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**GRAND JURY
SANTA BARBARA COUNTY
SANTA BARBARA CITY COLLEGE RESPONSE**

June 27th, 2011

TO: Grand Jury Santa Barbara County

FROM: Santa Barbara Community College District

RE: Response to June 2011 County Grand Jury Report "Local Government Post Employment Benefits in Santa Barbara County Complicated and Costly"

FINDINGS AND RECOMMENDATIONS

Finding 1a

Most public agencies in Santa Barbara County are participants in large defined benefit pension plan pools, which provide diversification, cost efficiency, spreading of risk, centralized management and centralized investment strategy.

Respondent agrees with finding.

Finding 1b

Public agencies in Santa Barbara County participating in defined benefit pension pools know their current year required contribution and an estimate of the following year's contribution.

Respondent agrees with finding.

Finding 1c

Fitch Ratings is a global rating agency that has announced new disclosure requirements because current disclosure requirements make it impossible for Fitch to accurately allocate a cost-sharing multiple-employer system's unfunded pension liability to the numerous participating employers that use pools to provide pensions to their employees. Moody's Investor Service has begun to recalculate the states' debt burdens in a way that includes unfunded pensions. The Government Accounting Standards Board has states that each government agency participating in a cost-sharing pension plan should report a net liability based on its proportion of the unfunded obligation of all the participating governments.

Respondent agrees with finding.

Finding 1d

Unfunded long-term liability can have an important impact on future funding requirements that the ratepayer, taxpayer and each individual agency needs to know.

Respondent agrees with finding.

Finding 1e

Public agencies in Santa Barbara County participating in defined benefit pension pools do not know their individual long-term unfunded actuarial liability.

Respondent agrees with finding.

Recommendation 1

That, no later than January 1, 2012, all local government agencies that belong to multiple-employer pension pools obtain, and for each year thereafter, make publicly available estimates of their individual unfunded actuarial liability from an actuary or the plan sponsor.

Santa Barbara Community College District (SBCC) Response to Recommendation 1 is as follows:

Recommendation will not be implemented because it is not warranted or is not reasonable.

This action is not within the scope of our office's capabilities. This information is not currently available to us.

Santa Barbara Community College District (SBCC) is part of the schools statewide CalPERS and CalSTRS pools, and employer contributions are set at the same rate for all school district members of that pool.

The unfunded liability of the state schools pools impacts the employer contribution rate, and this unfunded liability is made available to the general public annually in the CaPERS *Comprehensive Annual Financial Report* and the CalSTRS *Comprehensive Annual Financial Report*.

Finding 2a

As of June, 2010, public agencies in Santa Barbara County had a total unfunded actuarial liability for post employment healthcare of approximately \$316,000,000.

Respondent is unable to respond as the question assumes knowledge not available to the institution.

Finding 2b

Some agencies pay all or a portion of the healthcare premium costs for employees.

Respondent agrees with finding.

Finding 2c

For the most part, local agency healthcare benefits are pay as you go, and are not structured on a prefunded basis like defined benefit pension plans.

Respondent agrees with finding.

Recommendation 2a

That, no later than January 1, 2012, in the best interested of ratepayers and taxpayers, each government agency that contributes some or part of healthcare premium for employees, adopt an implementation plan to reduce those contributions.

Santa Barbara Community College District (SBCC) Response to Recommendation 2a is as follows:

Recommendation will not be implemented because it is not warranted or is not reasonable.

Recommendation 2a is within the scope of bargaining and therefore is negotiable with all bargaining units. SBCC currently offers minimal post retirement benefits that have been negotiated with the faculty and staff unions and cover certain eligible employees only from the time they retire until they are eligible for Medicare. The amount of the benefit is easily quantified and will not increase substantially over time.

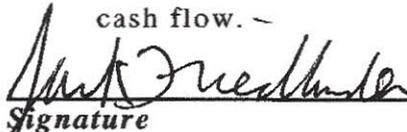
Recommendation 2b

That, no later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that provides healthcare premiums for employees, implements prefunding their currently unfunded healthcare liability.

Santa Barbara Community College District (SBCC) Response to Recommendation 2b is as follows:

Recommendation will not be implemented because it is not warranted or is not reasonable.

The Government Standards Board Statement No. 45 on OPEB liability does not mandate funding of the obligation. In addition SBCC currently offers minimal post retirement benefits (see response to 2a above) that are easily quantified and will not increase substantially over time. Setting aside the amount of the Actuarial Accrued Liability in an irrevocable trust would be a severe deduction to cash reserves and unnecessarily strain cash flow. -


Signature

8/9/11
Date

Dr. Jack Friedlander

Acting President and Secretary to the SBCC Board of Trustees

August 1st, 2011
SBCC Board Approval Date