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September 26, 2019

Ms. Debby Cherney
Chief Executive Officer
San Bernardino County Employees' Retirement Association
348 W Hospitality Lane, Third Floor
San Bernardino, CA 92415-0014

Re: San Bernardino County Employees' Retirement Association
Inland Library System Termination Study – Termination as of May 31, 2019

Dear Debby:

As requested, we have calculated the Inland Library System's ("The District") obligation to SBCERA at the termination date of May 31, 2019.

Termination Conditions

According to SBCERA, the last active member of the District terminated on May 27, 2019 and they have no plans to hire any new employees. SBCERA would retain the obligation to provide benefits to the District's retirees as of the termination date of May 31, 2019 as well as to any members with deferred benefits.

Data Used in This Calculation

This study is based on the information we collected and calculated in our most recent actuarial valuation for SBCERA as of June 30, 2018. In this study, we have determined a proportional share of the assets for the District as of June 30, 2018 by following the same procedures used in prior termination studies for SBCERA. As detailed below, that methodology is used for determining the assets for all benefits except those provided by the Survivor Benefit Reserve.

In order to determine the District's assets and liabilities as of May 31, 2019, we have also collected the following additional information from SBCERA:

1. Actual net market value rate of return information from July 1, 2018 through May 31, 2019.

2. Actual contributions made by the District and its employees for the period from July 1, 2018 to May 31, 2019.

3. Actual benefit payments made by SBCERA to employees, retirees and beneficiaries of the District from July 1, 2018 to May 31, 2019.

4. Data on all members from the District as of May 31, 2019.

Based on the above information, we have projected the allocated assets of the District from July 1, 2018 to May 31, 2019. The assets have been projected using the actual return of 3.134% for the period from July 1, 2018 through May 31, 2019 reported to us by SBCERA.

FUNDING OBLIGATION SETTLEMENT CONDITIONS

We have previously described to SBCERA the market based approach used in determining the District's funding obligation as of the termination date. Under this approach, there would be no reassessment of the benefit liability after the District's termination date of May 31, 2019.

This approach dictates the use of the market value of assets and requires a valuation of the liabilities on a market-consistent basis. Under this approach, the liabilities for retirees and terminated members will be calculated using all the same actuarial assumptions utilized in the June 30, 2018 actuarial valuation except that future benefit payments will be discounted to the present date using a market based discount rate. The market based discount rates for this purpose are the discount rates used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer who is terminating its single-employer defined benefit pension plan. The rates used by the PBGC for discounting expected benefit payments from pension plans terminating in May 2019 are 3.07% per annum for the next 20 years and 3.05% per annum thereafter.

RESULTS AND METHODOLOGY USED IN CALCULATION

The results under the "Market Valuation" approach are shown in Attachment A. We have determined that the District's funding obligation as of the termination date using the "Market Valuation" approach is $2,506,253 in unfunded liability for all benefits except those provided by the Survivor Benefit Reserve. The District's funding obligation associated with the Survivor Benefit Reserve is $0 since the District has no beneficiaries receiving payments from that reserve.

Any net unfunded liabilities are generally required to be paid by the District as a lump sum, although the Board of Retirement may have the authority to allow for the obligation to be paid for over a period of installments. We defer to SBCERA as to whether an installment period is legal. If it is legal, then we can provide information on the payments that would be required over various possible installment periods. If there is a significant delay in the payment of the funding obligation, then we recommend that the funding obligation be adjusted to reflect interest until the actual payment date.

Since the data used to prepare the termination study reflects actual investment and demographic experience through the termination date, the results in this study will not need to be updated and can be considered final.

These calculations were based on the June 30, 2018 actuarial valuation results, rate of return information from July 1, 2018 through May 31, 2019 and data noted earlier for contributions, benefit payments, and District membership. The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,

John Monroe

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

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

AW/bbf
Enclosures

cc: Amy McInerny

Exhibit A: Page 4

ATTACHMENT A - "Market Valuation" Method For All Benefits Except Those Provided by the Survivor Benefit Reserve

Table 1 Determination of Unfunded Actuarial Accrued Liability and Assets for Inland Library as of June 30, 2018

1	**Actuarial Accrued Liability (AAL) for Inland Library as of June 30, 2018**	
	Active Members	$445,777
	Retirees	3,521,967
	Total	$3,967,744
2	**Determination of Unfunded Actuarial Accrued Liability (UAAL) for Inland Library as of June 30, 2018**	
i	Other General Cost Group UAAL as of June 30, 2018	$109,828,000
ii	Other General Cost Group Projected Annual Payroll for 2018/2019 Plan Year	47,528,596
iii	Inland Library Projected Annual Payroll for 2018/2019 Plan Year	41,429
iv	UAAL Allocated to Inland Library as of June 30, 2018 (i * iii / ii)	95,733
3	**Determination of Actuarial Value of Asset (AVA) for Inland Library as of June 30, 2018 (Item 1 - Item 2iv)**	$3,872,011
4	**Determination of Market Value of Asset (MVA) for Inland Library as of June 30, 2018**	
i	Total SBCERA MVA As of June 30, 2018	$10,066,990,216
ii	Total SBCERA AVA As of June 30, 2018	10,020,862,873
iii	MVA for Inland Library as of June 30, 2018 (Item 3 * i/ii)	3,889,834

Table 2 Determination of Projected Accumulated Assets for Inland Library as of May 31, 2019

1	**MVA for Inland Library as of June 30, 2018 (See Table 1)**	$3,889,834
2	**Determination of Projected Change in MVA From July 1, 2018 to May 31, 2019**	
i	Employer Contributions from July 1, 2018 to May 31, 2019[1]	$13,672
ii	Member Contributions from July 1, 2018 to May 31, 2019[1]	-
iii	Benefits Paid from July 1, 2018 to May 31, 2019[1]	(270,620)
iv	Total Cashflow from July 1, 2018 to May 31, 2019[1]	($256,948)
3	**Actual Net Return on Market Value from July 1, 2018 to May 31, 2019[2]**	3.134%
4	**Determination of Projected MVA for Inland Library as of May 31, 2019 (Item 1 * (1+ Item 3) + Item 2iv * (1+ (Item 3)/2))**	$3,750,767
Note:		
1	Excludes Survivor Benefit contributions and benefit payments.	
2	Based on unaudited financial information provided by the Association.	

Table 3 Determination of Unfunded Liability using Termination Basis for Inland Library as of May 31, 2019

1	**Unfunded Liability using Termination Basis for Inland Library as of May 31, 2019**	
i	Projected Assets as of May 31, 2019 (See Table 2, Item 4)	$3,750,767
ii	Present Value of Future Benefits Determined using Market Based Interest Rate as of May 31, 2019	6,257,020
iii	Unfunded Liability or (Net Asset) as of May 31, 2019 (Item ii - Item i)	2,506,253
Note:		
1	The discount rates used are based on the PBGC rates for May 2019 (3.07% for 20 years and 3.05% thereafter).	
2	The District's funding obligation associated with the Survivor Benefit Reserve is $0 since the District has no beneficiaries receiving payments from that reserve.	