



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

3916 State Street, Suite 100

Santa Barbara, CA 93105

www.sbcers.org

SBCERS 

INTRODUCTION

Dear Members,

We are pleased to present to you a new annual report designed to provide you more information about the Santa Barbara County Employees' Retirement System.

During the past year, SBCERS has focused on enhancing your member experience and demonstrating the positive impact SBCERS makes in our community. We are doing this by expanding our monthly email newsletter content to include more information about our team at SBCERS and working with County departments and non-profit organizations to include information about local volunteer and employment opportunities. Our goal is to enable you to stay engaged and continue your community commitment outside of your employment with our plan sponsors and through retirement. Highlighting the civic contributions of our membership demonstrates the positive impact we have on the community and the community benefit that comes from having a well-run and sustainable retirement system.

Beyond improving communication, over the past year we have continued to build upon our strong fiduciary commitment to our membership and Santa Barbara County. Upon review of the report you will see that we have enjoyed positive investment returns and that we are in a strong financial position while using conservative economic assumptions. As a member, you should be confident that SBCERS is strongly positioned to provide retirement security to our members far into the future.

Speaking of the future, this fall we will complete a four-year project to upgrade our pension administration software. Our new system will allow us to expand the services we offer online to our membership and enable a faster and more responsive approach to member service. We will continue to roll out new service features including the ability to issue payment advices on demand, submit account change requests and schedule appointments on-line. These are just some of the many improvements that we have been working on as we modernize our operations.

Your membership in SBCERS is one of the most valuable rewards you will receive from dedicating your career to public service. At SBCERS we are your partner throughout your career and post-career life. We are dedicated to serving as a fiduciary to you and your loved ones. We hope you will take some time to review this report.

Please don't hesitate to contact us if you have any questions about your retirement benefits and please sign up for our monthly newsletter at www.sbcers.org so that we can stay in touch with you.

Sincerely,



Greg Levin, CPA
Chief Executive Officer

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Found on page 6

\$3 Billion

In assets available for members

\$167 Million

Total Contributions

Found on page 7

\$177 Million

Total paid to retired members &
beneficiaries

\$223.7 Million

Resulted from 7.8% earned on
investments

Found on page 13

10,279 Members

Successfully served

288 New Active

Members

232 Members

Retired



ABOUT SBCERS

SBCERS was established on January 1, 1944 to provide service retirement, disability, death, and survivor benefits for County of Santa Barbara employees and ten contracting employers. You can find more information about membership on page 12. Members include all permanent full and part-time employees of the County, the Santa Barbara County Superior Court, and nine special districts. SBCERS also administers an Other Post-Employment Benefit Trust (OPEB) or 401(h) Retiree Health Medical Trust Fund that was established in September 2008.

SBCERS PLAN SPONSORS

Sponsor	Membership
County of Santa Barbara	93.46%
Santa Barbara County Superior Court	3.75%
Santa Barbara County Air Pollution Control District	1.03%
Carpinteria-Summerland Fire Protection District	0.84%
Santa Barbara County Association of Governments	0.41%
Santa Maria Cemetery District	0.15%
Mosquito & Vector Management District of Santa Barbara County*	0.11%
Goleta Cemetery District	0.09%
Summerland Sanitary District	0.08%
Carpinteria Cemetery District	0.04%
Oak Hill Cemetery District*	0.04%

* These districts do not participate in the Other Post-Employment Benefit Plan.



The Santa Barbara County Employees' Retirement System is committed to fulfilling its fiduciary responsibility by providing the highest quality of service to all members and plan sponsors, and protecting promised benefits through prudent investing, while ensuring reasonable expenses of administration.

BOARD OF RETIREMENT

(as of January 1, 2019)

Frederick Tan, Chair

Elected by Safety Members

Harry Hagen, Vice Chair

County Treasurer, Ex-Officio Member

Pancho Occiano II, Secretary

Elected by General Members

Laura Robinson

Elected by General Members

Trent Benedetti

Appointed by Board of Supervisors

Michael Vidal

Appointed by Board of Supervisors

5th District Supervisor Steve Lavagnino

Appointed by Board of Supervisors

Zandra Cholmondeley

Elected by Retired Members

Ted Sten

Appointed by Board of Supervisors

Ryan Sullivan, Alternate

Elected by Safety Members

Gary Blair, Alternate

Elected by Retired Members

OUR ACHIEVEMENTS

Member Services

Your membership in the Santa Barbara County Employees' Retirement System is a valuable benefit. Retirement income security is one of the greatest challenges facing our country and research shows that many Americans worry about their ability to have a dignified retirement. A 2008 study by Ernst and Young found that three out of five middle-class new retirees will outlive their financial assets. The study cited the decline of guaranteed sources of retirement income and the fact that nearly half of older Americans lack employer-based retirement plans, which greatly contributes to increased retirement risk.

As a member of SBCERS you have access to a secure and sustainable retirement plan that provides guaranteed income and will become a key part of your retirement income. With proper planning and access to other complimentary retirement savings vehicles, you can retire in confidence.

Providing our members with increased retirement security benefits the community by encouraging public service and helping our plan sponsors attract and retain the highest quality employees. Almost every retirement we process enables a pathway for advancement and development of active membership because it creates an opportunity for another member to move to the next level of their career or, a new member to begin a career dedicated to public service.

During the fiscal year, SBCERS Member Services team processed 266 retirements and continuances, and provided Pre-Retirement Workshops in Santa Barbara and Santa Maria to nearly 200 employees.

Investments

SBCERS is responsible for the County defined benefit retirement plan (Pension Plan), which provides retirement benefits, and administers the Other Post-Employment Benefit Trust (OPEB Trust), which provides healthcare benefits for retirees.

The pension fund experienced a market rate of return of 7.8% (net of fees), for the year ended June 30, 2018. As of June 30, 2018, the SBCERS Net Position Restricted for Benefits was \$3 billion. SBCERS Net position grew by \$206 million during the fiscal year mostly due to the growth of SBCERS' investments.

Assets in the Other Post-Employment Benefit (OPEB) Trust, or the 401(h) Retiree Health Medical Trust Fund, are invested separately from pension assets. The retiree health fund experienced a market rate of return of 8.07% for the year ended June 30, 2018.

Disability Retirement

Disability retirement benefits are available to eligible members who are permanently unable to return to work due to a medical condition.

During the fiscal year, the Board of Retirement made 31 final determinations on disability requirement applications. Please visit www.sbcers.org for more information.



On average, our members are 32.5 years old when they join SBCERS.

The average age at retirement is 59 years old.

The average age of an SBCERS retired member is 70 years old.

About 68 cents of every dollar paid out by SBCERS is paid to a Santa Barbara County resident. In 2019, almost \$100 million will be invested back into our community.

FINANCIAL RESULTS

The following tables present a condensed comparative summary of SBCERS' current and prior years Net Position Restricted for Benefits and Changes in Fiduciary Net Position for the Pension and Other Post-Employment Benefit Plans, combined. Please refer to the SBCERS Comprehensive Annual Financial Report (CAFR) in order to view the Pension and Other Post-Employment Benefit Plans separately. The CAFR can be found on the Forms and Publications page at www.sbcers.org.

The Statement of Fiduciary Net Position

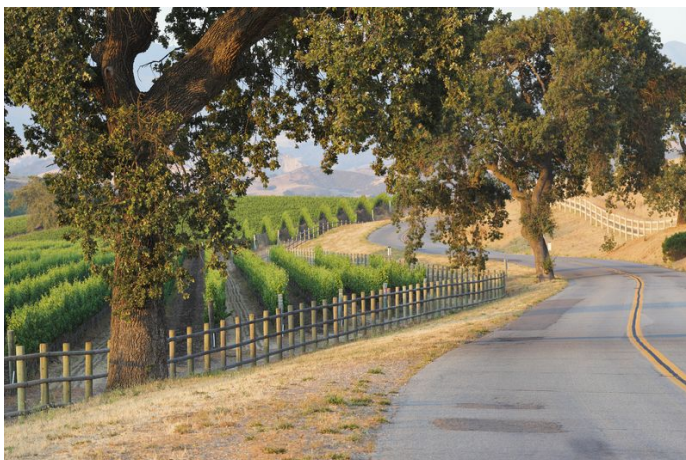
This chart summarizes assets and liabilities, with the difference between the two reported as net position restricted for benefits.

Fiduciary Net Position

(Dollars in thousands)

For the fiscal years ended	June 30, 2018	June 30, 2017	Percent Change
Cash & Investments	\$ 3,008,454	\$ 2,817,680	6.6%
Securities Lent	23,454	29,375	(20.2%)
Prepays & Receivables	26,129	42,728	(38.9%)
Total Assets	\$ 3,058,037	\$ 2,889,783	5.7%
Securities Lent	23,454	29,375	(20.2%)
Other Liabilities	13,509	45,519	(70.3%)
Total Liabilities	\$ 36,963	\$ 74,894	(50.6%)
Net Position Restricted For Benefits	\$ 3,021,074	\$ 2,814,889	7.3%

 This amount represents the assets available for future payments to retirees and their beneficiaries.



FINANCIAL RESULTS (cont'd)

The Statement of Changes in Fiduciary Net Position

This chart summarizes how SBCERS' Net Position changed during the fiscal year, displaying increases or decreases in contributions, net investment return, benefits paid, and administrative costs.

Changes in Fiduciary Net Position

(Dollars in thousands)

For the fiscal years ended	June 30, 2018	June 30, 2017	Change	% Change
Contributions	\$ 167,026	\$ 156,571	\$ 10,455	6.7%
Net Investment Income	223,665	264,092	(40,427)	(15.3%)
Net Securities Income	405	334	71	21.3%
Other	660	646	14	2.2%
Total Additions	\$ 391,756	\$ 421,643	\$ (29,887)	(7.1%)
Benefits Paid	177,417	162,170	15,247	9.4%
Member Withdrawals	1,374	1,044	330	31.6%
Administrative Expenses	6,780	6,110	670	11.0%
Total Deductions	\$ 185,571	\$ 169,324	\$ 16,247	9.6%
Increase in Net Position	\$ 206,185	\$ 252,319	\$ (46,134)	(18.3%)
Net Position Restricted For Benefits				
Beginning of Year	\$ 2,814,889	\$ 2,562,570	\$ 252,319	9.8%
Net Increase in Net Position	206,185	252,319	(46,134)	(18.3%)
END OF YEAR	\$ 3,021,074	\$ 2,814,889	\$ 206,185	7.3%

SBCERS received \$167,026,000 in Contributions and paid \$177,417,000 for member benefits.

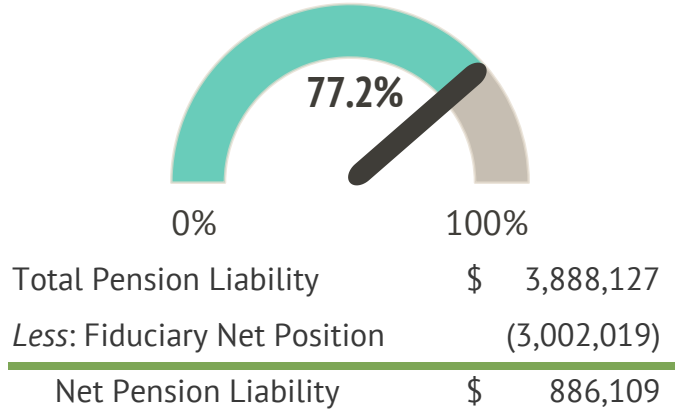
The total net position restricted for benefits is \$3.0 billion. Net position increased by 7.3% or \$206 million from fiscal year ending June 30, 2017. Changes in net position are primarily due to increases in contributions and positive investment income. Contributions increased by 6.7% or \$10.5 million. The pension plan investment income increased 7.8% or \$184 million, and the OPEB plan investment income increased 8.1% or \$6.2 million. Net investment income decreased from 2017 due to overall investment market conditions, which were more robust in the previous year.

At the end of the 2017-2018 fiscal year, SBCERS exceeded its assumed rate of return. In 2016, SBCERS adopted a 7.0% long-term expected rate of return on pension plan investments.

PENSION FUNDED STATUS

Funded status represents the Fiduciary Net Position as a percentage of Total Pension Liability. It measures the Pension Plan's funding progress throughout the years.

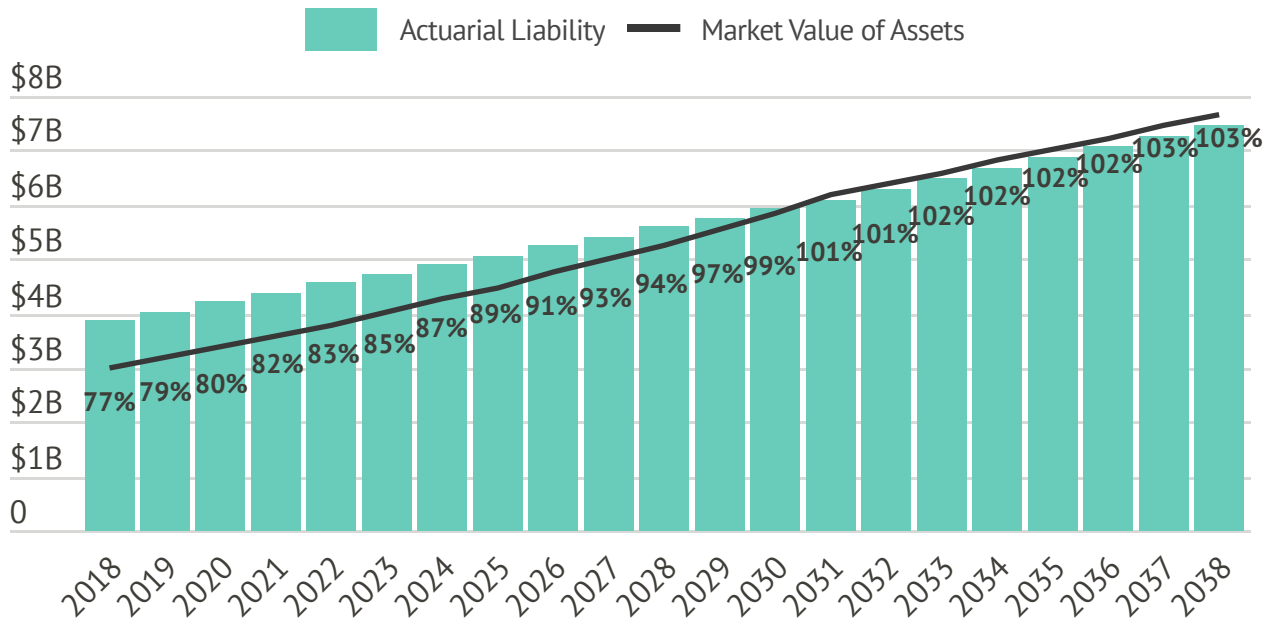
2018 Funded Status at Market Value
(Dollars in thousands)



Fiscal year ended June 30, 2018 resulted in a \$14.9 million decrease in Net Pension Liability, primarily due to steady investment returns and amortization payments made by Plan Sponsors.

Projected Future Pension Funded Status

The following graph shows the projection of assets and liabilities assuming that assets will earn the 7.00% assumption each year. The percentages along the graph represent the funded ratio or status of the System.



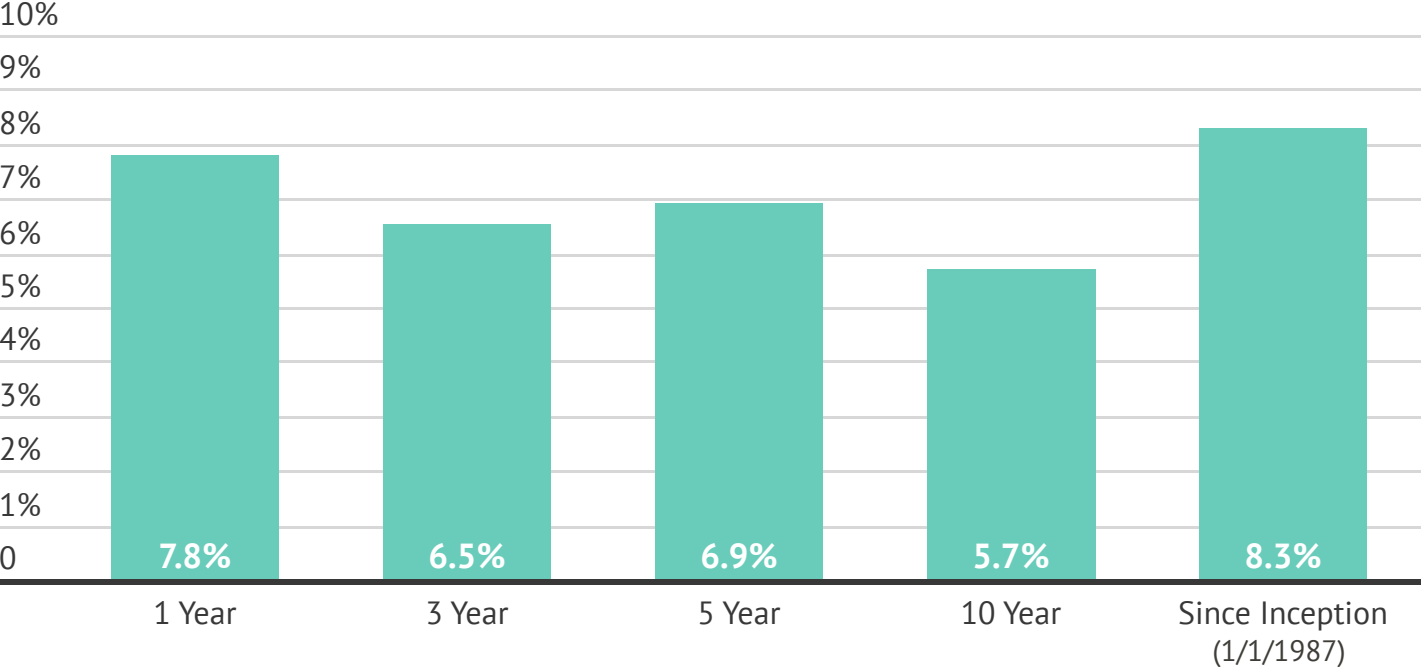
Based on the currently adopted assumptions, the projected funded status is predicted to reach 101% in 2031. Please note that it is the actual return on System assets that will determine the future funding status and contribution rate to the Fund.

INVESTMENTS

During the fiscal year ending June 30, 2018, the fund returned 7.8% (net of fees) which was more than the assumed rate of return of 7.0%. Performance during the year was driven by allocations to U.S Equity and Private Equity, which returned 15.5% and 15.7% respectively.

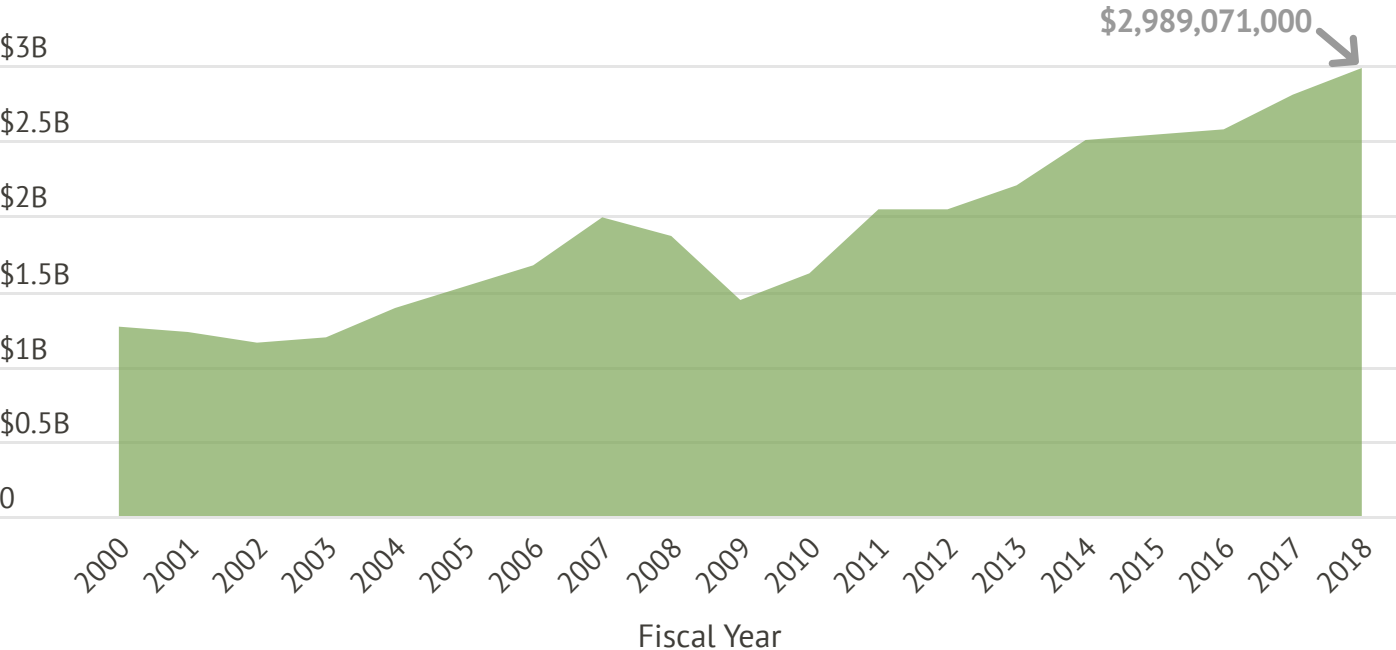
Portfolio Returns

The graph below shows SBCERS' performance for the years following the fund's inception date.



Total Investment Portfolio Growth

The following graph illustrates SBCERS' growing pension portfolio, excluding collateral held for securities lent.



INVESTMENTS (cont'd)

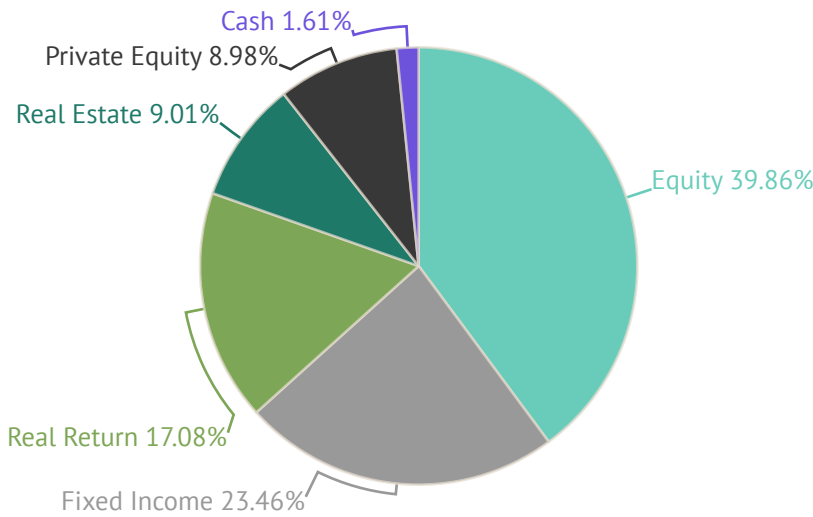
The portfolio is made up of investments to multiple types of assets. This diversification helps the portfolio to weather different market environments. The mix of assets in the portfolio is regularly evaluated by the Board of Retirement and the System's investment consultant. The current asset allocation was approved by the Board of Retirement in 2016 and the fund is within the target range for all allocations.

Pension Trust Asset Allocation

The following charts identifies the distribution of SBCERS investments based on pension portfolio allocation as of June 30, 2018.

Total Pension Cash & Investments \$2,989,071,000*

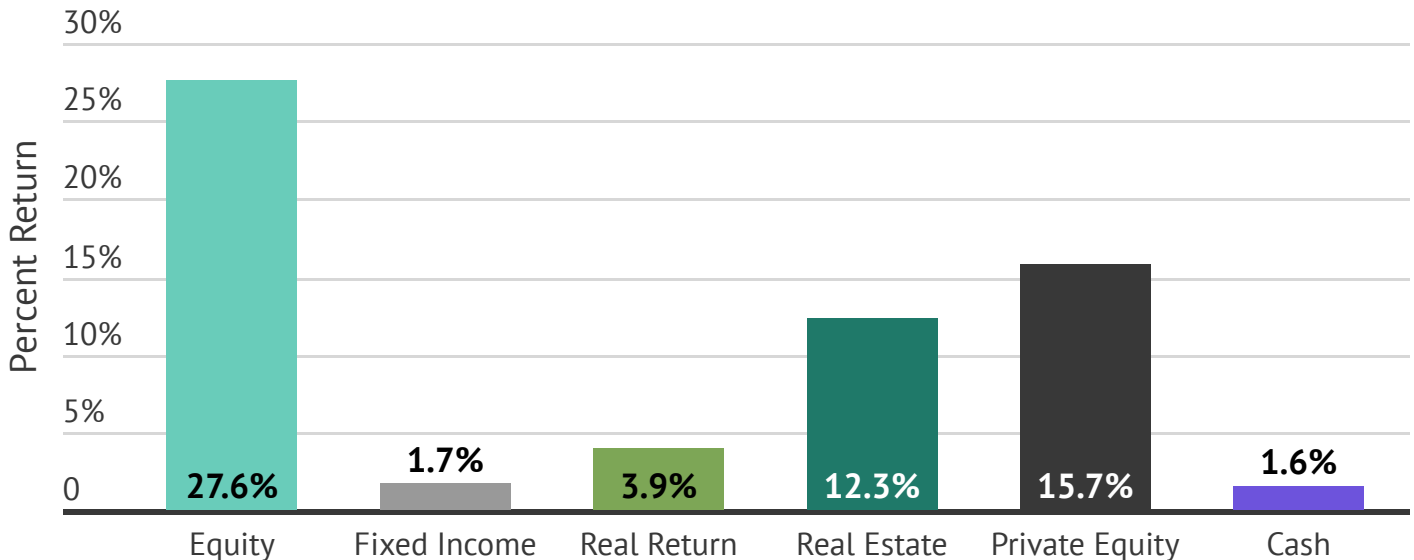
* not including collateral held for securities lent



Class	Amount
Equity	\$ 1,191,493,000
Fixed Income	701,209,000
Real Return	510,621,000
Real Estate	269,368,000
Private Equity	268,296,000
Cash	48,084,000
Total	\$ 2,989,071,000

Investment Results based on Fair Value

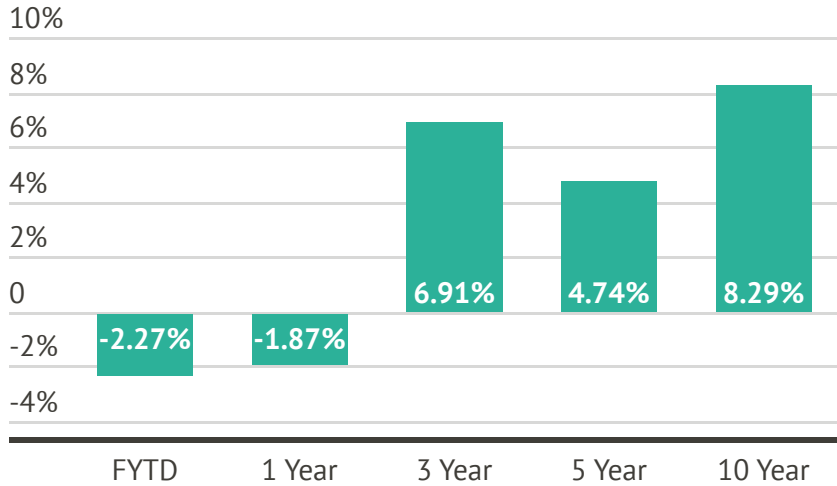
The graph below shows the one-year performance of SBCERS' pension portfolio by asset class for the year ending June 30, 2018 (net of fees).



Pension Trust Performance

Percent Return

As of December 31, 2018.



Asset Allocation

As of December 31, 2018.

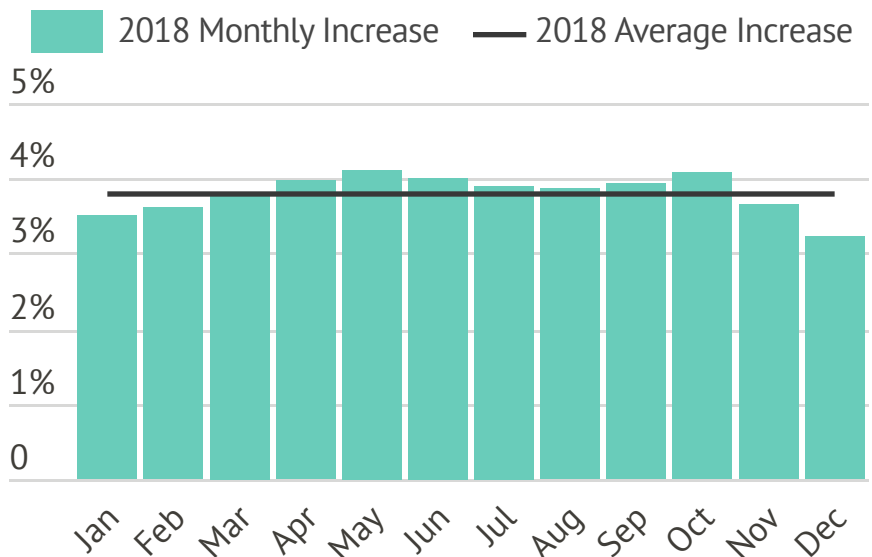
Class	Amount
Equity	\$ 1,111,469,000
Fixed Income	714,660,000
Real Return	505,261,000
Real Estate	263,504,000
Private Equity	281,284,000
Cash	12,872,000
Total	\$ 2,889,050,000

The first half of the 2018-2019 fiscal year has been a tale of two quarters. From July 1 through September 30 SBCERS performed well, earning a 2.37% return, led by economic growth in the US. However, during the fourth quarter volatility returned to the equity markets and returns were driven lower as a result of news regarding trade wars, Federal Reserve Bank policies and lower growth expectations. The majority of the market decline took place during the month of October. When the quarter was over, SBCERS fund had returned -4.54%. This brings our fiscal year to date performance to -2.27% as of December 31. While absolute performance was negative, SBCERS performed well compared to other plans. When compared to a national database of public pension funds, SBCERS' result is higher than 83% of similarly-sized funds.

Cost of Living Adjustment (COLA)

The Los Angeles Area Inflation averaged 3.81% over the 12 months of calendar year 2018.

County Employees Retirement Law provides that inflation should be rounded to the nearest half percent but limits COLA increases to 3.0% annually. As a result, a 3.0% COLA was adopted by the Santa Barbara County Board of Retirement and will take effect on May 1, 2019.



When the change is more than 3.0%, the excess amount is accumulated or "banked." The excess amount of COLA can be applied in future years when the approved COLA level is below 3.0%.

MEMBERSHIP

Membership as of June 30, 2018



4,519

Retired Members
& Beneficiaries



4,171

Active
Members



1,589

Deferred
Members

Retired Members & Beneficiaries are people who are currently receiving benefits from SBCERS. They include retirees, surviving spouses and others.

Average Annual Benefit Pay \$38,676

Average Age at Retirement 58.6

Average Age of Retirees 70.1

Active Members are people who are currently employed by our Plan Sponsor Agencies.

Average Annual Salary \$81,649

Average Age 44.9

Deferred Members are people who no longer work with our plan sponsor agencies but have established reciprocity or vested their benefit.

Average Age 45.5

Gender Composition of all Members



43%
Male



57%
Female

What are the best practices for retirement planning?

Consider the following variables that can impact your retirement benefit calculation:

TIMING

- ★ If you retire at age 62 and elect COBRA (continuation of your insurance), you may have a lower insurance premium until age 65, when Medicare rates apply.
- ★ Your benefit increases with each quarter-year of age until the age of 62 for General members, and either age 50 or 55 for Safety members, when the table used to calculate your retirement benefit maxes out. To learn more about age factors, please read your Summary Plan Document.
- ★ If you retire before April 1st of the year, you will receive the Retiree COLA (Cost of Living Adjustment) on your May 1st benefit payment.

FINAL AVERAGE SALARY

- ★ Step increases, promotion, or bargained special pay may impact your Final Average Salary.

SERVICE

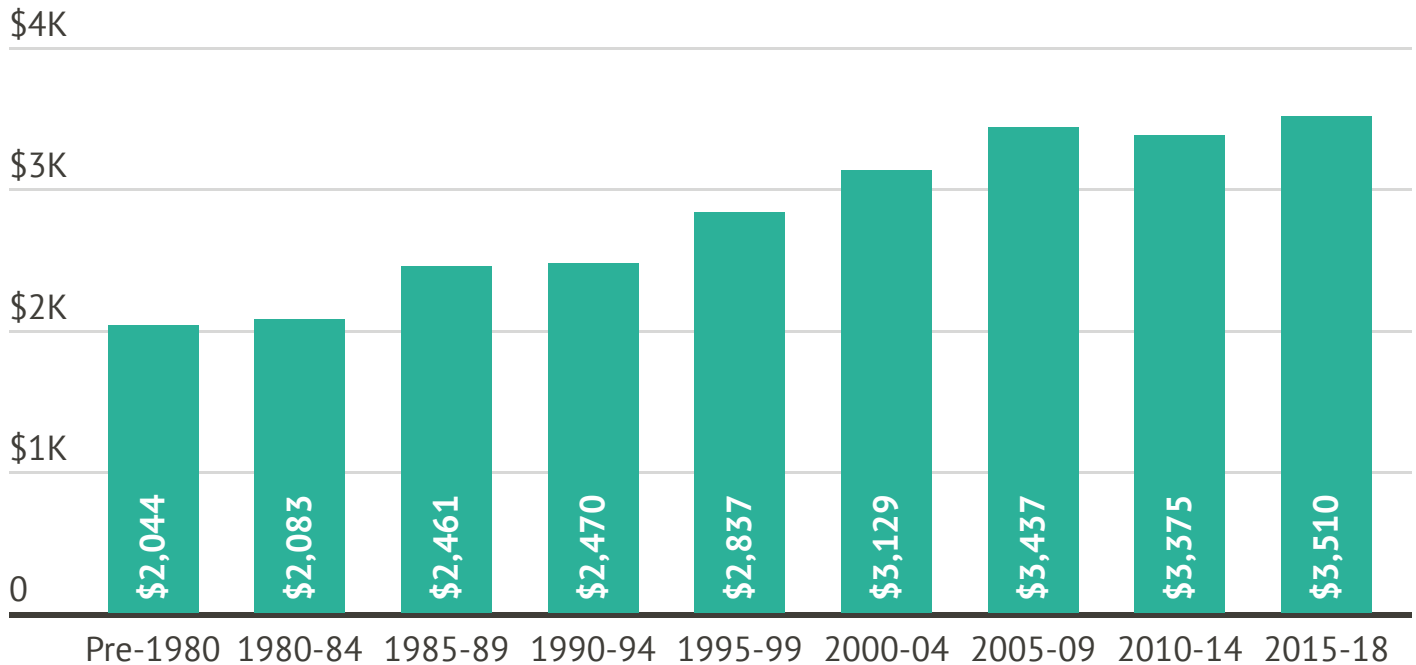
- ★ Save your sick time: unused Sick Leave of up to 2087 hours converts to a maximum of 1 year additional retirement service credit.
- ★ Purchase any eligible missing service credit (buybacks). Extra Help service prior to your SBCERS membership, Medical Leave of Absence (e.g., SDI), redepositing contributions from prior service, and layoff time are all items that may be purchased.

RECIPROCITY

- ★ If you were hired by Santa Barbara County within 180 days of leaving employment with a California public agency covered by a reciprocal retirement system then you may be eligible to establish reciprocity.

Call 1-877-568-2940 to learn more about your benefit

Average Monthly Benefit by Year of Retirement



As of June 30, 2018, SBCERS had 60 beneficiaries that retired prior to 1980. The average annual benefit of these members is \$24,528. Your future income security depends on successful financial planning and should involve more than just your SBCERS pension. Find out more about other Retirement Savings options with the county's 457 plan at www.empower-retirement.com.

Changes to Membership

Member Type	June 30, 2018	June 30, 2017
Retirees & Beneficiaries	4,519	4,375
Active Members	4,171	4,299
Deferred Members	1,589	1,463
Total Membership	10,279	10,137

Membership Statistics

(as of June 30, 2018)

232 Members Retired	431 Beneficiary Changes
288 New Active Members	228 Credit Purchases
68 Members Established Reciprocity	34 Continuances

Did you know?

You may be eligible to increase your retirement allowance by purchasing service credit if you...

- were employed by the County before becoming an SBCERS member (as "extra help," for example)
- were on a leave of absence without pay for medical reasons
- left employment with a Plan Sponsor, withdrew your contributions from the plan, and later rehired.

Questions?

**Contact SBCERS at
1-877-568-2940**

HEALTH BENEFITS Other Post-Employment Benefits (OPEB)

\$1,288 **Average Non-Medicare Retiree Premium Rate** paid by retirees younger than 65 years of age (not including dependents, vision, or dental).

\$650 **Average Medicare Retiree Premium Rate** paid by retirees older than 65 years of age (not including dependents, vision, or dental).

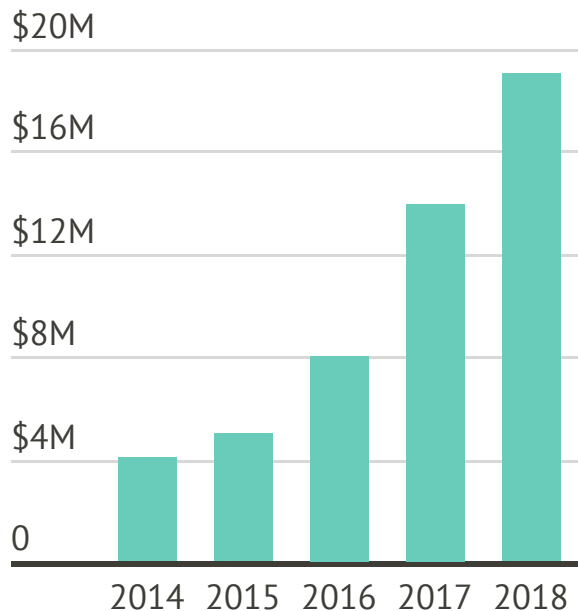
1,723 **Retirees enrolled in a sponsor qualified health plan** receive monthly subsidy of \$15 per year of service for medical premiums funded by the County.

2,445 **Retirees enrolled in the Healthcare Reimbursement Arrangement** receive monthly reimbursement subsidy of \$4 per year of service for qualified health care expenses.

557 **Insurance changes** were processed by Member Services in 2018 (including Open Enrollment).

Contact Member Services
if you have questions about your insurance at 1-877-568-2940.

Total OPEB Trust Assets Since 2014



OPEB Trust Assets

(Dollars in Thousands)

Assets as of June 30, 2017	\$ 13,988
Employer Contributions	13,119
Interest & Investment Income	989
Administrative Expenses	(429)
\$15/year of service health premium subsidy	(7,595)
\$4/year of service HRA subsidy	(1,455)
Total Benefit Payments	(9,040)
Admin. Expense Reimbursement	428
Total Assets as of June 30, 2018	\$ 19,055



Other Post-Employment Benefit Trust Assets increased 36% from 2017 to 2018. Increases are not just from investment performance, but also due to increased funding contributions by Plan Sponsors reflecting a commitment to a sustainable health plan. Santa Barbara County increased funding contributions to 4% of covered payroll, effective July 1, 2016.

MEET THE LEADERSHIP TEAM



Greg Levin, CPA
Chief Executive Officer

Greg graduated from UCSB with a degree in Business Economics. He first became a member of the System in 2002 as an employee of the Auditor-Controller's office. Greg has been the CEO of SBCERS since 2014. He lives in Santa Barbara with his wife and two children. Greg's favorite thing about working for SBCERS is the great friendships he has developed with colleagues and the opportunity to contribute to such a wonderful community.



Brian Richard
Assistant Chief Executive Officer

Brian graduated from UCSB with a degree in Business Economics. He became a member of the System in 1991 as an employee of the Auditor-Controller's Office. Brian left the County of Santa Barbara in early 2012 to be the Director of the Program Management Office at UCSB. Brian returned in 2015 to be a part the SBCERS team. He lives in the Goleta area with his wife and son and enjoys volunteering with local schools and other community organizations.



Lauren Thompson
Assistant Chief Executive Officer

Lauren first became a member of the System in 2014 when she joined SBCERS as an Investment Analyst. Prior to joining SBCERS, Lauren worked for RVK, Inc. in Portland, OR as a Manager Research Analyst. Lauren received her degree in Finance and Economics from Linfield College in McMinnville, OR. She currently resides in Santa Barbara with her husband and her two children.



Rebekah Bardakos
Member Services Director

Rebekah joined the System in 1995 when she began working at the Superior Court. She joined SBCERS Member Services Team in 2016. Rebekah values her work as an opportunity to serve our retirees and take care of the people who spent their career taking care of our community. Rebekah received her degree in Spanish from UCSB. She happily lives in the Goleta area with her family, and can often be found leading her PTA Arts Tribe, volunteering for local non-profits, or shopping Farmer's Market.



Cristal Rodriguez
Disability Program Manager

Cristal graduated from Cal Poly San Luis Obispo with a degree in Business Administration and has a graduate degree in Public Administration from the University of Southern California. Cristal joined the County in 2000 with the Public Health Department and transferred to SBCERS in 2005. She has served as Disability Program Manager since 2010. Cristal lives in Santa Maria and is currently pursuing a law degree with the Santa Barbara Colleges of Law. In her spare time, she enjoys volunteer work with County Animal Services and taking horse riding lessons.



Santa Barbara Office

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Suite 100
Santa Barbara, CA 93105

Santa Maria Office

2400 Professional Parkway
Suite 150
Santa Maria, CA 93455

Phone Number

1-877-568-2940

Website

www.sbcers.org

Contact Us

Monday - Friday
8:00 a.m. - 5:00 p.m.

Just like your fingerprint, your retirement account is unique.

Many life and career events can make your retirement plan assignment and pension benefit different, even from that of the coworker hired or retired the same day as you. Reciprocity, medical leave, employment changes throughout your career, divorce before or after you retire, and medicare eligibility all impact your retirement. If you have questions about your retirement, please contact SBCERS, so we can empower you with knowledge about your account and how to best prepare for retirement, or keep your account up to date after you've begun to enjoy your well-deserved, hard-earned benefit.

