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Via Email

May 10, 2023

Ms. Julie Wyne
Chief Executive Officer
Sonoma County Employees' Retirement Association
433 Aviation Boulevard, Suite 100
Santa Rosa, CA 95403-1069

**Re: Sonoma County Employees' Retirement Association (SCERA)
Disclosure under Government Code Section 31515.5 in compliance with
Section 23026 – SCPA – 2022/2023 Fiscal Year – REVISED**

Dear Julie:

As requested, we are providing this letter with our analysis of the impact of changes in elements of pay and their potential impact on the cost to provide benefits through SCERA as required under California Government Code Section 31515.5 in compliance with Section 23026.

We previously issued a letter dated May 30, 2019 on the analysis of a salary change (referred to as Item 1 in Exhibit 1 attached). The result of that analysis concluded that the assumptions applied in the December 31, 2018 Valuation were sufficient to cover the cost of that change. This letter supersedes the information previously provided in our letter dated May 30, 2019 to include additional salary changes (referred to as Items 2 through 3 in Exhibit 1) proposed for the 2022/2023 Fiscal Year.

Furthermore, the letter issued on May 30, 2019 was based on the December 31, 2018 Actuarial Valuation, as that was the most recent Actuarial Valuation available at the time of our analysis. We have since completed the December 31, 2020 Actuarial Valuation, the results of which were approved by the Board to set the contribution rates for the 2022/2023 Fiscal Year, and have used that valuation as the basis for our analysis in this revised letter.

The results presented in this letter are based on changes in elements of pay that were approved or proposed as of the issuance of this letter. Any additional changes that may be proposed for the 2022/2023 Fiscal Year would result in a revised cost impact to be provided at that time.

The contribution impact in this letter is based on the December 31, 2020 Actuarial Valuation, including the participant data and actuarial assumptions on which that valuation was based. In developing the contribution impact, it has been assumed that all actuarial assumptions would have been met after December 31, 2020, including the annual wage growth assumption of 3.25% for all General County and Safety County members, with the exception of the salary increases for employees covered under Sonoma County Prosecutors' Association (SCPA) described herein.

The actual results of this analysis may differ to the extent that other experience varies from that which is assumed.

Background

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for approximately 49 General County members (full-time equivalent) covered under SCPA. We issued our initial Disclosure letter for SCPA on May 30, 2019. Subsequent to the issuance of that letter, further changes in salary have been proposed for the 2022/2023 Fiscal Year. All of the changes in salaries and benefits that we have reviewed in this Disclosure were provided by the County and are outlined in Exhibit 1 attached. The changes in salaries include an estimated 3.00%¹ cost-of-living adjustment effective May 3, 2022, as estimated and provided by the County. The results in this letter are subject to change if the actual cost-of-living adjustment differed from 3.00%.

Prior to authorizing changes in salaries or benefits, we understand that the above Government Code Sections require certain disclosures be provided, including an explanation of the financial impact that the proposed benefit change or salary increase will have on the funding status of the county employees' retirement system.

Results

After reviewing the salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2020 Valuation would not be sufficient to cover the costs of the salary increases for the 2022/2023 Fiscal Year for the General County membership group when measured as of December 31, 2020.

The salary increases under Items 1 through 3, as described herein, would increase the General County total employer and employee normal cost by approximately \$16,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 45% of the total normal cost², resulting in an increase to the employer's normal cost contribution by roughly \$9,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$212,000, which translates to an increase in the amortization payment by approximately \$15,000 in the first year, for a total employer contribution increase of about \$24,000.

¹ We understand that the cost-of-living adjustment effective May 3, 2022 was based on the lesser of the Consumer Price Index-Urban Consumers for the San Francisco-Oakland-Hayward Area as of December for the preceding year or the County Secured Property Tax Growth year over year divided by 1.5. The County previously asked for input on an alternative assumption to consider in lieu of their estimated 3.00% cost-of-living adjustment assumption. As we are not experts in how changes in price inflation are to be taken into consideration in the County's Secured Property Tax Growth rate calculations, we are not qualified to express any opinion on what inflation assumption to use. We have therefore used the 3.00% cost-of-living adjustment assumption and estimates provided by the County.

² The 45% of the total normal cost expected to be paid by the General County employees reflects payment of 50% of the Normal Cost by Plan B members, however, for Plan A members it has been calculated prior to reflecting any additional contributions (i.e., above those determined under the County Employees Retirement Law of 1937 for Plan A members) that may have been agreed to be paid by those employees covered under SCPA.

Analysis

Exhibit 1 (attached) outlines the changes to the elements of pay. For those changes of pay elements that are deemed to be pensionable, we have included our analysis below.

Pensionable Elements of Pay

The employer costs developed in our Actuarial Valuation and Review as of December 31, 2020 include a 3.25% annual wage growth assumption³ that is applied to project all future salary amounts for pension purposes.

In Exhibit 1, the total increase in General County pensionable elements of pay for Items 1 through 3 is expected to be approximately \$365,630. This is equivalent to \$7,462 each over the total 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the changes, if we take the average salary increase stated above of \$7,462 and divide it by the average General SCPA member salary of \$176,585 (as provided by the County), we estimate an average increase in salary of 4.23% as a result of the changes. This increase is greater than our 3.25% wage increase assumption by 0.98%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

Non-Pensionable Elements of Pay

There were no non-pensionable elements of pay that were communicated to us by the County at this time. Any non-pensionable elements of pay that are agreed upon would not have any impact to the level of benefits and would not increase the employer cost of the plan.

The undersigned is a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions on this information.

Sincerely,



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

OH/bbf

³ For the purposes of developing employer and employee contribution rate requirements, 3.25% is the long term assumption we use to project the growth in annual wages in our actuarial valuation.

Summary of Elements of Pay – SCPA

| | | Pensionable Elements of Pay | |
|-------------|--|--|---|
| Item | | | Estimated Amount Fiscal Year 2022/2023⁴ |
| 1 | Estimated 3.00% Cost-of-Living Adjustment Effective: 5/3/2022 | General: | \$229,629 |
| 2 | 5.00% Cost-of-Living Adjustment Effective: 5/30/2023 | General: | \$34,318 |
| 3 | Equity & Living Wage Adjustment Effective: 5/16/2023 | General: | \$101,683 |
| | | Non-Pensionable Elements of Pay | |
| None | | | |

⁴ The estimated costs during Fiscal Year 2022/2023 for Items 1 through 3 were provided directly by the County.



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**Re: Sonoma County Employees' Retirement Association (SCERA)
Disclosure under Government Code Section 31515.5 in compliance with
Section 23026 – SCPA – 2023/2024 Fiscal Year**

Dear Julie:

As requested, we are providing this letter with our analysis of the impact of changes in elements of pay and their potential impact on the cost to provide benefits through SCERA as required under California Government Code Section 31515.5 in compliance with Section 23026.

The results presented in this letter are based on changes in elements of pay that were proposed as of the issuance of this letter. Any additional changes that may be proposed for the 2023/2024 Fiscal Year would result in a revised cost impact to be provided at that time.

The contribution impact in this letter is based on the December 31, 2021 Actuarial Valuation¹, including the participant data and actuarial assumptions on which that valuation was based. In developing the contribution impact, it has been assumed that all actuarial assumptions would have been met after December 31, 2021, including the annual wage growth assumption of 3.00% for all General County and Safety County members, with the exception of the salary increases for employees covered under Sonoma County Prosecutors' Association (SCPA) described herein.

The actual results of this analysis may differ to the extent that other experience varies from that which is assumed.

Background

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for approximately 49 General County members (full-time equivalent) covered under SCPA. All of the changes in salaries and benefits that we have reviewed in this Disclosure were provided by the County and are outlined in Exhibit 1 attached.

¹ We note that the results approved by the Board in the December 31, 2021 Actuarial Valuation will be used to set contribution rates for the 2023/2024 Fiscal Year.

Prior to authorizing changes in salaries or benefits, we understand that the above Government Code Sections require certain disclosures be provided, including an explanation of the financial impact that the proposed benefit change or salary increase will have on the funding status of the county employees' retirement system.

Results

After reviewing the salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2021 Valuation would not be sufficient to cover the costs of the salary increases for the 2023/2024 Fiscal Year for the General County membership group.

The salary increases under Items 1 through 3, as described herein, would increase the General County total employer and employee normal cost by approximately \$144,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 45% of the total normal cost², resulting in an increase to the employer's normal cost contribution by roughly \$79,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$1,956,000, which translates to an increase in the amortization payment by approximately \$139,000 in the first year, for a total employer contribution increase of about \$218,000.

Analysis

Exhibit 1 (attached) outlines the changes to the elements of pay. For those changes of pay elements that are deemed to be pensionable, we have included our analysis below.

Pensionable Elements of Pay

The employer costs developed in our Actuarial Valuation and Review as of December 31, 2021 include a 3.00% annual wage growth assumption³ that is applied to project all future salary amounts for pension purposes.

In Exhibit 1, the total increase in General County pensionable elements of pay for Items 1 through 3 is expected to be approximately \$1,015,945. This is equivalent to \$20,734 each over the total 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the changes, if we take the average salary increase stated above of \$20,734

² The 45% of the total normal cost expected to be paid by the General County employees reflects payment of 50% of the Normal Cost by Plan B members, however, for Plan A members it has been calculated prior to reflecting any additional contributions (i.e., above those determined under the County Employees Retirement Law of 1937 for Plan A members) that may have been agreed to be paid by those employees covered under SCPA.

³ For the purposes of developing employer and employee contribution rate requirements, 3.00% is the long term assumption we use to project the growth in annual wages in our actuarial valuation.

and divide it by the average General SCPA member salary of \$175,811⁴ (as provided by the County), we estimate an average increase in salary of 11.79% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 8.79%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

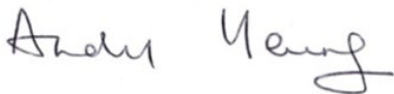
Non-Pensionable Elements of Pay

There were no non-pensionable elements of pay that were communicated to us by the County at this time. Any non-pensionable elements of pay that are agreed upon would not have any impact to the level of benefits and would not increase the employer cost of the plan.

The undersigned is a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions on this information.

Sincerely,



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

OH/bbf

⁴ We note that the average pensionable wages of \$175,811 provided by the County for the 2023/2024 Fiscal Year is lower than the average pensionable wages of \$176,585 provided by the County for 2022/2023 Fiscal Year. However, we understand the pensionable wages for the 2022/2023 Fiscal Year was estimated using a projection of pensionable wages from the 2019 calendar year, whereas the 2023/2024 Fiscal Year pensionable wages is estimated using a projection of pensionable wages from the 2023 calendar year which reflects more up-to-date information.

Summary of Elements of Pay – SCPA

| | | Pensionable Elements of Pay | |
|-------------|---|---|-----------|
| Item | | Estimated Amount Fiscal Year 2023/2024⁵ | |
| 1 | 5.00% Cost-of-Living Adjustment Effective: 5/30/2023 | General: | \$411,817 |
| 2 | Equity & Living Wage Adjustment Effective: 5/16/2023 | General: | \$559,258 |
| 3 | 4.00% Cost-of-Living Adjustment Effective: 5/13/2024 | General: | \$44,870 |
| | | Non-Pensionable Elements of Pay | |
| None | | | |

⁵ The estimated costs during Fiscal Year 2023/2024 for Items 1 through 3 were provided directly by the County.



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**Re: Sonoma County Employees' Retirement Association (SCERA)
Disclosure under Government Code Section 31515.5 in compliance with
Section 23026 – SCPA – 2024/2025 Fiscal Year**

Dear Julie:

As requested, we are providing this letter with our analysis of the impact of changes in elements of pay and their potential impact on the cost to provide benefits through SCERA as required under California Government Code Section 31515.5 in compliance with Section 23026.

The results presented in this letter are based on changes in elements of pay that were proposed as of the issuance of this letter. Any additional changes that may be proposed for the 2024/2025 Fiscal Year would result in a revised cost impact to be provided at that time.

The contribution impact in this letter is based on the December 31, 2021 Actuarial Valuation, including the participant data and actuarial assumptions on which that valuation was based. Although the December 31, 2021 Actuarial Valuation is not going to be used to set the contribution rates for the 2024/2025 Fiscal Year¹, it is the most recent² Actuarial Valuation available at the time this request was sent to Segal, and we have therefore used that valuation to illustrate the potential cost impact of the salary increases. The results in this letter may be subject to change depending on the assumptions, methods, demographic profile and results of the December 31, 2022³ Actuarial Valuation.

In developing the contribution impact, it has been assumed that all actuarial assumptions would have been met after December 31, 2021, including the annual wage growth assumption of 3.00% for all General County and Safety County members, with the exception of the salary increases for employees covered under Sonoma County Prosecutors' Association (SCPA) described herein. We have also assumed that there will be no changes in the assumptions,

¹ Contribution rates for the 2024/2025 Fiscal Year will be set using the December 31, 2022 valuation.

² When we received the request from the County to prepare the Disclosure on April 27, 2023, we had not completed the valuation as of December 31, 2022. As timing is of the essence, we have applied the results of the valuation as of December 31, 2021 in preparing the analysis provided in this Disclosure.

³ There have been no changes in the assumptions and methods used between the December 31, 2021 and December 31, 2022 Actuarial Valuations.

methods and the demographic profile between the December 31, 2021 valuation and the December 31, 2022 valuation.

The actual results of this analysis may differ to the extent that other experience varies from that which is assumed.

Background

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for approximately 49 General County members (full-time equivalent) covered under SCPA. All of the changes in salaries and benefits that we have reviewed in this Disclosure were provided by the County and are outlined in Exhibit 1 attached.

Prior to authorizing changes in salaries or benefits, we understand that the above Government Code Sections require certain disclosures be provided, including an explanation of the financial impact that the proposed benefit change or salary increase will have on the funding status of the county employees' retirement system.

Results

After reviewing the salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2021 Valuation would not be sufficient to cover the costs of the salary increases for the 2024/2025 Fiscal Year for the General County membership group when measured as of December 31, 2021.

The salary increases under Items 1 and 2, as described herein, would increase the General County total employer and employee normal cost by approximately \$19,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 45% of the total normal cost⁴, resulting in an increase to the employer's normal cost contribution by roughly \$11,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$257,000, which translates to an increase in the amortization payment by approximately \$18,000 in the first year, for a total employer contribution increase of about \$29,000.

Analysis

Exhibit 1 (attached) outlines the changes to the elements of pay. For those changes of pay elements that are deemed to be pensionable, we have included our analysis below.

⁴ The 45% of the total normal cost expected to be paid by the General County employees reflects payment of 50% of the Normal Cost by Plan B members, however, for Plan A members it has been calculated prior to reflecting any additional contributions (i.e., above those determined under the County Employees Retirement Law of 1937 for Plan A members) that may have been agreed to be paid by those employees covered under SCPA.

Pensionable Elements of Pay

The employer costs developed in our Actuarial Valuation and Review as of December 31, 2021 include a 3.00% annual wage growth assumption⁵ that is applied to project all future salary amounts for pension purposes.

In Exhibit 1, the total increase in General County pensionable elements of pay for Items 1 and 2 is expected to be approximately \$390,667. This is equivalent to \$7,973 each over the total 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the changes, if we take the average salary increase stated above of \$7,973 and divide it by the average General SCPA member salary of \$198,404 (as provided by the County), we estimate an average increase in salary of 4.02% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 1.02%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

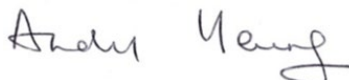
Non-Pensionable Elements of Pay

There were no non-pensionable elements of pay that were communicated to us by the County at this time. Any non-pensionable elements of pay that are agreed upon would not have any impact to the level of benefits and would not increase the employer cost of the plan.

The undersigned is a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions on this information.

Sincerely,



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

OH/bbf

⁵ For the purposes of developing employer and employee contribution rate requirements, 3.00% is the long term assumption we use to project the growth in annual wages in our actuarial valuation.

Summary of Elements of Pay – SCPA

| Pensionable Elements of Pay | | | |
|--|---|---|-----------|
| Item | | Estimated Amount Fiscal Year 2024/2025⁶ | |
| 1 | 4.00% Cost-of-Living Adjustment Effective: 5/13/2024 | General: | \$344,003 |
| 2 | 4.00% Cost-of-Living Adjustment Effective: 5/14/2025 | General: | \$46,665 |
| Non-Pensionable Elements of Pay | | | |
| None | | | |

⁶ The estimated costs during Fiscal Year 2024/2025 for Items 1 and 2 were provided directly by the County.



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**Re: Sonoma County Employees' Retirement Association (SCERA)
Disclosure under Government Code Section 31515.5 in compliance with
Section 23026 – SCPA – 2025/2026 Fiscal Year**

Dear Julie:

As requested, we are providing this letter with our analysis of the impact of changes in elements of pay and their potential impact on the cost to provide benefits through SCERA as required under California Government Code Section 31515.5 in compliance with Section 23026.

The results presented in this letter are based on changes in elements of pay that were proposed as of the issuance of this letter. Any additional changes that may be proposed for the 2025/2026 Fiscal Year would result in a revised cost impact to be provided at that time.

The contribution impact in this letter is based on the December 31, 2021 Actuarial Valuation, including the participant data and actuarial assumptions on which that valuation was based. Although the December 31, 2021 Actuarial Valuation is not going to be used to set the contribution rates for the 2025/2026 Fiscal Year¹, it is the most recent² Actuarial Valuation available at the time this request was sent to Segal, and we have therefore used that valuation to illustrate the potential cost impact of the salary increases. The results in this letter may be subject to change depending on the assumptions, methods, demographic profile and results of the December 31, 2023 Actuarial Valuation.

In developing the contribution impact, it has been assumed that all actuarial assumptions would have been met after December 31, 2021, including the annual wage growth assumption of 3.00% for all General County and Safety County members, with the exception of the salary increases for employees covered under Sonoma County Prosecutors' Association (SCPA) described herein. We have also assumed that there will be no changes in the assumptions, methods and the demographic profile between the December 31, 2021 valuation and the December 31, 2023 valuation.

¹ Contribution rates for the 2025/2026 Fiscal Year will be set using the December 31, 2023 valuation.

² When we received the request from the County to prepare the Disclosure on April 27, 2023, we had not completed the valuation as of December 31, 2022. As timing is of the essence, we have applied the results of the valuation as of December 31, 2021 in preparing the analysis provided in this Disclosure.

The actual results of this analysis may differ to the extent that other experience varies from that which is assumed.

Background

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for approximately 49 General County members (full-time equivalent) covered under SCPA. All of the changes in salaries and benefits that we have reviewed in this Disclosure were provided by the County and are outlined in Exhibit 1 attached.

Prior to authorizing changes in salaries or benefits, we understand that the above Government Code Sections require certain disclosures be provided, including an explanation of the financial impact that the proposed benefit change or salary increase will have on the funding status of the county employees' retirement system.

Results

After reviewing the salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2021 Valuation would not be sufficient to cover the costs of the salary increases for the 2025/2026 Fiscal Year for the General County membership group when measured as of December 31, 2021.

The salary increases under Item 1, as described herein, would increase the General County total employer and employee normal cost by approximately \$10,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 45% of the total normal cost³, resulting in an increase to the employer's normal cost contribution by roughly \$6,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$141,000, which translates to an increase in the amortization payment by approximately \$10,000 in the first year, for a total employer contribution increase of about \$16,000.

Analysis

Exhibit 1 (attached) outlines the changes to the elements of pay. For those changes of pay elements that are deemed to be pensionable, we have included our analysis below.

Pensionable Elements of Pay

The employer costs developed in our Actuarial Valuation and Review as of December 31, 2021 include a 3.00% annual wage growth assumption⁴ that is applied to project all future salary amounts for pension purposes.

³ The 45% of the total normal cost expected to be paid by the General County employees reflects payment of 50% of the Normal Cost by Plan B members, however, for Plan A members it has been calculated prior to reflecting any additional contributions (i.e., above those determined under the County Employees Retirement Law of 1937 for Plan A members) that may have been agreed to be paid by those employees covered under SCPA.

⁴ For the purposes of developing employer and employee contribution rate requirements, 3.00% is the long term assumption we use to project the growth in annual wages in our actuarial valuation.

In Exhibit 1, the total increase in General County pensionable elements of pay for Item 1 is expected to be approximately \$357,763. This is equivalent to \$7,301 each over the total 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the changes, if we take the average salary increase stated above of \$7,301 and divide it by the average General SCPA member salary of \$206,341 (as provided by the County), we estimate an average increase in salary of 3.54% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 0.54%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

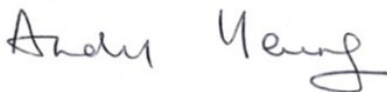
Non-Pensionable Elements of Pay

There were no non-pensionable elements of pay that were communicated to us by the County at this time. Any non-pensionable elements of pay that are agreed upon would not have any impact to the level of benefits and would not increase the employer cost of the plan.

The undersigned is a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions on this information.

Sincerely,



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

OH/bbf

Summary of Elements of Pay – SCPA

| Pensionable Elements of Pay | |
|--|---|
| Item | Estimated Amount Fiscal Year 2025/2026⁵ |
| 1 | 4.00% Cost-of-Living Adjustment Effective: 5/14/2025 General: \$357,763 |
| Non-Pensionable Elements of Pay | |
| None | |

⁵ The estimated cost during Fiscal Year 2025/2026 for Item 1 was provided directly by the County.