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## Via Email

June 27, 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 – Salary Resolution – 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 Valuation,<sup>1</sup> 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 Salary Resolution 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 856 General and 4 Safety County members (full-time equivalent) covered under Salary Resolution. 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.

<sup>1</sup> 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 Salary Resolution as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2021 Actuarial Valuation would not be sufficient to cover the costs of the salary increases for the 2023/2024 Fiscal Year for the General and Safety County membership groups.

### General County

The salary increases under Items 1 through 7, as described herein, would increase the General County total employer and employee normal cost by approximately \$1,958,000 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 cost,<sup>2</sup> resulting in an increase to the employer's normal cost contribution by roughly \$1,077,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$26,638,000, which translates to an increase in the amortization payment by approximately \$1,897,000 in the first year, for a total employer contribution increase of about \$2,974,000.

### Safety County

The salary increases under Items 1 through 7, as described herein, would increase the Safety County total employer and employee normal cost by approximately \$25,000 in the first year. When averaged over Plans A and B, a Safety County employee is expected to pay about 37% of the total normal cost,<sup>3</sup> resulting in an increase to the employer's normal cost contribution by roughly \$16,000. Additionally, the salary increases would increase the Safety County Unfunded Actuarial Accrued Liability (UAAL) by \$298,000, which translates to an increase in the amortization payment by approximately \$21,000 in the first year, for a total employer contribution increase of about \$37,000.

<sup>2</sup> 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 Salary Resolution.

<sup>3</sup> The 37% of the total normal cost expected to be paid by the Safety 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 Salary Resolution.

## 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 assumption<sup>4</sup> that is applied to project all future salary amounts for pension purposes.

#### General County

In Exhibit 1, the total increase in General County pensionable elements of pay for Items 1 through 7 is expected to be approximately \$13,499,452. This is equivalent to \$15,770 each over the 856 General Salary Resolution position 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 \$15,770 and divide it by the average General Salary Resolution member salary of \$123,999 (as provided by the County), we estimate an average increase in salary of 12.72% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 9.72%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

#### Safety County

In Exhibit 1, the total increase in Safety County pensionable elements of pay for Items 1 through 7 is expected to be approximately \$105,141. This is equivalent to \$26,285 each over the total 4 Safety Salary Resolution 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 \$26,285 and divide it by the average Safety Salary Resolution member salary of \$195,260 (as provided by the County), we estimate an average increase in salary of 13.46% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 10.46%. 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 on the level of benefits and would not increase the employer cost of the plan.

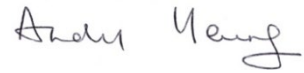
<sup>4</sup> For the purposes of developing employer and employee contribution rate requirements, 3.00% is the long-term assumption we use to project the growth in annual wages in our actuarial valuation.

Ms. Julie Wyne  
June 27, 2023  
Page 4

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,

A handwritten signature in dark ink, appearing to read "Andy Yeung". The signature is fluid and cursive, with the first name "Andy" and last name "Yeung" clearly distinguishable.

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

OH/hy

Enclosure

## Summary of Elements of Pay – Salary Resolution

Pensionable Elements of Pay		Estimated Amount Fiscal Year 2023/2024 <sup>5</sup>	
Item			
1	Bargaining Units 50 & 52: 5.00% Cost-of-Living Adjustment Effective: 7/25/2023	General: Safety:	\$5,085,297 \$39,223
2	Bargaining Units 50 & 52: Equity & Living Wage Adjustments Effective: 7/11/2023	General: Safety:	\$5,776,440 \$49,198
3	Bargaining Units 50 & 52: Bilingual Fluent Premium Effective: 7/11/2023	General: Safety:	\$40,923 \$0
4	Bargaining Units 50 & 52: Confidential Premium Effective: 7/11/2023	General: Safety:	\$102,336 \$0
5	Bargaining Units 50 & 52: Staff Development Stipend Effective: 7/11/2023	General: Safety:	\$393,821 \$3,000
6	Bargaining Units 50 & 52: One Time Lump Sum Effective: 7/11/2023	General: Safety:	\$658,067 \$3,000
7	Bargaining Units 50 & 52: 4.00% Cost-of-Living Adjustment Effective: 3/5/2024	General: Safety:	\$1,442,568 \$10,720
Non-Pensionable Elements of Pay			
None			

<sup>5</sup> The estimated costs during Fiscal Year 2023/2024 for Items 1 through 7 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 – Salary Resolution – 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, 2022 Actuarial Valuation,<sup>1</sup> 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, 2022, 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 Salary Resolution 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 856 General and 4 Safety County members (full-time equivalent) covered under Salary Resolution. 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.

<sup>1</sup> We note that the results approved by the Board in the December 31, 2022 Actuarial Valuation will be used to set contribution rates for the 2024/2025 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 Salary Resolution as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2022 Actuarial Valuation would not be sufficient to cover the costs of the salary increases for the 2024/2025 Fiscal Year for the General and Safety County membership groups when measured as of December 31, 2022.

### General County

The salary increases under Items 1 through 3, as described herein, would increase the General County total employer and employee normal cost by approximately \$264,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 46% of the total normal cost,<sup>2</sup> resulting in an increase to the employer's normal cost contribution by roughly \$143,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$3,535,000, which translates to an increase in the amortization payment by approximately \$252,000 in the first year, for a total employer contribution increase of about \$395,000.

### Safety County

The salary increases under Items 1 through 3, as described herein, would increase the Safety County total employer and employee normal cost by approximately \$3,000 in the first year. When averaged over Plans A and B, a Safety County employee is expected to pay about 37% of the total normal cost,<sup>3</sup> resulting in an increase to the employer's normal cost contribution by roughly \$2,000. Additionally, the salary increases would increase the Safety County Unfunded Actuarial Accrued Liability (UAAL) by \$39,000, which translates to an increase in the amortization payment by approximately \$3,000 in the first year, for a total employer contribution increase of about \$5,000.

<sup>2</sup> The 46% 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 Salary Resolution.

<sup>3</sup> The 37% of the total normal cost expected to be paid by the Safety 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 Salary Resolution.

## 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, 2022 include a 3.00% annual wage growth assumption<sup>4</sup> that is applied to project all future salary amounts for pension purposes.

#### General County

In Exhibit 1, the total increase in General County pensionable elements of pay for Items 1 through 3 is expected to be approximately \$4,949,462. This is equivalent to \$5,782 each over the 856 General Salary Resolution position 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 \$5,782 and divide it by the average General Salary Resolution member salary of \$137,553 (as provided by the County), we estimate an average increase in salary of 4.20% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 1.20%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

#### Safety County

In Exhibit 1, the total increase in Safety County pensionable elements of pay for Items 1 through 3 is expected to be approximately \$36,839. This is equivalent to \$9,210 each over the total 4 Safety Salary Resolution 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 \$9,210 and divide it by the average Safety Salary Resolution member salary of \$218,508 (as provided by the County), we estimate an average increase in salary of 4.21% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 1.21%. 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 on the level of benefits and would not increase the employer cost of the plan.

<sup>4</sup> 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.

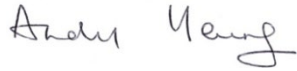


Ms. Julie Wyne  
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Page 4

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,

A handwritten signature in dark ink, appearing to read "Andy Yeung". The signature is fluid and cursive, with the first name "Andy" and last name "Yeung" clearly distinguishable.

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

OH/hy  
Enclosure

## Summary of Elements of Pay – Salary Resolution

Pensionable Elements of Pay			
Item		Estimated Amount Fiscal Year 2024/2025 <sup>5</sup>	
1	Bargaining Units 50 & 52: 5.00% Cost-of-Living Adjustment Effective: 7/25/2023	General:	\$203,412
		Safety:	\$1,569
2	Bargaining Units 50 & 52: 4.00% Cost-of-Living Adjustment Effective: 3/5/2024	General:	\$3,245,779
		Safety:	\$24,121
3	Bargaining Units 50 & 52: 4.00% Cost-of-Living Adjustment Effective: 3/4/2025	General:	\$1,500,271
		Safety:	\$11,149
Non-Pensionable Elements of Pay			
None			

<sup>5</sup> The estimated costs during Fiscal Year 2024/2025 for Items 1 through 3 were provided directly by the County.



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Disclosure under Government Code Section 31515.5 in compliance with  
Section 23026 – Salary Resolution – 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, 2022 Actuarial Valuation, including the participant data and actuarial assumptions on which that valuation was based. Although the December 31, 2022 Actuarial Valuation is not going to be used to set the contribution rates for the 2025/2026 Fiscal Year,<sup>1</sup> it is the most recent 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, 2022, 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 Salary Resolution described herein. We have also assumed that there will be no changes in the assumptions, methods and the demographic profile between the December 31, 2022 valuation and the December 31, 2023 valuation.

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

<sup>1</sup> Contribution rates for the 2025/2026 Fiscal Year will be set using the December 31, 2023 Actuarial Valuation.

## Background

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for approximately 856 General and 4 Safety County members (full-time equivalent) covered under Salary Resolution. 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 Salary Resolution as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2022 Actuarial Valuation would be sufficient to cover the costs of the salary increases for the 2025/2026 Fiscal Year for the General and Safety County membership groups when measured as of December 31, 2022.

### General County

The salary increases under Item 1, as described herein, would decrease the General County total employer and employee normal cost by approximately \$55,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 46% of the total normal cost,<sup>2</sup> resulting in a decrease to the employer's normal cost contribution by roughly \$30,000. Additionally, the salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by \$737,000, which translates to a decrease in the amortization payment by approximately \$52,000 in the first year, for a total employer contribution decrease of about \$82,000.

### Safety County

The salary increases under Item 1, as described herein, would decrease the Safety County total employer and employee normal cost by approximately \$700 in the first year. When averaged over Plans A and B, a Safety County employee is expected to pay about 37% of the total normal cost,<sup>3</sup> resulting in a decrease to the employer's normal cost contribution by roughly \$400. Additionally, the salary increases would decrease the Safety County

<sup>2</sup> The 46% 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 Salary Resolution.

<sup>3</sup> The 37% of the total normal cost expected to be paid by the Safety 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 Salary Resolution.

Unfunded Actuarial Accrued Liability (UAAL) by \$8,000, which translates to a decrease in the amortization payment by approximately \$600 in the first year, for a total employer contribution decrease of about \$1,000.

## 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, 2022 include a 3.00% annual wage growth assumption<sup>4</sup> that is applied to project all future salary amounts for pension purposes.

### General County

In Exhibit 1, the total increase in General County pensionable elements of pay for Item 1 is expected to be approximately \$3,375,610. This is equivalent to \$3,943 each over the 856 General Salary Resolution 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 \$3,943 and divide it by the average General Salary Resolution member salary of \$143,030 (as provided by the County), we estimate an average increase in salary of 2.76% as a result of the changes. This increase is less than our 3.00% wage increase assumption by 0.24%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

### Safety County

In Exhibit 1, the total increase in Safety County pensionable elements of pay for Item 1 is expected to be approximately \$25,086. This is equivalent to \$6,272 each over the total 4 Safety Salary Resolution 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 \$6,272 and divide it by the average Safety Salary Resolution member salary of \$227,218 (as provided by the County), we estimate an average increase in salary of 2.76% as a result of the changes. This increase is less than our 3.00% wage increase assumption by 0.24%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

<sup>4</sup> 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.

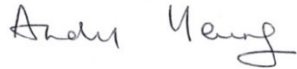
## Non-Pensionable Elements of Pay

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 on 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/hy

Enclosure

## Summary of Elements of Pay – Salary Resolution

Pensionable Elements of Pay			
Item		Estimated Amount Fiscal Year 2025/2026 <sup>5</sup>	
1	Bargaining Units 50 & 52: 4.00% Cost-of-Living Adjustment Effective: 3/4/2025	General: Safety:	\$3,375,610 \$25,086
Non-Pensionable Elements of Pay			
None			

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