



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

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Fifth District

DATE: February 10, 2026

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TO: Board of Supervisors

SUBJECT

EMPLOYER AND EMPLOYEE RETIREMENT CONTRIBUTION RATES FOR FISCAL YEAR 2026–27 (DISTRICTS: ALL)

OVERVIEW

California Government Code Section 31454 requires the Board of Supervisors to adjust the rates of San Diego County's employer and employee retirement contributions based on recommendations of the San Diego County Employees Retirement Association (SDCERA) Board of Trustees (Retirement Board). The Retirement Board approved the employer and employee contribution rates recommended by its actuary, The Segal Group, Inc., for Fiscal Year (FY) 2026–27 on November 20, 2025.

While the employer contribution rates are different for Safety and General members, the aggregate employer rate (or weighted average rate) approved by the Retirement Board for FY 2026–27 is 38.00% of payroll, which is a decrease from the FY 2025–26 aggregate employer rate of 48.16%, as anticipated in our long term financial planning. The decrease in the employer contribution rate results most significantly from the effect of fully amortizing some of the retirement fund's Unfunded Actuarial Accrued Liability (UAAL) layers as well as from a larger than expected projected total payroll and changes in actuarial assumptions adopted by the Retirement Board, notably changes in demographic assumptions that effectively reduce cost.

The average employee (i.e. member) rate as a percentage of payroll decreased from 11.58% to 11.26%, primarily due to changes in active member demographics among retirement tiers and changes in actuarial assumptions.

Approval of today's recommendation would adopt employer and employee retirement contribution rates for inclusion in the Chief Administrative Officer Recommended Operational Plan (i.e. budget) for FY 2026–27.

RECOMMENDATION

CHIEF ADMINISTRATIVE OFFICER

Adopt the San Diego County employer and employee retirement contribution rates for Fiscal Year 2026–27 as recommended by the San Diego County Employees Retirement Association actuary and approved by the Retirement Board on November 20, 2025.

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EQUITY IMPACT STATEMENT

Approval of this recommendation will implement the County of San Diego’s contribution rates for the normal cost and Unfunded Actuarial Accrued Liability that will be funded in the Fiscal Year 2026–27 Operational Plan to meet the County’s obligation to provide a defined benefit pension plan for permanent employees. San Diego County Employees Retirement Association’s retirement benefits support a broad community of diverse employees and retirees, providing long-term financial support well after active employment with the County concludes.

SUSTAINABILITY IMPACT STATEMENT

Benefits provided by a secure and stable retirement fund help ensure the County of San Diego can compete to attract and retain an appropriately sized, skilled and diverse workforce to design and implement policies, programs and services that ensure equitable and sustainable opportunities.

FISCAL IMPACT

If the recommendation to adopt the rates of employer retirement contributions is approved, the estimated total annual employer retirement contribution costs for the County of San Diego (County) and all participating employers will be approximately \$757.0 million for Fiscal Year (FY) 2026–27, a decrease of approximately \$139.3 million from the FY 2025–26 estimated total employer contribution.

The County is obligated to fund approximately 94% of the total annual employer retirement contribution, which is estimated at \$711.6 million in FY 2026–27, a decrease of approximately \$131.0 million from the County’s share of estimated annual employer retirement contributions in the prior fiscal year, which is included in the County’s long term financial planning. Other participating employers are obligated to make the remaining 6% of contributions to the San Diego County Employees Retirement Association (SDCERA). These employers include San Diego Superior Court, San Dieguito River Valley Joint Powers Authority, Local Agency Formation Commission and San Diego County Office of Education. The County’s actual cost of retirement will differ from this estimate due to the application of the contribution rates to the County’s actual biweekly payroll instead of the SDCERA actuary’s assumed payroll. The funding source is a combination of program specific revenues and General Purpose Revenue. No additional staff years are required.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

Under Section 31453 of the California Government Code, an actuarial valuation of the County of San Diego’s (County) retirement fund is required to be made at intervals not to exceed three years. It also calls for the Retirement Board to recommend to the Board of Supervisors changes in rates of interest and contribution rates. The actuarial valuation must be completed by an actuary,

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covering the mortality, service, and compensation experience of the members and beneficiaries, and shall evaluate the assets and liabilities of the retirement fund. It is San Diego County Employees Retirement Association’s (SDCERA) practice to conduct an actuarial valuation annually. Today’s recommendation complies with this section of the Government Code.

By statute, members and employers are required to contribute a percentage of their covered compensation and salary to SDCERA. Rates are recommended by an actuary through the actuarial valuation that incorporates actuarial assumptions about the future. The Retirement Board approved the employer and employee contribution rates for Fiscal Year (FY) 2026–27 on November 20, 2025, as recommended by its actuary, The Segal Group, Inc.

The employer rates provide for both the normal cost and the amortization of any Unfunded Actuarial Accrued Liability (UAAL) of the retirement fund. The normal cost expressed as a percentage of payroll represents the annual contribution rate that, if paid annually from a member’s first year of membership through their year of retirement, would accumulate to the amount necessary to fully fund the member’s retirement-related benefits. The UAAL component expressed as a percentage of payroll represents the actuarial accrued liability of the plan in excess of the actuarial value of the plan assets, amortized over a 20-year period.

The County is the largest of five employers that participate in SDCERA. Other participating employers include San Diego Superior Court, San Dieguito River Valley Joint Powers Authority, Local Agency Formation Commission and San Diego County Office of Education.

The following table compares the results of SDCERA’s June 30, 2024, valuation to the latest June 30, 2025, actuarial valuation, and identifies the major components affecting the change in valuation as reported. Components affecting the decrease in the retirement fund’s UAAL over the past year include:

- The effect of current year normal costs, employee and employer contributions and interest earned (column b).
- Changes in investment returns (column c). The retirement fund experienced an investment return of 6.60% on a valuation value basis during the year ended June 30, 2025, including recognizing a portion of this year’s investment gain and a portion of prior years’ investment gains and losses, and allocating a portion to SDCERA’s Contingency Reserve. Since the net return for the year was greater than the retirement fund’s assumed rate of return of 6.50%, there was an actuarial gain from investments after following SDCERA’s practice of actuarial “smoothing” of the retirement fund’s investment gains and losses over multiple years.
- The impact of non-investment experience (column d). This results most significantly from changes in actuarial assumptions adopted by the Retirement Board based on SDCERA’s most recent three-year Actuarial Experience Study which revised demographic and other assumptions (e.g. termination rates, disability rates, life expectancies among others) that mainly reduced cost, and to a lesser extent by greater than expected contributions. This is balanced largely by higher-than-expected individual salary increases, and somewhat by

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Cost of Living Adjustments (COLA) that were greater than anticipated, and other actuarial losses.

Valuation Results: June 30, 2024, compared to June 30, 2025 (in millions)					
	June 30, 2024	Current Year Normal Costs, Contributions and Interest	Greater than Expected Investment Returns	Non-Investment Experience	June 30, 2025
	(a)	(b)	(c)	(d)	(a)+(b)+(c) +(d)
UAAL⁽¹⁾	\$5,101.7	\$(331.2)	\$(18.2)	\$(112.4)	\$4,639.9
<i>Source: SDCERA Actuarial Valuation and Review as of June 30, 2025, pg. 30</i>					
<i>⁽¹⁾Unfunded Actuarial Accrued Liability (UAAL)</i>					

The following table compares the FY 2026–27 recommended employer retirement contribution rates for General and Safety members for all Tiers, as approved by the Retirement Board on November 20, 2025, with the FY 2025–26 rates adopted by the Board of Supervisors on February 11, 2025 (3). As indicated, the aggregate employer rate (or weighted average rate) decreases from prior year. This results most significantly from fully amortizing certain of the retirement fund’s UAAL layers, along with amortizing the remaining UAAL over a larger than expected projected total payroll and changes in actuarial assumptions. This change to the UAAL has been anticipated and is incorporated into ongoing financial planning activities.

Employer Contribution Rates Comparison			
Contributions for:		FY 2025-26^a	FY 2026-27^b
General Tier 1, A-D	Normal Cost	11.68%	11.30%
	UAAL ^c	29.51%	20.46%
	Total	41.19%	31.76%
Safety Tier A-D	Normal Cost	20.90%	20.94%
	UAAL ^c	54.51%	41.39%
	Total	75.41%	62.33%
Aggregate Rate		48.16%	38.00%
<i>^aSDCERA Actuarial Valuation and Review as of June 30, 2024, pgs. 35-36</i>			
<i>^bSDCERA Actuarial Valuation and Review as of June 30, 2025, pgs. 35-36</i>			
<i>^cUnfunded Actuarial Accrued Liability (UAAL)</i>			

The following table compares the FY 2026–27 recommended average member retirement contribution rates for General and Safety members for all Tiers, as approved by the Retirement Board on November 20, 2025, with the FY 2025–26 rates adopted by the Board of Supervisors on February 11, 2025 (3).

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Average Member Contribution Rates Comparison		
Tier	FY 2025-26^a	FY 2026-27^b
General Tier 1	11.82%	11.13%
General Tier A	14.08%	13.51%
General Tier B	11.31%	11.28%
General Tier C	10.00%	9.95%
General Tier D	7.35%	7.22%
Safety Tier A	17.63%	17.96%
Safety Tier B	14.44%	15.15%
Safety Tier C	16.27%	16.41%
Safety Tier D	15.69%	16.00%
Aggregate Rate	11.58%	11.26%
<i>^aSDCERA Actuarial Valuation and Review as of June 30, 2024, pg. 12</i>		
<i>^bSDCERA Actuarial Valuation and Review as of June 30, 2025, pg. 12</i>		

Attachment A provides the detail and history of employer contribution rates since FY 2017–18. Attachment B details the recommended FY 2026–27 employee (i.e. member) contribution rates by Tier. Attachment C provides the recommended FY 2026–27 employer contribution rates by Tier.

The County has aggressively managed its retirement-related costs through a combination of issuing pension obligation bonds (POB), making voluntary additional contributions to SDCERA to address the UAAL of the Retirement Fund, and other actions. The County has taken advantage of past decreases in retirement contribution rates along with available resources to accelerate the pay down of the POB. Approximately \$264.0 million of POB principal has been prepaid to date.

The County’s POB principal outstanding was \$140.4 million as of June 30, 2025. To support the debt service costs of the County’s POB, the County set aside a total of \$383.0 million in General Fund fund balance from FY 2016–17 through FY 2019–20. This fund balance served as an alternative funding source for a portion of existing POB costs that was previously supported by General Purpose Revenue. Beginning in FY 2017–18, portions of this fund balance were appropriated over a ten-year period and are to be used in accordance with the Charter of the County of San Diego, Article VIII, Section 800.1. Final maturity of the outstanding POB will be in FY 2026–27.

Further, additional voluntary payments have been made in the past to SDCERA to manage increases in retirement costs and to mitigate fluctuations in the employer contribution rates. The following table details the history of the County’s additional voluntary payments to SDCERA since FY 2004–05.

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Additional Voluntary Payments to SDCERA <i>(in millions)</i>	
Fiscal Year	Amount
2004–05	\$24.9
2005–06	\$40.0
2006–07	\$26.9
2010–11	\$29.6
2012–13	\$14.2
2017–18	\$22.5
2018–19	\$13.8
2019–20	\$10.0
2020–21	\$0.0
2021–22	\$0.0
2022–23	\$8.8
2023–24	\$31.1
2024–25	\$0.0
2025–26	\$0.0
Total	\$221.8

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today’s proposed action supports the Strategic Initiatives of Sustainability, Equity, Empower, Community, and Justice in the County of San Diego’s 2026–2031 Strategic Plan by working towards a fully funded, defined benefit pension plan for all eligible employees.

Respectfully submitted,



EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENTS

Attachment A: History of San Diego County Employees Retirement Association Employer Contribution Rates

Attachment B: San Diego County Employees Retirement Association Member Contribution Rates for Fiscal Year 2026–27

Attachment C: San Diego County Employees Retirement Association Employer Contribution Rates for Fiscal Year 2026–27