



Alameda County Employees' Retirement Association
BOARD OF RETIREMENT

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, March 21, 2024
2:00 p.m.

LOCATION AND TELECONFERENCE	BOARD OF RETIREMENT TRUSTEES	
ACERA C.G. "BUD" QUIST BOARD ROOM 475 14 TH STREET, 10 TH FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574 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. 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	OPHELIA BASGAL CHAIR	APPOINTED
	KELLIE SIMON FIRST VICE-CHAIR	ELECTED GENERAL
	TARRELL GAMBLE SECOND VICE-CHAIR	APPOINTED
	KEITH CARSON	APPOINTED
	ROSS CLIPPINGER	ELECTED SAFETY
	JAIME GODFREY	APPOINTED
	HENRY LEVY	TREASURER
	ELIZABETH ROGERS	ELECTED RETIRED
	GEORGE WOOD	ELECTED GENERAL
	CYNTHIA BARON	ALTERNATE RETIRED ¹
KEVIN BRYANT	ALTERNATE SAFETY ²	

¹ 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.

² 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.

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.

1. CALL TO ORDER

2. ROLL CALL

3. PUBLIC COMMENT

4. CONSENT CALENDAR:

The Board will adopt the entire Consent Calendar by a single motion, unless one or more Board members remove one or more items from the Consent Calendar for separate discussion(s) and possible separate motion(s).

A. REPORT ON SERVICE RETIREMENTS:

Appendix A

B. LIST OF DEFERRED RETIREMENTS:

Appendix B

C. LIST OF DECEASED MEMBERS:

Appendix C

D. APPROVE REQUEST(S) FOR UP TO 130 BI-WEEKLY PAYMENTS TO RE-DEPOSIT CONTRIBUTIONS AND GAIN CREDIT:

None

E. APPROVE UNCONTESTED STAFF RECOMMENDATIONS ON DISABILITY RETIREMENTS AND DEATH BENEFITS:

Appendix E

F. APPROVE UNCONTESTED HEARING OFFICER RECOMMENDATIONS FOR DISABILITY RETIREMENTS AND DEATH BENEFITS:

None

G. APPROVE MINUTES of BOARD and COMMITTEE MEETINGS:

February 15, 2024 Minutes of the Regular Board Meeting

February 15, 2024 Audit Committee Minutes

H. MISCELLANEOUS:

- *Operating Expenses as of 01/31/24*

-----End of Consent Calendar-----
(MOTION)

REGULAR CALENDAR
REPORTS AND ACTION ITEMS

5. DISABILITY, DEATH AND OTHER BENEFIT CLAIMS:

None.

6. COMMITTEE REPORTS, RECOMMENDATIONS AND MOTIONS:

None.

7. NEW BUSINESS:

A. Discussion and Possible Motion regarding Rebalancing the Supplemental Retiree Benefit Reserve (SRBR) to Extend the non-OPEB Sufficiency Period.

B. Motion to direct the Chief Executive Officer (or his designee) to vote ACERA's Proxy on behalf of the Board of Retirement at the State Association of County Retirement Systems (SACRS) Spring Conference Business Meeting.

C. Update on 2024 Business Plan.

D. Chief Executive Officer's Report.

8. CONFERENCE/ORAL REPORTS

9. ANNOUNCEMENTS

10. BOARD INPUT

11. ESTABLISHMENT OF NEXT MEETING:

Thursday, April 18, 2024 at 2:00 p.m.

12. ADJOURNMENT

**APPENDIX A
REPORT ON SERVICE RETIREMENTS**

ALLAN, Scot
Effective: 1/6/2024
General Services Agency

HUGHES, Tonya
Effective: 12/23/2023
Social Services Agency

ARAGON, Irving
Effective: 12/30/2023
Housing & Community Development

JANSEN, David
Effective: 12/30/2023
Fire Department

ARAGON, Michelle
Effective: 12/30/2023
Housing & Community Development

LAU, Wing Tak
Effective: 12/30/2023
Public Works Agency

BROWN, Phillip
Effective: 1/6/2024
General Services Agency

LINDSAY, Barrie
Effective: 1/10/2024
Zone 7 Water Agency

CARONE, Carrie-Ana
Effective: 12/14/2023
Sheriff's Office

MCLARIN, Benita
Effective: 12/30/2023
Alameda Health System

CHIN, John
Effective: 12/31/2023
Sheriff's Office

MURGAI, Neena
Effective: 1/1/2024
Health Care Services Agency

EBALANG, Rey
Effective: 1/6/2024
Social Services Agency

MYLES, Sylvia
Effective: 1/6/2024
Social Services Agency

FUNG, Phillip
Effective: 12/30/2023
Public Works Agency

NADEL, Jeanine
Effective: 1/2/2024
County Counsel

GONZALES, Michele
Effective: 1/1/2024
Housing & Community Development

PADDOCK, Kevin
Effective: 12/23/2023
Sheriff's Office

GUTIERREZ, Yvonne
Effective: 12/22/2023
Alameda Health System

PAOLINI, Karen
Effective: 12/30/2023
Information Technology Department

HARRISON, Phyllis
Effective: 12/28/2023
Housing & Community Development

PINEDA, Benjamin
Effective: 1/6/2024
Alameda Health System

**APPENDIX A
REPORT ON SERVICE RETIREMENTS**

POWER, Jeffrey
Effective: 12/14/2023
Sheriff's Office

STEWART, Stephen
Effective: 12/29/2023
Community Development Agency

PURIFICACION, Maribel
Effective: 1/6/2024
County Administrator's Office

VILLASENOR, Eduardo
Effective: 12/31/2023
General Services Agency

SCHMELZER, Barbara
Effective: 1/1/2024
Library

WIEST, Kurt
Effective: 12/27/2023
Housing & Community Development

**APPENDIX B
LIST OF DEFERRED RETIREMENTS**

APAKAMA, Ugochi
Social Services Agency
Effective Date: 9/29/2023

BURCIAGA, Isaac
Sheriff's Office
Effective: 12/22/2023

ARANDA, Barbarita
Social Services Agency
Effective: 11/16/2022

CALIP, Accalia
Superior Court
Effective: 9/18/2023

ASHBY-ANDERSON, Steven
Superior Court
Effective: 1/5/2024

CELESTINO, John
Alameda Health System
Effective: 6/10/2023

BASS, Hilary
Sheriff's Office
Effective: 2/16/2024

COFFEY, Christina
General Services Agency
Effective: 10/20/2023

BHAKTA, Pooja
Social Services Agency
Effective: 4/22/2022

COTTRELL, Steven
District Attorney
Effective: 1/16/2024

BLACKWELL, Zachary
Sheriff's Office
Effective: 1/2/2024

DAVALOS VIZCARRA, Christian
District Attorney
Effective: 1/12/2024

BRUCE, Tiffani
Alameda Health System
Effective: 1/5/2024

DE LA CRUZ, Nicole
Housing & Community Development
Effective: 1/4/2024

APPENDIX B
LIST OF DEFERRED RETIREMENTS

DIOSDADO, Israel
Alameda Health System
Effective: 1/4/2024

GUEVARA, Evett
Sheriff's Office
Effective: 9/9/2023

DONAHUE, Christopher
Library
Effective: 1/6/2024

HARVEY, Kiah
Alameda Health System
Effective: 1/1/2024

DONAIRE, Khristian
Alameda Health System
Effective: 8/6/2023

IHE, Onyinye
Alameda Health System
Effective: 1/11/2024

DUVAL, Jeanne
Social Services Agency
Effective: 6/21/2023

JONES, Leona
Human Resource Services
Effective: 5/12/2023

ESOMONU, Justine
Alameda Health System
Effective: 12/26/2023

KROL, Christopher
Sheriff's Office
Effective: 1/4/2024

FABIYI, Simiade
Alameda Health System
Effective: 1/5/2024

LIANG, Olivia
Health Care Services Agency
Effective: 1/5/2024

FRANCO, Jasmine
Superior Court
Effective: 6/21/2023

LUPO, Jordan
Social Services Agency
Effective: 1/23/2024

GARCIA, Claudia
Social Services Agency
Effective: 7/21/2023

MAUMALANGA, Vea
Probation
Effective: 2/25/2023

GOLDBERG, Lisa
Health Care Services Agency
Effective: 1/6/2024

MOORER, Nia
Social Services Agency
Effective Date: 7/17/2023

GREEN, Lawanda
Health Care Services Agency
Effective: 8/18/2023

MORGENROTH, Kelly
Health Care Services Agency
Effective: 1/16/2024

GRIFFITH, Alaysha
Superior Court
Effective: 9/25/2023

MURILLO, Jacqline
Superior Court
Effective: 4/26/2023

**APPENDIX B
LIST OF DEFERRED RETIREMENTS**

NGUYEN, Miranda
Alameda Health System
Effective: 4/29/2023

SENG, Chandanny
Social Services Agency
Effective: 8/21/2023

PATRON, Emelinda
Superior Court
Effective: 8/1/2023

TAIARA, Camille
Superior Court
Effective: 8/16/2023

PAULOS, Joshua
Health Care Services Agency
Effective: 1/19/2024

WALSH, Anjanique
Superior Court
Effective: 10/24/2023

PEDROZA, Janet
District Attorney
Effective: 1/10/2024

WANG, Esther
Alameda Health System
Effective: 2/3/2023

PERRY, Stacey
Health Care Services Agency
Effective: 1/12/2024

WEHE, James
Information Technology Department
Effective: 1/19/2024

RAMIREZ, Isabel
Superior Court
Effective: 8/28/2023

WILLIAMS, Kirsten
Social Services Agency
Effective: 2/8/2023

RICHARDS, Aundra
Housing & Community Development
Effective: 12/15/2022

WRIGHT, Marya
Social Services Agency
Effective: 9/1/2023

SCHNEIDER, Jeffrey
Livermore Area Recreation & Park District
Effective: 11/1/2023

YALLICO, Kristine Claire
Alameda Health System
Effective: 4/1/2023

SCOTT, Dana
Social Services Agency
Effective: 2/9/2023

YAUNNER SANCHEZ, Yuliet
Health Care Services Agency
Effective: 11/24/2023

**APPENDIX C
LIST OF DECEASED MEMBERS**

BAILEY, Lane
Community Development Agency
1/30/2024

JULIN, Richard
Non-Mbr Survivor of Dorothy Julin
1/16/2024

BARTALINI, Dolores
Alameda Health System
1/31/2024

LORETZ, Sharlene
Non-Mbr Survivor of Erwin Loretz
1/10/2024

BERNARD MILLER, Rebecca
Non-Mbr Survivor of Francis Bernard
2/4/2024

LOVELAND, Linda
Non-Mbr Survivor of Henry Murphy
3/18/2023

CARICO, Jean
Social Services Agency
2/9/2024

MALOON, Barbara
Social Services Agency
1/26/2024

CARTER HADNOT, Abaro
Superior Court
2/8/2024

MARTINEZ, Albert
Sheriff's Office
2/7/2024

CRAWFORD, Shirley
Non-Mbr Survivor of Donald Crawford
2/18/2024

NEAL, Flora
Social Services Agency
2/2/2024

DANEHY, Edward
Public Works Agency
2/18/2024

ORTIZ, Joy
Behavioral Health Care Services
2/13/2024

DECOURCY, Ann
Alameda Health System
1/19/2024

OVERMIER, Florence
Non-Mbr Survivor of Carl Overmier
2/8/2024

FERNANDEZ, Janet
Library
2/24/2024

POMBO, Roberto
Alameda Health System
2/16/2024

GUINN, Anna
Non-Mbr Survivor of Curtis Guinn
2/19/2024

POWELL JR., Lilton
Non-Mbr Survivor of Clara Powell
1/25/2024

**APPENDIX C
LIST OF DECEASED MEMBERS**

ROBERSON, Joan
District Attorney
1/30/2024

TECSON, Rogelio
Information Technology Department
2/2/2024

RUNDSTROM, William
County Counsel
1/23/2024

WALKER, Donald
Probation
2/21/2024

SIMMONS, Charles
Sheriff's Office
2/20/2024

WATSON, Ricky
Probation
2/2/2024

SMALL, Scott
Sheriff's Office
2/22/2024

WAGNER, Naomi
Social Services Agency
12/29/2023

**APPENDIX E
APPROVE UNCONTESTED STAFF RECOMMENDATIONS ON
DISABILITY RETIREMENTS AND DEATH BENEFITS**

Name: Carbino, Noelma
Type of Claim: Service-Connected

Staff's Recommendation:

Adopt the findings and conclusions and approve and adopt the recommendation contained in the Medical Advisor's report, including but not limited to, granting Ms. Carbino's application for a service-connected disability, and waiving annual medical examinations and questionnaires at this time.

Name: Mattison, Donald
Type of Claim: Service- Connected Death

Staff's Recommendation:

Adopt the findings and conclusions and approve and adopt the recommendation contained in the Medical Advisor's report, including but not limited to, granting Ms. Mattson's application for a service-connected death benefits.

**APPENDIX E
APPROVE UNCONTESTED STAFF RECOMMENDATIONS ON
DISABILITY RETIREMENTS AND DEATH BENEFITS**

Name: **Wiltz, LaWanda**
Type of Claim: **Service- Connected**

Staff's Recommendation:

Adopt the findings and conclusions and approve and adopt the recommendation contained in the Medical Advisor's report, including but not limited to, granting Ms. Wiltz's application for a service-connected disability, and waiving annual medical examinations.



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MINUTES**

Thursday, February 15, 2024

Chair Ophelia Basgal called the meeting to order at 2:02 p.m.

Trustees Present: Ophelia Basgal
Keith Carson
Tarrell Gamble
Jaime Godfrey
Henry Levy
Kellie Simon
George Wood
Cynthia Baron (*Alternate*)
Kevin Bryant (*Alternate*)

Trustees Excused: Ross Clippinger
Elizabeth Rogers

Staff Present: Carlos Barrios, Assistant Chief Executive Officer-Benefits
Angela Bradford, Executive Secretary
Sandra Dueñas-Cuevas, Benefits Manager
Erica Haywood, Fiscal Services Officer
Jessica Huffman, Benefits Manager (via Zoom)
Harsh Jadhav, Chief of Internal Audit
Vijay Jagar, Retirement Chief Technology Officer, ACERA
David Nelsen, Chief Executive Officer
Jeff Rieger, Chief Counsel
Betty Tse, Chief Investment Officer

Staff Excused: Victoria Arruda, Human Resources Officer
Lisa Johnson, Assistant Chief Executive Officer-Operations

PUBLIC INPUT

None.

Chief Executive Officer Dave Nelsen presented a Plaque to Trustee Jaime Godfrey for his dedication and service as the 2022 and 2023 Board Chair. Trustee Godfrey expressed his appreciation and stated he enjoyed serving as the Board Chair. Trustees and Staff also thanked Trustee Godfrey for his service as the 2022/2023 Board Chair.

**CONSENT CALENDAR
REPORTS AND ACTION ITEMS**

REPORT ON SERVICE RETIREMENTS

Appendix A

LIST OF DEFERRED RETIREMENTS

Appendix B

LIST OF DECEASED MEMBERS

Appendix C

**APPROVE REQUEST(S) FOR UP TO 130 BI-WEEKLY PAYMENTS TO
RE-DEPOSIT CONTRIBUTIONS AND GAIN CREDIT**

None

**APPROVE UNCONTESTED STAFF RECOMMENDATIONS ON
DISABILITY RETIREMENTS AND DEATH BENEFITS**

None

**APPROVE UNCONTESTED HEARING OFFICER RECOMMENDATIONS FOR
DISABILITY RETIREMENTS AND DEATH BENEFITS**

None

APPROVE MINUTES of BOARD and COMMITTEE MEETINGS

January 18, 2024 Minutes of the Regular Board Meeting

January 18, 2024 Operations Committee Minutes

February 7, 2024 Retirees Committee Minutes

February 7, 2024 Investment Committee Minutes

MISCELLANEOUS

- *Un-Audited Financial Statements as of 12/31/23*
- *Operating Expenses as of 12/31/23*
- *Actual Cash Report as of 12/31/23*
- *Board Member Conference Expense Report for 4th Quarter 2023*
- *Senior Manager Conference and Training Expense Report for 4th Quarter 2023*
- *Quarterly Report on Member Underpayments and Overpayments*
- *4th Quarter 2023 Call Center Report*

24-10

It was moved by Tarrell Gamble and seconded by Keith Carson that the Board adopt the Consent Calendar. The motion carried 9 yes (*Baron, Basgal, Bryant, Carson, Gamble, Godfrey, Levy, Simon, Wood*), 0 no, and 0 abstentions.

REGULAR CALENDAR
REPORTS AND ACTION ITEMS

DISABILITY, DEATH AND OTHER BENEFIT CLAIMS

None.

COMMITTEE REPORTS, RECOMMENDATIONS AND MOTIONS

This month's Committee reports were presented in the following order:

Retirees:

Vice-Chair Kellie Simon reported that the Retirees Committee met on February 7, 2024 and that the Committee was presented with and discussed the annual Supplemental Cost of Living Adjustment (COLA).

24-11

It was moved by Kellie Simon and seconded by Cynthia Baron that the Board adopt the Supplemental Cost of Living Adjustment increase for Tier I members who retired on or before April 1, 1982, and Tier 2 members who retired on or before April 1, 2007, effective with the April 1, 2024 monthly retirement allowance. This annual supplemental benefit is non-vested and is funded by the Supplemental Retiree Benefit Reserve. The motion carried 9 yes (*Baron, Basgal, Bryant, Carson, Gamble, Godfrey, Levy, Simon, Wood*), 0 no, and 0 abstentions.

Trustee Simon further reported that Staff presented the Committee with the following Information Items: **1)** Annual Cost of Living Adjustment; **2)** 2024 Annual Retirees Committee Work Plan Review; **3)** Annual Health Care Planning Meeting with Retiree Representatives/Date Announcement; **4)** Report on 1099-R Processing; **5)** Implementation of the Death Benefit Equity Policy Update; **6)** Report on Open Enrollment Activity; and **7)** Semi-Annual Report on ACERA's Wellness Program.

Minutes of the meeting were approved as part of the Consent Calendar.

Investment:

Trustee Jaime Godfrey reported that the Investment Committee met on February 7, 2024 and that the Committee discussed an up to \$50 million investment in PGIM Real Estate U.S. Debt Fund as part of ACERA's Real Estate Portfolio, pending completion of Legal and Investment due diligence and successful contract negotiations.

24-12

It was moved by Jaime Godfrey and seconded by George Wood that the Board approve an up to \$50 million investment in PGIM Real Estate U.S. Debt Fund as part of ACERA's Real Estate Portfolio, pending completion of Legal and Investment due diligence and successful contract negotiations. The motion carried 9 yes (*Baron, Basgal, Bryant, Carson, Gamble, Godfrey, Levy, Simon, Wood*), 0 no, and 0 abstentions.

Trustee Godfrey further reported that Staff presented the Committee with the following Information Items: *1) 2024 Capital Market Assumptions-NEPC; and 2) Investment Committee Workplan 2024.*

Trustee Godfrey reported that during the Investment Committee meeting, there was a public comment regarding corporate accountability.

Trustee Godfrey announced that the March 6th Investment Committee meeting has been canceled and the next Investment Committee meeting will take place on Wednesday, April 3, 2024.

Minutes of the meeting were approved as part of the Consent Calendar.

Audit:

Trustee Henry Levy reported that the Audit Committee met earlier today and that the Committee reviewed and discussed the external audit scope of work and timeline of services for the Financial Statements ended December 31, 2023, to be performed by Williams, Adley & Company-CA, LLP.

24-13

It was moved by Henry Levy and seconded by George Wood that the Board approve the external audit scope of work and timeline of services for the Financial Statements ended December 31, 2023, to be performed by Williams, Adley & Company-CA, LLP. The motion carried 9 yes (*Baron, Basgal, Bryant, Carson, Gamble, Godfrey, Levy, Simon, Wood*), 0 no, and 0 abstentions.

Trustee Levy further reported that Staff presented the Committee with the following Information Items: *1) 2024 Proposed Audit Committee Work Plan; 2) 2024 Audit Committee Work Plan (Proposed); and 3) Presentation of the Proposed 2024 Internal Audit Plan, which included information regarding findings of its member authentication survey and an update on Cybersecurity.*

Minutes of the meeting will be presented to the Board for adoption on the Consent Calendar at the March 21, 2024 Board meeting.

NEW BUSINESS:

Presentation on Rebalancing the Supplemental Retiree Benefit Reserve (SRBR) to Equalize Sufficiency Periods to pay OPEB and non-OPEB Benefits

Chief Executive Officer Dave Nelsen reminded the Board that at the Retirees Committee meeting last fall, Segal Representatives presented the idea of rebalancing the Supplemental Retiree Benefit Reserve (SRBR) to equalize sufficiency periods to pay Other Post-Employment Benefit (OPEB) and non-OPEB Benefits. At today's meeting, Andy Yeung of Segal presented an update that included information regarding an estimated amount of assets that would be needed to be transferred from the OPEB SRBR to the non-OPEB SRBR and how long the assets would last. However, Mr. Yeung requested that the Board hold off of making its decision regarding the transfer amount until after receipt of the April 1, 2024 Cost of Living Adjustment (COLA) amount and the December 31, 2023 financial information. Trustees' questions were answered. This item will be brought back for the Board's consideration at the March 21, 2024 Board meeting.

Motion to Approve the 2023 Discharge Request of Benefits Overpayments

Fiscal Services Officer Erica Haywood reported that for the 2023 Financial Reporting Period, ACERA had a total net uncollectable amount of \$36,905.61 in benefits overpayments for 21 accounts. Ms. Haywood is requesting the Board's approval to discharge the \$36,905.61, in accordance with the *Discharge of Benefits Overpayments Receivables Policy*. Mr. Nelsen and Chief Counsel Jeff Rieger explained that Staff makes every reasonable effort to recover money paid into a member's account after the member passes away, but it is challenging in some cases.

24-14

It was moved by Kellie Simon and seconded by Jaime Godfrey that the Board approve the 2023 discharge request of benefit overpayments in the amount of \$36,905.61. The motion carried 9 yes (*Baron, Basgal, Bryant, Carson, Gamble, Godfrey, Levy, Simon, Wood*), 0 no, and 0 abstentions.

Discussion regarding Possible Board Off-Site Meeting

Chair Basgal and Mr. Nelsen discussed possibly reinstating ACERA Board Off-Site meetings or for the Board to offer an alternative to a Board Off-Site meeting. Mr. Nelsen reported that historically, ACERA had all-day Board Off-Site meetings that included various outside and internal presenters. However, due to the cost involved with an all-day event and due to the outside presenters' availability, arranging the Board Off-Site meetings were very challenging. Mr. Nelsen proposed that in lieu of an all-day event, Staff could bring in speakers to present educational topics at Committee and/or Board meetings throughout the year OR the Board could have a half-day Off-Site event with a facilitator trained to present in Board Governance/Best Practices. Trustees provided feedback stating that the event could: *1) be held at ACERA; and 2) include outside speakers suggested by NEPC, ACERA's General Investment Consultant.* Trustee Keith Carson suggested bringing in a speaker that has the capability to make market predictions five years into the future. Mr. Nelsen reported that Administrators throughout the CALAPRS Organizations have also discussed the types of speakers they would like to bring in to present at their meetings. Mr. Nelsen will prepare and send out an open-ended survey to obtain further feedback from the Board. It was noted that the Off-Site and/or event is a public meeting, the same as a regular Board meeting.

David Nelsen, Chief Executive Officer's Report

Mr. Nelsen presented his February 15, 2024 written CEO Report which provided an update on: *1) Committee and Board Action Items; 2) Other Items: a) Business Planning; b) Legislation; c) Budget; d) Board Education; and 3) Key Performance Indicators.*

Mr. Nelsen reported that ACERA's Operating Expenses ending on December 31, 2023 was under \$600,000.00 below budget.

Chair Basgal inquired about whether there was any more information from the SACRS legislative session regarding remote meeting attendance. Mr. Nelsen reported that the SACRS Legislative Committee is running through its cut-off date to introduce any new bills and that there are bills that are open that could be amended, which may have some impact. However, the remote meeting attendance bill is not gaining much favor.

CONFERENCE/ORAL REPORTS

None.

ANNOUNCEMENTS

None.

BOARD INPUT

None.

To view the February 15, 2024 Board meeting in its entirety, click on the link below:
<https://youtu.be/bwBoCGWIOrg>.

ADJOURNMENT

The meeting was adjourned at approximately 2:47 p.m.

Respectfully Submitted,



David Nelsen
Chief Executive Officer

03/21/24

Date Adopted

APPENDIX A
REPORT ON SERVICE RETIREMENTS

ALEXANDER, Dyan
Effective: 12/2/2023
Social Services Agency

KEEFER, Penni
Effective: 11/18/2023
Superior Court

AMASON, Cynthia
Effective: 11/14/2023
Social Services Agency

LEUNG, Wai Cheong
Effective: 11/13/2023
Probation

AMEZQUITA, Thomas
Effective: 4/1/2023
Information Technology Department

MADISON, Constanetta
Effective: 12/23/2023
Probation

BERNAL, Christine
Effective: 12/16/2023
Probation

MARSTON, Adolph
Effective: 12/9/2023
Health Care Services Agency

BRADSHAW, Elizabeth
Effective: 12/1/2023
Health Care Services Agency

MYERS-CAMARA, Donna
Effective: 11/30/2023
Health Care Services Agency

CARPIO, Lolita
Effective: 12/9/2023
Social Services Agency

RANDRUP, Jerri
Effective: 11/21/2023
Health Care Services Agency

CLINKSCALE, Brian
Effective: 11/14/2023
Social Services Agency

ROOPE, Ronda
Effective: 11/18/2023
Superior Court

DAVIDSON, Consuelo Gigi
Effective: 12/9/2023
Superior Court

RYALS, Kathleen
Effective: 11/14/2023
Public Defender

FURTADO, Debra
Effective: 12/9/2023
Superior Court

SANDER, Joseph
Effective: 11/23/2023
Social Services Agency

GARTH, Aaron
Effective: 12/9/2023
Sheriff's Office

SANDERS, Che
Effective: 12/9/2023
Sheriff's Office

KAVVADIAS, Elaine
Effective: 12/8/2023
Alameda Health System

SWINDERMAN, Chris
Effective: 12/9/2023
Superior Court

APPENDIX A
REPORT ON SERVICE RETIREMENTS

THOMPSON-ADESINA, Funmilola
Effective: 11/8/2023
Alameda Health System

TORRES, Reynalda
Effective: 11/18/2023
Alameda Health System

WARE-KAWAMOTO, Carrie
Effective: 12/9/2023
Health Care Services Agency

WONG, Kenneth Chun Fai
Effective: 12/1/2023
General Services Agency

APPENDIX B
LIST OF DEFERRED RETIREMENTS

ADAMS, Terence C.
Probation
Effective Date: 10/13/2023

ASKEW, Rebekah
Superior Court
Effective: 12/15/2023

ADELSON, Naomi R.
Superior Court
Effective: 12/29/2023

BOHANON, Michanne E.
Social Services Agency
Effective: 12/9/2023

ALLAN, Scot M.
General Services Agency
Effective: 1/5/2024

BONG, Vannara
Alameda Health System
Effective: 12/13/2023

ANDERSON, Alessandra C.
Superior Court
Effective: 12/29/2023

BORDELON, Akeylah J.
Probation
Effective: 12/15/2023

ANGELES, Stephanie C.
Superior Court
Effective: 12/22/2023

BROWN, Phillip M.
General Services Agency
Effective: 1/5/2024

ARGUETA HERNANDEZ, Ronald F.
Sheriff's Office
Effective: 12/8/2023

BURCIAGA, Isaac
Sheriff's Office
Effective: 12/22/2023

**APPENDIX B
LIST OF DEFERRED RETIREMENTS**

COOPER, Kaitlin L.
County Counsel
Effective: 9/1/2023

HARRELSON, Misti L.
District Attorney
Effective: 1/2/2024

CUADRA, Carlos H.
Health Care Services Agency
Effective: 1/2/2024

HARRIS, Victoria
Social Services Agency
Effective: 1/5/2024

CUEVAS, Barbara O.
Superior Court
Effective: 12/8/2023

HERNANDEZ, Amanda Y.
Social Services Agency
Effective: 12/18/2023

DAUDIER, Dorthia S.
Alameda Health System
Effective: 12/21/2023

HICKMAN, Kellie M.
Superior Court
Effective: 12/8/2023

DEVERA, Mabel M.
Auditor-Controller
Effective: 12/21/2023

JUROW, Jason R.
Public Works Agency
Effective: 9/15/2023

EGUIA, Andria
Superior Court
Effective: 12/22/2023

LATIMORE, Alexis D.
Alameda Health System
Effective: 12/27/2023

GHEE, Leonard B.
Alameda Health System
Effective: 12/15/2023

LEATH, Cydney
Social Services Agency
Effective: 8/4/2023

GILL, Gurman S.
Alameda Health System
Effective: 12/24/2023

LEE, Patricia J.
District Attorney
Effective: 12/26/2023

GLODOWSKI, Jacob T.
Probation
Effective: 1/5/2024

LEE, Tabian D.
District Attorney
Effective: 12/22/2023

GOYAL, Vishal
Information Technology Department
Effective: 12/15/2023

LIN, Joyce
Health Care Services Agency
Effective: 8/4/2023

GUZMAN, Denise
Social Services Agency
Effective: 12/22/2023

MARTINEZ-SALAZAR, Bianca D.
Sheriff's Office
Effective Date: 12/15/2023

**APPENDIX B
LIST OF DEFERRED RETIREMENTS**

MATTHEWS, Tracy L.
Social Services Agency
Effective: 12/12/2023

RICHARDSON, Stephanie F.
District Attorney
Effective: 12/22/2023

MCCULLOUGH, Sakeenah N.
Probation
Effective: 12/14/2023

RIOS, Luis A.
Sheriff's Office
Effective: 12/13/2023

MOLLIQUE, Jason T.
General Services Agency
Effective: 12/24/2023

SANCHEZ, Taylor Q.
Information Technology Department
Effective: 8/4/2023

MUZNIBI, Abdulah
Sheriff's Office
Effective: 12/8/2023

SOUZA PELLOW, Matthew
Sheriff's Office
Effective: 1/2/2024

NAVIA, Daniela S.
Alameda Health System
Effective: 12/27/2023

SPEECH, Marcella A.
Sheriff's Office
Effective: 12/22/2023

PIDOY, Randy D.
Alameda Health System
Effective: 12/15/2023

SPIVACK, Andrew F.
Health Care Services Agency
Effective: 12/22/2023

PORTER, Regina L.
Sheriff's Office
Effective: 12/12/2023

SUN, Xiaoxuan
Probation
Effective: 12/17/2023

PURIFICACION, Maribel C.
County Administrator's Office
Effective: 1/5/2024

TERRELL II, Napoleon M.
Sheriff's Office
Effective: 8/16/2023

RAMADAS, Sowmya
Sheriff's Office
Effective: 12/26/2023

VAUGHN, Phillese A.
Alameda Health System
Effective: 12/6/2023

WINTERS, Lesia A.
Alameda Health System
Effective: 11/11/2023

APPENDIX C
LIST OF DECEASED MEMBERS

BOWMAN, Roxanne
Non-Mbr DRO recipient of David Di Franco
12/27/2023

HEDRICK, Frances
Alameda Health System
12/15/2023

CHAFFEE, James
Public Defender
12/30/2023

JANSSEN, Bonnie
Library
1/5/2024

COLLINS, Sharon
Social Services Agency
12/19/2023

JOHNSON, Ovetta
Probation
1/4/2024

CRITZER, Luther
Livermore Area Recreation and Park District
1/11/2024

KELLY, James
Behavioral Health Care Services
12/21/2023

CUMPTON, Marsha
Non-Mbr Survivor of Dean Cumpton
12/17/2023

KING, Michael
Sheriff's Office
12/30/2023

DAYBELL, Vicki
Superior Court
12/14/2023

LEAVITT, Jack
District Attorney
1/14/2024

DELEMOS, Anne
Superior Court
12/15/2023

LEWIS, Arthur
Alameda Health System
1/1/2024

FERGUSON, Violet
Health Care Services Agency
1/1/2024

LOGAN, Leona
Alameda Health System
1/12/2024

FISCHER, David
Sheriff's Office
1/8/2024

LUNA, Ronald
District Attorney
1/19/2024

GOTO, Ann
Non-Mbr Survivor of George Goto
1/9/2024

MINAMOTO, Lou
Probation
1/20/2024

**APPENDIX C
LIST OF DECEASED MEMBERS**

MOORE, James
Non-Mbr Survivor of Lolita Moore
11/27/2023

SELICH, Matthew
Sheriff's Office
1/9/2024

NGO, My-Huong
Social Services Agency
1/8/2024

SHAWKEY, Nancy
Behavioral Health Care Services
1/3/2024

SALOMON, Kenneth
Sheriff's Office
1/9/2024

VEASEY, Carletta
Probation
12/31/2023

SEABORN, Sylvia
Public Works Agency
1/13/2024

WAGNER, Naomi
Social Services Agency
12/29/2023



MINUTES OF FEBRUARY 15, 2024 AUDIT COMMITTEE MEETING

Date: February 15, 2024
To: Members of the Audit Committee
From: Henry Levy, Chair
Subject: **Summary of the February 15, 2024 Audit Committee Meeting**

The Audit Committee Chair, Henry Levy called the February 15, 2024, Audit Committee meeting to order at 12:30 p.m.

ACERA TRUSTEES, SENIOR MANAGERS AND PRESENTING STAFF IN ATTENDANCE

Committee members present were Henry Levy, Kellie Simon and George Wood. Other Board member present was alternate Cynthia Baron. Ophelia Basgal. Keith Carson, Tarrell Gamble, Jaime Godfrey and alternate Kevin Bryant arrived after the roll call.

Staff present were David Nelsen, Chief Executive Officer; Carlos Barrios, Assistant Chief Executive Officer; Jeff Rieger, Chief Counsel; Harsh Jadhav, Chief of Internal Audit; Erica Haywood, Fiscal Services Officer; Vijay Jagar, Chief Technology Officer; and Betty Tse, Chief Investment Officer. Jessica Huffman, Benefits Manager; Sandra Dueñas, Benefits Manager attended via Zoom.

PUBLIC COMMENT

None

ACTION ITEMS

External Audit:

- 1. Presentation, discussion, and possible motion to approve the external audit scope of work and timeline of services for the Financial Statements ended December 31, 2023, to be performed by Williams, Adley & Company-CA, LLP**

Robert Griffin and Kenneth Yu of Williams, Adley & Company-CA, LLP. (WACO), presented and discussed the external audit scope of work and timeline for the 2023 external audit.

After discussion, it was moved by Henry Levy and seconded by Kellie Simon, that the Audit Committee recommend to the Board of Retirement that the Board approve the external audit scope of work and timeline of services for the Financial Statements ended December 31, 2023, to be performed by Williams, Adley & Company-CA, LLP.

The motion carried 8 yes (*Basgal, Carson, Godfrey, Levy, Simon, Wood, Baron, Bryant*), 0 no, 0 abstentions.

INFORMATION ITEMS

External Audit

1. 2024 Audit Committee Work Plan (Proposed)

Staff presented the proposed 2024 Audit Committee work plan.

Internal Audit

1. Review of Annual Risk Assessment

Staff reviewed the Annual Risk Assessment.

2. Presentation of the 2024 Internal Audit Plan (Proposed)

Staff presented the proposed 2024 Internal Audit Plan.

Staff reviewed the findings of its member authentication survey.

Staff gave an update on cybersecurity.

TRUSTEE INPUT AND DIRECTION TO STAFF

None

FUTURE DISCUSSION ITEMS

None

ESTABLISHMENT OF NEXT MEETING DATE

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

MEETING ADJOURNED

The meeting adjourned at 1:44 p.m.



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: March 21, 2024

TO: Members of the Board of Retirement

FROM: Erica Haywood, Fiscal Services Officer *EA*

SUBJECT: Operating Expenses and Budget Summary for the period ended January 31, 2024

ACERA's operating expenses are \$299K over budget for the period ended January 31, 2024. Budget overages and surpluses worth noting are as follows:

Budget Overages

1. *Staffing*: Staffing is \$267K over budget. This amount comprised overages in fringe benefits of 111K, salaries & wages expenses of 53K, and temporary staffing of \$30K, and 5% staff vacancy adjustment of \$73K.
2. *Member Services*: Member Services are \$51K over budget. This amount comprised overages in disability legal arbitration & transcripts of \$11K, disability medical expenses of \$37K, and member printing & postage of \$3K.

Budget Surpluses

1. *Professional Fees*: Professional Fees are \$5K under budget for actuarial fees.
2. *Office Expense*: Office Expense is \$10K under budget. This amount comprised surpluses in communications of (\$1K), equipment lease and maintenance of (\$5K), minor equipment and furniture of (\$1K), office maintenance and supplies of (\$2K), and printing and postage of (\$1K).
3. *Board of Retirement*: Board of Retirement is \$4K under budget. This amount comprised surpluses in board compensation of (\$1K), board conferences and trainings of (\$2K), and board miscellaneous expenses of (\$1K).

Staffing Detail

Vacant positions as of January 31, 2024:

Department	Position	Qty	Comments
Benefits	Retirement Benefits Specialist	1	Vacant - currently budgeted for the year
Benefits	Retirement Support Specialist	1	Vacant – currently budgeted for the year
Fiscal Services	Retirement Accountant II	1	Vacant - currently budgeted for the year
	Total Positions	3	

Pension Administration System Project - as of January 31, 2024					
	Year-To-Date			2024 Budget	2019-23 Actual
	Actual	Budget	Variance		
Consultant Fees					
Levi, Ray and Shoup	\$62,518	\$162,500	\$(99,982)	\$1,950,000	\$3,231,571
Segal and other consultant fees	72,018	49,417	22,602	593,000	2,323,470
Other expenses	-	-	-	-	1,500
Leap Technologies	-	-	-	-	98,970
Total	134,536	211,917	(77,381)	2,543,000	5,655,511
Staffing	78,361	64,250	14,111	771,000	2,845,789
TOTAL	\$212,897	\$276,167	\$(63,270)	\$3,314,000	\$8,501,300

Attachments:

- Total Operating Expenses Summary
- Professional Fees – Year-to-Date – Actual vs. Budget
- Actual Operating Expenses comparison with last year



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

TOTAL OPERATING EXPENSES SUMMARY

YEAR TO DATE - ACTUAL VS. BUDGET					
<u>January 31, 2024</u>					
	<u>Actual</u>	<u>Budget</u>	<u>YTD</u>	<u>2024</u>	<u>% Actual to</u>
	<u>Year-To-Date</u>	<u>Year-To-Date</u>	<u>Variance</u>	<u>Annual</u>	<u>Annual Budget</u>
			<u>(Under)/Over</u>	<u>Budget</u>	
Staffing	\$ 1,691,803	\$ 1,424,230	\$ 267,573	\$ 17,032,000	9.9%
Staff Development	19,953	21,540	(1,587)	351,000	5.7%
Professional Fees (Next Page)	81,030	85,960	(4,930)	1,141,000	7.1%
Office Expense	28,111	38,570	(10,459)	468,000	6.0%
Insurance	51,590	51,730	(140)	637,000	8.1%
Member Services	102,927	51,490	51,437	608,000	16.9%
Systems	101,846	100,900	946	1,288,000	7.9%
Depreciation	10,203	9,230	973	112,000	9.1%
Board of Retirement	36,533	40,640	(4,107)	707,000	5.2%
Uncollectable Benefit Payments	-	-	-	78,000	0.0%
Total Operating Expense	\$ 2,123,996	\$ 1,824,290	\$ 299,706	\$ 22,422,000	9.5%



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 PROFESSIONAL FEES
 YEAR TO DATE - ACTUAL VS. BUDGET
 January 31, 2024

	<u>Actual</u> <u>Year-To-Date</u>	<u>Budget</u> <u>Year-To-Date</u>	<u>YTD Variance</u> <u>(Under)/Over</u>	<u>2024</u> <u>Annual</u> <u>Budget</u>	<u>% Actual to</u> <u>Annual Budget</u>
Professional Fees					
Consultant Fees - Operations and Projects ¹	\$ 28,000	\$ 27,980	\$ 20	\$ 356,000	7.9%
Actuarial Fees ²	16,500	21,500	(5,000)	490,000	3.4%
External Audit ³	24,000	24,000	-	145,000	16.6%
Legal Fees ⁴	12,530	12,480	50	150,000	8.4%
Total Professional Fees	\$ 81,030	\$ 85,960	\$ (4,930)	\$ 1,141,000	7.1%

	<u>Actual</u> <u>Year-To-Date</u>	<u>Budget</u> <u>Year-To-Date</u>	<u>YTD Variance</u> <u>(Under)/Over</u>	<u>2024 Annual</u> <u>Budget</u>	<u>% Actual to</u> <u>Annual Budget</u>
¹ CONSULTANT FEES - OPERATIONS AND PROJECTS:					
Benefits					
Alameda County HRS (Benefit Services)	10,500	10,500	-	126,000	8.3%
Segal (Benefit Consultant/Retiree Open Enrollment)	11,083	11,080	3	133,000	8.3%
Total Benefits	21,583	21,580	3	259,000	8.3%
Fiscal Services					
Cashlog	-	-	-	20,000	0.0%
Total Fiscal Services	-	-	-	20,000	0.0%
Human Resources					
Lakeside Group (County Personnel)	6,417	6,400	17	77,000	8.3%
Total Human Resources	6,417	6,400	17	77,000	8.3%
Total Consultant Fees - Operations	28,000	27,980	20	356,000	7.9%
² ACTUARIAL FEES					
Actuarial Valuation	-	-	-	87,500	0.0%
GASB 67 & 68 Valuation	-	-	-	53,500	0.0%
GASB 74 & 75 Actuarial	-	-	-	16,000	0.0%
Actuarial Standard of Practice 51 Pension Risk	-	-	-	30,000	0.0%
Supplemental Consulting	16,500	21,500	(5,000)	258,000	6.4%
Supplemental Retiree Benefit Reserve valuation	-	-	-	45,000	0.0%
Total Actuarial Fees	16,500	21,500	(5,000)	490,000	3.4%
³ EXTERNAL AUDIT					
External audit	20,000	20,000	-	122,000	16.4%
GASB 67 & 68 audit	2,000	2,000	-	11,000	18.2%
GASB 74 & 75 audit	2,000	2,000	-	12,000	16.7%
Total External Audit Fees	24,000	24,000	-	145,000	16.6%
⁴ LEGAL FEES					
Fiduciary & Litigation	(638)	5,000	(5,638)	60,000	-1.1%
Tax and Benefit Issues	(40)	2,080	(2,120)	25,000	-0.2%
Miscellaneous Legal Advice	13,208	5,400	7,808	65,000	20.3%
Total Legal Fees	12,530	12,480	50	150,000	8.4%

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL EXPENDITURES VS. PRIOR YEAR ACTUAL
For the One Month Ending 1/31/2024

	<u>For the Month of January 2024</u>	<u>For the Month of January 2023</u>	<u>Variance</u>	<u>Year-To-Date 2024</u>	<u>Year-To-Date 2023</u>	<u>Variance</u>
STAFFING						
Salaries	1,009,235	884,672	124,563	1,009,235	884,672	124,563
Fringe Benefits	636,220	481,607	154,613	636,220	481,607	154,613
Temporary Staffing Cost	46,348	27,863	18,485	46,348	27,863	18,485
Staffing Total	<u>1,691,803</u>	<u>1,394,142</u>	<u>297,661</u>	<u>1,691,803</u>	<u>1,394,142</u>	<u>297,661</u>
STAFF DEVELOPMENT	19,953	14,162	5,791	19,953	14,162	5,791
PROFESSIONAL FEES						
Actuarial Fees	16,500	32,150	(15,650)	16,500	32,150	(15,650)
Consultant Fees - Operations	28,000	27,667	333	28,000	27,667	333
Consultant Fees - Legal	12,530	23,940	(11,410)	12,530	23,940	(11,410)
External Audit	24,000	24,100	(100)	24,000	24,100	(100)
Professional Fees Total	<u>81,030</u>	<u>107,857</u>	<u>(26,827)</u>	<u>81,030</u>	<u>107,857</u>	<u>(26,827)</u>
OFFICE EXPENSE						
Bank Charges & Misc. Admin	6,358	5,251	1,107	6,358	5,251	1,107
Building Expenses	2,328	3,301	(973)	2,328	3,301	(973)
Communications	9,548	9,509	39	9,548	9,509	39
Equipment Lease/Maintenance	6,775	8,113	(1,338)	6,775	8,113	(1,338)
Minor Equipment and Furniture	0	702	(702)	0	702	(702)
Office Supplies/Maintenance	2,034	4,159	(2,125)	2,034	4,159	(2,125)
Printing & Postage	1,068	1,143	(75)	1,068	1,143	(75)
Office Expense Total	<u>28,111</u>	<u>32,178</u>	<u>(4,067)</u>	<u>28,111</u>	<u>32,178</u>	<u>(4,067)</u>
INSURANCE	51,590	46,924	4,666	51,590	46,924	4,666
MEMBER SERVICES						
Disability - Legal Arbitration & Transcripts	17,350	(800)	18,150	17,350	(800)	18,150
Disability Medical Expense	52,350	12,000	40,350	52,350	12,000	40,350
Disability Claims Management	3,850	3,850	0	3,850	3,850	0
Health Reimbursement Acct. (HRA)	5,994	5,280	714	5,994	5,280	714
Member Training & Education	682	517	165	682	517	165
Printing & Postage - Members	17,263	7,318	9,945	17,263	7,318	9,945
Virtual Call Center	5,438	5,402	36	5,438	5,402	36
Member Services Total	<u>102,927</u>	<u>33,567</u>	<u>69,360</u>	<u>102,927</u>	<u>33,567</u>	<u>69,360</u>

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL EXPENDITURES VS. PRIOR YEAR ACTUAL
For the One Month Ending 1/31/2024

	<i>For the Month of January 2024</i>	<i>For the Month of January 2023</i>	<i>Variance</i>	<i>Year-To-Date 2024</i>	<i>Year-To-Date 2023</i>	<i>Variance</i>
SYSTEMS						
Business Continuity Expense	18,434	15,123	3,311	18,434	15,123	3,311
County Data Processing	11,448	10,892	556	11,448	10,892	556
Minor Computer Hardware	8,329	1,492	6,837	8,329	1,492	6,837
Intangible right to use SBITA - GASB96	6,373	0	6,373	6,373	0	6,373
Software Maintenance & Support	57,262	59,987	(2,725)	57,262	59,987	(2,725)
Systems Total	<u>101,846</u>	<u>87,494</u>	<u>14,352</u>	<u>101,846</u>	<u>87,494</u>	<u>14,352</u>
DEPRECIATION						
Depreciation Expense	10,203	9,961	242	10,203	9,961	242
BOARD OF RETIREMENT						
Board Compensation	1,200	1,100	100	1,200	1,100	100
Board Conferences & Training	1,690	6,944	(5,254)	1,690	6,944	(5,254)
Board Employer Reimbursement	31,570	29,660	1,910	31,570	29,660	1,910
Board Miscellaneous Expense	779	1,310	(531)	779	1,310	(531)
Board Software Maint. & Support	1,294	0	1,294	1,294	0	1,294
Board of Retirement Total	<u>36,533</u>	<u>39,014</u>	<u>(2,481)</u>	<u>36,533</u>	<u>39,014</u>	<u>(2,481)</u>
GRAND TOTALS	<u>2,123,996</u>	<u>1,765,299</u>	<u>358,697</u>	<u>2,123,996</u>	<u>1,765,299</u>	<u>358,697</u>

**REGULAR CALENDAR
REPORTS and ACTION ITEMS**

**COMMITTEE REPORTS,
RECOMMENDATIONS and MOTIONS:**


There are no Committee Reports or Committee Motions this month.



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: March 21, 2024

TO: Members of the Board of Retirement

FROM: Carlos Barrios, Assistant Chief Executive Officer 

SUBJECT: **Rebalancing the Supplemental Retiree Benefit Reserve (SRBR) to Equalize Sufficiency Periods to Pay OPEB and Non-OPEB Benefits**

At the February 15, 2024 Board of Retirement meeting, Andy Yeung, with Segal, provided an estimated transfer amount needed to equalize the sufficiency periods to pay OPEB and non-OPEB benefits based on preliminary OPEB and non-OPEB assets as of December 31, 2023. Based on the final December 31, 2023 assets, Segal has determined that there are no changes to the asset transfer amount provided at the February meeting. Based on the final assets, Segal has determined that if \$54,206,000 were to be transferred from the OPEB SRBR to the non-OPEB SRBR as of December 31, 2023, the sufficiency period for both the OPEB and non-OPEB benefits would be equalized to 24 full years and one partial year. Attached is Segal's letter, which provides the information regarding the determination of the asset transfer amount.

Recommendation

Staff recommends that the Board of Retirement approve transferring \$54,206,000 from the OPEB Supplemental Retiree Benefit Reserve (SRBR) to the non-OPEB SRBR effective December 31, 2023.

Attachment



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

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

March 1, 2024

Mr. Carlos Barrios
Assistant Chief Executive Officer, Benefits
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612-1900

**Re: Alameda County Employees' Retirement Association (ACERA)
Supplemental Retiree Benefits Reserve (SRBR) — Final December 31, 2023 transfer
amount to align assets to equalize sufficiency periods to pay OPEB and non-OPEB
benefits**

Dear Carlos:

In our February 14, 2024 letter, we estimated an asset transfer amount needed to equalize the sufficiency periods to pay OPEB and non-OPEB benefits based on the preliminary OPEB and non-OPEB related assets as of December 31, 2023. We have since been provided with the final December 31, 2023 assets and confirmed that there are no changes to the asset transfer amount as provided in our February 14, 2024 letter. In particular, if \$54,206,000 were to be transferred from the OPEB SRBR to the non-OPEB SRBR as of December 31, 2023, the sufficiency period for both the OPEB and non-OPEB benefits would be equalized to 24 full years and 1 partial year as of December 31, 2023 assuming all the actuarial assumptions used in the December 31, 2022 valuation were to come true during 2023.¹ The rest of this letter provides details similar to those that were provided in our February 14, 2024 letter.

Background

In our September 25, 2023 letter, we provided a proposal to align the assets available to provide the OPEB and non-OPEB SRBR benefits. We recommended that the proposed transfer be made before we complete the next preview letter² and final report³ on the sufficiency periods to provide those benefits as of December 31, 2023 because such assets are first used in completing the financial reports in April 2024. The background and details of the proposed alignment were provided in our September 25, 2023 letter and a copy is included as part of this document.

¹ We note, as discussed in the rest of this letter, we have taken the actual calendar year 2023 investment and April 1, 2024 COLA experience into account in determining the transfer amount.

² The preview letter is scheduled to be provided to ACERA in May 2024.

³ The final report is scheduled to be provided to ACERA in September 2024.

In that letter, we estimated the amount of assets that would need to be transferred from the OPEB SRBR to the non-OPEB SRBR to be \$54.8 million if the alignment were to happen as of December 31, 2022. At the October 4, 2023 Retiree Committee meeting, the Retiree Committee directed Segal to provide an update to the transfer amount after the April 1, 2024 cost of living adjustment (COLA) and the December 31, 2023 financial information are available.

Proposed alignment of OPEB and non-OPEB SRBR assets

In the December 31, 2022 SRBR valuation report, the OPEB and non-OPEB related assets in the SRBR were projected to be sufficient to pay OPEB benefits through 2050 (27 full years and 1 partial year) and non-OPEB benefits through 2038 (15 full years and 1 partial year).

To determine the transfer amount needed to equalize the sufficiency periods for the OPEB and non-OPEB benefits, we have updated the non-OPEB cash flows provided in the December 31, 2022 SRBR valuation to reflect the supplemental COLA benefit payable effective April 1, 2024. We have also used the final December 31, 2023 OPEB and non-OPEB assets for this calculation.⁴ As of December 31, 2023, the OPEB sufficiency period is estimated at 26 full years and 1 partial year and the non-OPEB sufficiency period is estimated at 14 full years and 1 partial year. We determined that if \$54,206,000 were to be transferred from the OPEB SRBR to the non-OPEB SRBR as of December 31, 2023, both the OPEB and non-OPEB benefits would have a sufficiency period of 24 full years and 1 partial year as of December 31, 2023. This transfer would have the effect of decreasing the OPEB SRBR sufficiency period by 2 years and increasing the non-OPEB SRBR sufficiency period by 10 years.

We note that the final sufficiency periods as determined in the December 31, 2023 SRBR valuation (that reflects the December 31, 2023 demographic data, new actuarial assumptions, 2025 Monthly Medical Allowance, etc.) could change from the calculations in this letter that have been rolled forward from December 31, 2022, but we believe the impact to the alignment of the sufficiency periods for the OPEB and non-OPEB SRBR to be small.

Actuarial assumptions and methods

All results shown in this letter are based on the data and actuarial assumptions used in the December 31, 2022 actuarial valuation, except as noted below. The following assumptions and methodologies are applied in determining the updated transfer amount:

- The cashflow projections for the non-OPEB supplemental COLA benefits for 2024 and beyond reflect the actual April 1, 2024 COLA. We have reflected the December 31, 2023 final OPEB (including 401(h) account) and non-OPEB assets in determining the sufficiency

⁴ The final OPEB and non-OPEB related assets provided to Segal on February 21, 2024 were about \$1,135.3 million and \$57.1 million, respectively, as of December 31, 2023. The final OPEB related assets include about \$10 million in the 401(h) reserve and an adjustment for the estimated transfer of \$4.1 million from the SRBR to the employer advance reserves for the reimbursement of implicit retiree health subsidy for 2023.

periods. We have also adjusted the OPEB SRBR assets to reflect the estimated transfer of \$4,116,000 from the SRBR to the employer advance reserves for the reimbursement of implicit retiree health benefit subsidy for calendar year 2023.

- The cashflow projections are based on demographic data used in the December 31, 2022 valuation rolled forward one year to December 31, 2023. Therefore, it is assumed that all actuarial assumptions used in the December 31, 2022 valuation would have been realized and there were no actuarial gains or losses, except for the actual April 1, 2024 COLA and the final 2023 return on assets.
- The projections do not reflect the new assumptions that will be used in the December 31, 2023 valuation (based on the experience study for the period December 31, 2019 through November 30, 2022). We note that there were no changes to the recommended and adopted inflation, COLA and investment return assumptions in that study.
- We assume no change to the medical trend and other OPEB related assumptions (e.g., enrollment in various medical plans). Therefore, the cashflows used for the OPEB benefits are the same as what we showed in the December 31, 2022 SRBR sufficiency valuation.

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.

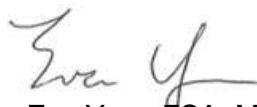
The December 31, 2022 valuation and these calculations were completed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of actuaries to render the actuarial opinion herein.

Please let us know if you need any additional information and we look forward to discussing this letter with you.

Sincerely,



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



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

EZY/jl
Enclosure (#5780703)

cc: Dave Nelsen
Lisa Johnson



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

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

September 25, 2023

Mr. Carlos Barrios
Assistant Chief Executive Officer, Benefits
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612-1900

**Re: Alameda County Employees' Retirement Association (ACERA)
Supplemental Retiree Benefits Reserve (SRBR) — proposal to align assets to
equalize sufficiency periods to pay OPEB and non-OPEB benefits**

Dear Carlos:

As we pointed out in our SRBR sufficiency preview letter dated May 30, 2023 and our SRBR final valuation report dated September 25, 2023, we have provided in this letter our proposal to align the assets available to provide the OPEB and non-OPEB SRBR benefits before we complete the next sufficiency preview letter and final report as of December 31, 2023.

In this letter, we outline several reasons why the Board may want to consider such alignment as of that date. However, for illustration purposes, we have provided the amount of assets that would be transferred from the OPEB SRBR to the non-OPEB SRBR if the alignment were to happen as of December 31, 2022.

Background

The SRBR is a reserve established pursuant to Article 5.5 of the County Employees Retirement Law of 1937 (CERL) and the SRBR is funded by both regular and excess earnings. Regular earnings are credited up to the current assumed investment return and when the total ACERA smoothed portfolio return is greater than the assumed investment return, 50% of the excess earnings are transferred to the SRBR. Those transfers are allocated to the OPEB and non-OPEB SRBR programs commensurate with the size of the OPEB and non-OPEB SRBR reserves, respectively.

In accordance with the Board's SRBR policy, "the Board manages approved SRBR benefits with a goal towards meeting the projected liabilities of the fund over a 15-year period, as determined by the actuary. If it is reported that current SRBR programs, which provide benefits, will not sustain for 15 years, benefit adjustments may be made based on the amount of funds needed in order to attain a prolonged lifespan of the fund without causing undue harm to beneficiaries."

In the above SRBR preview letter and final valuation report, the OPEB and non-OPEB related assets in the SRBR as of December 31, 2022 are projected to be sufficient to pay OPEB benefits through 2050 (27 full years and 1 partial year) and non-OPEB benefits through 2038 (15 full years and 1 partial year). The OPEB and non-OPEB assets were about \$1,104.7 million* and \$54.9 million, respectively as of December 31, 2022.

Since there is a gap between the sufficiency periods of paying OPEB and non-OPEB benefits, we have provided a proposal that may be considered by the Board to equalize the periods.

Proposed alignment of OPEB and non-OPEB SRBR assets

As stated in the SRBR Policy, the Board has the sole and exclusive authority and discretion to distribute funds in the SRBR to provide benefits for retirees. After consulting with ACERA's outside auditor, we believe it is reasonable from an actuarial standpoint for the Board to consider an ad-hoc transfer of assets from the OPEB SRBR to the non-OPEB SRBR with the goal of equalizing the sufficiency periods to pay benefits for both programs. We note that if approved by the Board, this will be the first time for such transfer since the Board allocated SRBR assets between the OPEB and the non-OPEB programs in the December 31, 2005 valuation to offset the OPEB and non-OPEB liabilities under the two separate sets of accounting reporting requirements. In order to avoid the need to make frequent transfers, we also propose that this determination be made as part of the next sufficiency study as of December 31, 2023. This means that any such change in the sufficiency periods and the resultant change in the accounting reporting results be determined as of December 31, 2023.

The sufficiency period for the non-OPEB SRBR is highly dependent on actual inflation. There has been a spike in short-term inflation that started in the second quarter of 2021 and continued into 2022. Because of the high one-year actual inflation of 4.88% in the Bay Area for 2022 (versus the inflation assumption of 2.75%), there is an increase in the supplemental COLA costs. As a result, there is an approximate five-year decrease in the sufficiency period to pay non-OPEB benefits between the last study as of December 31, 2021 and the current study as of December 31, 2022. While the rate of inflation has leveled off and started to decline around the second half of 2022, we propose that the transfer amount be calculated after the December 2023 Bay Area consumer price index is published so that the transfer amount would reflect the supplemental COLA benefit for 2024.

Illustration

As an illustration, we have calculated the asset transfer amount based on the December 31, 2022 SRBR valuation results.

* The OPEB related assets used for the determination of the sufficiency period includes about \$9 million in the 401(h) reserve.

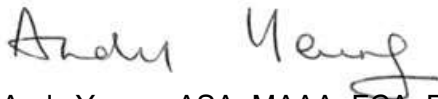
We determined that if an amount of \$54.8 million were to be transferred from the OPEB SRBR to the non-OPEB SRBR, both the OPEB and non-OPEB benefits would have a sufficiency period of 25 full years and 1 partial year. The \$54.8 million transfer represents about 5% of the OPEB SRBR assets. This transfer would have an effect of decreasing the OPEB SRBR sufficiency period by 2 years and increasing the non-OPEB SRBR sufficiency period by 10 years.

Actuarial assumptions and methods

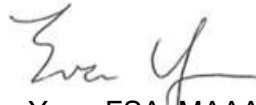
All results shown in this letter are based on the data and actuarial assumptions used in the December 31, 2022 actuarial valuation. That valuation and these calculations were completed under the supervision of Eva Yum, FSA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of actuaries to render the actuarial opinion herein.

Please let us know if you need any additional information and we look forward to discussing this letter with you.

Sincerely,



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



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

EZY/jl

cc: Dave Nelsen
Lisa Johnson



*Office of the Chief Executive Officer
Office of Administration*

DATE: March 21, 2024
TO: Members of the Board of Retirement
FROM: Dave Nelsen, Chief Executive Officer *DN*
SUBJECT: SACRS Proxy Voting

Twice each year, the State Association of County Retirement Systems (SACRS) requests submission of a Voting Proxy Form which, designates the member agency's representative(s) who will vote for the Board of Retirement at the business meeting during the conference.

There will be items up for vote in May, including the 2024 SACRS Board of Directors Election. All items up for vote will be presented to the Board and direction can be provided at the April 18, 2024 Board meeting.

Recommendation

Staff recommends that the Board of Retirement direct the Chief Executive Officer (or his designee) to vote ACERA's proxy on behalf of the Board at the SACRS Spring Conference Business Meeting.

Enclosure: 1) SACRS Proxy Voting Form

ENCLOSURE 1



SACRS VOTING PROXY FORM

The following are authorized by the Alameda County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference

(If you have more than one alternate, please attach the list of alternates in priority order):

David Nelsen Voting Delegate

Carlos Barrios Alternate Voting Delegate

These delegates were approved by the Retirement Board on 03 / 21 / 2024.

The person authorized to fill out this form and submit electronically on behalf of the Retirement Board:

Signature: _____
Print Name: David Nelsen
Position: Chief Executive Officer
Date: March 21, 2024

Please send your system’s voting proxy by April 30, 2024 to Sulema H. Peterson, SACRS Executive Director at Sulema@sacrs.org.



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: March 21, 2024
TO: Members of the Board of Retirement
FROM: David Nelsen, Chief Executive Officer *DN*
SUBJECT: 2024 Business Plan

In 2022, ACERA adopted a Strategic Plan to set the direction for the Association for the next five years. Each year, your team undertakes significant projects to implement that strategic direction.

Each business project has a target of meeting one or more of the four key Strategic goals.

Four Strategic Goals:

- Goal 1: Improve Funded Status While Maintaining an Appropriate Risk Posture in the Area of Investments.
- Goal 2: Manage Internal and External People transitions at all levels.
- Goal 3: Modernize Technology & Optimize Processes and Operations.
- Goal 4: Implement Cost-Effective Member Service Improvements and Expanded Communications.

Year 2024 Projects

For the year 2024, there are a total of ten projects. There are two new projects; three projects where the research phase concluded with a solution selection that will be implemented this year; and there are five continuing projects, largely related to the major PAS Update. The full 2024 business project list follows. At the Board meeting, I will describe each project and the deliverables associated with them for 2024.

Enclosure: 1) 2024 Business Project List

ENCLOSURE 1

1. Comprehensive Pension Administration System PG3 Training
Goal 2 (May 2023 – Fall 2024)

Implementation of the job aid work is in progress and procedures on schedule. Our standard operating procedure project is in progress with the first round of procedures completed. The second group of four procedures were initiated this month.

2. PGV3 Upgrade
Goal 2 (October 2024) & Goal 3

Design reviews for the final deliverable are complete. Member Direct training and Employer Direct training is on the schedule for the first week in April. Testing for the last group of change requests requiring retesting are underway.

3. OnBase Case Manager and PG-OnBase Integration Activity:
Goal 2 (Complete in August 2024) & Goal 3

New features have been added to The Beneficiary Maintenance Case Manager. End-user testing on Advance Directive Beneficiary Election is in progress. Conversion planning to the V3 environment for Case Manager functionality is in-progress.

Dashboard Reports replacing our BERT legacy system for present day (v2) reporting needs are complete. Reports development using V3 data can be initiated this month.

4. Communications Methods
Goal 4 (Apr. 2023 – March 2024)

Staff continues to develop video graphic animations for a seven-minute new-member orientation video to be shown during employer orientation. Staff provided a draft of the onboarding schedule in alignment with the New Member Onboarding project.

5. Investment license services for private market & Subscription
Goal 1 (March 2023 – June 2024)

Investments currently does not have access to Private Market benchmarking and is relying on limited access (read-only, and by one-off requests) from our general consultant. As part of monthly reporting and Total Fund snapshot reports to the Board, Investments produces materials that report out performance reports of funds compared to the appropriate benchmarks. Investments will obtain direct access to the Cambridge Associates Private Benchmark data through S&P Dow Jones Indices. This vendor can provide ACERA and the State Street Bank Performance Team with the necessary access to aid in providing timely benchmark performance reporting monthly. Staff has restarted communication to determine the proper needs and offerings from the vendor.

6. WFE Phase II
Goal 2 (Complete in October 2024)

OnBase will be the platform used for Workforce Excellence materials, namely evaluations and coaching tracking. It will house the needed files, allow for access by appropriate team members to complete these tasks, and it will automatically calculate the related metrics for ACERA-wide KPIs.

7. Agency Intranet solution Implementation
Goal 2 (September 2024)

Microsoft SharePoint has been selected as the tool for the intranet. The next phase is to get the intranet built out for PG3 documentation. The documentation itself will consist of thorough, actively maintained training materials in a linkable, user-friendly graphical format. It will be logically arranged and searchable.

8. Expense Submission Phase II - Software Training
Goal 3 (March 2024 through April 2024)

Expensify software subscription was tested and selected during Phase I, research segment of the project during 2023. During Phase II, staff will prepare and deliver one-on-one training sessions with each Trustee who plans to use the electronic submission software. Expensify may be used immediately following training as the tool to submit receipts for reimbursable expenses.

9. Great Plains Update Planning and Process Improvement Review
Goal 3 (March 2024 – December 2024)

During calendar year 2024 Accounting processes and interfaces will be reviewed for process improvement opportunities. The technology and fiscal services teams will work together to research the best tools and technology for upgrades in this area. There are some dependencies on and close interfacing with Pension Gold therefore some of the research will continue after PG-V3 goes live.

10. Advanced Death form and process update
Goal 2 and 3 (March 31, 2024)

The Active and Deferred Beneficiary Designation Form with the Advanced Death Benefit Election embedded into it is in its final revision stage. Embedding it allowed for the elimination of the Pre-Filed Disability Retirement Application thereby streamlining the two processes into one. The OnBase Case Management process for the Active and Deferred Beneficiary Designation Form along with confirmation notice containing whether the member has elected the Active Death Benefit Election has been completed. The final form and its accompanying video is scheduled to launch on the website on March 31, 2024 and all HR departments will be notified at that time.



Office of the Chief Executive Officer

DATE: March 21, 2024
TO: Members of the Board of Retirement
FROM: Dave Nelsen, Chief Executive Officer *DN*
SUBJECT: **Chief Executive Officer’s Report**

Senior Manager Recruitment

None

Committee/Board Action Items

ASSIGNED FOLLOW-UP ITEMS

Follow-Up Board Item	Assigned Senior Leader	Estimated Completion Date	Completion Date	Notes
Update Business Plan	Dave Nelsen	March 2024		We will be updating the Business Plan to support the Strategic direction of ACERA.

Conference/Event Schedule

I will be at the CALAPRS Leadership Academy as an instructor from April 22-24.

Other Items

Business Planning Update

See Attached Memo regarding 2024 Business Plan.

Legislative Update

Attached is the monthly Legislative Update from the SACRS Lobbying Firm which discusses bills of interest and their status.

Other Items

Budget: The monthly budget snapshot shows an overage of nearly \$300,000 for the month of January. This is primarily due to an unbudgeted increase in health care premium costs, which increased our fringe benefit costs significantly, as well as vacation sells that were either unanticipated or were budgeted for later in the year. We will keep track of these costs as the year progresses to determine if the normal opportunities to save will offset some of these unanticipated increases.

Investment Staff Alignment Efforts: Last year, we began an effort to realign the Investment Staff salary and classifications to make them both competitive with our peers in the pension environment. Our efforts were focused in two areas; to bring the salaries of the Investment Analyst and the Investment Officer classes in alignment with salary survey data of similar pension systems, and to create a new class of "Senior Investment Officer" to allow for progression in responsibility, autonomy and salary based upon demonstrated mastery of investment officer skills and abilities. This new class is something our peers had also added to their teams to create a career pipeline for qualified investment professionals.

I am excited to report that both efforts have been successfully implemented! We worked closely with the County to get approval from the Board of Supervisors for the salary adjustments and with the Civil Service Commission for the creation of the new class. While we may have created a new term within the county, "ACERA Envy", these adjustments were essential for recruitment, retention, and succession planning in the Investment Department. Kudos to Vicki, Betty and Serafin for their hard work in getting this all approved. It was a tremendous effort! Also, much thanks to our partners at the County who worked diligently to get this through, and supported our efforts throughout.

DROPs: Previously, I had mentioned the increased interest in some CERL member groups in adopting Deferred Retirement Option Programs, or DROPs. As Chairs of the SACRS Legislative Committee, Eric Stern, CEO from Sacramento, and myself submitted seven questions regarding these programs to the California Actuarial Advisory Panel. I have included the response to these questions as information only. No action is needed, this is just background information should this become a topic of conversation in Alameda.

Key Performance Indicators

Below are the high level performance indicators for ACERA, with the latest scores included:

Scorecard KPI	2022 Performance Goal
PRUDENT INVESTMENT PRACTICES	
Portfolio Performance vs. Policy Benchmark	<i>Annualized 10-year return will meet or exceed Policy benchmark at the total fund level</i> As of January of 2024: We were .04% short of the benchmark.
EFFECTIVE PLAN ADMINISTRATION	
Actual Spent vs. Approved Budget	<i>On budget or 10% below 2024 approved budget</i> As of January of 2024: 16% over budget.
COMPREHENSIVE ORGANIZATION DEVELOPMENT	
Employee Engagement Survey Results	<i>80% of responses in top two rating boxes on the question: "Is ACERA a great place to work?"</i> As of the latest survey (October of 2023): 73%.
SUPERIOR CUSTOMER SERVICE	
Service Excellence Survey	<i>80% of responses in top two rating boxes on the question: "Did ACERA meet or exceed my expectations for my customer service experience?"</i> For 4 th Quarter of 2023: 100%.

Enclosure: 1) DROP Request Response

ENCLOSURE 1

California Actuarial Advisory Panel



Paul Angelo
Senior Vice President
and Actuary
Segal
Chairperson

John Bartel
Retired
Vice Chairperson

David Driscoll
Principal and Consulting
Actuary
Buck Consultants, LLC

Anne Harper
Principal Consulting Actuary
Cheiron, Inc.

David Lamoureux
Deputy System Actuary
California State Teachers'
Retirement System

Graham Schmidt
Principal Consulting Actuary
Cheiron, Inc.

Todd Tauzer
Senior Vice President and
Actuary
Segal

Scott Terando
Chief Actuary
CalPERS

March 11, 2024

SUBJECT: Deferred Retirement Option Plans (DROP): An Actuarial Perspective

Introduction

This letter was written in response to a request from the Legislative Committee of the State Association of County Retirement Systems (SACRS) regarding Deferred Retirement Option Plans (DROPs) under the County Employees' Retirement Law (CERL). SACRS asked the California Actuarial Advisory Panel (CAAP) to provide a response to seven questions related to cost neutrality and other considerations for various types of DROPs as described in Article 11.5 of the CERL.

DROPs offer eligible employees an alternative path to retirement. In a DROP, a member who reaches retirement eligibility can elect to continue working while "freezing" their pension calculation. During participation in a DROP, rather than continuing to accrue increased retirement benefits based on additional years of service and salary adjustments, the employee's monthly retirement allowance is calculated as of their DROP entry date and those payments are deposited into a separate interest-bearing account. Upon the employee's ultimate retirement date, the accumulated value of the DROP account is distributed to them in a lump sum payment.

Additional information on DROPs may be found in a 2003 monograph published by the Society of Actuaries, "[Design and Actuarial Aspects of Deferred Retirement Option Programs](#)". A link to that monograph may also be found on the CAAP website at https://www.sco.ca.gov/Actuarial_Products_Guidance.html.

Note currently no California Employers' Retirement Law of 1937 (CERL) plan sponsor has adopted any of the CERL DROP provisions.

Challenges in Valuing a DROP

DROP plans present multiple challenges for actuarial valuations, including:

- **Behavioral Uncertainty:** It's difficult to predict employee behavior related to DROP. Factors like DROP entry timing, final retirement date, participation rates, and overall career length significantly complicate projections of expected future benefit payments.
- **Anti-selection:** Anti-selection (also referred to as adverse selection) can occur when employees' DROP plan participation decisions are made strategically or with foreknowledge of factors affecting the amount and duration of anticipated benefit payments, such as health status. This can impact actuarial projections and plan costs.

Challenges in Achieving Cost Neutrality

While a determination of "cost-neutrality" is required within the current CERL statutes as a prerequisite to implement a DROP, achieving and preserving cost neutrality poses difficulties. This is primarily because DROPs will tend to preserve the value of early retirement subsidies, especially within public safety groups, that would be lessened if a member had continued working beyond initial retirement eligibility. This can increase costs significantly, depending on the structure of the current benefit formula. Other features of the DROP can also affect whether cost neutrality can be achieved, such as the rate of interest credited to the DROP accounts.

The anti-selection issues will also tend to increase cost, to the extent members can be expected to make decisions that will benefit them financially. Furthermore, the behavioral uncertainty issues identified above make it difficult to determine whether the program is or is expected to be cost neutral.

Response to Questions from the Legislative Committee of the State Association of County Retirement Systems

Question 1: Cost Neutrality in Forward DROPs (GC 31771)

Under what general parameters could the "Forward" DROP provisions under Government Code section 31771 be considered cost neutral?

Achieving cost neutrality with a forward DROP is difficult, especially when early retirement subsidies remain available. Particularly in public safety groups with benefit formulas that are designed to provide significant early retirement subsidies – such as the '3% at 50' formula – allowing the member to set their retirement benefit based on the earliest retirement age can significantly increase the value of the benefit to the member, absent other offsets. For these formulas, the actuarial value of additional benefit amounts that would accrue due to continuation of salary and service increases

are generally less than the value that would be obtained by commencing retirement immediately, especially if the benefit includes Cost of Living Adjustments (COLAs). To offset the added costs attributable to preserving these subsidies, adjustments to the benefits earned under DROP will generally be required to achieve cost neutrality, such as:

- Setting the DROP account interest rate below the plan's actual or expected rate of return,
- Permanently waiving or reducing automatic cost-of-living adjustments (COLA) on retirement benefits during the period the member is in DROP, and
- Not crediting the full amount of any contributions made by the member during the DROP period to the member's DROP account.

Question 2: Cost Neutrality in Backward DROPs (GC 31778)

Under what general parameters could the "Backward" DROP provisions under Government Code section 31778 be considered cost neutral?

A backward (or "retroactive") DROP allows a member at retirement to select a past date and then the member's benefit is calculated as though the member had entered DROP upon that date. The member would then receive both the DROP account balance and their monthly retirement allowance, as determined under the parameters of the DROP.

Achieving a cost neutral backward DROP is much harder than for a forward DROP due to the higher anti-selection risk inherent in their retroactive nature, and because of the additional design constraints imposed by Section 31778. Participation in a backward DROP is likely driven by the expected financial advantage reflecting the individual circumstances of the member, greatly increasing the risk of anti-selection issues.

Extremely stringent conditions would be needed for a backward DROP to even approach cost neutrality. This would likely require the cost-offsetting features as described above for forward DROPs, and may necessitate additional offsets to address the additional adverse selection issues. However, the CERL statute as currently written appears to preclude the use of some of these adjustments for a backward DROP, in particular the suspension or reduction of COLAs and partial or non-crediting of member contributions to the DROP account (based on 31778.1(b) and (c)).

Question 3: Cost Neutrality in Actuarial Equivalent DROPs (GC 31777)

Under what general parameters could the "Actuarial Equivalent" DROP provisions under Government Code section 31777 be considered cost neutral?

An actuarial equivalent DROP allows a member at retirement to have a portion of their benefit paid as a lump sum as opposed to an ongoing monthly benefit. Actuarial equivalent DROPs address many of the concerns inherent in forward and backward DROPs. In particular, lump-sum payouts and annuity options should, by design, have

equivalent present values under this model and so should be expected to be cost neutral.

The actuarial equivalent DROP avoids the increase in early retirement subsidy issues associated with forward and backward DROPs. Furthermore, building conservatism into the actuarial assumptions used to calculate the lump sum payouts could mitigate possible anti-selection issues associated with an annuity vs. lump sum choice. However, the CAAP makes no representation as to whether the statute currently written allows for such conservatism.

Question 4 – Behavioral changes due to DROP

Under Government Code section 31770.4(c), “the actuarial analysis shall identify all cost elements expected to change due to implementation of the program...such as benefit payments, expected retirement age, and the likelihood of termination or disability by those near retirement age.” Based on the experience of other California retirement systems currently or previously offering DROP programs, what behavior changes have been observed by the Panel?

Isolating behavioral changes specifically related to DROP implementation is difficult where DROPs have been in place for a long time and across various retirement tiers. In California, such systems include Los Angeles Fire and Police or the City of Fresno. Further, it's impossible to definitively know when members would have retired absent a DROP option.

The San Francisco City and County Employees Retirement System implemented a DROP effective July 1, 2008 with an automatic “Sunset” as of June 30, 2011. If the program were deemed cost neutral based on a required cost analysis performed every three years, there was an option to renew the program. The definition of “cost neutrality” in the statute also considered human resource implications *outside* of the pension plan, such as recruiting and training costs. The observed behavior was that members entered DROP at rates 50% to 75% higher than the assumed retirement rates. The effect of this behavior was to increase the cost of the System. Even with potential offsetting cost-saving sources for the City, the DROP sunset as of June 30, 2011, and the program was not renewed.

While historical behavioral changes due to DROP are difficult to isolate, some potential behavioral changes in systems with DROPs include:

- Delayed retirement: Members might postpone retirement longer due to the financial advantages offered by a DROP.
- Strategic timing: The decision to enter a DROP and the final retirement date potentially coincide with personal financial goals or market conditions.
- Anti-selection due to health: Individuals with awareness of health conditions might be incentivized to opt into a DROP for greater immediate payouts.

The degree and nature of these behavioral changes will vary depending on specific plan design, actuarial assumptions within the model, and the demographics of the participant population. While DROPs may alter retirement patterns, their overall impact on a plan's health cannot be measured in isolation from other actuarial dynamics and investment performance. Also, to the extent that DROPs do affect behavior, this can affect other human resource considerations *outside* of the pension plan, such as medical benefits or recruiting and training costs.

Question 5 – Source of funding for interest crediting:

Government Code section 31772(c)(4) discusses various interest crediting policies. Based on any other anecdotal information the Panel may have observed, which entity (employer or retirement system) funds the interest credited to a member's DROP account?

The interest credited on DROP accounts is part of the member's benefit. Therefore, like all member benefits the interest credited is funded by employer and member contributions and by actual investment returns. To the extent there are any actuarial losses that occur because the interest credited to the DROP account exceeds the actual earnings on the plan's assets, those losses become part of the plan's overall unfunded actuarial accrued liability (UAAL), which is generally paid by the employer.

Question 6 – Which parties bear risks of significant financial impact:

Which parties (employers, employees, and/or retirement systems) bear the risks should the program result in a significant financial impact?

Any adverse financial impact of a DROP will emerge as actuarial experience losses which increase the UAAL. Because under the CERL the UAAL is generally funded by employer contributions, the risk of any adverse financial impact would typically be borne by the employers, absent changes to DROP benefits to achieve cost neutrality.

Over the long term, negative consequences from a DROP could affect all parties, as any deterioration in the overall financial condition of the system due to DROP may affect benefit and contribution levels.

Question 7: *Please discuss how the IRC 415(b) annual benefit limits are integrated with a DROP lump-sum distribution.*

Benefits paid from a qualified pension plan cannot exceed the IRC 415(b) benefit limit. The 415(b) benefit limit applies to annuity benefits; thus, other forms of benefit payments, such as a lump-sum distribution, need to be converted to an annuity benefit for purposes of 415(b) limit testing. At the member's date of retirement, any DROP lump-sum distribution needs to be converted to an equivalent annuity benefit based on interest rate and mortality assumptions mandated in IRC Section 415(b). The annuitized DROP account balance is then added to the member's annual pension benefit and the

March 11, 2024

Page 6

sum of the annuity benefits is used to determine if the member's benefits exceed the annual 415(b) limit. Certain plan provisions - such as allowing partial DROP lump-sum distributions or retiree cost-of-living adjustments - may complicate the 415(b) limit calculations and testing.

In order to pay benefits in excess of the 415(b) limits, a System must have a non-qualified or replacement benefit plan. If the System does not currently have this type of plan in place, benefits in excess of the 415(b) limit cannot be paid to the member since PEPRA has eliminated the option to create any new excess benefit plans. The likelihood of a member's benefit exceeding the 415(b) limit would increase if they participate in a DROP, especially if the member has accumulated a large DROP account balance over several years. Potentially, a member may not be able to receive their full benefit with a DROP distribution unless the System already has a non-qualified excess plan.

As noted above, this document was prepared in response to a request from a public agency, the State Association of County Retirement Systems. The CAAP cannot provide legal advice on the interpretation of the provisions of the CERL that enable the three types of DROPs discussed above. Furthermore, as stated in California Code, Government Code § 7507.2(e): "The opinions of the California Actuarial Advisory Panel are nonbinding and advisory only. The opinions of the panel shall not, in any case, be used as the basis for litigation."

We hope these responses are of assistance.

Sincerely,



Paul Angelo
Chair, California Actuarial Advisory Panel

cc: Panel members
John Bartel, Vice Chair
David Driscoll
Anne Harper
David Lamoureux
Graham Schmidt
Todd Tauzer
Scott Terando

LEGISLATIVE UPDATE



March 1st, 2024

TO: State Association of County Retirement Systems

FROM: Edelstein Gilbert Robson & Smith, LLC

RE: **Legislative Update – March 2024**

The bill introduction deadline was February 16th and there were several pieces of legislation of interest to SACRS. Assemblymember Lackey introduced the SACRS sponsored legislation, AB 2474, which would amend the County Employees Retirement Law to allow retirement benefits to be deposited into prepaid accounts. There was also a flurry of spot bills introduced in this legislative session, two of which we noted for SACRS: AB 2183 and AB 3025. The deadline to amend spot bills is March 20th, and so we expect subsequent language changes.

Public records continued to be an issue of import to the Legislature. SB 1034, authored by Senator Seyarto, would amend the California Public Records Act to allow for an extension of time limits for responding to public record requests during a state of emergency declared by the Governor, due to decreased staffing or closure of agency facilities. AB 2153, authored by Assemblymember Lowenthal, would require public agencies to notify their employees before disclosing any personnel, medical, or similar records, or any record revealing an employee's identity related to their work duties, in response to a public records request. Finally, SB 908, authored by Senator Cortese, would prohibit elected or appointed officials and employees of public agencies, as well as Members of the Legislature and legislative officers, from creating or sending public or legislative records using nonofficial electronic messaging systems unless a copy is sent to an official electronic messaging system.

There were additionally many other bills introduced this session that we have highlighted for SACRS below:

- **AB 2284** – allows a retirement system to define "grade" as a grouping of employees with similar job characteristics for the purpose of determining compensation earnable under the County Employees Retirement Law of 1937, provided it has not been defined already.

- **SB 1499** – aligns the Personal Income Tax Law with federal law by adjusting catch-up limits for retirement contributions based on age and increasing contribution limits for simple plans, while also requiring additional information for any bill authorizing a new tax expenditure.
- **SB 1379** – exempts retired members hired by the City of Vallejo or the County of Solano for specific roles within law enforcement or administrative functions from the 960-hour employment limit imposed by the Public Employees' Retirement Law and the California Public Employees' Pension Reform Act of 2013, with provisions set to expire on January 1, 2029, and declares the bill as an urgency statute.
- **AB 2421** – prohibits public employers from questioning employees or their representatives about confidential communications made in connection with representation by an employee organization.
- **SB 1189** – expands the authority of the County Employees Retirement Law of 1937 (CERL) to allow the board of retirement to appoint a chief technology officer in addition to existing appointed positions.
- **AB 2770** – sets a deadline for members of the State Teachers' Retirement System to sign and return documents for purchasing service credit or redepositing retirement contributions, changes the deadline for redeposit requests, extends the repeal date related to post-traumatic stress disorder, removes return receipt requirements for payment of accumulated contributions, and makes technical changes to the Judges' Retirement Law.
- **SB 1240** – allows a successor agency for the El Dorado County Fire Protection District and the Diamond Springs Fire Protection District to offer employees the same defined benefit plan they had before annexation and makes legislative findings regarding the necessity of this special statute for the County of El Dorado, effective immediately as an urgency statute.
- **SB 1260** – establishes the Office of the Inspector General for the Public Employees' Retirement System (PERS), appointing an Inspector General with Senate confirmation, tasked with overseeing internal investigations, disciplinary processes, and receiving reports of potential improper activities, with duties including conducting audits and reviews and reporting findings to relevant authorities, while ensuring transparency by making certain reports public.
- **AB 2715** – amends the Ralph M. Brown Act to allow local legislative bodies to hold closed sessions to consider cybersecurity matters, with any resulting actions required to be taken in open session, supported by legislative findings to comply with constitutional requirements for public access to meetings and records.