PENSIONS IN SANTA BARBARA COUNTY REQUIRE VIGILANCE

Balancing Promises and Maintaining Services

SUMMARY

The 2021 Santa Barbara County Grand Jury (Jury) conducted a follow-up investigation to the 2017-18 Grand Jury "Pensions in Santa Barbara County" report to determine how the eight cities and the County have progressed.

In 2017-18, the Santa Barbara County Grand Jury issued an investigative report that looked at the pension plans of Santa Barbara County (County) and the eight incorporated cities within the County. That report found there were substantial liquidity and solvency risks to the sustainability of many of the public defined benefit pension plans in the County and that if there are additional fiscal shocks, such as a fall in tax revenues or a period of low returns on pension assets held by the California Public Employee Retirement System (CalPERS) and County of Santa Barbara Employee Retirement System (SBCERS), then other actions may be required.

Salaries and benefits, including pension costs, are the largest annual operating expenditures of the County and its eight cities. The unfunded pension liabilities for future payments to current and former staff are also a significant portion of each of their balance sheets, totaling $1.8 billion. Pensions and the related liabilities are a significant part of the operating costs of all local governments. The Jury was told that governments often cannot provide the same level of wages and benefits to attract and retain talented and capable staff as "for profit" organizations because of the need to balance providing required services to its residents against the burden of taxation or fees charged to those residents. Pensions, the Jury learned, provide a way for local governments to attract capable staff while deferring some of the costs to the taxpayers to the future. Pensions are an attractive benefit for many as they assure staff of income streams after retirement.

The County and cities need to make sure they are prepared to fund future pension obligations when due, without disrupting critical services or over-burdening their residents with extra fees and taxes.

The Jury discovered that, while risks continue to exist, especially for those cities that are suffering financial challenges, there are no immediate threats and that, with proper attention, all cities and the County should be able to deliver the necessary services to its residents and meet its pension obligations as they become due.

INTRODUCTION

The County of Santa Barbara and the eight incorporated cities within the County had unfunded pension liabilities of $1.8 billion as of June 30, 2020. These obligations are the calculated net present value of payments due over an extended period of years and like most U.S. cities represent the largest liability on the County's and the eight cities' General Fund Balance Sheets. Financial markets are not always predictable. For example, in early 2020, the United States was experiencing a record-breaking economy and stock markets were at all-time highs until the COVID-19 pandemic struck, and the financial markets contracted and drastically decreased in value. That decline was short-lived but underscores the reality that volatility in the markets can occur without warning and that the County and the eight cities need to be prepared for future significant negative impacts to the markets.

The 2017-18 Santa Barbara County Jury issued a report about the nine principal public pension systems in Santa Barbara County (County.) Those pension systems include the County of Santa Barbara Employee Retirement System, and those managed by the California Public Employee Retirement

System for the eight cities of Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Maria, the City of Santa Barbara and Solvang. The 2017-18 Jury found the highest risks in the plans of Lompoc, the City of Santa Barbara, and Santa Maria, which are the largest in the County. It found moderate risks in Guadalupe and Solvang. It found minimal to moderate risks in Buellton, Carpinteria and Goleta. Risks in SBCERS were moderate and well managed.

California is one of the most expensive states to live in, and Santa Barbara County is one the most expensive counties. Across the board, the cost of living in cities in the County is significantly higher than the national average.[1] The County and its cities must compete for qualified employees. To attract an appropriate workforce, the County and its cities cannot always pay salaries comparable to other employment opportunities candidates may be considering. As a result, they have followed a practice that most governmental organizations use to augment current compensation - a Defined Benefit Pension Plan. In a Defined Benefit Pension Plan the employer promises a specified pension payment upon retirement that is predetermined by a formula based on the employee's earnings history, tenure of service, and age.

Counties and cities have the option to administer their pension plans, but the costs and risks associated with doing so make using an outside administrator more attractive. In California, most counties and cities that have decided not to administer their own pension plans use CalPERS.[2]

The eight cities of Santa Barbara County are members of CalPERS. In addition to the eight cities, close to 2,900 California public employers participate in CalPERS.[3] As of June 30, 2020, CalPERS managed $392.5 billion in assets,[4] making it the largest public pension fund in the nation.[3] These assets are used to help cover the cost of future payments due current and former employers for services previously rendered. As of June 30, 2020, the assets under management represented 70.6 percent of the Accrued Liability due members of the pension fund.[5] Accrued Liability is net present value of the total dollars needed as of the valuation date to fund all benefits earned in the past.

In addition to using investment returns, CalPERS uses contributions from employers and members to fund payments of member benefits. Per CalPERS, as of June 30, 2020, funding for retirement benefits was broken down as follows: investment returns (55 percent), employer contributions (32 percent) and employee contributions (13 percent).[6]

Each year, employers within the CalPERS pension fund are required to make contributions to the fund. These contributions are made up of two components, the Employer Normal Cost and a payment that represents amortization of the Unfunded Accrued Liability (UAL.) The Employer Normal Cost represents the pension amount earned by active employees for services expected to be provided for the upcoming fiscal year and is paid at 100 percent. The UAL is total Actuarial Accrued Liabilities minus assets available to pay benefits earned. Rather than requiring employers to pay the entire amount of the UAL, the annual payment is an amortized amount needed to fund the liability over an extended period for past service credit earned by members. In addition to these required payments, employers also have the option to make additional payments to pay down the UAL early.

[1] Salary.com https://www.salary.com/research/cost-of-living/ca (last reviewed September 21, 2021)
[2] https://www.calpers.ca.gov/page/about/organization/calpers-story (last reviewed September 21, 2021)
[3] https://www.calpers.ca.gov/docs/forms-publications/facts-about.pdf (last reviewed September 21, 2021)
[4] https://www.calpers.ca.gov/docs/forms-publications/facts-investment-pension-funding.pdf (last reviewed September 21, 2021)
[5] https://www.calpers.ca.gov/docs/forms-publications/facts-investment-pension-funding.pdf (last reviewed September 21, 2021)
[6] https://www.calpers.ca.gov/page/newsroom/calpers-news/2021/calpers-strong-preliminary-fiscal-year-investment-return-trigger-discount-rate-reduction

CalPERS had net investment returns of 8.5 percent for the ten-year period ending June 30, 2020. Managed assets grew from $237 billion to $392.5 billion. During that period, the annual net investment returns ranged from a low of .01 percent to a high of 21.7 percent.

Discount Rate is the rate of return used to discount future cash flows back to their present value. Prior to 2008, CalPERS was using a Discount Rate of 7.75 percent. Using too high a Discount Rate can understate the amount currently due for future payments. This can occur if the actual return on invested assets is less than the Discount Rate used and did occur in 2008 and 2009. Using the 7.75 percent Discount Rate, managed assets were shown to exceed the Actuarial Liability as of June 30, 2007. In 2008, the Great Recession began and, while the Actuarial Liability continued to grow, managed assets lost significant value. Just two years later, as of June 30, 2009, managed assets were only 61 percent of the Actuarial Liability.

In 2012, the State of California passed AB 340 and AB 197, which enacted the California Public Employees' Pension Reform Act of 2013 (PEPRA) and were intended to help blunt the rise of pension debt counties and cities were facing due to the recession. PEPRA went into effect on January 1, 2013, and made several significant positive changes in California pension systems. Employees hired prior to PEPRA are members of plans which are referred to as Classic plans. Those employees retain the benefits promised under their existing plans. For employees hired after PEPRA went into effect, the plans typically set a new maximum benefit, increased the retirement age at which members became eligible, set a cap on the amount used to calculate an employee's benefit base, and forbade the practice of "Employer Paid Member Contributions" for new PEPRA members. Since its enactment, the PEPRA law has succeeded in reducing future liabilities in pension plans.

Actuarial valuations reports are prepared for all members of the CalPERS pension fund each year. These actuarial reports, which are typically released 14 months after the end of the reporting period, are based on several assumptions, including expected investment return and payroll growth, eligibility for the types of benefits provided, and mortality rates of retirees. Based upon actuarial valuation, the annual employer contribution rates are adjusted, as needed. Since 2016 these valuations are based on an investment return assumption of 7.0 percent. For 2021, and subsequent periods, the Discount Rate used to calculate employer contributions will be dropped to 6.8 percent,[6] which will have the effect of raising the estimated future liabilities under the pension fund.

Unlike the eight cities, the County of Santa Barbara and its employees are not members of CalPERS. Instead, the County administers its own retirement funds through SBCERS, which was established on January 1, 1944. It provides service retirement, disability, death, and survivor benefits for employees of the County of Santa Barbara, the Santa Barbara County Superior Court, and ten special districts.[7]

As of June 30, 2020, SBCERS managed nearly $3.2 billion in assets. This amount represents approximately 74 percent of the Accrued Liability due current and former employees who are members of SBCERS, which covers 10,777 current and former employees, including 4,322 who are currently receiving benefits.[8] Like CalPERS, SBCERS funds payments of member benefits through a combination of member and employer contributions and investment income.

The Board of SBCERS sets the assumptions to be used to determine the funding requirements of the pension fund each year. One key assumption is the Discount Rate. To be more in line with actual results, the SBCERS Board has lowered the Discount Rate used to determine the Actuarial Accrued Liability several times. In 2007 it was lowered to 7.75 percent, and after several interim adjustments, it

[7] https://www.sbcers.org/about-us/
[8] https://www.sbcers.org/wp-content/uploads/2020-Annual-Report-Web-Version.pdf

now sits at 7 percent.[9] Like plans within the CalPERS pension fund, the SBCERS pension fund is subject to PEPRA.

Unfunded pension liabilities, as calculated by CalPERS and SBCERS, are paid by the employer over an extended period, much like a mortgage would be. The amount of Unfunded Accrued Actuarial Liability to be paid in future periods is listed as a liability on each of the cities' and the County's financial statements. That liability is shown at the estimated net present value of the expected future payments, based upon an assumed rate of return on investment assets managed by CalPERS or SBCERS. Like all estimates, the amounts shown are only as good as the assumptions used to calculate them. One important assumption is the Discount Rate used to calculate the liability. If future CalPERS or SBCERS investment earnings consistently fall short of the Discount Rate used to calculate the UAL, the amount owed by the cities or County could be significantly higher. If CalPERS or SBCERS actual investment returns are higher than the Discount Rate used to calculate the UAL, as they have been for most years the past decade, the amounts to be funded by the cities or County would be less.

While CalPERS and SBCERS have, to date, adequately managed the assets under management for the cities and the County, there are no guarantees that investment returns will be sufficient to cover all obligations, or that other factors might occur that would negatively impact the cities or the County and their ability to meet all obligations on a timely basis. There are mechanisms available to protect the cities and the County from significant increases in future amounts to be paid, or from reductions in revenues, which could impair the ability of the cities or the County to make the future payments timely, without cutting services provided to residents. These mechanisms include:

Section 115 Pension Trusts - A Section 115 Pension Trust, which derives its name from the code section within the United States Internal Revenue Code, may be used to segregate funds from an entity's general fund for the purpose of funding future obligations, and recently has been used more frequently to set aside funds to meet future pension contributions or liabilities that would otherwise create strains on current operational budgets. Monies in a Section 115 Trust can be invested and can potentially earn a higher rate of return than the growth of future pension obligations. One limitation on Section 115 funds is that they are irrevocably committed for the purpose stated in the trust and may not be retrieved or used for other purposes.

Pension Obligation Bonds – A Pension Obligation Bond (POB) is a bond issued by a city or county that is repaid from future returns on the investments made using the proceeds of the bond, or from future revenues of the issuing entity. The basic principle of POBs relies on the expectation that the rate to borrow the money is less than the assumed expected return from an investment portfolio. The expected benefits to the entity are that the annual costs of funding the pension liability are offset in some part by the net proceeds of the investments. This takes pressure off the entity to completely fund the pension obligations from annual revenues. A risk does exist in that the investments created with the borrowed funds may not perform well and the revenues are not sufficient to cover the bond costs. In that case the entity would be required to use funds from other sources, which could impact the level of services provided by the entity. It is imperative that the entity get the lowest possible interest rate to mitigate risk, and with interest rates at record lows, many entities are looking to POBs to protect them from future fluctuations in pension costs.

Pension Reserve Fund - One other option used by some entities is to create a Pension Reserve Fund within their budget that is funded in years when excess monies are available. This concept has the benefit in that should there arise a need to use the funds for other purposes, they could be redirected to the alternative use.

[9] https://www.sbcers.org/wp-content/uploads/Preliminary-Investment-Return-6-30-2021.pdf

METHODOLOGY

To carry out its analysis, the Jury:

- Reviewed the 2019 and 2020 CalPERS valuation reports for the 32 plans[10] within the eight cities, plus related data in the public domain and as provided by the cities' plan administrators[11];
- Reviewed 2020 SBCERS Annual Reports and data provided by SBCERS[10];
- Reviewed "The California State Auditor's Fiscal Health Analysis of the State's Over 470 Cities,"[12] which showed California cities that could be facing fiscal challenges by assessing their levels of risk using various financial indicators;
- Reviewed audited financial reports of the County and of the eight cities for various years plus related data in the public domain and as provided by the County and the eight cities; and
- Interviewed individuals with administrative responsibilities for the pension plans from the County and the eight cities and representatives from SBCERS and CalPERS.

Based on the information in the documents reviewed and from the interviews with various officials of the eight cities, the County, SBCERS and CalPERS, the Jury constructed a model to assist it in analyzing the current financial position of each of the 32 plans. The Jury also reviewed the relationship of the pension liabilities to their respective General Funds and annual operating revenues, the current and future burden to the residents of the County and the eight cities, and the years the unfunded liabilities are expected to be paid off.

OBSERVATIONS

In Santa Barbara County, PEPRA has been effective in that pension plans created as a result of the pension reform are funded at a much higher percentage. While PEPRA has helped, that does not mean there are not some significant issues to be aware of. The largest component of the Unfunded Accrued Liability in the 32 pension plans of the cities within the county are in Classic plans. Even though PEPRA plans began in 2013, as of June 30, 2020, the total UAL for the 32 plans was over $631 million, of which only $1 million was within PEPRA plans. So, while the 12 PEPRA plans are funded at an average of over 90 percent, the 20 Classic plans are only funded to an average of 68.7 percent. In future years PEPRA plans will play an increasing part in controlling pension costs of the cities and the County.

Table 1 (below) highlights the overall pension liabilities for each city and the County, as well their respective populations, estimated annual employer pension contributions, and analytics of how each city's and the County's obligations compare to various metrics. These analyses helped the jury classify the pension solvency risk for each of the cities and the County. For example, Lompoc, the City of Santa Barbara, Santa Maria and the County have higher per capita UALs than the remaining cities, suggesting there could be a higher strain on those communities than on those with lesser per capita UALs. Also, the cities of Lompoc, Santa Barbara and Santa Maria have significantly higher Estimated Total Employer Contributions than the other cities. These factors alone may not be a warning sign, but when compared to their Projected Payrolls and to their Total General Fund Revenues, they also represent higher percentages of those amounts and suggest higher risk.

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[10] See Appendix B

[11] https://www.calpers.ca.gov/page/employers/actuarial-services/employer-contributions/public-agency-actuarial-valuation-reports

[12] https://www.auditor.ca.gov/bsa/cities_risk_index

Table 1[13]

Public Pension Status, Santa Barbara County and 8 Cities, 2020

2020									
	Population	Normal Accrued Liability	Unfunded Actuarial Liability	Unfunded Actuarial Liability Per Capita	% Funded (Discount Rate - 7%)	Estimated Total Employer Contribution	Estimated Total Employer Contribution as % of Projected Payroll	Estimated Total Employer Contribution as % of Proj Payroll to Total General Fund Revs
Buellton	5,102	$ 10,618,762	$ 2,678,957	$525.08	74.8%	$ 384,784	22.0%	4.27%
Carpinteria	13,385	$ 30,911,978	$ 9,432,389	$704.70	69.5%	$ 1,086,135	37.4%	9.37%
Goleta	30,911	$ 21,985,402	$ 4,241,195	$305.15	80.7%	$ 1,105,343	13.5%	3.34%
Guadalupe	7,783	$ 16,925,088	$ 4,224,747	$542.82	75.0%	$ 627,352	23.2%	10.38%
Lompoc	42,853	$ 321,949,822	$ 102,974,795	$2,402.98	68.0%	$ 12,649,654	51.4%	27.65%
Santa Barbara	91,686	$ 1,180,029,261	$ 386,111,684	$1,123.12	67.3%	$ 47,970,234	51.0%	32.08%
Santa Maria	107,263	$ 507,742,152	$ 160,165,144	$3,599.67	68.5%	$ 20,753,973	40.1%	23.46%
Solvang	5,839	$ 19,743,790	$ 5,201,465	$890.81	73.7%	$ 599,751	35.6%	6.41%
County of Santa Barbara	446,499	$ 4,297,727,000	$ 1,103,795,000	$1,984.57	74.3%	-	-	-
Totals		$ 6,407,633,255	$ 1,778,825,376		72.2%			

Based on the Jury's investigation, interviews, and reviews of each plan's actuarial valuation report and the most recent audited financials for each city and the County, the Jury classified the cities' and the County's pension solvency risk into two categories: those that the Jury believes are at less risk to have problems with meeting their pension obligations and those that continue to have higher potential risk.

Cities and the County the Jury considers at less potential pension plan solvency risk include:

- Buellton
- Carpinteria
- Goleta
- Guadalupe
- Solvang
- County of Santa Barbara

Cities the Jury considers at higher potential pension plan solvency risk include:

- Lompoc
- Santa Barbara
- Santa Maria

The Jury does not think that any of the cities or the County are in imminent danger of insolvency related to their pension obligations. That said, the cities and the County can always take additional steps to further reduce the risk that pension obligations would impair their ability to provide all intended services on a timely basis.

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[13] Except for the County information, all information within the table was obtained from the eight cities' Actuarial Valuation Reports as of June 30, 2020, prepared by CalPERS, which are available online at: https://www.calpers.ca.gov/page/employers/actuarial-resources/public-agency-actuarial-valuation-reports. The County information was obtained from SBCERS Actuarial Valuation Report as of June 30, 2020, available online at https://www.sbcers.org/wp-content/uploads/2020-SBCERS-AVR-Revised_20210224s.pdf.

And some cities are taking those additional steps. While no city, or the County, has used a Pension Obligation Bond, the cities of Guadalupe, Lompoc and Santa Barbara have indicated that they have either investigated the idea or are planning to. A Pension Obligation Bond is not without risk, so it is important that each city that considers using this tool takes a careful look at its cost of borrowing, the interest rate they can obtain, and the market outlook for debt over the life of the bond.

Several cities have either created Section 115 Trusts (Goleta), or have told the Jury they are investigating the possibility (Guadalupe, Santa Barbara, Santa Maria and Solvang). A Section 115 Trust would allow the cities to set aside funds when times are good to be used to offset pension costs when the need to use general funds would negatively impact the timely delivery of essential services. The downside to using a Section 115 Trust is that the funds may only be used for the specific purpose for which the trust was created.

A less restrictive way than a Section 115 Trust for cities to set aside funds for pension needs in the future would be to create a Pension Reserve Fund. This type of reserve fund allows the cities to set aside funds for specific later needs, but allows the flexibility to divert the funds to other uses, should the need arise. None of the cities are currently using this mechanism, and instead are relying on their general reserve funds to be available if needed. The reserve funds for the cities of Guadalupe and Lompoc are currently underfunded based upon their stated policies, but both feel recent events will help them replenish their reserves within a couple of years at the most. The Jury learned that in Guadalupe there has been significant new housing built within the city and more is under construction, and in Lompoc, the recent approval of Measure Q, which increases the tax on cannabis manufacturing and distribution, is expected to create between and $5 and $8 million dollars in new revenues for the next fiscal year.

The Jury learned that all the cities and the County take their pension obligations seriously and understand the need to fulfill those obligations without impacting the delivery of essential and promised services to their residents. The Jury also learned that while these issues are analyzed and discussed annually, none of the cities or the County have a written plan addressing the risks of pension plan insolvency. A written plan would allow the residents to better understand how the cities and the County are addressing these issues and would serve as a guide to those implementing new policies.

CONCLUSION

The 2021 Santa Barbara County Grand Jury determined that while no current problems or undue risks exist and that none of the cities or the County are in imminent danger of being unable to meet their pension obligations, there still exists a need to remain vigilant and to prepare for unforeseen changes that could affect their future ability to fund their pension obligations in a timely manner.

FINDINGS AND RECOMMENDATIONS

Finding 1a

The cities of Buellton, Carpinteria, Goleta, Guadalupe, Solvang and the County of Santa Barbara are at less potential pension plan solvency risk.

Finding 1b

The cities of Lompoc, Santa Barbara and Santa Maria are at higher potential pension plan solvency risk.

Finding 1c

Unfunded Accrued Liabilities have risen for all cities since 2016, and with the announced change in the Discount Rate, are expected to rise further, which could impact the cities' ability to deliver expected services to residents.

Recommendation 1

That each city council and the Santa Barbara County Board of Supervisors develop and publish a comprehensive plan by June 30, 2022, addressing their pension plans and how they intend to properly assure future obligations are paid when due, without impacting the timely delivery of essential and promised services to residents.

Finding 2

Section 115 Trusts, Pension Obligation Bonds, and Pension Reserve Funds can be effective mechanisms to protect cities from dramatic impacts to the financial markets or declines in General Fund revenues.

Recommendation 2

That each city council and the Santa Barbara County Board of Supervisors study and determine by June 30, 2022, whether a Section 115 Trust, Pension Obligation Bond, or Pension Reserve Fund would be an effective hedge against risks to their pension plans for their city.

REQUEST FOR RESPONSE

Pursuant to *California Penal Code Section 933 and 933.05*, the Santa Barbara County Grand Jury requests each entity or individual named below to respond to the enumerated findings and recommendations within the specified statutory time limit:

Responses to Findings shall be either:

- Agree
- Disagree wholly
- Disagree partially with an explanation

Responses to Recommendations shall be one of the following:

- Has been implemented, with brief summary of implementation actions taken
- Will be implemented, with an implementation schedule
- Requires further analysis, with analysis completion date of no more than six months after the publication of the report
- Will not be implemented, with an explanation of why

Santa Barbara County Board of Supervisors – 90 Days

Findings 1a, 2

Recommendation 1, 2

City of Buellton – 90 Days

Findings 1a, 1c, 2

Recommendation 1, 2

City of Carpinteria – 90 Days

Findings 1a, 1c, 2

Recommendation 1, 2

City of Goleta – 90 Days

Findings 1a, 1c, 2

Recommendation 1, 2

City of Guadalupe – 90 Days

Findings 1a, 1c, 2

Recommendation 1, 2

City of Lompoc – 90 Days

Findings 1b, 1c, 2

Recommendation 1, 2

City of Santa Barbara – 90 Days

Findings 1b, 1c, 2

Recommendation 1, 2

City of Santa Maria – 90 Days

Findings 1b, 1c, 2

Recommendation 1, 2

City of Solvang – 90 Days

Findings 1a, 1c, 2

Recommendation 1, 2

APPENDIX A
GLOSSARY

Accrued Liability (also called **Actuarial Accrued Liability** or **Entry Age Normal Accrued Liability**) The total dollars needed as of the valuation date to fund all benefits earned in the past for current members.

Actuarial Valuation The determination, as of a valuation date, of the Normal Cost, Accrued Liability, and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Classic Member (under PEPRA) A classic member is a member who joined CalPERS or SBCERS prior to January 1, 2013, and who is not defined as a new member under PEPRA. (See definition of New Member below).

Discount Rate Assumption The actuarial assumption that was called "investment return" in earlier CalPERS reports or "actuarial interest rate" in section 20014 of the California Public Employees' Retirement Law (PERL) (California Government Code section 20014).

Funded Status A measure of how well-funded, or how "on track," a plan or risk pool is with respect to assets versus accrued liabilities. A ratio greater than 100 percent means the plan or risk pool has more assets than liabilities and a ratio less than 100 percent means liabilities are greater than assets.

New Member (under PEPRA) A new member includes an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was not a member of another public retirement system prior to that date, and who is not subject to reciprocity with another public retirement system.

Normal Cost The annual cost of service accrual for the upcoming fiscal year for active employees. The normal cost should be viewed as the long-term contribution rate.

PEPRA The California Public Employees' Pension Reform Act of 2013.

Present Value of Benefits (PVB) The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for current members.

Unfunded Accrued Liability (UAL) When a plan's or pension fund's value of assets is less than its accrued liability, the difference is the plan's or pension fund's UAL (or unfunded liability). If the unfunded liability is positive, the plan or pension fund will have to pay contributions exceeding the Normal Cost.

OTHER TERMS

Benefit Factor. The percentage of pay to which employee members are entitled for each year of service.

Complementary Risk Analysis. Additional risk analysis beyond what is presented in the CalPERS Valuation Reports.

Employer Paid Member Contributions refers to the practice of pension plan employers paying some portion of an employee's contributions in some instances.

Pension plan. In this report, a pension plan is a given package of retirement contributions and benefits, for example, the Miscellaneous Plan of the City of Goleta.

Pension system. In this report, a pension system is a set of pension plans under one management; for example, the pension system of the City of Goleta consists of the Miscellaneous Plan of the City of Goleta and the PEPRA Miscellaneous Plan of the City of Goleta.

APPENDIX B

2017			
City/Plan	Normal Accrued Liability	Unfunded Actuarial Liability	% Funded (Discount Rate - 7%)
Buellton			
Misc	$10,117,235	$2,647,138	73.8%
PepMisc.	501,527	31,819	93.7%
	$10,618,762	**$2,678,957**	**74.8%**
Carpinteria			
MISC.	$21,023,417	$5,766,390	72.6%
Safety	9,410,150	3,620,593	61.5%
PepMisc	478,411	45,406	90.5%
	$30,911,978	**$9,432,389**	**69.5%**
Goleta			
MISC.	$19,992,856	$4,063,881	79.7%
PepMisc.	1,992,546	177,314	91.1%
	$21,985,402	**$4,241,195**	**80.7%**
Guadalupe			
Misc.	$8,870,433	$2,377,584	73.2%
Safety	7,275,900	1,762,414	75.8%
PepMisc.	294,000	25,168	91.4%
PepSafety/POL	430,146	53,130	87.6%
PepSafety/Fire	54,609	6,451	88.2%
	$16,925,088	**$4,224,747**	**75.0%**
Lompoc			
MISC.	$214,274,197	$65,964,956	69.2%
Safety	102,425,444	36,482,292	64.4%
PepSafety/Pol	1,200,382	134,523	88.8%
PepSafety/Fire	1,560,305	163,511	89.5%
Police Tier 2	1,625,259	132,930	91.8%
FireTier 2	864,235	96,583	88.8%
	$321,949,822	**$102,974,795**	**68.0%**
Santa Barbara			
Misc.	$664,902,988	$198,210,264	70.2%
Safety Police	304,630,107	106,270,049	65.1%
SAFETY Fire	208,650,909	81,458,677	61.0%
PepSAfety Fire	1,845,257	172,694	90.6%
	$1,180,029,261	**$386,111,684**	**67.3%**
Santa Maria			
Misc.	$271,492,921	$89,892,591	66.9%
Safety Police	148,339,270	47,427,464	68.0%
Safety Fire	75,810,291	21,628,065	71.5%
PepSafety Police	5,858,997	668,451	88.6%
PepSafety Fire	1,700,068	178,390	89.5%
Safety Fire Tier 2	2,104,052	187,001	91.1%
Safe Police Tier 2	2,436,553	183,182	92.5%
	$507,742,152	**$160,165,144**	**68.5%**
Solvang			
Misc.	$18,646,595	$5,082,035	72.7%
Safety	611,526	85,659	86.0%
PepMisc.	485,669	33,771	93.0%
	$19,743,790	**$5,201,465**	**73.7%**
County of Santa Barbara			
County of Santa Barbara	**$4,297,727,000**	**$1,103,795,000**	**74.3%**