

THE SANTA BARBARA COUNTY EMPLOYEES RETIREMENT SYSTEM (SBCERS)

Presentation to the Santa Barbara County Board of Supervisors on the June 30,
2016 Actuarial Results

April 11, 2017



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ABOUT THE SYSTEM

- 1937 Act System
 - County Employees Retirement Law of 1937
 - (CA Gov. Code Section 31450 – 31898)
 - 20 37' Act systems (Santa Barbara is number 5)
- Established January 1, 1944
- 11 Plan Sponsors (participating employers)

Participating Employers	
• County of Santa Barbara	• Santa Barbara County Superior Court (excluding Judges)
• Carpinteria Cemetery District	• Carpinteria – Summerland Fire Protection District
• Goleta Cemetery District	• Mosquito & Vector Management District of Santa Barbara County
• Oak Hill Cemetery District	• Santa Barbara County Air Pollution Control District
• Santa Barbara County Association of Governments	• Santa Maria Cemetery District
• Summerland Sanitary District	

ABOUT THE BOARD OF RETIREMENT

- 11 Member Board of Retirement (9 voting, 2 alternates)
 - 6 elected by the members
 - 4 appointed by the Board of Supervisors
 - 1 Ex Officio (County Treasurer)
- General Fiduciary Obligations
 - Primary obligation to the members
 - Secondary obligation to the Plan Sponsors
- **Setting benefits is the Plan Sponsor's responsibility.**
- **The Board of Retirement does not set benefits.**

2016 BENEFITS

- The average annual benefit was \$35,880.
- Average member contribution 5.77%.
 - Increased 58 bps from 2015
 - PEPRAs Members contribute up to 10.07% general and 14.46% safety.

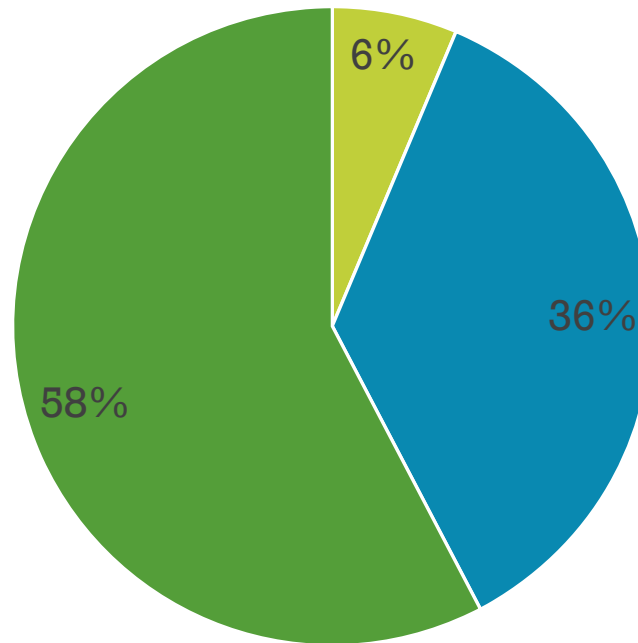
As of June 30, 2016	Average Monthly Benefit	Number of Retirees
General Member	\$2,407	3,131
Safety Member	\$4,854	980
APCD Member	\$2,983	60
Average/Total	\$2,990	4,171

2016 KEY VALUATION RESULTS

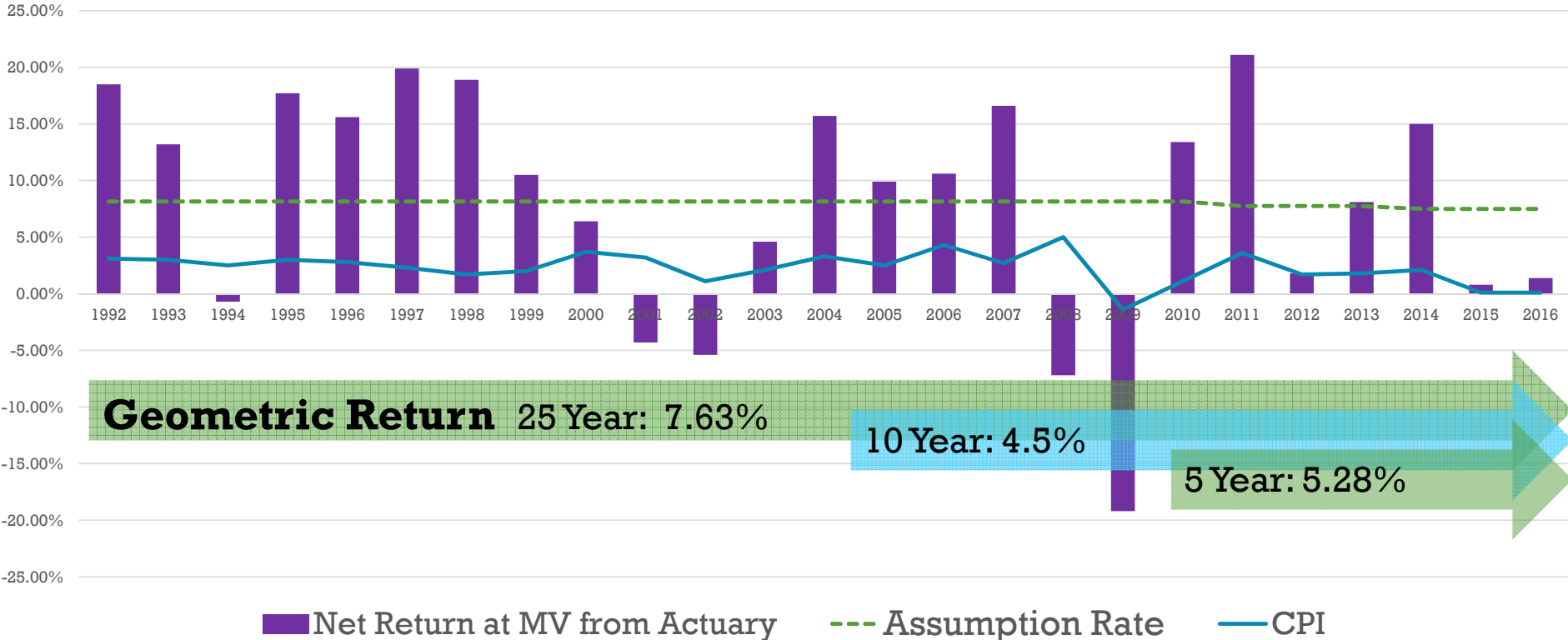
	June 30, 2015	June 30, 2016	Change
Actuarial Liability	\$ 3,231.1	\$ 3,571.8	\$ 340.7
Market Value of Assets	\$ 2,532.5	\$ 2,554.5	\$ 22
Unfunded Liability	\$ 698.6	\$ 1,017.3	\$ 318.7
Funding Ratio	78.4%	71.5%	-6.9%
Contribution Rate	36.55%	38.71%	2.16%

20 YEAR REVENUE SOURCES

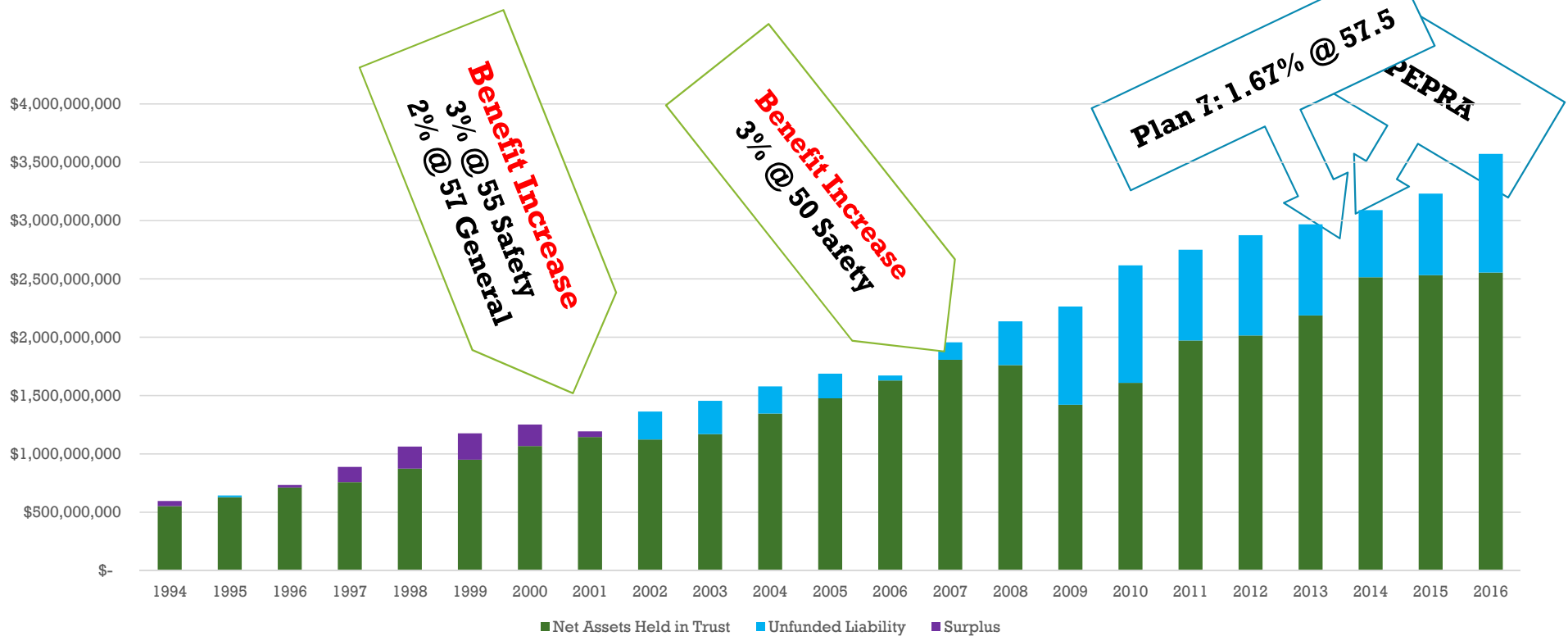
■ Total Member ■ Total Employer ■ Net Investment Income



25 YEAR PERFORMANCE (USING NET ASSETS)



22 YEAR TIME SERIES FUNDED POSITION

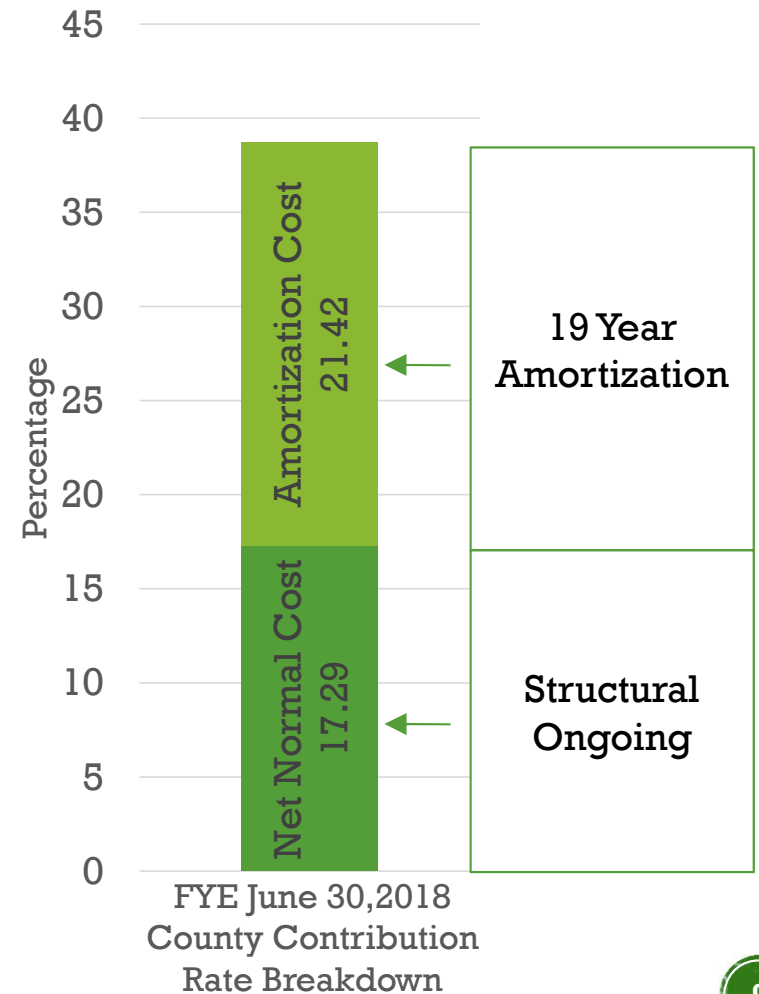


**Based on Net Assets Held in Trust compared to Actuarial Liability (e.g. does not use actuarial value of assets)*

COST COMPONENTS

- Pension Costs are expressed as a function of payroll
 - **Normal Cost**
 - Expected ongoing cost of the benefit.
 - Shared between employers and employees.
 - **Amortization Cost (UAL Cost Rate)**
 - The portion of the pension plan contribution which is designed to pay interest and principal on the unfunded actuarial liability in a given number of years.
 - This cost is paid by the employer.

▪ **Total Employer Cost: 38.71%**



SETTING ASSUMPTIONS

A GRADUAL, DATA DRIVEN PROCESS

- SBCERS conducts Actuarial Experience Studies on a triennial basis as required by California law.
- Historical performance and future expectations of investments, inflation and demographics are evaluated.
- Board relies on the work of professional actuary, investment consultants, staff and legal counsel in making determinations.

June 30,
2010

- Actuarial Experience Study (Milliman) Recommended Reduction to 7.25%
- Discount Rate reduced to 7.75%

June 30,
2013

- Actuarial Experience Study (Cheiron) recommended .25% reduction to inflation.
- Discount Rate reduced to 7.5%

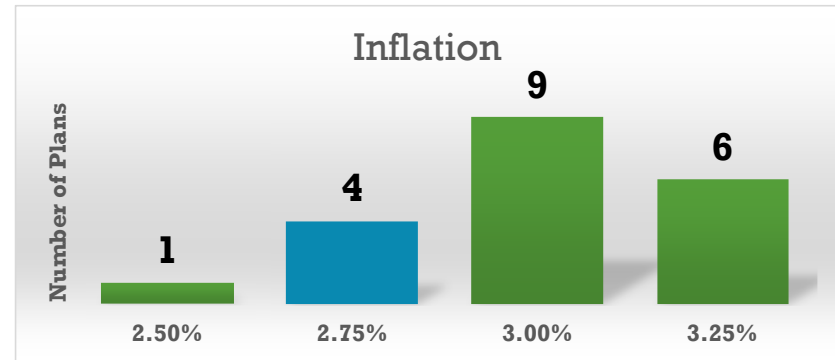
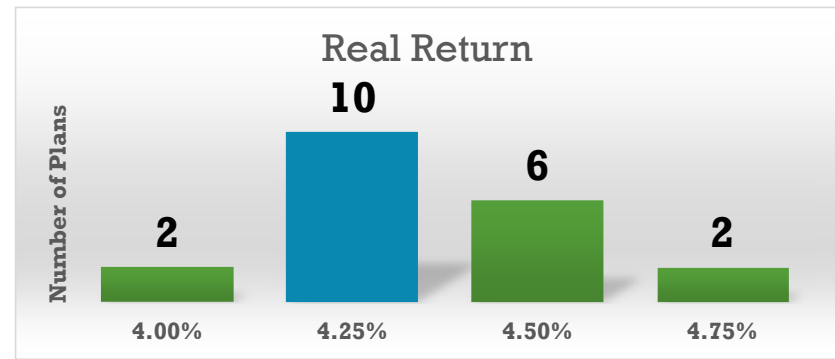
June 30,
2014

- Direct Rate Smoothing adopted.
- 5 year contribution smoothing

June 30,
2016

- Actuarial Experience Study (Cheiron) identified lower forward investment and inflation expectations.
- Discount Rate reduced to 7.0% and phased in over 5 year period per policy.

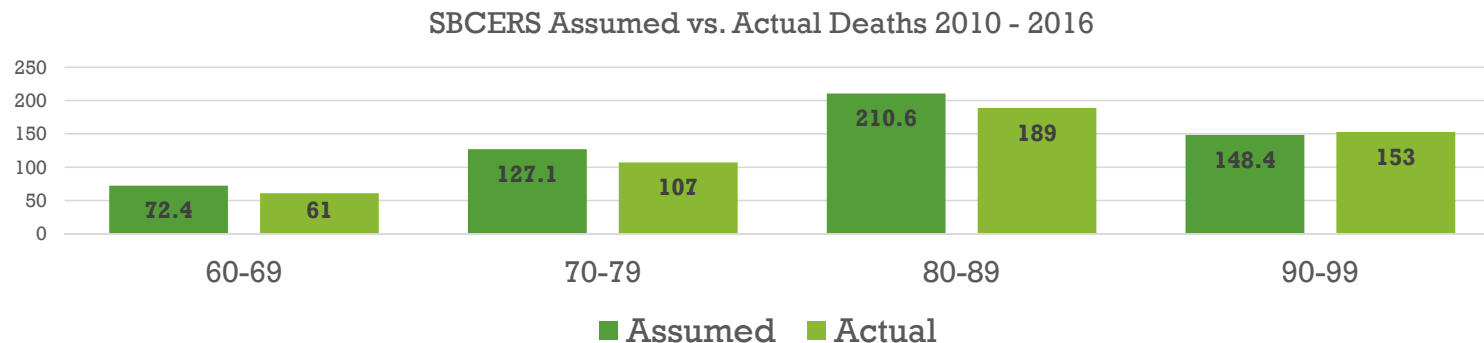
SBCERS COMPARED TO PEERS



 SBCERS Group

DEMOGRAPHIC CHANGES

- **Santa Barbara has exceptionally positive mortality experience (people living longer than expected).**
 - SBCERS experience is ~20% fewer deaths than would be predicted by CALPERS assumptions.
 - Remaining Life Expectancy at 65: SBCERS 22.3 vs. CALPERS 20.8



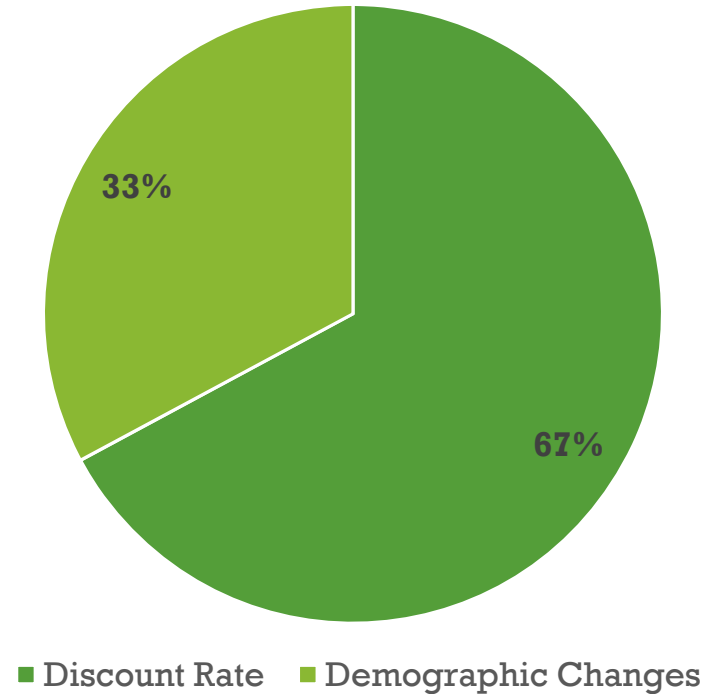
- Other minor changes related to other assumptions were made.

EXPERIENCE STUDY IMPACTS

- **Impact of Discount Rate Changes**
 - Increase rates 1.84% First Year
- **Impact of Demographic Changes:**
 - .9% Increase first year (employer / employee combined)
- **Impact of other changes:**
 - .15% Administrative Expense
 - (.36%) Employee Contribution Increase
- **Total County Rate Change over 1 year: 2.53%***
- **Total County Rate Change over 5 years: 7.15%**

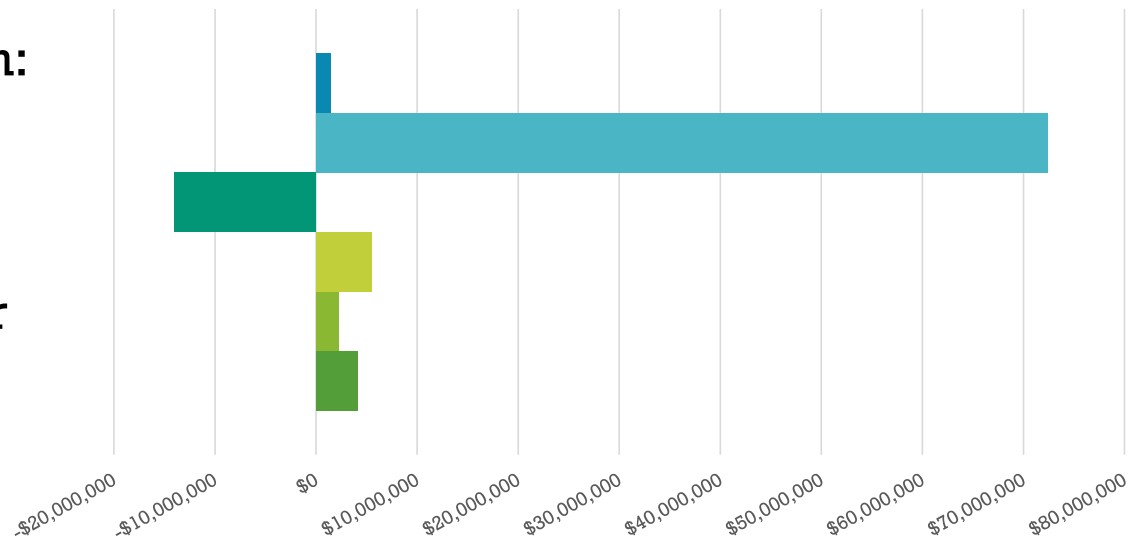
** Due to other actual adjustments, the actual one year increase to County Rates was 2.16%*

1 Year Rate Increase



AMORTIZATION LAYERS

- Current Year Amortization: \$71.6 Million
- 14 Years Remaining on Consolidated UAAL Layer (Started in 2013)



	Amortization Amount
■ Safety Plan 6	1,399,215.00
■ 2013 Consolidated UAL	72,386,218.00
■ 2014 (Gain)/Loss	(13,980,228.00)
■ 2015 (Gain)/Loss	5,443,623.00
■ 2016 (Gain)/Loss	2,255,503.00
■ Assumption Changes	4,132,183.00

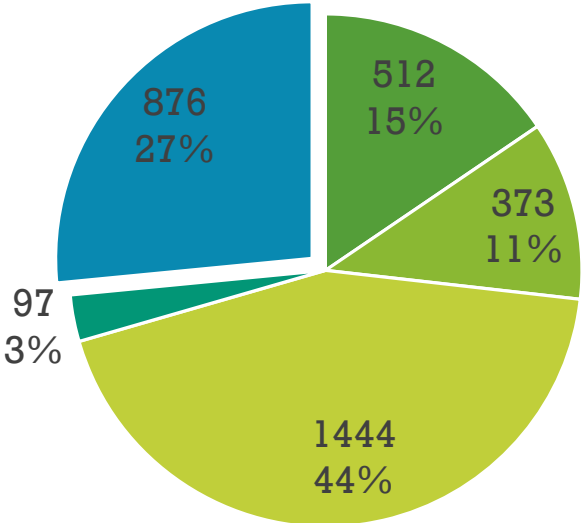
CONTRIBUTION PROJECTIONS



***To the extent that the actual plan experience deviates from the underlying assumptions and the demographics of the plan membership changes, the results will vary accordingly. Any changes to the plan provisions would also affect the results.

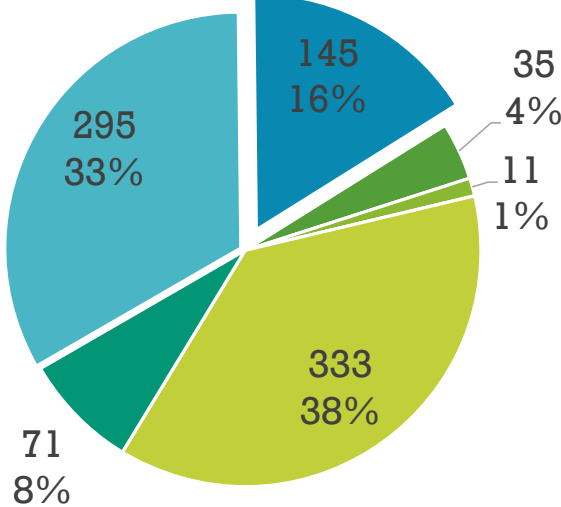
PLAN TIER MEMBER COUNT

General Plan Member Count



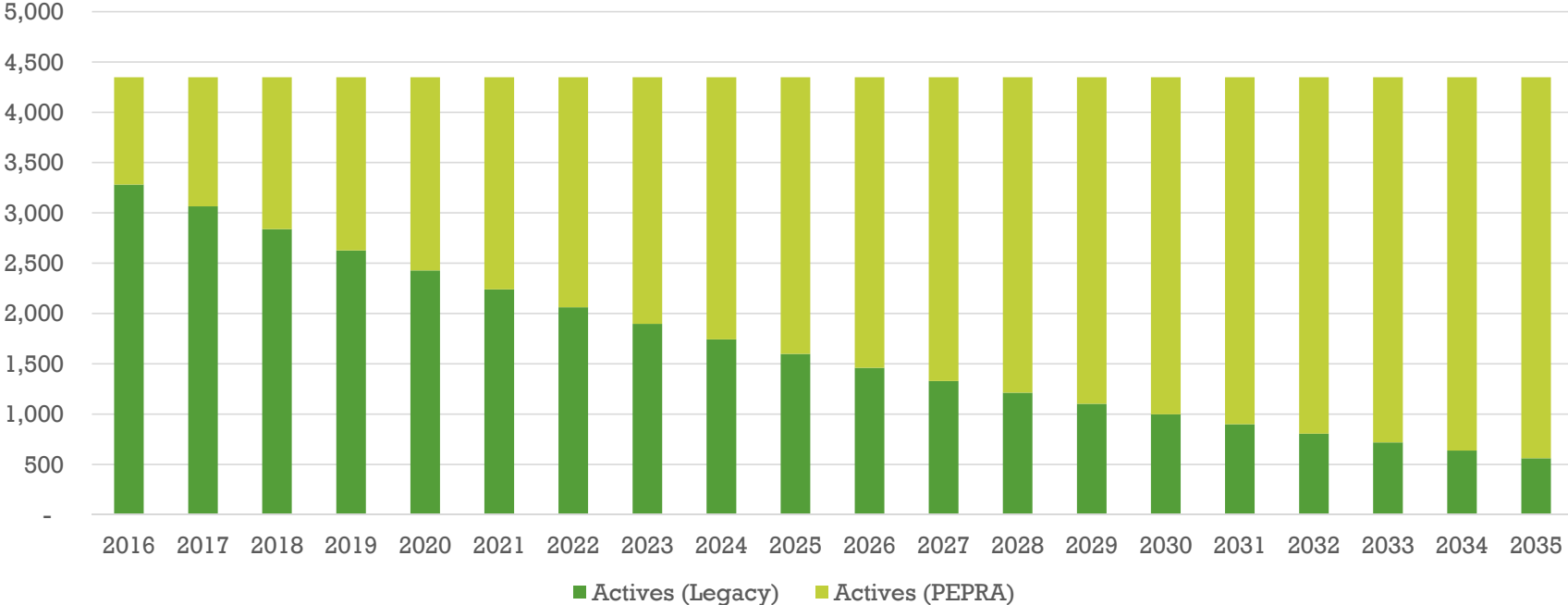
- General Plan 5A
- General Plan 5B
- General Plan 5C
- General Plan 7
- General Plan 8

Safety Plan Member Count



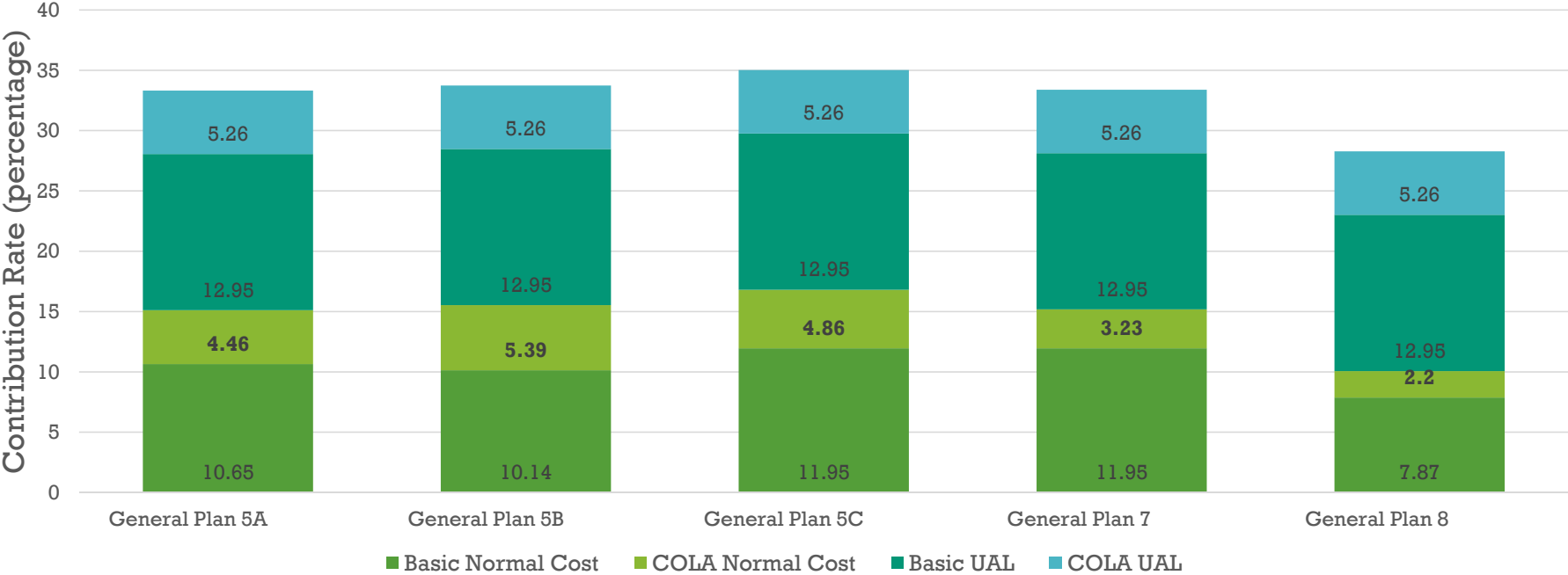
- Safety Plan 4A
- Safety Plan 4B
- Safety Plan 4C
- Safety Plan 6A
- Safety Plan 6B
- Safety Plan 8

PLAN MEMBER PROJECTIONS

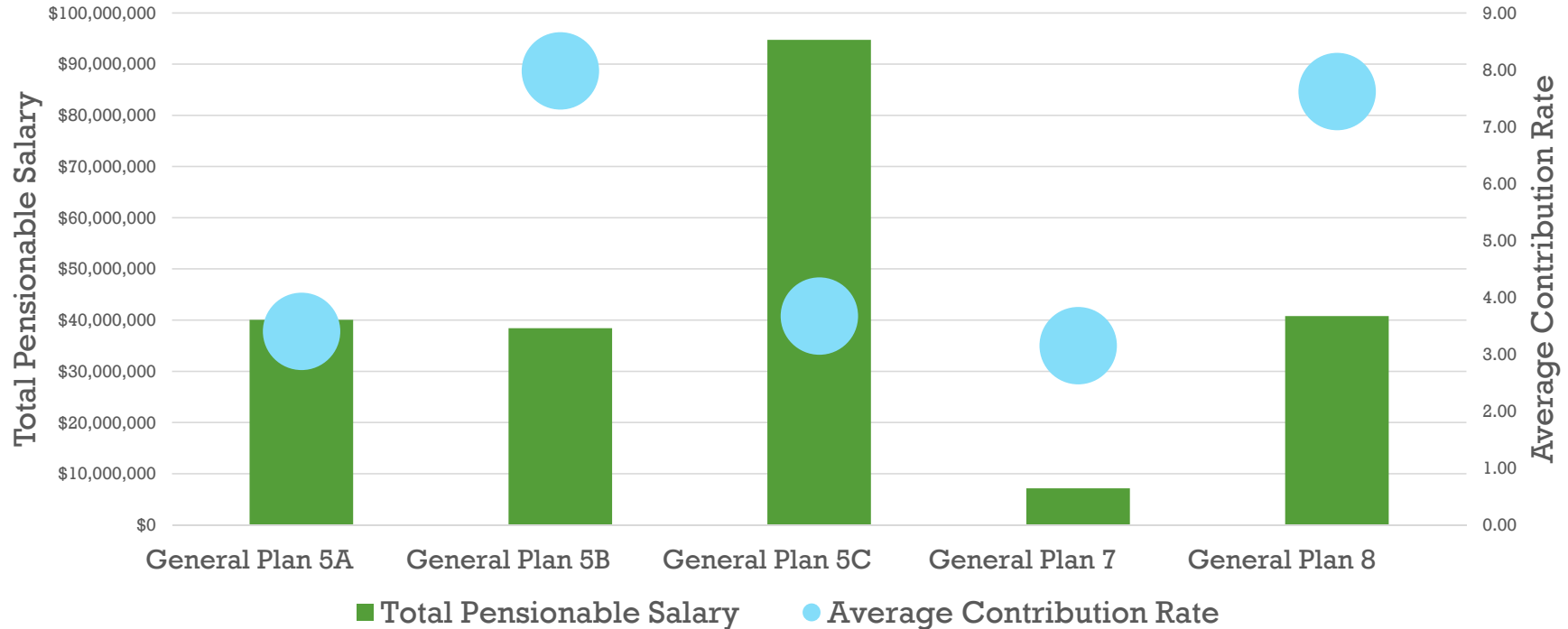


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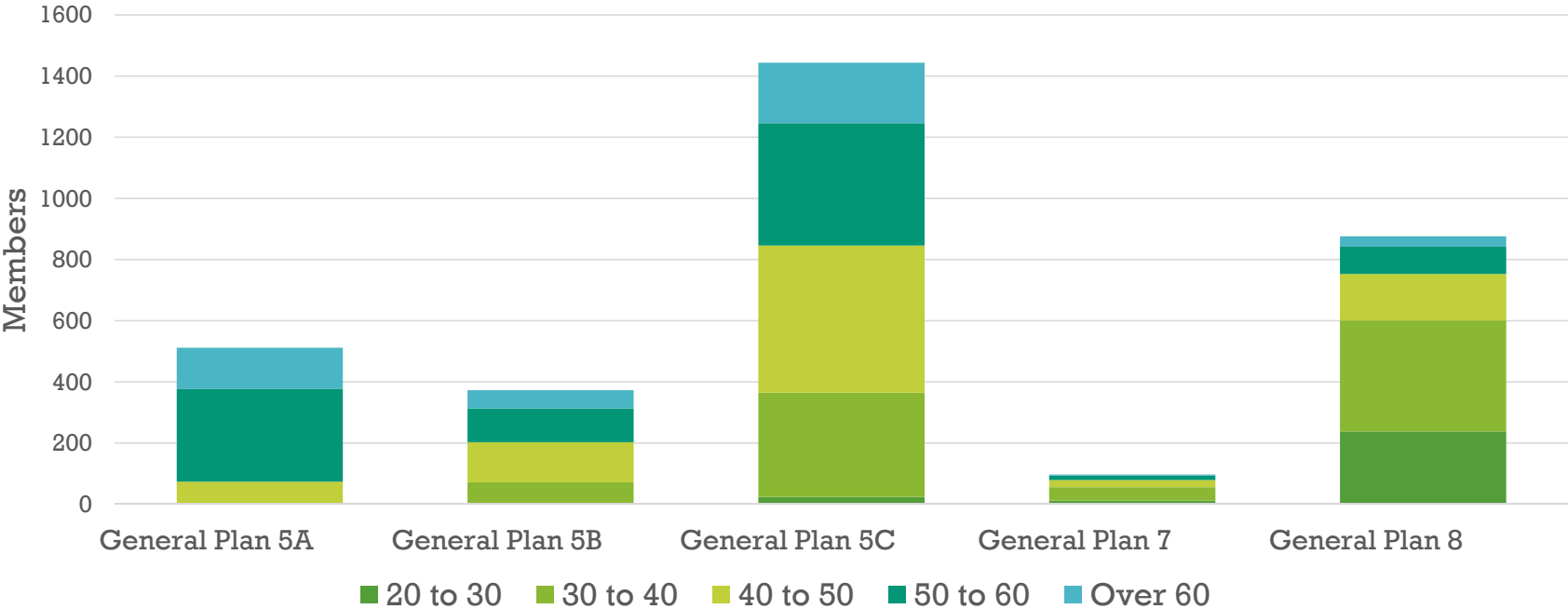
EMPLOYER RATE COMPOSITION FOR GENERAL PLANS



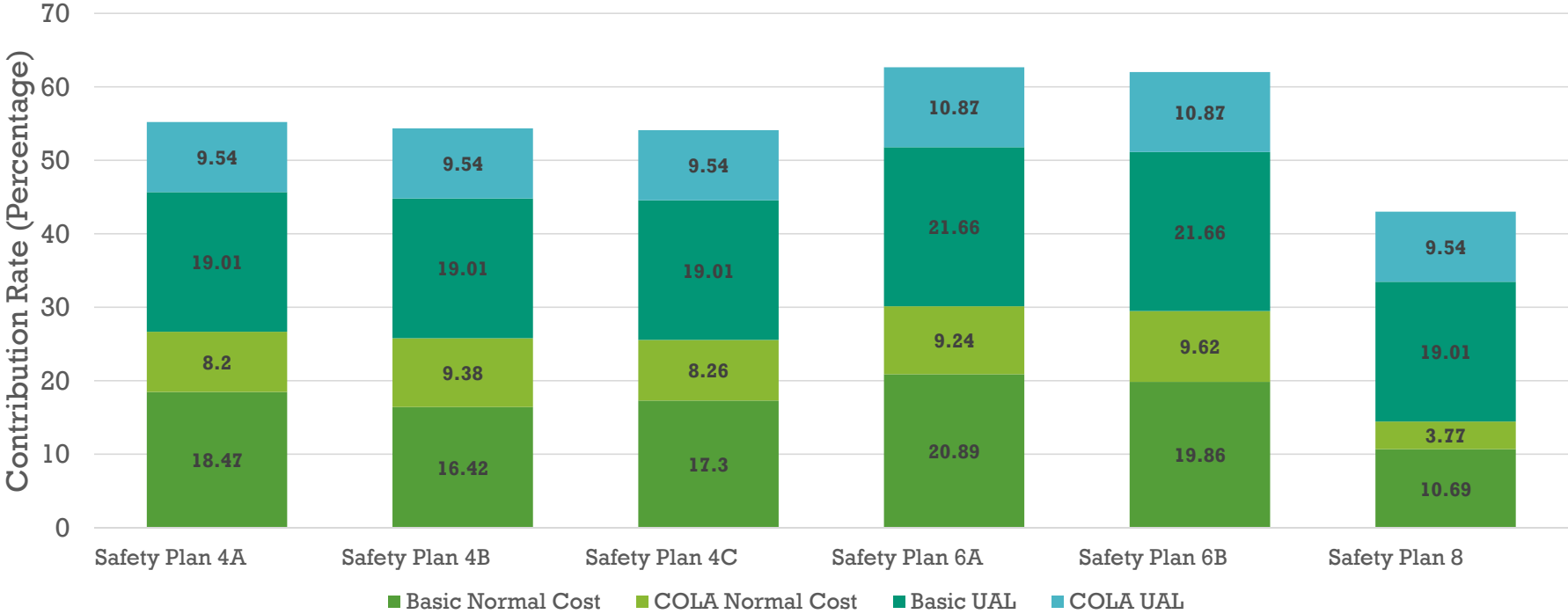
GENERAL SALARY AND EMPLOYEE CONTRIBUTION RATES BY PLAN TIER



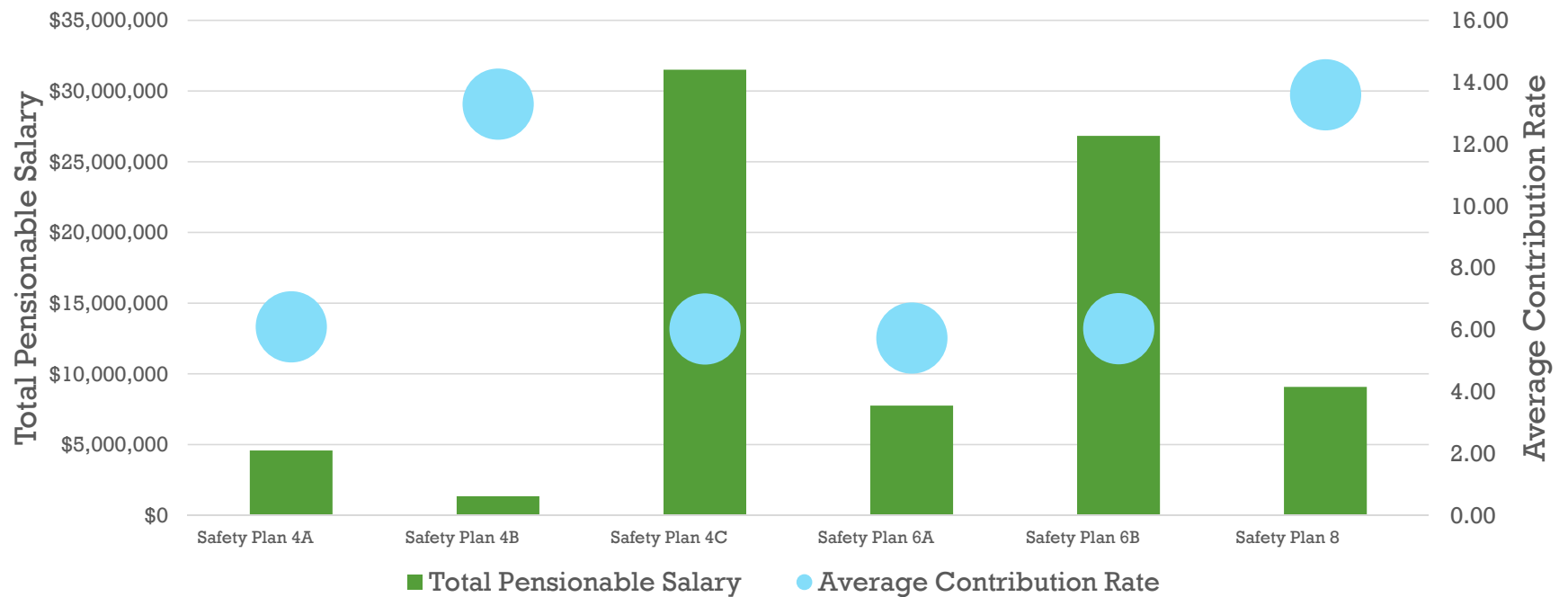
AGE DISTRIBUTION OF GENERAL PLANS



EMPLOYER RATE COMPOSITION FOR SAFETY PLANS



SAFETY SALARY AND EMPLOYEE CONTRIBUTIONS



AGE DISTRIBUTION OF SAFETY PLANS

