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VIA E-MAIL

May 27, 2020

Ms. Margo Allen
Fiscal Services 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, 2019**

Dear Margo:

In our Governmental Accounting Standards (GASB) Statement 67 actuarial valuation report dated May 27, 2020, we provided the Net Pension Liabilities (NPL) and other elements that are required for completing the Plan's financial reporting requirements under GASB Statement 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) for use in allocating the NPL and pension expense by employer, before we issue the full companion report for the employer's financial reporting for ACERA under GASB Statement 68.

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

In 2019, the Alameda County Office of Education (ACOE) made a lump sum contribution of \$750,000 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. The non-OPEB SRBR NPL is allocated to the employers in proportion to the total employer contributions made by those employers to the Pension Plan. 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 the total annual UAAL contribution ACOE would have made of \$132,883 in 2019 if they did not make the additional contribution to partially pay off their UAAL.

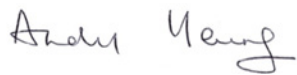
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Exhibit B summarizes the allocated NPL, deferred outflows and inflows of resources, and pension expense by the seven employers. Additional information required under GASB Statement 68 that each of the employers will need to disclose will be provided later in a separate report.

These calculations were performed 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.

Please let us know if you have any questions.

Sincerely,



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



Eva Yum, FSA, MAAA, EA
Senior Actuary

JB/bbf
Enclosures

Schedule of Employer Allocations as of December 31, 2018

Actual Employer Contributions by Employer and Membership Class January 1, 2018 to December 31, 2018

Employer	General Members, Excluding ACOE and LARP		General ACOE Members Only		General LARP		All General Members Combined	
	Contributions	Percentage ¹	Contributions	Percentage	Contributions	Percentage	Contributions	Percentage
Alameda County	\$112,075,994	64.134%	\$0	N/A	\$0	0.000%	\$112,075,994	63.731%
Health System	50,652,924	28.985%	0	N/A	0	0.000%	50,652,924	28.804%
Superior Court	9,789,834	5.602%	0	N/A	0	0.000%	9,789,834	5.567%
First 5	1,022,889	0.585%	0	N/A	0	0.000%	1,022,889	0.582%
Housing Authority	1,213,308	0.694%	0	N/A	0	0.000%	1,213,308	0.690%
LARP	0	0.000%	0	N/A	1,100,236	100.000%	1,100,236	0.626%
ACOE	0	0.000%	0	N/A	0	0.000%	0	0.000%
Total for all Employers	\$174,754,949	100.000%	\$0	N/A	\$1,100,236	100.000%	\$175,855,185	100.000%

Actual Employer Contributions by Employer and Membership Class January 1, 2018 to December 31, 2018

Employer	Safety Members		Total	
	Contributions	Percentage	Contributions	Percentage ^{1,2}
Alameda County	\$93,829,624	100.000%	\$205,905,618	76.351%
Health System	0	0.000%	50,652,924	18.782%
Superior Court	0	0.000%	9,789,834	3.630%
First 5	0	0.000%	1,022,889	0.379%
Housing Authority	0	0.000%	1,213,308	0.450%
LARP	0	0.000%	1,100,236	0.408%
ACOE	0	0.000%	0	0.000%
Total for all Employers	\$93,829,624	100.000%	\$269,684,809	100.000%

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

² In prior years, we used the unrounded percentages above in estimating the allocation of member contributions for purposes of determining pension expense amongst the employers. We had continued that practice through December 31, 2017 even though ACERA has since provided us with the actual member contributions by employer, as the difference between the actual and the estimated member contributions would only have the primary impact of changing the timing on when pension expense would have to be recognized by individual employers. Starting with the 12/31/2018 actuarial valuation, ACERA has provided us with actual Pension Plan benefit payments by General (excluding ACOE and LARP), General ACOE, General LARP and Safety membership classes (in addition to the actual member contributions by employers). Therefore, we now use the actual Pension Plan benefit payments by those four membership classes and actual member contributions by employer within each of the four membership class for purposes of determining pension expense amongst the employers. This is consistent with how we developed the valuation value of assets in the funding actuarial valuation.

Schedule of Employer Allocations as of December 31, 2018

Allocation of December 31, 2018 Net Pension Liability

Employer	General NPL, Excluding ACOE and LARPD (Excl. non-OPEB SRBR NPL)		General ACOE NPL Only (Excl. non-OPEB SRBR NPL)		General LARPD NPL Only (Excl. non-OPEB SRBR NPL)		Total General NPL (Excl. non-OPEB SRBR NPL)	
	NPL	Percentage ¹	NPL	Percentage ¹	NPL	Percentage ¹	NPL	Percentage
Alameda County	\$1,056,842,788	64.134%	\$0	0.000%	\$0	0.000%	\$1,056,842,788	63.481%
Health System	477,641,781	28.985%	0	0.000%	0	0.000%	477,641,781	28.690%
Superior Court	92,315,179	5.602%	0	0.000%	0	0.000%	92,315,179	5.545%
First 5	9,645,534	0.585%	0	0.000%	0	0.000%	9,645,534	0.579%
Housing Authority	11,441,128	0.694%	0	0.000%	0	0.000%	11,441,128	0.687%
LARPD	0	0.000%	0	0.000%	15,284,738	100.000%	15,284,738	0.918%
ACOE	0	0.000%	1,666,157	100.000%	0	0.000%	1,666,157	0.100%
Total for all Employers	\$1,647,886,410	100.000%	\$1,666,157	100.000%	\$15,284,738	100.000%	\$1,664,837,305	100.000%

Allocation of December 31, 2018 Net Pension Liability

Employer	Safety NPL (Excl. non-OPEB SRBR NPL)		General & Safety Total (Excl. non-OPEB SRBR NPL)		General & Safety Non-OPEB SRBR NPL		Total	
	NPL	Percentage ¹	NPL	Percentage	NPL	Percentage ²	NPL	Percentage
Alameda County	\$971,674,335	100.000%	\$2,028,517,123	76.940%	\$97,339,469	76.351%	\$2,125,856,592	76.913%
Health System	0	0.000%	477,641,781	18.116%	23,945,577	18.782%	501,587,358	18.147%
Superior Court	0	0.000%	92,315,179	3.501%	4,628,029	3.630%	96,943,208	3.507%
First 5	0	0.000%	9,645,534	0.366%	483,559	0.379%	10,129,093	0.366%
Housing Authority	0	0.000%	11,441,128	0.434%	573,577	0.450%	12,014,705	0.435%
LARPD	0	0.000%	15,284,738	0.580%	520,124	0.408%	15,804,862	0.572%
ACOE	0	0.000%	1,666,157	0.063%	0	0.000%	1,666,157	0.060%
Total for all Employers	\$971,674,335	100.000%	\$2,636,511,640	100.000%	\$127,490,335	100.000%	\$2,764,001,975	100.000%

¹ Allocated based on the actual employer contributions within each membership class.

² Allocated based on the actual employer contributions in total. ACOE was not required to make any Pension Plan contributions during 2018 because their payroll was \$0.

However, they were required to make a contribution under the Declining Employer Payroll Policy starting in 2019. As they would be expected to make a large lump sum contribution to partially pay off their liability, we would consult with the auditor on whether any special adjustment needs to be made when we report their non-OPEB SRBR NPL next year.

Notes:

Based on the January 1, 2018 through December 31, 2018 employer contributions as provided by ACERA.

Pension (excluding non-OPEB SRBR)

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan's Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan's Fiduciary Net Position for each membership class is obtained by allocating the total Plan's Fiduciary Net Position for Pension (excluding non-OPEB SRBR) proportionally based on the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes.¹ The total Plan's Fiduciary Net Position for pension as of December 31, 2018 includes the net market 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, less a proportionate share of the deferred market losses (after adjustment to include the balance in the Contingency Reserve) commensurate with the size of those SRBR 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.

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:

- First 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, less a proportionate share of the deferred market losses (after adjustment to include the balance in the Contingency Reserve) commensurate with the size of those Non-OPEB SRBR reserves.

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

- First calculate the ratio of the employer's total contributions to the 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.

¹ As of December 31, 2018, the total Plan's Fiduciary Net Position for Pension (excluding non-OPEB SRBR) is \$504.8 million **lower** than the valuation value of assets as of the same date due to the inclusion of deferred market **losses** and no available Contingency Reserve.

Schedule of Employer Allocations as of December 31, 2019

Actual Employer Contributions by Employer and Membership Class January 1, 2019 to December 31, 2019

Employer	General Members, Excluding ACOE and LARPD		General ACOE Members Only		General LARPD Members Only		All General Members Combined	
	Contributions	Percentage ¹	Contributions	Percentage	Contributions	Percentage	Contributions	Percentage
Alameda County	\$124,398,408	64.606%	\$0	0.000%	\$0	0.000%	\$124,398,408	63.924%
Health System	54,239,577	28.169%	0	0.000%	0	0.000%	54,239,577	27.872%
Superior Court	11,501,609	5.973%	0	0.000%	0	0.000%	11,501,609	5.910%
First 5	1,200,993	0.624%	0	0.000%	0	0.000%	1,200,993	0.617%
Housing Authority	1,208,258	0.628%	0	0.000%	0	0.000%	1,208,258	0.621%
LARPD	0	0.000%	0	0.000%	1,306,574	100.000%	1,306,574	0.671%
ACOE	0	0.000%	750,000	100.000%	0	0.000%	750,000	0.385%
Total for all Employers	\$192,548,845	100.000%	\$750,000	100.000%	\$1,306,574	100.000%	\$194,605,419	100.000%

Actual Employer Contributions by Employer and Membership Class January 1, 2019 to December 31, 2019

Employer	Safety Members		Total		Adjusted Total ²	
	Contributions	Percentage	Contributions	Percentage	Contributions	Percentage ¹
Alameda County	\$103,921,531	100.000%	\$228,319,939	76.482%	\$228,319,939	76.639%
Health System	0	0.000%	54,239,577	18.169%	54,239,577	18.207%
Superior Court	0	0.000%	11,501,609	3.853%	11,501,609	3.861%
First 5	0	0.000%	1,200,993	0.402%	1,200,993	0.403%
Housing Authority	0	0.000%	1,208,258	0.405%	1,208,258	0.406%
LARPD	0	0.000%	1,306,574	0.438%	1,306,574	0.439%
ACOE	0	0.000%	750,000	0.251%	132,883 ²	0.045%
Total for all Employers	\$103,921,531	100.000%	\$298,526,950	100.000%	\$297,909,833	100.000%

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

² 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 the total annual UAAL contribution ACOE would have made of \$132,883 in 2019 if they did not make the additional contribution to partially pay off their UAAL.

Schedule of Employer Allocations as of December 31, 2019

Allocation of December 31, 2019 Net Pension Liability

Employer	General NPL, Excluding ACOE and LARPD (Excl. non-OPEB SRBR NPL)		General ACOE NPL Only (Excl. non-OPEB SRBR NPL)		General LARPD NPL Only (Excl. non-OPEB SRBR NPL)		Total General NPL (Excl. non-OPEB SRBR NPL)	
	NPL	Percentage ¹	NPL	Percentage ¹	NPL	Percentage ¹	NPL	Percentage
Alameda County	\$750,950,156	64.606%	\$0	0.000%	\$0	0.000%	\$750,950,156	63.849%
Health System	327,425,563	28.169%	0	0.000%	0	0.000%	327,425,563	27.838%
Superior Court	69,431,235	5.973%	0	0.000%	0	0.000%	69,431,235	5.903%
First 5	7,249,979	0.624%	0	0.000%	0	0.000%	7,249,979	0.616%
Housing Authority	7,293,836	0.628%	0	0.000%	0	0.000%	7,293,836	0.620%
LARPD	0	0.000%	0	0.000%	13,024,823	100.000%	13,024,823	1.107%
ACOE	0	0.000%	793,504	100.000%	0	0.000%	793,504	0.067%
Total for all Employers	\$1,162,350,769	100.000%	\$793,504	100.000%	\$13,024,823	100.000%	\$1,176,169,096	100.000%

Allocation of December 31, 2019 Net Pension Liability

Employer	Safety NPL (Excl. non-OPEB SRBR NPL)		General & Safety Total (Excl. non-OPEB SRBR NPL)		General & Safety Non-OPEB SRBR NPL		Total	
	NPL	Percentage ¹	NPL	Percentage	NPL	Percentage ²	NPL	Percentage
Alameda County	\$810,219,254	100.000%	\$1,561,169,410	78.594%	\$118,260,007	76.639%	\$1,679,429,417	78.452%
Health System	0	0.000%	327,425,563	16.483%	28,093,792	18.207%	355,519,355	16.608%
Superior Court	0	0.000%	69,431,235	3.495%	5,957,344	3.861%	75,388,579	3.522%
First 5	0	0.000%	7,249,979	0.365%	622,063	0.403%	7,872,042	0.368%
Housing Authority	0	0.000%	7,293,836	0.367%	625,826	0.406%	7,919,662	0.370%
LARPD	0	0.000%	13,024,823	0.656%	676,750	0.439%	13,701,573	0.640%
ACOE	0	0.000%	793,504	0.040%	68,828	0.045%	862,332	0.040%
Total for all Employers	\$810,219,254	100.000%	\$1,986,388,350	100.000%	\$154,304,610	100.000%	\$2,140,692,960	100.000%

Notes:

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 made of \$132,883 in 2019 if they did not make the additional contribution to partially pay off their UAAL. This approach is outlined in our March 2, 2020 letter and is approved by ACERA.

Based on the January 1, 2019 through December 31, 2019 employer contributions as provided by ACERA.

Pension (excluding non-OPEB SRBR)

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan's Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan's Fiduciary Net Position for each membership class is obtained by allocating the total Plan's Fiduciary Net Position for Pension (excluding non-OPEB SRBR) proportionally based on the valuation value of assets for each membership class relative to the total valuation value of assets for all membership classes.¹ The total Plan's Fiduciary Net Position for pension as of December 31, 2019 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, plus a proportionate share of one half of the deferred market gains (after adjustment to replenish the balance in the Contingency Reserve) 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.

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:

- First 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, plus a proportionate share of one half of the deferred market gains (after adjustment to replenish the balance in the Contingency Reserve) commensurate with the size of the non-OPEB to total SRBR reserves.

For non-OPEB SRBR, the NPL is allocated based on the actual employer contributions in total.² The steps used for the allocation are as follows:

- First calculate the ratio of the employer's total contributions to the 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.

¹ As of December 31, 2019, the total Plan's Fiduciary Net Position for Pension (excluding non-OPEB SRBR) is \$174.9 million **higher** than the valuation value of assets as of the same date due to the inclusion of deferred market **gains**.

² Includes an adjustment to reflect the total annual UAAL contribution ACOE would have made of \$132,883 in 2019 if they did not make the additional contribution to partially pay off their UAAL. This approach is outlined in our March 2, 2020 letter and is approved by ACERA.

Schedule of Pension Amounts by Employer as of December 31, 2019

Employer	Net Pension Liability	Deferred Outflows of Resources				
		Differences Between Expected and Actual 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	\$1,679,429,417	\$29,709,753	\$0	\$163,207,471	\$6,558,962	\$199,476,186
Health System	355,519,355	3,236,186	0	38,885,514	6,333,639	48,455,339
Superior Court	75,388,579	686,240	0	8,245,750	4,077,438	13,009,428
First 5	7,872,042	71,657	0	861,018	591,593	1,524,268
Housing Authority	7,919,662	72,090	0	866,226	43,631	981,947
LARPD	13,701,573	4,084,482	0	934,042	34,430	5,052,954
ACOE	<u>862,332</u>	<u>909,027</u>	<u>0</u>	<u>19,203</u>	<u>35,469</u>	<u>963,699</u>
Total for all Employers	\$2,140,692,960	\$38,769,435	\$0	\$213,019,224	\$17,675,162	\$269,463,821

Schedule of Pension Amounts by Employer as of December 31, 2019

Employer	Deferred Inflows of Resources				Pension Expense			
	Differences Between Expected and Actual 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 Inflows of Resources	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	\$17,068,065	\$248,325,745	\$20,653,973	\$4,280,444	\$290,328,227	\$323,282,627	\$513,620	\$323,796,247
Health System	6,184,756	74,608,604	4,906,548	9,176,298	94,876,206	74,923,370	44,478	74,967,848
Superior Court	1,311,490	15,820,901	1,040,443	3,103,677	21,276,511	15,887,646	-399,040	15,488,606
First 5	136,945	1,652,012	108,643	17,133	1,914,733	1,658,980	136,431	1,795,411
Housing Authority	137,773	1,662,004	109,300	942,801	2,851,878	1,669,016	-257,947	1,411,069
LARPD	489,776	2,128,324	118,194	88,639	2,824,933	2,657,273	-19,698	2,637,575
ACOE	<u>22</u>	<u>38,063</u>	<u>12,021</u>	<u>66,170</u>	<u>116,276</u>	<u>381,986</u>	<u>-17,844</u>	<u>364,142</u>
Total for all Employers	\$25,328,827	\$344,235,653	\$26,949,122	\$17,675,162	\$414,188,764	\$420,460,898	\$0	\$420,460,898

Schedule of Pension Amounts by Employer as of December 31, 2019

Notes:

Amounts shown in this exhibit were allocated first by employer within each of the four pension plan membership class (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., 2019) 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, 2018 (the beginning of the measurement period ending December 31, 2019) and is 5.37 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.

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employees and nonactive and retired members.