

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: 10/21/03
Department Name: SBC Employees Retirement System
Department No.: 810
Agenda Date: 11/4/03
Placement: Departmental
Estimate Time: 20 minutes
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Board of Retirement
Santa Barbara County Employees' Retirement System

STAFF CONTACT: Oscar Peters, Retirement Administrator
568-2998

SUBJECT: FY 2004-05 Employee and Employer Contribution Rates to the Retirement System

Recommendation(s):

That the Board of Supervisors:
Adopt the Board of Retirement recommendations implementing economic and non-economic actuarial assumptions, funding methods and member and employer contribution rates as set forth in Exhibits A & B for fiscal year 2004-05.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with actions required by law or routine business necessity.

Executive Summary and Discussion:

Mellon Human Resource & Investment Solutions, consulting actuary, prepared an actuarial valuation for the year ending June 30, 2003 using the revised assumptions adopted by the Board of Retirement on September 17, 2003. The new contribution rates, to be implemented on July 1, 2004, are 15.21% for employer and 6.54% for members.

The County Employee Retirement Law (CERL) provides the authority for the County of Santa Barbara to establish a separate retirement system for county employees and special district employees. This law requires that at least once every three years the Retirement System have a full experience study as the basis for future valuations. Under the CERL, members and the employer equally share the cost of the basic allowance. Therefore when actuarial assumptions are changed both the employer and member contribution rates must be changed to reflect the new assumed cost of benefits. However, members do not pay for or receive benefit from actuarial losses or gains as the result of experience variances from the actuarial assumptions. On September 17, 2003 the Board of Retirement received the report of the experience study

for the period from January 1, 2001 to June 30, 2003. The Board adopted the recommended changes in schedules and directed the actuary to prepare the actuarial valuation for June 30, 2003 using the revised assumptions. This report was received and adopted by the Board of Retirement at their October 22, 2003 meeting.

This is the first actuarial valuation performed on the fiscal year basis. The last valuation was done on the period ended December 31, 2002, therefore the gains and losses from experience are only for six months. This report recognizes the continued decline in funding as the investment losses from prior years are recognized. The funding level has fallen from 95.0% to 92.6%. The remaining unrecognized losses have fallen from \$269 million to \$177 million. During the six-month period the return on assets exceeded the expected return and resulted in a gain of \$10.8 million. The current level of funding remains above the January 1, 1998 funding level. Using the June 30, 2003 covered payroll as a basis for computing the increased cost, the new contribution rate will increase the County contributions by \$4.055 million, of this \$2.122 million is from experience losses and \$1.933 million is from changes in assumptions.

The recommended contribution rates represent an increase of 9.27% for the employer and 2.65% for the members. The changes vary significantly between plans and are detailed in the attached actuarial report. Section 31453 of the CERL requires that the Board of Retirement present the recommended contribution rates to the Board of Supervisors for the fiscal year at least 45 days before the beginning of the fiscal year.

Under Section 31453.6 of the CERL the Board of Supervisors may request, based upon financial necessity, that the Board of Retirement change the amortization period to 30 years rather than accepting the recommended contribution rate. The Board of Retirement could then adopt the revised amortization schedule unless it created an unsound financial risk. However, the amortization schedule can only be extended to 30 years one time.

Mandates and Service Levels:

Section 31453 of the CERL requires that the Board of Retirement present the recommended contribution rates for the fiscal year at least 45 days before the beginning of the fiscal year.

Fiscal and Facilities Impacts:

Recommended revised contribution rate will increase employer contributions by 1.29% of covered payroll and increase member contributions by an average of .17% of salary.

Special Instructions: Please send a copy of the Minute Order to the Retirement Office, Room 301 of the County Administration Bldg.

Concurrence:

Board of Retirement

Attachments: Report on the Actuarial Valuation as of June 30, 2003 by Mellon HRIS
Exhibits A & B

C: Special Districts
Recognized Employee Organizations

Member Contribution rates

Entry Age	GENERAL MEMBERS		SAFETY MEMBERS		APCD	
	Plan5A - Section 31676.12	Plan 5B - Section 31676.12	Plan 4A - Section 31664.2	Plan 4B - Section 31664.2	Plan 1 - Section 31676.15	Plan 2 - Section 31676.15
	FAS 1 - Half Rates	FAS 1 - Full Rates	FAS 1 – Half Rates	FAS 1 - Full Rates	FAS 1 – Half Rates	FAS 1 - Full Rates
20	3.20%	6.39%	5.45%	10.90%	3.77%	7.55%
21	3.21	6.41	5.51	11.01	3.78	7.56
22	3.22	6.43	5.57	11.13	3.79	7.58
23	3.23	6.46	5.62	11.25	3.8	7.61
24	3.25	6.49	5.68	11.37	3.82	7.64
25	3.26	6.53	5.74	11.48	3.83	7.67
26	3.28	6.56	5.8	11.6	3.85	7.71
27	3.3	6.61	5.86	11.72	3.88	7.75
28	3.33	6.65	5.92	11.84	3.9	7.8
29	3.35	6.71	5.98	11.96	3.93	7.85
30	3.38	6.76	6.04	12.08	3.96	7.91
31	3.41	6.82	6.1	12.2	3.99	7.98
32	3.44	6.88	6.16	12.33	4.02	8.04
33	3.48	6.95	6.23	12.45	4.06	8.11
34	3.51	7.02	6.29	12.58	4.1	8.19
35	3.55	7.09	6.35	12.71	4.13	8.27
36	3.59	7.17	6.42	12.84	4.18	8.35
37	3.63	7.25	6.48	12.97	4.22	8.44
38	3.67	7.33	6.55	13.1	4.26	8.53
39	3.71	7.42	6.61	13.23	4.31	8.62
40	3.75	7.51	6.68	13.36	4.36	8.72
41	3.8	7.6	6.75	13.49	4.41	8.82
42	3.85	7.7	6.81	13.63	4.46	8.92
43	3.9	7.79	6.88	13.76	4.51	9.03
44	3.95	7.89	6.95	13.89	4.57	9.14
45	4	8	7.01	14.03	4.63	9.25
46	4.05	8.1	7.08	14.16	4.68	9.37
47	4.11	8.21	7.15	14.3	4.74	9.49
48	4.16	8.33	7.22	14.45	4.8	9.61
49	4.22	8.44	7.3	14.6	4.87	9.73
50	4.28	8.56	7.38	14.76	4.93	9.86
51	4.34	8.68	7.46	14.92	5	9.99
52	4.4	8.81	7.54	15.08	5.07	10.13
53	4.47	8.93	7.63	15.26	5.14	10.27
54	4.53	9.06	7.72	15.45	5.21	10.41
55	4.6	9.2				
56	4.67	9.34				
57	4.74	9.48				
58	4.81	9.62				
59 & over	4.89	9.77				

MEMBER CONTRIBUTION RATES
JULY1, 2004
(PAYROLL 14)

Entry Age	GENERAL MEMBERS		SAFETY MEMBERS		APCD	
	Plan5A - Section 31676.12	Plan 5B - Section 31676.12	Plan 4A - Section 31664.2	Plan 4B - Section 31664.2	Plan 1 - Section 31676.15	Plan 2 - Section 31676.15
	FAS 1 - Half Rates	FAS 1 - Full Rates	FAS 1 - Half Rates	FAS 1 - Full Rates	FAS 1 - Half Rates	FAS 1 - Full Rates
20	3.20%	6.39%	5.45%	10.90%	3.77%	7.55%
21	3.21	6.41	5.51	11.01	3.78	7.56
22	3.22	6.43	5.57	11.13	3.79	7.58
23	3.23	6.46	5.62	11.25	3.8	7.61
24	3.25	6.49	5.68	11.37	3.82	7.64
25	3.26	6.53	5.74	11.48	3.83	7.67
26	3.28	6.56	5.8	11.6	3.85	7.71
27	3.3	6.61	5.86	11.72	3.88	7.75
28	3.33	6.65	5.92	11.84	3.9	7.8
29	3.35	6.71	5.98	11.96	3.93	7.85
30	3.38	6.76	6.04	12.08	3.96	7.91
31	3.41	6.82	6.1	12.2	3.99	7.98
32	3.44	6.88	6.16	12.33	4.02	8.04
33	3.48	6.95	6.23	12.45	4.06	8.11
34	3.51	7.02	6.29	12.58	4.1	8.19
35	3.55	7.09	6.35	12.71	4.13	8.27
36	3.59	7.17	6.42	12.84	4.18	8.35
37	3.63	7.25	6.48	12.97	4.22	8.44
38	3.67	7.33	6.55	13.1	4.26	8.53
39	3.71	7.42	6.61	13.23	4.31	8.62
40	3.75	7.51	6.68	13.36	4.36	8.72
41	3.8	7.6	6.75	13.49	4.41	8.82
42	3.85	7.7	6.81	13.63	4.46	8.92
43	3.9	7.79	6.88	13.76	4.51	9.03
44	3.95	7.89	6.95	13.89	4.57	9.14
45	4	8	7.01	14.03	4.63	9.25
46	4.05	8.1	7.08	14.16	4.68	9.37
47	4.11	8.21	7.15	14.3	4.74	9.49
48	4.16	8.33	7.22	14.45	4.8	9.61
49	4.22	8.44	7.3	14.6	4.87	9.73
50	4.28	8.56	7.38	14.76	4.93	9.86
51	4.34	8.68	7.46	14.92	5	9.99
52	4.4	8.81	7.54	15.08	5.07	10.13
53	4.47	8.93	7.63	15.26	5.14	10.27
54	4.53	9.06	7.72	15.45	5.21	10.41
55	4.6	9.2				
56	4.67	9.34				
57	4.74	9.48				
58	4.81	9.62				
59 & over	4.89	9.77				

EMPLOYER CONTRIBUTION RATES
July 1, 2004
(payperiod 14)

COUNTY

	GENERAL			SAFETY	SAFETY & PROBATION
	Plan 2	Plan 5A	Plan 5B	Plan 4A	Plan 4B
Basic	4.00%	8.03%	7.30%	17.23%	13.44%
COL	1.27	4.1	4.74	8.87	9.46
Total	5.27%	12.13%	12.04%	26.10%	22.90%

SPECIAL DISTRICTS

	GENERAL		SAFETY
	Plan 5A	Plan 5B	Plan 4A
Basic	8.03%	7.30%	17.23%
COL	4.1	4.74	8.87
Total	12.13%	12.04%	26.10%

AIR POLLUTION CONTROL DISTRICT

	APCD	
	Plan 1	Plan 2
Basic	11.26%	11.32%
COL	5.23	6.3
Total	16.49%	17.62%

EMPLOYER CONTRIBUTION RATES
July 1, 2004
(payperiod 14)