



1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940

milliman.com

March 19, 2024

Scott Hood
Chief Executive Officer
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Re: Analysis of Salary Increases - March 26, 2024 Board Agenda

Dear Scott:

California Government Code Section 31515.5 requires a notice be provided of the estimated financial impact that proposed benefit or salary increases would have on the funding status of the County's retirement system, administered by SamCERA. We understand that the San Mateo County Board of Supervisors will consider salary increases for a single individual that is in addition to regularly scheduled annual increases. The purpose of this letter is to provide information to assist the Board of Supervisors to satisfy the notice requirement with regard to items included in the Board Agenda on March 26, 2024.

Estimated Financial Impact

The information provided by San Mateo County is of one active employee who participates in General Plan 7 (the PEPRA plan). The compensation of this employee before the salary increase is greater than the pensionable compensation limit under Section 7522.10 of the Government Code. Therefore, the increase in salary will not be considered pensionable and will have no financial impact on the Actuarial Accrued Liability (AAL) or funded ratio of SamCERA as of June 30, 2023, which is the most recent valuation date.

Data, methods, and assumptions

These estimates are based on the results of the June 30, 2023 actuarial valuation for the member identified and provided to us by San Mateo County. For this analysis we used the biweekly salary (with allowances) for this member as provided by San Mateo County and adjusted the valuation results by the same relative proportion as the increase in biweekly salaries.

For members of Plan 7, pensionable compensation is limited under Section 7522.10 of the Government Code. This limitation has been applied to these calculations where applicable.

Certification

Except as noted elsewhere in this letter, all data, methods, assumptions, and plan provisions are consistent with those described in the June 30, 2023 actuarial valuation. We have assumed that these salary increases would not affect future member behavior. All statements of reliance and limitations on use described in that report also apply to this work product.

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes.
Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

The actuarial computations presented in this letter are for the specific purpose described in this letter. Determinations for other purposes may be significantly different from the results contained in this letter. Accordingly, additional determinations may be needed for other purposes. These computations are subject to the uncertainties of a regular actuarial valuation; the costs are inexact because they are based on assumptions that are themselves necessarily inexact, even though we consider them reasonable. Thus, the emerging costs will vary from those presented in this letter to the extent actual experience differs from that projected by the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this letter due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the retirement system, and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Milliman's work is prepared solely for the internal business use of SamCERA and San Mateo County. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third-party recipient of its work product.

No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this cost projection letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



Scott Hood
March 19, 2024
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Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick Collier".

Nick Collier, ASA, EA, MAAA
Consulting Actuary

A handwritten signature in black ink, appearing to read "Craig Glyde".

Craig Glyde, ASA, EA, MAAA
Consulting Actuary

NC/CG/va

cc: Gladys Smith
Lisa Yapching