

Santa Barbara County Employees' Retirement System

Discussion of System Experience and Current Position

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Introduction

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About The System

- 1937 Act System
 - County Employees Retirement Law of 1937
 - (CA Gov. Code Section 31450 – 31898)
 - Twenty 1937 Act systems (Santa Barbara is the 5th system created)
- Established January 1, 1944
- 11 Plan Sponsors (participating employers)

Participating Employers	
• County of Santa Barbara	• Santa Barbara County Superior Court (excluding Judges / Bailiffs)
• Carpinteria Cemetery District	• Carpinteria – Summerland Fire Protection District
• Goleta Cemetery District	• Mosquito & Vector Management District of Santa Barbara County
• Oak Hill Cemetery District	• Santa Barbara County Air Pollution Control District
• Santa Barbara County Association of Governments	• Santa Maria Cemetery District
• Summerland Sanitary District	

About the System

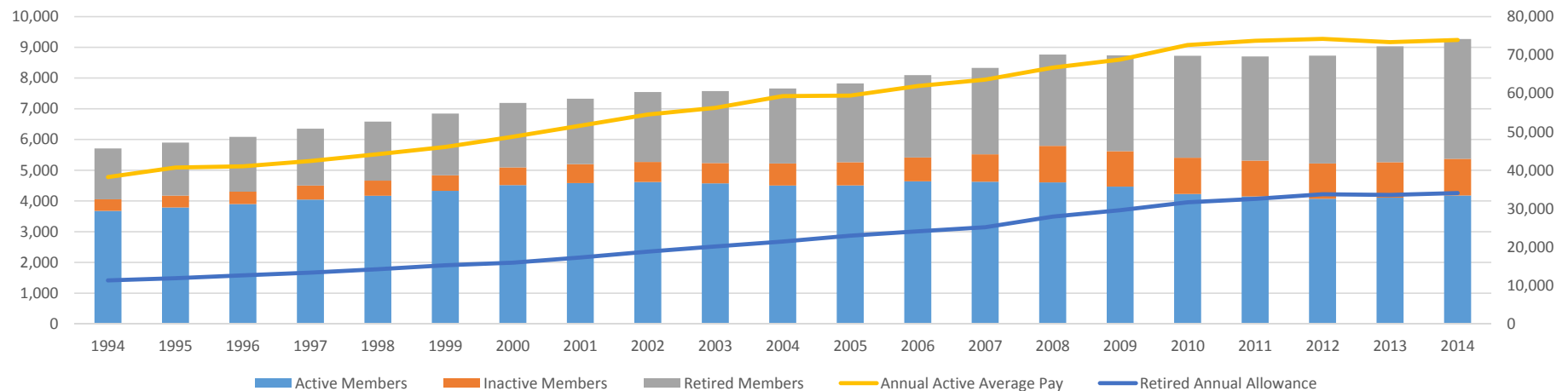
- 11 Member Board of Retirement (9 voting, 2 alternates)
 - 4 regular elected and 2 alternates elected by the members
 - 4 appointed by the Board of Supervisors
 - 1 Ex Officio (County Treasurer)
- General Fiduciary Obligations (State Constitution: Article 17 Section 17(b))
 - The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.
- Setting benefits is the Plan Sponsor's (employer) responsibility, SBCERS serves to administer a benefit system created by the Plan Sponsor

Membership Composition

2014 Membership Summary	
Active	4,177
Inactive Members	1,197
Receiving Benefits	3,897
Total Participants	9,271

- The System has become mature over 20 years.
 - In 1994 the System had 2.2 active members to each retired member.
 - In 2014 the System had 1.1 active members to each retired member.

Membership Summary

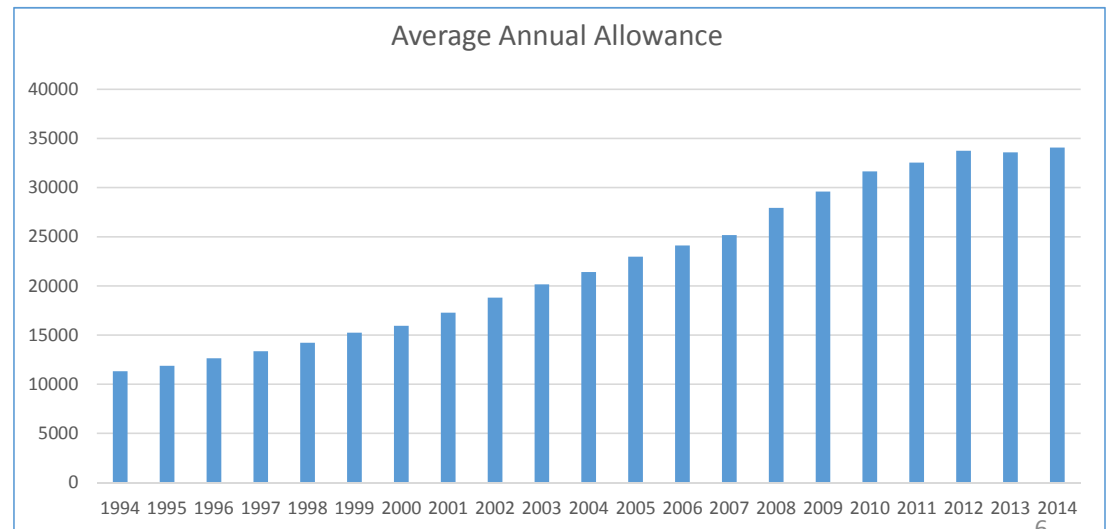


Historical Benefit Trends

- Benefit levels have increased an average of 5.6% over 20 years
 - Factor of salary increases, inflation and benefit improvements.
- Safety benefits are more valuable than general benefits.
 - The number of Safety members went from 14% to 23% of Retirement payroll.
 - Of Active employees, Safety Members went from 17.4% to 21.7% of total employees over 20 years.

As of June 30, 2014	Average Annual Benefit	Number of Retirees
General Member	\$27,264	2,941
Safety Member	\$56,232	905
APCD Member	\$33,648	51
Average/Total	\$34,068	3,897

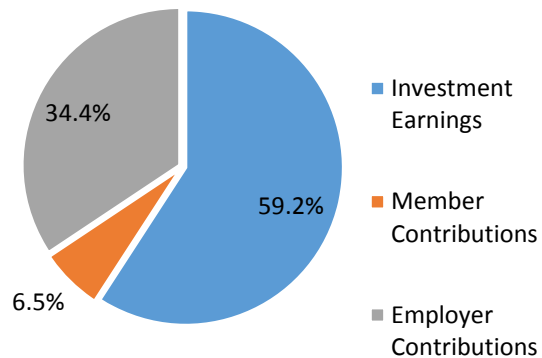
As of December 31, 1994	Average Annual Benefit	Number of Retirees
General Member	\$9,936	1,422
Safety Member	\$19,740	232
Average/Total	\$11,316	1,654



Funding Sources

- Over the past 20 years
 - 59.2% of funding comes from investment earnings
 - 34.4% of funding comes from employer contributions
 - 6.5% of funding comes from member contributions

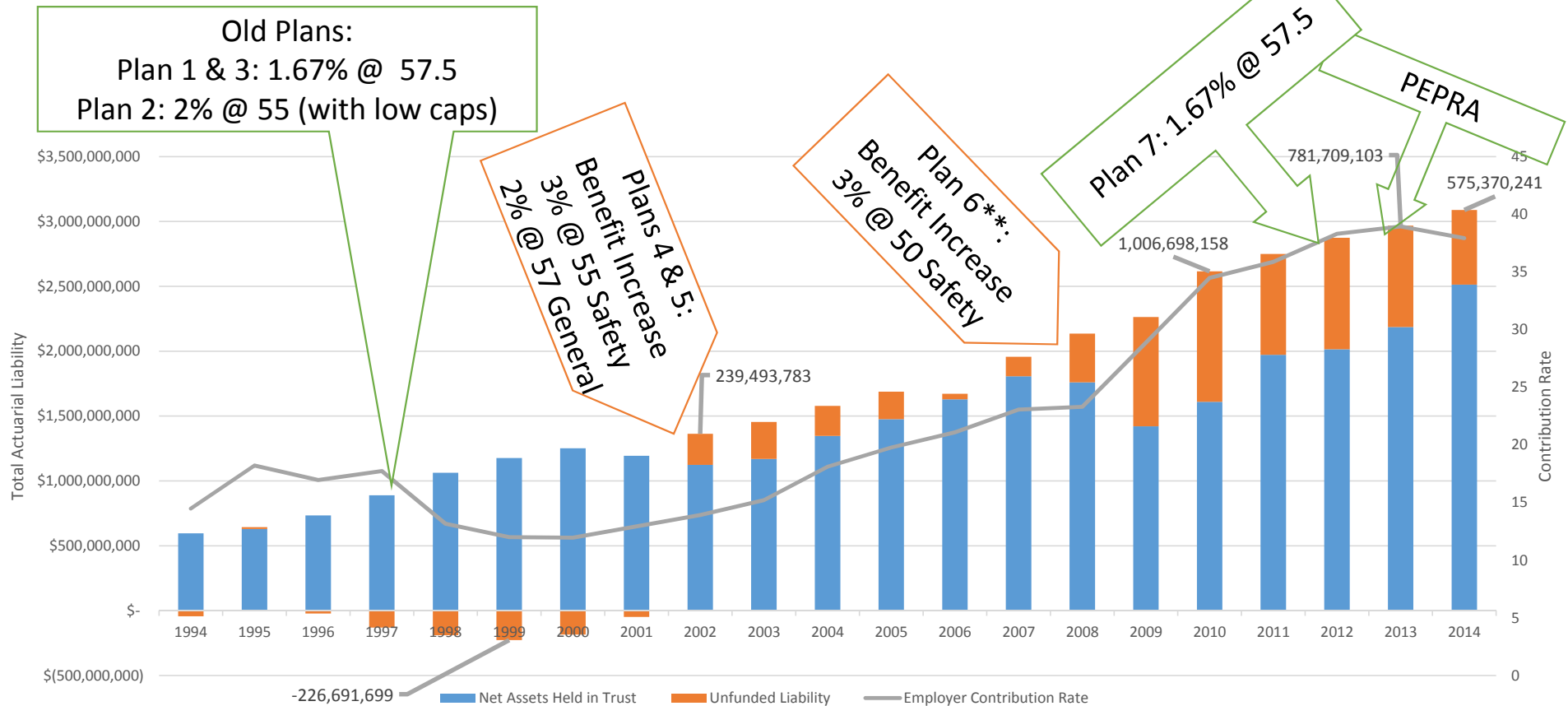
20 Year Average Revenue Sources



20 Year Revenue Source Composition



Funding Status: (using fund net position at market value)



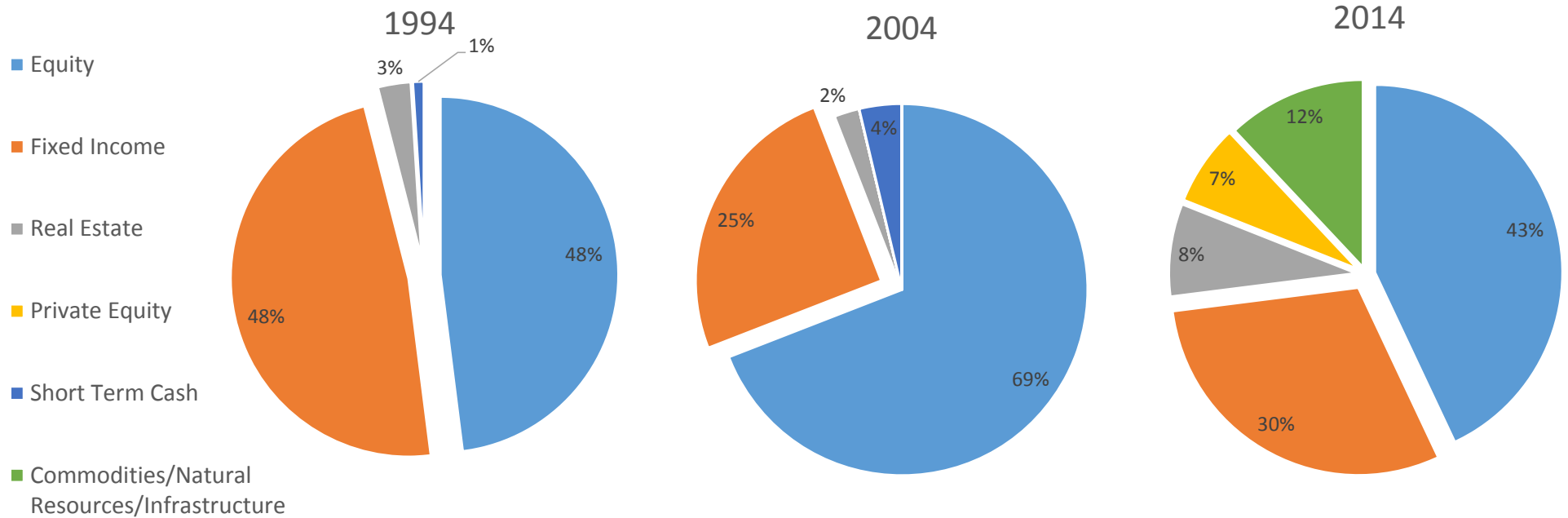
*Numbers below the line reflect a pension surplus.

**Plan 6 was approved on June 6, 2006, Effective February 25, 2008.

Performance Against The Hurdle Rate



Asset Allocation Over Time



Changing Benefit Formulas

Plan	5a	5b	5c	7	8 PEPRA	NEW PEPRA PLANS Effective January 2013						8 PEPRA
						3a	4b	4c	6a	6b		
	General Plans					Safety Plans						
Min. Retirement Age	50	50	50	50	52	50	50	50	50	50	52	
Calculation of Final Average Salary	12 Months	12 Months	36 Months	36 Months	36 Months	12 Months	12 Months	36 Months	12 Months	36 Months	36 Months	
Compensation Limit	No	No	No	No	Social Security Taxable Wage (\$115,064)	No	No	No	No	No	Social Security Taxable Wage (\$138,077)	
Basic Benefit Formula	2% at age 57	2% at age 57	2% at age 57	1.67% at age 57.5	1% at age 52 (2% at 62)	3% at age 55	3% at age 55	3% at age 55	3% at age 50	3% at age 50	2% at age 50	
Maximum Benefit Formula	2.6% at age 62	2.6% at age 62	2.6% at age 62	2.44% at age 65	2.5% at age 67	3% at age 55	3% at age 55	3% at age 55	3% at age 50	3% at age 50	2.7% at age 57	
Benefit Cap	100% of FAS and IRS 415(b) Limit	100% of FAS and IRS 415(b) Limit	100% of FAS and IRS 415(b) Limit	100% of FAS and IRS 415(b) Limit	Social Security Taxable Wage (\$115,064)	100% of FAS and IRS 415(b) Limit	100% of FAS and IRS 415(b) Limit	100% of FAS and IRS 415(b) Limit	100% of FAS and IRS 415(b) Limit	100% of FAS and IRS 415(b) Limit	Social Security Taxable Wage (\$138,077)	

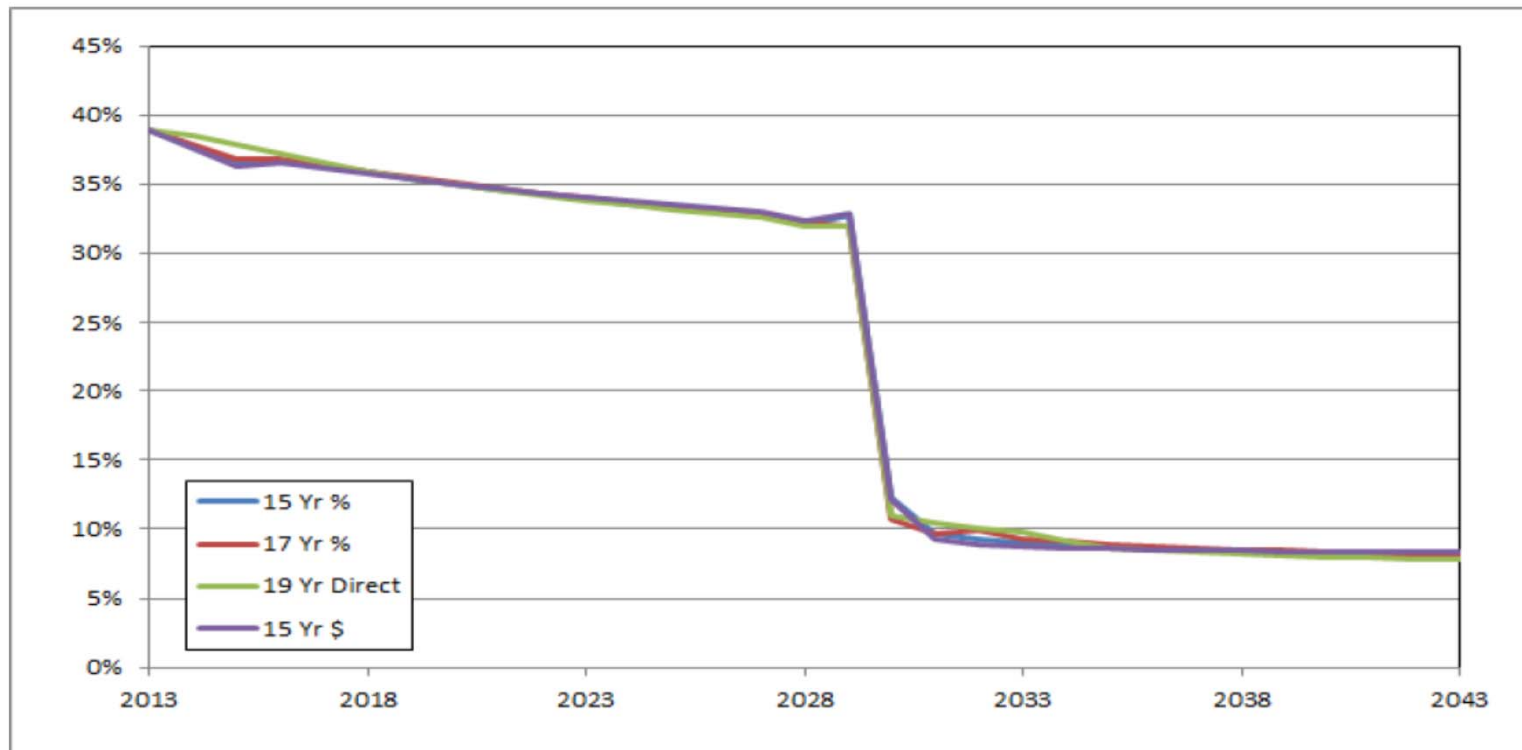
The Impact of PEPRA and Plan 7

Benefit Calculation	Plan 5	7	8 PEPRA	4	6	8 PEPRA	8 PEPRA
	General			Safety			
				Fire/Prob.	Sheriff	Fire/Prob.	Sheriff
Final Average Salary	\$ 68,639	\$ 68,639	\$ 68,639	\$ 89,606	\$ 89,606	\$ 89,606	\$ 89,606
Years of Service	30	30	30	30	30	30	30
Retirement Age	62	62	62	50	50	50	50
Projected Benefit	\$ 53,921.43	\$ 43,064.11	\$ 41,183.40	\$ 61,564.70	\$ 80,645.40	\$ 53,763.60	\$ 53,763.60
Difference from Core Plan		\$ (10,857.32)	\$ (12,738.03)			\$ (7,801.10)	\$ (26,881.80)
% Difference		-20%	-24%			-13%	-33%

Managing Contribution Volatility

- New Amortization Policy Passed: Layered 19 Year Direct Smoothing
 - Same amortization trend line as “classic” 15 year amortization with 5 year smoothing (Actually 19 years)
 - Reduces volatility from liability changes in addition to investment gains/losses
 - Eliminates Actuarial Value of Assets
 - Recommended by the Society of Actuaries Blue Ribbon Panel

Contribution Rate Comparison



*This chart is a projection of amortization of *current* unfunded liabilities, the projection will change each year with new experience (e.g. the projection assumes 7.5% investment gains and no losses for 20 years).

2014 Valuation Results (preliminary)

- New method Funding Ratio improved from 73.7% to 81.4%
 - Old method would have resulted in improvement from 72.4% to 77.1%
 - Improved Funding Ratio results from smaller unfunded liability.
- Rate of contribution changed 60% less than they would have been if old method used.
 - Old Method would have resulted in contributions for FY 2016 at 36.58% (-2.4%)
 - New Method resulted in contributions for FY 2016 at 37.93% (-1.0%)
- The new method designed to dampen volatility, can have the other effect when sponsor pension contributions are increasing