



June 18, 2015

To: Members of the Actuarial Committee

From: Keith Carson, Chair

Subject: Summary of the June 18, 2015 Actuarial Committee Meeting

Actuarial Committee Chair Keith Carson called the June 18, 2015 Actuarial Committee meeting to order at 12:34 p.m. Committee members present were Keith Carson, Chair, Elizabeth Rogers, Vice-Chair, Liz Koppenhaver, and George Wood. The other Board members present were Dale Amaral, Annette Cain-Darnes, and Tarrell Gamble. Staff present were Kathy Foster, Interim Chief Executive Officer; Margo Allen, Fiscal Services Officer; Joseph Fletcher, Chief Counsel; Betty Tse, Chief Investment Officer; Latrena Walker, Project and Information Services Manager; Harsh Jadhav, Internal Auditor; and Sandra Dueñas-Cuevas, Benefits Manager.

ACTION ITEM

1. Discussion and possible motion to adopt the Actuarial Valuation and Review as of December 31, 2013, including the employer and employee contribution rates

Staff recounted the results of the 2014 actuarial funding valuation that were previously discussed during the April committee meeting. Dirk Adamsen, Actuarial Associate, represented Segal Consulting (Segal) to answer questions. Participating Employer representatives from the County of Alameda, Superior Court, and Alameda Health Systems were present at the meeting. Alameda County's actuary and external auditor were also in attendance.

Elizabeth Rogers, Board Chair, stated that she received a letter from the County Administrator about the implementation of GASB 67 and 68 for financial reporting. Ms. Rogers asked staff if they had seen the letter and if they had any exceptions to the letter. Staff responded that the letter was just received and reviewed before the start of the committee meeting, and that staff takes no exception to any information in the letter. Staff explained that the letter is a re-statement of the conversations held recently with county staff, and that following discussions with GASB representatives, the Net Pension Liability (NPL) for financial reporting will be re-calculated using the 7.60% investment return assumption rate.

Ms. Rogers asked if the language in Section 1, page iv, paragraphs 1 and 2 of the funding valuation is still relevant to the valuation, since the 7.60% investment return assumption will now be used to calculate the NPL. The funding valuation states that Segal studied the future impact of the 50% allocation of future excess earnings to the SRBR in a stochastic model, consistent with the guidance found in the revised Actuarial Standard of Practice (ASOP) No. 4, and estimated that the allocation would have the same impact on the total employer contribution rate as that calculated using an investment return assumption of 6.85% (that is a 0.75% reduction of the 7.60% investment return assumption).

Staff reminded the trustees that Segal has a professional obligation to comply with the directives in the revised ASOP No. 4. Staff added that in past actuarial audits it was recommended that the 50% allocation of future excess earnings to the SRBR be quantified in the funding valuation. Mr. Adamsen recapped that this language is for informational purposes only, and according to the revised ASOP No. 4 which is effective for the 2014 funding valuation, Segal needs to measure and quantify plan provisions that are difficult to measure, such as gain sharing provisions. Mr. Adamsen added that the language is included in the funding valuation to reply to the recommendation of the auditing actuary and the revised ASOP No. 4, and does not have an effect on the contribution rates or the unfunded actuarial accrued liability. When asked if there was another way to state the information, Mr. Adamsen replied that there were certainly other ways to state the information.

The County Auditor-Controller stated that ACERA and County staff have been working collaboratively to resolve the issues expressed in the CAO's letter, and that using the 7.60% discount rate to calculate the NPL will be appropriate for the County's reporting purposes. The CAO's Administrative Analyst stated that he felt there was a reasonable opportunity for public confusion if the 6.85% discount rate language is included in the valuation even though it will not be used for reporting purposes. The County's actuary stated that the confusion is the reference to a 6.85% discount rate and not the liability of expected future outflows of an estimated \$700 million from the pension fund to the SRBR fund. Mr. Adamsen said that he will speak to the actuary about modifying this language in the funding valuation.

It was moved by Elizabeth Rogers and seconded by Liz Koppenhaver that the Actuarial Committee recommends to the Board of Retirement that the Board adopt the Actuarial Valuation and Review as of December 31, 2014, excluding Section 1, page iv, full paragraphs 1 and 2, and including the employer and employee contribution rates.

The motion did *not* pass with 3 yes (*Carson, Koppenhaver and Rogers*), 1 no (*Wood*), and 3 abstentions (*Amaral, Cain-Darnes, and Gamble*).

Afterwards, it was moved by Liz Koppenhaver and seconded by Elizabeth Rogers that the Actuarial Committee recommends to the Board of Retirement that the Board adopt the valuation results in the Actuarial Valuation and Review as of December 31, 2014, including the employer and employee contribution rates, and excluding the valuation summary.

The County Administrator said that delaying the adoption of the funding valuation and contribution rates did not adversely affect the County because the contribution rates were not effective until September 2015.

The motion did *not* pass with 3 yes (*Koppenhaver, Rogers, and Wood*), 0 no, and 4 abstentions (*Amaral, Cain-Darnes, Carson, and Gamble*).

The Actuarial Committee Chair directed staff to schedule another committee meeting to review the revisions and take possible action on the funding valuation.

INFORMATION ITEMS

There were no information items for discussion.

TRUSTEE/PUBLIC INPUT

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for September 17, 2015 at 12:30 p.m.

MEETING ADJOURNED

The meeting adjourned at 1:20 p.m.