



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Department No.: 012
For Agenda Of: April 9, 2019
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Mona Miyasato, County Executive Officer
Contact Jeff Frapwell, Assistant County Executive Officer
Info:
SUBJECT: Adoption of Fiscal Year 2019-20 Employer and Member Contribution Rates

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

- a) That the Board of Supervisors, pursuant to Government Code Section 31454, adopts the Fiscal Year 2019-2020 employer and member contribution rates, recommended by Cheiron, the Santa Barbara County Employees Retirement System (SBCERS) actuary, and recommended by the Board of Retirement on December 12, 2018, with an effective date of July 1, 2019 or for the payroll cycle in which that date occurs;
- b) That the Board of Supervisors, pursuant to Government Code Section 31873, elects to pay the portion of the normal cost of living adjustment that would be otherwise assessed to individual members who are not deemed to be new members pursuant to Government Code Section 7522.04(f), with an effective date of July 1, 2019 or for the payroll cycle in which that date occurs; and
- c) That the Board of Supervisors determines that the actions above are not a project under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), because they consist of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

The proposed action will establish the FY 2019-20 gross composite employer retirement contribution rate at 40.02%. This represents a very modest .88% increase above the rate for the current fiscal year. After taking into account the value of the increasing *employee* retirement

contribution rate offsets negotiated with the County's labor organizations, this gross composite rate is reduced by 1.55%, resulting in a net composite employer rate of 38.47% for the upcoming fiscal year. (Reference page 1 of Attachment B).

The County's Fiscal Year 2019-20 Recommended Budget is being developed utilizing the plan specific retirement contribution rates adopted by the SBCERS and being considered as part of this Board letter. Importantly, these recommended rates are a close approximation to the assumed FY 2019-20 rates used to develop the County's Five-Year Forecast last November. SBCERS reports that adjusting the rates of contribution as recommended will not reduce the individual benefits provided by either the County Employees Retirement Law of 1937 or the California Public Employees' Pension Reform Act (PEPRA) of 2013.

The Board of Retirement took action at its December 12, 2018 meeting to accept and approve the valuation and recommend the rates of contribution for approval to the Board of Supervisors.

Background:

In correspondence dated March 28, 2019, SBCERS requested that the recommended rates be brought to Board of Supervisors for adoption. The referenced correspondence is Attachment A to this item and the employer and member contribution rates resulting from the June 30, 2018 Actuarial Valuation are included in Attachment B.

Fiscal and Facilities Impacts:

The Fiscal Year 2019-20 Recommended Budget will reflect the employer contribution rates and employee offsets discussed above. Although the 2019-2020 budget is still in development, preliminary estimates show budgeted retirement costs of \$148.7 million and employee offsets of \$5.3 million, for a net budgeted cost to the County of \$143.4 million. This is a *decrease* of \$600,000 (or 0.4%) from the Fiscal Year 2018-2019 Adopted Budget County retirement contribution of \$144.0 million. The full impact of the negotiated employee contribution increases, which are phased in over three years, will not be experienced until the FY 2020-21 budget year.

Attachments:

Attachment A – March 28, 2019 Correspondence from SBCERS to County
Attachment B - June 30, 2018 Actuarial Valuation Report - Addendum

Authored by:

Paul Clementi, CEO Fiscal & Policy Analyst

cc:

Betsy Schaffer, CPA, CPFO Auditor-Controller
Michael C. Ghizzoni, County Counsel
Greg Levin, SBCERS, Executive Officer