

SANTA BARBARA COUNTY BOARD AGENDA LETTER



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

Agenda Number:
Prepared on: 9/20/06
Department Name: Employees Retirement System
Department No.: 810
Agenda Date: 10/10/06
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Oscar Peters, Retirement Administrator
568-2998

STAFF CONTACT: Lila Deeds, Assistant Retirement Administrator
568-2941

SUBJECT: Inclusion of Standby Pay in Compensation Earnable

Recommendation:

That the Board of Supervisors:

Receive and file the attached special actuarial study dated July 19, 2006, on including standby pay in pensionable earnings.

Alignment with Board Strategic Plan:

The recommendation is primarily aligned with actions required by law or by routine business necessity.

Executive Summary and Discussion:

In recent collective bargaining with Santa Barbara County Fire Fighters Local 2046, the County reviewed the issue of whether standby compensation should be considered pensionable earnings pursuant to the County Employees Retirement Law of 1937. Working with the Retirement system, a review was done to determine if stand-by was being included in pensionable earnings in other jurisdictions. The review showed that this determination had already been made by most agencies. As part of that review, the County requested that the Retirement System's actuary determine the cost impact of including standby pay as pensionable earnings. That study, dated March 3, 2006, was filed on your Board's May 23, 2006, agenda by the CEO/HR.

As you know, the County and Local 2046 entered into a collective bargaining agreement which included an understanding that standby pay would become pensionable effective April 24, 2006. This agreement was ratified by your Board on May 2, 2006.

Government Code Section 31461 provides that the determination of what qualifies as compensation earnable is made by the Board of Retirement. Based on the County's demonstrated interest in including standby compensation in pensionable earnings, the Board of Retirement at their August 9, 2006, meeting made a determination that compensation received for standby duties will constitute compensation earnable and be

included in final compensation effective April 24, 2006 (consistent with the County's agreement with Local 2046).

In the course of review by the Board of Retirement, clarification was sought from the Retirement System's actuary regarding the unfunded liability associated with including standby pay in pensionable earnings. An additional annual contribution of .04% (.0004) of covered payroll, currently \$109,800, for fifteen years is required to pay the unfunded actuarial accrued liability (UAAL) increase of \$1,210,300. In addition, the actuary identifies an approximate \$66,700 increase in annual normal costs. The revised actuarial study clarifying these costs is attached. The revised study does not change the annual cost as already presented to the Board. The Board of Retirement wanted to provide the Board with this additional background.

cc: County Auditor-Controller
Assistant CEO/Human Resources Director
Fire Fighters Union, Local 2046
All other Recognized Employee Organizations