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Via Email

May 24, 2021

Ms. Margo Allen
Fiscal Services 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, 2020**

Dear Margo:

In our Governmental Accounting Standards Board (GASB) Statement 74 actuarial valuation report dated May 24, 2021, we provided the Net OPEB Liability (NOL) and other elements that are required for completing the Plan's financial reporting requirements under GASB Statement 74. In this letter, we have provided as an Addendum to that report two additional schedules for use in allocating the NOL and OPEB expense by employer, before we issue the full companion report for the employer's financial reporting for ACERA under GASB Statement 75. This is similar to a recommendation made by the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel to have comparable schedules prepared for the Pension Plan when we implemented GASB Statements 67 and 68.

The attached schedules have been developed based on the assumptions, methods, and results shown in our report dated May 24, 2021. 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, 2019 and December 31, 2020, respectively.¹

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.

¹ The December 31, 2019 and December 31, 2020 NOL has been allocated to the different employers in proportion to the total employer contributions made by those employers to the Pension Plan during calendar years 2019 and 2020, respectively, based on prior discussions and approval provided by the Board.

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The actuarial calculations were completed under the supervision of Thomas Bergman, ASA, MAAA, Enrolled Actuary and Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. The health care trend and other related medical assumptions have been reviewed by Paul C. Sadro, ASA, MAAA. 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



Thomas Bergman, ASA, MAAA, EA
Senior Actuary

TJH/jl

Schedule of Employer Allocations as of December 31, 2019

Actual Employer Contributions by Employer January 1, 2019 to December 31, 2019

Employer	Contributions	Percentage*
Alameda County	\$228,319,939	76.639%
Health System	54,239,577	18.207%
Superior Court	11,501,609	3.861%
First 5	1,200,993	0.403%
Housing Authority	1,208,258	0.406%
LARPD	1,306,574	0.439%
ACOE	132,883	0.045%
Total for all Employers	\$297,909,833	100.000%

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

Allocation of December 31, 2019 Net OPEB Liability

Employer	NOL	Percentage
Alameda County	\$86,553,526	76.639%
Health System	20,561,615	18.207%
Superior Court	4,360,131	3.861%
First 5	455,283	0.403%
Housing Authority	458,037	0.406%
LARPD	495,308	0.439%
ACOE	50,374	0.045%
Total for all Employers	\$112,934,274	100.000%

Notes:

1. With the exception of an adjustment for the lump sum contribution made by ACOE (see item 4), the above is based on the January 1, 2019 through December 31, 2019 employer contributions in total as provided by ACERA.
2. The Net OPEB Liability (NOL) is the Total OPEB Liability (TOL) minus the OPEB SRBR Plan's Fiduciary Net Position (plan assets).
3. The employer's share of the total plan NOL is the ratio of the employer's total contributions to the total contributions for all employers.
4. ACOE made a lump sum contribution of \$750,000 in 2019 to partially pay off their liability to the pension plan. That lump sum is greater than the amount that ACOE would have had 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 letter dated March 2, 2020 to determine ACOE's proportionate share of OPEB SRBR NOL 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, 2020

Actual Employer Contributions by Employer January 1, 2020 to December 31, 2020

Employer	Contributions	Percentage*
Alameda County	\$238,881,264	77.104%
Health System	54,283,769	17.521%
Superior Court	12,372,365	3.993%
First 5	1,329,139	0.429%
Housing Authority	1,323,493	0.427%
LARPD	1,490,917	0.481%
ACOE	<u>138,832</u>	<u>0.045%</u>
Total for all Employers	\$309,819,779	100.000%

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

Allocation of December 31, 2020 Net OPEB Liability

Employer	NOL	Percentage
Alameda County	\$5,156,701	77.104%
Health System	1,171,817	17.521%
Superior Court	267,081	3.993%
First 5	28,692	0.429%
Housing Authority	28,570	0.427%
LARPD	32,184	0.481%
ACOE	<u>2,997</u>	<u>0.045%</u>
Total for all Employers	\$6,688,042	100.000%

Notes:

1. With the exception of an adjustment for the lump sum contribution made by ACOE (see item 4), the above is based on the January 1, 2020 through December 31, 2020 employer contributions in total as provided by ACERA.
2. The Net OPEB Liability (NOL) is the Total OPEB Liability (TOL) minus the OPEB SRBR Plan's Fiduciary Net Position (plan assets).
3. The employer's share of the total plan NOL is the ratio of the employer's total contributions to the total contributions for all employers.
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, 2018 valuation in the amount of \$78,000 based on an April 1, 2020 payment date plus the amortization of the remaining balance of the original \$750,000 lump sum amount (an amount of \$60,832 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). Note that in 2020, the actual contribution made by ACOE is \$72,051 which is \$5,949 less than the required contribution. Since \$5,949 is part of the required contributions, we included this amount for purposes of determining ACOE's proportionate share of the OPEB SRBR NOL.

Schedule of OPEB Amounts by Employer as of December 31, 2020

Employer	Net OPEB Liability	Deferred Outflows of Resources					Total Deferred Outflows of Resources
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		
Alameda County	\$5,156,701	\$0	\$0	\$62,650,700	\$1,206,194	\$63,856,894	
Health System	1,171,817	0	0	14,236,848	487,409	14,724,257	
Superior Court	267,081	0	0	3,244,865	\$520,054	3,764,919	
First 5	28,692	0	0	348,589	82,806	431,395	
Housing Authority	28,570	0	0	347,109	\$36,785	383,894	
LARPD	32,184	0	0	391,019	111,646	502,665	
ACOE	<u>2,997</u>	<u>0</u>	<u>0</u>	<u>36,411</u>	<u>57,241</u>	<u>93,652</u>	
Total for all Employers	\$6,688,042	\$0	\$0	\$81,255,541	\$2,502,135	\$83,757,676	

Schedule of OPEB Amounts by Employer as of December 31, 2020

Employer	Deferred Inflows of Resources				OPEB Expense			
	Differences Between Expected and Actual Experience	Net Difference Between Actual and Projected Earnings on OPEB Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan OPEB Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer OPEB Expense
Alameda County	\$49,931,864	\$145,945,820	\$4,849,048	\$269,207	\$200,995,939	-\$11,797,830	\$135,447	-\$11,662,383
Health System	11,346,599	33,164,967	1,101,905	1,901,560	47,515,031	-2,680,959	-194,808	-2,875,767
Superior Court	2,586,118	7,558,964	251,146	203,737	10,599,965	-611,045	39,192	-571,853
First 5	277,822	812,045	26,980	1,470	1,118,317	-65,642	16,289	-49,353
Housing Authority	276,642	808,595	26,866	71,474	1,183,577	-65,365	-11,061	-76,426
LARPD	311,637	910,884	30,264	49,812	1,302,597	-73,635	4,357	-69,278
ACOE	<u>29,019</u>	<u>84,820</u>	<u>2,818</u>	<u>4,875</u>	<u>121,532</u>	<u>-6,857</u>	<u>10,584</u>	<u>3,727</u>
Total for all Employers	\$64,759,701	\$189,286,095	\$6,289,027	\$2,502,135	\$262,836,958	-\$15,301,333	\$0	-\$15,301,333

Schedule of OPEB Amounts by Employer as of December 31, 2020

Notes:

1. Amounts shown in this exhibit were allocated by employer based on the Employer Allocation Percentage calculated in Exhibit A2.
2. In determining the OPEB expense:
 - Any differences between projected and actual investment earnings on OPEB plan investments are recognized over a period of five years beginning with the year in which they occur.
 - Current-period (i.e., 2020) changes in assumptions and differences between expected and actual 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, 2019 (the beginning of the measurement period ending December 31, 2020) and is 6.53 years.¹
3. The average of the expected remaining service lives of all employees was determined by:
 - Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
 - Setting the remaining service life to zero for each nonactive or retired member.
 - Dividing the sum of the above amounts by the total number of active employees and nonactive and retired members
4. There was an decrease in the total employer OPEB expense from \$18.2 million calculated last year to (negative) -\$15.3 million calculated this year. The primary cause of the decrease was due to the favorable return on the market value of assets for the year ended December 31, 2020 which lowered the OPEB expense by \$38.7 million.

¹ The remaining service lives of all employees of 6.53 years used here for GASB 75 is different from the 5.26 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.