



Santa Barbara County Employees' Retirement System

Other Post-Employment Benefits Actuarial Valuation as of June 30, 2016

Produced by Cheiron

March 2017

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Via Electronic Mail

March 14, 2017

Board of Retirement
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
Santa Barbara, CA 93105

Re: Santa Barbara County Employees' Retirement System - Other Post-Employment Benefits Valuation

Dear Members of the Board:

At your request, we have conducted an actuarial valuation for the Santa Barbara County Employees' Retirement System (SBCERS, the System, the Fund, the Plan) to complete its Other Post-Employment Benefits (OPEB) actuarial valuation as of June 30, 2016. The following report contains our findings and disclosures required by the Governmental Accounting Standards Board (GASB) standards, as well as commentary about GASB standards.

The purpose of this report is to present the actuarial valuation of the Santa Barbara County Employees' Retirement System's Other Post-Employment Benefits. This report is for the use of the County and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

Appendix A describes the member data, assumptions and methods used in calculating the figures throughout the report. In preparing our report, we relied on information (some oral and some written) supplied by SBCERS. This information includes, but is not limited to the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

Appendix B contains a summary of the substantive plan provisions based on documentation provided by and discussions with the SBCERS staff.

The results of this report are based on future experience conforming to the actuarial assumptions used. The results will change to the extent that future experience differs from the assumptions. Actuarial computations are calculated based on our understanding of GASB 43 and 45 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report. This valuation report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

Board of Retirement

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The results of this valuation reflect only the financial condition of the Plan as of the valuation date. We recommend reviewing forecasts of the Plan's financial condition under alternative scenarios. Such forecasts, however, are beyond the scope of this assignment.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This valuation report was prepared exclusively for SBCERS for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,
Cheiron



Graham Schmidt, ASA, FCA, MAAA
Consulting Actuary



Michael W. Schionning, FSA, MAAA
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**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION I - SUMMARY OF RESULTS

The Santa Barbara County Employees' Retirement System has engaged Cheiron to provide a valuation of the County's Other Post-Employment Benefits. The primary purpose of performing this actuarial valuation is to:

- Determine the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and the Net Other Post-Employment Benefit (OPEB) Obligation (NOO) of the Post-Employment Healthcare Plan under GASB 45 for the fiscal year ending June 30, 2016.
- Provide information for financial statement disclosures under GASB 45.

We have determined costs, liabilities, and trends for the substantive Plan using actuarial assumptions and methods that we consider reasonable.

GASB's OPEB Requirements:

The Governmental Accounting Standards Board (GASB) released Statement 43 regarding financial reporting for post-employment benefit plans other than pension plans and a companion Statement (Number 45) regarding the employer accounting for these plans. Statement 43 is generally applicable where an entity has a separate trust or fund for OPEB benefits. Statement 45 requires the plan sponsor to book the actuarial cost (net of employee, retiree, and their dependents' contributions) of the plan as an expense on its financial statements and then accrue a liability to the extent actual contributions were less than this expense. Additional disclosures include a description of the plan, summary of significant accounting policies, contributions, and a schedule of funding progress, along with the methods and assumptions used for those disclosures.

This plan is considered an agent plan; as such, the income, payments, and liability experience is tracked separately for each employer who participates under the Plan.

Note, however, that recently adopted GASB Statements 74 and 75 for OPEB plans will significantly change the financial reporting from that which is provided in this report. The statements are effective for the fiscal year ending June 30, 2017 for the plan and for the fiscal year ending June 30, 2018 for the employers.

Implicit Subsidy

GASB 45 requires that the valuation of OPEB plans take into consideration the liability associated with the implicit subsidy that exists when the premium rates charged to active and retired employees are the same, or "blended". This provides the users of SBCERS's financial statement an estimate of the total value of the promised retiree benefit.

The employer's share of the current coverage costs for active and retired employees is typically calculated based on the claim costs or age-adjusted premiums for the employer. However, for this plan the benefit is a fixed payment per year of service that is currently lower than the

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION I - SUMMARY OF RESULTS

premiums paid for coverage for all but a handful of individuals, and is expected to remain so into the future, so no age related costs are required to be developed.

It is our opinion that Actuarial Standard of Practice 6 (ASOP 6) requires the recognition of the age-related costs and any implicit subsidy that may exist in the SBCERS health benefit plan offered by the Santa Barbara County Employees' Retirement System. However, we believe that any implicit subsidy that may exist is limited to the dental and vision benefits and is immaterial to the valuation results for the following reasons:

- Retirees and active employees are covered by separate medical and prescription drug plans, and are thus rated separately for purposes of determining premium rates.
- The flat dollar nature of the benefit, which is not expected to increase and is expected to remain less than the cost of retiree premiums.
- While the premiums for Dental and Vision benefits are developed by combining the active and retired participants, these benefits are relatively small and the expected claims are impacted by participant age much less than for medical and prescription drug benefits.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION I - SUMMARY OF RESULTS

Valuation Results

The table below presents the key results of the June 30, 2016 and June 30, 2014 valuations on an aggregate basis.

Table I-1 Summary of Key Valuation Results		
Valuation Date	6/30/2016	6/30/2014
Discount Rate (per annum)	6.14%*	4.33%
Actuarial Accrued Liability		
- Active Employees	\$ 51,298,997	\$ 71,964,208
- Terminated Vested Participants	8,164,143	11,687,927
- Retirees, Disableds, and Beneficiaries	96,014,021	109,553,281
- Total	\$ 155,477,161	\$ 193,205,416
Assets	\$ 8,030,863	\$ 4,070,382
Unfunded Accrued Liability (UAL)	\$ 147,446,298	\$ 189,135,034
Normal Cost	\$ 2,514,374	\$ 4,814,988
Amortization of UAL	\$ 12,863,913	\$ 25,547,878
Total ARC	\$ 15,378,287	\$ 30,362,866
Normal Cost % of pay	0.92%	1.67%
Amortization of UAL % of pay	4.71%	8.87%
Total Cost (ARC as % of pay)	5.63%	10.54%
<i>Expected/ Actual Funding Policy Contribution Amount</i>	\$ 13,591,630	9,420,956
<i>Expected Implicit Subsidy Amount**</i>	N/A	N/A

* This is the blended discount rate approximately equivalent to the total after reflecting that SB County and APCD are valued at higher discount rates than the 3.75% used for the other employers

** Due to the nature of the benefit provided and the separate premium rating process used for Active and Retired participants, any possible Implicit Subsidy is considered immaterial

Table I-1 shows that the ARC dropped from 10.54% of pay at June 30, 2014 to 5.63% of pay at June 30, 2016. This is primarily due to the decrease in the amortization payment for the Unfunded Accrued Liability (UAL). Effective in March of 2016, the Board of Supervisors of the County of Santa Barbara (the largest employer included in this valuation) adopted a new funding policy which references a 19 year, closed amortization period. The new amortization period is significantly longer than that used in the previous valuation, resulting in the decreased amortization payments for the UAL. These changes are discussed further in the GASB Valuation Results section.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION I - SUMMARY OF RESULTS

The table below shows the expected net benefit payments for the next 20 years for the current active and retired members. These payments do not include any projected new hires.

Table I-2 Expected Net Benefit Payments										
Fiscal Year Ending June 30	Santa Barbara County	Carpinteria- Summerland- FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
2017	\$ 8,680,385	\$ 133,448	\$ 17,578	\$ 2,400	\$ 6,309	\$ 4,929	\$ 2,198	\$ 93,123	\$ 377,384	\$9,317,754
2018	8,908,814	141,533	18,148	4,216	8,950	5,376	2,233	96,134	397,053	9,582,457
2019	9,159,461	151,772	19,118	6,443	10,727	6,041	2,282	98,578	419,264	9,873,686
2020	9,401,285	154,901	20,409	7,461	14,534	6,629	2,347	101,303	445,167	10,154,036
2021	9,640,832	158,405	21,495	8,207	17,151	7,107	2,427	103,936	469,108	10,428,668
2022	9,894,927	162,846	22,297	8,837	20,044	7,687	2,521	109,183	492,502	10,720,844
2023	10,136,500	164,734	22,897	9,335	22,994	8,365	2,612	113,509	512,808	10,993,754
2024	10,366,981	166,416	23,339	9,920	25,762	9,180	2,700	117,172	533,132	11,254,602
2025	10,573,364	167,368	23,746	10,073	28,155	9,886	2,838	119,374	554,764	11,489,568
2026	10,770,657	168,726	24,318	10,192	30,023	10,285	3,078	123,833	573,965	11,715,077
2027	10,946,980	169,954	24,949	10,193	33,239	10,492	3,286	126,486	591,053	11,916,632
2028	11,108,893	170,105	25,683	10,233	36,270	10,593	3,446	126,673	605,860	12,097,756
2029	11,238,181	169,872	26,387	10,129	38,465	10,634	3,615	126,151	621,619	12,245,053
2030	11,358,972	168,934	26,785	9,996	40,215	10,636	3,735	125,324	633,788	12,378,385
2031	11,464,629	167,804	26,864	9,833	43,120	10,843	3,844	123,921	647,681	12,498,539
2032	11,551,813	165,890	26,791	9,641	44,970	10,800	3,952	124,102	660,480	12,598,439
2033	11,627,354	162,692	26,627	9,471	46,379	10,714	4,033	122,145	670,466	12,679,881
2034	11,668,828	159,766	26,682	9,207	47,916	10,669	4,094	120,314	679,383	12,726,859
2035	11,678,108	156,491	26,368	8,916	48,551	10,725	4,136	118,857	682,955	12,735,107
2036	11,673,393	152,869	26,336	8,600	49,778	10,862	4,184	116,551	686,449	12,729,022

The remainder of this report provides additional detail. First, we develop the GASB valuation results and discuss the sensitivity of the GASB results to changes in the healthcare trend rates. We conclude with disclosure information needed to satisfy the GASB OPEB accounting and financial reporting requirements.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION II - ASSETS

Tables II-1 and II-2 below show the changes in the market value of assets, for each employer and in aggregate, for the last two years.

Table II-1 Changes in Market Value of Assets by Employer, 2014 to 2015											
	Santa Barbara County	Carpinteria- Summerland- FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total	
Market Value of Assets, June 30, 2014	\$ 3,155,154	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 915,228	\$ 0	\$ 4,070,382	
Employer Contributions	8,747,951	124,420	13,774	1,507	4,671	4,755	2,179	179,046	342,653	9,420,956	
Interest and Investment Income	161,999	0	0	0	0	0	0	31,729	0	193,728	
Administrative Expenses	(384,871)	(5,191)	(629)	(161)	(523)	(274)	(185)	(5,372)	(16,114)	(413,320)	
Benefit Payments	(8,129,771)	(124,420)	(13,774)	(1,507)	(4,671)	(4,755)	(2,179)	(79,746)	(342,653)	(8,703,476)	
Admin. Expense Reimbursement	384,871	5,191	629	161	523	274	185	5,372	16,114	413,320	
Market Value of Assets, June 30, 2015	\$ 3,935,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,046,257	\$ 0	\$ 4,981,590	

Table II-2 Changes in Market Value of Assets by Employer, 2015 to 2016											
	Santa Barbara County	Carpinteria- Summerland- FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total	
Market Value of Assets, June 30, 2015	\$ 3,935,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,046,257	\$ 0	\$ 4,981,590	
Employer Contributions	11,014,316	126,273	17,299	1,507	3,771	4,755	2,179	172,939	355,038	11,698,077	
Interest and Investment Income	144,792	0	0	0	0	0	0	22,656	0	167,448	
Administrative Expenses	(380,640)	(4,585)	(726)	(153)	(507)	(249)	(173)	(5,505)	(15,439)	(407,977)	
Benefit Payments	(8,217,691)	(126,273)	(17,299)	(1,507)	(3,771)	(4,755)	(2,179)	(87,739)	(355,038)	(8,816,252)	
Admin. Expense Reimbursement	380,640	4,585	726	153	507	249	173	5,505	15,439	407,977	
Market Value of Assets, June 30, 2016	\$ 6,876,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,154,113	\$ 0	\$ 8,030,863	

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION III - GASB VALUATION RESULTS

The Governmental Accounting Standards Board (GASB) Statement 43 governs financial reporting for post-employment benefits plans other than pension plans and a companion Statement (Number 45) governs the employer accounting and financial reporting for these plans.

For plans where the contribution equals the Annual Required Contribution under GASB 43 based on a discount rate equal to the expected return on plan assets, the discount rate for GASB purposes is also the expected return on plan assets. Where the contribution equals the pay-as-you-go cost (annual benefit payments), the discount rate for GASB purposes is equal to the expected return on unrestricted assets. Where the contribution is between these two amounts, GASB requires the use of a blended discount rate that is prorated between the expected return on plan assets and the expected return on the employer's unrestricted assets.

The expected return on unrestricted assets for all employers was 4.00% in the last actuarial valuation. The expected return on unrestricted assets for the current valuation is 3.75%. The expected return on plan assets is assumed to be 7.0%, the same long-term rate assumed for the SBCERS pension assets. Because most of the employers are only contributing the pay-as-you-go cost, the discount rate used for those employers is 3.75%; Santa Barbara County and APCD have instituted funding policies that exceed the pay-as-you-go costs and as such use discount rates of 6.39% and 7.00%, respectively.

The development of the unfunded actuarial liability (UAL) is shown below.

Valuation Date	Table III-1 Unfunded Actuarial Liability										
	Carpinteria-		Santa Maria			SB County		Air Pollution			Total
	Santa Barbara County	Summerland- FPO	Cemetery	Goleta Cemetery	Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Control District	Courts		
Actuarial Accrued Liability	\$ 139,905,246	\$ 2,707,026	\$ 413,540	\$ 128,623	\$ 587,501	\$ 155,556	\$ 60,436	\$ 1,448,921	\$ 10,070,312	\$ 155,477,161	
Assets	<u>6,876,750</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,154,113</u>	<u>0</u>	<u>8,030,863</u>	
Unfunded Actuarial Liability (UAL)	\$ 133,028,496	\$ 2,707,026	\$ 413,540	\$ 128,623	\$ 587,501	\$ 155,556	\$ 60,436	\$ 294,808	\$ 10,070,312	\$ 147,446,298	
Funded percentage	4.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	79.7%	0.0%	5.2%	

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION III - GASB VALUATION RESULTS

The Annual Required Contribution (ARC) under GASB 45 consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year, and (2) the amortization of the unfunded actuarial liability (UAL). The amortization of the UAL as of June 30, 2016 is on a level percentage of pay for employers who allow newly hired employees to join the OPEB plan, and is on a level dollar basis for employers that have closed the plan to newly hired employees. The amortization of the UAL is on a level dollar basis for the following employers: Santa Barbara County, the Santa Barbara Association of Governments, and the Air Pollution Control District. All other employers utilize a level percentage of pay amortization.

The amortization period used depends on the funding policy of the employer. For Santa Barbara County, a closed amortization period of 19 years was established as of June 30, 2016 so that the entire 19-year period remains. For all other employers, an open/rolling period of 30 years is used. The Annual Required Contribution (ARC) at June 30, 2017 is developed in the table below for each employer.

Table III-2 Development of Actuarial Cost										
Group	Santa Barbara County	Carpinteria- Summerland- FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
Fully Projected Liability	\$ 156,040,374	\$ 3,084,661	\$ 479,152	\$ 151,891	\$ 802,268	\$ 197,607	\$ 87,523	\$ 1,552,717	\$ 12,594,500	\$ 174,990,693
EAN Actuarial Accrued Liability (AAL)	139,905,246	2,707,026	413,540	128,623	587,501	155,556	60,436	1,448,921	10,070,312	155,477,161
Actuarial Value of Assets	<u>6,876,750</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,154,113</u>	<u>0</u>	<u>8,030,863</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 133,028,496	\$ 2,707,026	\$ 413,540	\$ 128,623	\$ 587,501	\$ 155,556	\$ 60,436	\$ 294,808	\$ 10,070,312	\$ 147,446,298
Normal Cost	\$ 2,127,526	\$ 54,061	\$ 7,988	\$ 6,245	\$ 23,034	\$ 4,963	\$ 2,244	\$ 14,379	\$ 273,934	\$ 2,514,374
Amortization of UAL (various years, level % pay or level \$)	\$ 12,288,197	\$ 103,799	\$ 15,857	\$ 4,932	\$ 32,952	\$ 5,965	\$ 2,317	\$ 23,757	\$ 386,137	\$ 12,863,913
Projected Payroll (FY 2016-17)*	\$ 249,861,596	\$ 3,558,039	\$ 341,939	\$ 279,190	\$ 1,859,657	\$ 342,810	\$ 137,256	\$ 2,374,134	\$ 14,528,844	\$ 273,283,465
Normal Cost (% Pay)	0.85%	1.52%	2.34%	2.24%	1.24%	1.45%	1.63%	0.61%	1.89%	0.92%
Amortization Cost (% Pay)	<u>4.92%</u>	<u>2.92%</u>	<u>4.64%</u>	<u>1.77%</u>	<u>1.77%</u>	<u>1.74%</u>	<u>1.69%</u>	<u>1.00%</u>	<u>2.66%</u>	<u>4.71%</u>
Total Cost (% Pay)	5.77%	4.44%	6.98%	4.01%	3.01%	3.19%	3.32%	1.61%	4.55%	5.63%
Annual Required Cost (ARC) for Fiscal 2016-17	\$ 14,415,723	\$ 157,860	\$ 23,845	\$ 11,177	\$ 55,986	\$ 10,928	\$ 4,561	\$ 38,136	\$ 660,071	\$ 15,378,287
<i>Projected Contribution for Fiscal 2016-17</i>	<i>\$ 12,808,892</i>	<i>\$ 133,448</i>	<i>\$ 17,578</i>	<i>\$ 2,400</i>	<i>\$ 6,309</i>	<i>\$ 4,929</i>	<i>\$ 2,198</i>	<i>\$ 238,492</i>	<i>\$ 377,384</i>	<i>\$ 13,591,630</i>

Estimated figures shown in italics

* Projected Payroll shown is that for those covered under the OPEB plan



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION III - GASB VALUATION RESULTS

Reconciliation

The table below provides an estimate of the major factors contributing to the change in liability since the last valuation report.

Table III-3	
Reconciliation of Actuarial Liability	
Expected Actuarial Liability at 6/30/2016	\$ 200,920,118
Actual Liability as of 6/30/2016	<u>\$ 155,477,161</u>
(Gain) or Loss	\$ (45,442,957)
Changes due to:	
Changes in Actuarial Assumptions	(39,187,343)
Plan Amendments	0
Method Change	0
Other Changes	(6,255,614)
Total Changes	\$ (45,442,957)

- *Changes in Actuarial Assumptions* includes the effects of the updated demographic assumptions, changes to the discount rates for the employers, and a change in the benefit election assumptions, as described in Appendix A.
- *Plan Amendments* includes the effects of plan changes that impact the benefits provided. There have been no changes to the plan benefits that affect the actuarial liabilities since the prior valuation.
- *Method Change* refers to the change in any of the actuarial methods used to calculate the benefits.
- *Other Changes* includes the effect of changes in the demographics of the covered members and any other change not captured in the above items. The main cause of the demographic gain was a change in the benefit election from the \$15 per month subsidy to the \$4 per month supplemental benefit for a number of current retirees.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION IV - SENSITIVITY OF RESULTS

Since the dollar amounts of the benefits provided are not expected to increase and are below the current premiums for health benefits, no trend assumptions are used in calculating the liabilities and ARC produced in this report. Therefore, the results are not affected by any increase or decrease in the healthcare trend rates that may apply to the underlying benefit premiums in the future.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION V - ACCOUNTING DISCLOSURES

Statement 45 of the Governmental Accounting Standards Board (GASB) established standards for accounting and financial reporting of Other Post-Employment Benefit (OPEB) information by governmental employers and plans. In accordance with those statements, we have prepared the following disclosures.

Net OPEB Obligation

The following tables show the development of the Net OPEB Obligation for the fiscal years ending June 30, 2015 and 2016, and project the Net OPEB Obligation for the fiscal year ending June 30, 2017.

Table V-1 Development of Net OPEB Obligation for June 30, 2015											
Group	Santa Barbara County	Carpinteria- Summerland- FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total	
1. Net OPEB Obligation, June 30, 2014	\$ 78,711,260	\$ 111,888	\$ 61,578	\$ 38,184	\$ 93,190	\$ 33,651	\$ 14,756	\$ (328,035)	\$ 1,894,795	\$ 80,631,267	
2. Annual Required Contribution (ARC)	\$ 29,423,882	\$ 151,641	\$ 24,140	\$ 10,458	\$ 42,293	\$ 10,555	\$ 4,141	\$ 49,001	\$ 646,754	\$ 30,362,865	
3. Interest on Net OPEB Obligation	3,408,198	4,476	2,463	1,527	3,728	1,346	590	(24,603)	75,792	3,473,517	
4. Adjustment to ARC	10,769,254	3,996	2,199	1,364	3,328	1,202	527	(17,966)	67,672	10,831,576	
5. Annual OPEB Cost (2.) + (3.) - (4.)	\$ 22,062,826	\$ 152,121	\$ 24,404	\$ 10,621	\$ 42,693	\$ 10,699	\$ 4,204	\$ 42,364	\$ 654,874	\$ 23,004,806	
6. Actual Employer Contributions	\$ 8,747,951	\$ 124,420	\$ 13,774	\$ 1,507	\$ 4,671	\$ 4,755	\$ 2,179	\$ 179,046	\$ 342,653	\$ 9,420,956	
7. Net OPEB Obligation, end of year (1.) + (5.) - (6.)	\$ 92,026,135	\$ 139,589	\$ 72,208	\$ 47,298	\$ 131,212	\$ 39,595	\$ 16,781	\$ (464,717)	\$ 2,207,016	\$ 94,215,117	

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION V - ACCOUNTING DISCLOSURES

Table V-2

Development of Net OPEB Obligation for June 30, 2016

Group	Santa Barbara County	Carpinteria-Summerland-FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
1. Net OPEB Obligation, June 30, 2015	\$ 92,026,135	\$ 139,589	\$ 72,208	\$ 47,298	\$ 131,212	\$ 39,595	\$ 16,781	\$ (464,717)	\$ 2,207,016	\$ 94,215,117
2. Annual Required Contribution (ARC)	\$ 33,745,022	\$ 155,006	\$ 25,009	\$ 11,010	\$ 44,489	\$ 10,976	\$ 4,299	\$ 43,965	\$ 669,330	\$ 34,709,106
3. Interest on Net OPEB Obligation	3,984,732	5,584	2,888	1,892	5,248	1,584	671	(34,854)	88,281	4,056,026
4. Adjustment to ARC	14,470,701	4,985	2,579	1,689	4,686	1,414	599	(25,451)	78,823	14,540,025
5. Annual OPEB Cost (2.) + (3.) - (4.)	\$ 23,259,053	\$ 155,605	\$ 25,318	\$ 11,213	\$ 45,051	\$ 11,146	\$ 4,371	\$ 34,562	\$ 678,788	\$ 24,225,107
6. Actual Employer Contributions	\$ 11,014,316	\$ 126,273	\$ 17,299	\$ 1,507	\$ 3,771	\$ 4,755	\$ 2,179	\$ 172,939	\$ 355,038	\$ 11,698,077
7. Net OPEB Obligation, end of year <i>(1.) + (5.) - (6.)</i>	\$ 104,270,872	\$ 168,921	\$ 80,227	\$ 57,004	\$ 172,492	\$ 45,986	\$ 18,973	\$ (603,094)	\$ 2,530,766	\$ 106,742,147

Table V-3

Development of Net OPEB Obligation for June 30, 2017

Group	Santa Barbara County	Carpinteria-Summerland-FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
1. Net OPEB Obligation, June 30, 2016	\$ 104,270,872	\$ 168,921	\$ 80,227	\$ 57,004	\$ 172,492	\$ 45,986	\$ 18,973	\$ (603,094)	\$ 2,530,766	\$ 106,742,147
2. Annual Required Contribution (ARC)	\$ 14,415,723	\$ 157,860	\$ 23,845	\$ 11,177	\$ 55,986	\$ 10,928	\$ 4,561	\$ 38,136	\$ 660,071	\$ 15,378,287
3. Interest on Net OPEB Obligation	6,662,909	6,335	3,009	2,138	6,468	1,724	711	(42,217)	94,904	6,735,981
4. Adjustment to ARC	9,053,274	6,243	2,965	2,107	9,325	1,700	701	(45,422)	93,532	9,124,425
5. Annual OPEB Cost (2.) + (3.) - (4.)	\$ 12,025,358	\$ 157,952	\$ 23,889	\$ 11,208	\$ 53,129	\$ 10,952	\$ 4,571	\$ 41,341	\$ 661,443	\$ 12,989,843
6. <i>Expected Employer Contributions</i>	\$ 12,808,892	\$ 133,448	\$ 17,578	\$ 2,400	\$ 6,309	\$ 4,929	\$ 2,198	\$ 238,492	\$ 377,384	\$ 13,591,630
7. Net OPEB Obligation, end of year <i>(1.) + (5.) - (6.)</i>	\$103,487,338	\$ 193,425	\$ 86,538	\$ 65,812	\$ 219,312	\$ 52,009	\$ 21,346	\$ (800,245)	\$ 2,814,825	\$106,140,360

Estimated figures shown in italics



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION V - ACCOUNTING DISCLOSURES

Schedule of Funding Progress

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Table V-4 Schedule of Funding Progress											
Group	Santa Barbara County	Carpinteria- Summerland- FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total	
Actuarial Value of Assets (a)	\$ 6,876,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,154,113	\$ 0	\$ 8,030,863	
Actuarial Accrued Liabilities (b)	\$ 139,905,246	\$ 2,707,026	\$ 413,540	\$ 128,623	\$ 587,501	\$ 155,556	\$ 60,436	\$ 1,448,921	\$ 10,070,312	\$ 155,477,161	
Unfunded Actuarial Liabilities (UAL) [b-a]	\$ 133,028,496	\$ 2,707,026	\$ 413,540	\$ 128,623	\$ 587,501	\$ 155,556	\$ 60,436	\$ 294,808	\$ 10,070,312	\$ 147,446,298	
Funded Ratio (a/b)	4.92%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	79.65%	0.00%	5.17%	
Annual Covered Payroll* (c)	\$ 246,169,060	\$ 3,505,457	\$ 336,886	\$ 275,064	\$ 1,832,174	\$ 337,744	\$ 135,228	\$ 2,339,048	\$ 14,314,132	\$ 269,244,793	
(UAL) as Percentage of Covered Payroll	54.04%	77.22%	122.75%	46.76%	32.07%	46.06%	44.69%	12.60%	70.35%	54.76%	

* Projected Payroll shown is that for those covered under the OPEB plan



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION V - ACCOUNTING DISCLOSURES

History of Employer Contributions

The history of employer contributions shows whether the employers have made contributions that are consistent with the parameters established by GASB for calculating the ARC and the annual OPEB expense.

Table V-5 Schedule of Employer Contributions					
Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contributions	Percentage of AOC Contributed	Net OPEB Obligation	
2017	\$ 12,989,843	\$ 13,591,630	104.6%	\$ 106,140,360	
2016	24,225,107	11,698,077	48.3%	106,742,147	
2015	23,004,807	9,420,956	41.0%	94,215,117	
2014	23,054,675	8,899,066	38.6%	80,631,267	
2013*	21,794,463	8,357,598	38.3%	66,475,658	
2012*	20,308,611	8,362,411	41.2%	53,038,793	
2011*	20,366,914	8,665,648	42.5%	41,092,593	

Estimated figures shown in italics

*As calculated by the prior Actuary

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

SECTION V - ACCOUNTING DISCLOSURES

We have also provided a *Note to Required Supplementary Information* for the financial statements.

Table V-6 Note to Required Supplementary Information	
The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method for Santa Barbara County	Level \$, 19 years, closed with 19 years remaining
Amortization Method for Santa Barbara County Association of Governments and APCD	Level \$, 30 years, open
Amortization Method for all other Employers	Level % Pay, 30 years, open
Asset Valuation Method	Market value
Actuarial Assumptions:	
Payroll Growth Rate	3.00%
Discount Rate	6.39% for SB County, 7.00% for APCD, and 3.75% for all others
Ultimate Rate of Medical Inflation	N/A

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Member Data Comparisons

	June 30, 2014	June 30, 2016	% Change
Active Employees*			
Count	3,707	3,346	(9.74%)
Average Age	46.8	47.4	1.28%
Average Service	13.8	14.9	7.74%
Total Payroll	\$ 282,962,944	\$ 269,244,794	(4.85%)
Count of Terminated Vested Participants	890	926	4.04%
Average Age	48.5	48.9	0.85%
Count of Retired Participants	3,246	3,247	0.03%
Average Age	69.2	69.9	1.11%
Count of Disabled Participants	240	240	0.00%
Average Age	65.5	66.8	2.02%
Count of Surviving Spouses	408	489	19.85%
Average Age	74.6	72.5	(2.80%)
Total Count of Inactive Participants	3,894	3,976	2.11%

* Active census and salary information includes only those eligible for the OPEB benefit, and as a result will not match the SBCERS pension census information for the same period.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Detailed Census Counts by Employer:

Counts by Employer										
June 30, 2016	Santa Barbara County	Carpinteria- Summerland- FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
Active employees	3,029	33	6	4	18	4	2	28	222	3,346
Vested Terminated Employees	865	6	0	1	11	0	0	13	30	926
Retirees and Surviving Spouses	3,715	38	6	2	11	2	2	61	139	3,976
Total	7,609	77	12	7	40	6	4	102	391	8,248

June 30, 2014	Santa Barbara County	Carpinteria- Summerland- FPO	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
Active employees	3,383	33	7	4	18	4	2	38	218	3,707
Vested Terminated Employees	830	4	2	1	10	0	0	13	30	890
Retirees and Surviving Spouses	3,645	38	4	3	11	2	2	56	133	3,894
Total	7,858	75	13	8	39	6	4	107	381	8,491

*Oak Hill Cemetery and Mosquito & Vector Control do not participate in the plan. They are excluded from this table and the calculations in this report.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Economic Assumptions:

- | | |
|---|---|
| 1. Expected Return on Trust Assets: | 7.00% per year |
| 2. Expected Return on Assets for Benefits: | 3.75% per year |
| 3. Discount Rate | 6.39% for SB County, 7.0% for APCD, and
3.75% for all others |
| 4. Payroll Growth Rate: | 3.00% per year |
| 5. Per Person Cost Trends: | N/A |
| 6. Postretirement Benefit Increases: | None |

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Demographic Assumptions:

1. Retirement Rates for active employees:

Rates of retirement are based on age and service according to the following table. The rates for Safety PEPPRA members are the same as the Safety Plan 4 rates.

Rates of Retirement								
Age	General		General - PEPPRA		Safety			
	Svc < 30	Svc >= 30	Male	Female	Plan 4		Plan 6	
					Svc < 20	Svc >= 20	Svc < 20	Svc >= 20
< 34	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
35	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
36	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
37	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
38	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
39	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
40	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
41	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
42	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
43	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
44	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
45	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%
46	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	2.00%
47	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.00%	5.00%
48	0.00%	4.00%	0.00%	0.00%	0.00%	1.00%	0.00%	5.00%
49	0.00%	4.00%	0.00%	0.00%	0.00%	3.00%	0.00%	17.00%
50	3.00%	4.00%	0.00%	0.00%	4.00%	4.00%	20.00%	25.00%
51	3.00%	4.00%	0.00%	0.00%	4.00%	4.00%	15.00%	15.00%
52	3.00%	4.00%	2.40%	1.80%	4.00%	4.00%	15.00%	20.00%
53	3.00%	4.00%	2.40%	1.80%	5.00%	5.00%	15.00%	20.00%
54	3.00%	5.00%	2.40%	5.40%	10.00%	20.00%	15.00%	30.00%
55	5.00%	10.00%	2.40%	5.40%	10.00%	35.00%	25.00%	35.00%
56	5.00%	10.00%	3.60%	5.40%	10.00%	20.00%	15.00%	25.00%
57	7.00%	10.00%	3.60%	5.40%	10.00%	25.00%	15.00%	25.00%
58	7.00%	10.00%	3.60%	5.40%	10.00%	25.00%	15.00%	25.00%
59	7.00%	10.00%	7.20%	7.20%	10.00%	25.00%	15.00%	25.00%
60	7.00%	15.00%	9.00%	9.00%	25.00%	25.00%	15.00%	25.00%
61	15.00%	30.00%	15.00%	10.80%	15.00%	25.00%	15.00%	25.00%
62	25.00%	40.00%	20.00%	20.00%	30.00%	25.00%	15.00%	25.00%
63	15.00%	40.00%	20.00%	20.00%	20.00%	30.00%	15.00%	25.00%
64	26.00%	40.00%	20.00%	20.00%	20.00%	30.00%	15.00%	25.00%
65	26.00%	40.00%	25.00%	25.00%	100.00%	100.00%	100.00%	100.00%
66	26.00%	40.00%	25.00%	25.00%				
67	26.00%	40.00%	40.00%	40.00%				
68	26.00%	40.00%	25.00%	25.00%				
69	26.00%	40.00%	25.00%	25.00%				
70	26.00%	40.00%	25.00%	25.00%				
71	26.00%	40.00%	25.00%	25.00%				
72	26.00%	40.00%	25.00%	25.00%				
73	26.00%	40.00%	25.00%	25.00%				
74	26.00%	40.00%	25.00%	25.00%				
75	100.00%	100.00%	100.00%	100.00%				

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

2. Retirement Rates for terminated vested participants:

The table below shows the assumed retirement ages for terminated vested participants.

Plan	Assumed Retirement Age
APCD 1,2 / General 5A,B,C / Plan 7 / Plan 8 (PEPRA)	58
General Plan 2	65
Safety Plan 4A,B,C, Safety Plan 8 (PEPRA)	54
Safety Plan 6A,B,C	52

3. Rates of Termination:

Sample rates of termination are show in the following table below. The 1.30% rate of termination continues for Safety PEPRA members with 20 or more years of service who are not eligible to retire.

Rates of Termination		
Service	General	Safety
0	20.00%	9.00%
1	14.00%	9.00%
2	10.00%	3.50%
3	8.00%	3.00%
4	7.00%	3.00%
5	6.00%	5.00%
6	6.00%	2.75%
7	5.00%	2.75%
8	5.00%	2.75%
9	4.50%	2.75%
10	4.50%	2.00%
11	3.50%	1.50%
12	3.50%	1.30%
13	3.00%	1.30%
14	2.50%	1.30%
15	2.50%	1.30%
16	2.50%	1.30%
17	1.50%	1.30%
18	1.50%	1.30%
19	1.50%	1.30%
20	1.50%	0.00%
21	1.50%	
22	1.50%	
23	1.50%	
24	1.50%	
25	1.50%	
26	1.50%	
27	1.50%	
28	1.50%	
29	1.50%	
30	0.00%	

** Termination rates do not apply once a member is eligible for retirement.*

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

4. Rates of Mortality:

Healthy Lives:

Mortality rates for retirees, beneficiaries, terminated vested, and reciprocals are based on the sex distinct CalPERS Healthy Annuitant Mortality Tables adjusted by 0.95 for males and 0.90 for females, with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

Non-duty related mortality rates for active members are based on the sex distinct CalPERS Preretirement Non-Industrial Mortality Table, with no adjustment, with Generational improvement using Projection Scale MP-2016 from a base year of 2009. Safety members are also subject to the CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with the same Generational improvements applied.

Disabled Lives:

Mortality rates for disabled retirees are based on CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

5. Disability Rates:

Disability rates of active participants are shown below.

Age	Rates of Disability			
	General		Safety	
	Years of Service		Years of Service	
	Less than 5	5 or More	Less than 5	5 or More
29 or less	0.004%	0.010%	0.045%	0.050%
30	0.004%	0.010%	0.054%	0.060%
31	0.004%	0.010%	0.054%	0.060%
32	0.004%	0.010%	0.054%	0.060%
33	0.004%	0.010%	0.054%	0.060%
34	0.004%	0.010%	0.054%	0.060%
35	0.004%	0.010%	0.090%	0.100%
36	0.008%	0.020%	0.090%	0.100%
37	0.008%	0.020%	0.090%	0.100%
38	0.008%	0.020%	0.090%	0.100%
39	0.008%	0.020%	0.090%	0.100%
40	0.008%	0.020%	0.117%	0.130%
41	0.008%	0.020%	0.117%	0.130%
42	0.012%	0.030%	0.117%	0.130%
43	0.016%	0.040%	0.117%	0.130%
44	0.020%	0.050%	0.117%	0.130%
45	0.024%	0.060%	0.135%	0.150%
46	0.024%	0.060%	0.162%	0.180%
47	0.024%	0.060%	0.180%	0.200%
48	0.024%	0.060%	0.225%	0.250%
49	0.024%	0.060%	0.225%	0.250%
50	0.028%	0.070%	0.252%	0.280%
51	0.028%	0.070%	0.270%	0.300%
52	0.028%	0.070%	0.450%	0.500%
53	0.028%	0.070%	0.450%	0.500%
54	0.028%	0.070%	0.450%	0.500%
55	0.040%	0.100%	0.450%	0.500%
56	0.040%	0.100%	0.450%	0.500%
57	0.040%	0.100%	0.450%	0.500%
58	0.040%	0.100%	0.450%	0.500%
59	0.040%	0.100%	0.450%	0.500%
60	0.060%	0.150%	0.720%	0.800%
61	0.060%	0.150%	0.720%	0.800%
62	0.060%	0.150%	0.720%	0.800%
63	0.060%	0.150%	0.720%	0.800%
64	0.060%	0.150%	0.720%	0.800%
65	0.060%	0.150%	0.000%	0.000%
66	0.060%	0.150%		
67	0.060%	0.150%		
68	0.060%	0.150%		
69	0.060%	0.150%		
70	0.060%	0.150%		
71	0.060%	0.150%		
72	0.060%	0.150%		
73	0.060%	0.150%		
74	0.060%	0.150%		
75	0.000%	0.000%		

40% of General disabilities and 90% of Safety disabilities where the member has five or more years of service are assumed to be service-related. All disabilities for those with less than five years of service are assumed to be service-related.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

6. Salary Increase Rate:

Wage inflation component 3.00%
Additional longevity and promotion component:

Longevity and Promotion Increases		
Service	General	Safety
0	4.75%	6.00%
1	4.00%	5.00%
2	3.25%	4.00%
3	2.50%	3.25%
4	2.00%	2.50%
5	1.50%	2.00%
6	1.25%	1.60%
7	1.00%	1.30%
8	0.90%	1.20%
9	0.80%	1.10%
10	0.78%	1.00%
11	0.75%	0.95%
12	0.70%	0.92%
13	0.65%	0.89%
14	0.60%	0.87%
15	0.55%	0.85%
16	0.50%	0.82%
17	0.48%	0.80%
18	0.46%	0.77%
19	0.44%	0.74%
20	0.42%	0.72%
21	0.40%	0.69%
22	0.38%	0.67%
23	0.36%	0.64%
24	0.34%	0.62%
25	0.32%	0.59%
26	0.30%	0.57%
27	0.28%	0.54%
28	0.26%	0.52%
29	0.25%	0.50%
30+	0.25%	0.50%

** Increases are compound rather than additive.*

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

- 7. Plan Election:** We assumed that 55% of future retirees will select a monthly subsidy for employer health plan benefits of \$15 per year of service, while 45% will select the \$4 cash benefit option.
- 8. Family Composition:** Percentage married for all active members who retire, become disabled, or die during active service is shown in the table below.

Percentage Married	
Gender	Percentage
Males	75%
Females	55%

- 9. Dependent Age:** For current retirees, actual spouse date of birth was used when available. For future retirees, male retirees are assumed to be three years older than their partner, and female retirees are assumed to be two years younger than their partner.
- 10. Payment Form Election:** We assumed that future retirees will select a 60% Joint and Survivor annuity upon retirement.

Changes Since Last Valuation

The demographic assumptions were updated to be consistent with the SBCERS Pension Valuation, including the assumptions for retirement, mortality, disability, termination, and salary increases. The discount rates used for Santa Barbara County and Air Pollution Control District (APCD) were changed from 4.33% to 6.39% and from 7.50% to 7.00%, respectively to reflect their respective policies to contribute more than the Pay-as-you-go cost and to reflect the new pay as you go and full funding discount rates. The plan election assumption was updated to reflect current experience.

Methodology:

The Entry Age Normal actuarial funding method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the postemployment benefits between each member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Amortization Cost

The actuarial value of the assets on hand to pay future benefits is subtracted from the *Actuarial Accrued Liability*, producing the *Unfunded Actuarial Accrued Liability*.

The *Unfunded Actuarial Accrued Liability* determined from this valuation is amortized on a level percentage of pay for employers who allow newly hired employees to join the OPEB plan, and is on a level dollar basis for employers that have closed the plan to newly hired employees. The amortization period used depends on the funding policy of the employer. The amortization of the UAL is on a level dollar basis for the following employers: Santa Barbara County, the Santa Barbara Association of Governments, and the Air Pollution Control District. All other employers utilize a level percentage of pay amortization. For Santa Barbara County, a closed amortization period of 19 years was established as of June 30, 2016. For all other employers, an open/rolling period of 30 years is used. The payment for a given year is expressed as a percentage of projected active member payroll for that year. This percentage is the *Amortization Rate*.

The sum of the *Normal Cost Rate* and the *Amortization Rate* is the *Annual Required Contribution Rate*. The actuarial cost for a given year is determined by multiplying the active payroll by the *Contribution Rate*.

Actuarial Value of Plan Assets

The participating employers of the Santa Barbara County Employees' Retirement System contribute to a 401(h) account. It is assumed these assets will be used to pay for the retiree health benefits. As of June 30, 2016, the market value of assets was \$8,030,863. The actuarial value of assets is equal to the market value.

Funding

The cost of the benefits provided by the Plan is currently being funded by the participating employers as shown in the chart below.

Group	Funding Policy
Santa Barbara County	4.00% of total pension plan payroll
Carpinteria Summerland FPD	Pay-as-you-go
Santa Maria Cemetery	Pay-as-you-go
Goleta Cemetery	Pay-as-you-go
SBCAG	Pay-as-you-go
Summerland Sanitary	Pay-as-you-go
Carpinteria Cemetery	Pay-as-you-go
APCD	Pre-fund 401(h) up to IRS 20% limit
Courts	Pay-as-you-go

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX A - MEMBER DATA, ASSUMPTIONS AND METHODS

Changes Since The Last Valuation:

The details of the funding policies for Santa Barbara County and APCD were updated, as shown in the table above. The impact of this change is included in the assumption changes.

A new, 19-year, closed amortization period was adopted for Santa Barbara County. The UAL of plans that are closed to new hires is now amortized over a level dollar basis rather than level percentage of pay. This affects Santa Barbara County, Santa Barbara County Association of Governments, and Air Pollution Control District.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX B - SUBSTANTIVE PLAN PROVISIONS

Summary of Key Substantive Plan Provisions:

All actuarial calculations are based on our understanding of the statutes governing SBCERS as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the County Board of Supervisors, a district Board of Directors, or the SBCERS Board, effective through June 30, 2016. The benefits are summarized briefly below. This summary does not attempt to cover all the detailed provisions of the law.

There have been no changes to the Plan provisions since the prior valuation.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

Eligibility: Participation is based upon eligibility for pension benefits from SBCERS, and employers' election to participate in the 401(h) Subsidy/Supplement program

Plan Participation by Employer*										
Benefit Plans	APCD 1	APCD 2	APCD 8	General 2	General 5	General 7	General 8	Safety 4	Safety 6	Safety 8
Santa Barbara County				Yes	Yes	No	No	Yes	Yes	Yes**
Carpinteria-Summerland-FPO					Yes		Yes	Yes		Yes
Santa Maria Cemetery					Yes					
Goleta Cemetery					Yes					
SB County Assoc of Govts					Yes		No			
Summerland Sanitary					Yes		Yes			
Carpinteria Cemetery					Yes					
Air Pollution Control District***	Yes	Yes	No		Yes	Yes				
Courts				Yes	Yes		Yes			
Oak Hill Cemetery					No					
Mosquito & Vector Control					No					

* Yes = Employer had members enrolled in the plan and were eligible for benefits

No = Employer had members enrolled in the plan, but they were not eligible for benefits

Empty = Employer did not have members enrolled in the Plan

** Benefits will phase out for all employees hired into Santa Barbara County Safety positions by January 16, 2017

*** Employees hired into the Air Pollution Control District after August 16, 2012 are not eligible for benefits

Benefits: Eligible members can choose a monthly subsidy for County health plan benefits of \$15 per year of service. If the monthly premium for the health plan selected is less than \$15 times the member's years of service, the subsidy is limited to the entire premium. The health plans can include coverage for eligible spouses and dependents.

If a member does not elect a County health plan, the member receives a monthly cash benefit equal to \$4 per year of service.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX B - SUBSTANTIVE PLAN PROVISIONS

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of \$187 per month or \$15 per year of service, whichever is greater.

After the member's death, a surviving spouse is eligible to continue health plan coverage. The monthly subsidy benefit will be equal to \$15 per year of service times the survivor continuation percentage applicable for pension benefits.

SBCAG employees have a different benefit plan; active members hired on or after January 1, 2010 are ineligible for the County plan; they have a separate plan administered by SBCAG that provides benefits through CalPERS and are not part of this plan and are not included in this valuation.

Changes Since The Last Valuation:

There have been no changes to the plan provisions since the last valuation.

APPENDIX C - GLOSSARY OF TERMS

1. Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and, other relevant items.

2. Actuarial Cost Method

A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a normal cost and an actuarial liability.

3. Actuarial Gain (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

4. Actuarial Liability

The portion of the actuarial present value of projected benefits which will not be paid by future normal costs. It represents the value of the past normal costs with interest to the valuation date.

5. Actuarial Present Value (Present Value)

The value as of a given date of a future amount or series of payments. The actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you will not be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

$$\begin{array}{rclcl}
 \text{Amount} & & \text{Probability} & \frac{1}{(1+\text{Discount Rate})} & \\
 \$100 & \times & \text{of Payment} & & \\
 & & (1 - .01) & 1/(1+.1) & = \$90
 \end{array}$$

6. Actuarial Valuation

The determination, as of a specified date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.

7. Actuarial Value of Assets

The value of cash, investments and other property belonging to a pension or post-retirement benefit plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way, long-term costs are not distorted by short-term fluctuations in the market.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX C - GLOSSARY OF TERMS

8. Amortization Payment

The portion of the pension plan contribution, which is designed to pay interest and principal on the unfunded actuarial liability in order to pay for that liability in a given number of years.

9. Entry Age Normal Actuarial Cost Method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated as a level percentage of pay from the individual's date of entry into the plan to the individual's assumed cessation of employment.

10. Normal Cost

That portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

11. Unfunded Actuarial Liability

The excess of the actuarial liability over the actuarial value of assets.

12. Funded Percentage

The ratio of the actuarial value of assets to the actuarial liability.

13. Mortality Table

A set of percentages, which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

14. Discount Rate

The assumed interest rate used for converting projecting dollar related values to a present value as of the valuation date.

15. Medical Trend

The assumed increase in dollar related values in the future due to the increase in the cost of health care.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2016**

APPENDIX D - LIST OF ABBREVIATIONS

Actuarial Accrued Liability (AAL)
Actuarial Valuation Report (AVR)
Annual Required Contribution (ARC)
Coordination of Benefits (COB)
Deductible and Coinsurance (DC)
Deferred Retirement Option Plan (DROP)
Durable Medical Equipment (DME)
Employee Assistance Program (EAP)
Employee Benefits Division (EBD)
Fiscal Year Ending (FYE)
Governmental Accounting Standards Board (GASB)
Hospital Emergency Room (ER)
In-Network (INN)
Inpatient (IP)
Medicare Eligible (ME)
Net Other Postemployment Benefit (NOO)
Non-Medicare Eligible (NME)
Not Applicable (NA)
Office Visit (OV)
Other Postemployment Benefit (OPEB)
Out-of-Network (OON)
Out-of-Pocket (OOP)
Outpatient (OP)
Pay-as-you-go (PAYGo)
Per Person Per Month (PPPM)
Pharmacy (Rx)
Preferred Provider Organization (PPO)
Primary Care Physician (PCP)
Specialist Care Provider (SCP)
Summary Plan Description (SPD)
Unfunded Actuarial Accrued Liability (UAAL)
Unfunded Actuarial Liability (UAL)
Urgent Care (UC)



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