

# SBCERS

Santa Barbara County Employees' Retirement System

---

**DATE:** February 26, 2025

**TO:** SBCERS Board of Retirement

**FROM:** Rico Pardo, Controller

**RE:** **Santa Barbara Superior Court – Other Post-Employment Benefits (OPEB) Funding Policy**

---

## **Recommendation**

That the Board receive and file the Santa Barbara Superior Court – Other Post-Employment Benefits (OPEB) Funding Policy.

## **Summary**

SBCERS administers the OPEB Plan (“the plan”), on behalf of the County of Santa Barbara, that provides health care benefits for retired members and their eligible dependents. The plan is an agent multiple-employer plan that’s funded by nine participating employers, which includes the Santa Barbara Superior Court, and is administered in accordance with §401(h) of the Internal Revenue Code. An agent multiple-employer plan is a type of pension plan in which the assets of the participating government employers are pooled for investment purposes, but separate accounts are maintained for each individual employer. Each participating employer’s share of the pooled assets is legally available to pay the defined benefit pensions of only its retirees.

The plan 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. The plan was closed to new entrants on December 31, 2018. The assets of the plan are invested separately from pension assets and the activity is reported separately from the pension fund activity.

Plan contributions are made by participating employers, generally, on a pay-as-you-go basis. Pay-as-you-go is defined as the minimum amount of contributions made to cover existing administrative expenses as well as benefit payments. A few exceptions to pay-as-you-go are the County, the predominant plan participant, and the Air Pollution Control District who have adopted funding policies that prefund the plan at different levels. The Santa Barbara Superior Court is also considered an exception due to a one-time prefunding of \$1.3 million during the fiscal year ended June 30, 2017.

Recently, the Santa Barbara Superior Court had proposed to pay 50% of their pay-as-you-go costs and draw down on their prefund dollars in the plan to cover the other 50% of the pay-as-you-go costs through the fiscal year ended 6/30/2026 in order to help mitigate a State budget shortfall. As of 7/31/2024, the Santa Barbara Superior Court has stopped funding pay-as-you-go in anticipation of a formal implementation of their funding policy. SBCERS has requested a finalized copy of the funding policy and has provided it as an attachment here.

### **Fiscal Impact**

The Santa Barbara Superior Court has forgone pay-as-you-go contributions totaling \$239,730 for the months of August 2024 through January 2025. As of June 30, 2024, Courts has accumulated \$2,056,790 in assets set aside for the payment of health benefits in the 401(h) plan, the shortfall of contributions to benefit payments will be reduced from Courts' assets at the end of the year during the actuarial valuation process.

### **Attachments**

- Santa Barbara Superior Court – OPEB Funding Policy