



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 20, 2014  
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 – 568-3400   
Contact Tom Alvarez, Budget Director – 568-3400  
Info:  
**SUBJECT:** Adoption of Fiscal Year 2014-2015 Employer Contribution Rates

---

**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

- a) That the Board of Supervisors, pursuant to Government Code Section 31454, adopts the Fiscal Year 2014 -2015 employer contribution rates recommended by Cheiron, the Santa Barbara County Employees Retirement System (SBCERS) actuary and approved by the Board of Retirement on December 11, 2013, with an effective date of July 1, 2014 or for the payroll cycle in which that date occurs.

**Summary Text:**

The proposed action will set an overall employer contribution rate of 38.94%. This is a 0.64% rate increase from the Fiscal Year 2013-2014 rate of 38.30% and represents approximately a \$2.0 million or 1.6% increase in employer contribution for Fiscal Year 2014-2015. 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 of 2013.

**Background:**

In correspondence dated May 9, 2014, SBCERS requested that the recommended rates be brought to Board of Supervisors for adoption. The referenced correspondence is Attachment A to this item and contribution charts resulting from the June 30, 2013 Actuarial Valuation is included on Attachment B.

**Fiscal and Facilities Impacts:**

Assuming an approximate \$307.4 million of retirement eligible payroll, total estimated employer pension costs will increase by an additional \$3.5 million for Fiscal Year 2014-2015 over the prior year adopted contribution of \$116.2 million. The Fiscal Year 2014-2015 Recommended Operating Plan (budget) includes these expected retirement cost increases and uses a combination of increased revenues and continued expenditure control to secure funding for these appropriations.

**Attachments:**

Attachment A – May 9, 2014 Correspondence from SBCERS to County  
Attachment B - June 30, 2013 Actuarial Valuation Charts – Contributions

**Authored by:**

John Jayasinghe, CEO Fiscal & Policy Analyst

**cc:**

Robert W. Geis, CPA, Auditor-Controller  
Michael C. Ghizzoni, County Counsel  
Rhonda Cavagnaro, SBCERS, Assistant Chief Executive Officer



Santa Barbara County Employees' Retirement System

May 9, 2014

Mona Miyasato  
County Executive Officer  
County of Santa Barbara  
105 E. Anapamu Street  
Santa Barbara, CA 93101

RE: Adoption of 2014-15 Employer Contribution Rates

Dear Ms. Miyasato:

I am writing to request that the Board of Supervisors adopt the employer contribution rates for 2014-15 pursuant to Government Code Section 31454.

As you know, an actuarial valuation was conducted by the Retirement System's actuary as of June 30, 2013 and 2012, which recommended an overall employer contribution rate increase from 38.30% to 38.94%. Adjusting the rates of contribution as recommended will not reduce the individual benefits provided by either the County Employee Retirement Law of 1937 or the California Public Employees' Pension Reform Act (PEPRA) of 2013. The Board of Retirement took action at its December 11, 2013 meeting to receive the valuation and recommend the changes in contribution rates to be effective July 1, 2014.

We appreciate your assistance in placing the adoption of the rates before the Board of Supervisors. Please let us know if we can be of assistance.

Very truly yours,

Ward Rafferty  
Chair, Board of Retirement

cc: Renée Bahl, Assistant County Executive Officer  
Terri Nisich, Assistant County Executive Officer  
Jeri Muth, Human Resources Director  
Michael C. Ghizzoni, County Counsel

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2013

SECTION IV  
CONTRIBUTIONS

<b>Table IV-1</b>					
<b>Development of the Net Employer Contribution Rate as of June 30, 2013 for FYE 2015</b>					
	June 30, 2013*				June 30, 2012
	General	Safety	APCD	COMPOSITE	COMPOSITE
1. Total Normal Cost Rate	18.89%	31.71%	21.13%	<b>22.38%</b>	<b>20.97%</b>
2. Member Contribution Rate	<u>4.44%</u>	<u>5.64%</u>	<u>6.67%</u>	<u>4.79%</u>	<u>4.54%</u>
3. Employer Normal Cost Rate (1-2)	14.45%	26.07%	14.46%	<b>17.59%</b>	<b>16.43%</b>
4. UAAL Amortization	18.13%	29.85%	23.54%	<b>21.35%</b>	<b>21.87%</b>
5. Net Employer Contribution Rate (3+4)	32.58%	55.92%	38.00%	<b>38.94%</b>	<b>38.30%</b>

\* Beginning with the June 30, 2013 valuation, the Member and Employer Contribution Rates have been explicitly loaded to account for anticipated administrative expenses. The load is 3.1% for the June 30, 2013 actuarial valuation, and has been applied to both the Member and Employer Rates.



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2013

**SECTION IV  
CONTRIBUTIONS**

Tables IV-4 through IV-6 contain the calculations of the employer contribution rates for each group and tier, as well as a comparison to the prior year rates.

Table IV-4 Development of the General Member Contribution Rate as of June 30, 2013 for FYE 2015							
	5A	5B	5C	Plan 2	Plan 7	PEPRA	Total
<b>Current Year</b>							
A. Basic Employer Normal Cost Rate	9.80%	9.36%	10.93%	2.71%	9.46%	6.44%	10.15%
B. COLA Normal Cost Rate	<u>4.05%</u>	<u>4.91%</u>	<u>4.40%</u>	<u>0.00%</u>	<u>3.82%</u>	<u>1.27%</u>	<u>4.30%</u>
C. Employer Normal Cost Rate	13.85%	14.27%	15.33%	2.71%	13.28%	7.71%	14.45%
D. Basic UAAL Contribution Rate	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%
E. COLA UAAL Contribution Rate	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>
F. UAAL Contribution Rate	18.13%	18.13%	18.13%	18.13%	18.13%	18.13%	18.13%
<b>G. Total June 30, 2013 Contribution Rate (C+F)</b>	<b>31.98%</b>	<b>32.40%</b>	<b>33.46%</b>	<b>20.84%</b>	<b>31.41%</b>	<b>25.84%</b>	<b>32.58%</b>
<b>Prior Year</b>							
A. Basic Employer Normal Cost Rate	8.84%	7.67%	9.52%	2.96%	8.57%	N/A	8.94%
B. COLA Normal Cost Rate	<u>4.41%</u>	<u>5.27%</u>	<u>4.66%</u>	<u>0.00%</u>	<u>2.66%</u>	N/A	<u>4.70%</u>
C. Employer Normal Cost Rate	13.25%	12.94%	14.18%	2.96%	11.23%	N/A	13.64%
D. Basic UAAL Contribution Rate	12.35%	12.35%	12.35%	12.35%	12.35%	N/A	12.35%
E. COLA UAAL Contribution Rate	<u>5.72%</u>	<u>5.72%</u>	<u>5.72%</u>	<u>5.72%</u>	<u>5.72%</u>	N/A	<u>5.72%</u>
F. UAAL Contribution Rate	18.07%	18.07%	18.07%	18.07%	18.07%	N/A	18.07%
<b>G. Total June 30, 2012 Contribution Rate (C+F)</b>	<b>31.32%</b>	<b>31.01%</b>	<b>32.25%</b>	<b>21.03%</b>	<b>29.30%</b>	N/A	<b>31.71%</b>

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2013

**SECTION IV  
CONTRIBUTIONS**

Table IV-5 Development of the Safety Member Contribution Rate as of June 30, 2013 for FYE 2015							
	4A	4B	4C	6A	6B	PEPRA	Total
<b>Current Year</b>							
A. Basic Employer Normal Cost Rate	17.08%	15.15%	16.71%	19.39%	18.92%	10.58%	17.73%
B. COLA Normal Cost Rate	<u>7.71%</u>	<u>8.75%</u>	<u>7.90%</u>	<u>8.70%</u>	<u>9.07%</u>	<u>3.71%</u>	<u>8.34%</u>
C. Employer Normal Cost Rate	24.79%	23.90%	24.61%	28.09%	27.99%	14.29%	26.07%
D. Basic UAAL Contribution Rate	18.69%	18.69%	18.69%	20.69%	20.69%	18.69%	19.68%
E. COLA UAAL Contribution Rate	<u>9.66%</u>	<u>9.66%</u>	<u>9.66%</u>	<u>10.69%</u>	<u>10.69%</u>	<u>9.66%</u>	<u>10.17%</u>
F. UAAL Contribution Rate	28.35%	28.35%	28.35%	31.38%	31.38%	28.35%	29.85%
<b>G. Total June 30, 2013 Contribution Rate (C+F)</b>	<b>53.14%</b>	<b>52.25%</b>	<b>52.96%</b>	<b>59.47%</b>	<b>59.37%</b>	<b>42.64%</b>	<b>55.92%</b>
<b>Prior Year</b>							
A. Basic Employer Normal Cost Rate	15.24%	11.36%	14.44%	16.20%	16.48%	N/A	15.47%
B. COLA Normal Cost Rate	<u>8.65%</u>	<u>9.56%</u>	<u>8.20%</u>	<u>9.31%</u>	<u>9.36%</u>	N/A	<u>8.86%</u>
C. Employer Normal Cost Rate	23.89%	20.92%	22.64%	25.51%	25.84%	N/A	24.33%
D. Basic UAAL Contribution Rate	19.90%	19.90%	19.90%	21.81%	21.81%	N/A	20.88%
E. COLA UAAL Contribution Rate	<u>11.07%</u>	<u>11.07%</u>	<u>11.07%</u>	<u>12.13%</u>	<u>12.13%</u>	N/A	<u>11.61%</u>
F. UAAL Contribution Rate	30.97%	30.97%	30.97%	33.94%	33.94%	N/A	32.49%
<b>G. Total June 30, 2012 Contribution Rate (C+F)</b>	<b>54.86%</b>	<b>51.89%</b>	<b>53.61%</b>	<b>59.45%</b>	<b>59.78%</b>	<b>N/A</b>	<b>56.82%</b>

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2013

SECTION IV  
CONTRIBUTIONS

<b>Table IV-6</b>				
<b>Development of the APCD Member Contribution Rate as of June 30, 2013 for FYE 2015</b>				
	<b>Plan 1</b>	<b>Plan 2</b>	<b>PEPRA</b>	<b>Total</b>
<b>Current Year</b>				
A. Basic Employer Normal Cost Rate	10.74%	8.92%	6.43%	9.68%
B. COLA Normal Cost Rate	<u>4.57%</u>	<u>4.92%</u>	<u>1.27%</u>	<u>4.78%</u>
C. Employer Normal Cost Rate	15.31%	13.84%	7.70%	14.46%
D. Basic UAAL Contribution Rate	17.01%	17.01%	17.01%	17.01%
E. COLA UAAL Contribution Rate	<u>6.53%</u>	<u>6.53%</u>	<u>6.53%</u>	<u>6.53%</u>
F. UAAL Contribution Rate	23.54%	23.54%	23.54%	23.54%
<b>G. Total June 30, 2013 Contribution Rate (C+F)</b>	<b>38.85%</b>	<b>37.38%</b>	<b>31.24%</b>	<b>38.00%</b>
<b>Prior Year</b>				
A. Basic Employer Normal Cost Rate	10.21%	7.52%	N/A	8.79%
B. COLA Normal Cost Rate	<u>5.16%</u>	<u>5.43%</u>	N/A	<u>5.31%</u>
C. Employer Normal Cost Rate	15.37%	12.95%	N/A	14.10%
D. Basic UAAL Contribution Rate	15.56%	15.56%	N/A	15.56%
E. COLA UAAL Contribution Rate	<u>6.50%</u>	<u>6.50%</u>	N/A	<u>6.50%</u>
F. UAAL Contribution Rate	22.06%	22.06%	N/A	22.06%
<b>G. Total June 30, 2012 Contribution Rate (C+F)</b>	<b>37.43%</b>	<b>35.01%</b>	<b>N/A</b>	<b>36.16%</b>