

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

## **Other Post-Employment Benefits Actuarial Valuation as of June 30, 2022**

**Produced by Cheiron**

**January 2023**

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***Via Electronic Mail***

January 18, 2023

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

***Re: Santa Barbara County Employees' Retirement System - Other Post-Employment Benefits Valuation***

Dear Members of the Board,

At your request, we have conducted an actuarial valuation for the Santa Barbara County Employees' Retirement System (SBCERS, the System, the Fund, the Plan) to complete its Other Post-Employment Benefits (OPEB) actuarial valuation as of June 30, 2022. The following report contains our findings, as well as disclosures for the Plan's Annual Comprehensive Financial Report (ACFR).

The purpose of this report is to present the annual actuarial valuation of the Other Post-Employment Benefits of the Santa Barbara County Employees' Retirement System. This report is for the use of the Board and individual employers in setting amounts for the employers to contribute to the Plan. There is a separate report for accounting and financial reporting under GASB Statements 74 and 75.

Appendix A describes the member data, assumptions and methods used in calculating the figures throughout the report. In preparing our report, we relied on information (some oral and some written) supplied by SBCERS. 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.

Appendix B contains a summary of the substantive plan provisions based on documentation provided by and discussions with the SBCERS staff.

Future results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Cheiron utilizes ProVal, an actuarial valuation application leased from Winklevoss Technologies (WinTech), to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this report.

The results of this valuation reflect only the financial condition of the Plan as of the valuation date. We recommend reviewing forecasts of the Plan's financial condition under alternative scenarios. Such forecasts, however, are beyond the scope of this assignment.

This 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. Furthermore, as credentialed actuaries, collectively, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This valuation report was prepared exclusively for SBCERS for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this valuation report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,  
Cheiron



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



Heather Fantz, FSA, EA, MAAA  
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Michael W. Schionning, FSA, MAAA  
Principal Consulting Actuary

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION I – SUMMARY OF RESULTS**

Cheiron has performed the actuarial valuation of the Santa Barbara County Employees' Retirement System's Other Post-Employment Benefits. The primary purpose of the actuarial valuation and this report is to measure, describe, and identify the following as of the valuation date:

- The funded status of the System and of each Employer individually,
- The contribution necessary to maintain the current funded level of the System and of each Employer individually, and
- Past trends in funding progress.

We have determined costs, liabilities, and trends for the substantive Plan using actuarial assumptions and methods that we consider reasonable.

***Implicit Subsidy***

GASB 75 requires that the valuation of OPEB plans take into consideration the liability associated with the implicit subsidy that exists when the premium rates charged to active and retired employees are the same, or "blended". This provides the users of SBCERS's financial statement an estimate of the total value of the promised retiree benefit.

The employer's share of the current coverage costs for active and retired employees is typically calculated based on the claim costs or age-adjusted premiums for the employer. However, for this plan the benefit is a fixed payment per year of service that is currently lower than the premiums paid for coverage for all but a handful of individuals, and is expected to remain so into the future, so no age-related costs are required to be developed.

It is our opinion that Actuarial Standard of Practice 6 (ASOP 6) requires the recognition of the age-related costs and any implicit subsidy that may exist in the SBCERS health benefit plan offered by the Santa Barbara County Employees' Retirement System. However, we believe that any implicit subsidy that may exist is limited to the dental and vision benefits and is immaterial to the valuation results for the following reasons:

- Retirees and active employees are covered by separate medical and prescription drug plans and are thus rated separately for purposes of determining premium rates.
- The flat dollar nature of the benefit, which is not expected to increase and is expected to remain less than the cost of retiree premiums.
- While the premiums for Dental and Vision benefits are developed by combining the active and retired participants, these benefits are relatively small, and the expected claims are impacted by participant age much less than for medical and prescription drug benefits.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION I – SUMMARY OF RESULTS**

***Valuation Results***

The table below presents the key results of the June 30, 2022 and June 30, 2021 valuations on an aggregate basis. The Tread Water Indicator (TWI) gives the level of contributions needed to prevent the unfunded liability from increasing from one valuation date to the next. This metric is the sum of the benefits earned during the year (the normal cost) and one year of interest on the unfunded liability. Beginning with the June 30, 2019 valuation, the TWI also includes the expected administrative expenses for the current year. If contributions are greater than or equal to the TWI, then, so long as all actuarial assumptions are met during the year, the unfunded liability should not grow between valuation dates.

<b>Table I-1 Summary of Key Valuation Results</b>		
<b>Valuation Date</b>	<b>6/30/2022</b>	<b>6/30/2021</b>
<b>Discount Rate (per annum)</b>	<b>Varies<sup>1</sup></b>	<b>Varies<sup>1</sup></b>
<b>Actuarial Liability</b>		
- Active Employees	\$ 32,390,450	\$ 39,699,878
- Terminated Vested Participants	5,891,767	6,954,902
- Retirees, Disableds, and Beneficiaries	<u>92,798,183</u>	<u>92,026,078</u>
- Total	131,080,400	138,680,858
Assets	\$ 46,774,507	\$ 46,542,111
Unfunded Actuarial Liability (UAL)	<b>84,305,893</b>	<b>92,138,747</b>
Funding Ratio	35.7%	33.6%
Interest on UAL to End of Year	\$ 5,776,880	\$ 6,227,662
Expected Administrative Expenses <sup>2</sup>	490,729	\$ 427,462
Normal Cost with Interest to End of Year	<u>1,233,455</u>	<u>1,531,002</u>
Tread Water Indicator	7,501,064	8,186,126
Normal Cost % of Pay <sup>3</sup>	0.56%	0.69%
<b>Tread Water Indicator as % of pay<sup>3</sup></b>	<b>3.42%</b>	<b>3.91%</b>
<i>Expected/</i> Actual Funding Policy Contribution Amount	\$ 16,168,806	\$ 15,603,259

<sup>1</sup>The discount rate used varies by employer with SB County, Courts, and APCD valued at 7.00%, and all other employers valued at 3.54% as of 6/30/2022 and 2.16% as of 6/30/2021.

<sup>2</sup> Beginning with the 6/30/2019 valuation an amount for expected administrative expenses has been included the Tread Water Indicator (TWI), based on the prior year expenses increased by expected inflation.

<sup>3</sup> Expressed as a percentage of pay for members eligible for OPEB.

Table I-1, above, shows a decrease in the unfunded liability since the June 30, 2021 valuation. This decrease is mainly due to changes in assumptions and contributions higher than the TWI.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION I – SUMMARY OF RESULTS**

The table below shows the expected net benefit payments for the next 20 years for the current active and retired members. These payments do not include any projected new hires, nor do they include any expected administrative expenses.

Table I-2 Expected Net Benefit Payments										
Fiscal Year Ending June 30	Santa Barbara County	Carpinteria- Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
2023	\$ 8,880,270	\$ 156,431	\$ 17,317	\$ 5,059	\$ 7,128	\$ 6,258	\$ 2,237	\$ 116,820	\$ 484,781	\$ 9,676,299
2024	9,018,605	156,280	17,431	5,541	8,196	7,116	2,345	117,068	504,850	9,837,432
2025	9,156,680	156,290	17,561	5,964	9,295	7,787	2,511	117,545	523,436	9,997,069
2026	9,279,005	157,356	17,824	6,284	10,297	8,233	2,761	120,499	543,478	10,145,737
2027	9,410,882	157,767	18,243	6,491	13,732	8,521	3,037	121,020	557,969	10,297,662
2028	9,522,729	158,165	18,687	6,905	15,287	8,644	3,285	121,676	571,094	10,426,472
2029	9,611,562	158,521	19,009	6,898	16,667	8,683	3,523	120,945	581,358	10,527,167
2030	9,702,515	158,479	19,176	6,884	17,615	8,698	3,733	119,870	591,631	10,628,601
2031	9,771,371	158,301	19,220	6,875	18,325	8,697	3,838	118,284	603,196	10,708,108
2032	9,837,986	157,973	19,136	6,834	21,156	8,667	3,878	116,237	611,603	10,783,472
2033	9,878,332	156,703	18,976	6,725	21,615	8,633	3,889	113,954	618,709	10,827,537
2034	9,895,214	155,067	18,832	6,595	21,913	8,667	3,877	111,533	624,141	10,845,839
2035	9,880,204	153,200	18,552	6,452	22,202	8,786	3,847	108,776	623,594	10,825,613
2036	9,859,706	151,024	18,222	6,298	23,179	8,854	3,802	107,415	625,199	10,803,698
2037	9,815,968	148,141	17,903	6,130	23,669	8,802	3,746	106,706	624,081	10,755,145
2038	9,754,219	145,363	17,634	5,948	24,425	8,753	3,678	103,686	620,554	10,684,261
2039	9,661,573	142,623	17,234	5,830	25,348	8,673	3,609	101,293	611,802	10,577,985
2040	9,547,818	139,331	16,679	5,603	25,672	8,476	3,516	98,086	603,787	10,448,968
2041	9,413,234	136,124	16,077	5,567	25,774	8,215	3,416	95,078	597,575	10,301,059
2042	9,255,201	132,557	15,408	5,325	25,892	7,927	3,308	92,589	587,088	10,125,296

The remainder of this report provides additional detail.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION II – ASSETS**

Table II-1 below shows the changes in the market value of assets, for each employer and in aggregate, for the last year.

<b>Table II-1 Changes in Market Value of Assets by Employer, 2021 to 2022</b>					
	<b>Santa Barbara County</b>	<b>Carpinteria- Summerland- FPD</b>	<b>Santa Maria Cemetery</b>	<b>Goleta Cemetery</b>	<b>SB County Assoc of Govts</b>
<b>Market Value of Assets, June 30, 2021</b>	\$ 42,098,831	\$ 0	\$ (0)	\$ 0	\$ 0
Employer Contributions	14,376,778	148,969	17,029	4,186	2,480
Interest and Investment Income	(5,054,526)	0	0	0	0
Administrative Expenses	(439,132)	(5,714)	(955)	(383)	(527)
Benefit Payments	(8,504,189)	(148,969)	(17,029)	(4,186)	(2,480)
Admin. Expense Reimbursement	439,132	5,714	638	383	527
<b>Market Value of Assets, June 30, 2022</b>	<b>\$ 42,916,895</b>	<b>\$ 0</b>	<b>\$ (317)</b>	<b>\$ 0</b>	<b>\$ 0</b>
	<b>Summerland Sanitary</b>	<b>Carpinteria Cemetery</b>	<b>Air Pollution Control District</b>	<b>Courts</b>	<b>Total</b>
<b>Market Value of Assets, June 30, 2021</b>	\$ (0)	\$ (0)	\$ 2,587,079	\$ 1,856,205	\$ 46,542,111
Employer Contributions	5,800	2,179	112,000	459,882	15,129,304
Interest and Investment Income	0	0	(349,235)	(232,132)	(5,635,893)
Administrative Expenses	(271)	(171)	(7,432)	(21,850)	(476,435)
Benefit Payments	(5,800)	(2,179)	(112,958)	(460,745)	(9,258,534)
Admin. Expense Reimbursement	271	171	7,432	19,687	473,955
<b>Market Value of Assets, June 30, 2022</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,236,886</b>	<b>\$ 1,621,047</b>	<b>\$ 46,774,507</b>

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION III – MEASURES OF LIABILITY**

A valuable benchmark to follow is the Tread Water Indicator (TWI). The TWI gives the level of contributions needed to prevent the unfunded liability from increasing from one valuation date to the next. The TWI is thus particularly useful for Employers who are not currently funding their OPEB benefits, but who would like to know the cost of preventing their UAL from growing year over year. The TWI is the sum of the benefits earned during the year (the normal cost) and one year of interest on the unfunded liability. Beginning with the June 30, 2019 valuation, we have also included an amount for the expected administrative expenses charged to each employer, based on the prior year expenses increased by the Plan's wage inflation assumption (3.0%). If contributions are greater than or equal to the TWI, then, so long as all actuarial assumptions are met during the year, the unfunded liability should not grow between valuation dates. In addition, it is useful to analyze the funded percentage of the Plan as well as that of each Employer individually.

Group	Santa Barbara County	Carpinteria- Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
Single Equivalent Discount Rate	7.00%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%	7.00%	7.00%	Various
Fully Projected Liability	\$ 125,874,048	\$ 2,987,114	\$ 324,369	\$ 120,098	\$ 438,255	\$ 157,196	\$ 76,252	\$ 1,459,313	\$ 7,682,257	\$ 139,118,902
Actuarial Liability (AL)	\$ 118,880,115	\$ 2,632,410	\$ 303,720	\$ 97,099	\$ 366,578	\$ 140,822	\$ 58,237	\$ 1,424,202	\$ 7,177,217	\$ 131,080,400
Actuarial Value of Assets	<u>42,916,895</u>	<u>0</u>	<u>(317)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,236,886</u>	<u>1,621,047</u>	<u>46,774,507</u>
Unfunded Actuarial Liability (UAL)	75,963,220	2,632,410	304,037	97,099	366,578	140,822	58,237	(812,684)	5,556,170	84,305,893
Funded Percentage	36.1%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	157.1%	22.6%	35.7%
Interest on UAL	\$ 5,317,425	\$ 93,187	\$ 10,763	\$ 3,437	\$ 12,977	\$ 4,985	\$ 2,062	\$ (56,888)	\$ 388,932	\$ 5,776,880
Expected Administrative Expenses	452,306	5,885	984	395	543	280	176	7,655	22,505	490,729
Normal Cost at end of year	<u>1,087,581</u>	<u>38,875</u>	<u>2,668</u>	<u>3,585</u>	<u>9,287</u>	<u>2,803</u>	<u>2,031</u>	<u>5,062</u>	<u>81,563</u>	<u>1,233,455</u>
<b>Tread Water Indicator for Fiscal Year 2022-23</b>	<b>6,857,312</b>	<b>137,947</b>	<b>14,415</b>	<b>7,417</b>	<b>22,807</b>	<b>8,068</b>	<b>4,269</b>	<b>(44,171)</b>	<b>493,000</b>	<b>7,501,064</b>
<i>Projected Contribution for Fiscal Year 2022-23</i>	<i>\$ 15,458,827</i>	<i>\$ 162,316</i>	<i>\$ 18,301</i>	<i>\$ 5,454</i>	<i>\$ 7,671</i>	<i>\$ 6,538</i>	<i>\$ 2,413</i>	<i>\$ 0</i>	<i>\$ 507,286</i>	<i>\$ 16,168,806</i>

*Estimated figures shown in italics; numbers may not sum to totals due to rounding*

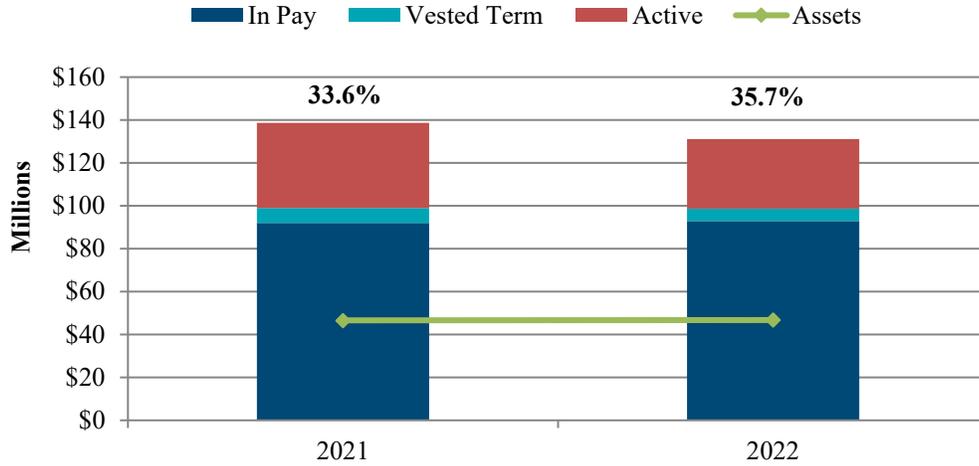
As shown in Table III-1 above, it is primarily those Employers actively funding their OPEB liabilities that are expected to meet the tread water level of contributions in the coming year. Santa Barbara County is one of the Employers prefunding their liabilities. Its projected contribution for FYE 2023 of \$15.5 million is greater than the tread water level of \$6.9 million. In addition, the County holds a large portion of the total liability for the Plan. As a result, the Plan's unfunded liability should decrease between valuation dates if all actuarial assumptions are met.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION III – MEASURES OF LIABILITY**

The following chart summarizes the funded status as of the June 30, 2021 and June 30, 2022 actuarial valuations. The stacked bars represent the Actuarial Liability broken into separate components for members currently receiving benefits, vested terminated members and active members. The green line shows the assets as of each valuation date, and the funded status is displayed above the bars.

**SBCERS OPEB Plan - Funded Status**



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION III – MEASURES OF LIABILITY**

Actuarial valuations are based on a set of assumptions about future economic and demographic experience. These assumptions represent a reasonable estimate of future experience, but actual future experience will undoubtedly be different and may vary significantly. Assumption change risk is the potential for the environment to change such that future valuation assumptions are different from the current assumptions.

Various factors influence the members' decision to take the \$15 subsidy benefit or the \$4 supplement benefit offered by the Plan. Changing premium costs within the Plan as well as the costs and availability of coverage outside the plans offered by SBCERS can affect these decisions. The current assumption is that, upon the retirement of currently active members, 40% will elect the \$15 subsidy benefit and the remainder will take the \$4 supplement benefit. Table III-2 below shows the actuarial liability and funded ratio under the current assumption as well as under assumptions that 5% more or fewer retiring active members (45% or 35% respectively) will elect the \$15 subsidy benefit.

<b>Table III-2</b>				
<b>Sensitivity of Actuarial Liability to Changes in the Assumption that</b>				
<b>Retiring Active Members will Elect the \$15 Subsidy Benefit</b>				
	<b>5%</b>	<b>\$15 Subsidy</b>	<b>5%</b>	
	<b>Decrease</b>	<b>Election Assumption</b>	<b>Increase</b>	
	<b>35%</b>	<b>40%</b>	<b>45%</b>	
Actuarial Liability	\$ 128,582,013	\$ 131,080,400	\$ 133,578,786	
Actuarial Value of Assets	<u>46,774,507</u>	<u>46,774,507</u>	<u>46,774,507</u>	
Unfunded Actuarially Liability	<u>\$ 81,807,506</u>	<u>\$ 84,305,893</u>	<u>\$ 86,804,279</u>	
Funded Ratio	36.4%	35.7%	35.0%	

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION IV – FINANCIAL REPORTING DISCLOSURES**

The Government Finance Officers Association (GFOA) maintains a checklist of items to be included in the Plan's Annual Comprehensive Financial Report (ACFR) in order to receive recognition for excellence in financial reporting. The schedules in this section are listed by the GFOA for inclusion in the Actuarial Section of the Plan's ACFR. All amounts prior to June 30, 2014, were calculated by the prior actuary.

Table IV-1 MEMBER BENEFIT COVERAGE INFORMATION (dollars in thousands)								
Valuation Date	(A)	(B)	(C)	Reported Assets	Portion of Actuarial Liabilities Covered by Reported Assets			
	Active Member Contributions	Retirees And Beneficiaries	Remaining Active Members' Liabilities		(A)	(B)	(C)	
June 30, 2022	N/A	\$ 98,690	\$ 32,390	\$ 46,775	N/A	47%	0%	
2021	N/A	98,981	39,700	46,542	N/A	47%	0%	
2020	N/A	98,881	39,974	33,027	N/A	33%	0%	
2019	N/A	98,628	40,800	25,853	N/A	26%	0%	
2018	N/A	99,980	43,213	19,055	N/A	19%	0%	
2017	N/A	100,893	45,959	13,988	N/A	14%	0%	
2016	N/A	104,178	51,299	8,031	N/A	8%	0%	
2014	N/A	121,241	71,964	4,070	N/A	3%	0%	
2012 <sup>1</sup>	N/A	119,488	70,691	3,035	N/A	3%	0%	

<sup>1</sup>June 30, 2012 numbers calculated by prior actuary

The table above was previously referred to as the Solvency Test by the GFOA. It should be noted, however, that it does not test the solvency of the Plan in the sense understood by financial economists in that a 100% ratio would mean that there were sufficient assets to settle the obligation on the valuation date. Instead, a 100% ratio only means that assets are expected to be sufficient if all assumptions are met in the future, including the expected rate of return on investments. We understand that the new GFOA checklist refers to the exhibit providing member benefit coverage information.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION IV – FINANCIAL REPORTING DISCLOSURES**

<b>Table IV-2</b> <b>ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE</b> (dollars in millions)	
Unfunded Actuarial Liability (UAL) as of June 30, 2021	\$ 92.1
Expected Change in UAL	(8.2)
Actuarial (Gains) or Losses During the Year	
Asset Return (Greater) or Less than Expected	\$ 8.6
Employer Contribution (Greater) or Less than Expected	0.3
Changes in Assumptions and Methodology	(6.5)
All Other (Including Demographic Experience)	(2.0)
Total Changes	\$ (7.8)
Unfunded Actuarial Liability (UAL) as of June 30, 2022	\$ 84.3

- *Changes in Actuarial Assumptions* includes:
  - The effect of changes to the discount rates for the Employers who are not prefunding benefits. There was no change in discount rate for Santa Barbara County, Courts, or the Air Pollution Control District. The discount rate used for all other Employers increased from 2.16% to 3.54%, based on the change in municipal bond yields.
  - The effect of changing the assumption of future post-Medicare retirees taking the \$15 benefit from 55% to 40%.
- *Other Changes* includes the effect of changes in the demographics of the covered members and any other change not captured in the above items. The main cause of the demographic gain was a change in the benefit election from the \$15 per month subsidy to the \$4 per month supplemental benefit for a number of current retirees.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION IV – FINANCIAL REPORTING DISCLOSURES**

*Schedule of Funding Progress*

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability has been determined assuming that the Plan is substantially closed as of December 31, 2018, and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Table IV-3 Schedule of Funding Progress as of June 30, 2022										
Group	Santa Barbara County	Carpinteria- Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
<b>Actuarial Value of Assets (a)</b>	\$ 42,916,895	\$ 0	\$ (317)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,236,886	\$ 1,621,047	\$ <b>46,774,507</b>
<b>Actuarial Liabilities (b)</b>	\$ 118,880,115	\$ 2,632,410	\$ 303,720	\$ 97,099	\$ 366,578	\$ 140,822	\$ 58,237	\$ 1,424,202	\$ 7,177,217	\$ <b>131,080,400</b>
<b>Unfunded Actuarial Liabilities (UAL)<sup>1</sup> [b-a]</b>	\$ 75,963,220	\$ 2,632,410	\$ 304,037	\$ 97,099	\$ 366,578	\$ 140,822	\$ 58,237	\$ (812,684)	\$ 5,556,170	\$ <b>84,305,889</b>
<b>Funded Ratio (a/b)</b>	36.10%	0.00%	-0.10%	0.00%	0.00%	0.00%	0.00%	157.06%	22.59%	<b>35.68%</b>
<b>Annual Covered Payroll<sup>2</sup> (c)</b>	\$ 193,137,973	\$ 3,704,764	\$ 124,683	\$ 262,493	\$ 966,879	\$ 176,119	\$ 148,740	\$ 1,365,215	\$ 12,427,402	\$ <b>212,314,268</b>
<b>(UAL) as Percentage of Covered Payroll [(b-a)/c]</b>	39.33%	71.05%	243.85%	36.99%	37.91%	79.96%	39.15%	-59.53%	44.71%	<b>39.71%</b>

<sup>1</sup>Numbers may not sum to total due to rounding.

<sup>2</sup>Projected Payroll shown is that for those covered under the OPEB plan.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION IV – FINANCIAL REPORTING DISCLOSURES**

Below is a schedule of funding progress for each of the last nine valuations in aggregate for the plan.

<p align="center"><b>Table IV-4 Schedule of Funding Progress (dollars in thousands)</b></p>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Liability (AL)</b>	<b>Unfunded AL</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded AL as a % of Covered Payroll</b>
June 30, 2022	\$ 46,775	\$ 131,080	\$ 84,306	35.7%	\$ 212,314	39.7%
June 30, 2021	46,542	138,681	92,139	33.6%	213,639	43.1%
June 30, 2020	33,027	138,855	105,828	23.8%	225,345	47.0%
June 30, 2019	25,853	139,428	113,575	18.5%	240,389	47.2%
June 30, 2018	19,055	143,194	124,138	13.3%	247,675	50.1%
June 30, 2017	13,988	146,852	132,864	9.5%	257,918	51.5%
June 30, 2016	8,031	155,477	147,446	5.2%	269,245	54.8%
June 30, 2014	4,070	193,205	189,135	2.1%	282,963	66.8%
June 30, 2012	3,035	190,179	187,145	1.6%	302,379	61.9%

*Values prior to 2014 were calculated by the prior actuary.*

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION IV – FINANCIAL REPORTING DISCLOSURES**

***History of Employer Contributions***

The history of employer contributions shows how the contributions made to the Plan have historically compared to the TWI. Beginning with the FYE 2020, the TWI includes an amount for expected administrative expenses.

<b>Table IV-5 Schedule of Employer Contributions</b>					
<b>Fiscal Year Ending</b>	<b>Tread Water Indicator (TWI)</b>	<b>Actual Contributions</b>	<b>Percentage of TWI Contributed</b>		
2023	\$ 7,501,064	\$ 16,168,806	215.6%		
2022	8,186,126	15,603,259	190.6%		
2021	9,187,661	15,082,814	164.2%		
2020	9,488,213	14,769,226	155.7%		
2019	10,406,659	14,439,080	138.7%		
2018	10,947,831	13,546,794	123.7%		
2017	11,565,144	14,639,554	126.6%		
2016	13,267,201	12,105,886	91.2%		
2015	12,975,477	9,436,450	72.7%		
2014	13,376,293	9,222,130	68.9%		

*Estimated figures shown in italics*

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**SECTION IV – FINANCIAL REPORTING DISCLOSURES**

<b>Table IV-6</b>								
<b>Schedule of Retirees &amp; Beneficiaries Added to and Removed from OPEB Benefit Rolls</b>								
<b>Valuation Date:</b>	<b>Added to rolls</b>		<b>Removed from rolls</b>		<b>Rolls at end of year</b>		<b>% Increase in Retiree Allowance</b>	<b>Average Annual Allowance</b>
	<b>June 30,</b>	<b>Number</b>	<b>Annual Allowance</b>	<b>Number</b>	<b>Annual Allowance<sup>1</sup></b>	<b>Number</b>		
2012						3,363	\$ 8,177,373	\$ 2,432
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	\$ 463,278	-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	4,733	\$ 9,369,268	1.7%	\$ 1,980

<sup>1</sup> 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.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022

SECTION IV – FINANCIAL REPORTING DISCLOSURES

We have also provided a *Note to Required Supplementary Information* for the financial statements.

Table IV-7 Note to Required Supplementary Information	
The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value
Actuarial Assumptions:	
Base Wage Growth Rate	3.00%
Discount Rate	7.00% for SB County, Courts, and APCD, 3.54% for all others
Ultimate Rate of Medical Inflation	N/A

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX A – MEMBER DATA**

**Member Data Comparisons**

	June 30, 2022	June 30, 2021	% Change
Active Employees <sup>1</sup>			
Count	2,119	2,341	(9.5%)
Average Age	49.9	49.5	0.7%
Average Service	18.7	18.1	3.5%
Total Payroll	\$ 214,402,900	\$ 223,713,756	(4.2%)
Count of Terminated Vested Participants	868	891	(2.6%)
Average Age	49.9	49.5	0.9%
Count of Retired Participants	3,890	3,775	3.0%
Average Age	70.9	70.8	0.1%
Count of Disabled Participants	278	278	0.0%
Average Age	67.0	66.7	0.4%
Count of Surviving Spouses	565	548	3.1%
Average Age	74.7	74.2	0.7%
Total Count of Inactive Participants	4,733	4,601	2.9%

<sup>1</sup>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.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX A – MEMBER DATA**

**Detailed Census Counts by Employer:**

June 30, 2022	Counts by Employer									Total
	Santa Barbara County	Carpinteria-Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	
<b>Active employees</b>	1,906	28	2	3	7	2	2	11	158	<b>2,119</b>
<b>Vested Terminated Employees</b>	791	3	0	1	9	0	0	13	51	<b>868</b>
<b>Retirees and Surviving Spouses</b>	4,389	53	10	5	8	2	2	70	194	<b>4,733</b>
<b>Total</b>	<b>7,086</b>	<b>84</b>	<b>12</b>	<b>9</b>	<b>24</b>	<b>4</b>	<b>4</b>	<b>94</b>	<b>403</b>	<b>7,720</b>

June 30, 2021	Counts by Employer									Total
	Santa Barbara County	Carpinteria-Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	
<b>Active employees</b>	2,104	30	3	3	10	2	2	13	174	<b>2,341</b>
<b>Vested Terminated Employees</b>	814	4	0	1	10	0	0	13	49	<b>891</b>
<b>Retirees and Surviving Spouses</b>	4,262	50	9	6	11	2	2	70	189	<b>4,601</b>
<b>Total</b>	<b>7,180</b>	<b>84</b>	<b>12</b>	<b>10</b>	<b>31</b>	<b>4</b>	<b>4</b>	<b>96</b>	<b>412</b>	<b>7,833</b>

Note: Oak Hill Cemetery and Mosquito & Vector Control do not participate in the plan. They are excluded from this table and the calculations in this report.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**Economic Assumptions:**

- |   |   |
|---|---|
| <b>1. Expected Return on Trust Assets:</b>  | 7.00% per year  |
| <b>2. Discount Rate:</b>                    | 7.00% for SB County, APCD and the Courts<br>3.54% for all other Employers |
| <b>3. Inflation Rate:</b>                   | 2.75% per year  |
| <b>4. Base Wage Growth Rate:</b>            | 3.00% per year  |
| <b>5. Per Person Cost Trends:</b>           | N/A   |
| <b>6. Postretirement Benefit Increases:</b> | None  |

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**Demographic Assumptions:**

**1. Retirement Rates for active employees:**

Rates of retirement are based on age and service according to the following table. The rates for Safety PEPRAs members are the same as the Safety Plan 4 rates.

Rates of Retirement												
Age	General			General - PEPRAs		Safety						
	Svc < 20	20-29	Svc >= 30	Svc < 25	Svc >= 25	Svc < 20	Plan 4 20-29	Svc >= 30	Svc < 20	Plan 6 20-29	Svc >= 30	
< 38	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
38	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
39	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
40	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
41	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
42	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
43	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
44	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
45	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
46	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
47	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
48	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	3.00%	3.00%	3.00%
49	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	3.00%	0.00%	15.00%	50.00%	50.00%
50	2.00%	2.00%	10.00%	0.00%	0.00%	3.00%	2.50%	5.00%	10.00%	25.00%	50.00%	50.00%
51	2.50%	2.50%	4.00%	0.00%	0.00%	3.00%	2.50%	5.00%	10.00%	15.00%	20.00%	20.00%
52	2.50%	2.50%	4.00%	2.00%	3.00%	3.00%	2.50%	5.00%	10.00%	15.00%	20.00%	20.00%
53	4.00%	4.00%	4.00%	2.00%	2.00%	3.00%	5.00%	5.00%	7.50%	15.00%	20.00%	20.00%
54	4.00%	4.00%	5.00%	3.00%	3.50%	10.00%	10.00%	30.00%	7.50%	15.00%	30.00%	30.00%
55	4.00%	5.00%	10.00%	3.00%	7.00%	10.00%	25.00%	50.00%	7.50%	15.00%	35.00%	35.00%
56	4.00%	5.00%	10.00%	3.00%	7.00%	10.00%	15.00%	25.00%	7.50%	15.00%	35.00%	35.00%
57	7.00%	7.00%	10.00%	4.50%	6.00%	10.00%	15.00%	25.00%	10.00%	25.00%	35.00%	35.00%
58	7.00%	7.00%	10.00%	4.50%	6.00%	10.00%	15.00%	40.00%	10.00%	25.00%	35.00%	35.00%
59	7.00%	7.00%	15.00%	5.00%	10.00%	10.00%	30.00%	40.00%	15.00%	25.00%	35.00%	35.00%
60	7.00%	10.00%	15.00%	5.00%	10.00%	10.00%	30.00%	40.00%	15.00%	25.00%	35.00%	35.00%
61	15.00%	20.00%	30.00%	12.50%	15.00%	25.00%	30.00%	40.00%	20.00%	25.00%	35.00%	35.00%
62	20.00%	30.00%	40.00%	15.00%	25.00%	25.00%	30.00%	40.00%	20.00%	25.00%	35.00%	35.00%
63	15.00%	25.00%	40.00%	10.00%	25.00%	15.00%	30.00%	40.00%	10.00%	25.00%	35.00%	35.00%
64	25.00%	25.00%	40.00%	15.00%	20.00%	15.00%	30.00%	40.00%	10.00%	25.00%	35.00%	35.00%
65	30.00%	40.00%	50.00%	20.00%	30.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
66	30.00%	40.00%	50.00%	20.00%	30.00%							
67	26.00%	33.00%	40.00%	35.00%	40.00%							
68	26.00%	33.00%	40.00%	20.00%	30.00%							
69	26.00%	33.00%	40.00%	20.00%	30.00%							
70	26.00%	33.00%	40.00%	20.00%	30.00%							
71	26.00%	33.00%	40.00%	20.00%	30.00%							
72	26.00%	33.00%	40.00%	20.00%	30.00%							
73	26.00%	33.00%	40.00%	20.00%	30.00%							
74	26.00%	33.00%	40.00%	20.00%	30.00%							
75	100.00%	100.00%	100.00%	100.00%	100.00%							

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**2. Rates of Termination:**

Sample rates of termination are show in the following table below. The 1.30% rate of termination continues for Safety PEPRA members with 20 or more years of service who are not eligible to retire.

<b>Rates of Termination</b>		
<b>Service</b>	<b>General</b>	<b>Safety</b>
0	20.00%	9.00%
1	14.00%	7.00%
2	10.00%	5.00%
3	8.00%	4.50%
4	7.00%	4.00%
5	7.00%	3.75%
6	6.00%	3.50%
7	6.00%	3.25%
8	6.00%	3.00%
9	5.00%	2.25%
10	4.50%	2.00%
11	3.50%	1.50%
12	3.00%	1.30%
13	3.00%	1.30%
14	2.75%	1.30%
15	2.75%	1.30%
16	2.75%	1.30%
17	2.50%	1.30%
18	2.50%	1.30%
19	2.50%	1.30%
20	1.50%	0.00%
21	1.50%	
22	1.50%	
23	1.50%	
24	1.50%	
25	1.50%	
26	1.50%	
27	1.50%	
28	1.50%	
29	1.50%	
30	0.00%	

*Termination rates do not apply once a member is eligible for retirement.*

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**3. Withdrawal:**

Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions, forfeiting entitlement to future Plan benefits.

<b>Rates of Withdrawal</b>		
<b>Service</b>	<b>General</b>	<b>Safety</b>
0	100.00%	100.00%
1	100.00%	100.00%
2	100.00%	100.00%
3	100.00%	100.00%
4	100.00%	100.00%
5	15.00%	10.00%
6	15.00%	10.00%
7	15.00%	10.00%
8	15.00%	10.00%
9	15.00%	10.00%
10	15.00%	5.00%
11	15.00%	5.00%
12	15.00%	5.00%
13	15.00%	5.00%
14	15.00%	5.00%
15	5.00%	0.00%
16	5.00%	0.00%
17	5.00%	0.00%
18	5.00%	0.00%
19	5.00%	0.00%
20	5.00%	0.00%
21	5.00%	0.00%
22	5.00%	0.00%
23	5.00%	0.00%
24	5.00%	0.00%
25	0.00%	0.00%
26	0.00%	0.00%
27	0.00%	0.00%
28	0.00%	0.00%
29	0.00%	0.00%
30	0.00%	0.00%

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**4. 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 reciprocal. Reciprocal members are assumed to remain with the reciprocal agency until retirement.

**5. Retirement Rates for Terminated Vested and Reciprocal participants:**

The table below shows the assumed retirement ages for terminated vested and reciprocal participants.

Plan	Assumed Retirement Age	
	Terminated Vested	Reciprocal
APCD 1,2 / General 5A,B,C / Plan 7 / Plan 8 (PEPRA)	58	62
General Plan 2	60	60
Safety Plan 4A,B,C, Safety Plan 8 (PEPRA)	55	55
Safety Plan 6A,B,C	50	55

**6. Rates of Mortality for Healthy Lives:**

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.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**7. Rates of Mortality for Retired Disabled Lives**

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.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**8. Disability Rates:**

General member rates are based on the sex distinct 2021 CalPERS Non-Industrial Disability Miscellaneous Public Agency rates.

Safety members are based on the 2021 CalPERS Public Agency County Peace Officer Industrial Disability rates.

Representative disability rates of active participants are shown below.

Rates of Disability			
Age	General		Safety
	Males	Females	
20	0.007%	0.004%	0.042%
25	0.007%	0.009%	0.131%
30	0.017%	0.033%	0.249%
35	0.035%	0.065%	0.370%
40	0.091%	0.119%	0.513%
45	0.149%	0.185%	0.672%
50	0.154%	0.193%	0.919%
55	0.139%	0.129%	1.505%
60	0.124%	0.094%	1.740%
65	0.109%	0.083%	2.093%
70	0.097%	0.054%	2.624%
75	0.097%	0.035%	3.421%
80	0.097%	0.035%	7.621%

60% of General disabilities and 100% of Safety disabilities are assumed to be service-related.

**9. Plan Election:**

*Non-Medicare-Eligible Retirees:*

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.

*Medicare-Eligible Retirees:*

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.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**10. Family Composition:**

Percentage married for all active members who retire, become disabled, or die during active service is shown in the table below. For current retirees, spouse date of birth was used when available. For future retirees, male members are assumed to be three years older than their spouses and female members are assumed to be one year younger than their spouses.

Percentage Married	
Gender	Percentage
Males	75%
Females	60%

**11. Spouse Coverage Election:**

We assumed that all future retirees who are married at the time of retirement will cover a spouse upon retirement, and will elect the unmodified form (i.e., a 60% Joint and Survivor allowance for service and non-duty related disabilities, and 100% Joint and Survivor allowance for duty-related disabilities).

**12. Medical Trend**

Since the dollar amounts 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 liabilities produced in this report.

**Changes since the Last Valuation**

Several changes to the demographic assumptions have been implemented based on an experience study performed by Cheiron covering the period from July 1, 2019 through June 30, 2022. Please refer to our Actuarial Experience Study for July 1, 2019 through June 2022 for the detail and rationale of the assumption changes.

The plan election assumption was updated for Medicare-eligible retirees, based on changes in the behavior of recent retirees. In the previous valuation, 55% of future Medicare-eligible retirees were assumed to select a monthly subsidy of \$15 per year of service, with the remaining 45% selecting the \$4 cash benefit option.

For all Employers on a pay-as-you go funding method, other than the Courts, the discount rate was changed from 2.16% to 3.54% to reflect the current municipal bond rate applicable to the Plan.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**Methodology:**

The Entry Age Normal actuarial funding method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the postemployment benefits between each member’s date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

**Amortization Cost**

The actuarial value of the assets on hand to pay future benefits is subtracted from the *Actuarial Liability*, producing the *Unfunded Actuarial Liability (UAL)*. 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.

**Funding**

The cost of the benefits provided by the Plan is currently being funded by the participating employers as shown in the chart below.

Group	Funding Policy
Santa Barbara County	4.00% of total pension plan payroll
Carpinteria Summerland FPD	Pay-as-you-go
Santa Maria Cemetery	Pay-as-you-go
Goleta Cemetery	Pay-as-you-go
SBCAG	Pay-as-you-go
Summerland Sanitary	Pay-as-you-go
Carpinteria Cemetery	Pay-as-you-go
APCD <sup>1</sup>	None
Courts <sup>2</sup>	Pay-as-you-go

<sup>1</sup> APCD previously had a policy to fund OPEB benefits at the maximum allowable level for 401(h) plans. However, its benefits are currently fully funded on a present value basis. We have assumed that APCD will no longer contribute to the 401(h) plan.

<sup>2</sup> The Courts submitted a one-time prefunding contribution of \$1.3 million as of June 30, 2017, however there is no formal funding policy in place.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX B –ASSUMPTIONS AND METHODS**

**Actuarial Value of Plan Assets**

The participating employers of the Santa Barbara County Employees' Retirement System contribute to a 401(h) account. As of June 30, 2022, the market value of assets was \$46,774,507. The actuarial value of assets is equal to the market value.

**Changes since the Last Valuation**

None.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX C – SUBSTANTIVE PLAN PROVISIONS**

**Summary of Key Substantive Plan Provisions:**

All actuarial calculations are based on our understanding of the statutes governing SBCERS as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the County Board of Supervisors, a district Board of Directors, or the SBCERS Board, effective through June 30, 2022. The benefits are summarized briefly below. This summary does not attempt to cover all the detailed provisions of the law.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

**Eligibility:** Participation is based upon eligibility for pension benefits from SBCERS, and employers' election to participate in the 401(h) Subsidy/Supplement program.

The OPEB Plan has been closed to all new entrants with membership dates in SBCERS on or after December 31, 2018, except as noted below for safety management employees in the County of Santa Barbara.

SBCAG employees have a different benefit plan; active members hired on or after January 1, 2010, are ineligible for the County plan; they have a separate plan administered by SBCAG that provides benefits through CalPERS and are not part of this plan and are not included in this valuation.

Management employees of the County of Santa Barbara who are general members hired prior to June 25, 2012, or safety members hired prior to May 18, 2020, are eligible for OPEB benefits.

DRO-B non-members (divorce occurred after retirement) are not eligible for OPEB benefits regardless of their eligibility for pension benefits or the employers' election to participate in the 401(h) subsidy/supplement program.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX C – SUBSTANTIVE PLAN PROVISIONS**

Plan Participation by Employer <sup>1</sup>										
Benefit Plans	APCD 1	APCD 2	APCD 8	General 2	General 5	General 7	General 8	Safety 4	Safety 6	Safety 8
Santa Barbara County				Yes	Yes	No <sup>2</sup>	No <sup>2</sup>	Yes	Yes	Yes <sup>3</sup>
Carpinteria-Summerland-FPO					Yes	Yes	Yes	Yes		Yes
Santa Maria Cemetery					Yes		No			
Goleta Cemetery					Yes		Yes			
SB County Assoc of Govts					Yes		No			
Summerland Sanitary					Yes		No			
Carpinteria Cemetery					Yes		Yes			
Air Pollution Control District <sup>4</sup>	Yes	Yes	No		Yes	No				
Courts				Yes	Yes		Yes			
Oak Hill Cemetery					No		No			
Mosquito & Vector Control					No	No				

<sup>1</sup> Yes = Employer had members in the pension plan who were eligible for OPEB benefits.

No = Employer had members in the pension plan, who were not eligible for OPEB benefits.

Empty = Employer did not have members in the pension plan.

<sup>2</sup> There are three management employees in Santa Barbara County in Plan 7 and three management employees in Santa Barbara County Plan 8 who are eligible for OPEB. No other County members in Plan 7 or Plan 8 are eligible for OPEB benefits.

<sup>3</sup> Benefits were phased out for all new employees hired into Santa Barbara County Safety positions after May 11, 2015.

<sup>4</sup> Employees hired into the Air Pollution Control District after August 16, 2012 are not eligible for benefits.

**Benefits:** Eligible members can choose a monthly subsidy for County health plan benefits of \$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 can include coverage for eligible spouses and dependents.

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

If a member does not elect a County health plan, the member receives a monthly cash benefit equal to \$4 per year of service.

After the member's death, a surviving spouse is eligible to continue health plan coverage. The monthly subsidy benefit will be equal to \$15 or \$4 per year of service times the survivor continuation percentage applicable for pension benefits. Surviving spouses of a member who dies in active service are eligible to receive a benefit equal to the benefit the member would have received if they had retired under a disability retirement (including the \$187 per month minimum), multiplied by the survivor continuation percentage (i.e., 60% for a non-service related death, 100% for a service-related death).

**Changes since the Last Valuation:**

None.

APPENDIX D – GLOSSARY OF TERMS

**1. Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

**2. Actuarial Cost Method**

A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a normal cost and an actuarial liability.

**3. Actuarial Gain (Loss)**

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

**4. Actuarial Liability**

The portion of the actuarial present value of projected benefits which will not be paid by future normal costs. It represents the value of the past normal costs with interest to the valuation date.

**5. Actuarial Present Value (Present Value)**

The value as of a given date of a future amount or series of payments. The actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you will not be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

$$\begin{array}{rclcl} \text{Amount} & & \text{Probability} & \frac{1}{(1+\text{Discount Rate})} & \\ \$100 & \times & \text{of Payment} & & \\ & & (1 - .01) & 1/(1+.1) & = \$90 \end{array}$$

**6. Actuarial Valuation**

The determination, as of a specified date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.

**7. Actuarial Value of Assets**

The value of cash, investments and other property belonging to a pension or post-retirement benefit plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way, long-term costs are not distorted by short-term fluctuations in the market.

**APPENDIX D – GLOSSARY OF TERMS**

**8. Amortization Payment**

The portion of a plan contribution, which is designed to pay interest and principal on the unfunded actuarial liability in order to pay for that liability in a given number of years.

**9. Entry Age Normal 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 as a level percentage of pay from the individual's date of entry into the plan to the individual's assumed cessation of employment.

**10. Normal Cost**

That portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

**11. Unfunded Actuarial Liability**

The excess of the actuarial liability over the actuarial value of assets.

**12. Funded Percentage**

The ratio of the actuarial value of assets to the actuarial liability.

**13. Mortality Table**

A set of percentages, which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

**14. Discount Rate**

The assumed interest rate used for converting projecting dollar related values to a present value as of the valuation date.

**15. Medical Trend**

The assumed increase in dollar related values in the future due to the increase in the cost of health care.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2022**

**APPENDIX E – LIST OF ABBREVIATIONS**

Actuarial Liability (AL)  
Actuarial Valuation Report (AVR)  
Annual Required Contribution (ARC)  
Fiscal Year Ending (FYE)  
Governmental Accounting Standards Board (GASB)  
Net Other Postemployment Benefit (NOO)  
Non-Medicare Eligible (NME)  
Not Applicable (NA)  
Other Postemployment Benefit (OPEB)  
Pay-as-you-go (PAYGo)  
Summary Plan Description (SPD)  
Tread Water Indicator (TWI)  
Unfunded Actuarial Liability (UAL)



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