

SBCERS



Photo Credit: "Leadbetter Point" by Jim Long, SBCERS Retired Member

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year Ended June 30, 2022

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, 2022

Issued By

Gregory E. Levin, Chief Executive Officer

Rico Pardo, Controller

SBCERS

130 Robin Hill Road, Suite 100 Goleta, CA 93117
2236 S Broadway, Suite D Santa Maria, CA 93454
(877) 568-2940

TABLE OF CONTENTS

OUR MISSION	1
INTRODUCTION	2
Letter of Transmittal	3
The Annual Comprehensive Financial Report	4
SBCERS and Its Services	4
Selected Service Efforts and Accomplishments	4
Financial Information	6
Investments	6
Pension Actuarial Funded Status	7
Acknowledgments	7
Government Finance Officers Association Award	8
Board of Retirement	9
SBCERS Management Team	10
Professional Consultants	10
FINANCIAL	11
Independent Auditor’s Report	12
Management’s Discussion and Analysis (unaudited)	16
Financial Highlights	16
Overview of Financial Statements	17
Financial Analysis	17
Net Position Restricted for Benefits	17
Changes in Fiduciary Net Position	18
Schedule of Net Pension Liability	19
Pension Rates of Return	20
OPEB Rates of Return	20
Requests for Information	21
Basic Financial Statements	23
Statement of Fiduciary Net Position	23
Statement of Changes In Fiduciary Net Position	24
Notes to the Basic Financial Statements	25
1. Reporting Entity	25
General	25
Governance	25
130 Robin Hill Road, LLC	25
2. Pension Plan Description	25
Plan Sponsors	25
Plan Membership	26
SBCERS’ Retirement Plans	27
SBCERS’ Retirement Plan Membership	27
Benefit Provisions	28

Vesting	28
Pension Plan Actuarial Valuation	29
Plan Termination	29
3. Summary of Significant Accounting Policies	29
Basis of Accounting, Revenue and Expense Recognition	29
Cash and Short-Term Investments	30
Investments	30
Related Party Transactions	30
Estimates	30
4. Deposits and Investments	30
Deposits and Short-Term Investments	30
SBCERS' Deposits and Short-Term Investments	31
SBCERS' Summary of Pension and OPEB Investments	32
Investments Measured at Fair Value	34
Pension & OPEB Trust Investments Measured at the Net Asset Value	35
Investment Risk	36
Credit Risk by Quality Analysis	37
Securities Lending	38
SBCERS' Securities Lending Program	39
Interest Rate Risk	39
Foreign Currency Risk	39
Foreign Currency Risk Schedule	40
Holdings of Derivative Securities	41
Derivative Credit Risk Schedule	41
Derivative Foreign Currency Risk Schedule	42
5. Pension Plan Reserves	42
Member Deposit Reserve	42
Retired Member Reserve	42
Plan Sponsor Advance Reserve	43
Contra Tracking Account	43
Contingency Reserve	43
SBCERS' Valuation Reserves – Pension Plan	43
6. Pension Plan Contributions	43
Funding Objective	43
Money-Weighted Rate of Return	43
Target Allocation and Long-term Expected Real Rate of Return	44
Discount Rate	44
Member Contribution Policy	44
Plan Sponsor Contribution Policy	45
Contribution Rates	45
Member Contribution Rates	45
Fiscal Year Contributions by Plan	46
Fiscal Year Contributions by Plan Sponsor	46
7. Net Pension Liability of Participating Employers	46
Employers' Net Pension Liability	46
Schedule of Net Pension Liability	47
Actuarial Assumptions	48
Summary of Actuarial Information	48
Sensitivity Analysis	49
Schedule of Net Pension Liability Sensitivity	49
8. Other Postemployment Benefits (OPEB) Plan	49
OPEB Plan Description	49

OPEB Benefit Provisions	50
OPEB Health Care Benefits	50
OPEB Funding Policy – Contributions	50
OPEB Investments	51
OPEB Asset Class and Target Allocation	51
Employers’ Net OPEB Liability	51
Schedule of Net OPEB Liability	52
OPEB Actuarial Valuation and GASB 74 Reporting	52
Summary of OPEB Actuarial Assumptions	53
OPEB Sensitivity Analysis	53
Schedule of Net OPEB Liability Sensitivity	54
9. Administrative Expense	54
SBCERS’ Administrative Expense	55
10. Commitments and Contingencies	55
11. Subsequent Events	55
Required Supplementary Information	56
Required Supplementary Information – Pension	57
Changes in Net Pension Liability and Related Ratios	57
Employer Pension Contribution History	58
Money-Weighted Rate of Return – Pension	58
Notes to Required Supplementary Information – Pension	59
Required Supplementary Information – Other Postemployment Benefits (OPEB)	60
Money-Weighted Rate of Return – OPEB	60
Notes to Required Supplementary Information – OPEB	61
Other Supplementary Information	62
Other Supplementary Information – Pension	63
Schedule of Administration Expense – Pension	63
Schedule of Pension Investment Expense	64
Schedule of Consultant Payments – Pension	64
Other Supplementary Information - Other Postemployment Benefits (OPEB)	65
Schedule of Administration Expense - OPEB	65
INVESTMENT	66
Memorandum from RVK, Inc.	67
Investment Policies	71
Investment Summary – Pension	72
Actual Asset Allocation	73
Target Asset Allocation	74
Investment Results Based on Fair Value	75
Schedule of Top Ten Equity Securities	76
Schedule of Top Ten Bond Holdings	76
List of Investment Managers	77
Schedule of Professional Fees and Services – Pension	77
ACTUARIAL	78
Letter from Cheiron, Inc	79

Summary of Actuarial Assumptions and Methods	85
Actuarial Assumptions and Methods	85
Actuarial Cost Method	85
Actuarial Asset Valuation Method	85
Amortization of Gains and Losses	85
Investment Rate of Return	86
Administrative Expenses	86
Projected Salary Increases	86
Post-Retirement Benefit Increases	86
Mortality Rate Assumptions	86
Probability of Separation from Active Service	87
Age Assumption for Commencement of Retirement Benefit Payments	87
Rate of Separation from Active Service – General Plans	88
Rate of Separation from Active Service – Safety Plans	88
Rate of Separation from Active Service – Disability Related	88
Service Related Disability	88
Salary Increase Assumptions	89
Refund of Contributions Upon Termination of Employment (Withdrawal)	90
Reciprocal Transfers	90
Pension Plan Schedules	90
SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM THE ROLLS – pENSION	90
Schedule of Funded Liabilities by Type – Pension	91
Actuarial Analysis of Financial Experience – Pension	92
Schedule of Funding Progress – Pension	93
Other Postemployment Benefits (OPEB) Schedules	94
SCHEDULE OF RETIREANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM THE ROLLS – OPEB	94
Member Benefit Coverage Information – OPEB	94
Actuarial Analysis of Financial Experience – OPEB	95
SCHEDULE OF FUNDING PROGRESS – OPEB	95
Summary of Major Pension Plan Provisions	96
Eligibility	96
Final Compensation	97
Service Retirement	97
Disability Retirement	98
Death Before Retirement	98
Death After Retirement	98
Vesting	99
Member’s Contributions	99
Maximum Benefit	99
Cost-of-Living	99
STATISTICAL	100
Introduction to the Statistical Section	101
Schedule of Additions to Pension and OPEB Plans by Source	102
Schedule of Deductions from Pension and OPEB Plans by Type	102
Schedule of Benefit Expenses by Type – Pension	103
Schedule of Benefit Expenses by Type – OPEB	103
Schedule of Participating Employers – Pension	104
Schedule of Participating Employers – OPEB	105
Schedule of Employer Contribution Rates – Pension	105

Schedule of Average Benefit Payments – Pension	106
Changes in Fiduciary Net Position – Pension	107
Changes in Fiduciary Net Position – OPEB	108

GLOSSARY	109
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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 plan sponsors, 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 27, 2022

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, 2022*. 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 \$3.9 billion

Pension Net Investment Return -1.78%

OPEB Net Investment Return -12.4%

Number of Pension Plan Trust Members 11,138

Number of OPEB Trust Members 7,833*

*Data as of June 30, 2021.

The pension fund portfolio experienced a market rate of return of -1.78% (net of fees) for the fiscal year ended June 30, 2022. As of June 30, 2022, the SBCERS' Net Position Restricted for Benefits was \$3.9 billion. SBCERS Net Position decreased by \$94.1 million during the fiscal year, mostly due to investment losses of \$-70.9 million. Investment performance was driven by declines in equity markets due to concerns regarding tightening monetary policy, slower overall growth, sustained inflation and higher borrowing costs.

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 -12.4% for the fiscal year ended June 30, 2022. The negative return for the retiree health fund was due to it being invested exclusively in U.S. investment markets, which declined due to slowing growth and sustained inflation caused interest rates to rise.

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 ten contracting employers under the 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, the Santa Barbara County Superior Court (Courts), and ten special purpose government sponsors.

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*, the County of Santa Barbara determined 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 4,279 active, 1,784 deferred members, and 5,075 benefit recipients into the future.

SBCERS PLAN SPONSORS	
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 special purpose government sponsors 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 260 retirements and 52 continuances. SBCERS onboarded a record 91 retirees for the April 1, 2022 benefit payment, which the month that the Retiree Cost of Living Adjustment of 4% (3% paid, 1% accrued to a bank for future years) is credited to retired member accounts. Throughout this year, as COVID-19 rates dropped considerably, Member Services held 12 In-Person Pop Up events throughout the County to assist nearly 241 members face to face, while adhering to social distancing guidelines. Throughout the year, the team has continued

to meet with our members virtually via Zoom and telephone, providing timely, responsive assistance to our members via virtual retirement counseling and new employee orientations. Member Services also video recorded an Open Enrollment workshop for use throughout the year and conducted a virtual Health Fair for one week, providing a wide variety of educational videos regarding insurance options, Medicare, and best practices for retirement preparedness. 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, 2022, with the general investment consultant and staff, the Board of Trustees completed commitments to private credit Deerpath Capital VI, LP and Angelo Gordon Evergreen Fund. Lastly under the recommendation of the general investment consultant, the Board of Trustees authorized the reallocation of funds from a passive core Fixed Income investment into an active core Fixed Income investment. The Board of Trustees issued a Request for Proposal (RFP) on the Discretionary Real Estate portfolio valued at approximately \$400 million. The RFP response date was June 15, 2022, just prior to fiscal year end. From the respondents, 3 finalists emerged and subsequent to fiscal year end, Hamilton Lane was selected to manage the Real Estate portfolio.

Accounting and Finance

The SBCERS finance team received the Government Finance Officers Association (GFOA) award for ACFR reporting for its work on the fiscal year ended June 30, 2021 ACFR. The finance team processes monthly benefit payments to members as well as twice monthly processing of survivor benefits and refunds. The team verifies contributions, monitors cash flows, reviews internal controls over cash management, and validates contributions for special purpose government sponsors.

Information Technology

SBCERS modernized and upgraded its hosted network services and productivity software. 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.

Legal and Compliance

In the previous fiscal year, the Board adopted new standards for the inclusion of stand-by duty in compensation and made adjustments to the monthly benefit allowances of impacted members as part of the implementation of the California Supreme Court ruling in Alameda County Deputy Sheriffs' Assoc. v. Alameda County Employees' Retirement Association (the Alameda Decision). This year the Board heard appeals from retirees regarding the benefit adjustments. In November 2021, after considering the facts and circumstances of individual member appeals, the Board took actions to affirm staff's determination to adjust the monthly retirement benefits pursuant to the Alameda Decision. These actions are subject to judicial review. As part of the final phase of the Alameda Decision implementation, SBCERS is expected to complete the process of refunds of member contributions previously received for standby pay that is no longer eligible for inclusion in compensation earnable during the 2022-23 fiscal year.

The Board reviewed and amended several policies as part of scheduled reviews, including a required review of the Conflict of Interest Code. During the fiscal year, SBCERS completed an internal audit of accounts subject to divorce resolution orders to ensure compliance with article 8.4 of the CERL. Additionally, SBCERS issued an RFP for insurance broker services in compliance with the Board's

Service Provider Selection Policy. The Board is expected to make select Arthur J. Gallagher & Co. to be the System’s insurance broker during the 2022-23 fiscal year.

FINANCIAL INFORMATION

SBCERS’ management is responsible for the accuracy of the data, the completeness and fairness of the presentation of financial information, including all disclosures, and establishing and maintaining an internal control structure designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. SBCERS’ management is responsible for establishing and maintaining an internal control structure designed to ensure that SBCERS’ assets are protected from loss, theft, or misuse. 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.

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

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.

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 three separate consultants. RVK, Inc. serves as SBCERS general investment consultant in a non-discretionary capacity. Hamilton Lane, LLC, and ORG Portfolio Management, LLC, both have 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, and ORG Portfolio Investments, 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, 2022, was 7.84% and 7.81%, 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 plan sponsor 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 plan sponsor 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, 2022, SBCERS' Plan fiduciary net position as a percentage of total pension liability was 83.96% using a roll-forward calculation based on the actuarial valuation as of June 30, 2021, with the actuarial value of assets totaling \$3.9 billion and the actuarial accrued liability totaling \$4.6 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, 2019.

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 "Greg 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, 2021

Christopher P. Morill

Executive Director/CEO

BOARD OF RETIREMENT



Fred Tan
Chair
Safety Member
Term Expires: Dec 2022



Harry Hagen
Vice Chair
Ex-Officio Member
County Treasurer



Michael Vidal
Secretary
Appointed
Term Expires: Dec 2022



Trent Benedetti
Appointed
Term Expires: Dec 2023



Zandra Cholmondeley
Retired Member
Term Expires: Dec 2023



Steve Lavagnino
Appointed
Term Expires: Dec 2022



Michael Daly
General Member
Term Expires: Dec 2022



Ted Sten
Appointed
Term Expires: Dec 2023



Vacant
General Member
Term Expires: Dec 2023

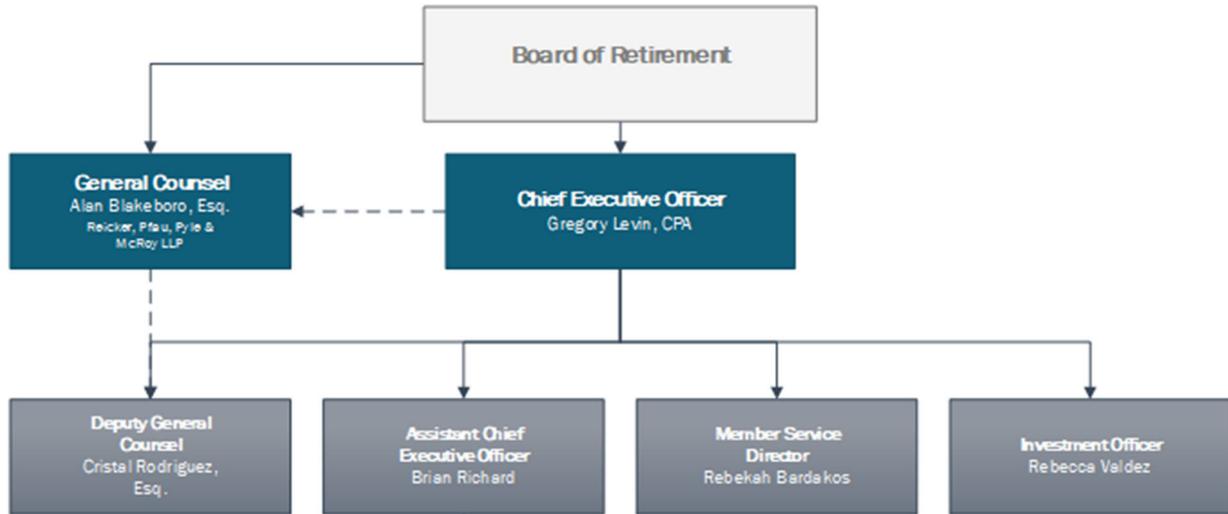


Gary Blair
Retired Alternate
Term Expires: Dec 2023



Ryan Sullivan
Safety Alternate
Term Expires: Dec 2022

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.
Real Estate Investments	ORG Portfolio Management, LLC
Private Equity, Natural Resources, and Infrastructure Investments	Hamilton Lane, LLC
<i>Legal Advisors</i>	
General Counsel	Reicker, Pfau, Pyle & McRoy, LLP
Investment Counsel	Reicker, Pfau, Pyle & McRoy, LLP; Foster Garvey; Hirschler; K&L Gates
Fiduciary and Tax Counsel	Reed Smith, LLP

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, 2022, 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, 2022, 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 Trustun 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 95219
209-451-4833

REGISTERED with the 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.

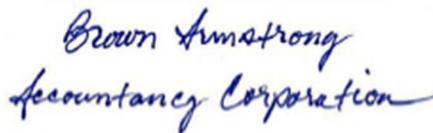
Report on Summarized Comparative Information

We have previously audited SBCERS' June 30, 2021 basic financial statements, and our report dated December 13, 2021, 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, 2021, 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 27, 2022, 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 27, 2022

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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

This 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, 2022. 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 \$3.9 billion, an decrease of \$94.1 million or 2.36% from the prior year. This is due to investment depreciation of \$-70.9 million and the difference between benefit payments and contributions.
- Net pension investment income (excluding securities lending) decreased by \$893.3 million from \$822.3 million in the fiscal year ended June 30, 2021, to \$-70.9 million in the fiscal year ended June 30, 2022. The decrease is due to overall market conditions which led to a -1.78% loss on invested assets.
- Pension contributions (plan sponsor/employer and member/employee) increased by \$12.3 million from the fiscal year ended June 30, 2021, to \$198 million (\$161.4 million total from plan sponsors and \$36.6 million from members) in fiscal year ended June 30, 2022. The change is due to an increase in plan sponsor and employee contribution rates, resulting from the phase-in of previous actuarial assumption changes, as well as an increase in salaries paid to members.
- Pension benefit payments increased by \$9.2 million or 4.49% from the fiscal year ended June 30, 2021 to \$213.2 million in the fiscal year ended June 30, 2022. 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. The COLA is based on the consumer price index for the Los Angeles metropolitan area.
- On June 30, 2022, SBCERS’ fiduciary net position as a percentage of total pension liability was 83.96%. This was an decrease in the Plan fiduciary net position as a percentage of total pension liability from June 30, 2021 of 89.42%. The decrease in the Plan fiduciary net position as a percentage of total pension liability is driven by a decrease 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 \$3.9 billion as of June 30, 2022 and a rolled-forward total pension liability totaling \$4.6 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 \$46.6 million, an increase of \$149 thousand or 0.32% from prior year. This is due to investment losses offset by advance funding from the County of Santa Barbara.
- \$15.1 million of OPEB contributions were received from participating plan sponsors, an increase of \$461 thousand over the prior year. OPEB deductions, including benefit payments and administrative

expenses, of \$9.7 million were paid in the fiscal year ended June 30, 2022, an increase of \$261 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 \$3.9 billion.

NET POSITION RESTRICTED FOR BENEFITS

In thousands

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
Cash & Investments	\$ 3,941,936	\$ 4,022,361	\$ (80,425)	-2.0%
Collateral Held for Securities Lent	27,506	13,609	13,897	102.1%
Prepays & Receivables	29,466	43,103	(13,637)	-31.6%
Total Assets	3,998,908	4,079,073	(80,165)	-2.0%
Collateral Held for Securities Lent	27,506	13,609	13,897	102.1%
Other Liabilities	27,941	28,096	(155)	-0.6%
Total Liabilities	55,447	41,705	13,742	33.0%
Net Position				
Restricted For Benefits	\$ 3,943,461	\$ 4,037,368	\$ (93,907)	-2.3%

CHANGES IN FIDUCIARY NET POSITION

In thousands

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
Contributions	\$ 213,081	\$ 200,281	\$ 12,800	6.4%
Net Investment Income	(76,631)	830,368	(906,999)	-109.2%
Net Securities Income	167	179	(12)	-6.7%
Other	689	600	89	14.8%
Total Additions	137,306	1,031,428	(894,122)	-86.7%
Benefits Paid	222,496	213,331	9,165	4.3%
Member Withdrawals	2,079	1,578	501	31.7%
Administrative Expense	6,638	5,919	719	12.1%
Total Deductions	231,213	220,828	10,385	4.7%
Changes in Net Position	\$ (93,907)	\$ 810,600	\$ (904,507)	-111.6%
Beginning Net Position	\$ 4,037,368	\$ 3,226,768	\$ 810,600	25.1%
Ending Net Position	\$ 3,943,461	\$ 4,037,368	\$ (93,907)	-2.3%

Additions to Fiduciary Net Position

The sources of assets to fund the benefits SBCERS provides are member and plan sponsor contributions along with investment returns. SBCERS' had income sources of \$137.3 million for the fiscal year ended June 30, 2022 and \$1.03 billion for the fiscal year ended June 30, 2021. While contributions increased for fiscal year ended June 30, 2022, the fair market value of investments decreased due to market volatility.

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, 2022, were \$231.2 million, an increase of \$10.4 million, or 4.7%, over the fiscal year ended June 30, 2021. This increase was attributed to the increasing number of members receiving benefits, demographics of plan sponsors 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) increased by \$12.8 million over the contributions made in the fiscal year ended June 30, 2021. The pension contributions increased by \$12.3 million and the OPEB contributions increased by \$461 thousand. The increase in contributions was driven by a growing active member pensionable wage base and continuation of the five-year phase in for discount rate changes. The fiscal year ended June 30, 2022, was the fifth year of the phase in.

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, 2022, 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, 2022, was \$4.6 billion. The Total Pension Liability increased 3.99% from \$4.5 billion as of June 30, 2021. SBCERS' Net Pension Liability as of June 30, 2022 using the roll-forward valuation method is \$744.4 million, representing an increase of 57.65% from \$472.2 million as of June 30, 2021. The \$272.2 million increase in the Net Pension Liability is primarily due to a decrease in assets caused by investment losses.

For the fiscal years ended June 30, 2022 and June 30, 2021, the fiduciary net position as a percentage of total pension liability was reported as 83.96% and 89.42%, respectively. The change was a 5.46% decrease and is due to an decrease in asset values from June 30, 2021 to June 30, 2022.

SCHEDULE OF NET PENSION LIABILITY

In thousands

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total Pension Liability	\$ 4,641,200	\$ 4,463,051
Less: Fiduciary Net Position	<u>(3,896,843)</u>	<u>(3,990,899)</u>
Net Pension Liability	<u>\$ 744,357</u>	<u>\$ 472,152</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	83.96%	89.42%

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 lost 0.28% (net of fees) over the twelve month period ended June 30, 2022. The Pension investment income was \$-70.9 million (net of fees) and fair value of investments, including short-term investments, decreased by \$84.9 million from June 30, 2021. For further information on SBCERS' investments, please refer to the Investment Section.

PENSION RATES OF RETURN

In thousands

<i>Fiscal Year Ending</i>	<i>Total Pension Investment Portfolio Fair Value</i>	<i>Total Fund Money-Weighted Return (Net of Fees)</i>	<i>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</i>
June 30, 2021	\$ 3,953,226	25.20%	89.42%
June 30, 2022	\$ 3,868,318	-1.78%	83.96%

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, 2022, the annual money-weighted rate of return on plan investments was -1.78%.

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, 2022 was 83.96%, using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2020. As of the fiscal year ended June 30, 2022, Net Position Restricted for Benefits was \$3.9 billion and the Total Pension Liability was \$4.6 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, 2022.

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, 2022, the annual money-weighted rate of return on OPEB Plan investments was -12.4%.

OPEB RATES OF RETURN

In thousands

<i>Fiscal Year Ending</i>	<i>Total OPEB Investment Portfolio Fair Value</i>	<i>Total Fund Money-Weighted Return</i>
June 30, 2021	\$ 49,958	25.55%
June 30, 2022	\$ 40,098	-12.40%

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 \$92.4 million as of the June 30, 2022 and \$104.9 million as of the June 30, 2021. The annual OPEB expense for all participants was \$3.1 million for the June 30, 2022 as compared to \$2.3 million for June 30, 2021.

REQUESTS FOR INFORMATION

This annual comprehensive financial report is designed to provide the Board of Retirement, our membership, plan sponsors, 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,



Gregory E. Levin, CPA
Chief Executive Officer

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BASIC FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION

As of June 30, 2022, with Comparative Totals

Dollars in thousands

	Pension Benefit Trust	OPEB Trust	June 30, 2022 Total	Pension Benefit Trust	OPEB Trust	June 30, 2021 Total
ASSETS						
Cash and Cash Equivalents	\$ 27,859	\$ 5,661	\$ 33,520	\$ 19,177	\$ -	\$ 19,177
Collateral Held for Securities Lent	27,506	-	27,506	13,609	-	13,609
Short-Term Investments	53,503	-	53,503	49,391	4,100	53,491
Total Cash and Short-Term Investments	108,868	5,661	114,529	82,177	4,100	86,277
Prepays and Receivables						
Prepaid Assets	5,876	-	5,876	3,402	-	3,402
Contributions	10,329	841	11,170	8,980	650	9,630
Accrued Interest	2,596	18	2,614	2,151	11	2,162
Dividends	4,184	-	4,184	3,812	-	3,812
Security Sales	5,622	-	5,622	24,097	-	24,097
Total Prepays and Receivables	28,607	859	29,466	42,442	661	43,103
Investments at Fair Value						
Private Equity	536,429	-	536,429	493,546	-	493,546
Domestic Equity	647,513	23,785	671,298	761,791	27,687	789,478
Core Fixed Income	605,500	16,313	621,813	592,979	18,171	611,150
Developed Markets Non-US Equity	340,188	-	340,188	406,768	-	406,768
Emerging Market Equity	247,858	-	247,858	318,037	-	318,037
Non-Core Fixed Income	253,408	-	253,408	287,020	-	287,020
Private Credit	116,140	-	116,140	90,111	-	90,111
Real Assets/Real Return	617,703	-	617,703	604,896	-	604,896
Real Estate	450,076	-	450,076	348,687	-	348,687
Total Investments at Fair Value	3,814,815	40,098	3,854,913	3,903,835	45,858	3,949,693
TOTAL ASSETS	\$ 3,952,290	\$ 46,618	\$ 3,998,908	\$ 4,028,454	\$ 50,619	\$ 4,079,073
LIABILITIES						
Accounts Payable	\$ 687	\$ -	\$ 687	\$ 686	\$ 50	\$ 736
Collateral Held for Securities Lent	27,506	-	27,506	13,609	-	13,609
Benefits Payable	15,302	-	15,302	14,083	-	14,083
Security Purchases	11,952	-	11,952	9,177	4,100	13,277
TOTAL LIABILITIES	\$ 55,447	\$ -	\$ 55,447	\$ 37,555	\$ 4,150	\$ 41,705
NET POSITION RESTRICTED FOR BENEFITS	\$ 3,896,843	\$ 46,618	\$ 3,943,461	\$ 3,990,899	\$ 46,469	\$ 4,037,368

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, 2022, with Comparative Totals

Dollars in thousands

	Pension Benefit Trust	OPEB Trust	June 30, 2022 Total	Pension Benefit Trust	OPEB Trust	June 30, 2021 Total
ADDITIONS						
Contributions						
Employers	\$ 161,388	\$ 15,129	\$ 176,517	\$ 150,093	\$ 14,668	\$ 164,761
Plan Members	36,564	-	36,564	35,520	-	35,520
Total Contributions	197,952	15,129	213,081	185,613	14,668	200,281
Investment Income						
Net Appreciation in Fair Value of Investments	(88,162)	(5,761)	(93,923)	801,308	7,975	809,283
Interest	10,745	42	10,787	9,885	48	9,933
Dividends	31,506	-	31,506	26,586	-	26,586
Total Investment Income	(45,911)	(5,719)	(51,630)	837,779	8,023	845,802
Less Investment Expense	(25,001)	-	(25,001)	(15,434)	-	(15,434)
Net Investment Income	(70,912)	(5,719)	(76,631)	822,345	8,023	830,368
Securities Lent Income	102	-	102	97	-	97
Securities Lent Expense						
Borrower Rebates	119	-	119	141	-	141
Management Fees	(54)	-	(54)	(59)	-	(59)
Net Securities Income	167	-	167	179	-	179
Class Action Settlements	-	-	-	16	-	16
Commission Recapture	9	-	9	3	-	3
Miscellaneous Income	206	474	680	165	416	581
Total Miscellaneous Income	215	474	689	184	416	600
TOTAL ADDITIONS	\$ 127,422	\$ 9,884	\$ 137,306	\$ 1,008,321	\$ 23,107	\$ 1,031,428
DEDUCTIONS						
Benefits Paid	213,237	9,259	222,496	204,081	9,250	213,331
Member Withdrawals	2,079	-	2,079	1,578	-	1,578
Administrative Expense	6,162	476	6,638	5,695	224	5,919
TOTAL DEDUCTIONS	\$ 221,478	\$ 9,735	\$ 231,213	\$ 211,354	\$ 9,474	\$ 220,828
Changes in Net Position	(94,056)	149	(93,907)	796,967	13,633	810,600
NET POSITION RESTRICTED FOR BENEFITS						
Beginning of Year	3,990,899	46,469	4,037,368	3,193,932	32,836	3,226,768
Net Increase/(Decrease) in Net Position	(94,056)	149	(93,907)	796,967	13,633	810,600
END OF YEAR	\$ 3,896,843	\$ 46,618	\$ 3,943,461	\$ 3,990,899	\$ 46,469	\$ 4,037,368

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 contracted agencies 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 contracted agencies. 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

Plan Sponsors

SBCERS operates as a cost-sharing multiple-plan sponsor defined benefit pension plan for the County, Santa Barbara County Superior Court and ten special purpose governments. The following is a list of the ten special purpose government sponsors:

- 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 Maria Cemetery District
- Summerland Sanitary District

Plan Membership

The System has 11 retirement plans, of which five plans are currently available to new full-time permanent employees, new employees with reciprocity 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. 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 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 special purpose government general members 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 based upon negotiated bargaining unit Memoranda of Understanding and on age of entry into membership subject to the provisions of the CERL or PEPRA. 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

	2022	2021
Members Now Receiving Benefits		
Service Retirement	4,139	4,002
Disability Retirement	285	285
Beneficiaries and Survivors	651	619
Subtotal	5,075	4,906
Active Members		
Active Vested	3,049	3,122
Active Non-Vested	1,230	1,199
Subtotal	4,279	4,321
Deferred Vested and Inactive Members	1,784	1,694
Total Members	11,138	10,921

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 plan sponsor'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 PEPRAs 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. The fiduciary net position as a percentage of total pension liability of the Plan was 83.96%. The net pension liability as of June 30, 2022 was determined using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2021.

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 plan sponsor 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 plan sponsor 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, 2021, 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 plan sponsor. 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, telecommunications, 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 plan sponsor 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, 2022, 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, 2022

Dollars in thousands

	<u>County Treasury</u>	<u>BNY Mellon</u>
Cash Held for Pension Benefits	\$ 27,859	\$ -
Cash Held for OPEB Benefits	5,661	-
Short-term Investments for Pension Benefits	-	53,503
Short-term Investments for OPEB Benefits	-	-
<i>Total by custodian</i>	<u>\$ 33,520</u>	<u>\$ 53,503</u>
Total Deposits and Short-Term Investments	<u><u>\$ 87,023</u></u>	

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, 2022, 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, 2022.

SBCERS' SUMMARY OF PENSION AND OPEB INVESTMENTS

Dollars in thousands

	<u>2022</u>
Pension Plan Investments at Fair Value	
Domestic Equity	\$ 647,513
Developed Market Non-US Equity	340,188
Emerging Market Equity	247,858
Core Fixed Income	605,500
Non-Core Fixed Income	253,408
Real Assets / Real Return	617,703
Private Equity	536,429
Real Estate	450,076
Private Credit	116,140
Collateral Held for Securities Lending	27,506
Total Pension Plan Investments at Fair Value	\$ 3,842,321
OPEB Plan Investments at Fair Value	
Domestic Equity	\$ 23,785
Core Fixed Income	16,313
Total OPEB Plan Investments at Fair Value	\$ 40,098
Total All Plans	\$ 3,882,419

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, 2022	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	\$ 291,254	\$ 291,254	\$ -	\$ -
International Equity	307,253	307,236	-	17
Total Equity	\$ 598,507	\$ 598,490	\$ -	\$ 17
Fixed Income Securities				
Asset Backed Securities	\$ 786	-	\$ 786	-
Corporates and Other Credits	123,328	7,322	114,224	1,782
Government Securities	236,149	186,900	49,249	-
Other	34	34	-	-
Total Fixed Income Securities	\$ 360,297	\$ 194,256	\$ 164,259	\$ 1,782
Real Estate				
Real Estate Investment Trusts (REITs)	\$ 22,581	\$ 22,581	-	-
Total Real Estate	\$ 22,581	\$ 22,581	\$ -	\$ -
Securities Lending	\$ 27,506	-	\$ 27,506	-
Total Pension Investments Measured at Fair Value	\$ 1,008,891	\$ 815,327	\$ 191,765	\$ 1,799
<i>Pension Investments Measured at Net Asset Value (NAV)</i>				
Commingled Funds	\$ 1,350,171			
Real Estate Funds	450,076			
Private Equity Funds	536,429			
Private Credit	116,140			
Private Real Asset Funds	380,614			
Total Pension Investments Measured at NAV	\$ 2,833,430			
TOTAL PENSION INVESTMENTS	\$ 3,842,321			
<i>Pension Investment Derivative Instruments</i>				
Forward Contracts	\$ 3,472	-	-	\$ 3,472
Futures	(59)	-	-	(59)
Participation Certificate	3,596	-	-	3,596
Total Pension Investment Derivative Instruments	\$ 7,009	\$ -	\$ -	\$ 7,009
<i>OPEB Trust Investments Measured at Net Asset Value (NAV)</i>				
Equity Commingled Funds	\$ 23,785			
Debt Commingled Funds	16,313			
Total OPEB Trust Investments Measured at NAV	\$ 40,098			

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, 2022	Unfunded Commitments	Redemption Frequency	Notice
<i>Pension Investments</i>				
Commingled Funds ⁽¹⁾	\$ 1,350,171	\$ -	Daily to Monthly	Daily to 90 Days
Private Real Estate Funds ⁽²⁾	450,076	150,690	Quarterly, Annually or Not Redeemable	Daily to 90 Days
Private Equity Funds ⁽³⁾	536,429	287,027	Not Redeemable	
Private Credit Funds ⁽⁴⁾	116,140	33,026	Annually, Tri-Annually or Not Redeemable	90 Days
Real Asset Funds ⁽⁵⁾	380,614	276,890	Not Redeemable	
Total Pension Investments Measured at Net Asset Value	\$ 2,833,430			
Total Pension Unfunded Commitments		\$ 747,633		
<i>OPEB Trust Investments</i>				
Equity Commingled Funds	\$ 23,785	\$ -		
Debt Commingled Funds	16,313	-		
Total OPEB Trust Investments Measured at Net Asset Value	\$ 40,098			
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, 2022. 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, 2022, this investment type consists of 41 limited partnership investments ranging in commitment sizes from \$4.5 million to \$30 million. The remaining commitments outstanding on these funds as of June 30, 2022 are \$150.7 million.

Robin Hill Road, LLC 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, 2022, this investment type consists of 94 limited partnership investments ranging in commitment size from approximately \$2 million to \$30 million with \$287.0 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, 2022, this investment type consists of seven limited partnership investments ranging in commitment sizes from approximately \$20 million to \$25 million. The remaining commitments outstanding on these funds as of June 30, 2022 are \$33.0 million. 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, 2022, these investment type of funds consists of 44 limited partnership investments ranging in commitment sizes from approximately \$5 million to \$30 million. The remaining commitments outstanding on these funds as of June 30, 2022 are \$276.9 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

Dollars in thousands

S & P Rating	Treasurer			Total	%
	Investment Pool	Domestic Fixed Income	International Fixed Income		
AAA	\$ 67	\$ -	\$ 270	\$ 337	0.1%
AA+	-	235,122	-	235,122	62.4%
AA	30,805	-	-	30,805	8.2%
AA-	-	-	-	-	0.0%
A+	-	-	23	23	0.0%
A	-	-	-	-	0.0%
A-	-	48,715	-	48,715	12.9%
BBB+	-	30,095	835	30,929	8.2%
BBB	-	905	166	1,070	0.3%
BBB-	-	5,516	3,643	9,159	2.4%
BB+	-	1,770	1,399	3,170	0.8%
BB	-	2,562	384	2,946	0.8%
BB-	-	3,080	931	4,012	1.1%
B+	-	1,805	654	2,459	0.7%
B	-	1,748	153	1,901	0.5%
B-	-	931	750	1,681	0.4%
CCC+	-	154	-	154	0.0%
CCC	-	-	-	-	0.0%
CCC-	-	-	-	-	0.0%
CC	-	179	-	179	0.0%
C	-	-	-	-	0.0%
NR	2,648	529	884	4,061	1.1%
Totals	\$ 33,520	\$ 333,111	\$ 10,092	\$ 376,723	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, 2022, 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, 2022, 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, 2022. 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, 2022, the fair value of securities on loan was \$34.7 million and the value of collateral received for the securities on loan was \$37.1 million, of which \$9.6 million was non-cash collateral and \$27.5 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 \$167 thousand for the fiscal year ending June 30, 2022.

SBCERS' SECURITIES LENDING PROGRAM

Dollars in thousands

Securities on Loan	Fair Value of Securities on Loan	Collateral Received	Collateral Percent
Domestic Equities	\$ 17,927	\$ 18,389	
International Equities	3,562	4,297	
Domestic Corporate Fixed Income	869	905	
International Fixed Income	384	414	
US Government Debt	3,461	3,502	
<i>Total Cash</i>	<i>26,203</i>	<i>27,506</i>	
<i>Total Non-Cash</i>	<i>8,487</i>	<i>9,620</i>	
Total Securities on Loan	\$ 34,690	\$ 37,127	107%

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

Currency	Cash	Equity	Fixed Income	Total Fair Value
Australian Dollar	\$ -	\$ 13,021	\$ -	\$ 13,021
Brazilian Real	(9)	10,390	270	10,651
Canadian Dollar	(20)	19,850	560	20,389
Chilean Peso	-	1,554	-	1,554
Chinese Yuan Renminbi	-	14,078	-	14,078
Colombian Peso	-	76	504	581
Czech Koruna	-	172	-	172
Danish Krone	-	3,575	-	3,575
Euro	1,194	101,625	181	103,001
Hong Kong Dollar	9	61,697	-	61,706
Hungarian Forint	-	294	-	294
Indian Rupee	-	39,393	-	39,393
Indonesian Rupiah	-	6,822	141	6,964
Israeli Shekel	8	672	-	679
Japanese Yen	84	40,221	-	40,305
Malaysian Ringgit	-	2,495	293	2,788
Mexican Peso	-	3,658	539	4,197
New Taiwan Dollar	-	39,924	16	39,940
New Zealand Dollar	6	561	-	567
Norwegian Krone	-	1,361	-	1,361
Peruvian Nuevo Sol	-	-	185	185
Philippines Peso	-	3,361	-	3,361
Polish Zloty	-	982	-	982
Qatari Riyal	-	674	-	674
Saudi Riyal	-	4,289	-	4,289
Singapore Dollar	1	5,981	512	6,494
South African Rand	0	9,901	-	9,901
South Korean Won	-	28,191	926	29,117
Swedish Krona	-	5,755	-	5,755
Swiss Franc	(0)	23,896	-	23,896
Thai Baht	-	4,692	-	4,692
Turkish Lira	-	2,780	-	2,780
United Arab Emirates Dirham	-	996	-	996
United Kingdom Pound Sterling	(491)	46,759	325	46,594
Total Securities Held in Foreign Currency	\$ 782	\$ 499,696	\$ 4,452	\$ 504,932

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, 2022, SBCERS’ derivatives investments were in Forward Contracts, Futures, and Participation Certificates. Investments in commingled funds may provide added exposure to derivatives.

Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

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>
Forward Contracts	\$ -	\$ -
Futures	55,681	50,759
Participation Certificates	2,268	2,268
Total	\$ 57,949	\$ 53,027

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, 2022. 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, 2022, SBCERS' has a net exposure to derivative credit risk of \$53.0 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	-	50,759	2,268	53,027
Total Fair Value	\$ -	\$ 50,759	\$ 2,268	\$ 53,027

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, 2022, 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.

DERIVATIVE FOREIGN CURRENCY RISK SCHEDULE

Dollars in thousands

<u>Currency</u>	<u>Forwards</u>
Denmark Krone	\$ 40
Euro Currency Unit	1,797
Israel New Shekel	1,510
Norway Croner	438
Pound Sterling	2,430
Sweden Krona	1,099
Switzerland Franc	631
Australian Dollar	2,175
Japanese Yen	43
New Zealand Dollar	15
Singapore Dollar	206
Total	\$ 10,384

5. PENSION PLAN RESERVES

The reserves represent the components of SBCERS' fiduciary net position. Reserves are established from member and plan sponsor 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 Plan Sponsor Advance Reserve, along with interest earnings. Benefit payments to retired members, beneficiaries and survivors reduce this reserve.

Plan Sponsor Advance Reserve

Consists of plan sponsor contributions for future retirement payments to current active members and deferred members. Additions to this reserve include plan sponsor 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 Plan Sponsor Advance Reserve because the plan sponsor 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, 2022</u>
Member Deposit Reserve	\$ 271,862
Retired Member Reserve	3,360,100
Plan Sponsor Advance Reserve	1,238,872
Contra Tracking Account	<u>(973,991)</u>
Net Position Restricted for Pension Benefits	\$ <u>3,896,843</u>

6. PENSION PLAN CONTRIBUTIONS

Funding Objective

The funding for retirement benefits comes from member contributions, plan sponsor 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 participating plan sponsor 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, 2022, the annual money-weighted rate of return on Plan investments, net of Plan investment expense was -1.78%. 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, 2022

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Broad US Equity	19%	3.30%
Dev'd Markets Non-US Equity	11%	5.00%
Emerging Markets Equity	7%	7.75%
Core Fixed Income	17%	0.00%
Custom Non-Core Fixed Income ¹	11%	3.13%
Custom Real Return	15%	3.73%
Custom Real Estate	10%	4.50%
Private Equity	10%	6.50%
Cash	0%	-1.00%
Total	100%	

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, 2022. 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 Plan sponsor 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 the employees assuming a share of the Plan Sponsor’s contributions. The estimated impact of the cost sharing arrangements were to reduce the Plan Sponsor’s composite cost by 1.96% for the fiscal year ended June 30, 2022. 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 PEPRAs plans.

Plan Sponsor Contribution Policy

Plan sponsor 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 plan sponsor 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, 2022, were implemented using the June 30, 2020 actuarial valuation. For the June 30, 2020 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.

For certain bargaining units and plans, a portion of the member contribution is paid by the plan sponsor.

Contribution Rates

The following schedule summarizes the contribution rates in effect for the fiscal year ended June 30, 2022. 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, 2022, were in accordance with actuarially determined contributions for the year. The actuarially determined employer contribution rate was 43.36% of payroll, 41.40% net of employee cost-sharing. The actuarially determined employee contribution rate was 7.24%. For the fiscal year ended June 30, 2022, covered payroll was \$395.2 million.

MEMBER CONTRIBUTION RATES

<u>Member Classification</u>	<u>Plan Sponsor Rates</u>	<u>Member Rates</u>
General Members	9.63% - 41.05%	2.43% - 12.23%
Safety Members	49.35% - 69.34%	5.38% - 19.30%
APCD Members	45.77% - 54.07%	3.53% - 12.88%

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

FISCAL YEAR CONTRIBUTIONS BY PLAN

Dollars in thousands

		<u>2022</u>
General Plan 2	Employer contributions	\$ 90
General Plans 5, 7 & 8	Employer contributions	100,016
	Member contributions	22,060
Safety Plans 4, 6 & 8	Employer contributions	59,521
	Member contributions	14,274
APCD Plans 1, 2 & 8	Employer contributions	1,761
	Member contributions	230
Total		\$ <u>197,952</u>

FISCAL YEAR CONTRIBUTIONS BY PLAN SPONSOR

Dollars in thousands

Employer Contributions	<u>2022</u>	
Santa Barbara County	\$ 149,819	92.8%
Santa Barbara County Superior Court	5,859	3.7%
APCD	1,761	1.1%
Special Districts	3,949	2.4%
Total Employer Contributions	\$ 161,388	100.0%
Member Contributions	<u>2022</u>	
Santa Barbara County	\$ 34,279	93.8%
Santa Barbara County Superior Court	1,300	3.5%
APCD	230	0.6%
Special Districts	755	2.1%
Total Member Contributions	\$ 36,564	100.0%
Total Contributions	\$ <u>197,952</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, 2022, are presented on the following page:

SCHEDULE OF NET PENSION LIABILITY

Dollars in thousands

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

SUMMARY OF ACTUARIAL INFORMATION

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
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
Asset Valuation Method	Fair Value of Assets

Summary of Valuation Assumptions¹

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
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 1.90% 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 Projection Scale MP-2019, 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 Projection Scale MP-2019, without adjustment. Safety active members are also subject to the 2014 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational improvement using Projection Scale MP-2019 from a base year of 2009. 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 Projection Scale MP-2019. Mortality rates for Safety annuitants are based the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019.</p> <p><i>Disabled lives:</i> Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment</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 1.90%.

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, 2022</i>	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 5,286,818	\$ 4,641,200	\$ 4,113,021
Less: Fiduciary Net Position	(3,896,843)	(3,896,843)	(3,896,843)
Net Pension Liability	\$ 1,389,975	\$ 744,357	\$ 216,178

Fiduciary Net Position as a Percentage of Total Pension Liability	73.71%	83.96%	94.74%
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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 other plan sponsors (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 plan sponsors currently operate under the Voluntary Compliance Plan Statement and regulations adopted in 2013.

OPEB Plan Sponsors

- 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, 2022, 100% of eligible SBCERS' retirees participated in the OPEB program. The membership status demographics as of the June 30, 2021 valuation report are shown below:

Inactive plan members or beneficiaries currently receiving benefit payments	4,601
Inactive plan members entitled to but not yet receiving benefit payments	891
Active plan members/active employees	2,341
Total	7,833

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 plan sponsor qualified health plans are eligible to receive an explicit subsidy for medical premiums funded by the County and other plan sponsors. 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 plan sponsor 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, 2022.

OPEB HEALTH CARE BENEFITS		
<i>Dollars in thousands</i>		
	<i>Benefits</i>	<i>Enrollees</i>
Health premium subsidy	\$ 7,196	1,589
Healthcare Reimbursement Arrangement	2,063	3,169
Total	\$ 9,259	4,758

OPEB Funding Policy – Contributions

All OPEB Plan Sponsors 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 plan sponsors 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 ceased pre-funding 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, 2022, the annual money-weighted rate of return on investments was -12.4%. Investment fees are presented in financial statements separately for informational purposes. The fees are allocated to the plan sponsors and included in the administrative expense reimbursement paid by plan sponsors, 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, 2022 and the TOL as of the valuation date, June 30, 2021, updated to the measurement date, June 30, 2022. The components of the OPEB Plan’s net OPEB liability on June 30, 2022, are in the schedule on the following page.

SCHEDULE OF NET OPEB LIABILITY

In thousands

	<u>June 30, 2022</u>
Total OPEB Liability (TOL)	\$ 139,500
Less: Fiduciary Net Position	<u>(46,775)</u>
Net OPEB Liability	\$ <u>92,725</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	 33.53%

OPEB Actuarial Valuation and GASB 74 Reporting

SBCERS' OPEB Plan's actuarial valuation was conducted by Cheiron, Inc. as of June 30, 2021 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, 2022 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, 2022 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, 2021
OPEB Measurement Date	June 30, 2022
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.

Economic Assumptions

Expected Return on Trust Assets	7.00%
Payroll Growth Rate	3.00%
Per Person Cost Trends	N/A

Actuarial Valuation Assumptions

Valuation Discount Rates	7.00%, Santa Barbara County, Courts, and APCD 2.16%, All others
Ultimate Rate of Medical Inflation	N/A
Post-Retirement Benefit Increases	None
Plan Election	40% of future retirees select health subsidy of \$15 per year of service, 60% select the cash benefit of \$4 per year of service
Payment Form Election	<p><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.</p> <p><i>Medicare-Eligible Retirees:</i> Assumed 55% of future retirees will select a monthly subsidy for employer health plan benefits of \$15 per year of service, while 45% select the \$4 cash benefit option.</p>

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, 2022. 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

Dollars in thousands

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	\$ 154,687	\$ 139,500	\$ 126,681
Less: Plan Fiduciary Net Position	(46,775)	(46,775)	(46,775)
Net OPEB Liability	<u>\$ 107,912</u>	<u>\$ 92,725</u>	<u>\$ 79,906</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	30.24%	33.53%	36.92%

Amounts do not agree to Financial Statements due to Cheiron not including fund transfers.

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, 2022, 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, 2022 was \$9.0 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, 2022 was \$6.2 million, of which \$5.1 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>2022</u>
Employee Salaries and Benefits (Non-Investment)	\$ 3,524
Legal Costs	499
Operating Expenses	860
Other Professional Services	<u>264</u>
Total Expense Subject to Statutory Limitation	\$ <u>5,147</u>
Expense Not Subject to Statutory Limitation	
Actuarial Costs	\$ 145
Information Technology	631
Investment Team Salaries	237
Investment Travel	<u>2</u>
Total Expense Not Subject to Statutory Limitation	\$ <u>1,015</u>
Total Pension Administrative Expense	\$ <u>6,162</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.

On September 23, 2020, the Board approved a written agreement with Frank Schipper Construction Company for Pre-Construction Services on the Robin Hill Road building in an amount not to exceed \$6.3 million. The capital improvement project is to upgrade and modernize the main building envelope, creation of a new lobby, elevator tower, increasing parking and adding solar power generation. Improvements to Americans with Disabilities Act (ADA) compliance are also being made. Since the initial contract issuance, planning for interior portions of the building were completed and other change orders were identified, the contract was increased to \$10.82 million as of June 30, 2022. As of June 30, 2022, the contract had a remaining balance of \$1.6 million. The construction project was substantially completed in November 2023 at which time SBCERS occupied its new offices at the location. Remaining work on the building includes work on exterior siding, HVAC systems and the Board of Retirement meeting room. Certain portions of the project have not been accepted by SBCERS and are currently being repaired or improved by the contractor. The building is held in an LLC and carried as an asset of the investment pool at Fair Value. SBCERS makes lease payments to the LLC for the portion of the building that it occupies.

11. SUBSEQUENT EVENTS

Management has reviewed subsequent events up to the date of the Independent Auditor's Report of December 27, 2022, and reports that on November 18, 2022, a petition for a writ of mandate was filed in the Santa Barbara Superior Court seeking to set aside and vacate SBCERS Board of Retirement determination 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 recent California State Supreme Court rulings in Alameda County Sheriffs' Assoc. v. Alameda County Retirement Assoc. (the "Alameda Decision").

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION – PENSION

CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Dollars in thousands

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

¹ Schedule is intended to show information for ten years. Fiscal year 2014 was the first year of implementation. Additional years' information will be displayed as it becomes available.

² In 2018, amounts reported as changes in assumptions resulted from a change in the assumed benefit payment timing.

³ June 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 GASB 67/68 report.

⁴ Amounts may differ from June 30, 2019 GASB 67/68 Report due to rounding.

⁵ Covered payroll represents payroll in which contributions to the pension plan are based.

EMPLOYER PENSION CONTRIBUTION HISTORY

Dollars in thousands

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 161,388	\$ 150,093	\$ 141,585	\$ 133,708	\$ 131,374
Contributions in Relation to the Actuarially Determined Contribution	<u>161,388</u>	<u>150,093</u>	<u>141,585</u>	<u>133,708</u>	<u>131,374</u>
Contribution Deficiency/(Excess)	\$ <u>-</u>				
Covered Payroll ¹	\$ 395,157	\$ 387,644	\$ 373,129	\$ 355,417	\$ 344,512
Contributions as a Percentage of Covered Payroll	40.84%	38.72%	37.95%	37.62%	38.13%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$ 121,991	\$ 122,748	\$ 123,612	\$ 119,228	\$ 110,583
Contributions in Relation to the Actuarially Determined Contribution	<u>121,991</u>	<u>122,748</u>	<u>123,612</u>	<u>119,228</u>	<u>110,583</u>
Contribution Deficiency/(Excess)	\$ <u>-</u>				
Covered Payroll ¹	\$ 341,098	\$ 328,935	\$ 319,547	\$ 307,422	\$ 302,708
Contributions as a Percentage of Covered Payroll	35.76%	37.32%	38.68%	38.78%	36.53%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	0.28%	25.20%	-0.10%	7.74%	7.80%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Annual Money-Weighted Rate of Return, Net of Investment Expenses	10.49%	1.38%	0.42%	15.20%	

Schedule is intended to show information for ten years. Fiscal year 2014 was the first year of implementation. Additional information will be displayed as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

Key Methods and Assumptions Used to Determine Contribution Rates

Valuation Date Used for Contributions	June 30, 2020
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	Fair Value
Amortization method	Effective with the June 30, 2013 actuarial valuation, the Unfunded Actuarial Liability (UAL) was amortized over a closed 17-year period as a level percentage of payroll, except for the additional UAL attributable to the creation of Safety Plan 6, which is amortized over a separate closed period (9 years remaining as of June 30, 2019). Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumptions changes, or method changes are 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 the period, and ten 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 Safety 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>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	-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, 2021. 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, 2021
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, 2.16% for all others
Ultimate rate of medical inflation	N/A
<i>Funding</i>	
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>Mortality</i>	
<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 Projection Scale MP-2019, 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 Projection Scale MP-2019, without adjustment. Safety active members are also subject to the 2014 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational mortality improvements projected from 2009 using Projection Scale MP-2019, without adjustment. 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 Projection Scale MP-2019. Mortality rates for Safety annuitants are based the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019.</p> <p><i>Disabled Lives:</i> Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2016 from a base year of 2009.</p>	

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION – PENSION

SCHEDULE OF ADMINISTRATION EXPENSE – PENSION

Dollars in thousands

	<u>2022</u>
Personnel Services	
Salaries and Employee Benefits	\$ 3,761
Total Personnel Services	\$ 3,761
Professional Services	
Actuarial Costs	\$ 144
Legal Costs	499
Computer Software Services and Support	578
County Cost Allocation	23
Disability Fees	162
External Audit Fees	60
Other Professional Services	18
Total Professional Services	\$ 1,484
Communication	
Postage	\$ 52
Telecommunication	51
Training	2
Transportation and Travel	99
Total Communication	\$ 204
Rents / Leases / Structures	
Rents/Leases/Structure	\$ 163
Building Maintenance	-
Total Rents / Leases / Structures	\$ 163
Miscellaneous	
Computer Equipment and Supplies	\$ 54
Other Office Expenses	98
Insurance	398
Total Miscellaneous	\$ 550
Total Administrative Expense	\$ 6,162

SCHEDULE OF PENSION INVESTMENT EXPENSE

Dollars in thousands

	<u>2022</u>
Investment Activity	
Stock Managers	
<i>Domestic</i>	\$ 679
<i>International</i>	2,584
Bond Managers	
<i>Domestic</i>	1,100
<i>International</i>	750
Private Credit	7,296
Private Equity	559
Real Assets	4,022
Real Estate	4,957
Total from Investment Activity	\$ 21,947
Other Investment Expense	
Investment Consultants	\$ 1,497
Custodian	1,556
Total Other Investment Expense	\$ 3,053
Total Investment Activity and Other Investment Expense	\$ 25,000

SCHEDULE OF CONSULTANT PAYMENTS – PENSION

Dollars in thousands

	<u>2022</u>
Payments to Consultants	
Actuarial Services	\$ 144
Audit Services	60
Legal Services	499
Total Payments to Consultants	\$ 703

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>2022</u>
Salaries and Employee Benefits	\$ 206
Professional Services	86
HRA Administrative Fees	185
Fund Transfers	-
Total Administrative Expense	\$ <u>477</u>

INVESTMENT

MEMORANDUM FROM RVK, INC.



Memorandum

To	Retirement Board
From	RVK, Inc.
Subject	2022 Annual Comprehensive Financial Report ("ACFR")
Date	November 28, 2022

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, 2022.

Economic Overview

The 2022 fiscal year (July 1, 2021 to June 30, 2022) witnessed a slowdown in the economic recovery resulting from a surge in COVID-19 infections and historically high inflation. The surge of infections, and resulting return to cautionary behaviors in developed markets, maintained the trend of consumers focusing on goods, rather than services and experiences, straining global supply chains and raising prices. Despite the economic slowdown, 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, increased 9.1% year-over-year, measured at the end of the second quarter of 2022. Budding inflationary trends were exacerbated in late February and early March 2022 when the Russian Federation launched a full-scale military invasion of neighboring Ukraine. Russia is the world's largest exporter of natural gas, the second-largest exporter of crude oil, as well as an important global source of industrial metals and agricultural products.

Due to the changing economic conditions, the "dot plot" issued by the Federal Open Market Committee (FOMC) indicated an increase from the December estimate of three interest rate hikes in 2022 to seven at their March meeting. Markets reacted negatively to the more aggressive stance from the FOMC. Combined with the invasion in Ukraine, most equity indices returned negative double-digits from the start of the year through June 30th.

Capital Markets Overview

For the complete fiscal year, U.S. equities outperformed their non-U.S. counterparts with the Russell 3000 Index returning -13.9%. By capitalization, large cap outperformed small cap as the Russell 1000 Index returned -13.1%, while the Russell 2000 returned -25.2%. Developed non-U.S. equity markets ended the year with double digit negative returns as well, as measured by the MSCI Europe Asia Far East ("EAFE") Index, which returned -17.8% while emerging markets returned -25.3% as measured by the MSCI Emerging Market ("EM") Index. This challenging environment for equity markets was a sharp reversal from the prior fiscal year in which the MSCI All Country World Index returned a positive 39.3%.

RVK - 1



Rising interest rates during the second half of the fiscal year posed significant headwinds for traditional fixed income. In the U.S. fixed income posted negative returns for the year, as the Bloomberg U.S. Aggregate Bond Index fell by -10.3%. Non-investment grade and inflation-linked bonds fared better than traditional investment grade government and corporate bonds, as floating rate loans (Bank Loans) returned -2.8% as measured by the S&P/LSTA Leveraged Loan Index and Treasury Inflation-Protected Securities (TIPS) returned -5.1% as measured by the Bloomberg US Tres: US TIPS Index. Supply chain shortages in natural gas and oil related to Russia's invasion of Ukraine created significant upward pressure on energy prices, contributing to returns of 24.3% for commodities and 9.0% among midstream energy companies as represented by the Bloomberg Commodity Index and the S&P MLP Index, respectively.

Plan Updates and Positioning

The market value of the System's investments decreased from \$3.90 billion to \$3.88 billion in the year ending June 30, 2022. 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 0.28% and the System's three-year annualized return was 7.8%. The five-year annualized return for the System was 7.8% and the System's ten-year annualized return was 7.4%¹.

At the end of the fiscal year 2022, all asset classes were within their policy-prescribed target ranges.

During the fiscal year, the Board, Staff, and RVK, Inc. ("RVK") conducted a review of SBCERS' Core Fixed Income structure including evaluating the current manager lineup focusing on diversification, risk characteristics, performance, and fees. The process resulted in the termination of SBCERS' passive mandate which was completed in July 2022, after fiscal year-end. During the third fiscal quarter of 2022, the Board reviewed the strategic goals for SBCERS' Private Credit ("PC") 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 the Board's consultants also completed a review of the Board's Investment Policy Statement ("IPS") including a review of the addition of guidelines for SBCERS' Private Credit Portfolio. Following a review by the Board's Operations Committee, a revised IPS was presented to the Board and approved in March. The Board, Staff, and RVK will continue to monitor the portfolio, addressing any enhancements aimed at improving potential return and/or diversification.

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.

¹ Client specific returns are shown net of fees.



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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rebecca Gratsinger", written in a cursive style.

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.

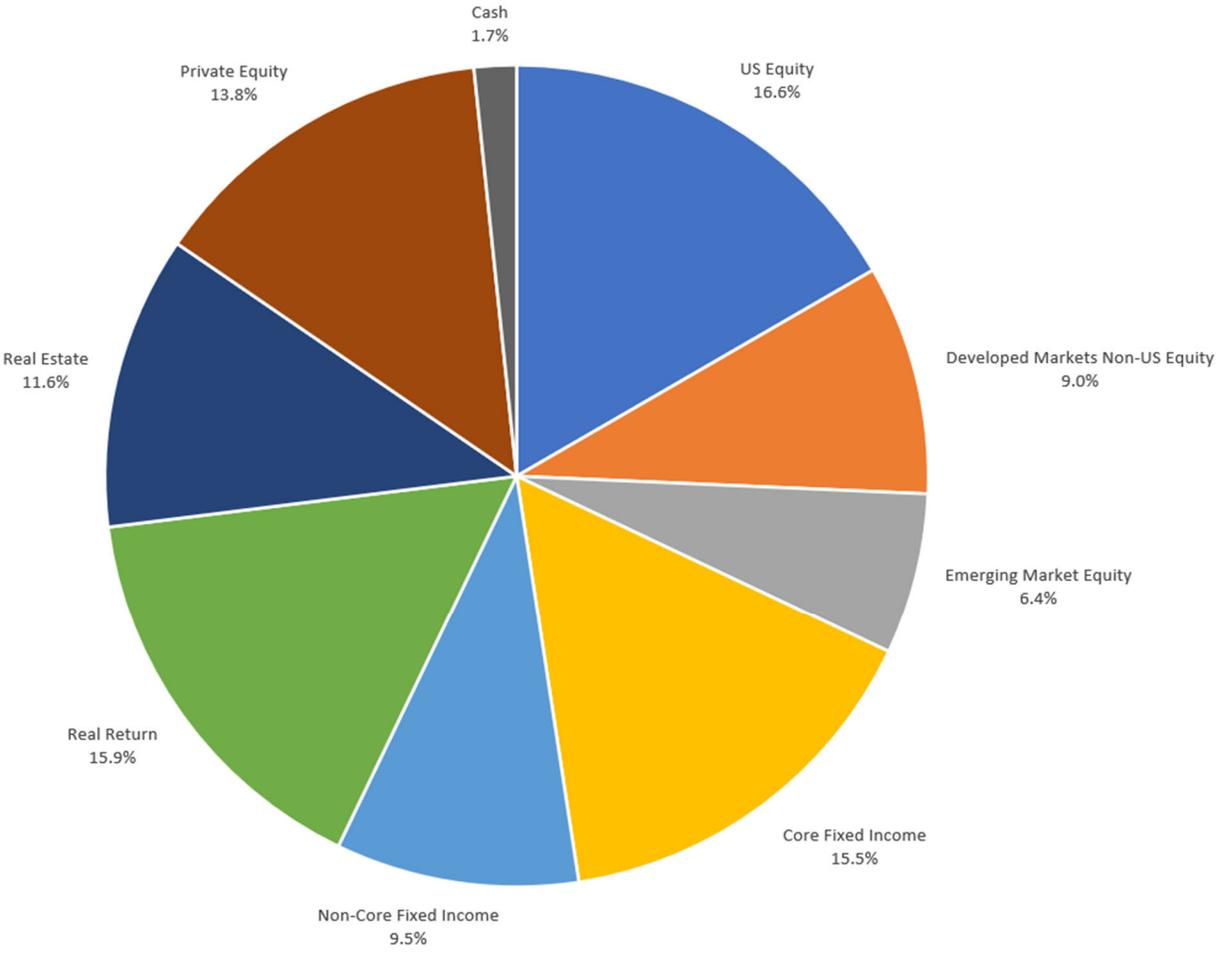
INVESTMENT SUMMARY – PENSION

Dollars in thousands

	<i>Fair Value</i> <i>June 30, 2022</i>	<i>Percent of Total</i> <i>Fair Value</i>
<i>Cash and Short-Term Investments</i>		
Treasurer's Cash	\$ 27,859	0.71%
Short-Term Investments	53,503	1.36%
Total Cash and Short-Term Investments	\$ 81,362	2.07%
<i>Fixed Income</i>		
Core Fixed Income	\$ 605,500	15.43%
Non-Core Fixed Income	253,408	6.46%
Total Fixed Income	\$ 858,908	21.89%
<i>Equity</i>		
US Equity	\$ 647,513	16.50%
Developed Markets Non-US Equity	340,188	8.67%
Emerging Market Equity	247,858	6.32%
Total Equity	\$ 1,235,559	31.49%
<i>Alternatives</i>		
Private Equity	\$ 536,429	13.67%
Private Credit	116,140	2.96%
Private Real Estate	450,076	11.47%
Real Return	617,703	15.74%
Total Alternatives	\$ 1,720,348	43.84%
Total Pension Cash & Investments	\$ 3,896,177	99.29%
Collateral Held for Securities Lending	\$ 27,506	0.71%
Grand Total	\$ 3,923,683	100%

ACTUAL ASSET ALLOCATION

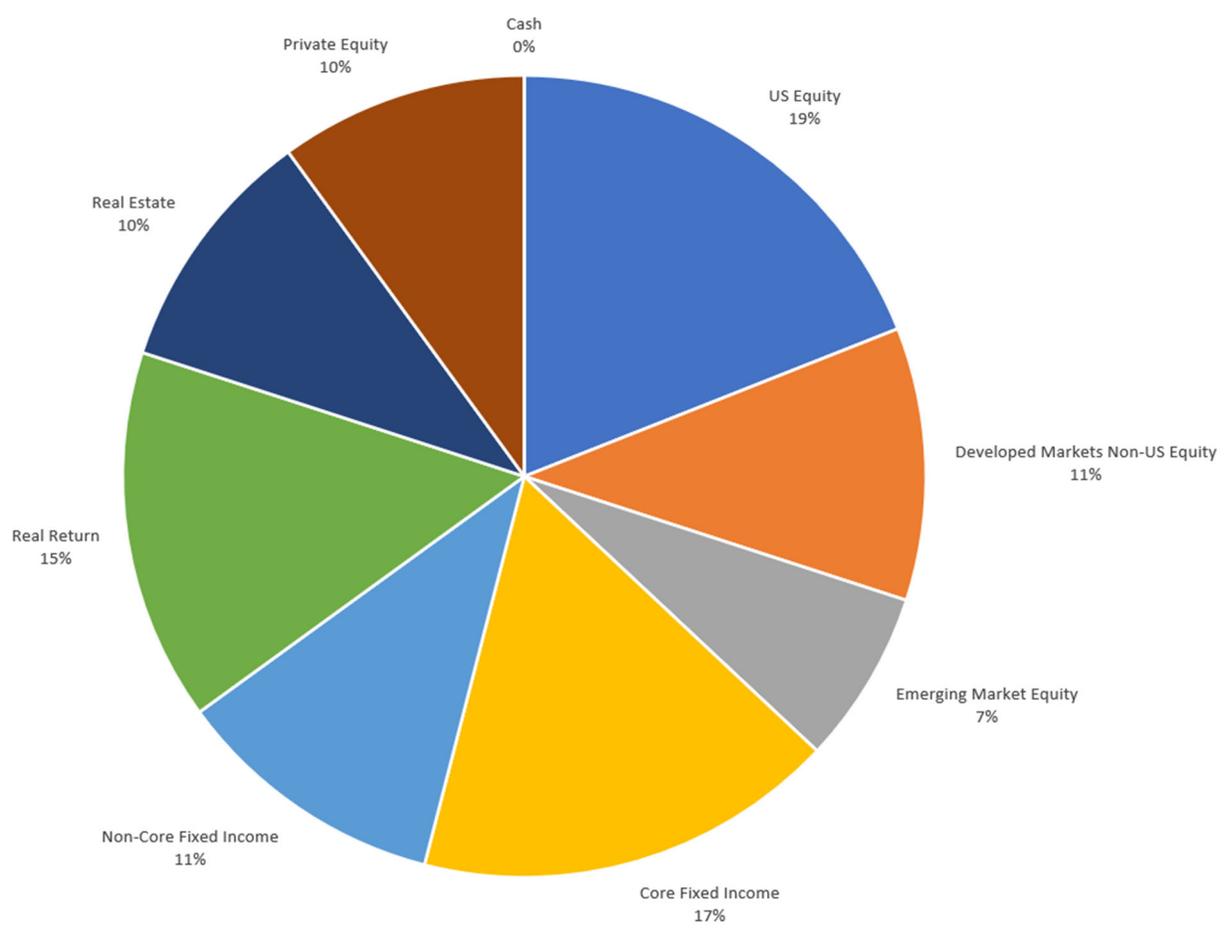
Current Allocation



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, 2022

<i>Investments</i>	<i>Current Year</i>	<i>Annualized</i>	
		<i>3- year</i>	<i>5-year</i>
U.S. Equity	-11.24%	10.01%	11.30%
Russell 3000 Benchmark	-13.87%	9.77%	10.60%
Developed Markets Non-U.S. Equity	-17.41%	0.34%	1.78%
MSCI EAFE	-17.77%	1.07%	2.20%
Emerging Markets Equity	-16.84%	1.03%	2.92%
MSCI Emerging Markets	-25.28%	0.57%	2.18%
Core Fixed Income Composite	-10.15%	-0.52%	1.43%
Bloomberg US Agg Bond Index	-10.29%	-0.94%	0.88%
Non-Core Fixed Income Composite	-6.02%	0.62%	1.51%
Custom Non-Core Fixed Income Benchmark	-8.81%	0.09%	1.87%
Real Return Composite	12.55%	8.87%	7.34%
Consumer Price Index+4%	13.42%	9.17%	8.03%
Real Estate Composite	36.10%	16.39%	14.15%
NCREIF ODCE - Index (AWA) (Net) (1-Quarter Lagged)	27.26%	10.30%	8.90%
Private Equity Composite	27.41%	25.27%	20.91%
Russel 3000 Index+3% (1 Qtr Lag)	15.28%	21.79%	18.86%
Cash	0.02%	1.25%	1.19%
FTSE T-Bill - 3 Month	0.08%	1.31%	1.14%
Total Fund	0.28%	7.84%	7.81%
<i>SBCERS Policy Benchmark</i>	<i>-3.59%</i>	<i>6.88%</i>	<i>7.14%</i>

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, 2022

<i>Shares</i>	<i>Security Name</i>	<i>Description</i>	<i>Fair Value</i>
106,266	APPLE INC	COMPUTERS	\$ 14,528,688
52,680	MICROSOFT CORP	SOFTWARE	13,529,804
76,113	AMAZON.COM INC	INTERNET	8,083,962
3,316	ALPHABET INC	INTERNET	7,253,584
3,307	ALPHABET INC	INTERNET	7,206,813
242,004	SHELL PLC	INTEGRATED OIL & GAS - UK	6,271,864
51,085	NESTLE SA	FOOD PROCESSING	5,946,532
78,337	BROWN-FORMAN CORP	BEVERAGES	5,298,715
810,458	SIRIUS XM HOLDINGS INC	MEDIA	4,968,108
16,211	LINDE PLC	CHEMICALS	4,642,847

SCHEDULE OF TOP TEN BOND HOLDINGS

As of June 30, 2022

<i>Par</i>	<i>Security Name</i>	<i>Fair Value</i>
\$ 57,920,000	U S TREASURY NOTE 1.500% 02/15/2030 DD 02/15/20	\$ 52,125,683
28,220,000	U S TREASURY NOTE 2.250% 11/15/2027 DD 11/15/17	27,099,948
31,310,000	U S TREASURY NOTE 1.125% 02/15/2031 DD 02/15/21	26,970,747
25,015,000	U S TREASURY BOND 3.750% 08/15/2041 DD 08/15/11	26,419,092
25,855,000	U S TREASURY NOTE 2.375% 05/15/2029 DD 05/15/19	24,816,663
27,030,000	U S TREASURY BOND 2.500% 05/15/2046 DD 05/15/16	23,079,025
13,636,000	CITIGROUP INC VAR RT 03/20/2030 DD 03/20/19	12,811,295
14,345,000	JPMORGAN CHASE & CO VAR RT 10/15/2030 DD 09/12/19	12,545,133
10,340,000	GOLDMAN SACHS GROUP INC/THE VAR RT 05/01/2029 DD 04/23/18	9,980,582
7,100,000	MORGAN STANLEY VAR RT 07/22/2028 DD 07/24/17	6,731,510

A complete list of portfolio information is available upon request.

LIST OF INVESTMENT MANAGERS

Equity	Fixed Income	Alternatives
<i>US 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"> BNY Mellon Garcia Hamilton PGIM 	<ul style="list-style-type: none"> BNY Mellon Cohen and Steers Nuveen
<i>Developed Markets Non-US Equity</i>	<i>Non-Core Fixed Income</i>	<i>Private Real Return Consultant</i>
<ul style="list-style-type: none"> Artisan Partners First Eagle 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"> ORG Portfolio Management, LLC
		<i>Private Credit</i>
		<ul style="list-style-type: none"> Angelo Gordon First Eagle PIMCO Deerpath

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	\$ 858,908	\$ 1,850	4.75
Equity Managers	1,235,559	3,264	8.38
Real Assets	617,703	4,022	10.32
Real Estate	450,076	4,957	12.72
Short Term Investments	53,503	-	-
Private Credit	116,140	258	0.66
Private Equity	536,429	7,598	19.50
Total Investment Managers	\$ 3,868,318	\$ 21,949	56.33
<i>Other</i>			
Cash	\$ 27,859	\$ -	-
Custodian Fees	-	1,556	3.99
Investment Consultant Fees	-	1,497	3.84
Total Other	27,859	3,053	7.83
Total Professional Fees and Services	\$ 3,896,177	\$ 25,002	64.16

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 30, 2022

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, 2022. This letter includes references to four documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2021 (transmitted December 21, 2021), the Governmental Accounting Standards Board (GASB) 67/68 Report as of June 30, 2022 (transmitted November 28, 2022), the Other Post-Employment Benefits (OPEB) Actuarial Valuation Report as of June 30, 2021 (transmitted January 19, 2022), and the Governmental Accounting Standards Board (GASB) 74/75 Report as of June 30, 2022 (transmitted November 30, 2022).

Actuarial Valuation Report as of June 30, 2021

The purpose of the annual Actuarial Valuation Report as of June 30, 2021 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 2022-2023. The prior review was conducted as of June 30, 2020 and included recommended contribution rates for the Fiscal Year 2021-2022.

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, 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, 2021 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.



- Statement of Current Actuarial Assumptions and Methods
- Change in Unfunded Actuarial Liability (Actuarial Analysis of Financial Experience)
- Schedule of Funded Liabilities by Type (formerly referred to as the Solvency Test)
- Schedule of Funding Progress
- Summary of Plan Provisions

The following schedules are based on the June 30, 2021 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, 2016 through June 30, 2019 and adopted by the Board on January 22, 2020. 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 2022.

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, 2022

The purpose of GASB 67/68 Report as of June 30, 2022 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, 2022 is measured as of a valuation date of June 30, 2021 and projected to June 30, 2022. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The June 30, 2022 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, 2021. Please refer to our GASB 67 report as of June 30, 2021 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, 2022, 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, 2021

The purpose of the annual OPEB Actuarial Valuation Report as of June 30, 2021 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, 2021 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, 2016 through June 30, 2019 and adopted by the Board on January 22, 2020. 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 2022.

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, 2022

The purpose of GASB 74/75 Report as of June 30, 2022 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, 2021 and projected to the measurement date, June 30, 2022. Because the TOL shown in the prior report was measured as of June 30, 2020 and projected to June 30, 2021, it will not match the amounts measured as of June 30, 2021. In addition, the amounts as of June 30, 2022 are measured using different assumptions, including discount rates.

The June 30, 2022 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, 2021. Please refer to our GASB 74 report as of June 30, 2022 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



Anne D. Harper, FSA, EA, MAAA
Principal Consulting Actuary
703-893-1456, x1107
aharper@cheiron.us



Graham A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary
703-893-1456, x1137
gschmidt@cheiron.us



Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary
703-893-1456, x1135
mschionning@cheiron.us



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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, 2019 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, 2022 was determined by completing a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2021, 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 plan sponsors. The Board adopted a layered 19-year amortization period with direct rate smoothing which remains in effect for June 30, 2021. 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 3.0% has been applied to the employee contribution rates and 3.0% to the employer rates, based on an assumed administrative expense amount of \$5.6 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.

2.6%	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
1.9%	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 Projection Scale MP-2019, 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 Projection Scale MP-2019, without adjustment.

Safety active members are also subject to the 2014 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational improvement using Projection Scale MP-2019 from a base year of 2009.

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 Projection Scale MP-2019.

Mortality rates for Safety annuitants are based the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019.

Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with generational improvement using Projection Scale MP-2019 from a base year of 2009.

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, 2021

<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	60
Safety Plans 4 & 8	55	55
Safety Plan 6	52	55
APCD	58	60

RATE OF SEPARATION FROM ACTIVE SERVICE – GENERAL PLANS

Assumptions effective June 30, 2021

Age	Service Retirement	Years of Service	Termination				
	Svc < 20 Yrs	20 <= Svc < 30	Svc >= 30 Yrs	PEPRA Svc < 25	PEPRA Svc >= 25		
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, 2021

Age	Safety Plan 4 + Plan 8 (PEPRA)			Safety Plan 6			Years of Service	Termination
	Service Retirement	Service Retirement	Service Retirement	Service Retirement	Service Retirement	Service Retirement		
	Svc < 20 Yrs	20 <= Svc < 30	Svc >= 30 Yrs	Svc < 20 Yrs	20 <= Svc < 30	Svc >= 30 Yrs		
20	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5	5.0%
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%	50.0%	15.0%	25.0%	25.0%		
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, 2021

Age	General Plans				Safety Plans		
	Males		Females		Age	Disability Svc < 5 Yrs	Disability Svc >= 5 Yrs
	Disability Svc < 5 Yrs	Disability Svc >= 5 Yrs	Disability Svc < 5 Yrs	Disability Svc >= 5 Yrs			
20	0.009%	0.017%	0.009%	0.016%	20	0.034%	0.038%
30	0.010%	0.019%	0.013%	0.024%	30	0.210%	0.233%
40	0.056%	0.102%	0.074%	0.135%	40	0.389%	0.432%
50	0.087%	0.158%	0.109%	0.199%	50	0.682%	0.758%
60	0.084%	0.153%	0.058%	0.105%	60	0.974%	1.082%
70	0.056%	0.102%	0.046%	0.084%	65	0.000%	0.000%
75	0.000%	0.000%	0.000%	0.000%			

Service Related Disability

All disabilities for members with less than five years of service are assumed to be service-related. 90% of Safety and 55% 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, 2021

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%	6.00%	7.89%	9.18%
1	4.00%	5.00%	7.12%	8.15%
2	3.25%	4.00%	6.35%	7.12%
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%	0.92%	3.82%	3.95%
13	0.70%	0.89%	3.72%	3.92%
14	0.60%	0.87%	3.62%	3.90%
15	0.55%	0.85%	3.57%	3.88%
16	0.50%	0.82%	3.52%	3.84%
17	0.48%	0.80%	3.49%	3.82%
18	0.46%	0.77%	3.47%	3.79%
19	0.44%	0.75%	3.45%	3.77%
20	0.42%	0.75%	3.43%	3.77%
21	0.40%	0.75%	3.41%	3.77%
22	0.38%	0.75%	3.39%	3.77%
23	0.38%	0.75%	3.39%	3.77%
24	0.38%	0.75%	3.39%	3.77%
25	0.38%	0.75%	3.39%	3.77%
26	0.38%	0.75%	3.39%	3.77%
27	0.38%	0.75%	3.39%	3.77%
28	0.38%	0.75%	3.39%	3.77%
29	0.38%	0.75%	3.39%	3.77%
30+	0.38%	0.75%	3.39%	3.77%

REFUND OF CONTRIBUTIONS UPON TERMINATION OF EMPLOYMENT (WITHDRAWAL)

Assumptions effective June 30, 2021

Years of Service	General	Safety
0	100%	100%
5	20%	15%
10	15%	10%
15	10%	5%
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		
2012	226	\$ 9,082,861	-106	\$ 2,884,973	3,507	\$ 118,545,000	7.6%	\$ 33,802
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			Total AAL	Reported Assets ¹	Portion of Accrued Liabilities Covered by Reported Assets		
	(A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Remaining Active Members			(A)	(B)	(C)
6/30/2011	\$ 165,774	\$ 1,559,716	\$ 1,024,324	\$ 2,749,814	\$ 2,007,859	100%	100%	28%
6/30/2012 ²	\$ 165,623	\$ 1,660,773	\$ 1,047,987	\$ 2,874,383	\$ 2,046,641	100%	100%	21%
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 ³	\$ 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%

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 and earlier was provided by prior actuaries.

³ 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

<i>As of June 30</i>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Prior Valuation					
Unfunded Actuarial Accrued Liability	\$ 1,103.8	\$ 882.5	\$ 886.1	\$ 901.0	\$ 1,017.3
Expected Change from Prior Year	(30.6)	(32.8)	(21.7)	(15.8)	(2.9)
Actuarial (Gains) or Losses During the Year					
<i>Asset Return (Greater) or Less than Expected</i>	(600.0)	19.1	(15.7)	(28.0)	(86.2)
<i>New Entrants</i>	-	198.1	2.4	1.7	3.3
<i>Salary Increases Greater or (Less) than Expected</i>	(1.9)	2.8	9.3	0.9	(7.5)
<i>Changes in Assumptions and Methodology</i>	-	1.9	(7.5)	-	(29.7)
<i>All Other (Including Demographic Experience)</i>	(1.2)	32.2	29.6	26.3	6.7
Total Changes	(633.7)	221.3	(3.6)	(14.9)	(116.3)
Values as of Valuation Date	\$ 470.1	\$ 1,103.8	\$ 882.5	\$ 886.1	\$ 901.0

<i>As of June 30</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Prior Valuation					
Unfunded Actuarial Accrued Liability	\$ 698.6	\$ 584.4	\$ 818.1	\$ 827.7	\$ 742.0
Expected Change from Prior Year	(15.0)	(23.2)	(6.4)	(7.1)	(0.8)
Actuarial (Gains) or Losses During the Year					
<i>Asset Return (Greater) or Less than Expected</i>	156.7	167.7	(71.7)	62.7	125.8
<i>New Entrants</i>	3.1	2.8	2.5	7.8	0.6
<i>Salary Increases Greater or (Less) than Expected</i>	(19.1)	(14.0)	(16.4)	(45.0)	(29.9)
<i>Changes in Assumptions and Methodology</i>	215.8	-	(132.3)	(26.0)	-
<i>All Other (Including Demographic Experience)</i>	(22.8)	(19.1)	(9.4)	(2.0)	(10.0)
Total Changes	318.7	114.2	(233.7)	(9.6)	85.7
Values as of Valuation Date	\$ 1,017.3	\$ 698.6	\$ 584.4	\$ 818.1	\$ 827.7

Information from 2012 was provided by prior actuaries.

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
6/30/2012 ¹	\$ 2,046,641	\$ 2,874,383	\$ 827,742	71.2%	\$ 302,114	274.0%
6/30/2013	\$ 2,150,006	\$ 2,968,134	\$ 818,128	72.4%	\$ 316,177	258.8%
6/30/2014 ²	\$ 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%

¹ Information from June 30, 2012 was provided by prior actuaries.

² 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.

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

Dollars in thousands

	2012	2014	2016	2017	2018	2019	2020	2021	2020 to 2021 % Change
<i>Active Employees¹</i>									
Member Count	4,063	3,707	3,346	3,112	2,893	2,705	2,496	2,341	-6.21%
Average Age	45.8	46.8	47.4	47.6	48.0	48.3	48.9	49.5	1.23%
Average Service	12.0	13.8	14.9	15.3	16.0	16.6	17.4	18.1	4.02%
Total Payroll	\$ 302,379	\$ 282,963	\$ 269,245	\$ 257,918	\$ 247,675	\$ 240,389	\$ 234,497	\$ 223,714	-4.60%
<i>Terminated Vested</i>									
Count	878	890	926	923	943	906	877	891	1.60%
Average Age	48.1	48.5	48.9	48.8	48.8	47.1	49.2	49.5	0.61%
<i>Inactive</i>									
Retired Count	2,767	3,246	3,247	3,399	3,508	3,639	3,785	3,775	-0.26%
Average Age	69.1	69.2	69.9	69.9	70.1	70.2	70.5	70.8	0.43%
Disabled Count	238	240	240	250	263	266	276	278	0.72%
Average Age	65.3	65.5	66.8	66.5	65.9	66.7	66.3	66.7	0.60%
Surviving Spouses Count	358	408	489	512	526	553	598	548	-8.36%
Average Age	74.8	74.6	72.5	72.8	73.0	76.7	73.4	74.2	1.09%
Total Count of Inactive	3,363	3,894	3,976	4,161	4,297	4,458	4,659	4,601	-1.24%

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.

MEMBER BENEFIT COVERAGE INFORMATION – OPEB

Dollars in thousands

Valuation Date	Actuarial Accrued Liabilities (AAL) for			Total AAL	Reported Assets ¹	Portion of Accrued Liabilities Covered by Reported Assets		
	(A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Remaining Active Members			(A)	(B)	(C)
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%

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	2021	2020	2019	2018	2017 ¹	2016	2014
Prior Valuation							
Unfunded Actuarial Liability	\$ 105.8	\$ 113.6	\$ 124.1	\$ 132.9	\$ 134.3	\$ 189.1	\$ 187.1
Expected Change from Prior Year	(6.7)	(5.5)	(3.9)	(3.3)	(3.2)	(39.6)	(25.7)
Actuarial (Gains) or Losses During the Year							
Asset Return (Greater) or Less than Expected	(6.3)	(0.1)	(0.4)	0.1	0.1	0.5	0.6
Shortfall in Contribution vs. Annual Required Contribution (ARC)	0.3	0.1	(0.2)	0.7	0.2	44.9	34.8
Changes in Assumptions and Methodology	-	0.7	(2.7)	(3.8)	4.9	(39.2)	(10.7)
All Other (Including Demographic Experience)	(1.1)	(3.0)	(3.3)	(2.5)	(3.4)	(8.2)	3.0
Total Changes	(13.7)	(7.8)	(10.5)	(8.8)	(1.4)	(41.6)	2.0
Values as of Valuation Date	\$ 92.1	\$ 105.8	\$ 113.6	\$ 124.1	\$ 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.

SCHEDULE OF FUNDING PROGRESS – OPEB

As of June 30, 2021	Santa Barbara County	Carpinteria-Summerland- d-FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts
Group					
Actuarial Value of Assets (a)	\$ 42,098,831	\$ -	\$ -	\$ -	\$ -
Actuarial Accrued Liabilities (b)	\$ 125,121,088	\$ 3,152,868	\$ 399,829	\$ 123,019	\$ 656,467
Unfunded Actuarial Liabilities (UAL) ¹					
[b-a]	\$ 83,022,257	\$ 3,152,868	\$ 399,829	\$ 123,019	\$ 656,467
Funded Ratio (a/b)	33.65%	0.00%	0.00%	0.00%	0.00%
Annual Covered Payroll ² (c)	\$ 194,754,328	\$ 3,696,069	\$ 186,033	\$ 229,907	\$ 1,217,515
(UAL) as Percentage of Covered Payroll [(b-a)/c]	42.63%	85.30%	214.92%	53.51%	53.92%
			Air Pollution Control	Courts	Total
Group	Summerland Sanitary	Carpinteria Cemetery			
Actuarial Value of Assets (a)	\$ -	\$ -	\$ 2,587,079	\$ 1,856,205	\$ 46,542,115
Actuarial Accrued Liabilities (b)	\$ 180,911	\$ 74,723	\$ 1,530,315	\$ 7,441,638	\$ 138,680,858
Unfunded Actuarial Liabilities (UAL) ¹					
[b-a]	\$ 180,911	\$ 74,723	\$ (1,056,764)	\$ 5,585,433	\$ 92,138,743
Funded Ratio (a/b)	0.00%	0.00%	169.06%	24.94%	33.56%
Annual Covered Payroll ² (c)	\$ 167,287	\$ 143,351	\$ 1,447,230	\$ 11,796,806	\$ 213,638,526
(UAL) as Percentage of Covered Payroll [(b-a)/c]	108.14%	52.13%	-73.02%	47.35%	43.13%

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 33⅓% 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 Return on Investments	Investment Expenses	Other Income	Total
2012	\$ 14,525	\$ 117,126	\$ 44,320	\$ (5,936)	\$ 223	\$ 170,258
2013	19,024	118,940	174,388	(6,175)	395	306,572
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

SCHEDULE OF DEDUCTIONS FROM PENSION AND OPEB PLANS BY TYPE

Dollars in thousands

Fiscal Year	Benefits Paid	Member Withdrawals	Administrative Expenses	Total
2012	\$ 121,685	\$ 1,072	\$ 4,023	\$ 126,780
2013	130,222	591	4,240	135,053
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

SCHEDULE OF BENEFIT EXPENSES BY TYPE – PENSION

Dollars in thousands

Fiscal Year	Benefits Paid		Benefits Paid		Death	Death	Separation	Total
	General	Benefits Paid Safety	APCD	Benefits	Refunds ¹	Refunds		
2012	\$ 66,496	\$ 45,227	\$ 1,113	\$ 690	\$ -	\$ 1,072	\$ 114,598	
2013	64,629	55,375	1,521	330	-	591	122,446	
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	

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	Health		Total
	Health Insurance Subsidy Paid	Reimbursement Cash Paid	
2012	\$ 7,306	\$ 853	\$ 8,159
2013	7,443	924	8,367
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

SCHEDULE OF PARTICIPATING EMPLOYERS – PENSION

For the fiscal years ended June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>County of Santa Barbara:</i>					
General Members	3,059	3,065	3,060	3,018	2,939
Safety Members	895	930	933	913	899
Total	<u>3,954</u>	<u>3,995</u>	<u>3,993</u>	<u>3,931</u>	<u>3,838</u>
<i>Santa Barbara County Superior Court:</i>					
General Members	212	211	217	220	220
Total	<u>212</u>	<u>211</u>	<u>217</u>	<u>220</u>	<u>220</u>
<i>Participating Special Districts:</i>					
Santa Barbara County Air Pollution Control Dist	33	34	33	35	34
Carpinteria Cemetery District	2	2	2	2	2
Carpinteria-Summerland Fire Protection Distric	35	36	34	37	36
Goleta Cemetery District	4	4	4	4	4
LAFCO	1	1	-	-	-
Oak Hill Cemetery District	3	3	3	3	3
Santa Barbara County Association of Governme	18	19	19	19	16
Mosquito & Vector Management District of Santa Barbara County	6	6	6	6	6
Santa Maria Cemetery District	6	6	7	7	7
Summerland Sanitary District	5	4	4	5	5
Total	<u>113</u>	<u>115</u>	<u>112</u>	<u>118</u>	<u>113</u>
Total Active Members	<u>4,279</u>	<u>4,321</u>	<u>4,322</u>	<u>4,269</u>	<u>4,171</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>County of Santa Barbara:</i>					
General Members	3,047	3,119	3,038	2,904	2,843
Safety Members	920	888	902	886	867
Total	<u>3,967</u>	<u>4,007</u>	<u>3,940</u>	<u>3,790</u>	<u>3,710</u>
<i>Santa Barbara County Superior Court:</i>					
General Members	216	222	217	266	283
Total	<u>216</u>	<u>222</u>	<u>217</u>	<u>266</u>	<u>283</u>
<i>Participating Special Districts:</i>					
Santa Barbara County Air Pollution Control Dist	38	41	42	43	40
Carpinteria Cemetery District	2	2	2	2	2
Carpinteria-Summerland Fire Protection Distric	32	33	34	33	30
Goleta Cemetery District	4	4	4	4	4
LAFCO	-	-	-	-	-
Oak Hill Cemetery District	3	3	3	3	3
Santa Barbara County Association of Governme	19	19	19	18	19
Mosquito & Vector Management District of Santa Barbara County	7	7	7	7	6
Santa Maria Cemetery District	7	6	6	7	7
Summerland Sanitary District	4	4	4	4	4
Total	<u>116</u>	<u>119</u>	<u>121</u>	<u>121</u>	<u>115</u>
Total Active Members	<u>4,299</u>	<u>4,348</u>	<u>4,278</u>	<u>4,177</u>	<u>4,108</u>

SCHEDULE OF PARTICIPATING EMPLOYERS – OPEB

For the fiscal years ended June 30

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

Additional years of data will be published as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES – PENSION

Effective July 2021

Plan	APCD	SB County	SB Courts	Special Districts
General APCD 1	53.61%			
APCD 2	52.12%			
APCD 7	40.13%			
APCD 8	45.77%			
General Plan 2		28.19%	28.19%	
Plan 5A		39.28%	39.28%	39.28%
Plan 5B		39.33%	39.33%	
Plan 5C		41.05%		
Plan 7		40.13%		40.13%
Plan 8-2		32.95%		32.95%
Plan 8-3 ¹			34.22%	34.22%
Safety Plan 4A		61.63%		61.63%
Plan 4B		63.29%		63.29%
Plan 4C		60.39%		
Plan 6A		69.34%		
Plan 6B		68.46%		
Plan 8		49.35%		49.35%

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

	0-9	10-14	15-19	20-24	25-29	30+
<i>By Years in Pay Status</i>						
June 30, 2012						
Average Monthly Benefit	\$ 3,202	\$ 2,673	\$ 2,374	\$ 2,363	\$ 1,968	\$ 1,545
Average Annual Benefit	\$ 38,424	\$ 32,076	\$ 24,488	\$ 28,356	\$ 23,616	\$ 18,540
Number of Active Retirees	1,949	612	311	264	157	214
June 30, 2013						
Average Monthly Benefit	\$ 3,082	\$ 2,856	\$ 2,282	\$ 2,518	\$ 2,028	\$ 1,625
Average Annual Benefit	\$ 36,987	\$ 34,271	\$ 27,387	\$ 30,212	\$ 24,334	\$ 19,503
Number of Active Retirees	2,080	692	361	270	162	208
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

CHANGES IN FIDUCIARY NET POSITION – PENSION

Dollars in thousands

As of June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Additions					
Employer Contributions	\$ 161,388	\$ 150,093	\$ 141,585	\$ 133,708	\$ 131,374
Member Contributions	36,564	35,520	31,618	26,605	22,533
Net Investment Income	(70,912)	822,345	24,364	224,280	222,677
Net Securities Income	167	179	202	358	405
Net Miscellaneous Income	215	184	199	204	233
Total Additions	<u>127,422</u>	<u>1,008,321</u>	<u>197,968</u>	<u>385,155</u>	<u>377,222</u>
Deductions					
Benefits Paid	213,237	204,081	193,810	180,528	168,377
Member Withdrawals	2,079	1,578	1,837	1,728	1,374
Administrative Expenses	6,162	5,695	6,523	6,784	6,351
Total Deductions	<u>221,478</u>	<u>211,354</u>	<u>202,170</u>	<u>189,040</u>	<u>176,102</u>
Changes in Fiduciary Net Position	<u>\$ (94,056)</u>	<u>\$ 796,967</u>	<u>\$ (4,202)</u>	<u>\$ 196,115</u>	<u>\$ 201,120</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Additions					
Employer Contributions	\$ 121,991	\$ 122,748	\$ 123,612	\$ 119,228	\$ 110,583
Member Contributions	20,320	18,312	16,622	14,514	19,024
Net Investment Income	263,412	31,441	20,383	328,512	167,753
Net Securities Income	334	240	181	120	202
Net Miscellaneous Income	265	1,119	277	220	395
Total Additions	<u>406,322</u>	<u>173,860</u>	<u>161,075</u>	<u>462,594</u>	<u>297,957</u>
Deductions					
Benefits Paid	153,185	145,711	136,804	130,288	121,855
Member Withdrawals	1,044	946	967	812	591
Administrative Expenses	5,733	5,193	4,404	4,289	4,236
Total Deductions	<u>159,962</u>	<u>151,850</u>	<u>142,175</u>	<u>135,389</u>	<u>126,682</u>
Changes in Fiduciary Net Position	<u>\$ 246,360</u>	<u>\$ 22,010</u>	<u>\$ 18,900</u>	<u>\$ 327,205</u>	<u>\$ 171,275</u>

CHANGES IN FIDUCIARY NET POSITION – OPEB

Dollars in thousands

As of June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Additions					
Employer Contributions	\$ 15,129	\$ 14,668	\$ 14,388	\$ 14,031	\$ 13,119
Net Investment Income	(5,719)	8,023	2,036	1,929	988
Misc. Income	474	416	381	408	428
Total Additions	<u>9,884</u>	<u>23,107</u>	<u>16,805</u>	<u>16,368</u>	<u>14,535</u>
Deductions					
Benefits Paid	9,259	9,250	9,250	9,161	9,040
Administrative Expenses	476	224	572	409	429
Total Deductions	<u>9,735</u>	<u>9,474</u>	<u>9,822</u>	<u>9,570</u>	<u>9,469</u>
Changes in Fiduciary Net Position	<u>\$ 149</u>	<u>\$ 13,633</u>	<u>\$ 6,983</u>	<u>\$ 6,798</u>	<u>\$ 5,066</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Additions					
Employer Contributions	\$ 14,260	\$ 11,698	\$ 9,421	\$ 8,899	\$ 8,358
Net Investment Income	679	167	194	500	257
Misc. Income	380	408	413	323	-
Total Additions	<u>15,319</u>	<u>12,273</u>	<u>10,028</u>	<u>9,722</u>	<u>8,615</u>
Deductions					
Benefits Paid	8,985	8,816	8,704	8,611	8,367
Administrative Expenses	376	408	413	319	4
Total Deductions	<u>9,361</u>	<u>9,224</u>	<u>9,117</u>	<u>8,930</u>	<u>8,371</u>
Changes in Fiduciary Net Position	<u>\$ 5,958</u>	<u>\$ 3,049</u>	<u>\$ 911</u>	<u>\$ 792</u>	<u>\$ 244</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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