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Via Email

August 3, 2020

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 – SEIU – 2020/2021 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 April 26, 2019 on the analysis of several salary changes (referred to as Items 1, 2, and 3 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 those changes. This letter supersedes the information previously provided in our letter dated April 26, 2019 (Items 1, 2, and 3 approved by the Board of Supervisors on May 7, 2019) to include an additional salary change (Item 4 in Exhibit 1) proposed for the 2020/2021 Fiscal Year. This letter also reflects an adjustment to the cost estimate for Item 3 in Exhibit 1 as a result of the additional salary change proposed.

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 2020/2021 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, 2018 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, 2018, 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 Service Employees' International Union (SEIU) 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 1,980 General County members (full-time equivalent) covered under SEIU. We issued our initial Disclosure letter for SEIU on April 26, 2019. Subsequent to the issuance of that letter, a new element has been added and the cost estimate for one of the original salary elements has been adjusted for the 2020/2021 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% cost-of-living adjustment effective March 9, 2021, as provided by the County.¹ The results in this letter are subject to change if the actual cost-of-living adjustment differs 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 SEIU as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2018 Valuation to develop the employer costs for the 2020/2021 Fiscal Year for the General County membership group are not sufficient to cover the costs of the salary increases for this group.

The salary increases under Items 1 through 4, as described herein, would increase the General County total employer and employee normal cost by approximately \$3,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 44% of the total normal cost², resulting in an increase to the employer's normal cost contribution by roughly \$2,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$40,000, 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.

¹ We understand that the cost-of-living adjustment effective March 9, 2021 will be 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 has provided us with a historical calculation of the County Secured Property Tax Growth rate, and they have asked for input on alternative assumption to consider in lieu of their 3.00% cost-of-living adjustment assumption. As we are not an expert 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 provided by the County.

² The 44% 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 SEIU.

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, 2018 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 4 is expected to be approximately \$4,957,308. This is equivalent to \$2,504 each over the total 1,980 General SEIU 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 \$2,504 and divide it by the average General SEIU member salary of \$76,796 (as provided by the County), we estimate an average increase in salary of 3.26% as a result of the changes. This increase is greater than our 3.25% wage increase assumption by 0.01%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

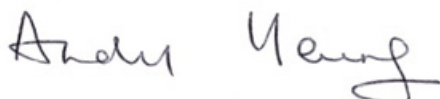
Non-Pensionable Elements of Pay

It is our understanding that SCERA and the County have rendered a determination that Item 5 in Exhibit 1 is a non-pensionable element of pay. Therefore, this item will not have any impact on the level of benefits and will 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 – SEIU

		Pensionable Elements of Pay	
Item			Estimated Amount Fiscal Year 2020/2021⁴
1	Cost-of-Living Adjustment Effective: 3/24/2020	General:	\$3,335,962
2	Equity & Living Wage Adjustment Effective: 3/10/2020	General:	\$90,000
3	Estimated 3.00% Cost-of-Living Adjustment Effective: 3/9/2021	General:	\$1,456,154
4	New – Adjustments Effective: August 2020	General:	\$75,192
		Non-Pensionable Elements of Pay	
5	Increase in County's contributions for Medical Premiums		

⁴ The estimated costs during Fiscal Year 2020/2021 for Items 1 through 4 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 – SEIU – 2021/2022 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 April 26, 2019 on the analysis of several salary changes (referred to as Items 1 and 3 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 those changes. This letter supersedes the information previously provided in our letter dated April 26, 2019 (Items 1 and 3 approved by the Board of Supervisors on May 7, 2019) to include an additional salary change (Item 2 in Exhibit 1) proposed for the 2021/2022 Fiscal Year. This letter also reflects an adjustment to the cost estimate for Items 1 and 3 in Exhibit 1 as a result of the additional salary change proposed.

Furthermore, the letter issued on April 26, 2019 was based on the December 31, 2018 Actuarial Valuation, as that was the latest valuation available at the time of our analysis. We have since completed the December 31, 2019 Actuarial Valuation and have used that valuation as the basis for our analysis in this revised letter as that valuation will be used to set the contribution rates for the 2021/2022 Fiscal Year.

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 2021/2022 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, 2019 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, 2019, 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 Service Employees' International Union (SEIU) 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 1,980 General County members (full-time equivalent) covered under SEIU. We issued our initial Disclosure letter for SEIU on April 26, 2019. Subsequent to the issuance of that letter, a new element has been added and the cost estimate for two of the original salary elements have been adjusted for the 2021/2022 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% cost-of-living adjustment effective March 9, 2021 and March 8, 2022, as provided by the County.¹ The results in this letter are subject to change if the actual cost-of-living adjustments differ 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 SEIU as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2019 Valuation to develop the employer costs for the 2021/2022 Fiscal Year for the General County membership group is sufficient to cover the costs of the salary increases.

The salary increases under Items 1 through 3, as described herein, would decrease the General County total employer and employee normal cost by approximately \$62,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 44%

¹ We understand that the cost-of-living adjustment effective March 9, 2021 and March 8, 2022 will be 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 has provided us with a historical calculation of the County Secured Property Tax Growth rate, and they have asked for input on alternative assumption to consider in lieu of their 3.00% cost-of-living adjustment assumption. As we are not an expert 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 provided by the County.

of the total normal cost², resulting in a decrease to the employer's normal cost contribution by roughly \$35,000. Additionally, the salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by \$765,000, which translates to a decrease in the amortization payment by approximately \$55,000 in the first year, for a total employer contribution decrease of about \$90,000.

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, 2019 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 \$4,765,269. This is equivalent to \$2,407 each over the total 1,980 General SEIU 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 \$2,407 and divide it by the average General SEIU member salary of \$79,169 (as provided by the County), we estimate an average increase in salary of 3.04% as a result of the changes. This increase is less than our 3.25% wage increase assumption by 0.21%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

Non-Pensionable Elements of Pay

It is our understanding that SCERA and the County have rendered a determination that Item 4 in Exhibit 1 is a non-pensionable element of pay. Therefore, this item will not have any impact on the level of benefits and will 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.

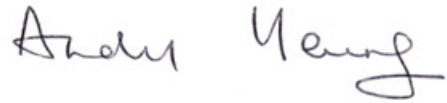
² The 44% of the total normal cost expected to be paid by the General County employees reflects payment of 50% of the Normal Cost by Plan B members, however, for Plan A members it has been calculated prior to reflecting any additional contributions (i.e., above those determined under the County Employees Retirement Law of 1937 for Plan A members) that may have been agreed to be paid by those employees covered under SEIU.

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.

Ms. Julie Wyne
August 3, 2020
Page 4

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

Sincerely,

A handwritten signature in black ink that reads "Andy Yeung". The signature is written in a cursive style with a large, looped 'Y'.

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

OH/bbf

Summary of Elements of Pay – SEIU

Pensionable Elements of Pay		Estimated Amount Fiscal Year 2021/2022⁴	
Item			
1	Estimated 3.00% Cost-of-Living Adjustment Effective: 3/9/2021	General:	\$3,246,846
2	New – Adjustments Effective: August 2020	General:	\$9,808
3	Estimated 3.00% Cost-of-Living Adjustment Effective: 3/8/2022	General:	\$1,508,615
Non-Pensionable Elements of Pay			
4	Increase in County’s contributions for Medical Premiums		

⁴ The estimated costs during Fiscal Year 2021/2022 for Items 1 through 3 were provided directly by the County.



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433 Aviation Boulevard, Suite 100
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**Re: Sonoma County Employees' Retirement Association (SCERA)
Disclosure under Government Code Section 31515.5 in compliance with
Section 23026 – SEIU – 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 April 26, 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 April 26, 2019 (Item 1 approved by the Board of Supervisors on May 7, 2019) to reflect an adjustment to the cost estimate for Item 1 in Exhibit 1 proposed for the 2022/2023 Fiscal Year.

Furthermore, the letter issued on April 26, 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, 2019 Actuarial Valuation 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, 2019 Actuarial Valuation, including the participant data and actuarial assumptions on which that valuation was based. Although the December 31, 2019 Actuarial Valuation is not going to be used to set the contribution rates for the 2022/2023 Fiscal Year¹, it is the most recent Actuarial Valuation available at the time of this writing, and we have therefore used that valuation to illustrate the

¹ Contribution rates for the 2022/2023 Fiscal Year will be set using the December 31, 2020 valuation.

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, 2020 Actuarial Valuation.

In developing the contribution impact, it has been assumed that all actuarial assumptions would have been met after December 31, 2019, 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 Service Employees' International Union (SEIU) described herein. We have also assumed that there will be no changes in the assumptions, methods and the demographic profile between the December 31, 2019 valuation and the December 31, 2020 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 1,980 General County members (full-time equivalent) covered under SEIU. We issued our initial Disclosure letter for SEIU on April 26, 2019. Subsequent to the issuance of that letter, the cost estimate for one of the original salary elements has been adjusted 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% cost-of-living adjustment effective March 8, 2022, as provided by the County.² The results in this letter are subject to change if the actual cost-of-living adjustment differs 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 SEIU as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2019 Valuation would 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, 2019.

² We understand that the cost-of-living adjustment effective March 8, 2022 will be 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 has provided us with a historical calculation of the County Secured Property Tax Growth rate, and they have asked for input on alternative assumption to consider in lieu of their 3.00% cost-of-living adjustment assumption. As we are not an expert 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 provided by the County.

The salary increases under Item 1, as described herein, would decrease the General County total employer and employee normal cost by approximately \$349,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 44% of the total normal cost³, resulting in a decrease to the employer's normal cost contribution by roughly \$195,000. Additionally, the salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by \$4,272,000, which translates to a decrease in the amortization payment by approximately \$304,000 in the first year, for a total employer contribution decrease of about \$499,000.

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, 2019 include a 3.25% annual wage growth assumption⁴ 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 Item 1 is expected to be approximately \$3,394,385. This is equivalent to \$1,714 each over the total 1,980 General SEIU 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 \$1,714 and divide it by the average General SEIU member salary of \$81,588 (as provided by the County), we estimate an average increase in salary of 2.10% as a result of the changes. This increase is less than our 3.25% wage increase assumption by 1.15%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

Non-Pensionable Elements of Pay

It is our understanding that SCERA and the County have rendered a determination that Item 2 in Exhibit 1 is a non-pensionable element of pay. Therefore, this item will not have any impact on the level of benefits and will 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.

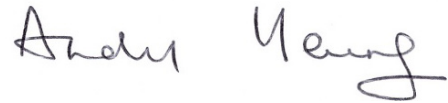
³ The 44% of the total normal cost expected to be paid by the General County employees reflects payment of 50% of the Normal Cost by Plan B members, however, for Plan A members it has been calculated prior to reflecting any additional contributions (i.e., above those determined under the County Employees Retirement Law of 1937 for Plan A members) that may have been agreed to be paid by those employees covered under SEIU.

⁴ 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.

Ms. Julie Wyne
August 3, 2020
Page 4

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

Sincerely,

A handwritten signature in black ink that reads "Andy Yeung". The signature is written in a cursive style with a large, looped 'Y' and a distinct 'g' at the end.

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

OH/bbf

Summary of Elements of Pay – SEIU

Pensionable Elements of Pay

Item		Estimated Amount Fiscal Year 2022/2023 ⁵
1	Estimated 3.00% Cost-of-Living Adjustment Effective: 3/8/2022	General: \$3,394,385

Non-Pensionable Elements of Pay

2	Increase in County's contributions for Medical Premiums	
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⁵ The estimated costs during Fiscal Year 2022/2023 for Item 1 were provided directly by the County.



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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 – 2020/2021 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 June 12, 2019 on the analysis of several salary changes (referred to as Items 1, 2, 4, 5, and 7 in Exhibit 1 attached). The result of that analysis concluded that the assumptions applied in the December 31, 2018 Valuation were not sufficient to cover the cost of those changes. This letter supersedes the information previously provided in our letter dated June 12, 2019 (Items 1, 2, 4, 5, and 7 approved by the Board of Supervisors on June 14, 2019) to include additional salary changes (Items 3 and 6 in Exhibit 1) proposed for the 2020/2021 Fiscal Year. This letter also reflects an adjustment to the cost estimate for Item 4 in Exhibit 1 as a result of the additional salary changes proposed.

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 2020/2021 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, 2018 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, 2018, 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 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 805 General and 5 Safety County members (full-time equivalent) covered under Salary Resolution. We issued our initial Disclosure letter for Salary Resolution on June 12, 2019. Subsequent to the issuance of that letter, new elements have been added and the cost estimate for one of the original salary elements has been adjusted for the 2020/2021 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% cost-of-living adjustment effective June 1, 2021, as provided by the County.¹ The results in this letter are subject to change if the actual cost-of-living adjustment differs 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 Salary Resolution as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2018 Valuation to develop the employer costs for the 2020/2021 Fiscal Year for the General County and Safety County membership groups are not sufficient to cover the costs of the salary increases for these 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 \$67,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 44% of the total normal cost², resulting in an increase to the employer's normal cost contribution by roughly \$37,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$905,000, which translates

¹ We understand that the cost-of-living adjustment effective June 1, 2021 will be 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 has provided us with a historical calculation of the County Secured Property Tax Growth rate, and they have asked for input on alternative assumption to consider in lieu of their 3.00% cost-of-living adjustment assumption. As we are not an expert 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 provided by the County.

² The 44% 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.

to an increase in the amortization payment by approximately \$64,000 in the first year, for a total employer contribution increase of about \$101,000.

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 \$4,000 in the first year. When averaged over Plans A and B, a Safety County employee is expected to pay about 35% of the total normal cost³, resulting in an increase to the employer's normal cost contribution by roughly \$3,000. Additionally, the salary increases would increase the Safety County Unfunded Actuarial Accrued Liability (UAAL) by \$49,000, 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 \$6,000.

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, 2018 include a 3.25% annual wage growth assumption⁴ 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 \$3,250,583. This is equivalent to \$4,038 each over the total 805 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 \$4,038 and divide it by the average General Salary Resolution member salary of \$110,970 (as provided by the County), we estimate an average increase in salary of 3.64% as a result of the changes. This increase is greater than our 3.25% wage increase assumption by 0.39%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

³ The 35% 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.

⁴ 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.

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 \$49,722. This is equivalent to \$9,944 each over the total 5 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 \$9,944 and divide it by the average Safety Salary Resolution member salary of \$221,932 (as provided by the County), we estimate an average increase in salary of 4.48% as a result of the changes. This increase is greater than our 3.25% wage increase assumption by 1.23%. 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.

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

Summary of Elements of Pay – Salary Resolution

Pensionable Elements of Pay		Estimated Amount Fiscal Year 2020/2021⁵	
Item			
1	Bargaining Units 00, 50, 51 & 52: Cost-of-Living Adjustment Effective: 6/2/2020	General: Safety:	\$2,566,968 \$32,463
2	Bargaining Units 00, 50, 51 & 52: Equity Adjustments Effective: 5/19/2020	General: Safety:	\$336,907 \$14,511
3	New – Bargaining Units 50 & 52: Adjustments Effective: August 2020	General: Safety:	\$66,316 \$0
4	Bargaining Units 00, 50, 51 & 52: Estimated 3.00% Cost-of-Living Adjustment Effective: 6/1/2021	General: Safety:	\$105,876 \$1,341
5	Bargaining Units 50 & 52: Equity Adjustments Effective: 5/18/2021	General: Safety:	\$732 \$207
6	New – Bargaining Units 50 & 52: Adjustments Effective: June 2021	General: Safety:	\$984 \$0
7	Bargaining Units 00, 50, 51 & 52: Cell Phone Stipend (Plan A) Effective: 9/10/2019	General: Safety:	\$172,800 \$1,200
Non-Pensionable Elements of Pay			
None			

⁵ The estimated costs during Fiscal Year 2020/2021 for Items 1 through 7 were provided directly by the County.



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Via Email

August 3, 2020

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 – 2021/2022 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 June 12, 2019 on the analysis of several salary changes (referred to as Items 1, 2, 4, and 5 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 those changes for General County, and were not sufficient to cover the cost of those changes for Safety County. This letter supersedes the information previously provided in our letter dated June 12, 2019 (Items 1, 2, 4, and 5 approved by the Board of Supervisors on June 14, 2019) to include an additional salary change (Item 3 in Exhibit 1) proposed for the 2021/2022 Fiscal Year. This letter also reflects an adjustment to the cost estimate for Items 1 and 4 in Exhibit 1 as a result of the additional salary change proposed. Furthermore, the letter issued on June 12, 2019 was based on the December 31, 2018 Actuarial Valuation, as that was the latest valuation available at the time of our analysis. We have since completed the December 31, 2019 Actuarial Valuation and have used that valuation as the basis for our analysis in this revised letter as that valuation will be used to set the contribution rates for the 2021/2022 Fiscal Year.

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 2021/2022 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, 2019 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, 2019, 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 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 805 General and 5 Safety County members (full-time equivalent) covered under Salary Resolution. We issued our initial Disclosure letter for Salary Resolution on June 12, 2019. Subsequent to the issuance of that letter, new elements have been added and the cost estimate for two of the original salary elements have been adjusted for the 2021/2022 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% cost-of-living adjustment effective June 1, 2021 and May 31, 2022, as provided by the County.¹ The results in this letter are subject to change if the actual cost-of-living adjustments differ 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 Salary Resolution as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2019 Valuation to develop the employer costs for the 2021/2022 Fiscal Year for the General County membership group is sufficient to cover the costs of the salary increases and the Safety County membership group is not sufficient to cover the costs of the salary increases.

General County

The salary increases under Items 1 through 5, as described herein, would decrease the General County total employer and employee normal cost by approximately \$9,000 in the first year. When averaged over Plans A and B, a General County employee is expected to

¹ We understand that the cost-of-living adjustment effective June 1, 2021 and May 31, 2022 will be 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 has provided us with a historical calculation of the County Secured Property Tax Growth rate, and they have asked for input on alternative assumption to consider in lieu of their 3.00% cost-of-living adjustment assumption. As we are not an expert 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 provided by the County.

pay about 44% of the total normal cost², resulting in a decrease to the employer's normal cost contribution by roughly \$5,000. Additionally, the salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by \$108,000, which translates to a decrease in the amortization payment by approximately \$8,000 in the first year, for a total employer contribution decrease of about \$13,000.

Safety County

The salary increases under Items 1 through 5, as described herein, would increase the Safety County total employer and employee normal cost by approximately \$300 in the first year. When averaged over Plans A and B, a Safety County employee is expected to pay about 36% of the total normal cost³, resulting in an increase to the employer's normal cost contribution by roughly \$200. Additionally, the salary increases would increase the Safety County Unfunded Actuarial Accrued Liability (UAAL) by \$3,000, which translates to an increase in the amortization payment by approximately \$200 in the first year, for a total employer contribution increase of about \$400.

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, 2019 include a 3.25% annual wage growth assumption⁴ 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 5 is expected to be approximately \$2,962,133. This is equivalent to \$3,680 each over the total 805 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 \$3,680 and divide it by the average General Salary

² The 44% 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.

³ The 36% 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.

⁴ 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.

Resolution member salary of \$114,822 (as provided by the County), we estimate an average increase in salary of 3.20% as a result of the changes. This increase is less than our 3.25% wage increase assumption by 0.05%. 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 5 is expected to be approximately \$38,583. This is equivalent to \$7,717 each over the total 5 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 \$7,717 and divide it by the average Safety Salary Resolution member salary of \$231,828 (as provided by the County), we estimate an average increase in salary of 3.33% as a result of the changes. This increase is greater than our 3.25% wage increase assumption by 0.08%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

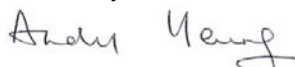
Non-Pensionable Elements of Pay

There were no non-pensionable elements of pay that were communicated to us by the County.

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

Summary of Elements of Pay – Salary Resolution

		Pensionable Elements of Pay	
Item		Estimated Amount Fiscal Year 2021/2022⁵	
1	Bargaining Units 00, 50, 51 & 52: Estimated 3.00% Cost-of-Living Adjustment Effective: 6/1/2021	General: Safety:	\$2,646,903 \$33,514
2	Bargaining Units 50 & 52: Equity Adjustments Effective: 5/18/2021	General: Safety:	\$8,790 \$2,480
3	New – Bargaining Units 50 & 52: Adjustments Effective: June 2021	General: Safety:	\$24,588 \$0
4	Bargaining Units 00, 50, 51 & 52: Estimated 3.00% Cost-of-Living Adjustment Effective: 5/31/2022	General: Safety:	\$109,052 \$1,389
5	Bargaining Units 00, 50, 51 & 52: Cell Phone Stipend (Plan A) Effective: 9/10/2019	General: Safety:	\$172,800 \$1,200
		Non-Pensionable Elements of Pay	
		None	

⁵ The estimated costs during Fiscal Year 2021/2022 for Items 1 through 5 were provided directly by the County.



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Via Email

August 3, 2020

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 – 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 June 12, 2019 on the analysis of several salary changes (referred to as Items 1 and 2 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 those changes. This letter supersedes the information previously provided in our letter dated June 12, 2019 (Items 1 and 2 approved by the Board of Supervisors on June 14, 2019) to reflect an adjustment to the cost estimate for Item 1 in Exhibit 1 as a result of additional salary changes proposed for the 2020/2021 and the 2021/2022 Fiscal Years.

Furthermore, the letter issued on June 12, 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, 2019 Actuarial Valuation 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, 2019 Actuarial Valuation, including the participant data and actuarial assumptions on which that valuation was based. Although the December 31, 2019 Actuarial Valuation is not going to be used to set the contribution rates for the 2022/2023 Fiscal Year¹, it is the most recent Actuarial Valuation

¹ Contribution rates for the 2022/2023 Fiscal Year will be set using the December 31, 2020 valuation.

available at the time of this writing, 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, 2020 Actuarial Valuation.

In developing the contribution impact, it has been assumed that all actuarial assumptions would have been met after December 31, 2019, 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 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, 2019 valuation and the December 31, 2020 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 805 General and 5 Safety County members (full-time equivalent) covered under Salary Resolution. We issued our initial Disclosure letter for Salary Resolution on June 12, 2019. Subsequent to the issuance of that letter, the cost estimate for one of the original salary elements has been adjusted 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% cost-of-living adjustment effective May 31, 2022, as provided by the County.² The results in this letter are subject to change if the actual cost-of-living adjustment differs 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 Salary Resolution as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2019 Valuation would be sufficient to cover the costs of the salary increases for the 2022/2023 Fiscal Year for the General County and Safety County membership groups when measured as of December 31, 2019.

² We understand that the cost-of-living adjustment effective May 31, 2022 will be 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 has provided us with a historical calculation of the County Secured Property Tax Growth rate, and they have asked for input on alternative assumption to consider in lieu of their 3.00% cost-of-living adjustment assumption. As we are not an expert 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 provided by the County.

General County

The salary increases under Items 1 and 2, as described herein, would decrease the General County total employer and employee normal cost by approximately \$38,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 44% of the total normal cost³, resulting in a decrease to the employer's normal cost contribution by roughly \$21,000. Additionally, the salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by \$465,000, which translates to a decrease in the amortization payment by approximately \$33,000 in the first year, for a total employer contribution decrease of about \$54,000.

Safety County

The salary increases under Items 1 and 2, as described herein, would decrease the Safety County total employer and employee normal cost by approximately \$800 in the first year. When averaged over Plans A and B, a Safety County employee is expected to pay about 36% of the total normal cost⁴, resulting in a decrease to the employer's normal cost contribution by roughly \$500. Additionally, the salary increases would decrease the Safety County Unfunded Actuarial Accrued Liability (UAAL) by \$10,000, which translates to a decrease in the amortization payment by approximately \$700 in the first year, for a total employer contribution decrease of about \$1,200.

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, 2019 include a 3.25% annual wage growth assumption⁵ that is applied to project all future salary amounts for pension purposes.

³ The 44% 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.

⁴ The 36% 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.

⁵ 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.

General County

In Exhibit 1, the total increase in General County pensionable elements of pay for Items 1 and 2 is expected to be approximately \$2,899,110. This is equivalent to \$3,601 each over the total 805 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 \$3,601 and divide it by the average General Salary Resolution member salary of \$118,285 (as provided by the County), we estimate an average increase in salary of 3.04% as a result of the changes. This increase is less than our 3.25% wage increase assumption by 0.21%. 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 and 2 is expected to be approximately \$35,919. This is equivalent to \$7,184 each over the total 5 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 \$7,184 and divide it by the average Safety Salary Resolution member salary of \$239,337 (as provided by the County), we estimate an average increase in salary of 3.00% as a result of the changes. This increase is less than our 3.25% wage increase assumption by 0.25%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

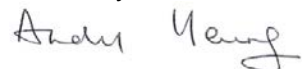
Non-Pensionable Elements of Pay

There were no non-pensionable elements of pay that were communicated to us by the County.

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

Summary of Elements of Pay – Salary Resolution

Pensionable Elements of Pay

Item		Estimated Amount Fiscal Year 2022/2023 ⁶	
1	Bargaining Units 00, 50, 51 & 52: Estimated 3.00% Cost-of-Living Adjustment Effective: 5/31/2022	General:	\$2,726,310
		Safety:	\$34,719
2	Bargaining Units 00, 50, 51 & 52: Cell Phone Stipend (Plan A) Effective: 9/10/2019	General:	\$172,800
		Safety:	\$1,200

Non-Pensionable Elements of Pay

None			
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⁶ The estimated costs during Fiscal Year 2022/2023 for Items 1 and 2 were provided directly by the County.