



THE SEGAL COMPANY

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VIA EMAIL and USPS

January 16, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572

**Re: Ventura County Employees' Retirement Association
Contribution Rates for CalPEPRA Formulas for the 2013/2014 Fiscal Year**

Dear Members of the Board:

This letter provides the contribution rates for VCERA members who will be covered under the new CalPEPRA formulas in the 2013/2014 Fiscal Year.

Background

In our CalPEPRA new tier study report dated December 10, 2012, we provided the recommended contribution rates for the six-month period from January 1, 2013 to June 30, 2013. Since no demographic information is currently available for actual members who will be covered under the new CalPEPRA formulas, in that study we used the demographic profiles of General and Safety members hired in the last year prior to the June 30, 2012 valuation date to estimate the Normal Cost contribution rates for members who may become covered under the CalPEPRA formulas. In that study, the Unfunded Actuarial Accrued Liability (UAAL) contribution rates for the six-month period from January 1, 2013 to June 30, 2013 are the same as those calculated in the June 30, 2011 actuarial valuation report and payable by the employer for the 2012/2013 Fiscal Year.

In this letter, we have provided the recommended contribution rates for the 2013/2014 Fiscal Year for the CalPEPRA formulas. In preparing these Normal Cost rates, we have used the new actuarial assumptions as recommended by Segal and adopted by the Board for use in the June 30, 2012 valuation. In addition, the Normal Cost rates reflect the recently adopted modification to the Entry Age Normal cost method from an aggregate basis to an individual basis for the Normal Cost calculation. All of these changes are documented in the June 30, 2012 actuarial

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valuation. All other assumptions that were used specifically for the new tiers in our new tier study dated December 10, 2012 remain unchanged in this letter.

The UAAL contribution rates have also been updated to reflect the rates that were calculated as part of the June 30, 2012 actuarial valuation, and include the phase-in of the impact of the new economic actuarial assumptions and the new individual Entry Age Normal actuarial cost method. These UAAL rates shown are taken from our revised phase-in letter dated January 11, 2013. The contribution rates shown below will be payable by the employer and members for the 2013/2014 Fiscal Year once they are approved by the Board.

The contribution rates for **the period from July 1, 2013 to June 30, 2014** for members covered under the PEPRA formulas are as follows:

	Employer Rate			Member Rate		
	BASIC	COLA	TOTAL	BASIC	COLA	TOTAL
General Tier 1						
Normal Cost	3.95%	1.63%	5.58%	4.07%	1.68%	5.75%
UAAL	<u>8.78%</u>	<u>14.00%</u>	<u>22.78%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution	12.73%	15.63%	28.36%	4.07%	1.68%	5.75%
General Tier 2 w/o COLA						
Normal Cost	7.47%	0.00%	7.47%	7.25%	0.00%	7.25%
UAAL	<u>8.68%</u>	<u>0.00%</u>	<u>8.68%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution	16.15%	0.00%	16.15%	7.25%	0.00%	7.25%
General Tier 2 w/ COLA						
Normal Cost ⁽¹⁾	7.33%	-0.43%	6.90%	7.39%	2.63%	10.02%
UAAL	<u>8.68%</u>	<u>0.72%</u>	<u>9.40%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution	16.01%	0.29%	16.30%	7.39%	2.63%	10.02%
Safety Tier						
Normal Cost	10.58%	4.32%	14.90%	10.66%	4.34%	15.00%
UAAL	<u>38.38%</u>	<u>-4.29%</u>	<u>34.09%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution	48.96%	0.03%	48.99%	10.66%	4.34%	15.00%

⁽¹⁾ General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.

Note that the changes in the total Normal Cost rates between the June 30, 2011 and 2012 valuations for General Tier 1, General Tier 2 without COLA, General Tier 2 with COLA and Safety are 1.01%, 1.80%, 2.12% and 2.78%, respectively. Because these are more than 1% of payroll, we have recalculated the employee's rates to determine their 50% share of the total Normal Cost. (reference: §7522.30(d))

For comparison purposes, the contribution rates provided in our December 10, 2012 study for new members for **the six-month period from January 1, 2013 to June 30, 2013** are as follows:

	Employer Rate			Member Rate		
	BASIC	COLA	TOTAL	BASIC	COLA	TOTAL
General Tier 1						
Normal Cost	3.65%	1.42%	5.07%	3.77%	1.48%	5.25%
UAAL	<u>8.25%</u>	<u>0.67%</u>	<u>8.92%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution	11.90%	2.09%	13.99%	3.77%	1.48%	5.25%
General Tier 2 w/o COLA						
Normal Cost	6.42%	0.00%	6.42%	6.50%	0.00%	6.50%
UAAL	<u>8.25%</u>	<u>0.00%</u>	<u>8.25%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution	14.67%	0.00%	14.67%	6.50%	0.00%	6.50%
General Tier 2 w/ COLA						
Normal Cost ⁽¹⁾	6.37%	-0.75%	5.62%	6.55%	2.63%	9.18%
UAAL	<u>8.25%</u>	<u>0.67%</u>	<u>8.92%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution	14.62%	-0.08%	14.54%	6.55%	2.63%	9.18%
Safety Tier						
Normal Cost	9.77%	3.85%	13.62%	9.69%	3.81%	13.50%
UAAL	<u>32.66%</u>	<u>-3.12%</u>	<u>29.54%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution	42.43%	0.73%	43.16%	9.69%	3.81%	13.50%

⁽¹⁾ General Tier 2 members with COLA are required to pay COLA contributions of 2.63% of compensation based on current bargaining agreements.

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 contained herein.

We look forward to discussing this information with you.

Sincerely,



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



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

AW/bqb