

**BUCK
CONSULTANTS**

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May 24, 2000

Mr. Gary Peterson
Auditor-Controller/Treasurer-Tax Collector
Fresno County
Employees' Retirement Association
P.O. Box 1247
Fresno, California 93715-1247

Dear Gary:

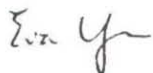
We are pleased to present our June 30, 1998 report on providing additional benefits to the current retired group. Our results are based upon the actuarial assumptions and statistical data used to perform the June 30, 1998 actuarial valuation.

We look forward to discussing this report with you and answering any questions you may have.

Respectfully submitted,



Michael Moehle, F.S.A., E.A., M.A.A.A.
Principal and Consulting Actuary



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Associate Consulting Actuary

FRESNO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION

**REPORT ON ADDITIONAL
RETIREE BENEFITS
AS OF JUNE 30, 1998**

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SECTION I: INTRODUCTION

We were asked to determine the costs associated with providing additional benefits to the June 30, 1998 retired group based on their years of active service, under 5 scenarios:

- \$20 (General) / \$25 (Safety) per month for each year of service,
- \$12 (General) / \$15 (Safety) per month for each year of service,
- \$8 (General) / \$10 (Safety) per month for each year of service,
- \$10 (General) / \$10 (Safety) per month for each year of service, and
- \$15 (General) / \$15 (Safety) per month for each year of service.

The additional benefits were calculated without any restrictions or benefit limitations, such as 100% of final salary. The additional benefits are assumed to receive future cost of living adjustments.

The additional benefits for beneficiaries and survivors will be reduced based on the benefit option elected by the members. For example, if the beneficiary receives a benefit under the service retirement unmodified option, the beneficiary's additional benefit will be reduced to 60% of the calculated amount.

In the data we used to perform the June 30, 1998 actuarial valuation, 276 members of the retired group, most of them beneficiaries, did not have years of service information. For these cases, we assumed their service to be the average service of the retired group. In particular, we assumed General members have 17.88 years of service and Safety members have 21.12 years of service for these 276 members.

The results presented herein are based upon the data used to perform the June 30, 1998 actuarial valuation of the Association. We show a summary of the statistical information and the additional benefits for the June 30, 1998 retired group on the next page.

A summary of the results of our study is presented in the next section. These results are based upon the current actuarial assumptions, which are summarized in Section III of this report.

SUMMARY OF JUNE 30, 1998 RETIRED MEMBERSHIP						
	CURRENT BENEFITS*	ADDITIONAL BENEFITS				
		\$20 (General) / \$25 (Safety)	\$12 (General) / \$15 (Safety)	\$8 (General) / \$10 (Safety)	\$10 (General) / \$10 (Safety)	\$15 (General) / \$15 (Safety)
General						
Number	2,746	2,746	2,746	2,746	2,746	2,746
Annual Allowance	\$ 34,042,000	\$ 11,244,000	\$ 6,746,000	\$ 4,498,000	\$ 5,622,000	\$ 8,433,000
Average Monthly Allowance	\$ 1,033	\$ 341	\$ 205	\$ 136	\$ 171	\$ 256
Safety						
Number	298	298	298	298	298	298
Annual Allowance	\$ 5,899,000	\$ 1,758,000	\$ 1,055,000	\$ 703,000	\$ 703,000	\$ 1,055,000
Average Monthly Allowance	\$ 1,650	\$ 492	\$ 295	\$ 197	\$ 197	\$ 295
Total						
Number	3,044	3,044	3,044	3,044	3,044	3,044
Annual Allowance	\$ 39,941,000	\$ 13,002,000	\$ 7,801,000	\$ 5,201,000	\$ 6,325,000	\$ 9,488,000
Average Monthly Allowance	\$ 1,093	\$ 356	\$ 214	\$ 142	\$ 173	\$ 260

* Excludes additional benefits pursuant to this study.

SECTION II: SUMMARY OF RESULTS

Below we show the costs associated with providing these additional benefits to the June 30, 1998 retired group:

- \$20 (General) / \$25 (Safety) per month for each year of service,
- \$12 (General) / \$15 (Safety) per month for each year of service,
- \$8 (General) / \$10 (Safety) per month for each year of service,
- \$10 (General) / \$10 (Safety) per month for each year of service, and
- \$15 (General) / \$15 (Safety) per month for each year of service.

EMPLOYER CONTRIBUTION RATES

A comparison between the current employer contribution rates, resulting from the June 30, 1998 valuation, and the rates calculated with the additional benefits to the retired group is shown on the next page. Please note that these rates do not reflect the balance of the July 1, 1997 transfer. The balance is equivalent to 6.36% of total payroll for the next three years.

EMPLOYER CONTRIBUTION RATES AS OF JUNE 30, 1998					
	TOTAL RATES		ADDITIONAL RATES		ADDITIONAL ANNUAL AMOUNT*
	GENERAL	SAFETY	GENERAL	SAFETY	
Current Rates					
Rate Net of POB Contribution	5.42%	11.17%			
POB Rate	<u>8.74%</u>	<u>9.02%</u>			
Total Employer Rate	14.16%	20.19%			
Additional \$20 / \$25 per year of service					
Rate Net of POB Contribution	12.33%	17.21%	6.91%	6.04%	
POB Rate	<u>8.74%</u>	<u>9.02%</u>	<u>0.00%</u>	<u>0.00%</u>	
Total Employer Rate	21.07%	26.23%	6.91%	6.04%	\$14,833,000
Additional \$12 / \$15 per year of service					
Rate Net of POB Contribution	9.57%	14.80%	4.15%	3.63%	
POB Rate	<u>8.74%</u>	<u>9.02%</u>	<u>0.00%</u>	<u>0.00%</u>	
Total Employer Rate	18.31%	23.82%	4.15%	3.63%	\$8,909,000
Additional \$8 / \$10 per year of service					
Rate Net of POB Contribution	8.19%	13.59%	2.77%	2.42%	
POB Rate	<u>8.74%</u>	<u>9.02%</u>	<u>0.00%</u>	<u>0.00%</u>	
Total Employer Rate	16.93%	22.61%	2.77%	2.42%	\$5,945,000
Additional \$10 / \$10 per year of service					
Rate Net of POB Contribution	8.86%	13.72%	3.44%	2.55%	
POB Rate	<u>8.74%</u>	<u>9.02%</u>	<u>0.00%</u>	<u>0.00%</u>	
Total Employer Rate	17.60%	22.74%	3.44%	2.55%	\$7,212,000
Additional \$15 / \$15 per year of service					
Rate Net of POB Contribution	10.57%	14.99%	5.15%	3.82%	
POB Rate	<u>8.74%</u>	<u>9.02%</u>	<u>0.00%</u>	<u>0.00%</u>	
Total Employer Rate	19.31%	24.01%	5.15%	3.82%	\$10,799,000

* Based on June 30, 1998 payroll. Reflects amortization of the additional unfunded actuarial accrued liability over 12 years from June 30, 1998. If implemented in 2000, the additional unfunded actuarial accrued liability will be amortized over 10 years.

UAAL

The effect on the unfunded actuarial accrued liability (UAAL) of the additional benefits to the June 30, 1998 retired group is as follows:

UNFUNDED ACTUARIAL ACCRUED LIABILITY AS OF JUNE 30, 1998	
	ADDITIONAL AMOUNT
Current Plan	
Additional \$20 / \$25 per year of service	\$146,917,000
Additional \$12 / \$15 per year of service	\$ 88,151,000
Additional \$8 / \$10 per year of service	\$ 58,767,000
Additional \$10 / \$10 per year of service	\$ 71,231,000
Additional \$15 / \$15 per year of service	\$106,846,000

GASB 25

The effect on the GASB 25 ratio of the additional benefits to the June 30, 1998 retired group is as follows:

GASB 25 RATIO AS OF JUNE 30, 1998	
	FUNDED RATIO
Current Plan	106.4%
Additional \$20 / \$25 per year of service	97.2%
Additional \$12 / \$15 per year of service	100.6%
Additional \$8 / \$10 per year of service	102.5%
Additional \$10 / \$10 per year of service	101.7%
Additional \$15 / \$15 per year of service	99.5%

SECTION III: SUMMARY OF ACTUARIAL ASSUMPTIONS

The Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The UAAL is being funded over 12 years from the June 30, 1998 valuation date.

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|-----|--|--|
| 1. | Interest: | 8.25% per annum. |
| 2. | Interest Credited to Employee Accounts: | 8.25% per annum. |
| 3. | Inflation: | 4.75% per annum. |
| 4. | Salary Scale: | See Schedule 9 of the June 30, 1998 Valuation Report. |
| 5. | Asset Valuation: | Smoothed market value. |
| 6. | Spouses and Dependents: | 90% of male employees and 50% of female employees assumed married at retirement, with wives assumed three years younger than husbands. |
| 7. | Rates of Termination of Employment: | See Schedule 6 of the June 30, 1998 Valuation Report. |
| 8. | Years of Life Expectancy After Retirement: | See Schedule 7 of the June 30, 1998 Valuation Report. |
| 9. | Years of Life Expectancy After Disability: | See Schedule 7 of the June 30, 1998 Valuation Report. |
| 10. | Life Expectancy After Retirement for Employee Contribution Rate Purposes | |
| | - General Members: | 1983 Group Annuity Table for Males, set back four years. |
| | - Safety Members: | 1983 Group Annuity Table for Males set back one year. |
| 11. | Reciprocity Assumption: | 50% of members who terminate with a vested benefit are assumed to enter a reciprocal system. |
| 12. | Deferral Age for Vested Terminations: | 63 for General members; 55 for Safety. |
| 13. | Sex: | All Safety members are assumed to be male. |