

An aerial photograph of a large marina filled with numerous boats docked at piers. The marina is situated along a coastline with a sandy beach and some buildings visible in the background. The text is centered over the middle of the image.

**Santa Barbara County Employees
Retirement System (SBCERS)
Preliminary Actuarial Valuation
as of June 30, 2024**



What is SBCERS?

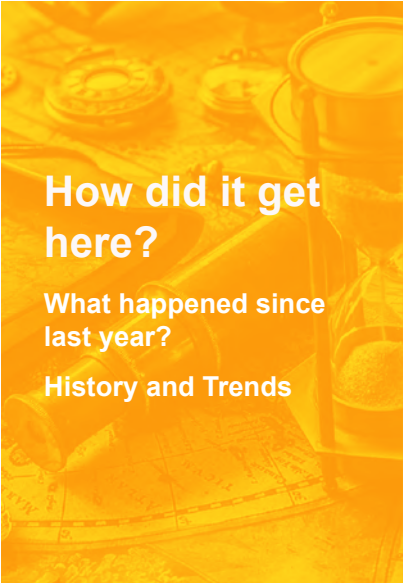
Members
Benefits



What is its financial condition?

Liabilities, Assets and
Funded Status

Contribution
Requirements



How did it get here?

What happened since
last year?

History and Trends



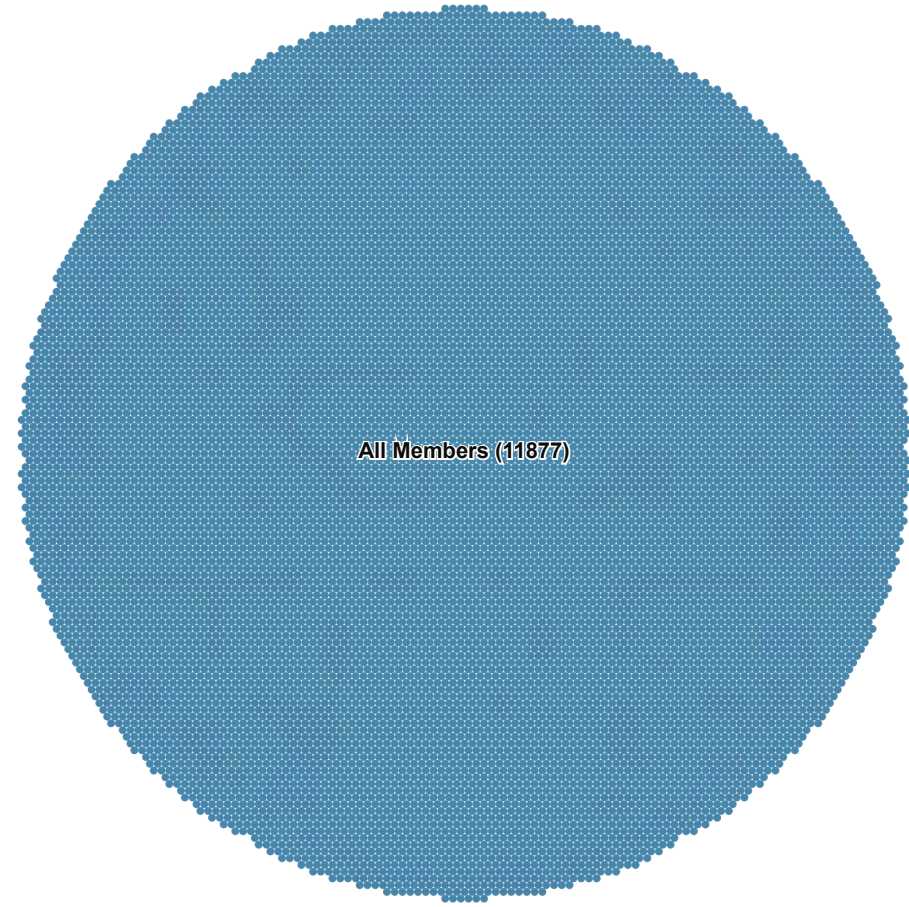
Where is it going?

Projections

A background image of palm trees against a sunset sky. The sky transitions from a pale blue at the top to a warm orange and yellow at the bottom, with soft, wispy clouds. The palm trees are silhouetted against the sky, with their trunks appearing as dark vertical lines and their fronds as dark, feathery shapes. The overall mood is serene and tropical.

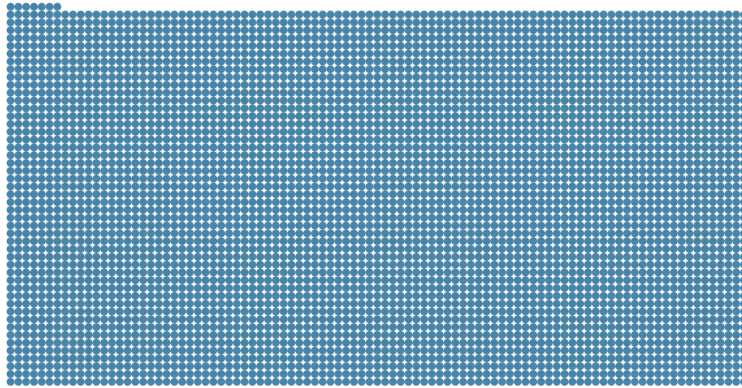
a **System** designed to provide
pension benefits to the **members**
on behalf of the **County and other**
employers

Who are the members? Let's take a closer look: As of June 30, 2024, the system had nearly **11,900 total members**.

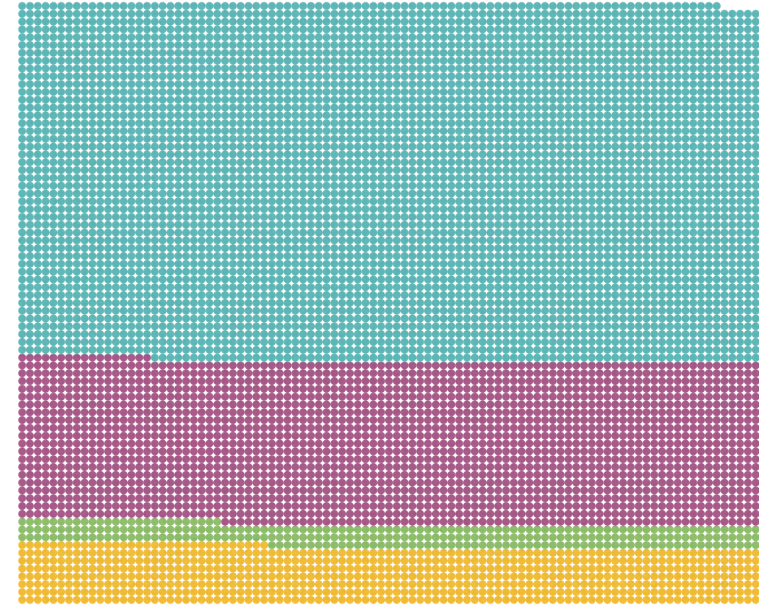


Just under 39% are **active** employees (4,567). There are also members **in pay status** (5,324) - retirees, disabled members, or beneficiaries. All **5/38** members not actively working but entitled to a deferred annuity or a refund of contributions are referred to as **inactive** (1,986).

Status ■ Active ■ Beneficiary ■ Disabled ■ Inactive ■ Retired



Active

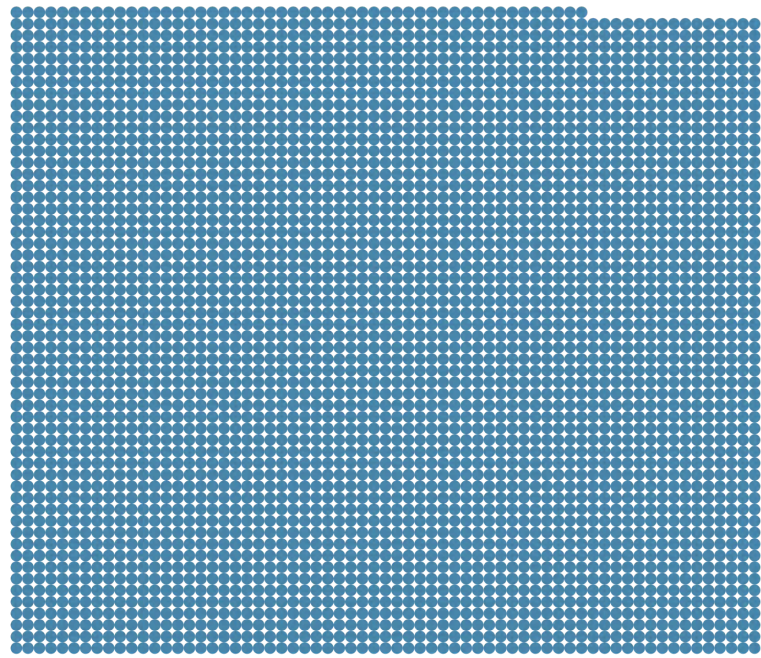


Non-active

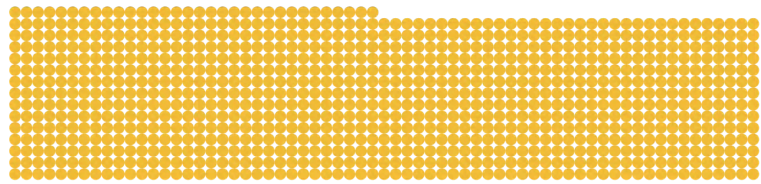
We relied on demographic information supplied by SBCERS. We did not audit the data. However, we performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.



The active membership increased by 4.1% and projected payroll increased by just over 7% from June 30, 2023 to June 30, 2024. Almost 80% of the actives are **General** members. The rest are **Public Safety**.



General



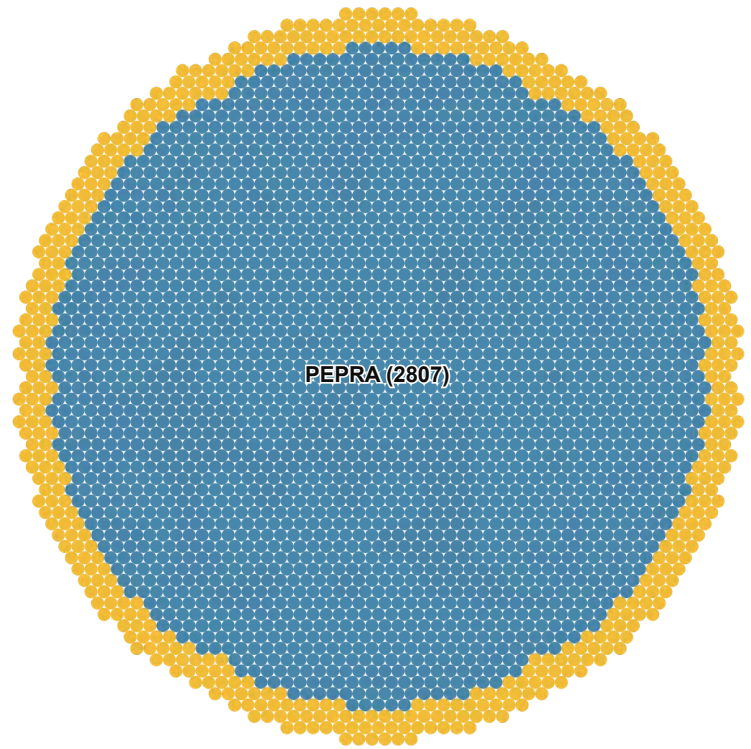
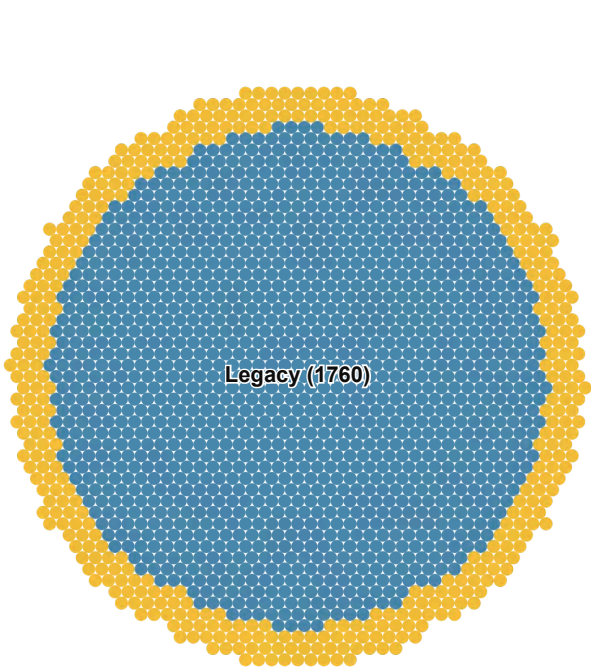
Safety

We relied on demographic information supplied by SBCERS. We did not audit the data. However, 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.



As of June 30, 2024, the newest Tier (**PEPRA**) now makes up **over 60% of the active workforce.**

Class ■ General ■ Safety

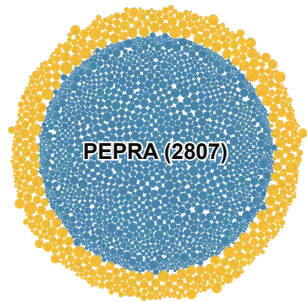
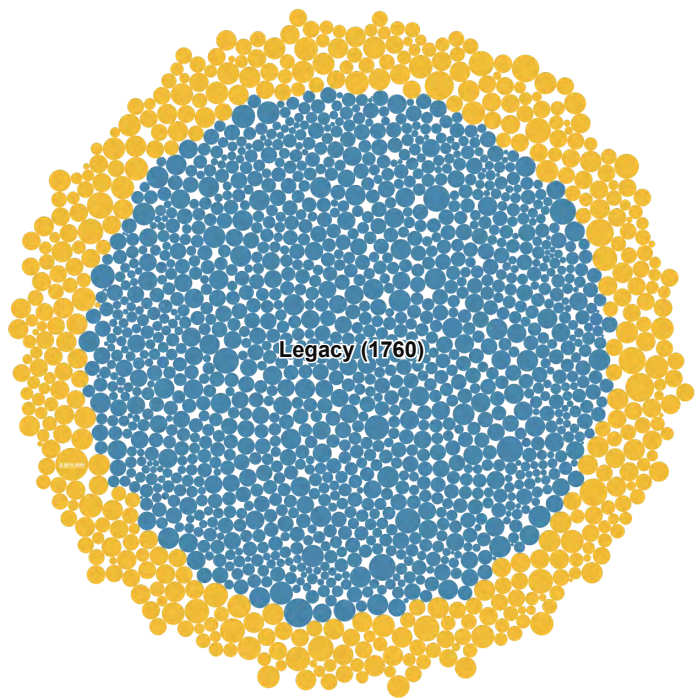


We relied on demographic information supplied by SBCERS. We did not audit the data. However, we performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.



However, when weighted by **liability**, the active **Legacy (pre-PEPRA)** membership still dominates, with almost 85% of the active actuarial liability.

Class ■ General ■ Safety



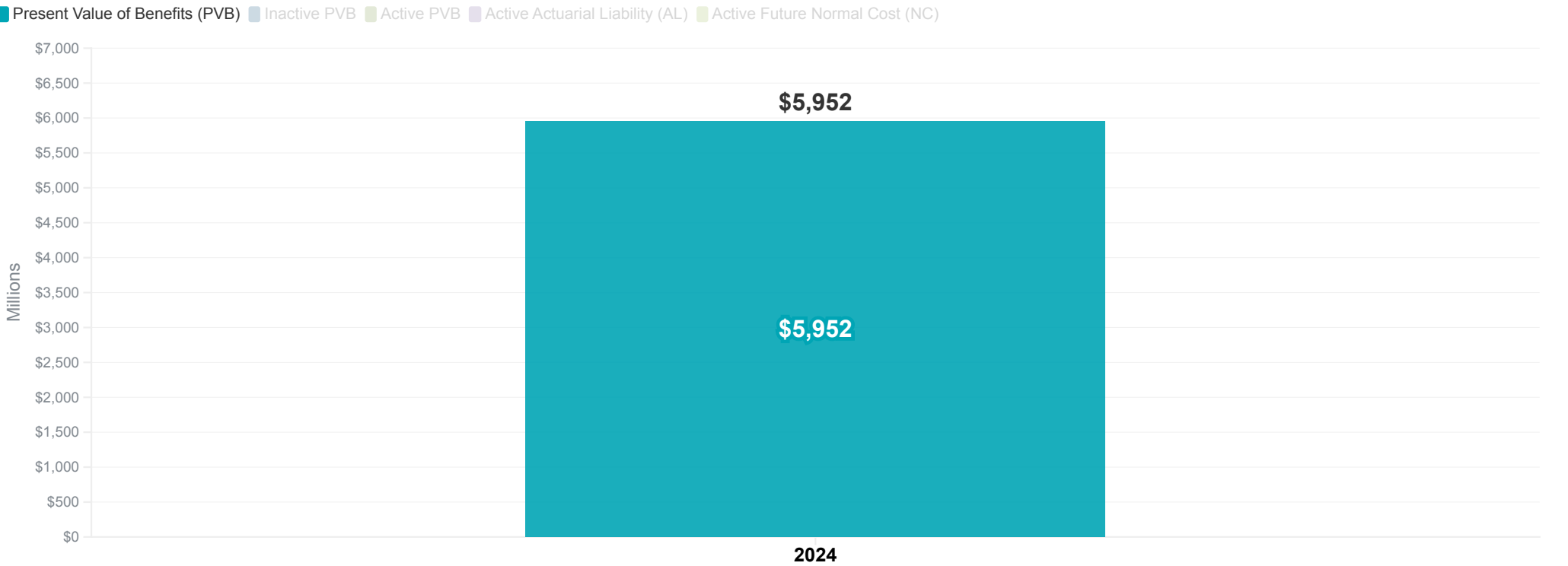
We relied on demographic information supplied by SBCERS. We did not audit the data. However, we performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

A person wearing a bright orange safety suit is shown from the waist up, holding a clipboard and writing with a pen. The background is a blurred industrial or construction site. The text is overlaid on the person's torso.

What are the Plan's **Liabilities**,
Assets, and **Funded Status**?

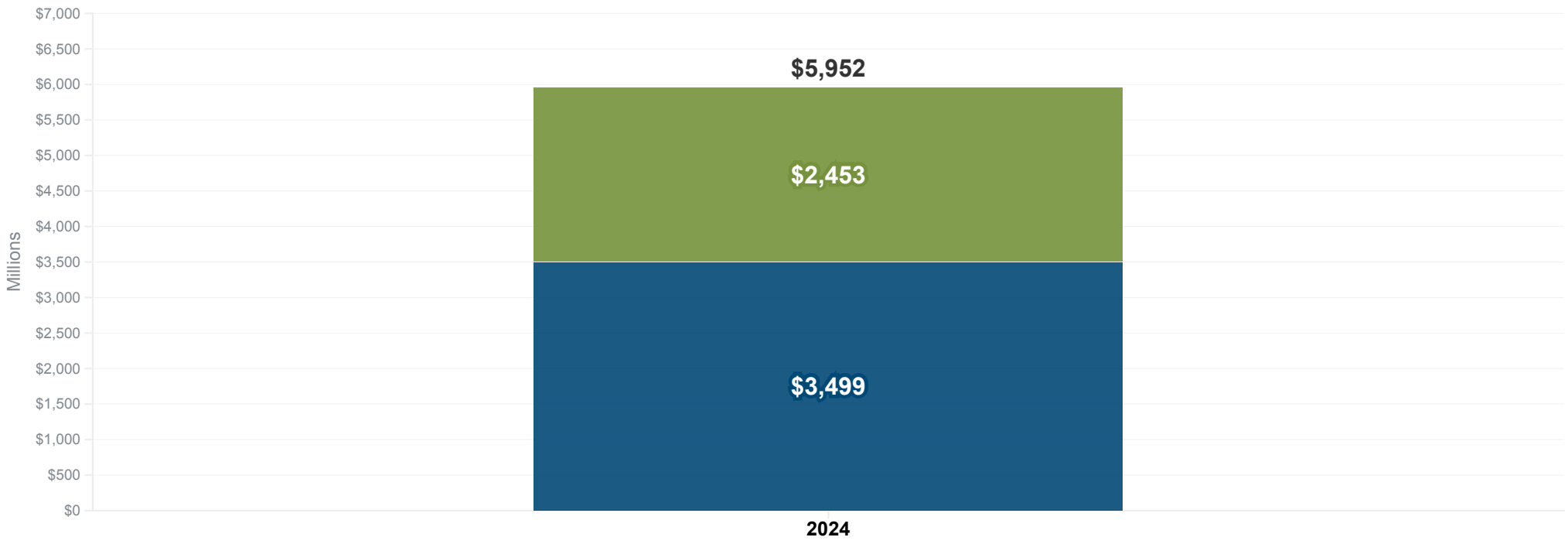
What are the **contributions**
required to properly fund the
System?

First, we show the value in *today's dollars* of all pension benefits expected to be paid to all current members, known as the **Present Value 10/38 of Benefits**.

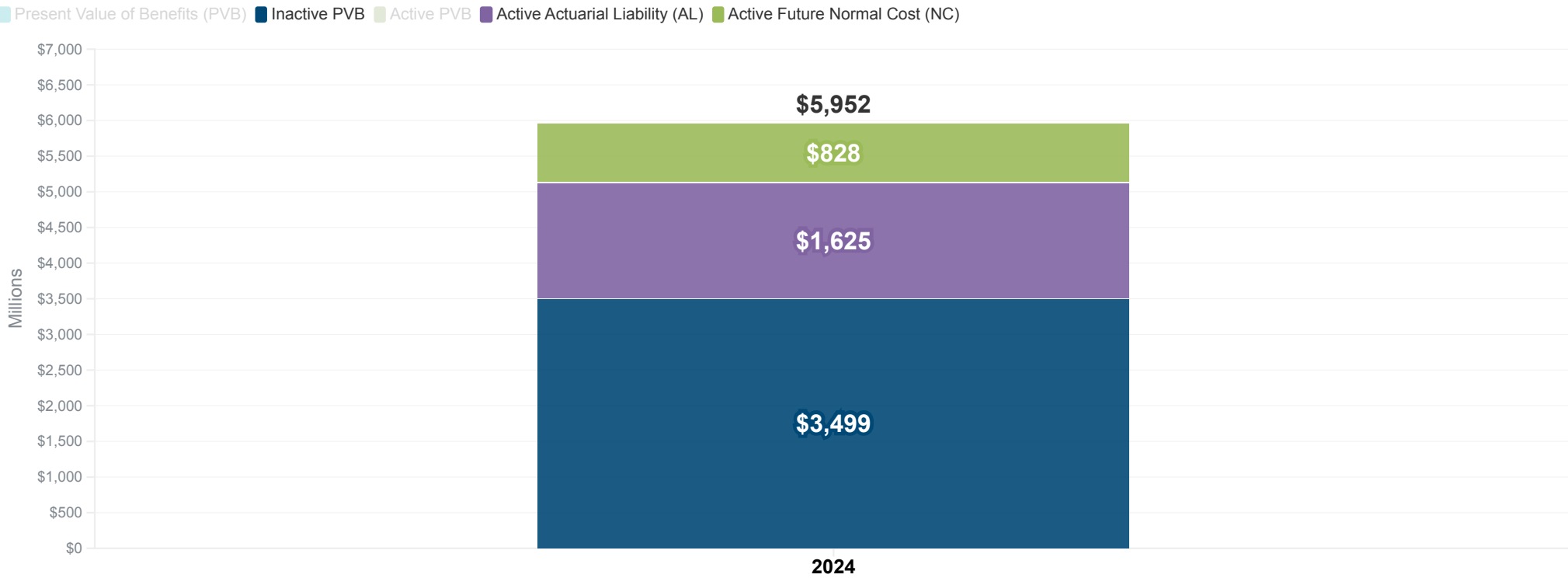


The present value can be split into two portions: The value associated with current retirees and other members no longer working, or the **inactives**, and the value associated with the current employees, or the **actives**.

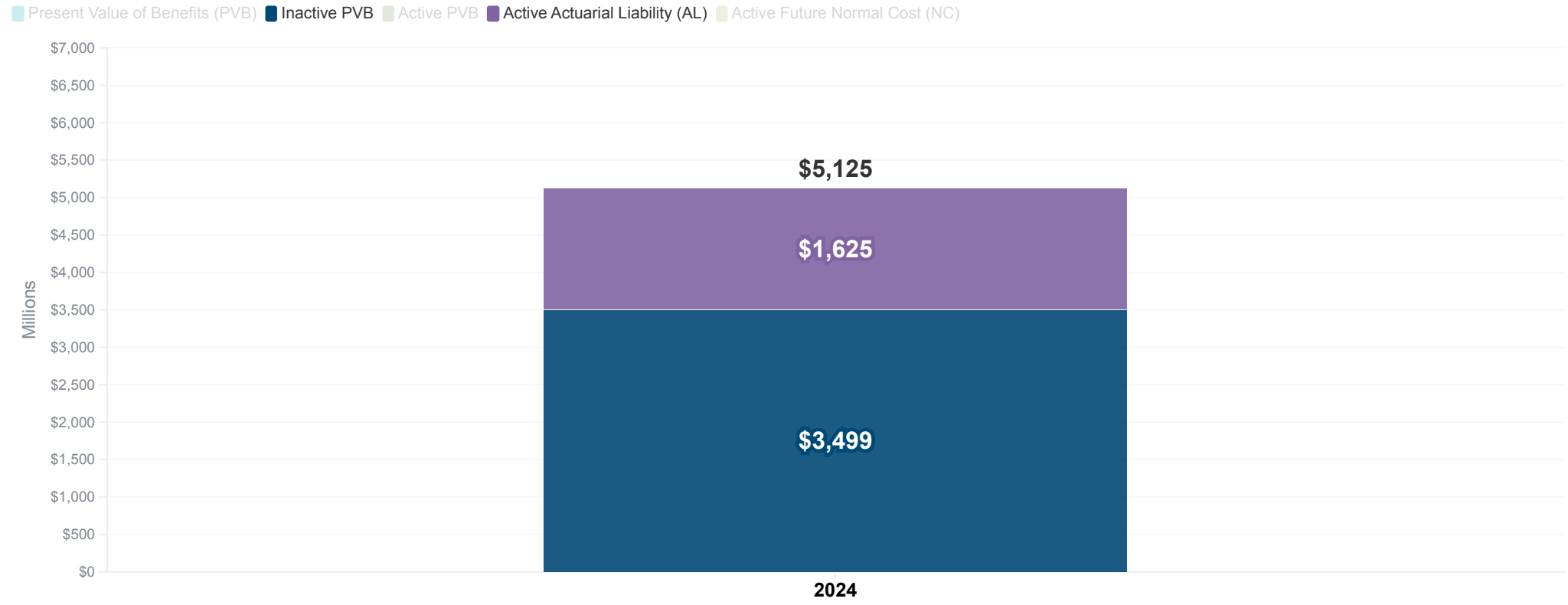
Present Value of Benefits (PVB) Inactive PVB Active PVB Active Actuarial Liability (AL) Active Future Normal Cost (NC)



The active portion can be split into the **accrued liability**, or the amount already earned, and **future normal cost**, the amount expected to be earned in the future. 12/38

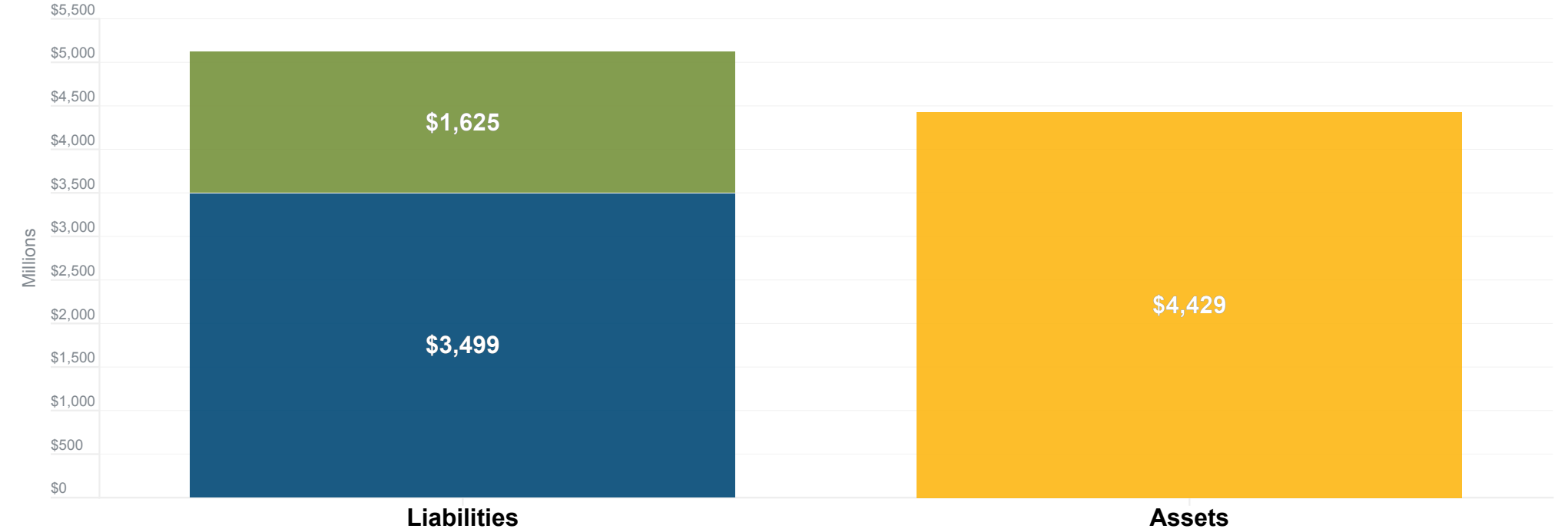


Removing the future normal costs produces the **Actuarial Liability**, or current funding target for the assets.



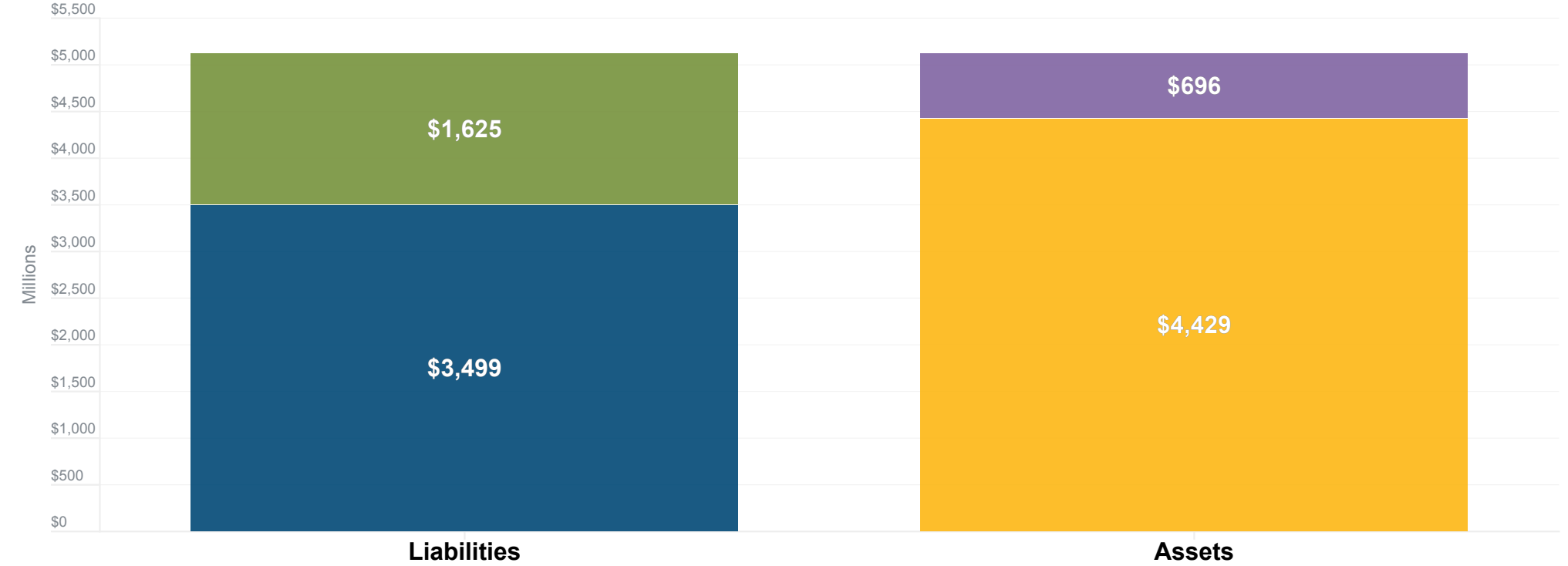
Next, we review the **Funded Status** of the Plan, where the **liabilities** are compared to the **assets**. The assets are shown based on the market **14/38** value as of June 30, 2024.

■ Inactive AL ■ Active AL ■ Assets (MVA) ■ UAL (MVA)



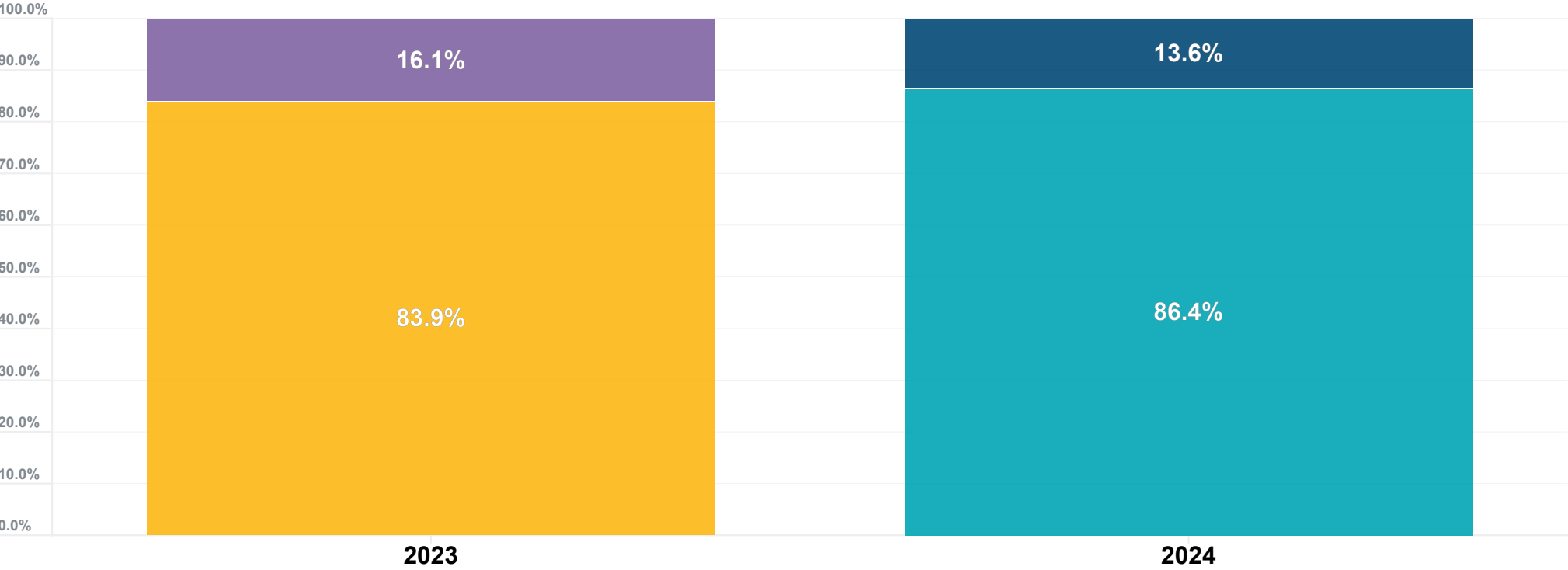
The **Unfunded Actuarial Liability (UAL)** is calculated by subtracting the **Actuarial Value of Assets** from the **Actuarial Liability**.

■ Inactive AL ■ Active AL ■ Assets (MVA) ■ UAL (MVA)



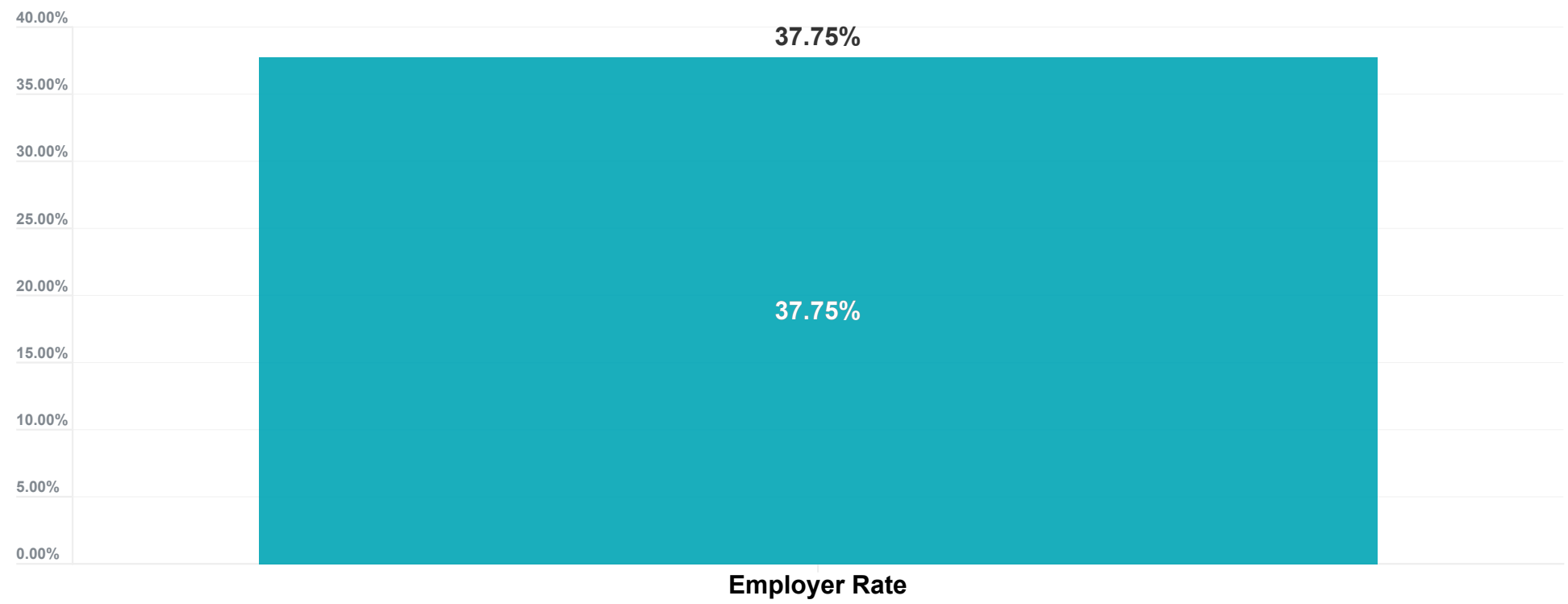
The **Funded Ratio** is calculated as the *assets divided by the liabilities*. It has increased by 2.5% compared to last year.

Assets (2024) UAL (2024) Assets (2023) UAL (2023)



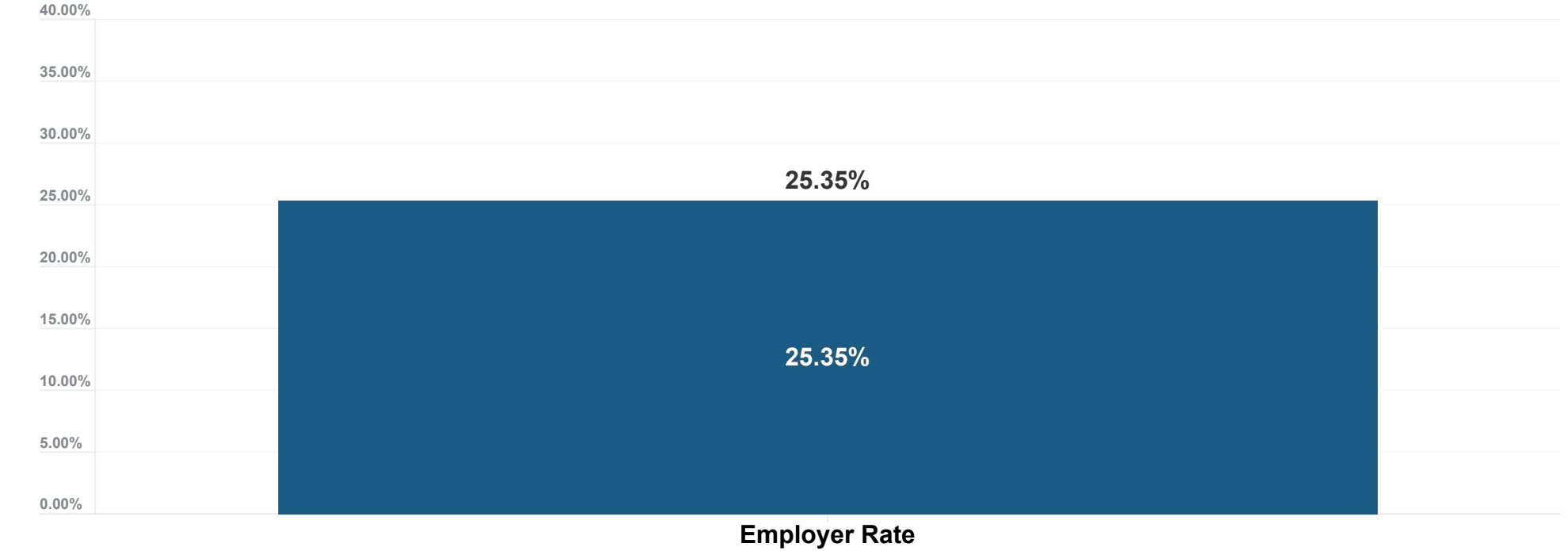
Next we review the **Actuarially Determined Contributions (ADC)** for the Plan, shown as a *percentage of projected pay*.

■ Total Rate ■ UAL Rate ■ Employer Normal Cost Rate

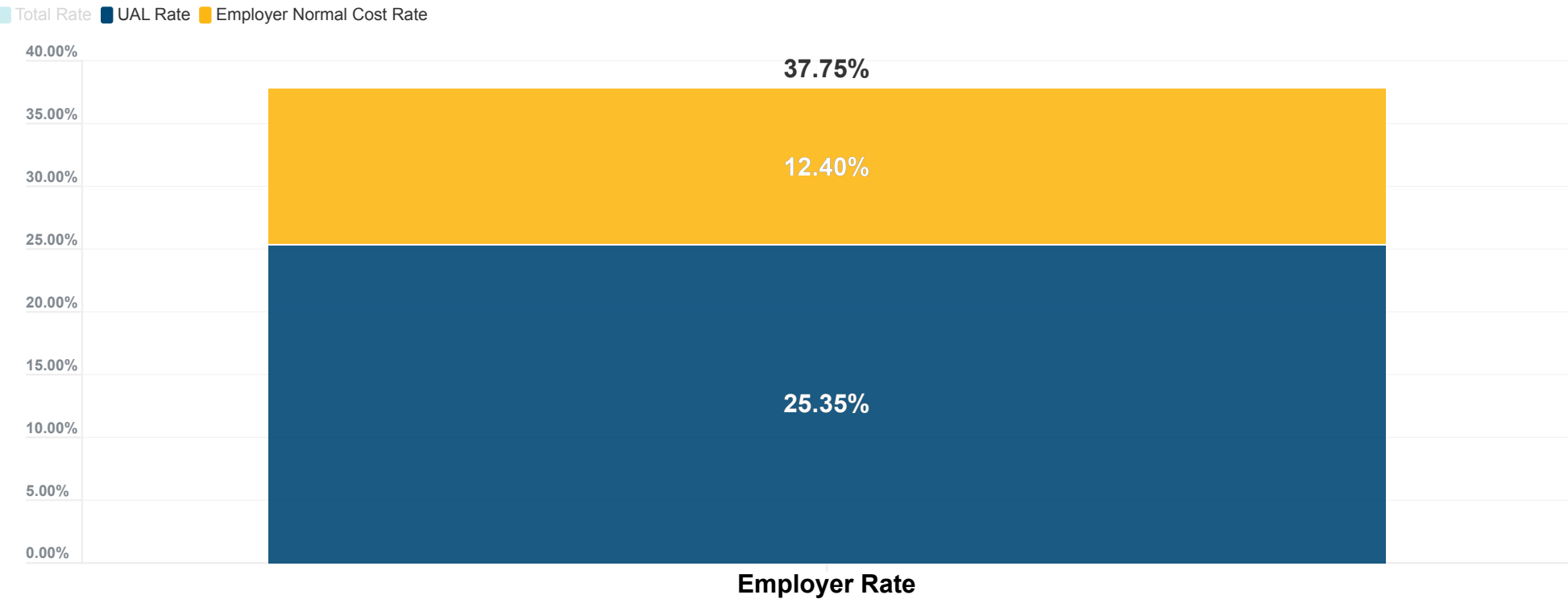


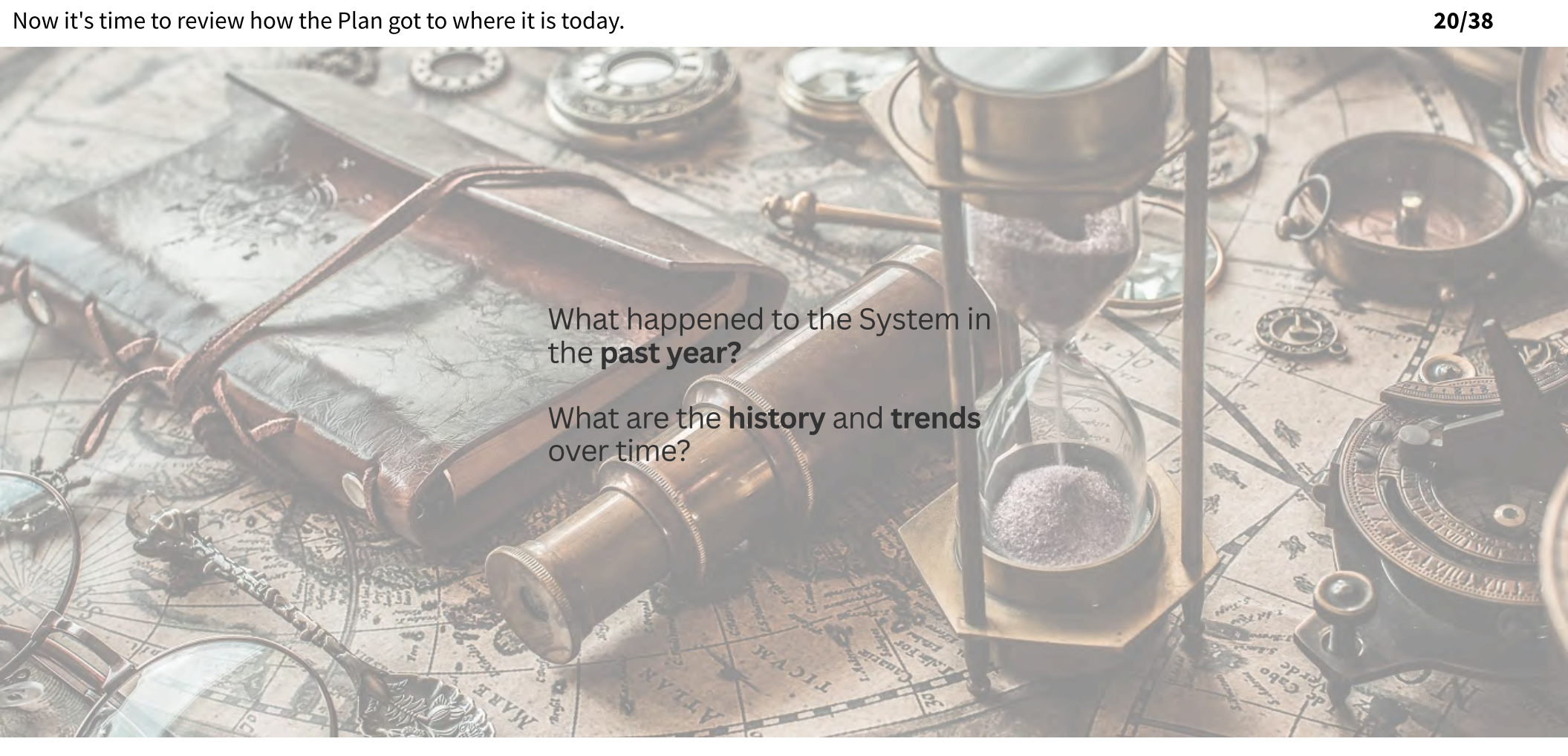
The contributions are made up of the **Unfunded Actuarial Liability Amortization** payment, or the amount needed to pay off the unfunded **18/38** liability over the period of time designated in the Plan's funding policy, plus...

Total Rate UAL Rate Employer Normal Cost Rate



the **Normal Cost**, or the cost assigned to this year's benefits net of any member contributions. The Normal Cost and UAL Rates include the **19/38** employer allocated administrative expense load.



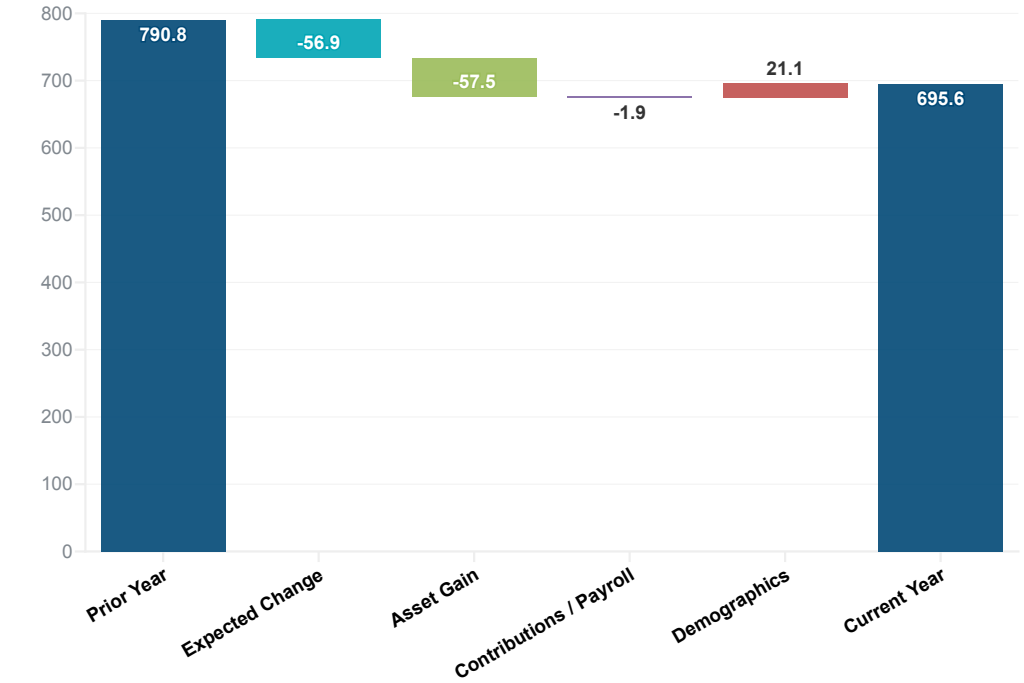


What happened to the System in
the **past year**?

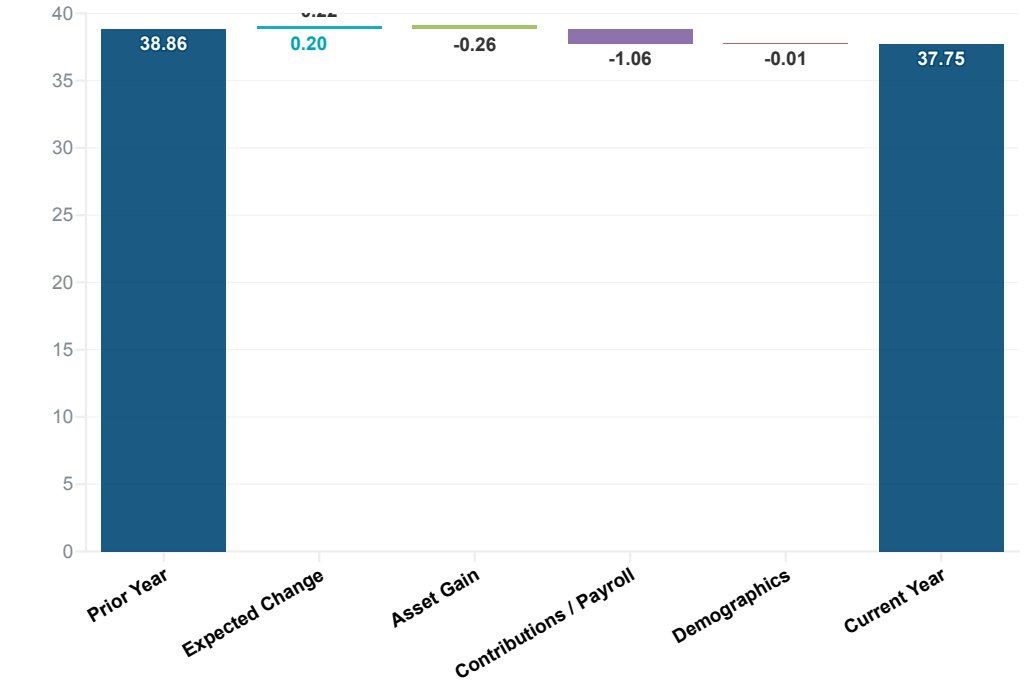
What are the **history** and **trends**
over time?

UAL and Employer Rate Change by Source

UAL (\$ in Millions)



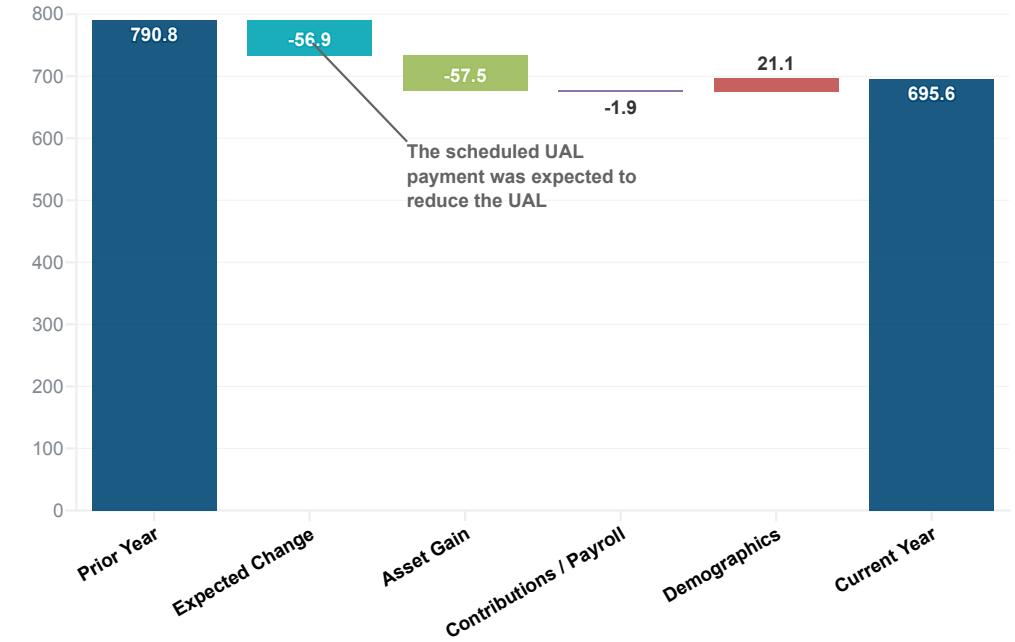
Employer Rate (% of Pay)



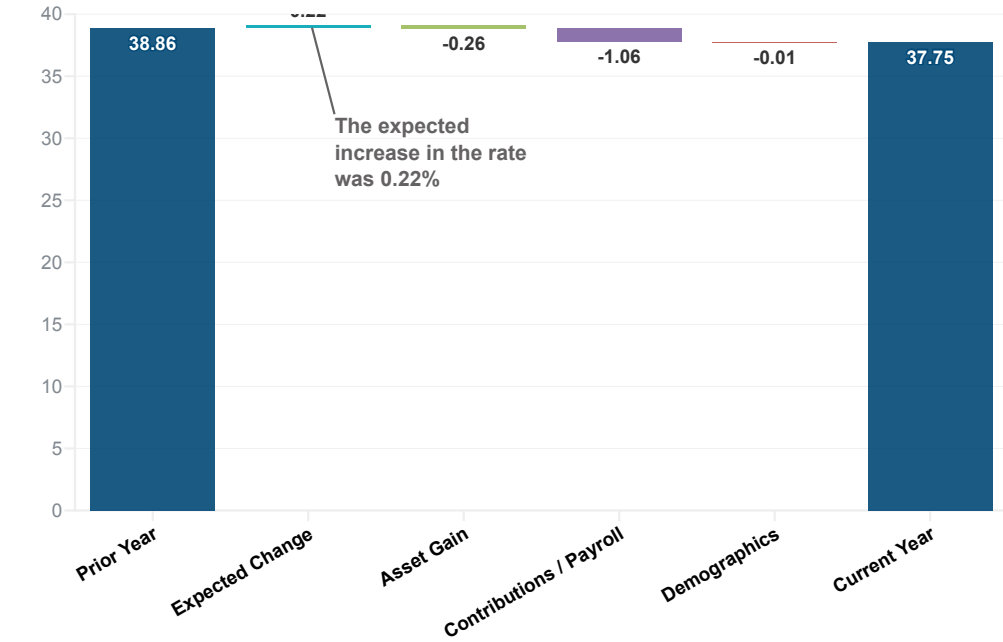
Expected contributions were greater than Normal Cost plus interest on the UAL, reducing the UAL. However, the ADC rate was expected to increase as a result of the phase-in of prior UAL payment layers, offset by the impact of the continued expected transition to the PEPRAs tiers.

UAL and Employer Rate Change by Source

UAL (\$ in Millions)

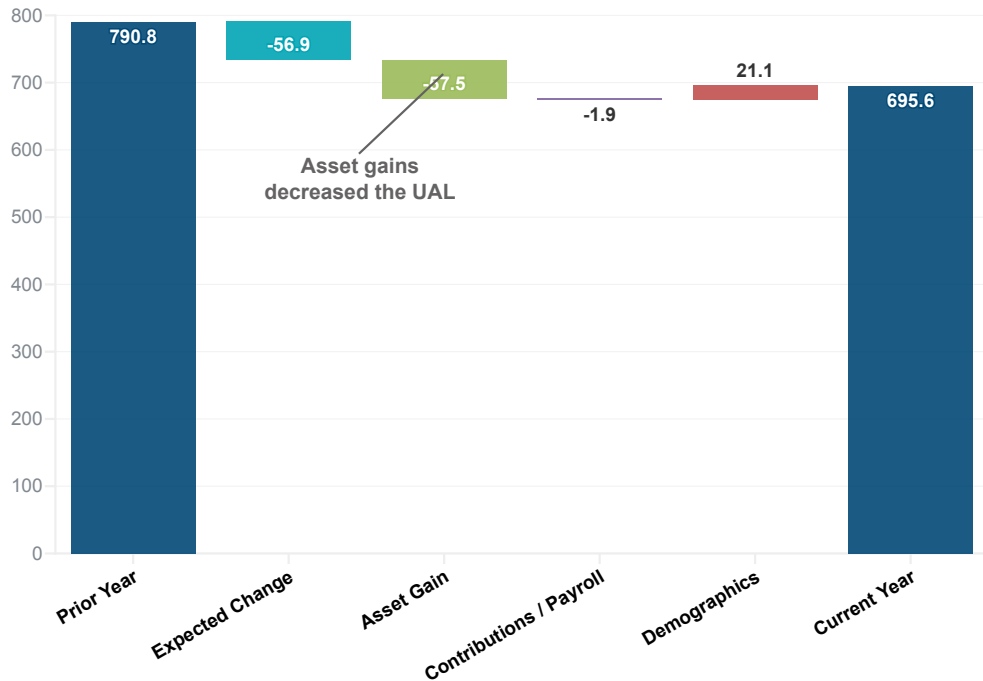


Employer Rate (% of Pay)

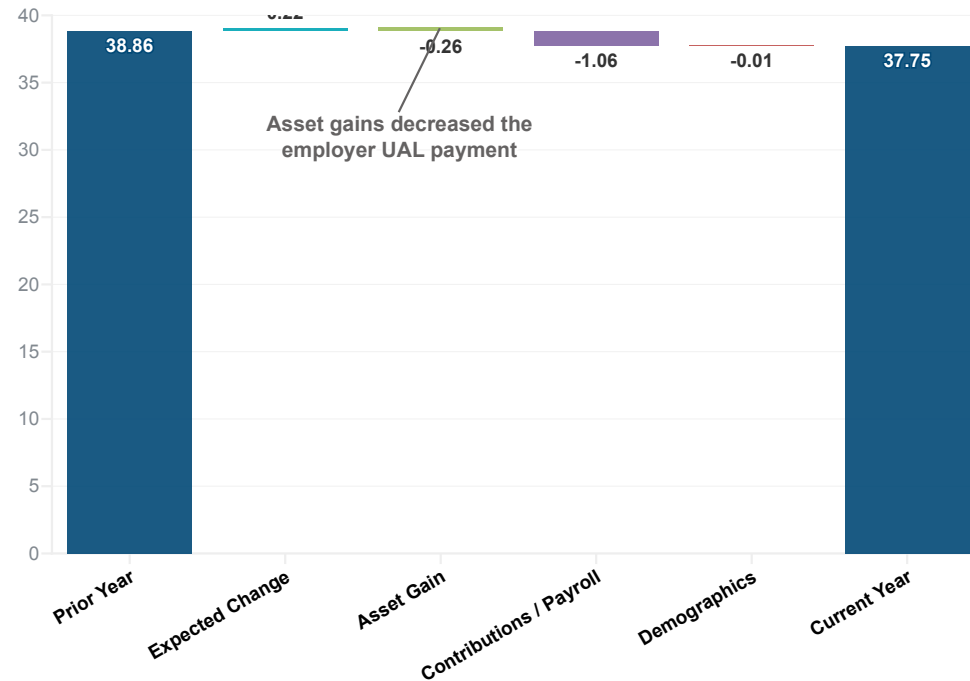


UAL and Employer Rate Change by Source

UAL (\$ in Millions)



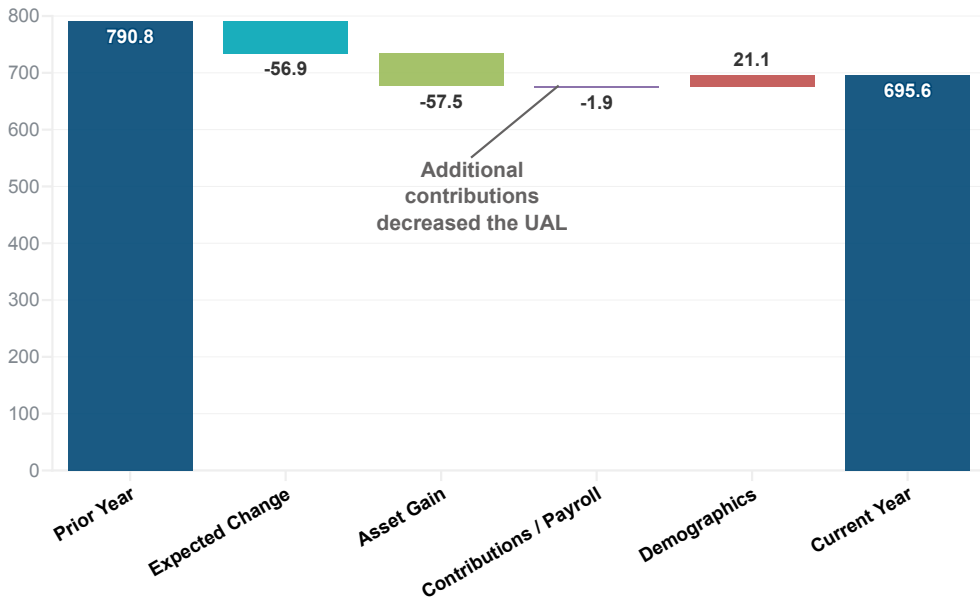
Employer Rate (% of Pay)



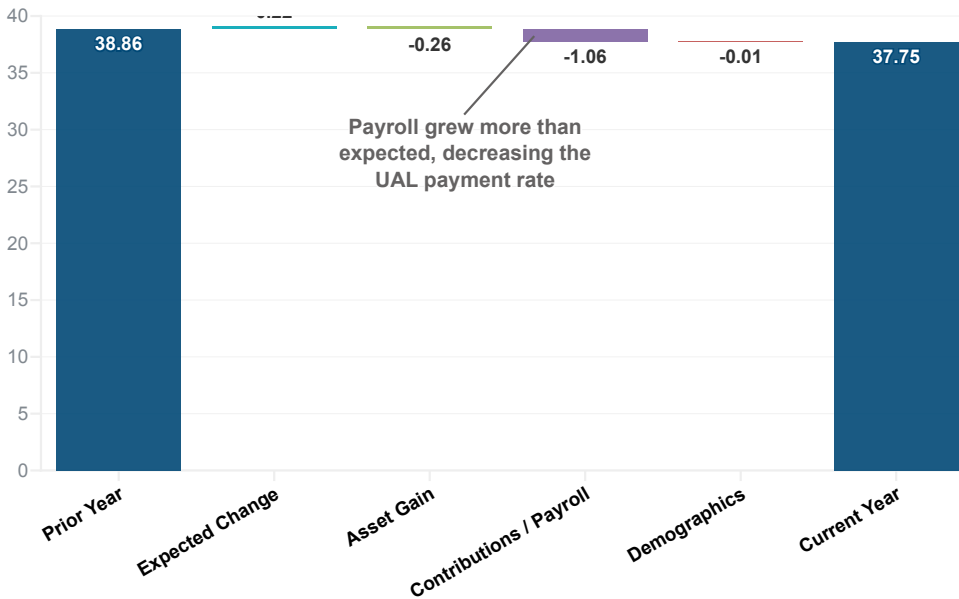
Projected payroll grew over 7% (more than the 3.0% assumed growth) bringing in more money to the System since contributions are based **24/38** on a percentage of payroll. This also has an impact on the contribution rate since the UAL payments are spread over a larger payroll base, decreasing the UAL payment rate.

UAL and Employer Rate Change by Source

UAL (\$ in Millions)



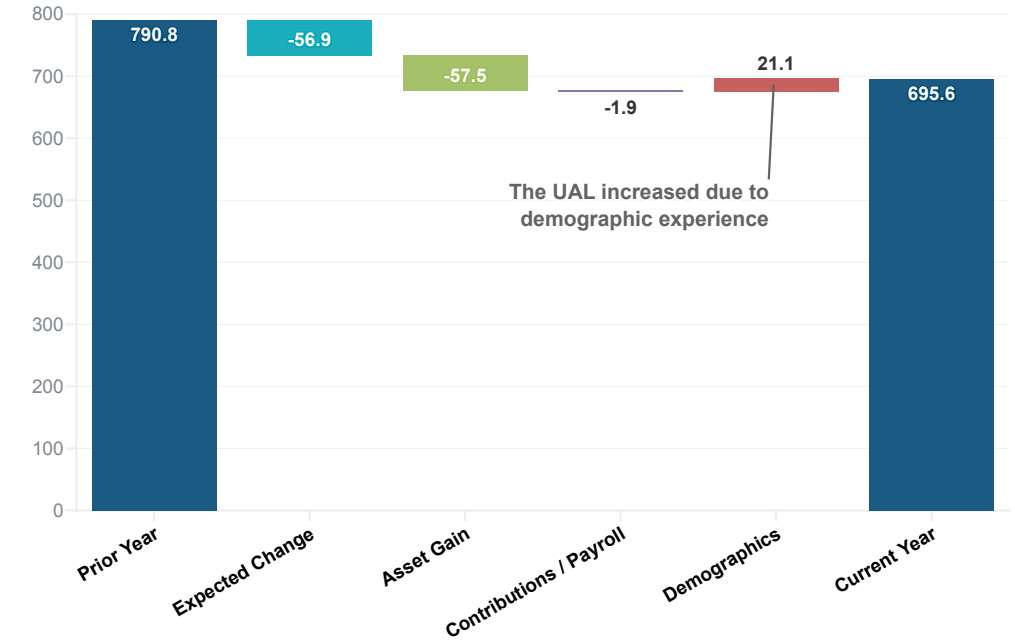
Employer Rate (% of Pay)



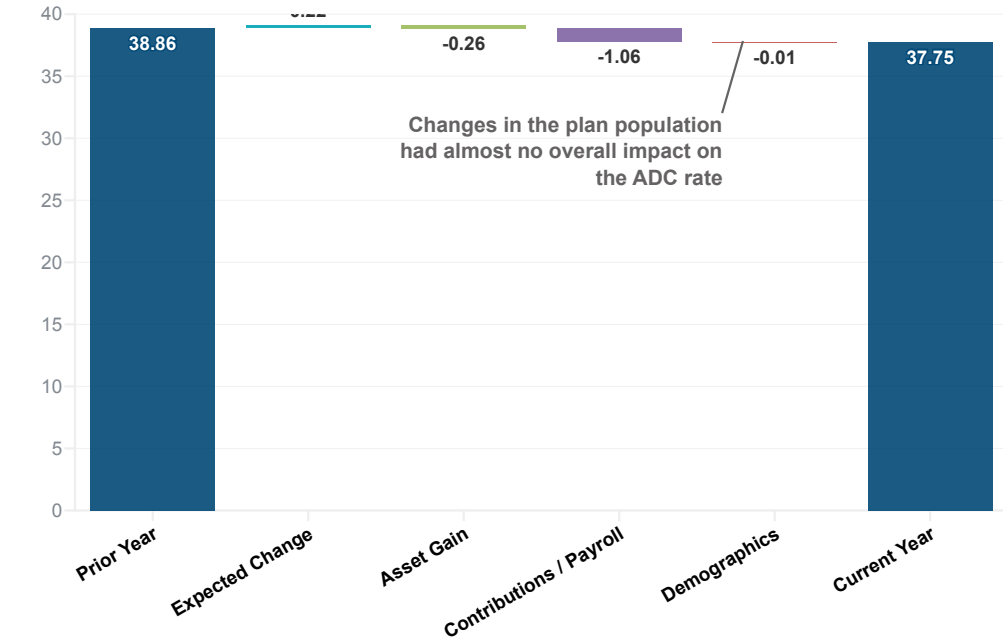
Lastly, liabilities were more than expected, primarily due to salary increases and retiree COLAs more than expected. The UAL payment also increased due to the liability loss, but this was offset by the impact of changing demographics on the employers' share of the normal cost.

UAL and Employer Rate Change by Source

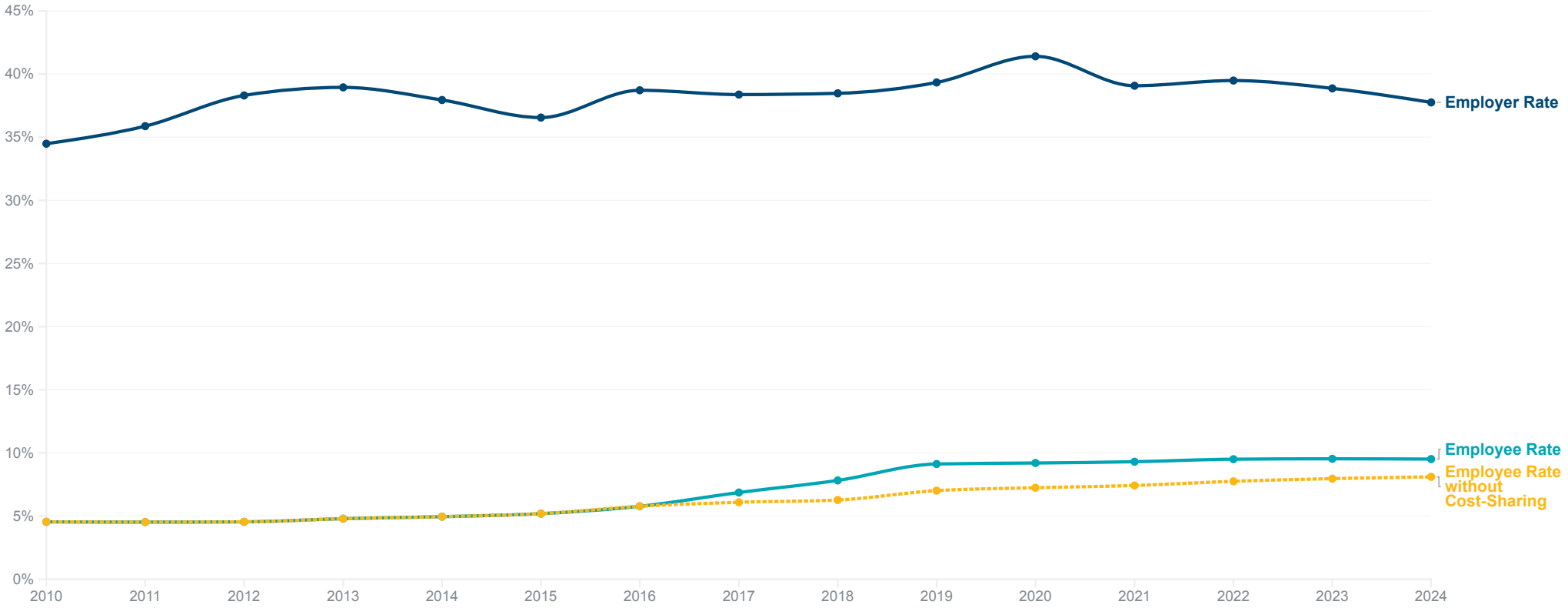
UAL (\$ in Millions)



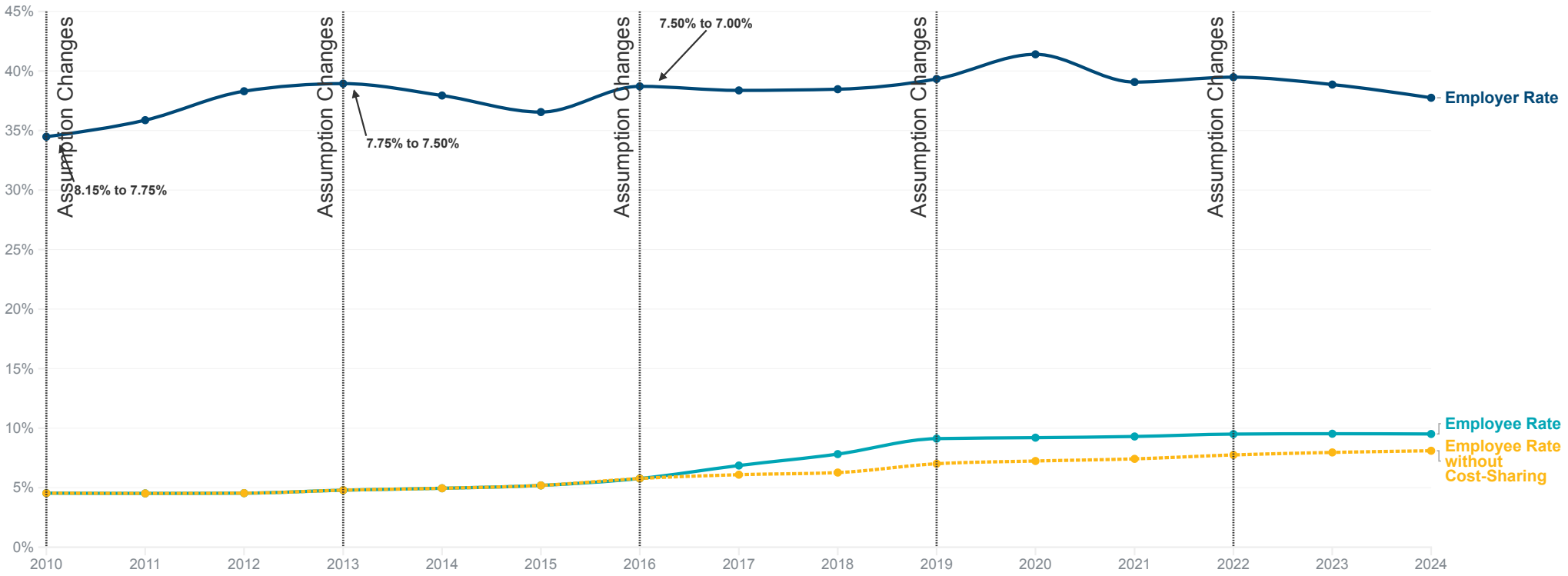
Employer Rate (% of Pay)



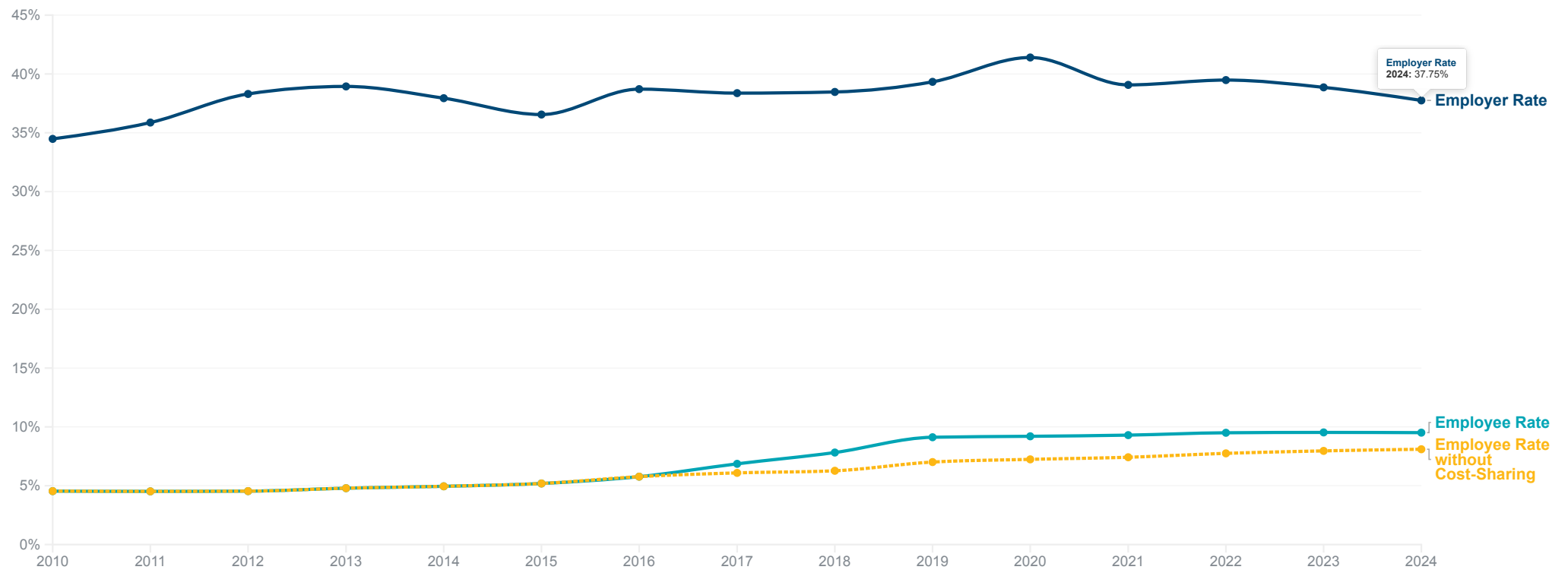
We next review the **history and trends** in the employer and employee rates over the past 15 years.



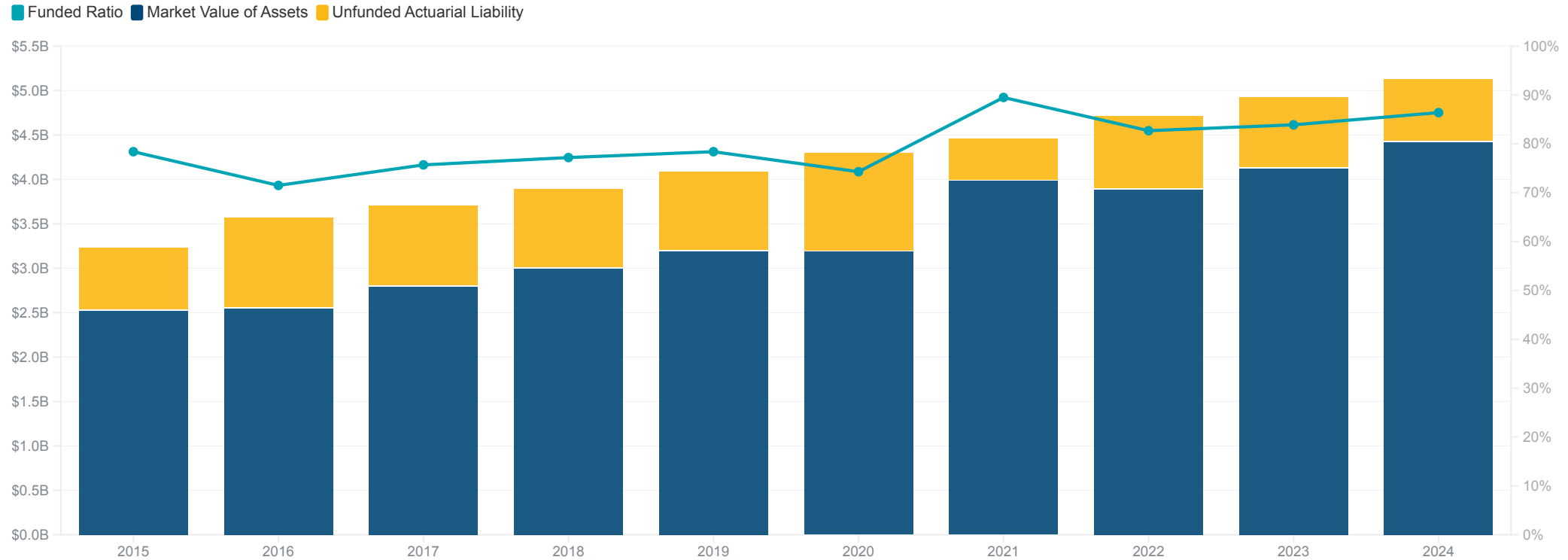
The large increase in employer rates from 2010-2013 was driven by the recognition of the 2008 investment losses. Experience studies that resulted in assumption changes are shown below.



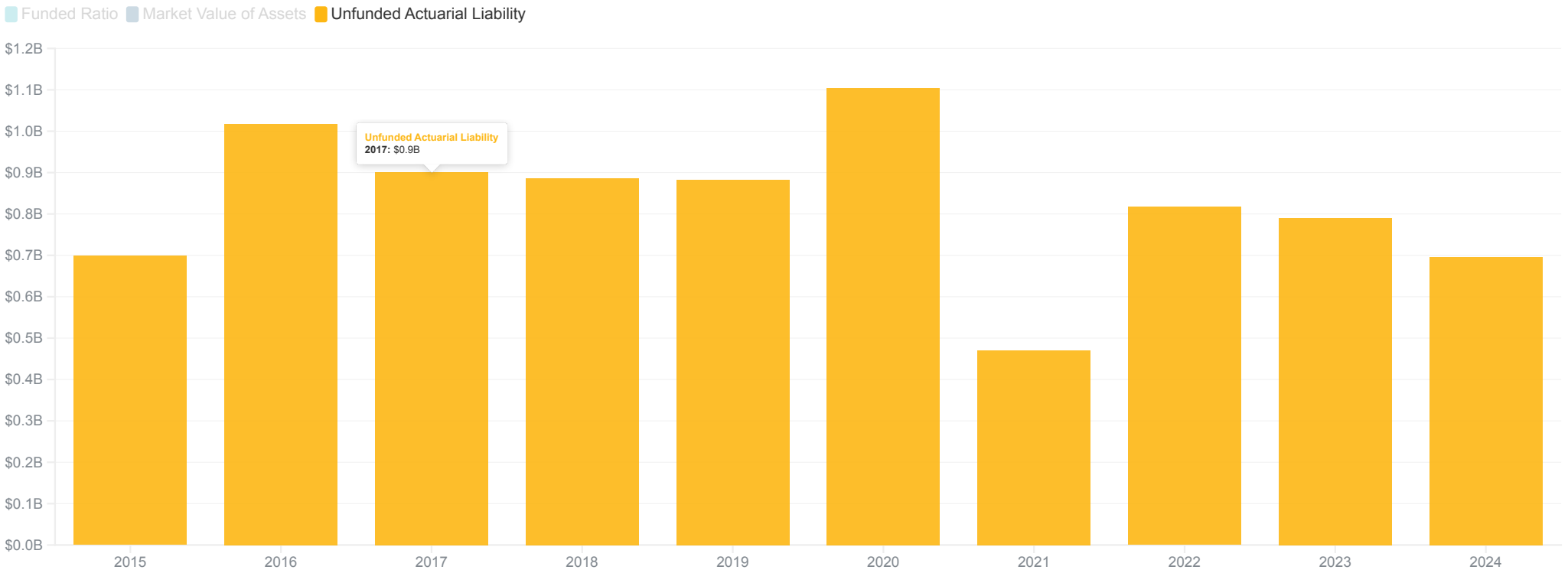
Member rates have grown since 2013 as a result of PEPRA and additional cost-sharing for the Legacy members. The dotted line shows what **28/38** the member rates would have been without the additional cost-sharing amounts.

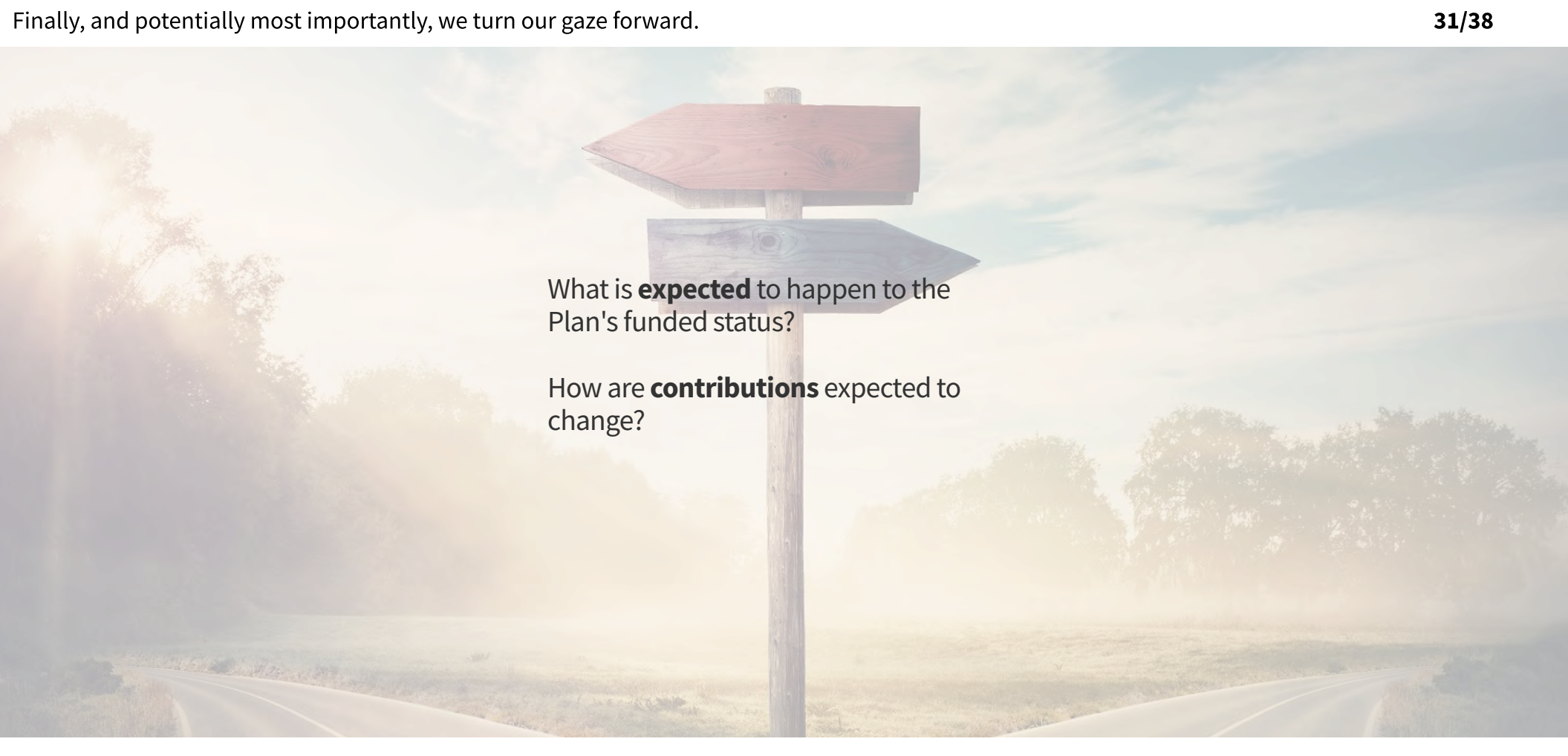


Next we review the history of the funded status over the past decade. The line shows the funded ratio, with the scale shown along the right- **29/38** hand axis.



The UAL increased significantly in 2016 from assumption changes. The volatility in the UAL from 2020 to 2022 was due to investment experience. However, there have been less significant changes since 2022.

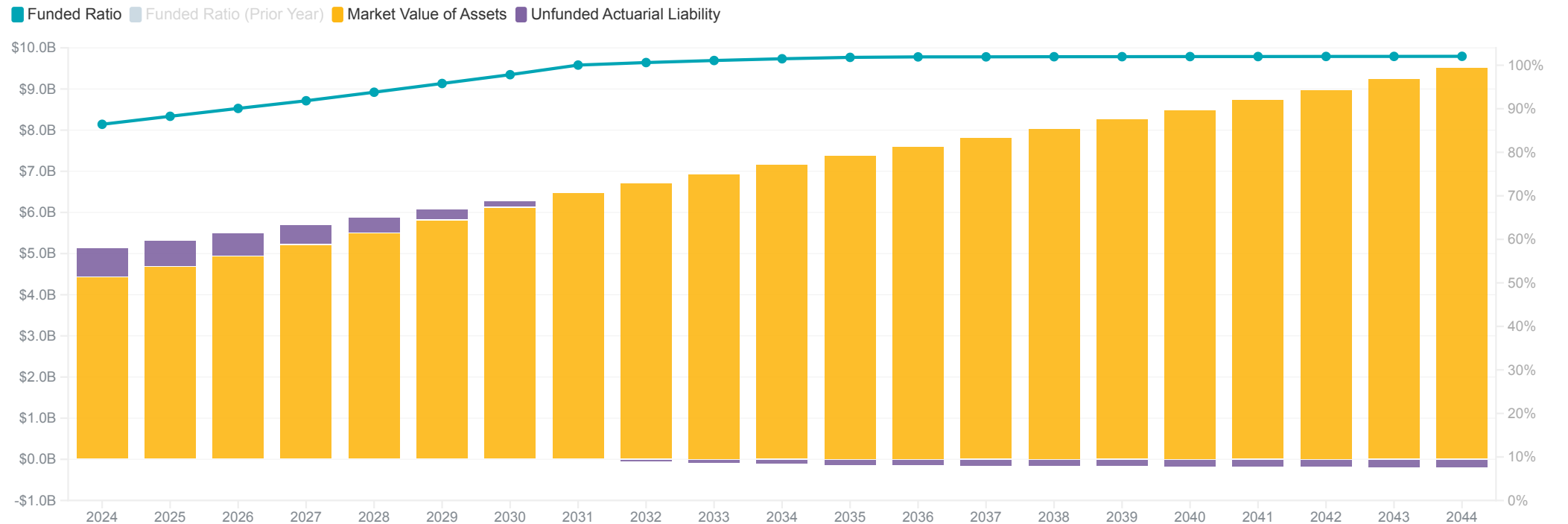


A wooden signpost stands in the center of a road that splits into two paths. The signpost has two arrows: a reddish-brown one pointing left and a greyish-blue one pointing right. The background is a bright, hazy landscape with trees and a clear sky, suggesting a sunrise or sunset. The overall tone is contemplative and forward-looking.

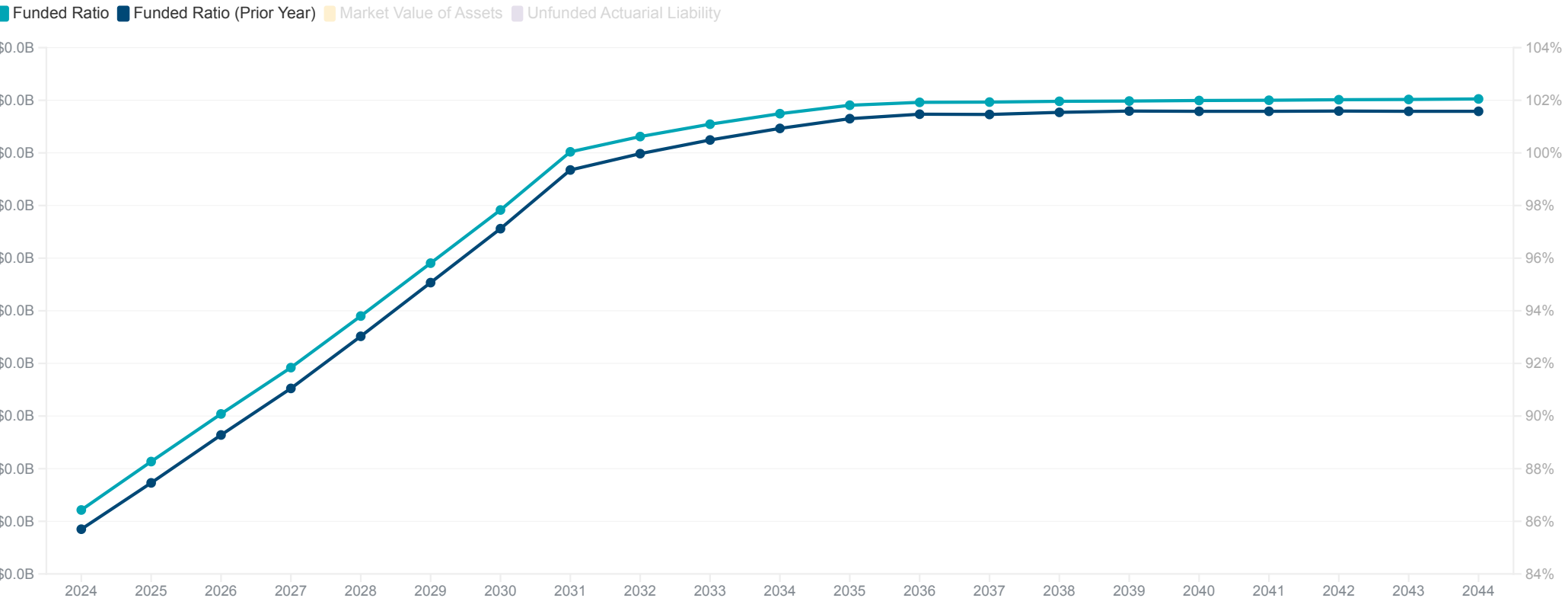
What is **expected** to happen to the Plan's funded status?

How are **contributions** expected to change?

The baseline funded status projection shows that the funded ratio (right axis) is expected to continue improving until the Plan reaches full **32/38** funding in 2031, and then a slight surplus is expected to develop since the employers are required to make a minimum contribution equal to the Normal Cost.



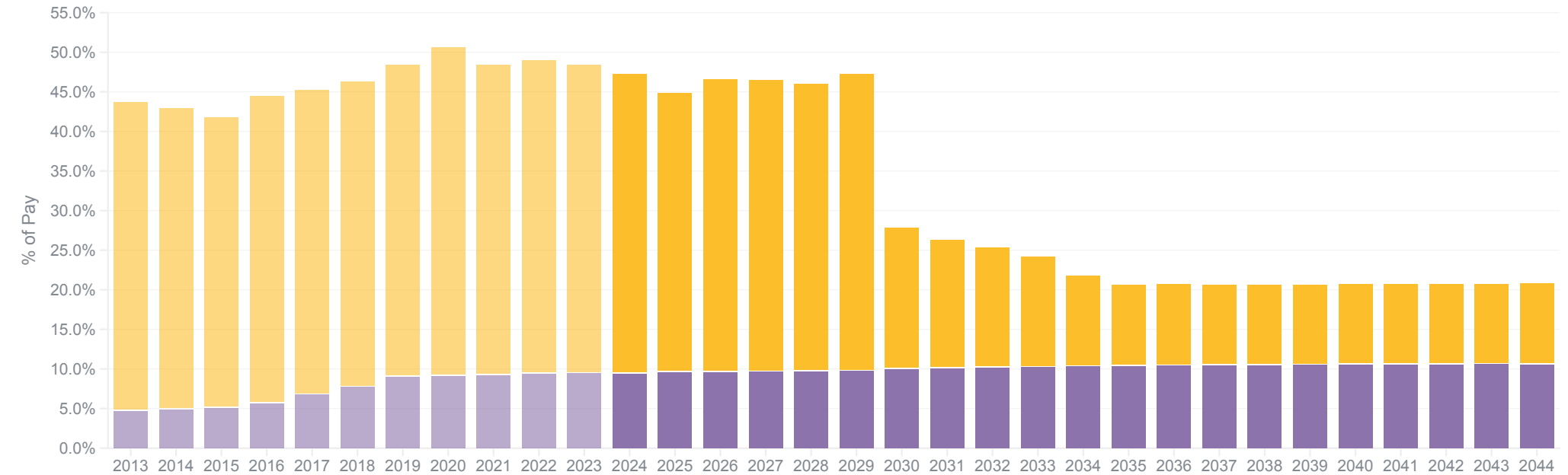
For comparison, we show the projected funded ratio from the prior year valuation, which is very close to the current year projection.



We now look at a projection of the contributions, assuming all assumptions are met (aka "the actuarial fantasy"), including a 7.00% return each year **34/38**

All ▾

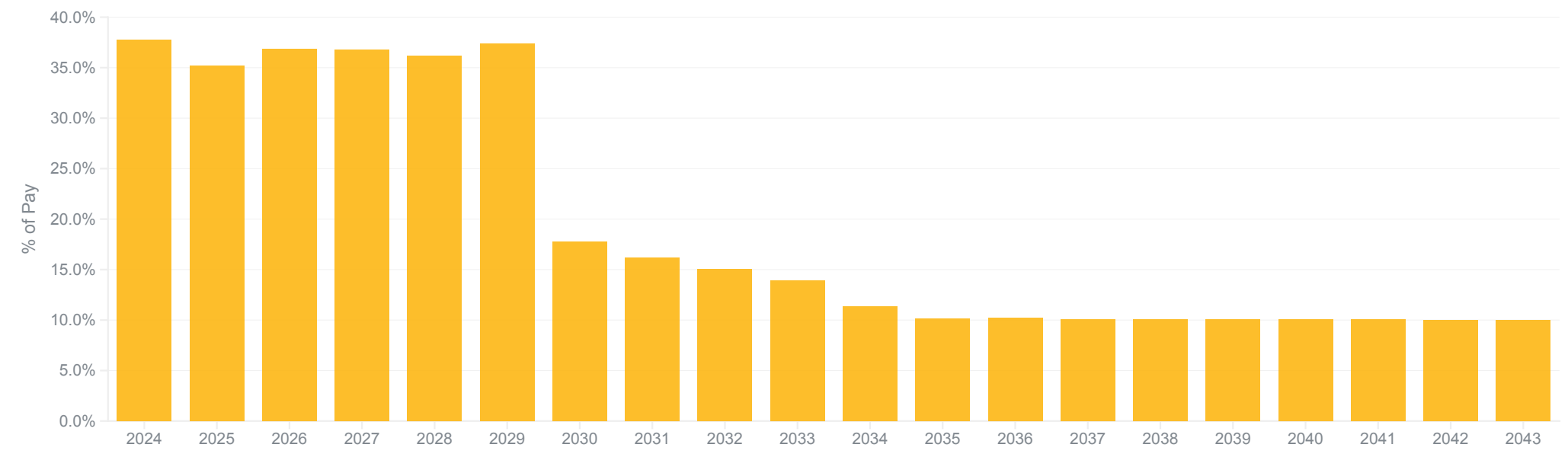
Prior Year Member Contribution Employer Contribution Historical EE Historical ER



The employer contribution rates is expected to decrease and subsequently increase in 2025 and 2026, respectively, due to the phase-in of **35/38** the substantial assets gains in 2021 and 2022 losses. In 2029, the rate decreases significantly when the initial 2013 UAL layer is expected to be paid off in full.

Projected ▾

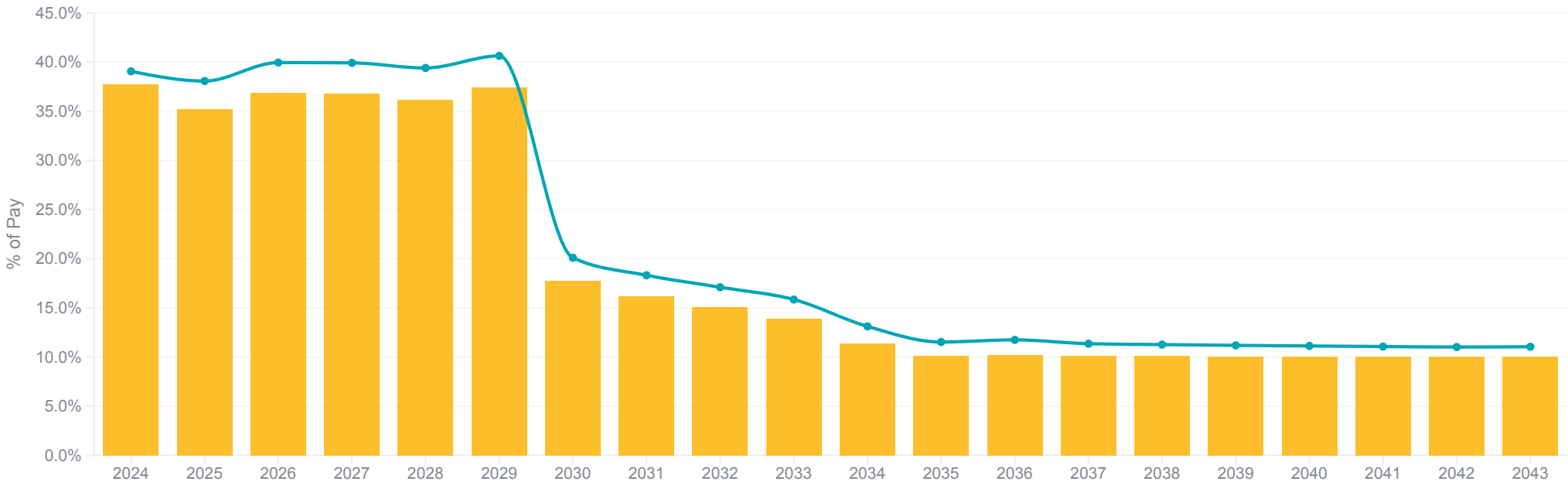
Prior Year Member Contribution Employer Contribution Historical EE Historical ER



For comparison, we show the projected contributions from last year's valuation, which are slightly higher than the 2024 valuation projections, due to the asset gains and payroll growth this year.

Projected ▾

■ Prior Year ■ Member Contribution ■ Employer Contribution ■ Historical EE ■ Historical ER



This concludes the summary presentation. The results presented herein are preliminary, and are still subject to peer review. The final actuarial valuation report will be presented at a future meeting, and will contain additional details.



Certification

The purpose of this report is to present the preliminary results of the SBCERS actuarial valuation as of June 30, 2024. These results are still under peer review and subject to change.

In preparing our presentation, we relied on information (some oral and some written) supplied by SBCERS. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. The data and actuarial assumptions used (unless modified within this communication) will be described in our June 30, 2024 actuarial valuation report.

Future projections may differ significantly from the projections presented in this presentation due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Projections in this presentation were developed using R-scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Plan. R-scan uses standard roll-forward techniques that implicitly assume a stable active population. Because R-scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

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

This presentation was prepared for the SBCERS Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

