

Santa Barbara County Employees' Retirement System

Other Post-Employment Benefits Actuarial Valuation as of June 30, 2023

Produced by Cheiron

January 2024

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Via Electronic Mail

January 18, 2024

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

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

Dear Members of the Board,

At your request, we have conducted an actuarial valuation for the Santa Barbara County Employees' Retirement System (SBCERS, the System, the Fund, the Plan) to complete its Other Post-Employment Benefits (OPEB) actuarial valuation as of June 30, 2023. The following report contains our findings, as well as disclosures for the Plan's Annual Comprehensive Financial Report (ACFR).

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

Appendix A describes the member data, assumptions and methods used in calculating the figures throughout the report. In preparing our report, we relied on information (some oral and some written) supplied by SBCERS. This information includes, but is not limited to the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

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

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

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

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

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, collectively, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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

Sincerely,
Cheiron



Graham Schmidt, FSA, EA, MAAA, FCA
Principal Consulting Actuary



Heather Fantz, FSA, EA, MAAA
Consulting Actuary



Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION I – SUMMARY OF RESULTS

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

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

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

Implicit Subsidy

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

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

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION I – SUMMARY OF RESULTS

Valuation Results

The table below presents the key results of the June 30, 2023 and June 30, 2022 valuations on an aggregate basis. The Tread Water Indicator (TWI) gives the level of contributions needed to prevent the unfunded liability from increasing from one valuation date to the next. This metric is the sum of the benefits earned during the year (the normal cost) and one year of interest on the unfunded liability. Beginning with the June 30, 2019 valuation, the TWI also includes the expected administrative expenses for the current year. If contributions are greater than or equal to the TWI, then, so long as all actuarial assumptions are met during the year, the unfunded liability should not grow between valuation dates.

Table I-1 Summary of Key Valuation Results		
Valuation Date	6/30/2023	6/30/2022
Discount Rate (per annum)	Varies¹	Varies¹
Actuarial Liability		
- Active Employees	\$ 30,039,318	\$ 32,390,450
- Terminated Vested Participants	5,736,698	5,891,767
- Retirees, Disableds, and Beneficiaries	<u>92,771,451</u>	<u>92,798,183</u>
- Total	128,547,467	131,080,400
Assets	\$ 57,796,614	\$ 46,774,507
Unfunded Actuarial Liability (UAL)	70,750,853	84,305,893
Funding Ratio	45.0%	35.7%
Interest on UAL to End of Year	\$ 4,837,214	\$ 5,776,880
Expected Administrative Expenses	516,309	\$ 490,729
Normal Cost with Interest to End of Year	<u>1,127,557</u>	<u>1,233,455</u>
Tread Water Indicator	6,481,080	7,501,064
Normal Cost % of Pay ²	0.54%	0.56%
Tread Water Indicator as % of pay²	3.10%	3.42%
<i>Expected/</i> Actual Funding Policy Contribution Amount	\$ 17,101,830	\$ 15,840,867

¹The discount rate used varies by employer with SB County, Courts, and APCD valued at 7.00%, and all other employers valued at 3.65% as of 6/30/2023 and 3.54% as of 6/30/2022.

² Expressed as a percentage of pay for members eligible for OPEB.

Table I-1 above shows a decrease in the unfunded liability since the June 30, 2022 valuation. This decrease is mainly due to contributions higher than the TWI and positive investment and liability experience.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION I – SUMMARY OF RESULTS

The table below shows the expected net benefit payments for the next 20 years for the current active and retired members. These payments do not include any expected administrative expenses.

Table I-2 Expected Net Benefit Payments										
Fiscal Year Ending June 30	Santa Barbara County	Carpinteria- Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
2024	\$ 8,880,273	\$ 151,385	\$ 17,321	\$ 5,145	\$ 5,493	\$ 7,226	\$ 2,241	\$ 116,070	\$ 502,207	\$ 9,687,360
2025	8,990,465	151,591	17,473	5,728	6,786	7,202	2,422	116,712	516,736	9,815,115
2026	9,088,514	153,143	17,768	6,164	7,952	7,184	2,693	118,375	535,006	9,936,799
2027	9,198,385	153,765	18,232	6,451	11,577	7,170	2,994	119,069	548,666	10,066,310
2028	9,296,868	154,362	18,726	7,025	13,345	7,154	3,263	119,800	561,284	10,181,829
2029	9,376,300	154,846	19,088	7,022	14,901	7,136	3,523	118,990	571,067	10,272,873
2030	9,462,393	154,994	19,285	7,012	15,978	7,122	3,752	117,660	584,083	10,372,278
2031	9,531,475	155,024	19,352	7,007	16,795	7,109	3,868	115,806	595,745	10,452,181
2032	9,601,089	154,951	19,282	6,970	19,683	7,079	3,915	113,558	602,138	10,528,663
2033	9,646,487	153,872	19,132	6,860	20,188	7,053	3,930	111,067	608,410	10,577,000
2034	9,667,417	152,471	18,976	6,729	20,519	7,102	3,921	108,429	613,758	10,599,322
2035	9,660,289	150,854	18,704	6,585	20,827	7,241	3,893	105,546	613,330	10,587,270
2036	9,646,453	148,954	18,381	6,430	21,808	7,329	3,849	102,531	614,272	10,570,006
2037	9,603,318	146,384	18,070	6,261	22,313	7,303	3,794	101,768	613,366	10,522,576
2038	9,545,763	143,935	17,801	6,078	23,073	7,283	3,727	98,703	610,000	10,456,363
2039	9,456,487	141,547	17,408	5,963	23,964	7,234	3,658	96,290	601,616	10,354,167
2040	9,347,769	138,597	16,856	5,733	24,031	7,068	3,565	93,072	593,947	10,230,638
2041	9,220,408	135,745	16,255	5,710	24,037	6,842	3,464	90,032	589,663	10,092,157
2042	9,070,921	132,538	15,585	5,466	24,042	6,592	3,355	87,498	581,178	9,927,175
2043	8,901,455	128,968	14,776	5,213	24,148	6,327	3,240	86,278	570,936	9,741,342

The remainder of this report provides additional detail.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION II – ASSETS

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

Table II-1 Changes in Market Value of Assets by Employer, 2022 to 2023					
	Santa Barbara County	Carpinteria- Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts
Market Value of Assets, June 30, 2022	\$ 42,916,895	\$ 0	\$ (317)	\$ 0	\$ 0
Employer Contributions	14,690,433	149,631	17,225	4,186	2,489
Interest and Investment Income	4,571,461	0	0	0	0
Administrative Expenses	(462,417)	(5,928)	(987)	(392)	(558)
Benefit Payments	(8,513,461)	(149,631)	(17,225)	(4,186)	(2,489)
Admin. Expense Reimbursement	455,257	5,928	1,264	392	558
Market Value of Assets, June 30, 2023	\$ 53,658,168	\$ 0	\$ (40)	\$ 0	\$ 0
	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control	Courts	Total
Market Value of Assets, June 30, 2022	\$ (0)	\$ (0)	\$ 2,236,886	\$ 1,621,047	\$ 46,774,507
Employer Contributions	6,736	2,179	0	471,846	15,344,725
Interest and Investment Income	0	0	234,451	155,973	4,961,885
Administrative Expenses	(329)	(171)	(7,609)	(22,879)	(501,270)
Benefit Payments	(6,736)	(2,179)	(111,930)	(471,537)	(9,279,375)
Admin. Expense Reimbursement	329	171	7,430	24,813	496,142
Market Value of Assets, June 30, 2023	\$ 0	\$ 0	\$ 2,359,228	\$ 1,779,263	\$ 57,796,614

Numbers may not sum to totals due to rounding

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION III – MEASURES OF LIABILITY

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

Table III-1 Development of Tread Water Indicator										
Group	Santa Barbara County	Carpinteria- Summerland-FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
Single Equivalent Discount Rate	7.00%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	7.00%	7.00%	Various
Fully Projected Liability	\$ 122,935,644	\$ 2,860,284	\$ 316,143	\$ 119,450	\$ 389,353	\$ 133,606	\$ 76,220	\$ 1,392,386	\$ 7,634,189	\$ 135,857,275
Actuarial Liability (AL)	\$ 116,573,442	\$ 2,530,168	\$ 297,197	\$ 97,679	\$ 336,985	\$ 121,966	\$ 59,078	\$ 1,365,101	\$ 7,165,851	\$ 128,547,467
Actuarial Value of Assets	<u>53,658,168</u>	<u>(1)</u>	<u>(40)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,359,228</u>	<u>1,779,263</u>	<u>57,796,614</u>
Unfunded Actuarial Liability (UAL)	62,915,274	2,530,169	297,237	97,679	336,985	121,966	59,078	(994,127)	5,386,588	70,750,853
Funded Percentage	46.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	172.8%	24.8%	45.0%
Interest on UAL	\$ 4,404,069	\$ 92,351	\$ 10,849	\$ 3,565	\$ 12,300	\$ 4,452	\$ 2,156	\$ (69,589)	\$ 377,061	\$ 4,837,214
Expected Administrative Expenses	476,290	6,106	1,017	404	575	339	176	7,837	23,565	516,309
Normal Cost at end of year	<u>990,839</u>	<u>39,415</u>	<u>2,685</u>	<u>3,590</u>	<u>8,276</u>	<u>1,237</u>	<u>2,057</u>	<u>4,285</u>	<u>75,173</u>	<u>1,127,557</u>
Tread Water Indicator for Fiscal Year 2023-24	5,871,198	137,872	14,551	7,559	21,151	6,028	4,389	(57,467)	475,799	6,481,080
<i>Projected Contribution for Fiscal Year 2023-24</i>	<i>\$ 16,378,630</i>	<i>\$ 157,491</i>	<i>\$ 18,338</i>	<i>\$ 5,549</i>	<i>\$ 6,068</i>	<i>\$ 7,565</i>	<i>\$ 2,417</i>	<i>\$ 0</i>	<i>\$ 525,772</i>	<i>\$ 17,101,830</i>

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

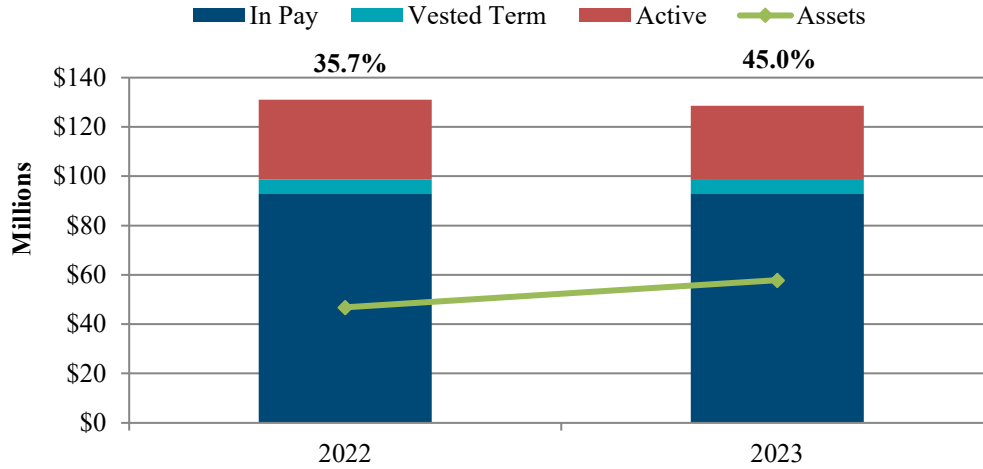
As shown in Table III-1 above, it is primarily those Employers actively funding their OPEB liabilities that are expected to meet the tread water level of contributions in the coming year. Santa Barbara County is one of the Employers prefunding their liabilities. Its projected contribution for FYE 2024 of \$16.4 million is greater than the tread water level of \$5.9 million. In addition, the County holds a large portion of the total liability for the Plan. As a result, the Plan's unfunded liability should decrease between valuation dates if all actuarial assumptions are met.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023

SECTION III – MEASURES OF LIABILITY

The following chart summarizes the funded status as of the June 30, 2022 and June 30, 2023 actuarial valuations. The stacked bars represent the Actuarial Liability broken into separate components for members currently receiving benefits, vested terminated members and active members. The green line shows the assets as of each valuation date, and the funded status is displayed above the bars.

SBCERS OPEB Plan - Funded Status



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION III – MEASURES OF LIABILITY

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

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

Table III-2			
Sensitivity of Actuarial Liability to Changes in the Assumption that			
Retiring Active Members will Elect the \$15 Subsidy Benefit			
	5% Decrease 35%	\$15 Subsidy Election Assumption 40%	5% Increase 45%
Actuarial Liability	\$ 126,212,576	\$ 128,547,467	\$ 130,882,359
Actuarial Value of Assets	57,796,614	57,796,614	57,796,614
Unfunded Actuarially Liability	<u>\$ 68,415,962</u>	<u>\$ 70,750,853</u>	<u>\$ 73,085,745</u>
Funded Ratio	45.8%	45.0%	44.2%

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION IV – FINANCIAL REPORTING DISCLOSURES

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

Table IV-1								
MEMBER BENEFIT COVERAGE INFORMATION								
<i>(dollars in thousands)</i>								
Valuation Date	(A) Active Member Contributions	(B) Retirees And Beneficiaries	(C) Remaining Active Members' Liabilities	Reported Assets	Portion of Actuarial Liabilities Covered by Reported Assets			
					(A)	(B)	(C)	
June 30,								
2023	N/A	\$ 98,508	\$ 30,039	\$ 57,797	N/A	59%	0%	
2022	N/A	98,690	32,390	46,775	N/A	47%	0%	
2021	N/A	98,981	39,700	46,542	N/A	47%	0%	
2020	N/A	98,881	39,974	33,027	N/A	33%	0%	
2019	N/A	98,628	40,800	25,853	N/A	26%	0%	
2018	N/A	99,980	43,213	19,055	N/A	19%	0%	
2017	N/A	100,893	45,959	13,988	N/A	14%	0%	
2016	N/A	104,178	51,299	8,031	N/A	8%	0%	
2014	N/A	121,241	71,964	4,070	N/A	3%	0%	
2012 ¹	N/A	119,488	70,691	3,035	N/A	3%	0%	

¹June 30, 2012 numbers calculated by prior actuary

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION IV – FINANCIAL REPORTING DISCLOSURES

Table IV-2 ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE (dollars in millions)	
Unfunded Actuarial Liability (UAL) as of June 30, 2022	\$ 84.3
Expected Change in UAL	(9.2)
Actuarial (Gains) or Losses During the Year	
Asset Return (Greater) or Less than Expected	\$ (1.6)
Employer Contribution (Greater) or Less than Expected	0.3
Changes in Assumptions and Methodology	(0.0)
All Other (Including Demographic Experience)	(3.1)
Total Changes	\$ (13.5)
Unfunded Actuarial Liability (UAL) as of June 30, 2023	\$ 70.8

- *Changes in Actuarial Assumptions* includes:
 - The effect of changes to the discount rates for the Employers who are not prefunding benefits. There was no change in discount rate for Santa Barbara County, Courts, or the Air Pollution Control District. The discount rate used for all other Employers increased from 3.54% to 3.65%, based on the change in municipal bond yields.
- *Other Changes* includes the effect of changes in the demographics of the covered members and any other change not captured in the above items. The main cause of the demographic gain was changes in benefit elections from the \$15 per month subsidy to the \$4 per month supplemental benefit for a number of current retirees.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION IV – FINANCIAL REPORTING DISCLOSURES

Schedule of Funding Progress

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

Table IV-3 Schedule of Funding Progress as of June 30, 2023										
Group	Santa Barbara County	Carpinteria- Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	Total
Actuarial Value of Assets (a)	\$ 53,658,168	\$ (1)	\$ (40)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,359,228	\$ 1,779,263	\$ 57,796,614
Actuarial Liabilities (b)	\$ 116,573,442	\$ 2,530,168	\$ 297,197	\$ 97,679	\$ 336,985	\$ 121,966	\$ 59,078	\$ 1,365,101	\$ 7,165,851	\$ 128,547,467
Unfunded Actuarial Liabilities (UAL)¹ [b-a]	\$ 62,915,274	\$ 2,530,169	\$ 297,237	\$ 97,679	\$ 336,985	\$ 121,966	\$ 59,078	\$ (994,127)	\$ 5,386,588	\$ 70,750,849
Funded Ratio (a/b)	46.03%	0.00%	-0.01%	0.00%	0.00%	0.00%	0.00%	172.82%	24.83%	44.96%
Annual Covered Payroll² (c)	\$ 183,332,881	\$ 3,945,133	\$ 127,816	\$ 272,676	\$ 925,199	\$ 123,790	\$ 159,484	\$ 1,130,124	\$ 12,344,134	\$ 202,361,238
(UAL) as Percentage of Covered Payroll [(b-a)/c]	34.32%	64.13%	232.55%	35.82%	36.42%	98.53%	37.04%	-87.97%	43.64%	34.96%

¹Numbers may not sum to total due to rounding.

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION IV – FINANCIAL REPORTING DISCLOSURES

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

<p align="center">Table IV-4 Schedule of Funding Progress (dollars in thousands)</p>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL	Funded Ratio	Covered Payroll	Unfunded AL as a % of Covered Payroll
June 30, 2023	\$ 57,797	\$ 128,547	\$ 70,751	45.0%	\$ 202,361	35.0%
June 30, 2022	46,775	131,080	84,306	35.7%	212,314	39.7%
June 30, 2021	46,542	138,681	92,139	33.6%	213,639	43.1%
June 30, 2020	33,027	138,855	105,828	23.8%	225,345	47.0%
June 30, 2019	25,853	139,428	113,575	18.5%	240,389	47.2%
June 30, 2018	19,055	143,194	124,138	13.3%	247,675	50.1%
June 30, 2017	13,988	146,852	132,864	9.5%	257,918	51.5%
June 30, 2016	8,031	155,477	147,446	5.2%	269,245	54.8%
June 30, 2014	4,070	193,205	189,135	2.1%	282,963	66.8%
June 30, 2012	3,035	190,179	187,145	1.6%	302,379	61.9%

Values prior to 2014 were calculated by the prior actuary.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION IV – FINANCIAL REPORTING DISCLOSURES

History of Employer Contributions

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

Table IV-5 Schedule of Employer Contributions				
Fiscal Year Ending	Tread Water Indicator (TWI)	Actual Contributions	Percentage of TWI Contributed	
2024	\$ 6,481,080	\$ 17,101,830	263.9%	
2023	7,501,064	15,840,867	211.2%	
2022	8,186,126	15,603,259	190.6%	
2021	9,187,661	15,082,814	164.2%	
2020	9,908,651	14,769,226	149.1%	
2019	10,406,659	14,439,080	138.7%	
2018	10,947,831	13,546,794	123.7%	
2017	11,565,144	14,639,554	126.6%	
2016	13,267,201	12,105,886	91.2%	
2015	12,975,477	9,436,450	72.7%	

Estimated figures shown in italics

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

SECTION IV – FINANCIAL REPORTING DISCLOSURES

Table IV-6									
Schedule of Retirees & Beneficiaries Added to and Removed from OPEB Benefit Rolls									
		Added to rolls		Removed from rolls		Rolls at end of year		% Increase in Retiree Allowance	Average Annual Allowance
Valuation Date:	June 30,	Number	Annual Allowance	Number	Annual Allowance ¹	Number	Annual Allowance		
	2014	839	\$ 1,480,371	-308	\$ 1,001,823	3,894	\$ 8,655,921	5.9%	\$ 2,223
	2016	466	\$ 1,006,795	-384	\$ 786,756	3,976	\$ 8,875,960	2.5%	\$ 2,232
	2017	302	\$ 737,532	-117	\$ 598,607	4,161	\$ 9,014,885	1.6%	\$ 2,167
	2018	244	\$ 463,278	-108	\$ 357,501	4,297	\$ 9,120,663	1.2%	\$ 2,123
	2019	282	\$ 546,913	-121	\$ 518,229	4,458	\$ 9,149,346	0.3%	\$ 2,052
	2020	294	\$ 531,451	-93	\$ 471,382	4,659	\$ 9,209,415	0.7%	\$ 1,977
	2021	208	\$ 407,932	-266	\$ 404,938	4,601	\$ 9,212,409	0.0%	\$ 2,002
	2022	283	\$ 623,998	-151	\$ 467,139	4,733	\$ 9,369,268	1.7%	\$ 1,980
	2023	303	\$ 625,410	-167	\$ 597,129	4,869	\$ 9,397,550	0.3%	\$ 1,930

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

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023

SECTION IV – FINANCIAL REPORTING DISCLOSURES

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

Table IV-7 Note to Required Supplementary Information	
The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market value
Actuarial Assumptions:	
Base Wage Growth Rate	3.00%
Discount Rate	7.00% for SB County, Courts, and APCD, 3.65% for all others
Ultimate Rate of Medical Inflation	N/A

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX A – MEMBER DATA

Member Data Comparisons

	June 30, 2023	June 30, 2022	% Change
Active Employees ¹			
Count	1,922	2,119	(9.3%)
Average Age	50.0	49.9	0.3%
Average Service	19.1	18.7	2.1%
Total Payroll	\$ 204,155,795	\$ 214,402,900	(4.8%)
Count of Terminated Vested Participants	820	868	(5.5%)
Average Age	50.3	49.9	0.7%
Count of Retired Participants	4,013	3,890	3.2%
Average Age	70.9	70.9	0.0%
Count of Disabled Participants	269	278	(3.2%)
Average Age	67.0	67.0	0.0%
Count of Surviving Spouses	586	565	3.7%
Average Age	74.7	74.7	(0.0%)
Total Count of Inactive Participants	4,868	4,733	2.9%

¹Active census and salary information includes only those eligible for the OPEB benefit, and as a result will not match the SBCERS pension census information for the same period.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX A – MEMBER DATA

Detailed Census Counts by Employer:

June 30, 2023	Counts by Employer									Total
	Santa Barbara County	Carpinteria-Summerland- FPD	Santa Maria Cemetery	Goleta Cemetery	SB County Assoc of Govts	Summerland Sanitary	Carpinteria Cemetery	Air Pollution Control District	Courts	
Active employees	1,727	28	2	3	6	1	2	9	144	1,922
Vested Terminated Employees	747	3	0	1	9	0	0	11	49	820
Retirees and Surviving Spouses	4,507	53	10	5	7	3	2	73	208	4,868
Total	6,981	84	12	9	22	4	4	93	401	7,610

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

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023

APPENDIX B –ASSUMPTIONS AND METHODS

Economic Assumptions:

- | | |
|---|---|
| 1. Expected Return on Trust Assets: | 7.00% per year |
| 2. Discount Rate: | 7.00% for SB County, APCD and the Courts
3.65% for all other Employers |
| 3. Inflation Rate: | 2.75% per year |
| 4. Base Wage Growth Rate: | 3.00% per year |
| 5. Per Person Cost Trends: | N/A |
| 6. Postretirement Benefit Increases: | None |

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

Demographic Assumptions:

1. Retirement Rates for active employees:

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

2. Rates of Termination:

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

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

3. Withdrawal:

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

4. Reciprocal Transfers:

30% of vested terminated General (except Plan 2) and 35% of vested terminated Safety Members that leave their member contributions on deposit with the Plan are assumed to be reciprocal. Reciprocal members are assumed to remain with the reciprocal agency until retirement.

5. Retirement Rates for Terminated Vested and Reciprocal participants:

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

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

6. Rates of Mortality for Healthy Lives:

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

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

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

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

7. Rates of Mortality for Retired Disabled Lives

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

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

8. Disability Rates:

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

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

Representative disability rates of active participants are shown below.

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

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

9. Plan Election:

Non-Medicare-Eligible Retirees:

We assumed that 40% of future retirees will select a monthly subsidy for employer health plan benefits of \$15 per year of service, while 60% will select the \$4 cash benefit option.

Medicare-Eligible Retirees:

We assumed that 40% of future retirees will select a monthly subsidy for employer health plan benefits of \$15 per year of service, while 60% will select the \$4 cash benefit option.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

10. Family Composition:

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

Percentage Married	
Gender	Percentage
Males	75%
Females	60%

11. Spouse Coverage Election:

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

12. Medical Trend

Since the dollar amounts of the benefits provided are not expected to increase and are below the current premiums for health benefits, no trend assumptions are used in calculating the liabilities produced in this report.

Changes since the Last Valuation

For all Employers on a pay-as-you go funding method, other than the Courts, the discount rate was changed from 3.54% to 3.65% to reflect the current municipal bond rate applicable to the Plan.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

Methodology:

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

Amortization Cost

The actuarial value of the assets on hand to pay future benefits is subtracted from the *Actuarial Liability*, producing the *Unfunded Actuarial Liability (UAL)*. Beginning with the June 30, 2017 valuation report, the UAL is no longer being amortized. Instead, we have computed the payment that would be anticipated to be needed – the tread water amount – to prevent the UAL from increasing if all assumptions are met. This payment is equal to the sum of the normal cost and the interest (calculated using the GASB 74/75 discount rate for each employer) on the UAL as of the valuation date. Beginning with the June 30, 2019 valuation, an amount equal to the expected administrative expenses is also included in the tread water amount.

Funding

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

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

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX B –ASSUMPTIONS AND METHODS

Actuarial Value of Plan Assets

The participating employers of the Santa Barbara County Employees' Retirement System contribute to a 401(h) account. As of June 30, 2023, the market value of assets was \$57,796,614. The actuarial value of assets is equal to the market value.

Changes since the Last Valuation

None

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX C – SUBSTANTIVE PLAN PROVISIONS

Summary of Key Substantive Plan Provisions:

All actuarial calculations are based on our understanding of the statutes governing SBCERS as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the County Board of Supervisors, a district Board of Directors, or the SBCERS Board, effective through June 30, 2023. The benefits are summarized briefly below. This summary does not attempt to cover all the detailed provisions of the law.

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

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

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

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

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX C – SUBSTANTIVE PLAN PROVISIONS

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

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

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

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

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

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

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

Benefits: Eligible members can choose a monthly subsidy for County health plan benefits of \$15 per year of service. If the monthly premium for the health plan selected is less than \$15 times the member's years of service, the subsidy is limited to the entire premium. The health plans can include coverage for eligible spouses and dependents.

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

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

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

Changes since the Last Valuation:

None

APPENDIX D – GLOSSARY OF TERMS

1. Actuarial Assumptions

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

2. Actuarial Cost Method

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

3. Actuarial Gain (Loss)

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

4. Actuarial Liability

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

5. Actuarial Present Value (Present Value)

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

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

6. Actuarial Valuation

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

7. Actuarial Value of Assets

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

APPENDIX D – GLOSSARY OF TERMS

8. Amortization Payment

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

9. Entry Age Normal Actuarial Cost Method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated as a level percentage of pay from the individual's date of entry into the plan to the individual's assumed cessation of employment.

10. Normal Cost

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

11. Unfunded Actuarial Liability

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

12. Funded Percentage

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

13. Mortality Table

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

14. Discount Rate

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

15. Medical Trend

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2023**

APPENDIX E – LIST OF ABBREVIATIONS

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



Classic Values, Innovative Advice