



**Santa Barbara County
Employees' Retirement System**

**Other Post-Employment Benefits
Actuarial Valuation**

as of June 30, 2014

Produced by [Cheiron](#)

February 18, 2015

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Via Electronic Mail

February 18, 2015

Board of Retirement
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
Santa Barbara, CA 93105

***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, 2014. The following report contains our findings and disclosures required by the Governmental Accounting Standards Board (GASB) standards, as well as commentary about GASB standards.

The purpose of this report is to present the actuarial valuation of the Santa Barbara County Employees' Retirement System's Other Post-Employment Benefits. This report is for the use of the County and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

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.

The results of this report are based on future experience conforming to the actuarial assumptions used. The results will change to the extent that future experience differs from the assumptions. Actuarial computations are calculated based on our understanding of GASB 43 and 45 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report. This valuation 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, or regulations.



Board of Retirement
Santa Barbara County Employees' Retirement System
February 18, 2015

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.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, 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. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,
Cheiron



Graham Schmidt, ASA, FCA, MAAA
Consulting Actuary



Michael W. Schionning, FSA, MAAA
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SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

**SECTION I
SUMMARY OF RESULTS**

The Santa Barbara County Employees' Retirement System has engaged Cheiron to provide a valuation of the County's Other Post-Employment Benefits. The primary purpose of performing this actuarial valuation is to:

- Determine the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and the Net Other Post-Employment Benefit (OPEB) Obligation (NOO) of the Post-Employment Healthcare Plan under GASB 45 for the fiscal year ending June 30, 2014;
- Provide information for financial statement disclosures under GASB 45;

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

GASB's OPEB Requirements:

The Governmental Accounting Standards Board (GASB) released Statement 43 regarding financial reporting for post-employment benefit plans other than pension plans and a companion Statement (Number 45) regarding the employer accounting for these plans. Statement 43 is generally applicable where an entity has a separate trust or fund for OPEB benefits. Statement 45 requires the plan sponsor to book the actuarial cost (net of employee, retiree, and their dependents' contributions) of the plan as an expense on its financial statements and then accrue a liability to the extent actual contributions were less than this expense. Additional disclosures include a description of the plan, summary of significant accounting policies, contributions, and a schedule of funding progress, along with the methods and assumptions used for those disclosures.

This plan is considered an agent plan; as such the income, payments, and liability experience is tracked separately for each employer who participates under the Plan.

Note, however, that newly proposed GASB Statements for OPEB plans would significantly change the projected financial reporting shown. The proposed statements are scheduled to be effective for the fiscal year ending June 30, 2017 for the plan and for the fiscal year ending June 30, 2018 for the employer.

Implicit Subsidy

GASB 45 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 any

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**SECTION I
SUMMARY OF RESULTS**

premiums paid for coverage 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, 2014

**SECTION I
SUMMARY OF RESULTS**

Valuation Results

The table below presents the key results of the June 30, 2014 valuation on an aggregate basis.

| Table I-1 Summary of Key Valuation Results | | |
|--|-----------------------|-----------------------|
| Valuation Date | 6/30/2014 | 6/30/2012* |
| Discount Rate (per annum) | 4.33% ** | 4.00% |
| Actuarial Accrued Liability | | |
| - Active Employees | \$ 71,964,208 | \$ 70,690,948 |
| - Terminated Vested Participants | 11,687,927 | 10,665,917 |
| - Retirees, Disableds, and Beneficiaries | 109,553,281 | 108,822,426 |
| - Total | \$ 193,205,416 | \$ 190,179,291 |
| Assets | \$ 4,070,381 | \$ 3,034,686 |
| Unfunded Accrued Liability (UAL) | \$ 189,135,035 | \$ 187,144,605 |
| Normal Cost | \$ 4,814,987 | \$ 5,515,919 |
| Amortization of UAL | \$ 25,547,879 | \$ 19,710,149 |
| Total ARC | \$ 30,362,866 | \$ 25,226,068 |
| Normal Cost % of pay | 1.67% | 1.82% |
| Amortization of UAL % of pay | 8.87% | 6.52% |
| Total Cost (ARC as % of pay) | 10.54% | 8.34% |
| <i>Expected/ Actual Funding Policy Contribution Amount</i> | \$ 9,191,601 | 8,517,406 |
| <i>Expected Implicit Subsidy Amount***</i> | N/A | N/A |

*As calculated by the prior Actuary

** This is the blended discount rate approximately equivalent to the total after reflecting that SB County and APCD are valued at higher discount rates than the 4.0% used for the other employers

*** Due to the nature of the benefit provided and the separate premium rating process used for Active and Retired participants, any possible Implicit Subsidy is considered immaterial

Table I-1 shows that the ARC grew from 8.34% of pay at June 30, 2012 to 10.55% of pay at June 30, 2014. This is primarily due to the increase in the amortization payment for the Unfunded Accrued Liability (UAL). Since 2012, the UAL increased and amortization period decreased for Santa Barbara County (the largest employer included in this valuation), resulting in the increased amortization payments. These changes are discussed further in the GASB Valuation Results section.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014**

**SECTION I
SUMMARY OF RESULTS**

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

| Fiscal Year Ending June 30 | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | Air Pollution Control District | Courts | Total |
|---|-------------------------------------|---|---------------------------------|----------------------------|---|--------------------------------|---------------------------------|---|---------------|--------------|
| 2015 | \$ 8,535,208 | \$ 128,397 | \$ 12,138 | \$ 2,258 | \$ 7,500 | \$ 4,899 | \$ 2,180 | \$ 78,057 | \$ 363,938 | \$9,134,575 |
| 2016 | 8,811,558 | 133,743 | 13,073 | 3,602 | 9,005 | 5,226 | 2,177 | 86,527 | 383,753 | 9,448,664 |
| 2017 | 9,072,478 | 139,301 | 14,261 | 4,672 | 10,077 | 5,677 | 2,198 | 91,850 | 406,404 | 9,746,918 |
| 2018 | 9,348,814 | 144,520 | 15,600 | 5,519 | 12,853 | 6,252 | 2,244 | 97,395 | 428,241 | 10,061,438 |
| 2019 | 9,626,172 | 151,797 | 17,009 | 6,974 | 14,790 | 6,840 | 2,292 | 102,020 | 450,667 | 10,378,561 |
| 2020 | 9,894,499 | 153,858 | 18,416 | 7,477 | 18,799 | 7,382 | 2,354 | 106,370 | 474,529 | 10,683,684 |
| 2021 | 10,151,889 | 156,815 | 19,568 | 7,952 | 21,317 | 7,922 | 2,430 | 110,344 | 496,301 | 10,974,538 |
| 2022 | 10,420,202 | 160,830 | 20,499 | 8,404 | 23,829 | 8,484 | 2,576 | 116,763 | 517,459 | 11,279,046 |
| 2023 | 10,663,928 | 162,600 | 21,301 | 8,735 | 26,314 | 9,044 | 2,691 | 121,947 | 537,057 | 11,553,617 |
| 2024 | 10,896,259 | 163,470 | 22,877 | 9,154 | 28,787 | 9,492 | 2,856 | 126,552 | 557,906 | 11,817,353 |
| 2025 | 11,109,820 | 163,790 | 23,685 | 9,253 | 31,189 | 9,818 | 3,079 | 129,732 | 580,587 | 12,060,953 |
| 2026 | 11,310,883 | 164,174 | 24,496 | 9,425 | 33,342 | 10,049 | 3,313 | 135,091 | 601,223 | 12,291,996 |
| 2027 | 11,504,612 | 164,786 | 25,169 | 9,377 | 37,133 | 10,222 | 3,488 | 137,092 | 618,587 | 12,510,466 |
| 2028 | 11,668,672 | 164,580 | 25,648 | 9,342 | 40,483 | 10,361 | 3,616 | 137,941 | 632,865 | 12,693,508 |
| 2029 | 11,797,010 | 163,869 | 25,977 | 9,217 | 42,567 | 10,465 | 3,706 | 138,191 | 649,584 | 12,840,586 |
| 2030 | 11,917,405 | 162,460 | 28,893 | 9,067 | 44,308 | 10,539 | 3,765 | 137,956 | 661,178 | 12,975,571 |
| 2031 | 12,012,853 | 160,829 | 28,978 | 8,892 | 45,704 | 10,965 | 3,829 | 137,097 | 674,456 | 13,083,603 |
| 2032 | 12,087,654 | 158,302 | 28,907 | 8,692 | 47,107 | 11,027 | 3,911 | 137,963 | 686,253 | 13,169,816 |
| 2033 | 12,154,566 | 154,791 | 28,805 | 8,511 | 47,945 | 11,027 | 3,985 | 136,393 | 695,184 | 13,241,207 |
| 2034 | 12,186,193 | 150,975 | 28,870 | 8,252 | 49,296 | 11,054 | 4,045 | 134,711 | 702,508 | 13,275,904 |

The remainder of this report provides additional detail. First, we develop the GASB valuation results and discuss the sensitivity of the GASB results to changes in the healthcare trend rates. We conclude with disclosure information needed to satisfy the GASB OPEB accounting and financial reporting requirements.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014**

**SECTION II
ASSETS**

Tables II-1 and II-2 below show the changes in the market value of assets, for each employer and in aggregate, for the last two years.

| Table II-1 Changes in Market Value of Assets by Employer, 2012 to 2013 | | | | | | | | | | |
|---|-------------------------------------|---|-------------------------------------|----------------------------|---------------------------|--------------------------------|---------------------------------|---|---------------|---------------------|
| | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County | | | Air Pollution Control District | Courts | Total |
| | | | | | Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | | | |
| Market Value of Assets, June 30, 2012 | \$ 2,478,167 | \$ 0 | \$ 0 | \$ 0 | \$ 182 | \$ 0 | \$ 0 | \$ 556,504 | \$ (167) | \$ 3,034,686 |
| Employer Contributions | 7,742,665 | 121,184 | 11,677 | 4,316 | 4,555 | 1,445 | 2,073 | 187,091 | 282,594 | 8,357,600 |
| Interest and Investment Income | 213,422 | 0 | 0 | 0 | 0 | 0 | 0 | 43,354 | 0 | 256,776 |
| Administrative Expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (4,188) | (4,188) |
| Benefit Payments | (7,884,699) | (121,184) | (11,677) | (4,316) | (4,737) | (1,445) | (2,073) | (58,385) | (278,239) | (8,366,755) |
| Admin. Expense Reimbursement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Market Value of Assets, June 30, 2013 | \$ 2,549,555 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 728,564 | \$ 0 | \$ 3,278,119 |

| Table II-2 Changes in Market Value of Assets by Employer, 2013 to 2014 | | | | | | | | | | |
|---|-------------------------------------|---|-------------------------------------|----------------------------|---------------------------|--------------------------------|---------------------------------|---|---------------|---------------------|
| | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County | | | Air Pollution Control District | Courts | Total |
| | | | | | Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | | | |
| Market Value of Assets, June 30, 2013 | \$ 2,549,555 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 728,564 | \$ 0 | \$ 3,278,119 |
| Employer Contributions | 8,252,513 | 122,222 | 11,677 | 3,848 | 4,737 | 3,376 | 2,179 | 169,005 | 329,508 | 8,899,065 |
| Interest and Investment Income | 413,192 | 0 | 0 | 0 | 0 | 0 | 0 | 86,664 | 0 | 499,856 |
| Administrative Expenses | (297,472) | (3,897) | (454) | (154) | (443) | (178) | (163) | (4,156) | (11,958) | (318,875) |
| Benefit Payments | (8,060,107) | (122,222) | (11,677) | (3,848) | (4,737) | (3,376) | (2,179) | (69,005) | (333,697) | (8,610,848) |
| Admin. Expense Reimbursement | 297,472 | 3,897 | 454 | 154 | 443 | 178 | 163 | 4,156 | 16,147 | 323,064 |
| Market Value of Assets, June 30, 2014 | \$ 3,155,153 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 915,228 | \$ 0 | \$ 4,070,381 |

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

**SECTION III
GASB VALUATION RESULTS**

The Governmental Accounting Standards Board (GASB) Statement 43 governs financial reporting for post-employment benefits plans other than pension plans and a companion Statement (Number 45) governs the employer accounting and financial reporting for these plans.

For plans where the contribution equals the Annual Required Contribution under GASB 43 based on a discount rate equal to the expected return on plan assets, the discount rate for GASB purposes is also the expected return on plan assets. Where the contribution equals the pay-as-you-go cost (annual benefit payments), the discount rate for GASB purposes is equal to the expected return on unrestricted assets. Where the contribution is between these two amounts, GASB requires the use of a blended discount rate that is prorated between the expected return on plan assets and the expected return on the employer's unrestricted assets. The expected return on unrestricted assets for all employers was 4.00% in the last actuarial valuation; this assumption remains unchanged. The expected return on plan assets is assumed to be 7.5%, the same long-term rate assumed for the SBCERS pension assets. Because most of the employers are only contributing the pay-as-you-go cost, the discount rate used is 4.00%; Santa Barbara County and APCD have instituted funding policies that exceed the pay-as-you-go costs and as such use a discount rate of 4.33% and 7.50%, respectively.

The development of the unfunded actuarial liability (UAL) is shown below.

| Table III-1 Unfunded Actuarial Liability | | | | | | | | | | |
|---|---------------------------------|---|---------------------------------|----------------------------|---|--------------------------------|---------------------------------|---|---------------------|-----------------------|
| Valuation Date | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | Air Pollution Control District | Courts | Total |
| Actuarial Accrued Liability | \$ 178,461,554 | \$ 2,522,632 | \$ 385,492 | \$ 109,618 | \$ 534,379 | \$ 145,272 | \$ 54,715 | \$ 1,388,852 | \$ 9,602,902 | \$ 193,205,416 |
| Assets | <u>3,155,153</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>915,228</u> | <u>-</u> | <u>4,070,381</u> |
| Unfunded Actuarial Liability (UAL) | \$ 175,306,401 | \$ 2,522,632 | \$ 385,492 | \$ 109,618 | \$ 534,379 | \$ 145,272 | \$ 54,715 | \$ 473,624 | \$ 9,602,902 | \$ 189,135,035 |
| Funded percentage | 1.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 65.9% | 0.0% | 2.1% |

The Annual Required Contribution (ARC) under GASB 45 consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year, and (2) the amortization of the unfunded actuarial liability (UAL).

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014**

**SECTION III
GASB VALUATION RESULTS**

The UAL as of June 30, 2014 is amortized as a level percentage of pay over a certain amortization period. For Santa Barbara County, a closed amortization period of 15 years was established as of January 1, 2007. As of June 30, 2014, the period remaining is now 7.5 years. For all other employers, an open/rolling period of 30 years is used. The Annual Required Contribution (ARC) at June 30, 2015 is developed in the table below.

The table below shows the ARC calculation for each employer.

| Table III-2 Development of Actuarial Cost | | | | | | | | | | |
|--|---------------------------------|---|---------------------------------|----------------------------|-------------------------------------|--------------------------------|---------------------------------|---|-------------------|----------------------|
| Group | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | Air Pollution Control District | Courts | Total |
| Fully Projected Liability | \$ 219,192,519 | \$ 2,943,977 | \$ 467,393 | \$ 137,401 | \$ 766,006 | \$ 190,121 | \$ 81,481 | \$ 1,527,754 | \$ 12,369,270 | \$ 237,675,922 |
| EAN Actuarial Accrued Liability (AAL) | 178,461,554 | 2,522,632 | 385,492 | 109,618 | 534,379 | 145,272 | 54,715 | 1,388,852 | 9,602,902 | 193,205,416 |
| Actuarial Value of Assets | <u>3,155,153</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>915,228</u> | <u>0</u> | <u>4,070,381</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 175,306,401 | \$ 2,522,632 | \$ 385,492 | \$ 109,618 | \$ 534,379 | \$ 145,272 | \$ 54,715 | \$ 473,624 | \$ 9,602,902 | \$ 189,135,035 |
| Normal Cost | \$ 4,399,940 | \$ 57,942 | \$ 9,822 | \$ 6,387 | \$ 22,444 | \$ 5,159 | \$ 2,109 | \$ 21,116 | \$ 290,068 | \$ 4,814,987 |
| Amortization of UAL (various years, level % pay) | \$ 25,023,942 | \$ 93,699 | \$ 14,319 | \$ 4,072 | \$ 19,849 | \$ 5,396 | \$ 2,032 | \$ 27,885 | \$ 356,685 | \$ 25,547,879 |
| Projected Payroll (FY 2014-15) | \$ 264,376,419 | \$ 3,512,868 | \$ 364,089 | \$ 265,106 | \$ 1,793,839 | \$ 314,581 | \$ 133,811 | \$ 3,225,494 | \$ 13,928,588 | \$ 287,914,795 |
| Normal Cost (% Pay) | 1.66% | 1.65% | 2.70% | 2.41% | 1.25% | 1.64% | 1.58% | 0.65% | 2.08% | 1.67% |
| Amortization Cost (% Pay) | 9.47% | 2.67% | 3.93% | 1.54% | 1.11% | 1.72% | 1.52% | 0.86% | 2.56% | 8.87% |
| Total Cost (% Pay) | 11.13% | 4.32% | 6.63% | 3.95% | 2.36% | 3.36% | 3.10% | 1.51% | 4.64% | 10.54% |
| Annual Required Cost (ARC) for Fiscal 2014-15 | \$ 29,423,882 | \$ 151,641 | \$ 24,141 | \$ 10,459 | \$ 42,293 | \$ 10,555 | \$ 4,141 | \$ 49,001 | \$ 646,753 | \$ 30,362,866 |
| <i>Projected Contribution for Fiscal 2014-15</i> | <i>\$ 8,592,234</i> | <i>\$ 128,397</i> | <i>\$ 12,138</i> | <i>\$ 2,258</i> | <i>\$ 7,500</i> | <i>\$ 4,899</i> | <i>\$ 2,180</i> | <i>\$78,057</i> | <i>\$ 363,938</i> | <i>\$ 9,191,601</i> |

Estimated figures shown in italics

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

SECTION III
GASB VALUATION RESULTS

Reconciliation

The table below provides an estimate of the major factors contributing to the change in liability since the last valuation report.

| Table III-3 | |
|--|-----------------------|
| Reconciliation of Actuarial Liability | |
| Expected Actuarial Liability at 6/30/2014 | \$ 199,063,419 |
| Actual Liability as of 6/30/2014 | \$ 193,205,416 |
| (Gain) or Loss | \$ (5,858,003) |
| Changes due to: | |
| Changes in Actuarial Assumptions | (10,748,258) |
| Plan Amendments | 0 |
| Method Change | 0 |
| Other Changes | 4,890,255 |
| Total Changes | \$ (5,858,003) |

- *Changes in Actuarial Assumptions* includes the effects of the updated demographic assumptions and changes to the discount rates for certain employers, as described in Appendix A.
- *Plan Amendments* includes the effects of plan changes that impact the benefits provided. There have been no changes to the plan benefits that affect the actuarial liabilities since the prior valuation.
- *Method Change* refers to the change in any of the actuarial methods used to calculate the benefits.
- *Other Changes* includes the effect of changes in the demographics of the covered members, transitioning to the Cheiron valuation system, and any other change not captured in the above items.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014**

**SECTION IV
SENSITIVITY OF RESULTS**

Since the dollar amounts of the benefits are not expected to increase and are below the current premiums for health benefits, no trend assumptions are used in calculating the liabilities and ARC produced in this report. Therefore, the results are not affected by any increase or decrease in the healthcare trend rates that may apply to the underlying benefit premiums in the future.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

SECTION V
ACCOUNTING DISCLOSURES

Statement 45 of the Governmental Accounting Standards Board (GASB) established standards for accounting and financial reporting of Other Post-Employment Benefit (OPEB) information by governmental employers and plans. In accordance with those statements, we have prepared the following disclosures.

Net OPEB Obligation

The following tables show the development of the Net OPEB Obligation for the fiscal years ending June 30, 2013 and 2014, and project the Net OPEB Obligation for the fiscal year ending June 30, 2015.

| Table V-1 | | | | | | | | | | | |
|---|---------------------------------|---|---------------------------------|----------------------------|-------------------------------------|--------------------------------|---------------------------------|---|---------------|---------------|--|
| Development of Net OPEB Obligation for June 30, 2013 | | | | | | | | | | | |
| Group | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | Air Pollution Control District | Courts | Total | |
| 1. Net OPEB Obligation, June 30, 2012* | \$ 51,825,558 | \$ 61,845 | \$ 35,535 | \$ 21,371 | \$ 75,616 | \$ 19,671 | \$ 9,549 | \$ (192,528) | \$ 1,182,176 | \$ 53,038,793 | |
| 2. Annual Required Contribution (ARC)* | \$ 24,265,383 | \$ 144,791 | \$ 24,013 | \$ 12,086 | \$ 12,724 | \$ 9,027 | \$ 4,562 | \$ 112,040 | \$ 641,443 | \$ 25,226,069 | |
| 3. Interest on Net OPEB Obligation | 2,073,022 | 2,474 | 1,421 | 855 | 3,025 | 787 | 382 | (7,701) | 47,287 | 2,121,552 | |
| 4. Adjustment to ARC | 5,511,290 | 2,134 | 1,226 | 738 | 2,609 | 679 | 330 | (6,644) | 40,796 | 5,553,158 | |
| 5. Annual OPEB Cost (2.) + (3.) - (4.) | \$ 20,827,115 | \$ 145,131 | \$ 24,208 | \$ 12,203 | \$ 13,140 | \$ 9,135 | \$ 4,614 | \$ 110,983 | \$ 647,934 | \$ 21,794,463 | |
| 6. Actual Employer Contributions | \$ 7,742,664 | \$ 121,184 | \$ 11,677 | \$ 4,316 | \$ 4,555 | \$ 1,445 | \$ 2,072 | \$ 187,091 | \$ 282,594 | \$ 8,357,598 | |
| 7. Net OPEB Obligation, end of year (1.) + (5.) - (6.) | \$ 64,910,009 | \$ 85,792 | \$ 48,066 | \$ 29,258 | \$ 84,201 | \$ 27,361 | \$ 12,091 | \$ (268,636) | \$ 1,547,516 | \$ 66,475,658 | |

*As calculated by the prior Actuary

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION V
ACCOUNTING DISCLOSURES

Table V-2

Development of Net OPEB Obligation for June 30, 2014

| Group | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | Air Pollution Control District | Courts | Total |
|---|-------------------------|------------------------------------|-------------------------|--------------------|-----------------------------|------------------------|-------------------------|--------------------------------------|---------------------|----------------------|
| 1. Net OPEB Obligation, June 30, 2013 | \$ 64,910,009 | \$ 85,792 | \$ 48,066 | \$ 29,258 | \$ 84,201 | \$ 27,361 | \$ 12,091 | \$ (268,636) | \$ 1,547,516 | \$ 66,475,658 |
| 2. Annual Required Contribution (ARC) | \$ 27,162,937 | \$ 147,847 | \$ 24,925 | \$ 12,614 | \$ 13,264 | \$ 9,516 | \$ 4,777 | \$ 111,080 | \$ 668,290 | \$ 28,155,250 |
| 3. Interest on Net OPEB Obligation | 2,596,400 | 3,432 | 1,923 | 1,170 | 3,368 | 1,094 | 484 | (10,745) | 61,901 | 2,659,027 |
| 4. Adjustment to ARC | 7,705,572 | 2,961 | 1,659 | 1,010 | 2,906 | 944 | 417 | (9,271) | 53,404 | 7,759,602 |
| 5. Annual OPEB Cost (2.) + (3.) - (4.) | \$ 22,053,765 | \$ 148,318 | \$ 25,189 | \$ 12,774 | \$ 13,726 | \$ 9,666 | \$ 4,844 | \$ 109,606 | \$ 676,787 | \$ 23,054,675 |
| 6. Actual Employer Contributions | \$ 8,252,514 | \$ 122,222 | \$ 11,677 | \$ 3,848 | \$ 4,737 | \$ 3,376 | \$ 2,179 | \$ 169,005 | \$ 329,508 | \$ 8,899,066 |
| 7. Net OPEB Obligation, end of year <i>(1.) + (5.) - (6.)</i> | \$ 78,711,260 | \$ 111,888 | \$ 61,578 | \$ 38,184 | \$ 93,190 | \$ 33,651 | \$ 14,756 | \$ (328,035) | \$ 1,894,795 | \$ 80,631,267 |

Table V-3

Projected Net OPEB Obligation for June 30, 2015

| Group | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | Air Pollution Control District | Courts | Total |
|---|-------------------------|------------------------------------|-------------------------|--------------------|-----------------------------|------------------------|-------------------------|--------------------------------------|---------------------|----------------------|
| 1. Net OPEB Obligation, June 30, 2014 | \$ 78,711,260 | \$ 111,888 | \$ 61,578 | \$ 38,184 | \$ 93,190 | \$ 33,651 | \$ 14,756 | \$ (328,035) | \$ 1,894,795 | \$ 80,631,267 |
| 2. Annual Required Contribution (ARC) | \$ 29,423,882 | \$ 151,641 | \$ 24,141 | \$ 10,459 | \$ 42,293 | \$ 10,555 | \$ 4,141 | \$ 49,001 | \$ 646,753 | \$ 30,362,866 |
| 3. Interest on Net OPEB Obligation | 3,408,198 | 4,476 | 2,463 | 1,527 | 3,728 | 1,346 | 590 | (24,603) | 75,792 | 3,473,517 |
| 4. Adjustment to ARC | 10,769,254 | 3,996 | 2,199 | 1,364 | 3,328 | 1,202 | 527 | (17,966) | 67,672 | 10,831,576 |
| 5. Annual OPEB Cost (2.) + (3.) - (4.) | \$ 22,062,826 | \$ 152,121 | \$ 24,405 | \$ 10,622 | \$ 42,693 | \$ 10,699 | \$ 4,204 | \$ 42,364 | \$ 654,873 | \$ 23,004,807 |
| 6. <i>Expected Employer Contributions</i> | <i>\$ 8,592,234</i> | <i>\$ 128,397</i> | <i>\$ 12,138</i> | <i>\$ 2,258</i> | <i>\$ 7,500</i> | <i>\$ 4,899</i> | <i>\$ 2,180</i> | <i>\$ 78,057</i> | <i>\$ 363,938</i> | <i>\$ 9,191,601</i> |
| 7. Net OPEB Obligation, end of year <i>(1.) + (5.) - (6.)</i> | \$ 92,181,852 | \$ 135,612 | \$ 73,845 | \$ 46,548 | \$ 128,383 | \$ 39,451 | \$ 16,780 | \$ (363,728) | \$ 2,185,730 | \$ 94,444,473 |

Estimated figures shown in italics

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**SECTION V
ACCOUNTING 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 and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

**Table V-4
Schedule of Funding Progress**

| Group | Santa Barbara County | Carpinteria- Summerland- FPO | 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) | \$ 3,155,153 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 915,228 | \$ 0 | \$ 4,070,381 |
| Actuarial Accrued Liabilities (b) | \$ 178,461,554 | \$ 2,522,632 | \$ 385,492 | \$ 109,618 | \$ 534,379 | \$ 145,272 | \$ 54,715 | \$ 1,388,852 | \$ 9,602,902 | \$ 193,205,416 |
| Unfunded Actuarial Liabilities (UAL) [b-a] | \$ 175,306,401 | \$ 2,522,632 | \$ 385,492 | \$ 109,618 | \$ 534,379 | \$ 145,272 | \$ 54,715 | \$ 473,624 | \$ 9,602,902 | \$ 189,135,035 |
| Funded Ratio (a/b) | 1.77% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 65.90% | 0.00% | 2.11% |
| Annual Covered Payroll (c) | \$ 259,829,404 | 3,452,450 | 357,827 | 260,546 | 1,762,987 | 309,171 | 131,510 | 3,170,019 | 13,689,030 | \$ 282,962,944 |
| (UAL) as Percentage of Covered Payroll | 67.47% | 73.07% | 107.73% | 42.07% | 30.31% | 46.99% | 41.61% | 14.94% | 70.15% | 66.84% |

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**SECTION V
ACCOUNTING DISCLOSURES**

History of Employer Contributions

The history of employer contributions shows whether the employers have made contributions that are consistent with the parameters established by GASB for calculating the ARC and the annual OPEB expense.

| Table V-5 Schedule of Employer Contributions | | | | | | |
|---|-----------------------------------|------------|---------------------------------|------------------|--|--------------------------------|
| Fiscal Year Ending | Annual OPEB Cost (AOC) | | Actual Contributions | | Percentage of AOC Contributed | Net OPEB Obligation |
| 2015 | \$ | 23,004,807 | \$ | <i>9,191,601</i> | 40.0% | \$ 94,444,473 |
| 2014 | | 23,054,675 | | 8,899,066 | 38.6% | 80,631,267 |
| 2013* | | 21,794,463 | | 8,357,598 | 38.3% | 66,475,658 |
| 2012* | | 20,308,611 | | 8,362,411 | 41.2% | 53,038,793 |
| 2011* | | 20,366,914 | | 8,665,648 | 42.5% | 41,092,593 |

Estimated figures shown in italics

*As calculated by the prior Actuary

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

**SECTION V
ACCOUNTING DISCLOSURES**

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

| Table V-6 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, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method for Santa Barbara County | Level % Pay, 15 years, closed with 7.5 years remaining |
| Amortization Method for all other Employers | Level % Pay, 30 years, open |
| Asset Valuation Method | Market value |
| Actuarial Assumptions: | |
| Payroll Growth Rate | 3.50% |
| Discount Rate | 4.33% for SB County, 7.50% for APCD, and 4.00% for all others |
| Ultimate Rate of Medical Inflation | N/A |

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS

Member Data Comparisons

| | July 1, 2012 | June 30, 2014 | % Change |
|---|---------------------|----------------------|-----------------|
| Active Employees* | | | |
| Count | 4,063 | 3,707 | (8.76%) |
| Average Age | 45.8 | 46.8 | 2.12% |
| Average Service | 12.0 | 13.8 | 14.56% |
| Total Payroll | \$ 302,378,528 | \$ 282,962,944 | (6.42%) |
| Count of Terminated Vested Participants | 878 | 890 | 1.37% |
| Average Age | 48.1 | 48.5 | 0.75% |
| Count of Retired Participants | 2,767 | 3,246 | 17.31% |
| Average Age | 69.1 | 69.2 | 0.09% |
| Count of Disabled Participants | 238 | 240 | 0.84% |
| Average Age | 65.3 | 65.5 | 0.28% |
| Count of Surviving Spouses | 358 | 408 | 13.97% |
| Average Age | 74.8 | 74.6 | (0.29%) |
| Total Count of Inactive Participants | 3,363 | 3,894 | 15.79% |

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS

Detailed Census Counts by Employer:

| Counts by Employer | | | | | | | | | | |
|--------------------------------|----------------------------|------------------------------------|-------------------------|--------------------|--------------------------------|------------------------|-------------------------|--------------------------------------|------------|--------------|
| June 30, 2014 | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | Air Pollution Control District | Courts | Total |
| Active employees | 3,383 | 33 | 7 | 4 | 18 | 4 | 2 | 38 | 218 | 3,707 |
| Vested Terminated Employees | 830 | 4 | 2 | 1 | 10 | 0 | 0 | 13 | 30 | 890 |
| Retirees and Surviving Spouses | 3,645 | 38 | 4 | 3 | 11 | 2 | 2 | 56 | 133 | 3,894 |
| Total | 7,858 | 75 | 13 | 8 | 39 | 6 | 4 | 107 | 381 | 8,491 |
| June 30, 2012 | Santa Barbara County | Carpinteria- Summerland- FPO | Santa Maria Cemetery | Goleta Cemetery | SB County Assoc of Govts | Summerland Sanitary | Carpinteria Cemetery | Air Pollution Control District | Courts | Total |
| Active employees | 3,689 | 34 | 9 | 4 | 18 | 4 | 2 | 46 | 257 | 4,063 |
| Vested Terminated Employees | 828 | 5 | 0 | 1 | 8 | 0 | 1 | 13 | 22 | 878 |
| Retirees and Surviving Spouses | 3,174 | 34 | 4 | 2 | 7 | 2 | 1 | 40 | 99 | 3,363 |
| Total | 7,691 | 73 | 13 | 7 | 33 | 6 | 4 | 99 | 378 | 8,304 |

*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, 2014

APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS

Economic Assumptions:

- | | |
|---|---|
| 1. Expected Return on Trust Assets: | 7.5% per year |
| 2. Expected Return on Assets for Benefits: | 4.0% per year |
| 3. Discount Rate | 4.33% for SB County, 7.5% for APCD, and 4.00% for all others |
| 4. Payroll Growth Rate: | 3.5% per year |
| 5. Per Person Cost Trends: | N/A |
| 6. Postretirement Benefit Increases: | None |

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX A
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Demographic Assumptions:

1. Retirement Rates for active employees:

Rates of retirement are based on age according to the following below. The rates for Safety PEPRA members are the same as the Safety Plan 4 rates.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014**

**APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS**

| Rates of Retirement | | | | | | |
|---------------------|---------|---------|------------------|---------|---------|---------|
| Age | General | | General - PEPR A | | Safety | |
| | Male | Female | Male | Female | Plan 4 | Plan 6 |
| <34 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 35 | 0.00% | 0.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 36 | 0.00% | 0.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 37 | 0.00% | 0.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 38 | 0.00% | 0.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 39 | 0.00% | 0.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 40 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 41 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 42 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 43 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 44 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 45 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 1.00% |
| 46 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 2.00% |
| 47 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 5.00% |
| 48 | 3.00% | 4.00% | 0.00% | 0.00% | 1.00% | 5.00% |
| 49 | 3.00% | 4.00% | 0.00% | 0.00% | 3.00% | 17.00% |
| 50 | 3.00% | 4.00% | 0.00% | 0.00% | 4.00% | 23.00% |
| 51 | 4.00% | 4.00% | 0.00% | 0.00% | 4.00% | 14.00% |
| 52 | 4.00% | 4.00% | 2.40% | 1.80% | 4.00% | 14.00% |
| 53 | 4.00% | 4.00% | 2.40% | 1.80% | 5.00% | 14.00% |
| 54 | 4.00% | 6.00% | 2.40% | 5.40% | 22.00% | 28.00% |
| 55 | 4.00% | 7.00% | 2.40% | 5.40% | 33.00% | 31.00% |
| 56 | 6.00% | 8.00% | 3.60% | 5.40% | 23.00% | 20.00% |
| 57 | 6.00% | 9.00% | 3.60% | 5.40% | 23.00% | 20.00% |
| 58 | 6.00% | 9.00% | 3.60% | 5.40% | 23.00% | 20.00% |
| 59 | 12.00% | 12.00% | 7.20% | 7.20% | 23.00% | 20.00% |
| 60 | 15.00% | 13.00% | 9.00% | 9.00% | 23.00% | 20.00% |
| 61 | 25.00% | 23.00% | 15.00% | 10.80% | 23.00% | 20.00% |
| 62 | 25.00% | 23.00% | 20.00% | 20.00% | 23.00% | 20.00% |
| 63 | 25.00% | 23.00% | 20.00% | 20.00% | 23.00% | 20.00% |
| 64 | 25.00% | 23.00% | 20.00% | 20.00% | 23.00% | 20.00% |
| 65 | 25.00% | 23.00% | 25.00% | 25.00% | 100.00% | 100.00% |
| 66 | 25.00% | 23.00% | 25.00% | 25.00% | | |
| 67 | 25.00% | 23.00% | 40.00% | 40.00% | | |
| 68 | 25.00% | 23.00% | 25.00% | 25.00% | | |
| 69 | 25.00% | 23.00% | 25.00% | 25.00% | | |
| 70 | 25.00% | 23.00% | 25.00% | 25.00% | | |
| 71 | 25.00% | 23.00% | 25.00% | 25.00% | | |
| 72 | 25.00% | 23.00% | 25.00% | 25.00% | | |
| 73 | 25.00% | 23.00% | 25.00% | 25.00% | | |
| 74 | 25.00% | 23.00% | 25.00% | 25.00% | | |
| 75 | 100.00% | 100.00% | 100.00% | 100.00% | | |

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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2. Retirement Rates for terminated vested participants:

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

| Plan | Assumed Retirement Age |
|---|-------------------------------|
| APCD 1,2 / General 5A,B,C / Plan 7 / Plan 8 (PEPRA) | 58 |
| General Plan 2 | 65 |
| Safety Plan 4A,B,C, Safety Plan 8 (PEPRA) | 54 |
| Safety Plan 6A,B,C | 50 |

3. 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.

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OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014**

**APPENDIX A
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| Rates of Termination | | |
|-----------------------------|----------------|---------------|
| Service | General | Safety |
| 0 | 20.00% | 9.00% |
| 1 | 14.00% | 9.00% |
| 2 | 10.00% | 3.50% |
| 3 | 8.00% | 3.50% |
| 4 | 7.00% | 3.50% |
| 5 | 6.00% | 3.50% |
| 6 | 6.00% | 3.00% |
| 7 | 5.00% | 2.70% |
| 8 | 5.00% | 2.70% |
| 9 | 4.50% | 2.70% |
| 10 | 4.50% | 2.00% |
| 11 | 4.00% | 1.50% |
| 12 | 3.50% | 1.50% |
| 13 | 3.00% | 1.30% |
| 14 | 3.00% | 1.30% |
| 15 | 2.50% | 1.30% |
| 16 | 2.00% | 1.30% |
| 17 | 2.00% | 1.30% |
| 18 | 2.00% | 1.30% |
| 19 | 2.00% | 1.30% |
| 20 | 1.00% | 0.00% |
| 21 | 1.00% | |
| 22 | 1.00% | |
| 23 | 1.00% | |
| 24 | 1.00% | |
| 25 | 1.00% | |
| 26 | 1.00% | |
| 27 | 1.00% | |
| 28 | 1.00% | |
| 29 | 1.00% | |
| 30 | 0.00% | |

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

APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS

4. Rates of Mortality:

Healthy Lives:

Mortality rates for actives, retirees, beneficiaries, terminated vested, and reciprocals are based on the sex distinct Retired Pensioner (RP) 2000 Combined Healthy Tables, published by the Society of Actuaries, with Generational improvement using Projection Scale BB.

Disabled Lives:

Mortality rates for disabled retirees are based on the sex distinct Retired Pensioner (RP) 2000 Tables Combined Healthy Tables, published by the Society of Actuaries, with Generational improvement using Projection Scale BB, set forward five years for males and females.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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**APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS**

5. Disability Rates:

Disability rates of active participants are shown below.

| Rates of Disability | | | | |
|---------------------|-----------------------------|-----------|----------------------------|-----------|
| Age | General Years of Service | | Safety Years of Service | |
| | Less than 5 | 5 or More | Less than 5 | 5 or More |
| 29 or less | 0.004% | 0.010% | 0.045% | 0.050% |
| 30 | 0.004% | 0.010% | 0.072% | 0.080% |
| 31 | 0.004% | 0.010% | 0.072% | 0.080% |
| 32 | 0.004% | 0.010% | 0.072% | 0.080% |
| 33 | 0.004% | 0.010% | 0.072% | 0.080% |
| 34 | 0.004% | 0.010% | 0.072% | 0.080% |
| 35 | 0.004% | 0.010% | 0.090% | 0.100% |
| 36 | 0.004% | 0.010% | 0.090% | 0.100% |
| 37 | 0.004% | 0.010% | 0.090% | 0.100% |
| 38 | 0.004% | 0.010% | 0.090% | 0.100% |
| 39 | 0.004% | 0.010% | 0.090% | 0.100% |
| 40 | 0.004% | 0.010% | 0.117% | 0.130% |
| 41 | 0.008% | 0.020% | 0.117% | 0.130% |
| 42 | 0.012% | 0.030% | 0.117% | 0.130% |
| 43 | 0.016% | 0.040% | 0.117% | 0.130% |
| 44 | 0.020% | 0.050% | 0.117% | 0.130% |
| 45 | 0.024% | 0.060% | 0.135% | 0.150% |
| 46 | 0.028% | 0.070% | 0.162% | 0.180% |
| 47 | 0.032% | 0.080% | 0.180% | 0.200% |
| 48 | 0.036% | 0.090% | 0.225% | 0.250% |
| 49 | 0.040% | 0.100% | 0.225% | 0.250% |
| 50 | 0.048% | 0.120% | 0.252% | 0.280% |
| 51 | 0.052% | 0.130% | 0.270% | 0.300% |
| 52 | 0.056% | 0.140% | 0.630% | 0.700% |
| 53 | 0.060% | 0.150% | 0.630% | 0.700% |
| 54 | 0.064% | 0.160% | 0.630% | 0.700% |
| 55 | 0.068% | 0.170% | 0.630% | 0.700% |
| 56 | 0.072% | 0.180% | 0.630% | 0.700% |
| 57 | 0.076% | 0.190% | 0.630% | 0.700% |
| 58 | 0.080% | 0.200% | 0.630% | 0.700% |
| 59 | 0.084% | 0.210% | 0.630% | 0.700% |
| 60 | 0.088% | 0.220% | 0.630% | 0.700% |
| 61 | 0.092% | 0.230% | 0.630% | 0.700% |
| 62 | 0.092% | 0.230% | 0.630% | 0.700% |
| 63 | 0.092% | 0.230% | 0.630% | 0.700% |
| 64 | 0.092% | 0.230% | 0.630% | 0.700% |
| 65 | 0.092% | 0.230% | 0.000% | 0.000% |
| 66 | 0.092% | 0.230% | | |
| 67 | 0.092% | 0.230% | | |
| 68 | 0.092% | 0.230% | | |
| 69 | 0.092% | 0.230% | | |
| 70 | 0.092% | 0.230% | | |
| 71 | 0.092% | 0.230% | | |
| 72 | 0.092% | 0.230% | | |
| 73 | 0.092% | 0.230% | | |
| 74 | 0.092% | 0.230% | | |
| 75 | 0.000% | 0.000% | | |

40% of General disabilities and 90% of Safety disabilities where the member has five or more years of service are assumed to be service-related. All disabilities for those with less than five years of service are assumed to be service-related.

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6. Salary Increase Rate:

Wage inflation component 3.50%
Additional longevity and promotion component:

| Longevity and Promotion Increases | | |
|--|----------------|---------------|
| Service | General | Safety |
| 0 | 4.75% | 6.00% |
| 1 | 4.00% | 5.00% |
| 2 | 3.25% | 4.00% |
| 3 | 2.50% | 3.25% |
| 4 | 2.00% | 2.50% |
| 5 | 1.50% | 2.00% |
| 6 | 1.25% | 1.60% |
| 7 | 1.00% | 1.30% |
| 8 | 0.90% | 1.20% |
| 9 | 0.80% | 1.10% |
| 10 | 0.78% | 1.00% |
| 11 | 0.75% | 0.95% |
| 12 | 0.70% | 0.92% |
| 13 | 0.65% | 0.89% |
| 14 | 0.60% | 0.87% |
| 15 | 0.55% | 0.85% |
| 16 | 0.50% | 0.82% |
| 17 | 0.48% | 0.80% |
| 18 | 0.46% | 0.77% |
| 19 | 0.44% | 0.74% |
| 20 | 0.42% | 0.72% |
| 21 | 0.40% | 0.69% |
| 22 | 0.38% | 0.67% |
| 23 | 0.36% | 0.64% |
| 24 | 0.34% | 0.62% |
| 25 | 0.32% | 0.59% |
| 26 | 0.30% | 0.57% |
| 27 | 0.28% | 0.54% |
| 28 | 0.26% | 0.52% |
| 29 | 0.25% | 0.50% |
| 30+ | 0.25% | 0.50% |

** Increases are compound rather than additive*

APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS

- 7. Plan Election:** We assumed that 65% of future retirees will select a monthly subsidy for employer health plan benefits of \$15 per year of service, while 35% will select the \$4 cash benefit option.
- 8. Family Composition:** Percentage married for all active members who retire, become disabled or die during active service is shown in the table below.

| Percentage Married | |
|---------------------------|-------------------|
| Gender | Percentage |
| Males | 75% |
| Females | 55% |

- 9. Dependent Age:** For current retirees, actual spouse date of birth was used when available. For future retirees, male retirees are assumed to be three years older than their partner, and female retirees are assumed to be two years younger than their partner.

Changes Since Last Valuation

The demographic assumptions were updated to be consistent with the SBCERS Pension Valuation, including the assumptions for retirement, mortality, disability, termination, and family composition. The discount rates used for Santa Barbara County and Air Pollution Control District (APCD) were changed from 4.00% to 4.33% and 7.50%, respectively to reflect the policy to contribute more than the Pay-as-you-go cost.

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.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS

Amortization Cost

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

The *Unfunded Actuarial Accrued Liability* determined from this valuation is amortized as a level percent of pay over a certain amortization period. For Santa Barbara County, a closed amortization period of 15 years was established as of January 1, 2007. As of June 30, 2014, the period remaining is now 7.5 years. For all other employers, an open/rolling period of 30 years is used. The payment for a given year is expressed as a percentage of projected active member payroll for that year. This percentage is the *Amortization Rate*.

The sum of the *Normal Cost Rate* and the *Amortization Rate* is the *Annual Required Contribution Rate*. The actuarial cost for a given year is determined by multiplying the active payroll by the *Contribution Rate*.

Actuarial Value of Plan Assets

The participating employers of the Santa Barbara County Employees' Retirement System contribute to a 401(h) account. It is assumed these assets will be used to pay for the retiree health benefits. As of June 30, 2014, the market value of assets was \$4,070,382. The actuarial value of assets is equal to the market value.

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 | 3.25% of payroll for FY 2014-15, expected increase to 3.75% and 4.00% in FY 2015-16 and FY 2016-17, respectively |
| 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 | Pre-fund 401(h) up to IRS 25% limit |
| Courts | Pay-as-you-go |

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014**

**APPENDIX A
MEMBER DATA, ASSUMPTIONS AND METHODS**

Changes Since The Last Valuation:

The details of the funding policies for Santa Barbara County and APCD were updated, as shown in the table above. The impact of this change is included in the assumption changes.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
OTHER POST-EMPLOYMENT BENEFITS AS OF JUNE 30, 2014

**APPENDIX B
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, 2014. The benefits are summarized briefly below. This summary does not attempt to cover all the detailed provisions of the law.

There have been no changes to the Plan provisions since the prior valuation.

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

| Plan Participation by Employer* | | | | | | | | | | |
|--|---------------|---------------|---------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| 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 | Yes | No | No | Yes | Yes | Yes |
| Carpinteria-Summerland-FPO | | | | | Yes | | | Yes | | Yes |
| Santa Maria Cemetery | | | | | Yes | | | | | |
| Goleta Cemetery | | | | | Yes | | | | | |
| SB County Assoc of Govts | | | | | Yes | | No | | | |
| Summerland Sanitary | | | | | Yes | | Yes | | | |
| Carpinteria Cemetery | | | | | Yes | | | | | |
| Air Pollution Control District | Yes | Yes | No | | Yes | Yes | | | | |
| Courts | | | | Yes | Yes | | Yes | | | |
| Oak Hill Cemetery | | | | | No | | | | | |
| Mosquito & Vector Control | | | | | No | | | | | |

* Yes = Employer had members enrolled in the plan and were eligible for benefits
 No = Employer had members enrolled in the plan, but they were not eligible for benefits
 Empty = Employer did not have members enrolled in the Plan

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

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.

After the member's death, a surviving spouse is eligible to continue health plan coverage. The monthly subsidy benefit will be equal to \$15 per year of service times the survivor continuation percentage applicable for pension benefits.

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.

Changes Since The Last Valuation:

There have been no changes to the plan provisions since the last valuation.

**APPENDIX C
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 won't be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

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

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 C
GLOSSARY OF TERMS**

8. Amortization Payment

The portion of the pension 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, 2014

APPENDIX D
LIST OF ABBREVIATIONS

Actuarial Accrued Liability (AAL)
Actuarial Valuation Report (AVR)
Annual Required Contribution (ARC)
Coordination of Benefits (COB)
Deductible and Coinsurance (DC)
Deferred Retirement Option Plan (DROP)
Durable Medical Equipment (DME)
Employee Assistance Program (EAP)
Employee Benefits Division (EBD)
Fiscal Year Ending (FYE)
Governmental Accounting Standards Board (GASB)
Hospital Emergency Room (ER)
In-Network (INN)
Inpatient (IP)
Medicare Eligible (ME)
Net Other Postemployment Benefit (NOO)
Non-Medicare Eligible (NME)
Not Applicable (NA)
Office Visit (OV)
Other Postemployment Benefit (OPEB)
Out-of-Network (OON)
Out-of-Pocket (OOP)
Outpatient (OP)
Pay-as-you-go (PAYGo)
Per Person Per Month (PPPM)
Pharmacy (Rx)
Preferred Provider Organization (PPO)
Primary Care Physician (PCP)
Specialist Care Provider (SCP)
Summary Plan Description (SPD)
Unfunded Actuarial Accrued Liability (UAAL)
Unfunded Actuarial Liability (UAL)
Urgent Care (UC)