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January 11, 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  
Three-Year Phase-in of Employer Contribution Rates - Revised**

Dear Members of the Board:

The Board elected to phase-in (over a three-year period) the impact of the new economic actuarial assumptions and the new individual Entry Age Normal actuarial cost method on the employer contribution rates as calculated in the June 30, 2012 Actuarial Valuation. This letter provides the “phased-in” employer contribution rates for the 2013/2014 fiscal year by cost group in the enclosed Exhibit A. It supersedes our previous letter on this topic dated December 10, 2012.

Instead of allocating the impact of the phase-in to both Normal Cost and Unfunded Actuarial Accrued Liability (UAAL) employer contribution rate components, this revised letter allocates the total (Normal Cost and UAAL) employer contribution rate impact of the phase-in to the UAAL rates only. This results in Normal Cost rates equal to those that are found in the June 30, 2012 actuarial valuation (excluding the phase-in). Note that the total employer contribution rates shown in this revised letter are the same as those contained in the original December 10, 2012 letter and received by the Board on December 17, 2012. That is because this revision only affects the allocation between the Normal Cost and UAAL contribution rate components.

This revision was made in order to be more consistent with the way that the Normal Cost and Actuarial Accrued Liability (AAL) are measured in the actuarial valuation. As discussed with the Board, the intent of using a phase-in of the contribution rates (rather than a phase-in of the assumption and method change) is to measure the Normal Cost and AAL under the new economic assumptions and cost method and then phase-in the cost impact of those changes. In other words, we are phasing-in the contribution rate impact; not the measurement of the Normal Cost and AAL.



Our earlier letter would not appear to be consistent with this intent, as it showed a Normal Cost that is different than the Normal Cost shown in this valuation. In this revised presentation, rather than having two Normal Costs (i.e., before and after the phase-in), the phase-in of the cost impact of the change in the Normal Cost (along with the UAAL) is reflected only in the UAAL amortization payment (or rates). We repeat and emphasize that this does not change the total amount of the phased-in contributions, only the allocation of the phased-in rates between Normal Cost and UAAL amortization.

Another consideration is that PEPRA requires new members to contribute 50% of the Normal Cost. Normal Cost is defined in PEPRA as “the portion of the present value of projected benefits under the defined benefit that is attributable to the current year of service, as determined by the public retirement system’s actuary according to the most recently completed valuation.” The phase-in methodology used in this revised letter results in Normal Cost contribution rates that are consistent with that definition.

**Phase-in of Employer Contribution Rates for 2013/2014**

The following table shows the full impact, by cost group, of the newly adopted economic actuarial assumptions and actuarial cost method on the employer contribution rate for the 2013/2014 fiscal year based on the June 30, 2012 Actuarial Valuation. The impact is measured as a percentage of compensation. These percentages are the portion of the increase in the total employer contribution rates from the 2012 valuation that will be phased-in over three years.

<b>Cost Group:</b>	<b>Impact of New Economic Actuarial Assumptions and New Actuarial Cost Method:</b>
General Tier 1 members	6.29% of compensation
General Tier 2 members without COLA	1.86% of compensation
General Tier 2 members with COLA	2.14% of compensation
All General members	2.15% of compensation
All Safety members	3.41% of compensation
All categories combined	2.45% of compensation

Exhibit A shows the “phased-in” employer contribution rates for the 2013/2014 fiscal year. The total rates for each cost group in this Exhibit (as compared with the June 30, 2012 actuarial valuation) reflect only one-third of the increase due to the new economic actuarial assumptions and the new actuarial cost method in the June 30, 2012 Actuarial Valuation. These are the rates that may be adopted in conjunction with the June 30, 2012 Actuarial Valuation for the fiscal year that extends from July 1, 2013 through June 30, 2014.

Note that different changes are reflected in the detailed components of the employer contribution rates depending on the effect of the new economic actuarial assumptions and the new actuarial cost method on that specific rate component.

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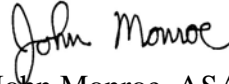
We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Respectfully submitted,



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



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

AW/kek  
Enclosure

# EXHIBIT A

## CHART 14

### Recommended Employer Contribution Rates with Three-year Phase-in (Dollar Amounts in Thousands) – Current Valuation Under Combined Methodology

	June 30, 2012 Actuarial Valuation					
	BASIC		COLA		TOTAL	
	Rate	Estimated Annual Amount <sup>(1)</sup>	Rate	Estimated Annual Amount <sup>(1)</sup>	Rate	Estimated Annual Amount <sup>(1)</sup>
<b>General Tier 1 Members</b>						
Normal Cost	7.90%	\$1,224	2.48%	\$384	10.38%	\$1,608
UAAL <sup>(2)</sup>	<u>8.78%</u>	<u>1,359</u>	<u>14.00%</u>	<u>2,169</u>	<u>22.78%</u>	<u>3,528</u>
Total Contribution	16.68%	\$2,583	16.48%	\$2,553	33.16%	\$5,136
<b>General Tier 2 Members w/o COLA</b>						
Normal Cost	8.50%	\$18,128	0.00%	\$0	8.50%	\$18,128
UAAL <sup>(2)</sup>	<u>8.68%</u>	<u>18,512</u>	<u>0.00%</u>	<u>0</u>	<u>8.68%</u>	<u>18,512</u>
Total Contribution	17.18%	\$36,640	0.00%	\$0	17.18%	\$36,640
<b>General Tier 2 Members w/COLA</b>						
Normal Cost	8.50%	\$20,934	-0.04%	-\$99	8.46%	\$20,835
UAAL <sup>(2)(3)</sup>	<u>8.68%</u>	<u>21,377</u>	<u>0.72%</u>	<u>1,773</u>	<u>9.40%</u>	<u>23,150</u>
Total Contribution	17.18%	\$42,311	0.68%	\$1,674	17.86%	\$43,985
<b>All General Members<sup>(4)</sup></b>						
Normal Cost	8.48%	\$40,286	0.06%	\$285	8.54%	\$40,571
UAAL	<u>8.68%</u>	<u>41,248</u>	<u>0.83%</u>	<u>3,942</u>	<u>9.51%</u>	<u>45,190</u>
Total Contribution	17.16%	\$81,534	0.89%	\$4,227	18.05%	\$85,761
<b>Safety Members</b>						
Normal Cost	13.92%	\$22,106	4.29%	\$6,812	18.21%	\$28,918
UAAL	<u>38.38%</u>	<u>60,950</u>	<u>-4.29%</u>	<u>-6,813</u>	<u>34.09%</u>	<u>54,137</u>
Total Contribution	52.30%	\$83,056	0.00%	-\$1	52.30%	\$83,055
<b>All Categories Combined<sup>(4)</sup></b>						
Normal Cost	9.84%	\$62,392	1.12%	\$7,097	10.96%	\$69,489
UAAL	<u>16.13%</u>	<u>102,198</u>	<u>-0.46%</u>	<u>-2,871</u>	<u>15.67%</u>	<u>99,327</u>
Total Contribution	25.97%	\$164,590	0.66%	\$4,226	26.63%	\$168,816

<sup>(1)</sup> Amounts are in thousands, assumed to be paid throughout the year, and are based on June 30, 2012 annual payroll (also in thousands) shown below:

General Tier 1	\$15,488
General Tier 2	213,275
General Tier 2C	246,280
Safety	<u>158,805</u>
Total	\$633,848

<sup>(2)</sup> Basic UAAL rates have been calculated on a combined basis for General Tier 1 and General Tier 2.

<sup>(3)</sup> Includes 0.51% in COLA UAAL costs attributed to the first two years of service accrued for the fixed 2% COLA pursuant to Government Code 31627.

<sup>(4)</sup> These aggregated rates are provided for informational purposes only as we understand that the intent is to implement the tier specific rates, if possible.