

**San Bernardino County Employees' Retirement
Association**

*Actuarial Valuation and Review
as of June 30, 2011
Including Related Studies*

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THE SEGAL COMPANY

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308

T 415.263.8200 F 415.263.8290 www.segalco.com

October 28, 2011

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, 2011. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2012-2013 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*

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

PURPOSE AND SCOPE

This report has been prepared by The Segal Company to present an actuarial valuation of the San Bernardino County Employees' Retirement Association as of June 30, 2011. 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, 2011, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2011, 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 measuring pension obligations. 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, 2012 through June 30, 2013.

SIGNIFICANT ISSUES IN THIS VALUATION

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

- Ref: Pg. 19*

➤ The results of this valuation reflect changes in the actuarial assumptions as recommended by Segal and adopted by the Association for the June 30, 2011 valuation. These changes were documented in our Actuarial Experience Study and are also outlined in Section 4, Exhibit IV of this report. These assumption changes resulted in an increase in the average employer contribution rate of 2.45% of payroll (before reflecting the three-year phase-in discussed later) and an increase in the average member rate of 0.46% of payroll.
- Ref: Pg. 10*

➤ The market value of assets earned a return of 22.1% for the July 1, 2010 to June 30, 2011 plan year. The actuarial value of assets earned a return of 1.9% for the same period 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 average employer contribution rate by 2.26% of compensation.
- Ref: Pg. 51*
Ref: Pg. 40

➤ The ratio of the actuarial value of assets to actuarial accrued liabilities decreased from 85.5% to 79.2%. The Association's Unfunded Actuarial Accrued Liability (UAAL) increased from \$1.08 billion as of June 30, 2010 to \$1.71 billion as of June 30, 2011. The increase in the UAAL is mainly due to lower than expected actuarial investment return, changes in the actuarial assumptions and other experience losses, offset to some degree by lower than expected salary increases and a transfer from the General Retiree Subsidy reserve. A reconciliation of the Association's unfunded actuarial accrued liability is provided in Section 3, Exhibit I.
- Ref: Pg. 19*

➤ The recommended average employer contribution rate in the June 30, 2010 valuation was 18.08% of payroll (see Chart 14d). In April 2011, the Board took action to transfer \$40.6 million from the General Retiree Subsidy reserve to the Current Service reserve. This reduced the recommended average employer contribution rate as of June 30, 2010 to 17.85% of payroll (see Chart 14c). This recommended average employer contribution rate increased from 17.85% of payroll as of June 30, 2010 (after reflecting the transfer) to 22.65% of payroll (see Chart 14b) in the June 30, 2011 valuation before reflecting the three-year phase-in of the impact of the changes in actuarial assumptions. This increase was mainly the result of a lower than expected investment return and the changes in actuarial assumptions.
- Ref: Pg. 15*

➤ The Association approved a three-year phase-in for the change in employer contribution rate due to the changes in actuarial assumptions. The average employer contribution rate after reflecting the phase-in is 21.03% of payroll (see Chart 14a).

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

Ref: Pg. 20

- The recommended average member contribution rate increased from 9.28% of payroll in the June 30, 2010 valuation to 9.68% of payroll in the June 30, 2011 valuation. This increase was mainly the result of the changes in actuarial assumptions. A reconciliation of the recommended average member contribution rate is provided in Section 2, Subsection D (see Chart 16).
- For the year ending June 30, 2011, there was insufficient investment earnings (after “smoothing”) to credit all valuation reserves with the assumed return. The shortfall was \$402 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, 2011 is \$348 million (as compared to an unrecognized loss of \$1.3 billion in the June 30, 2010 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 if the plan earns the assumed rate of investment return of 7.75% per year (net of expenses) on a **market value** basis then the deferred losses will be recognized over the next few years as shown in the footnote on Chart 7.
- The footnote in Chart 7 shows that under the asset smoothing method the \$348 million in net deferred losses will be recognized in the next four valuations, but in a very non-level (uneven) pattern. In particular, there will be losses recognized in the next two years, the first of which is actually larger than the total deferred losses of \$348 million. Those losses will then be followed by offsetting gains in the two years after that, so as to ultimately recognize all of the current net total losses of \$348 million. This means that, absent any new gains or losses in the future, there will be two more years of increases in the average employer contribution rate followed by two years of decreases before the \$348 million in deferred losses are fully recognized.
- In keeping with model actuarial practice for this situation, for the June 30, 2012 valuation the asset smoothing method could be modified by combining the net deferred losses of \$348 million from the current valuation into a single four-year smoothing “layer” and thereby recognizing those net deferred losses over the next four years in four level amounts of approximately \$87 million each year. This would reduce the volatility associated with the current pattern of deferred loss recognition and thereby result in both more stable funded ratios (on an actuarial value basis) and more level employer contribution rates. Please note that this change would have no impact on the current June 30, 2011 valuation results as the total amount of unrecognized losses as of June 30, 2011 remains unchanged. Also, note that we recommend using a four-year smoothing period for the combined deferred losses as that will complete the recognition of those losses over the same time period as under the current separate smoothing layers. We will provide more information on this policy option during our review of SBCERA’s funding policy during 2012.

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

- The unrecognized investment losses represent about 6% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$348 million market losses is expected to have an 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 79.2% to 74.9%.
 - If the deferred losses were recognized immediately in the actuarial value of assets, the aggregate employer contribution rate (before reflecting the phase-in) would increase from 22.65% to 24.65%.
- The actuarial report as of June 30, 2011 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, 2011 (Includes Phase-in)		June 30, 2010 (Includes Transfer)	
Employer Contribution Rates⁽¹⁾:				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
County General members	17.12%	\$146,979	14.50%	\$125,909
County Safety members	36.39	70,270	30.89	58,605
County combined	20.66	217,249	17.44	184,514
Superior Court members	18.56	12,055	16.88	10,620
South Coast Air Quality Management District (SCAQMD) members	23.15	18,463	19.33	15,216
Other General members	25.77	10,920	22.38	9,937
Other Safety members – 3% at 50 for all service	51.73	3,026	46.91	2,858
All employers combined	21.03	261,713	17.85	223,145
Average Member Contribution Rates⁽³⁾:				
	Total Rate	Estimated Annual Amount ⁽²⁾	Total Rate	Estimated Annual Amount ⁽²⁾
County General members	9.46%	\$81,216	9.11%	\$79,106
County Safety members	11.22	21,666	10.56	20,035
County combined	9.78	102,882	9.37	99,141
Superior Court members	9.43	6,125	9.03	5,681
South Coast Air Quality Management District (SCAQMD) members	8.31	6,628	8.05	6,337
Other General members	9.68	4,102	9.39	4,169
Other Safety members – 3% at 50 for all service	12.07	706	11.44	697
All employers combined	9.68	120,443	9.28	116,025
Funded Status⁽⁴⁾:				
Actuarial accrued liability (AAL) ⁽⁵⁾	\$8,189,646		\$7,444,986	
Actuarial value of assets (AVA) ⁽⁶⁾	\$6,484,507		\$6,367,232	
Funded percentage	79.18%		85.52%	
Unfunded actuarial accrued liability (UAAL)	\$1,705,139		\$1,077,754	

(1) For June 30, 2011, the employer rates shown here include the three-year phase-in of the effect of the changes in actuarial assumptions. For June 30, 2010, the employer rates shown here include the impact of the transfer from the General Retiree Subsidy reserve.

(2) Based on projected annual compensation for each valuation date.

(3) The refundability factors as of June 30, 2011 are 1.10 for General and 1.03 for Safety compared to 1.11 for General and 1.04 for Safety as of June 30, 2010.

(4) For June 30, 2010, the funded status does not reflect the impact of the transfer from the General Retiree Subsidy reserve. The funded percentage would have been 86.07% if the transfer were reflected.

(5) Includes liabilities held for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves. For June 30, 2011 those amounts are \$35,708, \$955, \$5,397 and \$65,146, respectively. The AAL for retirement plan benefits is \$8,082,440 as of June 30, 2011.

(6) Includes assets held for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves. For June 30, 2011 those amounts are \$44,775, \$955, \$5,397 and \$65,146, respectively. The AVA for all other benefits is \$6,368,234 as of June 30, 2011.

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

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

	June 30, 2011 (Excludes Phase-in)		June 30, 2010 (Excludes Transfer)	
Employer Contribution Rates:				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
County General members	18.65%	\$160,115	14.72%	\$127,820
County Safety members	38.59	74,519	31.23	59,250
County combined	22.31	234,634	17.68	187,070
Superior Court members	19.74	12,821	17.02	10,708
South Coast Air Quality Management District (SCAQMD) members	24.89	19,850	19.58	15,413
Other General members	27.15	11,504	22.51	9,994
Other Safety members – 3% at 50 for all service	53.87	3,151	47.14	2,872
All employers combined	22.65	281,960	18.08	226,057
Average Member Contribution Rates⁽²⁾:				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
County General members	9.46%	\$81,216	9.11%	\$79,106
County Safety members	11.22	21,666	10.56	20,035
County combined	9.78	102,882	9.37	99,141
Superior Court members	9.43	6,125	9.03	5,681
South Coast Air Quality Management District (SCAQMD) members	8.31	6,628	8.05	6,337
Other General members	9.68	4,102	9.39	4,169
Other Safety members – 3% at 50 for all service	12.07	706	11.44	697
All employers combined	9.68	120,443	9.28	116,025
Funded Status:				
Actuarial accrued liability (AAL) ⁽³⁾		\$8,189,646		\$7,444,986
Actuarial value of assets (AVA) ⁽⁴⁾		\$6,484,507		\$6,367,232
Funded percentage		79.18%		85.52%
Unfunded actuarial accrued liability (UAAL)		\$1,705,139		\$1,077,754
Key Assumptions:				
Interest rate		7.75%		8.00%
Inflation rate		3.50		3.75
Salary increases (excluding merit)		4.00		4.25

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

(2) The refundability factors as of June 30, 2011 are 1.10 for General and 1.03 for Safety compared to 1.11 for General and 1.04 for Safety as of June 30, 2010.

(3) Includes liabilities held for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves. For June 30, 2011 those amounts are \$35,708, \$955, \$5,397 and \$65,146, respectively. The AAL for retirement plan benefits is \$8,082,440 as of June 30, 2011.

(4) Includes assets held for Survivor Benefits, Burial Allowance, General Retiree Subsidy, and Excess Earnings reserves. For June 30, 2011 those amounts are \$44,775, \$955, \$5,397 and \$65,146, respectively. The AVA for all other benefits is \$6,368,234 as of June 30, 2011.

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

Summary of Key Valuation Demographic and Financial Data

	June 30, 2011	June 30, 2010	Percentage Change
Active Members:			
Number of members	19,258	19,520	-1.3%
Average age	44.6	44.2	N/A
Average service	10.8	10.4	N/A
Projected total compensation	\$1,244,554,740	\$1,250,192,961	-0.5%
Average projected compensation	\$64,625	\$64,047	0.9%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	6,571	6,210	5.8%
Disability retired	1,356	1,339	1.3%
Beneficiaries ⁽¹⁾	1,338	1,294	3.4%
Total	9,265	8,843	4.8%
Average age	68.3	68.2	N/A
Average monthly benefit ⁽²⁾	\$2,775	\$2,628	5.6%
Vested Terminated Members:			
Number of terminated vested members ⁽³⁾	3,723	3,635	2.4%
Average age	45.3	45.1	N/A
Summary of Financial Data (dollar amounts in thousands):			
Market value of assets	\$6,136,574	\$5,029,474	22.0%
Return on market value of assets	22.07%	10.49%	N/A
Actuarial value of assets	\$6,484,507	\$6,367,232	1.8%
Return on actuarial value of assets	1.89%	-0.38%	N/A
Valuation value of assets	\$6,413,009	\$6,251,188	2.6%
Return on valuation value of assets	1.72%	-0.45%	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: 2002 – 2011

Year Ended June 30	Active Members	Vested Terminated Members⁽¹⁾	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
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
2011	19,258	3,723	9,265	0.67

⁽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 19,258 active members with an average age of 44.6, average years of service of 10.8 years and average projected compensation of \$64,625. The 19,520 active members in the prior valuation had an average age of 44.2, average service of 10.4 years and average compensation of \$64,047.

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

Inactive Members

In this year's valuation, there were 3,723 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, 2011

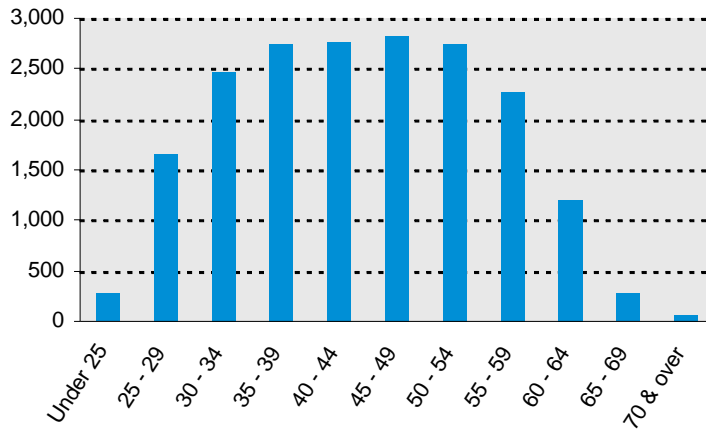
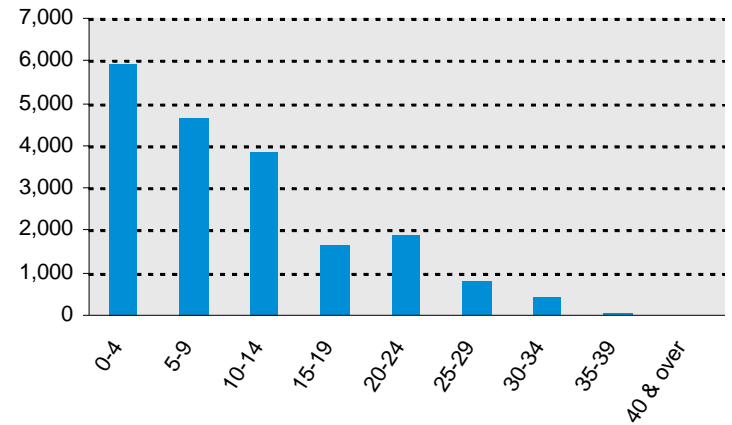


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2011



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

Retired Members and Beneficiaries

As of June 30, 2011, 7,927 retired members and 1,338 beneficiaries were receiving total monthly benefits of \$25,713,007. For comparison, in the previous valuation, there were 7,549 retired members and 1,294 beneficiaries receiving monthly benefits of \$23,236,029. 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, 2011

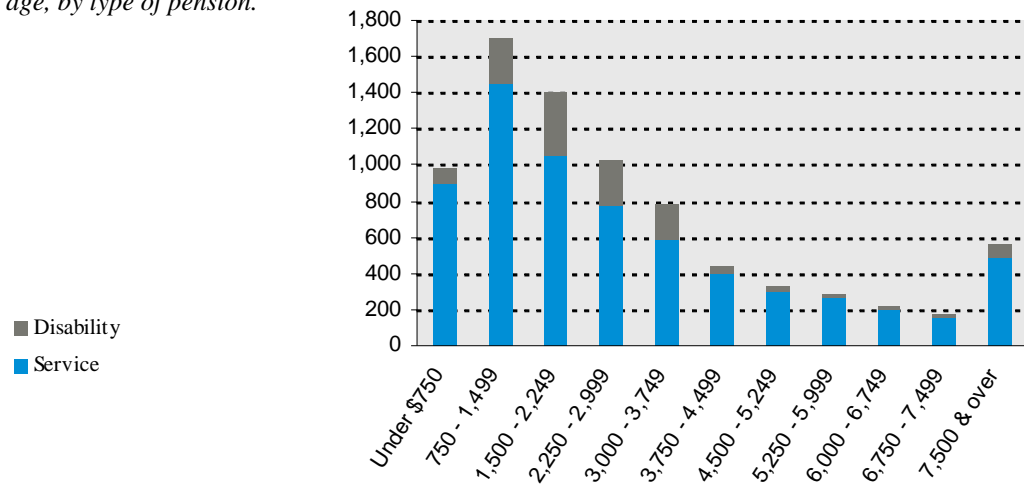
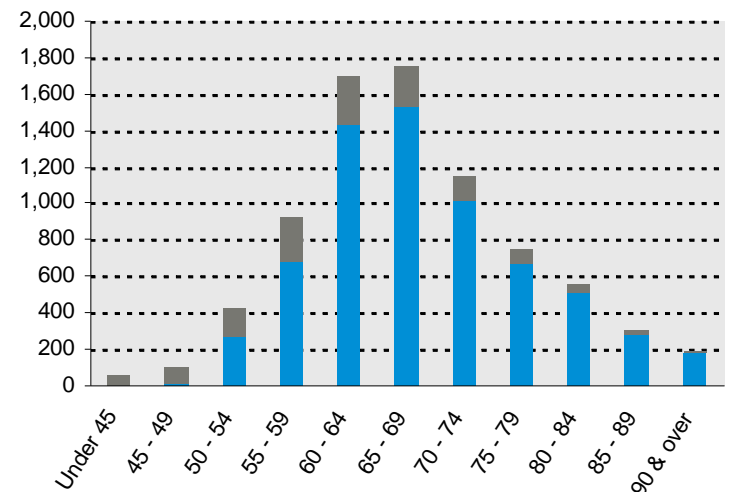


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2011



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

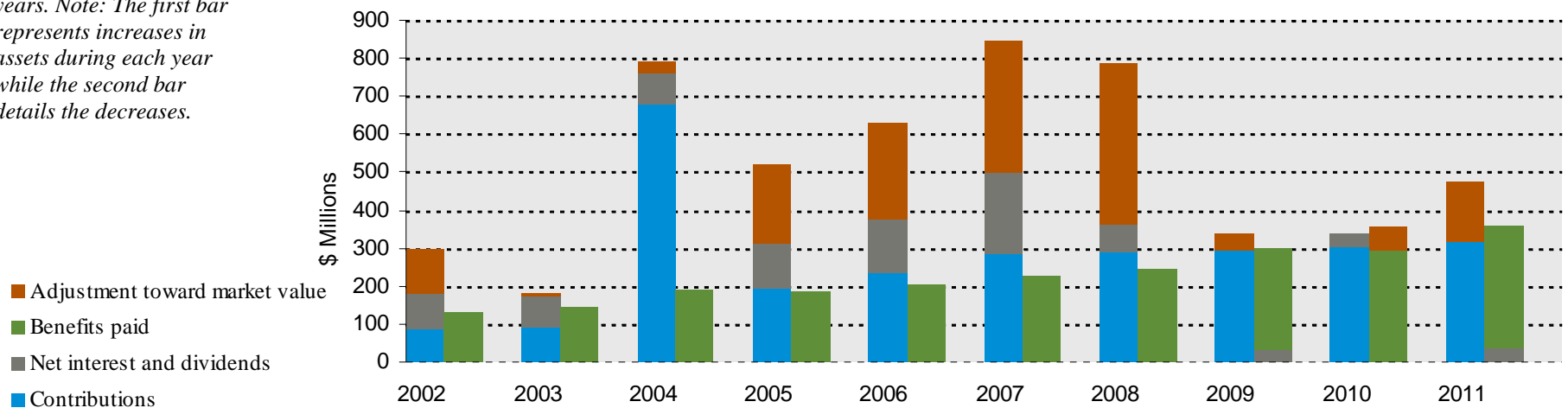
B. FINANCIAL INFORMATION

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, 2002 – 2011



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

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

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

CHART 7 Actuarial Value of Assets

1. Market value of assets		\$6,136,573,589
2. Calculation of unrecognized return*	<u>Original Amount</u>	<u>Unrecognized Return**</u>
(a) Year ended June 30, 2011	\$707,627,478	\$566,101,982
(b) Year ended June 30, 2010	113,095,424	67,857,254
(c) Year ended June 30, 2009	(2,083,821,588)	(833,528,635)
(d) Year ended June 30, 2008	(741,817,845)	(148,363,569)
(e) Year ended June 30, 2007	593,925,773	<u>0</u>
(f) Total unrecognized return***		(\$347,932,968)
3. Actuarial value of assets: (1) – (2f)		\$6,484,506,557
4. Actuarial value as a percentage of market value		105.7%
5. Non-valuation reserves and designations:		
(a) Undesignated excess earnings		\$ 0
(b) Reserve for deficiencies		65,145,715
(c) 2% additional contingency reserve		0
(d) Burial allowance reserve		955,407
(e) General retiree subsidy reserve		5,396,768
(f) Total		<u>\$71,497,890</u>
6. Valuation value of assets (3) – (5f)		<u>\$6,413,008,667</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, 2011 recognized in each of the next four years

(i)	Amount Recognized during 2011/2012	(\$400,983,306)
(ii)	Amount Recognized during 2012/2013	(252,619,737)
(iii)	Amount Recognized during 2013/2014	164,144,579
(iv)	Amount Recognized during 2014/2015	<u>141,525,496</u>
		(\$347,932,968)

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

CHART 8

Allocation of Valuation Value of Assets as of June 30, 2011

The calculation of the valuation value of assets from June 30, 2010 to June 30, 2011 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	\$4,028,872,965	\$182,973,346	\$434,204,188	\$131,291,442	\$1,401,969,513	\$29,775,917	\$42,100,768	\$6,251,188,139
2 Member Contributions	35,794,957	1,720,357	6,089,932	903,529	14,267,442	408,312	427,368	59,611,897
3 Employer Contributions	151,796,531	13,925,411	15,422,058	11,575,253	62,029,247	2,952,039	427,554	258,128,093
4 Benefit Payments Excluding Burial Allowance and General Subsidy Reserve	197,623,567	5,465,022	18,151,425	6,726,783	73,195,212	1,990,132	1,602,671	304,754,812
5 Subtotal (Item 1+2+3-4)	\$4,018,840,886	\$193,154,092	\$437,564,753	\$137,043,441	\$1,405,070,990	\$31,146,136	\$41,353,019	\$6,264,173,317
6 Total Transfers from General Subsidy Reserve	26,220,416	1,260,209	2,854,836	894,123	9,167,207	203,209	0	40,600,000
7 Subtotal (with Transfers, if any, Allocated in Proportion to Item 5)	4,045,061,302	194,414,301	440,419,589	137,937,564	1,414,238,197	31,349,345	41,353,019	6,304,773,317
8 Weighted Average Fund Balance	4,036,967,132	188,693,824	437,311,889	134,614,503	1,408,103,855	30,562,631	41,726,894	6,277,980,728
9 Earnings Allocated in Proportion to Item 8*	67,849,469	3,171,385	7,349,919	2,262,471	23,666,058	513,667	3,422,381	108,235,350
10 Allocated Valuation Value of Assets as of End of Plan Year	\$4,112,910,771	\$197,585,686	\$447,769,508	\$140,200,035	\$1,437,904,255	\$31,863,012	\$44,775,400	\$6,413,008,667

* Actual Earnings for Survivor Benefit Reserve.

Note: Results may not add due to rounding.

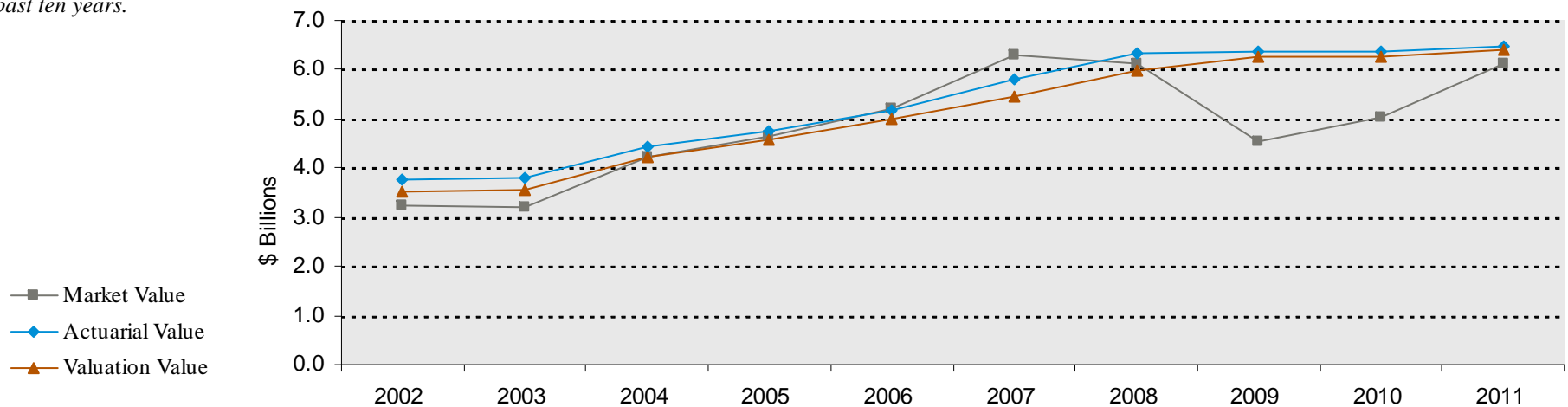
SECTION 2: Valuation Results for the San Bernardino County Employees' Retirement Association

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, 2002 – 2011



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 \$321.1 million, a \$394.0 million loss from investments and a \$72.9 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, 2011

1. Net gain/(loss) from investments*	(\$394,003,000)
2. Net gain/(loss) from other experience**	<u>72,865,000</u>
3. Net experience gain/(loss): (1) + (2)	(\$321,138,000)

* 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% (based on the June 30, 2010 valuation). The actual rate of return on the valuation value of assets for the 2010/2011 plan year was 1.72%.

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, 2011 with regard to its investments.

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

CHART 11

Investment Experience for Year Ended June 30, 2011 – Actuarial Value and Valuation Value of Assets

	Actuarial Value	Valuation Value
1. Value of investment return	\$120,048,766	\$108,235,350
2. Average value of assets	6,365,845,077	6,277,980,728
3. Rate of return: (1) ÷ (2)	1.89%	1.72%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$509,267,606	\$502,238,458
6. Actuarial gain/(loss): (1) – (5)	<u>(\$389,218,840)</u>	<u>(\$394,003,108)</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, 2011 adopted by the Board, the investment return assumption has been decreased from 8.00% to 7.75%

CHART 12

Investment Return – Market Value, Actuarial Value and Valuation Value: 2002 - 2011

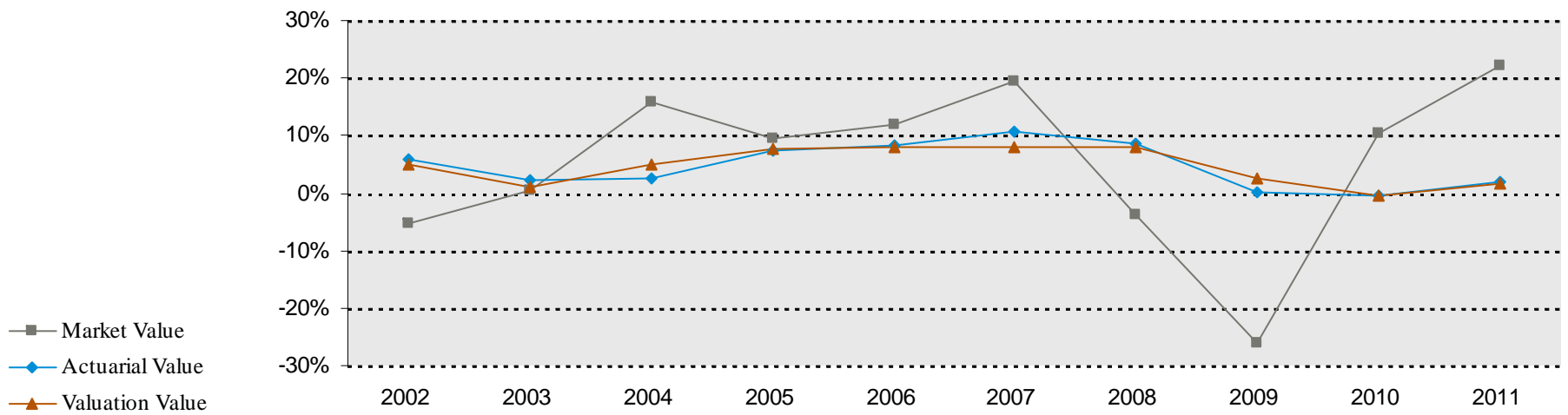
Year Ended June 30	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2002	-\$177,162,000	-5.30%	\$211,766,000	5.90%	\$166,690,000	4.96%
2003	15,026,000	0.47%	88,790,000	2.37%	38,304,000	1.10%
2004	540,129,000	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%
2011	1,109,874,395	22.07%	120,048,766	1.89%	108,235,350	1.72%
Total	\$2,101,102,885		\$2,290,567,853		\$2,171,853,371	
Five-Year Average Return		2.83%		3.86%		3.76%
Ten-Year Average Return		4.58%		4.54%		4.49%

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, 2002 - 2011



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, 2011 amounted to \$72,865,000. 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 4.00%. 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. Chart 14a shows the employer rates in the June 30, 2011 valuation after reflecting the three-year phase-in of the effect of the change in employer contribution rates due to the changes in actuarial assumptions. Chart 14b shows the employer rates in the June 30, 2011 valuation, but before reflecting the phase-in. Chart 14c shows the employer rates as of June 30, 2010 after reflecting the transfer from the General Retiree Subsidy reserve to the Current Service reserve. Chart 14d shows similar information, but is before the transfer.

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 14a

Recommended Employer Contribution Rates After Reflecting Three-Year Phase-in

	June 30, 2011 Actuarial Valuation					
	Basic		COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County General Members						
Normal Cost	7.95%	\$68,253	1.46%	\$12,534	9.41%	\$80,787
UAAL	4.09%	35,114	3.62%	31,078	7.71%	66,192
Total Contribution	12.04%	\$103,367	5.08%	\$43,612	17.12%	\$146,979
County Safety Members						
Normal Cost	16.36%	\$31,592	2.88%	\$5,561	19.24%	\$37,153
UAAL	7.61%	14,695	9.54%	18,422	17.15%	33,117
Total Contribution	23.97%	\$46,287	12.42%	\$23,983	36.39%	\$70,270
All County Members						
Normal Cost	9.49%	\$99,845	1.73%	\$18,095	11.22%	\$117,940
UAAL	4.74%	49,809	4.70%	49,500	9.44%	99,309
Total Contribution	14.23%	\$149,654	6.43%	\$67,595	20.66%	\$217,249
Superior Court Members						
Normal Cost	7.95%	\$5,163	1.46%	\$949	9.41%	\$6,112
UAAL	7.20%	4,676	1.95%	1,267	9.15%	5,943
Total Contribution	15.15%	\$9,839	3.41%	\$2,216	18.56%	\$12,055
SCAQMD Members						
Normal Cost	8.40%	\$6,699	1.58%	\$1,260	9.98%	\$7,959
UAAL	9.80%	7,816	3.37%	2,688	13.17%	10,504
Total Contribution	18.20%	\$14,515	4.95%	\$3,948	23.15%	\$18,463
Other General Members						
Normal Cost	8.99%	\$3,809	1.67%	\$708	10.66%	\$4,517
UAAL	11.72%	4,966	3.39%	1,437	15.11%	6,403
Total Contribution	20.71%	\$8,775	5.06%	\$2,145	25.77%	\$10,920
Other Safety Members – All Service						
Normal Cost	17.35%	\$1,015	3.00%	\$175	20.35%	\$1,190
UAAL	21.34%	1,248	10.04%	588	31.38%	1,836
Total Contribution	38.69%	\$2,263	13.04%	\$763	51.73%	\$3,026
All Employers Combined						
Normal Cost	9.36%	\$116,531	1.71%	\$21,187	11.07%	\$137,718
UAAL	5.51%	68,515	4.45%	55,480	9.96%	123,995
Total Contribution	14.87%	\$185,046	6.16%	\$76,667	21.03%	\$261,713

*Amounts are in thousands and are based on June 30, 2011 projected compensation (also in thousands):

County General	\$ 858,524
County Safety	193,103
Superior Court	64,949
SCAQMD	79,754
Other General	42,374
Other Safety – All Service	5,850
Total	\$1,244,554

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

CHART 14b (continued)

Recommended Employer Contribution Rates Before Reflecting Three-Year Phase-in

	June 30, 2011 Actuarial Valuation					
	Basic		COLA		Total	
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*
County General Members						
Normal Cost	8.30%	\$71,257	1.54%	\$13,222	9.84%	\$84,479
UAAL	4.84%	41,553	3.97%	34,083	8.81%	75,636
Total Contribution	13.14%	\$112,810	5.51%	\$47,305	18.65%	\$160,115
County Safety Members						
Normal Cost	16.70%	\$32,248	3.01%	\$5,813	19.71%	\$38,061
UAAL	8.70%	16,800	10.18%	19,658	18.88%	36,458
Total Contribution	25.40%	\$49,048	13.19%	\$25,471	38.59%	\$74,519
All County Members						
Normal Cost	9.84%	\$103,505	1.81%	\$19,035	11.65%	\$122,540
UAAL	5.55%	58,353	5.11%	53,741	10.66%	112,094
Total Contribution	15.39%	\$161,858	6.92%	\$72,776	22.31%	\$234,634
Superior Court Members						
Normal Cost	8.30%	\$5,391	1.54%	\$1,000	9.84%	\$6,391
UAAL	7.73%	5,021	2.17%	1,409	9.90%	6,430
Total Contribution	16.03%	\$10,412	3.71%	\$2,409	19.74%	\$12,821
SCAQMD Members						
Normal Cost	8.76%	\$6,986	1.67%	\$1,332	10.43%	\$8,318
UAAL	10.69%	8,526	3.77%	3,006	14.46%	11,532
Total Contribution	19.45%	\$15,512	5.44%	\$4,338	24.89%	\$19,850
Other General Members						
Normal Cost	9.34%	\$3,958	1.75%	\$741	11.09%	\$4,699
UAAL	12.39%	5,250	3.67%	1,555	16.06%	6,805
Total Contribution	21.73%	\$9,208	5.42%	\$2,296	27.15%	\$11,504
Other Safety Members – All Service						
Normal Cost	17.61%	\$1,030	3.11%	\$182	20.72%	\$1,212
UAAL	22.46%	1,314	10.69%	625	33.15%	1,939
Total Contribution	40.07%	\$2,344	13.80%	\$807	53.87%	\$3,151
All Employers Combined						
Normal Cost	9.71%	\$120,870	1.79%	\$22,290	11.50%	\$143,160
UAAL	6.30%	78,464	4.85%	60,336	11.15%	138,800
Total Contribution	16.01%	\$199,334	6.64%	\$82,626	22.65%	\$281,960

*Amounts are in thousands and are based on June 30, 2011 projected compensation (also in thousands):

County General	\$ 858,524
County Safety	193,103
Superior Court	64,949
SCAQMD	79,754
Other General	42,374
Other Safety – All Service	5,850
Total	\$1,244,554

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

CHART 14c (continued)

Recommended Employer Contribution Rates After Reflecting Transfer from General Retiree Subsidy Reserve

	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	2.01%	17,454	3.22%	27,960	5.23%	45,414
Total Contribution	9.85%	\$85,532	4.65%	\$40,377	14.50%	\$125,909
County Safety Members						
Normal Cost	16.32%	\$30,963	2.84%	\$5,388	19.16%	\$36,351
UAAL	3.38%	6,413	8.35%	15,841	11.73%	22,254
Total Contribution	19.70%	\$37,376	11.19%	\$21,229	30.89%	\$58,605
All County Members						
Normal Cost	9.36%	\$99,041	1.68%	\$17,805	11.04%	\$116,846
UAAL	2.26%	23,867	4.14%	43,801	6.40%	67,668
Total Contribution	11.62%	\$122,908	5.82%	\$61,606	17.44%	\$184,514
Superior Court Members						
Normal Cost	7.84%	\$4,933	1.43%	\$899	9.27%	\$5,832
UAAL	5.77%	3,630	1.84%	1,158	7.61%	4,788
Total Contribution	13.61%	\$8,563	3.27%	\$2,057	16.88%	\$10,620
SCAQMD Members						
Normal Cost	8.20%	\$6,455	1.52%	\$1,196	9.72%	\$7,651
UAAL	6.64%	5,227	2.97%	2,338	9.61%	7,565
Total Contribution	14.84%	\$11,682	4.49%	\$3,534	19.33%	\$15,216
Other General Members						
Normal Cost	8.94%	\$3,969	1.63%	\$724	10.57%	\$4,693
UAAL	9.01%	4,001	2.80%	1,243	11.81%	5,244
Total Contribution	17.95%	\$7,970	4.43%	\$1,967	22.38%	\$9,937
Other Safety Members – All Service						
Normal Cost	17.30%	\$1,054	2.94%	\$179	20.24%	\$1,233
UAAL	17.92%	1,092	8.75%	533	26.67%	1,625
Total Contribution	35.22%	\$2,146	11.69%	\$712	46.91%	\$2,858
All Employers Combined						
Normal Cost	9.23%	\$115,452	1.67%	\$20,803	10.90%	\$136,255
UAAL	3.02%	37,817	3.93%	49,073	6.95%	86,890
Total Contribution	12.25%	\$153,269	5.60%	\$69,876	17.85%	\$223,145

*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 14d (continued)

Recommended Employer Contribution Rates Before Reflecting Transfer from General Retiree Subsidy Reserve

	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

The employer contribution rates as of June 30, 2011 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, 2010 to June 30, 2011 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Employer Contribution Rate in June 30, 2010 Valuation	18.08%	\$226,057
Effect of transfer from General Retiree Subsidy reserve	-0.23%	-2,912
Revised Average Employer Contribution Rate in June 30, 2010 Valuation⁽²⁾	17.85%	\$223,145
Effect of investment loss ⁽³⁾	2.26%	28,127
Effect of difference in actual versus expected total and individual salary increases ⁽⁴⁾	-0.17%	-2,116
Effect of difference between actual and expected contributions	0.14%	1,742
Effect of other experience (gains)/losses ⁽⁵⁾	0.12%	570
Effect of changes in actuarial assumptions ⁽⁶⁾	<u>2.45%</u>	<u>30,492</u>
Total change	<u>4.80%</u>	<u>\$58,815</u>
Recommended Average Employer Contribution Rate in June 30, 2011 Valuation⁽⁷⁾	22.65%	\$281,960

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) The June 30, 2010 valuation did not reflect the impact of the transfer from the General Retiree Subsidy reserve to the Current Service reserve. After this action was taken in April 2011, the employer contribution rates for the fiscal year beginning July 1, 2011 were revised to account for the transfer.

(3) Return on the valuation value of assets of 1.72% was less than the 8.00% assumed rate of return (based on the June 30, 2010 valuation).

(4) 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.

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

(6) Assumption changes based on June 30, 2011 Review of Economic Assumptions and Actuarial Experience Study.

(7) Before reflecting three-year phase-in of the effect of the changes in actuarial assumptions. After the phase-in this rate is 21.03%, or \$261,713,000.

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

The member contribution rates as of June 30, 2011 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, 2010 to June 30, 2011 (Dollar Amounts in Thousands)

	Contribution Rate	Estimated Annual Dollar Cost ⁽¹⁾
Recommended Average Member Contribution Rate in June 30, 2010 Valuation	9.28%	\$116,025
Effect of changes in actuarial assumptions ⁽²⁾	0.46%	5,725
Effect of other changes including demographic profile of employee group ⁽³⁾	<u>-0.06%</u>	<u>-1,307</u>
Total change	<u>0.40%</u>	<u>\$4,418</u>
Recommended Average Member Contribution Rate in June 30, 2011 Valuation	9.68%	\$120,443

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

⁽²⁾ Assumption changes based on June 30, 2011 Review of Economic Assumptions and Actuarial Experience Study.

⁽³⁾ 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

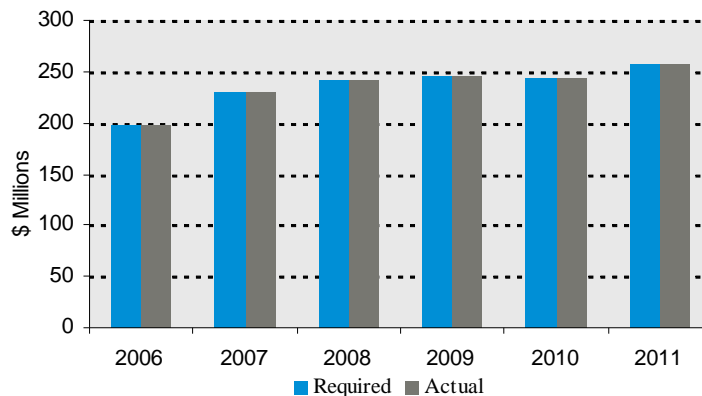
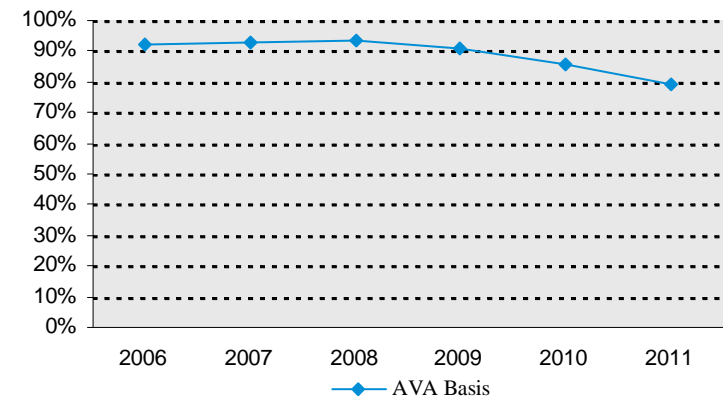


CHART 18
Funded Ratio (Actuarial Value of Assets Compared to Actuarial Accrued Liability)



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
	2011	2010	
Active members in valuation:			
Number	14,792	14,964	-1.1%
Average age	44.9	44.6	N/A
Average service	10.3	9.8	N/A
Projected total compensation	\$858,524,432	\$868,341,053	-1.1%
Projected average compensation	\$58,040	\$58,029	0.0%
Account balances	\$666,995,193	\$642,202,834	3.9%
Total active vested members	10,101	9,658	4.6%
Vested terminated members:⁽¹⁾			
	3,164	3,095	2.2%
Retired members:			
Number in pay status	5,306	5,069	4.7%
Average age	69.6	69.5	N/A
Average monthly benefit	\$2,659	\$2,552	4.2%
Disabled members:			
Number in pay status	714	717	-0.4%
Average age	63.9	63.5	N/A
Average monthly benefit ⁽²⁾	\$1,851	\$1,799	2.9%
Beneficiaries in pay status:			
Number in pay status	1,047	1,010	3.7%
Average age	73.5	73.7	N/A
Average monthly benefit ⁽³⁾	\$1,226	\$1,133	8.2%

⁽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
	2011	2010	
Active members in valuation:			
Number	2,124	2,199	-3.4%
Average age	40.5	40.2	N/A
Average service	13.1	12.7	N/A
Projected total compensation	\$193,103,442	\$189,721,905	1.8%
Projected average compensation	\$90,915	\$86,276	5.4%
Account balances	\$180,623,934	\$177,284,033	1.9%
Total active vested members	1,764	1,678	5.1%
Vested terminated members:⁽¹⁾			
	147	147	0.0%
Retired members:			
Number in pay status	596	543	9.8%
Average age	64.0	64.3	N/A
Average monthly benefit	\$5,860	\$5,491	6.7%
Disabled members:			
Number in pay status	569	553	2.9%
Average age	60.4	59.7	N/A
Average monthly benefit	\$4,086	\$3,855	6.0%
Beneficiaries:			
Number in pay status	208	205	1.5%
Average age	65.8	66.1	N/A
Average monthly benefit	\$2,016	\$1,934	4.2%

⁽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
	2011	2010	
Active members in valuation:			
Number	1,018	981	3.8%
Average age	44.1	44.3	N/A
Average service	10.6	10.6	N/A
Projected total compensation	\$64,948,577	\$62,916,481	3.2%
Projected average compensation	\$63,800	\$64,135	-0.5%
Account balances	\$50,254,087	\$47,960,553	4.8%
Total active vested members	717	630	13.8%
Vested terminated members:⁽¹⁾			
	95	86	10.5%
Retired members:			
Number in pay status	126	106	18.9%
Average age	62.8	62.1	N/A
Average monthly benefit	\$3,378	\$3,180	6.2%
Disabled members:			
Number in pay status	15	12	25.0%
Average age	52.1	50.0	N/A
Average monthly benefit ⁽²⁾	\$2,102	\$2,078	1.2%
Beneficiaries:			
Number in pay status	5	4	25.0%
Average age	57.4	56.8	N/A
Average monthly benefit ⁽³⁾	\$1,568	\$988	58.7%

⁽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
	2011	2010	
Active members in valuation:			
Number	767	780	-1.7%
Average age	48.8	48.5	N/A
Average service	16.0	15.5	N/A
Projected total compensation	\$79,754,474	\$78,718,398	1.3%
Projected average compensation	\$103,982	\$100,921	3.0%
Account balances	\$41,397,787	\$37,089,329	11.6%
Total active vested members	591	580	1.9%
Vested terminated members:⁽¹⁾			
	115	121	-5.0%
Retired members:			
Number in pay status	338	317	6.6%
Average age	68.5	68.1	N/A
Average monthly benefit	\$4,038	\$3,767	7.2%
Disabled members:			
Number in pay status	32	32	0.0%
Average age	66.3	65.7	N/A
Average monthly benefit ⁽²⁾	\$2,830	\$2,751	2.9%
Beneficiaries:			
Number in pay status	59	57	3.5%
Average age	71.2	70.4	N/A
Average monthly benefit ⁽³⁾	\$1,498	\$1,406	6.5%

⁽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
v. Other General**

Category	Year Ended June 30		Change From Prior Year
	2011	2010	
Active members in valuation:			
Number	493	530	-7.0%
Average age	45.9	45.8	N/A
Average service	10.1	9.6	N/A
Projected total compensation	\$42,374,071	\$44,401,351	-4.6%
Projected average compensation	\$85,951	\$83,776	2.6%
Account balances	\$24,290,767	\$24,237,127	0.2%
Total active vested members	322	321	0.3%
Vested terminated members:⁽¹⁾			
	181	165	9.7%
Retired members:			
Number in pay status	185	157	17.8%
Average age	65.1	64.8	N/A
Average monthly benefit	\$2,813	\$2,654	6.0%
Disabled members:			
Number in pay status	12	11	9.1%
Average age	57.9	56.7	N/A
Average monthly benefit ⁽²⁾	\$2,720	\$2,754	-1.2%
Beneficiaries:			
Number in pay status	16	15	6.7%
Average age	68.3	68.2	N/A
Average monthly benefit ⁽³⁾	\$1,280	\$1,235	3.6%

⁽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
	2011	2010	
Active members in valuation:			
Number	64	66	-3.0%
Average age	40.3	39.7	N/A
Average service	10.3	9.7	N/A
Projected total compensation	\$5,849,744	\$6,093,773	-4.0%
Projected average compensation	\$91,402	\$92,330	-1.0%
Account balances	\$6,351,572	\$5,867,408	8.3%
Total active vested members	44	39	12.8%
Vested terminated members:⁽¹⁾			
	21	21	0.0%
Retired members:			
Number in pay status	20	18	11.1%
Average age	60.6	60.3	N/A
Average monthly benefit	\$5,765	\$5,518	4.5%
Disabled members:			
Number in pay status	14	14	0.0%
Average age	56.7	55.7	N/A
Average monthly benefit	\$3,929	\$3,856	1.9%
Beneficiaries:			
Number in pay status	3	3	0.0%
Average age	70.6	69.6	N/A
Average monthly benefit	\$2,738	\$2,685	2.0%

⁽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, 2011

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	200	199	1	--	--	--	--	--	--	--
	\$37,175	\$37,121	\$48,017	--	--	--	--	--	--	--
25 - 29	1,204	958	243	3	--	--	--	--	--	--
	44,224	43,163	48,221	\$59,187	--	--	--	--	--	--
30 - 34	1,847	970	648	222	7	--	--	--	--	--
	50,651	47,029	54,820	54,051	\$58,871	--	--	--	--	--
35 - 39	2,105	790	636	581	95	3	--	--	--	--
	55,439	48,132	58,837	60,213	64,044	\$62,291	--	--	--	--
40 - 44	2,103	562	562	597	273	107	2	--	--	--
	58,645	49,494	58,303	64,178	64,470	62,314	\$83,254	--	--	--
45 - 49	2,107	452	479	503	276	310	82	5	--	--
	62,075	49,160	60,238	65,195	65,072	72,576	73,030	\$95,672	--	--
50 - 54	2,085	391	408	464	285	280	157	97	3	--
	62,365	50,898	56,755	60,121	67,002	72,937	75,153	78,235	\$57,162	--
55 - 59	1,843	296	323	390	224	273	158	139	38	2
	65,588	56,400	59,641	61,100	63,427	69,649	83,545	84,080	73,921	\$86,946
60 - 64	1,016	141	188	244	134	164	77	55	13	--
	64,473	53,683	59,656	59,032	67,442	68,557	73,109	90,201	111,168	--
65 - 69	232	31	66	70	26	29	9	1	--	--
	59,135	44,931	55,966	60,764	62,458	71,778	60,436	129,807	--	--
70 & over	50	3	14	14	14	1	1	1	1	1
	66,685	100,819	70,765	60,868	67,318	44,546	63,349	50,588	43,986	43,986
Total	14,792	4,793	3,568	3,088	1,334	1,167	486	298	55	3
	\$58,040	\$47,627	\$57,357	\$61,367	\$65,190	\$70,402	\$76,936	\$83,543	\$81,267	\$72,626

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, 2011

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	44	43	1	--	--	--	--	--	--	--
	\$64,196	\$64,040	\$70,884	--	--	--	--	--	--	--
25 - 29	270	161	108	1	--	--	--	--	--	--
	72,640	69,377	77,449	\$78,643	--	--	--	--	--	--
30 - 34	362	97	190	75	--	--	--	--	--	--
	79,930	72,507	80,655	87,693	--	--	--	--	--	--
35 - 39	363	51	120	152	36	4	--	--	--	--
	87,156	77,787	83,158	91,361	\$96,766	\$80,253	--	--	--	--
40 - 44	365	32	75	119	72	65	2	--	--	--
	92,676	81,661	85,622	91,168	97,808	102,815	\$108,882	--	--	--
45 - 49	364	18	35	55	52	142	60	2	--	--
	101,789	91,193	96,609	92,052	95,475	103,322	118,174	\$119,375	--	--
50 - 54	251	19	19	27	17	83	60	26	--	--
	110,858	105,512	95,771	90,997	99,477	101,502	123,885	153,661	--	--
55 - 59	74	4	8	9	10	20	10	13	--	--
	108,129	85,244	109,713	105,454	84,625	106,151	115,846	131,233	--	--
60 - 64	30	2	2	7	1	5	7	4	2	--
	111,294	79,246	190,521	98,022	100,875	86,970	104,946	156,229	\$108,938	--
65 - 69	1	1	--	--	--	--	--	--	--	--
	50,000	50,000	--	--	--	--	--	--	--	--
Total	2,124	428	558	445	188	319	139	45	2	--
	\$90,915	\$74,141	\$83,549	\$91,116	\$96,429	\$102,377	\$119,672	\$145,886	\$108,938	--

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, 2011

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	24	24	--	--	--	--	--	--	--
	\$34,937	\$34,937	--	--	--	--	--	--	--
25 - 29	95	55	40	--	--	--	--	--	--
	46,352	42,718	\$51,349	--	--	--	--	--	--
30 - 34	131	71	46	14	--	--	--	--	--
	50,263	46,128	54,649	\$56,817	--	--	--	--	--
35 - 39	125	38	47	35	5	--	--	--	--
	60,739	58,851	60,718	63,422	\$56,504	--	--	--	--
40 - 44	151	57	49	24	11	10	--	--	--
	63,124	57,391	69,712	64,136	64,146	\$59,970	--	--	--
45 - 49	150	27	39	32	16	23	13	--	--
	66,007	63,477	65,519	67,761	63,137	68,913	\$66,796	--	--
50 - 54	156	16	24	26	24	34	22	10	--
	71,346	75,265	72,426	68,293	69,882	67,767	77,094	\$73,459	--
55 - 59	125	16	27	24	9	15	23	9	2
	81,440	61,495	91,377	80,385	93,207	77,241	85,401	66,087	\$121,603
60 - 64	43	3	5	13	6	9	5	2	--
	76,520	85,539	69,997	76,249	98,440	66,917	65,910	85,030	--
65 - 69	17	--	10	4	1	1	1	--	--
	79,202	--	74,756	91,736	90,322	51,278	90,322	--	--
70 & over	1	--	--	1	--	--	--	--	--
	150,292	--	--	150,292	--	--	--	--	--
Total	1,018	307	287	173	72	92	64	21	2
	\$63,800	\$52,539	\$65,142	\$68,995	\$72,157	\$68,488	\$77,320	\$71,402	\$121,603

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, 2011
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	5	5	--	--	--	--	--	--	--
	\$66,127	\$66,127	--	--	--	--	--	--	--
25 - 29	46	40	6	--	--	--	--	--	--
	75,557	76,209	\$71,213	--	--	--	--	--	--
30 - 34	55	36	17	2	--	--	--	--	--
	84,019	78,506	93,910	\$99,175	--	--	--	--	--
35 - 39	71	33	17	19	1	1	--	--	--
	97,912	88,574	97,063	111,469	\$179,318	\$81,484	--	--	--
40 - 44	64	28	15	12	1	7	1	--	--
	95,472	89,656	105,112	103,932	62,357	85,016	\$118,501	--	--
45 - 49	114	11	16	12	6	60	8	1	--
	105,891	83,828	114,266	92,715	90,459	111,529	106,901	\$118,948	--
50 - 54	160	13	11	15	10	71	32	7	1
	112,405	75,213	108,068	117,368	100,175	121,631	113,553	98,063	\$100,133
55 - 59	154	14	8	5	2	58	41	23	3
	117,842	81,319	98,018	94,407	92,744	127,890	125,398	117,131	104,870
60 - 64	76	5	3	10	2	31	17	7	1
	105,638	60,381	103,023	100,064	125,121	102,825	117,264	124,145	116,526
65 - 69	21	3	2	2	4	5	4	1	--
	91,165	68,549	111,456	97,184	71,564	97,774	105,126	95,905	--
70 & over	1	--	1	--	--	--	--	--	--
	118,198	--	118,198	--	--	--	--	--	--
Total	767	188	96	77	26	233	103	39	5
	\$103,982	\$80,768	\$101,061	\$105,241	\$96,468	\$116,301	\$118,085	\$114,470	\$106,254

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, 2011
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	40 & over
Under 25	5	5	--	--	--	--	--	--	--	--
	\$46,858	\$46,858	--	--	--	--	--	--	--	--
25 - 29	40	33	7	--	--	--	--	--	--	--
	62,153	61,476	\$65,345	--	--	--	--	--	--	--
30 - 34	50	33	14	3	--	--	--	--	--	--
	75,115	69,035	83,042	\$105,003	--	--	--	--	--	--
35 - 39	61	31	19	10	1	--	--	--	--	--
	79,752	63,432	93,364	103,121	\$93,349	--	--	--	--	--
40 - 44	69	31	20	9	6	3	--	--	--	--
	83,645	79,672	81,842	88,751	93,328	\$102,036	--	--	--	--
45 - 49	73	23	17	12	11	6	4	--	--	--
	88,648	76,887	91,602	83,770	108,369	94,994	\$94,595	--	--	--
50 - 54	84	20	12	21	7	21	3	--	--	--
	95,876	97,037	83,919	102,820	74,166	104,226	79,562	--	--	--
55 - 59	66	16	15	17	8	7	3	--	--	--
	98,385	85,224	89,422	108,691	109,306	106,347	107,297	--	--	--
60 - 64	39	9	9	8	2	10	--	--	--	1
	98,691	112,601	80,262	89,204	74,892	98,963	--	--	--	\$260,149
65 - 69	6	1	1	1	1	1	1	--	--	--
	65,712	56,554	49,286	119,941	25,207	76,762	66,525	--	--	--
Total	493	202	114	81	36	48	11	--	--	1
	\$85,951	\$74,852	\$85,158	\$98,651	\$94,833	\$101,576	\$91,407	--	--	\$260,149

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, 2011
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	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
25 - 29	7	5	2	--	--	--	--
	\$77,612	\$79,216	\$73,603	--	--	--	--
30 - 34	14	8	4	2	--	--	--
	79,508	71,641	84,212	\$101,573	--	--	--
35 - 39	9	3	5	--	1	--	--
	74,848	72,947	73,035	--	\$89,622	--	--
40 - 44	13	2	5	2	2	1	1
	98,935	127,673	87,078	106,961	96,529	\$103,754	\$84,685
45 - 49	15	1	2	1	5	3	3
	100,328	76,426	87,227	67,136	92,065	136,802	105,392
50 - 54	4	--	1	1	--	1	1
	88,837	--	50,000	89,432	--	112,021	103,894
55 - 59	2	1	--	1	--	--	--
	186,642	180,721	--	192,563	--	--	--
60 - 64	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
Total	64	20	19	7	8	5	5
	\$91,402	\$85,027	\$79,425	\$109,457	\$92,876	\$125,237	\$100,951

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

EXHIBIT C

Reconciliation of Member Data – June 30, 2010 to June 30, 2011

	Active Members	Vested Terminated Members⁽¹⁾	Pensioners	Disableds	Beneficiaries	Total
Number as of June 30, 2010	19,520	3,635	6,210	1,339	1,294	31,998
New members	897	49	0	0	115	1,061
Terminations	-393	393	0	0	0	0
Contribution refunds	-334	-175	0	0	0	-509
Retirements	-403	-144	547	0	0	0
New disabilities	-29	-3	-27	59	0	0
Return to work	27	-27	0	0	0	0
Died with or without beneficiary	-28	-5	-159	-42	-70	-304
Data adjustments	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1</u>	<u>0</u>
Number as of June 30, 2011	19,258	3,723	6,571	1,356	1,338	32,246

⁽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, 2011	Year Ended June 30, 2010
Contribution income:		
Employer contributions	\$258,128,093	\$243,772,596
Employee contributions	<u>59,611,897</u>	<u>56,985,679</u>
Total contribution income	\$317,739,990	\$300,758,275
Investment income:		
Interest, dividends and other income	\$25,975,780	\$113,987,904
Adjustment toward market value ⁽¹⁾	157,400,400	-62,689,975
Less investment and administrative fees	<u>-63,327,414</u>	<u>-75,535,186</u>
Net investment income	\$120,048,766	-\$24,237,257
Total income available for benefits	\$437,788,756	\$276,521,018
Less benefit payments	-\$320,514,561	-\$292,676,769
Change in reserve for future benefits	\$117,274,195	-\$16,155,751

⁽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, 2011	Year Ended June 30, 2010⁽¹⁾
Cash equivalents	\$623,290,351	\$495,479,527
Accounts receivable:		
Securities sold	\$26,785,991	\$646,110
Accrued interest and dividends	3,210,369	3,536,124
Employee and employer contributions	13,643,874	11,430,721
Other	<u>86,874,798</u>	<u>15,572,131</u>
Total accounts receivable	\$130,515,032	\$31,185,086
Investments:		
Equities	\$591,096,880	\$607,309,803
Fixed income	596,782,620	495,965,875
Real estate	483,649,570	498,818,252
Other	3,842,269,856	3,006,050,751
Investments received on securities lending	<u>246,967,200</u>	<u>197,519,257</u>
Total investments at market value	<u>\$5,760,766,126</u>	<u>\$4,805,663,938</u>
Total assets	\$6,514,571,509	\$5,332,328,551
Liabilities:		
Securities lending	-\$250,033,107	-\$197,519,257
Payable for securities purchased	-35,663,365	-2,537,110
Mortgage notes payable	-25,132,966	-37,319,285
Accrued expenses	<u>-67,168,482</u>	<u>-65,479,134</u>
Total liabilities	-\$377,997,920	-\$302,854,786
Net assets at market value	<u>\$6,136,573,589</u>	<u>\$5,029,473,765</u>
Net assets at actuarial value	<u>\$6,484,506,557</u>	<u>\$6,367,232,362</u>
Net assets at valuation value	<u>\$6,413,008,667</u>	<u>\$6,251,188,139</u>

⁽¹⁾ Information shown has been restated from last year's valuation report. This information was revised in the financial statements.

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

EXHIBIT F

Development of the Fund Through June 30, 2011

Year Ended June 30	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
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
2011	258,128,093	59,611,897	0	120,048,766	-320,514,561	6,484,506,557

* *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, 2011	June 30, 2010
<u>Assets</u>		
1 Total valuation value of assets	\$6,368,234	\$6,209,087
2 Present value of future contributions by members	1,011,431	944,688
3 Present value of future employer contributions for:		
a. entry age normal cost	1,208,783	1,113,813
b. unfunded actuarial accrued liability	1,714,206	1,086,779
4 Total current and future assets	<u>\$10,302,654</u>	<u>\$9,354,367</u>
<u>Liabilities</u>		
5 Present value of benefits for retirees and beneficiaries	\$3,658,887	\$3,173,397
6 Present value of benefits for active members	6,364,611	5,917,276
7 Present value of benefits for vested terminated members ⁽²⁾	279,156	263,694
8 Total liabilities	<u>\$10,302,654</u>	<u>\$9,354,367</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, 2011	June 30, 2010
Member deposit reserve ⁽¹⁾	\$ 1,086,027,636	\$ 1,044,584,385
Current service reserve ⁽¹⁾	1,907,190,054	1,914,094,833
Contra account ⁽¹⁾	(1,328,623,547)	(921,311,581)
Pension reserve ⁽¹⁾	2,634,771,170	2,350,739,320
Cost-of-living reserve ⁽¹⁾	1,132,884,584	1,033,347,410
Annuity reserve ⁽¹⁾	927,684,255	779,184,941
Supplemental disability reserve ⁽¹⁾	8,299,115	8,448,063
Survivor benefit reserve ⁽¹⁾	44,775,400	42,100,768
Valuation reserves	<u>\$6,413,008,667</u>	<u>\$6,251,188,139</u>
Burial allowance reserve ⁽²⁾	955,407	1,094,407
General subsidy reserve ⁽²⁾	5,396,768	61,617,516
Undesignated excess earnings ⁽²⁾	0	0
Reserve for deficiencies ⁽²⁾	65,145,715	53,332,300
2% additional contingency reserve ⁽²⁾	0	0
Total reserves	<u>\$6,484,506,557</u>	<u>\$6,367,232,362</u>
Net unrecognized gains/(losses)	<u>(347,932,968)</u>	<u>(1,337,758,597)</u>
Net market value	<u>\$6,136,573,589</u>	<u>\$5,029,473,765</u>

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

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

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

EXHIBIT I

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2011

1.	Unfunded actuarial accrued liability at beginning of year ⁽¹⁾⁽²⁾		\$1,086,779,000
2.	Total normal cost at middle of year		251,941,000
3.	Expected employer and member contributions		-341,728,000
4.	Interest		<u>83,597,000</u>
5.	Expected unfunded actuarial accrued liability before plan changes ⁽³⁾		<u>\$1,080,589,000</u>
6.	Actuarial (gain)/loss due to all changes:		
	(a) Transfer from General Retiree Subsidy reserve	-40,600,000	
	(b) Investment return	394,003,000	
	(c) Lower than expected individual salary increases	-86,082,000	
	(d) Actual contributions less than expected	25,591,000	
	(e) Other experience	28,226,000	
	(f) Changes in actuarial assumptions	<u>312,479,000</u>	
	(g) Total changes		<u>\$633,617,000</u>
7.	Unfunded actuarial accrued liability at end of year ⁽¹⁾		<u>\$1,714,206,000</u>

⁽¹⁾ Excludes Survivor Benefit Reserve which had a surplus of assets over liabilities of \$9,025,000 at the beginning of the year and \$9,067,000 at the end of the year.

⁽²⁾ Before reflecting the transfer of \$40.6 million from the General Retiree Subsidy reserve to the Current Service reserve.

⁽³⁾ Excludes contributions made to the Survivor Benefit Reserve during the year ended June 30, 2011.

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

**EXHIBIT J
Table of Amortization Bases**

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
County General	June 30, 2002	Restart Amortization	\$59,403,000	\$54,979,000	11	\$6,174,000
	June 30, 2003	Actuarial (Gain)/Loss	246,087,000	234,262,000	12	24,515,000
	June 30, 2004	Actuarial (Gain)/Loss	132,424,000	128,478,000	13	12,616,000
	June 30, 2004	POB Credit	(306,658,000)	(297,520,000)	13	(29,215,000)
	June 30, 2005	Actuarial (Gain)/Loss	58,725,000	58,050,000	14	5,380,000
	June 30, 2005	Assumption Change	55,628,000	54,988,000	14	5,096,000
	June 30, 2006	Actuarial (Gain)/Loss	(12,592,000)	(12,584,000)	15	(1,106,000)
	June 30, 2007	Actuarial (Gain)/Loss	(32,329,000)	(32,538,000)	16	(2,725,000)
	June 30, 2008	Actuarial (Gain)/Loss	(10,033,000)	(10,130,000)	17	(812,000)
	June 30, 2008	Assumption Change	(9,276,000)	(9,366,000)	17	(750,000)
	June 30, 2009	Actuarial (Gain)/Loss	116,678,000	117,761,000	18	9,052,000
	June 30, 2010	Actuarial (Gain)/Loss	283,378,000	285,075,000	19	21,089,000
	June 30, 2011	Actuarial (Gain)/Loss	169,691,000	169,691,000	20	12,114,000
	June 30, 2011	Assumption Change	199,313,000	<u>199,313,000</u>	20	<u>14,229,000</u>
Subtotal				\$940,459,000		\$75,657,000

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

EXHIBIT J

Table of Amortization Bases (continued)

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
Superior Court	June 30, 2002	Restart Amortization	\$3,493,000	\$3,237,000	11	\$363,000
	June 30, 2003	Actuarial (Gain)/Loss	14,458,000	13,766,000	12	1,441,000
	June 30, 2004	Actuarial (Gain)/Loss	6,840,000	6,641,000	13	652,000
	June 30, 2005	Actuarial (Gain)/Loss	3,451,000	3,405,000	14	316,000
	June 30, 2005	Assumption Change	3,269,000	3,226,000	14	299,000
	June 30, 2006	Actuarial (Gain)/Loss	4,889,000	4,882,000	15	429,000
	June 30, 2007	Actuarial (Gain)/Loss	4,076,000	4,092,000	16	343,000
	June 30, 2008	Actuarial (Gain)/Loss	729,000	743,000	17	60,000
	June 30, 2008	Assumption Change	(1,520,000)	(1,549,000)	17	(125,000)
	June 30, 2009	Actuarial (Gain)/Loss	6,270,000	6,330,000	18	487,000
	June 30, 2010	Actuarial (Gain)/Loss	10,935,000	11,000,000	19	814,000
	June 30, 2011	Actuarial (Gain)/Loss	8,620,000	8,620,000	20	615,000
	June 30, 2011	Assumption Change	10,323,000	<u>10,323,000</u>	20	<u>737,000</u>
Subtotal				\$74,716,000		\$6,431,000

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

EXHIBIT J

Table of Amortization Bases (continued)

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
Other General	June 30, 2002	Restart Amortization	\$13,456,000	\$12,439,000	11	\$1,397,000
	June 30, 2003	Actuarial (Gain)/Loss	9,811,000	9,337,000	12	977,000
	June 30, 2004	Actuarial (Gain)/Loss	5,720,000	5,548,000	13	545,000
	June 30, 2005	Actuarial (Gain)/Loss	6,843,000	6,772,000	14	627,000
	June 30, 2005	Assumption Change	(505,000)	(500,000)	14	(46,000)
	June 30, 2006	Actuarial (Gain)/Loss	2,466,000	2,453,000	15	216,000
	June 30, 2007	Actuarial (Gain)/Loss	2,058,000	2,077,000	16	174,000
	June 30, 2008	Actuarial (Gain)/Loss	4,238,000	4,269,000	17	342,000
	June 30, 2008	Assumption Change	(287,000)	(289,000)	17	(23,000)
	June 30, 2009	Actuarial (Gain)/Loss	5,746,000	5,788,000	18	445,000
	June 30, 2010	Actuarial (Gain)/Loss	11,709,000	11,774,000	19	871,000
	June 30, 2011	Actuarial (Gain)/Loss	9,390,000	9,390,000	20	670,000
	June 30, 2011	Assumption Change	8,528,000	<u>8,528,000</u>	20	<u>609,000</u>
Subtotal				\$77,586,000		\$6,804,000

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

EXHIBIT J

Table of Amortization Bases (continued)

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
SCAQMD	June 30, 2002	Restart Amortization	\$18,462,000	\$17,086,000	11	\$1,919,000
	June 30, 2003	Actuarial (Gain)/Loss	27,792,000	26,457,000	12	2,769,000
	June 30, 2004	Actuarial (Gain)/Loss	24,821,000	24,139,000	13	2,370,000
	June 30, 2004	POB Credit	(46,375,000)	(45,101,000)	13	(4,428,000)
	June 30, 2005	Actuarial (Gain)/Loss	11,432,000	11,322,000	14	1,050,000
	June 30, 2005	Assumption Change	(3,613,000)	(3,578,000)	14	(332,000)
	June 30, 2006	Actuarial (Gain)/Loss	(1,328,000)	(1,327,000)	15	(117,000)
	December 31, 2006	UAAL Prepayment	(10,000,000)	(10,033,000)	15.5	(861,000)
	June 30, 2007	Actuarial (Gain)/Loss	12,093,000	12,177,000	16	1,020,000
	June 30, 2008	Actuarial (Gain)/Loss	16,095,000	16,237,000	17	1,301,000
	June 30, 2008	Assumption Change	1,425,000	1,438,000	17	115,000
	June 30, 2009	Actuarial (Gain)/Loss	8,947,000	9,027,000	18	694,000
	June 30, 2010	Actuarial (Gain)/Loss	34,808,000	35,013,000	19	2,590,000
	June 30, 2011	Actuarial (Gain)/Loss	26,766,000	26,766,000	20	1,911,000
	June 30, 2011	Assumption Change	21,411,000	<u>21,411,000</u>	20	<u>1,528,000</u>
Subtotal				\$141,034,000		\$11,529,000

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

EXHIBIT J

Table of Amortization Bases (continued)

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
County Safety	June 30, 2002	Restart Amortization	\$(62,982,000)	\$(58,290,000)	11	\$(6,545,000)
	June 30, 2003	Actuarial (Gain)/Loss	216,453,000	206,063,000	12	21,564,000
	June 30, 2004	Actuarial (Gain)/Loss	78,357,000	76,168,000	13	7,479,000
	June 30, 2004	POB Credit	(153,057,000)	(148,781,000)	13	(14,609,000)
	June 30, 2005	Actuarial (Gain)/Loss	40,461,000	39,989,000	14	3,706,000
	June 30, 2005	Assumption Change	(13,133,000)	(12,980,000)	14	(1,203,000)
	June 30, 2006	Actuarial (Gain)/Loss	(10,615,000)	(10,605,000)	15	(932,000)
	June 30, 2007	Actuarial (Gain)/Loss	5,858,000	5,896,000	16	494,000
	June 30, 2008	Actuarial (Gain)/Loss	7,404,000	7,483,000	17	599,000
	June 30, 2008	Assumption Change	(854,000)	(863,000)	17	(69,000)
	June 30, 2009	Actuarial (Gain)/Loss	65,726,000	66,349,000	18	5,100,000
	June 30, 2010	Actuarial (Gain)/Loss	111,269,000	111,940,000	19	8,281,000
	June 30, 2011	Actuarial (Gain)/Loss	105,642,000	105,642,000	20	7,542,000
	June 30, 2011	Assumption Change	70,700,000	<u>70,700,000</u>	20	<u>5,047,000</u>
Subtotal				\$458,711,000		\$36,454,000

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

EXHIBIT J

Table of Amortization Bases (continued)

	Date Established	Source	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment
Other Safety -	June 30, 2002	Restart Amortization	\$4,733,000	\$4,369,000	11	\$491,000
All Service	June 30, 2003	Actuarial (Gain)/Loss	1,640,000	1,533,000	12	160,000
	June 30, 2004	Actuarial (Gain)/Loss	1,570,000	1,527,000	13	150,000
	June 30, 2004	Plan Change	2,150,000	2,090,000	13	205,000
	June 30, 2005	Actuarial (Gain)/Loss	87,000	100,000	14	9,000
	June 30, 2005	Assumption Change	(165,000)	(190,000)	14	(17,000)
	June 30, 2006	Actuarial (Gain)/Loss	323,000	320,000	15	28,000
	June 30, 2007	Actuarial (Gain)/Loss	1,213,000	1,221,000	16	103,000
	June 30, 2007	Plan Change	1,011,000	1,018,000	16	85,000
	June 30, 2008	Actuarial (Gain)/Loss	1,144,000	1,152,000	17	92,000
	June 30, 2008	Assumption Change	(189,000)	(190,000)	17	(15,000)
	June 30, 2009	Actuarial (Gain)/Loss	2,940,000	2,968,000	18	228,000
	June 30, 2010	Actuarial (Gain)/Loss	2,532,000	2,549,000	19	189,000
	June 30, 2011	Actuarial (Gain)/Loss	1,029,000	1,029,000	20	74,000
	June 30, 2011	Assumption Change	2,204,000	<u>2,204,000</u>	20	<u>157,000</u>
Subtotal				\$21,700,000		\$1,939,000
Grand Total				\$1,714,206,000		\$138,814,000

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
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%
2011	258,128,000	258,128,000	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)
06/30/2006	\$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%
06/30/2011	6,484,506,557	8,189,645,890	1,705,139,333	79.18%	1,244,554,740	137.01%

* 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.

*** Does not reflect the transfer of \$40.6 million from the General Retiree Subsidy reserve to the Current Service reserve.

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

EXHIBIT III

Supplementary Information Required by the GASB

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level percent of payroll (4.00% 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 closed 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*	7.75%
Projected Salary Increases**	General: 4.75% to 14.00%; Safety: 4.75% to 14.00%.
Cost of Living Adjustments	2.00% (actual increases contingent upon CPI increases with a 2% maximum).

Plan Membership:

Retirees and Beneficiaries receiving benefits***	9,265
Terminated plan members entitled to, but not yet receiving benefits	3,723
Active plan members	<u>19,258</u>
Total	32,246

* Includes inflation at 3.50%.

** Includes inflation at 3.50%, "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 two years.

For Safety Members: RP-2000 Combined Healthy Mortality Table set back three years.

Disabled:

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

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

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.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the 2011 Actuarial Experience Study.

Member Contribution Rates:

For General Members: RP-2000 Combined Healthy Mortality Table set back two years weighted 30% male and 70% female.

For Safety Members: RP-2000 Combined Healthy Mortality Table set back three years weighted 85% male and 15% female.

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

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	0.06	0.04	0.06	0.03
40	0.10	0.06	0.09	0.06
45	0.13	0.09	0.12	0.09
50	0.19	0.14	0.19	0.13
55	0.29	0.22	0.27	0.20
60	0.53	0.39	0.47	0.35
65	1.00	0.76	0.88	0.67

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	0.07	0.58
40	0.10	0.88
45	0.20	1.15
50	0.31	2.00
55	0.44	4.00
60	0.65	5.60
65	1.05	0.00
70	1.34	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	16.00	4.50
1	10.00	3.75
2	8.50	3.25
3	7.00	2.75
4	5.50	2.25

Withdrawal (5+ Years of Service)*		
Age	General	Safety
20	5.50	2.25
25	5.50	2.25
30	5.50	2.10
35	5.20	1.55
40	4.40	1.10
45	3.55	1.00
50	2.80	0.40
55	2.20	0.00
60	1.70	0.00
65	1.20	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	2.00
49	0.00	6.00
50	3.00	10.00
51	3.00	8.00
52	4.00	10.00
53	4.00	13.00
54	5.00	13.00
55	6.00	20.00
56	7.00	20.00
57	7.00	20.00
58	9.00	20.00
59	13.00	20.00
60	16.00	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: 58

Safety Age: 52

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:

70% 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; 75% of future General non-service connected (ordinary) disableds are assumed to be eligible for this benefit.

Net Investment Return:

7.75%, net of investment and administration expenses.

**Employee Contribution
Crediting Rate:**

3.50% (Based on projected long term six-month Treasury rate).

Consumer Price Index:

Increase of 3.50% 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: 3.50% 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	10.00%	10.00%
1	7.00	7.00
2	4.25	4.25
3	3.75	3.75
4	3.25	3.50
5	2.75	3.00
6	2.00	2.50
7	1.50	2.00
8	1.25	1.50
9	1.00	1.25
10	0.95	1.20
11	0.90	1.15
12	0.85	1.10
13	0.80	1.05
14	0.75	1.00
15	0.75	0.95
16	0.75	0.90
17	0.75	0.85
18	0.75	0.80
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: Based on the actuarial experience study, the following actuarial assumptions were changed. Previously these assumptions were as follows:

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

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

Member Contribution Rates: For Safety Members: RP-2000 Combined Healthy Mortality Table.
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.

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

Changes in Actuarial Assumptions (continued):

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

Changes in Actuarial Assumptions (continued):

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

Changes in Actuarial Assumptions (continued):

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

Changes in Actuarial Assumptions (continued):

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

Changes in Actuarial Assumptions (continued):

**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.

Percent Married:

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

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

Changes in Actuarial Assumptions (continued):

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

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.</p> <p>In April 2011, the Board of Retirement approved the transfer of \$40.6 million from the General Retiree Subsidy reserve to the Current Service Reserve. This decision will result in a depletion of the reserve and no subsidy payments will be made after October 31, 2011.</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, 2011 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	6.35%	7.77%	36	8.93%	10.93%
17	6.46%	7.90%	37	9.09%	11.12%
18	6.57%	8.04%	38	9.26%	11.33%
19	6.68%	8.17%	39	9.43%	11.54%
20	6.80%	8.32%	40	9.60%	11.75%
21	6.91%	8.45%	41	9.78%	11.97%
22	7.03%	8.60%	42	9.97%	12.20%
23	7.15%	8.75%	43	10.15%	12.42%
24	7.28%	8.91%	44	10.35%	12.66%
25	7.40%	9.05%	45	10.55%	12.91%
26	7.53%	9.21%	46	10.75%	13.15%
27	7.65%	9.36%	47	10.95%	13.40%
28	7.79%	9.53%	48	11.11%	13.59%
29	7.92%	9.69%	49	11.23%	13.74%
30	8.05%	9.85%	50	11.32%	13.85%
31	8.19%	10.02%	51	11.40%	13.95%
32	8.33%	10.19%	52	11.47%	14.03%
33	8.48%	10.38%	53	11.35%	13.89%
34	8.63%	10.56%	54 & Over	11.04%	13.51%
35	8.78%	10.74%			

Interest: 7.75%
 COLA: 2.00%
 COLA Loading Factor: 22.35%
 Mortality: RP-2000 Male Combined Healthy Mortality Table set back two years weighted 30% and RP-2000 Female Combined Healthy Mortality Table set back two years weighted 70%
 Salary Increase: See Exhibit IV
 Note: These rates are determined before any pickups by the employer.

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**Safety Members' Contribution Rates from the June 30, 2011 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	7.31%	10.11%	36	10.37%	14.35%
17	7.44%	10.29%	37	10.55%	14.60%
18	7.57%	10.47%	38	10.74%	14.86%
19	7.70%	10.65%	39	10.93%	15.12%
20	7.83%	10.83%	40	11.13%	15.40%
21	7.97%	11.03%	41	11.33%	15.68%
22	8.11%	11.22%	42	11.50%	15.91%
23	8.25%	11.42%	43	11.63%	16.09%
24	8.39%	11.61%	44	11.73%	16.23%
25	8.54%	11.82%	45	11.80%	16.33%
26	8.69%	12.02%	46	11.88%	16.44%
27	8.85%	12.25%	47	11.95%	16.54%
28	9.01%	12.47%	48	11.83%	16.37%
29	9.17%	12.69%	49 & Over	11.51%	15.93%
30	9.34%	12.92%			
31	9.51%	13.16%			
32	9.67%	13.38%			
33	9.85%	13.63%			
34	10.02%	13.86%			
35	10.19%	14.10%			

Interest: 7.75%
 COLA: 2.00%
 COLA Loading Factor: 38.37%
 Mortality: RP-2000 Male Combined Healthy Mortality Table set back three years weighted 85% and
 RP-2000 Female Combined Healthy Mortality Table set back three years weighted 15%
 Salary Increase: See Exhibit IV
 Note: These rates are determined before any pickups by the employer.

**San Bernardino County Employees'
Retirement Association
Survivor Benefit Valuation**

*Review of Contribution Rates and Funded Status
as of June 30, 2011*

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THE SEGAL COMPANY
100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

October 28, 2011

*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, 2011. 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.

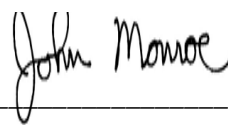
We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

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*

AW/hy

SECTION 1

VALUATION SUMMARY

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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	\$0.89	\$399,000	\$0.89	\$399,000
Recommended Contribution Rate	\$0.77	\$342,000	\$0.77	\$342,000

Included in each of the recommended rates is a credit of \$1.65 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 results of this valuation reflect changes in the actuarial assumptions as recommended in our Actuarial Experience Study and adopted by the Board for the June 30, 2011 valuation. These assumption changes had a minimal impact on the contribution rates.
- 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.

SECTION 1: Valuation Summary for SBCERA Survivor Benefit Valuation

➤ The following table compares the reserves and liabilities for the survivor benefits as of June 30, 2011:

1. June 30, 2011 Reserves	\$44,775,000
2. June 30, 2011 Actuarial Accrued Liabilities:	
Current Recipients	21,860,000
Future Recipients	13,848,000
Total	35,708,000
3. Liabilities minus Reserves (2) – (1)	-\$9,067,000
4. Funded Ratio (1) ÷ (2)	125.4%

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 2011 Actuarial Experience Study and Review of Economic Assumptions. 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, 2011.

CHART 1
Table of Coverage

SBCERA Survivor Benefit Recipients as of June 30, 2011	<u>Death Before 4/2/1994</u>	<u>Death 4/2/1994 or Later</u>
1. Surviving spouse caring for one child OR two children only	1	11
2. Surviving spouse caring for two or more children OR three or more children	0	20
3. One child only OR each of two dependent parents age 62	0	21
4. Widow or widower age 62 (no child) or in deferred status	80	175
5. Widow or widower age 60 (no child)	0	48
6. Total	<u>81</u>	<u>275</u>

SBCERA Covered Members as of June 30, 2011	<u>As of June 30, 2011</u>
1. Vested terminated members	1,827
2. Active members	17,070

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 \$44,775,000 as of June 30, 2011; and
2. Equal contributions from employers and members.

The following table provides the funded status of the Survivor Benefit as of June 30, 2011:

1. June 30, 2011 Reserves	\$44,775,000
2. June 30, 2011 Actuarial Accrued Liabilities:	
Current Recipients	21,860,000
Future Recipients	13,848,000
Total	35,708,000
3. Liabilities minus Reserves	-\$9,067,000
4. Funded Ratio (1./2.)	125.4%

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 member contribution rates are derived on the following page.

SECTION 3: Valuation Results for SBCERA Survivor Benefit Valuation

B. CONTRIBUTION REQUIREMENTS

1. Biweekly Entry Age Normal Cost per Active Member	\$4.83
2. Actuarial Accrued Liabilities minus Current Reserves (from previous page)	-\$9,067,000
3. Present Value of \$1 per Biweekly Pay Period for Active Members – Measured from Valuation Age and Adjusted for Timing	2,754,000
4. Biweekly Unfunded Actuarial Accrued Liability Cost (2) ÷ (3)	-\$3.29
5. Total Biweekly Cost per Member (1) + (4)	\$1.54
6. Employer Portion (50% of (5))	\$0.77
7. Member Portion (50% of (5))	\$0.77
8. Estimated Annual Employer Contribution	\$342,000
9. Estimated Annual Member Contribution	\$342,000

Note: Contributions include an adjustment to account for contributions being made throughout the year.

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, 2011 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 total of current active members' future working lifetime. Each active members' future working lifetime is determined as the present value of \$1 per year of future service at zero percent interest.



THE SEGAL COMPANY
 100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
 T 415.263.8200 F 415.263.8290 www.segalco.com

October 28, 2011

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

**Re: San Bernardino County Employees' Retirement Association
 Three-Year Phase-in of Employer Contribution Rates**

Dear Members of the Board:

The Board elected to phase-in (over a three-year period) the impact of the new actuarial assumptions on the employer contribution rates as calculated in the June 30, 2011 Actuarial Valuation. This letter provides the “phased-in” employer contribution rates for the 2012/2013 fiscal year by cost group in the enclosed Exhibit A.

Phase-in of Employer Contribution Rates for 2012/2013

The following table shows the full impact, by cost group, of the newly adopted actuarial assumptions on the employer contribution rate for the 2012/2013 fiscal year based on the June 30, 2011 Actuarial Valuation. This is the portion of the increase in the total employer contribution rates from the 2011 valuation that will be phased-in over three years. The impact is measured as a percentage of payroll.

Cost Group:	Impact of New Actuarial Assumptions:
County General members	2.29% of payroll
County Safety members	3.30% of payroll
Superior Court members	1.77% of payroll
South Coast Air Quality Management District (SCAQMD) members	2.61% of payroll
Other General members	2.08% of payroll
Other Safety members – 3% at 50 for all service	3.21% of payroll



Exhibit A shows the "phased-in" employer contribution rates for the 2012/2013 fiscal year. The total rates for each cost group in this Exhibit reflect only one-third of the increase due to the new actuarial assumptions in the June 30, 2011 Actuarial Valuation that were shown earlier. Note that different changes are reflected in the detailed components of the employer contribution rates depending on the increase due to the new actuarial assumptions on that specific rate component.

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.

Please let us know if you have any questions.

Respectfully submitted,



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



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

MYM/jc

EXHIBIT A

Recommended Employer Contribution Rates with Three-year Phase-in

	June 30, 2011 Actuarial Valuation								
	Basic			COLA			Total		
	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*	Rate	Estimated Annual Amount*			
County General Members									
Normal Cost	7.95%	\$68,253	1.46%	\$12,534	9.41%	\$80,787			
UAAL	4.09%	35,114	3.62%	31,078	7.71%	66,192			
Total Contribution	12.04%	\$103,367	5.08%	\$43,612	17.12%	\$146,979			
County Safety Members									
Normal Cost	16.36%	\$31,592	2.88%	\$5,561	19.24%	\$37,153			
UAAL	7.61%	14,695	9.54%	18,422	17.15%	33,117			
Total Contribution	23.97%	\$46,287	12.42%	\$23,983	36.39%	\$70,270			
All County Members									
Normal Cost	9.49%	\$99,845	1.73%	\$18,095	11.22%	\$117,940			
UAAL	4.74%	49,809	4.70%	49,500	9.44%	99,309			
Total Contribution	14.23%	\$149,654	6.43%	\$67,595	20.66%	\$217,249			
Superior Court Members									
Normal Cost	7.95%	\$5,163	1.46%	\$949	9.41%	\$6,112			
UAAL	7.20%	4,676	1.95%	1,267	9.15%	5,943			
Total Contribution	15.15%	\$9,839	3.41%	\$2,216	18.56%	\$12,055			
SCAQMD Members									
Normal Cost	8.40%	\$6,699	1.58%	\$1,260	9.98%	\$7,959			
UAAL	9.80%	7,816	3.37%	2,688	13.17%	10,504			
Total Contribution	18.20%	\$14,515	4.95%	\$3,948	23.15%	\$18,463			
Other General Members									
Normal Cost	8.99%	\$3,809	1.67%	\$708	10.66%	\$4,517			
UAAL	11.72%	4,966	3.39%	1,437	15.11%	6,403			
Total Contribution	20.71%	\$8,775	5.06%	\$2,145	25.77%	\$10,920			
Other Safety Members – All Service									
Normal Cost	17.35%	\$1,015	3.00%	\$175	20.35%	\$1,190			
UAAL	21.34%	1,248	10.04%	588	31.38%	1,836			
Total Contribution	38.69%	\$2,263	13.04%	\$763	51.73%	\$3,026			
All Employers Combined									
Normal Cost	9.36%	\$116,531	1.71%	\$21,187	11.07%	\$137,718			
UAAL	5.51%	68,515	4.45%	55,480	9.96%	123,995			
Total Contribution	14.87%	\$185,046	6.16%	\$76,667	21.03%	\$261,713			

*Amounts are in thousands and are based on June 30, 2011 projected compensation (also in thousands):

County General	\$ 858,524
County Safety	193,103
Superior Court	64,949
SCAQMD	79,754
Other General	42,374
Other Safety – All Service	5,850
Total	\$1,244,554



THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

October 28, 2011

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 for two basic groups of employees: (1) Non-Office, Clerical & Maintenance employees (Non-OCM), and (2) Office, Clerical & Maintenance employees (OCM).

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, 2011 valuation after reflecting the phase-in of the impact due to changing actuarial assumptions. We have produced four employer rates, one for the Non-OCM pre-7/1/1979 hires (including those select Non-OCM post-7/1/1979 hires), one for the Non-OCM post-7/1/1979 hires, and two rates for the OCM employees based on pre and post-7/1/1979 hire dates. The nonrefundability factor has decreased from 1.11 to 1.10.

Non-OCM Employees

We understand that the SCAQMD will pick-up contributions for Non-OCM pre-7/1/1979 hires (and some select Non-OCM post-7/1/1979 hires) up to a rate of 8.09% and contributions for post-7/1/1979 hires up to a rate of 3.24%. Since all Non-OCM post-7/1/1979 members pay at least a 3.24% contribution rate, all Non-OCM post-7/1/1979 members contribution rates will be reduced by 3.24% (note that this excludes the Non-OCM post-7/1/1979 members that are included in the Non-OCM pre-7/1/1979 group). For the Non-OCM 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 8.09%.



For Non-OCM post-7/1/1979 hires the employer contribution rate is 26.10% (23.15% + (3.24% / 1.10)). Please note that 23.15% is the SCAQMD contribution rate after reflecting the phase-in of the impact due to changing actuarial assumptions in the June 30, 2011 valuation and the 1.10 factor is the general member nonrefundability factor. For Non-OCM pre-7/1/1979 hires (including those select Non-OCM post-7/1/1979 hires) the employer contribution rate is 30.50% (23.15% + (8.09% / 1.10)). The factors are the same as above except we had to derive an average member contribution rate to be picked up for the pre-7/1/1979 hires (including those select post-7/1/1979 hires). That average rate was 8.09% since very few members have a contribution rate below 8.09%.

OCM Employees

We understand that the SCAQMD will pick-up contributions for OCM pre-7/1/1979 hires up to a rate of 11.34% and contributions for OCM post-7/1/1979 hires up to a rate of 6.49%. Since all OCM post-7/1/1979 members pay at least a 6.49% contribution rate, all OCM post-7/1/1979 members contribution rates will be reduced by 6.49%. For the OCM pre-7/1/1979 members all member contribution rates will be reduced by up to 11.34%.

For OCM post-7/1/1979 hires the employer contribution rate is 29.05% (23.15% + (6.49% / 1.10)). For OCM pre-7/1/1979 hires the employer contribution rate is 32.44% (23.15% + (10.22% / 1.10)). The factors are the same as above except we had to derive an average member contribution rate to be picked up for the pre-7/1/1979 hires. That average rate was 10.22%.

Summary

The following table summarizes the employer contribution rates for the SCAQMD:

	Non-OCM		OCM	
	Post-7/1/1979	Pre-7/1/1979	Post-7/1/1979	Pre-7/1/1979
Employer Contribution	23.15%	23.15%	23.15%	23.15%
Employer Pick-Up	2.95%	7.35%	5.90%	9.29%
Net Employer Contribution	26.10%	30.50%	29.05%	32.44%

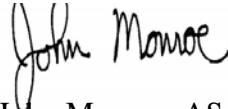
Board of Retirement
San Bernardino County Employees' Retirement Association
October 28, 2011
Page 3

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.

Respectfully submitted,



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



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

AW/gxk