Alameda County Employees' Retirement Association
BOARD OF RETIREMENT

AUDIT 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, April 18, 2024
12:30 p.m.

LOCATION AND TELECONFERENCE	COMMITTEE MEMBERS	
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**	**HENRY LEVY, CHAIR**	**TREASURER**
	TARRELL GAMBLE, VICE-CHAIR	**APPOINTED**
	JAIME GODFREY	**APPOINTED**
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.	**KELLIE SIMON**	**ELECTED GENERAL**
	GEORGE WOOD	**ELECTED GENERAL**
Link: https://zoom.us/join **Call-In: 1 (669) 900-6833 US** **Webinar ID: 879 6337 8479** **Passcode: 699406** **For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193**		

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 Member, either of the two Elected General Members, or both the Retired and Alternate Retired Members.

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

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 before the meeting at accommodation@acera.org or at 510-628-3000.

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

AUDIT COMMITTEE/BOARD MEETING

Call to Order 12:30 p.m.

Roll Call

Public Comment (Time Limit: 4 minutes per speaker)

Action Items: Matters for Discussion and Possible Motion by the Committee
None

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

External Audit

1. **Presentation and discussion of the GASB Statement No. 67 Valuation and addendum as of December 31, 2023**
   - Erica Haywood
   - Andy Yeung, Segal
   - Eva Yum, Segal

2. **Presentation and discussion of the GASB Statement No. 74 Valuation and addendum as of December 31, 2023**
   - Erica Haywood
   - Andy Yeung, Segal
   - Eva Yum, Segal

Internal Audit

1. **Progress report on the Internal Audit Plan** - Harsh Jadhav

2. **Review Complete Audits** - Harsh Jadhav

Trustee Comment

Future Discussion Items

Establishment of Next Meeting Date

May 16, 2024

ACERA

MEMORANDUM TO THE AUDIT COMMITTEE

DATE: April 18, 2024

TO: Members of the Audit Committee

FROM: Erica Haywood, Fiscal Services Officer EH

SUBJECT: Draft Governmental Accounting Standards Board (GASB) Statement No. 67 and Statement No. 74 Actuarial Valuations and Addendums as of December 31, 2023

Executive Summary

Staff is in receipt of the draft GASB Statement No. 67 and GASB Statement No. 74 (GASB 67 and GASB 74, respectively) actuarial valuations and addendums as of December 31, 2023. It has been staff's practice to bring the GASB 67 and GASB 74 valuations (***liability reporting)*** to the audit committee for review and approval, as opposed to the pension valuation (***contribution funding***), which staff takes to the actuarial committee.

The GASB 67 valuation measures and reports the Total/Net Pension Liability (TPL/NPL), while the GASB 74 valuation measures and reports the Total/Net OPEB (Other Postemployment Benefits) Liability (TOL/NOL)

GASB Statement No. 67, Reporting the 2023 Net Pension Liability (NPL)

As of December 31, 2023, the Net Pension Liability (NPL) decreased from $2.2 billion as of December 31, 2022, to $1.7 billion as of December 31, 2023. The $0.5 billion decrease in the NPL was primarily a result of favorable investment return during calendar year 2023.

Consider the following points when reviewing the GASB 67 report:

- The GASB rules only define pension and non-OPEB liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans must still develop and adopt funding policies under current practices.
- When measuring **pension liability,** GASB 67 uses the same actuarial cost method (Entry Age) and the same type of discount rate (expected return on assets) as ACERA uses for funding. This means that the TPL measure for financial reporting shown in the report is determined on generally the same basis as ACERA's Actuarial Accrued Liability (AAL) measure for funding. Note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.
- The **Net Pension Liability** (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) calculated on a market value basis.

GASB Statement No. 74, Reporting the 2023 Net OPEB Liability/Asset) (NOL/NOA)

As of December 31, 2023, the Net OPEB Liability/Asset (NOL/NOA) increased from $191.3 million Net OPEB Liability as of December 31, 2022, to $208.5 million Net OPEB Liability as of December 31, 2023. The $17.2 million increase in the NOL was primarily due to the transfer of $54.2 million to the non-OPEB reserve somewhat offset by the result of favorable investment results during calendar year 2023.

Consider the following points when reviewing the GASB 74 report:

- The GASB rules only define OPEB liability and expense for financial reporting purposes, and do not apply to contribution amounts for OPEB plan funding purposes. Employers and plans must still develop and adopt funding policies under current practices.
- When measuring **OPEB liability**, GASB 74 uses the same actuarial cost method (Entry Age) and for benefits that are being fully funded on an actuarial basis, the same expected return on Plan assets as used for funding. This means that the TOL measure for financial reporting shown in this report is determined on the same basis as the Actuarial Accrued Liability (AAL) measure for funding or sufficiency purposes[2].
- The **Net OPEB Liability** (NOL) is equal to the difference between the TOL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets. The NOL reflects all investment gains and losses as of the measurement date.

Conclusion

Segal is prepared to discuss the GASB 67 and the GASB 74 reporting valuations/addendums and, if necessary, the methodology used for calculating and reporting the NPL and NOL, which subsequently determines each employer's proportionate share of liability.

Attachment:
ACERA GASB 67 Valuation Draft
ACERA GASB 67 Addendum Draft
ACERA GASB 74 Valuation Draft
ACERA GASB 74 Addendum Draft

Alameda County Employees' Retirement Association (ACERA)

Governmental Accounting Standards Board Statement No. 67 Actuarial Valuation as of December 31, 2023

Segal

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

April 9, 2024

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 67 (GASB 67) Accounting Valuation as of December 31, 2023 for the Alameda County Employees' Retirement Association ("ACERA" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 67. Please refer to ACERA's Actuarial Valuation and Review as of December 31, 2022, draft dated April 5, 2024, for the data, assumptions, and plan of benefits underlying these calculations.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Retirement (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board of Retirement based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of ACERA and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

Andy Yeung, ASA, MAAA, FCA, EA Vice President and Actuary	Eva Yum, FSA, MAAA, EA Vice President and Actuary

ST/

5846965v7/05579.025

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement No. 67 (GASB 67) as of December 31, 2023. This report is based on:

- The benefit provisions of ACERA, as administered by the Board;
- The characteristics of covered active, inactive, and retired members and beneficiaries as of November 30, 2022*, provided by the staff of the ACERA;
- The assets of the Plan as of December 31, 2023, provided by ACERA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the December 31, 2023 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the December 31, 2023 valuation.

General observations on a GASB 67 Actuarial Valuation

1. The Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, they do not apply to contribution amounts for pension funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as ACERA uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is generally determined on the same basis as ACERA's Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the service cost for financial reporting shown in this report and the normal cost component of the annual plan cost for funding.
3. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan Fiduciary Net Position (FNP). The Plan FNP is equal to the fair value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.

* Data as of November 30 has been adjusted to December 31 by adding one month of age and, for active members, one month of service.

Highlights of the valuation

1. The reporting date for the Plan is December 31, 2023 and the NPL was measured as of the same date. The TPL was determined based upon rolling forward the TPL from the actuarial funding valuation as of December 31, 2022 while the Plan FNP was valued as of the measurement date.

   Similar to last year, we have included in the TPL as of December 31, 2023 the non-OPEB unlimited AAL of $200.3 million, which was calculated by rolling forward the total unlimited non-OPEB AAL as of December 31, 2022.

2. The results of this valuation reflect an experience study of the actuarial assumptions based on the experience during the period December 1, 2019 through November 30, 2022. Based on that study and the recommendations provided in our report dated January 8, 2024, the Board adopted updated actuarial assumptions for use in this valuation.

3. The NPL decreased from $2.2 billion as of December 31, 2022 to $1.7 billion as of December 31, 2023 primarily due to: (a) favorable investment experience,[1] a return on the market value of assets of 12.3% during calendar year 2023 that was greater than the assumption of 7.00% used in the December 31, 2022 valuation (a gain of about $487 million[2]), (b) $54.2 million transfer from the OPEB SRBR to the non-OPEB SRBR made by the Board to equalize the sufficiency periods of the OPEB and non-OPEB SRBR benefits, (c) reflecting the assumptions recommended in the experience study, offset to some extent by (d) a new election process adopted by the Board to allow active members to elect an optional settlement 2 allowance in advance to provide a continuance of 100% to the member's spouse, domestic partner or other beneficiaries upon the member's pre-retirement death. Changes in these values during the last two fiscal years can be found in *Section 2, Exhibit 3* on page 22.

4. As we disclosed in our December 31, 2023 funding valuation report, the 7.00% investment return assumption that the Board approved on December 21, 2023 for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates has continued to be developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the Supplemental Retiree Benefits Reserve (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 of 7.00%.

   Actuarial Standard of Practice (ASOP) No. 4 ("Measuring Pension Obligations and Determining Pension Plan Costs or Contributions") states that some plan provisions, including gain sharing provisions, "may create pension obligations that are difficult to appropriately measure using traditional valuation procedures." ASOP No. 4 further states that "for such plan

[1] The market value investment return for ACERA as a whole was 12.11% net of administrative expenses, or 12.29% gross of administrative expenses, during 2023. In allocating the end of year market value of assets between the Pension Plan and the SRBR, we have taken into consideration that for ACERA as a whole, the actuarial value of assets was higher than the market value of assets as of December 31, 2023 and there are deferred investment losses scheduled to be recognized in the next few years. As a result, the plan FNP allocated to the Pension Plan and the SRBR has generally been done in proportion to the actuarial value of assets and the market value investment return of 12.3% for the Pension Plan is very close to the 12.0% investment return for the SRBR (OPEB and non-OPEB SRBR combined).

[2] This amount represents the investment income on the Plan FNP for the Pension Plan and non-OPEB SRBR that is above the assumed earnings (actual market return of 12.3% versus 7.00% assumed in the valuation) for the year ending December 31, 2023.

provisions, the actuary should consider using alternative valuation procedures, such as stochastic modeling…to reflect the impact of variations in experience from year to year." Accordingly, we performed a stochastic model to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our 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 the determination of the TPL) that would average approximately 0.75% of assets over time. This approximated outflow was incorporated into our GASB crossover test[1] in *Appendix A*, along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA's funding policy. (The choice of this methodology by the Board in 2015 to reflect the impact of the SRBR was a result of several meetings with ACERA and its auditors, as well as with administrative staff, auditors, and consultants representing the County of Alameda, and after twice consulting with GASB staff.)

5. As of December 31, 2023, the deferred investment loss for the entire Plan was $292.8 million. After offsetting this loss by the balance in the Contingency Reserve, the residual loss is $256.1 million. Generally speaking, the proportionate share of the net deferred investment loss as of December 31, 2023 for the Pension Plan was equal to $233.2 million and in calculating the Plan FNP we have adjusted the Pension Plan's valuation value of assets in the funding valuation to reflect that amount. We have also continued the practice of adjusting the Plan FNP as of December 31, 2023 to include the $111.3 million[2] set aside by the Retirement Board in the SRBR reserve to pay non-vested Supplemental COLA and retired member death benefits[3] as of December 31, 2023. We have subtracted from the Plan FNP the proportionate share of the net deferred investment loss that is commensurate with the size of the non-OPEB SRBR reserve, or $2.1 million. The net effect of the adjustments to the Plan FNP as of December 31, 2023 for non-OPEB SRBR benefits was an addition of $109.2 million.
6. The $91.1 million difference between the $200.3 million added to the TPL and the net $109.2 million added to the Plan FNP as of December 31, 2023 represents the NPL attributable to non-OPEB SRBR benefits.
7. For the December 31, 2023 measurement date, the Plan FNP amount of $10,218,483,831 includes the net fair value of assets of $11,278,820,795, less OPEB-related SRBR assets of $1,060,336,964. The OPEB-related SRBR assets include $1,070,992,004 in the SRBR-OPEB reserve (after reducing the reserve by the $4,116,000 SRBR implicit subsidy transfer), and $10,116,636 in the 401(h) reserve, minus a proportionate share of the deferred market losses commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of $20,771,676. For the December 31, 2022 measurement date, the Plan FNP amount of $9,257,791,490 includes the net fair value of assets of $10,298,512,063, less OPEB-related SRBR assets of $1,040,720,573. The OPEB-related SRBR assets include $1,105,725,871 in the SRBR-OPEB reserve (after reducing the

[1] The purpose of the GASB crossover test is to determine if the full expected return (or 7.00% in this case) can be used as the discount rate to determine the TPL and the NPL. That is, if there is no crossover point where the projected benefit payments would exceed the Plan FNP, then the full expected return assumption can be used. As detailed later in this report, ACERA **does** pass the crossover test, which means that the full 7.00% investment rate of return assumption can be used as the discount rate to determine the TPL and the resulting NPL.

[2] This includes $54.2 million transferred from the OPEB SRBR to the non-OPEB SRBR approved by the Board on March 21, 2024 to equalize the sufficiency periods for OPEB and non-OPEB SRBR benefits.

[3] We have excluded the liability and the assets associated with the OPEB component of the SRBR reserve account because it is our understanding that those amounts are reportable under GASB 74/75.

reserve by the $7,981,476 SRBR implicit subsidy transfer), and $8,979,234 in the 401(h) reserve, minus a proportionate share of the deferred market losses commensurate with the size of the OPEB to total SRBR and 401(h) reserve to valuation and 401(h) reserves of $73,984,532.

8. Employer contributions shown in this report are on a net basis after (a) considering the total cash contributions made by the employers, (b) reducing by the employer contributions made to the 401(h) account, and (c) increasing by the amount of transfer from the SRBR to the Employers Advance Reserve for employer contributions made to the 401(h) account in (b).
9. The discount rate used to measure the TPL and NPL as of December 31, 2023 was 7.00%, following the same assumptions used by ACERA in the actuarial funding valuation as of December 31, 2023. The detailed calculations used in the derivation of the 7.00% discount rate can be found in *Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.

Summary of key valuation results

Valuation Result	Current	Prior
Measurement Date	December 31, 2023	December 31, 2022
Disclosure elements		
Service cost[1]	$257,507,229	$245,467,025
Total Pension Liability	11,961,224,043	11,489,051,341
Plan Fiduciary Net Position	10,218,483,831	9,257,791,490
Net Pension Liability	1,742,740,212	2,231,259,851
Schedule of contributions		
Actuarially determined contributions	$288,640,038	$281,646,702
Actual contributions	288,640,038	281,646,702
Contribution deficiency / (excess)	0	0
Demographic data[2]		
Number of retired members and beneficiaries	11,026	10,798
Number of inactive members[3]	3,838	3,564
Number of active members	11,547	11,346
Key assumptions		
Investment rate of return	7.00%	7.00%
Inflation rate	2.50%	2.75%
Real across-the-board salary increases	0.50%	0.50%
Projected salary increases[4]	General: 8.00% to 3.45% Safety: 11.40% to 4.00%	General: 8.35% to 3.65% Safety: 11.25% to 4.05%
Cost-of-living adjustments (COLA)		
• Tiers with 3% COLA	2.75%	2.75%
• Tiers with 2% COLA	2.00%	2.00%

1 The service cost is based on the previous year's valuation, meaning the service cost as of the December 31, 2023 and December 31, 2022 measurement dates are based on the valuations as of December 31, 2022 and December 31, 2021, respectively. Both service costs have been calculated using the assumptions shown in the December 31, 2022 column, as there had been no changes in the actuarial assumptions between the December 31, 2021 and December 31, 2022 valuations.

2 Data shown as of the December 31, 2022 measurement date is used in the measurement of the TPL as of December 31, 2023.

3 Includes members who left their contributions on deposit even though they have less than five years of service.

4 For the December 31, 2023 measurement date, includes inflation at 2.50% plus real across-the-board salary increase of 0.50% plus merit and promotional increases. For the December 31, 2022 measurement date, includes inflation at 2.75% plus real across-the-board salary increase of 0.50% plus merit and promotional increases.

Important information about actuarial valuations

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Member information	An actuarial valuation for a plan is based on data provided to the actuary by ACERA. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Financial Information	The valuation is based on the fair value of assets as of the valuation date, as provided by ACERA.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Actuarial models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If ACERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by ACERA upon delivery and review. The Association should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB 67 Information

General information about the pension plan

Plan administration

The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement (the Board) and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda (Alameda County). ACERA also provides retirement benefits to the employee members of:

- First 5 Alameda County (First 5);
- Housing Authority of the County of Alameda (Housing Authority);
- Alameda Health System;
- Livermore Area Recreation and Park District (LARPD);
- Superior Court of California—County of Alameda (Alameda Superior Court); and
- Alameda County Office of Education (ACOE).

The management of ACERA is vested with the ACERA Board of Retirement. The Board consists of nine members and two alternates:

- The County Treasurer is a member of the Board of Retirement by law and is elected by the general public;
- Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor;
- Two active members are elected by the General members;
- One active member and one alternate are elected by the Safety members; and
- One retired member and one alternate are elected by the retired members.

All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with their term as County Treasurer.

Plan membership

At December 31, 2023, pension plan membership consisted of the following:

Membership	Count
Retired members and beneficiaries	11,026
Inactive* members	3,838
Active members	11,547
Total	**26,411**

Note: Data as of December 31, 2023 is **not** used in the measurement of the TPL as of December 31, 2023.

Benefits provided

ACERA provides service retirement, disability, death, and survivor benefits to eligible employees. The first date of ACERA membership varies by employer, as follows:

- Alameda County, Alameda Health System and Alameda Superior Court Employees
  - Membership for these employees is effective on the first day of the second pay period following the employee's hire date in an ACERA covered position. This is the date of entry into ACERA membership.
  - As of the date of entry, payroll deductions for retirement contributions begin and service credit for each hour worked is earned.
  - During the short period between the beginning of employment and the ACERA plan date of entry, the employee does not pay contributions or earn service credit. A member may purchase this service credit (referred to as "days prior to entry") any time before retirement without changing the membership, but date of entry does not change.
- Housing Authority and LARPD Employees
  - Membership for these employees is effective on the first day of employee's hire in an ACERA covered position. The first date of employment is the date of entry into ACERA membership.
  - As of this date of entry, payroll deductions for retirement contributions begin and service credit for each hour work is earned.
- First 5 Employees
  - Membership for these employees is effective on the first day of the second pay period following the employee's hire date.
- Office of Education Employees
  - This is a closed plan with no more active employees (i.e., there is no new ACERA membership). However, the employer does retain retired members and beneficiaries in ACERA as of the December 31, 2023 valuation date.

* Includes terminated members due a refund of member contributions.

Section 2: GASB Information

There are separate retirement benefits for General and Safety members. Safety membership is extended to those involved in active law enforcement, deferred firefighters, or positions that have been designated as Safety by the Board of Retirement (e.g. Juvenile Hall Group Counselor, Probation Officer, etc.). All other employees are classified as General members.

Any new member who becomes a member on or after January 1, 2013 is placed into Tier 4 and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197.

General members enrolled in Tiers 1, 2, or 3 are eligible to retire once they attain the age of 70 regardless of service or at age 50 with five or more years of retirement service credit and a total of 10 years of qualifying membership. A non-Tier 4 General member with 30 years of service is eligible to retire regardless of age. General members enrolled in Tier 4 are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit, or at age 70 regardless of service.

Safety members enrolled in Tiers 1, 2, 2C, or 2D are eligible to retire once they attain the age of 70 regardless of service or at age 50 with five or more years of retirement service credit and a total of 10 years of qualifying membership. A non-Tier 4 Safety member with 20 years of service is eligible to retire regardless of age. Safety members enrolled in Tier 4 are eligible to retire once they have attained the age of 50 and have acquired five years of retirement service credit, or at age 70 regardless of service.

The retirement benefit a member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

The tiers and their basic provisions are listed below:

Tier Name	Service Retirement Governing Code Section	Effective Date	Basic Provisions (Maximum COLA)	Final Average Salary Period	Plan Sponsors
General Tier 1	§31676.12	Various	2.0% at 57 (3% COLA)	Highest 1-year	All
General Tier 2	§31676.1	June 30, 1983*	2.0% at 61 (2% COLA)	Highest 3-years	All except LARPD
General Tier 3	§31676.18	October 1, 2008	2.5% at 55 (3% COLA)	Highest 1-year	LARPD
General Tier 4	§7522.20(a)	January 1, 2013	2.5% at 67 (2% COLA)	Highest 3-years	All
Safety Tier 1	§31664.1	Various	3.0% at 50 (3% COLA)	Highest 1-year	County
Safety Tier 2	§31664.1	June 30, 1983	3.0% at 50 (2% COLA)	Highest 3-years	County
Safety Tier 2C	§31664	October 17, 2010	2.6% at 55 (2% COLA)	Highest 3-years	County
Safety Tier 2D	§31664.2	October 17, 2010	3.0% at 55 (2% COLA)	Highest 3-years	County
Safety Tier 4	§7522.25(d)	January 1, 2013	2.7% at 57 (2% COLA)	Highest 3-years	County

* For Housing Authority members, the effective date is September 30, 2011.

For members enrolled in Tiers 1, 2, 2C, 2D, or 3, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members enrolled in Tier 4.

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

ACERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the San Francisco-Oakland-Hayward Area (with 1982-84 as the base period), is capped at 3.0% for General Tiers 1 and 3 and Safety Tier 1, and at 2.0% for General Tiers 2 and 4 and Safety Tiers 2, 2C, 2D, and 4.

The County of Alameda and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ACERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate for calendar year 2023 (based on the December 31, 2021 valuation for the second half of 2022/2023 and on the December 31, 2022 valuation for the first half of 2023/2024) was 23.06% of compensation.

Members are required to make contributions to ACERA regardless of the retirement plan or tier in which they are included. The average member contribution rate for calendar year 2023 (based on the December 31, 2021 valuation for the second half of 2022/2023 and on the December 31, 2022 valuation for the first half of 2023/2024) was 10.10% of compensation.

Exhibit 1 – Net Pension Liability

Component	Current	Prior
Measurement date	December 31, 2023	December 31, 2022
Components of the Net Pension Liability		
Total Pension Liability	$11,961,224,043	$11,489,051,341
Plan Fiduciary Net Position	(10,218,483,831)	(9,257,791,490)
Net Pension Liability	**$1,742,740,212**	**$2,231,259,851**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability*	85.43%	80.58%

The NPL for the Plan in this valuation was measured as of December 31, 2023. The Plan FNP was valued as of the measurement date and the TPL was determined based upon rolling forward the TPL from the actuarial funding valuation as of December 31, 2022.

Plan provisions

The plan provisions used in the measurement of the NPL as of December 31, 2023 are the same as those used in ACERA's actuarial funding valuation as of December 31, 2023, including the following plan change. On December 21, 2023, the Board adopted a new election process to allow active members to elect an Optional Settlement 2 allowance in advance to provide a continuance of 100% to the member's spouse, domestic partner or other beneficiaries upon the member's active death. This process will be effective April 1, 2024.

Actuarial assumptions

The TPL as of December 31, 2023 uses the same actuarial assumptions as the actuarial funding valuation as of December 31, 2023. The TPL as of December 31, 2023 was remeasured by (a) revaluing the TPL as of December 31, 2022 (before the roll forward) to include the actuarial assumptions adopted in the experience study for the period December 1, 2019 through November 30, 2022, and (b) using this revalued TPL in rolling forward the results from December 31, 2022 to December 31, 2023. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

* These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

Assumption Type	Assumption
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation rate	2.50%
Real across-the-board salary increase	0.50%
Salary increases	General: 8.00% to 3.45% Safety: 11.40% to 4.00% The above salary increases vary by service and include inflation and real across-the-board salary increase
Cost of living adjustments	2.75% for General Tiers 1 and 3, and Safety Tier 1: 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4
Other assumptions	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022

Detailed information regarding all actuarial assumptions can be found in the December 31, 2023 Actuarial Valuation and Review.

The following actuarial assumptions were applied to all periods included in the measurement of the TPL as of December 31, 2022:

Assumption Type	Assumption
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation rate	2.75%
Real across-the-board salary increase	0.50%
Salary increases	General: 8.35% to 3.65% Safety: 11.25% to 4.05% The above salary increases vary by service and include inflation and real across-the-board salary increase
Cost of living adjustments	2.75% for General Tiers 1 and 3, and Safety Tier 1: 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4
Other assumptions	See analysis of actuarial experience during the period December 1, 2016 through November 30, 2019

Exhibit 2 – Discount rate

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments* was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with December 31, 2023, any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with December 31, 2023, including only investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation and applicable investment management expenses, are shown in the following tables. For December 31, 2022, these rates are before deducting investment expenses while for December 31, 2023 they are after deducting applicable investment expenses. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial valuations as of December 31, 2023 and December 31, 2022. This information will be subject to change every three years based on the results of an actuarial experience study.

* Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes and is considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

December 31, 2023 target allocation and projected arithmetic real rates of return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return*
US Large Cap Equity	21.60%	6.00%
US Small Cap Equity	2.40%	6.65%
International Developed Equity	16.30%	7.01%
International Small Cap Equity	2.90%	7.34%
Emerging Markets Equity	4.80%	8.80%
Core Fixed Income	10.50%	1.97%
High Yield Bonds	1.50%	4.63%
Global Fixed Income	2.00%	1.17%
Private Equity	11.00%	9.84%
Core Real Estate	6.30%	3.86%
Value Added Real Estate	1.80%	6.70%
Opportunistic Real Estate	0.90%	8.60%
Commodities	0.90%	4.21%
Private Credit	4.00%	6.47%
Absolute Return	8.00%	2.10%
Infrastructure	5.10%	7.30%
Total	**100.00%**	**5.89%**

* Arithmetic real rates of return are net of inflation.

December 31, 2022 target allocation and projected arithmetic real rates of return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return[1]
US Large Cap Equity	22.40%	5.43%
US Small Cap Equity	2.50%	6.21%
International Developed Equity	17.00%	6.67%
International Small Cap Equity	3.00%	7.36%
Emerging Markets Equity	5.00%	8.58%
Core Plus Fixed Income	11.50%	1.10%
High Yield Bonds	1.60%	2.91%
Global Fixed Income	3.00%	-0.63%
Private Equity	10.50%	10.00%
Core Real Estate	8.00%	4.58%
Commodities	0.75%	3.46%
Infrastructure	1.75%	7.80%
Private Credit	4.00%	8.50%
Absolute Return	9.00%	3.70%
Total	**100.00%**	**5.56%**

The discount rate used to measure the TPL was 7.00% as of December 31, 2023. Our understanding is 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 assumption for funding than is used for interest crediting. In order to reflect the provisions of Article 5.5, we have treated future allocations to the SRBR as an additional outflow against the Plan FNP in the GASB crossover test, as mentioned earlier in *Section 1*. Again, we are estimating that the additional outflow would average approximately 0.75% of assets over time, based on the results of our stochastic modeling of the 50% allocation of future excess earnings to the SRBR.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates[2] plus additional future contributions that would follow from the future allocation of excess earnings to the SRBR. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan FNP was projected to be available

[1] Arithmetic real rates of return are net of inflation.

[2] For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2023 and December 31, 2022.

Discount rate sensitivity

The following presents the NPL of ACERA as of December 31, 2023 calculated using the current discount rate of 7.00%, as well as what ACERA's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

Item	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Net Pension Liability	$3,272,234,787	$1,742,740,212	$486,338,269

Exhibit 3 – Schedule of changes in Net Pension Liability

Schedule of changes in Net Pension Liability	Current	Prior
Measurement date	December 31, 2023	December 31, 2022
Total Pension Liability		
Service cost	$257,507,229	$245,467,025
Interest	800,570,343	767,151,503
Change of benefit terms	13,984,543	0
Differences between expected and actual experience	123,459,445	58,260,983
Changes of assumptions	(103,670,090)	0
Benefit payments, including refunds of member contributions	(619,678,768)	(591,336,654)
Net change in Total Pension Liability	**$472,172,702**	**$479,542,857**
Total Pension Liability — beginning	11,489,051,341	11,009,508,484
Total Pension Liability — ending	**$11,961,224,043**	**$11,489,051,341**
Plan Fiduciary Net Position		
Contributions — employer	$288,640,038	$281,646,702
Contributions — member	126,471,922	120,673,520
Net investment income	1,126,918,417	(755,044,439)
Benefit payments, including refunds of member contributions	(619,678,768)	(591,336,654)
Administrative expense	(15,865,268)	(15,369,043)
Other[1]	54,206,000	0
Net change in Plan Fiduciary Net Position	**$960,692,341**	**$(959,429,914)**
Plan Fiduciary Net Position — beginning	9,257,791,490	10,217,221,404
Plan Fiduciary Net Position — ending	**$10,218,483,831**	**$9,257,791,490**
Net Pension Liability		
Net Pension Liability — ending	$1,742,740,212	$2,231,259,851
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.43%	80.58%
Covered payroll[2]	$1,251,821,379	$1,198,970,345
Plan Net Pension Liability as percentage of covered payroll	139.22%	186.10%

1 One time transfer of assets from OPEB to non-OPEB SRBR to equalize the sufficiency periods.

2 Covered payroll is defined as the payroll on which contributions to the pension plan are based.

Exhibit 4 – Schedule of employer contributions

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
2014	$213,254,775	$213,254,775	$0	$886,924,862	24.04%
2015	224,607,104	224,607,104	0	945,858,017 [2]	23.75%
2016	241,728,451	241,728,451	0	947,567,631	25.51%
2017	247,063,550	247,063,550	0	995,178,209	24.83%
2018	269,684,809	269,684,809	0	1,046,033,851	25.78%
2019	298,526,950	298,526,950	0	1,081,586,887	27.60%
2020	309,758,947	309,752,998	5,949 [3]	1,111,848,569	27.86%
2021	303,964,590	1,116,575,840	(812,611,250)[4]	1,153,918,121	96.76%[5]
2022	281,646,702	281,646,702	0	1,198,970,345	23.49%
2023	288,640,038	288,640,038	0	1,251,821,379	23.06%

See accompanying notes to this schedule on next page.

1 For years ended December 31, 2017 and later, covered payroll represents compensation earnable and pensionable compensation and is defined as the payroll on which contributions to the pension plan are based. For the years ended before December 31, 2017, covered payroll was referred to as covered-employee payroll and only compensation earnable and pensionable compensation that would go into the determination of retirement benefits was included.

2 ACERA indicated that this amount is based on 27 pay periods for 2015.

3 Actuarially Determined Contribution for the Office of Education of $78,000 less actual contributions paid of $72,051.

4 Voluntary County Safety contributions of $800,000,000 and LARPD General contributions of $12,611,250 to reduce their UAAL contribution rates.

5 Contributions as a percentage of covered payroll is 26.34% if excluding the voluntary County Safety and LARPD General contributions.

Methods and assumptions used to establish the actuarially determined contribution for the year ended December 31, 2023

Valuation date

Actuarially determined contribution rates for the first six months of calendar year 2023 (or the second half of fiscal year 2022/2023) are calculated based on the December 31, 2021 valuation. Actuarially determined contribution rates for the last six months of calendar year 2023 (or the first half of fiscal year 2023/2024) are calculated based on the December 31, 2022 valuation.

Actuarial cost method

Entry Age Actuarial Cost Method

Amortization method

Level percent of payroll (3.25% payroll growth assumed in the December 31, 2021 and December 31, 2022 valuations)

Remaining amortization period

December 31, 2021 valuation

Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 11 years remaining as of December 31, 2021). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing five-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods.

The voluntary County Safety UAAL contributions are amortized over a 13-year period effective July 1, 2021 (with 12.5 years remaining as of December 31, 2021). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021 (with 15.5 years remaining as of December 31, 2021). Effective December 31, 2021, the existing LARPD General UAAL layers are amortized over 15.5 years.

December 31, 2022 valuation

Prior to January 1, 2012, the total UAAL was amortized on a 30-year decreasing period, with 21 years remaining as of December 31, 2011 (and 10 years remaining as of December 31, 2022). On or after January 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing five-year periods; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are also amortized over separate decreasing 20-year periods.

The voluntary County Safety UAAL contributions are amortized over a 13-year period effective July 1, 2021 (with 11.5 years remaining as of December 31, 2022). The voluntary LARPD General UAAL contributions are amortized over a 16-year period effective July 1, 2021 (with 14.5 years remaining as of December 31, 2022). Effective December 31, 2022, the existing LARPD General UAAL layers are amortized over 14.5 years.

Asset valuation method

The actuarial value of assets is determined by recognizing any difference between the actual and the expected market return over 10 six-month interest crediting periods. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves.

Actuarial assumptions

Assumption Type	Assumption Used in the December 31, 2021 Actuarial Valuation	Assumption Used in the December 31, 2022 Actuarial Valuation
Investment rate of return	7.00%, net of pension plan administrative and investment expense, including inflation	7.00%, net of pension plan administrative and investment expense, including inflation
Inflation rate	2.75%	2.75%
Real across-the-board salary increases	0.50%	0.50%
Salary increases	General: 8.35% to 3.65% Safety: 11.25% to 4.05% The above increases vary by service, including inflation and across-the-board salary increase	General: 8.35% to 3.65% Safety: 11.25% to 4.05% The above increases vary by service, including inflation and across-the-board salary increase
Cost-of-living adjustments	2.75% for General Tiers 1 and 3, and Safety Tier 1; 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4	2.75% for General Tiers 1 and 3, and Safety Tier 1; 2.00% for General Tiers 2 and 4, and Safety Tiers 2, 2C, 2D, and 4
Other assumptions	Same as those used in the funding actuarial valuation as of December 31, 2021	Same as those used in the funding actuarial valuation as of December 31, 2022

Appendix A: Projection of Plan Fiduciary Net Position

Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of December 31, 2023 ($ in millions)

Year Beginning January 1	Beginning Plan Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Plan Fiduciary Net Position (a) + (b) – (c) – (d) + (e)
2023	$9,258	$415	$620	$16	$1,181 [1]	$10,218
2024	10,218	396	735	17	699	10,560
2025	10,560	402	769	18	722	10,897
2026	10,897	408	804	19	744	11,226
2027	11,226	430	838	19	766	11,566
2028	11,566	430	872	20	789	11,893
2029	11,893	434	907	20	810	12,211
2030	12,211	441	941	21	831	12,522
2049	12,701	281	1,301	22	846	12,505
2050	12,505	278	1,305	21	832	12,288
2051	12,288	274	1,307	21	816	12,050
2052	12,050	270	1,308	20	799	11,791
2094	3,037	58	93	5	211	3,207
2095	3,207	56	82	5	223	3,399
2096	3,399	55	73	6	237	3,611
2097	3,611	54	66	6	252	3,845
2141	69,520	642	521	118	4,864	74,387
2142	74,387	687	558	126	5,204	79,594
2143	79,594	735	597 [2]	135	5,568	85,165
2144	85,165					
2144 (Discounted Value)	**25**					

[1] Includes $1,127 million in net investment income and $54 million in other changes resulting from the transfer of assets from the OPEB SRBR reserve to the non-OPEB reserve.

[2] Projected benefit payments for the closed group of active, inactive, retired members and beneficiaries as of November 30, 2022 is $0. This amount represents the 0.75% of the beginning-of -year market value to reflect the approximated outflow of future allocations to the SRBR. See Note 6.

Appendix A: Projection of Plan Fiduciary Net Position

Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning January 1, 2023 row are actual amounts, based on the financial statements provided by ACERA.
3. Various years have been omitted from this table.
4. **Column (a):** Except for the "discounted value" shown for 2144, none of the projected Plan FNP amounts shown have been adjusted for the time value of money.
5. **Column (b):** Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of November 30, 2022); plus employer contributions to the UAAL; plus employer contributions to fund each year's annual administrative expenses as well as future allocations of excess earnings to the SRBR under ACERA's Funding Policy, both reflecting a 20-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.
6. **Column (c):** Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive, retired members, and beneficiaries as of November 30, 2022. The projected benefit payments reflect the cost of living increase assumption of 2.75% per annum for Tier 1 and Tier 3, and 2.00% per annum for Tier 2 and Tier 4. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the discount rate. Benefit payments are assumed to occur halfway through the year, on average.

   The projected benefit payments include the non-OPEB SRBR benefits to the extent the current non-OPEB SRBR supports those benefits. In addition, the projected benefit payments in column (c) include an amount equal to 0.75% of the beginning Plan FNP to reflect the approximated outflow of future allocations to the SRBR. This outflow has an estimated present value of $1.30 billion. This present value of outflow is expected to be sufficient to pay for the remaining present value of the non-OPEB SRBR benefits of $0.11 billion as well as the remaining present value of the OPEB SRBR benefits of $0.50 billion.
7. **Column (d):** Projected administrative expenses are calculated as approximately 0.17% of the beginning Plan FNP. The 0.17% was based on the actual fiscal year 2023 administrative expenses as a percentage of the beginning Plan FNP as of January 1, 2023. Administrative expenses are assumed to occur halfway through the year, on average.
8. **Column (e):** Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum and reflect the assumed timing of cashflows, as noted above.
9. As illustrated in this appendix, the Plan FNP was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are **not** covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the TPL as of December 31, 2023 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

Appendix B: Definition of terms

Definitions of certain terms as they are used in GASB Statement No. 67. The terms may have different meanings in other contexts.

Term	Definition
Active employees	Individuals employed at the end of the reporting or measurement period, as applicable.
Actual contributions	Cash contributions recognized as additions to the Plan Fiduciary Net Position.
Actuarial present value of projected benefit payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial valuation	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial valuation date	The date as of which an actuarial valuation is performed.
Actuarially determined contribution	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad hoc cost-of-living adjustments (Ad Hoc COLAs)	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad hoc postemployment benefit changes	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Agent employer	An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
Agent multiple-employer defined benefit pension plan (agent pension plan)	A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
Automatic cost-of-living adjustments (Automatic COLAs)	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic postemployment benefit changes	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Closed period	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.

Appendix B: Definition of terms

Term	Definition
Contributions	Additions to the Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.
Cost-of-living adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-sharing employer	An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.
Cost-sharing multiple employer defined benefit pension plan (Cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered payroll	Payroll on which contributions to a pension plan are based.
Deferred retirement option program (DROP)	A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.
Defined benefit pension plans	Pension plans that are used to provide defined benefit pensions.
Defined benefit pensions	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of GASB Statement No. 67.)
Defined contribution pension plans	Pension plans that are used to provide defined contribution pensions.
Defined contribution pensions	Pensions having terms that: 1. Provide an individual account for each employee; 2. Define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and 3. Provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.

Appendix B: Definition of terms

Term	Definition
Discount rate	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: 1. The actuarial present value of benefit payments projected to be made in future periods in which: a. The amount of the Plan Fiduciary Net Position is projected (under the requirements of GASB Statement No. 67) to be greater than the benefit payments that are projected to be made in that period, and b. Pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in 1., calculated using the municipal bond rate.
Entry age actuarial cost method	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
Inactive employees	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
Measurement period	The period between the prior and the current measurement dates.
Multiple-employer defined benefit pension plan	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL)	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.
Non-employer contributing entities	Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities.
Other postemployment benefits	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension plans	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.

Appendix B: Definition of terms

Term	Definition
Plan members	Individuals that are covered under the terms of a pension plan. Plan members generally include: 1. Employees in active service (active plan members), and 2. Terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment	The period after employment.
Postemployment benefit changes	Adjustments to the pension of an inactive employee.
Postemployment healthcare benefits	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected benefit payments	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public employee retirement system	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real rate of return	The rate of return on an investment after adjustment to eliminate inflation.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single employer	An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.
Single-employer defined benefit pension plan (Single-employer pension plan)	A defined benefit pension plan that is used to provide pensions to employees of only one employer.
Special funding situations	Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists: 1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions. 2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
Termination benefits	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL)	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 67.

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

Via Email

April 10, 2024

Ms. Lisa Johnson
Assistant Chief Executive Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612-1900

**Re: Alameda County Employees' Retirement Association (ACERA)
Addendum to the Governmental Accounting Standards Board (GASB) Statement 67
Actuarial Valuation as of December 31, 2023**

Dear Lisa:

In our Governmental Accounting Standards Board Statement No. 67 (GAS 67) report dated April 9, 2024, we provided the Net Pension Liabilities (NPL) and other elements that are required for completing the Plan's financial reporting requirements under GAS 67. In this letter, we have provided as an addendum to that report two additional schedules that the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel recommends be prepared by the Retirement Association's actuary (Segal). This addendum is for use in allocating the NPL and pension expense by employer before we prepare the full companion report for the employer's financial reporting for ACERA under Governmental Accounting Standards Board Statement No. 68 (GAS 68).

These two schedules have been developed based on the assumptions, methods and results shown in our earlier report dated April 9, 2024. Exhibits A1 and A2 detail the method used for allocating the NPL and they provide the NPL amounts allocated to the seven employers at ACERA as of December 31, 2022 and December 31, 2023, respectively.

Special note related to allocation of NPL for the non-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. 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 to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the non-OPEB SRBR NPL 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 non-OPEB SRBR NPL in this letter.

The County made voluntary County Safety contributions of $800 million on around June 29, 2021 to reduce their Safety UAAL 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 and associated contribution rates. We 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 non-OPEB SRBR NPL, we have determined the County Safety and LARPD's proportionate share of the non-OPEB SRBR NPL 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 NPL, deferred outflows and inflows of resources and pension expense by the seven employers. Additional information required under GAS 68 that each of the employers will need to disclose will be provided later in our separate GAS 68 report.

This document has been prepared for the exclusive use and benefit of ACERA, based upon information provided by ACERA or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as may be required by law, this document should not be shared, copied or quoted, in whole or in part, without the consent of Segal. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

These calculations were performed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standard of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,

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

Eva Yum, FSA, MAAA, EA
Vice President and Actuary

ST/

Enclosures

Schedule of employer allocations as of December 31, 2022

Actual Employer Contributions by Employer and Membership Class
January 1, 2022 to December 31, 2022

Employer	General Excluding ACOE and LARPD Contribution	General Excluding ACOE and LARPD Percentage[1]	General ACOE Only Contribution	General ACOE Only Percentage	General LARPD Only Contribution	General LARPD Only Percentage	General Combined Contribution	General Combined Percentage
Alameda County	$151,823,933	65.256%	$0	0.000%	$0	0.000%	$151,823,933	65.082%
Health System	64,478,768	27.714%	0	0.000%	0	0.000%	64,478,768	27.640%
Superior Court	13,151,755	5.653%	0	0.000%	0	0.000%	13,151,755	5.638%
First 5	1,695,921	0.729%	0	0.000%	0	0.000%	1,695,921	0.727%
Housing Authority	1,508,274	0.648%	0	0.000%	0	0.000%	1,508,274	0.647%
LARPD	0	0.000%	0	0.000%	519,392	100.000%	519,392	0.223%
ACOE	0	0.000%	100,000	100.000%	0	0.000%	100,000	0.043%
Total All Employers	**$232,658,651**	**100.000%**	**$100,000**	**100.000%**	**$519,392**	**100.000%**	**$233,278,043**	**100.000%**

Employer	Safety Contribution	Safety Percentage	Total Contribution	Total Percentage	Adjusted Total Contribution	Adjusted Total[2,3,4] Percentage[1]
Alameda County	$48,368,659	100.000%	$200,192,592	71.079%	$283,811,533[2]	77.476%
Health System	0	0.000%	64,478,768	22.893%	64,478,768	17.602%
Superior Court	0	0.000%	13,151,755	4.670%	13,151,755	3.590%
First 5	0	0.000%	1,695,921	0.602%	1,695,921	0.463%
Housing Authority	0	0.000%	1,508,274	0.536%	1,508,274	0.412%
LARPD	0	0.000%	519,392	0.184%	1,514,139[3]	0.413%
ACOE	0	0.000%	100,000	0.036%	159,854[4]	0.044%
Total All Employers	**$48,368,659**	**100.000%**	**$281,646,702**	**100.000%**	**$366,320,244**	**100.000%**

Notes for Exhibit A1, Employer Contributions

1. The unrounded percentages are used in the allocation of the NPL amongst the 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 non-OPEB SRBR NPL for the County. The County made voluntary County Safety contributions of $800,000,000 on around June 29, 2021 to reduce their Safety UAAL 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 non-OPEB SRBR NPL, we determined the County Safety's proportionate share of the non-OPEB SRBR NPL 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 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 non-OPEB SRBR NPL, we determined LARPD's proportionate share of the non-OPEB SRBR NPL 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. 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 to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the non-OPEB SRBR NPL 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 had they not made the additional lump sum contribution in 2019).

Part 1: Excluding Non-OPEB SRBR

Allocation of Net Pension Liability (NPL) as of December 31, 2022

Employer	General Excluding ACOE and LARPD NPL	General Excluding ACOE and LARPD Percentage[1]	General ACOE Only NPL	General ACOE Only Percentage[1]	General LARPD Only NPL	General LARPD Only Percentage[1]
Alameda County	$1,168,107,079	65.256%	$0	0.000%	$0	0.000%
Health System	496,088,488	27.714%	0	0.000%	0	0.000%
Superior Court	101,187,328	5.653%	0	0.000%	0	0.000%
First 5	13,048,123	0.729%	0	0.000%	0	0.000%
Housing Authority	11,604,399	0.648%	0	0.000%	0	0.000%
LARPD	0	0.000%	0	0.000%	5,231,149	100.000%
ACOE	0	0.000%	1,241,602	100.000%	0	0.000%
Total All Employers	**$1,790,035,417**	**100.000%**	**$1,241,602**	**100.000%**	**$5,231,149**	**100.000%**

Employer	General Combined NPL	General Combined Percentage	Safety NPL	Safety Percentage[1]	Total General and Safety NPL	Total General and Safety Percentage
Alameda County	$1,168,107,079	65.022%	$341,190,621	100.000%	$1,509,297,700	70.604%
Health System	496,088,488	27.614%	0	0.000%	496,088,488	23.207%
Superior Court	101,187,328	5.632%	0	0.000%	101,187,328	4.733%
First 5	13,048,123	0.726%	0	0.000%	13,048,123	0.610%
Housing Authority	11,604,399	0.646%	0	0.000%	11,604,399	0.543%
LARPD	5,231,149	0.291%	0	0.000%	5,231,149	0.245%
ACOE	1,241,602	0.069%	0	0.000%	1,241,602	0.058%
Total All Employers	**$1,796,508,168**	**100.000%**	**$341,190,621**	**100.000%**	**$2,137,698,789**	**100.000%**

Part 2: Including Non-OPEB SRBR

Allocation of Net Pension Liability (NPL) as of December 31, 2022

Employer	General and Safety Non-OPEB SRBR NPL	General and Safety Non-OPEB SRBR Percentage[2]	Total NPL	Total Percentage
Alameda County	$72,487,690	77.476%	$1,581,785,390	70.892%
Health System	16,468,383	17.602%	512,556,871	22.972%
Superior Court	3,359,061	3.590%	104,546,389	4.686%
First 5	433,152	0.463%	13,481,275	0.604%
Housing Authority	385,225	0.412%	11,989,624	0.537%
LARPD	386,723	0.413%	5,617,872	0.252%
ACOE	40,828	0.044%	1,282,430	0.057%
Total All Employers	**$93,561,062**	**100.000%**	**$2,231,259,851**	**100.000%**

Notes for Exhibit A1, NPL, Parts 1 and 2

1. Allocated based on the actual employer contributions within each membership class.
2. Allocated based on the actual employer contributions in total, 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. 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. 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.

Additional Notes for Exhibit A1

Pension (excluding non-OPEB SRBR)

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results.

As of December 31, 2022, the total Plan Fiduciary Net Position for Pension (excluding non-OPEB SRBR) is $716.5 million lower than the valuation value of assets as of the same date, due to the inclusion of deferred market losses. The Plan Fiduciary Net Position for Pension for each membership class is obtained as follows:

- The deferred market gains and losses accumulated up to June 30, 2021 are allocated to each membership class proportionately based on the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes, both excluding the valuation value of assets for the County Safety UAAL Advance Reserve and the LARPD General UAAL Advance Reserve.*
- The deferred market gains and losses accumulated after June 30, 2021 are allocated to each membership class proportionately based on the valuation value of asset for each membership class relative to the total valuation value of assets for all membership classes, both including the valuation value of assets for the County Safety UAAL Advance Reserve and the LARPD General UAAL Advance Reserve.
- The Contingency Reserve, if any, is allocated to each membership class proportionately based on the valuation value of asset for each membership class relative to the total valuation value of assets for all membership classes, both including the valuation value of assets for the County Safety UAAL Advance Reserve and the LARPD General UAAL Advance Reserve.

The total Plan Fiduciary Net Position for pension as of December 31, 2022 includes the net fair value of assets less SRBR assets. The SRBR assets include the SRBR-OPEB reserve (after reducing the reserve by the SRBR implicit subsidy transfer), the 401(h) reserve, and the Non-OPEB SRBR reserve, minus a proportionate share of the deferred market losses commensurate with the size of those SRBR reserves and 401(h) reserve to valuation and 401(h) reserves.

The General ACOE membership class has only one employer (ACOE), so all of the NPL for General ACOE is allocated to the ACOE. The General LARPD membership class has only one employer (LARPD), so all of the NPL for General LARPD is allocated to LARPD. The Safety membership class also has only one employer (County), so all of the NPL for Safety is allocated to the County.

* Based on the Board's funding policy and interest crediting policy, the County Safety UAAL Advance Reserve and LARPD General Advance Reserve are subject to a separate five-year asset smoothing schedule that excludes the allocation of any deferred investment gains or losses accumulated up to June 30, 2021 for interest crediting purposes.

For General excluding ACOE and LARPD, the NPL is allocated based on the actual employer contributions within the General membership class excluding any contributions made by ACOE and LARPD. The steps used for the allocation are as follows:

- Calculate the ratio of the employer's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.

Non-OPEB SRBR

The non-OPEB SRBR assets include the non-OPEB SRBR reserve, minus a proportionate share of the deferred market losses commensurate with the size of the non-OPEB to valuation and SRBR reserves.

For non-OPEB SRBR, the NPL is allocated based on the adjusted employer contributions in total. The steps used for the allocation are as follows:

- Calculate the ratio of the employer's adjusted total contributions to the adjusted total contributions for all employers.
- This ratio is multiplied by the NPL for the non-OPEB SRBR to determine the employer's proportionate share of the NPL for the non-OPEB SRBR.

Total

The employer's total allocated NPL is the sum of its allocated pension NPL from each membership class and the non-OPEB SRBR. The proportionate share of the total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

Schedule of employer allocations as of December 31, 2023

Actual Employer Contributions by Employer and Membership Class
January 1, 2023 to December 31, 2023

Employer	General Excluding ACOE and LARPD Contribution	General Excluding ACOE and LARPD Percentage[1]	General ACOE Only Contribution	General ACOE Only Percentage	General LARPD Only Contribution	General LARPD Only Percentage	General Combined Contribution	General Combined Percentage
Alameda County	$153,656,002	63.930%	$0	0.000%	$0	0.000%	$153,656,002	63.781%
Health System	68,496,541	28.498%	0	0.000%	0	0.000%	68,496,541	28.432%
Superior Court	14,051,632	5.846%	0	0.000%	0	0.000%	14,051,632	5.833%
First 5	2,408,479	1.002%	0	0.000%	0	0.000%	2,408,479	1.000%
Housing Authority	1,741,120	0.724%	0	0.000%	0	0.000%	1,741,120	0.723%
LARPD	0	0.000%	0	0.000%	454,796	100.000%	454,796	0.189%
ACOE	0	0.000%	101,000	100.000%	0	0.000%	101,000	0.042%
Total All Employers	**$240,353,774**	**100.000%**	**$101,000**	**100.000%**	**$454,796**	**100.000%**	**$240,909,570**	**100.000%**

Employer	Safety Contribution	Safety Percentage	Total Contribution	Total Percentage	Adjusted Total Contribution	Adjusted Total[2,3,4] Percentage[1]
Alameda County	$47,730,468	100.000%	$201,386,470	69.771%	$283,753,532[2]	76.256%
Health System	0	0.000%	68,496,541	23.731%	68,496,541	18.407%
Superior Court	0	0.000%	14,051,632	4.868%	14,051,632	3.776%
First 5	0	0.000%	2,408,479	0.834%	2,408,479	0.647%
Housing Authority	0	0.000%	1,741,120	0.603%	1,741,120	0.468%
LARPD	0	0.000%	454,796	0.158%	1,500,857[3]	0.403%
ACOE	0	0.000%	101,000	0.035%	160,854[4]	0.043%
Total All Employers	**$47,730,468**	**100.000%**	**$288,640,038**	**100.000%**	**$372,113,015**	**100.000%**

Notes for Exhibit A2, Employer Contributions

1. The unrounded percentages are used in the allocation of the NPL amongst the employers.
2. This includes $153,656,002 of County General actual employer contributions and $130,097,530 of County Safety adjusted employer contributions used for purposes of determining the proportionate share of the non-OPEB SRBR NPL for the County. The County made voluntary County Safety contributions of $800,000,000 on around June 29, 2021 to reduce their Safety UAAL 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 non-OPEB SRBR NPL, we determined the County Safety's proportionate share of the non-OPEB SRBR NPL by using the County Safety's actual contributions made in 2023 in the amount of $47,730,468 plus the contribution credit applied in 2023 in the amount of $82,367,062 for a total adjusted County Safety contribution of $130,097,530.
3. LARPD made voluntary LARPD General contributions of $12,611,250 on around June 29, 2021 to reduce their General UAAL 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 non-OPEB SRBR NPL, we determined LARPD's proportionate share of the non-OPEB SRBR NPL by using LARPD's actual contributions made in 2023 in the amount of $454,796 plus the contribution credit applied in 2023 in the amount of $1,046,061 for a total adjusted LARPD contribution of $1,500,857.
4. ACOE made a lump sum contribution of $750,000 in 2019 to partially pay off their UAAL. 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 to ACOE, ACERA approved an approach outlined in our March 2, 2020 letter to determine ACOE's proportionate share of the non-OPEB SRBR NPL by using ACOE's required contributions determined in our December 31, 2021 valuation in the amount of $101,000 based on an April 1, 2023 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 had they not made the additional lump sum contribution in 2019).

Part 1: Excluding Non-OPEB SRBR

Allocation of Net Pension Liability (NPL) as of December 31, 2023

Employer	General Excluding ACOE and LARPD NPL	General Excluding ACOE and LARPD Percentage[1]	General ACOE Only NPL	General ACOE Only Percentage[1]	General LARPD Only NPL	General LARPD Only Percentage[1]
Alameda County	$917,374,067	63.930%	$0	0.000%	$0	0.000%
Health System	408,945,629	28.498%	0	0.000%	0	0.000%
Superior Court	83,892,608	5.846%	0	0.000%	0	0.000%
First 5	14,379,368	1.002%	0	0.000%	0	0.000%
Housing Authority	10,395,027	0.724%	0	0.000%	0	0.000%
LARPD	0	0.000%	0	0.000%	919,733	100.000%
ACOE	0	0.000%	1,173,711	100.000%	0	0.000%
Total All Employers	**$1,434,986,699**	**100.000%**	**$1,173,711**	**100.000%**	**$919,733**	**100.000%**

Employer	General Combined NPL	General Combined Percentage	Safety NPL	Safety Percentage[1]	Total General and Safety NPL	Total General and Safety Percentage
Alameda County	$917,374,067	63.835%	$214,496,861	100.000%	$1,131,870,928	68.532%
Health System	408,945,629	28.457%	0	0.000%	408,945,629	24.761%
Superior Court	83,892,608	5.838%	0	0.000%	83,892,608	5.080%
First 5	14,379,368	1.001%	0	0.000%	14,379,368	0.871%
Housing Authority	10,395,027	0.723%	0	0.000%	10,395,027	0.629%
LARPD	919,733	0.064%	0	0.000%	919,733	0.056%
ACOE	1,173,711	0.082%	0	0.000%	1,173,711	0.071%
Total All Employers	**$1,437,080,143**	**100.000%**	**$214,496,861**	**100.000%**	**$1,651,577,004**	**100.000%**

Part 2: Including Non-OPEB SRBR

Allocation of Net Pension Liability (NPL) as of December 31, 2023

Employer	General and Safety Non-OPEB SRBR Only NPL	General and Safety Non-OPEB SRBR Only Percentage[2]	Total NPL	Total Percentage
Alameda County	$69,516,199	76.256%	$1,201,387,127	68.936%
Health System	16,780,828	18.407%	425,726,457	24.429%
Superior Court	3,442,481	3.776%	87,335,089	5.011%
First 5	590,048	0.647%	14,969,416	0.859%
Housing Authority	426,553	0.468%	10,821,580	0.621%
LARPD	367,692	0.403%	1,287,425	0.074%
ACOE	39,407	0.043%	1,213,118	0.070%
Total All Employers	**$91,163,208**	**100.000%**	**$1,742,740,212**	**100.000%**

Notes for Exhibit A2, NPL, Parts 1 and 2

1. Allocated based on the actual employer contributions within each membership class.
2. Allocated based on the actual employer contributions in total, with an adjustment to reflect the total annual UAAL contribution ACOE would have been required to make of $160,854 in 2023 had they not made the additional contribution in 2019 to partially pay off their UAAL. 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 $130,097,530 in 2023 had they not made the voluntary County Safety UAAL contribution in 2021. There is also an adjustment to reflect the total annual contribution LARPD would have been required to make of $1,500,857 in 2023 had they not made the voluntary LARPD General UAAL contribution in 2021.

Additional Notes for Exhibit A2

Pension (excluding non-OPEB SRBR)

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results.

As of December 31, 2023, the total Plan Fiduciary Net Position for Pension (excluding non-OPEB SRBR) is $233.2 million lower than the valuation value of assets as of the same date, due to the inclusion of deferred market losses and the balance of the Contingency Reserve. The Plan Fiduciary Net Position for Pension for each membership class is obtained as follows:

- The deferred market gains and losses accumulated up to June 30, 2021 are allocated to each membership class proportionately based on the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes, both excluding the valuation value of assets for the County Safety UAAL Advance Reserve and the LARPD General UAAL Advance Reserve.*
- The deferred market gains and losses accumulated after June 30, 2021 are allocated to each membership class proportionately based on the valuation value of asset for each membership class relative to the total valuation value of assets for all membership classes, both including the valuation value of assets for the County Safety UAAL Advance Reserve and the LARPD General UAAL Advance Reserve.
- The Contingency Reserve is allocated to each membership class taking into consideration the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes as well as the amount in the Contingency Reserve that originates from the returns derived from the two UAAL Advance Reserves.

The total Plan Fiduciary Net Position for pension as of December 31, 2023 includes the net fair value of assets less SRBR assets. The SRBR assets include the SRBR-OPEB reserve (after reducing the reserve by the SRBR implicit subsidy transfer), the 401(h) reserve, and the Non-OPEB SRBR reserve, minus a proportionate share of the deferred market losses commensurate with the size of those SRBR reserves and 401(h) reserve to valuation and 401(h) reserves.

The General ACOE membership class has only one employer (ACOE), so all of the NPL for General ACOE is allocated to the ACOE. The General LARPD membership class has only one employer (LARPD), so all of the NPL for General LARPD is allocated to LARPD. The Safety membership class also has only one employer (County), so all of the NPL for Safety is allocated to the County.

* Based on the Board's funding policy and interest crediting policy, the County Safety UAAL Advance Reserve and LARPD General Advance Reserve are subject to a separate five-year asset smoothing schedule that excludes the allocation of any deferred investment gains or losses accumulated up to June 30, 2021 for interest crediting purposes.

For General excluding ACOE and LARPD, the NPL is allocated based on the actual employer contributions within the General membership class excluding any contributions made by ACOE and LARPD. The steps used for the allocation are as follows:

- Calculate the ratio of the employer's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.

Non-OPEB SRBR

The non-OPEB SRBR assets include the non-OPEB SRBR reserve, minus a proportionate share of the deferred market losses commensurate with the size of the non-OPEB to valuation and SRBR reserves.

For non-OPEB SRBR, the NPL is allocated based on the adjusted employer contributions in total. The steps used for the allocation are as follows:

- Calculate the ratio of the employer's adjusted total contributions to the adjusted total contributions for all employers.
- This ratio is multiplied by the NPL for the non-OPEB SRBR to determine the employer's proportionate share of the NPL for the non-OPEB SRBR.

Total

The employer's total allocated NPL is the sum of its allocated pension NPL from each membership class and the non-OPEB SRBR. The proportionate share of the total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

Schedule of pension amounts by employer as of December 31, 2023

Deferred Outflows of Resources

Employer	Net Pension Liability	Differences Between Actual and Expected Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Alameda County	$1,201,387,127	$110,456,525	$192,492,581	$59,254,379	$3,166,854	$365,370,339
Health System	425,726,457	25,826,874	43,178,308	16,039,058	11,683,571	96,727,811
Superior Court	87,335,089	5,298,220	8,857,756	3,290,311	3,423,585	20,869,872
First 5	14,969,416	908,126	1,518,238	563,966	3,513,801	6,504,131
Housing Authority	10,821,580	656,496	1,097,554	407,698	945,404	3,107,152
LARPD	1,287,425	710,514	1,955,117	380,980	14,516	3,061,127
ACOE	1,213,118	231,538	78,246	12,109	2,829	324,722
Total for all Employers	**$1,742,740,212**	**$144,088,293**	**$249,177,800**	**$79,948,501**	**$22,750,560**	**$495,965,154**

Deferred Inflows of Resources

Employer	Differences Between Expected and Actual Experience	Net Difference Between Actual and Projected Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Alameda County	$15,771,917	$0	$77,332,167	$14,503,394	$107,607,478
Health System	3,249,938	0	21,953,565	4,748,096	29,951,599
Superior Court	666,704	0	4,503,635	3,276,462	8,446,801
First 5	114,274	0	771,933	0	886,207
Housing Authority	82,611	0	558,040	171,104	811,755
LARPD	1,970,805	0	631,375	50,230	2,652,410
ACOE	1,895	0	12,168	1,274	15,337
Total for all Employers	**$21,858,144**	**$0**	**$105,762,883**	**$22,750,560**	**$150,371,587**

Pension Expense

Employer	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Alameda County	$183,659,771	$(563,485)	$183,096,286
Health System	51,827,996	(1,040,720)	50,787,276
Superior Court	10,632,184	372,098	11,004,282
First 5	1,822,380	1,136,537	2,958,917
Housing Authority	1,317,423	94,782	1,412,205
LARPD	546,466	(6,330)	540,136
ACOE	222,532	7,118	229,650
Total for all Employers	**$250,028,752**	**$0**	**$250,028,752**

Notes for Exhibit B:

The above exhibit shows the allocated NPL, deferred outflows and inflows of resources, and pension expense by employer.

The amounts shown in this exhibit were allocated first by employer within each of the four pension plan membership classes (excl. non-OPEB SRBR) and within the non-OPEB SRBR based on the Employer Allocation Percentage calculated in Exhibit A2, and added together to produce the results by employer in total.

In determining the pension expense:

- Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
- Current-period (i.e., 2023) differences between expected and actual experience and changes of assumptions are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through ACERA determined as of December 31, 2022 (the beginning of the measurement period ending December 31, 2023) and is 4.89 years.
- Prior-period differences between expected and actual experience and changes of assumptions are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.
- Current-period plan changes are recognized immediately.

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 members.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

The pension expense decreased from $451.3 million as of December 31, 2022 to $250.0 million as of December 31, 2023. The primary causes of the decrease were (a) the recognition of $(97.0) million reduction in this year's pension expense that is associated with investment income on the Plan Fiduciary Net Position that is above the assumed earnings (at 7.00%) for the year ending December 31, 2023 for a gain of $487 million, (b) the immediate recognition of the $54.2 million asset transfer from the OPEB to non-OPEB SRBR to equalize the sufficiency periods,* and (c) the recognition of $(21.2) million from changes of assumptions.

* There is an offsetting increase in this year's OPEB expense as a result of this transfer.

Alameda County Employees' Retirement Association (ACERA)

Governmental Accounting Standards Board Statement No. 74 Actuarial Valuation of Other Postemployment Benefits as of December 31, 2023

Segal

180 Howard Street, Suite 1100
San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

April 9, 2024

Board of Retirement
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 74 (GASB 74) Accounting Valuation of Other Postemployment Benefits (OPEB) measured as of December 31, 2023 for the Alameda County Employees' Retirement Association ("ACERA" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 74. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL), and analyzes the preceding year's experience.

The actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Retirement (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, EA and Mehdi Riazi, FSA, MAAA, FCA, EA. The health care trend and other related medical assumptions have been reviewed by Mary P. Kirby, FSA, MAAA, FCA. We are members of the American Academy of Actuaries and collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. The assumptions used in this valuation were selected by the Board of Retirement based upon our analysis and recommendations. In our opinion, the assumptions are reasonably related to the experience of and the expectations for the Plan.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

Sincerely,

Segal

Andy Yeung, ASA, MAAA, FCA, EA Vice President and Actuary	Mary P. Kirby, FSA, MAAA, FCA Senior Vice President and Actuary	Mehdi Riazi, FSA, MAAA, FCA, EA Vice President and Actuary

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required for "Other Postemployment Benefits (OPEB)" plans by Governmental Accounting Standards Board Statement No. 74 as of December 31, 2023. This report is based on:

- The benefit provisions of the OPEB Plan, as administered by the Board;
- The characteristics of covered active, inactive, and retired members and beneficiaries as of November 30, 2022, provided by the staff of ACERA;
- The assets of the Plan as of December 31, 2023, provided by ACERA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the December 31, 2023 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, and health care trends, etc. adopted by the Board for the December 31, 2023 valuation.

General observations on a GASB 74 Actuarial Valuation

1. The Governmental Accounting Standards Board (GASB) rules only define OPEB liability and expense for financial reporting purposes, they do not apply to contribution amounts for OPEB funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring OPEB liability, GASB uses the same actuarial cost method (Entry Age method) and, for benefits that are being fully funded on an actuarial basis, the same expected return on Plan assets as used for funding.[1] This means that the Total OPEB Liability (TOL) measure for financial reporting shown in this report is generally determined on the same basis as the Actuarial Accrued Liability (AAL) measure for funding.
3. The Net OPEB Liability (NOL) is equal to the difference between the TOL and the Plan Fiduciary Net Position (FNP). The Plan FNP is equal to the fair value of assets. The NOL reflects all investment gains and losses as of the measurement date.

[1] See discussions on next page regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB Plan FNP in the SRBR.

Highlights of the valuation

1. The reporting date for the Plan is December 31, 2023 and the NOL was measured as of the same date. The TOL was determined based upon rolling forward the liability results used in determining the sufficiency of the SRBR to provide medical and dental subsidy benefits as of December 31, 2022.
2. The TOL has been adjusted to reflect the changes in the actuarial assumptions as recommended by Segal and adopted by the Board for this valuation. These changes were documented in our December 1, 2019 through November 30, 2022 Actuarial Experience Study report dated January 8, 2024. The TOL has also been adjusted to reflect the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2023 (reference: our draft recommended trend letter dated March 22, 2024).
3. The NOL increased from $191.3 million as of December 31, 2022 to $208.5 million as of December 31, 2023. The NOL was expected to increase by $54.4 million to $245.7 million based on the plan's actual benefit payments, and a year of anticipated liability growth due to service cost and interest cost. The difference between the actual and expected NOL was primarily due to savings from: (a) demographic experience gains, (b) average implicit subsidies lower than expected, (c) reflecting the assumptions recommended in the experience study, and (d) favorable investment experience,[1] offset to some extent by (e) $54.2 million transfer made by the Board to equalize the sufficiency period of the OPEB and non-OPEB SRBR benefits and (f) generally higher updated healthcare trend assumptions. Changes in these values during the last two fiscal years ending December 31, 2023 and 2022 can be found in *Section 2, Schedule of Changes in Net OPEB Liability* on page 25.
4. The Inflation Reduction Act of 2022 (IRA) includes material benefit cost-sharing changes for 2025, most notably implementing a $2,000 member out-of-pocket maximum, as well as various funding changes for Medicare prescription drug plans. Both changes are expected to significantly increase premiums for the Kaiser Senior Advantage and Via Benefits plans. Our trend assumptions include an estimated impact of the IRA on the Fund's Medicare plan premiums in calendar year 2025 based on the Calendar Year 2025 Advance Notice of Methodological Changes for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies (the Advance Notice) released by the Centers for Medicare & Medicaid Services (CMS) on January 31, 2024. Final guidance, rules, and clarifications will be provided by CMS in April 2024.
5. We have also continued the practice of adjusting the Plan FNP as of December 31, 2023 to include the $1.081 billion set aside by the Retirement Board in the SRBR reserve to pay OPEB benefits as of December 31, 2023. This includes $1.071 billion in the OPEB-related SRBR reserve (after reducing the reserve by the $4.1 million SRBR implicit subsidy transfer), and $10.1 million in the 401(h) reserve. It should be noted that as of December 31, 2023, the deferred investment loss for the entire Plan was $292.8

[1] The market value investment return for ACERA as a whole was 12.11% net of administrative expenses, or 12.29% gross of administrative expenses, during 2023. In allocating the end of year market value of assets between the Pension Plan and the SRBR, we have taken into consideration that for ACERA as a whole, the actuarial value of assets was higher than the market value of assets as of December 31, 2023 and there are deferred investment losses scheduled to be recognized in the next few years. As a result, the plan FNP allocated to the Pension Plan and the SRBR has generally been done in proportion to the actuarial value of assets and the market value investment return of 12.3% for the Pension Plan is very close to the 12.0% investment return for the SRBR (OPEB and non-OPEB SRBR combined).

million. As discussed in footnote 1, we have subtracted from the Plan FNP the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve, or $20.8 million.

6. As we disclosed in our December 31, 2023 pension funding valuation report, the 7.00% investment return assumption that the Board approved for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates has continued to be developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our 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 of 7.00%.

   Actuarial Standard of Practice (ASOP) No. 4 ("Measuring Pension Obligations and Determining Pension Plan Costs or Contributions") states that some plan provisions, including gain sharing provisions, "may create pension obligations that are difficult to appropriately measure using traditional valuation procedures." ASOP No. 4 further states that "for such plan provisions, the actuary should consider using alternative valuation procedures, such as stochastic modeling…to reflect the impact of variations in experience from year to year." Accordingly, we performed a stochastic model to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our 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 the determination of the Total Pension Liability) that would average approximately 0.75% of assets over time. This approximated outflow was incorporated into our GASB crossover test for the pension benefits (reference: Section 3, Projection of Pension Plan Fiduciary Net Position of our GASB 67 report as of December 31, 2023), along with the additional future employer contributions that would result from those future allocations of excess earnings to the SRBR under ACERA's funding policy. (The choice of this methodology by the Board in 2015 to reflect the impact of the SRBR was a result of several meetings with ACERA and its auditors, as well as with administrative staff, auditors, and consultants representing the County of Alameda, and after twice consulting with GASB staff.)

   Furthermore, note (6) provided in *Section 3, Appendix A* of the GASB 67 report indicates that the present value of outflows from the 0.75% of assets over time is expected to be higher than the present values of the remaining OPEB and non-OPEB SRBR benefits that could be paid after the exhaustion of assets currently available in the SRBR.

   Therefore, in developing the crossover test for the OPEB SRBR in *Section 3, Appendix A* of this report, we have only included the projected benefits to the extent that on a present value basis they are less than or equal to the OPEB assets currently available in the SRBR as any remaining OPEB SRBR benefits would be paid from future excess earnings.

7. For 2023, the Plan FNP of$1,060,336,964 includes the OPEB-related SRBR reserve of $1,070,992,004 (after reducing the reserve by the SRBR implicit subsidy transfer of $4,116,000) and the 401(h) reserve of $10,116,636, less the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of $20,771,676. For 2022, the Plan FNP of $1,040,720,573 includes the OPEB-related SRBR reserve of $1,105,725,871 (after reducing the reserve

by the SRBR implicit subsidy transfer of $7,981,476) and the 401(h) reserve of $8,979,234, less the proportionate share of the net deferred investment loss that is commensurate with the size of the OPEB SRBR reserve of $73,984,533. Note that amounts may not total exactly due to rounding.

8. Employer contributions shown in this report are on a net basis. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.

Summary of key valuation results

Valuation Result	Current	Prior
Measurement Date	December 31, 2023	December 31, 2022
Disclosure elements		
Total OPEB Liability	$1,268,807,617	$1,232,016,820
Plan Fiduciary Net Position[1]	1,060,336,964	1,040,720,573
Net OPEB Liability	208,470,653	191,296,247
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	83.57%	84.47%
Service Cost at Beginning of Year[2]	$36,611,242	$33,755,489
Schedule of contributions		
Actuarially determined contributions	N/A	N/A
Actual contributions[3]	0	0
Benefit Payments	47,072,346	46,711,117
Demographic data[4]		
Number of retired members receiving medical benefits[5]	TBD	6,876
Number of retired members receiving dental and vision benefits	TBD	8,272
Number of vested terminated members	TBD	508
Number of active members	TBD	11,346

1 Please refer to item 7 on page 7 for information relating to the Plan FNP amount.

2 The service cost is based on the previous year's valuation, meaning the service cost as of the December 31, 2023 and December 31, 2022 measurement dates are based on the valuations as of December 31, 2022 and December 31, 2021, respectively. The December 31, 2023 service cost has been calculated using the assumptions shown in the "Prior" or December 31, 2022 column. Please refer to the note on the next page for the assumptions used for the December 31, 2022 service cost.

3 Please refer to item 8 on page 8 for information relating to the employer contributions.

4 The December 31, 2022 data is used in the measurement of the TOL as of December 31, 2023.
The demographic data as of December 31, 2023 will be used in the sufficiency study for the SRBR as of December 31, 2023 as well as in the next year's GASB 74 valuation when we roll forward the liability from December 31, 2023 to December 31, 2024. The December 31, 2023 demographic data will be included in the final version of this report.

5 The retiree count excludes beneficiaries under 65 receiving an implicit subsidy.

Valuation Result	Current	Prior
Key assumptions		
Discount rate	7.00%	7.00%
Health care premium trend rates		
• Non-Medicare medical plan	8.50% in 2024, 7.50% in 2025, then 7.00% graded to ultimate 4.50% over 10 years	7.50% graded to ultimate 4.50% over 12 years
• Medicare medical plan	16.47%[1] in 2024, then 7.00% graded to ultimate 4.50% over 10 years	6.25% graded to ultimate 4.50% over 7 years
• Dental/Vision	4.00%[2]	4.00%[3]
• Medicare Part B	4.50%	4.50%

Note to footnote 2 from prior page

The December 31, 2022 service cost has been calculated using the following assumptions as of December 31, 2021:

- Discount Rate: 7.00%
- Health care premium trend rates
  - Non-Medicare medical plan: Graded from 7.50% to ultimate 4.50% over 12 years
  - Medicare medical plan: Graded from 6.50% to ultimate 4.50% over 8 years
  - Dental/Vision: 4.00%
  - Medicare Part B: 4.50%
- The first year of trend for dental was updated to reflect the three-year rate guarantee (premiums would be fixed at the 2021 levels for 2022 and 2023). The first three years of trend for vision were updated to reflect the five-year rate guarantee (premiums would be fixed at 2021 levels for 2022, 2023, 2024 and 2025).

[1] The initial 16.47% trend rate reflects an estimated increase to the baseline monthly Kaiser Senior Advantage premiums of $28 (8.00%) plus a one-time estimated increase of $30 (7.84%) due to the IRA. Refer to item 4 on page 6 for information related to the impact of the IRA on health care trend assumptions.

[2] The 2024 trend for dental reflects the two-year rate guarantee. The 2024 trend for vision reflects the five-year rate guarantee (premiums fixed at the 2021 level).

[3] The 2023 and 2024 trend for vision reflect the five-year rate guarantee.

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to defining future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for the Retirement Association to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the fair value of assets as of the valuation date, as provided by ACERA. The Association uses an actuarial value of assets that differs from fair value of assets to gradually reflect six-month changes in the fair value of assets in the SRBR sufficiency valuation.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and

Input Item	Description
	while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Models	Segal accounting results are based on proprietary actuarial modeling software. The accounting valuation models generate a comprehensive set of liability and cost calculations that are presented to meet accounting standards and client requirements. Our Actuarial Technology and Systems unit, comprising both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared for use by ACERA. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- If ACERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- Sections of this report include actuarial results that are not rounded, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

Section 1: Actuarial Valuation Summary

- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Board upon delivery and review. The Association should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB 74 Information

General information about the OPEB plan

Plan administration

The Alameda County Employees' Retirement Association (ACERA) was established by the Alameda County Board of Supervisors in 1947. ACERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. ACERA also provides retirement benefits to the employee members of:

- First 5 Alameda County (First 5);
- Housing Authority of the County of Alameda (Housing Authority);
- Alameda Health System;
- Livermore Area Recreation and Park District (LARPD),;
- Superior Court of California—County of Alameda (Alameda Superior Court); and
- Alameda County Office of Education (ACOE).

The management of ACERA is vested with the ACERA Board of Retirement. The Board consists of nine members and two alternates:

- The County Treasurer is a member of the Board of Retirement by law and is elected by the general public;
- Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor;
- Two active members are elected by the General members;
- One active member and one alternate are elected by the Safety members; and
- One retired member and one alternate are elected by the retired members.

All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with their term as County Treasurer.

Plan membership.

At December 31, 2023, OPEB plan membership consisted of the following:[1]

Membership	Count
Retired members currently receiving medical benefits	TBD
Retired members currently receiving dental and vision benefits	TBD
Vested terminated members entitled to but not yet receiving benefits	TBD
Active members	TBD
Total	**TBD**

Benefits provided

ACERA provides benefits to eligible employees under the following terms and conditions.

Eligibility

Service Retirees

Retired with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from ACERA)

Disabled Retirees

A minimum of 10[2] years of service is required for non-duty disability. There is no minimum service requirement for duty disability.

[1] Data as of December 31, 2023 is not used in the measurement of the TOL as of December 31, 2023. It will be used for the sufficiency study for the SRBR as of December 31, 2023 as well as in next year's GASB 74 valuation. The December 31, 2023 demographic data will be included in the final version of this report. The retiree count excludes beneficiaries under 65 receiving an implicit subsidy.

[2] The 10 years of service requirement is only used for determining eligibility for health benefits. For pension benefits, the eligibility requirement is 5 years of service.

Other Postemployment Benefits (OPEB)

Monthly Medical Allowance

Service Retirees

For retirees not purchasing individual insurance through the Medicare Insurance Exchange, a Maximum Monthly Medical Allowance of $616.12 per month is provided, effective January 1, 2023 and through December 31, 2023. For the period January 1, 2024 through December 31, 2024, the maximum allowance is $635.37 per month.

For those purchasing individual insurance through the Individual Medicare Insurance Exchange, the Maximum Monthly Medical Allowance is $471.99 per month for 2023 and is $486.74 per month in 2024.

These allowances are subject to the following subsidy schedule:

Completed Years of Service	Percentage Subsidized
10-14	50%
15-19	75%
20+	100%

Disabled Retirees

Non-duty disabled retirees receive the same Monthly Medical Allowance as service retirees. Duty disabled retirees receive the same Monthly Medical Allowance as those service retirees with 20 or more years of service.

Medicare Benefit Reimbursement Plan

The SRBR reimburses the full Medicare Part B premium to qualified retired members.

To qualify for reimbursement, a retiree must:

- Have at least 10 years of ACERA service;
- Be eligible for Monthly Medical Allowance; and
- Provide proof of enrollment in Medicare Part B.

Dental and Vision Plans

The SRBR provides dental and vision benefits for retirees only. The maximum combined monthly dental and vision premium is $55.87 in 2023 and $55.68 in 2024. The eligibility for these premiums is as follows.

Service Retirees

Retired with at least 10 years of service.

Disabled Retirees

For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement.

For duty disabled retirees, there is no minimum service requirement.

Note about Monthly Medical Allowance

The maximum levels of subsidy are reviewed by the Board annually and are not indexed to increase automatically.

In addition, the Monthly Medical Allowance can only be used to pay for retiree medical benefits. There is no benefit payable to beneficiaries, current spouses, former spouses or dependents.

If the actual cost of coverage is less than the Monthly Medical Allowance, the difference is not paid in cash or applied towards the coverage for beneficiaries, current spouses, former spouses or dependents.

Deferred Benefit

Members who terminate employment with 10 or more years of service before reaching pension eligibility commencement age may elect deferred Monthly Medical Allowance and/or dental/vision benefits.

Death Benefit

Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy, which creates a liability for the SRBR.

Net OPEB liability

Component	Current	Prior
Measurement Date	December 31, 2023	December 31, 2022
Components of the Net OPEB Liability		
Total OPEB Liability	$1,268,807,617	$1,232,016,820
Plan Fiduciary Net Position	1,060,336,964	1,040,720,573
Net OPEB Liability	**$208,470,653**	**$191,296,247**
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	83.57%	84.47%

The NOL was measured as of December 31, 2023 and 2022. The Plan FNP was valued as of the measurement dates, while the TOL as of December 31, 2023 and 2022 was determined by rolling forward the TOL as of December 31, 2022 and 2021, respectively.

Plan provisions

The plan provisions used in the measurement of the NOL as of December 31, 2023 and 2022 are the same as those used in ACERA's SRBR sufficiency valuation as of December 31, 2022 and 2021, respectively.

Actuarial assumptions

The actuarial assumptions used for the December 31, 2023 valuation were based on the results of the experience study for the period from December 1, 2019 through November 30, 2022 that were approved by the Board effective with the December 31, 2023 valuation, the non-trend retiree health assumption letter dated May 22, 2023, and the health care trend assumptions recommended for the upcoming sufficiency study for the SRBR as of December 31, 2023 (reference: our draft letter dated March 22, 2024). The assumptions used in the December 31, 2023 SRBR OPEB actuarial valuation for ACERA were applied to all periods included in the measurement:

Assumption Type	Assumption
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Healthcare cost trend rates	
Non-Medicare medical plan	8.50% in 2024, 7.50% in 2025, then graded from 7.00% in 2026 to ultimate 4.50% over 10 years
Medicare medical plan	16.47%[1] in 2024, then graded from 7.00% in 2025 to ultimate 4.50% over 10 years
Dental	0.00% in 2024 to reflect a two-year rate guarantee (premiums fixed at 2024 level for 2024 and 2025) and 4.00% thereafter
Vision	0.00% for the first year to reflect a five-year rate guarantee (premiums fixed at 2021 level for 2022, 2023, 2024 and 2025) and 4.00% thereafter
Medicare Part B[2]	4.50%
Mortality rates	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022
Other assumptions	See analysis of actuarial experience during the period December 1, 2019 through November 30, 2022

[1] The initial 16.47% trend rate reflects an estimated increase to the baseline monthly Kaiser Senior Advantage premiums of $28 (8.00%) plus a one-time estimated increase of $30 (7.84%) due to the IRA. Refer to item 4 on page 6 for information related to the impact of the IRA on health care trend assumptions.

[2] The actual 2023 premium increase of 5.93% reflecting the standard 2024 premium of $174.70 per month was reflected in the current year GASB 74 valuation with December 31, 2023 measurement date.

Section 2: GASB 74 Information

The following actuarial assumptions were applied to all periods included in the measurement of the TOL as of December 31, 2022:

Assumption Type	Assumption
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Inflation	2.75%
Healthcare cost trend rates	
Non-Medicare medical plan	Graded from 7.50% in 2023 to ultimate 4.50% over 12 years
Medicare medical plan	Graded from 6.25% in 2023 to ultimate 4.50% over 7 years
Dental	4.00%
Vision	0.00% for the first two years to reflect a five-year rate guarantee (premiums fixed at 2021 level for 2022, 2023, 2024 and 2025) and 4.00% thereafter
Medicare Part B[1]	4.50%
Mortality rates	See analysis of actuarial experience during the period December 1, 2016 through November 30, 2019
Other assumptions	See analysis of actuarial experience during the period December 1, 2016 through November 30, 2019 and the non-trend retiree health assumption letter dated May 24, 2022

[1] The actual calendar year 2022 premium decrease of 3.06% reflecting the standard 2023 calendar year premium of $164.90 per month was reflected in the GASB 74 valuation with December 31, 2022 measurement date.

Determination of discount rate and investment rates of return

The long-term expected rate of return on OPEB plan investments[1] was determined in 2023 using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with December 31, 2023, any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with December 31, 2023, including only investment consulting fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation and applicable investment management expenses, are shown in the following tables. For December 31, 2022, these rates are before deducting investment expenses while for December 31, 2023 they are after deducting applicable investment expenses. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial valuations as of December 31, 2023 and December 31, 2022. This information will be subject to change every three years based on the results of an actuarial experience study.

[1] Note that the investment return assumption for SRBR sufficiency (and pension funding) purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes and it was considered gross of administrative expenses for financial reporting purposes. (This resulted in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.)

December 31, 2023 target allocation and projected arithmetic real rates of return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return*
US Large Cap Equity	21.60%	6.00%
US Small Cap Equity	2.40%	6.65%
International Developed Equity	16.30%	7.01%
International Small Cap Equity	2.90%	7.34%
Emerging Markets Equity	4.80%	8.80%
Core Fixed Income	10.50%	1.97%
High Yield Bonds	1.50%	4.63%
Global Fixed Income	2.00%	1.17%
Private Equity	11.00%	9.84%
Core Real Estate	6.30%	3.86%
Value Added Real Estate	1.80%	6.70%
Opportunistic Real Estate	0.90%	8.60%
Commodities	0.90%	4.21%
Private Credit	4.00%	6.47%
Absolute Return	8.00%	2.10%
Infrastructure	5.10%	7.30%
Total	**100.00%**	**5.89%**

* Arithmetic real rates of return are net of inflation.

Section 2: GASB 74 Information

December 31, 2022 target allocation and projected arithmetic real rates of return

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return[1]
US Large Cap Equity	22.40%	5.43%
US Small Cap Equity	2.50%	6.21%
International Developed Equity	17.00%	6.67%
International Small Cap Equity	3.00%	7.36%
Emerging Markets Equity	5.00%	8.58%
Core Plus Fixed Income	11.50%	1.10%
High Yield Bonds	1.60%	2.91%
Global Fixed Income	3.00%	-0.63%
Private Equity	10.50%	10.00%
Core Real Estate	8.00%	4.58%
Commodities	0.75%	3.46%
Infrastructure	1.75%	7.80%
Private Credit	4.00%	8.50%
Absolute Return	9.00%	3.70%
Total	**100.00%**	**5.56%**

The discount rate used to measure the TOL was 7.00% as of December 31, 2023. The projection of cash flows used to determine the discount rate assumed benefits are paid out of current OPEB SRBR assets. Based on those assumptions, the SRBR OPEB Plan FNP was projected to be available to make all projected future benefits payments for current plan members.[2] Therefore the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of December 31, 2023 and December 31, 2022.

[1] Arithmetic real rates of return are net of inflation.

[2] See discussions in Section 1 regarding source of funding for payment of OPEB SRBR benefits not covered by current OPEB SRBR Plan's Fiduciary Net Position.

Sensitivity

The following presents the NOL of ACERA as well as what ACERA's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates.

Item	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability (Asset)	$377,656,969	$208,470,653	$68,332,585

Item	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates[1]	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability (Asset)	$44,458,664	$208,470,653	$411,352,043

[1] Refer to health care trend assumptions on page 19.

Schedule of changes in Net OPEB Liability

Schedule of changes in Net OPEB Liability	Current	Prior
Measurement Date	December 31, 2023	December 31, 2022
Total OPEB Liability		
Service cost	$36,611,242	$33,755,489
Interest	87,184,297	84,971,113
Change of benefit terms	0	0
Differences between expected and actual experience	(23,138,778)	(27,433,715)
Changes of assumptions	(16,793,618)	(15,643,051)
Benefit payments, including refunds of member contributions	(47,072,346)	(46,711,117)
Net change in Total OPEB Liability	**$36,790,797**	**$28,938,719**
Total OPEB Liability – beginning	1,232,016,820	1,203,078,101
Total OPEB Liability – ending	**$1,268,807,617**	**$1,232,016,820**
Plan Fiduciary Net Position		
Contributions – employer	$0	$0
Contributions – employee	0	0
Net investment income	122,605,237	(534,552,802)
Benefit payments, including refunds of member contributions	(47,072,346)	(46,711,117)
Administrative expense	(1,710,500)	(1,657,000)
Other[1]	(54,206,000)	0
Net change in Plan Fiduciary Net Position	**$19,616,391**	**($582,920,919)**
Plan Fiduciary Net Position – beginning	1,040,720,573	1,623,641,492
Plan Fiduciary Net Position – ending	**$1,060,336,964**	**$1,040,720,573**

[1] One time transfer of assets from OPEB to non-OPEB SRBR to equalize the sufficiency period.

Net OPEB Liability		
Net OPEB Liability – ending	$208,470,653	$191,296,247
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	83.57%	84.47%
Covered employee payroll[1]	N/A	N/A
Plan Net OPEB Liability as percentage of covered payroll	N/A	N/A

[1] Covered employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation earnable and Pensionable compensation that would go into the determination of retirement benefits would otherwise be included.

Schedule of employer contributions

Year Ended December 31	Actuarially Determined Contributions[1]	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Employee Payroll[2]	Contributions as a Percentage of Covered Employee Payroll
2014	N/A	N/A	$0	N/A	N/A
2015	N/A	N/A	0	N/A	N/A
2016	N/A	N/A	0	N/A	N/A
2017	N/A	N/A	0	N/A	N/A
2018	N/A	N/A	0	N/A	N/A
2019	N/A	N/A	0	N/A	N/A
2020	N/A	N/A	0	N/A	N/A
2021	N/A	N/A	0	N/A	N/A
2022	N/A	N/A	0	N/A	N/A
2023	N/A	N/A	0	N/A	N/A

1 Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Pension Plan.

2 Covered-employee payroll is not shown as contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits would otherwise be included.

Appendix A: Projection of OPEB Plan's Fiduciary Net Position for use in the Calculation of Discount Rate as of December 31, 2023

Year Beginning January 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
2023	$1,041	$0	$47	$2	$68[1]	$1,060
2024	1,060	0	57	2	72	1,073
2025	1,073	0	64	2	73	1,081
2026	1,081	0	68	2	73	1,084
2027	1,084	0	73	2	73	1,082
2028	1,082	0	78	2	73	1,075
2029	1,075	0	83	2	72	1,063
2030	1,063	0	88	2	71	1,044
2031	1,044	0	93	2	70	1,019
2032	1,019	0	98	2	68	987
2033	987	0	103	2	65	948
2034	948	0	108	2	63	901
2035	901	0	112	1	59	847
2036	847	0	116	1	55	784
2037	784	0	120	1	51	713
2038	713	0	124	1	46	633
2039	633	0	128	1	40	544
2040	544	0	132	1	33	445
2041	445	0	135	1	26	335
2042	335	0	139	1	19	214
2043	214	0	142	0[2]	10	81

1 Includes $123 million in net investment income and ($54) million in other changes resulting from the transfer of assets from the OPEB SRBR reserve to the non-OPEB reserve.
2 Less than $1 million when rounded.

Year Beginning January 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
2044	81	0	145	0[1]	1	0
2045	0	0	0	0	0	0
2123	0	0	0	0	0	0
2123 (Discounted value)	**0**					

Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning January 1, 2023 row are actual amounts, based on the financial statements provided by ACERA.
3. Years 2046-2122 have been omitted from this table.
4. **Column (a):** Except for the "discounted value" shown for 2123, all of the projected beginning Plan FNP amounts shown have not been adjusted for the time value of money.
5. **Column (b):** $0. Benefits are funded by employer contributions to the 401(h) account and similar amounts are transferred from the SRBR to the Employers Advance Reserve to backfill the employer contributions that would have otherwise been made to the Retirement Plan.
6. **Column (c):** Projected benefit payments have been determined in accordance with paragraph 43-47 of GASB Statement No. 74, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of November 30, 2022. The projected benefit payments reflect future health care trends. The projected benefit payments include the OPEB SRBR benefits to the extent the current OPEB SRBR (including the portion of deferred investment loss as of December 31, 2023 that is expected to be allocated to the SRBR) supports those benefits. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 35 b.(2)(e) of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the discount rate.
7. **Column (d):** Projected administrative expenses are calculated as approximately 0.16% of the beginning OPEB SRBR Plan FNP amount. The 0.16% portion was based on the actual fiscal year 2023 administrative expenses as a percentage of the beginning OPEB SRBR Plan FNP amount as of January 1, 2023. Administrative expenses are assumed to occur halfway through the year, on average.
8. **Column (e):** Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.
9. As illustrated in this Exhibit, the OPEB SRBR Plan FNP was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the TOL as of December 31, 2023 shown earlier in this report, pursuant to paragraph 48 of GASB Statement No. 74.

Appendix B: Definition of Terms

Definitions of certain terms as they are used in GASB Statement No. 74. The terms may have different meanings in other contexts.

Term	Definition
Actuarially Determined Contribution:	A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.
Assumptions or Actuarial Assumptions:	The estimates on which the cost of the Plan is calculated including: a. Investment return — the rate of investment yield that the Plan will earn over the long-term future; b. Mortality rates — the death rates of employees and retirees; life expectancy is based on these rates; c. Retirement rates — the rate or probability of retirement at a given age; d. Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Covered Payroll:	The payroll of the employees that are provided OPEB benefits
Discount Rate:	The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: a. the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and b. the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Entry Age Actuarial Cost Method:	An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age
Healthcare Cost Trend Rates:	The rate of change in per capita health costs over time
Net OPEB Liability:	The Total OPEB Liability less the Plan Fiduciary Net Position
Plan Fiduciary Net Position:	Market Value of Assets
Real Rate of Return:	The rate of return on an investment after removing inflation
Service Cost:	The amount of contributions required to fund the benefit allocated to the current year of service.
Total OPEB Liability:	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement No. 75.
Valuation Date:	The date at which the actuarial valuation is performed

5847163v5/05579.003

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
T 415.263.8200
F 415.376.1167
segalco.com

April 10, 2024

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, 2023**

Dear Lisa:

In our draft Governmental Accounting Standards Board (GASB) Statement 74 actuarial valuation report dated April 9, 2024, 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 April 9, 2024. 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, 2022 and December 31, 2023, respectively.

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 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.

This document has been prepared for the exclusive use and benefit of the client, based upon information provided by you and your other service providers or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as may be required by law, this document should not be shared, copied or quoted, in whole or in part, without the consent of Segal. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

The actuarial calculations were completed under the supervision of Mehdi Riazi, FSA, MAAA, FCA, EA 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

Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President and Actuary

Enclosures

Schedule of Employer Allocations as of Decemer 31, 2022

Actual Employer Contributions by Employer January 1, 2022 to December 31, 2022

Employer	Contributions	Percentage[1]
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]	159,854	0.044%
OPEB Expense	**$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

Allocation of December 31, 2022 Net OPEB Liability

Employer	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%
OPEB Expense	**$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 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, 2023

Actual Employer Contributions by Employer January 1, 2023 to December 31, 2023

Employer	Contributions	Percentage[1]
Alameda County[2]	$283,753,532	76.256%
Health System	68,496,541	18.407%
Superior Court	14,051,632	3.776%
First 5	2,408,479	0.647%
Housing Authority	1,741,120	0.468%
LARPD[3]	1,500,857	0.403%
ACOE[4]	160,854	0.043%
OPEB Expense	**$372,113,015**	**100.000%**

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

[2] This includes $153,656,002 of County General actual employer contributions and $130,097,530 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 2023 in the amount of $47,730,468 plus the contribution credit applied in 2023 in the amount of $82,367,062 for a total adjusted County Safety contribution of $130,097,530.

[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 2023 in the amount of $454,796 plus the contribution credit applied in 2023 in the amount of $1,046,061 for a total adjusted LARPD contribution of $1,500,857.

[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, 2021 valuation in the amount of $101,000 based on an April 1, 2023 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, 2023

Allocation of December 31, 2023 Net OPEB Liability

Employer	NOL	Percentage[1]
Alameda County	$158,968,597	76.256%
Health System	38,374,145	18.407%
Superior Court	7,872,213	3.776%
First 5	1,349,314	0.647%
Housing Authority	975,436	0.468%
LARPD	840,832	0.403%
ACOE	90,116	0.043%
OPEB Expense	**$208,470,653**	**100.000%**

Notes:

1. Allocated based on the actual January 1, 2023 through December 31, 2023 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 $160,854 in 2023 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 $130,097,530 in 2023 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 $1,500,857 in 2023 had they not made the voluntary LARPD General UAAL contribution in 2023 to the pension plan.
2. The Net OPEB Liability (NOL) is the Total OPEB Liability (TOL) minus the OPEB SRBR Plan 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, 2023

Deferred Outflows of Resources

Employer	Net OPEB Liability	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	Total Deferred Outflows of Resources
Alameda County	$158,968,597	$0	$111,379,243	$19,372,167	$718,634	$131,470,044
Health System	38,374,145	0	26,886,336	4,676,334	981,794	32,544,464
Superior Court	7,872,213	0	5,515,562	959,320	350,877	6,825,759
First 5	1,349,314	0	945,379	164,430	200,477	1,310,286
Housing Authority	975,436	0	683,426	118,868	60,569	862,863
LARPD	840,832	0	589,118	102,465	46,849	738,432
ACOE	90,116	0	63,139	10,982	20,038	94,159
Total for all Employers	**$208,470,653**	**$0**	**$146,062,203**	**$25,404,566**	**$2,379,238**	**$173,846,007**

Schedule of OPEB Amounts by Employer as of December 31, 2023

Deferred Inflows of Resources

Employer	Differences Between Expected and Actual Experience	Net Difference Between Actual and Projected Investment 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
Alameda County	$52,692,881	$0	$34,193,882	$951,384	$87,838,147
Health System	12,719,772	0	8,254,215	927,636	21,901,623
Superior Court	2,609,381	0	1,693,300	399,126	4,701,807
First 5	447,253	0	290,235	0	737,488
Housing Authority	323,325	0	209,815	30,724	563,864
LARPD	278,708	0	180,862	69,451	529,021
ACOE	29,871	0	19,384	917	50,172
Total for all Employers	**$69,101,191**	**$0**	**$44,841,693**	**$2,379,238**	**$116,322,122**

Schedule of OPEB Amounts by Employer as of December 31, 2023

OPEB Expense

Employer	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	$44,366,385	$41,513	$44,407,898
Health System	10,709,802	(54,319)	10,655,483
Superior Court	2,197,048	(34,791)	2,162,257
First 5	376,579	50,719	427,298
Housing Authority	272,233	(3,986)	268,247
LARPD	234,667	(10,107)	224,560
ACOE	25,150	10,971	36,121
Total for all Employers	**$58,181,864**	**$0**	**$58,181,864**

Schedule of OPEB Amounts by Employer as of December 31, 2023

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:
   a. 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.
   b. Current-period (i.e., 2023) 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, 2022 (the beginning of the measurement period ending December 31, 2023) and is 6.23[1] years.
3. The average of the expected remaining service lives of all employees was determined by:
   a. Calculating each active employee's expected remaining service life as the present value of $1 per year of future service at zero percent interest.
   b. Setting the remaining service life to zero for each nonactive or retired member.
   c. 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 $18.4 million calculated last year to $58.2 million calculated this year. The primary drivers of the increase were (a) the immediate recognition of the $54.2 million asset transfer from the OPEB to non-OPEB to equalize the sufficiency period[2] and (b) a lower credit for projected earnings, due to having a lower beginning of year asset amount than last year. The increase in expense was partially offset by (c) the expiration of a prior deferred outflow base and (d) the savings from this year's investment and liability experience.

[1] The remaining service lives of all employees of 6.23 years used here for GASB 75 is different from the 4.89 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.

[2] There is an offsetting reduction in this year's Pension expense as a result of this transfer.

MEMORANDUM TO THE AUDIT COMMITTEE

DATE: April 18, 2024

TO: Members of the Audit Committee

FROM: Harsh Jadhav, Chief of Internal Audit

SUBJECT: Progress Update on the 2024 Internal Audit Program

Executive Summary

The Audit Committee meeting in April 2024 will feature the progress update on the 2024 Internal Audit Program and the results of the Benefit Certification Audit. Overall, the audit plan is on schedule. We made one change in the plan to delay the Third-Party Service Provider Audit's start in Q3 2024 so the team can focus on the Workforce Resilience Audit.

The Internal Audit Department plans to conduct four internal audits, two special projects, and provide staff with fraud training. The annual employee fraud training is scheduled for Q3 2024. The fraud training comprises promoting industry best practices and communicating new threats and trends to be aware of. The team also continues to meet regularly with the PAS Project Manager to review and recommend ways to strengthen internal controls.

2024 Audit Schedule

Internal Audit Plan (2024)	Service Line	Assigned	Status	Q1	Q2	Q3	Q4
System-Wide Benefit Overpayment Audit	Internal Audit	Caxton	Not Started				
Investment Bank Reporting Audit	Internal Audit	Caxton	In Progress				
Workforce Resilience Audit (Critical Functions)	Internal Audit	Marlon, Dana, Lyndon	In Progress				
Third-Party Service Provider Audit	Internal Audit	Lyndon	Delayed to Q3				
Pension Administration System Internal Controls Project	Special Project	Caxton, Dana, Lyndon	In Progress				
Cybersecurity and Data Security Self-Assessment	Special Project	Vijay/Harsh	Continuous				
2024 Annual Risk Assessment	Administration	Harsh	Completed				
2025 Annual Risk Assessment	Administration	Harsh	Not Started				
Fraud Hotline Management	Administration	Lyndon	Continuous				
Fraud Training	Administration	Lyndon/Caxton	Not Started				

2024 Audit Program

Internal Audits

System-Wide Benefit Overpayment Audit
The purpose of the audit is to sample active, deferred, and retired members to ensure internal controls preventing overpayments are in place and operating effectively. Our approach will be to perform several small sample-size audits to review potential areas where overpayments can occur. With smaller data sets, we can quickly uncover potential systemic issues and recommend a remediation strategy.

Investment Bank Reporting Audit
This audit aims to strengthen internal controls to ensure investments are properly recorded with the investment bank as our book of record. We will examine the current business process to understand better how investment values are determined and subsequently recorded on the financial statements. The focus of the audit will be on operational efficiency.

Workforce Resilience Audit
The purpose of this review is to determine if ACERA has trained staff, backup personnel, and documented procedures for their critical processes. As the pandemic continues, part of prudent business continuity planning requires organizations to ensure essential staff are identified, critical processes are fully documented and updated regularly, and backup personnel have been trained and assessed periodically.

Third-Party Service Provider Audit
This audit determines if the critical third-party service providers that manage ACERA's confidential and sensitive information (i.e., member data) have internal controls to prevent breaches, processes to manage adverse events, and adequate incident response procedures.

Special Projects

Pension Administration System Internal Controls Project
The objective of this special project will be for the Internal Audit Department to support the business with technical guidance on risk and internal controls as the leadership plans to roll out Pension Gold (Version 3) to the organization.

Cybersecurity and Data Security Self-Assessment Project
The objective of this special project will be to work with the PRISM Department to determine if adequate firewalls, access controls, employee training, and processes for incident response, business recovery, and threat analysis are in place to ensure sensitive organizational data and member data are protected and secure.

Summary

We are focused on meeting the 2024 Audit Program objectives. I want to acknowledge my staff for their strong effort and dedication to delivering quality work. The Internal Audit Staff continues to do an excellent job partnering with management, servicing the Board of Retirement, and protecting our members.

Internal Audit Department
2024 Internal Audit Plan

April 18, 2024

Agenda

Progress on Internal Audit Plan

Results of the Benefit Certification Audit

2024 Internal Audit Plan

Internal Audit Plan (2024)	**Service Line**	**Assigned**	**Status**	**Q1**	**Q2**	**Q3**	**Q4**
System-Wide Benefit Overpayment Audit	Internal Audit	Caxton	Not Started				
Investment Bank Reporting Audit	Internal Audit	Caxton	In Progress				
Workforce Resilience Audit (Critical Functions)	Internal Audit	Marlon, Dana, Lyndon	In Progress				
Third-Party Service Provider Audit	Internal Audit	Lyndon	Delayed to Q3				
Pension Administration System Internal Controls Project	Special Project	Caxton, Dana, Lyndon	In Progress				
Cybersecurity and Data Security Self-Assessment	Special Project	Vijay/Harsh	Continuous				
2024 Annual Risk Assessment	Administration	Harsh	Completed				
2025 Annual Risk Assessment	Administration	Harsh	Not Started				
Fraud Hotline Management	Administration	Lyndon	Continuous				
Fraud Training	Administration	Lyndon/Caxton	Not Started				

Audit Objective

This audit confirmed benefit recipients are alive and eligible to continue receiving death benefits. The audit required benefit recipients to provide evidence through a signed statement, verbal or visual authentication, or notification from an authorized representative or family member affirming the benefit recipient is alive.

Audit Scope

- This audit reviewed the validity of death benefit payments made to benefit recipients between the ages of 85 and 110. This population was deemed to represent the highest potential risk of an unreported death. There were 1,065 benefit recipients in the original population.

Controls Tested

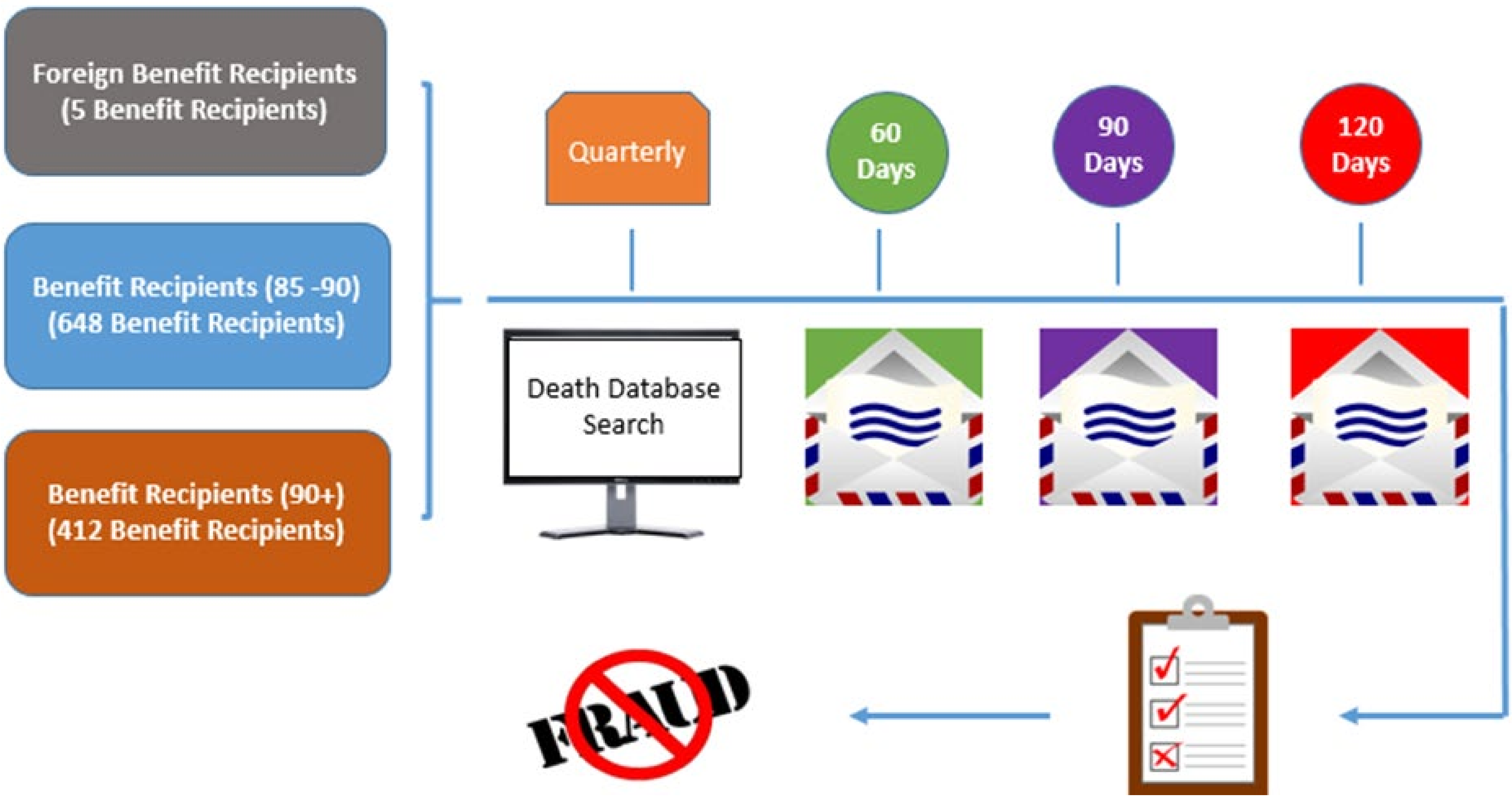
REPORTED DEATHS ARE DOCUMENTED – EFFECTIVE

- A copy of an official death certificate is in the benefit recipient's file to validate the date the death occurred.

ONLY LIVING BENEFIT RECIPIENTS ARE PAID A RETIREMENT BENEFIT – PARTIALLY EFFECTIVE

- Confirm that the recipients who are entitled to and receiving a retirement benefit are still alive.

Audit Process



Audit Results and Recommendations

Control 1: Reported Deaths Are Documented Prior to Payment

No Recommendations

Process design was effective and no exceptions noted.

Audit Results and Recommendations

Control 2: Only Living Benefit Recipients Are Paid a Retirement Benefit

Recommendations:

Process design was partially effective and the following recommendations were made.

Audit Results and Recommendations

1. Of the 83 unverified benefit recipients, 43 had changed their address or had an address on file where mail was undeliverable. We recommend emailing or contacting the benefit recipients through other means to update their address records and confirm they are alive and well.

The Benefits Department informed us that they verify all returned mail items and send a Change of Address to the payee.

Audit Results and Recommendations

2. We noted of the 83 unverified benefit recipients, fifteen benefit certifications received appear to be signed by an individual other than the benefit recipient or an authorized representative. We recommend following up to confirm the signers were authorized to sign on the benefit recipient's behalf.

Audit Results and Recommendations

3. We noted that one unverified individual living in a foreign country had not been contacted for several years. It is unlikely that ACERA will discover a death in a foreign country by searching through the death database. We recommend using other methods to contact these foreign benefit recipients to confirm they are living.

Audit Results and Recommendations

4. We noted ninety instances where a Power of Attorney (POA) or family member had signed on behalf of the member. We recommend reviewing the list to confirm that ACERA has proper documentation on file for them. We could not verify the representative was authorized in seven out of the ninety cases.

The Benefits Department advised that they are reviewing all POA items referred to during the audit and assigning team members to contact and work with the parties to set up valid POAs with ACERA.

Audit Results and Recommendations

5. We recommend educating benefit recipients and their authorized representatives on the importance of updating their records at ACERA.

Audit Results and Recommendations

6. We noted two instances where a benefit recipient was aged 100 or over but had not been contacted for several years. We recommend that all benefit recipients over 85 be contacted at least once every three years and their living status is confirmed.

Audit Results and Recommendations

7. We recommend a closer review for address checking during Form 1099 processing. Undeliverable mail should be researched and used to update the Benefit Recipient's address record.

The Benefits Department advised that a return mail process is currently in use but will look to strengthen the policy for returned 1099Rs.

Audit Results and Recommendations

8. We recommend that the Benefits Department consider conducting a periodic benefit certification audit as part of their normal business process. These audits increase effectiveness if run regularly to ensure timely collection of overpayments.

Questions

MEMORANDUM TO THE AUDIT COMMITTEE

DATE: April 18, 2024

TO: Members of the Audit Committee

FROM: Harsh Jadhav, Chief of Internal Audit

SUBJECT: Results of the Benefit Certification Audit

Executive Summary

As fiduciaries, trustees are responsible for protecting and preserving the plan's assets for all participants. One risk area is the overpayment of benefits due to ACERA not being notified promptly of the benefit recipient's death. If ACERA is not notified of the benefit recipient's death, and the payment continues after the benefit recipient's death, the funds are improperly disbursed. The longer the death goes unreported or undiscovered, the greater the overpayment and the more difficult it is to recover.

Audit Objective

This audit confirmed benefit recipients are alive and eligible to continue receiving death benefits. The audit required benefit recipients to provide evidence through a signed statement, verbal or visual authentication, or Notification from an authorized representative or family member affirming the benefit recipient is alive. Finally, we provided management with an independent review and recommendations for process improvement based on weaknesses or inefficiencies we observed. We also identified potential cases where we could not confirm if the beneficiary was alive through the verification process or appeared to have a higher likelihood of fraud.

Summary of Key Findings and Recommendations

1. Of the 83 unverified benefit recipients, 43 had changed their address or had an address on file where mail was undeliverable. We recommend emailing or contacting the benefit recipients through other means to update their address records and confirm they are alive and well.

   Response: The Benefits Department informed us that they verify all returned mail items and send a Change of Address to the payee.

2. We noted of the 83 unverified benefit recipients, fifteen benefit certifications received appear to be signed by an individual other than the benefit recipient or an authorized representative. We recommend following up to confirm the signers were authorized to sign on the benefit recipient's behalf.

3. We noted that one unverified individual living in a foreign country had not been contacted for several years. It is unlikely that ACERA will discover a death in a foreign country by searching through the death database. We recommend using other methods to contact these foreign benefit recipients to confirm they are living.

4. We noted ninety instances where a Power of Attorney (POA) or family member had signed on behalf of the member. We recommend reviewing the list to confirm that ACERA has proper documentation on file for them. We could not verify the representative was authorized in seven out of the ninety cases.

   Response: The Benefits Department advised that they review all POA items referred to during the audit and assign team members to contact and work with the parties to set up valid POAs with ACERA.

5. We recommend educating benefit recipients and their authorized representatives on the importance of updating their records at ACERA.

6. We noted two instances where a benefit recipient was aged 100 or over but had not been contacted for several years. We recommend that all benefit recipients over 85 be contacted at least once every three years and their living status is confirmed.

7. We recommend a closer review for address checking during Form 1099 processing. Undeliverable mail should be researched to update the Benefit Recipient's address record.

   Response: The Benefits Department advised that a return mail process is currently in use but will look to strengthen the policy for returned 1099Rs.

8. We recommend that the Benefits Department consider conducting a periodic benefit certification audit as part of their normal business process. These audits increase effectiveness if run regularly to ensure timely collection of overpayments.

Alameda County Employees' Retirement Association
Internal Audit Department

Benefit Certification Audit

INTERNAL AUDIT DEPARTMENT
APRIL 2024

PREPARED FOR:

THE ACERA BOARD OF RETIREMENT

TABLE OF CONTENTS

CONTROL SUMMARY

KEY CONTROLS

#	Control	Risk Level	Effectiveness
1	**REPORTED DEATHS ARE DOCUMENTED** A copy of an official death certificate is in the benefit recipient's file to validate the date the death occurred.	MEDIUM	EFFECTIVE
2	**ONLY LIVING BENEFIT RECIPIENTS ARE PAID A RETIREMENT BENEFIT** Confirm that the recipients entitled to and receiving a retirement benefit are still alive. ACERA is typically notified about a benefit recipient's death through a relative, employer, or other concerned individual. In addition, ACERA conducts third-party online searches to check public obituary databases for deceased beneficiaries. Upon notification of death, ACERA stops benefit payments and requests an official death certificate for the benefit recipient's record.	HIGH	PARTIALLY EFFECTIVE

RISK LEVEL

High-Risk Controls:
Controls associated with critical processes within an organization. Typically, they are associated with overall monitoring controls or valued in key or numerous processes. They can be controls that had significant findings in previous years. A high-risk control failure could result in a material weakness. Material weakness includes material misstatements in the financial statements, significant process errors, and misuse of ACERA resources.

Medium-Risk Controls:
Controls are associated with important processes within an organization, where a deficiency in the control could cause financial loss or breakdown in the process. Still, in most cases, they do not lead to a critical systemic failure. Typically, these controls had minimal or no findings in previous years but are integral to the process and necessary to test regularly. A medium-risk control failure could result in a significant deficiency and, in some instances, a material weakness. Significant deficiencies can include staff competency, lack of consistent business processes, and poor utilization of ACERA resources.

Low-Risk Controls:
Controls associated with process optimization and non-critical processes. Typically, they represent controls that did not have findings in the previous year's testing and have not changed how they operate or the personnel performing the controls. Low-risk controls are inherent in the current control environment. Still, they are unlikely to cause a material misstatement unless several low-risk controls fail within the same process.

CONTROL EFFECTIVENESS

Effective:
The control is fully operating as designed.

Partially Effective:
The control is operating as designed with the modification necessary due to a change in business process, change in personnel, inadequate documentation, the control not being fully implemented, or the control requiring additional enhancements to be effective. Often, new controls will fall into this category.

Improvement Opportunity:
The control is only marginally effective and should be redesigned or implemented. Typically, these controls require review due to an ineffective design, preventing the control from detecting control risk.

Ineffective:
The control is not operating as designed and could lead to a significant risk to the organization if not remediated.

Remediated:
The control was previously ineffective, partially effective, or an improvement opportunity. A remediation plan is in place to correct the deficiency. Note that reliance can be placed on the remediated control once retested by an internal audit, which typically occurs in the following audit cycle.

EXECUTIVE SUMMARY

As fiduciaries, trustees are responsible for protecting and preserving the plan's assets for all participants. One area of risk is the overpayment of benefits due to ACERA not being notified promptly of the benefit recipient's death. If ACERA is not notified of the benefit recipient's death, and the payment continues after the benefit recipient's death, the funds are improperly disbursed. The longer the death goes unreported or undiscovered, the greater the overpayment and the more difficult it is to recover.

AUDIT OBJECTIVE

This audit confirmed benefit recipients are alive and eligible to continue receiving death benefits. The audit required benefit recipients to provide evidence through a signed statement, verbal or visual authentication, or notification from an authorized representative or family member affirming the benefit recipient is alive. Finally, we provided management with an independent review and recommendations for process improvement based on weaknesses or inefficiencies we observed. We also identified potential cases where we could not confirm if the beneficiary was alive through the verification process or appeared to have a higher likelihood of fraud.

SCOPE AND AUDIT STRATEGY

This audit reviews the validity of death benefit payments made to benefit recipients between the ages of 85 and 110. This population was deemed to represent the highest potential risk of an unreported death. There were 1,065 benefit recipients in the original population, although two members not on the original list responded and sent in an unsolicited benefit certification. In both cases, these members assumed ACERA had mistakenly forgotten to send them a benefit certification form. They subsequently made copies of the form from another valid benefit recipient and completed the authentication. Although we verified the living status of the two new benefit recipients, we did not include them in the overall results since both were below the age threshold. We performed testing on 100% of the original population.

AUDIT LIMITATIONS

In previous audits, we requested benefit recipients to notarize their signatures to prove they were alive and well. We found that requesting a notarization could cause a hardship to some benefit recipients both financially and personally, as many older benefit recipients are living on a fixed income, lacking mobility, or in ill health. Please note that without requiring a notarization, there is a higher risk of not detecting a deceased benefit recipient, especially if the recipients live abroad or have a joint bank account, where the other party on the account has little incentive to report the death. Finally, our audit report will not detail the benefit recipient's personally identifiable information (PII) subject to privacy laws and regulations. Any test results with PII can only be obtained through the audit evidence maintained in a secured shared drive.

IIA AUDIT GUIDANCE AND STANDARDS

Internal auditing is conducted in diverse legal and cultural environments, within organizations that vary in purpose, size, complexity, and structure, and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* is essential in meeting the responsibilities of internal auditors and the internal audit activity.

If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the *Standards*, conformance with all other parts of the Standards and appropriate disclosures are needed.

If the *Standards* are used in conjunction with standards issued by other authoritative bodies, internal audit communications may also cite the use of other standards as appropriate. In such a case, if inconsistencies exist between the *Standards* and other standards, internal auditors and the internal audit activity must conform to the *Standards* and may conform with the other standards if they are more restrictive.
The purpose of the *Standards* is to:

(1) Delineate basic principles that represent the practice of internal auditing.
(2) Provide a framework for performing and promoting a broad range of value-added internal auditing.
(3) Establish the basis for the evaluation of internal audit performance.
(4) Foster improved organizational processes and operations.

The *Standards* are principles-focused, mandatory requirements consisting of:

(1) Statements of basic requirements for the professional practice of internal auditing and evaluating performance effectiveness are internationally applicable at organizational and individual levels.
(2) Interpretations, which clarify terms or concepts within the Statements. The Standards employ specific terms. Specifically, the Standards use the word "must" to specify an unconditional requirement and the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation. It is necessary to consider the Statements, their Interpretations, and the specific meanings from the Glossary to understand and apply the Standards correctly.
(3) The structure of the *Standards* is divided between Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. The Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards are also provided and can be applied to all internal audit services.

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The internal auditor determines the nature and scope of the assurance engagement. There are generally three parties involved in assurance services:

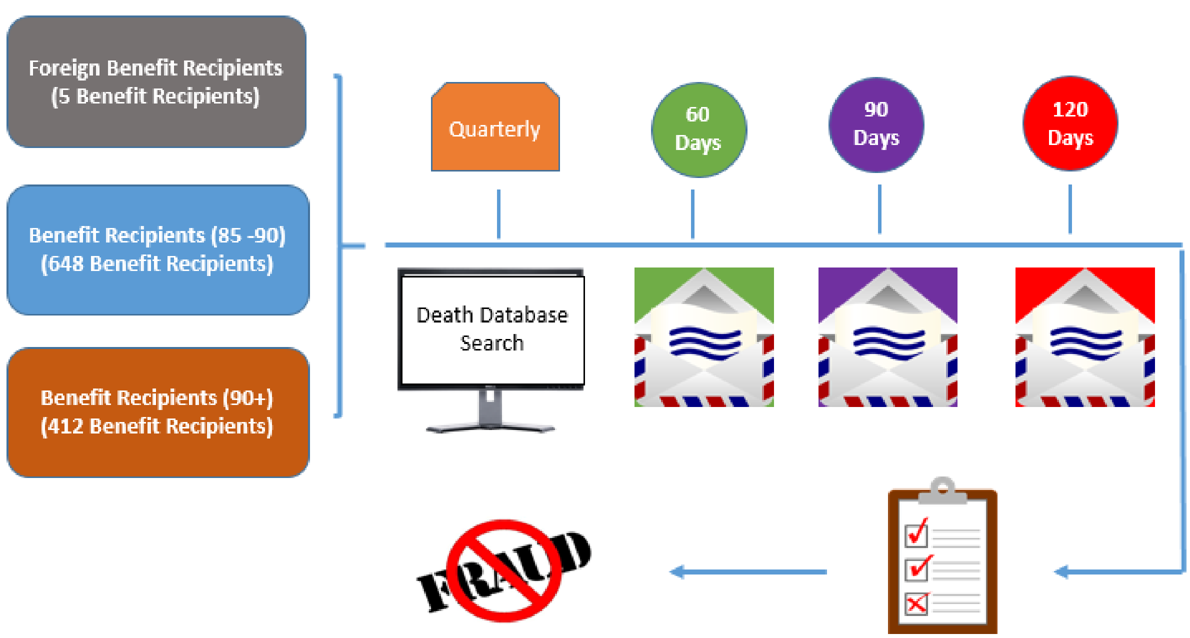
(1) The person or group directly involved with the entity, operation, function, process, system, or other subject matter - the process owner.
(2) The person or group making the assessment - the internal auditor
(3) The person or group using the assessment - the user.

Consulting services are advisory and are generally performed at the specific request of an engaged client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties:

(1) The person or group offering the advice - the internal auditor
(2) The person or group seeking and receiving the advice - the engagement client.

The internal auditor should maintain objectivity when performing consulting services and not assume management responsibility.

TESTING PROCESS AND REPORTING FLOW



CONTROLS TESTED

CONTROL 1 – REPORTED DEATHS ARE DOCUMENTED

Risk Level – Medium
Control: Effective

Control:
A copy of an official death certificate is in the benefit recipient's file to validate the date the death occurred.

Risk:
Pension benefits are wrongfully paid due to fraud or lack of oversight.

Owner:
Benefits Department

Testing Procedure:
This test validated whether payments were inadvertently made to a benefit recipient without a death certificate. A death certificate must be present before payment of death. In rare circumstances, management discretion can be used to pay with other documents that validate the recipient's death. The Benefits Department also advised that the death certificate determines the date from which death payments are calculated in cases of pro-rated benefits, return of contributions, and continuance payments. Death certificates are required before payments are made.

The Benefits Department informed us that deaths are reported in various ways to ACERA. Each method of death notification requires additional validation before ACERA will suspend the benefit. If the death cannot be confirmed, the Benefits Department will run a LexisNexis search before suspending the benefit or have the benefit issued as a check and returned to ACERA for safekeeping.

They may also review secondary validation like obituaries, verification from spouse/family member (who has been positively identified), death certificates (if available), and LexisNexis. Below are the most common ways the Benefits Department receives death notifications:

- LS360
- Third-party Notification such as a family member
- Returned ACH/closed account due to death.
- notification by insurance carriers
- Retiree Associations, 1st United and Employer Notifications

Death certificates are required before payment. The Benefits Department cannot require a death certificate before the suspension of a benefit due to the time it takes for a death certificate to be issued, or the informant may not be able to obtain the death certificate due to their relationship with the deceased. Death certificates may take 30 days or months (especially if the death occurred outside of the US or is pending investigation by the coroner) to become available. ACERA must quickly suspend or have the payment returned to ACERA for safekeeping to reduce overpayments.

Results:
There were thirty-two deaths recorded during the Benefit Certification Audit. In most cases, the representative or family member reported the death to ACERA. In five cases where the death was reported, a death certificate was not found in the decedent's file. In none of these cases was a benefit payment made, which fully complies with the accepted process.

CONTROL 2 – ONLY LIVING BENEFICIARIES CONTINUE TO BE PAID A DEATH BENEFIT

Risk Level – High
Control: Partially Effective

Control:
Confirm that the recipients entitled to and receiving a retirement benefit are still alive. ACERA is typically notified about a benefit recipient's death through a relative, employer, or other concerned individual. In addition, ACERA conducts third-party online searches to check public obituary databases for deceased beneficiaries. Upon notification of death, ACERA stops benefit payments and requests an official death certificate for the benefit recipient's record.

Risks:
Without proper documentation on file, someone other than the legal beneficiary could be paid a death benefit. Conversely, payments are not made to beneficiaries legally entitled to the death benefit.

Owner:
Benefits Department

Testing Procedure:
The verification process was performed by requesting a list of current benefit recipients (age 85 and over) and then sending those benefit recipients a benefit certification letter, which required the benefit recipient to confirm and certify they were still living and entitled to continue to receive benefits. The mailing campaign was a series of three letters/reminders sent over four months. During the audit, we collaborated with the Benefits Department to report possible exceptions and build monitoring controls. The Benefits Department was advised of the process improvement opportunities and the benefit recipients requiring further investigation.

Results:

Of the 1065 benefit recipients, 982 were verified. Eighty-three could not be verified for several reasons, including an undeliverable address, an individual other than the benefit recipient responding on behalf of the benefit recipient, the benefit recipient being unresponsive, an unauthorized representative completing and signing the benefits certification, or death of the benefit recipient. These unverified benefit recipients will be referred to the Benefits Department for additional research and follow-up.

The Benefits Department informed us that in one case, it appears that the death was not reported to ACERA. Still, the member's account remained open, and deposits continued, causing an overpayment. Monies were being held unnegotiated in the member's account. The Benefits Department and Legal Department collaborated to collect the overpayment.

Recommendations	Business Owner
1. Of the 83 unverified benefit recipients, 43 had changed their address or had an address on file where mail was undeliverable. We recommend emailing or contacting the benefit recipients through other means to update their address records and confirm they are alive and well. The Benefits Department informed us that they verify all returned mail items and send a Change of Address to the payee.	• Benefits Department
2. We noted of the 83 unverified benefit recipients, fifteen benefit certifications received appear to be signed by an individual other than the benefit recipient or an authorized representative. We recommend following up to confirm the signers were authorized to sign on the benefit recipient's behalf.	• Benefits Department
3. We noted that one unverified individual living in a foreign country had not been contacted for several years. It is unlikely that ACERA will discover a death in a foreign country by searching through the death database. We recommend using other methods to contact these foreign benefit recipients to confirm they are living.	• Benefits Department
4. We noted ninety instances where a Power of Attorney (POA) or family member had signed on behalf of the member. We recommend reviewing the list to confirm	• Benefits Department

that ACERA has proper documentation on file for them. We could not verify the representative was authorized in seven out of the ninety cases. The Benefits Department advised that they are reviewing all POA items referred to during the audit and assigning team members to contact and work with the parties to set up valid POAs with ACERA.	
5. We recommend educating benefit recipients and their authorized representatives on the importance of updating their records at ACERA.	• Benefits Department
6. We noted two instances where a benefit recipient was aged 100 or over but had not been contacted for several years. We recommend that all benefit recipients over 85 be contacted at least once every three years and their living status is confirmed.	• Benefits Department
7. We recommend a closer review for address checking during Form 1099 processing. Undeliverable mail should be researched and used to update the Benefit Recipient's address record. The Benefits Department advised that a return mail process is currently in use but will look to strengthen the policy for returned 1099Rs.	• Benefits Department
8. We recommend that the Benefits Department consider conducting a periodic benefit certification audit as part of their normal business process. These audits increase effectiveness if run regularly to ensure timely collection of overpayments.	• Benefits Department

CONCLUSION

Based on the audit results, the controls related to the Benefit Certification Audit are generally adequate and functioning as intended by management. Certain controls were deemed partially effective, and specific recommendations were made to protect against identified benefit overpayment risks and enhance fraud monitoring.