

**Santa Barbara County  
Employees' Retirement  
System**

**Actuarial Valuation  
as of  
June 30, 2014**

**Produced by [Cheiron](#)**

**January 21, 2015**

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**LETTER OF TRANSMITTAL**

January 21, 2015

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

Dear Members of the Board:

At your request, we have conducted an actuarial valuation of the Santa Barbara County Employees' Retirement System (SBCERS, the System, the Fund, the Plan) as of June 30, 2014. This report contains information on the System's assets, liabilities, and discloses employer contribution levels. Your attention is called to the Foreword in which we refer to the general approach employed in the preparation of this report.

The purpose of this report is to present the results of the annual actuarial valuation of SBCERS. This report is for the use of the Retirement Board of Santa Barbara and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of this report is not an intended user and is considered a third party.

Cheiron's report was prepared solely for the Retirement Board of Santa Barbara for the purposes described herein, except that the plan auditor may rely on this report solely for the purpose of completing an audit related to the matters herein. It is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

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

Sincerely,  
Cheiron

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

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



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**FOREWORD**

Cheiron has performed the actuarial valuation of the Santa Barbara County Employees' Retirement System as of June 30, 2014. The valuation is organized as follows:

- In Section I, the **Executive Summary**, we describe the purpose of an actuarial valuation, summarize the key results found in this valuation and disclose important trends.
- The **Main Body** of the report presents details on the System's
  - Section II - Assets
  - Section III - Liabilities
  - Section IV- Contributions
  - Section V- Required Accounting Disclosures
- In the **Appendices** we conclude our report with detailed information describing plan membership (Appendix A), actuarial assumptions and methods employed in the valuation (Appendix B), a summary of pertinent plan provisions (Appendix C), a glossary of key actuarial terms (Appendix D), and tables containing member contribution rates (Appendix E).

The results of this report rely on future plan experience conforming to the underlying assumptions. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

In preparing our report, we relied on information supplied by the SBCERS staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

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**SECTION I  
EXECUTIVE SUMMARY**

The primary purpose of the actuarial valuation and this report is to measure, describe, and identify the following as of the valuation date:

- The funded status of the System,
- Past and expected trends in the funding progress of the System,
- Employer and employee contribution rates for Plan Year 2015-2016; and,
- Information required by the GFOA for the Comprehensive Annual Financial Report.

In the balance of this Executive Summary we present (A) the basis upon which this year's valuation was completed, (B) the key findings of this valuation including a summary of all key results, (C) an examination of the historical trends, and (D) the projected outlook for the System.

**A. Valuation Basis**

This valuation determines the employer contributions required for the employers' fiscal years beginning July 1, 2015.

The System's funding policy is collect contributions from the employers and employees equal to the sum of:

- The normal cost under the Entry Age Normal Cost Method,
- Amortization of the unfunded actuarial liability, and
- The Fund's expected administrative expenses.

The unfunded actuarial liability payment is determined as the amount needed to fund the outstanding unfunded actuarial liability (UAL). Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 17-year period, except for the additional UAL attributable to the creation of Safety Plan 6, which is being amortized over a separate closed period (currently 14 years). At a special meeting held on September 5, 2014, the Board of Retirement adopted a new funding policy for any subsequent unexpected change in the unfunded actuarial liability after June 30, 2013. Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period, with a 5-year ramp up and down of the amortization payment at the beginning and end of the amortization period and nine years of level payments as a percentage of payroll between the ramping periods. The Board also adopted a policy to replace the smoothed actuarial value of assets with the market value of assets for valuation purposes. These new amortization and funding policies in conjunction are a type of policy known as direct rate smoothing.

This valuation was prepared based on the plan provisions shown in Appendix C.

Actuarial experience studies are performed every three years. This valuation was performed on the basis of the economic and demographic assumptions and methods that were determined in the Actuarial Experience Study performed by Cheiron as of June 30, 2013 and adopted by the

**SECTION I**  
**EXECUTIVE SUMMARY**

Board on November 20, 2013. A summary of the assumptions and methods used in the current valuation is shown in Appendix B.

**B. Key Findings of this Valuation**

The key results of the June 30, 2014 actuarial valuation are as follows:

- The actuarially determined employer contribution rate decreased from 38.94% of payroll to 37.94% of payroll for the current valuation. Under the old amortization policy, the employer contribution rate would have been 36.80%.
- The System's funded ratio, the ratio of actuarial assets over actuarial liability, increased from 72.4% last year to 76.9% as of June 30, 2014 before any change in asset method.
- The System's funded ratio further increased from 76.9% to 81.1% following the asset method change to use market value of assets instead of the actuarial value of assets for the funding calculations. This parallels the changes made to the GASB disclosures under GASB 67, which now requires the Plan to use the market value of assets in the calculation of the funded ratio.
- Under the old asset method, the unfunded actuarial liability (UAL) is the excess of the System's actuarial liability over the actuarial value of assets. On this basis, the System experienced a decrease in the UAL from \$818.1 million to \$716.7 million as of June 30, 2014. This decrease in UAL was primarily due to experience gains from assets and liabilities.
- Under the new asset method, the UAL is the excess of the System's actuarial liability over the market value of assets. The System experienced a further decrease in the UAL from this change from \$716.7 million to \$584.4 million, a decrease of \$132.3 million.
- During the plan year ended June 30, 2014, the return on Plan assets was 15.0% on a market value basis - net of investment expenses and assuming mid-year external cashflows - as compared to the 7.50% assumption. Under the old asset method, the actuarial value of assets recognized 20% of the difference between the expected and actual return on the market value of assets (MVA). This method of smoothing the asset gains and losses returned 10.84%, an actuarial asset gain of \$71.7 million.
- During the 2013-14 plan year, the actuarial liabilities of the System increased less than expected. The experience gains were primarily due to lower salary increases than expected for returning members and lower COLA increases than expected for current retirees. Consequently, the System experienced a gain on the actuarial liability of \$24.8 million.

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- Actual contributions made to the plan were slightly less than expected by \$1.5 million. This difference results from a timing difference due to the implementation of contribution rates on July 1 following the valuation date that they were calculated. In addition, differences in the actual payroll for FYE 2014 and what was assumed in the previous valuation will cause the actual contributions to differ from the expected contributions. In aggregate, the System experienced a total gain of \$95.0 million from all sources combined.
- Overall participant membership increased compared to last year. There were 334 new hires and rehires during 2013-2014, and the total active population increased from 4,108 to 4,177 and total projected payroll increased from \$316,177,028 to \$323,831,275.

Below we present Tables I-1 and I-2 which summarize the key results of the valuation with respect to SBCERS assets, liabilities, unfunded actuarial liability, funded ratios, contribution rates and membership. The results are presented and compared for both the current and prior plan year.

<b>Table I-1</b>				
<b>Santa Barbara County Employees' Retirement System</b>				
<b>Summary of Key Valuation Results</b>				
(in millions)				
<b>Valuation Date</b>	<b>June 30, 2013</b>	<b>June 30, 2014</b>	<b>Relative %</b>	
<b>Fiscal Year End</b>	<b>2015</b>	<b>2016</b>	<b>Change</b>	
Actuarial Liability	\$ 2,968.1	\$ 3,098.0	4.4%	
Market Value of Assets	\$ 2,186.4	\$ 2,513.6	15.0%	
Actuarial Value of Assets	2,150.0	2,381.3	10.8%	
<b>Unfunded Actuarial Liability (UAL)</b>				
- based on Market Value of Assets	\$ 781.7	\$ 584.4	-25.2%	
- based on Actuarial Value of Assets	818.1	716.7	-12.4%	
			<b>Absolute</b>	
			<b>% Change</b>	
Funding Ratio - Market value	73.7%	81.1%	7.4%	
Funding Ratio - Actuarial value	72.4%	76.9%	4.5%	
<b>Net Employer Contribution Rate</b>				
Old Asset/Amortization Method	38.94%	36.80%	-2.14%	
New Asset/Amortization Method		37.94%	-1.00%	

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The key results shown in Table I-1 indicate that because the actuarial liability increased by 4.4% and the actuarial value of assets increased by 10.8%, the funding ratio based on the actuarial value of assets increased from 72.4% as of June 30, 2013 to 76.9% as of June 30, 2014. As of June 30, 2014 SBCERS no longer employs an actuarial smoothing method and instead uses market value of assets for all calculations. Based on the market value of assets, the ratio was 81.1% as of June 30, 2014.

<b>Item</b>	<b>June 30, 2013</b>	<b>June 30, 2014</b>	<b>% Change</b>
Actives	4,108	4,177	1.7%
Inactives	1,151	1,197	4.0%
Members Receiving Benefits	<u>3,773</u>	<u>3,897</u>	<u>3.3%</u>
Total Members	9,032	9,271	2.6%
 Ratio of Retired Members to Active Members	 91.8%	 93.3%	 1.5%
 Active Member Projected Payroll for FYE June 30, 2014 and 2015*	 \$ 316,177,028	 \$ 323,831,275	 2.4%
Average Pay per Active	\$ 76,966	\$ 77,527	0.7%

\* Based on valuation data projected for next fiscal year using a full year of salary increases

<b>Experience</b>	<b>in millions</b>
Unfunded actuarial liability, 6/30/2013	\$ 818.1
Expected change in unfunded actuarial liability	\$ (6.5)
Unfunded decrease due to asset gain	(70.1)
Unfunded decrease due to liability gain	(24.8)
Unfunded decrease due to asset method change	<u>(132.3)</u>
Total change in unfunded actuarial liability	\$ (233.7)
Unfunded actuarial liability, 6/30/2014	\$ 584.4



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**SECTION I  
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**Changes in UAL**

The unfunded actuarial liability (UAL) for SBCERS decreased by \$233.7 million, from \$818.1 million to \$584.4 million. Table I-3 above presents the specific components of the change in the UAL.

We see in Table I-3 that the asset gains – i.e. the smoothed investment returns are higher than the assumed rate of 7.50%, offset slightly by the lower-than-anticipated contribution - decreased the UAL by \$70.1 million and the liability experience also reduced the UAL by \$24.8 million. The asset method change, which replaced the actuarial valuation of assets with the market value of assets in the calculation of the unfunded actuarial liability, further reduced the UAL by \$132.3 million.

The expected change in the UAL due to the yearly amortization of the UAL balance (\$6.5 million) combined with the above UAL changes to produce an overall reduction of \$233.7 million in the UAL last year.

**Employer Contributions Comparison**

Thus far the experience of the 2013-14 plan year has been presented in terms of the UAL and funded ratio. Table I-4 below compares the net employer contribution rates from the prior year and its components. The overall net employer contribution rate decreased by 1.00% for the June 30, 2014 valuation. The net employer normal cost decreased by 0.23% and the amortization of the UAL decreased by 0.77%.

<b>Table I-4 Contributions by Components</b>			
<b>Valuation Year Effective for Fiscal Year End</b>	<b>2013 FYE 2015</b>	<b>2014 FYE 2016</b>	<b>Change</b>
Gross Normal Cost %	22.38%	22.31%	-0.07%
Employee Contributions	4.79%	4.95%	0.16%
Employer Normal Cost %	17.59%	17.36%	-0.23%
Amortization of UAL%	21.35%	20.58%	-0.77%
Net Employer Contribution Rate: (3 + 4)	38.94%	37.94%	-1.00%

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Table I-5 summarizes the impact of actuarial experience and changes in the amortization method on the employer contribution rate.

<b>Table I-5</b>			
<b>Employer Contribution Reconciliation</b>			
<b>Item</b>	<b>Normal Cost</b>	<b>Amortization</b>	<b>Total</b>
FYE 2015 Net Employer Contribution Rate	17.59%	21.35%	38.94%
Change due to asset gain	0.00%	-1.88%	-1.88%
Change due to demographic gains	-0.07%	-0.24%	-0.31%
Change due to effect of payroll on amortization	0.00%	0.21%	0.21%
Change due to amortization method change	0.00%	1.14%	1.14%
Change due to change in employee contribution rate	-0.16%	0.00%	-0.16%
FYE 2016 Net Employer Contribution Rate	17.36%	20.58%	37.94%

A review of the changes in the employer contribution rate from the prior valuation reveals that Plan experience during the year – including demographic and salary changes, as well as asset experience – resulted in a net decrease in the employer contribution rate of 2.14% of pay before the change in the amortization method:

- Asset experience produced an investment gain on a market basis as well as an actuarial (smoothed) basis, which decreased the contribution rate by 1.88% of pay. The assets of the Plan returned 15.0% (net of investment expenses) on a market basis, higher than the assumed rate of 7.50%.
- Demographic experience was favorable for a net decrease in cost of about 0.31% of pay.

The demographic experience of the Plan – rates of retirement, death, disability, and termination – was better than predicted by the actuarial assumptions in aggregate, causing a decrease in cost. The primary factors contributing to this decrease were lower than expected Cost of Living Adjustments (COLAs) for current retirees, and lower than expected salary increases for returning members.

Payroll used to amortize unfunded liabilities was lower than expected by about \$3.4 million. As a result of the decrease, unfunded actuarial liabilities were amortized over a smaller payroll base, and the employer contribution rate increased by 0.21% of pay.

- The new amortization policy recommended by Cheiron and adopted by the Board increased the contribution rate by 1.14%.

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The unfunded actuarial liability under the new method decreased and a negative amortization payment or credit was established as of June 30, 2014 as a result of the actuarial gain. However, this credit payment was smaller than the credit payment under the old amortization policy due to the phase-in feature of the new direct rate smoothing method. The June 30, 2014 amortization credit will increase over the next four years, level off for ten years as a level percentage of payroll, and then will decrease (or ramp-down) for the last four remaining years of the amortization period.

- The average employee contribution rate continues to increase slowly as new members with higher employee contributions under PEPRA replace retiring legacy members. This year the increase in the average employee rate reduced the employer contributions by 0.16% of active payroll.

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**Plan Risk**

Table I-6 below shows the ratio of assets to active member payroll for SBCERS.

Active Member Payroll	323,831,275
Assets (Market Value)	2,513,629,759
Ratio of Assets to Payroll	7.76
Ratio with 100% Funding	9.57

One of the most important measures of a plan's risk is the ratio of plan assets to payroll. The table above shows SBCERS's assets as a percentage of active member payroll. This ratio indicates the sensitivity of the plan to the returns earned on plan assets. We note in the table that assets currently are nearly 8 times covered payroll for the Plan; as funding improves and the Plan reaches 100% funding, the ratio of asset to payroll will increase to nearly 10 times payroll, perhaps higher depending on the Plan's future demographic makeup.

To appreciate the impact of the ratio of assets to payroll on cost, consider the situation for a new plan with almost no assets. Even if the assets suffer a bad year of investment returns, the impact on the cost is nil, because the assets are so small. On the other hand, consider the situation for SBCERS. Suppose SBCERS's assets lose 10% of their value in a year. Since they were assumed to earn 7.50%, there is an actuarial loss of 17.50% of assets. Based on the current ratio of asset to payroll (776%), that means the loss in assets is about 136% of active payroll (776% of the 17.50% loss). There is only one source of funding to make up for this loss: contributions. Consequently, barring future offsetting investment gains, the loss must be made up with future contributions.

As the plan matures and becomes better funded, the ratio of assets to payroll will increase. When assets are 957% of pay, the 10% loss discussed above will translate to a loss of over 167% of payroll. Therefore, the Plan is likely to become significantly more sensitive to market variation in the future than it is today.

In addition, as new members joining the Plan are subject to PEPRA, their employee contribution rates will be generally higher than for current members, causing a corresponding decrease in employer contribution rates. Since all actuarial gains and losses – in particular the investment gains and losses discussed above – are the responsibility of the employer, the combination of increasing assets relative to payroll with a decreasing employer contribution rate will mean that *relative variation* in the reduced employer contribution rate will increase substantially.

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In short, the employer contribution rate will decrease with improved funding and PEPRRA, but it will be much less stable.

**C. Historical Trends**

Despite the fact that for most retirement plans the greatest attention is given to the current valuation results and in particular the size of the current unfunded actuarial liability and the employer contribution, it is important to remember that each valuation is merely a snapshot in the long-term progress of a pension fund. It is important to judge a current year's valuation result relative to historical trends, as well as trends expected into the future.

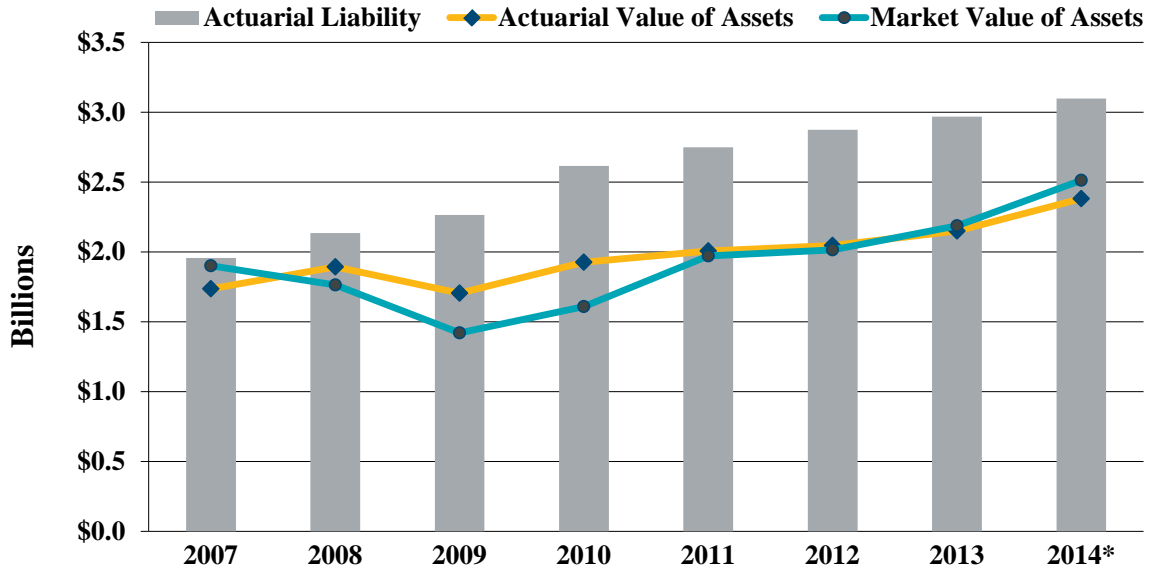
**Assets and Liabilities**

The chart below compares the market value of assets (MVA) and actuarial value of assets (AVA) to the actuarial liabilities. The percentage shown in the table below the graph is the ratio of the actuarial value of assets to the actuarial liability (the funded ratio). The funded ratio has declined from 88.7% in 2007 to 81.1% as of June 30, 2013, primarily as a result of the asset losses in 2008-2009. The increase in the funded ratio in 2014 to 81.1% is primarily due to assets gains for 2013-14 and the change in the funding policy to replace the smoothed calculation of the AVA with the MVA.

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**SECTION I  
EXECUTIVE SUMMARY**

**Assets and Liabilities**



<b>Funded Ratio</b>	<b>88.7%</b>	<b>88.7%</b>	<b>75.3%</b>	<b>73.7%</b>	<b>73.0%</b>	<b>71.2%</b>	<b>72.4%</b>	<b>81.1%</b>
<b>UAL (Billions)</b>	<b>\$ 0.22</b>	<b>\$ 0.24</b>	<b>\$ 0.56</b>	<b>\$ 0.69</b>	<b>\$ 0.74</b>	<b>\$ 0.83</b>	<b>\$ 0.82</b>	<b>\$ 0.58</b>

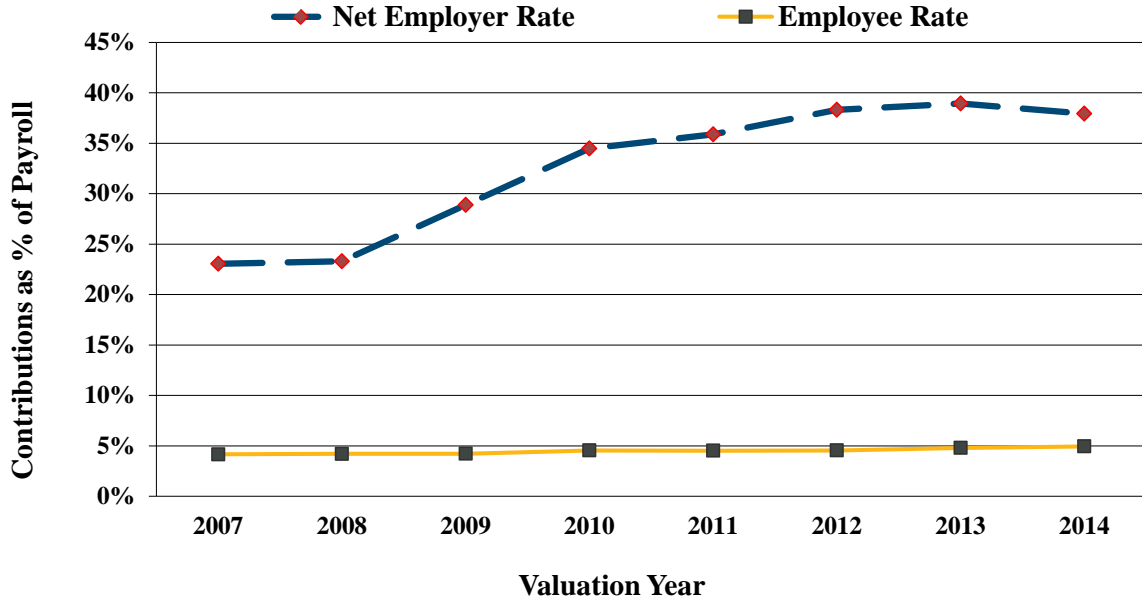
*\* Market Value of Assets is used to calculate the unfunded actuarial accrued liability and funded ratio.  
Actuarial Value of Assets is shown for illustrative purposes only.*

**Contribution Trends**

In the chart below, we present the historical trends for the SBCERS contribution rates. The employer contribution rates rose steadily after 2008, as the investment losses from 2008-2009 were recognized in the actuarial value of assets. However for 2014, there is a decrease in the employer rate due to asset gains in 2013-14. The average employee contribution rates have stayed relatively stable, increasing slightly as the Plan's economic assumptions have changed. Average employee contribution rates will continue to increase as more new members under PEPRA are hired.

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Historical Contribution Rates



**Gains and Losses**

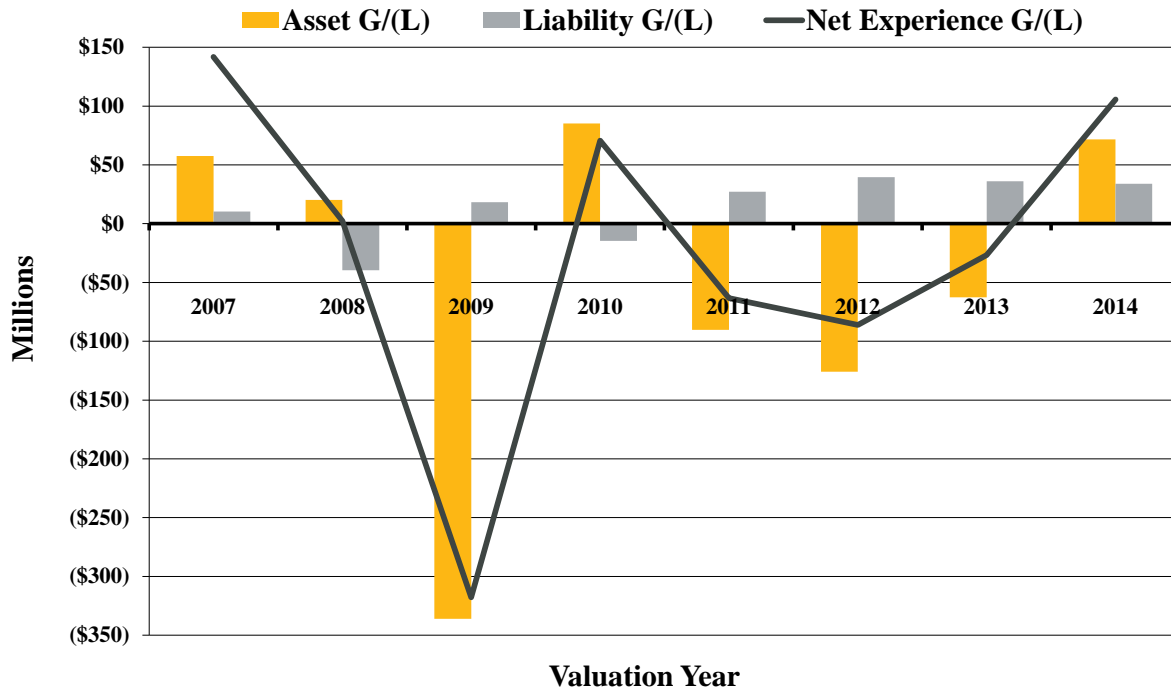
The chart on the following page presents the pattern of annual gains and losses, broken into the investment and liability components. The investment gains and losses represent the changes on a smoothed basis (i.e. based on the actuarial value of assets). Starting with the June 30, 2015 valuation, the investment experience will be based on the market value of assets due to the new funding policy implemented in the June 30, 2014 valuation. The chart does not include any changes in SBCERS' assets and liabilities attributable to changes to actuarial methods, assumptions or plan benefit changes.

The investment loss in 2008-2009 was by far the most significant gain or loss during the last eight years. Even though the Plan was using actuarial smoothing of the assets, there was a significant loss reflected in the June 30, 2009 valuation, because the amount of smoothing was limited by the 80/120% corridor around the market value of assets (the return on the smoothed value of assets for 2008-2009 was -9.6%). This loss was fully recognized in the June 30, 2013 valuation.

Over the past four years, there has been a period of liability gains. The liability experience was more varied prior to this period.

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Experience Gains and Losses



**D. Future Expected Financial Trends**

The analysis of projected financial trends is an important component of this valuation. In this Section, we present our assessment of the implications of the June 30, 2014 valuation results in terms of benefit security (assets over liabilities). All the projections in this section are based on the current investment return assumption of 7.50%. We have assumed future salary increases of 3.50% per year.

The following graph shows the expected employer contribution rate based on achieving the 7.50% assumption **each year** for the next 20 years. This scenario is highly unlikely: even if the Plan does achieve an **average** return of 7.50% over this time period, the returns in each given year will certainly vary.

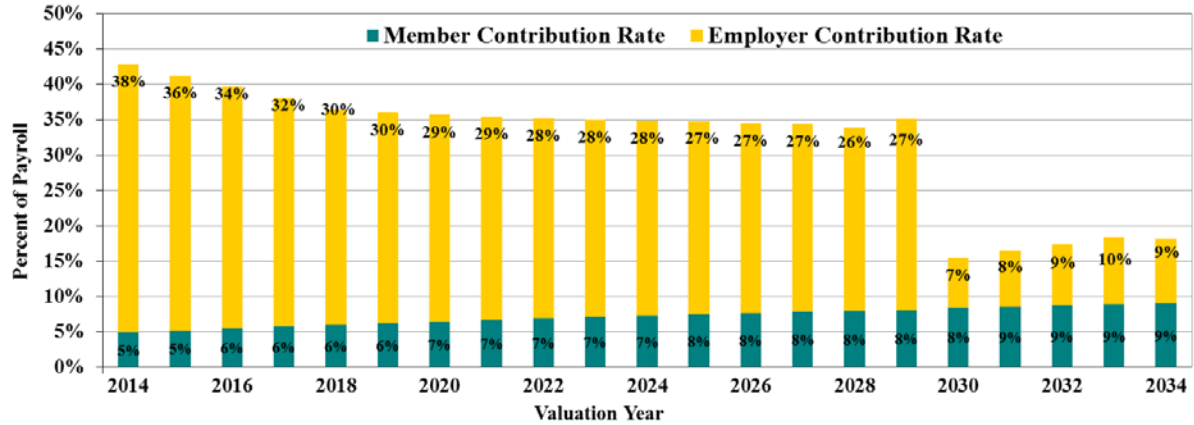
The contribution rate graph shows that employer contribution rates are expected to stay relatively stable over the next 16 years, as the remaining unfunded liability as of June 30, 2013 is being paid off over this period. There is a moderate decline projected in the employer normal cost rates, primarily due to the PEPRA members becoming a larger proportion of the active member population over time. PEPRA benefits are lower than the legacy plan benefits and PEPRA employee contribution rates are greater than the legacy plans since members pay 50% of the normal cost rate.



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**Projection Of Contributions, 7.50% Return Each Year**



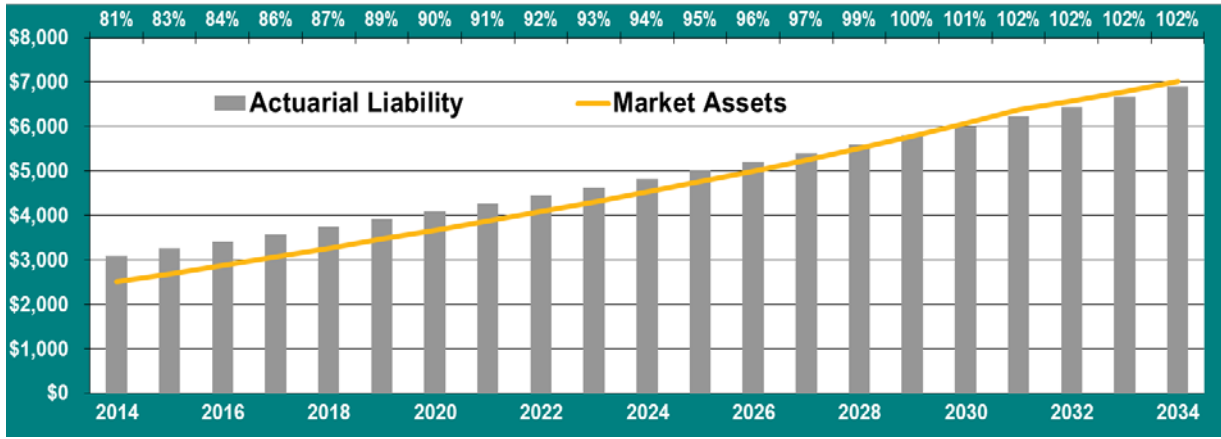
The total contribution rate (employer plus employee) is approximately 43% of member payroll for the June 30, 2014 valuation; it is expected to decrease gradually to 35% if all actuarial assumptions are met over the next 16 years. After 16 years, the contribution rate is expected to drop significantly due to the end of the current unfunded liability amortization period, to a level around 15% of pay, and then increase gradually over the next four years as the current year amortization base (a credit) is phased out.

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**Asset and Liability Projections:**

The following graph shows the projection of assets and liabilities assuming that assets will earn the 7.50% assumption each year during the projection period. The percentages at the top of the graph represent the funded ratio or status of the System.



The projected funded status, based on the market value of assets, increases over the next 15 years and reaches 100% in 2029 assuming the actuarial assumptions are achieved.

However, as above, it is the **actual** return on System assets that will determine the future funding status and contribution rate to the Fund. With the implementation of the new funding policy, the actuarial value of assets is no longer used to calculate the funded status or the unfunded actuarial liability. All results are based on the market value of assets.

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**SECTION II**  
**ASSETS**

Pension plan assets play a key role in the financial operation of the System and in the decisions the Board may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact benefit levels, employer contributions, and the ultimate security of participants' benefits.

In this section, we present detailed information on System assets including:

- **Disclosure** of System assets as of June 30, 2013 and June 30, 2014;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**;
- An allocation of the assets by **reserve balances**;
- An assessment of historical **investment performance versus inflation**; and,
- An allocation of the assets between the **valuation subgroups**.

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**SECTION II  
ASSETS**

**Disclosure**

There are two types of asset values disclosed in the valuation, the market value of assets and the actuarial value of assets. The market value represents “snap-shot” or “cash-out” values which provide the principal basis for measuring financial performance from one year to the next. The actuarial value of assets reflects smoothing of annual investment returns.

As of June 30, 2014, the actuarial value of assets is no longer used in the calculations of the unfunded actuarial liability or funded status due to the implementation of the new funding policy adopted by the Board in September 2014. This policy change was made in conjunction with the new 19-year layered amortization of any unexpected changes in the unfunded actuarial liability starting with the June 30, 2014 valuation. The calculation of the actuarial value of assets continues to be shown in this valuation report since the actuarial investment gain/loss for July 1, 2013 to June 30, 2014 is still based on the actuarial value of assets.

Table II-1 on the next page discloses and compares each asset value as of June 30, 2013 and June 30, 2014.

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**SECTION II  
ASSETS**

<b>Table II-1</b>		
<b>Statement of Assets at Market Value</b>		
<b>Assets:</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Cash and Cash Equivalents	\$ <u>11,595,180</u>	\$ <u>19,218,500</u>
Total Cash and Cash Equivalents	\$ 11,595,180	\$ 19,218,500
<b>Receivables:</b>		
Contributions Receivable	8,154,990	7,071,000
Other	(5,918)	(77,094)
Accrued Interest	1,902,881	1,392,630
Dividends	766,565	838,837
Security Sales	<u>25,082,575</u>	<u>38,909,988</u>
Total Receivables	35,901,092	48,135,361
<b>Investments, at Market Value:</b>		
Short Term Investments	28,850,716	24,672,507
Alternative/Private Equity	166,762,038	141,632,009
Domestic Equity	601,577,427	571,290,073
Domestic Bonds	414,730,876	363,123,578
International Equity	571,462,483	448,369,907
International Bonds	319,971,140	316,208,128
Real Estate	241,115,654	106,546,667
Real Assets / Real Return	<u>141,739,702</u>	<u>203,240,869</u>
Total Investments	2,486,210,037	2,175,083,738
<b>Other Assets:</b>		
Collateral Held for Securities Lent	<u>52,419,008</u>	<u>24,417,783</u>
<b>Total Assets</b>	2,586,125,317	2,266,855,382
<b>Liabilities:</b>		
Accounts Payable	9,006,755	8,780,726
Collateral Held for Securities Lent	52,419,008	24,417,783
Investment Manager Fees	850,095	678,068
Security Purchases	<u>10,219,700</u>	<u>46,553,908</u>
<b>Total Liabilities</b>	72,495,558	80,430,485
<b>Market Value of Assets</b>	<b>\$ 2,513,629,759</b>	<b>\$ 2,186,424,897</b>

**SECTION II**  
**ASSETS**

**Changes in Market Value**

The components of asset change are:

- Contributions (employer and employee)
- Benefit payments
- Expenses (investment and administrative)
- Investment income (realized and unrealized)

Table II-2 below shows the components of change in the market value of assets during the fiscal years ending June 30, 2013 and June 30, 2014.

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**SECTION II  
ASSETS**

**Table II-2  
Changes in Market Values**

<u>Additions</u>	<u>Fiscal Year ending June 30, 2014</u>	<u>Fiscal Year ending June 30, 2013</u>
<b>Contributions</b>		
Employer's Contribution	119,227,652	110,582,703
Members' Contributions	<u>14,514,010</u>	<u>19,023,527</u>
Total Contributions	133,741,662	129,606,230
<b>Net Investment Income</b>		
Net Appreciation/(Depreciation) in		
Fair Value of Investments	314,352,939	151,215,723
Interest	8,491,884	11,469,169
Dividends	11,666,541	11,357,791
Investment Expense	<u>(5,999,469)</u>	<u>(6,288,962)</u>
Net Investment Income	328,511,895	167,753,721
<b>Securities Lending Income</b>		
Securities Lent Income	26,498	88,280
Securities Lent Expense	<u>93,070</u>	<u>113,472</u>
Net Securities Lending Income	119,568	201,752
<b>Miscellaneous Income</b>		
Class Action Settlements	0	135,902
Commission Recapture	0	255,496
Miscellaneous Income	<u>220,926</u>	<u>3,896</u>
Net Miscellaneous Income	220,926	395,294
<b>Total Additions</b>	<b>462,594,050</b>	<b>297,956,997</b>

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**SECTION II  
ASSETS**

<b>Table II-2</b>		
<b>Changes in Market Values (Continued)</b>		
<b><u>Deductions</u></b>		
Benefit payments	130,288,118	121,855,352
Refunds of Members' Contributions	812,467	591,490
Total Benefit Payments	131,100,585	122,446,842
 Administrative & Other Expenses		
General Administrative Expenses	3,655,345	3,640,619
Actuary Fees	186,972	140,289
Fund Legal Fees	446,286	454,615
Total Administrative & Other Expenses	4,288,603	4,235,523
 Total Deductions	 135,389,188	 126,682,365
 Net increase (Decrease)	 327,204,862	 171,274,633
 Net Assets Held in Trust for Pension Benefits		
Beginning of Year	2,186,424,897	2,015,150,265
End of Year	2,513,629,759	2,186,424,897
 Approximate Return	 15.05%	 8.13%



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**SECTION II  
ASSETS**

**Actuarial Value of Assets (AVA)**

The actuarial value of assets is no longer used to calculate the unfunded actuarial liability or the funded status of the Plan. The table below shows the development of the actuarial value of assets but is shown for illustrative purposes only.

<b>Table II-3</b>	
<b>Development of Actuarial Value of Assets for 6/30/2014</b>	
(in thousands)	
<b>Item</b>	<b>Total</b>
1. Market Value as of 6/30/2013	\$ 2,186,425
2. Non-Investment Cash Flow for 2013-2014	(1,648)
3. Expected Return in 2013-2014	<u>163,921</u>
4. Expected Market Value as of 6/30/2014: (1 + 2 + 3)	\$ 2,348,698
5. Market Value as of 6/30/2014	\$ 2,513,630
6. Actual Return in 2013-2014	328,852
7. Actual Return Above Expected in 2013-2014: (6 - 3)	164,931
8. Rate of Return on Actuarial Value of Assets	10.84%
9. Deferred Recognition of Returns Above Expected	
a. 2013-2014 (80% of 7)	131,945
b. 2012-2013	4,601
c. 2011-2012	(47,439)
d. 2010-2011	<u>43,233</u>
e. Total: (9a + 9b + 9c + 9d)	\$ 132,340
10. Preliminary Actuarial Value of Assets: (5 - 9)	\$ 2,381,290
11. Corridor Limit	
a. 80% of Net Market Value	2,010,904
b. 120% of Net Market Value	3,016,356
12. <b>Actuarial Value after Corridor as of 6/30/2014</b>	<b>\$ 2,381,290</b>

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**SECTION II  
ASSETS**

**Allocation of Reserve Balances**

The following table shows the allocation of the assets among the various accounting reserves.

A new Interest Crediting and Undesignated Earnings Policy was established on August 25, 2010. In accordance with that policy, the Market Stabilization Account is based on the difference between the market value of assets and the actuarial value of assets, which is now zero under the new funding policy. The Contra Tracking Account was established with that policy. In effect, that account is the difference between the actuarial value of assets, now equal to the market value of assets, and the sum of the first four reserves in Table II-4, as long as that account is negative.

<b>Table II-4</b>		
<b>Allocation of Assets by Accounting Reserve Amounts for the Years Ended June 30, 2013 and June 30, 2014</b>		
	<b>FYE 2014</b>	<b>FYE 2013</b>
1. Member Deposit Reserve	\$ 174,957,626	\$ 171,614,128
2. County and District Advance Reserve	739,479,765	665,390,780
3. Retired Member Reserve	1,871,531,776	1,756,134,254
4. Transferred Funds Reserve	<u>143,944,643</u>	<u>133,727,059</u>
	\$ 2,929,913,810	\$ 2,726,866,221
5. New Market Stabilization Reserve	0	36,419,272
6. Contra Tracking Account	(416,284,051)	(576,860,596)
<b>Total Reserves</b>	<b>\$ 2,513,629,759</b>	<b>2,186,424,897</b>

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**SECTION II  
ASSETS**

**Historical Investment Performance**

The following table shows the historical annual asset returns on a market value and actuarial value basis, as well in the increase in the Consumer Price Index (CPI) since 1994.

<b>Table II-5 Net Return on Assets vs. Increase in Consumer Price Index</b>			
<b>Year Ended June 30</b>	<b>Net Return at Market Value</b>	<b>Net Return at Actuarial Value</b>	<b>Increase in Consumer Price Index*</b>
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%
2010	13.4%	13.2%	1.1%
2011	21.1%	3.1%	3.6%
2012	1.8%	1.5%	1.7%
2013	8.1%	4.7%	1.8%
2014	15.0%	10.8%	2.1%
<b>25-Year Compound Average</b>	<b>8.4%</b>	<b>N/A</b>	<b>2.7%</b>

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

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**SECTION II  
ASSETS**

**Allocation of Assets by Valuation Subgroup**

The following table shows the allocation of the actuarial and market value of assets between the three valuation subgroups (General, Safety, and APCD). The assets are allocated to each subgroup based on their share of the Valuation Reserves maintained by SBCERS. The market value of asset is used to calculate each subgroups' UAL and the resulting amortization payment.

<b>Table II-6</b>									
<b>Allocation of Assets by Subgroup for 6/30/2014</b>									
(in thousands)									
		<b>General</b>			<b>Safety</b>			<b>APCD</b>	<b>Total</b>
1.	Member Deposit Reserve	\$ 140,141	\$	33,746	\$	1,071	\$	174,958	
2.	County and District Advance Reserve	485,765		245,126		8,588		739,480	
3.	Retired Member Reserve	1,037,074		805,637		28,821		1,871,532	
4.	Transferred Funds Reserve	74,448		67,985		1,511		143,945	
5.	Total Valuation Reserves (1 + 2 + 3 +4)	\$ 1,737,428	\$	1,152,495	\$	39,991	\$	2,929,914	
6.	Percentage of Line 5, by Plan	59.30%		39.34%		1.36%		100.00%	
7.	Actuarial Value of Assets							2,381,289	
8.	Allocated Actuarial Value of Assets	\$ 1,412,096	\$	936,691	\$	32,502	\$	2,381,289	
9.	Market Value of Assets							2,513,630	
10.	Allocated Market Value of Assets	\$ 1,490,573	\$	988,747	\$	34,310	\$	2,513,630	

### SECTION III LIABILITIES

In this section, we present detailed information on System liabilities including:

- **Disclosure** of System liabilities at June 30, 2013 and June 30, 2014;
- Statement of **changes** in these liabilities during the year.

#### Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Present Value of Future Benefits:** Used for measuring all future System obligations, represents the amount of money needed today to fully pay off all benefits of the System both earned as of the valuation date and those to be earned in the future by current plan participants, under the current System provisions.
- **Actuarial Liability:** Used for funding calculations, this liability is calculated taking the Present Value of Future Benefits and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. The method used for this System is called the **Entry Age Normal** (EAN) funding method.
- **Unfunded Actuarial Liability:** The excess of the Actuarial Liability over the Market Value of Assets for June 30, 2014 and the Actuarial Value of Assets for June 30, 2013.

Table III-1 below discloses each of these liabilities for the current and prior valuations. With respect to each disclosure, a subtraction of the appropriate value of Plan assets yields, for each respective type, a **net surplus** or an **unfunded actuarial liability**.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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**SECTION III  
LIABILITIES**

<b>Table III-1</b>					
<b>Present Value of Future Benefits and Actuarial Liability</b>					
(in thousands)					
Item	General	Safety	APCD	June 30, 2014 Total	June 30, 2013 Total
<b>Present Value of Future Benefits</b>					
Actives	\$ 1,120,080	\$ 680,941	\$ 20,239	\$ 1,821,260	\$ 1,757,027
Terminated Vested	90,615	27,043	2,532	120,189	118,229
Retirees	870,346	589,590	22,757	1,482,693	1,416,942
Disabled	37,275	72,647	0	109,922	110,303
Beneficiaries	59,618	49,034	1,197	109,849	101,958
<b>Total SBCERS</b>	<b>\$ 2,177,934</b>	<b>\$ 1,419,255</b>	<b>\$ 46,725</b>	<b>\$ 3,643,914</b>	<b>\$ 3,504,458</b>
<b>Actuarial Liability</b>					
Total Present Value of Benefits	\$ 2,177,934	\$ 1,419,255	\$ 46,725	\$ 3,643,914	\$ 3,504,458
Present Value of Future Normal Costs					
Employer Portion	237,936	174,622	3,289	415,847	421,866
Employee Portion	84,262	43,888	1,903	130,053	114,458
<b>Actuarial Liability</b>	<b>\$ 1,855,736</b>	<b>\$ 1,200,745</b>	<b>\$ 41,533</b>	<b>\$ 3,098,014</b>	<b>\$ 2,968,134</b>
Market Value of Assets*	\$ 1,490,573	\$ 988,747	\$ 34,310	\$ 2,513,630	\$ 2,150,006
Funded Ratio	80.3%	82.3%	82.6%	81.1%	72.4%
<b>Unfunded Actuarial Liability/(Surplus)</b>	<b>\$ 365,163</b>	<b>\$ 211,998</b>	<b>\$ 7,223</b>	<b>\$ 584,384</b>	<b>\$ 818,128</b>

\* The Actuarial Value of Assets are shown for the June 30, 2013 valuation.

**SECTION III  
LIABILITIES**

**Changes in Liabilities**

Each of the liabilities disclosed in the prior tables are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- New hires since the last valuation
- Benefits accrued since the last valuation
- Plan amendments increasing benefits
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, or dying at rates different than expected
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all of the above, and also due to changes in System assets resulting from:

- Employer contributions different than expected
- Investment earnings different than expected
- A change in the method used to measure plan assets

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**SECTION III  
LIABILITIES**

<b>Table III-2</b>	
<b>Development of 2014 Experience Gain/(Loss)</b>	
(in millions)	
<b>Item</b>	<b>Cost</b>
1. Unfunded Actuarial Liability at June 30, 2013	\$ 818.1
2. Middle of year actuarial liability payment	(65.4)
3. Interest to end of year on 1 and 2	<u>59.0</u>
4. Expected Unfunded Actuarial Liability at June 30, 2014 (1+2+3)	\$ 811.7
5. Actual Unfunded Liability at June 30, 2014 (AVA basis)	<u>716.7</u>
6. Net Gain/(Loss): (4 - 5)	\$ 95.0
7. Portion of net gain/(loss) due to:	
a. Investment experience gain	\$ 71.7
b. Salary increases less than expected	16.4
c. Retiree COLAs less than expected	26.7
d. Inactive mortality loss	(4.5)
e. Retirement loss	(0.5)
f. Termination loss	(2.0)
g. New entrant loss	(2.5)
h. Other experience	<u>(10.3)</u>
i. Total gain/(loss)	\$ 95.0



## SECTION IV CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the System. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that are both stable and predictable.

For this System, the actuarial funding method used to determine the normal cost and the unfunded actuarial liability is the **Entry Age Normal (EAN)** cost method. There are two primary components to the total contribution: the **normal cost rate** (employee and employer), and the **unfunded actuarial liability rate** (UAL rate).

The normal cost rate is determined in the following steps. First, an individual normal cost rate is determined by taking the value of each member's projected future benefits as of the member's entry age into the System. This value is then divided by the value of the member's expected future salary, also at entry age, producing a normal cost rate that should remain relatively constant over a member's career.

The total normal cost is computed by adding the expected dollar amount of each active member's normal cost for the current year – known as the Individual Entry Age Method. The total normal cost is adjusted with interest to the middle of the year, to reflect the fact that the normal cost contributions are paid throughout the year as member payroll payments are made. Finally, the total normal cost rate is reduced by the member contribution rate to produce the employer normal cost rate.

As of this valuation, the unfunded actuarial liability (UAL) is the difference between the EAN actuarial liability and the market value of assets. In prior valuations, the actuarial value of assets was used to calculate the UAL. The unfunded actuarial liability payment is determined as the amount needed to fund the outstanding unfunded actuarial liability resulting from the creation of Safety Plan 6 over 14 remaining years and the outstanding unfunded actuarial liability as of June 30, 2013 over a closed period with 16 years remaining, both as a level percentage of pay. Any subsequent unexpected change in the unfunded actuarial liability after June 30, 2013 is amortized over 19 years that includes a 5-year phase-in/out of the payments/credits for each annual layer.

The table below presents the calculation of the contribution rates for the System for this valuation and compares the total contribution rate with the prior year rate. The tables on the following pages contain more details on the calculation of the UAL amortization payments, as well as details on the calculation of the contribution rates for each group and tier.

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**SECTION IV  
CONTRIBUTIONS**

**Table IV-1  
Development of the Net Employer Contribution Rate as of June 30, 2014 for FYE 2016**

	June 30, 2014				June 30, 2013
	General	Safety	APCD	COMPOSITE	COMPOSITE
1. Total Normal Cost Rate	18.82%	31.60%	20.53%	<b>22.31%</b>	<b>22.38%</b>
2. Member Contribution Rate	<u>4.59%</u>	<u>5.84%</u>	<u>6.69%</u>	<b><u>4.95%</u></b>	<b><u>4.79%</u></b>
3. Employer Normal Cost Rate (1-2)	14.23%	25.76%	13.84%	<b>17.36%</b>	<b>17.59%</b>
4. UAL Amortization	<u>17.59%</u>	<u>28.41%</u>	<u>23.01%</u>	<b><u>20.58%</u></b>	<b><u>21.35%</u></b>
5. Net Employer Contribution Rate (3+4)	31.82%	54.17%	36.85%	<b>37.94%</b>	<b>38.94%</b>

Beginning with the June 30, 2013 valuation, the Member and Employer Contribution Rates have been explicitly loaded to account for anticipated administrative expenses. The load is 3.1% for the June 30, 2014 actuarial valuation, and has been applied to both the Member and Employer Rates.

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**SECTION IV  
CONTRIBUTIONS**

The tables below present the calculation of the UAL payments for the System under both the new and the old amortization policy for this valuation.

<b>Table IV-2(a)</b>						
<b>Development of Amortization Payment (New Method)</b>						
<b>For the June 30, 2014 Actuarial Valuation</b>						
<b>Type of Base</b>	<b>Date Established</b>	<b>Initial Amount</b>	<b>Initial Amortization Years</b>	<b>June 30, 2014 Outstanding Balance</b>	<b>Remaining Amortization Years</b>	<b>Amortization Amount</b>
<b>Charges</b>						
1. Safety Plan 6 Base	6/30/2007	\$ 12,800,000	15	\$ 13,965,710	14	\$ 1,308,037
2. Remaining UAL	6/30/2013	803,940,900	17	797,710,565	16	67,659,050
3. (Gain)/Loss Base	6/30/2014	(227,291,825)	19	<u>(227,291,824)</u>	19	<u>(4,355,149)</u>
<b>Total</b>				<b>\$ 584,384,451</b>		<b>\$ 64,611,938</b>

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**SECTION IV  
CONTRIBUTIONS**

**Table IV-2(b)  
Development of Amortization Payment (Old Method)  
For the June 30, 2014 Actuarial Valuation**

Type of Base	Date Established	Initial Amount	Initial Amortization Years	June 30, 2014 Outstanding Balance	Remaining Amortization Years	Amortization Amount
<b>Charges</b>						
1. Safety Plan 6 Base	6/30/2007	\$ 12,800,000	15	\$ 13,965,710	14	\$ 1,308,037
2. Remaining UAL	6/30/2013	803,940,900	17	797,710,565	16	67,659,050
3. (Gain)/Loss Base	6/30/2014	(94,951,475)	16	<u>(94,951,475)</u>	16	<u>(8,053,456)</u>
<b>Total</b>				\$ 716,724,800		\$ 60,913,631

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**SECTION IV  
CONTRIBUTIONS**

As discussed earlier, a portion of the UAL attributable to the implementation of Safety Plan 6 is being amortized over a separate period from the rest of UAL. The amortization payment for this separate base is applied only to the payroll of the Safety Plan 6 members. Beginning with the 2011 actuarial valuation, the outstanding balance of the Safety Plan 6 UAL was to be amortized over a closed 17-year period; 14 years are now remaining. Table IV-3 contains the details of the calculations of the Safety UAL rates for the Plan 6 members.

<b>Table IV-3</b>	
<b>Development of Safety UAL Amortization Rates</b>	
<i>(Excluding explicit load for anticipated administrative expenses)</i>	
	<b>Total</b>
June 30, 2014 Plan 6 Layer	\$ 13,965,710
Fourteen year amortization factor	0.093661
Safety plan 6 payroll	\$ 41,373,293
Middle of year payment	1,308,037
Extra Plan 6 UAL Amortization Rate	3.16%
Safety UAL less Extra Plan 6	\$ 198,032,361
Middle of year payment	22,879,304
Total Safety Payroll	87,832,102
UAL Rate without Extra Plan 6	26.05%
UAL Rate - Plan 6	29.21%

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**SECTION IV  
CONTRIBUTIONS**

Tables IV-4 through IV-7 contain the calculations of the employer contribution rates for each group and tier, as well as a comparison to the prior year rates.

<b>Table IV-4</b>							
<b>Development of the General Net Employer Contribution Rate as of June 30, 2014 for FYE 2016</b>							
	<b>5A</b>	<b>5B</b>	<b>5C</b>	<b>Plan 2</b>	<b>Plan 7</b>	<b>PEPRA</b>	<b>Total</b>
<b>Current Year</b>							
A. Basic Employer Normal Cost Rate	9.93%	9.48%	11.14%	2.81%	9.85%	6.48%	10.07%
B. COLA Normal Cost Rate	<u>4.12%</u>	<u>5.01%</u>	<u>4.50%</u>	<u>0.00%</u>	<u>2.72%</u>	<u>1.28%</u>	<u>4.16%</u>
C. Employer Normal Cost Rate	14.05%	14.49%	15.64%	2.81%	12.57%	7.76%	14.23%
D. Basic UAL Contribution Rate	12.40%	12.40%	12.40%	12.40%	12.40%	12.40%	12.40%
E. COLA UAL Contribution Rate	<u>5.19%</u>	<u>5.19%</u>	<u>5.19%</u>	<u>5.19%</u>	<u>5.19%</u>	<u>5.19%</u>	<u>5.19%</u>
F. UAL Contribution Rate	17.59%	17.59%	17.59%	17.59%	17.59%	17.59%	17.59%
<b>G. Total June 30, 2014 Contribution Rate (C+F)</b>	<b>31.64%</b>	<b>32.08%</b>	<b>33.23%</b>	<b>20.40%</b>	<b>30.16%</b>	<b>25.35%</b>	<b>31.82%</b>
<b>Prior Year</b>							
A. Basic Employer Normal Cost Rate	9.80%	9.36%	10.93%	2.71%	9.46%	6.44%	10.15%
B. COLA Normal Cost Rate	<u>4.05%</u>	<u>4.91%</u>	<u>4.40%</u>	<u>0.00%</u>	<u>3.82%</u>	<u>1.27%</u>	<u>4.30%</u>
C. Employer Normal Cost Rate	13.85%	14.27%	15.33%	2.71%	13.28%	7.71%	14.45%
D. Basic UAL Contribution Rate	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%
E. COLA UAL Contribution Rate	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>	<u>5.40%</u>
F. UAL Contribution Rate	18.13%	18.13%	18.13%	18.13%	18.13%	18.13%	18.13%
<b>G. Total June 30, 2013 Contribution Rate (C+F)</b>	<b>31.98%</b>	<b>32.40%</b>	<b>33.46%</b>	<b>20.84%</b>	<b>31.41%</b>	<b>25.84%</b>	<b>32.58%</b>

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**SECTION IV  
CONTRIBUTIONS**

<b>Table IV-5</b>							
<b>Development of the Safety Net Employer Contribution Rate as of June 30, 2014 for FYE 2016</b>							
	<b>4A</b>	<b>4B</b>	<b>4C</b>	<b>6A</b>	<b>6B</b>	<b>PEPRA</b>	<b>Total</b>
<b>Current Year</b>							
A. Basic Employer Normal Cost Rate	17.35%	14.57%	16.67%	19.47%	19.11%	10.20%	17.54%
B. COLA Normal Cost Rate	<u>7.78%</u>	<u>8.51%</u>	<u>7.90%</u>	<u>8.69%</u>	<u>9.17%</u>	<u>3.60%</u>	<u>8.22%</u>
C. Employer Normal Cost Rate	25.13%	23.08%	24.57%	28.16%	28.28%	13.80%	25.76%
D. Basic UAL Contribution Rate	17.80%	17.80%	17.80%	19.97%	19.97%	17.80%	18.82%
E. COLA UAL Contribution Rate	<u>9.07%</u>	<u>9.07%</u>	<u>9.07%</u>	<u>10.16%</u>	<u>10.16%</u>	<u>9.07%</u>	<u>9.59%</u>
F. UAL Contribution Rate	26.87%	26.87%	26.87%	30.13%	30.13%	26.87%	28.41%
<b>G. Total June 30, 2014 Contribution Rate (C+F)</b>	<b>52.00%</b>	<b>49.95%</b>	<b>51.44%</b>	<b>58.29%</b>	<b>58.41%</b>	<b>40.67%</b>	<b>54.17%</b>
<b>Prior Year</b>							
A. Basic Employer Normal Cost Rate	17.08%	15.15%	16.71%	19.39%	18.92%	10.58%	17.73%
B. COLA Normal Cost Rate	<u>7.71%</u>	<u>8.75%</u>	<u>7.90%</u>	<u>8.70%</u>	<u>9.07%</u>	<u>3.71%</u>	<u>8.34%</u>
C. Employer Normal Cost Rate	24.79%	23.90%	24.61%	28.09%	27.99%	14.29%	26.07%
D. Basic UAL Contribution Rate	18.69%	18.69%	18.69%	20.69%	20.69%	18.69%	19.68%
E. COLA UAL Contribution Rate	<u>9.66%</u>	<u>9.66%</u>	<u>9.66%</u>	<u>10.69%</u>	<u>10.69%</u>	<u>9.66%</u>	<u>10.17%</u>
F. UAL Contribution Rate	28.35%	28.35%	28.35%	31.38%	31.38%	28.35%	29.85%
<b>G. Total June 30, 2013 Contribution Rate (C+F)</b>	<b>53.14%</b>	<b>52.25%</b>	<b>52.96%</b>	<b>59.47%</b>	<b>59.37%</b>	<b>42.64%</b>	<b>55.92%</b>

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**SECTION IV  
CONTRIBUTIONS**

<b>Table IV-6</b>				
<b>Development of the APCD Net Employer Contribution Rate as of June 30, 2014 for FYE 2016</b>				
	<b>Plan 1</b>	<b>Plan 2</b>	<b>PEPRA</b>	<b>Total</b>
<b>Current Year</b>				
A. Basic Employer Normal Cost Rate	10.52%	8.78%	5.74%	9.25%
B. COLA Normal Cost Rate	<u>4.55%</u>	<u>5.05%</u>	<u>1.15%</u>	<u>4.59%</u>
C. Employer Normal Cost Rate	15.07%	13.83%	6.89%	13.84%
D. Basic UAL Contribution Rate	16.63%	16.63%	16.63%	16.63%
E. COLA UAL Contribution Rate	<u>6.38%</u>	<u>6.38%</u>	<u>6.38%</u>	<u>6.38%</u>
F. UAL Contribution Rate	23.01%	23.01%	23.01%	23.01%
<b>G. Total June 30, 2014 Contribution Rate (C+F)</b>	<b>38.08%</b>	<b>36.84%</b>	<b>29.90%</b>	<b>36.85%</b>
<b>Prior Year</b>				
A. Basic Employer Normal Cost Rate	10.74%	8.92%	6.43%	9.68%
B. COLA Normal Cost Rate	<u>4.57%</u>	<u>4.92%</u>	<u>1.27%</u>	<u>4.78%</u>
C. Employer Normal Cost Rate	15.31%	13.84%	7.70%	14.46%
D. Basic UAL Contribution Rate	17.01%	17.01%	17.01%	17.01%
E. COLA UAL Contribution Rate	<u>6.53%</u>	<u>6.53%</u>	<u>6.53%</u>	<u>6.53%</u>
F. UAL Contribution Rate	23.54%	23.54%	23.54%	23.54%
<b>G. Total June 30, 2013 Contribution Rate (C+F)</b>	<b>38.85%</b>	<b>37.38%</b>	<b>31.24%</b>	<b>38.00%</b>



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**SECTION IV  
CONTRIBUTIONS**

<b>Table IV-7</b>			
<b>Development of the PEPRA Member and Net Employer Contribution Rates as of June 30, 2014 for FYE 2016</b>			
	<b>General</b>	<b>APCD</b>	<b>Safety</b>
Basic Member Contribution Rate	6.48%	5.74%	10.20%
COLA Member Contribution Rate	<u>1.28%</u>	<u>1.15%</u>	<u>3.60%</u>
<b>Member Contribution Rate</b>	<b>7.76%</b>	<b>6.89%</b>	<b>13.80%</b>
Basic Employer Normal Cost Rate	6.48%	5.74%	10.20%
COLA Employer Normal Cost Rate	<u>1.28%</u>	<u>1.15%</u>	<u>3.60%</u>
Employer Normal Cost Rate	7.76%	6.89%	13.80%
Basic UAL Contribution Rate	12.40%	16.63%	17.80%
COLA UAL Contribution Rate	<u>5.19%</u>	<u>6.38%</u>	<u>9.07%</u>
Employer UAL Contribution Rate	17.59%	23.01%	26.87%
<b>Employer Contribution Rate</b>	<b>25.35%</b>	<b>29.90%</b>	<b>40.67%</b>

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**SECTION V  
COMPREHENSIVE ANNUAL FINANCIAL REPORTING INFORMATION**

The GASB adopted Statement Nos. 67 and 68 which replaced GASB Statement Nos. 25 and 27. GASB 67 is effective for periods beginning after June 15, 2013 (first effective June 30, 2014 for the Plan) and GASB 68 is effective for fiscal years beginning after June 15, 2014 (first effective for the fiscal year July 1, 2014 to June 30, 2015 for the Employers). The disclosures needed to satisfy the new GASB requirements can be found in the SBCERS GASB 67/68 Report as of June 30, 2014.

In accordance with Government Finance Officers Association (GFOA) and their recommended checklist for Comprehensive Annual Financial Reports (CAFRs), we continue to prepare the Solvency Test disclosure:

<b>Table V-1 SOLVENCY TEST</b>									
(dollars in thousands)									
<b>Valuation Date</b>	<b>(A) Active Member Contributions</b>	<b>(B) Retirees And Beneficiaries</b>	<b>(C) Remaining Active Members' Liabilities</b>	<b>Reported Assets<sup>1</sup></b>	<b>Portion of Actuarial Liabilities Covered by Reported Assets</b>				
<b>June 30,</b>					<b>(A)</b>	<b>(B)</b>	<b>(C)</b>		
2014	\$ 174,958	\$ 1,822,654	\$ 1,100,403	\$ 2,513,630	100%	100%	47%		
2013	171,614	1,747,430	1,049,090	2,150,006	100%	100%	22%		
2012 <sup>2</sup>	165,623	1,660,773	1,047,987	2,046,641	100%	100%	21%		
2011	165,774	1,559,716	1,024,324	2,007,859	100%	100%	28%		
2010	162,432	1,483,728	969,987	1,927,229	100%	100%	29%		
2009	174,951	1,237,215	851,696	1,705,733	100%	100%	34%		
2008	177,770	1,124,748	833,437	1,891,456	100%	100%	71%		

<sup>1</sup> Actuarial Value of Assets. As of June 30 2014, the Actuarial Value of Assets is the Market Value of Assets.

<sup>2</sup> June 30, 2012 and earlier numbers calculated by prior actuary

The solvency test shows the portion of actuarial liabilities for active member contributions, inactive members, and the employer financed portion of the active members that are covered by the actuarial value of assets. Liabilities are discounted at the assumed valuation interest of 7.5%.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

The data for this valuation was provided by the Santa Barbara County staff as of June 30, 2014. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

**SBCERS' Membership**

<b>As of June 30, 2013 and 2014</b>	<b>2013</b>	<b>2014</b>
<b>Members Now Receiving Benefits</b>		
Service Retirement	3,047	3,152
Disability Retirement	245	240
Beneficiaries and Survivors	481	505
Subtotal	3,773	3,897
<b>Active Members</b>		
Active Vested Members	3,329	3,352
Active Nonvested Members	779	825
Subtotal	4,108	4,177
<b>Deferred Members</b>	1,151	1,197
<b>Total Membership</b>	9,032	9,271

<b>Schedule of Average Benefit Payments</b>	<b>Years of Retirement</b>					
	<b>June 30, 2014</b>	0-9	10-14	15-19	20-24	25-29
Average Monthly Benefit	\$3,120	\$2,838	\$2,552	\$2,402	\$2,222	\$1,716
Average Annual Benefit	37,440	34,056	30,624	28,824	26,664	20,592
Number of Active Retirees	2,097	731	423	247	175	224

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Schedule of Active Member Valuation Data**

Valuation Date	Plan	Active Members	Annual Salary*	Average*	% Increase in Average Salary
June 30, 2014	General	3,226	\$ 221,733,000	68,733	0.14%
	Safety	910	83,659,000	91,933	2.60%
	APCD	41	3,335,000	81,346	4.61%
	Total	4,177	\$ 308,727,000	73,911	0.77%

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

**Schedule of Retirees & Beneficiaries Added to and Removed from Retirement Payroll**

Fiscal Year	Added to rolls		Removed from rolls		Rolls at end of year		% Increase in Retiree Allowance	Average Annual Allowance
	Number	Annual Allowance*	Number	Annual Allowance	Number	Annual Allowance		
2007	203	\$ 7,348,140	-70	\$ (1,165,047)	2,812	\$ 70,763,105	9.6%	\$ 25,165
2008	232	\$ 8,624,426	-72	\$ (1,213,017)	2,972	\$ 83,023,412	17.3%	\$ 27,935
2009	239	\$ 8,842,975	-94	\$ (2,084,942)	3,117	\$ 92,275,326	11.1%	\$ 29,604
2010	301	\$ 13,005,361	-100	\$ 2,443,989	3,318	\$ 104,978,781	13.8%	\$ 31,639
2011	192	\$ 5,922,775	-123	\$ 2,942,348	3,387	\$ 110,219,174	5.0%	\$ 32,542
2012	226	\$ 9,082,861	-106	\$ 2,884,973	3,507	\$ 118,545,000	7.6%	\$ 33,802
2013	364**	\$ 8,811,248	-98	\$ 1,787,108	3,773	\$ 126,691,263	6.9%	\$ 33,578
2014	203	\$ 6,842,058	-79	\$ 2,112,523	3,897	\$ 132,766,493	4.8%	\$ 34,069

\* Annual allowance added during the year does not include COLAs granted in year to continuing retirees and beneficiaries.

\*\* Includes 119 new records for members with benefits in more than one plan. Previously these members had only one record that accounted for their total benefit.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**SBCERS Membership - Active Members as of June 30, 2014**

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

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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**APPENDIX A**  
**MEMBERSHIP INFORMATION**

**SBCERS Membership - Schedule of Active Member Valuation Data**

<b>Valuation Date</b>	<b>Plan Type</b>	<b>Count</b>	<b>Annual Salary*</b>	<b>Average Annual Salary*</b>	<b>Increase in Average Salary</b>
<b>June 30, 2005</b>	General	3,558	\$199,371,000	\$56,035	0.00%
	Safety	<u>947</u>	<u>\$68,414,000</u>	\$72,243	0.90%
	Total	4,505	\$267,785,000	\$59,442	0.30%
<b>June 30, 2006</b>	General	3,658	\$214,405,000	\$58,613	4.60%
	Safety	<u>982</u>	<u>\$72,977,000</u>	\$74,315	2.90%
	Total	4,640	\$287,382,000	\$61,936	4.20%
<b>June 30, 2007</b>	General	3569	\$214,717,000	\$60,162	2.60%
	APCD	53	\$3,940,000	\$74,340	N/A
	Safety	<u>1,003</u>	<u>\$75,506,000</u>	\$75,280	1.30%
	Total	4,625	\$294,163,000	\$63,603	2.70%
<b>June 30, 2008</b>	General	3,552	\$226,426,000	\$63,746	6.00%
	APCD	48	\$3,608,000	\$75,167	1.10%
	Safety	<u>1,006</u>	<u>\$77,230,000</u>	\$76,769	2.00%
	Total	4,606	\$307,264,000	\$66,710	4.90%
<b>June 30, 2009</b>	General	3,450	\$223,831,000	\$64,879	1.80%
	APCD	50	\$3,955,000	\$79,100	5.20%
	Safety	<u>967</u>	<u>\$79,596,000</u>	\$82,312	7.20%
	Total	4,467	\$307,382,000	\$68,812	3.20%
<b>June 30, 2010</b>	General	3,261	\$223,995,000	\$68,689	5.90%
	APCD	46	\$3,716,000	\$80,783	2.10%
	Safety	<u>921</u>	<u>\$79,795,000</u>	\$86,640	5.30%
	Total	4,228	\$307,506,000	\$72,731	5.70%
<b>June 30, 2011</b>	General	3,198	\$222,046,000	\$69,433	1.10%
	APCD	46	\$3,457,000	\$75,161	-7.00%
	Safety	<u>904</u>	<u>\$81,025,000</u>	\$89,630	3.50%
	Total	4,148	\$306,528,000	\$73,898	1.60%
<b>June 30, 2012</b>	General	3,141	\$220,234,000	\$70,116	1.00%
	APCD	46	\$3,475,000	\$75,548	0.50%
	Safety	<u>885</u>	<u>\$79,168,000</u>	\$89,456	-0.20%
	Total	4,072	\$302,877,000	\$74,380	0.70%
<b>June 30, 2013</b>	General	3,161	\$216,968,000	\$68,639	-2.11%
	APCD	43	\$3,344,000	\$77,767	2.94%
	Safety	<u>904</u>	<u>\$81,004,000</u>	\$89,606	0.17%
	Total	4,108	\$301,316,000	\$73,349	-1.39%
<b>June 30, 2014</b>	General	3,226	\$221,733,000	\$68,733	0.14%
	APCD	41	\$3,335,000	\$81,341	4.60%
	Safety	<u>910</u>	<u>\$83,659,000</u>	\$91,933	2.60%
	Total	4,177	\$308,727,000	\$73,911	0.77%

\* Based on salary data provided in the for Fiscal Year End of Valuation Date

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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**APPENDIX A  
MEMBERSHIP INFORMATION**

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

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**SBCERS Membership – Retired Members as of June 30, 2014**

<b>General Members</b>	<b>Count</b>	<b>Average Current Age</b>	<b>Average Age at Retirement*</b>	<b>Monthly Allowances</b>	<b>Average Monthly Benefit</b>
Plan 1	952	80.7	58.7	\$1,572,000	\$1,652
Plan 2	55	69.7	61.1	\$31,000	\$566
Plan 3	7	64.7	60.8	\$7,000	\$931
Plan 4A	196	72.7	59.8	\$442,000	\$2,255
Plan 4B	5	73.2	61.3	\$2,000	\$332
Plan 5A	1,322	65.5	59.1	\$4,030,000	\$3,048
Plan 5B	233	65.2	60.7	\$323,000	\$1,387
Plan 5C	170	62.8	61.2	\$275,000	\$1,620
Plan 7**	1	64.0	63.2	\$0	\$240
<b>Total</b>	<u>2,941</u>	70.8	59.4	<u>\$6,682,000</u>	\$2,272
<b>APCD Members</b>					
Plan 1	43	63.1	57.9	\$129,000	\$2,991
Plan 2	8	65.4	61.6	\$14,000	\$1,781
<b>Total</b>	<u>51</u>	63.4	58.5	<u>\$143,000</u>	\$2,804
<b>Safety Members</b>					
Plan 1	305	73.5	52.7	\$1,237,000	\$4,056
Plan 2	25	71.6	55.6	\$56,000	\$2,240
Plan 3	3	60.7	55.3	\$13,000	\$4,222
Plan 4A	255	63.0	55.1	\$1,606,000	\$6,298
Plan 4B	95	64.3	56.8	\$274,000	\$2,884
Plan 4C	44	61.0	59.4	\$118,000	\$2,680
Plan 4D	2	59.0	63.0	\$7,000	\$3,491
Plan 6A	157	57.1	53.3	\$874,000	\$5,565
Plan 6B	19	58.0	58.8	\$56,000	\$2,966
<b>Total</b>	<u>905</u>	65.7	55.5	<u>\$4,241,000</u>	\$4,686
<b>Total Retired Members</b>	<b>3,897</b>	<b>69.5</b>	<b>58.1</b>	<b>\$11,066,000</b>	<b>\$2,839</b>

\* For healthy retired members only, excludes disabled members and beneficiaries

\*\* Monthly benefit is \$240



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A**  
**MEMBERSHIP INFORMATION**

**SBCERS Membership – Retired Members as of June 30, 2014**

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Age & Service Distribution of Active Members by Count and Average Salary as of June 30, 2014  
All Members**

**Count**

Age	Years of Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	18	26	0	0	0	0	0	0	0	44
25-29	59	188	50	0	0	0	0	0	0	297
30-34	40	171	252	41	0	0	0	0	0	504
35-39	19	72	203	142	48	0	0	0	0	484
40-44	9	53	152	185	179	41	2	0	0	621
45-49	14	34	114	135	145	104	48	1	0	595
50-54	8	46	94	104	112	120	112	34	1	631
55-59	12	27	85	79	105	94	80	61	15	558
60-64	2	16	57	59	62	42	41	31	13	323
65 & Over	2	9	28	28	20	15	7	5	6	120
<b>Total Count</b>	<b>183</b>	<b>642</b>	<b>1,035</b>	<b>773</b>	<b>671</b>	<b>416</b>	<b>290</b>	<b>132</b>	<b>35</b>	<b>4,177</b>

**Salary**

Age	Years of Service									Average Salary*
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	\$40,961	\$49,964	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$46,281
25-29	50,022	53,343	56,161	0	0	0	0	0	0	53,158
30-34	52,784	59,088	66,816	72,239	0	0	0	0	0	63,521
35-39	59,861	61,052	68,884	75,415	79,678	0	0	0	0	70,351
40-44	57,903	63,265	70,807	79,911	81,978	79,571	84,990	0	0	76,532
45-49	56,994	74,710	70,878	80,197	77,324	81,796	91,094	92,885	0	78,032
50-54	47,510	76,043	72,528	71,292	81,352	80,997	92,386	99,886	211,603	80,659
55-59	69,364	76,041	78,516	80,299	70,284	79,558	86,801	86,041	80,968	79,155
60-64	44,264	76,526	75,878	78,341	77,726	89,085	81,706	84,656	102,074	80,873
65 & Over	87,395	92,609	73,382	81,895	69,886	84,625	87,577	76,950	112,511	80,800
<b>Average Salary*</b>	<b>\$53,181</b>	<b>\$61,261</b>	<b>\$69,897</b>	<b>\$77,560</b>	<b>\$78,120</b>	<b>\$81,678</b>	<b>\$88,954</b>	<b>\$88,989</b>	<b>\$97,947</b>	<b>\$73,911</b>

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Age & Service Distribution of Active Members by Count and Average Salary as of June 30, 2014  
General Members**

**Count**

Age	Years of Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	17	20	0	0	0	0	0	0	0	37
25-29	49	143	40	0	0	0	0	0	0	232
30-34	35	132	172	29	0	0	0	0	0	368
35-39	15	58	144	82	28	0	0	0	0	327
40-44	9	49	124	127	100	26	0	0	0	435
45-49	14	31	95	105	104	64	27	1	0	441
50-54	8	41	88	92	88	88	71	23	0	499
55-59	12	27	70	75	94	82	62	51	13	486
60-64	2	16	51	53	53	40	38	27	11	291
65 & Over	2	8	26	27	19	13	7	3	5	110
<b>Total Count</b>	<b>163</b>	<b>525</b>	<b>810</b>	<b>590</b>	<b>486</b>	<b>313</b>	<b>205</b>	<b>105</b>	<b>29</b>	<b>3,226</b>

**Salary**

Age	Years of Service									Average Salary*
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	\$39,737	\$44,450	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$42,284
25-29	47,876	47,759	49,363	0	0	0	0	0	0	48,060
30-34	51,682	54,752	59,135	64,015	0	0	0	0	0	57,239
35-39	59,368	58,791	62,607	61,915	69,915	0	0	0	0	62,233
40-44	57,903	61,721	67,457	74,584	70,843	67,659	0	0	0	69,484
45-49	56,994	73,887	68,107	77,137	70,885	68,821	79,381	92,885	0	71,816
50-54	47,510	73,994	71,655	69,580	78,564	75,465	79,597	83,320	0	74,636
55-59	69,364	76,041	72,954	80,064	68,905	77,498	79,495	79,135	77,756	75,729
60-64	44,264	76,526	72,609	78,006	75,297	88,569	81,132	81,689	95,339	79,111
65 & Over	87,395	84,014	72,136	82,206	69,141	83,871	87,577	66,740	95,930	78,536
<b>Average Salary*</b>	<b>\$52,243</b>	<b>\$58,388</b>	<b>\$65,416</b>	<b>\$73,330</b>	<b>\$72,241</b>	<b>\$76,014</b>	<b>\$80,095</b>	<b>\$80,485</b>	<b>\$87,559</b>	<b>\$68,733</b>

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Age & Service Distribution of Active Members by Count and Average Salary as of June 30, 2014  
Safety Members**

**Count**

Age	Years of Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	1	5	0	0	0	0	0	0	0	6
25-29	9	42	8	0	0	0	0	0	0	59
30-34	4	37	76	12	0	0	0	0	0	129
35-39	3	13	57	60	20	0	0	0	0	153
40-44	0	4	28	58	79	15	2	0	0	186
45-49	0	3	18	29	41	40	21	0	0	152
50-54	0	4	6	10	24	28	38	11	1	122
55-59	0	0	15	4	10	11	17	10	2	69
60-64	0	0	6	3	9	1	2	2	2	25
65 & Over	0	0	2	1	1	2	0	2	1	9
<b>Total Count</b>	<b>17</b>	<b>108</b>	<b>216</b>	<b>177</b>	<b>184</b>	<b>97</b>	<b>80</b>	<b>25</b>	<b>6</b>	<b>910</b>

**Salary**

Age	Years of Service									Average Salary*
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	\$61,767	\$68,851	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$67,670
25-29	61,246	71,205	87,509	0	0	0	0	0	0	71,897
30-34	62,091	74,630	83,926	92,116	0	0	0	0	0	81,345
35-39	63,410	70,653	84,111	93,866	93,346	0	0	0	0	87,594
40-44	0	82,186	85,643	91,574	96,072	100,218	84,990	0	0	93,016
45-49	0	83,207	84,085	90,410	93,658	102,556	106,155	0	0	95,767
50-54	0	97,394	85,329	83,512	91,571	98,009	117,051	134,523	211,603	105,065
55-59	0	0	104,471	84,709	81,907	93,957	111,480	121,264	101,847	102,464
60-64	0	0	103,663	90,536	92,030	78,606	91,802	106,141	139,112	98,983
65 & Over	0	0	89,577	73,499	84,047	89,523	0	92,266	195,416	99,522
<b>Average Salary*</b>	<b>\$61,858</b>	<b>\$73,913</b>	<b>\$86,410</b>	<b>\$91,467</b>	<b>\$93,618</b>	<b>\$99,391</b>	<b>\$111,574</b>	<b>\$123,568</b>	<b>\$148,156</b>	<b>\$91,933</b>

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2014  
APCD Members**

**Count**

Age	Years of Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	0	1	0	0	0	0	0	0	0	1
25-29	1	3	2	0	0	0	0	0	0	6
30-34	1	2	4	0	0	0	0	0	0	7
35-39	1	1	2	0	0	0	0	0	0	4
40-44	0	0	0	0	0	0	0	0	0	0
45-49	0	0	1	1	0	0	0	0	0	2
50-54	0	1	0	2	0	4	3	0	0	10
55-59	0	0	0	0	1	1	1	0	0	3
60-64	0	0	0	3	0	1	1	2	0	7
65 & Over	0	1	0	0	0	0	0	0	0	1
<b>Total Count</b>	<b>3</b>	<b>9</b>	<b>9</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>41</b>

**Salary**

Age	Years of Service									Average Salary*
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	\$0	\$65,816	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$65,816
25-29	54,136	69,466	66,736	0	0	0	0	0	0	66,001
30-34	54,136	57,688	71,988	0	0	0	0	0	0	65,352
35-39	56,619	67,381	86,843	0	0	0	0	0	0	74,421
40-44	0	0	0	0	0	0	0	0	0	0
45-49	0	0	96,356	105,360	0	0	0	0	0	100,858
50-54	0	74,633	0	88,979	0	83,603	82,624	0	0	83,488
55-59	0	0	0	0	83,742	90,093	120,226	0	0	98,020
60-64	0	0	0	72,071	0	120,226	83,321	103,224	0	89,458
65 & Over	0	161,372	0	0	0	0	0	0	0	161,372
<b>Average Salary*</b>	<b>\$54,963</b>	<b>\$76,997</b>	<b>\$76,829</b>	<b>\$83,255</b>	<b>\$83,742</b>	<b>\$90,788</b>	<b>\$90,284</b>	<b>\$103,224</b>	<b>\$0</b>	<b>\$81,346</b>

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

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Distribution of Retired Members by Age and Retirement Year as of June 30, 2014  
All Members**

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1980	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14		
Under 35	0	0	0	0	3	2	3	4	12	\$661
35-39	0	0	0	0	0	3	0	2	5	\$2,155
40-44	0	0	0	0	2	1	0	4	7	\$1,828
45-49	0	0	0	2	2	3	6	9	22	\$2,080
50-54	0	0	0	0	3	11	11	123	148	\$2,371
55-59	0	0	1	1	19	15	173	242	451	\$2,849
60-64	1	3	2	1	11	101	260	273	652	\$3,101
65-69	5	3	9	9	81	208	307	231	853	\$3,408
70-74	12	10	1	49	135	208	164	60	639	\$3,187
75-79	18	6	26	60	110	106	47	25	398	\$2,441
80-84	7	22	43	65	76	48	19	11	291	\$2,175
85-89	24	32	52	54	21	26	16	14	239	\$1,952
90-94	31	30	28	11	5	9	7	8	129	\$1,808
95-99	16	12	6	1	1	2	2	2	42	\$1,664
100 & Over	7	0	0	1	0	0	1	0	9	\$1,204
<b>Total Count</b>	<b>121</b>	<b>118</b>	<b>168</b>	<b>254</b>	<b>469</b>	<b>743</b>	<b>1,016</b>	<b>1,008</b>	<b>3,897</b>	<b>\$2,839</b>
<b>Avg Monthly Benefit</b>	<b>\$1,559</b>	<b>\$1,878</b>	<b>\$2,294</b>	<b>\$2,392</b>	<b>\$2,551</b>	<b>\$2,851</b>	<b>\$3,142</b>	<b>\$3,128</b>	<b>\$2,839</b>	

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Distribution of Retired Members by Age and Retirement Year as of June 30, 2014  
General Members**

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1980	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14		
Under 35	0	0	0	0	3	2	2	2	9	\$514
35-39	0	0	0	0	0	2	0	1	3	\$1,267
40-44	0	0	0	0	1	1	0	3	5	\$1,427
45-49	0	0	0	2	1	1	4	1	9	\$906
50-54	0	0	0	0	3	7	3	68	81	\$1,216
55-59	0	0	1	1	12	7	107	144	272	\$1,617
60-64	1	1	1	1	7	76	172	225	484	\$2,378
65-69	1	0	5	4	64	121	253	200	648	\$2,915
70-74	2	2	0	36	65	163	146	53	467	\$2,566
75-79	3	3	18	43	90	97	43	19	316	\$2,132
80-84	6	18	35	57	68	43	16	9	252	\$1,993
85-89	18	30	50	53	20	23	14	14	222	\$1,856
90-94	26	30	28	11	5	9	7	7	123	\$1,763
95-99	15	12	6	1	1	2	2	2	41	\$1,644
100 & Over	7	0	0	1	0	0	1	0	9	\$1,204
<b>Total Count</b>	79	96	144	210	340	554	770	748	2,941	\$2,272
<b>Avg Monthly Benefit</b>	\$1,140	\$1,645	\$2,034	\$1,975	\$1,740	\$2,176	\$2,538	\$2,641	\$2,272	

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Distribution of Retired Members by Age and Retirement Year as of June 30, 2014**  
**Safety Members**

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1980	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14		
Under 35	0	0	0	0	0	0	1	2	3	\$1,100
35-39	0	0	0	0	0	1	0	1	2	\$3,488
40-44	0	0	0	0	1	0	0	1	2	\$2,830
45-49	0	0	0	0	1	2	2	8	13	\$2,892
50-54	0	0	0	0	0	4	8	49	61	\$4,015
55-59	0	0	0	0	7	8	60	94	169	\$4,907
60-64	0	2	1	0	4	24	84	42	157	\$5,300
65-69	4	3	4	5	17	84	50	22	189	\$5,049
70-74	10	8	1	13	70	45	17	6	170	\$4,924
75-79	15	3	8	17	20	6	2	6	77	\$3,680
80-84	1	4	8	8	8	4	3	2	38	\$3,440
85-89	6	2	2	1	1	3	2	0	17	\$3,200
90-94	5	0	0	0	0	0	0	1	6	\$2,720
95-99	1	0	0	0	0	0	0	0	1	\$2,513
100 & Over	0	0	0	0	0	0	0	0	0	\$0
<b>Total Count</b>	42	22	24	44	129	181	229	234	905	\$4,686
<b>Avg Monthly Benefit</b>	\$2,347	\$2,892	\$3,855	\$4,383	\$4,688	\$4,948	\$5,201	\$4,699	\$4,686	



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Distribution of Retired Members by Age and Retirement Year as of June 30, 2014  
APCD Members**

Age	Benefit Effective Date								Total Count	Average Monthly Benefit
	Pre-1980	1980-84	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14		
Under 35	0	0	0	0	0	0	0	0	0	\$0
35-39	0	0	0	0	0	0	0	0	0	\$0
40-44	0	0	0	0	0	0	0	0	0	\$0
45-49	0	0	0	0	0	0	0	0	0	\$0
50-54	0	0	0	0	0	0	0	6	6	\$1,241
55-59	0	0	0	0	0	0	6	4	10	\$1,604
60-64	0	0	0	0	0	1	4	6	11	\$3,543
65-69	0	0	0	0	0	3	4	9	16	\$4,009
70-74	0	0	0	0	0	0	1	1	2	\$776
75-79	0	0	0	0	0	3	2	0	5	\$2,930
80-84	0	0	0	0	0	1	0	0	1	\$51
85-89	0	0	0	0	0	0	0	0	0	\$0
90-94	0	0	0	0	0	0	0	0	0	\$0
95-99	0	0	0	0	0	0	0	0	0	\$0
100 & Over	0	0	0	0	0	0	0	0	0	\$0
<b>Total Count</b>	0	0	0	0	0	8	17	26	51	\$2,804
<b>Avg Monthly Benefit</b>	\$0	\$0	\$0	\$0	\$0	\$2,142	\$2,778	\$3,018	\$2,801	

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Reconciliation of System Membership Since Prior Valuation  
All Members**

	Actives	Deferred Members	Non-Duty Disabled	Duty Disabled	Retired	Beneficiaries	Total
<b>June 30, 2013</b>	<b>4,108</b>	<b>1,151</b>	<b>67</b>	<b>178</b>	<b>3,047</b>	<b>481</b>	<b>9,032</b>
New Entrants	322	0	0	0	0	0	322
Rehires	26	(14)	0	0	0	0	12
Duty Disabilities	0	0	0	0	0	0	0
Ordinary Disabilities	(2)	0	2	0	0	0	0
Retirements	(104)	(51)	0	0	155	0	0
Retirements from Safety with Misc Service	0	0	0	0	5	0	5
Vested Terminations	(64)	64	0	0	0	0	0
Died, With Beneficiaries' Benefit Payable	(2)	(1)	(1)	(1)	(18)	24	1
Non-Vested Terminations and Death without beneficiary	(59)	58	(2)	(3)	(35)	0	(41)
Transfers	(13)	13	0	0	0	0	0
Beneficiary Deaths	0	0	0	0	0	(17)	(17)
Domestic Relations Orders	0	0	0	0	0	15	15
Withdrawals Paid	(37)	(24)	0	0	0	0	(61)
Data Corrections	2	1	0	0	(2)	2	3
<b>June 30, 2014</b>	<b>4,177</b>	<b>1,197</b>	<b>66</b>	<b>174</b>	<b>3,152</b>	<b>505</b>	<b>9,271</b>

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Reconciliation of System Membership Since Prior Valuation  
General Members**

	Actives	Deferred Members	Non-Duty Disabled	Duty Disabled	Retired	Beneficiaries	Total
<b>June 30, 2013</b>	<b>3,161</b>	<b>952</b>	<b>57</b>	<b>66</b>	<b>2,370</b>	<b>355</b>	<b>6,961</b>
New Entrants	276	0	0	0	0	0	276
Rehires	21	(12)	0	0	0	0	9
Duty Disabilities	0	0	0	0	0	0	0
Ordinary Disabilities	(1)	0	1	0	0	0	0
Retirements	(82)	(43)	0	0	125	0	0
Retirements from Safety with Misc Service	0	0	0	0	4	0	4
Vested Terminations	(55)	55	0	0	0	0	0
Died, With Beneficiaries' Benefit Payable	(1)	(1)	(1)	(1)	(14)	19	1
Non-Vested Terminations and Death without beneficiary	(51)	50	(2)	(2)	(28)	0	(33)
Transfers	(9)	10	0	0	0	0	1
Beneficiary Deaths	0	0	0	0	0	(15)	(15)
Domestic Relations Orders	0	0	0	0	0	7	7
Withdrawals Paid	(35)	(23)	0	0	0	0	(58)
Data Corrections	2	1	0	0	(2)	2	3
<b>June 30, 2014</b>	<b>3,226</b>	<b>989</b>	<b>55</b>	<b>63</b>	<b>2,455</b>	<b>368</b>	<b>7,156</b>

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Reconciliation of System Membership Since Prior Valuation  
Safety Members**

	Actives	Deferred Members	Non-Duty Disabled	Duty Disabled	Retired	Beneficiaries	Total
<b>June 30, 2013</b>	<b>904</b>	<b>185</b>	<b>10</b>	<b>112</b>	<b>634</b>	<b>123</b>	<b>1,968</b>
New Entrants	43	0	0	0	0	0	43
Rehires	5	(2)	0	0	0	0	3
Duty Disabilities	0	0	0	0	0	0	0
Ordinary Disabilities	(1)	0	1	0	0	0	0
Retirements	(19)	(7)	0	0	26	0	0
Retirements from Safety with Misc Service	0	0	0	0	1	0	1
Vested Terminations	(7)	7	0	0	0	0	0
Died, With Beneficiaries' Benefit Payable	(1)	0	0	0	(4)	5	0
Non-Vested Terminations and Death without beneficiary	(8)	8	0	(1)	(7)	0	(8)
Transfers	(4)	3	0	0	0	0	(1)
Beneficiary Deaths	0	0	0	0	0	(2)	(2)
Domestic Relations Orders	0	0	0	0	0	7	7
Withdrawals Paid	(2)	(1)	0	0	0	0	(3)
Data Corrections	0	0	0	0	0	0	0
<b>June 30, 2014</b>	<b>910</b>	<b>193</b>	<b>11</b>	<b>111</b>	<b>650</b>	<b>133</b>	<b>2,008</b>

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Reconciliation of System Membership Since Prior Valuation  
APCD Members**

	Actives	Deferred Members	Non-Duty Disabled	Duty Disabled	Retired	Beneficiaries	Total
<b>June 30, 2013</b>	<b>43</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>3</b>	<b>103</b>
New Entrants	3	0	0	0	0	0	3
Rehires	0	0	0	0	0	0	0
Duty Disabilities	0	0	0	0	0	0	0
Ordinary Disabilities	0	0	0	0	0	0	0
Retirements	(3)	(1)	0	0	4	0	0
Retirements from Safety with Misc Service	0	0	0	0	0	0	0
Vested Terminations	(2)	2	0	0	0	0	0
Died, With Beneficiaries' Benefit Payable	0	0	0	0	0	0	0
Non-Vested Terminations and Death without beneficiary	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Beneficiary Deaths	0	0	0	0	0	0	0
Domestic Relations Orders	0	0	0	0	0	1	1
Withdrawals Paid	0	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0	0
<b>June 30, 2014</b>	<b>41</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>4</b>	<b>107</b>

**APPENDIX B**  
**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

The assumptions and methods used in the actuarial valuation as of June 30, 2014 are:

**Actuarial Methods**

**1. Actuarial Cost Method**

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

The UAL (or Surplus Funding) is amortized as a percentage of the projected salaries of present and future members of SBCERS. Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 17-year period, except for the additional UAL attributable to the creation of Safety Plan 6, which is being amortized over a separate closed period (currently 14 years). Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes is amortized over a closed 19-year period, with 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 10 years of level payments as a percentage of payroll. This new method is a type of direct rate smoothing method.

**2. Valuation of Assets**

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

The asset valuation method used in prior valuations is described below:

The assets were 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 was 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.

An asset corridor limit was applied such that the smoothed market value of assets stays within 20% of the market value of assets.

**APPENDIX B**  
**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

**Actuarial Assumptions**

The assumptions used in this report reflect the results of an Experience Study performed by Cheiron covering the period from July 1, 2010 through June 30, 2013 and adopted by the Board. There were no changes to the assumptions from the prior valuation.

**3. Rate of Return**

Assets are assumed to earn 7.50% net of investment expenses.

**4. Administrative Expenses**

Administrative expenses are assumed to be \$4.25 million for the next year, to be split between employees and employers based on their share of the overall contributions.

**5. Cost of Living**

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

**6. Post Retirement COLA**

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

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

**7. 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.

**8. 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.

**9. Social Security Wage Base**

General Plan 2 members have their benefits offset by an assumed Social Security Benefit. For projecting the Social Security Benefit, the annual Social Security Wage Base increase

**APPENDIX B**  
**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

is assumed to be 3.0% per year. This assumption is also used for increasing the compensation limit that applies to PEPRA members.

**10. Interest on Member Contributions**

The annual credited interest rate on member contributions is assumed to be 4.00%. As of June 30, 2008, the credited interest rate each six month period is the semi-annual yield of the five-year Treasury note as of the last business day of the interest crediting period.

**11. Sick Leave Service Credit Upon Retirement**

Upon retirement, members are entitled to turn their sick leave balances into service credit for retirement benefits. Members are limited to one year of service credit. A 1.34% load was applied to the expected years of service at retirement for sick leave service credit. This assumption was adopted effective June 30, 2010.

**12. Family Composition**

Percentage married for all active members who retire, become disabled or die during active service is shown in the table below. Male members are assumed to be three years older than their spouses and female members are assumed to be two years younger than their spouses.

<b>Percentage Married</b>	
<b>Gender</b>	<b>Percentage</b>
Males	75%
Females	55%

**13. Vacation Cashout**

Any cashouts of vacation at retirement are recognized at that time. There is no preresognition of potential costs included in the valuation.



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX B**  
**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

**14. Increases in Pay**

Wage inflation component: 3.50%

Additional longevity and promotion component:

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

*\* Increases are compound rather than additive*

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

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**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

**15. Rates of Termination**

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

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

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX B**  
**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

**16. Withdrawal**

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

<b>Rates of Withdrawal</b>		
<b>Service</b>	<b>General</b>	<b>Safety</b>
0	100.00%	100.00%
1	100.00%	100.00%
2	100.00%	100.00%
3	100.00%	100.00%
4	100.00%	100.00%
5	30.00%	30.00%
6	30.00%	30.00%
7	30.00%	30.00%
8	30.00%	30.00%
9	30.00%	30.00%
10	20.00%	15.00%
11	20.00%	15.00%
12	20.00%	15.00%
13	20.00%	15.00%
14	20.00%	15.00%
15	15.00%	15.00%
16	15.00%	15.00%
17	15.00%	15.00%
18	15.00%	15.00%
19	15.00%	15.00%
20	15.00%	0.00%
21	15.00%	0.00%
22	15.00%	0.00%
23	15.00%	0.00%
24	15.00%	0.00%
25	0.00%	0.00%
26	0.00%	0.00%
27	0.00%	0.00%
28	0.00%	0.00%
29	0.00%	0.00%
30	0.00%	0.00%

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**APPENDIX B**  
**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

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

General Plans 5, 7, and 8 (PEPRA) Members:	Age 58
General Plan 2 Members:	Age 65
Safety Plans 4 and 8 (PEPRA) Members:	Age 54
Safety Plan 6 Members:	Age 50
APCD Members:	Age 58

**17. Reciprocal Transfers**

50% of vested terminated General (except Plan 2) and Safety Members that leave their member contributions on deposit with the Plan are assumed to be reciprocal.

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

General & APCD Members:	3.75%
Safety Members:	4.00%

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX B  
STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

**18. Rates of Disability**

Disability rates of active participants are shown below.

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

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

**APPENDIX B**  
**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

**19. Rates of Mortality for Healthy Lives**

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

**20. Rates of Mortality for Retired Disabled Lives**

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

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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**STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

**21. Rates of Retirement**

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

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

**APPENDIX C**  
**SUMMARY OF PLAN 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 County Board of Supervisors, a district Board of Directors, or the SBCERS Board, effective through June 30, 2014. 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.

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

**A. Membership in Retirement Plans**

The County has established several defined benefit tiers based primarily on a member's date of entry into SBCERS and in some cases, bargaining unit. There are two types of SBCERS members:

**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, APCD Plan 2, General Plan 7, or General Plan 8 depending upon their date of entry to the system.

**APCD Plan 1:** APCD employees hired on or before July 3, 1995.

**APCD Plan 2:** APCD employees hired after July 3, 1995.

**General Plan 2:** Employees hired on or before June 30, 1999, who elected to join General Plan 2. Once vested, Plan 2 members have a one-time election to defer accrued Plan 2 benefits and enter a contributory plan in effect at the time of election. Contributions are based upon age at time of transfer.

**Safety Plan 4A &**

**General Plan 5A:** General employees hired before October 10, 1994, who did not elect to join General Plan 2, and some Safety employees hired before October 10, 1994.

**Safety Plan 4B &**

**General Plan 5B:** Employees in certain bargaining units hired on or after October 10, 1994. Some employees are in Safety Plan 4B without regard to hire date.



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**SUMMARY OF PLAN PROVISIONS**

- General Plan 5C:** 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.
- General Plan 7:** County General employees hired on or after June 25, 2012, and other new non-PEPRA General hires for employers that have adopted Plan 7.
- Safety Plan 4C:** 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.
- Safety Plan 6A:** 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 4B on February 25, 2008.
- Plan 8 (PEPRA):** All new members hired on or after January 1, 2013. Employees who transfer from and are eligible for reciprocity with another public employer will not be PEPRA members if their service in the reciprocal system was under a pre-PEPRA tier.

**B. 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 Appendix F for details on this calculation. Current member rates are shown in the Appendix. (31453, 31454, 31454.1)

Contributions cease for all non-PEPRA safety members credited with 30 years of service. (31625, 31625.2)

Plan 8: PEPRA members must contribute half of the normal cost of the Plan. Contributions for these members will be based on the Normal Cost associated with their benefits; General and Safety members will pay different rates.

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)

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**SUMMARY OF PLAN PROVISIONS**

**Cost of Living:** Some members may contribute towards the cost-of-living benefit based on increases in COLA Normal Cost rates. No such increases were experienced in the current valuation, and therefore no additional employee contributions towards the cost-of-living benefits are included in the current employee rates.

**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.  
General Plan 5C is based on half rates.

APCD Plan 1 member rates are half APCD Plan 2 member rates.

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

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

*(31621.2, 31621.4, 31621.5, 31621.6, 31581.1)*

**C. Employer Contributions:**

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

**D. Service Retirement Allowance:**

**Eligibility:**

***General Plan members:***

**Plans 5A,**

**5B, 5C, & 7:**

Age 50 with 5 years of service and 10 years of elapsed time since membership;

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)*

***APCD Plan members:***

Age 50 with 5 years of service and 10 years of elapsed time since membership;

Any age with 30 years of service; or

Age 70 regardless of service. *(31672, 31672.1)*

***Safety Plan members:***

Age 50 with 5 years of service and 10 years of elapsed time since membership;

Any age with 20 years of service. *(31663.25)*

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**SUMMARY OF PLAN PROVISIONS**

***PEPRA Plan 8 members:***

General and APCD: Age 52 with 5 years of service  
Safety: Age 50 with 5 years of service

**Final Compensation:**

***General Plan members:***

**Plans 5A & 5B:** Monthly average of a member's highest 12 consecutive months of compensation. (31462.1)

**Plans 5C & 7:** Monthly average of a member's highest 36 consecutive months of compensation. (31462)

**Plan 2:** Monthly average of a member's highest 36 non-consecutive months of compensation.

***APCD Plan members:***

**Plans 1 & 2** Monthly average of a member's highest 12 consecutive months of compensation. (31486.1)

***Safety Plan members***

**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)

***PEPRA Plan members***

**Plan 8:** Monthly average of a member's highest 36 consecutive months of pensionable compensation.

**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)

**Plan 8:** For PEPRA members, only pensionable compensation up Social Security-integrated PEPRA compensation limit will count for computing Plan benefits and employee contributions and employer contributions for those participating in Social Security (\$115,064 for 2014 and \$117,020 for 2015). For those not participating in Social Security, the compensation cap

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**SUMMARY OF PLAN PROVISIONS**

is 120% of the above limit (\$138,077 for 2014 and \$140,424 for 2015). In addition, it is possible that some sources of compensation, such as any payments deemed to be terminal or special pays, may be excluded from the benefit and contribution computations for PEPRA members.

**Monthly Allowance:**

**General Plan members:**

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

**Plan 7:**  $1/60 \times \text{Final Compensation} \times \text{Plan 7 Age Factor} \times \text{Years of Service.}$   
(31676.1)

**Plan 2:** Sum of (a) + (b) – (c):  
(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)  $1/35 \times \text{Primary Insurance Amount (PIA) at age 65} \times \text{Years of Covered Service (max. 35 years)}$  (31486.4)

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, the benefit amount is adjusted by an actuarial equivalent factor (see Sample Plan Age Factors).

**APCD Plan members:**

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

**Safety Plan 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)

**General, Safety and APCD members**

**PEPRA Plan 8:** PEPRA Age Factor x Final Compensation x Years of Service.

In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age.

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**Age Factors By Plan**

	General		General & APCD	APCD	Safety		
	Plan 5	Plan 7	Plan 8		Plan 4	Plan 6	Plan 8
<b>Code Section:</b>	<b>31676.12</b>	<b>31676.1</b>		<b>31676.2</b>	<b>31664.2</b>	<b>31664.1</b>	
<b>Label:</b>	2% @ 57	1.67% @ 57.5	PEPRA	2% @ 55	3% @ 55	3% @ 50	PEPRA
<b>Base:</b>	2.00%	1.67%		2.00%	3.00%	3.00%	
<b>Age:</b>							
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	0.7091		0.7454	0.7634	1.0000	0.0200
51	0.7056	0.7457		0.7882	0.8028	1.0000	0.0210
52	0.7454	0.7816	0.0100	0.8346	0.8457	1.0000	0.0220
53	0.7882	0.8181	0.0110	0.8850	0.8926	1.0000	0.0230
54	0.8346	0.8556	0.0120	0.9399	0.9418	1.0000	0.0240
55	0.8850	0.8954	0.0130	1.0000	1.0000	1.0000	0.0250
56	0.9399	0.9382	0.0140	1.0447	1.0000	1.0000	0.0260
57	1.0000	0.9846	0.0150	1.1048	1.0000	1.0000	0.0270
58	1.0447	1.0350	0.0160	1.1686	1.0000	1.0000	0.0270
59	1.1048	1.0899	0.0170	1.2365	1.0000	1.0000	0.0270
60	1.1686	1.1500	0.0180	1.3093	1.0000	1.0000	0.0270
61	1.2365	1.1947	0.0190	1.3608	1.0000	1.0000	0.0270
62	1.3093	1.2548	0.0200	1.4123	1.0000	1.0000	0.0270
63	1.3093	1.3186	0.0210	1.4638	1.0000	1.0000	0.0270
64	1.3093	1.3865	0.0220	1.5153	1.0000	1.0000	0.0270
65	1.3093	1.4593	0.0230	1.5668	1.0000	1.0000	0.0270
66	1.3093	1.4593	0.0240	1.5668	1.0000	1.0000	0.0270
67	1.3093	1.4593	0.0250	1.5668	1.0000	1.0000	0.0270

**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

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**SUMMARY OF PLAN PROVISIONS**

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 (does not apply to PEPRA members).

**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) If there is no eligible survivor, any unpaid remainder of the member's accumulated contributions will be paid to the member's designated beneficiary.

**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 beneficiary having an insurable interest in the life of the member. (31763)

**Option 4:** Other % of member's reduced allowance is payable to a 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)

**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)

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**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)

**E. Service-Connected Disability Retirement Allowance**

**Eligibility:**

**General Plan 2** Disability benefits not valued since provided outside of the retirement system.

**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, 31720.5, 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).

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**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)

**F. Non Service-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 of 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. Otherwise, allowance equals (a) or (b) where: (31727.1, 31727.2, 31727.3)

(a)  $90\% \times 1/50$  (1/60 for PEPRA General members)  $\times$  Final Compensation  $\times$  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)  $90\% \times 1/50$  (1/60 for PEPRA General members)  $\times$  Final Compensation  $\times$  Projected Service, not to exceed 1/3 of Final Compensation.

**Projected Service:**

**General Members:** Age 62. (31721.1); Age 65 for Plan 8 (PEPRA) General members

**APCD Members:** Age 65. (31727.3)



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

**Safety Members:** Age 55. (31727.2)

**Supplemental Monthly Disability Retirement:**

**APCD Members:** Upon retirement for non-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:** Life Annuity with 60% continuance to a surviving spouse (or eligible children). 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)

**G. 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)

**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)

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

**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)

**H. Non Service-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.

**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 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%  $\times$  the member's non-service connected disability allowance. Otherwise, the benefit is a refund of contributions plus a lump sum equal to  $1/12 \times$  final 12 months' Salary  $\times$  years of service (up to maximum of 6 years). (31781.1)

**Supplemental Monthly Death Benefit:**

**APCD Members:** Eligible survivors of an active member 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)

**I. Deferred Vested Benefits**

**Eligibility:**

**General Plan 2:** The member must have terminated with 10 years of service. Members are eligible for service retirement when they reach service retirement eligibility (based on years of service at termination plus reciprocal service, if any). (31700)

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

**All other Plans:** Member contributions must be left on deposit and the member must have terminated with five (5) years of service or entered a 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). (31700, 31701, 31702)

**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 any time after the member would have been eligible for service retirement. (31703, 31704, 31705)

**J. 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 average annual Consumer Price Index (CPI), rounded to the nearest ½ of 1%. (31870, 31870.1)

**All Plans (excluding General Plans 2, 7, and 8):**

Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase. (31870.1)

**General Plan 7:**

Members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase. (31870)

**General Plan 8 (PEPRA):**

Members (and their beneficiaries) hired by employers who had implemented General Plan 7 prior to January 1, 2013 are limited to a maximum 2% cost-of-living increase. (31870) Members hired by employers who had not implemented General Plan 7 prior to January 1, 2013 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

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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.

**APPENDIX D  
GLOSSARY**

**1. Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting pension costs such as mortality, withdrawal, disability, retirement, changes in compensation, and rates of investment return.

**2. Actuarial Cost Method**

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a Normal Cost and an Actuarial Liability.

**3. Actuarial Gain (Loss)**

The difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

**4. Actuarial Liability**

The portion of the Actuarial Present Value of Projected Benefits which will not be paid by future Normal Costs. It represents the value of the past Normal Costs with interest to the valuation date.

**5. Actuarial Present Value (Present Value)**

The value as of a given date of a future amount or series of payments. The Actuarial Present Value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made.

**6. Actuarial Valuation**

The determination, as of a specified date, of the Normal Cost, Actuarial Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

**APPENDIX D  
GLOSSARY**

**7. Actuarial Value of Assets**

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. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values. No longer applicable as of the June 30, 2014 actuarial valuation.

**8. Actuarially Equivalent**

Of equal Actuarial Present Value, determined as of a given date, with each value based on the same set of actuarial assumptions.

**9. Amortization Payment**

The portion of the pension plan contribution which is designed to pay interest and principal on the Unfunded Actuarial Liability in order to pay for that liability in a given number of years.

**10. Entry Age Normal Actuarial Cost Method**

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

**11. Funded Ratio**

The ratio of the Market Value of Assets to the Actuarial Liability.

**12. Normal Cost**

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

**13. Projected Benefits**

Those pension plan benefit amounts which are expected to be paid in the future under a particular set of Actuarial Assumptions, taking into account such items as increases in future compensation and service credits.

**14. Unfunded Actuarial Liability**

The excess of the Actuarial Liability over the Market Value of Assets.

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**APPENDIX E  
MEMBER CONTRIBUTION RATES**

<b>Plan/Tier</b>	<b>Code Section</b>	<b>Member Contribution Provides Average Annuity</b>	<b>FAS Period</b>
General 5A	31621.5	1/200th of Final Average Salary (FAS) at age 60	1 year
General 5B	31621.2	1/100th of Final Average Salary (FAS) at age 60	1 year
General 5C	31621.5	1/200th of Final Average Salary (FAS) at age 60	3 years
General 2	NA	NA	3 years
General 7	31621.4	1/240th of Final Average Salary (FAS) at age 60	3 years
APCD 1	31621.6 & 31581.1	1/2 x 1/100th of Final Average Salary (FAS) at age 55	1 year
APCD 2	31621.6	1/100th of Final Average Salary (FAS) at age 55	1 year
Safety 4A & 6A		1/2 x 3/200th of Final Average Salary (FAS) at age 55	1 year
Safety 4B		3/200th of Final Average Salary (FAS) at age 55	1 year
Safety 4C & 6B		1/2 x 3/200th of Final Average Salary (FAS) at age 55	3 years

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MEMBER CONTRIBUTION RATES**

**2013 Member Contribution Rates**

Entry Age	General				APCD		Safety		
	5A	5B	5C	7	1	2	4A & 6A	4B	4C & 6B
16	2.77%	5.54%	2.67%	2.22%	3.27%	6.53%	5.13%	10.26%	4.93%
17	2.77%	5.54%	2.67%	2.22%	3.27%	6.53%	5.13%	10.26%	4.93%
18	2.77%	5.54%	2.67%	2.22%	3.27%	6.53%	5.13%	10.26%	4.93%
19	2.77%	5.54%	2.67%	2.22%	3.27%	6.53%	5.13%	10.26%	4.93%
20	2.77%	5.54%	2.67%	2.22%	3.27%	6.53%	5.13%	10.26%	4.93%
21	2.83%	5.66%	2.73%	2.27%	3.34%	6.68%	5.23%	10.47%	5.03%
22	2.89%	5.79%	2.79%	2.33%	3.41%	6.83%	5.34%	10.69%	5.14%
23	2.96%	5.92%	2.85%	2.38%	3.49%	6.98%	5.45%	10.91%	5.25%
24	3.03%	6.05%	2.92%	2.43%	3.57%	7.13%	5.57%	11.13%	5.35%
25	3.09%	6.19%	2.98%	2.49%	3.65%	7.29%	5.68%	11.36%	5.46%
26	3.16%	6.32%	3.05%	2.54%	3.73%	7.45%	5.80%	11.60%	5.57%
27	3.23%	6.46%	3.12%	2.60%	3.81%	7.61%	5.92%	11.83%	5.69%
28	3.30%	6.61%	3.19%	2.66%	3.89%	7.78%	6.03%	12.07%	5.80%
29	3.38%	6.76%	3.26%	2.71%	3.97%	7.95%	6.15%	12.31%	5.91%
30	3.45%	6.91%	3.33%	2.77%	4.06%	8.12%	6.27%	12.55%	6.03%
31	3.53%	7.06%	3.40%	2.83%	4.14%	8.29%	6.40%	12.79%	6.14%
32	3.61%	7.21%	3.48%	2.90%	4.23%	8.46%	6.52%	13.04%	6.26%
33	3.68%	7.37%	3.55%	2.96%	4.32%	8.64%	6.64%	13.29%	6.38%
34	3.76%	7.53%	3.63%	3.02%	4.41%	8.81%	6.77%	13.54%	6.50%
35	3.84%	7.69%	3.70%	3.08%	4.50%	8.99%	6.90%	13.79%	6.62%
36	3.92%	7.85%	3.78%	3.15%	4.59%	9.18%	7.02%	14.05%	6.74%
37	4.01%	8.01%	3.86%	3.21%	4.68%	9.36%	7.15%	14.31%	6.86%
38	4.09%	8.18%	3.94%	3.28%	4.78%	9.55%	7.28%	14.57%	6.98%
39	4.17%	8.35%	4.02%	3.35%	4.87%	9.74%	7.42%	14.83%	7.11%
40	4.26%	8.52%	4.10%	3.42%	4.97%	9.93%	7.55%	15.11%	7.24%
41	4.35%	8.69%	4.18%	3.48%	5.06%	10.13%	7.69%	15.38%	7.37%
42	4.43%	8.87%	4.26%	3.55%	5.16%	10.32%	7.83%	15.67%	7.50%
43	4.52%	9.05%	4.35%	3.62%	5.26%	10.51%	7.98%	15.96%	7.63%
44	4.61%	9.23%	4.43%	3.69%	5.36%	10.71%	8.13%	16.25%	7.77%
45	4.70%	9.41%	4.52%	3.76%	5.46%	10.92%	8.28%	16.55%	7.90%
46	4.79%	9.59%	4.60%	3.84%	5.56%	11.13%	8.43%	16.85%	8.04%
47	4.89%	9.77%	4.69%	3.91%	5.67%	11.34%	8.58%	17.16%	8.16%
48	4.98%	9.96%	4.78%	3.98%	5.77%	11.53%	8.72%	17.45%	8.26%
49	5.07%	10.15%	4.86%	4.05%	5.86%	11.72%	8.85%	17.70%	8.33%
50	5.17%	10.34%	4.95%	4.13%	5.94%	11.88%	8.96%	17.91%	8.37%
51	5.27%	10.54%	5.04%	4.20%	6.00%	12.00%	9.02%	18.04%	8.37%
52	5.37%	10.74%	5.12%	4.27%	6.03%	12.07%	9.04%	18.09%	8.37%
53	5.46%	10.93%	5.20%	4.33%	6.04%	12.07%	9.04%	18.09%	8.61%
54	5.55%	11.10%	5.26%	4.38%	6.04%	12.07%	9.04%	18.09%	8.92%
55	5.63%	11.25%	5.30%	4.41%	6.04%	12.07%	9.04%	18.09%	8.92%
56	5.68%	11.37%	5.31%	4.43%	6.04%	12.07%	9.04%	18.09%	8.92%
57	5.71%	11.43%	5.31%	4.43%	6.04%	12.07%	9.04%	18.09%	8.92%
58	5.72%	11.44%	5.50%	4.58%	6.04%	12.07%	9.04%	18.09%	8.92%
59	5.72%	11.44%	5.69%	4.74%	6.04%	12.07%	9.04%	18.09%	8.92%
60	5.72%	11.44%	5.69%	4.74%	6.04%	12.07%	9.04%	18.09%	8.92%

**Assumptions:**

Interest: 7.50%

Salary: 2013 Valuation Scale (Service based, includes wage inflation at 3.50%)

Unisex Mortality: RP2000 Combined Healthy Mortality, projected to 2037 using Scale BB (blended 35% Male / 65% Female for General and APCD, and blended 80% Male / 20% Female for Safety)

Administrative expenses: rates have been loaded by 3.10% to account for expected administrative expenses allocated to the members



SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM  
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

APPENDIX E  
MEMBER CONTRIBUTION RATES

General	PEPRA Rates	
	Safety	APCD
7.76%	13.80%	6.89%
<b>Assumptions:</b>		
Interest: 7.50%		
Salary: 2013 Valuation Scale (Service based, includes wage inflation at 3.50%)		
Mortality: Because the PEPRA contribution rates are based on 50% of the actual Normal Cost, the mortality rates are the same as those used in the Actuarial Valuation (RP2000 Combined Healthy Mortality, based on generational improvements using Scale BB)		
Administrative expenses: Rates have been loaded by 3.1% to account for expected administrative expenses allocated to the members		