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February 27, 2026

Ms. Debby Cherney
Chief Executive Officer
348 W. Hospitality Lane, Suite 100
San Bernardino, CA 92408

**Re: San Bernardino County Employees Retirement Association (SBCERA)
Estimate Impact of Proposed Assembly Bill No. 1383 (AB 1383)**

Dear Debby:

As requested, we have estimated the potential impact of proposed Assembly Bill No. 1383 (AB 1383) on the contribution requirements (both the dollar contribution and the contribution rate as a percentage of payroll) for SBCERA. We have also provided the potential impact of AB 1383 on the unfunded actuarial accrued liability (UAAL) and funded ratio.

Summary

The two main proposed changes in AB 1383 are as follows:

- The current cap on pensionable compensation previously imposed by the California Public Employees' Pension Reform Act (PEPRA) on PEPRA members would be replaced by a higher cap equal to a percentage of the contribution and benefit base specified in Section 430(b) of Title 42 of the United States Code. For an employer such as SBCERA where the members are not included in the federal system, the percentage is equal to 135% of the Section 430(b) limit.¹ We have assumed that this higher cap would be applied in calculating benefits for all (past and future) years of service starting January 1, 2027. If it were applied to future service only, the impact of the higher cap on the UAAL would be reduced significantly.
- A retirement benefit of 2.7% at 55² would apply to Safety PEPRA members for future years of service starting January 1, 2027.

We have estimated the potential impact of the implementation of AB 1383 if it were to pass in its existing form without any further amendment by its author or other members of the legislature and be effective as of the most recent Actuarial Valuation and Review as of June 30, 2025 for SBCERA. Based on our analysis, we have estimated the cost impact on key results and

¹ For an employer where the members are included in the federal system, the percentage is equal to 100%.

² Besides the 2.7% at 55 formula, there are three alternative formulas including: 2% at 55, 2.5% at 55 and 3% at 55. The 3% at 55 formula is subject to a benefit cap of 90% of final compensation. We understand that without proceeding under the meet and confer process, an employer is required to choose the alternative formula to calculate benefit for future years of service starting January 1, 2027 that is closest to the formula used to calculate benefit for past years of service on or before December 31, 2026.

summarized them in the following table. The impact varies significantly by cost sharing group and tier as described later in this letter and detailed in *Attachment A*.

Cost Impact of Proposed Assembly Bill 1383 Based on June 30, 2025 Actuarial Valuation

Valuation Result	Total Estimated Impact
Actuarial accrued liability	Increase of \$41.6 million
Funded ratio	Decrease of 0.21%
Average employer contribution rate	Increase of 0.28% of payroll
Total employer contribution amount	Increase of \$8.6 million ³
Average member contribution rate	Increase of 0.17% of payroll
Total member contribution amount	Increase of \$4.8 million ³

Methodology and analysis

Higher cap on pensionable compensation

For retirement systems where the members of the employer are not included in the federal system, the cap on pensionable compensation was 120% of \$155,080 or \$186,096 for 2025 (for systems where the members of the employer are included in the federal system, the cap on pensionable compensation was 100% of \$155,080 for 2025), whereas 135% of the contribution and benefit base specified in Section 430(b) of Title 42 of the United States Code for 2025 was \$237,735 (135% of \$176,100). In the context of the actuarial valuations, these limits would be projected to increase by price inflation (2.50% per year under SBCERA's current actuarial assumptions) after 2025.

Everything else being equal and assuming that the availability of a higher cap on pensionable compensation would not incentivize members to retire earlier than they would have otherwise, there would be at least two impacts on the annual contributions that would be required to be paid:

Impact on normal cost contributions

The same normal cost rate that had previously been calculated will have to be applied immediately to the additional salaries of those members who have exceeded the old pensionable compensation cap resulting in higher employer and member annual normal cost **dollar** contributions.

Furthermore, even if the members' current salaries are below the old pensionable compensation cap, their salaries in the future (adjusted with wage inflation as well as merit and promotional

³ The increase in annual contributions includes the impact of applying the higher cap on pensionable compensation to the current contribution rates as well as the impact of the increase to the current contribution rates, as discussed later.

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increases) may be projected to exceed the old pensionable compensation cap in the future (adjusted only with price inflation). After applying the higher cap on pensionable compensation, the normal cost **rate** using the Entry Age cost method will increase somewhat. The annual normal cost dollar contributions will increase further as the higher normal cost rate will have to be applied to the total pensionable compensation (already adjusted to reflect the higher cap).

The increase in the average employer normal cost contribution rate for General Tier 2 is 0.17% of payroll, or a \$2.6 million increase in annual contributions, and the increase in the average member contribution rate for General Tier 2 is also 0.17% of payroll, or a \$2.6 million increase in annual contributions.

The increase in the employer normal cost contribution rate for Safety Tier 2 is 0.71% of payroll, or a \$1.4 million increase in annual contributions, and the increase in the member contribution rate for Safety Tier 2 is also 0.71% of payroll, or a \$1.4 million increase in annual contributions.

Impact on UAAL contributions

Since the higher normal cost contributions have not been paid by the employer (nor the member) since the inception of PEPRA, there will be an increase in the actuarial accrued liability (AAL), UAAL, and UAAL contribution rate⁴ under the Entry Age cost method.

The increase in the average employer UAAL contribution rate for General Tier 1 and General Tier 2 is 0.05% of payroll, or a \$1.8 million increase in annual contributions, and the increase in the employer UAAL contribution for Safety Tier 1 and Safety Tier 2 is 0.45% of payroll, or a \$1.8 million increase in annual contributions.

Safety benefit enhancement

Safety members hired on or after January 1, 2013 are currently covered under Section 7522.25(d) (2.7% at 57). We understand that without proceeding under the meet and confer process, an employer is required to choose the alternative formula to calculate the benefit for future years of service starting January 1, 2027 that is closest to the formula used to calculate the benefit for past years of service on or before December 31, 2026 and without any benefit reduction when compared to the 2.7% at 57 formula currently used by SBCERA. Therefore, we believe that the 2.7% at 55 formula would be applicable to Safety members for future years of service starting January 1, 2027.

Aside from the impact on cost due to the implementation of higher cap on pensionable compensation, the 2.7% at 55 benefit would be extended to future service only. There would be an increase in the total normal cost rate due to the higher benefit offered for each year of future service. Additionally, the higher benefit may incentivize Safety members to retire earlier than they would have otherwise, further increasing the normal cost rate. In estimating the cost impact, we used the same eligibility, compensation, and other assumptions applicable to PEPRA members covered under Section 7522.25(d) with the exception of the retirement rates.

⁴ The increase in UAAL would be classified as a plan amendment and under SBCERA's funding policy and would be amortized over a 15-year period.

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We have modified the retirement rates to anticipate slightly earlier retirements based on the higher benefit factors at ages 51 through 56. Finally, for technical reasons related to the version of the Entry Age cost method, there will also be a minor increase in the UAAL. Therefore, there would be at least two impacts on the annual contributions that would be required to be paid:

Impact on normal cost contributions

The higher normal cost rate will have to be applied immediately to all the salaries of those employees who were previously covered by the 2.7% at 57 formulas resulting in higher annual normal cost dollar contributions.

The increase in the employer normal cost contribution rate for Safety Tier 2 is 0.39% of payroll, or a \$0.8 million increase in annual contributions, and the increase in the member contribution rate for Safety Tier 2 is also 0.39% of payroll, or a \$0.8 million increase in annual contributions.

Impact on UAAL contributions

Because of the technical application of the Entry Age cost method mentioned above, there will be a minor increase in the AAL when determining the UAAL contribution rate⁵ under the actuarial cost method. This increase is not very significant compared to the increase in the higher normal cost rate described above.

The increase in the employer UAAL contribution for Safety Tier 1 and Safety Tier 2 is 0.04% of payroll, or a \$0.1 million increase in annual contributions.

Actuarial assumptions

Unless otherwise noted, the actuarial assumptions used in this calculation are the same assumptions used by SBCERA in the Actuarial Valuation and Review as of June 30, 2025. The only exception is we have modified the retirement rates to anticipate slightly earlier based on the higher benefit factors at ages 51 through 56. The retirement rates are shown in *Attachment B*.

Additional considerations

When considering benefit improvements, actuarial analysis falls short if it only speaks to the estimated immediate cost. For example, in the wake of benefit increases around the year 2000, it became clear that higher benefits require more assets. More assets result in more movement in those assets when the market experiences volatility, which is passed on to employers through more volatile contribution rates. Additionally, higher benefits result in higher liabilities. When those liabilities are remeasured through experience study and prudent assumption changes, this is also passed on to employers through greater swings in contribution rates. Put another way, increasing benefit levels leads to **greater future contribution rate volatility**, both from changes in measured liabilities and changes in asset values.

⁵ The increase in UAAL would be classified as a plan amendment and under SBCERA's funding policy and would be amortized over a 15-year period.

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An additional way that actuarial analysis can fall short is through **unexpected effects or those that are difficult to predict and model**. For example, we have not attempted to take into account any change in behavior for the salary cap change which may result from higher pensionable compensation and benefit levels incentivizing different retirement patterns. For the Safety benefit formula changes, we have attempted to model out approximate retirement behavior changes based on past similar benefit formulas, but these should only be viewed as a proxy for how employees might react under the proposed formulas and current circumstances.

Specifically addressing the proposed pensionable compensation cap change, it should be noted that this particular proposed benefit increase **increases the paid benefits of the highest earners in any given plan, at the expense of all other participants** in the plan (in addition to the employer). This is because the increase in the normal cost attributable to the employee contribution is shared equally among all PEPRA employees. Therefore, this benefit "increase" would result only in increased cost to most employees, while the benefit provided will only be seen by the highest earners.

Statement of actuarial opinion

This document has been prepared for the exclusive use and benefit of SBCERA, based upon information provided by the Plan or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

These calculations were supervised by Molly Calcagno, ASA, MAAA, EA. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions on this information.

Sincerely,



Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President and Actuary



Molly Calcagno, ASA, MAAA, EA
Senior Actuary

AW/elf
Attachments

cc: Barbara Hannah
Amy McInerny

Recommended Employer Contribution Calculated as of June 30, 2025⁶
 (\$ in '000s)

Component by Cost Sharing Group and Tier	2025 Total Contribution Rate	2025 Estimated Annual Amount ⁷	2025 Total Contribution Rate under AB 1383	2025 Estimated Annual Amount under AB 1383 ⁷	Impact on Contribution Rate	Impact on Estimated Annual Amount
County General Tier 1						
Normal cost	11.31%	\$63,177	11.31%	\$63,177	0.00%	\$0
UAAL	10.19%	56,920	10.23%	57,144	0.04%	224
Total contribution	21.50%	\$120,097	21.54%	\$120,321	0.04%	\$224
County General Tier 2						
Normal cost	8.73%	\$84,990	8.88%	\$87,050	0.15%	\$2,060
UAAL	10.19%	99,204	10.23%	100,283	0.04%	1,079
Total contribution	18.92%	\$184,194	19.11%	\$187,333	0.19%	\$3,139
Safety Tier 1						
Normal cost	23.73%	\$41,597	23.73%	\$41,597	0.00%	\$0
UAAL	30.01%	52,606	30.50%	53,464	0.49% ⁸	858
Total contribution	53.74%	\$94,203	54.23%	\$95,061	0.49%	\$858
Safety Tier 2						
Normal cost	14.69%	\$28,375	15.79%	\$30,554	1.10% ⁹	\$2,179
UAAL	30.01%	57,968	30.50%	59,019	0.49% ⁸	1,051
Total contribution	44.70%	\$86,343	46.29%	\$89,573	1.59%	\$3,230
All County members						
Normal cost	11.48%	\$218,139	11.66%	\$222,378	0.18%	\$4,239
UAAL	14.03%	266,698	14.15%	269,910	0.12%	3,212
Total contribution	25.51%	\$484,837	25.81%	\$492,288	0.30%	\$7,451

⁶ The June 30, 2025 normal cost and UAAL rates shown for each cost group include an explicit administrative expense of 0.26% and 0.38% of payroll, respectively.

⁷ Based on projected annual compensation for each scenario as shown at the end of this Attachment.

⁸ Of the 0.49% of payroll increase in the UAAL contribution rate, 0.45% of payroll is due to the higher cap on pensionable compensation and 0.04% of payroll is due to the Safety benefit enhancement.

⁹ Of the 1.10% payroll increase in the normal cost contribution rate, 0.71% of payroll is due to the higher cap on pensionable compensation and 0.39% of payroll is due to the Safety benefit enhancement.

Recommended Employer Contribution Calculated as of June 30, 2025¹⁰
 (\$ in '000s)

Component by Cost Sharing Group and Tier	2025 Total Contribution Rate	2025 Estimated Annual Amount ¹¹	2025 Total Contribution Rate under AB 1383	2025 Estimated Annual Amount under AB 1383 ¹¹	Impact on Contribution Rate	Impact on Estimated Annual Amount
Superior Court Tier 1						
Normal cost	11.31%	\$4,710	11.31%	\$4,710	0.00%	\$0
UAAL	9.74%	4,057	9.81%	4,085	0.07%	28
Total contribution	21.05%	\$8,767	21.12%	\$8,797	0.07%	\$28
Superior Court Tier 2						
Normal cost	8.73%	\$5,032	8.88%	\$5,156	0.15%	\$124
UAAL	9.74%	5,613	9.81%	5,696	0.07%	83
Total contribution	18.47%	\$10,645	18.69%	\$10,852	0.22%	\$207
SCAQMD Tier 1						
Normal cost	11.88%	\$4,915	11.88%	\$4,915	0.00%	\$0
UAAL	25.42%	10,518	25.65%	10,613	0.23%	95
Total contribution	37.30%	\$15,433	37.53%	\$15,528	0.23%	\$95
SCAQMD Tier 2						
Normal cost	7.72%	\$5,014	8.15%	\$5,322	0.43%	\$308
UAAL	25.42%	16,507	25.65%	16,748	0.23%	241
Total contribution	33.14%	\$21,521	33.80%	\$22,070	0.66%	\$549
SBCTA Tier 1						
Normal cost	13.22%	\$657	13.22%	\$657	0.00%	\$0
UAAL	0.99%	49	1.28%	64	0.29%	15
Total contribution	14.21%	\$706	14.50%	\$721	0.29%	\$15
SBCTA Tier 2						
Normal cost	9.01%	\$516	9.50%	\$578	0.49%	\$62
UAAL	0.99%	57	1.28%	78	0.29%	21
Total contribution	10.00%	\$573	10.78%	\$656	0.78%	\$83

¹⁰ The June 30, 2025 normal cost and UAAL rates shown for each cost group include an explicit administrative expense of 0.26% and 0.38% of payroll, respectively.

¹¹ Based on projected annual compensation for each scenario as shown at the end of this Attachment.

Recommended Employer Contribution Calculated as of June 30, 2025¹²
 (\$ in '000s)

Component by Cost Sharing Group and Tier	2025 Total Contribution Rate	2025 Estimated Annual Amount ¹³	2025 Total Contribution Rate under AB 1383	2025 Estimated Annual Amount under AB 1383 ¹³	Impact on Contribution Rate	Impact on Estimated Annual Amount
CSAC Tier 1						
Normal cost	14.62%	\$1,183	14.62%	\$1,183	0.00%	\$0
UAAL	16.13%	1,305	16.14%	1,306	0.01%	1
Total contribution	30.75%	\$2,488	30.76%	\$2,489	0.01%	\$1
CSAC Tier 2						
Normal cost	8.54%	\$569	9.05%	\$618	0.51%	\$49
UAAL	16.13%	1,076	16.14%	1,102	0.01%	26
Total contribution	24.67%	\$1,645	25.19%	\$1,720	0.52%	\$275
Other General Tier 1¹⁴						
Normal cost	13.73%	\$2,422	13.73%	\$2,422	0.00%	\$0
UAAL	16.00%	2,817	16.02%	2,827	0.02%	10
Total contribution	29.73%	\$5,239	29.75%	\$5,249	0.02%	\$10
Other General Tier 2¹⁴						
Normal cost	8.31%	\$1,563	8.48%	\$1,605	0.17%	\$42
UAAL	16.00%	3,016	16.02%	3,031	0.02%	15
Total contribution	24.31%	\$4,579	24.50%	\$4,636	0.19%	\$57
All employers combined						
Normal cost	11.29%	\$244,720	11.46%	\$249,544	0.17%	\$4,824
UAAL	14.38%	311,713	14.49%	315,460	0.11%	3,747
Total contribution	25.67%	\$556,433	25.95%	\$565,004	0.28%	\$8,571

¹² The June 30, 2025 normal cost and UAAL rates shown for each cost group include an explicit administrative expense of 0.26% and 0.38% of payroll, respectively.

¹³ Based on projected annual compensation for each scenario as shown at the end of this Attachment.

¹⁴ The Other General cost sharing group has been shown on a combined basis in this letter. The impact on each set of contribution rates shown in the actuarial valuation would be the same as shown on the combined basis.

The projected compensation that is used to estimate the annual dollar amount shown on the prior pages as of June 30, 2025 before and after the proposed AB 1383 are as follows:

Projected Compensation as of June 30, 2025
 (\$ in '000s)

Cost Sharing Group and Tier	Before AB 1383	After AB 1383
County General Tier 1	\$558,595	\$558,595
County General Tier 2	973,544	980,288
Safety Tier 1	175,293	175,293
Safety Tier 2	193,160	193,505
Superior Court Tier 1	41,645	41,645
Superior Court Tier 2	57,635	58,061
SCAQMD Tier 1	41,377	41,377
SCAQMD Tier 2	64,938	65,295
SBCTA Tier 1	4,971	4,971
SBCTA Tier 2	5,727	6,088
CSAC Tier 1	8,094	8,094
CSAC Tier 2	6,672	6,830
Other General Tier 1	17,645	17,645
Other General Tier 2	18,808	18,922
Total	\$2,168,104	\$2,176,609

Retirement Rates (%) — Safety

Age	Tier 2 (\$7522.25(d))	AB 1383 (\$7522.26(d))
45	0.00	0.00
46	0.00	0.00
47	0.00	0.00
48	0.00	0.00
49	0.00	0.00
50	5.00	5.00
51	4.00	5.00
52	5.00	6.00
53	6.00	7.00
54	12.00	13.00
55	18.00	22.00
56	20.00	22.00
57	22.00	22.00
58	25.00	25.00
59	25.00	25.00
60	25.00	25.00
61	25.00	25.00
62	25.00	25.00
63	25.00	25.00
64	25.00	25.00
65	100.00	100.00

The retirement rates only apply to members that are eligible to retire at the age shown.