



**Alameda County Employees' Retirement Association
BOARD OF RETIREMENT**

***ACTUARIAL COMMITTEE/BOARD MEETING
NOTICE and AGENDA***

ACERA MISSION:

To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

**Thursday, April 18, 2019
11:00 am**

LOCATION	COMMITTEE MEMBERS	
ACERA C.G. "BUD" QUIST BOARD ROOM 475 14 TH STREET, 10 TH FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574	DALE AMARAL, CHAIR	ELECTED SAFETY
	ELIZABETH ROGERS, VICE CHAIR	ELECTED GENERAL
	OPHELIA BASGAL	APPOINTED
	HENRY LEVY	EX-OFFICIO
	LIZ KOPPENHAVER	ELECTED RETIRED

Should a quorum of the Board attend this meeting, this meeting shall be deemed a joint meeting of the Board and Committee.

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes are available online at www.acera.org.

Note regarding public comments: Public comments are limited to four (4) minutes per person in total.

Note regarding accommodations: The Board of Retirement will provide reasonable accommodations for persons with special needs of accessibility who plan to attend Board meetings. Please contact ACERA at (510) 628-3000 to arrange for accommodation.

Any materials required by law to be made available to the public prior to a meeting of the Board of Retirement can be inspected at 475-14th Street, Suite 1000 during normal business hours.

ACTUARIAL COMMITTEE/BOARD MEETING

NOTICE and AGENDA, Page 2 of 2 – Thursday, April 18, 2019

Call to Order: 11:00 am

Public Input

Action Items: Matters for Discussion and Possible Motion by the Committee

None

Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports

1. Actuarial Valuation and Review as of December 31, 2018

Presentation and discussion of the draft Actuarial Valuation and Review as of December 31, 2018.

- Margo Allen
- Andy Yeung, Segal Consulting

2. Participating Employers' Meeting Scheduled April 24, 2018, 1:30 to 3:00pm

- Margo Allen

Trustee Input

Future Discussion Items

Discussion and possible motion to adopt the Actuarial Valuation and Review as of December 31, 2018

Establishment of Next Meeting Date

May 16, 2018, at 11:00 am

Adjournment



MEMORANDUM TO THE ACTUARIAL COMMITTEE

DATE: April 18, 2019
TO: Members of the Actuarial Committee
FROM: Margo Allen, Fiscal Services Officer *MA*
SUBJECT: Draft Actuarial Funding Valuation and Review as of December 31, 2018

Executive Summary

Staff is in receipt of the draft Actuarial Funding Valuation and Review as of December 31, 2018, (i.e., funding valuation report). A summary of the Unfunded Actuarial Accrued Liability (UAAL) and aggregate employer and employee contribution rates from the 2018 funding valuation are provided here for quick review.

The UAAL decreased from \$2,156.7 million in 2017 to \$2,137.1 million in 2018. This decrease in the UAAL was primarily due to the following factors:

- a) higher than expected return on investments (after smoothing), and
- b) other actuarial gains and the expected decrease due to contributions made to pay down the UAAL; **offset somewhat by**,
- c) loss due to actual contributions lower than expected¹, and
- d) higher than expected salary increases for active members.

The aggregate employer contribution rate² increased by 0.14% of payroll, that is, from 27.82% of payroll in 2017 to 27.96% for 2018. This change was primarily due to the following factors:

- a) actual contributions lower than expected¹;
- b) higher than expected salary increases for active members, and,
- c) net effect of amortizing the prior year's UAAL over a different than expected projected total payroll³; **offset somewhat by**,
- d) higher than expected return on investments (after smoothing) and,
- e) Other actuarial gains.⁴

The aggregate employee contribution rate remained at 9.34% of payroll for 2018.

Board of Retirement Approved Policy and Methodology Implementation

There are two distinct changes effective with ACERA's December 31, 2018, actuarial funding valuation. The first change implements the Board approved Declining Employer Payroll Policy, and the second change implements the Board approved reporting methodology to satisfy disclosure

¹ Including scheduled delay in implementing contribution rates after date of valuation.

² For employers with active member payroll.

³ The prior year's UAAL is amortized over a smaller than expected projected total payroll for Safety members and a slightly larger than expected projected total payroll for General members.

⁴ Including changes in membership demographics.

requirements for the new Actuarial Standard of Practice No 51, Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions (ASOP No. 51), effective for a measurement date on or after November 1, 2018 and for ACERA's December 31, 2018, valuation.

Change 1: Declining Employer Payroll Policy Implementation

In October of 2018, the Board adopted the Declining Employer Payroll Policy and determined that the policy applied to the Alameda County Office of Education (ACOE) and the Livermore Area Recreation and Parks District (LARPD) Tier 1 members who were included as part of the General cost group in prior valuations. As a result, an unfunded actuarial accrued liability (UAAL) has been allocated to each of these two employers as of December 31, 2017, as per the Board of Retirement's direction, February 21, 2019.

Change 2: Reporting Methodology for ASOP No. 51 Implementation

In February 2019, the Board adopted staff's recommendation to require Segal to identify risks that "may reasonably be anticipated to significantly affect the plan's future financial condition" (ASOP 51). Therefore, based on the Actuarial Valuation and Review as of December 31, 2018, Segal will be providing the results of its risk report in May 2019.

Conclusion

Consequent to review, staff notes no discrepancies in the report and recommends committee review and future board adoption.

Future Actuarial Committee Highlights

- April 24, 2019: Participating Employers Meeting with Segal and Williams Adley to present and discuss the Actuarial Funding Valuation as of December 31, 2018.
- May 16, 2019: Staff recommendation to adopt Actuarial Valuation and Review as of December 31, 2018.

Alameda County Employees' Retirement Association

**Actuarial Valuation and Review as of
December 31, 2018**

DRAFT – FOR DISCUSSION WITH CLIENT

This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety, unless expressly authorized by Segal. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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180 Howard Street Suite 1100 San Francisco, CA 94105-6147
T 415.263.8200 www.segalco.com

April 9, 2019

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of December 31, 2018. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal 2019-2020.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement Association. The census information and financial information on which our calculations were based was prepared by the staff of the Association. That assistance is gratefully acknowledged.

The actuarial calculations were directed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Association.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

Andy Yeung, ASA, EA, MAAA, FCA
Vice President and Actuary

Eva Yum, FSA, EA, MAAA
Senior Actuary

JB/

Table of Contents

Alameda County Employees' Retirement Association Actuarial Valuation and Review as of December 31, 2018

Section 1: Actuarial Valuation Summary

Purpose and Basis	4
Significant Issues	6
Summary of Key Valuation Results	10
Important Information About Actuarial Valuations	14

Section 2: Actuarial Valuation Results

A. Member Data	16
B. Financial Information	20
C. Actuarial Experience.....	23
D. Other Changes in the Actuarial Accrued Liability	28
E. Development of Unfunded/(Overfunded) Actuarial Accrued Liability	29
F. Recommended Contribution.....	30
G. Funded Status	41
H. Actuarial Balance Sheet	43
I. Volatility Ratios	44

Section 3: Supplemental Information

Exhibit A – Table of Plan Coverage.....	46
Exhibit B – Members in Active Service as of December 31, 2018 ...	56
Exhibit C – Reconciliation of Member Data	66
Exhibit D – Summary Statement of Income and Expenses on a Market Value Basis.....	67
Exhibit E – Summary Statement of Plan Assets.....	68
Exhibit F – Summary of Reported Reserve Information as of December 31, 2018	69
Exhibit G – Development of the Fund Through December 31, 2018	70
Exhibit H – Table of Amortization Bases	71
Exhibit I – Projection of UAAL Balances and Payments.....	76
Exhibit J – Definition of Pension Terms	78

Section 4: Actuarial Valuation Basis

Exhibit I – Actuarial Assumptions and Methods	82
Exhibit II – Summary of Plan Provisions.....	94
Exhibit III – Member Contribution Rates	101
Exhibit IV – Projected Employer Contributions by Each Participating Employer.....	121
Exhibit V – Schedule of Outstanding Balances of Prior Implicit Retiree Health Benefit Subsidy Transfers	123
Exhibit VI – Allocation of the Valuation Value of Assets as of December 31, 2018	124

Section 1: Actuarial Valuation Summary

Purpose and Basis

This report was prepared by Segal Consulting (“Segal”) to present a valuation of the Alameda County Employees’ Retirement Association (“the Plan”) as of December 31, 2018. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan’s benefit obligations.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The contribution requirements presented in this report are based on:

- The benefit provisions of the pension plan, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of November 30, 2018, provided by the Retirement Association;
- The assets of the Plan as of December 31, 2018, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc. and
- The funding policy adopted by the Board of Retirement.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the Association’s liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Association’s liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the

Association's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

The contribution requirements are determined as a percentage of payroll.¹ The Association's employer rates provide for both Normal Cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. In this valuation, we have applied the funding policy adopted by the Board on September 18, 2014 (and reconfirmed by the Board on October 18, 2018). Details of the funding policy are provided in *Section 4, Exhibit I on page 82*.

A schedule of current amortization balances and payments may be found in *Section 3, Exhibit H on page 71*. A graphical projection of the Unfunded Actuarial Accrued Liability (UAAL) amortization balances and payments has been included in *Section 3, Exhibit I on page 76*.

The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2019 through June 30, 2020.

¹ The contribution requirement for an employer with active member payroll is expressed as a level percentage of payroll for that employer. The contribution requirement for the Alameda County Office of Education with no active member payroll is expressed as a level dollar amount.

Significant Issues

- Ref: Pg. 42
1. In the December 31, 2017 valuation, the ratio of the Valuation Value of Assets to Actuarial Accrued Liabilities (AAL) was 76.0%. In this December 31, 2018 valuation, the funded ratio has increased to 77.2%. The funded ratio if measured on a Market Value of Assets basis decreased from 77.7% as of December 31, 2017 to 71.8% as of December 31, 2018. The changes in the above ratios were primarily the result of an expected increase due to contributions made to pay down the unfunded liability, slight gain on the Valuation Value of Assets from the recognition of past gains after smoothing (for the valuation value funded ratio) and the loss on the Market Value of Assets during 2018 (for the market value funded ratio).
- Ref: Pg. 23 and Pg. 29
2. The Association's UAAL as of December 31, 2017 was \$2,156.7 million. In this year's valuation, the UAAL has decreased to \$2,137.1 million. The decrease in the UAAL was primarily due to (a) higher than expected return on investments (after smoothing), (b) other actuarial gains and the expected decrease due to contributions made to pay down the UAAL, offset somewhat by (c) the loss due to actual contributions lower than expected² and (d) higher than expected salary increases for active members. A reconciliation of the Association's UAAL is provided in *Section 2, Subsection E*. A schedule of the current UAAL amortization amounts may be found in *Section 3, Exhibit H*. Note that a graphical projection of the UAAL amortization bases and payments has been included in *Section 3, Exhibit I*.
- Ref: Pg. 31 and Pg. 121
3. The aggregate employer rate³ calculated in this valuation has increased from 27.82% of payroll to 27.96% of payroll. This change was primarily due to (a) actual contributions lower than expected², (b) higher than expected salary increases for active members and (c) the net effect of amortizing the prior year's UAAL over a different than expected projected payroll⁴, offset somewhat by (d) higher than expected return on investments (after smoothing) and (e) other actuarial gains⁵. A reconciliation of the Association's aggregate employer rate is provided in *Section 2, Subsection F*.
- A schedule of the projected contributions by each participating employer is provided in *Section 4, Exhibit IV*. Under the Board of Retirement's current actuarial funding policy, the UAAL is paid off by the employers in the General Tiers 1, 2, and 4 membership group in proportion to their payroll (with the exception of the Alameda County Office of Education and the Livermore Area Recreation and Parks District, as discussed in item 8 below).
- Employer rates for AHS/Court/First 5 are higher than the County's rates to reflect that only the County has received a reimbursement of \$6.9 million for the implicit retiree health benefit subsidy paid by the County for 2018 (note that this is an

² Including scheduled delay in implementing contribution rates after the date of the valuation.

³ For employers with active member payroll.

⁴ The prior year's UAAL is amortized over a smaller than expected projected total payroll for Safety members and a slightly larger than expected projected total payroll for General members.

⁵ Including changes in membership demographics.

estimated amount provided by ACERA). The \$6.9 million and the unused credit from prior years' transfers (the balance of prior transfers was about \$66.1 million⁶ as of December 31, 2018) have been recognized over separate 20-year periods.

Ref: Pg. 32 and
Pg. 102

4. The aggregate member rate calculated in this valuation remained at 9.34% of payroll. A reconciliation of the Association's aggregate member rate is provided in *Section 2, Subsection F*.

The individual member rates have been updated to reflect the valuation as of December 31, 2018. The detailed member rates are provided in *Section 4, Exhibit III* of this report.

Ref: Pg. 21

5. As indicated in *Section 2, Subsection B* of this report, the total unrecognized net investment loss as of December 31, 2018 is \$569.1 million (in the previous valuation, this amount was a \$309.1 million net gain). This net investment loss will be recognized in the determination of the Actuarial Value of Assets for funding purposes in the next few years, and will offset any investment gains that may occur after December 31, 2018. This implies that if the Association earns the assumed net rate of investment return of 7.25% per year on a **market value basis**, it will result in investment losses on the Actuarial Value of Assets in the next few years. So, if the actual market return is equal to the assumed 7.25% rate and all other actuarial assumptions are met, the contribution requirements would generally increase in the next few years.

The net deferred loss of \$569.1 million represents 7.5% of the Market Value of Assets as of December 31, 2018. Unless offset by future investment gains or other favorable experience, the recognition of the \$569.1 million deferred market loss is expected to have an impact on the Association's future funded percentage and contribution rate requirements. Under a simplified approach, which takes into account the size of the valuation and the SRBR reserves, this potential impact may be illustrated as follows:

- a. If a proportion of the net deferred loss that is commensurate with the size of the valuation reserves were recognized immediately in the valuation value of assets, the funded percentage would decrease from 77.2% to 71.8%.
 - b. If a proportion of the net deferred loss that is commensurate with the size of the valuation reserves were recognized immediately in the valuation value of assets, the aggregate employer rate⁷ would increase from 27.96% to about 31.2% of payroll.
6. Similar to what we disclosed in our December 31, 2017 valuation report, the 7.25% investment return assumption that the Board approved on December 21, 2017 for determining the liabilities for funding purposes and used for establishing the employer and member contribution rates in this report has continued to be developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than

⁶ See *Section 4, Exhibit V* for a schedule of the outstanding balances of the unused credit.

⁷ For employers with active member payroll.

is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.25%.

As required by the Actuarial Standard of Practice (ASOP) No. 4 (“Measuring Pension Obligations and Determining Pension Plan Costs or Contributions”), we performed a stochastic model, as detailed in our 2013-2016 experience study report, to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an “outflow” (i.e., assets not available to fund the benefits included in this valuation) that would average approximately 0.60% of assets over time. **For informational purposes only**, when we applied the results of our stochastic model to this valuation, we have estimated that such an annual outflow would increase the AAL measured in this valuation using a 7.25% investment return assumption from \$9.38 billion to \$10.07 billion (for a difference of \$0.69 billion) and would increase the employer’s UAAL contribution rate by about 4% - 5% of payroll.

Ref: Pg. 69

7. During the first half of 2018, investment experience (after smoothing) was favorable and there were \$21.1 million in “excess earnings” that were credited to the valuation reserves and the SRBR after building up a 1% Contingency Reserve. However, during the second half of 2018, investment experience (after smoothing) was unfavorable and the Contingency Reserve was reduced to 0.00% of total assets as of December 31, 2018. A complete presentation of the Association’s reserves is in *Section 3, Exhibit F*.
8. The Board adopted the Declining Employer Payroll Policy on October 18, 2018 and determined that the policy applies to the Alameda County Office of Education (ACOE) and the Livermore Area Recreation and Parks District (LARPD) Tier 1 members who were included as part of the General cost group in prior valuations. As a result, an unfunded actuarial accrued liability (UAAL) was allocated to each of these two employers as of December 31, 2017.

The UAAL allocated to ACOE for its Tier 1 members was \$1.4 million as of December 31, 2017 and was amortized over 20 years as a level dollar amount. The ACOE started payments in the 2018/2019 fiscal year by making a non-level contribution of \$750,000 on April 1, 2019. The UAAL contribution, expressed as a level dollar amount, that is required to be paid on April 1, 2020⁸ (for the 2019/2020 fiscal year) is \$78 thousand.

The UAAL allocated to LARPD for its Tier 1 members was \$6.2 million as of December 31, 2017 and was amortized over 20 years as a level percentage of payroll. This UAAL (and the associated assets) was combined with the UAAL for LARPD Tier 3 and Tier 4. (For information purposes, the increase in the UAAL rate if they were to start payment in the 2018/2019 fiscal year would have been about 7.5% as a percentage of the total LARPD payroll.) As approved by the Board, and to reflect that the contribution towards the UAAL would not be paid until the 2019/2020 fiscal year, we have adjusted the UAAL amount

⁸ April 1 is the payment date for an annual payment, based on a request previously made by the ACOE.

with interest and expected contributions prior to the application of the policy,⁹ and the recalculated increase in the UAAL rate is about 7.4% as a percentage of the total LARPD payroll.¹⁰ The UAAL contribution, expressed as a level percentage of payroll, together with the Normal Cost rates for the 2019/2020 fiscal year are provided in *Section 2, Subsection F*.

9. The actuarial valuation report as of December 31, 2018 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the plan, while increases will decrease the actuarial cost of the plan.
10. The Actuarial Standards Board approved a new Actuarial Standard of Practice No. 51 (ASOP 51) regarding risk assessment. ASOP 51 will be effective with ACERA's December 31, 2018 actuarial valuation. ASOP 51 requires actuaries to identify risks that "may reasonably be anticipated to significantly affect the plan's future financial condition". Investment risk, asset/liability mismatch risk, interest rate risk, longevity and other demographic risks and contribution risk are also cited as examples in ASOP 51. The standard does not require the actuary to evaluate the likelihood of contributing entities to make contributions when due, nor does it require the actuary to assess the likelihood or consequences of future changes in applicable law.

The actuary's assessment can be qualitative or quantitative (e.g., based on numerical demonstrations). The actuary may use non-numerical methods for assessing risks that might take the form of commentary about potential adverse experience and the likely effect on future results. While the standard does not require that every valuation include a quantitative risk assessment, the actuary may recommend that a more detailed risk assessment be performed. When making that decision, the actuary will take into account such factors as the Plan's design, maturity, size, funded status, asset allocation, cash flow, possible insolvency and current market conditions.

A copy of the risk report prepared to include the analyses recommended by Segal and subsequently approved by the Board will be available in May 2019.

⁹ We have also trued-up the UAAL (by \$94 K) to reflect the liability for a new retiree who was valued in our last valuation as an inactive vested member based on the member's contribution account balance.

¹⁰ The slight decrease in the incremental UAAL rate from the original 7.5% to the recalculated 7.4% reflected the larger than expected increase in the LARPD projected payroll as of December 31, 2018, over which the UAAL is amortized.

Summary of Key Valuation Results

		December 31, 2018		December 31, 2017	
		Total Rate	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)	Total Rate	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
Employer Contribution Rates⁽²⁾:	<u>County Only</u>				
	• General Tier 1	22.31%	\$1,925	22.30%	\$1,922
	• General Tier 2	21.40	84,601	21.57	85,273
	• General Tier 4	20.83	38,155	20.90	38,283
	• Safety Tier 1	80.60	784	76.41	744
	• Safety Tier 2	62.34	74,541	61.19	73,166
	• Safety Tier 2C	63.63	2,131	62.54	2,095
	• Safety Tier 2D	61.60	8,865	59.64	8,585
	• Safety Tier 4	59.20	20,475	57.92	20,032
	County Combined	30.46	231,477	30.28	230,100
	<u>AHS, Court & First 5 Only</u>				
	• General Tier 1	23.13	496	23.06	495
	• General Tier 2	22.22	45,557	22.33	45,783
	• General Tier 4	21.65	25,357	21.66	25,368
	<u>Housing Only</u>				
	• General Tier 1	28.34	926	28.32	926
	• General Tier 2	27.43	97	27.59	99
	• General Tier 4	26.86	303	26.92	304
	<u>LARPD Only⁽³⁾</u>				
	• General Tier 1	33.62	225	28.32	190
	• General Tier 2	38.41	788	29.77	611
	• General Tier 3	32.14	632	23.12	454
	All Categories Combined	27.96	305,858	27.82	304,330

⁽¹⁾ Based on December 31, 2018 projected annual compensation.

⁽²⁾ For employers with active member payroll. The UAAL contribution for ACOE, expressed as a level dollar amount, is \$78 K when made on April 1, 2020.

⁽³⁾ For LARPD, the combined rate is 35.10% as of December 31, 2018 and 26.78% as of December 31, 2017.

Summary of Key Valuation Results (continued)

		December 31, 2018		December 31, 2017	
		Total Rate	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)	Total Rate ⁽²⁾	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
Average Member Contribution Rates:	• General Tier 1	9.54%	\$1,403	9.59%	\$1,411
	• General Tier 2	7.75	46,555	7.76	46,615
	• General Tier 3	13.99	287	13.93	286
	• General Tier 4	8.80	26,698	8.76	26,577
	• Safety Tier 1	8.55	83	8.61	84
	• Safety Tier 2	15.85	18,952	15.83	18,928
	• Safety Tier 2C	13.38	448	13.35	447
	• Safety Tier 2D	16.15	2,324	16.12	2,320
	• Safety Tier 4	15.58	5,389	15.75	5,447
	All Categories Combined	9.34	102,139	9.34	102,115

⁽¹⁾ Based on December 31, 2018 projected annual compensation.

⁽²⁾ Average rates have been recalculated by applying the individual entry age based member rates determined in the December 31, 2017 valuation to the Association membership as of December 31, 2018.

Summary of Key Valuation Results (continued)

		December 31, 2018 (\$ in '000s)	December 31, 2017 (\$ in '000s)
Actuarial Accrued Liability as of December 31:	<ul style="list-style-type: none"> Retired members and beneficiaries Inactive vested members Active members Total Actuarial Accrued Liability⁽¹⁾ Normal Cost for plan year beginning December 31 	\$5,696,148 243,463 3,436,786 9,376,397 218,336	\$5,428,099 234,639 3,324,323 8,987,061 212,517
Assets as of December 31:	<ul style="list-style-type: none"> Valuation Value of Assets (VVA)⁽²⁾ Market Value of Assets (MVA)⁽³⁾ VVA as a percentage of MVA 	7,239,327 6,734,526 107.4%	6,830,379 6,980,597 97.8%
Funded status as of December 31:	<ul style="list-style-type: none"> Unfunded Actuarial Accrued Liability on VVA basis Funded percentage on VVA basis Unfunded Actuarial Accrued Liability on MVA basis Funded percentage on MVA basis 	\$2,137,070 77.2% \$2,641,871 71.8%	\$2,156,682 76.0% \$2,006,464 77.7%
Key assumptions:	<ul style="list-style-type: none"> Net investment return Price Inflation Payroll growth increase 	7.25% 3.00% 3.50%	7.25% 3.00% 3.50%

⁽¹⁾ Excludes liabilities held for SRBR and other non-valuation reserves.

⁽²⁾ Excludes Reserve for Interest Fluctuations (Contingency Reserve) if positive, Supplemental Retirees Benefit Reserve, and 401(h) Reserve.

⁽³⁾ The Market Value of Assets as of December 31, 2018 equals the Valuation Value of Assets plus a proportion of the deferred market losses after netting out the balance in the Contingency Reserve that is commensurate with the size of the valuation reserves. The Market Value of Assets as of December 31, 2017 equals the Valuation Value of Assets plus one-half of the deferred market gains after adjustment to include the balance in the Contingency Reserve.

Summary of Key Valuation Results (continued)

		December 31, 2018	December 31, 2017	Change From Prior Year
Demographic data as of December 31:	Active Members:			
	• Number of members	11,349	11,323	0.2%
	• Average age	47.0	47.1	-0.1
	• Average service	11.4	11.4	0.0
	• Total projected compensation	\$1,093,735,000	\$1,055,661,000	3.6%
	• Average projected compensation	\$96,373	\$93,232	3.4%
	Retired Members and Beneficiaries:			
	• Number of members:			
	– Service retired	7,628	7,379	3.4%
	– Disability retired	924	888	4.1%
	– Beneficiaries	1,231	1,212	1.6%
	– Total	9,783	9,479	3.2%
	• Average age	71.7	71.6	0.1
	• Average monthly benefit ⁽¹⁾	\$3,983	\$3,880	2.7%
	Inactive Vested Members:			
	• Number of members ⁽²⁾	2,568	2,447	4.9%
	• Average Age	47.9	48.0	-0.1
	Total Members:	23,700	23,249	1.9%

⁽¹⁾ Excludes monthly benefits payable from the SRBR.

⁽²⁾ Includes inactive members due a refund of member contributions.

Important Information About Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the Association. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the Market Value of Assets as of the valuation date, as provided by the Association. The Association uses a “Valuation Value of Assets” that differs from market value to gradually reflect six-month changes in the Market Value of Assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan. Future contribution requirements may differ from those determined in the valuation because of:
 - Differences between actual experience and anticipated experience;
 - Changes in actuarial assumptions or methods;
 - Changes in statutory provisions; and
 - Differences between the contribution rates determined by the valuation and those adopted by the Board.
- If the Association is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of the Retirement Association, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Retirement Association.

Section 2: Actuarial Valuation Results

A. Member Data

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive vested members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in *Section 3, Exhibits A, B, and C.*

MEMBER POPULATION: 2009 – 2018

Year Ended December 31	Active Members	Inactive Vested Members ⁽¹⁾	Retired Members and Beneficiaries	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Retired Members and Beneficiaries to Actives
2009	10,927	1,816	7,333	9,149	0.84	0.67
2010	10,879	1,785	7,558	9,343	0.86	0.69
2011	10,724	1,796	7,906	9,702	0.90	0.74
2012	10,800	1,835	8,175	10,010	0.93	0.76
2013	10,877	1,902	8,566	10,468	0.96	0.79
2014	11,025	1,995	8,813	10,808	0.98	0.80
2015	11,071	2,027	8,990	11,017	1.00	0.81
2016	11,111	2,263	9,242	11,505	1.04	0.83
2017	11,323	2,447	9,479	11,926	1.05	0.84
2018	11,349	2,568	9,783	12,351	1.09	0.86

⁽¹⁾ Includes inactive members due a refund of member contributions.

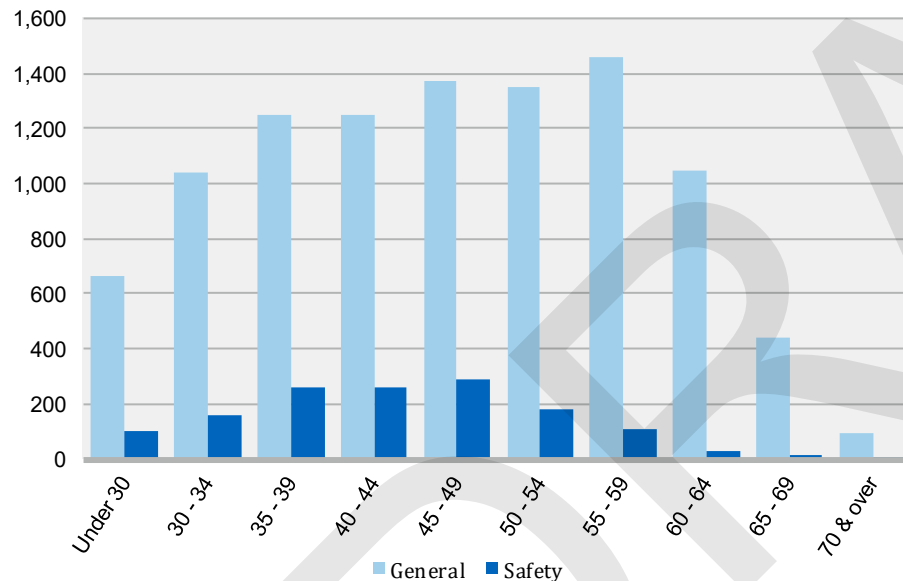
Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 11,349 active members with an average age of 47.0, average years of service of 11.4 years and average compensation of \$96,373. The 11,323 active members in the prior valuation had an average age of 47.1, average service of 11.4 years and average compensation of \$93,232.

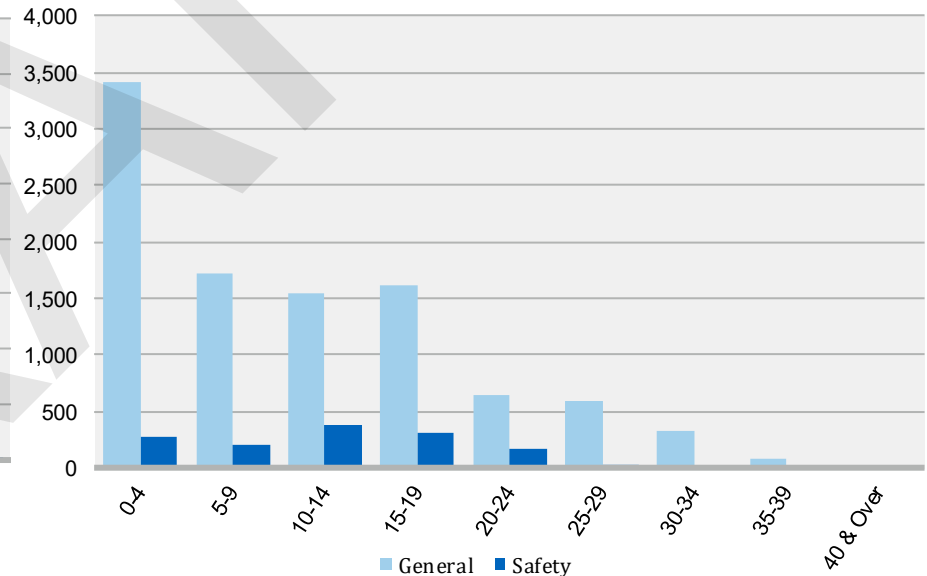
Among the active members, there were none with unknown age information.

Distribution of Active Participants as of December 31, 2018

ACTIVES BY AGE



ACTIVES BY YEARS OF SERVICE



Inactive Members

In this year's valuation, there were 2,568 members with a vested right to a deferred or immediate vested benefit versus 2,447 in the prior valuation.

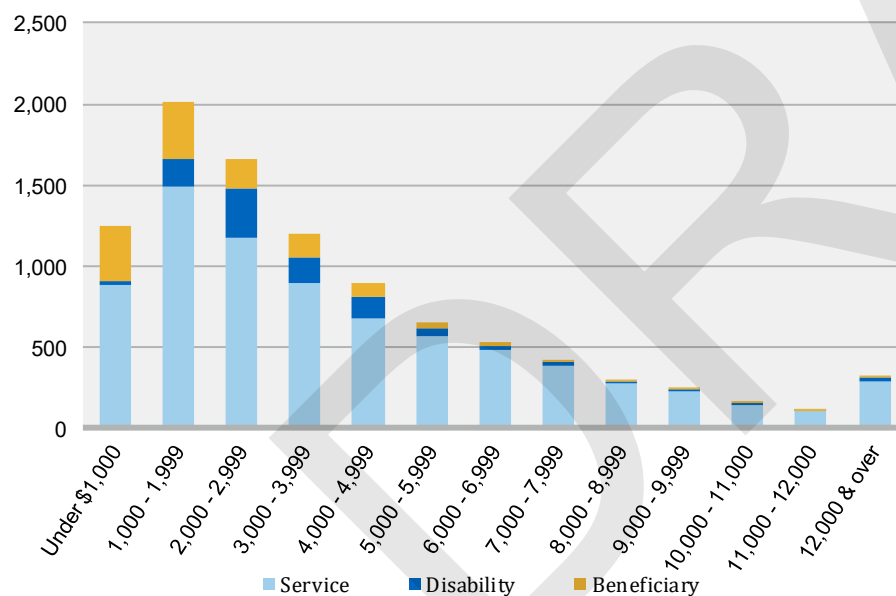
Retired Members and Beneficiaries

As of December 31, 2018, 8,552 retired members and 1,231 beneficiaries were receiving total monthly benefits of \$38,968,811. For comparison, in the previous valuation, there were 8,267 retired members and 1,212 beneficiaries receiving monthly benefits of \$36,775,403. These monthly benefits exclude supplemental COLA benefits payable from the Supplemental Retirees Benefit Reserve (SRBR).

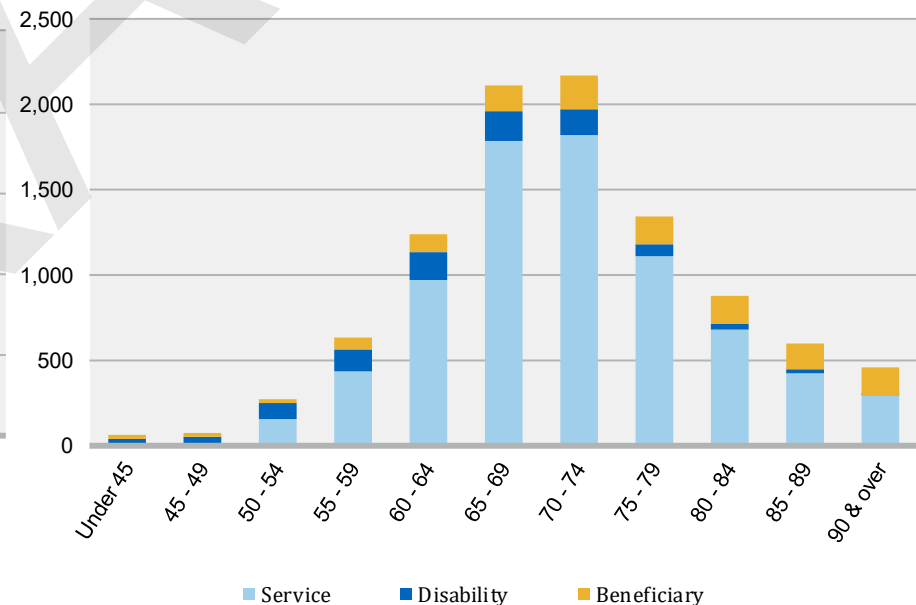
As of December 31, 2018, the average monthly benefit for retired members is \$4,221, compared to \$4,128 in the previous valuation. The average age for retired members is 71.2 in the current valuation, compared with 71.0 in the prior valuation. For beneficiaries as of December 31, 2018, the average monthly benefit is \$2,329, compared to \$2,187 in the previous valuation. The average age for beneficiaries is 75.2 in the current valuation, compared with 75.1 in the prior valuation.

Distribution of Retired Members and Beneficiaries as of December 31, 2018

RETIRED MEMBERS AND BENEFICIARIES BY TYPE AND MONTHLY AMOUNT



RETIRED MEMBERS AND BENEFICIARIES BY TYPE AND AGE



Historical Plan Population

The chart below demonstrates the progression of the active population over the last ten years. The chart also shows the growth among the retired population over the same time period.

MEMBER DATA STATISTICS: 2009 – 2018

Year Ended December 31	Active Participants			Retired Members and Beneficiaries		
	Count	Average Age	Average Service	Count	Average Age	Average Monthly Amount
2009	10,927	47.2	11.5	7,333	70.5	\$2,914
2010	10,879	47.4	11.6	7,558	70.4	3,067
2011	10,724	47.7	11.8	7,906	70.5	3,190
2012	10,800	47.6	11.8	8,175	70.6	3,332
2013	10,877	47.3	11.5	8,566	70.7	3,442
2014	11,025	47.3	11.5	8,813	70.9	3,549
2015	11,071	47.3	11.6	8,990	71.1	3,648
2016	11,111	47.3	11.6	9,242	71.3	3,757
2017	11,323	47.1	11.4	9,479	71.6	3,880
2018	11,349	47.0	11.4	9,783	71.7	3,983

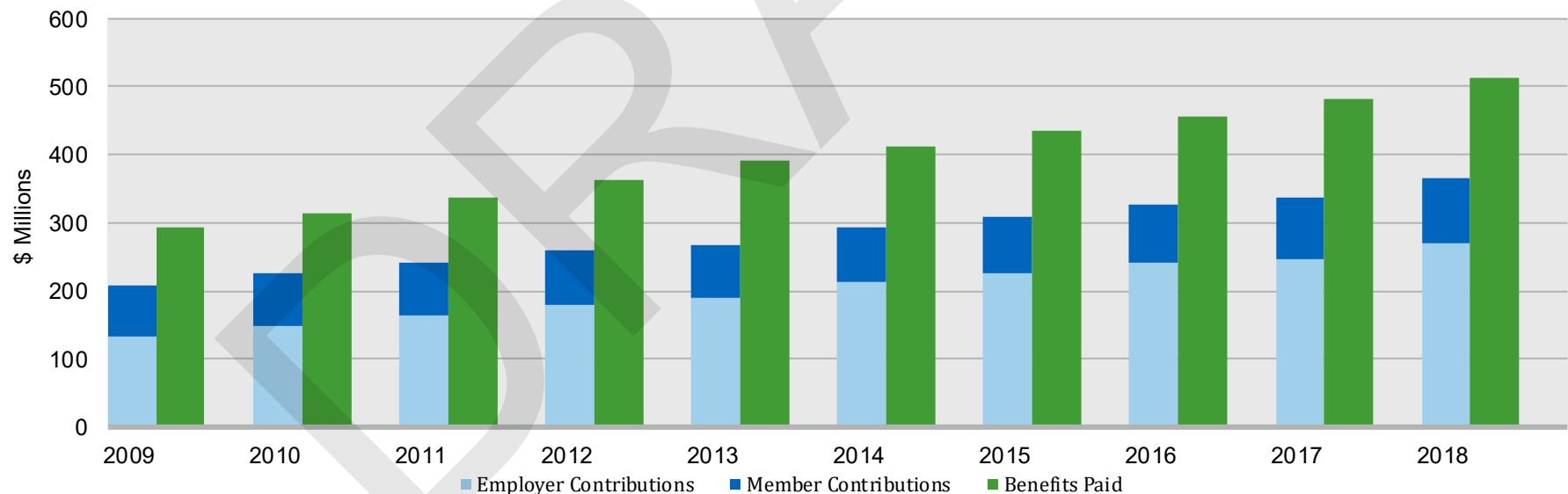
B. Financial Information

Retirement plan funding anticipates that, over the long term, both contributions and investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.

Additional financial information, including a summary of transactions for the valuation year, is presented in *Section 3, Exhibits D, E, F, and G*.

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

**COMPARISON OF CONTRIBUTIONS WITH BENEFITS
FOR YEARS ENDED DECEMBER 31, 2009 – 2018**



DETERMINATION OF ACTUARIAL VALUE OF ASSETS

1	Market Value of Assets						\$7,592,586,569
2	Calculation of unrecognized return						
	Six Month Period		Actual	Expected	Investment	Percent	Deferred
	From	To	Return	Return	Gain (Loss)	Deferred	Return
a)	01/01/2014	06/30/2014	\$337,783,821	\$257,878,773	\$79,905,048	0%	\$0
b)	07/01/2014	12/31/2014	(71,755,579)	268,735,880	(340,491,459)	10	(34,049,146)
c)	01/01/2015	06/30/2015	210,088,252	263,436,620	(53,348,368)	20	(10,669,674)
d)	07/01/2015	12/31/2015	(230,048,258)	262,185,431	(492,233,689)	30	(147,670,107)
e)	01/01/2016	06/30/2016	75,639,795	251,178,961	(175,539,165)	40	(70,215,666)
f)	07/01/2016	12/31/2016	379,000,419	251,534,721	127,465,699	50	63,732,849
g)	01/01/2017	06/30/2017	658,890,554	263,335,665	395,554,890	60	237,332,934
h)	07/01/2017	12/31/2017	634,431,651	285,557,601	348,874,050	70	244,211,835
i)	01/01/2018	06/30/2018	86,346,238	306,788,550	(220,442,312)	80	(176,353,850)
j)	07/01/2018	12/31/2018	(457,457,856)	293,029,561	(750,487,417)	90	(675,438,676)
k)	Total unrecognized return ⁽¹⁾						\$(569,119,500)
3	Calculation of Preliminary Actuarial Value of Assets						
a)	Preliminary Actuarial Value of Assets 1 – 2k						\$8,161,706,068
b)	Preliminary Actuarial Value as a Percentage of Market Value 3a + 1						107.5%
4	Adjustment to be within 40% corridor						0
5	Final Actuarial Value of Assets 3a + 4						<u>\$8,161,706,068</u>
6	Non-valuation reserves and designations:						
a)	Reserve for Interest Fluctuations (Contingency Reserve), but no less than \$0						\$0
b)	Supplemental Retirees Benefit Reserve (SRBR)						919,488,617
c)	Other Non-Valuation Reserve (401(h) Reserve)						9,830,102
d)	SRBR Transfer to Employer Advance Reserve ⁽²⁾						<u>-6,939,808</u>
e)	Subtotal						\$922,378,911
7	Final Valuation Value of Assets 5 – 6e						<u>\$7,239,327,157</u>

Note: Results may be slightly off due to rounding.

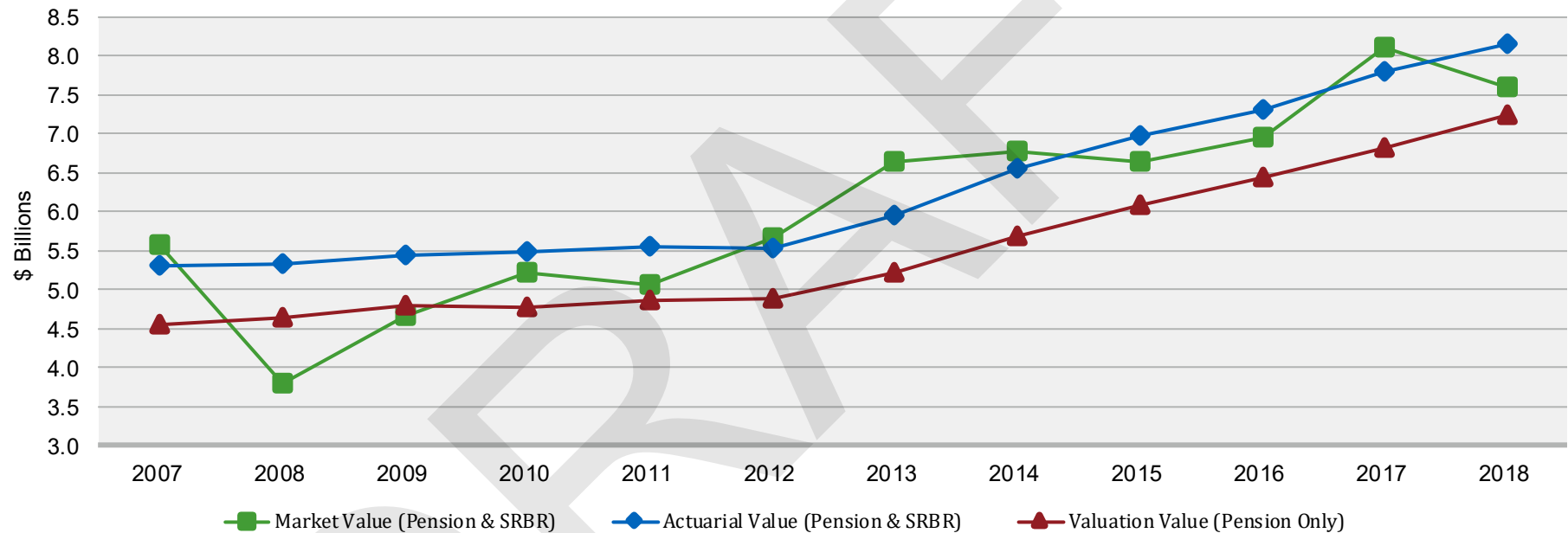
⁽¹⁾ Deferred return as of December 31, 2018 to be recognized in each of the next five years:

(a) Amount to be recognized on December 31, 2019	\$(198,080,409)
(b) Amount to be recognized on December 31, 2020	(104,138,220)
(c) Amount to be recognized on December 31, 2021	(32,553,588)
(d) Amount to be recognized on December 31, 2022	(159,298,541)
(e) Amount to be recognized on December 31, 2023	<u>(75,048,742)</u>
(f) Total deferred return as of December 31, 2018	\$(569,119,500)

⁽²⁾ Estimate provided by ACERA.

The Market Value, Actuarial Value and Valuation Value of Assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the Actuarial Value of Assets tracks the Market Value of Assets. The Valuation Value of Assets is the actuarial value, excluding any non-valuation reserves. The Valuation Value of Assets is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the Unfunded Actuarial Accrued Liability is an important element in determining the contribution requirement.

MARKET VALUE , ACTUARIAL VALUE, AND VALUATION VALUE OF ASSETS AS OF DECEMBER 31, 2007 – 2018



C. Actuarial Experience

To calculate any actuarially determined contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the actuarially determined contribution will decrease from the previous year. On the other hand, the actuarially determined contribution will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years. There are no assumption changes reflected in this report.

The total loss is \$12.4 million, which includes \$16.8 million from investment gains, a loss of \$31.5 million from contribution experience and \$2.3 in gains from all other sources. The net experience variation from individual sources other than investments and contributions was 0.02% of the Actuarial Accrued Liability. A discussion of the major components of the actuarial experience is on the following pages.

ACTUARIAL EXPERIENCE FOR YEAR ENDED DECEMBER 31, 2018

1	Net gain from investments ⁽¹⁾	\$16,846,000
2	Net loss from contribution experience	(31,554,000)
3	Net gain from other experience ⁽²⁾	<u>2,302,000</u>
4	Net experience loss: 1 + 2 + 3	\$(12,406,000)

⁽¹⁾ Details on next page.

⁽²⁾ See *Subsection E* for further details. Does not include the effect of plan or assumption changes, if any.

Investment Experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Plan's investment policy. The rate of return on the Market Value of Assets was -4.62% for the year ended December 31, 2018.

For valuation purposes, the assumed rate of return on the Valuation Value of Assets is 7.25%. The actual rate of return on a valuation basis for the 2018 plan year was 7.50%. Since the actual return for the year was more than the assumed return, the Plan experienced an actuarial gain during the year ended December 31, 2018 with regard to its investments.

INVESTMENT EXPERIENCE

		Year Ended December 31, 2018		
		Market Value	Actuarial Value	Valuation Value
1	Net investment income	\$(371,111,618)	\$507,081,208	\$508,199,399
2	Average value of assets	8,037,898,872	7,728,825,545	6,777,283,705
3	Rate of return: $1 \div 2$	(4.62)%	6.56%	7.50%
4	Assumed rate of return	7.25%	7.25%	7.25%
5	Expected investment income: 2×4	<u>\$582,747,668</u>	<u>\$560,339,852</u>	<u>\$491,353,069</u>
6	Actuarial gain/(loss): $1 - 5$	<u>\$(953,859,286)</u>	<u>\$(53,258,644)</u>	<u>\$16,846,330</u>

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial and valuation basis compared to the actual market value investment return for the last ten years, including averages over select time periods.

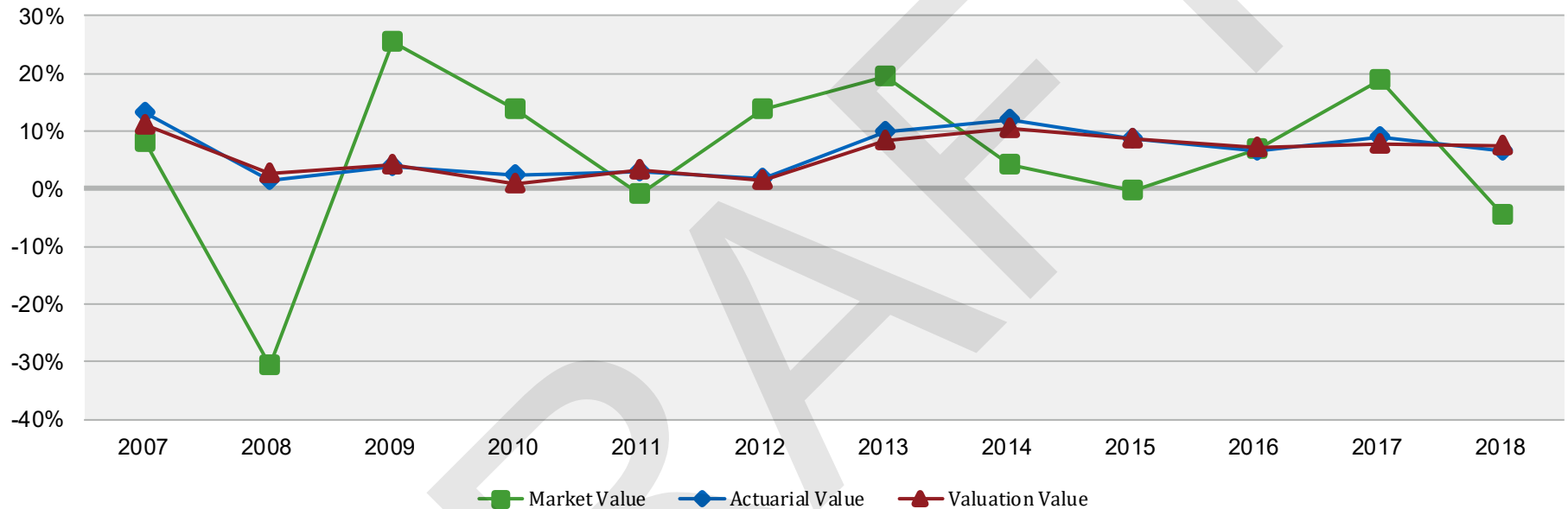
INVESTMENT RETURN – MARKET VALUE, ACTUARIAL VALUE AND VALUATION VALUE: 2009 - 2018

Year Ended December 31	Market Value Investment Return		Actuarial Value Investment Return		Valuation Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent
2009	\$953,666,087	25.33%	\$208,175,576	3.94%	\$190,184,291	4.12%
2010	635,617,239	13.72%	122,091,092	2.26%	36,890,575	0.77%
2011	(53,810,165)	(1.04)%	164,671,046	3.03%	149,447,325	3.15%
2012	698,682,557	13.91%	91,936,980	1.67%	76,720,113	1.59%
2013	1,095,188,215	19.53%	533,248,385	9.73%	410,409,663	8.48%
2014	266,028,241	4.04%	710,015,277	12.05%	548,585,891	10.61%
2015	(19,960,005)	(0.30)%	569,295,018	8.78%	489,086,474	8.68%
2016	454,641,033	6.91%	452,144,779	6.53%	436,958,056	7.24%
2017	1,293,322,206	18.77%	640,343,891	8.85%	495,891,253	7.77%
2018	(371,111,618)	(4.62)%	507,081,208	6.56%	508,199,399	7.50%
Most recent five-year average return		4.67%		8.54%		8.35%
Most recent ten-year average return		9.21%		6.29%		5.94%

Note: Each year's yield is weighted by the average asset value in that year.

Subsection B described the actuarial asset valuation method that gradually recognizes fluctuations in the market value rate of return. The goal of this is to stabilize the actuarial rate of return and to produce more level pension plan costs.

MARKET, ACTUARIAL AND VALUATION VALUE RATES OF RETURN FOR YEARS ENDED DECEMBER 31, 2007 – 2018



Contributions

Contributions for the year ended December 31, 2018 totaled \$364.4 million, compared to the projected amount of \$394.9 million. This resulted in a loss of \$31.5 million for the year,¹¹ when adjusted for timing.

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among participants,
- retirement experience (earlier or later than projected),
- mortality (more or fewer deaths than projected),
- the number of disability retirements (more or fewer than projected),
- salary increases (greater or smaller than projected), and
- cost-of-living adjustments (COLAs) higher or lower than anticipated.

The net gain from this other experience for the year ended December 31, 2018 amounted to \$2.3 million, which is 0.02% of the Actuarial Accrued Liability. See *Subsection E* for a detailed development of the Unfunded Actuarial Accrued Liability.

¹¹ Including scheduled delay in implementing contribution rates after the date of the valuation.

D. Other Changes in the Actuarial Accrued Liability

The Actuarial Accrued Liability as of December 31, 2018 is \$9.4 billion, an increase of \$0.4 billion, or 4.3%, from the Actuarial Accrued Liability as of the prior valuation date. The liability is expected to grow each year with Normal Cost and interest, and to decline due to benefit payments made. Additional fluctuations can occur due to actual experience that differs from expected (as discussed in the previous subsection).

Actuarial Assumptions

- There are no assumption changes reflected in this report.
- Details on actuarial assumptions and methods are in *Section 4, Exhibit I*.

Plan Provisions

- There were no changes in plan provisions since the prior valuation.
- A summary of plan provisions is in *Section 4, Exhibit II*.

E. Development of Unfunded/(Overfunded) Actuarial Accrued Liability

DEVELOPMENT FOR YEAR ENDED DECEMBER 31, 2018

(\$ IN 000'S)

1	Unfunded Actuarial Accrued Liability at beginning of year	\$2,156,682
2	Total Normal Cost at middle of year	212,517
3	Expected employer and member contributions	(394,869)
4	Interest	<u>150,334</u>
5	Expected Unfunded Actuarial Accrued Liability at end of year	\$2,124,664
6	Changes due to:	
a)	Investment return greater than expected	\$(16,846)
b)	Actual contributions less than expected ⁽¹⁾	31,554
c)	Individual salary increases higher than expected	16,403
d)	Other experience gain	<u>(18,705)</u>
	Total changes	<u>\$12,406</u>
7	Unfunded Actuarial Accrued Liability at end of year	<u>\$2,137,070</u>

Note: The sum of items 6c through 6d equals the "Net gain from other experience" shown in *Subsection C*.

⁽¹⁾ Including scheduled delay in implementing contribution rates after the date of the valuation.

F. Recommended Contribution

The recommended contribution is equal to the employer Normal Cost payment and a payment on the Unfunded Actuarial Accrued Liability. As of December 31, 2018, the average recommended employer contribution is 27.96% of compensation.

The Board sets the funding policy used to calculate the recommended contribution based on layered amortization periods. See *Section 4, Exhibit I* for further details on the funding policy.

The contribution requirement as of December 31, 2018 is based on the data previously described, the actuarial assumptions and Plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

AVERAGE RECOMMENDED EMPLOYER CONTRIBUTION¹² FOR YEAR ENDING DECEMBER 31

All Tiers Combined		2018		2017	
		Amount (\$ in '000s)	% of Projected Compensation	Amount (\$ in '000s)	% of Projected Compensation
1	Total Normal Cost	\$218,336	19.96%	\$212,517	20.13%
2	Expected member contributions	-102,139	-9.34%	-98,938	-9.37%
3	Employer Normal Cost: 1 + 2	\$116,197	10.62%	\$113,579	10.76%
4	Actuarial Accrued Liability	9,376,397		8,987,061	
5	Valuation Value of Assets	7,239,327		6,830,379	
6	Unfunded Actuarial Accrued Liability: 4 - 5	\$2,137,070		\$2,156,682	
7	Payment on Unfunded Actuarial Accrued Liability	\$189,661	17.34%	\$182,352	17.27%
8	Total average recommended employer contribution: 3 + 7	\$305,858	27.96%	\$295,931	28.03%
9	Projected compensation	\$1,093,735		\$1,055,661	

Note: Contributions are assumed to be paid at the middle of the year.

¹² For employers with active member payroll. The UAAL contribution for ACOE, expressed as a level dollar amount, is \$78 K when made on April 1, 2020.

Reconciliation of Average Recommended Employer Contribution Rate

The chart below details the changes in the average recommended employer contribution rate from the prior valuation to the current year's valuation.

RECONCILIATION OF AVERAGE RECOMMENDED EMPLOYER CONTRIBUTION RATE FROM DECEMBER 31, 2017 TO DECEMBER 31, 2018

	Contribution Rate	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
Average Recommended Employer Contribution Rate as of December 31, 2017 ⁽²⁾	27.82%	\$304,330
Effect of Actuarial Experience during 2018		
• Effect of investment return (greater) than expected	(0.11)%	\$(1,203)
• Effect of actual contributions less than expected	0.21%	2,297
• Effect of individual salary increases higher than expected	0.09%	984
• Net effect of amortizing prior year's UAAL over smaller/(larger) expected projected payroll within each cost group ⁽³⁾	0.12%	1,312
• Effect of changes in member demographics on Normal Cost	(0.03)%	(328)
• Net effect of other experience	<u>(0.14)%</u>	<u>(1,534)</u>
Total Change	0.14%	\$1,528
Average Recommended Employer Contribution Rate as of December 31, 2018	27.96%	\$305,858

⁽¹⁾ Based on December 31, 2018 projected compensation.

⁽²⁾ Determined by applying the recommended employer contribution rates as of December 31, 2017 to the projected compensation as of December 31, 2018 by cost group, membership class and tier.

⁽³⁾ The prior year's UAAL is amortized over a smaller than expected projected payroll for Safety members and a slightly larger than expected projected payroll for General members.

Reconciliation of Average Recommended Member Contribution Rate

The chart below details the changes in the average recommended member contribution rate from the prior valuation to the current year's valuation.

RECONCILIATION OF AVERAGE RECOMMENDED MEMBER CONTRIBUTION RATE FROM DECEMBER 31, 2017 TO DECEMBER 31, 2018

	Contribution Rate	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
Average Recommended Member Contribution Rate as of December 31, 2017	9.34%	\$102,115
• Effect of changes in member demographics	<u>0.00%</u>	<u>24</u>
Total Change	0.00%	\$24
Average Recommended Member Contribution Rate as of December 31, 2018	9.34%	\$102,139

⁽¹⁾ Based on December 31, 2018 projected compensation.

Recommended Employer Contribution Rates¹³

County Only	December 31, 2018 Actuarial Valuation				December 31, 2017 Actuarial Valuation			
	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
General Tier 1 Members								
Normal Cost	7.55%	2.73%	10.28%	\$887	7.52%	2.64%	10.16%	\$876
UAAL (Before POB Credit)	13.53%	4.53%	18.06%	1,558	13.61%	4.55%	18.16%	1,566
Pension Obligation Bond Credit	-3.64%	-1.57%	-5.21%	-449	-3.66%	-1.60%	-5.26%	-454
Implicit Retiree Health Benefit Subsidy	-0.82%	0.00%	-0.82%	-71	-0.76%	0.00%	-0.76%	-66
Total Contributions	16.62%	5.69%	22.31%	\$1,925	16.71%	5.59%	22.30%	\$1,922
General Tier 2 Members								
Normal Cost	7.77%	1.60%	9.37%	\$37,043	7.82%	1.61%	9.43%	\$37,280
UAAL (Before POB Credit)	13.53%	4.53%	18.06%	71,397	13.61%	4.55%	18.16%	71,793
Pension Obligation Bond Credit	-3.64%	-1.57%	-5.21%	-20,597	-3.66%	-1.60%	-5.26%	-20,795
Implicit Retiree Health Benefit Subsidy	-0.82%	0.00%	-0.82%	-3,242	-0.76%	0.00%	-0.76%	-3,005
Total Contributions	16.84%	4.56%	21.40%	\$84,601	17.01%	4.56%	21.57%	\$85,273
General Tier 4 Members								
Normal Cost	7.18%	1.62%	8.80%	\$16,119	7.13%	1.63%	8.76%	\$16,046
UAAL (Before POB Credit)	13.53%	4.53%	18.06%	33,081	13.61%	4.55%	18.16%	33,264
Pension Obligation Bond Credit	-3.64%	-1.57%	-5.21%	-9,543	-3.66%	-1.60%	-5.26%	-9,635
Implicit Retiree Health Benefit Subsidy	-0.82%	0.00%	-0.82%	-1,502	-0.76%	0.00%	-0.76%	-1,392
Total Contributions	16.25%	4.58%	20.83%	\$38,155	16.32%	4.58%	20.90%	\$38,283

⁽¹⁾ Amounts are based on the December 31, 2018 projected compensation shown on page 39.

¹³ For employers with active member payroll. The UAAL contribution for ACOE, expressed as a level dollar amount, is \$78 K when made on April 1, 2020.

Recommended Employer Contribution Rates (continued)

County Only	December 31, 2018 Actuarial Valuation				December 31, 2017 Actuarial Valuation			
	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
Safety Tier 1 Members								
Normal Cost	28.37%	11.61%	39.98%	\$389	26.38%	10.86%	37.24%	\$362
Member Cost Sharing Contributions (Adjusted for Refunds)	-3.00%	0.00%	-3.00%	-29	-3.00%	0.00%	-3.00%	-29
UAAL (Before POB Credit)	37.80%	11.78%	49.58%	482	36.65%	11.30%	47.95%	467
Pension Obligation Bond Credit	-3.17%	-1.97%	-5.14%	-50	-3.08%	-1.94%	-5.02%	-49
Implicit Retiree Health Benefit Subsidy	<u>-0.82%</u>	<u>0.00%</u>	<u>-0.82%</u>	<u>-8</u>	<u>-0.76%</u>	<u>0.00%</u>	<u>-0.76%</u>	<u>-7</u>
Total Contributions	59.18%	21.42%	80.60%	\$784	56.19%	20.22%	76.41%	\$744
Safety Tier 2 Members								
Normal Cost	17.96%	3.69%	21.65%	\$25,887	18.18%	3.76%	21.94%	\$26,234
Member Cost Sharing Contributions (Adjusted for Refunds)	-2.93%	0.00%	-2.93%	-3,503	-2.92%	0.00%	-2.92%	-3,491
UAAL (Before POB Credit)	37.80%	11.78%	49.58%	59,283	36.65%	11.30%	47.95%	57,334
Pension Obligation Bond Credit	-3.17%	-1.97%	-5.14%	-6,146	-3.08%	-1.94%	-5.02%	-6,002
Implicit Retiree Health Benefit Subsidy	<u>-0.82%</u>	<u>0.00%</u>	<u>-0.82%</u>	<u>-980</u>	<u>-0.76%</u>	<u>0.00%</u>	<u>-0.76%</u>	<u>-909</u>
Total Contributions	48.84%	13.50%	62.34%	\$74,541	48.07%	13.12%	61.19%	\$73,166
Safety Tier 2C Members								
Normal Cost	16.51%	3.50%	20.01%	\$670	16.71%	3.66%	20.37%	\$682
Member Cost Sharing Contributions (Adjusted for Refunds)	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%	0
UAAL (Before POB Credit)	37.80%	11.78%	49.58%	1,660	36.65%	11.30%	47.95%	1,606
Pension Obligation Bond Credit	-3.17%	-1.97%	-5.14%	-172	-3.08%	-1.94%	-5.02%	-168
Implicit Retiree Health Benefit Subsidy	<u>-0.82%</u>	<u>0.00%</u>	<u>-0.82%</u>	<u>-27</u>	<u>-0.76%</u>	<u>0.00%</u>	<u>-0.76%</u>	<u>-25</u>
Total Contributions	50.32%	13.31%	63.63%	\$2,131	49.52%	13.02%	62.54%	\$2,095

⁽¹⁾ Amounts are based on the December 31, 2018 projected compensation shown on page 39.

Recommended Employer Contribution Rates (continued)

County Only	December 31, 2018 Actuarial Valuation				December 31, 2017 Actuarial Valuation			
	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
Safety Tier 2D Members								
Normal Cost	17.22%	3.69%	20.91%	\$3,009	16.93%	3.67%	20.60%	\$2,965
Member Cost Sharing Contributions (Adjusted for Refunds)	-2.93%	0.00%	-2.93%	-422	-3.13%	0.00%	-3.13%	-450
UAAL (Before POB Credit)	37.80%	11.78%	49.58%	7,136	36.65%	11.30%	47.95%	6,901
Pension Obligation Bond Credit	-3.17%	-1.97%	-5.14%	-740	-3.08%	-1.94%	-5.02%	-722
Implicit Retiree Health Benefit Subsidy	-0.82%	0.00%	-0.82%	-118	-0.76%	0.00%	-0.76%	-109
Total Contributions	48.10%	13.50%	61.60%	\$8,865	46.61%	13.03%	59.64%	\$8,585
Safety Tier 4 Members								
Normal Cost	12.29%	3.29%	15.58%	\$5,389	12.39%	3.36%	15.75%	\$5,447
Member Cost Sharing Contributions (Adjusted for Refunds)	0.00%	0.00%	0.00%	0	0.00%	0.00%	0.00%	0
UAAL (Before POB Credit)	37.80%	11.78%	49.58%	17,148	36.65%	11.30%	47.95%	16,584
Pension Obligation Bond Credit	-3.17%	-1.97%	-5.14%	-1,778	-3.08%	-1.94%	-5.02%	-1,736
Implicit Retiree Health Benefit Subsidy	-0.82%	0.00%	-0.82%	-284	-0.76%	0.00%	-0.76%	-263
Total Contributions	46.10%	13.10%	59.20%	\$20,475	45.20%	12.72%	57.92%	\$20,032
All County Categories Combined								
Normal Cost	9.68%	2.08%	11.76%	\$89,393	9.72%	2.11%	11.83%	\$89,892
Member Cost Sharing Contributions (Adjusted for Refunds)	-0.52%	0.00%	-0.52%	-3,954	-0.52%	0.00%	-0.52%	-3,970
UAAL (Before POB Credit)	19.05%	6.18%	25.23%	191,745	18.85%	6.09%	24.94%	189,515
Pension Obligation Bond Credit	-3.53%	-1.66%	-5.19%	-39,475	-3.53%	-1.68%	-5.21%	-39,561
Implicit Retiree Health Benefit Subsidy	-0.82%	0.00%	-0.82%	-6,232	-0.76%	0.00%	-0.76%	-5,776
Total Contributions	23.86%	6.60%	30.46%	\$231,477	23.76%	6.52%	30.28%	\$230,100

⁽¹⁾ Amounts are based on the December 31, 2018 projected compensation shown on page 39.

Recommended Employer Contribution Rates (continued)

AHS, Court & First 5 Only	December 31, 2018 Actuarial Valuation				December 31, 2017 Actuarial Valuation			
	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
General Tier 1 Members								
Normal Cost	7.55%	2.73%	10.28%	\$221	7.52%	2.64%	10.16%	\$218
UAAL (Before POB Credit)	13.53%	4.53%	18.06%	387	13.61%	4.55%	18.16%	390
Pension Obligation Bond Credit	<u>-3.64%</u>	<u>-1.57%</u>	<u>-5.21%</u>	<u>-112</u>	<u>-3.66%</u>	<u>-1.60%</u>	<u>-5.26%</u>	<u>-113</u>
Total Contributions	17.44%	5.69%	23.13%	\$496	17.47%	5.59%	23.06%	\$495
General Tier 2 Members								
Normal Cost	7.77%	1.60%	9.37%	\$19,211	7.82%	1.61%	9.43%	\$19,334
UAAL (Before POB Credit)	13.53%	4.53%	18.06%	37,028	13.61%	4.55%	18.16%	37,233
Pension Obligation Bond Credit	<u>-3.64%</u>	<u>-1.57%</u>	<u>-5.21%</u>	<u>-10,682</u>	<u>-3.66%</u>	<u>-1.60%</u>	<u>-5.26%</u>	<u>-10,784</u>
Total Contributions	17.66%	4.56%	22.22%	\$45,557	17.77%	4.56%	22.33%	\$45,783
General Tier 4 Members								
Normal Cost	7.18%	1.62%	8.80%	\$10,307	7.13%	1.63%	8.76%	\$10,260
UAAL (Before POB Credit)	13.53%	4.53%	18.06%	21,152	13.61%	4.55%	18.16%	21,269
Pension Obligation Bond Credit	<u>-3.64%</u>	<u>-1.57%</u>	<u>-5.21%</u>	<u>-6,102</u>	<u>-3.66%</u>	<u>-1.60%</u>	<u>-5.26%</u>	<u>-6,161</u>
Total Contributions	17.07%	4.58%	21.65%	\$25,357	17.08%	4.58%	21.66%	\$25,368

⁽¹⁾ Amounts are based on the December 31, 2018 projected compensation shown on page 39.

Recommended Employer Contribution Rates (continued)

Housing Authority	December 31, 2018 Actuarial Valuation				December 31, 2017 Actuarial Valuation			
	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
General Tier 1 Members								
Normal Cost	7.55%	2.73%	10.28%	\$336	7.52%	2.64%	10.16%	\$332
UAAL	<u>13.53%</u>	<u>4.53%</u>	<u>18.06%</u>	<u>590</u>	<u>13.61%</u>	<u>4.55%</u>	<u>18.16%</u>	<u>594</u>
Total Contributions	21.08%	7.26%	28.34%	\$926	21.13%	7.19%	28.32%	\$926
General Tier 2 Members								
Normal Cost	7.77%	1.60%	9.37%	\$33	7.82%	1.61%	9.43%	\$34
UAAL	<u>13.53%</u>	<u>4.53%</u>	<u>18.06%</u>	<u>64</u>	<u>13.61%</u>	<u>4.55%</u>	<u>18.16%</u>	<u>65</u>
Total Contributions	21.30%	6.13%	27.43%	\$97	21.43%	6.16%	27.59%	\$99
General Tier 4 Members								
Normal Cost	7.18%	1.62%	8.80%	\$99	7.13%	1.63%	8.76%	\$99
UAAL	<u>13.53%</u>	<u>4.53%</u>	<u>18.06%</u>	<u>204</u>	<u>13.61%</u>	<u>4.55%</u>	<u>18.16%</u>	<u>205</u>
Total Contributions	20.71%	6.15%	26.86%	\$303	20.74%	6.18%	26.92%	\$304

⁽¹⁾ Amounts are based on the December 31, 2018 projected compensation shown on page 39.

Recommended Employer Contribution Rates (continued)

LARP	December 31, 2018 Actuarial Valuation				December 31, 2017 Actuarial Valuation			
	Basic	COLA	Total ⁽¹⁾	Estimated Annual Dollar Amount ⁽²⁾ (\$ in '000s)	Basic	COLA	Total ⁽¹⁾	Estimated Annual Dollar Amount ⁽²⁾ (\$ in '000s)
General Tier 1 Members								
Normal Cost	7.55%	2.73%	10.28%	\$69	7.52%	2.64%	10.16%	\$68
UAAL	<u>15.70%</u>	<u>7.64%</u>	<u>23.34%</u>	<u>156</u>	<u>13.61%</u>	<u>4.55%</u>	<u>18.16%</u>	<u>122</u>
Total Contributions	23.25%	10.37%	33.62%	\$225	21.13%	7.19%	28.32%	\$190
General Tier 3 Members								
Normal Cost	10.92%	4.15%	15.07%	\$309	11.22%	4.19%	15.41%	\$316
UAAL	<u>15.70%</u>	<u>7.64%</u>	<u>23.34%</u>	<u>479</u>	<u>10.38%</u>	<u>3.98%</u>	<u>14.36%</u>	<u>295</u>
Total Contributions	26.62%	11.79%	38.41%	\$788	21.60%	8.17%	29.77%	\$611
General Tier 4 Members								
Normal Cost	7.18%	1.62%	8.80%	\$173	7.13%	1.63%	8.76%	\$172
UAAL	<u>15.70%</u>	<u>7.64%</u>	<u>23.34%</u>	<u>459</u>	<u>10.38%</u>	<u>3.98%</u>	<u>14.36%</u>	<u>282</u>
Total Contributions	22.88%	9.26%	32.14%	\$632	17.51%	5.61%	23.12%	\$454

⁽¹⁾ For LARP, the combined rate is 35.10% as of December 31, 2018 and 26.78% as of December 31, 2017.

⁽²⁾ Amounts are based on the December 31, 2018 projected compensation shown on page 39.

Recommended Employer Contribution Rates (continued)

All Categories Combined	December 31, 2018 Actuarial Valuation				December 31, 2017 Actuarial Valuation			
	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)	Basic	COLA	Total	Estimated Annual Dollar Amount ⁽¹⁾ (\$ in '000s)
All Categories Combined								
Normal Cost (Net)	8.67%	1.95%	10.62%	\$116,197	8.71%	1.96%	10.67%	\$116,755
UAAL (Net)	13.27%	4.07%	17.34%	189,661	13.17%	3.98%	17.15%	187,575
Total Contributions	21.94%	6.02%	27.96%	\$305,858	21.88%	5.94%	27.82%	\$304,330

⁽¹⁾ Amounts are based on the December 31, 2018 projected compensation shown below

Payroll Breakdown					
	County Only	AHS, Court, & First 5	Housing Authority	LARPD	Total
General Tier 1	\$8,626	\$2,145	\$3,269	\$670	\$14,710
General Tier 2	395,334	205,025	356		600,715
General Tier 3				2,051	2,051
General Tier 4	183,173	117,121	1,127	1,966	303,387
Safety Tier 1	973				973
Safety Tier 2	119,571				119,571
Safety Tier 2C	3,349				3,349
Safety Tier 2D	14,392				14,392
Safety Tier 4	34,587				34,587
Total	\$760,005	\$324,291	\$4,752	\$4,687	\$1,093,735

Recommended Employer Contribution Rates (continued)

A breakdown of the approximate portion of the employer contribution rate by the various types of benefit is as follows:

	General	Safety
Service and non-service connected disability benefits	8%	24%
Service retirement and other benefits	92%	76%
Total	100%	100%

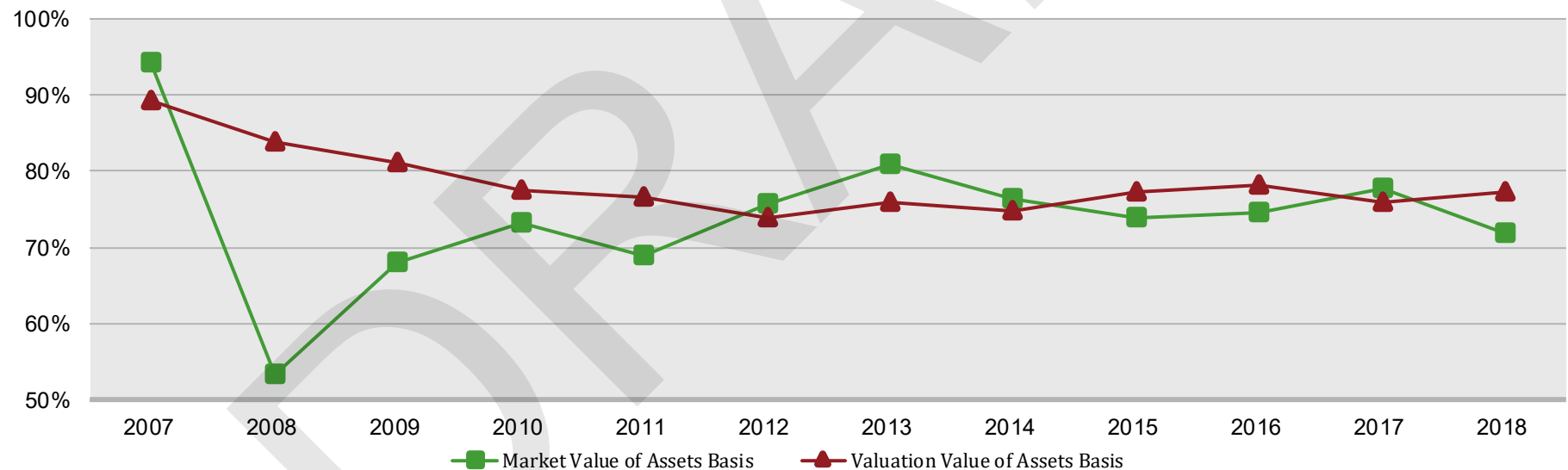
Note: In developing these percentages, we made the simplifying assumption that the liability for active and inactive members (including members who have already retired) can be approximated by the proportion of the normal cost required to fund disability and non-disability benefits.

G. Funded Status

A commonly reported piece of information regarding the Plan's financial status is the funded ratio. These ratios compare the Market and Valuation Value of Assets to the Actuarial Accrued Liability of the Plan. High ratios indicate a well-funded plan with assets sufficient to cover the Plan's Actuarial Accrued Liability. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes. The chart below depicts a history of the funded ratio for the Plan. The chart on the next page shows the Plan's schedule of funding progress for the last ten years.

The funded status measures shown in this valuation are appropriate for assessing the need for or amount of future contributions. However, they are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. As the chart below shows, the measures are different depending on whether the Market or Valuation Value of Assets is used.

**FUNDED RATIO
FOR PLAN YEARS ENDING DECEMBER 31, 2007 – 2018⁽¹⁾**



⁽¹⁾ Prior to the December 31, 2013 valuation, the Funded Ratio on a Market Value basis was calculated using the end-of-year Valuation Value of Assets plus any deferred market gains. Beginning with the December 31, 2013 valuation, the Market Value of Assets for this purpose includes either one-half of any deferred market gains (after adjustment to include the balance in the Contingency Reserve) or a proportion of any deferred investment losses after netting out the Contingency Reserve that is commensurate with the size of the valuation reserves.

SCHEDULE OF FUNDING PROGRESS FOR PLAN YEARS ENDING JUNE 30, 2009 – 2018

(\$ in '000s)

Actuarial Valuation Date as of December 31	Valuation Value of Assets ⁽¹⁾ (a)	Actuarial Accrued Liability (AAL) ⁽²⁾ (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (%) (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)
2009	\$4,789,000	\$5,899,331	\$1,110,331	81.2%	\$882,606	125.8%
2010	4,776,128	6,162,740	1,386,612	77.5	898,342	154.4
2011	4,868,689	6,359,483	1,490,794	76.6	892,489	167.0
2012	4,883,872	6,612,929	1,729,057	73.9	906,500	190.7
2013	5,210,944	6,861,687	1,650,743	75.9	916,803	180.1
2014	5,681,097	7,592,072	1,910,975	74.8	948,848	201.4
2015	6,083,536	7,875,020	1,791,484	77.3	969,534	184.8
2016	6,436,138	8,237,715	1,801,577	78.1	1,003,651	179.5
2017	6,830,379	8,987,061	2,156,682	76.0	1,055,661	204.3
2018	7,239,327	9,376,397	2,137,070	77.2	1,093,735	195.4

⁽¹⁾ Excludes assets for SRBR and other non-valuation reserves, and includes the following (whole dollar) reimbursement amounts of implicit retiree health benefit subsidy paid by the County (amounts beginning with the December 31, 2010 valuation date are estimates provided by ACERA):

Actuarial Valuation Date	Reimbursement Amount	For Year	Actuarial Valuation Date	Reimbursement Amount	For Year
12/31/2009	\$5,287,767	2009	12/31/2014	\$5,215,355	2014
12/31/2010	4,500,000	2010	12/31/2015	5,324,502	2015
12/31/2011	4,411,206	2011	12/31/2016	8,865,275	2016
12/31/2012	7,370,466	2012	12/31/2017	5,830,283	2017
12/31/2013	6,993,032	2013	12/31/2018	6,939,808	2018

⁽²⁾ Excludes liabilities for SRBR and other non-valuation reserves.

H. Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, the amount and timing of all future payments that will be made by the Plan for current participants is determined first. Then these payments are discounted at the valuation interest rate to the date of the valuation, thereby determining the present value, referred to as the Actuarial Present Value of Future Benefits of the Plan.

Second, this Actuarial Present Value of Future Benefits is compared to the assets. The "assets" for this purpose include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer Normal Cost contributions, and the present value of future employer amortization payments for the Unfunded Actuarial Accrued Liability.

ACTUARIAL BALANCE SHEET FOR YEAR ENDED DECEMBER 31, 2018

	Basic (\$ in '000s)	COLA (\$ in '000s)	Total (\$ in '000s)
Actuarial Present Value of Future Benefits			
• Present value of benefits for retired members and beneficiaries	\$3,542,298	\$2,153,850	\$5,696,148
• Present value of benefits for inactive vested members	205,875	37,588	243,463
• Present value of benefits for active members	<u>4,140,067</u>	<u>975,292</u>	<u>5,115,359</u>
Total Actuarial Present Value of Future Benefits	<u>\$7,888,240</u>	<u>\$3,166,730</u>	<u>\$11,054,970</u>
Current and future assets			
• Total Valuation Value of Assets	\$4,912,371	\$2,326,956	\$7,239,327
• Present value of future contributions by members	679,720	170,526	850,246
• Present value of future employer contributions for:			
» Entry age Normal Cost	684,113	144,214	828,327
» Unfunded Actuarial Accrued Liability	<u>1,612,036</u>	<u>525,034</u>	<u>2,137,070</u>
Total of current and future assets	<u>\$7,888,240</u>	<u>\$3,166,730</u>	<u>\$11,054,970</u>

I. Volatility Ratios

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the Market Value of Assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measurement since it is based on the current level of assets.

The current AVR is about 6.2. This means that a 1% asset gain or loss (relative to the assumed investment return) translates to about 6.2% of one-year's payroll. Since actuarial gains and losses are amortized over 20 years, there would be a 0.4% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions. The current LVR is about 8.6. This is about 39% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long term.

The chart on the next page shows how the asset and liability volatility ratios have varied over time.

VOLATILITY RATIOS FOR YEARS ENDED DECEMBER 31, 2009 – 2018

Year Ended December 31	Asset Volatility Ratio ⁽¹⁾⁽²⁾				Liability Volatility Ratio ⁽²⁾			
	General (non-LARPD)	General (LARPD)	Safety	Total	General (non-LARPD)	General (LARPD)	Safety	Total
2009	4.2	3.0	6.1	4.5	5.9	5.0	10.6	6.7
2010	4.6	3.9	7.0	5.0	6.0	5.6	11.2	6.9
2011	4.5	4.2	7.0	4.9	6.2	6.8	11.9	7.1
2012	5.0	4.9	8.2	5.5	6.3	7.0	12.7	7.3
2013	5.5	5.7	9.1	6.1	6.4	7.4	13.1	7.5
2014	5.5	5.9	9.3	6.1	6.9	7.7	13.9	8.0
2015	5.5	5.7	8.8	6.0	7.0	7.3	13.7	8.1
2016	5.6	6.1	8.9	6.1	7.1	7.7	13.8	8.2
2017	6.0	7.6	9.8	6.6	7.3	9.1	14.6	8.5
2018	5.5	9.0	9.5	6.2	7.3	12.5	15.1	8.6

- ⁽¹⁾ Prior to the December 31, 2013 valuation, the Asset Volatility Ratio was calculated using the end-of-year Valuation Value of Assets plus any deferred market gains. Beginning with the December 31, 2013 valuation, the adjusted Valuation Value of Assets for this purpose includes either one-half of any deferred market gains (after restoring the Contingency Reserve to 1% of total assets, if applicable) or a proportion of any deferred investment losses after netting out the Contingency Reserve that is commensurate with the size of the valuation reserves.
- ⁽²⁾ Prior to the December 31, 2018 valuation, volatility ratios for the General (non-LARPD) group were calculated including assets, liabilities, and payroll attributable to Tier 1 members from the Livermore Area Recreation and Park District (LARPD) and the Alameda County Office of Education (payroll was \$0 as of December 31, 2017). Beginning with the December 31, 2018 valuation, the assets, liabilities, and payroll attributable to LARPD Tier 1 members are included in calculating the volatility ratios for the General (LARPD) group, and the assets and liabilities attributable to Office of Education Tier 1 members are excluded from this table.

Section 3: Supplemental Information

EXHIBIT A – TABLE OF PLAN COVERAGE TOTAL PLAN

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	11,349	11,323	0.2%
• Average age	47.0	47.1	-0.1
• Average years of service	11.4	11.4	0.0
• Total projected compensation	\$1,093,735,678	\$1,055,661,653	3.6%
• Average projected compensation	\$96,373	\$93,232	3.4%
• Account balances	\$1,223,982,697	\$1,173,799,067	4.3%
• Total active vested members	7,665	7,701	-0.5%
Inactive vested members:			
• Number ⁽¹⁾	2,568	2,447	4.9%
• Average age	47.9	48.0	-0.1
Retired members:			
• Number in pay status	7,628	7,379	3.4%
• Average age	72.0	71.8	0.2
• Average monthly benefit ⁽²⁾	\$4,301	\$4,215	2.0%
Disabled members:			
• Number in pay status	924	888	4.1%
• Average age	64.7	64.6	0.1
• Average monthly benefit ⁽²⁾	\$3,565	\$3,401	4.8%
Beneficiaries:			
• Number in pay status	1,231	1,212	1.6%
• Average age	75.2	75.1	0.1
• Average monthly benefit ⁽²⁾	\$2,329	\$2,187	6.5%

Note: For all the General and Safety Tiers combined, the average age at retirement for the service retirees and disabled retirees was 60.0 and 49.9, respectively.

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED) GENERAL TIER 1

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	158	192	-17.7%
• Average age	60.0	59.5	0.5
• Average years of service	29.9	29.6	0.3
• Total projected compensation	\$14,710,117	\$17,312,328	-15.0%
• Average projected compensation	\$93,102	\$90,168	3.3%
• Account balances	\$63,233,064	\$72,130,815	-12.3%
• Total active vested members	158	192	-17.7%
Inactive vested members:			
• Number ⁽¹⁾	52	61	-14.8%
• Average age	62.3	61.9	0.4
Retired members:			
• Number in pay status	3,189	3,272	-2.5%
• Average age	76.3	75.9	0.4
• Average monthly benefit ⁽²⁾	\$4,902	\$4,707	4.1%
Disabled members:			
• Number in pay status	151	156	-3.2%
• Average age	73.8	72.8	1.0
• Average monthly benefit ⁽²⁾	\$3,209	\$3,114	3.1%
Beneficiaries:			
• Number in pay status	706	726	-2.8%
• Average age	79.9	79.7	0.2
• Average monthly benefit ⁽²⁾	\$2,332	\$2,162	7.9%

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the General Tier 1 service and disabled retirees was 59.2 and 51.9, respectively.

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED)

GENERAL TIER 2

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	6,075	6,512	-6.7%
• Average age	51.6	51.2	0.4
• Average years of service	15.9	15.2	0.7
• Total projected compensation	\$600,715,279	\$615,364,242	-2.4%
• Average projected compensation	\$98,883	\$94,497	4.6%
• Account balances	\$772,973,971	\$750,750,981	3.0%
• Total active vested members	5,926	6,284	-5.7%
Inactive vested members:			
• Number ⁽¹⁾	1,792	1,794	-0.1%
• Average age	50.0	49.5	0.5
Retired members:			
• Number in pay status	3,250	2,948	10.2%
• Average age	69.4	69.1	0.3
• Average monthly benefit ⁽²⁾	\$2,693	\$2,584	4.2%
Disabled members:			
• Number in pay status	458	449	2.0%
• Average age	64.5	63.8	0.7
• Average monthly benefit ⁽²⁾	\$2,616	\$2,538	3.1%
Beneficiaries:			
• Number in pay status	255	232	9.9%
• Average age	66.8	66.2	0.6
• Average monthly benefit ⁽²⁾	\$1,360	\$1,288	5.6%

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the General Tier 2 service and disabled retirees was 62.4 and 50.6, respectively.

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED) GENERAL TIER 3

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	24	27	-11.1%
• Average age	54.0	53.9	0.1
• Average years of service	15.8	16.1	-0.3
• Total projected compensation	\$2,050,537	\$2,218,590	-7.6%
• Average projected compensation	\$85,439	\$82,170	4.0%
• Account balances	\$4,558,015	\$5,008,189	-9.0%
• Total active vested members	22	25	-12.0%
Inactive vested members:			
• Number ⁽¹⁾	12	13	-7.7%
• Average age	49.2	49.7	-0.5
Retired members:			
• Number in pay status	26	22	18.2%
• Average age	63.0	62.9	0.1
• Average monthly benefit ⁽²⁾	\$4,169	\$4,085	2.1%
Disabled members:			
• Number in pay status	1	1	0.0%
• Average age	65.1	64.1	1.0
• Average monthly benefit ⁽²⁾	\$2,127	\$2,065	3.0%
Beneficiaries:			
• Number in pay status	3	3	0.0%
• Average age	62.0	61.0	1.0
• Average monthly benefit ⁽²⁾	\$3,391	\$3,292	3.0%

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the General Tier 3 service and disabled retirees was 58.6 and 62.6, respectively.

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED)

GENERAL TIER 4

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	3,703	3,156	17.3%
• Average age	40.2	39.8	0.4
• Average years of service	2.7	2.3	0.4
• Total projected compensation	\$303,387,662 ⁽¹⁾	\$249,534,713	21.6%
• Average projected compensation	\$81,930	\$79,067	3.6%
• Account balances	\$62,652,374	\$42,674,606	46.8%
• Total active vested members	450	84	435.7%
Inactive vested members:			
• Number ⁽²⁾	552	419	31.7%
• Average age	40.0	40.0	0.0
Retired members:			
• Number in pay status	8	2	300.0%
• Average age	69.6	63.5	6.1
• Average monthly benefit ⁽³⁾	\$1,447	\$3,421	-57.7%
Disabled members:			
• Number in pay status	1	1	0.0%
• Average age	66.9	65.9	1.0
• Average monthly benefit ⁽³⁾	\$1,727	\$1,693	2.0%
Beneficiaries:			
• Number in pay status	0	0	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit ⁽³⁾	N/A	N/A	N/A

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the General Tier 4 service and disabled retirees was 68.4 and 63.5, respectively.

For all the General Tiers combined, the average age at retirement for the service retirees and disabled retirees was 60.8 and 51.0, respectively.

⁽¹⁾ Projected compensation for 2019 has been limited. It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the compensation that can be taken into account for 2019 is equal to \$124,180. (For an employer that is not enrolled in Social Security, the maximum amount is 120% of \$124,180, or \$149,016). (reference: Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2019. (reference: Section 7522.10(d)).

⁽²⁾ Includes inactive members due a refund of member contributions.

⁽³⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED)

SAFETY TIER 1

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	4	5	-20.0%
• Average age	61.9	60.3	1.6
• Average years of service	29.2	27.7	1.5
• Total projected compensation	\$972,954	\$1,050,029	-7.3%
• Average projected compensation	\$243,239	\$210,006	15.8%
• Account balances	\$3,992,044	\$4,342,104	-8.1%
• Total active vested members	4	5	-20.0%
Inactive vested members:			
• Number ⁽¹⁾	8	8	0.0%
• Average age	59.4	58.4	1.0
Retired members:			
• Number in pay status	612	624	-1.9%
• Average age	72.2	71.4	0.8
• Average monthly benefit ⁽²⁾	\$8,303	\$8,056	3.1%
Disabled members:			
• Number in pay status	99	100	-1.0%
• Average age	69.7	68.8	0.9
• Average monthly benefit ⁽²⁾	\$5,750	\$5,602	2.6%
Beneficiaries:			
• Number in pay status	195	187	4.3%
• Average age	74.8	74.2	0.6
• Average monthly benefit ⁽²⁾	\$3,481	\$3,249	7.1%

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the Safety Tier 1 service and disabled retirees was 54.9 and 48.9, respectively.

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED)

SAFETY TIER 2

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	917	991	-7.5%
• Average age	46.5	45.9	0.6
• Average years of service	16.3	15.5	0.8
• Total projected compensation	\$119,570,783	\$124,173,300	-3.7%
• Average projected compensation	\$130,393	\$125,301	4.1%
• Account balances	\$285,854,627	\$275,766,662	3.7%
• Total active vested members	916	990	-7.5%
Inactive vested members:			
• Number ⁽¹⁾	125	125	0.0%
• Average age	47.1	46.2	0.9
Retired members:			
• Number in pay status	537	510	5.3%
• Average age	62.8	62.2	0.6
• Average monthly benefit ⁽²⁾	\$5,982	\$5,807	3.0%
Disabled members:			
• Number in pay status	212	181	17.1%
• Average age	56.5	57.0	-0.5
• Average monthly benefit ⁽²⁾	\$4,855	\$4,591	5.8%
Beneficiaries:			
• Number in pay status	72	64	12.5%
• Average age	60.1	59.7	0.4
• Average monthly benefit ⁽²⁾	\$2,573	\$2,567	0.2%

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the Safety Tier 2 service and disabled retirees was 55.7 and 47.1, respectively.

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED)

SAFETY TIER 2C

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	28	26	7.7%
• Average age	43.2	41.8	1.4
• Average years of service	8.0	6.1	1.9
• Total projected compensation	\$3,348,788	\$3,009,549	11.3%
• Average projected compensation	\$119,600	\$115,752	3.3%
• Account balances	\$2,724,956	\$1,868,043	45.9%
• Total active vested members	24	21	14.3%
Inactive vested members:			
• Number ⁽¹⁾	7	8	-12.5%
• Average age	44.6	43.2	1.4
Retired members:			
• Number in pay status	1	1	0.0%
• Average age	51.5	50.5	1.0
• Average monthly benefit ⁽²⁾	\$841	\$825	1.9%
Disabled members:			
• Number in pay status	0	0	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit ⁽²⁾	N/A	N/A	N/A
Beneficiaries:			
• Number in pay status	0	0	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit ⁽²⁾	N/A	N/A	N/A

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the Safety Tier 2C service retirees was 50.0.

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED)

SAFETY TIER 2D

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	121	119	1.7%
• Average age	39.9	39.0	0.9
• Average years of service	8.0	7.4	0.6
• Total projected compensation	\$14,392,198	\$13,223,362	8.8%
• Average projected compensation	\$118,944	\$111,121	7.0%
• Account balances	\$13,249,563	\$10,994,083	20.5%
• Total active vested members	102	100	2.0%
Inactive vested members:			
• Number ⁽¹⁾	10	12	-16.7%
• Average age	40.7	40.1	0.6
Retired members:			
• Number in pay status	2	0	N/A
• Average age	56.0	N/A	N/A
• Average monthly benefit ⁽²⁾	\$1,182	N/A	N/A
Disabled members:			
• Number in pay status	2	0	N/A
• Average age	45.4	N/A	N/A
• Average monthly benefit ⁽²⁾	\$4,586	N/A	N/A
Beneficiaries:			
• Number in pay status	0	0	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit ⁽²⁾	N/A	N/A	N/A

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the Safety Tier 2D service and disabled retirees was 55.4 and 44.4, respectively.

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Excludes supplemental benefits paid from SRBR.

EXHIBIT A – TABLE OF PLAN COVERAGE (CONTINUED)

SAFETY TIER 4

Category	Year Ended December 31		Change From Prior Year
	2018	2017	
Active members in valuation:			
• Number	319	295	8.1%
• Average age	35.9	35.2	0.7
• Average years of service	3.5	2.8	0.7
• Total projected compensation	\$34,587,361 ⁽¹⁾	\$29,775,540	16.2%
• Average projected compensation	\$108,424	\$100,934	7.4%
• Account balances	\$14,744,082	\$10,263,584	43.7%
• Total active vested members	63	0	N/A
Inactive vested members:			
• Number ⁽²⁾	10	7	42.9%
• Average age	36.4	32.9	3.5
Retired members:			
• Number in pay status	3	0	N/A
• Average age	57.4	N/A	N/A
• Average monthly benefit ⁽³⁾	\$1,478	N/A	N/A
Disabled members:			
• Number in pay status	0	0	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit ⁽³⁾	N/A	N/A	N/A
Beneficiaries:			
• Number in pay status	0	0	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit ⁽³⁾	N/A	N/A	N/A

Note: Based on the data provided for the December 31, 2018 actuarial valuation, the average age at retirement for the Safety Tier 4 service retirees was 57.1.

For all the Safety Tiers combined, the average age at retirement for the service retirees and disabled retirees was 55.3 and 47.7, respectively.

⁽¹⁾ Projected compensation for 2019 has been limited. It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the compensation that can be taken into account for 2019 is equal to \$124,180. (For an employer that is not enrolled in Social Security, the maximum amount is 120% of \$124,180, or \$149,016). (reference: Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2019. (reference: Section 7522.10(d)).

⁽²⁾ Includes inactive members due a refund of member contributions.

⁽³⁾ Excludes supplemental benefits paid from SRBR.

**EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
TOTAL PLAN**

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	102	102	--	--	--	--	--	--	--	--
	\$66,680	\$66,680	--	--	--	--	--	--	--	--
25 - 29	662	604	58	--	--	--	--	--	--	--
	76,950	75,462	\$92,450	--	--	--	--	--	--	--
30 - 34	1,202	834	301	67	--	--	--	--	--	--
	86,164	82,922	92,892	\$96,301	--	--	--	--	--	--
35 - 39	1,505	656	379	411	58	1	--	--	--	--
	94,247	85,607	96,987	104,798	\$99,698	\$70,755	--	--	--	--
40 - 44	1,507	458	306	394	303	46	--	--	--	--
	99,870	87,331	101,931	107,457	103,835	119,909	--	--	--	--
45 - 49	1,659	356	244	349	475	190	44	1	--	--
	102,311	92,182	100,233	105,855	103,286	117,415	\$92,531	\$76,100	--	--
50 - 54	1,528	257	209	245	393	218	160	44	2	--
	101,274	93,173	101,672	99,585	103,402	109,276	100,184	102,558	\$76,452	--
55 - 59	1,565	234	201	219	359	171	209	148	24	--
	98,577	92,524	99,199	101,321	92,521	102,002	107,379	103,336	87,552	--
60 - 64	1,076	125	154	157	224	125	147	98	40	6
	100,943	90,082	108,656	94,014	98,016	100,114	106,194	110,421	109,290	\$97,971
65 - 69	451	58	58	77	103	49	48	46	8	4
	98,246	92,356	94,838	98,486	94,586	95,780	97,484	110,238	117,509	185,674
70 & over	92	11	16	15	18	7	12	6	--	7
	91,293	98,043	108,000	83,670	72,221	138,760	69,861	75,575	--	110,623
Total	11,349	3,695	1,926	1,934	1,933	807	620	343	74	17
	\$96,373	\$84,926	\$99,106	\$102,891	\$99,925	\$108,226	\$102,695	\$105,621	\$102,241	\$123,817

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
GENERAL TIER 1

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
30 - 34	2	--	2	--	--	--	--	--	--	--
	\$70,619	--	\$70,619	--	--	--	--	--	--	--
35 - 39	3	--	2	1	--	--	--	--	--	--
	73,070	--	70,611	\$77,986	--	--	--	--	--	--
40 - 44	5	--	4	--	1	--	--	--	--	--
	84,941	--	75,205	--	\$123,886	--	--	--	--	--
45 - 49	6	--	1	2	3	--	--	--	--	--
	89,905	--	58,889	80,618	106,435	--	--	--	--	--
50 - 54	12	--	1	2	6	1	--	--	2	--
	72,815	--	76,807	63,712	74,898	\$67,262	--	--	\$76,452	--
55 - 59	37	--	1	1	2	3	4	3	23	--
	87,235	--	111,808	68,118	74,251	99,254	\$91,693	\$97,186	84,486	--
60 - 64	62	--	4	2	2	--	9	8	31	6
	93,310	--	84,352	93,712	72,894	--	70,124	123,617	93,765	\$97,971
65 - 69	24	--	--	2	2	2	2	5	7	4
	113,520	--	--	128,029	83,127	65,264	166,477	76,482	101,940	185,674
70 & over	7	--	--	--	--	--	--	--	--	7
	110,623	--	--	--	--	--	--	--	--	110,623
Total	158	--	15	10	16	6	15	16	63	17
	\$93,102	--	\$77,879	\$87,824	\$84,570	\$82,592	\$88,723	\$103,931	\$90,736	\$123,817

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
GENERAL TIER 2

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	17	3	14	--	--	--	--	--	--	--
	\$81,906	\$64,146	\$85,711	--	--	--	--	--	--	--
30 - 34	224	18	164	42	--	--	--	--	--	--
	87,204	95,975	88,442	\$78,610	--	--	--	--	--	--
35 - 39	571	22	253	256	39	1	--	--	--	--
	95,184	111,256	97,936	93,646	\$78,985	\$70,755	--	--	--	--
40 - 44	779	25	219	297	214	24	--	--	--	--
	99,039	109,675	103,111	101,995	91,285	83,358	--	--	--	--
45 - 49	994	24	175	280	363	113	38	1	--	--
	100,502	138,150	103,753	102,142	96,548	101,780	\$84,290	\$76,100	--	--
50 - 54	1,068	19	152	216	318	178	145	40	--	--
	100,810	122,305	105,874	98,143	99,971	102,535	97,139	98,049	--	--
55 - 59	1,167	20	135	196	328	149	202	136	1	--
	98,632	122,316	98,125	100,112	90,159	97,751	107,312	101,588	\$158,081	--
60 - 64	834	11	114	145	217	121	132	88	6	--
	102,724	114,968	114,039	91,596	98,058	100,013	107,427	109,277	158,100	--
65 - 69	351	7	46	71	98	42	46	40	1	--
	96,550	79,576	95,524	94,675	91,309	97,645	94,484	114,846	226,499	--
70 & over	70	2	11	15	18	6	12	6	--	--
	86,562	125,000	112,614	83,670	72,221	120,623	69,861	75,575	--	--
Total	6,075	151	1,283	1,518	1,595	634	575	311	8	--
	\$98,883	\$114,350	\$100,696	\$97,659	\$94,390	\$99,866	\$101,444	\$104,430	\$166,648	--

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
GENERAL TIER 3

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
30 - 34	1	1	--	--	--	--	--	--	--	--
	\$104,359	\$104,359	--	--	--	--	--	--	--	--
35 - 39	1	--	--	1	--	--	--	--	--	--
	93,510	--	--	\$93,510	--	--	--	--	--	--
40 - 44	1	--	--	--	--	1	--	--	--	--
	71,866	--	--	--	--	\$71,866	--	--	--	--
45 - 49	2	--	1	--	--	1	--	--	--	--
	74,358	--	\$71,135	--	--	77,581	--	--	--	--
50 - 54	8	1	2	2	2	1	--	--	--	--
	77,170	96,044	85,588	71,756	\$68,029	70,574	--	--	--	--
55 - 59	5	--	--	2	2	--	--	1	--	--
	86,796	--	--	101,500	67,974	--	--	\$95,033	--	--
60 - 64	5	--	2	--	--	1	1	--	1	--
	97,213	--	101,971	--	--	99,388	\$99,388	--	\$83,348	--
65 - 69	1	--	--	--	--	--	--	1	--	--
	94,677	--	--	--	--	--	--	94,677	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	24	2	5	5	4	4	1	2	1	--
	\$85,439	\$100,202	\$89,250	\$88,004	\$68,002	\$79,852	\$99,388	\$94,855	\$83,348	--

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
GENERAL TIER 4

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	94	94	--	--	--	--	--	--	--	--
	\$64,177	\$64,177	--	--	--	--	--	--	--	--
25 - 29	552	528	24	--	--	--	--	--	--	--
	72,716	72,602	\$75,223	--	--	--	--	--	--	--
30 - 34	816	737	79	--	--	--	--	--	--	--
	80,816	80,432	84,404	--	--	--	--	--	--	--
35 - 39	672	591	79	2	--	--	--	--	--	--
	83,200	83,215	83,457	\$68,483	--	--	--	--	--	--
40 - 44	465	407	52	5	1	--	--	--	--	--
	84,139	84,070	86,367	67,868	\$77,581	--	--	--	--	--
45 - 49	371	316	54	--	1	--	--	--	--	--
	87,451	87,841	85,385	--	76,032	--	--	--	--	--
50 - 54	262	216	44	1	1	--	--	--	--	--
	85,512	86,282	82,853	47,413	74,196	--	--	--	--	--
55 - 59	249	199	43	7	--	--	--	--	--	--
	86,033	86,373	81,970	101,331	--	--	--	--	--	--
60 - 64	147	114	30	2	1	--	--	--	--	--
	87,868	87,680	86,975	93,838	124,180	--	--	--	--	--
65 - 69	61	51	10	--	--	--	--	--	--	--
	93,927	94,110	92,992	--	--	--	--	--	--	--
70 & over	14	9	5	--	--	--	--	--	--	--
	94,122	92,052	97,848	--	--	--	--	--	--	--
Total	3,703	3,262	420	17	4	--	--	--	--	--
	\$81,930	\$81,621	\$84,207	\$83,571	\$87,997	--	--	--	--	--

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
SAFETY TIER 1

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
30 - 34	--	--	--	--	--	--	--	--	--	--
35 - 39	--	--	--	--	--	--	--	--	--	--
40 - 44	--	--	--	--	--	--	--	--	--	--
45 - 49	--	--	--	--	--	--	--	--	--	--
50 - 54	--	--	--	--	--	--	--	--	--	--
55 - 59	1	--	--	--	--	--	--	1	--	--
	\$248,283	--	--	--	--	--	--	\$248,283	--	--
60 - 64	2	--	--	--	--	--	1	--	1	--
	228,514	--	--	--	--	--	\$118,657	--	\$338,372	--
65 - 69	1	--	--	--	1	--	--	--	--	--
	267,643	--	--	--	\$267,643	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	4	--	--	--	1	--	1	1	1	--
	\$243,239	--	--	--	\$267,643	--	\$118,657	\$248,283	\$338,372	--

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
SAFETY TIER 2

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
30 - 34	26	--	3	23	--	--	--	--	--	--
	\$126,744	--	\$125,317	\$126,930	--	--	--	--	--	--
35 - 39	165	--	8	140	17	--	--	--	--	--
	127,938	--	122,919	126,099	\$145,446	--	--	--	--	--
40 - 44	205	--	11	90	83	21	--	--	--	--
	134,223	--	118,570	127,289	136,289	\$163,970	--	--	--	--
45 - 49	256	--	7	63	105	76	5	--	--	--
	130,838	--	123,465	123,479	127,141	141,185	\$154,242	--	--	--
50 - 54	152	1	6	23	66	38	14	4	--	--
	128,925	\$82,883	113,616	121,705	124,038	142,979	130,182	\$147,647	--	--
55 - 59	75	--	7	13	26	19	3	7	--	--
	128,543	--	139,795	122,062	125,165	135,773	132,815	120,420	--	--
60 - 64	25	--	3	8	4	3	4	2	1	--
	125,946	--	144,351	137,968	101,758	104,431	145,268	107,968	\$94,536	--
65 - 69	12	--	1	4	2	5	--	--	--	--
	126,822	--	94,627	151,361	180,109	92,315	--	--	--	--
70 & over	1	--	--	--	--	1	--	--	--	--
	247,578	--	--	--	--	247,578	--	--	--	--
Total	917	1	46	364	303	163	26	13	1	--
	\$130,393	\$82,883	\$124,256	\$126,109	\$129,843	\$142,385	\$137,434	\$126,882	\$94,536	--

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
SAFETY TIER 2C

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	1	--	1	--	--	--	--	--	--	--
	\$125,364	--	\$125,364	--	--	--	--	--	--	--
30 - 34	5	--	4	1	--	--	--	--	--	--
	119,410	--	122,749	\$106,056	--	--	--	--	--	--
35 - 39	4	--	3	1	--	--	--	--	--	--
	98,219	--	104,028	80,792	--	--	--	--	--	--
40 - 44	8	2	6	--	--	--	--	--	--	--
	126,628	\$138,823	122,563	--	--	--	--	--	--	--
45 - 49	5	1	1	2	--	--	1	--	--	--
	103,098	101,940	121,841	97,276	--	--	\$97,155	--	--	--
50 - 54	1	--	1	--	--	--	--	--	--	--
	151,319	--	151,319	--	--	--	--	--	--	--
55 - 59	4	1	3	--	--	--	--	--	--	--
	138,417	90,499	154,389	--	--	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	28	4	19	4	--	--	1	--	--	--
	\$119,600	\$117,521	\$126,323	\$95,350	--	--	\$97,155	--	--	--

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
SAFETY TIER 2D

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
25 - 29	8	1	7	--	--	--	--	--	--	--
	\$121,189	\$103,547	\$123,709	--	--	--	--	--	--	--
30 - 34	30	--	29	1	--	--	--	--	--	--
	120,463	--	120,301	\$125,160	--	--	--	--	--	--
35 - 39	32	4	16	10	2	--	--	--	--	--
	114,033	118,180	118,211	105,546	\$114,745	--	--	--	--	--
40 - 44	24	6	12	2	4	--	--	--	--	--
	124,085	130,491	127,621	125,078	103,374	--	--	--	--	--
45 - 49	15	6	4	2	3	--	--	--	--	--
	109,529	117,833	114,732	104,236	89,515	--	--	--	--	--
50 - 54	4	1	1	1	--	--	1	--	--	--
	120,484	146,233	132,109	81,956	--	--	\$121,637	--	--	--
55 - 59	8	1	6	--	1	--	--	--	--	--
	132,102	148,626	134,000	--	104,187	--	--	--	--	--
60 - 64	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	121	19	75	16	10	--	1	--	--	--
	\$118,944	\$124,267	\$122,301	\$107,575	\$101,572	--	\$121,637	--	--	--

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT B – MEMBERS IN ACTIVE SERVICE AS OF DECEMBER 31, 2018 (CONTINUED)
BY AGE, YEARS OF SERVICE, AND AVERAGE PROJECTED COMPENSATION
SAFETY TIER 4

Age	Years of Service									
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	8	8	--	--	--	--	--	--	--	--
	\$96,091	\$96,091	--	--	--	--	--	--	--	--
25 - 29	84	72	12	--	--	--	--	--	--	--
	98,983	96,515	\$113,789	--	--	--	--	--	--	--
30 - 34	98	78	20	--	--	--	--	--	--	--
	105,490	103,166	114,553	--	--	--	--	--	--	--
35 - 39	57	39	18	--	--	--	--	--	--	--
	107,315	104,049	114,392	--	--	--	--	--	--	--
40 - 44	20	18	2	--	--	--	--	--	--	--
	111,244	109,918	123,181	--	--	--	--	--	--	--
45 - 49	10	9	1	--	--	--	--	--	--	--
	104,892	103,858	114,200	--	--	--	--	--	--	--
50 - 54	21	19	2	--	--	--	--	--	--	--
	140,841	139,981	149,016	--	--	--	--	--	--	--
55 - 59	19	13	6	--	--	--	--	--	--	--
	136,136	136,677	134,966	--	--	--	--	--	--	--
60 - 64	1	--	1	--	--	--	--	--	--	--
	149,016	--	149,016	--	--	--	--	--	--	--
65 - 69	1	--	1	--	--	--	--	--	--	--
	81,965	--	81,965	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	319	256	63	--	--	--	--	--	--	--
	\$108,424	\$106,142	\$117,698	--	--	--	--	--	--	--

Note: Age and years of service were projected from November 30, 2018 to December 31, 2018.

EXHIBIT C – RECONCILIATION OF MEMBER DATA

	Active Members	Inactive Vested Members ⁽¹⁾	Retired Members	Disableds	Beneficiaries	Total
Number as of December 31, 2017	11,323	2,447	7,379	888	1,212	23,249
• New members	896	0	0	0	83	979
• Terminations – with vested rights	(293)	293	0	0	0	0
• Contribution refunds	(161)	(101)	0	0	0	(262)
• Retirements	(386)	(74)	460	0	0	0
• New disabilities	(34)	(2)	(20)	56	0	0
• Return to work	31	(31)	0	0	0	0
• Died with or without beneficiary	(23)	(3)	(192)	(17)	(63)	(298)
• Data adjustments ⁽²⁾	(4)	39	1	(3)	(1)	32
Number as of December 31, 2018	11,349	2,568	7,628	924	1,231	23,700

⁽¹⁾ Includes inactive members due a refund of member contributions.

⁽²⁾ Out of the net 39 data adjustments for inactive vested members: 3 non-members from last year went to payment status this year; 37 members were hired and terminated employment after November 30, 2017 (i.e. the census data collection date for last year's valuation); 1 member was classified as contribution refunds in the December 31, 2017 valuation data, and terminated vested in the December 31, 2018 data; and 4 non-member records were added to the terminated vested file.

EXHIBIT D – SUMMARY STATEMENT OF INCOME AND EXPENSES ON A MARKET VALUE BASIS

	Year Ended December 31, 2018	Year Ended December 31, 2017
Net assets at market value at the beginning of the year	\$8,112,099,556	\$6,965,580,182
Contribution income:		
• Employer contributions	\$269,684,809	\$247,063,550
• Member contributions	<u>94,735,673</u>	<u>89,325,824</u>
Net contribution income	\$364,420,482	\$336,389,374
Investment income:		
• Interest, dividends and other income	\$120,629,800	\$135,579,452
• Asset appreciation	(417,757,336)	1,231,437,848
• Less investment and administrative fees	<u>(73,984,083)</u>	<u>(73,695,094)</u>
Net investment income	<u>\$(371,111,619)</u>	<u>\$1,293,322,206</u>
Total income available for benefits	\$(6,691,137)	\$1,629,711,580
Less benefit payments:		
• Service retirement	\$(459,141,978)	\$(433,464,465)
• Death payments	(2,957,440)	(2,699,945)
• Supplemental cost of living	(1,134,613)	(1,231,500)
• Member refunds	(8,709,150)	(7,892,706)
• Health insurance subsidies	<u>(40,878,670)</u>	<u>(37,903,590)</u>
Net benefit payments	<u>\$(512,821,851)</u>	<u>\$(483,192,206)</u>
Change in net assets at market value	\$(519,512,988)	\$1,146,519,374
Net assets at market value at the end of the year	\$7,592,586,569	\$8,112,099,556

Note: Results may be slightly off due to rounding.

EXHIBIT E – SUMMARY STATEMENT OF PLAN ASSETS

	Year Ended December 31, 2018	Year Ended December 31, 2017
Cash	\$1,573,133	\$17,130,210
Securities lending collateral	183,002,987	406,876,406
Accounts receivable:		
• Contributions	\$17,422,507	\$14,212,011
• Investment receivables	15,986,252	17,974,522
• Investments sold	1,202,614	9,858,317
• Foreign exchange contracts	100,999	666,144
• Others	<u>107,881</u>	<u>198,762</u>
Total accounts receivable	\$34,820,254	\$42,909,756
Prepaid expenses	1,292,997	847,774
Investments:		
• Short-term investments	\$159,672,681	\$210,167,993
• Equities	4,147,368,158	5,105,580,651
• Fixed income investments	1,203,445,404	1,231,352,419
• Real estate	561,242,142	512,139,741
• Capital assets	1,485,300	1,604,962
• Private equity and alternative investments	<u>1,512,465,825</u>	<u>1,047,693,755</u>
Total investments at market value	\$7,585,679,510	\$8,108,539,521
Total assets	\$7,806,368,882	\$8,576,303,667
Accounts payable:		
• Securities lending & investments purchased	\$(189,585,727)	\$(444,428,669)
• Investment-related payables	(12,363,273)	(12,594,238)
• Futures contracts & equity swaps	(1,392,567)	(230,781)
• Foreign exchange contracts	(3,651,400)	(467,537)
• Accrued administration expense	(2,275,696)	(2,495,061)
• Members benefits & refunds, and retirement payroll deductions payable	<u>(4,513,650)</u>	<u>(3,987,825)</u>
Total accounts payable	\$(213,782,313)	\$(464,204,111)
Net assets at market value	\$7,592,586,569	\$8,112,099,556
Net assets at actuarial value	\$8,161,706,068	\$7,803,026,229
Net assets at valuation value	\$7,239,327,157	\$6,830,379,459

Note: Results may be slightly off due to rounding.

EXHIBIT F – SUMMARY OF REPORTED RESERVE INFORMATION AS OF DECEMBER 31, 2018

	Reserves
Used in Development of Valuation Value of Assets:	
• Members deposit-basic	\$1,253,468,831
• Members cost-of-living	278,683,009
• Employer advance (before transfer from SRBR to employer advance)	1,045,827,592
• Pension reserve-current	1,634,911,232
• Pension reserve-prior	5,135,578
• Annuity reserve	964,599,901
• Cost-of-living reserve	2,048,273,150
• Survivor death benefit	1,488,057
• SRBR transfer to employer advance ⁽¹⁾	6,939,808
• Reserve for interest fluctuations (contingency reserve), if negative	<u>0</u>
Subtotal	\$7,239,327,157 ⁽²⁾
Not Used in Development of Valuation Value of Assets:	
• 401(h) account	\$9,830,102
• Supplemental retirees benefit reserve (before transfer from SRBR to employer advance)	919,488,617
• Reserve for interest fluctuations (contingency reserve), if positive	0
• Market stabilization reserve	(569,119,500)
• SRBR transfer to employer advance ⁽¹⁾	<u>(6,939,808)</u>
Subtotal	\$353,259,411
Total	\$7,592,586,569

Note: Results may be slightly off due to rounding.

⁽¹⁾ Estimate provided by ACERA.

⁽²⁾ A breakdown of this amount between the different cost groups is provided in Section 4, Exhibit VI.

EXHIBIT G – DEVELOPMENT OF THE FUND THROUGH DECEMBER 31, 2018

Year Ended December 31	Employer Contributions	Member Contributions	Net Investment Return ⁽¹⁾	Benefit Payments	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2009	\$132,198,602	\$77,270,662	\$953,666,086	\$292,205,845	\$4,676,879,594	\$5,453,769,119	116.6%
2010	147,543,301	77,604,809	635,617,238	313,150,062	5,224,494,880	5,487,858,259	105.0%
2011	162,879,221	77,990,907	(53,810,166)	337,156,660	5,074,398,182	5,556,242,772	109.5%
2012	179,648,812	78,608,004	698,682,556	363,133,358	5,668,204,196	5,543,303,209	97.8%
2013	191,180,146	76,230,024	1,095,188,216	390,507,104	6,640,295,478	5,953,454,661	89.7%
2014	213,254,775	79,714,187	266,028,241	411,279,675	6,788,013,006	6,545,159,225	96.4%
2015	224,607,104	82,948,934	(19,960,005)	434,984,266	6,640,624,773	6,987,026,015	105.2%
2016	241,728,451	85,736,229	454,641,033	457,150,304	6,965,580,182	7,309,485,170	104.9%
2017	247,063,550	89,325,824	1,293,322,206	483,192,206	8,112,099,556	7,803,026,229	96.2%
2018	269,684,809	94,735,673	(371,111,618)	512,821,851	7,592,586,569	8,161,706,068	107.5%

⁽¹⁾ On a market basis, net of investment and administrative fees.

EXHIBIT H – TABLE OF AMORTIZATION BASES

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment ⁽¹⁾ (\$ in '000s)
General (Excluding LARPD & Office of Education)						
Combined Bases	December 31, 2011	\$885,036	21	\$858,986	14	\$79,493
Experience Loss	December 31, 2012	165,501	20	159,636	14	14,773
Experience Gain	December 31, 2013	(75,003)	20	(73,320)	15	(6,437)
Experience Gain	December 31, 2014	(156,281)	20	(154,157)	16	(12,895)
Change in Assumptions	December 31, 2014	350,827	20	346,061	16	28,946
Experience Gain	December 31, 2015	(98,619)	20	(97,999)	17	(7,840)
Experience Loss	December 31, 2016	3,655	20	3,647	18	280
Experience Gain	December 31, 2017	(27,249)	20	(27,218)	19	(2,011)
Change in Assumptions	December 31, 2017	260,437	20	260,140	19	19,222
Experience Gain ⁽²⁾	December 31, 2018	(6,121)	20	(6,121)	20	(437)
Subtotal				\$1,269,655		\$113,094

⁽¹⁾ Level percentage of payroll.

⁽²⁾ Includes the impact of transferring the allocated UAAL for LARPD Tier 1 members to the LARPD cost group and the allocated UAAL for Office of Education Tier 1 members to the Office of Education cost group.

EXHIBIT H – TABLE OF AMORTIZATION BASES (CONTINUED)

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment ⁽¹⁾ (\$ in '000s)
General (LARPD)⁽²⁾						
Combined Bases	December 31, 2011	\$7,060	21	\$6,852	14	\$634
Experience Loss	December 31, 2012	370	20	356	14	33
Experience Gain	December 31, 2013	(534)	20	(522)	15	(46)
Experience Gain	December 31, 2014	(1,562)	20	(1,541)	16	(129)
Change in Assumptions	December 31, 2014	1,303	20	1,286	16	108
Experience Gain ⁽³⁾	December 31, 2015	(1,506)	20	(1,498)	17	(120)
Experience Loss	December 31, 2016	139	20	139	18	11
Experience Gain ⁽⁴⁾	December 31, 2017	(622)	20	(622)	19	(46)
Change in Assumptions	December 31, 2017	1,418	20	1,417	19	105
Experience Loss ⁽⁵⁾	December 31, 2018	1,058	20	1,058	20	75
UAAL for Tier 1 members ⁽⁶⁾	December 31, 2018	6,576	20	6,576	20	469
Subtotal				\$13,501		\$1,094

⁽¹⁾ Level percentage of payroll.

⁽²⁾ When LARPD General Tier 3 was established in 2008, they were classified as a stand-alone group since they were the only employer with the higher 2.5% at 55 benefit (i.e., Section 31676.18), and the cost to upgrade the past service under that formula was only to be paid by LARPD. (reference: Segal's letter dated October 7, 2008). The initial UAAL rate for that group was based on an allocation of assets needed to maintain the total employer rate from the December 31, 2007 valuation before any benefit improvements for General Tier 3. The UAAL rate for LARPD General Tier 3 was then increased to reflect the benefit improvement. When LARPD General Tier 4 was later established in 2013, that tier was combined with LARPD General Tier 3 for purpose of determining their UAAL rate only (as normal cost for LARPD General Tier 4 has continued to be developed on a pooled basis with other General employers offering General Tier 4 benefits), in order to continue with the open-group level percentage of payroll approach for paying off the UAAL amount for General Tier 3 (that is now closed to new entrants because of CalPEPRA). Furthermore, the Board adopted the declining employer payroll policy in 2018 and determined that the policy applies to LARPD Tier 1. As a result, the UAAL (and associated assets) of LARPD Tier 1 was combined with the UAAL for LARPD Tiers 3 and 4.

⁽³⁾ There is a liability gain from the death of one of LARPD's Tier 3 retirees and the withdrawal of one of LARPD's Tier 3 actives.

⁽⁴⁾ There is a liability gain from the death of one of LARPD's Tier 3 retirees.

⁽⁵⁾ There is a liability loss mainly from retiree mortality experience for LARPD's Tier 1 and Tier 3 retirees as a result of no actual deaths.

⁽⁶⁾ The allocated UAAL for LARPD Tier 1 of \$6,167,000 determined as of December 31, 2017 is rolled forward to December 31, 2018 to be amortized starting with the December 31, 2018 valuation.

EXHIBIT H – TABLE OF AMORTIZATION BASES (CONTINUED)

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment ⁽¹⁾ (\$ in '000s)
General Combined (Excluding Office of Education)						
Combined Bases	December 31, 2011	\$892,096	21	865,838	14	80,127
Experience Loss	December 31, 2012	165,871	20	159,992	14	14,806
Experience Gain	December 31, 2013	(75,537)	20	(73,842)	15	(6,483)
Experience Gain	December 31, 2014	(157,843)	20	(155,698)	16	(13,024)
Change in Assumptions	December 31, 2014	352,130	20	347,347	16	29,054
Experience Gain	December 31, 2015	(100,125)	20	(99,497)	17	(7,960)
Experience Loss	December 31, 2016	3,794	20	3,786	18	291
Experience Gain	December 31, 2017	(27,871)	20	(27,840)	19	(2,057)
Change in Assumptions	December 31, 2017	261,855	20	261,557	19	19,327
Experience Loss	December 31, 2018	1,513	20	<u>1,513</u>	20	<u>107</u>
Subtotal				\$1,283,156		\$114,188
Safety						
Combined Bases	December 31, 2011	\$598,698	21	\$581,079	14	\$53,775
Experience Loss	December 31, 2012	63,130	20	60,894	14	5,635
Experience Gain	December 31, 2013	(9,350)	20	(9,141)	15	(802)
Experience Gain	December 31, 2014	(43,238)	20	(42,651)	16	(3,568)
Change in Assumptions	December 31, 2014	107,552	20	106,091	16	8,874
Experience Gain	December 31, 2015	(12,850)	20	(12,770)	17	(1,022)
Experience Loss	December 31, 2016	19,183	20	19,141	18	1,469
Experience Loss	December 31, 2017	6,354	20	6,347	19	469
Change in Assumptions	December 31, 2017	134,184	20	134,031	19	9,904
Experience Loss	December 31, 2018	9,377	20	<u>9,377</u>	20	<u>669</u>
Subtotal				\$852,398		\$75,403

⁽¹⁾ Level percentage of payroll.

EXHIBIT H – TABLE OF AMORTIZATION BASES (CONTINUED)

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment ⁽¹⁾ (\$ in '000s)
Total (Excluding Office of Education)						
Combined Bases	December 31, 2011	\$1,490,794	21	\$1,446,917	14	\$133,902
Experience Loss	December 31, 2012	229,001	20	220,886	14	20,441
Experience Gain	December 31, 2013	(84,887)	20	(82,983)	15	(7,285)
Experience Gain	December 31, 2014	(201,081)	20	(198,349)	16	(16,592)
Change in Assumptions	December 31, 2014	459,682	20	453,438	16	37,928
Experience Gain	December 31, 2015	(112,975)	20	(112,267)	17	(8,982)
Experience Loss	December 31, 2016	22,977	20	22,927	18	1,760
Experience Gain	December 31, 2017	(21,517)	20	(21,493)	19	(1,588)
Change in Assumptions	December 31, 2017	396,039	20	395,588	19	29,231
Experience Loss	December 31, 2018	10,890	20	<u>10,890</u>	20	<u>776</u>
Total				\$2,135,554		\$189,591

⁽¹⁾ Level percentage of payroll.

EXHIBIT H – TABLE OF AMORTIZATION BASES (CONTINUED)

Type	Date Established	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Annual Payment ⁽¹⁾ (\$ in '000s)
General (Office of Education)						
UAAL for Tier 1 members	December 31, 2017	\$1,357	20	718 ⁽²⁾	19	72
Experience Loss	December 31, 2018	61	20	61	20	6
Subtotal				\$779		\$78
Credit for Expected UAAL Contribution				737 ⁽³⁾		
Total				\$1,516		

⁽¹⁾ Level dollar, and reflects timing of payment (i.e., next scheduled on April 1, 2020).

⁽²⁾ Reflects expected UAAL contribution discussed in footnote (3) below.

⁽³⁾ \$750,000 payable April 1, 2019, discounted at 7.25% to December 31, 2018.

Note: The equivalent single amortization period for the entire Plan is about 15 years.

EXHIBIT I – PROJECTION OF UAAL BALANCES AND PAYMENTS

Outstanding Balance of \$2,137 Million in Net UAAL as of December 31, 2018

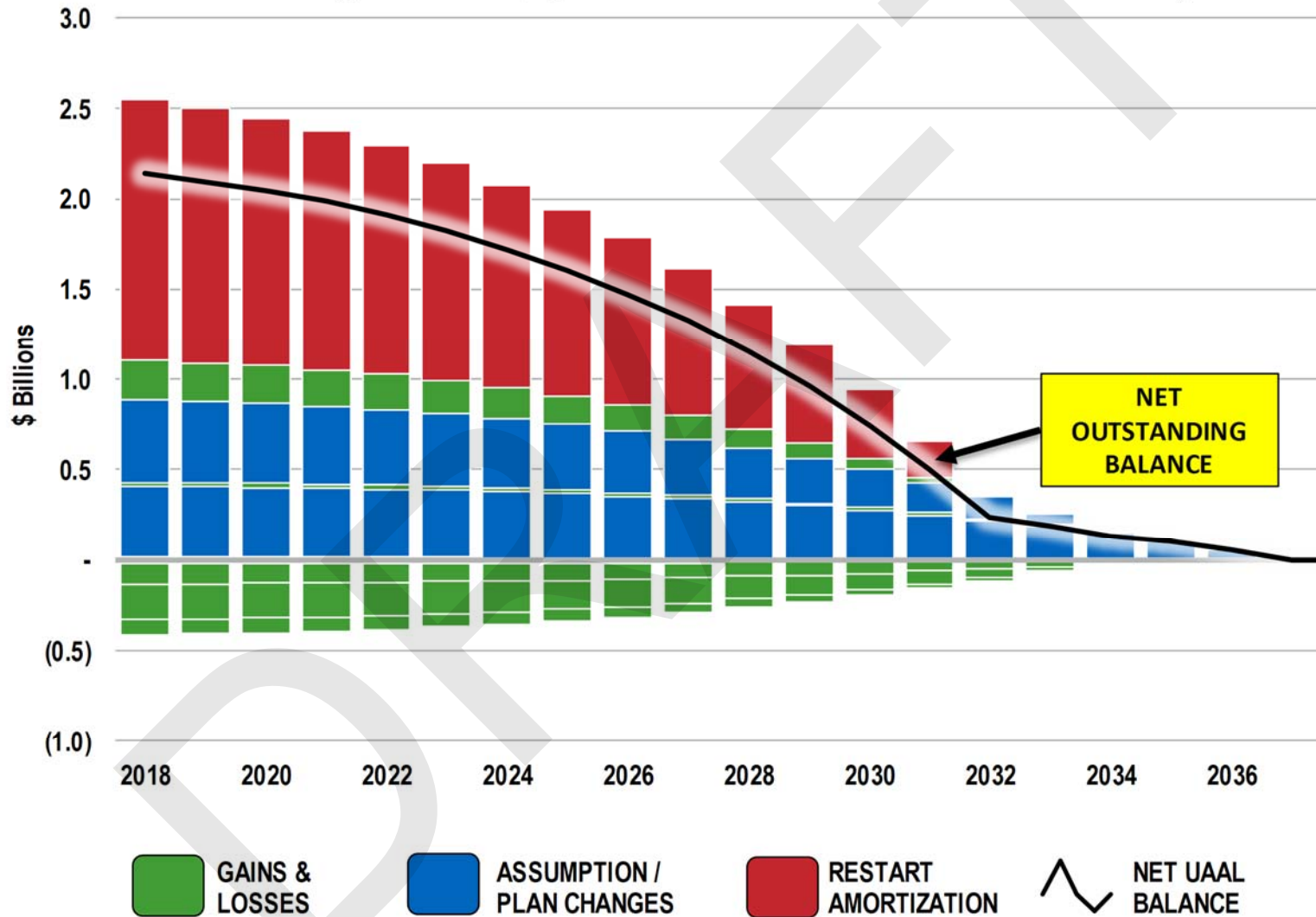


EXHIBIT I – PROJECTION OF UAAL BALANCES AND PAYMENTS (CONTINUED)

Annual Payments Required to Amortize \$2,137 Million in Net UAAL as of December 31, 2018

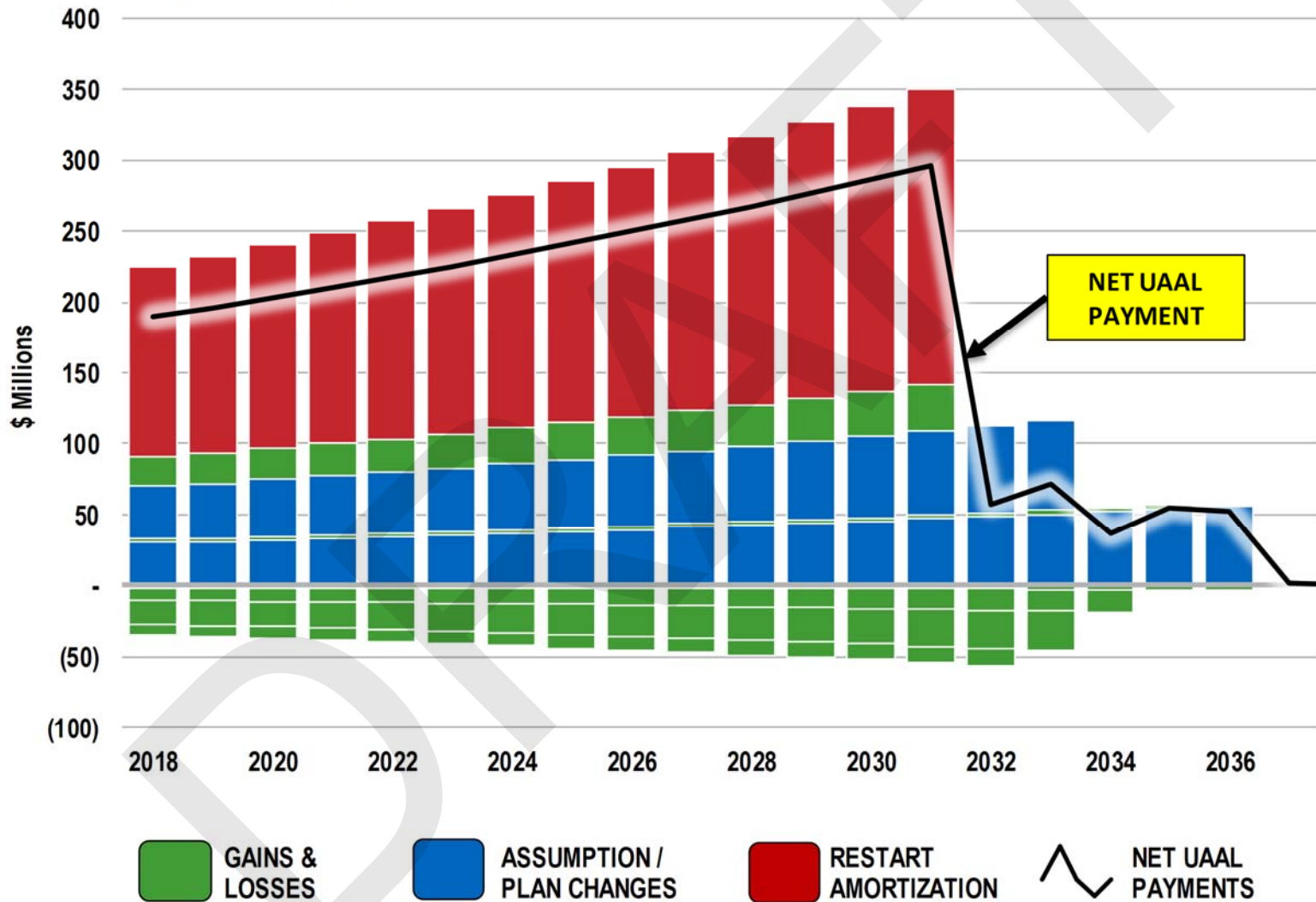


EXHIBIT J – DEFINITION OF PENSION TERMS

The following list defines certain technical terms for the convenience of the reader:

Actuarial Accrued Liability for Actives:	The equivalent of the accumulated Normal Costs allocated to the years before the valuation date.
Actuarial Accrued Liability for Pensioners and Beneficiaries:	Actuarial Present Value of lifetime benefits to existing pensioners and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial Cost Method:	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the recommended contribution.
Actuarial Gain or Loss:	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield actuarial liabilities that are larger than projected.
Actuarially Equivalent:	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial Present Value (APV):	<p>The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is:</p> <ul style="list-style-type: none"> Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.) Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and Discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Present Value of Future Benefits:	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund of member contributions or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial Valuation:	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan, as well as Actuarially Determined Contributions.
Actuarial Value of Assets (AVA):	The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the Actuarially Determined Contribution.
Actuarially Determined:	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the Plan.
Actuarially Determined Contribution (ADC):	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the employer Normal Cost and the Amortization Payment.
Amortization Method:	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
Amortization Payment:	The portion of the pension plan contribution, or ADC, that is designed to amortize the Unfunded Actuarial Accrued Liability.

Assumptions or Actuarial Assumptions:	<p>The estimates upon which the cost of the Plan is calculated, including:</p> <p><u>Investment return</u> - the rate of investment yield that the Plan will earn over the long-term future;</p> <p><u>Mortality rates</u> - the rate or probability of death at a given age for employees and pensioners;</p> <p><u>Retirement rates</u> - the rate or probability of retirement at a given age or service;</p> <p><u>Disability rates</u> - the rate or probability of disability retirement at a given age;</p> <p><u>Withdrawal rates</u> - the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement;</p> <p><u>Salary increase rates</u> - the rates of salary increase due to inflation, real wage growth and merit and promotion increases.</p>
Closed Amortization Period:	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 20 years, it is 19 years at the end of one year, 18 years at the end of two years, etc. See Open Amortization Period.
Decrements:	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.
Defined Benefit Plan:	A retirement plan in which benefits are defined by a formula based on the member's compensation, age and/or years of service.
Defined Contribution Plan:	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Experience Study:	A periodic review and analysis of the actual experience of the Plan that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified based on recommendations from the Actuary.
Funded Ratio:	The ratio of the Valuation Value of Assets (VVA) to the Actuarial Accrued Liability (AAL). Plans sometimes also calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the VVA.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.
Normal Cost:	The portion of the Actuarial Present Value of Future Benefits allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of the Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of member contributions and employer Normal Cost unless otherwise specifically stated.

Open Amortization Period:	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in each future year in determining the Amortization Period.
Unfunded Actuarial Accrued Liability:	The excess of the Actuarial Accrued Liability over the Valuation Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus or an Overfunded Actuarial Accrued Liability.
Valuation Date or Actuarial Valuation Date:	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Benefits is determined. The expected benefits to be paid in the future are discounted to this date.
Valuation Value of Assets:	The Actuarial Value of Assets reduced by the value of non-valuation reserves.

Section 4: Actuarial Valuation Basis

EXHIBIT I – ACTUARIAL ASSUMPTIONS AND METHODS

Rationale for Assumptions	The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the December 1, 2013 through November 30, 2016 Actuarial Experience Study report dated September 6, 2017. Unless otherwise noted, all actuarial assumptions and methods shown below apply to all tiers. These assumptions were adopted by the Board.
<u>Economic Assumptions</u>	
Net Investment Return:	7.25%; net of administrative and investment expenses. Based on the Actuarial Experience Study referenced above, expected administrative and investment expenses represent about 0.90% of the Market Value of Assets.
Employee Contribution Crediting Rate:	7.25%, compounded semi-annually.
Consumer Price Index:	Increase of 3.00% per year. Retiree COLA increases due to CPI are subject to a 3% maximum change per year for General Tier 1, General Tier 3, and Safety Tier 1, and 2% maximum change per year for General Tier 2, General Tier 4, Safety Tier 2, Safety Tier 2C, Safety Tier 2D, and Safety Tier 4.
Payroll Growth:	Inflation of 3.00% per year plus real “across the board” salary increases of 0.50% per year, used to amortize the Unfunded Actuarial Accrued Liability as a level percentage of payroll.
Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit:	Increase of 3.00% per year from the valuation date.
Increase in Section 7522.10 Compensation Limit:	Increase of 3.00% per year from the valuation date.

Salary Increases:

The annual rate of compensation increase includes: inflation at 3.00%, plus “across the board” salary increases of 0.50% per year, plus the following merit and promotion increases:

Merit and Promotion Increases		
Years of Service	Rate (%)	
	General	Safety
0-1	4.80%	7.80%
1-2	4.80	7.80
2-3	3.90	7.00
3-4	2.40	4.40
4-5	1.90	3.50
5-6	1.60	2.30
6-7	1.50	1.60
7-8	1.10	1.00
8-9	0.80	1.00
9-10	0.80	0.90
10-11	0.50	0.80
11 & Over	0.40	0.80

Terminal Pay Assumptions:

Additional pay elements are expected to be received during a member’s final average earnings period. The percentages, added to the final average salary, used in this valuation are:

	Service Retirement	Disability Retirement
General Tier 1	8.0%	6.5%
General Tier 2	3.0%	1.4%
General Tier 3	8.0%	6.5%
General Tier 4	N/A	N/A
Safety Tier 1	8.5%	6.4%
Safety Tier 2	3.5%	2.1%
Safety Tier 2C	3.5%	2.1%
Safety Tier 2D	3.5%	2.1%
Safety Tier 4	N/A	N/A

Demographic Assumptions

Post-Retirement Mortality Rates:

Healthy

- **General Members and All Beneficiaries:** Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected generationally with the two-dimensional MP-2016 projection scale.
- **Safety Members:** Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected generationally with the two-dimensional MP-2016 projection scale.

Disabled

- **General Members:** Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, set forward seven years for males and set forward four years for females, projected generationally with the two-dimensional MP-2016 projection scale.
- **Safety Members:** Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, set forward two years for males and with no set forward for females, projected generationally with the two-dimensional MP-2016 projection scale.

The RPH-2014 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-Retirement Mortality Rates:

- **General and Safety Members:** Headcount-Weighted RP-2014 (RPH-2014) Employee Mortality Tables multiplied by 80%, projected generationally with the two-dimensional MP-2016 projection scale.

Age	Rate (%)			
	General ⁽¹⁾		Safety ⁽¹⁾	
	Male	Female	Male	Female
20	0.05	0.02	0.05	0.02
25	0.05	0.02	0.05	0.02
30	0.05	0.02	0.05	0.02
35	0.05	0.03	0.05	0.03
40	0.06	0.04	0.06	0.04
45	0.10	0.07	0.10	0.07
50	0.17	0.11	0.17	0.11
55	0.27	0.17	0.27	0.17
60	0.45	0.24	0.45	0.24
65	0.78	0.36	0.78	0.36

All pre-retirement deaths are assumed to be non-service connected.

⁽¹⁾ Generational projections beyond the base year (2014) are not reflected in the above mortality rates.

Mortality Rates for Member Contributions:	<ul style="list-style-type: none"> • General Members: Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected 20 years with the two-dimensional mortality improvement Scale MP-2016, weighted 30% male and 70% female. • Safety Members: Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected 20 years with the two-dimensional mortality improvement Scale MP-2016, weighted 75% male and 25% female.
Optional Forms of Benefit:	<p><i>Service Retirement and All Beneficiaries</i></p> <ul style="list-style-type: none"> • General Members: Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected 20 years with the two-dimensional mortality improvement Scale MP-2016, weighted 30% male and 70% female. • General Beneficiaries: Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected 20 years with the two-dimensional mortality improvement Scale MP-2016, weighted 70% male and 30% female. • Safety Members: Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected 20 years with the two-dimensional mortality improvement Scale MP-2016, weighted 75% male and 25% female. • Safety Beneficiaries: Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, with no setback for males and females, projected 20 years with the two-dimensional mortality improvement Scale MP-2016, weighted 25% male and 75% female. <p><i>Disability Retirement</i></p> <ul style="list-style-type: none"> • General Members: Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, set forward seven years for males and set forward four years for females, projected 20 years with the two-dimensional mortality improvement Scale MP-2016, weighted 30% male and 70% female. • Safety Members: Headcount-Weighted RP-2014 (RPH-2014) Healthy Annuitant Mortality Tables, set forward two years for males and with no set forward for females, projected 20 years with the two-dimensional mortality improvement Scale MP-2016, weighted 75% male and 25% female.

Disability Incidence:

Disability Incidence		
Age	Rate (%)	
	General	Safety
20	0.00%	0.00%
25	0.01	0.03
30	0.03	0.26
35	0.05	0.58
40	0.08	0.73
45	0.19	0.78
50	0.31	1.52
55	0.38	2.00
60	0.43	2.60

60% of General disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service connected disabilities.

100% of Safety disabilities are assumed to be service connected disabilities.

Termination:

Termination (< 5 Years of Service)		
Years of Service	Rate (%)	
	General	Safety
0-1	11.00%	4.00%
1-2	9.00	3.50
2-3	8.00	3.50
3-4	6.00	2.50
4-5	6.00	2.00

60% of all terminated members with less than 5 years of service are assumed to choose a refund of contributions. The other 40% are assumed to choose a deferred vested benefit.

Termination (5+ Years of Service)		
Age	Rate (%)	
	General	Safety
20	6.00%	2.00%
25	6.00	2.00
30	5.40	2.00
35	4.40	1.70
40	3.40	1.20
45	3.00	1.00
50	3.00	1.00
55	3.00	1.00
60	3.00	0.40

35% of all terminated members with 5 or more years of service are assumed to choose a refund of contributions. The other 65% are assumed to choose a deferred vested benefit.

No termination is assumed after a member is eligible for retirement (as long as a retirement rate is present).

Retirement Rates:

Age	Retirement Rates ⁽¹⁾ (%)			
	General Tier 1	General Tier 2	General Tier 3	General Tier 4
49	0.00%	0.00%	0.00%	0.00%
50	4.00	2.00	6.00	0.00
51	4.00	2.00	3.00	0.00
52	4.00	2.00	5.00	4.00
53	4.00	2.00	6.00	1.50
54	4.00	2.00	6.00	1.50
55	6.00	2.00	12.00	2.00
56	8.00	3.00	13.00	2.50
57	10.00	4.00	13.00	3.50
58	12.00	4.00	14.00	3.50
59	14.00	5.00	16.00	4.50
60	20.00	7.00	21.00	6.00
61	20.00	9.00	20.00	8.00
62	35.00	15.00	30.00	18.00
63	30.00	16.00	25.00	15.00
64	30.00	18.00	25.00	17.00
65	35.00	25.00	30.00	22.00
66	35.00	25.00	25.00	25.00
67	30.00	25.00	25.00	25.00
68	30.00	30.00	25.00	30.00
69	35.00	35.00	50.00	35.00
70	65.00	50.00	65.00	50.00
71	65.00	50.00	65.00	50.00
72	65.00	50.00	65.00	50.00
73	65.00	50.00	65.00	50.00
74	65.00	50.00	65.00	50.00
75	100.00	100.00	100.00	100.00

⁽¹⁾ The retirement rates only apply to members that are eligible to retire at the age shown.

Retirement Rates (continued):	Retirement Rates ⁽¹⁾ (%)				
	Age	Safety Tier 1 ⁽²⁾	Safety Tier 2, 2D ⁽²⁾	Safety Tier 2C ⁽²⁾	Safety Tier 4
	49	0.00	10.00	0.00	0.00
	50	35.00	15.00	4.00	4.00
	51	30.00	15.00	2.00	2.00
	52	25.00	15.00	2.00	2.00
	53	35.00	15.00	3.00	3.00
	54	45.00	15.00	6.00	6.00
	55	45.00	15.00	10.00	10.00
	56	45.00	15.00	12.00	12.00
	57	45.00	15.00	20.00	20.00
	58	45.00	20.00	10.00	10.00
	59	45.00	20.00	15.00	15.00
	60	45.00	30.00	60.00	60.00
	61	45.00	30.00	60.00	60.00
	62	45.00	30.00	60.00	60.00
	63	45.00	30.00	60.00	60.00
	64	45.00	50.00	60.00	60.00
	65	100.00	100.00	100.00	100.00
⁽¹⁾ The retirement rates only apply to members that are eligible to retire at the age shown.					
⁽²⁾ Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.					
Retirement Age and Benefit for Deferred Vested Members:	General Retirement Age: 61 Safety Retirement Age: 56 Future deferred vested members who terminate with less than five years of service and are not vested are assumed to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit. 30% of future General and 60% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, 3.90% and 4.30% compensation increases are assumed per annum for General and Safety, respectively.				
Future Benefit Accruals:	1.0 year of service per year of employment, plus 0.003 years of additional service for General members and 0.006 years of additional service for Safety members, to anticipate conversion of unused sick leave for each year of employment.				
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.				

Inclusion of Deferred Vested Members:	All deferred vested members are included in the valuation.
Data Adjustments:	Data as of November 30 has been adjusted to December 31 by adding one month of age and, for active members, one month of service.
Form of Payment:	All active and inactive vested members are assumed to elect the unmodified option at retirement.
Percent Married:	70% of male members; 50% of female members.
Age of Spouse:	Female spouses are 3 years younger than their male member spouses. Male spouses are 2 years older than their female member spouses.
<u>Actuarial Funding Policy</u>	
Actuarial Cost Method:	Entry Age Actuarial Cost Method. Entry Age is the age on the valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formula for each individual has always been in effect.
Actuarial Value of Assets:	Market value of assets (MVA) less unrecognized returns in each of the last ten six-month interest crediting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value, and are recognized semi-annually over a five-year period. The actuarial value of assets (AVA) is limited by a 40% corridor; the AVA cannot be less than 60% of MVA, nor greater than 140% of MVA.
Valuation Value of Assets:	The Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Amortization Policy:	<p>Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 14 years remaining as of December 31, 2018).</p> <p>On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods.</p> <p>ACOE's UAAL amortization under the declining employer payroll policy is level dollar.</p>

Other Actuarial Methods

Employer Contributions:

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.50% (i.e., 3.00% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described on the previous page.

Alameda County previously issued pension obligation bonds (POB) and the net bond proceeds were contributed to ACERA. When the POBs were issued, AHS, Court and First 5 were part of the County and, consequently, they share in the proceeds. The net bond proceeds contributed to ACERA allow the Association to provide a "Pension Obligation Bond Credit" to these employers, thereby reducing their employer contribution rate. As of December 31, 2018, the outstanding balances of the POBs were \$513.5 million for the General employers (County, AHS, Court, and First 5) and \$96.1 million for the Safety employers (County).

For several years, the Board of Retirement has approved transfers from the SRBR to the Employer Advance Reserve to reimburse the County for their payment of the implicit retiree health benefit subsidy. The amortization credits resulting from these transfers have served to reduce the County's employer contribution rates.

The recommended employer contributions are provided in *Section 2, Subsection F*. These rates reflect the POB credits for the County, AHS, Court, and First 5, and the retiree health benefit subsidy credits for the County, noted above.

Member Contributions:*Non-Tier 4 Members*

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for non-Tier 4 General and Safety members, respectively. The basic contribution rate is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/100 of Final Average Salary for General Tier 1, General Tier 3, and all Safety non-Tier 4 members and 1/120 of Final Average Salary for General Tier 2 members. That age is 60 for General Tier 1 and Tier 2, 55 for General Tier 3, and 50 for all Safety non-Tier 4 members. It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to the basic contributions, members pay one-half of the total normal cost necessary to fund cost-of-living benefits. As instructed by ACERA, we have also included a 3% cost-sharing contribution that we understand will be paid by Safety Tier 1 and Tier 2 members. For Safety Tier 2C members, there are no cost-sharing contributions. For Safety Tier 2D members, the cost-sharing contribution rate is 5% of salary for the first 5 years of vesting service and 3% of salary for each subsequent year of vesting service. (The 3% cost-sharing contribution for Safety Tiers 1, 2, and 2D (after 5 years of service) will continue even after the member attains 30 years of service.)

Accumulation includes semi-annual crediting of interest at the assumed investment earnings rate. Following the procedure established by the Board, basic member rates have been adjusted to anticipate conversion of terminal pay at retirement.

Tier 4 Members

Pursuant to Section 7522.30(a) of the Government Code, Tier 4 members are required to contribute at least 50% of the Normal Cost rate.

When previously calculating member rates, there were certain additional requirements that had to be met such as requiring the employee rates be rounded to the nearest one quarter of one percent and requiring the new employees to pay the contribution rate of "similarly situated employees", if it is greater. (reference: Section 7522.30(c)). Furthermore, Section 7522.30(d) indicated that "once established, the employee contribution rate described in subdivision (c) shall not be adjusted on account of a change to the normal cost rate unless the normal cost rate increases or decreases by more than 1 percent of payroll above or below the normal cost rate in effect at the time the employee contribution rate is first established or, if later, the normal cost rate in effect at the time of the last adjustment to the employee contribution rate under this section."

However, as we referenced in our letter dated February 26, 2014, Assembly Bill 1380 (AB 1380) was approved by the Governor on September 6, 2013. In particular, Section 31620.5(a) was added to the Government Code to provide the Board with the discretion to not apply the rounding previously required under Section 7522.30(c). We understand that our recommendation in that letter to no longer apply the rounding rule effective with the December 31, 2013 valuation was adopted by the Board, and the results in this valuation reflect that action taken by the Board.

Section 31620.5(b) of AB 1380 also stipulates that the "one percent rule" under Section 7522.30(d) "shall not apply to the contribution rates of members of retirement systems established pursuant to this chapter."

	<p>Therefore, in preparing the Normal Cost rates in this report, we have assumed that exactly 50% of the Normal Cost would be paid by the Tier 4 members.</p> <p>The member contribution rates for all members are provided in <i>Section 4, Exhibit III</i>.</p>
<p>Internal Revenue Code Section 415:</p>	<p>Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.</p> <p>A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.</p> <p>In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$220,000 for 2018 and \$225,000 for 2019. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.</p> <p>Non-Tier 4 benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).</p> <p>Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.</p> <p>Non-Tier 4 contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.</p>
<p>Justification for Change in Actuarial Assumptions:</p>	<p>There have been no changes in actuarial assumptions since the last valuation.</p>

EXHIBIT II – SUMMARY OF PLAN PROVISIONS

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	January 1 through December 31
Membership Eligibility:	Membership with ACERA usually begins with the second pay period following appointment to a full time County or member District position ⁽¹⁾ . ACERA members who change from full time to part time will continue to participate at ACERA.
<i>General and Safety Tier 1</i>	All General and Safety members hired on or before June 30, 1983 ⁽²⁾ .
<i>General and Safety Tier 2</i>	All General and Safety members hired after June 30, 1983 ⁽³⁾ , and not in any of the other Tiers listed below.
<i>General Tier 3</i>	Only General LARPD members hired before October 1, 2008 who elected the 2.5% at 55 formula and all General LARPD members hired after that date.
<i>General and Safety Tier 4</i>	All General and Safety members with membership dates on or after January 1, 2013.
<i>Safety Tier 2C</i>	All Safety members in the Sheriff's Department (excluding Probation Officers) hired on or after October 17, 2010 who elected the 2% at 50 formula.
<i>Safety Tier 2D</i>	All Safety members in the Sheriff's Department (excluding Probation Officers) hired on or after October 17, 2010 who elected the 3% at 55 formula.
⁽¹⁾ For Housing Authority and LARPD, membership with ACERA begins on the first day of hire. ⁽²⁾ For Housing Authority General members, the hire date is on or before September 30, 2011 (instead of June 30, 1983). For LARPD General members, the hire date is on or before September 30, 2008 (instead of June 30, 1983). ⁽³⁾ For Housing Authority General members, the hire date is after September 30, 2011 (instead of June 30, 1983).	
Final Compensation for Benefit Determination:	
<i>General Tier 1, General Tier 3 and Safety Tier 1</i>	Highest consecutive 12 months of compensation earnable (§31462.1) (FAS1).
<i>General Tier 2, General Tier 4, Safety Tier 2, Safety Tier 2C, Safety Tier 2D, and Safety Tier 4</i>	For non-Tier 4 members, highest consecutive 36 months of compensation earnable (§31462), and for Tier 4 members, highest consecutive 36 months of pensionable compensation (§7522.10(c), §7522.32 and §7522.34) (FAS3).

Compensation Limit:		
<i>Non-Tier 4</i>	For members with membership dates on or after July 1, 1996, compensation earnable is limited by Internal Revenue Code Section 401(a)(17). The limit for 2019 is \$280,000. The limit is indexed for inflation on an annual basis.	
<i>Tier 4</i>	Pensionable compensation is limited to \$124,180 for 2019 for an employer that is enrolled in Social Security. For an employer that is not enrolled in Social Security, the maximum amount for 2019 is 120% of \$124,180, or \$149,016. (reference: Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2019. (reference: Section 7522.10(d)).	
Service:		
Years of service (Yrs) are generally based on a member's employment during a period of time for which deductions are made from their compensation.		
Service Retirement Eligibility:		
<i>General</i>		
<i>Non-Tier 4</i>	Age 50 with 5 years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or after 30 years of service regardless of age (§31672).	
<i>Tier 4</i>	Age 52 with 5 years of service (§7522.20(a)) or age 70 regardless of service (§31672.3).	
<i>Safety</i>		
<i>Non-Tier 4</i>	Age 50 with 5 years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or after 20 years of service regardless of age (§31663.25).	
<i>Tier 4</i>	Age 50 with 5 years of service (§7522.25(d)) or age 70 regardless of service (§31672.3).	
Benefit Formula:		
<i>General Tier 1 (§31676.12)</i>	Retirement Age	Benefit Formula
	50	1.34% x (FAS1 – \$1,400) x Yrs
	55	1.77% x (FAS1 – \$1,400) x Yrs
	60	2.34% x (FAS1 – \$1,400) x Yrs
	62 and over	2.62% x (FAS1 – \$1,400) x Yrs
<i>General Tier 2 (§31676.1)</i>	Retirement Age	Benefit Formula
	50	1.18% x (FAS3 – \$1,400) x Yrs
	55	1.49% x (FAS3 – \$1,400) x Yrs
	60	1.92% x (FAS3 – \$1,400) x Yrs

<i>General Tier 3 (§31676.18)</i>	62	2.09% x (FAS3 – \$1,400) x Yrs
	65 and over	2.43% x (FAS3 – \$1,400) x Yrs
	Retirement Age	Benefit Formula
<i>General Tier 4 (§7522.20(a))</i>	50	2.00% x FAS1 x Yrs
	55 and over	2.50% x FAS1 x Yrs
	Retirement Age	Benefit Formula
	52	1.00% x FAS3 x Yrs
	55	1.30% x FAS3 x Yrs
<i>Safety Tier 1 (Non-Integrated) (§31664.1)</i>	60	1.80% x FAS3 x Yrs
	62	2.00% x FAS3 x Yrs
	65	2.30% x FAS3 x Yrs
	67 and over	2.50% x FAS3 x Yrs
	Retirement Age	Benefit Formula
<i>Safety Tier 2 (Non-Integrated) (§31664.1)</i>	50 and over	3.00% x FAS1 x Yrs
	Retirement Age	Benefit Formula
<i>Safety Tier 2C (Non-Integrated) (§31664)</i>	50 and over	3.00% x FAS3 x Yrs
	Retirement Age	Benefit Formula
	50	2.00% x FAS3 x Yrs
<i>Safety Tier 2D (Non-Integrated) (§31664.2)</i>	55 and over	2.62% x FAS3 x Yrs
	Retirement Age	Benefit Formula
	50	2.29% x FAS3 x Yrs
<i>Safety Tier 4 (Non-Integrated) (§7522.25(d))</i>	55 and over	3.00% x FAS3 x Yrs
	Retirement Age	Benefit Formula
	50	2.00% x FAS3 x Yrs
	55	2.50% x FAS3 x Yrs
	57 and over	2.70% x FAS3 x Yrs

Maximum Benefit:	
<i>Non-Tier 4</i>	100% of Highest Average Compensation (§31676.1, §31676.12, §31676.18, §31664, §31664.1, and §31664.2).
<i>Tier 4</i>	None.
Non-Service Connected Disability:	
<i>General Tier 1, Tier 2, Tier 3, and Tier 4</i>	
<i>Eligibility</i>	Five years of service (§31720).
<i>Benefit Formula</i>	1.8% of Final Compensation per year of service for General Tier 1 and Tier 3 and 1.5% of Final Compensation per year of service for General Tier 2 and Tier 4. If the benefit does not exceed one-third of Final Compensation, the service is projected to 62 for General Tier 1 and Tier 3, and to age 65 for General Tier 2 and Tier 4, but the total benefit cannot be more than one-third of Final Compensation (§31727.1 and §31727).
<i>Safety Tier 1, Tier 2, Tier 2C, Tier 2D and Tier 4</i>	
<i>Eligibility</i>	Five years of service (§31720).
<i>Benefit Formula</i>	1.8% of Final Compensation per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 55, but the total benefit cannot be more than one-third of Final Compensation (§31727.2).
Service Connected Disability:	
<i>All Members</i>	
<i>Eligibility</i>	No age or service requirements (§31720).
<i>Benefit Formula</i>	50% of the Final Compensation or 100% of Service Retirement benefit, if greater (§31727.4).

Pre-Retirement Death:*All Members**Eligibility*

None.

Basic lump sum benefit

Refund of employee contributions with interest, plus one month's compensation for each year of service, to a maximum of six month's compensation (§31781).

Service Connected Death

50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

OR

*Vested Members**Eligibility*

Five years of service.

Basic benefit

60% of the greater of Service or Non-Service Connected Disability Retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of the basic lump sum benefit above.

Service Connected Death

50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

Death After Retirement:*All Members**Service Retirement or Non-Service Connected Disability Retirement*

Unless another option was selected at retirement, 60% of member's unmodified allowance continues to eligible spouse (§31760.1) and lump sum death burial benefit⁽¹⁾ payable to member's beneficiary (§31789.3). An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement (§31760.1).

Service Connected Disability

Unless another option was selected at retirement, 100% of member's allowance continued to eligible spouse (§31786).

⁽¹⁾ Based on action taken by the Board in February 2014, we are continuing to exclude the death burial benefit from the pension valuation.

Withdrawal Benefits:*Less than Five Years of Service*

Refund of accumulated employee contributions with interest, or benefit at age 70 (§31628). Effective January 1, 2003, a member may also elect to leave contributions on deposit in the retirement fund (§31629.5).

Five or More Years of Service

If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§31700).

Post-retirement Cost-of-Living Benefits:	
<i>General Tier 1, General Tier 3 and Safety Tier 1</i>	Annual adjustment based on Consumer Price Index to a maximum of 3% per year; excess “banked” (\$31870.1).
<i>General Tier 2, General Tier 4 Safety Tier 2, Safety Tier 2C, Safety Tier 2D, and Safety Tier 4</i>	Annual adjustment based on Consumer Price Index to a maximum of 2% per year; excess “banked” (\$31870).
Supplemental Benefit:	Non-vested supplemental COLA and medical benefits are also paid from the Supplemental Retirees Benefit Reserve to eligible retirees and survivors. These benefits have been excluded from this valuation.
Member Contributions:	Please refer to <i>Section 4, Exhibit III</i> for specific rates.
<i>General Tier 1</i>	
<i>Basic</i>	Entry-age based rates that provide for an average annuity at age 60 equal to 1/100 of FAS1 (\$31621.2).
<i>Cost-of-Living</i>	Entry-age based rates that provide for one-half of future Cost-of-Living costs.
<i>General Tier 2</i>	
<i>Basic</i>	Entry-age based rates that provide for an average annuity at age 60 equal to 1/120 of FAS3 (\$31621).
<i>Cost-of-Living</i>	Entry-age based rates that provide for one-half of future Cost-of-Living costs.
<i>General Tier 3</i>	
<i>Basic</i>	Entry-age based rates that provide for an average annuity at age 55 equal to 1/100 of FAS1 (\$31621.8).
<i>Cost-of-Living</i>	Entry-age based rates that provide for one-half of future Cost-of-Living costs.
<i>General Tier 4</i>	50% of the total Normal Cost rate.
<i>Safety Non-Tier 4</i>	
<i>Basic</i>	Entry-age based rates that provide for an average annuity at age 50 equal to 1/100 of FAS1 (FAS3 for Tier 2, Tier 2C, and Tier 2D) (\$31639.25). As instructed by ACERA, we have also included a 3% cost-sharing contribution that we understand will be paid by Safety Tier 1 and Tier 2 members. For Safety Tier 2C members, there are no cost-sharing contributions. For Safety Tier 2D members, the cost-sharing contribution rate is 5% of salary for the first 5 years of employment and 3% of salary for each subsequent year of employment. (The 3% cost-sharing contribution for Safety Tiers 1, 2, and 2D (after 5 years of service) will continue even after the member attains 30 years of service.)
<i>Cost-of-Living</i>	Entry-age based rates that provide for one-half of future Cost-of-Living costs.
<i>Safety Tier 4</i>	50% of the total Normal Cost rate.

Other Information:	Except for the 3% cost-sharing contribution described above, non-Tier 4 Safety members are exempt from paying member contributions after 30 or more years of service. This exemption also applies for General members hired on or before March 7, 1973.
Changes in Plan Provisions:	There have been no changes in plan provisions since the last valuation.

Note: The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the Association should find the plan summary not in accordance with the actual provisions, the Association should alert the actuary so they can both be sure the proper provisions are valued.

EXHIBIT III – MEMBER CONTRIBUTION RATES

Comparison of Total Member Rate⁽¹⁾ from December 31, 2018 (New) and December 31, 2017 (Current) Valuations

General Tier 1				General Tier 2			
Entry Age	Current	New	Change	Entry Age	Current	New	Change
25	9.41%	9.36%	-0.05%	25	6.45%	6.45%	0.00%
35	11.37%	11.31%	-0.06%	35	7.78%	7.78%	0.00%
45	13.72%	13.65%	-0.07%	45	9.39%	9.38%	-0.01%
General Tier 3				General Tier 4			
Entry Age	Current	New	Change	Entry Age ⁽²⁾	Current	New	Change
25	10.93%	10.97%	0.04%	Any	8.76%	8.80%	0.04%
35	13.18%	13.24%	0.06%				
45	15.97%	16.04%	0.07%				
Safety Tier 1				Safety Tier 2			
Entry Age	Current	New	Change	Entry Age	Current	New	Change
25	18.12%	17.99%	-0.13%	25	15.13%	15.14%	0.01%
30	19.43%	19.29%	-0.14%	30	16.18%	16.20%	0.02%
35	20.90%	20.75%	-0.15%	35	17.35%	17.37%	0.02%
Safety Tier 2C				Safety Tier 2D (with less than 5 years of vesting service)			
Entry Age	Current	New	Change	Entry Age	Current	New	Change
25	11.59%	11.60%	0.01%	25	16.94%	16.97%	0.03%
30	12.60%	12.61%	0.01%	30	17.98%	18.02%	0.04%
35	13.72%	13.73%	0.01%	35	19.14%	19.17%	0.03%
Safety Tier 2D (with 5 or more years of vesting service)				Safety Tier 4			
Entry Age	Current	New	Change	Entry Age ⁽²⁾	Current	New	Change
25	14.94%	14.97%	0.03%	Any	15.75%	15.58%	-0.17%
30	15.98%	16.02%	0.04%				
35	17.14%	17.17%	0.03%				

⁽¹⁾ For the non-CalPEPRA tiers, contributions for the first \$161 of biweekly payroll are based on 2/3 of the above rates for integrated members.

⁽²⁾ Tier 4 member rates are independent of entry age.

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Breakdown of member rate between basic and COLA calculated in the December 31, 2018 and December 31, 2017 valuations:

	December 31, 2018 Actuarial Valuation								December 31, 2017 Actuarial Valuation ⁽¹⁾							
	BASIC		COLA		COST SHARING CONTRIBUTIONS ⁽²⁾		TOTAL		BASIC		COLA		COST SHARING CONTRIBUTIONS ⁽²⁾		TOTAL	
	Rate	Estimated Annual Amount ⁽³⁾	Rate	Estimated Annual Amount ⁽³⁾	Rate	Estimated Annual Amount ⁽³⁾	Rate	Estimated Annual Amount ⁽³⁾	Rate	Estimated Annual Amount ⁽³⁾	Rate	Estimated Annual Amount ⁽³⁾	Rate	Estimated Annual Amount ⁽³⁾	Rate	Estimated Annual Amount ⁽³⁾
General Tier 1	6.89%	\$1,014	2.65%	\$389			9.54%	\$1,403	6.89%	\$1,014	2.70%	\$397			9.59%	\$1,411
General Tier 2	6.23%	37,425	1.52%	9,130			7.75%	46,555	6.23%	37,425	1.53%	9,190			7.76%	46,615
General Tier 3	10.00%	205	3.99%	82			13.99%	287	10.00%	205	3.93%	81			13.93%	286
General Tier 4	7.18%	21,783	1.62%	4,915			8.80%	26,698	7.13%	21,631	1.63%	4,946			8.76%	26,577
Safety Tier 1	3.49%	34	2.06%	20	3.00%	\$29	8.55%	83	3.49%	34	2.12%	21	3.00%	\$29	8.61%	84
Safety Tier 2	9.10%	10,881	3.75%	4,484	3.00%	3,587	15.85%	18,952	9.10%	10,881	3.73%	4,460	3.00%	3,587	15.83%	18,928
Safety Tier 2C	9.91%	332	3.47%	116	0.00%	0	13.38%	448	9.91%	332	3.44%	115	0.00%	0	13.35%	447
Safety Tier 2D	9.38%	1,350	3.68%	529	3.09%	445	16.15%	2,324	9.38%	1,350	3.65%	525	3.09%	445	16.12%	2,320
Safety Tier 4	12.29%	4,251	3.29%	1,138	0.00%	0	15.58%	5,389	12.39%	4,285	3.36%	1,162	0.00%	0	15.75%	5,447
All Tiers Combined	7.07%	\$77,275	1.90%	\$20,803	0.37%	\$4,061	9.34%	\$102,139	7.05%	\$77,157	1.92%	\$20,897	0.37%	\$4,061	9.34%	\$102,115

⁽¹⁾ These rates have been re-calculated by applying the individual entry age based member rates determined in December 31, 2017 valuation to the Association membership as of December 31, 2018.

⁽²⁾ Cost sharing contributions for Safety Tier 2D members are determined based on proportion of members contributing 5.00% (with less than 5 years of vesting service) and 3.00% (with 5 or more years of vesting service).

⁽³⁾ Amounts are in thousands and are based on December 31, 2018 annual payroll (also in thousands):

	<u>County</u>	<u>AHS, Court & First 5</u>	<u>Housing Authority</u>	<u>LARPD</u>	<u>Total</u>
General Tier 1	\$8,626	\$2,145	\$3,269	\$670	\$14,710
General Tier 2	395,334	205,025	356		600,715
General Tier 3				2,051	2,051
General Tier 4	183,173	117,121	1,127	1,966	303,387
Safety Tier 1	973				973
Safety Tier 2	119,571				119,571
Safety Tier 2C	3,349				3,349
Safety Tier 2D	14,392				14,392
Safety Tier 4	34,587				34,587
Total	\$760,005	\$324,291	\$4,752	\$4,687	\$1,093,735

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

General Tier 1 Members' Contribution Rates Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly payroll)

General – Tier 1						
Entry Age	Basic		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
15	3.79%	5.68%	1.45%	2.18%	5.24%	7.86%
16	3.79%	5.68%	1.45%	2.18%	5.24%	7.86%
17	3.86%	5.79%	1.49%	2.23%	5.35%	8.02%
18	3.94%	5.91%	1.51%	2.27%	5.45%	8.18%
19	4.02%	6.03%	1.55%	2.32%	5.57%	8.35%
20	4.10%	6.14%	1.57%	2.36%	5.67%	8.50%
21	4.18%	6.26%	1.61%	2.41%	5.79%	8.67%
22	4.26%	6.39%	1.63%	2.45%	5.89%	8.84%
23	4.34%	6.51%	1.67%	2.50%	6.01%	9.01%
24	4.42%	6.64%	1.70%	2.55%	6.12%	9.19%
25	4.51%	6.76%	1.73%	2.60%	6.24%	9.36%
26	4.60%	6.89%	1.77%	2.65%	6.37%	9.54%
27	4.68%	7.03%	1.80%	2.70%	6.48%	9.73%
28	4.77%	7.16%	1.83%	2.75%	6.60%	9.91%
29	4.87%	7.30%	1.87%	2.80%	6.74%	10.10%
30	4.96%	7.44%	1.91%	2.86%	6.87%	10.30%
31	5.05%	7.58%	1.94%	2.91%	6.99%	10.49%
32	5.15%	7.72%	1.98%	2.97%	7.13%	10.69%
33	5.25%	7.87%	2.01%	3.02%	7.26%	10.89%
34	5.35%	8.02%	2.05%	3.08%	7.40%	11.10%
35	5.45%	8.17%	2.09%	3.14%	7.54%	11.31%
36	5.55%	8.32%	2.13%	3.20%	7.68%	11.52%
37	5.65%	8.48%	2.17%	3.26%	7.82%	11.74%
38	5.76%	8.64%	2.21%	3.32%	7.97%	11.96%
39	5.87%	8.80%	2.25%	3.38%	8.12%	12.18%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

General – Tier 1 (continued)						
Entry Age	Basic		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
40	5.98%	8.97%	2.30%	3.45%	8.28%	12.42%
41	6.09%	9.14%	2.34%	3.51%	8.43%	12.65%
42	6.21%	9.31%	2.39%	3.58%	8.60%	12.89%
43	6.33%	9.49%	2.43%	3.65%	8.76%	13.14%
44	6.45%	9.68%	2.48%	3.72%	8.93%	13.40%
45	6.58%	9.86%	2.53%	3.79%	9.11%	13.65%
46	6.70%	10.06%	2.57%	3.86%	9.27%	13.92%
47	6.84%	10.26%	2.63%	3.94%	9.47%	14.20%
48	6.98%	10.47%	2.68%	4.02%	9.66%	14.49%
49	7.12%	10.67%	2.73%	4.10%	9.85%	14.77%
50	7.24%	10.86%	2.78%	4.17%	10.02%	15.03%
51	7.37%	11.06%	2.83%	4.25%	10.20%	15.31%
52	7.49%	11.24%	2.88%	4.32%	10.37%	15.56%
53	7.59%	11.39%	2.92%	4.38%	10.51%	15.77%
54	7.69%	11.54%	2.95%	4.43%	10.64%	15.97%
55	7.78%	11.67%	2.99%	4.48%	10.77%	16.15%
56	7.84%	11.76%	3.01%	4.52%	10.85%	16.28%
57	7.80%	11.70%	2.99%	4.49%	10.79%	16.19%
58	7.66%	11.49%	2.95%	4.42%	10.61%	15.91%
59 & Over	7.34%	11.01%	2.82%	4.23%	10.16%	15.24%

⁽¹⁾ Use these rates for Non-Integrated Members

Interest: 7.25% per annum
 COLA: 3.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 38.43%
 Terminal Pay: 8.0%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

General Tier 2 Members' Contribution Rates Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly payroll)

General – Tier 2						
Entry Age	Basic		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
15	2.90%	4.35%	0.71%	1.06%	3.61%	5.41%
16	2.90%	4.35%	0.71%	1.06%	3.61%	5.41%
17	2.96%	4.43%	0.72%	1.08%	3.68%	5.51%
18	3.01%	4.52%	0.74%	1.11%	3.75%	5.63%
19	3.07%	4.61%	0.75%	1.13%	3.82%	5.74%
20	3.13%	4.70%	0.77%	1.15%	3.90%	5.85%
21	3.20%	4.79%	0.78%	1.17%	3.98%	5.96%
22	3.26%	4.89%	0.79%	1.19%	4.05%	6.08%
23	3.32%	4.98%	0.81%	1.22%	4.13%	6.20%
24	3.39%	5.08%	0.83%	1.24%	4.22%	6.32%
25	3.45%	5.18%	0.85%	1.27%	4.30%	6.45%
26	3.52%	5.28%	0.86%	1.29%	4.38%	6.57%
27	3.58%	5.38%	0.87%	1.31%	4.45%	6.69%
28	3.65%	5.48%	0.89%	1.34%	4.54%	6.82%
29	3.72%	5.58%	0.91%	1.37%	4.63%	6.95%
30	3.79%	5.69%	0.93%	1.39%	4.72%	7.08%
31	3.87%	5.80%	0.95%	1.42%	4.82%	7.22%
32	3.94%	5.91%	0.96%	1.44%	4.90%	7.35%
33	4.01%	6.02%	0.98%	1.47%	4.99%	7.49%
34	4.09%	6.13%	1.00%	1.50%	5.09%	7.63%
35	4.17%	6.25%	1.02%	1.53%	5.19%	7.78%
36	4.25%	6.37%	1.04%	1.56%	5.29%	7.93%
37	4.33%	6.49%	1.06%	1.59%	5.39%	8.08%
38	4.41%	6.61%	1.08%	1.62%	5.49%	8.23%
39	4.49%	6.73%	1.10%	1.65%	5.59%	8.38%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

General – Tier 2 (continued)						
Entry Age	Basic		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
40	4.57%	6.86%	1.12%	1.68%	5.69%	8.54%
41	4.66%	6.99%	1.14%	1.71%	5.80%	8.70%
42	4.75%	7.12%	1.16%	1.74%	5.91%	8.86%
43	4.84%	7.26%	1.19%	1.78%	6.03%	9.04%
44	4.93%	7.40%	1.21%	1.81%	6.14%	9.21%
45	5.03%	7.54%	1.23%	1.84%	6.26%	9.38%
46	5.13%	7.69%	1.25%	1.88%	6.38%	9.57%
47	5.23%	7.84%	1.28%	1.92%	6.51%	9.76%
48	5.33%	7.99%	1.30%	1.95%	6.63%	9.94%
49	5.42%	8.13%	1.33%	1.99%	6.75%	10.12%
50	5.51%	8.27%	1.35%	2.02%	6.86%	10.29%
51	5.59%	8.39%	1.37%	2.05%	6.96%	10.44%
52	5.67%	8.50%	1.39%	2.08%	7.06%	10.58%
53	5.73%	8.60%	1.40%	2.10%	7.13%	10.70%
54	5.79%	8.68%	1.41%	2.12%	7.20%	10.80%
55	5.81%	8.71%	1.42%	2.13%	7.23%	10.84%
56	5.78%	8.67%	1.41%	2.12%	7.19%	10.79%
57	5.72%	8.58%	1.40%	2.10%	7.12%	10.68%
58	5.91%	8.87%	1.45%	2.17%	7.36%	11.04%
59 & Over	6.12%	9.18%	1.49%	2.24%	7.61%	11.42%

⁽¹⁾ Use these rates for Non-Integrated Members

Interest: 7.25% per annum
 COLA: 2.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 24.45%
 Terminal Pay: 3.0%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

General Tier 3 Members' Contribution Rates Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly payroll)

General – Tier 3						
Entry Age	Basic		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
15	4.40%	6.60%	1.76%	2.64%	6.16%	9.24%
16	4.40%	6.60%	1.76%	2.64%	6.16%	9.24%
17	4.49%	6.73%	1.79%	2.69%	6.28%	9.42%
18	4.58%	6.86%	1.83%	2.74%	6.41%	9.60%
19	4.67%	7.00%	1.86%	2.79%	6.53%	9.79%
20	4.76%	7.13%	1.90%	2.85%	6.66%	9.98%
21	4.85%	7.27%	1.93%	2.90%	6.78%	10.17%
22	4.94%	7.41%	1.97%	2.96%	6.91%	10.37%
23	5.03%	7.55%	2.01%	3.02%	7.04%	10.57%
24	5.13%	7.70%	2.05%	3.07%	7.18%	10.77%
25	5.23%	7.84%	2.09%	3.13%	7.32%	10.97%
26	5.33%	7.99%	2.13%	3.19%	7.46%	11.18%
27	5.43%	8.14%	2.17%	3.25%	7.60%	11.39%
28	5.53%	8.30%	2.21%	3.31%	7.74%	11.61%
29	5.64%	8.46%	2.25%	3.38%	7.89%	11.84%
30	5.74%	8.62%	2.29%	3.44%	8.03%	12.06%
31	5.85%	8.78%	2.34%	3.51%	8.19%	12.29%
32	5.96%	8.94%	2.38%	3.57%	8.34%	12.51%
33	6.07%	9.11%	2.43%	3.64%	8.50%	12.75%
34	6.19%	9.28%	2.47%	3.71%	8.66%	12.99%
35	6.31%	9.46%	2.52%	3.78%	8.83%	13.24%
36	6.43%	9.64%	2.57%	3.85%	9.00%	13.49%
37	6.55%	9.82%	2.61%	3.92%	9.16%	13.74%
38	6.67%	10.01%	2.67%	4.00%	9.34%	14.01%
39	6.80%	10.20%	2.71%	4.07%	9.51%	14.27%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

General – Tier 3 (continued)						
Entry Age	Basic		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
40	6.93%	10.40%	2.77%	4.15%	9.70%	14.55%
41	7.07%	10.61%	2.83%	4.24%	9.90%	14.85%
42	7.21%	10.82%	2.88%	4.32%	10.09%	15.14%
43	7.36%	11.04%	2.94%	4.41%	10.30%	15.45%
44	7.50%	11.26%	3.00%	4.50%	10.50%	15.76%
45	7.64%	11.46%	3.05%	4.58%	10.69%	16.04%
46	7.78%	11.66%	3.11%	4.66%	10.89%	16.32%
47	7.90%	11.85%	3.15%	4.73%	11.05%	16.58%
48	8.01%	12.01%	3.20%	4.80%	11.21%	16.81%
49	8.11%	12.17%	3.24%	4.86%	11.35%	17.03%
50	8.20%	12.30%	3.27%	4.91%	11.47%	17.21%
51	8.27%	12.40%	3.30%	4.95%	11.57%	17.35%
52	8.22%	12.33%	3.29%	4.93%	11.51%	17.26%
53	8.08%	12.12%	3.23%	4.84%	11.31%	16.96%
54 & Over	7.74%	11.61%	3.09%	4.64%	10.83%	16.25%

⁽¹⁾ Use these rates for Non-Integrated Members

Interest: 7.25% per annum
 COLA: 3.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 39.94%
 Terminal Pay: 8.0%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

General Tier 4 Members' Contribution Rates Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly eligible payroll)⁽¹⁾

General – Tier 4			
	Basic	COLA	Total
Entry Age	Eligible Pay	Eligible Pay	Eligible Pay
All Ages	7.18%	1.62%	8.80%

⁽¹⁾ It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the compensation that can be taken into account for 2019 is equal to \$124,180. (For an employer that is not enrolled in Social Security, the maximum amount is 120% of \$124,180, or \$149,016). (reference: Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2019. (reference: Section 7522.10(d))

Interest:	7.25% per annum
COLA:	2.00%
Mortality:	See Section 4, Exhibit I
Salary Increase:	Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
COLA Loading Factor:	22.56%
Terminal Pay:	0.0%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety Tier 1 Members' Contribution Rates Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly payroll)

Safety – Tier 1								
Entry Age	Basic		Cost Sharing Contributions		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
15	5.40%	8.11%	3.00%	3.00%	3.21%	4.81%	11.61%	15.92%
16	5.40%	8.11%	3.00%	3.00%	3.21%	4.81%	11.61%	15.92%
17	5.49%	8.24%	3.00%	3.00%	3.26%	4.89%	11.75%	16.13%
18	5.59%	8.38%	3.00%	3.00%	3.31%	4.97%	11.90%	16.35%
19	5.68%	8.52%	3.00%	3.00%	3.37%	5.05%	12.05%	16.57%
20	5.77%	8.66%	3.00%	3.00%	3.43%	5.14%	12.20%	16.80%
21	5.87%	8.81%	3.00%	3.00%	3.48%	5.22%	12.35%	17.03%
22	5.97%	8.95%	3.00%	3.00%	3.54%	5.31%	12.51%	17.26%
23	6.07%	9.10%	3.00%	3.00%	3.60%	5.40%	12.67%	17.50%
24	6.17%	9.25%	3.00%	3.00%	3.66%	5.49%	12.83%	17.74%
25	6.27%	9.41%	3.00%	3.00%	3.72%	5.58%	12.99%	17.99%
26	6.38%	9.57%	3.00%	3.00%	3.78%	5.67%	13.16%	18.24%
27	6.48%	9.73%	3.00%	3.00%	3.85%	5.77%	13.33%	18.50%
28	6.59%	9.89%	3.00%	3.00%	3.91%	5.87%	13.50%	18.76%
29	6.70%	10.05%	3.00%	3.00%	3.97%	5.96%	13.67%	19.01%
30	6.82%	10.22%	3.00%	3.00%	4.05%	6.07%	13.87%	19.29%
31	6.93%	10.40%	3.00%	3.00%	4.11%	6.17%	14.04%	19.57%
32	7.05%	10.58%	3.00%	3.00%	4.18%	6.27%	14.23%	19.85%
33	7.17%	10.76%	3.00%	3.00%	4.25%	6.38%	14.42%	20.14%
34	7.30%	10.95%	3.00%	3.00%	4.33%	6.49%	14.63%	20.44%
35	7.43%	11.14%	3.00%	3.00%	4.41%	6.61%	14.84%	20.75%
36	7.56%	11.34%	3.00%	3.00%	4.49%	6.73%	15.05%	21.07%
37	7.70%	11.55%	3.00%	3.00%	4.57%	6.85%	15.27%	21.40%
38	7.85%	11.77%	3.00%	3.00%	4.65%	6.98%	15.50%	21.75%
39	8.01%	12.01%	3.00%	3.00%	4.75%	7.12%	15.76%	22.13%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety – Tier 1 (continued)								
Entry Age	Basic		Cost Sharing Contributions		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
40	8.16%	12.25%	3.00%	3.00%	4.84%	7.26%	16.00%	22.51%
41	8.33%	12.49%	3.00%	3.00%	4.94%	7.41%	16.27%	22.90%
42	8.51%	12.76%	3.00%	3.00%	5.05%	7.57%	16.56%	23.33%
43	8.67%	13.00%	3.00%	3.00%	5.14%	7.71%	16.81%	23.71%
44	8.79%	13.19%	3.00%	3.00%	5.21%	7.82%	17.00%	24.01%
45	8.85%	13.27%	3.00%	3.00%	5.25%	7.87%	17.10%	24.14%
46	8.86%	13.28%	3.00%	3.00%	5.25%	7.88%	17.11%	24.16%
47	8.68%	13.02%	3.00%	3.00%	5.15%	7.73%	16.83%	23.75%
48	8.41%	12.62%	3.00%	3.00%	4.99%	7.48%	16.40%	23.10%
49 & Over	7.94%	11.91%	3.00%	3.00%	4.71%	7.07%	15.65%	21.98%

⁽¹⁾ Use these rates for Non-Integrated Members

Interest: 7.25% per annum
 COLA: 3.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 59.32%
 Terminal Pay: 8.5%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety Tier 2 Members' Contribution Rates Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly payroll)

Safety – Tier 2								
Entry Age	Basic		Cost Sharing Contributions		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
15	4.94%	7.42%	3.00%	3.00%	2.03%	3.05%	9.97%	13.47%
16	4.94%	7.42%	3.00%	3.00%	2.03%	3.05%	9.97%	13.47%
17	5.03%	7.54%	3.00%	3.00%	2.07%	3.10%	10.10%	13.64%
18	5.11%	7.67%	3.00%	3.00%	2.10%	3.15%	10.21%	13.82%
19	5.20%	7.79%	3.00%	3.00%	2.14%	3.21%	10.34%	14.00%
20	5.28%	7.92%	3.00%	3.00%	2.17%	3.26%	10.45%	14.18%
21	5.37%	8.05%	3.00%	3.00%	2.21%	3.31%	10.58%	14.36%
22	5.46%	8.19%	3.00%	3.00%	2.25%	3.37%	10.71%	14.56%
23	5.55%	8.32%	3.00%	3.00%	2.28%	3.42%	10.83%	14.74%
24	5.64%	8.46%	3.00%	3.00%	2.32%	3.48%	10.96%	14.94%
25	5.74%	8.60%	3.00%	3.00%	2.36%	3.54%	11.10%	15.14%
26	5.83%	8.75%	3.00%	3.00%	2.40%	3.60%	11.23%	15.35%
27	5.93%	8.89%	3.00%	3.00%	2.44%	3.66%	11.37%	15.55%
28	6.03%	9.04%	3.00%	3.00%	2.48%	3.72%	11.51%	15.76%
29	6.13%	9.19%	3.00%	3.00%	2.52%	3.78%	11.65%	15.97%
30	6.23%	9.35%	3.00%	3.00%	2.57%	3.85%	11.80%	16.20%
31	6.34%	9.51%	3.00%	3.00%	2.61%	3.91%	11.95%	16.42%
32	6.45%	9.67%	3.00%	3.00%	2.65%	3.98%	12.10%	16.65%
33	6.56%	9.83%	3.00%	3.00%	2.70%	4.05%	12.26%	16.88%
34	6.67%	10.01%	3.00%	3.00%	2.75%	4.12%	12.42%	17.13%
35	6.79%	10.18%	3.00%	3.00%	2.79%	4.19%	12.58%	17.37%
36	6.91%	10.37%	3.00%	3.00%	2.84%	4.26%	12.75%	17.63%
37	7.04%	10.56%	3.00%	3.00%	2.89%	4.34%	12.93%	17.90%
38	7.17%	10.75%	3.00%	3.00%	2.95%	4.42%	13.12%	18.17%
39	7.30%	10.95%	3.00%	3.00%	3.01%	4.51%	13.31%	18.46%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety – Tier 2 (continued)								
Entry Age	Basic		Cost Sharing Contributions		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
40	7.44%	11.16%	3.00%	3.00%	3.06%	4.59%	13.50%	18.75%
41	7.58%	11.36%	3.00%	3.00%	3.11%	4.67%	13.69%	19.03%
42	7.69%	11.54%	3.00%	3.00%	3.17%	4.75%	13.86%	19.29%
43	7.77%	11.66%	3.00%	3.00%	3.20%	4.80%	13.97%	19.46%
44	7.80%	11.70%	3.00%	3.00%	3.21%	4.82%	14.01%	19.52%
45	7.75%	11.63%	3.00%	3.00%	3.19%	4.78%	13.94%	19.41%
46	7.62%	11.43%	3.00%	3.00%	3.13%	4.70%	13.75%	19.13%
47	7.43%	11.14%	3.00%	3.00%	3.05%	4.58%	13.48%	18.72%
48	7.68%	11.52%	3.00%	3.00%	3.16%	4.74%	13.84%	19.26%
49 & Over	7.94%	11.91%	3.00%	3.00%	3.27%	4.90%	14.21%	19.81%

⁽¹⁾ Use these rates for Non-Integrated Members

Interest: 7.25% per annum
 COLA: 2.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 41.14%
 Terminal Pay: 3.5%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety Tier 2C Members' Contribution Rates Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly payroll)

Safety – Tier 2C						
Entry Age	Basic		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
15	4.94%	7.42%	1.73%	2.59%	6.67%	10.01%
16	4.94%	7.42%	1.73%	2.59%	6.67%	10.01%
17	5.03%	7.54%	1.75%	2.63%	6.78%	10.17%
18	5.11%	7.67%	1.79%	2.68%	6.90%	10.35%
19	5.20%	7.79%	1.81%	2.72%	7.01%	10.51%
20	5.28%	7.92%	1.85%	2.77%	7.13%	10.69%
21	5.37%	8.05%	1.87%	2.81%	7.24%	10.86%
22	5.46%	8.19%	1.91%	2.86%	7.37%	11.05%
23	5.55%	8.32%	1.94%	2.91%	7.49%	11.23%
24	5.64%	8.46%	1.97%	2.95%	7.61%	11.41%
25	5.74%	8.60%	2.00%	3.00%	7.74%	11.60%
26	5.83%	8.75%	2.03%	3.05%	7.86%	11.80%
27	5.93%	8.89%	2.07%	3.10%	8.00%	11.99%
28	6.03%	9.04%	2.11%	3.16%	8.14%	12.20%
29	6.13%	9.19%	2.14%	3.21%	8.27%	12.40%
30	6.23%	9.35%	2.17%	3.26%	8.40%	12.61%
31	6.34%	9.51%	2.21%	3.32%	8.55%	12.83%
32	6.45%	9.67%	2.25%	3.37%	8.70%	13.04%
33	6.56%	9.83%	2.29%	3.43%	8.85%	13.26%
34	6.67%	10.01%	2.33%	3.49%	9.00%	13.50%
35	6.79%	10.18%	2.37%	3.55%	9.16%	13.73%
36	6.91%	10.37%	2.41%	3.62%	9.32%	13.99%
37	7.04%	10.56%	2.45%	3.68%	9.49%	14.24%
38	7.17%	10.75%	2.50%	3.75%	9.67%	14.50%
39	7.30%	10.95%	2.55%	3.82%	9.85%	14.77%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety – Tier 2C (continued)						
Entry Age	Basic		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
40	7.44%	11.16%	2.60%	3.90%	10.04%	15.06%
41	7.58%	11.36%	2.65%	3.97%	10.23%	15.33%
42	7.69%	11.54%	2.69%	4.03%	10.38%	15.57%
43	7.77%	11.66%	2.71%	4.07%	10.48%	15.73%
44	7.80%	11.70%	2.72%	4.08%	10.52%	15.78%
45	7.75%	11.63%	2.71%	4.06%	10.46%	15.69%
46	7.62%	11.43%	2.66%	3.99%	10.28%	15.42%
47	7.43%	11.14%	2.59%	3.89%	10.02%	15.03%
48	7.68%	11.52%	2.68%	4.02%	10.36%	15.54%
49 & Over	7.94%	11.91%	2.77%	4.16%	10.71%	16.07%

⁽¹⁾ Use these rates for Non-Integrated Members

Interest: 7.25% per annum
 COLA: 2.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 34.90%
 Terminal Pay: 3.5%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety Tier 2D Members' Contribution Rates for Members with Less than 5 Years of Vesting Service Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly payroll)

Safety – Tier 2D Members with Less than 5 Years of Vesting Service								
Entry Age	Basic		Cost Sharing Contributions ⁽²⁾		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
15	4.94%	7.42%	5.00%	5.00%	1.94%	2.91%	11.88%	15.33%
16	4.94%	7.42%	5.00%	5.00%	1.94%	2.91%	11.88%	15.33%
17	5.03%	7.54%	5.00%	5.00%	1.97%	2.96%	12.00%	15.50%
18	5.11%	7.67%	5.00%	5.00%	2.01%	3.01%	12.12%	15.68%
19	5.20%	7.79%	5.00%	5.00%	2.04%	3.06%	12.24%	15.85%
20	5.28%	7.92%	5.00%	5.00%	2.07%	3.11%	12.35%	16.03%
21	5.37%	8.05%	5.00%	5.00%	2.11%	3.16%	12.48%	16.21%
22	5.46%	8.19%	5.00%	5.00%	2.14%	3.21%	12.60%	16.40%
23	5.55%	8.32%	5.00%	5.00%	2.18%	3.27%	12.73%	16.59%
24	5.64%	8.46%	5.00%	5.00%	2.21%	3.32%	12.85%	16.78%
25	5.74%	8.60%	5.00%	5.00%	2.25%	3.37%	12.99%	16.97%
26	5.83%	8.75%	5.00%	5.00%	2.29%	3.43%	13.12%	17.18%
27	5.93%	8.89%	5.00%	5.00%	2.33%	3.49%	13.26%	17.38%
28	6.03%	9.04%	5.00%	5.00%	2.37%	3.55%	13.40%	17.59%
29	6.13%	9.19%	5.00%	5.00%	2.41%	3.61%	13.54%	17.80%
30	6.23%	9.35%	5.00%	5.00%	2.45%	3.67%	13.68%	18.02%
31	6.34%	9.51%	5.00%	5.00%	2.49%	3.73%	13.83%	18.24%
32	6.45%	9.67%	5.00%	5.00%	2.53%	3.79%	13.98%	18.46%
33	6.56%	9.83%	5.00%	5.00%	2.57%	3.86%	14.13%	18.69%
34	6.67%	10.01%	5.00%	5.00%	2.61%	3.92%	14.28%	18.93%
35	6.79%	10.18%	5.00%	5.00%	2.66%	3.99%	14.45%	19.17%
36	6.91%	10.37%	5.00%	5.00%	2.71%	4.07%	14.62%	19.44%
37	7.04%	10.56%	5.00%	5.00%	2.76%	4.14%	14.80%	19.70%
38	7.17%	10.75%	5.00%	5.00%	2.81%	4.22%	14.98%	19.97%
39	7.30%	10.95%	5.00%	5.00%	2.87%	4.30%	15.17%	20.25%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety – Tier 2D Members with Less than 5 Years of Vesting Service (continued)								
Entry Age	Basic		Cost Sharing Contributions ⁽²⁾		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
40	7.44%	11.16%	5.00%	5.00%	2.92%	4.38%	15.36%	20.54%
41	7.58%	11.36%	5.00%	5.00%	2.97%	4.46%	15.55%	20.82%
42	7.69%	11.54%	5.00%	5.00%	3.02%	4.53%	15.71%	21.07%
43	7.77%	11.66%	5.00%	5.00%	3.05%	4.57%	15.82%	21.23%
44	7.80%	11.70%	5.00%	5.00%	3.06%	4.59%	15.86%	21.29%
45	7.75%	11.63%	5.00%	5.00%	3.04%	4.56%	15.79%	21.19%
46	7.62%	11.43%	5.00%	5.00%	2.99%	4.48%	15.61%	20.91%
47	7.43%	11.14%	5.00%	5.00%	2.91%	4.37%	15.34%	20.51%
48	7.68%	11.52%	5.00%	5.00%	3.01%	4.52%	15.69%	21.04%
49 & Over	7.94%	11.91%	5.00%	5.00%	3.11%	4.67%	16.05%	21.58%

⁽¹⁾ Use these rates for Non-Integrated Members

⁽²⁾ The 5.00% cost sharing contribution is reduced to 3.00% for members with at least 5 years of vesting service.

Interest: 7.25% per annum
 COLA: 2.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 39.22%
 Terminal Pay: 3.5%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety Tier 2D Members' Contribution Rates for Members with 5 or More Years of Vesting Service Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly payroll)

Safety – Tier 2D Members with 5 or More Years of Vesting Service								
Entry Age	Basic		Cost Sharing Contributions		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
15	4.94%	7.42%	3.00%	3.00%	1.94%	2.91%	9.88%	13.33%
16	4.94%	7.42%	3.00%	3.00%	1.94%	2.91%	9.88%	13.33%
17	5.03%	7.54%	3.00%	3.00%	1.97%	2.96%	10.00%	13.50%
18	5.11%	7.67%	3.00%	3.00%	2.01%	3.01%	10.12%	13.68%
19	5.20%	7.79%	3.00%	3.00%	2.04%	3.06%	10.24%	13.85%
20	5.28%	7.92%	3.00%	3.00%	2.07%	3.11%	10.35%	14.03%
21	5.37%	8.05%	3.00%	3.00%	2.11%	3.16%	10.48%	14.21%
22	5.46%	8.19%	3.00%	3.00%	2.14%	3.21%	10.60%	14.40%
23	5.55%	8.32%	3.00%	3.00%	2.18%	3.27%	10.73%	14.59%
24	5.64%	8.46%	3.00%	3.00%	2.21%	3.32%	10.85%	14.78%
25	5.74%	8.60%	3.00%	3.00%	2.25%	3.37%	10.99%	14.97%
26	5.83%	8.75%	3.00%	3.00%	2.29%	3.43%	11.12%	15.18%
27	5.93%	8.89%	3.00%	3.00%	2.33%	3.49%	11.26%	15.38%
28	6.03%	9.04%	3.00%	3.00%	2.37%	3.55%	11.40%	15.59%
29	6.13%	9.19%	3.00%	3.00%	2.41%	3.61%	11.54%	15.80%
30	6.23%	9.35%	3.00%	3.00%	2.45%	3.67%	11.68%	16.02%
31	6.34%	9.51%	3.00%	3.00%	2.49%	3.73%	11.83%	16.24%
32	6.45%	9.67%	3.00%	3.00%	2.53%	3.79%	11.98%	16.46%
33	6.56%	9.83%	3.00%	3.00%	2.57%	3.86%	12.13%	16.69%
34	6.67%	10.01%	3.00%	3.00%	2.61%	3.92%	12.28%	16.93%
35	6.79%	10.18%	3.00%	3.00%	2.66%	3.99%	12.45%	17.17%
36	6.91%	10.37%	3.00%	3.00%	2.71%	4.07%	12.62%	17.44%
37	7.04%	10.56%	3.00%	3.00%	2.76%	4.14%	12.80%	17.70%
38	7.17%	10.75%	3.00%	3.00%	2.81%	4.22%	12.98%	17.97%
39	7.30%	10.95%	3.00%	3.00%	2.87%	4.30%	13.17%	18.25%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety – Tier 2D Members with 5 or More Years of Vesting Service (continued)								
Entry Age	Basic		Cost Sharing Contributions		COLA		Total	
	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾	First \$161	Over \$161 ⁽¹⁾
40	7.44%	11.16%	3.00%	3.00%	2.92%	4.38%	13.36%	18.54%
41	7.58%	11.36%	3.00%	3.00%	2.97%	4.46%	13.55%	18.82%
42	7.69%	11.54%	3.00%	3.00%	3.02%	4.53%	13.71%	19.07%
43	7.77%	11.66%	3.00%	3.00%	3.05%	4.57%	13.82%	19.23%
44	7.80%	11.70%	3.00%	3.00%	3.06%	4.59%	13.86%	19.29%
45	7.75%	11.63%	3.00%	3.00%	3.04%	4.56%	13.79%	19.19%
46	7.62%	11.43%	3.00%	3.00%	2.99%	4.48%	13.61%	18.91%
47	7.43%	11.14%	3.00%	3.00%	2.91%	4.37%	13.34%	18.51%
48	7.68%	11.52%	3.00%	3.00%	3.01%	4.52%	13.69%	19.04%
49 & Over	7.94%	11.91%	3.00%	3.00%	3.11%	4.67%	14.05%	19.58%

⁽¹⁾ Use these rates for Non-Integrated Members

Interest: 7.25% per annum
 COLA: 2.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 39.22%
 Terminal Pay: 3.5%

EXHIBIT III – MEMBER CONTRIBUTION RATES (CONTINUED)

Safety Tier 4 Members' Contribution Rates Based on the December 31, 2018 Actuarial Valuation (as a % of biweekly eligible payroll)⁽¹⁾

General – Tier 4			
	Basic	COLA	Total
Entry Age	Eligible Pay	Eligible Pay	Eligible Pay
All Ages	12.29%	3.29%	15.58%

⁽¹⁾ It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the compensation that can be taken into account for 2019 is equal to \$124,180. (For an employer that is not enrolled in Social Security, the maximum amount is 120% of \$124,180, or \$149,016). (reference: Section 7522.10). These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2019. (reference: Section 7522.10(d))

Interest: 7.25% per annum
 COLA: 2.00%
 Mortality: See Section 4, Exhibit I
 Salary Increase: Inflation (3.00%) + Across-the-Board Increase (0.50%) + Merit (See Section 4, Exhibit I)
 COLA Loading Factor: 26.77%
 Terminal Pay: 0.0%

EXHIBIT IV – PROJECTED EMPLOYER CONTRIBUTIONS BY EACH PARTICIPATING EMPLOYER

**Estimated Employer Contribution Requirement for Each Participating Employer in ACERA (\$000s)
Calculated Based on Projected Employer Compensation Used in the December 31, 2018 Actuarial Valuation**

Employer Name (Code)	Dollar Contribution ^{(1),(2)} – Based on December 31, 2018 Valuation									
	General				Safety					Total
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1	Tier 2	Tier 2C	Tier 2D	Tier 4	
Alameda County (101)	\$1,925	\$84,601		\$38,155	\$784	\$74,541	\$2,131	\$8,865	\$20,475	\$231,477
Health System (106)	217	37,067		21,419						58,703
Superior Court (632)	279	7,841		3,395						11,515
First 5 (714)		649		543						1,192
Housing Authority (103)	926	97		303						1,326
LARPD (104)	225		\$788	632						1,645
Total	\$3,572	\$130,255	\$788	\$64,447	\$784	\$74,541	\$2,131	\$8,865	\$20,475	\$305,858

Employer Name (Code)	Dollar Contribution ⁽²⁾ – Based on December 31, 2017 Valuation									
	General				Safety					Total
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1	Tier 2	Tier 2C	Tier 2D	Tier 4	
Alameda County (101)	\$1,922	\$85,273		\$38,283	\$744	\$73,166	\$2,095	\$8,585	\$20,032	\$230,100
Health System (106)	217	37,251		21,428						58,896
Superior Court (632)	278	7,880		3,397						11,555
First 5 (714)		652		543						1,195
Housing Authority (103)	926	99		304						1,329
LARPD (104)	190		\$611	454						1,255
Total	\$3,533	\$131,155	\$611	\$64,409	\$744	\$73,166	\$2,095	\$8,585	\$20,032	\$304,330

⁽¹⁾ Includes contributions only for those employers with active member payroll. The UAAL contribution for ACOE, expressed as a level dollar amount, is \$78 K when made on April 1, 2020.

⁽²⁾ Contribution calculated using projected compensation provided on the next page for the December 31, 2018 valuation:

EXHIBIT IV – PROJECTED EMPLOYER CONTRIBUTIONS BY EACH PARTICIPATING EMPLOYER (CONTINUED)

Employer Name (Code)	December 31, 2018 Projected Total Compensation (\$000s)									
	General				Safety					Total
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1	Tier 2	Tier 2C	Tier 2D	Tier 4	
Alameda County (101)	\$8,626	\$395,334		\$183,173	\$973	\$119,571	\$3,349	\$14,392	\$34,587	\$760,005
Health System (106)	938	166,816		98,933						266,687
Superior Court (632)	1,207	35,290		15,682						52,179
First 5 (714)		2,919		2,506						5,425
Housing Authority (103)	3,269	356		1,127						4,752
LARPD (104)	670		\$2,051	1,966						4,687
Total	\$14,710	\$600,715	\$2,051	\$303,387	\$973	\$119,571	\$3,349	\$14,392	\$34,587	\$1,093,735

EXHIBIT V – SCHEDULE OF OUTSTANDING BALANCES OF PRIOR IMPLICIT RETIREE HEALTH BENEFIT SUBSIDY TRANSFERS (DOLLAR AMOUNTS IN THOUSANDS)

For Year(s)	Initial Years	Initial Amount ⁽¹⁾	Outstanding Balance	Years Remaining	Annual Payment ⁽²⁾
Prior to 2013	(3)	(3)	\$34,573	14	\$3,202
2013	20	\$6,993	6,737	15	592
2014	20	5,215	5,008	16	420
2015	20	5,325	5,171	17	415
2016	20	8,865	8,814	18	678
2017	20	5,830	5,789	19	429
2018	20	6,940	6,940	20	496
Total			\$73,032		\$6,232

⁽¹⁾ For years 2013 and later, these amounts are estimates provided by ACERA.

⁽²⁾ Level percentage of payroll.

⁽³⁾ Various initial years and amounts prior to 2013.

EXHIBIT VI – ALLOCATION OF THE VALUATION VALUE OF ASSETS AS OF DECEMBER 31, 2018 (DOLLAR AMOUNTS IN THOUSANDS)

The allocation of the Valuation Value of Assets is determined by Segal based on a roll-forward of the prior year allocation using employer contributions, member contributions, benefit payments, and calculated interest credits as provided by ACERA.

	General (Excluding LARPD and Office of Education)	General (Office of Education) ⁽¹⁾	General (LARPD) ⁽¹⁾	Safety	Total
Valuation Value of Assets at Beginning-of-Year					
Basic Only	\$3,581,636	\$1,954	\$28,715	\$1,014,076	\$4,626,381
COLA Only	<u>1,552,171</u>	<u>1,365</u>	<u>14,200</u>	<u>636,262</u>	<u>2,203,998</u>
Total	\$5,133,807	\$3,319	\$42,915	\$1,650,338	\$6,830,379
Valuation Value of Assets at End-of-Year					
Basic Only ⁽²⁾	\$3,791,786	\$1,771	\$29,942	\$1,088,872	\$4,912,371
COLA Only	<u>1,634,006</u>	<u>1,362</u>	<u>15,240</u>	<u>676,348</u>	<u>2,326,956</u>
Total ⁽²⁾	\$5,425,792	\$3,133	\$45,182	\$1,765,220	\$7,239,327

⁽¹⁾ The Valuation Value of Assets at the beginning of the year include amounts allocated to this cost group subsequent to the completion of the December 31, 2017 valuation, based on the results of the declining employer payroll policy study.

⁽²⁾ The Basic and Total amounts for the General (Excluding LARPD and Office of Education) and Safety groups include \$5,361 and \$1,579, respectively, to reflect the allocation of the estimated 2018 SRBR Transfer to the Employer Advance Reserve of \$6,940.

Note: Results may be slightly off due to rounding.

Alameda County Employees' Retirement Association

**Governmental Accounting Standards Board
(GASB) Statement 67
Actuarial Valuation as of December 31, 2018**

DRAFT – FOR DISCUSSION WITH CLIENT

This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.



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April 9, 2019

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2018. It contains various information that will need to be disclosed in order to comply with GASB Statement 67.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Association. The census and financial information on which our calculations were based was prepared by ACERA. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the Association.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

Eva Yum, FSA, MAAA, EA
Senior Actuary

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SECTION 1

VALUATION SUMMARY

Purpose	i
General Observations on GASB 67 Actuarial Valuation.....	i
Significant Issues in Valuation Year.....	ii
Summary of Key Valuation Results.....	iv
Important Information about Actuarial Valuations	v

SECTION 2

GASB 67 INFORMATION

EXHIBIT 1 General Information – “Financial Statements”, Note Disclosures and Required Supplementary Information for a Cost-sharing Pension Plan	1
EXHIBIT 2 Net Pension Liability	5
EXHIBIT 3 Schedule of Changes in Net Pension Liability – Last Two Fiscal Years	8
EXHIBIT 4 Schedule of Contributions – Last Ten Fiscal Years	9
EXHIBIT 5 Projection of Pension Plan’s Fiduciary Net Position for use in Calculation of Discount Rate as of December 31, 2018	12

SECTION 1: Valuation Summary for the Alameda County Employees' Retirement Association

Purpose

This report has been prepared by Segal Consulting ("Segal") to present certain disclosure information required by Governmental Accounting Standards Board (GASB) Statement 67 as of December 31, 2018. This valuation is based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of November 30, 2017, provided by the Retirement Association;
- The assets of the Plan as of December 31, 2018, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

General Observations on GASB 67 Valuation

The following points should be considered when reviewing this GASB 67 report:

- The Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans develop and adopt funding policies under current practices.
- When measuring pension liability, GASB uses the same actuarial cost method (Entry Age) and the same type of discount rate (expected return on assets) as ACERA uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on generally the same basis as ACERA's Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.
- The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) calculated on a market value basis.

SECTION 1: Valuation Summary for the Alameda County Employees' Retirement Association

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- As we disclosed in our December 31, 2018 funding valuation report, the 7.25% investment return assumption that the Board approved on December 21, 2017 for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates has continued to be developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.25%.

As required by the Actuarial Standard of Practice (ASOP) No. 4 (“Measuring Pension Obligations and Determining Pension Plan Costs or Contributions”), we performed a stochastic model to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an “outflow” (i.e., assets not available to fund the benefits included in the determination of the TPL) that would average approximately 0.60% of assets over time. This approximated outflow was incorporated into our GASB crossover test¹ (Exhibit 5), along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA’s funding policy.

- The NPL measured as of December 31, 2018 was determined by rolling forward the TPL for the funded benefits as of December 31, 2017. Similar to last year, we have included in the TPL as of December 31, 2018 the non-OPEB unlimited Actuarial Accrued Liability (AAL) of \$164.1 million, which was calculated by rolling forward the total unlimited non-OPEB AAL as of December 31, 2017.
- We have also continued the practice of adjusting the Plan’s Fiduciary Net Position as of December 31, 2018 to include the \$39.3 million set aside by the Retirement Board in the SRBR reserve to pay non-vested Supplemental COLA and retired member death benefits² as of December 31, 2018. It should be noted that as of December 31, 2018, the deferred investment loss for the entire Plan was \$569.1 million and the Contingency Reserve was \$0. Consequently, we have subtracted from the Plan’s Fiduciary Net Position the proportionate share of the deferred investment loss that is commensurate with the size of the non-OPEB SRBR reserve, or \$2.7 million (which will cause the future interest crediting rate to the SRBR reserve to drop below 7.25% per year). The net effect of the adjustments to the Plan’s Fiduciary Net Position as of December 31, 2018 for non-OPEB SRBR benefits was an addition of \$36.6 million.

¹ The purpose of the GASB crossover test is to determine if the full expected return (or 7.25% in this case) can be used as the discount rate to determine the TPL and the NPL. That is, if there is no crossover point where the projected benefit payments would exceed the Plan’s Fiduciary Net Position, then the full expected return assumption can be used. As detailed later in this report, ACERA does pass the crossover test, which means that the full 7.25% investment rate of return assumption can be used as the discount rate to determine the TPL and the resulting NPL.

² We have excluded the liability and the assets associated with the OPEB component of the SRBR reserve account because it is our understanding that those amounts are reportable under GASB 74/75.

SECTION 1: Valuation Summary for the Alameda County Employees' Retirement Association

Note that the proportionate share of the deferred market loss as of December 31, 2018 for the Pension Plan was equal to \$504.8 million, and in calculating the Plan's Fiduciary Net Position we have adjusted the Pension Plan's valuation value of assets in the funding valuation to reflect that amount.

- The \$127.5 million difference between the \$164.1 million added to the TPL and the net \$36.6 million added to the Plan's Fiduciary Net Position as of December 31, 2018 represents the NPL attributable to non-OPEB SRBR benefits.
- The NPL increased from \$2,014 million as of December 31, 2017 to \$2,764 million as of December 31, 2018, primarily as a result of the unfavorable investment return during calendar year 2018 of about \$727 million. Changes in these values during the last two fiscal years ending December 31, 2017 and December 31, 2018 can be found in Exhibit 3.
- The discount rate used to determine the TPL and NPL as of December 31, 2018 and 2017 was 7.25%, based on the assumption that was used by the Association in the pension funding valuations as of those dates. The detailed calculations used in the derivation of the discount rate of 7.25% used in the calculation of the TPL and NPL as of December 31, 2018 can be found in Exhibit 5 of Section 2. Various other information that is required to be disclosed can be found throughout Exhibits 1-4 in Section 2.

SECTION 1: Valuation Summary for the Alameda County Employees' Retirement Association

Summary of Key Valuation Results		
	2018	2017
Disclosure elements for plan year ending December 31:		
Service cost ⁽¹⁾	\$209,890,150	\$187,408,672
Total Pension Liability	9,535,148,109	9,123,899,264
Plan's Fiduciary Net Position ⁽²⁾	6,771,146,134	7,110,223,325
Net Pension Liability	2,764,001,975	2,013,675,939
Schedule of contributions for plan year ending December 31:		
Actuarially determined contributions	\$269,684,809	\$247,063,550
Actual contributions ⁽³⁾	269,684,809	247,063,550
Contribution deficiency (excess)	0	0
Demographic data for plan year ending December 31:⁽⁴⁾		
Number of retired members and beneficiaries	9,783	9,479
Number of vested terminated members ⁽⁵⁾	2,568	2,447
Number of active members	11,349	11,323
Key assumptions as of December 31:		
Investment rate of return	7.25%	7.25%
Inflation rate	3.00%	3.00%
Projected salary increases ⁽⁶⁾	General: 8.30% to 3.90% and Safety: 11.30% to 4.30%	General: 8.30% to 3.90% and Safety: 11.30% to 4.30%

⁽¹⁾ Service cost is based on the previous year's valuation, meaning the 2018 and 2017 values are based on the valuations as of December 31, 2017 and December 31, 2016, respectively. The 2018 service cost has been calculated using the assumptions shown in the 2017 column, and the 2017 service cost has been calculated using the following assumptions:

Key assumptions as of December 31, 2016:

Investment rate of return	7.60%
Inflation rate	3.25%
Projected salary increases*	General: 7.45% to 4.15% and Safety: 10.45% to 4.45%

* Includes inflation of 3.25% plus real across-the-board salary increases of 0.50% plus merit and promotional increases.

⁽²⁾ For 2018, the Plan's Fiduciary Net Position amount shown (\$6,771,146,134) includes the net market value of assets (\$7,592,586,569) less OPEB-related SRBR assets (\$821,440,435). The OPEB-related SRBR assets include \$873,183,258 in the SRBR-OPEB reserve (after reducing the reserve by the \$6,939,808 SRBR implicit subsidy transfer), and \$9,830,102 in the 401(h) reserve, less a proportionate share of the deferred market losses (after adjustment to include the balance in the Contingency Reserve) commensurate with the size of the OPEB reserves (\$61,572,926). For 2017, the Plan's Fiduciary Net Position amount shown (\$7,110,223,325) includes the net market value of assets (\$8,112,099,556) less OPEB-related SRBR assets (\$1,001,876,232). The OPEB-related SRBR assets include \$850,423,696 in the SRBR-OPEB reserve (after reducing the reserve by the \$5,830,283 SRBR implicit subsidy transfer), and \$7,582,098 in the 401(h) reserve, plus a proportionate share of one half of the deferred market gains (after adjustment to include the balance in the Contingency Reserve) commensurate with the size of the OPEB and non-OPEB reserves (\$143,870,438). Note that amounts may not total properly due to rounding.

⁽³⁾ Employer contributions are on a net basis after (i) considering the total cash contributions made by the employers, (ii) reducing by the employer contributions made to the 401(h) account, and (iii) increasing by the amount of transfer from the SRBR to the Employers Advance Reserve for employer contributions made to the 401(h) account in (ii).

⁽⁴⁾ Data as of December 31, 2017 is used in the measurement of the TPL as of December 31, 2018.

⁽⁵⁾ Includes members who left their contributions on deposit even though they have less than five years of service.

⁽⁶⁾ Includes inflation at 3.00% plus real across-the-board salary increases of 0.50% plus merit and promotional increases.

SECTION 1: Valuation Summary for the Alameda County Employees' Retirement Association

Important Information about Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare an actuarial valuation, Segal relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by ACERA. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date, as provided by ACERA. The Association uses an “actuarial value of assets” that differs from market value to gradually reflect six-month changes in the market value of assets in determining contribution requirements.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of the Board to assist the sponsors of the Fund in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.

SECTION 1: Valuation Summary for the Alameda County Employees' Retirement Association

- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If ACERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of ACERA, it is not a fiduciary in its capacity as actuaries and consultants with respect to ACERA.

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

EXHIBIT 1

General Information – “Financial Statements”, Note Disclosures and Required Supplementary Information for a Cost-Sharing Pension Plan

Plan Description

Plan administration. The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. ACERA also provides retirement benefits to the employee members of First 5 Alameda County, Housing Authority of the County of Alameda, Alameda Health System, Livermore Area Recreation and Park District (LARPD), and Superior Court of California—County of Alameda, and Alameda County Office of Education.

The management of ACERA is vested with the ACERA Board of Retirement. The Board consists of nine members and two alternates. The County Treasurer is a member of the Board of Retirement by law and is elected by the general public. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two active members are elected by the General members; one active member and one alternate are elected by the Safety members; one retired member and one alternate are elected by the retired members. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with his term as County Treasurer.

Plan membership. At December 31, 2018, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	9,783
Vested terminated members entitled to, but not yet receiving benefits ⁽¹⁾	2,568
Active members	<u>11,349</u>
Total	23,700

⁽¹⁾ Includes terminated members due a refund of member contributions.

Note: Data as of December 31, 2018 is not used in the measurement of the TPL as of December 31, 2018.

Benefits provided. ACERA provides service retirement, disability, death, and survivor benefits to eligible employees. The first date of ACERA membership varies by employer, as follows:

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

- Alameda County, Alameda Health System and Alameda Superior Court Employees: Membership for these employees is effective on the first day of the second pay period following the employee's hire date in an ACERA covered position. This is the date of entry into ACERA membership. As of the date of entry, payroll deductions for retirement contributions begin and service credit for each hour worked is earned. During the short period between the beginning of employment and the ACERA plan date of entry, the employee does not pay contributions or earn service credit. A member may purchase this service credit (referred to as "days prior to entry") any time before retirement without changing the membership, but date of entry does not change.
- Housing Authority and Livermore Area Recreation and Park District Employees: Membership for these employees is effective on the first day of employee's hire in an ACERA covered position. The first date of employment is the date of entry into ACERA membership. As of this date of entry, payroll deductions for retirement contributions begin and service credit for each hour work is earned.
- First 5 Employees: Membership for these employees is effective on the first day of the second pay period following the employee's hire date.
- Office of Education Employees: This is a closed plan with no more active employees (i.e., there is no new ACERA membership. However, the employer does retain retired members and beneficiaries in the Retirement Association as of the December 31, 2018 valuation date).

There are separate retirement benefits for General and Safety members. Safety membership is extended to those involved in active law enforcement, deferred firefighters, or positions that have been designated as Safety by the Board of Retirement (e.g. Juvenile Hall Group Counselor, Probation Officer, etc.). All other employees are classified as General members.

Any new member who becomes a member on or after January 1, 2013 is placed into Tier 4 and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members enrolled in Tiers 1, 2, or 3 are eligible to retire once they attain the age of 70 regardless of service or at age 50 with five or more years of retirement service credit and a total of 10 years of qualifying membership. A non-Tier 4 General member with 30 years of service is eligible to retire regardless of age. General members enrolled in Tier 4 are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit, or at age 70 regardless of service.

Safety members enrolled in Tiers 1, 2, 2C, or 2D are eligible to retire once they attain the age of 70 regardless of service or at age 50 with five or more years of retirement service credit and a total of 10 years of qualifying membership. A non-Tier 4 Safety member with 20 years of service is eligible to retire regardless of age. Safety members enrolled in Tier 4 are

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

eligible to retire once they have attained the age of 50 and have acquired five years of retirement service credit, or at age 70 regardless of service.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

The tiers and their basic provisions are listed below:

<u>Tier Name</u>	<u>Service Retirement Governing Code Section</u>	<u>Effective Date</u>	<u>Basic Provisions</u>	<u>Final Average Salary Period</u>	<u>Plan Sponsors</u>
General Tier 1	§31676.12	Various	2.0% at 57; maximum 3% COLA	Highest 1-year	All
General Tier 2	§31676.1	June 30, 1983*	2.0% at 61; maximum 2% COLA	Highest 3-years	All except LARPD
General Tier 3	§31676.18	October 1, 2008	2.5% at 55; maximum 3% COLA	Highest 1-year	LARPD
General Tier 4	§7522.20(a)	January 1, 2013	2.5% at 67; maximum 2% COLA	Highest 3-years	All
Safety Tier 1	§31664.1	Various	3.0% at 50; maximum 3% COLA	Highest 1-year	County
Safety Tier 2	§31664.1	June 30, 1983	3.0% at 50; maximum 2% COLA	Highest 3-years	County
Safety Tier 2C	§31664	October 17, 2010	2.6% at 55; maximum 2% COLA	Highest 3-years	County
Safety Tier 2D	§31664.2	October 17, 2010	3.0% at 55; maximum 2% COLA	Highest 3-years	County
Safety Tier 4	§7522.25(d)	January 1, 2013	2.7% at 57; maximum 2% COLA	Highest 3-years	County

* For Housing Authority members, the effective date is September 30, 2011.

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

For members enrolled in Tiers 1, 2, 2C, 2D, or 3, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members enrolled in Tier 4.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

ACERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-Hayward Area³ (with 1982-84 as the base period), is capped at 3.0% for General Tiers 1 and 3 and Safety Tier 1, and at 2.0% for General Tiers 2 and 4 and Safety Tiers 2, 2C, 2D, and 4.

The County of Alameda and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ACERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of December 31, 2018 for 2018 (based on the December 31, 2016 valuation for the second half of 2017/2018 and on the December 31, 2017 valuation for the first half of 2018/2019) was 25.78% of compensation.

Members are required to make contributions to ACERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of December 31, 2018 for 2018 (based on the December 31, 2016 valuation for the second half of 2017/2018 and on the December 31, 2017 valuation for the first half of 2018/2019) was 9.06% of compensation.

³ Formerly the San Francisco-Oakland-San Jose Area.

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

EXHIBIT 2

Net Pension Liability

The components of the Net Pension Liability are as follows:

	December 31, 2018	December 31, 2017
Total Pension Liability	\$9,535,148,109	\$9,123,899,264
Plan's Fiduciary Net Position	<u>6,771,146,134</u>	<u>7,110,223,325</u>
Net Pension Liability	\$2,764,001,975	\$2,013,675,939
Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	71.01%	77.93%

The Net Pension Liability was measured as of December 31, 2018 and 2017. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability was determined based upon rolling forward the Total Pension Liability from actuarial valuations as of December 31, 2017 and 2016, respectively.

Plan provisions. The plan provisions used in the measurement of the Net Pension Liability as of December 31, 2018 and December 31, 2017 are the same as those used in ACERA's funding valuations as of December 31, 2017 and December 31, 2016, respectively.

Actuarial assumptions. The Total Pension Liabilities as of December 31, 2018 and December 31, 2017 were determined by actuarial valuations as of December 31, 2017 and December 31, 2016, respectively. The actuarial assumptions used to develop the December 31, 2018 and December 31, 2017 TPLs are the same assumptions used in the December 31, 2018 and December 31, 2017 funding valuations for ACERA, respectively. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	General: 8.30% to 3.90% and Safety: 11.30% to 4.30%, vary by service, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Other assumptions	See analysis of actuarial experience during the period December 1, 2013 through November 30, 2016

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

The long-term expected rate of return on pension plan investments⁴ was determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2018 valuation. This information is subject to change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-Term (Arithmetic) Expected Real Rate of Return
Domestic Large Cap Equity	22.40%	5.75%
Domestic Small Cap Equity	5.60%	6.37%
Developed International Equity	19.50%	6.89%
Emerging Markets Equity	6.50%	9.54%
U.S. Core Fixed Income	11.25%	1.03%
High Yield Bonds	1.50%	3.99%
International Bonds	2.25%	0.19%
TIPS	2.00%	0.98%
Real Estate	8.00%	4.47%
Commodities	3.00%	3.78%
Hedge Funds	9.00%	4.30%
Private Equity	9.00%	7.60%
Total	100.00%	

⁴ Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

Discount rate: The discount rate used to measure the Total Pension Liability was 7.25% as of December 31, 2018 and December 31, 2017. Our understanding is that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return assumption for funding than is used for interest crediting. In order to reflect the provisions of Article 5.5, we have treated future allocations to the SRBR as an additional outflow against the Plan's Fiduciary Net Position in the GASB crossover test, as mentioned earlier in Section 1. Again, we are estimating that the additional outflow would average approximately 0.60% of assets over time, based on the results of our stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current member contribution rates, and that employer contributions will be made at rates equal to the actuarially determined contribution rates⁵ plus additional future contributions that would follow from the future allocation of excess earnings to the SRBR. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both December 31, 2018 and December 31, 2017.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability as of December 31, 2018, calculated using the discount rate of 7.25%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability as of December 31, 2018	\$4,006,839,721	\$2,764,001,975	\$1,739,578,825

⁵ For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

EXHIBIT 3

Schedule of Changes in Net Pension Liability – Last Two Fiscal Years

	2018	2017
Total Pension Liability		
Service cost	\$209,890,150	\$187,408,672
Interest	659,591,792	636,556,488
Change of benefit terms	0	0
Differences between expected and actual experience	13,710,084	17,516,316
Changes of assumptions	0	316,727,508
Benefit payments, including refunds of employee contributions	<u>-471,943,181</u>	<u>-445,288,615</u>
Net change in Total Pension Liability	\$411,248,845	\$712,920,369
Total Pension Liability – beginning	<u>9,123,899,264</u>	<u>8,410,978,895</u>
Total Pension Liability – ending (a)	<u>\$9,535,148,109</u>	<u>\$9,123,899,264</u>
Plan's Fiduciary Net Position		
Contributions – employer ⁽¹⁾	\$269,684,809	\$247,063,550
Contributions – employee	94,735,673	89,325,824
Net investment income	-216,308,362	1,065,909,076
Benefit payments, including refunds of employee contributions	-471,943,181	-445,288,615
Administrative expense	-15,246,130	-14,571,178
Other	<u>0</u>	<u>0</u>
Net change in Plan's Fiduciary Net Position	-\$339,077,191	\$942,438,657
Plan's Fiduciary Net Position⁽²⁾ – beginning	<u>7,110,223,325</u>	<u>6,167,784,668</u>
Plan's Fiduciary Net Position⁽²⁾ – ending (b)	\$6,771,146,134	\$7,110,223,325
Net Pension Liability – ending (a) – (b)	<u>\$2,764,001,975</u>	<u>\$2,013,675,939</u>
Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	71.01%	77.93%
Covered payroll⁽³⁾	\$1,046,033,851	\$995,178,209
Plan Net Pension Liability as percentage of covered payroll	264.24%	202.34%

⁽¹⁾ Employer contributions are on a net basis after (i) considering the total cash contributions made by the employers, (ii) reducing by the employer contributions made to the 401(h) account, and (iii) increasing by the amount of transfer from the SRBR to the Employers Advance Reserve for employer contributions made to the 401(h) account in (ii).

⁽²⁾ See footnote (2) on page iv for a discussion on the development of the 2018 "Plan's Fiduciary Net Position – beginning" amount of \$7,110,223,325 and the 2018 "Plan's Fiduciary Net Position – ending" amount of \$6,771,146,134.

⁽³⁾ Covered payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based.

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

EXHIBIT 4

Schedule of Contributions – Last Ten Fiscal Years

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll ⁽¹⁾	Contributions as a Percentage of Covered Payroll
2009	\$132,198,602	\$132,198,602	\$0	\$838,141,323	15.77%
2010	147,543,301	147,543,301	0	839,617,361	17.57%
2011	162,879,221	162,879,221	0	837,482,162	19.45%
2012	179,648,812	179,648,812	0	845,932,592	21.24%
2013	191,180,146	191,180,146	0	853,349,657	22.40%
2014	213,254,775	213,254,775	0	886,924,862	24.04%
2015	224,607,104	224,607,104	0	945,858,017 ⁽²⁾	23.75%
2016	241,728,451	241,728,451	0	947,567,631	25.51%
2017	247,063,550	247,063,550	0	995,178,209	24.83%
2018	269,684,809	269,684,809	0	1,046,033,851	25.78%

⁽¹⁾ For years ended December 31, 2017 and later, covered payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based. For the years ended before December 31, 2017, covered payroll was referred to as covered-employee payroll and only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits was included.

⁽²⁾ ACERA indicated that this amount is based on 27 pay periods for 2015.

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

Notes to Exhibit 4

Methods and assumptions used to establish "actuarially determined contribution" rates:

Valuation date

Actuarially determined contribution rates for the first six months of calendar year 2018 (or the second half of fiscal year 2017/2018) are calculated based on the December 31, 2016 valuation. Actuarially determined contribution rates for the last six months of calendar year 2018 (or the first half of fiscal year 2018/2019) are calculated based on the December 31, 2017 valuation.

Actuarial cost method

Entry Age Actuarial Cost Method

Amortization method

Level percent of payroll (3.50% payroll growth assumed in the December 31, 2017 valuation and 3.75% payroll growth assumed in the December 31, 2016 valuation)

Remaining amortization period

December 31, 2016 valuation

Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 16 years remaining as of December 31, 2016). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods.

December 31, 2017 valuation

Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 15 years remaining as of December 31, 2017). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods.

Asset valuation method

The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves.

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

Notes to Exhibit 4 - continued

Actuarial assumptions:	December 31, 2016 Valuation	December 31, 2017 Valuation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation
Inflation rate	3.25%	3.00%
Real across-the-board salary increases	0.50%	0.50%
Projected salary increases	General: 7.45% and 4.15% and Safety: 10.45% to 4.45%, vary by service, including inflation	General: 8.30% and 3.90% and Safety: 11.30% to 4.30%, vary by service, including inflation
Cost of living adjustments	3.00% of retirement income for General Tiers 1 and 3, and Safety Tier 1; 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4	3.00% of retirement income for General Tiers 1 and 3, and Safety Tier 1; 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4
Other assumptions	Same as those used in the December 31, 2016 funding actuarial valuation	Same as those used in the December 31, 2017 funding actuarial valuation

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

EXHIBIT 5

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of December 31, 2018 (\$ in millions)

Year Beginning January 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2018	7,110	364	472	15	-216	6,771
2019	6,771	374	546	14	481	7,066
2020	7,066	393	573	15	502	7,372
2021	7,372	406	601	15	524	7,685
2022	7,685	414	630	16	546	7,998
2023	7,998	431	660	17	568	8,321
2024	8,321	443	690	17	590	8,647
2025	8,647	451	720	18	613	8,973
2026	8,973	460	750	19	636	9,300
2042	11,506	242	1,126	24	795	11,393
2043	11,393	220	1,134	24	786	11,242
2044	11,242	210	1,140	24	775	11,063
2045	11,063	209	1,146	23	761	10,864
2046	10,864	208	1,149	23	747	10,646
2087	291	37	116	1	18	229
2088	229	33	99	0 *	14	176
2089	176	30	83	0 *	10	134
2090	134	27	69	0 *	8	99
2091	99	24	57	0 *	6	71
2092	71	21	46	0 *	4	49
2093	49	18	37	0 *	3	33
2094	33	16	30	0 *	2	21
2095	21	14	23	0 *	1	12
2096	12	12	18	0 *	1	6
2097	6	10	14	0 *	0 *	3
2107	1	1	1	0 *	0 *	1
2108	1	1	1	0 *	0 *	0 *
2109	0 *	1	1	0 *	0 *	0 *
2110	0 *	0 *	1	0 *	0 *	0 *
2111	0 *	0 *	0 *	0 *	0 *	0 *
2132	0 *	0 *	0	0 *	0 *	0 *
2133	0 *	0 *	0	0 *	0 *	0 *
2133	Discounted Value:	0 *				

* Less than \$1M, when rounded.

SECTION 2: GASB 67 Information for the Alameda County Employees' Retirement Association

EXHIBIT 5

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of December 31, 2018 (\$ in millions) - continued

Notes:

- (1) Amounts may not total exactly due to rounding.
- (2) Amounts shown in the year beginning January 1, 2018 row are actual amounts, based on the financial statements provided by ACERA.
- (3) Years 2027-2041, 2047-2086, 2098-2106, and 2112-2131 have been omitted from this table.
- (4) Column (a): Except for the "discounted value" shown for 2133, all of the projected beginning plan fiduciary net position amounts shown have not been adjusted for the time value of money.
- (5) Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of November 30, 2017); plus employer contributions to the unfunded actuarial accrued liability; plus employer contributions to fund each year's annual administrative expenses as well as future allocations of excess earnings to the SRBR under ACERA's funding policy, both reflecting a 20-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.
- (6) Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of November 30, 2017. The projected benefit payments reflect the cost of living increase assumption of 3.00% per annum for Tiers 1 and 3, and 2.00% per annum for Tiers 2 and 4. The projected benefit payments include the Non-OPEB Supplemental Retiree Benefits Reserve (SRBR) benefits to the extent the current Non-OPEB SRBR supports those benefits. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.25% per annum was applied to all periods of projected benefit payments to determine the discount rate.

In addition, the projected benefit payments in column (c) include an amount equal to 0.60% of the beginning-of-year market value to reflect the approximated outflow of future allocations to the SRBR. This outflow has an estimated present value of \$0.77 billion. This present value of outflow is expected to be sufficient to pay for the remaining present value of the non-OPEB SRBR benefits of \$0.16 billion as well as the remaining present value of the OPEB SRBR benefits of \$0.46 billion.
- (7) Column (d): Projected administrative expenses are calculated as approximately 0.21% of the beginning plan fiduciary net position amount. The 0.21% portion was based on the actual fiscal year 2018 administrative expenses as a percentage of the beginning plan fiduciary net position amount as of January 1, 2018. Administrative expenses are assumed to occur halfway through the year, on average.
- (8) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.25% per annum.
- (9) As illustrated in this Exhibit, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.25% per annum was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2018 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

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Alameda County Employees' Retirement Association

**Governmental Accounting Standards Board (GASB) 74
Actuarial Valuation of the Benefits
Provided by the Supplemental Retiree Benefits Reserve
Other Postemployment Benefits (OPEB)
as of December 31, 2018**

DRAFT – FOR DISCUSSION WITH CLIENT

This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.



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April 9, 2019

*Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612*

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board (GASB) Statement 74 Actuarial Valuation as of December 31, 2018. It contains various information that will need to be disclosed in order to comply with GASB 74.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Association. The census and financial information on which our calculations were based was prepared by ACERA. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the health care cost, economic or demographic assumptions; changes in health care trend, and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Thomas Bergman, ASA, MAAA, Enrolled Actuary and Andy Yeung ASA, MAAA, FCA, Enrolled Actuary. The health care trend and other related medical assumptions have been reviewed by Melissa A. Krumholz, FSA, MAAA. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the Association.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

*Andy Yeung ASA, MAAA, FCA, EA
Vice President and Actuary*

*Thomas Bergman, ASA, MAAA, EA
Retiree Health Actuary*

TJH/gxk

SECTION 1

VALUATION SUMMARY

Purpose	i
General Observation on GASB 74 Actuarial Valuation.....	i
Significant Issues in Valuation Year.....	ii
Summary of Key Valuation Results.....	iv
Important Information about Actuarial Valuations	vi

SECTION 2

GASB 74 INFORMATION

EXHIBIT 1	
General Information – “Financial Statements”, Note Disclosures and Required Supplementary Information for a Cost-sharing OPEB Plan	1
EXHIBIT 2	
Net OPEB Liability	5
EXHIBIT 3	
Schedules of Changes in Net OPEB Liability – Last Two Fiscal Year	9
EXHIBIT 4	
Schedule of Employer Contributions – Last Ten Fiscal Years	10
EXHIBIT 5	
Projection of OPEB Plan’s Fiduciary Net Position for use in Calculation of Discount Rate as of December 31, 2018.....	11

SECTION 1: Valuation Summary for the Alameda County Employee's Retirement Association

Purpose

This report has been prepared by Segal Consulting to present certain disclosure information required for “Other Postemployment Benefits (OPEB)” plans by Statement No. 74 of the Governmental Accounting Standards Board as of December 31, 2018. This valuation is based on:

- The benefit provisions of the OPEB Plan, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of November 30, 2017, provided by ACERA;
- The assets of the Plan as of December 31, 2018, provided by ACERA;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, and health care trends, etc.

General Observations on GASB 74 Actuarial Valuation

The following points should be considered when reviewing this GASB 74 report:

- The Governmental Accounting Standards Board (GASB) rules only define OPEB liability and expense for financial reporting purposes, and do not apply to contribution amounts for OPEB funding purposes. Employers and plans still develop and adopt funding policies, if applicable, under current practices.
- When measuring OPEB liability, GASB uses the same actuarial cost method (Entry Age) and, for benefits that are being fully funded on an actuarial basis, the same expected return on Plan assets as used for funding.¹ This means that the Total OPEB Liability (TOL) measure for financial reporting shown in this report is determined on the same basis as the Actuarial Accrued Liability (AAL) measure for funding.
- The Net OPEB Liability (NOL) is equal to the difference between the TOL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets. The NOL reflects all investment gains and losses as of the measurement date.

¹ See discussions on next page regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB Plan's Fiduciary Net Position in the SRBR.

SECTION 1: Valuation Summary for the Alameda County Employee's Retirement Association

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- As we disclosed in our December 31, 2018 pension funding valuation report, the 7.25% investment return assumption that the Board approved on December 21, 2017 for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates has continued to be developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.25%.

As required by the Actuarial Standard of Practice (ASOP) No. 4 (“Measuring Pension Obligations and Determining Pension Plan Costs or Contributions”), we performed a stochastic model to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an “outflow” (i.e., assets not available to fund the benefits included in the determination of the Total Pension Liability) that would average approximately 0.60% of assets over time. This approximated outflow was incorporated into our GASB crossover test for the pension benefits (reference: Exhibit 5 of our GASB 67 report as of December 31, 2018), along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA’s funding policy.

Furthermore, note (6) provided in Exhibit 5 of the GASB 67 report indicates that the present value of outflows from the 0.60% of assets over time is expected to be higher than the present values of the remaining OPEB and non-OPEB SRBR benefits that could be paid after the exhaustion of assets currently available in the SRBR.

Therefore, in developing the crossover test for the OPEB SRBR in Exhibit 5 of this report, we have only included the projected benefits so that on a present value basis they are equal to the OPEB assets currently available in the SRBR as the remaining OPEB SRBR benefits would be paid from future excess earnings.

SECTION 1: Valuation Summary for the Alameda County Employee's Retirement Association

- The TOL as of December 31, 2018 was determined by rolling forward the liability results used in determining the sufficiency of the SRBR to provide medical and dental subsidy benefits as of December 31, 2017. That TOL has been adjusted to reflect the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2018 (reference: our draft letter dated April 2, 2019)
- We have also continued the practice of adjusting the Plan's Fiduciary Net Position as of December 31, 2018 to include the \$883.0 million set aside by the Retirement Board in the SRBR reserve to pay OPEB benefits as of December 31, 2018. It should be noted that as of December 31, 2018, the deferred investment loss for the entire Plan was \$569.1 million and the Contingency Reserve was \$0. Consequently, we have subtracted from the Plan's Fiduciary Net Position the proportionate share of the deferred investment loss that is commensurate with the size of the OPEB SRBR reserve, or \$61.6 million (which will cause the future interest crediting rate to the SRBR reserve to drop below 7.25% per year).
- The NOL increased from \$27.5 million as of December 31, 2017 to \$232.9 million as of December 31, 2018 primarily as a result of unfavorable investment results during calendar year 2018 of about \$209 million (for an actual market return of *negative* 14.1%² versus 7.25% assumed in the valuation), offset somewhat by updating health trend assumptions³ (which on a net basis decreased the NOL by about \$11.4 million). Changes in these values during the last two fiscal years ending December 31, 2018 and 2017 can be found in Exhibit 3.

² Note that the negative 14.1% market value investment return mentioned above for the SRBR is lower than the negative 4.62% investment return included in the December 31, 2018 Pension Funding Valuation for the Association's entire portfolio. The lower return for the SRBR is primarily a result of the reversal of the 50% of future excess earnings that might be allocated to the SRBR for the deferred investment gains as of December 31, 2017 to reflect future returns below 7.25% that might be allocated to the SRBR for the deferred investment losses as of December 31, 2018.

³ In particular, there is a reduction in the long term annual trend assumption from 4.5% to 4.0% for dental/vision and Medicare Part B which decreases the NOL by \$23.7 million.

SECTION 1: Valuation Summary for the Alameda County Employee's Retirement Association

Summary of Key Valuation Results

	2018	2017
Disclosure elements for fiscal year ending December 31:		
Service cost ⁽¹⁾	\$31,577,168	\$26,991,283
Total OPEB Liability	1,054,337,014	1,029,354,518
Plan's Fiduciary Net Position ⁽²⁾	821,440,435	1,001,876,232
Net OPEB Liability	232,896,579	27,478,286
Schedule of contributions for fiscal year ending December 31:		
Actuarially determined contributions	N/A	N/A
Actual contributions ⁽³⁾	N/A	N/A
Contribution deficiency / (excess)	0	0
Demographic data for plan year ending December 31⁽⁴⁾:		
Number of retired members and beneficiaries receiving medical benefits	TBD	6,225
Number of retired members and beneficiaries receiving dental and vision benefits	TBD	7,270
Number of vested terminated members	TBD	381
Number of active members	TBD	11,323
Key assumptions as of December 31:		
Discount rate	7.25%	7.25%
Health care premium trend rates ⁽⁵⁾		
Non-Medicare medical plan	Graded from 7.00% to ultimate 4.50% over 10 years	Graded from 7.00% to ultimate 4.50% over 10 years
Medicare medical plan	Graded from 6.50% to ultimate 4.50% over 8 years	Graded from 6.50% to ultimate 4.50% over 8 years
Dental/Vision and Medicare Part B	4.00%	4.50%

⁽¹⁾ The service cost is based on the previous year's valuation, meaning the 2018 and 2017 values are based on the valuations as of December 31, 2017 and December 31, 2016, respectively. The 2018 service cost has been calculated using the assumptions shown in the 2017 column, and the 2017 service cost has been calculated using the following assumptions:

Key assumptions as of December 31, 2016:

Discount rate	7.60%
Health care premium trend rates	
Non-Medicare medical plan	Graded from 6.50% to ultimate 4.50% over 8 years
Medicare medical plan	Graded from 6.50% to ultimate 4.50% over 8 years
Dental/Vision and Medicare Part B	4.50%

⁽²⁾ For 2018, the Plan's Fiduciary Net Position shown (\$821,440,435) includes the SRBR and 401(h) account (\$889,953,169), less the SRBR implicit subsidy transfer (\$6,939,808), less a proportionate share of the deferred market losses (after adjustment to include the balance in the Contingency Reserve) commensurate with the size of the OPEB reserves (\$61,572,926). For 2017, the Plan's Fiduciary Net Position amount shown (\$1,001,876,232) includes the SRBR and 401(h) account (\$863,836,077), less the SRBR implicit subsidy transfer (\$5,830,283), plus a proportionate

SECTION 1: Valuation Summary for the Alameda County Employee's Retirement Association

share of one half of the deferred market gains (after adjustment to include the balance in the Contingency Reserve) commensurate with the size of the OPEB and non-OPEB reserves (\$143,870,438). Note that amounts may not total properly due to rounding.

⁽³⁾ Employer contributions are on a net basis. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan

⁽⁴⁾ The December 31, 2017 data is used in the measurement of the TOL as of December 31, 2018. The following data as of December 31, 2016 was used in the measurement of the TOL as of December 31, 2017:

Number of retired members and beneficiaries receiving medical benefits	6,018
Number of retired members and beneficiaries receiving dental and vision benefits	7,049
Number of vested terminated members	371
Number of active members	11,111

We are currently in the process of reconciling the demographic data as of December 31, 2018. Once that data is fully reconciled, it will be used in the sufficiency study for the SRBR as of December 31, 2018 as well as in the next year's GAS 74 valuation when we roll forward the liability from December 31, 2018 to December 31, 2019.

⁽⁵⁾ The trend rates shown above for 2019 are before reflecting a one-time adjustment to reflect the estimated impact of the Health Insurance Tax (HIT). The weighted average increase amongst all carriers is approximately 1.2% for Non-Medicare and 0.9% for Medicare Plans.

SECTION 1: Valuation Summary for the Alameda County Employee's Retirement Association

Important Information about Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a postretirement health plan. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare an actuarial valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by ACERA. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date, as provided by ACERA. The Association uses an actuarial value of assets that differs from market value of assets to gradually reflect six-month changes in the market value of assets in the SRBR sufficiency valuation.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to health care trends. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

SECTION 1: Valuation Summary for the Alameda County Employee's Retirement Association

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of the Board to assist sponsors of the Fund in preparing items related to the OPEB SRBR plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If ACERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. ACERA should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of ACERA, it is not a fiduciary in its capacity as actuaries and consultants with respect to ACERA.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

EXHIBIT 1

General Information – “Financial Statements”, Note Disclosures and Required Supplementary Information for a Cost-Sharing OPEB Plan

Plan Description

Plan administration. The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. ACERA also provides retirement benefits to the employee members of First 5 Alameda County, Housing Authority of the County of Alameda, Alameda Health System, Livermore Area Recreation and Park District (LARPD), Superior Court of California—County of Alameda, and Alameda County Office of Education.

The management of ACERA is vested with the ACERA Board of Retirement. The Board consists of nine members and two alternates. The County Treasurer is a member of the Board of Retirement by law and is elected by the general public. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two active members are elected by the General members; one active member and one alternate are elected by the Safety members; one retired member and one alternate are elected by the retired members. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with his term as County Treasurer.

Plan membership. At December 31, 2018, OPEB plan membership consisted of the following:

Retired members or beneficiaries currently receiving medical benefits	TBD
Retired members or beneficiaries currently receiving dental and vision benefits	TBD
Vested terminated members entitled to, but not yet receiving benefits	TBD
Active members	TBD

Note: Data as of December 31, 2018 is not used in the measurement of the TOL as of December 31, 2018. Once fully reconciled, it will be used for the sufficiency study for the SRBR as of December 31, 2018 as well as in next year's GAS 74 valuation.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

Benefits provided. ACERA provides benefits to eligible employees.

Membership Eligibility:

Service Retirees: Retired with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from ACERA)

Disabled Retirees: A minimum of 10⁴ years of service is required for non-duty disability.
There is no minimum service requirement for duty disability.

Benefit Eligibility:

1. Monthly Medical Allowance

Service Retirees: For retirees not purchasing individual insurance through the Individual Medicare Insurance Exchange, a Maximum Monthly Medical Allowance of \$540.44 per month was provided, effective January 1, 2018 and through December 31, 2018. For the period January 1, 2019 through December 31, 2019, the maximum allowance is \$558.00 per month.

For those purchasing insurance through the Individual Medicare Exchange, the Monthly Medical Allowance was \$414.00 per month for 2018 and is \$427.46 for 2019.

These Allowances are subject to the following subsidy schedule:

Completed Years of Service	Percentage Subsidized
10-14	50%
15-19	75%
20+	100%

⁴ The 10 years of service requirement is only used for determining eligibility for health benefits. For pension benefits, the eligibility requirement is 5 years of service.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

Disabled Retirees:

Non-duty disabled retirees receive the same Monthly Medical Allowance as service retirees.

Duty disabled retirees receive the same Monthly Medical Allowance as those service retirees with 20 or more years of service.

2. Medicare Benefit Reimbursement Plan:

The SRBR reimburses the full Medicare Part B premium to qualified retired members.

To qualify for reimbursement, a retiree must:

- Have at least 10 years of ACERA service,
- Be eligible for Monthly Medical Allowance,
- Provide proof of enrollment in Medicare Part B.

3. Dental and Vision Plans:

The SRBR provides dental and vision benefits for retirees only. The maximum combined monthly dental and vision premium was \$47.91 in 2018 and is \$48.39 in 2019. The eligibility for these premiums is as follows:

Service Retirees: Retired with at least 10 years of service.

Disabled Retirees: For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement.

For duty disabled retirees, there is no minimum service requirement.

Note about Monthly Medical Allowance:

The maximum levels of subsidy are reviewed by the Board annually and are not indexed to increase automatically.

In addition, the Monthly Medical Allowance can only be used to pay for retiree medical benefits. There is no benefit payable to beneficiaries, current spouses, former spouses or dependents.

If the actual cost of coverage is less than the Monthly Medical Allowance, the difference is not paid in cash or applied towards the coverage for beneficiaries, current spouses, former spouses or dependents.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

Deferred Benefit:

Members who terminate employment with 10 or more years of service before reaching Pension eligibility commencement age may elect deferred MMA and/or dental/vision benefits.

Death Benefit:

Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 are calculated together with active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy, which creates a liability for the SRBR.

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SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

EXHIBIT 2

Net OPEB Liability

The components of the Net OPEB Liability of ACERA are as follows:

	December 31, 2018	December 31, 2017
Total OPEB Liability	\$1,054,337,014	\$1,029,354,518
Plan's Fiduciary Net Position	<u>821,440,435</u>	<u>1,001,876,232</u>
Association's Net OPEB Liability	\$232,896,579	\$27,478,286
Plan's Fiduciary Net Position as a percentage of the Total OPEB Liability	77.91%	97.33%

The Net OPEB Liability was measured as of December 31, 2018 and 2017. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date, while the Total OPEB Liability was determined by rolling forward the Total OPEB Liability as of December 31, 2017 and 2016, respectively.

Plan provisions. The plan provisions used in the measurement of the NOL as of December 31, 2018 and 2017 is the same as those used in ACERA's SRBR sufficiency valuation as of December 31, 2017 and 2016, respectively.

Actuarial assumptions. The actuarial assumptions used for the December 31, 2018 valuation were based on the results of the experience study for the period from December 1, 2013 through November 30, 2016 that were approved by the Board effective with the December 31, 2017 valuation and the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2018 (reference: our letter dated March 29, 2019). The assumptions used in the December 31, 2018 SRBR OPEB actuarial valuation for ACERA were applied to all periods included in the measurement:

December 31, 2018

Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Inflation	3.00%
Health care premium trend rates*	
Non-Medicare medical plan	Graded from 7.00% to ultimate 4.50% over 10 years
Medicare medical plan	Graded from 6.50% to ultimate 4.50% over 8 years
Dental/Vision and Medicare Part B	4.00%
Other assumptions	Same as those proposed in the experience study for the period December 1, 2013 through November 30, 2016

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

December 31, 2017

Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation
Inflation	3.00%
Health care premium trend rates	
Non-Medicare medical plan	Graded from 7.00% to ultimate 4.50% over 10 years
Medicare medical plan	Graded from 6.50% to ultimate 4.50% over 8 years
Dental/Vision and Medicare Part B	4.50%
Other assumptions	Same as those proposed in the experience study for the period December 1, 2013 through November 30, 2016

* The trend rates shown above for 2019 are before reflecting a one-time adjustment to reflect the impact of the Health Insurance Tax (HIT). The weighted average increase amongst all carriers is approximately 1.2% for Non-Medicare and 0.9% for Medicare plans.

The long-term expected rate of return on OPEB plan investments⁵ was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

⁵ Note that the investment return assumption for SRBR sufficiency testing (and pension plan funding) purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2018 valuation are summarized in the following table:

Asset Class	Target Allocation	Long-Term (Arithmetic) Expected Real Rate of Return
Domestic Large Cap Equity	22.40%	5.75%
Domestic Small Cap Equity	5.60%	6.37%
Developed International Equity	19.50%	6.89%
Emerging Markets Equity	6.50%	9.54%
U.S. Core Fixed Income	11.25%	1.03%
High Yield Bonds	1.50%	3.99%
International Bonds	2.25%	0.19%
TIPS	2.00%	0.98%
Real Estate	8.00%	4.47%
Commodities	3.00%	3.78%
Hedge Funds	9.00%	4.30%
Private Equity	<u>9.00%</u>	7.60%
Total	100.00%	

Discount rate: The discount rate used to measure the Total OPEB Liability was 7.25% as of December 31, 2018 and December 31, 2017. The projection of cash flows used to determine the discount rate assumed benefits are paid out of current OPEB SRBR assets. Based on those assumptions, the SRBR OPEB plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments for current plan members.⁶ Therefore the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of December 31, 2018 and December 31, 2017.

⁶ See discussions in Section 1 regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB SRBR Plan's Fiduciary Net Position.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

Sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability of ACERA as of December 31, 2018, calculated using the discount rate of 7.25%, as well as what ACERA's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Net OPEB Liability as of December 31, 2018	\$363,577,142	\$232,896,579	\$123,707,490

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate. The following presents the Net OPEB Liability of ACERA as of December 31, 2018, calculated using the current trend rate as well as what ACERA's Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease*	Current Trend Rates*	1% Increase*
Net OPEB Liability as of December 31, 2018	\$110,529,782	\$232,896,579	\$382,925,458

* Current trend rates: 7.00% graded down to 4.5% over 10 years for Non-Medicare medical plan costs; 6.50% graded down to 4.5% over 8 years for Medicare medical plan costs and 4.0% for all years for Dental, Vision and Medicare Part B costs. The medical trend rates shown above for 2019 (7.00% and 6.50% for non-Medicare and Medicare plans, respectively) are before reflecting a one-time adjustment to reflect the estimated impact of the Health Insurance Tax (HIT). The weighted average increase amongst all carriers is approximately 1.2% for Non-Medicare and 0.9% for Medicare plans.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

EXHIBIT 3

Schedules of Changes in Net OPEB Liability – Last Two Fiscal Years

	2018	2017
Total OPEB Liability		
Service cost ⁽¹⁾	\$31,577,168	\$26,991,283
Interest	73,426,531	69,878,539
Change of benefit terms	0	0
Differences between expected and actual experience	-27,712,610	-21,627,766
Changes of assumptions	-11,429,923	58,973,316
Benefit payments	<u>-40,878,670</u>	<u>-37,903,590</u>
Net change in Total OPEB Liability	\$24,982,496	\$96,311,782
Total OPEB Liability – beginning	<u>1,029,354,518</u>	<u>933,042,736</u>
Total OPEB Liability – ending (a)	<u>\$1,054,337,014</u>	<u>\$1,029,354,518</u>
Plan's Fiduciary Net Position		
Contributions – employer ⁽²⁾	N/A	N/A
Contributions – employee	N/A	N/A
Net investment income	-\$138,332,627	\$243,187,807
Benefit payments	-40,878,670	-37,903,590
Administrative expense	-1,224,500	-1,203,500
Other	<u>0</u>	<u>0</u>
Net change in Plan's Fiduciary Net Position	-\$180,435,797	\$204,080,717
Plan's Fiduciary Net Position – beginning⁽³⁾	<u>1,001,876,232</u>	<u>797,795,515</u>
Plan's Fiduciary Net Position – ending (b)⁽³⁾	\$821,440,435	\$1,001,876,232
Net OPEB Liability – ending (a) – (b)	<u>\$232,896,579</u>	<u>\$27,478,286</u>
Plan's Fiduciary Net Position as a percentage of the Total OPEB Liability	77.91%	97.33%
Covered-employee payroll⁽⁴⁾	N/A	N/A
Plan Net OPEB Liability as percentage of covered-employee payroll	N/A	N/A

⁽¹⁾ The service cost is always based on the previous year's valuation, meaning the valuation as of December 31, 2017 and 2016, respectively.

⁽²⁾ Employer contributions are on a net basis. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.

⁽³⁾ See footnote (2) on page iv for a discussion on the development of the 2018 "Plan's Fiduciary Net Position – beginning" amount of \$1,001,876,232 and the 2018 "Plan's Fiduciary Net Position – ending" amount of \$821,440,435.

⁽⁴⁾ Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits would otherwise be included.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

EXHIBIT 4

Schedule of Employer Contributions – Last Ten Fiscal Years

Year Ended December 31	Actuarially Determined Contributions ⁽¹⁾	Contributions in Relation to the Actuarially Determined Contributions ⁽¹⁾	Contribution Deficiency / (Excess)	Covered-Employee Payroll ⁽²⁾	Contributions as a Percentage of Covered-Employee Payroll
2009	N/A	N/A	0	N/A	N/A
2010	N/A	N/A	0	N/A	N/A
2011	N/A	N/A	0	N/A	N/A
2012	N/A	N/A	0	N/A	N/A
2013	N/A	N/A	0	N/A	N/A
2014	N/A	N/A	0	N/A	N/A
2015	N/A	N/A	0	N/A	N/A
2016	N/A	N/A	0	N/A	N/A
2017	N/A	N/A	0	N/A	N/A
2018	N/A	N/A	0	N/A	N/A

⁽¹⁾ Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.

⁽²⁾ Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits would otherwise be included.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

EXHIBIT 5

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of December 31, 2018

(\$ in millions)

Year Beginning January 1,	Projected Beginning OPEB Plan's Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending OPEB Plan's Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2018	\$1,002	\$0	\$41	\$1	-\$138	\$821
2019	821	0	53	1	58	825
2020	825	0	57	1	58	825
2021	825	0	61	1	58	821
2022	821	0	65	1	57	812
2023	812	0	69	1	56	799
2024	799	0	74	1	55	779
2025	779	0	78	1	54	754
2026	754	0	82	1	52	723
2027	723	0	86	1	49	686
2028	686	0	89	1	46	642
2029	642	0	93	1	43	591
2030	591	0	97	1	39	533
2031	533	0	101	1	35	466
2032	466	0	104	1	30	391
2033	391	0	108	0 *	24	307
2034	307	0	111	0 *	18	213
2035	213	0	114	0 *	11	110
2036	110	0	114	0 *	4	0
2037	0	0	0	0	0	0
2038	0	0	0	0	0	0
2039	0	0	0	0	0	0
2040	0	0	0	0	0	0
2132	0	0	0	0	0	0
2133	0	0	0	0	0	0
2133 Discounted Value:	0					

* Less than \$1 M, when rounded.

SECTION 2: GASB 74 Information for the Alameda County Employee's Retirement Association

EXHIBIT 5

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of December 31, 2018

(\$ in millions) - continued

Notes:

- (1) Amounts may not total exactly due to rounding.
- (2) Amounts shown in the year beginning January 1, 2018 row are actual amounts, based on the financial statements provided by ACERA.
- (3) Years 2041 - 2131 have been omitted from this table.
- (4) Column (a): Except for the "discounted value" shown for 2133, all of the projected beginning Plan's Fiduciary Net Position amounts shown have not been adjusted for the time value of money.
- (5) Column (b): \$0. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.
- (6) Column (c): Projected benefit payments have been determined in accordance with paragraph 43-47 of GASB Statement No. 74, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of November 30, 2017. The projected benefit payments reflect future health care trends. The projected benefit payments include the OPEB SRBR benefits to the extent the current OPEB SRBR (including the portion of deferred investment loss as of December 31, 2018 that is expected to be allocated to the SRBR) supports those benefits*. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 35 b.(2)(e) of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.25% per annum was applied to all periods of projected benefit payments to determine the discount rate.
- (7) Column (d): Projected administrative expenses are calculated as approximately 0.12% of the beginning OPEB SRBR Plan's Fiduciary Net Position amount. The 0.12% portion was based on the actual fiscal year 2018 administrative expenses as a percentage of the beginning OPEB SRBR Plan's Fiduciary Net Position amount as of January 1, 2018. Administrative expenses are assumed to occur halfway through the year, on average.
- (8) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.25% per annum.
- (9) As illustrated in this Exhibit, the OPEB SRBR Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.25% per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of December 31, 2018 shown earlier in this report, pursuant to paragraph 48 of GASB Statement No. 74.

* See discussion on page ii regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB Plan's Fiduciary Net Position in the SRBR.

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