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VIA E-MAIL

May 30, 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 – SCPA – 2018/2019 Fiscal Year – SECOND REVISION

Dear Julie:

As requested, we are providing this letter with our analysis of changes in elements of pay and the 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 letters on the analysis of several salary changes dated September 12, 2018 (Items 1 and 4 through 8 in Exhibit 1 approved by the Board of Supervisors on September 18, 2018) and March 5, 2019 (Item 2 in Exhibit 1 approved by the Board of Supervisors on March 12, 2019). The results of those analyses concluded that the assumptions applied in the December 31, 2016 Valuation were not sufficient to cover the cost of those changes. This letter supersedes the information previously provided in our September 12, 2018 and March 5, 2019 letters to include an additional salary change (Item 3 in Exhibit 1) proposed for the remainder of the 2018/2019 Fiscal Year.

The results presented in this letter are based on changes in elements of pay that were bargained as of the issuance of this letter. Any additional changes that may be bargained for the 2018/2019 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, 2016 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, 2016, including the annual wage growth assumption of 3.50% for all General County and Safety County members, with the exception of the salary increases proposed for employees covered under Sonoma County Prosecutors' Association (SCPA) described herein.

The actual results of this analysis may differ to the extent that other experience varies from that which is assumed. In particular, the contribution impact presented within this letter would be mitigated to some extent if other County members do not receive the full 3.50% salary increase anticipated by the wage growth assumption. Furthermore, due to the one-time nature of one of the increases, the contribution impact may be offset in future actuarial valuations.

BACKGROUND

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for 49 General County members covered under SCPA. We issued our initial Disclosure letter for SCPA on September 12, 2018 and a revised Disclosure letter for SCPA on March 5, 2019. Subsequent to the issuance of those letters, a further change in salary has been proposed for the remainder of the 2018/2019 Fiscal Year. All of the changes in salaries and benefits that we have reviewed 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 salary increase or benefit change will have on the funding status of the county employees' retirement system.

RESULTS

After reviewing the previously approved and newly proposed salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2016 Valuation to develop the employer costs for the 2018/2019 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 3, as described herein, would increase the General County total employer and employee normal cost by approximately $4,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 43% of the total normal cost[1], 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 $48,000, 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.

The previously approved paid parental leave under Item 4 was estimated to increase the General County total employee and employer normal cost contributions by approximately $2,000 in the

1 The 43% of the total normal cost expected to be paid by the General County employees reflects payment of 50% of the Normal Cost by Plan B members, however, for Plan A members it has been calculated prior to reflecting any additional contributions (i.e., above those determined under the County Employees Retirement Law of 1937 for Plan A members) that may have been agreed to be paid by those employees covered under SCPA.

first year. When averaged over Plans A and B, a General County employee is expected to pay about 43% of the total normal cost, resulting in an increase to the employer's normal cost contribution by roughly $1,000. This increase combined with the contribution increase of about $5,000 calculated above results in a total employer contribution increase of about $6,000.

We understand Item 1 in Exhibit 1 to be a one-time lump sum payment. Due to the one-time nature of this change, the above costs associated with Item 1 may be offset to some extent in future actuarial valuations should the employees' salary revert back to the lower salary amounts. However, if some Plan A members subsequently retire from SCERA with these salary increases included in their final average salary determination, then SCERA may not realize the potential cost reduction for those members.

Analysis

Exhibit 1 (attached) outlines the previously approved and newly 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, 2016 include a 3.50% annual wage growth assumption 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 $241,508. This is equivalent to $4,929 each over the 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the changes, if we take the average salary increase stated above of $4,929 and divide it by the average General SCPA member salary of $129,579 (as provided by the County), we estimate an average increase in salary of 3.80% as a result of the changes. This increase is greater than our 3.50% wage increase assumption by 0.30%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

Also in Exhibit 1, we have listed the estimated increase in pensionable pay for Item 4. In our December 31, 2016 valuation, the normal cost rates have been calculated assuming all members would work prospectively on a full time basis. In practice, if members subsequently take an unpaid leave then the County would recognize a normal cost contribution savings during that time (as no such contributions would be made). Under the approved paid parental leave, a portion of the leave that would previously have been unpaid will now be paid by the County. We have estimated this increase in pay to be $12,412, as detailed in Exhibit 1. Since the total normal cost contribution for a General County member (weighted for Plan A and Plan B members) is 19.39%, then the additional total normal cost contributions as a result of this approved increase would be approximately $2,000. Please refer to the Results section of this letter for the derivation of the employer contribution impact due to the paid parental leave.

Non-Pensionable Elements of Pay

It is our understanding that SCERA and the County have rendered a determination that Items 5 through 8 in Exhibit 1 are non-pensionable elements of pay. Therefore, these items 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

Andy Yeung

EK/bbf
Enclosure

Exhibit 1

Summary of Elements of Pay – SCPA

Item	Pensionable Elements of Pay	
		Estimated Amount Fiscal Year 2018/2019[2]
1	One time lump sum	General: $176,784
2	Salary adjustment	General: $49,583
3	Equity Adjustment – New Effective: 6/4/2019	General: $15,141
4	Paid parental leave	General[3]: $12,412
	Non-Pensionable Elements of Pay	
5	8 hours of holiday time on Cesar Chavez day	
6	8 hours of floating holiday time each calendar year	
7	Increase in County's contributions for medical premiums	
8	Increase in County's contributions for dental premiums	

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2 The estimated costs during Fiscal Year 2018/2019 for Items 1 through 3 were provided directly by the County.

3 The cost for Item 4 has been estimated by Segal using the following data items and formula: (i) number of eligible employees taking this leave of 2.5 (as provided by the County) times (ii) the average General SCPA member salary of $129,579 (as provided by the County) times (iii) the ratio of the number of hours of paid parental leave to the full-time equivalent number of hours (i.e., eight 40-hour weeks over 2088 hours) times (iv) 25% (i.e., the amount of leave that would have otherwise been unpaid).

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VIA E-MAIL

May 30, 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 – SCPA – 2019/2020 Fiscal Year – REVISED

Dear Julie:

As requested, we are providing this letter with our analysis of changes in elements of pay and the 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 on the analysis of a salary change dated March 5, 2019 (Item 1 in Exhibit 1 approved by the Board of Supervisors on March 12, 2019). The result of that analysis concluded that the assumptions applied in the December 31, 2017 Valuation were sufficient to cover the cost of that change. This letter supersedes the information previously provided in our March 5, 2019 letter to include additional salary changes (Items 2 through 9 in Exhibit 1) proposed for the 2019/2020 Fiscal Year.

The results presented in this letter are based on changes in elements of pay that were bargained as of the issuance of this letter. Any additional changes that may be bargained for the 2019/2020 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, 2017 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, 2017, including the annual wage growth assumption of 3.50% for all General County and Safety County members, with the exception of the salary increases proposed for employees covered under Sonoma County Prosecutors' Association (SCPA) described herein.

The actual results of this analysis may differ to the extent that other experience varies from that which is assumed. In particular, the contribution impact presented within this letter would be mitigated to some extent if other County members do not receive the full 3.50% salary increase anticipated by the wage growth assumption.

BACKGROUND

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for 49 General County members covered under SCPA. We issued our initial Disclosure letter for SCPA on March 5, 2019. Subsequent to the issuance of that letter, further changes in salary have been proposed for the 2019/2020 Fiscal Year. All of the changes in salaries and benefits that we have reviewed 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 salary increase or benefit change will have on the funding status of the county employees' retirement system.

RESULTS

After reviewing the previously approved and newly proposed salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2017 Valuation to develop the employer costs for the 2019/2020 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 5, as described herein, would increase the General County total employer and employee normal cost by approximately $110,000 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[1], resulting in an increase to the employer’s normal cost contribution by roughly $62,000. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by $1,461,000, which translates to an increase in the amortization payment by approximately $104,000 in the first year, for a total employer contribution increase of about $166,000.

ANALYSIS

Exhibit 1 (attached) outlines the previously approved and newly 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.

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[1] 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 SCPA.

Pensionable Elements of Pay

The employer costs developed in our Actuarial Valuation and Review as of December 31, 2017 include a 3.50% annual wage growth assumption 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 5 is expected to be approximately $833,738. This is equivalent to $17,015 each over the 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the changes, if we take the average salary increase stated above of $17,015 and divide it by the average General SCPA member salary of $146,926 (as provided by the County), we estimate an average increase in salary of 11.58% as a result of the changes. This increase is greater than our 3.50% wage increase assumption by 8.08%. 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 Items 6 through 9 in Exhibit 1 are non-pensionable elements of pay. Therefore, these items 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

Andy Yeung

EK/bbf
Enclosure

Exhibit 1

Summary of Elements of Pay – SCPA

Item	Pensionable Elements of Pay	
		Estimated Amount Fiscal Year 2019/2020[2]
1	Salary adjustment	General: $169,999
2	Cost-of-Living Adjustment – New Effective: 7/2/2019	General: $227,790
3	Equity Adjustment – New Effective: 6/4/2019	General: $378,520
4	Cost-of-Living Adjustment – New Effective: 5/19/2020	General: $18,820
5	Equity Adjustment – New Effective: 5/5/2020	General: $38,609
	Non-Pensionable Elements of Pay	
6	Increase in County's contributions for medical premiums – New	
7	Increase in standby duty pay – New	
8	New compensatory time bank for specific callback duty – New	
9	Payment of California District Attorneys' Association and Sonoma County Bar Association dues – New	

[2] The estimated costs during Fiscal Year 2019/2020 for Items 1 through 5 were provided directly by the County.

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May 30, 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 – SCPA – 2020/2021 Fiscal Year**

Dear Julie:

As requested, we are providing this letter with our analysis of the impact of proposed changes in elements of pay and the 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 bargained as of the issuance of this letter. Any additional changes that may be bargained 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 proposed for employees covered under Sonoma County Prosecutors' Association (SCPA) described herein.

The actual results of this analysis may differ to the extent that other experience varies from that which is assumed. In particular, the contribution impact presented within this letter would be mitigated to some extent if other County members do not receive the full 3.25% salary increase anticipated by the wage growth assumption.

BACKGROUND

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes proposed for 49 General County members covered under SCPA. All of the changes in salaries and benefits that we have reviewed in this Disclosure were provided by the

County and are outlined in Exhibit 1 attached. The changes in salaries are based on an estimated 3.00% cost-of-living adjustment effective May 18, 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 proposed salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 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 proposed 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 $56,000 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[2], resulting in an increase to the employer's normal cost contribution by roughly $31,000. Additionally, the proposed salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by $751,000, which translates to an increase in the amortization payment by approximately $54,000 in the first year, for a total employer contribution increase of about $85,000.

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.

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1 We understand that the cost-of-living adjustment effective May 18, 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 assumptions 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 SCPA.

Pensionable Elements of Pay

The employer costs developed in our Actuarial Valuation and Review as of December 31, 2018 includes a 3.25% annual wage growth assumption[3] 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 $543,547. This is equivalent to $11,093 each over the total 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the proposed changes, if we take the average salary increase stated above of $11,093 and divide it by the average General SCPA member salary of $159,608 (as provided by the County), we estimate an average increase in salary of 6.95% as a result of the proposed changes. This increase is greater than our 3.25% wage increase assumption by 3.70%. Please refer to the Results section of this letter for the contribution increase 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 besides those included in the SCPA disclosure letter for the 2019/2020 Fiscal Year.

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

Andy Yeung

EK/bbf
Enclosure

[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.

Exhibit 1

Summary of Elements of Pay – SCPA

Item	Pensionable Elements of Pay	
		Estimated Amount Fiscal Year 2020/2021[4]
1	Cost-of-Living Adjustment Effective: 5/19/2020	General: $225,842
2	Equity Adjustment Effective: 5/5/2020	General: $296,004
3	Estimated 3.00% Cost-of-Living Adjustment Effective: 5/18/2021	General: $19,430
4	Equity Adjustment Effective: 5/4/2021	General: $2,271
	Non-Pensionable Elements of Pay	
	None	

[4] The estimated costs during Fiscal Year 2020/2021 for Items 1 through 4 were provided directly by the County.

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May 30, 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 – SCPA – 2021/2022 and 2022/2023 Fiscal Years**

Dear Julie:

As requested, we are providing this letter with our analysis of changes in elements of pay and the 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 bargained as of the issuance of this letter. Any additional changes that may be bargained for the 2021/2022 and 2022/2023 Fiscal Years would result in a revised cost impact to be provided at that time.

The contribution impacts in this letter are based on the December 31, 2018 Actuarial Valuation, including the participant data and actuarial assumptions on which that valuation was based. Although the December 31, 2018 Actuarial Valuation is not going to be used to set the contribution rates for the 2021/2022 and 2022/2023 Fiscal Years[1], it is the most recent Actuarial Valuation available at the time of this writing, and we have therefore used that valuation to illustrate the potential cost impact of the proposed 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, 2019 and 2020 Actuarial Valuations.

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 proposed for employees covered under Sonoma County Prosecutors' Association (SCPA) described herein. We have also assumed that there will be no changes in the assumptions,

[1] Contribution rates for the 2021/2022 and 2022/2023 Fiscal Years will be set using the December 31, 2019 and 2020 valuations, respectively.

methods and the demographic profile between the December 31, 2018 valuation and the December 31, 2019 and 2020 valuations.

The actual results of this analysis may differ to the extent that other experience varies from that which is assumed. In particular, the contribution impact presented within this letter would be mitigated to some extent if other County members do not receive the full 3.25% salary increase anticipated by the wage growth assumption.

BACKGROUND

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes for 49 General County members covered under SCPA. All of the changes in salaries and benefits that we have reviewed were provided by the County and are outlined in Exhibit 1 attached. The changes in salaries are based on estimated 3.00% cost-of-living adjustments effective May 18, 2021 and May 3, 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 salary increase or benefit change will have on the funding status of the county employees' retirement system.

RESULTS

Fiscal Year 2021/2022

After reviewing the proposed salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2018 Valuation would not be sufficient to cover the costs of the salary increases for the General County membership group when measured as of December 31, 2018.

The salary increases under Items 1 through 3 (Fiscal Year 2021/2022), as described herein, would increase the General County total employer and employee normal cost by approximately $1,500 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[3], resulting in an increase to the employer's

[2] We understand that the cost-of-living adjustments effective May 18, 2021 and May 3, 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. 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 assumptions to use. We have therefore used the 3.00% cost-of-living adjustment assumptions provided by the County.

[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 SCPA.

normal cost contribution by roughly $800. Additionally, the salary increases would increase the General County Unfunded Actuarial Accrued Liability (UAAL) by $20,000, which translates to an increase in the amortization payment by approximately $1,000 in the first year, for a total employer contribution increase of about $1,800.

Fiscal Year 2022/2023

After reviewing the proposed salary increases for employees covered under SCPA as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2018 Valuation would be sufficient to cover the costs of the salary increases for the General County membership group when measured as of December 31, 2018.

The salary increase under Item 4 (Fiscal Year 2022/2023), as described herein, would decrease the General County total employer and employee normal cost by approximately $10,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 44% of the total normal cost, resulting in a decrease to the employer's normal cost contribution by roughly $6,000. Additionally, the salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by $135,000, which translates to a decrease in the amortization payment by approximately $10,000 in the first year, for a total employer contribution decrease of about $16,000.

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, 2018 include a 3.25% annual wage growth assumption[4] that is applied to project all future salary amounts for pension purposes.

Fiscal Year 2021/2022

In Exhibit 1, the total increase in General County pensionable elements of pay for Items 1 through 3 (Fiscal Year 2021/2022) is expected to be approximately $280,527. This is equivalent to $5,725 each over the 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the changes, if we take the average salary increase stated above of $5,725 and divide it by the average General SCPA member salary of $171,430 (as provided by the County), we estimate an average increase in salary of 3.34% as a result of the changes. This increase is greater than our 3.25% wage increase assumption by 0.09%. Please refer to the Results section of this letter for the contribution impact from these salary changes.

[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.

Fiscal Year 2022/2023

In Exhibit 1, the total increase in General County pensionable elements of pay for Item 4 (Fiscal Year 2022/2023) is expected to be approximately $229,629. This is equivalent to $4,686 each over the 49 General SCPA positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the changes, if we take the average salary increase stated above of $4,686 and divide it by the average General SCPA member salary of $176,585 (as provided by the County), we estimate an average increase in salary of 2.65% as a result of the changes. This increase is less than our 3.25% wage increase assumption by 0.60%. 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 besides those included in the SCPA disclosure letter for the 2019/2020 Fiscal Year.

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

Andy Yeung

EK/bbf
Enclosure

Exhibit 1

Summary of Elements of Pay – SCPA

Item	Pensionable Elements of Pay	
		Estimated Amount Fiscal Year 2021/2022[5]
1	Estimated 3.00% Cost-of-Living Adjustment Effective: 5/18/2021	General: $233,163
2	Equity Adjustment Effective: 5/4/2021	General: $17,412
3	Estimated 3.00% Cost-of-Living Adjustment Effective: 5/3/2022	General: $29,952
		Estimated Amount Fiscal Year 2022/2023[5]
4	Estimated 3.00% Cost-of-Living Adjustment Effective: 5/3/2022	General: $229,629
	Non-Pensionable Elements of Pay	
	None	

[5] The estimated costs during Fiscal Year 2021/2022 for Items 1 through 3 and during Fiscal Year 2022/2023 for Item 4 were provided directly by the County.