



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: May 19, 2020
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 Info: Jeff Frapwell, Assistant CEO - Budget Director
SUBJECT: Adoption of Fiscal Year 2020-21 Employer and Member Contribution Rates

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

- a) That the Board of Supervisors, pursuant to Government Code Section 31454, adopts the Fiscal Year 2020-2021 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 January 22, 2020, with an effective date of July 1, 2020 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, 2020 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 set an overall employer contribution rate of 41.44% prior to negotiated employee offsets of the County contribution rate. This is a 1.42% contribution rate increase from the Fiscal Year 2019-2020 rate of 40.02%. Negotiated employee offsets are expected to reduce the net overall employer contribution rate by 2.11% to 39.33%, an increase of .86% from the prior year net contribution rate of 38.47%. The Fiscal Year 2020-2021 Recommended Budget, currently under development, will include these expected retirement contribution rates. SBCERS reports that adjusting the rates of contribution as recommended will not reduce the individual benefits provided by either the County Employee Retirement Act of 1937 or the California Public Employees' Pension Reform Act (PEPRA) of 2013.

The Board of Retirement took action at its January 22, 2020 meeting to accept and approve the valuation and recommend the rates of contribution for approval to the Board of Supervisors.

Background:

In correspondence dated April 28, 2020, 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, 2019 Actuarial Valuation are included in Attachment B.

Because the Actuarial Valuation is as of June 30, 2019, the rates do not include COVID-19 market impacts. Those impacts will be included in the next actuarial valuation, to be conducted in fall of 2020, and will be reflected in the County's FY 2021-2022 budget. Any impacts on the rates due to market returns either above or below the assumed rate of return will be smoothed in over a five-year period.

Fiscal and Facilities Impacts:

The Fiscal Year 2020-2021 Recommended Budget will include the employer contribution rates and employee offsets discussed above. Although the 2020-2021 budget is still in development, estimates show budgeted retirement costs of \$159.1 million and employee offsets of \$7.5 million, for a net budgeted cost to the County of \$151.6 million. This is an increase of \$8.6 million (or 6.0%) from the Fiscal Year 2019-2020 Adopted Budget County net retirement contribution of \$143.0 million.

Attachments:

Attachment A – April 30, 2020 Correspondence from SBCERS to County

Attachment B - June 30, 2019 Actuarial Valuation Report

Authored by:

Paul Clementi, CEO Fiscal & Policy Analyst

cc:

Betsy Schaffer, CPA, CPFO Auditor-Controller

Michael C. Ghizzoni, County Counsel

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Greg Levin, SBCERS, Executive Officer