STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
832 12th Street, Suite 600
Modesto, CA 95354
MAIL: P.O. Box 3150 Modesto 95353-3150

Phone (209) 525-6393
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www.stancera.org
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AGENDA

Different Time

BOARD OF RETIREMENT
832 12th Street, Suite 600 – **Wesley W. Hall Board Room**
Modesto, CA 95354

February 13, 2013
1:00 p.m.

The Board of Retirement welcomes you to its meetings, which are regularly held on the second Wednesday and the fourth Tuesday of each month. Your interest is encouraged and appreciated.

CONSENT ITEMS: These matters include routine administrative actions and are identified under the Consent Items heading.

PUBLIC COMMENT: Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the "Public Comment," period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

BOARD AGENDAS & MINUTES: Board agendas, Minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: www.stancera.org.

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

AUDIO: All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at http://www.stancera.org/sections/aboutus/agendas.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

REASONABLE ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Meeting Called to Order

2. Roll Call

3. Announcements

4. Public Comment

5. Consent Items

   a. Approval of the January 22, 2013 Administrative Meeting Minutes **View**

   b. Approval of the Cost of Living Adjustment (COLA) Effective April 1, 2013, for Payment on May 1, 2013, per Government Code Section 31870.1 **View**

5. Consent Items (Cont.)

   c. 2013 Board of Retirement Standing Committee Assignments Update **View**

   d. Extension of Actuarial Service Contract for One Year with Cheiron EFI, a Division of Cheiron, Inc (formerly known as EFI Actuaries) **View**

   e. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

      1. Connie Burk, CSA. Effective 02-02-13
      2. Laura Chaberlin, Courts, Effective 02-02-13
      3. Keith Mahan, AG Commissioner, Effective 02-01-13
      4. Candace Murphy, HSA, Effective 01-07-13
      5. James Schoeffling, STANCOG, Effective 02-08-13
      6. Mary Silva, BHRS, Effective 02-13-13
      7. Michael Sonke, DER, Effective 01-31-13
      8. Alice Sorensen, BHRS, Effective 01-25-13
      9. Judith Towns, BHRS, Effective 02-02-13
      10. Chaya Xiong, CSA, Effective 02-16-13

   f. Approval of Deferred Retirement(s) – **Section 31700**

      1. Roseanne Escobia, Courts, Effective 1-5-13
      2. January Siphfan, Probation, Effective 1-8-13

6. Strategic Investment Solutions (SIS), Inc.

   a. Discussion and Action regarding Direct Lending Side Letters **View**

   b. Discussion on Direct Lending Due Diligence Process and Questionnaire

   c. Direct Lending Investment Memo and Lowest Manager Fee Structure Proposal

   d. Discussion on and Potential Action Direct Lending Fund Candidate Interviews

      i. Raven Capital Management

      ii. Medley LLC

      iii. White Oak Global Advisors

7. Executive Director

   a. New Legislation Update

8. Correspondence

   a. Public Records Act Request – four Email Requests   View

9. Discussion and Action on EFI Actuaries Presentation of the June 30, 2012 Actuarial Valuation   View

10. Closed Session

    a. Conference with Legal Counsel – Pending Litigation – One Case:
    O'Neal et al v. Stanislaus County Employees' Retirement Association
    Stanislaus County Superior Court Case No. 648469
    Government Code Section 54956.9(d)(1)

11. Members' Forum (Information and Future Agenda Requests Only)

12. Adjournment

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PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES **January 22, 2013**

Members Present: Gordon Ford, Maria De Anda, Donna Riley, Mike Lynch , Jim DeMartini, Darin Gharat, Michael O'Neal and Jeff Grover

Members Absent: Ron Martin

Alternate Member Present: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Luiana Irizarry, Interim Executive Assistant
Dawn Lea, Benefits Manager
Kathy Herman, Operations Manager
Kathy Johnson, Accountant

Others Present: Fred Silva, General Legal Counsel
Paul Harte, Strategic Investment Solutions (SIS), Inc.
Graham Schmidt, EFI Actuaries
Doris Foster, County Chief Executive Office

1. Meeting called to order at 1:02 p.m. by Darin Gharat, Chair.

2. **Roll Call**

3. **Rotation of Officers**

   Ms. Irizarry read the following:
   Pursuant to Bylaws Section 1.5, and the rotation by succession of the seat number assigned to Board members, Darin Gharat is Chair of the 2013 Board of Retirement, and Gordon Ford, 2013 Vice-Chair.

4. **Announcements**

   Ms. Irizarry announced that the updated Board terms are now on StanCERA's Web Site.

   Ms. Irizarry announced that Board members had been sent the Fair Political Practices Commission's (FPPC) 2012-2013 Form 700 – Statement of Economic Interests. The completed form is due back to staff by February 26, 2013.

5. **Public Comment**

   None.

Mr. Lynch arrived at 1:04 p.m.

6. **Consent Items**

Motion was made by Maria De Anda and seconded by Michael O'Neal to approve the Item 6h as revised and all other items as written.

Motion carried.

a. Approval of the December 12, 2012, Administrative/Investment Meeting Minutes

b. Approval of the 2013 StanCERA's Anticipated Master Calendar

c. Receipt of the 2013 Board of Retirement Standing Committee Assignments

d. Approval of the Continuing Education Calendar Record for 2012

e. Receipt of the 2012 4th Quarter Update of the Executive Director's Goals and Strategic Action Plan

f. StanCERA Complaint Log of October 1, 2012 through January 15, 2013

g. Receipt of Strategic Investment Solutions Inc.'s Monthly Performance Review for the Month Ending November 30, 2012

h. Approved with the following revision: Peggy Taylor's retirement from CSA, Effective 01-26-13 is being added to the below list, as it was missed during agenda compilation.

Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Karlyn Bernal, CSA, Effective 01-25-13
2. Larry Burger, Library Effective 01-11-13
3. Bonny Cambron, Courts, Effective 01-01-13
4. Josefina Chan-Bravo, HSA, Effective 01-26-13
5. Dolores Cisneros, HSA, Effective 01-31-13
6. Steven Ferreira, Sheriff, Effective 12-29-12
7. Gloria Garcia, HSA, Effective 12-29-12
8. Lorraine Herod, CSA, Effective 01-03-13
9. Nadya Ingle, HSA, Effective 01-26-13
10. Zane Johnston, Clerk Recorder, Effective 01-31-13
11. Elizabeth Kelso, Sheriff, Effective 01-31-13
12. Roxana Killian, Area Agency on Aging, Effective 01-07-13
13. Daphine Lamb-Perrilliat, BHRS, Effective 01-12-13
14. Christine Lyon, DCSS, Effective 01-04-13
15. Ray McDaniel, Sheriff, Effective 12-29-12
16. Heidi McNally-Dial, City of Ceres, Effective 01-05-13
17. Diane Miller, DCSS, Effective 01-04-13
18. Victor Morrison, Public Works, Effective 01-04-13
19. Peggy Taylor, CSA, Effective 01-26-13
20. Sherry Schlegel, CSA, Effective 01-12-13

6. **Consent Items (Cont.)**

20. Catherine Venicombe, DCSS, Effective 12-21-12

i. Approval of Deferred Retirement(s) – **Section 31700**

1. Kristina Alfaro, CEO, Effective 03-03-12
2. Veronica Briggs, City of Ceres, Effective 12-30-11
3. Forrest Bryant, Treasurer-Tax Collector, Effective 12-18-12
4. Eileen Emory, CSA, Effective 12-04-12.
5. Angela Ferreira, HSA, Effective 08-08-12
6. Carrie Higby, Courts, Effective 3-24-12
7. Luis Loera, Probation, Effective 08-10-12
8. Carolyn Matzger, DA, Effective 11-29-12
9. Dee Oaks, City of Ceres, Effective 08-03-12
10. Denise Olsen, HSA, Effective 10-13-12
11. Heather Stewart, DA, Effective 12-04-12
12. Zachary Stovall, Courts, Effective 12-08-12

j. Approval of Death Benefit – **Section 31781, 31781.1, or 31781.3**

1. Maria Teresa Countz, Deceased, December 30, 2012, Active Member, Option Pursuant to Government Code Sections 31781, 31781.1, or 31781.3

Jim DeMartini arrived at 1:18 p.m.

7. **Strategic Investment Solutions (SIS), Inc.**

a. Monthly Performance Review for the Month Ending December 31, 2012

Investment Consultant: Paul Harte, Senior Vice President
Nate Pratt, Investment Analyst

Total Fund Value:	$1.47 billion
Monthly Performance:	1.46%
Fiscal Year-to-Date:	7.57%
Policy Index:	6.13%
Fiscal Year-to-Date Alpha:	1.44%

b. Report on “Top 10 Holdings” by StanCERA Investment Managers as of December 31, 2012

c. 2013 Manager Structure Timeline to Implement New Asset Allocation

Gordon Ford arrived at 1:54 p.m.

d. Direct Lending Funds List for Review

The Board requested SIS, Inc. to provide the Due Diligence process and lowest fee structure for each of the three Direct Lending Funds prior to interviews.

8. **Discussion and Action on EFI Actuaries Presentation of the 2009-2012 Actuarial Experience Study**

Board agreed to incorporate all recommended assumptions from the experience study. Board decided to not incorporate the individual entry age normal and funding to final decrement methodologies at this time.

9. **Executive Director**

a. Discussion and Action - California Public Employees' Pension Reform Act: Inclusion of Employer Contributions to Deferred Compensation Plans or Defined Contribution Plans in the Calculation of Pensionable Compensation for New Members Hired on or After January 1, 2013

Motion was made by Mike Lynch and seconded by Gordon Ford to rescind motion regarding this topic that took place at the November 27, 2012 Board meeting.

Motion carried unanimously.

b. New Legislation Update

c. Active Vs Passive Investments Educational Study Session

Staff was requested to present quarterly fee data in the future for each manager, as well as present value added for the previous quarter. Additionally, staff will present 4-year updated value added information for the period of December 31, 2008 through December 31, 2012 as a consent item in February or March.

10. **Closed Session**

Motion was made by Maria De Anda and seconded by Mike Lynch to move into Closed Session at 3:33 p.m.

Motion carried.

Motion was made by Jeff Grover and seconded by Michael O'Neal to return to Open Session at 3:52 p.m.

Motion carried.

a. Public Employment:
Discussion and Action on the Executive Director's 2013 Goals
Government Code Section 54954.5

Motion was made by Gordon Ford and seconded by Mike Lynch to accept the Executive Director's goals for 2013.

Motion carried.

10. **Closed Session (Cont.)**

b. Conference with Legal Counsel – Pending Litigation – One Case:
StanCERA v. Buck Consultants, LLC
Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9(a)

No Report.

11. **Members' Forum (Information and Future Agenda Requests Only)**

Mr. Santos asked the Board if a future agenda item is needed to change StanCERA's definition of "pensionable compensation" in light of CalPERS' decision to allow some items in pensionable compensation for new (PEPRA) members. The Board felt that CalPERS' decision did not preclude their decision to allow base pay only and to continue to wait until further legislative clarity.

12. **Adjournment**

Meeting adjourned at 4:08 p.m.

Respectfully submitted,

Rick Santos, Executive Director

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL

By: ______________________
Fred A. Silva, General Legal Counsel

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EFI Actuaries ESTABLISHED 1990
addressing public pension issues of today
...AND TOMORROW

WESTERN REGION
466 Green Street, Suite 301B
San Francisco, CA 94133
(415) 829-7122 Phone
gschmidt@efi-actuaries.com

GRAHAM A. SCHMIDT | *Senior Vice President*

2-13-13
Item #5b

January 21, 2013

Mr. Rick Santos
Executive Director
Stanislaus County Employees' Retirement Association
832 12th Street, Suite 600

Modesto, CA 95354

Re: Cost of Living Adjustment (COLA) as of April 1, 2013

Dear Rick:

Pursuant to the scope of retainer services under EFI's agreement to provide actuarial services to the Stanislaus County Employees' Retirement Association (StanCERA), we have computed the Cost of-Living Adjustment (COLA) percentages to be used as of April 1, 2013. The calculations outlined herein have been performed in accordance with 31870.1 of the County Employees Retirement Law of 1937.

Background

The cost-of-living-adjustment (COLA) is determined annually based on increases in the December Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose area, using a base period of 1982-1984. The ratio is calculated, and rounded to the nearest one-half percent.

COLA Calculations

The CPIs described above were 239.533 and 234.327 for December, 2012 and December, 2011 respectively. This represents an increase of 2.222%, which is rounded to 2.00%.

Retirees – other than members of Tier 3 - are subject to the provisions of Section 31870.1, which limits annual COLA increases to 3.0% annually. Therefore these members should receive an increase in benefits of 2.0%, based on the current year change in the CPI. However, based on the accumulated carry-over balances as of April 1, 2012, some retirees from these Tiers will receive an increase of up to 3.0%, depending on their accumulated carry-over balances. The remaining carry-over balances will then be reduced by up to 1.0%. The enclosed exhibit summarizes the COLA calculations and carry-over balances for these Tiers. Tier 3 members do not receive an automatic COLA from the Association.

Please contact us if you have any questions regarding these calculations.

Sincerely,

Bob

Robert T. McCrory, FSA
Executive Vice President

Graham

Graham A. Schmidt, ASA
Senior Vice President

COST OF LIVING ADJUSTMENTS (COLA) - Section 31870.1
As of April 1, 2013

Maximum Annual COLA: 3.0%

Initial Retirement Date			April 1, 2012 Accumulated Carry-Over (A)	Increase in the Annual Average CPI [1] Actual (B)	Increase in the Annual Average CPI [1] Rounded (C)	April 1, 2013 COLA (D)	April 1, 2013 Accumulated Carry-Over (E)
On or Before 4/1/1970			68.5%	2.22%	2.0%	**3.0%**	67.5%
04/02/1970	to	04/01/1971	66.0%	2.22%	2.0%	**3.0%**	65.0%
04/02/1971	to	04/01/1972	64.0%	2.22%	2.0%	**3.0%**	63.0%
04/02/1972	to	04/01/1973	63.0%	2.22%	2.0%	**3.0%**	62.0%
04/02/1973	to	04/01/1974	62.5%	2.22%	2.0%	**3.0%**	61.5%
04/02/1974	to	04/01/1975	59.5%	2.22%	2.0%	**3.0%**	58.5%
04/02/1975	to	04/01/1976	52.5%	2.22%	2.0%	**3.0%**	51.5%
04/02/1976	to	04/01/1977	45.5%	2.22%	2.0%	**3.0%**	44.5%
04/02/1977	to	04/01/1978	43.0%	2.22%	2.0%	**3.0%**	42.0%
04/02/1978	to	04/01/1979	38.5%	2.22%	2.0%	**3.0%**	37.5%
04/02/1979	to	04/01/1980	32.0%	2.22%	2.0%	**3.0%**	31.0%
04/02/1980	to	04/01/1981	26.5%	2.22%	2.0%	**3.0%**	25.5%
04/02/1981	to	04/01/1982	14.5%	2.22%	2.0%	**3.0%**	13.5%
04/02/1982	to	04/01/1983	4.5%	2.22%	2.0%	**3.0%**	3.5%
04/02/1983	to	04/01/1984	2.0%	2.22%	2.0%	**3.0%**	1.0%
04/02/1984	to	04/01/1985	2.0%	2.22%	2.0%	**3.0%**	1.0%
04/02/1985	to	04/01/1986	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1986	to	04/01/1987	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1987	to	04/01/1988	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1988	to	04/01/1989	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1989	to	04/01/1990	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1990	to	04/01/1991	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1991	to	04/01/1992	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1992	to	04/01/1993	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1993	to	04/01/1994	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1994	to	04/01/1995	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1995	to	04/01/1996	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1996	to	04/01/1997	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1997	to	04/01/1998	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1998	to	04/01/1999	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/1999	to	04/01/2000	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2000	to	04/01/2001	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2001	to	04/01/2002	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2002	to	04/01/2003	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2003	to	04/01/2004	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2004	to	04/01/2005	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2005	to	04/01/2006	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2006	to	04/01/2007	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2007	to	04/01/2008	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2008	to	04/01/2009	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2009	to	04/01/2010	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2010	to	04/01/2011	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2011	to	04/01/2012	0.0%	2.22%	2.0%	**2.0%**	0.0%
04/02/2012	to	04/01/2013	0.0%	2.22%	2.0%	**2.0%**	0.0%

[1] All Urban Consumers, San Francisco-Oakland-San Jose Area (1982-84 base). (G.C. 31870.1)

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For the Retirement Board meeting
Held on February 13, 2013

2-13-13
Item #5c

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Revision of the 2013 Board of Retirement Committee Assignments

II. RECOMMENDATION: Approve the change in committee assignment noted below

III. ANALYSIS: After consulting with Trustees Clendenin, O'Neal and Gharat, staff is recommending placing Trustee Clendenin on the Internal Governance Committee in place of Trustee O'Neal. Staff had originally concluded that the alternate retiree could not sit independently on committees. Additionally, Trustee O'Neal had originally been assigned to sit on two committees.

IV. RISK: None

V. STRATEGIC PLAN: None

VI. BUDGET IMPACT: None

Luiana M. Irizarry

Luiana Irizarry, Executive Board Secretary

Rick Santos, Executive Director

Standing Committees

Internal Governance Committee

Areas of Responsibility: *Audits, Bylaws Revisions, Policy Revisions, Board Member Education*

Maria De Anda, Chair
Joan Clendenin
Donna Riley
Staff: Rick Santos/Kathy Herman as needed)

Due Diligence Committee

Pursuant to Bylaw 1.7a the Board's Vice Chair is the Committee Chair on a rotating basis

Darin Gharat, Chair
Jim DeMartini
Ron Martin - through 6/30/13, BOS Appointed Successor TBA eff. 7/1/13
Jeff Grover
StanCERA Investment Consultant: Paul Harte, Strategic Investment Solutions, Inc.
Staff: Rick Santos/Kathy Herman as needed

Strategic Planning Objectives Committee

Areas of Responsibility: *May include Current Strategic Planning Objectives (Review of AAROR, Defined Benefit Plans and Alternatives; Improving Communications with BOS, CEO, Plan Sponsor Decision Makers and the Public), and Future Objectives*

Michael O'Neal, Chair, (Joan Clendenin, Alternate)
Mike Lynch
Gordon Ford
Staff: Rick Santos/Kathy Herman as needed

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For the Retirement Board meeting
Held on February 13, 2013

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2-13-13
Item #5d

TO: Retirement Board

FROM: Kathy Herman, Operations Manager

I. SUBJECT: Extension of Actuarial Service Contract with Cheiron EFI, a division of Cheiron, Inc. (formerly known as EFI Actuaries)

II. RECOMMENDATION: Extend contract for one year

ANALYSIS: Pursuant to Government Code section 31453 an actuarial valuation shall be conducted at intervals not to exceed three years. Except for one or two years a valuation has been conducted annually since 1980. Following an extensive request for proposal and screening process in 2008, EFI Actuaries entered into a contract for actuarial services. This contract expired on January 31, 2013. EFI has conducted five valuations, two experience studies and completed extensive work necessary to reopen Tier 2 on January 1, 2010 and implement Tier 6 (PEPRA) on January 1, 2013. EFI is scheduled to present the 2012 valuation on February 13, 2013 however, on January 22, 2013 the board accepted several assumption changes. These changes will require follow-up work by EFI to update internal systems prior to the start of Fiscal Year (FY) 2014.

The original contract included prices for the annual Actuarial Valuation, Triennial Experience analysis and the $8,000 retainer. Studies that commenced after July 1, 2009 were subject to reasonable increases based on the changes in the Consumer Price Index or in the Company's general rate structure. Cheiron EFI is willing to extend the contract for one year without any changes. In addition, extending the contract will allow staff to conduct a formal request for proposal in a time frame that will ensure that annual valuations and subsequent audits are completed without interruption.

Total fees paid to EFI:	FY 2008-2009	$63,692.50
	FY 2009-2010	$78,075.00
	FY 2010-2011	$89,881.80
	FY 2011-2012	$54,153.83
	FY 2012-2013	$67,010.78

III. RISK: Not extending this contract could cause a delay in the next valuation.

IV. STRATEGIC PLAN: Goal 1, Strategy B, Continually refine the expected rate of return and other actuarial assumptions to ensure that they are realistic and achievable.

V. BUDGET IMPACT: No additional

Kathy Herman

Kathy Herman, Operations Manager

Rick Santos, Executive Director

KKR Mezzanine Partners I L.P.

September __, 2010

Stanislaus County Employees' Retirement Association
832 12th Street, Suite 600
Modesto, CA 95353-3150
Attn: Tom Watson, Administrator

Re: KKR Mezzanine Partners I L.P.

Ladies and Gentlemen:

This letter agreement (***"Side Letter"***) is written in connection with the investment by the Stanislaus County Employees' Retirement Association (the ***"Investor"***) in **KKR Mezzanine Partners I L.P.**, a Delaware limited partnership (the ***"Fund"***), pursuant to the Amended and Restated Agreement of Limited Partnership of the Fund, dated as of March 31, 2010, as amended from time to time (the ***"Partnership Agreement"***), and the Subscription Agreement (the ***"Subscription Agreement"***) between the Investor and the Fund. Capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Partnership Agreement.

1. Most Favored Nations. Neither the Fund, the General Partner nor the Advisor (collectively, the ***"Fund Parties"***) has entered into any side letter or similar agreement with any investor in the Fund in connection with the admission of such investor to the Fund or otherwise, on or prior to the date hereof, except as disclosed to Investor in writing on or prior to the date hereof. Investor will be given copies of any side letter entered into after the date hereof. If any one or more of the Fund Parties enter into a side letter with an existing or future investor in the Fund that has the effect of establishing rights (the ***"Additional Rights"***) or otherwise benefiting such investor in a manner more favorable in any respect to such investor than the rights and benefits established in favor of Investor by the Partnership Agreement, the Subscription Agreement, this Side Letter or any other document, instrument or agreement related to Investor's interest in the Fund (collectively the ***"Operative Documents"***), Investor shall promptly be given a copy of such side letter and shall automatically receive all of such Additional Rights in addition to the rights and benefits granted to Investor herein unless Investor elects otherwise by written notice to the Fund delivered within thirty (30) days of receipt by Investor of copies of such side letter.

2. Investment Restrictions. Investor shall receive advance written notice from the General Partner of any decision by the General Partner to approve any expansion or any deviation of the scope of the Fund's investments and investment strategy set forth in the Fund's Confidential Private Placement Memorandum (the ***"Memorandum"***), or (b) to invest in a publicly traded security of a company in which the General Partner intends to obtain significant influence on the management, operations, or strategic direction. The Fund will invest no more than ____% in Investments outside North America, Europe, Asia, and

Australia and will report to Investor any and all expenses incurred in any such Investments.

3. Fees. (a) The Operative Documents set forth all fees and compensation which the General Partner, the Advisor and their Affiliates are entitled to receive in connection with their services to the Fund, and the basis for reimbursement of all expenses incurred by the General Partner, the Advisor and any of their Affiliates. In addition, the Operative Documents disclose the terms on which the General Partner or Advisor may perform, or may retain any Affiliate to perform, additional services for the Fund. Any third party contracted by the Fund or the Fund Parties for the purpose of providing services to or for the benefit of the Fund shall be selected with reasonable care.

   (b) The General Partner shall provide Investor prompt written notice of any agreement by the General Partner or the Advisor or any of its Affiliates to (i) waive any fees, or (ii) charge different fees in connection with the management of Fund assets, as well as the effect such waiver or modification has on the amount of the Management Fee payable by Investor. The Investor shall receive prompt written notice of any duplicate fees or expenses paid by the Fund to the General Partner, Advisor, and/or their Affiliates, as a result of the General Partner's and Manager's relationship with their Affiliates.

   (c) The General Partner shall provide Investor with prompt written notice and an accounting of (i) any transaction expense or fees incurred in connection with any investment made pursuant to the last sentence of paragraph 2, above, (ii) any transaction expenses or Other Fees that are not offset against the Management Fee, or (iii) any decision by the Advisory Committee to reduce any offset of any transaction expense or Other Fee that would otherwise apply to the Management Fee.

4. Soft Dollars. The Fund Parties hereby confirm that the General Partner and Investment Manager shall allocate all "soft dollar" payments between funds and other accounts under management by the General Partner and/or the Advisor based on actual benefits received, as reasonably determined by the Advisor. One hundred percent (100%) of all "soft-dollar" payments by the Fund and the dollar value of all benefits received by the General Partner and/or the Advisor as a result of such "soft-dollar" payments shall offset any Management Fees that are or become payable to the General Partner.

5. Distributions. All distributions to Investor shall be paid solely in cash. The General Partner confirms that the Fund will not distribute Marketable Securities or any other assets in-kind to Investor, and instead Investor shall receive such distribution of Marketable Securities or other assets, as the case may be, in the form of the proceeds from the disposition of such Marketable Securities or other assets, which the Fund will arrange to sell on behalf of and for the account of the Investor, at the Fund's cost and expense.

6. Clawback. Notwithstanding Section 9.5.2 of the Partnership Agreement, (i) any tax amount that reduces the Excess Carry Amount re-contributed to the Partnership shall be based on actual taxes paid, and (ii) the General Partner will re-contribute to the Partnership the Excess Carry Amount every two years in

addition to the date that the Partnership will terminate. In addition, the General Partner hereby agrees to make the [partners/principals] of KKR Management Holdings L.P., jointly and severally liable for any clawback amount that may become due and owing to Investor pursuant to Section 9.5.2 of the Partnership Agreement.

7. Temporary Investments. Any Capital Contributions by the Investor that are not promptly invested in accordance with the scope of the Partnership's investments and investment strategy set forth in the Memorandum will be invested in Temporary Investments, and income therefrom will be allocated in full to the Investor.

8. Conflict of Interest; Allocation of Opportunities. Any and all decisions that the General Partner is authorized to make under the Partnership Agreement in its discretion or according to similar standards shall be made in all instances taking into full account the General Partner's fiduciary duties to the Partners under the Partnership Agreement and applicable law. The General Partner shall exercise its best efforts to avoid all conflicts of interest and the appearance thereof in the performance of services for the Fund and Investor. Investor shall receive quarterly reports detailing the manner in which investment opportunities arising in the period covered thereby were allocated between the Fund and any other funds managed by the Fund Parties and/or their Affiliates, and all of their other clients. The Advisory Committee shall approve any non pro-rata allocation of any investment opportunity among the Fund and Successor Funds. All Investments by the Partnership and any Parallel Fund(s) shall be made at the same time and on the same terms, and pro rata based on the respective undrawn Capital Commitments of the Partners in the Fund and the partners or other beneficial owners of such Parallel Fund(s). The General Partner shall give Investor notice of and the terms of the investment of any Alternative Vehicle, Employee Vehicle, any vehicles relating to the KKR Side-by-Side Commitment or other co-investment arrangements and any newly created investment vehicles or arrangements relating only to an investment in a specific Portfolio Company which is not considered a Parallel Fund.

9. Co-Investment. Investor hereby elects to be a Priority Co-Investor pursuant to the terms of Section 6.3.2(m) of the Partnership Agreement.

10. Successor Funds. The Fund shall provide Investor with advance written notice of any material structuring or fund-raising efforts for any Successor Fund before the expiration of the Investment Period that the General Partner determines does not have a similar primary investment and geographic focus as that of the Fund, pursuant to Section 6.3.1 of the Partnership Agreement.

11. Default. Notwithstanding Section 3.5.1 of the Partnership Agreement, if the Investor fails to fund all or any portion of a Capital Call Notice on the specified date, the General Partner may impose penalties on the Investor only after providing the Investor with written notice thereof and an opportunity to cure such failure within fifteen (15) calendar days thereof.

12. Valuations. The General Partner shall provide Investor with immediate written notice of any changes to the Fund's valuation policy, a copy of which has been provided to the Investor.

13. Advisory Committee; Independent Client Representative. Investor shall be entitled to appoint a representative of its choosing to the Advisory Committee and Investor and its representative will be afforded all of the rights and benefits as an Indemnitee pursuant to the terms of the Partnership Agreement. The General Partner shall provide Investor with the names of the Limited Partners who are on the Advisory Committee. The General Partner shall provide Investor with advance written notice of Advisory Committee meeting and minutes of the meetings of the Advisory Committee, as well as copies of all other written documentation provided to the Advisory Committee. The General Partner shall provide written notice to Investor of any instance in which the Partnership seeks the prior approval of the Advisory Committee to engage in a transaction or make an investment, as provided in the Partnership Agreement. The General Partner shall provide Investor with the name of the Independent Client Representative and the qualifications of such representative. The General Partner shall provide Investor with advance written notice of any written documentation provided to the Independent Client Representative and written notice to Investor of any instance in which the Partnership seeks the prior approval of the Independent Client Representative to engage in a transaction or make an investment, as provided in the Partnership Agreement.

14. Follow-On Investments. The General Partner shall provide Investor with notice of all Follow-On Investments made by the Fund pursuant to Section 6.1.4(b) of the Partnership Agreement.

15. Additional Limited Partner. Notwithstanding Section 3.7.1(h) of the Partnership Agreement, the General Partner hereby confirms that the Investor will be entitled to its Sharing Percentage in each existing Portfolio Investment of the Fund as of the date hereof.

16. Extension of Term. In the event that the term of the Fund is extended beyond the tenth anniversary of the later of the Effective Date or the Final Closing Date, Investor shall have the right to require the Fund to redeem all or any portion of its interest in the Fund as promptly as reasonably practicable, or to sell or transfer all or any portion of its interest in the Fund to a purchaser that meets with the approval of the General Partner, not to be unreasonably withheld. In connection with any such sale or transfer, the General Partner shall reasonably cooperate with Investor.

17. Key Persons. The General Partner and the Advisor hereby represent that the Key Persons beneficially own at least _____ percent (__%) of the voting and economic power of the carried interest of the General Partner. The General Partner agrees that if any initially identified Key Person dies, withdraws or ceases to be a full time employee and active in the General Partner or the Advisor for 90 business days out of any period of 180 business days, the General Partner shall notify Investor within three (3) business days from the date of such event, regardless of whether such Key Person is replaced with an approved replacement.

18. Amendments. The Fund shall provide advance written notice to Investor of any and all proposed amendments to the Operative Documents, as well as true and correct copies of all amendments to the Operative Documents that are adopted by the Fund as soon as reasonably practicable after the adoption of such amendments. In addition to the foregoing, any amendment to the Operative Documents that will adversely affect the rights or obligations of Investor, whether or not such amendment is material, shall require the prior written consent of Investor. The Fund shall provide advance written notice to Investor of any and all proposed amendments to any agreements between the Fund and any third party that are material.

19. Limited Liability. Investor shall not be liable to any third party for any liability or other obligation of the Fund Parties or any of their affiliates. Investor shall have no liability to the Fund or the General Partner for any amount other than Investor's Commitment, as indicated in Investor's Subscription Agreement.

20. Sovereign Immunity. The Fund and General Partner acknowledge that the Investor reserves all immunities, defenses, rights or actions arising out of its sovereign status, including those under the Eleventh Amendment to the United States Constitution, to which it may be entitled. No provision of the Partnership Agreement or the Subscription Agreement, or any actions or omissions to act on behalf of Investor or any representative or agent of Investor, whether taken pursuant to the Subscription Agreement or this Side Letter, or prior to the entry by Investor into the Fund, shall be construed as a waiver or limitation of such immunities, defenses, rights or actions. The foregoing sentences in no way limit the obligations of the Investor to make its capital contributions to the Fund as required to be made under the Subscription Agreement. The Fund agrees that all issues of law that relate to the sovereign status of the Investor in this Side Letter shall be governed by, construed and enforced in accordance with the laws of the State of California.

21. Indemnification. The Fund agrees to provide prompt written notice to the Investor of the commencement of any litigation or other proceeding against the Fund Parties or their Affiliates, and any advance of attorneys' fees, costs or expenses to an Indemnitee. Any such advance shall be pre-approved by the Advisory Committee.

22. Insurance Requirements. The General Partner (a) represents and warrants that as set forth in the insurance certificate, the Partnership is bonded or insured in the amount of $XXX,000,000, and (b) covenants and agrees to maintain such insurance at all times during the term of the Partnership. The General Partner agrees to provide Investor with (i) annual confirmation of the Partnership's coverage, and (ii) advance notification of any changes to its coverage.

23. Public Inspections/Reporting Requirements.

A. The Fund Parties hereby acknowledge that the Investor is a "public agency" subject to the provisions of the State of California Public Records Act (Cal. Govt. Code Sections 6250 et. seq.) (the "Public Records Act"), which provides generally that all records relating to a public agency's business, including but not limited to its investment in the Fund, constitute "public records or files," and are open to public inspection, disclosure and copying in the manner provided in the Public Record Act, unless specifically exempted under the Public Records Act.

B. The Fund Parties hereby acknowledge that the Investor is subject to the Ralph M. Brown Act (Cal. Govt. Code Sections 54950 et seq.) (the "Open Meetings Act"), which provides generally for open meetings for local legislative bodies.

C. In addition to the Public Records Act and Open Meeting Act, the Fund Parties hereby acknowledge that the Investor may also be subject to other various local and county ordinances and policies, which may also require public disclosure of certain information.

D. The Fund Parties further acknowledge and agree that the Investor intends to disclose periodically the name of the Fund, the date the investment was made by the Investor in the Fund, the capital commitment of the Investor to the Fund, the amount of the Investor's cash drawn by the Fund, the amount of cash distributed to the Investor by the Fund, the market value of the Investor's investment in the Fund, and the net internal rate of return of the Fund. The Fund Parties consent in advance to such disclosures with respect to the Fund and any such disclosure shall not constitute a breach of the Partnership Agreement, the Subscription Agreement or any Operative Document. The Fund Parties hereby represent and warrant that they shall not make any claim against the Investor if the Investor makes available to the public any of the foregoing as well as any report, notice or other information the Investor receives from the Fund Parties or their affiliates.

E. Notwithstanding Section 10.11.1 of the Partnership Agreement, the Fund shall furnish to the Investor, to the extent reasonably available, such additional information as the Investor may reasonably request in writing from time to time upon reasonable written notice as is necessary to (i) comply with the Investor's reporting requirements under all applicable laws, statutes, rules, regulations, ordinances, and policies, (ii) complete the Investor's tax or information returns, if applicable, and (iii) comply with any disclosure requirements of any governmental body, regulatory agency, official or authority having jurisdiction over the Investor.

24. Disclosure of Identity. Neither the Fund nor the Fund Parties shall publicly disclose the identity of Investor as an investor of the Fund, without Investor's prior written consent. For the avoidance of doubt, the Fund and the General Partner shall be permitted to disclose, and Investor consents to the disclosure of, Investor's name and Investor's investment in the Fund (a) as required by law, legal process, regulation (including filings for federal, foreign and state securities and other laws in connection with the offering of interests in and the making of investments by the Fund) or the rules of any self regulatory organization, as the Fund or the General Partner may reasonably deem advisable to establish compliance with any rules or regulations or the availability of an exemption therefrom or if such information is otherwise requested by a governmental agency, (b) to the legal counsel and independent accountants of the Fund and/or

the General Partner, and (c) to other investors in the Fund as reasonably requested by other investors in the Fund.

25. Tax Withholding. The Fund and the General Partner acknowledge that Investor, as a tax-exempt entity under U.S. federal, state and local laws, has never been subject to, and is unlikely to be subject to, any tax withholding requirements of U.S. federal, state or local laws. Before withholding and paying over to any tax authority any amount purportedly representing a tax liability of Investor the Fund and/or the General Partner will provide Investor written notice of the claim of any U.S. or non-U.S. tax authority that such withholding and payment is required by law and provide Investor the opportunity to contest such claim during any period, provided such contest does not subject the Fund to any potential liability to such taxing authority of any such claimed withholding and payment. If any such withholding is made by the Fund or the General Partner (or if any withholding of state or local taxes is made by the Fund or the General Partner), the Fund and/or the General Partner agree to reasonably cooperate with Investor if Investor applies to obtain refunds of any amounts withheld with respect to Investor, to the extent that Investor has adequate legal standing to seek and obtain such refunds.

26. The General Partner's Records. The General Partner hereby confirms that it shall maintain any and all ledgers, books of account, invoices, vouchers and canceled checks, as well as all other records or documents evidencing or relating to charges for services, expenditures or disbursements charged to Investor for a minimum period of three (3) years, or for any longer period required by law, from the date of final payment to the Fund pursuant to the Partnership Agreement and Subscription Agreement. The General Partner shall also maintain all documents and records which demonstrate performance under this Side Letter for a minimum period of three (3) years, or for any longer period required by law, from the date of termination or completion of this Side Letter. All such records or documents required to be maintained pursuant to this Side Letter shall be made available for reasonable inspection or audit, at any time during the General Partner's regular business hours, upon written request by the Investor or its agents (including independent public accountants designated by the Investor). Copies of such documents shall be provided to the Investor for inspection at the office of the Investor upon Investor's request.

27. Opinion of Counsel. The Fund and General Partner hereby confirm that for purposes of any provision of the Operative Documents requiring the delivery of an opinion of counsel for the Investor, the opinion of a legal officer of the Investor or its outside legal counsel will constitute an opinion of counsel acceptable to the Fund and the General Partner.

28. Governing Law. This Side Letter shall be governed by the laws of the State of California, without regard to the provisions, policies or principals thereof relating to choice or conflict of laws. THE FUND AND GENERAL PARTNER ACKNOWLEDGE AND AGREE THAT THE INVESTOR HAS NOT WAIVED AND WILL NOT WAIVE ITS RIGHT TO A TRIAL BY JURY. ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR RELATING TO THE OPERATIVE DOCUMENTS OR TRANSACTIONS CONTEMPLATED THEREBY MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE

UNITED STATES OF AMERICA FOR THE EASTERN DISTRICT OF CALIFORNIA AND THE PARTIES HERETO EXPRESSLY SUBMITS TO THE PERSONAL JURISDICTION AND VENUE OF SUCH COURTS FOR THE PURPOSES THEREOF AND EXPRESSLY WAIVES ANY CLAIM OF IMPROPER VENUE AND ANY CLAIM THAT SUCH COURTS ARE AN INCONVENIENT FORUM. EACH PARTY HERETO HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDINGS BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID TO ITS ADDRESS HEREIN OR IN THE OTHER OPERATIVE DOCUMENTS, SUCH SERVICE TO BECOME EFFECTIVE TEN (10) DAYS AFTER SUCH MAILING.

29. UBTI. The General Partner hereby agrees to exercise best efforts to avoid any investments or investment structures that are reasonably likely to generate unrelated business taxable income ("UBTI") for Investor. Upon becoming aware of any pending or actual investment or activity that is reasonably likely to generate UBTI as far as Investor is concerned, the General Partner shall promptly notify Investor in writing of such likelihood. Such notice shall detail the investment or activity likely to generate UBTI, alternative investments or activities considered (including a reasonable estimate of the anticipated return with respect to such alternative investments or activities) and provide the Partnership's best estimate of UBTI anticipated.

30. Notices. The Fund and the General Partner covenant and agree that any notices, requests, demands, reports and other communications made pursuant to the Operative Documents shall be sent to the Investor both (a) in accordance with such Operative Documents, and (b) by e-mail transmission to retirement@stancera.org.

31. Effect. This Side Letter supplements the Partnership Agreement and Subscription Agreement and shall be binding upon and be solely to the benefit of each party hereto. In the event of a conflict between any Operative Document and this Side Letter, the terms of this Side Letter shall control. In no event shall this Side Letter become merged into, or superseded or cancelled by the Partnership Agreement.

32. Miscellaneous.

A. The Fund and the General Partner represent and warrant that the information contained in the Operative Documents and the Memorandum, and all other documents otherwise delivered by the Fund or the General Partner to the Investor do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances in which they are made, not misleading in connection with the organization of the Fund and the offer and sale of interests in the Fund.

B. The Fund and the General Partner represent and warrant that (i) there are no actions, proceedings or investigations pending before any court or governmental authority, including, without limitation, the Securities and

Exchange Commission or any state securities regulatory authority, against the Fund Parties or any of their affiliates that claim or allege fraud, misrepresentation, breach of fiduciary duty, violation of any federal, state or other applicable securities law, rule or regulation, and (ii) during the five years prior to the date hereof, none of the Fund Parties nor any of their affiliates has been found liable for, nor settled, any such violation in any such action, proceeding or investigation.

C. The General Partner and Advisor each agree to carry out its fiduciary duties with respect to the Fund with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matter would use in the conduct of a like character and with like aims, and with respect to all investment opportunities and investment allocation decisions, to allocate such opportunities among the clients and entities managed by the General Partner or the Advisor and their affiliates on a fair and equitable basis.

D. Execution and delivery of this Side Letter by the Fund and the General Partner constitutes the representation that the signatories hereof are authorized to execute and deliver this Side Letter. This Side Letter is binding on and enforceable against the Fund Parties and Investor.

E. This Side Letter and the provisions set forth in this Side Letter may be modified or waived only by a separate writing signed by the Fund Parties and Investor expressly modifying or waiving this Side Letter or such agreements.

This Side Letter shall survive delivery of fully executed originals of the Partnership Agreement and the Subscription Agreement and the Investor's admission to the Fund as a Limited Partner.

This Side Letter may be executed in any number of counterparts, any one of which need not contain the signatures of more than one party, but all of such counterparts together shall constitute one agreement.

Very Truly Yours,

FUND:

KKR Mezzanine Partners I L.P., a Delaware limited partnership

By: KKR Mezzanine Associates I LP, a Delaware limited partnership

By: ______________________
Its: ______________________

GENERAL PARTNER:

KKR Mezzanine Associates I LP, a Delaware limited partnership

By: ______________________
Its: ______________________

ADVISOR:

KKR Mezzanine I Advisors LLC, a Delaware limited liability company

By: ______________________
Its: ______________________

Accepted band acknowledged as of
this ______day of ____________, 2010

INVESTOR:

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

By:______________________
Name:______________________
Title:______________________

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Private Fund Side Letters—Investor Agendas, Tactics and Disclosure

By Joseph M. Mannon and Nell M. Blatherwick

Side letters are separate agreements that supplement or modify the terms of the governing documents of a private fund. For large, seed, and strategic investors, side letters have become an important part of any private fund investment regardless of whether the fund is a hedge fund, private equity fund, or venture capital fund. Over time and particularly following the Madoff scandal, the side letter terms investors request have become increasingly complex, costly and administratively burdensome. In this article, the authors examine the side letter agenda for different types of investors, negotiation tips and tactics, administrative considerations and disclosure best practices.

The Investor Agenda

Side letters are generally limited to only the largest investors in a fund. In return for committing a substantial amount of capital or being an early investor, an investor can negotiate preferential terms, which may range from discounted fees to additional investment capacity.

Investors' desired side letter terms vary greatly by investor type. For example, a fund of funds generally has vastly different concerns than a sovereign wealth fund. To better understand certain investors' motivations, below is a summary of terms different investors typically seek from managers. The summary below is by no means exhaustive.

Fund of Funds

Funds of funds are an important allocator of capital to private funds. Funds of funds offer their investors the advantage of liquidity (hedge funds), diversification and access to underlying managers which may not otherwise

Mr. Mannon is Of Counsel with Vedder Price P.C. in Chicago. Ms. Blatherwick is a Principal at RCP Advisors, LLC.

be available to the investor.

Hedge funds of funds are generally focused on most favored nations (MFNs, discussed in more detail below); key person provisions (that is, redemption or wind-down right if employee(s) dies, becomes incapacitated or is unavailable to manage the fund); liquidity; reporting; transparency; and capacity.

Following the Madoff scandal, hedge funds of funds are under enormous pressure to have full portfolio transparency at the underlying fund level. As a result, data aggregators, which can aggregate multiple managers' trading data, have become very important for marketing and portfolio management purposes. Funds of funds will often seek special reporting rights from a manager so that portfolio information is provided to the data aggregator. Funds of funds also will seek to disclose, generally on a no-names basis, portfolio and other manager information to their investors. As funds of funds may have investors subject to public reporting requirements like the Freedom of Information Act (FOIA), negotiations with the underlying managers, who wish to protect their information, can be contentious. Hedge funds of funds managers also often seek the ability to transfer investments between affiliated funds without incurring any redemption fees or the resetting of lock-up periods or high water marks.

Private equity funds of funds concentrate on MFNs, confidentiality, reporting, advisory board seats, and co-investment rights. Similar to hedge funds of funds, private equity funds of funds want to ensure they can communicate manager information to their investors as well as provide certain limited information to prospective investors. As a result, private equity funds of funds often seek amendments to a fund's confidentiality provisions. In addition, private equity funds of funds often seek to obtain more expansive information rights in order to fulfill their tax reporting obligations as well as to ensure ASC 820 (formerly FAS 157) compliance. Information rights provisions run the gamut from very detailed requirements to broader assurances that a manager will provide such additional information as reasonably requested to facilitate tax reporting.

Private equity funds of funds may also seek advisory board rights, which are an important tool for monitoring a manager's activities and are something investors in funds of funds like to see. Private equity funds of funds often request co-investment rights or at least an acknowledgment from the manager that a fund of funds is interested in receiving co-investment opportunities. Finally, a private equity fund of funds may seek side letter provisions to ensure that the terms of an investment do not conflict with the fund of funds' governing documents. For example, a fund of funds whose governing documents limit the percentage of permissible non-US investments might request that a manager confirm that it does not intend to make non-US investments in excess of a certain percentage.

Sovereign Wealth Funds

Since the 1990s, the growth of assets held by foreign governments has skyrocketed and sovereign wealth funds (SWFs) have increasingly sought to invest in private funds. As large investors, SWFs focus on management and performance fees, MFNs, disclosure of confidential information, sovereign immunity, and other terms which conflict with their sovereign status, such as US tax matters.

MFNs generally entitle the SWF to be informed of preferential terms entered into with other investors along with the option to elect such terms. SWFs also will often seek amendments to a fund's confidentiality provisions in order to comply with applicable disclosure laws similar to FOIA.

Sovereign immunity negotiations are often tricky, since limiting the fund's ability to sue and recover damages from the SWF may result in adverse consequences for other investors in the fund. While the SWF may want to reserve all immunities to which it is entitled as a sovereign, funds should avoid conceding that SWFs are immune from suit.[1]

SWFs often argue they have no ability to provide an indemnity. The typical compromise is a provision whereby the SWF's indemnification obligation will not exceed its investment or capital contribution. Another battle with SWFs is the governing jurisdiction of the fund documentation. The SWF will seek to have its laws govern the subscription agreement and side letter.

State Governments

With substantial defined benefit assets, state governments are large allocators to private funds. State government concerns often mirror those of SWFs.

State governments are typically concerned with fees, MFNs, disclosure of confidential information, and sovereign immunity, as the Eleventh Amendment to the US Constitution affords them protections from suit. State governments will generally seek an acknowledgment of their sovereign status and seek to limit the venue for lawsuits against them to their home state.

State governments often claim they are barred by their constitution to provide an indemnity, but often will agree to limit the indemnity to the value of the investment or the initial capital contribution. The state also may request that the manager comply with its investment policies, which may be derived from various laws applicable to the state. While a compromise can often be reached, agreeing to abide by a state's investment policy can be a compliance headache.

Pension Plans

Pension plans, which are frequent investors in private funds, often have lengthy, form side letters that include, as expected, provisions on the Employee Retirement Income Security Act of 1974 (ERISA). Plans' primary focus is usually on ensuring their assets are managed in accordance with ERISA.

Many pension plans seek provisions requiring the manager to treat a fund as if it were a "plan assets vehicle"[2] even if the fund is not. This includes getting representations from the manager that it acknowledges it is an ERISA fiduciary, an "investment manager" under Section 3(38) of ERISA, and a Qualified Professional Asset Manager (QPAM).[3] Other provisions include requirements for the fund to provide information necessary so that the pension plan can complete its Form 5500 (an annual government filing for employee benefit plans). Pension plans also may seek to have the manager maintain a fidelity bond for ERISA investors.[4] Pension plans often seek to restrict the fund's ability to distribute assets in kind, and may attempt to require the fund to establish a liquidating entity to dispose of any in-kind distributions.

Large Private Wealth Managers

In general, private wealth managers are primarily concerned with fees. In addition, private wealth managers often seek notice if the fund would be considered a "plan assets vehicle" under ERISA. Given the number of services provided by affiliates of private wealth managers to their investors and/or the fund, private wealth managers want to avoid the potential for prohibited transactions. As a result, private wealth managers may seek the right for their ERISA investors to redeem if the fund becomes a plan assets vehicle. Similar to funds of funds, private wealth managers also will seek exceptions to a fund's confidentiality provision so that they can share information with clients and prospective clients. Requests for notice of regulatory investigations of the manager or the fund, while not unique to large private wealth managers, are also often requested.

Negotiation Tips and Tactics

Side letters have evolved greatly as the words "hedge fund" and "private equity" have gone mainstream. The number of provisions investors seek, and such provisions' complexity, has increased substantially. The summary above illustrates this point. As a result, both managers and investors need to develop their own side letter "playbook." Investors and managers will want to agree on the standard terms they are willing to offer and/or accept and have a process for handling deviations.

Investors

Included in the playbook for many large private fund investors is a template side letter developed with the assistance of counsel. While an investor might not provide its entire template to a manager, it often will provide selected terms which are of great importance to the investor. For example, state governments often provide the manager language requiring compliance with applicable investment guidelines such as a ban on investing in Sudan;[5] a pension plan will provide its preferred ERISA terms; and a hedge fund of funds manager will include a provision entitling it to transfer investments between affiliates without incurring redemption fees or the resetting of lock-ups or high water marks.

A strategy many investors employ is to request all outstanding side letters when conducting due diligence. If provided, investors can pick and choose provisions they want to include when negotiating their side letter. An alternative to requesting all side letters is to request a summary of existing side letter terms.

Confirming the interpretation of side letter terms with the manager is important. Being specific when drafting is extremely important. A common manager tactic is to narrow the scope of a side letter provision. For example, when negotiating an MFN, the manager may propose various carve outs where the MFN would not apply, including limiting the MFN to the proposed investment vehicle. Investors will want to review each side letter provision in detail and understand its limitations.

Large investors often employ experienced counsel either in-house or externally to negotiate side letter provisions. Counsel can provide invaluable guidance in interpreting manager proposed side letter terms.

While side letters are beneficial, investors need to understand their limitations. The global economic crisis of 2008–2009 illustrated that side letters are not always worth the paper they are printed on when funds are under substantial redemption stress. For example, a hedge fund manager may make the difficult decision not to honor side letter terms which modify liquidity provisions such as gates (mechanisms used to limit the percentage of capital that can be redeemed at one time–for example, 25 percent per quarter) or lock-up periods (the amount of time capital must be invested before it can be redeemed) because of fiduciary concerns even though permitted by the hedge fund's governing documents. In such a situation, investors may be left weighing whether to commence suit against the manager to honor the side letter term.

Managers

Managers will want to develop their own template side letter and inform investors early in the process to use the template to avoid unnecessary negotiations. Managers should consider forming a committee, which would include members of the firm's key business units, to vet side letter terms. Side letter provisions can have a broad impact and affect different business units throughout the firm, including information technology, compliance, accounting, investor relations, and investment management. For example, fee breaks will usually involve accountants, legal, and compliance analyzing whether any MFNs have been tripped, and potential lost revenue. Without careful consideration, a new mandate could end up actually decreasing total firm revenues. The coordination of various business units to assess potential side letter terms is very important to avoid making compliance too complex. Below are a few practices managers utilize when negotiating side letters.

Keep Terms Consistent Across Side Letters. Minor differences among similar terms can make compliance difficult. For example, granting different key person provisions could result in a clause being triggered for certain investors and not others. It is best to have only one key person clause.

MFNs. MFNs are often the most complex section of any side letter. Managers often tie their MFNs to the investor's capital commitment. In other words, only preferential terms granted to smaller investors would trigger the MFN. Managers also should draft their MFNs to require that the investor take the "benefit" and the "burden" of any preferential term granted to another investor. For example, if a fee discount is granted to another investor in exchange for a longer lock-up period, the investor electing the MFN term should be required to agree to the longer lock-up period in order to receive the fee discount. Careful drafting is required to avoid investors being able to avoid the "burden" of an MFN.

MFN Carve Outs. It is important to include carve outs to the MFN. For example, a manager may want to exclude, among other things, other funds, separate accounts, legacy investors, employees and affiliates of the manager, and terms granted to address legal or regulatory issues. Many managers will refuse to permit MFNs to apply across multiple funds. An attractive strategy is to offer a fee-only MFN, meaning investors cannot negotiate other terms.

Create an MFN Election Summary. As each MFN likely requires the delivery of side letter terms to investors who are eligible to receive them, using a form whereby the investor can simply check if it wants the term avoids potential negotiation. For private equity funds, it is best to distribute the election summary after the final close to avoid investors being able to elect various iterations of the same term.

Avoid Preferential Liquidity. Many hedge fund managers seek to avoid providing preferential liquidity to investors through side letters. While many managers offer different liquidity options such as varying lock-up periods and redemption periods in the offering memorandum, providing liquidity through a side letter creates fiduciary concerns.

Avoid Investment Restrictions. To the extent possible, avoid investor driven investment restrictions for commingled private funds. Agreeing to investment restrictions may result in the substantial alteration of a fund's investment strategy necessitating disclosure to other investors. Steer the investor toward a separate account or other customized products to the extent the investor requires custom investment restrictions.

Administrative Considerations

Given that most large investors will request a side letter, the administrative burden imposed by agreeing to multiple side letters can be onerous and can substantially increase costs for a manager. Simply keeping track of all of the provisions can be a major headache. MFNs impose some of the most difficult monitoring tasks, since decisions need to be made as to whether a preferential term needs to be offered to an investor. Limiting the number of MFNs or providing them to all investors are different strategies managers employ.

Managers often underestimate the time and effort necessary to monitor compliance with side letter terms. Following the Madoff scandal, the portfolio and related fund information that must be reported by managers has increased substantially. Many of the new reports are included in side letter terms. As a result, many firms have hired additional compliance and investor relations staff to respond to the increase in customized reporting requests.

Here are several strategies managers can use to combat the side letter onslaught.

Stick To Your Guns. Set boundaries for certain provisions, and stick to them. For example, give only one key person provision, have it apply to all investors, and do not accept deviations.

Develop a Side Letter Summary and Checklist. Use summaries and checklists to assist with the monitoring of side letter compliance. Many hedge funds run monthly compliance checks on side letter terms.

Use your resources. Managers should contact their administrators to see if they can assist with the monitoring of side letter terms.

Approval process. Develop an efficient approval process that is capable of quickly vetting potential side letter terms and their impact on business units. As noted above, forming a side letter committee may be beneficial. Include in the approval process the offshore board, as necessary or required.

Think big. Managers can be shortsighted when granting side letter terms. For example, creating a tiered management fee schedule based on the amount of assets committed to a fund or the firm is easier and optically better for investors than agreeing to numerous one-off fee deals.

Reporting. As much as possible, get investors to agree to a standardized reporting package and avoid customized reporting.

Disclosure Best Practices

Regulatory Considerations

Although side letters are very common among private funds, just a few years ago their use was under intense scrutiny by regulators. In 2006, the United Kingdom's Financial Service Authority (FSA), in its Feedback Statement FS06/2, noted its disapproval of side letters. The FSA stated that it expected managers to disclose to investors when a side letter was granted and any conflicts that may arise and how they are adequately managed. In response to the Feedback Statement, which had UK managers concerned, and following discussions with the FSA, the Alternative Investment Management Association (AIMA) issued a Guidance Note providing that hedge fund managers were expected to disclose the existence and nature of side letters entered into with investors if those side letters contain material terms.[6] Among the items deemed material by AIMA were preferential liquidity, key person provisions and portfolio transparency. Non-material terms include MFNs and fee discounts.

In the US, the SEC Staff has never issued formal guidance on the use of side letters. As a result, opinions vary widely on the SEC's scrutiny of side letters, from an outright ban, to a negative inference, to no concerns. Our experience is that the SEC is focused on ensuring that conflicts of interest are adequately disclosed or mitigated, but that the use of side letters does not in and of itself create a negative inference during an SEC examination. In a May 2011 speech, Carlo V. di Florio, the Director of the SEC's Office of Compliance Inspections and Examinations, acknowledged that the SEC will look at conflicts of interest between the manager and its private equity funds, including side letters that give certain investors preferential terms.[7] To our knowledge, the SEC has never called for a side letter ban.

In 2006, during a speech to the US Senate, the SEC's then Director of the Division of Investment Management noted the SEC's concerns with regard to side letters.[8] She noted that preferential liquidity and preferential access to portfolio information caused the most concern, whereas investment capacity, MFN clauses, and fee reductions posed less concern.

A recent SEC investigation illustrates that preferential liquidity continues to be a concern for the SEC. In December 2011, Harbinger Capital Partners, a hedge fund manager, received a notice from the SEC that it was prepared to bring suit against Harbinger for, among other charges, permitting Goldman Sachs to withdraw $50 million from its funds pursuant to a side letter at a time when other investors were restricted from redeeming capital.[9] The issue is whether Harbinger properly disclosed the side letter to investors.

When drafting side letter disclosures to investors, managers should also keep in mind the fiduciary duty embedded in the Investment Advisers Act of 1940 (Section 206) (Advisers Act) and the anti-fraud provisions under the Securities Act of 1933 (Section 17) and the Securities Exchange Act of 1934 (Rule 10b-5). Rule 206(4)-8 of the Advisers Act, which applies even to unregistered investment advisers, prohibits an adviser from making false or misleading statements of material fact to current or prospective investors or engaging in other fraudulent conduct with respect to a fund's investors.

Where Does Side Letter Disclosure Appear?

Before discussing what managers disclose, it is helpful to understand where side letter disclosures appear. While the offering memorandum for a fund is an obvious place, managers may provide investors with other documents that may include disclosure of preferential terms. This includes the firm brochure under Form ADV for SEC registered investment advisers, responses to requests for proposals (RFPs) or information (RFIs), and ongoing reporting to investors. Because disclosure of preferential terms can appear in places other than the offering memorandum, managers should consider keeping an inventory of disclosures so that updates can be carried through all firm disclosures. Two of the most overlooked disclosure areas is RFPs and RFIs. Firms often use canned language that may become stale.

Disclosure Best Practices

According to the 2009 Asset Managers' Committee of the President's Working Group on Financial Markets: Best Practices for the Hedge Fund Industry (Working Group), "... where side letters provide investors with terms that may adversely impact other investors in the fund, the [m]anager should make such disclosure as reasonably necessary to enable other investors to assess the possible impact of such side letters on their investment."[10] In other words, managers should ensure that they disclose to investors side letter terms involving potential material conflicts of interest. This principle, which follows the SEC and FSA regulatory approaches, applies equally to private equity and other private funds. In discussing what types of terms should be disclosed, the Working Group noted the following: enhanced control rights; preferential liquidity/redemption rights; preferential fees; and terms that materially alter the investment program described in the offering materials.

Here are several suggestions to consider when drafting side letter disclosure.

Conflicts inventory. Take an inventory of your side letter terms and determine whether there are any material conflicts to disclose.

Be specific. Generic disclosure that the fund may provide preferential terms to investors may be helpful in litigation, but specific disclosure as to the types of preferential terms granted to investors is better. In particular, disclose whether the fund will grant preferential liquidity or fees or portfolio transparency. For private equity funds, detail whether co-investment rights may be granted to investors. A number of the required items (5, 6, 8, 10 and 11) in the firm's brochure (Part 2 of Form ADV), if registered, will cover conflicts created by side letter terms.

Be consistent. Make sure disclosure of side letter terms in the fund offering materials matches the disclosure in the manager's firm brochure (Part 2 of Form ADV), if registered, and in other documents maintained by the manager.

Obtain Sample Disclosure. Review other managers' firm brochures at *http://www.sec.gov/divisions/investment/iard.shtml* for examples of side letter disclosure. Ask outside counsel for examples of sample disclosures.

Conclusion

Side letter practices vary widely among managers and investors alike, and this article only scratches the surface of these practices. For managers, understanding an investor's agenda before starting a negotiation is helpful to devise ways to satisfy the investor's concerns. Managers also need to create a playbook to help manage the side letter process and avoid provisions that are administratively burdensome and costly. Thinking big will help firms avoid onerous side letter provisions. For investors, consider developing a template side letter and use it to start the negotiation process.

Notes

1. *See* Foreign Sovereign Immunities Act of 1976 for more information on the limitations as to whether a foreign sovereign nation may be sued in US courts, and the exceptions to immunity such as where the sovereign acts in a commercial capacity in the US. *See also* Republic of Argentina v. Weltover, 503 U.S. 607 (1992).

2. As a general rule, if benefit plan investors own more than 25% of any class of equity interest in a hedge fund or private equity fund, the fund will be a plan assets entity under ERISA. If the fund is a plan assets vehicle, the manager will be a fiduciary to each ERISA investor in the fund and subject to, among other things, the prohibited transaction rules. *See* Definition of "Plan Assets," Section 3(42) and Department of Labor (DOL) Regulation 2510.3-101. A fund also may seek to qualify as a "Real Estate Operating Company" or a "Venture Capital Operating Company" to avoid being deemed a plan assets vehicle.

3. *See* PTCE 84-14, as amended, which details the requirements for being a QPAM. A QPAM includes an investment adviser registered with the Securities and Exchange Commission with $85 million in assets under management and shareholders'/partners' equity of at least $1 million as of the last day of its most recent fiscal year. Being a QPAM exempts the manager from certain types of prohibited transactions.

4. ERISA generally requires that every person who handles plan assets must be covered by a fidelity bond. *See* Section 412 of ERISA and DOL Regulations 2550.412-1 and 2580.

5. Various states have Sudan divestment statutes. *See, e.g.*, Protecting Pennsylvania's Investments Act, S.B. 928.

6. AIMA Guidance Note (Sept. 28, 2006), available at *http://www.aima.org/uploads/IndustryGuidanceNoteSideLettersPublic.pdf.*

7. Speech by Carlo V. di Florio at the Private Equity International's Private Fund Compliance (May 3, 2011), available at *http://www.sec.gov/news/speech/2011/spch-050311cvd.htm.*

8. Susan Ferris Wyderko, Testimony Before the Subcommittee on Securities and Investment of the United States Senate Committee on Banking, Housing, and Urban Affairs (May 16, 2006).

9. "SEC Puts Falcone, Harbinger in Its Sights," *Wall St. J.* (Dec. 10, 2011).

10. Asset Managers' Committee of the President's Working Group on Financial Markets: Best Practices for the Hedge Fund Industry (Jan. 15, 2009), available at *http://www.amaicmte.org/Asset.aspx.*

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2-13-13
Item #8a

For the Retirement Board meeting
Held on February 13, 2013

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Correspondence – Recent Public Records Act requests

II. RECOMMENDATION: None; Informational item only

III. ANALYSIS: Recently we have received several requests for information from a group called "The Bay Citizen". The following is an excerpt taken from the group's website:

"The Bay Citizen was launched in 2010 as a nonprofit, nonpartisan, member-supported news organization dedicated to promoting innovation in journalism and catalyzing citizen engagement with the news. In 2012, The Bay Citizen merged with the Center for Investigative Reporting. Our newsroom is made up of award-winning journalists who cover a wide variety of news topics that are often underreported."

Accompanying this item are 4 email requests we have had from this Organization.

IV. RISK: None

V. STRATEGIC PLAN: None

VI. BUDGET IMPACT: None

Rick Santos, Executive Director

Rick Santos - Re: reporter request

From: Jennifer Gollan <jgollan@cironline.org>
To: Rick Santos
Date: 1/14/2013 1:16 PM
Sub ject: Re: reporter request

Rick,

Under CPRA, please email me information on client conferences, fund manager conferences and any other conferences sponsored by money managers or consultants attended by staff and pension board members, both free and those charged to the pension plan, since Jan. 1, 2007. Please include details on the cost, location, name of the conference sponsor, hotel, meals, transportation and names and job titles of staff and pension board members who attended each of the aforesaid conferences. For each travel expense related to conferences sponsored by a money manager or consultant, please note how much they cost the pension plan, or how much they cost the money manager or consultant and whether they were accounted for as gifts to the pension plan and the name of the donor and value of those gifts.

Thank you,

Jennifer Gollan
Reporter
Center for Investigative Reporting
415-821-8526

On Monday, January 14, 2013, Jennifer Gollan wrote:

> Rick,
>
> My email dated Jan. 11 is a formal request. Nothing in CPRA requires that public records requests be be made in a certain format. These records should be readily and routinely available.
>
> Please feel free to give me a call with any questions. Office: 415-821-8526.
>
> Thanks,
>
> Jennifer Gollan
> *Reporter*
> *The Bay Citizen, part of the Center for Investigative Reporting*
> *415-821-8526*
>
> On Mon, Jan 14, 2013 at 10:17 AM, Rick Santos wrote:
>
> > Jennifer, we need to get you to submit a formal request following PRA guidelines. We will need this for our records and because the Public Records Act allows us reasonable time to research and assimilate this information. This is not a trivial request. When we receive your formal request, we will look into how much time it will require to meet your request. Thanks for your anticipated patience.
> > Rick Santos, CFA, ASA, MAAA
> > Executive Director, StanCERA

>>> Jennifer Gollan <jgollan@cironline.org> 1/11/2013 1:20 PM >>>
Rick,

Would you mind please emailing me information on client conferences, fund manager conferences and any other conferences sponsored by money managers or consultants attended by staff and pension board members, both free and those charged to the pension plan, since Jan. 1, 2007. Please include details on the cost, location, name of the conference sponsor, hotel, meals, transportation and names and job titles of staff and pension board members who attended each of the aforesaid conferences. For each travel expense related to conferences sponsored by a money manager or consultant, please note how much they cost the pension plan, or how much they cost the money manager or consultant and whether they were accounted for as gifts to the pension plan and the name of the donor and value of those gifts.

Thank you,

Jennifer Gollan
Reporter
Center for Investigative Reporting
415-821-8526

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Jennifer Gollan
Reporter
The Bay Citizen, part of the Center for Investigative Reporting
415-821-8526

Rick Santos - investment returns

From: Jennifer Gollan <jgollan@cironline.org>
To: Rick Santos
Date: 1/23/2013 11:35 AM
Subject: investment returns

Rick,

Could you please shoot me a list of your actual investment returns for each year from 1994 through the most recent fy available?

Many thanks,

Jennifer Gollan
Reporter
The Bay Citizen, part of the Center for Investigative Reporting
415-821-8526

Rick Santos - Request for police/fire disability info

From: Jennifer Gollan <jgollan@cironline.org>
To: Rick Santos
Date: 1/24/2013 5:57 PM
Subject: Request for police/fire disability info

Rick,

Pursuant to the California Public Records Act, please provide a data file listing every pensioner in the fire and police system from 2000 through the present with the data outlined below. Please provide the data file in a digital format, such as .csv, tab-delimited text file, .dbf, Excel or other electronic format. This is not a request for paper records.

Requested information/fields:

1) The number of applications received versus granted for disability payments in the police and fire system in each year since 2000?

2) How much disability money has gone to former employees (police and fire only) each year since 2000?

3) Please provide a document that aggregates the disease or ailment information related to disability retirements taken by police and fire each year since 2000, including disease code, description of disease, and number of former employees who took those different retirements in each of those years. It is not necessary to disclose individual names.

4) Name (of police or fire retiree)

Department

Job title

Hire date

Retirement (or death prior to retirement) date

Age at retirement

Type of disability benefit

Monthly disability benefit

Date disability benefit was applied for

Date disability benefit began

Pensionable income in last full year of service

Annual salary at time of retirement

Many thanks,

Jennifer Gollan
Reporter
The Bay Citizen, part of the Center for Investigative Reporting
415-821-8526

From: Rick Santos
To: jgollan@cironline.org
Date: 1/24/2013 6:03 PM
Subject: Re: Request for NCPERS info

So far no one has shown any interest in going
-----Original Message-----
From: Jennifer Gollan <jgollan@cironline.org>
To: Santos, Rick

Sent: 1/24/2013 5:56:37 PM
Subject: Request for NCPERS info

Rick,

Would you mind please emailing me the names and the estimated cost for each trustee and or staff member planning to attend the NCPERS conference in Hawaii in May?

Many thanks,
Jennifer Gollan
Reporter
The Bay Citizen, part of the Center for Investigative Reporting
415-821-8526

Top

2-13-13
Item 9

Stanislaus County
Employees' Retirement Association

Actuarial Review and Analysis as of June 30, 2012

Final Report
February 8, 2013

Contents

Analysis of Results

Executive Summary

This Report presents the results of an actuarial review and analysis of the Stanislaus County Employees' Retirement Association (StanCERA, the Plan) as of June 30, 2012. Employer contribution rates for the Fiscal Year beginning July 1, 2013 have been determined based on demographic and asset information as of June 30, 2012.

The employer contribution rates shown in this Report are as follows:

Valuation Date	Employer Contribution Rate as % of Pay for Next Fiscal Year	Estimated Employer Cost Based on Estimated 2012-13 Payroll of Current Members
June 30, 2011	**FY 2012-13**	
Final Results	17.83%	$39,510,911
June 30, 2012	**FY 2013-14**	
Final Results	20.73%	$44,571,163

A summary of the current status of the StanCERA Plan as a whole is as follows:

	June 30, 2011	June 30, 2012
Plan Membership		
Active	3,869	3,894
Inactive	868	902
Receiving Benefits	3,015	3,142
Total	7,752	7,938
Average Pay	$58,596	$56,733
Assets ($ millions)		
Market Value	$1,418.7	$1,386.2
Actuarial Value of Assets	$1,418.7	$1,474.6
Valuation Assets	$1,372.0	$1,451.8
Valuation Results ($ millions)		
Actuarial Accrued Liability (AAL)	$1,757.7	$1,888.7
Unfunded AAL (AAL – Valuation Assets)	$ 385.7	$ 436.9
Funded Ratio (Valuation Assets)	78.1%	76.9%
Funded Ratio (Market Value of Assets, excluding Special Reserves)	78.1%	72.2%

More detailed information on the contributions by Class and Tier, as well as a description of the reasons for the changes in cost, is shown in both this section and in the detailed cost calculations shown later in the Report.

The main points discussed in this Report are as follows:

- The net impact of the demographic changes during the past year was a moderate increase in the contribution rate.
- Transfers from non-valuation to valuation assets offset recognized investment losses and resulted in a small decrease in the cost of the Plan.
- The Board approved the implementation of a number of assumption changes as part of the Experience Study covering the period from July 1, 2009 through June 30, 2012. The changes in demographic assumptions had little impact on Plan costs, while the changes in economic assumptions increased Plan cost by a modest amount.

Purpose of the Report

This Report presents the results of an actuarial review and analysis of the Stanislaus County Employees' Retirement Association as of June 30, 2012. This Report is for the use of StanCERA and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. This Report was prepared exclusively for StanCERA for the purposes described herein. This report is not intended to benefit any third party, and we assume no duty or liability to any such party.

The purposes of this Report are:

- To review the experience of the Plan over the past year and discuss reasons for changes in Plan cost;
- To compute the annual contribution rate as a percentage of payroll required during the 2013-14 fiscal year to fund the Plan in accordance with actuarial principles;
- To discuss other issues associated with the determination of Plan and Tier costs; and
- To present those items required for disclosure under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

Organization of the Report

This Report is organized in five sections:

- This Summary presents the conclusions of the Report and discusses the reasons for changes since the last valuation.
- Section 1 below contains an outline of the Plan provisions on which our calculations are based, statistical data concerning Plan participants, and a summary of the actuarial assumptions used to compute liabilities and costs. A glossary of actuarial terms is also included.
- Section 2 presents information concerning Plan assets, including balance sheets and income statements from July 1, 2011 to June 30, 2012. The actuarial value of Plan assets and the amount of the valuation assets are also computed in this Section.
- Section 3 contains the calculation of actuarial liabilities and the employer contribution rate, as well as the actuarial balance sheet and development of gain and loss.
- Section 4 contains pension plan information required under Statement No. 25 of the Governmental Accounting Standards Board.
- The Appendices contain employer and employee contribution rates by Group, Class and Tier, as well as the assumptions and contribution rates used in the prior study.

Actuarial Valuation as of June 30, 2012

The employer contribution rate increased from 17.83% of payroll as of June 30, 2011 to 20.73% one year later, due primarily to changes in economic assumptions. The narrative and table below summarize the impact of actuarial experience and other changes on Plan cost.

	Next Fiscal Year Contribution Rate (% Payroll)	Estimated Employer Cost Based on Current Payroll ($ in Millions)
June 30, 2011	**17.83%**	**$39.5**
Demographic Experience	(0.27%)	(1.7)
New Entrants to the Plan	0.32%	1.4
Amortization Payroll	0.38%	0.0
Investment Experience and Reserve Transfer	(0.17%)	(0.4)
Demographic Assumption Changes	(0.15%)	(0.3)
Economic Assumption Changes	2.79%	6.1
Employer Cost as of June 30, 2012	**20.73%**	**$44.6**

The changes affecting the cost from 2011 through 2012 are described below:

- Demographic experience caused a decrease in the contribution rate.

  Demographic experience includes rates of retirement, disability, termination, and death – as well as other factors, such as pay increases, transfers, and cost of living increases. The demographic experience of the Plan was more positive than was assumed in the actuarial assumptions used in the prior actuarial valuation, producing actuarial gains and a decrease in the employer contribution rate of 0.27% of pay.

- New members entered the Plan.

  Although the total number of active members in the Plan increased by 25 members from June 30, 2011 to June 30, 2012, there were approximately 330 new hires (or rehires) entering the Plan to replace departing members.

  These new hires were not included the prior valuation cost calculations. They increased the employer contribution rate by 0.32% of payroll, and increased the cost of the plan by $1.4 million in dollar terms due to the added payroll.

- Changes in the valuation assets produced an actuarial gain.

  The return on the *market* value of assets was 0.1% (net of expenses) over the fiscal year 2011-2012. The return on the *actuarial* value of assets was 6.4%, while the return on the *valuation* assets (excluding the non-valuation reserves) was 6.5%.

The higher return on the actuarial value of assets compared to market (6.4% versus 0.1%) is a result of the actuarial smoothing policy selected by the Board, in which only 20% of the gains or losses occurring in a given year are recognized in that year – with the remaining portion recognized over the next four years at 20% per year.

Valuation assets are lower than the actuarial value because special non-valuation reserves are excluded. However, the Board transferred a portion of the non-valuation assets into the valuation assets during FY 2012, which more than offset the impact of the recognized investment losses during the year. This produced an actuarial gain that reduced Plan costs by 0.17% of active member payroll, or about $0.4 million.

- Changes in the payroll used to amortize the unfunded liability increased the cost as a percentage of payroll.

  Under the level percentage of payroll amortization method that is currently part of the funding policy, the amortization payment is generally determined based on an assumption that total payroll will increase each year (by 3.75% under the assumptions in place as of the prior valuation). The amortization payment is recalculated each year, based on the unfunded liability determined as of the valuation date, and then divided by the current year projected payroll to compute the amortization amount as a percentage of pay. If pay does *not* increase by the projected salary growth assumed in the amortization calculation, the amortization payment will be larger as a percentage of pay, though the dollar amount is the same.

  In the prior valuation, we included an assumption that there would be no overall payroll growth for the current year in the calculation of the amortization payment. This offset the impact described above – where the cost as a percentage of pay will increase if payroll does not grow. However, if – as was the case this year – the payroll base actually *decreased* then the amortization payment will still be larger as a percentage of pay, though the dollar amount is the same. This increased the employer contribution rate by 0.38% of pay.

The above sources of actuarial gains and losses combined to increase Plan cost by 0.26% of payroll from 2011 to 2012, as noted in the table above.

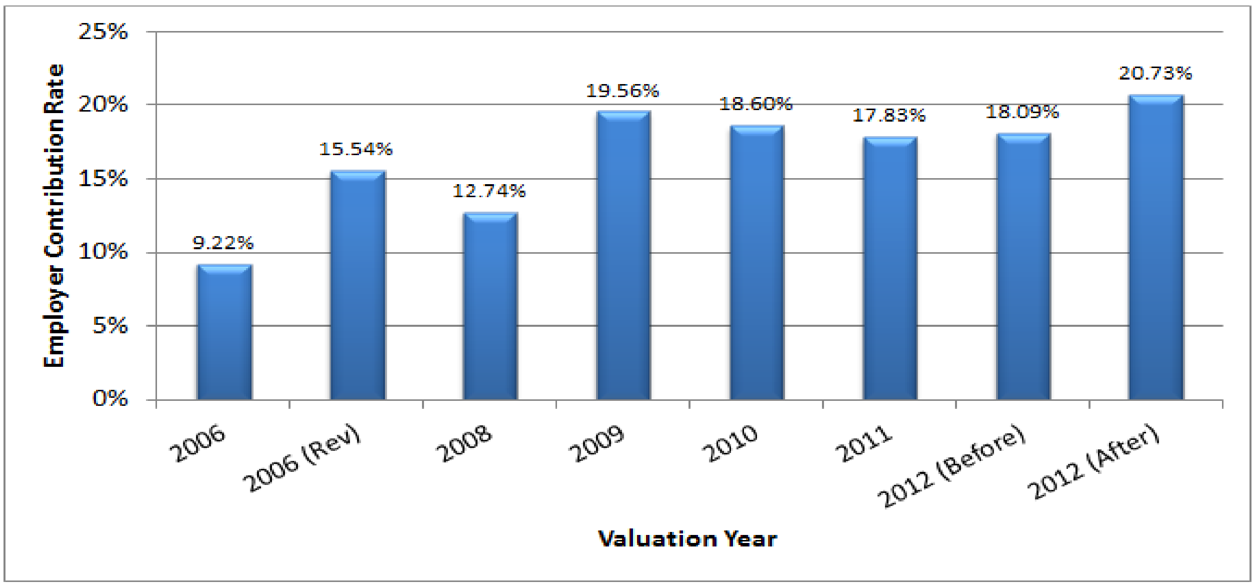
In addition to the gains and losses described above, there were several other changes that affected Plan cost:

- Changes were made to demographic and economic assumptions.

  The Board approved the implementation of a number of assumption changes as part of the Experience Study covering the period from July 1, 2009 through June 30, 2012. These changes include modifications to the demographic rates of retirement, disability, termination withdrawal, and terminal pay for Safety members, reductions in the economic assumptions (assumed rates of inflation, payroll growth and nominal investment return), and an explicit administrative expense assumption. An additional change was made to the demographic assumptions used in calculating the employee contribution rates, and is described in Appendix II. The changes in demographic assumptions, excluding the changes affecting the employee contribution rates, increased the cost by 0.03% of Member payroll, and the changes to the employee contribution rates reduced cost by 0.18%, for a net reduction in cost of 0.15%. The changes in economic assumptions increased Plan cost by 2.79% of Member payroll.

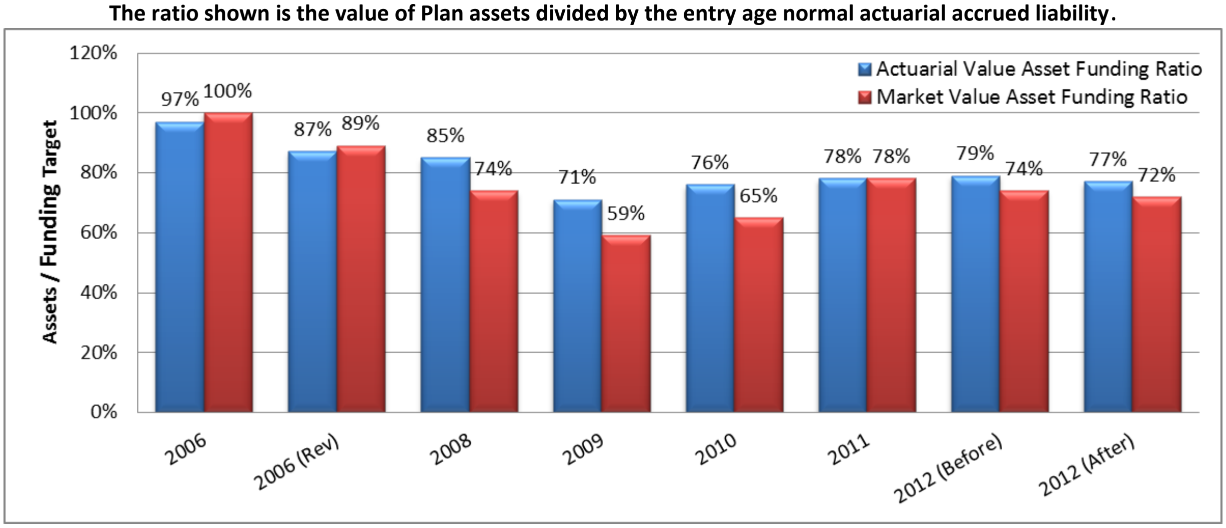
Graphs 1 and 2 below show the history of Plan costs and funding status since 2006. The last two columns in Graph 1 show the employer contribution rate both before and after the recommended assumption changes.

Graph 1: History of the Employer Contribution Rate as a Percentage of Member Payroll



Graph 2: History of Plan Funding Ratio

The ratio shown is the value of Plan assets divided by the entry age normal actuarial accrued liability.



The ratios shown in Graph 2 are based on the actuarial value of Plan assets divided by the actuarial accrued liability (blue bars), as well as the market value of assets divided by the same liability (red bars). As in Graph 1, we have shown the funded ratios for the current valuation both before and after the recommended assumption changes.

Future Cost Trends and Other Issues

There are a number of factors that can be expected to impact costs in the future:

- There are still investment losses that have been deferred by the actuarial smoothing method and have not been recognized in the valuation assets. The ratio of the actuarial value of Plan assets to the market value is current 106%; this means that 6% of the Plan assets used to compute employer contributions actually represents investment losses that have yet to be recognized. If the cost of the plan were determined using the market value of valuation assets (rather than the actuarial value), the cost of the Plan would increase by about 2.8% of pay to 23.5% or pay, or $51 million.

- The Government Account Standards Board (GASB) has issued revised accounting standards governing the financial statements of public pension plans and the employers. Some of the major changes include putting the unfunded liability on the employer's balance sheet, shortening amortization periods, and changes to the allowable actuarial cost methods.

  Note these changes would not necessarily affect Plan funding, as they are accounting standards only. However, in order to maintain consistency between accounting and funding calculations, it may be advisable to incorporate some of these changes – such as a change to the Entry Age Normal funding methodology that was recommended as part of the experience study – prior to the applicability date of the new standards. As described in the Experience Study report, these changes may result in a higher level of initial contributions, but a lower level in future years.

- Subsequent to the valuation date, the California Public Employees' Pension Reform Act of 2013 (AB340) was passed by the Legislature. This legislation makes significant changes for public pension plans in California, including new benefit formulas and compensation limits for new hires, changes to the pay to be included in the calculation of benefits, and changes to cost sharing provisions.

  This report does not reflect any of the new provisions provided under AB 340. In general, it is expected that the impact of AB340 will be to reduce benefits for new hires and increase contribution rates for the employees (and thus reduce employer contributions), but the Plan will not be significantly affected by the new provisions until a substantial number of new members have been hired.

- One of the most important measures of a plan's risk is the ratio of plan assets to payroll. The table below shows StanCERA assets as a percentage of active member payroll. This ratio indicates the sensitivity of the Plan to the returns earned on Plan assets. We note in the table that Plan assets currently are over six times covered payroll for the Plan; as funding improves and the Plan reaches

100% funding, the ratio of asset to payroll will increase to almost nine times payroll, perhaps higher depending on the plan's demographic makeup.

	June 30, 2012
Active Member Payroll	215,057,468
Assets (Market Value Net of Non-Valuation Reserves)	1,363,840,293
Ratio of Assets to Payroll	6.34
Ratio with 100% Funding	8.78

To appreciate the impact of the ratio of assets to payroll on plan cost, consider the situation for a new plan with almost no assets. Even if the assets suffer a bad year of investment returns, the impact on the plan cost is nil, because the assets are so small.

On the other hand, consider the situation for StanCERA. Suppose StanCERA's assets lose 10% of their value in a year. Since they were assumed to earn 8.0%, there is an actuarial loss of 18.0% of plan assets. Based on the current ratio of asset to payroll (634%), that means the loss in assets is about 114% of active payroll (634% of the 18.0% loss). There is only one place for the loss to come from: The employers. Consequently, barring future offsetting investment gains, the employer has to make up the asset loss in future contributions. This shortfall will require an amortization payment in the vicinity of 7.8% of member pay for the multiple years of the amortization period.

As the funding of the Plan improves, the impact of investment gains or losses will increase. A 10% loss, representing 114% of payroll now, will be about 158% of payroll when the Plan is fully funded (878% of the 18.0% loss). At that time, this shortfall will require an amortization payment of about 10.8% of member pay.

Therefore, as the Plan matures and becomes better funded, the uncertainty attached to the employer contribution will increase.

Actuarial Certification

This report presents the results of the annual actuarial review of the StanCERA Retirement Plan (the Plan) as of June 30, 2012. The prior review was conducted as of June 30, 2011.

In this study, financial information and data on active and inactive Members and their beneficiaries as of the valuation date was supplied by the Plan Administrator on electronic media. As is usual in studies of this type, Member data was neither verified nor audited. However, we conducted an examination of all participant data for reasonableness and consistency. The financial information included the Statement of Changes in Plan Net Assets Available for Benefits and Statement of Plan Net Assets Available for Benefits, both of which are included in the Comprehensive Annual Financial Report.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). As of the valuation date, the amortization period is 24 years.

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all investment gains and losses (returns above or below expected returns) over a period of five years. As of June 30, 2011, the Actuarial Value of Assets was reset to equal the market value.

Our firm has prepared all of the schedules presented in the actuarial report. We reviewed the actuarial assumptions shown in the schedules and found them to be reasonably appropriate for use under the Plan. The assumptions used in this report reflect the results of an Experience Study performed by EFI covering the period from July 1, 2009 through June 30, 2012, and approved by the Board. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years through 2015.

GASB Statement No. 25 requires preparation of trend data schedules of funding status and employer contributions. To produce the required schedules, we have relied upon information from our files and contained in the reports of other actuaries employed by the sponsor in completing the schedules.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully Submitted,

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Section 1:

Summary of Plan Provisions, Member Statistics, and Actuarial Assumptions

1.1: Brief Outline of Plan Provisions

Definitions

Compensation

Compensation means the cash remuneration for services paid by the employer. It includes base pay and certain differential, incentive, and special pay allowances defined by the Board of Retirement. Overtime is excluded, with the exception of overtime paid under the Fair Labor Standards Act that is regular and recurring.

Credited Service

In general, Credited Service is earned for the period during which Member Contributions are paid. Since Tier 3 Members participate in a non-contributory Plan, their Credited Service is calculated based on their date of Membership only.

Temporary service for which the Member was not credited, or service for which the Member withdrew his or her Member Contributions, may be purchased by paying or repaying the Member Contributions with interest. The categories of services that credit may be purchased for are listed below:

- Prior Part-time Service: If a Member worked for an employer within the Association on a part-time or 'extra help' basis before his membership in the Retirement Association, the Member may buyback this service.
- Intermittent Part-time Service
- Prior full time Service: Member may buyback full time service that may have been cashed out upon termination.
- Leave of Absence (Including absence with State Disability or Worker's Compensation): No unpaid leave of absence can be bought back except for absence due to medical reasons of up to one year.
- Public Service: Only Tier 1 and 4 Members may buy back this service.
- Military Time: Only Tier 1 and 4 Members may buy back this service.
- Enhance Prior Tier Service: Applies to certain active and deferred Members with Tier 1, 2 or 3 service.
- Military "call up"
- AB 2766: Only Safety Employees can buy back this service.

A percentage of credited sick leave may be credited according to the Member's applicable bargaining unit.

Final Compensation

For Members belonging to Tier 2 and Tier 3, Final Compensation means the highest Compensation earned during any thirty six consecutive months of the Member's employment. For all others, it is the highest Compensation earned during any twelve months of employment.

General Member

Any Member who is not a Safety Member is a General Member.

Safety Member

Any sworn Member engaged in law enforcement, probation, or fire suppression is a Safety Member.

Membership

Eligibility

All full-time, permanent employees of Stanislaus County, City of Ceres, Stanislaus County Superior Court, Salida Sanitary District, East Side Mosquito Abatement, Keyes Community Services, Hills Ferry Cemetery and StanCOG hired on or after October 1, 1988 become Members on their date of appointment. All others hired before October 1, 1988 became Members on the first day of the calendar month following their date of appointment.

Detailed membership eligibility according to Tier and membership date is shown in Table 1.

Service Retirement

Eligibility

Tier 3 General Members are eligible to retire at age 55 if they have earned ten years of Credited Service. All other General Members are eligible to retire at age 50 if they have earned five years of Credited Service and have been an Association member for at least ten years. Alternatively, General Members are eligible to retire at any age after having earned 30 years of Credited Service, or upon reaching age 70 with no service requirement.

Safety Members are eligible to retire at age 50 if they have earned five years of Credited Service and have been an Association member for at least ten years. Alternatively, Safety Members are eligible to retire at any age after having earned 20 years of Credited Service, or upon reaching age 70 with no service requirement.

Benefit Amount

The Service Retirement Benefit payable to the Member is equal to the Member's Final Compensation multiplied by credited service, the benefit factor from Table 1 and the age factor from Table 2 corresponding to the Member's code section. The appropriate code sections for each group are listed in Table 1.

For Tier 3 Members with Credited Service up to thirty five years, the percentage of Final Compensation may not exceed 70% and for those with more than thirty five years, it may not exceed 80%. For all other Members, the percentage of Final Compensation may not exceed 100%. For those members integrated with Social Security (other than Tier 3), Retirement Benefits based on the first $350 of monthly Final Average Compensation are reduced by one-third.

Table 1: Member Group Descriptions

Group	Open[1] or Closed	FAP	COLA	Code Section	Description	Top Retirement Factor Age	Benefit Factor
General Tier 1	Closed	1	3	31676.12	2% at 57	62	2.00%
General Tier 2	Open	3	3	31676.1	2% at 62	65	1.67%
General Tier 3	Closed	3	0	31499.14	Non-Contributory	65	First 35 Years: 2.0% of FAS less 1/35th of Social Security benefit at age 65. Next 10 Years: 1% of FAS
General Tier 4	Closed	1	3	31676.14	2% at 55	65	1.67%
General Tier 5	Closed	1	3	31676.14	2% at 55	65	1.67%
Safety Tier 2	Open	3	3	31664	2% at 50	50	2.00%
Safety Tier 4	Closed	1	3	31664.1	3% at 50	50	3.00%
Safety Tier 5	Closed	1	3	31664.1	3% at 50	50	3.00%

Table 2: Age Factors

Age	Safety 2% at Age 50 CERL §: 31664	Safety 3% at Age 50 CERL §: 31664.1	General 2% at Age 62 CERL §: 31676.1	General 2% at Age 57 CERL §: 31676.12	General 2% at Age 55 CERL §: 31676.14	General 2% at Age 65 CERL §: 31499.14
41.00	0.6258	0.6258	N/A	N/A	N/A	N/A
42.00	0.6625	0.6625	N/A	N/A	N/A	N/A
43.00	0.7004	0.7004	N/A	N/A	N/A	N/A
44.00	0.7397	0.7397	N/A	N/A	N/A	N/A
45.00	0.7805	0.7805	N/A	N/A	N/A	N/A
46.00	0.8226	0.8226	N/A	N/A	N/A	N/A
47.00	0.8678	0.8678	N/A	N/A	N/A	N/A
48.00	0.9085	0.9085	N/A	N/A	N/A	N/A
49.00	0.9522	0.9522	N/A	N/A	N/A	N/A
50.00	1.0516	1.0000	0.7091	0.6681	0.8850	N/A
51.00	1.1078	1.0000	0.7457	0.7056	0.9399	N/A
52.00	1.1692	1.0000	0.7816	0.7454	1.0000	N/A
53.00	1.2366	1.0000	0.8181	0.7882	1.0447	N/A
54.00	1.3099	1.0000	0.8556	0.8346	1.1048	N/A
55.00	1.3099	1.0000	0.8954	0.8850	1.1686	0.3900
56.00	1.3099	1.0000	0.9382	0.9399	1.2365	0.4300
57.00	1.3099	1.0000	0.9846	1.0000	1.3093	0.4700
58.00	1.3099	1.0000	1.0350	1.0447	1.3608	0.5100
59.00	1.3099	1.0000	1.0899	1.1048	1.4123	0.5600
60.00	1.3099	1.0000	1.1500	1.1686	1.4638	0.6100
61.00	1.3099	1.0000	1.1947	1.2365	1.5153	0.6700
62.00	1.3099	1.0000	1.2548	1.3093	1.5668	0.7400
63.00	1.3099	1.0000	1.3186	1.3093	1.5668	0.8200
64.00	1.3099	1.0000	1.3865	1.3093	1.5668	0.9000
65.00	1.3099	1.0000	1.4593	1.3093	1.5668	1.0000

[1] This valuation does not reflect the impact of AB340, which will require new benefit provisions for those hired on or after January 1, 2013

Form of Benefit

The Service Retirement Benefit will be paid monthly beginning at retirement and for the life of the Member. If the member selects the unmodified benefit form, in the event of the Member's death 60% of the benefit will continue for the life of the Member's spouse or to the age of majority of dependent minor children if there is no spouse. For Tier 3 Members, the benefit payable to beneficiary is limited to 50%. In the event there is no surviving spouse or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms are also available.

Annually on April 1, benefits for all retired members other than those in Tier 3 are adjusted to reflect changes in the CPI for the San Francisco Bay Area since the prior year. Benefits may be increased or decreased, but the cumulative changes shall never reduce the benefit below the original monthly allowance. Annual increases may not exceed the COLA figures shown in Table 1, but CPI increases above this figure are "banked" and used for future increases when the CPI increases by less than the figures shown.

In addition, ad hoc cost of living adjustments have been granted in the past and may be granted in the future.

A lump sum benefit of $5,000 will be payable upon the death of a retired member. No death benefit is payable for Tier 3 retired members.

Service-Connected Disability

Eligibility

All non-Tier 3 Members are eligible for Service-Connected Disability Retirement benefits at any age if they are permanently disabled as a result of injuries or illness sustained in the line of duty. Tier 3 Members are not eligible to receive disability benefits.

Benefit Amount

The Service-Connected Disability Retirement Benefit payable to Members is equal to the greater of 50% of their Final Compensation or – if the Member is eligible at disability for a Service Retirement Benefit – the Service Retirement Benefit accrued on the date of disability.

Form of Benefit

The Service-Connected Disability Retirement Benefit will be paid monthly beginning at the effective date of disability retirement and for the life of the Member; in the event of the Member's death, 100% of the benefit will continue for the life of the Member's spouse or to the age of majority of dependent minor children if there is no spouse. In the event there is no surviving spouse or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms and COLA adjustments (as described for the Service Retirement benefit) are also available. A lump sum benefit of $5,000 will be payable upon the death of the member.

Nonservice-Connected Disability

Eligibility

Tier 3 Members are not eligible to receive disability benefits. All other Members are eligible for Nonservice-Connected Disability Retirement benefits if they are permanently disabled at any age after earning five years of Credited Service.

Benefit Amount

The Nonservice-Connected Disability Retirement Benefit payable to Tier 1 General Members is equal to the greatest of:

- 1.8% of Final Compensation at disability multiplied by years of Credited Service at disability;
- 1.8% of Final Compensation at disability multiplied by years of Credited Service projected to age 62, but not to exceed one-third of Final Compensation; or
- If the Member is eligible at disability for a Service Retirement Benefit, the Service Retirement Benefit accrued on the date of disability.

The Nonservice-Connected Disability Retirement Benefit payable to Tiers 2, 4 and 5 General Members is equal to the greatest of:

- 1.5% of Final Compensation at disability multiplied by years of Credited Service at disability;
- 1.5% of Final Compensation at disability multiplied by years of Credited Service projected to age 65, but not to exceed one-third of Final Compensation; or
- If the Member is eligible at disability for a Service Retirement Benefit, the Service Retirement Benefit accrued on the date of disability.

The Nonservice-Connected Disability Retirement Benefit payable to Safety Members is equal to the greatest of:

- 1.8% of Final Compensation at disability multiplied by years of Credited Service at disability;
- 1.8% of Final Compensation at disability multiplied by years of Credited Service projected to age 55, but not to exceed one-third of Final Compensation; or
- If the Member is eligible at disability for a Service Retirement Benefit, the Service Retirement Benefit accrued on the date of disability.

Form of Benefit

The Nonservice-Connected Disability Retirement Benefit will be paid monthly beginning at the effective date of disability retirement, and for the life of the Member; in the event of the Member's death, 60% of the benefit will continue for the life of the Member's spouse or to the age of majority of dependent minor children if there is no spouse. In the event there is no surviving spouse or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms and COLA adjustments (as described for the Service Retirement benefit) are also available. A lump sum benefit of $5,000 will be payable upon the death of the member.

Death Benefit

Eligibility

A Tier 3 Member's survivors are not eligible to receive death benefits. All other Members' survivors are eligible to receive different Death benefits dependent on the Member's cause of death and retirement eligibility.

Benefit Amount

In the event the Member's death resulted from injury or illness sustained in connection with the Member's duties, the Death Benefit payable to a surviving spouse, domestic partner or eligible dependent children will be the greater of 50% of the Member's Final Compensation at the time of death or the Service Retirement Benefit.

In the event the Member's death did not result from injury or illness sustained in connection with the Member's duties and at the time of death, the Member was eligible for Service Retirement or Non-Service Connected Disability (i.e. the employee was employed at least five years), the Death Benefit payable to the spouse, partner or children will be 60% of the survivor benefit based on benefit due on Member's date of death.

In all other cases, the designated beneficiary (not necessarily a spouse/partner/child) will receive a refund of the Member's contributions with interest plus one month of Final Compensation for each year of service to a maximum of six years.

Form of Benefit

Annuity death benefits will be paid monthly beginning at the Member's death and for the life of the surviving spouse/partner or to the age of majority of dependent minor children if there is no spouse/partner. Lump sum benefits will be paid as described above.

COLA adjustments (as described for the annuity benefits) are also available.

Withdrawal Benefit

Eligibility

Tier 3 Members are not eligible to receive withdrawal benefits. All other Members are eligible for a Withdrawal Benefit upon termination of employment, if not eligible to receive or electing to waive a monthly benefit.

Benefit Amount

The Withdrawal Benefit is a refund of the Member's accumulated Contributions with interest. Upon receipt of the Withdrawal Benefit the Member forfeits all Credited Service.

Form of Benefit

The Withdrawal Benefit is paid in a lump sum upon election by the Member.

Deferred Vested Benefit

Eligibility

A Member is eligible for a Deferred Vested Benefit upon termination of employment after earning five years of Credited Service, including reciprocity service from another system. For Tier 3 Members, the vesting requirement is ten years of Credited Service.

The Member must leave his or her Member Contributions with interest on deposit with the Plan. This requirement does not apply to Tier 3 Members since they participate in a non-contributory Plan.

Benefit Amount

The Deferred Vested Benefit is computed in the same manner as the Service Retirement Benefit, but it is based on Credited Service and Final Compensation on the date of termination.

Form of Benefit

The Deferred Vested Benefit will be paid monthly beginning at retirement and for the life of the Member; in the event of the Member's death, 60% of the benefit will continue for the life of the Member's spouse or to the age of majority of dependent minor children if there is no spouse. For Tier 3 Members, the benefit payable to beneficiary is limited to 50%. In the event there is no surviving spouse or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms and COLA adjustments (as described for the Service Retirement benefit) are also available. A lump sum benefit of $5,000 will be payable upon the death of the member. No death benefit is payable for Tier 3 retired members.

Reciprocal Benefit

Eligibility

A Member is eligible for a Reciprocal Benefit upon termination of employment after earning five years of Credited Service and entry, within a specified period of time, into another retirement system recognized as a reciprocal system by the Plan. For Tier 3 Members, the vesting requirement is ten years of Credited Service.

The Member must leave his or her Member Contributions with interest on deposit with the Plan. This requirement does not apply to Tier 3 Members since they participate in a non-contributory Plan.

Benefit Amount

The Reciprocal Benefit is computed in the same manner as the Service Retirement Benefit, but it is based on Credited Service on the date of termination and Final Compensation on the date of retirement; Final Compensation is based on the highest of the Compensation earned under this Plan or the reciprocal plan.

Form of Benefit

The Reciprocal Benefit will be paid monthly beginning at retirement and for the life of the Member; in the event of the Member's death, 60% of the benefit will continue for the life of the Member's spouse or to the age of majority of dependent minor children if there is no spouse. For Tier 3 Members, the benefit payable to beneficiary is limited to 50%. In the event there is no surviving spouse or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms and COLA adjustments (as described for the Service Retirement benefit) are also available.

A lump sum benefit of $5,000 will be payable upon the death of the member. No death benefit is payable for Tier 3 retired members.

Optional Benefit Forms

Prior to retirement, a member may elect to convert his retirement allowance into a benefit of equivalent actuarial value in accordance with one of the optional forms described below.

1. A reduced retirement allowance payable during his life with the provision that on his death the excess, if any, of his accumulated deductions at the time of retirement over the annuity payments made to him will be paid to his designated beneficiary or estate; or
2. A reduced retirement allowance payable during his life with the provision that after his death the reduced allowance will be continued for life to the beneficiary designated by him at the time of his retirement; or
3. A reduced retirement allowance payable during his life with the provision that after his death an allowance of one-half of his reduced allowance will be continued for life to the beneficiary designated by him at the time of his retirement.

In addition, a member participating in Social Security may elect to receive an increased monthly allowance before age 62 (earliest possible receipt of Social Security benefits) and then take a reduced monthly allowance at age 62 and after. This option will not affect any monthly payments payable to a beneficiary. This option is not available to those receiving a disability benefit.

Member Contributions

All non Tier 3 Members contribute a percentage of Compensation to the Plan through payroll deduction. The percentage contributed depends on the Member's nearest age upon joining the Plan. Members do not contribute after earning 30 years of Credited Service.

City of Ceres members in Tiers 1 and 4 pay the Tier 2 and 5 rates ("Full" rates), rather than the rates for their respective Tiers ("Half" rates).

Interest is credited semiannually to each Member's accumulated contributions. The crediting rate is set by the Board; the current annual rate is 0.00%.

The employee contribution rates are shown in the Appendix II.

Changes in Plan Provisions

There have been no changes in Plan provisions since the prior review.

1.2: Participant Data as of July 1, 2012

Schedule of Active Member Valuation Data					
Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
6/30/2003	General	3,626	163,505,000	45,092	6.76%
	Safety	637	34,159,000	53,625	3.98%
	Total	4,263	197,664,000	46,367	5.23%
6/30/2004	General	3,618	164,462,000	45,457	0.81%
	Safety	630	35,501,000	56,351	5.08%
	Total	4,248	199,963,000	47,072	1.52%
6/30/2005	General	3,651	173,399,000	47,494	4.48%
	Safety	687	38,282,000	55,723	(1.11%)
	Total	4,338	211,681,000	48,797	3.66%
6/30/2006	General	3,702	179,767,000	48,559	2.24%
	Safety	689	40,001,000	58,057	4.19%
	Total	4,391	219,768,000	50,050	2.57%
6/30/2008	General	3,719	230,942,000	62,098	27.88%
	Safety	731	44,638,000	61,064	5.18%
	Total	4,450	275,580,000	61,928	23.73%
6/30/2009	General	3,627	201,144,000	55,457	(10.69%)
	Safety	739	47,172,000	63,832	4.53%
	Total	4,366	248,316,000	56,875	(8.16%)
6/30/2010	General	3,464	202,200,198	58,372	5.26%
	Safety	685	46,630,275	68,073	6.64%
	Total	4,149	248,830,473	59,974	5.45%
6/30/2011	General	3,232	184,906,498	57,211	(1.99%)
	Safety	637	41,800,298	65,621	(3.60%)
	Total	3,869	226,706,796	58,596	(2.30%)
6/30/2012	General	3,233	179,260,736	55,447	(3.08%)
	Safety	661	41,657,273	63,022	(3.96%)
	Total	3,894	220,918,009	56,733	(3.18%)
Actuarial valuation was not performed for fiscal year June 30, 2007					

	General		Safety		Total	
	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12
Active Participants						
Number	3,232	3,233	637	661	3,869	3,894
Average Age	46.52	46.36	39.59	39.14	45.38	45.14
Average Service	11.80	11.76	11.22	11.01	11.70	11.63
Average Pay (does not reflect impact of furloughs)	$57,211	$55,447	$65,621	$63,022	$58,596	$56,733
Service Retired						
Number	2,052	2,148	272	295	2,324	2,443
Average Age	69.09	69.01	64.33	64.05	68.53	68.41
Average Annual Total Benefit	$24,766	$25,759	$49,097	$48,952	$27,614	$28,559
Beneficiaries						
Number	311	311	77	84	388	395
Average Age	73.46	73.20	66.48	64.81	72.07	71.42
Average Annual Total Benefit	$14,084	$15,069	$25,661	$25,373	$16,381	$17,261
Duty Disabled						
Number	110	108	109	112	219	220
Average Age	64.39	65.06	55.83	56.51	60.13	60.70
Average Annual Total Benefit	$21,304	$22,137	$32,380	$34,076	$26,817	$28,215
Ordinary Disabled						
Number	78	78	6	6	84	84
Average Age	63.51	64.51	55.15	56.15	62.92	63.92
Average Annual Total Benefit	$13,682	$14,092	$18,488	$19,043	$14,025	$14,446
Total In Pay						
Number	2,551	2,645	464	497	3,015	3,142
Average Age	69.25	69.21	62.57	62.39	68.22	68.13
Average Annual Total Benefit	$ 22,976	$ 24,010	$ 40,885	$ 41,253	$ 25,732	$ 26,737
Terminated Vested						
Number	536	554	108	99	644	653
Average Age	49.90	49.82	43.19	43.66	48.77	48.89
Average Service	7.53	7.59	6.36	6.34	7.33	7.40
Transfers						
Number	148	180	76	69	224	249
Average Age	47.53	45.68	35.44	37.46	43.43	43.40
Average Service	5.99	5.41	4.75	6.20	5.57	5.63
Total Inactive						
Number	684	734	184	168	868	902
Average Age	49.38	48.81	39.99	41.11	47.39	47.37
Average Service	7.20	7.06	5.69	6.29	6.88	6.91

County, Ceres and Other Districts
Active and Vested Participant Data as of July 1, 2012

	County						Ceres and Other Districts						Total County, Ceres and Other Districts	
	General		Safety		Total		General		Safety		Total			
	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12
Active Participants														
Number	3,114	3,113	556	578	3,670	3,691	118	120	81	83	199	203	3,869	3,894
Average Age	46.56	46.39	39.99	39.36	45.56	45.29	45.64	45.66	36.87	37.66	42.07	42.39	45.38	45.14
Average Service	11.80	11.76	11.42	11.08	11.75	11.66	11.57	11.69	9.81	10.53	10.86	11.22	11.70	11.63
Average Pay*	$ 57,126	$ 55,233	$ 63,114	$ 59,879	$ 58,033	$ 55,961	$ 59,452	$ 61,014	$ 82,823	$ 84,909	$ 68,965	$ 70,784	$ 58,596	$ 56,734
Terminated Vested														
Number	520	536	95	87	615	623	16	18	13	12	29	30	644	653
Average Age	49.90	49.86	43.29	43.74	48.88	49.01	49.73	48.61	42.44	43.06	46.46	46.39	48.77	48.89
Average Service	7.58	7.60	6.38	6.32	7.39	7.42	5.92	7.35	6.20	6.50	6.04	7.01	7.33	7.40
Transfers														
Number	136	167	68	61	204	228	12	13	8	8	20	21	224	249
Average Age	47.96	45.77	34.95	37.04	43.63	43.44	42.59	44.48	39.60	40.60	41.39	43.00	43.43	43.40
Average Service	6.06	5.45	4.55	6.17	5.56	5.64	5.18	4.94	6.43	6.43	5.68	5.51	5.57	5.63
Total Inactive														
Number	656	703	163	148	819	851	28	31	21	20	49	51	868	902
Average Age	49.50	48.89	39.81	40.98	47.57	47.52	46.67	46.88	41.36	42.07	44.39	44.99	47.39	47.37
Average Service	7.26	7.09	5.62	6.26	6.94	6.94	5.60	6.34	6.28	6.47	5.89	6.39	6.88	6.91

*All payroll figures shown are annual

County
Active and Vested Participant Data as of July 1, 2012

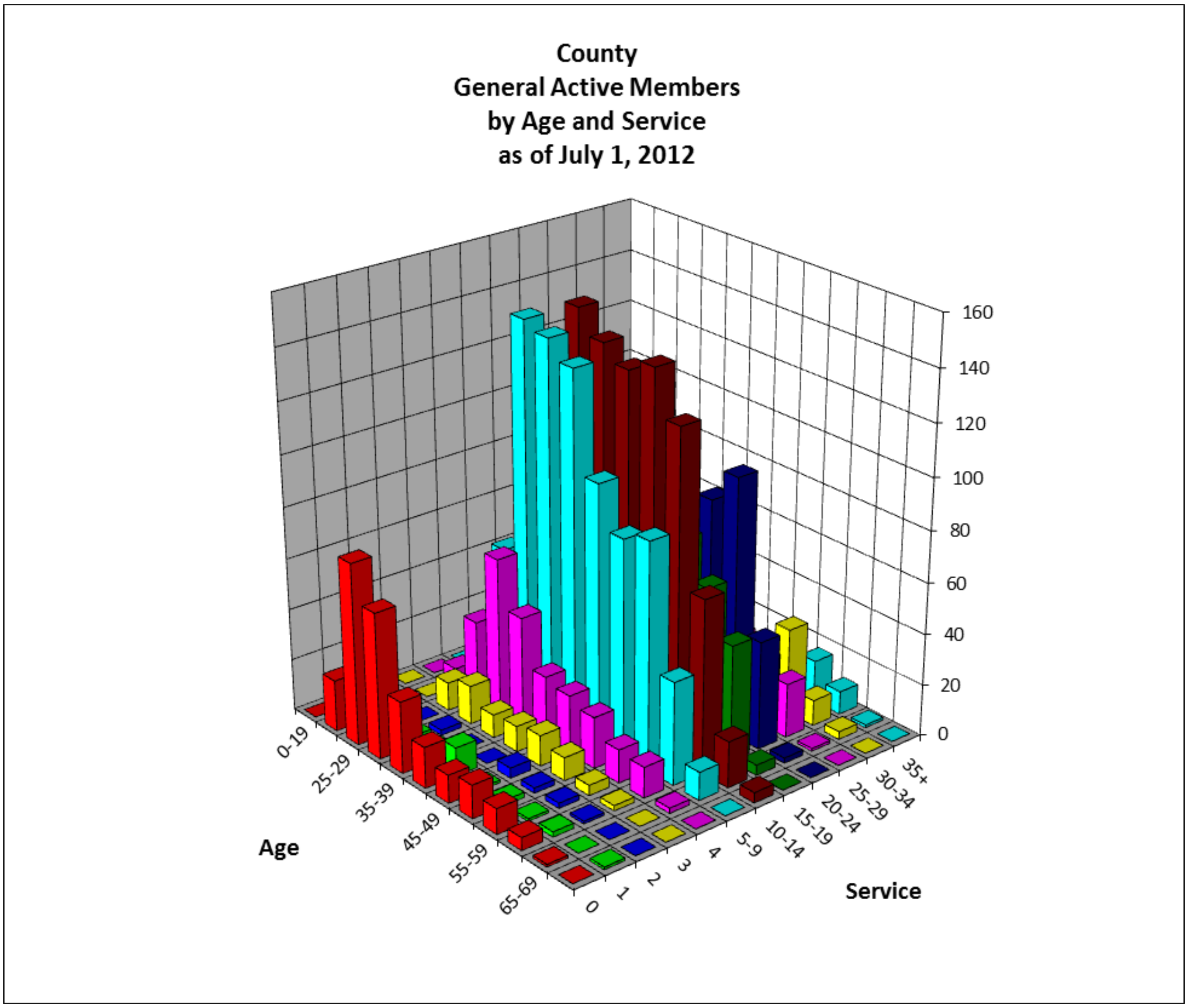
	General										Safety			
	Tier 1		Tier 2		Tier 3		Tier 4		Tier 5		Tier 1/4		Tier 2/5	
	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12
Active Participants														
Number	0	0	4	246	22	19	93	75	2,995	2,773	2	2	554	576
Average Age	0.00	0.00	41.76	35.60	50.89	50.99	57.90	58.63	46.18	46.99	55.37	56.37	39.93	39.30
Average Service	0.00	0.00	0.32	0.81	14.44	15.15	29.97	31.89	11.24	12.17	22.61	23.61	11.38	11.04
Average Pay*	$ 0	$ 0	$79,469	$40,558	$48,668	$46,242	$67,545	$65,919	$56,835	$56,307	$71,968	$70,618	$63,082	$59,841
Terminated Vested														
Number	47	41	193	186	27	29	3	2	250	278	4	2	91	85
Average Age	59.24	60.17	51.02	51.74	51.98	52.40	61.14	62.00	46.92	46.74	57.58	58.00	42.66	43.41
Average Service	10.19	10.63	4.97	4.68	10.77	10.50	14.61	5.31	8.68	8.82	9.02	6.50	6.26	6.32
Transfers														
Number	16	10	17	20	10	8	2	3	91	126	0	0	68	61
Average Age	59.37	58.93	54.29	52.77	45.58	45.88	54.11	54.86	44.90	43.40	0	0	34.95	37.04
Average Service	6.00	5.71	4.19	3.70	10.75	11.70	14.33	19.56	5.72	4.97	0.00	0.00	4.55	6.17
Total Inactive														
Number	63	51	210	206	37	37	5	5	341	404	4	2	159	146
Average Age	59.28	59.93	51.29	51.84	50.25	50.99	58.33	57.72	46.38	45.69	57.58	58.00	39.37	40.75
Average Service	9.13	9.66	4.89	4.59	10.76	10.76	14.50	13.86	7.89	7.62	9.02	6.50	5.53	6.26

*All payroll figures shown are annual

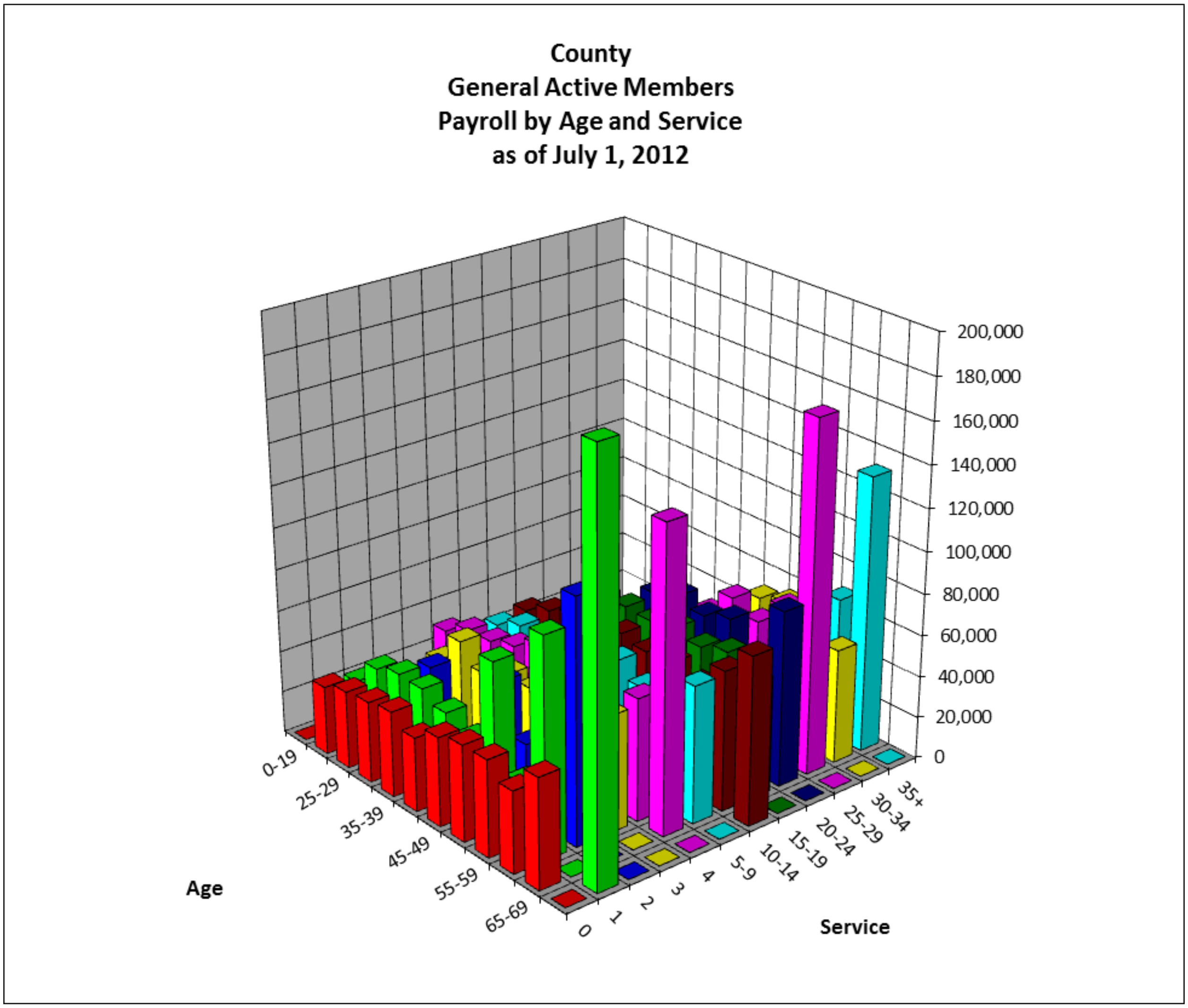
Ceres and Other Districts
Active and Vested Participant Data as of July 1, 2012

	General										Safety			
	Tier 1		Tier 2		Tier 3		Tier 4		Tier 5		Tier 1/4		Tier 2/5	
	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12	7/1/11	7/1/12
Active Participants														
Number	1	1	5	5	0	0	4	3	108	111	1	1	80	82
Average Age	73.28	74.28	44.12	45.12	0	0	59.99	57.45	44.92	45.11	54.59	55.59	36.64	37.44
Average Service	36.43	38.85	6.95	9.35	0.00	0.00	35.60	36.98	10.67	10.86	31.24	32.20	9.55	10.26
Average Pay*	$52,418	$55,190	$39,518	$39,238	$ 0	$ 0	$63,430	$65,399	$60,293	$61,929	$145,515	$141,292	$82,039	$84,221
Terminated Vested														
Number	1	1	10	10	0	0	0	0	5	7	0	0	13	12
Average Age	57.13	58.13	48.54	49.54	0.00	0.00	0.00	0.00	50.64	45.93	0.00	0.00	42.44	43.06
Average Service	5.32	5.32	5.29	5.29	0.00	0.00	0.00	0.00	7.30	10.59	0.00	0.00	6.20	6.50
Transfers														
Number	0	0	2	2	0	0	0	0	10	11	0	0	8	8
Average Age	0.00	0.00	48.30	49.30	0.00	0.00	0.00	0.00	41.45	43.60	0.00	0.00	39.60	40.60
Average Service	0.00	0.00	3.12	3.12	0.00	0.00	0.00	0.00	5.59	5.27	0.00	0.00	6.43	6.43
Total Inactive														
Number	1	1	12	12	0	0	0	0	15	18	0	0	21	20
Average Age	57.13	58.13	48.50	49.50	0.00	0.00	0.00	0.00	44.51	44.51	0.00	0.00	41.36	42.07
Average Service	5.32	5.32	4.93	4.93	0.00	0.00	0.00	0.00	6.16	7.34	0.00	0.00	6.28	6.47

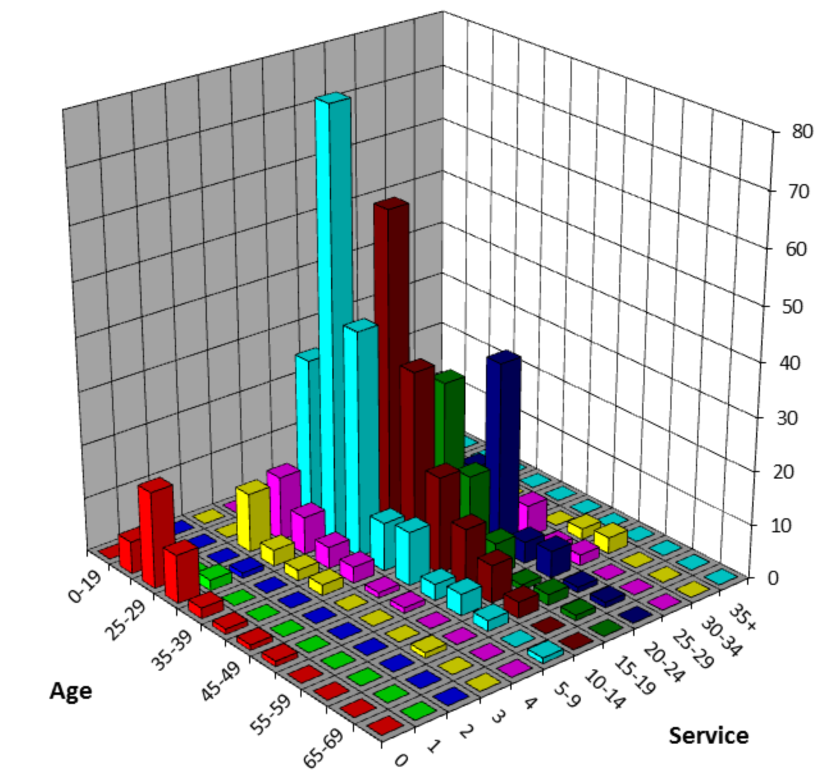
*All payroll figures shown are annual



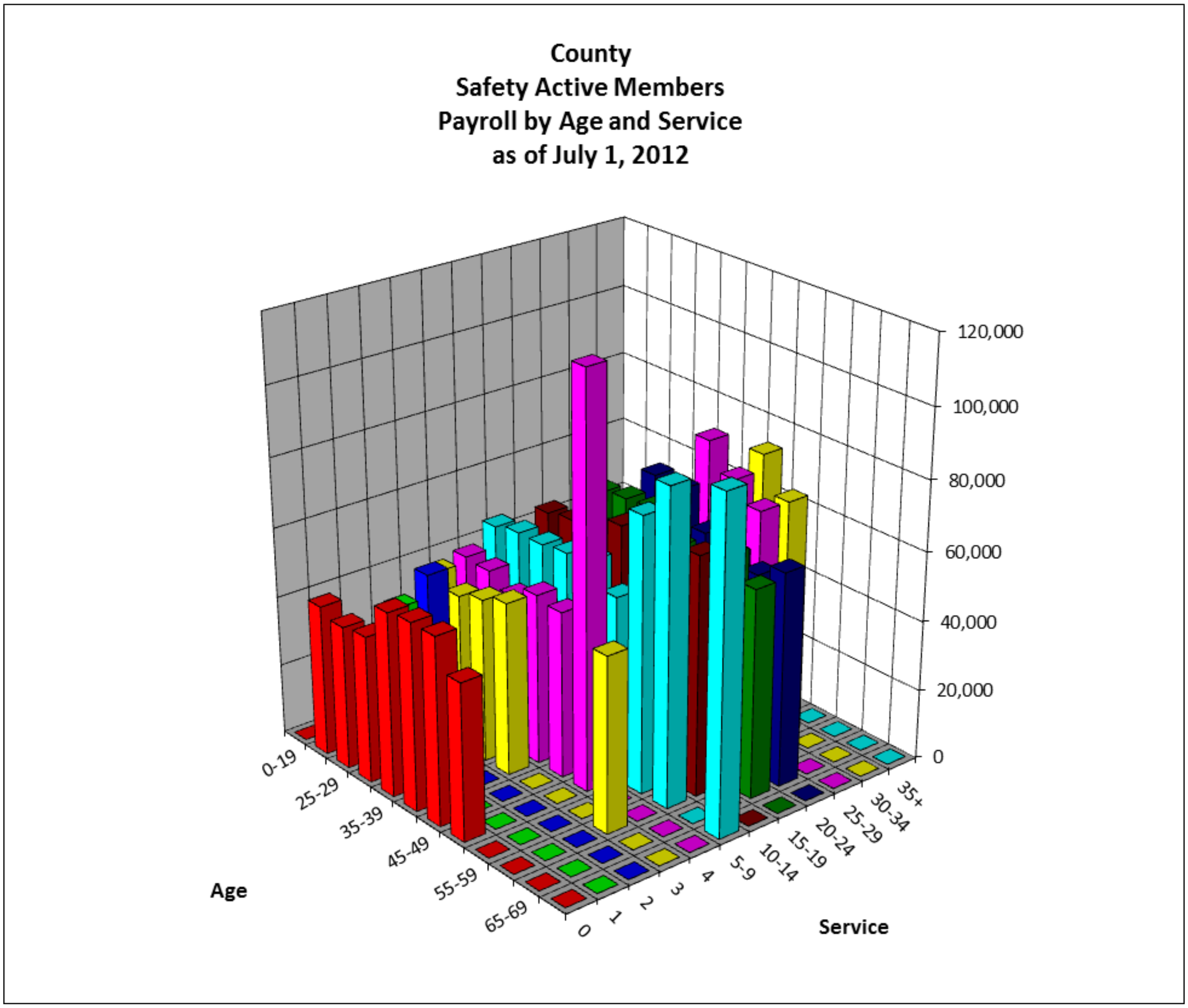
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	20	3	0	0	7	0	0	0	0	0	0	0	30
25-29	71	10	0	11	31	56	3	0	0	0	0	0	182
30-34	57	4	2	15	61	148	39	0	0	0	0	0	326
35-39	28	4	0	9	43	145	153	17	0	0	0	0	399
40-44	16	11	0	10	25	138	144	77	16	0	0	0	437
45-49	11	1	4	12	23	100	138	95	65	21	0	0	470
50-54	13	2	2	9	20	84	143	76	87	30	19	0	485
55-59	10	1	2	4	13	88	126	62	100	25	33	16	480
60-64	5	2	1	2	12	40	67	45	42	21	10	9	256
65-69	1	0	0	0	2	11	18	4	2	1	3	1	43
70+	0	1	0	0	0	0	4	0	0	0	0	0	5
Total	232	39	11	72	237	810	835	376	312	98	65	26	3,113



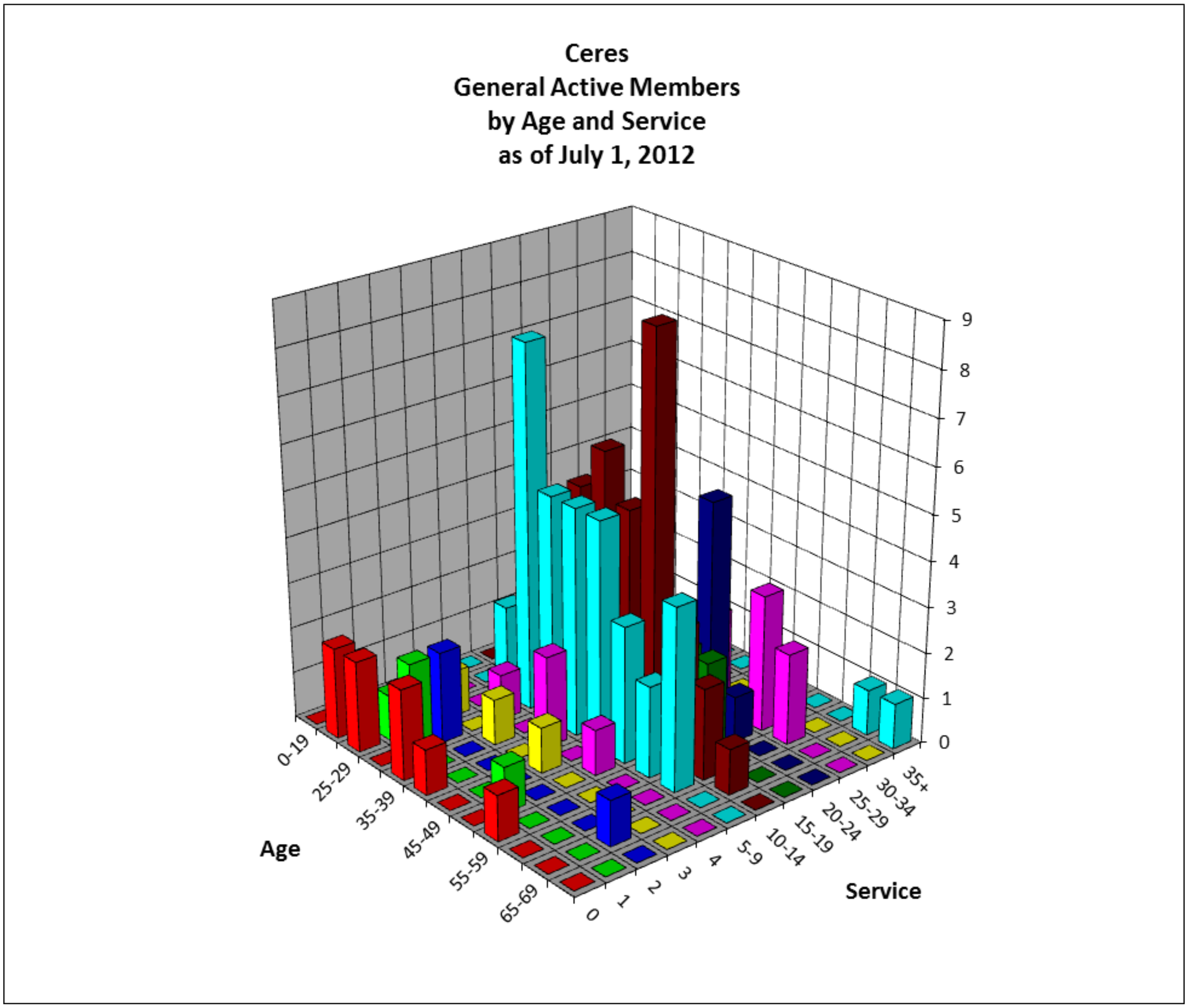
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Average
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	32,896	30,290	0	0	39,198	0	0	0	0	0	0	0	34,106
25-29	37,227	42,955	0	36,580	45,766	43,214	45,136	0	0	0	0	0	40,930
30-34	38,884	46,994	44,724	51,997	46,739	49,092	51,368	0	0	0	0	0	47,220
35-39	41,023	46,622	0	42,841	50,638	49,484	55,174	59,282	0	0	0	0	51,435
40-44	35,504	41,777	0	48,989	57,727	51,071	60,491	60,643	62,119	0	0	0	55,795
45-49	42,725	36,113	57,722	48,613	47,118	54,636	59,072	59,997	66,948	53,851	0	0	57,876
50-54	46,135	79,103	34,680	57,548	43,962	57,819	56,671	62,967	63,341	66,836	61,597	0	59,086
55-59	46,400	29,698	53,843	36,889	41,024	51,431	57,911	59,870	67,935	61,375	65,531	65,784	59,083
60-64	39,129	104,025	116,031	55,536	58,548	56,043	54,010	63,859	54,640	74,712	77,033	67,797	59,812
65-69	52,607	0	0	0	144,551	65,445	66,841	55,365	83,967	167,730	54,751	131,952	72,513
70+	0	197,431	0	0	0	0	80,428	0	0	0	0	0	103,829
Average	38,863	50,870	55,765	47,468	49,168	51,502	57,470	61,089	64,463	65,378	65,653	69,026	55,233



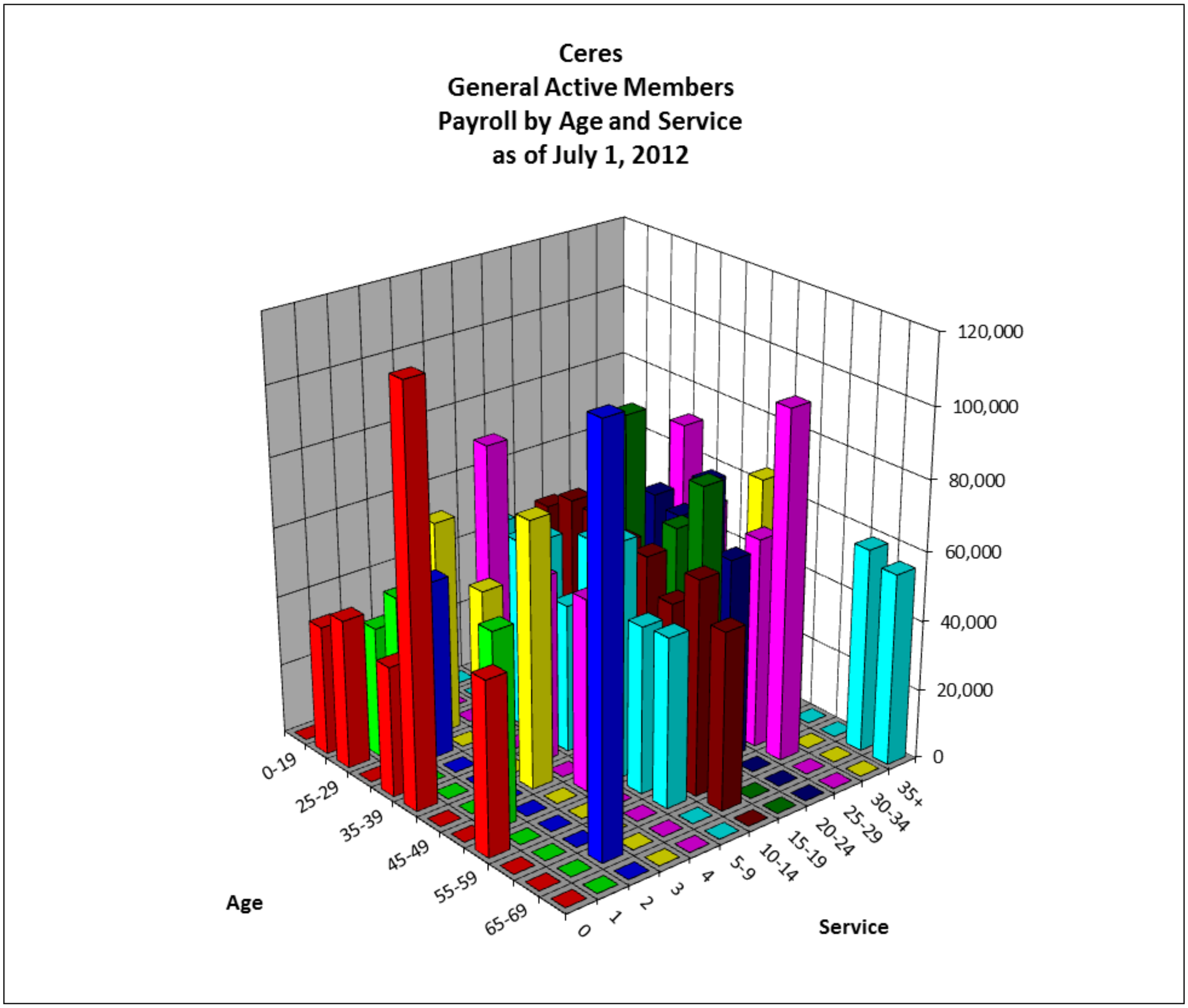
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	6	0	0	0	0	0	0	0	0	0	0	0	6
25-29	18	0	0	11	12	32	0	0	0	0	0	0	73
30-34	9	2	1	3	7	80	22	0	0	0	0	0	124
35-39	2	0	0	2	4	42	62	19	0	0	0	0	131
40-44	1	0	0	2	3	9	35	31	13	0	0	0	94
45-49	1	0	0	0	1	10	18	16	35	6	0	0	87
50-54	1	0	0	0	1	3	11	6	4	1	2	0	29
55-59	0	0	0	0	0	4	7	1	5	2	3	0	22
60-64	0	0	0	1	0	2	3	2	1	0	0	0	9
65-69	0	0	0	0	0	0	0	1	1	0	0	0	2
70+	0	0	0	0	0	1	0	0	0	0	0	0	1
Total	38	2	1	19	28	183	158	76	59	9	5	0	578



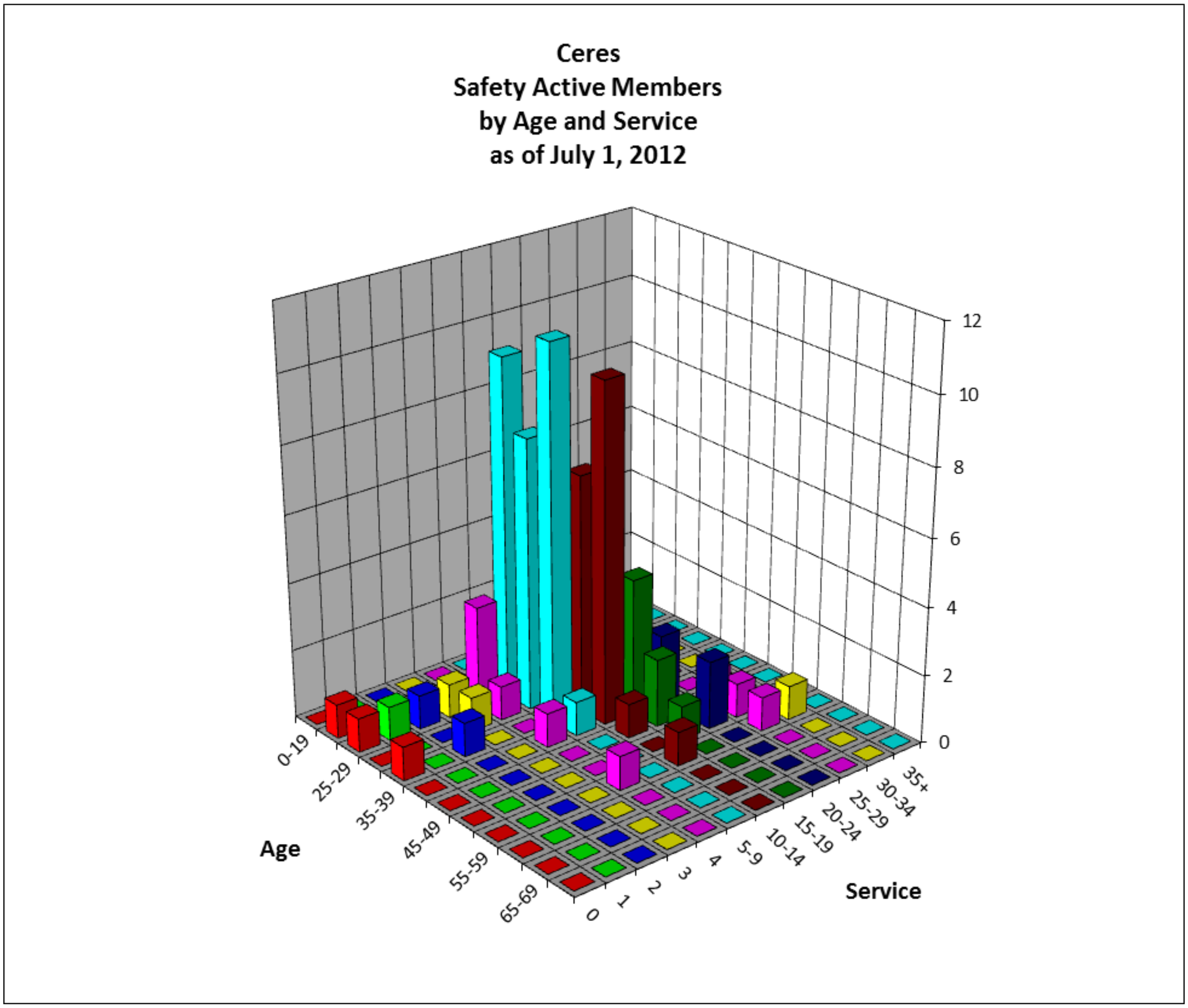
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Average
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	43,243	0	0	0	0	0	0	0	0	0	0	0	43,243
25-29	41,073	0	0	47,689	49,181	55,029	0	0	0	0	0	0	49,520
30-34	42,095	47,192	53,466	44,396	48,695	56,696	59,600	0	0	0	0	0	55,223
35-39	52,789	0	0	46,903	44,870	56,803	60,881	66,064	0	0	0	0	59,499
40-44	53,842	0	0	49,658	48,921	57,815	61,930	67,582	71,497	0	0	0	63,961
45-49	53,842	0	0	0	47,736	59,381	66,162	68,221	70,684	81,849	0	0	68,309
50-54	44,980	0	0	0	117,415	52,595	61,283	60,870	61,738	74,068	78,456	0	63,360
55-59	0	0	0	0	0	78,759	64,046	61,228	58,865	68,468	68,277	0	66,394
60-64	0	0	0	50,267	0	90,045	68,416	65,658	56,974	0	0	0	69,322
65-69	0	0	0	0	0	0	0	59,679	61,219	0	0	0	60,449
70+	0	0	0	0	0	95,262	0	0	0	0	0	0	95,262
Average	43,049	47,192	53,466	47,429	50,801	57,621	61,848	66,569	68,862	78,011	72,349	0	59,879



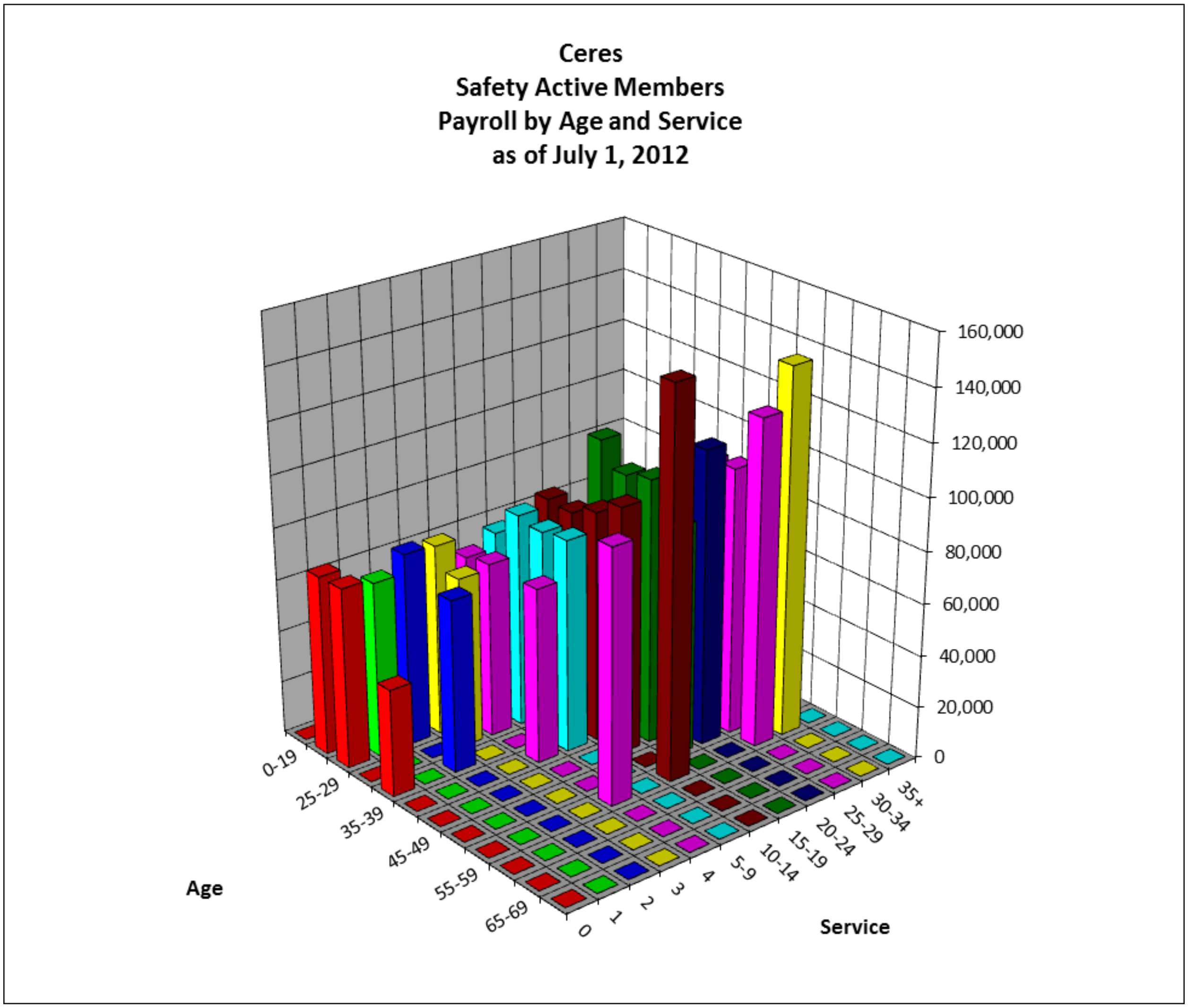
Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	2	0	0	0	0	0	0	0	0	0	0	0	2
25-29	2	1	1	1	0	2	0	0	0	0	0	0	7
30-34	0	2	2	0	1	8	4	0	0	0	0	0	17
35-39	2	0	0	1	0	5	5	1	0	0	0	0	14
40-44	1	0	0	0	2	5	6	2	1	1	0	0	18
45-49	0	0	0	1	0	5	5	1	1	2	0	0	15
50-54	0	1	0	0	1	3	9	2	5	0	1	0	22
55-59	1	0	0	0	0	2	3	2	1	3	1	0	13
60-64	0	0	0	0	0	4	2	0	0	2	0	0	8
65-69	0	0	1	0	0	0	1	0	0	0	0	1	3
70+	0	0	0	0	0	0	0	0	0	0	0	1	1
Total	8	4	4	3	4	34	35	8	8	8	2	2	120



Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Average
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	37,203	0	0	0	0	0	0	0	0	0	0	0	37,203
25-29	42,840	37,440	41,854	61,790	0	55,900	0	0	0	0	0	0	48,366
30-34	0	49,955	51,157	0	84,109	54,183	61,422	0	0	0	0	0	56,793
35-39	37,355	0	0	49,356	0	58,136	66,465	66,464	0	0	0	0	58,110
40-44	118,152	0	0	0	53,504	42,702	65,943	91,024	65,859	82,889	0	0	64,729
45-49	0	0	0	76,282	0	64,978	61,319	52,423	63,181	63,045	0	0	63,297
50-54	0	55,773	0	0	55,043	67,728	60,991	65,976	76,056	0	71,195	0	65,743
55-59	49,681	0	0	0	0	48,019	51,322	80,998	57,525	60,418	66,347	0	58,985
60-64	0	0	0	0	0	48,775	61,760	0	0	100,018	0	0	64,832
65-69	0	0	118,492	0	0	0	51,014	0	0	0	0	58,654	76,053
70+	0	0	0	0	0	0	0	0	0	0	0	55,190	55,190
													0
Average	51,831	40,791	72,047	62,011	50,774	56,368	56,303	76,634	57,669	79,119	65,608	54,657	61,014



Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	1	0	0	0	0	0	0	0	0	0	0	0	1
25-29	1	1	1	1	3	10	0	0	0	0	0	0	17
30-34	0	0	0	1	1	8	3	0	0	0	0	0	13
35-39	1	0	1	0	0	11	7	2	0	0	0	0	22
40-44	0	0	0	0	1	1	10	4	2	0	0	0	18
45-49	0	0	0	0	0	0	1	2	0	1	0	0	4
50-54	0	0	0	0	0	0	0	1	2	1	0	0	4
55-59	0	0	0	0	1	0	1	0	0	1	1	0	4
60-64	0	0	0	0	0	0	0	0	0	0	0	0	0
65-69	0	0	0	0	0	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	3	1	2	2	6	30	22	9	4	3	1	0	83



Service / Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Average
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	69,099	0	0	0	0	0	0	0	0	0	0	0	69,099
25-29	69,393	67,402	74,381	73,587	65,319	70,888	0	0	0	0	0	0	69,976
30-34	0	0	0	65,734	67,326	82,209	84,721	0	0	0	0	0	80,377
35-39	41,116	0	66,524	0	0	80,410	83,972	107,948	0	0	0	0	81,630
40-44	0	0	0	0	67,531	81,935	88,600	98,994	93,222	0	0	0	89,883
45-49	0	0	0	0	0	0	95,057	101,570	0	101,307	0	0	99,876
50-54	0	0	0	0	0	0	0	88,201	113,280	102,698	0	0	104,365
55-59	0	0	0	0	97,563	0	148,531	0	0	125,740	141,292	0	128,282
60-64	0	0	0	0	0	0	0	0	0	0	0	0	0
65-69	0	0	0	0	0	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Average	59,869	67,402	70,453	69,661	71,396	77,767	89,616	100,357	103,251	109,915	141,292	0	84,909

Changes in Plan Membership: County General

	Actives	Transfers	Non Vested Terminations due Refunds	Vested Terminations	Ordinary Disabled	Duty Disabled	Retired	Beneficiaries	Total
July 1, 2011	**3,114**	**136**	**180**	**520**	**78**	**105**	**2,013**	**311**	**6,457**
New Entrants	254	-	-	-	-	-	-	-	254
Rehires	22	(1)	(5)	(6)	-	-	-	-	10
Duty Disabilities	-	-	-	-	-	-	-	-	0
Ordinary Disabilities	-	-	-	-	-	-	-	-	0
Retirements	(121)	(7)	-	(26)	-	-	153	-	(1)
Retirements from Safety with General Service	-	-	-	-	-	-	-	-	0
Vested Terminations	(57)	-	-	57	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	(4)	-	-	-	-	(1)	(16)	21	0
Died, Without Beneficiary, and Other Terminations	(39)	-	36	-	-	(3)	(43)	-	(49)
Transfers	(29)	41	(5)	(7)	-	-		-	0
Beneficiary Deaths	-	-	-	-	-	-	-	(23)	(23)
Domestic Relations Orders	-	-	-	-	-	-	-	2	2
Withdrawals Paid	(27)	(1)	(13)	(6)	-	-	-		(47)
Member Reclassifications	-	(1)	(4)	4	-	1	-	(1)	(1)
July 1, 2012	**3,113**	**167**	**189**	**536**	**78**	**102**	**2,107**	**310**	**6,602**

Changes in Plan Membership: County Safety

	Actives	Transfers	Non Vested Terminations due Refunds	Vested Terminations	Ordinary Disabled	Duty Disabled	Retired	Beneficiaries	Total
July 1, 2011	**556**	**68**	**31**	**95**	**6**	**103**	**267**	**77**	**1,203**
New Entrants	37	-	-	-	-	-	-	-	37
Rehires	10	-	(5)	(2)	-	-	-	-	3
Duty Disabilities	(2)	-	-	-	-	2	-	-	0
Ordinary Disabilities	-	-	-	-	-	-	-	-	0
Retirements	(25)	(1)	-	(5)	-		31		0
Retirements from General with Safety Service	-	-	-	-	-	-	-	-	0
Vested Terminations	(6)	-	-	6	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	-	-	(1)	(2)	4	1
Died, Without Beneficiary, and Other Terminations	(4)	-	3	-	-	-	(5)	-	(6)
Transfers	17	(6)	(3)	(6)	-	-	-	-	2
Beneficiary Deaths		-	-	-	-	-	-	(2)	(2)
Domestic Relations Orders	-	-	-	-	-	-	-	3	3
Withdrawals Paid	(5)	-	(4)	(1)	-	-	-		(10)
Member Reclassifications	-	-	-	-	-	2	(2)	2	2
July 1, 2012	**578**	**61**	**22**	**87**	**6**	**106**	**289**	**84**	**1,233**

Changes in Plan Membership: Ceres and Other Districts General

	Actives	Transfers	Non Vested Terminations due Refunds	Vested Terminations	Ordinary Disabled	Duty Disabled	Retired	Beneficiaries	Total
July 1, 2011	**118**	**12**	**6**	**16**	**0**	**5**	**39**	**0**	**196**
New Entrants	7	-	-	-	-	-	-	-	7
Rehires	2	-	-	-	-	-	-	-	2
Duty Disabilities	(1)	-	-	-	-	1	-	-	0
Ordinary Disabilities	-	-	-	-	-	-	-	-	0
Retirements	(1)	(1)	-	(1)	-	-	3	-	0
Retirements from General with Safety Service	-	-	-	-	-	-	-	-	0
Vested Terminations	(4)	-	-	4	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	-	-	-	-	-	0
Died, Without Beneficiary, and Other Terminations	(1)	-	1	-	-	-	(1)	-	(1)
Transfers	-	1	(1)	-	-	-	-	-	0
Beneficiary Deaths	-	-	-	-	-	-	-	-	0
Domestic Relations Orders	-	-	-	-	-	-	-	1	1
Withdrawals Paid	-		-	(1)	-	-	-	-	(1)
Member Reclassifications	-	1	-	-	-	-	-	-	1
July 1, 2012	**120**	**13**	**6**	**18**	**0**	**6**	**41**	**1**	**205**

Changes in Plan Membership: Ceres and Other Districts Safety

	Actives	Transfers	Non Vested Terminations due Refunds	Vested Terminations	Ordinary Disabled	Duty Disabled	Retired	Beneficiaries	Total
July 1, 2011	**81**	**8**	**1**	**13**	**0**	**6**	**5**	**0**	**114**
New Entrants	3	-	-	-	-	-	-	-	3
Rehires	-	-	-	-	-	-	-	-	0
Duty Disabilities	-	-	-	-	-	-	-	-	0
Ordinary Disabilities	-	-	-	-	-	-	-	-	0
Retirements	-	-	-	(1)	-	-	1	-	0
Retirements from General with Safety Service	-	-	-	-	-	-	-	-	0
Vested Terminations	-	-	-	-	-	-	-	-	0
Died, With Beneficiaries' Benefit Payable	-	-	-	-	-	-	-	-	0
Died, Without Beneficiary, and Other Terminations	(1)	-	1	-	-	-	-	-	0
Transfers	-	-	-	-	-	-	-	-	0
Beneficiary Deaths	-	-	-	-	-	-	-	-	0
Domestic Relations Orders	-	-	-	-	-	-	-	-	0
Withdrawals Paid	-	-	-	-	-	-	-	-	0
Member Reclassifications	-	-	-	-	-	-	-	-	0
July 1, 2012	**83**	**8**	**2**	**12**	**0**	**6**	**6**	**0**	**117**

Changes in Plan Membership: All Groups

	Actives	Transfers	Non Vested Terminations due Refunds	Vested Terminations	Ordinary Disabled	Duty Disabled	Retired	Beneficiaries	Total
July 1, 2011	**3,869**	**224**	**218**	**644**	**84**	**219**	**2,324**	**388**	**7,970**
New Entrants	301	0	0	0	0	0	0	0	301
Rehires	34	(1)	(10)	(8)	0	0	0	0	15
Duty Disabilities	(3)	0	0	0	0	3	0	0	0
Ordinary Disabilities	0	0	0	0	0	0	0	0	0
Retirements	(147)	(9)	0	(33)	0	0	188	0	(1)
Retirements from General with Safety Service	0	0	0	0	0	0	0	0	0
Vested Terminations	(67)	0	0	67	0	0	0	0	0
Died, With Beneficiaries' Benefit Payable	(4)	0	0	0	0	(2)	(18)	25	1
Died, Without Beneficiary, and Other Terminations	(45)	0	41	0	0	(3)	(49)	0	(56)
Transfers	(12)	36	(9)	(13)	0	0	0	0	2
Beneficiary Deaths	0	0	0	0	0	0	0	(25)	(25)
Domestic Relations Orders	0	0	0	0	0	0	0	6	6
Withdrawals Paid	(32)	(1)	(17)	(8)	0	0	0	0	(58)
Member Reclassifications	0	0	(4)	4	0	3	(2)	1	2
July 1, 2012	**3,894**	**249**	**219**	**653**	**84**	**220**	**2,443**	**395**	**8,157**

Service Retired

	County				Ceres and Other Districts				Total	
	General		Safety		General		Safety			
Age	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit
35-39	0	$0	0	$0	0	$0	0	$0	0	$0
40-44	0	$0	0	$0	0	$0	0	$0	0	$0
45-49	0	$0	3	$73,954	0	$0	1	$5,130	4	$56,748
50-54	75	$18,362	36	$41,462	0	$0	1	$110,494	112	$26,609
55-59	223	$29,744	62	$48,764	7	$20,552	2	$110,182	294	$34,084
60-64	502	$30,944	68	$55,241	13	$27,338	2	$69,722	585	$33,821
65-69	485	$28,204	55	$53,057	11	$26,240	0	$0	551	$30,645
70-74	323	$22,087	35	$43,584	6	$29,956	0	$0	364	$24,284
75-79	190	$20,297	14	$43,926	4	$37,325	0	$0	208	$22,215
80-84	162	$21,879	6	$28,826	0	$0	0	$0	168	$22,127
85-89	92	$17,983	10	$23,954	0	$0	0	$0	102	$18,569
90-94	49	$14,471	0	$0	0	$0	0	$0	49	$14,471
95+	6	$15,194	0	$0	0	$0	0	$0	6	$15,194
All Ages	**2,107**	**$25,730**	**289**	**$48,323**	**41**	**$27,242**	**6**	**$79,238**	**2,443**	**$28,559**

Duty Disabled

	County				Ceres and Other Districts				Total	
	General		Safety		General		Safety			
Age	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit
25-29	0	$0	0	$0	0	$0	0	$0	0	$0
30-34	0	$0	0	$0	0	$0	0	$0	0	$0
35-39	1	$13,596	3	$29,108	0	$0	0	$0	4	$25,230
40-44	2	$20,456	13	$34,594	0	$0	1	$26,923	16	$32,347
45-49	2	$24,808	13	$32,080	1	$26,625	0	$0	16	$30,830
50-54	6	$19,385	19	$27,574	0	$0	1	$31,748	26	$25,845
55-59	20	$21,405	21	$37,378	1	$20,857	3	$35,704	45	$29,800
60-64	21	$22,624	16	$39,638	1	$25,197	0	$0	38	$29,856
65-69	19	$22,029	13	$32,949	3	$19,060	1	$72,092	36	$27,115
70-74	16	$24,537	4	$25,914	0	$0	0	$0	20	$24,813
75-79	6	$20,713	4	$37,385	0	$0	0	$0	10	$27,382
80-84	8	$23,022	0	$0	0	$0	0	$0	8	$23,022
85-89	0	$0	0	$0	0	$0	0	$0	0	$0
90-94	1	$17,697	0	$0	0	$0	0	$0	1	$17,697
95+	0	$0	0	$0	0	$0	0	$0	0	$0
All Ages	**102**	**$22,166**	**106**	**$33,761**	**6**	**$21,643**	**6**	**$39,646**	**220**	**$28,215**

Ordinary Disabled

	County				Ceres and Other Districts				Total	
	General		Safety		General		Safety			
Age	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit
35-39	0	$0	0	$0	0	$0	0	$0	0	$0
40-44	0	$0	1	$20,163	0	$0	0	$0	1	$20,163
45-49	7	$15,159	0	$0	0	$0	0	$0	7	$15,159
50-54	7	$16,124	1	$23,001	0	$0	0	$0	8	$16,983
55-59	11	$15,508	2	$20,004	0	$0	0	$0	13	$16,199
60-64	18	$13,635	1	$12,876	0	$0	0	$0	19	$13,595
65-69	14	$17,271	1	$18,210	0	$0	0	$0	15	$17,334
70-74	10	$11,462	0	$0	0	$0	0	$0	10	$11,462
75-79	3	$8,814	0	$0	0	$0	0	$0	3	$8,814
80-84	6	$11,633	0	$0	0	$0	0	$0	6	$11,633
85-89	2	$5,774	0	$0	0	$0	0	$0	2	$5,774
90-94	0	$0	0	$0	0	$0	0	$0	0	$0
95+	0	$0	0	$0	0	$0	0	$0	0	$0
All Ages	**78**	**$14,092**	**6**	**$19,043**	**0**	**$0**	**0**	**$0**	**84**	**$14,446**

Surviving Beneficiaries (all benefit types)

	County				Ceres and Other Districts				Total	
	General		Safety		General		Safety			
Age	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit
0-24	0	$0	3	$13,840	0	$0	0	$0	3	$13,840
25-29	1	$33,121	0	$0	0	$0	0	$0	1	$33,121
30-34	2	$7,655	0	$0	0	$0	0	$0	2	$7,655
35-39	1	$5,296	1	$35,101	0	$0	0	$0	2	$20,199
40-44	7	$12,533	2	$19,705	0	$0	0	$0	9	$14,127
45-49	7	$8,377	3	$39,510	0	$0	0	$0	10	$17,717
50-54	13	$11,018	9	$16,546	0	$0	0	$0	22	$13,279
55-59	17	$12,319	9	$18,382	0	$0	0	$0	26	$14,418
60-64	40	$15,337	13	$27,172	1	$10,129	0	$0	54	$18,090
65-69	35	$17,430	9	$33,559	0	$0	0	$0	44	$20,729
70-74	38	$20,184	15	$27,432	0	$0	0	$0	53	$22,235
75-79	35	$16,008	10	$34,180	0	$0	0	$0	45	$20,046
80-84	41	$16,190	5	$18,645	0	$0	0	$0	46	$16,457
85-89	46	$13,731	2	$18,307	0	$0	0	$0	48	$13,922
90-94	20	$10,893	2	$11,686	0	$0	0	$0	22	$10,965
95+	7	$8,518	1	$20,676	0	$0	0	$0	8	$10,038
All Ages	**310**	**$15,085**	**84**	**$25,373**	**1**	**$10,129**	**0**	**$0**	**395**	**$17,261**

Benefit Form Elections

	County		Ceres and Other Districts		Total
	General	Safety	General	Safety	
Service Retired					
Option #0 (Unmodified 60% to Spouse)	1,770	259	34	5	2,068
Option #1 (Cash Refund)	145	5	1	0	151
Option #2 (100% Continuance)	166	25	6	1	198
Option #3 (50% Continuance)	26	0	0	0	26
Total Service Retired	2,107	289	41	6	2,443
Ordinary Disability					
Option #0 (Unmodified 60% to Spouse)	74	4	0	0	78
Option #1 (Cash Refund)	2	2	0	0	4
Option #2 (100% Continuance)	2	0	0	0	2
Option #3 (50% Continuance)	0	0	0	0	0
Total Ordinary Disability	78	6	0	0	84
Duty Disability					
Option #0 (Unmodified 100% to Spouse)	91	96	5	5	197
Option #1 (Cash Refund)	1	0	1	0	2
Option #2 (100% Continuance)	6	9	0	1	16
Option #3 (50% Continuance)	4	1	0	0	5
Total Duty Disability	102	106	6	6	220
Total	2,287	401	47	12	2,747

1.3: Actuarial Methods and Assumptions

Actuarial Method

Annual contributions to the Stanislaus County Employees' Retirement Association (the Plan) are computed under the Entry Age Normal Actuarial Cost Method, computed to each decrement.

Under this Cost Method, the Normal Cost is calculated as the amount necessary to fund Members' benefits as a level percentage of total payroll over their projected working lives. At each valuation date, the Actuarial Accrued Liability is equal to the difference between the liability for the Members' total projected benefit and the present value of future Normal Cost contributions.

The excess of the Actuarial Accrued Liability over Plan assets is the Unfunded Actuarial Accrued Liability, and the liability for each valuation group is amortized as a level percentage of payroll over a closed period (24 years as of the current valuation). For the current valuation, payroll is not expected to grow for the first two years of the amortization schedule.

Amounts may be added to or subtracted from the Unfunded Actuarial Accrued Liability due to Plan amendments or changes in actuarial assumptions.

The total Plan cost is the sum of the Normal Cost (computed on an Aggregate basis) and the amortization of the Unfunded Actuarial Accrued Liability.

Actuarial Value of Plan Assets

The actuarial value of Plan assets is modified market-related value. The market value of assets is adjusted to recognize, over a five-year period, differences between actual investment earnings and the assumed investment return. The actuarial value of assets is limited to no less than 80% and no more than 120% of the market value. As of June 30, 2011, the actuarial value was reset to equal market value.

The detailed calculations of the actuarial value of Plan assets are shown in Section 2.

Actuarial Assumptions

The assumptions shown below are based on an experience studies conducted as of June 30, 2012 for the period covering July 1, 2009 through June 30, 2012, performed by EFI.

Summary of Actuarial Assumptions

Valuation Date — All assets and liabilities are computed as of June 30, 2012.

Rate of Return — The annual rate of return on all Plan assets is assumed to be 7.75%, net of investment expenses.

Administrative Expenses — An allowance of $2,100,000 for Plan administrative expenses has been included in the annual cost calculated.

Interest Credited to Employee Accounts — The employee accounts are credited with 0.00% interest annually.

Cost of Living — The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 3.25% per year.

Increases in Pay — Current Rate: 3.50% Base salary increases.

Assumed pay increases for active Members consist of increases due to base salary adjustments (as noted above), plus service-based increases due to longevity and promotion, as shown below.

Service	General	Safety
0	3.75%	7.75%
1	3.75%	6.75%
2	3.75%	5.75%
3	3.75%	4.75%
4	3.75%	3.75%
5-9	1.75%	1.75%
10-19	0.75%	0.75%
20-29	0.25%	0.75%
30+	0.25%	0.25%

Mortality Improvement

No mortality improvement is explicitly assumed; however we build a margin in our mortality assumption between the actual and expected number of deaths in order to assume some future mortality improvements. The experience study report for the period covering July 1, 2009 to June 30, 2012 contains a full description of these margins.

Active Member Mortality

Rates of mortality for active Members are specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries (projected from 2000 to 2020 using Scale AA). Duty related mortality rates are only applicable for Safety Active Members. Sample rates are as follows:

Representative Rates

	Duty Death	Ordinary Death – General and Safety	
Age	Safety All	Female	Male
20	0.0150%	0.0138%	0.0235%
25	0.0189%	0.0156%	0.0308%
30	0.0254%	0.0216%	0.0402%
35	0.0357%	0.0381%	0.0699%
40	0.0564%	0.0522%	0.0919%
45	0.0885%	0.0814%	0.1161%
50	0.0703%	0.1189%	0.1487%
55	0.1055%	0.2314%	0.2469%
60	0.0000%	0.4573%	0.4887%
65	0.0000%	0.8780%	0.9607%
70	0.0000%	1.5145%	1.6413%

Retired Member Mortality

Rates of mortality for retired Members and their beneficiaries are specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries (projected from 2000 to 2020 using Scale AA). Sample rates are shown below.

Age	Female	Male
45	0.081%	0.116%
50	0.119%	0.149%
55	0.231%	0.247%
60	0.457%	0.489%
65	0.868%	0.961%
70	1.514%	1.641%
75	2.393%	2.854%
80	3.987%	5.265%
85	6.866%	9.624%
90	12.400%	16.928%

Disabled Member Mortality

Rates of mortality for disabled Members are specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries (projected from 2000 to 2020 using Scale AA) set forward 7 years. Sample rates are as follows:

Representative Rates

Age	Female	Male
45	0.152%	0.178%
50	0.315%	0.333%
55	0.602%	0.647%
60	1.100%	1.237%
65	1.832%	2.016%
70	2.963%	3.611%
75	4.892%	6.854%
80	8.892%	12.062%
85	14.843%	20.397%
90	21.098%	28.808%

Service Retirement

Retirement is assumed to occur among eligible members in accordance with the table below.

Age	Safety	General
40-44	5.00%	0.00%
45-49	5.00%	0.00%
50	15.00%	5.00%
51	15.00%	4.00%
52	15.00%	4.00%
53	15.00%	5.00%
54	15.00%	6.00%
55	15.00%	10.00%
56	15.00%	10.00%
57	20.00%	10.00%
58	30.00%	12.00%
59	30.00%	15.00%
60	100.00%	18.00%
61	100.00%	18.00%
62	100.00%	30.00%
63	100.00%	25.00%
64	100.00%	25.00%
65	100.00%	40.00%
66	100.00%	30.00%
67	100.00%	30.00%
68	100.00%	30.00%
69	100.00%	30.00%
70	100.00%	100.00%

Service-Connected Disability

Separate rates of duty disability are assumed among Safety and General Members; rates for both sexes for Safety Members are combined. Below are sample rates:

Representative Rates

	Safety	General	
Age	All	Female	Male
20	0.0759%	0.0002%	0.0043%
25	0.1932%	0.0004%	0.0102%
30	0.3457%	0.0008%	0.0211%
35	0.5309%	0.0024%	0.0284%
40	0.7426%	0.0056%	0.0401%
45	1.1297%	0.0101%	0.0613%
50	1.5092%	0.0162%	0.0897%
55	1.7230%	0.0249%	0.1227%
60	0.0000%	0.0349%	0.1637%
65	0.0000%	0.0000%	0.0000%

Non Service-Connected Disability

Separate rates of ordinary disability are assumed among Safety and General Members; rates for both sexes for Safety Members are combined. The rates shown are applied after five Years of Service. Below are sample rates:

	Safety	General	
Age	All	Female	Male
20	0.0173%	0.0025%	0.0130%
25	0.0409%	0.0050%	0.0307%
30	0.0421%	0.0100%	0.0316%
35	0.0568%	0.0281%	0.0426%
40	0.0802%	0.0446%	0.0602%
45	0.1227%	0.0808%	0.0920%
50	0.1793%	0.1295%	0.1345%
55	0.2453%	0.1990%	0.1840%
60	0.0000%	0.2794%	0.2456%
65	0.0000%	0.0000%	0.0000%

Termination (all types)

Rates of termination apply to all active Members who terminate their employment.

Separate rates of termination are assumed among Safety and General Members.

Service	Safety	General	
Service	All	Female	Male
0	15.0%	14.0%	24.0%
1	15.0%	9.4%	14.0%
2	10.5%	7.9%	11.7%
3	10.0%	7.9%	9.4%
4	6.0%	7.1%	7.1%
5	3.7%	5.0%	5.0%
10	3.4%	3.5%	3.5%
15	1.9%	2.9%	2.9%
20	0.0%	1.5%	1.5%
25	0.0%	1.3%	1.3%
30	0.0%	0.0%	0.0%

Withdrawal

Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions, forfeiting entitlement to future Plan benefits. Separate rates of withdrawal are assumed among Safety and General Members, and are based on service. The rates do not overlap with the service retirement rates.

50% of all General Member terminations with less than ten years of service are assumed to take a refund of contributions, as well as 20% of those with ten or more years of service.

35% of all Safety Member terminations with less than ten years of service are assumed to take a refund of contributions, and 10% of those with ten or more years are assumed to take a refund.

Vested Termination

Rates of vested termination apply to active Members who terminate their employment after five years of service and leave their member contributions on deposit with the Plan. Alternatively, those who terminate their employment with less than five years of service can leave their member contributions with the Plan and transfer to a reciprocal employer, therefore retaining entitlement to future Plan benefits.

Vested terminated Tier 3 General Members are assumed to begin receiving benefits at age 65 while all other General Members are assumed to begin at age 58; terminated Safety Members are assumed to begin receiving benefits at age 53. 25% of vested terminated General Members are assumed to be reciprocal; 50% of vested terminated Safety Members are assumed to be reciprocal.

Family Composition

50% of female members and 90% of male members are assumed to be married at retirement. Male spouses are assumed to be three years older than their wives.

Accumulated Vacation Time Load

Active members' service retirement and disability benefits are loaded by 2.5% for Safety Members and 3.5% for General Members for conversion of vacation time.

Participant Data

Data on active and inactive Members and their beneficiaries as of the valuation date was supplied by the Plan Administrator on electronic media. As is usual in studies of this type, Member data was neither verified nor audited.

1.4: Glossary of Actuarial Terms

Actuarial Accrued Liability

A plan's actuarial accrued liability is the level of assets estimated by the system actuary to be needed as of the valuation date to

- Finance all previously earned benefits for actively employed members of the plan (and their beneficiaries, if applicable) for when they eventually retire, die or terminate with deferred vested benefits, and
- Finance all currently payable benefits of current pensioners and their beneficiaries (if applicable).

It is important to note that the Actuarial Accrued Liability is not a debt; instead, it is an asset target set by the actuarial cost method to produce an orderly accumulation of assets to pay for the plan's obligations.

Actuarial Assumptions

The actuarial assumptions are the actuary's anticipated rates of future termination, death, disability and retirement for each member of the plan as well as the actuary's anticipated rate of investment return on underlying assets. To the extent that these assumptions are not in exact accord with actual events (which they never are), actuarial gains and losses will materialize.

Actuarial Funding Policy

The plan's actuarial funding policy is the scheduled program of accumulating assets to fund the plan's obligations, typically, but not necessarily, as a level percentage of payroll. The funding policy includes:

- The Normal Cost, and
- Amortization of the Unfunded or Overfunded Actuarial Accrued Liability (whichever is applicable).

Actuarial Value of Assets

The actuarial value of assets, used for funding purposes, is computed using an asset smoothing technique in which investment gains and losses are not fully recognized in the year they occur, but are spread out. Use of an actuarial value of assets (rather than market value) helps avoid large fluctuations in recognized value of the underlying assets and, in turn, avoids large fluctuations in required contribution rates.

Actuarial Present Value of Benefits

The actuarial present value of benefits is the Actuarial Accrued Liability plus actuarial present value of future Normal Costs. The actuarial present value of benefits is also the actuarial present value of all future benefits expected to be paid to the Plan's current members, whether accrued on the valuation data or after.

Investment Gains and Losses

When the investment return on assets exceeds the assumed rate of return (the actuarial assumption as to investment return), this difference is identified as an investment gain. Correspondingly, when the returns are less than expected, this difference is identified as an investment loss. These investment gains and losses are either recognized immediately to produce the market value of assets or are spread out to produce the Actuarial Value of Assets.

Normal Cost

The Normal Cost is calculated as the amount necessary to fund each Member's benefits from that Member's Plan entry date to the end of his or her projected working life.

Unfunded Actuarial Accrued Liabilities

When the actuarial value of assets is below the Actuarial Accrued Liability, there is an Unfunded Actuarial Accrued Liability which must be paid off or amortized on a schedule. When the actuarial value of assets is in excess of the Actuarial Accrued Liability, this can lead to a reduction in future contributions on an amortization schedule.

Section 2:

Asset Information

2.1: Balance Sheet as of June 30, 2011 and June 30, 2012

	June 30, 2011	June 30, 2012
Cash and Equivalents	49,487,217	39,960,025
Receivables		
Interest and Dividends	7,068,358	6,288,878
Contributions	1,599,785	1,814,176
Income and Miscellaneous	11,139,390	40,078,393
Total Receivables	19,807,533	48,181,447
Fixed Assets		
Capitalized Software	725,153	599,528
Real Estate Occupied	1,783,805	1,764,829
Real Estate Leased	1,189,439	1,176,787
Other	62,179	219,695
Total Receivables	3,760,576	3,760,839
Investments		
Fixed Income	502,229,675	515,494,956
Equities	865,824,739	830,965,033
Collateral on Loaned Securities	138,824,720	112,214,531
Other	0	0
Total Investments	1,506,879,134	1,458,674,520
Liabilities		
Accounts Payable	(7,736,755)	(8,241,988)
Security Transactions Payable	(8,593,470)	(39,036,066)
Collateral Held for Loaned Securities	(144,453,289)	(116,551,048)
Other	(405,000)	(572,483)
Total Liabilities	(161,188,514)	(164,401,585)
Market Value	**$1,418,745,946**	**$1,386,175,246**

2.2: Computation of Actuarial Value of Assets as of June 30, 2012

		(a)	(b)	(c)	(d)	(e) = (d) – (c)	(f)	(g) = (e) x (f)	
		Contributions	Benefits	Expected Return[1]	Actual Return	Additional Earnings	Percentage Not Recognized	Unrecognized Dollars	
	2009	44,333,858	74,399,189	(223,111,526)	(223,111,526)	0	20%	0	
	2010	42,560,605	73,196,706	162,746,408	162,746,408	0	40%	0	
	2011	45,453,781	76,732,557	259,805,325	259,805,325	0	60%	0	
	2012	47,839,327	81,990,033	112,159,927	1,580,006	(110,579,921)	80%	(88,463,937)	
(1)	Total Unrecognized Dollars								(88,463,937)
(2)	Market Value of Assets as of June 30, 2012								1,386,175,246
(3)	Actuarial Value of Assets as of June 30, 2012 [(2) - (1)]								1,474,639,183
(4)	Corridor Limits								
	a. 80% of Net Market Value								1,108,940,197
	b. 120% of Net Market Value								1,663,410,295
(5)	Actuarial Value of Assets after Corridor								1,474,639,183
(6)	Ratio of Actuarial Value to Market Value [(5) ÷ (2)]								106.4%
(7)	Special (Non Valuation) Reserves:								
	$5,000 Death Benefits							5,855,000	
	Health Insurance Reserve							117	
	Special COL Reserve							0	
	Legal Contingency Reserve							2,609,033	
	Tier 3 Disability Reserve							7,996	
	Contingency Reserve							13,862,807	
	Total Special Reserves (Market Value)								22,334,953
(8)	Adjusted Total Special Reserves (106.4% of Market, Except Contingency)								22,875,635
(9)	Pension Reserves at Actuarial Value (Valuation Assets) [(5) - (8)]								1,451,763,548

[1] The Actuarial Value of Assets was reset to equal the Market Value as of June 30, 2011. This was done by eliminating the prior gain/loss bases (i.e. by setting the expected returns equal to the actual returns).

2.3: Income Statement
For the Years Ending June 30, 2011 and June 30, 2012

	June 30, 2011	June 30, 2012
Additions		
Contributions		
Employer's Contribution	$26,256,729	$27,314,032
Members' Contributions	19,197,052	20,525,295
Total Contributions	$45,453,781	$47,839,327
Investment Income		
Net Appreciation/(Depreciation) in Fair Value of Investments	229,909,853	(29,202,695)
Interest and Dividends	36,699,779	37,434,050
Commission Recapture	39,220	37,189
Other Investment Income	16,849	571
Total Investment Income	$266,665,701	$8,269,115
Investment Expenses	(5,268,156)	(4,937,605)
Net Investment Income	$261,397,545	$3,331,510
Securities Lending Activities		
Securities Lending Income	463,269	713,368
Depreciation in Securities Lending Collateral	122,907	(106,208)
Expenses from Securities Lending Activities	(141,229)	(213,916)
Net Securities Lending Income	$444,947	$393,244
Total Net Investment Income	$261,842,492	$3,724,754
Total Additions	**$307,296,273**	**$51,564,081**
Deductions		
Benefits	74,826,404	80,157,222
Other Benefits (Ventura)	0	0
Refunds	1,906,153	1,832,811
Administrative Costs	2,037,167	2,144,748
Other Admin Costs (Ventura)	0	0
Total Deductions	**$78,769,724**	**$84,134,781**
Net increase (Decrease)	**$228,526,549**	**($32,570,700)**
Net Assets Beginning of Year	**$1,190,219,397**	**$1,418,745,946**
Net Assets End of Year	**$1,418,745,946**	**$1,386,175,246**

2.4: Historical Returns

Year Ended June 30	Annualized Rate of Return (Market Value)	Annualized Rate of Return (Actuarial Value)	Annualized Rate of Return (Valuation Assets)	Increase in CPI*
1996				2.8%
1997	20.4%			2.3%
1998	13.4%			1.7%
1999	10.6%			2.0%
2000	6.3%			3.7%
2001	7.0%			3.2%
2002	-4.5%			1.1%
2003	5.2%		4.9%	2.1%
2004	6.1%		6.3%	3.3%
2005	8.2%		5.5%	2.5%
2006	9.9%		10.8%	4.3%
2007	16.0%	10.8%	0.6%	2.7%
2008	-8.5%	8.0%	16.7%	5.0%
2009	-17.2%	-9.6%	-9.4%	-1.4%
2010	15.6%	13.0%	14.7%	1.1%
2011	22.1%	3.5%	4.2%	3.6%
2012	0.1%	6.4%	6.5%	1.7%
Compounded 15 Year Average	5.5%	N / A	N / A	2.4%
Compounded 10 Year Average	5.1%	N / A	5.8%	2.5%
Compounded 5 Year Average	1.4%	4.0%	6.1%	2.0%

* Based on All Urban Consumers - U.S. City Average, June indices.

Section 3:

Actuarial Computations

3.1: Computation of Annual Contribution Rate as of June 30, 2011

	Final Valuation
Active Fully Projected Liability	1,044,489,233
Active Entry Age Normal Accrued Liability	796,900,503
Inactive Fully Projected Liability	960,817,008
Total Fully Projected Liability	2,005,306,241
Total Actuarial Accrued Liability	1,757,717,511
Valuation Assets	1,372,046,240
Total Unfunded Actuarial Accrued Liability (UAAL)	385,671,271
Ceres / Other District UAAL	23,286,239
County UAAL	362,385,032
Projected Pay (Ceres / Other Districts)	13,443,396
Projected Pay (County)	208,097,612
Projected Pay (Total Current Members)	221,541,008
Total Normal Cost (% of Payroll)	14.22%
Employer Normal Cost	5.82%
Ceres / Other District UAAL Amortization	11.95%
County UAAL Amortization	12.02%
Ceres / Other District Employer Contribution	2,585,737
County Employer Contribution	36,925,174
Total Employer Contribution	39,510,911
Total Employer Cost (% Pay)	**17.83%**

3.2: Computation of Annual Contribution Rate as of June 30, 2012

	Final Valuation
Active Fully Projected Liability	1,084,875,385
Active Entry Age Normal Accrued Liability	827,767,943
Inactive Fully Projected Liability	1,060,945,261
Total Fully Projected Liability	2,145,820,646
Total Actuarial Accrued Liability	1,888,713,204
Valuation Assets	1,451,763,548
Total Unfunded Actuarial Accrued Liability (UAAL)	436,949,656
Ceres / Other District UAAL	30,692,540
County UAAL	406,257,116
Projected Pay (Ceres / Other Districts)	14,068,852
Projected Pay (County)	200,988,616
Projected Pay (Total Current Members)	215,057,468
Total Normal Cost (% of Payroll)	14.62%
Employer Normal Cost	5.88%
Ceres / Other District UAAL Amortization	14.89%
County UAAL Amortization	13.80%
Ceres Administrative Expense[3]	1.08%
County / Other District Administrative Expense	0.97%
Ceres / Other District Employer Contribution	3,228,369
County Employer Contribution	41,342,794
Total Employer Contribution	44,571,163
Total Employer Cost (% Pay)	**20.73%**

[3] The administrative expense load ($2.1M for the current year) has been allocated between the various valuation groups based on their share of the total employer cost.

3.3: Computation of Funding Ratios as of June 30, 2012

	Actuarial Accrued Liabilities For					Portion of Accrued Liabilities Covered by Valuation Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active and Terminated Members	Actuarial Accrued Liabilities	Valuation Assets	(1)	(2)	(3)
6/30/2003	$176,622,000	$455,784,000	$325,689,000	$958,095,000	$928,022,000	100%	100%	91%
6/30/2004	$166,806,000	$518,922,000	$349,617,000	$1,035,345,000	$993,180,000	100%	100%	88%
6/30/2005	$205,556,000	$551,810,000	$358,994,000	$1,116,310,000	$1,049,691,000	100%	100%	81%
6/30/2006	$219,907,000	$619,109,000	$355,888,000	$1,194,904,000	$1,154,048,000	100%	100%	89%
6/30/2006[4]	$219,907,000	$614,576,000	$494,892,000	$1,329,375,000	$1,154,048,000	100%	100%	65%
6/30/2008	$272,657,000	$739,838,000	$536,329,000	$1,548,824,000	$1,267,167,000	100%	100%	47%
6/30/2008[5]	$272,657,000	$739,838,000	$536,329,000	$1,548,824,000	$1,317,167,000	100%	100%	57%
6/30/2009	$298,342,000	$781,082,000	$574,292,000	$1,653,716,000	$1,171,767,000	100%	100%	16%
6/30/2010	$323,940,000	$829,323,000	$584,561,000	$1,737,824,000	$1,325,801,000	100%	100%	30%
6/30/2011	$337,201,000	$897,384,000	$523,133,000	$1,757,718,000	$1,372,046,000	100%	100%	26%
6/30/2012	$351,569,000	$987,546,000	$549,598,000	$1,888,713,000	$1,451,764,000	100%	100%	20%

[4] Results recalculated, reflecting Level 1 assumption changes (new retirement, termination and withdrawal decrements) & new EFI EAN methodology.

[5] Reflects transfer as of June 30, 2008 of $50 million from Non-Valuation to Valuation Reserves.

3.4: Actuarial Analysis of Financial Experience

	Actuarial (Gains)/Losses (Change in UAAL beyond expected)				
Valuation Date	Asset Sources	Liability Sources	Total	Changes in Plan Provisions	Changes in Assumptions / Methods
6/30/2003	$33,037,561	$9,931,697	$42,969,258	$0	($2,088,246)
6/30/2004	$8,536,049	$12,492,070	$21,028,119	$0	$0
6/30/2005	$26,573,640	$11,238,430	$37,812,070	$0	$0
6/30/2006	($27,756,878)	$21,366,204	$21,366,204	$0	($14,845,293)
6/30/2007[6]	$86,178,774	$0	$86,178,774	$0	$134,470,779
6/30/2008	($50,709,169)	$67,324,195	$67,324,195	$0	$0
6/30/2009	$228,905,354	$12,996,828	$241,902,182	$0	$0
6/30/2010	($76,507,113)	$37,492,978	$37,492,978	$0	($51,743,766)
6/30/2011	$49,205,018	($2,387,353)	$46,817,665	$0	($72,085,966)
6/30/2012	($5,283,786)	$6,191,029	$907,243	$0	$52,606,350

[6] Actuarial valuation was not performed for fiscal year ending June 30, 2007

3.5: Detailed Calculation of Costs as of June 30, 2012 - By Class and Tier

	General Tiers					Safety Tiers					
Tier:	1	2	3	4	5	4	5	2 / 6	General	Safety	Total
Total PVB	193,889,070	68,213,675	3,505,613	300,471,690	1,021,914,986	158,785,193	371,158,259	27,882,160	1,587,995,034	557,825,612	2,145,820,646
Total AAL	193,888,987	54,997,730	3,373,293	299,475,983	852,477,792	158,752,932	301,865,545	23,880,942	1,404,213,785	484,499,419	1,888,713,204
Assets									1,087,516,975	364,246,573	1,451,763,548
Total UAL											76.9%
Ceres/Other UAL									316,696,810	120,252,846	436,949,656
County UAL									12,369,353	18,323,188	30,692,540
PV Payroll	26,717	96,333,499	6,011,062	18,289,140	1,271,146,734	653,744	327,088,309	16,477,723	1,391,807,154	344,219,776	1,736,026,930
PVFNC	83	13,215,945	132,320	995,707	169,437,194	32,261	69,292,714	4,001,218	183,781,249	73,326,193	257,107,442
Total NC	0.31%	13.72%	2.20%	5.44%	13.33%	4.93%	21.18%	24.28%	13.08%	21.21%	14.62%
Ceres Pay	27,733	188,503	-	180,087	6,726,620	129,584	6,816,325	-	7,122,943	6,945,909	14,068,852
Ceres PVPay	26,717	1,626,191	-	869,845	56,357,670	342,824	60,862,806	-	58,880,424	61,205,630	120,086,054
Ceres UAL Pmt									844,465	1,250,938	2,095,403
Ceres UAL %									11.86%	18.01%	14.89%
Ceres Admin Exp	0.60%	0.91%	0.00%	0.86%	0.84%	1.13%	1.33%	0.00%	0.85%	1.32%	1.08%
Ceres Total Rate	12.77%	26.49%	0.00%	18.16%	26.03%	24.08%	40.52%	0.00%	25.79%	40.21%	32.91%
Ceres PVEECont	-	115,231	-	-	4,572,822	-	7,525,146	-	4,688,053	7,525,146	12,213,199
Ceres EECont	0.00%	7.09%	0.00%	0.00%	8.11%	0.00%	12.36%	0.00%	7.85%	12.13%	9.96%
Ceres ER Cont	12.77%	19.40%	0.00%	18.16%	17.92%	24.08%	28.16%	0.00%	17.94%	28.08%	22.95%
Ceres ER Cont	3,541	36,575	-	32,695	1,205,087	31,203	1,919,268	-	1,277,898	1,950,471	3,228,369
County Pay	-	296,771	1,003,821	5,879,389	166,585,080	127,220	34,153,261	52,070	173,765,061	34,332,551	208,097,612
County PVPay	-	2,234,183	7,067,918	23,604,891	1,310,946,183	308,478	267,118,643	435,496	1,343,853,175	267,862,618	1,611,715,793
County UAL Pmt									20,776,662	6,958,814	27,735,476
County UAL %									12.43%	20.57%	13.80%
County Admin Exp	0.00%	0.94%	0.72%	0.84%	0.87%	1.08%	1.46%	1.63%	0.87%	1.46%	0.97%
County Total Rate	0.00%	27.09%	15.35%	18.72%	26.63%	26.58%	43.21%	46.48%	26.38%	43.30%	29.23%
County PVEECont	-	6,814,477	-	140,870	99,989,760	11,599	32,791,680	1,950,955	106,945,107	34,754,234	141,699,341
County EECont	0.00%	7.20%	0.00%	0.81%	8.23%	3.73%	12.32%	11.84%	7.93%	12.26%	8.66%
County ER Cont	0.00%	19.89%	15.35%	17.91%	18.39%	22.85%	30.89%	34.64%	18.45%	31.04%	20.57%
County ER Cont	-	1,876,113	129,969	811,615	28,023,428	28,509	9,914,127	559,032	30,841,126	10,501,668	41,342,795
Total ER Contribution	3,541	1,912,688	129,969	844,311	29,228,515	59,712	11,833,395	559,032	32,119,024	12,452,139	44,571,163
Total ER Rate	12.77%	19.88%	15.35%	17.92%	18.37%	23.48%	30.41%	34.64%	18.43%	30.54%	20.73%

3.6: Actuarial Balance Sheet

	Assets	
1.	Actuarial value of assets	$1,474,639,000
2.	Present value of future contributions by members	153,912,000
3.	Present value of future employer contributions for normal cost	103,195,000
4.	Present value of other future employer contributions (UAAL)	436,950,000
5.	**Total actuarial assets**	**$2,168,696,000**
	Liabilities	
6.	Present value of retirement allowances payable to retired/disabled members and their survivors	$987,546,000
7.	Present value of service retirement allowances payable to presently active members and their survivors	980,808,000
8.	Present value of allowances payable to current and future vested terminated and their survivors	90,574,000
9.	Present value of disability retirement allowances payable to presently active members and their survivors	60,027,000
10.	Present value of death benefits payable on behalf of presently active members	18,986,000
11.	Present value of members' contributions to be returned upon withdrawal	7,879,000
12.	Special Reserves (Actuarial Value)	22,876,000
13.	**Total actuarial liabilities**	**$2,168,696,000**

Section 4:

Disclosure Information

4.1: Schedules of Funding Status and Employer Contributions Required Under GASB Statement No. 25

The Governmental Accounting Standards Board (GASB) Statements No. 25 and 27 relate to the disclosure of pension liabilities on a public employer's financial statements. For accounting periods beginning after June 15, 1996, information required under these statements must be prepared for a public employer who seeks compliance with generally accepted accounting principles (GAAP) on behalf of its public employee retirement system.

GASB Statement No. 25 requires preparation of schedules of funding status and employer contributions, as well as the disclosure of plan provisions, actuarial assumptions, and other information. The required schedules are shown below. In each case, we have relied upon information from our files and contained in the reports of other actuaries employed by the employer in completing the schedules. While we have no reason to believe the information in our files or in other actuaries' reports is inaccurate, we strongly recommend that employer personnel verify the schedules below before they are included in Plan or employer financial statements.

Actuarial Valuation Date	Valuation Assets[7]	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
6/30/2000	679,421	666,114	(13,307)	102.0%	157,010	(8.5%)
6/30/2001	784,114	781,495	(2,619)	100.3%	174,595	(1.5%)
6/30/2002	878,821	870,768	(8,053)	100.9%	196,471	(4.1%)
6/30/2003	937,797	958,095	20,298	97.9%	197,664	10.3%
6/30/2004	993,180	1,035,345	42,165	95.9%	199,963	21.1%
6/30/2005	1,049,691	1,116,310	66,619	94.0%	211,681	31.5%
6/30/2006	1,154,048	1,194,904	40,856	96.6%	219,768	18.6%
6/30/2006 (Rev)	1,154,048	1,329,375[8]	175,327	86.8%	212,011	82.7%
6/30/2008	1,317,167[9]	1,548,824	231,657	85.0%	242,009	95.7%
6/30/2009	1,171,767	1,653,716	481,949	70.9%	248,316	194.1%
6/30/2010	1,325,801	1,737,824	412,023	76.3%	231,538	178.0%
6/30/2011	1,372,046	1,757,717	385,671	78.1%	221,541	174.1%
6/30/2012	1,451,764	1,888,713	436,950	76.9%	215,057	203.2%

[7] Excludes value of non-valuation reserves.

[8] The Accrued Liability as of June 30, 2006 was recomputed to reflect the change in Actuary and in the retirement, termination and refund assumptions.

[9] Includes $50 million transferred from Non-Valuation to Valuation Reserves as of 6/30/2008.

Schedule of Employer Contributions (Dollar Amounts in Thousands)			
Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2000	5,899	5,899	100%
6/30/2001	7,509	7,509	100%
6/30/2002	11,341	11,341	100%
6/30/2003	16,208	16,208	100%
6/30/2004	17,114	17,114	100%
6/30/2005	19,793	19,793	100%
6/30/2006	22,549	22,549	100%
6/30/2007	32,563	32,563	100%
6/30/2008	22,555	22,555	100%
6/30/2009	23,411	23,411	100%
6/30/2010	31,814	31,814[10]	100%
6/30/2011	47,657	47,657[11]	100%
6/30/2012	41,614	41,614[12]	100%

[10] The Actual Contribution was comprised of a $21,814,194 payment by the employers, plus an additional $10,000,000 in assets transferred from the non-valuation to valuation reserves.

[11] The Actual Contribution was comprised of a $26,256,729 payment by the employers, plus an additional $21,400,000 in assets transferred from the non-valuation to valuation reserves.

[12] The Actual Contribution was comprised of a $27,314,032 payment by the employers, plus an additional $14,300,000 in assets transferred from the non-valuation to valuation reserves.

The table below summarizes certain information about this actuarial report.

Valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal to Decrement
	Aggregate Normal Cost
Amortization method	Level % of Pay, Closed
Remaining amortization period	24 Years
Asset valuation method	Actuarial value: Excess earnings smoothed over five years, 80%/120% corridor around market
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases*	3.50%, plus service-based rates
*Includes inflation at	3.25%
Cost of living adjustments	100% of CPI up to 3% annually with banking, 2.7% annual increases assumed
Mortality improvement	No mortality improvement is explicitly assumed; however we build a margin in our mortality assumption between the actual and expected number of deaths in order to assume some future mortality improvements. The experience study report for the period covering July 1, 2009 to June 30, 2012 contains a full description of these margins.

Appendix I:

Employer Contribution Rates

Employer Contribution Rates for County / Former County Members

Separate rates for General and Safety members by Tier are shown below.

	General					Safety		
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 2	Tier 4	Tier 5
Employer Normal Cost	N/A	6.52%	2.20%	4.64%	5.09%	12.44%	1.20%	8.86%
UAAL Amortization Cost	N/A	12.43%	12.43%	12.43%	12.43%	20.57%	20.57%	20.57%
Administrative Expense	N/A	0.94%	0.72%	0.84%	0.87%	1.63%	1.08%	1.46%
Total Cost	N/A	19.89%	15.35%	17.91%	18.39%	34.64%	22.85%	30.89%

Employer Contribution Rates for Ceres / Other District Members

	General					Safety		
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 2	Tier 4	Tier 5
Employer Normal Cost	0.31%	6.63%	N/A	5.44%	5.22%	N/A	4.94%	8.82%
UAAL Amortization Cost	11.86%	11.86%	N/A	11.86%	11.86%	N/A	18.01%	18.01%
Administrative Expense	0.60%	0.91%	N/A	0.86%	0.84%	N/A	1.13%	1.33%
Total Cost	12.77%	19.40%	N/A	18.16%	17.92%	N/A	24.08%	28.16%

Appendix II:

Employee Contribution Rates

Employee Contribution Rates

Employee contribution rates vary by member Group and Tier. City of Ceres members in Tiers 1 and 4 pay the Tier 2 and 5 rates ("Full" rates), rather than the rates for their respective Tiers ("Half" rates).

The rates were changed following an experience study. The current employee contribution rates are shown in the following tables.

Current rates were determined by EFI based on an interest rate of 7.75% per annum, an average salary increase of 3.50% per year, and the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries (projected from 2000 to 2020 using Scale AA)with no age adjustment. The rates are blended using a male/female weighting of 25% male / 75% female for General members, and 80% male / 20% female for Safety members.

For the current valuation, we included the value of the expected cost of providing a COLA benefit to an eligible surviving spouse when determining the member's contribution to fund the COLA. To do so, we added an assumption that Service Retirement and Nonservice-Connected Disability benefits will have a 60% continuance to the surviving spouse, and Service-Connected Disability benefits will have a 100% continuance to the surviving spouse. 50% of female members and 90% of male members are assumed to be married at retirement, and male spouses are assumed to be three years older than their wives, consistent with the valuation assumptions.

General Tier 1

Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
16	2.08%	3.12%	1.14%	1.71%
17	2.08%	3.12%	1.14%	1.71%
18	2.08%	3.12%	1.14%	1.71%
19	2.08%	3.12%	1.14%	1.71%
20	2.08%	3.12%	1.14%	1.71%
21	2.10%	3.15%	1.16%	1.74%
22	2.12%	3.18%	1.18%	1.77%
23	2.14%	3.21%	1.20%	1.80%
24	2.16%	3.24%	1.22%	1.83%
25	2.17%	3.26%	1.24%	1.86%
26	2.19%	3.28%	1.26%	1.89%
27	2.20%	3.30%	1.28%	1.92%
28	2.21%	3.31%	1.30%	1.95%
29	2.22%	3.32%	1.32%	1.99%
30	2.22%	3.33%	1.35%	2.02%
31	2.27%	3.41%	1.37%	2.05%
32	2.32%	3.48%	1.39%	2.09%
33	2.37%	3.56%	1.42%	2.13%
34	2.43%	3.64%	1.45%	2.17%
35	2.48%	3.73%	1.48%	2.21%
36	2.54%	3.81%	1.50%	2.25%
37	2.60%	3.90%	1.53%	2.30%
38	2.66%	3.99%	1.56%	2.34%
39	2.72%	4.08%	1.59%	2.39%
40	2.77%	4.16%	1.62%	2.43%
41	2.73%	4.09%	1.64%	2.46%
42	2.78%	4.17%	1.67%	2.50%
43	2.83%	4.25%	1.69%	2.53%
44	2.89%	4.33%	1.71%	2.56%
45	2.94%	4.42%	1.73%	2.59%
46	3.00%	4.51%	1.75%	2.62%
47	3.07%	4.60%	1.76%	2.64%
48	3.13%	4.70%	1.77%	2.66%
49	3.20%	4.80%	1.78%	2.67%
50	3.24%	4.86%	1.78%	2.68%
51	3.29%	4.93%	1.77%	2.66%
52	3.33%	5.00%	1.75%	2.63%
53	3.39%	5.08%	1.69%	2.54%
54	3.44%	5.17%	1.65%	2.47%
55	3.45%	5.17%	1.61%	2.41%
56	3.45%	5.17%	1.53%	2.30%
57	3.45%	5.17%	1.48%	2.23%
58	3.45%	5.18%	1.44%	2.16%
59+	3.45%	5.18%	1.41%	2.11%

General Tier 2

Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
16	3.26%	4.89%	0.93%	1.40%
17	3.26%	4.89%	0.93%	1.40%
18	3.26%	4.89%	0.93%	1.40%
19	3.26%	4.89%	0.93%	1.40%
20	3.26%	4.89%	0.93%	1.40%
21	3.29%	4.94%	0.94%	1.42%
22	3.32%	4.99%	0.96%	1.44%
23	3.35%	5.03%	0.97%	1.46%
24	3.38%	5.07%	0.99%	1.48%
25	3.40%	5.11%	1.00%	1.50%
26	3.43%	5.14%	1.01%	1.52%
27	3.44%	5.17%	1.03%	1.54%
28	3.46%	5.19%	1.05%	1.57%
29	3.47%	5.21%	1.06%	1.59%
30	3.48%	5.22%	1.08%	1.62%
31	3.56%	5.34%	1.10%	1.65%
32	3.64%	5.46%	1.12%	1.68%
33	3.72%	5.58%	1.14%	1.71%
34	3.81%	5.71%	1.16%	1.74%
35	3.89%	5.84%	1.18%	1.78%
36	3.98%	5.97%	1.21%	1.81%
37	4.07%	6.11%	1.23%	1.85%
38	4.16%	6.24%	1.26%	1.88%
39	4.24%	6.37%	1.28%	1.92%
40	4.32%	6.48%	1.30%	1.96%
41	4.35%	6.53%	1.32%	1.99%
42	4.44%	6.65%	1.34%	2.02%
43	4.52%	6.78%	1.36%	2.05%
44	4.61%	6.91%	1.38%	2.07%
45	4.70%	7.05%	1.40%	2.09%
46	4.79%	7.19%	1.41%	2.12%
47	4.89%	7.34%	1.43%	2.14%
48	4.98%	7.47%	1.44%	2.16%
49	5.06%	7.58%	1.45%	2.18%
50	5.12%	7.68%	1.46%	2.19%
51	5.19%	7.79%	1.46%	2.19%
52	5.27%	7.90%	1.46%	2.19%
53	5.32%	7.98%	1.45%	2.17%
54	5.34%	8.01%	1.43%	2.14%
55	5.35%	8.02%	1.40%	2.10%
56	5.35%	8.02%	1.34%	2.00%
57	5.35%	8.03%	1.30%	1.94%
58	5.55%	8.32%	1.26%	1.89%
59+	5.76%	8.63%	1.23%	1.85%

General Tier 4

Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
16	1.93%	2.90%	1.21%	1.81%
17	1.93%	2.90%	1.21%	1.81%
18	1.93%	2.90%	1.21%	1.81%
19	1.93%	2.90%	1.21%	1.81%
20	1.93%	2.90%	1.21%	1.81%
21	1.94%	2.91%	1.23%	1.84%
22	1.95%	2.93%	1.25%	1.88%
23	1.96%	2.94%	1.27%	1.91%
24	1.97%	2.95%	1.29%	1.94%
25	1.97%	2.96%	1.32%	1.97%
26	2.02%	3.03%	1.34%	2.00%
27	2.06%	3.10%	1.36%	2.04%
28	2.11%	3.17%	1.38%	2.07%
29	2.16%	3.24%	1.40%	2.10%
30	2.21%	3.31%	1.42%	2.14%
31	2.26%	3.39%	1.45%	2.17%
32	2.31%	3.47%	1.47%	2.21%
33	2.36%	3.55%	1.50%	2.25%
34	2.42%	3.63%	1.53%	2.29%
35	2.46%	3.70%	1.56%	2.33%
36	2.43%	3.64%	1.58%	2.38%
37	2.47%	3.71%	1.61%	2.42%
38	2.52%	3.78%	1.64%	2.46%
39	2.57%	3.85%	1.67%	2.51%
40	2.62%	3.93%	1.70%	2.55%
41	2.67%	4.00%	1.72%	2.58%
42	2.72%	4.09%	1.74%	2.62%
43	2.78%	4.17%	1.76%	2.65%
44	2.84%	4.27%	1.78%	2.67%
45	2.88%	4.32%	1.80%	2.70%
46	2.92%	4.38%	1.81%	2.71%
47	2.96%	4.44%	1.81%	2.72%
48	3.01%	4.51%	1.82%	2.73%
49	3.06%	4.59%	1.82%	2.73%
50	3.06%	4.59%	1.81%	2.72%
51	3.06%	4.60%	1.79%	2.69%
52	3.07%	4.60%	1.77%	2.65%
53	3.07%	4.60%	1.70%	2.56%
54+	3.07%	4.60%	1.66%	2.49%

General Tier 5

Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
16	3.86%	5.79%	1.21%	1.81%
17	3.86%	5.79%	1.21%	1.81%
18	3.86%	5.79%	1.21%	1.81%
19	3.86%	5.79%	1.21%	1.81%
20	3.86%	5.79%	1.21%	1.81%
21	3.89%	5.83%	1.23%	1.84%
22	3.91%	5.86%	1.25%	1.88%
23	3.92%	5.89%	1.27%	1.91%
24	3.94%	5.91%	1.29%	1.94%
25	3.95%	5.92%	1.32%	1.97%
26	4.04%	6.06%	1.34%	2.00%
27	4.13%	6.19%	1.36%	2.04%
28	4.22%	6.33%	1.38%	2.07%
29	4.32%	6.48%	1.40%	2.10%
30	4.42%	6.62%	1.42%	2.14%
31	4.52%	6.77%	1.45%	2.17%
32	4.62%	6.93%	1.47%	2.21%
33	4.73%	7.09%	1.50%	2.25%
34	4.84%	7.26%	1.53%	2.29%
35	4.93%	7.39%	1.56%	2.33%
36	4.85%	7.28%	1.58%	2.38%
37	4.94%	7.41%	1.61%	2.42%
38	5.04%	7.55%	1.64%	2.46%
39	5.13%	7.70%	1.67%	2.51%
40	5.23%	7.85%	1.70%	2.55%
41	5.34%	8.01%	1.72%	2.58%
42	5.45%	8.17%	1.74%	2.62%
43	5.56%	8.35%	1.76%	2.65%
44	5.69%	8.53%	1.78%	2.67%
45	5.76%	8.64%	1.80%	2.70%
46	5.84%	8.76%	1.81%	2.71%
47	5.93%	8.89%	1.81%	2.72%
48	6.02%	9.03%	1.82%	2.73%
49	6.12%	9.18%	1.82%	2.73%
50	6.13%	9.19%	1.81%	2.72%
51	6.13%	9.19%	1.79%	2.69%
52	6.13%	9.20%	1.77%	2.65%
53	6.14%	9.20%	1.70%	2.56%
54+	6.14%	9.21%	1.66%	2.49%

Safety Tier 2

Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
20	4.83%	7.24%	2.56%	3.85%
21	4.92%	7.38%	2.64%	3.96%
22	5.01%	7.51%	2.69%	4.03%
23	5.10%	7.65%	2.73%	4.09%
24	5.20%	7.79%	2.77%	4.15%
25	5.29%	7.94%	2.81%	4.21%
26	5.39%	8.09%	2.84%	4.27%
27	5.49%	8.24%	2.88%	4.32%
28	5.60%	8.39%	2.91%	4.36%
29	5.70%	8.55%	2.94%	4.40%
30	5.81%	8.71%	2.97%	4.45%
31	5.87%	8.81%	3.02%	4.52%
32	5.99%	8.98%	3.07%	4.60%
33	6.10%	9.15%	3.12%	4.69%
34	6.22%	9.34%	3.18%	4.77%
35	6.35%	9.53%	3.24%	4.86%
36	6.48%	9.72%	3.30%	4.95%
37	6.62%	9.93%	3.36%	5.04%
38	6.75%	10.12%	3.42%	5.13%
39	6.86%	10.29%	3.48%	5.22%
40	6.96%	10.45%	3.55%	5.32%
41	7.07%	10.61%	3.54%	5.31%
42	7.20%	10.79%	3.54%	5.31%
43	7.29%	10.93%	3.55%	5.32%
44	7.33%	11.00%	3.55%	5.32%
45	7.32%	10.97%	3.55%	5.33%
46	7.26%	10.88%	3.56%	5.34%
47	7.15%	10.73%	3.57%	5.36%
48	7.41%	11.11%	3.58%	5.37%
49+	7.68%	11.52%	3.56%	5.34%

Safety Tier 4

Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
20	2.56%	3.85%	2.68%	4.02%
21	2.61%	3.92%	2.76%	4.14%
22	2.66%	3.99%	2.81%	4.21%
23	2.71%	4.06%	2.86%	4.28%
24	2.76%	4.14%	2.90%	4.35%
25	2.81%	4.22%	2.94%	4.41%
26	2.86%	4.29%	2.98%	4.47%
27	2.92%	4.37%	3.01%	4.52%
28	2.97%	4.46%	3.05%	4.57%
29	3.03%	4.54%	3.08%	4.62%
30	3.08%	4.63%	3.11%	4.66%
31	3.07%	4.60%	3.16%	4.73%
32	3.13%	4.69%	3.21%	4.81%
33	3.19%	4.78%	3.26%	4.90%
34	3.25%	4.88%	3.32%	4.98%
35	3.32%	4.98%	3.38%	5.07%
36	3.39%	5.08%	3.45%	5.17%
37	3.46%	5.19%	3.51%	5.27%
38	3.54%	5.30%	3.57%	5.36%
39	3.62%	5.43%	3.64%	5.46%
40	3.67%	5.51%	3.71%	5.57%
41	3.73%	5.60%	3.70%	5.56%
42	3.79%	5.69%	3.70%	5.56%
43	3.87%	5.80%	3.71%	5.56%
44	3.95%	5.93%	3.71%	5.57%
45	3.98%	5.97%	3.71%	5.57%
46	3.98%	5.97%	3.72%	5.59%
47	3.96%	5.94%	3.74%	5.61%
48	3.91%	5.86%	3.75%	5.62%
49+	3.84%	5.76%	3.74%	5.60%

Safety Tier 5

Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
20	5.13%	7.69%	2.68%	4.02%
21	5.22%	7.83%	2.76%	4.14%
22	5.32%	7.98%	2.81%	4.21%
23	5.42%	8.13%	2.86%	4.28%
24	5.52%	8.28%	2.90%	4.35%
25	5.62%	8.43%	2.94%	4.41%
26	5.73%	8.59%	2.98%	4.47%
27	5.83%	8.75%	3.01%	4.52%
28	5.94%	8.91%	3.05%	4.57%
29	6.05%	9.08%	3.08%	4.62%
30	6.17%	9.25%	3.11%	4.66%
31	6.13%	9.20%	3.16%	4.73%
32	6.25%	9.38%	3.21%	4.81%
33	6.38%	9.56%	3.26%	4.90%
34	6.50%	9.75%	3.32%	4.98%
35	6.63%	9.95%	3.38%	5.07%
36	6.77%	10.16%	3.45%	5.17%
37	6.92%	10.38%	3.51%	5.27%
38	7.07%	10.61%	3.57%	5.36%
39	7.24%	10.86%	3.64%	5.46%
40	7.35%	11.02%	3.71%	5.57%
41	7.46%	11.19%	3.70%	5.56%
42	7.59%	11.38%	3.70%	5.56%
43	7.73%	11.60%	3.71%	5.56%
44	7.90%	11.85%	3.71%	5.57%
45	7.96%	11.93%	3.71%	5.57%
46	7.96%	11.94%	3.72%	5.59%
47	7.91%	11.87%	3.74%	5.61%
48	7.82%	11.73%	3.75%	5.62%
49+	7.68%	11.52%	3.74%	5.60%

Appendix III:

Prior Employee Contribution Rates

Employee Contribution Rates

Employee contribution rates vary by member Group and Tier. The rates were changed following an experience study. The prior employee contribution rates are shown in the following tables.

Rates in the prior valuation were determined by EFI based on an interest rate of 8.00% per annum, an average salary increase of 3.75% per year, and the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries (projected from 2000 to 2020 using Scale AA)with no age adjustment. The rates were blended with a male/female weighting of 25% male / 75% female for General members, and 80% male / 20% female for Safety members.

General Tier 1

Prior Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
16	2.04%	3.06%	1.02%	1.53%
17	2.04%	3.06%	1.02%	1.53%
18	2.04%	3.06%	1.02%	1.53%
19	2.04%	3.06%	1.02%	1.53%
20	2.04%	3.06%	1.02%	1.53%
21	2.06%	3.09%	1.03%	1.55%
22	2.08%	3.12%	1.05%	1.57%
23	2.10%	3.15%	1.06%	1.60%
24	2.12%	3.17%	1.08%	1.62%
25	2.13%	3.20%	1.10%	1.64%
26	2.14%	3.22%	1.11%	1.67%
27	2.16%	3.23%	1.13%	1.69%
28	2.17%	3.25%	1.15%	1.72%
29	2.17%	3.26%	1.16%	1.75%
30	2.18%	3.27%	1.18%	1.77%
31	2.23%	3.34%	1.20%	1.80%
32	2.28%	3.41%	1.22%	1.84%
33	2.33%	3.49%	1.25%	1.87%
34	2.38%	3.57%	1.27%	1.91%
35	2.43%	3.65%	1.30%	1.95%
36	2.49%	3.74%	1.33%	1.99%
37	2.55%	3.82%	1.36%	2.04%
38	2.61%	3.91%	1.39%	2.08%
39	2.67%	4.00%	1.42%	2.13%
40	2.72%	4.07%	1.45%	2.18%
41	2.67%	4.01%	1.47%	2.21%
42	2.72%	4.09%	1.49%	2.24%
43	2.78%	4.16%	1.51%	2.27%
44	2.83%	4.24%	1.53%	2.29%
45	2.88%	4.33%	1.55%	2.32%
46	2.94%	4.41%	1.56%	2.34%
47	3.00%	4.50%	1.57%	2.36%
48	3.07%	4.60%	1.58%	2.38%
49	3.13%	4.70%	1.59%	2.39%
50	3.17%	4.76%	1.59%	2.39%
51	3.22%	4.83%	1.58%	2.37%
52	3.26%	4.90%	1.56%	2.34%
53	3.32%	4.97%	1.51%	2.26%
54	3.37%	5.06%	1.47%	2.20%
55	3.37%	5.06%	1.43%	2.15%
56	3.38%	5.06%	1.36%	2.05%
57	3.38%	5.07%	1.32%	1.98%
58	3.38%	5.07%	1.28%	1.92%
59+	3.38%	5.07%	1.25%	1.87%

General Tier 2

Prior Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
16	3.19%	4.79%	0.83%	1.25%
17	3.19%	4.79%	0.83%	1.25%
18	3.19%	4.79%	0.83%	1.25%
19	3.19%	4.79%	0.83%	1.25%
20	3.19%	4.79%	0.83%	1.25%
21	3.23%	4.84%	0.84%	1.26%
22	3.25%	4.88%	0.85%	1.28%
23	3.28%	4.92%	0.86%	1.29%
24	3.31%	4.96%	0.87%	1.31%
25	3.33%	5.00%	0.88%	1.32%
26	3.35%	5.03%	0.89%	1.34%
27	3.37%	5.05%	0.91%	1.36%
28	3.38%	5.08%	0.92%	1.38%
29	3.40%	5.09%	0.93%	1.40%
30	3.40%	5.11%	0.95%	1.42%
31	3.48%	5.22%	0.96%	1.45%
32	3.56%	5.34%	0.98%	1.47%
33	3.64%	5.46%	1.00%	1.50%
34	3.72%	5.58%	1.02%	1.53%
35	3.81%	5.71%	1.04%	1.56%
36	3.89%	5.84%	1.07%	1.60%
37	3.98%	5.97%	1.09%	1.64%
38	4.07%	6.10%	1.12%	1.67%
39	4.15%	6.22%	1.14%	1.71%
40	4.23%	6.34%	1.17%	1.75%
41	4.26%	6.38%	1.19%	1.78%
42	4.34%	6.50%	1.20%	1.81%
43	4.42%	6.63%	1.22%	1.83%
44	4.50%	6.76%	1.23%	1.85%
45	4.59%	6.89%	1.25%	1.87%
46	4.68%	7.02%	1.26%	1.89%
47	4.78%	7.17%	1.27%	1.91%
48	4.87%	7.30%	1.28%	1.93%
49	4.94%	7.41%	1.29%	1.94%
50	5.01%	7.51%	1.30%	1.95%
51	5.07%	7.61%	1.30%	1.95%
52	5.15%	7.72%	1.30%	1.95%
53	5.20%	7.79%	1.29%	1.93%
54	5.22%	7.83%	1.27%	1.90%
55	5.22%	7.83%	1.24%	1.87%
56	5.22%	7.84%	1.19%	1.78%
57	5.23%	7.84%	1.15%	1.73%
58	5.43%	8.14%	1.12%	1.68%
59+	5.63%	8.45%	1.09%	1.64%

General Tier 4

Prior Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
16	1.89%	2.84%	1.08%	1.62%
17	1.89%	2.84%	1.08%	1.62%
18	1.89%	2.84%	1.08%	1.62%
19	1.89%	2.84%	1.08%	1.62%
20	1.89%	2.84%	1.08%	1.62%
21	1.90%	2.85%	1.10%	1.64%
22	1.91%	2.87%	1.11%	1.67%
23	1.92%	2.88%	1.13%	1.69%
24	1.93%	2.89%	1.15%	1.72%
25	1.93%	2.90%	1.16%	1.74%
26	1.98%	2.96%	1.18%	1.77%
27	2.02%	3.03%	1.20%	1.79%
28	2.07%	3.10%	1.21%	1.82%
29	2.11%	3.17%	1.23%	1.85%
30	2.16%	3.24%	1.25%	1.88%
31	2.21%	3.31%	1.27%	1.91%
32	2.26%	3.39%	1.29%	1.94%
33	2.31%	3.47%	1.32%	1.98%
34	2.37%	3.55%	1.34%	2.01%
35	2.41%	3.62%	1.37%	2.05%
36	2.37%	3.56%	1.40%	2.10%
37	2.42%	3.63%	1.43%	2.14%
38	2.46%	3.69%	1.46%	2.19%
39	2.51%	3.77%	1.49%	2.24%
40	2.56%	3.84%	1.52%	2.28%
41	2.61%	3.92%	1.54%	2.31%
42	2.66%	4.00%	1.56%	2.34%
43	2.72%	4.08%	1.58%	2.37%
44	2.78%	4.17%	1.59%	2.39%
45	2.82%	4.23%	1.61%	2.41%
46	2.86%	4.28%	1.62%	2.42%
47	2.90%	4.35%	1.62%	2.43%
48	2.94%	4.41%	1.63%	2.44%
49	2.99%	4.49%	1.62%	2.44%
50	2.99%	4.49%	1.62%	2.42%
51	3.00%	4.49%	1.60%	2.39%
52	3.00%	4.50%	1.57%	2.36%
53	3.00%	4.50%	1.52%	2.28%
54+	3.00%	4.50%	1.48%	2.21%

General Tier 5

Prior Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
16	3.78%	5.67%	1.08%	1.62%
17	3.78%	5.67%	1.08%	1.62%
18	3.78%	5.67%	1.08%	1.62%
19	3.78%	5.67%	1.08%	1.62%
20	3.78%	5.67%	1.08%	1.62%
21	3.80%	5.71%	1.10%	1.64%
22	3.83%	5.74%	1.11%	1.67%
23	3.84%	5.76%	1.13%	1.69%
24	3.85%	5.78%	1.15%	1.72%
25	3.86%	5.80%	1.16%	1.74%
26	3.95%	5.93%	1.18%	1.77%
27	4.04%	6.06%	1.20%	1.79%
28	4.13%	6.20%	1.21%	1.82%
29	4.22%	6.34%	1.23%	1.85%
30	4.32%	6.48%	1.25%	1.88%
31	4.42%	6.63%	1.27%	1.91%
32	4.52%	6.78%	1.29%	1.94%
33	4.62%	6.94%	1.32%	1.98%
34	4.73%	7.10%	1.34%	2.01%
35	4.82%	7.23%	1.37%	2.05%
36	4.74%	7.12%	1.40%	2.10%
37	4.83%	7.25%	1.43%	2.14%
38	4.93%	7.39%	1.46%	2.19%
39	5.02%	7.53%	1.49%	2.24%
40	5.12%	7.68%	1.52%	2.28%
41	5.22%	7.83%	1.54%	2.31%
42	5.33%	7.99%	1.56%	2.34%
43	5.44%	8.16%	1.58%	2.37%
44	5.56%	8.34%	1.59%	2.39%
45	5.63%	8.45%	1.61%	2.41%
46	5.71%	8.57%	1.62%	2.42%
47	5.79%	8.69%	1.62%	2.43%
48	5.88%	8.83%	1.63%	2.44%
49	5.99%	8.98%	1.62%	2.44%
50	5.99%	8.98%	1.62%	2.42%
51	5.99%	8.99%	1.60%	2.39%
52	5.99%	8.99%	1.57%	2.36%
53	6.00%	8.99%	1.52%	2.28%
54+	6.00%	9.00%	1.48%	2.21%

Safety Tier 2

Prior Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
20	4.69%	7.03%	1.70%	2.55%
21	4.77%	7.16%	1.73%	2.59%
22	4.86%	7.29%	1.77%	2.66%
23	4.95%	7.42%	1.81%	2.71%
24	5.04%	7.56%	1.83%	2.75%
25	5.13%	7.70%	1.86%	2.80%
26	5.23%	7.84%	1.89%	2.84%
27	5.33%	7.99%	1.92%	2.89%
28	5.43%	8.14%	1.96%	2.93%
29	5.53%	8.29%	1.99%	2.98%
30	5.63%	8.45%	2.02%	3.03%
31	5.72%	8.58%	2.06%	3.09%
32	5.83%	8.75%	2.10%	3.15%
33	5.95%	8.92%	2.14%	3.21%
34	6.07%	9.10%	2.19%	3.28%
35	6.19%	9.28%	2.23%	3.35%
36	6.32%	9.48%	2.28%	3.42%
37	6.45%	9.68%	2.33%	3.49%
38	6.58%	9.86%	2.38%	3.56%
39	6.69%	10.03%	2.43%	3.64%
40	6.78%	10.18%	2.48%	3.72%
41	6.89%	10.34%	2.51%	3.77%
42	7.01%	10.51%	2.55%	3.82%
43	7.10%	10.65%	2.57%	3.86%
44	7.14%	10.71%	2.59%	3.88%
45	7.13%	10.69%	2.59%	3.89%
46	7.07%	10.60%	2.55%	3.83%
47	6.96%	10.45%	2.52%	3.78%
48	7.22%	10.83%	2.49%	3.74%
49+	7.49%	11.24%	2.47%	3.70%

Safety Tier 4

Prior Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
20	2.47%	3.70%	2.22%	3.32%
21	2.51%	3.77%	2.25%	3.38%
22	2.56%	3.84%	2.32%	3.48%
23	2.61%	3.91%	2.35%	3.53%
24	2.66%	3.99%	2.38%	3.58%
25	2.71%	4.06%	2.41%	3.62%
26	2.76%	4.13%	2.44%	3.66%
27	2.81%	4.21%	2.47%	3.70%
28	2.86%	4.29%	2.49%	3.73%
29	2.91%	4.37%	2.51%	3.77%
30	2.97%	4.45%	2.54%	3.81%
31	3.00%	4.49%	2.57%	3.85%
32	3.05%	4.58%	2.61%	3.92%
33	3.11%	4.67%	2.66%	3.99%
34	3.18%	4.76%	2.71%	4.07%
35	3.24%	4.86%	2.77%	4.15%
36	3.31%	4.96%	2.82%	4.23%
37	3.38%	5.07%	2.88%	4.31%
38	3.45%	5.18%	2.93%	4.40%
39	3.53%	5.30%	3.00%	4.49%
40	3.59%	5.38%	3.06%	4.59%
41	3.64%	5.46%	3.05%	4.57%
42	3.70%	5.56%	3.04%	4.56%
43	3.77%	5.66%	3.03%	4.55%
44	3.86%	5.78%	3.03%	4.55%
45	3.88%	5.82%	3.03%	4.54%
46	3.88%	5.83%	2.98%	4.47%
47	3.86%	5.79%	2.93%	4.40%
48	3.82%	5.72%	2.90%	4.35%
49+	3.75%	5.62%	2.87%	4.31%

Safety Tier 5

Employee Contribution Rates

Entry Age	Basic First $350	Basic Over $350	COL First $350	COL Over $350
20	4.94%	7.41%	2.22%	3.32%
21	5.03%	7.54%	2.25%	3.38%
22	5.12%	7.68%	2.32%	3.48%
23	5.22%	7.83%	2.35%	3.53%
24	5.31%	7.97%	2.38%	3.58%
25	5.41%	8.12%	2.41%	3.62%
26	5.51%	8.27%	2.44%	3.66%
27	5.62%	8.42%	2.47%	3.70%
28	5.72%	8.58%	2.49%	3.73%
29	5.83%	8.74%	2.51%	3.77%
30	5.94%	8.91%	2.54%	3.81%
31	5.99%	8.99%	2.57%	3.85%
32	6.11%	9.16%	2.61%	3.92%
33	6.23%	9.34%	2.66%	3.99%
34	6.35%	9.53%	2.71%	4.07%
35	6.48%	9.72%	2.77%	4.15%
36	6.61%	9.92%	2.82%	4.23%
37	6.76%	10.13%	2.88%	4.31%
38	6.91%	10.36%	2.93%	4.40%
39	7.07%	10.60%	3.00%	4.49%
40	7.17%	10.76%	3.06%	4.59%
41	7.28%	10.93%	3.05%	4.57%
42	7.41%	11.11%	3.04%	4.56%
43	7.55%	11.32%	3.03%	4.55%
44	7.71%	11.57%	3.03%	4.55%
45	7.77%	11.65%	3.03%	4.54%
46	7.77%	11.65%	2.98%	4.47%
47	7.72%	11.59%	2.93%	4.40%
48	7.63%	11.45%	2.90%	4.35%
49+	7.49%	11.24%	2.87%	4.31%

Appendix IV:

Prior Assumptions

Summary of Actuarial Assumptions

The assumptions shown below were used in the prior valuation. They were based on an experience study conducted by EFI Actuaries for the period covering July 1, 2006 till June 30, 2009.

Rate of Return	The annual rate of return on all Plan assets is assumed to be 8.00%, net of investment and administrative expenses.
Interest Credited to Employee Accounts	The employee accounts are credited with 0.00% interest annually.
Cost of Living	The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 3.50% per year.
Increases in Pay	Current Rate: 3.75% Base salary increases.

Assumed pay increases for active Members consist of increases due to base salary adjustments (as noted above), plus service-based increases due to longevity and promotion, as shown below.

Service	General	Safety
0	4.00%	8.00%
1	4.00%	7.00%
2	4.00%	6.00%
3	4.00%	5.00%
4	4.00%	4.00%
5-9	2.00%	2.00%
10-19	1.00%	1.00%
20-29	0.50%	1.00%
30+	0.50%	0.50%

Mortality Improvement

No mortality improvement is explicitly assumed; however we build a margin in our mortality assumption between the actual and expected number of deaths in order to assume some future mortality improvements. The experience study report for the period covering July 1, 2006 to June 30, 2009 contains a full description of these margins.

Active Member Mortality

Rates of mortality for active Members are specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries (projected from 2000 to 2020 using Scale AA). Duty related mortality rates are only applicable for Safety Active Members. Sample rates are as follows:

Representative Rates

	Duty Death	Ordinary Death – General and Safety	
Age	Safety All	Female	Male
20	0.0150%	0.0138%	0.0235%
25	0.0189%	0.0156%	0.0308%
30	0.0254%	0.0216%	0.0402%
35	0.0357%	0.0381%	0.0699%
40	0.0564%	0.0522%	0.0919%
45	0.0885%	0.0814%	0.1161%
50	0.0703%	0.1189%	0.1487%
55	0.1055%	0.2314%	0.2469%
60	0.0000%	0.4573%	0.4887%
65	0.0000%	0.8780%	0.9607%
70	0.0000%	1.5145%	1.6413%

Retired Member Mortality

Rates of mortality for retired Members and their beneficiaries are specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries (projected from 2000 to 2020 using Scale AA). Sample rates are shown below.

Age	Female	Male
45	0.081%	0.116%
50	0.119%	0.149%
55	0.231%	0.247%
60	0.457%	0.489%
65	0.868%	0.961%
70	1.514%	1.641%
75	2.393%	2.854%
80	3.987%	5.265%
85	6.866%	9.624%
90	12.400%	16.928%

Disabled Member Mortality

Rates of mortality for disabled Members are specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries (projected from 2000 to 2020 using Scale AA) set forward 7 years. Sample rates are as follows:

Representative Rates

Age	Female	Male
45	0.152%	0.178%
50	0.315%	0.333%
55	0.602%	0.647%
60	1.100%	1.237%
65	1.832%	2.016%
70	2.963%	3.611%
75	4.892%	6.854%
80	8.892%	12.062%
85	14.843%	20.397%
90	21.098%	28.808%

Service Retirement

Retirement is assumed to occur among eligible members in accordance with the table below.

Age	Safety	General
40-44	5.00%	0.00%
45-49	5.00%	0.00%
50	15.00%	5.00%
51	15.00%	4.00%
52	15.00%	4.00%
53	15.00%	5.00%
54	15.00%	6.00%
55	30.00%	10.00%
56	30.00%	10.00%
57	30.00%	10.00%
58	30.00%	12.00%
59	30.00%	15.00%
60	100.00%	18.00%
61	100.00%	18.00%
62	100.00%	30.00%
63	100.00%	25.00%
64	100.00%	25.00%
65	100.00%	40.00%
66	100.00%	30.00%
67	100.00%	30.00%
68	100.00%	30.00%
69	100.00%	30.00%
70	100.00%	100.00%

Service-Connected Disability

Separate rates of duty disability are assumed among Safety and General Members; rates for both sexes for Safety Members are combined. Below are sample rates:

Representative Rates

	Safety	General	
Age	All	Female	Male
20	0.0759%	0.0007%	0.0065%
25	0.1932%	0.0013%	0.0153%
30	0.3457%	0.0025%	0.0316%
35	0.5309%	0.0071%	0.0426%
40	0.7426%	0.0168%	0.0602%
45	1.1297%	0.0303%	0.0920%
50	1.5092%	0.0486%	0.1345%
55	1.7230%	0.0746%	0.1840%
60	0.0000%	0.1048%	0.2456%
65	0.0000%	0.0000%	0.0000%

Non Service-Connected Disability

Separate rates of ordinary disability are assumed among Safety and General Members; rates for both sexes for Safety Members are combined. The rates shown are applied after five Years of Service. Below are sample rates:

	Safety	General	
Age	All	Female	Male
20	0.0173%	0.0025%	0.0130%
25	0.0409%	0.0050%	0.0307%
30	0.0421%	0.0100%	0.0316%
35	0.0568%	0.0281%	0.0426%
40	0.0802%	0.0446%	0.0602%
45	0.1227%	0.0808%	0.0920%
50	0.1793%	0.1295%	0.1345%
55	0.2453%	0.1990%	0.1840%
60	0.0000%	0.2794%	0.2456%
65	0.0000%	0.0000%	0.0000%

Withdrawal

Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions, forfeiting entitlement to future Plan benefits. Separate rates of withdrawal are assumed among Safety and General Members, and are based on service. The rates do not overlap with the service retirement rates.

Service	Safety	General
0	8.000%	13.500%
1	6.000%	9.000%
2	5.000%	6.375%
3	4.000%	4.875%
4	3.000%	4.125%
5	1.238%	2.025%
10	0.945%	1.470%
15	0.680%	0.850%
20	0.000%	0.336%
25	0.000%	0.072%
30	0.000%	0.000%

Vested Termination

Rates of vested termination apply to active Members who terminate their employment after five years of service and leave their member contributions on deposit with the Plan. Alternatively, those who terminate their employment with less than five years of service can leave their member contributions with the Plan and transfer to a reciprocal employer, therefore retaining entitlement to future Plan benefits.

Vested terminated Tier 3 General Members are assumed to begin receiving benefits at age 65 while all other General Members are assumed to begin at age 58; terminated Safety Members are assumed to begin receiving benefits at age 53. 25% of vested terminated General Members are assumed to be reciprocal; 50% of vested terminated Safety Members are assumed to be reciprocal.

Separate rates of termination are assumed among Safety and General Members. The rates shown do not overlap with the service retirement rates.

Service	Safety	General
0	5.000%	5.000%
1	4.500%	5.000%
2	4.000%	3.000%
3	3.500%	3.000%
4	3.000%	3.000%
5	2.500%	3.000%
10	2.500%	2.000%
15	1.250%	2.000%
20	0.000%	1.200%
25	0.000%	1.200%
30+	0.000%	0.000%

Family Composition

50% of female members and 90% of male members are assumed to be married at retirement. Male spouses are assumed to be three years older than their wives.

Accumulated Vacation Time Load

Active members' service retirement and disability benefits are loaded by 1.0% for Safety Members and 3.5% for General Members for conversion of vacation time.