

Sacramento County Employees' Retirement System

**Actuarial Valuation and Review
as of June 30, 2012**

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November 2, 2012

*Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1900
Sacramento, CA 95814*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2012. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2013-2014 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.


The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Retirement System.


We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: 

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Senior Vice President and Actuary
ST/hy*



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Vice President and Associate Actuary*

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SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the Sacramento County Employees' Retirement System as of June 30, 2012. The valuation was performed to determine whether the asset and contribution levels will be sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement System, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2012, provided by the Retirement System;
- The assets of the plan as of June 30, 2012, provided by the Retirement System;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the System's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the System's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the System's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

The contribution requirements are determined as a percentage of payroll. The System's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. In this valuation, we have continued the policy adopted by the Board at the October 5, 2010 meeting (1) to amortize the unfunded actuarial accrued liability (UAAL) established as a result of the 2010 Early Retirement Incentive Program for the Sacramento County Law Enforcement Managers Association (LEMA) members over a 10-year period beginning June 30, 2010 and (2) to amortize the System's remaining UAAL as of June 30, 2012 over a declining 23-year period. The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2013 through June 30, 2014.

SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

Significant Issues in Valuation Year

- Reference:* Pg. 52
- The results in this valuation reflect changes in economic assumptions approved by the Board based on our Review of Economic Actuarial Assumptions as of June 30, 2012. The assumption changes adopted by the Board included lowering: (a) the investment return assumption from 7.75% to 7.50%, (b) the inflation assumption from 3.50% to 3.25% and (c) the Tier 1 COLA assumption for retirees from 3.40% to 3.25% consistent with the inflation assumption. The change in the investment return assumption increased the costs of the plan but these increases were somewhat offset by the lower inflation component in the salary scale assumption and the lower Tier 1 COLA assumption. All of the recommended assumptions in our Review of Economic Actuarial Assumptions were adopted by the Board except for the “across the board” salary increase assumption. Segal recommended increasing the current 0.25% “across the board” salary increase assumption to 0.50%; however, the Board elected to maintain the current assumption of 0.25%. The adopted assumption changes are outlined in Section 4, Exhibit V.
- At the September 2012 Board meeting, the Board adopted a two-year phase-in of the impact of the change in assumptions for the employer contribution rate starting with fiscal year 2013/2014. The employer should be aware that their contributions for 2014/2015 (that will be established in the June 30, 2013 valuation) will increase again due to the further recognition of the cost impact of these changes in economic assumptions, including the interest cost associated with the phase-in. The employer contribution rates in this report include the impact of the two-year phase-in.
- Reference:* Pg. 42
- The Board decided to apply the \$77.0 million in the Contingency Reserve carried over from the previous valuation to reduce some of the current period shortfall in crediting interest to the reserves in this valuation.
- Reference:* Pg. 18
- The aggregate employer rate increased from 22.56% of payroll to 24.99%. The reasons for this change in contribution rate are lower than expected returns on investments (after “smoothing”), changes in actuarial assumptions, an increase in UAAL rate due to lower than expected increase in payroll and other experience losses, offset to some degree by lower than expected salary increases during 2011/2012 and the impact of the two-year phase-in. A reconciliation of the System’s aggregate employer rate is provided in Section 2, Subsection D (see Chart 14).
- Reference:* Pg. 43
- The ratio of the actuarial value of assets to actuarial accrued liabilities decreased from 87.0% to 83.3%. On a market value of assets basis, the funded ratio decreased from 83.2% to 77.5%. The System’s unfunded actuarial accrued liability increased from \$962.1 million as of June 30, 2011 to \$1,308.3 million as of June 30, 2012. The change in the UAAL is mainly due to investment returns (after “smoothing”) lower than the 7.75% investment return assumption (used in the June 30, 2011 valuation) and changes in actuarial assumptions offset to some degree by lower than expected salary increases during 2011/2012. A reconciliation of the System’s unfunded actuarial accrued liability is provided in Section 3, Exhibit H.
- Reference:* Pg. 19
- The aggregate member rate calculated in this valuation has increased from 6.17% of payroll to 6.42% of payroll. The increase in member rate is due to changes in actuarial assumptions and changes in demographics. A reconciliation of the System’s aggregate member rate is provided in Section 2, Subsection D (see Chart 15).

SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

- Reference:* Pg. 6
- The results in the main body of this report have been prepared using the tiers of benefit provided by the employer as of June 30, 2012. In particular, we have included the results for actual members enrolled in the new Miscellaneous Tier 4 and Safety Tier 3 that became available on and after January 1, 2012.
 - As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment loss as of June 30, 2012 is \$456.0 million. Note that in the previous valuation, this amount was \$280.2 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next six years. That means if the System earns the assumed rate of investment return of 7.50% per year on a market value basis, there will be investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed rate of 7.50% and all the other actuarial assumptions are met, the employer contribution requirements would increase in each of the next few years.
 - The unrecognized investment losses represent about 8% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$456.0 million in past market losses is expected to have an impact on the System's future funded ratio and the aggregate employer contributions. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 83.3% to 77.5%.
 - If the deferred losses were recognized immediately in the actuarial value of assets, the aggregate employer contribution rate would increase from 24.99% of payroll to 28.45% of payroll.

Both of these rates are before adding the impact of an additional 0.72% contribution rate increase anticipated in the next valuation as a result of the two-year phase-in.
 - The actuarial valuation report as of June 30, 2012 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the plan, while increases will decrease the actuarial cost of the plan.
- Reference:* Pg. 21
- The California Actuarial Advisory Panel (CAAP) has recently adopted a set of model disclosure elements recommended for actuarial valuation reports for public retirement systems in California. Information has been added to this valuation report consistent with the recommendations regarding basic disclosure elements. In particular, we are now including new information regarding measures of plan volatility.

SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

- The Governmental Accounting Standards Board (GASB) recently approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redefine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. Because these new Statements are not effective until the fiscal year ending June 30, 2014 for plan reporting and the fiscal year ending June 30, 2015 for employer reporting, the financial reporting information in this report continues to be in accordance with Statements 25 and 27.
- The California Public Employees' Pension Reform Act of 2013 (AB340) was passed on September 12, 2012. AB340 will become effective on January 1, 2013. In general, it affects new members who enter the plan on or after January 1, 2013. There will be new plan provisions which include new benefit formulas, a cap on pensionable income, a three-year final average salary, changes to elements of pay used in determining benefits and new cost sharing by members. There are also changes that may affect current members including changes to elements of pay used in determining benefits and normal cost sharing by members. We have not reflected any of the AB340 provisions in this report. The impact of AB340 will be addressed in a separate report.

Impact of Future Experience on Contribution Rates

Future contribution requirements may differ from those determined in the valuation because of:

- difference between actual experience and anticipated experience;
- changes in actuarial assumptions or methods;
- changes in statutory provisions; and
- difference between the contribution rates determined by the valuation and those adopted by the Board.

SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

Summary of Key Valuation Results

	June 30, 2012		June 30, 2011	
Employer Contribution Rates (Dollar amounts in thousands):				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
Miscellaneous Tier 1	20.95%	\$3,931	19.20%	\$3,603
Miscellaneous Tier 2	18.28%	1,057	16.54%	956
Miscellaneous Tier 3	21.50%	141,460	19.65%	129,328
Miscellaneous Tier 4	16.33%	1,115	14.19%	969
Safety Tier 1	41.85%	21,154	37.19%	18,799
Safety Tier 2	37.00%	49,293	32.38%	43,141
Safety Tier 3	35.55%	871	29.51%	723
All Categories Combined	24.99%	\$218,881	22.56%	\$197,519
Aggregate Member Contribution Rates (Dollar amounts in thousands):				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
All Categories Combined	6.42%	\$56,218	6.17%	\$54,029
Individual Member Contribution Rates:				
	Total Rate ⁽²⁾	Per Member Annual Amount ⁽³⁾	Total Rate ⁽²⁾	Per Member Annual Amount ⁽³⁾
Miscellaneous Tier 1	5.38%	\$4,165	5.32%	\$4,116
Miscellaneous Tier 2	3.82%	2,484	3.72%	2,419
Miscellaneous Tier 3	5.18%	3,405	5.03%	3,302
Miscellaneous Tier 4	7.82%	4,270	7.54%	4,114
Safety Tier 1	14.52%	16,553	14.22%	16,209
Safety Tier 2	11.99%	11,049	11.55%	10,649
Safety Tier 3	11.86%	7,690	11.28%	7,314
Funded Status (Dollar Amounts in thousands):				
Actuarial accrued liability ⁽⁴⁾	\$7,838,223		\$7,382,897	
Actuarial value of assets (AVA) ⁽⁴⁾	6,529,895		6,420,824	
Market value of assets (MVA)	6,073,926		6,140,644	
Funded percentage on an AVA basis	83.3%		87.0%	
Funded percentage on a MVA basis	77.5%		83.2%	
Unfunded actuarial accrued liability on an AVA basis	\$1,308,328		\$962,073	
Unfunded actuarial accrued liability on a MVA basis	1,764,297		1,242,253	

⁽¹⁾ Based on June 30, 2012 projected annual compensation.

⁽²⁾ Based on single full-rates payable by members who enter on or after January 1, 1975.

⁽³⁾ Based on average projected annual compensation for members in each respective tier.

⁽⁴⁾ Includes non-valuation reserves and designations.

SECTION 1: Valuation Summary for the Sacramento County Employees' Retirement System

Summary of Key Valuation Demographic and Financial Data

	June 30, 2012	June 30, 2011	Percentage Change
Active Members:			
Number of members	12,155	12,434	-2.2%
Average age	46.8	46.4	N/A
Average service	12.6	12.1	N/A
Projected total compensation	\$875,671,753	\$880,765,607	-0.6%
Average projected compensation	\$72,042	\$70,835	1.7%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	7,211	6,876	4.9%
Disability retired	721	706	2.1%
Beneficiaries	1,307	1,239	5.5%
Total	9,239	8,821	4.7%
Average age	68.8	68.7	N/A
Average monthly benefit	\$2,780	\$2,683	3.6%
Vested Terminated Members:			
Number of terminated vested members ⁽¹⁾	2,851	2,710	5.2%
Average age	47.1	47.0	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$6,073,926	\$6,140,644	-1.1%
Return on market value of assets	-0.16%	23.81%	N/A
Actuarial value of assets	\$6,529,895	\$6,420,824	1.7%
Return on actuarial value of assets	2.57%	3.89%	N/A
Valuation value of assets	\$6,529,606	\$6,348,155	2.9%
Return on valuation value of assets	3.73%	4.37%	N/A

⁽¹⁾ Includes terminated members due a refund of member contributions.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1
Member Population: 2003 – 2012

Year Ended June 30	Active Members	Vested Terminated Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2003	14,133	1,885	5,882	0.55
2004	13,672	2,110	6,291	0.61
2005	13,728	2,135	6,784	0.65
2006	14,412	2,192	7,108	0.65
2007	14,716	2,437	7,464	0.67
2008	15,180	2,661	7,709	0.68
2009	14,796	2,818	7,968	0.73
2010	13,340	2,740	8,346	0.83
2011	12,434	2,710	8,821	0.93
2012	12,155	2,851	9,239	0.99

**Includes terminated members due a refund of member contributions*

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 12,155 active members with an average age of 46.8, average years of service of 12.6 years and average compensation of \$72,042. The 12,434 active members in the prior valuation had an average age of 46.4, average service of 12.1 years and average compensation of \$70,835.

Inactive Members

In this year's valuation, there were 2,851 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 2,710 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2
Distribution of Active Members by Age as of June 30, 2012

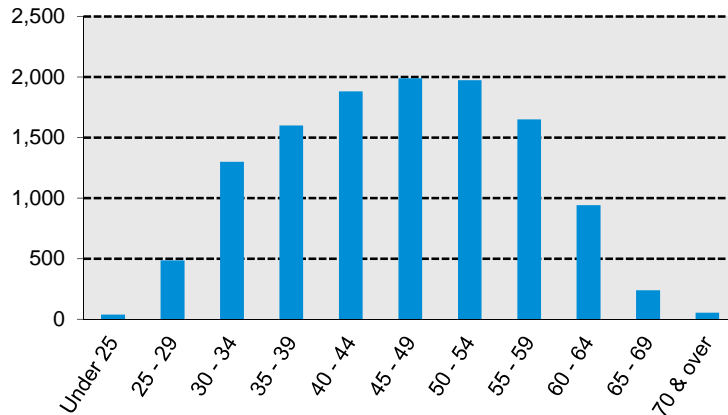
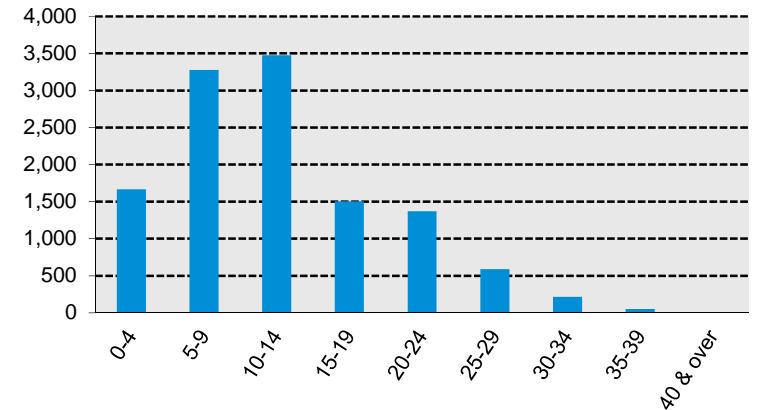


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2012



SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

Retired Members and Beneficiaries

As of June 30, 2012, 7,932 retired members and 1,307 beneficiaries were receiving total monthly benefits of \$25,682,586. For comparison, in the previous valuation, there were 7,582 retired members and 1,239 beneficiaries receiving monthly benefits of \$23,667,419.

These graphs show a distribution of the current retired members and beneficiaries based on their monthly amount and age, by type of pension.

- Beneficiaries
- Disability
- Service

CHART 3

Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount as of June 30, 2012

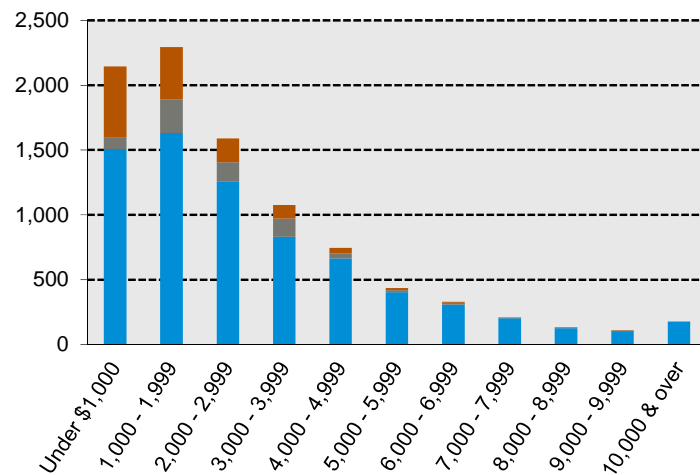
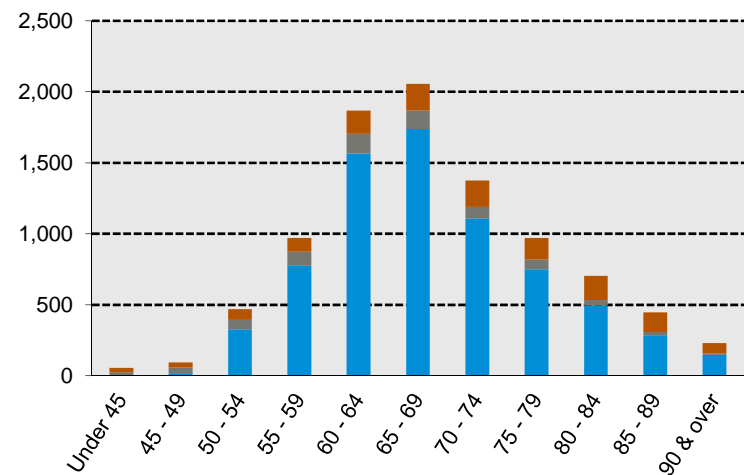


CHART 4

Distribution of Retired Members and Beneficiaries by Type and by Age as of June 30, 2012



SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

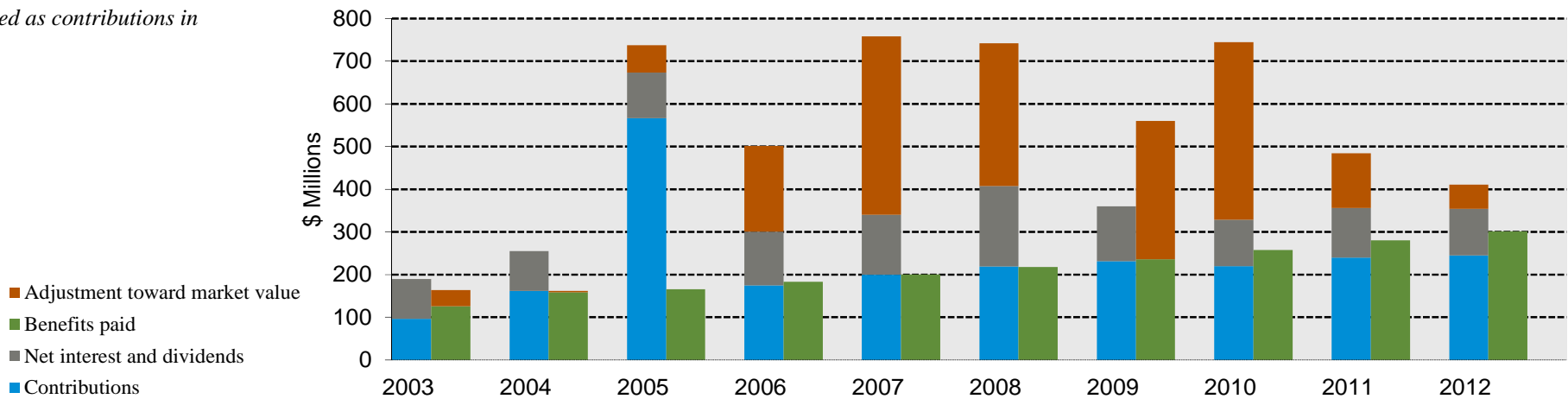
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the “non-cash” earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases. POB proceeds were included as contributions in 2005.

CHART 5
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2003 - 2012



SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets does not have an impact on the actuarial value of assets.

The determination of the Actuarial and Valuation Value of Assets is provided on the following page.

In developing the actuarial value of assets as of June 30, 2012, we have used the investment gains/losses from the prior five years. The investment loss for the year ending June 30, 2012 was calculated by comparing the actual market return against an expected market return of 7.75% per annum used in the June 30, 2011 valuation. As adopted by the Board, any investment gains/losses established after July 1, 2008 will be recognized over a seven-year period and the deferred return will be further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

CHART 7 - Determination of Actuarial and Valuation Value of Assets for Year Ended June 30, 2012

From	To	Contributions	Benefits	Market Value	Average Market Value
7/2007	6/2008	\$219,196,650	\$218,068,237	\$5,736,329,000	\$6,044,702,267
7/2008	6/2009	231,634,350	235,677,778	4,407,858,000	5,807,291,027
7/2009	6/2010	219,555,464	258,023,786	4,980,962,000	4,462,064,342
7/2010	6/2011	240,071,877	280,594,039	6,140,644,000	5,040,052,530
7/2011	6/2012	244,788,721	301,803,914	6,073,926,000	6,187,197,677

From	To	Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain (Loss)	Deferred Factor	Deferred Return
7/2007	6/2008	(\$240,661,413)	\$468,464,426	(\$709,125,838)	0.000	\$0
7/2008	6/2009	(1,324,427,572)	457,324,168	(1,781,751,740)	0.429	(763,607,889)
7/2009	6/2010	611,572,322	351,387,567	260,184,755	0.571	148,677,003
7/2010	6/2011	1,200,204,162	390,604,071	809,600,091	0.714	578,285,779
7/2011	6/2012	(9,702,807)	479,507,820	(489,210,627)	0.857	(419,323,395)

The chart shows the determination of the actuarial and the valuation value of assets as of the valuation date.

1. Total Deferred Return ⁽¹⁾	(\$455,968,502)
2. Net Market Value	6,073,926,000
3. Actuarial Value of Assets (Item 2 – Item 1)	6,529,894,502
4. Actuarial Value as a Percentage of Market Value (Before Corridor: Item 3 / Item 2)	107.5%
5. Actuarial Value of Assets – Corridor Limits:	
a. Lower Limit – 70% of Net Market Value	4,251,748,200
b. Upper Limit – 130% of Net Market Value	7,896,103,800
6. Actuarial Value of Assets (within corridor)	6,529,894,502
7. Non-valuation reserves and designations:	
a. Contingency Reserve	0
b. Other Non-Valuation Reserves	0
c. Subtotal	\$0
8. Preliminary Valuation Value of Assets (Item 6 – Item 7c)	6,529,894,502
9. Adjustment to Preliminary Valuation Value of Assets	
a. Balance of transfer to offset member COLA rate	26,347,000
b. Surplus/(deficit) for withdrawn employers (preliminary) ⁽²⁾	(26,058,383)
c. Subtotal	\$288,617
10. Final Valuation Value of Assets (Item 8 – Item 9c)	\$6,529,605,885

⁽¹⁾ The amounts of deferred return that will be recognized in each subsequent valuation are as follows:

6/30/2013	(\$171,596,789)	6/30/2016	\$82,939,174
6/30/2014	(\$171,596,789)	6/30/2017	\$45,769,923
6/30/2015	(\$171,596,789)	6/30/2018	(\$69,887,232)

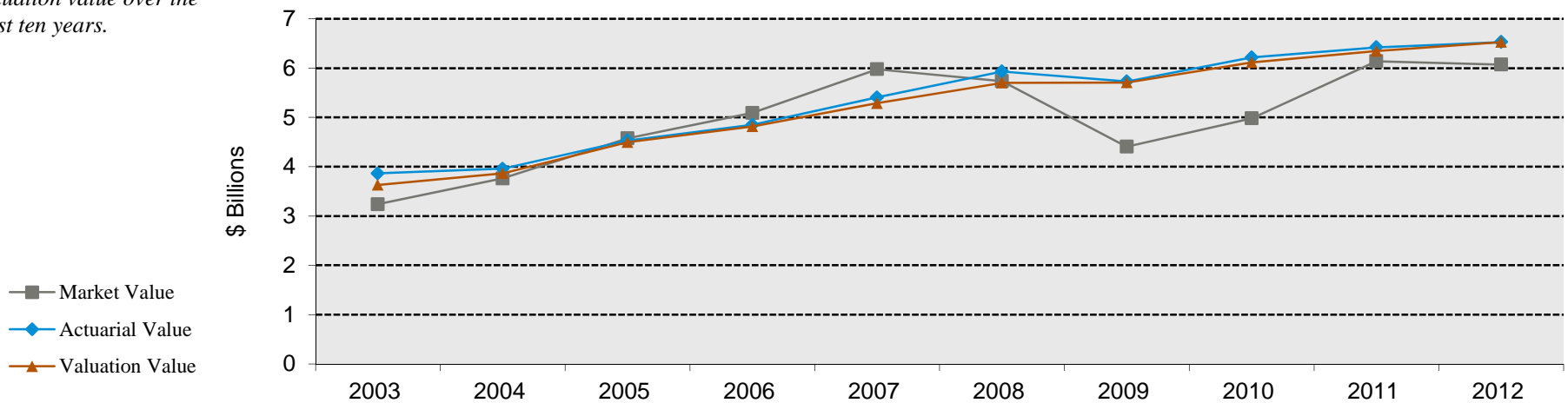
⁽²⁾ Based on the latest estimates available as of June 30, 2006 for Library Authority, June 30, 2007 for Air Quality and June 30, 2011 for Florin Fire adjusted with interest to June 30, 2012.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

The market value, actuarial value, and valuation value of assets are representations of SCERS' financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation asset value is significant because SCERS' liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past ten years.

CHART 8
Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2003 – 2012



SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The net experience loss was \$187.9 million, \$257.1 million loss from investments and \$69.3 million gain from all other sources. The net experience variation from individual sources other than investments was 0.9% of the actuarial accrued liability. An explanation of the experience variation is provided on page 12 and in Section 3, Exhibit H. A discussion of the major components of the actuarial experience is on the following pages.

CHART 9

Actuarial Experience for Year Ended June 30, 2012

1. Net loss from investments ⁽¹⁾	-\$257,123,000
2. Net gain from other experience ⁽²⁾	<u>69,263,000</u>
3. Net experience loss: (1) + (2)	<u>-\$187,860,000</u>

⁽¹⁾ Details in Chart 10.

⁽²⁾ Details in Section 3, Exhibit H.

This chart provides a summary of the actuarial experience during the past year.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on SCERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 7.75% in the June 30, 2011 valuation. The actual rate of return on a valuation basis for the 2011/2012 plan year was 3.73%.

Since the actual return for the year was less than the assumed return, SCERS experienced an actuarial loss during the year ended June 30, 2012 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10
Investment Experience for Year Ended June 30, 2012 – Valuation Value of Assets

	Valuation Value
1. Actual return	\$238,467,000
2. Average value of assets	6,394,708,000
3. Actual rate of return: (1) ÷ (2)	3.73%
4. Assumed rate of return	7.75%
5. Expected return:	<u>495,590,000</u>
6. Actuarial gain/(loss): (1) – (5)	<u>-\$257,123,000</u>

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial, valuation, and market basis for the last nine years.

CHART 11

Investment Return – Actuarial Value, Valuation Value and Market Value: 2004 – 2012

Year Ended June 30	Valuation Value Investment Return		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2004	\$193,128,000	5.24%	\$89,988,000	2.30%	\$518,587,000	15.75%
2005	\$227,539,000	5.26%	\$171,384,000	3.88%	\$414,220,000	9.82%
2006	\$329,339,000	7.24%	\$326,688,000	7.13%	\$522,803,000	11.30%
2007	\$470,717,000	9.65%	\$558,262,000	11.37%	\$885,687,000	17.19%
2008	\$413,272,000	7.72%	\$523,169,000	9.56%	(\$240,661,000)	(3.98%)
2009	\$9,241,000	0.16%	(\$196,500,000)	(3.27%)	(\$1,324,428,000)	(22.81%)
2010	\$450,949,000	7.83%	\$525,248,000	9.08%	\$611,573,000	13.71%
2011	\$269,937,000	4.37%	\$244,352,000	3.89%	\$1,200,204,000	23.81%
2012	\$238,467,000	3.73%	\$166,087,000	2.57%	(\$9,702,000)	(0.16%)
Nine-Year Average Return		5.66%		5.08%		6.26%

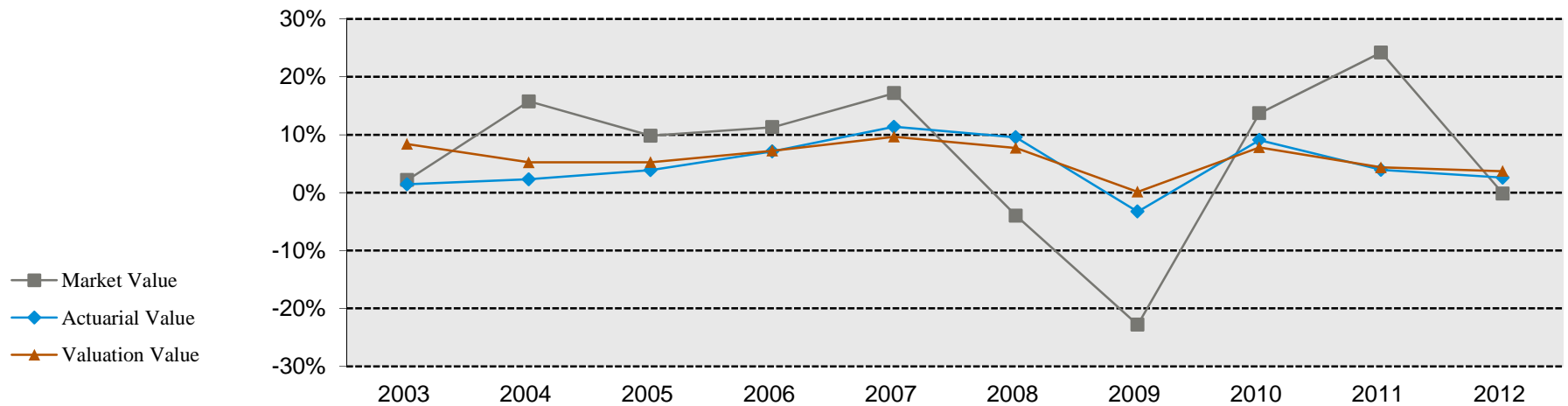
SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2003 - 2012.

CHART 12

Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2003 – 2012



SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation.

These include:

- actual turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2012 amounted to \$69.3 million which is 0.9% of the actuarial accrued liability. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability, and the breakdown of the actuarial gain/loss from other experience.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

Contribution to the Unfunded

Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative unfunded actuarial accrued liability) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual inflation rate of 3.50% (i.e., 3.25% inflation plus 0.25% real across-the-board salary increase). The UAAL established as a result of the Early Retirement Incentive Program for LEMA members is amortized over a 10-year period beginning June 30, 2010. The remaining UAAL is being recognized over a declining 23-year period.

The recommended employer contributions are provided on Chart 13.

Employer normal cost and UAAL contribution rates are calculated assuming payments made at the end of every pay period.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

Member Contributions

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General members and Safety members, respectively. The basic contribution rate is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/240 of Final Average Salary for current Miscellaneous Tier 1, Tier 2 and Tier 3 members, 1/120 of Final Average Salary for current Miscellaneous Tier 4 members and 1/100 of Final Average Salary for current Safety members. That age is 55 for all current Miscellaneous Tier 1, Tier 2 and Tier 3 members, 60 for all current Miscellaneous Tier 4 members and 50 for all current Safety members. It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions, members pay one-half of the total normal cost necessary to fund their cost-of-living benefits. Accumulation includes semi-annual crediting of interest at the assumed investment earning rate. For members paying half rates, their rates should be exactly one-half of the rates described above.

The member contribution rates are provided in Appendix A.

Member contributions are assumed to be made at the end of every pay period.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

CHART 13

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

County Only ⁽¹⁾	June 30, 2012 Actuarial Valuation		June 30, 2011 Actuarial Valuation	
	Rate	Estimated Annual Amount ⁽²⁾	Rate	Estimated Annual Amount ⁽²⁾
Miscellaneous – Tier 1 Members				
Normal Cost	13.84%	\$2,551	13.69%	\$2,523
UAAL	6.99%	1,288	5.40%	995
Total Contribution	20.83%	\$3,839	19.09%	\$3,518
Miscellaneous – Tier 2 Members				
Normal Cost	11.33%	\$655	11.15%	\$644
UAAL	6.95%	402	5.40%	312
Total Contribution	18.28%	\$1,057	16.55%	\$956
Miscellaneous – Tier 3 Members				
Normal Cost	14.27%	\$89,705	13.96%	\$87,757
UAAL	6.91%	43,438	5.40%	33,946
Total Contribution	21.18%	\$133,143	19.36%	\$121,703
Miscellaneous – Tier 4 Members				
Normal Cost	9.36%	\$639	8.79%	\$600
UAAL	6.97%	476	5.40%	369
Total Contribution	16.33%	\$1,115	14.19%	\$969
Safety Tier 1 Members				
Normal Cost	25.05%	\$12,663	24.58%	\$12,425
UAAL	16.80%	8,491	12.61%	6,374
Total Contribution	41.85%	\$21,154	37.19%	\$18,799
Safety Tier 2 Members				
Normal Cost	20.32%	\$27,073	19.77%	\$26,340
UAAL	16.68%	22,220	12.61%	16,801
Total Contribution	37.00%	\$49,293	32.38%	\$43,141
Safety Tier 3 Members				
Normal Cost	18.84%	\$462	16.89%	\$414
UAAL	16.71%	409	12.61%	309
Total Contribution	35.55%	\$871	29.50%	\$723
All Categories Combined				
Normal Cost	15.81%	\$133,748	15.45%	\$130,703
UAAL	9.07%	76,724	6.99%	59,106
Total Contribution	24.88%	\$210,472	22.44%	\$189,809

⁽¹⁾ Includes Superior Court and elected officials (Board of Supervisors, Sheriff, District Attorney and Assessor).

⁽²⁾ Based on June 30, 2012 projected annual payroll, see page 17.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

CHART 13

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

District Only	June 30, 2012 Actuarial Valuation		June 30, 2011 Actuarial Valuation	
	Rate	Estimated Annual Amount ⁽¹⁾	Rate	Estimated Annual Amount ⁽¹⁾
Miscellaneous – Tier 1 Members				
Normal Cost	13.76%	\$46	13.63%	\$45
UAAL	14.01%	46	11.96%	40
Total Contribution	27.77%	\$92	25.59%	\$85
Miscellaneous – Tier 3 Members				
Normal Cost	14.32%	\$4,215	13.94%	\$4,104
UAAL	13.93%	4,102	11.96%	3,521
Total Contribution	28.25%	\$8,317	25.90%	\$7,625
Safety Tier 1 Members				
Normal Cost	N/A	N/A	23.63%	\$0
UAAL	N/A	N/A	33.77%	0
Total Contribution	N/A	N/A	57.40%	\$0
All Categories Combined				
Normal Cost	14.31%	\$4,261	13.94%	\$4,149
UAAL	13.94%	4,148	11.96%	3,561
Total Contribution	28.25%	\$8,409	25.90%	\$7,710
County and District Categories Combined				
Normal Cost	15.76%	\$138,009	15.40%	\$134,852
UAAL	9.23%	80,872	7.16%	62,667
Total Contribution	24.99%	\$218,881	22.56%	\$197,519

⁽¹⁾ Based on June 30, 2012 projected annual payroll, see page 17.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

CHART 13

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

June 30, 2012 projected annual payroll used in developing employer contribution rates on the two previous pages

	<u>County*</u>	<u>District</u>	<u>Total</u>
Miscellaneous Tier 1	\$18,430	\$332	\$18,762
Miscellaneous Tier 2	5,780	0	5,780
Miscellaneous Tier 3	628,629	29,437	658,066
Miscellaneous Tier 4	<u>6,830</u>	<u>0</u>	<u>6,830</u>
Subtotal	\$659,669	\$29,769	\$689,438
Safety Tier 1	\$50,551	\$0	\$50,551
Safety Tier 2	133,233	0	133,233
Safety Tier 3	<u>2,450</u>	<u>0</u>	<u>2,450</u>
Subtotal	\$186,234	\$0	\$186,234
Total	\$845,903	\$29,769	\$875,672

** Includes Superior Court and elected officials (Board of Supervisors, Sheriff, District Attorney and Assessor).*

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

The contribution rates as of June 30, 2012 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting

future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Contribution Rate

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

CHART 14
Reconciliation of Average Recommended Employer Contribution Rate from June 30, 2011 to June 30, 2012 (Dollar Amounts in Thousands)

The chart reconciles the contribution rate from the prior valuation to the amount determined in this valuation.

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Average Recommended Contribution Rate as of June 30, 2011, After Reflecting Members Paying Half and Full Rates	22.56%	\$197,519
Effect of investment losses before applying \$77.0 million in the Contingency Reserve to credit interest	2.53%	22,155
Effect of applying \$77.0 million in the Contingency Reserve to credit interest	-0.58%	(5,079)
Effect of difference in actual versus expected individual salary increases	-0.77%	(6,743)
Effect of increase in UAAL rate from lower than expected increase in total payroll	0.29%	2,539
Effect of changes in actuarial assumptions (before phase-in)	1.44%	12,610
Effect of phase-in of employer's contribution rate impact due to change in economic assumptions over two years	-0.72%	(6,305)
Effect of demographic changes and other actuarial (gains)/losses ⁽²⁾	<u>0.24%</u>	<u>2,185</u>
Subtotal	2.43%	21,362
Average Recommended Contribution Rate as of June 30, 2012, After Reflecting Members Paying Half and Full Rates	24.99%	\$218,881

⁽¹⁾ Based on June 30, 2012 projected annual payroll of \$875,672,000.

⁽²⁾ Primarily due to higher than expected liability for new retirees, prior terminations and members newly reported as inactive assumed to elect a deferred benefit upon termination.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

The member contribution rates as of June 30, 2012 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Contribution Rate
 The chart below details the changes in the recommended member contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the member contribution rate from the prior valuation to the amount determined in this valuation.

CHART 15
Reconciliation of Average Recommended Member Contribution Rate from June 30, 2011 to June 30, 2012 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Amount ⁽¹⁾
Average Recommended Contribution Rate as of June 30, 2011, After Reflecting Members Paying Half and Full Rates	6.17% ⁽²⁾	\$54,029
Effect of changes in actuarial assumptions	0.19%	1,664
Effect of demographic changes	<u>0.06%</u>	<u>525</u>
Subtotal	0.25%	2,189
Average Recommended Contribution Rate as of June 30, 2012, After Reflecting Members Paying Half and Full Rates	6.42% ⁽²⁾	\$56,218

⁽¹⁾ Based on June 30, 2012 projected annual payroll of \$875,672,000.

⁽²⁾ Rates have been adjusted to reflect a reserve carried by the Board to reduce part of the COLA contributions.

SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

E. INFORMATION REQUIRED BY GASB

Governmental Accounting Standards Board (GASB) reporting provides standardized information for comparative purposes regarding governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan that is well positioned to pay benefits when they are due. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

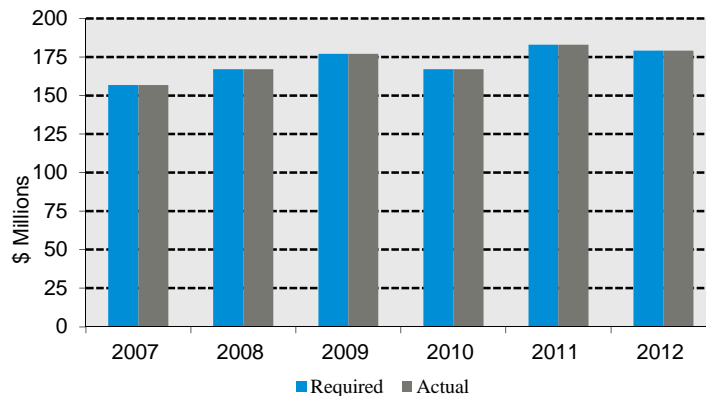
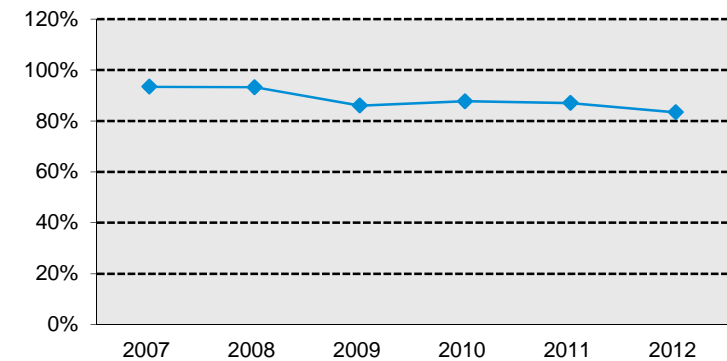


CHART 17
Funded Ratio



SECTION 2: Valuation Results for the Sacramento County Employees' Retirement System

F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For SCERS, the current AVR is 6.9. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to 6.9% of one-year's payroll. Since SCERS amortizes actuarial gains and losses over a period of 23 years as of June 30, 2012, there would be a 0.5% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the

Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded. The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For SCERS, the current LVR is 9.0. This is about 30% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term. These ratios are not only sensitive to changes in assets and liability but also to changes in payroll. A comparative schedule of assets, liabilities and payroll is provided in Section 4, Exhibit III.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 18
Volatility Ratios for Years Ended June 30, 2008 – 2012

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2008	6.4	7.0
2009	4.6	6.9
2010	5.5	7.8
2011	7.0	8.4
2012	6.9	9.0

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

i. Miscellaneous Tier 1

Category	Year Ended June 30		Change From Prior Year
	2012	2011	
Active members in valuation			
Number	238	297	-19.9%
Average age	58.4	58.1	N/A
Average service	31.9	31.3	N/A
Projected total compensation ^{(1),(2)}	\$18,762,434	\$23,401,454	-19.8%
Projected average compensation	\$78,834	\$78,793	0.1%
Account balances	\$37,518,067	\$45,870,331	-18.2%
Total active vested members	238	297	-19.9%
Vested terminated members			
Number ⁽³⁾	101	110	-8.2%
Average age	60.8	60.2	N/A
Retired members			
Number in pay status	3,174	3,224	-1.6%
Average age	73.0	72.6	N/A
Average monthly benefit	\$2,935	\$2,797	4.9%
Disabled members			
Number in pay status	224	238	-5.9%
Average age	73.2	72.7	N/A
Average monthly benefit	\$1,942	\$1,847	5.1%
Beneficiaries			
Number in pay status	752	734	2.5%
Average age	76.3	75.8	N/A
Average monthly benefit	\$1,434	\$1,379	4.0%

⁽¹⁾ Projected compensation was calculated by increasing the annualized compensation earned during 2011-2012 by 3.50%.

⁽²⁾ For members without a salary reported for the June 30, 2012 valuation, we have assigned them an annual salary of \$78,660.

⁽³⁾ Includes terminated members due a refund of contributions.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

ii. Miscellaneous Tier 2

Category	Year Ended June 30		Change From Prior Year
	2012	2011	
Active members in valuation			
Number	87	90	-3.3%
Average age	52.8	52.0	N/A
Average service	21.9	21.0	N/A
Projected total compensation ^{(1),(2)}	\$5,779,602	\$5,918,736	-2.4%
Projected average compensation	\$66,432	\$65,764	1.0%
Account balances	\$5,903,148	\$5,846,720	1.0%
Total active vested members	87	90	-3.3%
Vested terminated members			
Number ⁽³⁾	229	251	-8.8%
Average age	54.3	53.8	N/A
Retired members			
Number in pay status	275	261	5.4%
Average age	66.7	66.4	N/A
Average monthly benefit	\$998	\$1,003	-0.5%
Disabled members			
Number in pay status	34	34	0.0%
Average age	63.6	62.6	N/A
Average monthly benefit	\$895	\$936	-4.4%
Beneficiaries			
Number in pay status	37	35	5.7%
Average age	66.9	68.1	N/A
Average monthly benefit	\$628	\$450	39.6%

⁽¹⁾ Projected compensation was calculated by increasing the annualized compensation earned during 2011-2012 by 3.50%.

⁽²⁾ For members without a salary reported for the June 30, 2012 valuation, we have assigned them an annual salary of \$66,240.

⁽³⁾ Includes terminated members due a refund of contributions.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

iii. Miscellaneous Tier 3

Category	Year Ended June 30		Change From Prior Year
	2012	2011	
Active members in valuation			
Number	9,809	10,134	-3.2%
Average age	47.5	46.9	N/A
Average service	11.9	11.2	N/A
Projected total compensation ^{(1),(2)}	\$658,065,940	\$672,173,657	-2.1%
Projected average compensation	\$67,088	\$66,329	1.1%
Account balances	\$406,196,191	\$392,058,922	3.6%
Total active vested members	8,411	8,095	3.9%
Vested terminated members			
Number ⁽³⁾	2,067	1,930	7.1%
Average age	46.7	46.4	N/A
Retired members			
Number in pay status	2,491	2,175	14.5%
Average age	65.8	65.6	N/A
Average monthly benefit	\$2,021	\$1,901	6.3%
Disabled members			
Number in pay status	215	191	12.6%
Average age	60.7	60.7	N/A
Average monthly benefit	\$1,629	\$1,519	7.2%
Beneficiaries			
Number in pay status	225	192	17.2%
Average age	63.0	62.4	N/A
Average monthly benefit	\$844	\$806	4.7%

⁽¹⁾ Projected compensation was calculated by increasing the annualized compensation earned during 2011-2012 by 3.50%.

⁽²⁾ For members without a salary reported for the June 30, 2012 valuation, we have assigned them an annual salary of \$67,275.

⁽³⁾ Includes terminated members due a refund of contributions.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

iv. Miscellaneous Tier 4

Category	Year Ended June 30		Change From Prior Year
	2012	2011	
Active members in valuation			
Number	122	--	N/A
Average age	36.6	--	N/A
Average service	0.2	--	N/A
Projected total compensation ^{(1),(2)}	\$6,829,815	--	N/A
Projected average compensation	\$55,982	--	N/A
Account balances	\$98,839	--	N/A
Total active vested members	1	--	N/A
Vested terminated members			
Number ⁽³⁾	3	--	N/A
Average age	52.2	--	N/A
Retired members			
Number in pay status	--	--	N/A
Average age	--	--	N/A
Average monthly benefit	--	--	N/A
Disabled members			
Number in pay status	--	--	N/A
Average age	--	--	N/A
Average monthly benefit	--	--	N/A
Beneficiaries			
Number in pay status	--	--	N/A
Average age	--	--	N/A
Average monthly benefit	--	--	N/A

⁽¹⁾ Projected compensation was calculated by increasing the annualized compensation earned during 2011-2012 by 3.50%.

⁽²⁾ For members without a salary reported for the June 30, 2012 valuation, we have assigned them an annual salary of \$55,890.

⁽³⁾ Includes terminated members due a refund of contributions.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT A

**Table of Plan Coverage
v. Safety Tier 1**

Category	Year Ended June 30		Change From Prior Year
	2012	2011	
Active members in valuation			
Number	438	480	-8.8%
Average age	48.5	48.0	N/A
Average service	21.9	21.2	N/A
Projected total compensation ^{(1),(2)}	\$50,551,004	\$53,562,864	-5.6%
Projected average compensation	\$115,413	\$111,589	3.4%
Account balances	\$61,528,232	\$61,582,188	-0.1%
Total active vested members	438	480	-8.8%
Vested terminated members			
Number ⁽³⁾	129	136	-5.1%
Average age	49.0	48.3	N/A
Retired members			
Number in pay status	1,058	1,023	3.4%
Average age	64.6	64.1	N/A
Average monthly benefit	\$5,975	\$5,758	3.8%
Disabled members			
Number in pay status	209	209	0.0%
Average age	63.1	62.3	N/A
Average monthly benefit	\$3,950	\$3,811	3.6%
Beneficiaries			
Number in pay status	269	255	5.5%
Average age	66.4	66.0	N/A
Average monthly benefit	\$2,634	\$2,534	3.9%

⁽¹⁾ Projected compensation was calculated by increasing the annualized compensation earned during 2011-2012 by 3.50%.

⁽²⁾ For members without a salary reported for the June 30, 2012 valuation, we have assigned them an annual salary of \$115,920.

⁽³⁾ Includes terminated members due a refund of contributions.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

vi. Safety Tier 2

Category	Year Ended June 30		Change From Prior Year
	2012	2011	
Active members in valuation			
Number	1,424	1,433	-0.6%
Average age	40.3	39.8	N/A
Average service	11.8	11.0	N/A
Projected total compensation ^{(1),(2)}	\$133,232,980	\$125,708,895	6.0%
Projected average compensation	\$93,562	\$87,724	6.7%
Account balances	\$84,541,530	\$71,274,950	18.6%
Total active vested members	1,315	1,311	0.3%
Vested terminated members			
Number ⁽³⁾	322	283	13.8%
Average age	39.5	39.0	N/A
Retired members			
Number in pay status	213	193	10.4%
Average age	64.1	64.0	N/A
Average monthly benefit	\$4,328	\$4,253	1.8%
Disabled members			
Number in pay status	39	34	14.7%
Average age	53.5	52.4	N/A
Average monthly benefit	\$2,999	\$2,916	2.8%
Beneficiaries			
Number in pay status	24	23	4.3%
Average age	54.1	53.2	N/A
Average monthly benefit	\$2,358	\$2,397	-1.6%

⁽¹⁾ Projected compensation was calculated by increasing the annualized compensation earned during 2011-2012 by 3.50%.

⁽²⁾ For members without a salary reported for the June 30, 2012 valuation, we have assigned them an annual salary of \$93,150.

⁽³⁾ Includes terminated members due a refund of contributions.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

vii. Safety Tier 3

Category	Year Ended June 30		Change From Prior Year
	2012	2011	
Active members in valuation			
Number	37	--	N/A
Average age	32.2	--	N/A
Average service	0.9	--	N/A
Projected total compensation ^{(1),(2)}	\$2,449,977	--	N/A
Projected average compensation	\$66,216	--	N/A
Account balances	\$193,042	--	N/A
Total active vested members	1	--	N/A
Vested terminated members			
Number ⁽³⁾	--	--	N/A
Average age	--	--	N/A
Retired members			
Number in pay status	--	--	N/A
Average age	--	--	N/A
Average monthly benefit	--	--	N/A
Disabled members			
Number in pay status	--	--	N/A
Average age	--	--	N/A
Average monthly benefit	--	--	N/A
Beneficiaries			
Number in pay status	--	--	N/A
Average age	--	--	N/A
Average monthly benefit	--	--	N/A

⁽¹⁾ Projected compensation was calculated by increasing the annualized compensation earned during 2011-2012 by 3.50%.

⁽²⁾ For members without a salary reported for the June 30, 2012 valuation, we have assigned them an annual salary of \$66,240.

⁽³⁾ Includes terminated members due a refund of contributions.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service**

i. Miscellaneous Tier 1

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	3	--	--	--	--	--	1	2	--	--
50 - 54	\$64,178	--	--	--	--	--	\$71,272	\$60,631	--	--
55 - 59	47	--	1	--	--	4	4	37	1	--
60 - 64	72,846	--	\$43,610	--	--	\$50,832	64,649	76,442	\$89,880	--
65 - 69	106	--	--	--	3	9	7	61	26	--
70 & over	78,769	--	--	--	\$91,147	72,334	84,970	83,513	66,767	--
	68	--	1	2	2	1	6	33	20	3
	86,141	--	148,002	\$74,089	60,478	85,740	133,667	77,511	91,438	\$55,349
	11	--	--	--	1	1	1	3	3	2
	70,414	--	--	--	52,571	77,263	116,889	53,186	82,593	60,247
	3	--	--	1	--	--	--	1	--	1
	54,858	--	--	80,566	--	--	--	41,420	--	42,589
Total	238	--	2	3	6	15	19	137	50	6
	\$78,834	--	\$95,806	\$76,248	\$74,494	\$67,822	\$97,029	\$78,852	\$78,047	\$54,855

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service**

ii. Miscellaneous Tier 2

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	9	--	--	--	1	8	--	--	--	--
45 - 49	\$70,720	--	--	--	\$56,576	\$72,488	--	--	--	--
50 - 54	23	--	--	1	4	16	2	--	--	--
55 - 59	64,076	--	--	\$24,454	78,100	64,377	\$53,435	--	--	--
60 - 64	28	--	--	3	2	16	7	--	--	--
65 - 69	66,131	--	--	51,183	63,390	71,313	61,476	--	--	--
70 & over	17	--	--	1	--	12	4	--	--	--
	65,166	--	--	25,322	--	69,254	62,864	--	--	--
	9	--	--	1	2	5	1	--	--	--
	72,003	--	--	83,895	77,645	72,847	44,606	--	--	--
	--	--	--	--	--	--	--	--	--	--
	1	--	--	--	--	1	--	--	--	--
	61,859	--	--	--	--	61,859	--	--	--	--
Total	87	--	--	6	9	58	14	--	--	--
	\$66,432	--	--	\$47,870	\$72,338	\$69,105	\$59,519	--	--	--

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service**

iii. Miscellaneous Tier 3

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	19	19	--	--	--	--	--	--	--	--
	\$39,793	\$39,793	--	--	--	--	--	--	--	--
25 - 29	382	211	162	9	--	--	--	--	--	--
	49,342	48,586	\$50,208	\$51,469	--	--	--	--	--	--
30 - 34	986	318	498	167	3	--	--	--	--	--
	58,746	55,769	61,752	55,135	\$76,322	--	--	--	--	--
35 - 39	1,164	203	509	424	28	--	--	--	--	--
	64,707	58,382	66,552	64,572	79,033	--	--	--	--	--
40 - 44	1,424	193	462	550	173	45	1	--	--	--
	67,382	58,992	63,067	69,072	82,299	\$69,858	\$58,338	--	--	--
45 - 49	1,574	165	363	450	264	279	50	3	--	--
	70,083	59,096	64,750	67,353	78,567	77,491	83,472	\$70,454	--	--
50 - 54	1,711	114	356	458	279	302	178	24	--	--
	71,936	64,141	63,200	65,135	75,879	80,043	88,881	94,819	--	--
55 - 59	1,425	93	282	398	232	239	150	31	--	--
	70,805	65,667	61,271	65,039	75,098	78,637	82,421	98,240	--	--
60 - 64	851	71	164	287	130	126	62	10	1	--
	66,925	64,338	61,089	62,209	75,568	71,069	76,098	95,952	\$56,231	--
65 - 69	223	11	68	75	31	25	11	2	--	--
	67,538	62,721	63,694	63,785	74,257	77,430	70,564	121,067	--	--
70 & over	50	3	12	22	9	3	1	--	--	--
	59,270	64,116	55,874	54,100	71,381	73,726	46,854	--	--	--
Total	9,809	1,401	2,876	2,840	1,149	1,019	453	70	1	--
	\$67,088	\$57,530	\$62,657	\$65,103	\$77,269	\$77,372	\$83,790	\$96,202	\$56,231	--

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service**

iv. Miscellaneous Tier 4

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	13	13	--	--	--	--	--	--	--	--
	\$45,950	\$45,950	--	--	--	--	--	--	--	--
25 - 29	22	22	--	--	--	--	--	--	--	--
	48,878	48,878	--	--	--	--	--	--	--	--
30 - 34	31	31	--	--	--	--	--	--	--	--
	54,455	54,455	--	--	--	--	--	--	--	--
35 - 39	20	20	--	--	--	--	--	--	--	--
	48,008	48,008	--	--	--	--	--	--	--	--
40 - 44	11	11	--	--	--	--	--	--	--	--
	55,988	55,988	--	--	--	--	--	--	--	--
45 - 49	7	7	--	--	--	--	--	--	--	--
	64,024	64,024	--	--	--	--	--	--	--	--
50 - 54	10	10	--	--	--	--	--	--	--	--
	66,373	66,373	--	--	--	--	--	--	--	--
55 - 59	6	6	--	--	--	--	--	--	--	--
	78,606	78,606	--	--	--	--	--	--	--	--
60 - 64	1	1	--	--	--	--	--	--	--	--
	106,598	106,598	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	1	1	--	--	--	--	--	--	--	--
	202,871	202,871	--	--	--	--	--	--	--	--
Total	122	122	--	--	--	--	--	--	--	--
	\$55,982	\$55,982	--	--	--	--	--	--	--	--

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service**

v. Safety Tier 1

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	9	--	--	2	7	--	--	--	--	--
40 - 44	\$108,248	--	--	\$66,144	\$120,278	--	--	--	--	--
45 - 49	89	--	--	2	48	39	--	--	--	--
50 - 54	120,846	--	--	96,248	120,703	\$122,284	--	--	--	--
55 - 59	196	--	--	10	38	103	45	--	--	--
60 - 64	118,714	--	--	104,567	110,450	116,956	\$132,859	--	--	--
65 - 69	96	--	--	5	13	49	29	--	--	--
70 & over	112,035	--	--	93,397	100,954	114,023	116,857	--	--	--
	44	--	--	5	1	24	9	5	--	--
	100,335	--	--	51,606	104,425	104,520	117,034	\$98,105	--	--
	4	--	--	--	1	1	1	--	1	--
	95,874	--	--	--	114,894	113,280	100,812	--	\$54,509	--
	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	438	--	--	24	108	216	84	5	1	--
	\$115,413	--	--	\$87,311	\$114,486	\$115,854	\$125,257	\$98,105	\$54,509	--

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service**

vi. Safety Tier 2

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	2	2	--	--	--	--	--	--	--	--
	\$83,706	\$83,706	--	--	--	--	--	--	--	--
25 - 29	70	31	37	2	--	--	--	--	--	--
	80,767	66,104	\$92,241	\$95,767	--	--	--	--	--	--
30 - 34	274	34	176	62	2	--	--	--	--	--
	84,853	68,009	83,910	96,733	\$85,859	--	--	--	--	--
35 - 39	402	17	105	246	30	4	--	--	--	--
	92,202	85,866	87,295	91,933	114,341	\$98,447	--	--	--	--
40 - 44	347	5	44	181	111	5	1	--	--	--
	99,159	82,324	90,886	95,991	107,444	111,588	\$139,037	--	--	--
45 - 49	186	6	17	64	62	33	4	--	--	--
	101,013	67,033	89,724	102,636	105,498	101,014	104,487	--	--	--
50 - 54	78	7	7	23	20	13	7	1	--	--
	95,478	108,515	88,885	88,494	100,099	94,485	98,769	\$108,507	--	--
55 - 59	51	6	11	15	4	7	5	3	--	--
	96,697	104,211	104,228	97,580	78,210	89,691	96,122	91,592	--	--
60 - 64	9	--	2	5	1	1	--	--	--	--
	98,483	--	83,895	101,673	117,490	92,701	--	--	--	--
65 - 69	5	1	--	3	1	--	--	--	--	--
	127,047	198,218	--	107,913	113,280	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	1,424	109	399	601	231	63	17	4	--	--
	\$93,562	\$76,932	\$87,238	\$94,973	\$106,557	\$98,953	\$101,705	\$95,821	--	--

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2012
By Age and Years of Service**

vii. Safety Tier 3

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	6	6	--	--	--	--	--	--	--	--
	\$66,984	\$66,984	--	--	--	--	--	--	--	--
25 - 29	13	13	--	--	--	--	--	--	--	--
	66,948	66,948	--	--	--	--	--	--	--	--
30 - 34	9	9	--	--	--	--	--	--	--	--
	63,072	63,072	--	--	--	--	--	--	--	--
35 - 39	4	3	--	1	--	--	--	--	--	--
	68,203	58,244	--	\$98,080	--	--	--	--	--	--
40 - 44	1	1	--	--	--	--	--	--	--	--
	32,192	32,192	--	--	--	--	--	--	--	--
45 - 49	1	1	--	--	--	--	--	--	--	--
	67,875	67,875	--	--	--	--	--	--	--	--
50 - 54	2	2	--	--	--	--	--	--	--	--
	62,431	62,431	--	--	--	--	--	--	--	--
55 - 59	1	1	--	--	--	--	--	--	--	--
	112,366	112,366	--	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	37	36	--	1	--	--	--	--	--	--
	\$66,216	\$65,330	--	\$98,080	--	--	--	--	--	--

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT C

Reconciliation of Member Data – June 30, 2011 to June 30, 2012

	Active Members	Vested Terminated Members⁽¹⁾	Pensioners	Disableds	Beneficiaries	Total
Number as of June 30, 2011	12,434	2,710	6,876	706	1,239	23,965
New members	433	131	0	0	117	681
Terminations – with vested rights	-182	182	0	0	0	0
Contributions refunds	-133	-39	0	0	0	-172
Retirements	-377	-106	483	0	0	0
New disabilities	-20	-4	-13	37	0	0
Return to work	13	-12	-1	0	0	0
Deaths	-13	-10	-166	-26	-47	-262
Data adjustments	0	-1	32	4	-2	33
Number as of June 30, 2012	12,155	2,851	7,211	721	1,307	24,245

⁽¹⁾ Includes terminated members due a refund of member contributions

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2012	Year Ended June 30, 2011
Contribution income:		
Employer contributions	\$179,099,000	\$182,921,000
Employee contributions	<u>65,690,000</u>	<u>57,151,000</u>
Net contribution income	\$244,789,000	\$240,072,000
Investment income:		
Interest, dividends and other income	\$145,148,000	\$150,731,000
Recognition of capital appreciation	56,537,000	128,551,000
Less investment and administrative fees	<u>-35,599,000</u>	<u>-34,930,000</u>
Net investment income	<u>166,086,000</u>	<u>244,352,000</u>
Total income available for benefits	\$410,875,000	\$484,424,000
Less benefit payments:		
Benefits paid	\$298,764,000	\$276,161,000
Withdrawal of contributions	<u>3,040,000</u>	<u>4,433,000</u>
Net benefit payments	\$301,804,000	\$280,594,000
Change in reserve for future benefits	\$109,071,000	\$203,830,000

Note: Results may be slightly off due to rounding.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT E

Summary Statement of Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011
Cash equivalents	\$779,834,000	\$647,555,000
Accounts receivable:		
Securities sold	\$49,096,000	\$63,111,000
Accrued investment income	34,229,000	30,262,000
Employee and employer contributions	<u>6,587,000</u>	<u>5,466,000</u>
Total accounts receivable	89,912,000	98,839,000
Investments:		
Equities	\$3,552,435,000	\$3,802,831,000
Opportunities	184,668,000	247,870,000
Fixed income investments	1,073,081,000	1,053,699,000
Real estate	663,128,000	625,632,000
Securities lending collateral	<u>538,443,000</u>	<u>594,787,000</u>
Total investments at market value	6,011,755,000	6,324,819,000
Other assets	<u>3,351,000</u>	<u>3,327,000</u>
Total assets	\$6,884,852,000	\$7,074,540,000
Less accounts payable:		
Accounts payable and other liabilities	-\$31,354,000	-\$24,021,000
Investment trades, mortgages, and warrants payable	-241,129,000	-315,088,000
Securities lending liability	<u>-538,443,000</u>	<u>-594,787,000</u>
Total accounts payable	-\$810,926,000	-\$933,896,000
Net assets at market value	<u>\$6,073,926,000</u>	<u>\$6,140,644,000</u>
Net assets at actuarial value	<u>\$6,529,895,000</u>	<u>\$6,420,824,000</u>
Net assets at valuation value	<u>\$6,529,606,000</u>	<u>\$6,348,155,000</u>

Note: Results may be slightly off due to rounding.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT F

Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments.

Actuarial Balance Sheet (Dollar Amounts in Thousands)			
Assets	<u>Basic</u>	<u>Cola</u>	<u>Total</u>
1. Total valuation assets			
a. Valuation value assets	\$4,468,845	\$2,060,761	\$6,529,606
b. Balance of transfer to offset member COLA rate	0	26,347	26,347
c. Retiree health benefit reserve	0	0	0
d. Adjustment to 1a. for surplus/(deficit) for withdrawn employers (preliminary)*	-26,058	0	-26,058
e. Contingency Reserve	0	0	0
2. Present value of future contributions by members	351,859	121,712	473,571
3. Present value of future employer contributions for:			
a. Entry age normal cost	936,297	149,040	1,085,337
b. Unfunded actuarial accrued liability	<u>1,142,233</u>	<u>166,095</u>	<u>1,308,328</u>
4. Total current and future assets	\$6,873,176	\$2,523,955	\$9,397,131
Liabilities			
5. Present value of retirement allowances payable to present retired members	\$2,506,711	\$1,461,555	\$3,968,266
6. Present value of retirement allowances to be granted			
a. Active members	4,136,453	1,001,872	5,138,325
b. Inactive members with vested rights	256,070	60,528	316,598
7. Retiree health benefit reserve	0	0	0
8. Surplus/(deficit) for withdrawn employers (preliminary)*	-26,058	0	-26,058
9. Contingency Reserve	<u>0</u>	<u>0</u>	<u>0</u>
10. Total liabilities	\$6,873,176	\$2,523,955	\$9,397,131

* Based on the latest estimates available as of June 30, 2006 for Library Authority, June 30, 2007 for Air Quality and June 30, 2011 for Florin Fire adjusted with interest to June 30, 2012.

Note: Results may be slightly off due to rounding.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT G

Summary of Reported Asset Information as of June 30, 2012

	Reserves
<u>Included in Valuation Value of Assets</u>	
Employee reserve	\$674,006,435
Employer reserve	2,358,852,321
Retiree reserve	3,482,411,932
Retiree death benefit reserve	<u>14,623,814</u>
Subtotal: Preliminary Valuation Value of Assets *	6,529,894,502
<u>Not Included in Valuation Value of Assets</u>	
Retiree health benefit reserve	\$0
Contingency Reserve	<u>0</u>
Subtotal: Actuarial Value of Assets	\$6,529,894,502
Market stabilization reserve	<u>-455,968,502</u>
Total Market Value of Assets	\$6,073,926,000

* Please note that the final Valuation Value of Assets (i.e. \$6,529,605,885) is calculated by taking the preliminary Valuation Value of Assets and adjusting for the balance of transfer to offset member COLA rate and for the surplus/(deficit) for withdrawn employers.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT G

Summary of Reported Asset Information as of June 30, 2012 (Continued) – Change in Reserves

	Balance at 06/30/2011	Interest Credited	Contributions	Benefits	Transfers	Balance at 06/30/2012
Employee Reserve	\$655,797,863	\$4,890,485	\$65,690,252	\$(3,039,738)	\$(49,332,427)	\$ 674,006,435
Employer Reserve	2,339,365,244	94,393,103	179,098,469	(188,881)	(253,815,614)	2,358,852,321
Retiree Reserve	3,333,262,852	143,184,348	0	(297,183,309)	303,148,041	3,482,411,932
Death Benefit Reserve	<u>14,707,303</u>	<u>609,344</u>	<u>0</u>	<u>(692,833)</u>	<u>0</u>	<u>14,623,814</u>
Subtotal	\$6,343,133,262	\$243,077,280	\$244,788,721	\$(301,104,761)	\$0	\$6,529,894,502
Contingency Reserve	\$76,991,416	\$(76,991,416)	\$0	\$0	\$0	\$0
Retiree Health Benefit Reserve	<u>699,153</u>	<u>0</u>	<u>0</u>	<u>\$(699,153)</u>	<u>0</u>	<u>0</u>
Subtotal	\$77,690,569	\$(76,991,416)	\$0	\$(699,153)	\$0	\$0
Total Allocated Reserves	\$6,420,823,831	\$166,085,864	\$244,788,721	\$(301,803,914)	\$0	\$6,529,894,502
Market Stabilization Reserve	<u>\$(280,179,831)</u>	<u>\$(175,788,671)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(455,968,502)</u>
Net Market Value of Assets	<u>\$6,140,644,000</u>	<u>\$(9,702,807)</u>	<u>\$244,788,721</u>	<u>\$(301,803,914)</u>	<u>\$0</u>	<u>\$6,073,926,000</u>

Note: Results may be slightly off due to rounding.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT G

Summary of Reported Asset Information as of June 30, 2012 (Continued) – Summary of Earnings

	<u>Per Excess Earnings Policy</u>
Earnings from July 1, 2011 to June 30, 2012	\$(9,702,807)
Contingency Reserve	<u>0</u>
Subtotal:	\$(9,702,807)
Amounts Credited for:	
Market Stabilization Reserve	\$175,788,671
Regular Interest Crediting	<u>(243,077,280)</u>
Subtotal	\$(67,288,609)
Net Earnings	\$(76,991,416)
Amount Credited Under Excess Earnings Policy for:	
Contingency Reserve	\$(76,991,416)
Board Provided Supplemental Benefits	0
Amount Over Reserved Benefits	0
Employer Reserves	0
Member Future COLA Contribution Offset	<u>0</u>
Subtotal	\$(76,991,416)
Remaining Excess Earnings	<u>\$0</u>

Note: The Board decided to apply the \$77.0 million in the Contingency Reserve carried over from the previous valuation to reduce of the current period shortfall in crediting interest to the reserves in this valuation.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT H

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2012

1.	Unfunded actuarial accrued liability at beginning of year		\$962,073,000
2.	Total normal cost		193,529,000
3.	Actual employer and member contributions ⁽¹⁾		-235,788,000
4.	Interest		<u>67,106,000</u>
5.	Expected unfunded actuarial accrued liability ⁽²⁾		\$986,920,000
6.	Actuarial (gain)/loss due to all changes:		
	(a) Investment return ⁽³⁾	\$257,123,000	
	(b) Salary increases less than expected ⁽⁴⁾	-102,165,000	
	(c) Other experience loss ^{(4),(5)}	32,902,000	
	(d) Change in actuarial assumptions	133,548,000	
	(e) Total changes		<u>\$321,408,000</u>
7.	Unfunded actuarial accrued liability at end of year		<u>\$1,308,328,000</u>

(1) Excludes approximately \$9 million in contributions toward payment of Additional Retirement Credit (ARC).

(2) Includes a contribution loss of about \$9 million due to the one-year lag in implementation of the contribution rates determined in the June 30, 2011 valuation.

(3) \$257.1 million is the net investment loss after applying \$77.0 million in the Contingency Reserve to credit interest.

(4) The sum of 6(b) and 6(c) is equal to the net gain of \$69.3 million shown in Section 2, Chart 9.

(5) Primarily due to higher than expected liability for new retirees, prior terminations and members newly reported as inactive assumed to elect a deferred benefit upon termination.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar amount indexed for inflation. That limit is \$200,000 for 2012 and \$205,000 for 2013. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contributions rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the level cost allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability:

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There is a wide range of approaches to recognizing the unfunded or overfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the Sacramento County Employees' Retirement System

**Amortization of the Unfunded
(Overfunded) Actuarial
Accrued Liability:**

Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market value gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired members as of the valuation date (including 1,307 beneficiaries in pay status)	9,239
2. Members inactive during year ended June 30, 2012 with vested rights	2,851
3. Members active during the year ended June 30, 2012	12,155

The actuarial factors as of the valuation date are as follows (amounts in 000s):

1. Normal cost		\$194,227
2. Present value of future benefits		9,423,189
3. Present value of future normal costs		1,585,255
4. Actuarial accrued liability*		7,837,934
Retired members and beneficiaries	\$3,968,266	
Inactive members with vested rights	316,598	
Active members	3,553,070	
5. Valuation value of assets* (\$6,073,926 at market value as reported by Retirement System)		6,529,606
6. Unfunded actuarial accrued liability		\$1,308,328

* Excludes non-valuation reserves and designations.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended average employer contribution is as follows
(amounts in 000s):

	Dollar Amount	% of Payroll
1. Total normal cost	\$194,227	22.18%
2. Expected employee contributions	<u>-56,218</u>	<u>-6.42%</u>
3. Employer normal cost: (1) + (2)	\$138,009	15.76%
4. Amortization of unfunded actuarial accrued liability	<u>80,872</u>	<u>9.23%</u>
5. Total recommended average employer contribution: (3) + (4)	\$218,881	24.99%
8. Projected compensation	\$875,672	

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2007	\$156,804,528	\$156,804,528	100.0%
2008	167,054,356	167,054,356	100.0%
2009	177,011,005	177,011,005	100.0%
2010	167,141,893	167,141,893	100.0%
2011	182,920,751	182,920,751	100.0%
2012	179,098,469	179,098,469	100.0%

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

EXHIBIT III

Supplementary Information Required by GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (%) (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)
6/30/2007	\$5,406,461,000	\$5,788,336,000	\$381,875,000	93.4	\$832,484,000	45.9
6/30/2008	5,930,758,000	6,363,355,000	432,597,000	93.2	902,971,000	47.9
6/30/2009	5,730,215,000	6,661,993,000	931,778,000	86.0	968,130,000	96.2
6/30/2010	6,216,994,000	7,090,497,000	873,503,000	87.7	912,644,000	95.7
6/30/2011	6,420,824,000	7,382,897,000	962,073,000	87.0	880,766,000	109.2
6/30/2012	6,529,895,000	7,838,223,000	1,308,328,000	83.3	875,672,000	149.4

* Includes contingency reserve and retiree health benefit reserve.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

EXHIBIT IV

Supplementary Information Required by GASB

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll for total unfunded liability
Remaining amortization period	25 years (declining) with 23 years remaining as of June 30, 2012 for all UAAL. The UAAL established as a result of the Early Retirement Incentive Program for LEMA members is amortized over a 10-year period, beginning June 30, 2010.*
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	7.50%
Inflation rate	3.25%
Real across-the-board salary increase	0.25%
Projected salary increases**	4.89% to 11.30% for Miscellaneous; 3.50% to 9.51% for Safety
Cost of living adjustments	3.25% of Miscellaneous and Safety Tier 1 retirement income, 2.00% of Miscellaneous Tier 3 and Tier 4 and Safety Tier 2 and Tier 3 retirement income, and 0.00% of Miscellaneous Tier 2 retirement income.
Plan membership:	
Retired members and beneficiaries receiving benefits	9,239
Terminated members entitled to, but not yet receiving benefits	2,851
Active members	<u>12,155</u>
Total	24,245

* The original UAAL for the Early Retirement Incentive Program was determined at \$4,047,000 as of June 30, 2010. The outstanding balance is \$3,612,000 as of June 30, 2012.

** Includes inflation at 3.25%, plus real across-the-board salary increase of 0.25%, plus merit and longevity increases. See Exhibit V for these increases.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

EXHIBIT V

Actuarial Assumptions/Methods

Post – Retirement Mortality Rates:

Healthy:

For Miscellaneous Members and Beneficiaries: RP-2000 Combined Healthy Mortality Table set back two years.

For Safety Members: RP-2000 Combined Healthy Mortality Table set back one year.

Disabled:

For Miscellaneous Members: RP-2000 Disabled Retiree Mortality Table set forward one year.

For Safety members: RP-2000 Combined Healthy Mortality Table set back one year.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the June 30, 2010 Actuarial Experience Study.

Member Contribution Rates:

For Miscellaneous members: RP-2000 Combined Healthy Mortality Table set back two years weighted 40% male and 60% female.

For Safety members: RP-2000 Combined Healthy Mortality Table set back one year weighted 70% male and 30% female.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Termination Rates Before Retirement:

Age	Rate (%) Mortality			
	Miscellaneous		Safety	
	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.06	0.04	0.07	0.04
40	0.10	0.06	0.10	0.06
45	0.13	0.09	0.14	0.10
50	0.19	0.14	0.20	0.16
55	0.29	0.22	0.32	0.24
60	0.53	0.39	0.59	0.44
65	1.00	0.76	1.13	0.86

All Miscellaneous pre-retirement deaths are assumed to be non-duty. For Safety, 25% pre-retirement deaths are assumed to be non-duty and the rest are assumed to be duty.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Termination Rates Before Retirement (continued):

Age	Rate (%)	
	Disability	
	Miscellaneous⁽¹⁾	Safety⁽²⁾
20	0.00	0.10
25	0.01	0.10
30	0.03	0.19
35	0.05	0.34
40	0.08	0.49
45	0.16	0.64
50	0.26	0.82
55	0.36	1.68
60	0.61	0.00

⁽¹⁾ 20% of Miscellaneous disabilities are assumed to be duty disabilities. The other 80% are assumed to be non-duty disabilities.

⁽²⁾ 90% of Safety disabilities are assumed to be duty disabilities. The other 10% are assumed to be non-duty disabilities.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Termination Rates Before Retirement (continued):

Rate (%)		
Withdrawal (< 5 Years of Service)		
Years of Service	Miscellaneous	Safety
0	15.00	10.00
1	9.00	6.00
2	8.00	5.00
3	6.00	4.00
4	5.00	3.00
Withdrawal (5+ Years of Service) *		
Age	Miscellaneous	Safety
20	5.10	3.00
25	4.85	3.00
30	4.60	3.00
35	4.35	2.70
40	3.80	2.20
45	2.90	1.70
50	2.02	0.00
55	1.58	0.00
60	0.00	0.00

* 50% of the Miscellaneous members and 40% of the Safety members are assumed to elect a refund of contribution balance while the remaining 50% and 60% of Miscellaneous and Safety members, respectively, are assumed to elect a deferred retirement benefit. No withdrawal is assumed after a member is assumed to retire.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Retirement Rates:

Age	Rate (%)				
	Miscellaneous Tier 1	Miscellaneous Tiers 2 & 3	Miscellaneous Tier 4	Safety Tiers 1 & 2	Safety Tier 3
45	0.00	0.00	0.00	2.00	1.50
46	0.00	0.00	0.00	2.00	1.50
47	0.00	0.00	0.00	2.00	1.50
48	0.00	0.00	0.00	2.00	1.50
49	0.00	0.00	0.00	5.00	4.00
50	6.00	2.00	2.00	25.00	10.00
51	4.00	2.00	2.00	20.00	12.00
52	4.00	2.00	2.00	20.00	14.00
53	4.00	3.00	2.00	25.00	16.00
54	7.00	4.00	3.00	25.00	18.00
55	10.00	6.00	4.00	25.00	50.00
56	12.00	6.00	5.00	30.00	30.00
57	15.00	8.00	6.00	30.00	30.00
58	20.00	13.00	7.00	30.00	30.00
59	24.00	15.00	8.00	30.00	30.00
60	29.00	18.00	9.00	50.00	50.00
61	32.00	20.00	10.00	60.00	60.00
62	35.00	30.00	18.00	75.00	75.00
63	40.00	35.00	16.00	75.00	75.00
64	45.00	40.00	20.00	75.00	75.00
65	50.00	45.00	25.00	100.00	100.00
66	45.00	45.00	20.00	100.00	100.00
67	45.00	45.00	20.00	100.00	100.00
68	50.00	50.00	30.00	100.00	100.00
69	60.00	60.00	40.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

**Retirement Age and Benefit for
Deferred Vested Members:**

For deferred vested members, we make the following retirement assumption:

Miscellaneous Age: 59

Safety Age: 53

We assume that 50% of future Miscellaneous and 60% of future Safety deferred vested members will continue to work for a reciprocal employer. For reciprocals, we assume 5.65% compensation increases per annum.

Future Benefit Accruals:

1.0 year of service per year for the full-time employees. Continuation of current partial service accrual for part-time employees.

Unknown Data for Members:

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Percent Married:

80% of male members; 55% of female members.

Age of Spouse:

Female (or male) spouses are 3 years younger (or older) than their spouses.

**Service From Unused
Sick Leave Conversion:**

The following assumptions for service converted from unused sick leave as a percentage of service at retirement are used:

Service Retirements:

Miscellaneous: 1.50%

Safety: 2.25%

Disability Retirements:

Miscellaneous: 0.00%

Safety: 0.25%

Pursuant to Section 31641.01, the cost of this benefit will be charged only to employers and will not affect member contribution rates.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Net Investment Return: 7.50%; net of administration and investment expenses.

Employee Contribution Crediting Rate¹: 3.25% (assumed rate of inflation); compounded semi-annually.

Cost-of-Living Adjustment for Retirees: Miscellaneous and Safety Tier 1 benefits are assumed to increase at 3.25% per year. Miscellaneous Tier 3 and Tier 4 and Safety Tier 2 and Tier 3 benefits are assumed to increase at 2.0% per year. Miscellaneous Tier 2 receive no COLA increases.

Salary Increases:

Annual Rate of Compensation Increase (%)		
Inflation: 3.25%, plus “across the board” salary increases of 0.25% per year; plus the following merit and promotional increases.		
Age	Miscellaneous	Safety
20	7.80	6.01
25	5.13	5.12
30	3.73	3.97
35	3.17	2.78
40	2.66	2.24
45	2.36	1.86
50	2.00	1.74
55	1.58	1.64
60	1.39	0.00

¹ Current policy is to credit the member contribution account with interest up to the current 5-year Treasury rate, if such earnings are available. However, the difference in earnings between the 5-year Treasury rate and the target crediting rate will be applied to the other valuation reserves so that the overall valuation reserve target crediting rate is maintained at 7.50%.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Actuarial Value of Assets:	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.
Valuation Value of Assets:	Actuarial value of assets reduced by the value of the non-valuation reserves and designations.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total current salaries. The total Unfunded Actuarial Accrued Liability is amortized over a declining 23-year period. The Unfunded Actuarial Accrued Liability established as a result of the Early Retirement Incentive Program for LEMA members is amortized over a 10-year period beginning June 30, 2010.
Changes in Actuarial Assumptions:	Based on the Review of Economic Actuarial Assumptions, the following actuarial assumptions were changed since the previous valuation. Previously, these assumptions were as follows:
Net Investment Return:	7.75%; net of administration and investment expenses.
Employee Contribution Crediting Rate:	3.50% (assumed rate of inflation); compounded semi-annually.
Cost-of-Living Adjustment for Retirees:	Miscellaneous and Safety Tier 1 benefits are assumed to increase at 3.40% per year. Miscellaneous Tier 3 and Tier 4 and Safety Tier 2 and Tier 3 benefits are assumed to increase at 2.0% per year. Miscellaneous Tier 2 receive no COLA increases.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Changes in Actuarial Assumptions (Continued):

Salary Increases:

Annual Rate of Compensation Increase (%)		
Inflation: 3.50%, plus “across the board” salary increases of 0.25% per year; plus the following merit and promotional increases.		
Age	Miscellaneous	Safety
20	7.80	6.01
25	5.13	5.12
30	3.73	3.97
35	3.17	2.78
40	2.66	2.24
45	2.36	1.86
50	2.00	1.74
55	1.58	1.64
60	1.39	0.00

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

EXHIBIT VI

Summary of Plan Provisions

This exhibit summarizes the major provisions of the SCERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:	Membership with SCERS usually begins with the employment by the County or member District as a permanent full-time or part-time employee as provided in the County Salary Resolution or the District's Salary Resolution.
<i>Miscellaneous Tier 1</i>	All Miscellaneous members hired prior to September 27, 1981.
<i>Miscellaneous Tier 2 and Tier 3</i>	All Miscellaneous members hired on or after September 27, 1981. Membership into Tier 2 or Tier 3 is determined by date of hire and by bargaining unit.
<i>Miscellaneous Tier 4</i>	All Miscellaneous members hired on or after January 1, 2012 as adopted by the County.
<i>Safety Tier 1 and Tier 2</i>	Membership into Tier 1 or Tier 2 for Safety employee is determined by date of hire and by bargaining unit.
<i>Safety Tier 3</i>	All Safety members hired on or after January 1, 2012 as adopted by the County.

Final Compensation for Benefit Determination:

<i>Miscellaneous and Safety Tier 1</i>	Highest consecutive 1 year (12 months) of compensation earnable (§31462.1) (FAS1)
<i>Miscellaneous Tier 2, Tier 3 and Tier 4 and Safety Tier 2 and Tier 3</i>	Highest consecutive 3 years (36 months) of compensation earnable. (§31462) (FAS3)

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Service: Years of service. (Yrs)

Service Retirement Eligibility:

General Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years of service, regardless of age (§31672).

Safety Age 50 with 10 years of service, or after 20 years of Safety service, regardless of age (§31663.25).

Benefit Formula:

Miscellaneous Plans	Retirement Age	Benefit Formula
<i>Miscellaneous Tier 1</i> (§31676.14)	50	$(1.48\% \times \text{FAS1} - 1/3 \times 1.48\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.95\% \times \text{FAS1} - 1/3 \times 1.95\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(2.44\% \times \text{FAS1} - 1/3 \times 2.44\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(2.61\% \times \text{FAS1} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$
	65 or later	$(2.61\% \times \text{FAS1} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$
<i>Miscellaneous Tier 2 and Tier 3</i> (§31676.14)	50	$(1.48\% \times \text{FAS3} - 1/3 \times 1.48\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.95\% \times \text{FAS3} - 1/3 \times 1.95\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(2.44\% \times \text{FAS3} - 1/3 \times 2.44\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(2.61\% \times \text{FAS3} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$
	65 or later	$(2.61\% \times \text{FAS3} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$
<i>Miscellaneous Tier 4</i> (§31676.1)	50	$(1.18\% \times \text{FAS3} - 1/3 \times 1.18\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.49\% \times \text{FAS3} - 1/3 \times 1.49\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(1.92\% \times \text{FAS3} - 1/3 \times 1.92\% \times \$350 \times 12) \times \text{Yrs}$
	62	$(2.09\% \times \text{FAS3} - 1/3 \times 2.09\% \times \$350 \times 12) \times \text{Yrs}$
	65 or later	$(2.43\% \times \text{FAS3} - 1/3 \times 2.43\% \times \$350 \times 12) \times \text{Yrs}$

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Safety Plans	Retirement Age	Benefit Formula
<i>Safety Tier 1</i> (§31664.1)	50	$(3.00\% \times \text{FAS1} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(3.00\% \times \text{FAS1} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	60 or later	$(3.00\% \times \text{FAS1} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
<i>Safety Tier 2</i> (§31664.1)	50	$(3.00\% \times \text{FAS3} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(3.00\% \times \text{FAS3} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	60 or later	$(3.00\% \times \text{FAS3} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
<i>Safety Tier 3</i> (§31664.2)	50	$(2.29\% \times \text{FAS3} - 1/3 \times 2.29\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(3.00\% \times \text{FAS3} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(3.00\% \times \text{FAS3} - 1/3 \times 3.00\% \times \$350 \times 12) \times \text{Yrs}$
Maximum Benefit:	100% of Highest Average Compensation (§31676.14, §31676.1, §31664.1, §31664.2)	

Additional Benefit Information:

- For Miscellaneous members of the following Districts, benefits accrued before June 29, 2003 will continue to be calculated using §31676.1.
 1. Fair Oaks Cemetery District
 2. Galt Arno Cemetery District

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Non-duty Disability:

Miscellaneous and Safety Tier 1

Eligibility

Five years of service (§31720).

Benefit Formula

1.5% per year of service for Miscellaneous Tier 1 and 1.8% per year of service for Safety Tier 1. If the benefit does not exceed one-third of Final Compensation, the service is projected to 65 for Miscellaneous Tier 1 and 55 for Safety Tier 1, but the total benefit cannot be more than one-third of Final Compensation (§31727 and §31727.2). The Service Retirement benefit is payable, if greater.

Miscellaneous Tier 2, Tier 3, Tier 4
and Safety Tier 2 and Tier 3

Eligibility

Five years of service (§31720).

Benefit Formula

20% of Final Compensation for the first five years of service plus 2% for each year of additional service for a maximum of 40% of Final Compensation (§31727.7). The Service Retirement benefit is payable, if greater.

Line-of-Duty Disability:

All Members

Eligibility

No age or service requirements (§31720).

Benefit Formula

50% of the Final Compensation or 100% of Service Retirement benefit, if greater (§31727.4).

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Pre-Retirement Death:

All Members

Eligibility

No age or service requirements.

Benefit

Refund of employee contributions with interest plus one month's compensation for each year of service to a maximum of six month's compensation (§31781).

Death in Line-of-Duty

50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

OR

Vested Members

Eligibility

Five years of service.

Benefit

60% of the greater of Service or Non-duty Disability Retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of above.

Death in Line-of-Duty

50% of Final compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

Death After Retirement:

All Members

*Service Retirement or
Non-Duty Disability*

60% of member's unmodified allowance continued to eligible spouse (§31760.1). An additional \$4,000 lump sum benefit is payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement (§31760.1).

Line-of-Duty Disability

100% of member's allowance continued to eligible spouse (§31786). An additional \$4,000 lump sum benefit is payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement (§31760.1).

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Withdrawal Benefits:

<i>Less than Five Years of Service</i>	Refund of accumulated employee contributions with interest, or earned benefit at age 70 (§31628). Effective January 1, 2003, a member may also elect to leave their contributions on deposit in the retirement fund (§31629.5).
<i>Five or More Years of Service</i>	If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§31700).

Post-retirement

Cost-of-Living Benefits:

<i>Miscellaneous and Safety Tier 1</i>	Future changes based on Consumer Price Index to a maximum of 4% per year, excess “banked.” (§31870.3)
<i>Miscellaneous Tier 3 and Tier 4 and Safety Tier 2 and Tier 3</i>	Future changes based on Consumer Price Index to a maximum of 2% per year, excess “banked.” (§31870)

Note: There is no cost-of-living benefit for Miscellaneous Tier 2.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Member Contributions:	Please refer to Appendix A for the specific rates.
<i>Miscellaneous Tier 1</i>	
<i>Basic</i>	Provide for an average annuity at age 55 equal to 1/240 of FAS1. (§31621.3)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.
<i>Miscellaneous Tier 2</i>	
<i>Basic</i>	Provide for an average annuity at age 55 equal to 1/240 of FAS3. (§31621.3)
<i>Cost-of-Living</i>	None.
<i>Miscellaneous Tier 3</i>	
<i>Basic</i>	Provide for an average annuity at age 55 equal to 1/240 of FAS3. (§31621.3)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.
<i>Miscellaneous Tier 4</i>	
<i>Basic</i>	Provide for an average annuity at age 60 equal to 1/120 of FAS3. (§31621)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.
<i>Safety Tier 1, Tier 2 and Tier 3</i>	
<i>Basic</i>	Provide for an average annuity at age 50 equal to 1/100 of FAS1 (FAS3 for Tier 2 and Tier 3). (§31639.25)
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.

Note: The above rates are known as full rates. For members paying half rates, their rates should be one-half of the rates provided in this report. In addition, for members entering the plan on or after January 1, 1975, they pay a rate based on a single entry age (§31621.11 and §31639.26).

Other Information: Safety members with 30 or more years of service are exempt from paying member contributions. The same applies for Miscellaneous members hired on or before March 7, 1973.

NOTE: *The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so they can both be sure the proper provisions are valued.*

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Appendix A

Member Contribution Rates

Comparison of Member Rate^(*,**) from June 30, 2011 and June 30, 2012 Valuation

Miscellaneous	June 30, 2012			June 30, 2011			Increase/(Decrease) in Rate
	Basic	COLA	Total	Basic	COLA	Total	
Tier 1	4.02%	1.36%	5.38%	3.93%	1.39%	5.32%	0.06%
Tier 2	3.82%	0.00%	3.82%	3.72%	0.00%	3.72%	0.10%
Tier 3	3.82%	1.36%	5.18%	3.72%	1.31%	5.03%	0.15%
Tier 4	6.67%	1.15%	7.82%	6.51%	1.03%	7.54%	0.28%

Safety	June 30, 2012			June 30, 2011			Increase/(Decrease) in Rate
	Basic	COLA	Total	Basic	COLA	Total	
Tier 1	9.78%	4.74%	14.52%	9.54%	4.68%	14.22%	0.30%
Tier 2	9.30%	2.69%	11.99%	9.05%	2.50%	11.55%	0.44%
Tier 3	9.30%	2.56%	11.86%	9.05%	2.23%	11.28%	0.58%

* For members paying half rates, their rates should be exactly one-half of rates described above.

** Members who enter on or after 1/1/1975 contribute as indicated above and all others contribute the rate at their respective entry ages.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Appendix A

Member Contribution Rates (Continued)

Miscellaneous Members' Contribution Rates from the June 30, 2012 Actuarial Valuation

Entry Age	Basic Only						COLA Only						Total					
	First \$350 of Monthly Salary			Salary in Excess of \$350			First \$350 of Monthly Salary			Salary in Excess of \$350			First \$350 of Monthly Salary			Salary in Excess of \$350		
	Tier 1	Tier 2 & Tier 3	Tier 4	Tier 1	Tier 2 & Tier 3	Tier 4	Tier 1	Tier 3	Tier 4	Tier 1	Tier 3	Tier 4	Tier 1	Tier 3	Tier 4	Tier 1	Tier 3	Tier 4
16	2.52%			3.78%			0.85%			1.28%			3.37%			5.06%		
17	2.53%			3.79%			0.85%			1.28%			3.38%			5.07%		
18	2.53%			3.80%			0.85%			1.28%			3.38%			5.08%		
19	2.53%			3.80%			0.85%			1.28%			3.38%			5.08%		
20	2.53%			3.80%			0.85%			1.28%			3.38%			5.08%		
21	2.53%			3.80%			0.85%			1.28%			3.38%			5.08%		
22	2.53%			3.79%			0.85%			1.28%			3.38%			5.07%		
23	2.53%			3.80%			0.85%			1.28%			3.38%			5.08%		
24	2.53%			3.80%			0.85%			1.28%			3.38%			5.08%		
25	2.54%			3.81%			0.86%			1.29%			3.40%			5.10%		
26	2.55%			3.82%			0.86%			1.29%			3.41%			5.11%		
27	2.55%			3.83%			0.86%			1.29%			3.41%			5.12%		
28	2.57%			3.85%			0.87%			1.30%			3.44%			5.15%		
29	2.57%			3.86%			0.87%			1.31%			3.44%			5.17%		
30	2.59%			3.88%			0.87%			1.31%			3.46%			5.19%		
31	2.60%			3.90%			0.88%			1.32%			3.48%			5.22%		
32	2.61%			3.92%			0.89%			1.33%			3.50%			5.25%		
33	2.63%			3.94%			0.89%			1.33%			3.52%			5.27%		
34	2.65%			3.97%			0.89%			1.34%			3.54%			5.31%		
35	2.66%			3.99%			0.90%			1.35%			3.56%			5.34%		
36	2.68%	2.55%	4.45%	4.02%	3.82%	6.67%	0.91%	0.91%	0.77%	1.36%	1.36%	1.15%	3.59%	3.46%	5.22%	5.38%	5.18%	7.82%
37	2.70%			4.05%			0.91%			1.37%			3.61%			5.42%		
38	2.71%			4.07%			0.92%			1.38%			3.63%			5.45%		
39	2.73%			4.10%			0.93%			1.39%			3.66%			5.49%		
40	2.75%			4.13%			0.93%			1.40%			3.68%			5.53%		
41	2.78%			4.17%			0.94%			1.41%			3.72%			5.58%		
42	2.80%			4.20%			0.95%			1.42%			3.75%			5.62%		
43	2.82%			4.23%			0.95%			1.43%			3.77%			5.66%		
44	2.85%			4.27%			0.96%			1.44%			3.81%			5.71%		
45	2.87%			4.31%			0.97%			1.46%			3.84%			5.77%		
46	2.89%			4.34%			0.98%			1.47%			3.87%			5.81%		
47	2.92%			4.38%			0.99%			1.48%			3.91%			5.86%		
48	2.95%			4.42%			0.99%			1.49%			3.94%			5.91%		
49	2.97%			4.46%			1.01%			1.51%			3.98%			5.97%		
50	3.01%			4.51%			1.01%			1.52%			4.02%			6.03%		
51	3.03%			4.55%			1.03%			1.54%			4.06%			6.09%		
52	3.07%			4.60%			1.04%			1.56%			4.11%			6.16%		
53	3.10%			4.65%			1.05%			1.57%			4.15%			6.22%		

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

**Appendix A
Member Contribution Rates (Continued)**

Miscellaneous Members' Contribution Rates from the June 30, 2012 Actuarial Valuation

Entry Age	Basic Only						COLA Only						Total					
	First \$350 of Monthly Salary			Salary in Excess of \$350			First \$350 of Monthly Salary			Salary in Excess of \$350			First \$350 of Monthly Salary			Salary in Excess of \$350		
	Tier 1	Tier 2 & Tier 3	Tier 4	Tier 1	Tier 2 & Tier 3	Tier 4	Tier 1	Tier 3	Tier 4	Tier 1	Tier 3	Tier 4	Tier 1	Tier 3	Tier 4	Tier 1	Tier 3	Tier 4
54	3.13%			4.70%			1.06%			1.59%			4.19%			6.29%		
55	3.13%			4.70%			1.06%			1.59%			4.19%			6.29%		
56	3.13%			4.70%			1.06%			1.59%			4.19%			6.29%		
57	3.13%			4.70%			1.06%			1.59%			4.19%			6.29%		
58	3.13%			4.70%			1.06%			1.59%			4.19%			6.29%		
59 & Over	3.13%			4.70%			1.06%			1.59%			4.19%			6.29%		

The rates above are full contribution rates expressed as a percentage of salary based upon the following interest and salary scale assumptions. Members who enter prior to 1/1/1975 contribute on the basis of their actual entry age and all others contribute on the basis of a single entry age of 36.

- Interest: 7.50% per annum
- COLA:
 - Tier 1: 3.25%
 - Tier 2: 0.00%
 - Tier 3: 2.00%
 - Tier 4: 2.00%
- Mortality: RP-2000 Combined Healthy Mortality Table set back two years weighted 40% male and 60% female
- Salary increase: Inflation (3.25%) + Across-the-Board Increase (0.25%) + Merit (See Exhibit V).
- COLA Loading Factor*:
 - Tier 1: 33.81%
 - Tier 3: 35.71%
 - Tier 4: 17.30%

* Factors have been adjusted to reflect a reserve carried by the Board to reduce part of the COLA contributions.

Non-Refundability factor:

- Tier 1: 100.00%
- Tier 2: 99.65%
- Tier 3: 97.03%
- Tier 4: 90.67%

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

**Appendix A
Member Contribution Rates (Continued)**

Safety Members' Contribution Rates from the June 30, 2012 Actuarial Valuation

Entry Age	Basic Only				COLA Only						Total					
	First \$350 of Monthly Salary		Salary in Excess of \$350		First \$350 of Monthly Salary			Salary in Excess of \$350			First \$350 of Monthly Salary			Salary in Excess of \$350		
	Tier 1	Tier 2 & Tier 3	Tier 1	Tier 2 & Tier 3	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
18	6.42%		9.63%		3.11%			4.67%			9.53%			14.30%		
19	6.43%		9.64%		3.11%			4.67%			9.54%			14.31%		
20	6.43%		9.64%		3.11%			4.67%			9.54%			14.31%		
21	6.43%		9.64%		3.11%			4.67%			9.54%			14.31%		
22	6.42%		9.63%		3.11%			4.67%			9.53%			14.30%		
23	6.42%		9.63%		3.11%			4.67%			9.53%			14.30%		
24	6.43%		9.64%		3.11%			4.67%			9.54%			14.31%		
25	6.44%		9.66%		3.12%			4.68%			9.56%			14.34%		
26	6.45%		9.68%		3.13%			4.69%			9.58%			14.37%		
27	6.47%		9.70%		3.13%			4.70%			9.60%			14.40%		
28	6.49%		9.74%		3.15%			4.72%			9.64%			14.46%		
29	6.52%	6.20%	9.78%	9.30%	3.16%	1.79%	1.71%	4.74%	2.69%	2.56%	9.68%	7.99%	7.91%	14.52%	11.99%	11.86%
30	6.55%		9.83%		3.17%			4.76%			9.72%			14.59%		
31	6.59%		9.88%		3.19%			4.79%			9.78%			14.67%		
32	6.63%		9.95%		3.21%			4.82%			9.84%			14.77%		
33	6.67%		10.01%		3.23%			4.85%			9.90%			14.86%		
34	6.73%		10.09%		3.26%			4.89%			9.99%			14.98%		
35	6.78%		10.17%		3.29%			4.93%			10.07%			15.10%		
36	6.83%		10.25%		3.31%			4.97%			10.14%			15.22%		
37	6.89%		10.34%		3.34%			5.01%			10.23%			15.35%		
38	6.96%		10.44%		3.37%			5.06%			10.33%			15.50%		
39	7.02%		10.53%		3.40%			5.10%			10.42%			15.63%		
40	7.09%		10.63%		3.43%			5.15%			10.52%			15.78%		
41	7.15%		10.73%		3.47%			5.20%			10.62%			15.93%		
42	7.22%		10.83%		3.50%			5.25%			10.72%			16.08%		
43	7.29%		10.94%		3.53%			5.30%			10.82%			16.24%		
44	7.37%		11.05%		3.57%			5.35%			10.94%			16.40%		
45	7.44%		11.16%		3.61%			5.41%			11.05%			16.57%		
46	7.52%		11.28%		3.65%			5.47%			11.17%			16.75%		
47	7.60%		11.40%		3.68%			5.52%			11.28%			16.92%		
48	7.68%		11.52%		3.72%			5.58%			11.40%			17.10%		
49 & Over	7.76%		11.64%		3.76%			5.64%			11.52%			17.28%		

The rates above are full contribution rates expressed as a percentage of salary based upon the following interest and salary scale assumptions. Members who enter prior to 1/1/1975 contribute on the basis of their actual entry age and all others contribute on the basis of a single entry age of 29.

SECTION 4: Reporting Information for the Sacramento County Employees' Retirement System

Appendix A

Member Contribution Rates (Continued)

Safety Members' Contribution Rates from the June 30, 2012 Actuarial Valuation

Interest:	7.50% per annum
COLA:	Tier 1: 3.25%
	Tier 2: 2.00%
	Tier 3: 2.00%
Mortality:	RP-2000 Combined Healthy Mortality Table set back one year weighted 70% male and 30% female
Salary increase:	Inflation (3.25%) + Across-the-Board Increase (0.25%) + Merit (See Exhibit V).
COLA Loading Factor*:	Tier 1: 48.45%
	Tier 2: 28.91%
	Tier 3: 27.58%

* Factors have been adjusted to reflect a reserve carried by the Board to reduce part of the COLA contributions.

Non-Refundability factor:

Tier 1:	99.85%
Tier 2:	97.99%
Tier 3:	93.98%

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