SANTA BARBARA COUNTY
BOARD AGENDA LETTER

Clerk of the Board of Supervisors
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Agenda Number:	
Prepared on:	4/10/06
Department Name:	CEO
Department No.:	012
Agenda Date:	4/18/06
Placement:	Administrative
Estimate Time:	15 mins on 5/2/06
Continued Item:	NO
If Yes, date from:	

TO: Board of Supervisors

FROM: Michael F. Brown, County Executive Officer
Robert Geis, Auditor-Controller

STAFF CONTACT: Jim Laponis, Deputy County Executive Officer
Betsy Schaffer, Chief Deputy Controller

SUBJECT: Current Actuarial Evaluation and Status Update on an Independent Evaluation of the Santa Barbara County Employees' Retirement System

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Recommendations:

That the Board of Supervisors:

Set May 2, 2006, as the date to receive and file a status update on an evaluation of the Santa Barbara County Employees' Retirement System (SBCERS). Estimated time is approximately 15 minutes.

Executive Summary and Discussion:

Current Actuarial Evaluation
The Board of Retirement has completed its actuarial valuation of the Santa Barbara County Employees' Retirement System (SBCERS). As a result of its recent valuation, new contribution rates will be imposed on the participants of the plan. Section 31453 of the California Government Code pertaining County Employees Retirement Law of 1937 requires that the actuarial valuation be presented to the Board of Supervisors at least 45 days before the beginning of the fiscal year for which the new rates will be effective. The Board of Retirement is submitting a report including an actuarial valuation and recommended new rates for Fiscal Year 2006-07 as a separate matter for consideration on the agenda of May 2, 2006. The report was originally to be presented for consideration by the Board of Supervisors on January 17, 2006, but the item setting the presentation was withdrawn from the January 10, 2006, agenda upon motion by Supervisor Firestone, seconded by Supervisor Carbajal and carried unanimously.

Government Code Section 31454 (a) (Employees Retirement Law) states that "The board of supervisors shall, not later that 90 days after the beginning of the immediately succeeding fiscal year, adjust the rates of interest, the rates of contributions of members, and county and district appropriations in accordance with the recommendation of the (retirement) board…." The CEO and Auditor-Controller consider it prudent to implement the new rates effective the beginning of the next fiscal year as has historically been done. The reason for recommending adopting the rates now to be effective at the beginning of Fiscal Year 2006-07 is that waiting would only delay appropriate funding thereby increasing the unfunded liability of the Retirement System.

Status Update on an Independent Evaluation

On January 10, 2006, the Board requested that the County Executive Officer (CEO) and Auditor-Controller seek an independent evaluation of SBCERS. Accordingly, the CEO and the Auditor-Controller developed a scope of work and initiated a request for proposal process from qualified professional firms including actuaries, forensic accounting, and certified public accounting firms. Four responses to the request have been received from three actuarial firms and one forensic accounting firm partnering with an actuary firm.

The CEO and Auditor-Controller are negotiating with one firm to provide for an overall expert opinion on the adequacy of: 1) the financial status of the County's retirement system, 2) the system's current funding practices, 3) the system's actuarial assumptions used to project liabilities and funding rates, and 4) the overall accounting, actuarial, and administrative transparency of the system's policies and practices.

The expert opinion should represent both the basic pension benefit and all other post employment benefits. Additionally, an evaluation of the calculation and use of "excess earnings" as described in County Employees Retirement Law will be part of the firm's report on funding practices.

Completion of the independent evaluation is anticipated within 120 days of contract execution and delivery of the final report is estimated by October 2006. Another reason for the estimated October delivery date is to allow for the evaluation of the methodology and actuarial assumptions by the SBCERS actuary for determining the actuarial liability related to other post employment benefits. This is now required for the first time under GASB 43/45 and is to be implemented by SBCERS for the fiscal year ending June 30, 2006.

In addition, on February 21, 2006, the Board of Supervisors directed the County Executive Officer to request actuarial valuations, for the purpose of cost-benefit comparison, from the California Public Employees Retirement System (CalPERS). It is anticipated that this information will be available later this year and in time to be included in the report concerning the results of the independent evaluation of SBCERS next Fall.

Mandates and Service Levels:
Section 31453 of the California Government Code pertaining to County Employees Retirement Law requires that an actuarial valuation be presented to the Board of Supervisors at least 45 days before the beginning of the fiscal year for which the new rates will be effective.

Fiscal and Facilities Impacts:
The cost of the independent evaluation of SBCERS is estimated at $50,000 and the cost of the CalPERS study at approximately $10,000 to $14,000. These costs, when compared to the current annual employer contribution of over $51 million to SBCERS, would appear to be a good investment to analyze current financial information provided by SBCERS to the Board of Supervisors. The current employer retirement contribution rate is 18.11% of covered payroll; the new Retirement Board recommended rate for Fiscal Year 2006-07 is 19.78% funding for which is budgeted.

cc: Susan Paul, Assistant CEO/HR Director
Oscar Peters, Employees' Retirement System Administrator