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SCAR PETERS
RETIREMENT ADMINISTRATOR



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July 13, 2005

The Honorable Clifford R. Anderson, III
Presiding Judge, Superior Court
1100 Anacapa Street
Santa Barbara, CA 93101

Santa Barbara County Grand Jury
Attention: Foreperson
1100 Anacapa Street
Santa Barbara, CA 93101

RE: GRAND JURY FINAL REPORT FINDING 3 AND RECOMMENDATION 1

Consistent with the requirements of California Penal Code Section 933.05(a)/(f) the Board of Retirement of the Santa Barbara County Employees; Retirement System offers the following comments.

Finding 3: SBCERS' funded ratio of accrued assets to accrued liability has been declining for four years and is currently the lowest shown for the past seven years.

The Santa Barbara County Employees' Retirement System agrees with the finding.

The statement is factually accurate. We are aware of the declining funding ratio and expect that it will continue through for two more years as deferred market losses from 2001 through 2003 are recognized. It may be of interest to note that the retirement system's current funding ratio of 87% is the same funding ratio in 1995 and 1996.

Recommendation 1:

SBCERS should provide members and taxpayers with an explanation for the decline in the funded ratio of accrued assets to accrued liability including what, if anything can or should be done.

The recommendation has been implemented.

The Board of Retirement appreciates your review of the funding status of the retirement plan and acknowledgement of the significance of the retirement benefits and their cost on County taxpayers. It agrees that the causes for the reduction in the actuarial funding level and the increased cost of funding the System are important issues.

Taxpayer Provisions

The Board of Retirement, during public proceedings, reviews the funded ratio of accrued assets to accrued liability, as well as discusses what, if anything, can or should be done. In fact, the Board of