

August 3, 2011

To: Members of the Board of Retirement

From: George Dewey, Actuarial Committee Chair

Subject: Minutes of Actuarial Committee Meeting, August 3, 2011 (Revised)

The Actuarial Committee was called to order at 1:05 p.m. on August 3, 2011. Committee Members present were George Dewey, Chair, Keith Carson and Liz Koppenhaver. Other Board members present were Dale Amaral, Annette Cain-Darnes and George Wood; and Alternate Members David Safer and Darryl Walker.

Staff Members present were Vince Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Harsh Jadhav, Internal Auditor; Rose Kwong, Benefits Manager; J. P. Singh, Chief Financial Officer; Betty Tse, Chief Investment Officer; Catherine Walker, Acting Chief Executive Officer; and Latrena Walker, Projects and Information Systems Manager.

Representatives from ACERA participating employers were present, including: County Administrative Officer Susan Muranishi, County Auditor Pat O'Connell; Rissa Bowman and Ava Lavender from County Human Resources; Jodi DeLucca and Dennis Manzo of Alameda County Medical Center; Mark Friedman of First 5; Don Humphrey of LARPD; and Harry Ma of Superior Court. Also present was Jim McPhillips of The Hay Group, the County's consulting actuary; and Paul Angelo and Dirk Adamsen of The Segal Company, ACERA's actuaries.

ACTION ITEMS

1. Request for Proposals for Actuarial Audit

Catherine Walker presented the Request for Proposals (RFP) for Actuarial Audit to the Committee for its recommendation to the Board. The Board will interview finalists in November. Liz Koppenhaver moved that the Committee recommend that the Board of Retirement approve the Request for Proposals for Actuarial Audit of the Actuarial Valuation as of December 31, 2011. Annette Cain-Darnes seconded, and the Committee approved the motion unanimously.

INFORMATION ITEMS

- 1. Review of Economic Actuarial Assumptions; and**
- 2. Triennial Experience Study**

The first two information items, the experience studies of the economic and non-economic actuarial assumptions, were presented together. No action will be taken regarding the actuarial assumptions until the participating employers have had the opportunity to review the reports and to discuss the findings and recommendations with staff and our actuaries. The reports presented by Segal are not drafts; they are the actuaries' final work product.

Segal recommends continuing the inflation assumption at 3.5%, but said that most indicators have been trending down for several years and that at some time in the future they will recommend lowering the inflation assumption to 3.25%. Segal is recommending lowering the assumed rate of return from 7.9% to 7.8%.

The most significant change proposed in the non-economic assumptions is a change in the basis for developing merit and promotional salary increase assumptions. Segal will now use length of service as the basis rather than age. There is a stronger correlation between the amount of increases and length of service than the correlation with age. The result of this change is a modest increase in member contribution rates for those hired later in their careers, and a modest decrease in rates for those hired earlier. The result for employer rates is an overall reduction.

- 3. Actuarial Committee Work Plan**

Catherine Walker presented a revised work plan for the remainder of 2011 for the Committee.

- 4. Actuarial Liability Funding Policy**

Catherine Walker said that in approving an item to authorize review and revision of the Liability Management Policy, the Board directed that work begin after the appointment of the new CEO. Now that Vince Brown is on board, that work will start.

RECOMMENDATIONS

- The Committee recommends, and I move that the Board of Retirement approve the Request for Proposals for Actuarial Audit of the Actuarial Valuation as of December 31, 2011.

TRUSTEE & PUBLIC INPUT

None.

FUTURE DISCUSSION ITEMS

- Liability Management Policy / Actuarial Funding Policy
- Interview and selection of actuarial audit firm

ESTABLISH NEXT MEETING DATE

To be determined.

ADJOURNMENT

The meeting adjourned at 2:37 p.m.