

**San Bernardino County Employees' Retirement
Association**

*Actuarial Valuation and Review
as of June 30, 2010
Including Related Studies*

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November 1, 2010

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, 2010. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2011-2012 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.

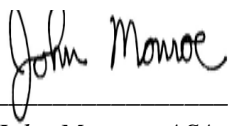
We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: 

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



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

JZM/kek

SECTION 1

VALUATION SUMMARY

Purpose and Scope.....	i
Significant Issues in this Valuation.....	ii
Summary of Key Valuation Results.....	iv
Summary of Key Valuation Demographic and Financial Data.....	v

SECTION 2

VALUATION RESULTS

A. Member Data (All employers combined)	1
B. Financial Information.....	4
C. Actuarial Experience.....	8
D. Employer and Member Contributions	13
E. Information Required by the GASB.....	19

SECTION 3

SUPPLEMENTAL INFORMATION

EXHIBIT A Table of Plan Coverage	20
EXHIBIT B Members in Active Service and Projected Average Compensation as of June 30, 2010	26
EXHIBIT C Reconciliation of Member Data – June 30, 2009 to June 30, 2010	32
EXHIBIT D Summary Statement of Income and Expenses on Actuarial Value of Assets	33
EXHIBIT E Summary Statement of Net Assets ..	34
EXHIBIT F Development of the Fund Through June 30, 2010	35
EXHIBIT G Actuarial Balance Sheet.....	36
EXHIBIT H Summary of Allocated Reserves.....	37
EXHIBIT I Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2010	38
EXHIBIT J Table of Amortization Bases	39
EXHIBIT K Section 415 Limitations.....	42
EXHIBIT L Definitions of Pension Terms	43

SECTION 4

REPORTING INFORMATION

EXHIBIT I Supplementary Information Required by the GASB – Schedule of Employer Contributions	45
EXHIBIT II Supplementary Information Required by the GASB – Schedule of Funding Progress	46
EXHIBIT III Supplementary Information Required by the GASB	47
EXHIBIT IV Actuarial Assumptions and Actuarial Cost Method	48
EXHIBIT V Summary of Plan Provisions.....	55
Appendix A Member Contribution Rates.....	60

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, 2010. 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, 2010, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2010, 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.

Please note that the Actuarial Standards Board has recently adopted a revised Actuarial Standard of Practice (ASOP) No. 4 that provides guidelines for actuaries to follow when selecting actuarial assumptions. For a plan such as that offered by the Retirement Association that may use undesignated excess earnings to provide supplemental benefits, the valuation report must indicate that the impact of any such future use of undesignated excess earnings on the future financial condition of the plan has not been explicitly measured or otherwise reflected in the valuation.

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.

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

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2011 through June 30, 2012.

SIGNIFICANT ISSUES IN THIS VALUATION

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

- Ref: Pg. 10*

➤ The market value of assets earned a return of 10.5% for the July 1, 2009 to June 30, 2010 plan year. The actuarial value of assets earned a return of -0.4% for the July 1, 2009 to June 30, 2010 plan year due to the deferral of most of the current year investment gains and the recognition of prior investment losses. This resulted in an actuarial loss when measured against the assumed rate of return of 8.00%. This actuarial investment loss increased the Plan's required contribution by 3.03% of compensation.
- Ref: Pg. 17*

➤ The ratio of the actuarial value of assets to actuarial accrued liabilities decreased from 91.0% to 85.5%. The Association's Unfunded Actuarial Accrued Liability (UAAL) increased from \$630 million as of June 30, 2009 to \$1,078 million as of June 30, 2010. The increase in the UAAL is mainly due to lower than expected actuarial investment return and other experience losses, offset to some degree by lower than expected salary increases. A reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit I.
- Ref: Pg. 46*
Ref: Pg. 38

➤ The recommended average employer contribution rate increased from 15.40% of payroll in the June 30, 2009 valuation to 18.08% of payroll in the June 30, 2010 valuation. The increase was mainly the result of a lower than expected investment return. A reconciliation of the recommended average employer rate is provided in Section 2, Subsection D (see Chart 15).
- Ref: Pg. 17*

➤ The recommended average member contribution rate decreased from 9.31% in the June 30, 2009 valuation to 9.28% of payroll in the June 30, 2010 valuation. This decrease is mainly the result of changes in the member population for the June 30, 2010 valuation. A reconciliation of the recommended average member contribution rate is provided in Section 2, Subsection D (see Chart 16).
- Ref: Pg. 18*

➤ For the year ending June 30, 2010, there was insufficient investment earnings (after "smoothing") to credit all valuation reserves with the assumed return. The shortfall was \$539 million and was allocated to the contra account.
- 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, 2010 is \$1.3 billion (as compared to an unrecognized loss of \$1.8 billion in the June 30, 2009 valuation). This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years. This means 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.

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

- The unrecognized investment losses represent about 27% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$1.3 billion market losses is expected to have a significant impact on the Association's future funded ratio and the aggregate employer contribution rate. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the actuarial value of assets, the funded ratio would decrease from 85.5% to 67.6%.
 - If the deferred losses were recognized immediately in the actuarial value of assets, the aggregate employer contribution rate would increase from 18.08% to 25.72%.
- The actuarial report as of June 30, 2010 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the plan, while increases will decrease the actuarial cost of the plan.

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, 2010		June 30, 2009	
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
Employer Contribution Rates:				
County General members	14.72%	\$127,820	12.32%	\$ 104,266
County Safety members	31.23	59,250	26.82	50,577
County combined	17.68	187,070	14.96	154,843
Superior Court members	17.02	10,708	15.54	9,709
South Coast Air Quality Management District (SCAQMD) members	19.58	15,413	16.08	12,812
Other General members	22.51	9,994	20.39	8,904
Other Safety members – 3% at 50 for all service	47.14	2,872	44.70	2,555
All employers combined	18.08	226,057	15.40	188,823
Average Member Contribution Rates⁽²⁾:				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
County General members	9.11%	\$79,106	9.14%	\$ 77,353
County Safety members	10.56	20,035	10.59	19,971
County combined	9.37	99,141	9.40	97,324
Superior Court members	9.03	5,681	9.04	5,648
South Coast Air Quality Management District (SCAQMD) members	8.05	6,337	8.13	6,478
Other General members	9.39	4,169	9.45	4,127
Other Safety members – 3% at 50 for all service	11.44	697	11.51	658
All employers combined	9.28	116,025	9.31	114,235
Funded Status:				
Actuarial accrued liability (AAL) ⁽³⁾		\$7,444,986		\$7,013,534
Actuarial value of assets (AVA) ⁽⁴⁾		\$6,367,232		\$6,383,388
Funded percentage		85.52%		91.02%
Unfunded actuarial accrued liability (UAAL)		\$1,077,754		\$630,146
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 projected annual compensation for each valuation date.

(2) The refundability factors as of June 30, 2010 of 1.11 for General and 1.04 for Safety remain unchanged from the factors as of June 30, 2009.

(3) Includes liabilities held for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves. For June 30, 2010 those amounts are \$33,076, \$1,094, \$61,618 and \$53,332, respectively. The AAL for retirement plan benefits is \$7,295,866 as of June 30, 2010.

(4) Includes assets held for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves. For June 30, 2010 those amounts are \$42,101, \$1,094, \$61,618 and \$53,332, respectively. The AVA for all other benefits is \$6,209,087 as of June 30, 2010

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

Summary of Key Valuation Demographic and Financial Data

	June 30, 2010	June 30, 2009	Percentage Change
Active Members:			
Number of members	19,520	18,955	3.0%
Average age	44.2	43.8	N/A
Average service	10.4	10.2	N/A
Projected total compensation	\$1,250,192,961	\$1,226,431,276	1.9%
Average projected compensation	\$64,047	\$64,702	-1.0%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	6,210	5,971	4.0%
Disability retired	1,339	1,312	2.1%
Beneficiaries ⁽¹⁾	1,294	1,236	4.7%
Total	8,843	8,519	3.8%
Average age	68.2	67.9	N/A
Average monthly benefit ⁽²⁾	\$2,628	\$2,508	4.8%
Vested Terminated Members:			
Number of terminated vested members ⁽³⁾	3,635	3,635	0.0%
Average age	45.1	44.5	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$5,029,474	\$4,544,420	10.7%
Return on market value of assets	10.49%	-26.04%	N/A
Actuarial value of assets	\$6,367,232	\$6,383,388	-0.3%
Return on actuarial value of assets	-0.38%	0.14%	N/A
Valuation value of assets	\$6,251,188	\$6,255,650	-0.1%
Return on valuation value of assets	-0.45%	2.64%	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: 2001 – 2010

Year Ended June 30	Active Members	Vested Terminated Members⁽¹⁾	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
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
2009	18,955	3,635	8,519	0.64
2010	19,520	3,635	8,843	0.64

⁽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 19,520 active members with an average age of 44.2, average years of service of 10.4 years and average projected compensation of \$64,047. The 18,955 active members in the prior valuation had an average age of 43.8, average service of 10.2 years and average compensation of \$64,702.

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

Inactive Members

In this year's valuation, there were 3,635 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 3,635 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, 2010

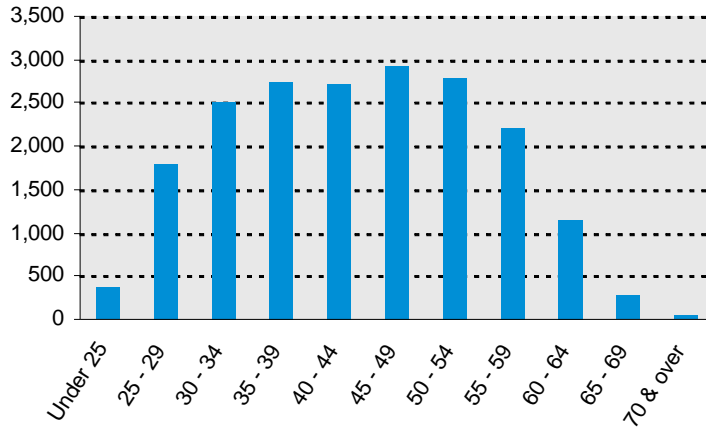
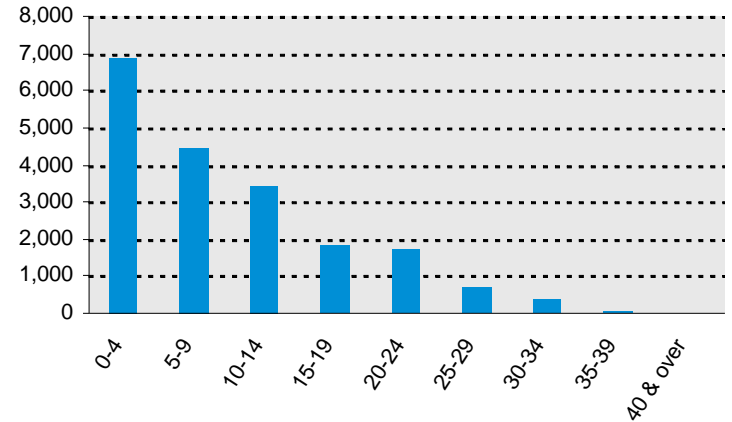


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2010



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

Retired Members and Beneficiaries

As of June 30, 2010, 7,549 retired members and 1,294 beneficiaries were receiving total monthly benefits of \$23,236,029. For comparison, in the previous valuation, there were 7,283 retired members and 1,236 beneficiaries receiving monthly benefits of \$21,365,076. 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, 2010

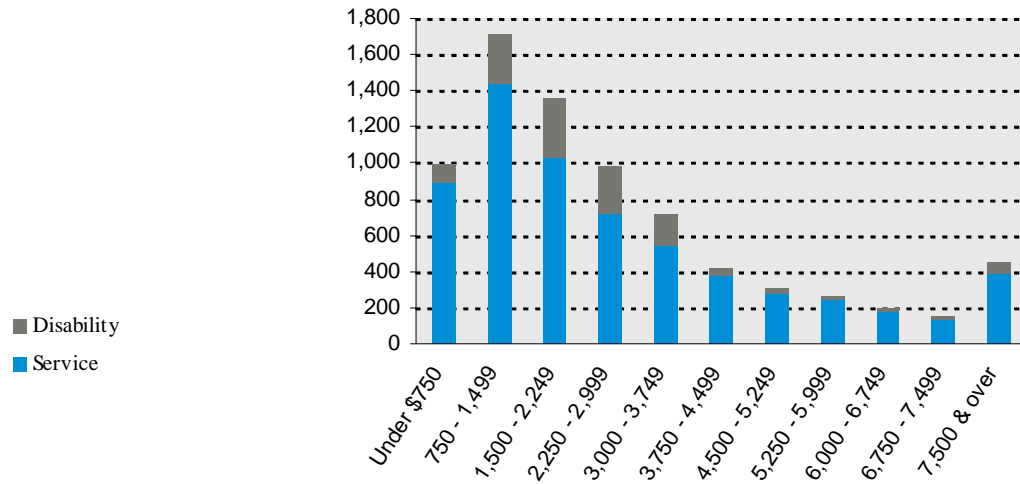
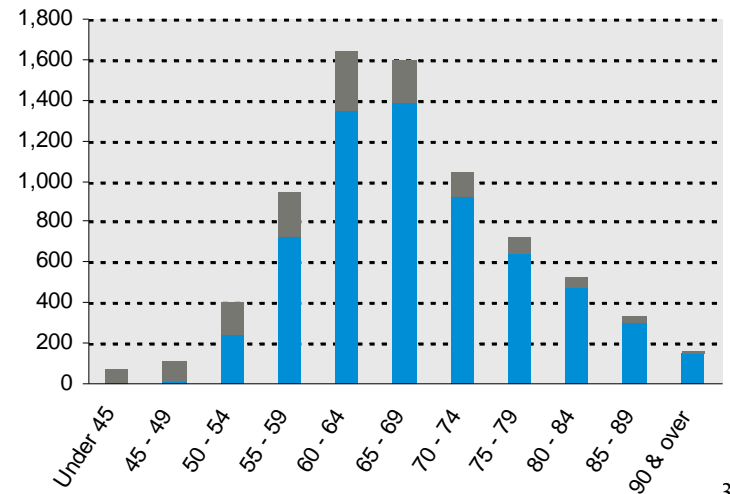


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2010



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

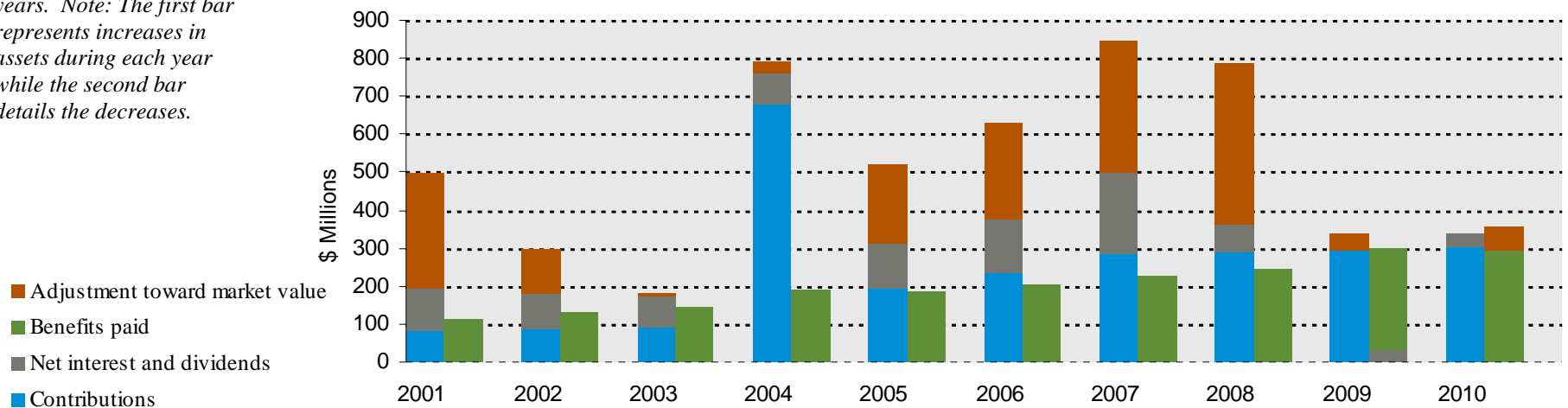
B. FINANCIAL INFORMATION

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 ten 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 – 2010



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			\$5,029,473,765
2. Calculation of unrecognized return*			
	<u>Original Amount</u>	<u>Unrecognized Return**</u>	
(a) Year ended June 30, 2010	\$113,095,424	\$90,476,339	
(b) Year ended June 30, 2009	(2,083,821,588)	(1,250,292,953)	
(c) Year ended June 30, 2008	(741,817,845)	(296,727,138)	
(d) Year ended June 30, 2007	593,925,773	118,785,155	
(e) Year ended June 30, 2006	178,047,660	<u>0</u>	
(f) Total unrecognized return***			(\$1,337,758,597)
3. Actuarial value of assets: (1) – (2f)			\$6,367,232,362
4. Actuarial value as a percentage of market value			126.6%
5. Non-valuation reserves and designations:			
(a) Undesignated excess earnings			\$ 0
(b) Reserve for deficiencies			53,332,300
(c) 2% additional contingency reserve			0
(d) Burial allowance reserve			1,094,407
(e) General retiree subsidy reserve			61,617,516
(f) Total			<u>\$116,044,223</u>
6. Valuation value of assets (3) – (5f)			<u>\$6,251,188,139</u>

* 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, 2010 recognized in each of the next four years

(i)	Amount Recognized during 2010/2011	(\$423,723,647)
(ii)	Amount Recognized during 2011/2012	(542,508,802)
(iii)	Amount Recognized during 2012/2013	(394,145,233)
(iv)	Amount Recognized during 2013/2014	<u>22,619,085</u>
		(\$1,337,758,597)

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

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2010

The calculation of the valuation value of assets from June 30, 2009 to June 30, 2010 by employer categories is provided below:

	General				Safety		Survivor Benefit Reserve	Total
	County	Superior Court	SCAQMD	Others	County	Others- All Service		
1 Allocated Valuation Value of Assets as of Beginning of Plan Year	\$4,048,072,005	\$172,798,063	\$432,914,524	\$125,559,522	\$1,408,484,410	\$28,722,186	\$39,098,907	\$6,255,649,617
2 Member Contributions	36,221,577	2,349,356	4,870,462	494,759	12,010,084	364,737	674,704	56,985,679
3 Employer Contributions	146,972,673	13,034,890	14,607,330	11,290,651	54,469,447	2,723,758	673,847	243,772,596
4 Benefit Payments Excluding Burial Allowance and General Subsidy Reserve	181,973,649	4,309,523	15,995,931	5,404,135	65,889,209	1,886,873	1,533,011	276,992,330
5 Subtotal (Item 1+2+3-4)	\$4,049,292,606	\$183,872,786	\$436,396,385	\$131,940,797	\$1,409,074,732	\$29,923,808	\$38,914,447	\$6,279,415,561
6 Total Transfers from Undesignated Excess Earnings	0	0	0	0	0	0	0	0
7 Subtotal (with Transfers, if any, Allocated in Proportion to Item 5)	4,049,292,606	183,872,786	436,396,385	131,940,797	1,409,074,732	29,923,808	38,914,447	6,279,415,561
8 Weighted Average Fund Balance	4,048,682,305	178,335,425	434,655,455	128,750,160	1,408,779,571	29,322,997	39,006,677	6,267,532,590
9 Earnings Allocated in Proportion to Item 8*	-20,419,641	-899,440	-2,192,197	-649,355	-7,105,219	-147,891	3,186,321	-28,227,422
10 Allocated Valuation Value of Assets as of End of Plan Year	\$4,028,872,965	\$182,973,346	\$434,204,188	\$131,291,442	\$1,401,969,513	\$29,775,917	\$42,100,768	\$6,251,188,139

* Actual Earnings for Survivor Benefit Reserve.

Note: Results may not add due to rounding.

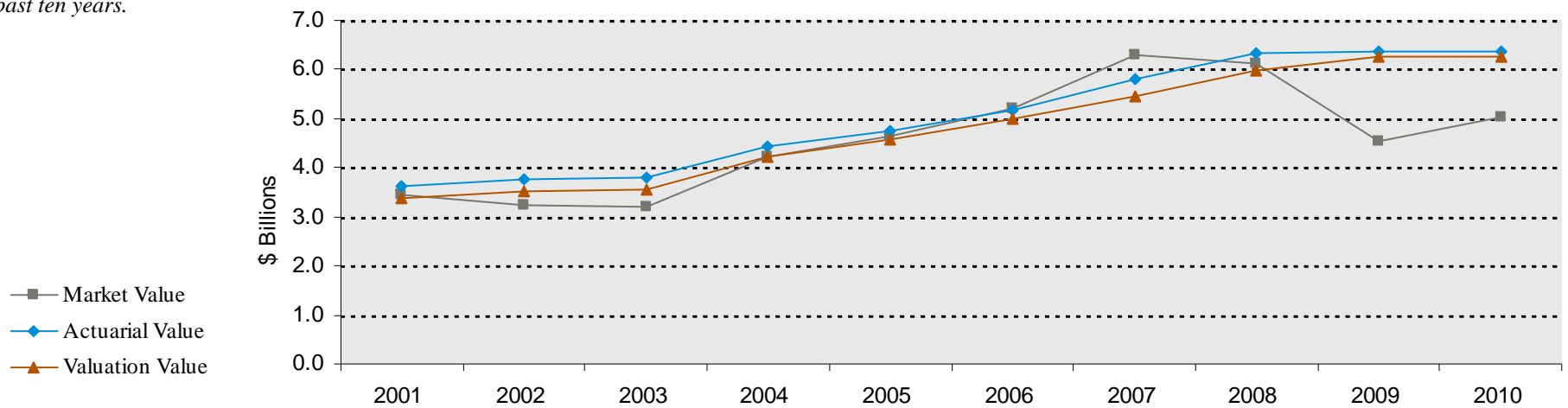
SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

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 ten years.

CHART 9

Market Value, Actuarial Value and Valuation Value of Assets for Years Ended June 30, 2001 – 2010



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 \$448.7 million, a \$529.6 million loss from investments and a \$80.9 million gain 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, 2010**

1. Net gain/(loss) from investments*	(\$529,630,000)
2. Net gain/(loss) from other experience**	<u>80,945,000</u>
3. Net experience gain/(loss): (1) + (2)	(\$448,685,000)

* 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 2009/2010 plan year was -0.45%.

Since the actual return for the year was less than the assumed return, the SBCERA experienced an actuarial loss on the valuation value of assets during the year ended June 30, 2010 with regard to its investments.

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

CHART 11

Investment Experience for Year Ended June 30, 2010 – Actuarial Value and Valuation Value of Assets

	Actuarial Value	Valuation Value
1. Value of investment return	(\$24,237,257)	(\$28,227,423)
2. Average value of assets	6,387,428,866	6,267,532,590
3. Rate of return: (1) ÷ (2)	-0.38%	-0.45%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$510,994,309	\$501,402,607
6. Actuarial gain/(loss): (1) – (5)	<u>(\$535,231,566)</u>	<u>(\$529,630,030)</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 ten 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 - 2010

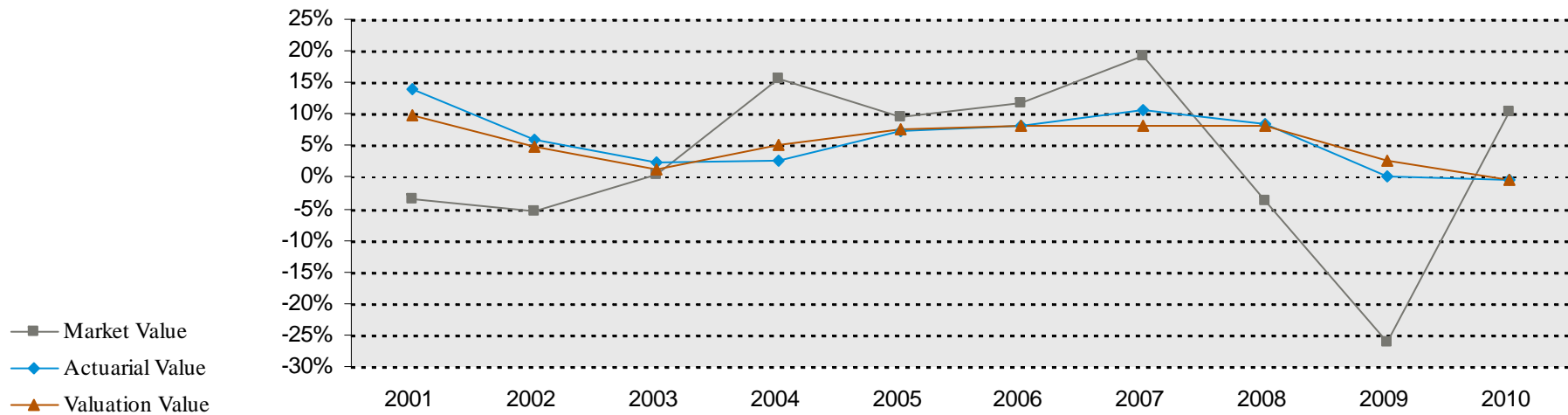
Year Ended June 30	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2001	-\$123,391,000	-3.51%	\$415,605,000	13.94%	\$326,840,000	9.88%
2002	-177,162,000	-5.30%	211,766,000	5.90%	166,690,000	4.96%
2003	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%
2009	-1,594,063,075	-26.04%	8,853,979	0.14%	159,672,616	2.64%
2010	476,972,282	10.49%	(24,237,257)	-0.38%	(28,227,423)	-0.45%
Total	\$867,837,490		\$2,586,124,087		\$2,390,458,021	
Five-Year Average Return		0.78%		5.04%		4.95%
Ten-Year Average Return		1.96%		5.50%		5.27%

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 - 2010



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 gain from this other experience for the year ended June 30, 2010 amounted to \$80,945,000. 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, 2010 Actuarial Valuation					
	Basic		COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County General Members						
Normal Cost	7.84%	\$68,078	1.43%	\$12,417	9.27%	\$ 80,495
UAAL	2.23%	19,364	3.22%	27,961	5.45%	47,325
Total Contribution	10.07%	\$87,442	4.65%	\$40,378	14.72%	\$127,820
County Safety Members						
Normal Cost	16.32%	\$30,963	2.84%	\$ 5,388	19.16%	\$36,351
UAAL	3.72%	7,058	8.35%	15,841	12.07%	22,899
Total Contribution	20.04%	\$38,021	11.19%	\$21,229	31.23%	\$59,250
All County Members						
Normal Cost	9.36%	\$99,041	1.68%	\$17,805	11.04%	\$116,846
UAAL	2.50%	26,422	4.14%	43,802	6.64%	70,224
Total Contribution	11.86%	\$125,463	5.82%	\$61,607	17.68%	\$187,070
Superior Court Members						
Normal Cost	7.84%	\$4,933	1.43%	\$ 899	9.27%	\$5,832
UAAL	5.91%	3,718	1.84%	1,158	7.75%	4,876
Total Contribution	13.75%	\$8,651	3.27%	\$2,057	17.02%	\$10,708
SCAQMD Members						
Normal Cost	8.20%	\$6,455	1.52%	\$1,196	9.72%	\$ 7,651
UAAL	6.90%	5,432	2.96%	2,330	9.86%	7,762
Total Contribution	15.10%	\$11,887	4.48%	\$3,526	19.58%	\$15,413
Other General Members						
Normal Cost	8.94%	\$3,969	1.63%	\$ 724	10.57%	\$4,693
UAAL	9.15%	4,063	2.79%	1,238	11.94%	5,301
Total Contribution	18.09%	\$8,032	4.42%	\$1,962	22.51%	\$9,994
Other Safety Members – All Service						
Normal Cost	17.30%	\$1,054	2.94%	\$179	20.24%	\$1,233
UAAL	18.15%	1,106	8.75%	533	26.90%	1,639
Total Contribution	35.45%	\$2,160	11.69%	\$712	47.14%	\$2,872
All Employers Combined						
Normal Cost	9.23%	\$115,452	1.67%	\$20,803	10.90%	\$136,255
UAAL	3.26%	40,741	3.92%	49,061	7.18%	89,802
Total Contribution	12.49%	\$156,193	5.59%	\$69,864	18.08%	\$226,057

*Amounts are in thousands and are based on June 30, 2010 projected compensation (also in thousands):

County General	\$ 868,341
County Safety	189,722
Superior Court	62,917
SCAQMD	78,718
Other General	44,401
Other Safety – All Service	6,094
Total	\$1,250,193

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

CHART 14 (continued)

Recommended Employer Contribution Rates

	June 30, 2009 Actuarial Valuation					
	Basic		COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County General Members						
Normal Cost	7.82%	\$66,181	1.43%	\$12,103	9.25%	\$ 78,284
UAAL	-0.09%	-762	3.16%	26,744	3.07%	25,982
Total Contribution	7.73%	\$65,419	4.59%	\$38,847	12.32%	\$104,266
County Safety Members						
Normal Cost	16.37%	\$30,871	2.84%	\$ 5,355	19.21%	\$36,226
UAAL	-0.18%	-339	7.79%	14,690	7.61%	14,351
Total Contribution	16.19%	\$30,532	10.63%	\$20,045	26.82%	\$50,577
All County Members						
Normal Cost	9.38%	\$97,052	1.68%	\$17,458	11.06%	\$114,510
UAAL	-0.11%	-1,101	4.01%	41,434	3.90%	40,333
Total Contribution	9.27%	\$95,951	5.69%	\$58,892	14.96%	\$154,843
Superior Court Members						
Normal Cost	7.82%	\$4,886	1.43%	\$ 893	9.25%	\$5,779
UAAL	4.52%	2,824	1.77%	1,106	6.29%	3,930
Total Contribution	12.34%	\$7,710	3.20%	\$1,999	15.54%	\$9,709
SCAQMD Members						
Normal Cost	8.19%	\$6,525	1.53%	\$1,220	9.72%	\$ 7,745
UAAL	3.66%	2,916	2.70%	2,151	6.36%	5,067
Total Contribution	11.85%	\$9,441	4.23%	\$3,371	16.08%	\$12,812
Other General Members						
Normal Cost	8.94%	\$3,904	1.64%	\$ 716	10.58%	\$4,620
UAAL	7.17%	3,131	2.64%	1,153	9.81%	4,284
Total Contribution	16.11%	\$7,035	4.28%	\$1,869	20.39%	\$8,904
Other Safety Members – All Service						
Normal Cost	17.29%	\$ 988	2.93%	\$168	20.22%	\$1,156
UAAL	16.11%	921	8.37%	478	24.48%	1,399
Total Contribution	33.40%	\$1,909	11.30%	\$646	44.70%	\$2,555
All Employers Combined						
Normal Cost	9.24%	\$113,355	1.67%	\$20,455	10.91%	\$133,810
UAAL	0.71%	8,691	3.78%	46,322	4.49%	55,013
Total Contribution	9.95%	\$122,046	5.45%	\$66,777	15.40%	\$188,823

*Amounts are in thousands and are based on June 30, 2009 projected compensation (also in thousands):

County General	\$ 846,309
County Safety	188,580
Superior Court	62,481
SCAQMD	79,676
Other General	43,669
Other Safety – All Service	5,716
Total	\$1,226,431

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

The employer contribution rates as of June 30, 2010 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, 2009 to June 30, 2010 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Employer Contribution Rate in June 30, 2009 Valuation	15.40%	\$188,823
Effect of investment loss ⁽²⁾	3.03%	37,881
Effect of difference in actual versus expected total and individual salary increases ⁽³⁾	-0.52%	-6,501
Effect of difference between actual and expected contributions	0.04%	500
Effect of other experience (gains)/losses ⁽⁴⁾	<u>0.13%</u>	<u>5,354</u>
Total change	<u>2.68%</u>	<u>\$37,234</u>
Recommended Average Employer Contribution Rate in June 30, 2010 Valuation	18.08%	\$226,057

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

⁽¹⁾ Based on projected compensation for each valuation date shown.

⁽²⁾ Return on the valuation value of assets of -0.45% was less than the 8.00% assumed rate of return.

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

⁽⁴⁾ Other differences in actual versus expected experience. Estimated annual dollar cost also reflects the change in projected compensation from the prior valuation.

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

The member contribution rates as of June 30, 2010 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, 2009 to June 30, 2010 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Member Contribution Rate in June 30, 2009 Valuation	9.31%	\$114,235
Effect of other changes including demographic profile of employee group ⁽²⁾	<u>-0.03%</u>	<u>1,790</u>
Total change	<u>-0.03%</u>	<u>\$1,790</u>
Recommended Average Member Contribution Rate in June 30, 2010 Valuation	9.28%	\$116,025

⁽¹⁾ Based on projected compensation for each valuation date shown.

⁽²⁾ Other differences in actual versus expected experience. Estimated annual dollar cost also reflects the change in projected compensation from the prior valuation.

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

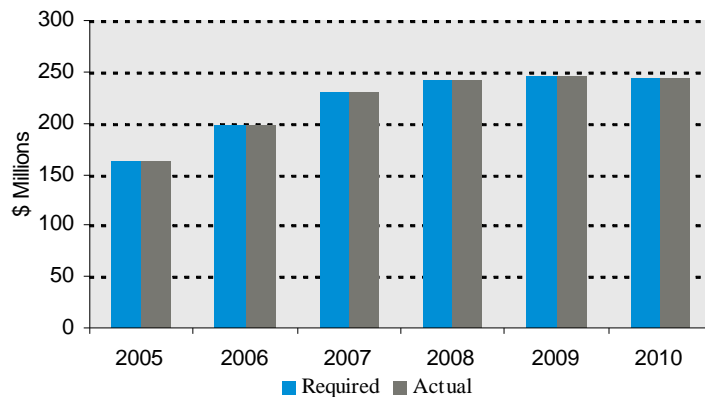
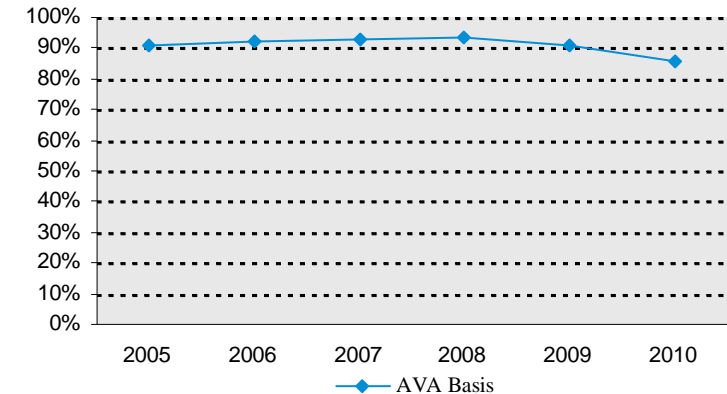


CHART 18
Funded Ratio (Actuarial Value of Assets Compared to Actuarial Accrued Liability)



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
	2010	2009	
Active members in valuation:			
Number	14,964	14,357	4.2%
Average age	44.6	44.1	N/A
Average service	9.8	9.6	N/A
Projected total compensation	\$868,341,053	\$846,309,122	2.6%
Projected average compensation	\$58,029	\$58,947	-1.6%
Account balances	\$642,202,834	\$602,152,596	6.7%
Total active vested members	9,658	9,138	5.7%
Vested terminated members:⁽¹⁾	3,095	3,096	0.0%
Retired members:			
Number in pay status	5,069	4,953	2.3%
Average age	69.5	69.3	N/A
Average monthly benefit	\$2,552	\$2,473	3.2%
Disabled members:			
Number in pay status	717	701	2.3%
Average age	63.5	63.2	N/A
Average monthly benefit ⁽²⁾	\$1,799	\$1,752	2.7%
Beneficiaries in pay status:			
Number in pay status	1,010	970	4.1%
Average age	73.7	73.5	N/A
Average monthly benefit ⁽³⁾	\$1,133	\$1,088	4.1%

⁽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
	2010	2009	
Active members in valuation:			
Number	2,199	2,220	-0.9%
Average age	40.2	39.8	N/A
Average service	12.7	12.3	N/A
Projected total compensation	\$189,721,905	\$188,579,731	0.6%
Projected average compensation	\$86,276	\$84,946	1.6%
Account balances	\$177,284,033	\$173,872,173	2.0%
Total active vested members	1,678	1,591	5.5%
Vested terminated members:⁽¹⁾			
	147	145	1.4%
Retired members:			
Number in pay status	543	503	8.0%
Average age	64.3	64.1	N/A
Average monthly benefit	\$5,491	\$5,121	7.2%
Disabled members:			
Number in pay status	553	543	1.8%
Average age	59.7	59.1	N/A
Average monthly benefit	\$3,855	\$3,698	4.2%
Beneficiaries:			
Number in pay status	205	191	7.3%
Average age	66.1	66.0	N/A
Average monthly benefit	\$1,934	\$1,837	5.3%

⁽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
	2010	2009	
Active members in valuation:			
Number	981	972	0.9%
Average age	44.3	44.0	N/A
Average service	10.6	10.4	N/A
Projected total compensation	\$62,916,481	\$62,481,473	0.7%
Projected average compensation	\$64,135	\$64,281	-0.2%
Account balances	\$47,960,553	\$45,658,294	5.0%
Total active vested members	630	603	4.5%
Vested terminated members:⁽¹⁾			
	86	81	6.2%
Retired members:			
Number in pay status	106	79	34.2%
Average age	62.1	61.6	N/A
Average monthly benefit	\$3,180	\$3,120	1.9%
Disabled members:			
Number in pay status	12	11	9.1%
Average age	50.0	49.2	N/A
Average monthly benefit ⁽²⁾	\$2,078	\$2,067	0.5%
Beneficiaries:			
Number in pay status	4	3	33.3%
Average age	56.8	53.6	N/A
Average monthly benefit ⁽³⁾	\$988	\$1,048	-5.7%

⁽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
	2010	2009	
Active members in valuation:			
Number	780	796	-2.0%
Average age	48.5	48.6	N/A
Average service	15.5	15.5	N/A
Projected total compensation	\$78,718,398	\$79,676,342	-1.2%
Projected average compensation	\$100,921	\$100,096	0.8%
Account balances	\$37,089,329	\$35,378,070	4.8%
Total active vested members	580	606	-4.3%
Vested terminated members:⁽¹⁾			
	121	122	-0.8%
Retired members:			
Number in pay status	317	282	12.4%
Average age	68.1	67.8	N/A
Average monthly benefit	\$3,767	\$3,229	16.7%
Disabled members:			
Number in pay status	32	32	0.0%
Average age	65.7	64.7	N/A
Average monthly benefit ⁽²⁾	\$2,751	\$2,710	1.5%
Beneficiaries:			
Number in pay status	57	54	5.6%
Average age	70.4	68.2	N/A
Average monthly benefit ⁽³⁾	\$1,406	\$1,436	-2.1%

⁽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
	2010	2009	
Active members in valuation:			
Number	530	544	-2.6%
Average age	45.8	45.2	N/A
Average service	9.6	8.9	N/A
Projected total compensation	\$44,401,351	\$43,668,689	1.7%
Projected average compensation	\$83,776	\$80,273	4.4%
Account balances	\$24,237,127	\$23,420,652	3.5%
Total active vested members	321	315	1.9%
Vested terminated members:⁽¹⁾			
	165	169	-2.4%
Retired members:			
Number in pay status	157	136	15.4%
Average age	64.8	64.5	N/A
Average monthly benefit	\$2,654	\$2,525	5.1%
Disabled members:			
Number in pay status	11	11	0.0%
Average age	56.7	55.7	N/A
Average monthly benefit ⁽²⁾	\$2,754	\$2,714	1.5%
Beneficiaries:			
Number in pay status	15	15	0.0%
Average age	68.2	67.2	N/A
Average monthly benefit ⁽³⁾	\$1,235	\$1,217	1.5%

⁽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
	2010	2009	
Active members in valuation:			
Number	66	66	0.0%
Average age	39.7	38.7	N/A
Average service	9.7	8.8	N/A
Projected total compensation	\$6,093,773	\$5,715,919	6.6%
Projected average compensation	\$92,330	\$86,605	6.6%
Account balances	\$5,867,408	\$5,037,429	16.5%
Total active vested members	39	36	8.3%
Vested terminated members:⁽¹⁾			
	21	22	-4.5%
Retired members:			
Number in pay status	18	18	0.0%
Average age	60.3	59.3	N/A
Average monthly benefit	\$5,518	\$5,438	1.5%
Disabled members:			
Number in pay status	14	14	0.0%
Average age	55.7	54.7	N/A
Average monthly benefit	\$3,856	\$3,800	1.5%
Beneficiaries:			
Number in pay status	3	3	0.0%
Average age	69.6	68.6	N/A
Average monthly benefit	\$2,685	\$2,647	1.4%

⁽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, 2010

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	260	254	6	--	--	--	--	--	--	--
	\$36,065	\$35,980	\$39,645	--	--	--	--	--	--	--
25 - 29	1,312	1,109	193	10	--	--	--	--	--	--
	44,435	43,776	47,953	\$49,588	--	--	--	--	--	--
30 - 34	1,901	1,061	642	195	3	--	--	--	--	--
	50,983	46,946	55,903	56,264	\$82,524	--	--	--	--	--
35 - 39	2,110	844	626	525	113	2	--	--	--	--
	56,232	49,961	59,557	60,680	63,909	\$60,779	--	--	--	--
40 - 44	2,062	649	553	512	255	88	5	--	--	--
	58,974	51,162	60,829	64,478	62,221	63,316	\$62,214	--	--	--
45 - 49	2,176	554	494	457	308	282	75	6	--	--
	61,495	49,877	59,665	63,496	69,064	72,815	73,592	\$60,575	--	--
50 - 54	2,138	453	436	431	311	263	163	78	3	--
	62,468	52,819	58,946	61,071	64,328	72,622	76,988	74,255	\$53,535	--
55 - 59	1,768	310	335	312	243	266	141	125	35	1
	66,366	53,260	62,027	61,078	63,854	73,300	87,446	87,560	75,759	\$48,013
60 - 64	951	165	205	207	130	134	54	48	8	--
	64,176	53,472	59,230	59,456	70,874	69,078	74,880	93,534	94,512	--
65 - 69	237	37	71	57	38	26	6	1	--	1
	61,126	52,690	58,432	59,095	65,147	75,335	72,367	107,675	--	44,091
70 & over	49	8	8	19	9	2	--	2	1	--
	66,743	86,841	62,461	61,724	67,288	64,963	--	61,802	44,091	--
Total	14,964	5,444	3,569	2,725	1,410	1,063	444	260	47	2
	\$58,029	\$48,201	\$58,573	\$61,498	\$65,549	\$71,655	\$79,250	\$83,928	\$76,858	\$46,052

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, 2010

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	70	70	--	--	--	--	--	--	--	--
	\$60,832	\$60,832	--	--	--	--	--	--	--	--
25 - 29	301	213	88	--	--	--	--	--	--	--
	67,370	65,462	\$71,988	--	--	--	--	--	--	--
30 - 34	369	150	158	61	--	--	--	--	--	--
	75,059	69,173	77,173	\$84,061	--	--	--	--	--	--
35 - 39	365	77	103	156	28	1	--	--	--	--
	82,205	73,556	79,731	86,600	\$90,660	\$80,617	--	--	--	--
40 - 44	363	40	60	115	92	55	1	--	--	--
	88,762	78,083	82,660	86,271	91,374	103,132	\$138,038	--	--	--
45 - 49	370	28	32	63	63	140	37	7	--	--
	98,456	90,765	91,114	91,945	91,960	101,691	112,208	\$142,434	--	--
50 - 54	242	17	18	16	37	67	64	23	--	--
	106,695	103,912	92,885	90,841	94,765	98,962	118,225	140,229	--	--
55 - 59	87	7	7	11	12	16	15	19	--	--
	111,185	92,274	116,725	94,872	93,607	102,008	111,009	144,527	--	--
60 - 64	32	3	4	4	3	3	9	5	1	--
	104,397	89,879	125,637	89,084	81,508	87,226	111,114	120,651	\$102,712	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	2,199	605	470	426	235	282	126	54	1	--
	\$86,276	\$70,394	\$80,016	\$87,334	\$91,968	\$101,113	\$115,248	\$140,214	\$102,712	--

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, 2010

By Age and Years of Service

iii. Superior Court

Age	Years of Service								
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39
Under 25	23	23	--	--	--	--	--	--	--
	\$40,265	\$40,265	--	--	--	--	--	--	--
25 - 29	87	68	19	--	--	--	--	--	--
	47,775	45,945	\$54,325	--	--	--	--	--	--
30 - 34	118	63	42	13	--	--	--	--	--
	49,097	44,019	53,730	\$58,739	--	--	--	--	--
35 - 39	121	50	43	23	5	--	--	--	--
	59,637	53,321	64,430	64,953	\$57,123	--	--	--	--
40 - 44	149	55	38	30	12	13	1	--	--
	63,592	62,285	69,102	61,528	61,919	\$60,292	\$50,980	--	--
45 - 49	155	37	35	27	23	23	10	--	--
	66,352	63,196	67,667	70,713	59,016	72,924	63,409	--	--
50 - 54	143	29	17	21	22	31	14	9	--
	71,988	69,434	78,745	71,094	67,997	72,991	77,886	\$66,668	--
55 - 59	127	27	13	25	8	19	23	10	2
	80,394	65,286	92,780	82,601	106,519	76,721	83,119	73,150	\$111,552
60 - 64	44	4	5	14	5	11	3	1	1
	76,012	69,137	84,324	82,277	84,074	62,036	78,586	88,892	67,076
65 - 69	11	4	3	2	--	2	--	--	--
	81,179	75,835	74,687	112,233	--	70,549	--	--	--
70 & over	3	1	--	2	--	--	--	--	--
	107,591	85,356	--	118,709	--	--	--	--	--
Total	981	361	215	157	75	99	51	20	3
	\$64,135	\$54,557	\$66,251	\$71,238	\$68,726	\$70,757	\$76,921	\$71,020	\$96,727

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, 2010

By Age and Years of Service

iv. SCAQMD

Age	Years of Service								
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39
Under 25	9	9	--	--	--	--	--	--	--
	\$57,464	\$57,464	--	--	--	--	--	--	--
25 - 29	46	45	1	--	--	--	--	--	--
	73,001	72,467	\$97,020	--	--	--	--	--	--
30 - 34	55	42	12	1	--	--	--	--	--
	77,405	70,986	98,136	\$98,251	--	--	--	--	--
35 - 39	73	38	22	11	1	1	--	--	--
	96,397	86,932	107,355	110,852	\$79,478	\$72,903	--	--	--
40 - 44	66	24	12	11	6	13	--	--	--
	95,872	81,919	102,287	102,755	116,792	100,232	--	--	--
45 - 49	126	13	18	8	15	58	13	1	--
	101,490	79,907	96,221	97,834	91,474	109,792	\$109,809	\$66,724	--
50 - 54	160	19	12	9	22	69	21	8	--
	110,100	78,395	106,736	117,615	105,840	117,453	119,922	104,498	--
55 - 59	144	12	6	4	9	63	33	17	--
	114,173	74,386	89,427	88,714	122,870	120,050	123,179	113,118	--
60 - 64	82	5	8	6	7	32	14	9	1
	105,600	67,967	106,056	103,546	107,574	106,513	111,186	115,471	\$92,337
65 - 69	17	3	2	1	4	5	2	--	--
	90,227	62,942	108,306	80,121	83,170	106,057	92,665	--	--
70 & over	2	--	1	--	--	--	--	1	--
	91,829	--	116,541	--	--	--	--	67,116	--
Total	780	210	94	51	64	241	83	36	1
	\$100,921	\$76,089	\$102,073	\$104,812	\$104,255	\$113,486	\$117,502	\$109,224	\$92,337

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, 2010
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	4	4	--	--	--	--	--	--	--
	\$61,799	\$61,799	--	--	--	--	--	--	--
25 - 29	45	43	2	--	--	--	--	--	--
	60,199	61,509	\$32,040	--	--	--	--	--	--
30 - 34	51	38	11	2	--	--	--	--	--
	71,813	66,713	89,254	\$72,794	--	--	--	--	--
35 - 39	68	37	24	6	1	--	--	--	--
	80,861	75,864	86,712	91,642	\$60,632	--	--	--	--
40 - 44	68	33	19	6	8	2	--	--	--
	79,586	71,892	76,032	103,036	100,830	\$84,980	--	--	--
45 - 49	89	30	20	17	13	5	4	--	--
	85,159	80,268	93,006	76,237	91,119	95,359	\$88,411	--	--
50 - 54	86	26	9	23	14	12	2	--	--
	95,153	76,049	107,786	103,271	88,521	119,403	94,245	--	--
55 - 59	74	22	17	13	7	12	2	--	1
	98,477	102,610	82,599	86,046	105,089	113,825	94,238	--	\$217,078
60 - 64	38	10	6	7	3	10	1	--	1
	86,097	67,609	83,941	90,026	57,876	95,486	68,302	--	264,959
65 - 69	7	--	4	2	1	--	--	--	--
	78,714	--	73,166	90,986	76,363	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--
Total	530	243	112	76	47	41	9	--	2
	\$83,776	\$73,767	\$85,734	\$90,996	\$90,994	\$107,326	\$88,768	--	\$241,019

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, 2010
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	9	9	--	--	--	--	--
	\$74,230	\$74,230	--	--	--	--	--
25 - 29	14	8	4	2	--	--	--
	77,843	73,303	\$77,130	\$97,432	--	--	--
30 - 34	11	3	6	--	2	--	--
	85,020	67,493	95,203	--	\$80,762	--	--
35 - 39	11	4	2	1	1	2	1
	97,294	95,273	96,097	132,033	98,985	\$88,972	\$87,992
40 - 44	14	1	3	2	3	4	1
	100,702	74,299	77,833	79,725	94,081	132,118	131,861
45 - 49	6	1	--	1	1	1	2
	117,675	179,617	--	89,808	117,994	104,713	106,960
50 - 54	1	--	1	--	--	--	--
	214,558	--	214,558	--	--	--	--
55 - 59	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
Total	66	26	16	6	7	7	4
	\$92,330	\$80,461	\$95,000	\$96,026	\$94,392	\$115,876	\$108,443

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

EXHIBIT C

Reconciliation of Member Data – June 30, 2009 to June 30, 2010

	Active Members	Vested Terminated Members⁽¹⁾	Pensioners	Disableds	Beneficiaries	Total
Number as of June 30, 2009	18,955	3,635	5,971	1,312	1,236	31,109
New members	1,477	59	0	0	115	1,651
Terminations	-281	281	0	0	0	0
Contribution refunds	-309	-192	0	0	0	-501
Retirements	-301	-99	400	0	0	0
New disabilities	-34	-3	-20	57	0	0
Return to work	34	-31	-2	-1	0	0
Died with or without beneficiary	-21	-15	-140	-29	-57	-262
Data adjustments	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Number as of June 30, 2010	19,520	3,635	6,210	1,339	1,294	31,998

⁽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, 2010	Year Ended June 30, 2009
Contribution income:		
Employer contributions	\$243,772,596	\$246,232,150
Employee contributions	<u>56,985,679</u>	<u>49,550,489</u>
Total contribution income	\$300,758,275	\$295,782,639
Investment income:		
Interest, dividends and other income	\$113,987,904	\$25,729,023
Adjustment toward market value ⁽¹⁾	-62,689,975	42,315,893
Less investment and administrative fees	<u>-75,535,186</u>	<u>-59,190,937</u>
Net investment income	-\$24,237,257	\$8,853,979
Total income available for benefits	\$276,521,018	\$304,636,618
Less benefit payments	-\$292,676,769	-\$262,779,370
Change in reserve for future benefits	-\$16,155,751	\$41,857,248

⁽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, 2010	Year Ended June 30, 2009
Cash equivalents	\$495,479,527	\$624,555,696
Accounts receivable:		
Securities sold	\$646,110	\$6,637,127
Accrued interest and dividends	3,536,124	4,618,555
Employee and employer contributions	11,430,721	20,246,452
Other	<u>15,572,131</u>	<u>9,398,693</u>
Total accounts receivable	\$31,185,086	\$40,900,827
Investments:		
Equities	\$607,309,803	\$586,333,494
Fixed income	495,965,875	436,110,137
Real estate	501,124,565	598,570,106
Other	3,004,645,870	2,448,855,480
Investments received on securities lending	<u>197,519,257</u>	<u>198,887,690</u>
Total investments at market value	<u>\$4,806,565,370</u>	<u>\$4,268,756,907</u>
Total assets	\$5,333,229,983	\$4,934,213,430
Liabilities:		
Securities lending	-\$197,519,257	-\$198,887,690
Payable for securities purchased	-2,537,110	-22,981,582
Mortgage notes payable	-38,220,717	-46,846,999
Accrued expenses	<u>-65,479,134</u>	<u>-121,077,182</u>
Total liabilities	-\$303,756,218	-\$389,793,453
Net assets at market value	<u>\$5,029,473,765</u>	<u>\$4,544,419,977</u>
Net assets at actuarial value	<u>\$6,367,232,362</u>	<u>\$6,383,388,113</u>
Net assets at valuation value	<u>\$6,251,188,139</u>	<u>\$6,255,649,617</u>

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

EXHIBIT F

Development of the Fund Through June 30, 2010

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
2009	246,232,150	49,550,489	0	8,853,979	-262,779,370	6,383,388,113
2010	243,772,596	56,985,679	0	-24,237,257	-292,676,769	6,367,232,362

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

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

	Total SBCERA (\$ in 000s)⁽¹⁾	
	June 30, 2010	June 30, 2009
<u>Assets</u>		
1 Total valuation value of assets	\$6,209,087	\$6,216,551
2 Present value of future contributions by members	944,688	941,751
3 Present value of future employer contributions for:		
a. entry age normal cost	1,113,813	1,107,836
b. unfunded actuarial accrued liability	1,086,779	638,092
4 Total current and future assets	<u>\$9,354,367</u>	<u>\$8,904,230</u>
<u>Liabilities</u>		
5 Present value of benefits for retirees and beneficiaries	\$3,173,397	\$2,927,760
6 Present value of benefits for active members	5,917,276	5,725,426
7 Present value of benefits for vested terminated members ⁽²⁾	263,694	251,044
8 Total liabilities	<u>\$9,354,367</u>	<u>\$8,904,230</u>

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

⁽²⁾ Includes terminated members due a refund of member contributions.

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

EXHIBIT H

Summary of Allocated Reserves

Reserves	June 30, 2010	June 30, 2009
Member deposit reserve ⁽¹⁾	\$ 1,044,584,385	\$ 991,836,032
Current service reserve ⁽¹⁾	1,914,094,833	1,875,642,525
Contra account ⁽¹⁾	(921,311,581)	(380,901,946)
Pension reserve ⁽¹⁾	2,350,739,320	2,131,682,510
Cost-of-living reserve ⁽¹⁾	1,033,347,410	939,330,873
Annuity reserve ⁽¹⁾	779,184,941	650,519,915
Supplemental disability reserve ⁽¹⁾	8,448,063	8,440,801
Survivor benefit reserve ⁽¹⁾	42,100,768	39,098,907
Valuation reserves	\$6,251,188,139	\$6,255,649,617
Burial allowance reserve ⁽²⁾	1,094,407	1,251,407
General subsidy reserve ⁽²⁾	61,617,516	77,144,955
Undesignated excess earnings ⁽²⁾	0	0
Reserve for deficiencies ⁽²⁾	53,332,300	49,342,134
2% additional contingency reserve ⁽²⁾	0	0
Total reserves	\$6,367,232,362	\$6,383,388,113
Net unrecognized gains/(losses)	(1,337,758,597)	(1,838,968,136)
Net market value	\$5,029,473,765	\$4,544,419,977

⁽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, 2010

1.	Unfunded actuarial accrued liability at beginning of year ⁽¹⁾		\$638,092,000
2.	Total normal cost at middle of year		250,327,000
3.	Actual employer and member contributions ⁽²⁾		-299,409,000
4.	Interest		<u>49,084,000</u>
5.	Expected unfunded actuarial accrued liability before plan changes ⁽³⁾		<u>\$638,094,000</u>
6.	Actuarial (gain)/loss due to all changes:		
	(a) Investment return	\$529,630,000	
	(b) Lower than expected individual salary increases	-111,010,000	
	(c) Other experience	<u>30,065,000</u>	
	(d) Total changes		<u>\$448,685,000</u>
7.	Unfunded actuarial accrued liability at end of year ⁽¹⁾		<u>\$1,086,779,000</u>

- ⁽¹⁾ Excludes Survivor Benefit Reserve which had a surplus of assets over liabilities of \$7,946,000 at the beginning of the year and \$9,025,000 at the end of the year.
- ⁽²⁾ Excludes contributions made to the Survivor Benefit Reserve during the year ended June 30, 2010.
- ⁽³⁾ Includes contribution loss of \$6,378,000 during the year from actual contributions less than expected.

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	\$ 56,587,000	12	\$ 5,927,000
	June 30, 2003	246,087,000	239,491,000	13	23,535,000
	June 30, 2004	(174,234,000)	(171,800,000)	14	(15,935,000)
	June 30, 2005	114,353,000	114,313,000	15	10,057,000
	June 30, 2006	(12,592,000)	(12,674,000)	16	(1,062,000)
	June 30, 2007	(32,329,000)	(32,633,000)	17	(2,616,000)
	June 30, 2008	(19,309,000)	(19,491,000)	18	(1,499,000)
	June 30, 2009	116,678,000	117,376,000	19	8,688,000
	June 30, 2010	283,378,000	<u>283,378,000</u>	20	<u>20,241,000</u>
Subtotal			\$574,547,000		\$47,336,000
Superior Court	June 30, 2002	\$ 3,493,000	\$ 3,335,000	12	\$ 349,000
	June 30, 2003	14,458,000	14,077,000	13	1,383,000
	June 30, 2004	6,840,000	6,744,000	14	626,000
	June 30, 2005	6,720,000	6,707,000	15	590,000
	June 30, 2006	4,889,000	4,913,000	16	412,000
	June 30, 2007	4,076,000	4,110,000	17	329,000
	June 30, 2008	(791,000)	(800,000)	18	(62,000)
	June 30, 2009	6,270,000	6,310,000	19	467,000
	June 30, 2010	10,935,000	<u>10,935,000</u>	20	<u>781,000</u>
Subtotal			\$56,331,000		\$4,875,000
Other General	June 30, 2002	\$13,456,000	\$12,801,000	12	\$1,341,000
	June 30, 2003	9,811,000	9,547,000	13	938,000
	June 30, 2004	5,720,000	5,642,000	14	523,000
	June 30, 2005	6,338,000	6,340,000	15	558,000
	June 30, 2006	2,466,000	2,475,000	16	207,000
	June 30, 2007	2,058,000	2,081,000	17	167,000
	June 30, 2008	3,951,000	3,985,000	18	306,000
	June 30, 2009	5,746,000	5,774,000	19	427,000
	June 30, 2010	11,709,000	<u>11,709,000</u>	20	<u>836,000</u>
Subtotal			\$60,354,000		\$5,303,000

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	\$17,588,000	12	\$1,842,000
	June 30, 2003	27,792,000	27,051,000	13	2,658,000
	June 30, 2004	(21,554,000)	(21,299,000)	14	(1,976,000)
	June 30, 2005	7,819,000	7,833,000	15	689,000
	June 30, 2006	(1,328,000)	(1,331,000)	16	(112,000)
	December 31, 2006	(10,000,000)	(10,078,000)	16.5	(826,000)
	June 30, 2007	12,093,000	12,213,000	17	979,000
	June 30, 2008	17,520,000	17,675,000	18	1,359,000
	June 30, 2009	8,947,000	9,000,000	19	666,000
	June 30, 2010	34,808,000	<u>34,808,000</u>	20	<u>2,486,000</u>
Subtotal			\$93,460,000		\$7,765,000
County Safety	June 30, 2002	\$(62,982,000)	\$ (60,001,000)	12	\$ (6,284,000)
	June 30, 2003	216,453,000	210,658,000	13	20,702,000
	June 30, 2004	(74,700,000)	(73,800,000)	14	(6,845,000)
	June 30, 2005	27,328,000	27,313,000	15	2,403,000
	June 30, 2006	(10,615,000)	(10,684,000)	16	(895,000)
	June 30, 2007	5,858,000	5,918,000	17	474,000
	June 30, 2008	6,550,000	6,615,000	18	509,000
	June 30, 2009	65,726,000	66,125,000	19	4,895,000
	June 30, 2010	111,269,000	<u>111,269,000</u>	20	<u>7,948,000</u>
	Subtotal			\$283,413,000	

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	\$4,499,000	12	\$ 471,000
All Service	June 30, 2003	1,640,000	1,570,000	13	154,000
	June 30, 2004	3,720,000	3,675,000	14	341,000
	June 30, 2005	(78,000)	(95,000)	15	(8,000)
	June 30, 2006	323,000	323,000	16	27,000
	June 30, 2007	2,224,000	2,250,000	17	180,000
	June 30, 2008	955,000	962,000	18	74,000
	June 30, 2009	2,940,000	2,958,000	19	219,000
	June 30, 2010	2,532,000	<u>2,532,000</u>	20	<u>181,000</u>
Subtotal			\$18,674,000		\$1,639,000
Grand Total			\$1,086,779,000		\$89,825,000

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 \$195,000 for 2010 and 2011. Normal Retirement Age is generally age 62 for these purposes. 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 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
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%
2009	246,232,000	246,232,000	100.0%
2010	243,773,000	243,773,000	100.0%

* Excludes the SCAQMD UAAL prepayment deposited during the Plan Year ended June 30, 2007.

SECTION 4: Reporting Information for 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)	Projected Total Compensation (c)	UAAL as a Percentage of Projected Total Compensation [(b) - (a)] / (c)
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%
06/30/2009	6,383,388,113	7,013,534,026	630,145,913	91.02%	1,226,431,276	51.38%
06/30/2010	6,367,232,362	7,444,986,223	1,077,753,861	85.52%	1,250,192,961	86.21%

* 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 San Bernardino County Employees' Retirement Association

EXHIBIT III

Supplementary Information Required by the GASB

Valuation Date	June 30, 2010
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. 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	2.00% (actual increases contingent upon CPI increases with a 2% maximum).
Plan Membership:	
Retirees and Beneficiaries receiving benefits***	8,843
Terminated plan members entitled to, but not yet receiving benefits	3,635
Active plan members	<u>19,520</u>
Total	31,998

* 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.

Beneficiaries: Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement.

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, and are recognized over a five-year period.

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.

Changes in Actuarial Assumptions and Methods: There have been no changes in actuarial assumptions or methods since the previous valuation.

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 2010 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, 2010 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%	10.38%
17	6.21%	7.54%	37	8.70%	10.56%
18	6.32%	7.67%	38	8.85%	10.74%
19	6.43%	7.81%	39	9.01%	10.94%
20	6.53%	7.93%	40	9.17%	11.13%
21	6.65%	8.07%	41	9.34%	11.34%
22	6.76%	8.21%	42	9.51%	11.55%
23	6.87%	8.34%	43	9.70%	11.78%
24	6.99%	8.49%	44	9.89%	12.01%
25	7.11%	8.63%	45	10.10%	12.26%
26	7.23%	8.78%	46	10.30%	12.50%
27	7.35%	8.92%	47	10.48%	12.72%
28	7.47%	9.07%	48	10.62%	12.89%
29	7.60%	9.23%	49	10.74%	13.04%
30	7.73%	9.38%	50	10.83%	13.15%
31	7.86%	9.54%	51	10.89%	13.22%
32	7.99%	9.70%	52	10.92%	13.26%
33	8.12%	9.86%	53	10.92%	13.26%
34	8.26%	10.03%	54 & Over	10.67%	12.95%
35	8.40%	10.20%			

Interest: 8.00%
 COLA: 2.00%
 COLA Loading Factor: 21.40%
 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, 2010 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%	9.54%	36	9.67%	13.41%
17	7.00%	9.70%	37	9.85%	13.66%
18	7.12%	9.87%	38	10.04%	13.92%
19	7.24%	10.04%	39	10.24%	14.20%
20	7.36%	10.20%	40	10.46%	14.50%
21	7.48%	10.37%	41	10.67%	14.79%
22	7.61%	10.55%	42	10.85%	15.04%
23	7.74%	10.73%	43	11.00%	15.25%
24	7.87%	10.91%	44	11.12%	15.42%
25	8.00%	11.09%	45	11.21%	15.54%
26	8.13%	11.27%	46	11.28%	15.64%
27	8.27%	11.46%	47	11.31%	15.68%
28	8.41%	11.66%	48	11.31%	15.68%
29	8.56%	11.87%	49 & Over	11.05%	15.32%
30	8.70%	12.06%			
31	8.85%	12.27%			
32	9.01%	12.49%			
33	9.16%	12.70%			
34	9.33%	12.93%			
35	9.49%	13.16%			

Interest: 8.00%
 COLA: 2.00%
 COLA Loading Factor: 38.63%
 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 Funded Status
as of June 30, 2010*

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THE SEGAL COMPANY

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November 1, 2010

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, 2010. 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.

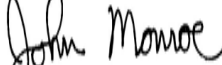
We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

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

MYM/hy

SECTION 1

VALUATION SUMMARY

Contribution Recommendations and
Funded Status i

SECTION 2

REVIEW OF ACTUARIAL ASSUMPTIONS

A. Introduction..... 1
B. Review of Experience and
Recommendations..... 2

SECTION 3

VALUATION RESULTS

A. Introduction..... 3
B. Contribution Requirements 4

SECTION 4

SUPPORTING EXHIBITS

EXHIBIT I
Plan Summary for SBCERA
Survivor Benefit 5

EXHIBIT II
Actuarial Assumptions/Methods for
SBCERA Survivor Benefit..... 6

SECTION 1: Valuation Summary for SBCERA Survivor Benefit Valuation

CONTRIBUTION RECOMMENDATIONS AND FUNDED 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	\$0.99	\$429,000	\$0.99	\$429,000
Recommended Contribution Rate	\$0.89	\$399,000	\$0.89	\$399,000

Included in each of the recommended rates is a credit of \$1.67 to account for the excess of reserves over actuarial liabilities.

- The decrease in the contribution rates is primarily due to a contribution gain during the year from actual contributions greater than expected.
- 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, 2010:

1. June 30, 2010 Reserves	\$42,101,000
2. June 30, 2010 Actuarial Accrued Liabilities:	
Current Recipients	18,967,000
Future Recipients	14,109,000
Total	33,076,000
3. Liabilities minus Reserves (2) – (1)	-\$9,025,000
4. Funded Ratio (1) ÷ (2)	127.3%

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, 2010.

CHART 1
Table of Coverage

SBCERA Survivor Benefit Recipients as of June 30, 2010	Death Before 4/2/1994	Death 4/2/1994 or Later
1. Surviving spouse caring for one child OR two children only	1	9
2. Surviving spouse caring for two or more children OR three or more children	0	17
3. One child only OR each of two dependent parents age 62	0	23
4. Widow or widower age 62 (no child) or in deferred status	79	162
5. Widow or widower age 60 (no child)	0	40
6. Total	80	251

SBCERA Covered Members as of June 30, 2010	As of June 30, 2010
1. Vested terminated members	1,844
2. Active members	17,255

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 \$42,101,000 as of June 30, 2010; and
2. Equal contributions from employers and members.

The following table provides the funded status of the Survivor Benefit as of June 30, 2010:

1. June 30, 2010 Reserves	\$42,101,000
2. June 30, 2010 Actuarial Accrued Liabilities:	
Current Recipients	18,967,000
Future Recipients	14,109,000
Total	33,076,000
3. Liabilities minus Reserves	-\$9,025,000
4. Funded Ratio (1./2.)	127.3%

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	\$5.12
2. Actuarial Accrued Liabilities minus Current Reserves (from previous page)	-\$9,025,000
3. Present Value of \$1 per Biweekly Pay Period for Active Members – Measured from Valuation Age	2,692,000
4. Biweekly Unfunded Actuarial Accrued Liability Cost (2) ÷ (3)	-\$3.35
5. Total Biweekly Cost per Member (1) + (4)	\$1.77
6. Employer Portion (50% of (5))	\$0.89
7. Member Portion (50% of (5))	\$0.89
8. Estimated Annual Employer Contribution	\$399,000
9. Estimated Annual Member Contribution	\$399,000

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, 2010 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 1, 2010

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, 2010

Dear Members of the Board:

We are pleased to present the results of our study of the retirement subsidy as of June 30, 2010. Our results are based upon the census data and actuarial assumptions used to perform the June 30, 2010 valuation, with the exception that, for this study, expected cash flows are not discounted for future investment earnings or interest crediting.

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 cursive.

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

Handwritten signature of John Monroe in cursive.

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

MYM/gxk
Enclosures

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Benefits, Compensation and HR Consulting Offices throughout the United States and Canada



Founding Member of the Multinational Group of Actuaries and Consultants, a global affiliation of independent firms

OVERVIEW AND DATA

We were asked to perform a study as of June 30, 2010 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, 2010 actuarial valuation.

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

	<u>Service</u>	<u>Disability</u>	<u>Beneficiary</u>	<u>Total</u>
Total Members Included in Study	5,271	1,207	788	7,266*

* Excludes 1,577 retirees and beneficiaries who are not eligible to receive a subsidy.

Only members who retired on or before April 1, 2010 are eligible for a discretionary subsidy.

The study assumes that the current retirement subsidy, as described on pages 2 and 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 as determined under the Board's Interest Crediting Procedures.
- 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 deficiencies required pursuant to Section 31592.2 of the Government Code.

The balance in this reserve is \$61,618,000 as of June 30, 2010, derived as follows:

Beginning Balance at June 30, 2009	\$77,145,000
+Interest	-0-
+Transfer from Undesignated Excess Earnings	-0-
-General Subsidy Payments	15,527,000
Ending Balance at June 30, 2010	\$61,618,000

GENERAL SUBSIDY COSTS

Below we show the one-year cost and the ongoing cost of paying the retirement subsidy to current retired members and current or future beneficiaries.

	General	Safety	Total
Number Receiving a Subsidy as of June 30, 2010	6,085	1,181	7,266
Annual Benefits (Estimated one-year cost)	\$13,089,000	\$2,632,000	\$15,721,000
Expected Value of Future Benefits as of June 30, 2010 (ongoing cost)	\$252,994,000	\$64,665,000	\$317,659,000
Reserves			\$61,618,000
Net Unfunded Expected Value			\$256,041,000

As shown above, the one-year cost of providing the subsidy is estimated to be \$16 million. The expected value of future benefits is about \$318 million versus the current reserve of \$62 million. This results in a net unfunded expected value of \$256 million. As noted earlier, expected cash flows have not been discounted for future investment earnings or interest crediting.

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. We project that benefits will be payable for approximately four years until the reserve is depleted.

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. Only members who retired on or before April 1, 2010 are eligible for a discretionary 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 1, 2010

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 contributions for pre-7/1/1979 hires (and some select post-7/1/1979 hires) up to a rate of 11.34% and contributions for post-7/1/1979 hires up to a rate of 6.49%. 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 will be reduced by up to 11.34%.

To determine the employer rate we take the average contribution rate pick-up, reduce it for nonrefundability (since the employer is paying it and therefore it becomes nonrefundable), and add that rate to the employer contribution rate in the June 30, 2010 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 remained 1.11.

For post-7/1/1979 hires the employer contribution rate is 25.43% ($19.58\% + (6.49\% / 1.11)$). Please note that 19.58% is the SCAQMD contribution rate in the June 30, 2010 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 28.43% ($19.58\% + (9.82\% / 1.11)$). The factors are the same as above except we had to derive an average member



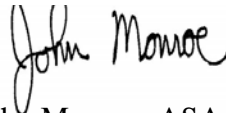
contribution rate for the pre-7/1/1979 hires (including those select post-7/1/1979 hires). That average rate was 9.82%.

The results shown in this letter exclude any other member contributions picked-up by the employer or any other employer contributions picked-up by the members.

Respectfully submitted,



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



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

MYM/hy