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## Via Email

May 27, 2020

Ms. Margo Allen  
Fiscal Services Officer  
Alameda County Employees' Retirement Association  
475 14th Street, Suite 1000  
Oakland, CA 94612

**Re: Alameda County Employees' Retirement Association (ACERA)  
Addendum to the Governmental Accounting Standards Board (GASB)  
Statement 74 Actuarial Valuation as of December 31, 2019**

Dear Ms. Allen:

In our Governmental Accounting Standards Board (GASB) Statement 74 actuarial valuation report dated May 27, 2020, we provided the Net OPEB Liability (NOL) and other elements that are required for completing the Plan's financial reporting requirements under GASB Statement 74. In this letter, we have provided as an Addendum to that report two additional schedules for use in allocating the NOL and OPEB expense by employer, before we issue the full companion report for the employer's financial reporting for ACERA under GASB Statement 75. This is similar to a recommendation made by the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel to have comparable schedules prepared for the Pension Plan when we implemented GASB Statements 67 and 68.

The attached schedules have been developed based on the assumptions, methods, and results shown in our report dated May 27, 2020. Exhibits A1 and A2 detail the method used for allocating the NOL and the NOL amounts allocated to the seven employers at ACERA as of December 31, 2018 and December 31, 2019, respectively.<sup>1</sup>

Exhibit B summarizes the allocated NOL, deferred outflows and inflows of resources, and OPEB expense by the seven employers. Additional information required under GASB Statement 75 that each of the employers will need to disclose will be provided in a separate report.

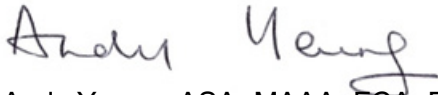
<sup>1</sup> The December 31, 2018 and December 31, 2019 NOL has been allocated to the different employers in proportion to the total employer contributions made by those employers to the Pension Plan during calendar years 2018 and 2019, respectively, based on prior discussions and approval provided by the Board.

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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 Paul C. Sadro, ASA, MAAA. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please give us a call if you have any questions.

Sincerely,



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



Thomas Bergman, ASA, MAAA, EA  
Retiree Health Actuary

TJH/gxk

**AICPA Schedules for Alameda County Employees' Retirement Association  
Addendum to GASB Statement 74 Actuarial Valuation**

**EXHIBIT A1 - Schedule of Employer Allocations as of December 31, 2018**

**Actual Employer Contributions by Employer  
January 1, 2018 to December 31, 2018**

<b>Employer</b>	<b>Contributions</b>	<b>Percentage*</b>
Alameda County	\$205,905,618	76.351%
Health System	50,652,924	18.782%
Superior Court	9,789,834	3.630%
First 5	1,022,889	0.379%
Housing Authority	1,213,308	0.450%
LARPD	1,100,236	0.408%
ACOE	<u>0</u>	<u>0.000%</u>
Total for all Employers	\$269,684,809	100.000%

\* The unrounded percentages are used in the allocation of the NOL amongst employers.

**Allocation of December 31, 2018 Net OPEB Liability**

<b>Employer</b>	<b>NOL</b>	<b>Percentage</b>
Alameda County	\$177,817,632	76.351%
Health System	\$43,743,260	18.782%
Superior Court	\$8,454,384	3.630%
First 5	\$883,354	0.379%
Housing Authority	\$1,047,799	0.450%
LARPD	\$950,150	0.408%
ACOE	<u>0</u>	<u>0.000%</u>
Total for all Employers	\$232,896,579	100.000%

**Notes:**

1. Based on the January 1, 2018 through December 31, 2018 employer contributions in total as provided by ACERA.
2. The Net OPEB Liability (NOL) is the Total OPEB Liability (TOL) minus the OPEB SRBR Plan's Fiduciary Net Position (plan assets).
3. The employer's share of the total plan NOL is the ratio of the employer's total contributions to the total contributions for all employers.
4. ACOE was not required to make any Pension Plan contributions during 2018 because their payroll was \$0 in 2018. However, they are required to make a contribution under the Declining Employer Payroll Policy starting in 2019. As they would be expected to make a large lump sum contribution to partially pay off their liability in 2019, we would consult with the auditor on whether any special adjustment needs to be made when we report their NOL next year

**AICPA Schedules for Alameda County Employees' Retirement Association  
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**EXHIBIT A2 - Schedule of Employer Allocations as of December 31, 2019**

**Actual Employer Contributions by Employer  
January 1, 2019 to December 31, 2019**

<b>Employer</b>	<b>Contributions</b>	<b>Percentage*</b>
Alameda County	\$228,319,939	76.639%
Health System	54,239,577	18.207%
Superior Court	11,501,609	3.861%
First 5	1,200,993	0.403%
Housing Authority	1,208,258	0.406%
LARPD	1,306,574	0.439%
ACOE	<u>132,883</u>	<u>0.045%</u>
Total for all Employers	\$297,909,833	100.000%

\* The unrounded percentages are used in the allocation of the NOL amongst employers.

**Allocation of December 31, 2019 Net OPEB Liability**

<b>Employer</b>	<b>NOL</b>	<b>Percentage</b>
Alameda County	\$86,553,526	76.639%
Health System	20,561,615	18.207%
Superior Court	4,360,131	3.861%
First 5	455,283	0.403%
Housing Authority	458,037	0.406%
LARPD	495,308	0.439%
ACOE	<u>50,374</u>	<u>0.045%</u>
Total for all Employers	\$112,934,274	100.000%

**Notes:**

1. With the exception of an adjustment for the lump sum contribution made by ACOE (see item 4.), the above is based on the January 1, 2019 through December 31, 2019 employer contributions in total as provided by ACERA.
2. The Net OPEB Liability (NOL) is the Total OPEB Liability (TOL) minus the OPEB SRBR Plan's Fiduciary Net Position (plan assets).
3. The employer's share of the total plan NOL is the ratio of the employer's total contributions to the total contributions for all employers.
4. ACOE made a lump sum contribution of \$750,000 in 2019 to partially pay off their liability. That lump sum is greater than the amount that ACOE would have had to make on an installment basis over 20 years. In order to have a more level allocation of the NOL to ACOE, ACERA approved an approach outlined in our letter dated March 2, 2020 to determine ACOE's proportionate share of OPEB SRBR NOL by using the total annual UAAL contribution ACOE would have made of \$132,883 in 2019 if they did not make the additional contribution to partially pay off their UAAL.

**AICPA Schedules for Alameda County Employees' Retirement Association  
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**EXHIBIT B**

**Schedule of OPEB Amounts by Employer as of December 31, 2019**

Employer	Net OPEB Liability	Deferred Outflows of Resources				Total Deferred Outflows of Resources
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Changes of Assumptions	Changes in Proportion of Employer Contributions	
Alameda County	\$86,553,526	\$0	\$0	\$33,045,891	\$511,790	\$33,557,681
Health System	20,561,615	0	0	7,850,366	662,956	8,513,322
Superior Court	4,360,131	0	0	1,664,686	358,019	2,022,705
First 5	455,283	0	0	173,826	47,639	221,465
Housing Authority	458,037	0	0	174,877	\$0	174,877
LARPD	495,308	0	0	189,107	47,508	236,615
ACOE	<u>50,374</u>	<u>0</u>	<u>0</u>	<u>19,233</u>	<u>69,232</u>	<u>88,465</u>
<b>Total for all Employers</b>	<b>\$112,934,274</b>	<b>\$0</b>	<b>\$0</b>	<b>\$43,117,986</b>	<b>\$1,697,144</b>	<b>\$44,815,130</b>

AICPA Schedules for Alameda County Employees' Retirement Association  
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**EXHIBIT B**

**Schedule of OPEB Amounts by Employer as of December 31, 2019 - continued**

Employer	Deferred Inflows of Resources					OPEB Expense		
	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Changes of Assumptions	Changes in Proportion of Employer Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan OPEB Expense	Net Amortization of Deferred Amounts from Changes in Proportion of Employer Contributions	Total Employer OPEB Expense
Alameda County	\$51,130,217	\$43,329,122	\$6,133,287	\$369,658	\$100,962,284	\$13,941,938	(\$7,019)	\$13,934,919
Health System	12,146,471	10,293,245	1,457,021	893,328	24,790,065	3,312,041	16,308	3,328,349
Superior Court	2,575,683	2,182,703	308,964	269,204	5,336,554	702,324	(1,649)	700,675
First 5	268,952	227,917	32,262	2,018	531,149	73,337	8,325	81,662
Housing Authority	270,579	229,296	32,457	89,187	621,519	73,780	(17,713)	56,067
LARPD	292,596	247,953	35,098	67,054	642,701	79,785	(8,773)	71,012
ACOE	<u>29,758</u>	<u>25,218</u>	<u>3,570</u>	<u>6,695</u>	<u>65,241</u>	<u>8,114</u>	<u>10,521</u>	<u>18,635</u>
<b>Total for all Employers</b>	<b>\$66,714,256</b>	<b>\$56,535,454</b>	<b>\$8,002,659</b>	<b>\$1,697,144</b>	<b>\$132,949,513</b>	<b>\$18,191,319</b>	<b>\$0</b>	<b>\$18,191,319</b>

**AICPA Schedules for Alameda County Employees' Retirement Association  
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**EXHIBIT B**

**Schedule of OPEB Amounts by Employer as of December 31, 2019 - continued**

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**Notes:**

1. Amounts shown in this exhibit were allocated by employer based on the Employer Allocation Percentage calculated in Exhibit A2.
2. In determining the OPEB expense:
  - Any differences between projected and actual investment earnings on OPEB plan investments are recognized over a period of five years beginning with the year in which they occur.
  - Current-period (i.e., 2019) changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided with OPEB benefits through ACERA determined as of December 31, 2018 (the beginning of the measurement period ending December 31, 2019) and is 6.61 years.<sup>1</sup>
3. The average of the expected remaining service lives of all employees was determined by:
  - Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
  - Setting the remaining service life to zero for each nonactive or retired member.
  - Dividing the sum of the above amounts by the total number of active employees and nonactive and retired members.

<sup>1</sup> The remaining service lives of all employees of 6.61 years used here for GASB 75 is different from the 5.37 years used for GASB 68 because the number of payees and nonactive members (with 0 years of expected remaining service lives) receiving health benefits under the SRBR Plan is less than the number of payees and nonactive members receiving pension benefits.