ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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June 19, 2014

To: Members of the Actuarial Committee

From: George Wood, Chair

Subject: Summary of the June 19, 2014 Actuarial Committee Meeting

Actuarial Committee Chair George Wood called the June 19, 2014 Actuarial Committee Meeting to order at 11:34 a.m. Committee members present were George Wood, Chair, Dale Amaral, Ophelia Basgal 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; Harsh Jadhav, Internal Auditor; and Victoria Arruda, Human Resources Director.

ACTION ITEM

1. **Discussion and possible motion to select the conditions under which the Contingency Reserve would be used when available earnings are not negative and do not meet the investment return assumption**

   Margo Allen, Fiscal Services Officer, explained that staff was seeking a decision by the Actuarial Committee and Board about the Contingency Reserve interesting crediting process in order to finalize ACERA's interest crediting policy.

   Paul Angelo, Segal's Senior Vice President and Actuary, and Andy Yeung, Segal's Vice President and Associate Actuary, discussed scenarios for and against the use of the contingency reserve during a period in which earnings are less than the assumed rate of return, but are not negative.

   Trustee Basgal asked Vince Brown, CEO, which scenario he recommends. Mr. Brown responded that he recommends using the contingency reserve whenever earnings are less than the assumed rate of return, but are not negative.

   After a discussion, it was moved by Ophelia Basgal and seconded by David Safer that the Actuarial Committee recommends to the Board of Retirement that the Board approve the use of the contingency reserve whenever earnings during the 6 month interest crediting period are less than the assumed rate of return, but are not negative.

   The motion did *not* pass with 3 yes (*Basgal, Carson, and Safer*), 2 no *(Amaral and Cain-Darnes)*, and 1 abstention *(Wood)*.
   Marguerite Malloy, Associate Counsel, stated that this action item could be discussed and voted upon again at the June Board meeting, providing it is on the agenda.

2. Discussion and possible motion regarding the size of the Contingency Reserve

Since the first action item did not pass, the Actuarial Committee elected to postpone a discussion and possible motion on the size of the Contingency Reserve until the June Board meeting, when this item can be considered along with the first action item pertaining to the condition under which the Contingency Reserve can be used.

INFORMATION ITEMS

1. Interest Crediting to the 401(h) Account

Margo Allen, Fiscal Services Officer, presented a summary of the legal determination of ACERA's current practice of crediting interest to the 401(h) account. HansonBridgett returned its determination on May 19, 2014 and concluded that the practice of crediting interest to the 401(h) account was appropriate and recommended that ACERA continue with the current practice.

2. Review of the Actuarial Funding Policy

Margo Allen, Fiscal Services Officer, introduced the review of the proposed Actuarial Funding Policy. Paul Angelo, Segal's Senior Vice President and Actuary, explained that all the components in the proposed Actuarial Funding Policy have already been approved by the Board of Retirement and are being used by ACERA. Mr. Angelo said that the purpose of this policy is to record all these elements into one document and that a funding policy is a requirement of GASB 67. Ms. Allen added that the proposed policy will be brought to the Actuarial Committee for approval at the next meeting.

TRUSTEE/PUBLIC INPUT

ESTABLISHMENT OF NEXT MEETING DATE

September 18, 2014 at a time to be determined.

MEETING ADJOURNED

The meeting adjourned at 12:44 p.m.