



**Public Pension  
Professionals, Inc.**

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March 29, 2004

Mr. Roberto Peña  
Administrator  
Fresno County Employees' Retirement Association  
2281 Tulare Street, Room 102  
Fresno, CA 93714  
(559) 488-3095 (Telephone)  
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**RE: COUNTY CONTRIBUTION RATES  
AFTER PENSION OBLIGATION BONDS**

Dear Roberto:

Each year, the County of Fresno (County) makes contributions to the Fresno County Employees' Retirement Association (FCERA). Those contributions are a combination of the cost attributable to each year (Normal Cost) and a contribution to fund a portion of obligations attributable to prior service (Unfunded Actuarial Accrued Liability). We recently completed the actuarial valuation for FCERA as of June 30, 2003. The County's required contribution rates, as calculated in that report for General and Safety Members were as follows:

**County's Required Contribution Rate for Fiscal Year 2004-2005  
Prior to Contribution of Pension Obligation Bond Proceeds**

**General Members**

<i>(As a Percentage of Covered Payroll)</i>	<b>Basic</b>	<b>COL</b>	<b>Settlement</b>	<b>Total</b>
Normal Cost	9.43%	1.86%	3.91%	15.20%
Unfunded Actuarial Accrued Liability	<u>3.22%</u>	<u>0.67%</u>	<u>2.97%</u>	<u>6.86%</u>
Total Contribution Rate	12.65%	2.53%	6.88%	22.06%

### Safety Members

<i>(As a Percentage of Covered Payroll)</i>	<b>Basic</b>	<b>COL</b>	<b>Settlement</b>	<b>Total</b>
Normal Cost	14.23%	3.08%	3.30%	20.61%
Unfunded Actuarial Accrued Liability	<u>3.23%</u>	<u>2.22%</u>	<u>2.83%</u>	<u>8.28%</u>
Total Contribution Rate	17.46%	5.30%	6.13%	28.89%

It is our understanding that the County recently issued Pension Obligation Bonds (POBs) to extinguish a portion of the County's Unfunded Actuarial Accrued Liability (UAAL) in FCERA. We have recalculated the County's required contributions for Fiscal Year 2004-05 recognizing the portion of the UAAL that was eliminated by the POBs. Since the County has paid off that portion of the UAAL, they will not be required to make additional contributions to FCERA to pay it off again. The rates shown below have been calculated based on bond proceeds of \$398,140,728 being used to extinguish the equivalent UAAL amount as of June 30, 2003. It was developed using the assumptions and methods adopted by the FCERA Board for the June 30, 2003 actuarial valuation.

### County's Required Contribution Rate for Fiscal Year 2004-2005 After Contribution of Pension Obligation Bond Proceeds

#### General Members

<i>(As a Percentage of Covered Payroll)</i>	<b>Basic</b>	<b>COL</b>	<b>Settlement</b>	<b>Total</b>
Normal Cost	9.43%	1.86%	3.91%	15.20%
Unfunded Actuarial Accrued Liability	<u>0.24%</u>	<u>0.05%</u>	<u>0.22%</u>	<u>0.51%</u>
Total Contribution Rate	9.67%	1.91%	4.13%	15.71%

### Safety Members

<i>(As a Percentage of Covered Payroll)</i>	<b>Basic</b>	<b>COL</b>	<b>Settlement</b>	<b>Total</b>
Normal Cost	14.23%	3.08%	3.30%	20.61%
Unfunded Actuarial Accrued Liability	<u>0.24%</u>	<u>0.16%</u>	<u>0.22%</u>	<u>0.62%</u>
Total Contribution Rate	14.47%	3.24%	3.52%	21.23%

To the extent that the bond proceeds have been contributed to FCERA, these rates would be scheduled to take effect July 1, 2004.

We do not know at this point whether the County had intended that their contribution rates for the remainder of the 2003-04 Fiscal Year be reduced to reflect the paying off of the UAAL. A reduction in the middle of the year can be supported from an actuarial perspective due to the elimination of that portion of the UAAL. We are not sure how such a move would be authorized under the County Employees' Retirement Law of 1937, though.

Please check with the County to see if they had intended to pay lower contribution rates for the remainder of 2003-2004. If they had intended to do so, we will be happy to work with your legal counsel to determine whether proper authorization can be found.

Please let us know if you have any questions or need any additional information.

Sincerely,



Ira M. Summer, FSA  
President

Cc: Greg Reinke – Fresno County