

Sacramento County Employees' Retirement System

*Actuarial Valuation and Review  
as of June 30, 2006*

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*November 1, 2006*

*Board of Retirement  
Sacramento County Employees' Retirement System  
980 9<sup>th</sup> Street, Suite 1800  
Sacramento, CA 95814*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of June 30, 2006. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2007-2008 and analyzes the preceding year's experience.*


*The census information on which our calculations were based was prepared by the SCERS and the financial information was provided by the Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.*

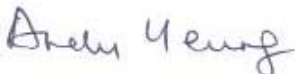
*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Retirement are reasonably related to the experience of and the expectations for the Plan.*

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

*Sincerely,*

*THE SEGAL COMPANY*

By:   
\_\_\_\_\_  
*Paul Angelo, FSA, EA, MAAA  
Senior Vice President and Actuary*

  
\_\_\_\_\_  
*Andy Yeung, ASA, EA, MAAA  
Associate Actuary*

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

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### 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, 2006. The valuation was performed to determine whether the assets and contributions are 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, 2006, provided by the Retirement System;
- The assets of the Plan as of June 30, 2006, provided by the Retirement System;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Sacramento County Employees' Retirement System's basic financial goal 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 with the Board's funding policy to amortize the System's entire unfunded actuarial accrued liability as of June 30, 2006 over a declining 27-year period. The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2007 through June 30, 2008.

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

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### Significant Issues in Valuation Year

- The aggregate employer rate increased from 19.63% of payroll to 19.67%.

The reason for this change in contribution rate is lower than expected returns on investment (after “smoothing”); offset to some degree by liability related actuarial gains. A reconciliation of the System’s aggregate employer rate is provided in Section 2, Subsection D (see Chart 14).

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 93.2% to 93.0%. The System’s unfunded actuarial accrued liability increased from \$330.3 million as of June 30, 2005 to \$366.0 million as of June 30, 2006. This increase is mainly due to actual investment return (after “smoothing”) less than the 7.75% investment return assumed in the current valuation in projecting the valuation value of assets. A reconciliation of the System’s unfunded actuarial accrued liability is provided in Section 3, Exhibit H.
- The aggregate member rate calculated in this valuation has increased from 4.68% of payroll to 4.77% of payroll. The change in member rate is due to the change in member population for the June 30, 2006 valuation and the drawdown of the reserve carried by the Board to reduce part of the COLA contributions. A reconciliation of the System’s aggregate member rate is provided in Section 2, Subsection D (see Chart 15).
- The Board has decided to change the interest crediting policy on member contribution accounts. The new 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 the 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 7.75%. Other than this change, there are no changes in actuarial assumptions in the June 30, 2006 valuation. A description of these assumptions can be found in Section 4, Exhibit IV.
- Consistent with the June 30, 2005 valuation, we have included in this valuation both the liability and the reserve associated with the \$4,000 retiree death benefit. In prior valuations, the death benefit liability and associated reserve were excluded from the valuation liability and the valuation assets.
- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment gain as of June 30, 2006 is \$242.0 million. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will serve to offset any investment losses that may occur after June 30, 2006.

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

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### 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
- 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, 2006		June 30, 2005	
<b>Employer Contribution Rates (Dollar amounts in thousands):</b>		Estimated		Estimated
	Total Rate	Annual Amount <sup>(1)</sup>	Total Rate	Annual Amount <sup>(1)</sup>
Miscellaneous Tier 1	16.08%	\$7,723	16.30%	\$ 7,830
Miscellaneous Tier 2	12.95%	2,773	13.14%	2,814
Miscellaneous Tier 3	16.01%	87,229	16.17%	88,136
Safety Tier 1	36.08%	24,296	35.23%	23,727
Safety Tier 2	31.67%	31,944	30.84%	31,110
All Categories Combined	19.67%	\$153,965	19.63%	\$153,617
<b>Aggregate Member Contribution Rates (Dollar amounts in thousands):</b>		Estimated		Estimated
	Total Rate	Annual Amount <sup>(1)</sup>	Total Rate	Annual Amount <sup>(1)</sup>
All Categories Combined	4.77%	\$37,328	4.68%	\$36,624
<b>Individual Member Contribution Rates:</b>		Per Member		Per Member
	Total Rate <sup>(2)</sup>	Annual Amount <sup>(3)</sup>	Total Rate <sup>(2)</sup>	Annual Amount <sup>(3)</sup>
Miscellaneous Tier 1	4.88%	\$3,262	4.84%	\$3,236
Miscellaneous Tier 2	3.57%	2,122	3.57%	2,122
Miscellaneous Tier 3	4.73%	2,280	4.67%	2,247
Safety Tier 1	11.80%	10,192	11.58%	10,007
Safety Tier 2	10.69%	6,622	10.57%	6,546
<b>Funded Status (Dollar Amounts in thousands):</b>				
Actuarial accrued liability <sup>(4)</sup>	\$5,214,915		\$4,860,882	
Actuarial value of assets	4,848,953		4,530,583	
Funded percentage	93.0%		93.2%	
Unfunded Actuarial Accrued Liability	\$ 365,962		\$ 330,299	
<b>Key Assumptions:</b>				
Interest rate	7.75%		7.75%	
Inflation rate	3.50%		3.50%	
Real across-the-board salary increase	0.25%		0.25%	

(1) Based on June 30, 2006 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**

	<b>June 30, 2006</b>	<b>June 30, 2005</b>	<b>Percentage Change</b>
<b>Active Members:</b>			
Number of members	14,412	13,728	5.0%
Average age	44.0	44.0	N/A
Average service	9.6	9.7	N/A
Projected total compensation	\$782,572,930	\$722,014,178	8.4%
Average projected compensation	\$54,300	\$52,594	3.2%
<b>Retired Member and Beneficiaries:</b>			
Number of members:			
Service retired	5,317	5,039	5.5%
Disability retired	699	691	1.2%
Beneficiaries	1,092	1,054	3.6%
Total	7,108	6,784	4.8%
Average age	68.2	68.0	N/A
Average monthly benefit	\$2,192	\$2,106	4.1%
<b>Vested Terminated Members:</b>			
Number of terminated vested members <sup>(1)</sup>	2,192	2,135	2.7%
Average age	46.5	46.6	N/A
<b>Summary of Financial Data (dollar amounts in thousands):</b>			
Market value of assets	\$5,090,929	\$4,576,444	11.2%
Return on market value of assets	11.30%	9.82%	N/A
Actuarial value of assets	\$4,848,953	\$4,530,583	7.0%
Return on actuarial value of assets	7.13%	3.88%	N/A
Valuation value of assets	\$4,816,700	\$4,495,679	7.1%
Return on valuation value of assets	7.24%	5.26%	N/A

<sup>(1)</sup> 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 five valuations can be seen in this chart.*

**CHART 1**  
**Member Population: 2002 – 2006**

<b>Year Ended June 30</b>	<b>Active Members</b>	<b>Vested Terminated Members*</b>	<b>Retired Members and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
2002	14,033	1,994	5,742	0.55
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

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

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

**Active Members**

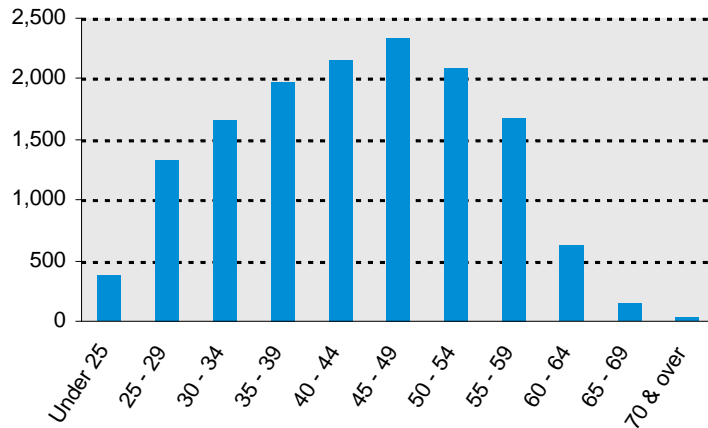
Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 14,412 active members with an average age of 44.0, average years of service of 9.6 years and average compensation of \$54,300. The 13,728 active members in the prior valuation had an average age of 44.0, average service of 9.7 years and average compensation of \$52,594.

**Inactive Members**

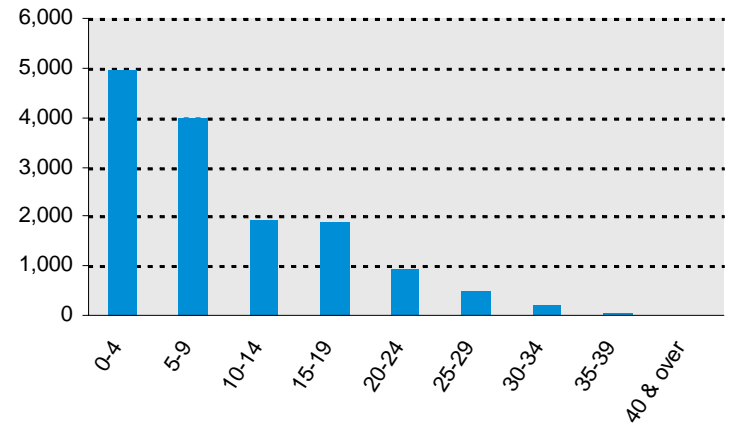
In this year's valuation, there were 2,192 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 2,135 in the prior valuation.

*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, 2006**



**CHART 3**  
**Distribution of Active Members by Years of Service as of June 30, 2006**



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

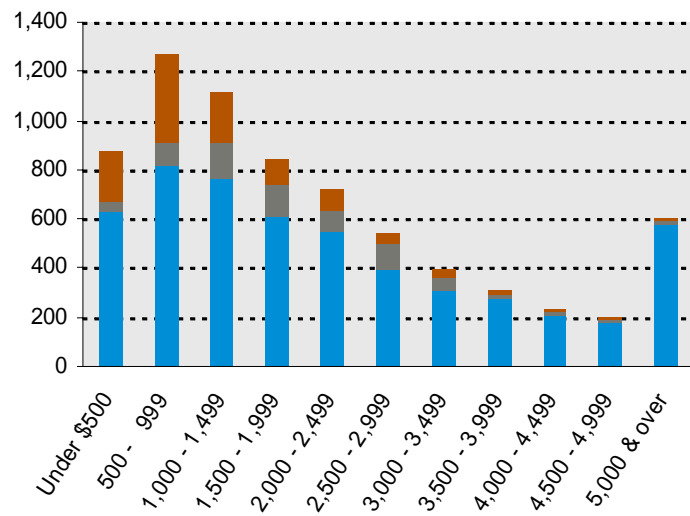
**Retired Members and Beneficiaries**

As of June 30, 2006, 6,016 retired members and 1,092 beneficiaries were receiving total monthly benefits of \$15,577,583. For comparison, in the previous valuation, there were 5,730 retired members and 1,054 beneficiaries receiving monthly benefits of \$14,171,776.

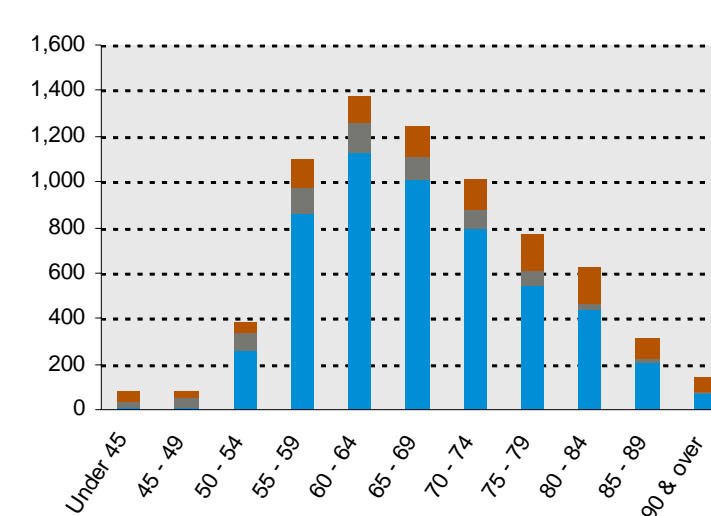
*These graphs show a distribution of the current retired members and beneficiaries based on their monthly amount and age, by type of pension.*

- Beneficiary
- Disability
- Service

**CHART 4**  
**Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount as of June 30, 2006**



**CHART 5**  
**Distribution of Retired Members and Beneficiaries by Type and by Age as of June 30, 2006**



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

**B. FINANCIAL INFORMATION**

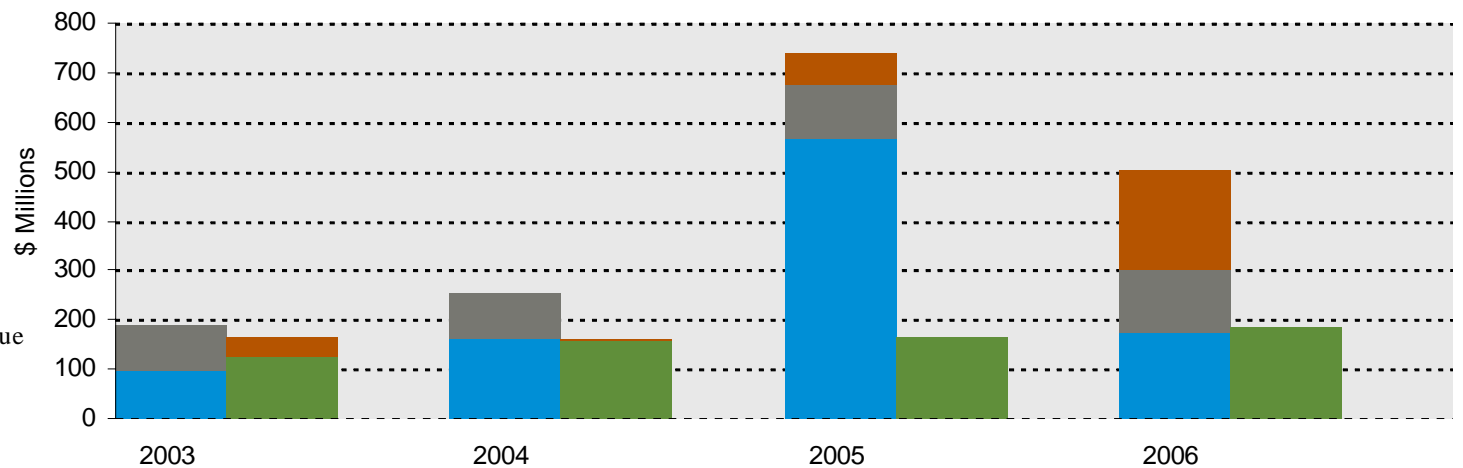
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

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 four 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 6**  
**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2003 - 2006**

- Change in asset method
- Adjustment toward market value
- Benefits paid
- Net interest and dividends
- Net contributions



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

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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, 2006, we have utilized the investment gains/losses from the prior five years. The investment gain for the year ending June 30, 2006 was calculated by comparing the actual market return against an expected market return of 7.75% per annum.

**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, 2006**

From	To	Contributions	Benefits	Market Value	Average Market Value	
7/2001	6/2002	\$82,978,888	\$116,980,868	\$3,199,234,414	\$3,437,241,772	
7/2002	6/2003	96,540,617	126,021,157	3,238,826,044	3,209,898,370	
7/2003	6/2004	162,007,721	157,755,337	3,761,664,994	3,291,717,325	
7/2004	6/2005	566,534,348 <sup>(1)</sup>	165,974,515	4,576,444,496	4,217,141,165	
7/2005	6/2006	174,666,832	182,983,796	5,090,929,000	4,627,908,014	
		Total Actual				
From	To	Market Return (net)	Expected Market Return (net)	Investment Gain (Loss)	Deferred Factor	Deferred Return
7/2001	6/2002	\$(199,589,416)	\$274,979,342	\$(474,568,758)	0.00	\$0
7/2002	6/2003	69,072,170	256,791,870	(187,719,700)	0.20	(37,543,940)
7/2003	6/2004	518,586,566	263,337,386	255,249,180	0.40	102,099,672
7/2004	6/2005	414,219,669	337,371,293	76,848,376	0.60	46,109,025
7/2005	6/2006	522,801,468	358,662,871	164,138,597	0.80	131,310,877
						241,975,634
1. Total Deferred Return						241,975,634
2. Net Market Value						5,090,929,000
3. Actuarial Value of Assets (Item 2 – Item 1)						4,848,953,366
4. Actuarial Value of Assets – Corridor Limits:						
a. Lower Limit – 80% of Net Market Value						4,072,743,200
b. Upper Limit – 120% of Net Market Value						6,109,114,800
5. Actuarial Value of Assets (within corridor)						4,848,953,366
6. Non-valuation reserves and designations:						
a. Contingency Reserve						0
b. Retirees Health Benefit Reserve						1,568,040
c. Other Non-Valuation Reserves						0
d. Subtotal						1,568,040
7. Preliminary Valuation Value of Assets (Item 5 – Item 6)						4,847,385,326
8. Adjustment to Preliminary Valuation Value of Assets						
a. Balance of transfer to offset member COLA rate						39,423,000
b. Surplus/(deficit) for withdrawn employers (preliminary) <sup>(2)</sup>						<u>(8,738,016)</u>
c. Subtotal						30,684,984
9. Final Valuation Value of Assets (Item 7 – Item 8)						4,816,700,342

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

<sup>(1)</sup> Includes proceeds from Pension Obligation Bonds issued by the County and Sacramento Metro Fire District.

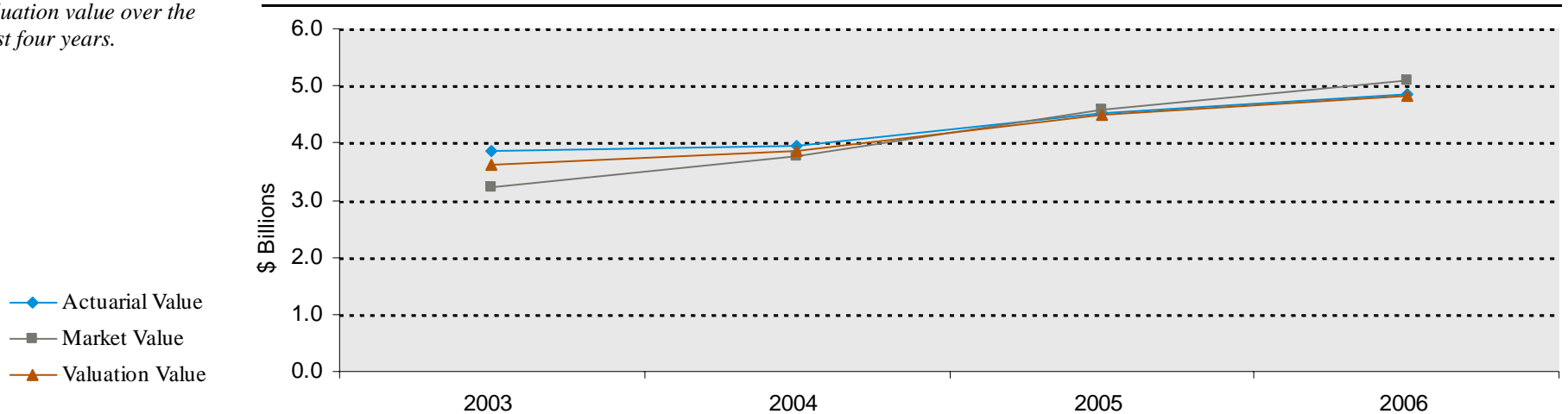
<sup>(2)</sup> Based on the latest estimate available as of June 30, 2004.

## 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's 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's 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 four years.*

**CHART 8**  
**Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2003 – 2006**



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

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**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 \$20.8 million, \$23.1 million loss from investments and \$2.3 million gain from all other sources. The net experience variation from individual sources other than investments was 0.04% 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.

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**CHART 9**

**Actuarial Experience for Year Ended June 30, 2006**

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1. Net loss from investments <sup>(1)</sup>	-\$23,064,000
2. Net gain from other experience	<u>2,298,000</u>
3. Net experience loss: (1) + (2)	<hr/> -\$20,766,000

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<sup>(1)</sup> Details in Chart 10.

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



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

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**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 the SCERS's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 7.75% (based on June 30, 2005 valuation). The actual rate of return on a valuation basis for the 2005/2006 plan year was 7.24%.

Since the actual return for the year was less than the assumed return, the SCERS experienced an actuarial loss during the year ended June 30, 2006 with regard to its investments.

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

**CHART 10**  
**Investment Experience for Year Ended June 30, 2006 – Valuation Value of Assets**

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	<b>Valuation Value</b>
1. Actual return	\$ 329,339,000
2. Average value of assets	4,547,139,000
3. Actual rate of return: (1) ÷ (2)	7.24%
4. Assumed rate of return	7.75%
5. Expected return:	<u>352,403,000</u>
6. Actuarial gain/(loss): (1) – (5)	<u><u>-\$23,064,000</u></u>

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

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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 three years.

Based on the June 30, 2006 review of economic assumptions, we have maintained the investment return assumption at 7.75%.

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**CHART 11**

**Investment Return – Actuarial Value, Valuation Value and Market Value: 2004 - 2006**

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%

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

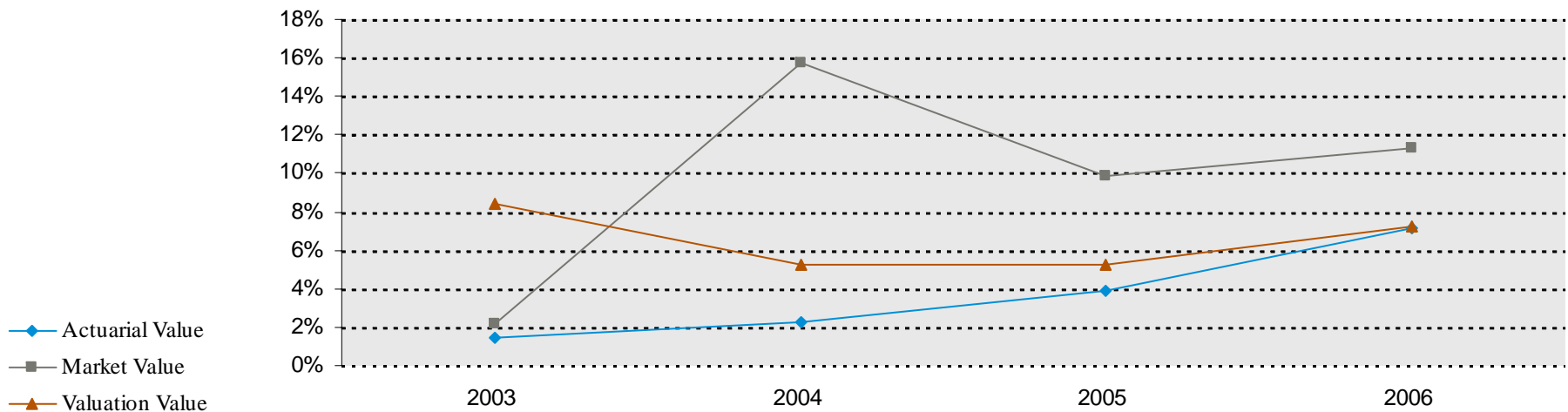
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Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan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

*This chart illustrates how this leveling effect has actually worked over the years 2003 - 2006.*

**CHART 12**

**Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2003 – 2006**



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

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### 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, 2006 amounted to \$2.3 million which is 0.04% 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 from other experience.

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

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**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 Association) 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 3.75% (i.e., 3.50% inflation plus 0.25% real across-the-board salary increase). The current UAAL is being recognized over a declining 27-year period.

The recommended employer contributions are provided on Chart 13.

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

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### 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  $1/240$  Final Average Salary for Miscellaneous members and  $1/100$  of Final Average Salary for Safety members. That age is 55 for all General and 50 for all 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.

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

**CHART 13**

**Recommended Employer Contribution Rates (Dollar Amounts in Thousands)**

County Only	June 30, 2006 Actuarial Valuation		June 30, 2005 Actuarial Valuation	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
<b>Miscellaneous – Tier 1 Members</b>				
Normal Cost	14.37%	\$6,696	14.46%	\$6,738
UAAL	1.52%	706	1.64%	\$764
Total Contribution	15.89%	\$7,402	16.10%	\$7,502
<b>Miscellaneous – Tier 2 Members</b>				
Normal Cost	11.43%	\$2,448	11.50%	\$2,463
UAAL	1.52%	325	1.64%	\$351
Total Contribution	12.95%	\$2,773	13.14%	\$2,814
<b>Miscellaneous – Tier 3 Members</b>				
Normal Cost	14.21%	\$74,015	14.24%	\$74,172
UAAL	1.52%	7,895	1.64%	\$8,542
Total Contribution	15.73%	\$81,910	15.88%	\$82,714
<b>Safety Tier 1 Members</b>				
Normal Cost	29.45%	\$19,595	29.60%	\$19,694
UAAL	6.56%	4,363	5.58%	\$3,713
Total Contribution	36.01%	\$23,958	35.18%	\$23,407
<b>Safety Tier 2 Members</b>				
Normal Cost	25.11%	\$25,329	25.26%	\$25,481
UAAL	6.56%	6,615	5.58%	\$5,629
Total Contribution	31.67%	\$31,944	30.84%	\$31,110
<b>All Categories Combined</b>				
Normal Cost	16.94%	\$128,083	17.00%	\$128,548
UAAL	2.63%	19,904	2.51%	\$18,999
Total Contribution	19.57%	\$147,987	19.51%	\$147,547

\* Based on June 30, 2006 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)**

<b>District Only</b>	June 30, 2006 Actuarial Valuation		June 30, 2005 Actuarial Valuation	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
<b>Miscellaneous – Tier 1 Members</b>				
Normal Cost	14.22%	\$205	14.33%	\$206
UAAL	8.05%	116	8.45%	122
Total Contribution	22.26%	\$321	22.78%	\$328
<b>Miscellaneous – Tier 3 Members</b>				
Normal Cost	14.09%	\$3,385	14.11%	\$3,391
UAAL	8.05%	1,934	8.45%	2,031
Total Contribution	22.13%	\$5,319	22.56%	\$5,422
<b>Safety Tier 1 Members</b>				
Normal Cost	23.35%	\$188	23.35%	\$188
UAAL	18.59%	150	16.36%	132
Total Contribution	41.94%	\$338	39.71%	\$320
<b>All Categories Combined</b>				
Normal Cost	14.38%	\$3,778	14.40%	\$3,785
UAAL	8.37%	2,200	8.70%	2,285
Total Contribution	22.75%	\$5,978	23.10%	\$6,070
<b>County and District Categories Combined</b>				
Normal Cost	16.85%	\$131,861	16.91%	\$132,333
UAAL	2.82%	22,104	2.72%	21,284
Total Contribution	19.67%	\$153,965	19.63%	\$153,617

\* Based on June 30, 2006 projected annual payroll, see page 17.



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

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**CHART 13**

**Recommended Employer Contribution Rates (Dollar Amounts in Thousands)**

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June 30, 2006 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	\$46,599	\$1,440	\$48,039
Miscellaneous Tier 2	21,418	0	21,418
Miscellaneous Tier 3	<u>520,869</u>	<u>24,032</u>	<u>544,901</u>
Subtotal	\$588,886	\$25,472	\$614,358
Safety Tier 1	\$66,535	\$806	\$67,341
Safety Tier 2	<u>100,873</u>	<u>0</u>	<u>100,873</u>
Subtotal	\$167,408	\$806	\$168,214
Total	\$756,294	\$26,278	\$782,572

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

The contribution rates as of June 30, 2006 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

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

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

**CHART 14**  
**Reconciliation of Average Recommended Employer Contribution from June 30, 2005 to June 30, 2006 (Dollar Amounts in Thousands)**

	Contribution Rate	Estimated Annual Dollar Cost <sup>(1)</sup>
<b>Average Recommended Contribution Rate as of June 30, 2005, After Reflecting Members Paying Half and Full Rates</b>	19.63%	\$ 153,617
Effect of investment losses	0.18%	1,409
Effect of difference in actual versus expected individual salary increases	0.09%	704
Effect of difference in actual versus expected COLA increase for Tier 1 retirees	-0.20%	(1,565)
Effect of other actuarial (gains)/losses	<u>-0.03%</u>	<u>(200)</u>
Subtotal	0.04%	\$348
<b>Average Recommended Contribution Rate as of June 30, 2006, After Reflecting Members Paying Half and Full Rates</b>	19.67%	\$153,965

<sup>(1)</sup> Based on June 30, 2006 projected annual payroll of \$782,572,000.

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

The member contribution rates as of June 30, 2006 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 from the prior valuation to the amount determined in this valuation.*

**CHART 15**  
**Reconciliation of Average Recommended Member Contribution from June 30, 2005 to June 30, 2006 (Dollar Amounts in Thousands)**

	Contribution Rate	Estimated Amount <sup>(1)</sup>
<b>Average Recommended Contribution Rate as of June 30, 2005,</b>		
<b>After Reflecting Members Paying Half and Full Rates</b>	4.68% <sup>(2)</sup>	\$36,624
Effect of changes in member population and the drawdown of the reserve carried by the Board to reduce part of the COLA contributions	0.09%	704
<b>Average Recommended Contribution Rate as of June 30, 2006, After Reflecting Members Paying Half and Full Rates</b>	4.77% <sup>(2)</sup>	\$37,328

<sup>(1)</sup> Based on June 30, 2006 projected compensation of \$782,572,000.

<sup>(2)</sup> 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 THE GASB**

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of 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.

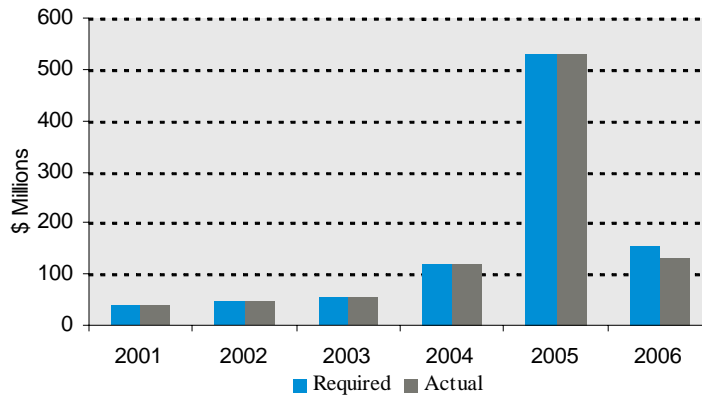
Critical information to GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical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

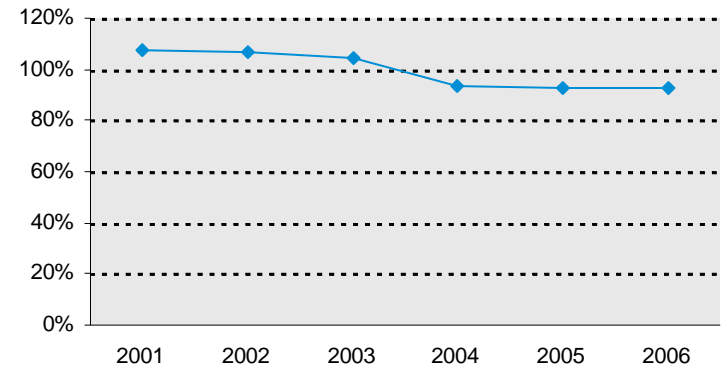
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, and III.

*These graphs show key GASB factors. POB proceeds were included in both required and actual contributions in 2005.*

**CHART 16**  
**Required Versus Actual Contributions**



**CHART 17**  
**Funded Ratio**



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

**EXHIBIT A**

**Table of Plan Coverage**

**i. Miscellaneous Tier 1**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2006</b>	<b>2005</b>	
<b>Active members in valuation</b>			
Number	704	814	-13.5%
Average age	55.2	54.7	N/A
Average service	28.3	27.7	N/A
Projected total compensation <sup>(1) (2)</sup>	\$48,038,967	\$53,069,114	-9.5%
Projected average compensation	\$68,237	\$65,195	4.7%
Account balances	\$97,116,595	\$103,905,793	-6.5%
Total active vested members	703	813	-13.5%
<b>Vested terminated members</b>			
Number	234	263	-11.0%
Average age	56.6	56.0	N/A
<b>Retired members</b>			
Number in pay status	3,239	3,190	1.5%
Average age	71.0	70.9	N/A
Average monthly benefit	\$2,202	\$2,081	5.8%
<b>Disabled members</b>			
Number in pay status	316	329	-4.0%
Average age	69.5	69.0	N/A
Average monthly benefit	\$1,680	\$1,620	3.7%
<b>Beneficiaries</b>			
Number in pay status	755	748	0.9%
Average age	74.4	73.8	N/A
Average monthly benefit	\$1,146	\$1,108	3.4%

<sup>(1)</sup> Projected compensation was calculated by increasing the annualized compensation earned during 2005-2006 by 3.75%.

<sup>(2)</sup> For members without a salary reported for the June 30, 2006 valuation, we have assigned them an annual salary of \$68,000.

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

**EXHIBIT A**

**Table of Plan Coverage**

**ii. Miscellaneous Tier 2**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2006</b>	<b>2005</b>	
<b>Active members in valuation</b>			
Number	352	366	-3.8%
Average age	49.3	48.7	N/A
Average service	16.8	15.8	N/A
Projected total compensation <sup>(1) (2)</sup>	\$21,418,043	\$20,984,643	2.1%
Projected average compensation	\$60,847	\$57,335	6.1%
Account balances	\$19,860,533	\$18,559,429	7.0%
Total active vested members	352	366	-3.8%
<b>Vested terminated members</b>			
Number	317	327	-3.1%
Average age	50.1	49.5	N/A
<b>Retired members</b>			
Number in pay status	170	152	11.8%
Average age	65.3	64.8	N/A
Average monthly benefit	\$741	\$671	10.4%
<b>Disabled members</b>			
Number in pay status	37	36	2.8%
Average age	60.4	59.0	N/A
Average monthly benefit	\$958	\$919	4.2%
<b>Beneficiaries</b>			
Number in pay status	27	27	0.0%
Average age	63.7	62.9	N/A
Average monthly benefit	\$485	\$457	6.1%

<sup>(1)</sup> Projected compensation was calculated by increasing the annualized compensation earned during 2005-2006 by 3.75%.

<sup>(2)</sup> For members without a salary reported for the June 30, 2006 valuation, we have assigned them an annual salary of \$61,000.

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

**EXHIBIT A**

**Table of Plan Coverage**

**iii. Miscellaneous Tier 3**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2006</b>	<b>2005</b>	
<b>Active members in valuation</b>			
Number	10,996	10,198	7.8%
Average age	44.2	44.3	N/A
Average service	7.9	7.9	N/A
Projected total compensation <sup>(1) (2)</sup>	\$544,901,430	\$492,694,909	10.6%
Projected average compensation	\$49,555	\$48,313	2.6%
Account balances	\$283,357,578	\$251,634,938	12.6%
Total active vested members	6,716	5,926	13.3%
<b>Vested terminated members</b>			
Number	1,348	1,293	4.3%
Average age	44.8	44.8	N/A
<b>Retired members</b>			
Number in pay status	1,023	856	19.5%
Average age	64.5	64.1	N/A
Average monthly benefit	\$1,373	\$1,268	8.3%
<b>Disabled members</b>			
Number in pay status	132	123	7.3%
Average age	59.1	58.5	N/A
Average monthly benefit	\$1,308	\$1,345	-2.8%
<b>Beneficiaries</b>			
Number in pay status	103	86	19.8%
Average age	59.2	57.8	N/A
Average monthly benefit	\$702	\$714	-1.7%

<sup>(1)</sup> Projected compensation was calculated by increasing the annualized compensation earned during 2005-2006 by 3.75%.

<sup>(2)</sup> For members without a salary reported for the June 30, 2006 valuation, we have assigned them an annual salary of \$50,000.

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

**EXHIBIT A**

**Table of Plan Coverage**

**iv. Safety Tier 1**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2006</b>	<b>2005</b>	
<b>Active members in valuation</b>			
Number	767	829	-7.5%
Average age	45.7	45.0	N/A
Average service	18.4	17.7	N/A
Projected total compensation <sup>(1) (2)</sup>	\$67,341,466	\$66,576,564	1.1%
Projected average compensation	\$87,798	\$80,309	9.3%
Account balances	\$73,205,714	\$70,814,649	3.4%
Total active vested members	766	828	-7.5%
<b>Vested terminated members</b>			
Number	176	162	8.6%
Average age	45.7	45.4	N/A
<b>Retired members</b>			
Number in pay status	744	711	4.6%
Average age	63.0	62.8	N/A
Average monthly benefit	\$4,853	\$4,737	2.5%
<b>Disabled members</b>			
Number in pay status	194	185	4.9%
Average age	59.3	58.9	N/A
Average monthly benefit	\$3,198	\$3,096	3.3%
<b>Beneficiaries</b>			
Number in pay status	194	182	6.6%
Average age	64.8	64.3	N/A
Average monthly benefit	\$2,116	\$2,029	4.3%

<sup>(1)</sup> Projected compensation was calculated by increasing the annualized compensation earned during 2005-2006 by 3.75%.

<sup>(2)</sup> For members without a salary reported for the June 30, 2006 valuation, we have assigned them an annual salary of \$88,000.



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

**EXHIBIT A**

**Table of Plan Coverage  
v. Safety Tier 2**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2006</b>	<b>2005</b>	
<b>Active members in valuation</b>			
Number	1,593	1,521	4.7%
Average age	35.4	35.0	N/A
Average service	6.7	6.3	N/A
Projected total compensation <sup>(1) (2)</sup>	\$100,873,024	\$88,688,948	13.7%
Projected average compensation	\$63,323	\$58,310	8.6%
Account balances	\$35,716,240	\$29,698,462	20.3%
Total active vested members	933	795	17.4%
<b>Vested terminated members</b>			
Number	117	90	30.0%
Average age	36.4	36.6	N/A
<b>Retired members</b>			
Number in pay status	141	130	8.5%
Average age	62.0	61.3	N/A
Average monthly benefit	\$3,673	\$3,513	4.5%
<b>Disabled members</b>			
Number in pay status	20	18	11.1%
Average age	50.7	51.4	N/A
Average monthly benefit	\$2,133	\$2,090	2.1%
<b>Beneficiaries</b>			
Number in pay status	13	11	18.2%
Average age	60.7	60.3	N/A
Average monthly benefit	\$1,655	\$1,801	-8.1%

<sup>(1)</sup> Projected compensation was calculated by increasing the annualized compensation earned during 2005-2006 by 3.75%.

<sup>(2)</sup> For members without a salary reported for the June 30, 2006 valuation, we have assigned them an annual salary of \$63,000.

**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, 2006  
By Age and Years of Service**

**i. Miscellaneous Tier 1**

Age	Total	Years of Service								
		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	8	--	--	--	--	4	4	--	--	--
45 - 49	\$52,180	--	--	--	--	\$58,509	\$45,851	--	--	--
50 - 54	82	--	--	--	4	19	55	4	--	--
55 - 59	61,305	--	--	--	\$32,538	59,288	64,994	\$48,932	--	--
60 - 64	248	--	1	3	10	27	149	56	2	--
65 - 69	65,740	--	\$14,683	\$66,935	58,048	55,350	70,795	59,521	\$65,739	--
70 & over	278	1	2	2	3	26	120	93	30	1
	74,148	\$70,550	34,355	55,246	52,784	75,447	74,038	77,111	71,077	\$55,267
	72	--	3	2	1	6	19	21	17	3
	66,486	--	55,654	47,216	68,392	48,868	66,665	77,470	64,752	56,571
	11	--	--	--	--	2	5	2	2	--
	54,528	--	--	--	--	88,975	47,862	52,693	38,578	--
	5	--	--	--	--	--	2	2	1	--
	58,202	--	--	--	--	--	79,656	39,867	51,966	--
<b>Total</b>	704	1	6	7	18	84	354	178	52	4
	\$68,237	\$70,550	\$41,726	\$57,961	\$52,077	\$62,949	\$70,216	\$70,293	\$67,186	\$56,245

**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, 2006  
By Age and Years of Service**

**ii. Miscellaneous Tier 2**

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--
35 - 39	27	--	--	12	15	--	--	--	--
40 - 44	\$52,600	--	--	\$57,880	\$48,376	--	--	--	--
45 - 49	73	--	2	29	34	8	--	--	--
50 - 54	58,469	--	\$26,635	57,540	58,404	\$70,070	--	--	--
55 - 59	101	--	1	20	60	20	--	--	--
60 - 64	63,487	--	43,036	54,672	66,261	65,006	--	--	--
65 - 69	82	--	1	13	52	15	1	--	--
70 & Over	61,460	--	24,300	52,076	61,914	66,139	\$126,790	--	--
	49	--	1	12	25	10	1	--	--
	65,998	--	23,189	65,075	69,325	58,882	107,894	--	--
	15	--	--	2	9	4	--	--	--
	52,236	--	--	55,975	53,868	46,692	--	--	--
	5	--	--	3	1	1	--	--	--
	52,049	--	--	56,285	33,114	58,272	--	--	--
	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
<b>Total</b>	352	--	5	91	196	58	2	--	--
	\$60,847	--	\$28,759	\$57,092	\$62,028	\$63,563	\$117,342	--	--

**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, 2006  
By Age and Years of Service**

**iii. Miscellaneous Tier 3**

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
<b>Under 25</b>	296	287	9	--	--	--	--	--	--
	\$22,387	\$21,947	\$36,413	--	--	--	--	--	--
<b>25 - 29</b>	984	793	191	--	--	--	--	--	--
	33,339	31,733	40,009	--	--	--	--	--	--
<b>30 - 34</b>	1,199	718	450	31	--	--	--	--	--
	43,949	39,731	49,716	\$57,938	--	--	--	--	--
<b>35 - 39</b>	1,489	666	550	201	69	3	--	--	--
	48,780	41,468	52,811	58,221	\$59,300	\$58,227	--	--	--
<b>40 - 44</b>	1,645	526	498	311	265	44	1	--	--
	52,101	40,411	53,619	60,554	61,082	60,991	\$44,845	--	--
<b>45 - 49</b>	1,849	493	536	321	325	167	7	--	--
	54,075	41,861	49,882	59,266	66,829	68,822	53,306	--	--
<b>50 - 54</b>	1,587	388	451	283	283	163	19	--	--
	55,169	42,796	51,620	59,442	63,730	70,242	71,654	--	--
<b>55 - 59</b>	1,276	281	374	220	253	133	14	1	--
	55,367	43,017	51,065	60,221	62,970	69,361	71,134	\$60,725	--
<b>60 - 64</b>	511	104	177	76	103	47	3	1	--
	55,297	46,126	53,613	59,647	58,178	65,585	93,248	82,327	--
<b>65 - 69</b>	126	24	54	20	21	7	--	--	--
	50,778	40,155	54,073	48,931	57,546	46,760	--	--	--
<b>70 &amp; Over</b>	34	7	13	8	4	1	1	--	--
	46,887	32,281	43,248	62,539	56,079	43,637	37,706	--	--
<b>Total</b>	10,996	4,287	3,303	1,471	1,323	565	45	2	--
	\$49,555	\$38,297	\$50,916	\$59,441	\$63,031	\$68,105	\$68,728	\$71,526	--

**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, 2006  
By Age and Years of Service**

**iv. Safety Tier 1**

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
Under 25	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
30 - 34	21	--	6	15	--	--	--	--	--
	\$71,985	--	\$57,850	\$77,639	--	--	--	--	--
35 - 39	117	--	5	58	54	--	--	--	--
	84,712	--	67,576	85,260	\$85,711	--	--	--	--
40 - 44	238	--	8	61	124	44	1	--	--
	88,158	--	78,402	78,574	88,224	\$103,016	\$88,953	--	--
45 - 49	218	--	9	20	66	92	30	1	--
	89,444	--	62,887	76,627	84,993	93,182	104,589	\$80,398	--
50 - 54	112	1	3	9	25	35	36	3	--
	90,185	\$91,300	63,198	76,565	83,349	86,993	100,199	131,716	--
55 - 59	49	--	1	4	6	11	17	8	2
	84,445	--	87,208	96,183	92,328	73,798	81,616	102,784	\$45,176
60 - 64	12	--	1	1	4	2	--	3	1
	99,954	--	90,777	90,895	116,780	62,123	--	124,510	52,881
65 - 69	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
<b>Total</b>	767	1	33	168	279	184	84	15	3
	\$87,798	\$91,300	\$68,053	\$80,952	\$87,034	\$92,860	\$97,872	\$111,423	\$47,744

**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, 2006  
By Age and Years of Service**

**v. Safety Tier 2**

Age	Years of Service								
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over
<b>Under 25</b>	77	77	--	--	--	--	--	--	--
	\$38,205	\$38,205	--	--	--	--	--	--	--
<b>25 - 29</b>	354	285	69	--	--	--	--	--	--
	50,956	47,320	\$65,972	--	--	--	--	--	--
<b>30 - 34</b>	447	160	260	24	3	--	--	--	--
	64,534	55,314	68,407	\$83,923	\$65,509	--	--	--	--
<b>35 - 39</b>	341	65	194	79	3	--	--	--	--
	71,150	59,242	71,872	78,858	79,482	--	--	--	--
<b>40 - 44</b>	192	37	73	51	30	1	--	--	--
	71,361	61,270	69,586	76,616	78,992	\$77,400	--	--	--
<b>45 - 49</b>	87	14	23	20	11	17	2	--	--
	72,392	64,517	66,539	70,292	78,764	85,939	\$65,646	--	--
<b>50 - 54</b>	62	16	14	6	12	8	6	--	--
	67,888	57,101	64,990	66,288	78,899	75,907	72,297	--	--
<b>55 - 59</b>	26	6	6	3	4	2	4	1	--
	73,082	65,299	83,143	77,089	55,378	77,164	82,124	\$73,884	--
<b>60 - 64</b>	7	--	1	3	--	1	1	1	--
	96,496	--	85,207	78,795	--	177,163	74,086	102,633	--
<b>65 - 69</b>	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
<b>Total</b>	1,593	660	640	186	63	29	13	2	--
	\$63,323	\$50,916	\$69,352	\$77,541	\$76,816	\$85,417	\$74,435	\$88,259	--

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

**EXHIBIT C**

**Reconciliation of Member Data – June 30, 2005 to June 30, 2006**

	<b>Active Members</b>	<b>Vested Former Members</b>	<b>Pensioners</b>	<b>Disableds</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of June 30, 2005	13,728	2,135	5,039	691	1,054	22,647
New members	1,489	163	0	0	83	1,735
Terminations – with vested rights	-157	157	0	0	0	0
Contributions refunds	-463	-63	0	0	0	-526
Retirements	-283	-74	357	0	0	0
New disabilities	-9	-1	-13	23	0	0
Return to work	118	-118	0	0	0	0
Deaths	-10	-3	-116	-22	-45	-196
Data adjustments	-1	-4	50	7	0	52
Number as of June 30, 2006	14,412	2,192	5,317	699	1,092	23,712

**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, 2006	Year Ended June 30, 2005
<b>Contribution income:</b>		
Employer contributions	\$132,708,000	\$529,618,000*
Employee contributions	<u>41,959,000</u>	<u>36,916,000</u>
Net contribution income	\$174,667,000	\$566,534,000
<b>Investment income:</b>		
Interest, dividends and other income	\$160,157,000	\$129,294,000
Recognition of capital appreciation	200,339,000	64,490,000
Less investment and administrative fees	<u>-33,808,000</u>	<u>-22,401,000</u>
Net investment income	<u>326,688,000</u>	<u>171,383,000</u>
<b>Total income available for benefits</b>	<b>\$501,355,000</b>	<b>\$737,917,000</b>
<b>Less benefit payments:</b>		
Benefits paid	\$178,362,000	\$162,509,000
Retroactive benefits	0	0
Withdrawal of contributions	4,622,000	3,463,000
Retiree health insurance	0	2,000
Retiree dental insurance	<u>0</u>	<u>0</u>
Net benefit payments	\$182,984,000	\$165,975,000
<b>Change in reserve for future benefits</b>	<b>\$318,371,000</b>	<b>\$571,942,000</b>

\* Includes proceeds from Pension Obligation Bonds.

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**

	<b>Year Ended June 30, 2006</b>	<b>Year Ended June 30, 2005*</b>
<b>Cash equivalents</b>	\$331,038,000	\$248,269,000
<b>Accounts receivable:</b>		
Securities sold	\$48,441,000	\$62,897,000
Accrued investment income	14,654,000	14,610,000
Employee and employer contributions	<u>5,560,000</u>	<u>7,750,000</u>
Total accounts receivable	68,655,000	85,257,000
<b>Investments:</b>		
Equities	\$3,181,528,000	\$2,790,531,000
Fixed income investments	1,231,229,000	1,244,064,000
Real estate	708,896,000	496,455,000
Securities lending collateral	<u>638,437,000</u>	<u>569,531,000</u>
Total investments at market value	5,760,090,000	5,100,581,000
<b>Other assets</b>	<u>9,518,000</u>	<u>4,439,000</u>
<b>Total assets</b>	\$6,169,301,000	\$5,438,546,000
<b>Less accounts payable:</b>		
Accounts payable and other liabilities	-\$27,802,000	-\$22,354,000
Investment trades, mortgages, and warrants payable	-412,133,000	-270,217,000
Retroactive benefits payable	0	0
Securities lending liability	<u>-638,437,000</u>	<u>-569,531,000</u>
Total accounts payable	-\$1,078,372,000	-\$862,102,000
<b>Net assets at market value</b>	<u>\$5,090,929,000</u>	<u>\$4,576,444,000</u>
<b>Net assets at actuarial value</b>	<u>\$4,848,953,000</u>	<u>\$4,530,583,000</u>
<b>Net assets at valuation value</b>	<u>\$4,816,700,000</u>	<u>\$4,495,679,000</u>

\* The individual balances in some of the asset categories have been adjusted by the System since our 2005 valuation; however, the total market value of assets remains unchanged.

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 your 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)**

<b>Assets</b>	<u>Basic</u>	<u>Cola</u>	<u>Total</u>
1. Total valuation assets			
a. Valuation value assets	\$3,249,892	\$1,566,808	\$4,816,700
b. Balance of transfer to offset member COLA rate	0	39,423	39,423
c. Non-valuation reserves	1,568	0	1,568
d. Adjustment to 1a. for surplus/(deficit) for withdrawn employers (preliminary)*	-8,738	0	-8,738
2. Present value of future contributions by members	\$251,252	\$74,420	\$325,672
3. Present value of future employer contributions for:			
a. Entry age normal cost	929,575	\$170,023	\$1,099,598
b. Unfunded actuarial accrued liability	<u>397,857</u>	<u>-\$31,895</u>	<u>365,962</u>
4. Total current and future assets	\$4,821,406	\$1,818,779	\$6,640,185
<b>Liabilities</b>			
5. Present value of retirement allowances payable to present retired members	\$1,466,930	\$923,424	\$2,390,354
6. Present value of retirement allowances to be granted	3,361,646	895,355	4,257,001
7. Non-valuation reserves	1,568	0	1,568
8. Surplus/(deficit) for withdrawn employers (preliminary)*	<u>-8,738</u>	<u>0</u>	<u>-8,738</u>
9. Total liabilities	\$4,821,406	\$1,818,779	\$6,640,185

*\*Based on the latest estimate available as of June 30, 2004.*

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

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**EXHIBIT G**

**Summary of Reported Asset Information as of June 30, 2006**

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	<b>Reserves</b>
<b><u>Included in Valuation Value of Assets</u></b>	
Employee reserve	\$ 573,497,755
Employer reserve	1,974,406,800
Retiree reserve	2,286,216,940
Retiree death benefit reserve	<u>13,263,831</u>
Subtotal: Preliminary Valuation Value of Assets *	\$4,847,385,326
<b><u>Not Included in Valuation Value of Assets</u></b>	
Retiree health benefit reserve	\$ 1,568,040
Contingency reserve	<u>0</u>
Subtotal: Actuarial Value of Assets	\$4,848,953,366
Market stabilization reserve	<u>241,975,634</u>
Total Market Value of Assets	\$5,090,929,000

\* Please note that the final Valuation Value of Assets (i.e. \$4,816,700,342) is calculated by taking the preliminary Valuation Value of Assets and adjusting that for the balance of transfer to offset member COLA rate and 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, 2006 (Continued) – Change in Reserves**

	<b>Balance at 06/30/2005*</b>	<b>Interest Credited</b>	<b>Contributions</b>	<b>Benefits</b>	<b>Transfers</b>	<b>Balance at 06/30/2006</b>
Employee Reserve	\$538,202,608	\$37,289,274	\$41,958,468	-\$4,544,004	-\$39,408,591	\$573,497,755
Employer Reserve	1,886,877,841	136,548,006	132,708,364	-532,173	181,195,238	1,974,406,800
Retiree Reserve	2,091,018,882	151,946,579	0	-177,352,350	220,603,829	2,286,216,940
Death Benefit Reserve	<u>12,912,799</u>	<u>903,832</u>	<u>0</u>	<u>-552,800</u>	<u>0</u>	<u>13,263,831</u>
<b>Subtotal</b>	\$4,529,012,130	\$326,687,691	\$174,666,832	-\$182,981,327	0	\$4,847,385,326
Contingency Reserve	\$0	\$0	\$0	\$0	\$0	\$0
Board Policy Contingency Reserve	0	0	0	0	0	0
Retiree Health Benefit Reserve	<u>1,570,509</u>	<u>0</u>	<u>0</u>	<u>-2,469</u>	<u>0</u>	<u>1,568,040</u>
<b>Subtotal</b>	\$1,570,509	\$0	\$0	-\$2,469	0	\$1,568,040
Total Allocated Reserves	\$4,530,582,639	\$326,687,691	\$174,666,832	-\$182,983,796	\$0	\$4,848,953,366
Market Stabilization Reserve	<u>\$45,861,857</u>	<u>\$196,113,777</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$241,975,634</u>
<b>Net Market Value of Assets</b>	<u>\$4,576,444,496</u>	<u>\$522,801,468</u>	<u>\$174,666,832</u>	<u>-\$182,983,796</u>	<u>\$0</u>	<u>\$5,090,929,000</u>

\* The individual balances in the employee and employer reserves have been adjusted by the System since our 2005 valuation; however, the total of the two reserves remains unchanged.

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

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**EXHIBIT G**

**Summary of Reported Asset Information as of June 30, 2006 (Continued) – Summary of Earnings**

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	<u>Per Excess Earnings Policy</u>
<b>Earnings from July 1, 2005 to June 30, 2006</b>	\$522,801,468
Contingency Reserve	<u>0</u>
Subtotal:	\$522,801,468
<b>Amounts Credited for:</b>	
Market Stabilization Reserve	-\$196,113,777
Regular Interest Crediting	<u>-326,687,691</u>
<b>Subtotal</b>	-\$522,801,468
<b>Net Earnings</b>	\$0
<b>Amount Credited Under Excess Earnings Policy for:</b>	
Reserve for Interest Fluctuation	\$0
Board Provided Supplemental Benefits	0
Amount Over Reserved Benefits	0
Employer Reserves	0
Member Future COLA Contribution Offset	<u>0</u>
<b>Subtotal</b>	\$0
<b>Remaining Excess Earnings</b>	<u>\$0</u>

**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, 2006**

1.	Unfunded actuarial accrued liability at beginning of year	\$330,299,000
2.	Total normal cost at middle of year	168,514,000
3.	Actual employer and member contributions	-174,666,000
4.	Interest	<u>21,049,000</u>
5.	Expected unfunded actuarial accrued liability	\$345,196,000
6.	Actuarial (gain)/loss due to all changes:	
	(a) Investment return	\$23,064,000
	(b) Change in actuarial assumptions	0
	(c) Salary increase greater than expected <sup>(1)</sup>	11,733,000
	(d) COLA increase less than expected for Tier 1 retirees <sup>(1)</sup>	-25,798,000
	(e) Other experience loss <sup>(1)</sup>	11,767,000
	(f) Total changes	<u>20,766,000</u>
7.	Unfunded actuarial accrued liability at end of year	<u>\$365,962,000</u>

<sup>(1)</sup> The sum of 6(c), 6(d) and 6(e) is equal to the net gain of \$2.3 million shown in Section 2, Chart 9.

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

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#### EXHIBIT I

#### Section 415 Limitations

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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 indexed for inflation. That limit is \$175,000 for 2006 and \$180,000 for 2007. 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**

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**EXHIBIT J**

**Definitions of Pension Terms**

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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;
- (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**

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**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**

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**EXHIBIT I**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

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<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2001	40,358,154	40,358,154	100.0%
2002	44,547,261	44,547,261	100.0%
2003	52,840,790	52,840,790	100.0%
2004	119,114,097	119,114,097	100.0%
2005	529,618,069*	529,618,069*	100.0%
2006	154,052,000	132,708,000	86.1%**

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\* Includes proceeds from Pension Obligation Bonds.

\*\*Caused by the phase-in of the employer rates adopted by the Board in the June 30, 2004 actuarial valuation.

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

**EXHIBIT II**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets* (a)</b>	<b>Actuarial Accrued Liability (AAL)* (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (%) (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)</b>
6/30/2001	3,718,198,000	3,451,864,000	(266,334,000)	107.7	634,798,000	-42.0
6/30/2002	3,839,081,000	3,586,250,000	(252,831,000)	107.1	695,259,000	-36.4
6/30/2003**	4,284,400,000	4,108,294,000	(176,106,000)	104.3	733,296,000	-24.0
6/30/2004**	4,379,514,000	4,694,009,000	314,495,000	93.3	714,069,415	44.0
6/30/2005	4,530,583,000	4,860,882,000	330,299,000	93.2	722,015,000	45.7
6/30/2006	4,848,953,000	5,214,915,000	365,962,000	93.0	782,572,000	46.8

\* Includes contingency reserve, retiree health benefit reserve, retiree death benefit reserve and amount over reserved benefits.

\*\* Includes receivable contributions from Pension Obligation Bonds.

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

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### EXHIBIT III

#### Supplementary Information Required by the GASB

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<b>Valuation date</b>	June 30, 2006
<b>Actuarial cost method</b>	Entry Age Normal Cost Method
<b>Amortization method</b>	Level percent of payroll for total unfunded liability
<b>Remaining amortization period</b>	30 years (declining) with 27 years remaining as of June 30, 2006 for all UAAL.
<b>Asset valuation method</b>	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. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
<b>Actuarial assumptions:</b>	
Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.25%
Projected salary increases*	4.95% to 11.55% for Miscellaneous; 3.75% to 9.65% for Safety
Cost of living adjustments	3.40% of Miscellaneous and Safety Tier 1 retirement income, 2.00% of Miscellaneous Tier 3 and Safety Tier 2 retirement income, and 0.00% of Miscellaneous Tier 2 retirement income.
<b>Plan membership:</b>	
Retired members and beneficiaries receiving benefits	7,108
Terminated members entitled to, but not yet receiving benefits	2,192
Active members	<u>14,412</u>
Total	23,712

\* Includes inflation at 3.50%, plus real across-the-board salary increase of 0.25% plus merit and longevity increases. See Exhibit IV for these increases.

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

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**EXHIBIT IV**

**Actuarial Assumptions/Methods**

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**Post – Retirement Mortality Rates:**

<i>Healthy:</i>	For Miscellaneous Members: 1994 Group Annuity Mortality Table. For Safety Members: 1994 Group Annuity Mortality Table.
<i>Disabled:</i>	For Miscellaneous Members: 1981 Miscellaneous Disability Mortality Table set back two years. For Safety members: 1994 Group Annuity Mortality Table.
<i>Employee Contribution Rate:</i>	For Miscellaneous members, 1994 Group Annuity Mortality Table weighted 40% male and 60% female. For Safety members, 1994 Group Annuity Mortality Table weighted 75% male and 25% female.

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

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**Termination Rates Before Retirement:**

Age	Rate (%) Mortality			
	Miscellaneous		Safety	
	Male	Female	Male	Female
25	0.07	0.03	0.07	0.03
30	0.08	0.04	0.08	0.04
35	0.09	0.05	0.09	0.05
40	0.11	0.07	0.11	0.07
45	0.16	0.10	0.16	0.10
50	0.26	0.14	0.26	0.14
55	0.44	0.23	0.44	0.23
60	0.80	0.44	0.80	0.44
65	1.45	0.86	1.45	0.86

All pre-retirement deaths are assumed to be non-service connected.

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

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**Termination Rates Before Retirement (continued):**

<b>Age</b>	<b>Rate (%)</b>	
	<b>Disability</b>	
	<b>Miscellaneous<sup>(1)</sup></b>	<b>Safety<sup>(2)</sup></b>
20	0.00	0.20
25	0.01	0.20
30	0.03	0.26
35	0.06	0.42
40	0.13	0.56
45	0.22	0.72
50	0.32	0.92
55	0.48	1.30
60	0.82	0.00

<sup>(1)</sup> 15% of Miscellaneous disabilities are assumed to be duty disabilities. The other 85% are assumed to be ordinary disabilities.

<sup>(2)</sup> 85% of Safety disabilities are assumed to be duty disabilities. The other 15% are assumed to be ordinary disabilities.

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

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**Termination Rates Before Retirement (continued):**

Rate (%)		
Withdrawal (< 5 Years of Service)		
Years of Service	Miscellaneous	Safety
0	13.00	8.00
1	7.00	4.00
2	6.00	3.00
3	5.00	2.00
4	4.00	2.00
Withdrawal (5+ Years of Service) *		
Age	Miscellaneous	Safety
20	4.00	2.00
25	4.00	2.00
30	4.00	2.00
35	4.00	1.88
40	3.40	1.62
45	2.58	1.32
50	2.00	0.00
55	1.62	0.00
60	0.00	0.00

*\* 25% of the members are assumed to elect a refund of contribution balance while the remaining 75% are assumed to elect a deferred retirement benefit. No withdrawal is assumed after a member is eligible for retirement.*



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

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**Retirement Rates:**

Age	Rate (%)		
	Miscellaneous Tier 1	Miscellaneous Tiers 2 & 3	Safety
50	6.00	3.00	33.00
51	6.00	3.00	25.00
52	6.00	3.00	25.00
53	6.00	5.00	33.00
54	9.00	6.00	33.00
55	10.00	8.00	50.00
56	11.00	10.00	50.00
57	15.00	13.00	50.00
58	23.00	22.00	50.00
59	26.00	22.00	50.00
60	28.00	23.00	100.00
61	31.00	27.00	100.00
62	40.00	47.00	100.00
63	45.00	56.00	100.00
64	45.00	56.00	100.00
65	52.00	71.00	100.00
66	46.00	54.00	100.00
67	52.00	58.00	100.00
68	60.00	66.00	100.00
69	75.00	83.00	100.00
70	100.00	100.00	100.00

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

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

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

Miscellaneous Age: 58

Safety Age: 55

We assume that 55% of future Miscellaneous and 65% of future Safety deferred vested members are reciprocal. For reciprocals, we assume 5.45% 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.

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**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; 50% 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: 1.0%

Safety: 2.0%

Disability Retirements:

Miscellaneous: 0.0%

Safety: 0.0%

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**

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**Net Investment Return:** 7.75%; net of administration and investment expenses.

**Employee Contribution Crediting Rate<sup>1</sup>:** 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 Safety Tier 2 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: 3.50%, plus “across the board” salary increases of 0.25% per year; plus the following merit and longevity increases.		
Age	Miscellaneous	Safety
20	7.80	5.90
25	5.10	4.90
30	3.50	3.80
35	2.90	2.60
40	2.30	2.00
45	2.00	1.50
50	1.70	1.50
55	1.30	1.50
60	1.20	0.00

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<sup>1</sup> The new 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 7.75%.

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

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<b>Actuarial Value of Assets:</b>	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 its recognized over a five year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
<b>Valuation Value of Assets:</b>	Actuarial value of assets reduced by the value of the non-valuation reserves and designations.
<b>Actuarial Cost Method:</b>	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 27-year period.

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

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**Changes in Actuarial Assumptions:** Based on the June 30, 2006 review of economic assumptions, one assumption was changed. Previously, this assumption was as follows:

**Employee Contribution**

**Crediting Rate:**

7.75%; compounded semi-annually.

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

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**EXHIBIT V**

**Summary of Plan Provisions**

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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.

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<b>Membership Eligibility:</b>	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's or the District 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>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.

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<b>Final Compensation for Benefit Determination:</b>	
<i>Miscellaneous and Safety Tier 1</i>	Highest consecutive 1 year (12 months) of compensation earnable (§31462.1) (FAS1)
<i>Miscellaneous Tier 2 and Tier 3 and Safety Tier 2</i>	Highest consecutive 3 years (36 months) of compensation earnable. (§31462) (FAS3)

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<b>Service:</b>	Years of service. (Yrs)
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<b>Service Retirement Eligibility:</b>	
<i>General</i>	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years of service, regardless of age (§31672).
<i>Safety</i>	Age 50 with 10 years of service, or after 20 years of Safety service, regardless of age (§31663.25).

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

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**Benefit Formula:**

	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Miscellaneous Tier 1 (§31676.14)</i>	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	$(2.61\% \times \text{FAS1} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$

	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Miscellaneous Tier 2 and Tier 3 (§31676.14)</i>	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	$(2.61\% \times \text{FAS3} - 1/3 \times 2.61\% \times \$350 \times 12) \times \text{Yrs}$

	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Safety Tier 1 (§31664.1)</i>	50	$(3\% \times \text{FAS1} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(3\% \times \text{FAS1} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(3\% \times \text{FAS1} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
<i>Safety Tier 2 (§31664.1)</i>	50	$(3\% \times \text{FAS3} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(3\% \times \text{FAS3} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(3\% \times \text{FAS3} - 1/3 \times 3\% \times \$350 \times 12) \times \text{Yrs}$

**Maximum Benefit:** 100% of Highest Average Compensation (§31676.14, §31676.1, §31664.1)

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

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*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
    3. University of California Davis (covering one active member)
- 

**Ordinary 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).

Miscellaneous Tier 2, Tier 3,

and Safety Tier 2

*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).

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**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

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### Pre-Retirement Death:

#### All Members

##### *Eligibility*

Any service.

##### *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 Ordinary 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).

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### Death After Retirement:

#### All Members

##### *Service or*

##### *Ordinary Disability Retirement*

60% of member's unmodified allowance continued to eligible spouse (§31760.1). \$4,000 lump sum benefit 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).

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

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**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).

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**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 Safety Tier 2</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**

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<b>Member Contributions:</b>	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>Safety Tier 1 and Tier 2</i>	
<i>Basic</i>	Provide for an average annuity at age 50 equal to 1/100 of FAS1 (FAS3 for Tier 2). (§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).*

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**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<sup>(\*,\*\*)</sup> from June 30, 2005 and June 30, 2006 Valuation

	June 30, 2006			June 30, 2005			Increase/(Decrease) in Rate	
	Miscellaneous	Basic	COLA	Total	Basic	COLA		Total
Tier 1		3.75%	1.13%	4.88%	3.75%	1.09%	4.84%	0.04%
Tier 2		3.57%	0.00%	3.57%	3.57%	0.00%	3.57%	0.00%
Tier 3		3.57%	1.16%	4.73%	3.57%	1.10%	4.67%	0.06%
	Safety	Basic	COLA	Total	Basic	COLA	Total	Increase/(Decrease) in Rate
Tier 1		9.16%	2.64%	11.80%	9.16%	2.42%	11.58%	0.21%
Tier 2		8.71%	1.98%	10.69%	8.71%	1.86%	10.57%	0.12%

\* 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, 2006 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 & 3	Tier 1	Tier 2 & 3	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
20	2.32%		3.48%		0.70%		1.05%		3.02%		4.53%	
21	2.32%		3.48%		0.70%		1.05%		3.02%		4.53%	
22	2.32%		3.48%		0.70%		1.05%		3.02%		4.53%	
23	2.32%		3.48%		0.70%		1.05%		3.02%		4.53%	
24	2.33%		3.49%		0.70%		1.05%		3.03%		4.54%	
25	2.33%		3.50%		0.71%		1.06%		3.04%		4.56%	
26	2.35%		3.52%		0.71%		1.06%		3.06%		4.58%	
27	2.35%		3.53%		0.71%		1.06%		3.06%		4.59%	
28	2.37%		3.55%		0.71%		1.07%		3.08%		4.62%	
29	2.38%		3.57%		0.72%		1.08%		3.10%		4.65%	
30	2.39%		3.59%		0.72%		1.08%		3.11%		4.67%	
31	2.41%		3.61%		0.73%		1.09%		3.14%		4.70%	
32	2.43%		3.64%		0.73%		1.10%		3.16%		4.74%	
33	2.45%		3.67%		0.73%		1.10%		3.18%		4.77%	
34	2.46%		3.69%		0.74%		1.11%		3.20%		4.80%	
35	2.48%		3.72%		0.75%		1.12%		3.23%		4.84%	
36	2.50%	2.38%	3.75%	3.57%	0.75%	0.78%	1.13%	1.16%	3.25%	3.16%	4.88%	4.73%
37	2.52%		3.78%		0.76%		1.14%		3.28%		4.92%	
38	2.55%		3.82%		0.77%		1.15%		3.32%		4.97%	
39	2.57%		3.85%		0.77%		1.16%		3.34%		5.01%	
40	2.59%		3.89%		0.78%		1.17%		3.37%		5.06%	
41	2.61%		3.92%		0.79%		1.18%		3.40%		5.10%	
42	2.64%		3.96%		0.79%		1.19%		3.43%		5.15%	
43	2.67%		4.00%		0.81%		1.21%		3.48%		5.21%	
44	2.69%		4.04%		0.81%		1.22%		3.50%		5.26%	
45	2.72%		4.08%		0.82%		1.23%		3.54%		5.31%	
46	2.75%		4.12%		0.83%		1.24%		3.58%		5.36%	
47	2.78%		4.17%		0.84%		1.26%		3.62%		5.43%	
48	2.81%		4.21%		0.85%		1.27%		3.66%		5.48%	
49	2.84%		4.26%		0.85%		1.28%		3.69%		5.54%	
50	2.87%		4.30%		0.87%		1.30%		3.74%		5.60%	
51	2.90%		4.35%		0.87%		1.31%		3.77%		5.66%	
52	2.93%		4.40%		0.89%		1.33%		3.82%		5.73%	
53	2.97%		4.45%		0.89%		1.34%		3.86%		5.79%	

**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, 2006 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 & 3	Tier 1	Tier 2 & 3	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
54	3.00%		4.51%		0.91%		1.36%		3.91%		5.87%	
55	3.00%		4.51%		0.91%		1.36%		3.91%		5.87%	
56	3.00%		4.51%		0.91%		1.36%		3.91%		5.87%	
57	3.00%		4.51%		0.91%		1.36%		3.91%		5.87%	
58	3.00%		4.51%		0.91%		1.36%		3.91%		5.87%	
59 & Over	3.00%		4.51%		0.91%		1.36%		3.91%		5.87%	

*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: 7.75% per annum

COLA: Tier 1: 3.40%  
 Tier 2: 0.00%  
 Tier 3: 2.00%

Mortality: 1994 Group Annuity Mortality Table weighted 40% male and 60% female.

Salary increase: Inflation (3.50%) + Across-the-Board Increase (0.25%) + Merit (See Exhibit IV).

COLA Loading Factor\*: Tier 1: 30.14%  
 Tier 3: 32.64%

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

Non-Refundability factor:

Tier 1: 99.95%  
 Tier 2: 99.37%  
 Tier 3: 97.44%

**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, 2006 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 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
20	5.97%		8.96%		1.72%		2.58%		7.69%		11.54%	
21	5.97%		8.96%		1.72%		2.58%		7.69%		11.54%	
22	5.97%		8.96%		1.72%		2.58%		7.69%		11.54%	
23	5.98%		8.97%		1.72%		2.58%		7.70%		11.55%	
24	5.99%		8.99%		1.73%		2.59%		7.72%		11.58%	
25	6.01%		9.01%		1.73%		2.59%		7.74%		11.60%	
26	6.03%		9.04%		1.73%		2.60%		7.76%		11.64%	
27	6.05%		9.07%		1.74%		2.61%		7.79%		11.68%	
28	6.07%		9.11%		1.75%		2.62%		7.82%		11.73%	
29	6.11%	5.81%	9.16%	8.71%	1.76%	1.32%	2.64%	1.98%	7.87%	7.13%	11.80%	10.69%
30	6.15%		9.22%		1.77%		2.65%		7.92%		11.87%	
31	6.19%		9.28%		1.78%		2.67%		7.97%		11.95%	
32	6.23%		9.35%		1.79%		2.69%		8.02%		12.04%	
33	6.28%		9.42%		1.81%		2.71%		8.09%		12.13%	
34	6.33%		9.50%		1.83%		2.74%		8.16%		12.24%	
35	6.39%		9.59%		1.84%		2.76%		8.23%		12.35%	
36	6.45%		9.68%		1.86%		2.79%		8.31%		12.47%	
37	6.52%		9.78%		1.87%		2.81%		8.39%		12.59%	
38	6.59%		9.88%		1.89%		2.84%		8.48%		12.72%	
39	6.66%		9.99%		1.91%		2.87%		8.57%		12.86%	
40	6.73%		10.09%		1.93%		2.90%		8.66%		12.99%	
41	6.80%		10.20%		1.96%		2.94%		8.76%		13.14%	
42	6.88%		10.32%		1.98%		2.97%		8.86%		13.29%	
43	6.95%		10.43%		2.00%		3.00%		8.95%		13.43%	
44	7.04%		10.56%		2.03%		3.04%		9.07%		13.60%	
45	7.12%		10.68%		2.05%		3.07%		9.17%		13.75%	
46	7.21%		10.81%		2.07%		3.11%		9.28%		13.92%	
47	7.30%		10.95%		2.10%		3.15%		9.40%		14.10%	
48	7.39%		11.08%		2.13%		3.19%		9.52%		14.27%	
49 & Over	7.47%		11.21%		2.15%		3.23%		9.62%		14.44%	

*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

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Interest:	7.75% per annum
COLA:	Tier 1: 3.40%
	Tier 2: 2.00%
Mortality:	1994 Group Annuity Mortality Table weighted 75% male and 25% female.
Salary increase:	Inflation (3.50%) + Across-the-Board Increase (0.25%) + Merit (See Exhibit IV).
COLA Loading Factor*:	Tier 1: 28.78%
	Tier 2: 22.77%

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

Non-Refundability factor:

Tier 1:	99.11%
Tier 2:	97.48%

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