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## Via Email

May 30, 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 – ESC – 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 July 17, 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 Actuarial Valuation were sufficient to cover the cost of that change. This letter supersedes the information previously provided in our letter dated July 17, 2019 to include additional salary changes (referred to as Items 2 through 4 in Exhibit 1) proposed for the 2022/2023 Fiscal Year.

Furthermore, the letter issued on July 17, 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 Engineers and Scientists of California (ESC) 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 246.36 General County members (full-time equivalent) covered under ESC. We issued our initial Disclosure letter for ESC on July 17, 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% cost-of-living adjustment effective March 22, 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 ESC as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2020 Actuarial 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, 2020.

The salary increases under Items 1 through 4, as described herein, would decrease the General County total employer and employee normal cost by approximately \$23,000 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>1</sup> resulting in a decrease to the employer's normal cost contribution by roughly \$13,000. Additionally, the salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by \$312,000, which translates to a decrease in the amortization payment by approximately \$22,000 in the first year, for a total employer contribution decrease of about \$35,000.

<sup>1</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 ESC.

## 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 assumption<sup>2</sup> 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 \$739,806. This is equivalent to \$3,003 each over the total 246.36 General ESC 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 \$3,003 and divide it by the average General ESC member salary of \$108,095 (as provided by the County), we estimate an average increase in salary of 2.78% as a result of the changes. This increase is less than our 3.25% wage increase assumption by 0.47%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

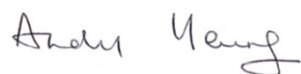
### Non-Pensionable Elements of Pay

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/elf

Enclosure

<sup>2</sup> 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 – ESC

Pensionable Elements of Pay			
Item		Estimated Amount Fiscal Year 2022/2023 <sup>3</sup>	
1	Estimated 3.00% Cost-of-Living Adjustment Effective: 3/22/2022	General:	\$575,000
2	5.00% Cost-of-Living Adjustment Effective: 6/13/2023	General:	\$51,029
3	Equity & Living Wage Adjustment Effective: 5/30/2023	General:	\$113,245
4	Bilingual Fluent Premium Effective: 6/13/2023	General:	\$532
Non-Pensionable Elements of Pay			
None			

<sup>3</sup> The estimated costs during Fiscal Year 2022/2023 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 – ESC – 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 Engineers and Scientists of California (ESC) 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 253 General County members (full-time equivalent) covered under ESC. 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 ESC 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 County membership 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 \$401,000 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 \$221,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$5,466,000, which translates to an increase in the amortization payment by approximately \$389,000 in the first year, for a total employer contribution increase of about \$610,000.

## 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 assumption<sup>3</sup> 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 \$2,921,894. This is equivalent to \$11,549 each over the total 253 General ESC 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 \$11,549

<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 ESC.

<sup>3</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.

and divide it by the average General ESC member salary of \$106,239<sup>4</sup> (as provided by the County), we estimate an average increase in salary of 10.87% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 7.87%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

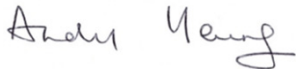
## Non-Pensionable Elements of Pay

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/elf

Enclosure

<sup>4</sup> We note that the average pensionable wages of \$106,239 provided by the County for the 2023/2024 Fiscal Year is lower than the average pensionable wages of \$108,095 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 – ESC

Pensionable Elements of Pay			
Item		Estimated Amount Fiscal Year 2023/2024 <sup>5</sup>	
1	5.00% Cost-of-Living Adjustment Effective: 6/13/2023	General:	\$1,275,714
2	Equity & Living Wage Adjustment Effective: 5/30/2023	General:	\$1,358,935
3	Bilingual Fluent Premium Effective: 6/13/2023	General:	\$13,300
4	4.00% Cost-of-Living Adjustment Effective: 4/2/2024	General:	\$273,945
Non-Pensionable Elements of Pay			
None			

<sup>5</sup> The estimated costs during Fiscal Year 2023/2024 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 – ESC – 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 Engineers and Scientists of California (ESC) 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 253 General County members (full-time equivalent) covered under ESC. 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 ESC 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 County membership group when measured as of December 31, 2022.

The salary increases under Items 1 and 2, as described herein, would increase the General County total employer and employee normal cost by approximately \$57,000 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 \$30,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$765,000, which translates to an increase in the amortization payment by approximately \$55,000 in the first year, for a total employer contribution increase of about \$85,000.

## 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>3</sup> 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 \$1,198,052. This is equivalent to \$4,735 each over the total 253 General ESC 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 \$4,735 and divide it

<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 ESC.

<sup>3</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.

by the average General ESC member salary of \$117,356 (as provided by the County), we estimate an average increase in salary of 4.03% as a result of the changes. This increase is greater than our 3.00% wage increase assumption by 1.03%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

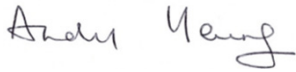
## Non-Pensionable Elements of Pay

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/elf

Enclosure

Summary of Elements of Pay – ESC

Pensionable Elements of Pay			
Item		Estimated Amount Fiscal Year 2024/2025 <sup>4</sup>	
1	4.00% Cost-of-Living Adjustment Effective: 4/2/2024	General:	\$913,149
2	4.00% Cost-of-Living Adjustment Effective: 4/1/2025	General:	\$284,903
Non-Pensionable Elements of Pay			
None			

<sup>4</sup> 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 – ESC – 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 Engineers and Scientists of California (ESC) 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 valuation.

## Background

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for approximately 253 General County members (full-time equivalent) covered under ESC. 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 ESC 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 2025/2026 Fiscal Year for the General County membership group when measured as of December 31, 2022.

The salary increases under Item 1, as described herein, would increase the General County total employer and employee normal cost by approximately \$5,000 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 \$3,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by \$62,000, which translates to an increase in the amortization payment by approximately \$4,000 in the first year, for a total employer contribution increase of about \$7,000.

## 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.

<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 ESC.

## 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>3</sup> 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 \$949,675. This is equivalent to \$3,754 each over the total 253 General ESC 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 \$3,754 and divide it by the average General ESC member salary of \$122,049 (as provided by the County), we estimate an average increase in salary of 3.08% as a result of the changes. This increase is greater than our 3.00% 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 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

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<sup>3</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.

Summary of Elements of Pay – ESC

Pensionable Elements of Pay			
Item		Estimated Amount Fiscal Year 2025/2026 <sup>4</sup>	
1	4.00% Cost-of-Living Adjustment Effective: 4/1/2025	General:	\$949,675
Non-Pensionable Elements of Pay			
None			

<sup>4</sup> The estimated cost during Fiscal Year 2025/2026 for Item 1 was provided directly by the County.