



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

**GASB 67/68 Report  
as of June 30, 2018**

**Produced by Cheiron**

**November 2018**

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November 27, 2018

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, 2018,
- 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



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



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



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**SECTION I – BOARD SUMMARY**

The purpose of this report is to provide accounting and financial disclosure information under Governmental 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, 2018,
- 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, 2018. Measurements are based on the fair value of assets as of June 30, 2018 and the Total Pension Liability as of the valuation date, June 30, 2017, updated to June 30, 2018. The TPL reflects a decrease of \$29.7 million for a change in the assumed timing of benefit payments.

The Plan Fiduciary Net Position as of June 30, 2017 has been restated in the GASB 67/68 disclosures from \$2,801,306,795 to \$2,800,897,884. As of June 30, 2017, the restatement resulted in a slight increase in the collective Net Pension Liability from \$940,769,690 to \$941,178,601 and a slight increase in the collective Pension expenses from \$172,042,353 to \$172,124,137. The deferred outflows increased from \$231,806,003 to \$232,133,131 as a result of the Plan Fiduciary Net Position restatement.

To the best of our knowledge, there were no other significant events between the valuation date and the measurement date 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.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**SECTION I – BOARD SUMMARY**

**Table I-1  
Summary of Collective Results**

	Measurement Date	
	6/30/2018	6/30/2017
Net Pension Liability	\$ 864,149,134	\$ 941,178,601
Deferred Outflows	(151,829,119)	(232,133,131)
Deferred Inflows	75,672,039	63,514,056
Net Impact on Statement of Net Position	\$ 787,992,054	\$ 772,559,526
Pension Expense (\$ Amount)	\$ 146,806,719	\$ 172,124,137
Pension Expense (% of Payroll)	42.61%	50.46%

The Net Pension Liability (NPL) decreased by approximately \$77 million since the prior measurement date. There were gains due to an assumption change, actuarial liability and investment gains that reduced the NPL. The investment gains are recognized over five years, and the actuarial liability gains and assumption changes are recognized over the 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 \$864,149,134, collective Deferred Inflows of \$75,672,039, and collective Deferred Outflows of \$151,829,119. Consequently, the net impact on the aggregate of participating employers' Statements of Net Position due to SBCERS would be \$787,992,054 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, 2018, the collective annual pension expense is \$146,806,719 or 42.61% of covered payroll. This amount is not related to participating employers' contributions to SBCERS (\$131,374,191), but instead represents the change in the net impact on participating employer's Statements of Net Position plus employer contributions (\$787,992,054 – \$772,559,526 + \$131,374,191).

The collective pension expense of \$146.8 million is about \$25.3 million less than the collective expense of \$172.1 million 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 on page 12.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**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.

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

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**SECTION III – DETERMINATION OF DISCOUNT RATE**

The discount rate used to measure the Total Pension Liability was 7.00%.

The projection of cash flows used to determine the discount rate assumed that plan 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, 2017 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 (11 years remaining as of the June 30, 2017 actuarial valuation), and an amount necessary to amortize the Unfunded Actuarial Liability as of June 30, 2013 as a level percentage of payroll over a closed period (13 years remaining as of the June 30, 2017 actuarial valuation). Changes in the Unfunded Actuarial Liability established after June 30, 2013 amortized 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  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**SECTION IV – PROJECTION OF TOTAL PENSION LIABILITY**

The Total Pension Liability (TPL) at the end of the measurement year, June 30, 2018, is measured as of a valuation date of June 30, 2017 and projected to June 30, 2018. The TPL reflects a change in the assumed timing of benefit payments.

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, 2016 and projected to June 30, 2017, the TPL from the prior report will not match the amounts measured as of June 30, 2017 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.

<b>Table IV-1 Projection of Collective Total Pension Liability from Valuation to Measurement Date</b>			
<b>Discount Rate</b>	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
<b>Valuation Collective Total Pension Liability, 6/30/2017</b>			
Actives	\$ 1,679,562,215	\$ 1,406,370,683	\$ 1,188,176,588
Deferred Vested	169,555,758	141,534,959	119,959,776
Retirees	<u>2,387,931,572</u>	<u>2,154,390,564</u>	<u>1,958,275,047</u>
<b>Total</b>	<b>\$ 4,237,049,545</b>	<b>\$ 3,702,296,206</b>	<b>\$ 3,266,411,411</b>
<b>Service Cost</b>	100,555,743	77,631,214	60,670,704
<b>Benefit Payments</b>	169,750,854	169,750,854	169,750,854
<b>Interest</b>	252,177,357	255,991,078	257,033,646
<b>Collective Total Pension Liability, 6/30/2018</b>	<b>\$ 4,420,031,791</b>	<b>\$ 3,866,167,644</b>	<b>\$ 3,414,364,907</b>



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**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.

<b>Table V-1 Change in Collective Net Pension Liability</b>			
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at June 30, 2017<sup>1</sup></b>	\$ 3,742,076,485	\$ 2,800,897,884	\$ 941,178,601
<b>Changes for the year:</b>			
Service cost	77,631,214		77,631,214
Interest	256,693,981		256,693,981
Changes of benefits	0		0
Differences between expected and actual experience	(10,744,379)		(10,744,379)
Changes of assumptions	(29,738,803)		(29,738,803)
Contributions - employer		131,374,191	(131,374,191)
Contributions - member		22,533,426	(22,533,426)
Net investment income		223,314,533	(223,314,533)
Benefit payments	(169,750,854)	(169,750,854)	0
Administrative expense		(6,350,670)	6,350,670
<b>Net changes</b>	<u>124,091,159</u>	<u>201,120,626</u>	<u>(77,029,467)</u>
<b>Balances at 6/30/2018</b>	<u>\$ 3,866,167,644</u>	<u>\$ 3,002,018,510</u>	<u>\$ 864,149,134</u>

<sup>1</sup> June 30, 2017 assets have been restated for consistency with the 2017 CAFR and the revised Net Pension Liability is shown.

During the measurement year, the collective NPL decreased by approximately \$77 million. The service cost, interest cost, and recognition of administrative expense increased the collective NPL by approximately \$341 million while contributions and investment income decreased the collective NPL by approximately \$377 million.

There were no changes in benefits during the year. There were actuarial experience gains during the year of approximately \$11 million. Changes in assumptions accounted for a decrease in Total Pension Liability of approximately \$30 million.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**SECTION V – GASB 67 REPORTING INFORMATION**

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 below shows the sensitivity of the collective NPL to the discount rate.

<b>Table V-2</b>			
<b>Sensitivity of Collective Net Pension Liability to Changes in Discount Rate</b>			
	<b>1% Decrease 6.00%</b>	<b>Discount Rate 7.00%</b>	<b>1% Increase 8.00%</b>
Total Pension Liability	\$ 4,420,031,791	\$ 3,866,167,644	\$ 3,414,364,907
Plan Fiduciary Net Position	<u>3,002,018,510</u>	<u>3,002,018,510</u>	<u>3,002,018,510</u>
Collective Net Pension Liability	<u>\$ 1,418,013,281</u>	<u>\$ 864,149,134</u>	<u>\$ 412,346,397</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.9%	77.6%	87.9%

A one percent decrease in the discount rate increases the TPL by approximately 14% and increases the collective NPL by approximately 64%. A one percent increase in the discount rate decreases the TPL by approximately 12% and decreases the collective NPL by approximately 52%.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**SECTION V – GASB 67 REPORTING INFORMATION**

**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 10 years of information. The schedule below shows the changes in collective NPL and related ratios required by GASB for the five years since implementation.

<b>Table V-3 Schedule of Changes in Collective Net Pension Liability and Related Ratios</b>					
	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
<b><u>Total Pension Liability</u></b>					
Service cost (MOY)	\$ 77,631,214	\$ 77,134,575	\$ 71,218,683	\$ 70,056,133	\$ 66,696,324
Interest (includes interest on service cost)	256,693,981	250,123,638	241,733,937	231,804,221	220,238,560
Differences between expected and actual experience	(10,744,379)	(42,042,601)	(31,199,455)	(27,900,755)	0
Changes of assumptions <sup>1</sup>	(29,738,803)	215,838,076	0	0	0
Benefit payments, including refunds of member contributions	(169,750,854)	(154,229,432)	(146,657,716)	(137,771,219)	(131,100,585)
<b>Net change in total pension liability</b>	<b>\$ 124,091,159</b>	<b>\$ 346,824,256</b>	<b>\$ 135,095,449</b>	<b>\$ 136,188,380</b>	<b>\$ 155,834,299</b>
<b>Total pension liability - beginning</b>	<b><u>3,742,076,485</u></b>	<b><u>3,395,252,229</u></b>	<b><u>3,260,156,781</u></b>	<b><u>3,123,968,401</u></b>	<b><u>2,968,134,102</u></b>
<b>Total pension liability - ending</b>	<b><u>\$ 3,866,167,644</u></b>	<b><u>\$ 3,742,076,485</u></b>	<b><u>\$ 3,395,252,229</u></b>	<b><u>\$ 3,260,156,781</u></b>	<b><u>\$ 3,123,968,401</u></b>
<b><u>Plan Fiduciary Net Position</u></b>					
Contributions - employer	\$ 131,374,191	\$ 121,990,986	\$ 122,748,021	\$ 123,612,352	\$ 119,227,652
Contributions - member	22,533,426	20,319,910	18,311,646	16,622,138	14,514,010
Net investment income	223,314,533	264,010,886	32,800,406	20,840,287	328,852,388
Benefit payments, including refunds of member contributions	(169,750,854)	(154,229,432)	(146,657,716)	(137,771,219)	(131,100,585)
Administrative expense	(6,350,670)	(5,732,988)	(5,192,807)	(4,404,342)	(4,288,603)
<b>Net change in plan fiduciary net position</b>	<b>\$ 201,120,626</b>	<b>\$ 246,359,361</b>	<b>\$ 22,009,549</b>	<b>\$ 18,899,215</b>	<b>\$ 327,204,862</b>
<b>Plan fiduciary net position - beginning<sup>2</sup></b>	<b><u>2,800,897,884</u></b>	<b><u>2,554,538,523</u></b>	<b><u>2,532,528,974</u></b>	<b><u>2,513,629,759</u></b>	<b><u>2,186,424,897</u></b>
<b>Plan fiduciary net position - ending</b>	<b><u>\$ 3,002,018,510</u></b>	<b><u>\$ 2,800,897,884</u></b>	<b><u>\$ 2,554,538,523</u></b>	<b><u>\$ 2,532,528,974</u></b>	<b><u>\$ 2,513,629,759</u></b>
<b>Net pension liability - ending</b>	<b><u>\$ 864,149,134</u></b>	<b><u>\$ 941,178,601</u></b>	<b><u>\$ 840,713,706</u></b>	<b><u>\$ 727,627,806</u></b>	<b><u>\$ 610,338,642</u></b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	77.65%	74.85%	75.24%	77.68%	80.46%
<b>Covered payroll</b>	\$ 344,511,724	\$ 341,097,962	\$ 328,934,766	\$ 319,547,370	\$ 307,421,818
<b>Net pension liability as a percentage of covered payroll</b>	250.83%	275.93%	255.59%	227.71%	198.53%

<sup>1</sup> In 2018, amounts reported as changes in assumptions resulted from a change in the assumed benefit payment timing.

<sup>2</sup> June 30, 2017 assets have been restated for consistency with the June 30, 2017 CAFR, which were \$408,911 less than the reported value in the June 30, 2017 GASB 67/68 report.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**SECTION V – GASB 67 REPORTING INFORMATION**

Because an Actuarially Determined Contribution (ADC) has been calculated historically, the full 10 years of information in the following schedule is required.

Table V-4 Schedule of Collective Employer Contributions										
	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010	FYE 2009
Actuarially Determined Contribution	\$ 131,374,191	\$ 121,990,986	\$ 122,748,021	\$ 123,612,352	\$ 119,227,652	\$ 110,582,703	\$ 108,764,094	\$ 94,436,686	\$ 84,647,133	\$ 75,902,140
Contributions in Relation to the Actuarially Determined Contribution	<u>131,374,191</u>	<u>121,990,986</u>	<u>122,748,021</u>	<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>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll <sup>1</sup>	\$ 344,511,724	\$ 341,097,962	\$ 328,934,766	\$ 319,547,370	\$ 307,421,818	\$ 302,708,314	\$ 305,757,679	\$ 306,963,226	\$ 306,524,117	\$ 307,263,503
Contributions as a Percentage of Covered Payroll	38.13%	35.76%	37.32%	38.68%	38.78%	36.53%	35.57%	30.76%	27.62%	24.70%

<sup>1</sup> Covered Payroll was based on actual pensionable payroll provided by SBCERS for FYE 2015 and after. In years prior to FYE 2015, payroll was based on payroll reported in the actuarial valuation data.

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2018.

**Notes to Schedule**

Valuation Date                      6/30/2016  
 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        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 is amortized over a separate closed period (currently 12 years). Effective with the June 30, 2014 valuation, any additional sources of UAL due to actuarial gains and losses, assumptions changes, or method changes are amortized over a closed 19-year period, with a 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 10 years of level payments as a percentage of payroll.

Discount rate                      7.00%, net of investment expenses  
 Amortization growth rate       3.00%  
 Price inflation                     3.00%  
 Salary increases                 3.00% plus merit component based on employee classification and years of service  
 Mortality                            Sex distinct CalPERS Healthy Annuitant, adjusted by 0.95 for males and 0.90 for females, with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2016 actuarial valuation report.



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**SECTION VI – GASB 68 COLLECTIVE INFORMATION**

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. Assuming past practice continues, for employers with a reporting date of June 30, their 2018 disclosures will be based on the June 30, 2017 measurement dates. Similarly, their 2019 disclosures will be based on the June 30, 2018 measurement dates.

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 \$10.7 million. Approximately \$2.1 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. Unrecognized gains from prior years were approximately \$63.5 million, of which \$20.2 million was recognized as a reduction in collective pension expense in the current year. The unrecognized experience gains for all years results in a deferred inflow of resources as of June 30, 2018 of approximately \$51.9 million.

During the measurement year, there was a gain resulting from changes to the assumptions of \$29.7 million. Approximately \$5.9 million of that gain was recognized as a decrease in collective pension expense in the current year and an identical amount will be recognized in each of the next four years. The deferred inflow of resources as of June 30, 2018 is about \$23.8 million. Unrecognized losses from the prior year's assumption changes were approximately \$172.7 million, of which \$43.2 million was recognized as an increase in collective pension expense in the current year resulting in a deferred outflow of resources as of June 30, 2018 of approximately \$129.5 million.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of approximately \$28.0 million. Approximately \$5.6 million of that gain was recognized in the current year and an identical amount will be recognized in each of the next four years. Net unrecognized investment losses from prior periods were approximately \$59.5 million of which \$14.7 million was recognized as an increase in collective pension expense in the current year. The combination of unrecognized investment gains this year and unrecognized net investment losses from prior periods' results in a collective deferred outflow of resources as of June 30, 2018 of approximately \$22.3 million.

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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**SECTION VI – GASB 68 COLLECTIVE INFORMATION**

**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	\$ 51,880,997
Changes in assumptions	129,502,846	23,791,042
Net difference between projected and actual earnings on pension plan investments	<u>22,326,274</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 151,829,119</u></b>	<b><u>\$ 75,672,039</u></b>
<p>Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:</p>		
<b>Year ended June 30:</b>		
2019	56,949,721	
2020	29,007,778	
2021	3,899,284	
2022	(13,699,702)	
2023	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.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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**SECTION VI – GASB 68 COLLECTIVE INFORMATION**

Table VI-2 Calculation of Collective Pension Expense		
	Measurement Year Ending 2018	2017
Change in Net Pension Liability	\$ (77,029,467)	\$ 100,464,895
Change in Deferred Outflows	80,304,011	(72,145,783)
Change in Deferred Inflows	12,157,984	21,814,039
Employer Contributions	<u>131,374,191</u>	<u>121,990,986</u>
<b>Pension Expense</b>	<b>\$ 146,806,719</b>	<b>\$ 172,124,137</b>
<b>Pension Expense as % of Payroll</b>	<b>42.61%</b>	<b>50.46%</b>
<b>Operating Expenses</b>		
Service cost	\$ 77,631,214	\$ 77,134,575
Employee contributions	(22,533,426)	(20,319,910)
Administrative expenses	<u>6,350,670</u>	<u>5,732,988</u>
Total	\$ 61,448,458	\$ 62,547,653
<b>Financing Expenses</b>		
Interest cost	\$ 256,693,981	\$ 250,123,638
Expected return on assets	<u>(195,299,203)</u>	<u>(178,210,341)</u>
Total	\$ 61,394,778	\$ 71,913,297
<b>Changes</b>		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	37,219,855	43,167,615
Recognition of liability gains and losses	(22,377,438)	(20,228,562)
Recognition of investment gains and losses	<u>9,121,066</u>	<u>14,724,134</u>
Total	\$ 23,963,483	\$ 37,663,187
<b>Pension Expense</b>	<b>\$ 146,806,719</b>	<b>\$ 172,124,137</b>

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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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 decreased from the prior year by about \$25.3 million. The recognition of the changes decreased by approximately \$13.7 million, which accounts for more than 50% of the decrease in pension expense.



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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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 AICPA<sup>1</sup> 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, 2018 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, 2017). The same methodology is used for calculating proportionate shares as of June 30, 2017.

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<sup>1</sup> [http://www.aicpa.org/interestareas/governmentauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep\\_cs\\_er\\_reporting\\_whitepaper.pdf](http://www.aicpa.org/interestareas/governmentauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep_cs_er_reporting_whitepaper.pdf)

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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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, 2018)**

Employer	Unfunded Liability Amortization Rate (from the June 30, 2017 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	28.32%	32.59%	19.49%	\$ 57,080,637	\$ 32,413,578	229,957,863	\$ 71,547,609	92.8477%
Courts			19.49%	0	0	14,709,868	2,866,953	3.7205%
Carp-Summerland Fire	28.32%		19.49%	3,291,990	0	367,850	1,003,986	1.3029%
Air Pollution Control			30.33%	0	0	3,105,717	941,964	1.2224%
SBC Assoc of Govts			19.49%	0	0	1,826,864	356,056	0.4621%
Santa Maria Cemetery			19.49%	0	0	382,916	74,630	0.0968%
Summerland Sanitary			19.49%	0	0	388,149	75,650	0.0982%
Mosq Vector Mgmt			19.49%	0	0	419,926	81,843	0.1062%
Goleta Cemetery			19.49%	0	0	280,764	54,721	0.0710%
Oak Hill Cemetery			19.49%	0	0	174,107	33,933	0.0440%
Carpinteria Cemetery			19.49%	0	0	111,496	21,731	0.0282%
<b>Total</b>				<b>\$ 60,372,627</b>	<b>\$ 32,413,578</b>	<b>\$ 251,725,519</b>	<b>\$ 77,059,076</b>	<b>100.0000%</b>

**Table VII-1b  
Determination of Employers' Proportionate Share (as of June 30, 2017)**

Employer	Unfunded Liability Amortization Rate (from the June 30, 2016 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	28.55%	32.53%	18.21%	\$ 53,143,897	\$ 34,750,207	229,053,636	\$ 68,187,492	93.1085%
Courts			18.21%	0	0	13,893,235	2,529,958	3.4546%
Carp-Summerland Fire	28.55%		18.21%	2,964,789	0	349,688	910,126	1.2428%
Air Pollution Control			28.57%	0	0	3,306,305	944,611	1.2898%
SBC Assoc of Govts			18.21%	0	0	1,951,211	355,316	0.4852%
Santa Maria Cemetery			18.21%	0	0	343,598	62,569	0.0854%
Summerland Sanitary			18.21%	0	0	347,798	63,334	0.0865%
Mosq Vector Mgmt			18.21%	0	0	407,205	74,152	0.1013%
Goleta Cemetery			18.21%	0	0	275,831	50,229	0.0686%
Oak Hill Cemetery			18.21%	0	0	171,205	31,176	0.0426%
Carpinteria Cemetery			18.21%	0	0	139,356	25,377	0.0347%
<b>Total</b>				<b>\$ 56,108,687</b>	<b>\$ 34,750,207</b>	<b>\$ 250,239,068</b>	<b>\$ 73,234,340</b>	<b>100.0000%</b>

**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, 2018.

<b>Table VII-2 Schedule of Employers' Proportionate Share of Collective Amounts at June 30, 2018</b>							
<b>Employer</b>	<b>Proportionate Share</b>	<b>Share of NPL @ 6.00%</b>	<b>Share of NPL @ 7.00%</b>	<b>Share of NPL @ 8.00%</b>	<b>Share of Deferred Outflows</b>	<b>Share of Deferred Inflows</b>	<b>Pension Expense</b>
Santa Barbara County	92.8477%	\$ 1,316,592,717	\$ 802,342,595	\$ 382,854,145	\$ 140,969,845	\$ 70,259,748	\$ 136,306,662
Courts	3.7205%	52,757,184	32,150,669	15,341,348	5,648,802	2,815,378	5,461,944
Carp-Summerland Fire	1.3029%	18,475,295	11,258,999	5,372,461	1,978,182	985,931	1,912,745
Air Pollution Control	1.2224%	17,333,794	10,563,359	5,040,522	1,855,959	925,015	1,794,565
SBC Assoc of Govts	0.4621%	6,552,639	3,993,233	1,905,453	701,602	349,680	678,394
Santa Maria Cemetery	0.0968%	1,372,637	836,496	399,151	146,971	73,251	142,109
Summerland Sanitary	0.0982%	1,392,489	848,594	404,924	149,096	74,310	144,164
Mosq Vector Mgmt	0.1062%	1,505,930	917,726	437,912	161,243	80,364	155,909
Goleta Cemetery	0.0710%	1,006,789	613,546	292,766	107,799	53,727	104,233
Oak Hill Cemetery	0.0440%	623,926	380,226	181,432	66,805	33,296	64,595
Carpinteria Cemetery	0.0282%	399,880	243,690	116,282	42,816	21,340	41,399
<b>Total</b>	<b>100.0000%</b>	<b>\$ 1,418,013,281</b>	<b>\$ 864,149,134</b>	<b>\$ 412,346,397</b>	<b>\$ 151,829,119</b>	<b>\$ 75,672,039</b>	<b>\$ 146,806,719</b>

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  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**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		
	6/30/2017	6/30/2018	Net Pension Liability	Deferred Outflows	Deferred Inflows	Net Effect	Actual	Proportionate Share	Difference
Santa Barbara County	93.1085%	92.8477%	\$ (2,454,594)	\$ (605,403)	\$ 165,645	\$ (2,014,835)	\$ 122,369,435	\$ 121,977,915	\$ 391,520
Courts	3.4546%	3.7205%	2,502,594	617,242	(168,884)	2,054,236	4,741,276	4,887,777	(146,501)
Carp-Summerland Fire	1.2428%	1.3029%	565,648	139,512	(38,172)	464,308	1,814,292	1,711,674	102,618
Air Pollution Control	1.2898%	1.2224%	(634,354)	(156,458)	42,808	(520,705)	1,268,643	1,605,918	(337,275)
SBC Assoc of Govts	0.4852%	0.4621%	(217,412)	(53,623)	14,672	(178,461)	604,559	607,080	(2,521)
Santa Maria Cemetery	0.0854%	0.0968%	107,294	26,463	(7,241)	88,072	125,469	127,170	(1,701)
Summerland Sanitary	0.0865%	0.0982%	110,118	27,160	(7,431)	90,389	121,519	129,009	(7,490)
Mosq Vector Mgmt	0.1013%	0.1062%	46,118	11,375	(3,112)	37,855	143,549	139,519	4,030
Goleta Cemetery	0.0686%	0.0710%	22,588	5,571	(1,524)	18,541	90,082	93,276	(3,194)
Oak Hill Cemetery	0.0426%	0.0440%	13,177	3,250	(889)	10,816	58,510	57,805	705
Carpinteria Cemetery	0.0347%	0.0282%	(61,177)	(15,089)	4,128	(50,216)	36,857	37,048	(191)
<b>Total</b>	<b>100.0000%</b>	<b>100.0000%</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 131,374,191</b>	<b>\$ 131,374,191</b>	<b>\$ 0</b>

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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.

<b>Table VII-4 Reconciliation of Deferred Outflows and Inflows Due to Proportion Change</b>								
<b>Employer</b>	<b>Deferred Outflows</b>				<b>Deferred Inflows</b>			
		<b>Current Year</b>				<b>Current Year</b>		
	<b>6/30/2017</b>	<b>Net Effect</b>	<b>Recognition</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>Net Effect</b>	<b>Recognition</b>	<b>6/30/2018</b>
Santa Barbara County	\$ 2,862,841	\$ 0	\$ 1,185,735	\$ 1,677,105	\$ (82,776)	\$ (2,014,835)	\$ (430,559)	\$ (1,667,052)
Courts	0	2,054,236	410,847	1,643,389	(2,329,825)	0	(1,025,939)	(1,303,886)
Carp-Summerland Fire	0	464,308	92,862	371,447	(829,366)	0	(306,992)	(522,374)
Air Pollution Control	590,224	0	218,960	371,264	(32,900)	(520,705)	(114,667)	(438,938)
SBC Assoc of Govts	39,856	0	26,677	13,179	(122,284)	(178,461)	(72,127)	(228,618)
Santa Maria Cemetery	0	88,072	17,614	70,457	(76,375)	0	(41,256)	(35,118)
Summerland Sanitary	0	90,389	18,078	72,312	(35,030)	0	(19,578)	(15,452)
Mosq Vector Mgmt	72,152	37,855	51,391	58,616	(44,596)	0	(11,542)	(33,053)
Goleta Cemetery	11,779	18,541	11,105	19,215	(24,353)	0	(6,831)	(17,522)
Oak Hill Cemetery	16,671	10,816	9,333	18,154	(9,007)	0	(3,002)	(6,005)
Carpinteria Cemetery	6,169	0	4,089	2,080	(13,183)	(50,216)	(14,197)	(49,203)
<b>Total</b>	<b>\$ 3,599,692</b>	<b>\$ 2,764,218</b>	<b>\$ 2,046,692</b>	<b>\$ 4,317,218</b>	<b>\$ (3,599,693)</b>	<b>\$ (2,764,218)</b>	<b>\$ (2,046,691)</b>	<b>\$ (4,317,221)</b>

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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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.

<b>Table VII-5 Reconciliation of Deferred Outflows and Inflows Due to Contribution Differences</b>										
<b>Employer</b>	<b>Deferred Outflows</b>				<b>Deferred Inflows</b>					
	<b>Current Year</b>		<b>Recognition</b>	<b>6/30/2018</b>	<b>Current Year</b>		<b>Recognition</b>	<b>6/30/2018</b>		
	<b>6/30/2017</b>	<b>Difference</b>			<b>6/30/2017</b>	<b>Difference</b>				
Santa Barbara County	\$ 340,085	\$ 391,520	\$ 244,530	\$ 487,075	\$ (31,675)	\$ 0	\$ (7,919)	\$ (23,756)		
Courts	240,858	0	63,584	177,273	(21,764)	(146,501)	(49,514)	(118,751)		
Carp-Summerland Fire	54,497	102,618	42,591	114,523	0	0	0	0		
Air Pollution Control	0	0	0	0	(607,991)	(337,275)	(290,537)	(654,729)		
SBC Assoc of Govts	39,801	0	10,483	29,319	(3,765)	(2,521)	(3,336)	(2,949)		
Santa Maria Cemetery	1,437	0	359	1,077	(4,768)	(1,701)	(2,731)	(3,738)		
Summerland Sanitary	2,252	0	563	1,689	(8,005)	(7,490)	(5,608)	(9,887)		
Mosq Vector Mgmt	10,675	4,030	3,620	11,085	(1,152)	0	(774)	(378)		
Goleta Cemetery	0	0	0	0	(4,006)	(3,194)	(2,627)	(4,573)		
Oak Hill Cemetery	487	705	303	890	(4,521)	0	(1,726)	(2,796)		
Carpinteria Cemetery	0	0	0	0	(2,445)	(191)	(1,261)	(1,375)		
<b>Total</b>	<b>\$ 690,091</b>	<b>\$ 498,873</b>	<b>\$ 366,033</b>	<b>\$ 822,931</b>	<b>\$ (690,091)</b>	<b>\$ (498,873)</b>	<b>\$ (366,032)</b>	<b>\$ (822,932)</b>		

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

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

<b>Table VII-6 Schedule of Employers' Deferred Outflows at June 30, 2018</b>							
<b>Employer</b>	<b>Proportionate Shares</b>	<b>Experience</b>	<b>Assumption Changes</b>	<b>Investment Return</b>	<b>Proportion Change</b>	<b>Contribution Difference</b>	
Santa Barbara County	92.8477%	\$ 0	\$ 120,240,414	\$ 20,729,431	\$ 1,677,105	\$ 487,075	
Courts	3.7205%	0	4,818,153	830,649	1,643,389	177,273	
Carp-Summerland Fire	1.3029%	0	1,687,293	290,889	371,447	114,522	
Air Pollution Control	1.2224%	0	1,583,043	272,916	371,264	0	
SBC Assoc of Govts	0.4621%	0	598,433	103,170	13,179	29,319	
Santa Maria Cemetery	0.0968%	0	125,359	21,612	70,457	1,077	
Summerland Sanitary	0.0982%	0	127,172	21,924	72,312	1,689	
Mosq Vector Mgmt	0.1062%	0	137,532	23,711	58,617	11,085	
Goleta Cemetery	0.0710%	0	91,947	15,852	19,215	0	
Oak Hill Cemetery	0.0440%	0	56,981	9,824	18,154	890	
Carpinteria Cemetery	0.0282%	0	36,520	6,296	2,081	0	
<b>Total</b>	<b>100.0000%</b>	<b>\$ 0</b>	<b>\$ 129,502,846</b>	<b>\$ 22,326,274</b>	<b>\$ 4,317,220</b>	<b>\$ 822,931</b>	

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

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

<b>Table VII-7 Schedule of Employers' Deferred Inflows at June 30, 2018</b>						
<b>Employer</b>	<b>Proportionate Shares</b>	<b>Experience</b>	<b>Assumption Changes</b>	<b>Investment Return</b>	<b>Proportion Change</b>	<b>Contribution Difference</b>
Santa Barbara County	92.8477%	\$ 48,170,312	\$ 22,089,436	\$ 0	\$ 1,667,052	\$ 23,756
Courts	3.7205%	1,930,232	885,146	0	1,303,886	118,751
Carp-Summerland Fire	1.3029%	675,958	309,973	0	522,374	0
Air Pollution Control	1.2224%	634,193	290,822	0	438,938	654,729
SBC Assoc of Govts	0.4621%	239,742	109,938	0	228,618	2,949
Santa Maria Cemetery	0.0968%	50,221	23,030	0	35,118	3,738
Summerland Sanitary	0.0982%	50,947	23,363	0	15,452	9,887
Mosq Vector Mgmt	0.1062%	55,098	25,266	0	33,053	378
Goleta Cemetery	0.0710%	36,836	16,892	0	17,522	4,572
Oak Hill Cemetery	0.0440%	22,828	10,468	0	6,005	2,796
Carpinteria Cemetery	0.0282%	14,630	6,709	0	49,203	1,375
<b>Total</b>	<b>100.0000%</b>	<b>\$ 51,880,997</b>	<b>\$ 23,791,042</b>	<b>\$ 0</b>	<b>\$ 4,317,221</b>	<b>\$ 822,932</b>



**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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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.

<b>Table VII-8</b>						
<b>Schedule of Employers' Recognition of Deferred Outflows and Inflows at June 30, 2018</b>						
<b>Recognition for Measurement Year Ending</b>						
<b>Employer</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Thereafter</b>
Santa Barbara County	\$ 53,363,193	\$ 27,105,819	\$ 3,758,980	\$ (13,044,522)	\$ 0	\$ 0
Courts	1,947,127	1,152,893	259,580	(128,150)	0	0
Carp-Summerland Fire	649,064	303,762	68,128	(65,108)	0	0
Air Pollution Control	517,436	221,180	(191,013)	(339,061)	0	0
SBC Assoc of Govts	207,402	89,485	(34,531)	(99,503)	0	0
Santa Maria Cemetery	50,328	33,973	18,085	4,013	0	0
Summerland Sanitary	59,086	42,431	18,805	3,127	0	0
Mosq Vector Mgmt	88,084	30,455	4,783	(6,172)	0	0
Goleta Cemetery	37,820	19,757	272	(6,657)	0	0
Oak Hill Cemetery	27,166	14,259	6,051	(3,724)	0	0
Carpinteria Cemetery	3,021	(6,242)	(9,856)	(13,945)	0	0
<b>Total</b>	<b>\$ 56,949,725</b>	<b>\$ 29,007,772</b>	<b>\$ 3,899,284</b>	<b>\$ (13,699,702)</b>	<b>\$ 0</b>	<b>\$ 0</b>

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**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, 2018									
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	\$ 136,306,662	\$ 755,176	\$ 236,611	\$ 137,298,450	\$ (73,974,682)	\$ 76,204,575	\$ 12,699,121	\$ 122,369,436	\$ 137,298,449
Courts	5,461,944	(615,092)	14,070	4,860,922	(363,287)	790,664	(307,731)	4,741,276	4,860,922
Carp-Summerland Fire	1,912,745	(214,130)	42,591	1,741,206	(437,969)	475,296	(110,414)	1,814,292	1,741,206
Air Pollution Control	1,794,565	104,293	(290,537)	1,608,322	(1,575,963)	1,357,054	558,587	1,268,643	1,608,322
SBC Assoc of Govts	678,394	(45,450)	7,146	640,090	(573,365)	461,867	147,029	604,559	640,090
Santa Maria Cemetery	142,109	(23,642)	(2,372)	116,095	32,730	(18,827)	(23,277)	125,469	116,095
Summerland Sanitary	144,164	(1,500)	(5,045)	137,619	34,475	(20,050)	1,674	121,519	137,619
Mosq Vector Mgmt	155,909	39,849	2,846	198,603	(35,688)	87,034	3,707	143,549	198,603
Goleta Cemetery	104,233	4,274	(2,627)	105,880	(32,103)	44,009	3,892	90,082	105,880
Oak Hill Cemetery	64,595	6,331	(1,423)	69,503	(20,716)	30,199	1,511	58,510	69,503
Carpinteria Cemetery	41,399	(10,108)	(1,261)	30,031	(82,899)	41,823	34,250	36,857	30,031
<b>Total</b>	<b>\$ 146,806,719</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 146,806,721</b>	<b>\$ (77,029,467)</b>	<b>\$ 79,453,644</b>	<b>\$ 13,008,352</b>	<b>\$ 131,374,192</b>	<b>\$ 146,806,721</b>

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**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, 2018									
Employer	Proportionate Shares	Proportionate Share of NPL	Covered Payroll	Share of NPL as a % of Payroll	Fiduciary Net Position as % of TPL	Contractually Required Contribution	Actual Contributions	Contribution Deficiency	Contributions as a % of Payroll
Santa Barbara County	92.8477%	\$ 802,342,595	\$ 319,452,077	251.2%	77.6%	\$ 122,369,435	\$ 122,369,435	\$ 0	38.3%
Courts	3.7205%	32,150,669	14,709,868	218.6%	77.6%	4,741,276	4,741,276	0	32.2%
Carp-Summerland Fire	1.3029%	11,258,999	3,659,840	307.6%	77.6%	1,814,292	1,814,292	0	49.6%
Air Pollution Control	1.2224%	10,563,359	3,105,717	340.1%	77.6%	1,268,643	1,268,643	0	40.8%
SBC Assoc of Govts	0.4621%	3,993,233	1,826,864	218.6%	77.6%	604,559	604,559	0	33.1%
Santa Maria Cemetery	0.0968%	836,496	382,916	218.5%	77.6%	125,469	125,469	0	32.8%
Summerland Sanitary	0.0982%	848,594	388,149	218.6%	77.6%	121,519	121,519	0	31.3%
Mosq Vector Mgmt	0.1062%	917,726	419,926	218.5%	77.6%	143,549	143,549	0	34.2%
Goleta Cemetery	0.0710%	613,546	280,764	218.5%	77.6%	90,082	90,082	0	32.1%
Oak Hill Cemetery	0.0440%	380,226	174,107	218.4%	77.6%	58,510	58,510	0	33.6%
Carpinteria Cemetery	0.0282%	243,690	111,496	218.6%	77.6%	36,857	36,857	0	33.1%
<b>Total</b>	<b>100.0000%</b>	<b>\$ 864,149,134</b>	<b>\$ 344,511,724</b>	<b>250.8%</b>	<b>77.6%</b>	<b>\$ 131,374,191</b>	<b>\$ 131,374,191</b>	<b>\$ 0</b>	<b>38.1%</b>

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**APPENDIX A – MEMBERSHIP INFORMATION**

**SBCERS Membership – Active Members as of June 30, 2017**

<b>General Members</b>	<b>Count</b>	<b>Annual Salary<sup>1</sup></b>	<b>Average Age</b>	<b>Average Monthly Salary*</b>	<b>Average Vesting Service</b>
Plan 2	9	\$624,000	58.3	\$5,778	29.1
Plan 5A	486	\$39,023,000	55.3	\$6,691	25.8
Plan 5B	338	\$36,685,000	49.2	\$9,045	13.6
Plan 5C	1,355	\$92,361,000	47.7	\$5,680	13.5
Plan 7	104	\$8,718,000	40.7	\$6,986	8.0
PEPRA	<u>1,023</u>	<u>\$64,627,000</u>	37.7	\$5,264	2.0
<b>Total</b>	<b>3,315</b>	<b>\$242,038,000</b>	<b>45.7</b>	<b>\$6,084</b>	<b>11.6</b>
<b>APCD Members</b>					
Plan 1	8	\$709,000	57.0	\$7,385	27.6
Plan 2	14	\$1,305,000	43.4	\$7,768	10.2
PEPRA	<u>13</u>	<u>\$873,000</u>	29.5	\$5,596	2.2
<b>Total</b>	<b>35</b>	<b>\$2,887,000</b>	<b>41.4</b>	<b>\$6,874</b>	<b>11.2</b>
<b>Safety Members</b>					
Plan 4A	48	\$5,951,000	52.6	\$10,332	22.8
Plan 4B	12	\$1,495,000	49.6	\$10,382	20.9
Plan 4C	317	\$31,568,000	43.6	\$8,299	14.6
Plan 6A	55	\$6,447,000	52.1	\$9,768	27.7
Plan 6B	278	\$27,143,000	43.1	\$8,136	13.7
PEPRA	<u>239</u>	<u>\$18,583,000</u>	32.4	\$6,479	1.9
<b>Total</b>	<b>949</b>	<b>\$91,187,000</b>	<b>41.7</b>	<b>\$8,007</b>	<b>12.4</b>
<b>Total Active Members</b>	<b>4,299</b>	<b>\$336,112,000</b>	<b>44.8</b>	<b>\$6,515</b>	<b>11.8</b>

<sup>1</sup> Based on salary data provided in the June 30, 2017 valuation data for FYE 2017.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**APPENDIX A – MEMBERSHIP INFORMATION**

**SBCERS Membership – Deferred Vested Members as of June 30, 2017**

<b>General Members</b>	<b>Count</b>	<b>Average Age</b>
Plan 2	18	57.1
Plan 5A	180	55.4
Plan 5B	459	48.8
Plan 5C	315	44.0
Plan 7	39	38.5
PEPRA	<u>208</u>	37.1
<b>Total</b>	<b>1,219</b>	<b>46.4</b>
<b>APCD Members</b>		
Plan 1	8	55.3
Plan 2	11	40.1
PEPRA	<u>3</u>	37.7
<b>Total</b>	<b>22</b>	<b>45.3</b>
<b>Safety Members</b>		
Plan 4A	6	48.5
Plan 4B	48	49.4
Plan 4C	36	42.2
Plan 6A	33	53.6
Plan 6B	61	39.8
PEPRA	<u>38</u>	32.9
<b>Total</b>	<b>222</b>	<b>42.6</b>
<b>Total Inactive</b>	<b>1,463</b>	<b>45.8</b>

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**APPENDIX A – MEMBERSHIP INFORMATION**

**SBCERS Membership – Retired Members as of June 30, 2017**

	Count	Monthly Allowances	Average Monthly Benefit
<b>General Members</b>			
Healthy	2,746	\$7,335,000	\$2,671
Disabled	127	283,000	2,228
Beneficiaries	<u>402</u>	<u>602,000</u>	1,498
<b>Total</b>	<b>3,275</b>	<b>\$8,220,000</b>	<b>\$2,510</b>
<b>APCD Members</b>			
Healthy	55	\$169,000	\$3,073
Disabled	0	0	0
Beneficiaries	<u>6</u>	<u>13,000</u>	2,167
<b>Total</b>	<b>61</b>	<b>\$182,000</b>	<b>\$2,984</b>
<b>Safety Members</b>			
Healthy	761	\$4,244,000	\$5,577
Disabled	129	502,000	3,891
Beneficiaries	<u>149</u>	<u>395,000</u>	2,651
<b>Total</b>	<b>1,039</b>	<b>\$5,141,000</b>	<b>\$4,948</b>
<b>Total Retired Members</b>	<b>4,375</b>	<b>\$13,543,000</b>	<b>\$3,096</b>

Please refer to the June 30, 2017 actuarial valuation report for a more complete summary of the data.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2018**

**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, 2018 is provided below, including any assumptions that differ from those used in the June 30, 2017 actuarial valuation. Please refer to the June 30, 2017 actuarial valuation report for a complete description of all other assumptions. The assumptions used in this report and the June 30, 2017 actuarial valuation report reflect the results of the Experience Analysis covering the period July 1, 2013 through June 30, 2017.

**Key Actuarial Assumptions**

**Expected Return on Assets**      7.00 percent net of investment expenses.

**Discount Rate**                      7.00 percent.

**Administrative Expenses**              Administrative expenses are assumed to be \$5.3 million for the fiscal year ending June 30, 2018, to be split between employees and employers based on their share of the overall contributions. Administrative expenses are assumed to increase by the assumed wage inflation of 3.00% each year.

**Basic COLA**                              The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 2.75% per year.

**Post Retirement COLA**              Benefits are assumed to increase after retirement at the rate of 2.60% per year for General Plans 5, Safety Plans 4, 6 and 8 (PEPRA), and APCD Plans 1 and 2; 1.90% 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 1.90% 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 2.60% 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 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 (11 years as of June 30, 2017). 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 a type of 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 AS OF JUNE 30, 2018**

**APPENDIX C ---SUMMARY OF PLAN PROVISIONS**

The plan provisions are the same as those summarized in the June 30, 2017 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. This measure generally is not appropriate for estimating the cost to settle the Plan's liabilities.



*Classic Values, Innovative Advice*