



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.:
For Agenda Of: 3-24-09
Placement: Set Hearing
Estimated Tme: 4-7-09 - 2.5 Hours –
Time Certain 10 a.m.
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Michael F. Brown, County Executive Officer 568-3404
Robert Geis, Auditor Controller 568-2100
Susan Paul, Assistant CEO/HR Director 568-2817
Jason Stilwell, Assistant CEO/Budget Director 568-3413
Contact Info: Jeri Muth, Asst HR Director 568-2816

SUBJECT: Set Hearing – County of Santa Barbara/Santa Barbara County Employees Retirement System Joint Retirement Workshop

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- 1) Set a hearing for April 7, 2009 to conduct a joint workshop with the Board of Retirement regarding retirement issues;
- 2) At the close of the April 7, 2009 workshop, appoint a committee to work with Santa Barbara County Employees' Retirement System representatives (to be appointed by the Board of Retirement) to work together to develop options regarding retirement funding and appoint the following County staff to the committee: the Auditor Controller; the Assistant CEO/Budget Director; the Assistant CEO/HR Director; and the Assistant HR Director; and
- 3) Direct County representatives to work with Santa Barbara County Employees' Retirement System representatives to draft a recommended policy regarding the distribution of excess earnings by the Board of Retirement.

Summary Text:

At the February 10, 2009 Budget Development Workshop focused on retirement-related issues, the Board of Supervisors directed staff to work with the Santa Barbara County Employees Retirement System (SBCERS) and together prepare and present a Retirement Workshop for the Board of Supervisors and the Board of Retirement. The April 7, 2009 Workshop is a result of those efforts.

Background:

The Retirement Act of 1937 ('37 Act) governs the manner in which pensions are administered in '37 Act counties, of which the County of Santa Barbara is one. The Santa Barbara County Employees' Retirement System (SBCERS), which has a Board of Retirement (BOR) as provided for in the '37 Act, has been responsible for many years for managing the County's pension plans. The County of Santa Barbara is the major plan sponsor within that system.

Pension plans are funded from three sources:

- Employer contributions (a percentage of total payroll);
- Employee contributions (a percentage of employee pay); and
- Investment earnings (returns on the investments made by the Retirement System).

The annual employer contribution rates are based on:

- The level of benefits;
- The actuarial methods and assumptions used by the Retirement System's actuary; and
- The actual return on investments realized by the Retirement System.

In the last several years, the following has occurred:

- Some improvements and reductions in some pension benefit levels;
- Changes in actuarial methods and assumptions used to determine employee/employer costs; and
- Market investment losses similar to those being experienced throughout the country.

Due to these occurrences, both the County's and SBCERS' actuaries have independently projected that the County's pension costs will significantly increase by 2010.

Recognizing this, the Board requested staff work with SBCERS to explore options for the County to more effectively manage its short-term and long-term pension-related costs, while ensuring the Board of Retirement is able to effectively perform its fiduciary responsibility to retirees, employees, and its plan sponsors.

The April 7, 2009 Workshop is designed to provide both Boards with a better understanding of:

- Key Retirement System Facts
- Current Assets and Benefit Payments
- How SBCERS is Funded
- County's Guiding Principles – a Financial Management Framework
- SBCERS Investment Policy
- Funding Policy and a Review of Alternatives
- Next Steps

The presentation materials will be filed with the Clerk of the Board prior to the April 7, 2009 hearing.

Fiscal and Facilities Impacts:

Although there are no fiscal impacts as a result of the Workshop, it should be noted that required employer contributions are expected to increase from the current approximate \$76 million to between \$93 million and \$150 million, depending on market performance, in Fiscal Year 2010-2011.