

# 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:** 3/9/04  
**Department Name:** Human Resources  
**Department No.:** 064  
**Agenda Date:** 3/23/04  
**Placement:** Administrative  
**Estimate Time:**  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors

**FROM:** Scott Ullery, Deputy County Administrator

**STAFF CONTACT:** Lila Deeds, Employee Relations Manager  
568-2819

**SUBJECT:** Resolution Adopting Government Code Provisions for Additional Retirement Credit

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## **Recommendation(s):**

That the Board of Supervisors:

Adopt a resolution adopting Government Code Sections 31658 and 31485.7, authorizing purchase of additional retirement credit by members of the County Employees' Retirement System.

## **Alignment with Board Strategic Plan:**

The recommendation(s) are primarily aligned with Goal No. 3. A Strong, Professionally Managed County Organization.

## **Executive Summary and Discussion:**

State legislation (Assembly Bill 55) was enacted last year which allows, subject to local adoption by a Board of Supervisors, active members of 1937 Act retirement systems to purchase up to five years of "additional retirement credit." Additional retirement credit refers to time that does not otherwise qualify as public service, military service, medical leave or any other time recognized for service credit by the retirement system. Service credit purchased under these provisions may not be counted toward minimum eligibility for retirement, but instead increases the member's service credit for purposes of calculating retirement benefits.

Based on previous Board direction, staff proposed and has reached agreement with all recognized employee organizations for the implementation of this benefit. Pursuant to these agreements, the recommended resolution will make the benefit available to members of the Santa Barbara County Employees' Retirement

System, subject to administration by the Board of Retirement. Government Code Section 31658 authorizes members to purchase additional retirement credit, and Government Code Section 31485.7 allows such purchases to be completed within 120 days following retirement (facilitating transfer of funds from deferred compensation accounts).

**Fiscal and Facilities Impacts:**

In accordance with the Government Code, the full cost of additional service credit is the responsibility of the employee electing to purchase service credit, and by law must “not place any additional financial burden upon the retirement system.” The Retirement Administrator, working with the Retirement System’s actuary, has developed a methodology and pricing model for individuals interested in purchasing this benefit. A report from the Retirement System’s Actuary was presented at your Board’s March 9 meeting confirming that the proposed methodology is based upon conservative assumptions and is consistent with the “no additional financial burden” requirement (see attached letter from Michael Moehle to Oscar Peters, February 25, 2004). The methodology will be presented to the Board of Retirement for its consideration and adoption on March 17. Actuarial assumptions will be periodically reviewed in light of actual experience and subject to adjustment by the Board of Retirement in order to sustain additional retirement credit as a member-paid benefit.

While the actuarial model determined that the costs of this benefit will not financially burden the retirement system “at the time of commencement of purchase,” the frequency, direction and magnitude of future adjustments cannot be predicted. Risk factors that could increase County costs include (1) a long-term rate of return of less than 8% (a greater return would reduce the County’s costs); (2) the County adopting enhanced retirement benefits for any active members that had purchased the additional retirement credit (the County would assume the incremental costs for those members); and (3) the County granting average annual salary increases in excess of 5.5% over the remainder of the careers of active members that had purchased the additional credit. The Retirement Administrator reports that he has discussed these risks with all recognized employee organizations.

The cost for the Actuary’s assistance in developing the methodology and pricing model is \$5,500, to be reimbursed by the County to the Retirement System.

**Special Instructions:**

Please return one copy of the signed resolution to Lila Deeds in the Human Resources Department.

Attachment

cc: Retirement Administrator  
All Department Heads  
All Recognized Employee Organizations  
Executive Association  
Management Association