

**SAN LUIS OBISPO COUNTY PENSION TRUST**  
*ACTUARIAL VALUATION REPORT*  
*FOR THE YEAR BEGINNING JANUARY 1, 2007*

## TABLE OF CONTENTS

	<b>Page</b>
<b>COVER LETTER</b>	
<b>Section A</b> VALUATION COMMENTS & RECOMMENDATIONS.....	<b>1</b>
<b>Section B</b> FINANCIAL PRINCIPLES & OPERATIONAL TECHNIQUES.....	<b>5</b>
<b>Section C</b> ACTUARIAL VALUATION PROCESS.....	<b>8</b>
<b>Section D</b> FUNDING PROGRESS.....	<b>10</b>
<b>Section E</b> VALUATION RESULTS.....	<b>13</b>
<b>Section F</b> SUMMARY OF BENEFIT PROVISIONS.....	<b>23</b>
<b>Section G</b> SUMMARY OF MEMBER DATA.....	<b>31</b>
<b>Section H</b> ACTIVE DATA TABLES.....	<b>40</b>
<b>Section I</b> RETIREE DATA TABLES.....	<b>49</b>
<b>Section J</b> VALUATION METHODS & ASSUMPTIONS.....	<b>58</b>
<b>Section K</b> DEFINITIONS OF TECHNICAL TERMS.....	<b>67</b>
<b>Section L</b> DISCLOSURES FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD ...	<b>70</b>
<b>Section M</b> APPENDIX A: MEMBER CONTRIBUTION RATES AND COLLECTIVE BARGAINING UNITS.....	<b>73</b>

June 19, 2007

San Luis Obispo County Pension Trust  
1000 Mill Street  
San Luis Obispo, CA 93408

Members of the Board:

Submitted in this report are the results of the regular Annual Actuarial Valuation as of January 1, 2007 of the San Luis Obispo County Pension Trust. The valuation is intended to provide a measure of the funding status of the pension trust. This valuation provides information relative to the employer contribution rates for the County's fiscal year beginning July 1, 2007.

The member statistical data on which the valuation was based was furnished by the Retirement Office, together with pertinent data on financial operations. Data was reviewed for reasonableness, but was not audited by the actuary.

The cooperation of the Pension Trust Office in furnishing materials requested for this valuation is deeply acknowledged with appreciation.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY



Leslie L. Thompson, EA, FSA, MAAA  
Senior Consultant

---

**SECTION A**

**VALUATION COMMENTS & RECOMMENDATIONS**

---

## COMMENTS & RECOMMENDATIONS

**COMMENT A:** This valuation reflects changes in benefits and employee contributions, as well as a change in the interest rate assumption and the salary growth assumption.

**COMMENT B:** The computed County actuarial rate for the System increased from 17.21% to 24.48%. The Entry Age Normal funded ratio decreased from 84.2% to 76.4%. Net losses before assumption and plan changes decreased the funded ratio by (0.9%). The assumption change decreased the ratio by (5.6%) and the benefit changes decreased the ratio by (1.3%).

**COMMENT C:** The prior funding policy of corridor funding is currently under review by the trustees. There is a policy in place to move the County's aggregate contribution of 13.05% of payroll to the 24.48% of payroll over three six-month periods.

**COMMENT D:** Losses were less than the prior year. The key areas of loss were:

- \$6.4 million loss due to compensation increases for continuing active members being above those expected. The average increase was 6.7%. This is the 5<sup>th</sup> year during the most recent six years that actual pay increases surpassed expected pay increases. The assumption has now been changed to accommodate this pattern.
- There was a \$1.2 million loss due to retirement, turnover, mortality and disability experience different than assumed.
- Investment performance on the actuarial value of assets was slightly above the assumed 7.75% yield, accounting for a \$92,053 experience gain. The actuarial asset yield of 7.76% exceeded the 7.75% benchmark. In addition, the actuarial value of assets is 96% of the market value of assets, which means there are \$29.2 million in deferred gains yet to be recognized.

**COMMENT E:** There have been several recent benefit enhancements that have been reflected in this valuation. The following is a brief summary of the new benefits. Overall, the benefit enhancements resulted in a 0.71% increase to the actuarially determined contribution rate.

Safety benefits for the management and Sworn non-management members were increased to a 3.0% at 50 formula with a 90% benefit cap and final average compensation calculated over 12 months. The benefit enhancement for this group raised the total normal cost by 1.66% and actuarial accrued liability increased by \$6,796,804. Employee contribution rates were increased by 4.45% to help pay for the enhancement.

Probation benefits members were increased to a 3.0% at 55 formula with a 90% benefit cap and final average compensation calculated over 12 months. The normal cost increased by 3.24% and the actuarial accrued liability increased by \$2,884,020. Employee contribution rates were increased by 1.64%.

## COMMENTS & RECOMMENDATIONS

A Deferred Retirement Option Program (DROP) provision was added for bargaining units 1 thru 17, 21 and 22. DROP allows a member who is at least age 50 and has 5 years of service to receive an amount equal to the amount that would have been paid had the member retired in a DROP account. The annual addition to the DROP account is increased each year by 3% of the member's annuity. Deposits and DROP cease at the earlier of 5 years of DROP participation or separation from service. Upon actual retirement the member may receive the DROP account balance in the form of a lump sum or as an annuity payment.

**COMMENT F:** The Pension Trust has adopted a closed amortization period of 30 years (27 years remaining). Such period is consistent with the term of the 2003 Pension Obligation Bond issued by the County. We recommend the County to review its policy on GASB expensing in this regard.

**COMMENT G:** We normally recommend that the reserve for Retirees and Beneficiaries be updated to reflect the computed liability in the most recent valuation. With your System's current accounting (the County pays for all COLA benefits), this can only be done for non-COLA benefits. The COLA reserve includes amounts attributable to current active and deferred vested members. The December 31, 2006 reserve for retirees and beneficiaries is \$301,567,688. The non-COLA liabilities we calculated were \$280,846,056. Accordingly, we recommend that the System transfer this \$20,721,632 difference out of Retiree Reserve and back into the County Reserve.

**COMMENT H:** We estimate the allocation of assets between Miscellaneous, Probation and Safety. We do not distinguish the allocation among different bargaining units within each of the three groups. If a more exact basis is desired, separate accounting for each group would accomplish this. A separate accounting of assets, then combined with the separate valuation of the accrued liability, would allow the county to distinguish the UAL for each major employer.

**COMMENT I:** There is a potential perception issue in the manner in which employee contribution rate increases due to benefit enhancements have been shown in this valuation. The increased employee rates were intended to cover a portion of the total cost (normal cost and accrued liability). The actuarial process almost always uses the level of employee contributions as an offset against the total normal cost in developing the plan sponsor's normal cost, as has always been done for the Trust. However, there could be a perception "mismatch" in that the computed County normal cost will be lower and the computed amortization component higher than expected due to this traditional treatment of using all the employees' cost increase as an offset against total normal cost. We do not recommend a change in this approach – we are highlighting this in anticipation of questions from employers or members.

**COMMENT J:** We are aware of certain benefit improvements that have been considered since January 1, 2007. The benefits and their related increase in liabilities and employee contribution rates (if any) will be illustrated in the January 1, 2008 valuation.

## COMMENTS & RECOMMENDATIONS

**COMMENT K:** There were two groups who had an increase in their assumed employee contribution rates for this valuation. These groups are:

- Management and Sworn Non-Management Safety members.
- Probation members.

---

## SECTION B

### FINANCIAL PRINCIPLES AND OPERATIONAL TECHNIQUES

---

## FINANCIAL PRINCIPLES AND OPERATIONAL TECHNIQUES

Promises Made, and To Be Paid For. As each year is completed, the Pension Trust in effect hands an "IOU" to each member then acquiring a year of service credit -- the "IOU" says: "The San Luis Obispo County Pension Trust owes you one year's worth of retirement benefits, payments in cash commencing when you qualify for retirement."

The related key financial questions are:

Which generation of taxpayers contributes the money to cover the IOU?

The present taxpayers, who receive the benefit of the member's present year of service?

Or the future taxpayers, who happen to be in San Luis Obispo County at the time the IOU becomes a cash demand, years and decades later?

The principle of level percent of payroll financing intends that this year's taxpayers contribute the money to cover the IOUs being handed out this year. By following this principle, the employer contribution rate will remain approximately level from generation to generation (after funding of the system's initial unfunded liability is addressed) -- our children and our grandchildren will contribute the same percents of active payroll we contribute now.

(There are systems which have a design for deferring contributions to future taxpayers, lured by a lower contribution rate now and putting aside the consequence that the contribution rate must then relentlessly grow much greater over decades of time.)

An inevitable by-product of the level-cost design is the accumulation of reserve assets, for decades, and income produced when the assets are invested. Invested assets are a by-product and not the objective. Investment income becomes, in effect, the 3rd contributor for benefits to employees, and is interlocked with the contribution amounts required from employees and employer.

## FINANCIAL PRINCIPLES AND OPERATIONAL TECHNIQUES

Translated to actuarial terminology, this level-cost objective means that the contribution rates must total the following:

Current Cost (the cost of members' service being rendered this year)

. . . plus. . .

a portion of the excess of (i) liabilities for service already rendered over, (ii) the accrued assets of the plan.

Computing Contributions To Support System Benefits. From a given schedule of benefits and from the employee data and asset data furnished, the actuary determines the contribution rates to support the benefits, by means of an actuarial valuation and a funding method.

An actuarial valuation has a number of ingredients such as: the rate of investment return which plan assets will earn; rates of withdrawal of active members who leave covered employment; rates of mortality; rates of disability; rates of pay increases; and the assumed age or ages at actual retirement.

In an actuarial valuation assumptions must be made as to what the above rates will be, for the next year and for decades in the future. Only the subsequent actual experience of the plan can indicate the degree of accuracy of the assumptions.

Reconciling Differences Between Assumed Experience and Actual Experience. Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience, regardless of the wisdom of the various financial assumptions or the skill of the actuary and the millions of calculations made. The future can be predicted with considerable but not complete precision, except for inflation which defies reliable prediction.

The System copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continual adjustments in the computed employer contribution rates.

---

## SECTION C

### ACTUARIAL VALUATION PROCESS

---

## THE ACTUARIAL VALUATION PROCESS

The financing diagram on the following page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program) which is an increasing contribution method; and the level contribution method which equalizes contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined. The flow of activity constituting the valuation may be summarized as follows:

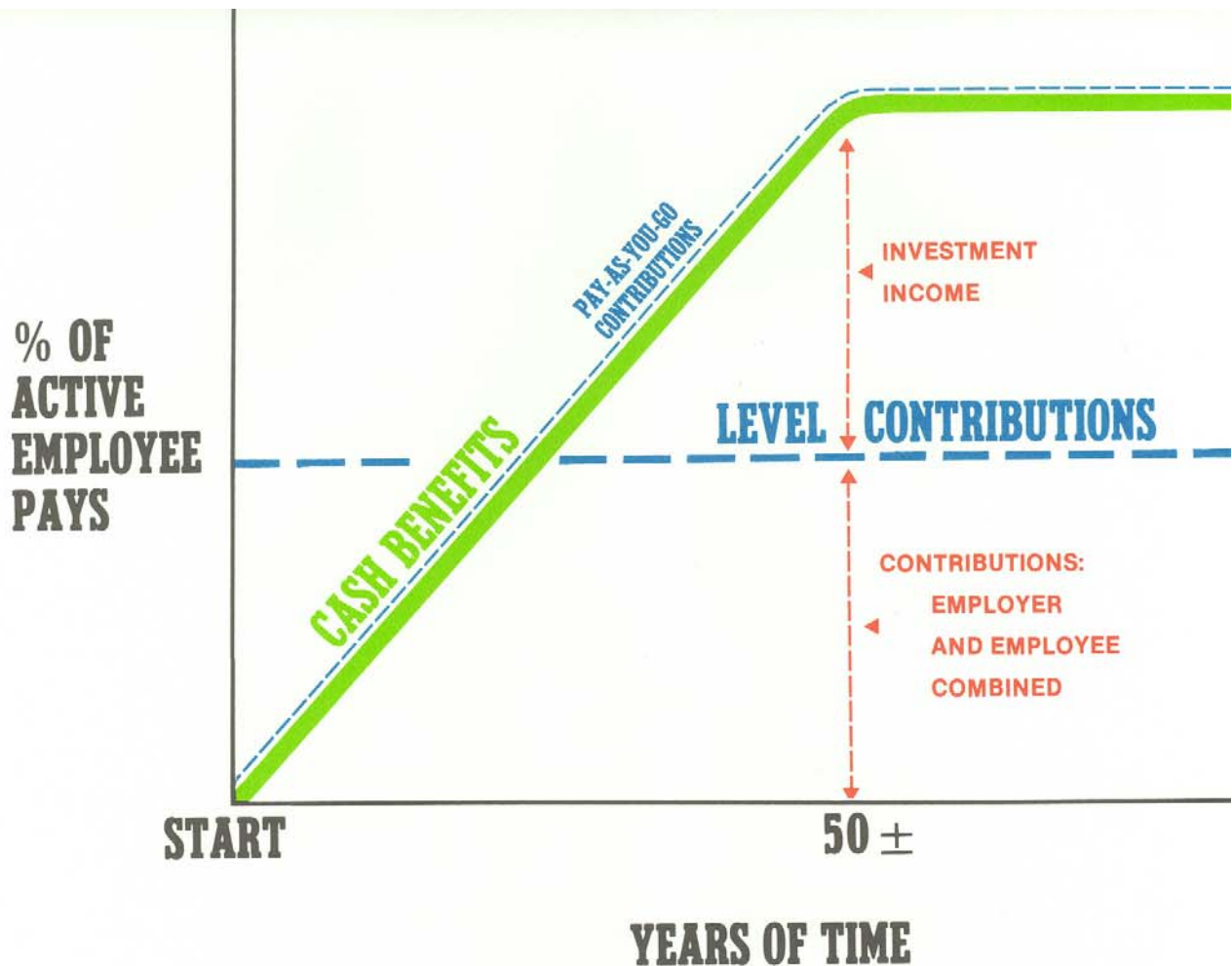
- A. Covered people data, furnished by plan administrator, including:
  - Retired lives now receiving benefits
  - Former employees with vested benefits not yet payable
  - Active employees
  
- B. + Asset data (cash & investments), furnished by plan administrator
  
- C. + Assumptions concerning future experience in various risk areas, which are established by the Retirement Board after consulting with the actuary
  
- D. + The funding method for employer contributions (the long-term, planned pattern for employer contributions)
  
- E. + Mathematically combining the assumptions, the funding method, and the data
  
- F. = Determination of:
  - Plan Financial Position and/or
  - New Employer Contribution Rate

---

## SECTION D

### FUNDING PROGRESS

---



**CASH BENEFITS LINE.** This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

**LEVEL CONTRIBUTION LINE.** Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

**Economic Risk Areas**

- Rates of investment return
- Rates of pay increase
- Changes in active member group size

**Non-Economic Risk Areas**

- Ages at actual retirement
- Rates of mortality
- Rates of withdrawal of active members (turnover)
- Rates of disability

## FUNDING OBJECTIVE

The funding objective of the Pension Trust is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately, level from year to year and will not have to be increased for future generations of citizens.

### CONTRIBUTION RATES

The Pension Trust is supported by member contributions, County contributions, and investment income from Pension Trust assets.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation and are intended to finance over a period of future years the actuarial present value of benefits not covered by valuation assets as a level percentage of future payroll.

Computed contributions as of the January 1, 2007 valuation are shown on the following page.

---

SECTION E

VALUATION RESULTS

---

ELEMENTS OF NORMAL COST

January 1, 2007

MISCELLANEOUS VALUATION GROUPS

	<u>Other</u>	<u>Management</u>			<u>SLOCEA</u>			<u>TOTAL MISC.</u>		
		<u>Non Court</u>	<u>Court BU #18</u>	<u>Court BU#24-27</u>	<u>Total Mgmt</u>	<u>Non Court</u>	<u>Court BU #19</u>		<u>Court BU #20</u>	<u>Total SLOCEA</u>
Service Retirement	15.97%	20.34%	21.31%	23.09%	20.59%	19.43%	15.41%	16.11%	19.25%	19.62%
Vesting	3.05%	3.07%	1.91%	2.41%	2.99%	2.48%	3.52%	2.69%	2.49%	2.65%
Death-In-Service	0.24%	0.39%	0.32%	0.39%	0.39%	0.31%	0.15%	0.17%	0.30%	0.33%
Disability	0.73%	0.85%	0.71%	0.88%	0.85%	0.77%	0.78%	0.70%	0.77%	0.79%
Refunds	<u>1.68%</u>	<u>1.48%</u>	<u>1.19%</u>	<u>1.12%</u>	<u>1.45%</u>	<u>1.30%</u>	<u>1.32%</u>	<u>1.43%</u>	<u>1.30%</u>	<u>1.35%</u>
<b>Total Normal Cost</b>	21.67%	26.13%	25.44%	27.89%	26.27%	24.29%	21.18%	21.10%	24.11%	24.74%
<b>Less</b>										
Employee Contribution Rate	9.92%	10.34%	9.17%	9.09%	10.21%	8.86%	7.25%	7.40%	8.78%	9.21%
<b>Equals</b>										
<b>County Normal Cost</b>	11.75%	15.79%	16.27%	18.80%	16.06%	15.43%	13.93%	13.70%	15.33%	15.53%

ELEMENTS OF NORMAL COST

January 1, 2007

	<u>Probation</u>			<u>Safety</u>			<b>GRAND TOTAL</b>
	<u>Mgmt</u>	<u>Non Mgmt</u>	<u>Total</u>	<u>Mgmt</u>	<u>Non Mgmt</u>	<u>Total</u>	
Service Retirement	15.79%	16.95%	16.84%	18.03%	18.78%	18.71%	<b>19.38%</b>
Vesting	6.47%	4.87%	5.03%	2.72%	2.29%	2.33%	<b>2.70%</b>
Death-In-Service	0.38%	0.37%	0.37%	0.50%	0.53%	0.53%	<b>0.36%</b>
Disability	0.80%	0.79%	0.79%	8.64%	9.64%	9.55%	<b>2.01%</b>
Refunds	<u>2.65%</u>	<u>2.25%</u>	<u>2.29%</u>	<u>1.12%</u>	<u>0.90%</u>	<u>0.92%</u>	<b><u>1.33%</u></b>
<b>Total Normal Cost</b>	26.09%	25.23%	25.32%	31.01%	32.14%	32.04%	<b>25.78%</b>
			<b>Less</b>				
Employee Contribution Rate	16.86%	15.12%	15.26%	15.99%	13.52%	13.67%	<b>10.20%</b>
			<b>Equals</b>				
<b>County Normal Cost</b>	9.23%	10.11%	10.06%	15.02%	18.62%	18.37%	<b>15.58%</b>

**COMPUTED COUNTY CONTRIBUTION RATES  
TOTAL (EXPRESSED AS PERCENTS OF ACTIVE PAYROLL)**

<b>County Contributions</b>	<b>Miscellaneous</b>		<b>Probation</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Total normal costs	15.53%	11.85%	10.06%	7.94%
Amortization	<u>8.34%</u>	<u>4.89%</u>	<u>8.39%</u>	<u>3.66%</u>
Total Cost	23.87%	16.74%	18.45%	11.60%
Unfunded Liability (000's)	181,019	103,141	8,975	3,581

<b>County Contributions</b>	<b>Safety</b>		<b>Total Plan</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Total normal costs	18.37%	14.72%	15.58%	12.04%
Amortization	<u>12.41%</u>	<u>7.04%</u>	<u>8.90%</u>	<u>5.17%</u>
Total Cost	30.78%	21.76%	24.48%	17.21%
Unfunded Liability (000's)	45,108	24,508	235,103	131,230

Breakdown of Total normal cost between the Basic Allowance and Cost of Living

<b>County Contributions</b>	<b>MISC</b>	<b>PROB</b>	<b>SAFETY</b>	<b>2007</b>	<b>2006</b>
Basic Allowance	9.59%	3.87%	9.92%	9.27%	6.87%
Cost of Living	<u>5.94%</u>	<u>6.19%</u>	<u>8.45%</u>	<u>6.31%</u>	<u>5.17%</u>
Total Normal Costs	15.53%	10.06%	18.37%	15.58%	12.04%

## UNFUNDED ACTUARIAL ACCRUED LIABILITY DECEMBER 31, 2006

The actuarial gains or losses realized in the operation of the Pension Trust provide an experience test. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) and sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below.

(1) UAAL at beginning of the year	\$131,229,996
(2) County normal cost	17,862,608
(3) County contributions made during year	19,177,491
(4) Interest Accrual $[(1) + ((2) - (3))/2] * 7.75\%$	10,119,373
(5) Increase in UAAL due to benefit increases	16,544,706
(6) Increase in UAAL due to assumption changes	65,841,123
(7) Expected UAAL at end of year	222,420,315
[(1) + (2) - (3) + (4) + (5) + (6)]	
(8) Actual UAAL at end of year	235,103,017
(9) (Loss): (7) - (8)	(12,682,702)
(10) Gain (loss) as percentage of actuarial accrued liabilities at beginning of year	
\$831,289,683	-1.53%

### **Components of Experience Gain/(Loss)**

Estimated Gain/(Loss) due to compensation increases	(\$6,394,421)
Estimated Gain/(Loss) attributed to retirement incidence	(714,074)
Estimated Gain/(Loss) attributed to investment experience	92,053
Estimated Gain/(Loss) attributed to retiree & beneficiary mortality experience and miscellaneous data changes	701,493
Estimated Gain/(Loss) attributed to actual contributions different than expected (corridor funding)	(5,156,675)
Estimated Gain/(Loss) attributed to employee turnover, pre-retirement mortality and miscellaneous factors	(1,211,078)
Total Estimated Experience Gain/(Loss)	(12,682,702)

**EXPERIENCE GAIN (LOSS) – COMPARATIVE SCHEDULE**  
**JANUARY 1, 2007**

Percentage of Accrued Liabilities

Valuation Date	Actuarial Gain (Loss)	Beginning of Year Accrued Liabilities	Gain (Loss) Percentage Attributable to Investments	Gain (Loss) Percentage Not Attributable to Investments	Total Gain (Loss) Percentage
1/1/2002	(\$7,090,396)	\$446,333,883	(0.30)%	(1.29)%	(1.59)%
1/1/2003	(\$31,319,034)	\$492,795,245	(2.79)%	(3.57)%	(6.36)%
1/1/2004	(\$19,544,002)	\$556,320,953	(1.45)%	(2.06)%	(3.51)%
1/1/2005	(\$10,820,472)	\$642,734,312	(1.15)%	(0.53)%	(1.68)%
1/1/2006	(\$36,097,371)	\$715,084,943	(1.34)%	(3.71)%	(5.05)%
1/1/2007	(\$12,682,702)	\$831,289,683	0.01 %	(1.54)%	(1.53)%

**ACTUARIAL BALANCE SHEET**  
**JANUARY 1, 2007**

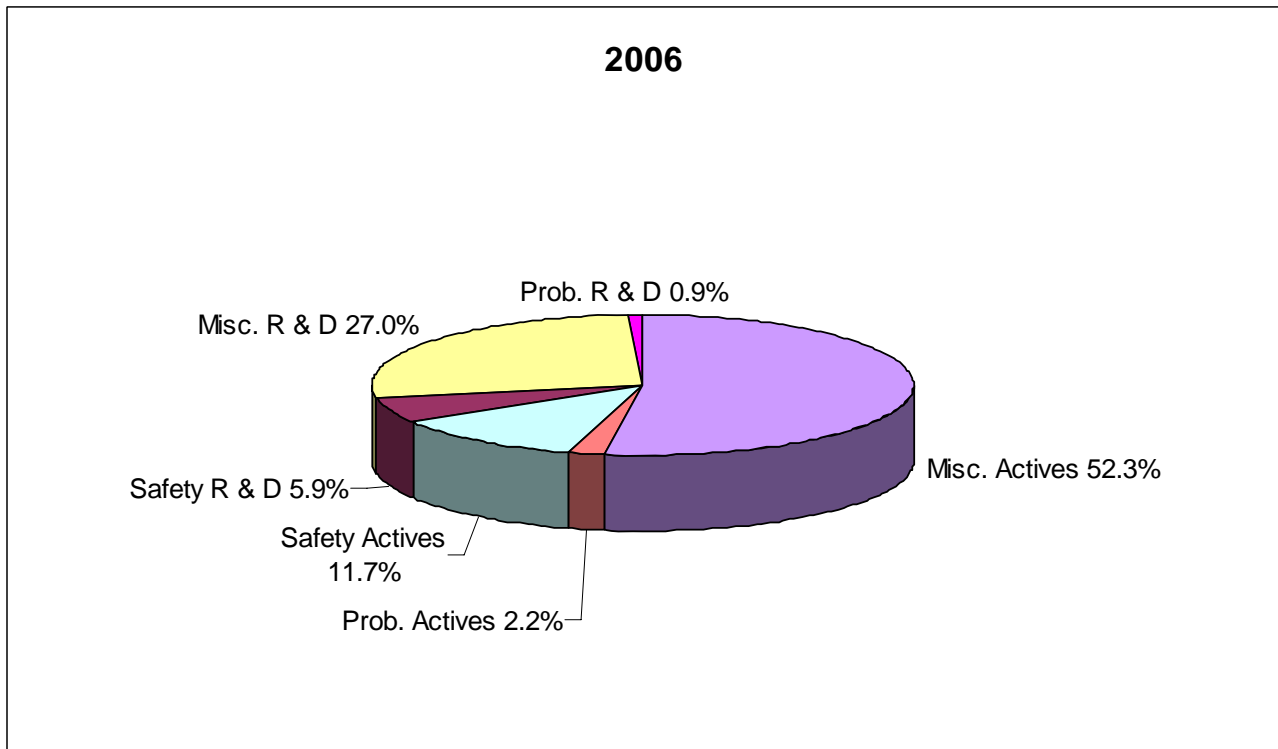
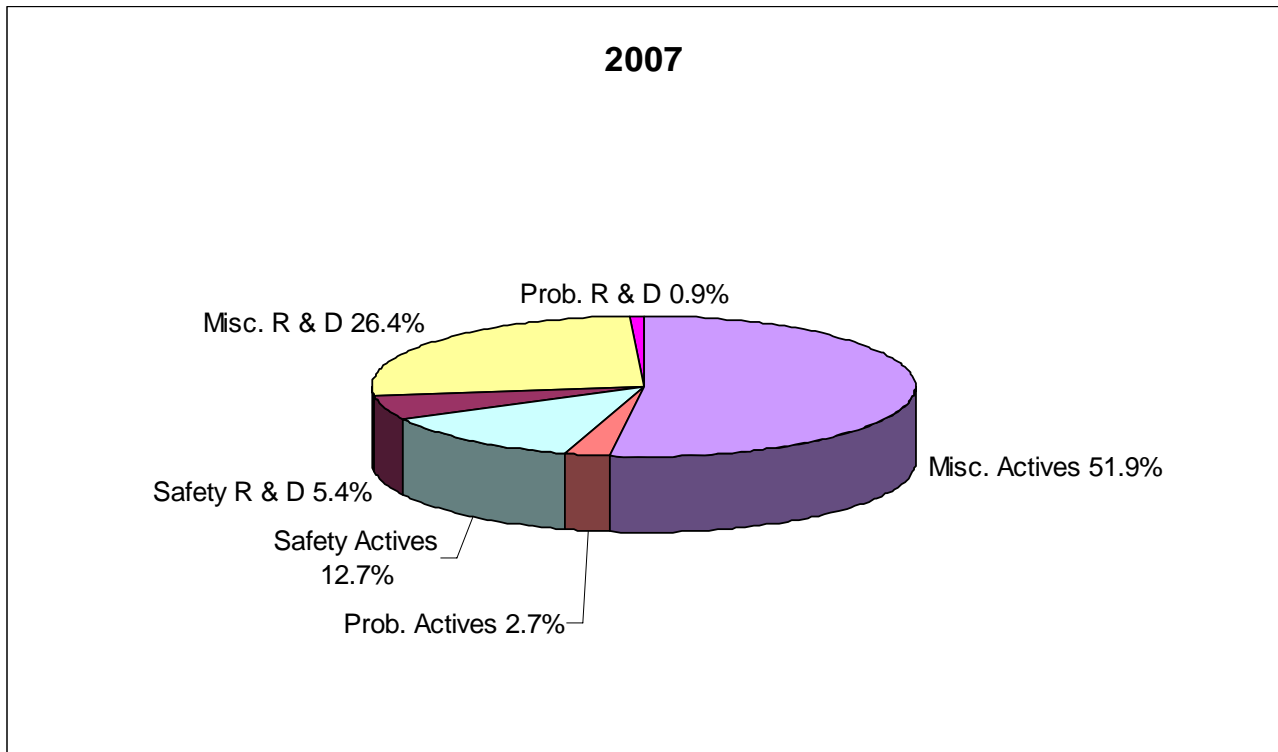
**Present Resources and Expected Future Resources**

	(thousands)			
	<u>Miscellaneous</u>	<u>Probation</u>	<u>Safety</u>	<u>Grand Total</u>
A. Actuarial value of system assets	\$606,404	\$23,633	\$129,721	\$759,758
B. Present value of expected future County contributions				
1. Unfunded past service	181,019	8,975	45,109	235,103
2. Expected future service	143,092	5,221	34,774	183,087
C. Present value of expected future member contributions	<u>91,204</u>	<u>8,511</u>	<u>27,555</u>	<u>127,270</u>
D. Total Present and Expected Future Resources	<u>\$1,021,719</u>	<u>\$46,340</u>	<u>\$237,159</u>	<u>\$1,305,218</u>

**Present Value of Expected Future Benefit Payments and Reserve**

	<u>Miscellaneous</u>	<u>Probation</u>	<u>Safety</u>	<u>Grand Total</u>
A. To Retirees and Beneficiaries	\$297,475	\$9,484	\$66,984	\$373,943
B. To Deferred and Reciprocal	47,222	1,821	4,148	53,191
C. Active members				
Service rendered prior to valuation date	442,726	21,303	103,697	567,726
Expected future service	<u>234,296</u>	<u>13,732</u>	<u>62,330</u>	<u>310,358</u>
D. Total Present Value of Expected Future Benefits	<u>\$1,021,719</u>	<u>\$46,340</u>	<u>\$237,159</u>	<u>\$1,305,218</u>

**PRESENT VALUE OF BENEFIT ALLOCATION**



## FUNDING PROGRESS INDICATORS

There is no single all-encompassing indicator which measures a pension trust's funding progress and current funded status. A traditional measure has been the relationship of valuation assets to unfunded actuarial accrued liability -- a measure that is influenced by the choice of actuarial cost method.

We believe a better understanding of funding progress and status can be achieved using the following indicators which are independent of the actuarial cost method.

- (1) The ratio of valuation assets to the actuarial present value of credited projected benefits allocated in the proportion accrued service is to projected total service -- a plan continuation indicator. The ratio is expected to increase in the absence of benefit improvements or strengthening of actuarial assumptions.
- (2) The ratio of the unfunded actuarial present value of credited projected benefits to member payroll -- a plan continuation indicator. In a soundly financed pension trust, the amount of the unfunded actuarial present value of credited projected benefits will be controlled and prevented from increasing in the absence of benefit improvements or strengthening of actuarial assumptions. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to decrease in the absence of benefit improvements or strengthening of actuarial assumptions.

**FUNDING PROGRESS INDICATORS**  
**HISTORIC COMPARISON**  
(\$ in Thousands)

Continuation Indicators						
				Unfunded		
Valuation	Valuation	Actuarial	Funded	Actuarial	Member	Ratio to
Date	Assets <sup>1</sup>	Liability <sup>1</sup>	Ratio	Liability	Payroll	Payroll
12/31/1995 <sup>2</sup>	\$219,463	\$217,562	100.9%	--	--	--
12/31/1996	244,184	251,600	97.1%	\$7,416	\$85,477	8.7%
12/31/1997	269,704	277,765	97.1%	8,061	88,778	9.1%
12/31/1998 <sup>2</sup>	299,697	309,352	96.9%	9,655	95,079	10.2%
12/31/1999	336,812	345,605	97.5%	8,793	101,305	8.7%
12/31/2000	371,648	379,100	98.0%	7,452	109,981	6.8%
12/31/2000 <sup>3</sup>	371,648	416,395	89.3%	44,747	109,981	40.7%
12/31/2000 <sup>2,3</sup>	371,648	408,991	90.9%	37,343	109,981	34.0%
12/31/2000 <sup>2,3,4</sup>	371,648	446,334	83.3%	74,686	109,981	67.9%
12/31/2001	404,751	492,795	92.1%	88,044	120,637	73.0%
12/31/2002	430,351	556,321	77.4%	125,970	131,997	95.4%
12/31/2003	604,808	619,257	97.7%	14,449	136,364	10.6%
12/31/2003 <sup>5</sup>	604,808	637,075	94.9%	32,267	136,364	23.7%
12/31/2003 <sup>2,5</sup>	604,808	642,734	94.1%	37,926	136,364	27.8%
12/31/2004 <sup>2</sup>	651,751	713,683	91.3%	61,932	135,189	45.8%
12/31/2004 <sup>6</sup>	651,751	715,085	91.1%	63,334	135,189	46.8%
12/31/2005	700,060	803,124	87.2%	103,064	143,902	71.6%
12/31/2005 <sup>7</sup>	700,060	818,864	85.5%	118,804	143,902	82.6%
12/31/2005 <sup>2,7</sup>	700,060	831,290	84.2%	131,230	143,902	91.2%
12/31/2006	759,758	912,458	83.3%	152,700	152,117	100.4%
12/31/2006 <sup>2</sup>	759,758	978,316	77.7%	218,558	152,117	143.7%
12/31/2006 <sup>2,8</sup>	759,758	994,861	76.4%	235,103	152,117	154.6%

<sup>1</sup> Assets and liabilities do not include Employee Additional Reserve amounts (in \$) of:

12/31/06	\$12,181,467	12/31/00	13,584,256
12/31/05	12,773,875	12/31/99	13,201,109
12/31/04	13,601,745	12/31/98	12,899,477
12/31/03	13,558,875	12/31/97	12,818,961
12/31/02	13,510,256	12/31/96	12,585,800
12/31/01	13,734,603	12/31/95	12,369,800

<sup>2</sup> Reflects assumption changes.

<sup>3</sup> Reflects change to Entry Age Normal Funding.

<sup>4</sup> Reflects benefit increases for most Miscellaneous and Probation active members.

<sup>5</sup> Reflects benefit increases for all management employees, excluding Court management.

<sup>6</sup> Reflects benefit increases for Safety management; and Court employees in BU #19 and BU #24-#27.

<sup>7</sup> Reflects benefit increases for Safety non-management; Miscellaneous "Other" and SLOCEA Non-Court.

<sup>8</sup> Reflects benefit increases for Probation and Safety members.

For years prior to 2000, the actuarial accrued liability is based on Projected Unit Credit accrued liabilities.

---

SECTION F

SUMMARY OF BENEFIT PROVISIONS

---

**BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED  
EFFECTIVE JANUARY 1, 2007**

1. Membership Requirements - All regular permanent employees of the County or district covered by the County.

2. Final Compensation - Highest three consecutive year average Bargaining Units #18, 20

- Highest one-year average and “Pick Up“included as compensation for various management employees. Bargaining Units #4, 7, 8, 9, 10, 11, 12, 17, 24-27

Pick Up Percentage included in final average compensation

<u>Bargaining Unit</u>	<u>Pick Up</u>
4,7,8,9,11,12	9.29%
10	13.55%
17	13.59%
24-27	7.74%

- Highest one-year average Bargaining Units #1,2,3,5,6,13,14,15,16,19,21,22,31,32

3. Service Retirement

A. Eligibility - Age 50 with 5 years of service.

B. Benefit Formula - Final Compensation multiplied by Years of Credited Service multiplied by Retirement Age Factor.

C. Retirement Age Factors

	All			
	<u>Miscellaneous</u>	<u>Probation</u>	<u>Safety*</u>	<u>Safety#</u>
50	1.426%	2.300%	2.300%	3.000%
51	1.541	2.440	2.440	3.000
52	1.656	2.580	2.580	3.000
53	1.770	2.720	2.720	3.000
54	1.885	2.860	2.860	3.000
55	2.000	3.000	3.000	3.000
56	2.117	3.000	3.000	3.000

**BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED  
EFFECTIVE JANUARY 1, 2007**

	All			
	<u>Miscellaneous</u>	<u>Probation</u>	<u>Safety*</u>	<u>Safety#</u>
57	2.233	3.000	3.000	3.000
58	2.350	3.000	3.000	3.000
59	2.466	3.000	3.000	3.000
60	2.583	3.000	3.000	3.000
61	2.699	3.000	3.000	3.000
62	2.816	3.000	3.000	3.000
63	2.932	3.000	3.000	3.000
64	3.049	3.000	3.000	3.000
65+	3.165	3.000	3.000	3.000

\* Safety Bargaining Unit 6 and Non-Sworn Bargaining Units 3 and 14  
# Safety Bargaining Units 7,10,15,16 and Sworn Bargaining Units 3 and 14

D. Maximum Benefit

80% of Final Compensation for SLOCEA, and Misc. Other.  
90% of Final Compensation for Safety and Probation.  
100% of Final Compensation for Miscellaneous Management.

4. Ordinary Disability

- A. Eligibility - Five years of service and less than 60 years old.
- B. Benefit Formula - Greater of (1) 1.5% of Final Compensation times Credited Service, (2) 1/3 of Final Compensation if 10 or more years of Credited Service, or (3) the earned Service Retirement benefit (if eligible).

5. Line-of-Duty Disability

- A. Eligibility - No age or service requirement for Safety members.
- B. Benefit Formula - Greater of (1) 50% of Final Compensation, or (2) Service Retirement benefit (if eligible).

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED  
EFFECTIVE JANUARY 1, 2007

6. Ordinary Death Before Eligible for Retirement  
Refund of employee contributions with interest plus lump sum of one and one-half month's compensation for each year of service to a maximum of eighteen months' Compensation.
7. Ordinary Death After Eligible for Retirement  
50% of earned benefit payable to surviving eligible spouse or children until age 18, or benefit in (6) above if greater. Spouse can elect an actuarially-reduced 100% Joint and Survivor benefit.
8. Line-of-Duty Death (Safety only)  
50% of Final Compensation. Benefit increased to 62.5%, 70% or 75% respectively if violent death and 1, 2, or 3 children.
9. Death After Retirement  
50% of member's unmodified allowance continued to eligible spouse.  
\$1,000 payable in lump sum to the beneficiary or the estate of the retiree.
10. Withdrawal Benefits
  - A. Less than Five Years of Service  
Refund of accumulated employee contributions with interest.
  - B. Five or More Years of Service  
If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire.
11. Post-retirement Cost-of-Living Benefits  
Based on changes in Consumer Price Index to a maximum of 3% per year.

BRIEF SUMMARY OF BENEFIT PROVISIONS EVALUATED  
EFFECTIVE JANUARY 1, 2007

12. Member Contributions

Please refer to Appendix A.

Employee contribution rates used in the January 1, 2007 valuation have increased from the January 1, 2006 valuation as follows:

All Probation	+1.64%
Safety Management	+4.45%
Safety Non Management (Sworn)	+4.45%
Auto Allowance for selected individuals	+1.50%

All contributions “Picked Up” by the County are assumed to be refundable.

13. Deferred Retirement Option Program (DROP): A member may elect to participate in the System’s DROP. A member age 50 or more with 5 or more years of service may participate. An amount equal to the amount that would have been paid had the member retired, is deposited into a DROP account. The annual addition to the DROP account is increased each year by 3% of the member’s annuity. Deposits and DROP cease at the earlier of 5 years of DROP participation or separation from service. Upon actual retirement the member may receive the DROP account balance in the form of a lump sum or as an annuity payment.

**NOTE:** The summary of major plan provisions is designed to outline principal plan benefits. If the County should find the plan summary not in accordance with the actual provisions, the County should alert the actuary **IMMEDIATELY** so proper provisions are valued.

**SUMMARY OF REPORTED ASSET INFORMATION  
SUBMITTED FOR THE JANUARY 1, 2007 VALUATION**

Market Value of Reported Assets			
as January 1, 2007		Reserves as of January 1, 2007	
Cash/Short-term	\$29,678,883	Member Deposit Reserve	\$168,331,394
Receivables	5,525,686	County Reserves	161,643,621
Mutual Funds	366,133,251	Retired Members Reserve	301,567,688
Bonds	238,217,576	Cost-of-Living	158,100,044
Mortgages	41,127,672	Contingency Reserves	(117,419,100)
Real Estate	104,390,145	Market Value Adjustments	<u>116,773,343</u>
Other	<u>4,343,481</u>		
	\$789,416,694		
Liabilities	<u>419,704</u>		
Total Market Value	\$788,996,990	Total Reserves	\$788,996,990

**REVENUES AND DISBURSEMENTS**

Total Reserves	
<b>Beginning of Year</b>	<b>\$ 705,837,483</b>
<b>Revenues</b>	
Employer Contribution	\$ 19,177,491
Employees' Contribution	15,496,805
Interest	17,473,337
Dividends	4,812,527
Real Estate Income	10,318,191
Other Investment Gain	<u>45,973,635</u>
<b>Total Revenues</b>	<b>\$ 113,251,986</b>
<b>Disbursements</b>	
Benefit Payments	\$ 27,037,411
Refunds of Member Contributions	1,458,528
Death Benefits	63,877
Administration	<u>1,532,663</u>
<b>Total Disbursements</b>	<b>\$ 30,092,479</b>
Net Increase	\$ 83,159,507
<b>Total Reserves - End of year</b>	<b>\$ 788,996,990</b>

San Luis Obispo County Pension Trust  
Development of Funding Value of Assets - January 1, 2007

	<u>Plan Year Ended December 31, 2002</u>	<u>Plan Year Ended December 31, 2003</u>	<u>Plan Year Ended December 31, 2004</u>	<u>Plan Year Ended December 31, 2005</u>	<u>Plan Year Ended December 31, 2006</u>
A. Funding Value Beginning of Year	\$404,750,898	\$430,350,924	\$604,808,327	\$651,750,502	\$700,059,687
B. Gross Market Value End of Year**	402,202,669	611,141,370	667,538,911	705,837,483	788,996,990
C. Gross Market Value Beginning of Year	407,934,794	390,559,191	611,141,370	667,538,911	705,837,483
D. Non-Investment Cash Flow	7,679,212	143,614,086	7,168,590	6,282,009	4,581,817
E. Investment Income					
E1. Market Total =B-C-D	(13,411,337)	76,968,093	49,228,951	32,016,563	78,577,690
E2. Immediate Recognition*	31,665,764	38,917,242	47,150,428	50,754,092	54,432,171
E3. Phased-in Recognition	(45,077,101)	38,050,851	2,078,523	(18,737,529)	24,145,519
F. Phased-in Recognition					
F1. Current Year=E3x20%	(9,015,420)	7,610,170	415,705	(3,747,506)	4,829,104
F2. First Prior Year	(4,817,735)	(9,015,420)	7,610,170	415,705	(3,747,506)
F3. Second Prior Year	(1,526,693)	(4,817,735)	(9,015,420)	7,610,170	415,705
F4. Third Prior Year	(275,628)	(1,526,693)	(4,817,735)	(9,015,420)	7,610,170
F5. Fourth Prior Year	3,756,773	(275,628)	(1,526,693)	(4,817,735)	(9,015,420)
F6. Total Recognized Gain/(Loss)	(11,878,703)	(8,025,306)	(7,333,973)	(9,554,786)	92,053
G. Preliminary Funding Value					
=A+D+E2+F6	432,217,171	604,856,946	651,793,372	699,231,817	759,165,728
H. Excludable Assets					
H1. End of Year	25,153,734	13,558,875	13,601,745	12,773,875	12,181,467
H2. Beginning of Year	23,287,487	13,510,256	13,558,875	13,601,745	12,773,875
H3. Change=H1-H2	1,866,247	48,619	42,870	(827,870)	(592,408)
I. Final Funding Value=G-H3	\$430,350,924	\$604,808,327	\$651,750,502	\$700,059,687	\$759,758,136
J. Investment Return=(E2+F6)/(A+D/2)	4.39%	6.14%	6.54%	6.29%	7.76%

\* 7.75% for 2002-2006

\*\* Starting in the 12/31/03 Plan year, Gross Market Values will be net of payables and Excludable Assets will NOT include payables.

**Allocation of Valuation Assets**  
**January 1, 2007 Valuation**

	<u>Miscellaneous</u>	<u>Probation</u>	<u>Safety</u>	<u>Grand Total</u>
1) Valuation Assets as of December 31, 2005	<b>\$559,467,443</b>	<b>\$21,252,945</b>	<b>\$119,339,299</b>	<b>\$700,059,687</b>
	80%	3%	17%	
2) Member contributions including pickups by group	\$12,107,570	\$748,548	\$2,534,322	\$15,390,440
<b>3) Member contributions from financials</b>	<b>\$12,191,247</b>	<b>\$753,721</b>	<b>\$2,551,837</b>	<b>\$15,496,805</b>
<b>in proportion to (2)</b>				
4) Employer contributions by group	\$15,055,435	\$596,957	\$3,386,298	\$19,038,690
<b>5) Employer contributions from financials</b>	<b>\$15,165,196</b>	<b>\$601,309</b>	<b>\$3,410,986</b>	<b>\$19,177,491</b>
<b>in proportion to (4)</b>				
6) Benefit Payments based on data - avg 05 & 06	\$21,878,506	\$605,133	\$4,463,434	\$26,947,073
<b>7) Benefit payments from financials</b>	<b>\$23,187,903</b>	<b>\$641,349</b>	<b>\$4,730,564</b>	<b>\$28,559,816</b>
<b>in proportion to (6)</b>				
<b>8) Subtotal = (1) + (3) + (5) - (7)</b>	<b>\$563,635,983</b>	<b>\$21,966,626</b>	<b>\$120,571,558</b>	<b>\$706,174,167</b>
9) Valuation Assets as of December 31, 2006				759,758,136
10) Residual to allocate among groups (9) - (8)				53,583,969
<b>11) Allocation of residual in proportion to (8)</b>	<b>42,768,278</b>	<b>1,666,811</b>	<b>9,148,880</b>	<b>53,583,969</b>
<b>12) Valuation Assets Allocated by group: (8) + (11)</b>	<b>\$606,404,261</b>	<b>\$23,633,437</b>	<b>\$129,720,438</b>	<b>\$759,758,136</b>

---

## SECTION G

### SUMMARY OF MEMBER DATA

---

**SUMMARY OF ACTIVE MEMBERS INCLUDED  
IN THE JANUARY 1, 2007 ACTUARIAL VALUATION**

	<u>No.</u>	<u>Total Payroll</u>	<u>Averages</u>		
			<u>Annual Compensation</u>	<u>Age</u>	<u>Service</u>
<b>Miscellaneous Members</b>					
1/1/2007	2,232	\$125,020,602	\$56,013	47.5	9.7
1/1/2006	2,208	\$118,793,505	\$53,801	47.6	9.7
Percent Increase	1.1%	5.2%	4.1%		
<b>Probation Members</b>					
1/1/2007	110	\$6,159,150	\$55,992	40.7	8.9
1/1/2006	101	\$5,503,513	\$54,490	41.8	9.1
Percent Increase	8.9%	11.9%	2.8%		
<b>Safety Members</b>					
1/1/2007	278	\$20,937,030	\$75,313	41.5	12.4
1/1/2006	273	\$19,605,082	\$71,813	41.4	12.3
Percent Increase	1.8%	6.8%	4.9%		
<b>All Active Members</b>					
1/1/2007	2,620	\$152,116,782	\$58,060	46.6	10.0
1/1/2006	2,582	\$143,902,100	\$55,733	46.7	10.0
Percent Increase	1.5%	5.7%	4.2%		

For affected Management employees, pick ups are not included as valuation compensation in these figures, even though such pick ups are used to determine their benefits.

Payroll represents the total pay of all covered members. Payroll changes year by year based on new hires, departures, and pay for continuing actives. The assumption for payroll growth is used in amortizing the UAL.

Salaries represent the pay earned by an individual member in the system. The salary growth assumption is an assumption for an individual member's increase in salary.

**SUMMARY OF ACTIVE MEMBERS BY VALUATION GROUP  
IN THE JANUARY 1, 2007 ACTUARIAL VALUATION**

	<u>No.</u>	<u>Total Payroll</u>	<u>Averages</u>		
			<u>Annual Compensation</u>	<u>Age</u>	<u>Service</u>
<b>Miscellaneous Members</b>					
1 Other - Units # 21, 22					
1/1/2007	28	\$1,664,374	\$59,442	39.9	6.8
1/1/2006	21	\$1,171,602	\$55,791	44.2	8.9
2 Management Non-Court - Units # 4, 7, 8, 9, 10, 11, 12, 17					
1/1/2007	407	\$34,272,212	\$84,207	49.6	13.1
1/1/2006	421	\$34,171,952	\$81,169	49.3	12.8
3 Management Court - Unit # 18					
1/1/2007	16	\$1,114,672	\$69,667	48.5	6.3
1/1/2006	14	\$843,128	\$60,223	46.8	5.9
4 Management Court - Units # 24, 25, 26, 27					
1/1/2007	35	\$3,005,569	\$85,873	49.6	9.4
1/1/2006	33	\$2,548,078	\$77,214	49.4	10.1
5 SLOCEA Non-Court - Units # 1, 2, 5, 13, 31					
1/1/2007	1,637	\$80,453,282	\$49,147	47.4	9.0
1/1/2006	1,619	\$76,394,557	\$47,186	47.5	9.1
6 SLOCEA Court - Unit # 19					
1/1/2007	9	\$505,315	\$56,146	47.7	15.0
1/1/2006	9	\$483,142	\$53,682	46.7	14.0
7 SLOCEA Court - Unit # 20					
1/1/2007	100	\$4,005,178	\$40,052	42.4	7.6
1/1/2006	91	\$3,181,046	\$34,957	42.8	7.6

SUMMARY OF ACTIVE MEMBERS BY VALUATION GROUP  
IN THE JANUARY 1, 2007 ACTUARIAL VALUATION

		<u>No.</u>	<u>Total Payroll</u>	<u>Averages</u>		
				<u>Annual Compensation</u>	<u>Age</u>	<u>Service</u>
<b>Probation Members</b>						
8 Probation Management - Units # 7, 8, 9						
1/1/2007	6		\$590,616	\$98,436	50.7	22.6
1/1/2006	6		\$569,878	\$94,980	51.8	23.2
9 Probation Non-Management - Units # 31, 32						
1/1/2007	104		\$5,568,534	\$53,544	40.1	8.1
1/1/2006	95		\$4,933,635	\$51,933	41.2	8.2
<b>Safety Members</b>						
10 Safety Management - Units # 7, 10, 15, 16						
1/1/2007	16		\$1,990,747	\$124,422	50.5	23.8
1/1/2006	16		\$1,864,990	\$116,562	49.5	22.8
11 Safety Non-Management - Units # 3, 6, 14						
1/1/2007	262		\$18,946,283	\$72,314	41.0	11.7
1/1/2006	257		\$17,740,091	\$69,028	40.9	11.6

SUMMARY OF DEFERRED AND RECIPROCAL MEMBERS INCLUDED  
IN THE JANUARY 1, 2007 ACTUARIAL VALUATION

	<u>No.</u>	<u>Member Contributions</u>	<u>Averages</u>			
			<u>Contribution Balance</u>	<u>Attained Age</u>	<u>Age at Termination</u>	<u>Service</u>
<b>Miscellaneous</b>						
Reciprocals	176	\$4,660,506	\$26,480	49.7	40.8	4.5
Deferred	<u>277</u>	<u>13,825,747</u>	49,912	48.9	42.4	9.8
Total	453	\$18,486,253	\$40,809	49.2	41.8	7.7
<b>Probation</b>						
Reciprocals	5	\$74,959	\$14,992	38.3	33.8	3.6
Deferred	<u>13</u>	<u>676,356</u>	52,027	47.6	40.9	9.8
Total	18	\$751,315	\$41,740	45.0	38.9	8.1
<b>Safety</b>						
Reciprocals	13	\$760,134	\$58,472	46.2	35.8	6.6
Deferred	<u>20</u>	<u>1,639,318</u>	81,966	41.6	37.7	10.5
Total	33	\$2,399,452	\$72,711	43.4	37.0	9.0
<b>Total</b>						
Reciprocals						
1/1/2007	194	\$5,495,599	\$28,328	49.2	40.3	4.6
1/1/2006	185	\$4,874,849	\$26,351	49.0	40.2	4.7
Percent Change	4.9%	12.7%	7.5%			
Deferred						
1/1/2007	310	\$16,141,421	\$52,069	48.4	42.0	9.8
1/1/2006	302	\$14,681,947	\$48,616	48.3	42.3	9.8
Percent Change	2.6%	9.9%	7.1%			
<b>Grand Total 1/1/2007</b>	504	\$21,637,020	\$42,931	48.7	41.3	7.8
<b>Grand Total 1/1/2006</b>	487	\$19,556,796	\$40,158	48.6	41.5	7.9
Percent Change	3.5%	10.6%	6.9%			

SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES INCLUDED  
IN THE JANUARY 1, 2007 ACTUARIAL VALUATION

MISCELLANEOUS

	<u>No.</u>	<u>Annual Allowance</u>	<u>Averages</u>			<u>New Retirees Only</u>		
			<u>Annual Allowance</u>	<u>Attained Age</u>	<u>Age at Retirement*</u>	<u>No.</u>	<u>Average Annual Allowance</u>	<u>Average Age at Retirement</u>
<b>Retired Members</b>								
1/1/2007	1,254	\$22,422,202	\$17,881	67.7	58.5	119	\$25,092	57.6
1/1/2006	1,151	\$19,104,062	\$16,598	68.1	58.7	116	\$27,851	59.3
Percent Change	8.9%	17.4%	7.7%				(9.9)%	
<b>Beneficiaries</b>								
1/1/2007	115	\$1,145,625	\$9,962	73.7	N/A	N/A	N/A	N/A
1/1/2006	113	\$1,085,122	\$9,603	74.6	N/A	N/A	N/A	N/A
Percent Change	1.8%	5.6%	3.7%					
Total 1/1/2007	1,369	\$23,567,827	\$17,215	68.2	58.5	119	\$25,092	57.6
Total 1/1/2006	1,264	\$20,189,184	\$15,972	68.7	58.7	116	\$27,851	59.3
Percent Change	8.3%	16.7%	7.8%				(9.9)%	

\* For retired and disabled members only; does not include beneficiaries.

SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES INCLUDED  
IN THE JANUARY 1, 2007 ACTUARIAL VALUATION

PROBATION

	<u>No.</u>	<u>Annual Allowance</u>	<u>Averages</u>			<u>New Retirees Only</u>		
			<u>Annual Allowance</u>	<u>Attained Age</u>	<u>Age at Retirement*</u>	<u>No.</u>	<u>Average Annual Allowance</u>	<u>Average Age at Retirement</u>
<b>Retired Members</b>								
1/1/2007	22	\$631,387	\$28,699	60.2	55.2	2	\$54,391	56.8
1/1/2006	18	\$499,189	\$27,733	59.8	54.9	2	\$30,221	56.8
Percent Change	22.2%	26.5%	3.5%				80.0%	
<b>Beneficiaries</b>								
1/1/2007	2	\$40,434	\$20,217	73.5	N/A	N/A	N/A	N/A
1/1/2006	2	\$39,256	\$19,628	72.5	N/A	N/A	N/A	N/A
Percent Change	0.0%	3.0%	3.0%					
Total 1/1/2007	24	\$671,821	\$27,993	61.3	55.2	2	\$54,391	56.8
Total 1/1/2006	20	\$538,445	\$26,922	61.1	54.9	2	\$30,221	56.8
Percent Change	20.0%	24.8%	4.0%				80.0%	

\* For retired and disabled members only; does not include beneficiaries.

SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES INCLUDED  
IN THE JANUARY 1, 2007 ACTUARIAL VALUATION

SAFETY

	Averages					New Retirees Only		
	<u>No.</u>	<u>Annual Allowance</u>	<u>Annual Allowance</u>	<u>Attained Age</u>	<u>Age at Retirement*</u>	<u>No.</u>	<u>Average Annual Allowance</u>	<u>Average Age at Retirement</u>
<b>Retired Members</b>								
1/1/2007	133	\$4,491,729	\$33,772	62.1	51.5	5	\$57,251	54.9
1/1/2006	128	\$4,050,326	\$31,643	61.7	51.5	16	\$60,444	56.9
Percent Change	3.9%	10.9%	6.7%				(5.3)%	
<b>Beneficiaries</b>								
1/1/2007	17	\$190,959	\$11,233	71.9	N/A	N/A	N/A	N/A
1/1/2006	18	\$193,854	\$10,770	69.5	N/A	N/A	N/A	N/A
Percent Change	(5.6)%	(1.5)%	4.3%					
Total 1/1/2007	150	\$4,682,688	\$31,218	63.2	51.5	5	\$57,251	54.9
Total 1/1/2006	146	\$4,244,180	\$29,070	62.6	51.5	16	\$60,444	56.9
Percent Change	2.7%	10.3%	7.4%				(5.3)%	

\* For retired and disabled members only; does not include beneficiaries.

SUMMARY OF RETIRED MEMBERS AND BENEFICIARIES INCLUDED  
IN THE JANUARY 1, 2007 ACTUARIAL VALUATION

TOTAL

	Averages					New Retirees Only		
	<u>No.</u>	<u>Annual Allowance</u>	<u>Annual Allowance</u>	<u>Attained Age</u>	<u>Age at Retirement*</u>	<u>No.</u>	<u>Average Annual Allowance</u>	<u>Average Age at Retirement</u>
<b>Retired Members</b>								
1/1/2007	1,409	\$27,545,318	\$19,550	67.1	57.8	126	\$26,833	57.5
1/1/2006	1,297	\$23,653,577	\$18,237	67.4	57.9	134	\$31,778	59.0
Percent Change	8.6%	16.5%	7.2%				(15.6)%	
<b>Beneficiaries</b>								
1/1/2007	134	\$1,377,018	\$10,276	73.5	N/A	N/A	N/A	N/A
1/1/2006	133	\$1,318,232	\$9,912	73.9	N/A	N/A	N/A	N/A
Percent Change	0.8%	4.5%	3.7%					
Total 1/1/2007	1,543	\$28,922,336	\$18,744	67.7	57.8	126	\$26,833	57.5
Total 1/1/2006	1,430	\$24,971,809	\$17,463	68.0	57.9	134	\$31,778	59.0
Percent Change	7.9%	15.8%	7.3%				(15.6)%	

\* For retired and disabled members only; does not include beneficiaries.

---

SECTION H

ACTIVE DATA TABLES

---

ACTIVE MEMBERS JANUARY 1, 2007  
BY ATTAINED AGES AND YEARS OF SERVICE

MISCELLANEOUS MEMBERS

Age Group	Years of Accrued Service							No.	Compensation Totals
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>		
20-24	31	0	0	0	0	0	0	31	\$1,112,176
25-29	96	17	0	0	0	0	0	113	4,682,850
30-34	95	43	5	0	0	0	0	143	6,782,402
35-39	100	83	21	7	0	0	0	211	11,321,362
40-44	100	93	38	33	10	0	0	274	15,498,501
45-49	107	101	58	69	31	6	0	372	20,766,900
50-54	106	115	61	100	57	34	4	477	28,016,877
55-59	81	89	54	82	40	28	14	388	23,215,800
60-64	34	54	24	36	17	11	8	184	11,617,694
65-69	7	8	0	6	4	1	3	29	1,514,682
70-74	1	1	0	0	0	0	0	2	106,475
75+	4	1	0	0	0	1	2	8	384,884
Totals	762	605	261	333	159	81	31	2,232	\$125,020,603

While not used in the financial computations, the following averages are computed and shown for their general interest.

Averages

Age: 47.5  
Service: 9.7  
Compensation: \$56,013

ACTIVE MEMBERS JANUARY 1, 2007  
BY ATTAINED AGES AND YEARS OF SERVICE

PROBATION MEMBERS

Age Group	Years of Accrued Service							No.	Compensation Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30+		
20-24	3	0	0	0	0	0	0	3	\$113,131
25-29	18	0	0	0	0	0	0	18	759,554
30-34	12	3	0	0	0	0	0	15	765,107
35-39	7	11	2	0	0	0	0	20	1,074,351
40-44	0	10	2	2	1	0	0	15	949,707
45-49	0	3	1	4	5	0	0	13	805,844
50-54	3	2	2	1	2	1	0	11	651,664
55-59	1	3	2	1	2	1	0	10	670,467
60-64	0	0	0	2	1	0	1	4	298,605
65-69	0	0	0	0	1	0	0	1	70,720
70-74	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0
Totals	44	32	9	10	12	2	1	110	\$6,159,150

While not used in the financial computations, the following averages are computed and shown for their general interest.

Averages

Age: 40.7  
Service: 8.9  
Compensation: \$55,992

ACTIVE MEMBERS JANUARY 1, 2007  
BY ATTAINED AGES AND YEARS OF SERVICE

SAFETY MEMBERS

Age Group	Years of Accrued Service							No.	Compensation Totals
	0-4	5-9	10-14	15-19	20-24	25-29	30+		
20-24	5	0	0	0	0	0	0	5	\$273,416
25-29	19	6	0	0	0	0	0	25	1,599,790
30-34	15	14	5	0	0	0	0	34	2,266,680
35-39	8	12	18	6	0	0	0	44	3,089,715
40-44	4	9	18	26	4	0	0	61	4,612,878
45-49	0	9	10	28	8	5	0	60	4,574,336
50-54	1	5	4	10	5	7	2	34	3,164,886
55-59	1	2	3	2	3	2	0	13	1,165,674
60-64	0	0	0	0	1	1	0	2	189,654
65-69	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0
Totals	53	57	58	72	21	15	2	278	\$20,937,029

While not used in the financial computations, the following averages are computed and shown for their general interest.

Averages

Age: 41.5  
Service: 12.4  
Compensation: \$75,313

ACTIVE MEMBERS JANUARY 1, 2007  
BY ATTAINED AGES AND YEARS OF SERVICE

TOTAL MEMBERS

Age Group	Years of Accrued Service							No.	Compensation Totals
	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>		
20-24	39	0	0	0	0	0	0	39	\$1,498,723
25-29	133	23	0	0	0	0	0	156	7,042,194
30-34	122	60	10	0	0	0	0	192	9,814,189
35-39	115	106	41	13	0	0	0	275	15,485,428
40-44	104	112	58	61	15	0	0	350	21,061,086
45-49	107	113	69	101	44	11	0	445	26,147,080
50-54	110	122	67	111	64	42	6	522	31,833,427
55-59	83	94	59	85	45	31	14	411	25,051,941
60-64	34	54	24	38	19	12	9	190	12,105,953
65-69	7	8	0	6	5	1	3	30	1,585,402
70-74	1	1	0	0	0	0	0	2	106,475
75+	4	1	0	0	0	1	2	8	384,884
Totals	859	694	328	415	192	98	34	2,620	\$152,116,782

While not used in the financial computations, the following averages are computed and shown for their general interest.

Averages

Age:	46.6
Service:	10.0
Compensation:	\$58,060

## AVERAGE PAY BY YEARS OF SERVICE

## MISCELLANEOUS MEMBERS

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	71	156	227	\$9,583,371	\$42,217
1	69	102	171	8,020,912	46,906
2	29	61	90	4,311,528	47,906
3	38	94	132	7,054,263	53,441
4	42	100	142	7,699,323	54,221
5	51	125	176	9,060,402	51,480
6	43	98	141	7,856,519	55,720
7	40	72	112	6,149,848	54,909
8	33	70	103	5,981,175	58,070
9	21	52	73	4,052,064	55,508
10	19	44	63	3,473,272	55,131
11	21	42	63	3,776,292	59,941
12	10	38	48	2,774,554	57,803
13	11	33	44	2,530,107	57,502
14	11	32	43	2,662,598	61,921
15 & Up	276	328	604	40,034,377	66,282
Totals	785	1,447	2,232	\$125,020,605	\$56,013

## AVERAGE PAY BY YEARS OF SERVICE

### PROBATION MEMBERS

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	10	5	15	\$585,374	\$39,025
1	3	3	6	269,672	44,945
2	3	2	5	229,653	45,931
3	4	6	10	516,339	51,634
4	4	4	8	416,229	52,029
5	1	5	6	347,547	57,925
6	1	2	3	130,291	43,430
7	3	3	6	346,174	57,696
8	6	4	10	568,433	56,843
9	5	2	7	429,707	61,387
10	1	1	2	93,631	46,816
11	1	1	2	129,688	64,844
12	2	0	2	141,440	70,720
13	0	2	2	117,936	58,968
14	1	0	1	58,968	58,968
15 & Up	14	11	25	1,778,067	71,123
Totals	59	51	110	\$6,159,149	\$55,992

## AVERAGE PAY BY YEARS OF SERVICE

### SAFETY MEMBERS

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	14	4	18	\$1,055,621	\$58,646
1	13	1	14	882,274	63,020
2	6	0	6	391,893	65,316
3	1	0	1	61,443	61,443
4	12	2	14	973,274	69,520
5	7	2	9	640,578	71,175
6	7	2	9	602,763	66,974
7	8	3	11	828,942	75,358
8	14	3	17	1,182,750	69,574
9	10	1	11	805,792	73,254
10	20	2	22	1,575,662	71,621
11	7	3	10	708,926	70,893
12	10	2	12	906,672	75,556
13	8	0	8	605,530	75,691
14	6	0	6	453,523	75,587
15 & Up	100	10	110	9,261,387	84,194
Totals	243	35	278	\$20,937,030	\$75,313

## AVERAGE PAY BY YEARS OF SERVICE

### TOTAL MEMBERS

Service Years	Active Member Count			Active Member Pays	
	Males	Females	Total	Total	Average
0	95	165	260	\$11,224,366	\$43,171
1	85	106	191	9,172,857	48,025
2	38	63	101	4,933,074	48,842
3	43	100	143	7,632,045	53,371
4	58	106	164	9,088,825	55,420
5	59	132	191	10,048,527	52,610
6	51	102	153	8,589,573	56,141
7	51	78	129	7,324,964	56,783
8	53	77	130	7,732,358	59,480
9	36	55	91	5,287,563	58,105
10	40	47	87	5,142,566	59,110
11	29	46	75	4,614,906	61,532
12	22	40	62	3,822,666	61,656
13	19	35	54	3,253,572	60,251
14	18	32	50	3,175,089	63,502
15 & Up	390	349	739	51,073,831	69,112
Totals	1087	1,533	2,620	\$152,116,782	\$58,060

---

## SECTION I

### RETIREE DATA TABLES

---

RETIREES AND BENEFICIARIES JANUARY 1, 2007  
MISCELLANEOUS  
TABULATED BY TYPE OF ALLOWANCES BEING PAID

<u>Type of Allowance</u>	<u>No.</u>	<u>Annual Allowances</u>
<b>SERVICE RETIREMENT</b>		
Unmodified	510	\$8,624,251
Cash Refund	105	1,623,455
100% Continuance	205	4,163,713
75% Continuance	87	2,106,341
Benefits Coordinated with Social Security		
Unmodified	152	\$2,439,594
Cash Refund	35	594,078
100% Continuance	50	1,244,852
75% Continuance	<u>25</u>	<u>588,802</u>
<b>Total Service Retirement</b>	1169	\$21,385,086
<b>DISABILITY RETIREMENT</b>		
Unmodified	42	\$519,867
Cash Refund	17	189,858
100% Continuance	20	242,824
75% Continuance	<u>6</u>	<u>84,567</u>
<b>Total Disability Retirement</b>	85	\$1,037,116
<b>BENEFICIARIES</b>	<u>115</u>	<u>\$1,145,625</u>
<b>Total Allowances</b>	<u>1,369</u>	<u>\$23,567,827</u>

RETIREES AND BENEFICIARIES JANUARY 1, 2007  
 PROBATION  
 TABULATED BY TYPE OF ALLOWANCES BEING PAID

<u>Type of Allowance</u>	<u>No.</u>	<u>Annual Allowances</u>
<b>SERVICE RETIREMENT</b>		
Unmodified	5	\$159,476
100% Continuance	7	180,079
75% Continuance	1	45,993
Benefits Coordinated with Social Security		
Unmodified	3	81,508
100% Continuance	1	42,179
75% Continuance	<u>3</u>	<u>80,095</u>
<b>Total Service Retirement</b>	20	\$589,330
<b>DISABILITY RETIREMENT</b>		
Unmodified	2	\$42,057
<b>BENEFICIARIES</b>	<u>2</u>	<u>\$40,434</u>
<b>Total Allowances</b>	<u>24</u>	<u>\$671,821</u>

RETIREES AND BENEFICIARIES JANUARY 1, 2007  
SAFETY  
TABULATED BY TYPE OF ALLOWANCES BEING PAID

<u>Type of Allowance</u>	<u>No.</u>	<u>Annual Allowances</u>
<b>SERVICE RETIREMENT</b>		
Unmodified	19	\$687,781
Cash Refund	5	175,690
100% Continuance	18	730,997
75% Continuance	10	465,145
Benefits Coordinated with Social Security		
Unmodified	14	\$411,432
Cash Refund	1	41,232
100% Continuance	15	519,620
75% Continuance	<u>11</u>	<u>402,213</u>
<b>Total Service Retirement</b>	93	\$3,434,110
<b>DISABILITY RETIREMENT</b>		
Unmodified	25	\$744,761
Cash Refund	5	89,436
100% Continuance	8	179,268
75% Continuance	<u>2</u>	<u>44,154</u>
<b>Total Disability Retirement</b>	40	\$1,057,619
<b>BENEFICIARIES</b>	<u>17</u>	<u>\$190,959</u>
<b>Total Allowances</b>	<u>150</u>	<u>\$4,682,688</u>

RETIREES AND BENEFICIARIES JANUARY 1, 2007  
TOTAL  
TABULATED BY TYPE OF ALLOWANCES BEING PAID

<u>Type of Allowance</u>	<u>No.</u>	<u>Annual Allowances</u>
<b>SERVICE RETIREMENT</b>		
Unmodified	534	\$9,471,509
Cash Refund	110	1,799,145
100% Continuance	230	5,074,788
75% Continuance	98	2,617,479
Benefits Coordinated with Social Security		
Unmodified	169	\$2,932,533
Cash Refund	36	635,310
100% Continuance	66	1,806,651
75% Continuance	39	1,071,110
<b>Total Service Retirement</b>	<b>1282</b>	<b>\$25,408,525</b>
<b>DISABILITY RETIREMENT</b>		
Unmodified	69	\$1,306,685
Cash Refund	22	279,294
100% Continuance	28	422,091
75% Continuance	8	128,721
<b>Total Disability Retirement</b>	<b>127</b>	<b>\$2,136,791</b>
<b>BENEFICIARIES</b>	<b>134</b>	<b>\$1,377,018</b>
<b>Total Allowances</b>	<b>1,543</b>	<b>\$28,922,334</b>

RETIREES AND BENEFICIARIES JANUARY 1, 2007  
TABULATED BY ATTAINED AGES AND YEAR OF RETIREMENT

MISCELLANEOUS

Year Retired	Age Groups								Totals
	0-49	50-59	60-64	65-69	70-74	75-79	80-89	90+	
Pre 1987	0	0	0	0	1	26	112	38	177
1987	0	0	0	0	0	9	12	0	21
1988	0	0	0	0	1	5	10	0	16
1989	0	1	1	0	3	8	22	0	35
1990	0	0	0	1	5	4	8	1	19
1991	0	0	0	0	6	11	5	1	23
1992	0	1	0	1	10	13	7	0	32
1993	0	1	4	8	12	18	12	1	56
1994	1	0	2	4	8	7	2	0	24
1995	1	2	7	10	10	6	3	0	39
1996	1	0	9	8	9	9	3	1	40
1997	2	1	11	7	17	5	9	0	52
1998	1	8	16	13	18	9	6	0	71
1999	0	6	11	14	18	4	3	0	56
2000	1	10	7	10	6	3	0	1	38
2001	2	28	20	37	14	7	3	2	113
2002	5	20	20	26	4	4	2	0	81
2003	1	26	29	26	4	1	1	1	89
2004	5	43	37	23	6	2	5	1	122
2005	2	49	53	27	2	1	3	0	137
2006	3	61	43	14	3	0	4	0	128
TOTALS	25	257	270	229	157	152	232	47	1,369

Age at Retirement<sup>1</sup>: 58.5  
 Attained Age: 68.2  
 Average Annual Pension: \$17,215

<sup>1</sup> For retired and disabled members only; does not include beneficiaries.

**RETIREES AND BENEFICIARIES JANUARY 1, 2007  
TABULATED BY ATTAINED AGES AND YEAR OF RETIREMENT**

**PROBATION**

Year Retired	Age Groups								Totals
	0-49	50-59	60-64	65-69	70-74	75-79	80-89	90+	
Pre 1987	0	0	0	0	0	0	1	0	1
1994	0	0	1	2	0	0	0	0	3
1995	0	0	2	0	0	0	0	0	2
2001	0	0	0	1	0	0	0	0	1
2002	0	0	4	0	0	0	0	0	4
2003	0	2	2	0	0	0	0	0	4
2004	0	2	0	1	0	0	0	0	3
2005	0	1	2	1	0	0	0	0	4
2006	0	2	0	0	0	0	0	0	2
<b>TOTALS</b>	0	7	11	5	0	0	1	0	24

Age at Retirement<sup>1</sup>: 55.2  
 Attained Age: 61.3  
 Average Annual Pension: \$27,993

<sup>1</sup>For retired and disabled members only; does not include beneficiaries.

RETIREES AND BENEFICIARIES JANUARY 1, 2007  
TABULATED BY ATTAINED AGES AND YEAR OF RETIREMENT

SAFETY

Year Retired	Age Groups								Totals
	0-49	50-59	60-64	65-69	70-74	75-79	80-89	90+	
Pre 1987	1	0	5	4	2	5	4	0	21
1987	0	0	1	0	1	1	0	0	3
1988	0	1	0	1	0	0	0	0	2
1989	0	0	2	2	3	0	0	0	7
1990	0	1	1	0	1	2	0	0	5
1991	0	0	0	0	2	1	0	0	3
1992	0	0	0	2	0	0	0	0	2
1993	0	0	2	2	1	2	0	0	7
1994	0	3	1	4	0	1	0	0	9
1995	3	0	2	0	0	0	0	0	5
1996	0	0	3	5	2	0	0	0	10
1997	0	0	1	1	0	1	1	0	4
1998	1	2	1	1	1	0	0	0	6
1999	0	1	0	0	1	0	0	0	2
2000	0	0	3	1	0	2	0	0	6
2001	1	1	4	0	0	0	0	0	6
2002	0	1	4	1	0	0	0	0	6
2003	2	6	2	1	0	1	0	0	12
2004	2	5	1	3	1	0	0	0	12
2005	0	8	9	0	0	0	0	0	17
2006	1	3	1	0	0	0	0	0	5
TOTALS	11	32	43	28	15	16	5	0	150

Age at Retirement<sup>1</sup>: 51.5  
 Attained Age: 63.2  
 Average Annual Pension: \$31,218

<sup>1</sup> For retired and disabled members only; does not include beneficiaries.

RETIREES AND BENEFICIARIES JANUARY 1, 2007  
TABULATED BY ATTAINED AGES AND YEAR OF RETIREMENT

TOTAL

Year Retired	Age Groups								Totals
	<u>0-49</u>	<u>50-59</u>	<u>60-64</u>	<u>65-69</u>	<u>70-74</u>	<u>75-79</u>	<u>80-89</u>	<u>90+</u>	
Pre 1987	1	0	5	4	3	31	117	38	199
1987	0	0	1	0	1	10	12	0	24
1988	0	1	0	1	1	5	10	0	18
1989	0	1	3	2	6	8	22	0	42
1990	0	1	1	1	6	6	8	1	24
1991	0	0	0	0	8	12	5	1	26
1992	0	1	0	3	10	13	7	0	34
1993	0	1	6	10	13	20	12	1	63
1994	1	3	4	10	8	8	2	0	36
1995	4	2	11	10	10	6	3	0	46
1996	1	0	12	13	11	9	3	1	50
1997	2	1	12	8	17	6	10	0	56
1998	2	10	17	14	19	9	6	0	77
1999	0	7	11	14	19	4	3	0	58
2000	1	10	10	11	6	5	0	1	44
2001	3	29	24	38	14	7	3	2	120
2002	5	21	28	27	4	4	2	0	91
2003	3	34	33	27	4	2	1	1	105
2004	7	50	38	27	7	2	5	1	137
2005	2	58	64	28	2	1	3	0	158
2006	4	66	44	14	3	0	4	0	135
TOTALS	36	296	324	262	172	168	238	47	1,543

Age at Retirement<sup>1</sup>: 57.8

Attained Age: 67.7

Average Annual Pension: \$18,744

<sup>1</sup> For retired and disabled members only; does not include beneficiaries.

---

## SECTION J

### VALUATION METHODS AND ASSUMPTIONS

---

## ACTUARIAL COST METHODS JANUARY 1, 2007

Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an individual entry age actuarial cost method having the following characteristics:

- (i) the annual normal costs for each active member, payable from the date of entry into the system to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Deferred and Reciprocal Member Actuarial Accrued Liability. Data provided includes date of birth, service credit, reciprocal status, and hourly pay rates at termination. The estimated benefit was used to compute the liabilities for reserve members. For reciprocal members, the estimated benefits were projected with 4.0% inflation to compute those liabilities.

Amortization of Unfunded Actuarial Accrued Liabilities is done as a level percent of payroll over 27 years (30 years was used in the previous valuation) for funding computations.

ACTUARIAL ASSUMPTIONS USED FOR THE  
JANUARY 1, 2007 VALUATION

The contribution requirements and benefit values of the Fund are calculated by applying actuarial assumptions to the benefit provisions and member information furnished, using the actuarial cost methods described on the previous page.

The principal areas of financial risk which require assumptions about future experiences are:

- (i) long-term rates of investment return to be generated by the assets of the Fund.
- (ii) patterns of pay increases to members.
- (iii) rates of mortality among members, retirees, and beneficiaries.
- (iv) rates of withdrawal of active members (without entitlement to a retirement benefit).
- (v) rates of disability among members.
- (vi) the age patterns of actual retirements.

In making a valuation, the monetary effect of each assumption is calculated for as long as a present covered person survives -- a period of time which can be as long as a century.

Actual experience of the system will not coincide exactly with assumed experience, regardless of the choice of the assumptions, the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate. From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

The investment return rate used for the actuarial valuation calculations is 7.50% a year, net of administrative expenses, compounded annually. This assumption, used to equate the value of payments due at different points in time, is adopted by the Retirement Board. The rate is comprised of two elements:

Inflation	3.75%
Real Rate of Return	<u>3.75%</u>
Total	7.50%

## ACTUARIAL ASSUMPTIONS USED FOR THE JANUARY 1, 2007 VALUATION

The 7.50% assumed rate of return is currently net of administrative expenses; the comparable gross rate would be slightly higher. This rate was changed with this valuation from 7.75%. Currently, no administrative expenses are explicitly recognized in the valuation.

The Inflation rate used for the actuarial valuation calculations is 3.75% per year, compounded annually. It represents the difference between the investment return rate and the assumed real rate of return. This rate was changed with this valuation from 4.00%.

Inflation actually experienced, as measured by the Consumer Price Index for urban wage earners, has been as follows:

### Consumer Price Index

#### Urban Wage Earners and Clerical Workers Before 1978 All Urban Consumers After 1977 10-Year Moving Averages

December 31, 1966	1.8%
December 31, 1976	5.9%
December 31, 1986	6.6%
December 31, 1996	3.7%
December 31, 2006	2.4%
<b>50-Year Average</b>	<b>4.1%</b>

Interest credited to member contributions is 7.50%, compounded biweekly. This rate was changed with this valuation from 7.75%.

Compensation increase rates used to project current pays to those upon which a benefit will be based are represented by the following tables. Rates do not vary by age, but do include additional merit and longevity increases for employees with less than five years of service. The merit and longevity component and the total base annual rate of increase have been changed in this valuation from 0.50% and 4.50% respectively.

<u>Compensation Increase</u>	Base .	Years of Service at <u>Valuation Date</u>	<u>All Members</u>
Inflation	3.75%	0	4.0%
Merit & Longevity	<u>1.75%</u>	1	3.5
Total	5.50%	2	2.5
		3	1.5
		4	1.0

## ACTUARIAL ASSUMPTIONS USED FOR THE JANUARY 1, 2007 VALUATION

Rates of separation from active membership are shown below (rates do not include separation on account of retirement or death). This assumption measures the probabilities of members separating within the next year.

Sample Ages	% of Active Members Separating Within Next Year			
	Miscellaneous and Probation Members			
	Disability	Withdrawal < 5 years	Withdrawal >= 5 years	Vested Termination
20	0.00%	16.50%	8.50%	0.00%
25	0.00%	14.50%	7.75%	2.50%
30	0.01%	12.50%	3.75%	3.00%
35	0.04%	10.50%	2.00%	3.75%
40	0.07%	9.50%	1.25%	4.50%
45	0.11%	8.50%	0.50%	3.50%
50	0.20%	8.50%	0.00%	2.50%
55	0.38%	8.50%	0.00%	0.00%
60	0.62%	8.50%	0.00%	0.00%
GRS Table No.	806			740

Sample Ages	% of Active Members Separating Within Next Year			
	Safety Members			
	Disability	Withdrawal < 5 years	Withdrawal >= 5 years	Vested Termination
20	0.00%	8.50%	1.50%	4.00%
25	0.03%	8.00%	1.50%	3.00%
30	0.15%	7.50%	1.00%	2.50%
35	0.29%	5.30%	0.50%	2.00%
40	0.55%	4.30%	0.50%	1.50%
45	1.48%	3.50%	0.00%	1.50%
50	2.25%	2.00%	0.00%	0.00%
55	3.10%	0.00%	0.00%	0.00%
60	3.50%	0.00%	0.00%	0.00%
GRS Table No.	362			830

We are assuming that 100% of the Safety disabilities and 0% of the Miscellaneous and Probation disabilities and deaths are duty-related.

For purposes of calculating final average pay, we are assuming that 30% of future vested deferred members will subsequently work for reciprocal employers.

Based on Member Contribution Totals provided by Pension Trust, we are assuming that 8% of members' contribution account balances are for supplemental/additional benefits.

**ACTUARIAL ASSUMPTIONS USED FOR THE  
JANUARY 1, 2007 VALUATION**

The post-retirement mortality tables used were the sex-distinct 1994 Uninsured Pensioner Mortality Tables. The mortality tables are adopted by the Retirement Board. This assumption is used to measure the probabilities of members dying after retirement and the probabilities of each benefit payment being made after retirement. Related values are shown below. The post-disability mortality tables used were the 1994 Uninsured Pensioner Tables set forward 5 years for males and females.

Ages	% Dying Within Next Year Retirees	
	Men	Women
45	0.17%	0.10%
50	0.28%	0.15%
55	0.48%	0.25%
60	0.86%	0.48%
65	1.56%	0.93%
70	2.55%	1.48%
75	4.00%	2.44%
80	6.67%	4.24%
85	10.46%	7.28%
GRS Table No.	209 - 0	210 - 0

The active member mortality table used was developed from past experience. This assumption measures the probability of mortality before retirement. The rates include probability of ordinary death, line-of-duty death, and death while eligible for retirement or disability.

Ages	% of Active Members Dying Within Next Year	
	Men	Women
30	0.07%	0.03%
35	0.09%	0.04%
40	0.09%	0.05%
45	0.12%	0.08%
50	0.17%	0.10%
55	0.28%	0.15%
60	0.48%	0.25%
65	0.86%	0.48%
70	1.56%	0.93%
GRS Table No.	209 - 5	210 - 5

**ACTUARIAL ASSUMPTIONS USED FOR THE  
JANUARY 1, 2007 VALUATION**

The rates of retirement used to measure the probability of eligible members retiring are as follows:

Age	Percent of Eligible Active Members Retiring Within Next Year		
	Miscellaneous	Probation	Safety
50	6.0%	7.0%	7.0%
51	3.0%	7.0%	7.0%
52	3.0%	7.5%	7.5%
53	3.0%	7.5%	7.5%
54	4.0%	7.5%	7.5%
55	6.0%	7.0%	7.5%
56	6.0%	5.0%	7.5%
57	8.0%	5.0%	7.5%
58	8.0%	5.0%	9.0%
59	8.0%	5.0%	12.5%
60	10.0%	7.0%	22.5%
61	10.0%	7.0%	30.0%
62	30.0%	20.0%	40.0%
63	15.0%	20.0%	50.0%
64	15.0%	20.0%	75.0%
65	40.0%	35.0%	100.0%
66	30.0%	20.0%	
67	30.0%	20.0%	
68	35.0%	40.0%	
69	40.0%	50.0%	
70	100.0%	100.0%	
GRS Table No.	1288	1138	1139

Current deferred vested members are assumed to retire at the later of age 60 or attained age.

---

ACTUARIAL ASSUMPTIONS USED FOR THE  
JANUARY 1, 2007 VALUATION

Member refunds. All or part of the employee contribution rate is subject to potential "Pick Up" by the employer. Our understanding is that "Pick Ups", and related interest, are subject to refund.

Survivor Benefits. Marital status and spouses' census data were imputed with respect to active and deferred members.

<u>Marital Status</u> -	70% of men and 50% of women were assumed married at retirement.
<u>Spouse Census</u> -	Women were assumed to be 3 years younger than men for active employees.

Cost of Living Increases. Assumed to increase the full 3% each year.

Disability Benefits. Benefits are not assumed to be offset by Social Security benefits.

Line-of-Duty Death. Social Security offset equal to 27.5% of Final Compensation.

IRC Section 415 Limits. We are assuming that IRC Section 415 limits, although applicable to this plan, will not impact any individual benefits.

## ANALYSIS OF SELECTED ACTUARIAL ASSUMPTIONS COMPARED TO ACTUAL EXPERIENCE

Assumed and actual changes experienced in areas related to the following assumptions are shown:

	Year Ended December 31					3 Year	5 Year
	2006	2005	2004	2003	2002	Average	Average
Inflation <sup>1,5</sup>	3.3%	3.2%	2.3%	2.2%	2.2%	2.9%	2.6%
Assumed						3.75%	3.75%
Average Pay Increase	4.2%	7.4%	4.2%	7.3%	7.3%	5.2%	6.1%
Assumed						3.75%	3.75%
Merit & Longevity							
Pay Increase <sup>6</sup>	0.9%	4.2%	1.9%	5.1%	5.1%	2.3%	3.5%
Assumed						1.75%	1.75%
Total Payroll	5.7%	6.4%	(0.9)%	3.3%	9.4%	3.7%	4.7%
Assumed						3.75%	3.75%
Investment Return Rate <sup>2</sup>	7.8%	6.3%	6.5%	6.1%	4.4%	6.9%	6.2%
Assumed <sup>3</sup>						7.50%	7.50%
Real Rate of Investment Return	4.5%	3.1%	4.2%	3.9%	2.2%	4.0%	3.6%
Assumed <sup>4</sup>						3.75%	3.75%
Administrative Expenses							
(Percentage of assets)	0.20%	0.20%	0.20%	0.20%	0.30%	0.20%	0.22%
Assumed						0.00%	0.00%

<sup>1</sup> Based on the average of the Consumer Price Index for Los Angeles –Riverside-Orange County and the San Francisco-Oakland-San Jose, All Items, 1982-84=100.

<sup>2</sup> Based on actuarial value of assets NOT market value or book value.

<sup>3</sup> This assumption was decreased from 7.75% to 7.50% as of the January 1, 2007 valuation.

<sup>4</sup> This assumption was increased from 3.50% to 3.75% as of the January 1, 2007 valuation.

<sup>5</sup> This assumption was decreased from 4.00% to 3.75% as of the January 1, 2007 valuation.

<sup>6</sup> This assumption was increased from 0.50% to 1.75% as of the January 1, 2007 valuation.

---

## SECTION K

### DEFINITIONS OF TECHNICAL TERMS

---

## DEFINITIONS OF TECHNICAL TERMS

Actuarial Accrued Liability. The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as "accrued liability" or "actuarial liability".

Actuarial Assumptions. Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and Compensation increases. Actuarial assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (Compensation increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Accrued Service. Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Equivalent. A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. Sometimes referred to as the "actuarial funding method".

Actuarial Gain (Loss). The difference between actual experience and actuarial assumption anticipated experience during the period between two actuarial valuation dates.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment.

Amortization. Paying off an interest-discounted amount with periodic payments of interest and principal -- as opposed to paying off with lump sum payment.

Normal Cost. The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.

Unfunded Actuarial Accrued Liability. The difference between actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded actuarial liability" or "unfunded accrued liability".

Most retirement systems have unfunded actuarial accrued liability. They arise each time new benefits are added and each time an actuarial loss is realized.

## DEFINITIONS OF TECHNICAL TERMS

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability and the trend in its amount (after due allowance for devaluation of the dollar). It is best practice for unfunded actuarial accrued liability to be controlled.

---

## SECTION L

DISCLOSURES REQUIRED BY STATEMENTS NO. 25  
AND 27 OF THE GOVERNMENTAL ACCOUNTING  
STANDARDS BOARD

---

CONTRIBUTIONS MADE JANUARY 1, 2006 TO DECEMBER 31, 2006

The County’s funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

During the period January 1, 2006 to December 31, 2006 applicable contributions of \$34,467,208 were made. The contribution breakdown is as follows:

Contributions Made\*

Employer Contributions	\$19,177,491
Member Contributions	<u>15,289,717</u>
Grand Totals	34,467,208

- \* Does not include Employee Additional Voluntary (\$182,862) and County Additional for Employee Contributions (\$24,226). These contributions are excluded as both assets and liabilities.

## ACCOUNTING DISCLOSURE

The following numbers are consistent with our understanding of the accounting provisions of GASB Statements #25 and #27, based on the figures supplied to Gabriel, Roeder, Smith and Company.

Year Ended  December 31	Actuarially Required Contributions  (ARC) <sup>2</sup>	Employer Contributions  Made	Percent Contributed	Investment Return <sup>1</sup>	NPO Balance
2000	\$12,036,294	\$10,711,294 <sup>3</sup>	89%	9.4%	\$2,627,253
2001	15,976,897	12,639,251 <sup>3</sup>	79%	7.4%	6,069,723
2002	17,563,942	14,628,625	83%	4.4%	9,303,300
2003	20,172,937	150,813,215	748%	6.1%	(126,038,417) <sup>4</sup>
2004	16,890,884	16,520,585	98%	6.5%	(129,305,544)
2005	20,007,977	18,209,481	91%	6.4%	(131,184,818)
2006	22,017,780	19,177,491	87%	7.8%	(132,036,486)

<sup>1</sup> Based on actuarial value of assets.

<sup>2</sup> The ARC was based on Projected Unit Credit, due to the Corridor funding policy, and 40-year expensing on a level-percent-of-pay basis plus an ARC adjustment. Expense methodology determination is the County's prerogative.

<sup>3</sup> Excludes County Employee Additional Contributions.

<sup>4</sup> Due to 2003 issuance of Pension Obligation Bond (POB).

---

## SECTION M

### APPENDIX A: MEMBERS CONTRIBUTION RATES AND COLLECTIVE BARGAINING UNITS

---

## JANUARY 1, 2007 ACTUARIAL VALUATION MEMBER CONTRIBUTION RATES

Entry Age	MISCELLANEOUS				
	Other	Non-Court Management	Court Management	Non-Court SLOCEA	Court SLOCEA
16	8.89%	9.05%	7.50%	7.48%	
17	8.95%	9.11%	7.56%	7.54%	
18	9.01%	9.17%	7.62%	7.60%	6.35%
19	9.08%	9.24%	7.69%	7.67%	6.42%
20	9.15%	9.31%	7.76%	7.74%	6.49%
21	9.21%	9.37%	7.82%	7.80%	6.55%
22	9.23%	9.39%	7.84%	7.82%	6.57%
23	9.25%	9.41%	7.86%	7.84%	6.59%
24	9.28%	9.44%	7.89%	7.87%	6.62%
25	9.32%	9.48%	7.93%	7.91%	6.66%
26	9.37%	9.53%	7.98%	7.96%	6.71%
27	9.42%	9.58%	8.03%	8.01%	6.76%
28	9.48%	9.64%	8.09%	8.07%	6.82%
29	9.55%	9.71%	8.16%	8.14%	6.89%
30	9.62%	9.78%	8.23%	8.21%	6.96%
31	9.70%	9.86%	8.31%	8.29%	7.04%
32	9.79%	9.95%	8.40%	8.38%	7.13%
33	9.88%	10.04%	8.49%	8.47%	7.22%
34	9.98%	10.14%	8.59%	8.57%	7.32%
35	10.08%	10.24%	8.69%	8.67%	7.42%
36	10.18%	10.34%	8.79%	8.77%	7.52%
37	10.29%	10.45%	8.90%	8.88%	7.63%
38	10.40%	10.56%	9.01%	8.99%	7.74%
39	10.52%	10.68%	9.13%	9.11%	7.86%
40	10.64%	10.80%	9.25%	9.23%	7.98%
41	10.77%	10.93%	9.38%	9.36%	8.11%
42	10.90%	11.06%	9.51%	9.49%	8.24%
43	11.04%	11.20%	9.65%	9.63%	8.38%
44	11.18%	11.34%	9.79%	9.77%	8.52%
45	11.32%	11.48%	9.93%	9.91%	8.66%
46	11.47%	11.63%	10.08%	10.06%	8.81%
47	11.63%	11.79%	10.24%	10.22%	8.97%
48	11.79%	11.95%	10.40%	10.38%	9.13%
49	11.95%	12.11%	10.56%	10.54%	9.29%
50	12.12%	12.28%	10.73%	10.71%	9.46%
51	12.29%	12.45%	10.90%	10.88%	9.63%
52	12.46%	12.62%	11.07%	11.05%	9.80%
53	12.64%	12.80%	11.25%	11.23%	9.98%
54	12.82%	12.98%	11.43%	11.41%	10.16%
55	13.01%	13.17%	11.62%	11.60%	10.35%
56	13.20%	13.36%	11.81%	11.79%	10.54%
57	13.39%	13.55%	12.00%	11.98%	10.73%
58	13.59%	13.75%	12.20%	12.18%	10.93%
59+	13.79%	13.95%	12.40%	12.38%	11.13%

## JANUARY 1, 2007 ACTUARIAL VALUATION MEMBER CONTRIBUTION RATES

Entry Age	PROBATION	
	Management	Non- Management
16	15.71%	14.17%
17	15.78%	14.24%
18	15.84%	14.30%
19	15.92%	14.38%
20	16.00%	14.46%
21	16.07%	14.53%
22	16.09%	14.55%
23	16.11%	14.57%
24	16.14%	14.60%
25	16.19%	14.65%
26	16.24%	14.70%
27	16.30%	14.76%
28	16.36%	14.82%
29	16.44%	14.90%
30	16.52%	14.98%
31	16.61%	15.07%
32	16.71%	15.17%
33	16.81%	15.27%
34	16.92%	15.38%
35	17.03%	15.49%
36	17.14%	15.60%
37	17.26%	15.72%
38	17.38%	15.84%
39	17.51%	15.97%
40	17.65%	16.11%
41	17.79%	16.25%
42	17.93%	16.39%
43	18.09%	16.55%
44	18.24%	16.70%
45	18.40%	16.86%
46	18.57%	17.03%
47	18.74%	17.20%
48	18.92%	17.38%
49	19.10%	17.56%
50	19.28%	17.74%
51	19.47%	17.93%
52	19.66%	18.12%
53	19.86%	18.32%
54	20.06%	18.52%
55	20.27%	18.73%
56	20.48%	18.94%
57	20.69%	19.15%
58	20.91%	19.37%
59+	21.13%	19.59%

## JANUARY 1, 2007 ACTUARIAL VALUATION MEMBER CONTRIBUTION RATES

Entry Age	SAFETY		
	Non- Management#	Management	Non- Management@
18	10.08%	15.16%	14.53%
19	10.19%	15.27%	14.64%
20	10.30%	15.38%	14.75%
21	10.41%	15.49%	14.86%
22	10.52%	15.60%	14.97%
23	10.64%	15.72%	15.09%
24	10.76%	15.84%	15.21%
25	10.88%	15.96%	15.33%
26	11.00%	16.08%	15.45%
27	11.12%	16.20%	15.57%
28	11.24%	16.32%	15.69%
29	11.36%	16.44%	15.81%
30	11.48%	16.56%	15.93%
31	11.60%	16.68%	16.05%
32	11.72%	16.80%	16.17%
33	11.84%	16.92%	16.29%
34	11.96%	17.04%	16.41%
35	12.08%	17.16%	16.53%
36	12.08%	17.16%	16.53%
37	12.08%	17.16%	16.53%
38	12.08%	17.16%	16.53%
39	12.08%	17.16%	16.53%
40	12.08%	17.16%	16.53%
41	12.08%	17.16%	16.53%
42	12.08%	17.16%	16.53%
43	12.08%	17.16%	16.53%
44	12.08%	17.16%	16.53%
45	12.08%	17.16%	16.53%
46	12.08%	17.16%	16.53%
47	12.08%	17.16%	16.53%
48	12.08%	17.16%	16.53%
49	12.08%	17.16%	16.53%
50	12.08%	17.16%	16.53%
51	12.08%	17.16%	16.53%
52	12.08%	17.16%	16.53%
53	12.08%	17.16%	16.53%
54	12.08%	17.16%	16.53%
55	12.08%	17.16%	16.53%
56	12.08%	17.16%	16.53%
57	12.08%	17.16%	16.53%
58	12.08%	17.16%	16.53%
59+	12.08%	17.16%	16.53%

# Bargaining Unit 6 and Non Sworn members of Bargaining Units 3 and 14.

@ Sworn members of Bargaining Units 3 and 14.

**Summary of Benefits  
By Collective Bargaining Unit  
as of January 1, 2007**

Collective Bargaining Unit	Valuation Group	Benefit % at age	FAC Period	Benefit Maximum
21	Miscellaneous Other	2% @ 55	One year	80%
22	Miscellaneous Other	2% @ 55	One year	80%
4	Miscellaneous Management Non Court	2% @ 55	One year	100%
7	Miscellaneous Management Non Court	2% @ 55	One year	100%
8	Miscellaneous Management Non Court	2% @ 55	One year	100%
9	Miscellaneous Management Non Court	2% @ 55	One year	100%
10	Miscellaneous Management Non Court	2% @ 55	One year	100%
11	Miscellaneous Management Non Court	2% @ 55	One year	100%
12	Miscellaneous Management Non Court	2% @ 55	One year	100%
17	Miscellaneous Management Non Court	2% @ 55	One year	100%
18	Miscellaneous Management Court	2% @ 55	Three years	100%
24	Miscellaneous Management Court	2% @ 55	One year	100%
25	Miscellaneous Management Court	2% @ 55	One year	100%
26	Miscellaneous Management Court	2% @ 55	One year	100%
27	Miscellaneous Management Court	2% @ 55	One year	100%
1	SLOCEA Non Court	2% @ 55	One year	80%
2	SLOCEA Non Court	2% @ 55	One year	80%
5	SLOCEA Non Court	2% @ 55	One year	80%
13	SLOCEA Non Court	2% @ 55	One year	80%
19	SLOCEA Court	2% @ 55	One year	80%
20	SLOCEA Court	2% @ 55	Three years	80%
7	Probation Management	3% @ 55	One year	90%
8	Probation Management	3% @ 55	One year	90%
9	Probation Management	3% @ 55	One year	90%
31	Probation Non Management	3% @ 55	One year	90%
32	Probation Non Management	3% @ 55	One year	90%
7	Safety Management	3% @ 50	One year	90%
10	Safety Management	3% @ 50	One year	90%
15	Safety Management	3% @ 50	One year	90%
16	Safety Management	3% @ 50	One year	90%
3	Non Sworn Safety Non Management	3% @ 55	One year	90%
3	Sworn Safety Non Management	3% @ 50	One year	90%
6	Safety Non Management	3% @ 55	One year	90%
14	Non Sworn Safety Non Management	3% @ 55	One year	90%
14	Sworn Safety Non Management	3% @ 50	One year	90%