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Via Email

May 22, 2023

Ms. Lisa Johnson
Assistant Chief Executive 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, 2022**

Dear Lisa:

In our Governmental Accounting Standards Board (GASB) Statement 74 actuarial valuation report dated May 22, 2023, 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 22, 2023. 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, 2021 and December 31, 2022, respectively.¹

Special Note Related to Allocation of NOL for the OPEB SRBR

The Alameda County Office of Education (ACOE) made a lump sum contribution of \$750,000 in 2019 to partially pay off their UAAL to the pension plan. That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL and NOL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the non-OPEB SRBR

¹ The December 31, 2021 and December 31, 2022 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 2021 and 2022, respectively, based on prior discussions and approval provided by the Board.

NOL by using ACOE's required contributions determined as if they had not made the additional lump sum contribution in 2019. We have continued to use that method in determining ACOE's proportionate share of the OPEB SRBR NOL in this letter.

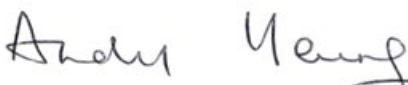
The County made voluntary County Safety contributions of \$800 million on around June 29, 2021 to reduce their Safety UAAL for the pension plan and associated contribution rates. The Livermore Area Recreation and Park District (LARPD) also made voluntary LARPD General contributions of \$12.611 million on around June 29, 2021 to reduce their General UAAL for the pension plan and associated contribution rates. We have amortized the voluntary County Safety UAAL contributions over 13 years effective FY 21-22 to provide a UAAL contribution rate credit for County Safety and the voluntary LARPD General UAAL contributions over 16 years effective FY 21-22 to provide a UAAL contribution rate credit for LARPD General. Similar to the approach approved by ACERA as described in the previous paragraph for determining ACOE's proportionate share of the OPEB SRBR NOL, we have determined the County Safety and LARPD's proportionate share of the OPEB SRBR NOL by using the County Safety and LARPD's required contributions, respectively, as if they had not made the voluntary UAAL contributions in 2021.

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.

The actuarial calculations were completed under the supervision of Mary Kirby, FSA, FCA, MAAA and Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. 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


Mary Kirby, FSA, FCA, MAAA
Senior Vice President and Consulting Actuary

VZP/jl

Schedule of Employer Allocations as of December 31, 2021

Actual Employer Contributions by Employer January 1, 2021 to December 31, 2021		
Employer	Contributions	Percentage¹
Alameda County ²	\$256,292,148	77.170%
Health System	59,357,100	17.872%
Superior Court	12,018,963	3.619%
First 5	1,477,674	0.445%
Housing Authority	1,398,011	0.421%
LARPD ³	1,422,470	0.428%
ACOE ⁴	<u>148,854</u>	<u>0.045%</u>
Total for all Employers	\$332,115,220	100.000%

¹ The unrounded percentages are used in the allocation of the NOL amongst employers.

² This includes \$139,147,479 of County General actual employer contributions and \$117,144,669 of County Safety adjusted employer contributions used for purposes of determining the proportionate share of the OPEB SRBR NOL for the County. The County made voluntary County Safety contributions of \$800,000,000 on around June 29, 2021 to reduce their Safety UAAL for the pension plan and associated contribution rates. We have amortized the voluntary County Safety UAAL contributions to provide a UAAL contribution rate credit for County Safety over 13 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined County Safety's proportionate share of the OPEB SRBR NOL by using the County Safety's actual contributions (but excluding \$800 million of voluntary UAAL contributions) made in 2021 in the amount of \$89,395,284 plus the contribution credit applied in 2021 in the amount of \$27,749,385 for a total adjusted County Safety contribution of \$117,144,669.

³ LARPD made voluntary LARPD General contributions of \$12,611,250 on around June 29, 2021 to reduce their General UAAL for the pension plan and associated contribution rates. We have amortized the voluntary LARPD General UAAL contributions to provide a UAAL contribution rate credit for LARPD General over 16 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined LARPD's proportionate share of the OPEB SRBR NOL by using LARPD's actual contributions (but excluding \$12,611,250 of voluntary UAAL contributions) made in 2021 in the amount of \$1,081,079 plus the contribution credit applied in 2021 in the amount of \$341,391 for a total adjusted LARPD contribution of \$1,422,470.

⁴ ACOE made a lump sum contribution of \$750,000 in 2019 to partially pay off their UAAL to the pension plan. That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL and NOL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the OPEB SRBR NOL by using ACOE's required contributions determined in our December 31, 2019 valuation in the amount of \$89,000 based on an April 1, 2021 payment date plus the amortization of the remaining balance of the original \$750,000 lump sum amount (an amount of \$59,854 which represents the additional UAAL contribution ACOE would have been required to pay if they did not make the additional lump sum contribution in 2019).

Schedule of Employer Allocations as of December 31, 2021

Employer	Allocation of December 31, 2021 Net OPEB Liability	
	NOL	Percentage ¹
Alameda County	(\$324,547,291)	77.170%
Health System	(75,164,948)	17.872%
Superior Court	(15,219,826)	3.619%
First 5	(1,871,205)	0.445%
Housing Authority	(1,770,326)	0.421%
LARPD	(1,801,299)	0.428%
ACOE	(188,496)	0.045%
Total for all Employers	(\$420,563,391)	100.000%

Notes:

1. Allocated based on the actual January 1, 2021 through December 31, 2021 employer contributions in total as provided by ACERA, with an adjustment to reflect the total annual UAAL contribution ACOE would have been required to make of \$148,854 in 2021 had they not made the additional contribution in 2019 to partially pay off their UAAL for the pension plan. This approach is outlined in our March 2, 2020 letter and is approved by ACERA. Following this approach, there is an adjustment to reflect the total annual contribution County Safety would have been required to make of \$117,144,669 in 2021 had they not made the voluntary County Safety UAAL contribution in 2021 to the pension plan. There is also an adjustment to reflect the total annual contribution LARPD would have been required to make of \$1,422,470 in 2021 had they not made the voluntary LARPD General UAAL contribution in 2021 to the pension plan.
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.

¹ The unrounded percentages are used in the allocation of the NOL amongst employers.

Schedule of Employer Allocations as of December 31, 2022

Actual Employer Contributions by Employer January 1, 2022 to December 31, 2022		
Employer	Contributions	Percentage¹
Alameda County ²	\$283,811,533	77.476%
Health System	64,478,768	17.602%
Superior Court	13,151,755	3.590%
First 5	1,695,921	0.463%
Housing Authority	1,508,274	0.412%
LARPD ³	1,514,139	0.413%
ACOE ⁴	<u>159,854</u>	<u>0.044%</u>
Total for all Employers	\$366,320,244	100.000%

¹ The unrounded percentages are used in the allocation of the NOL amongst employers.

² This includes \$151,823,933 of County General actual employer contributions and \$131,987,600 of County Safety adjusted employer contributions used for purposes of determining the proportionate share of the OPEB SRBR NOL for the County. The County made voluntary County Safety contributions of \$800,000,000 on around June 29, 2021 to reduce their Safety UAAL for the pension plan and associated contribution rates. We have amortized the voluntary County Safety UAAL contributions to provide a UAAL contribution rate credit for County Safety over 13 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined County Safety's proportionate share of the OPEB SRBR NOL by using the County Safety's actual contributions made in 2022 in the amount of \$48,368,659 plus the contribution credit applied in 2022 in the amount of \$83,618,941 for a total adjusted County Safety contribution of \$131,987,600.

³ LARPD made voluntary LARPD General contributions of \$12,611,250 on around June 29, 2021 to reduce their General UAAL for the pension plan and associated contribution rates. We have amortized the voluntary LARPD General UAAL contributions to provide a UAAL contribution rate credit for LARPD General over 16 years effective FY 21-22. Similar to the approach approved by ACERA for ACOE to determine ACOE's proportionate share of the OPEB SRBR NOL, we determined LARPD's proportionate share of the OPEB SRBR NOL by using LARPD's actual contributions made in 2022 in the amount of \$519,392 plus the contribution credit applied in 2022 in the amount of \$994,747 for a total adjusted LARPD contribution of \$1,514,139.

⁴ ACOE made a lump sum contribution of \$750,000 in 2019 to partially pay off their UAAL to the pension plan. That lump sum is greater than the amount that ACOE would have to make on an installment basis over 20 years. In order to have a more level allocation of the NPL and NOL to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the OPEB SRBR NOL by using ACOE's required contributions determined in our December 31, 2020 valuation in the amount of \$100,000 based on an April 1, 2022 payment date plus the amortization of the remaining balance of the original \$750,000 lump sum amount (an amount of \$59,854 which represents the additional UAAL contribution ACOE would have been required to pay if they did not make the additional lump sum contribution in 2019).

Schedule of Employer Allocations as of December 31, 2022

Employer	Allocation of December 31, 2022 Net OPEB Liability	
	NOL	Percentage ¹
Alameda County	\$148,209,340	77.476%
Health System	33,671,484	17.602%
Superior Court	6,867,983	3.590%
First 5	885,628	0.463%
Housing Authority	787,636	0.412%
LARPD	790,699	0.413%
ACOE	83,477	0.044%
Total for all Employers	\$191,296,247	100.000%

Notes:

1. Allocated based on the actual January 1, 2022 through December 31, 2022 employer contributions in total as provided by ACERA, with an adjustment to reflect the total annual UAAL contribution ACOE would have been required to make of \$159,854 in 2022 had they not made the additional contribution in 2019 to partially pay off their UAAL for the pension plan. This approach is outlined in our March 2, 2020 letter and is approved by ACERA. Following this approach, there is an adjustment to reflect the total annual contribution County Safety would have been required to make of \$131,987,600 in 2022 had they not made the voluntary County Safety UAAL contribution in 2021 to the pension plan. There is also an adjustment to reflect the total annual contribution LARPD would have been required to make of \$1,514,139 in 2022 had they not made the voluntary LARPD General UAAL contribution in 2021 to the pension plan.
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.

¹ The unrounded percentages are used in the allocation of the NOL amongst employers.

Schedule of OPEB Amounts by Employer as of December 31, 2022

Employer	Net OPEB Liability	Deferred Outflows of Resources					Total Deferred Outflows of Resources
		Differences Between Actual And Expected Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		
Alameda County	\$148,209,340	\$0	\$131,476,044	\$32,647,119	\$1,010,359	\$165,133,522	
Health System	33,671,484	0	29,869,869	7,417,057	582,476	37,869,402	
Superior Court	6,867,983	0	6,092,567	1,512,859	310,736	7,916,162	
First 5	885,628	0	785,637	195,083	80,622	1,061,342	
Housing Authority	787,636	0	698,710	173,498	23,481	895,689	
LARPD	790,699	0	701,426	174,173	68,448	944,047	
ACOE	<u>83,477</u>	<u>0</u>	<u>74,053</u>	<u>18,388</u>	<u>32,445</u>	<u>124,886</u>	
Total for all Employers	\$191,296,247	\$0	\$169,698,306	\$42,138,177	\$2,108,567	\$213,945,050	

Schedule of OPEB Amounts by Employer as of December 31, 2022

Employer	Deferred Inflows of Resources				OPEB Expense			
	Differences Between Expected and Actual Experience	Net Difference Between Actual and Projected Earnings on OPEB Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan OPEB Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer OPEB Expense
Alameda County	\$56,288,258	\$0	\$31,496,423	\$68,305	\$87,852,986	\$14,266,554	\$191,274	\$14,457,828
Health System	12,788,055	0	7,155,631	1,330,052	21,273,738	3,241,199	(123,591)	3,117,608
Superior Court	2,608,384	0	1,459,536	566,262	4,634,182	661,108	(74,282)	586,826
First 5	336,352	0	188,207	374	524,933	85,251	23,106	108,357
Housing Authority	299,134	0	167,383	49,725	516,242	75,817	(13,985)	61,832
LARPD	300,299	0	168,034	91,876	560,209	76,112	(12,969)	63,143
ACOE	<u>31,704</u>	<u>0</u>	<u>17,740</u>	<u>1,973</u>	<u>51,417</u>	<u>8,035</u>	<u>10,447</u>	<u>18,482</u>
Total for all Employers	\$72,652,186	\$0	\$40,652,954	\$2,108,567	\$115,413,707	\$18,414,076	\$0	\$18,414,076

Schedule of OPEB Amounts by Employer as of December 31, 2022

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., 2022) changes in assumptions and differences between actual and expected 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, 2021 (the beginning of the measurement period ending December 31, 2022) and is 6.28 years.¹
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
4. There was an increase in the total employer OPEB expense from (negative or an income) (\$111.4) million calculated last year to \$18.4 million calculated this year. The primary cause of the increase was due to the unfavorable return on the market value of assets for the year ended December 31, 2022 which raised the OPEB expense by \$129.3 million.

¹ The remaining service lives of all employees of 6.28 years used here for GASB 75 is different from the 4.98 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.