

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: FEBRUARY 13, 2013
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION



SUBJECT: AGENDA ITEM #9 – Presentation by Norm Ruggles, Chief Executive Officer, San Bernardino County Employee Retirement Association on Unfunded Actuarial Liability and Related Retirement Issues

BACKGROUND:

Over the last several years as LAFCO has considered the mandatory factors for Municipal Service Reviews related to finance, one question reoccurs, what is unfunded liability and how is it being addressed. In response to questions generated by a request to LAFCO staff for information on an exemption for an out-of-agency service contract, the Executive Officer contacted Chief Executive Officer, Norm Ruggles, of the San Bernardino County Employee Retirement Association (SBCERA) for additional information. As a part of that conversation, Mr. Ruggles was requested to make a presentation to the Commission on the issue of unfunded liabilities. The presentation is intended to outline information on what an unfunded actuarial liability (UAL) is for LAFCO as well as other agencies under its purview as well as the impacts the UAL may have on jurisdictional actions which LAFCO considers.

LAFCO staff presented some sample questions to Mr. Ruggles which were requested to be covered as a part of his presentation. They are:

1. What is LAFCO's UAL and what would happen if the legislature were to do away with LAFCO? Since LAFCO is created by Government Code Section 56000 et seq. repeal of the statute or transfer of this responsibility would affect current obligations. What is the difference between unfunded actuarial accrued liabilities (shown on the LAFCO audit response) and unfunded actuarial liabilities, if any?

2. LAFCO and the other non-County agencies pay a different percentage each year into the system, why is this and are the assets from these deposits accounted for separately from the County Fund? Did the County pension obligations receive a “pension payment vacation” as PERS gave its participants in the past while the non-County agencies have been required to pay consistently?
3. For a consolidation of special districts or the incorporation of a new City whose former agencies were members of SBCERA what is the method for determining payments to SBCERA, if necessary, or changes in cost factors? LAFCO has reviewed a number of changes affecting organization which were members of SBCERA, such as the incorporation of the City of Big Bear Lake, the formation of the Crest Forest Fire Protection District and Rim of the World Recreation and Park District, to name a few, and were not aware of any issue at the time with SBCERA. However, we understand that a potential contract for Crest Forest Fire Protection District comes with a substantial payment required to SBCERA.

No further information has been provided by SBCERA for circulation prior to the hearing. Staff will be happy to forward additional questions from the Commission to Mr. Ruggles at SBCERA for response at the hearing.

KRM

Attachments:

1. [Letter from SBCERA on Contribution Rates for LAFCO Dated January 25, 2013](#)
2. [Chart Showing Retirement Contribution Rate Growth for LAFCO](#)