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November 20, 2023

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 -December 5, 2023 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 select group of individuals that are 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 December 5, 2023.

**Estimated Financial Impact**

Based on proposed salary increase information provided by San Mateo County, we have calculated the projected impact of these salary increases on SamCERA as of the most recent valuation date of June 30, 2023 that a valuation report has been adopted by the SamCERA Board of Retirement. Note that the proposed salary increases are assumed to be in addition to the actuarially assumed annual salary increases used in the valuation. The table below summarizes the data used in, and the results of, our analysis.

Department / Budget Unit	Count	Increase in BiWeekly Pensionable Salary	Increase in Actuarial Accrued Liability
33000 Coroner's Office	1	\$ 1,661	\$ 404,000
<b>Total</b>	<b>1</b>	<b>\$ 1,661</b>	<b>\$ 404,000</b>

As shown above, we estimate that the increase in the Actuarial Accrued Liability (AAL) due to these salary increases is approximately \$404,000. The Unfunded Actuarial Accrued Liability (UAAL) of SamCERA will be higher by this amount causing the funded ratio, rounded to the nearest one basis point, to decrease by 0.01% from 88.34% to 88.33%.

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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The County contributes to SamCERA based on a percentage of its payroll. Therefore, an increase in salaries above the valuation assumption will result in an increase in the contributions (both by the County and by the affected General members) made to SamCERA, as compared to the contributions projected in the valuation. It should be noted that SamCERA is a cost-sharing retirement system, so the estimated increase in the future AAL will be borne by all SamCERA employers, not just the County.

### **Data, methods, and assumptions**

These estimates are based on the results of the June 30, 2023 actuarial valuation for the members identified and provided to us by San Mateo County. For this analysis we used the biweekly salaries (with allowances) for these members 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.

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 retirement 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. I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,



Nick Collier, ASA, EA, MAAA  
Consulting Actuary

NC/CG/va

cc: Gladys Smith  
Lisa Yapching