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April 15, 2008

Mr. Oscar Peters
Administrator
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
Santa Barbara, CA 93105

Re: Addendum to June 30, 2007 Actuarial Valuation

Dear Oscar:

As requested, we have provided this letter and attachments as an addendum to the June 30, 2007 Actuarial Valuation of the Santa Barbara County Employees' Retirement System (SBCERS), presented at the February 27, 2008 Board Meeting. The purpose of this addendum is to:

- determine employer contribution rates beginning July 1, 2008 including the new General Plan 5C effective March 10, 2008; and to
- determine employer contribution rates beginning July 1, 2008 including the new General Plan 5C and reflecting a new classification of the Health Coverage Reserve and Supplemental Health Coverage Reserve (collectively, the "Health Reserves") effective retroactively as of June 30, 2007.

Our understanding of the potential new classification in Health Reserves effective June 30, 2007 is based on a memorandum from Oscar Peters dated March 26, 2008. The changes are summarized as follows:

- The elimination of the Health Coverage Reserve (total assets \$93,530,416);
- The inclusion in valuation assets of \$78,430,416 as a new Retired Member Health Benefit Reserve;
- A new non-valuation Supplemental Cash Benefit Reserve of \$8,100,000; and
- A new non-valuation 2007-2008 Health Benefit Reserve of \$7,000,000.

Summary of Exhibits

Attached to this letter are two sets of exhibits; Attachment 1 reflects the General Plan 5C changes only; Attachment 2 reflects the General Plan 5C changes and the disposition of the Health Reserves.

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Attachment 1

The first set of exhibits (Attachment 1) includes Exhibits 9-16 from the valuation report except Exhibits 10b, 10c, 11b, 11c, 12b and 12c which did not change and, therefore, are not included.

Funded ratio results are shown on Exhibit 11 of Attachment 1. The funded ratio of the General Plan has increased by 0.1% to 79.8% as a result of including General Plan 5C. The funded ratio for the Safety and APCD plans is unchanged. The aggregate funded ratio for all plans has also increased by 0.1%, to 82.8%.

As shown on Exhibit 12 of Attachment 1, the total employer contribution rate for Safety and APCD members has not changed from the rates presented at the February 27, 2008 Board Meeting. The employer contribution rate for General members has increased from 21.75% to 22.67% as a result of including General Plan 5C as discussed in our letter dated January 25, 2008. The aggregate employer contribution rate for all classes has increased from 24.92% to 25.58%, an increase of 0.66%.

Attachment 2

The second set of exhibits (Attachment 2) includes Exhibits 5-16 from the valuation report. The following table summarizes the changes in funded ratio for each plan as a result of the Health Reserve adjustments.

	Funded Ratio before Reserve Adjustments*	Funded Ratio after Reserve Adjustments*	Change
General Plan	79.8%	83.7%	3.9%
Safety Plan	87.6%	91.9%	4.3%
APCD Plan	79.3%	83.2%	3.9%
Total	82.8%	86.8%	4.0%

* Funded ratios based upon inclusion of General Plan 5C.

Additional detail is shown in Exhibit 11 of Attachment 2.

The following table summarizes the changes in employer contribution rates for each plan as a result of the Health Reserve adjustments.

	Employer contribution rates before Reserve Adjustments*	Employer contribution rates after Reserve Adjustments*	Change
General Plan	22.67%	20.80%	(1.87)%
Safety Plan	33.80%	30.10%	(3.70)%
APCD Plan	26.79%	24.55%	(2.24)%
Total	25.58%	23.24%	(2.34)%

* Employer contribution rates based upon inclusion of General Plan 5C.

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Additional detail is shown in Exhibits 11a-11c and 12-12c of Attachment 2.

The UAAL contribution rates are established using the methodology adopted by the Board. Under this methodology, a new amortization base is created each year equal to the difference between the UAAL and the sum of the outstanding balances of the previous amortization bases. The inclusion of assets from the Health Contingency Reserve into the valuation assets lowered the UAAL as of June 30, 2007 and is reflected in the amortization base for June 30, 2007.

Data, Methods and Assumptions

Except as otherwise noted, all data, methods and assumptions are consistent with our valuation of the System as of June 30, 2007, as detailed in the actuarial valuation presented at the February 27, 2008 Board Meeting.

A description of the data, methods and assumptions made in determining changes in membership as a result of General Plan 5C is included in our letter dated January 25, 2008.

For Attachment 2, the valuation assets include an additional \$78,430,416 for the Retired Member Health Benefit Reserve. That new reserve is allocated across member classes in proportion to the allocation of valuation assets before adjustment for this new reserve. This method was discussed with you in our telephone conversation on April 3, 2008. Please see Exhibit 8 of Attachment 2 for detail.

Certification

In preparing this addendum to the June 30, 2007 actuarial valuation, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this addendum is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

We further certify that all costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this addendum to

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the extent actual experience differs from that projected by the actuarial assumptions. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A of the June 30, 2007 actuarial valuation.

Actuarial computations presented in this addendum are for purposes of determining the recommended funding amounts for SBCERS. Actuarial computations presented in this addendum under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these purposes may differ as disclosed in our actuarial valuation report. The calculations in the enclosed addendum have been made on a basis consistent with our understanding of the System's funding requirements and goals. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this addendum. Accordingly, additional determinations may be needed for other purposes.

Milliman's work product was prepared exclusively for SBCERS for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning SBCERS' operations, and uses SBCERS' data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We have not explored any legal issues with respect to the disposition of the Health Reserves. We are not attorneys and cannot give legal advice on such issues.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We respectfully submit the following addendum, and we look forward to discussing it with you.

Sincerely,



Daniel R. Wade, FSA, EA, MAAA
Consulting Actuary

DRW/nlo

Enclosures

cc: Ms. Karen Steffen

SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 9: Actuarial Balance Sheet

(All Dollar Amounts in Thousands)

Resources				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Valuation Assets (Actuarial)	\$ 944,381	\$ 655,340	\$ 20,617	\$ 1,620,338
Present Value of Future Member Contributions	63,878	35,944	1,552	101,374
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	197,897	140,665	3,807	342,369
b) Unfunded Actuarial Accrued Liability	238,410	92,671	5,415	336,496
Total Resources	\$ 1,444,566	\$ 924,620	\$ 31,391	\$ 2,400,577
Liabilities				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Present Value of Future Benefits				
1. Present Retired Members	\$ 511,795	\$ 374,094	\$ 6,950	\$ 892,839
2. Current Inactive Members	62,966	22,076	1,777	86,819
3. Current Active Members				
- Service Retirement	772,418	469,536	20,414	1,262,368
- Disability Retirement	39,061	34,522	927	74,510
- Death Benefits	15,446	6,080	637	22,163
- Deferred Vested Benefit	35,746	16,110	598	52,454
- Refund of Member Contributions	<u>7,134</u>	<u>2,202</u>	<u>88</u>	<u>9,424</u>
- Total Active	\$ 869,805	\$ 528,450	\$ 22,664	\$ 1,420,919
Total Actuarial Liabilities	\$ 1,444,566	\$ 924,620	\$ 31,391	\$ 2,400,577

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 10: Calculated Employer Normal Cost Contribution Rates - June 30, 2007

	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>All Plans</u>
A. Normal Cost Contribution Rate				
Service Retirement	11.70%	19.75%	13.29%	13.79%
Disability Retirement	0.98%	2.87%	1.08%	1.47%
Death while Active	0.32%	0.42%	1.02%	0.36%
Termination (No Refund)	1.74%	2.16%	2.08%	1.85%
Refund of Member Contributions	0.68%	0.45%	0.92%	0.62%
Total	15.42%	25.65%	18.39%	18.09%
B. Member Contributions	<u>(3.75)%</u>	<u>(5.26)%</u>	<u>(5.26)%</u>	<u>(4.16)%</u>
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	11.67%	20.39%	13.13%	13.93%
D. Net Employer Normal Cost as of June 30, 2006*	<u>9.76%</u>	<u>17.68%</u>	<u>11.85%</u>	<u>11.80%</u>
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.91%	2.71%	1.28%	2.13%

The net employer normal cost rate as of June 30, 2006 for all Safety members does not match the 2006 valuation report. The 17.68% above is based upon weighting the normal cost for each individual tier by the payroll in the 2006 valuation report. Similarly, the 11.80% for all plans does not match the 11.61% in the 2006 valuation report. The 11.80% above is based upon weighting the normal cost for each plan by the payroll in the 2006 valuation report.

SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 10a: Calculated Employer Normal Cost Contribution Rates - June 30, 2007

	General - County				
	<u>5A</u>	<u>5B</u>	<u>5C</u>	<u>Plan 2</u>	<u>Total</u>
A. Normal Cost Contribution Rate					
Service Retirement	10.85%	13.78%	11.77%	2.12%	11.70%
Disability Retirement	0.96%	1.11%	0.96%	0.14%	0.98%
Death while Active	0.32%	0.36%	0.30%	0.03%	0.32%
Termination (No Refund)	1.94%	1.59%	1.66%	0.29%	1.74%
Refund of Member Contributions	0.55%	1.27%	0.58%	0.00%	0.68%
Total	14.62%	18.11%	15.27%	2.58%	15.42%
B. Member Contributions	(3.07)%	(7.05)%	(3.16)%	0.00%	(3.75)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	11.55%	11.06%	12.11%	2.58%	11.67%
D. Net Employer Normal Cost as of June 30, 2006	9.81%	9.81%	9.81%	3.36%	9.76%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.74%	1.25%	2.30%	(0.78)%	1.91%

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 11: Calculated UAAL Amount by Class - June 30, 2007

Amounts in millions of dollars

	General	Safety	APCD	2007 All Plans	2006 All Plans ⁽¹⁾	Percent Change
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	\$ 1,444.6	\$ 924.6	\$ 31.4	\$ 2,400.6	\$ 2,118.8	13.3%
B. Actuarial present value of total future Normal Costs for current members	<u>261.8</u>	<u>176.6</u>	<u>5.4</u>	<u>443.8</u>	<u>447.0</u>	(0.7)%
C. Actuarial Accrued Liability [A-B]	\$ 1,182.8	\$ 748.0	\$ 26.0	\$ 1,956.8	\$ 1,671.8	17.0%
D. Valuation Assets	<u>944.4</u>	<u>655.3</u>	<u>20.6</u>	<u>1,620.3</u>	<u>1,415.0</u>	14.5%
E. UAAL or Surplus Funding [C-D]	\$ 238.4	\$ 92.7	\$ 5.4	\$ 336.5	\$ 256.8	31.0%
F. Funded Ratio [D/C]	79.8%	87.6%	79.3%	82.8%	84.6%	(2.2)%

(1) Excludes non-valuation assets from present value of benefits and Valuation Assets.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 12: Total Employer Contributions

	General	Safety	APCD	2007 All Plans
A. Basic Employer Normal Cost Rate	7.88%	13.32%	8.61%	9.28%
B. COLA Normal Cost Rate	3.79%	7.07%	4.52%	4.65%
C. Employer Normal Cost Rate	11.67%	20.39%	13.13%	13.93%
D. UAAL Contribution Rate	11.00%	13.41%	13.66%	11.65%
E. Total June 30, 2007 Contribution Rate (C) + (D)	22.67%	33.80%	26.79%	25.58%
F. Total June 30, 2006 Contribution Rate	17.21%	32.34%	20.10%	21.09%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 227,728	\$ 80,082	\$ 4,178	\$ 311,988
H. Estimated Annual Contribution (E x G)*	\$ 51,617	\$ 27,070	\$ 1,120	\$ 79,807
I. Last Year's Estimated Annual Contribution	\$ 38,383	\$ 25,027	\$ 877	\$ 64,288
J. Increase / (Decrease) in Annual Contribution	\$ 13,234	\$ 2,043	\$ 243	\$ 15,520

** Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.
Dollar amounts are in thousands.*

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 12a: Total Employer Contributions - General

	General				
	<u>5A</u>	<u>5B</u>	<u>5C</u>	<u>Plan 2</u>	<u>Total</u>
A. Basic Employer Normal Cost Rate	7.89%	6.77%	8.34%	2.58%	7.88%
B. COLA Normal Cost Rate	3.66%	4.29%	3.77%	0.00%	3.79%
C. Employer Normal Cost Rate	11.55%	11.06%	12.11%	2.58%	11.67%
D. UAAL Contribution Rate	11.00%	11.00%	11.00%	11.00%	11.00%
E. Total June 30, 2007 Contribution Rate (C) + (D)	22.55%	22.06%	23.11%	13.58%	22.67%
F. Total June 30, 2006 Contribution Rate	17.26%	17.26%	N/A	10.81%	17.21%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 81,299	\$ 37,671	\$ 107,084	\$ 1,674	\$ 227,728
H. Estimated Annual Contribution (E x G)*	\$ 18,333	\$ 8,310	\$ 24,747	\$ 227	\$ 51,617
I. Last Year's Estimated Annual Contribution	\$ 14,853	\$ 23,342	N/A	\$ 188	\$ 38,383
J. Increase / (Decrease) in Annual Contribution	\$ 3,480	\$ (15,032)	\$ 24,747	\$ 39	\$ 13,234

* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.
Dollar amounts are in thousands.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 13: Analysis of Change in Unfunded Actuarial Accrued Liability
(Dollars in Millions)

	Amount	As a Percent of June 30, 2007 Actuarial Accrued Liability	UAAL Contribution Rate % of Pay *
Unfunded Actuarial Accrued Liability - June 30, 2006	\$ 256.8	13.1%	9.29%
Increase in UAAL due to new assumptions	45.4	2.3%	1.42%
Increase in UAAL due to change in methodology	86.2	4.4%	2.40%
Unfunded Actuarial Accrued Liability - June 30, 2006 (Modified Valuation with new assumptions)	\$ 388.4	19.8%	13.11%
Interest Accrued	31.7	1.6%	1.06%
Benefits Accrued (Normal Cost)	56.6	2.9%	1.70%
Contributions (with Assumed Interest)			
Employer - Cash	(65.9)	-3.4%	-1.98%
Member	(16.5)	-0.8%	-0.49%
Transfer from Non-Valuation Assets	-	0.0%	0.00%
Total	<u>(82.4)</u>	-4.2%	<u>-2.47%</u>
Expected Unfunded Actuarial Accrued Liability - June 30, 2007	\$ 394.3	20.2%	13.40%
Source of Change			
Asset (Gains) and Losses	(57.6)	-2.9%	-1.73%
Actuarial (Gains) and Losses			
Salary Increases	12.6	0.6%	0.38%
CPI Less than Expected	-	0.0%	0.00%
New Entrants	4.0	0.2%	0.12%
Data changes	(4.5)	-0.2%	-0.13%
Mortality Experience	(6.9)	-0.4%	-0.21%
Change in Safety Plan retirement age assumption **	(17.4)	-0.9%	-0.52%
All Other Experience	1.8	0.1%	0.05%
Total	<u>(10.4)</u>	-0.5%	<u>-0.31%</u>
New Safety Plan 6A & 6B Benefits			
Retirement assumption change	6.3	0.3%	0.19%
All other changes	6.5	0.3%	0.19%
Total	<u>12.8</u>	0.7%	<u>0.38%</u>
New General Tier 5C Benefits			
All changes	(2.6)	-0.1%	-0.09%
Total	<u>(2.6)</u>	-0.1%	<u>-0.09%</u>
Total Changes	(57.8)	-3.0%	-1.75%
Unfunded Actuarial Accrued Liability - June 30, 2007	\$ 336.5	17.2%	11.65%

* 2006 valuation pay used to compute UAAL contribution rate as a percentage of pay for 2006 Modified Valuation with new assumptions. Otherwise, 2007 valuation pay used to compute contribution rate as a source of change.

** Adopted with 2007 Experience Study assumption changes, but previously omitted for 2006 financial values.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 14: Schedule of Funding Progress
(All Dollars in Thousands)

Actuarial Valuation Date*	(a) Actuarial Value of Assets	(b) Non-Valuation Assets (NVA)	(c) Valuation Assets (a)-(b)	(d) Valuation Actuarial Accrued Liabilities (AAL)	(e) AAL with NVA (b)+(d)	(f) Unfunded Actuarial Accrued Liabilities (UAAL) (d)-(c) = (e)-(a)	(g) Prior Method Funded Ratio (a)/(e)	(h) Current Method Funded Ratio (c)/(d)	(i) Covered Payroll	UAAL as a Percentage of Covered Payroll (f)/(i)
December 31, 2002**	\$ 1,295,956	\$ 134,607	\$ 1,161,349	\$ 1,228,998	\$ 1,363,605	\$ 67,649	95.0%	94.5%	\$ 251,834	26.9%
June 30, 2003	1,346,665	135,317	1,211,348	1,319,547	1,454,864	108,199	92.6%	91.8%	257,237	42.1%
June 30, 2004	1,379,170	137,613	1,241,557	1,441,156	1,578,769	199,599	87.4%	86.2%	266,960	74.8%
June 30, 2005	1,443,824	137,829	1,305,995	1,549,803	1,687,632	243,808	85.6%	84.3%	267,785	91.0%
June 30, 2006	1,552,776	137,825	1,414,951	1,671,831	1,809,656	256,880	85.8%	84.6%	287,382	89.4%
June 30, 2007	1,735,489	115,151	1,620,338	1,956,834	2,071,985	336,496	83.8%	82.8%	294,163	114.4%

* Information for years prior to 2007 was provided by prior actuaries.
Prior to 2007, non-valuation asset reserves were included with the Actuarial Value of Assets (AVA).
Non-valuation asset reserves were also added to the Actuarial Accrued Liabilities (AAL) prior to 2007.
Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

** The scheduled timing of the actuarial valuation was changed to a fiscal year basis effective June 30, 2003.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

**Exhibit 15: Schedule of Contributions from the Employer
(All Dollars in Thousands)**

Fiscal Year Ending*	Annual Required Contribution (ARC)	Actual Employer Contributions	Percentage of ARC Contributed
12/31/2002	\$ 32,999	\$ 32,999	100%
06/30/2003**	9,118	9,118	100%
06/30/2004	39,335	39,335	100%
06/30/2005	46,721	46,721	100%
06/30/2006	53,977	53,977	100%
06/30/2007	63,395	63,395	100%

* Information for years prior to 2007 was provided by prior actuaries.

** January 1, 2003 to June 30, 2003

SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 16: Solvency Test
(All Dollars in Thousands)

Actuarial Valuation Date*	Valuation Assets	Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
December 31, 2002**	\$ 1,295,956	\$ 122,032	\$ 460,031	\$ 781,542	100%	100%	91%
June 30, 2003	1,346,665	105,570	572,737	776,557	100%	100%	86%
June 30, 2004	1,379,170	115,530	633,082	830,157	100%	100%	76%
June 30, 2005	1,443,824	125,040	715,319	847,273	100%	100%	71%
June 30, 2006	1,552,776	137,148	788,479	884,029	100%	100%	71%
June 30, 2007	1,620,338	169,218	979,657	807,959	100%	100%	58%

* Information for years prior to 2007 was provided by prior actuaries.

Prior to 2007, non-valuation asset reserves were included with the Actuarial Value of Assets (AVA).

Non-valuation asset reserves were also added to the Actuarial Accrued Liabilities (AAL) for Active Members prior to 2007.

Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

Also beginning in 2007, liabilities for terminated members with vested deferred benefits are included with the AAL for Retirees and Beneficiaries.

**The scheduled timing of the actuarial valuation was changed to a fiscal year basis effective June 30, 2003.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 5: Balance of Reserves as of June 30, 2007

	2007	2006
1. Member Deposit Reserve	\$ 169,217,997	\$ 148,181,920
2. County and District Advance Reserve ⁽¹⁾	558,510,143	496,447,927
3. Retired Member Reserve ⁽¹⁾	912,832,239	747,078,120
4. Sick Leave Reserve ⁽¹⁾	N/A	5,890,788
5. Spousal Continuanace Reserve ⁽¹⁾	N/A	1,685,478
6. APCD Death Allowance Reserve ⁽¹⁾	N/A	45,009
7. Burial Allowance Reserve ⁽¹⁾	N/A	5,392,745
8. Special Allowance Reserve ⁽¹⁾	N/A	18,820,406
9. Retired Member Health Benefit Reserve ⁽²⁾	78,430,416	N/A
	<u>\$ 1,718,990,795</u>	<u>\$ 1,423,542,394</u>
10. Market Stabilization Account	144,750,285	86,410,823
	<u>\$ 1,863,741,080</u>	<u>\$ 1,509,953,217</u>
11. Special Reserves (Non-valuation reserves)		
a. Health/Supplemental Health Coverage Reserve ⁽²⁾	N/A	\$ 94,235,261
b. Supplemental Cash Benefit Reserve ⁽²⁾	8,100,000	N/A
c. 2007-2008 Health Benefit Reserve ⁽²⁾	7,000,000	N/A
d. Contingency Reserve ⁽³⁾	21,620,214	24,769,811
	<u>\$ 36,720,214</u>	<u>\$ 119,005,072</u>
Total Reserves	<u>\$ 1,900,461,294</u>	<u>\$ 1,628,958,289</u>

⁽¹⁾ Beginning with the June 30, 2007 actuarial valuation: 1. County and District Advance reserve includes Sick Leave, Spousal Continuanace, and APCD Death Allowance reserves. 2. Retired Member reserve includes Burial Allowance and Special Allowance reserves.

⁽²⁾ Beginning with the June 30, 2007 actuarial valuation: the Health Coverage reserve and Supplemental Health Coverage reserve are eliminated. The associated assets are allocated to 1. the Retired Member Health Benefit reserve, 2. the Supplemental Cash Benefit reserve, and 3. the 2007-2008 Health Benefit reserve.

⁽³⁾ Transfer of \$3,149,597 from Contingency reserve to Retired Member reserve effective June 30, 2007.

SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 6: 5-Year Smoothing of Gains and Losses on Market Value

Plan Year Ending	Contributions	Benefits*	Expected Investment Return	Actual Investment Return	Earnings Gain or (Loss)	Deferred Portion of Gain/Loss	Deferred Investment Return
06/30/2003	\$ 15,852,113	\$ 27,532,133	\$ 42,964,924	\$ 101,134,014	\$ 58,169,090	10%	\$ 5,816,909
06/30/2004	52,968,440	59,102,412	95,174,169	183,336,227	88,162,058	20%	17,632,412
06/30/2005	61,548,644	65,539,276	109,721,321	133,529,299	23,807,978	40%	9,523,191
06/30/2006	69,034,338	72,492,886	120,313,386	156,258,819	35,945,433	60%	21,567,260
06/30/2007	79,248,435	78,730,066	132,943,731	270,984,635	138,040,904	80%	<u>110,432,723</u>
1. Total							\$ 164,972,495
2. Market Value of Assets as of June 30, 2007							\$ 1,900,461,294
3. Preliminary Actuarial Value of Assets as of June 30, 2007 = (2) -(1)							\$ 1,735,488,799
4. Corridor Limit							
a. 80% of Net Market Value							1,520,369,035
b. 120% of Net Market Value							2,280,553,552
5. Actuarial Value of Assets After Corridor as of June 30, 2007							\$ 1,735,488,799
6. Special Reserves (Non-valuation reserves)							
Supplemental Cash Benefit Reserve					\$ 8,100,000		
2007-2008 Health Benefit Reserve					7,000,000		
Contingency Reserve					<u>21,620,214</u>		
Total							\$ <u>36,720,214</u>
7. Valuation Assets as of June 30, 2007 = (5) - (6)							<u>\$ 1,698,768,585</u>

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 7: Development of Valuation Assets

Development of Valuation Assets

	Valuation Assets	Actuarial Assets	Market Value of Assets
1. Total June 30, 2006 Valuation	\$ 1,414,950,260	\$ 1,552,775,738	\$ 1,628,958,290
2. Changes During the Year			
Member Contributions	15,853,139	15,853,139	15,853,139
County Contributions	63,395,296	63,395,296	63,395,296
Benefit Payments	(68,617,406)	(78,730,066)	(78,730,066)
Special Allowance Reserve Adjustment *	21,193,803	-	-
Health Coverage Reserve Adjustment **	78,430,416	-	-
Investment Return, net of expenses	173,563,077	182,194,692	270,984,635
Total Changes	\$ 283,818,325	\$ 182,713,061	\$ 271,503,004
3. Total June 30, 2007 Valuation = 1 + 2	\$ 1,698,768,585	\$ 1,735,488,799	\$ 1,900,461,294
4. Expected Value as of June 30, 2006	\$ 1,641,090,690	\$ 1,680,021,342	\$ 1,762,420,390
5. Gain/Loss = 3 - 4	57,677,895	55,467,457	138,040,904
6. Rate of Return	12.22%	11.73%	16.63%

* Effective June 30, 2007, the Special Allowance reserve is included with the Valuation Assets. Previously, it was not included with the Valuation Assets. Also included in this line is a transfer from the Contingency reserve.

** Effective June 30, 2007, \$78,430,416 of the Health Coverage reserve is included with the Valuation Assets. Previously, it was not included with the Valuation Assets.

SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 8: Allocation of Valuation Assets

	General	Safety	APCD	Total
1. Member Reserves	\$ 131,268	\$ 35,787	\$ 2,163	\$ 169,218
2. Employer Reserves Previously Allocated by Plan ⁽ⁱ⁾	\$ 330,194	\$ 209,698	\$ 10,424	\$ 550,316
3. Percentage of Employer Reserves by Plan	60.00%	38.11%	1.89%	100.00%
4. Sick Leave and Spousal Continuance Reserves ⁽ⁱⁱ⁾	\$ 4,916	\$ 3,122	\$ 155	\$ 8,194
5. Employer Reserves (2. + 4.)	\$ 335,110	\$ 212,820	\$ 10,579	\$ 558,510
6. Retired Member Reserves Previously Allocated by Plan ⁽ⁱⁱⁱ⁾	\$ 471,435	\$ 406,592	\$ 8,079	\$ 886,106
7. Transfer from Special Allowance and Contingency reserves ^(iv)	\$ 15,385	\$ 5,805	\$ 4	\$ 21,194
8. Retired Member Reserves w/ Special Allowance Reserve (6.+7.)	\$ 486,820	\$ 412,397	\$ 8,083	\$ 907,300
9. Percentage of Line 8. by Plan	53.66%	45.45%	0.89%	100.00%
10. Burial Reserve ^(v)	\$ 2,969	\$ 2,515	\$ 49	\$ 5,533
11. Total Retired Member Reserves (8.+10.)	\$ 489,789	\$ 414,912	\$ 8,132	\$ 912,833
12. Total Member, Employer, and Retired Reserves (1.+5.+11.)	\$ 956,167	\$ 663,519	\$ 20,874	\$ 1,640,560
13. Percentage of Line 12. by Plan	58.28%	40.44%	1.27%	100.00%
14. Transfer from Health Coverage Reserve ^(vi)	\$ 45,711	\$ 31,721	\$ 998	\$ 78,430
15. Total Valuation Reserves (12.+14.)	\$ 1,001,878	\$ 695,240	\$ 21,872	\$ 1,718,990
16. Actuarial Value of Valuation Assets (Exhibit 6)				\$ 1,698,769
17. Allocated Valuation Assets (13.x15.)	\$ 990,093	\$ 687,061	\$ 21,615	\$ 1,698,769

(i) Does not include the Sick Leave or Spousal Continuance Reserves, as those reserves were not allocated by Plan. APCD includes APCD Death Reserve.

(ii) Allocated in proportion to Employer Reserves previously allocated by Plan.

(iii) Does not include Burial Allowance Reserve or Special Allowance Reserve, as those reserves were not allocated by Plan.

(iv) \$18,044,206 from Special Allowance reserve and \$3,149,597 from Contingency reserve allocated into General, Safety, and APCD based upon liabilities for Special Allowance benefits.

(v) Burial Reserves allocated in proportion to Line 8.

(vi) \$78,430,416 from Health Coverage reserve allocated in proportion to Line 13.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 9: Actuarial Balance Sheet

(All Dollar Amounts in Thousands)

Resources				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Valuation Assets (Actuarial)	\$ 990,093	\$ 687,061	\$ 21,615	\$ 1,698,769
Present Value of Future Member Contributions	63,878	35,944	1,552	101,374
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	197,897	140,665	3,807	342,369
b) Unfunded Actuarial Accrued Liability	192,698	60,950	4,417	258,065
Total Resources	\$ 1,444,566	\$ 924,620	\$ 31,391	\$ 2,400,577
Liabilities				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Present Value of Future Benefits				
1. Present Retired Members	\$ 511,795	\$ 374,094	\$ 6,950	\$ 892,839
2. Current Inactive Members	62,966	22,076	1,777	86,819
3. Current Active Members				
- Service Retirement	772,418	469,536	20,414	1,262,368
- Disability Retirement	39,061	34,522	927	74,510
- Death Benefits	15,446	6,080	637	22,163
- Deferred Vested Benefit	35,746	16,110	598	52,454
- Refund of Member Contributions	<u>7,134</u>	<u>2,202</u>	<u>88</u>	<u>9,424</u>
- Total Active	\$ 869,805	\$ 528,450	\$ 22,664	\$ 1,420,919
Total Actuarial Liabilities	\$ 1,444,566	\$ 924,620	\$ 31,391	\$ 2,400,577

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 10: Calculated Employer Normal Cost Contribution Rates - June 30, 2007

	General	Safety	APCD	All Plans
A. Normal Cost Contribution Rate				
Service Retirement	11.70%	19.75%	13.29%	13.79%
Disability Retirement	0.98%	2.87%	1.08%	1.47%
Death while Active	0.32%	0.42%	1.02%	0.36%
Termination (No Refund)	1.74%	2.16%	2.08%	1.85%
Refund of Member Contributions	0.68%	0.45%	0.92%	0.62%
Total	15.42%	25.65%	18.39%	18.09%
B. Member Contributions	(3.75)%	(5.26)%	(5.26)%	(4.16)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	11.67%	20.39%	13.13%	13.93%
D. Net Employer Normal Cost as of June 30, 2006*	9.76%	17.68%	11.85%	11.80%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.91%	2.71%	1.28%	2.13%

The net employer normal cost rate as of June 30, 2006 for all Safety members does not match the 2006 valuation report. The 17.68% above is based upon weighting the normal cost for each individual tier by the payroll in the 2006 valuation report. Similarly, the 11.80% for all plans does not match the 11.61% in the 2006 valuation report. The 11.80% above is based upon weighting the normal cost for each plan by the payroll in the 2006 valuation report.

SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 10a: Calculated Employer Normal Cost Contribution Rates - June 30, 2007

	General - County				
	<u>5A</u>	<u>5B</u>	<u>5C</u>	<u>Plan 2</u>	<u>Total</u>
A. Normal Cost Contribution Rate					
Service Retirement	10.85%	13.78%	11.77%	2.12%	11.70%
Disability Retirement	0.96%	1.11%	0.96%	0.14%	0.98%
Death while Active	0.32%	0.36%	0.30%	0.03%	0.32%
Termination (No Refund)	1.94%	1.59%	1.66%	0.29%	1.74%
Refund of Member Contributions	0.55%	1.27%	0.58%	0.00%	0.68%
Total	14.62%	18.11%	15.27%	2.58%	15.42%
B. Member Contributions	(3.07)%	(7.05)%	(3.16)%	0.00%	(3.75)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	11.55%	11.06%	12.11%	2.58%	11.67%
D. Net Employer Normal Cost as of June 30, 2006	9.81%	9.81%	9.81%	3.36%	9.76%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.74%	1.25%	2.30%	(0.78)%	1.91%

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 10b: Calculated Employer Normal Cost Contribution Rates - June 30, 2007

A. Normal Cost Contribution Rate	Safety						Total
	4A	4B	4C	4D	6A*	6B*	
Service Retirement	19.21%	20.17%	18.93%	18.71%	20.25%	20.51%	19.75%
Disability Retirement	3.02%	2.50%	2.85%	2.76%	2.89%	2.81%	2.87%
Death while Active	0.47%	0.38%	0.42%	0.43%	0.41%	0.41%	0.42%
Termination (No Refund)	1.99%	1.62%	1.82%	1.80%	2.41%	2.45%	2.16%
Refund of Member Contributions	0.46%	0.89%	0.45%	0.44%	0.43%	0.45%	0.45%
Total	25.15%	25.56%	24.47%	24.14%	26.39%	26.63%	25.65%
B. Member Contributions	(5.31)%	(10.88)%	(5.18)%	(5.12)%	(5.07)%	(5.12)%	(5.26)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	19.84%	14.68%	19.29%	19.02%	21.32%	21.51%	20.39%
D. Net Employer Normal Cost as of June 30, 2006	20.90%	15.69%	15.23%	14.97%	0.00%*	0.00%*	17.68%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	(1.06)%	(1.01)%	4.06%	4.05%	NA	NA	2.71%

* New plans effective February 25, 2008. All members in Plan 4D will move to Plan 6B.

As discussed with the Board in August 2007, the 2006 valuation reflected the new member rates for Safety 4C and 4D by increasing the UAAL rates rather than increasing the County's portion of the total normal cost rate.

The net employer normal cost rate as of June 30, 2006 for all Safety members does not match the 2006 valuation report. The 17.68% above is based upon weighting the normal cost for each individual tier by the payroll in the 2006 valuation report.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 10c: Calculated Employer Normal Cost Contribution Rates - June 30, 2007
APCD

A. Normal Cost Contribution Rate	APCD		
	<u>Plan 1</u>	<u>Plan 2</u>	<u>Total</u>
Service Retirement	12.28%	15.10%	13.29%
Disability Retirement	1.06%	1.12%	1.08%
Death while Active	0.99%	1.08%	1.02%
Termination (No Refund)	2.27%	1.74%	2.08%
Refund of Member Contributions	0.65%	1.41%	0.92%
Total	17.25%	20.45%	18.39%
B. Member Contributions	(3.68)%	(8.07)%	(5.26)%
C. Net Employer Normal Cost as of June 30, 2007 (A) + (B)	13.57%	12.38%	13.13%
D. Net Employer Normal Cost as of June 30, 2006*	11.68%	12.20%	11.85%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	1.89%	0.18%	1.28%

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 11: Calculated UAAL Amount by Class - June 30, 2007

Amounts in millions of dollars

	General	Safety	APCD	2007 All Plans	2006 All Plans ⁽¹⁾	Percent Change
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	\$ 1,444.6	\$ 924.6	\$ 31.4	\$ 2,400.6	\$ 2,118.8	13.3%
B. Actuarial present value of total future Normal Costs for current members	261.8	176.6	5.4	443.8	447.0	(0.7)%
C. Actuarial Accrued Liability [A-B]	\$ 1,182.8	\$ 748.0	\$ 26.0	\$ 1,956.8	\$ 1,671.8	17.0%
D. Valuation Assets	990.1	687.1	21.6	1,698.8	1,415.0	20.1%
E. UAAL or Surplus Funding [C-D]	\$ 192.7	\$ 60.9	\$ 4.4	\$ 258.0	\$ 256.8	0.5%
F. Funded Ratio [D/C]	83.7%	91.9%	83.2%	86.8%	84.6%	2.6%

(1) Excludes non-valuation assets from present value of benefits and Valuation Assets.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

**Exhibit 11a: UAAL Amortization Rates - General
June 30, 2007 Valuation**

Interest 8.16%
Annual Payroll Increases 4.00%

Amortization factor (n=15) 0.088195

Base Number:	Base 1	Base 2	Base 3	Base 4	Base 5	Base 6	All Bases
Date Base Established:	Initial (1/1/2003)	07/01/2003	07/01/2004	07/01/2005	07/01/2006	07/01/2007	
Years Remaining:	10.5	11	12	13	14	15	
Original Balance: \$	37,619,091	\$ 16,495,962	\$ 54,044,533	\$ 25,521,889	\$ 42,046,577	\$ 24,959,963	\$ 200,688,015
Current Balance:	34,396,264	15,332,593	51,602,766	24,861,821	41,544,593	24,959,963	192,698,000
Amortization Factor:	0.116242	0.111932	0.104483	0.098199	0.092831	0.088195	
Beginning of Year Payment: \$	3,998,289	\$ 1,716,213	\$ 5,391,612	\$ 2,441,406	\$ 3,856,608	\$ 2,201,332	\$ 19,605,460

Beginning of Year Payroll: \$ 214,717,344

UAAL Amortization Rate - General: 9.13%

Period	Base 1 Payment	Base 2 Payment	Base 3 Payment	Base 4 Payment	Base 5 Payment	Base 6 Payment	All Bases Totals	Discounted Totals
1	\$ 4,077,471	\$ 1,750,201	\$ 5,498,387	\$ 2,489,755	\$ 3,932,984	\$ 2,244,927	\$ 19,993,725	\$ 19,224,735
2	4,240,570	1,820,209	5,718,322	2,589,346	4,090,303	2,334,724	20,793,474	18,485,323
3	4,410,192	1,893,017	5,947,055	2,692,919	4,253,915	2,428,113	21,625,211	17,774,347
4	4,586,600	1,968,738	6,184,938	2,800,636	4,424,072	2,525,238	22,490,222	17,090,720
5	4,770,064	2,047,487	6,432,335	2,912,662	4,601,035	2,626,247	23,389,830	16,433,384
6	4,960,867	2,129,387	6,689,628	3,029,168	4,785,076	2,731,297	24,325,423	15,801,331
7	5,159,301	2,214,562	6,957,214	3,150,335	4,976,479	2,840,549	25,298,440	15,193,587
8	5,365,673	2,303,145	7,235,502	3,276,348	5,175,538	2,954,171	26,310,377	14,609,218
9	5,580,300	2,395,271	7,524,922	3,407,402	5,382,560	3,072,338	27,362,793	14,047,326
10	5,803,512	2,491,081	7,825,919	3,543,698	5,597,862	3,195,231	28,457,303	13,507,043
11	3,017,826	2,590,725	8,138,956	3,685,446	5,821,777	3,323,040	26,577,770	11,663,219
12			8,464,514	3,832,864	6,054,648	3,455,962	21,807,988	8,848,075
13				3,986,179	6,296,834	3,594,200	13,877,213	5,205,576
14					6,548,707	3,737,968	10,286,675	3,567,589
15						3,887,487	3,887,487	1,246,527
Totals	\$ 51,972,376	\$ 23,603,823	\$ 82,617,692	\$ 41,396,758	\$ 71,941,790	\$ 44,951,492	\$ 316,483,931	\$ 192,698,000

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

**Exhibit 11b: UAAL Amortization Rates - Safety
June 30, 2007 Valuation**

Interest 8.16%
Annual Payroll Increases 4.00%
Amortization factor (n=15) 0.088195

Base Number:	Base 1	Base 2	Base 3	Base 4	Base 5	Base 6	Bases for All Safety	New Base for 3% @ 50 Formula	All Bases	
Date Base Established:	Initial (1/1/2003)	7/1/2003	7/1/2004	7/1/2005	7/1/2006	7/1/2007		7/1/2007		
Years Remaining:	10.5	11	12	13	14	15		15		
Original Balance:	\$ 28,803,194	\$ 23,375,065	\$ 38,660,471	\$ 20,254,712	\$ (21,026,765)	\$ (35,776,847)	\$ 54,289,830	\$ 12,795,769	\$ 67,085,599	
Current Balance:	26,335,625	21,726,551	36,913,766	19,730,868	(20,775,732)	(35,776,847)	48,154,231	12,795,769	60,950,000	
Amortization Factor:	0.116242	0.111932	0.104483	0.098199	0.092831	0.088195		0.088195		
Beginning of Year Payment:	\$ 3,061,305	\$ 2,431,904	\$ 3,856,861	\$ 1,937,552	\$ (1,928,623)	\$ (3,155,321)	\$ 6,203,678	\$ 1,128,517	7,332,195	
							Beginning of Year Payroll: \$	75,506,157	Beginning of Year Payroll: \$	38,872,640
							UAAL Amortization Rate - Safety:	8.22%		2.90%

Period	Base 1 Payment	Base 2 Payment	Base 3 Payment	Base 4 Payment	Base 5 Payment	Base 6 Payment	All Safety Totals	Discounted Totals	New Base for 3% @ 50 Formula Payment	Discounted Totals
1	\$ 3,121,931	\$ 2,480,065	\$ 3,933,242	\$ 1,975,923	\$ (1,966,817)	\$ (3,217,809)	\$ 6,326,535	\$ 6,083,207	\$ 1,150,866	\$ 1,106,602
2	3,246,808	2,579,268	4,090,572	2,054,960	(2,045,490)	(3,346,521)	6,579,597	5,849,238	1,196,901	1,064,041
3	3,376,680	2,682,439	4,254,194	2,137,158	(2,127,310)	(3,480,382)	6,842,779	5,624,266	1,244,777	1,023,116
4	3,511,748	2,789,736	4,424,362	2,222,645	(2,212,402)	(3,619,597)	7,116,492	5,407,949	1,294,568	983,765
5	3,652,217	2,901,325	4,601,337	2,311,551	(2,300,898)	(3,764,381)	7,401,151	5,199,951	1,346,350	945,928
6	3,798,306	3,017,379	4,785,390	2,404,013	(2,392,934)	(3,914,956)	7,697,198	4,999,953	1,400,205	909,546
7	3,950,238	3,138,074	4,976,806	2,500,173	(2,488,651)	(4,071,555)	8,005,085	4,807,647	1,456,213	874,564
8	4,108,248	3,263,597	5,175,878	2,600,180	(2,588,197)	(4,234,417)	8,325,289	4,622,737	1,514,461	840,926
9	4,272,578	3,394,140	5,382,913	2,704,187	(2,691,725)	(4,403,793)	8,658,300	4,444,940	1,575,040	808,583
10	4,443,481	3,529,906	5,598,230	2,812,355	(2,799,394)	(4,579,945)	9,004,633	4,273,981	1,638,041	777,484
11	2,310,610	3,671,102	5,822,159	2,924,849	(2,911,370)	(4,763,143)	7,054,207	3,095,623	1,703,563	747,581
12			6,055,045	3,041,843	(3,027,825)	(4,953,669)	1,115,394	452,545	1,771,705	718,827
13				3,163,517	(3,148,938)	(5,151,815)	(5,137,236)	(1,927,064)	1,842,574	691,180
14					(3,274,895)	(5,357,888)	(8,632,783)	(2,993,992)	1,916,277	664,597
15						(5,572,203)	(5,572,203)	(1,786,750)	1,992,928	639,028
Totals	\$ 39,792,845	\$ 33,447,031	\$ 59,100,128	\$ 32,853,354	\$ (35,976,846)	\$ (64,432,074)	\$ 64,784,438	\$ 48,154,231	\$ 23,044,469	\$ 12,795,769

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

**Exhibit 11c: UAAL Amortization Rates - Air Pollution Control District
June 30, 2007 Valuation**

Interest 8.16%
Annual Payroll Increases 4.00%

Amortization factor (n=15) 0.088195

Base Number:	Base 1	Base 2	Base 3	Base 4	Base 5	Base 6	All Bases	
Date Base Established:	Initial (1/1/2003)	07/01/2003	07/01/2004	07/01/2005	07/01/2006	07/01/2007		
Years Remaining:	10.5	11	12	13	14	15		
Original Balance:	\$ 1,227,034	\$ 950,363	\$ (152,364)	\$ 975,400	\$ 199,108	\$ 1,410,322	\$ 4,609,863	
Current Balance:	1,121,914	883,340	(145,480)	950,173	196,731	1,410,322	4,417,000	
Amortization Factor:	0.116242	0.111932	0.104483	0.098199	0.092831	0.088195		
Beginning of Year Payment:	\$ 130,413	\$ 98,874	\$ (15,200)	\$ 93,306	\$ 18,263	\$ 124,383	\$ 450,039	
							Beginning of Year Payroll:	\$ 3,939,567
							UAAL Amortization Rate:	11.42%

Period	Base 1 Payment	Base 2 Payment	Base 3 Payment	Base 4 Payment	Base 5 Payment	Base 6 Payment	All Bases Totals	Discounted Totals
1	\$ 132,996	\$ 100,832	\$ (15,501)	\$ 95,154	\$ 18,625	\$ 126,846	\$ 458,952	\$ 441,300
2	138,316	104,865	(16,121)	98,960	19,370	131,920	477,310	424,327
3	143,848	109,060	(16,766)	102,918	20,144	137,197	496,401	408,005
4	149,602	113,422	(17,437)	107,035	20,950	142,685	516,257	392,313
5	155,586	117,959	(18,134)	111,317	21,788	148,392	536,908	377,224
6	161,810	122,678	(18,859)	115,769	22,660	154,328	558,386	362,717
7	168,282	127,585	(19,614)	120,400	23,566	160,501	580,720	348,765
8	175,013	132,688	(20,398)	125,216	24,509	166,921	603,949	335,351
9	182,014	137,996	(21,214)	130,225	25,489	173,598	628,108	322,454
10	189,294	143,516	(22,063)	135,434	26,509	180,542	653,232	310,052
11	98,433	149,256	(22,945)	140,851	27,569	187,763	580,927	254,930
12			(23,863)	146,485	28,672	195,274	346,568	140,612
13				152,344	29,819	203,085	385,248	144,513
14					31,011	211,208	242,219	84,006
15						219,657	219,657	70,431
Totals	\$ 1,695,194	\$ 1,359,857	\$ (232,915)	\$ 1,582,108	\$ 340,681	\$ 2,539,917	\$ 7,284,842	\$ 4,417,000

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 12: Total Employer Contributions

	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>2007 All Plans</u>
A. Basic Employer Normal Cost Rate	7.88%	13.32%	8.61%	9.28%
B. COLA Normal Cost Rate	3.79%	7.07%	4.52%	4.65%
C. Employer Normal Cost Rate	11.67%	20.39%	13.13%	13.93%
D. UAAL Contribution Rate	9.13%	9.71%	11.42%	9.31%
E. Total June 30, 2007 Contribution Rate (C) + (D)	20.80%	30.10%	24.55%	23.24%
F. Total June 30, 2006 Contribution Rate	17.21%	32.34%	20.10%	21.09%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 227,728	\$ 80,082	\$ 4,178	\$ 311,988
H. Estimated Annual Contribution (E x G)*	\$ 47,360	\$ 24,108	\$ 1,026	\$ 72,494
I. Last Year's Estimated Annual Contribution	\$ 38,383	\$ 25,027	\$ 877	\$ 64,288
J. Increase / (Decrease) in Annual Contribution	\$ 8,977	\$ (919)	\$ 149	\$ 8,207

* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.
Dollar amounts are in thousands.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 12a: Total Employer Contributions - General

	General				
	<u>5A</u>	<u>5B</u>	<u>5C</u>	<u>Plan 2</u>	<u>Total</u>
A. Basic Employer Normal Cost Rate	7.89%	6.77%	8.34%	2.58%	7.88%
B. COLA Normal Cost Rate	3.66%	4.29%	3.77%	0.00%	3.79%
C. Employer Normal Cost Rate	11.55%	11.06%	12.11%	2.58%	11.67%
D. UAAL Contribution Rate	9.13%	9.13%	9.13%	9.13%	9.13%
E. Total June 30, 2007 Contribution Rate (C) + (D)	20.68%	20.19%	21.24%	11.71%	20.80%
F. Total June 30, 2006 Contribution Rate	17.26%	17.26%	N/A	10.81%	17.21%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 81,299	\$ 37,671	\$ 107,084	\$ 1,674	\$ 227,728
H. Estimated Annual Contribution (E x G)*	\$ 16,813	\$ 7,606	\$ 22,745	\$ 196	\$ 47,360
I. Last Year's Estimated Annual Contribution	\$ 14,853	\$ 23,342	N/A	\$ 188	\$ 38,383
J. Increase / (Decrease) in Annual Contribution	\$ 1,960	\$ (15,736)	\$ 22,745	\$ 8	\$ 8,977

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 12b: Total Employer Contributions - Safety

	Safety						<u>Total</u>
	<u>4A</u>	<u>4B</u>	<u>4C</u>	<u>4D</u>	<u>6A*</u>	<u>6B*</u>	
A. Basic Employer Normal Cost Rate	12.96%	8.00%	12.65%	12.46%	13.91%	14.11%	13.32%
B. COLA Normal Cost Rate	6.88%	6.68%	6.64%	6.56%	7.41%	7.40%	7.07%
C. Employer Normal Cost Rate	19.84%	14.68%	19.29%	19.02%	21.32%	21.51%	20.39%
D. UAAL Contribution Rate	8.22%	8.22%	8.22%	8.22%	11.12%	11.12%	9.71%
E. Total June 30, 2007 Contribution Rate (C) + (D)	28.06%	22.90%	27.51%	27.24%	32.44%	32.63%	30.10%
F. Total June 30, 2006 Contribution Rate	34.04%	28.83%	31.86%	31.60%	N/A	N/A	32.34%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 12,579	\$ 1,431	\$ 24,844	\$ -	\$ 19,677	\$ 21,551	\$ 80,082
H. Estimated Annual Contribution (E x G)*	\$ 3,530	\$ 328	\$ 6,835	\$ -	\$ 6,383	\$ 7,032	\$ 24,108
I. Last Year's Estimated Annual Contribution	\$ 11,368	\$ 2,969	\$ 4,832	\$ 5,859	N/A	N/A	\$ 25,027
J. Increase / (Decrease) in Annual Contribution	\$ (7,838)	\$ (2,641)	\$ 2,003	\$ (5,859)	\$ 6,383	\$ 7,032	\$ (919)

* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 12c: Total Employer Contributions - APCD

	APCD		
	Plan 1	Plan 2	Total
A. Basic Employer Normal Cost Rate	9.21%	7.55%	8.61%
B. COLA Normal Cost Rate	4.36%	4.83%	4.52%
C. Employer Normal Cost Rate	13.57%	12.38%	13.13%
D. UAAL Contribution Rate	11.42%	11.42%	11.42%
E. Total June 30, 2007 Contribution Rate (C) + (D)	24.99%	23.80%	24.55%
F. Total June 30, 2006 Contribution Rate	19.93%	20.45%	20.10%
G. Estimated Payroll for fiscal year beginning July 1, 2008	\$ 2,676	\$ 1,502	\$ 4,178
H. Estimated Annual Contribution (E x G)*	\$ 669	\$ 357	\$ 1,026
I. Last Year's Estimated Annual Contribution	\$ 583	\$ 294	\$ 877
J. Increase / (Decrease) in Annual Contribution	\$ 86	\$ 63	\$ 149

* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing. Dollar amounts are in thousands.

SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 13: Analysis of Change in Unfunded Actuarial Accrued Liability
(Dollars in Millions)

	Amount	As a Percent of June 30, 2007 Actuarial Accrued Liability	UAAL Contribution Rate % of Pay *
Unfunded Actuarial Accrued Liability - June 30, 2006	\$ 256.8	13.1%	9.29%
Increase in UAAL due to new assumptions	45.4	2.3%	1.42%
Increase in UAAL due to change in methodology	86.2	4.4%	2.40%
Unfunded Actuarial Accrued Liability - June 30, 2006 (Modified Valuation with new assumptions)	\$ 388.4	19.8%	13.11%
Interest Accrued	31.7	1.6%	1.06%
Benefits Accrued (Normal Cost)	56.6	2.9%	1.70%
Contributions (with Assumed Interest)			
Employer - Cash	(65.9)	-3.4%	-1.98%
Member	(16.5)	-0.8%	-0.49%
Transfer from Non-Valuation Assets	-	0.0%	0.00%
Total	<u>(82.4)</u>	-4.2%	<u>-2.47%</u>
Expected Unfunded Actuarial Accrued Liability - June 30, 2007	\$ 394.3	20.2%	13.40%
Source of Change			
Asset (Gains) and Losses	(57.6)	-2.9%	-1.73%
Transfer from Health Coverage Reserve	(78.4)	-4.0%	-2.34%
Actuarial (Gains) and Losses			
Salary Increases	12.6	0.6%	0.38%
CPI Less than Expected	-	0.0%	0.00%
New Entrants	4.0	0.2%	0.12%
Data changes	(4.5)	-0.2%	-0.13%
Mortality Experience	(6.9)	-0.4%	-0.21%
Change in Safety Plan retirement age assumption **	(17.4)	-0.9%	-0.52%
All Other Experience	1.8	0.1%	0.05%
Total	<u>(10.4)</u>	-0.5%	<u>-0.31%</u>
New Safety Plan 6A & 6B Benefits			
Retirement assumption change	6.3	0.3%	0.19%
All other changes	6.5	0.3%	0.19%
Total	<u>12.8</u>	0.7%	<u>0.38%</u>
New General Tier 5C Benefits			
All changes	(2.6)	-0.1%	-0.09%
Total	<u>(2.6)</u>	-0.1%	<u>-0.09%</u>
Total Changes	(136.2)	-7.0%	-4.09%
Unfunded Actuarial Accrued Liability - June 30, 2007	\$ 258.0	13.2%	9.31%

* 2006 valuation pay used to compute UAAL contribution rate as a percentage of pay for 2006 Modified Valuation with new assumptions. Otherwise, 2007 valuation pay used to compute contribution rate as a source of change.

** Adopted with 2007 Experience Study assumption changes, but previously omitted for 2006 financial values.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 14: Schedule of Funding Progress
(All Dollars in Thousands)

Actuarial Valuation Date*	(a) Actuarial Value of Assets	(b) Non-Valuation Assets (NVA)	(c) Valuation Assets (a)-(b)	(d) Valuation Actuarial Accrued Liabilities (AAL)	(e) AAL with NVA (b)+(d)	(f) Unfunded Actuarial Accrued Liabilities (UAAL) (d)-(c) = (e)-(a)	(g) Prior Method Funded Ratio (a)/(e)	(h) Current Method Funded Ratio (c)/(d)	(i) Covered Payroll	UAAL as a Percentage of Covered Payroll (f)/(i)
December 31, 2002**	\$ 1,295,956	\$ 134,607	\$ 1,161,349	\$ 1,228,998	\$ 1,363,605	\$ 67,649	95.0%	94.5%	\$ 251,834	26.9%
June 30, 2003	1,346,665	135,317	1,211,348	1,319,547	1,454,864	108,199	92.6%	91.8%	257,237	42.1%
June 30, 2004	1,379,170	137,613	1,241,557	1,441,156	1,578,769	199,599	87.4%	86.2%	266,960	74.8%
June 30, 2005	1,443,824	137,829	1,305,995	1,549,803	1,687,632	243,808	85.6%	84.3%	267,785	91.0%
June 30, 2006	1,552,776	137,825	1,414,951	1,671,831	1,809,656	256,880	85.8%	84.6%	287,382	89.4%
June 30, 2007	1,735,489	36,720	1,698,769	1,956,834	1,993,554	258,065	87.1%	86.8%	294,163	87.7%

* Information for years prior to 2007 was provided by prior actuaries.
Prior to 2007, non-valuation asset reserves were included with the Actuarial Value of Assets (AVA).
Non-valuation asset reserves were also added to the Actuarial Accrued Liabilities (AAL) prior to 2007.
Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

** The scheduled timing of the actuarial valuation was changed to a fiscal year basis effective June 30, 2003.

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SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

**Exhibit 15: Schedule of Contributions from the Employer
(All Dollars in Thousands)**

Fiscal Year Ending*	Annual Required Contribution (ARC)	Actual Employer Contributions	Percentage of ARC Contributed
12/31/2002	\$ 32,999	\$ 32,999	100%
06/30/2003**	9,118	9,118	100%
06/30/2004	39,335	39,335	100%
06/30/2005	46,721	46,721	100%
06/30/2006	53,977	53,977	100%
06/30/2007	63,395	63,395	100%

* Information for years prior to 2007 was provided by prior actuaries.

** January 1, 2003 to June 30, 2003

SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM

Exhibit 16: Solvency Test
(All Dollars in Thousands)

Actuarial Valuation Date*	Valuation Assets	Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
December 31, 2002**	\$ 1,295,956	\$ 122,032	\$ 460,031	\$ 781,542	100%	100%	91%
June 30, 2003	1,346,665	105,570	572,737	776,557	100%	100%	86%
June 30, 2004	1,379,170	115,530	633,082	830,157	100%	100%	76%
June 30, 2005	1,443,824	125,040	715,319	847,273	100%	100%	71%
June 30, 2006	1,552,776	137,148	788,479	884,029	100%	100%	71%
June 30, 2007	1,698,769	169,218	979,657	807,959	100%	100%	68%

* Information for years prior to 2007 was provided by prior actuaries.

Prior to 2007, non-valuation asset reserves were included with the Actuarial Value of Assets (AVA).

Non-valuation asset reserves were also added to the Actuarial Accrued Liabilities (AAL) for Active Members prior to 2007.

Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

Also beginning in 2007, liabilities for terminated members with vested deferred benefits are included with the AAL for Retirees and Beneficiaries.

**The scheduled timing of the actuarial valuation was changed to a fiscal year basis effective June 30, 2003.

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