Other Post-Employment Benefits (OPEB) – Funding Policy

November 18, 2025

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Overview

- County's Other Post-Employment Benefit (OPEB) plan provides health care benefits to retired employees and eligible dependents based upon years of service and the employee’s elected health insurance provider.
- The County contributes 4% of payroll costs to pay for the yearly benefits to eligible retirees and projected future costs of the plan.
    - Close to $20M in FY 2025-26
- To limit future liability, the County gradually closed the plan to new employees beginning in 2012; closed to <u>all</u> new entrants as of December 31, 2018.

Funding History

- Prior to 2016, the County utilized a pay-as-you-go methodology, with contribution rates equal to about 3% of pensionable payroll, but a large unfunded liability existed.
- In 2016, the Board formally adopted the current 4% funding policy, with projections the plan would be fully funded by 2034.
- As of June 30, 2024, the plan has a funded ratio of 59.3% and at the current contribution rate the plan is anticipated to be fully funded by 2027.

Funding History

Liability Measure	June 30, 2014	June 30, 2024
Total Actuarial Liability	$178.5M	$125.5M
Actuarial Value of Assets	$3.2M	$74.4M
Unfunded Actuarial Liability (UAL)	$175.3M	$51.1M
Funded Ratio	1.8%	59.3%

Recommendation

- Given the plan's positive position, and the County's fiscal needs, CEO recommends adjusting the funding policy from 4% of pensionable payroll to 1.5% effective January 1, 2026.
- Creates one-time salary savings for departments in the current fiscal year, and reduces ongoing salary and benefit costs in the FY 2026-27 budget.
- Helps the County address forecasted operating budget deficits, while continuing to responsibly fund this long-term liability, still achieving full funding by 2034.

Projected Savings

FY 2025-26 OPEB Contribution

Fund	4% Payments	1.5% Payments (6 mo.)	Savings
General Fund	$5.8 M	$3.9 M	$1.9 M
Non-General Fund	$13.8 M	$9.3 M	$4.5 M
Total	$19.6 M	$13.2 M	$6.4 M

FY 2026-27 OPEB Contribution

Fund	4% Payments	1.5% Payments	Savings
General Fund	$6.7 M	$2.5 M	$4.2 M
Non-General Fund	$13.7 M	$5.1 M	$8.6 M
Total	$20.4 M	$7.6 M	$12.8 M

Key Takeaways

- Will reduce the County’s contribution rate from 4% to 1.5% of total pensionable payroll, effective January 1, 2026.
- Will create one-time salary savings in departments in the current fiscal year, as well as a reduction in ongoing S&B costs in the FY 2026-27 budget.
- Will still achieve a fully funded plan by 2034.
- Our office will continue to monitor OPEB funding and may revisit in coming years.

Recommended Actions

a) Adopt the Resolution in Attachment A that updates the County of Santa Barbara Other Post-Employment Benefits (401(h) Account) Funding Policy by adjusting the minimum funding rate from 4% to 1.5% of pensionable payroll, beginning January 1, 2026.

b) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA), because pursuant to sections 15378(b)(4) and 15378(b)(5) the recommended actions consist of fiscal activities of government that will not result in direct or indirect physical changes in the environment.