

Imperial County Employees' Retirement System

*Actuarial Valuation and Review
as of June 30, 2010*

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December 8, 2010

*Board of Retirement
Imperial County Employees' Retirement System
1221 West State Street
El Centro, CA 92243*

Dear Board Members:

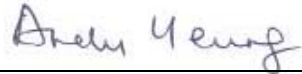
We are pleased to submit this Actuarial Valuation and Review as of June 30, 2010. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2011-2012 and analyzes the preceding year's experience.

The census and financial information were prepared by ICERS. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.


This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. In our opinion, the combined operation of the assumptions and the methods applied in this valuation fairly represent past and anticipated future experience of the System and it is our understanding that they meet the parameters required by GASB Statement 25. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

By: 

*Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary*



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

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SECTION 1: Valuation Summary for the Imperial County Employees' Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the Imperial County Employees' Retirement System as of June 30, 2010. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement System, as administered by the Board of Retirement.
- The characteristics of covered active members, inactive vested members, retired members and beneficiaries as of June 30, 2010, provided by the Retirement System;
- The assets of the Plan as of June 30, 2010, provided by the Retirement System;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the System's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the System's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the System's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

The contribution requirements are determined as a percentage of payroll. The System's employer rates provide for both normal cost and a payment or credit to amortize any unfunded or overfunded actuarial accrued liabilities. In this valuation, we have continued with the Board's funding policy to amortize the System's outstanding balance of the unfunded actuarial accrued liability (UAAL) over a declining 21-year period.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2011 through June 30, 2012.

Please note that the Actuarial Standards Board has adopted a revised Actuarial Standard of Practice (ASOP) No. 4 that provides guidelines that actuaries have to follow when selecting actuarial assumptions. For a plan such as that offered by the Retirement System that may utilize unallocated earnings on an ad-hoc basis to provide contribution rate relief and additional

SECTION 1: Valuation Summary for the Imperial County Employees' Retirement System

non-statutory benefits, we are required to indicate in the valuation report that the possible impact of any such application of future excess earnings on the future financial condition of the plan has not been explicitly measured in the valuation.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- It is our understanding due to limitations in the System's retiree payment system, when members retire and start receiving Supplemental benefits, those Supplemental benefits have been debited from the Regular reserves instead of from the Supplemental reserves. As part of the migration to a new pension administration software, the System has scheduled a one-time asset transfer from the Supplemental reserves to the Regular reserves to retroactively correct for those debits. The net impact is a transfer of about \$1.6 million and \$4.4 million from the Supplemental reserves to the Regular reserves for General and Safety, respectively, which decreases the UAAL (and associated contribution rate) for the Regular benefit but has the opposite impact on the Supplemental benefit.
- For the six-month period ending June 30, 2010, in order to credit interest to the valuation reserves at the assumed earnings rate, the System has exhausted the entire prior balances in the Member and Retiree Non-valuation Reserves, Employee Benefit Enhancement Reserve, Employee COLA Contribution Relief Reserve and Unallocated Earnings plus a partial drawdown in the balance of the Contingency Reserve from \$10.3 million to \$7.6 million.
- In this June 30, 2010 valuation, the ratio of the valuation value of assets to the actuarial accrued liabilities has remained unchanged at 96.0%. In this valuation, the System's UAAL has increased from \$20.2 million to \$21.8 million. A reconciliation of the change in UAAL is provided in Section 3, Exhibit H.
- The aggregate employer rate calculated in this valuation has decreased from 13.84% of payroll to 13.62% of payroll. The employer rates include the funding of the Regular benefit plus an amount required to fund the outstanding balance of one-third of the UAAL for the Safety members' Supplemental benefit determined in the June 30, 2006 valuation. The reasons for this year's change in the rate are: (i) lower than expected return on investments (based on valuation value of assets) offset by (ii) salary increases different than expected, (iii) effect of buydown of interest crediting shortfall with Unallocated Earnings, prior balances in the non-valuation reserves and Contingency Reserve, (iv) effect of reduction in UAAL rate from higher than expected increase in total payroll, (v) effect of asset transfer from Supplemental reserves to Regular reserves and (vi) other actuarial gains and losses. A reconciliation of the System's aggregate employer rate is provided in Section 2, Subsection D, Chart 14. Please note that the contribution rates in this valuation have been developed based on the assets as reflected in the reserve. They have not been adjusted to reflect any transfer that may be made later by the Retirement System.

Reference: Page 26

Reference: Page 27

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Reference: Page 16

- The aggregate member rate calculated in this valuation has increased from 9.81% of payroll to 10.00% of payroll. The reasons for this change are: (i) lower than expected return on investments (based on valuation value of assets) and (ii) effect of asset transfer from Supplemental reserves to Regular reserves offset by (iii) effect of buydown of interest crediting shortfall with Unallocated Earnings, non-valuation reserves and Contingency Reserve, (iv) effect of reduction in UAAL rate from higher than expected increase in total payroll and (v) changes in membership demographics and other actuarial gains and losses. A reconciliation of the System's aggregate member rate is provided in Section 2, Subsection D, Chart 15.

Reference: Page 5

- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment losses as of June 30, 2010 is \$80.1 million. These investment losses will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, and will offset any investment gains that may occur after June 30, 2010. This implies that if the System earns the assumed net rate of investment return of 7.90% per year on a **market value** basis, it will result in investment losses on the actuarial value of assets in the next few years.
- The unrecognized investment losses represent about 18% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the \$80.1 million market losses is expected to have a significant impact on the Plan's future funded ratio and the aggregate employer contributions. This potential impact may be illustrated as follows:
 - If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 96.0% to 81.3%.
 - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer contribution rate would increase from 13.62% of payroll to 18.91% of payroll and the aggregate member contribution rate would increase from 10.00% of payroll to 10.42% of payroll.
- The actuarial valuation report as of June 30, 2010 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the plan, while increases will decrease the actuarial cost of the plan.

SECTION 1: Valuation Summary for the Imperial County Employees' Retirement System

Impact of Future Experience on Contribution Rates

Future contribution requirements may differ from those determined in the valuation because of:

- 1) differences between actual experience and anticipated experience;
- 2) changes in actuarial assumptions or methods;
- 3) changes in statutory provisions; and
- 4) difference between the contribution rates determined by the valuation and those adopted by the Board.

SECTION 1: Valuation Summary for the Imperial County Employees' Retirement System

Summary of Key Valuation Results

	June 30, 2010		June 30, 2009	
Employer Contribution Rates:				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
General	12.60%	\$9,974,000	12.64%	\$10,006,000
Safety	17.92%	3,391,000	18.83%	3,564,000
All Categories Combined	13.62%	\$13,365,000	13.84%	\$13,570,000
Average Member Contribution Rates:				
	Total Rate	Estimated Annual Amount ⁽¹⁾	Total Rate	Estimated Annual Amount ⁽¹⁾
General (Average Entry Age: 33)	8.13%	\$6,436,000	8.15%	\$6,452,000
Safety (Average Entry Age: 28)	17.84%	3,377,000	16.73%	3,166,000
All Categories combined	10.00%	\$9,813,000	9.81%	\$9,618,000
Funded Status:				
Actuarial accrued liability	\$546,342,000		\$507,631,000	
Valuation value of assets ⁽²⁾	\$524,522,000		\$487,411,000	
Funded percentage	96.0%		96.0%	
Unfunded Actuarial Accrued Liability	\$21,820,000		\$20,220,000	
Key Economic Assumptions:				
Interest rate	7.90%		7.90%	
Inflation rate	3.75%		3.75%	
Across-the-board salary increase	0.25%		0.25%	

(1) Based on June 30, 2010 projected annual compensation.

(2) Excludes non-valuation reserves.

SECTION 1: Valuation Summary for the Imperial County Employees' Retirement System

Summary of Key Valuation Demographic and Financial Data

	June 30, 2010	June 30, 2009	Percentage Change
Active Members:			
Number of members	1,944	1,935	0.5%
Average age	41.8	41.4	N/A
Average service	9.4	9.0	N/A
Projected total compensation	\$98,085,000	\$93,493,000	4.9%
Average projected compensation	\$50,455	\$48,317	4.4%
Retired Member and Beneficiaries:			
Number of members:			
Service retired	605	586	3.2%
Disability retired	128	126	1.6%
Beneficiaries	144	145	-0.7%
Total	877	857	2.3%
Average age	67.9	68.0	N/A
Average monthly benefit	\$2,094	\$2,005	4.4%
Vested Terminated Members:			
Number of vested terminated members ⁽¹⁾	247	244	1.2%
Average age	45.9	45.7	N/A
Summary of Financial Data:			
Market value of assets	\$452,137,539	\$401,407,512	12.6%
Return on market value of assets	13.04%	-17.17%	N/A
Actuarial value of assets	\$532,261,851	\$521,457,582	2.1%
Return on actuarial value of assets	2.37%	1.12%	N/A
Valuation value of assets	\$524,521,867	\$487,410,639	7.6%
Return on valuation value of assets	7.82%	7.76%	N/A

⁽¹⁾ Includes members who left their contributions on deposit even though they have less than five years of service.

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

A. MEMBER DATA

The actuarial valuation and review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past six valuations can be seen in this chart.

CHART 1
Member Population: 2005 – 2010

Year Ended June 30	Active Members	Vested Terminated Members^{(1),(2)}	Retired Members and Beneficiaries⁽²⁾	Ratio of Non-Actives to Actives
2005	1,674	235	699	0.56
2006	1,745	243	751	0.57
2007	1,795	238	792	0.57
2008	1,888	236	842	0.57
2009	1,935	244	857	0.57
2010	1,944	247	877	0.58

⁽¹⁾ Includes terminated members due a refund of member contributions.

⁽²⁾ For June 30, 2005 and 2006, members with both General and Safety service were counted once in each of the General and Safety categories. For June 30, 2007 and thereafter, these members were only counted once based on their latest membership category.

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 1,944 active members with an average age of 41.8 years, average years of service of 9.4 and average compensation of \$50,455. The 1,935 active members in the prior valuation had an average age of 41.4 years, average service of 9.0 and average compensation of \$48,317.

Among the active members, there were none with unknown age.

Inactive Members

In this year's valuation, there were 247 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 244 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2
Distribution of Active Members by Age as of June 30, 2010

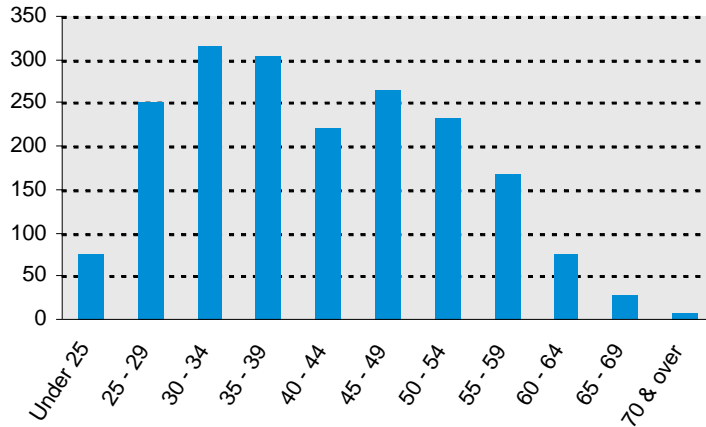
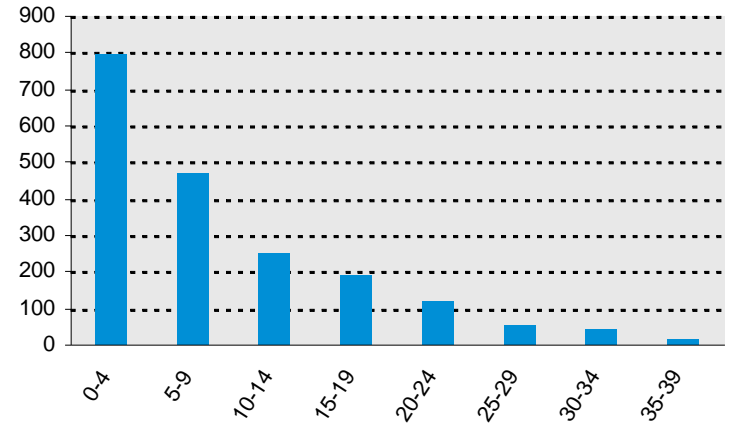


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2010



SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

Retired Members and Beneficiaries

As of June 30, 2010, 733 retired members and 144 beneficiaries were receiving total monthly benefits of \$1,836,000. For comparison, in the previous valuation, there were 712 retired members and 145 beneficiaries receiving monthly benefits of \$1,718,000.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Members (Excl. Beneficiaries) by Type and by Monthly Amount as of June 30, 2010

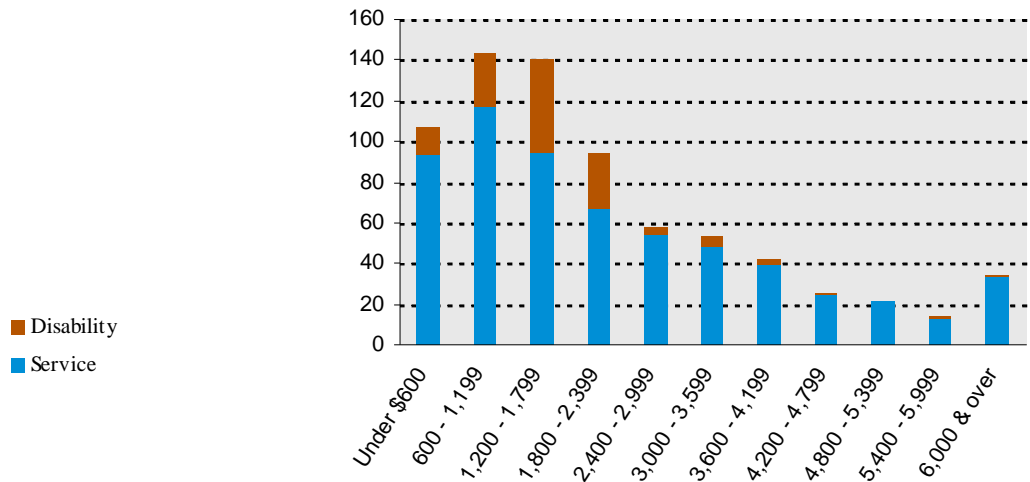
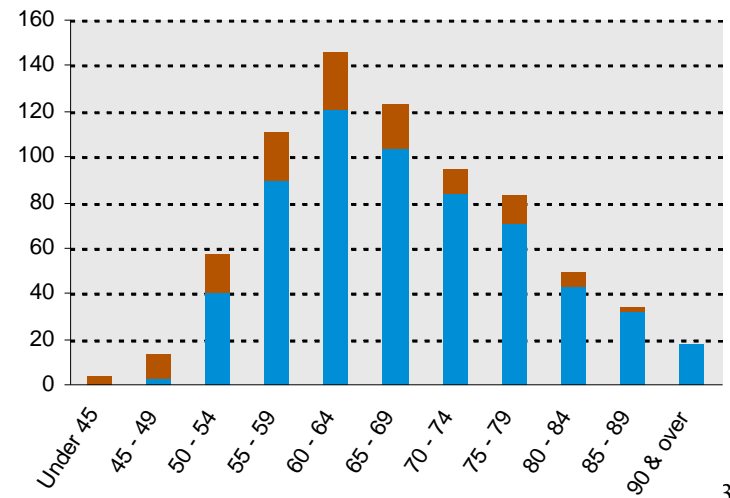


CHART 5
Distribution of Retired Members (Excl. Beneficiaries) by Type and by Age as of June 30, 2010



SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the “non-cash” earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

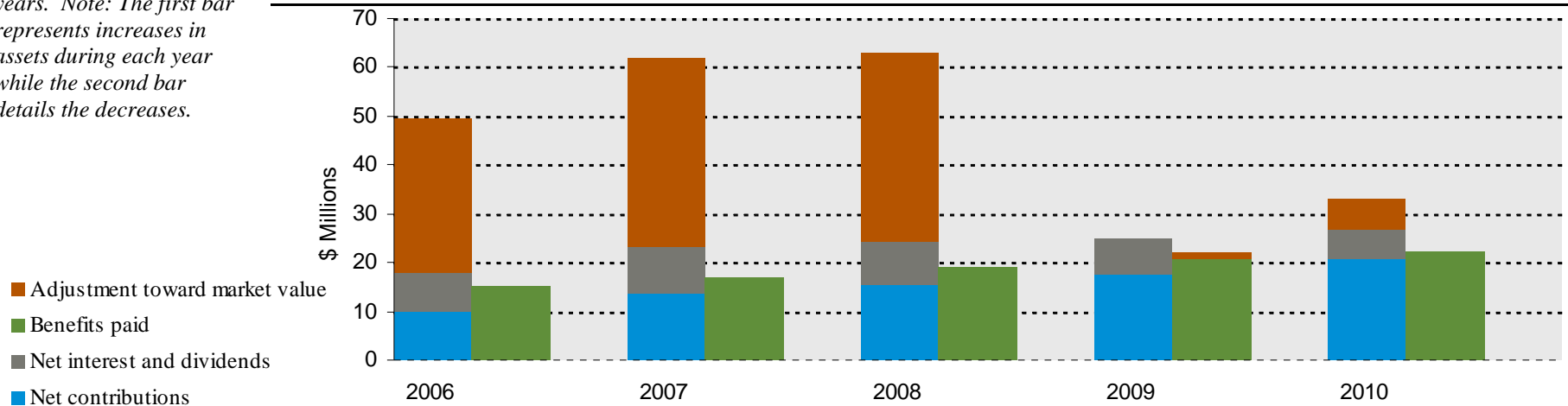
It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value of assets.

The determination of the Actuarial Value of Assets is provided on the following page.

The chart depicts the components of changes in the actuarial value of assets over the last five years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2006 through 2010



SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2010 (As Prepared by ICERS)

Six Month Period		Total Actual Market	Expected Market	Investment	Deferred	Deferred
From	To	Return (net)	Return (net)	Gain (Loss)	Factor	Return
7/1/2005	12/31/2005	\$23,532,616	\$15,907,546	\$7,625,070	0.0	\$ -
1/1/2006	6/30/2006	13,529,915	16,719,746	(3,189,832)	0.1	(318,983)
7/1/2006	12/31/2006	37,046,933	17,160,720	19,886,213	0.2	3,977,243
1/1/2007	6/30/2007	35,064,901	18,536,370	16,528,530	0.3	4,958,559
7/1/2007	12/31/2007	13,160,300	19,840,500	(6,680,200)	0.4	(2,672,080)
1/1/2008	6/30/2008	(34,659,076)	20,287,736	(54,946,812)	0.5	(27,473,407)
7/1/2008	12/31/2008	(105,373,141)	18,876,192	(124,249,333)	0.6	(74,549,600)
1/1/2009	6/30/2009	21,837,360	14,731,568	7,105,792	0.7	4,974,054
7/1/2009	12/31/2009	67,586,053	15,828,404	51,757,649	0.8	41,406,119
1/1/2010	6/30/2010	(15,338,821)	18,468,088	(33,806,909)	0.9	<u>(30,426,218)</u>
1.	Total Deferred Return ⁽¹⁾					\$(80,124,312)
2.	Net Market Value					452,137,539
3.	a. Actuarial Value of Assets (Item 2 – Item 1)					532,261,851
	b. Ratio of Actuarial Value of Assets to Market Value of Assets (Item 3a ÷ Item 2)					117.7%
4.	Actuarial Value of Assets – Corridor Limits:					
	a. Lower Limit – 70% of Net Market Value					316,496,277
	b. Upper Limit – 130% of Net Market Value					587,778,801
5.	Actuarial Value of Assets (within corridor)					532,261,851
6.	Non-valuation reserves and designations:					
	a. Member and Retiree Non-Valuation Reserves					\$0
	b. Contingency Reserve					7,611,901
	c. Employee Benefit Enhancement					0
	d. Employee COLA Contribution Relief					0
	e. Unallocated Earnings					0
	f. Fixed Asset Reserve					52,163
	g. Retiree Health Insurance Premiums					84,060
	h. Miscellaneous					(8,140)
	i. Subtotal					<u>7,739,984</u>
7.	Valuation Value of Assets (Item 5 – Item 6g)					<u>\$524,521,867</u>

The chart shows the determination of the actuarial value of assets as of the valuation date.

Note: Results may not total exactly due to rounding.

⁽¹⁾ The amounts of deferred return that will be recognized in each subsequent valuation are as follows:

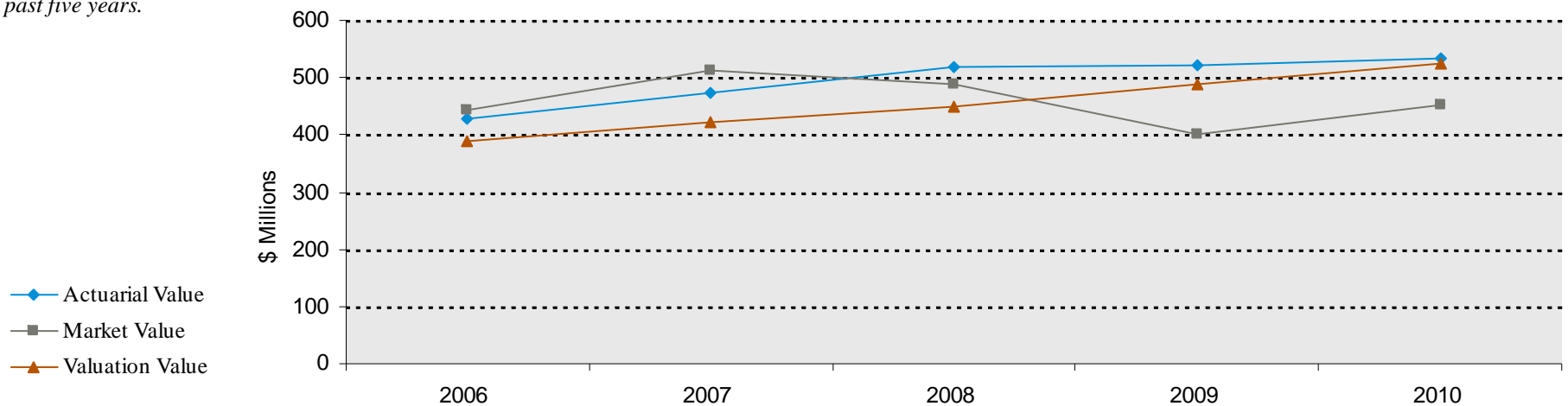
6/30/2011	\$(25,199,997)
6/30/2012	(30,511,110)
6/30/2013	(25,333,241)
6/30/2014	4,300,727
6/30/2015	(3,380,691)

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

The market value, actuarial value, and valuation value of assets are representations of the ICERS' financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation asset value is significant because ICERS' liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past five years.

CHART 8
Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2006 – 2010



SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will

return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss was \$0.2 million, a loss of \$0.4 million from investments and a gain of \$0.2 million from all other sources. The net experience variation from individual sources other than investments was 0.04% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9
Actuarial Experience for Year Ended June 30, 2010

1. Net loss from investments ⁽¹⁾	\$402,000
2. Net gain from other experience ⁽²⁾	<u>-202,000</u>
3. Net experience loss: (1) + (2)	\$200,000

⁽¹⁾ Details in Chart 10.

⁽²⁾ See Section 3, Items (6b) through (6c) in Exhibit H.

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on ICERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 7.90%. The actual rate of return on a valuation basis for the 2009/2010 plan year was 7.82%.

Since the actual return for the year was less than the assumed return, ICERS experienced an actuarial loss during the year ended June 30, 2010 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10
Investment Experience for Year Ended June 30, 2010 – Valuation Value of Assets

	Valuation Value
1. Actual return	\$38,043,434
2. Average value of assets	486,652,036
3. Actual rate of return: (1) ÷ (2)	7.82%
4. Assumed rate of return	7.90%
5. Expected return: (2) x (4)	38,445,511
6. Actuarial gain/(loss): (1) – (5)	-402,077

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial, valuation, and market basis for the last five years.

CHART 11

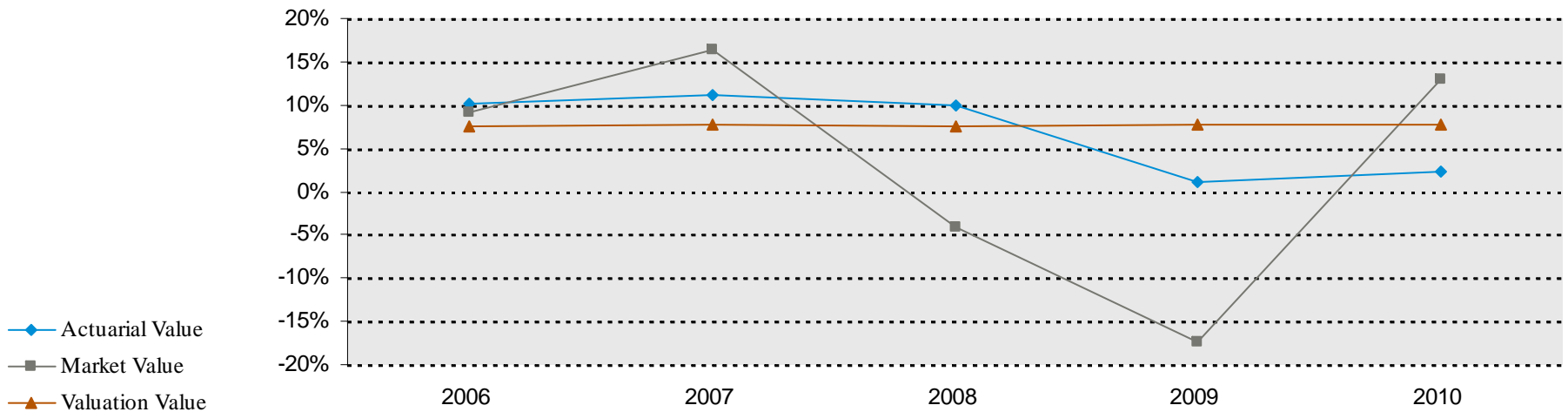
Investment Return – Market Value, Actuarial Value and Valuation Value: 2006 - 2010

Year Ended June 30	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2006	\$37,062,530	9.05%	\$39,770,549	10.13%	\$27,431,156	7.60%
2007	72,111,833	16.30%	48,151,460	11.25%	29,938,368	7.71%
2008	-21,498,776	-4.21%	47,404,737	10.02%	31,673,978	7.55%
2009	-83,535,781	-17.17%	5,767,623	1.12%	35,048,007	7.76%
2010	52,247,233	13.04%	12,321,475	2.37%	38,043,434	7.82%
Average Return		2.61%		6.89%		7.69%

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

CHART 12
Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2006 - 2010



SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- actual turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),

- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2010 amounted to \$0.2 million which is 0.04% of the actuarial accrued liability. See Exhibit H for a detailed development of the Unfunded Actuarial Accrued Liability.

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

Contribution to the Unfunded

Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual wage inflation rate of 4.00% (i.e., 3.75% price inflation plus 0.25% real across-the-board salary increase). The UAAL associated with the Regular benefit is being amortized over a declining 21-year period. The UAAL associated with the payment of one-third of the UAAL for the Supplemental benefit for Safety members established in the June 30, 2006 valuation is also being amortized over a declining 21-year period.

The recommended employer contributions are provided on Chart 13.

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

Member Contributions

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General members and Safety members, respectively.

The basic contribution rate for the Regular benefit is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/120 of Final Average Salary for General and 1/100 of Final Average Salary for Safety. That age is 55 for all General and 50 for all Safety.

It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions for the Regular benefit, members pay one-half of the total normal cost necessary to fund their cost-of-living Regular benefit. Accumulation includes semi-annual crediting of interest at the assumed investment earning rate.

Members pay the additional Normal Cost attributable to the difference between the Regular and Supplemental benefits. In addition, members also pay for the cost of any unfunded actuarial accrued liability attributable to the difference between the Regular and Supplemental benefits.

The member contribution rates are provided in Appendix A.

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

CHART 13

Recommended Employer Contribution Rates (Dollar Amounts in Thousands)

	June 30, 2010			June 30, 2009		
	BASIC	COLA	TOTAL	TOTAL		
	<u>Rate</u>	<u>Estimated Annual Amount⁽¹⁾</u>	<u>Rate</u>	<u>Estimated Annual Amount⁽¹⁾</u>	<u>Rate</u>	<u>Estimated Annual Amount⁽¹⁾</u>
General Members						
Normal Cost	10.31%	\$8,161	1.48%	\$1,172	11.79%	\$9,333
UAAL	<u>-1.12%</u>	<u>-887</u>	<u>1.93%</u>	<u>1,528</u>	<u>0.81%</u>	<u>641</u>
Total Contribution	9.19%	\$7,274	3.41%	\$2,700	12.60%	\$9,974
Safety Members						
Normal Cost	13.97%	\$2,644	2.29%	\$433	16.26%	\$3,077
UAAL	<u>-0.50%</u>	<u>-95</u>	<u>2.16%</u>	<u>409</u>	<u>1.66%</u>	<u>314</u>
Total Contribution	13.47%	\$2,549	4.45%	\$842	17.92%	\$3,391
All Categories Combined						
Normal Cost	11.02%	\$10,805	1.63%	\$1,605	12.65%	\$12,410
UAAL	<u>-1.00%</u>	<u>-982</u>	<u>1.97%</u>	<u>1,937</u>	<u>0.97%</u>	<u>955</u>
Total Contribution	10.02%	\$9,823	3.60%	\$3,542	13.62%	\$13,365

⁽¹⁾ Amounts are in thousands and are based on June 30, 2010 projected annual compensation (also in thousands):

General	\$79,160
Safety	<u>18,925</u>
Total	\$98,085

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

The employer contribution rates as of June 30, 2010 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes and actuarial gains and losses.

Reconciliation of Recommended Employer Contribution Rate

The chart below details the changes in the recommended employer contribution from the prior valuation to the current year's valuation.

The chart reconciles the employer contribution from the prior valuation to the amount determined in this valuation.

CHART 14

Reconciliation of Recommended Employer Contribution from June 30, 2009 to June 30, 2010

	General Contribution Rate	Safety Contribution Rate	Total Contribution Rate
Recommended Contribution Rate as of June 30, 2009	12.64%	18.83%	13.84%
Effect of actuarial experience during 2009/2010:			
1. Effect of investment loss	1.61%	2.34%	1.75%
2. Effect of salary increases different than expected	-0.17%	0.48%	-0.03%
3. Effect of buydown of interest crediting shortfall with Unallocated Earnings, non-valuation reserves and Contingency Reserve	-1.59%	-2.31%	-1.73%
4. Effect of reduction in UAAL rate from higher than expected increase in total payroll	0.00%	-0.11%	-0.02%
5. Effect of asset transfer from Supplemental reserves to Regular reserves	-0.09%	-1.29%	-0.32%
6. Effect of other experience (gains)/losses	0.20%	-0.02%	0.13%
Subtotal	-0.04%	-0.91%	-0.22%
Recommended Contribution Rate as of June 30, 2010	12.60%	17.92%	13.62%

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

The member contribution rates as of June 30, 2010 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes and actuarial gains and losses.

Reconciliation of Recommended Member Contribution Rate

The chart below details the changes in the recommended member contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.

CHART 15
Reconciliation of Recommended Member Contribution from June 30, 2009 to June 30, 2010

	General Contribution Rate	Safety Contribution Rate	Total Contribution Rate
Average Contribution Rate as of June 30, 2009	8.15%	16.73%	9.81%
1. Effect of investment loss	0.05%	0.36%	0.11%
2. Effect of salary increases different than expected	-0.02%	0.10%	0.00%
3. Effect buydown of interest crediting shortfall with Unallocated Earnings, non-valuation reserves and Contingency Reserve	-0.05%	-0.35%	-0.11%
4. Effect of reduction in UAAL rate from higher than expected increase in total payroll	0.00%	-0.06%	-0.01%
5. Effect of asset transfer from Supplemental reserves to Regular reserves	0.10%	1.49%	0.37%
6. Effect of other experience (gains)/losses (primarily attributable to change in active member demographics)	-0.10%	-0.43%	-0.17%
Subtotal	-0.02%	1.11%	0.19%
Average Contribution Rate as of June 30, 2010	8.13%	17.84%	10.00%

SECTION 2: Valuation Results for the Imperial County Employees' Retirement System

E. INFORMATION REQUIRED BY GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 17 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, and III.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

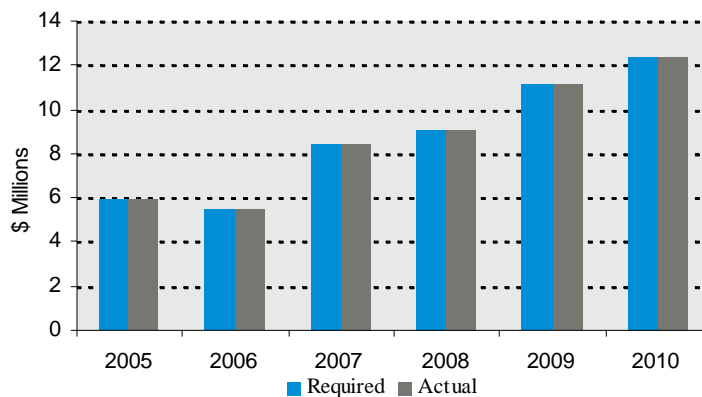
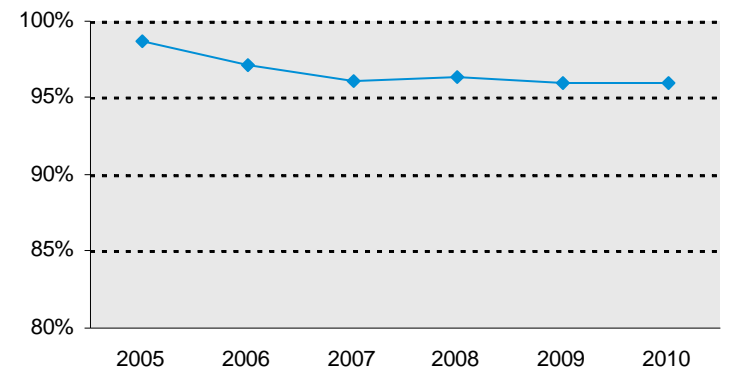


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

i. General

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation			
Number	1,626	1,621	0.3%
Average age	42.6	42.1	N/A
Average service	9.3	8.8	N/A
Projected total compensation	\$79,159,536	\$76,026,209	4.1%
Projected average compensation	\$48,684	\$46,901	3.8%
Member account balances	\$47,763,980	\$43,964,784	8.6%
Vested terminated members			
Number	204	201	1.5%
Average age	47.5	47.1	N/A
Retired members			
Number in pay status	504	491	2.6%
Average age	69.5	69.7	N/A
Average monthly benefit	\$2,135	\$2,029	5.2%
Disabled members			
Number in pay status	80	80	0.0%
Average age	64.7	64.7	N/A
Average monthly benefit	\$1,304	\$1,284	1.6%
Beneficiaries			
Number in pay status	120	121	-0.8%
Average age	73.5	74.1	N/A
Average monthly benefit	\$1,113	\$1,072	3.8%

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

ii. Safety

Category	Year Ended June 30		Change From Prior Year
	2010	2009	
Active members in valuation			
Number	318	314	1.3%
Average age	38.2	37.7	N/A
Average service	9.9	9.7	N/A
Projected total compensation	\$18,925,446	\$17,466,958	8.3%
Projected average compensation	\$59,514	\$55,627	7.0%
Member account balances	\$20,531,855	\$18,163,650	13.0%
Vested terminated members			
Number	43	43	0%
Average age	38.7	39.2	N/A
Retired members			
Number in pay status	101	95	6.3%
Average age	61.9	61.1	N/A
Average monthly benefit	\$3,659	\$3,672	-0.4%
Disabled members			
Number in pay status	48	46	4.3%
Average age	58.0	58.0	N/A
Average monthly benefit	\$2,254	\$2,189	3.0%
Beneficiaries			
Number in pay status	24	24	0.0%
Average age	61.5	60.5	N/A
Average monthly benefit	\$1,864	\$1,664	12.0%

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT B

**Members in Active Service as of June 30, 2010
By Age, Years of Service, and Average Compensation**

i. General

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	48	48	--	--	--	--	--	--	--	--
	\$30,726	\$30,726	--	--	--	--	--	--	--	--
25 - 29	192	164	28	--	--	--	--	--	--	--
	36,353	35,744	\$39,921	--	--	--	--	--	--	--
30 - 34	270	155	97	18	--	--	--	--	--	--
	43,586	40,160	47,449	\$52,270	--	--	--	--	--	--
35 - 39	239	109	80	41	9	--	--	--	--	--
	47,806	40,716	50,993	58,550	\$56,403	--	--	--	--	--
40 - 44	193	56	54	36	33	13	1	--	--	--
	49,060	39,662	46,714	58,985	55,783	\$55,540	\$38,629	--	--	--
45 - 49	229	62	57	33	46	27	4	--	--	--
	50,907	38,647	45,891	55,137	64,778	61,022	49,702	--	--	--
50 - 54	197	40	42	30	25	24	21	15	--	--
	52,463	41,788	50,542	51,656	60,312	68,169	51,430	\$51,156	--	--
55 - 59	154	26	25	28	26	15	12	12	10	--
	59,930	47,085	52,713	57,125	69,533	78,318	58,062	63,929	\$64,110	--
60 - 64	72	10	17	12	6	10	6	5	6	--
	66,461	81,075	42,999	58,443	67,583	61,729	84,297	85,881	97,367	--
65 - 69	26	3	4	5	7	5	2	--	--	--
	60,763	55,761	65,562	46,739	68,441	61,203	65,760	--	--	--
70 & over	6	--	--	2	1	1	1	1	--	--
	75,892	--	--	66,945	103,907	86,184	34,581	96,789	--	--
Total	1,626	673	404	205	153	95	47	33	16	--
	\$48,684	\$39,362	\$47,950	\$56,109	\$62,957	\$65,157	\$57,151	\$62,445	\$76,581	--

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT B

**Members in Active Service as of June 30, 2010
By Age, Years of Service, and Average Compensation**

ii. Safety

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	29	29	--	--	--	--	--	--	--	--
	\$46,528	\$46,528	--	--	--	--	--	--	--	--
25 - 29	60	53	7	--	--	--	--	--	--	--
	50,085	48,849	\$59,442	--	--	--	--	--	--	--
30 - 34	45	20	20	5	--	--	--	--	--	--
	56,915	51,655	60,213	\$64,763	--	--	--	--	--	--
35 - 39	64	11	28	20	5	--	--	--	--	--
	59,642	51,226	57,607	65,349	\$66,724	--	--	--	--	--
40 - 44	29	5	2	6	14	2	--	--	--	--
	60,341	49,905	50,642	60,068	65,431	\$61,320	--	--	--	--
45 - 49	36	1	2	11	13	6	2	1	--	--
	66,373	42,817	46,199	64,748	68,470	75,792	\$65,971	\$65,162	--	--
50 - 54	36	5	4	3	6	12	4	2	--	--
	72,492	86,008	56,202	60,854	71,284	71,261	82,896	78,935	--	--
55 - 59	14	2	1	2	--	4	1	4	--	--
	80,364	107,895	48,128	60,493	--	77,305	89,262	85,429	--	--
60 - 64	4	--	1	--	--	1	--	2	--	--
	61,608	--	51,292	--	--	64,814	--	65,162	--	--
65 - 69	1	--	--	--	--	1	--	--	--	--
	72,256	--	--	--	--	72,256	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	318	126	65	47	38	26	7	9	--	--
	\$59,514	\$51,374	\$57,712	\$63,978	\$67,565	\$72,262	\$78,970	\$77,230	--	--

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT C

Reconciliation of Member Data – June 30, 2009 to June 30, 2010

	Active Members	Vested Terminated Members	Pensioners	Disableds	Beneficiaries	Total
Number as of June 30, 2009	1,935	244	586	126	145	3,036
New members	113	0	0	0	0	113
Terminations – with vested rights	-14	14	0	0	0	0
Contributions Refunds	-61	-3	0	0	0	-64
Retirements	-28	-8	36	0	0	0
New disabilities	-2	0	-1	3	0	0
Return to work	2	-1	-1	0	0	0
Died with or without beneficiary	-1	0	-18	-3	-1*	-23
Data adjustments	0	1	3	2	0	6
Number as of June 30, 2010	1,944	247	605	128	144	3,068

* This is the net decrease in the number of beneficiaries after subtracting the number of beneficiaries who died during the year.

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30,	
	2010	2009
Contribution income:		
Employer contributions	\$12,362,022	\$11,124,538
Employee contributions	8,233,664	7,061,305
Miscellaneous ICERS adjustment	<u>-10,719</u>	<u>-494,531</u>
Contribution income	\$20,584,967	\$17,691,312
Investment income:		
Interest, dividends and other income	\$10,511,207	\$10,081,585
Adjustment toward market value	6,000,953	-1,368,117
Less investment and administrative fees	<u>-4,190,685</u>	<u>-2,945,845</u>
Net investment income	<u>12,321,475</u>	<u>5,767,623</u>
Total income available for benefits	\$32,906,442	\$23,458,935
Less benefit payments:		
Service retirement	-\$21,265,193	-\$20,219,266
Death payments	-90,000	-137,702
Members refunds	-747,047	-504,832
Miscellaneous ICERS adjustment	<u>67</u>	<u>721</u>
Benefit payments	-\$22,102,173	-\$20,861,079
Change in reserve for future benefits	\$10,804,269	\$2,597,856

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT E

Summary Statement of Assets

	Year Ended June 30,	
	2010	2009
Cash equivalents	\$2,045,595	\$7,509,459
Accounts receivable:		
Contributions	\$855,250	\$686,870
Interest and dividends	607,128	651,650
Receivables	4,275,723	1,291,025
Others	<u>155,589</u>	<u>10,297</u>
Total accounts receivable	5,893,690	2,639,842
Investments:		
Short term	\$9,938,978	\$14,202,815
Fixed income	61,209,600	51,514,680
Equities	294,436,294	274,207,700
Blackrock	66,414,980	37,916,104
Real estate	6,050,936	8,100,316
Others	<u>11,787,724</u>	<u>7,160,797</u>
Total investments at market value	<u>\$449,838,512</u>	<u>\$393,102,412</u>
Total assets	<u>\$457,777,797</u>	<u>\$403,251,713</u>
Less accounts payable:		
Investment payables	-\$5,242,718	-\$1,535,495
Account payable	-231,221	-232,550
Others	<u>-166,319</u>	<u>-76,156</u>
Total accounts payable	-\$5,640,258	-\$1,844,201
Net assets at market value	<u>\$452,137,539</u>	<u>\$401,407,512</u>
Net assets at actuarial value	<u>\$532,261,851</u>	<u>\$521,457,582</u>
Net assets at valuation value	<u>\$524,521,867</u>	<u>\$487,410,639</u>

Note: Results may not total properly due to rounding.

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT F

Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments.

Assets	<u>Regular (\$000)</u>	<u>Supplemental (\$000)</u>	<u>Total (\$000)</u>
1. Total valuation assets	\$485,569	\$38,953	\$524,522
2. Present value of future contributions by members			
a. entry age normal cost	\$72,340	\$17,799	\$90,139
b. unfunded actuarial accrued liability	\$0	\$8,196	\$8,196
3. Present value of future employer contributions for:			
a. entry age normal cost	\$66,999	\$0	\$66,999
b. unfunded actuarial accrued liability	\$11,090	\$2,534	\$13,624
4. Total current and future assets	<u>\$635,998</u>	<u>\$67,482</u>	<u>\$703,480</u>
 Liabilities			
5. Present value of benefits already granted	\$223,874	\$17,992	\$241,866
6. Present value of benefits to be granted	\$412,124	\$49,490	\$461,614
7. Total liabilities	<u>\$635,998</u>	<u>\$67,482</u>	<u>\$703,480</u>

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT G

Summary of Reported Asset Information as of June 30, 2010

	Regular Reserves	Supplemental Reserves	Total Reserves
Included in Valuation Value of Assets			
Members' deposit reserves	\$68,719,942	\$7,889,155	\$76,609,097
Members' interest reserves	12,957,267	421,609	13,378,876
Employer's advance reserves	188,327,704	17,204,253	205,531,957
Service pension reserves (members' contributions)	46,679,034	211,273	46,890,307
Service pension reserves (employer's contributions)	137,548,355	12,751,967	150,300,322
Disability pension reserves (members' contributions)	3,699,098	29,261	3,728,359
Disability pension reserves (employer's contributions)	20,780,945	407,826	21,188,771
Survivors' death benefit reserve	4,785,022	37,504	4,822,526
Death benefit reserve	2,071,652	0	2,071,652
Total	\$485,569,019	\$38,952,848	\$524,521,867
Excluded from Valuation Value of Assets			
Member and retiree non-valuation reserves			\$0
Contingency reserve			7,611,901
Employee benefit enhancement			0
Employee COLA contribution relief			0
Unallocated earnings			0
Fixed asset reserve			52,163
Retiree health insurance premiums			84,060
Market stabilization reserve			(80,124,312)
Miscellaneous			(8,140)
Total			(\$72,384,328)
Grand Total			\$452,137,539

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT H

Development of Unfunded Actuarial Accrued Liability as of June 30, 2010

		(Dollar amounts in Thousands)
1	Unfunded actuarial accrued liability at beginning of year	\$20,220
2	Gross Normal Cost payable at middle of year	20,958
3	Actual employer and member contributions plus transfers made from non-valuation reserves to buy down member contribution rates	-21,170
4	Interest	<u>1,612</u>
5	Expected unfunded actuarial accrued liability at end of year	\$21,620
6	Actuarial experience (gain)/loss:	
	a. Loss from investment return	\$402
	b. Gain from lower than expected salary increase	-511
	c. Other experience (gain)/loss	<u>309</u>
	d. Subtotal	\$200
7	Actual unfunded actuarial accrued liability at end of year (5) + (6d)	\$21,820

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar indexed for inflation. That limit is \$195,000 for both 2010 and 2011. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must generally be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contributions rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future net, in this case, of investment and administrative expenses.
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the level cost allocated to the current year of service.

Actuarial Accrued Liability For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded (Overfunded) Actuarial Accrued Liability:

The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There are many approaches to paying off the unfunded or overfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the Imperial County Employees' Retirement System

**Amortization of the Unfunded
(Overfunded) Actuarial
Accrued Liability:**

Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

EXHIBIT I

Supplementary Information Required by GASB – Schedule of Employer Contributions (Dollar Amounts in Millions)

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005 ⁽¹⁾	\$6	\$6	100.0%
2006 ⁽¹⁾	5	5	100.0%
2007	8	8	100.0%
2008	9	9	100.0%
2009	11	11	100.0%
2010	12	12	100.0%

⁽¹⁾ Source: Prior actuary's June 30, 2006 valuation report.

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Funding Progress (Dollar Amounts in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (%) (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)
6/30/2005 ⁽¹⁾	\$361,353	\$366,158	\$4,805	98.7	\$67,042	7.2
6/30/2006 ⁽¹⁾	390,297 ⁽²⁾	401,985	11,688	97.1	71,731	16.3
6/30/2007	420,938	437,816	16,878	96.1	77,886	21.7
6/30/2008	449,745	466,427	16,682	96.4	85,966	19.4
6/30/2009	487,411	507,631	20,220	96.0	93,493	21.6
6/30/2010	524,522	546,342	21,820	96.0	98,085	22.2

⁽¹⁾ Source: Prior actuary's June 30, 2006 valuation report.

⁽²⁾ Includes transfers of \$1,972,259 and \$101,449 made by the Board in December 2006.

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

EXHIBIT III

Supplementary Information Required by GASB

Valuation date	June 30, 2010
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll for total unfunded actuarial accrued liability
Remaining amortization period	21 years (declining) for UAAL over period ending June 30, 2031
Asset valuation method	The Actuarial Value of Assets is determined by phasing in any difference between the actual and the expected market return over 5 years or 10 six-month interest crediting periods. The Actuarial Value of Assets is further adjusted, if necessary, to be within 30% of the Market Value of Assets. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Actuarial assumptions:	
Investment rate of return	7.90%
Inflation rate	3.75%
Real across-the-board salary increase	0.25%
Projected salary increases*	General: 4.55% to 7.50% and Safety: 4.75% to 11.50%
Cost of living adjustments	2.00% of retirement income
Plan membership:	
Retired members and beneficiaries receiving benefits	877
Terminated members entitled to, but not yet receiving benefits	247
Active members	<u>1,944</u>
Total	3,068

* Includes inflation at 3.75% plus real across-the-board salary increase of 0.25% plus merit and longevity increases. See Exhibit IV for these increases.

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

EXHIBIT IV

Actuarial Assumptions and Actuarial Cost Method

Post-Retirement Mortality Rates:

Healthy:

For General Members and all Beneficiaries: RP-2000 Combined Healthy Annuitant Mortality, with adjustment for white collar workers.

For Safety Members: RP-2000 Combined Healthy Annuitant Mortality, with adjustment for blue collar workers.

Disabled:

For General and Safety Members: RP-2000 Disabled Annuitant Mortality.

Employee Contribution Rates:

For General members: RP-2000 Combined Healthy Annuitant Mortality, with adjustment for white collar workers, weighted 1/3 male and 2/3 female.

For Safety members: RP-2000 Combined Healthy Annuitant Mortality, with adjustment for blue collar workers, weighted 4/5 male and 1/5 female.

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Termination Rates Before Retirement:

Age	Rate (%) Mortality				
	General ⁽¹⁾		Safety		
	Male	Female	Male ⁽²⁾	Female ⁽²⁾	Male/Female ⁽³⁾
25	0.04	0.02	0.04	0.02	0.07
30	0.04	0.03	0.07	0.03	0.08
35	0.06	0.05	0.11	0.05	0.09
40	0.09	0.06	0.14	0.09	0.11
45	0.13	0.10	0.18	0.14	0.16
50	0.20	0.16	0.24	0.20	0.26
55	0.33	0.26	0.42	0.28	0.44
60	0.56	0.47	0.00	0.00	0.00
65	1.11	0.87	0.00	0.00	0.00

⁽¹⁾ All pre-retirement deaths are assumed to be non-service connected.

⁽²⁾ Rates shown are for non-service connected deaths.

⁽³⁾ Rates shown are for service-connected deaths.

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Termination Rates Before Retirement (Continued):

Age	Rate (%)		
	Disability		
	General ⁽¹⁾		Safety ⁽²⁾
	Male	Female	Male and Female
20	0.000	0.000	0.015
25	0.006	0.000	0.015
30	0.028	0.036	0.105
35	0.064	0.117	0.510
40	0.110	0.171	0.840
45	0.382	0.234	1.215
50	0.730	0.315	2.115
55	1.000	0.405	0.000
60	1.400	0.468	0.000

⁽¹⁾ 50% of General disabilities are assumed to be service-connected disabilities. The remaining 50% are assumed to be non-service connected disabilities.

⁽²⁾ 100% of Safety disabilities are assumed to be service-connected disabilities.

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Termination Rates Before Retirement (Continued):

Rate (%)			Rate (%)		
Termination (< 5 Years of Service)			Termination (5+ Years of Service)		
Years of Service	General	Safety	Age	General	Safety
0	20.00	21.00	20	7.00	8.00
1	13.00	18.00	25	7.00	8.00
2	10.00	11.00	30	7.00	8.00
3	8.00	9.00	35	7.00	6.80
4	7.00	8.00	40	6.40	4.80
			45	5.40	2.80
			50	3.80	0.80
			55	3.00	0.00
			60	1.20	0.00

**Proportion of Total Termination Assumed to
Receive Refunds and Deferred Vested Benefit (%)**

Years of Service	Refunds	Deferred Vested Benefits
0-4	100.00	0.00
5-9	30.00	70.00
10-14	25.00	75.00
15-19	20.00	80.00
20 or more	20.00	80.00

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Retirement Rates:

Age	Rate (%)	
	General	Safety
46	0.00	2.00
47	0.00	2.00
48	0.00	2.00
49	0.00	5.00
50	4.00	10.00
51	4.00	10.00
52	4.00	20.00
53	4.00	20.00
54	5.00	20.00
55	8.00	20.00
56	8.00	15.00
57	9.00	15.00
58	11.00	10.00
59	11.00	10.00
60	15.00	100.00
61	15.00	100.00
62	20.00	100.00
63	25.00	100.00
64	30.00	100.00
65	35.00	100.00
66	40.00	100.00
67	50.00	100.00
68	60.00	100.00
69	60.00	100.00
70	100.00	100.00

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Retirement Age and Benefit for Deferred Vested Members:

For current and future deferred vested members, retirement age assumptions are as follows:

General: Age 58
Safety: Age 51

We assume that 65% of future General and 70% of future Safety deferred vested members will continue to work for a reciprocal employer. For these members, projected salary is calculated based on the salary increase assumption.

Future Benefit Accruals:

1.0 year of service per year of employment.

Terminal Pay Conversions:

The following assumptions for service converted from unused vacation, holiday compensation time and sick leave at retirement are used:

General:

Average vacation and holiday pay cash-outs at retirement of 12 hours per year of service, up to a maximum of 2 weeks of base pay. Also, there is an additional assumption of 1% increase in final average salary to anticipate the cash-out of 15% sick leave at retirement.

Safety:

Average vacation and holiday pay cash-outs at retirement of 15 hours per year of service, up to a maximum of 3½ weeks of base pay.

Sick Leave Conversion:

Conversion of 24 hours for General (36 hours for Safety) for each year of service.

Unknown Data for Members:

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Inclusion of Deferred Vested Members:

All deferred vested members are included in the valuation.

Percent Married:

80% of male members; 55% of female members.

Age of Spouse:

Wives are 4 years younger than their husbands.

Net Investment Return:

7.90%, net of administration and investment expenses.

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

**Employer Contribution
Crediting Rate:**

7.90% (3.95% for each interest crediting period). 4% per year for those who terminate employment and take a refund of their contributions.

Consumer Price Index:

Increase of 3.75% per year, retiree COLA increases due to CPI subject to a 2% maximum change per year for all General and Safety.

Salary Increases:

Annual Rate of Compensation Increase		
Inflation: 3.75% per year, plus “across the board” salary increases of 0.25%, plus the following merit and promotion.		
Years of Service	General	Safety
Less than 1	3.50%	7.50%
1	3.00%	6.25%
2	3.00%	6.25%
3	3.00%	6.25%
4	2.75%	2.75%
5	2.75%	2.75%
6	2.75%	2.75%
7	2.75%	2.75%
8	2.75%	2.75%
9	2.75%	2.75%
10	2.75%	2.75%
11	2.75%	2.75%
12	2.75%	1.00%
13	2.75%	1.00%
14	2.75%	1.00%
15 or more	0.55%	0.75%

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Actuarial Value of Assets:	The Actuarial Value of Assets is determined by phasing in any difference between actual and expected market return over 5 years or 10 six-month interest crediting periods. The Actuarial Value of Assets is further adjusted, if necessary, to be within 30% of the Market Value of Assets.
Valuation Value of Assets:	The Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

Changes in Assumptions and Methods:	There are no changes in actuarial assumptions and methods since the previous actuarial valuation.
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SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

EXHIBIT V

Summary of Plan Provisions

This exhibit summarizes the major provisions of the ICERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:

	Membership with ICERS usually begins with the first day of the pay period following the date of appointment to a full-time position of at least 30 hours per week.
<i>General</i>	All General members terminated before July 1, 2005 will receive the General Regular Benefit. All other General members will receive the Regular plus Supplemental Benefit.
<i>Safety</i>	All Safety members will receive the Regular plus Supplemental Benefit.

Final Compensation for Benefit Determination:

Highest consecutive twelve months of compensation earnable (§31462.1) (FAS1).

Service: Years of service (Yrs).

Service Retirement Eligibility:

<i>General</i>	Age 50 with 10 years of service, or after 30 years, regardless of age or age 70 regardless of service (§31672).
<i>Safety</i>	Age 50 with 10 years of service, or after 20 years, regardless of age or age 60 regardless of service (§31663.25).

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Benefit Formula:

<i>General Regular (§31676.11)</i>	Retirement Age	Benefit Formula
	50	1.24% x FAS1 x Yrs
	55	1.67% x FAS1 x Yrs
	60	2.18% x FAS1 x Yrs
	65 or later	2.61% x FAS1 x Yrs
<i>General Regular Plus Supplemental (§31676.14)</i>	Retirement Age	Benefit Formula
	50	1.48% x FAS1 x Yrs
	55	1.95% x FAS1 x Yrs
	60	2.44% x FAS1 x Yrs
	65 or later	2.61% x FAS1 x Yrs
<i>Safety Regular (§31664)</i>	Retirement Age	Benefit Formula
	50	2.00% x FAS1 x Yrs
	55 or later	2.62% x FAS1 x Yrs
<i>Safety Regular Plus Supplemental (§31664.1)</i>	Retirement Age	Benefit Formula
	50	3.00% x FAS1 x Yrs
	55 or later	3.00% x FAS1 x Yrs

Maximum Benefit: 100% of Highest Average Compensation (§31676.11, §31676.14, §31664 and §31664.1).

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Non-Service Connected Disability:

All Members

Eligibility

Five years of service (§31720).

Benefit Formula

20% of Final Compensation for the first five years of service plus 2% for each year of additional service for a maximum of 40% of Final Compensation (§31727.7).

The service retirement benefit is paid, if greater.

Service-Connected Disability:

All Members

Eligibility

No age or service requirements (§31720).

Benefit Formula

50% of the Final Compensation or 100% of Service Retirement benefit, if greater (§31727.4).

Pre-Retirement Death:

All Members

Eligibility

None.

Basic lump sum benefit

Refund of employee contributions with interest, plus one month's compensation for each year of service, to a maximum of six months' compensation (§31781).

Death in line of duty

50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

OR

Vested Members

Eligibility

Five years of service.

Basic benefit

60% of the greater of Service or Ordinary Disability Retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of the basic lump sum benefit above.

Death in line of duty

50% of Final compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Safety Members

Eligibility None.
Violent Death Lump sum of twelve months compensation.

Death After Retirement:

All Members

*Service or Non-Service
Connected Disability Retirement* 60% of member's unmodified allowance continued to eligible spouse (§31760.1) and \$5,000 lump sum benefit payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement (§31760.1) or at least two years prior to the date of death and has attained age 55 on or prior to the date of death (§31786.1).
Line-of-Duty Disability 100% of member's allowance continued to eligible spouse (§31786).

Withdrawal Benefits:

Less than Five Years of Service Refund of accumulated employee contributions with interest, or earned benefit at age 70 (§31628). Effective January 1, 2003, a member may also elect to leave contributions on deposit in the retirement fund (§31629.5).
Five or More Years of Service If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§31700).

Post-retirement

Cost-of-Living Benefits:

General and Safety Future changes based on Consumer Price Index to a maximum of 2% per year; excess "banked" (§31870).

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Compensation Earnable:

Includes base pay plus uniform allowance, shift differential, on-call pay, bilingual pay, training officer stipend, bomb stipend, EMT/paramedic stipend, firefighters in lieu of holiday pay, resident duty pay, educational allowance, one-time bonus, annual buyback vacation (Dept. heads only), staff stipend, in lieu of mileage, and sick leave buyback.

Certain vacation, holiday compensation time, and sick leave which are earned but not used may also be added to compensation earnable.

County Contributions

(Regular Benefit):

The Unfunded Actuarial Accrued Liability associated with the Regular Benefit is amortized over a declining 21-year period as of June 30, 2010.

County Contributions

(Safety Supplemental Benefit):

The Unfunded Actuarial Accrued Liability associated with the Supplemental UAAL relief for Safety members is amortized over a declining 21-year period as of June 30, 2010.

Member Contributions:

Please refer to Appendix A for specific rates.

General

Basic Regular Benefit

Provide for an average annuity at age 55 equal to 1/120 of FAS1 (§31621.1).

Cost-of-Living Regular Benefit

Provide for one-half of future Cost-of-Living costs.

Supplemental

Members pay the additional Normal Cost attributable to the difference between the Regular and Supplemental benefits. In addition, members also pay for the cost of any unfunded actuarial accrued liability attributable to the difference between the Regular and Supplemental benefits.

Employer Pickup

3% of pay.

Safety

Basic Regular Benefit

Provide for an average annuity at age 50 equal to 1/100 of FAS1 (§31639.25).

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

<i>Cost-of-Living Regular Benefit</i>	Provide for one-half of future Cost-of-Living costs.
<i>Supplemental</i>	Members pay the additional Normal Cost attributable to the difference between the Regular and Supplemental benefits. In addition, members also pay for the cost of any unfunded actuarial accrued liability attributable to the difference between the Regular and Supplemental benefits.
<i>Employer Pickup</i>	3% of pay.

Other Information: Safety members with 30 or more years of service are exempt from paying member contributions. The same applies for General members hired on or before March 7, 1973.

NOTE: *The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so they can both be sure the proper provisions are valued.*

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Appendix A

Member Contribution Rates

Comparison of Total Member Rate from June 30, 2010 (New) and June 30, 2009 (Current) Valuations

General Members – Current

Entry Age	Basic	COLA	Supplemental	Pickup	Total
25	6.35%	1.35%	2.04%	(3.00%)	6.74%
35	7.85%	1.67%	2.04%	(3.00%)	8.56%
45	8.92%	1.90%	2.04%	(3.00%)	9.86%

General Members – New

Entry Age	Basic	COLA	Supplemental	Pickup	Total
25	6.35%	1.33%	2.04%	(3.00%)	6.72%
35	7.85%	1.65%	2.04%	(3.00%)	8.54%
45	8.92%	1.87%	2.04%	(3.00%)	9.83%

Safety Members – Current

Entry Age	Basic	COLA	Supplemental	Pickup	Total
25	8.73%	2.41%	7.93%	(3.00%)	16.07%
35	10.69%	2.95%	7.93%	(3.00%)	18.57%
45	12.03%	3.32%	7.93%	(3.00%)	20.28%

Safety Members – New

Entry Age	Basic	COLA	Supplemental	Pickup	Total
25	8.73%	2.40%	9.05%	(3.00%)	17.18%
35	10.69%	2.94%	9.05%	(3.00%)	19.68%
45	12.03%	3.31%	9.05%	(3.00%)	21.39%

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Appendix A

Member Contribution Rates (Continued)

**General Members' Contribution Rates based on the June 30, 2010
Actuarial Valuation as a percentage of payroll**

Age	Basic	COLA	Supplemental	Pickup	Total
15	5.29%	1.11%	2.04%	-3.00%	5.44%
16	5.29%	1.11%	2.04%	-3.00%	5.44%
17	5.40%	1.13%	2.04%	-3.00%	5.57%
18	5.51%	1.16%	2.04%	-3.00%	5.71%
19	5.62%	1.18%	2.04%	-3.00%	5.84%
20	5.74%	1.20%	2.04%	-3.00%	5.98%
21	5.85%	1.23%	2.04%	-3.00%	6.12%
22	5.97%	1.25%	2.04%	-3.00%	6.26%
23	6.10%	1.28%	2.04%	-3.00%	6.42%
24	6.22%	1.31%	2.04%	-3.00%	6.57%
25	6.35%	1.33%	2.04%	-3.00%	6.72%
26	6.48%	1.36%	2.04%	-3.00%	6.88%
27	6.61%	1.39%	2.04%	-3.00%	7.04%
28	6.75%	1.42%	2.04%	-3.00%	7.21%
29	6.89%	1.45%	2.04%	-3.00%	7.38%
30	7.04%	1.48%	2.04%	-3.00%	7.56%
31	7.19%	1.51%	2.04%	-3.00%	7.74%
32	7.34%	1.54%	2.04%	-3.00%	7.92%
33	7.51%	1.58%	2.04%	-3.00%	8.13%
34	7.67%	1.61%	2.04%	-3.00%	8.32%
35	7.85%	1.65%	2.04%	-3.00%	8.54%
36	8.03%	1.69%	2.04%	-3.00%	8.76%
37	8.22%	1.73%	2.04%	-3.00%	8.99%

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Age	Basic	COLA	Supplemental	Pickup	Total
38	8.42%	1.77%	2.04%	-3.00%	9.23%
39	8.64%	1.81%	2.04%	-3.00%	9.49%
40	8.68%	1.82%	2.04%	-3.00%	9.54%
41	8.73%	1.83%	2.04%	-3.00%	9.60%
42	8.78%	1.84%	2.04%	-3.00%	9.66%
43	8.82%	1.85%	2.04%	-3.00%	9.71%
44	8.87%	1.86%	2.04%	-3.00%	9.77%
45	8.92%	1.87%	2.04%	-3.00%	9.83%
46	8.96%	1.88%	2.04%	-3.00%	9.88%
47	9.01%	1.89%	2.04%	-3.00%	9.94%
48	9.06%	1.90%	2.04%	-3.00%	10.00%
49	9.10%	1.91%	2.04%	-3.00%	10.05%
50	9.14%	1.92%	2.04%	-3.00%	10.10%
51	9.16%	1.92%	2.04%	-3.00%	10.12%
52	9.17%	1.92%	2.04%	-3.00%	10.13%
53	9.14%	1.92%	2.04%	-3.00%	10.10%
54	8.95%	1.88%	2.04%	-3.00%	9.87%

Interest: 7.90% per annum
 COLA: 2.00%
 Mortality: RP-2000 Combined Healthy Annuitant Mortality, with adjustment for white collar workers weighted 1/3 male and 2/3 female
 Salary Increase: Inflation (3.75%) + Across-the-Board Increase (0.25%) + Merit (See Exhibit IV)
 COLA Loading Factor 20.99% for Regular Benefits

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Appendix A

Member Contribution Rates (Continued)

**Safety Members' Contribution Rates based on the June 30, 2010
Actuarial Valuation as a percentage of payroll**

Age	Basic	COLA	Supplemental	Pickup	Total
15	7.38%	2.03%	9.05%	-3.00%	15.46%
16	7.38%	2.03%	9.05%	-3.00%	15.46%
17	7.52%	2.07%	9.05%	-3.00%	15.64%
18	7.66%	2.11%	9.05%	-3.00%	15.82%
19	7.80%	2.14%	9.05%	-3.00%	15.99%
20	7.95%	2.18%	9.05%	-3.00%	16.18%
21	8.10%	2.23%	9.05%	-3.00%	16.38%
22	8.25%	2.27%	9.05%	-3.00%	16.57%
23	8.41%	2.31%	9.05%	-3.00%	16.77%
24	8.57%	2.36%	9.05%	-3.00%	16.98%
25	8.73%	2.40%	9.05%	-3.00%	17.18%
26	8.90%	2.45%	9.05%	-3.00%	17.40%
27	9.07%	2.49%	9.05%	-3.00%	17.61%
28	9.25%	2.54%	9.05%	-3.00%	17.84%
29	9.44%	2.59%	9.05%	-3.00%	18.08%
30	9.63%	2.65%	9.05%	-3.00%	18.33%
31	9.83%	2.70%	9.05%	-3.00%	18.58%
32	10.03%	2.76%	9.05%	-3.00%	18.84%
33	10.25%	2.82%	9.05%	-3.00%	19.12%
34	10.48%	2.88%	9.05%	-3.00%	19.41%
35	10.69%	2.94%	9.05%	-3.00%	19.68%
36	10.92%	3.00%	9.05%	-3.00%	19.97%

SECTION 4: Reporting Information for the Imperial County Employees' Retirement System

Age	Basic	COLA	Supplemental	Pickup	Total
37	11.17%	3.07%	9.05%	-3.00%	20.29%
38	11.24%	3.09%	9.05%	-3.00%	20.38%
39	11.33%	3.11%	9.05%	-3.00%	20.49%
40	11.42%	3.14%	9.05%	-3.00%	20.61%
41	11.51%	3.16%	9.05%	-3.00%	20.72%
42	11.61%	3.19%	9.05%	-3.00%	20.85%
43	11.73%	3.22%	9.05%	-3.00%	21.00%
44	11.87%	3.26%	9.05%	-3.00%	21.18%
45	12.03%	3.31%	9.05%	-3.00%	21.39%
46	11.87%	3.26%	9.05%	-3.00%	21.18%
47	11.70%	3.22%	9.05%	-3.00%	20.97%
48	11.47%	3.15%	9.05%	-3.00%	20.67%
49	10.93%	3.01%	9.05%	-3.00%	19.99%

Interest: 7.90% per annum
 COLA: 2.00%
 Mortality: RP-2000 Combined Healthy Annuitant Mortality, with adjustment for blue collar workers weighted 4/5 male and 1/5 female
 Salary Increase: Inflation (3.75%) + Across-the-Board Increase (0.25%) + Merit (See Exhibit IV)
 COLA Loading Factor 27.49% for Regular Benefits

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