



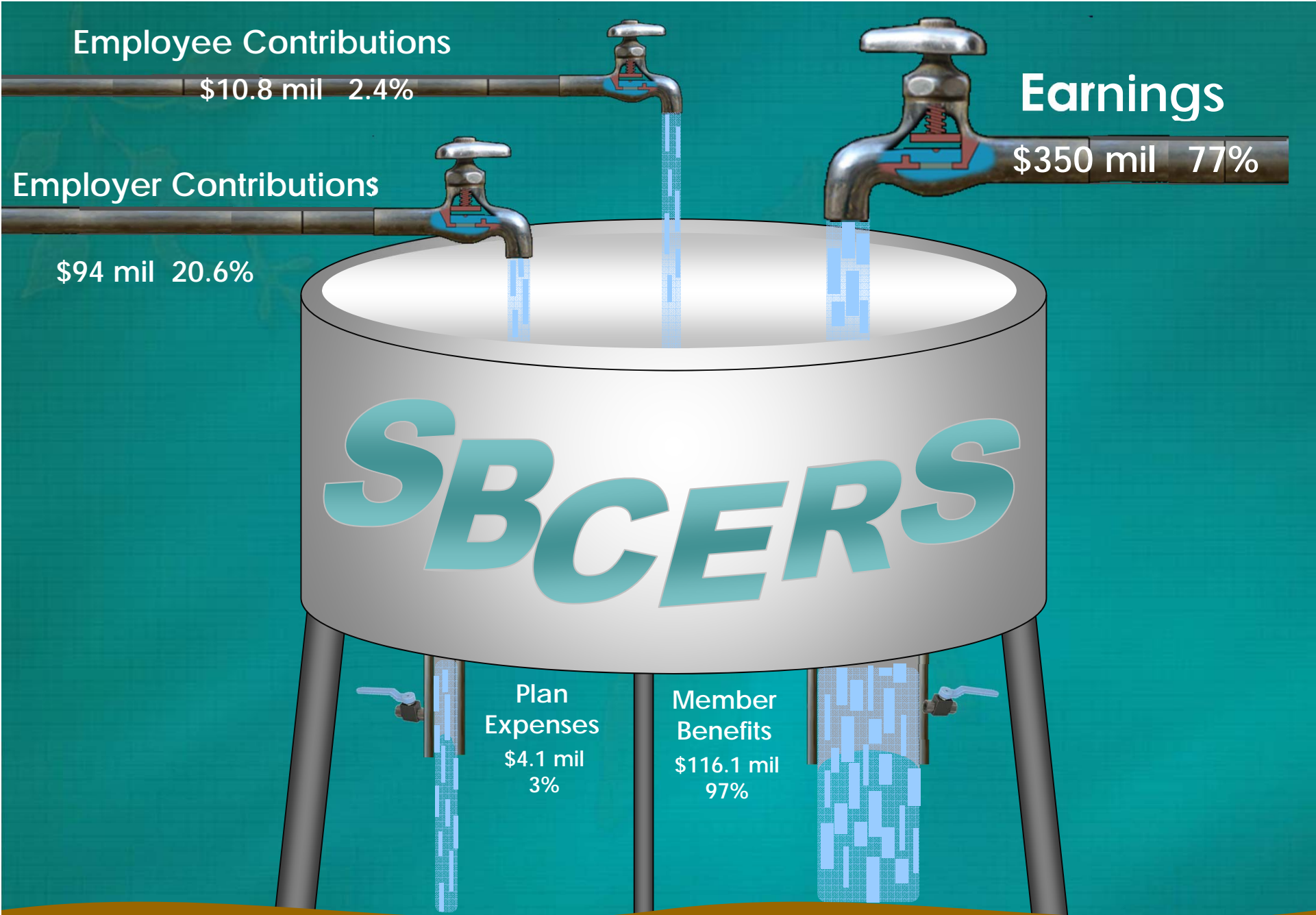
Santa Barbara County Employees' Retirement System

Current Financial Status of the Fund and The Impact of Pension Reform on Members

Presented to:

Management Team of Santa Barbara County
November 2, 2012

Santa Barbara County Board of Supervisors
November 6, 2012



Miscellaneous Facts from 6/30/11 CAFR

Trust Fund
Grows in
Size From
3 Sources

FY	Member Contributions [mil]	Employer Contribution [mil]	Investment Return [mil]
'08	\$15.47	\$69.0	<\$122.99>
'09	11.0	75.9	<328.46>
'10	11.6	84.0	199.0
'11	10.8	94.0	350.8

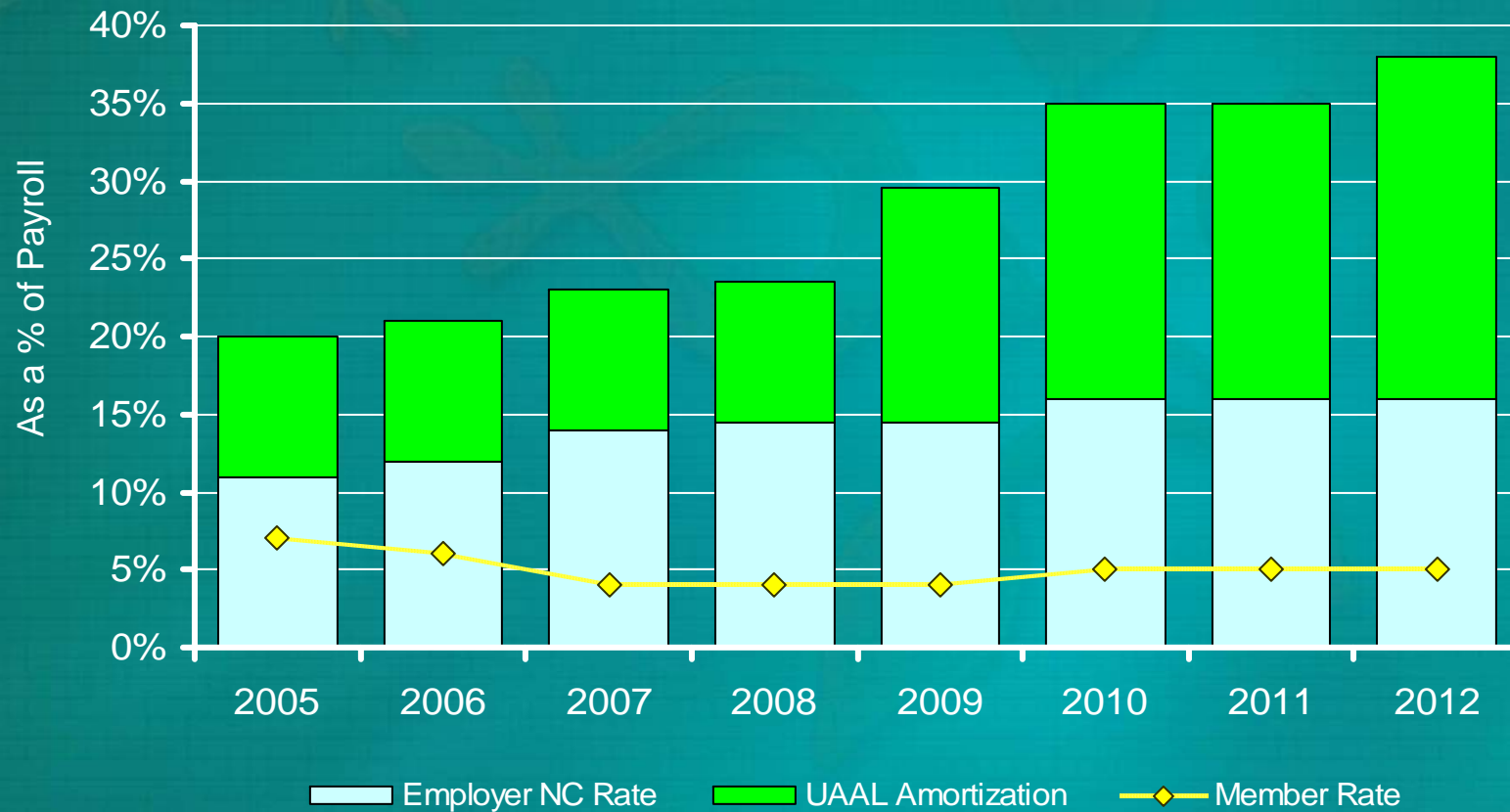
Investment Return

	FY 6/3/11	3 year	5 year
Actual Return	21.8%	4.1%	4.1%
Benchmark	20.1	2.1	3.5

FY	Value of plan assets [bil]	Unfunded accrued liability [bil]	Unfunded liability [mil]	Funded ratio
'05	\$1.3	\$1.5	\$243.8	84.3%
'06	1.4	1.67	256.9	84.6
'07	1.7	1.95	252.	87.1
'08	1.9	2.1	244.	88.6
'09	1.7	2.26	558.	75.3
'10	1.9	2.6	688.9	73.7
'11	2.0	2.7	741.9	73.

Employer Contribution Rate

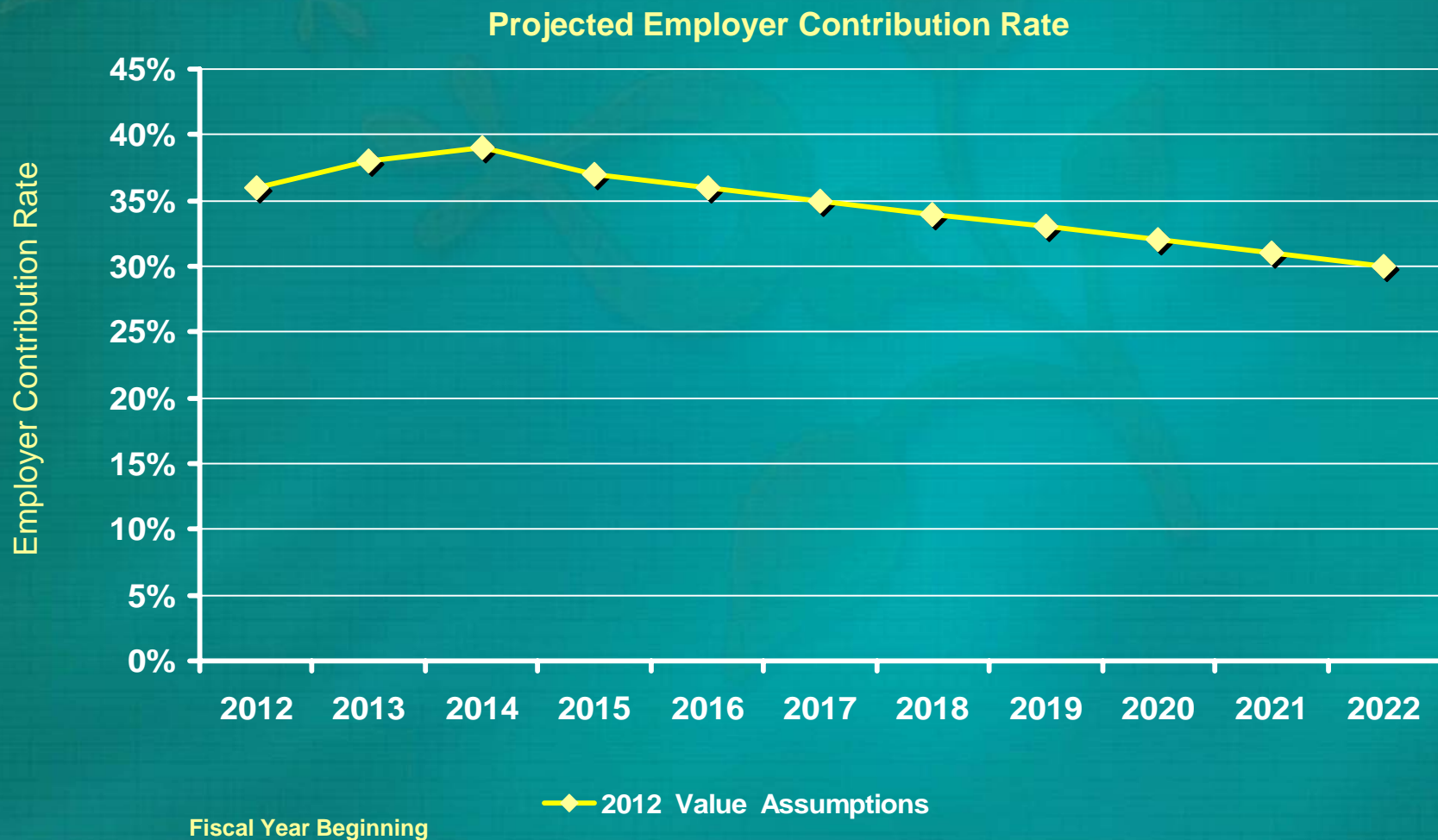
Increase from previous valuation: 35.87% → 38.30%



Looking Ahead – Status Quo

Projection of Employer Contribution Rate

- Assumes 7.75% return in all future years and no changes in assumptions
- Does not reflect expected impact of legislation



Looking Ahead – Legislation

Estimated PEPPRA Impact

- Savings will emerge slowly as new members with lower NC% enter
- Preliminary estimate
- Based on current pensionable compensation definition

Projected Employer Contribution Rate

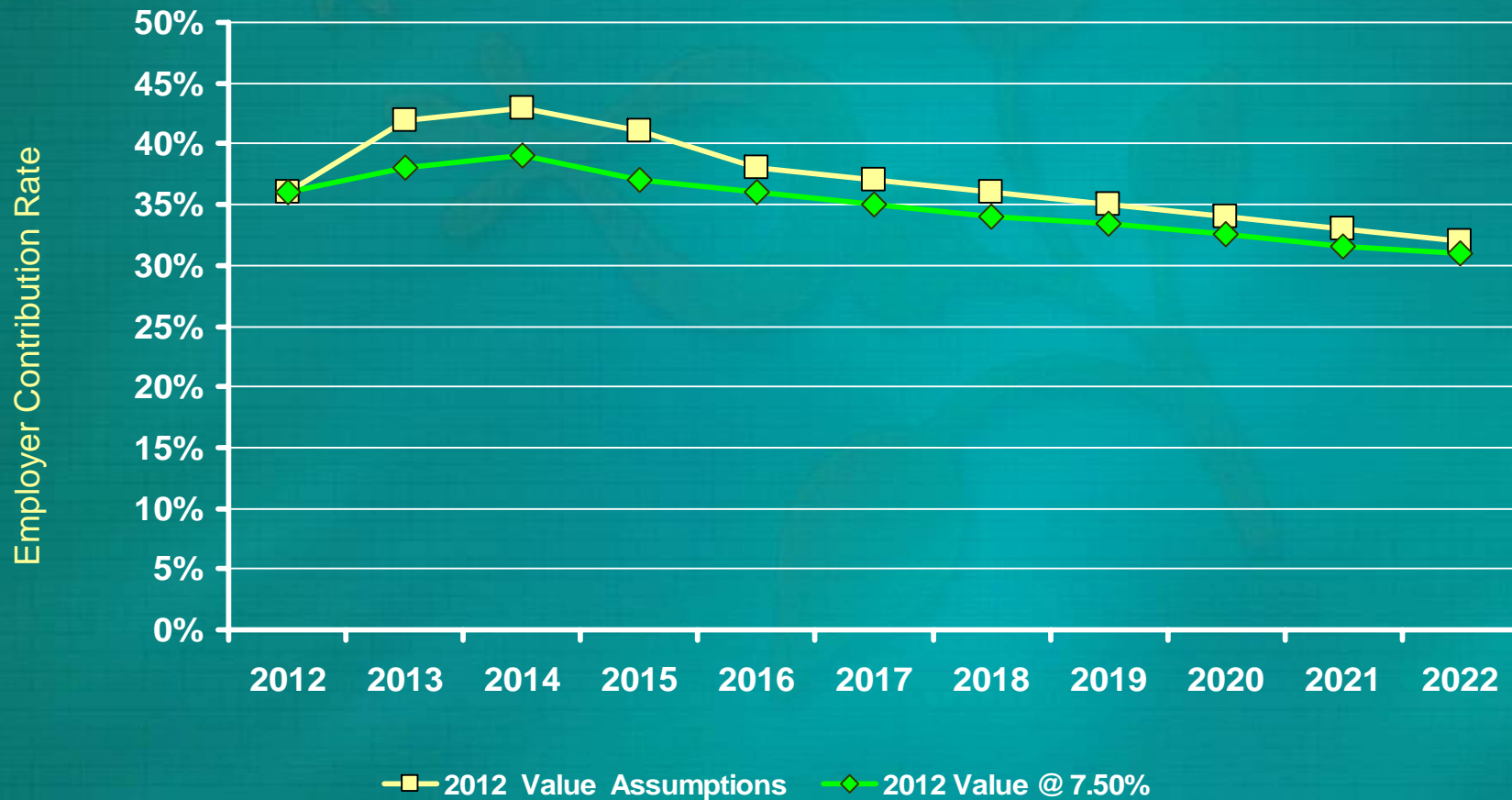


Looking Ahead – Assumptions

If investment return assumption was lowered to 7.50%

- *No other changes*

Projected Employer Contribution Rate

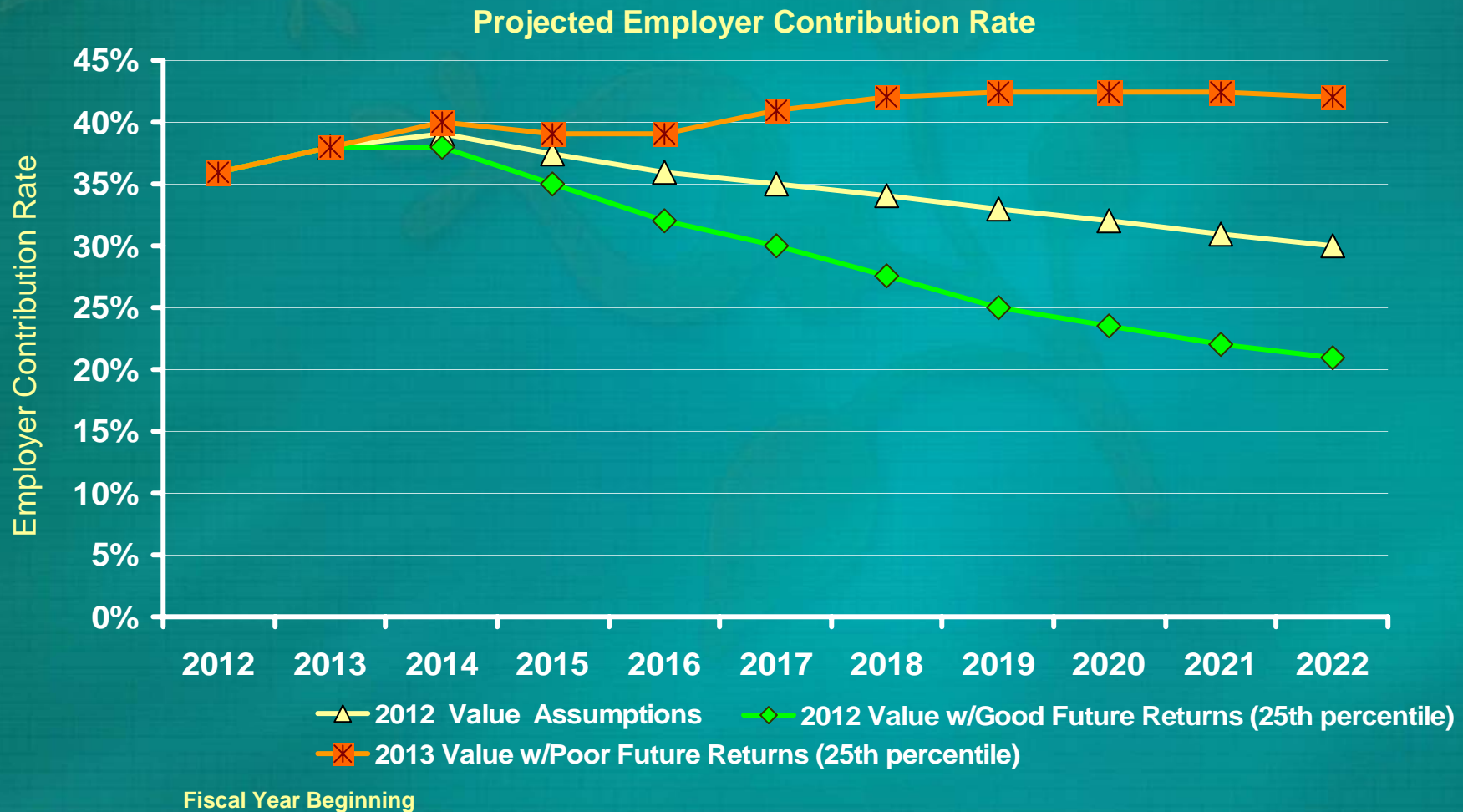


Fiscal Year Beginning

Looking Ahead – Investment Volatility

Estimated Impact of future investment returns

- Good Returns (25th percentile)
- Poor Returns (75^h percentile)



Demographic Detail - Members

June 30 Valuation

Actives	2012	2011	2010	2009	2008	2007
Count	4,072	4,148	4,228	4,467	4,606	4,625
Age	45.8	45.5	45.0	44.8	44.3	44.3
Service	12.0	11.7	11.1	11.1	10.6	10.5
Annual Salary	\$74,360	\$73,898	\$72,731	\$68,812	\$66,709	\$63,603

Retirees and Beneficiaries

Count	3,507	3,387	3,318	3,117	2,972	2,812
Age	69.3	69.4	69.3	69.4	69.4	69.4
Monthly Benefit	\$2,817	\$2,712	\$2,637	\$2,467	\$2,328	\$2,097



Demographic Detail - Funding

AAL (\$Millions)	June 30, 2011	June 30, 2012
Active Members	\$1,190	\$1,213
Retired Members	1,432	1,540
Deferred Vested Members	<u>128</u>	<u>121</u>
Total Accrued Liability	\$2,750	\$2,847
Normal Cost (% of Payroll)		
Gross NC Rate	21.04%	20.97%
Member Paid	<u>(4.52)%</u>	<u>(4.54)%</u>
Employer NC Rate	16.52%	16.43%
UAAL Rate	<u>19.35%</u>	<u>21.87%</u>
Total Employer Rate	35.87%	38.30%



SBCERS Employer Rates

Based upon Fiscal Year 6/30/12 Valuation

	General	Safety	All Plans*
Total Contribution Rate	31.71%	56.82%	38.30%*
Estimated Annual Contribution for Fiscal Year 2013-2014 (in mil)	\$73.7	\$47.2	\$122.2*

** Includes all plans sponsored by the County, Courts and 9 Special Districts.
The County comprises approximately 92% of the overall fund*



CALIFORNIA

Pension Reform



California Pension Reform – 2013

- Public Employees Pension Reform Act of 2013
 - “PEPRA”
 - AB 340 and AB 197
 - Passed by California legislature, Aug 30, 2012
 - Signed by Governor, Sep 12, 2012
 - Effective Jan 1, 2013
 - Article of Government Code – Sections 7522 et. seq. enacted
 - Amends CERL
 - Applicable to virtually all California Public Pension Systems
 - Including SBCERS and other ‘37 Act systems
 - Excludes UCRP, LACERS, SFERS, SDCERS, CFRS



Intent of Pension Reform

Primary intent of this law is to prevent the boosting of pension benefits at the end of a member's active employment or through "special payments" obtainable by one or a limited group of members (collectively referred to as "spiking")



Impact of Pension Reform

On current SBCERS members (those hired prior to Jan 1, 2013)...

1. Airtime (“ARC”) no longer available for purchase
2. 50% normal cost sharing
 - May be negotiated
 - Cannot be unilaterally implemented before 1/1/18
3. New cap on compensation earnable is not applicable
4. Pensionable compensation
 - Changes in items of compensation earnable for current employees not anticipated at present
 - SBCERS determines if spiking has occurred
5. Formula change – Negotiable, reduction only

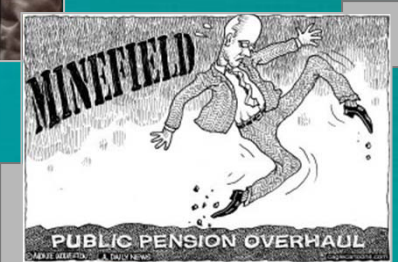


6. No retroactive benefit increase
7. Limitation on post-retirement employment
 - Public safety exceptions
 - Can bypass with Board of Supervisors action
8. Forfeiture of pension benefits for specified felony convictions

Impact of Pension Reform

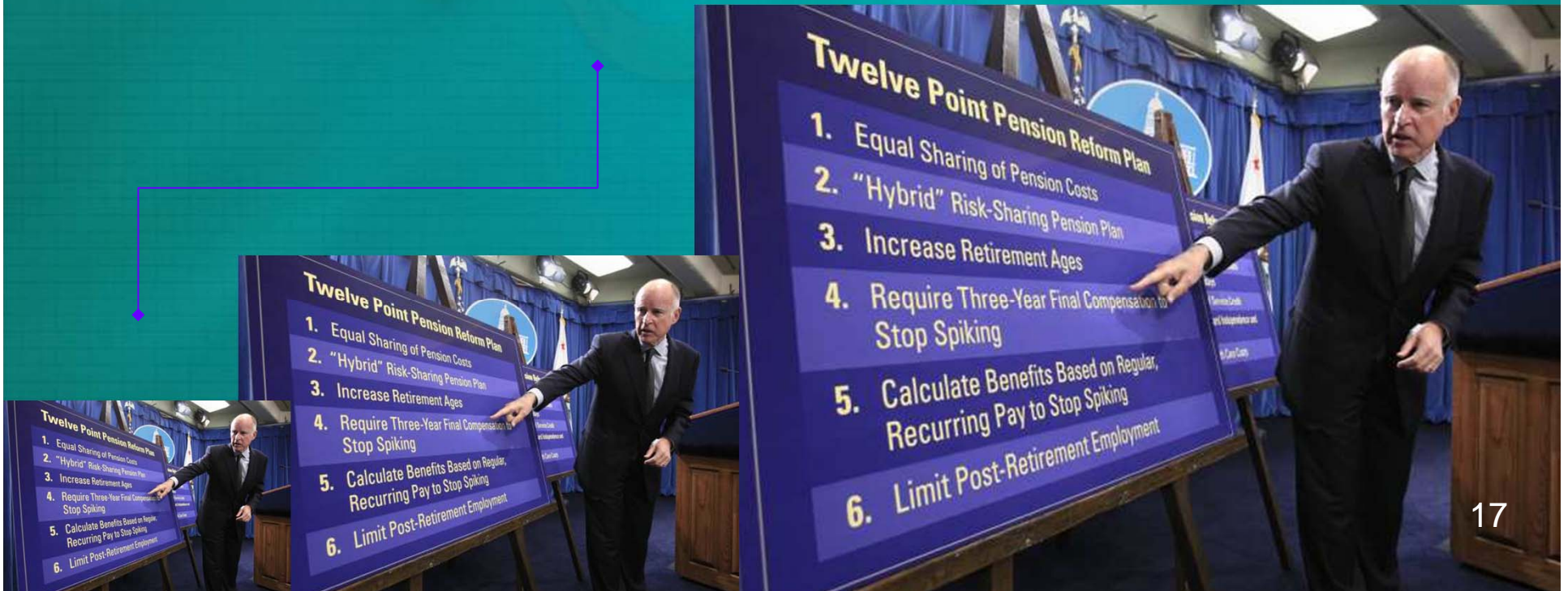
On new SBCERS members (those hired on or after Jan 1, 2013)...

1. Formula change
 - General employees 2% @ 62
 - Safety (Option 2) 2.7% @ 57
2. 50% normal cost sharing
 - Adjusts annually
 - Half rates eliminated
 - Employer offset eliminated
3. Three year final average compensation
4. Cap on pensionable income
 - \$110,100 employees with Social Security
 - \$132,120 employees without Social Security
 - Adjusts annually based on CPI
5. Compensation earnable
 - Some items of compensation no longer pensionable
 - SBCERS determines if pension spiking has occurred
6. No retroactive benefit increase
7. Airtime (“ARC”) purchases eliminated
8. Limitation on post-retirement employment – 180 day sit-out period
 - Public safety exceptions
 - Can bypass with Board of Supervisors action
9. Forfeiture of pension benefits for specified felony convictions



Other Issues

1. COLA (new employees) negotiable
 - General – Default 2%
 - Safety – Default 3%
2. Age based rate/flat rate for new PEPRA plans
3. Plan 7 remains





Questions

Comments

Concerns