



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, May 18, 2023
11:00 am**

LOCATION AND TELECONFERENCE	COMMITTEE MEMBERS	
<p>ACERA C.G. "BUD" QUIST BOARD ROOM 475 14TH STREET, 10TH FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574 The public can observe the meeting and offer public comment by using the below Webinar ID and Passcode after clicking on the below link or calling the below call-in number. https://zoom.us/join Call-In Number: 1 699 900 6833 Webinar ID: 879 6337 8479 Passcode: 699406 For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193</p>	OPHELIA BASGAL, CHAIR	APPOINTED
	HENRY LEVY, VICE CHAIR	TREASURER
	KEITH CARSON	APPOINTED
	ROSS CLIPPINGER	ELECTED SAFETY
	GEORGE WOOD	ELECTED GENERAL

The Alternate Retired Member votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General members, or the Safety Member and an Elected General member, are absent.

The Alternate Safety Member votes in the absence of the Elected Safety, either of the two Elected General Members, or both the Retired and Alternate Retired members.

This is a meeting of the Actuarial Committee if a quorum of the Actuarial Committee attends, and it is a meeting of the Board if a quorum of the Board attends. This is a joint meeting of the Actuarial Committee and the Board if a quorum of each attends.

Board and Committee agendas and minutes and all documents distributed to the Board or a Committee in connection with a public meeting (unless exempt from disclosure) are posted online at www.acera.org and also may be inspected at 475 14th Street, 10th Floor, Oakland, CA 94612-1900.

Public comments are limited to four (4) minutes per person in total. The order of the items on the agenda is subject to change without notice.

Note regarding accommodations: If you require a reasonable modification or accommodation for a disability, please contact ACERA between 9:00 a.m. and 5:00 p.m. at least 72 hours prior to the meeting at accommodation@acera.org or at 510-628-3000.

ACTUARIAL COMMITTEE/BOARD MEETING

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Call to Order: 11:00 am

Roll Call

Public Input

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

- 1. Discussion and possible motion to adopt the Actuarial Valuation as of December 31, 2022**

-Lisa Johnson

-Dirk Adamsen, Segal

-Eva Yum, Segal

Recommendation

Staff recommends that the Actuarial Committee recommend to the Board of Retirement that the Board adopt the Actuarial Valuation and Review as of December 31, 2022.

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

None

Trustee Input

Future Discussion Items

June

- Segal presentation of the deterministic and stochastic projections as part of the Risk Assessment Report based on the Actuarial Valuation and Review as of December 31, 2022

September

- Presentation and discussion of the Triennial Experience for the years 2020-2022 and the economic and non-economic assumptions


Establishment of Next Meeting Date

June 15, 2023

Adjournment



MEMORANDUM TO THE ACTUARIAL COMMITTEE

DATE: May 18, 2023
TO: Members of the Actuarial Committee
FROM: Lisa Johnson, Assistant Chief Executive Officer 
SUBJECT: Draft Actuarial Valuation and Review as of December 31, 2022

Executive Summary

The draft Actuarial Valuation and Review as of December 31, 2022, is attached for review and discussion. The funded ratio for the December 31, 2022, on the Valuation Value of Assets (VVA) basis, increased from 86.5% to 86.9%. The increase was the result of contributions made to pay down the Unfunded Actuarial Accrued Liability (UAAL) offset somewhat by the loss due to higher than expected cost-of-living adjustment for continuing retirees, higher than expected salary increases for active members, the loss on the VVA from the recognition of past and current years' investment losses after smoothing, and the loss due to actual contributions lower than expected.

A summary of the UAAL and the aggregate employer and employee contribution rates from the 2022 funding valuation report are provided here for quick reference.

The UAAL increased from \$1,476.8 million in 2021 to \$1,492.1 million in 2022. This increase in the UAAL was primarily due to the following factors:

- a) Higher than expected cost-of-living adjustments for continuing retirees;
- b) Higher than expected salary increases for active members;
- c) Lower than expected return on investments (after smoothing); and
- d) Loss due to actual contributions lower than expected, offset somewhat by the expected decrease due to contributions made to pay down the UAAL.

The aggregate employer contribution rate¹ has increased from 23.39% of payroll to 23.74% of payroll. This change was primarily due to:

- a) Higher than expected cost-of-living adjustment for continuing retirees;
- b) Higher than expected salary increases for active members;
- c) Lower than expected return on investments (after smoothing); and
- d) Offset somewhat by the effect of amortizing the prior year's UAAL over a larger than expected total projected payroll.

The aggregate member contribution rate increased from 10.03% of payroll to 10.08% of payroll, mainly due to the changes in member demographics.

Prior to bringing the finalized 2022 valuation report back to the actuarial committee at the May 18, 2023 meeting, staff held a participating employers meeting on April 26, 2023, to review and discuss the results of the study with employer representatives.

¹ For employers with active member payroll.

Next Steps:

Reporting Methodology for ASOP No. 51 Implementation

In February 2019, the Board adopted staff's recommendation to direct Segal to prepare a separate report to identify risks that "may reasonably be anticipated to significantly affect the plan's future financial condition" (ASOP 51). Based on the Actuarial Valuation and Review as of December 31, 2022, Segal will provide the results of its risk report to the Actuarial Committee on June 15, 2023.

Return Assumption Impact

Similar to what Segal disclosed in ACERA's December 31, 2021, valuation report, the 7.0% investment return assumption that the Board approved on October 15, 2020, 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 Segal's 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 rate of 7.00%.

As required by the Actuarial Standard of Practice (ASOP) No. 4 ("Measuring Pension Obligations and Determining Pension Plan Costs or Contributions"), Segal performed a stochastic model, as detailed in the 2016-2019 experience study report, to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of this 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 0.65% of assets over time. *When the results of the stochastic model are applied to this valuation, it is estimated that the annual outflow would increase the Accrued Actuarial Liability (AAL) measured using a 7.00% investment return assumption from \$11.42 billion to \$12.33 billion (for a difference of \$0.91 billion) and would increase the employer's UAAL contribution rate by about 5% - 6% of payroll.*

Recommendation

Staff recommends that the Actuarial Committee recommend to the Board of Retirement that the Board adopt the Actuarial Valuation and Review as of December 31, 2022.

Attachment:

ACERA's draft Actuarial Valuation and Review as of December 31, 2022

**Please see the Actuarial
Valuation and Review Draft as
of December 31, 2022 from the
04/20/2023 Actuarial
Committee packet.**