



February 20, 2014

To: Members of the Actuarial Committee

From: George Wood, Chair

Subject: Summary of the February 20, 2014 Actuarial Committee Meeting

Actuarial Committee Chair George Wood called the February 20, 2014 Actuarial Committee Meeting to order at 12:37 p.m. Committee members present were George Wood, Chair, Dale Amaral, and Keith Carson. The other Board members present were Annette Cain-Darnes, and alternate member David Safer. Staff present were Vince Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Marguerite Malloy, Associate Counsel; Betty Tse, Chief Investment Officer; Margo Allen, Fiscal Services Officer; Latrena Walker, Project and Information Services Manager; Rose Kwong, Benefits Manager; Victoria Arruda, Human Resources Director; and Harsh Jadhav, Internal Auditor.

ACTION ITEM

1. Discussion and possible motion to discontinue the .25% rounding requirement for CalPEPRA member contribution rate valuation calculations, pursuant to AB 1380

Margo Allen, Fiscal Services Officer, presented an overview of AB 1380 which allows for a Board's option to discontinue the original rounding requirement of CalPEPRA member contribution rates to the nearest .25%.

Paul Angelo, Segal's Senior Vice President and Actuary, and Andy Yeung, Segal's Vice President and Associate Actuary, explained that Segal anticipates in about half of future valuations when the total normal cost of contributions is split 50/50 between the member and the employer, the member will pay slightly more than 50% of the normal cost after rounding up to the nearest .25%, and vice versa. It was further explained that the Board now has discretion to no longer apply the rounding requirement if it wants contribution payments to be exactly 50 percent of the total normal cost rate by the CalPEPRA member and the employer.

After a discussion, it was moved by Annette Cain-Darnes and seconded by Dale Amaral that the Actuarial Committee recommends to the Board of Retirement that the Board approve the discontinuance of the .25% rounding requirement for CalPEPRA member contribution rate valuation calculations, pursuant to AB 1380.

The motion carried 3 yes (*Amaral, Cain-Darnes, Wood*), 0 no, 0 abstentions.

2. Discussion and possible motion to approve dispensing the Death Burial Benefit Reserve

Margo Allen, Fiscal Services Officer, presented a report containing a historical analysis of action taken by both the Alameda County Board of Supervisors and ACERA's Board of Retirement regarding the Death Burial Benefit Reserve (DBB-Reserve). As a result of the analysis, staff recommended to the Committee that consideration be given to treating the \$6 million balance of the DBB-Reserve as

excess earnings and disperse it among the other reserves using the Article 5.5 interest crediting process in order to align ACERA with GC §31789.12 statutory compliance.

Vince Brown, CEO, clarified that this action is technical and should remain separate from any decision about the retiree death burial benefit which will be discussed during the March Retirees Committee meeting.

After a discussion, it was moved by Annette Cain-Darnes and seconded by David Safer that the Actuarial Committee recommends to the Board of Retirement that the Board approve dispensing the Death Burial Benefit Reserve as excess earnings in ACERA's next available interest crediting cycle.

The motion carried 3 yes (*Cain-Darnes, Safer, Wood*), 1 no (*Amaral*), 0 abstentions.

INFORMATION ITEMS

1. Interest Crediting Procedure

Margo Allen, Fiscal Services Officer, reviewed ACERA's current interest crediting procedure. Paul Angelo, Segal's Senior Vice President and Actuary, stated that during the April Actuarial Committee meeting Segal will discuss and identify the issues of an interest crediting process and recommend a step by step approach to writing a policy.

2. GASB 67 & 68

Paul Angelo, Segal's Senior Vice President and Actuary, and Andy Yeung, Segal's Vice President and Associate Actuary provided the Committee with an update on GASB 67 & 68.

3. Proposed 2014 Actuarial Committee Work Plan

Margo Allen, Fiscal Services Officer, presented the proposed Actuarial Committee work plan for 2014.

RECOMMENDATIONS

1. The Committee recommends, and I move, that the Board of Retirement approves the discontinuance of the .25% rounding requirement for CalPEPRA member contribution rate valuation calculations, pursuant to AB 1380.
2. The Committee recommends, and I move, that the Board of Retirement approves dispensing the Death Burial Benefit Reserve as excess earning in ACERA's next available interest crediting cycle.

TRUSTEE/PUBLIC INPUT

ESTABLISHMENT OF NEXT MEETING DATE

April 17, 2014 at 11:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 2:02 p.m.