



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:** Santa Barbara County  
Employees Retirement  
System  
**Department No.:** 810  
**For Agenda Of:** May 19, 2020  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors

**FROM:** Chief Executive Officer Gregory Levin, CPA x2940

**SUBJECT:** Summary of SBCERS Experience and Current Position

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**County Counsel Concurrence**

As to form: N/A

Other Concurrence: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

- A) Receive and file report from the Santa Barbara County Employees Retirement System.

**Summary Text:**

Board of Supervisors requested that the Santa Barbara County Employees Retirement System (SBCERS) prepare and present a report on the financial position of the fund and the results of its recently completed June 30, 2019 Actuarial Valuation. Also included is a summary update of portfolio values as of March 31, 2020.

**Analysis of System Experience:**

For the fiscal Year ended June 30, 2019 SBCERS portfolio returned 7.76% generating over \$228 million in gains. The investment performance resulted in a slight gain over the 7.0% assumed rate of return for the valuation period ending June 30, 2019. SBCERS relative performance for the fiscal year was positive with SBCERS performing in the top quartile relative to our peer group of other similar pension plans with valuations ranging from \$1 billion to \$5 billion.

Since June 30, 2019, financial markets have experienced a deep decline, largely as a result of the economic impacts of the COVID 19 pandemic. An investment performance update as of March 31, 2020 is included in the presentation. Through the current fiscal year to date, investment performance has been negative 7.07% with the portfolio declining approximately \$219 million in value. April 2020 has seen improved

performance across many asset classes and as of April 27<sup>th</sup> 2020 market close, broad US Equity indices are up over 11% month-to-date, while Non-US Equity returns have been more moderate but still positive. Similarly, fixed income markets have also improved in April 2020 with the Barclays Aggregate increasing 1.5% month-to-date.

The June 30, 2019 Actuarial Valuation and June 30, 2019 triennial experience study are attached to this report and a companion item to this Board letter is submitted by the County Executive Officer requesting adoption of contribution rates for the fiscal year ending June 30, 2021. Upon consideration of the June 30, 2019 triennial experience study, the Board of Retirement elected to leave the System's discount rate unchanged at 7%. Other experience losses were identified during the study, these were related to rates of death, retirement, disability and termination of members that exceeded current assumptions. Adjustments were made to the System's assumptions to account for demographic experience going forward. These adjustments combined with loss experience resulted in modest increases (.14% assumptions changes and .17% experience losses) to the rate set forth in the June 30, 2019 valuation.

The Board of Retirement elected to defer one recommendation included in the experience study that related to members who are working less than a full time schedule (principally due to medical leave). Implementation of this recommendation was deferred and the matter was referred to SBCERS staff for further study and to provide the County with more information regarding the cause and impact of the rate change. This information was provided to County staff and SBCERS staff will be recommending that the Board of Retirement proceed with the implementation of the recommendation in the next valuation cycle for the valuation year ending June 30, 2020. It is anticipated that implementation of the recommendation will increase the County's composite rate by .7% for the fiscal year ending June 30, 2022.

For the fiscal year ending June 30, 2021 (June 30, 2019 valuation year), the County's composite contribution rate is 39.33% and increase of .86%. The increase is principally related to the five-year phase in of a .5% reduction in the System's discount rate to 7% that was implemented during the System's triennial experience study dated June 30, 2016 and the aforementioned changes that resulted from the June 30, 2019 experience study. These increases were reduced by increases to employee cost sharing and increases to the size of the overall County payroll, which lowers the percentage rate applied.

Rates for the fiscal year ending June 30, 2022 will be set during the June 30, 2020 valuation process. If a significant market recovery does not occur during the remainder of the fiscal year, County rates will increase because of fiscal year 2020 investment performance. Under current Board of Retirement Policy, the impact of investment losses on the County's contribution rate will be phased in over 5 years. The losses will be amortized over a period of 19 years which includes a 5-year phase in and a 5-year phase out.

**Attachments**

Presentation

June 30 2019 SBCERS Actuarial Valuation

June 30 2019 SBCERS Triennial Experience Study

**Authored by:**

Gregory Levin, CPA

Chief Executive Officer

Santa Barbara County Employees' Retirement System

**cc:**