

San Bernardino County Employees' Retirement
Association

*Actuarial Valuation and Review
as of June 30, 2008
Including Related Studies*

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November 6, 2008

Board of Retirement

San Bernardino County Employees' Retirement Association

348 West Hospitality Lane, Third Floor

San Bernardino, CA 92415-0014

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2008. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2009-2010 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the SBCERA and the financial information was provided by the Retirement Association. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

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

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

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

Sincerely,

THE SEGAL COMPANY

By:

*Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President and Actuary*

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Vice President and Associate Actuary*

HEM/kek

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SECTION 1: Valuation Summary for the San Bernardino County Employees' Retirement Association

PURPOSE AND SCOPE

This report has been prepared by The Segal Company to present an actuarial valuation of the San Bernardino County Employees' Retirement Association as of June 30, 2008. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of June 30, 2008, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2008, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

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

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

The contribution requirements are determined as a percentage of payroll. The Association's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. At its October, 2002 meeting, the Board of Retirement elected to amortize the Association's unfunded actuarial accrued liability as of June 30, 2002 over a declining 20-year period. Any change in unfunded actuarial accrued liability that arises at each valuation after June 30, 2002 is amortized over its own declining 20-year period.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2009 through June 30, 2010.

SECTION 1: Valuation Summary for the San Bernardino County Employees' Retirement Association

SIGNIFICANT ISSUES IN THIS VALUATION

The following key findings were the result of this actuarial valuation:

- Ref: Pg. 48*

➤ The results of this valuation reflect changes in actuarial assumptions as recommended by Segal and adopted by the Association for the June 30, 2008 valuation. These changes were documented in our Actuarial Experience Study and are also outlined in Section 4, Exhibit IV.
- Ref: Pg. 38*

➤ The ratio of the actuarial value of assets to actuarial accrued liabilities increased from 93.1% to 93.6%. The Association's Unfunded Actuarial Accrued Liability (UAAL) increased from \$429.6 million as of June 30, 2007 to \$432.1 million as of June 30, 2008. The slight increase in the UAAL is mainly due to higher than expected salary increases and other experience losses, offset to some degree by the actuarial assumption changes, a transfer from undesignated excess earnings and higher than expected actuarial investment return. A reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit I.
- Ref: Pg. 17*

➤ The aggregate employer rate decreased from 14.28% of payroll to 13.95% of payroll. The contribution rate for the employer decreased mainly due to the actuarial assumption changes and other experience losses. A reconciliation of the Association's aggregate employer rate is provided in Section 2, Subsection D (see Chart 15).
- Ref: Pg. 18*

➤ The average member rate increased from 9.29% to 9.35% of payroll. The member rate increased mainly due to the actuarial assumption changes. A reconciliation of the Association's average member rate is provided in Section 2, Subsection D (see Chart 16).

➤ A transfer of \$4.3 million during 2007-2008 from undesignated excess earnings to reduce the contra account was made, thereby increasing the valuation value of assets.
- Ref: Pg. 37*

➤ For the year ending June 30, 2008, there was enough investment earnings (after "smoothing") to credit all valuation reserves with the assumed return and to restore the 2% additional contingency reserve. In addition, there is \$68.5 million in undesignated excess earnings available for allocation under the Board's Interest Crediting and Excess Earnings Allocation policy.
- Ref: Pg. 5*

➤ As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment loss as of June 30, 2008 is \$236.1 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a **market value** basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase over the next few years as those losses are recognized, provided they are not fully offset by the 2% additional contingency reserve or a transfer from undesignated excess earnings.

SECTION 1: Valuation Summary for the San Bernardino County Employees' Retirement Association

Impact of Future Experience on Contribution Rates

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

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

SECTION 1: Valuation Summary for the San Bernardino County Employees' Retirement Association

Summary of Key Valuation Results (all dollar amounts in thousands)

	June 30, 2008		June 30, 2007	
Employer Contribution Rates:				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
County General members	11.25%	\$97,151	11.67%	\$100,778
County Safety members	24.46	41,922	24.90	42,677
County combined	13.44	139,073	13.86	143,455
Superior Court members	14.84	8,920	15.39	9,250
South Coast Air Quality Management District (SCAQMD) members	15.18	11,668	13.91	10,691
Other General members	19.42	8,196	19.97	8,428
Other Safety members – 3% at 50 for all service	40.98	2,225	42.52	2,309
All employers combined	13.95	170,082	14.28	174,133
Average Member Contribution Rates⁽²⁾:				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
County General members	9.20%	\$79,448	9.08%	\$78,412
County Safety members	10.64	18,236	10.89	18,665
County combined	9.44	97,684	9.38	97,077
Superior Court members	9.11	5,476	8.98	5,398
South Coast Air Quality Management District (SCAQMD) members	8.11	6,234	8.17	6,280
Other General members	9.52	4,018	9.35	3,946
Other Safety members – 3% at 50 for all service	11.34	616	11.26	611
All employers combined	9.35	114,028	9.29	113,312
Funded Status:				
Actuarial accrued liability ⁽³⁾	\$6,773,629		\$6,227,013	
Actuarial value of assets ⁽³⁾	\$6,341,531		\$5,797,400	
Funded percentage	93.62%		93.10%	
Unfunded actuarial accrued liability (UAAL)	\$432,098		\$429,613	
Key Assumptions:				
Interest rate	8.00%		8.00%	
Inflation rate	3.75		3.75	
Salary increases (excluding merit)	4.25		4.25	

⁽¹⁾ Based on June 30, 2008 projected annual compensation.

⁽²⁾ The refundability factors as of June 30, 2008 are 1.11 for General and 1.04 for Safety, compared to 1.10 for General and 1.05 for Safety as of June 30, 2007.

⁽³⁾ Includes liabilities and assets held for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves.

SECTION 1: Valuation Summary for the San Bernardino County Employees' Retirement Association

Summary of Key Valuation Demographic and Financial Data

	June 30, 2008	June 30, 2007	Percentage Change
Active Members:			
Number of members	19,414	18,945	2.5%
Average age	43.5	43.4	N/A
Average service	9.8	9.8	N/A
Projected total compensation	\$1,219,561,653	\$1,102,150,627	10.7%
Average projected compensation	\$62,819	\$58,176	8.0%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	5,484	5,189	5.7%
Disability retired	1,297	1,283	1.1%
Beneficiaries ⁽¹⁾	1,190	1,145	3.9%
Total	7,971	7,617	4.6%
Average age	67.9	67.8	N/A
Average monthly benefit ⁽²⁾	\$2,380	\$2,254	5.6%
Vested Terminated Members:			
Number of terminated vested members ⁽³⁾	3,430	3,084	11.2%
Average age	44.4	44.6	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$6,105,480	\$6,295,027	-3.0%
Return on market value of assets	-3.74%	19.31%	N/A
Actuarial value of assets	\$6,341,531	\$5,797,400	9.4%
Return on actuarial value of assets	8.54%	10.76%	N/A
Valuation value of assets	\$5,979,866	\$5,467,491	9.4%
Return on valuation value of assets	8.13%	8.13%	N/A

⁽¹⁾ Excludes beneficiaries that are only receiving Survivor Benefit amounts.

⁽²⁾ Excludes monthly benefits for Supplemental Disability, Survivor Benefits and General Retiree Subsidy.

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

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

A. MEMBER DATA (ALL EMPLOYERS COMBINED)

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

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

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

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

CHART 1
Member Population: 1999 – 2008

Year Ended June 30	Active Members	Vested Terminated Members⁽¹⁾	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1999	15,186	1,107	5,222	0.42
2000	15,858	1,114	5,538	0.42
2001	16,787	1,241	5,773	0.42
2002	17,952	1,547	5,984	0.42
2003	17,936	1,584	6,159	0.43
2004	17,391	1,851	6,426	0.48
2005	17,607	2,436	6,904	0.53
2006	18,347	2,774	7,261	0.55
2007	18,945	3,084	7,617	0.56
2008	19,414	3,430	7,971	0.59

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

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 19,414 active members with an average age of 43.5, average years of service of 9.8 years and average projected compensation of \$62,819. The 18,945 active members in the prior valuation had an average age of 43.4, average service of 9.8 years and average compensation of \$58,176.

Among the active members, there were none with unknown age information.

Inactive Members

In this year's valuation, there were 3,430 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 3,084 in the prior valuation.

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

CHART 2
Distribution of Active Members by Age as of June 30, 2008

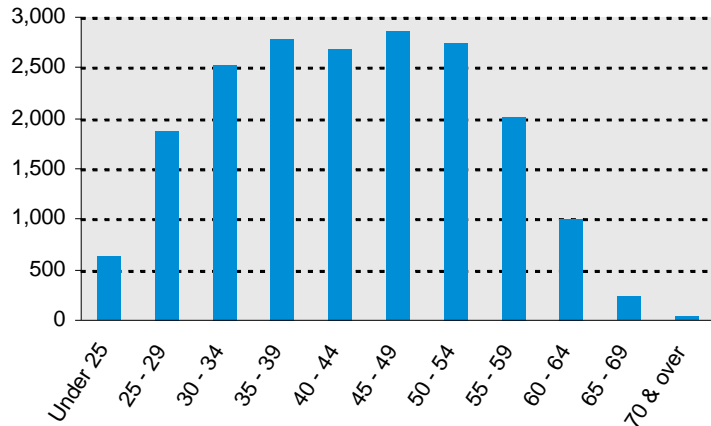
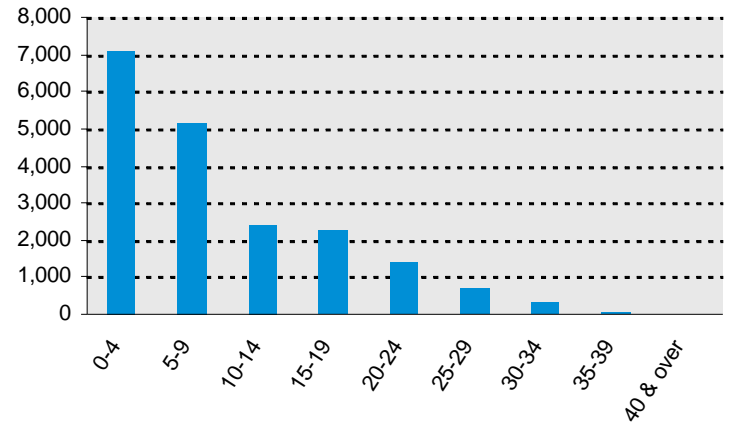


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2008



SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

Retired Members and Beneficiaries

As of June 30, 2008, 6,781 retired members and 1,190 beneficiaries were receiving total monthly benefits of \$18,969,316. For comparison, in the previous valuation, there were 6,472 retired members and 1,145 beneficiaries receiving monthly benefits of \$17,166,475. These monthly benefits exclude benefits for Supplemental Disability, Survivor Benefits and General Retiree Subsidy.

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

CHART 4
Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2008

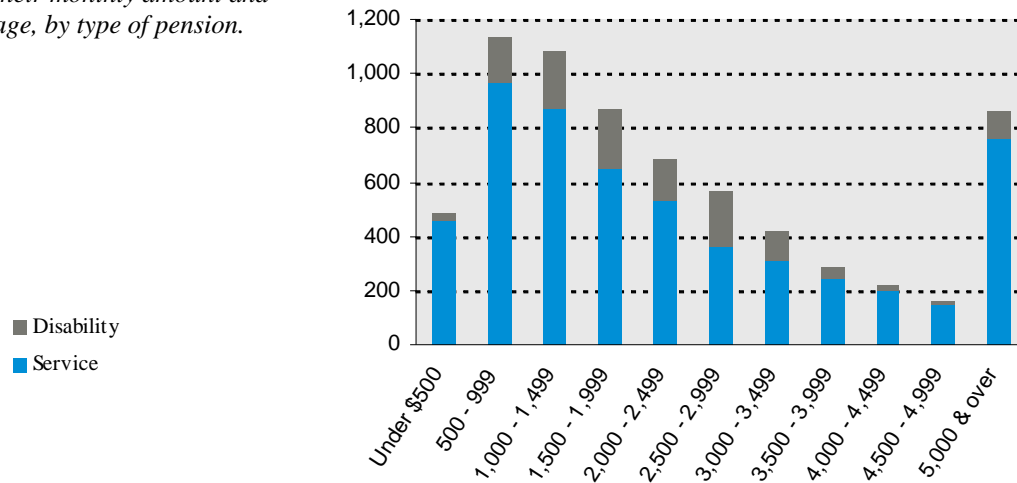
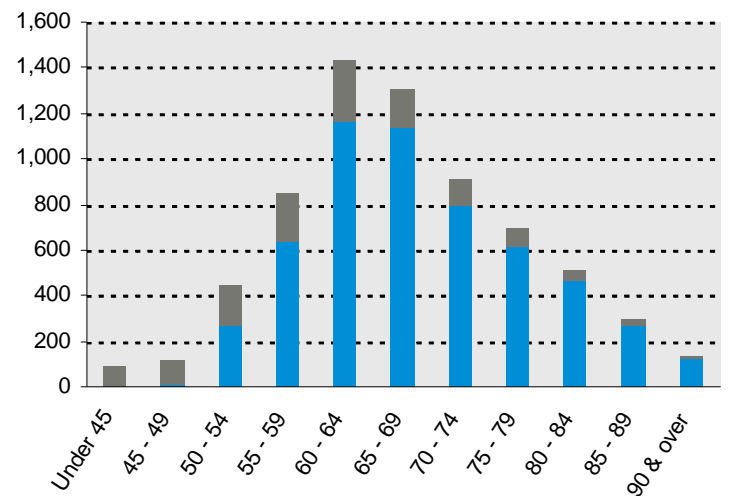


CHART 5
Distribution of Retired Members by Type and by Age as of June 30, 2008



SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

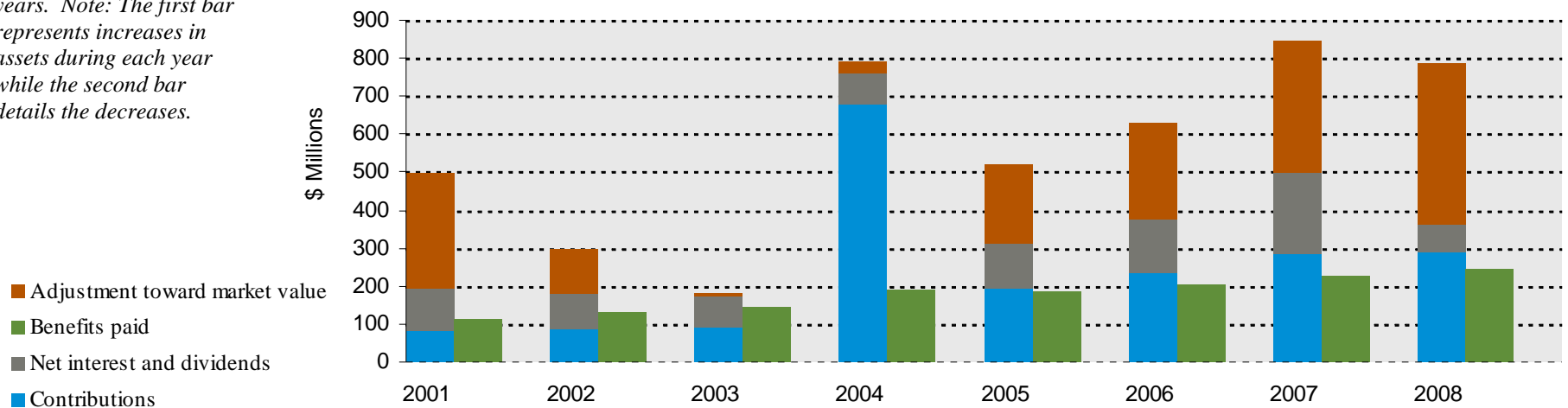
B. FINANCIAL INFORMATION

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

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

The chart depicts the components of changes in the actuarial value of assets over the last eight years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2001 – 2008



SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

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

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

CHART 7

Actuarial Value of Assets

1. Market value of assets			\$6,105,479,783
2. Calculation of unrecognized return*		Original Amount	Unrecognized Return**
(a) Year ended June 30, 2008		(\$741,817,845)	(\$593,454,276)
(b) Year ended June 30, 2007		593,925,773	356,355,464
(c) Year ended June 30, 2006		178,047,660	71,219,064
(d) Year ended June 30, 2005		63,886,730	12,777,346
(e) From prior smoothing method as of June 30, 2003		(414,743,400)	(82,948,680)
(f) Total unrecognized return***			(\$236,051,082)
3. Actuarial value of assets: (1) – (2f)			\$6,341,530,865
4. Non-valuation reserves and designations:			
(a) Undesignated excess earnings			68,540,595
(b) Reserve for deficiencies			66,720,257
(c) 2% additional contingency reserve			133,440,514
(d) Burial allowance reserve			1,388,407
(e) General retiree subsidy reserve			91,574,817
(f) Total			\$361,664,590
5. Valuation value of assets (3) – (4f)			\$5,979,866,275

* Total return minus expected return on a market value basis.

** Recognition at 20% per year over 5 years.

*** Deferred return amount as of June 30, 2008 recognized in each of the next four years

(a) Amount Recognized during 2008/2009	(\$64,140,217)
(b) Amount Recognized during 2009/2010	6,031,118
(c) Amount Recognized during 2010/2011	(29,578,414)
(d) Amount Recognized during 2011/2012	(148,363,569)
	(\$236,051,082)

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2008

The calculation of the valuation value of assets from June 30, 2007 to June 30, 2008 by employer categories is provided below:

	General				Safety		Survivor Benefit Reserve	Total
	County	Court	SCAQMD	Others	County	Others—All Service		
1 Allocated Valuation Value of Assets as of Beginning of Plan Year	\$3,568,190,952	\$131,823,954	\$373,270,224	\$96,971,037	\$1,243,222,508	\$22,453,361	\$31,558,924	\$5,467,490,960
2 Member Contributions	28,973,695	1,665,063	4,536,785	709,126	12,039,391	383,998	1,172,526	49,480,584
3 Employer Contributions	152,852,476	12,696,313	11,837,967	10,802,178	49,795,715	2,563,404	1,173,339	241,721,392
4 Benefit Payments Excluding Burial Allowance and General Subsidy Reserve	(155,449,467)	(2,801,581)	(8,852,608)	(3,459,875)	(57,238,049)	(1,251,977)	(1,422,510)	(230,476,067)
5 Subtotal (Item 1+2+3+4)	\$3,594,567,656	\$143,383,749	\$380,792,368	\$105,022,466	\$1,247,819,565	\$24,148,786	\$32,482,279	\$5,528,216,869
6 Total Transfers from Undesignated Excess Earnings								4,264,131
7 Subtotal (with Transfers Allocated in Proportion to Above)	3,597,356,675	143,495,000	381,087,824	105,103,953	1,248,787,746	24,167,523	32,482,279	5,532,481,000
8 Weighted Average Fund Balance	3,582,773,813	137,659,477	377,179,024	101,037,495	1,246,005,127	23,310,442	32,020,602	5,499,985,980
9 Earnings Allocated in Proportion to Item 6*	291,101,975	11,184,894	30,645,964	8,209,342	101,238,474	1,893,984	3,110,642	447,385,275
10 Allocated Valuation Value of Assets as of End of Plan Year	\$3,888,458,650	\$154,679,894	\$411,733,788	\$113,313,295	\$1,350,026,220	\$26,061,507	\$35,592,921	\$5,979,866,275

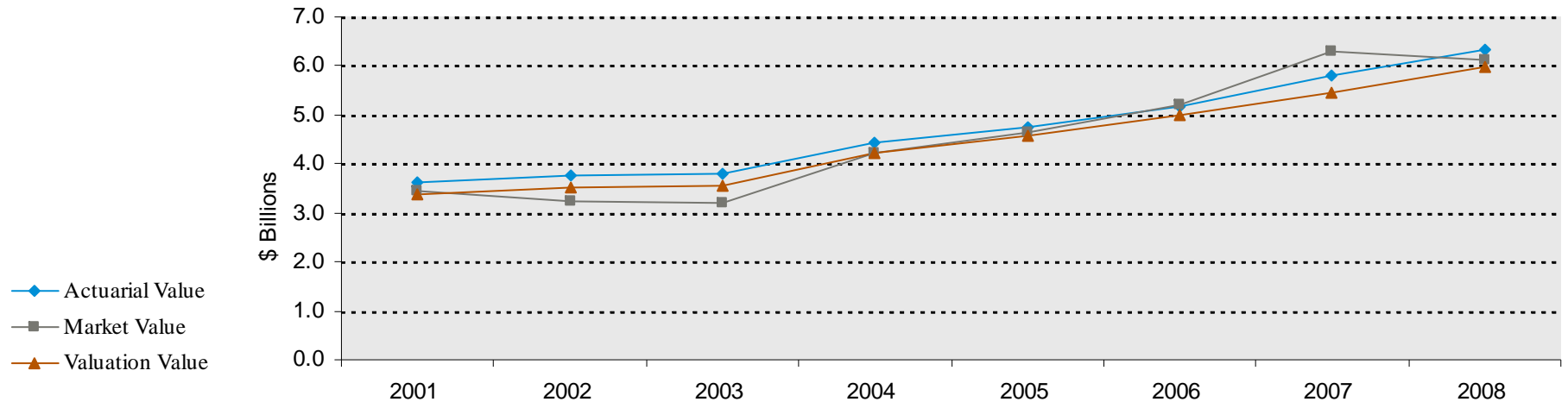
* Actual Earnings for Survivor Benefit Reserve.

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

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

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

CHART 9
Market Value, Actuarial Value and Valuation Value of Assets for Years Ended June 30, 2001 – 2008



SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

C. ACTUARIAL EXPERIENCE

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

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

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

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

The total loss is \$41.4 million, a \$7.4 million gain from investments and a \$48.8 million loss from all other sources. A discussion of the major components of the actuarial experience is on the following pages.

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

CHART 10
Actuarial Experience for Year Ended June 30, 2008

1. Net gain/(loss) from investments*	\$7,386,000
2. Net gain/(loss) from other experience**	<u>(48,789,000)</u>
3. Net experience gain/(loss): (1) + (2)	<u>(\$41,403,000)</u>

* Details in Chart 11

** See Section 3, Exhibit I. Does not include the effect of plan or assumption changes, if any.

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the SBCERA's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 8.00%. The actual rate of return on the valuation value of assets for the 2007/2008 plan year was 8.13%.

Since the actual return for the year was greater than the assumed return, the SBCERA experienced an actuarial gain on the valuation value of assets during the year ended June 30, 2008 with regard to its investments.

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

CHART 11

Investment Experience for Year Ended June 30, 2008 – Actuarial Value and Valuation Value of Assets

	Actuarial Value	Valuation Value
1. Value of investment return	\$497,334,680	\$447,385,275
2. Average value of assets	5,820,798,107	5,499,985,980
3. Rate of return: (1) ÷ (2)	8.54%	8.13%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$465,663,849	\$439,998,878
6. Actuarial gain/(loss): (1) – (5)	<u>\$31,670,831</u>	<u>\$7,386,397</u>

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

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

Based on the Review of Economic Assumptions as of June 30, 2008, we have maintained the investment return assumption at 8.00%.

CHART 12

Investment Return – Market Value, Actuarial Value and Valuation Value: 2001 - 2008

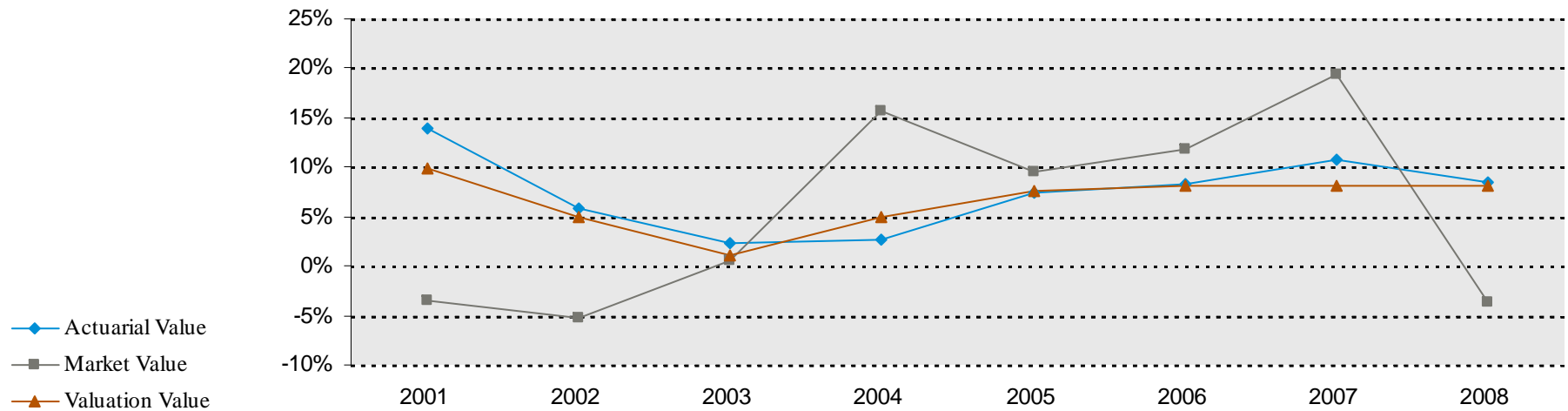
Year Ended June 30	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2001	-\$123,391,000	-3.51%	\$415,605,000	13.94%	\$326,840,000	9.88%
2002	-177,162,000	-5.30%	211,766,000	5.90%	166,690,000	4.96%
2003	15,026,000	0.47%	88,790,000	2.37%	38,304,000	1.10%
2004	540,129,000	16.94%	109,708,980	2.88%	177,298,283	5.01%
2005	402,389,480	9.51%	324,332,271	7.33%	324,332,271	7.66%
2006	550,324,264	11.83%	393,715,657	8.26%	369,893,881	8.05%
2007	1,013,956,342	19.31%	560,254,777	10.76%	408,269,118	8.13%
2008	-236,343,803	-3.74%	497,334,680	8.54%	447,385,275	8.13%
Total	\$1,984,928,283		\$2,601,507,365		\$2,259,012,828	
Five-Year Average Return		9.60%		7.85%		7.54%

Note: Each year's yield is weighted by the average asset value in that year.

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

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

CHART 13
Market, Actuarial, and Valuation Rates of Return for Years Ended June 30, 2001 - 2008



SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

Other Experience

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

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

The net loss from this other experience for the year ended June 30, 2008 amounted to \$48,789,000. See Section 3, Exhibit I for a detailed development of the Unfunded Actuarial Accrued Liability.

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation. Please note that the normal cost rate for County General and Superior Court members is a combined rate based on the members at both employers.

Contribution to the Unfunded

Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative unfunded actuarial accrued liability) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the combined annual inflation rate and "across the board" increases of 4.25%. The June 30, 2002 UAAL is being recognized over a 20-year declining period effective June 30, 2002. The additional unfunded liability that arises at each valuation is amortized over its own declining separate period. Please note that all pre-January 1, 1996 retirees and beneficiaries are included as County members for purposes of this calculation.

The recommended employer contributions are provided on Chart 14.

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

Member Contributions

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General members and Safety members, respectively. The basic contribution rate is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/100 of Final Average Salary. That age is 55 for General members and 50 for Safety members. It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions, members pay one-half of the total normal cost necessary to fund their cost-of-living benefits. Accumulation includes semi-annual crediting of interest at the lesser of the assumed investment earning rate or the six-month T-bill rate. Any difference between the assumed investment earning rate and the actual interest crediting rate will be credited to the annuity reserve. The member contribution rates are provided in Appendix A. Please note that the member rates provided in the report are the full rate before reflecting any employer pickup.

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

CHART 14

Recommended Employer Contribution Rates

	June 30, 2008 Actuarial Valuation					
	Basic		COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County General Members						
Normal Cost	7.86%	\$67,876	1.43%	\$12,349	9.29%	\$80,225
UAAL	-0.99%	-8,549	2.95%	25,475	1.96%	16,926
Total Contribution	6.87%	\$59,327	4.38%	\$37,824	11.25%	\$97,151
County Safety Members						
Normal Cost	16.23%	\$27,817	2.83%	\$4,850	19.06%	\$32,667
UAAL	-2.40%	-4,113	7.80%	13,368	5.40%	9,255
Total Contribution	13.83%	\$23,704	10.63%	\$18,218	24.46%	\$41,922
All County Members						
Normal Cost	9.25%	\$95,693	1.66%	\$17,199	10.91%	\$112,892
UAAL	-1.22%	-12,662	3.75%	38,843	2.53%	26,181
Total Contribution	8.03%	\$83,031	5.41%	\$56,042	13.44%	\$139,073
Superior Court Members						
Normal Cost	7.86%	\$4,724	1.43%	\$860	9.29%	\$5,584
UAAL	3.87%	2,326	1.68%	1,010	5.55%	3,336
Total Contribution	11.73%	\$7,050	3.11%	\$1,870	14.84%	\$8,920
SCAQMD Members						
Normal Cost	8.13%	\$6,249	1.53%	\$1,176	9.66%	\$7,425
UAAL	2.77%	2,129	2.75%	2,114	5.52%	4,243
Total Contribution	10.90%	\$8,378	4.28%	\$3,290	15.18%	\$11,668
Other General Members						
Normal Cost	8.96%	\$3,781	1.65%	\$697	10.61%	\$4,478
UAAL	6.28%	2,650	2.53%	1,068	8.81%	3,718
Total Contribution	15.24%	\$6,431	4.18%	\$1,765	19.42%	\$8,196
Other Safety Members – All Service						
Normal Cost	17.04%	\$925	2.93%	\$159	19.97%	\$1,084
UAAL	13.15%	714	7.86%	427	21.01%	\$1,141
Total Contribution	30.19%	\$1,639	10.79%	\$586	40.98%	\$2,225
All Employers Combined						
Normal Cost	9.13%	\$111,372	1.65%	\$20,091	10.78%	\$131,463
UAAL	-0.40%	-4,843	3.57%	43,462	3.17%	38,619
Total Contribution	8.73%	\$106,529	5.22%	\$63,553	13.95%	\$170,082

*Amounts are in thousands and are based on June 30, 2008 annual payroll (also in thousands):

County General	\$863,567
County Safety	171,392
Superior Court	60,108
SCAQMD	76,862
Other General	42,202
Other Safety – All Service	5,430
Total	\$1,219,561

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

CHART 14 (continued)

Recommended Employer Contribution Rates

	June 30, 2007 Actuarial Valuation					
	Basic		COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County General Members						
Normal Cost	7.98%	\$68,913	1.44%	\$12,435	9.42%	\$81,348
UAAL	-0.82%	-7,081	3.07%	26,511	2.25%	19,430
Total Contribution	7.16%	\$61,832	4.51%	\$38,946	11.67%	\$100,778
County Safety Members						
Normal Cost	16.70%	\$28,622	2.89%	\$4,954	19.59%	\$33,576
UAAL	-2.25%	-3,856	7.56%	12,957	5.31%	9,101
Total Contribution	14.45%	\$24,766	10.45%	\$17,911	24.90%	\$42,677
All County Members						
Normal Cost	9.42%	\$ 97,535	1.68%	\$17,389	11.10%	\$114,924
UAAL	-1.06%	-10,937	3.82%	39,468	2.76%	28,531
Total Contribution	8.36%	\$86,598	5.50%	\$56,857	13.86%	\$143,455
Superior Court Members						
Normal Cost	7.98%	\$ 4,797	1.44%	\$865	9.42%	\$5,662
UAAL	4.20%	2,525	1.77%	1,063	5.97%	3,588
Total Contribution	12.18%	\$7,322	3.21%	\$1,928	15.39%	\$9,250
SCAQMD Members						
Normal Cost	8.24%	\$6,333	1.54%	\$1,184	9.78%	\$7,517
UAAL	1.56%	1,199	2.57%	1,975	4.13%	3,174
Total Contribution	9.80%	\$7,532	4.11%	\$3,159	13.91%	\$10,691
Other General Members						
Normal Cost	8.87%	\$3,743	1.63%	\$688	10.50%	\$4,431
UAAL	6.85%	2,891	2.62%	1,106	9.47%	3,997
Total Contribution	15.72%	\$6,634	4.25%	\$1,794	19.97%	\$8,428
Other Safety Members – All Service						
Normal Cost	17.57%	\$954	3.05%	\$166	20.62%	\$1,120
UAAL	14.36%	780	7.54%	409	21.90%	1,189
Total Contribution	31.93%	\$1,734	10.59%	\$575	42.52%	\$2,309
All Employers Combined						
Normal Cost	9.30%	\$113,362	1.66%	\$20,292	10.96%	\$133,654
UAAL	-0.29%	-3,542	3.61%	44,021	3.32%	40,479
Total Contribution	9.01%	\$109,820	5.27%	\$64,313	14.28%	\$174,133

*Amounts are in thousands and are based on June 30, 2008 annual payroll (also in thousands):

County General	\$863,567
County Safety	171,392
Superior Court	60,108
SCAQMD	76,862
Other General	42,202
Other Safety – All Service	5,430
Total	\$1,219,561

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

The employer contribution rates as of June 30, 2008 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Average Employer Contribution

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

CHART 15

Reconciliation of Recommended Average Employer Contribution from June 30, 2007 to June 30, 2008 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Employer Contribution Rate in June 30, 2007 Valuation	14.28%	\$174,133
Effect of investment gain ⁽²⁾	-0.04%	-488
Effect of difference in actual versus expected total and individual salary increases ⁽³⁾	0.02%	244
Effect of difference between actual and expected contributions	-0.12%	-1,463
Effect of transfer from undesignated excess earnings ⁽⁴⁾	-0.03%	-366
Effect of changes in actuarial assumptions ⁽⁵⁾	-0.38%	-4,634
Effect of other experience (gains)/losses ⁽⁶⁾	<u>0.22%</u>	<u>2,656</u>
Total change	<u>-0.33%</u>	<u>-\$4,051</u>
Recommended Average Employer Contribution Rate in June 30, 2008 Valuation	13.95%	\$170,082

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

⁽¹⁾ Based on projected compensation as of June 30, 2008.

⁽²⁾ Return on the valuation value of assets of 8.13% was greater than the 8.00% assumed rate of return.

⁽³⁾ This item represents the impact of higher than expected individual salary increases and the effect of amortizing the UAAL over higher than expected total payroll.

⁽⁴⁾ Represents the impact of a transfer of \$4.3 million from undesignated excess earnings.

⁽⁵⁾ This item represents the impact of assumption changes adopted by the Board as recommended in the Actuarial Experience Study.

⁽⁶⁾ Other differences in actual versus expected experience. There was no change in normal cost due to this item.

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

The member contribution rates as of June 30, 2008 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Average Member Contribution Rate

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

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

**CHART 16
Reconciliation of Recommended Average Member Contribution from June 30, 2007 to June 30, 2008 (Dollar Amounts in Thousands)**

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Member Contribution Rate in June 30, 2007 Valuation	9.29%	\$113,312
Effect of changes in assumptions	0.05%	\$610
Effect of other changes including demographic profile of employee group	<u>0.01%</u>	<u>106</u>
Total change	<u>0.06%</u>	<u>\$716</u>
Recommended Average Member Contribution Rate in June 30, 2008 Valuation	9.35%	\$114,028

⁽¹⁾ Based on projected compensation as of June 30, 2008.

SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

E. INFORMATION REQUIRED BY THE GASB

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

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of GASB reporting requirements. Chart 17 below presents a graphical representation of this information for the Plan.

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

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

These graphs show key GASB factors.

CHART 17
Required Versus Actual Contributions

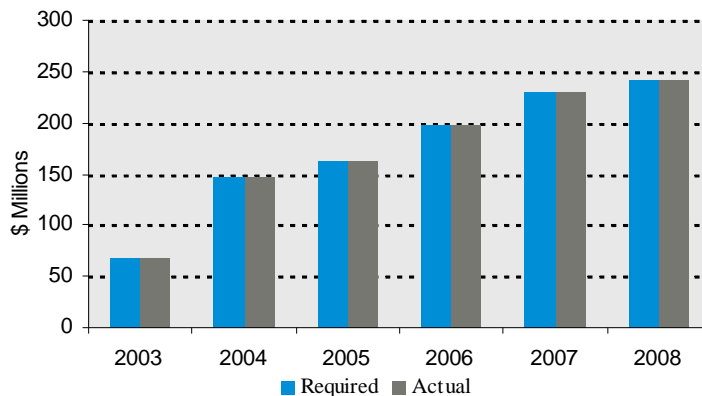
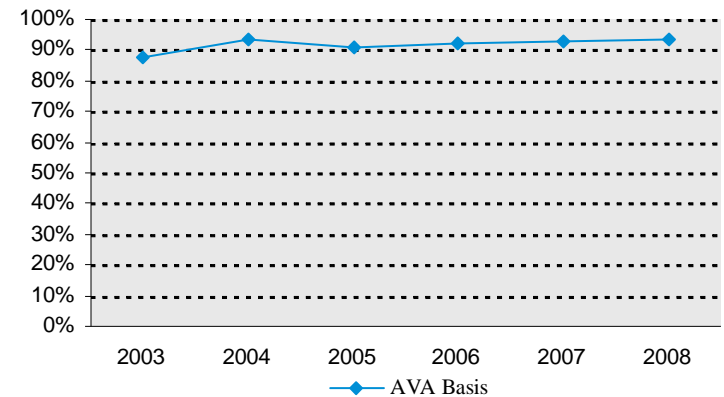


CHART 18
Funded Ratio (Actuarial Value of Assets Compared to Actuarial Accrued Liability)



SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

i. County General

Category	Year Ended June 30		Change From Prior Year
	2008	2007	
Active members in valuation:			
Number	14,900	14,547	2.4%
Average age	43.8	43.7	N/A
Average service	9.3	9.2	N/A
Projected total compensation	\$863,566,650	\$779,703,011	10.8%
Projected average compensation	\$57,957	\$53,599	8.1%
Account balances	\$586,685,341	\$542,502,010	8.1%
Total active vested members	9,429	9,520	-1.0%
Vested terminated members:⁽¹⁾			
	2,897	2,607	11.1%
Retired members:			
Number in pay status	4,539	4,343	4.5%
Average age	69.5	69.5	N/A
Average monthly benefit	\$2,325	\$2,220	4.7%
Disabled members:			
Number in pay status	691	689	0.3%
Average age	62.9	62.6	N/A
Average monthly benefit ⁽²⁾	\$1,694	\$1,623	4.4%
Beneficiaries in pay status:			
Number in pay status	943	905	4.2%
Average age	73.2	73.5	N/A
Average monthly benefit ⁽³⁾	\$1,043	\$994	4.9%

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

⁽²⁾ Excludes Supplemental Disability Benefit amounts.

⁽³⁾ Excludes Survivor Benefit amounts.

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT A

**Table of Plan Coverage
ii. County Safety**

Category	Year Ended June 30		Change From Prior Year
	2008	2007	
Active members in valuation:			
Number	2,150	2,121	1.4%
Average age	39.4	39.3	N/A
Average service	11.8	11.7	N/A
Projected total compensation	\$171,392,181	\$158,770,432	7.9%
Projected average compensation	\$79,717	\$74,856	6.5%
Account balances	\$162,638,377	\$153,350,210	6.1%
Total active vested members	1,560	1,573	-0.8%
Vested terminated members:⁽¹⁾			
	141	123	14.6%
Retired members:			
Number in pay status	480	441	8.8%
Average age	63.8	64.0	N/A
Average monthly benefit	\$4,984	\$4,739	5.2%
Disabled members:			
Number in pay status	540	531	1.7%
Average age	58.6	57.8	N/A
Average monthly benefit	\$3,581	\$3,416	4.8%
Beneficiaries:			
Number in pay status	181	178	1.7%
Average age	65.9	64.9	N/A
Average monthly benefit	\$1,774	\$1,708	3.9%

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

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT A

**Table of Plan Coverage
iii. Superior Court**

Category	Year Ended June 30		Change From Prior Year
	2008	2007	
Active members in valuation:			
Number	980	945	3.7%
Average age	43.3	43.0	N/A
Average service	9.7	9.6	N/A
Projected total compensation	\$60,108,295	\$54,562,284	10.2%
Projected average compensation	\$61,335	\$57,738	6.2%
Account balances	\$42,386,123	\$38,578,853	9.9%
Total active vested members	605	601	0.7%
Vested terminated members:⁽¹⁾			
	70	64	9.4%
Retired members:			
Number in pay status	66	47	40.4%
Average age	60.8	60.4	N/A
Average monthly benefit	\$3,151	\$3,119	1.0%
Disabled members:			
Number in pay status	11	10	10.0%
Average age	51.0	51.3	N/A
Average monthly benefit ⁽²⁾	\$2,264	\$2,012	12.5%
Beneficiaries:			
Number in pay status	2	2	0.0%
Average age	59.2	58.2	N/A
Average monthly benefit ⁽³⁾	\$937	\$921	1.7%

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

⁽²⁾ Excludes Supplemental Disability Benefit amounts.

⁽³⁾ Excludes Survivor Benefit amounts.

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT A

**Table of Plan Coverage
iv. SCAQMD**

Category	Year Ended June 30		Change From Prior Year
	2008	2007	
Active members in valuation:			
Number	766	758	1.1%
Average age	48.8	48.8	N/A
Average service	15.8	15.9	N/A
Projected total compensation	\$76,862,465	\$69,612,171	10.4%
Projected average compensation	\$100,343	\$91,837	9.3%
Account balances	\$31,930,292	\$27,385,738	16.6%
Total active vested members	632	644	-1.9%
Vested terminated members:⁽¹⁾			
	115	114	0.9%
Retired members:			
Number in pay status	266	243	9.5%
Average age	67.4	67.6	N/A
Average monthly benefit	\$3,029	\$2,720	11.4%
Disabled members:			
Number in pay status	31	30	3.3%
Average age	64.2	63.4	N/A
Average monthly benefit ⁽²⁾	\$2,563	\$2,467	3.9%
Beneficiaries:			
Number in pay status	47	44	6.8%
Average age	67.5	66.8	N/A
Average monthly benefit ⁽³⁾	\$1,299	\$1,239	4.8%

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

⁽²⁾ Excludes Supplemental Disability Benefit amounts.

⁽³⁾ Excludes Survivor Benefit amounts.

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT A

**Table of Plan Coverage
v. Other General**

Category	Year Ended June 30		Change From Prior Year
	2008	2007	
Active members in valuation:			
Number	551	508	8.5%
Average age	44.9	45.0	N/A
Average service	8.5	8.8	N/A
Projected total compensation	\$42,202,440	\$34,807,758	21.2%
Projected average compensation	\$76,592	\$68,519	11.8%
Account balances	\$22,801,997	\$20,855,794	9.3%
Total active vested members	317	299	6.0%
Vested terminated members:⁽¹⁾			
	186	156	19.2%
Retired members:			
Number in pay status	118	102	15.7%
Average age	63.8	63.5	N/A
Average monthly benefit	\$2,282	\$1,944	17.4%
Disabled members:			
Number in pay status	11	11	0.0%
Average age	54.7	53.7	N/A
Average monthly benefit ⁽²⁾	\$2,660	\$2,608	2.0%
Beneficiaries:			
Number in pay status	14	13	7.7%
Average age	66.5	64.8	N/A
Average monthly benefit ⁽³⁾	\$1,264	\$1,255	0.7%

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

⁽²⁾ Excludes Supplemental Disability Benefit amounts.

⁽³⁾ Excludes Survivor Benefit amounts.

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT A

**Table of Plan Coverage
vi. Other Safety – All Service**

Category	Year Ended June 30		Change From Prior Year
	2008	2007	
Active members in valuation:			
Number	67	66	1.5%
Average age	38.8	38.8	N/A
Average service	9.5	9.5	N/A
Projected total compensation	\$5,429,622	\$4,694,971	15.6%
Projected average compensation	\$81,039	\$71,136	13.9%
Account balances	\$5,489,851	\$5,026,209	9.2%
Total active vested members	40	38	5.3%
Vested terminated members:⁽¹⁾			
	21	20	5.0%
Retired members:			
Number in pay status	15	13	15.4%
Average age	58.5	58.6	N/A
Average monthly benefit	\$4,216	\$3,683	14.5%
Disabled members:			
Number in pay status	13	12	8.3%
Average age	53.7	52.6	N/A
Average monthly benefit	\$3,407	\$3,395	0.4%
Beneficiaries:			
Number in pay status	3	3	0.0%
Average age	67.6	66.6	N/A
Average monthly benefit	\$2,596	\$2,547	1.9%

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

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2008

By Age and Years of Service

i. County General

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	453	452	1	--	--	--	--	--	--	--
	\$38,889	\$38,904	\$32,054	--	--	--	--	--	--	--
25 - 29	1,391	1,150	240	1	--	--	--	--	--	--
	46,181	45,461	49,643	\$43,036	--	--	--	--	--	--
30 - 34	1,935	1,058	737	138	2	--	--	--	--	--
	51,732	47,837	55,903	59,126	\$65,098	--	--	--	--	--
35 - 39	2,133	872	765	391	103	2	--	--	--	--
	57,260	51,479	61,122	62,267	58,443	\$60,514	--	--	--	--
40 - 44	1,989	657	596	339	315	80	2	--	--	--
	59,735	52,027	62,496	64,912	63,895	63,925	\$67,959	--	--	--
45 - 49	2,124	523	621	310	360	217	90	3	--	--
	60,859	52,138	61,140	61,103	65,609	71,016	64,749	\$76,144	--	--
50 - 54	2,172	468	546	344	345	215	177	70	7	--
	62,335	55,494	59,884	61,758	63,233	72,580	72,057	69,849	\$59,489	--
55 - 59	1,618	278	349	235	254	233	113	120	35	1
	66,194	57,293	60,288	59,799	66,646	71,748	83,613	84,964	78,349	\$50,432
60 - 64	834	128	241	114	143	97	48	50	12	1
	63,712	54,482	59,588	62,837	67,208	69,884	68,403	77,570	85,875	56,279
65 - 69	211	22	60	43	36	31	10	8	1	--
	63,072	62,797	57,211	55,514	71,553	72,476	64,680	74,367	42,518	--
70 & over	40	6	6	7	11	3	--	4	3	--
	61,516	72,435	61,410	61,757	57,415	61,575	--	54,376	63,827	--
Total	14,900	5,614	4,162	1,922	1,569	878	440	255	58	2
	\$57,957	\$49,431	\$59,351	\$61,799	\$64,664	\$70,817	\$72,945	\$78,449	\$76,261	\$53,355

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2008

By Age and Years of Service

ii. County Safety

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	106	106	--	--	--	--	--	--	--	--
	\$56,426	\$56,426	--	--	--	--	--	--	--	--
25 - 29	303	236	67	--	--	--	--	--	--	--
	61,009	58,854	\$68,598	--	--	--	--	--	--	--
30 - 34	349	145	160	43	1	--	--	--	--	--
	69,545	62,709	72,935	\$79,817	\$76,569	--	--	--	--	--
35 - 39	381	95	112	137	37	--	--	--	--	--
	75,869	66,652	75,139	80,746	83,683	--	--	--	--	--
40 - 44	371	33	62	75	140	59	2	--	--	--
	86,056	75,169	79,198	81,617	87,067	\$102,184	\$98,248	--	--	--
45 - 49	329	22	39	36	84	108	40	--	--	--
	91,405	84,157	83,004	81,352	86,312	95,075	113,419	--	--	--
50 - 54	204	19	10	15	35	56	47	22	--	--
	99,902	90,251	99,327	90,454	85,712	97,645	107,414	\$127,209	--	--
55 - 59	82	9	6	9	11	11	20	10	6	--
	109,225	104,059	81,709	80,267	80,266	99,981	111,623	145,037	\$190,294	--
60 - 64	22	2	3	2	2	3	7	2	1	--
	93,397	73,029	120,754	39,931	86,041	87,234	101,799	111,885	96,408	--
65 - 69	3	--	--	--	1	1	--	--	--	1
	119,327	--	--	--	78,186	93,439	--	--	--	\$186,355
Total	2,150	667	459	317	311	238	116	34	7	1
	\$79,717	\$63,605	\$75,544	\$81,083	\$85,999	\$97,563	\$109,714	\$131,551	\$176,881	\$186,355

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2008

By Age and Years of Service

iii. Superior Court

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39
Under 25	40	40	--	--	--	--	--	--	--
	\$38,367	\$38,367	--	--	--	--	--	--	--
25 - 29	97	79	18	--	--	--	--	--	--
	43,674	42,787	\$47,568	--	--	--	--	--	--
30 - 34	121	62	52	7	--	--	--	--	--
	50,759	46,841	53,823	\$62,698	--	--	--	--	--
35 - 39	124	68	37	13	6	--	--	--	--
	58,709	56,217	63,600	58,561	\$57,109	--	--	--	--
40 - 44	145	57	36	24	15	13	--	--	--
	58,819	54,563	63,826	57,499	58,652	\$66,249	--	--	--
45 - 49	156	29	36	18	35	27	10	1	--
	64,826	57,275	73,357	68,846	57,957	69,316	\$60,629	\$65,407	--
50 - 54	135	33	28	19	23	17	12	2	1
	74,200	62,896	81,640	69,282	74,203	90,855	74,651	63,386	\$65,407
55 - 59	105	12	15	15	20	24	14	3	2
	75,215	91,481	71,150	99,449	63,999	66,619	63,055	87,160	108,873
60 - 64	48	8	11	8	11	7	3	--	--
	74,928	69,035	78,419	86,209	68,223	79,765	61,052	--	--
65 - 69	7	1	3	1	--	1	--	1	--
	90,363	47,353	126,658	51,985	--	87,819	--	65,407	--
70 & over	2	2	--	--	--	--	--	--	--
	65,098	65,098	--	--	--	--	--	--	--
Total	980	391	236	105	110	89	39	7	3
	\$61,335	\$51,959	\$65,858	\$70,182	\$63,528	\$73,285	\$65,847	\$74,152	\$94,384

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT B

Members in Active Service and Projected Average Compensation as of June 30, 2008

By Age and Years of Service

iv. SCAQMD

Age	Total	Years of Service						
		0-4	5-9	10-14	15-19	20-24	25-29	30-34
Under 25	10	10	--	--	--	--	--	--
	\$64,248	\$64,248	--	--	--	--	--	--
25 - 29	33	31	2	--	--	--	--	--
	59,677	57,148	\$98,882	--	--	--	--	--
30 - 34	52	27	25	--	--	--	--	--
	81,754	66,779	97,928	--	--	--	--	--
35 - 39	57	25	24	3	4	1	--	--
	88,388	80,369	93,790	\$129,987	\$80,729	\$65,059	--	--
40 - 44	89	16	25	3	32	12	1	--
	98,801	79,305	98,494	95,914	108,603	100,474	\$93,368	--
45 - 49	144	11	18	6	52	49	6	2
	104,816	80,903	99,800	93,018	107,797	112,067	94,450	\$92,796
50 - 54	163	11	17	2	53	43	28	9
	109,771	81,359	95,583	64,113	110,313	122,452	114,041	104,382
55 - 59	132	7	9	3	29	47	21	16
	109,804	63,579	90,451	87,863	126,110	104,180	120,946	117,369
60 - 64	62	1	13	2	12	16	8	10
	105,574	45,156	103,293	83,404	100,994	105,077	128,481	106,979
65 - 69	19	2	3	--	6	2	4	2
	88,954	59,875	98,317	--	75,397	127,218	91,086	102,131
70 & over	5	--	--	--	1	2	1	1
	90,404	--	--	--	66,876	80,295	83,865	140,690
Total	766	141	136	19	189	172	69	40
	\$100,343	\$70,142	\$97,297	\$94,444	\$109,199	\$110,582	\$114,045	\$110,442

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2008
By Age and Years of Service
v. Other General**

Age	Total	Years of Service							
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39
Under 25	13	13	--	--	--	--	--	--	--
	\$48,881	\$48,881	--	--	--	--	--	--	--
25 - 29	46	44	2	--	--	--	--	--	--
	54,724	54,127	\$67,856	--	--	--	--	--	--
30 - 34	57	42	15	--	--	--	--	--	--
	66,278	61,710	79,066	--	--	--	--	--	--
35 - 39	76	48	20	5	3	--	--	--	--
	68,672	65,370	76,710	\$67,299	\$70,208	--	--	--	--
40 - 44	74	34	19	10	10	1	--	--	--
	76,573	63,155	87,059	87,448	91,573	\$74,810	--	--	--
45 - 49	88	26	26	14	13	6	3	--	--
	82,656	82,647	80,973	92,417	76,346	77,889	\$88,634	--	--
50 - 54	73	25	13	16	14	4	--	1	--
	79,878	57,115	77,746	79,981	111,521	119,150	--	\$74,930	--
55 - 59	81	28	19	9	15	6	2	1	1
	95,417	93,253	85,738	88,723	78,872	142,938	99,165	211,885	\$239,236
60 - 64	38	8	9	4	11	5	--	1	--
	82,441	65,338	58,751	143,133	83,645	78,656	--	195,395	--
65 - 69	5	--	2	1	1	--	1	--	--
	84,016	--	104,755	61,779	79,298	--	69,494	--	--
70 & over	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
Total	551	268	125	59	67	22	6	3	1
	\$76,592	\$65,688	\$79,946	\$88,429	\$87,502	\$103,166	\$88,954	\$160,737	\$239,236

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT B

**Members in Active Service and Projected Average Compensation as of June 30, 2008
By Age and Years of Service
vi. Other Safety – All Service**

Age	Years of Service						
	Total	0-4	5-9	10-14	15-19	20-24	25-29
Under 25	4	4	--	--	--	--	--
	\$56,786	\$56,786	--	--	--	--	--
25 - 29	11	9	2	--	--	--	--
	63,096	59,940	\$77,299	--	--	--	--
30 - 34	9	7	2	--	--	--	--
	69,008	66,804	76,725	--	--	--	--
35 - 39	11	2	6	--	3	--	--
	76,512	64,354	79,068	--	\$79,507	--	--
40 - 44	15	3	4	4	1	3	--
	81,519	94,994	79,063	\$77,282	76,979	\$78,481	--
45 - 49	11	1	3	--	3	4	--
	91,663	51,560	79,205	--	106,869	99,628	--
50 - 54	2	--	--	--	--	2	--
	100,809	--	--	--	--	100,809	--
55 - 59	3	--	1	--	--	1	1
	161,877	--	183,518	--	--	116,556	\$185,557
60 - 64	1	--	--	--	--	--	1
	127,387	--	--	--	--	--	127,387
65 - 69	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
Total	67	26	18	4	7	10	2
	\$81,039	\$65,364	\$84,436	\$77,282	\$90,872	\$95,213	\$156,472

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT C

Reconciliation of Member Data – June 30, 2007 to June 30, 2008

	Active Members	Vested Terminated Members⁽¹⁾	Pensioners	Disableds	Beneficiaries	Total
Number as of June 30, 2007	18,945	3,084	5,189	1,283	1,145	29,646
New members	1,916	196	0	0	109	2,221
Terminations	-548	548	0	0	0	0
Contributions refunds	-539	-250	0	0	0	-789
Retirements	-352	-91	443	0	0	0
New disabilities	-31	-6	-15	52	0	0
Return to work	48	-45	-3	0	0	0
Died with or without beneficiary	-25	-6	-132	-39	-59	-261
Data adjustments	<u>0</u>	<u>0</u>	<u>2</u>	<u>1</u>	<u>-5</u>	<u>-2</u>
Number as of June 30, 2008	19,414	3,430	5,484	1,297	1,190	30,815

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

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT D

Summary Statement of Income and Expenses on Actuarial Value of Assets

	Year Ended June 30, 2008	Year Ended June 30, 2007
Contribution income:		
Employer contributions	\$241,721,392	\$239,856,532
Employee contributions	<u>49,480,584</u>	<u>47,004,698</u>
Total contribution income	\$291,201,976	\$286,861,230
Investment income:		
Interest, dividends and other income	\$139,501,425	\$255,796,726
Adjustment toward market value ⁽¹⁾	427,953,169	351,867,640
Less investment and administrative fees	<u>-70,119,914</u>	<u>-47,409,589</u>
Net investment income	\$497,334,680	\$560,254,777
Total income available for benefits	\$788,536,656	\$847,116,007
Less benefit payments	-\$244,405,820	-\$225,483,274
Change in reserve for future benefits	\$544,130,836	\$621,632,733

⁽¹⁾ Equals the "non-cash" earnings on investments implicitly included in the Actuarial Value of Assets.

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT E

Summary Statement of Net Assets

	Year Ended June 30, 2008	Year Ended June 30, 2007
Cash equivalents	\$898,078,636	\$227,156,584
Accounts receivable:		
Securities sold	\$31,973,899	\$160,355,205
Accrued interest and dividends	7,421,545	12,296,332
Employee and employer contributions	19,737,417	17,421,579
Other	<u>19,159,764</u>	<u>4,818,176</u>
Total accounts receivable	\$78,292,625	\$194,891,292
Investments:		
Equities	\$1,642,118,167	\$3,061,163,914
Fixed income	472,291,827	961,778,119
Real estate	910,014,055	966,409,549
Other	2,340,913,379	1,311,140,840
Investments received on securities lending	<u>330,317,016</u>	<u>569,191,788</u>
Total investments at market value	<u>\$5,695,654,444</u>	<u>\$6,869,684,210</u>
Total assets	<u>\$6,672,025,705</u>	<u>\$7,291,732,086</u>
Liabilities:		
Securities lending	-\$330,317,016	-\$569,191,788
Payable for securities purchased	-33,192,040	-191,633,667
Mortgage notes payable	-46,889,893	-96,572,341
Accrued expenses	<u>-156,146,973</u>	<u>-139,306,860</u>
Total liabilities	-\$566,545,922	-\$996,704,656
Net assets at market value	<u>\$6,105,479,783</u>	<u>\$6,295,027,430</u>
Net assets at actuarial value	<u>\$6,341,530,865</u>	<u>\$5,797,400,029</u>
Net assets at valuation value	<u>\$5,979,866,275</u>	<u>\$5,467,490,960</u>

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT F

Development of the Fund Through June 30, 2008

Year Ended June 30	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
2001	\$58,572,000	\$22,754,000	\$0	\$415,605,000	-\$113,145,000	\$3,614,750,000
2002	69,245,000	17,627,000	0	211,766,000	-133,351,000	3,780,037,000
2003	68,361,000	23,308,000	0	88,790,000	-144,923,000	3,815,573,000
2004	146,235,000	28,236,000	506,090,000	109,708,980	-187,691,000	4,418,151,980
2005	161,906,350	31,806,101	0	324,332,271	-185,967,691	4,750,229,011
2006	197,342,596	38,367,614	0	393,715,657	-203,887,582	5,175,767,296
2007	229,856,532	47,004,698	10,000,000	560,254,777	-225,483,274	5,797,400,029
2008	241,721,392	49,480,584	0	497,334,680	-244,405,820	6,341,530,865

* *Net of investment fees and administrative expenses.*

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT G

Actuarial Balance Sheet

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

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

	Total SBCERA (\$ in 000s) ⁽¹⁾	
	June 30, 2008	June 30, 2007
<u>Assets</u>		
1 Total valuation value of assets	\$5,944,274	\$5,435,932
2 Present value of future contributions by members	947,195	850,325
3 Present value of future employer contributions for:		
a. entry age normal cost	1,098,407	1,002,179
b. unfunded actuarial accrued liability	436,884	431,266
4 Total current and future assets	<u>\$8,426,760</u>	<u>\$7,719,702</u>
<u>Liabilities</u>		
5 Present value of benefits for retirees and beneficiaries	\$2,625,412	\$2,349,632
6 Present value of benefits for active members	5,562,875	5,171,888
7 Present value of benefits for vested terminated members	238,473	198,182
8 Total liabilities	<u>\$8,426,760</u>	<u>\$7,719,702</u>

⁽¹⁾ Excludes assets and liabilities for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves.

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT H

Summary of Reported Asset Information as of June 30, 2008

Reserves	
Member deposit reserve ⁽¹⁾	\$ 953,625,066
Current service reserve ⁽¹⁾	1,879,485,252
Contra account ⁽¹⁾	(117,987,049)
Pension reserve ⁽¹⁾	1,847,344,718
Cost-of-living reserve ⁽¹⁾	848,720,866
Annuity reserve ⁽¹⁾	524,566,967
Supplemental disability reserve ⁽¹⁾	8,517,534
Survivor benefit reserve ⁽¹⁾	35,592,921
Valuation reserves	<u>\$5,979,866,275</u>
Burial allowance reserve ⁽²⁾	1,388,407
General subsidy reserve ⁽²⁾	91,574,817
Undesignated excess earnings ⁽²⁾	68,540,595
Reserve for deficiencies ⁽²⁾	66,720,257
2% additional contingency reserve ⁽²⁾	133,440,514
Total reserves	<u>\$6,341,530,865</u>
Net unrecognized gains/(losses)	<u>(236,051,082)</u>
Net market value	<u>\$6,105,479,783</u>

⁽¹⁾ *Included in valuation value of assets.*

⁽²⁾ *Not included in valuation value of assets.*

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT I

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2008

1.	Unfunded actuarial accrued liability at beginning of year ⁽¹⁾		\$431,266,000
2.	Total normal cost at middle of year		231,561,000
3.	Actual employer and member contributions ⁽²⁾		-288,855,000
4.	Interest		<u>32,210,000</u>
5.	Expected unfunded actuarial accrued liability before plan changes		<u>\$406,182,000</u>
6.	Actuarial (gain)/loss due to all changes:		
	(a) Investment return	-\$7,386,000	
	(b) Higher than expected individual salary increases	21,844,000	
	(c) Transfer from undesignated excess earnings	-4,264,000	
	(d) Assumption changes	-10,701,000	
	(e) Other experience	<u>31,209,000</u>	
	(f) Total changes		<u>\$30,702,000</u>
7.	Unfunded actuarial accrued liability at end of year ⁽¹⁾		<u>\$436,884,000</u>

⁽¹⁾ Excludes Survivor Benefit Reserve.

⁽²⁾ Excludes contributions made to the Survivor Benefit Reserve during the year ended June 30, 2008.

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

**EXHIBIT J
Table of Amortization Bases**

	Date Established	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
County General	June 30, 2002	\$59,403,000	\$58,795,000	14	\$5,453,000
	June 30, 2003	246,087,000	246,151,000	15	21,656,000
	June 30, 2004	(174,234,000)	(174,930,000)	16	(14,662,000)
	June 30, 2005	114,353,000	115,456,000	17	9,254,000
	June 30, 2006	(12,592,000)	(12,701,000)	18	(977,000)
	June 30, 2007	(32,329,000)	(32,520,000)	19	(2,407,000)
	June 30, 2008	(19,309,000)	<u>(19,309,000)</u>	20	<u>(1,379,000)</u>
Subtotal			\$180,942,000		\$16,938,000
Superior Court	June 30, 2002	\$ 3,493,000	\$3,462,000	14	\$321,000
	June 30, 2003	14,458,000	14,468,000	15	1,273,000
	June 30, 2004	6,840,000	6,878,000	16	576,000
	June 30, 2005	6,720,000	6,776,000	17	543,000
	June 30, 2006	4,889,000	4,934,000	18	379,000
	June 30, 2007	4,076,000	4,098,000	19	303,000
	June 30, 2008	(791,000)	<u>(791,000)</u>	20	<u>(57,000)</u>
Subtotal			\$39,825,000		\$3,338,000
Other General	June 30, 2002	\$13,456,000	\$13,308,000	14	\$1,234,000
	June 30, 2003	9,811,000	9,811,000	15	863,000
	June 30, 2004	5,720,000	5,746,000	16	482,000
	June 30, 2005	6,338,000	6,399,000	17	513,000
	June 30, 2006	2,466,000	2,480,000	18	191,000
	June 30, 2007	2,058,000	2,070,000	19	153,000
	June 30, 2008	3,951,000	<u>3,951,000</u>	20	<u>282,000</u>
Subtotal			\$43,765,000		\$3,718,000

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT J

Table of Amortization Bases (continued)

	Date Established	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
SCAQMD	June 30, 2002	\$18,462,000	\$18,276,000	14	\$1,695,000
	June 30, 2003	27,792,000	27,799,000	15	2,446,000
	June 30, 2004	(21,554,000)	(21,692,000)	16	(1,818,000)
	June 30, 2005	7,819,000	7,908,000	17	634,000
	June 30, 2006	(1,328,000)	(1,342,000)	18	(103,000)
	December 31, 2006	(10,000,000)	(10,076,000)	18.5	(760,000)
	June 30, 2007	12,093,000	12,169,000	19	901,000
	June 30, 2008	17,520,000	<u>17,520,000</u>	20	<u>1,251,000</u>
Subtotal			\$50,562,000		\$4,246,000
County Safety	June 30, 2002	\$(62,982,000)	\$(62,336,000)	14	\$(5,782,000)
	June 30, 2003	216,453,000	216,503,000	15	19,048,000
	June 30, 2004	(74,700,000)	(75,139,000)	16	(6,298,000)
	June 30, 2005	27,328,000	27,586,000	17	2,211,000
	June 30, 2006	(10,615,000)	(10,708,000)	18	(824,000)
	June 30, 2007	5,858,000	5,887,000	19	436,000
	June 30, 2008	6,550,000	<u>6,550,000</u>	20	<u>468,000</u>
Subtotal			\$108,343,000		\$9,259,000

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT J

Table of Amortization Bases (continued)

	Date Established	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
Other Safety -	June 30, 2002	\$4,733,000	\$4,676,000	14	\$434,000
All Service	June 30, 2003	1,640,000	1,612,000	15	142,000
	June 30, 2004	3,720,000	3,744,000	16	314,000
	June 30, 2005	(78,000)	(104,000)	17	(8,000)
	June 30, 2006	323,000	325,000	18	25,000
	June 30, 2007	2,224,000	2,239,000	19	166,000
	June 30, 2008	955,000	<u>955,000</u>	20	<u>68,000</u>
Subtotal			\$13,447,000		\$1,141,000
Grand Total			\$436,884,000		\$38,640,000

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT K

Section 415 Limitations

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

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

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$185,000 for 2008 and \$195,000 for 2009. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions. Limits are also affected by the "grandfather" election under Section 415(b)(10).

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

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

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

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

EXHIBIT L

Definitions of Pension Terms

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

Assumptions or Actuarial

Assumptions:

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

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

Normal Cost:

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

Actuarial Accrued Liability

For Actives:

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

Actuarial Accrued Liability

For Pensioners:

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

Unfunded Actuarial Accrued

Liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan.

SECTION 3: Supplemental Information for San Bernardino County Employees' Retirement Association

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

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

SECTION 4: Reporting Information for the San Bernardino County Employees' Retirement Association

EXHIBIT I

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions*	Percentage Contributed
2003	\$68,361,000	\$68,361,000	100.0%
2004	146,235,000	146,235,000	100.0%
2005	161,906,000	161,906,000	100.0%
2006	197,343,000	197,343,000	100.0%
2007	229,857,000	229,857,000	100.0%
2008	241,721,000	241,721,000	100.0%

* Excludes the County and SCAQMD Pension Obligation Bond proceeds deposited during the Plan Year ended June 30, 2004. Also excludes the SCAQMD UAAL prepayment deposited during the Plan Year ended June 30, 2007.

SECTION 4: Reporting Information for the San Bernardino County Employees' Retirement Association

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL)** (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2003	\$3,815,573,000	\$4,368,411,000	\$552,838,000	87.34%	\$933,898,000	59.20%
06/30/2004	4,418,151,980	4,719,865,000	301,713,020	93.61%	943,544,971	31.98%
06/30/2005	4,750,229,011	5,215,719,073	465,490,062	91.08%	968,674,295	48.05%
06/30/2006	5,175,767,296	5,624,645,832	448,878,536	92.02%	1,028,730,826	43.63%
06/30/2007	5,797,400,029	6,227,013,069	429,613,040	93.10%	1,102,150,627	38.98%
06/30/2008	6,341,530,865	6,773,628,506	432,097,641	93.62%	1,219,561,653	35.43%

* Includes assets for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves.

** Includes liabilities held for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves.

SECTION 4: Reporting Information for the San Bernardino County Employees' Retirement Association

EXHIBIT III

Supplementary Information Required by the GASB

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level percent of payroll (4.25% payroll growth assumed)
Remaining Amortization Period	20 years for all UAAL prior to June 30, 2002. Any changes in UAAL after June 30, 2002 will be amortized over a 20-year period effective with each valuation.
Asset Valuation Method	Market value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a five-year period. Effective with the June 30, 2004 valuation, the remaining June 30, 2003 unrecognized returns will be combined and recognized over a five-year period starting with the 2004/2005 Plan Year. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves.
Actuarial Assumptions:	
Investment Rate of Return*	8.00%
Projected Salary Increases**	General: 5.00% to 13.25%; Safety: 5.00% to 13.25%.
Cost of Living Adjustments	Contingent upon CPI increases with a 2% maximum.
Plan Membership:	
Retirees and Beneficiaries receiving benefits***	7,971
Terminated plan members entitled to, but not yet receiving benefits	3,430
Active plan members	<u>19,414</u>
Total	30,815

* Includes inflation at 3.75%.

** Includes inflation at 3.75%, "across the board" increases of 0.50%, plus merit and promotional increases. See Exhibit IV for these increases.

*** Excludes beneficiaries that are only receiving Survivor Benefit payments.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

EXHIBIT IV

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates

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

Disabled: For General Members: RP-2000 Combined Healthy Mortality Table set forward five years for males and set forward six years for females.
 For Safety Members: RP-2000 Combined Healthy Mortality Table.

Member Contribution Rates: For General Members: RP-2000 Combined Healthy Mortality Table set back one year weighted 30% male and 70% female.
 For Safety Members: RP-2000 Combined Healthy Mortality Table set back one year weighted 85% male and 15% female.

Termination Rates Before Retirement:

Age	Rate (%) Mortality			
	General		Safety	
	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.07	0.04	0.07	0.04
40	0.10	0.06	0.10	0.06
45	0.14	0.10	0.14	0.10
50	0.20	0.16	0.20	0.16
55	0.32	0.24	0.32	0.24
60	0.59	0.44	0.59	0.44
65	1.13	0.86	1.13	0.86

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

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Termination Rates Before Retirement (continued):

Age	Rate (%) Disability	
	General⁽¹⁾	Safety⁽²⁾
25	0.03	0.26
30	0.04	0.36
35	0.08	0.76
40	0.13	1.12
45	0.24	1.38
50	0.33	2.40
55	0.44	4.20
60	0.74	5.00
65	1.14	0.00
70	1.30	0.00

- ⁽¹⁾ 50% of General disabilities are assumed to be service connected (duty) disabilities and the other 50% are assumed to be non-service connected (ordinary) disabilities.
- ⁽²⁾ 100% of Safety disabilities are assumed to be service connected (duty) disabilities.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Termination Rates Before Retirement (continued):

Rate (%)		
Withdrawal (< 5 Years of Service)		
Years of Service	General	Safety
0	15.00	5.00
1	10.00	3.50
2	9.00	3.00
3	7.50	3.00
4	6.00	2.50

Withdrawal (5+ Years of Service) *		
Age	General	Safety
20	6.00	2.50
25	6.00	2.41
30	6.00	2.29
35	5.70	1.80
40	4.75	1.32
45	3.80	0.93
50	2.60	0.30
55	1.64	0.00
60	1.16	0.00
65	1.00	0.00
70	1.00	0.00

* For General members, 40% of terminating members will choose a refund of contributions and 60% will choose a deferred vested benefit.

For Safety members, 25% of terminating members will choose a refund of contributions and 75% will choose a deferred vested benefit.

No withdrawal is assumed after a member is first assumed to retire.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Retirement Rates:

Age	Rate (%)	
	General	Safety
45	0.00	1.00
46	0.00	1.00
47	0.00	1.00
48	0.00	3.00
49	0.00	6.00
50	3.00	10.00
51	3.00	10.00
52	4.00	10.00
53	4.00	15.00
54	5.00	15.00
55	7.00	20.00
56	7.00	20.00
57	8.00	20.00
58	10.00	20.00
59	15.00	20.00
60	18.00	20.00
61	18.00	20.00
62	20.00	20.00
63	20.00	20.00
64	25.00	20.00
65	30.00	100.00
66	30.00	100.00
67	30.00	100.00
68	30.00	100.00
69	35.00	100.00
70	35.00	100.00
71	20.00	100.00
72	20.00	100.00
73	20.00	100.00
74	20.00	100.00
75	100.00	100.00

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

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

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

General Age: 57
Safety Age: 53

We assume that 40% of future deferred vested members will continue to work for a reciprocal employer. For reciprocals, we assume 5.25% compensation increases per annum.

Future Benefit Accruals:

1.0 year of service per year.

Unknown Data for Members:

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

Definition of Active Members:

All active members of SBCERA as of the valuation date.

Percent Married:

75% of male members and 55% of female members are assumed to be married at pre-retirement death or retirement.

Age of Spouse:

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

Supplemental Disability Benefit:

25% of future General service connected (duty) disableds are assumed to be eligible for this benefit; 70% of future General non-service connected (ordinary) disableds are assumed to be eligible for this benefit.

Net Investment Return:

8.00%, net of investment and administration expenses.

**Employee Contribution
Crediting Rate:**

3.75% (Based on projected long term six-month Treasury rate).

Consumer Price Index:

Increase of 3.75% per year; retiree COLA increases due to CPI are limited to maximum of 2.00% per year.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Salary Increases:

Annual Rate of Compensation Increase		
Inflation: 3.75% per year; plus "across the board" salary increases of 0.50% per year; plus the following promotional and merit increases:		
Years of Service	General	Safety
Less than 1	9.00%	9.00%
1	5.00	5.00
2	4.25	4.25
3	3.50	3.50
4	3.00	3.00
5	2.50	2.50
6	2.00	2.00
7	1.50	1.50
8	1.00	1.00
9	0.75	0.75
10	0.75	0.75
11	0.75	0.75
12	0.75	0.75
13	0.75	0.75
14	0.75	0.75
15	0.75	0.75
16	0.75	0.75
17	0.75	0.75
18	0.75	0.75
19	0.75	0.75
20 and Over	0.75	0.75

Actuarial Value of Assets:

Market value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value (actuarial value before July 1, 2002), and are recognized over a five-year period. Effective with the June 30, 2004 valuation, the remaining June 30, 2003 unrecognized returns were combined and recognized over a five-year period starting with the 2004/2005 Plan Year.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Valuation Value of Assets:

The Actuarial Value of Assets reduced by the value of the Burial Allowance Reserve, General Retiree Subsidy Reserve, Undesignated Excess Earnings Reserve, Reserve for Deficiencies, and 2% Additional Contingency Reserve.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs (calculated as if the current benefit accrual rate had always been in effect) divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total of current salaries.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Changes in Actuarial Assumptions: Based on the Actuarial Experience Study and Review of Economic Assumptions, the following assumptions were changed. Previously, these assumptions were as follows:

Mortality Rates

Healthy: 1994 Group Annuity Mortality Table (separate tables for males and females). For females, the table is set forward one year.

Disabled: 1994 Group Annuity Mortality Table set forward five years for males and set forward six years for females.

Member Contribution Rates: For General members, 1994 Group Annuity Mortality Table for males weighted 30% and 1994 Group Annuity Mortality Table for females set forward one year weighted 70%.

For Safety members, 1994 Group Annuity Mortality Table for males weighted 85% and 1994 Group Annuity Mortality Table for females set forward one year weighted 15%.

Termination Rates Before Retirement:

Age	Rate (%) Mortality			
	General		Safety	
	Male	Female	Male	Female
25	0.07	0.03	0.07	0.03
30	0.08	0.04	0.08	0.04
35	0.09	0.05	0.09	0.05
40	0.11	0.08	0.11	0.08
45	0.16	0.10	0.16	0.10
50	0.26	0.16	0.26	0.16
55	0.44	0.26	0.44	0.26
60	0.80	0.51	0.80	0.51
65	1.45	0.97	1.45	0.97

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

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Changes in Actuarial Assumptions (previous assumptions continued):

Termination Rates Before Retirement (continued):

Age	Rate (%)	
	Disability	
	General⁽¹⁾	Safety⁽²⁾
25	0.02	0.26
30	0.04	0.36
35	0.08	0.91
40	0.13	1.40
45	0.24	1.80
50	0.33	3.20
55	0.38	4.60
60	0.64	0.00
65	0.92	0.00

⁽¹⁾ 50% of General disabilities are assumed to be duty disabilities and the other 50% are assumed to be ordinary disabilities.

⁽²⁾ 100% of Safety disabilities are assumed to be duty disabilities.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Changes in Actuarial Assumptions (previous assumptions continued):

Termination Rates Before Retirement (continued):

Rate (%)		
Withdrawal (< 5 Years of Service)		
Years of Service	General	Safety
0	13.00	4.00
1	10.00	3.00
2	8.00	3.00
3	7.00	3.00
4	6.00	2.50
Withdrawal (5+ Years of Service) *		
Age	General	Safety
20	6.00	2.50
25	6.00	2.50
30	6.00	2.50
35	6.00	2.00
40	4.50	1.46
45	2.90	0.95
50	2.30	0.00
55	1.60	0.00
60	0.00	0.00

* 40% of all terminating members will choose a refund of contributions and 60% will choose a deferred vested benefit. Withdrawal rates are zero at ages where members are assumed to retire.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Changes in Actuarial Assumptions (previous assumptions continued):

Retirement Rates:

Age	Rate (%)	
	General	Safety
47	0.00	1.00
48	0.00	3.00
49	0.00	5.00
50	3.00	10.00
51	3.00	15.00
52	4.00	15.00
53	4.00	20.00
54	5.00	20.00
55	7.00	25.00
56	7.00	20.00
57	9.00	20.00
58	10.00	20.00
59	15.00	25.00
60	20.00	100.00
61	20.00	100.00
62	20.00	100.00
63	25.00	100.00
64	30.00	100.00
65	30.00	100.00
66	30.00	100.00
67	25.00	100.00
68	25.00	100.00
69	40.00	100.00
70	100.00	100.00

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Changes in Actuarial Assumptions (previous assumptions continued):

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

We assume that 50% of future deferred vested members will continue to work for a reciprocal employer. For reciprocals, we assume 5.25% compensation increases per annum.

Percent Married:

80% of male members and 60% of female members are assumed to be married at retirement or pre-retirement death.

Supplemental Disability Benefit:

20% of future General duty disableds are assumed to be eligible for this benefit; 65% of future General ordinary disableds are assumed to be married at retirement or pre-retirement death.

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.75% per year; plus "across the board" salary increases of 0.50% per year; plus the following merit and promotional increases:

<u>Age</u>	<u>General</u>	<u>Safety</u>
20	7.23%	7.49%
25	4.46%	4.48%
30	2.94%	2.88%
35	1.82%	1.56%
40	1.38%	0.88%
45	1.12%	0.80%
50	0.94%	0.80%
55	0.78%	0.62%
60	0.58%	0.00%

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

EXHIBIT V

Summary of Plan Provisions

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

Membership Eligibility: All permanent employees of the County of San Bernardino or another participating employer working 20 hours per week or more must become a member of SBCERA subject to classification below:

General All employees not eligible for Safety.

Safety Employees in law enforcement and fire fighting.

Final Compensation for Benefit Determination: Highest consecutive twelve months of compensation earnable (FAS1)(31462.1).

Service Requirement:

Eligibility:

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

Safety Age 50 with 10 years of service, or age 70 regardless of service, or after 20 years, regardless of age (§31663.25).

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Benefit Formula:

<i>General (§31676.15)</i>	<u>Retirement Age</u>	<u>Benefit Formula</u>
	50	1.49% x FAS1 x Years of Service
	55	2.00% x FAS1 x Years of Service
	60	2.62% x FAS1 x Years of Service
	62	2.82% x FAS1 x Years of Service
	65	3.13% x FAS1 x Years of Service

Benefit Formula:

<i>Safety (§31664.1)</i>	<u>Retirement Age</u>	<u>Benefit Formula</u>
	50 and later	3.00% x FAS1 x Years of Service

Maximum Benefit: 100% of Final Compensation (§31664.1, §31676.15)

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Ordinary Disability:

Eligibility Five years of service (§31720).
Benefit Formula For members entering before January 1, 1981, 1.8% per year of service (in most cases a minimum of 33% of compensation) (§31727.3, §31727, and §31727.2). For members entering after December 31, 1980, 20% of final compensation, plus 2% of final average compensation for each year of service in excess of five years, up to a maximum of 40%.

Line-of-Duty Disability:

Eligibility No age or service requirements (§31720).
Benefit 50% of Final Compensation (§31727.4).

Supplemental Disability:

Eligibility Must be a General member and incapable of gainful employment.
Benefit \$300 per month payable for life of member. This benefit is not considered when calculating Cost-of-Living increases.

Death Before Retirement:

Eligibility - A None.
Benefit - A Refund of employee contributions with interest, plus one month's compensation for each year of service to a maximum of six month's compensation (§31781); 50% of Final Compensation payable to spouse if Line of Duty death (§31787).
OR
Eligibility - B Five years of service.
Benefit - B 60% of the greater of Service or Ordinary Disability retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of above.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Death After Retirement:

<i>Service or Ordinary Disability Retirement</i>	60% of member's unmodified allowance continued to eligible spouse (§31760.1).
<i>Line-of-Duty Disability</i>	100% of member's allowance continued to eligible spouse (§31786). An additional lump sum benefit of \$1,000 is payable to the member's beneficiary for all post-retirement deaths (§31789.12).

Withdrawal Benefits:

<i>Less than Five Years of Service</i>	Refund of accumulated employee contributions with interest or earned benefit at age 70 (§31628).
<i>Five or More Years of Service</i>	If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§31700).

Post-retirement

Cost-of-Living Benefits:	Future changes based on the Consumer Price Index to a maximum of 2% per year, excess "banked." There is a one-time 7% increase at retirement for members hired before August 19, 1975.
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County Contributions:	Determined by the Entry Age Normal Cost method with funding of each year's change in actuarial accrued liability spread as a level percent of payroll over 20 years.
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Member Contributions:	Please refer to page Appendix A for the specific rates.
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General:

<i>Basic</i>	Provide for an average annuity at age 55 equal to $\frac{1}{100}$ of FAS1 (§31621.6).
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.

Safety:

<i>Basic</i>	Provide for an average annuity at age 50 equal to $\frac{1}{100}$ of FAS1 (§31639.25).
<i>Cost-of-Living</i>	Provide for one-half of future Cost-of-Living costs.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Other Information:	Members with 30 or more years of service are exempt from paying member contributions.
Plan Changes:	There have been no changes in plan provisions since the previous valuation.
Plan Provisions Not Valued:	<p>The Board of Retirement approves a discretionary subsidy, on an annual basis, pursuant to §31691.1. This benefit is funded from undesignated excess earnings and is subject at all times to the availability of funds.</p> <p>This subsidy is a maximum of \$230 per month for eligible retirees. The subsidy does not receive ongoing cost of living increases and beneficiaries will receive 60% of the subsidy upon the retired member's death. Please see our November 2008 letter for more information concerning this subsidy.</p>

NOTE: *The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuations. If the Association should find the plan summary not in accordance with the actual provisions, the Association should alert the actuary to ensure the proper provisions are valued.*

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

Appendix A

Member Contribution Rates

**General Members' Contribution Rates from the June 30, 2008 Actuarial Valuation
Expressed as a Percentage of Monthly Compensation**

<u>Entry Age</u>	<u>General Basic</u>	<u>General Total</u>	<u>Entry Age</u>	<u>General Basic</u>	<u>General Total</u>
16	6.11%	7.42%	36	8.55%	10.39%
17	6.21%	7.54%	37	8.70%	10.57%
18	6.32%	7.68%	38	8.85%	10.75%
19	6.43%	7.81%	39	9.01%	10.95%
20	6.53%	7.93%	40	9.17%	11.14%
21	6.65%	8.08%	41	9.34%	11.35%
22	6.76%	8.21%	42	9.51%	11.55%
23	6.87%	8.35%	43	9.70%	11.78%
24	6.99%	8.49%	44	9.89%	12.01%
25	7.11%	8.64%	45	10.10%	12.27%
26	7.23%	8.78%	46	10.30%	12.51%
27	7.35%	8.93%	47	10.48%	12.73%
28	7.47%	9.07%	48	10.62%	12.90%
29	7.60%	9.23%	49	10.74%	13.05%
30	7.73%	9.39%	50	10.83%	13.16%
31	7.86%	9.55%	51	10.89%	13.23%
32	7.99%	9.71%	52	10.92%	13.27%
33	8.12%	9.86%	53	10.92%	13.27%
34	8.26%	10.03%	54 & Over	10.67%	12.96%
35	8.40%	10.20%			

Interest: 8.00%
 COLA: 2.00%
 COLA Loading Factor: 21.48%
 Mortality: RP-2000 Male Combined Healthy Mortality Table set back one year weighted 30% and
 RP-2000 Female Combined Healthy Mortality Table set back one year weighted 70%
 Salary Increase: See Exhibit IV
 Note: These rates are determined before any pickups by the employer.

SECTION 4: Reporting Information for San Bernardino County Employees' Retirement Association

**Safety Members' Contribution Rates from the June 30, 2008 Actuarial Valuation
Expressed as a Percentage of Monthly Compensation**

<u>Entry Age</u>	<u>Safety Basic</u>	<u>Safety Total</u>	<u>Entry Age</u>	<u>Safety Basic</u>	<u>Safety Total</u>
16	6.88%	9.52%	36	9.67%	13.38%
17	7.00%	9.69%	37	9.85%	13.63%
18	7.12%	9.85%	38	10.04%	13.89%
19	7.24%	10.02%	39	10.24%	14.17%
20	7.36%	10.18%	40	10.46%	14.47%
21	7.48%	10.35%	41	10.67%	14.76%
22	7.61%	10.53%	42	10.85%	15.01%
23	7.74%	10.71%	43	11.00%	15.22%
24	7.87%	10.89%	44	11.12%	15.39%
25	8.00%	11.07%	45	11.21%	15.51%
26	8.13%	11.25%	46	11.28%	15.61%
27	8.27%	11.44%	47	11.31%	15.65%
28	8.41%	11.64%	48	11.31%	15.65%
29	8.56%	11.84%	49 & Over	11.05%	15.29%
30	8.70%	12.04%			
31	8.85%	12.24%			
32	9.01%	12.47%			
33	9.16%	12.67%			
34	9.33%	12.91%			
35	9.49%	13.13%			

Interest: 8.00%
 COLA: 2.00%
 COLA Loading Factor: 38.36%
 Mortality: RP-2000 Male Combined Healthy Mortality Table set back one year weighted 85% and
 RP-2000 Female Combined Healthy Mortality Table set back one year weighted 15%
 Salary Increase: See Exhibit IV
 Note: These rates are determined before any pickups by the employer.

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San Bernardino County Employees'
Retirement Association
Survivor Benefit Valuation

***Review of Contribution Rates and Funding Status
as of June 30, 2008***

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November 6, 2008

*Board of Retirement
San Bernardino County Employees' Retirement Association
348 West Hospitality Lane, 3rd Floor
San Bernardino, California 92415-0014*

Dear Members of the Board:

We are pleased to submit our Survivor Benefit Valuation as of June 30, 2008. This valuation is based on financial statements and census data furnished by the Retirement Association. We would like to take this opportunity to express our appreciation for the courtesy and cooperation accorded to us by the Retirement Office during the course of our work. The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

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

Sincerely,

THE SEGAL COMPANY

By:

*Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary*

*John Monroe, ASA, EA, MAAA
Vice President and Associate Actuary*

HEM/bqb:hy

SECTION 1

VALUATION SUMMARY

Contribution Recommendations and
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SECTION 1: Valuation Summary for SBCERA Survivor Benefit Valuation

CONTRIBUTION RECOMMENDATIONS AND FUNDING STATUS

- The following table summarizes the biweekly pay period contribution rate recommendations for the employers and the members:

	General Employers	Estimated Annual Amount	General Members	Estimated Annual Amount
Current Contribution Rate	\$2.45	\$1,067,000	\$2.45	\$1,067,000
Recommended Contribution Rate	\$1.57	\$702,000	\$1.57	\$702,000

Included in each of the recommended rates is a credit of \$0.89 to account for the excess of reserves over actuarial liabilities.

- The decrease in the contribution rates is primarily due to the changes in actuarial assumptions adopted by the Board as recommended in our Actuarial Experience Study.
- The Board has elected to include the Survivor Benefit Valuation in the regular valuation process. Therefore, the Actuarial Valuation and Review will include the Survivor Benefit liabilities and normal cost and the valuation assets will include the Survivor Benefit Reserve. We will continue to issue this separate report for the Survivor Benefits as the contribution rate structure is different and there are special assumptions used for this valuation.
- The following table compares the reserves and liabilities for the survivor benefits as of June 30, 2008:

1. June 30, 2008 Reserves	\$35,593,000
2. June 30, 2008 Actuarial Accrued Liabilities:	
Current Recipients	17,281,000
Future Recipients	13,526,000
Total	30,807,000
3. Liabilities minus Reserves (2) – (1)	-\$4,786,000
4. Funding Ratio (1) ÷ (2)	115.5%

SECTION 2: Review of Actuarial Assumptions for SBCERA Survivor Benefit Valuation

A. INTRODUCTION

The Survivor Benefit program was adopted by the County (in January 1976) and South Coast Air Quality District (in February 1977) to replace similar benefits once provided by Social Security. These benefits are provided only to General employee members and terminated vested members who have left their contributions on deposit with SBCERA.

The cost of the program is equally shared between the employers and the active employee members. Terminated

vested members who have left their contributions on deposit with SBCERA do not contribute towards the cost of the program. The contribution rates are calculated to provide for the ongoing cost of benefits, plus any amounts necessary to fund any shortfall between reserves and actuarial accrued liabilities.

A summary of the Survivor benefit provisions is displayed in Exhibit I.

SECTION 2: Review of Actuarial Assumptions for SBCERA Survivor Benefit Valuation

B. REVIEW OF EXPERIENCE AND RECOMMENDATIONS

Exhibit II provides a summary of the actuarial assumptions used in this actuarial valuation. The Board adopted most of these assumptions as part of the June 30, 2008 Experience Analysis. Additional assumptions are necessary for this valuation because the benefit amount varies depending upon the number and type of survivors receiving it.

Assumptions regarding the number and type of beneficiaries for future deaths were derived from 1998 U.S. Census data. Separate assumptions were developed for married versus non-married members. Those assumptions can be found in Exhibit II.

The following table provides a summary of the number and type of beneficiaries as of June 30, 2008.

CHART 1
Table of Coverage

SBCERA Survivor Benefit Recipients as of June 30, 2008	Death Before 4/2/1994	Death 4/2/1994 or Later
1. Surviving spouse caring for one child OR two children only	1	14
2. Surviving spouse caring for two or more children OR three or more children	0	16
3. One child only OR each of two dependent parents age 62	1	26
4. Widow or widower age 62 (no child) or in deferred status	83	137
5. Widow or widower age 60 (no child)	0	32
6. Total	85	225

SBCERA Covered Members as of June 30, 2008	As of June 30, 2008
1. Vested terminated members	1,873
2. Active members	17,197

SECTION 3: Valuation Results for SBCERA Survivor Benefit Valuation

A. INTRODUCTION

The funding of the Survivor Benefit comes from the following sources:

1. The Survivor Benefit Reserve, which equals \$35,593,000 as of June 30, 2008; and
2. Equal contributions from employers and members.

The following table provides the funding status of the Survivor Benefit as of June 30, 2008:

1. June 30, 2008 Reserves	\$35,593,000
2. June 30, 2008 Actuarial Accrued Liabilities:	
Current Recipients	17,281,000
Future Recipients	13,526,000
Total	30,807,000
3. Liabilities minus Reserves	-\$4,786,000
4. Funding Ratio (1./2.)	115.5%

The contribution requirements are determined based on the Entry Age Normal Funding Method. The Excess of Assets over the Actuarial Accrued Liability (Item 3 in the above table) is amortized as a level dollar amount over the careers of the current active members. The employer and members contribution rates are derived on the following page.

SECTION 3: Valuation Results for SBCERA Survivor Benefit Valuation

B. CONTRIBUTION REQUIREMENTS

1. Biweekly Entry Age Normal Cost per Active Member	\$4.90
2. Actuarial Accrued Liabilities minus Current Reserves (from previous page)	-\$4,786,000
3. Present Value of \$1 per Biweekly Pay Period for Active Members – Measured from Valuation Age	2,699,000
4. Biweekly Unfunded Actuarial Accrued Liability Cost (2) ÷ (3)	-\$1.77
5. Total Biweekly Cost per Member (1) + (4)	\$3.13
6. Employer Portion (50% of (5))	\$1.57
7. Member Portion (50% of (5))	\$1.57
8. Estimated Annual Employer Contribution	\$702,000
9. Estimated Annual Member Contribution	\$702,000

SECTION 4: Supporting Exhibits for SBCERA Survivor Benefit Valuation

EXHIBIT I

Plan Summary for SBCERA Survivor Benefit

Covered Members:	This plan provides a survivor benefit for active general members or terminated former members (those who elected to leave their contribution on deposit) who die prior to retirement or disability and have at least 18 months of service credit. All General active employees at SBCERA are eligible for this benefit.
Member Contribution Rate:	50% of benefit cost, charged to all eligible active General members
Employer Contribution Rate:	50% of benefit cost

Table of Benefits

<u>Member's Survivor(s)</u>	<u>Monthly Allowance</u>
Surviving spouse caring for one child	\$1,390
Surviving spouse caring for two or more children	\$1,622
One child only	\$ 695
Two children only (divided between children)	\$1,390
Three children only (divided between children)	\$1,622
Widow or widower age 60 (no children)	\$ 663
Widow or widower age 62 or older (no children)	\$ 768
Each of two dependent parents age 62 or older	\$ 695
One dependent parent only, age 62 or older	\$ 795
One-time burial allowance	\$ 255

SECTION 4: Support Exhibits for SBCERA Survivor Benefit Valuation

EXHIBIT II

Actuarial Assumptions/Methods for SBCERA Survivor Benefit

The actuarial assumptions and methods used in this valuation are:

- Those used in the SBCERA June 30, 2008 actuarial valuation report; and
- The following assumptions derived from 1998 U.S. Census data.

Member's Age at Death	Percent Married	Not Married No Child	Not Married One Child	Not Married 2+ Child	Married No Child	Married One Child	Married 2+ Child	Children's Age	
								Child 1	Child 2
Under 25	33%	61%	3%	3%	25%	3%	5%	3	1
25-34	67%	27%	3%	3%	36%	12%	19%	6	4
35-44	75%	19%	3%	3%	36%	15%	24%	9	7
45-54	76%	18%	3%	3%	36%	15%	25%	12	10
55-59	78%	18%	2%	2%	36%	16%	26%	16	14
60-64	78%	18%	2%	2%	36%	16%	26%	20	18
65-74	67%	27%	3%	3%	36%	12%	19%	N/A	N/A
75+	43%	51%	3%	3%	30%	5%	8%	N/A	N/A
Total	68%	26%	3%	3%	36%	12%	20%	N/A	N/A

Child payments are assumed to end when the child reaches age 22.

Widows or widowers are assumed to start payment at age 62 (or later if they are caring for an eligible child).

Actuarial Value of Assets:

Survivor Benefit Reserve value as of valuation date.

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service, with Normal Cost determined as though the current benefit accrual rate had always been in effect. Any Unfunded Actuarial Accrued Liability or Surplus is amortized over the current active members' future working lifetime.



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November 6, 2008

Board of Retirement
San Bernardino County Employees' Retirement Association
348 W. Hospitality Lane, 3rd Floor
San Bernardino, CA 92415-0014

Re: General Subsidy Study as of June 30, 2008

Dear Members of the Board:

We are pleased to present the results of our study of the retirement subsidy as of June 30, 2008. Our results are based upon the census data and actuarial assumptions used to perform the June 30, 2008 valuation.

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

We look forward to discussing these results with the Board. If you have any questions on the information presented herein, please let us know.

Respectfully submitted,

Handwritten signature of Paul Angelo in black ink.

Paul Angelo, FSA, EA, MAAA
Senior Vice President & Actuary

Handwritten signature of John Monroe in black ink.

John Monroe, ASA, EA, MAAA
Vice President & Associate Actuary

HEM/hy
Enclosures

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Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, DC



Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

OVERVIEW AND DATA

We were asked to perform a study as of June 30, 2008 to determine the funding condition of the retirement subsidy for eligible retirees. The results presented herein are based upon the data supplied by the Retirement Association used to perform the June 30, 2008 actuarial valuation.

Below we show the number of members included in our study:

	<u>Active</u>	<u>Inactive</u>	<u>Retired</u>	<u>Total</u>
Total Members Included in Study	19,414	649*	6,578**	26,641

* Excludes 2,781 inactive members who did not have the required service to receive a subsidy.

** Excludes 1,393 retirees who did not have the required service to receive a subsidy.

The study assumes that the current retirement subsidy, as described on page 3, will remain unchanged.

GENERAL SUBSIDY RESERVES

The Board of Retirement approves a discretionary subsidy, on an annual basis, pursuant to Government Code section 31691.1.

- The Board provides for the discretionary subsidy through the general subsidy reserve, funded by excess earnings.
- This subsidy commitment, however, is subject at all times to the availability of funds as required by Section 31691 of the Government Code.
- The subsidy is subject to change or termination by the Board of Retirement at any time.
- The availability of assets to provide for the subsidy shall at all times be secondary to the assets required to provide for the retirement, disability and death benefits provided by the Association, and for the reserve for the deficiencies required pursuant to Section 31592.2 of the Government Code.

The balance in this reserve is \$91,575,000 as of June 30, 2008, derived as follows:

Beginning Balance at June 30, 2007	\$101,086,000
+Interest	-0-
+Transfer from Undesignated Excess Earnings	4,264,000
-General Subsidy Payments	13,775,000
Ending Balance at June 30, 2008	\$91,575,000

GENERAL SUBSIDY COSTS

Below we show the one-year cost and the ongoing cost of paying the retirement subsidy to both current and future retirees and beneficiaries.

	<u>General</u>	<u>Safety</u>	<u>Total</u>
Number Receiving a Subsidy as of June 30, 2008	5,477	1,101	6,578
Annual Benefits (Estimated one-year cost)	\$12,820,000	\$2,630,000	\$15,450,000
Present Value of Future Benefits as of June 30, 2008 (ongoing cost)			
Active	\$140,986,000	\$26,122,000	\$167,108,000
Inactive	7,946,000	540,000	8,486,000
Retired	<u>106,555,000</u>	<u>25,013,000</u>	<u>131,568,000</u>
Total	\$255,487,000	\$51,675,000	\$307,162,000
Reserves			\$91,575,000
Net Unfunded Present Value			\$215,587,000

As shown above, the one-year cost of providing the subsidy is estimated to be \$15.5 million. The present value of future benefits for current subsidy benefit recipients is about \$131.6 million versus the current reserve of \$91.6 million. In addition, the ongoing cost of providing the subsidy to future retirees and beneficiaries is an additional \$175.6 million. This results in a net unfunded present value of \$215.6 million.

Part of the \$167.1 million of active present value is for service already earned under the plan and part is for future service. Future service represents approximately 1/4 of the total value for active members, or \$39.2 million. If funded over the members' careers, this amount would translate into an ongoing contribution rate of approximately 0.37% of total payroll. If the maximum subsidy remains fixed at the \$230 level, this rate, expressed as a percentage of total payroll, will decrease as average salaries increase over time.

We have projected the number of years that benefits are expected to be payable before the reserve is depleted, assuming that no interest will be credited or undesignated excess earnings transferred to this reserve. For current subsidy benefit recipients, we project that benefits will be payable for approximately seven years until the reserve is depleted. If we include the projected benefit payments for future recipients, then the reserve will be depleted in approximately five years.

GENERAL SUBSIDY PROVISIONS

The cost for the retirement subsidy is based on a \$230.00 maximum monthly subsidy for eligible retirees. Eligible retirees are those who were employed for ten years or more. Service connected disability retirees with less than ten years of service will automatically receive 50% of the subsidy.

Following is a chart that shows the monthly subsidy each retiree will receive by years of service:

<u>YEARS OF SERVICE</u>	<u>DOLLAR AMOUNT EACH MONTH</u>	<u>% OF SUBSIDY</u>
Less than 10 years	\$0	0%
10 Years	\$115.00	50%
11 Years	\$126.50	55%
12 Years	\$138.00	60%
13 Years	\$149.50	65%
14 Years	\$161.00	70%
15 Years	\$172.50	75%
16 Years	\$184.00	80%
17 Years	\$195.50	85%
18 Years	\$207.00	90%
19 Years	\$218.50	95%
20 years or more	\$230.00	100%

In addition, it is our understanding that the subsidy will not receive ongoing cost of living increases and that beneficiaries will receive 60% of the subsidy upon the retired member's death.



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November 6, 2008

Board of Retirement
San Bernardino County Employees' Retirement Association
348 West Hospitality Lane, 3rd Floor
San Bernardino, CA 92415-0014

Re: South Coast Air Quality Management District (SCAQMD) Pick-up Contributions

Dear Members of the Board:

As requested, we have determined the SCAQMD member and employer contribution rates after taking into account the employer contribution pick-up arrangement.

We understand that the SCAQMD will pick-up up to 11.34% of contributions for pre-7/1/1979 hires (and some select post-7/1/1979 hires) and 6.49% of contributions for post-7/1/1979 hires. Since all post-7/1/1979 members pay at least a 6.49% contribution rate, all post-7/1/1979 members contribution rates will be reduced by 6.49% (note that this excludes the post-7/1/1979 members that are included in the pre-7/1/1979 group). For the pre-7/1/1979 members (and post-7/1/1979 members included in this group) all member contribution rates should be reduced by up to 11.34%. Please ensure that the member contribution rate is not reduced below zero.

To determine the employer rate we need to take the average contribution rate pick-up, reduce it for nonrefundability (since the employer is paying it and it therefore becomes nonrefundable), and add that rate to the employer contribution rate in the June 30, 2008 valuation report. We have produced two employer rates, one for the pre-7/1/1979 hires (including those select post-7/1/1979 hires) and one for the post-7/1/1979 hires. The nonrefundability factor has changed to 1.11 from last year's value of 1.10.

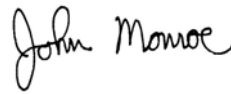


For post-7/1/1979 hires the employer contribution rate is 21.03% ($15.18\% + (6.49\% / 1.11)$). Please note that 15.18% is the SCAQMD contribution rate in the June 30, 2008 valuation report and the 1.11 factor is the general member nonrefundability factor. For pre-7/1/1979 hires (including those select post-7/1/1979 hires) the employer contribution rate is 23.99% ($15.18\% + (9.78\% / 1.11)$). The factors are the same as above except we had to derive an average member contribution rate for the pre-7/1/1979 hires (including those select post-7/1/1979 hires). That average rate was 9.78%.

Respectfully submitted,



Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary



John Monroe, ASA, EA, MAAA
Vice President and Associate Actuary

HEM/kek