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VIA E-MAIL

March 5, 2019

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 – SCDPDAA – 2019/2020 Fiscal Year**

Dear Julie:

As requested, we are providing this letter with our analysis of the impact of several proposed changes in elements of pay and their potential impact on 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 proposed changes in elements of pay that were bargained as of the issuance of this letter. Any additional proposed changes that may be bargained for the 2019/2020 Fiscal Year would result in a revised cost impact to be provided at that time.

#### **BACKGROUND**

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes proposed for 28 General County members covered under Sonoma County Deputy Public Defender Attorneys' Association (SCDPDAA). The proposed 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 proposed salary increases for employees covered under SCDPDAA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2017 Valuation to develop the employer costs for the 2019/2020 Fiscal Year for the General County membership group, are sufficient to cover the costs of the proposed salary increases for this group.

The proposed salary increases under Item 1, as described herein, would decrease the General County total employer and employee normal cost by approximately \$7,000 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 cost<sup>1</sup>, resulting in a decrease to the employer's normal cost contribution by roughly \$4,000. Additionally, the proposed salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by \$92,000, which translates to a decrease in the amortization payment by approximately \$7,000 in the first year, for a total employer contribution decrease of about \$11,000.

## ANALYSIS

Exhibit 1 (attached) outlines the proposed 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, 2017 includes a 3.50% annual wage growth assumption that is applied to project all future salary amounts for pension purposes.

In Exhibit 1 we have listed the one item and the associated increase in the proposed pensionable elements of pay. The total increase in General County salary for Item 1 is expected to be approximately \$92,798. This is equivalent to \$3,314 each over the 28 General SCDPDAA 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 proposed changes, if we take the average salary increase stated above of \$3,314 and divide it by the average General SCDPDAA member salary of \$131,918 (as provided by the County), we estimate an average increase in salary of 2.51% as a result of the proposed changes. This increase is less than our 3.50% wage increase assumption by 0.99%. Please refer to the Results section of this letter for the contribution decrease from these salary changes.

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<sup>1</sup> 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 SCDPDAA.

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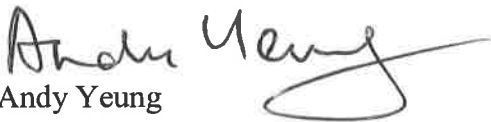
**Non-Pensionable Elements of Pay**

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

EK/gxk  
Enclosure

**Exhibit 1****Summary of Elements of Pay – SCDPDAA**

<b>Item</b>	<b>Pensionable Elements of Pay</b>		
		<b>Eligible Employee Count</b>	<b>Estimated Amount</b>
1	Salary adjustment	General: 28	General <sup>2</sup> : \$92,798
	<b>Non-Pensionable Elements of Pay</b>		
	None		

<sup>2</sup> The estimated cost for Item 1 was provided by the County.