



## Legislation Text

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**File #:** 2023-0470, **Version:** 1

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**To:** Board of Supervisors of Sonoma County, Board of Directors of the Sonoma County Water Agency, Board of Directors of the Sonoma County Agricultural Preservation and Open Space District, Board of Commissioners of the Community Development Commission

**Department or Agency Name(s):** County Administrator's Office, Auditor-Controller-Treasurer-Tax Collector, Sonoma County Employees' Retirement Association, County Counsel

**Staff Name and Phone Number:** Nikolas Klein (CAO), 707-565-5312, Julie Wyne (SCERA), 707-565-8103, Erick Roeser (ACTTC), 707-565-3295

**Vote Requirement:** Informational Only

**Supervisorial District(s):** Countywide

**Title:**

2023 Annual State of the Retirement System Report

**Recommended Action:**

Receive the fifth annual report on the state of the County's retirement system that highlights annual costs through Fiscal Year 2021-22, projected future costs, pension-related liabilities, plan membership data, historical investment experience, results from the Sonoma County Employees' Retirement Association's December 2021 actuarial valuation, and legal developments.

**Executive Summary:**

The County's fifth annual State of the Retirement System Report provides a comprehensive update on annual pension costs and pension-related liabilities through Fiscal Year 2021-22, as well as the Sonoma County Employees' Retirement Association's (SCERA) membership data, investment returns, and December 2021 actuarial valuation results. This update is part of the County's ongoing efforts to improve accountability and transparency with respect to reporting on the County's pension costs and liabilities, which is one of the Board's major pension reform goals. The FY 2014-15 Sonoma County Grand Jury Report, the July 2016 report of the Independent Citizens' Advisory Committee on Pension Matters, and the September 2018 report of the Board's Ad Hoc Committee on Pension Reform all recommended that the County provide these annual reports to communicate information to the public.

**Discussion:**

This latest annual State of the Retirement System Report presents data and information on several topics related to Sonoma County's pension system:

- Update on the Board's specific actions taken to contain pension costs in recent years, including accelerated payments towards unfunded liabilities and cost sharing with employees.
- California Supreme Court cases related to pensions.
- Pension Obligation Bond annual costs, payment schedules, remaining principal balances, and inception -to-date returns for bond proceeds invested in the SCERA pension fund.
- Historical pension expenses over the past five fiscal years through FY 2021-22.
- Measurement ratios showing pension expenses as a percentage of the County's total salaries and benefits, pensionable payroll, and operating revenue.

- Historical trends for the County’s share of the pension system’s Net Pension Liability and Unfunded Actuarial Accrued Liability.
- Future year pension cost projections through FY 2031-32.
- SCERA’s membership data, average retirement benefits, and historical investment returns as of December 2021.
- Major events and factors contributing to the SCERA’s Unfunded Actuarial Accrued Liability in recent years.
- Results from SCERA’s December 2021 actuarial valuation, and impact on the County’s anticipated pension contribution rates in FY 2023-24.
- SCERA’s Risk Assessment report meant to help the Board of Retirement, participating employers, members, and stakeholders understand the effect of past and future experience differing from the assumptions.

Ongoing review of the County’s pension costs and long-term liabilities keeps the Board and public apprised of how these obligations affect the County’s fiscal health. Presenting the annual actuarial valuation of the retirement system with the Board of Supervisors helps improve transparency and public understanding of pension matters. SCERA’s December 2021 actuarial report and risk report, as well as prior year reports, are available for review on its website: <http://scretire.org/Financial/Actuarial-Reports/>

**Strategic Plan:**

N/A

**Prior Board Actions:**

- 04-05-2022 - Received the fourth Annual State of the Retirement System Report
- 05-11-2021 - Received the third Annual State of the Retirement System Report
- 03-20-2020 - Received the second Annual State of the Retirement System Report
- 12-08-2018 - Received the first Annual State of the Retirement System Report
- 09-18-2018 - Approved Pension Ad Hoc Report recommendations
- 07-12-2016 - Received final report of the Independent Citizens Advisory Committee.

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 22-23 Adopted</b>	<b>FY23-24 Projected</b>	<b>FY 24-25 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested			
<b>Total Expenditures</b>			
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			

Total Sources			
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**Narrative Explanation of Fiscal Impacts:**

N/A

**Staffing Impacts**

Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

**Narrative Explanation of Staffing Impacts (If Required):**

N/A

**Attachments:**

State of the Retirement System Annual Report

**Related Items "On File" with the Clerk of the Board:**

N/A