

**Santa Barbara County Employees'  
Retirement System**

**ACTUARIAL VALUATION  
June 30, 2009**



By

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November 10, 2009

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

Dear Members of the Board:

As requested, we performed an actuarial valuation of the Santa Barbara County Employees Retirement System (SBCERS) as of June 30, 2009 for determining contributions for the fiscal year beginning July 1, 2010. Our findings are set forth in this actuary's report. This report reflects the benefit provisions in effect as of the valuation date.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System.

Future actuarial measurements may differ significantly from the current measurements presented in this report 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; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as a change in the amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A.



Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for SBCERS. Actuarial computations presented in this report under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in Appendix B of this report, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work product was prepared solely to provide assistance to SBCERS for a specific and limited purpose. It may not be appropriate to use for other purposes. It is a complex, technical analysis that assumes a high level of knowledge concerning the SBCERS' operations, and uses SBCERS' data, which Milliman has not audited. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

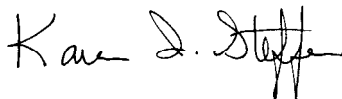
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We would like to express our appreciation to members of SBCERS' staff, who gave substantial assistance in supplying the data on which this report is based.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

A handwritten signature in black ink that reads "Karen I. Steffen".

Karen I. Steffen, FSA, EA, MAAA  
Consulting Actuary  
KIS/DRW/nlo

A handwritten signature in black ink that reads "Daniel Wade".

Daniel R. Wade, FSA, EA, MAAA  
Consulting Actuary



# Santa Barbara County Employees' Retirement System

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# Santa Barbara County Employees' Retirement System

## Section 1: Summary of the Findings



### Overview

#### 2009 Valuation Results

	June 30, 2009	June 30, 2008
Employer Contribution Rate	28.88%	23.30%
Funded Ratio	75.3%	88.6%

We are pleased to present the results of the June 30, 2009 actuarial valuation. Key points are summarized as follows:

- **Investment Returns:** SBCERS' investment returns were negative over the past two years on a Market Value basis compared to an assumed return of 8.16% per year.

The Actuarial Value of Assets (AVA) is based upon the Market Value of Assets (MVA), but is a smoothed value that recognizes, over a five-year period, investment earnings less than (or greater than) the assumed investment return. When a loss (or gain) occurs, 20% of that amount is recognized each year until it is fully recognized in the fifth year.

To prevent the AVA from deviating too much from the MVA, it has been SBCERS practice to apply an asset corridor limit on the AVA, such that the AVA stays within 20% of the MVA. After the smoothed value of assets is calculated, the smoothed value is compared to 80% of MVA and 120% of MVA. If the smoothed value is within that range, the smoothed value is used. If the smoothed value is higher than 120% of MVA, then the AVA is set equal to 120% of MVA. Similarly, if the smoothed value is lower than 80% of MVA, the AVA is set equal to 80% of MVA.

At the time of this valuation, the smoothed value of assets is greater than 120% of the MVA. Because of this, the AVA used in the valuation is equal to 120% of MVA.

After applying the asset-smoothing method and applying the asset corridor, the rate of return on the AVA was -9.6%, significantly lower than the assumed rate of 8.16%. Note that currently, the MVA is \$1,421.4 million, while the AVA is \$1,705.7 million. This means that a \$284.3 million net investment return loss is being deferred. These deferred losses will be reflected in future valuations.

## Overview (continued)

- **Funded Ratio:** The Funded Ratio decreased from 88.6% to 75.3%. This is the ratio of the Valuation Assets (the AVA net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL). This decrease was caused primarily by the adverse investment return experience since the last valuation. These losses were slightly offset by experience gains in liabilities. Please see Exhibit 13 for more detail.

On a Market Value of Valuation Assets basis, the funded ratio has decreased from 82.4% to 62.8%.

- **Funding Policy:** The funding policy for amortizing the Unfunded Actuarial Accrued Liability (UAAL) has changed since the previous valuation. The UAAL is equal to the AAL minus the AVA.

Under the previous funding policy, a 15-year layered amortization of the UAAL was used. Under that methodology, each year the difference between the actual UAAL and the expected UAAL was amortized over a closed 15-year period. A new layer was created each year for General, Safety, and APCD. The layer established at the previous valuation was amortized over 14 years, while the layer established two valuations ago was amortized over 13 years, and so on.

The new funding policy calls for a 17-year “open/rolling” amortization period. Under an open/rolling amortization method, the entire UAAL is amortized over a constant period, in this case, 17 years. A 17-year amortization factor will be applied to the entire UAAL for each of the General, Safety, and APCD groups. The factor does not change from year to year unless the discount rate or salary scale assumption is changed. The Board adopted this funding policy at its September 23, 2009 meeting.

Had the previous funding policy remained in place, the total employer contribution rate (Normal Cost plus amortization of UAAL) would have been 33.00% of payroll. Under the new amortization policy, the total employer contribution rate is 28.88%.

## Overview (continued)

- **Contribution Rates:** The Employer Normal Cost rate increased from 14.20% to 14.21%.

The Employer's required contribution rate to finance the UAAL over the 17-year amortization period is 14.67%. This compares to a rate of 9.10% in the previous valuation under the 15-year layered approach. The increase was primarily caused by the large investment return losses suffered in the previous year. Those losses were partially offset by the change in funding policy. There was also a small liability gain realized since the last valuation.

The overall result is an increase in the required total contribution rate from the prior valuation of 5.58% (from 23.30% to 28.88%) of payroll.

## Employer Contribution Rate

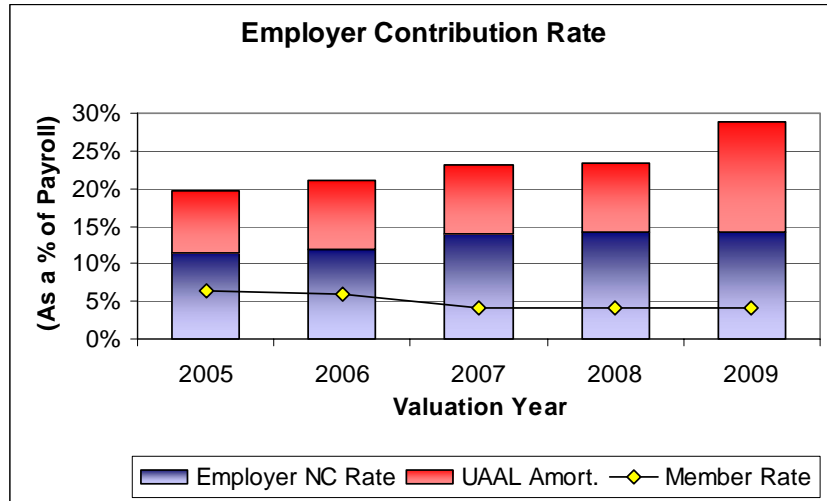
Under the Board's current funding objectives, the calculated Employer contribution rate for the fiscal year beginning July 1, 2010 is 28.88% of payroll. This is equal to the payment of the Employer Normal Cost rate plus a 17-year amortization of the UAAL.

It should be noted that the 28.88% is a weighted average for all SBCERS cost groups (General, Safety, and APCD). The actual percentage of payroll to be contributed by the Employer varies by tier. See Exhibits 10a, 10b and 10c for Normal Cost rates by tier. See Exhibit 11a for the UAAL contribution rates for General, Safety, and APCD. See Exhibits 12a, 12b and 12c for the total Employer contribution rates by tier.

The new rate effective for the fiscal year beginning July 1, 2010 of 28.88% is currently adequate to maintain the funding of the retirement system benefits based on the actuarial methods and assumptions shown in this report, and satisfies the current funding objective that calls for the UAAL to be amortized over an open/rolling 17-year period.

**Employer Contribution Rate (continued)**

A brief historical perspective of the Employer contribution rate is shown in the following graph.



**Comparison with Last Year**

A detailed analysis of the sources of the changes since the 2008 valuation is shown in the Gain and Loss Exhibit 13, Section 6 of this report.

The following chart summarizes how these and various other factors affected the overall funding of SBCERS and the Employer Contribution Rate, as compared to the last valuation.

Sources of Change	Employer Contribution Rate	Funded Ratio
<b>June 30, 2008 Actuarial Valuation</b>	<b>23.30%</b>	<b>88.6%</b>
Expected Year-to-Year Change	0.14%	0.7%
<b>Expected June 30, 2009 Actuarial Valuation</b>	<b>23.44%</b>	<b>89.3%</b>
Asset Gain/Loss	9.67%	-14.8%
Salary / Payroll Variation	-0.52%	1.4%
New Entrants	0.03%	-0.1%
Retirement from Active Status Experience	0.34%	-0.5%
Retirement from Deferred Status Experience	0.13%	-0.2%
Retired Mortality Experience	-0.03%	0.1%
All Other Experience	-0.06%	0.1%
<b>Total Experience</b>	<b>9.56%</b>	<b>-14.0%</b>
<b>Change in Amortization Method</b>	<b>-4.12%</b>	<b>0.0%</b>
<b>Actual June 30, 2009 Actuarial Valuation</b>	<b>28.88%</b>	<b>75.3%</b>

## Benefit Provision Changes

To our knowledge, there have been no changes to the benefit plan provisions since our previous valuation.

## Member Contribution Rates

There have been no changes to the actuarial assumptions since the 2007 valuation. Therefore, there are no changes recommended in the member contribution rates. Member rates for all tiers are discussed in Section 5 and are shown in detail in Appendix D.

Note that although individual member contribution rates have not changed, the aggregate member contribution rate has changed from 4.20% to 4.22% of payroll. This change is the result of the different tier of benefits and entry age of the member population.

## Funding Progress

Based on Milliman's 2008 valuation, the expected UAAL as of June 30, 2009 was \$240.3 million. The actual UAAL for the fiscal year ending June 30, 2009 is \$558.1 million. There were several factors that had an impact on the UAAL, both individually and in total. These factors are shown in detail at the end of Section 6, Exhibit 13. The major change for this valuation was the asset loss suffered in the past year.

One measure of the funding adequacy of the system is the Funded Ratio, which compares the value of the Valuation Assets to the AAL, for all SBCERS tiers combined. SBCERS' Funded Ratio increased rapidly in the last half of the 1990's, reaching almost 100% in 2000. However, due primarily to asset losses early in this decade and again in the past two years, the Funded Ratio has decreased since then.

Currently, the Funded Ratio is 75.3%; that is, the Valuation Assets of \$1,705.7 million is 24.7% less than the AAL of \$2,263.8 million.

(all dollar amounts in millions)

Valuation Year	Market Value of Assets	Actuarial Value of Assets	Valuation Assets	Non Valuation Assets	Actuarial Accrued Liability *	Funding Ratio *
2003		\$ 1,347			\$ 1,455	92.6%
2004	\$ 1,347	\$ 1,379	\$ 1,242	\$ 137	\$ 1,579	87.4%
2005	\$ 1,476	\$ 1,444	\$ 1,306	\$ 138	\$ 1,688	85.6%
2006	\$ 1,629	\$ 1,553	\$ 1,415	\$ 138	\$ 1,810	85.8%
2007	\$ 1,900	\$ 1,735	\$ 1,704	\$ 31	\$ 1,957	87.1%
2008	\$ 1,763	\$ 1,894	\$ 1,891	\$ 3	\$ 2,136	88.6%
2009	\$ 1,421	\$ 1,706	\$ 1,706	\$ -	\$ 2,264	75.3%

*Prior to 2007, Actuarial Accrued Liability (AAL) was the sum of actuarial accrued liability calculated for the valuation and the non-valuation assets.*

*Prior to 2007, Funded Ratio is measured against Actuarial Value of Assets (AVA), which includes Non-Valuation Assets.*

*Effective in 2007, Funded Ratio is measured against Valuation Assets.*

*Effective in 2007, the Special Allowance Reserve was added to the Valuation Reserves. Liabilities also include Special Allowances.*

## Assets

For the fiscal year ending June 30, 2009, we estimate that SBCERS earned -19.2%, net of expenses, on its Market Value of Assets. Note that our return figure may be slightly different than that shown in the 2009 CAFR due to timing of contributions and benefit payments, as well as the treatment of expenses.

As mentioned above, SBCERS uses an asset-smoothing method in the determination of the AVA used in the calculation of the UAAL contribution rate. Under this method, the Market Value returns are smoothed over a five-year period. After that, it has been SBCERS practice to apply an asset corridor limit on the AVA, such that the AVA stays within 20% of the MVA. At the time of this valuation, the smoothed value of assets is greater than 120% of the MVA. Because of this, the AVA used in the valuation is equal to 120% of MVA.

Because \$284.3 million in asset losses are being deferred after setting the AVA to 120% of MVA, the return on an actuarial basis is -9.6%, significantly better than the return on a Market Value basis, but much worse than the expected rate of return of 8.16%.

At its September 19, 2008 meeting, the Board directed a new classification of assets effective June 30, 2007. As a result of that classification, the Health Coverage Reserve was eliminated. The \$93.5 million that had been in the Health Coverage Reserve was allocated into two new reserves.

One of those new reserves was the 2007-2008 Health Benefit Reserve of \$9.4 million, created to pay the \$15 Health Benefits from July 2007 through September 2008 and the \$4 Supplemental Benefits from July 2007 through December 2008. The remaining \$84.1 million was allocated to the Transferred Funds reserve and included with Valuation Assets.

As of June 30, 2009, the Transferred Funds reserve was \$98.4 million. At its September 24, 2008 meeting, the Board directed that the Transferred Funds reserve be treated as a sub-account of the Retired Member reserve.

Note that the Health Benefits are reported in the SBCERS GASB 43 actuarial valuation of Post Employment Benefits Other than Pensions.

## Non-Valuation Assets

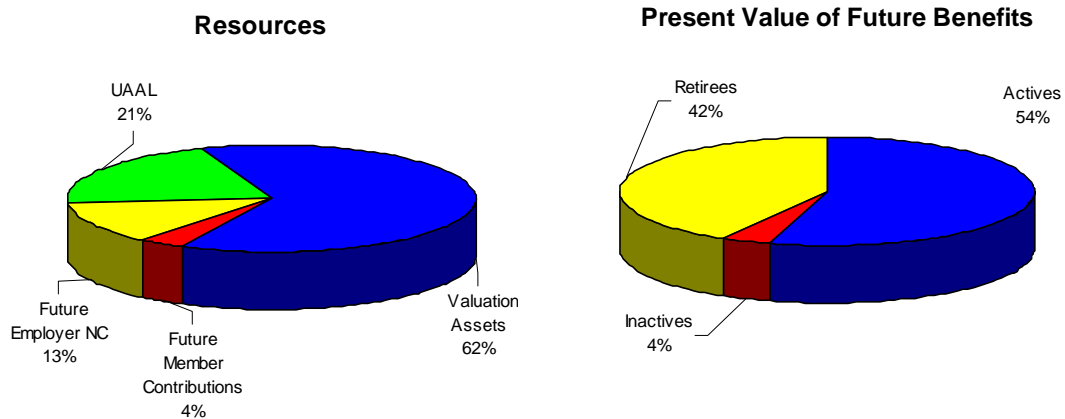
As of June 30, 2009, the entire AVA is included for valuation purposes. In prior valuations, certain non-valuation assets were excluded from the Valuation Assets.

We have based our understanding of the purposes of the various reserves on information provided to us by the Board and staff.

**Actuarial Balance Sheet**

The first step in the valuation process is to compare the total actuarial assets of SBCERS with its total liabilities for all tiers. In this analysis, SBCERS' resources equal the Valuation Assets plus the expected future contributions by both the employers and members. Liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members. This relationship is shown in the following chart. The AAL is the total of these liabilities less expected future Normal Cost Contributions.

Comparing the current and future resources to the current and future liabilities, we then determine the annual contribution amount for the coming fiscal year.



**Member Information**

The number of active members included in the valuation decreased by 139 between 2008 and 2009.

Retired member counts and average retirement benefit amounts continue to increase steadily. For 2009, there were 3,117 retired members and beneficiaries with an average benefit of \$2,467 per month. This represents a 4.9% increase in count and a 6.0% increase in the average monthly benefit.

**Summary Valuation Results**

The following Exhibits present a summary of key data elements on June 30, 2009 and June 30, 2008, and how they changed over the past year. More detail on each of these elements can be found in the following Sections and Exhibits of this report.

## Santa Barbara County Employees' Retirement System

### Exhibit 1: Summary of Significant Valuation Results

	June 30, 2009	June 30, 2008	Relative Change
I. Total Membership			
A. Active Members	4,467	4,606	(3.0)%
B. Retired Members & Beneficiaries	3,117	2,972	4.9%
C. Vested Terminated Members	906	941	(3.7)%
D. Terminated Members (with Contributions)	248	247	0.4%
E. Total	8,738	8,766	(0.3)%
II. Annualized Payroll as of the Valuation Date			
A. Annual Total (\$thousands)	\$ 306,524	\$ 307,264	(0.2)%
B. Monthly Average	\$ 5,718	\$ 5,559	2.9%
III. Average Monthly Benefit to Current Retirees and Beneficiaries	\$ 2,467	\$ 2,328	6.0%
IV. Actuarial Accrued Liability (\$thousands)			
A. Active Members	\$ 1,026,647	\$ 1,011,207	1.5%
B. Retired Members	\$ 1,131,188	\$ 1,018,768	11.0%
C. Vested Terminated Members	\$ 106,027	\$ 105,980	0.0%
D. Total	\$ 2,263,862	\$ 2,135,955	6.0%
V. Assets (\$thousands)			
A. Market Value of Fund	\$ 1,421,444	\$ 1,762,949	(19.4)%
B. Market Value of Valuation Reserves	\$ 1,421,444	\$ 1,760,420	(19.3)%
C. Valuation Assets	\$ 1,705,733	1,891,456	(9.8)%
VI. Funded Ratios			
A. Market Value of Assets Basis (V.B. / IV.)	62.8%	82.4%	(23.8)%
B. Valuation Assets Basis (V.C. / IV.)	75.3%	88.6%	(14.9)%
VII. Unfunded Actuarial Accrued Liability or Surplus Funding (\$thousands)	\$ 558,129	\$ 244,499	128.3%
VIII. Required Employer contribution rate for all tiers combined as a percent of total payroll			
A. Gross Normal Cost	18.43%	18.40%	0.2%
B. Member Contributions	(4.22)%	(4.20)%	0.5%
C. Employer Normal Cost	14.21%	14.20%	0.1%
D. UAAL Amortization	14.67%	9.10%	61.2%
E. Total Employer Rate	28.88%	23.30%	23.9%



## Santa Barbara County Employees' Retirement System

### Exhibit 2: Summary of Valuation Results

	06/30/2008 General	06/30/2009 General	Percent Change	06/30/2008 Safety	06/30/2009 Safety	Percent Change	06/30/2008 APCD	06/30/2009 APCD	Percent Change	06/30/2008 Total	06/30/2009 Total	Percent Change
Actives	3,552	3,450	-2.9%	1,006	967	-3.9%	48	50	4.2%	4,606	4,467	-3.0%
Inactives *	977	958	-1.9%	193	192	-0.5%	18	14	-22.2%	1,188	1,164	-2.0%
Retirees	2,317	2,425	4.7%	633	669	5.7%	22	23	4.5%	2,972	3,117	4.9%
Totals	6,846	6,833	-0.2%	1,832	1,828	-0.2%	88	87	-1.1%	8,766	8,748	-0.2%
Active Payroll **	226,425,983	223,239,074	-1.4%	77,229,784	79,330,451	2.7%	3,607,736	3,954,592	9.6%	307,263,503	306,524,117	-0.2%
Average	63,746	64,707	1.5%	76,769	82,038	6.9%	75,161	79,092	5.2%	66,709	68,620	2.9%
Retiree Benefits	49,515,403	55,279,752	11.6%	32,834,596	36,290,484	10.5%	673,413	705,084	4.7%	83,023,412	92,275,320	11.1%
Average	21,370	22,796	6.7%	51,871	54,246	4.6%	30,610	30,656	0.1%	27,935	29,604	6.0%
Valuation Assets	1,092,883,361	990,027,615	-9.4%	773,676,699	692,960,780	-10.4%	24,895,783	22,744,625	-8.6%	1,891,455,843	1,705,733,020	-9.8%
Market Value of Assets	1,017,170,842	825,023,012	-18.9%	720,078,105	577,467,317	-19.8%	23,171,059	18,953,854	-18.2%	1,760,420,006	1,421,444,183	-19.3%
Actuarial Accrued Liability	1,293,201,628	1,362,168,269	5.3%	813,914,891	870,833,441	7.0%	28,838,720	30,860,609	7.0%	2,135,955,239	2,263,862,319	6.0%
Unfunded Actuarial Accrued Liability	200,318,267	372,140,654	85.8%	40,238,192	177,872,661	342.0%	3,942,937	8,115,984	105.8%	244,499,396	558,129,299	128.3%
<u>Retirement Contribution Rates</u>												
Employer Normal Cost	11.93%	11.87%	-0.5%	20.89%	20.87%	-0.1%	13.34%	13.33%	-0.1%	14.20%	14.21%	0.1%
Unfunded Actuarial Accrued Liability	9.49%	13.44%	41.6%	7.82%	18.07%	131.1%	12.09%	16.54%	36.8%	9.10%	14.67%	61.2%
Total	21.42%	25.31%	18.2%	28.71%	38.94%	35.6%	25.43%	29.87%	17.5%	23.30%	28.88%	23.9%
<u>Funded Ratios</u>												
Valuation Assets	84.5%	72.7%	-14.0%	95.1%	79.6%	-16.3%	86.3%	73.7%	-14.6%	88.6%	75.3%	-14.9%
Market Value of Assets	78.7%	60.6%	-23.0%	88.5%	66.3%	-25.0%	80.3%	61.4%	-23.6%	82.4%	62.8%	-23.8%

\* June 30, 2009 numbers include 258 terminated members with a pending refund of contributions as of June 30, 2009. The June 30, 2008 numbers include 247 such members.

\*\* Active payroll excludes pay for Safety members over 65 and General members over age 75. These members are assumed to retire at the valuation date.



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# Santa Barbara County Employees' Retirement System

## Section 2: Scope of the Report

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This report presents the actuarial valuation of the Santa Barbara County Employees' Retirement System as of June 30, 2009. This valuation was requested by the Board. Section 31453 of the County Employees Retirement Law of 1937 (the 37 Act) requires an actuarial valuation to be performed at least every three years for the purposes of setting contribution rates.

In reading our cover letter, please pay particular attention to the guidelines employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings depend. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of SBCERS. The assets and investment income are presented in Exhibits 3-5. Exhibits 6-8 develop the Actuarial Value of Assets as of June 30, 2009.

In Section 4, we describe the benefit obligations of SBCERS. Exhibit 9 is the Actuarial Balance Sheet. Additional analysis on the change in UAAL is also provided in this section.

In Section 5, we present the methodology for determining the Member contribution rates.

In Section 6, we develop the calculations for the Employer contributions needed to fund the benefits under the actuarial cost method in use.

In Section 7, we disclose the information required under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

This report includes several appendices:

- Appendix A A summary of the actuarial procedures, and assumptions used to estimate liabilities and contributions.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on June 30, 2009.
- Appendix C Schedules of valuation data classified by various categories of members by class, plan and tier.
- Appendix D Member contribution rates by class, plan and tier.
- Appendix E A glossary of actuarial terms used in this report.

# Santa Barbara County Employees' Retirement System

## Section 3: Assets



In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is June 30, 2009. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and County are needed to pay all expected future benefits.

This section of the report deals with the determination of assets used for funding purposes. In the next section, the actuarial liabilities will be discussed. Sections 5 and 6 deal with the process for determining required contributions based on the relationship between the actuarial assets and the actuarial liabilities.

A historical summary of the SBCERS' assets is presented below:

All dollar amounts in millions

Valuation Date	Market Value of Total Assets	Actuarial Value	
		Total Assets	Valuation Assets
2004	\$ 1,347	\$ 1,379	\$ 1,242
2005	1,476	1,444	1,306
2006	1,629	1,553	1,415
2007	1,900	1,735	1,704
2008	1,763	1,894	1,891
2009	1,421	1,706	1,706

On June 30, 2009, the total Market Value of Assets (MVA) was about \$1.421 billion. The Actuarial Value of Assets (AVA), which are equal to Valuation Assets as of June 30, 2009, was determined to be \$1.706 billion, equal to 120% of the Market Value of Assets.

### Financial Exhibits

Exhibit 3 is the Statement of Plan Net Assets and Exhibit 4 is the Statement of Changes in Plan Net Assets. Exhibit 5 displays the allocation of SBCERS' assets by the various reserve values determined for accounting purposes.

Exhibits 3 and 4 and the data for Exhibit 5 are taken directly from data furnished to us by SBCERS for its annual financial report. We have accepted these tables for use in this report without audit, but we have reviewed them for reasonableness and consistency with previous reports.

**Actuarial Asset Method**

Under the actuarial asset method used by SBCERS, we compute the expected MVA based on the prior year's MVA, the actual cash flow of contributions and benefit payments, and the assumed investment rate of return.

The current assumed rate of return, as used for this valuation, is 8.16%, net of all expenses.

The difference between the actual Market Value and the computed expected Market Value is smoothed, or recognized over a five-year period. When a loss (or gain) occurs, 20% of that amount is recognized each year until it is fully recognized in the fifth year.

To prevent the AVA from deviating too much from the MVA, it has been SBCERS practice to apply an asset corridor limit on the AVA, such that the AVA stays within 20% of the MVA. After the smoothed value of assets is calculated, the smoothed value is compared to 80% of MVA and 120% of MVA. If the smoothed value is within that range, the smoothed value is used. If the smoothed value is higher than 120% of MVA, then the AVA is set equal to 120% of MVA. Similarly, if the smoothed value is lower than 80% of MVA, the AVA is set equal to 80% of MVA.

At the time of this valuation, the smoothed value of assets is greater than 120% of the MVA. Because of this, the AVA used in the valuation is equal to 120% of MVA.

**Actuarial Value of Assets**

The development of the June 30, 2009 AVA is shown in Exhibit 6. As of that date, the Actuarial Value of Assets is 120% of the Market Value of Assets, up from 107.4% as of June 30, 2008. There are \$284.3 million of deferred investment return losses yet to be recognized. This amount is equal to 20% of the MVA due to the application of the asset corridor.

**Valuation Assets and Non-Valuation Assets**

Valuation Assets are the AVA, less the value of any reserves which have been set aside for current liabilities and special benefits that are to be funded outside of the actuarially determined contribution rates. As of June 30, 2009, the entire AVA is included for valuation purposes. In prior valuations, certain non-valuation assets were excluded from the Valuation Assets.

## **Allocation of Assets**

Valuation Assets are allocated by classification (General, Safety and APCD) as shown in Exhibit 8. This is because UAAL contribution rates are determined separately by class.

The Normal Cost employer contribution rate is determined separately for each tier of each class.

The Member Deposit Reserve, County and District Advance Reserve, Retired Member Reserve, and Transferred Funds Reserve were all separated by classification by SBCERS.

At its September 24, 2008 meeting, the Board decided to classify the Transferred Funds Reserve as a sub-account of the Retired Member Reserve.

Please see Exhibit 8 for a detailed summary of the allocation of assets across classes.

**Santa Barbara County Employees'  
Retirement System**

**Exhibit 3: Statement of Plan Net Assets  
For the Years Ended June 30, 2008 and 2009**

	2009	2008
<b>Assets</b>		
Cash and Deposits	\$ 11,557,923	\$ 11,718,860
Receivables		
Contributions	3,272,529	3,118,011
Security Sales Pending	103,481,151	107,333,002
Dividends	1,093,149	1,432,247
Accrued Interest	4,525,452	4,311,206
Other receivables	91,314	(16,300)
Total Receivables	\$ 112,463,595	\$ 116,178,166
Investments at Fair Value		
Short term investments	43,494,167	102,221,117
Alternative equity	36,708,253	27,208,653
Domestic fixed income securities	375,970,642	434,537,776
Domestic equities	542,060,779	746,306,583
International equities	281,406,268	378,028,620
International fixed income securities	81,776,521	78,248,640
Real estate	64,834,896	85,393,947
Total Investments	\$ 1,426,251,526	\$ 1,851,945,336
Collateral Held for Securities Lent	102,332,620	57,887,127
<b>Total Assets</b>	<b>\$ 1,652,605,664</b>	<b>\$ 2,037,729,489</b>
<b>Liabilities</b>		
Payables		
Collateral Held for Securities Lent	102,332,620	57,887,127
Securities Purchases Pending	121,475,767	209,011,322
Benefits payable	7,061,794	7,499,175
Accounts Payable	291,300	383,307
<b>Total Liabilities</b>	<b>231,161,481</b>	<b>274,780,931</b>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 1,421,444,183</b>	<b>\$ 1,762,948,558</b>



## Santa Barbara County Employees' Retirement System

### Exhibit 4: Statement of Changes in Plan Net Assets For the Years Ended June 30, 2008 and 2009

	June 30, 2009	June 30, 2008
<b>Additions</b>		
Contributions		
Employer	\$ 75,827,140	\$ 69,460,616
Member	11,083,461	15,479,629
<b>Total Contributions</b>	<b>86,910,601</b>	<b>84,940,244</b>
Investment Income		
Net Appreciation in Fair Value of Investments	(371,374,336)	(171,413,084)
Interest	25,979,256	23,012,023
Dividends	15,979,425	19,644,091
<b>Total Investment Income</b>	<b>(329,415,655)</b>	<b>(128,756,970)</b>
Less investment expense	(4,754,340)	(5,075,879)
<b>Net Investment Income</b>	<b>(334,169,995)</b>	<b>(133,832,849)</b>
Securities Lending Income	949,462	5,768,514
Securities Lending Expense	(566,725)	(5,184,897)
<b>Net Securities Income</b>	<b>382,737</b>	<b>583,617</b>
Other Income	63,736	629,238
<b>Total Other Income</b>	<b>63,736</b>	<b>629,238</b>
<b>TOTAL ADDITIONS</b>	<b>\$ (246,812,921)</b>	<b>\$ (47,679,750)</b>
<b>Deductions</b>		
Benefits Paid - Includes Pension, Death, and Health Benefits	\$ 89,180,779	\$ 84,409,180
Member Withdrawals	1,609,893	1,819,710
Administrative Expenses	3,900,782	3,604,096
<b>TOTAL DEDUCTIONS</b>	<b>\$ 94,691,454</b>	<b>\$ 89,832,986</b>
<b>NET INCREASE</b>	<b>\$ (341,504,375)</b>	<b>\$ (137,512,737)</b>
<b>Assets Held in Trust - Beginning of Year</b>	<b>\$ 1,762,948,558</b>	<b>\$ 1,900,461,295</b>
<b>Assets Held in Trust - End of Year</b>	<b>\$ 1,421,444,183</b>	<b>\$ 1,762,948,558</b>

**Santa Barbara County Employees'  
Retirement System**

**Exhibit 5: Allocation of Assets by Accounting Reserve Amounts  
For the Years Ended June 30, 2008 and 2009**

	2009	2008
1. Member Deposit Reserve	\$ 174,951,218	\$ 177,770,373
2. County and District Advance Reserve	574,239,844	571,385,192
3. Retired Member Reserve	1,164,480,350	1,028,073,018
4. Transferred Funds Reserve *	98,420,688	90,995,458
	<u>\$ 2,012,092,100</u>	<u>\$ 1,868,224,041</u>
5. Market Stabilization Account	(590,647,917)	(107,804,036)
	<u>\$ 1,421,444,183</u>	<u>\$ 1,760,420,005</u>
6. Special Reserves (Non-valuation reserves)		
a. 2007-2008 Health Benefit Reserve **	\$ -	\$ 2,528,553
	<u>\$ -</u>	<u>\$ 2,528,553</u>
<b>Total Reserves</b>	<u><b>\$ 1,421,444,183</b></u>	<u><b>\$ 1,762,948,558</b></u>

\* Established as a valuation asset reserve effective June 30, 2007.

\*\* Established as a non-valuation asset reserve effective June 30, 2007. This reserve was used to pay \$15 Health Benefits through September 2008 and \$4 Supplemental Benefits through December 2008.

## Santa Barbara County Employees' Retirement System

### Exhibit 6: Five-Year Smoothing of Gains and Losses on Market Value

Plan Year Ending	Contributions	Benefits*	Expected Investment Return	Actual Investment Return	Earnings Gain or (Loss)	Deferred Portion of Gain/Loss	Deferred Investment Return	Expected Market Value	Actual Market Value	
06/30/2006	69,034,338	72,492,886	120,313,386	156,258,819	35,945,433	20%	7,189,087	1,593,012,857	1,628,958,290	
06/30/2007	79,248,435	78,730,066	132,943,731	270,984,635	138,040,904	40%	55,216,362	1,762,420,390	1,900,461,294	
06/30/2008	84,940,244	86,228,890	155,026,096	(136,224,090)	(291,250,186)	60%	(174,750,112)	2,054,198,744	1,762,948,558	
06/30/2009	86,910,601	90,790,672	143,701,399	(337,624,304)	(481,325,703)	80%	<u>(385,060,562)</u>	1,902,769,886	1,421,444,183	
1. Total							\$	(497,405,225) **		
2. Market Value of Assets as of June 30, 2009							\$	1,421,444,183		
3. Preliminary Actuarial Value of Assets as of June 30, 2009 = (2) -(1)							\$	1,918,849,408		
4. Corridor Limit										
a. 80% of Net Market Value								1,137,155,346		
b. 120% of Net Market Value								1,705,733,020		
5. Actuarial Value of Assets After Corridor as of June 30, 2009							\$	1,705,733,020 **		
6. Special Reserves (Non-valuation reserves)							\$	-		
7. Valuation Assets as of June 30, 2009 = (5) - (6)							\$	<u>1,705,733,020</u>		

\* Includes pensions, death benefits, and member withdrawals. It also includes health benefits paid prior to the establishment of the 401(h) account.

\*\* Total deferred investment loss after application of the corridor limit is \$284,288,837.



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

## Santa Barbara County Employees' Retirement System

### Exhibit 7a: Development of Valuation Assets

	<u>Valuation Assets</u>	<u>Actuarial Assets</u>	<u>Market Value of Assets</u>
1. Total June 30, 2008 Valuation	\$ 1,891,455,843	\$ 1,893,984,396	\$ 1,762,948,558
2. Changes During the Year			
Member Contributions	11,083,461	11,083,461	11,083,461
Employer Contributions	75,827,140	75,827,140	75,827,140
Benefit Payments	(90,790,672)	(90,790,672)	(90,790,672)
Depletion of Health Benefit Reserve	-	(2,528,553)	-
Investment Return, net of expenses	(181,842,752)	(181,842,752)	(337,624,304)
Total Changes	<u>\$ (185,722,823)</u>	<u>\$ (188,251,376)</u>	<u>\$ (341,504,375)</u>
3. Total June 30, 2009 Valuation = 1 + 2	\$ 1,705,733,020	\$ 1,705,733,020	\$ 1,421,444,183
4. Expected Value as of June 30, 2008	\$ 2,041,763,366	\$ 2,041,969,696	\$ 1,902,769,886
5. Gain / (Loss) = (3) - (4)	(336,030,346)	(336,236,676)	(481,325,703)
6. Rate of Return	-9.62%	-9.61%	-19.17%



## Santa Barbara County Employees' Retirement System

### Exhibit 7b: Net Return on Assets vs. Increase in Consumer Price Index

Year Ended June 30	Net Return at Market Value	Net Return at Actuarial Value	Increase in Consumer Price Index*
1990	10.8%		4.7%
1991	9.7%		4.7%
1992	18.5%		3.1%
1993	13.2%		3.0%
1994	-0.7%		2.5%
1995	17.7%		3.0%
1996	15.6%		2.8%
1997	19.9%		2.3%
1998	18.9%		1.7%
1999	10.5%		2.0%
2000	6.4%		3.7%
2001	-4.3%		3.2%
2002	-5.4%		1.1%
2003	4.6%		2.1%
2004	15.7%	2.9%	3.3%
2005	9.9%	5.0%	2.5%
2006	10.6%	7.8%	4.3%
2007	16.6%	11.7%	2.7%
2008	-7.2%	9.2%	5.0%
2009	-19.2%	-9.6%	-1.4%
<b>20-Year Compound Average</b>	<b>7.6%</b>		<b>2.8%</b>

\* Based on All Urban Consumers - U.S. City Average, June indices.

## Santa Barbara County Employees' Retirement System

**Exhibit 8: Allocation of Valuation Assets  
For the Year Ended June 30, 2009**  
(Dollars in Thousands)

	General	Safety	APCD	Total
1. Member Deposit Reserve	\$ 139,683	\$ 33,021	\$ 2,247	\$ 174,951
2. County and District Advance Reserve	367,614	194,295	12,331	574,240
3. Retired Member Reserve	609,642	543,620	11,218	1,164,480
4. Transferred Funds Reserve *	50,904	46,484	1,033	98,421
<hr/>				
5. Total Valuation Reserves (1 + 2 + 3 + 4)	\$ 1,167,843	\$ 817,420	\$ 26,829	\$ 2,012,092
<hr/>				
6. Percentage of Line 5. by Plan	58.04%	40.63%	1.33%	100.00%
7. Actuarial Value of Valuation Assets (Exhibit 6)			\$	1,705,733
8. Allocated Valuation Assets (6 x 7)	<u>\$ 990,028</u>	<u>\$ 692,961</u>	<u>\$ 22,744</u>	<u>\$ 1,705,733</u>

\* The Transferred Funds Reserve is a sub-account of Retired Member Reserves.

# Santa Barbara County Employees' Retirement System

## Section 4: Actuarial Liabilities

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In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of SBCERS' assets as of the valuation date, June 30, 2009. In this section, the discussion will focus on the commitments of SBCERS for retirement benefits, which are referred to as its actuarial liabilities.

In an active system, the actuarial liabilities will almost always exceed the actuarial assets. This is common in all but fully closed down funds, where no further contributions of any sort are anticipated. This deficiency has to be provided by future contributions and investment returns. An actuarial valuation method sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion. The determination of the level of future contributions needed is discussed in the next section.

### Actuarial Balance Sheet – Liabilities

First, we need to determine the amount of the deficiency. We compare the Valuation Assets to the Actuarial Liabilities. The difference is the amount that needs to be funded by the Member and County contributions in the future. Both the current and future assets (contributions) are compared to the actuarial liabilities in the Actuarial Balance Sheet.

Exhibit 9 contains an analysis of the actuarial present value of all future benefits for inactive members, (both retired and deferred vested members), and active members. The analysis is given by class of membership and by type of benefit.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All pension valuation liabilities reflect the benefits effective through June 30, 2009.

The actuarial assumptions used to determine the liabilities are based on the results of our analysis of experience as of June 30, 2007 and adopted by the Board in 2007. These assumptions are summarized in Appendix A.

## Santa Barbara County Employees' Retirement System

**Exhibit 9: Actuarial Balance Sheet – June 30, 2009**  
(Dollars in Thousands)

Resources				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Valuation Assets (Actuarial)	\$ 990,028	\$ 692,961	\$ 22,744	\$ 1,705,733
Present Value of Future Member Contributions	65,189	36,982	1,398	103,569
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	201,283	147,535	3,470	352,288
b) Unfunded Actuarial Accrued Liability	372,140	177,873	8,116	558,129
<b>Total Resources</b>	<b>\$ 1,628,640</b>	<b>\$ 1,055,351</b>	<b>\$ 35,728</b>	<b>\$ 2,719,719</b>

Liabilities				
	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>Total</u>
Present Value of Future Benefits				
1. Present Retired Members	\$ 629,663	\$ 491,777	\$ 9,748	\$ 1,131,188
2. Current Inactive Members	77,675	26,868	1,484	106,027
3. Current Active Members				
- Service Retirement	817,571	462,905	22,314	1,302,790
- Disability Retirement	45,243	48,535	1,044	94,822
- Death Benefits	15,991	5,936	659	22,586
- Deferred Vested Benefit	36,421	17,403	410	54,234
- Refund of Member Contributions	<u>6,076</u>	<u>1,927</u>	<u>69</u>	<u>8,072</u>
- Total Active	\$ 921,302	\$ 536,706	\$ 24,496	\$ 1,482,504
<b>Total Actuarial Liabilities</b>	<b>\$ 1,628,640</b>	<b>\$ 1,055,351</b>	<b>\$ 35,728</b>	<b>\$ 2,719,719</b>



## **Actuarial Balance Sheet – Resources**

For the purpose of the Actuarial Balance Sheet, SBCERS' resources are equal to the sum of:

- (a) assets currently available to pay benefits and considered for funding purposes, the Valuation Assets,
- (b) the present value of future contributions expected to be made by current active Members, and
- (c) the present value of future contributions expected to be made by the Employers.

## **Actuarial Cost Method**

In the Actuarial Balance sheet, we determine the amount of future contributions that are needed, but the method used to determine the incidence of when those future contributions are yet to be made in future years is called the “actuarial cost method”. For this valuation, the entry age actuarial cost method has been used. Under this method – or essentially any actuarial cost method – the contributions required to meet the difference between current assets and current actuarial liabilities are allocated each year between two elements:

- A Normal Cost amount; and
- Whatever amount is left over, which is used to amortize what is called the Unfunded Actuarial Accrued Liability (UAAL).

## **Normal Cost**

The two items described above – the Normal Cost and UAAL – are the keys to understanding the actuarial cost method.

The Normal Cost is the theoretical contribution rate that will meet the ongoing costs of a group of average new employees. Under the entry age actuarial cost method, the Normal Cost contribution rate maintains the funding of benefits as a level percentage of pay.

Suppose that a group of new employees was covered under a separate fund from which all benefits and to which all contributions and associated investment returns were paid. If experience follows the actuarial assumptions precisely and if the employers contributed the Normal Cost, the fund would be completely liquidated when the last payment to the last survivor of the group was made.

By applying the Normal Cost contribution rate to the present value of salaries expected to be paid in the future, we determine the present value of future Normal Cost contributions. Future contributions are expected to be made by both the Members and the Employers.

## Normal Cost (continued)

The member contribution rates are determined based upon requirements established in bargaining agreements between the employers and employees and the actuarial assumptions. Based on these member contribution rates, we determine the present value of future member contributions. We subtract that value from the total future Normal Cost contributions expected, based on the entry age cost method. The remaining difference is the Employer's portion of the future Normal Cost contributions.

In Exhibit 10, we report the Total Normal Cost Contribution Rate for each class in total and then reduce the total by the members' average contribution rates to develop the Employer's Net Normal Cost Contribution Rate as of June 30, 2009. Exhibits 10a, 10b and 10c provide similar information regarding the normal cost rates, but they give the information by each tier within each plan, one exhibit for each class.

**Santa Barbara County Employees'  
Retirement System**

**Exhibit 10: Calculated Employer Normal Cost Contribution Rates – June 30, 2009  
All Members**

	<u>General</u>	<u>Safety</u>	<u>APCD</u>	<u>All Plans</u>
A. Normal Cost Contribution Rate				
Service Retirement	11.73%	19.40%	13.19%	13.73%
Disability Retirement	1.22%	3.72%	1.36%	1.87%
Death while Active	0.32%	0.40%	0.96%	0.35%
Termination (No Refund)	1.80%	2.18%	2.12%	1.90%
Refund of Member Contributions	0.64%	0.41%	0.84%	0.58%
Total	15.71%	26.11%	18.47%	18.43%
B. Member Contributions	(3.84)%	(5.24)%	(5.14)%	(4.22)%
<b>C. Net Employer Normal Cost as of     June 30, 2009 (A) + (B)</b>	<b>11.87%</b>	<b>20.87%</b>	<b>13.33%</b>	<b>14.21%</b>
D. Net Employer Normal Cost as of June 30, 2008	11.93%	20.89%	13.34%	14.20%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	(0.06)%	(0.02)%	(0.01)%	0.01%

**Santa Barbara County Employees'  
Retirement System**

**Exhibit 10a: Calculated Employer Normal Cost Contribution Rates – June 30, 2009  
General Members**

	<b>General - County</b>				
	<u>5A</u>	<u>5B</u>	<u>5C</u>	<u>Plan 2</u>	<u>Total</u>
A. Normal Cost Contribution Rate					
Service Retirement	10.61%	13.93%	11.72%	1.77%	11.73%
Disability Retirement	1.07%	1.47%	1.23%	0.14%	1.22%
Death while Active	0.32%	0.37%	0.31%	0.03%	0.32%
Termination (No Refund)	2.00%	1.65%	1.74%	0.32%	1.80%
Refund of Member Contributions	0.52%	1.12%	0.54%	0.00%	0.64%
Total	14.52%	18.54%	15.54%	2.26%	15.71%
B. Member Contributions	(3.03)%	(7.08)%	(3.16)%	0.00%	(3.84)%
<b>C. Net Employer Normal Cost as of     June 30, 2009 (A) + (B)</b>	<b>11.49%</b>	<b>11.46%</b>	<b>12.38%</b>	<b>2.26%</b>	<b>11.87%</b>
D. Net Employer Normal Cost as of June 30, 2008	11.57%	11.51%	12.45%	2.25%	11.93%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	(0.08)%	(0.05)%	(0.07)%	0.01%	(0.06)%

**Santa Barbara County Employees'  
Retirement System**

**Exhibit 10b: Calculated Employer Normal Cost Contribution Rates – June 30, 2009  
Safety Members**

	<b>Safety</b>					
	<u>4A</u>	<u>4B</u>	<u>4C</u>	<u>6A</u>	<u>6B</u>	<u>Total</u>
A. Normal Cost Contribution Rate						
Service Retirement	19.12%	18.34%	18.54%	19.91%	20.17%	19.40%
Disability Retirement	3.95%	3.56%	3.84%	3.40%	3.70%	3.72%
Death while Active	0.44%	0.36%	0.39%	0.39%	0.39%	0.40%
Termination (No Refund)	1.99%	1.64%	1.88%	2.41%	2.47%	2.18%
Refund of Member Contributions	0.44%	0.70%	0.40%	0.39%	0.42%	0.41%
Total	25.94%	24.60%	25.05%	26.50%	27.15%	26.11%
B. Member Contributions	(5.38)%	(10.32)%	(5.19)%	(5.06)%	(5.13)%	(5.24)%
<b>C. Net Employer Normal Cost as of     June 30, 2009 (A) + (B)</b>	<b>20.56%</b>	<b>14.28%</b>	<b>19.86%</b>	<b>21.44%</b>	<b>22.02%</b>	<b>20.87%</b>
D. Net Employer Normal Cost as of June 30, 2008	20.45%	14.09%	20.01%	21.48%	22.09%	20.89%
E. Increase (Decrease) as a Percentage of Payroll (C) - (D)	0.11%	0.19%	(0.15)%	(0.04)%	(0.07)%	(0.02)%

**Santa Barbara County Employees'  
Retirement System**

**Exhibit 10c: Calculated Employer Normal Cost Contribution Rates – June 30, 2009  
APCD Members**

	<b>APCD</b>		
	<u>Plan 1</u>	<u>Plan 2</u>	<u>Total</u>
<b>A. Normal Cost Contribution Rate</b>			
Service Retirement	12.47%	14.60%	13.19%
Disability Retirement	1.26%	1.56%	1.36%
Death while Active	0.95%	0.97%	0.96%
Termination (No Refund)	2.27%	1.84%	2.12%
Refund of Member Contributions	0.60%	1.30%	0.84%
<b>Total</b>	17.55%	20.27%	18.47%
<b>B. Member Contributions</b>	(3.70)%	(7.95)%	(5.14)%
<b>C. Net Employer Normal Cost as of June 30, 2009 (A) + (B)</b>	<b>13.85%</b>	<b>12.32%</b>	<b>13.33%</b>
<b>D. Net Employer Normal Cost as of June 30, 2008</b>	13.73%	12.50%	13.34%
<b>E. Increase (Decrease) as a Percentage of Payroll (C) - (D)</b>	0.12%	(0.18)%	(0.01)%

## **Actuarial Accrued Liability**

The difference between the present value of all future obligations and the present value of the future Normal Cost contributions is referred to as the Actuarial Accrued Liability (AAL). The AAL is then compared to the Valuation Assets and the difference is referred to as the UAAL. The results for SBCERS for all classes are summarized in Exhibit 11.

## **Unfunded Actuarial Accrued Liability/ Surplus Funding**

The portion allocated to service already rendered or accrued is called the AAL. The difference between the AAL and the Valuation Assets is called the Unfunded Actuarial Accrued Liability (UAAL). If a UAAL amount exists, it usually results from prior years' benefit or assumption changes and the net effect of accumulated gains and losses.

If the Employers have always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

Exhibit 11 shows how the UAAL, or Surplus Funding, was derived for each classification. In the Actuarial Balance sheet, the total AAL for all future benefits must be equal to the current and future assets.

## **Funding Adequacy**

A key consideration in determining the adequacy of the funding of SBCERS is how the UAAL is being funded. If the UAAL amount is positive, that is, the AAL to be funded is greater than the Valuation Assets, then the UAAL is amortized. Under the current funding method, the UAAL is amortized over an open/rolling 17-year period.

Under an open/rolling amortization method, the entire UAAL is amortized over a constant period, in this case, 17 years. A 17-year amortization factor will be applied to the entire UAAL for each of the General, Safety, and APCD groups. The factor does not change from year to year unless the discount rate or salary scale assumption is changed. The Board adopted this funding policy at its September 23, 2009 meeting. Exhibit 11a discloses the development of the UAAL payment for each classification.

Under the previous funding policy, a 15-year layered amortization of the UAAL was used. Under that methodology, each year the difference between the actual UAAL and the expected UAAL was amortized over a closed 15-year period. A new layer was created each year for General, Safety, and APCD. The layer established at the previous valuation was amortized over 14 years, while the layer established two valuations ago was amortized over 13 years, and so on.

## Analysis of Change in UAAL

The UAAL, at any date after establishment of a system, is affected by any actuarial gains or losses arising when the actual experience of the system varies from the experience anticipated by the actuarial assumptions used in the valuations. To the extent actual experience, as it develops, differs from that expected according to the assumptions used, so also will the emerging costs differ from the estimated costs.

The 2009 actuarial valuation reflects an increase in the UAAL of \$313.7 million for the fiscal year just ended from \$244.4 million to \$558.1 million. See Exhibit 13 in Section 6 for a detailed breakdown of the change in UAAL.

The large asset losses (\$336.0 million) resulted in significant increases to the UAAL contribution rates for General, Safety, and APCD members. These increases were partially offset by the change in the amortization method in the funding policy.

The Safety Plan had a funded ratio of 95.1% as of the last valuation, meaning that the valuation assets were 4.9% less than the AAL. Due primarily to the large asset losses, the funded ratio declined to 79.6%, meaning that the valuation assets are now 20.4% less than the AAL. The UAAL for Safety is now more than four times as large as it was at the previous valuation. This resulted in a very large change in the UAAL contribution rate for Safety.



## Santa Barbara County Employees' Retirement System

### Exhibit 11: Calculated UAAL Amount by Class – June 30, 2009 All Members

(Dollars in Millions)

	General	Safety	APCD	2009 All Plans	2008 All Plans*	Percent Change
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	\$ 1,628.6	\$ 1,055.4	\$ 35.7	\$ 2,719.7	\$ 2,608.1	4.3%
B. Actuarial present value of total future Normal Costs for current members	266.5	184.5	4.9	455.9	472.2	(3.5)%
C. Actuarial Accrued Liability [A-B]	\$ 1,362.1	\$ 870.9	\$ 30.8	\$ 2,263.8	\$ 2,135.9	6.0%
D. Valuation Assets	990.0	693.0	22.7	1,705.7	1,891.5	-9.8%
E. <b>UAAL or Surplus Funding [C-D]</b>	<b>\$ 372.1</b>	<b>\$ 177.9</b>	<b>\$ 8.1</b>	<b>\$ 558.1</b>	<b>\$ 244.4</b>	128.4%
F. Funded Ratio [D/C]	72.7%	79.6%	73.7%	75.3%	88.6%	(14.9)%

\* Excludes non-valuation assets from present value of benefits and Valuation Assets.



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## Santa Barbara County Employees' Retirement System

### Exhibit 11a: UAAL Amortization Rates – June 30, 2009

	General	Safety	APCD	All Plans
A. Unfunded Actuarial Accrued Liability	\$ 372,140,654	\$ 177,872,661	\$ 8,115,984	\$ 558,129,299
B. 17-Year Amortization Factor	0.080602	0.080602	0.080602	0.080602
C. Beginning of Year Payment [AxB]	\$ 29,995,378	\$ 14,336,938	\$ 654,167	\$ 44,986,483
D. Beginning of Year Payroll	\$ 223,239,074	\$ 79,330,451	\$ 3,954,592	\$ 306,524,117
<b>E. UAAL Amortization Rate [C/D]</b>	<b>13.44%</b>	<b>18.07%</b>	<b>16.54%</b>	<b>14.67%</b>



# Santa Barbara County Employees' Retirement System

## Section 5: Member Contributions



For SBCERS, member contributions are of just one type: Basic contributions.

Basic contributions for each tier are defined in the following sections of the County Employees' Retirement Law:

Plan/Tier	Code Section	Member Contribution Provides Average Annuity of	FAS Period
General 5A	31621.5	1/200th of FAS* at age 60	1 year
General 5B	31621.2	1/100th of FAS* at age 60	1 year
General 5C	31621.5	1/200th of FAS* at age 60	3 years
General 2	NA	NA	3 years
APCD 1	31621.6 & 31581.1	1/2 x 1/100th of FAS* at age 55	1 year
APCD 2	31621.6	1/100th of FAS* at age 55	1 year
Safety 4A & 6A		1/2 x 3/200th of FAS* at age 55	1 year
Safety 4B		3/200th of FAS* at age 55	1 year
Safety 4C & 4D & 6B		1/2 x 3/200th of FAS* at age 55	3 years

*\*FAS is Final Average Salary. FAS Period is length of time for the average.*

### Basic Contributions

Basic member contributions are determined using the Entry Age Normal Funding Method and the following actuarial assumptions:

1. Expected rate of return on assets
2. Individual salary increase rate (wage growth + merit)
3. Mortality for members on service retirement
4. No COLAs are assumed

No changes in the actuarial assumptions have occurred since the 2007 valuation, so no changes in member contributions are needed. The rates shown in Appendix D reflect member contribution rates, effective July 1, 2008.

### Safety Member Contributions

Based on information provided by SBCERS, the Safety member contribution rates were established during negotiations in 2000. They do not directly correspond to a CERL Section. Contribution rates were not changed when Plans 6A and 6B were adopted.

### Member Contribution Rates

Some members only pay one-half of the rate otherwise defined by the formulas shown above. The groups paying half rates are indicted in the table.

Full disclosure of the member rates can be found in Appendix D.

General Plan 2 members make no employee contributions.

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# Santa Barbara County Employees' Retirement System

## Section 6: Employer Contributions

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Contributions to SBCERS are determined using the Entry Age Normal Cost Funding Method. The portion of the actuarial present value of retirement benefits allocated to a valuation year by the Actuarial Cost Method is called the Normal Cost. These amounts are usually expressed as a percentage of payroll and called the Normal Cost Contribution Rate. Exhibit 10 in Section 4 shows the aggregate Normal Cost by class and in total for all plans. Exhibits 10a, 10b and 10c in Section 4 illustrate the Normal Cost Rates by type of benefit and for each plan and tier based on this valuation.

It should be noted that when we use the term “Normal Cost Contribution rate,” we are referring to the value of benefits earned by active members allocated to the valuation year. The Net Employer Normal Cost is the portion of the annual benefit for which the employer is responsible. This is the Normal Cost Contribution rate less the contributions rate paid by the members.

Exhibit 12 shows the total employer contribution rates by class in total for all plans.

The total calculated employer contribution rates for each tier, along with a comparison to the prior year’s computed rates, can be found in Exhibits 12a, 12b and 12c. These results are expressed as a percentage of payroll and annual contribution dollars. Note that SBCERS’ UAAL is determined separately for each class. The System funds the UAAL evenly as a percentage of pay over salaries for all members within a class.

### Calculated Contribution Rate

The total Employer contribution rate was 23.30% for the fiscal year beginning July 1, 2009. For the fiscal year beginning in 2010, the calculated rate based on this report increased to 28.88%. This is equal to the aggregate Net Normal Cost contribution rate of 14.21% plus the amortization payment of the UAAL as measured from the valuation date and reported in Exhibit 11a. The aggregate UAAL contribution rate is 14.67%.

Both the normal cost rates and the UAAL rates are broken into pieces for the “Basic” rate and the COLA rate. The Basic rate is for the benefits without cost-of-living adjustments.

For each class, the Basic UAAL Contribution rate was determined by multiplying the total UAAL rate by the portion of the total AAL attributable to basic benefits.

## Changes in the Normal Cost Rate

The change in the calculated Normal Cost contribution rates from year-to-year is generally due to four factors. These four factors are:

- (1) **Experience:** Normal experience from year-to-year, reflecting differences in both the weighting between membership groups and in their characteristics, as well as on what was assumed to occur during the past fiscal year and what actually occurred, particularly with respect to salary increases and turnover experience.
- (2) **Changes in Benefit Provisions:** Plans 5C, 6A, and 6B have been added recently. Changes in the aggregate composition of the membership among the various plans will lead to experience gains and losses.
- (3) **Changes in Actuarial Assumptions:** There have been no changes since the prior actuarial valuation.
- (4) **Changes in Actuarial Methods:** The amortization period for the UAAL was changed from a 15-year layered approach to a 17-year open/rolling period, effective with the June 30, 2009 valuation.

## Changes in UAAL and UAAL Contribution Rates

Exhibit 13 shows the source of the major gains and losses for the System as a whole.

Changes have occurred since the 2008 valuation. The large asset losses suffered since that valuation have resulted in a significant increase in the UAAL contribution rate. These losses have been partially offset by the change in amortization methodology in the funding policy.

## Santa Barbara County Employees' Retirement System

**Exhibit 12: Total Employer Contributions  
All Members**  
(Dollars in Thousands)

	General	Safety	APCD	2009 All Plans
A. Basic Employer Normal Cost Rate	7.91%	13.50%	8.64%	9.37%
B. COLA Normal Cost Rate	3.96%	7.37%	4.69%	4.84%
C. Employer Normal Cost Rate	11.87%	20.87%	13.33%	14.21%
D. Basic UAAL Contribution Rate	9.15%	11.77%	11.90%	9.86%
E. COLA UAAL Contribution Rate	4.29%	6.30%	4.64%	4.81%
F. UAAL Contribution Rate	13.44%	18.07%	16.54%	14.67%
<b>G. Total June 30, 2009 Contribution Rate (C + F)</b>	<b>25.31%</b>	<b>38.94%</b>	<b>29.87%</b>	<b>28.88%</b>
H. Total June 30, 2008 Contribution Rate	21.42%	28.71%	25.43%	23.30%
I. Estimated Payroll for fiscal year beginning July 1, 2010 *	\$ 236,767	\$ 84,138	\$ 4,194	\$ 325,099
<b>J. Estimated Annual Contribution (G x I) **</b>	<b>\$ 59,936</b>	<b>\$ 32,757</b>	<b>\$ 1,253</b>	<b>\$ 93,946</b>
K. Prior Valuation Estimated Annual Contribution ***	\$ 48,796	\$ 23,270	\$ 1,025	\$ 73,091
L. Increase / (Decrease) in Annual Contribution	\$ 11,140	\$ 9,487	\$ 228	\$ 20,855

\* Estimated payroll based upon the assumption of 4.00% annual payroll growth.

\*\* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

\*\*\* Estimated contribution for fiscal year beginning July 1, 2009 based on salary information as of June 30, 2009.

## Santa Barbara County Employees' Retirement System

### Exhibit 12a: Total Employer Contributions General Members (Dollars in Thousands)

	General				
	5A	5B	5C	Plan 2	Total
A. Basic Employer Normal Cost Rate	7.76%	6.92%	8.44%	2.26%	7.91%
B. COLA Normal Cost Rate	3.73%	4.54%	3.94%	0.00%	3.96%
C. Employer Normal Cost Rate	11.49%	11.46%	12.38%	2.26%	11.87%
D. Basic UAAL Contribution Rate	9.15%	9.15%	9.15%	9.15%	9.15%
E. COLA UAAL Contribution Rate	4.29%	4.29%	4.29%	4.29%	4.29%
F. UAAL Contribution Rate	13.44%	13.44%	13.44%	13.44%	13.44%
<b>G. Total June 30, 2009 Contribution Rate (C + F)</b>	<b>24.93%</b>	<b>24.90%</b>	<b>25.82%</b>	<b>15.70%</b>	<b>25.31%</b>
H. Total June 30, 2008 Contribution Rate	21.06%	21.00%	21.94%	11.74%	21.42%
I. Estimated Payroll for fiscal year beginning July 1, 2010 *	\$ 76,382	\$ 44,194	\$ 115,101	\$ 1,090	\$ 236,767
<b>J. Estimated Annual Contribution (G x I) **</b>	<b>\$ 19,042</b>	<b>\$ 11,004</b>	<b>\$ 29,719</b>	<b>\$ 171</b>	<b>\$ 59,936</b>
K. Prior Valuation Estimated Annual Contribution ***	\$ 15,467	\$ 8,924	\$ 24,282	\$ 123	\$ 48,796
L. Increase / (Decrease) in Annual Contribution	\$ 3,575	\$ 2,080	\$ 5,437	\$ 48	\$ 11,140

\* Estimated payroll based upon the assumption of 4.00% annual payroll growth.

\*\* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

\*\*\* Estimated contribution for fiscal year beginning July 1, 2009 based on salary information as of June 30, 2009.



## Santa Barbara County Employees' Retirement System

### Exhibit 12b: Total Employer Contributions Safety Members (Dollars in Thousands)

	<b>Safety</b>					<u>Total</u>
	<u>4A</u>	<u>4B</u>	<u>4C</u>	<u>6A</u>	<u>6B</u>	
A. Basic Employer Normal Cost Rate	13.31%	7.52%	12.89%	13.84%	14.31%	13.50%
B. COLA Normal Cost Rate	7.25%	6.76%	6.97%	7.60%	7.71%	7.37%
C. Employer Normal Cost Rate	20.56%	14.28%	19.86%	21.44%	22.02%	20.87%
D. Basic UAAL Contribution Rate	11.77%	11.77%	11.77%	11.77%	11.77%	11.77%
E. COLA UAAL Contribution Rate	6.30%	6.30%	6.30%	6.30%	6.30%	6.30%
F. UAAL Contribution Rate	18.07%	18.07%	18.07%	18.07%	18.07%	18.07%
<b>G. Total June 30, 2009 Contribution Rate (C + F)</b>	<b>38.63%</b>	<b>32.35%</b>	<b>37.93%</b>	<b>39.51%</b>	<b>40.09%</b>	<b>38.94%</b>
H. Total June 30, 2008 Contribution Rate	26.75%	20.39%	26.31%	30.83%	31.44%	28.71%
I. Estimated Payroll for fiscal year beginning July 1, 2010 *	\$ 12,500	\$ 1,164	\$ 27,962	\$ 16,817	\$ 25,695	\$ 84,138
<b>J. Estimated Annual Contribution (G x I) **</b>	<b>\$ 4,829</b>	<b>\$ 377</b>	<b>\$ 10,606</b>	<b>\$ 6,644</b>	<b>\$ 10,301</b>	<b>\$ 32,757</b>
K. Prior Valuation Estimated Annual Contribution ***	\$ 3,215	\$ 228	\$ 7,074	\$ 4,985	\$ 7,768	\$ 23,270
L. Increase / (Decrease) in Annual Contribution	\$ 1,614	\$ 149	\$ 3,532	\$ 1,659	\$ 2,533	\$ 9,487

\* Estimated payroll based upon the assumption of 4.00% annual payroll growth.

\*\* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

\*\*\* Estimated contribution for fiscal year beginning July 1, 2009 based on salary information as of June 30, 2009.

## Santa Barbara County Employees' Retirement System

### Exhibit 12c: Total Employer Contributions APCD Members (Dollars in Thousands)

	APCD		
	Plan 1	Plan 2	Total
A. Basic Employer Normal Cost Rate	9.30%	7.36%	8.64%
B. COLA Normal Cost Rate	4.55%	4.96%	4.69%
C. Employer Normal Cost Rate	13.85%	12.32%	13.33%
D. Basic UAAL Contribution Rate	11.90%	11.90%	11.90%
E. COLA UAAL Contribution Rate	4.64%	4.64%	4.64%
F. UAAL Contribution Rate	16.54%	16.54%	16.54%
<b>G. Total June 30, 2009 Contribution Rate (C + F)</b>	<b>30.39%</b>	<b>28.86%</b>	<b>29.87%</b>
H. Total June 30, 2008 Contribution Rate	25.82%	24.59%	25.43%
I. Estimated Payroll for fiscal year beginning July 1, 2010 *	\$ 2,773	\$ 1,421	\$ 4,194
<b>J. Estimated Annual Contribution (G x I) **</b>	<b>\$ 843</b>	<b>\$ 410</b>	<b>\$ 1,253</b>
K. Prior Valuation Estimated Annual Contribution ***	\$ 689	\$ 336	\$ 1,025
L. Increase / (Decrease) in Annual Contribution	\$ 154	\$ 74	\$ 228

\* Estimated payroll based upon the assumption of 4.00% annual payroll growth.

\*\* Estimated contributions shown for illustrative purposes. Actual contributions will vary depending on actual payroll and timing.

\*\*\* Estimated contribution for fiscal year beginning July 1, 2009 based on salary information as of June 30, 2009.

## Santa Barbara County Employees' Retirement System

### Exhibit 13: Analysis of Change in Unfunded Actuarial Accrued Liability (Dollars in Millions)

	Amount	As a Percent of June 30, 2009 Actuarial Accrued Liability	UAAL Contribution Rate % of Pay *
<b>Unfunded Actuarial Accrued Liability - June 30, 2008</b>	<b>\$ 244.4</b>	10.80%	<b>9.10%</b>
Interest Accrued	19.9	0.88%	0.57%
Benefits Accrued (Normal Cost)	66.4	2.93%	2.16%
Contributions (with Assumed Interest)			
Employer - Cash	(78.9)	-3.49%	-2.26%
Member	(11.5)	-0.51%	-0.33%
Total	(90.4)	-4.00%	-2.59%
<b>Expected Unfunded Actuarial Accrued Liability - June 30, 2009</b>	<b>\$ 240.3</b>	10.61%	<b>9.24%</b>
Source of Change			
Asset (Gains) and Losses	336.0	14.84%	9.67%
Actuarial (Gains) and Losses			
Salary Increases	(32.1)	-1.42%	-0.52%
CPI Less than Expected	-	0.00%	0.00%
New Entrants	1.1	0.05%	0.03%
Retirement from Active Status Experience	11.9	0.53%	0.34%
Retirement from Deferred Status Experience	4.5	0.20%	0.13%
Retired Mortality Experience	(1.2)	-0.05%	-0.03%
All Other Experience	(2.4)	-0.11%	-0.07%
Total	(18.2)	-0.80%	-0.12%
Amortization Method Change	-	0.00%	-4.12%
Total Changes	317.8	14.04%	5.43%
<b>Unfunded Actuarial Accrued Liability - June 30, 2009</b>	<b>\$ 558.1</b>	24.65%	<b>14.67%</b>

\* The June 30, 2008 Unfunded Actuarial Accrued Liability contribution rate, interest and benefits accrued, and contributions, as a percentage of pay is based on 2008 valuation pay. The June 30, 2009 Expected Unfunded Actuarial Accrued Liability as a percentage of pay is based on expected 2009 valuation pay. Otherwise, actual 2009 valuation pay is used to express the contribution rate as a percentage of pay.

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# Santa Barbara County Employees' Retirement System

## Section 7: Information for Comprehensive Annual Financial Report (CAFR)

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The Governmental Accounting Standards Board (GASB) sets standards for defined benefit pension plan reporting and disclosures (Statement No. 25). The reporting requirements for Statement No. 25 include certain supplementary information that must be added to the financial statements. These include:

- (1) A Schedule of Funding Progress
- (2) A Schedule of Employer Contributions

The Schedule of Funding Progress, Exhibit 14, compares actuarial assets and liabilities of SBCERS, based on the actuarial funding method used. The required Schedule of Employer Contributions, Exhibit 14, compares the employer contributions required based on the actuarial valuation (the actuarial required contribution, or ARC) with the employer contributions actually made. The ARC must be calculated based on certain parameters required for disclosure purposes.

We believe the actuarial methods and assumptions used in this valuation to determine the employer's contribution for funding purposes satisfy the GASB reporting requirements.

GASB Statement No. 27 specifies required reporting for pension accounting by state and local governmental employers.

The comparability of the data from year-to-year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, etc.

Exhibit 15 is the Schedule of Contributions from the Employer and compares the calculated Annual Required Contribution (ARC) to the actual employer contribution paid.

Exhibit 16 compares the Actuarial Value of Valuation Assets to the types of Actuarial Accrued Liabilities, applying them first to Active Member contributions, then to retirees and beneficiaries, and then the remaining amount to the Active Members benefits. This is referred to as the Solvency Test. Although not required under GASB, this test is part of the CAFR guidelines specified by the Government Finance Officers System (GFOA).

## Santa Barbara County Employees' Retirement System

### Exhibit 14: Schedule of Funding Progress (Dollars In Thousands)

Actuarial Valuation Date*	(a) Actuarial Value of Assets	(b) Non-Valuation Assets (NVA)	(c) Valuation Assets (a)-(b)	(d) Valuation Actuarial Accrued Liabilities (AAL)	(e) AAL with NVA (b)+(d)	(f) Unfunded Actuarial Accrued Liabilities (UAAL) (d)-(c) = (e)-(a)	(g) Prior Method Funded Ratio (a)/(e)	(h) Current Method Funded Ratio (b)/(d)	(i) Covered Payroll	UAAL as a Percentage of Covered Payroll (f)/(i)
June 30, 2004	\$ 1,379,170	\$ 137,613	\$ 1,241,557	\$ 1,441,156	\$ 1,578,769	\$ 199,599	87.4%	86.2%	\$ 266,960	74.8%
June 30, 2005	1,443,824	137,829	1,305,995	1,549,803	1,687,632	243,808	85.6%	84.3%	267,785	91.0%
June 30, 2006	1,552,776	137,825	1,414,951	1,671,831	1,809,656	256,880	85.8%	84.6%	287,382	89.4%
June 30, 2007 **	1,735,489	31,020	1,704,469	1,956,834	1,987,854	252,365	87.3%	87.1%	294,163	85.8%
June 30, 2008	1,893,984	2,528	1,891,456	2,135,955	2,138,483	244,499	88.6%	88.6%	307,264	79.6%
June 30, 2009	1,705,733	-	1,705,733	2,263,862	2,263,862	558,129	75.3%	75.3%	306,524	182.1%

\* Information for years prior to 2007 was provided by prior actuaries. Prior to 2007, non-valuation asset reserves were included with the Actuarial Value of Assets (AVA). Non-valuation asset reserves were also added to the AAL prior to 2007. Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

\*\* Results as of June 30, 2007 do not match those previously reported in the 2007 Comprehensive Annual Financial Report (CAFR). This information reflects the Board's actions on September 19, 2008 regarding asset reserve classifications.

**Santa Barbara County Employees'  
Retirement System**

**Exhibit 15: Schedule of Contributions from the Employer**  
(Dollars In Thousands)

Fiscal Year Ending*	Annual Required Contribution (ARC)	Actual Employer Contributions	Percentage of ARC Contributed
June 30, 2004	\$ 39,335	\$ 39,335	100%
June 30, 2005	46,721	46,721	100%
June 30, 2006	53,977	53,977	100%
June 30, 2007	63,395	63,395	100%
June 30, 2008	69,461	69,461	100%
June 30, 2009	75,827	75,827	100%

\* Information for years prior to 2007 was provided by prior actuaries.

## Santa Barbara County Employees' Retirement System

**Exhibit 16: Solvency Test**  
(Dollars In Thousands)

Actuarial Valuation Date*	Valuation Assets	Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
June 30, 2004	\$ 1,379,170	\$ 115,530	\$ 633,082	\$ 830,157	100%	100%	76%
June 30, 2005	1,443,824	125,040	715,319	847,273	100%	100%	71%
June 30, 2006	1,552,776	137,148	788,479	884,029	100%	100%	71%
June 30, 2007 **	1,704,469	169,218	979,657	810,516	100%	100%	69%
June 30, 2008	1,891,456	177,770	1,124,748	833,437	100%	100%	71%
June 30, 2009	1,705,733	174,951	1,237,215	851,696	100%	100%	34%

\* Information for years prior to 2007 was provided by prior actuaries.

Prior to 2007, non-valuation asset reserves were included with the Actuarial Value of Assets (AVA).

Non-valuation asset reserves were also added to the Actuarial Accrued Liabilities (AAL) for Active Members prior to 2007.

Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

Also beginning in 2007, liabilities for terminated members with vested deferred benefits are included with the AAL for Retirees and Beneficiaries.

\*\* Results as of June 30, 2007 do not match those previously reported in the 2007 Comprehensive Annual Financial Report (CAFR).

This information reflects the Board's actions on September 19, 2008 regarding asset reserve classifications.





# Santa Barbara County Employees' Retirement System

## Appendix A: Actuarial Procedures and Assumptions

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The actuarial procedures and assumptions used in this valuation are described in this section. The assumptions were reviewed and changed June 30, 2007 as a result of the 2007 Investigation of Experience Study. The method used to amortize the UAAL changed as of the 2009 valuation.

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of SBCERS and of SBCERS itself in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of SBCERS' benefits.

Table A-1 summarizes the assumptions. The mortality rates are taken from the sources listed.

Tables A-2 and A-3 show how members are expected to leave retired status due to death.

Table A-4 presents the probability of refund of contributions upon termination of employment while vested.

Table A-5 and A-6 present the expected annual percentage increase in salaries.

Tables A-7 to A-12 were developed from the experience as measured by the 2007 Investigation of Experience Study. The rates are the probabilities a member will leave the system for various reasons.

### 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.

**Actuarial Cost  
Method  
(continued)**

The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL (or Surplus Funding) is amortized as a percentage of the projected salaries of present and future members of SBCERS. The UAAL is amortized over an “open/rolling” 17-year period. Effective with the June 30, 2009 valuation, each year, the entire UAAL is amortized over a constant 17-year period. The amortization factor does not change from year to year unless the discount rate or salary assumption is changed.

**Records and Data**

The data used in this valuation consist of financial information and the age, service, and income records for active and inactive members and their survivors. All of the data were supplied by SBCERS and are accepted for valuation purposes without audit.

**Replacement of  
Terminated Members**

The ages and relative salaries at entry of future members are assumed to follow a new entrant distribution based on the pattern of current members. Under this assumption, the normal cost rates for active members will remain fairly stable in future years unless there are changes in the governing law, the actuarial assumptions or the pattern of the new entrants.

**Growth in  
Membership**

For benefit determination purposes, no growth in the membership of SBCERS is assumed. For funding purposes, if amortization is required, the total payroll of covered members is assumed to grow due to the combined effects of future wage increases of current active members and the replacement of the current active members by new employees. No growth in the total number of active members is assumed.

**Internal Revenue  
Code Section 415  
Limit**

The Internal Revenue Code Section 415 maximum benefit limitations are not reflected in the valuation for funding purposes. Any limitation is reflected in a member’s benefit after retirement.

**Internal Revenue  
Code Section  
401(a)(17)**

The Internal Revenue Code Section 401(a)(17) maximum compensation limitation is not reflected in the valuation for funding purposes. Any limitation is reflected in a member’s benefit after retirement.

**Employer  
Contributions**

The County and other employers' contribution rates are set by the Retirement Board based on actuarial valuations.

The employer contribution rates consist of both normal cost rates and UAAL rates. Both the normal cost rates and the UAAL rates are broken into pieces for the "Basic" rate and the COLA rate. The Basic rate is for the benefits without cost-of-living adjustments. For each class, the Basic UAAL contribution rate was determined by multiplying the total UAAL rate by the portion of the total AAL attributable to basic benefits.

**Member  
Contributions**

The member contribution rates vary by entry age and are described in the law. Code references and a description of the rates are shown in Section 5 of the report. The methods and assumptions used are detailed later in this section.

The individual member rates by entry age, plan and class are illustrated in Appendix D.

**Valuation of Assets**

The assets are valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value is the prior year's market value increased with the net increase in the cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption. The expected market-value, with five-year smoothing valuation basis for all assets was adopted effective June 30, 2002.

**Investment Earnings  
and Expenses**

The future investment earnings of the assets of SBCERS are assumed to accrue at an annual rate of 8.16% compounded annually, net of both investment and administrative expenses. This rate was adopted prior to June 30, 2007.

**Postretirement  
Benefit Increases**

Postretirement increases are assumed for the valuation in accordance with the benefits provided as described in Appendix B. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.5% per year. This rate was adopted effective June 30, 2007.

**Interest on Member  
Contributions**

The annual credited interest rate on member contributions is assumed to be 8.00% compounded semi-annually for an annualized rate of 8.16%. This rate was adopted prior to June 30, 2007. As of June 30, 2008, the credited interest rate each six-month period is the semi-annual yield of the 5-year Treasury note as of the last business day of the interest crediting period.

**Future Salaries**

The rates of annual salary increase assumed for the purpose of the valuation are illustrated in Table A-5 and A-6. In addition to increases in salary due to promotions and longevity, this scale includes an assumed 4.0% per annum rate of increase in the general wage level of the membership. These rates were adopted effective June 30, 2007.

**Social Security Wage Base**

General Plan 2 members have their benefits offset by an assumed Social Security Benefit. For valuation funding purposes, we need to project the Social Security Benefit. We assume the current Social Security provisions will continue and the annual Wage Base will increase at the rate of 4% per year. Note, statutory provisions describe exactly how to compute the offset for purposes of determining a member's offset amount at time of termination or retirement.

**Retirement**

After members attain age 50 (55 for General Plan 2 members) and have 10 years of service, they may retire with a benefit commencing immediately. All members except General Plan 2 members, may also retire regardless of age after 20 years of service for safety members and after 30 years of service for general members. The retirement rates vary by age and are shown by plan in Tables A-7 to A-12.

All General members who attain or who have attained age 75 in active service and all Safety members who have attained age 65 in active service are assumed to retire immediately.

All deferred vested members are assumed to retire at the later of age at termination or age 56 for General members and age 52 for Safety members, except for General Plan 2, who are assumed to retire at 65 and Safety Plan 6 who are assumed to retire at age 50.

The assumptions regarding termination of employment, early retirement, and unreduced service retirement are treated as a single set of decrements in regards to a particular member. For example, a general member hired at age 30 has a probability to withdraw from SBCERS due to death, disability or *other termination of employment* until age 50. After age 50, the member could still withdraw due to death, disability or *retirement*. Thus, in no year during the member's projected employment would they be eligible for both a probability of other termination of employment and a probability of retirement.

These rates were adopted effective June 30, 2007.

**Disability**

The rates of disability used in the valuation are also illustrated in Tables A-7 to A-12. These rates were revised June 30, 2006.

**Mortality – Other  
Than Disabled  
Members**

The same postretirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. These rates are illustrated in Table A-2. Beneficiary mortality is assumed to be the same assumption as healthy members. Beneficiaries are assumed to be of the opposite sex, and have the same mortality as General members. These rates were adopted June 30, 2007.

Males: General members: RP-2000 Combined Mortality Table for Males, with ages set back three years.

Safety members: RP-2000 Combined Mortality Table for Males, with ages set back three years.

Females: General members: RP-2000 Combined Mortality Table for Females, with ages set back two years.

Safety members: RP-2000 Combined Mortality Table for Females, with ages set back two years.

**Mortality – Disabled  
Members**

For disabled members, the mortality rates used in the valuation rates are illustrated in Table A-3. These rates were adopted June 30, 2007.

Males: General members: RP-2000 Combined Mortality Table for Males, with no age adjustment.

Safety members: RP-2000 Combined Mortality Table for Males, with no age adjustment.

Females: General members: RP-2000 Combined Mortality Table for Females, with no age adjustment.

Safety members: RP-2000 Combined Mortality Table for Females, with no age adjustment.

**Other Employment  
Terminations**

Tables A-7 to A-12 show, for all ages, the rates assumed in this valuation for future termination from active service other than for death, disability or retirement. These rates do not apply to members eligible for service retirement. These rates were adopted effective June 30, 2007.

Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further benefits, or they may leave their contributions with SBCERS. Former contributing members whose contributions are on deposit may later elect to receive a refund, may return to work or may remain inactive until becoming eligible to receive a retirement benefit under either SBCERS or a reciprocal retirement system.

**Other Employment  
Terminations  
(continued)**

All terminating members are assumed not to be rehired by SBCERS. Table A-4 gives the assumed probabilities that terminated members will elect a refund of contributions immediately upon termination. All other terminating members are assumed to leave their contributions on deposit. Fifty percent (50%) of members who leave their contributions on deposit are assumed to take employment at a reciprocal agency.

Former members with contributions on deposit are assumed to receive a retirement benefit commencing at the following ages:

General Plan 5 Members	Age 56
General Plan 2 Members	Age 65
Safety Plan 4 Members	Age 52
Safety Plan 6 Members	Age 50
APCD Members	Age 56

Reciprocal members are assumed to remain with the reciprocal agency until retirement, and receive annual salary increases of:

General & APCD Members	4.25%
Safety Members	4.50%

These rates and assumptions were adopted effective June 30, 2007.

**Probability of Eligible  
Survivor**

For members not currently in pay status, 80% of all males and 50% of all females are assumed to have eligible survivors (spouses or qualified domestic partners). Survivors are assumed to be three years younger than male members and three years older than female members. Survivors are assumed to be of the opposite sex as the member. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this assumption are sufficient to cover children's benefits as they occur.

**Member Contribution  
Rate Assumptions**

The following assumptions summarize the procedures used to compute member contribution rates based on entry age:

In general, the member rate is determined by the present value of the future benefit (PVFB) payable at retirement age, divided by the present value of all future salaries payable between age at entry and retirement age. For these purposes, per the CERL, the:

- A. Annuity factor used for General and Safety members is based on using a unisex mortality assumption. For these purposes, as well as determining option factors, the unisex mortality assumption is:

General Healthy Members:	RP-2000 Combined Healthy Male, set back 4 years.
Safety Healthy Members:	RP-2000 Combined Healthy Male, set back 3 years.
Beneficiaries:	RP-2000 Combined Healthy Male, set back 4 years.
General Disabled Members:	RP-2000 Combined Healthy Female, set forward 1 year.
Safety Disabled Members:	RP-2000 Combined Healthy Male, no adjustment.

- B. The annuity factor used in determining the present value of future benefits (PVFB) at entry age is equal to the life only annuity factor at 8.16%.

- C. The Final Compensation is based on the salary paid in the year prior to attaining the retirement age.

Example: For a General Plan 5 member who enters at age 59 or earlier, the Final Compensation at retirement (age 60) will be the monthly average of the annual salaries during age 59.

- D. Member Rates are assumed to increase with entry age.

## Santa Barbara County Employees' Retirement System

**Table A-1: Summary of Valuation Assumptions as of June 30, 2006**

I.	Economic assumptions	
	A. General wage increases	4.00%
	B. Investment earnings	8.16%
	C. Growth in membership	0.00
	D. Postretirement benefit increases (varies by plan)	Plan COLA not greater than CPI assumption.
	E. CPI inflation assumption	3.50%
II.	Demographic assumptions	
	A. Salary increases due to service	Tables A-5 to A-6
	B. Retirement	Tables A-7 to A-12
	C. Disablement	Tables A-7 to A-12
	D. Mortality for active members after termination and service retired members.	Table A-2
	Basis – RP-2000 Healthy Combined Mortality Table for respective sexes for general members, as adjusted:	
	<u>Class of Members</u>	<u>Age Adjustment</u>
	General – males	-3 years
	General – females	-2 years
	Safety – males	-3 years
	Safety – females	-2 years
	E. Mortality among disabled members	Table A-3
	Basis – RP-2000 Healthy Combined Mortality Table, as adjusted:	
	General - males	0 years
	General - females	0 years
	Safety - males	0 years
	Safety - females	0 years
	F. Mortality for beneficiaries.	Table A-2
	Basis – Beneficiaries are assumed to have the same mortality as a general member of the opposite sex who has taken a service retirement.	
	G. Other terminations of employment	Tables A-7 to A-12
	H. Refund of contributions on vested termination	Table A-4



## Santa Barbara County Employees' Retirement System

**Table A-2: Mortality for Members Retired for Service**

Age	Safety Male	Safety Female	General Male	General Female
20	0.030%	0.019%	0.030%	0.019%
25	0.037%	0.020%	0.037%	0.020%
30	0.038%	0.024%	0.038%	0.024%
35	0.056%	0.039%	0.056%	0.039%
40	0.090%	0.060%	0.090%	0.060%
45	0.122%	0.094%	0.122%	0.094%
50	0.173%	0.143%	0.173%	0.143%
55	0.267%	0.221%	0.267%	0.221%
60	0.469%	0.392%	0.469%	0.392%
65	0.876%	0.765%	0.876%	0.765%
70	1.608%	1.345%	1.608%	1.345%
75	2.728%	2.297%	2.728%	2.297%
80	4.691%	3.760%	4.691%	3.760%
85	8.049%	6.251%	8.049%	6.251%
90	13.604%	10.730%	13.604%	10.730%

## Santa Barbara County Employees' Retirement System

**Table A-3: Mortality for Members Retired for Disability**

Age	Safety Male	Safety Female	General Male	General Female
20	0.035%	0.019%	0.035%	0.019%
25	0.038%	0.021%	0.038%	0.021%
30	0.044%	0.026%	0.044%	0.026%
35	0.077%	0.048%	0.077%	0.048%
40	0.108%	0.071%	0.108%	0.071%
45	0.151%	0.112%	0.151%	0.112%
50	0.214%	0.168%	0.214%	0.168%
55	0.362%	0.272%	0.362%	0.272%
60	0.675%	0.506%	0.675%	0.506%
65	1.274%	0.971%	1.274%	0.971%
70	2.221%	1.674%	2.221%	1.674%
75	3.783%	2.811%	3.783%	2.811%
80	6.437%	4.588%	6.437%	4.588%
85	11.076%	7.745%	11.076%	7.745%
90	18.341%	13.168%	18.341%	13.168%

**Santa Barbara County Employees'  
Retirement System**

**Table A-4: Immediate Refund of Contributions Upon Termination of Employment**

<u>Years of Service</u>	<u>General Male</u>	<u>General Female</u>	<u>Safety</u>
0	100%	100%	100%
1	95%	95%	100%
2	90%	95%	90%
3	80%	85%	85%
4	80%	85%	75%
5	50%	50%	35%
6	50%	50%	35%
7	50%	50%	35%
8	50%	50%	35%
9	50%	50%	35%
10	15%	20%	35%
11	15%	20%	35%
12	15%	20%	35%
13	15%	20%	35%
14	15%	20%	35%
15	10%	10%	20%
16	10%	10%	20%
17	10%	10%	20%
18	10%	10%	20%
19	10%	10%	20%
20	0%	0%	0%
21	0%	0%	0%
22	0%	0%	0%
23	0%	0%	0%
24	0%	0%	0%
25	0%	0%	0%
26	0%	0%	0%
27	0%	0%	0%
28	0%	0%	0%
29	0%	0%	0%
30 & Up	0%	0%	0%

## Santa Barbara County Employees' Retirement System

**Table A-5: Annual Increase in Salary  
General**

Years of Service	Due to Promotion and Longevity	Total Annual Increase*
<1	4.75%	8.94%
1	4.00%	8.16%
2	3.25%	7.38%
3	2.50%	6.60%
4	2.00%	6.08%
5	1.50%	5.56%
6	1.25%	5.30%
7	1.00%	5.04%
8	0.90%	4.94%
9	0.80%	4.83%
10	0.78%	4.81%
11	0.75%	4.78%
12	0.70%	4.73%
13	0.65%	4.68%
14	0.60%	4.62%
15	0.55%	4.57%
16	0.50%	4.52%
17	0.48%	4.50%
18	0.46%	4.48%
19	0.44%	4.46%
20	0.42%	4.44%
21	0.40%	4.42%
22	0.38%	4.40%
23	0.36%	4.37%
24	0.34%	4.35%
25	0.32%	4.33%
26	0.30%	4.31%
27	0.28%	4.29%
28	0.26%	4.27%
29	0.25%	4.26%
30 or More	0.25%	4.26%

*\* The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 4.00% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.*

**Santa Barbara County Employees'  
Retirement System**

**Table A-6: Annual Increase in Salary  
Safety**

<u>Years of Service</u>	<u>Due to Promotion and Longevity</u>	<u>Total Annual Increase*</u>
<1	6.00%	10.24%
1	5.00%	9.20%
2	4.00%	8.16%
3	3.25%	7.38%
4	2.50%	6.60%
5	2.00%	6.08%
6	1.60%	5.66%
7	1.30%	5.35%
8	1.20%	5.25%
9	1.10%	5.14%
10	1.00%	5.04%
11	0.95%	4.99%
12	0.92%	4.96%
13	0.89%	4.93%
14	0.87%	4.90%
15	0.85%	4.88%
16	0.82%	4.85%
17	0.80%	4.83%
18	0.77%	4.80%
19	0.74%	4.77%
20	0.72%	4.75%
21	0.69%	4.72%
22	0.67%	4.70%
23	0.64%	4.67%
24	0.62%	4.64%
25	0.59%	4.62%
26	0.57%	4.59%
27	0.54%	4.57%
28	0.52%	4.54%
29	0.50%	4.52%
30 or More	0.50%	4.52%

*\* The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 4.00% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.*

## Santa Barbara County Employees' Retirement System

**Table A-7: Rate of Separation From Active Service For General Members  
All Plans - Male**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00008	0.00000	0.00027	0	0.0998
19	0.0000	0.00008	0.00000	0.00028	1	0.0998
20	0.0000	0.00008	0.00000	0.00030	2	0.0998
21	0.0000	0.00008	0.00000	0.00032	3	0.0998
22	0.0000	0.00008	0.00000	0.00033	4	0.0998
23	0.0000	0.00008	0.00000	0.00035	5	0.0875
24	0.0000	0.00008	0.00000	0.00036	6	0.0752
25	0.0000	0.00008	0.00000	0.00037	7	0.0630
26	0.0000	0.00008	0.00000	0.00037	8	0.0582
27	0.0000	0.00008	0.00000	0.00038	9	0.0535
28	0.0000	0.00008	0.00000	0.00038	10	0.0487
29	0.0000	0.00008	0.00000	0.00038	11	0.0440
30	0.0000	0.00017	0.00000	0.00038	12	0.0392
31	0.0000	0.00017	0.00000	0.00039	13	0.0373
32	0.0000	0.00017	0.00000	0.00041	14	0.0354
33	0.0000	0.00017	0.00000	0.00044	15	0.0334
34	0.0000	0.00017	0.00000	0.00050	16	0.0315
35	0.0000	0.00025	0.00008	0.00056	17	0.0296
36	0.0000	0.00033	0.00008	0.00063	18	0.0276
37	0.0000	0.00041	0.00008	0.00070	19	0.0257
38	0.0000	0.00050	0.00008	0.00077	20	0.0237
39	0.0000	0.00058	0.00016	0.00084	21	0.0218
40	0.0200	0.00066	0.00016	0.00090	22	0.0198
41	0.0200	0.00074	0.00016	0.00096	23	0.0160
42	0.0200	0.00091	0.00024	0.00102	24	0.0123
43	0.0200	0.00099	0.00032	0.00108	25	0.0085
44	0.0200	0.00107	0.00040	0.00114	26	0.0048
45	0.0200	0.00124	0.00047	0.00122	27	0.0010
46	0.0200	0.00132	0.00055	0.00130	28	0.0008
47	0.0200	0.00140	0.00063	0.00140	29	0.0006
48	0.0200	0.00148	0.00071	0.00151	30 & Above	0.0004
49	0.0200	0.00157	0.00087	0.00162		
50	0.0200	0.00165	0.00103	0.00173		
51	0.0200	0.00182	0.00119	0.00186		
52	0.0400	0.00198	0.00134	0.00200		
53	0.0500	0.00206	0.00150	0.00214		
54	0.0700	0.00214	0.00166	0.00245		
55	0.0800	0.00231	0.00182	0.00267		
56	0.0800	0.00247	0.00197	0.00292		
57	0.0800	0.00256	0.00213	0.00320		
58	0.1000	0.00264	0.00236	0.00362		
59	0.0900	0.00281	0.00260	0.00420		
60	0.1500	0.00289	0.00292	0.00469		
61	0.2500	0.00305	0.00323	0.00527		
62	0.2500	0.00314	0.00355	0.00595		
63	0.1500	0.00330	0.00386	0.00675		
64	0.3000	0.00346	0.00418	0.00768		
65	0.1500	0.00346	0.00449	0.00876		
66	0.2000	0.00346	0.00481	0.01001		
67	0.2000	0.00346	0.00520	0.01128		
68	0.2000	0.00346	0.00559	0.01274		
69	0.2000	0.00346	0.00599	0.01441		
70	0.2000	0.00346	0.00599	0.01608		
71	0.2000	0.00346	0.00599	0.01787		
72	0.2000	0.00346	0.00599	0.01980		
73	0.2000	0.00346	0.00599	0.02221		
74	0.2000	0.00346	0.00599	0.02457		
75	1.0000	0.00000	0.00000	0.00000		



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. A-14  
Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

## Santa Barbara County Employees' Retirement System

**Table A-8: Rate of Separation From Active Service For General Members  
All Plans - Female**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00012	0.00000	0.00018	0	0.1132
19	0.0000	0.00012	0.00000	0.00018	1	0.1132
20	0.0000	0.00012	0.00000	0.00019	2	0.1132
21	0.0000	0.00012	0.00000	0.00019	3	0.0952
22	0.0000	0.00012	0.00000	0.00019	4	0.0861
23	0.0000	0.00012	0.00000	0.00019	5	0.0784
24	0.0000	0.00012	0.00000	0.00019	6	0.0681
25	0.0000	0.00012	0.00018	0.00020	7	0.0630
26	0.0000	0.00012	0.00018	0.00020	8	0.0582
27	0.0000	0.00012	0.00018	0.00021	9	0.0535
28	0.0000	0.00012	0.00018	0.00021	10	0.0487
29	0.0000	0.00012	0.00018	0.00022	11	0.0440
30	0.0000	0.00012	0.00018	0.00024	12	0.0392
31	0.0000	0.00012	0.00018	0.00025	13	0.0373
32	0.0000	0.00012	0.00035	0.00026	14	0.0354
33	0.0000	0.00012	0.00035	0.00031	15	0.0334
34	0.0000	0.00012	0.00035	0.00035	16	0.0315
35	0.0000	0.00024	0.00050	0.00039	17	0.0296
36	0.0000	0.00024	0.00050	0.00044	18	0.0276
37	0.0000	0.00036	0.00050	0.00048	19	0.0257
38	0.0000	0.00036	0.00050	0.00051	20	0.0237
39	0.0000	0.00048	0.00050	0.00055	21	0.0218
40	0.0800	0.00060	0.00068	0.00060	22	0.0198
41	0.0800	0.00072	0.00085	0.00065	23	0.0160
42	0.0800	0.00084	0.00085	0.00071	24	0.0123
43	0.0800	0.00096	0.00117	0.00077	25	0.0085
44	0.0800	0.00096	0.00135	0.00085	26	0.0048
45	0.0800	0.00108	0.00153	0.00094	27	0.0010
46	0.0800	0.00108	0.00168	0.00103	28	0.0008
47	0.0800	0.00120	0.00168	0.00112	29	0.0006
48	0.0800	0.00132	0.00185	0.00122	30 & Above	0.0004
49	0.0800	0.00144	0.00203	0.00133		
50	0.0800	0.00144	0.00219	0.00143		
51	0.0800	0.00156	0.00236	0.00155		
52	0.0800	0.00168	0.00252	0.00168		
53	0.0800	0.00180	0.00252	0.00185		
54	0.0800	0.00192	0.00270	0.00202		
55	0.0800	0.00204	0.00286	0.00221		
56	0.0800	0.00216	0.00305	0.00242		
57	0.0800	0.00216	0.00319	0.00272		
58	0.1000	0.00228	0.00354	0.00309		
59	0.1200	0.00240	0.00387	0.00348		
60	0.1500	0.00252	0.00422	0.00392		
61	0.1800	0.00264	0.00458	0.00444		
62	0.3000	0.00276	0.00506	0.00506		
63	0.3000	0.00288	0.00557	0.00581		
64	0.2000	0.00300	0.00608	0.00666		
65	0.2500	0.00300	0.00608	0.00765		
66	0.2500	0.00300	0.00608	0.00862		
67	0.2500	0.00300	0.00608	0.00971		
68	0.2500	0.00300	0.00608	0.01095		
69	0.2500	0.00300	0.00608	0.01216		
70	0.3000	0.00300	0.00608	0.01345		
71	0.3000	0.00300	0.00608	0.01486		
72	0.5000	0.00300	0.00608	0.01674		
73	0.5000	0.00300	0.00608	0.01858		
74	0.5000	0.00300	0.00608	0.02067		
75	1.0000	0.00000	0.00000	0.00000		



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## Santa Barbara County Employees' Retirement System

**Table A-9: Rate of Separation From Active Service For Safety Members  
Plan 4 - Male**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00015	0.00000	0.00027	0	0.0488
19	0.0000	0.00015	0.00000	0.00028	1	0.0488
20	0.0000	0.00015	0.00000	0.00030	2	0.0488
21	0.0000	0.00015	0.00000	0.00032	3	0.0488
22	0.0000	0.00015	0.00000	0.00033	4	0.0392
23	0.0000	0.00015	0.00000	0.00035	5	0.0360
24	0.0000	0.00020	0.00000	0.00036	6	0.0328
25	0.0000	0.00030	0.00004	0.00037	7	0.0296
26	0.0000	0.00040	0.00004	0.00037	8	0.0286
27	0.0000	0.00054	0.00004	0.00038	9	0.0276
28	0.0000	0.00069	0.00004	0.00038	10	0.0266
29	0.0000	0.00085	0.00004	0.00038	11	0.0257
30	0.0300	0.00103	0.00004	0.00038	12	0.0247
31	0.0300	0.00123	0.00007	0.00039	13	0.0237
32	0.0300	0.00143	0.00010	0.00041	14	0.0227
33	0.0300	0.00168	0.00017	0.00044	15	0.0218
34	0.0300	0.00193	0.00025	0.00050	16	0.0208
35	0.0300	0.00222	0.00032	0.00056	17	0.0198
36	0.0300	0.00257	0.00038	0.00063	18	0.0158
37	0.0300	0.00292	0.00046	0.00070	19	0.0119
38	0.0300	0.00327	0.00052	0.00077	20 & Above	0.0000
39	0.0300	0.00362	0.00059	0.00084		
40	0.0300	0.00396	0.00066	0.00090		
41	0.0300	0.00430	0.00074	0.00096		
42	0.0300	0.00470	0.00081	0.00102		
43	0.0300	0.00510	0.00084	0.00108		
44	0.0300	0.00549	0.00084	0.00114		
45	0.0300	0.00594	0.00088	0.00122		
46	0.0300	0.00639	0.00088	0.00130		
47	0.0300	0.00683	0.00091	0.00140		
48	0.0300	0.00727	0.00091	0.00151		
49	0.0300	0.00772	0.00094	0.00162		
50	0.0400	0.00816	0.00094	0.00173		
51	0.0300	0.00867	0.00098	0.00186		
52	0.0300	0.00916	0.00098	0.00200		
53	0.0300	0.00965	0.00102	0.00214		
54	0.1500	0.01014	0.00105	0.00245		
55	0.2000	0.01014	0.00105	0.00267		
56	0.2000	0.01014	0.00105	0.00292		
57	0.3000	0.01014	0.00105	0.00320		
58	0.3000	0.01014	0.00105	0.00362		
59	0.2000	0.01014	0.00105	0.00420		
60	0.2000	0.01014	0.00105	0.00469		
61	0.2000	0.01014	0.00105	0.00527		
62	0.3500	0.01014	0.00105	0.00595		
63	0.2000	0.01014	0.00105	0.00675		
64	0.2000	0.01014	0.00105	0.00768		
65	1.0000	0.00000	0.00000	0.00000		



## Santa Barbara County Employees' Retirement System

**Table A-10: Rate of Separation From Active Service For Safety Members  
Plan 4 - Female**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00015	0.00000	0.00018	0	0.0488
19	0.0000	0.00015	0.00000	0.00018	1	0.0488
20	0.0000	0.00015	0.00000	0.00019	2	0.0488
21	0.0000	0.00015	0.00000	0.00019	3	0.0488
22	0.0000	0.00015	0.00000	0.00019	4	0.0392
23	0.0000	0.00015	0.00000	0.00019	5	0.0360
24	0.0000	0.00020	0.00000	0.00019	6	0.0328
25	0.0000	0.00030	0.00004	0.00020	7	0.0296
26	0.0000	0.00040	0.00004	0.00020	8	0.0286
27	0.0000	0.00054	0.00004	0.00021	9	0.0276
28	0.0000	0.00069	0.00004	0.00021	10	0.0266
29	0.0000	0.00085	0.00004	0.00022	11	0.0257
30	0.0300	0.00103	0.00004	0.00024	12	0.0247
31	0.0300	0.00123	0.00007	0.00025	13	0.0237
32	0.0300	0.00143	0.00010	0.00026	14	0.0227
33	0.0300	0.00168	0.00017	0.00031	15	0.0218
34	0.0300	0.00193	0.00025	0.00035	16	0.0208
35	0.0300	0.00222	0.00032	0.00039	17	0.0198
36	0.0300	0.00257	0.00038	0.00044	18	0.0158
37	0.0300	0.00292	0.00046	0.00048	19	0.0119
38	0.0300	0.00327	0.00052	0.00051	20 & Above	0.0000
39	0.0300	0.00362	0.00059	0.00055		
40	0.0300	0.00396	0.00066	0.00060		
41	0.0300	0.00430	0.00074	0.00065		
42	0.0300	0.00470	0.00081	0.00071		
43	0.0300	0.00510	0.00084	0.00077		
44	0.0300	0.00549	0.00084	0.00085		
45	0.0300	0.00594	0.00088	0.00094		
46	0.0300	0.00639	0.00088	0.00103		
47	0.0300	0.00683	0.00091	0.00112		
48	0.0300	0.00727	0.00091	0.00122		
49	0.0300	0.00772	0.00094	0.00133		
50	0.0400	0.00816	0.00094	0.00143		
51	0.0300	0.00867	0.00098	0.00155		
52	0.0300	0.00916	0.00098	0.00168		
53	0.0300	0.00965	0.00102	0.00185		
54	0.1500	0.01014	0.00105	0.00202		
55	0.2000	0.01014	0.00105	0.00221		
56	0.2000	0.01014	0.00105	0.00242		
57	0.3000	0.01014	0.00105	0.00272		
58	0.3000	0.01014	0.00105	0.00309		
59	0.2000	0.01014	0.00105	0.00348		
60	0.2000	0.01014	0.00105	0.00392		
61	0.2000	0.01014	0.00105	0.00444		
62	0.3500	0.01014	0.00105	0.00506		
63	0.2000	0.01014	0.00105	0.00581		
64	0.2000	0.01014	0.00105	0.00666		
65	1.0000	0.00000	0.00000	0.00000		

## Santa Barbara County Employees' Retirement System

**Table A-11: Rate of Separation From Active Service For Safety Members  
Plan 6 - Male**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00015	0.00000	0.00027	0	0.0488
19	0.0000	0.00015	0.00000	0.00028	1	0.0488
20	0.0000	0.00015	0.00000	0.00030	2	0.0488
21	0.0000	0.00015	0.00000	0.00032	3	0.0488
22	0.0000	0.00015	0.00000	0.00033	4	0.0392
23	0.0000	0.00015	0.00000	0.00035	5	0.0360
24	0.0000	0.00020	0.00000	0.00036	6	0.0328
25	0.0000	0.00030	0.00004	0.00037	7	0.0296
26	0.0000	0.00040	0.00004	0.00037	8	0.0286
27	0.0000	0.00054	0.00004	0.00038	9	0.0276
28	0.0000	0.00069	0.00004	0.00038	10	0.0266
29	0.0000	0.00085	0.00004	0.00038	11	0.0257
30	0.0300	0.00103	0.00004	0.00038	12	0.0247
31	0.0300	0.00123	0.00007	0.00039	13	0.0237
32	0.0300	0.00143	0.00010	0.00041	14	0.0227
33	0.0300	0.00168	0.00017	0.00044	15	0.0218
34	0.0300	0.00193	0.00025	0.00050	16	0.0208
35	0.0300	0.00222	0.00032	0.00056	17	0.0198
36	0.0300	0.00257	0.00038	0.00063	18	0.0158
37	0.0300	0.00292	0.00046	0.00070	19	0.0119
38	0.0300	0.00327	0.00052	0.00077	20 & Above	0.0000
39	0.0300	0.00362	0.00059	0.00084		
40	0.0300	0.00396	0.00066	0.00090		
41	0.0400	0.00430	0.00074	0.00096		
42	0.0400	0.00470	0.00081	0.00102		
43	0.0400	0.00510	0.00084	0.00108		
44	0.0400	0.00549	0.00084	0.00114		
45	0.0400	0.00594	0.00088	0.00122		
46	0.0400	0.00639	0.00088	0.00130		
47	0.0400	0.00683	0.00091	0.00140		
48	0.0400	0.00727	0.00091	0.00151		
49	0.0800	0.00772	0.00094	0.00162		
50	0.0800	0.00816	0.00094	0.00173		
51	0.0800	0.00867	0.00098	0.00186		
52	0.1000	0.00916	0.00098	0.00200		
53	0.1000	0.00965	0.00102	0.00214		
54	0.1500	0.01014	0.00105	0.00245		
55	0.2000	0.01014	0.00105	0.00267		
56	0.2000	0.01014	0.00105	0.00292		
57	0.3000	0.01014	0.00105	0.00320		
58	0.3000	0.01014	0.00105	0.00362		
59	0.2000	0.01014	0.00105	0.00420		
60	0.2000	0.01014	0.00105	0.00469		
61	0.2000	0.01014	0.00105	0.00527		
62	0.3500	0.01014	0.00105	0.00595		
63	0.2000	0.01014	0.00105	0.00675		
64	0.2000	0.01014	0.00105	0.00768		
65	1.0000	0.00000	0.00000	0.00000		

## Santa Barbara County Employees' Retirement System

**Table A-12: Rate of Separation From Active Service For Safety Members  
Plan 6 - Female**

Age	Service Retirement	Service Disability	Ordinary Disability	Death	Years of Service	Other Terminations
18	0.0000	0.00015	0.00000	0.00018	0	0.0488
19	0.0000	0.00015	0.00000	0.00018	1	0.0488
20	0.0000	0.00015	0.00000	0.00019	2	0.0488
21	0.0000	0.00015	0.00000	0.00019	3	0.0488
22	0.0000	0.00015	0.00000	0.00019	4	0.0392
23	0.0000	0.00015	0.00000	0.00019	5	0.0360
24	0.0000	0.00020	0.00000	0.00019	6	0.0328
25	0.0000	0.00030	0.00004	0.00020	7	0.0296
26	0.0000	0.00040	0.00004	0.00020	8	0.0286
27	0.0000	0.00054	0.00004	0.00021	9	0.0276
28	0.0000	0.00069	0.00004	0.00021	10	0.0266
29	0.0000	0.00085	0.00004	0.00022	11	0.0257
30	0.0300	0.00103	0.00004	0.00024	12	0.0247
31	0.0300	0.00123	0.00007	0.00025	13	0.0237
32	0.0300	0.00143	0.00010	0.00026	14	0.0227
33	0.0300	0.00168	0.00017	0.00031	15	0.0218
34	0.0300	0.00193	0.00025	0.00035	16	0.0208
35	0.0300	0.00222	0.00032	0.00039	17	0.0198
36	0.0300	0.00257	0.00038	0.00044	18	0.0158
37	0.0300	0.00292	0.00046	0.00048	19	0.0119
38	0.0300	0.00327	0.00052	0.00051	20 & Above	0.0000
39	0.0300	0.00362	0.00059	0.00055		
40	0.0300	0.00396	0.00066	0.00060		
41	0.0400	0.00430	0.00074	0.00065		
42	0.0400	0.00470	0.00081	0.00071		
43	0.0400	0.00510	0.00084	0.00077		
44	0.0400	0.00549	0.00084	0.00085		
45	0.0400	0.00594	0.00088	0.00094		
46	0.0400	0.00639	0.00088	0.00103		
47	0.0400	0.00683	0.00091	0.00112		
48	0.0400	0.00727	0.00091	0.00122		
49	0.0800	0.00772	0.00094	0.00133		
50	0.0800	0.00816	0.00094	0.00143		
51	0.0800	0.00867	0.00098	0.00155		
52	0.1000	0.00916	0.00098	0.00168		
53	0.1000	0.00965	0.00102	0.00185		
54	0.1500	0.01014	0.00105	0.00202		
55	0.2000	0.01014	0.00105	0.00221		
56	0.2000	0.01014	0.00105	0.00242		
57	0.3000	0.01014	0.00105	0.00272		
58	0.3000	0.01014	0.00105	0.00309		
59	0.2000	0.01014	0.00105	0.00348		
60	0.2000	0.01014	0.00105	0.00392		
61	0.2000	0.01014	0.00105	0.00444		
62	0.3500	0.01014	0.00105	0.00506		
63	0.2000	0.01014	0.00105	0.00581		
64	0.2000	0.01014	0.00105	0.00666		
65	1.0000	0.00000	0.00000	0.00000		



# Santa Barbara County Employees' Retirement System

## Appendix B: Summary of Benefit Provisions



All actuarial calculations are based on our understanding of the statutes governing the SBCERS as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the SBCERS Board, effective through June 30, 2008. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the State Code. This summary does not attempt to cover all the detailed provisions of the law.

### MEMBERSHIP IN RETIREMENT PLANS

The County has established several defined benefit tiers based primarily on a member's date of entry into SBCERS. There are two types of SBCERS members:

**Government  
Code Section**

**Safety members:** employees whose principal duty is active law enforcement or active fire suppression are eligible to be Safety members. Membership in a particular tier depends upon date of entry to the system and bargaining unit.

**General members:** all non-Safety employees are eligible to be General members. Membership in a particular tier depends primarily upon date of entry to the system.

General members employed by Santa Barbara County Air Pollution Control District (APCD) are in APCD Plan 1 or APCD Plan 2 depending upon their date of entry to the system.

<b>APCD Plan 1:</b>	APCD employees hired on or before July 3, 1995.
<b>APCD Plan 2:</b>	APCD employees hired after July 3, 1995.
<b>General Plan 2:</b>	Employees hired on or before January 11, 1999 who elected to join General Plan 2.
<b>Safety Plan 4A &amp; General Plan 5A:</b>	General employees hired before October 10, 1994 who did not elect to join General Plan 2, and Safety employees hired before October 10, 1994.
<b>Safety Plan 4B &amp; General Plan 5B:</b>	Employees hired on or after October 10, 1994.
<b>General Plan 5C:</b>	Members in certain bargaining units hired on or after October 10, 1994. Members in those bargaining units transferred from Plan 5B on March 10, 2008.
<b>Safety Plan 4C:</b>	Members in certain bargaining units who were hired on or after October 10, 1994. All members in certain bargaining units. Members in those bargaining units transferred from Plan 4B on July 3, 2006.
<b>Safety Plan 6A:</b>	Members in certain bargaining units hired prior to October 10, 1994. Members in those bargaining units transferred from Plan 4A on February 25, 2008.

**Safety Plan 6B:** Members in certain bargaining units hired after October 10, 1994. Members in those bargaining units transferred from Plan 4D on February 25, 2008.

## MEMBER CONTRIBUTIONS

### **Basic:**

Contributions are based on the entry age and class of each member and are required of all members except General Plan 2 members. See Section 5 for details on this calculation. Current member rates are shown in Appendix D. (31453, 31454, 31454.1)

Contributions cease when general members are credited with 30 years of service in a contributory plan provided they were members of SBCERS or a reciprocal system on March 7, 1973, and continuously thereafter. All safety members are eligible for the 30-year cessation of contributions, regardless of hire date. (31625, 31625.2)

Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Retirement on amounts that have been on deposit for at least six months. (31591, 31700)

### **Cost-of-Living:**

Members do not contribute towards the cost-of-living benefit.

### **Cost-Sharing:**

Members contribute a varying amount based on entry age and Plan.

General Plan 5A member rates are half General Plan 5B member rates. (31621.2, 31621.5)

General Plan 5C is based on half rates.

APCD Plan 1 member rates are half APCD Plan 2 member rates. (31621.6, 31581.1)

Safety Plan 4A member rates are half Safety Plan 4B member rates.

Safety Plans 4C, 6A and 6B are based on half rates.

## EMPLOYER CONTRIBUTIONS

The employer (County or District) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary. (31453, 31453.5, 31453.6, 31454, 31454.1, 31581)

**SERVICE RETIREMENT ALLOWANCE**

**Eligibility:**

	<b>General Plan members:</b>	
Plans 5A, 5B & 5C:	Age 50 with 5 years of service and 10 years of elapsed time since hire; Any age with 30 years of service; or Age 70 regardless of service.	(31672, 31672.1)
Plan 2:	Age 55 with 10 years of service.	(31486.4)
	<b>APCD Plan members:</b>	
	Age 50 with 5 years of service and 10 years of elapsed time since hire; Any age with 30 years of service; or Age 70 regardless of service.	(31672, 31672.1)
	<b>Safety Plan members:</b>	
	Age 50 with 5 years of service and 10 years of elapsed time since hire; Any age with 20 years of service; or Age 60, regardless of service.	(31663.25)

**Final Compensation:**

	<b>General Plan members:</b>	
Plans 5A & 5B:	Monthly average of a member's highest 12 consecutive months of compensation.	(31462.1)
Plan 5C:	Monthly average of a member's highest 36 consecutive months of compensation.	(31462)
Plan 2:	Monthly average of a member's highest three years of compensation.	(31486.1)
	<b>APCD Plan members:</b>	
	Monthly average of a member's highest 12 consecutive months of compensation.	(31486.1)
	<b>Safety Plan members:</b>	
Plans 4A, 4B & 6A:	Monthly average of a member's highest 12 consecutive months of compensation.	(31462.1)
Plans 4C & 6B:	Monthly average of a member's highest 36 consecutive months of compensation.	(31462)

**Compensation Limit:**

The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the US Code. (31671)

**Monthly Allowance:**

**General members:**

Plans 5A, 5B & 5C:  $2\% \times \text{Final Compensation} \times \text{General Age Factor} \times \text{Years of Service}$ . (31676.12)

Plan 2: Sum of (a) + (b) – (c): (31486.4)  
 (a)  $2\% \times \text{Final Compensation} \times \text{Years of Service}$  (max. 35 years); plus  
 (b)  $1\% \times \text{Final Compensation} \times \text{Years of Service}$  in excess of 35 (max. 10 years); minus  
 (c)  $1/35 \times \text{Primary Insurance Amount (PIA) at age 65} \times \text{Years of Covered Service}$  (max. 35 years)

The PIA is calculated based on certain assumptions specified by statute, and an assumed Social Security retirement age of 65. If retirement occurs prior to age 65, benefit amount is adjusted by an actuarial equivalent factor (see Sample Plan Age Factors).

**APCD members:**

$2\% \times \text{Final Compensation} \times \text{APCD Age Factor} \times \text{Years of Service}$ . (31676.15)

**Safety members:**

$3\% \times \text{Final Compensation} \times \text{Safety Age Factor} \times \text{Years of service}$ . (31664.2)



Age Factors are higher for Plans 6A and 6B

(31664.1)

**Age Factors by Plan**

Code Section:	<u>General</u>	<u>APCD</u>	<u>Safety</u>	
	<b>31676.12</b>	<b>31676.15</b>	<b>Plan 4 31664.2</b>	<b>Plan 6 31664.1</b>
Label:	2% @ 57	2% @ 55	3% @ 55	3% @ 50
Base:	2.00%	2.00%	3.00%	3.00%
Age				
41			0.4777	0.6258
42			0.5058	0.6625
43			0.5347	0.7004
44			0.5647	0.7397
45			0.5958	0.7805
46			0.6280	0.8226
47			0.6625	0.8678
48			0.6936	0.9085
49			0.7269	0.9522
50	0.6681	0.7454	0.7634	1.0000
51	0.7056	0.7882	0.8028	1.0000
52	0.7454	0.8346	0.8457	1.0000
53	0.7882	0.8850	0.8926	1.0000
54	0.8346	0.9399	0.9418	1.0000
55	0.8850	1.0000	1.0000	1.0000
56	0.9399	1.0447	1.0000	1.0000
57	1.0000	1.1048	1.0000	1.0000
58	1.0447	1.1686	1.0000	1.0000
59	1.1048	1.2365	1.0000	1.0000
60	1.1686	1.3093	1.0000	1.0000
61	1.2365	1.3608		
62	1.3093	1.4123		
63	1.3093	1.4638		
64	1.3093	1.5153		
65	1.3093	1.5668		

**Maximum Allowance:**

General Plan 2: The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of Final Compensation for a member with 35 or less years of service, and cannot exceed 80% of Final Compensation if service exceeds 35 years. (31486.4)

All other Plans: Allowance may not exceed 100% of Final Compensation.



**SERVICE RETIREMENT ALLOWANCE (Continued)**

**Unmodified Retirement Allowance (Normal Form):**

General Plan 2:	Life Annuity payable to retired member with 50% continuance to an eligible survivor (or eligible children).	(31486.6)
All other Plans:	Life Annuity payable to retired member with 60% continuance to an eligible survivor (or eligible children).	(31760.1)
Eligible survivor includes certain domestic partners.		(31780.2)

**Optional Retirement Allowance:**

A member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance.

- Option 1:** Member's allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member's contributions at retirement) to the member's estate or to a beneficiary having an insurable interest in the life of the member. (31761)
- Option 2:** 100% of member's reduced allowance is payable to a surviving spouse or beneficiary having an insurable interest in the life of the member. (31762)
- Option 3:** 50% of member's reduced allowance is payable to a surviving spouse or beneficiary having an insurable interest in the life of the member. (31763)
- Option 4:** Other % of member's reduced allowance is payable to a surviving spouse or beneficiary(ies) having an insurable interest in the life of the member. (31764)

A member may not revoke and name another beneficiary if the member elects Option 2, 3 or 4. (31782)

**SERVICE RETIREMENT ALLOWANCE (Continued)**

**All Allowances:** All allowances are made on a pro-rata basis (based on the number of days in that month) if not in effect for the entire month of retirement. (31600)

**Death after Retirement:**

General Plan 2: No benefit is payable upon death after retirement, other than in accordance with form of benefit allowance.

All other Plans: Upon a member's death after retirement, a special lump sum of \$5,000 is payable to an eligible survivor, or the member's estate. (31789.5)

**SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE**

**Eligibility:**

General Plan 2: Disability benefits not valued since provided outside of the retirement system. (31720, 31720.5,

All other Plans: Any age and length of service; disability must result from occupational injury or disease, and member must be permanently incapacitated for the performance of duty. (31720.6, 31720.7, 31720.9)

**Monthly Allowance:**

General Plan 2: Service retirement benefit payable at age 65 with service projected from disability until age 65. Prior to age 65, disability benefits are provided outside of retirement system.

All other Plans: Greater of (1) 50% of final compensation, and (2) the service retirement allowance, if eligible to retire. (31727.4)

**Supplemental Disability Allowance:**

APCD Members: Upon retirement for service disability, APCD members receive a monthly supplemental allowance of \$300. (31740)

**Normal Form Of Payment:**

General Plan 2: Service retirement benefit payable at age 65 with service projected from disability until age 65. Prior to age 65, disability benefits are provided outside of retirement system. (31760, 31786)

All other Plans: Life Annuity payable to retired member with 100% continuance to an eligible survivor (or eligible children).

**Death after Retirement:**

- General Plan 2: No benefit is payable upon death after retirement, other than in accordance with form of benefit allowance.
- All other Plans: Upon a member's death after retirement, a special lump sum of \$5,000 is payable to an eligible survivor, or the member's estate. (31789.5)

**NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE**

**Eligibility:**

- General Plan 2: Disability benefits not valued since provided outside of the retirement system.
- All other Plans: Any age with five (5) years of service and permanently incapacitated for the performance of duty. (31720)

**Monthly Allowance:**

- General Plan 2: Service retirement benefit payable at age 65 with service projected from disability until age 65. Prior to age 65, disability benefits are provided outside the retirement system.
- All other Plans: The monthly allowance is equal to a service retirement allowance if the member is eligible to retire and the service retirement allowance exceeds the benefits described below. (31727.1, 31727.2, 31727.3)  
Otherwise, allowance equals (a) or (b) where:  
(a)  $90\% \times 1/50 \times \text{Final Compensation} \times \text{years of service}$ , if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation.  
(b)  $90\% \times 1/50 \times \text{Final Compensation} \times \text{Projected Service}$ , not to exceed 1/3 of Final Compensation.

**Projected Service:**

- General Members: Age 62 (31727.1,  
APCD Members: Age 65 31727.2,  
Safety Members: Age 55 31727.3)

**Supplemental Monthly Disability Retirement:**

- APCD Members: Upon retirement for service disability, APCD members receive a monthly supplemental allowance of \$300. (31740)

**Normal Form Of Payment:**

General Plan 2:	Service retirement benefit payable at age 65 with service projected from disability until age 65. Prior to age 65, disability benefits are provided outside of retirement system.	
All other Plans:	Life Annuity with 60% continuance to a surviving spouse (or eligible children).	(31760.1)

**Death after Retirement:**

General Plan 2:	No benefit is payable upon death after retirement, other than in accordance with form of benefit allowance.	
All other Plans:	Upon a member's death after retirement, a special lump sum of \$5,000 is payable to an eligible survivor, or the member's estate.	(31789.5)

**SERVICE-CONNECTED DEATH BENEFITS**

**Eligibility:**

All Plans:	Active members who die in service as a result of injury or disease arising out of and in the course of employment.	(31486.7, 31787)
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**Monthly Allowance:**

General Plan 2:	A lump sum is payable to an eligible survivor equal to $1/12 \times$ final 12 months Salary $\times$ years of service (up to max of 6 years).	(31781)
All other Plans:	A monthly allowance is payable to an eligible survivor equal to the greater of the Member's Service Retirement Allowance (if he is eligible for service Retirement at his date of death), and (b) $50\% \times$ Final Compensation.	(31787)

**Supplemental Monthly Death Benefit:**

APCD Members:	Eligible survivors of an active members who dies while employed with at least 18 months continuous service immediately prior to death, shall receive a supplemental monthly allowance. The amount of the supplemental allowance is based on the family demographics of the beneficiaries.	(31855.11, 31855.12)
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**NONSERVICE-CONNECTED DEATH BENEFITS**

**Eligibility:**

All Plans: Active members who die while in service but not as a result of injury or disease arising out of and in the course of employment. (31486.7, 31780)

**Monthly Allowance:**

General Plan 2: A lump sum is payable to an eligible survivor equal to 1/12 x final 12 months Salary x years of service (up to maximum of 6 years). (31781)

All other Plans: If an active member is eligible for Non-Service Connected Disability at his date of death, then a monthly allowance is payable to an eligible survivor equal to 60% x the member's allowance. Otherwise, the benefit is a refund of contributions plus a lump sum equal to 1/12 x final 12 months Salary x years of service (up to maximum of 6 years). (31787)

**Supplemental Monthly Death Benefit:**

APCD Members: Eligible survivors of an active members who dies while employed with at least 18 months continuous service immediately prior to death, shall receive a supplemental monthly allowance. The amount of the supplemental allowance is based on the family demographics of the beneficiaries. (31855.11, 31855.12)

## DEFERRED VESTED BENEFITS

### **Eligibility:**

- General Plan 2: The member must have terminated with 10 years of service. (31700)  
Members are eligible for service retirement when they reach service retirement eligibility (based on years of service at termination plus reciprocal service, if any).
- All other Plans: Member contributions must be left on deposit and the member (31700, 31701,  
must have terminated with five (5) years of service or entered a 31702)  
reciprocal agency. Members are eligible for service retirement when they reach service retirement eligibility (based on years of service at termination plus reciprocal service, if any).

### **Monthly Allowance:**

- General Plan 2: Same as service retirement allowance at normal retirement age 65 or in an actuarially equivalent reduced amount at early retirement, after age 55.
- All other Plans: Same as service retirement allowance; payable anytime after (31703, 31704,  
the member would have been eligible for service retirement. 31705)

**COST-OF-LIVING INCREASES**

Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective April 1, based on changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest ½ of 1%. (31870, 31870.1)

All Plans (excluding General Plan 2): Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase. (31870.1)

General Plan 2: General Plan 2 does not have a COLA.

**COLA Bank:**

All Plans (excluding General Plan 2): When the CPI exceeds the applicable percentage, the difference between the actual CPI and the maximum cost-of-living increase given in any year is credited to the COLA Accumulation (COLA Bank). It may be used in future years to provide cost-of-living increases when the CPI falls below the applicable percentage. (31874, 31874.1, 31874.2, 31874.3)

General Plan 2: General Plan 2 does not have a COLA and, therefore, does not have a COLA Bank.



# Santa Barbara County Employees' Retirement System

## Appendix C: Valuation Data and Schedules

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Data on SBCERS membership as of June 30, 2009 was supplied to us by the system staff. On the following tables, Exhibit C-1a and C-1b, we present summaries of SBCERS membership at June 30, 2009 for active members. Similar information is shown in Exhibit C-2 for deferred vested members and Exhibits C-3a and C-3b for retired members.

Note that the compensation amounts shown are the total prior year earnings, adjusted for one-half year of expected salary increases.

Additional statistical data on both active and retired members is shown in the following tables.

Exhibit C-4: Age, Service, Compensation Distribution of all Active Members

Exhibit C-5: Age, Retirement Year, Benefit Amount and Class Distribution of Retired Members

Exhibits C-4 and C-5 are shown for all members combined as well as for each class separately.

Exhibit C-6 displays the reconciliation of system membership categories since the previous valuation.

**Santa Barbara County Employees'  
Retirement System**

**Exhibit C-1a: SBCERS Membership – Active Members as of June 30, 2009**

	<u>Total Number</u>	<u>Annual Compensation</u>	<u>Average Age</u>	<u>Average Monthly Compensation</u>	<u>Average Vesting Service</u>
<b>General Members</b>					
Plan 5A	991	\$ 72,563,123	52.5	\$6,102	20.9
Plan 5B	475	\$ 41,668,672	44.5	\$7,310	6.6
Plan 5C	1,967	\$ 108,525,232	42.4	\$4,598	6.7
Plan 2	17	\$ 1,073,955	53.3	\$5,264	22.3
Total	3,450	\$ 223,830,982	45.6	\$5,407	10.8
<b>Safety Members</b>					
Plan 4A	112	\$ 11,785,646	48.7	\$8,769	20.3
Plan 4B	10	\$ 1,097,059	45.6	\$9,142	20.8
Plan 4C	360	\$ 26,483,070	39.5	\$6,130	8.9
Plan 6A	169	\$ 15,925,871	47.8	\$7,853	21.5
Plan 6B	316	\$ 24,304,539	37.2	\$6,409	7.2
Total	967	\$ 79,596,185	41.3	\$6,859	12.0
<b>APCD Members</b>					
Plan 1	30	\$ 2,614,781	53.6	\$7,263	21.2
Plan 2	20	\$ 1,339,810	46.4	\$5,583	7.1
Total	50	\$ 3,954,591	50.7	\$6,591	15.6
<b>Grand Total</b>	4,467	\$ 307,381,757	44.8	\$5,734	11.1

## Santa Barbara County Employees' Retirement System

### Exhibit C-1b: Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll	Average Annual Salary	Increase in Average Pay
June 30, 2003	General	3,648	\$ 193,102,000	\$ 52,934	10.1%
	Safety	925	\$ 64,135,000	69,335	13.4%
	<b>Total</b>	<b>4,573</b>	<b>257,237,000</b>	<b>56,251</b>	<b>10.8%</b>
June 30, 2004	General	3,559	\$ 199,365,000	\$ 56,017	5.8%
	Safety	944	\$ 67,596,000	71,606	3.3%
	<b>Total</b>	<b>4,503</b>	<b>266,961,000</b>	<b>59,285</b>	<b>5.4%</b>
June 30, 2005	General	3,558	\$ 199,371,000	\$ 56,035	0.0%
	Safety	947	\$ 68,414,000	72,243	0.9%
	<b>Total</b>	<b>4,505</b>	<b>267,785,000</b>	<b>59,442</b>	<b>0.3%</b>
June 30, 2006	General	3,658	\$ 214,405,000	\$ 58,613	4.6%
	Safety	982	\$ 72,977,000	74,315	2.9%
	<b>Total</b>	<b>4,640</b>	<b>287,382,000</b>	<b>61,936</b>	<b>4.2%</b>
June 30, 2007	General	3,569	\$ 214,717,000	\$ 60,162	2.6%
	APCD	53	\$ 3,940,000	74,340	N/A
	Safety	1,003	\$ 75,506,000	75,280	1.3%
	<b>Total</b>	<b>4,625</b>	<b>294,163,000</b>	<b>63,603</b>	<b>2.7%</b>
June 30, 2008	General	3,552	\$ 226,426,000	\$ 63,746	6.0%
	APCD	48	\$ 3,608,000	75,167	1.1%
	Safety	1,006	\$ 77,230,000	76,769	2.0%
	<b>Total</b>	<b>4,606</b>	<b>307,264,000</b>	<b>66,710</b>	<b>4.9%</b>
June 30, 2009	General	3,450	\$ 223,831,000	\$ 64,879	1.8%
	APCD	50	\$ 3,955,000	79,100	5.2%
	Safety	967	\$ 79,596,000	82,312	7.2%
	<b>Total</b>	<b>4,467</b>	<b>307,382,000</b>	<b>68,812</b>	<b>3.2%</b>

**Santa Barbara County Employees'  
Retirement System**

**Exhibit C-2: SBCERS Membership – Deferred Vested Members as of June 30, 2009**

	<b>Number</b>	<b>Average Age</b>
<b><i>General Members</i></b>		
Plan 5A	332	50.8
Plan 5B	493	44.2
Plan 5C	94	39.9
Plan 2	30	51.1
Total	949	46.3
<b><i>Safety Members</i></b>		
Plan 4A	8	41.4
Plan 4B	66	41.5
Plan 4C	30	36.5
Plan 4D	8	37.8
Plan 6A	67	48.0
Plan 6B	12	35.5
Total	191	42.5
<b><i>APCD Members</i></b>		
Plan 1	11	47.8
Plan 2	3	45.0
Total	14	47.2
<b><i>Grand Total</i></b>	<b>1,154</b>	<b>45.7</b>

## Santa Barbara County Employees' Retirement System

### Exhibit C-3a: SBCERS Membership – Retired Members as of June 30, 2009

	<u>Number</u>	<u>Average Age</u>	<u>Monthly Allowance</u>	<u>Average Monthly Benefit</u>
<b>General Members</b>				
Plan 5A	781	62.5	\$ 2,086,716	\$ 2,672
Plan 5B	126	63.1	\$ 153,586	1,219
Plan 5C	23	59.0	\$ 28,370	1,233
Plan 2	40	70.3	\$ 24,201	605
Other	<u>1,455</u>	<u>76.2</u>	<u>\$ 2,313,772</u>	<u>1,590</u>
Total	2,425	70.9	\$ 4,606,646	\$ 1,900
<b>Safety Members</b>				
Plan 4A	183	60.1	\$ 1,134,965	\$ 6,202
Plan 4B	72	60.8	\$ 285,064	\$ 3,959
Plan 4C	17	57.9	\$ 44,259	\$ 2,603
Plan 4D	2	54.0	\$ 6,481	\$ 3,240
Plan 6A	56	54.1	\$ 338,360	\$ 6,042
Plan 6B	3	57.0	\$ 7,513	\$ 2,504
Other	<u>336</u>	<u>69.3</u>	<u>\$ 1,207,565</u>	<u>\$ 3,594</u>
Total	669	64.2	\$ 3,024,207	\$ 4,520
<b>APCD Members</b>				
Plan 1	21	61.5	\$ 55,285	\$ 2,633
Plan 2	<u>2</u>	<u>65.0</u>	<u>\$ 3,472</u>	<u>\$ 1,736</u>
Total	23	61.8	\$ 58,757	\$ 2,555
<b>Grand Total</b>	3,117	69.4	\$ 7,689,610	\$ 2,467

**Santa Barbara County Employees'  
Retirement System**

**Exhibit C-3b: SBCERS Membership – Retired Members as of June 30, 2009  
Subtotaled by Class and Retirement Type**

	<u>Number</u>	<u>Monthly Allowance</u>	<u>Average Monthly Benefit</u>
<b>General Members</b>			
Healthy	1,919	\$ 3,948,689	\$ 2,058
Disabled	130	\$ 239,057	\$ 1,839
Beneficiaries	<u>376</u>	<u>\$ 418,900</u>	<u>\$ 1,114</u>
Total	2,425	\$ 4,606,646	\$ 1,900
<b>Safety Members</b>			
Healthy	489	\$ 2,529,472	\$ 5,173
Disabled	120	\$ 359,214	\$ 2,993
Beneficiaries	<u>60</u>	<u>\$ 135,521</u>	<u>\$ 2,259</u>
Total	669	\$ 3,024,207	\$ 4,520
<b>APCD Members</b>			
Healthy	22	\$ 56,852	\$ 2,584
Disabled	-	\$ -	\$ -
Beneficiaries	<u>1</u>	<u>\$ 1,906</u>	<u>\$ 1,906</u>
Total	23	\$ 58,757	\$ 2,555
<b>Grand Total</b>	3,117	\$ 7,689,610	\$ 2,467

## Santa Barbara County Employees' Retirement System

**Exhibit C-4: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2009  
All Members**

<b>Count</b>	<b>Years of Vesting Service</b>									<b>Total Count</b>	
	<b>Age</b>	<b>0-1</b>	<b>1-5</b>	<b>5-9</b>	<b>10-14</b>	<b>15-19</b>	<b>20-24</b>	<b>25-29</b>	<b>30-34</b>		<b>35&amp;Over</b>
Under 25	22	50	-	-	-	-	-	-	-	-	72
25-29	45	287	43	-	-	-	-	-	-	-	375
30-34	36	221	171	39	-	-	-	-	-	-	467
35-39	32	163	218	173	38	1	-	-	-	-	625
40-44	15	144	156	147	108	38	-	-	-	-	608
45-49	16	100	134	127	139	118	37	-	-	-	671
50-54	19	94	111	128	112	118	107	28	1	718	
55-59	15	71	97	82	77	80	68	40	5	535	
60-64	3	48	52	55	52	29	39	17	14	309	
65 & Over	-	8	18	23	23	4	4	2	5	87	
<b>Total Count</b>	203	1,186	1,000	774	549	388	255	87	25	4,467	

<b>Compensation</b>	<b>Years of Vesting Service</b>									<b>Average Comp.</b>	
	<b>Age</b>	<b>0-1</b>	<b>1-2</b>	<b>5-9</b>	<b>10-14</b>	<b>15-19</b>	<b>20-24</b>	<b>25-29</b>	<b>30-34</b>		<b>35&amp;Over</b>
Under 25	20,798	47,153	-	-	-	-	-	-	-	-	39,100
25-29	25,385	55,499	61,793	-	-	-	-	-	-	-	52,607
30-34	29,505	57,558	66,327	69,470	-	-	-	-	-	-	59,602
35-39	31,357	63,250	70,889	72,185	70,119	71,105	-	-	-	-	67,185
40-44	36,982	59,018	68,324	70,352	73,225	82,902	-	-	-	-	67,619
45-49	26,434	70,109	66,634	73,500	74,417	83,500	90,180	-	-	-	73,369
50-54	42,401	72,546	70,712	63,947	72,305	81,455	86,719	92,509	83,371	74,264	
55-59	65,861	72,322	75,332	70,381	78,137	76,645	80,795	94,859	84,086	76,744	
60-64	64,736	69,087	67,170	65,620	71,845	87,687	100,718	99,254	90,827	76,952	
65 & Over	-	68,960	75,747	71,796	69,003	69,502	88,312	129,650	93,899	74,868	
<b>Avg. Annual Compensation</b>	32,665	61,254	69,053	69,884	73,505	81,543	87,808	95,761	89,795	68,812	



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

## Santa Barbara County Employees' Retirement System

**Exhibit C-4a: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2009  
General Members**

Age	Years of Service									Total Count
	0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	17	38	-	-	-	-	-	-	-	55
25-29	37	207	31	-	-	-	-	-	-	275
30-34	31	163	95	25	-	-	-	-	-	314
35-39	31	135	152	101	22	-	-	-	-	441
40-44	13	125	122	104	65	22	-	-	-	451
45-49	15	93	118	103	94	71	20	-	-	514
50-54	17	81	99	113	95	81	71	13	1	571
55-59	14	67	86	72	71	71	53	31	4	469
60-64	3	43	48	48	42	27	36	17	13	277
65 & Over	-	8	18	20	22	4	4	2	5	83
<b>Total Count</b>	178	960	769	586	411	276	184	63	23	3,450

Age	Years of Service									Average Comp.
	0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	18,119	40,904	-	-	-	-	-	-	-	33,861
25-29	25,962	49,750	54,262	-	-	-	-	-	-	47,058
30-34	29,833	53,276	56,221	61,326	-	-	-	-	-	52,494
35-39	31,117	60,574	64,864	64,130	59,745	-	-	-	-	60,755
40-44	37,120	57,392	65,940	65,566	62,598	73,369	-	-	-	62,535
45-49	25,934	70,720	65,186	72,331	68,479	74,486	73,687	-	-	68,691
50-54	41,257	69,477	71,006	62,254	70,969	74,172	74,641	74,008	83,371	69,156
55-59	67,124	72,028	75,401	69,718	78,272	75,476	74,485	89,508	78,267	75,099
60-64	64,736	67,859	67,133	65,151	71,827	87,212	101,409	99,254	85,576	76,837
65 & Over	-	68,960	75,747	72,756	68,977	69,502	88,312	129,650	93,899	75,274
<b>Avg. Annual Compensation</b>	32,949	58,738	65,954	66,410	69,718	75,732	80,027	90,214	86,018	64,879



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.



## Santa Barbara County Employees' Retirement System

**Exhibit C-4b: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2009  
Safety Members**

<b>Count</b>										
<b>Age</b>	<b>Years of Service</b>									<b>Total Count</b>
	<b>0-1</b>	<b>1-5</b>	<b>5-9</b>	<b>10-14</b>	<b>15-19</b>	<b>20-24</b>	<b>25-29</b>	<b>30-34</b>	<b>35&amp;Over</b>	
Under 25	3	12	-	-	-	-	-	-	-	15
25-29	8	79	12	-	-	-	-	-	-	99
30-34	5	57	75	14	-	-	-	-	-	151
35-39	1	28	66	71	16	1	-	-	-	183
40-44	1	19	33	43	43	16	-	-	-	155
45-49	-	7	15	23	39	44	17	-	-	145
50-54	2	13	11	14	16	35	35	15	-	141
55-59	1	4	8	9	4	5	12	8	1	52
60-64	-	4	3	6	5	1	2	-	1	22
65 & Over	-	-	-	3	1	-	-	-	-	4
<b>Total Count</b>	<b>21</b>	<b>223</b>	<b>223</b>	<b>183</b>	<b>124</b>	<b>102</b>	<b>66</b>	<b>23</b>	<b>2</b>	<b>967</b>

<b>Compensation</b>										
<b>Age</b>	<b>Years of Service</b>									<b>Average Comp.</b>
	<b>0-1</b>	<b>1-2</b>	<b>5-9</b>	<b>10-14</b>	<b>15-19</b>	<b>20-24</b>	<b>25-29</b>	<b>30-34</b>	<b>35&amp;Over</b>	
Under 25	17,881	66,941	-	-	-	-	-	-	-	57,129
25-29	22,718	70,341	81,249	-	-	-	-	-	-	67,815
30-34	27,476	69,528	79,326	84,013	-	-	-	-	-	74,345
35-39	38,793	76,148	84,766	83,015	84,384	71,105	-	-	-	82,409
40-44	10,069	69,713	76,454	81,927	89,289	96,011	-	-	-	82,297
45-49	-	61,998	76,400	79,838	88,252	96,891	109,585	-	-	89,546
50-54	52,127	91,671	68,915	76,789	79,634	97,704	110,978	108,544	-	94,576
55-59	48,188	77,249	75,748	82,754	66,797	87,502	99,522	117,558	107,361	89,514
60-64	-	77,171	73,984	68,004	71,090	82,856	93,308	-	159,083	78,303
65 & Over	-	-	-	65,397	69,571	-	-	-	-	66,440
<b>Avg. Annual Compensation</b>	<b>27,337</b>	<b>71,854</b>	<b>79,704</b>	<b>81,166</b>	<b>85,466</b>	<b>96,181</b>	<b>108,001</b>	<b>111,679</b>	<b>133,222</b>	<b>82,312</b>



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## Santa Barbara County Employees' Retirement System

**Exhibit C-4c: Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2009  
APCD Members**

Age	Years of Service									Total Count
	0-1	1-5	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	2	-	-	-	-	-	-	-	-	2
25-29	-	1	-	-	-	-	-	-	-	1
30-34	-	1	1	-	-	-	-	-	-	2
35-39	-	-	-	1	-	-	-	-	-	1
40-44	1	-	1	-	-	-	-	-	-	2
45-49	1	-	1	1	6	3	-	-	-	12
50-54	-	-	1	1	1	2	1	-	-	6
55-59	-	-	3	1	2	4	3	1	-	14
60-64	-	1	1	1	5	1	1	-	-	10
65 & Over	-	-	-	-	-	-	-	-	-	-
<b>Total Count</b>	<b>4</b>	<b>3</b>	<b>8</b>	<b>5</b>	<b>14</b>	<b>10</b>	<b>5</b>	<b>1</b>	<b>-</b>	<b>50</b>

Age	Years of Service									Average Comp.
	0-1	1-2	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	47,951	-	-	-	-	-	-	-	-	47,951
25-29	-	72,944	-	-	-	-	-	-	-	72,944
30-34	-	73,339	51,520	-	-	-	-	-	-	62,429
35-39	-	-	-	116,764	-	-	-	-	-	116,764
40-44	62,100	-	90,811	-	-	-	-	-	-	76,455
45-49	33,929	-	91,029	48,139	77,505	100,416	-	-	-	78,281
50-54	-	-	61,314	75,441	81,997	92,033	95,254	-	-	83,012
55-59	-	-	72,263	6,761	96,001	83,817	117,368	79,173	-	84,436
60-64	-	89,529	48,534	73,814	72,747	105,359	90,697	-	-	77,167
65 & Over	-	-	-	-	-	-	-	-	-	-
<b>Avg. Annual Compensation</b>	<b>47,983</b>	<b>78,604</b>	<b>70,000</b>	<b>64,184</b>	<b>78,769</b>	<b>92,594</b>	<b>107,611</b>	<b>79,173</b>	<b>-</b>	<b>79,092</b>



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## Santa Barbara County Employees' Retirement System

### Exhibit C-5: Distribution of Retired Members by Age and Retirement Year as of June 30, 2009 All Members

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09		
Under 35	-	-	-	-	-	3	5	6	14	\$ 1,052
35-39	-	-	-	-	-	2	1	-	3	1,860
40-44	-	-	-	-	2	2	4	5	13	1,768
45-49	-	-	-	-	-	3	12	9	24	1,645
50-54	-	-	-	1	1	20	17	141	180	2,115
55-59	-	1	3	3	1	11	94	227	340	2,919
60-64	1	5	3	9	8	87	195	259	567	3,230
65-69	3	11	11	4	55	146	210	145	585	3,071
70-74	4	18	10	33	66	121	107	46	405	2,307
75-79	5	5	28	46	80	92	51	22	329	1,962
80-84	7	29	44	76	68	26	30	20	300	1,687
85-89	15	46	49	46	15	12	19	12	214	1,598
90-94	14	33	29	10	1	4	11	8	110	1,313
95-99	12	11	2	-	-	1	2	1	29	1,032
100 & Over	1	1	-	-	-	-	-	2	4	834
<b>Total Count</b>	62	160	179	228	297	530	758	903	<b>3,117</b>	
<b>Avg Monthly Benefit</b>	\$ 1,556	\$ 1,306	\$ 1,621	\$ 2,015	\$ 2,217	\$ 2,329	\$ 2,714	\$ 2,973		\$ 2,467



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## Santa Barbara County Employees' Retirement System

### Exhibit C-5a: Distribution of Retired Members by Age and Retirement Year as of June 30, 2009 General Members

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09		
Under 35	-	-	-	-	-	3	4	3	10	\$ 723
35-39	-	-	-	-	-	1	1	-	2	1,603
40-44	-	-	-	-	2	1	2	3	8	926
45-49	-	-	-	-	-	3	7	6	16	1,329
50-54	-	-	-	1	1	13	9	81	105	1,101
55-59	-	1	1	1	1	8	72	148	232	1,687
60-64	-	1	-	5	4	70	114	209	403	2,433
65-69	-	3	3	3	41	77	166	129	422	2,386
70-74	-	4	4	21	48	104	98	43	322	1,993
75-79	4	4	21	38	71	85	46	19	288	1,811
80-84	2	24	42	74	67	25	27	18	279	1,604
85-89	6	43	48	45	14	12	19	12	199	1,492
90-94	12	31	29	10	1	4	11	8	106	1,249
95-99	12	11	2	-	-	1	2	1	29	1,032
100 & Over	1	1	-	-	-	-	-	2	4	834
<b>Total Count</b>	37	123	150	198	250	407	578	682	<b>2,425</b>	
<b>Avg Monthly Benefit</b>	\$ 1,133	\$ 1,035	\$ 1,432	\$ 1,806	\$ 1,847	\$ 1,654	\$ 2,037	\$ 2,276		\$ 1,900



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## Santa Barbara County Employees' Retirement System

**Exhibit C-5b: Distribution of Retired Members by Age and Retirement Year as of June 30, 2009  
Safety Members**

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09		
Under 35	-	-	-	-	-	-	1	3	4	\$ 1,872
35-39	-	-	-	-	-	1	-	-	1	2,373
40-44	-	-	-	-	-	1	2	2	5	3,115
45-49	-	-	-	-	-	-	5	3	8	2,278
50-54	-	-	-	-	-	7	8	54	69	3,720
55-59	-	-	2	2	-	3	21	77	105	5,644
60-64	1	4	3	4	4	17	78	46	157	5,264
65-69	3	8	8	1	14	69	44	15	162	4,860
70-74	4	14	6	12	18	17	6	1	78	3,563
75-79	1	1	7	8	9	7	4	3	40	3,093
80-84	5	5	2	2	1	1	3	2	21	2,795
85-89	9	3	1	1	1	-	-	-	15	3,000
90-94	2	2	-	-	-	-	-	-	4	3,013
95-99	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-
<b>Total Count</b>	25	37	29	30	47	123	172	206	<b>669</b>	
<b>Avg Monthly Benefit</b>	\$ 2,184	\$ 2,207	\$ 2,595	\$ 3,396	\$ 4,187	\$ 4,562	\$ 5,014	\$ 5,294		\$ 4,520



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## Santa Barbara County Employees' Retirement System

**Exhibit C-5c: Distribution of Retired Members by Age and Retirement Year as of June 30, 2009  
APCD Members**

Age	Benefit Effective Date							Total Count	Average Monthly Benefit	
	Pre-1974	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04			2005-09
Under 35	-	-	-	-	-	-	-	-	-	\$ -
35-39	-	-	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	-	-	-	-
45-49	-	-	-	-	-	-	-	-	-	-
50-54	-	-	-	-	-	-	-	6	6	1,388
55-59	-	-	-	-	-	-	1	2	3	2,875
60-64	-	-	-	-	-	-	3	4	7	3,493
65-69	-	-	-	-	-	-	-	1	1	2,214
70-74	-	-	-	-	-	-	3	2	5	2,950
75-79	-	-	-	-	-	-	1	-	1	387
80-84	-	-	-	-	-	-	-	-	-	-
85-89	-	-	-	-	-	-	-	-	-	-
90-94	-	-	-	-	-	-	-	-	-	-
95-99	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-
<b>Total Count</b>	-	-	-	-	-	-	8	15	<b>23</b>	
<b>Avg Monthly Benefit</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,155	\$ 2,768		\$ 2,555



This work product was prepared solely for SBCERS. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. **C-14**

## Santa Barbara County Employees' Retirement System

### Exhibit C-6: Reconciliation of System Membership Since Prior Valuation

	Actives	Vested Terms	Terms with Contributions on Deposit	Retirees <sup>(1)</sup>	Disabilities	Beneficiaries	Total
<b>Total Record Count as of July 1, 2008</b>	4,606	941	247	2,302	249	421	8,766
New Members	190						190
Rehired Non-Vested Members	8		(3)				5
Rehired Vested Members	6	(4)		(2)			-
Non-Vested Terms - Contributions on Deposit	(68)		58				(10)
Vested Terms	(59)	59					-
Service Retirements	(114)	(75)		189			-
Retirement Disabilities	(3)	(3)		(2)	8		-
New Beneficiaries	(1)					38	37
Deaths with no Beneficiaries	(3)			(63)	(7)	(22)	(95)
Refund of Contributions	(95)	(19)	(59)				(173)
Other Status Transfers		6	(6)				-
Data Adjustments		1	11	6			18
<b>Subtotal of Net Changes from 2008 to 2009</b>	(139)	(35)	1	128	1	16	(28)
<b>Total Record Count as of July 1, 2009</b>	4,467	906	248	2,430	250	437	8,738

<sup>(1)</sup> Retiree count includes duplicate records for members being both Service Retirement and Continuance benefits as well as members being paid benefits from multiple plans.



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## Santa Barbara County Employees' Retirement System

### Appendix D: Member Contribution Rates

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This section illustrates the member contribution rates by plan, tier and entry age.

## Santa Barbara County Employees' Retirement System

### Exhibit D-1 Member Contribution Rates

Entry Age	General			APCD		Safety		
	5A	5B	5C	1	2	4A & 6A	4B	4C & 6B
16	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
17	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
18	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
19	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
20	2.39%	4.77%	2.29%	2.84%	5.68%	4.47%	8.93%	4.28%
21	2.45%	4.89%	2.35%	2.91%	5.82%	4.56%	9.13%	4.37%
22	2.50%	5.00%	2.40%	2.98%	5.95%	4.66%	9.32%	4.46%
23	2.56%	5.12%	2.46%	3.04%	6.09%	4.76%	9.52%	4.56%
24	2.62%	5.24%	2.51%	3.11%	6.23%	4.86%	9.73%	4.66%
25	2.68%	5.36%	2.57%	3.19%	6.37%	4.97%	9.94%	4.76%
26	2.74%	5.48%	2.63%	3.26%	6.52%	5.07%	10.15%	4.86%
27	2.81%	5.61%	2.69%	3.33%	6.67%	5.18%	10.36%	4.96%
28	2.87%	5.74%	2.75%	3.41%	6.82%	5.29%	10.58%	5.06%
29	2.94%	5.87%	2.82%	3.48%	6.97%	5.40%	10.80%	5.16%
30	3.01%	6.01%	2.88%	3.56%	7.12%	5.51%	11.02%	5.27%
31	3.07%	6.14%	2.95%	3.64%	7.28%	5.62%	11.24%	5.37%
32	3.14%	6.28%	3.01%	3.72%	7.44%	5.73%	11.47%	5.48%
33	3.21%	6.42%	3.08%	3.80%	7.60%	5.85%	11.69%	5.58%
34	3.29%	6.57%	3.15%	3.88%	7.76%	5.96%	11.92%	5.69%
35	3.36%	6.71%	3.22%	3.96%	7.92%	6.08%	12.15%	5.80%
36	3.43%	6.86%	3.29%	4.04%	8.09%	6.19%	12.39%	5.91%
37	3.51%	7.01%	3.36%	4.13%	8.26%	6.31%	12.62%	6.02%
38	3.58%	7.16%	3.43%	4.21%	8.43%	6.43%	12.86%	6.14%
39	3.66%	7.31%	3.50%	4.30%	8.60%	6.55%	13.10%	6.25%
40	3.74%	7.47%	3.58%	4.39%	8.78%	6.67%	13.35%	6.37%
41	3.81%	7.62%	3.65%	4.48%	8.95%	6.80%	13.60%	6.48%
42	3.89%	7.78%	3.73%	4.56%	9.13%	6.93%	13.86%	6.60%
43	3.98%	7.95%	3.80%	4.65%	9.31%	7.06%	14.12%	6.73%
44	4.06%	8.11%	3.88%	4.74%	9.49%	7.19%	14.38%	6.85%
45	4.14%	8.27%	3.96%	4.84%	9.67%	7.33%	14.65%	6.97%
46	4.22%	8.44%	4.03%	4.93%	9.86%	7.46%	14.93%	7.09%
47	4.31%	8.61%	4.11%	5.03%	10.05%	7.60%	15.20%	7.20%
48	4.39%	8.77%	4.19%	5.12%	10.24%	7.74%	15.47%	7.30%
49	4.47%	8.94%	4.27%	5.21%	10.41%	7.86%	15.72%	7.39%
50	4.56%	9.12%	4.35%	5.28%	10.57%	7.96%	15.93%	7.44%
51	4.65%	9.29%	4.43%	5.35%	10.69%	8.04%	16.08%	7.45%
52	4.74%	9.47%	4.50%	5.39%	10.78%	8.08%	16.15%	7.45%
53	4.83%	9.65%	4.58%	5.41%	10.81%	8.08%	16.15%	7.71%
54	4.91%	9.81%	4.64%	5.41%	10.81%	8.08%	16.15%	8.02%
55	4.98%	9.96%	4.68%	5.41%	10.81%	8.08%	16.15%	8.02%
56	5.04%	10.08%	4.71%	5.41%	10.81%	8.08%	16.15%	8.02%
57	5.08%	10.16%	4.71%	5.41%	10.81%	8.08%	16.15%	8.02%
58	5.10%	10.19%	4.90%	5.41%	10.81%	8.08%	16.15%	8.02%
59	5.10%	10.19%	5.10%	5.41%	10.81%	8.08%	16.15%	8.02%
60	5.10%	10.19%	5.10%	5.41%	10.81%	8.08%	16.15%	8.02%

**Assumptions:**

Interest: 8.16%  
Salary: 2007 Valuation Scale (Service Based)  
Unisex Mortality: General and APCD - RP 2000 (Male, Setback 4 years); Safety - RP 2000 (Male, Setback 3 years)



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# Santa Barbara County Employees' Retirement System

## Appendix E: Glossary

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The following definitions include excerpts from a list adopted by the major actuarial organizations in the United States. In some cases, the definitions have been modified for specific applicability to SBCERS and include terms used exclusively by SBCERS. Defined terms are capitalized throughout this Appendix.

<b>Accrued Benefit</b>	The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.
<b>Actuarial Accrued Liability</b>	That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.
<b>Actuarial Assumptions</b>	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.
<b>Actuarial Gain (Loss)</b>	A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.
<b>Actuarial Present Value</b>	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.
<b>Actuarial Valuation</b>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.
<b>Actuarial Value of Assets</b>	The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.
<b>Actuarially Equivalent</b>	Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.
<b>Amortization Payment</b>	That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
<b>COLA</b>	Cost-of-living adjustment to benefit payments are made each April 1. See full description in Appendix B.

<b>Employer Reserve</b>	The accumulation of employer contributions for future retirement benefit payments. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members and survivors, lump sum death benefit payments to member survivors, and supplemental disability payments.
<b>Entry Age Actuarial Cost Method</b>	A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.
<b>Funded Ratio</b>	A measurement of the funded status of the system. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. For example, a Funded Ratio of 90% indicates assets are 10% less than liabilities.
<b>Member Reserve</b>	The accumulation of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees and refunds to members.
<b>Non-Valuation Reserves</b>	Reserves excluded from the calculation of contribution rates.
<b>Normal Cost</b>	That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
<b>Plan Year</b>	A 12-month period beginning July 1 and ending June 30.
<b>Projected Benefits</b>	Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.
<b>Unfunded Actuarial Accrued Liability</b>	The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
<b>Valuation Date</b>	The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year.
<b>Valuation Reserves</b>	All reserves excluding the Non-Valuation Reserves.