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September 8, 2015

Ms. Lisa Driscoll
Finance Director
Contra Costa County
651 Pine Street, 10th floor
Martinez, CA 94553

Re: Complying with California Government Code Section 7507 Regarding Changes to Pension Benefits of United Chief Officers Association

Dear Ms. Driscoll:

We have been asked to estimate the effect on the County's current and future unfunded actuarial accrued liabilities and Annual Required Contributions resulting from a new tier of benefits in the structure of Assembly Bill 340 (AB340) with a 2.00% Cost of Living Adjustment (COLA) effective on January 1, 2016 or alternatively, effective July 1, 2016. Both dates are used as potential effective dates for the proposed change for the members of United Chief Officers Association. We are comparing this benefit structure to the AB340 structure with a 3.00% COLA which the plan currently provides.

In this analysis, the county is assumed to promote one Safety employee into UCOA at the beginning of each projection year. The assumed age at the promotion is 47, while the assumed age at hire is 26. The cost impact due to the age difference is believed to be insignificant and is ignored. Because this change affects only future entrants, it will have no effect on the unfunded actuarial accrued liabilities of Contra Costa County Employees' Retirement Association (CCCERA) as of the effective dates. We show the cost impacts on the enclosed charts per one entrant per year (results are averages of one male and one female). The costs shown are combined employee and employer normal costs. By going from a 3.00% COLA to a 2.00% COLA, the County will realize a savings. The savings are equal to the excess of the normal cost for an AB340 structure with a 3.00% COLA over the normal cost of an AB340 structure with a 2.00% COLA.

We have expressed the savings in annual dollar amounts and as percentages of covered payroll for calendar years 2016, 2017 and 2018 (2019 is also included for the July 1, 2016 effective date). These results are merely illustrative and the actual impact will depend upon the actual demographic characteristics of the employees as well as the pattern of future hiring. On the exhibit for the July 1, 2016 effective date, results shown for 2016 are for the six month period July 1 through December 31.

Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

The methods and assumptions used are the same as those used in the December 31, 2014, actuarial valuation of CCCERA. The demographic as well as the economic assumptions with respect to investment yield, salary increase and inflation set forth in the December 31, 2014 valuation have been based upon a review of the existing portfolio structure as well as recent and anticipated experience. Information on our new entrant profile is given in Note 2 of the enclosed projections.

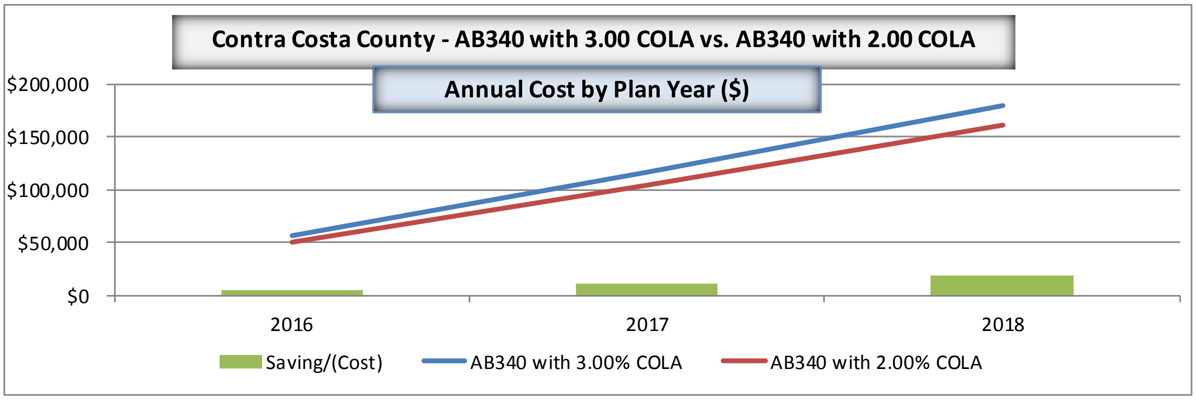
The report was prepared under the supervision of David Kershner and Stephen Drake, who are both Enrolled Actuaries and Members of the American Academy of Actuaries. David Kershner is a Fellow of the Society of Actuaries and Stephen Drake is an Associate of the Society of Actuaries. Both meet the qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

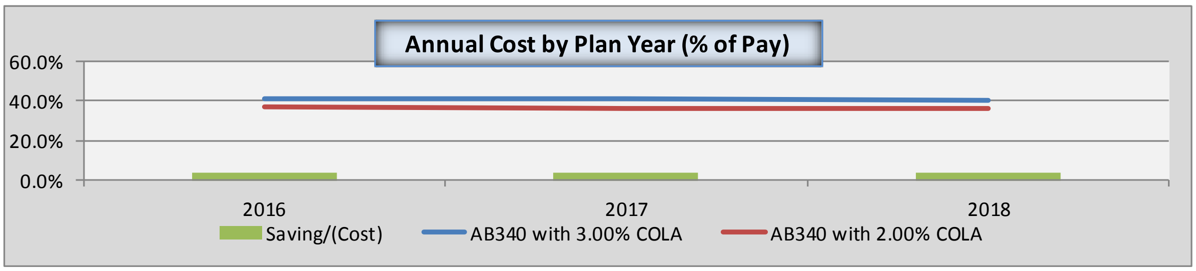
Sincerely,

David J. Kershner, FSA, EA, MAAA
Principal and Consulting Actuary

Stephen Drake, ASA, EA, MAAA
Director, Retirement Actuary

United Chief Officers Association – January 1, 2016



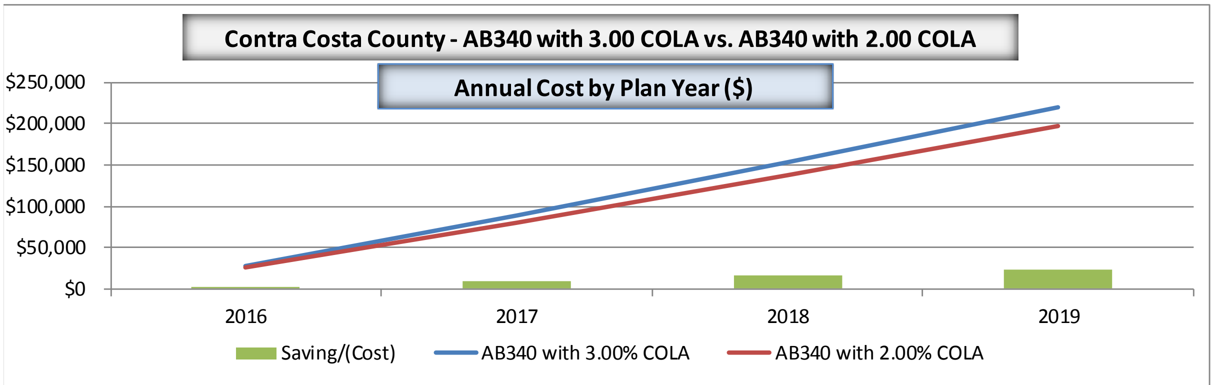


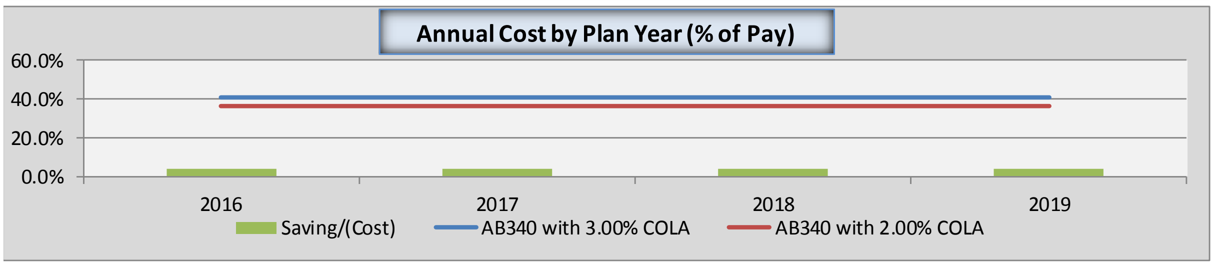
Calendar Year	2016	2017	2018
Valuation Pay	$140,100	$287,100	$441,800
Annual Cost			
AB340 with 3.00% COLA			
i) $	$57,400	$117,200	$179,900
ii) % of Pay	41.0%	40.8%	40.7%
AB340 with 2.00% COLA			
i) $	$51,500	$105,200	$161,400
ii) % of Pay	36.8%	36.6%	36.5%
Saving/(Cost)			
i) $	$5,900	$12,000	$18,500
ii) % of Pay	4.2%	4.2%	4.2%

Notes:

1. The methods and assumptions used to determine the savings were the same as those used for the December 31, 2014 valuation for the Safety members.
2. The County is assumed to promote one Safety employee into UCOA at January 1 of each projection year (we have averaged results for one male and one female). The assumed age at the promotion is 47, and the annual salary is assumed to be $155,300, $160,700, and $166,300 for the 2016, 2017, and 2018 new entrants, respectively. These assumptions were provided by the County.
3. The assumed hire age is 26, and the cost impact due to the difference in the assumed ages at hire and promotion is believed to be insignificant and is ignored in this analysis.
4. The maximum compensation limit for the retirement benefit is assumed to be 120% of $120,870, or $145,044, for 2016 and it is expected to grow 2.00% per year.
5. In the AB340 benefit structure, the multiplier is 2.5% at 55. The multiplier increases by 0.1% for ages above 55 to a maximum of 2.7% at 57. It decreases by 0.1% for ages below 55 to a minimum of 2.0% at 50.

United Chief Officers Association – July 1, 2016





Calendar Year	2016	2017	2018	2019
Valuation Pay	$70,000	$218,700	$374,800	$539,000
Annual Cost				
AB340 with 3.00% COLA				
i) $	$28,700	$89,400	$152,800	$219,700
ii) % of Pay	41.0%	40.9%	40.8%	40.8%
AB340 with 2.00% COLA				
i) $	$25,700	$80,200	$137,100	$197,000
ii) % of Pay	36.7%	36.7%	36.6%	36.5%
Saving/(Cost)				
i) $	$3,000	$9,200	$15,700	$22,700
ii) % of Pay	4.3%	4.2%	4.2%	4.3%

Notes:

1. The methods and assumptions used to determine the savings were the same as those used for the December 31, 2014 valuation for the Safety members.
2. The County is assumed to promote one Safety employee into UCOA at July 1 of each projection year (we have averaged results for one male and one female). The assumed age at the promotion is 47, and the annual salary is assumed to be $155,300, $160,700, $166,300, and $172,100 for the 2016, 2017, 2018, and 2019 new entrants, respectively. These assumptions were provided by the County.
3. The assumed hire age is 26, and the cost impact due to the difference in the assumed ages at hire and promotion is believed to be insignificant and is ignored in this analysis.
4. The maximum compensation limit for the retirement benefit is assumed to be 120% of $120,870, or $145,044, for 2016 and it is expected to grow 2.00% per year.
5. In the AB340 benefit structure, the multiplier is 2.5% at 55. The multiplier increases by 0.1% for ages above 55 to a maximum of 2.7% at 57. It decreases by 0.1% for ages below 55 to a minimum of 2.0% at 50.
6. Results for 2016 are for six months only (July 1 through December 31).