

SBCERS



Photo Credit: "Paradise" by David Chang, SBCERS Retired Member

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year Ended June 30, 2023

Santa Barbara County Employees' Retirement System

A Pension Trust Fund and Component Unit for the County of Santa Barbara, California

Santa Barbara County Employees' Retirement System

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023

Issued By

Gregory E. Levin, Chief Executive Officer

Rico Pardo, Controller

SBCERS

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OUR MISSION

The Santa Barbara County Employees' Retirement System is committed to fulfilling its fiduciary responsibility by providing the highest quality of service to all members and participating employers, and protecting promised benefits through prudent investing, while ensuring reasonable expenses of administration.

LETTER OF TRANSMITTAL



Santa Barbara County Employees' Retirement System

Gregory E. Levin, Chief Executive Officer

December 1, 2023

Board of Retirement
Santa Barbara County Employees' Retirement System
130 Robin Hill Road, Suite 100
Goleta, CA 93117



Dear Board Members:

I am pleased to submit this *Annual Comprehensive Financial Report (ACFR) of the Santa Barbara County Employees' Retirement System (SBCERS or the System) for the Fiscal Year Ended June 30, 2023*. SBCERS is a pension fund for the employees of Santa Barbara County and other local agencies. This report is intended to provide readers with complete and reliable information about SBCERS' financial status, compliance with the law and administrative policy.

SBCERS QUICK FACTS

Net Position	\$4.2 billion
Pension Net Investment Return	7.11%
OPEB Net Investment Return	10.72%
Number of Pension Plan Trust Members	11,487
Number of OPEB Trust Members	7,720*

*Data as of June 30, 2022.

The pension fund portfolio experienced a market rate of return of 7.11% (net of fees) for the fiscal year ended June 30, 2023. As of June 30, 2023, the SBCERS' Total Net Position Restricted for Benefits was \$4.2 billion. SBCERS Net Position for Pension Benefits increased by \$235.2 million during the fiscal year, mostly due to investment gains of \$277.2 million offset by the difference between contributions and benefit payments. Overall, investment return was primarily driven by strong performance in public equity markets moderated by the effect of inflation on fixed income markets. Private Asset valuations also remained steady during a period of reduced price discovery.

SBCERS also administers an Other Postemployment Benefit (OPEB) Trust Fund or 401(h) Retiree Health Medical Trust Fund (retiree health fund) that was established in September 2008. This plan was closed to new entrants on December 31, 2018. The assets of this fund are invested separately from pension assets and the activity in the OPEB Trust Fund is reported separately from the pension fund activity in a separate column in the basic financial statements. The retiree health fund experienced a market rate of return of 10.72% for the

fiscal year ended June 30, 2023. The positive return for the retiree health fund was due to it being invested exclusively in U.S. investment markets which outperformed international markets.

THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

SBCERS’ management is responsible for the accuracy, completeness, and fairness of the presentation of the ACFR. It is our intent and belief that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of SBCERS.

SBCERS AND ITS SERVICES

SBCERS was established on January 1, 1944, and is administered by the Board of Retirement (the Board) to provide service retirement, disability, death, and survivor benefits for County of Santa Barbara (County) employees and eleven other participating employers under California Government Code §31450 et seq. (County Employees’ Retirement Law of 1937 or CERL). SBCERS also administers an OPEB healthcare plan on behalf of the County. The OPEB Plan is created under Section 401(h) of the Internal Revenue Code (IRC).

Members include all permanent full and part-time employees of the County and eleven other participating employers. The Board is responsible for establishing policies governing the administration of the retirement plan and managing the investment of SBCERS’ assets under authority granted by Article XVI, Section 17 of the Constitution of the State of California.

The Board consists of nine members and two alternates. The County Board of Supervisors appoints four members to the Board, members of SBCERS elect

four members and two alternates, and the County Treasurer is an ex-officio member. SBCERS is an independent entity. However, Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, SBCERS is considered a component Unit of the County. Refer to Note 1 Reporting Entity for additional information. The Board continues to demonstrate its commitment to providing accurate and timely service to our 4,389 active, 1,867 deferred members, and 5,231 benefit recipients into the future.

SBCERS PARTICIPATING EMPLOYERS	
County of Santa Barbara	Santa Barbara County Superior Court
Carpinteria Cemetery District	Santa Barbara County Air Pollution Control District
Carpinteria-Summerland Fire Protection District	Santa Barbara County Association of Governments
Goleta Cemetery District	Santa Barbara County Local Agency Formation Commission
Oak Hill Cemetery District ¹	Santa Maria Cemetery District
Mosquito & Vector Management District of Santa Barbara County ¹	Summerland Sanitary District

¹ These employers do not participate in the Other Postemployment Benefit Plan.

SELECTED SERVICE EFFORTS AND ACCOMPLISHMENTS

Member Services

During the fiscal year, the Member Services team processed 263 retirements and 40 continuances. SBCERS onboarded a record 98 retirees for the April 1, 2023 benefit payment, which is the month that the Retiree Cost of Living Adjustment of 7.5% (3% paid, 4.5% accrued to a bank for future years) is credited to retired member accounts. In January, both our Santa Maria and new Santa Barbara

offices opened to members for in person appointments in dedicated counseling rooms. Member services specialists also continued to meet with our members virtually via Zoom and telephone as requested, providing timely, responsive assistance to our members via virtual retirement counseling and new employee orientations. A new suite of Retirement Basics videos was created for use throughout the busy COLA season and when in person seminars are not available.

Open Enrollment events were supplemented with a wide variety of educational videos regarding insurance options, Medicare, and best practices for retirement preparedness. In-person retirement basics workshops specifically designed for the membership of each County department or participating employer occurred throughout the year. Finally, a monthly email newsletter is sent to members, providing them with additional information on the activities of the System and the Board.

Investments

During the fiscal year ended June 30, 2023, the SBCERS Investment Team implemented a restructuring of the allocation to Real Return within the investment portfolio, which resulted in the consolidation of managers on the public, liquid portion of the Real Return allocation. The consolidation was largely driven by the continued development of the illiquid, private portion of the real return portfolio. An on-site due diligence review of the General Consultant was completed. The review focused on the Private Credit research team. The on-site due diligence affirmed that the Private Credit Research Team provided by the General Consultant was well-suited for SBCERS needs.

Investment staff focused on investment education brought to the Board of Retirement throughout the year. Topics presented during the fiscal year ended June 30, 2023 included: Environmental, Social and Governance (ESG), Machine Learning with Applications to Quantitative Investing, Alpha-Drive Fixed Income Investing, Private Credit in a Rising Environmental, and Internal Rates of Return (IRR) versus Time-Weighted Return (TWR).

Accounting and Finance

SBCERS' Finance team received the Government Finance Officers Association's (GFOA) "Certificate of Achievement for Excellence in Financial Reporting" for its work on the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022.

The Finance team processes monthly benefit payments to retirees as well as twice monthly processing of survivor benefits and member refunds. The team also posts transactions to the general ledger, creates and monitors the administrative budget, produces and distributes 1099Rs, verifies contributions, monitors cash flows, reviews internal controls over cash management, and validates contributions for participating employers.

Information Technology

Improving the System's cybersecurity controls and capabilities has been a multi-year ongoing effort. The SBCERS Information Technology division has made significant advances in modernizing and upgrading its hosted network services and productivity software. These improvements have focused on cybersecurity and resilience and include increased staffing and utilization of outside vendors to maintain currency with best practices for information security. Other accomplishments over the last fiscal year include performing an annual Disruptive Event Response and Continuity of Operations Plan with SBCERS staff and our pension administration application vendor.

Legal and Compliance

SBCERS implemented new Working After Retirement guidelines and procedures to comply with post-retirement employment limitations pursuant to Government Code §7522.56, which limits how long an SBCERS retiree may continue working after retirement in an extra help or contractor capacity. Under the new procedures, post-retirement employment is limited to a 24-month period and employers and retired members are required to certify an estimate of the duration of employment at the time the employment commences and to provide further certification if that estimate is changed or extended. Any post-retirement employment that exceeds a 24-month period requires a written request for extension. Requests for extensions are considered by SBCERS staff on a case-by-case basis.

SBCERS also published Legal Separation and Dissolution of Marriage Guidelines and Policies to assist members and their counsel in complying with the statutory process set forth in the CERL concerning the division of community property interests in an SBCERS member's pension account. Finally, the Board reviewed and amended several policies as part of scheduled reviews, including a required review of the Code of Conduct and Board charters.

FINANCIAL INFORMATION

SBCERS' management is responsible for the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures. SBCERS management is also responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. SBCERS recognizes that even sound internal controls have inherent limitations and that the cost of the control should not exceed the benefits derived; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. SBCERS believes that its internal controls are adequate to safeguard assets. Brown Armstrong Accountancy Corporation, SBCERS' independent auditor, has audited the financial statements and expressed its opinion that SBCERS' financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free of material misstatement.

INVESTMENTS

The Board has exclusive control of all investments of SBCERS and is responsible for the establishment of investment objectives, strategies, and policies. Each member of the Board serves in a fiduciary capacity and the Board is authorized to invest in any form or type of investment it collectively deems prudent.

SBCERS INVESTMENT CONSULTANTS	
<i>Investment Type</i>	<i>Consultant</i>
General Investments	RVK, Inc.
Private Equity, Natural Resources, Infrastructure and Real Estate	Hamilton Lane, LLC

External investment management firms manage the assets of SBCERS. Under the direction of the Board, staff and investment consultants work together to closely monitor the activity of investment managers. To assist in portfolio management, SBCERS has retained two separate consultants. RVK, Inc. serves as SBCERS' general investment consultant in a non-discretionary capacity and Hamilton Lane, LLC has discretionary authority to acquire partnerships and other investment interests on behalf of SBCERS.

All investments are made pursuant to investment policies using a long-term investment horizon. The Investment Policy Statement establishes investment program goals, asset allocation, and discretionary authority for consultants along with performance objectives, risk controls and other constraints on

investing activity. Compliance with investment policies are monitored by SBCERS' staff and RVK, Inc., as well as by Hamilton Lane, LLC, with respect to their private market investment portfolios.

SBCERS' annualized rate of return over the last three and five-years (net of fees) as of June 30, 2023, was 11.02% and 8.05%, respectively. More detail on SBCERS' investment performance and policies can be found in the Management's Discussion and Analysis and in the Investment Section.

PENSION ACTUARIAL FUNDED STATUS

SBCERS' funding objective is to satisfy all benefit commitments by following an actuarially prudent funding plan, obtaining investment returns consistent with established risk controls, and minimizing participating employer contributions to the retirement fund. SBCERS engages Cheiron, Inc., an independent actuarial consulting firm, to conduct an annual actuarial valuation. The purpose of the valuation is to evaluate the fiscal health of the plan and establish employer and member contribution rates.

The funding policy for amortizing the Unfunded Actuarial Accrued Liability (UAAL) is a layered 19-year closed amortization period using direct rate smoothing. On June 30, 2023, SBCERS' Plan fiduciary net position as a percentage of total pension liability was 84.42% using a roll-forward calculation based on the actuarial valuation as of June 30, 2022, with the actuarial value of assets totaling \$4.1 billion and the actuarial accrued liability totaling \$4.9 billion.

More detailed information on actuarial methods and funding status can be found in the Financial and Actuarial Sections of this ACFR. On a triennial basis, the actuarial firm also conducts an experience study and makes recommendations to the Board on all economic and non-economic assumptions. The experience study used for these financial statements was conducted as of June 30, 2022.

ACKNOWLEDGMENTS

I greatly appreciate the dedication and effort of the staff members who contributed to the preparation of this ACFR and to the rest of the SBCERS staff members who do an excellent job executing our service commitment to our membership. To the Board of Retirement, your commitment, fiduciary leadership, and guidance make us better and stronger as a team. Together through this commitment and hard work, we protect and grow our members' assets, enable smart retirement planning decisions, and deliver on the promised benefit.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory E. Levin". The signature is written in a cursive, slightly stylized font.

Gregory E. Levin, CPA • Chief Executive Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Santa Barbara County Employees' Retirement System
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

BOARD OF RETIREMENT



Michael Vidal
Chair
Appointed
Term Expires: Dec 2025



Steve Lavagnino
Vice Chair
Appointed
Term Expires: Dec 2025



Michael Daly
Secretary
General Member
Term Expires: Dec 2025



Trent Benedetti
Appointed
Term Expires: Dec 2023



Zandra Cholmondeley
Retired Member
Term Expires: Dec 2023



Harry Hagen
Ex-Officio Member
County Treasurer



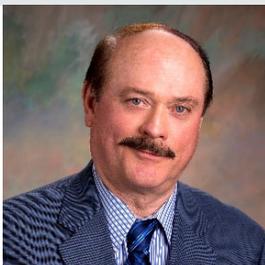
Ted Sten
Appointed
Term Expires: Dec 2023



Paul Uhl
Safety Member
Term Expires: Dec 2025



Laurie Lee
General Member
Term Expires: Dec 2023

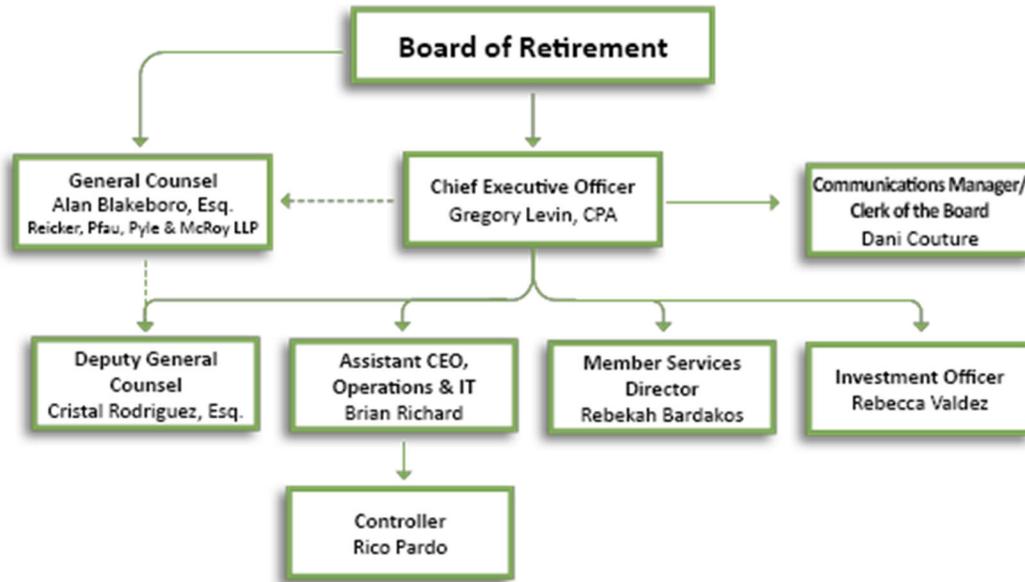


Gary Blair
Retired Alternate
Term Expires: Dec 2023



Fred Tan
Safety Alternate
Term Expires: Dec 2025

SBCERS MANAGEMENT TEAM



PROFESSIONAL CONSULTANTS

Actuary	Cheiron, Inc.
Independent Auditor	Brown Armstrong Accountancy Corporation
Investment Custodian	BNY Mellon Global Securities Services
<i>Investment Consultants & Other Special Services</i>	
General Investments	RVK, Inc.
Private Equity, Natural Resources, Infrastructure Investments and Real Estate	Hamilton Lane, LLC
<i>Legal Advisors</i>	
General Counsel	Reicker, Pfau, Pyle & McRoy, LLP
Investment Counsel	Reicker, Pfau, Pyle & McRoy, LLP
Fiduciary Counsel	Reed Smith, LLP
Tax Counsel	Buchalter
Disability Hearing Counsel	McCarthy & Kroes; Moncharsh Law

A List of Investment Managers is located on page 77 in the Investment Section.

INDEPENDENT AUDITOR'S REPORT



www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of
Santa Barbara County Employees' Retirement System
Santa Barbara, California

Report on the Audit of the Basic Financial Statements

Opinion

We have audited the accompanying Pension Benefit Trust and Other Postemployment Benefit (OPEB) Trust's Statement of Fiduciary Net Position of Santa Barbara County Employees' Retirement System (SBCERS), a component unit of the County of Santa Barbara, California, as of June 30, 2023, the Pension Benefit Trust and OPEB Trust Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise SBCERS' basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Pension Benefit Trust and OPEB Trust of SBCERS as of June 30, 2023, and the respective changes in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Basic Financial Statements section of our report. We are required to be independent of SBCERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SBCERS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

REGISTERED to SB by Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Management is also responsible for maintaining a current plan instrument, including all SBCERS plan amendments; administering SBCERS; and determining that SBCERS' transactions that are presented and disclosed in the basic financial statements are in conformity with the SBCERS' plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Basic Financial Statements

Our objectives are to obtain reasonable assurance about whether the basic financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the basic financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SBCERS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SBCERS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise SBCERS' basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introduction, investment, actuarial, statistical, and glossary sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

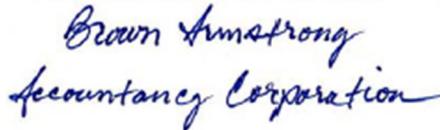
Report on Summarized Comparative Information

We have previously audited SBCERS' June 30, 2022 basic financial statements, and our report dated December 27, 2022, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2022, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023, on our consideration of SBCERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SBCERS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SBCERS' internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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Bakersfield, California
December 1, 2023

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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Management’s Discussion and Analysis of the financial activities of Santa Barbara County Employees’ Retirement System (SBCERS) is an overview of fiscal operations for the fiscal year ended June 30, 2023. Please review it in conjunction with the Financial Statements.

FINANCIAL HIGHLIGHTS

Pension Trust

- Net Position Restricted for Benefits - Pension, as reported in the Statement of Fiduciary Net Position, totaled \$4.1 billion, an increase of \$235.2 million or 6.04% from the prior year. This is due to investment appreciation of \$277.2 million reduced by the difference between benefit payments and contributions.
- Net pension investment income (excluding securities lending) increased by \$348.2 million from \$-70.9 million in the fiscal year ended June 30, 2022, to \$277.2 million in the fiscal year ended June 30, 2023. The increase is due to overall market conditions which led to a 7.11% gain on invested assets.
- Pension contributions (employer and member/employee) decreased by \$2.1 million from the fiscal year ended June 30, 2022, to \$195.8 million (\$157.3 million total from employers and \$38.5 million from members) in fiscal year ended June 30, 2023. The change is primarily due to demographic changes in employer workforces and a decrease in the employer contribution rates.
- Pension benefit payments increased by \$16.2 million or 7.58% from the fiscal year ended June 30, 2022 to \$229.4 million in the fiscal year ended June 30, 2023. Benefit payments are growing due to an increase in the number of retirees and beneficiaries receiving payments as well as a 3% cost-of-living adjustment (COLA) being applied to most retirement benefits (2% for PEPR and none for Plan 2). The COLA is based on the consumer price index for the Los Angeles metropolitan area.
- On June 30, 2023, SBCERS’ fiduciary net position as a percentage of total pension liability was 84.42%. This was an increase in the Plan fiduciary net position as a percentage of total pension liability from June 30, 2022 of 83.96%. The increase in the Plan fiduciary net position as a percentage of total pension liability is driven by an increase in net asset position with a simultaneous level pension liability. The plan fiduciary net position as a percentage of total pension liability reflects a fiduciary net position of \$4.1 billion as of June 30, 2023 and a rolled-forward total pension liability totaling \$4.9 billion. Invested assets are carried at fair market value, with no asset smoothing, for actuarial valuation purposes.

Other Postemployment Benefit (OPEB) Trust

- Net Position Restricted for Benefits – Other Postemployment Benefits (OPEB), also reported in the Statement of Fiduciary Net Position, totaled \$57.6 million, an increase of \$11 million or 23.65% from prior year. This is due to investment losses offset by advance funding from the County of Santa Barbara.
- \$15.3 million of OPEB contributions were received from participating employers, an increase of \$216 thousand over the prior year. OPEB deductions, including benefit payments and administrative

expenses, of \$9.8 million were paid in the fiscal year ended June 30, 2023, an increase of \$45 thousand over the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This Management’s Discussion and Analysis serves as an introduction to the basic financial statements. SBCERS has two basic financial statements, the Notes to the Basic Financial Statements (Notes), and additional required supplementary schedules of historical trend information. The basic financial statements and the required disclosures are prepared in accordance with the Governmental Accounting Standards Board’s (GASB) accounting principles and utilize the accrual basis of accounting.

- The Statement of Fiduciary Net Position is the first basic financial report. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities owed at fiscal year-end. Net Position Restricted for Benefits, which is the assets less the liabilities, reflects the funds available for future use.
- The Statement of Changes in Fiduciary Net Position is the second basic financial report. This report reflects all the activities that occurred during the fiscal year and shows the impact of those activities as additions to or deductions from the plan.
- The Notes are an integral part of the basic financial statements. They provide a detailed discussion of key policies, programs, and activities that occurred during the year.
- The Other Supplementary Information section contains schedules detailing administrative, investment, and consultant expenses during the fiscal year.

FINANCIAL ANALYSIS

The following tables present a condensed comparative summary of SBCERS’ current and prior year’s Net Position Restricted for Benefits and Changes in Fiduciary Net Position. The current fiscal period closed with a Net Position Restricted for Benefits of \$4.2 billion.

NET POSITION RESTRICTED FOR BENEFITS

In thousands

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>	<u>Percent Change</u>
Cash & Investments	\$ 4,179,000	\$ 3,941,936	\$ 237,064	6.0%
Collateral Held for Securities Lent	33,912	27,506	6,406	23.3%
Prepays & Receivables	33,522	29,466	4,056	13.8%
Total Assets	4,246,434	3,998,908	247,526	6.2%
Collateral Held for Securities Lent	33,912	27,506	6,406	23.3%
Other Liabilities	22,790	27,941	(5,151)	-18.4%
Total Liabilities	56,702	55,447	1,255	2.3%
Net Position				
Restricted For Benefits	\$ 4,189,732	\$ 3,943,461	\$ 246,271	6.2%

CHANGES IN FIDUCIARY NET POSITION

In thousands

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>	<u>Percent Change</u>
Contributions	\$ 211,174	\$ 213,081	\$ (1,907)	-0.9%
Net Investment Income	282,207	(76,631)	358,838	-468.3%
Net Securities Income	356	167	189	113.2%
Other	679	689	(10)	-1.5%
Total Additions	<u>494,416</u>	<u>137,306</u>	<u>357,110</u>	<u>260.1%</u>
Benefits Paid	238,672	222,496	16,176	7.3%
Member Withdrawals	2,563	2,079	484	23.3%
Administrative Expense	6,911	6,638	273	4.1%
Total Deductions	<u>248,146</u>	<u>231,213</u>	<u>16,933</u>	<u>7.3%</u>
Changes in Net Position	<u>\$ 246,270</u>	<u>\$ (93,907)</u>	<u>\$ 340,177</u>	<u>-362.2%</u>
Beginning Net Position	\$ 3,943,462	\$ 4,037,368	\$ (93,906)	-2.3%
Ending Net Position	<u>\$ 4,189,732</u>	<u>\$ 3,943,461</u>	<u>\$ 246,271</u>	<u>6.2%</u>

Additions to Fiduciary Net Position

The sources of assets to fund the benefits SBCERS provides are member and employer contributions along with investment returns. SBCERS' had income sources of \$494.4 million for the fiscal year ended June 30, 2023 and \$137.3 million for the fiscal year ended June 30, 2022.

Deductions from Fiduciary Net Position

The primary uses of SBCERS' pension assets include the payment of benefits to retired members and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering SBCERS.

Total deductions (Pension and OPEB) for the fiscal year ended June 30, 2023, were \$248.1 million, an increase of \$16.9 million, or 7.32%, over the fiscal year ended June 30, 2022. This increase was attributed to the increasing number of members receiving benefits, demographics of participating employers that have a large population of near retirement age employees, increased salaries upon which benefits are based, and annual COLA increases approved by the Board of Retirement.

Contributions

Total contributions (Pension and OPEB) decreased by \$1.9 million over the contributions made in the fiscal year ended June 30, 2022. The pension contributions decreased by \$2.1 million and the OPEB contributions increased by \$216 thousand. The decrease in contributions was driven by changes in the workforce demographics at our participating employers, namely, higher paid employees retiring and being replaced by younger lower paid employees that participate in less expensive retirement plans.

OPEB contributions are made by participating employers on a pay-as-you-go basis with the exception of the County, the predominate plan participant, and the Air Pollution Control District (APCD) who have adopted funding policies that prefund the plan at different levels. Pay-as-you-go is defined as the minimum amount of contributions made to cover existing administrative expenses as well as benefit payments. During the fiscal year ended June 30, 2021, APCD's OPEB benefits were funded over 100% and their contributions were ceased.

Pension Liabilities

GASB Statement No. 67 requires that SBCERS report the Total Pension Liability and the Net Pension Liability as calculated by SBCERS' actuary. These liabilities are solely calculated for financial reporting purposes and are not intended to provide information about the funding of SBCERS' benefits.

SBCERS' Total Pension Liability as of June 30, 2023, was \$4.9 billion. The Total Pension Liability increased 5.47% from \$4.6 billion as of June 30, 2022. SBCERS' Net Pension Liability as of June 30, 2023 using the roll-forward valuation method is \$762.8 million, representing an increase of 2.47% from \$744.4 million as of June 30, 2022. The \$18.4 million increase in the Net Pension Liability is primarily due to a assumption changes which were partially offset by investment and liability experience gains. The investment gain is recognized over five years, and the actuarial liability gain and assumption change loss are recognized over the average remaining service life as of the beginning of the measurement period, which is four years. Unrecognized amounts are reported as deferred inflows and deferred outflows.

For the fiscal years ended June 30, 2023 and June 30, 2022, the fiduciary net position as a percentage of total pension liability was reported as 84.42% and 83.96%, respectively. The change was a 0.46% increase and is due to an increase in asset values from June 30, 2022 to June 30, 2023.

SCHEDULE OF NET PENSION LIABILITY

In thousands

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Total Pension Liability	\$ 4,894,869	\$ 4,641,200
Less: Fiduciary Net Position	<u>(4,132,090)</u>	<u>(3,896,843)</u>
Net Pension Liability	\$ <u>762,779</u>	\$ <u>744,357</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	84.42%	83.96%

Pension Investment Analysis

SBCERS' investment performance is a function of the underlying financial markets for the period measured, asset allocation and individual investment manager performance. SBCERS follows a Board of Retirement adopted investment policy that provides structure and guidance for the management of the investment portfolio. All of SBCERS' assets are externally managed. SBCERS' total Pension portfolio gained 7.11% (net of fees) over the twelve month period ended June 30, 2023. The Pension investment income was \$277.2 million (net of fees) and fair value of investments, including short-term investments, increased by \$212.8 million from June 30, 2022. For further information on SBCERS' investments, please refer to the Investment Section.

PENSION RATES OF RETURN

In thousands

<u>Fiscal Year Ending</u>	<u>Total Pension Investment Portfolio Fair Value</u>	<u>Total Fund Money-Weighted Return (Net of Fees)</u>	<u>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</u>
June 30, 2022	\$ 3,868,318	-1.78%	83.96%
June 30, 2023	\$ 4,081,089	7.11%	84.42%

Pension Funded Status

The prior table provides a two-year history of pension investment, actuarial returns, and the actuarial funded ratio. The money-weighted rate of return is presented as an expression of investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on plan investments was 7.11%.

An indicator of funded status is the ratio of the actuarial value of the assets to the Unfunded Actuarial Accrued Liability (UAAL). An increase in the percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly affect the UAAL. Performance in the capital markets can also have a material impact on the actuarial value of assets.

The fiduciary net position as a percentage of total pension liability as of June 30, 2023 was 84.42%, using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2022. As of the fiscal year ended June 30, 2023, Net Position Restricted for Benefits was \$4.1 billion and the Total Pension Liability was \$4.9 billion. A primary concern to most pension plan participants is the amount of money available to pay benefits. All Net Position is available to meet SBCERS' respective obligations to plan participants and their beneficiaries. The next actuarial valuation will be completed as of June 30, 2023.

OPEB Investment Analysis

The table below displays the OPEB total investment at fair value and actual returns. The money-weighted rate of return is presented as an expression of investment performance, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on OPEB Plan investments was 10.72%.

OPEB RATES OF RETURN

In thousands

<i>Fiscal Year Ending</i>	<i>Total OPEB</i>	
	<i>Investment Portfolio Fair Value</i>	<i>Total Fund Money- Weighted Return</i>
June 30, 2022	\$ 40,098	-12.40%
June 30, 2023	\$ 55,733	10.72%

An actuarial valuation is performed annually for the OPEB Plan. SBCERS administers the agent multiple-employer health insurance program for retirees. SBCERS collects premiums from Members and pays the insurance vendors. The employers fund the OPEB Plan to pay the benefit and each present their respective OPEB Plan liability in their financial statements. The net impact on the aggregate of participating employers' Statements of Net Position due to the OPEB Plan is \$77.7 million as of the June 30, 2023 and \$92.4 million as of the June 30, 2022. The annual OPEB expense for all participants was \$1.1 million for the June 30, 2023 as compared to \$3.1 million for June 30, 2022.

REQUESTS FOR INFORMATION

This annual comprehensive financial report is designed to provide the Board of Retirement, our membership, participating employers, taxpayers, and investment managers with a general overview of SBCERS' finances and to show accountability for the money it receives.

Questions concerning any of the information provided in this report or requests for copies or additional financial information should be addressed to:

SBCERS
130 Robin Hill Road, Suite 100
Goleta, CA 93117

This report is also available on SBCERS' website under "Resources" at www.sbcers.org.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory E. Levin". The signature is written in a cursive style with a large, prominent "G" and "L".

Gregory E. Levin, CPA
Chief Executive Officer

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BASIC FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION

As of June 30, 2023, with Comparative Totals

Dollars in thousands

	Pension Benefit Trust	OPEB Trust	June 30, 2023 Total	Pension Benefit Trust	OPEB Trust	June 30, 2022 Total
ASSETS						
Cash and Cash Equivalents	\$ 41,122	\$ 1,056	\$ 42,178	\$ 27,859	\$ 5,661	\$ 33,520
Collateral Held for Securities Lent	33,912	-	33,912	27,506	-	27,506
Short-Term Investments	33,588	-	33,588	53,503	-	53,503
Total Cash and Short-Term Investments	108,622	1,056	109,678	108,868	5,661	114,529
Prepays and Receivables						
Prepaid Assets	9,584	-	9,584	5,876	-	5,876
Contributions	11,259	803	12,062	10,329	841	11,170
Accrued Interest	2,777	56	2,833	2,596	18	2,614
Dividends	4,959	-	4,959	4,184	-	4,184
Security Sales	4,084	-	4,084	5,622	-	5,622
Total Prepays and Receivables	32,663	859	33,522	28,607	859	29,466
Investments at Fair Value						
Private Equity	575,753	-	575,753	536,429	-	536,429
Domestic Equity	742,605	33,753	776,358	647,513	23,785	671,298
Core Fixed Income	602,490	21,980	624,470	605,500	16,313	621,813
Developed Markets Non-US Equity	399,593	-	399,593	340,188	-	340,188
Emerging Market Equity	259,484	-	259,484	247,858	-	247,858
Non-Core Fixed Income	282,549	-	282,549	253,408	-	253,408
Private Credit	140,561	-	140,561	116,140	-	116,140
Real Assets/Real Return	588,155	-	588,155	617,703	-	617,703
Real Estate	456,311	-	456,311	450,076	-	450,076
Total Investments at Fair Value	4,047,501	55,733	4,103,234	3,814,815	40,098	3,854,913
TOTAL ASSETS	\$ 4,188,786	\$ 57,648	\$ 4,246,434	\$ 3,952,290	\$ 46,618	\$ 3,998,908
LIABILITIES						
Accounts Payable	\$ 1,031	\$ 8	\$ 1,039	\$ 687	\$ -	\$ 687
Collateral Held for Securities Lent	33,912	-	33,912	27,506	-	27,506
Benefits Payable	16,482	-	16,482	15,302	-	15,302
Security Purchases	5,271	-	5,271	11,952	-	11,952
TOTAL LIABILITIES	\$ 56,696	\$ 8	\$ 56,704	\$ 55,447	\$ -	\$ 55,447
NET POSITION RESTRICTED FOR BENEFITS	\$ 4,132,090	\$ 57,640	\$ 4,189,730	\$ 3,896,843	\$ 46,618	\$ 3,943,461

The accompanying Notes are an integral part of these basic financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2023, with Comparative Totals

Dollars in thousands

	Pension Benefit Trust	OPEB Trust	June 30, 2023 Total	Pension Benefit Trust	OPEB Trust	June 30, 2022 Total
ADDITIONS						
Contributions						
Employers	\$ 157,307	\$ 15,345	\$ 172,652	\$ 161,388	\$ 15,129	\$ 176,517
Plan Members	38,522	-	38,522	36,564	-	36,564
Total Contributions	195,829	15,345	211,174	197,952	15,129	213,081
Investment Income						
Net Appreciation in Fair Value of Investments	252,629	4,648	257,277	(88,162)	(5,761)	(93,923)
Interest	13,789	314	14,103	10,745	42	10,787
Dividends	30,783	-	30,783	31,506	-	31,506
Total Investment Income	297,201	4,962	302,163	(45,911)	(5,719)	(51,630)
Less Investment Expense	(19,956)	-	(19,956)	(25,001)	-	(25,001)
Net Investment Income	277,245	4,962	282,207	(70,912)	(5,719)	(76,631)
Securities Lent Income	816	-	816	102	-	102
Securities Lent Expense						
Borrower Rebates	(341)	-	(341)	119	-	119
Management Fees	(119)	-	(119)	(54)	-	(54)
Net Securities Income	356	-	356	167	-	167
Commission Recapture	-	-	-	9	-	9
Miscellaneous Income	183	496	679	206	474	680
Total Miscellaneous Income	183	496	679	215	474	689
TOTAL ADDITIONS	\$ 473,613	\$ 20,803	\$ 494,416	\$ 127,422	\$ 9,884	\$ 137,306
DEDUCTIONS						
Benefits Paid	229,393	9,279	238,672	213,237	9,259	222,496
Member Withdrawals	2,563	-	2,563	2,079	-	2,079
Administrative Expense	6,410	502	6,912	6,162	476	6,638
TOTAL DEDUCTIONS	\$ 238,366	\$ 9,781	\$ 248,147	\$ 221,478	\$ 9,735	\$ 231,213
Changes in Net Position	235,247	11,022	246,269	(94,056)	149	(93,907)
NET POSITION RESTRICTED FOR BENEFITS						
Beginning of Year	3,896,843	46,618	3,943,461	3,990,899	46,469	4,037,368
Net Increase/(Decrease) in Net Position	235,247	11,022	246,269	(94,056)	149	(93,907)
END OF YEAR	\$ 4,132,090	\$ 57,640	\$ 4,189,730	\$ 3,896,843	\$ 46,618	\$ 3,943,461

The accompanying Notes are an integral part of these basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Santa Barbara County Employees' Retirement System (SBCERS or the System) is an independent public employee retirement system with its own governing board, separate and distinct from the County of Santa Barbara (the County). These financial statements cover the 401(a) pension plan (the Plan) and the 401(h) Other Postemployment Benefit (OPEB) plan; both plans are fiduciary funds defined as pension and other employee benefit trust funds, respectively, and are accounted for separately. SBCERS meets the requirements of GASB Statement No. 84 to be considered a component unit of the County and is included as a component unit in the County's financial statements as presented in its Annual Comprehensive Financial Report. This report is available at www.countyofsb.org.

General

SBCERS was established on January 1, 1944, and is administered by the Board of Retirement (the Board) to provide service retirement, disability, death, and survivor benefits for employees of the County and 11 participating employers under the County Employees' Retirement Law of 1937 (CERL), California Government Code §31450 et seq., and Section 401(a) of the Internal Revenue Code (IRC). SBCERS also administers an OPEB healthcare plan on behalf of the County and participating employers. The OPEB healthcare plan was created under Section 401(h) of the IRC.

Governance

The Board is composed of nine voting members and two alternates. Four members are appointed by the County Board of Supervisors, two are elected by general members, a member and alternate are elected by safety members, a member and alternate are elected by retired members and one, the County Treasurer-Tax Collector, is ex-officio. The County Board of Supervisors may adopt resolutions, as permitted by the CERL, which may affect the benefits of SBCERS members.

130 Robin Hill Road, LLC

A Limited Liability Corporation (the LLC) was formed on October 30, 2018, for the purpose of purchase and management of the property asset located at 130 and 132 Robin Hill Road, Goleta, CA, separately from SBCERS' daily operations. SBCERS' Chief Executive Officer (CEO) manages the LLC with day-to-day property management provided by a contracted external property management firm. The LLC is carried as an investment within SBCERS' real estate portfolio. The value of the LLC is principally composed of the building, plus any cash reserves held for operation and reduced by any outstanding liabilities related to the operation and maintenance of the building. Separately issued financial reports are available for 130 Robin Hill Road, LLC; these unaudited reports may be obtained by contacting SBCERS.

2. PENSION PLAN DESCRIPTION

Employers

SBCERS operates as a cost-sharing multiple-plan employer defined benefit pension plan for the County and eleven participating employers. The following is a list of those employers:

- 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 (APCD)
- Santa Barbara County Association of Governments (SBCAG)
- Santa Barbara County Local Agency Formation Commission (LAFCO)
- Santa Barbara County Superior Court
- Santa Maria Cemetery District
- Summerland Sanitary District

Plan Membership

The System has 12 retirement plans, of which five plans are currently available to new full-time permanent employees, new employees with reciprocity to other government retirement plans and those part-time employees working at least half-time. General Plan 5 applies to all County General employees hired prior to June 25, 2012, and legacy employees returning to active membership; General Plan 7 applies to all hired on or after June 25, 2012 through December 31, 2012 and employees hired after December 31, 2012, who have reciprocity rights with other government retirement plans. Prior to January 1, 2013, Safety members were enrolled in the contributory Safety Plan 4 (Fire and Probation) or Safety Plan 6 (Sheriff's).

Since January 1, 2013, all new Safety members and General members have been enrolled in Plan 8, pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA) unless they establish reciprocity with another government retirement plan and can then be placed in either General Plan 7 or Safety Plans 4 or 6 depending on the employee's bargaining unit. Reciprocal hires of the Santa Barbara County Superior Court and other participating employers that did not adopt Plan 7 are enrolled in Plan 5. LAFCO did not have a plan in place prior to January 1, 2013 and therefore no reciprocal pre-PEPRA plan exists.

Multiple contribution rates are applicable to non-PEPRA members based upon negotiated bargaining unit Memoranda of Understanding and on age of entry into membership subject to the provisions of the CERL. Plan 8 members subject to PEPRA pay uniform plan contribution rates regardless of age at entry. The retirement benefits within the Plan are based on age, years of service, final average salary and the benefit option selected.

SBCERS' RETIREMENT PLANS

Plan	Rate Tier	Plan Formula	COLA	Type	New Membership
General	Plan 2	2% ¹	N/A	Non-Contributory	Closed
	Plan 5	2% @ 57	3%	Contributory	Closed ²
	Plan 7	1.67% @ 57-1/2	2%	Contributory	Reciprocity ²
	Plan 8-2	2% @ 62	2%	Contributory	Open
	Plan 8-3	2% @ 62	3%	Contributory	Open
Safety	Plan 4	3% @ 55	3%	Contributory	Reciprocity
	Plan 6	3% @ 50	3%	Contributory	Reciprocity
	Plan 8	2.7% @ 57	3%	Contributory	Open
APCD	Plan 1	2% @ 55	3%	Contributory	Closed
	Plan 2	2% @ 55	3%	Contributory	Reciprocity
	Plan 8	2% @ 62	2%	Contributory	Open

¹ Plan 2 benefits are integrated with member's estimated benefit from Social Security Administration at age 65.

² Plan 7 is still open for reciprocal hires of certain participating employers other than the County. Additionally, employees returning to the County after previous service in Plan 5 are eligible to return to Plan 5.

SBCERS' RETIREMENT PLAN MEMBERSHIP

As of June 30

	2023	2022
Members Now Receiving Benefits		
Service Retirement	4,272	4,139
Disability Retirement	278	285
Beneficiaries and Survivors	681	651
Subtotal	5,231	5,075
Active Members		
Active Vested	3,001	3,049
Active Non-Vested	1,388	1,230
Subtotal	4,389	4,279
Deferred Vested and Inactive Members	1,867	1,784
Total Members	11,487	11,138

Benefit Provisions

All Plans (Except General Plan 2)

- Pension benefits are based upon a combination of plan, age, years of service, average monthly salary for the highest one or three consecutive years' covered compensation, and the benefit payment option selected by the member.
- Disability benefits are based upon whether the disability was service or non-service connected.
- Death benefits are based upon whether the death occurred before or after retirement and whether the death was service or non-service connected.

General Plan 2

- Pension benefits are based upon a combination of age, years of service, and highest average monthly salary during any three years of employment and are coordinated with social security benefits.
- A separate long-term disability program is available for members who become disabled, regardless of length of service, or whether the disability is job related.
- Death benefits are based upon whether the death occurred before or after retirement.

Cost-of-Living Adjustment (COLA)

- All plans, excluding the County General Plan 2, provide for retirement benefits subject to cost-of-living adjustments (COLA) for retired members. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1, and for most members, is subject to a 3% maximum limitation. The portion of a CPI increase that exceeds 3% is accumulated for credit in future years.
- General Plan 7 and General Plan 8 (County) is limited to an annual maximum 2% COLA.
- General Plan 2 does not have a COLA.

Vesting

Upon completing five years of creditable service, employees have irrevocable rights to receive benefits attributable to a participating employer's contributions, provided their contributions have not been withdrawn.

A Plan 5 or Plan 7 general member may retire who (1) has completed ten years of service (including reciprocal service) and who has reached the age of 50, (2) has completed 30 years of service regardless of age, or (3) has reached 70 years of age regardless of years of service. A Plan 4 or Plan 6 safety member may retire who (1) has completed 10 years of continuous service (including reciprocal service) and who has reached the age of 50, or (2) who has completed 20 years of service regardless of age.

For PEPRA members, a general member may retire with five or more years of service after reaching the age of 52. A safety member may retire with five or more years of service after reaching the age of 50.

If an employee terminates employment before rendering five years of service, the employee is entitled to withdraw the employee contributions made, together with accumulated interest or may elect to leave contributions on deposit.

If a separated member enters a reciprocal retirement system within six months of separation and elects to leave their accumulated contributions on deposit with SBCERS, that member can vest reciprocally.

Pension Plan Actuarial Valuation

SBCERS retains an independent actuarial firm to conduct an annual actuarial valuation to monitor SBCERS' funding status and funding integrity. As of June 30, 2023, the fiduciary net position as a percentage of total pension liability of the Plan was 84.42%. The net pension liability as of June 30, 2023 was determined using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2022.

The purpose of the valuation is to reassess the magnitude of SBCERS' benefit commitments in comparison with the assets expected to be available to support those commitments, so employer and member contribution rates can be adjusted accordingly. The actuarial assumptions estimate as closely as possible what the actual cost of the Plan will be in order to determine rates for setting aside contributions today to provide benefits in the future.

Contribution requirements are determined under the individual entry age actuarial cost method. This method is designed to collect contributions as a level percentage of pay. Any gains or losses that occur under this method are amortized as a level percentage of pay. To reduce the contribution volatility caused by any changes in the Unfunded Actuarial Accrued Liability (UAAL) due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period. The amortization of the UAAL phases in using a five-year ramp up at the beginning of the amortization period, a four-year ramp down at the end of the period, and ten years of level payments as a percentage of payroll between ramping periods.

The Required Supplementary Information (RSI) section immediately following the Notes to the Basic Financial Statements includes the Changes in Net Pension Liability schedule.

Plan Termination

There are no plan termination provisions under the CERL, which governs the operation of the System.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting, Revenue and Expense Recognition

For financial reporting purposes, SBCERS adheres to accounting principles generally accepted in the United States of America. SBCERS follows the accounting principles and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB). SBCERS' financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Member and employer contributions are recognized as revenue in the period in which the contributions are due. Other revenues are recognized as available if they are estimated to be received within 60 days of the fiscal year-end. Retirement benefits and member refunds are recognized as expenses when due and payable in accordance with the terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred.

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the fiscal year ended June 30, 2022, from which the summarized information was derived.

Cash and Short-Term Investments

Cash and short-term investments consist of short-term investments with fiscal agents as well as deposits in a pooled account with the County and short-term investments held with the custodian. SBCERS considers investments with a maturity of 12 months or less to be short-term investments.

Investments

The Board adopts an investment policy statement and reviews that policy periodically. The investment policy statement sets forth the asset allocation and controls for the investment portfolio. The policy was updated in March 2022. The policy statement is available on the SBCERS website www.sbcers.org.

Investments are reported at fair value. Investment income is recognized as revenue when earned. Net appreciation in fair value of investments held by the System is recorded as an increase to investment income based on valuation of investments at year-end. Realized gains and losses are recognized upon the maturity or disposition of the security.

Debt and equity securities are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fair value of investments in commingled funds is based on the fund share price provided by the fund manager, which is based on net asset value.

Related Party Transactions

By necessity, SBCERS is involved in various business transactions with the County, the primary participating employer. SBCERS is a co-employer with the County. SBCERS reimburses the County for the cost of services provided by the following agencies: Auditor-Controller, General Services, Human Resources, and County Treasurer. In addition, SBCERS reimburses the County for the cost of services in the areas of information technology and motor pool services.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that impact the amounts and disclosures of the report. Accordingly, actual results may differ from those estimates.

4. DEPOSITS AND INVESTMENTS

SBCERS operates under the "Prudent Investor Rule" which authorizes the Board, at its discretion, to purchase, hold, or sell any form or type of investment, financial instrument, or enter into any financial transaction when prudent in the informed opinion of the Board.

Deposits and Short-Term Investments

Amounts shown as Cash are held as a part of the County Treasurer's investment pool. Amounts held as Short-Term Investments are held with SBCERS' Investment Custodian, BNY Mellon Global Securities Services (BNY Mellon). Short-term investments consist of cash held in money market accounts and securities readily convertible to cash. All cash, deposits, and short-term investments are carried at cost, which approximates fair value.

Santa Barbara County Treasurer's Investment Pool

The funds in the County Treasury are intended to provide for liquidity needed to meet benefit payroll and operating needs of the System. The balances in the County Treasurer's investment pool are funded by the participating employers and employee contributions and transfers from the investment pool. All participants in the County investment pool share earnings and losses. The County Treasury Oversight

Committee has regulatory oversight for all monies deposited into the County investment pool. Such amounts are invested in accordance with investment policy guidelines in compliance with California Government Code requirements, established by the County Treasurer and approved by the County Board of Supervisors. Interest earned on pooled investments is apportioned quarterly to participating funds based upon each fund’s average daily deposit balance. The County has not provided or obtained any legally binding guarantees during the fiscal year ending June 30, 2023, to support the value of shares in the pool. More information on the risk of the County Treasurer’s Investment pool and the Treasurer’s policies can be found on the County’s website at www.countyofsb.org.

BNY Mellon Global Securities Services Employee Benefit Temporary Investment Fund (EBTF)

SBCERS’ short-term investments are comprised of funds held with SBCERS’ investment custodian, BNY Mellon Global Securities Services. Balances held by the custodian are held in the BNY Mellon Global Securities Services EBTF. This fund is intended to provide liquidity to fund capital calls, portfolio rebalancing activities and, when needed, replenishment of the funds on account at the County Treasury. The primary sources of these accounts are cash transfers from other investments in the portfolio.

The EBTF is invested primarily in instruments issued by the U.S. Government, Federal agencies, sponsored agencies, and sponsored corporations. The fund must have 10% of its assets in “daily liquid assets,” defined as cash, direct obligations of the U.S. Government, or securities readily convertible to cash within one business day. 30% of the fund’s assets must be in “weekly liquid assets” defined as cash direct obligations of the U.S. Government, including certain government agency securities with remaining maturities of 60 days or less and securities readily convertible to cash within five business days. The fund may invest up to five percent of its assets in illiquid securities. The fund maintains prudent diversification across instruments, market sectors, industries, and specific issuers.

SBCERS maintains balances in EBTF to facilitate funding investment mandates and receiving distributions from investment mandates. Additionally, when underlying managers maintain a tactical position to cash, these amounts are also held in EBTF. Amounts held at SBCERS’ custodian bank are uninsured over \$250,000 and uncollateralized.

SBCERS’ DEPOSITS AND SHORT-TERM INVESTMENTS

Balances as of June 30, 2023
Dollars in thousands

	<u>County Treasury</u>	<u>BNY Mellon</u>
Cash Held for Pension Benefits	\$ 41,122	\$ -
Cash Held for OPEB Benefits	1,056	-
Short-term Investments for Pension Benefits	-	33,588
<i>Total by custodian</i>	<i>\$ 42,178</i>	<i>\$ 33,588</i>
Total Deposits and Short-Term Investments	\$ 75,766	

Custodial Credit Risk for Deposits and Short-Term Investments

Custodial Credit Risk for deposits is the risk that, in the event of a financial institution's failure, SBCERS would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. SBCERS does not have a policy on Custodial Credit Risk for Deposits and Short-Term Investments.

Santa Barbara County Treasury

SBCERS' investments held in the name of the County are not specifically identifiable. On June 30, 2023, cost approximated fair value of the SBCERS' share of pooled cash and investments. Deposits with the County Treasury are insured and/or collateralized to the extent the monies are held in its depository institution. The fair value of deposits approximated the bank balances on June 30, 2023.

SBCERS' SUMMARY OF PENSION AND OPEB INVESTMENTS

Dollars in thousands

	<i>2023</i>
Pension Plan Investments at Fair Value	
Domestic Equity	\$ 742,605
Developed Market Non-US Equity	399,593
Emerging Market Equity	259,484
Core Fixed Income	602,490
Non-Core Fixed Income	282,549
Real Assets / Real Return	588,155
Private Equity	575,753
Real Estate	456,311
Private Credit	140,561
Collateral Held for Securities Lending	33,912
Total Pension Plan Investments at Fair Value	\$ 4,081,413
OPEB Plan Investments at Fair Value	
Domestic Equity	\$ 33,753
Core Fixed Income	21,980
Total OPEB Plan Investments at Fair Value	\$ 55,733
Total All Plans	\$ 4,137,146

Fair Value Measurements

SBCERS categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1: Unadjusted quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their

entirety are categorized based on the lowest level input that is significant to the valuation. SBCERS' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The table *Investments Measured at Fair Value* in this footnote (presented on the following page) shows the fair value leveling of the investments for SBCERS.

Bid evaluations may include market quotations, yields, maturities, call features, and ratings.

Level 1 investments are valued using pricing derived from active markets, examples of which include NYSE, NASDAQ, Chicago Board of Trade and Pink Sheets. US Government Treasury Securities are classified at Level 1 due to the reduced risk component and because they are traded more actively than other fixed income instruments. US Government Agency Notes are not classified in Level 1.

Level 2 investments are evaluated using matrix pricing, market corroborated pricing and inputs such as yield curves and indices. Examples of Level 2 investments include Corporate Bonds and Asset Backed Securities and Government Bonds that are not US Treasury Securities.

Level 3 investments are valued using pricing provided by Investment Managers and also information provided by investment management firms. Examples of Level 3 investments include pooled investment funds and term loans.

INVESTMENTS MEASURED AT FAIR VALUE

Dollars in thousands

	June 30, 2023	Quoted Prices in Active Markets for Identical Assets: Level 1	Significant Other Observable Inputs: Level 2	Significant Unobservable Inputs: Level 3
<i>Pension Investments Measured at Fair Value</i>				
Equity				
Domestic Equity	\$ 331,463	\$ 331,463	\$ -	\$ -
International Equity	361,030	361,030	-	-
Total Equity	\$ 692,493	\$ 692,493	\$ -	\$ -
Fixed Income Securities				
Asset Backed Securities	\$ 657	\$ -	\$ 657	\$ -
Developed Markets	4,236	4,236	-	-
Corporates and Other Credits	80,640	3,498	75,428	1,714
Government Securities	305,070	138,199	166,871	-
Other	11	11	-	-
Total Fixed Income Securities	\$ 390,614	\$ 145,944	\$ 242,956	\$ 1,714
Real Estate				
Real Estate Investment Trusts (REITs)	\$ 15,970	\$ 15,970	\$ -	\$ -
Total Real Estate	\$ 15,970	\$ 15,970	\$ -	\$ -
Securities Lending	\$ 33,912	\$ -	\$ 33,912	\$ -
Total Pension Investments Measured at Fair Value	\$ 1,132,989	\$ 854,407	\$ 276,868	\$ 1,714
<i>Pension Investments Measured at Net Asset Value (NAV)</i>				
Commingled Funds	\$ 1,318,938			
Real Estate Funds	456,311			
Private Equity Funds	575,753			
Private Credit	140,561			
Private Real Asset Funds	456,861			
Total Pension Investments Measured at NAV	\$ 2,948,424			
TOTAL PENSION INVESTMENTS	\$ 4,081,413			
<i>Pension Investment Derivative Instruments</i>				
Futures	\$ 18,121	\$ -	\$ -	\$ 18,121
Participation Certificate	4,236	-	-	4,236
Total Pension Investment Derivative Instruments	\$ 22,357	\$ -	\$ -	\$ 22,357
<i>OPEB Trust Investments Measured at Net Asset Value (NAV)</i>				
Equity Commingled Funds	\$ 33,753			
Debt Commingled Funds	21,980			
Total OPEB Trust Investments Measured at NAV	\$ 55,733			

Investments Measured at the Net Asset Value

The fair values of investments in these types of funds have been determined using the Net Asset Value (NAV) per share of the investments.

PENSION & OPEB TRUST INVESTMENTS MEASURED AT THE NET ASSET VALUE

Dollars in thousands

	June 30, 2023	Unfunded Commitments	Redemption Frequency	Notice
<i>Pension Investments</i>				
Commingled Funds ⁽¹⁾	\$ 1,318,938	\$ -	Daily to Monthly	Daily to 90 Days
Private Real Estate Funds ⁽²⁾	456,311	95,307	Quarterly, Annually or Not Redeemable	Daily to 90 Days
Private Equity Funds ⁽³⁾	575,753	290,074	Not Redeemable	
Private Credit Funds ⁽⁴⁾	140,561	-	Annually, Tri-Annually or Not Redeemable	90 Days
Real Asset Funds ⁽⁵⁾	456,861	273,999	Not Redeemable	
Total Pension Investments Measured at Net Asset Value	\$ 2,948,424			
Total Pension Unfunded Commitments		\$ 659,380		
<i>OPEB Trust Investments</i>				
Equity Commingled Funds	\$ 33,753	\$ -		
Debt Commingled Funds	21,980	-		
Total OPEB Trust Investments Measured at Net Asset Value	\$ 55,733			
Total OPEB Trust Unfunded Commitments		\$ -		

(1) Commingled Funds (Pension Trust Investments and OPEB)

This investment type consists of commingled funds that invest primarily in equity, debt, or real estate investments. There were 15 commingled funds as of June 30, 2023. The six commingled equity funds in this investment type include foreign, domestic, and emerging market investments. Five commingled debt funds contain Treasury Inflation Protected Securities (TIPS), investment grade bonds, foreign bonds and bank loans. Four real asset commingled funds encompass public infrastructure, global listed natural resources, real estate, and commodities businesses. Each investment fund is benchmarked to an appropriate index and investments can be redeemed with 1 to 90 day advance notice depending on the fund. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

(2) Private Real Estate Funds

This investment type is comprised of investments that are allocated to value added, core and opportunistic real estate strategies. Investments in this type are geographically diversified across the United States and Europe. The fair value of these investments has been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income. The investments in this pool are illiquid and mostly closed end funds.

For the fiscal year ended June 30, 2023, this investment type consists of 39 limited partnership investments ranging in commitment sizes from \$4 million to \$40 million. The remaining commitments outstanding on these funds as of June 30, 2023 are \$95.3 million.

Robin Hill Road, LLC's NAV is included in this investment type. The NAV used is the appraised price as of June 30, 2020, based on an appraisal as of May 27, 2022. SBCERS hires an appraiser to update this value every two years.

(3) Private Equity Funds

Investments of this type consist of corporate finance/buy out, distressed debt, venture capital, and secondary funds and are globally diversified. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income. The investments in this pool are illiquid and mostly closed end funds.

For the fiscal year ended June 30, 2023, this investment type consists of 110 limited partnership investments ranging in commitment size from approximately \$2 million to \$30 million with \$291.1 million remaining commitments outstanding.

(4) Private Credit Funds

Investments of this type include direct lending and asset backed credit funds. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income.

For the fiscal year ended June 30, 2023, this investment type consists of seven limited partnership investments ranging in commitment sizes from approximately \$20 million to \$25 million. There are no remaining commitments outstanding on these funds as of June 30, 2023. The investments in this pool are illiquid and contain both closed and open-ended fund structures.

(5) Real Asset Funds

Investments of this type include infrastructure and natural resources oriented partnerships and are globally diversified. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income.

For the fiscal year ended June 30, 2023, these investment type of funds consists of 53 limited partnership investments ranging in commitment sizes from approximately \$2 million to \$30 million. The remaining commitments outstanding on these funds as of June 30, 2023 are \$274.0 million. The investments in this pool are illiquid and contain mostly closed-end fund structures.

Investment Risk

The Board's investment policies and guidelines allocate the asset classes of the portfolio investments within ranges. The portfolio is maintained within the ranges and reported each month. The Board annually reviews the allocation model and the risk structure of the total portfolio. The investment policy does not address Credit Risk, Concentration of Credit Risk, Interest Rate Risk, or Foreign Currency Risk, as investment managers within their specific mandates are given risk parameters that would result in limiting these types of risk on a total portfolio level. GASB Statement No. 40 requires that investments be evaluated to give an indication of the level of risk assumed at year-end.

Concentration Risk

The System does not hold investments in any one underlying security that represents 5% or more of the System's fiduciary net position.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SBCERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To control Credit Risk, credit quality guidelines have been established. The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization are shown in the *Credit Risk by Quality Analysis* table.

CREDIT RISK BY QUALITY ANALYSIS

S & P Rating	Treasurer			Total	%
	Investment Pool	Domestic Fixed Income	International Fixed Income		
AAA	\$ 774	\$ -	\$ -	\$ 774	0.2%
AA+	-	306,680	-	306,680	76.0%
AA	22,711	-	-	22,711	5.6%
AA-	-	-	-	-	0.0%
A+	-	215	23	238	0.1%
A	-	1,044	-	1,044	0.3%
A-	-	30,448	-	30,448	7.5%
BBB+	-	21,611	427	22,038	5.5%
BBB	-	3,579	104	3,683	0.9%
BBB-	-	3,044	2,030	5,074	1.3%
BB+	-	1,554	586	2,140	0.5%
BB	-	1,288	398	1,686	0.4%
BB-	-	1,423	89	1,512	0.4%
B+	-	723	399	1,122	0.3%
B	-	875	-	875	0.2%
B-	-	320	-	320	0.1%
CCC+	-	153	791	944	0.2%
CCC	-	7	-	7	0.0%
CCC-	-	-	-	-	0.0%
CC	-	196	-	196	0.0%
C	-	-	-	-	0.0%
NR	1,472	534	144	2,150	0.5%
Totals	\$ 24,957	\$ 373,694	\$ 4,991	\$ 403,642	100.0%

This table does not tie to Investments Measured at Fair Value because this presentation includes accruals.

Custodial Credit Risk for Investments

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SBCERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in SBCERS' name, and held by a counterparty. Generally, SBCERS' securities are not exposed to custodial risk as they are held by our custodial bank in our nominee name.

Short-term investments held in the BNY Mellon Global Securities Services EBTF are uninsured over \$250,000, and uncollateralized.

Concentrations of Credit Risk

As of June 30, 2023, SBCERS' investment portfolio contained no concentration of investments in any one entity (other than investments guaranteed by the U.S. Government, investments in mutual funds, and external investment pools) that represented 5 percent or more of the total investment portfolio.

Securities Lending

SBCERS is legally authorized to engage in securities lending transactions pursuant to the CERL, California Government Code §31594. SBCERS participates in securities lending through its custodian BNY Mellon to increase income. Securities are lent to brokers and dealers (borrower) and in turn, SBCERS receives collateral. Collateral can be in the forms of cash (both United States and foreign currency), securities issued or guaranteed by the U.S. Government, sovereign debt of foreign countries, or irrevocable bank letters of credit or such other forms as may be agreed upon. SBCERS pays the borrower a negotiated rebate rate on the collateral received and invests the collateral with the goal of earning a higher yield than the rebate rate paid to the borrower. Earnings generated above and beyond the rebate paid to the borrower represent the net income to SBCERS from the transaction.

At year-end, SBCERS had no credit risk exposure to borrowers because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2023, there were no violations of legal or contractual provisions. SBCERS had no losses on securities lending transactions resulting from the default of a borrower for the fiscal year ended June 30, 2023. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to SBCERS as defined by GASB Statements No. 28 and No. 40 by its participation in the Securities Lending Program. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities.

Transactions are collateralized at no less than 100% of the security's fair value. Collateral is marked to market daily. The custodian invests the collateral received in short-term investment funds (maintained by the custodian), money market mutual funds, and other similar investments as the custodian may select.

The average term of all SBCERS' loans is overnight or "on demand." The custodian ensures that there is an absolute right to terminate the agreement without cause, upon short notice and without any penalty. SBCERS cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, BNY Mellon indemnifies SBCERS to the extent of replacing the securities loaned.

As of June 30, 2023, the fair value of securities on loan was \$48.4 million and the value of collateral received for the securities on loan was \$50.0 million, of which \$16.1 million was non-cash collateral and \$33.9 million was cash collateral from equity and fixed income securities. Non-cash collateral, which SBCERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. SBCERS' income net of expense from securities lending was \$356 thousand for the fiscal year ending June 30, 2023.

SBCERS' SECURITIES LENDING PROGRAM

Dollars in thousands

Securities on Loan	Fair Value of Securities on Loan	Collateral Received	Collateral Percent
Domestic Equities	\$ 12,675	\$ 12,632	
International Equities	3,499	3,990	
Domestic Corporate Fixed Income	1,027	1,050	
International Fixed Income	-	-	
US Government Debt	15,949	16,240	
<i>Total Cash</i>	<i>33,150</i>	<i>33,912</i>	
<i>Total Non-Cash</i>	<i>15,281</i>	<i>16,113</i>	
Total Securities on Loan	\$ 48,431	\$ 50,026	103%

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average of time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. SBCERS' international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures (maturity ranging from at least 20 days and not to exceed one year for either instrument) are permitted for defensive currency hedging.

FOREIGN CURRENCY RISK SCHEDULE

Dollars in thousands

<i>Currency</i>	<i>Cash</i>	<i>Equity</i>	<i>Fixed Income</i>	<i>Total Fair Value</i>
Australian Dollar	\$ 5	\$ 15,953	\$ -	\$ 15,958
Brazilian Real	-	11,534	-	11,534
Canadian Dollar	30	8,111	587	8,728
Chilean Peso	-	1,624	-	1,624
Chinese Yuan Renminbi	-	13,492	-	13,492
Colombian Peso	-	51	37	88
Czech Koruna	-	132	-	132
Danish Krone	-	14,190	-	14,190
Euro	(78)	131,249	303	131,474
Hong Kong Dollar	38	55,166	-	55,204
Hungarian Forint	-	294	-	294
Indian Rupee	-	43,099	1	43,100
Indonesian Rupiah	-	6,794	-	6,794
Israeli Shekel	-	613	-	613
Japanese Yen	245	56,432	-	56,677
Kuwaiti Dinar	-	99	-	99
Malaysian Ringgit	-	2,085	-	2,085
Mexican Peso	-	3,652	-	3,652
New Taiwan Dollar	-	45,142	13	45,155
New Zealand Dollar	-	235	-	235
Norwegian Krone	-	2,894	-	2,894
Philippines Peso	-	3,769	-	3,769
Polish Zloty	-	1,170	-	1,170
Qatari Riyal	-	831	-	831
Saudi Riyal	-	4,921	-	4,921
Singapore Dollar	-	5,710	-	5,710
South African Rand	-	8,572	-	8,572
South Korean Won	-	27,921	1	27,922
Swedish Krona	-	8,037	-	8,037
Swiss Franc	119	40,574	-	40,693
Thai Baht	-	3,749	-	3,749
Turkish Lira	-	1,128	-	1,128
United Arab Emirates Dirham	-	1,505	-	1,505
United Kingdom Pound Sterling	41	46,119	406	46,566
Total Securities Held in Foreign Currency	\$ 400	\$ 566,847	\$ 1,348	\$ 568,595

Derivatives

Derivatives are investments that derive their value, usefulness, and marketability from an underlying instrument, and represents direct ownership of an asset or obligation of an issuer whose payments are based on or “derived” from the performance of an agreed upon benchmark. The notional amount is the nominal or face amount that is used to calculate payments made on that instrument. As of June 30, 2023, SBCERS’ derivatives investments were in Futures and Participation Certificates. Investments in commingled funds may provide added exposure to derivatives.

Futures

Futures are a type of derivative contract agreement to buy or sell a specific commodity asset or security at a set future date for a set price. Futures are utilized to secure a specific price and protect against future price swings. Futures are traded on futures exchanges and require a brokerage account that’s approved to trade futures.

Participation Certificates

Participation certificates are equity-linked securities that provide economic exposure to a security of a non-U.S. company without a direct investment in that security.

HOLDINGS OF DERIVATIVE SECURITIES

Dollars in thousands

<i>Derivative Type</i>	<i>Notional Amount</i>	<i>Fair Value</i>
Futures	\$ 18,121	\$ 90,283
Participation Certificates	4,236	4,236
Total	\$ 22,357	\$ 94,519

Derivative Credit Risk

SBCERS is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to derivative credit risk include collateralized mortgage obligations, swap agreements, and futures contracts. The following Derivative Credit Risk Schedule discloses the counterparty ratings of SBCERS' investment derivatives in asset positions by type as of June 30, 2023. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement. The schedule displays the fair value of investments by credit rating. As of June 30, 2023, SBCERS' has a net exposure to derivative credit risk of \$22.5 million.

DERIVATIVE CREDIT RISK SCHEDULE

Dollars in thousands

<i>S&P Investment Rating</i>	<i>Derivative Type</i>			<i>Total Fair Value</i>
	<i>Forward Contracts</i>	<i>Futures</i>	<i>Participation Certificates</i>	
Investment Grade				
AA	\$ -	\$ -	\$ -	\$ -
A	-	-	-	-
BBB	-	-	-	-
Total Investment Grade	\$ -	\$ -	\$ -	\$ -
Not Rated	-	90,283	4,236	94,519
Total Fair Value	\$ -	\$ 90,283	\$ 4,236	\$ 94,519

Ratings are not applicable to all derivative instruments held. Those presented above are based on the counterparty's S&P rating.

Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2023, SBCERS did not have any derivatives with material exposure to interest rate risk.

Derivative Foreign Currency Risk

For those dollar-denominated securities issued by foreign countries, there is an exposure to a foreign currency risk. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. SBCERS had no exposure to derivative foreign currency exposure as of June 30, 2023.

5. PENSION PLAN RESERVES

The reserves represent the components of SBCERS' fiduciary net position. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. Following are brief explanations of the reserves and accounts used by SBCERS.

Member Deposit Reserve

Consists of contributions made by active and deferred members and accrued interest. Amounts are deducted from this reserve when a refund of member contributions is made or when a member retires and amounts are transferred to the Retired Member Reserve.

Retired Member Reserve

Consists of funds accumulated to pay retirement benefits to retired members. Additions to this reserve consist of transfers from the Member Deposit Reserve and Employer Advance Reserve, along with interest earnings. Benefit payments to retired members, beneficiaries and survivors reduce this reserve.

Employer Advance Reserve

Consists of employer contributions for future retirement payments to current active members and deferred members. Additions to this reserve include employer contributions and interest earnings. Deductions from this reserve consist of transfers to the Retired Member Reserve, lump sum death benefits, and supplemental disability allowance payments. A refund of member contributions has no corresponding effect on the balance of the Employer Advance Reserve because the employer contribution rates are based on assumptions that include an expected rate of member termination.

Contra Tracking Account

Represents the difference between the value of the reserves and the fair value of assets. This account is negative unless the fair value of assets exceeds the actuarially accrued liability.

Contingency Reserve

Consists of funds accumulated in excess of amounts necessary to fully fund the actuarially accrued liability. The Contingency Reserve balance is zero unless the fair value of assets exceeds the actuarially accrued liability.

SBCERS' VALUATION RESERVES – PENSION PLAN

Dollars in thousands

	<u>June 30, 2023</u>
Member Deposit Reserve	\$ 294,063
Retired Member Reserve	3,588,944
Employer Advance Reserve	1,286,796
Contra Tracking Account	<u>(1,037,713)</u>
Net Position Restricted for Pension Benefits	\$ <u>4,132,090</u>

6. PENSION PLAN CONTRIBUTIONS

Funding Objective

The funding for retirement benefits comes from member contributions, employer contributions, and the earnings on investments held by the Plan. Contributions are made by members and employers at rates recommended by an independent actuary, approved by the Board, and adopted by the Board of

Supervisors. The funding objective of SBCERS is to establish member and employer contribution rates that will remain level over time as a percentage of payroll, unless plan benefit provisions or actuarial assumptions are changed.

Money-Weighted Rate of Return

For the fiscal year ending June 30, 2023, the annual money-weighted rate of return on Plan investments, net of Plan investment expense was 7.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Target Allocation and Long-term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments of 7.00% was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class, without consideration of inflation, are summarized in the following table below.

TARGET ALLOCATION AND LONG-TERM EXPECTED REAL RATE OF RETURN

As of June 30, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Broad US Equity	19.00%	4.30%
Dev'd Markets Non-US Equity	11.00%	6.00%
Emerging Markets Equity	7.00%	8.75%
Core Fixed Income	17.00%	1.50%
Custom Non-Core Fixed Income ¹	11.00%	4.35%
Custom Real Return	15.00%	4.18%
Custom Real Estate	10.00%	4.04%
Private Equity	10.00%	7.50%
Total	100.00%	

¹ Private credit allocation included in Custom Non-Core Fixed Income.

The investment rate of return assumption used for actuarial funding was 7.00% for the fiscal year ending June 30, 2023. The 7.00% is comprised of an assumed real rate of return of 4.25% and an inflation assumption of 2.75%.

Discount Rate

GASB Statement No. 67 (GASB 67) requires a determination that the Plan’s fiduciary net position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Member Contribution Policy

Participating members are required by various CERL statutes to contribute a percentage of covered compensation based on certain actuarial assumptions and their age at entry into the Plan. Member contributions are based upon each individual member’s age of entry into SBCERS, except for Plan 8 members who pay a fixed rate, regardless of age, that is equivalent to one half of the normal cost of the Plan and General Plan 2 members who do not make contributions. Member contributions cannot be withdrawn until separation from employment.

In 2018, the County’s employee bargaining units agreed to negotiated terms that included non-Plan 8 employees assuming a share of employer contributions. The estimated impact of the cost sharing arrangements were to reduce the County’s composite cost by 1.88% for the fiscal year ended June 30, 2023. Member rates increased by a slightly greater amount due to the refundable nature of member contributions. Cost sharing agreements did not apply to members of PEPRA plans.

Employer Contribution Policy

Employer contributions are adopted in accordance with §31453 and §31454 of the CERL. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL).

LAFCO, a new employer with no unfunded liability, began phasing into the UAL rate beginning with the June 30, 2021, actuarial valuation for contribution year 2022-2023.

Contributions for the fiscal year ended June 30, 2023, were implemented using the June 30, 2021 actuarial valuation. For the June 30, 2021 valuation, plan assets were valued at the fair value of assets. New sources of UAAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period. The amortization payments are made as a percentage of payroll and have a five-year ramp up at the beginning of the amortization period, a four-year ramp down at the end of the period, and 10 years of level payments as a percentage of payroll between the ramping periods.

Contribution Rates

The following schedule summarizes the contribution rates in effect for the fiscal year ended June 30, 2023. Contribution rates are expressed as a percentage of covered payroll. The member contribution rates depicted below vary according to age at entry, benefit plan, and tier level.

Contributions made for the fiscal year ended June 30, 2023, were in accordance with actuarially determined contributions for the year. The actuarially determined employer contribution rate was 40.95% of payroll, 39.07% net of employee cost-sharing. The actuarially determined employee contribution rate was 7.24%. For the fiscal year ended June 30, 2023, covered payroll was \$412.2 million.

MEMBER CONTRIBUTION RATES

<i>Member Classification</i>	<i>Plan Sponsor Rates</i>		<i>Member Rates</i>	
General Members	9.52%	- 39.27%	2.43%	- 12.23%
Safety Members	45.94%	- 66.41%	5.38%	- 19.30%
APCD Members	40.76%	- 48.72%	3.53%	- 12.88%

The rates above do not include employee cost-sharing contributions.

FISCAL YEAR CONTRIBUTIONS BY PLAN

Dollars in thousands

		<u>2023</u>
General Plan 2	Employer contributions	\$ 84
General Plans 5, 7 & 8	Employer contributions	100,219
	Member contributions	23,746
Safety Plans 4, 6 & 8	Employer contributions	55,434
	Member contributions	14,549
APCD Plans 1, 2 & 8	Employer contributions	1,570
	Member contributions	227
Total		\$ <u>195,829</u>

FISCAL YEAR CONTRIBUTIONS BY PARTICIPATING EMPLOYER

Dollars in thousands

Employer Contributions		<u>2023</u>	
Santa Barbara County	\$ 145,896		92.7%
Santa Barbara County Superior Court	5,956		3.8%
APCD	1,570		1.0%
Special Districts	3,885		2.5%
Total Employer Contributions	\$ 157,307		100.0%
Member Contributions			
Santa Barbara County	\$ 36,045		93.6%
Santa Barbara County Superior Court	1,420		3.7%
APCD	227		0.6%
Special Districts	830		2.1%
Total Member Contributions	\$ 38,522		100.0%
 Total Contributions	 \$ <u>195,829</u>		

7. NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

Employers' Net Pension Liability

The net pension liability is measured as the total pension liability less the amount of the Plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement reporting purposes. The components of the Plan's net pension liability on June 30, 2023, are presented on the following table:

SCHEDULE OF NET PENSION LIABILITY

Dollars in thousands

	<u>June 30, 2023</u>
Total Pension Liability	\$ 4,894,869
Less: Fiduciary Net Position	<u>(4,132,090)</u>
Net Pension Liability	<u>\$ 762,779</u>
 Fiduciary Net Position as a Percentage of Total Pension Liability	 84.42%

SUMMARY OF ACTUARIAL INFORMATION

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Individual Entry Age Method
Amortization Method	Level percentage of projected salaries of present and future members
Amortization Period	Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 17-year period, except for the additional UAL attributable to the creation of Safety Plan 6, which is being amortized over a separate closed period (8 years as of June 30, 2020). Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes is amortized over a closed 19-year period, with a five-year ramp up period at the beginning of the period, a four-year ramp down at the end of period, and 10 years of level payments as a percentage of payroll. This method is a type of direct rate smoothing.
Asset Valuation Method	Fair Value of Assets
<i>Summary of Valuation Assumptions¹</i>	
Investment Rate of Return	7.0%, net of investment expenses 2.75% for CPI (inflation) + 4.25% for real return
Projected Salary Increase	Variable percentage based on service and employment type (General/Safety)
Wage Inflation	3.00%
Cost-of-Living Adjustments for Retirees	2.60% for General Plan 5, Safety Plans 4, 6 and 8, APCD Plans 1 and 2, and General Plan 8 ² for retirees in current pay status and 2.9% for future retirees in these groups. 2.00% for General Plan 7, APCD Plan 8, and General Plan 8 ² 0.0% for General Plan 2
Mortality Rates	<p><i>Healthy lives:</i> Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using 80% of Projection Scale MP-2020, without adjustment.</p> <p>Non-duty related mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, without adjustment.</p> <p>Safety active members are also subject to the 2021 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational improvement projected from 2017 using 80% of Projection Scale MP-2020.</p> <p>Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using 80% of Projection Scale MP-2020.</p> <p>Mortality rates for Safety annuitants are based the sex distinct Public Safety 2010 Above-Median Income Retiree Mortality Table, with generational improvements projected from 2010 using 80% of Projection Scale MP-2020.</p>

Mortality Rates (continued)	<p>Disabled lives: Mortality rates for General disabled retirees are differentiated by type of disability retirement.</p> <p>a) General disabled retirees with duty disabilities are valued with mortality rates based on the 2021 CalPERS Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.</p> <p>b) General disabled retirees with non-duty disabilities are valued with mortality rates based on the 2021 CalPERS Non-Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.</p> <p>c) Mortality rates for General active members assumed to become disabled are valued using the previously stated assumptions that 60% of General disabilities are service related (e.g. duty or industrial). The mortality rates used for this group are a blend of 60% of the table described in (a) above and 40% of the table described in (b) above, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.</p> <p>Mortality rates for Safety disabled retirees are based on 2021 CalPERS Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.</p>
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¹ Assumptions as of June 30, 2020

² General Plan 8 Cost-of-Living Adjustment is 2.60% if plan sponsor did not implement General Plan 7 prior to January 1, 2013. Otherwise, assume 2.00%.

Sensitivity Analysis

The net pension liability is calculated using the discount rate. The following table presents the net pension liability change when a modification is applied to the current discount rate of 7.00%. The sensitivity schedule calculates what the net pension liability would be if it were calculated using a discount rate that is 1-percent point lower or 1-percent point higher than the current rate.

SCHEDULE OF NET PENSION LIABILITY SENSITIVITY

Dollars in thousands

<i>As of June 30, 2023</i>	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 5,565,209	\$ 4,894,869	\$ 4,344,713
Less: Fiduciary Net Position	(4,132,090)	(4,132,090)	(4,132,090)
Net Pension Liability	\$ 1,433,119	\$ 762,779	\$ 212,623
 Fiduciary Net Position as a Percentage of Total Pension Liability	 74.25%	 84.42%	 95.11%

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

OPEB Plan Description

Plan administration

SBCERS administers an agent multiple-employer OPEB Plan that provides health care benefits for retired members and their eligible dependents. The OPEB Plan is funded by Santa Barbara County and participating employers (see box to right) and is administered in accordance with §401(h) of the Internal Revenue Code. It was established on September 16, 2008, by the County Board of Supervisors who created a 401(h) Medical Trust. Also in 2008, an application for determination and a voluntary compliance plan was submitted to the Internal Revenue Service (IRS), and in October 2013, the IRS acted favorably on the application. SBCERS and its participating employers currently operate under the Voluntary Compliance Plan Statement and regulations adopted in 2013.

OPEB Employers

- County of Santa Barbara
- Air Pollution Control District
- Santa Barbara County Superior Court
- Carpinteria Cemetery
- Goleta Cemetery
- Santa Maria Cemetery
- SBCAG
- Summerland Sanitary
- Carpinteria-Summerland Fire Protection District

Oak Hill Cemetery, Mosquito & Vector Management District, and Santa Barbara County Local Agency Formation Commission do not participate in the OPEB Plan.

Plan membership

On June 26, 2012, the County closed the OPEB Plan to new general employees, and on June 20, 2016, the OPEB Plan was closed to new County safety members. The OPEB Plan has been closed to all new entrants with membership dates in SBCERS on or after December 31, 2018. At June 30, 2023, 100% of eligible SBCERS' retirees participated in the OPEB program. The membership status demographics as of the June 30, 2022 valuation report are shown below:

Inactive plan members or beneficiaries currently receiving benefit payments	4,733
Inactive plan members entitled to but not yet receiving benefit payments	868
Active plan members/active employees	2,119
Total	7,720

OPEB Benefit Provisions

Benefits provided

SBCERS offers healthcare, vision, and dental benefits for retirees and their dependents. Benefits are provided by third party providers. The County negotiates the health care insurance contracts with the carriers covering both active and retired members. Retirees are offered the same health plans as active employees, as well as plans for retirees on Medicare. Retiree premiums are calculated by the County and its consultants.

SBCERS' retirees who elect to purchase employer qualified health plans are eligible to receive an explicit subsidy for medical premiums funded by the County and other employers. The monthly subsidy is \$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 include coverage for eligible spouses and dependents. After the member's death, a beneficiary is eligible to continue health plan coverage. The subsidy benefit will be equal to \$15 per year of service times the survivor continuation percentage applicable for pension benefits. If a member is eligible for a disability

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

Retirees who choose not to participate in a employer qualified health plan receive a monthly benefit of \$4 per year of service. This benefit, known as a Healthcare Reimbursement Arrangement, reimburses qualified health care expenses through a qualified health reimbursement account.

The table below is a summary of the actual benefits awarded and actual enrollees participating in the OPEB Plan as of June 30, 2023.

OPEB HEALTH CARE BENEFITS

Dollars in thousands

	<i>Benefits</i>	<i>Enrollees</i>
Health premium subsidy	\$ 7,064	1,479
Healthcare Reimbursement Arrangement	2,215	3,265
Total	\$ 9,279	4,744

OPEB Funding Policy – Contributions

All OPEB Employers Other than the County, Courts, and APCD

Through the fiscal year ended June 30, 2022, the OPEB Plan was funded on a pay-as-you-go basis by all employers with the exception of the County and APCD as explained below.

County of Santa Barbara

The County began increasing funding contributions beyond pay-as-you-go during the fiscal year ended June 30, 2014, when the County adopted a budget policy of increasing the contributions to the OPEB Plan by 0.25% of covered payroll per fiscal year. On March 1, 2016, the County adopted a resolution approving an OPEB (401(h) Account) Funding Policy. This policy provides for funding the OPEB Plan at 4% of Covered Payroll for the 401(a) Pension Plan (as opposed to the smaller covered payroll of the OPEB Plan). This funding policy was applicable beginning July 1, 2016.

Santa Barbara County Air Pollution Control District (APCD)

APCD has been advance funding the OPEB Plan since the calendar year 2009. The contributions made by APCD have exceeded the actuarially developed cost of the OPEB Plan for several years. Beginning in early 2021, APCD’s OPEB plan is fully funded and APCD has ceased contributions.

Santa Barbara County Superior Court

The Courts submitted a one-time prefunding contribution of \$1.3 million as of June 30, 2017 but have no formal pre-funding policy.

OPEB Investments

Investment policy

SBCERS maintains the allocation of invested assets and implements a strategy that reduces risk through diversification of 60% Domestic Equity and 40% Fixed Income asset classes.

OPEB ASSET CLASS AND TARGET ALLOCATION

<i>Asset Class</i>	<i>Target Allocation</i>
Domestic Equity	60%
Core Fixed Income	40%
Total	100%

Money-Weighted Rate of Return

For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on investments was 10.72%. Investment fees are presented in financial statements separately for informational purposes. The fees are allocated to the participating employers and included in the administrative expense reimbursement paid by employers. Therefore, the money-weighted rate of return that expresses investment performance is only adjusted for the changing amounts actually invested and not the fees paid.

Employers' Net OPEB Liability

The net OPEB liability is measured at the Total OPEB Liability (TOL) less the amount of the OPEB Plan's fiduciary net position. This net OPEB liability is an accounting measurement for financial statement reporting purposes as a result of GASB Statement No. 74. The measurements are based on the fair value of assets as of June 30, 2023 and the TOL as of the valuation date, June 30, 2022, updated to the measurement date, June 30, 2023. The components of the OPEB Plan's net OPEB liability on June 30, 2023, are in the schedule on the following table.

SCHEDULE OF NET OPEB LIABILITY

In thousands

	<i>June 30, 2023</i>
Total OPEB Liability (TOL)	\$ 131,724
Less: Fiduciary Net Position	(57,797)
Net OPEB Liability	\$ 73,927

Plan Fiduciary Net Position
as a Percentage of Total OPEB Liability 43.88%

Fiduciary Net Position does not agree to Financial Statements due to recording of additional contribution to the OPEB Plan and has been corrected going forward.

OPEB Actuarial Valuation and GASB 74 Reporting

SBCERS' OPEB Plan's actuarial valuation was conducted by Cheiron, Inc. as of June 30, 2022 and performed in accordance with GASB Statements No. 74 and No. 75. Additionally, Cheiron Inc. issued a GASB 74/75 report as of June 30, 2023 for the OPEB Plan in accordance with GASB Statements No. 74 and No. 75. These two reports meet the requirements to satisfy financial statement reporting guidelines that apply to organizations that administer the OPEB plan. The OPEB valuation is generated annually; prior to 2016 it was performed bi-annually.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The assumptions and methodology for developing the Total OPEB Liability (TOL) as of June 30, 2023 were adjusted for discount rates and assumptions listed in the following section.

For details on the assumption used in the OPEB plan actuarial valuation, please refer to the experience study report, which was finalized on January 10, 2020, and can be found online at www.sbcers.org.

Based on recent plan experience, the plan type election assumption was broken into non-Medicare-eligible and Medicare-eligible components. The Medicare-eligible assumption did not change from that used in the prior valuation. For the non-Medicare-eligible assumption, we assumed that 40% of future retirees will select a monthly subsidy for employer health plan benefits of \$15 per year of service, while 60% will select the \$4 cash benefit option.

SUMMARY OF OPEB ACTUARIAL ASSUMPTIONS

OPEB Valuation Date	June 30, 2022
OPEB Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Amortization Cost	Beginning with the June 30, 2017 valuation report, the UAL is no longer being amortized. Instead, we have computed the payment that would be anticipated to be needed – the tread water amount – to prevent the UAL from increasing, if all assumptions are met. This payment is equal to the sum of the normal cost and the interest (calculated using the GASB 74/75 discount rate for each employer) on the UAL as of the valuation date. Beginning with the June 30, 2019 valuation, an amount equal to the expected administrative expenses is also included in the tread water amount.
<i>Economic Assumptions</i>	
Expected Return on Trust Assets	7.00%
Payroll Growth Rate	3.00%
Per Person Cost Trends	N/A
<i>Actuarial Valuation Assumptions</i>	
Valuation Discount Rates	7.00%, Santa Barbara County, Courts, and APCD 3.54%, All others
Ultimate Rate of Medical Inflation	N/A
Post-Retirement Benefit Increases	None
Plan Election	<i>Non-Medicare-Eligible Retirees:</i> Assumed 40% of future retirees will select a monthly subsidy for employer health plan benefits of \$15 per year of service, while 60% select the \$4 cash benefit option. <i>Medicare-Eligible Retirees:</i> Assumed 40% of future retirees will select a monthly subsidy for employer health plan benefits of \$15 per year of service, while 60% select the \$4 cash benefit option.

The following assumptions are included in the Actuarial Section of this report:

- Retirement rates for active employees
- Retirement ages for terminated vested participants
- Rates of Termination
- Rates of Mortality
- Rates of Disability
- Family Composition

OPEB Sensitivity Analysis

The long-term expected return on OPEB Plan assets or discount rate used to measure the TOL was 7.00% as of June 30, 2023. The changes in the discount rate affect the measurement of the TOL in that a lower discount rate or expected rate of return will generate a higher TOL and a higher discount rate will produce a lower TOL. The effect on the TOL of a 1.0% increase or decrease in the discount rate is illustrated in the following chart.

SCHEDULE OF NET OPEB LIABILITY SENSITIVITY			
<i>Dollars in thousands</i>			
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 145,288	\$ 131,724	\$ 120,197
Less: Plan Fiduciary Net Position	(57,797)	(57,797)	(57,797)
Net OPEB Liability	\$ 87,490	\$ 73,927	\$ 62,400
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	39.78%	43.88%	48.08%

Fiduciary Net Position does not agree to Financial Statements due to recording of additional contribution to the OPEB Plan and has been corrected going forward.

Since the dollar amount 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 OPEB liabilities.

9. ADMINISTRATIVE EXPENSE

The Board adopted an annual budget for the fiscal year ended June 30, 2023, that covers the administration expense of the System with the earnings of the retirement fund. Such expenditures are subject to limitations imposed by statute, California Government Code §31580.2. Using the actuarial accrued liability to calculate the statutory budget amount, the calculated limit for the fiscal year ended June 30, 2023 was \$9.4 million.

SBCERS has been in compliance with the rules governing administrative expense in prior years. Total administrative expense for the fiscal year ended June 30, 2023 was \$6.4 million, of which \$5.3 million was subject to the limitation. Actuarial costs, investment expenses related to staff salaries & travel, along with computer technology expenses related to computer hardware, and technology consulting services in support of these computer products shall not be considered costs of administration of the retirement system for purposes of this code section.

Administrative expenses for OPEB are allocated back to the participating employers based on level of participation in the program. These administrative costs are billed to these employers and are therefore not paid for by the OPEB Plan.

SBCERS' ADMINISTRATIVE EXPENSE

Dollars in thousands

Expense Subject to Statutory Limitation	<u>2023</u>
Employee Salaries and Benefits (Non-Investment)	\$ 3,712
Legal Costs	376
Operating Expenses	838
Other Professional Services	<u>341</u>
<i>Total Expense Subject to Statutory Limitation</i>	<u>\$ 5,267</u>
Expense Not Subject to Statutory Limitation	
Actuarial Costs	\$ 330
Information Technology	536
Investment Team Salaries	255
Investment Travel	<u>22</u>
<i>Total Expense Not Subject to Statutory Limitation</i>	<u>\$ 1,143</u>
Total Pension Administrative Expense	<u>\$ 6,410</u>

10. COMMITMENTS AND CONTINGENCIES

In the normal course of business, denials of applications for benefits are appealed to the Superior Court. The outcome of these decisions will have no material impact on the financial status of SBCERS.

A petition for a writ of mandate was filed in the Santa Barbara Superior Court during the fiscal year, seeking to set aside and vacate SBCERS Board of Retirement determinations that compensation earnable related to stand by pay be removed from the calculation of retirement benefits for several SBCERS members. SBCERS determinations regarding compensation earnable for these members were made pursuant to 2020 California State Supreme Court ruling in Alameda County Sheriffs' Assoc. v. Alameda County Retirement Assoc. (the "Alameda Decision").

11. SUBSEQUENT EVENTS

Management has reviewed subsequent events up to the date of the Independent Auditor's Report of December 1, 2023 and has no subsequent events to report.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION – PENSION

CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Dollars in thousands

	Fiscal Year Ended June 30, ¹				
	2023	2022	2021	2020	2019
Total Pension Liability					
Service cost	\$ 88,053	\$ 87,648	\$ 74,649	\$ 82,913	\$ 76,926
Interest (includes interest on service cost)	325,284	308,021	294,308	279,193	267,008
Differences between expected & actual experience	(4,165)	(2,204)	30,957	39,325	23,497
Changes of assumptions ²	76,453	-	19,125	(7,455)	-
Benefit payments, including refunds of member contributions	(231,956)	(215,316)	(205,659)	(195,647)	(182,256)
Net change in total pension liability	\$ 253,669	\$ 178,149	\$ 213,380	\$ 198,329	\$ 185,175
Total pension liability - beginning	4,641,200	4,463,051	4,249,671	4,051,342	3,866,167
Total pension liability - ending	\$ 4,894,869	\$ 4,641,200	\$ 4,463,051	\$ 4,249,671	\$ 4,051,342
Plan fiduciary net position					
Contributions - employer	\$ 157,307	\$ 161,388	\$ 150,093	\$ 141,585	\$ 133,707
Contributions - member	38,522	36,564	35,520	31,618	26,605
Net investment income	277,784	(70,530)	822,708	24,765	224,843
Benefit payments, including refunds of member contributions	(231,956)	(215,316)	(205,659)	(195,647)	(182,256)
Administrative expense	(6,410)	(6,162)	(5,695)	(6,523)	(6,784)
Net change in plan fiduciary net position	\$ 235,247	\$ (94,056)	\$ 796,967	\$ (4,202)	\$ 196,115
Plan fiduciary net position - beginning³	3,896,843	3,990,899	3,193,932	3,198,134	3,002,019
Plan fiduciary net position - ending	\$ 4,132,090	\$ 3,896,843	\$ 3,990,899	\$ 3,193,932	\$ 3,198,134
Net pension liability⁴	\$ 762,779	\$ 744,357	\$ 472,152	\$ 1,055,739	\$ 853,208
Plan fiduciary net position as a percentage of the total pension liability	84.42%	83.96%	89.42%	75.16%	78.94%
Covered payroll ⁵	\$ 412,151	\$ 395,157	\$ 387,644	\$ 373,129	\$ 355,417
Net pension liability as a percentage of covered payroll	185.07%	188.37%	121.80%	282.94%	240.06%
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 77,632	\$ 77,134	\$ 71,218	\$ 70,056	\$ 66,696
Interest (includes interest on service cost)	256,694	250,124	241,734	231,804	220,239
Differences between expected & actual experience	(10,744)	(42,043)	(31,199)	(27,901)	-
Changes of assumptions ¹	(29,739)	215,838	-	-	-
Benefit payments, including refunds of member contributions	(169,751)	(154,229)	(146,658)	(137,771)	(131,101)
Net change in total pension liability	\$ 124,092	\$ 346,824	\$ 135,095	\$ 136,188	\$ 155,834
Total pension liability - beginning	3,742,076	3,395,252	3,260,157	3,123,969	2,968,135
Total pension liability - ending	\$ 3,866,168	\$ 3,742,076	\$ 3,395,252	\$ 3,260,157	\$ 3,123,969
Plan fiduciary net position					
Contributions - employer	\$ 131,374	\$ 121,991	\$ 122,748	\$ 123,612	\$ 119,228
Contributions - member	22,534	20,320	18,312	16,622	14,514
Net investment income	223,315	264,011	32,801	20,840	328,853
Benefit payments, including refunds of member contributions	(169,751)	(154,229)	(146,658)	(137,771)	(131,101)
Administrative expense	(6,351)	(5,734)	(5,193)	(4,404)	(4,289)
Net change in plan fiduciary net position	\$ 201,121	\$ 246,359	\$ 22,010	\$ 18,899	\$ 327,205
Plan fiduciary net position - beginning²	2,800,898	2,554,539	2,532,529	2,513,630	2,186,425
Plan fiduciary net position - ending	\$ 3,002,019	\$ 2,800,898	\$ 2,554,539	\$ 2,532,529	\$ 2,513,630
Net pension liability³	\$ 864,149	\$ 941,178	\$ 840,713	\$ 727,628	\$ 610,339
Plan fiduciary net position as a percentage of the total pension liability	77.65%	74.85%	75.24%	77.68%	80.46%
Covered payroll ⁴	\$ 344,512	\$ 341,098	\$ 328,935	\$ 319,547	\$ 307,422
Net pension liability as a percentage of covered payroll	250.83%	275.93%	255.59%	227.71%	198.53%

¹In 2018, amounts reported as changes in assumptions resulted from a change in the assumed benefit payment timing.

²June 30, 2017 assets have been restated for consistency with the June 30, 2018 ACFR, which were \$409 thousand less than reported in the June 30, 2017

³Amounts may differ from June 30, 2019 GASB 67/68 Report due to rounding.

⁴Covered payroll represents payroll in which contributions to the pension plan are based.

EMPLOYER PENSION CONTRIBUTION HISTORY

Dollars in thousands

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 157,307	\$ 161,388	\$ 150,093	\$ 141,585	\$ 133,708
Contributions in Relation to the Actuarially Determined Contribution	<u>157,307</u>	<u>161,388</u>	<u>150,093</u>	<u>141,585</u>	<u>133,708</u>
Contribution Deficiency/(Excess)	\$ <u>-</u>				
Covered Payroll ¹	\$ 412,151	\$ 395,157	\$ 387,644	\$ 373,129	\$ 355,417
Contributions as a Percentage of Covered Payroll	38.17%	40.84%	38.72%	37.95%	37.62%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 131,374	\$ 121,991	\$ 122,748	\$ 123,612	\$ 119,228
Contributions in Relation to the Actuarially Determined Contribution	<u>131,374</u>	<u>121,991</u>	<u>122,748</u>	<u>123,612</u>	<u>119,228</u>
Contribution Deficiency/(Excess)	\$ <u>-</u>				
Covered Payroll ¹	\$ 344,512	\$ 341,098	\$ 328,935	\$ 319,547	\$ 307,422
Contributions as a Percentage of Covered Payroll	38.13%	35.76%	37.32%	38.68%	38.78%

Schedule includes data for the last ten fiscal years.

¹ Covered Payroll was based on actual payroll provided by SBCERS for FYE 2015 and after. In years prior to FYE 2015, payroll was based on payroll reported in the actuarial valuation data.

MONEY-WEIGHTED RATE OF RETURN – PENSION

	<i>For the fiscal year ended June 30,</i>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	7.11%	0.28%	25.20%	-0.10%	7.74%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	7.80%	10.49%	1.38%	0.42%	15.20%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

Key Methods and Assumptions Used to Determine Contribution Rates

Valuation Date Used for Contributions	June 30, 2021
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial cost method	Entry Age
Asset valuation method	Market Value
Amortization method	As of the June 30, 2013 valuation, the unfunded actuarial liability was amortized over a closed 17-year period as a level percentage of payroll, except for the Safety Plan 6 liability, which is amortized over a separate closed period (seven years as of 2021). Effective with the June 30, 2014 valuation, any additional sources of UAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period, with five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and 10 years of level payments as a percentage of payroll.
Discount rate	7.00%, net of investment expenses
Amortization growth rate	3.00%
Price inflation	2.75%
Salary increases	3.00% plus merit component based on employee classification and years of service.
Mortality	Sex distinct Public 2010 General Above-Median Income and sex distinct Public Safety 2010 Healthy Annuity Mortality Tables, with generational mortality improvements projected from 2010 using Projections Scale MP-2019, without adjustment.

REQUIRED SUPPLEMENTARY INFORMATION – OTHER
 POSTEMPLOYMENT BENEFITS (OPEB)

MONEY-WEIGHTED RATE OF RETURN – OPEB

	<i>For the fiscal year ended June 30,</i>						
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	10.72%	-12.40%	25.55%	7.42%	8.57%	8.07%	10.61%

Schedule is intended to show information for ten years. Fiscal year 2017 was the first year of implementation. Additional information will be displayed as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

The information presented in the required supplementary schedule was determined as part of the actuarial valuation dated June 30, 2022. Additional information as of the latest actuarial valuation follows. The OPEB actuarial valuation is produced on an annual basis beginning in 2016.

Valuation date	June 30, 2022
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Value
<i>Actuarial Assumptions</i>	
Payroll growth rate	3.00%
Discount rate	7.00% for County of Santa Barbara, Courts, and APCD, 3.54% for all others
Ultimate rate of medical inflation	N/A
Funding	
County of Santa Barbara	4.00% of total pension plan payroll
APCD	Pre-fund 401(h) up to IRS 25% limit
All others	Pay-as-you-go
	<i>Healthy Lives:</i>
	Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using 80% of Projection Scale MP-2020, without adjustment.
	Non-duty related mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using 80% of Projection Scale MP-2020, without adjustment.
	Safety active members are also subject to the 2021 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.
	Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using 80% of Projection Scale MP-2020.
	Mortality rates for Safety annuitants are based the sex distinct Public Safety 2010 Above Median Income Retiree Mortality Table, with generational improvements projected from 2010 using 80% of Projection Scale MP-2020.
Mortality	<i>Disabled Lives:</i>
	Mortality rates for General disabled retirees are differentiated by type of disability retirement.
	a) General disabled retirees with duty disabilities are valued with mortality rates based on the 2021 CalPERS Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.
	b) General disabled retirees with non-duty disabilities are valued with mortality rates based on the 2021 CalPERS Non-Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.
	c) Mortality rates for General active members assumed to become disabled are valued using the previously stated assumption that 60% of General disabilities are service related (e.g., duty or industrial). The mortality rates used for this group are a blend of 60% of the table described in (a) above and 40% of the table described in (b) above, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.
	Mortality rates for Safety disabled retirees are based on 2021 CalPERS Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION – PENSION

SCHEDULE OF ADMINISTRATION EXPENSE – PENSION

Dollars in thousands

	<u>2023</u>
Personnel Services	
Salaries and Employee Benefits	\$ 3,966
Total Personnel Services	\$ 3,966
Professional Services	
Actuarial Costs	\$ 330
Legal Costs	376
Computer Software Services and Support	475
County Cost Allocation	21
Disability Fees	140
External Audit Fees	82
Other Professional Services	98
Total Professional Services	\$ 1,522
Communication	
Postage	\$ 60
Telecommunication	42
Training	22
Transportation and Travel	132
Total Communication	\$ 256
Rents / Leases / Structures	
Rents/Leases/Structure	\$ 164
Building Maintenance	17
Total Rents / Leases / Structures	\$ 181
Miscellaneous	
Computer Equipment and Supplies	\$ 61
Other Office Expenses	357
Insurance	67
Total Miscellaneous	\$ 485
Total Administrative Expense	\$ <u>6,410</u>

SCHEDULE OF PENSION INVESTMENT EXPENSE

Dollars in thousands

	<u>2023</u>
Investment Activity	
Stock Managers	
<i>Domestic</i>	\$ 548
<i>International</i>	1,897
Bond Managers	
<i>Domestic</i>	1,160
<i>International</i>	642
Private Credit	267
Private Equity	3,844
Real Assets	6,439
Real Estate	<u>2,570</u>
Total from Investment Activity	\$ 17,367
Other Investment Expense	
Investment Consultants	\$ 1,547
Custodian	<u>1,042</u>
Total Other Investment Expense	\$ 2,589
Total Investment Activity and Other Investment Expense	\$ <u>19,956</u>

SCHEDULE OF CONSULTANT PAYMENTS – PENSION

Dollars in thousands

	<u>2023</u>
Payments to Consultants	
Actuarial Services	\$ 330
Audit Services	82
Legal Services	<u>376</u>
Total Payments to Consultants	\$ <u>788</u>

The expenses above are part of deductions from the Basic Financial Statements.

Consultant payments for the OPEB plan are included in the above schedule.

OTHER SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHEDULE OF ADMINISTRATION EXPENSE- OPEB

Dollars in thousands

	<u>2023</u>
Salaries and Employee Benefits	\$ 184
Professional Services	120
HRA Administrative Fees	198
Fund Transfers	-
Total Administrative Expense	\$ <u>502</u>

INVESTMENT

MEMORANDUM FROM RVK, INC.



Memorandum

To	Retirement Board
From	RVK, Inc.
Subject	2023 Annual Comprehensive Financial Report ("ACFR")
Date	October 23, 2023

Dear Board Members:

This letter serves to provide an overview of the capital markets and the Santa Barbara County Employees' Retirement System ("System") portfolio's positioning for the fiscal year ended June 30, 2023.

Economic Overview

The 2023 fiscal year (July 1, 2022, to June 30, 2023) occurred during a period of historically high inflation along with further economic uncertainty. Economic and inflation forecasts were impacted by tightening monetary policy, persistent inflation, and the ongoing war in Ukraine. The Federal Open Market Committee continued to raise interest rates in hopes of controlling inflationary levels. Despite the economic slowdown present at the start of 2023, the U.S. labor market remained strong, ending the fiscal year with an unemployment rate of 3.6%, further adding to pricing pressure.

Inflation in the United States, as measured by the Consumer Price Index, slowed to a 3.0% year-over-year rate as of June 30, 2023, its lowest since March 2021. The inflationary trends continued to be problematic with the high interest rates combined with supply shocks and an energy crisis in Europe. The FOMC started off the fiscal year with three consecutive 0.75% rate increases and ended with a 0.25% increase in May 2023. The target federal funds rate increased from 2.25% - 2.50% at the start of the fiscal year to 5.00% - 5.25% as of June 30, 2023.

Capital Markets Overview

Global equity markets, as measured by the MSCI All Country World Index, returned 16.7% during the fiscal year ending June 30, 2023. U.S. equities outperformed their non-U.S. counterparts and returned a positive 19.0% as measured by the Russell 3000 Index. Developed non-U.S. equity markets, as measured by the MSCI Europe Asia Far East (EAFE) Index, increased by 18.8%, while emerging markets returned 1.7%, as measured by the MSCI EM Index. Overall, all equity markets except emerging showed signs of improvement compared to their prior fiscal year returns.

After a year of persistent inflation and rising interest rates, these conditions moderated in the first half of 2023 as we saw lower interest rate and inflation levels. Capping off what was the most negative calendar year on record for the Bloomberg U.S. Aggregate Bond Index, the index only experienced a decline of -0.9% during fiscal year 2023. The Bloomberg Global Aggregate Bond Index returned -1.3% due to rising interest rates, and the Bloomberg Commodity Index recorded a -9.6% return, as oil and other commodity prices decreased significantly during the fiscal year.

RVK · 1

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Plan Updates and Positioning

The market value of the System's investments increased from \$3.90 billion to \$4.07 billion in the year ending June 30, 2023. The System's current actuarial assumed rate of return is 7.0%, which represents the System's long-term return objective. The System's overall investment return over the past year was 7.1% and the System's three-year annualized return was 10.4%. The five-year annualized return for the System was 7.7% and the System's ten-year annualized return was 7.3%¹.

At the end of the fiscal year 2023, all asset classes were within their policy-prescribed target ranges.

At the beginning of the fiscal year, RVK, Inc. ("RVK") conducted an Asset/Liability Study. The Asset/Liability Study suggested that continued diversification in the investment of the System's assets is desirable. At the end of the fiscal year, RVK conducted a review of SBCERS' asset allocation and recommended no changes.

During the fiscal year, the Board, Staff, and RVK conducted a review of SBCERS' Non-Core Fixed Income structure including evaluating the current manager lineup focusing on diversification, risk characteristics, performance, and fees. As a result of the review, the Board decided to increase the Private Credit target from 33.3% of the Non-Core Fixed Income portfolio to 45.0%. During the fourth fiscal quarter of 2023, the Board reviewed the strategic goals for SBCERS' Private Credit program and an updated pacing study to determine the annual commitment volume required to reach the target allocation. During the fiscal year, the Board made one new \$20M Private Credit commitment.

SBCERS' Staff and RVK also completed a review of SBCERS' Public Equity portfolios. Within Developed Non-US Equity, the Board decided to terminate First Eagle and reallocate proceeds between existing investments with PanAgora and Artisan. No changes were made to the US Equity or Emerging Markets Equity portfolios.

The System's investment policies, goals, and objectives, as well as the performance of its assets and transaction costs are regularly monitored by the Board and RVK. These evaluations include analysis of the investment management firms and the custodial bank that serves the System.

The System's publicly traded assets managed through separate accounts are held in custody at BNY Mellon Global Securities Services ("BNY Mellon")². Market values and returns referenced above are based upon statements prepared by BNY Mellon. Investment performance is calculated using a time-weighted rate of return methodology (net of fees) based upon market values and cash flows.

¹ Client specific returns are shown net of fees.

² RVK has taken reasonable care to ensure the accuracy of the information or data but makes no warranties and disclaims responsibility for the inaccuracy or incompleteness of information or data provided or for methodologies employed by BNY Mellon.



We look forward to continuing to work with the Board and Staff to monitor, review, and best position the System's portfolio to meet its long-term goals and objective.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rebecca Gratsinger".

Rebecca Gratsinger
Chief Executive Officer
RVK, Inc.

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INVESTMENT POLICIES

External investment management firms manage Santa Barbara County Employees' Retirement System (SBCERS or the System) investment assets. Professional investment consultants, along with staff, closely monitor the activity of these managers and assist the Board of Retirement (the Board) with the implementation of investment policies and long-term investment strategies.

The Board, having sole and exclusive authority and fiduciary responsibility for the investment and administration of the System, has adopted an investment policy which covers various investment types. This document reflects the Board's policies for management of the System's investments.

The Board recognizes that a prudent, well-articulated investment policy is crucial to the long-term success of the System. As such, the Board has developed these investment policies with the following goals in mind:

- To clearly and explicitly establish the objectives and parameters that govern the investment of the System's assets.
- To establish a target asset allocation designed to satisfy the System's long-term objective of funding the benefits promised to members and beneficiaries.
- To establish the guidelines by which the Board will delegate a portion of its authority over investment of the assets of the System to consultants, managers, and partners, and will monitor their performance to assure compliance with the investment policy.

The following general investment goals broadly articulate the philosophy by which the Board will manage the assets of the System in accordance with the law.

- The Board seeks to achieve a return on investment relative to acceptable levels of liquidity and investment risk that are prudent and reasonable, given capital market conditions from time to time. While the Board recognizes the importance of the preservation of capital, it also acknowledges the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is appropriate.
- The Board's investment policies and practice shall at all times comply with all applicable state and federal laws and regulations.

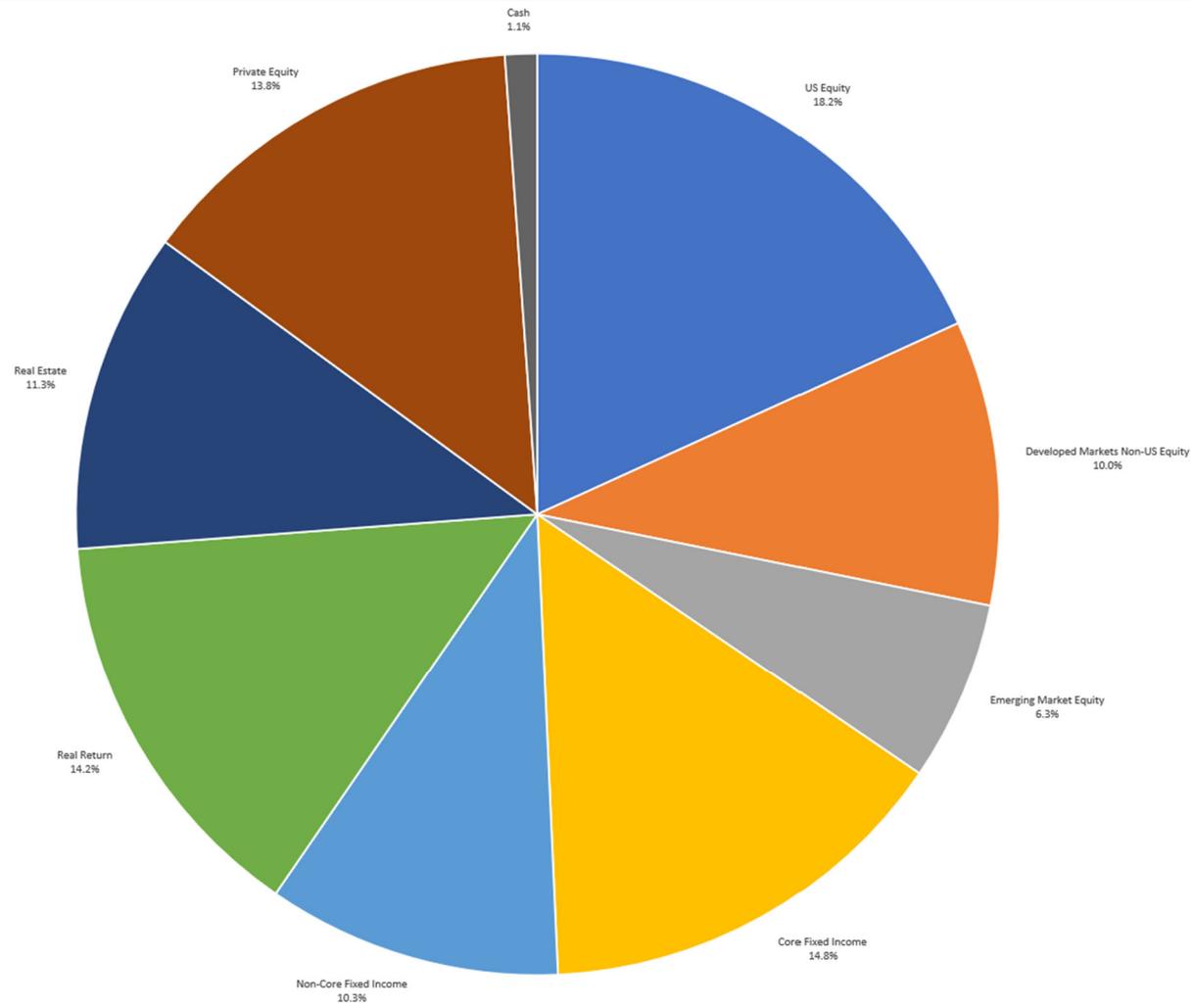
The Board's investment strategy is designed to ensure the prudent and diversified investment of assets in such a manner as to provide real growth of assets over time while protecting the value of such assets from undue risk of loss, at the minimum possible cost, and without sacrificing return.

INVESTMENT SUMMARY – PENSION

Dollars in thousands

	<u>Fair Value</u> <u>June 30, 2023</u>	<u>Percent of Total</u> <u>Fair Value</u>
<i>Cash and Short-Term Investments</i>		
Treasurer's Cash	\$ 41,122	0.99%
Short-Term Investments	33,588	0.81%
Total Cash and Short-Term Investments	\$ 74,710	1.80%
<i>Fixed Income</i>		
Core Fixed Income	\$ 602,490	14.50%
Non-Core Fixed Income	282,549	6.80%
Total Fixed Income	\$ 885,039	21.30%
<i>Equity</i>		
US Equity	\$ 742,605	17.87%
Developed Markets Non-US Equity	399,593	9.61%
Emerging Market Equity	259,484	6.24%
Total Equity	\$ 1,401,682	33.72%
<i>Alternatives</i>		
Private Equity	\$ 575,753	13.85%
Private Credit	140,561	3.38%
Private Real Estate	456,311	10.98%
Real Return	588,155	14.15%
Total Alternatives	\$ 1,760,780	42.36%
Total Pension Cash & Investments	\$ 4,122,211	99.18%
Collateral Held for Securities Lending	\$ 33,912	0.82%
Grand Total	\$ 4,156,123	100.00%

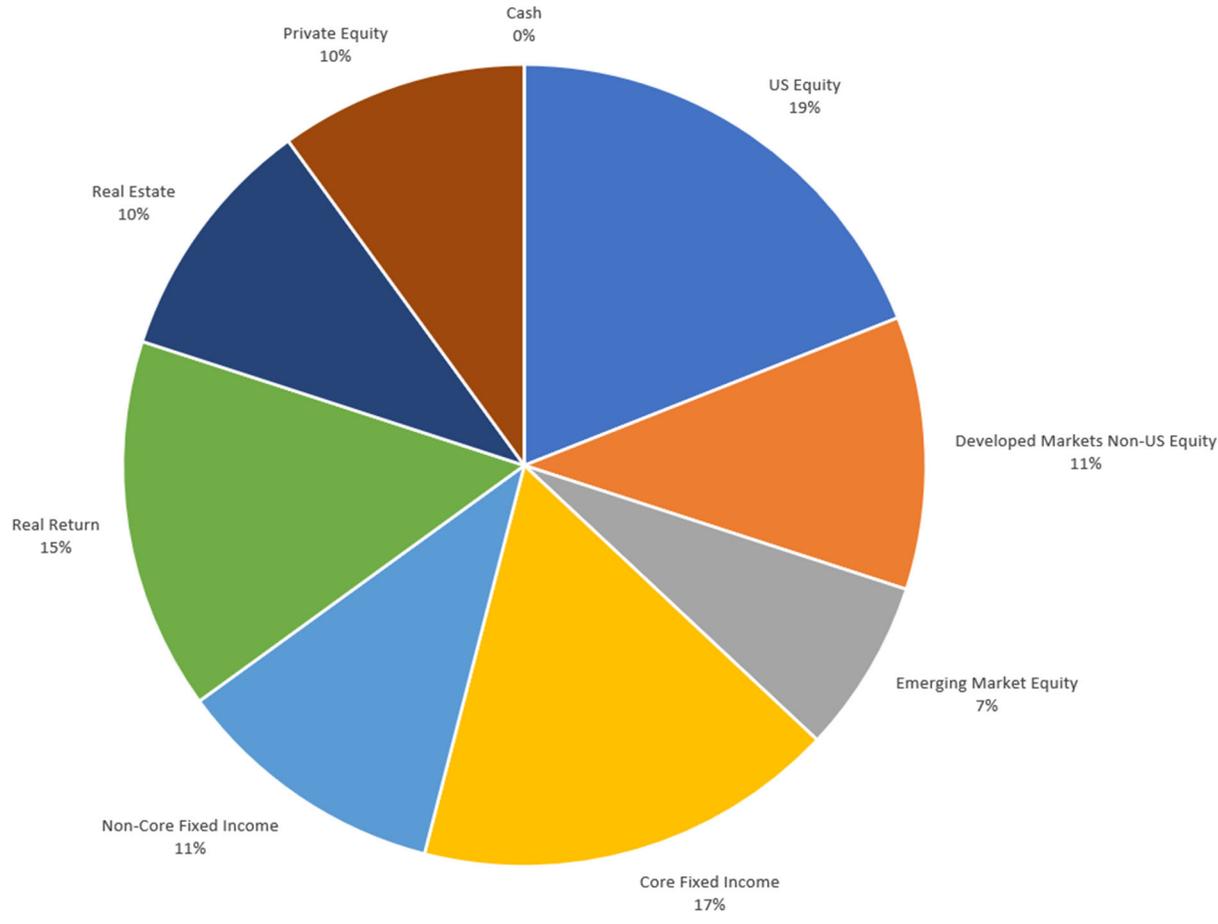
ACTUAL ASSET ALLOCATION



Allocations may differ slightly from Investment Summary on previous page due to securities, collateral, and short-term investments.

TARGET ASSET ALLOCATION

Target Allocation



INVESTMENT RESULTS BASED ON FAIR VALUE

As of June 30, 2023

<i>Investments</i>	<i>Current Year</i>	<i>Annualized</i>	
		<i>3- year</i>	<i>5-year</i>
U.S. Equity	18.54%	14.16%	11.87%
Russell 3000 Benchmark	18.95%	13.89%	11.39%
Developed Markets Non-U.S. Equity	17.16%	7.84%	3.79%
MSCI EAFE	18.77%	8.93%	4.39%
Emerging Markets Equity	8.78%	8.14%	3.48%
MSCI Emerging Markets	1.75%	2.32%	0.93%
Core Fixed Income Composite	-0.50%	-3.39%	1.06%
Bloomberg US Agg Bond Index	-0.94%	-3.97%	0.77%
Non-Core Fixed Income Composite	9.60%	4.54%	3.31%
Custom Non-Core Fixed Income Benchmark	9.79%	3.62%	3.41%
Real Return Composite	6.80%	14.08%	7.93%
Consumer Price Index+4%	7.09%	10.01%	8.06%
Real Estate Composite	1.49%	14.88%	11.87%
NCREIF ODCE - Index (AWA) (Net) (1-Quarter Lagged)	-3.91%	7.46%	6.56%
Private Equity Composite	12.88%	30.88%	20.32%
Russel 3000 Index+3% (1 Qtr Lag)	-5.84%	22.03%	13.76%
Cash	3.91%	1.35%	1.56%
Total Fund	9.01%	11.02%	8.05%
SBCERS Policy Benchmark	7.18%	7.18%	8.31%

Calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with Global Investment Performance Standards (GIPs). Returns shown are net of fees.

SCHEDULE OF TOP TEN EQUITY SECURITIES

As of June 30, 2023

<i>Shares</i>	<i>Security Name</i>	<i>Description</i>	<i>Fair Value</i>
105,876	APPLE INC	COMPUTERS	\$ 20,536,768
54,216	MICROSOFT CORP	SOFTWARE	18,462,717
83,472	AMAZON.COM INC	INTERNET	10,881,410
71,619	NESTLE SA	FOOD PROCESSING	8,613,653
53,062	NOVO NORDISK A/S	PHARMACEUTICALS	8,547,640
8,548	LVMH MOET HENNESSY LOUIS VUITT	APPAREL	8,048,224
1,696,634	SIRIUS XM HOLDINGS INC	MEDIA	7,685,752
376,372	UBS GROUP AG	BANKS	7,612,420
39,918	AIR LIQUIDE SA	CHEMICALS	7,150,998
51,574	ALPHABET INC	INTERNET	6,238,907

SCHEDULE OF TOP TEN BOND HOLDINGS

As of June 30, 2023

<i>Par</i>	<i>Security Name</i>	<i>Fair Value</i>
41,525,000	U S TREASURY NOTE 1.875% 02/15/2032 DD 02/15/22	\$ 35,549,137
39,220,000	U S TREASURY NOTE 1.125% 02/15/2031 DD 02/15/21	32,234,134
20,640,000	U S TREASURY BOND 3.750% 08/15/2041 DD 08/15/11	19,907,074
22,780,000	U S TREASURY BOND 2.500% 02/15/2045 DD 02/15/15	17,602,106
15,325,125	FNMA POOL #0FS1507 3.000% 02/01/2052 DD 04/01/22	13,506,646
13,096,571	FHLMC POOL #RA-6254 2.500% 11/01/2051 DD 10/01/21	11,120,954
14,090,000	U S TREASURY BOND 2.500% 05/15/2046 DD 05/15/16	10,812,948
12,540,064	FHLMC POOL #SC-0317 2.000% 08/01/2042 DD 10/01/22	10,654,540
11,038,497	FHLMC POOL #SD-8255 3.500% 10/01/2052 DD 09/01/22	10,063,136
10,693,240	FNMA POOL #0MA4783 4.000% 09/01/2052 DD 09/01/22	10,036,569

A complete list of portfolio information is available upon request.

LIST OF INVESTMENT MANAGERS

EQUITY	FIXED INCOME	ALTERNATIVES
<i>U.S. Equity</i>	<i>Core Fixed Income</i>	<i>Public Real Return</i>
<ul style="list-style-type: none"> Dimensional Fund Advisors BNY Mellon Rice Hall James 	<ul style="list-style-type: none"> Garcia Hamilton PGIM 	<ul style="list-style-type: none"> BNY Mellon Cohen and Steers Nuveen
<i>Developed Markets Non-U.S. Equity</i>	<i>Non-Core Fixed Income</i>	<i>Private Real Return Consultant</i>
<ul style="list-style-type: none"> Artisan Partners PanAgora Acadian 	<ul style="list-style-type: none"> Wellington Beach Point 	<ul style="list-style-type: none"> Hamilton Lane, LLC
<i>Emerging Markets Equity</i>		<i>Private Equity Consultant</i>
<ul style="list-style-type: none"> Dimensional Fund Advisors RBC Global Asset Management 		<ul style="list-style-type: none"> Hamilton Lane, LLC
		<i>Private Real Estate Consultant</i>
		<ul style="list-style-type: none"> Hamilton Lane, LLC
		<i>Private Credit</i>
		<ul style="list-style-type: none"> Angelo Gordon First Eagle PIMCO Deerpath Ares

SCHEDULE OF PROFESSIONAL FEES AND SERVICES – PENSION

Dollars in thousands

	<i>Assets Under Management</i>	<i>Fees¹</i>	<i>Basis Points</i>
<i>Investment Managers</i>			
Bond Managers	\$ 885,039	\$ 1,802	4.37
Equity Managers	1,401,682	2,445	5.93
Real Assets	588,155	6,439	15.62
Real Estate	456,311	2,570	6.23
Short Term Investments	33,588	-	-
Private Credit	140,561	267	0.65
Private Equity	575,753	3,844	9.33
Total Investment Managers	<u>\$ 4,081,089</u>	<u>\$ 17,367</u>	<u>42.13</u>
<i>Other</i>			
Cash	\$ 41,122	\$ -	-
Custodian Fees	-	1,042	2.53
Investment Consultant Fees	-	1,547	3.75
Total Other	<u>41,122</u>	<u>2,589</u>	<u>6.28</u>
Total Professional Fees and Services	<u>\$ 4,122,211</u>	<u>\$ 19,956</u>	<u>48.41</u>

¹ Some fees are netted directly against assets under management. The difference in expenses from investing activities in the Statement of Changes in Fiduciary Net Position is due to the inclusion of incentive fees and carried interest.



Via Electronic Mail

November 3, 2023

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the Santa Barbara County Employees' Retirement System (the Plan) as of June 30, 2023. This letter includes references to four documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2022 (transmitted November 30, 2022), the Governmental Accounting Standards Board (GASB) 67/68 Report as of June 30, 2023 (transmitted October 27, 2023), the Other Post-Employment Benefits (OPEB) Actuarial Valuation Report as of June 30, 2022 (transmitted January 18, 2023), and the Governmental Accounting Standards Board (GASB) 74/75 Report as of June 30, 2023 (transmitted November 3, 2023).

Actuarial Valuation Report as of June 30, 2022

The purpose of the annual Actuarial Valuation Report as of June 30, 2022 is to determine the actuarial funding status of the Plan on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2023-2024. The prior review was conducted as of June 30, 2021 and included recommended contribution rates for the Fiscal Year 2022-2023.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost and expected administrative expenses) plus a contribution to amortize the Unfunded Actuarial Liability (UAL). Effective with the June 30, 2013 valuation, the remaining UAL was amortized over a closed 17-year period with level payments as a percentage of payroll. Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period, with a five-year ramp up and down of the amortization payment at the beginning and end of the amortization period and nine years of level payments as a percentage of payroll between the ramping periods.

The Actuarial Value of Assets is the Market Value of Assets for valuation purposes. These amortization and funding policies in conjunction are a type of policy known as direct rate smoothing. The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan.

We prepared the following schedules, which we understand will be used in the Actuarial Section of the ACFR, based on the June 30, 2022 actuarial valuation:

- Statement of Current Actuarial Assumptions and Methods
- Change in Unfunded Actuarial Liability (Actuarial Analysis of Financial Experience)
- Schedule of Funded Liabilities by Type
- Schedule of Funding Progress
- Summary of Plan Provisions

The following schedules are based on the June 30, 2023 actuarial valuation data:

- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Payroll

The assumptions used in this report reflect the results of an experience study performed by Cheiron covering the period from July 1, 2019 through June 30, 2022, and adopted by the Board on December 7, 2022. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis will cover the years through 2025.

This actuarial valuation report 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. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 27, 35, and 44.

GASB 67/68 Report as of June 30, 2023

The purpose of GASB 67/68 Report as of June 30, 2023 is to provide accounting and financial reporting information under GASB 67 for the Plan and under GASB 68 for the County of Santa Barbara and other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

For financial reporting purposes, the Total Pension Liability (TPL) at the end of the measurement year, June 30, 2023 is measured as of a valuation date of June 30, 2022 and projected to June 30, 2023. The update procedures included the addition of service cost, interest cost, and the liability increase as a result of the assumption changes offset by actual benefit payments.

The June 30, 2023 Total Pension Liability presented in the GASB 67/68 Report was based upon the same data, plan provisions, actuarial methods, and assumptions as were used in the actuarial valuation report as of June 30, 2022. Please refer to our GASB 67 report as of June 30, 2022 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the ACFR based on the June 30, 2023, GASB 67/68 Report:



- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to the Schedule of Employer Contribution

The GASB 67 report 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. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB, including the requirements of Statement 82.

GASB 82 prescribes additional guidance for the presentation of payroll-related measures in the Required Supplementary Information (RSI) Section, the treatment of deviations from the actuarial standards of practice when selecting actuarial assumptions, and the classification of member contributions (i.e., "pick-up" contributions) for reporting purposes. In addition, GASB 82 assists the Plan in providing information to the sponsors for their financial statement reporting. We have confirmed that the GASB 67/68 report complies with the requirements of GASB 82.

OPEB Actuarial Valuation Report as of June 30, 2022

The purpose of the annual OPEB Actuarial Valuation Report as of June 30, 2022 is to present the actuarial valuation of the Santa Barbara County Employees' Retirement System's Other Post-Employment Benefits.

The Actuarial Value of Assets on hand to pay future benefits is subtracted from the Actuarial Accrued Liability, producing the Unfunded Actuarial Accrued Liability (UAAL). Previously, an annual required cost was determined for each employer based on the amortization of the UAAL, plus the normal cost. Beginning with the June 30, 2017 valuation an annual required cost is no longer computed; instead, we have calculated a "tread water" amount for each employer, which represents the level of contributions needed to prevent the unfunded liability from increasing from one valuation date to the next if all assumptions are met. This metric is the sum of the normal cost plus one year of interest on the unfunded liability.

We prepared the following schedules, which we understand will be used in the Actuarial Section of the ACFR, based on the June 30, 2022 actuarial valuation. All historical information prior to the June 30, 2013 actuarial valuation shown in these schedules is based on information reported by Milliman, who served as the actuary prior to 2013:

- Change in Unfunded Actuarial Liability (Actuarial Analysis of Financial Experience)
- Member Benefit Coverage Information (formerly referred to as the Solvency Test)



The demographic assumptions used in this report reflect the results of an experience study performed by Cheiron covering the period from July 1, 2019 through June 30, 2022, and adopted by the Board on December 7, 2022. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis will cover the years through 2025.

This actuarial valuation report 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. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 6, 27, 35, and 44.

GASB 74/75 Report as of June 30, 2023

The purpose of GASB 74/75 Report as of June 30, 2023, is to provide accounting and financial reporting information under GASB 74 for the Plan and under GASB 75 for the County of Santa Barbara and other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

The Total OPEB Liability (TOL) at the end of the measurement year is measured as of the valuation date, June 30, 2022, and projected to the measurement date, June 30, 2023. Because the TOL shown in the prior report was measured as of June 30, 2021 and projected to June 30, 2022, it will not match the amounts measured as of June 30, 2022. In addition, the amounts as of June 30, 2023 are measured using different assumptions, including discount rates.

The June 30, 2023 Total OPEB Liability presented in the GASB 74/75 Report was based upon the same data, plan provisions, actuarial methods, and assumptions as were used in the OPEB Actuarial Valuation Report as of June 30, 2022. Please refer to our GASB 74 report as of June 30, 2023 for additional information related to the financial reporting of the System.

The GASB 74 report 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. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

In preparing our reports, we relied on information (some oral and some written) supplied by the Santa Barbara Employees' Retirement System. 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 No. 23.



Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

Cheiron's reports were prepared for the Plan for the purposes described herein and for the use by the plan auditor and participating employers' auditors in completing an audit related to the matters herein. Other users of these reports are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other uses.

As credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in the reports referenced within this letter. Neither this letter nor the reports referenced herein address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully submitted,
Cheiron



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SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

Recommended by the actuary and adopted by the Board of Retirement (the Board), the actuarial assumptions used to determine the liabilities are based on the results of the June 30, 2022 Experience Study covering the period from July 1, 2016 through June 30, 2019. The Board adopted the new assumptions on January 22, 2020 for use beginning with the June 30, 2019 actuarial valuation. The total pension liability at June 30, 2023 was determined by completing a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2022, using the actuarial assumptions from that valuation applied to all prior periods included in the measurement in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67).

ACTUARIAL COST METHOD

Santa Barbara County Employees' Retirement System (SBCERS or the System) uses the entry age normal actuarial cost method, with the total normal cost based on the sum of the normal costs for each individual active member (adopted November 20, 2013). The Unfunded Actuarial Liability (UAL), if any, is amortized as a level percentage of the projected salaries of present and future members of SBCERS over specified fixed periods of time. Level percentage of projected salaries was chosen over level dollar as the amortization base because the former more appropriately reflects the revenue stream for participating employers. The Board adopted a layered 19-year amortization period with direct rate smoothing which remains in effect for June 30, 2023. The UAL for periods prior to June 30, 2014 is being amortized as a single layer and funded over a "closed" 17-year period with 10 remaining amortization years as of the June 30, 2020 actuarial valuation. The exception is that the additional UAL attributable to the creation of Safety Plan 6 which is being amortized over a closed 17-year period, with 8 years remaining for the June 30, 2020 actuarial valuation. The annual UAL amortization amount is determined by an amortization factor multiplied by employed member payroll, or amortization base, for that year. The amortization factors for each layer will increase each year during the phase-in period, remain constant during the level period, and decrease during the phase-out period. Because SBCERS has chosen to amortize the UAL as a percentage of pay, the amortization base will also change when the discount rate or salary assumptions are changed. Because the salary scale changed from the prior valuation due, the amortization base has changed from the previous valuation.

ACTUARIAL ASSET VALUATION METHOD

Effective with the June 30, 2014 valuation, the assets are valued at fair value. Prior to the June 30, 2014 valuation, assets were valued using a five-year smoothing method based on the difference between expected and actual fair value of assets.

AMORTIZATION OF GAINS AND LOSSES

Actuarial gains and losses reflected in the current UAL are amortized over a closed seventeen-year period effective June 30, 2013 (adopted November 20, 2013). Effective with the June 30, 2014 valuation any new sources of UAL due to actuarial gains and losses, assumption changes or method changes is amortized over a closed 19-year period, with five year ramp up period at the beginning of the period, a four year ramp down at the end of the period and 10 years of level payments as a percentage of payroll. This method is a type of direct rate smoothing.

INVESTMENT RATE OF RETURN

Future investment earnings are assumed to accrue at an annual rate of 7.00%, compounded annually, exclusive of investment, but not administrative, expenses. The investment rate of return of 7.00% is comprised of 2.75% for Consumer Price Index (CPI) and 4.25% real investment return.

ADMINISTRATIVE EXPENSES

Beginning with the June 30, 2013 actuarial valuation, the cost of expected administrative expenses are reflected directly in the employer and employee contribution rates, rather than being implicitly allocated based on a discount rate net of administrative expenses. As of the June 30, 2020 actuarial valuation, a load of 3.30% has been applied to the employee contribution rates and 3.30% to the employer rates, based on an assumed administrative expense amount of \$6.4 million for the current plan year.

PROJECTED SALARY INCREASES

Rates of annual salary increases (adopted January 22, 2020) assumed for the purpose of the valuation are:

- Variable percentage annually for merit, longevity based on service (duration), and employment classification (general/safety)
- 3.00% for wage inflation (2.75% for consumer price inflation and 0.25% for real wage inflation)

POST-RETIREMENT BENEFIT INCREASES

Cost-of-living benefit increases after retirement are assumed at the following rates per year per plan.

2.9%	General Plan 5, Safety Plans 4, 6, and 8 (PEPRA), APCD Plans 1 and 2 General Plan 8 (PEPRA) if employer did not implement General Plan 7 prior to January 1, 2013
2.0%	General Plan 7, APCD Plan 8 (PEPRA) General Plan 8 (PEPRA) if employer implemented General Plan 7 prior to January 1, 2013
0.0%	General Plan 2

- General Plan 7, General Plan 8 (PEPRA) and APCD Plan 8 (PEPRA) are limited to a maximum 2.0% cost-of-living adjustment.
- General Plan 2 is not eligible to receive these adjustments (adopted February 21, 2001).

MORTALITY RATE ASSUMPTIONS

Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using 80% of Projection Scale MP-2020, without adjustment.

Non-duty related mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using 80% of Projection Scale MP-2020, without adjustment.

Safety active members are also subject to the 2021 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational improvement projected from 2017 using 80% of Projection Scale MP-2020.

Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using 80% of Projection Scale MP-2020.

Mortality rates for Safety annuitants are based on the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using 80% of Projection Scale MP-2020.

Mortality rates for General disabled retirees are differentiated by type of disability retirement.

- a) General disabled retirees with duty disabilities are valued with mortality rates based on the 2021 CalPERS Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.
- b) General disabled retirees with non-duty disabilities are valued with mortality rates based on the 2021 CalPERS Non-Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.
- c) Mortality rates for General active members assumed to become disabled are valued using the previously stated assumptions that 60% of General disabilities are service related (e.g., duty or industrial). The mortality rates used for this group are a blend of 60% of the table described in (a) above and 40% of the table described in (b) above, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.

Mortality rates for Safety disabled retirees are based on 2021 CalPERS Industrial Disabled Annuitant Mortality Table, with generational improvements projected from 2017 using 80% of Projection Scale MP-2020.

PROBABILITY OF SEPARATION FROM ACTIVE SERVICE

The following tables indicate the probability of separation from active service for each of six separate sources of termination:

- 1. **Service Retirement:** Member retires after satisfaction of requirements of age and/or service for reasons other than disability.
- 2. **Duty Disability:** Member receives disability retirement; disability is employment related.
- 3. **Ordinary Disability:** Member receives disability retirement; disability is not employment related.
- 4. **Ordinary Death:** Member dies prior to eligibility for retirement, death is not employment related.
- 5. **Service Death:** Member dies in service as a result of injury or disease arising out of and in the course of employment.
- 6. **Other Terminations:** Member terminates and requests a refund of member contributions and/or terminates and leaves the contributions on deposit (vested terminations).

The probability shown for each cause of termination represents the probability that a given member will terminate at a particular age for the indicated reason. For example, if the probability of retirement age 50 is 3%, then we are assuming that 3% of eligible members at age 50 will retire during the next year.

The age at which a vested terminated member is assumed to commence the payment of retirement benefits is as follows:

AGE ASSUMPTION FOR COMMENCEMENT OF RETIREMENT BENEFIT PAYMENTS

Assumptions effective June 30, 2022

<i>Plan</i>	<i>Deferred Vested</i>	<i>Reciprocal</i>
	<i>Age</i>	<i>Age</i>
General Plan 2	60	60
General Plans 5,7 & 8	58	62
Safety Plans 4 & 8	55	55
Safety Plan 6	50	55
APCD	58	62

RATE OF SEPARATION FROM ACTIVE SERVICE – GENERAL PLANS

Assumptions effective June 30, 2022

<i>Age</i>	<i>Service Retirement</i>	<i>Service Retirement</i>	<i>Service Retirement</i>	<i>Service Retirement</i>	<i>Service Retirement</i>	<i>Years of</i>	
	<i>Svc < 20 Yrs</i>	<i>20 <= Svc < 30</i>	<i>Svc >= 30 Yrs</i>	<i>PEPRA Svc < 25</i>	<i>PEPRA Svc >= 25</i>	<i>Service</i>	<i>Termination</i>
20	0.0%	0.0%	0.0%	0.0%	0.0%	5	7.00%
30	0.0%	0.0%	0.0%	0.0%	0.0%	10	4.50%
40	0.0%	0.0%	0.0%	0.0%	0.0%	15	2.75%
50	2.0%	2.0%	10.0%	0.0%	0.0%	20	1.50%
60	7.0%	10.0%	15.0%	5.0%	10.0%	25	1.50%
70	26.0%	33.0%	40.0%	20.0%	30.0%	30+	0.00%
75	100.0%	100.0%	100.0%	100.0%	100.0%		

RATE OF SEPARATION FROM ACTIVE SERVICE – SAFETY PLANS

Assumptions effective June 30, 2022

<i>Age</i>	<i>Safety Plan 4 + Plan 8 (PEPRA)</i>			<i>Safety Plan 6</i>			<i>Years of</i>	
	<i>Service Retirement</i>	<i>Service Retirement</i>	<i>Service Retirement</i>	<i>Service Retirement</i>	<i>Service Retirement</i>	<i>Service Retirement</i>		
	<i>Svc < 20 Yrs</i>	<i>20 <= Svc < 30</i>	<i>Svc >= 30 Yrs</i>	<i>Svc < 20 Yrs</i>	<i>20 <= Svc < 30</i>	<i>Svc >= 30 Yrs</i>	<i>Service</i>	<i>Termination</i>
20	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5	3.8%
30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10	2.0%
40	0.0%	2.5%	3.0%	0.0%	3.0%	3.0%	15	1.3%
50	3.0%	2.5%	5.0%	10.0%	25.0%	50.0%	20+	0.0%
60	10.0%	30.0%	40.0%	15.0%	25.0%	35.0%		
65	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

RATE OF SEPARATION FROM ACTIVE SERVICE – DISABILITY RELATED

Assumptions effective June 30, 2022

<i>General Plans</i>			<i>Safety Plans</i>	
<i>Age</i>	<i>Males</i>	<i>Females</i>	<i>Age</i>	<i>Males & Females</i>
20	0.007%	0.004%	20	0.042%
30	0.017%	0.033%	30	0.249%
40	0.091%	0.119%	40	0.513%
50	0.154%	0.193%	50	0.919%
60	0.124%	0.094%	60	1.740%
70	0.097%	0.054%	65	2.624%
80	0.097%	0.035%	80	7.621%

Service Related Disability

All disabilities for members with less than five years of service are assumed to be service-related. 100% of Safety and 60% of General disabilities where the member has five or more years of service are assumed to be service-related.

SALARY INCREASE ASSUMPTIONS

Assumptions effective June 30, 2022

Wage Inflation 3.00%

<i>Years of Service</i>	<i>Longevity and Promotion Increase</i>		<i>Total Annual Increase</i>	
	<i>General</i>	<i>Safety</i>	<i>General</i>	<i>Safety</i>
0	4.75%	7.25%	7.89%	10.47%
1	4.00%	5.00%	7.12%	8.15%
2	3.25%	5.00%	5.35%	8.15%
3	2.75%	3.25%	5.83%	6.35%
4	2.25%	2.50%	5.32%	5.58%
5	1.75%	2.00%	4.80%	5.06%
6	1.50%	1.60%	4.55%	4.65%
7	1.25%	1.30%	4.29%	4.34%
8	1.20%	1.20%	4.24%	4.24%
9	1.10%	1.10%	4.13%	4.13%
10	1.00%	1.00%	4.03%	4.03%
11	0.90%	1.00%	3.93%	4.03%
12	0.80%	1.00%	3.82%	4.03%
13	0.70%	1.00%	3.72%	4.03%
14	0.60%	1.00%	3.62%	4.03%
15	0.55%	1.00%	3.57%	4.03%
16	0.50%	1.00%	3.52%	4.03%
17	0.48%	1.00%	3.49%	4.03%
18	0.46%	1.00%	3.47%	4.03%
19	0.44%	1.00%	3.45%	4.03%
20	0.42%	1.00%	3.43%	4.03%
21	0.40%	1.00%	3.41%	4.03%
22	0.38%	1.00%	3.39%	4.03%
23	0.38%	1.00%	3.39%	4.03%
24	0.38%	1.00%	3.39%	4.03%
25	0.38%	1.00%	3.39%	4.03%
26	0.38%	1.00%	3.39%	4.03%
27	0.38%	1.00%	3.39%	4.03%
28	0.38%	1.00%	3.39%	4.03%
29	0.38%	1.00%	3.39%	4.03%
30+	0.38%	1.00%	3.39%	4.03%

REFUND OF CONTRIBUTIONS UPON TERMINATION OF EMPLOYMENT (WITHDRAWAL)

Assumptions effective June 30, 2022

Years of Service	General	Safety
0	100%	100%
5	15%	10%
10	15%	5%
15	5%	0%
20	5%	0%
25+	0%	0%

Reciprocal Transfers

30% of vested terminated General (except Plan 2) and 35% of vested terminated Safety Members that leave their member contributions on deposit with the plan are assumed to be active in reciprocal plans.

PENSION PLAN SCHEDULES

Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM THE ROLLS – PENSION

Fiscal Year	Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase in Allowance	Average Annual Allowance
	Member Count	Annual Allowance ¹	Member Count	Annual Allowance	Member Count	Annual Allowance		
2013	364 ²	\$ 8,811,248	-98	\$ 1,787,108	3,773	\$ 126,691,263	6.9%	\$ 33,578
2014	203	\$ 6,842,058	-79	\$ 2,112,523	3,897	\$ 132,766,493	4.8%	\$ 34,069
2015	241	\$ 9,044,486	-108	\$ 2,627,746	4,030	\$ 141,193,001	6.3%	\$ 35,035
2016	244	\$ 9,705,939	-103	\$ 2,534,190	4,171	\$ 149,683,889	6.0%	\$ 35,886
2017	314	\$ 13,124,187	-110	\$ 3,255,813	4,375	\$ 162,510,138	8.6%	\$ 37,146
2018	270	\$ 10,896,350	-126	\$ 3,280,607	4,519	\$ 174,765,068	7.5%	\$ 38,673
2019	294	\$ 12,466,673	-133	\$ 4,484,686	4,680	\$ 187,679,334	7.4%	\$ 40,102
2020	269	\$ 11,952,403	-105	\$ 3,671,844	4,844	\$ 201,478,012	7.4%	\$ 41,593
2021	208	\$ 8,791,425	-146	\$ 5,740,837	4,906	\$ 208,961,900	3.7%	\$ 42,593
2022	320	\$ 15,793,183	-151	\$ 5,131,256	5,075	\$ 225,793,228	8.1%	\$ 44,491

¹ Annual allowance added during the year does not include cost-of-living adjustments (COLAs) granted in year to continuing retirees and beneficiaries.

² Includes 119 members with benefits in more than one plan.

SCHEDULE OF FUNDED LIABILITIES BY TYPE – PENSION

Dollars in thousands

Valuation Date	Actuarial Accrued Liabilities (AAL) for				Reported Assets ¹	Portion of Accrued Liabilities Covered by Reported Assets		
	(A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Remaining Active Members	Total AAL		(A)	(B)	(C)
6/30/2013	\$ 171,614	\$ 1,747,430	\$ 1,049,090	\$ 2,968,134	\$ 2,150,006	100%	100%	22%
6/30/2014	\$ 174,958	\$ 1,822,654	\$ 1,100,403	\$ 3,098,015	\$ 2,513,630	100%	100%	47%
6/30/2015	\$ 178,233	\$ 1,926,975	\$ 1,125,926	\$ 3,231,134	\$ 2,532,529	100%	100%	38%
6/30/2016	\$ 183,954	\$ 2,142,873	\$ 1,244,920	\$ 3,571,747	\$ 2,554,539	100%	100%	18%
6/30/2017	\$ 187,084	\$ 2,295,926	\$ 1,219,287	\$ 3,702,297	\$ 2,801,307	100%	100%	26%
6/30/2018 ²	\$ 203,168	\$ 2,463,993	\$ 1,220,966	\$ 3,888,127	\$ 3,002,019	100%	100%	27%
6/30/2019	\$ 217,070	\$ 2,610,235	\$ 1,253,333	\$ 4,080,638	\$ 3,198,134	100%	100%	30%
6/30/2020	\$ 230,743	\$ 2,774,353	\$ 1,292,632	\$ 4,297,728	\$ 3,193,932	100%	100%	15%
6/30/2021	\$ 254,026	\$ 2,875,477	\$ 1,331,489	\$ 4,460,992	\$ 3,990,899	100%	100%	65%
6/30/2022	\$ 271,862	\$ 3,164,672	\$ 1,277,226	\$ 4,713,760	\$ 3,896,843	100%	100%	36%

¹ Actuarial Value of Assets. As of June 30, 2014, the Actuarial Value of Assets is the Market Value of Assets.

² AAL at 6/30/2018 does not tie to other schedules due to rounding in this display.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE – PENSION

Dollars in millions

As of June 30	2022	2021	2020	2019	2018
Prior Valuation					
Unfunded Actuarial Accrued Liability	\$ 470.1	\$ 1,103.8	\$ 882.5	\$ 886.1	\$ 901.0
Expected Change from Prior Year	(69.3)	(30.6)	(32.8)	(21.7)	(15.8)
Actuarial (Gains) or Losses During the Year					
<i>Asset Return (Greater) or Less than Expected</i>	349.1	(600.0)	19.1	(15.7)	(28.0)
<i>New Entrants</i>	-	-	198.1	2.4	1.7
<i>Salary Increases Greater or (Less) than Expected</i>	2.5	(1.9)	2.8	9.3	0.9
<i>Changes in Assumptions and Methodology</i>	76.5	-	1.9	(7.5)	-
<i>All Other (Including Demographic Experience)</i>	(12.0)	(1.2)	32.2	29.6	26.3
Total Changes	346.8	(633.7)	221.3	(3.6)	(14.9)
Values as of Valuation Date	\$ 816.9	\$ 470.1	\$ 1,103.8	\$ 882.5	\$ 886.1

As of June 30	2017	2016	2015	2014	2013
Prior Valuation					
Unfunded Actuarial Accrued Liability	\$ 1,017.3	\$ 698.6	\$ 584.4	\$ 818.1	\$ 827.7
Expected Change from Prior Year	(2.9)	(15.0)	(23.2)	(6.4)	(7.1)
Actuarial (Gains) or Losses During the Year					
<i>Asset Return (Greater) or Less than Expected</i>	(86.2)	156.7	167.7	(71.7)	62.7
<i>New Entrants</i>	3.3	3.1	2.8	2.5	7.8
<i>Salary Increases Greater or (Less) than Expected</i>	(7.5)	(19.1)	(14.0)	(16.4)	(45.0)
<i>Changes in Assumptions and Methodology</i>	(29.7)	215.8	-	(132.3)	(26.0)
<i>All Other (Including Demographic Experience)</i>	6.7	(22.8)	(19.1)	(9.4)	(2.0)
Total Changes	(116.3)	318.7	114.2	(233.7)	(9.6)
Values as of Valuation Date	\$ 901.0	\$ 1,017.3	\$ 698.6	\$ 584.4	\$ 818.1

SCHEDULE OF FUNDING PROGRESS – PENSION

Dollars in thousands

Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL	Funded Ratio	Covered Payroll	Unfunded AL as a Percent of Covered Payroll
6/30/2013	\$ 2,150,006	\$ 2,968,134	\$ 818,128	72.4%	\$ 316,177	258.8%
6/30/2014 ¹	\$ 2,513,630	\$ 3,098,014	\$ 584,384	81.1%	\$ 323,831	180.5%
6/30/2015	\$ 2,532,529	\$ 3,231,134	\$ 698,605	78.4%	\$ 336,982	207.3%
6/30/2016	\$ 2,554,539	\$ 3,356,333	\$ 801,794	76.1%	\$ 346,975	231.1%
6/30/2017	\$ 2,801,307	\$ 3,702,297	\$ 900,990	75.7%	\$ 351,829	256.1%
6/30/2018	\$ 3,002,019	\$ 3,888,126	\$ 886,107	77.2%	\$ 353,016	251.0%
6/30/2019	\$ 3,198,134	\$ 4,080,369	\$ 882,505	78.4%	\$ 370,936	237.9%
6/30/2020	\$ 3,193,932	\$ 4,297,728	\$ 1,103,796	74.3%	\$ 386,137	285.9%
6/30/2021	\$ 3,990,899	\$ 4,460,991	\$ 470,092	89.5%	\$ 397,040	118.4%
6/30/2022	\$ 3,896,843	\$ 4,713,760	\$ 816,917	82.7%	\$ 403,732	202.3%

¹ Actuarial Value of Assets. As of June 30, 2014, the Actuarial Value of Assets is the Market Value of Assets.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) SCHEDULES

OPEB schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

ACTIVE MEMBER DATA – OPEB

Dollars in thousands

	2012	2014	2016	2017	2018	2019	2020	2021	2022	2021 to 2022 % Change
<i>Active Employees</i> ¹										
Member Count	4,063	3,707	3,346	3,112	2,893	2,705	2,496	2,341	2,119	-9.48%
Average Age	45.8	46.8	47.4	47.6	48.0	48.3	48.9	49.5	49.9	0.81%
Average Service	12.0	13.8	14.9	15.3	16.0	16.6	17.4	18.1	18.7	3.31%
Total Payroll	\$ 302,379	\$ 282,963	\$ 269,245	\$ 257,918	\$ 247,675	\$ 240,389	234,497	\$ 223,714	\$ 214,403	-4.16%
<i>Terminated Vested</i>										
Count	878	890	926	923	943	906	877	891	868	-2.58%
Average Age	48.1	48.5	48.9	48.8	48.8	47.1	49.2	49.5	49.9	0.81%
<i>Inactive</i>										
Retired Count	2,767	3,246	3,247	3,399	3,508	3,639	3,785	3,775	3,890	3.05%
Average Age	69.1	69.2	69.9	69.9	70.1	70.2	70.5	70.8	70.9	0.14%
Disabled Count	238	240	240	250	263	266	276	278	278	0.00%
Average Age	65.3	65.5	66.8	66.5	65.9	66.7	66.3	66.7	67.0	0.45%
Surviving Spouses Count	358	408	489	512	526	553	598	548	565	3.10%
Average Age	74.8	74.6	72.5	72.8	73.0	76.7	73.4	74.2	74.7	0.67%
Total Count of Inactive	3,363	3,894	3,976	4,161	4,297	4,458	4,659	4,601	4,733	2.87%

¹ 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.

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM THE ROLLS – OPEB

Fiscal Year	Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase in Allowance	Average Annual Allowance
	Member Count	Annual Allowance	Member Count	Annual Allowance ¹	Member Count	Annual Allowance		
2014	839	\$ 1,480,371	-308	\$ 1,001,823	3,894	\$ 8,655,921	5.9%	\$ 2,223
2016	466	\$ 1,006,795	-384	\$ 786,756	3,976	\$ 8,875,960	2.5%	\$ 2,232
2017	302	\$ 737,532	-117	\$ 598,607	4,161	\$ 9,014,885	1.6%	\$ 2,167
2018	244	\$ 462,278	-108	\$ 357,501	4,297	\$ 9,120,663	1.2%	\$ 2,123
2019	282	\$ 546,913	-121	\$ 518,229	4,458	\$ 9,149,346	0.3%	\$ 2,052
2020	294	\$ 531,451	-93	\$ 471,382	4,659	\$ 9,209,415	0.7%	\$ 1,977
2021	208	\$ 407,932	-266	\$ 404,938	4,601	\$ 9,212,409	0.0%	\$ 2,002
2022	283	\$ 623,998	-151	\$ 467,139	4,773	\$ 9,369,268	1.7%	\$ 1,980

¹ Includes net reductions in benefits from current retirees converting from \$15 subsidy to \$4 cash supplement.

Prior to June 30, 2016, valuations were performed biennially; values prior to 2014 were calculated by the prior actuary.

Additional years will be added as they become available.

MEMBER BENEFIT COVERAGE INFORMATION – OPEB

Dollars in thousands

Valuation Date	Actuarial Accrued Liabilities (AAL) for					Reported Assets ¹	Portion of Accrued Liabilities Covered by Reported Assets		
	(A)	(B)	(C)	Total AAL	(A)		(B)	(C)	
	Active Member Contributions	Retirees and Beneficiaries	Remaining Active Members						
6/30/2012 ²	N/A	\$ 119,488	\$ 70,691	\$ 190,179	\$ 3,035	N/A	3%	0%	
6/30/2014	N/A	\$ 121,241	\$ 71,964	\$ 193,205	\$ 4,070	N/A	3%	0%	
6/30/2016	N/A	\$ 104,178	\$ 51,299	\$ 155,477	\$ 8,031	N/A	8%	0%	
6/30/2017	N/A	\$ 100,893	\$ 45,959	\$ 146,852	\$ 13,988	N/A	14%	0%	
6/30/2018	N/A	\$ 99,980	\$ 43,213	\$ 143,193	\$ 19,055	N/A	19%	0%	
6/30/2019	N/A	\$ 98,628	\$ 40,800	\$ 139,428	\$ 25,853	N/A	26%	0%	
6/30/2020	N/A	\$ 98,881	\$ 39,974	\$ 138,855	\$ 33,027	N/A	33%	0%	
6/30/2021	N/A	\$ 98,981	\$ 39,700	\$ 138,681	\$ 46,542	N/A	47%	0%	
6/30/2022	N/A	\$ 98,690	\$ 32,390	\$ 131,080	\$ 46,775	N/A	47%	0%	

¹ Actuarial Value of Assets. As of June 30, 2014, the Actuarial Value of Assets is the Market Value of Assets.

² Information from June 30, 2012 was provided by prior actuaries.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE – OPEB

Dollars in millions

As of June 30	2022	2021	2020	2019	2018
Prior Valuation					
Unfunded Actuarial Liability	\$ 92.1	\$ 105.8	\$ 113.6	\$ 124.1	\$ 132.9
Expected Change from Prior Year	(8.2)	(6.7)	(5.5)	(3.9)	(3.3)
Actuarial (Gains) or Losses During the Year					
Asset Return (Greater) or Less than Expected	8.6	(6.2)	(0.1)	(0.4)	0.1
Shortfall in Contribution vs. Annual Required Contribution (ARC)	0.3	0.3	0.1	(0.2)	0.7
Changes in Assumptions and Methodology	(6.5)	-	0.7	(2.7)	(3.8)
All Other (Including Demographic Experience)	(2.0)	(1.2)	(3.0)	(3.3)	(2.5)
Total Changes	(7.8)	(13.8)	(7.8)	(10.5)	(8.8)
Values as of Valuation Date	\$ 84.3	\$ 92.0	\$ 105.8	\$ 113.6	\$ 124.1
As of June 30	2017¹	2016	2014	2013²	2012²
Prior Valuation					
Unfunded Actuarial Liability	\$ 134.3	\$ 189.1	\$ 187.1	\$ -	\$ -
Expected Change from Prior Year	(3.2)	(39.6)	(25.7)	-	-
Actuarial (Gains) or Losses During the Year					
Asset Return (Greater) or Less than Expected	0.1	0.5	0.6	-	-
Shortfall in Contribution vs. Annual Required Contribution (ARC)	0.2	44.9	34.8	-	-
Changes in Assumptions and Methodology	4.9	(39.2)	(10.7)	-	-
All Other (Including Demographic Experience)	(3.4)	(8.2)	3.0	-	-
Total Changes	(1.4)	(41.6)	2.0	-	-
Values as of Valuation Date	\$ 132.9	\$ 147.5	\$ 189.1	\$ -	\$ -

¹ 2017 beginning of year UAL does not match the end of year UAL from 2016. At the June 30, 2017 valuation, the June 30, 2016 results were recalculated using a 7.00% discount rate because the blended discount rate used during the June 30, 2016 valuation is not valid under GASB 74/75.

² Data is not available for 2013 and 2012.

SCHEDULE OF FUNDING PROGRESS – OPEB

As of June 30, 2022

<i>Group</i>	<i>Santa Barbara County</i>	<i>Carpinteria- Summerland- FPD</i>	<i>Santa Maria Cemetery</i>	<i>Goleta Cemetery</i>	<i>SB County Assoc of Govts</i>
Actuarial Value of Assets (a)	\$ 42,916,895	\$ -	\$ (317)	\$ -	\$ -
Actuarial Accrued Liabilities (b)	\$ 118,880,115	\$ 2,632,410	\$ 303,720	\$ 97,099	\$ 366,578
Unfunded Actuarial Liabilities (UAL) ¹ [b-a]	\$ 75,963,220	\$ 2,632,410	\$ 304,037	\$ 97,099	\$ 366,578
Funded Ratio (a/b)	36.10%	0.00%	-0.10%	0.00%	0.00%
Annual Covered Payroll ² (c)	\$ 193,137,973	\$ 3,704,764	\$ 124,683	\$ 262,493	\$ 966,879
(UAL) as Percentage of Covered Payroll [(b-a)/c]	39.33%	71.05%	243.85%	36.99%	37.91%

<i>Group</i>	<i>Summerland Sanitary</i>	<i>Carpinteria Cemetery</i>	<i>Air Pollution Control District</i>	<i>Courts</i>	<i>Total</i>
Actuarial Value of Assets (a)	\$ -	\$ -	\$ 2,236,886	\$ 1,621,047	\$ 46,774,511
Actuarial Accrued Liabilities (b)	\$ 140,822	\$ 58,237	\$ 1,424,202	\$ 7,177,217	\$ 131,080,400
Unfunded Actuarial Liabilities (UAL) ¹ [b-a]	\$ 140,822	\$ 58,237	\$ (812,684)	\$ 5,556,170	\$ 84,305,889
Funded Ratio (a/b)	0.00%	0.00%	157.06%	22.59%	35.68%
Annual Covered Payroll ² (c)	\$ 176,119	\$ 148,740	\$ 1,365,215	\$ 12,427,402	\$ 212,314,268
(UAL) as Percentage of Covered Payroll [(b-a)/c]	79.96%	39.15%	-59.53%	44.71%	39.71%

¹ Numbers may not sum to total due to rounding.

² Projected Payroll shown is that for those covered under the OPEB plan.

SUMMARY OF MAJOR PENSION PLAN PROVISIONS

ELIGIBILITY

The County of Santa Barbara (the County) has established several defined benefit tiers based primarily on a member’s date of entry into SBCERS. There are two types of SBCERS members:

Safety members: employees whose principal duty is active law enforcement or active fire suppression. Membership in a particular tier depends upon date of entry to the System and bargaining unit.

General members: all non-Safety members who are otherwise eligible for System membership. A member’s tier depends primarily upon date of entry into the System.

APCD Plan 1:	Air Pollution Control District (APCD) employees hired on or before July 3, 1995*
APCD Plan 2:	APCD employees hired after July 3, 1995*
General Plan 2:	Employees hired on or before January 11, 1999 and who elected to join General Plan 2
Safety Plan 4A & General Plan 5A:	General employees hired before October 10, 1994 who did not elect to join General Plan 2, and Safety employees hired before October 10, 1994*
Safety Plan 4B & General Plan 5B:	Employees hired on or after October 10, 1994*
General Plan 5C:	Members in certain bargaining units hired on or after October 10, 1994, and those in bargaining units transferred from Plan 5B on March 10, 2008*
General Plan 7:	County General employees hired on or after June 25, 2012* APCD adopted Plan 7 immediately before adopting Plan 8; no APCD members are active in this plan
General Plan 8:	General (including APCD) new members hired on or after January 1, 2013 (PEPRA)
Safety Plan 4C:	Members in certain bargaining units who were hired on or after October 10, 1994 and those in bargaining units transferred from Plan 4B on July 3, 2006*
Safety Plan 6A:	Members in certain bargaining units hired prior to October 10, 1994, and those in bargaining units transferred from Plan 4A on February 25, 2008*
Safety Plan 6B:	Members in certain bargaining units hired after October 10, 1994, and those in bargaining units transferred from Plan 4D on February 25, 2008*
Safety Plan 8:	New safety members hired on or after January 1, 2013 (PEPRA)

* Plan closed to new members hired on or after January 1, 2013, unless such members are prior members of these plans or qualify as reciprocal members from other retirement systems.

FINAL COMPENSATION

- Monthly average of highest 12 consecutive months of compensation earnable for General Plans 5A and 5B, Safety Plans 4A, 4B, 6A, and APCD Plans 1 and 2.
- Monthly average of highest 36 consecutive months of compensation earnable for General Plans 5C and 7, Safety Plans 4C and 6B, part-time members in all plans, and Plan 8 (PEPRA) members. Compensation for Plan 8 members excludes certain pay elements, such as terminal payouts, and is limited to 100% or 120% of 2013 Social Security Taxable Wage Base, indexed in future years by CPI-U, based on whether the member is covered under Social Security.
- Monthly average of highest 36 non-consecutive months of compensation for General Plan 2.

SERVICE RETIREMENT

Normal Retirement Age

- Age 59 for General Plan 2 (Government Code Section §31486.4)
- Age 59 for General Plan 5 (§31676.12)
- Age 59 for General Plan 7 (§31676.1)
- Age 59 for General Plan 8 (§7522.20)
- Age 59 for APCD Plans (§31676.15)
- Age 55 for Safety Plan 4 (§31664.2)
- Age 50 for Safety Plan 6 (§31664.1)
- Age 55 for Safety Plan 8 (§7522.25)

Early Retirement

- Age 50, 5 years of service, and 10 years elapsed since membership for General Plans 5 and 7, APCD Plans, and Safety Plans
 - Age 55, 10 years of service, and 10 years elapsed since membership for General Plan 2
 - Age 52 and 5 years of service for General and APCD Plan 8 (PEPRA)
 - Age 50 and 5 years of service for Safety Plan 8 (PEPRA)
- OR:
- 30 years of service for General Plans 5 and 7 and APCD Plans (other than Plan 8)
 - 20 years of service for Safety Plans (other than Plan 8)
 - Age 70 regardless of service for General Plans 5 and 7, and APCD Plans

Benefit at Normal Retirement Age

- 2% of final average salary per year of service times age factor for General Plan 5 and APCD Plans (§31676.12 and §31676.15, respectively).
- 1/60 of final average salary per year of service times age factor for General Plan 7 (§31676.1).
- 2% of final average salary per year of service (maximum 35 years) plus 1% of final average salary per year of service in excess of 35 (maximum 10 years) reduced by 1/35 of Social Security benefit at age 65 per year of service (maximum 35 years) for General Plan 2 (§31486.4).
- 3% of final average salary per year of service times age factor for Safety Plans (§31664.2, §31664.1), excluding Plan 8.
- 1% of final average salary per year of service at age 52, increasing by 0.1% for each year of age to 2.5% at age 67 for General Plan 8 (PEPRA). In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age.
- 2% of final average salary per year of service at age 50, increasing by 0.1% for each year of age to 2.7% at age 57 for Safety Plan 8 (PEPRA). In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age.

Benefit adjustments

Reduced for retirement before:

- Age 65 for §31486.4 (General Plan 2)
- Age 57 for §31676.12 (General Plan 5)
- Age 55 for §31664.2 (Safety Plan 4)
- Age 50 for §31664.1 (Safety Plan 6)
- Age 55 for §31676.15 (APCD Plans)
- Age 67 for General Plan 8 (PEPRA)
- Age 57 for Safety Plan 8 (PEPRA)

Reductions for §31486.4 are actuarial equivalents.

Increased for retirement after:

- Age 57 for §31676.12 (General Plan 5)
- Age 55 for §31676.15 (APCD Plans)

DISABILITY RETIREMENT

- Non-service connected for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8, and APCD Plans
 - 1.8% of final average salary per year of service (1.5% for General Plan 8, APCD Plans, and General Plan 7), with maximum of 33 $\frac{1}{3}$ % if projected service is used (age 62 for General Plans 5 and 7, age 55 for Safety Plans 4 and 6, and age 65 for Plan 8 / PEPRA and all APCD Plans) or
 - Service retirement benefit (if eligible).
 - APCD members receive a monthly supplemental allowance of \$300.
- Service connected for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans
 - Greater of 50% of final average salary or service retirement benefit (if eligible).
 - APCD members receive a monthly supplemental allowance of \$300.
- General Plan 2 purchases long-term insurance policy.
 - 60% of salary provided outside of the Plan.
 - Payments are reduced by other disability income benefits.
 - Service retirement at age 65 (credit given toward service retirement while disabled under the Long-Term Disability (LTD) Plan).

DEATH BEFORE RETIREMENT

- Non-service connected before eligible to retire for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
 - Refund of contributions plus 1/12 of last year's salary per year of service up to six years.
- Eligible for non-service connected disability or service retirement for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
 - 60% of member's accrued allowance.
- Service connected for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
 - 50% of salary or service retirement benefit (if eligible).
- Benefit for General Plan 2.
 - 1/12 of final year's salary per year of service up to six years.

DEATH AFTER RETIREMENT

- \$5,000 lump sum death benefit for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8, and APCD Plans.
- Service retirement or non-service connected disability.

- 60% of member's allowance payable to an eligible spouse for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
- 50% of member's allowance payable to an eligible spouse for General Plan 2.
- Service connected disability
 - 100% of member's allowance payable to an eligible spouse for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
 - 50% of member's allowance payable to an eligible spouse for General Plan 2.

VESTING

- Must leave contributions on deposit.
- Five years of service for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
- Ten years of service for General Plan 2.

MEMBER'S CONTRIBUTIONS

- Based on entry age (except Plan 8 / PEPRA – General and Safety).
- Half rates for General Plans 5A, 5C and 7, Safety Plans 4A, 4C, 6A and 6B, and APCD Plan 1.
- Full rates for General Plan 5B, Safety Plan 4B, and APCD Plan 2.
- Half of total normal cost for All Plan 8 / PEPRA (General and Safety) members, with covered compensation limited to 100% or 120% of 2013 Taxable Wage Base (indexed based on CPI-U).
- General Plan 2 is noncontributory.

MAXIMUM BENEFIT

- 100% of final average salary for General Plans 5 and 7, Safety Plans 4 and 6, and APCD Plans.
- No maximum for Plan 8 / PEPRA, other than limits on compensation specified in final average compensation provisions.
- Benefit and Social Security combined cannot exceed 70% of final average salary if service is less than 35 years, otherwise 80% for General Plan 2.

COST-OF-LIVING

- Up to 3% cost-of-living adjustment for General Plan 5, Safety Plans 4, 6, and 8 (PEPRA), and APCD Plans 1 and 2.
- Limited to a maximum 2% cost-of-living adjustment for General Plan 7 and any General Plan 8 members where the employer had adopted General Plan 7 for new hires.
- None for General Plan 2.

INTRODUCTION TO THE STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the annual comprehensive financial report. The objective of this section is to provide historical perspective, context, and detail to assist in utilizing the basic financial statements, notes to the financial statements, and required supplementary information to understand and assess Santa Barbara County Employees' Retirement System's (SBCERS or the System) economic condition. The following schedules reflect financial trend and operating information.

- The ***Schedule of Additions to Pension and OPEB Plans by Source*** reflects the various sources of income to the System net of investment fees.
- The ***Schedule of Deductions from Pension and OPEB Plans by Type*** reflects the major expenses of the System. The major expenses include benefits paid, refunds and administrative expenses.
- The ***Schedule of Benefit Expenses of Pension and OPEB Plans by Type*** reflects a breakdown of the types of benefits paid. These expenses cover benefits paid by pension plan grouping type, death benefits and Other Postemployment Benefits (OPEB).
- The ***Schedule of Participating Employers*** represents the System's participating employers and their active members covered by the plan.
- The ***Schedule of Employer Contribution Rates*** lists a schedule of retirement plans for which benefits are being paid and the employer contribution rates associated with each of those plans by their respective employer.
- The ***Schedule of Average Benefit Payments*** present the average monthly benefit, average annual benefit and number of active retirees, organized by increments of credited years of service.
- The ***Changes in Fiduciary Net Position*** contains the financial trend information of the Pension Plan.
- The ***Changes in Fiduciary Net Position – OPEB*** contains the financial trend information of the OPEB Plan.

SCHEDULE OF ADDITIONS TO PENSION AND OPEB PLANS BY SOURCE

Dollars in thousands

Fiscal Year	Member Contributions	Employer Contributions	Gross			Total
			Return on Investments	Investment Expenses	Other Income	
2014	14,514	128,127	335,038	(5,906)	544	472,317
2015	16,622	133,033	27,657	(6,899)	690	171,103
2016	18,312	134,446	39,485	(7,639)	1,528	186,132
2017	20,320	136,251	272,549	(8,123)	646	421,643
2018	22,533	144,493	231,919	(7,849)	660	391,756
2019	26,605	147,739	238,523	(11,956)	612	401,523
2020	31,618	155,973	39,278	(12,676)	580	214,773
2021	35,520	164,761	845,899	(15,352)	600	1,031,428
2022	36,564	176,517	(51,528)	(24,936)	689	137,306
2023	38,522	172,652	302,979	(20,416)	679	494,416

SCHEDULE OF DEDUCTIONS FROM PENSION AND OPEB PLANS BY TYPE

Dollars in thousands

Fiscal Year	Benefits Paid	Member Withdrawals	Administrative Expenses	Total
2014	138,899	813	4,607	144,319
2015	145,508	967	4,817	151,292
2016	154,528	946	5,599	161,073
2017	162,170	1,044	6,110	169,324
2018	177,417	1,374	6,780	185,571
2019	189,689	1,728	7,193	198,610
2020	203,060	1,837	7,095	211,992
2021	213,331	1,578	5,919	220,828
2022	222,496	2,079	6,638	231,213
2023	238,672	2,563	6,912	248,147

SCHEDULE OF BENEFIT EXPENSES BY TYPE – PENSION

Dollars in thousands

Fiscal Year	Benefits Paid General	Benefits Paid Safety	Benefits Paid APCD	Death Benefits	Death Refunds ¹	Separation Refunds	Total
2014	73,087	55,050	1,739	412	-	812	131,100
2015	76,809	57,520	2,052	423	-	967	137,771
2016	81,832	61,167	2,324	388	-	946	146,657
2017	84,062	66,382	2,397	344	-	1,044	154,229
2018	94,694	70,792	2,401	490	-	1,374	169,751
2019	102,727	74,790	2,518	493	-	1,728	182,256
2020	113,539	77,022	2,709	351	189	1,837	195,647
2021	119,421	81,152	3,015	453	40	1,578	205,659
2022	123,992	85,575	3,127	417	126	2,079	215,316
2023	133,609	91,870	3,391	257	265	2,563	231,956

¹ Death Refunds and Death Benefits are included in the Benefits Paid presented in the Statement of Changes in Financial Net Position. This detail was added in 2020. Additional years will be provided as they are available.

SCHEDULE OF BENEFIT EXPENSES BY TYPE – OPEB

Dollars in thousands

Fiscal Year	Heath Insurance	Health	Total
	Subsidy Paid	Reimbursement Cash Paid	
2014	7,609	1,002	8,611
2015	7,607	1,096	8,703
2016	7,591	1,225	8,816
2017	7,598	1,387	8,985
2018	7,595	1,445	9,040
2019	7,469	1,692	9,161
2020	7,412	1,838	9,250
2021	7,300	1,950	9,250
2022	7,196	2,063	9,259
2023	7,064	2,215	9,279

SCHEDULE OF PARTICIPATING EMPLOYERS – PENSION

For the fiscal years ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>County of Santa Barbara:</i>					
General Members	3,153	3,059	3,065	3,060	3,018
Safety Members	910	895	930	933	913
Total	4,063	3,954	3,995	3,993	3,931
<i>Santa Barbara County Superior Court:</i>					
General Members	213	212	211	217	220
Total	213	212	211	217	220
<i>Participating Special Districts:</i>					
Santa Barbara County Air Pollution Control District	33	33	34	33	35
Carpinteria Cemetery District	2	2	2	2	2
Carpinteria-Summerland Fire Protection District	34	35	36	34	37
Goleta Cemetery District	4	4	4	4	4
LAFCO	2	1	1	-	-
Oak Hill Cemetery District	3	3	3	3	3
Santa Barbara County Association of Governments	18	18	19	19	19
Mosquito & Vector Management District of Santa Barbara County	6	6	6	6	6
Santa Maria Cemetery District	7	6	6	7	7
Summerland Sanitary District	4	5	4	4	5
Total	113	113	115	112	118
Total Active Members	4,389	4,279	4,321	4,322	4,269
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>County of Santa Barbara:</i>					
General Members	2,939	3,047	3,119	3,038	2,904
Safety Members	899	920	888	902	886
Total	3,838	3,967	4,007	3,940	3,790
<i>Santa Barbara County Superior Court:</i>					
General Members	220	216	222	217	266
Total	220	216	222	217	266
<i>Participating Special Districts:</i>					
Santa Barbara County Air Pollution Control District	34	38	41	42	43
Carpinteria Cemetery District	2	2	2	2	2
Carpinteria-Summerland Fire Protection District	36	32	33	34	33
Goleta Cemetery District	4	4	4	4	4
LAFCO	-	-	-	-	-
Oak Hill Cemetery District	3	3	3	3	3
Santa Barbara County Association of Governments	16	19	19	19	18
Mosquito & Vector Management District of Santa Barbara County	6	7	7	7	7
Santa Maria Cemetery District	7	7	6	6	7
Summerland Sanitary District	5	4	4	4	4
Total	113	116	119	121	121
Total Active Members	4,171	4,299	4,348	4,278	4,177

Data is for Pension Plan only.

SCHEDULE OF PARTICIPATING EMPLOYERS – OPEB

For the fiscal years ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
County of Santa Barbara	1,727	1,906	2,104	2,239	2,415
Carpinteria-Summerland Fire Protection District	28	28	30	31	35
Santa Maria Cemetery District	2	2	3	3	7
Goleta Cemetery District	3	3	3	4	4
Santa Barbara County Association of Governments	6	7	10	11	11
Summerland Sanitary District	1	2	2	2	3
Carpinteria Cemetery District	2	2	2	2	2
Santa Barbara County Air Pollution Control District	9	11	13	14	18
Santa Barbara County Superior Court	144	158	174	190	210
Total Active Membership	<u>1,922</u>	<u>2,119</u>	<u>2,341</u>	<u>2,496</u>	<u>2,705</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2014</u>	<u>2012</u>
County of Santa Barbara	2,583	2,808	3,029	3,383	3,689
Carpinteria-Summerland Fire Protection District	36	32	33	33	34
Santa Maria Cemetery District	7	7	6	7	9
Goleta Cemetery District	4	4	4	4	4
Santa Barbara County Association of Governments	16	17	18	18	18
Summerland Sanitary District	5	4	4	4	4
Carpinteria Cemetery District	2	2	2	2	2
Santa Barbara County Air Pollution Control District	20	22	28	38	46
Santa Barbara County Superior Court	220	216	222	218	257
Total Active Membership	<u>2,893</u>	<u>3,112</u>	<u>3,346</u>	<u>3,707</u>	<u>4,063</u>

SCHEDULE OF EMPLOYER CONTRIBUTION RATES – PENSION

Effective July 2022

	<i>Plan</i>	<i>APCD</i>	<i>SB County</i>	<i>SB Courts</i>	<i>Special Districts</i>
General	APCD 1	48.72%			
	APCD 2	46.97%			
	APCD 7	39.22%			
	APCD 8	40.76%			
General	Plan 2		26.59%	26.59%	
	Plan 5A		37.55%	37.55%	37.55%
	Plan 5B		37.52%	37.52%	
	Plan 5C		39.27%		
	Plan 7		39.22%		39.22%
	Plan 8-2		31.36%		31.36%
	Plan 8-3 ¹			32.47%	32.47%
Safety	Plan 4A		58.38%		58.38%
	Plan 4B		63.51%		63.51%
	Plan 4C		57.06%		
	Plan 6A		66.41%		
	Plan 6B		65.37%		
	Plan 8		45.94%		45.94%

¹ *If General Plan 7 was not adopted by the employer, Plan 8 with a 3.0% cost-of-living adjustment (COLA) was implemented. This affects Santa Barbara County Superior Court and the following Special Districts: Carpinteria Cemetery District, Oak Hill Cemetery District, Summerland Sanitary District, Santa Maria Cemetery District, and Santa Barbara County Association of Governments (SBCAG).*

SCHEDULE OF AVERAGE BENEFIT PAYMENTS – PENSION

	<u>0-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>
<i>By Years in Pay Status</i>						
June 30, 2014						
Average Monthly Benefit	\$ 3,121	\$ 2,838	\$ 2,552	\$ 2,402	\$ 2,222	\$ 1,716
Average Annual Benefit	\$ 37,452	\$ 34,056	\$ 30,624	\$ 28,824	\$ 26,664	\$ 20,592
Number of Active Retirees	2,097	731	423	247	175	224
June 30, 2015						
Average Monthly Benefit	\$ 3,173	\$ 3,040	\$ 2,632	\$ 2,354	\$ 2,387	\$ 1,779
Average Annual Benefit	\$ 38,076	\$ 36,480	\$ 31,584	\$ 28,248	\$ 28,644	\$ 21,348
Number of Active Retirees	2,128	766	473	273	172	218
June 30, 2016						
Average Monthly Benefit	\$ 3,270	\$ 3,079	\$ 2,633	\$ 2,441	\$ 2,421	\$ 1,850
Average Annual Benefit	\$ 39,240	\$ 36,948	\$ 31,596	\$ 29,292	\$ 29,052	\$ 22,200
Number of Active Retirees	2,170	832	496	271	185	217
June 30, 2017						
Average Monthly Benefit	\$ 3,383	\$ 3,117	\$ 2,804	\$ 2,503	\$ 2,488	\$ 1,978
Average Annual Benefit	\$ 40,596	\$ 37,404	\$ 33,648	\$ 30,036	\$ 29,856	\$ 23,736
Number of Active Retirees	2,298	833	574	259	197	214
June 30, 2018						
Average Monthly Benefit	\$ 3,461	\$ 3,265	\$ 3,154	\$ 2,549	\$ 2,697	\$ 2,106
Average Annual Benefit	\$ 41,532	\$ 39,180	\$ 37,848	\$ 30,588	\$ 32,364	\$ 25,272
Number of Active Retirees	2,313	871	619	299	205	212
June 30, 2019						
Average Monthly Benefit	\$ 3,566	\$ 3,448	\$ 3,198	\$ 2,919	\$ 2,566	\$ 2,261
Average Annual Benefit	\$ 42,792	\$ 41,376	\$ 38,376	\$ 35,028	\$ 30,792	\$ 27,132
Number of Active Retirees	2,365	912	632	360	195	216
June 30, 2020						
Average Monthly Benefit	\$ 3,625	\$ 3,753	\$ 3,392	\$ 3,059	\$ 2,592	\$ 2,356
Average Annual Benefit	\$ 43,500	\$ 45,036	\$ 40,704	\$ 36,708	\$ 31,104	\$ 28,272
Number of Active Retirees	2,331	993	671	408	213	228
<i>By Years of Service Credit</i>						
June 30, 2021						
Average Monthly Benefit	\$ 1,168	\$ 2,005	\$ 2,979	\$ 4,020	\$ 5,683	\$ 7,929
Average Annual Benefit	\$ 14,012	\$ 24,060	\$ 35,748	\$ 48,240	\$ 68,196	\$ 95,148
Number of Active Retirees	1,193	1,019	731	653	540	770
June 30, 2022						
Average Monthly Benefit	\$ 1,206	\$ 2,086	\$ 3,112	\$ 4,222	\$ 5,906	\$ 8,170
Average Annual Benefit	\$ 14,467	\$ 25,032	\$ 37,344	\$ 50,664	\$ 70,872	\$ 98,040
Number of Active Retirees	1,234	1,027	758	681	566	809
June 30, 2023						
Average Monthly Benefit	\$ 1,241	\$ 2,171	\$ 3,228	\$ 4,389	\$ 6,146	\$ 8,355
Average Annual Benefit	\$ 14,893	\$ 26,052	\$ 38,736	\$ 52,668	\$ 73,752	\$ 100,260
Number of Active Retirees	1,276	1,026	771	718	591	849

CHANGES IN FIDUCIARY NET POSITION – PENSION

Dollars in thousands

As of June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Additions					
Employer Contributions	\$ 157,307	\$ 161,388	\$ 150,093	\$ 141,585	\$ 133,708
Member Contributions	38,522	36,564	35,520	31,618	26,605
Net Investment Income	277,245	(70,912)	822,345	24,364	224,280
Net Securities Income	356	167	179	202	358
Net Miscellaneous Income	183	215	184	199	204
Total Additions	<u>473,613</u>	<u>127,422</u>	<u>1,008,321</u>	<u>197,968</u>	<u>385,155</u>
Deductions					
Benefits Paid	229,393	213,237	204,081	193,810	180,528
Member Withdrawals	2,563	2,079	1,578	1,837	1,728
Administrative Expenses	6,410	6,162	5,695	6,523	6,784
Total Deductions	<u>238,366</u>	<u>221,478</u>	<u>211,354</u>	<u>202,170</u>	<u>189,040</u>
Changes in Fiduciary Net Position	<u>\$ 235,247</u>	<u>\$ (94,056)</u>	<u>\$ 796,967</u>	<u>\$ (4,202)</u>	<u>\$ 196,115</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Additions					
Employer Contributions	\$ 131,374	\$ 121,991	\$ 122,748	\$ 123,612	\$ 119,228
Member Contributions	22,533	20,320	18,312	16,622	14,514
Net Investment Income	222,677	263,412	31,441	20,383	328,512
Net Securities Income	405	334	240	181	120
Net Miscellaneous Income	233	265	1,119	277	220
Total Additions	<u>377,222</u>	<u>406,322</u>	<u>173,860</u>	<u>161,075</u>	<u>462,594</u>
Deductions					
Benefits Paid	168,377	153,185	145,711	136,804	130,288
Member Withdrawals	1,374	1,044	946	967	812
Administrative Expenses	6,351	5,733	5,193	4,404	4,289
Total Deductions	<u>176,102</u>	<u>159,962</u>	<u>151,850</u>	<u>142,175</u>	<u>135,389</u>
Changes in Fiduciary Net Position	<u>\$ 201,120</u>	<u>\$ 246,360</u>	<u>\$ 22,010</u>	<u>\$ 18,900</u>	<u>\$ 327,205</u>

CHANGES IN FIDUCIARY NET POSITION – OPEB

Dollars in thousands

As of June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Additions					
Employer Contributions	\$ 15,345	\$ 15,129	\$ 14,668	\$ 14,388	\$ 14,031
Net Investment Income	4,962	(5,719)	8,023	2,036	1,929
Misc. Income	496	474	416	381	408
Total Additions	<u>20,803</u>	<u>9,884</u>	<u>23,107</u>	<u>16,805</u>	<u>16,368</u>
Deductions					
Benefits Paid	9,279	9,259	9,250	9,250	9,161
Administrative Expenses	502	476	224	572	409
Total Deductions	<u>9,781</u>	<u>9,735</u>	<u>9,474</u>	<u>9,822</u>	<u>9,570</u>
Changes in Fiduciary Net Position	<u>\$ 11,022</u>	<u>\$ 149</u>	<u>\$ 13,633</u>	<u>\$ 6,983</u>	<u>\$ 6,798</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Additions					
Employer Contributions	\$ 13,119	\$ 14,260	\$ 11,698	\$ 9,421	\$ 8,899
Net Investment Income	988	679	167	194	500
Misc. Income	428	380	408	413	323
Total Additions	<u>14,535</u>	<u>15,319</u>	<u>12,273</u>	<u>10,028</u>	<u>9,722</u>
Deductions					
Benefits Paid	9,040	8,985	8,816	8,704	8,611
Administrative Expenses	429	376	408	413	319
Total Deductions	<u>9,469</u>	<u>9,361</u>	<u>9,224</u>	<u>9,117</u>	<u>8,930</u>
Changes in Fiduciary Net Position	<u>\$ 5,066</u>	<u>\$ 5,958</u>	<u>\$ 3,049</u>	<u>\$ 911</u>	<u>\$ 792</u>

GLOSSARY

ACCUMULATED PLAN BENEFITS: Benefits attributable under the provisions of a pension plan to employees for services rendered to the benefit information date.

ACTUARIAL ASSUMPTIONS: Assumptions used in the actuarial valuation process as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement; changes in compensation and national pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods and other relevant items.

ACCRUAL BASIS OF ACCOUNTING: The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACTUARIAL LIABILITY: The portion, as determined by a particular cost method, of the total present value of benefits that is attributable to past service credit.

ACTUARIAL GAIN (LOSS): A measure of the difference between actual and expected experience based upon a set of actuarial assumptions. Examples include a higher return on fund assets than anticipated (gain) and higher than expected salary increases (loss).

ACTUARIAL PRESENT VALUE: The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

AMORTIZATION: (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual report of a government. It includes (a) the four combined financial statements in the combined statements - overview and their related notes (the "lift-able" General Purpose Financial Statements) and (b) combining statements by fund type and individual fund and account group financial statements prepared in conformity with GAAP and organized into a financial reporting pyramid. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material and a detailed statistical section. Every government reporting entity should prepare an ACFR.

AUDITOR'S REPORT: In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with accounting principles generally accepted in the United States of America (GAAP) or other comprehensive basis of accounting.

ENTRY AGE 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 on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial liability.

MEASUREMENT DATE: The date as of which an asset or liability has been rolled forward to based on that asset or liability's calculated value as of a valuation date.

NORMAL COST: The ongoing annual cost allocated to the System by a particular actuarial cost method for providing benefits (future cost). Normal cost payments are made during the working lifetime of the member.

OTHER POSTEMPLOYMENT BENEFITS (OPEB): Postemployment benefits that an employee will begin to receive at the start of retirement which do not include pension benefits paid. These Other Postemployment Benefits can include life insurance premiums, health care premiums and deferred-compensation agreements.

PENSION CONTRIBUTION: The amount paid into a pension plan by an employer (or employee), pursuant to the terms of the plan, state law, actuarial calculations or some other basis for determinations.

PENSION TRUST FUND: A trust fund used to account for a public employees' retirement system. Pension trust funds, like nonexpendable trust funds, use the accrual basis of accounting and have a capital maintenance focus.

TREAD WATER INDICATOR (TWI): Measures the minimum annual contribution required in order to prevent the net pension liability (NPL) or net OPEB liability (NOL) from growing under reported assumptions.

UNFUNDED ACTUARIAL LIABILITY (UAL): The excess of the actuarial liability over the actuarial value of assets.

UAL AMORTIZATION PAYMENT: The portion of the pension plan contribution, which is designed to pay off (amortize) the unfunded actuarial liability in a systematic fashion. Equivalently, it is a series of periodic payments required to pay off a debt.

VALUATION DATE: Date as of which the actuarial valuation is performed.

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