



Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary
T 415.263.8283
ayeung@segalco.com
Eva Yum, FSA, MAAA, EA
Senior Actuary
T 415.263.8248
eyum@segalco.com

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

June 4, 2021

Mr. David Nelsen
Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612-1900

**Re: Alameda County Employees' Retirement Association (ACERA)
County Safety Employer Contribution Rates for FY 2021-2022
Before and After Reflecting \$800 Million Additional Contributions**

Dear Dave:

The County is considering the payment of about \$800 million additional contributions to reduce the Unfunded Actuarial Accrued Liability (UAAL) for the County's Safety membership group. As requested by the Association, we have provided in this letter the County's Safety Employer contribution rates before and after the payment of the \$800 million additional contributions.

We understand that the County is targeting to make about \$800 million additional contributions on June 29, 2021. For purposes of the illustrations herein, we assumed that the additional contribution amount is exactly \$800 million and this amount is not adjusted with interest to July 1, 2021, as contributions that are deposited into ACERA would not earn any interest unless they are on deposit for at least six months prior to the June 30 or December 31 interest crediting dates in accordance with ACERA's interest crediting policy and CERL Section 31615. Based on the draft Memorandum of Understanding (MOU) between ACERA and the County, the additional contributions would be amortized over 13 years¹ as a level percent of pay and would be used to reduce the County's UAAL contribution rate for their Safety membership group starting FY 2021-2022.

SAFETY EMPLOYER CONTRIBUTION RATES AFTER ADDITIONAL CONTRIBUTIONS

The resulting amortization credit for the additional contributions is 42.85% of Safety payroll.² Since the actual amount of the County additional contributions has not been finalized, we have also provided an estimation factor for each \$10 million difference in the final contribution amount. Each \$10 million difference in the final contribution amount would result in an

¹ There are different UAAL amortization layers with periods that range from 12 to 20 years remaining to amortize the Safety UAAL as of December 31, 2020. The annual amortization payment for these layers is roughly equivalent to the payment required under a single 13-year period to amortize the entire Safety UAAL.

² The contribution credit for the first year is about \$78.4 million based on a projected FY 2021-2022 Safety payroll of \$182.9 million.

adjustment in the final rate credit by 0.5356% of Safety payroll before it is rounded to two decimal places as has been the Board's general practice used in rate setting (i.e., 0.54% of Safety payroll).

The employer contribution rates for each Safety tier are shown as follows:

- Exhibit 1 (Safety Employer Contribution Rates Before \$800 Million Additional Contributions) – This exhibit provides the employer contribution rates for the County's Safety membership group as determined in the December 31, 2020 actuarial valuation for FY 2021-2022. These rates are before any consideration of the \$800 million additional contributions.
- Exhibit 2 (Safety Employer Contribution Rates After \$800 Million Additional Contributions) – This exhibit provides the Safety employer contribution rates for FY 2021-2022 that reflect the \$800 million additional contributions that are amortized to reduce the County's Safety UAAL payments over 13 years.

FUNDED STATUS

We are also providing the funded percentage of the total Plan (including all members in the General and Safety membership groups) as well as for just the Safety membership group before and after reflecting the \$800 million additional contributions. For purposes of determining the funded percentage after reflecting the \$800 million additional contributions, we assumed that the \$800 million is deposited on June 29, 2021 and we have discounted the amount to December 31, 2020 with the assumed 7.00% interest rate used in the actuarial valuation for the time value of money.

As of December 31, 2020, the funded percentage for the total Plan on the Valuation Value of Assets basis is 76.2%. After reflecting the deposit of \$800 million additional contributions (discounted to December 31, 2020), the funded percentage as of December 31, 2020 is increased from 76.2% to 83.5%.

As of December 31, 2020, the Actuarial Accrued Liability for the Safety membership group is \$2,925 million and the Valuation Value of Assets for the Safety membership group is \$1,989 million for a funded percentage of 68.0%. After reflecting the deposit of \$800 million additional contributions (discounted to December 31, 2020), the funded percentage is increased from 68.0% to 94.5%.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used to develop the contribution rate credit from the \$800 million additional contributions provided herein are based on the assumptions used to perform the December 31, 2020 funding valuation for ACERA's Retirement Plan. In particular, those assumptions include an annual interest rate of 7.00% and an annual payroll growth rate of 3.25% for an amortization that is a level percentage of payroll during the amortization period.

Mr. David Nelsen
June 4, 2021
Page 3

We assumed the FY 2021-2022 contribution rates would be effective July 1, 2021 even though in practice the contribution rate changes would take effect for pay period 21-18 ending August 21, 2021, for the pay date of September 3, 2021.


These calculations were completed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,



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



Eva Yum, FSA, MAAA, EA
Senior Actuary

EY/bbf
Attachments

cc: Margo Allen
Jeff Rieger

Alameda County Employees' Retirement Association
 Safety Employer Contribution Rates for FY 2021-2022
Before \$800 Million Additional Contributions

| | Basic | COLA | Total |
|--|---------------|---------------|---------------|
| Safety Tier 1 Members | | | |
| Normal Cost | 29.74% | 12.62% | 42.36% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | -3.00% | 0.00% | -3.00% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| Total Contributions | 64.51% | 24.44% | 88.95% |
| Safety Tier 2 Members | | | |
| Normal Cost | 18.69% | 3.84% | 22.53% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | -2.97% | 0.00% | -2.97% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| Total Contributions | 53.49% | 15.66% | 69.15% |
| Safety Tier 2C Members | | | |
| Normal Cost | 20.02% | 4.26% | 24.28% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | 0.00% | 0.00% | 0.00% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| Total Contributions | 57.79% | 16.08% | 73.87% |
| Safety Tier 2D Members | | | |
| Normal Cost | 19.10% | 4.07% | 23.17% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | -2.93% | 0.00% | -2.93% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| Total Contributions | 53.94% | 15.89% | 69.83% |
| Safety Tier 4 Members | | | |
| Normal Cost | 13.19% | 3.74% | 16.93% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | 0.00% | 0.00% | 0.00% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| Total Contributions | 50.96% | 15.56% | 66.52% |
| All Safety Categories Combined | | | |
| Normal Cost | 17.24% | 3.87% | 21.11% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | -2.09% | 0.00% | -2.09% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| Total Contributions | 52.92% | 15.69% | 68.61% |

Alameda County Employees' Retirement Association
 Safety Employer Contribution Rates for FY 2021-2022
After \$800 Million Additional Contributions

| | Basic | COLA | Total |
|--|---------------|---------------|---------------|
| Safety Tier 1 Members | | | |
| Normal Cost | 29.74% | 12.62% | 42.36% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | -3.00% | 0.00% | -3.00% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| County Safety Voluntary Contribution Credit | -32.64% | -10.21% | -42.85% |
| Total Contributions | 31.87% | 14.23% | 46.10% |
| Safety Tier 2 Members | | | |
| Normal Cost | 18.69% | 3.84% | 22.53% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | -2.97% | 0.00% | -2.97% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| County Safety Voluntary Contribution Credit | -32.64% | -10.21% | -42.85% |
| Total Contributions | 20.85% | 5.45% | 26.30% |
| Safety Tier 2C Members | | | |
| Normal Cost | 20.02% | 4.26% | 24.28% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | 0.00% | 0.00% | 0.00% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| County Safety Voluntary Contribution Credit | -32.64% | -10.21% | -42.85% |
| Total Contributions | 25.15% | 5.87% | 31.02% |
| Safety Tier 2D Members | | | |
| Normal Cost | 19.10% | 4.07% | 23.17% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | -2.93% | 0.00% | -2.93% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| County Safety Voluntary Contribution Credit | -32.64% | -10.21% | -42.85% |
| Total Contributions | 21.30% | 5.68% | 26.98% |
| Safety Tier 4 Members | | | |
| Normal Cost | 13.19% | 3.74% | 16.93% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | 0.00% | 0.00% | 0.00% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| County Safety Voluntary Contribution Credit | -32.64% | -10.21% | -42.85% |
| Total Contributions | 18.32% | 5.35% | 23.67% |
| All Safety Categories Combined | | | |
| Normal Cost | 17.24% | 3.87% | 21.11% |
| Member Cost Sharing Contributions (Adjusted for Refunds) | -2.09% | 0.00% | -2.09% |
| UAAL (Before POB Credit) | 41.99% | 13.81% | 55.80% |
| Pension Obligation Bond Credit | -3.28% | -1.99% | -5.27% |
| Implicit Retiree Health Benefit Subsidy | -0.94% | 0.00% | -0.94% |
| County Safety Voluntary Contribution Credit | -32.64% | -10.21% | -42.85% |
| Total Contributions | 20.28% | 5.48% | 25.76% |