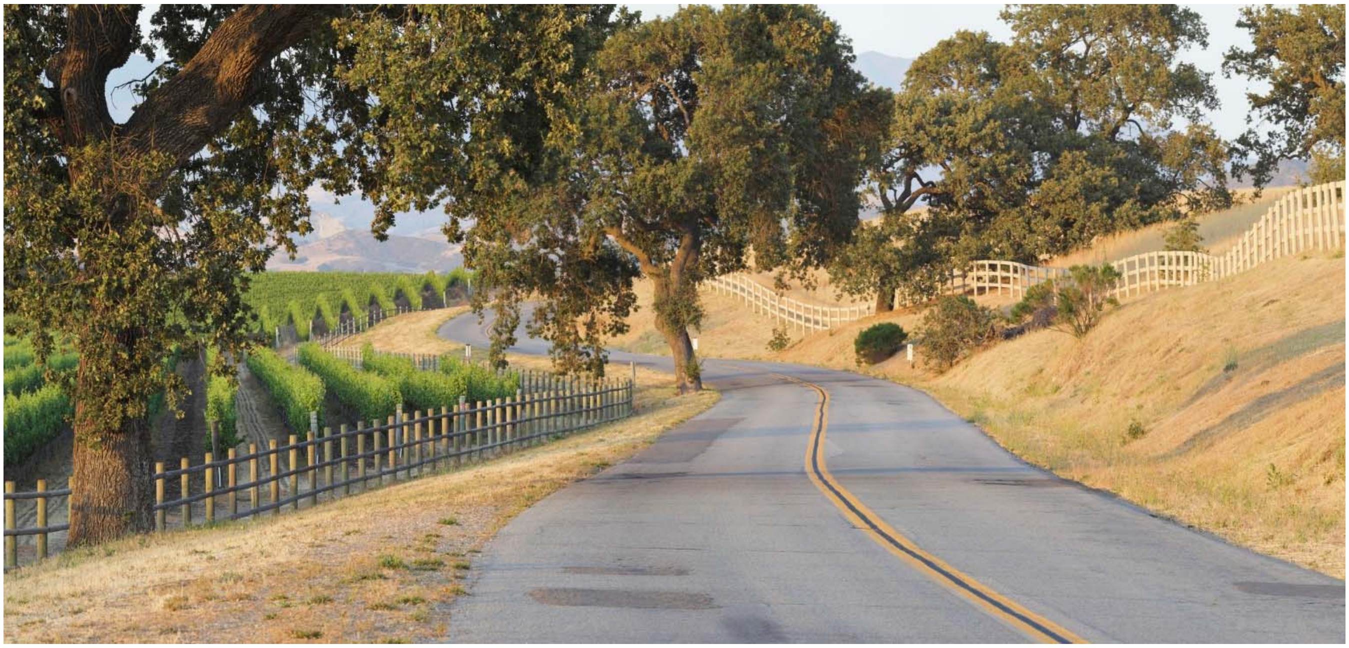
SBCERS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2020

Santa Barbara County Employees' Retirement System

A Pension Trust Fund for the County of Santa Barbara, California

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Santa Barbara County Employees' Retirement System

A Pension Trust Fund for the County of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

Issued By

Gregory E. Levin, Chief Executive Officer

SBCERS

130 Robin Hill Road, Suite 100 Goleta, CA 93117
236 S Broadway, Suite D Santa Maria, CA 93454
(877) 568-2940

TABLE OF CONTENTS

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OUR MISSION

The Santa Barbara County Employees' Retirement System is committed to fulfilling its fiduciary responsibility by providing the highest quality of service to all members and plan sponsors, and protecting promised benefits through prudent investing, while ensuring reasonable expenses of administration.

INTRODUCTION

Santa Barbara County Employees' Retirement System   Gregory E. Levin, Chief Executive Officer

December 18, 2020

Board of Retirement
Santa Barbara County Employees' Retirement System
130 Robin Hill Road, Suite 100
Goleta, CA 93117

Dear Board Members:

I am pleased to submit this *Comprehensive Annual Financial Report (CAFR) of the Santa Barbara County Employees' Retirement System (SBCERS or the System) for the Fiscal Year Ended June 30, 2020*. SBCERS is a pension fund for the employees of Santa Barbara County and other local agencies. This report is intended to provide readers with complete and reliable information about SBCERS' financial status, compliance with the law and administrative policy.

SBCERS QUICK FACTS	
Net Position	$3.2 billion
Pension Net Investment Return	-0.10%
OPEB Net Investment Return	7.42%
Number of Members	10,777

The pension fund experienced a market rate of return of negative 0.10% (net of fees) for the fiscal year ended June 30, 2020. As of June 30, 2020, the SBCERS' Net Position Restricted for Benefits was $3.2 billion. SBCERS Net Position decreased by $4.2 million during the fiscal year, mostly due to benefit payments exceeding contributions and investment income. Investment performance was driven by the global impact of the COVID-19 pandemic on the financial markets.

SBCERS also administers an Other Postemployment Benefit (OPEB) Trust Fund or 401(h) Retiree Health Medical Trust Fund (retiree health fund) that was established in September 2008. The assets of this fund are invested separately from pension assets. The activity in the OPEB Trust Fund is separate from the pension fund activity and is recorded as a separate column in the basic financial statements. The retiree health fund experienced a market rate of return of 7.42% for the fiscal year ended June 30, 2020. The positive return for the retiree health fund was due to the fact it is invested exclusively in U.S. investment markets, which recovered more quickly than global investment markets during the quarter ended June 30, 2020.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

SBCERS' management is responsible for the accuracy, completeness, and fairness of the presentation of the CAFR. It is our intent and belief that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of SBCERS.

SBCERS AND ITS SERVICES

SBCERS was established on January 1, 1944, and is administered by the Board of Retirement (the Board) to provide service retirement, disability, death, and survivor benefits for County of Santa Barbara (County) employees and ten contracting employers under the California Government Code §31450 et seq. (County Employees' Retirement Law of 1937 or CERL). SBCERS also administers an OPEB healthcare plan on behalf of the County. The OPEB Plan is created under Section 401(h) of the Internal Revenue Code (IRC).

Members include all permanent full and part-time employees of the County, the Santa Barbara County Superior Court (Courts), and nine special districts.

The Board is responsible for establishing policies governing the administration of the retirement plan and managing the investment of SBCERS' assets under authority granted by Article XVI, Section 17 of the Constitution of the State of California.

SBCERS PLAN SPONSORS	
County of Santa Barbara	Santa Barbara County Superior Court
Carpinteria Cemetery District	Santa Barbara County Air Pollution Control District
Carpinteria-Summerland Fire Protection District	Santa Barbara County Association of Governments
Goleta Cemetery District	Santa Maria Cemetery District
Oak Hill Cemetery District[1]	Summerland Sanitary District
Mosquito & Vector Management District of Santa Barbara County[1]	

[1] *These districts do not participate in the Other Postemployment Benefit Plan.*

The Board consists of nine members and two alternates. The County Board of Supervisors appoints four members to the Board, members of SBCERS elect four members and two alternates, and the County Treasurer is an ex-officio member. SBCERS is an independent entity and not a component unit of the County. The Board continues to demonstrate its commitment to providing accurate and timely service to our 4,322 active, 1,611 deferred members, and 4,844 benefit recipients into the future.

SELECTED SERVICE EFFORTS AND ACCOMPLISHMENTS

Member Services

During the fiscal year, the Member Services team processed 225 retirements and 28 continuances, and also provided workshops both in person in Santa Barbara and Santa Maria prior to office closures due to the COVID-19 pandemic, and virtually via Zoom, to nearly 450 active members, including new employee orientations and department specific in-servicing. Member Services also video-recorded an Open Enrollment workshop for use throughout the year. The Member Services team transitioned all counseling services to telephonic or video conferencing, and continued to process retirements and significant events without delay or degredation of services. The Information Technology division finalized the completion of a significant pension administration system upgrade. The project improves overall internal control and enables SBCERS to provide online services to our members. A monthly email newsletter is sent to members, providing them with additional information on the activities of the System and the Board.

Investments

During the fiscal year ended June 30, 2020 the Board reviewed an Asset Liability Study and an Asset Allocation Study. The Board elected to maintain current allocations. Typically, these studies are conducted every three years. During the year, the Board completed a Request for Proposal (RFP) for an Emerging Market Debt manager; the search replaced the incumbent manager and was completed in early 2020.

Accounting and Finance

The SBCERS finance team received the Government Finance Officers Association (GFOA) award for CAFR reporting for its work on the fiscal year ended June 30, 2019 CAFR. The finance team processes monthly benefit payments to members as well as twice monthly processing of survivor benefits and refunds. The team verifies contributions, monitors cash flows, reviews internal controls over cash management, and validates contributions for Special Districts. This year the accounting team completed an upgrade of the general ledger software and has fully transitioned the financial reporting process to the new system.

Legal and Compliance

During the fiscal year, the Board considered new earnings codes adopted by plan sponsors and took action to include or exclude these items of pay from compensation earnable and/or pensionable compensation. Additionally, the Board reviewed and revised its Bylaws, Code of Conduct, Conflict of Interest Code and its Charters for the Board of Retirement, Board officers and its CEO. Changes made to the Bylaws included technical corrections and revisions to make the Bylaws consistent with the System's record retention policies. The Board reviewed its roster of referees who hear disability retirement matters and approved renewed contracts for three referees for a period of five years.

FINANCIAL INFORMATION

SBCERS' management is responsible for the accuracy of the data, the completeness and fairness of the presentation of financial information, including all disclosures, and establishing and maintaining an internal control structure designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. SBCERS' management is responsible for establishing and maintaining an internal control structure designed to ensure that SBCERS' assets are protected from loss, theft, or misuse. SBCERS recognizes that even sound internal controls have inherent limitations. SBCERS believes that the internal controls adequately safeguard assets. The cost of the control should not exceed the benefits derived; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Brown Armstrong Accountancy Corporation, SBCERS' independent auditor, has audited the financial statements and expressed its opinion that SBCERS' financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free of material misstatement.

INVESTMENTS

The Board has exclusive control of all investments of SBCERS and is responsible for the establishment of investment objectives, strategies, and policies. Each member of the Board serves in a fiduciary capacity and the Board is authorized to invest in any form or type of investment it collectively deems prudent.

External investment management firms manage the assets of SBCERS. Under the direction of the Board, staff and investment consultants work together to closely monitor the activity of investment managers. To assist in portfolio management, SBCERS has retained three separate consultants. RVK, Inc. serves as SBCERS general investment consultant in a non-discretionary capacity. Hamilton Lane, LLC, and ORG

Portfolio Management, LLC, both have discretionary authority to acquire partnerships and other investment interests on behalf of SBCERS.

All investments are made pursuant to investment policies using a long-term investment horizon. The Investment Policy Statement establishes investment program goals, asset allocation, and discretionary authority for consultants along with performance objectives, risk controls and other constraints on investing activity. Compliance with investment policies are monitored by SBCERS' staff and RVK, Inc., as well as by Hamilton Lane, LLC, and ORG Portfolio Investments, LLC, with respect to their private market investment portfolios.

SBCERS' annualized rate of return over the last three and five-years (net of fees) as of June 30, 2020, was 5.08% and 5.38%, respectively. More detail on SBCERS' investment performance and policies can be found in the Management's Discussion and Analysis and in the Investment Section.

SBCERS INVESTMENT CONSULTANTS

Investment Type	*Consultant*
General Investments	RVK, Inc.
Private Equity, Natural Resources and Infrastructure	Hamilton Lane, LLC
Real Estate	ORG Portfolio Investments, LLC

PENSION ACTUARIAL FUNDED STATUS

SBCERS' funding objective is to satisfy all benefit commitments by following an actuarially prudent funding plan, obtaining investment returns consistent with established risk controls, and minimizing plan sponsor contributions to the retirement fund. SBCERS engages Cheiron, Inc., an independent actuarial consulting firm, to conduct an annual actuarial valuation. The purpose of the valuation is to evaluate the fiscal health of the plan and establish plan sponsor and member contribution rates.

The funding policy for amortizing the Unfunded Actuarial Accrued Liability (UAAL) is a layered 19-year closed amortization period using direct rate smoothing. On June 30, 2020, SBCERS' funded ratio was 75.16% using a roll-forward calculation based on the actuarial valuation as of June 30, 2019, with the actuarial value of assets totaling $3.2 billion and the actuarial accrued liability totaling $4.2 billion.

More detailed information on actuarial methods and funding status can be found in the Financial and Actuarial Sections of this CAFR. On a triennial basis, the actuarial firm also conducts an experience study and makes recommendations to the Board on all economic and non-economic assumptions. The experience study used for these financial statements was conducted as of June 30, 2019.

ACKNOWLEDGMENTS

I greatly appreciate the dedication and effort of the staff members who contributed to the preparation of this CAFR and to the rest of the SBCERS staff members who do an excellent job executing our service commitment to our membership. To the Board of Retirement, your commitment, fiduciary leadership, and guidance make us better and stronger as a team. Together through this commitment and hard work, we protect and grow our members' assets, enable smart retirement planning decisions, and deliver on the promised benefit.

Respectfully submitted,

Gregory E. Levin, CPA ● Chief Executive Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Barbara County
Employees' Retirement System
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

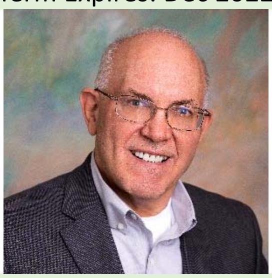
Executive Director/CEO

BOARD OF RETIREMENT

Fred Tan
Chair
Safety Member
Term Expires: Dec 2022

Harry Hagen
Vice Chair
Ex-Offico Member
County Treasurer

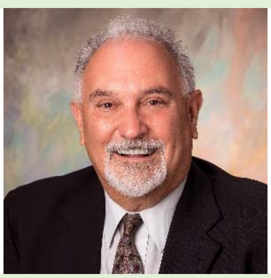
Michael Vidal
Secretary
Appointed
Term Expires: Dec 2022



Trent Benedetti
Appointed
Term Expires: Dec 2020

Zandra Cholmondeley
Retired Member
Term Expires: Dec 2020

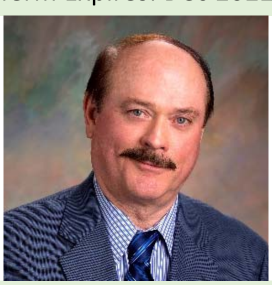
Steve Lavagnino
Appointed
Term Expires: Dec 2022



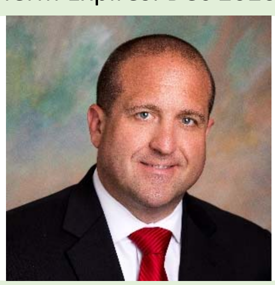
Rob Adam Perry
General Member
Term Expires: Dec 2022

Ted Sten
Appointed
Term Expires: Dec 2020

Xiaoli Zhang-King
General Member
Term Expires: Dec 2020

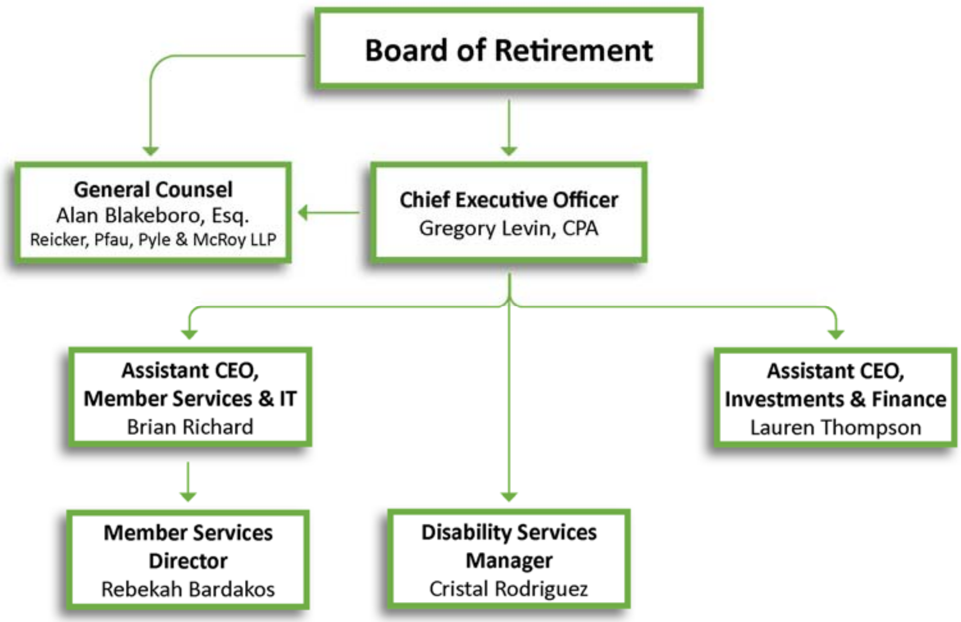


Gary Blair
Retired Alternate
Term Expires: Dec 2020



Ryan Sullivan
Safety Alternate
Term Expires: Dec 2022

SBCERS MANAGEMENT TEAM



PROFESSIONAL CONSULTANTS

Actuary	Cheiron, Inc.
Independent Auditor	Brown Armstrong Accountancy Corporation
Investment Custodian	BNY Mellon Global Securities Services
Investment Consultants & Other Special Services	
General Investments	RVK Inc.
Real Estate Investments	ORG Portfolio Management, LLC
Private Equity, Natural Resources, and Infrastructure Investments	Hamilton Lane, LLC
Legal Advisors	
General Counsel	Reicker, Pfau, Pyle & McRoy, LLP
Investment Counsel	Foster Garvey, Hirschler, K&L Gates
Fiduciary and Tax Counsel	Reed Smith, LLP

A List of Investment Managers in located on page 77 in the Investment Section.

FINANCIAL

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)

4200 TRUXTUN AVENUE
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TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

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FRESNO, CA 93720
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STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
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TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of
Santa Barbara County Employees' Retirement System
Santa Barbara, California

Report on the Basic Financial Statements

We have audited the accompanying Pension Benefit Trust and Other Postemployment Benefit (OPEB) Trust Statement of Fiduciary Net Position of Santa Barbara County Employees' Retirement System (SBCERS) as of June 30, 2020, the related Pension Benefit Trust and OPEB Trust Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise SBCERS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SBCERS' preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SBCERS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Pension Benefit Trust and OPEB Trust of SBCERS as of June 30, 2020, and the changes in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise SBCERS' basic financial statements. The other supplementary information and introduction, investment, actuarial, statistical, and glossary sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction, investment, actuarial, statistical, and glossary sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited SBCERS' June 30, 2019 basic financial statements, and our report dated December 20, 2019, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of SBCERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SBCERS' internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 18, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This Management's Discussion and Analysis of the financial activities of Santa Barbara County Employees' Retirement System (SBCERS) is an overview of fiscal operations for the fiscal year ended June 30, 2020. Please review it in conjunction with the Financial Statements.

FINANCIAL HIGHLIGHTS

Pension Trust

- In March 2020, the global impact of the COVID-19 pandemic affected the financial markets and created widespread volatility, particularly in international markets. During the period reported, the SBCERS portfolio generated an annual money-weighted rate of return of negative 0.10% on plan investments for the fiscal year ended June 30, 2020.

- Net Position Restricted for Benefits - Pension, as reported in the Statement of Fiduciary Net Position, totaled $3.2 billion, a decrease of $4.2 million or 0.13% from the prior year. This is due to benefit payments exceeding contributions and investment appreciation during a period of low investment return.

- Net pension investment income (excluding securities lending) decreased by $199.9 million from $224.3 million in the fiscal year ended June 30, 2019, to $24.4 million in the fiscal year ended June 30, 2020. The decrease is due to overall market conditions related to the COVID-19 pandemic.

- Pension contributions (plan sponsor/employer and member/employee) increased by $12.9 million from the fiscal year ended June 30, 2019, to $173.2 million ($141.6 million total from plan sponsors and $31.6 million from members) in fiscal year ended June 30, 2020. The change is due to an increase in plan sponsor and employee contribution rates as well as an increase in salaries paid to members.

- Pension benefit payments increased by $13.3 million or 7.36% from the fiscal year ended June 30, 2019 to $193.8 million in the fiscal year ended June 30, 2020. Benefit payments are growing due to an increase in the number of retirees and beneficiaries receiving payments as well as a three percent cost-of-living adjustment (COLA) being applied. The cost-of-living adjustment is based on the consumer price index for the Los Angeles metropolitan area.

- On June 30, 2020, SBCERS' funded ratio was 75.16%. This was a decrease in the funded ratio from June 30, 2019 of 78.94%. The decrease in the funded ratio is driven by a level asset position with a simultaneous increase in pension liability. The funded ratio reflects an asset value of $3.2 billion as of June 30, 2020 and a rolled-forward total pension liability totaling $4.2 billion.

Other Postemployment Benefit (OPEB) Trust

- Net Position Restricted for Benefits – Other Postemployment Benefits (OPEB), also reported in the Statement of Fiduciary Net Position, totaled $32.8 million, an increase of $7 million or 27% from prior year. This is due to the implementation of an advance funding policy by the County of Santa Barbara (the County) starting July 1, 2017, and pre-funding by the Air Pollution Control District (APCD).

- $14.4 million of OPEB contributions were received from participating plan sponsors, an increase of $357 thousand over the prior year. OPEB deductions, including administrative expenses, of $9.8 million were paid in the fiscal year ended June 30, 2020, an increase $252 thousand over the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis serves as an introduction to the basic financial statements. SBCERS has two basic financial statements, the Notes to the Basic Financial Statements (Notes), and additional required supplementary schedules of historical trend information. The basic financial statements and the required disclosures are prepared in accordance with the Governmental Accounting Standards Board's (GASB) accounting principles and utilize the accrual basis of accounting.

- The Statement of Fiduciary Net Position is the first basic financial report. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities owed at fiscal year-end. Net Position Restricted for Benefits, which is the assets less the liabilities, reflects the funds available for future use.

- The Statement of Changes in Fiduciary Net Position is the second basic financial report. This report reflects all the activities that occurred during the fiscal year, and shows the impact of those activities as additions to or deductions from the plan.

- The Notes are an integral part of the basic financial statements. They provide a detailed discussion of key policies, programs, and activities that occurred during the year.

- The implementation of GASB Statement No. 74 (GASB 74) and No. 68 (GASB 68) increased the number of schedules related to the Pension Plan and Other Postemployment Benefits (OPEB) that are in Notes 8 and 9 and Required Supplementary Information. These schedules provide financial information including a liability measurement, money-weighted investment return, and actuarial related disclosures.

- The Other Supplementary Information section contains schedules detailing administrative, investment, and consultant expenses during the fiscal year.

FINANCIAL ANALYSIS

The following tables present a condensed comparative summary of SBCERS' current and prior year's Net Position Restricted for Benefits and Changes in Fiduciary Net Position. The current fiscal period closed with a Net Position Restricted for Benefits of $3.2 billion.

NET POSITION RESTRICTED FOR BENEFITS

In thousands

	June 30, 2020	June 30, 2019	Change	Percent Change
Cash & Investments	$ 3,225,492	$ 3,220,672	$ 4,820	0.1%
Collateral Held for Securities Lent	15,387	16,043	(656)	-4.1%
Prepaids & Receivables	24,038	57,962	(33,924)	-58.5%
Total Assets	**3,264,917**	**3,294,677**	**(29,760)**	**-0.9%**
Collateral Held for Securities Lent	15,387	16,043	(656)	-4.1%
Other Liabilities	22,762	54,647	(31,885)	-58.3%
Total Liabilities	**38,149**	**70,690**	**(32,541)**	**-46.0%**
Net Position Restricted For Benefits	**$ 3,226,768**	**$ 3,223,987**	**$ 2,781**	**0.1%**

CHANGES IN FIDUCIARY NET POSITION

In thousands

	June 30, 2020	June 30, 2019	Change	Percent Change
Contributions	$ 187,591	$ 174,344	$ 13,247	7.6%
Net Investment Income	26,400	226,209	(199,809)	-88.3%
Net Securities Income	202	358	(156)	-43.6%
Other	580	612	(32)	-5.2%
Total Additions	214,773	401,523	(186,750)	-46.5%
Benefits Paid	203,060	189,689	13,371	7.0%
Member Withdrawals	1,837	1,728	109	6.3%
Administrative Expense	7,095	7,193	(98)	-1.4%
Total Deductions	211,992	198,610	13,382	6.7%
Changes in Net Position	**$ 2,781**	**$ 202,913**	**$ (200,132)**	**-98.6%**
Beginning Net Position	$ 3,223,987	$ 3,021,074	$ 202,913	6.7%
Ending Net Position	**$ 3,226,768**	**$ 3,223,987**	**$ 2,781**	**0.1%**

Additions to Fiduciary Net Position

The sources of assets to fund the benefits SBCERS provides are member and plan sponsor contributions along with investment returns. SBCERS' had income sources of $214.8 million for the fiscal year ended June 30, 2020 and $401.5 million for the fiscal year ended June 30, 2019. While contributions increased for fiscal year ended June 30, 2020, investment income decreased substantially due to the effect of COVID-19 on international (excluding U.S.) financial markets. The overall year over year net additions decreased because the decrease in investment income outweighed the increase in contributions.

Deductions from Fiduciary Net Position

The primary uses of SBCERS' pension assets include the payment of benefits to retired members and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering SBCERS.

Total deductions (Pension and OPEB) for the fiscal year ended June 30, 2020, were $212 million, an increase of $13.0 million, or 6.74%, over the fiscal year ended June 30, 2019. This increase was attributed to the increasing number of members receiving benefits, demographics of plan sponsors that have a large population of near retirement age employees, increased salaries upon which benefits are based, and annual COLA increases approved by the Board of Retirement.

Contributions

Total contributions (Pension and OPEB) increased by $13.2 million over the contributions made in the fiscal year ended June 30, 2019. The pension contributions increased by $12.9 million and the OPEB contributions increased by $357 thousand. The increase in contributions was driven by a growing active member pensionable wage base and continuation of the five-year phase in for discount rate changes. The fiscal year ended June 30, 2020 was the third year of the phase in.

OPEB contributions are made by participating employers on a pay-as-you-go basis with the exception of the County, the predominate plan participant, and the Air Pollution Control District (APCD) who have adopted funding policies that prefund the plan at different levels. The Santa Barbara County Superior Court made a one-time advance payment to the program as of June 30, 2017, but did not modify its funding policy. Pay-as-you-go is defined as the minimum amount of contributions made to cover existing administrative expenses as well as benefit payments.

Pension Liabilities

GASB Statement No. 67 requires that SBCERS report the Total Pension Liability and the Net Pension Liability as calculated by SBCERS' actuary. These liabilities are solely calculated for financial reporting purposes and are not intended to provide information about the funding of SBCERS' benefits.

SBCERS' Total Pension Liability as of June 30, 2020, was $4.2 billion. The Total Pension Liability increased 4.9% from $4.1 billion as of June 30, 2019. SBCERS' Net Pension Liability as of June 30, 2020, was $1.06 billion, representing a increase of 23.7% from $853.2 million as of June 30, 2019. The $202.5 million increase in the Net Pension Liability is primarily due to level assets year over year, caused by the impact of the COVID-19 pandemic on financial markets.

For the fiscal years ended June 30, 2020 and June 30, 2019, the Fiduciary Net Position as a percentage of the Total Pension Liability was reported as 75.16% and 78.94%, respectively. The change was a 3.78% decrease and is due flat asset values from June 30, 2019 to June 30, 2020.

SCHEDULE OF NET PENSION LIABILITY

In thousands

	June 30, 2020	June 30, 2019
Total Pension Liability	$ 4,249,671	$ 4,051,342
Less: Fiduciary Net Position	(3,193,932)	(3,198,134)
Net Pension Liability	$ 1,055,739	$ 853,208
Fiduciary Net Position as a Percentage of Total Pension Liability	75.16%	78.94%

Pension Investment Analysis

SBCERS' investment performance is a function of the underlying financial markets for the period measured, asset allocation and individual investment manager performance. SBCERS follows a Board of Retirement adopted investment policy that provides structure and guidance for the management of the investment portfolio. All of SBCERS' assets are externally managed. SBCERS' total Pension portfolio lost 0.10% (net of fees) over the twelve month period ended June 30, 2020. The Pension investment income was $24.4 million (net of fees) and fair value of assets decreased by $6.2 million from June 30, 2019. For further information on SBCERS' investments, please refer to the Investment Section.

PENSION RATES OF RETURN

In thousands

Fiscal Year Ending	*Total Pension Investment Portfolio Fair Value*	*Total Fund Money-Weighted Return (Net of Fees)*	*Funded Ratio*
June 30, 2019	$ 3,183,711	7.74%	78.94%
June 30, 2020	$ 3,177,466	-0.10%	75.16%

Pension Funded Status

The prior table provides a two-year history of pension investment, actuarial returns, and the actuarial funded ratio. The money-weighted rate of return is presented as an expression of investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on plan investments was negative 0.10%.

An indicator of funded status is the ratio of the actuarial value of the assets to the Unfunded Actuarial Accrued Liability (UAAL). An increase in the percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly affect the UAAL. Performance in the capital markets can also have a material impact on the actuarial value of assets.

The fiduciary net position as a percentage of total pension liability as of June 30, 2020 was 75.16%, using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2019. As of the fiscal year ended June 30, 2020, Net Position Restricted for Benefits was $3.2 billion and the Total Pension

Liability was $4.2 billion. A primary concern to most pension plan participants is the amount of money available to pay benefits. All Net Position is available to meet SBCERS' respective obligations to plan participants and their beneficiaries. The next actuarial valuation will be completed as of June 30, 2020.

OPEB Investment Analysis

The table below displays the OPEB total investment at fair value and actual returns. The money-weighted rate of return is presented as an expression of investment performance, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on OPEB Plan investments was 7.42%.

OPEB RATES OF RETURN

In thousands

Fiscal Year Ending	*Total OPEB Investment Portfolio Fair Value*	*Total Fund Money-Weighted Return*
June 30, 2019	$ 25,146	8.57%
June 30, 2020	$ 27,011	7.42%

An actuarial valuation is performed annually for the OPEB Plan. SBCERS administers the agent multiple-employer health insurance program for retirees. SBCERS collects premiums from Members and pays the insurance vendors. The employers fund the OPEB Plan to pay the benefit and each present their respective OPEB Plan liability in their financial statements. The net impact on the aggregate of participating employers' Statements of Net Position due to the OPEB Plan is $117.6 million as of the June 30, 2020 and $126.8 million as of the June 30, 2019. The annual OPEB expense for all participants was $5.6 million for the June 30, 2020 as compared to $8.2 million for June 30, 2019.

REQUESTS FOR INFORMATION

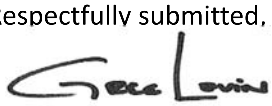
This comprehensive annual financial report is designed to provide the Board of Retirement, our membership, plan sponsors, taxpayers, and investment managers with a general overview of SBCERS' finances and to show accountability for the money it receives.

Questions concerning any of the information provided in this report or requests for copies or additional financial information should be addressed to:

SBCERS
130 Robin Hill Road, Suite 100
Goleta, California 93117

This report is also available on SBCERS' website under "Resources" at www.sbcers.org.

Respectfully submitted,



Gregory E. Levin, CPA
Chief Executive Officer

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STATEMENT OF FIDUCIARY NET POSITION

As of June 30, 2020, with Comparative Totals

Dollars in thousands

	Pension Benefit Trust	OPEB Trust	June 30, 2020 Total	Pension Benefit Trust	OPEB Trust	June 30, 2019 Total
ASSETS						
Cash and Cash Equivalents	$ 15,985	$ 5,030	$ 21,015	$ 11,718	$ 97	$ 11,815
Collateral Held for Securities Lent	15,387	-	15,387	16,043	-	16,043
Short-Term Investments	69,752	-	69,752	49,528	-	49,528
Total Cash and Cash Equivalents	101,124	5,030	106,154	77,289	97	77,386
Prepaids and Receivables						
Prepaid Assets	3,298	-	3,298	3,147	-	3,147
Contributions	7,714	695	8,409	5,938	548	6,486
Accrued Interest	3,330	104	3,434	3,280	62	3,342
Dividends	2,558	-	2,558	2,627	-	2,627
Security Sales	6,339	-	6,339	42,360	-	42,360
Total Prepaids and Receivables	23,239	799	24,038	57,352	610	57,962
Investments at Fair Value						
Private Equity	347,032	-	347,032	309,552	-	309,552
Domestic Equity	628,892	16,131	645,023	663,236	15,142	678,378
Core Fixed Income	518,596	10,880	529,476	478,302	10,004	488,306
Developed Markets Non-US Equity	312,908	-	312,908	325,952	-	325,952
Emerging Market Equity	227,499	-	227,499	256,480	-	256,480
Non-Core Fixed Income	266,379	-	266,379	270,997	-	270,997
Private Credit	58,901	-	58,901	20,208	-	20,208
Real Assets/Real Return	436,915	-	436,915	512,180	-	512,180
Real Estate	310,592	-	310,592	297,276	-	297,276
Total Investments at Fair Value	3,107,714	27,011	3,134,725	3,134,183	25,146	3,159,329
TOTAL ASSETS	**$ 3,232,077**	**$ 32,840**	**$ 3,264,917**	**$ 3,268,824**	**$ 25,853**	**$ 3,294,677**
LIABILITIES						
Accounts Payable	$ 629	$ 4	$ 633	$ 530	$ -	$ 530
Collateral Held for Securities Lent	15,387	-	15,387	16,043	-	16,043
Benefits Payable	13,658	-	13,658	12,504	-	12,504
Security Purchases	8,471	-	8,471	41,613	-	41,613
TOTAL LIABILITIES	**$ 38,145**	**$ 4**	**$ 38,149**	**$ 70,690**	**$ -**	**$ 70,690**
NET POSITION RESTRICTED FOR BENEFITS	**$ 3,193,932**	**$ 32,836**	**$ 3,226,768**	**$ 3,198,134**	**$ 25,853**	**$ 3,223,987**

The accompanying Notes are an integral part of these basic financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2020, with Comparative Totals

Dollars in thousands

	Pension Benefit Trust	OPEB Trust	June 30, 2020 Total	Pension Benefit Trust	OPEB Trust	June 30, 2019 Total
ADDITIONS						
Contributions						
Employers	$ 141,585	$ 14,388	$ 155,973	$ 133,708	$ 14,031	$ 147,739
Plan Members	31,618	-	31,618	26,605	-	26,605
Total Contributions	173,203	14,388	187,591	160,313	14,031	174,344
Investment Income						
Net Appreciation in Fair Value of Investments	859	1,916	2,775	197,721	1,802	199,523
Interest	15,352	120	15,472	16,413	127	16,540
Dividends	20,654	-	20,654	21,783	-	21,783
Total Investment Income	36,865	2,036	38,901	235,917	1,929	237,846
Less Investment Expense	(12,501)	-	(12,501)	(11,637)	-	(11,637)
Net Investment Income	24,364	2,036	26,400	224,280	1,929	226,209
Securities Lent Income	377	-	377	677	-	677
Securities Lent Expense						
Borrower Rebates	(110)	-	(110)	(201)	-	(201)
Management Fees	(65)	-	(65)	(118)	-	(118)
Net Securities Income	202	-	202	358	-	358
Class Action Settlements	34	-	34	2	-	2
Commission Recapture	5	-	5	7	-	7
Miscellaneous Income	160	381	541	195	408	603
Total Miscellaneous Income	199	381	580	204	408	612
TOTAL ADDITIONS	**$ 197,968**	**$ 16,805**	**$ 214,773**	**$ 385,155**	**$ 16,368**	**$ 401,523**
DEDUCTIONS						
Benefits Paid	193,810	9,250	203,060	180,528	9,161	189,689
Member Withdrawals	1,837	-	1,837	1,728	-	1,728
Administrative Expense	6,523	572	7,095	6,784	409	7,193
TOTAL DEDUCTIONS	**$ 202,170**	**$ 9,822**	**$ 211,992**	**$ 189,040**	**$ 9,570**	**$ 198,610**
Changes in Net Position	(4,202)	6,983	2,781	196,115	6,798	202,913
NET POSITION RESTRICTED FOR BENEFITS						
Beginning of Year	3,198,134	25,853	3,223,987	3,002,019	19,055	3,021,074
END OF YEAR	**$ 3,193,932**	**$ 32,836**	**$ 3,226,768**	**$ 3,198,134**	**$ 25,853**	**$ 3,223,987**

The accompanying Notes are an integral part of these basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Santa Barbara County Employees' Retirement System (SBCERS or the System) is an independent public employee retirement system with its own governing board, separate and distinct from the County of Santa Barbara (the County). These financial statements cover the 401(a) pension plan (the Plan) and the 401(h) Other Postemployment Benefit (OPEB) plan; both plans are fiduciary funds defined as pension and other employee benefit trust funds, respectively, and are accounted for separately. SBCERS' annual financial statements are referenced in the Notes to the Basic Financial Statements in the County's Comprehensive Annual Financial Report available at www.countyofsb.org.

General

SBCERS was established on January 1, 1944, and is administered by the Board of Retirement (the Board) to provide service retirement, disability, death, and survivor benefits for employees of the County and 10 contracted agencies under the County Employees' Retirement Law of 1937 (CERL), California Government Code §31450 et seq., and Section 401(a) of the Internal Revenue Code (IRC). SBCERS also administers an OPEB healthcare plan on behalf of the County and contracted agencies. The OPEB healthcare plan was created under Section 401(h) of the IRC.

Governance

The Board is composed of nine voting members and two alternates. Four members are appointed by the County Board of Supervisors, two are elected by general members, a member and alternate are elected by safety members, a member and alternate are elected by retired members and one, the County Treasurer-Tax Collector, is ex officio. The County Board of Supervisors may adopt resolutions, as permitted by the CERL, which may affect the benefits of SBCERS members.

130 Robin Hill Road, LLC

A Limited Liability Corporation (the LLC) was formed on October 30, 2018 for the purpose of purchase and management of the property asset located at 130 and 132 Robin Hill Road, Goleta, CA, separately from SBCERS' daily operations. SBCERS' Chief Executive Officer (CEO) manages the LLC with day-to-day property management provided by a contracted external property management firm. During fiscal year 2019-20, the LLC completed planning for a capital improvement project that will upgrade and modernize the main building, including Americans with Disabilities Act (ADA) compliance upgrades. SBCERS took occupancy of the first floor office spaces of the building during the fiscal year reported. The LLC is carried as an investment within SBCERS' real estate portfolio. The value of the LLC is principally composed of the building, plus any cash reserves held for operation and reduced by any outstanding liabilities related to the operation and maintenance of the building. Separately issued financial reports are available for 130 Robin Hill Road, LLC; these unaudited reports may be obtained by contacting SBCERS.

2. PENSION PLAN DESCRIPTION

Plan Sponsors

SBCERS operates as a cost-sharing multiple-plan sponsor defined benefit pension plan for the County, Santa Barbara County Superior Court and nine special districts. The following is a list of the nine special district sponsors:

- Carpinteria Cemetery District
- Carpinteria-Summerland Fire Protection District

- Goleta Cemetery District
- Mosquito & Vector Management District of Santa Barbara County
- Oak Hill Cemetery District
- Santa Barbara County Air Pollution Control District (APCD)
- Santa Barbara County Association of Governments (SBCAG)
- Santa Maria Cemetery District
- Summerland Sanitary District

Plan Membership

The System has 10 retirement plans, of which five plans are currently available to new full-time permanent employees, new employees with reciprocity and those part-time employees working at least half-time. General Plan 5 applies to all County General employees hired prior to June 25, 2012, and legacy employees returning to active membership; General Plan 7 applies to all hired on or after June 25, 2012 through December 31, 2012, and employees hired after December 31, 2012, who have reciprocity rights. Prior to January 1, 2013, Safety members were enrolled in the contributory Safety Plan 4 (Fire and Probation Departments) or Safety Plan 6 (Sheriff's Department).

Since January 1, 2013, all new Safety members and General members have been enrolled in Plan 8, pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA) unless they establish and can then be placed in either General Plan 7 or Safety Plans 4 or 6 depending the employee's bargaining unit. Reciprocal hires of the Santa Barbara County Superior Court and special districts that did not adopt Plan 7 are enrolled in Plan 5.

Multiple contribution rates are applicable based upon negotiated bargaining unit Memoranda of Understanding and on age of entry into membership subject to the provisions of the CERL or PEPRA. The retirement benefits within the Plan are based on age, years of service, final average salary and the benefit option selected.

SBCERS' RETIREMENT PLANS

General	Plan 2	2%[1]	Non-Contributory	Closed
	Plan 5	2% @ 57	Contributory	Closed[2]
	Plan 7	1.67% @ 57-1/2	Contributory	Reciprocity
	Plan 8	2% @ 62	Contributory	Open
Safety	Plan 4	3% @ 55	Contributory	Reciprocity
	Plan 6	3% @ 50	Contributory	Reciprocity
	Plan 8	2.7% @ 57	Contributory	Open
APCD	Plan 1	2% @ 55	Contributory	Closed
	Plan 2	2% @ 55	Contributory	Reciprocity
	Plan 8	2% @ 62	Contributory	Open

[1] Plan 2 benefits are integrated with member's estimated benefit from Social Security Administration at age 65.

[2] Plan 5 is still open for reciprocal hires of certain participating employers other than the County. Additionally, employees returning to the County after previous service in Plan 5 are also eligible to return to Plan 5.

SBCERS' RETIREMENT PLAN MEMBERSHIP

As of June 30

	2020	*2019*
Members Now Receiving Benefits		
Service Retirement	3,959	3,815
Disability Retirement	281	271
Beneficiaries and Survivors	604	594
Subtotal	4,844	4,680
Active Members		
Active Vested	3,033	2,983
Active Non-Vested	1,289	1,286
Subtotal	4,322	4,269
Deferred Vested and Inactive Members	1,611	1,598
Total Membership	10,777	10,547

Benefit Provisions

All Plans (Except General Plan 2)

- Pension benefits are based upon a combination of plan, age, years of service, average monthly salary for the highest one or three consecutive years' covered compensation, and the benefit payment option selected by the member.
- Disability benefits are based upon whether the disability was service or non-service connected.
- Death benefits are based upon whether the death occurred before or after retirement and whether the death was service or non-service connected.

General Plan 2

- Pension benefits are based upon a combination of age, years of service, and highest average monthly salary during any three years of employment and are coordinated with social security benefits.
- A separate long-term disability program is available for members who become disabled, regardless of length of service, or whether the disability is job related.
- Death benefits are based upon whether the death occurred before or after retirement.

Cost-of-Living Adjustment (COLA)

- All plans, excluding the County General Plan 2, provide for retirement benefits subject to cost-of-living adjustments (COLA) for retired members. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1, and for most members, is subject to a 3% maximum limitation. The portion of a CPI increase that exceeds 3% is accumulated for credit in future years.
- General Plan 7 and General Plan 8 (County) is limited to an annual maximum 2% COLA.

- General Plan 2 does not have a COLA.

Vesting

Upon completing five years of creditable service, employees have irrevocable rights to receive benefits attributable to a plan sponsor's contributions, provided their contributions have not been withdrawn.

A Plan 5 or Plan 7 general member may retire who (1) has completed ten years of service (including reciprocal service) and who has reached the age of 50, (2) has completed 30 years of service regardless of age, or (3) has reached 70 years of age regardless of years of service. A Plan 4 or Plan 6 safety member may retire who (1) has completed 10 years of continuous service (including reciprocal service) and who has reached the age of 50, or (2) who has completed 20 years of service regardless of age.

For PEPRA members, a general member may retire with five or more years of service after reaching the age of 52. A safety member may retire with five or more years of service after reaching the age of 50.

If an employee terminates employment before rendering five years of service, the employee is entitled to withdraw the employee contributions made, together with accumulated interest or may elect to leave contributions on deposit.

If a separated member enters a reciprocal retirement system within six months of separation and elects to leave their accumulated contributions on deposit with SBCERS, that member can vest reciprocally.

Pension Plan Actuarial Valuation

SBCERS retains an independent actuarial firm to conduct an annual actuarial valuation to monitor SBCERS' funding status and funding integrity. The fiduciary net position as a percentage of total pension liability of the Plan was 75.16%. The net pension liability as of June 30, 2020 was determined using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2019.

The purpose of the valuation is to reassess the magnitude of SBCERS' benefit commitments in comparison with the assets expected to be available to support those commitments, so plan sponsor and member contribution rates can be adjusted accordingly. The actuarial assumptions estimate as closely as possible what the actual cost of the Plan will be in order to determine rates for setting aside contributions today to provide benefits in the future.

Contribution requirements are determined under the individual entry age actuarial cost method. This method is designed to collect contributions as a level percentage of pay. Any gains or losses that occur under this method are amortized as a level percentage of pay. To reduce the contribution volatility caused by any new sources of Unfunded Actuarial Accrued Liability (UAAL) due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period. The amortization of the UAAL phases by a five-year ramp up at the beginning of the amortization period, a four-year ramp down at the end of the period, and ten years of level payments as a percentage of payroll between ramping periods.

The Required Supplementary Information (RSI) section immediately following the Notes to the Basic Financial Statements includes the Changes in Net Pension Liability schedule.

Plan Termination

There are no plan termination provisions under the CERL, which governs the operation of the System.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting, Revenue and Expense Recognition

For financial reporting purposes, SBCERS adheres to accounting principles generally accepted in the United States of America. SBCERS follows the accounting principles and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB). SBCERS' financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Member and plan sponsor contributions are recognized as revenue in the period in which the contributions are due. Other revenues are recognized as available if they are estimated to be received within 60 days of the fiscal year-end. Retirement benefits and member refunds are recognized as expenses when due and payable in accordance with the terms of the System. Other expenses are recognized when the corresponding liabilities are incurred.

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the fiscal year ended June 30, 2019, from which the summarized information was derived.

Cash and Short-Term Investments

Cash and short-term investments consist of short-term investments with fiscal agents as well as deposits in a pooled account with the County.

Investments

The Board adopts an investment policy statement and reviews that policy periodically. The investment policy statement sets forth the asset allocation and controls for the investment portfolio. The policy was updated in June 2018. The policy statement is available on the SBCERS website www.sbcers.org.

Investments are reported at fair value. Investment income is recognized as revenue when earned. Net appreciation in fair value of investments held by the System is recorded as an increase to investment income based on valuation of investments at year-end. Realized gains and losses are recognized upon the maturity or disposition of the security.

Debt and equity securities are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fair value of investments in commingled funds is based on the fund share price provided by the fund manager, which is based on net asset value.

Related Party Transactions

By necessity, SBCERS is involved in various business transactions with the County, the primary plan sponsor. SBCERS is a co-employer with the County. SBCERS reimburses the County for the cost of services provided by the following agencies: Auditor-Controller, General Services, Human Resources, and County Treasurer. In addition, SBCERS reimburses the County for the cost of services in the areas of information technology, telecommunications, and motor pool services.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that impact the amounts and disclosures of the report. Accordingly, actual results may differ from those estimates.

Implementation of New Accounting Standards

For the fiscal year ended June 30, 2020, SBCERS implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and stakeholders in light of the COVID-19 pandemic. The requirements of this statement are effective immediately. The effective dates for GASB Statements Nos. 84, 88, 89, 90, 91, 92, and 93 were postponed by one year for SBCERS. The effective date for GASB Statement No. 87 was postponed by 18 months for SBCERS.

Reclassification

Comparative data from the prior year has been presented in the selected sections and may have been reclassified. Such reclassifications had no effect on previously reported net plan position.

4. DEPOSITS AND INVESTMENTS

SBCERS operates under the "Prudent Investor Rule" which authorizes the Board, at its discretion, to purchase, hold, or sell any form or type of investment, financial instrument, or enter into any financial transaction when prudent in the informed opinion of the Board.

Deposits and Short-Term Investments

Amounts shown as Cash are held as a part of the County Treasurer's investment pool. Amounts held as Short-Term Investments are held with SBCERS' Investment Custodian, BNY Mellon Global Securities Services (BNY Mellon). Short-term investments consist of cash held in money market accounts and securities readily convertible to cash. All cash, deposits, and short-term investments are carried at cost, which approximates fair value.

Santa Barbara County Treasurer's Investment Pool

The funds in the County Treasury are intended to provide for liquidity needed to meet benefit payroll and operating needs of the System. The balances in the County Treasurer's investment pool are funded by the plan sponsor and employee contributions and if necessary, transfers from the investment pool. All participants in the County investment pool share earnings and losses. The County Treasury Oversight Committee has regulatory oversight for all monies deposited into the County investment pool. Such amounts are invested in accordance with investment policy guidelines in compliance with California Government Code requirements, established by the County Treasurer and approved by the County Board of Supervisors. Interest earned on pooled investments is apportioned quarterly to participating funds based upon each fund's average daily deposit balance. The County has not provided or obtained any legally binding guarantees during the fiscal year ending June 30, 2020, to support the value of shares in the pool. More information on the risk of the County Treasurer's Investment pool and the Treasurer's policies can be found on the County's website at www.countyofsb.org.

BNY Mellon Global Securities Services Employee Benefit Temporary Investment Fund (EBTF)

SBCERS' short-term investments are comprised of funds held with SBCERS' investment custodian, BNY Mellon Global Securities Services. Balances held by the custodian are held in the BNY Mellon Global Securities Services EBTF. This fund is intended to provide liquidity to fund capital calls, portfolio rebalancing activities and, when needed, replenishment of the funds on account at the County Treasury. The primary sources of these accounts are cash transfers from other investments in the portfolio.

The EBTF is invested primarily in instruments issued by the U.S. Government, Federal agencies, sponsored agencies, and sponsored corporations. The fund must have 10% of its assets in "daily liquid assets," defined as cash, direct obligations of the U.S. Government, or securities readily convertible to cash within one business day. 30% of the fund's assets must be in "weekly liquid assets" defined as cash direct obligations of the U.S. Government, including certain government agency securities with remaining maturities of 60 days or less and securities readily convertible to cash within five business days. The fund may invest up to five percent of its assets in illiquid securities. The fund maintains prudent diversification across instruments, market sectors, industries, and specific issuers.

SBCERS maintains balances in EBTF to facilitate funding investment mandates and receiving distributions from investment mandates. Additionally, when underlying managers maintain a tactical position to cash, these amounts are also held in EBTF. Amounts held at SBCERS' custodian bank are uninsured over $250,000 and uncollateralized.

SBCERS' DEPOSITS AND SHORT-TERM INVESTMENTS

Dollars in thousands

		County Treasury		*BNY Mellon*
Cash Held for Pension Benefits	$	15,985	$	-
Cash Held for OPEB Benefits		5,030		-
Short-term Investments for Pension Benefits		-		69,752
Total by custodian	*$*	*21,015*	*$*	*69,752*
Total Deposits and Short-Term Investments	**$**	**90,767**		

Balances as of June 30, 2020

Custodial Credit Risk for Deposits and Short-Term Investments

Custodial Credit Risk for deposits is the risk that, in the event of a financial institution's failure, SBCERS would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. SBCERS does not have a policy on Custodial Credit Risk for Deposits and Short-Term Investments.

Santa Barbara County Treasury

SBCERS' investments held in the name of the County are not specifically identifiable. On June 30, 2020, cost approximated fair value of the SBCERS' share of pooled cash and investments. Deposits with the County Treasury are insured and/or collateralized to the extent the monies are held in its depository institution. The fair value of deposits approximated the bank balances on June 30, 2020.

SBCERS' SUMMARY OF PENSION AND OPEB INVESTMENTS

Dollars in thousands

		2020
Pension Plan Investments at Fair Value		
Private Equity	$	347,032
Domestic Equity		628,892
Core Fixed Income		518,596
Developed Markets Non-US Equity		312,908
Emerging Market Equity		227,499
Non-Core Fixed Income		266,379
Real Assets/Real Return		436,915
Real Estate		310,592
Private Credit		58,901
Short-Term Investments		69,752
Collateral Held for Securities Lending		15,387
Total Pension Plan Investments at Fair Value	**$**	**3,192,853**
OPEB Plan Investments at Fair Value		
Domestic Equity	$	16,131
Core Fixed Income		10,880
Total OPEB Plan Investments at Fair Value	**$**	**27,011**
Total All Plans	**$**	**3,219,864**

Fair Value Measurements

SBCERS categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. SBCERS' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The table *Investments Measured at Fair Value* in this footnote (presented on the following page) shows the fair value leveling of the investments for SBCERS.

Bid evaluations may include market quotations, yields, maturities, call features, and ratings.

Level 1 investments are valued using pricing derived from active markets, examples of which include NYSE, NASDAQ, Chicago Board of Trade and Pink Sheets. US Government Treasury Securities are classified at Level 1 due to the reduced risk component and because they are traded more actively than other fixed income instruments. US Government Agency Notes are not classified in Level 1.

Level 2 investments are evaluated using matrix pricing, market corroborated pricing and inputs such as yield curves and indices. Examples of Level 2 investments include Corporate Bonds and Asset Backed Securities and Government Bonds that are not US Treasury Securities.

Level 3 investments are valued using pricing provided by Investment Managers and also information provided by investment management firms. Examples of Level 3 investments include pooled investment funds and term loans.

INVESTMENTS MEASURED AT FAIR VALUE

Dollars in thousands

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets: Level 1	Significant Other Observable Inputs: Level 2	Significant Unobservable Inputs: Level 3
Pension Investments Measured at Fair Value				
Equity				
Domestic Equity	$ 275,266	$ 275,266	$ -	$ -
International Equity	283,792	283,792	-	-
Total Equity	**$ 559,058**	**$ 559,058**	**$ -**	**$ -**
Fixed Income Securities				
Asset Backed Securities	$ 754	$ -	$ 754	$ -
Corporates and Other Credits	291,300	10,730	275,438	5,132
Government Securities	95,020	-	95,020	-
Other	(21)	(21)	-	-
Total Fixed Income Securities	**$ 387,053**	**$ 10,709**	**$ 371,212**	**$ 5,132**
Real Estate				
Real Estate Investment Trusts (REITs)	$ 18,571	$ 18,571	$ -	$ -
Total Real Estate	**$ 18,571**	**$ 18,571**	**$ -**	**$ -**
Short-Term Investments	$ 69,752	$ -	$ 69,752	$ -
Securities Lending	15,387	-	15,387	-
Total Pension Investments Measured at Fair Value	***$ 1,049,821***	***$ 588,338***	***$ 456,351***	***$ 5,132***
Pension Investments Measured at Net Asset Value (NAV)				
Commingled Funds	$ 1,257,577			
Real Estate Funds	310,592			
Private Equity Funds	347,032			
Private Credit	58,901			
Real Asset Funds	168,930			
Total Pension Investments Measured at NAV	***$ 2,143,032***			
TOTAL PENSION INVESTMENTS	**$ 3,192,853**			
Pension Investment Derivative Instruments				
Forward Contracts	$ 2,109	$ -	$ -	$ 2,109
Futures	(21)	-	-	(21)
Participation Certficate	2,023	-	-	2,023
Total Pension Investment Derivative Instruments	***$ 4,111***	***$ -***	***$ -***	***$ 4,111***
OPEB Trust Investments Measured at Net Asset Value (NAV)				
Equity Commingled Funds	$ 16,131			
Debt Commingled Funds	10,880			
Total OPEB Trust Investments Measured at NAV	***$ 27,011***			

Investments Measured at the Net Asset Value

The fair values of investments in these types of funds have been determined using the Net Asset Value (NAV) per share of the investments.

PENSION & OPEB TRUST INVESTMENTS MEASURED AT THE NET ASSET VALUE

Dollars in thousands

	June 30, 2020	Unfunded Commitments	Redemption Frequency	Notice
Pension Investments				
Commingled Funds (1)	$ 1,257,577	$ -	Daily to Monthly	Daily to 90 Days
Private Real Estate Funds (2)	310,592	99,705	Annually	Daily to 90 Days
Private Equity Funds (3)	347,032	266,078	Not Redeemable	
Private Credit Funds (4)	58,901	5,113	Annually or Not Redeemable	90 Days
Real Asset Funds (5)	168,930	226,574	Not Redeemable	
Total Pension Investments Measured at Net Asset Value	***$ 2,143,032***			
Total Pension Unfunded Commitments		***$ 597,470***		
OPEB Trust Investments				
Equity Commingled Funds	$ 16,131	$ -		
Debt Commingled Funds	10,880	-		
Total OPEB Trust Investments Measured at Net Asset Val	***$ 27,011***			
Total OPEB Trust Unfunded Commitments		***$ -***		

(1) Commingled Funds (Pension Trust Investments and OPEB)

This investment type consists of commingled funds that invest primarily in equity, debt, or real estate investments. There were 15 commingled funds as of June 30, 2020. The six commingled equity funds in this investment type include foreign, domestic, and emerging market investments. Five commingled debt funds contain Treasury Inflation Protected Securities (TIPS), investment grade bonds, foreign bonds and bank loans. Four real asset commingled funds encompasses public infrastructure, global listed natural resources, real estate, and commodities businesses. Each investment fund is benchmarked to an appropriate index and investments can be redeemed daily or monthly, depending on the fund. 1 to 90 day advance notice is also required depending on the fund. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

(2) Private Real Estate Funds

This investment type is comprised of investments that are allocated to value added, core and opportunistic real estate strategies. Investments in this type are geographically diversified across the United States and Europe. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income. The investments in this pool are mostly illiquid closed end funds.

For the fiscal year ended June 30, 2020, this investment type consists of 33 limited partnership investments ranging in commitment sizes from $4.5 million to $20 million. The remaining commitments outstanding on these funds as of June 30, 2020 are $99.7 million.

Robin Hill Road, LLC NAV is included in this investment type. The NAV used is the appraised price as of June 30, 2020 based on an appraisal as of July 9, 2020.

(3) Private Equity Funds

Investments of this type consist of corporate finance/buy out, distressed debt, venture capital, and secondary funds and are globally diversified. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income. The investments in this pool are mostly illiquid closed end funds.

For the fiscal year ended June 30, 2020, this investment type consists of 85 limited partnership investments ranging in commitment size from approximately $2 million to $30 million with $266 million remaining commitments outstanding.

(4) Private Credit Funds

Investments of this type include direct lending credit funds. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income.

For the fiscal year ended June 30, 2020, this investment type of funds consists of three limited partnership investments ranging in commitment sizes from approximately $20 million to $25 million. The remaining commitments outstanding on these funds as of June 30, 2020 are $5 million.

(5) Real Asset Funds

Investments of this type include infrastructure and natural resources oriented partnerships and are globally diversified. The fair value of these investments have been determined by the investment custodian bank by using the last capital account statement from the respective general partner and adjusting for capital calls, management fees inside the commitment, return of capital, gain or loss, and income.

For the fiscal year ended June 30, 2020, these investment type of funds consists of 30 limited partnership investments ranging in commitment sizes from approximately $5 million to $20 million. The remaining commitments outstanding on these funds as of June 30, 2020 are $227 million.

Investment Risk

The Board's investment policies and guidelines allocate the asset classes of the portfolio investments within ranges. The portfolio is maintained within the ranges and reported each month. The Board annually reviews the allocation model and the risk structure of the total portfolio. The investment policy does not address Credit Risk, Concentration of Credit Risk, Interest Rate Risk, or Foreign Currency Risk, as investment managers within their specific mandates are given risk parameters that would result in limiting these types of risk on a total portfolio level. GASB Statement No. 40 requires that investments be evaluated to give an indication of the level of risk assumed at year-end.

Concentration Risk

The System does not hold investments in any one underlying security that represents 5% or more of the System's fiduciary net position.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SBCERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To control Credit

Risk, credit quality guidelines have been established. The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization are shown in the *Credit Risk by Quality Analysis* table.

CREDIT RISK BY QUALITY ANALYSIS

Dollars in thousands

S & P Rating	Treasurer Investment Pool	Domestic Fixed Income	International Fixed Income	Total	%
AAA	$ 799	$ -	$ 367	$ 1,166	0.3%
AA+	-	93,182	-	93,182	24.1%
AA	18,283	-	-	18,283	4.7%
AA-	-	-	-	-	0.0%
A+	-	5,995	23	6,018	1.6%
A	-	28,110	-	28,110	7.3%
A-	-	94,202	351	94,553	24.5%
BBB+	-	39,299	337	39,636	10.3%
BBB	-	5,749	490	6,239	1.6%
BBB-	-	10,629	6,764	17,393	4.5%
BB+	-	6,947	1,955	8,902	2.3%
BB	-	9,237	1,577	10,814	2.8%
BB-	-	12,479	3,331	15,810	4.1%
B+	-	10,708	1,959	12,667	3.3%
B	-	7,057	3,242	10,299	2.7%
B-	-	7,455	1,142	8,597	2.2%
CCC+	-	3,974	2,341	6,315	1.6%
CCC	-	1,603	518	2,121	0.5%
CCC-	-	453	-	453	0.1%
CC	-	-	44	44	0.0%
C	-	-	-	-	0.0%
NR	1,933	2,186	1,586	5,705	1.5%
Totals	**$ 21,015**	**$ 339,265**	**$ 26,027**	**$ 386,307**	**100.0%**

This table does not tie to Investments Measured at Fair Value because this presentation includes accruals.

Custodial Credit Risk for Investments

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SBCERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in SBCERS' name, and held by a counterparty. Generally, SBCERS' securities are not exposed to custodial risk as they are held by our custodial bank in our nominee name.

Short-term investments held in the BNY Mellon Global Securities Services EBTF are uninsured over $250,000, and uncollateralized.

Concentrations of Credit Risk

As of June 30, 2020, SBCERS' investment portfolio contained no concentration of investments in any one entity (other than investments guaranteed by the U.S. Government, investments in mutual funds, and external investment pools) that represented 5 percent or more of the total investment portfolio.

Securities Lending

SBCERS is legally authorized to engage in securities lending transactions pursuant to the CERL, California Government Code §31594. SBCERS participates in securities lending through its custodian BNY Mellon to increase income. Securities are lent to brokers and dealers (borrower) and in turn, SBCERS receives collateral. Collateral can be in the forms of cash (both United States and foreign currency), securities issued or guaranteed by the U.S. Government, sovereign debt of foreign countries, or irrevocable bank letters of credit or such other forms as may be agreed upon. SBCERS pays the borrower a negotiated rebate rate on the collateral received and invests the collateral with the goal of earning a higher yield than the rebate rate paid to the borrower. Earnings generated above and beyond the rebate paid to the borrower represent the net income to SBCERS from the transaction.

At year-end, SBCERS had no credit risk exposure to borrowers because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2020, there were no violations of legal or contractual provisions. SBCERS had no losses on securities lending transactions resulting from the default of a borrower for the fiscal year ended June 30, 2020. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to SBCERS as defined by GASB Statements No. 28 and No. 40 by its participation in the Securities Lending Program. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities.

Transactions are collateralized at no less than 100% of the security's fair value. Collateral is marked to market daily. The custodian invests the collateral received in short-term investment funds (maintained by the custodian), money market mutual funds, and other similar investments as the custodian may select.

The average term of all SBCERS' loans is overnight or "on demand." The custodian ensures that there is an absolute right to terminate the agreement without cause, upon short notice and without any penalty. SBCERS cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, BNY Mellon indemnifies SBCERS to the extent of replacing the securities loaned.

As of June 30, 2020, the fair value of securities on loan was $41.3 million and the value of collateral received for the securities on loan was $42.6 million, of which $27.2 million was non-cash collateral and $15.4 million was cash collateral from equity and fixed income securities. Non-cash collateral, which SBCERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. SBCERS' income net of expense from securities lending was $202 thousand for the fiscal year ending June 30, 2020.

SBCERS' SECURITIES LENDING PROGRAM

Dollars in thousands

Securities on Loan	Fair Value of Securities on Loan	Collateral Received	Collateral Percent
Domestic Equities	$ 4,569	$ 4,657	
International Equities	6,498	6,890	
Domestic Corporate Fixed Income	3,752	3,840	
Total Cash	*14,819*	*15,387*	
Total Non-Cash	*26,515*	*27,227*	
Total Securities on Loan	**$ 41,334**	**$ 42,614**	**103%**

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average of time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. SBCERS' international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures (maturity ranging from at least 20 days and not to exceed one year for either instrument) are permitted for defensive currency hedging.

FOREIGN CURRENCY RISK SCHEDULE

Dollars in thousands

Currency	*Cash*	*Equity*	*Fixed Income*	*Fair Value*
Australian Dollar	$ -	$ 14,525	$ -	$ 14,525
Bangladesh Taka	-	286	-	286
Brazilian Real	0	10,572	367	10,939
Canadian Dollar	(10)	11,495	643	12,128
Chilean Peso	-	2,034	-	2,034
Chinese Yuan Renminbi	-	2,006	-	2,006
Colombian Peso	-	103	213	316
Czech Koruna	-	388	-	388
Danish Krone	-	11,995	-	11,995
Euro	(673)	100,056	-	99,383
Hong Kong Dollar	11	63,670	-	63,681
Hungarian Forint	-	236	-	236
Indian Rupee	-	31,381	-	31,381
Indonesian Rupiah	-	5,920	177	6,097
Israeli Shekel	1	-	-	1
Japanese Yen	(855)	57,188	-	56,333
Malaysian Ringgit	-	2,400	339	2,739
Mexican Peso	-	2,507	337	2,844
New Taiwan Dollar	(275)	37,713	-	37,438
New Zealand Dollar	-	841	-	841
Norwegian Krone	0	849	-	849
Peruvian Nuevo Sol	-	-	351	351
Philippines Peso	-	4,599	-	4,599
Polish Zloty	0	941	-	941
Qatari Riyal	-	21	-	21
Saudi Riyal	-	199	-	199
Singapore Dollar	0	4,838	865	5,703
South African Rand	0	14,940	-	14,940
South Korean Won	-	27,283	454	27,737
Swedish Krona	-	7,493	-	7,493
Swiss Franc	(10)	28,050	-	28,040
Thai Baht	-	4,413	-	4,413
Turkish Lira	-	2,716	-	2,716
United Arab Emirates Dirham	-	13	-	13
United Kingdom Pound Sterling	(577)	38,915	262	38,600
Total Securities Held in Foreign Currency	**$ (2,388)**	**$ 490,586**	**$ 4,008**	**$ 492,206**

Derivatives

Derivatives are investments that derive their value, usefulness, and marketability from an underlying instrument, and represents direct ownership of an asset or obligation of an issuer whose payments are based on or “derived” from the performance of an agreed upon benchmark. The notional amount is the nominal or face amount that is used to calculate payments made on that instrument. As of June 30, 2020, SBCERS’ derivatives investments were in Forward Contracts, Futures, and Participation Certificates. Investments in commingled funds may provide added exposure to derivatives.

Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

Participation Certificates

Participation certificates are equity-linked securities that provide economic exposure to a security of a non-U.S. company without a direct investment in that security.

HOLDINGS OF DERIVATIVE SECURITIES

Dollars in thousands

Derivative Type	*Notional Amount*	*Fair Value*
Forward Contracts	$ 2,109	$ 2,109
Futures	(2,513)	(21)
Participation Certficates	2,024	2,024
Total	**$ 1,620**	**$ 4,112**

Derivative Credit Risk

SBCERS is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to derivative credit risk include collateralized mortgage obligations, swap agreements, and futures contracts. The following Derivative Credit Risk Schedule discloses the counterparty ratings of SBCERS' investment derivatives in asset positions by type as of June 30, 2020. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement. The schedule displays the fair value of investments by credit rating. As of June 30, 2020, SBCERS' has a net exposure to derivative credit risk of $4.1 million.

DERIVATIVE CREDIT RISK SCHEDULE

Dollars in thousands

	Derivative Type			
S&P Investment Rating	*Forward Contracts*	*Futures*	*Participation Certificates*	*Total Fair Value*
Investment Grade				
AA	$ -	$ -	$ -	$ -
A	1,350	-	-	1,350
BBB	759	-	-	759
Total Investment Grade	$ 2,109	$ -	$ -	$ 2,109
Not Rated	-	(21)	2,024	2,003
Total Fair Value	$ **2,109**	**$ (21)**	**$ 2,024**	**$ 4,112**

Ratings are not applicable to all derivative instruments held. Those presented above are based on the counterparty's S&P rating.

Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2020, SBCERS did not have any derivatives with material exposure to interest rate risk.

Derivative Foreign Currency Risk

For those dollar-denominated securities issued by foreign countries, there is an exposure to a foreign currency risk. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

DERIVATIVE FOREIGN CURRENCY RISK SCHEDULE

Dollars in thousands

Currency		*Forwards*		*Futures*
Euro Currency Unit	$	635	$	-
Pound Sterling		584		-
Japanese Yen		890		-
Total	**$**	**2,109**	**$**	**-**

5. LEASE COMMITMENTS

SBCERS leases property under lease agreements that expire in 2020. SBCERS exercised an option to renew its Santa Maria lease agreement for an additional year extending the term through August 14, 2020. SBCERS began new leases in different buildings starting in the summer of 2020. The Goleta office lease at Robin Hill Road began July 1, 2020 and will extend through June 2022. The new Santa Maria office lease began August 1, 2020 and will run through July 2025.

The Santa Barbara office lease requires that SBCERS pay a portion of the building's operating expenses based on square footage occupied. Lease expense, exclusive of common area maintenance fees, in fiscal year 2020 was $226,254. Minimum non-cancelable lease commitments as of June 30, 2020, are shown in the adjacent table.

MINIMUM LEASE COMMITMENTS

Fiscal Year		Amount
2020 - 2021	$	168,482
2021 - 2022		162,432
2022 - 2023		36,218
2023 - 2024		36,336
2024 - 2025		36,336
2025 - 2026		3,028
Total	$	442,832

6. PENSION PLAN RESERVES

The reserves represent the components of SBCERS' fiduciary net position. Reserves are established from member and plan sponsor contributions and the accumulation of investment income after satisfying investment and administrative expenses. Following are brief explanations of the reserves and accounts used by SBCERS.

Member Deposit Reserve

Consists of contributions made by active and deferred members and accrued interest. Amounts are deducted from this reserve when a refund of member contributions is made or when a member retires and amounts are transferred to the Retired Member Reserve.

Retired Member Reserve

Consists of funds accumulated to pay retirement benefits to retired members. Additions to this reserve consist of transfers from the Member Deposit Reserve and Plan Sponsor Advance Reserve, along with interest earnings. Benefit payments to retired members, beneficiaries and survivors reduce this reserve.

Plan Sponsor Advance Reserve

Consists of plan sponsor contributions for future retirement payments to current active members and deferred members. Additions to this reserve include plan sponsor contributions and interest earnings. Deductions from this reserve consist of transfers to the Retired Member Reserve, lump sum death benefits, and supplemental disability allowance payments. A refund of member contributions has no corresponding effect on the balance of the Plan Sponsor Advance Reserve because the plan sponsor contribution rates are based on assumptions that include an expected rate of member termination.

Contra Tracking Account

Represents the difference between the value of the reserves and the fair value of assets. This account is negative unless the fair value of assets exceeds the actuarially accrued liability.

Contingency Reserve

Consists of funds accumulated in excess of amounts necessary to fully fund the actuarially accrued liability. The Contingency Reserve balance is zero unless the fair value of assets exceeds the actuarially accrued liability.

SBCERS' VALUATION RESERVES – PENSION PLAN

Dollars in thousands

		June 30, 2020
Member Deposit Reserve	$	230,743
Retired Member Reserve		3,004,225
Plan Sponsor Advance Reserve		1,071,459
Contra Tracking Account		(1,112,495)
Net Position Restricted for Pension Benefits	**$**	**3,193,932**

7. PENSION PLAN CONTRIBUTIONS

Funding Objective

The funding for retirement benefits comes from member contributions, plan sponsor contributions, and the earnings on investments held by the Plan. Contributions are made by members and employers at rates recommended by an independent actuary, approved by the Board, and adopted by the Board of Supervisors. The funding objective of SBCERS is to establish member and participating plan sponsor contribution rates that will remain level over time as a percentage of payroll, unless plan benefit provisions or actuarial assumptions are changed.

Money-Weighted Rate of Return

For the fiscal year ending June 30, 2020, the annual money-weighted rate of return on Plan investments, net of Plan investment expense was negative 0.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Target Allocation and Long-term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments of 7.00% was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class, without consideration of inflation, are summarized in the following table below.

TARGET ALLOCATION AND LONG-TERM EXPECTED REAL RATE OF RETURN

As of June 30, 2020

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad US Equity	19%	5.30%
Dev'd Markets Non-US Equity	11%	7.00%
Emerging Markets Equity	7%	9.25%
Core Fixed Income	17%	0.50%
Custom Non-Core Fixed Income[1]	11%	5.10%
Custom Real Return	15%	5.00%
Custom Real Estate	10%	4.55%
Private Equity	10%	8.00%
Cash	0%	-0.50%
Total	**100%**	

[1] *Private credit allocation included in Custom Non-Core Fixed Income.*

The investment rate of return assumption used for actuarial funding was 7.00% for the fiscal year ending June 30, 2020. The 7.00% is comprised of an assumed real rate of return of 4.25% and an inflation assumption of 2.75%.

Discount Rate

GASB Statement No. 67 (GASB 67) requires a determination that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Member Contribution Policy

Participating members are required by various CERL statutes to contribute a percentage of covered compensation based on certain actuarial assumptions and their age at entry into the Plan. Member contributions are based upon each individual member's age of entry into SBCERS, except for Plan 8 members who pay a rate equivalent to one half of the normal cost of the Plan and General Plan 2 members who do not make contributions. Member contributions cannot be withdrawn until separation from employment.

In 2018, the County's employee bargaining units agreed to negotiated terms that included the employees assuming a share of the Plan Sponsor's contributions. The estimated impact of the cost sharing arrangements were to reduce the Plan Sponsor's composite cost by 1.55% for the fiscal year ended June 30, 2020. Member rates increased by a slightly greater amount due to the refundable nature of member contributions. Cost sharing agreements did not apply to members of PEPRA plans.

Plan Sponsor Contribution Policy

Plan sponsor contributions are adopted in accordance with §31453 and §31454 of the CERL. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the plan sponsor contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL).

Contributions for the fiscal year ended June 30, 2020, were implemented using the June 30, 2018 actuarial valuation. For the June 30, 2018 valuation, plan assets were valued at the fair value of assets. New sources of UAAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period. The amortization payments are made as a percentage of payroll and have a five-year ramp up at the beginning of the amortization period, a four-year ramp down at the end of the period, and 10 years of level payments as a percentage of payroll between the ramping periods.

For certain bargaining units and plans, a portion of the member contribution is paid by the plan sponsor.

Contribution Rates

The following schedule summarizes the contribution rates in effect for the fiscal year ended June 30, 2020. Contribution rates are expressed as a percentage of covered payroll. The member contribution rates depicted below vary according to age at entry, benefit plan, and tier level.

Contributions made for the fiscal year ended June 30, 2020, were in accordance with actuarially determined contributions for the year. The actuarially determined employer contribution rate was 40.02% of payroll, 38.47% net of employee cost-sharing. The actuarially determined employee contribution rate was 6.27%. For the fiscal year ended June 30, 2020, covered payroll was $373 million.

MEMBER CONTRIBUTION RATES

Member Classification	*Plan Sponsor Rates*	*Member Rates*
General Members	24.11% - 37.15%	2.36% - 12.15%
Safety Members	44.19% - 64.50%	5.23% - 19.15%
APCD Members	42.91% - 51.24%	3.44% - 12.77%

The rates above do not include employee cost-sharing contributions.

FISCAL YEAR CONTRIBUTIONS BY PLAN

Dollars in thousands

			2020
General Plan 2	Employer contributions	$	106
General Plans 5, 7 & 8	Employer contributions		86,847
	Member contributions		19,792
Safety Plans 4, 6 & 8	Employer contributions		53,058
	Member contributions		11,605
APCD Plans 1, 2 & 8	Employer contributions		1,574
	Member contributions		221
Total		**$**	**173,203**

FISCAL YEAR CONTRIBUTIONS BY PLAN SPONSOR

Dollars in thousands

Employer Contributions		*2020*	
Santa Barbara County	$	131,338	92.8%
Santa Barbara County Superior Court		5,320	3.7%
APCD		1,574	1.1%
Special Districts		3,353	2.4%
Total Employer Contributions	$	141,585	100.0%
Member Contributions			
Santa Barbara County	$	29,485	93.3%
Santa Barbara County Superior Court		1,266	4.0%
APCD		221	0.7%
Special Districts		646	2.0%
Total Member Contributions	$	31,618	100.0%
Total Contributions	**$**	**173,203**	

8. NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

Employers' Net Pension Liability

The net pension liability is measured as the total pension liability less the amount of the Plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement reporting purposes. The components of the Plan's net pension liability on June 30, 2020, are presented on the following page:

SCHEDULE OF NET PENSION LIABILITY

Dollars in thousands

		June 30, 2020
Total Pension Liability	$	4,249,671
Less: Fiduciary Net Position		(3,193,932)
Net Pension Liability	**$**	**1,055,739**
Fiduciary Net Position as a Percentage of Total Pension Liability		75.16%

Actuarial Assumptions

SUMMARY OF ACTUARIAL INFORMATION	
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Individual Entry Age Method
Amortization Method	Level percentage of projected salaries of present and future members
Amortization Period	Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 17-year period, except for the additional UAL attributable to the creation of Safety Plan 6, which is being amortized over a separate closed period (9 years as of June 30, 2019). Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes is amortized over a closed 19-year period, with a five-year ramp up period at the beginning of the period, a four-year ramp down at the end of period, and 10 years of level payments as a percentage of payroll. This method is a type of direct rate smoothing.
Asset Valuation Method	Fair Value of Assets
Summary of Valuation Assumptions [1]	
Investment Rate of Return	7.0%, net of investment expenses 2.75% for CPI (inflation) + 4.25% for real return
Projected Salary Increase	Variable percentage based on service and employment type (General/Safety)
Wage Inflation	3.00%
Cost-of-Living Adjustments for Retirees	2.60% for General Plan 5, Safety Plans 4, 6 and 8, APCD Plans 1 and 2, and General Plan 8[2] 1.90% for General Plan 7, APCD Plan 8, and General Plan 8[2] 0.0% for General Plan 2
Mortality Rates	*Healthy lives:* Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Non-duty related mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Safety active members are also subject to the 2014 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational improvement using Projection Scale MP-2019 from a base year of 2009. Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019. Mortality rates for Safety annuitants are based the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019. *Disabled lives:* Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with generational improvement using Projection Scale MP-2019 from a base year of 2009.

[1] *Assumptions as of June 30, 2019*
[2] *General Plan 8 Cost-of-Living Adjustment is 2.60% if plan sponsor did not implement General Plan 7 prior to January 1, 2013. Otherwise, assume 1.90%.*

Sensitivity Analysis

The net pension liability is calculated using the discount rate. The following table presents the net pension liability change when a modification is applied to the current discount rate of 7.00%. The sensitivity schedule calculates what the net pension liability would be if it were calculated using a discount rate that is 1-percent point lower or 1-percent point higher than the current rate.

SCHEDULE OF NET PENSION LIABILITY SENSITIVITY

Dollars in thousands

As of June 30, 2020	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	$ 4,797,659	$ 4,249,671	$ 3,784,631
Less: Fiduciary Net Position	(3,193,932)	(3,193,932)	(3,193,932)
Net Pension Liability	**$ 1,603,727**	**$ 1,055,739**	**$ 590,699**
Fiduciary Net Position as a Percentage of Total Pension Liability	66.6%	75.2%	84.4%

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

OPEB Plan Description

Plan administration

SBCERS administers an agent multiple-employer OPEB Plan that provides health care benefits for retired members and their eligible dependents. The OPEB Plan is funded by Santa Barbara County and other plan sponsors (see box to right), and is administered in accordance with §401(h) of the Internal Revenue Code. It was established on September 16, 2008, by the County Board of Supervisors who created a 401(h) Medical Trust. Also in 2008, an application for determination and a voluntary compliance plan was submitted to the Internal Revenue Service (IRS), and in October 2013, the IRS acted favorably on the application. SBCERS and its plan sponsors currently operate under the Voluntary Compliance Plan Statement and regulations adopted in 2013.

OPEB Plan Sponsors

- County of Santa Barbara
- Air Pollution Control District
- Santa Barbara County Superior Court
- Carpinteria Cemetery
- Goleta Cemetery
- Santa Maria Cemetery
- SBCAG
- Summerland Sanitary
- Carpinteria-Summerland Fire Protection District

Oak Hill Cemetery and Mosquito & Vector Management District do not participate in the OPEB Plan.

Plan membership

On June 26, 2012, the County closed the OPEB Plan to new general employees, and on June 20, 2016, the OPEB Plan was closed to new County safety members. The OPEB Plan has been closed to all new entrants with membership dates in SBCERS on or after December 31, 2018. At June 30, 2020, 100% of eligible SBCERS' retirees participated in the OPEB program. The membership consisted of the following as of the June 30, 2019 valuation report:

Inactive plan members or beneficiaries currently receiving benefit payments	4,458
Inactive plan members entitled to but not yet receiving benefit payments	906
Active plan members/active employees	2,705
Total	**8,069**

OPEB Benefit Provisions

Benefits provided

SBCERS offers healthcare, vision, and dental benefits for retirees and their dependents. Benefits are provided by third party providers. The County negotiates the health care insurance contracts with the carriers covering both active and retired members. Retirees are offered the same health plans as active employees, as well as plans for retirees on Medicare. Retiree premiums are calculated by the County and its consultants.

SBCERS' retirees who elect to purchase plan sponsor qualified health plans are eligible to receive an explicit subsidy for medical premiums funded by the County and other plan sponsors. The monthly subsidy is $15 per year of service. If the monthly premium for the health plan selected is less than $15 times the member's years of service, the subsidy is limited to the entire premium. The health plans include coverage for eligible spouses and dependents. After the member's death, a beneficiary is eligible to continue health plan coverage. The subsidy benefit will be equal to $15 per year of service times the survivor continuation percentage applicable for pension benefits. If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of $187 or $15 per year of service, whichever is greater.

Retirees who choose not to participate in a plan sponsor qualified health plan receive a monthly benefit of $4 per year of service. This benefit, known as a Healthcare Reimbursement Arrangement, reimburses qualified health care expenses through a qualified health reimbursement account.

The table below is a summary of the actual benefits awarded and actual enrollees participating in the OPEB Plan as of June 30, 2020.

OPEB HEALTH CARE BENEFITS

Dollars in thousands

		Benefits	*Enrollees*
Health premium subsidy	$	7,412	1,615
Healthcare Reimbursement Arrangement		1,838	2,926
Total	$	**9,250**	**4,541**

OPEB Funding Policy – Contributions

All OPEB Plan Sponsors Other than the County, Courts, and APCD

Through the fiscal year ended June 30, 2020, the OPEB Plan was funded on a pay-as-you-go basis by all plan sponsors with the exception of the County, Courts, and the APCD.

County of Santa Barbara

The County began increasing funding contributions beyond pay-as-you-go during the fiscal year ended June 30, 2014, when the County adopted a budget policy of increasing the contributions to the OPEB Plan by 0.25% of covered payroll per fiscal year. On March 1, 2016, the County adopted a resolution approving an OPEB (401(h) Account) Funding Policy. This policy provides for funding the OPEB Plan at 4% of Covered Payroll for the 401(a) Pension Plan (as opposed to the smaller covered payroll of the OPEB Plan). This funding policy was applicable beginning July 1, 2016.

Santa Barbara County Air Pollution Control District (APCD)

APCD has been advance funding the OPEB Plan since the calendar year 2009. The contributions made by APCD have exceeded the actuarially developed cost of the OPEB Plan for several years.

Santa Barbara County Superior Court

The Courts submitted a one-time prefunding contribution of $1.3 million as of June 30, 2017, but have no formal pre-funding policy.

OPEB Investments

Investment policy

SBCERS maintains the allocation of invested assets and implements a strategy that reduces risk through diversification of 60% Domestic Equity and 40% Fixed Income asset classes.

OPEB ASSET CLASS AND TARGET ALLOCATION

Asset Class	*Target Allocation*
Domestic Equity	60%
Core Fixed Income	40%
Total	100%

Money-Weighted Rate of Return

For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on investments was 7.42%. Investment fees are presented in financial statements separately for informational purposes. The fees are allocated to the plan sponsors and included in the administrative expense reimbursement paid by plan sponsors, therefore the money-weighted rate of return that expresses investment performance is only adjusted for the changing amounts actually invested and not the fees paid.

Employers' Net OPEB Liability

The net OPEB liability is measured at the Total OPEB Liability (TOL) less the amount of the OPEB Plan's fiduciary net position. This net OPEB liability is an accounting measurement for financial statement reporting purposes as a result of GASB Statement No. 74. The measurements are based on the fair value of assets as of June 30, 2020 and the TOL as of the valuation date, June 30, 2019, updated to the measurement date, June 30, 2020. Between the valuation date and the measurement date, many demographic assumptions were updated to better reflect the experience of the System. For details on the assumption changes, please see the experience study report which was finalized on January 1, 2020. The components of the OPEB Plan's net OPEB liability on June 30, 2020, are in the following schedule.

SCHEDULE OF NET OPEB LIABILITY

In thousands

		June 30, 2020
Total OPEB Liability (TOL)	$	142,036
Less: Fiduciary Net Position		(33,027)
Net OPEB Liability	$	109,009
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		23.25%

Amounts do not agree to Financial Statements due to Cheiron not including fund transfers.

OPEB Actuarial Valuation and GASB 74 Reporting

SBCERS' OPEB Plan's actuarial valuation was conducted by Cheiron, Inc. as of June 30, 2019 and performed in accordance with GASB Statements No. 74 and No. 75. Additionally, Cheiron Inc. issued a GASB 74/75 report as of June 30, 2020 for the OPEB Plan in accordance with GASB Statements No. 74 and No. 75. These two reports meet the requirements to satisfy financial statement reporting guidelines that apply to organizations that administer the OPEB plan. The OPEB valuation is generated annually; prior to 2016 it was performed bi-annually.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The assumptions and methodology for developing the Total OPEB Liability (TOL) as of June 30, 2020 were adjusted for discount rates and assumptions listed in the following section.

Based on the findings of the 2016-2019 experience study report, many demographic assumptions were updated to better reflect the experience of the Fund. For details on the assumption changes, please refer to the experience study report which was finalized on January 10, 2020.

Based on recent plan experience, the plan type election assumption was broken into non-Medicare-eligible and Medicare-eligible components. The Medicare-eligible assumption did not change from that used in the prior valuation. For the non-Medicare-eligible assumption, we assumed that 40% of future retirees will select a monthly subsidy for employer health plan benefits of $15 per year of service, while 60% will select the $4 cash benefit option.

SUMMARY OF OPEB ACTUARIAL ASSUMPTIONS	
OPEB Valuation Date	June 30, 2019
OPEB Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Amortization Cost	Beginning with the June 30, 2017 valuation report, the UAL is no longer being amortized. Instead, we have computed the payment that would be anticipated to be needed – the tread water amount – to prevent the UAL from increasing, if all assumptions are met. This payment is equal to the sum of the normal cost and the interest (calculated using the GASB 74/75 discount rate for each employer) on the UAL as of the valuation date. Beginning with the June 30, 2019 valuation, an amount equal to the expected administrative expenses is also included in the tread water amount.
Economic Assumptions	
Expected Return on Trust Assets	7.00%
Payroll Growth Rate	3.00%
Per Person Cost Trends	N/A
Actuarial Valuation Assumptions	
Valuation Discount Rates	7.00%, Santa Barbara County, Courts, and APCD 3.50%, All others
Ultimate Rate of Medical Inflation	N/A
Post-Retirement Benefit Increases	None
Plan Election	40% of future retirees select health subsidy of $15 per year of service, 60% select the cash benefit of $4 per year of service
Payment Form Election	*Non-Medicare-Eligible Retirees:* Assumed 40% of future retirees will select a monthly subsidy for employer health plan benefits of $15 per year of service, while 60% select the $4 cash benefit option. *Medicare-Eligible Retirees:* Assumed 55% of future retirees will select a monthly subsidy for employer health plan benefits of $15 per year of service, while 45% select the $4 cash benefit option.

The following assumptions are included in the Actuarial Section of this report:

- Retirement rates for active employees
- Retirement ages for terminated vested participants
- Rates of Termination
- Rates of Mortality
- Rates of Disability
- Family Composition

OPEB Sensitivity Analysis

The long-term expected return on OPEB Plan assets or discount rate used to measure the TOL was 7.00% as of June 30, 2020. The changes in the discount rate affect the measurement of the TOL in that a lower discount rate or expected rate of return will generate a higher TOL and a higher discount rate will produce a lower TOL. The effect on the TOL of a 1.0% increase or decrease in the discount rate is illustrated in the following chart.

SCHEDULE OF NET OPEB LIABILITY SENSITIVITY

Dollars in thousands

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability	$ 157,823	$ 142,036	$ 128,743
Less: Plan Fiduciary Net Position	(33,027)	(33,027)	(33,027)
Net OPEB Liability	$ 124,796	$ 109,009	$ 95,716
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	20.93%	23.25%	25.65%

Amounts do not agree to Financial Statements due to Cheiron not including fund transfers.

10. ADMINISTRATIVE EXPENSE

The Board adopted an annual budget for the fiscal year ended June 30, 2020, that covers the administration expense of the System with the earnings of the retirement fund. Such expenditures are subject to limitations imposed by statute, California Government Code §31580.2. Using the actuarial accrued liability to calculate the statutory budget amount, the calculated limit for the fiscal year ended June 30, 2020 was $8.2 million.

SBCERS has been in compliance with the rules governing administrative expense in prior years. Total administrative expense for the fiscal year ended June 30, 2020 was $6.5 million, of which $5.6 million was subject to the limitation. Actuarial costs, investment expenses related to staff salaries & travel, along with computer technology expenses related to computer hardware, and technology consulting services in support of these computer products shall not be considered costs of administration of the retirement system for purposes of this code section.

Administrative expenses for OPEB are allocated back to the participating employers based on level of participation in the program. These administrative costs are billed to these employers and are therefore not paid for by the OPEB Plan.

SBCERS' ADMINISTRATIVE EXPENSE

Dollars in thousands

		2020
Expense Subject to Statutory Limitation		
Employee Salaries and Benefits (Non-Investment)	$	3,089
Legal Costs		324
Operating Expenses		630
Other Professional Services		1,559
Total Expense Subject to Statutory Limitation	*$*	*5,602*
Expense Not Subject to Statutory Limitation		
Actuarial Costs	$	212
Information Technology		441
Investment Team Salaries		264
Investment Travel		4
Total Expense Not Subject to Statutory Limitation	*$*	*921*
Total Pension Administrative Expense	**$**	**6,523**

11. COMMITMENTS AND CONTINGENCIES

An excise tax commitment may exist related to OPEB and the implementation of GASB Statement No. 74. The actuary will include the impact of the excise tax that the Patient Protection and Affordable Care Act established on employer-provided health insurance benefits in excess of a defined threshold beginning in calendar year 2018, assuming that the Affordable Care Act (ACA) will remain applicable.

In the normal course of business, denials of applications for benefits are appealed to the Superior Court. The outcome of these decisions will have no material impact on the financial status of SBCERS.

On September 23, 2020, the Board approved a written agreement with Frank Schipper Construction Company for Pre-Construction Services on the Robin Hill Road building in an amount not to exceed $6.3 million. This contract is for improvements to the 130 Robin Hill Road project includes site work, HVAC systems, ADA improvements, and an elevator. The building is carried as an asset of the investment pool at Fair Value. SBCERS occupies approximately 20% of the property which is used as the System's headquarters.

12. SUBSEQUENT EVENTS

Management has reviewed subsequent events up to the date of the Independent Auditor's Report of December 18, 2020, and has the following subsequent events to report.

- Following the close of the fiscal year ended June 30, 2020, on July 30, 2020, the California Supreme Court issued its decision in Alameda County Deputy Sheriffs' Assoc. v. Alameda County Employees' Retirement Association (the Alameda Decision). SBCERS staff continues to complete analysis on the potential impacts to members in late 2020.
- Santa Barbara County Local Agency Formation Commission (LAFCO) will join the System as a new employer. The LAFCO adopted a resolution seeking admission to SBCERS on October 1, 2020, with the Board approving the admission on October 28, 2020. LAFCO became an employer of

SBCERS effective November 1, 2020, and its sole employee became a member on the latter of that date or on his first date of employment.

SBCERS evaluated its June 30, 2020 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Net Position. Other financial impact could occur though such potential impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION – PENSION

CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Dollars in thousands

	Fiscal Year Ended June 30, [1]						
	2020	*2019*	*2018*	*2017*	*2016*	*2015*	*2014*
Total Pension Liability							
Service cost	$ 82,913	$ 76,926	$ 77,632	$ 77,134	$ 71,218	$ 70,056	$ 66,696
Interest (includes interest on service cost)	279,193	267,008	256,694	250,124	241,734	231,804	220,239
Diff. btw expected & actual experience	39,325	23,497	(10,744)	(42,043)	(31,199)	(27,901)	-
Changes of assumptions[2]	(7,455)	-	(29,739)	215,838	-	-	-
Benefit payments, including refunds of member contributions	(195,647)	(182,256)	(169,751)	(154,229)	(146,658)	(137,771)	(131,101)
Net change in total pension liability	*$ 198,329*	*$ 185,175*	*$ 124,092*	*$ 346,824*	*$ 135,095*	*$ 136,188*	*$ 155,834*
Total pension liability - beginning	**4,051,342**	**3,866,167**	**3,742,076**	**3,395,252**	**3,260,157**	**3,123,969**	**2,968,135**
Total pension liability - ending	**$ 4,249,671**	**$ 4,051,342**	**$ 3,866,168**	**$ 3,742,076**	**$ 3,395,252**	**$ 3,260,157**	**$ 3,123,969**
Plan fiduciary net position							
Contributions - employer	$ 141,585	$ 133,707	$ 131,374	$ 121,991	$ 122,748	$ 123,612	$ 119,228
Contributions - member	31,618	26,605	22,534	20,320	18,312	16,622	14,514
Net investment income	24,765	224,843	223,315	264,011	32,801	20,840	328,853
Benefit payments, including refunds of member contributions	(195,647)	(182,256)	(169,751)	(154,229)	(146,658)	(137,771)	(131,101)
Administrative expense	(6,523)	(6,784)	(6,351)	(5,734)	(5,193)	(4,404)	(4,289)
Net change in plan fiduciary net position	**$ (4,202)**	**$ 196,115**	**$ 201,121**	**$ 246,359**	**$ 22,010**	**$ 18,899**	**$ 327,205**
Plan fiduciary net position - beginning[3]	3,198,134	3,002,019	2,800,898	2,554,539	2,532,529	2,513,630	2,186,425
Plan fiduciary net position - ending	$ 3,193,932	$ 3,198,134	$ 3,002,019	$ 2,800,898	$ 2,554,539	$ 2,532,529	$ 2,513,630
Net pension liability[4]	**$ 1,055,739**	**$ 853,208**	**$ 864,149**	**$ 941,178**	**$ 840,713**	**$ 727,628**	**$ 610,339**
Plan fiduciary net position as a percentage of the total pension liability	75.16%	78.94%	77.65%	74.85%	75.24%	77.68%	80.46%
Covered payroll[5]	$ 373,129	$ 355,417	$ 344,512	$ 341,098	$ 328,935	$ 319,547	$ 307,422
Net pension liability as a percentage of covered payroll	282.94%	240.06%	250.83%	275.93%	255.59%	227.71%	198.53%

[1] Schedule is intended to show information for ten years. Fiscal year 2014 was the first year of implementation. Additional years' information will be displayed as it becomes available.

[2] In 2018, amounts reported as changes in assumptions resulted from a change in the assumed benefit payment timing.

[3] June 30, 2017 assets have been restated for consistency with the June 30, 2018 CAFR, which were $409 thousand less than reported in the June 30, 2017 GASB 67/68 report.

[4] Amounts may differ from June 30, 2019 GASB 67/68 Report due to rounding.

[5] Covered payroll represents payroll in which contributions to the pension plan are based.

EMPLOYER PENSION CONTRIBUTION HISTORY

Dollars in thousands

	2020	2019	2018	2017	2016
Actuarially Determined Contribution	$ 141,585	$ 133,708	$ 131,374	$ 121,991	$ 122,748
Contributions in Relation to the Actuarially Determined Contribution	141,585	133,708	131,374	121,991	122,748
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll[1]	$ 373,129	$ 355,417	$ 344,512	$ 341,098	$ 328,935
Contributions as a Percentage of Covered Payroll	37.95%	37.62%	38.13%	35.76%	37.32%

	2015	2014	2013	2012	2011
Actuarially Determined Contribution	$ 123,612	$ 119,228	$ 110,583	$ 108,764	$ 94,437
Contributions in Relation to the Actuarially Determined Contribution	123,612	119,228	110,583	108,764	94,437
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll[1]	$ 319,547	$ 307,422	$ 302,708	$ 305,758	$ 306,963
Contributions as a Percentage of Covered Payroll	38.68%	38.78%	36.53%	35.57%	30.76%

Schedule includes data for the last ten fiscal years.

[1] Covered Payroll was based on actual payroll provided by SBCERS for FYE 2015 and after. In years prior to FYE 2015, payroll was based on payroll reported in the actuarial valuation data.

MONEY-WEIGHTED RATE OF RETURN – PENSION

	For the fiscal year ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expenses	-0.10%	7.74%	7.80%	10.49%	1.38%	0.42%	15.20%

Schedule is intended to show information for ten years. Fiscal year 2014 was the first year of implementation. Additional information will be displayed as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

Key Methods and Assumptions Used to Determine Contribution Rates

Valuation Date Used for Contributions	June 30, 2018
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
Actuarial cost method	Entry Age
Asset valuation method	Fair Value
Amortization method	Effective with the June 30, 2013 actuarial valuation, the Unfunded Actuarial Liability (UAL) was amortized over a closed 17-year period as a level percentage of payroll, except for the additional UAL attributable to the creation of Safety Plan 6, which is amortized over a separate closed period (12 years as of June 30, 2018). Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumptions changes, or method changes are amortized over a closed 19-year period, with a five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and ten years of level payments as a percentage of payroll.
Discount rate	7.00%, net of investment expenses
Amortization growth rate	3.00%
Price inflation	2.75%
Salary increases	3.00% plus merit component based on employee classification and years of service
Mortality	Sex distinct CalPERS Healthy Annuitiant, adjusted by 0.95 for males and 0.90 for females, with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

MONEY-WEIGHTED RATE OF RETURN – OPEB

	For the fiscal year ended June 30,			
	2020	*2019*	*2018*	*2017*
Annual Money-Weighted Rate of Return, Net of Investment Expenses	7.42%	8.57%	8.07%	10.61%

Schedule is intended to show information for ten years. Fiscal year 2017 was the first year of implementation. Additional information will be displayed as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB

The information presented in the required supplementary schedule was determined as part of the actuarial valuation dated June 30, 2019. Additional information as of the latest actuarial valuation follows. The OPEB actuarial valuation is produced on an annual basis beginning in 2016.

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair Value
Actuarial Assumptions	
Payroll growth rate	3.00%
Discount rate	7.00% for County of Santa Barbara, Courts, and APCD, 3.5% for all others
Ultimate rate of medical inflation	N/A
Funding	
County of Santa Barbara	4.00% of total pension plan payroll
APCD	Pre-fund 401(h) up to IRS 25% limit
All others	Pay-as-you-go
Mortality	*Healthy Lives:* Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Non-duty related mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Safety active members are also subject to the 2014 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational mortality improvements projected from 2009 using Projection Scale MP-2019, without adjustment. Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019. Mortality rates for Safety annuitants are based the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019. *Disabled Lives:* Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION- PENSION

SCHEDULE OF PENSION ADMINISTRATION EXPENSE

Dollars in thousands

		2020
Personnel Services		
Salaries and Employee Benefits	$	3,353
Total Personnel Services	**$**	**3,353**
Professional Services		
Actuarial Costs	$	212
Legal Costs		324
Computer Software Services and Support		394
County Cost Allocation		50
Disability Fees		178
External Audit Fees		30
Other Professional Services		1,303
Total Professional Services	**$**	**2,491**
Communication		
Postage	$	44
Telecommunication		42
Training		4
Transportation and Travel		115
Total Communication	**$**	**205**
Rents / Leases / Structures		
Rents/Leases/Structure	$	310
Furniture & Fixtures		-
Building Maintenance		16
Total Rents / Leases / Structures	**$**	**326**
Miscellaneous		
Fund Transfers	$	-
Computer Equipment and Supplies		46
Other Office Expenses		76
Insurance		26
Total Miscellaneous	**$**	**148**
Total Administrative Expenses	**$**	**6,523**

SCHEDULE OF PENSION INVESTMENT EXPENSE

Dollars in thousands

		2020
Investment Activity		
Stock Managers		
Domestic	$	551
International		2,087
Bond Managers		
Domestic		1,078
International		464
Private Credit		27
Private Equity		259
Real Assets		2,185
Real Estate		604
Total from Investment Activity	**$**	**7,255**
Other Investment Expense		
Investment Consultants	$	1,475
Custodian		3,771
Total Other Investment Expense	**$**	**5,246**
Total Fees and Other Investment Expense	**$**	**12,501**

SCHEDULE OF CONSULTANT PAYMENTS – PENSION

Dollars in thousands

		2020
Payments to Consultants		
Actuarial Services	$	212
Audit Services		30
Legal Services		324
Total Payments to Consultants	**$**	**566**

The expenses above are part of deductions from the Basic Financial Statements.

INVESTMENT

Memorandum

To	Retirement Board
From	RVK, Inc.
Subject	2020 Comprehensive Annual Financial Report ("CAFR")
Date	November 11, 2020

Dear Board Members:

This letter serves to provide an overview of the capital markets and the Santa Barbara County Employees' Retirement System ("System") portfolio's positioning for the fiscal year ended June 30, 2020.

Economic Overview

The 2020 fiscal year (July 1, 2019 to June 30, 2020) was affected by the COVID-19 pandemic that triggered economic lockdowns across the world in March of 2020. The economic shutdowns contributed to major economies dipping into recessions, unemployment rates increasing, and global trade slowing significantly, precipitating swift moves from the Federal Reserve and many other central banks globally. Within the U.S., the Federal Open Market Committee ("FOMC") cut the federal funds target range ("FFR") by a total of 225 basis points over the fiscal year, from 2.25%-2.50% to 0%-0.25%. At the June FOMC meeting, the Federal Reserve indicated its intention to hold the target FFR range at 0%-0.25% through at least 2022 in an effort to spur economic growth and help the U.S. economy recover from the coronavirus pandemic.

Across the globe, governments issued unprecedented amounts of fiscal stimulus in an attempt to offset the economic effects of the shutdowns. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), a $2.2 trillion economic stimulus bill, was signed into law in the U.S. The CARES Act included $300 billion in one-time cash payments to individuals, $350 billion in forgivable loans to small businesses, and $260 billion in increased unemployment benefits, among many other provisions.

Capital Markets Overview

Following a strong end to the calendar year 2019, financial markets sold off sharply during March 2020. From peak to trough, the S&P 500 Index dropped nearly 34% in one of the fastest recorded market drawdowns. However, markets rallied and partially recovered to end the fiscal year, as many countries implemented stimulating fiscal and monetary policy and relaxed lockdown measures. For the complete fiscal year, U.S. equities outperformed their non-U.S. counterparts with the Russell 3000 Index returning 6.5%. However, results were split by capitalization as the Russell 1000 Index returned 7.5%, while the Russell 2000 returned -6.6%. Developed non-U.S. equity markets ended the year in negative territory, as measured by the MSCI Europe Asia Far

East (“EAFE”) Index, which returned -5.1%, while emerging markets, as measured by the MSCI Emerging Market (“EM”) Index, returned -3.4%.

U.S. fixed income markets delivered positive returns over the year amid declining interest rates. Global fixed income markets also posted positive returns; however, underperformed the U.S., partially due to the strengthening of the U.S. dollar and weak performance from emerging market debt. The Bloomberg U.S. Aggregate Bond Index returned 8.7%, while the Bloomberg Global Aggregate Bond Index increased 4.2%. Performance for inflation-sensitive assets were down as the Bloomberg Commodity Index returned -17.4%, as oil prices dropped sharply during the fiscal year, and the Wilshire U.S. REIT Index returned -12.3%.

Plan Updates and Positioning

The market value of the System’s investments decreased from $3.18 billion to $3.15 billion in the year ending June 30, 2020. The System’s current actuarial assumed rate of return is 7.0%, which represents the System’s long-term return goal. The System’s overall investment return over the past year was -0.1% and the System’s three-year annualized return was 5.1%. The five-year annualized return for the System was 5.4% and the System’s ten-year annualized return was 7.3%.

At the end of the fiscal year 2020, all asset classes were within their target ranges.

During the fiscal year, the Board, Staff, and RVK, Inc. (“RVK”) conducted an asset/liability study and an asset allocation study per the guidelines set forth in the Board’s Investment Policy Statement (“IPS”).

The Board issued one request for proposal for investment managers during the fiscal year to evaluate emerging market debt managers. There had been a sustained underperformance of their current manager relative to the qualitative return expectations as stated in the IPS. The process resulted in manager change which was funded in the third fiscal quarter of 2020. Also, during the fourth fiscal quarter of 2020, the Board reviewed the System’s equity portfolio. Thereafter, the Board requested for RVK to further evaluate the international small cap equity exposure as well as the Board’s current manager. The Board, Staff and RVK will continue to monitor the portfolio, addressing any enhancements aimed at improving potential return and/or diversification.

The System’s investment policies, goals, and objectives, as well as the performance of its assets and transaction costs are regularly monitored by the Board and RVK. These evaluations include analysis of the investment management firms and the custodial bank that serves the System.

The System’s publicly traded assets managed through separate accounts are held in custody at

Client specific returns are shown net of fees.

BNY Mellon Global Securities Services (BNY Mellon). Market values and returns referenced above are based upon statements prepared by BNY Mellon. Their statements are, to the best of our knowledge, reliable and accurate. Investment performance is calculated using a time-weighted rate of return methodology (net of fees) based upon market values and cash flows.

We look forward to continuing to work with Staff and the Board to monitor, review, and best position the System's portfolio to meet its long-term goals and objective.

Sincerely,

Rebecca Gratsinger
Chief Executive Officer
RVK, Inc.

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INVESTMENT POLICIES

External investment management firms manage Santa Barbara County Employees' Retirement System (SBCERS or the System) investment assets. Professional investment consultants, along with staff, closely monitor the activity of these managers and assist the Board of Retirement (the Board) with the implementation of investment policies and long-term investment strategies.

The Board, having sole and exclusive authority and fiduciary responsibility for the investment and administration of the System, has adopted an investment policy which covers various investment types. This document reflects the Board's policies for management of the System's investments.

The Board recognizes that a prudent, well-articulated investment policy is crucial to the long-term success of the System. As such, the Board has developed these investment policies with the following goals in mind:

- To clearly and explicitly establish the objectives and parameters that govern the investment of the System's assets.
- To establish a target asset allocation designed to satisfy the System's long-term objective of funding the benefits promised to members and beneficiaries.
- To establish the guidelines by which the Board will delegate a portion of its authority over investment of the assets of the System to consultants, managers, and partners, and will monitor their performance to assure compliance with the investment policy.

The following general investment goals broadly articulate the philosophy by which the Board will manage the assets of the System in accordance with the law.

- The Board seeks to achieve a return on investment relative to acceptable levels of liquidity and investment risk that are prudent and reasonable, given capital market conditions from time to time. While the Board recognizes the importance of the preservation of capital, it also acknowledges the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is appropriate.
- The Board's investment policies and practice shall at all times comply with all applicable state and federal laws and regulations.

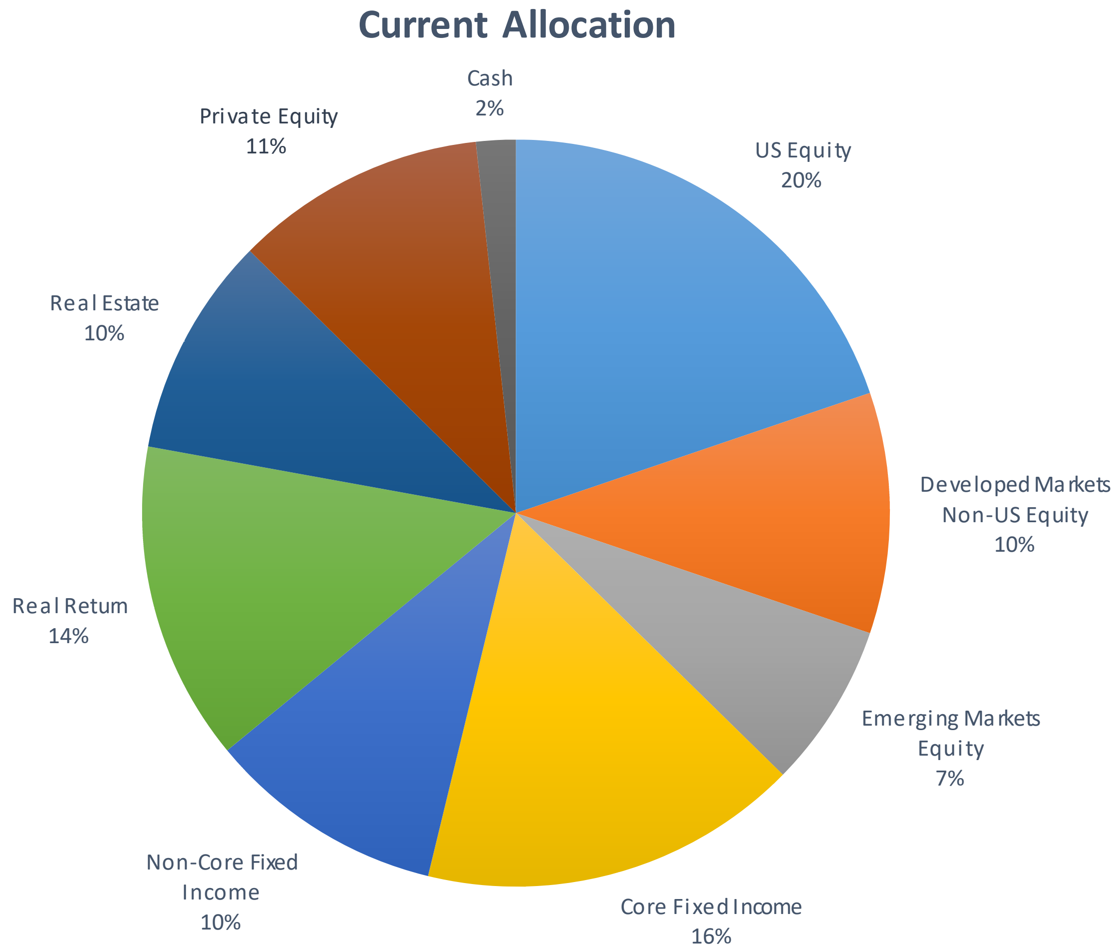
The Board's investment strategy is designed to ensure the prudent and diversified investment of assets in such a manner as to provide real growth of assets over time while protecting the value of such assets from undue risk of loss, at the minimum possible cost, and without sacrificing return.

INVESTMENT SUMMARY – PENSION

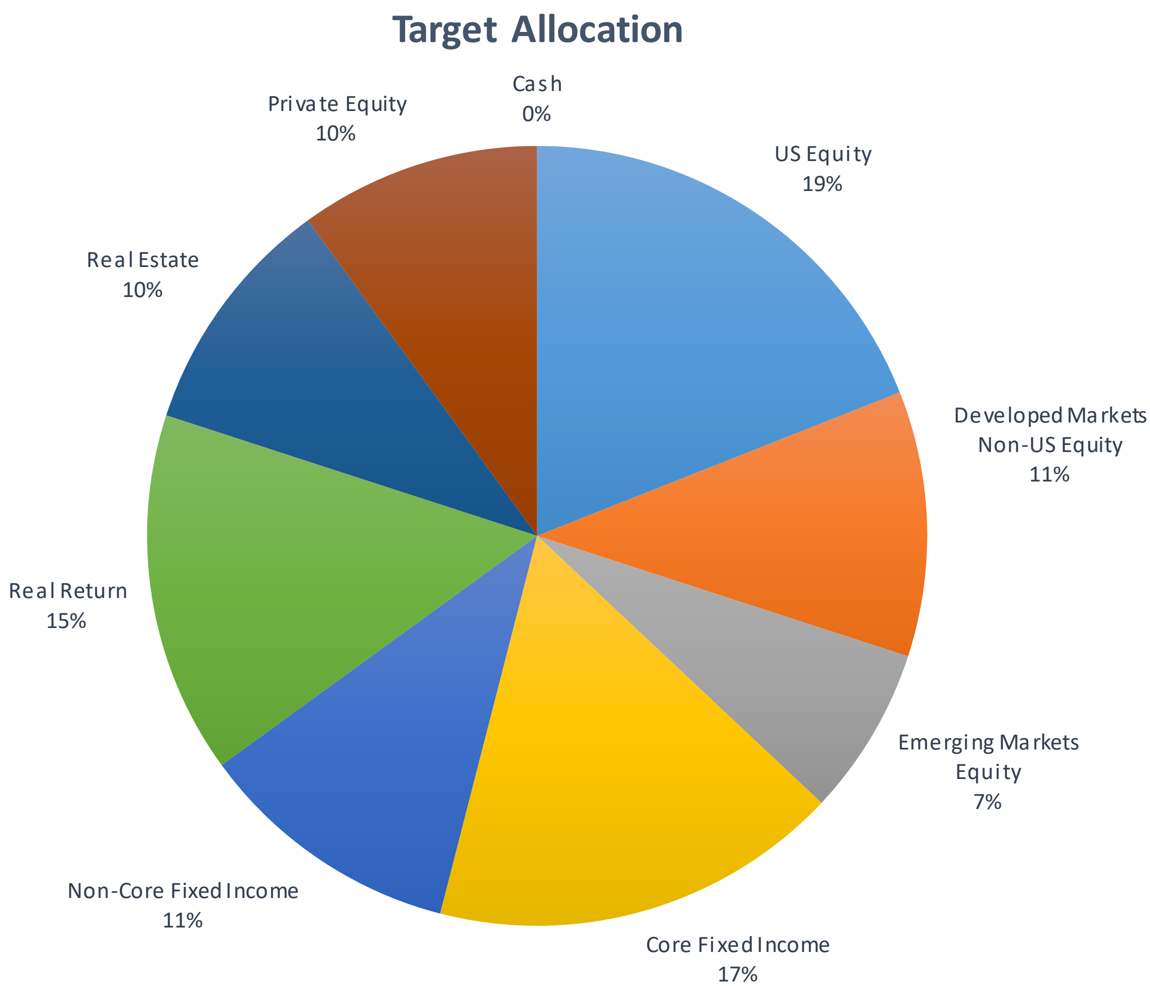
Dollars in thousands

		Fair Value June 30, 2020	Percent of Total Fair Value
Cash and Short-Term Investments			
Treasurer's Cash	$	15,985	0.50%
Short-Term Investments		69,752	2.17%
Total Cash and Short-Term Investments	$	85,737	2.67%
Fixed Income			
Core Fixed Income	$	518,596	16.16%
Non-Core Fixed Income		266,379	8.30%
Total Fixed Income	$	784,975	24.46%
Equity			
US Equity	$	628,892	19.60%
Developed Markets Non-US Equity		312,908	9.75%
Emerging Markets Equity		227,499	7.09%
Total Equity	$	1,169,299	36.44%
Alternatives			
Private Equity	$	347,032	10.81%
Private Credit		58,901	1.84%
Private Real Estate		300,703	9.37%
Real Estate - 130 Robin Hill Road, Goleta, CA		9,889	0.31%
Real Return		436,915	13.62%
Total Alternatives	$	1,153,440	35.95%
Total Pension Cash & Investments	$	**3,193,451**	**99.52%**
Collateral Held for Securities Lent	$	15,387	0.48%
Grand Total	**$**	**3,208,838**	**100%**

ACTUAL ASSET ALLOCATION



Allocations may differ slightly from Investment Summary on previous page due to securities, collateral, and short-term investments.


Target Allocation
Cash
0%
US Equity
19%
Developed Markets
Non-US Equity
11%
Emerging Markets
Equity
7%
Core Fixed Income
17%
Non-Core Fixed Income
11%
Real Return
15%
Real Estate
10%
Private Equity
10%

INVESTMENT RESULTS BASED ON FAIR VALUE

As of June 30, 2020

		Annualized	
Investments	*Current Year*	*3- year*	*5-year*
U.S. Equity	6.08%	10.82%	10.03%
Russell 3000 Benchmark	6.53%	10.04%	10.03%
Developed Markets Non-U.S. Equity	-5.62%	0.68%	2.17%
MSCI EAFE	-5.13%	0.81%	2.05%
Emerging Markets Equity	-11.30%	-0.22%	1.85%
MSCI Emerging Markets	-3.39%	1.90%	2.86%
Core Fixed Income Composite	8.63%	5.81%	N/A
Bloomberg US Agg Bond Index	8.74%	5.32%	4.30%
Non-Core Fixed Income Composite	-2.28%	1.12%	N/A
Custom Non-Core Fixed Income Benchmark	-1.05%	2.69%	3.91%
Real Return Composite	-7.17%	0.83%	N/A
Consumer Price Index+4%	4.67%	5.79%	5.62%
Real Estate Composite	5.56%	9.07%	10.02%
NCREIF ODCE - Index (AWA) (Net) (1-Quarter Lagged)	3.93%	5.85%	7.48%
Private Equity Composite	-1.02%	9.18%	10.14%
Russel 3000 Index+3% (1 Qtr Lag)	-6.40%	7.12%	8.94%
Cash	1.44%	1.74%	1.24%
FTSE T-Bill - 3 Month	1.56%	1.72%	1.15%
Total Fund	***-0.10%***	***5.08%***	***5.38%***
SBCERS Policy Benchmark	*2.99%*	*6.00%*	*6.31%*

Calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with Global Investment Performance Standards (GIPs). Returns shown are net of fees.

SCHEDULE OF TOP TEN EQUITY SECURITIES

As of June 30, 2020

Shares	*Security Name*	*Description*		*Fair Value*
4,795	AMAZON.COM INC	*INTERNET*	$	13,228,542
63,661	MICROSOFT CORP	*SOFTWARE*		12,955,650
33,719	APPLE INC	*COMPUTERS*		12,300,691
79,879	NESTLE SA	*FOOD PROCESSING*		8,829,641
42,784	DEUTSCHE BOERSE AG	*DIVERSIFIED FINANCIAL SERVICES*		7,738,911
35,545	LINDE PLC	*CHEMICALS*		7,513,389
18,072	ROCHE HOLDING AG	*PHARMACEUTICALS*		6,262,404
4,068	ALPHABET INC-CL A	*INTERNET*		5,768,627
36,719	AIR LIQUIDE SA	*CHEMICALS*		5,295,337
3,644	ALPHABET INC-CL C	*INTERNET*		5,151,195

SCHEDULE OF TOP TEN BOND HOLDINGS

As of June 30, 2020

Par	*Security Name*		*Fair Value*
19,815,000	FEDERAL AGRIC MTG CORP NTVAR RT 01/25/2022 DD 06/22/20	$	19,808,857
11,150,000	WELLS FARGO & CO4.150% 01/24/2029 DD 01/24/19		13,122,547
12,215,000	JPMORGAN CHASE & COVAR RT 10/15/2030 DD 09/12/19		13,104,741
11,205,000	BANK OF AMERICA CORPVAR RT 02/07/2030 DD 02/07/19		13,046,318
11,100,000	WALT DISNEY CO/THE3.800% 03/22/2030 DD 03/23/20		12,981,894
10,302,000	METLIFE INC4.550% 03/23/2030 DD 03/23/20		12,838,764
11,020,000	GOLDMAN SACHS GROUP INC/THEVAR RT 05/01/2029 DD 04/23/18		12,821,660
11,885,000	FEDERAL HOME LN BK CONS BDVAR RT 08/24/2021 DD 02/24/20		11,880,603
10,770,000	CATERPILLAR INC2.600% 04/09/2030 DD 04/09/20		11,713,883
9,910,000	FEDERAL HOME LN BK CONS BDVAR RT 08/04/2021 DD 02/04/20		9,905,342

A complete list of portfolio information is available upon request.

INVESTMENT HOLDINGS PENSION

Dollars in thousands

Type of Investment		*Fair Value*	*% Of Portfolio*
Private Equity	$	347,032	10.87%
Equity			
Commingled Funds-US/Int'l	$	631,158	19.76%
Consumer Discretionary		70,662	2.21%
Consumer Staples		53,502	1.68%
Energy		13,420	0.42%
Financial Services		103,632	3.25%
Health Care		75,394	2.36%
Materials and Processing		46,770	1.46%
Producer Durables		66,264	2.07%
Technology		93,702	2.93%
Utilities		32,920	1.03%
Unclassified		2,792	0.09%
Equity Total	$	1,190,216	37.27%
Credit			
Asset Backed Securities	$	754	0.02%
Commingled Funds Debt		455,259	14.26%
Corporates and Other Credits		291,280	9.12%
Government Bonds		95,020	2.98%
Private Credit		58,901	1.84%
Credit Total	$	901,214	28.22%
Real Estate/Real Assets			
Private Real Estate	$	310,592	9.73%
Real Assets		358,661	11.23%
Real Estate/Real Assets Total	$	669,253	20.96%
Cash and Short-term Investments		85,736	2.68%
Grand Total	**$**	**3,193,451**	**100%**

Real Return Multi-Asset managers contain holdings that are classified as Equity and Bonds at the individual asset level reported in this report and classified entirely as Real Return in the Investment Summary.

LIST OF INVESTMENT MANAGERS

Equity

US Equity

- Dimensional Fund Advisors
- BNY Mellon
- Rice Hall James

Developed Markets Non-US Equity

- Artisan Partners
- First Eagle
- Panagora
- Copper Rock

Emerging Markets Equity

- Dimensional Fund Advisors
- RBC Global Asset Management

Fixed Income

Core Fixed Income

- BNY Mellon
- Garcia Hamilton
- PGIM

Non-Core Fixed Income

- Wellington
- Hotchkis & Wiley
- Beachpoint

Alternatives

Public Real Return

- BNY Mellon
- Cohen and Steers
- Nuveen

Private Real Return Consultant

- Hamilton Lane, LLC

Private Equity Consultant

- Hamilton Lane, LLC

Private Real Estate Consultant

- ORG Portfolio Management, LLC

Private Credit

- Angelo Gordon
- THL Credit
- PIMCO

SCHEDULE OF PROFESSIONAL FEES AND SERVICES – PENSION

Dollars in thousands

	Assets Under Management	Fees [1]	Basis Points
Investment Managers			
Bond Managers	$ 784,975	$ 1,542	4.83
Equity Managers	1,169,299	2,638	8.26
Real Assets	436,915	2,185	6.84
Real Estate	310,592	604	1.89
Short Term Investments	69,752	-	-
Private Credit	58,901	27	0.08
Private Equity	347,032	259	0.81
Total Investment Managers	$ 3,177,466	$ 7,255	22.71
Other			
Cash	$ 15,985	$ -	-
Custodian Fees	-	3,771	11.81
Investment Consultant Fees	-	1,475	4.62
Total Other	15,985	5,246	16.43
Total Professional Fees and Services	**$ 3,193,451**	**$ 12,501**	**39.14**

[1] *Some fees are netted directly against assets under management.*

Via Electronic Mail

November 13, 2020

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the Santa Barbara County Employees' Retirement System (the Plan) as of June 30, 2020. This letter includes references to four documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2019 (transmitted January 13, 2020), the Governmental Accounting Standards Board (GASB) 67/68 Report as of June 30, 2020 (transmitted November 12, 2020), the Other Post-Employment Benefits (OPEB) Actuarial Valuation Report as of June 30, 2019 (transmitted January 16, 2020), and the Governmental Accounting Standards Board (GASB) 74/75 Report as of June 30, 2020 (transmitted November 13, 2020).

Actuarial Valuation Report as of June 30, 2019

The purpose of the annual Actuarial Valuation Report as of June 30, 2019 is to determine the actuarial funding status of the Plan on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2020-2021. The prior review was conducted as of June 30, 2018, and included recommended contribution rates for the Fiscal Year 2019-2020.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost and expected administrative expenses) plus a contribution to amortize the Unfunded Actuarial Liability (UAL). Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period, with a five-year ramp up and down of the amortization payment at the beginning and end of the amortization period and nine years of level payments as a percentage of payroll between the ramping periods.

The Actuarial Value of Assets is the Market Value of Assets for valuation purposes. These amortization and funding policies in conjunction are a type of policy known as direct rate smoothing. The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan.

We prepared the following schedules, which we understand will be used in the Actuarial Section of the CAFR, based on the June 30, 2019 actuarial valuation. All historical information prior to the June 30, 2013 actuarial valuation shown in these schedules is based on information reported by Milliman, who served as the actuary prior to 2013.

- Statement of Current Actuarial Assumptions and Methods
- Change in Unfunded Actuarial Liability (Actuarial Analysis of Financial Experience)
- Schedule of Funded Liabilities by Type (formerly referred to as the Solvency Test)
- Schedule of Funding Progress
- Summary of Plan Provisions

The following schedules are based on the June 30, 2019 actuarial valuation data.

- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Payroll

The assumptions used in this report reflect the results of an experience study performed by Cheiron covering the period from July 1, 2016 through June 30, 2019, and adopted by the Board on January 22, 2020. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis will cover the years through 2022.

This actuarial valuation report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 27, 35, and 44.

GASB 67/68 Report as of June 30, 2020

The purpose of GASB 67/68 Report as of June 30, 2020 is to provide accounting and financial reporting information under GASB 67 for the Plan and under GASB 68 for the County of Santa Barbara and other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

For financial reporting purposes, the Total Pension Liability (TPL) at the end of the measurement year, June 30, 2020, is measured as of a valuation date of June 30, 2019 and projected to June 30, 2020. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The June 30, 2020 Total Pension Liability presented in the GASB 67/68 Report was based upon the same data, plan provisions, actuarial methods and assumptions as were used in the actuarial valuation report as of June 30, 2019. Please refer to our GASB 67 report as of June 30, 2020 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2020, GASB 67/68 Report:

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to the Schedule of Employer Contribution

The GASB 67 report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB, including the requirements of Statement 82.

GASB 82 prescribes additional guidance for the presentation of payroll-related measures in the Required Supplementary Information (RSI) Section, the treatment of deviations from the actuarial standards of practice when selecting actuarial assumptions, and the classification of member contributions (i.e., "pick-up" contributions) for reporting purposes. In addition, GASB 82 assists the Plan in providing information to the sponsors for their financial statement reporting. We have confirmed that the GASB 67/68 report complies with the requirements of GASB 82.

OPEB Actuarial Valuation Report as of June 30, 2019

The purpose of the annual OPEB Actuarial Valuation Report as of June 30, 2019 is to present the actuarial valuation of the Santa Barbara County Employees' Retirement System's Other Post-Employment Benefits.

The actuarial value of the assets on hand to pay future benefits is subtracted from the Actuarial Accrued Liability, producing the Unfunded Actuarial Accrued Liability (UAAL). Previously, an annual required cost was determined for each employer based on the amortization of the UAAL, plus the normal cost. Beginning with the June 30, 2017 valuation an annual required cost is no longer computed; instead, we have calculated a "tread water" amount for each employer, which represents the level of contributions needed to prevent the unfunded liability from increasing from one valuation date to the next if all assumptions are met. This metric is the sum of the normal cost plus one year of interest on the unfunded liability.

We prepared the following schedules, which we understand will be used in the Actuarial Section of the CAFR, based on the June 30, 2019 actuarial valuation. All historical information prior to the June 30, 2013 actuarial valuation shown in these schedules is based on information reported by Milliman, who served as the actuary prior to 2013.

- Change in Unfunded Actuarial Liability (Actuarial Analysis of Financial Experience)
- Member Benefit Coverage Information (formerly referred to as the Solvency Test)

The demographic assumptions used in this report reflect the results of an experience study performed by Cheiron covering the period from July 1, 2016 through June 30, 2019, and adopted by the Board on January 22, 2020. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis will cover the years through 2022.

This actuarial valuation report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 6, 27, 35, and 44.

GASB 74/75 Report as of June 30, 2020

The purpose of GASB 74/75 Report as of June 30, 2020 is to provide accounting and financial reporting information under GASB 74 for the Plan and under GASB 75 for the County of Santa Barbara and other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

The Total OPEB Liability (TOL) at the end of the measurement year is measured as of the valuation date, June 30, 2019, and projected to the measurement date, June 30, 2020. Because the TOL shown in the prior report was measured as of June 30, 2018 and projected to June 30, 2019, it will not match the amounts measured as of June 30, 2019. In addition, the amounts as of June 30, 2019 are measured using different assumptions, including discount rates.

The June 30, 2020 Total OPEB Liability presented in the GASB 74/75 Report was based upon the same data, plan provisions, actuarial methods and assumptions as were used in the OPEB Actuarial Valuation Report as of June 30, 2019. Please refer to our GASB 74 report as of June 30, 2020 for additional information related to the financial reporting of the System.

The GASB 74 report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

In preparing our reports, we relied on information (some oral and some written) supplied by the Santa Barbara Employees' Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

Cheiron's reports were prepared for the Plan for the purposes described herein and for the use by the plan auditor and participating employers' auditors in completing an audit related to the matters herein. Other users of these reports are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other uses.

As credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in the reports referenced within this letter. Neither this letter nor the reports referenced herein address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Respectfully Submitted,
Cheiron

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SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

Recommended by the actuary and adopted by the Board of Retirement (the Board), the actuarial assumptions used to determine the liabilities are based on the results of the June 30, 2019 Experience Study covering the period from July 1, 2016 through June 30, 2019. The Board adopted the new assumptions on January 22, 2020 for use beginning with the June 30, 2019 actuarial valuation. The total pension liability at June 30, 2020 was determined by completing a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2019, using the actuarial assumptions from that valuation applied to all prior periods included in the measurement in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67).

ACTUARIAL COST METHOD

Santa Barbara County Employees' Retirement System (SBCERS or the System) uses the entry age normal actuarial cost method, with the total normal cost based on the sum of the normal costs for each individual active member (adopted November 20, 2013). The Unfunded Actuarial Liability (UAL), if any, is amortized as a level percentage of the projected salaries of present and future members of SBCERS over specified fixed periods of time. Level percentage of projected salaries was chosen over level dollar as the amortization base because the former more appropriately reflects the revenue stream for participating plan sponsors. The Board adopted a layered 19-year amortization period with direct rate smoothing which remains in effect for June 30, 2020. The UAL for periods prior to June 30, 2014 is being amortized as a single layer and funded over a "closed" 17-year period with 9 remaining amortization years as of the June 30, 2019 actuarial valuation. The exception is that the additional UAL attributable to the creation of Safety Plan 6 which is being amortized over a closed 15-year period, with 9 years remaining for the June 30, 2019 actuarial valuation. The annual UAL amortization amount is determined by an amortization factor multiplied by employed member payroll, or amortization base, for that year. The amortization factors for each layer will increase each year during the phase-in period, remain constant during the level period, and decrease during the phase-out period. Because SBCERS has chosen to amortize the UAL as a percentage of pay, the amortization base will also change when the discount rate or salary assumptions are changed. Because the salary scale changed from the prior valuation due, the amortization base has changed from the previous valuation.

ACTUARIAL ASSET VALUATION METHOD

Effective with the June 30, 2014 valuation, the assets are valued at fair value. Prior to the June 30, 2014 valuation, assets were valued using a five-year smoothing method based on the difference between expected and actual fair value of assets.

AMORTIZATION OF GAINS AND LOSSES

Actuarial gains and losses reflected in the current UAL are amortized over a closed seventeen-year period effective June 30, 2013 (adopted November 20, 2013). Effective with the June 30, 2014 valuation any new sources of UAL due to actuarial gains and losses, assumption changes or method changes is amortized over a closed 19-year period, with five year ramp up period at the beginning of the period, a four year ramp down at the end of the period and 10 years of level payments as a percentage of payroll. This method is a type of direct rate smoothing.

INVESTMENT RATE OF RETURN

Future investment earnings are assumed to accrue at an annual rate of 7.00%, compounded annually, exclusive of investment, but not administrative, expenses. The investment rate of return of 7.00% is comprised of 2.75% for Consumer Price Index (CPI) and 4.25% real investment return.

ADMINISTRATIVE EXPENSES

Beginning with the June 30, 2013 actuarial valuation, the cost of expected administrative expenses are reflected directly in the employer and employee contribution rates, rather than being implicitly allocated based on a discount rate net of administrative expenses. As of the June 30, 2019 actuarial valuation, a load of 3.1% has been applied to the employee contribution rates and 3.0% to the employer rates, based on an assumed administrative expense amount of $5.3 million for the current plan year.

PROJECTED SALARY INCREASES

Rates of annual salary increases (adopted October 26, 2016) assumed for the purpose of the valuation are:

- Variable percentage annually for merit, longevity based on service (duration), and employment classification (general/safety)
- 3.00% for wage inflation (2.75% for consumer price inflation and .25% for real wage inflation)

POST-RETIREMENT BENEFIT INCREASES

Cost-of-living benefit increases after retirement are assumed at the following rates per year per plan.

2.6%	General Plan 5, Safety Plans 4, 6, and 8 (PEPRA), APCD Plans 1 and 2 General Plan 8 (PEPRA) if employer did not implement General Plan 7 prior to January 1, 2013
1.9%	General Plan 7, APCD Plan 8 (PEPRA) General Plan 8 (PEPRA) if employer implemented General Plan 7 prior to January 1, 2013
0.0%	General Plan 2

- General Plan 7, General Plan 8 (PEPRA) and APCD Plan 8 (PEPRA) are limited to a maximum 2.0% cost-of-living adjustment.
- General Plan 2 is not eligible to receive these adjustments (adopted February 21, 2001).

MORTALITY RATE ASSUMPTIONS

Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment.

Non-duty related mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment.

Safety active members are also subject to the 2014 CalPERS Preretirement Industrial Mortality Table for duty-related deaths, with generational improvement using Projection Scale MP-2019 from a base year of 2009.

Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019.

Mortality rates for Safety annuitants are based the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019.

Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with generational improvement using Projection Scale MP-2019 from a base year of 2009.

PROBABILITY OF SEPARATION FROM ACTIVE SERVICE

The following tables indicate the probability of separation from active service for each of six separate sources of termination:

1. **Service Retirement:** Member retires after satisfaction of requirements of age and/or service for reasons other than disability.
2. **Duty Disability:** Member receives disability retirement; disability is employment related.
3. **Ordinary Disability:** Member receives disability retirement; disability not employment related.
4. **Ordinary Death:** Member dies prior to eligibility for retirement, death not employment related.
5. **Service Death:** Member dies in service as a result of injury or disease arising out of and in the course of employment.
6. **Other Terminations:** Member terminates and requests a refund of member contributions and/or terminates and leaves the contributions on deposit (vested terminations).

The probability shown for each cause of termination represents the probability that a given member will terminate at a particular age for the indicated reason. For example, if the probability of retirement age 50 is 3%, then we are assuming that 3% of eligible members at age 50 will retire during the next year.

The age at which a vested terminated member is assumed to commence the payment of retirement benefits is as follows:

AGE ASSUMPTION FOR COMMENCEMENT OF RETIREMENT BENEFIT PAYMENTS

Assumptions effective June 30, 2019

Plan	Age
General Plan 2	60
General Plans 5,7 & 8	58
Safety Plans 4 & 8	55
Safety Plan 6	52
APCD	58

RATE OF SEPARATION FROM ACTIVE SERVICE – GENERAL PLANS

Assumptions effective June 30, 2019

Age	Service Retirement Svc < 20 Yrs	Service Retirement 20 <= Svc < 30	Service Retirement Svc >= 30 Yrs	Service Retirement PEPRA Svc < 25	Service Retirement PEPRA Svc >= 25	Years of Service	Termination
20	0.0%	0.0%	0.0%	0.0%	0.0%	5	7.00%
30	0.0%	0.0%	0.0%	0.0%	0.0%	10	4.50%
40	0.0%	0.0%	0.0%	0.0%	0.0%	15	2.75%
50	2.0%	2.0%	10.0%	0.0%	0.0%	20	1.50%
60	7.0%	10.0%	15.0%	5.0%	10.0%	25	1.50%
70	26.0%	33.0%	40.0%	20.0%	30.0%	30+	0.00%
75	100.0%	100.0%	100.0%	100.0%	100.0%		

RATE OF SEPARATION FROM ACTIVE SERVICE – SAFETY PLANS

Assumptions effective June 30, 2019

	Safety Plan 4 + Plan 8 (PEPRA)			Safety Plan 6				
Age	Service Retirement Svc < 20 Yrs	Service Retirement 20 <= Svc < 30	Service Retirement Svc >= 30 Yrs	Service Retirement Svc < 20 Yrs	Service Retirement 20 <= Svc < 30	Service Retirement Svc >= 30 Yrs	Years of Service	Termination
20	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5	5.0%
30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10	2.0%
40	0.0%	2.5%	3.0%	0.0%	3.0%	3.0%	15	1.3%
50	3.0%	2.5%	5.0%	10.0%	25.0%	50.0%	20+	0.0%
60	10.0%	30.0%	50.0%	15.0%	25.0%	25.0%		
65	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

RATE OF SEPARATION FROM ACTIVE SERVICE – DISABILITY RELATED

Assumptions effective June 30, 2019

	General Plans					Safety Plans	
	Males		Females				
Age	Disability Svc < 5 Yrs	Disability Svc >= 5 Yrs	Disability Svc < 5 Yrs	Disability Svc >= 5 Yrs	Age	Disability Svc < 5 Yrs	Disability Svc >= 5 Yrs
20	0.009%	0.017%	0.009%	0.016%	20	0.034%	0.038%
30	0.010%	0.019%	0.013%	0.024%	30	0.210%	0.233%
40	0.056%	0.102%	0.074%	0.135%	40	0.389%	0.432%
50	0.087%	0.158%	0.109%	0.199%	50	0.682%	0.758%
60	0.084%	0.153%	0.058%	0.105%	60	0.974%	1.082%
70	0.056%	0.102%	0.046%	0.084%	65	0.000%	0.000%
75	0.000%	0.000%	0.000%	0.000%			

Service Related Disability

All disabilities for members with less than five years of service are assumed to be service-related. 90% of Safety and 55% of General disabilities where the member has five or more years of service are assumed to be service-related.

SALARY INCREASE ASSUMPTIONS

Assumptions effective June 30, 2019

Wage Inflation 3.00%

Years of Service	*Longevity and Promotion Increase*		*Total Annual Increase*	
	General	*Safety*	*General*	*Safety*
0	4.75%	6.00%	7.89%	9.18%
1	4.00%	5.00%	7.12%	8.15%
2	3.25%	4.00%	6.35%	7.12%
3	2.75%	3.25%	5.83%	6.35%
4	2.25%	2.50%	5.32%	5.58%
5	1.75%	2.00%	4.80%	5.06%
6	1.50%	1.60%	4.55%	4.65%
7	1.25%	1.30%	4.29%	4.34%
8	1.20%	1.20%	4.24%	4.24%
9	1.10%	1.10%	4.13%	4.13%
10	1.00%	1.00%	4.03%	4.03%
11	0.90%	1.00%	3.93%	4.03%
12	0.80%	0.92%	3.82%	3.95%
13	0.70%	0.89%	3.72%	3.92%
14	0.60%	0.87%	3.62%	3.90%
15	0.55%	0.85%	3.57%	3.88%
16	0.50%	0.82%	3.52%	3.84%
17	0.48%	0.80%	3.49%	3.82%
18	0.46%	0.77%	3.47%	3.79%
19	0.44%	0.75%	3.45%	3.77%
20	0.42%	0.75%	3.43%	3.77%
21	0.40%	0.75%	3.41%	3.77%
22	0.38%	0.75%	3.39%	3.77%
23	0.38%	0.75%	3.39%	3.77%
24	0.38%	0.75%	3.39%	3.77%
25	0.38%	0.75%	3.39%	3.77%
26	0.38%	0.75%	3.39%	3.77%
27	0.38%	0.75%	3.39%	3.77%
28	0.38%	0.75%	3.39%	3.77%
29	0.38%	0.75%	3.39%	3.77%
30+	0.38%	0.75%	3.39%	3.77%

REFUND OF CONTRIBUTIONS UPON TERMINATION OF EMPLOYMENT (WITHDRAWAL)

Assumptions effective June 30, 2019

Years of Service	General	Safety
0	100%	100%
5	20%	15%
10	15%	10%
15	10%	5%
20	5%	0%
25+	0%	0%

Reciprocal Transfers

30% of vested terminated General (except Plan 2) and 35% of vested terminated Safety Members that leave their member contributions on deposit with the plan are assumed to be active in reciprocal plans.

PENSION PLAN SCHEDULES

Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

ACTIVE MEMBER DATA – PENSION

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Fiscal Year	*Member Count*	*Annual Allowance*[1]	*Member Count*	*Annual Allowance*	*Member Count*	*Annual Allowance*	*% Increase in Allowance*	*Average Annual Allowance*
2011	192	$ 5,922,775	-123	$ 2,942,348	3,387	$ 110,219,174	5.0%	$ 32,542
2012	226	$ 9,082,861	-106	$ 2,884,973	3,507	$ 118,545,000	7.6%	$ 33,802
2013	364[2]	$ 8,811,248	-98	$ 1,787,108	3,773	$ 126,691,263	6.9%	$ 33,578
2014	203	$ 6,842,058	-79	$ 2,112,523	3,897	$ 132,766,493	4.8%	$ 34,069
2015	241	$ 9,044,486	-108	$ 2,627,746	4,030	$ 141,193,001	6.3%	$ 35,035
2016	244	$ 9,705,939	-103	$ 2,534,190	4,171	$ 149,683,889	6.0%	$ 35,886
2017	314	$ 13,124,187	-110	$ 3,255,813	4,375	$ 162,510,138	8.6%	$ 37,146
2018	270	$ 10,896,350	-126	$ 3,280,607	4,519	$ 174,765,068	7.5%	$ 38,673
2019	294	$ 12,466,673	-133	$ 4,484,686	4,680	$ 187,679,334	7.4%	$ 40,102
2020	269	$ 11,952,403	-105	$ 3,671,844	4,844	$ 201,478,012	7.4%	$ 41,593

[1] *Annual allowance added during the year does not include cost-of-living adjustments (COLAs) granted in year to continuing retirees and beneficiaries.*

[2] *Includes 119 members with benefits in more than one plan.*

SCHEDULE OF FUNDED LIABILITIES BY TYPE – PENSION

Dollars in thousands

	Actuarial Accrued Liabilities (AAL) for							
	(A)	(B)	(C)			(A)	(B)	(C)
Valuation Date	*Active Member Contributions*	*Retirees and Beneficiaries*	*Remaining Active Members*	*Total AAL*	*Reported Assets* [1]	*Portion of Accrued Liabilities Covered by Reported Assets*		
6/30/2010	$ 162,432	$ 1,483,728	$ 969,987	$ 2,616,147	$ 1,927,299	100%	100%	29%
6/30/2011	$ 165,774	$ 1,559,716	$ 1,024,324	$ 2,749,814	$ 2,007,859	100%	100%	28%
6/30/2012 [2]	$ 165,623	$ 1,660,773	$ 1,047,987	$ 2,874,383	$ 2,046,641	100%	100%	21%
6/30/2013	$ 171,614	$ 1,747,430	$ 1,049,090	$ 2,968,134	$ 2,150,006	100%	100%	22%
6/30/2014	$ 174,958	$ 1,822,654	$ 1,100,403	$ 3,098,015	$ 2,513,630	100%	100%	47%
6/30/2015	$ 178,233	$ 1,926,975	$ 1,125,926	$ 3,231,134	$ 2,532,529	100%	100%	38%
6/30/2016	$ 183,954	$ 2,142,873	$ 1,244,920	$ 3,571,747	$ 2,554,539	100%	100%	18%
6/30/2017	$ 187,084	$ 2,295,926	$ 1,219,287	$ 3,702,297	$ 2,801,307	100%	100%	26%
6/30/2018 [3]	$ 203,168	$ 2,463,993	$ 1,220,966	$ 3,888,127	$ 3,002,019	100%	100%	27%
6/30/2019	$ 217,070	$ 2,610,235	$ 1,253,333	$ 4,080,638	$ 3,198,134	100%	100%	30%

[1] *Actuarial Value of Assets. As of June 30, 2014, the Actuarial Value of Assets is the Market Value of Assets.*

[2] *Information from June 30, 2012 and earlier was provided by prior actuaries.*

[3] *AAL at 6/30/2018 does not tie to other schedules due to rounding in this display.*

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE – PENSION

Dollars in millions

As of June 30	*2019*	*2018*	*2017*	*2016*	*2015*
Prior Valuation					
Unfunded Actuarial Accrued Liability	**$ 886.1**	**$ 901.0**	**$ 1,017.3**	**$ 698.6**	**$ 584.4**
Expected Change from Prior Year	(21.7)	(15.8)	(2.9)	(15.0)	(23.2)
Actuarial (Gains) or Losses During the Year					
Asset Return (Greater) or Less than Expected	(15.7)	(28.0)	(86.2)	156.7	167.7
New Entrants	2.4	1.7	3.3	3.1	2.8
Salary Increases Greater or (Less) than Expected	9.3	0.9	(7.5)	(19.1)	(14.0)
Changes in Assumptions and Methodology	(7.5)	-	(29.7)	215.8	-
All Other (Including Demographic Experience)	29.6	26.3	6.7	(22.8)	(19.1)
Total Changes	(3.6)	(14.9)	(116.3)	318.7	114.2
Values as of Valuation Date	**$ 882.5**	**$ 886.1**	**$ 901.0**	**$ 1,017.3**	**$ 698.6**

As of June 30	*2014*	*2013*	*2012*	*2011*	*2010*
Prior Valuation					
Unfunded Actuarial Accrued Liability	**$ 818.1**	**$ 827.7**	**$ 742.0**	**$ 688.9**	**$ 558.1**
Expected Change from Prior Year	(6.4)	(7.1)	(0.8)	(10.1)	30.7
Actuarial (Gains) or Losses During the Year					
Asset Return (Greater) or Less than Expected	(71.7)	62.7	125.8	90.3	(85.3)
New Entrants	2.5	7.8	0.6	1.0	1.1
Salary Increases Greater or (Less) than Expected	(16.4)	(45.0)	(29.9)	(18.0)	(7.6)
Changes in Assumptions and Methodology	(132.3)	(26.0)	-	-	170.7
All Other (Including Demographic Experience)	(9.4)	(2.0)	(10.0)	(10.1)	21.2
Total Changes	(233.7)	(9.6)	85.7	53.1	130.8
Values as of Valuation Date	**$ 584.4**	**$ 818.1**	**$ 827.7**	**$ 742.0**	**$ 688.9**

Information for years prior to 2012 was provided by prior actuaries.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) SCHEDULES

OPEB schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

ACTIVE MEMBER DATA – OPEB

Dollars in thousands

	2012	2014	2016	2017	2018	2019	2018 to 2019 % Change
Active Employees [1]							
Member Count	4,063	3,707	3,346	3,112	2,893	2,705	-6.50%
Average Age	45.8	46.8	47.4	47.6	48.0	48.3	0.63%
Average Service	12.0	13.8	14.9	15.3	16.0	16.6	3.75%
Total Payroll	$ 302,379	$ 282,963	$ 269,245	$ 257,918	$ 247,675	$ 240,389	-2.94%
Terminated Vested							
Count	878	890	926	923	943	906	-3.92%
Average Age	48.1	48.5	48.9	48.8	48.8	47.1	-3.48%
Inactive							
Retired Count	2,767	3,246	3,247	3,399	3,508	3,639	3.73%
Average Age	69.1	69.2	69.9	69.9	70.1	70.2	0.14%
Disabled Count	238	240	240	250	263	266	1.14%
Average Age	65.3	65.5	66.8	66.5	65.9	66.7	1.21%
Surviving Spouses Count	358	408	489	512	526	553	5.13%
Average Age	74.8	74.6	72.5	72.8	73.0	76.7	5.07%
Total Count of Inactive	3,363	3,894	3,976	4,161	4,297	4,458	3.75%

[1] Active census and salary information includes only those eligible for the OPEB benefit, and as a result will not match the SBCERS pension census information for the same period.

MEMBER BENEFIT COVERAGE INFORMATION – OPEB

Dollars in thousands

	Actuarial Accrued Liabilities (AAL) for					*Portion of Accrued Liabilities Covered by Reported Assets*		
	(A)	(B)	(C)			(A)	(B)	(C)
Valuation Date	*Active Member Contributions*	*Retirees and Beneficiaries*	*Remaining Active Members*	*Total AAL*	*Reported Assets* [1]			
6/30/2012[2]	N/A	$ 119,488	$ 70,691	$ 190,179	$ 3,035	N/A	3%	0%
6/30/2014	N/A	$ 121,241	$ 71,964	$ 193,205	$ 4,070	N/A	3%	0%
6/30/2016	N/A	$ 104,178	$ 51,299	$ 155,477	$ 8,031	N/A	8%	0%
6/30/2017	N/A	$ 100,893	$ 45,959	$ 146,852	$ 13,988	N/A	14%	0%
6/30/2018	N/A	$ 99,980	$ 43,213	$ 143,193	$ 19,055	N/A	19%	0%
6/30/2019	N/A	$ 98,628	$ 40,800	$ 139,428	$ 25,853	N/A	26%	0%

[1] Actuarial Value of Assets. As of June 30, 2014, the Actuarial Value of Assets is the Market Value of Assets.

[2] Information from June 30, 2012 was provided by prior actuaries.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE – OPEB

Dollars in millions

As of June 30	*2019*	*2018*	*2017*[1]	*2016*	*2014*
Prior Valuation					
Unfunded Actuarial Liability	**$ 124.1**	**$ 132.9**	**$ 134.3**	**$ 189.1**	**$ 187.1**
Expected Change from Prior Year	(3.9)	(3.3)	(3.2)	(39.6)	(25.7)
Actuarial (Gains) or Losses During the Year					
Asset Return (Greater) or Less than Expected	(0.4)	0.1	0.1	0.5	0.6
Shortfall in Contribution vs. Annual Required Contribution (ARC)	(0.2)	0.7	0.2	44.9	34.8
Changes in Assumptions and Methodology	(2.7)	(3.8)	4.9	(39.2)	(10.7)
All Other (Including Demographic Experience)	(3.3)	(2.5)	(3.4)	(8.2)	3.0
Total Changes	(10.5)	(8.8)	(1.4)	(41.6)	2.0
Values as of Valuation Date	**$ 113.6**	**$ 124.1**	**$ 132.9**	**$ 147.5**	**$ 189.1**

[1] 2017 beginnning of year UAL does not match the end of year UAL from 2016. At the June 30, 2017 valuation, the June 30, 2016 results were recalculated using a 7.00% discount rate because the blended discount rate used during the June 30, 2016 valuation is not valid under GASB 74/75.

SCHEDULE OF FUNDING PROGRESS – OPEB

Dollars in millions

Group	*Santa Barbara County*	*Carpinteria-Summerland-FPD*	*Santa Maria Cemetery*	*Goleta Cemetery*	*SB County Assoc of Govts*
Actuarial Value of Assets (a)	$ 22,699,716	$ (4,068)	$ (24)	$ (517)	$ 4,712
Actuarial Accrued Liabilities (b)	$ 126,401,898	$ 2,773,460	$ 444,536	$ 111,235	$ 512,334
Unfunded Actuarial Liabilities (UAL)[1] [b-a]	$ 103,702,182	$ 2,777,528	$ 444,560	$ 111,752	$ 507,622
Funded Ratio (a/b)	17.96%	-0.15%	-0.01%	-0.46%	0.92%
Annual Covered Payroll[2] (c)	$ 217,652,805	$ 4,062,921	$ 386,901	$ 270,273	$ 1,190,921
(UAL) as Percentage of Covered Payroll [(b-a)/c]	47.65%	68.36%	114.90%	41.35%	42.62%

Group	*Summerland Sanitary*	*Carpinteria Cemetery*	*Air Pollution Control*	*Courts*	***Total***
Actuarial Value of Assets (a)	$ -	$ 1	$ 1,780,551	$ 1,372,982	**$ 25,853,353**
Actuarial Accrued Liabilities (b)	$ 169,517	$ 57,964	$ 1,600,376	$ 7,356,871	**$ 139,428,191**
Unfunded Actuarial Liabilities (UAL)[1] [b-a]	$ 169,517	$ 57,963	$ (180,175)	$ 5,983,889	**$ 113,574,838**
Funded Ratio (a/b)	0.00%	0.00%	111.26%	18.66%	**18.54%**
Annual Covered Payroll[2] (c)	$ 311,321	$ 137,016	$ 1,876,450	$ 14,500,063	**$ 240,388,671**
(UAL) as Percentage of Covered Payroll [(b-a)/c]	54.45%	42.30%	-9.60%	41.27%	**47.25%**

[1] Numbers may not sum to total due to rounding.

[2] Projected Payroll shown is that for those covered under the OPEB plan.

SUMMARY OF MAJOR PENSION PLAN PROVISIONS

ELIGIBILITY

The County of Santa Barbara (the County) has established several defined benefit tiers based primarily on a member's date of entry into SBCERS. There are two types of SBCERS members:

Safety members: employees whose principal duty is active law enforcement or active fire suppression. Membership in a particular tier depends upon date of entry to the System and bargaining unit.

General members: all non-Safety members who are otherwise eligible for System membership. A member's tier depends primarily upon date of entry into the System.

APCD Plan 1:	Air Pollution Control District (APCD) employees hired on or before July 3, 1995*
APCD Plan 2:	APCD employees hired after July 3, 1995*
General Plan 2:	Employees hired on or before January 11, 1999 and who elected to join General Plan 2
Safety Plan 4A & General Plan 5A:	General employees hired before October 10, 1994 who did not elect to join General Plan 2, and Safety employees hired before October 10, 1994*
Safety Plan 4B & General Plan 5B:	Employees hired on or after October 10, 1994*
General Plan 5C:	Members in certain bargaining units hired on or after October 10, 1994, and those in bargaining units transferred from Plan 5B on March 10, 2008*
General Plan 7:	County General employees hired on or after June 25, 2012* APCD adopted Plan 7 immediately before adopting Plan 8; no APCD members are active in this plan
General Plan 8:	General (including APCD) new members hired on or after January 1, 2013 (PEPRA)
Safety Plan 4C:	Members in certain bargaining units who were hired on or after October 10, 1994 and those in bargaining units transferred from Plan 4B on July 3, 2006*
Safety Plan 6A:	Members in certain bargaining units hired prior to October 10, 1994, and those in bargaining units transferred from Plan 4A on February 25, 2008*
Safety Plan 6B:	Members in certain bargaining units hired after October 10, 1994, and those in bargaining units transferred from Plan 4D on February 25, 2008*
Safety Plan 8:	New safety members hired on or after January 1, 2013 (PEPRA)

** Plan closed to new members hired on or after January 1, 2013, unless such members are prior members of these plans or qualify as reciprocal members from other retirement systems.*

FINAL COMPENSATION

- Monthly average of highest 12 consecutive months of compensation earnable for General Plans 5A and 5B, Safety Plans 4A, 4B, 6A, and APCD Plans 1 and 2.
- Monthly average of highest 36 consecutive months of compensation earnable for General Plans 5C and 7, Safety Plans 4C and 6B, part-time members in all plans, and Plan 8 (PEPRA) members. Compensation for Plan 8 members excludes certain pay elements, such as terminal payouts, and is limited to 100% or 120% of 2013 Social Security Taxable Wage Base, indexed in future years by CPI-U, based on whether the member is covered under Social Security.
- Monthly average of highest 36 non-consecutive months of compensation for General Plan 2.

SERVICE RETIREMENT

Normal Retirement Age

- Age 59 for General Plan 2 (Government Code Section §31486.4)
- Age 59 for General Plan 5 (§31676.12)
- Age 59 for General Plan 7 (§31676.1)
- Age 59 for General Plan 8 (§7522.20)
- Age 59 for APCD Plans (§31676.15)
- Age 55 for Safety Plan 4 (§31664.2)
- Age 50 for Safety Plan 6 (§31664.1)
- Age 55 for Safety Plan 8 (§7522.25)

Early Retirement

- Age 50, 5 years of service, and 10 years elapsed since membership for General Plans 5 and 7, APCD Plans, and Safety Plans
- Age 55, 10 years of service, and 10 years elapsed since membership for General Plan 2
- Age 52 and 5 years of service for General and APCD Plan 8 (PEPRA)
- Age 50 and 5 years of service for Safety Plan 8 (PEPRA)

OR:

- 30 years of service for General Plans 5 and 7 and APCD Plans (other than Plan 8)
- 20 years of service for Safety Plans (other than Plan 8)
- Age 70 regardless of service for General Plans 5 and 7, and APCD Plans

Benefit at Normal Retirement Age

- 2% of final average salary per year of service times age factor for General Plan 5 and APCD Plans (§31676.12 and §31676.15, respectively).
- 1/60 of final average salary per year of service times age factor for General Plan 7 (§31676.1).
- 2% of final average salary per year of service (maximum 35 years) plus 1% of final average salary per year of service in excess of 35 (maximum 10 years) reduced by 1/35 of Social Security benefit at age 65 per year of service (maximum 35 years) for General Plan 2 (§31486.4).
- 3% of final average salary per year of service times age factor for Safety Plans (§31664.2, §31664.1), excluding Plan 8.
- 1% of final average salary per year of service at age 52, increasing by 0.1% for each year of age to 2.5% at age 67 for General Plan 8 (PEPRA). In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age.
- 2% of final average salary per year of service at age 50, increasing by 0.1% for each year of age to 2.7% at age 57 for Safety Plan 8 (PEPRA). In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age.

Benefit adjustments

Reduced for retirement before:

- Age 65 for §31486.4 (General Plan 2)
- Age 57 for §31676.12 (General Plan 5)
- Age 55 for §31664.2 (Safety Plan 4)
- Age 50 for §31664.1 (Safety Plan 6)
- Age 55 for §31676.15 (APCD Plans)
- Age 67 for General Plan 8 (PEPRA)
- Age 57 for Safety Plan 8 (PEPRA)

Reductions for §31486.4 are actuarial equivalents.

Increased for retirement after:

- Age 57 for §31676.12 (General Plan 5)
- Age 55 for §31676.15 (APCD Plans)

DISABILITY RETIREMENT

- Non-service connected for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8, and APCD Plans
  - 1.8% of final average salary per year of service (1.5% for General Plan 8, APCD Plans, and General Plan 7), with maximum of 33⅓% if projected service is used (age 62 for General Plans 5 and 7, age 55 for Safety Plans 4 and 6, and age 65 for Plan 8 / PEPRA and all APCD Plans) or
  - Service retirement benefit (if eligible).
  - APCD members receive a monthly supplemental allowance of $300.

- Service connected for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans
  - Greater of 50% of final average salary or service retirement benefit (if eligible).
  - APCD members receive a monthly supplemental allowance of $300.

- General Plan 2 purchases long-term insurance policy.
  - 60% of salary provided outside of the Plan.
  - Payments are reduced by other disability income benefits.
  - Service retirement at age 65 (credit given toward service retirement while disabled under the Long-Term Disability (LTD) Plan).

DEATH BEFORE RETIREMENT

- Non-service connected before eligible to retire for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
  - Refund of contributions plus 1/12 of last year's salary per year of service up to six years.
- Eligible for non-service connected disability or service retirement for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
  - 60% of member's accrued allowance.
- Service connected for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
  - 50% of salary or service retirement benefit (if eligible).
- Benefit for General Plan 2.
  - 1/12 of final year's salary per year of service up to six years.

DEATH AFTER RETIREMENT

- $5,000 lump sum death benefit for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8, and APCD Plans.
- Service retirement or non-service connected disability.
  - 60% of member's allowance payable to an eligible spouse for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
  - 50% of member's allowance payable to an eligible spouse for General Plan 2.

- Service connected disability
  - 100% of member's allowance payable to an eligible spouse for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
  - 50% of member's allowance payable to an eligible spouse for General Plan 2.

VESTING

- Must leave contributions on deposit.
- Five years of service for General Plans 5, 7, and 8, Safety Plans 4, 6, and 8 and APCD Plans.
- Ten years of service for General Plan 2.

MEMBER'S CONTRIBUTIONS

- Based on entry age (except Plan 8 / PEPRA – General and Safety).
- Half rates for General Plans 5A, 5C and 7, Safety Plans 4A, 4C, 6A and 6B, and APCD Plan 1.
- Full rates for General Plan 5B, Safety Plan 4B, and APCD Plan 2.
- Half of total normal cost for All Plan 8 / PEPRA (General and Safety) members, with covered compensation limited to 100% or 120% of 2013 Taxable Wage Base (indexed based on CPI-U).
- General Plan 2 is noncontributory.

MAXIMUM BENEFIT

- 100% of final average salary for General Plans 5 and 7, Safety Plans 4 and 6, and APCD Plans.
- No maximum for Plan 8 / PEPRA, other than limits on compensation specified in final average compensation provisions.
- Benefit and Social Security combined cannot exceed 70% of final average salary if service is less than 35 years, otherwise 80% for General Plan 2.

COST-OF-LIVING

- Up to 3% cost-of-living adjustment for General Plan 5, Safety Plans 4, 6, and 8 (PEPRA), and APCD Plans 1 and 2.
- Limited to a maximum 2% cost-of-living adjustment for General Plan 7 and any General Plan 8 members where the employer had adopted General Plan 7 for new hires.
- None for General Plan 2.

STATISTICAL

INTRODUCTION TO THE STATISTICAL SECTION

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objective of this section is to provide historical perspective, context, and detail to assist in utilizing the basic financial statements, notes to the financial statements, and required supplementary information to understand and assess Santa Barbara County Employees' Retirement System's (SBCERS or the System) economic condition. The following schedules reflect financial trend and operating information.

- The ***Schedule of Additions to Plan by Source*** reflects the various sources of income to the System net of investment fees.
- The ***Schedule of Deductions from Pension and OPEB Plans by Type*** reflects the major expenses of the System. The major expenses include benefits paid, refunds and administrative expenses.
- The ***Schedule of Benefit Expenses of Pension and OPEB Plans by Type*** reflects a breakdown of the types of benefits paid. These expenses cover benefits paid by pension plan grouping type, death benefits and Other Postemployment Benefits (OPEB).
- The ***Schedule of Participating Employers*** represents the System's participating employers and their active members covered by the plan.
- The ***Schedule of Employer Contribution Rates*** lists a schedule of retirement plans for which benefits are being paid and the employer contribution rates associated with each of those plans by their respective employer.
- The ***Schedule of Member Contribution Rates*** lists member rates for all active retirement plans available through the fiscal year.
- The ***Schedule of Average Benefit Payments*** present the average monthly benefit, average annual benefit and number of active retirees, organized by increments of credited years of service.
- The ***Changes in Fiduciary Net Position – OPEB*** contains the financial trend information for the OPEB Plan.

SCHEDULE OF ADDITIONS TO PENSION AND OPEB PLANS BY SOURCE

Dollars in thousands

Fiscal Year	Member Contributions	Employer Contributions	Gross Return on Investments	Investment Expenses	Other Income	Total
2011	$ 10,843	$ 103,102	$ 350,862	$ (5,141)	$ 23,725	$ 483,391
2012	14,525	117,126	44,320	(5,936)	223	170,258
2013	19,024	118,940	174,388	(6,175)	395	306,572
2014	14,514	128,127	335,038	(5,906)	544	472,317
2015	16,622	133,033	27,657	(6,899)	690	171,103
2016	18,312	134,446	39,485	(7,639)	1,528	186,132
2017	20,320	136,251	272,549	(8,123)	646	421,643
2018	22,533	144,493	231,919	(7,849)	660	391,756
2019	26,605	147,739	238,523	(11,956)	612	401,523
2020	31,618	155,973	39,278	(12,676)	580	214,773

SCHEDULE OF DEDUCTIONS FROM PENSION AND OPEB PLANS BY TYPE

Dollars in thousands

Fiscal Year	Benefits Paid	Member Withdrawals	Administrative Expenses	Total
2011	$ 114,698	$ 1,476	$ 4,112	$ 120,286
2012	121,685	1,072	4,023	126,780
2013	130,222	591	4,240	135,053
2014	138,899	813	4,607	144,319
2015	145,508	967	4,817	151,292
2016	154,528	946	5,599	161,073
2017	162,170	1,044	6,110	169,324
2018	177,417	1,374	6,780	185,571
2019	189,689	1,728	7,193	198,610
2020	203,060	1,837	7,095	211,992

SCHEDULE OF BENEFIT EXPENSES BY TYPE – PENSION

Dollars in thousands

Fiscal Year	Benefits Paid General	Benefits Paid Safety	Benefits Paid APCD	Death Benefits	Total
2011	$ 59,909	$ 45,401	$ 980	$ 372	$ 106,662
2012	66,496	45,227	1,113	690	113,526
2013	64,629	55,375	1,521	330	121,855
2014	73,087	55,050	1,739	412	130,288
2015	76,809	57,520	2,052	423	136,804
2016	81,832	61,167	2,324	388	145,711
2017	84,062	66,382	2,397	344	153,185
2018	94,694	70,792	2,401	490	168,377
2019	102,727	74,790	2,518	493	180,528
2020	113,539	77,022	2,709	540	193,810

SCHEDULE OF BENEFIT EXPENSES BY TYPE – OPEB

Dollars in thousands

Fiscal Year	Heath Insurance Subsidy Paid	Health Reimbursement Cash Paid	Total
2011	$ 7,269	$ 767	$ 8,036
2012	7,306	853	8,159
2013	7,443	924	8,367
2014	7,609	1,002	8,611
2015	7,607	1,096	8,703
2016	7,591	1,225	8,816
2017	7,598	1,387	8,985
2018	7,595	1,445	9,040
2019	7,469	1,692	9,161
2020	7,412	1,838	9,250

SCHEDULE OF PARTICIPATING EMPLOYERS – PENSION

For the fiscal years ended June 30

	2020	2019	2018	2017	2016
County of Santa Barbara:					
General Members	3,060	3,018	2,939	3,047	3,119
Safety Members	933	913	899	920	888
Total	3,993	3,931	3,838	3,967	4,007
Santa Barbara County Superior Court:					
General Members	217	220	220	216	222
Total	217	220	220	216	222
Participating Special Districts:					
Santa Barbara County Air Pollution Control District	33	35	34	38	41
Carpinteria Cemetery District	2	2	2	2	2
Carpinteria-Summerland Fire Protection District	34	37	36	32	33
Goleta Cemetery District	4	4	4	4	4
Oak Hill Cemetery District	3	3	3	3	3
Santa Barbara County Association of Governments	19	19	16	19	19
Mosquito & Vector Management District of Santa Barbara County	6	6	6	7	7
Santa Maria Cemetery District	7	7	7	7	6
Summerland Sanitary District	4	5	5	4	4
Total	112	118	113	116	119
Total Active Membership	4,322	4,269	4,171	4,299	4,348

	2015	2014	2013	2012	2011
County of Santa Barbara:					
General Members	3,038	2,904	2,843	2,846	2,879
Safety Members	902	886	867	851	872
Total	3,940	3,790	3,710	3,697	3,751
Santa Barbara County Superior Court:					
General Members	217	266	283	259	267
Total	217	266	283	259	267
Participating Special Districts:					
Santa Barbara County Air Pollution Control District	42	43	40	47	48
Carpinteria Cemetery District	2	2	2	2	2
Carpinteria-Summerland Fire Protection District	34	33	30	23	34
Goleta Cemetery District	4	4	4	4	4
Oak Hill Cemetery District	3	3	3	3	3
Santa Barbara County Association of Governments	19	18	19	18	19
Mosquito & Vector Management District of Santa Barbara County	7	7	6	6	7
Santa Maria Cemetery District	6	7	7	9	9
Summerland Sanitary District	4	4	4	4	4
Total	121	121	115	116	130
Total Active Membership	4,278	4,177	4,108	4,072	4,148

Data is for Pension Plan only.

SCHEDULE OF PARTICIPATING EMPLOYERS – OPEB

For the fiscal years ended June 30

	2020	2019	2018	2017	2016	2014
County of Santa Barbara	2,239	2,415	2,583	2,808	3,029	3,383
Carpinteria-Summerland Fire Protection District	31	35	36	32	33	33
Santa Maria Cemetery District	3	7	7	7	6	7
Goleta Cemetery District	4	4	4	4	4	4
Santa Barbara County Association of Governments	11	11	16	17	18	18
Summerland Sanitary District	2	3	5	4	4	4
Carpinteria Cemetery District	2	2	2	2	2	2
Santa Barbara County Air Pollution Control District	14	18	20	22	28	38
Santa Barbara County Superior Court	190	210	220	216	222	218
Total Active Membership	2,496	2,705	2,893	3,112	3,346	3,707

Additional years of data will be published as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES – PENSION

Effective July 2019

Plan		*APCD*	*SB County*	*SB Courts*	*Special Districts*
General	APCD 1	51.24%			
	APCD 2	50.49%			
	APCD 7	36.02%			
	APCD 8	42.91%			
General	Plan 2		24.11%	24.11%	
	Plan 5A		35.41%	35.41%	35.41%
	Plan 5B		35.56%	35.56%	
	Plan 5C		37.15%		
	Plan 7		36.02%		36.02%
	Plan 8-2		29.03%		29.03%
	Plan 8-3[1]			30.02%	30.02%
Safety	Plan 4A		56.09%		56.09%
	Plan 4B		55.01%		55.01%
	Plan 4C		55.22%		
	Plan 6A		64.50%		
	Plan 6B		63.98%		
	Plan 8		44.19%		44.19%

[1] *If General Plan 7 was not adopted by the employer, Plan 8 with a 3.0% cost-of-living adjustment (COLA) was implemented. This affects Santa Barbara County Superior Court and the following Special Districts: Carpinteria Cemetery District, Oak Hill Cemetery District, Summerland Sanitary District, Santa Maria Cemetery District, and Santa Barbara County Association of Governments (SBCAG).*

SCHEDULE OF AVERAGE BENEFIT PAYMENTS – PENSION

	0-9	*10-14*	*15-19*	*20-24*	*25-29*	*30+*
June 30, 2011						
Average Monthly Benefit	$ 3,099	$ 2,455	$ 2,350	$ 2,326	$ 1,894	$ 1,448
Average Annual Benefit	$ 37,188	$ 29,460	$ 28,200	$ 27,912	$ 22,728	$ 17,376
Number of Active Retirees	1,912	556	308	244	162	205
June 30, 2012						
Average Monthly Benefit	$ 3,202	$ 2,673	$ 2,374	$ 2,363	$ 1,968	$ 1,545
Average Annual Benefit	$ 38,424	$ 32,076	$ 24,488	$ 28,356	$ 23,616	$ 18,540
Number of Active Retirees	1,949	612	311	264	157	214
June 30, 2013						
Average Monthly Benefit	$ 3,082	$ 2,856	$ 2,282	$ 2,518	$ 2,028	$ 1,625
Average Annual Benefit	$ 36,987	$ 34,271	$ 27,387	$ 30,212	$ 24,334	$ 19,503
Number of Active Retirees	2,080	692	361	270	162	208
June 30, 2014						
Average Monthly Benefit	$ 3,121	$ 2,838	$ 2,552	$ 2,402	$ 2,222	$ 1,716
Average Annual Benefit	$ 37,452	$ 34,056	$ 30,624	$ 28,824	$ 26,664	$ 20,592
Number of Active Retirees	2,097	731	423	247	175	224
June 30, 2015						
Average Monthly Benefit	$ 3,173	$ 3,040	$ 2,632	$ 2,354	$ 2,387	$ 1,779
Average Annual Benefit	$ 38,076	$ 36,480	$ 31,584	$ 28,248	$ 28,644	$ 21,348
Number of Active Retirees	2,128	766	473	273	172	218
June 30, 2016						
Average Monthly Benefit	$ 3,270	$ 3,079	$ 2,633	$ 2,441	$ 2,421	$ 1,850
Average Annual Benefit	$ 39,240	$ 36,948	$ 31,596	$ 29,292	$ 29,052	$ 22,200
Number of Active Retirees	2,170	832	496	271	185	217
June 30, 2017						
Average Monthly Benefit	$ 3,383	$ 3,117	$ 2,804	$ 2,503	$ 2,488	$ 1,978
Average Annual Benefit	$ 40,596	$ 37,404	$ 33,648	$ 30,036	$ 29,856	$ 23,736
Number of Active Retirees	2,298	833	574	259	197	214
June 30, 2018						
Average Monthly Benefit	$ 3,461	$ 3,265	$ 3,154	$ 2,549	$ 2,697	$ 2,106
Average Annual Benefit	$ 41,532	$ 39,180	$ 37,848	$ 30,588	$ 32,364	$ 25,272
Number of Active Retirees	2,313	871	619	299	205	212
June 30, 2019						
Average Monthly Benefit	$ 3,566	$ 3,448	$ 3,198	$ 2,919	$ 2,566	$ 2,261
Average Annual Benefit	$ 42,792	$ 41,376	$ 38,376	$ 35,028	$ 30,792	$ 27,132
Number of Active Retirees	2,365	912	632	360	195	216
June 30, 2020						
Average Monthly Benefit	$ 3,625	$ 3,753	$ 3,392	$ 3,059	$ 2,592	$ 2,356
Average Annual Benefit	$ 43,500	$ 45,036	$ 40,704	$ 36,708	$ 31,104	$ 28,272
Number of Active Retirees	2,331	993	671	408	213	228

CHANGES IN FIDUCIARY NET POSITION – PENSION

Dollars in thousands
As of June 30

	2020	2019	2018	2017	2016
Additions					
Employer Contributions	$ 141,585	$ 133,708	$ 131,374	$ 121,991	$ 122,748
Member Contributions	31,618	26,605	22,534	20,320	18,312
Net Investment Income	24,364	224,280	222,677	263,412	31,441
Net Securities Income	202	358	405	334	240
Net Miscellaneous Income	199	204	232	265	1,119
Total Additions	197,968	385,155	377,222	406,322	173,860
Deductions					
Benefits Paid	193,810	180,528	168,377	153,185	145,711
Member Withdrawals	1,837	1,728	1,374	1,044	946
Administrative Expenses	6,523	6,784	6,351	5,734	5,193
Total Deductions	202,170	189,040	176,102	159,963	151,850
Changes in Fiduciary Net Position	$ (4,202)	$ 196,115	$ 201,120	$ 246,359	$ 22,010

	2015	2014	2013	2012	2011
Additions					
Employer Contributions	$ 123,612	$ 119,228	$ 110,583	$ 108,764	$ 94,437
Member Contributions	16,622	14,514	19,024	14,525	10,843
Net Investment Income	20,383	328,512	167,753	37,995	345,343
Net Securities Income	181	120	202	361	357
Net Miscellaneous Income	277	220	395	223	23,725
Total Additions	161,075	462,594	297,957	161,868	474,705
Deductions					
Benefits Paid	136,804	130,288	121,855	113,526	106,662
Member Withdrawals	967	812	591	1,072	1,477
Administrative Expenses	4,405	4,289	4,236	4,023	4,112
Total Deductions	142,176	135,389	126,682	118,621	112,251
Changes in Fiduciary Net Position	$ 18,899	$ 327,205	$ 171,275	$ 43,247	$ 362,454

CHANGES IN FIDUCIARY NET POSITION – OPEB

Dollars in thousands
As of June 30

	2020	2019	2018	2017	2016
Additions					
Employer Contributions	$ 14,388	$ 14,031	$ 13,119	$ 14,260	$ 11,698
Net Investment Income	2,036	1,929	988	679	167
Misc. Income	381	408	428	380	408
Total Additions	16,805	16,368	14,535	15,319	12,273
Deductions					
Benefits Paid	9,250	9,161	9,040	8,985	8,816
Administrative Expenses	572	409	429	376	408
Total Deductions	9,822	9,570	9,469	9,361	9,224
Changes in Fiduciary Net Position	$ 6,983	$ 6,798	$ 5,066	$ 5,958	$ 3,049

	2015	2014	2013	2012	2011
Additions					
Employer Contributions	$ 9,421	$ 8,899	$ 8,358	$ 8,362	$ 8,666
Net Investment Income	194	500	257	28	21
Misc. Income	413	323	-	-	-
Total Additions	10,028	9,722	8,615	8,390	8,687
Deductions					
Benefits Paid	8,704	8,611	8,367	8,159	8,036
Administrative Expenses	413	319	4	-	-
Total Deductions	9,117	8,930	8,371	8,159	8,036
Changes in Fiduciary Net Position	$ 911	$ 792	$ 244	$ 231	$ 651

GLOSSARY

ACCUMULATED PLAN BENEFITS: Benefits attributable under the provisions of a pension plan to employees for services rendered to the benefit information date.

ACTUARIAL ASSUMPTIONS: Assumptions used in the actuarial valuation process as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement; changes in compensation and national pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods and other relevant items.

ACCRUAL BASIS OF ACCOUNTING: The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACTUARIAL LIABILITY: The portion, as determined by a particular cost method, of the total present value of benefits that is attributable to past service credit.

ACTUARIAL GAIN (LOSS): A measure of the difference between actual and expected experience based upon a set of actuarial assumptions. Examples include a higher return on fund assets than anticipated (gain) and higher than expected salary increases (loss).

ACTUARIAL PRESENT VALUE: The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

AMORTIZATION: (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

AUDITOR’S REPORT: In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with accounting principles generally accepted in the United States of America (GAAP) or other comprehensive basis of accounting.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of a government. It includes (a) the four combined financial statements in the combined statements - overview and their related notes (the "lift-able" General Purpose Financial Statements) and (b) combining statements by fund type and individual fund and account group financial statements prepared in conformity with GAAP and organized into a financial reporting pyramid. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material and a detailed statistical section. Every government reporting entity should prepare a CAFR.

ENTRY AGE ACTUARIAL COST METHOD: A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial liability.

MEASUREMENT DATE: The date as of which an asset or liability has been rolled forward to based on that asset or liability's calculated value as of a valuation date.

NORMAL COST: The ongoing annual cost allocated to the System by a particular actuarial cost method for providing benefits (future cost). Normal cost payments are made during the working lifetime of the member.

OTHER POSTEMPLOYMENT BENEFITS (OPEB): Postemployment benefits that an employee will begin to receive at the start of retirement which do not include pension benefits paid. These Other Postemployment Benefits can include life insurance premiums, health care premiums and deferred-compensation agreements.

PENSION CONTRIBUTION: The amount paid into a pension plan by an employer (or employee), pursuant to the terms of the plan, state law, actuarial calculations or some other basis for determinations.

PENSION TRUST FUND: A trust fund used to account for a public employees' retirement system. Pension trust funds, like nonexpendable trust funds, use the accrual basis of accounting and have a capital maintenance focus.

TREAD WATER INDICATOR (TWI): Measures the minimum annual contribution required in order to prevent the net pension liability (NPL) or net OPEB liability (NOL) from growing under reported assumptions.

UNFUNDED ACTUARIAL LIABILITY (UAL): The excess of the actuarial liability over the actuarial value of assets.

UAL AMORTIZATION PAYMENT: The portion of the pension plan contribution, which is designed to pay off (amortize) the unfunded actuarial liability in a systematic fashion. Equivalently, it is a series of periodic payments required to pay off a debt.

VALUATION DATE: Date as of which the actuarial valuation is performed.

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