



Santa Barbara County Employees' Retirement System

GASB 67/68 Report as of June 30, 2015

Produced by Cheiron

November 2015

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LETTER OF TRANSMITTAL

November 12, 2015

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

Dear Members of the Board:

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Santa Barbara County Employees' Retirement System (SBCERS) and under GASB 68 for participating employers. This information includes:

- Determination of the discount rate as of June 30, 2015,
- Projection of SBCERS's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for SBCERS,
- Determination of collective amounts under GASB 68, and
- Schedules for the financial reporting of participating employers under GASB 68.

If you have any questions about the report or would like additional information, please let us know.

Sincerely,
Cheiron



Robert T. McCrory, FSA, EA, FCA, MAAA
Principal Consulting Actuary



Graham A. Schmidt, ASA, EA, MAAA
Consulting Actuary



Anne D. Harper, ASA, EA, MAAA
Consulting Actuary

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

The purpose of this report is to provide accounting and financial disclosure information under Government Accounting Standards Board Statements 67 and 68 for the Santa Barbara County Employees' Retirement System and the participating employers. This information includes:

- Determination of the discount rate as of June 30, 2015,
- Projection of SBCERS's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for SBCERS,
- Determination of collective amounts under GASB 68, and
- Schedules for the financial reporting of participating employers under GASB 68.

Highlights

The measurement date for the Santa Barbara County Employees' Retirement System (SBCERS) is June 30, 2015. Measurements are based on the fair value of assets as of June 30, 2015 and the Total Pension Liability as of the valuation date, June 30, 2014, updated to June 30, 2015. There were no significant events between the valuation date and the measurement date of which we are aware, so the update procedures only include the addition of service cost and interest cost offset by actual benefit payments.

The table below provides a summary of the key collective results during this measurement period.

Table I-1 Summary of Collective Results			
		Measurement Date	
		6/30/2015	6/30/2014
Net Pension Liability	\$	727,627,806	\$ 610,338,642
Deferred Outflows		(35,129,665)	0
Deferred Inflows		22,320,604	131,944,949
Net Impact on Statement of Net Position	\$	714,818,745	\$ 742,283,591
Pension Expense (\$ Amount)	\$	96,147,506	\$ 79,802,038
Pension Expense (% of Payroll)		30.09%	25.96%

The Net Pension Liability (NPL) increased by approximately \$117 million since the prior measurement date, primarily due to interest on the liability exceeding the investment income. There were also actuarial gains that reduced the NPL. The investment losses are recognized over five years, and the actuarial liability gains and assumption changes are recognized over the

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

average remaining service life, which is also five years. Unrecognized amounts are reported as deferred inflows and deferred outflows. As of the end of the reporting year, the participating employers in SBCERS would report a Net Pension Liability of \$727,627,806, collective Deferred Inflows of \$22,320,604, and collective Deferred Outflows of \$35,129,665. Consequently, the net impact on the aggregate of participating employers' Statements of Net Position due to SBCERS would be \$714,818,745 at the end of the measurement year. In addition, any contributions between the measurement date and each individual employer's reporting date would be reported as deferred outflows to offset the cash outflow reported.

For the measurement year ending June 30, 2015, the collective annual pension expense is \$96,147,506 or 30.09% of covered-employee payroll. This amount is not related to participating employers' contributions to SBCERS (\$123,612,352), but instead represents the change in the net impact on participating employer's Statements of Net Position plus employer contributions (\$714,818,745 – \$742,283,591 + \$123,612,352). The collective pension expense is larger than the collective expense for the prior year. Volatility in pension expense from year to year is to be expected. It will largely be driven by investment gains or losses, but other changes can also have a significant impact. A breakdown of the components of the net pension expense is shown in the report.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

SECTION II – CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Santa Barbara County Employees' Retirement System (SBCERS) and under GASB 68 for the employers that participate in SBCERS. This report is for the use of SBCERS, the participating employers, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for SBCERS.

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.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

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 that 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 report was prepared 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 report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

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Principal Consulting Actuary

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**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.50%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the required rates. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the June 30, 2014 actuarial valuation. That policy includes contributions equal to the actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, an amortization payment for the creation of Safety Plan 6 over a closed period (14 years remaining as of the June 30, 2014 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (16 years remaining as of the June 30, 2014 actuarial valuation). Future changes in the Unfunded Actuarial Liability will be recognized over separate 19 year closed periods, reflecting a five year ramp-up and ramp-down in the amortization payment.

We have not performed a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION IV – PROJECTION OF TOTAL PENSION LIABILITY

The Total Pension Liability (TPL) at the end of the measurement year, June 30, 2015, is measured as of a valuation date of June 30, 2014 and projected to June 30, 2015. There were no significant events during the projection period of which we are aware. Because the TPL shown in the prior report was measured as of June 30, 2013 and projected to June 30, 2014, it will not match the amounts measured as of June 30, 2014 that are shown in this exhibit.

The table below shows the projection of the TPL at discount rates equal to the rate used for disclosure and plus and minus one percent from the rate used for disclosure.

Table IV-1 Projection of Collective Total Pension Liability from Valuation to Measurement Date			
Discount Rate	6.50%	7.50%	8.50%
Valuation Collective Total Pension Liability, 6/30/2014			
Actives	\$ 1,512,745,113	\$ 1,275,360,469	\$ 1,084,449,797
Deferred Vested	142,674,956	120,189,102	102,656,607
Retirees	<u>1,880,696,249</u>	<u>1,702,464,640</u>	<u>1,552,379,153</u>
Total	\$ 3,536,116,318	\$ 3,098,014,211	\$ 2,739,485,557
Service Cost	89,880,752	70,056,133	55,255,091
Benefit Payments	(137,771,219)	(137,771,219)	(137,771,219)
Interest	228,315,623	229,857,656	229,420,851
Collective Total Pension Liability, 6/30/2015	\$ 3,716,541,473	\$ 3,260,156,781	\$ 2,886,390,280

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION V – GASB 67 REPORTING INFORMATION

Note Disclosures

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of System assets), and the Net Pension Liability during the measurement year.

Table V-1 Change in Collective Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2014	\$ 3,123,968,401	\$ 2,513,629,759	\$ 610,338,642
Changes for the year:			
Service cost	70,056,133		70,056,133
Interest	231,804,221		231,804,221
Changes of benefits	0		0
Differences between expected and actual experience	(27,900,755)		(27,900,755)
Changes of assumptions	0		0
Contributions - employer		123,612,352	(123,612,352)
Contributions - member		16,622,138	(16,622,138)
Net investment income		20,840,287	(20,840,287)
Benefit payments	(137,771,219)	(137,771,219)	0
Administrative expense		(4,404,342)	4,404,342
Net changes	<u>136,188,380</u>	<u>18,899,215</u>	<u>117,289,164</u>
Balances at 6/30/2015	<u>\$ 3,260,156,781</u>	<u>\$ 2,532,528,974</u>	<u>\$ 727,627,806</u>

During the measurement year, the collective NPL increased by approximately \$117 million. The service cost, interest cost, and recognition of administrative expense increased the collective NPL by approximately \$306 million while contributions, investment income, and actuarial gains decreased the collective NPL by approximately \$189 million.

There were no changes in benefits or assumptions during the year. There were actuarial experience gains during the year of approximately \$28 million.

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table on the next page shows the sensitivity of the collective NPL to the discount rate.

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SECTION V – GASB 67 REPORTING INFORMATION

Table V-2			
Sensitivity of Collective Net Pension Liability to Changes in Discount Rate			
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	\$ 3,716,541,473	\$ 3,260,156,781	\$ 2,886,390,280
Plan Fiduciary Net Position	<u>2,532,528,974</u>	<u>2,532,528,974</u>	<u>2,532,528,974</u>
Collective Net Pension Liability	<u>\$ 1,184,012,499</u>	<u>\$ 727,627,806</u>	<u>\$ 353,861,305</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.1%	77.7%	87.7%

A one percent decrease in the discount rate increases the TPL by approximately 14% and increases the collective NPL by approximately 63%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the collective NPL by approximately 51%.

Required Supplementary Information

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 67, and eventually will build up to ten years of information. The schedule on the following page shows the changes in collective NPL and related ratios required by GASB for the two years since implementation.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION V – GASB 67 REPORTING INFORMATION

Table V-3		
Schedule of Changes in Collective Net Pension Liability and Related Ratios		
	FYE 2015	FYE 2014
<u>Total Pension Liability</u>		
Service cost (MOY)	\$ 70,056,133	\$ 66,696,324
Interest (includes interest on service cost)	231,804,221	220,238,560
Differences between expected and actual experience	(27,900,755)	0
Benefit payments, including refunds of member contributions	<u>(137,771,219)</u>	<u>(131,100,585)</u>
Net change in total pension liability	\$ 136,188,380	\$ 155,834,299
Total pension liability - beginning	<u>3,123,968,401</u>	<u>2,968,134,102</u>
Total pension liability - ending	<u>\$ 3,260,156,781</u>	<u>\$ 3,123,968,401</u>
<u>Plan fiduciary net position</u>		
Contributions - employer	\$ 123,612,352	\$ 119,227,652
Contributions - member	16,622,138	14,514,010
Net investment income	20,840,287	328,852,388
Benefit payments, including refunds of member contributions	(137,771,219)	(131,100,585)
Administrative expense	<u>(4,404,342)</u>	<u>(4,288,603)</u>
Net change in plan fiduciary net position	\$ 18,899,215	\$ 327,204,862
Plan fiduciary net position - beginning	<u>2,513,629,759</u>	<u>2,186,424,897</u>
Plan fiduciary net position - ending	<u>\$ 2,532,528,974</u>	<u>\$ 2,513,629,759</u>
Net pension liability - ending	<u>\$ 727,627,806</u>	<u>\$ 610,338,642</u>
Plan fiduciary net position as a percentage of the total pension liability	77.68%	80.46%
Covered employee payroll	\$ 319,547,370	\$ 307,421,818
Net pension liability as a percentage of covered employee payroll	227.71%	198.53%

Because an Actuarially Determined Contribution (ADC) has been calculated historically, the full ten years of information in the following schedule is required.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION V – GASB 67 REPORTING INFORMATION

Table V-4 Schedule of Collective Employer Contributions										
	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009	FYE 2008	FYE 2007	FYE 2006
Actuarially Determined Contribution	\$ 123,612,352	\$ 119,227,652	\$ 110,582,703	\$ 108,764,094	\$ 94,436,686	\$ 84,647,133	\$ 75,902,140	\$ 69,460,616	\$ 63,395,296	\$ 53,976,749
Contributions in Relation to the Actuarially Determined Contribution	<u>123,612,352</u>	<u>119,227,652</u>	<u>110,582,703</u>	<u>108,764,094</u>	<u>94,436,686</u>	<u>84,647,133</u>	<u>75,902,140</u>	<u>69,460,616</u>	<u>63,395,296</u>	<u>53,976,749</u>
Contribution Deficiency/(Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-Employee Payroll*	\$ 319,547,370	\$ 307,421,818	\$ 302,708,314	\$ 305,757,679	\$ 306,963,226	\$ 306,524,117	\$ 307,263,503	\$ 294,163,067	\$ 287,381,657	\$ 267,785,000
Contributions as a Percentage of Covered-Employee Payroll	38.68%	38.78%	36.53%	35.57%	30.76%	27.62%	24.70%	23.61%	22.06%	20.16%

* Covered-Employee Payroll for FYE 2015 was based on actual pensionable payroll provided by SBCERS. In prior years, payroll was based on payroll reported in the actuarial valuation data.

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2015.

Notes to Schedule

Valuation Date 6/30/2013
Timing Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method Entry Age
Asset valuation method 5-year smoothed market, limited to within 20% of the market value
Amortization method As of the June 30, 2013 actuarial valuation, the unfunded actuarial liability was amortized over a closed 17-year period as a level percentage of payroll, except for the Safety Plan 6 liability, which was amortized over a 15-year period
Discount rate 7.5%, net of investment expenses
Amortization growth rate 3.50%
Price inflation 3.00%
Salary increases 3.50% plus merit component based on employee classification and years of service
Mortality Sex distinct RP-2000 Combined Mortality, with generational improvements using Scale BB

As of the June 30, 2015 valuation, several assumptions were changed, including the discount rate (from 7.75% to 7.50%), mortality assumptions, and the termination, disability and retirement rates. A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the June 30, 2013 actuarial valuation report.



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Employers that participate in SBCERS are required to implement GASB 68 for their first fiscal year that commenced after June 15, 2014. The amounts reported as of their fiscal year end (their reporting date) must be based on a measurement date up to 12 months prior to their reporting date. For employers with a reporting date of June 30, their 2015 disclosures can be based on either the June 30, 2014 or 2015 measurement dates. We understand that some or all of the employers have elected to implement GASB 68 based on the 2014 measurement date. As a result, the GASB 68 schedules in this report with a measurement date of June 30, 2015 will be used for the employers' 2016 reporting date.

Because SBCERS is a cost-sharing multiple-employer pension plan, each employer participating in SBCERS must reflect a portion of the collective Net Pension Liability, Pension Expense and Deferred Outflows and Inflows in their financial statements. This section develops the collective amounts that are allocated to participating employers.

The impact of experience gains or losses and assumption changes on the TPL are recognized in expense over the average expected remaining service life of all active and inactive members of SBCERS. As of the measurement date, this recognition period was five years.

During the year, there was an experience gain of approximately \$28 million. Approximately \$5.6 million of that gain was recognized as a reduction in collective pension expense in the current year and an identical amount will be recognized in each of the next four years, resulting in a collective deferred inflow of resources as of June 30, 2015 of approximately \$22 million.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of approximately \$168 million. Approximately \$33.5 million of that loss was recognized in the current year and an identical amount will be recognized in each of the next four years. Unrecognized investment gains from prior periods were approximately \$132 million of which \$33 million was recognized as a reduction in collective pension expense in the current year. The combination of unrecognized investment losses this year and unrecognized net investment gains from prior periods results in a collective deferred outflow of resources as of June 30, 2015 of approximately \$35 million.

The table on the next page summarizes the current balances of collective deferred outflows and deferred inflows of resources along with the net recognition over the next five years.

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GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-1		
Schedule of Collective Deferred Inflows and Outflows of Resources		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 22,320,604
Changes in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	35,129,665	0
Total	<u>\$ 35,129,665</u>	<u>\$ 22,320,604</u>
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
Year ended June 30:		
2016	(5,044,294)	
2017	(5,044,294)	
2018	(5,044,295)	
2019	27,941,943	
2020	0	
Thereafter \$	0	

The collective annual pension expense recognized by the participating employers can be calculated two different ways. First, it is the change in the amounts reported on the participating employers' Statements of Net Position that relate to SBCERS and are not attributable to employer contributions. That is, it is the change in collective NPL plus the changes in collective deferred outflows and inflows plus participating employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table on the following page, we believe it helps to understand the level and volatility of the collective pension expense.

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SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-2 Calculation of Collective Pension Expense		
	Measurement Year Ending	
	2015	2014
Change in Net Pension Liability	\$ 117,289,164	\$ (171,370,563)
Change in Deferred Outflows	(35,129,665)	0
Change in Deferred Inflows	(109,624,345)	131,944,949
Employer Contributions	<u>123,612,352</u>	<u>119,227,652</u>
Pension Expense	\$ 96,147,506	\$ 79,802,038
Pension Expense as % of Payroll	30.09%	25.96%
Operating Expenses		
Service cost	\$ 70,056,133	\$ 66,696,324
Employee contributions	(16,622,138)	(14,514,010)
Administrative expenses	<u>4,404,342</u>	<u>4,288,603</u>
Total	\$ 57,838,337	\$ 56,470,917
Financing Expenses		
Interest cost	\$ 231,804,221	\$ 220,238,560
Expected return on assets	<u>(188,450,758)</u>	<u>(163,921,202)</u>
Total	\$ 43,353,463	\$ 56,317,358
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	0	0
Recognition of liability gains and losses	(5,580,151)	0
Recognition of investment gains and losses	<u>535,857</u>	<u>(32,986,237)</u>
Total	\$ (5,044,294)	\$ (32,986,237)
Pension Expense	\$ 96,147,507	\$ 79,802,038

First, there are components referred to as operating expenses. These are items directly attributable to the operation of the plan during the measurement year. Service cost less employee contributions represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating SBCERS for the year.

Second, there are the financing expenses: the interest on the Total Pension Liability less the expected return on assets. Since the discount rate is equal to the long-term expected return on assets, the financing expense is the interest on the Net Pension Liability adjusted for cash flow timing.

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SECTION VI – GASB 68 COLLECTIVE AMOUNTS

The final category is changes. This category will drive most of the volatility in pension expense from year to year. It includes any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TPL, and investment gains or losses. The total collective pension expense increased by about \$16 million. The recognition of changes increased by approximately \$28 million, which is more than the total increase in pension expense.

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

Proportionate Shares

GASB 68 requires that the proportionate share for each employer be determined based on the “employer’s projected long-term contribution effort to the pension ... as compared to the total projected long-term contribution effort of all employers ...” Although not required as part of SBCERS’s GASB 67 reporting requirements, SBCERS is following the advice of the AICPA¹ and making a determination of each employer’s proportionate share, which will be reviewed by SBCERS’s auditor.

Proportionate shares for each participating employer are determined based on the ratio of each participating employer’s assigned Unfunded Liability amortization payments to SBCERS during the measurement year to the sum of the actual Unfunded Liability amortization payments for all participating employers. Separate amortization rates are used for General, Safety, and APCD employees. In Table VII-1a on the next page, each employer’s amortization share as of June 30, 2015 is determined by multiplying the actual pensionable payroll for the current fiscal year by the employer’s amortization rate from the most recent actuarial valuation report (the report as of June 30, 2014). The same methodology is used for calculating proportionate shares of June 30, 2014.

We are aware of recent additional guidance published by the AICPA with respect to the inclusion of employer-paid member contributions in the development of the proportionate shares and the collective pension expense. This recent guidance would not affect the calculations of proportionate shares for SBCERS, and we are awaiting further written guidance from the GASB before making any changes to the current methods for computing the collective pension expense.

¹ http://www.aicpa.org/interestareas/governmentauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep_cs_er_reporting_whitepaper.pdf

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

Table VII-1a Determination of Employers' Proportionate Share (as of June 30, 2015)									
Employer	Unfunded Liability Amortization Rate (from the June 30, 2014 Actuarial Valuation)			Pensionable Payroll			Amortization Share (Rate x Pay)	Proportionate Share	
	Safety Plan 4	Safety Plan 6	General	Safety Plan 4	Safety Plan 6	General			
Santa Barbara County	26.87%	30.13%	17.59%	\$ 44,464,407	\$ 38,528,886	212,371,330	\$ 60,912,456	92.8017%	
Courts			17.59%	0	0	13,851,763	2,436,525	3.7121%	
Carp-Summerland Fire	26.87%		17.59%	3,134,016	0	366,963	906,659	1.3813%	
Air Pollution Control			23.01%	0	0	3,322,884	764,596	1.1649%	
SBC Assoc of Govts			17.59%	0	0	1,858,941	326,988	0.4982%	
Santa Maria Cemetery			17.59%	0	0	347,004	61,038	0.0930%	
Summerland Sanitary			17.59%	0	0	328,613	57,803	0.0881%	
Mosq Vector Mgmt			17.59%	0	0	407,777	71,728	0.1093%	
Goleta Cemetery			17.59%	0	0	264,476	46,521	0.0709%	
Oak Hill Cemetery			17.59%	0	0	160,117	28,165	0.0429%	
Carpinteria Cemetery			17.59%	0	0	140,193	24,660	0.0376%	
Total				\$ 47,598,423	\$ 38,528,886	\$ 233,420,061	\$ 65,637,139	100.0000%	

Table VII-1b Determination of Employers' Proportionate Share (as of June 30, 2014)									
Employer	Unfunded Liability Amortization Rate (from the June 30, 2014 Actuarial Valuation)			Pensionable Payroll			Amortization Share (Rate x Pay)	Proportionate Share	
	Safety Plan 4	Safety Plan 6	General	Safety Plan 4	Safety Plan 6	General			
Santa Barbara County	28.35%	31.38%	18.13%	\$ 41,055,172	\$ 39,963,177	202,411,421	\$ 60,876,777	92.6470%	
Courts			18.13%	0	0	13,973,446	2,533,386	3.8555%	
Carp-Summerland Fire	28.35%		18.13%	2,988,483	0	365,133	913,434	1.3901%	
Air Pollution Control			23.54%	0	0	3,260,399	767,498	1.1680%	
SBC Assoc of Govts			18.13%	0	0	1,834,104	332,523	0.5061%	
Santa Maria Cemetery			18.13%	0	0	357,827	64,874	0.0987%	
Summerland Sanitary			18.13%	0	0	338,923	61,447	0.0935%	
Mosq Vector Mgmt			18.13%	0	0	329,677	59,770	0.0910%	
Goleta Cemetery			18.13%	0	0	260,546	47,237	0.0719%	
Oak Hill Cemetery			18.13%	0	0	152,000	27,558	0.0419%	
Carpinteria Cemetery			18.13%	0	0	131,510	23,843	0.0363%	
Total				\$ 44,043,655	\$ 39,963,177	\$ 223,414,986	\$ 65,708,347	100.0000%	

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the proportionate share of the collective NPL (under three discount rates), the collective deferred outflows, the collective deferred inflows, and the collective pension expense allocated to each participating employer as of June 30, 2015.

**Table VII-2
Schedule of Employers' Proportionate Share of Collective Amounts at June 30, 2015**

Employer	Proportionate Share	Share of NPL @ 6.50%	Share of NPL @ 7.50%	Share of NPL @ 8.50%	Share of Deferred Outflows	Share of Deferred Inflows	Pension Expense
Santa Barbara County	92.8017%	\$ 1,098,783,727	\$ 675,250,974	\$ 328,389,307	\$ 32,600,926	\$ 20,713,900	\$ 89,226,521
Courts	3.7121%	43,951,728	27,010,272	13,135,686	1,304,048	828,563	3,569,092
Carp-Summerland Fire	1.3813%	16,354,765	10,050,723	4,887,886	485,246	308,314	1,328,086
Air Pollution Control	1.1649%	13,792,562	8,476,136	4,122,130	409,225	260,013	1,120,022
SBC Assoc of Govts	0.4982%	5,898,750	3,625,042	1,762,937	175,016	111,201	479,007
Santa Maria Cemetery	0.0930%	1,101,132	676,694	329,091	32,671	20,758	89,417
Summerland Sanitary	0.0881%	1,043,115	641,040	311,752	30,949	19,664	84,706
Mosq Vector Mgmt	0.1093%	1,294,126	795,297	386,770	38,397	24,396	105,089
Goleta Cemetery	0.0709%	839,465	515,888	250,888	24,907	15,825	68,169
Oak Hill Cemetery	0.0429%	507,941	312,152	151,806	15,071	9,576	41,247
Carpinteria Cemetery	0.0376%	445,189	273,588	133,052	13,209	8,393	36,151
Total	100.0000%	\$ 1,184,012,499	\$ 727,627,806	\$ 353,861,305	\$ 35,129,665	\$ 22,320,604	\$ 96,147,507

The proportionate share allocated to each individual employer will change on each measurement date. The net effect of the change in proportion on the share of the collective NPL, collective deferred outflows, and collective deferred inflows allocated to each employer becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of SBCERS's active and inactive members (five years).

Similarly, the difference between each employer's actual contributions and the employer's proportionate share of collective employer contributions becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of SBCERS's active and inactive members (five years).

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the change in proportion and the impact of that change in proportion on the proportionate share of the collective NPL, collective deferred outflows, and collective deferred inflows. It also shows any contribution differences.

Table VII-3 Schedule of Employers' Changes in Proportion and Contribution Differences									
Employer	Proportionate Shares		Impact of Change in Proportion				Contributions		
	6/30/2014	6/30/2015	Net Pension Liability	Deferred Outflows	Deferred Inflows	Net Effect	Actual	Proportionate Share	Difference
Santa Barbara County	92.6470%	92.8017%	\$ 944,194	\$ 0	\$ (204,119)	\$ 1,148,313	\$ 114,945,556	\$ 114,714,364	\$ 231,192
Courts	3.8555%	3.7121%	(875,226)	0	189,209	(1,064,435)	4,587,885	4,588,614	(729)
Carp-Summerland Fire	1.3901%	1.3813%	(53,710)	0	11,611	(65,321)	1,708,589	1,707,457	1,131
Air Pollution Control	1.1680%	1.1649%	(18,920)	0	4,090	(23,011)	1,239,256	1,439,960	(200,704)
SBC Assoc of Govts	0.5061%	0.4982%	(48,217)	0	10,424	(58,640)	611,890	615,837	(3,947)
Santa Maria Cemetery	0.0987%	0.0930%	(34,789)	0	7,521	(42,310)	111,780	114,959	(3,180)
Summerland Sanitary	0.0935%	0.0881%	(32,958)	0	7,125	(40,083)	98,716	108,902	(10,187)
Mosq Vector Mgmt	0.0910%	0.1093%	111,692	0	(24,146)	135,838	133,364	135,108	(1,744)
Goleta Cemetery	0.0719%	0.0709%	(6,103)	0	1,319	(7,423)	84,579	87,641	(3,062)
Oak Hill Cemetery	0.0419%	0.0429%	6,103	0	(1,319)	7,423	47,620	53,030	(5,410)
Carpinteria Cemetery	0.0363%	0.0376%	7,934	0	(1,715)	9,650	43,117	46,478	(3,361)
Total	100.0000%	100.0000%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 123,612,352	\$ 123,612,352	\$ 0

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the reconciliation of deferred outflows and inflows due to proportion changes for each participating employer from the prior measurement date to the current measurement date.

**Table VII-4
Reconciliation of Deferred Outflows and Inflows Due to Proportion Change**

Employer	Deferred Outflows				Deferred Inflows			
	Current Year		Recognition	6/30/2015	Current Year		Recognition	6/30/2015
	6/30/2014	Net Effect			6/30/2014	Net Effect		
Santa Barbara County	\$ 1,973,569	\$ 1,148,313	\$ 714,569	\$ 2,407,313	\$ 0	\$ 0	\$ 0	\$ 0
Courts	0	0	0	0	(1,797,234)	(1,064,435)	(654,468)	(2,207,201)
Carp-Summerland Fire	0	0	0	0	(385,928)	(65,321)	(107,887)	(343,362)
Air Pollution Control	140,566	0	34,537	106,029	0	(23,011)	(4,602)	(18,409)
SBC Assoc of Govts	84,716	0	20,815	63,901	0	(58,640)	(11,728)	(46,912)
Santa Maria Cemetery	0	0	0	0	(89,109)	(42,310)	(30,356)	(101,063)
Summerland Sanitary	0	0	0	0	(37,652)	(40,083)	(17,268)	(60,467)
Mosq Vector Mgmt	67,773	135,838	43,819	159,792	0	0	0	0
Goleta Cemetery	21,964	0	5,396	16,567	0	(7,423)	(1,485)	(5,938)
Oak Hill Cemetery	12,550	7,423	4,568	15,405	0	0	0	0
Carpinteria Cemetery	8,785	9,650	4,089	14,347	0	0	0	0
Total	\$ 2,309,923	\$ 1,301,223	\$ 827,793	\$ 2,783,353	\$(2,309,923)	\$(1,301,223)	\$ (827,793)	\$(2,783,353)

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The table below shows the reconciliation of deferred outflows and inflows due to proportion changes for each participating employer from the prior measurement date to the current measurement date.

Table VII-5 Reconciliation of Deferred Outflows and Inflows Due to Contribution Differences										
Employer	Deferred Outflows				Deferred Inflows					
	Current Year		Recognition	6/30/2015	Current Year		Recognition	6/30/2015		
	6/30/2014	Difference			6/30/2014	Difference				
Santa Barbara County	\$ 236,932	\$ 231,192	\$ 104,453	\$ 363,671	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Courts	0	0	0	0	(81,677)	(729)	(20,214)	(62,192)		
Carp-Summerland Fire	41,935	1,131	10,530	32,536	0	0	0	0		
Air Pollution Control	0	0	0	0	(173,499)	(200,704)	(82,770)	(291,434)		
SBC Assoc of Govts	0	0	0	0	(8,314)	(3,947)	(2,832)	(9,429)		
Santa Maria Cemetery	0	0	0	0	(3,732)	(3,180)	(1,553)	(5,359)		
Summerland Sanitary	0	0	0	0	(4,825)	(10,187)	(3,223)	(11,789)		
Mosq Vector Mgmt	0	0	0	0	(1,728)	(1,744)	(773)	(2,699)		
Goleta Cemetery	0	0	0	0	(3,309)	(3,062)	(1,425)	(4,945)		
Oak Hill Cemetery	0	0	0	0	(300)	(5,410)	(1,156)	(4,554)		
Carpinteria Cemetery	0	0	0	0	(1,481)	(3,361)	(1,036)	(3,806)		
Total	\$ 278,866	\$ 232,323	\$ 114,982	\$ 396,208	\$ (278,866)	\$ (232,323)	\$ (114,982)	\$ (396,208)		

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The table below summarizes the deferred outflows allocated to each employer for experience, assumption changes, investment returns, proportion changes, and contribution differences.

Table VII-6 Schedule of Employers' Deferred Outflows at June 30, 2015							
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference	
Santa Barbara County	92.8017%	\$ 0	\$ 0	\$ 32,600,926	\$ 2,407,313	\$ 363,671	
Courts	3.7121%	0	0	1,304,048	0	0	
Carp-Summerland Fire	1.3813%	0	0	485,246	0	32,536	
Air Pollution Control	1.1649%	0	0	409,225	106,029	0	
SBC Assoc of Govts	0.4982%	0	0	175,016	63,901	0	
Santa Maria Cemetery	0.0930%	0	0	32,671	0	0	
Summerland Sanitary	0.0881%	0	0	30,949	0	0	
Mosq Vector Mgmt	0.1093%	0	0	38,397	159,792	0	
Goleta Cemetery	0.0709%	0	0	24,907	16,567	0	
Oak Hill Cemetery	0.0429%	0	0	15,071	15,405	0	
Carpinteria Cemetery	0.0376%	0	0	13,209	14,347	0	
Total	100.0000%	\$ 0	\$ 0	\$35,129,665	\$ 2,783,353	\$ 396,208	

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The table below summarizes the deferred inflows allocated to each employer for experience, assumption changes, investment returns, proportion changes, and contribution differences.

Table VII-7 Schedule of Employers' Deferred Inflows at June 30, 2015						
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
Santa Barbara County	92.8017%	\$ 20,713,900	\$ 0	\$ 0	\$ 0	\$ 0
Courts	3.7121%	828,563	0	0	2,207,201	62,192
Carp-Summerland Fire	1.3813%	308,314	0	0	343,362	0
Air Pollution Control	1.1649%	260,013	0	0	18,409	291,434
SBC Assoc of Govts	0.4982%	111,201	0	0	46,912	9,429
Santa Maria Cemetery	0.0930%	20,758	0	0	101,063	5,359
Summerland Sanitary	0.0881%	19,664	0	0	60,467	11,789
Mosq Vector Mgmt	0.1093%	24,396	0	0	0	2,699
Goleta Cemetery	0.0709%	15,825	0	0	5,938	4,945
Oak Hill Cemetery	0.0429%	9,576	0	0	0	4,554
Carpinteria Cemetery	0.0376%	8,393	0	0	0	3,806
Total	100.0000%	\$22,320,604	\$ 0	\$ 0	\$ 2,783,353	\$ 396,208

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Table VII-8						
Schedule of Employers' Recognition of Deferred Outflows and Inflows at June 30, 2015						
Employer	Recognition for Measurement Year Ending					
	2016	2017	2018	2019	2020	Thereafter
Santa Barbara County	\$ (3,862,169)	\$ (3,862,169)	\$ (3,862,170)	\$ 26,244,518	\$ 0	\$ 0
Courts	(861,931)	(861,931)	(861,931)	791,885	0	0
Carp-Summerland Fire	(167,034)	(167,034)	(167,034)	367,208	0	0
Air Pollution Control	(111,596)	(111,596)	(111,596)	280,186	0	0
SBC Assoc of Govts	(18,876)	(18,876)	(18,876)	128,003	0	0
Santa Maria Cemetery	(36,600)	(36,600)	(36,600)	15,291	0	0
Summerland Sanitary	(24,935)	(24,935)	(24,935)	13,832	0	0
Mosq Vector Mgmt	37,533	37,533	37,533	58,495	0	0
Goleta Cemetery	(1,090)	(1,090)	(1,090)	18,035	0	0
Oak Hill Cemetery	1,249	1,249	1,249	12,600	0	0
Carpinteria Cemetery	1,156	1,156	1,156	11,889	0	0
Total	\$ (5,044,294)	\$ (5,044,294)	\$ (5,044,295)	\$27,941,943	\$ 0	\$ 0

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the calculation of the pension expense for each participating employer. The calculation is shown first as the sum of the proportionate share of the collective pension expense and the amounts recognized for proportion changes and contribution differences. The right side of the table shows the calculation as the sum of the changes in NPL and deferred amounts not attributable to contributions.

Table VII-9 Schedule of Employers' Pension Expense for the Measurement Year Ending June 30, 2015									
Employer	Collective			Employer Pension Expense	Change in Employer			Employer Contributions	Employer Pension Expense
	Pension Expense	Change in Proportion	Contribution Difference		Net Pension Liability	Deferred Outflows	Deferred Inflows		
Santa Barbara County	\$ 89,226,521	\$ 714,569	\$ 104,453	\$ 90,045,542	\$ 109,790,532	\$ 33,161,409	\$ 101,529,137	\$ 114,945,556	\$ 90,045,542
Courts	3,569,092	(654,468)	(20,214)	2,894,410	3,478,665	1,304,048	3,868,092	4,587,885	2,894,410
Carp-Summerland Fire	1,328,086	(107,887)	10,530	1,230,728	1,566,405	475,848	1,568,418	1,708,589	1,230,728
Air Pollution Control	1,120,022	29,935	(82,770)	1,067,188	1,347,381	374,688	1,144,761	1,239,256	1,067,188
SBC Assoc of Govts	479,007	9,087	(2,832)	485,261	536,118	154,201	508,545	611,890	485,261
Santa Maria Cemetery	89,417	(30,356)	(1,553)	57,508	74,290	32,671	95,891	111,780	57,508
Summerland Sanitary	84,706	(17,268)	(3,223)	64,215	70,373	30,949	73,925	98,716	64,215
Mosq Vector Mgmt	105,089	43,819	(773)	148,135	239,889	130,415	94,703	133,364	148,135
Goleta Cemetery	68,169	3,912	(1,425)	70,655	77,055	19,510	71,468	84,579	70,655
Oak Hill Cemetery	41,247	4,568	(1,156)	44,660	56,420	17,925	41,456	47,620	44,660
Carpinteria Cemetery	36,151	4,089	(1,036)	39,204	52,035	18,770	37,178	43,117	39,204
Total	\$ 96,147,507	\$ (0)	\$ (0)	\$ 96,147,507	\$ 117,289,164	\$ 35,720,436	\$ 109,033,574	\$ 123,612,352	\$ 96,147,506

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below summarizes the information needed for each employer's schedules of required supplementary information.

Table VII-10 Schedule of Employers' RSI Information at June 30, 2015										
Employer	Proportionate Shares	Proportionate Share of NPL	Covered-Employee Payroll	Share of NPL as a % of Payroll	Plan Fiduciary Net Position as % of TPL	Contractually Required Contribution	Actual Contributions	Contribution Deficiency	Contributions as a % of Payroll	
Santa Barbara County	92.8017%	\$ 675,250,974	\$ 295,364,623	228.6%	77.7%	\$ 114,945,556	\$ 114,945,556	\$ 0	38.9%	
Courts	3.7121%	27,010,272	13,851,763	195.0%	77.7%	4,587,885	4,587,885	0	33.1%	
Carp-Summerland Fire	1.3813%	10,050,723	3,500,979	287.1%	77.7%	1,708,589	1,708,589	0	48.8%	
Air Pollution Control	1.1649%	8,476,136	3,322,884	255.1%	77.7%	1,239,256	1,239,256	0	37.3%	
SBC Assoc of Govts	0.4982%	3,625,042	1,858,941	195.0%	77.7%	611,890	611,890	0	32.9%	
Santa Maria Cemetery	0.0930%	676,694	347,004	195.0%	77.7%	111,780	111,780	0	32.2%	
Summerland Sanitary	0.0881%	641,040	328,613	195.1%	77.7%	98,716	98,716	0	30.0%	
Mosq Vector Mgmt	0.1093%	795,297	407,777	195.0%	77.7%	133,364	133,364	0	32.7%	
Goleta Cemetery	0.0709%	515,888	264,476	195.1%	77.7%	84,579	84,579	0	32.0%	
Oak Hill Cemetery	0.0429%	312,152	160,117	195.0%	77.7%	47,620	47,620	0	29.7%	
Carpinteria Cemetery	0.0376%	273,588	140,193	195.2%	77.7%	43,117	43,117	0	30.8%	
Total	100.0000%	\$ 727,627,806	\$ 319,547,370	227.7%	77.7%	\$ 123,612,352	\$ 123,612,352	\$ 0	38.7%	

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APPENDIX A – MEMBERSHIP INFORMATION

SBCERS Membership - Active Members as of June 30, 2014

General Members	Count	Annual Salary*	Average Age	Average Monthly Salary*	Average Vesting Service
Plan 2	11	\$771,000	55.3	\$5,841	26.5
Plan 5A	672	\$51,413,000	54.4	\$6,376	24.0
Plan 5B	411	\$39,743,000	47.0	\$8,058	10.5
Plan 5C	1,668	\$104,423,000	45.8	\$5,217	10.7
Plan 7	91	\$5,557,000	35.7	\$5,089	3.4
PEPRA	<u>373</u>	<u>\$19,826,000</u>	35.1	\$4,429	0.6
Total	3,226	\$221,733,000	46.3	\$5,728	12.1
APCD Members					
Plan 1	14	\$1,283,000	55.5	\$7,637	25.0
Plan 2	23	\$1,829,000	40.9	\$6,627	7.0
PEPRA	<u>4</u>	<u>\$223,000</u>	31.3	\$4,646	0.3
Total	41	\$3,335,000	45.0	\$6,778	12.5
Safety Members					
Plan 4A	68	\$7,718,000	51.7	\$9,458	22.1
Plan 4B	17	\$2,133,000	48.5	\$10,456	20.4
Plan 4C	353	\$30,237,000	42.3	\$7,138	12.5
Plan 6A	101	\$11,154,000	50.8	\$9,203	25.2
Plan 6B	312	\$28,336,000	40.9	\$7,568	10.9
PEPRA	<u>59</u>	<u>\$4,081,000</u>	31.4	\$5,764	0.7
Total	910	\$83,659,000	42.9	\$7,661	13.5
Total Active Members	4,177	\$308,727,000	45.5	\$6,159	12.4

* Based on salary data provided in the June 30, 2014 valuation data for FYE 2014

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APPENDIX A – MEMBERSHIP INFORMATION

SBCERS Membership - Deferred Vested Members as of June 30, 2014

General Members	Count	Average Age
Plan 2	23	55.7
Plan 5A	220	53.5
Plan 5B	463	47.2
Plan 5C	238	43.0
Plan 7	25	35.4
PEPRA	<u>20</u>	32.3
Total	989	47.2
APCD Members		
Plan 1	8	52.3
Plan 2	<u>7</u>	42.0
Total	15	47.5
Safety Members		
Plan 4B	55	44.0
Plan 4A	4	43.8
Plan 4C	34	40.4
Plan 6A	47	50.9
Plan 6B	48	36.7
PEPRA	<u>5</u>	31.6
Total	193	42.9
Total Deferred Vested	1,197	46.5

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APPENDIX A – MEMBERSHIP INFORMATION

SBCERS Membership – Retired Members as of June 30, 2014

	Count	Monthly Allowances	Average Monthly Benefit
General Members			
Healthy	2,455	\$5,932,000	\$2,416
Disabled	118	242,000	2,051
Beneficiaries	<u>368</u>	<u>508,000</u>	1,380
Total	2,941	\$6,682,000	\$2,272
APCD Members			
Healthy	47	\$135,000	\$2,872
Disabled	0	0	0
Beneficiaries	<u>4</u>	<u>8,000</u>	2,000
Total	51	\$143,000	\$2,804
Safety Members			
Healthy	650	\$3,482,000	\$5,357
Disabled	122	425,000	3,484
Beneficiaries	<u>133</u>	<u>334,000</u>	2,511
Total	905	\$4,241,000	\$4,686
Total Retired Members	3,897	\$11,066,000	\$2,839

Please refer to the June 30, 2014 actuarial valuation report for a more complete summary of the data.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2015 is provided below, including any assumptions that differ from those used in the June 30, 2014 actuarial valuation. Please refer to the June 30, 2014 actuarial valuation report for a complete description of all other assumptions. The assumptions used in this report and the June 30, 2014 actuarial valuation report reflect the results of the Experience Analysis covering the period July 1, 2010 through June 30, 2013.

Key Actuarial Assumptions

Expected Return on Assets 7.50 percent net of investment expenses as of June 30, 2014

Discount Rate 7.50 percent as of June 30, 2014

Administrative Expenses Administrative expenses are assumed to be \$4.25 million for the fiscal year ending June 30, 2014 and June 30, 2015, to be split between employees and employers based on their share of the overall contributions.

Basic COLA The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 3.00% per year.

Post Retirement COLA Benefits are assumed to increase after retirement at the rate of 2.75% per year for General Plans 5, Safety Plans 4, 6 and 8 (PEPRA), and APCD Plans 1 and 2; 2.0% per year for General Plans 7 and APCD Plan 8 (PEPRA), and 0% per year for General Plan 2.

For General Plan 8 (PEPRA), benefits are assumed to increase at the rate of 2.0% per year if their employer had implemented General Plan 7 prior to January 1, 2013. Otherwise benefits are assumed to increase at the rate of 2.75% per year.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

1. Actuarial Cost Method

The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between plans, entry age is based on original entry into the system. The normal cost for the Plan is based on the sum of the individual normal costs for each member (Individual Entry Age Method).

2. Asset Valuation Method

As of June 30, 2014, the market value of assets is used to determine the System's UAL. The actuarial value of assets is no longer applicable.

3. Amortization Method

The unfunded actuarial liability is the difference between the actuarial liability and the market value of assets. The UAL (or Surplus Funding) is amortized as a percentage of the projected salaries of present and future members of SBCERS. Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 17-year period, except for the additional UAL attributable to the creation of Safety Plan 6, which is being amortized over a separate closed period (currently 14 years). Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes is amortized over a closed 19-year period, with five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and ten years of level payments as a percentage of payroll. This new method is also known as a direct rate smoothing method.

4. Contributions

The employer (County or District) contributes to the retirement fund a percentage of the total compensation provided for all members based on an actuarial investigation, valuation, and recommendation of the actuary.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING FOR JUNE 30, 2015 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

The plan provisions are the same as those summarized in the June 30, 2014 actuarial valuation report.

APPENDIX D – GLOSSARY OF TERMS

1. Actuarially Determined Contribution

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

2. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

3. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

4. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total Pension Liability.

6. Measurement Date

The date as of which the Total Pension Liability and Plan Fiduciary Net Position are measured. The Total Pension Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

APPENDIX D – GLOSSARY OF TERMS

7. Net Pension Liability

The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Plan Fiduciary Net Position. The Net Pension Liability is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling SBCERS's benefit obligations in the event of a plan termination or other similar action. However, it is an appropriate measure for assessing the need for or the amount of future contributions.

8. Plan Fiduciary Net Position

The fair or market value of assets.

9. Reporting Date

The last day of the plan or employer's fiscal year.

10. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

11. Total Pension Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 67 and 68. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method.