Via Electronic Mail

March 16, 2021

Mr. Greg Levin, Executive Director
Santa Barbara County Employees' Retirement System
130 Robin Hill Road, Suite100
Goleta, California 93117

Re: Cost Impact of Service Purchase for New Parent Leave Act (NPLA)

Dear Greg:

At your request, we have done an informal estimate of the potential cost impact of members purchasing service for uncompensated leave under California's New Parent Leave Act (NPLA, "Bonding Leave") for the Santa Barbara County Employees Retirement System (SBCERS, the Plan). Based on our analysis, there is no expected cost to SBCERS of allowing members to purchase service while on leave under the NPLA.

The NPLA guarantees unpaid leave, up to 12 workweeks in a 12-month period, for certain employees for the birth of a child or the placement of a child for adoption or foster care. It is our understanding that Bonding Leave would be taken after Pregnancy Disability Leave (PDL). Also, SBCERS staff informed us that the portion of a member's wages paid by the state of California during NPLA would be approximately 55%. Generally, members will use unused vacation and sick leave to cover the remaining 45% of lost wages. For the portion of wages covered using unused vacation and sick leave, members would already receive the associated credited service and both employer and employee contributions would be made to the Plan.

The service that is eligible for purchase by the member would be the service associated with any wages not paid for by SBCERS' plan sponsors while on leave. However, it is our understanding under Section 31646 (b)(1) of the County Employees Retirement Law ("CERL"), the member is required to pay **both** the member and employer contributions (the normal cost plus unfunded actuarial liability payment) during the period of uncompensated leave of absence on account of parental leave. As such, there is no expected cost impact to SBCERS due to this new benefit provision.

In preparing our letter, we relied on information supplied by the Santa Barbara Employees Retirement System.

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

Finally, this letter was prepared for the Santa Barbara Employees Retirement System and its Plan sponsors for the purpose described herein. Other users of this letter are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

We are available to answer any questions you may have.

Sincerely,
Cheiron

Anne Harper, FSA, MAAA, EA
Principal Consulting Actuary

Graham Schmidt, ASA, FCA, MAAA, EA
Consulting Actuary