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April 17, 2020

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

Re: Analysis of COVID-19 Public Health Emergency Policy
AFSCME, CNA, SEIU and UAPD

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 an emergency policy (the "COVID-19 Public Health Emergency Policy AFSCME, CNA, SEIU, UAPD") to provide certain compensation and leave benefits to employees of San Mateo County with benefits negotiated under collective bargaining agreements with AFSCME, CNA, SEIU and UAPD during the declared health emergency caused by COVID-19. We have been asked to provide an opinion on whether these compensation and leave benefits will have a financial impact on the funding status of SamCERA that require notice under Section 31515.5, and provide this letter to address that question.

The primary ways in which this policy could impact the funded status of SamCERA are as follows:

1. If these compensation and leave benefits increase the pension benefits of affected SamCERA members as a result of increased salary and/or benefit service, and
2. If any additional pension benefits earned as a result of this policy are earned without corresponding employer and member contributions being deposited to SamCERA.

Based on information received from San Mateo County it is our understanding that if any compensation or benefit service earned as a result of this policy is deemed to be eligible for pension purposes, then both employer and member contributions would be deposited to SamCERA in respect of this compensation or benefit service. We further understand that any leave benefits earned under the policy will not be eligible to be included in salary for purposes of pension benefit calculations, and that no additional benefit service will be earned under this policy.

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes.
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Section 3b of this policy discusses receipt of differential pay by individual employees under certain circumstances. Any additional pay earned that is included in pensionable compensation may result in an increase in the Unfunded Actuarial Accrued Liability (UAAL) of SamCERA. The policy also notes that any additional pay earned by individual employees under this provision is already negotiated for these employees under existing MOUs. Our interpretation is that this is not a salary increase for these purposes.

Based on the above, we do not believe that the compensation and leave benefits provided under this policy are a benefit or salary increase that will have a financial impact on the funded status of SamCERA that require a notice under Section 31515.5.

Certification

This analysis and opinion is based on our review of the draft COVID-19 Public Health Emergency Policy provided by San Mateo County on April 3, 2020 and subsequent communications with San Mateo County staff regarding the expected implantation of the policy. It is our understanding that the final version of the policy will not change in a manner that would materially affect our analysis. If any of this information is inaccurate or incomplete our analysis and opinion may need to be revised.

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

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Please let us know if you have any questions.

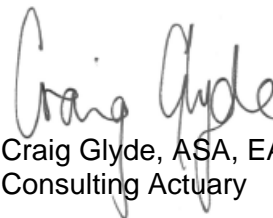
Sincerely,



Nick Collier, ASA, EA, MAAA
Consulting Actuary

NC/CG/nlo

cc: Gladys Smith
Daniel Valim
Lisa Yapching



Craig Glyde, ASA, EA, MAAA
Consulting Actuary