



April 16, 2015

To: Members of the Actuarial Committee

From: Elizabeth Rogers, Vice Chair

Subject: Summary of the April 16, 2015 Actuarial Committee Meeting

Actuarial Committee Vice-Chair Elizabeth Rogers called the April 16, 2015 Actuarial Committee Meeting to order at 12:37 p.m. Committee members present were Keith Carson, Chair, Elizabeth Rogers, Vice-Chair, Ophelia Basgal, Liz Koppenhaver, and George Wood. The other Board members present were Annette Cain-Darnes and Dale Amaral, and alternate members David Safer and Darryl Walker. Staff present were Kathy Foster, Interim Chief Executive Officer; Margo Allen, Fiscal Services Officer; Joseph Fletcher, Chief Counsel; Latrena Walker, Project and Information Services Manager; Harsh Jadhav, Internal Auditor; and Victoria Arruda, Human Resources Director.

ACTION ITEM

There were no action items for discussion.

INFORMATION ITEMS

1. Actuarial Valuation and Review as of December 31, 2014

Andy Yeung, Vice-President and Associate Actuary, Segal Consulting, presented the Actuarial Valuation and Review as of December 31, 2014. He reminded the Committee that last year the Board adopted assumptions from the December 1, 2010 to November 30, 2013 experience study including a 7.60% investment return assumption, 3.25% inflation assumption, and 0.50% across-the-board salary increase assumption which have been applied to this valuation.

Mr. Yeung discussed the key findings of the valuation noting that the differences from the 2013 valuation were primarily due to the changes in the actuarial assumptions and other reasons outlined in the valuation.

- The funding ratio decreased from 75.9% in 2013 to 74.8% in 2014 on a valuation value of asset basis. If measured on a market value of asset basis, the funded ratio decreased from 80.9% to 76.4%.
- The unfunded actuarial accrued liability (UAAL) increased from \$1,650.7 million in 2013 to \$1,911.0 million in 2014.
- The aggregate employer contribution rate increased from 23.65% of payroll in 2013 to 25.58% of payroll in 2014.
- The aggregate member contribution rate increased from 8.59% of payroll to 8.75% of payroll.

2. Participating Employers Meeting and Government Accounting Standards Board (GASB) 67 Illustration of Reporting of Net Pension Liability

Staff explained that Segal Consulting will be preparing a GASB 67 report which will produce an unaudited net pension liability (NPL). It was explained that ultimately the Participating Employers

will be required by GASB 68 to include a proportionate share of the audited NPL in their respective financial statements. The GASB 67 report will be previewed with the employers at the May 8, 2015 Participating Employers meeting.

Mr. Yeung reminded the trustees that the 7.60% investment return assumption for funding was developed without considering the future impact of any future 50/50 excess earnings allocation. Consistent with the guidance found in the revised Actuarial Standard of Practice (ASOP) No. 4, Segal studied the future impact of the 50% allocation of future excess earnings to the SRBR in a stochastic model and estimated that the allocation would have the same impact on the total employer contribution rate as that calculated using an investment return assumption of 6.85%. He explained that this same 6.85% investment return assumption will be used in preparing the GASB 67 report.

Robert Griffin, Audit Partner, Williams Adley & Company, commented that Segal's approach to re-measuring liabilities and contribution rates using the 6.85% investment return assumption was reasonable and that their methodology was sound.

Staff recapped since GASB 67 reporting requirements are independent of funding requirements, if the 6.85% assumption rate is used only for reporting and not funding, there is no impact to the employers' contribution rates.

Participating Employer representatives from the County of Alameda, Livermore Area Recreation and Park District (LARPD), Alameda Health Systems, and First 5 were present at the meeting. Susan Muranishi, County of Alameda Administrator, and Don Humphrey, LARPD Finance Manager, addressed the trustees regarding the 6.85% investment return assumption for the GASB 67 report.

3. Proposed 2015 Actuarial Committee Work Plan

Staff presented the proposed 2015 Actuarial Committee work plan.

TRUSTEE/PUBLIC INPUT

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for June 18, 2015 at 12:30 p.m.

MEETING ADJOURNED

The meeting adjourned at 2:02 p.m.