



**SPECIAL MEETING**

**TUESDAY, OCTOBER 24, 2023**

**JOINT MEETING OF THE  
ALAMEDA COUNTY BOARD OF SUPERVISORS AND THE  
ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT**

**LOCATION: ALAMEDA COUNTY TRAINING & EDUCATION CENTER  
HAYWARD/UNION CITY ROOMS  
125 – 12TH STREET, 4TH FLOOR  
OAKLAND, CALIFORNIA 94607**

**BOARD OF SUPERVISORS**

Nate Miley, President  
David Haubert, Vice-President  
Keith Carson  
Elisa Marquez  
Lena Tam

**BOARD OF RETIREMENT**

Jaime Godfrey, Chair  
Ophelia B. Basgal, 1st Vice-Chair  
Kellie Simon, 2nd Vice-Chair  
Keith Carson  
Ross Clippinger  
Tarrell V. Gamble  
Henry C. Levy  
Elizabeth Rogers  
George Wood  
Cynthia Baron, Retiree Alternate  
Kevin Bryant, Safety Alternate

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**AGENDA**

**4:00 P.M.**

1. Opening Remarks & Introductions
2. Presentation on Actuarial Experience Study and Potential Impact  
PUBLIC COMMENT
3. ACERA Operational Updates  
PUBLIC COMMENT
4. Closing Remarks
5. Adjournment

\*If you require a reasonable modification or accommodation for a disability, please contact the Clerk of the Board immediately at [CBS@acgov.org](mailto:CBS@acgov.org) or call (510) 208-4949 or (510) 834-6754 (TDD). The Board of Supervisors' meetings are wheelchair accessible. If you require language interpretation services, please contact the Clerk of the Board immediately.



ACERA and Alameda County – October 24, 2023

# Our Actuarial Program

Joint Meeting of Board of Retirement & Board of Supervisors

Andy Yeung and Eva Yum



# | Agenda

**Actuarial work at ACERA**

**Long-term system health and sustainability**

**Experience study**

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# Actuarial Work at ACERA

## Key actuarial products

- Annual Actuarial Valuation for Retirement Plan
  - Determines current funded status and sets contribution rates
  - Details plan experience in the past year (both demographic and financial)
- Annual Actuarial Valuation for Supplemental Retiree Benefit Reserve (SRBR)
  - Determines sufficiency of assets to pay retiree health (OPEB) and other (non-OPEB) benefits
    - Benefits funded out of higher than expected returns (excess earnings)
  - OPEB benefits: medical plan subsidy, Medicare Part B premium, dental and vision plan coverages
  - Non-OPEB benefits: supplemental cost-of-living-adjustment (COLA), lump sum burial allowance

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# Actuarial Work at ACERA

## Key actuarial products

- Annual Risk Report
  - Details plan history, projects potential future path, and identifies key risks
  - Enhances financial preparation and informs future decision making
- Triennial Experience Study
  - Fine-tunes plan assumptions to make sure we are funding liabilities optimally
  - Study recommending assumptions for December 31, 2023 valuation currently under review by Board of Retirement

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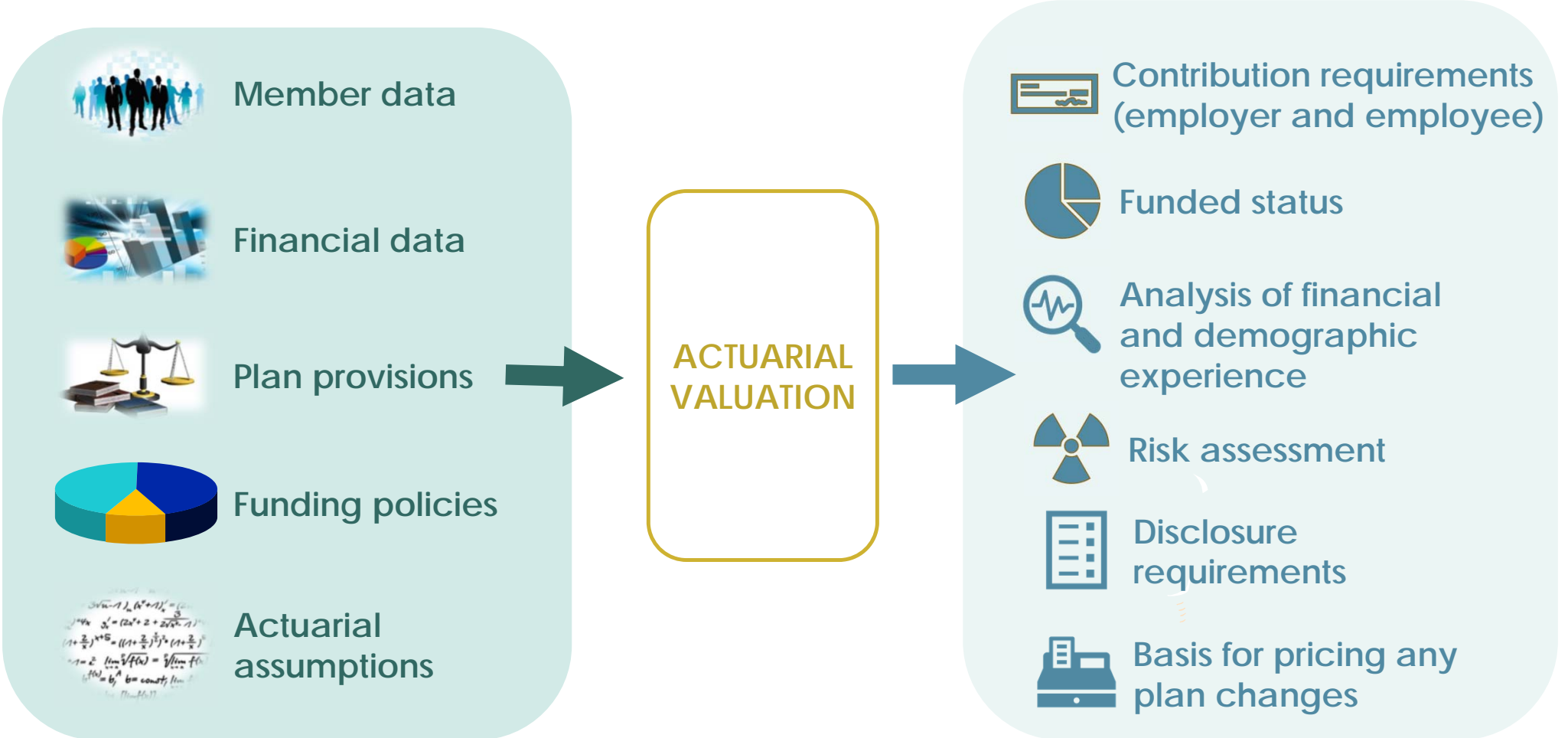
# The Actuarial Valuation for Retirement Plan

## *The Plan's Funding GPS*

### **Actuaries perform annual actuarial valuations, which:**

- Are a financial check-up serving as a roadmap and guide
  - Where we are, and where we are going
- Establish how far along the plan is
  - Funding position
  - Assets, liabilities, and unfunded liability
- Determine the next steps towards the ultimate goal
  - Employer and employee contribution rates
- Every once in a while, the unexpected can cause “rerouting”
  - Experience studies with potential assumption changes

# The Actuarial Valuation for Retirement Plan



# The Actuarial Valuation for Retirement Plan

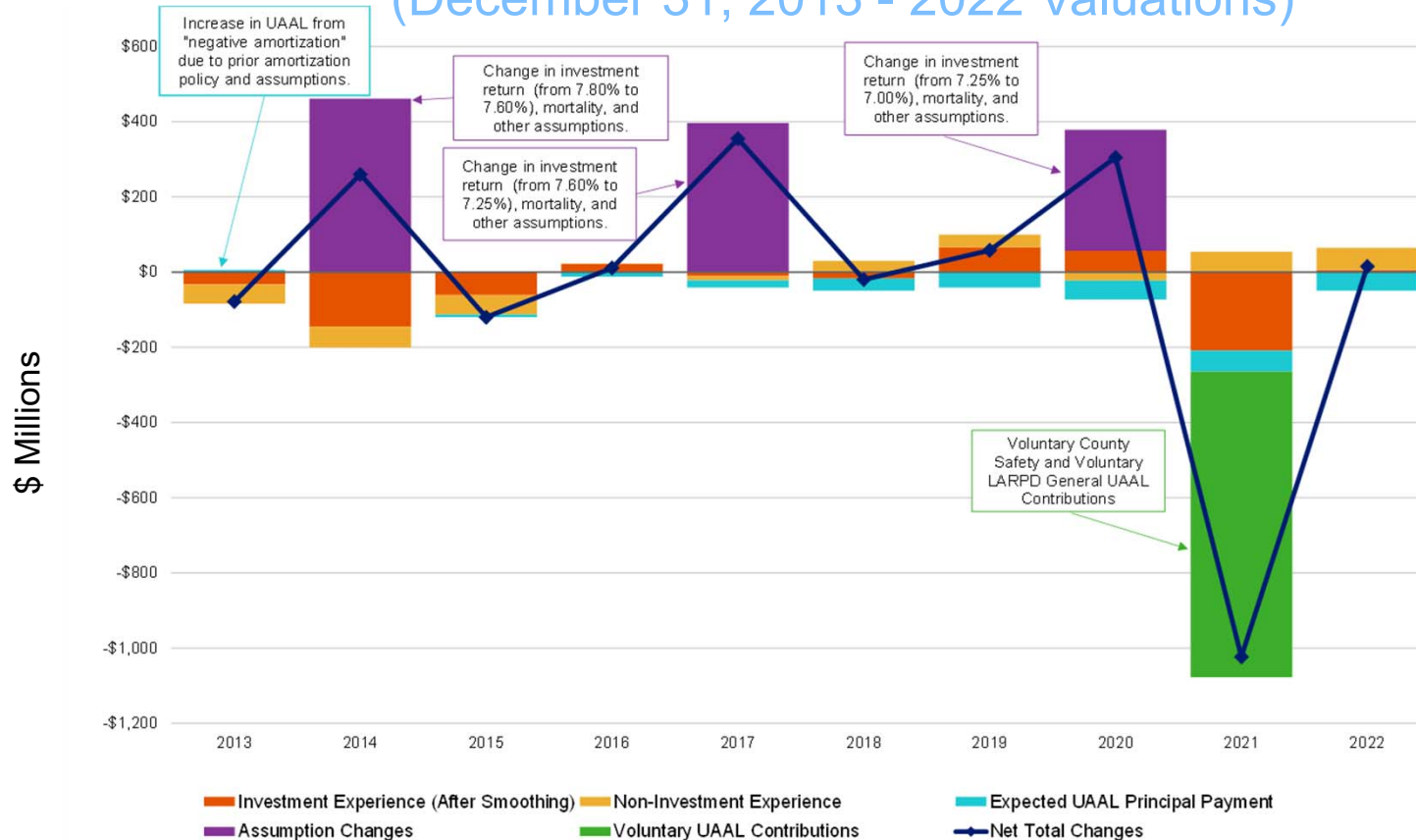
## *The Plan's Funding GPS*

Valuation Date	Market Value Basis		Valuation Value Basis		Total Aggregate Contribution Rate (% of Payroll)	
	Funded Status	UAAL	Funded Status	UAAL	Employer	Employee
December 31, 2013	81.7%	\$1,258.0 M	75.9%	\$1,651.0M	23.8%	8.6%
December 31, 2022	80.7%	\$2,208.6 M	86.9%	\$1,492.1M	23.7%	10.1%



# Actuarial Status of Retirement Plan – Proactively valuing liabilities by ACERA and advance funding by Alameda County

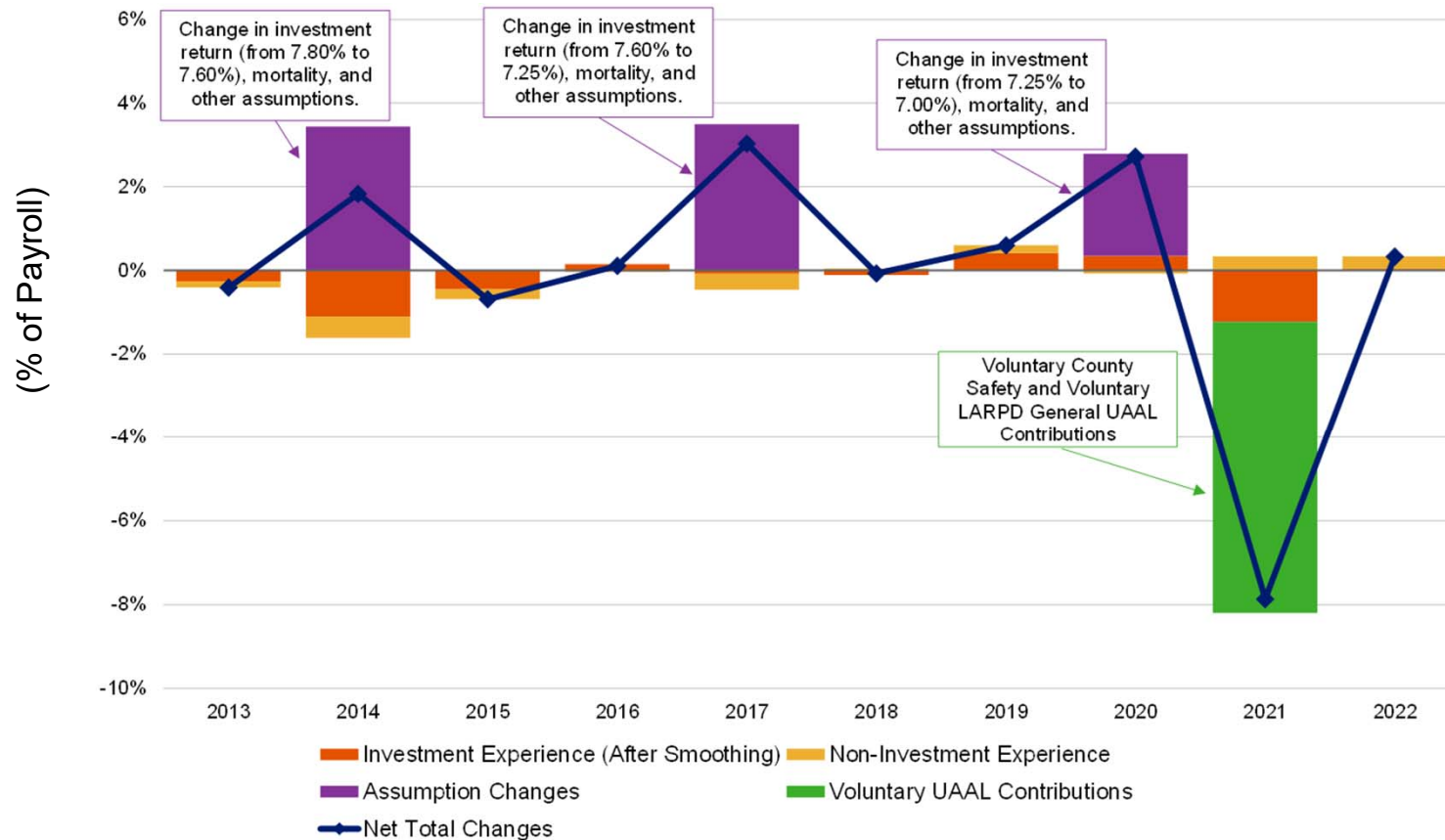
## Factors that Changed Unfunded Liability (December 31, 2013 - 2022 Valuations)



# Actuarial Status of Retirement Plan – Proactively valuing liabilities by ACERA and advance funding by Alameda County

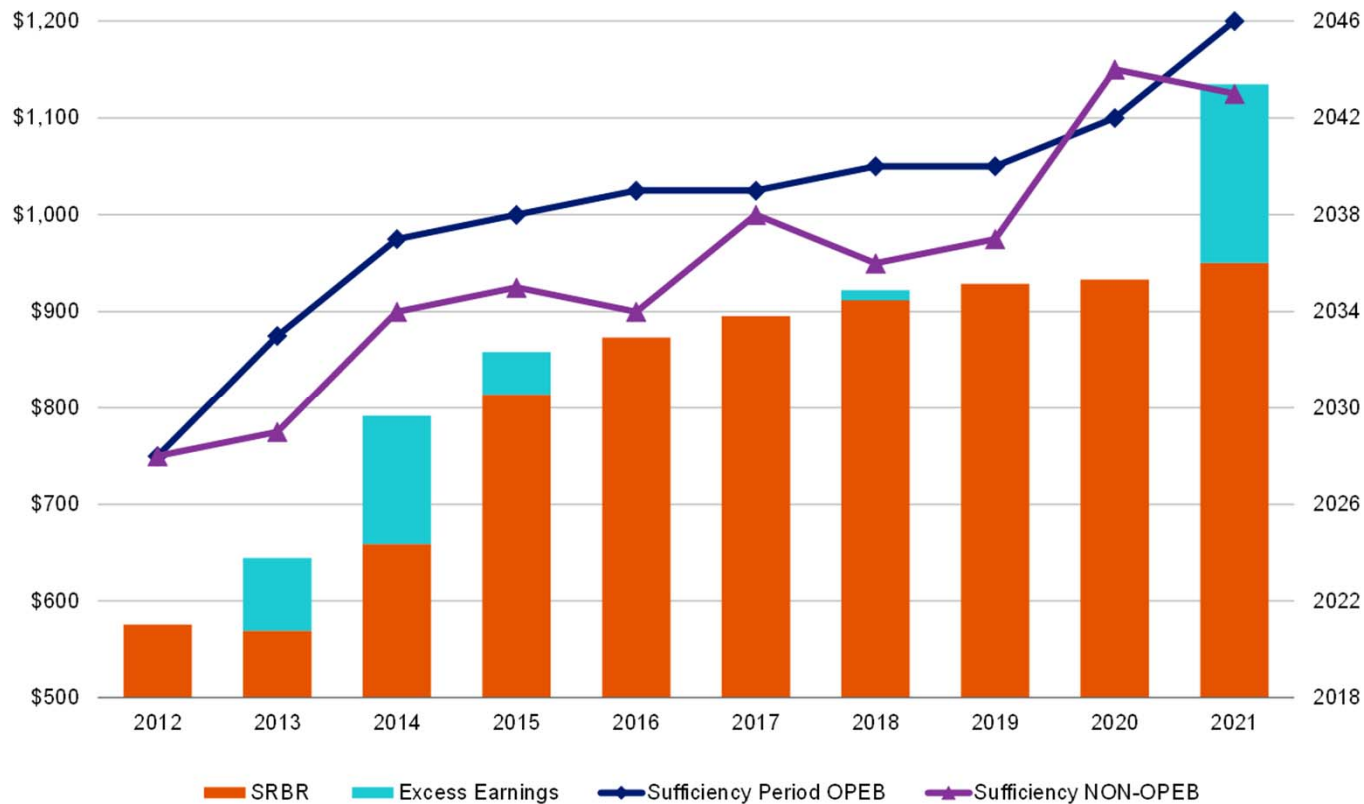
## Factors that Affected Employer Contribution Rates

(December 31, 2013 – 2022 Valuations)



# Actuarial Status of SRBR Plan – Continued improvement in sufficiency periods to provide OPEB and non-OPEB benefits

SRBR Assets (\$ million) and Periods Benefits Can be Paid  
(December 31, 2012 - 2021 Valuations)



# Valuation Inputs

*Two actuarial policy/decision areas*

## **Actuarial assumptions – valuing the benefits promised**

- Economic assumptions
  - Including expected investment return
- Demographic assumptions
  - Including retirement, turnover, disability, mortality, and salary increases

## **Actuarial funding policies**

- Determine funded status and current year employer contributions
  - Actuarial cost method (never changes)
  - Asset smoothing method (rarely changes)
  - Unfunded actuarial accrued liability (UAAL) amortization policy (reviewed occasionally)

# Role of Actuarial Assumptions and Methods

$$\mathbf{C + I = B + E}$$

Contributions + Investment Income  
equals  
Benefit Payments + Expenses

- Actuarial valuation determines the current or “measured” cost, not the ultimate cost
- Assumptions and funding methods affect only the timing of costs
  - Except in rare cases where benefits are affected

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# Selection of Actuarial Assumptions

*Valuing the benefits promised*

## **Primary considerations**

- Objective and long-term
- Client specific?
- Consistency across the plan
- Desired pattern of cost incidence

## **Managed through experience studies**

- Conducted every three years
  - Demographic assumptions: primarily focus on recent experience
  - Economic assumptions: primarily focus on forward-looking expectations

# Selection of Actuarial Assumptions

*Valuing the benefits promised*

## **Triennial Experience Study - Recommending assumptions for December 31, 2023 valuation**

- Currently under review by Board of Retirement
- Continuation of 7% annual expected investment return assumption
- Continuation of generational approach to anticipate future mortality improvement
- Increase in Safety members disability assumption to reflect recent experience

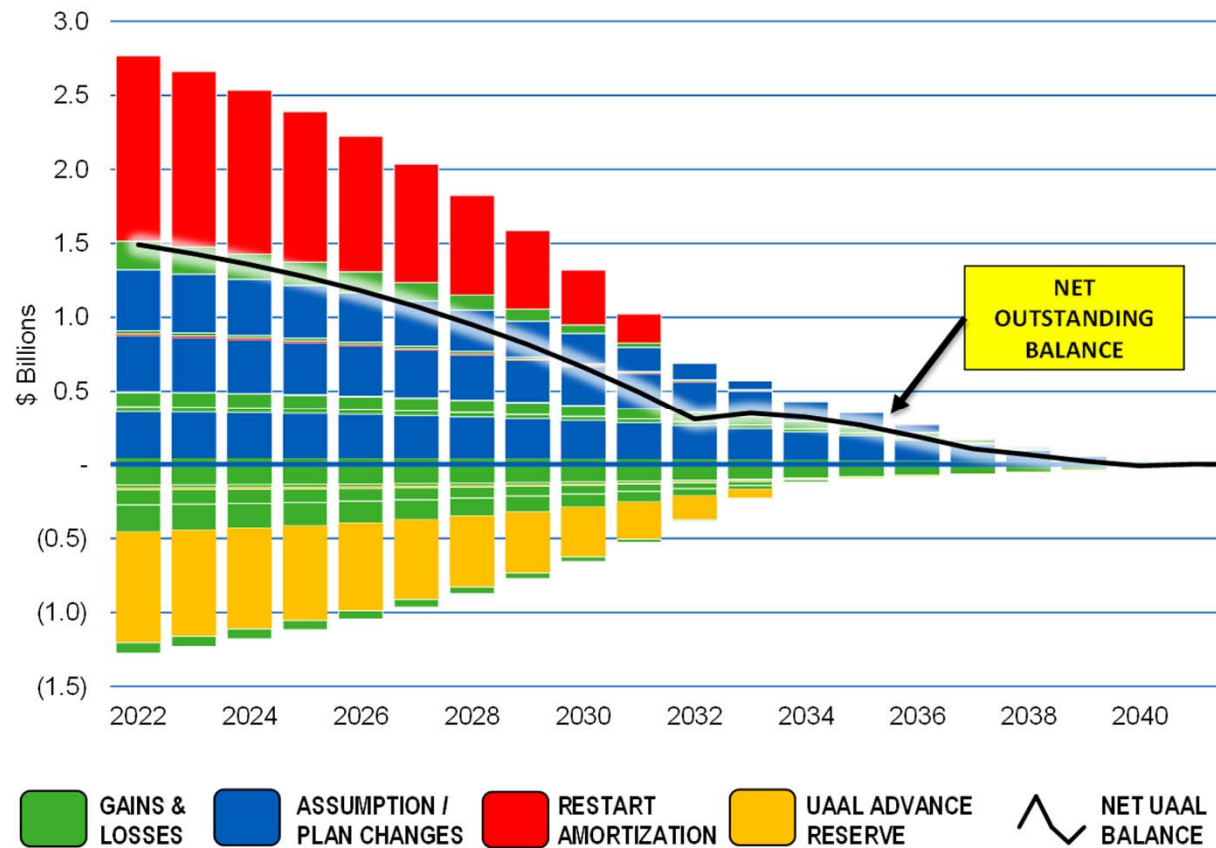
## **Estimated cost impact**

- Reduction in aggregate employer cost: 0.38% of payroll or \$5.4 million per year
- Reduction in aggregate employee cost: 0.23% of payroll or \$3.1 million per year

# Actuarial Status of Retirement Plan

ACERA's 20-year layered amortization systematically pays off UAAL and works towards full funding.

Outstanding Balance of \$1,492 Million in Net UAAL as of Dec 31, 2022

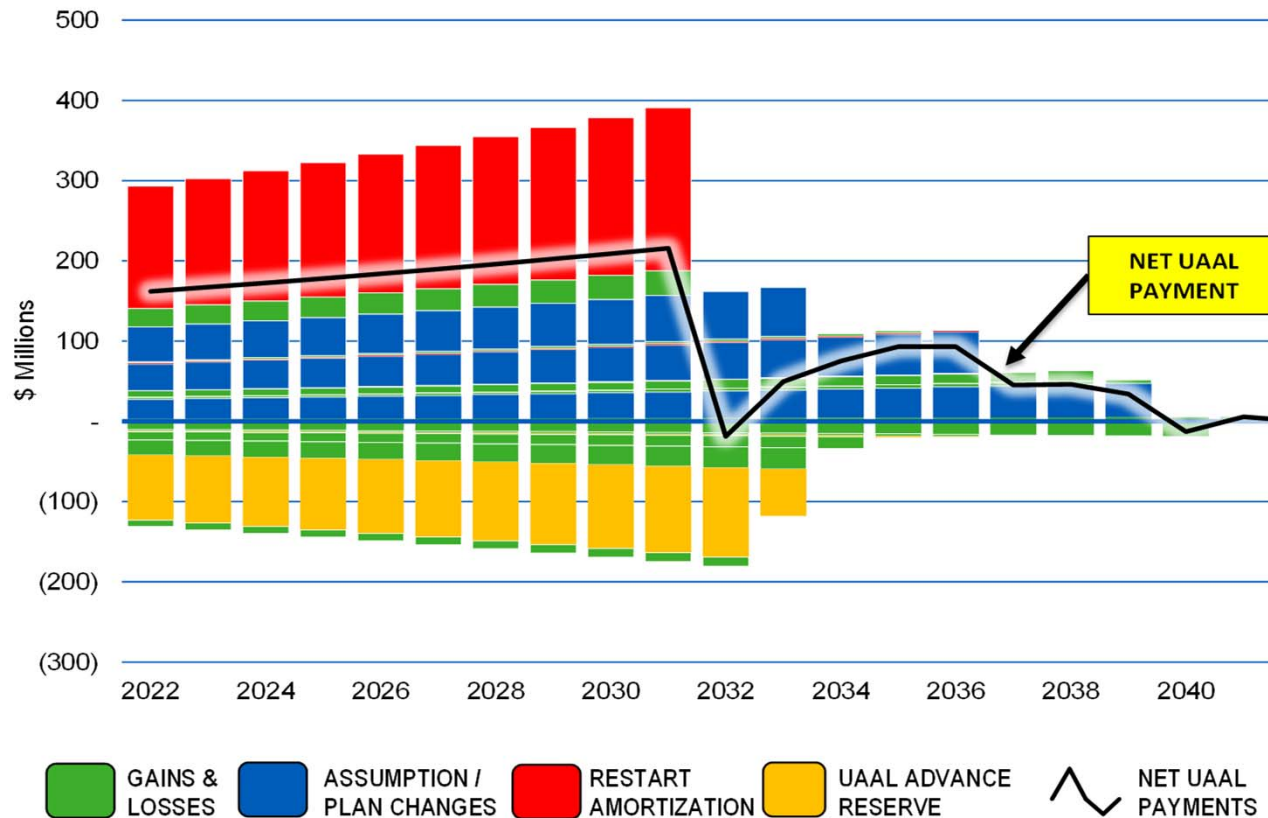




# Actuarial Status of Retirement Plan

As the UAAL is systematically paid off, relief in contribution rates from proper liability management.

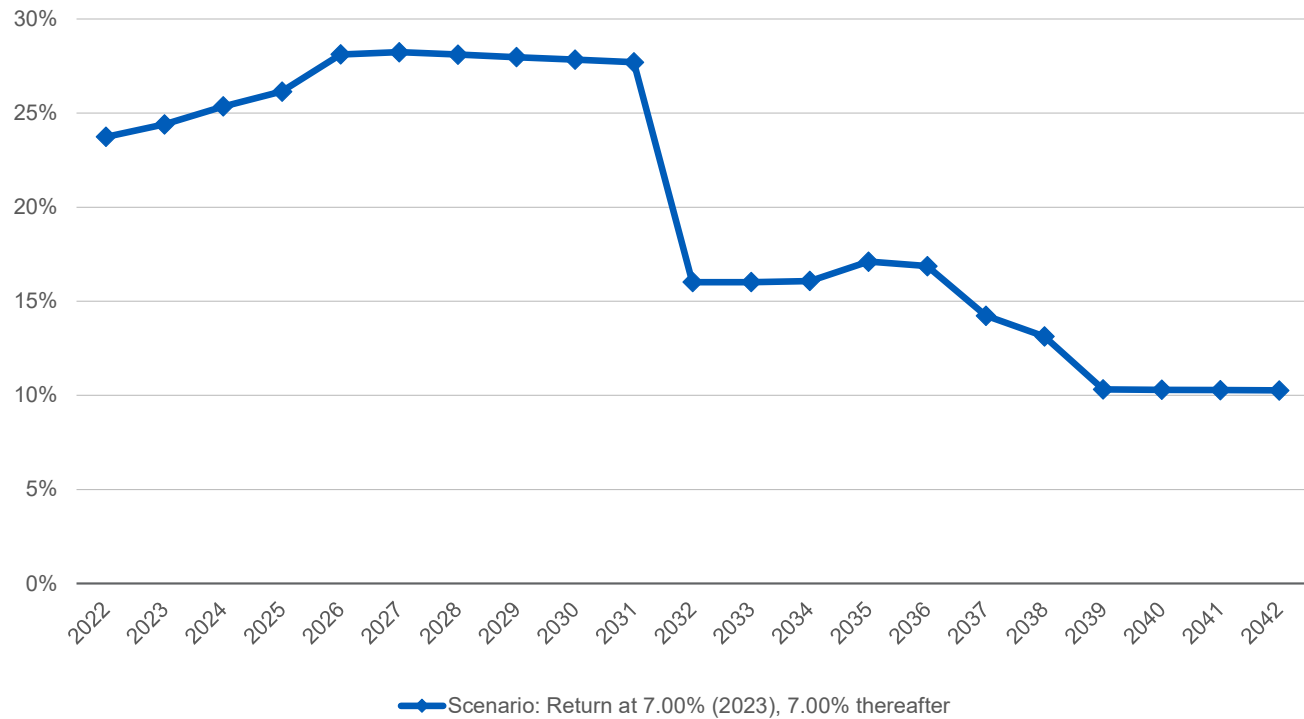
Annual Payments  
Required to Amortize  
\$1,492 Million in Net  
UAAL as of Dec 31, 2022



# Actuarial Status of Retirement Plan

Employer long term cost will approach normal cost as UAAL is paid off

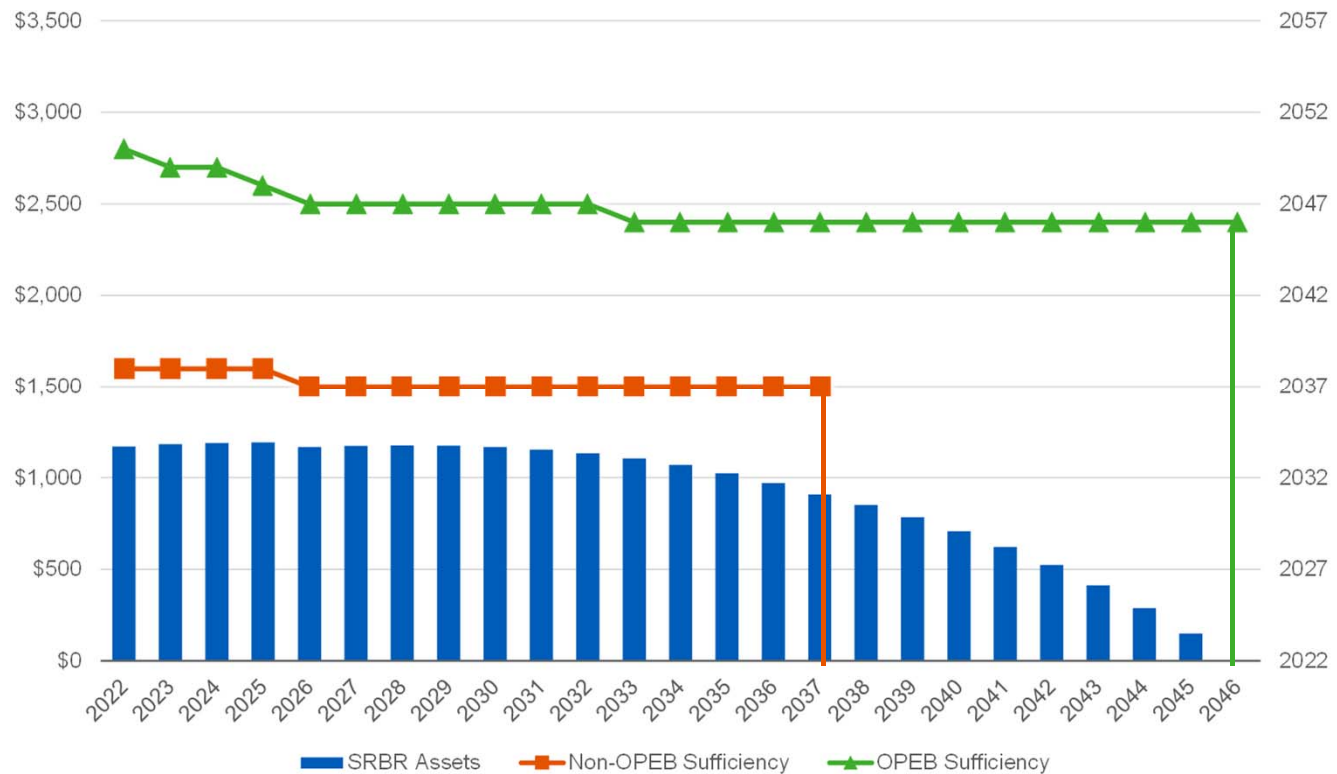
Assuming 7% market return after Jan 1, 2023, and all other assumptions are met, employer cost will equal about 10% of payroll



# Actuarial Status of SRBR Plan

Future excess earnings are required to sustain payment of SRBR benefits

Assuming 7% market return after Jan 1, 2023, OPEB and non-OPEB benefits would only be paid through 2046 and 2037, respectively



Questions?





# Operations Update

Joint Board of Supervisors and

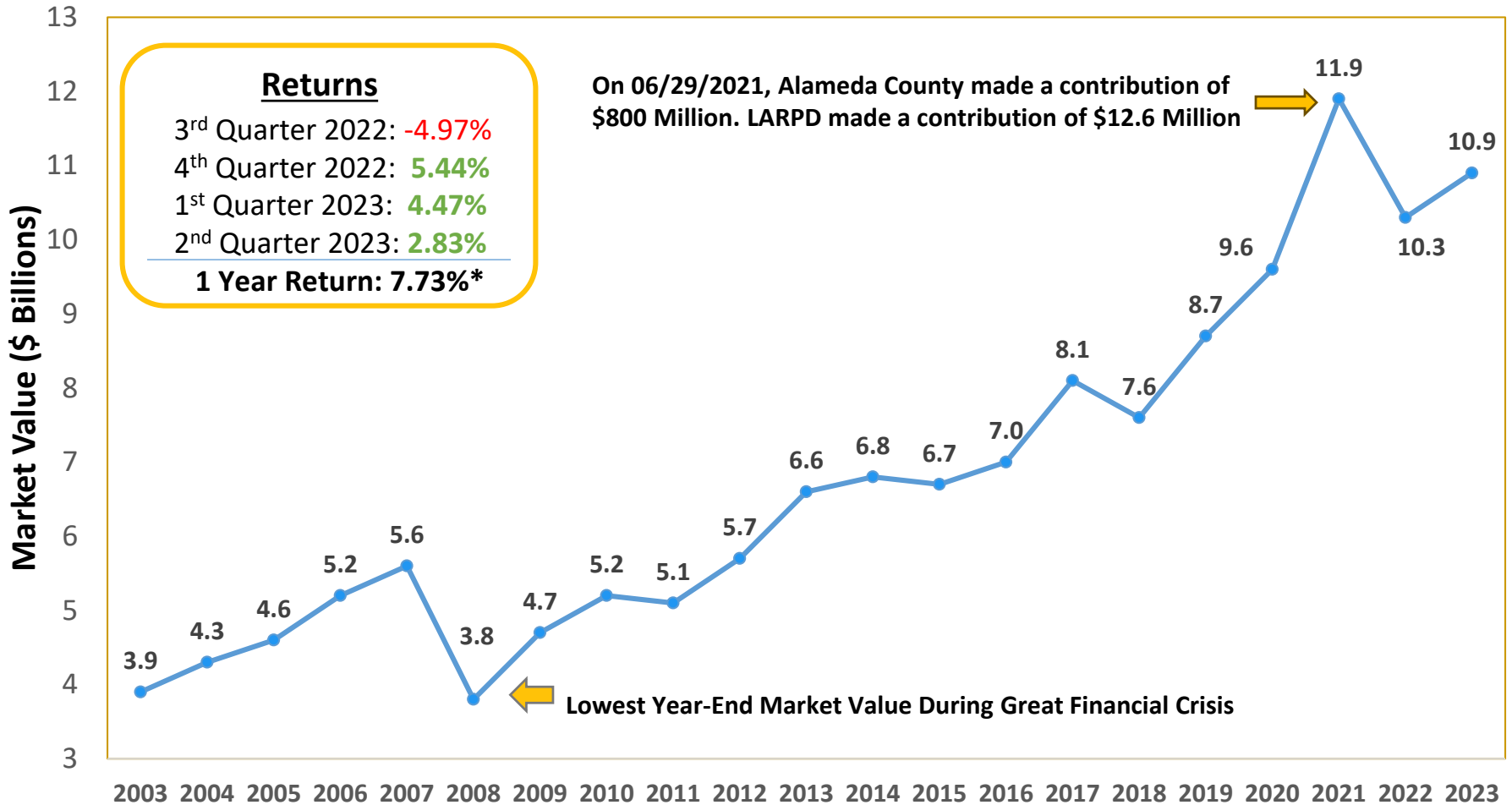
Board of Retirement Meeting

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# ACERA Annual Market Values as of 06/30/2023

## ACERA Annual Market Values 2003-2023

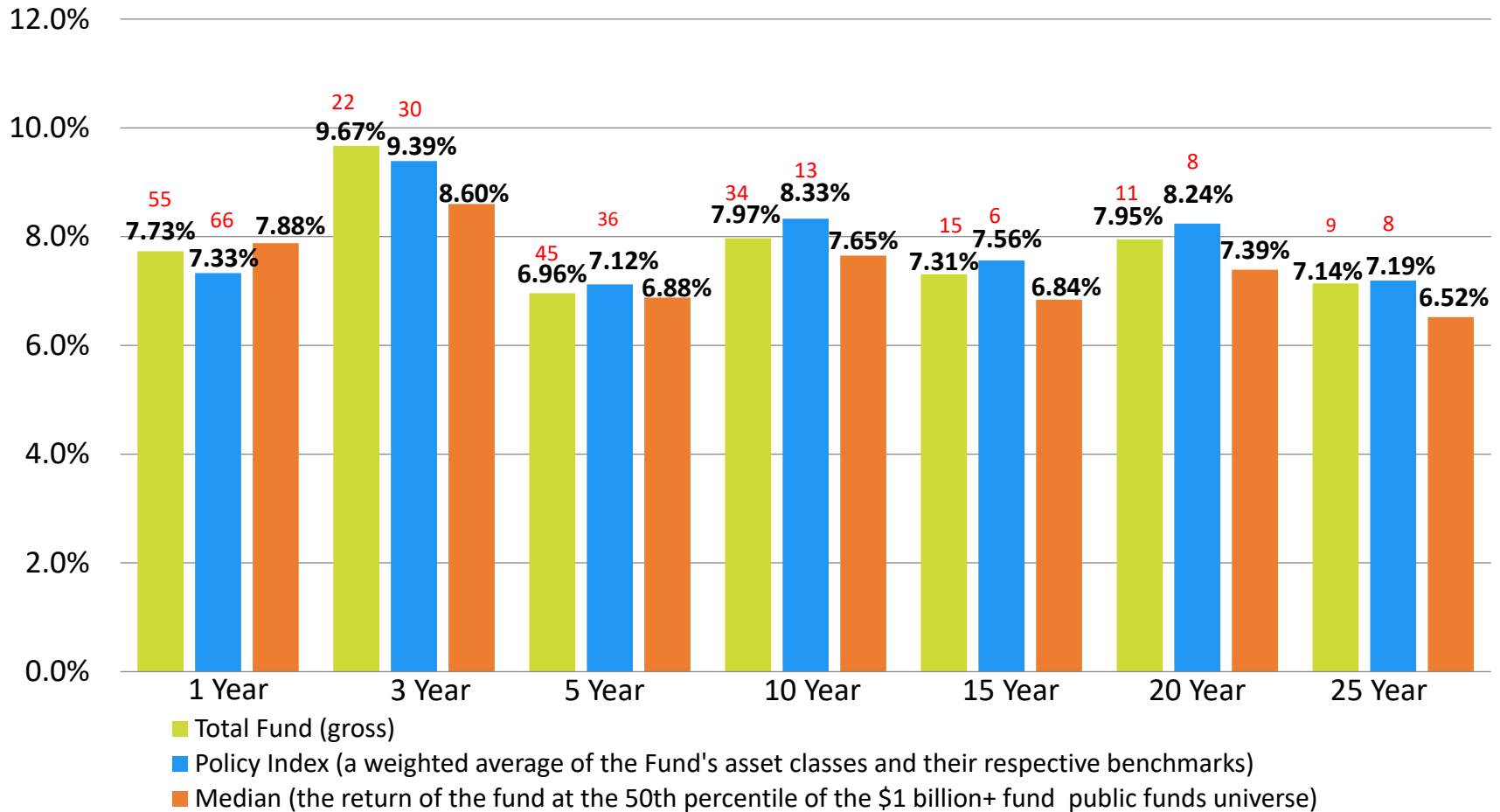


\*Due to changes in quarterly returns that occurred after Verus performance numbers were published, the yearly return will not match exactly.

# ACERA Total Fund Performance

(Annualized)

## 25-Year History as of June 30, 2023



Numbers in red represent percentile rankings amongst similar funds in the InvestorForce Universe . Ranking: 1 is best, 100 is worst.

Note: Net of Fee numbers are 0.2% to 0.4% lower than numbers presented.

# ACERA Operating Budget

- 2017 Operating Budget
  - \$21,406,000
- 2023 Operating Budget
  - \$21,472,000
- 0.3% Increase in six years



# Customer Service

ACERA surveys members at the time of retirement counseling and after they receive their first retirement payment.

- Since 2019, over 95% of customers surveyed responded that ACERA met or exceeded their service expectations.

# Team Engagement

We survey our employees annually on 20 questions related to team engagement.

- For the last two years, **71%** of employees answered that almost all of the time or all of the time ACERA is a great place to work.
- Industry average is 36%

# Looking to the Future

- BOR Adopted ACERA Strategic Plan in 2022
  - Goal 1: Improve funded status while maintaining an appropriate risk posture.
  - Goal 2: Seamlessly manage internal and external people transitions at all levels.
  - Goal 3: Modernize pension administration technology and optimize processes and operations.
  - Goal 4: Implement cost-effective member service improvements and expanded communications.

# New Pension Administration System

Scheduled to Go Live in Fall of 2024

- Will enhance member use of on-line options.
- Will streamline internal ACERA business processes.
- Will facilitate enhanced employer reporting of member data.
- Will provide greater security of data and business resumption capabilities.

Questions?

