# Alameda County Employees' Retirement Association
## *BOARD OF RETIREMENT*

## *OPERATIONS COMMITTEE/BOARD MEETING NOTICE and AGENDA*

### ACERA MISSION:

***To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.***

**Wednesday, September 4, 2024**
**9:30 a.m.**

| LOCATION AND TELECONFERENCE | COMMITTEE MEMBERS | |
|---|---|---|
| **ACERA**<br>**C.G. "BUD" QUIST BOARD ROOM**<br>**475 14TH STREET, 10TH FLOOR**<br>**OAKLAND, CALIFORNIA 94612-1900**<br>**MAIN LINE: 510.628.3000**<br>**FAX: 510.268.9574** | **ROSS CLIPPINGER, CHAIR** | **ELECTED SAFETY** |
| | **KEITH CARSON, VICE CHAIR** | **APPOINTED** |
| **The public can observe the meeting and offer public comment by using the below Webinar ID and Passcode after clicking on the below link or calling the below call-in number.** | **TARRELL GAMBLE** | **APPOINTED** |
| | **JAIME GODFREY** | **APPOINTED** |
| **https://zoom.us/join**<br>**Call-In Number: 1 699 900 6833**<br>**Meeting ID: 879 6337 8479**<br>**Password: 699406**<br>**For help joining a Zoom meeting, see: https://support.zoom.us/hc/en-us/articles/201362193** | **ELIZABETH ROGERS** | **ELECTED RETIRED** |

The Alternate Retired Member votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General members, or the Safety Member and an Elected General member, are absent.

The Alternate Safety Member votes in the absence of the Elected Safety, either of the two Elected General Members, or both the Retired and Alternate Retired members.

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

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.

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

*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 prior to the meeting at accommodation@acera.org or at 510-628-3000.

**Call to Order:** 9:30 a.m.

**Roll Call**

**<u>Public Input (Time Limit: 4 minutes per speaker)</u>**

**<u>Action Items: Matters for Discussion and Possible Motion by the Committee</u>**

1. **Review, discussion, and possible motion to renew the Withdrawing Employer Policy with or without revisions.**

   -Lisa Johnson

   <u>Recommendation</u>

   Staff recommends that the Operations Committee recommend that the Board of Retirement revise the Withdrawing Employer Policy, per the redline in the agenda backup.

2. **Review, discussion, and possible motion to renew the Declining Employer Payroll Policy, with or without revisions.**

   -Lisa Johnson

   <u>Recommendation</u>

   Staff recommends that the Operations Committee recommend that the Board of Retirement revise the Declining Employer Payroll Policy, per the redline in the agenda backup.

3. **Discussion and possible motion regarding proposed revisions to the Board Regulation regarding Required Minimum Distribution Rules.**

   -Jeff Rieger

   <u>Recommendation</u>

   Staff recommends that the Operations Committee recommend that the Board of Retirement make the revisions shown in the redline included in the agenda packet.

**<u>Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports</u>**

1. **Operating Expenses as of 07/31/24**

   -Erica Haywood

**Trustee Remarks**

**Future Discussion Items**

**October (*to be presented At Board Meeting*)**

- Statement of Reserves as of 6/30/24
- Operating Expenses as of 8/31/24
- 2024 ACERA Election Update

**November**

- Discussion and possible motion to approve the proposed 2025 ACERA Operating Expense Budget
- Discussion and possible motion to approve the annual agreement for the Segal Group, ACERA's Benefits Consultant

***Presented at Board Meeting***:

- Quarterly Financial Statements as of 09/30/24
- Operating Expenses as of 09/30/24
- Quarterly Cash Forecast Report
- Board Member Conference Expense Report for 3rd Qtr. 2024
- Senior Manager Conference and Training Expense Report for 3rd Qtr. 2024

**Establishment of Next Meeting Date**

November 21, 2024, at 12:30 p.m.

**Adjournment**

ACERA

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 4, 2024

TO: Members of the Operations Committee

FROM: Lisa Johnson, Assistant Chief Executive Officer Lisa Johnson

SUBJECT: **Withdrawing Employer Policy Review**

**Executive Summary**

The Withdrawing Employer Policy (Policy) is set for review by the Operations Committee every three years to ensure that it remains relevant and appropriate. The Policy was last reviewed and revised in October 2021. The Policy establishes guidelines to be applied when a participating ACERA employer ceases to provide ACERA membership for its active ACERA members.

Staff's review of the Policy resulted in the following findings:

- The Policy continues to be relevant and appropriate, not overlapping with other Board policies.
- Staff is submitting some non-material change recommendations that focus on making the Policy wording more concise.

**Background**

Pursuant to County Employees Retirement Law (CERL) Gov't Code §§ 31454.7, 31564.2, 31580.1, 31584, 31585, and other applicable provisions of law, a withdrawing employer remains liable, and must make the required appropriations and transfers, to ACERA for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from ACERA. Therefore, the Policy is necessary to guide employers on how to move through the process and meet their related obligations.

**Recommendation**

Staff recommends that the Operations Committee recommend that the Board of Retirement revise the Withdrawing Employer Policy, per the redline in the agenda backup.

**Attachment:**
Withdrawing Employer Policy

# Withdrawing Employer Policy

## I. Purpose

This Policy establishes guidelines to be applied when a participating ACERA employer ceases to provide ACERA membership for its active ACERA members. ~~This policy contemplates that the withdrawing employer will continue to be financially able to satisfy its obligation to timely pay all Unfunded Actuarial Accrued Liability ("UAAL") attributable to its active, retired and deferred employees~~Nothing in this Policy limits the Board of Retirement's (Board) authority to take any lawful action it determines is necessary.~~ by reason of their prior service as ACERA's members. This Policy is not intended to apply to the County of Alameda as a participating employer.~~

## II. Objectives

~~A. To ensure compliance with County Employees Retirement Law of 1937, California Government Code §§31450 et seq., as amended ("CERL"), and other applicable provisions of law:~~

~~B.~~A. Pursuant to ~~CERL~~ Gov't Code §§ 31454.7, 31564.2, 31580.1, 31584, 31585, and other applicable ~~provisions of~~ law, a withdrawing employer remains liable~~,~~ and must make the required appropriations and transfers~~,~~ to ACERA for the employer's share of liabilities attributable to its officers and employees~~ who are and may be entitled to receive retirement, disability and related benefits from ACERA~~.

~~C.~~B. ~~CERL~~ Gov't Code §31564.2(d) provides, in part, that "[t]he funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency or the board of supervisors. Notwithstanding any other provision of the law, no contracting agency shall fail or refuse to pay the employer's contributions required by this chapter within the applicable time limitations. In dealing with a withdrawing district, the board of retirement shall take whatever action needed to ensure the actuarial soundness of the retirement system."

~~D.~~C. ~~CERL~~ Gov't Code §31454.7 provides: "Under all circumstances, the county and districts shall each remain liable to the retirement system for their respective share of any unfunded actuarial liability of the system, as determined by the board."

~~E.~~D. The general principle applied in this P~~p~~olicy is to establish the funding obligation of withdrawing employers ~~as~~based on:

1. The value of future benefits expected to be paid by ACERA to the withdrawing employer's employees, retirees, beneficiaries and ~~terminated~~ deferred members ~~as of the withdrawal date~~; minus

2. The value of ACERA assets allocated to the withdrawing employer ~~as of the withdrawal date~~.

3. In cases involving members who worked at more than one ACERA employer or who earned service at a County department before it was spun off into a District, the Board ~~of Retirement~~ retains discretion on how liabilities for such members should be allocated to the withdrawing employer.

~~F.~~E. It is the Board ~~of Retirement~~'s intent to allow a withdrawing employer to satisfy its funding obligation in a manner ~~which~~ that provides the employer reasonable flexibility, but ~~. However,~~ primary consideration will be given to ensuring the funding obligation of the withdrawing employer is properly determined and satisfied. This ~~will generally~~may require redetermination of the funding obligation of the employer ~~for several years~~ following the date the employer initiates its withdrawal.

~~In lieu of the ongoing redetermination of the funding obligations, the withdrawing employer may request that a market valuation approach be used to determine the value of the future benefits to be paid and the value of the assets allocated by ACERA.~~

~~G.~~F. This P~~p~~olicy covers only those withdrawing employers (i) who cease to provide ACERA membership for their active employees (i.e., both current actives and new hires), (ii) who are financially viable entities when the withdrawal is initiated, and (iii) for whom ACERA expects thereafter to continue to be financially viable entities. This P~~p~~olicy does not cover ~~any~~ other situations ~~– whether a withdrawing employer, a terminating employer or otherwise – including, without limitation, an employer going out of business by reason of bankruptcy, loss of funding, or merger, or an employer who gradually winds down its active employees' continued participation in ACERA either through attrition or through a decision to have employees hired after a specific date to not become members of ACERA (e.g., to participate in a retirement arrangement other than ACERA)~~, which the Board will address as it deems appropriate.~~.~~

## III. Guidelines

Absent exigent circumstances or unless otherwise ~~expressly~~ approved by the Board ~~of Retirement at a duly-noticed meeting~~, the guidelines for implementing this P~~p~~olicy are set forth below.

A. The governing body of a participating employer must adopt, in an open, public meeting, an intent to withdraw from ACERA before ACERA will calculate the cost of the withdrawal. The participating employer must provide ACERA with a copy of the formal action evidencing an intention to withdraw.

B. Upon notice that a participating employer seeks to terminate ACERA's membership for its active employees' future service, and on the advice and recommendation of its actuary, ACERA will segregate on its books all assets and liabilities attributable to the employer as determined by ACERA's actuary, and shall maintain such separate accounting for the employer until all ~~of~~ its liabilities have been fully satisfied.

C. ACERA and the withdrawing employer will enter into a Continuing Contribution Agreement, the purposes of which are to:

1. E~~e~~vidence the withdrawing employer's obligations as of the date the employer initiates its withdrawal, as well as its continuing funding obligations for the ongoing benefits owed to its retired, deferred and disabled officers and employees and their surviving beneficiaries, for their accumulated ACERA service and related benefits;

2. ~~p~~Provide a funding mechanism acceptable to ACERA for the withdrawing employer to timely satisfy its existing and continuing funding obligations to ACERA, the payment of which must be over a period which is not longer than the period over which ACERA's remaining unfunded liability is being amortized (see ~~CERL~~ Gov't Code §~~section~~ 31564.2(c)). ~~However, except in exigent circumstances, t~~The amortization schedule for payment of the employer's initial funding obligation normally will not exceed a period of five ~~(5)~~ years.

3. R~~r~~equire the withdrawing employer to provide ACERA with updated employee census and payroll data requested by ACERA in the years following the date the employer initiates its withdrawal;

4. P~~p~~rovide a mechanism for adjusting the withdrawing employer's obligations and payments due to ACERA based on periodic actuarial experience analysis; and

5. P~~p~~rovide a mechanism by which ACERA will determine the disposition of any Final Surplus, as defined below.

D. Per~~ursuant to the terms of~~ the Continuing Contribution Agreement, ACERA's actuary will determine, and certify to the Board~~ of Retirement~~, the withdrawing employer's initial funding obligation for its Unfunded Actuarial Accrued Liability (UAAL) calculated as of the date of withdrawal.

~~D.~~E. If the withdrawing employer does not agree to a Continuing Contribution Agreement, the Board will require the contributions it deems necessary enforce the employer's obligations in this courts if necessary.

~~E.~~ A detailed description of the methodology that will be used in determining the initial value of the assets is provided in Exhibit One. The initial value of the assets used to determine the withdrawing employer's initial funding obligation for its UAAL will be based on the valuation value of assets (VVA) (a smoothed value) allocated to the withdrawing employer determined as of the end of the prior calendar year, adjusted to the date the employer initiated its withdrawal (or later date if the Continuing Contribution Agreement so provides), based upon all ~~of~~ ACERA's then current actuarial assumptions and methodologies. Later values (i.e., those used in "true-ups" described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the Total ACERA smoothed (VVA) earnings rate.

F. No consideration will be given to current assets that are accumulated in the Supplemental Retiree Benefit Reserve (SRBR) to pay future ~~Board of Retirement provided~~ benefits paid out of the SRBR.

~~G.~~ The present value of future benefits owed to the withdrawing employer's retired, deferred and disabled officers and employees and their surviving beneficiaries (present value of accrued benefits, or "liabilities") will be determined using ACERA's then current actuarial assumptions and methodologies. In determining the present value of accrued benefits, benefit service shall be frozen for the withdrawing employer's active employees but, for members who transfer to a system that has reciprocity with ACERA, pay shall be projected based on ACERA's then salary growth assumptions.

~~H.~~G. No consideration will be given to future Board ~~of Retirement~~ provided benefits paid out of the SRBR.

~~I.~~H. Periodically after the date the employer initiated its withdrawal, in periods not to exceed three ~~(3)~~ years' duration, following an experience analysis, ACERA's actuary will re-measure (true-up), and certify to the Board ~~of Retirement~~, any additional obligation of the withdrawing employer for UAAL. In accordance with the terms of the Continuing Contribution Agreement and applicable law, the withdrawing employer is liable for, and must contribute, any new UAAL determined in the true-up experience analysis, based upon an amortization schedule recommended by the actuary and adopted by ACERA.

~~Absent exigent circumstances, t~~The amortization schedule for payment of the employer's periodic true-up funding obligations normally will not exceed ~~a period of~~ three ~~(3)~~ years. ACERA will hold any negative UAAL (Surplus) to be applied against any future UAAL of the withdrawing employer.

~~J.~~I. If any Surplus remains after the withdrawing employer has satisfied all ~~of~~ its UAAL obligations (Final Surplus), ACERA will account for the Final Surplus in accordance with the terms of the Continuing Contribution Agreement and applicable law.

~~K.~~J. ~~Notwithstanding anything to the contrary herein, t~~The ~~ACERA~~ Board ~~of Retirement hereby~~ reserves the right to pursue any other remedies under applicable law that, depending on the circumstances, may be available to "ensure the actuarial soundness of the retirement system" (~~CERL~~ Gov't Code §31564.2(d) and ensure that "the county and districts shall each remain liable to the retirement system for their respective share of any unfunded actuarial liability of the system, as determined by the board." (~~CERL~~ Gov't Code §31454.7). For example, notwithstanding the employer's obligations under the Continuing Contribution Agreement, if concerns arise regarding the employer's ongoing existence as a financially viable entity, the Board ~~of Retirement~~ may assess the projected entire amount of the employer's UAAL ~~(as recommended by the fund's actuary and approved by the Board)~~ using a lower discount rate and payable in a single sum immediately due.

## IV. Policy Review

The Operations Committee will review this P~~p~~olicy at least every three ~~(3)~~ years to ensure that it remains relevant and appropriate.

## V. Policy History

A. The Board ~~of Retirement~~ adopted this Policy on October 18, 2018.

B. The Board ~~of Retirement~~ revised this Policy on October 21, 2021 and ~~.~~September 19, 2024.

# Exhibit One

## Determination of Withdrawing Employer's Assets

ACERA is a cost sharing multiple employer plan. As a result, there is no ongoing separate accounting of ACERA's assets by employer except in instances when, in the Board of Retirement's opinion, separate accounting is necessary to maintain equity among employers. The ACERA assets attributable to contributions of the withdrawing employer and its employees as of the withdrawal date will be determined as follows:

Step 1: Determine the Actuarial Accrued Liability of the withdrawing employer as of ACERA's most recent actuarial valuation irrespective of the employer's anticipated withdrawal.

Step 2: Determine the Unfunded Actuarial Accrued Liability (UAAL) of the withdrawing employer as of the most recent actuarial valuation by dividing the withdrawing employer's annual required UAAL contribution amount by the UAAL amortization factor. The amortization factor will generally equal the UAAL contribution amount for the membership group which includes the withdrawing employer divided by the UAAL for that membership group. The withdrawing employer's UAAL contribution rate, annual payroll and UAAL amortization factor would be determined as of the most recent actuarial valuation date.

Step 3: Determine the non-investment change in assets from the most recent actuarial valuation date to the actual withdrawal date as:

- The total contributions by the withdrawing employer since the most recent actuarial valuation date; plus
- The total contributions by employees of the withdrawing employer since the most recent actuarial valuation date; minus
- The total benefit and refund payments since the most recent actuarial valuation date to retirees, beneficiaries, and former employees of the employer.

Step 4: Determine the accumulated assets at the withdrawal date as:

$$(\text{Step 1} - \text{Step 2}) \times (1 + i \times t/365) + \text{Step 3} \times (1 + i \times t/730)$$

where:

$i$ = annual interest at the actuarial rate of return assumed in ACERA's most recent valuation.

$t$ = number of calendar days from the most recent actuarial valuation date to the effective date of the employer's withdrawal.

ACERA

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 4, 2024

TO: Members of the Operations Committee

FROM: Lisa Johnson, Assistant Chief Executive Officer

SUBJECT: **Declining Employer Payroll Policy Review**

**Executive Summary**

The Declining Employer Payroll Policy (Policy) is set for review by the Operations Committee every three years, to ensure that it remains relevant and appropriate. The Policy was reviewed and revised in October 2021.

Staff's review of the Policy resulted in the following findings:

- The Policy continues to be relevant and appropriate, not overlapping with other Board policies.
- Staff is submitting some non-material change recommendations that focus on making the Policy wording more concise.

**Background**

The Policy exists to ensure equitable and adequate funding of the Unfunded Actuarial Accrued Liability (UAAL) in cases involving employers with materially declining payrolls. It establishes guidelines to ensure that such an employer will satisfy its obligation to pay all UAAL attributable to the employer.

The Policy establishes procedures for identifying such employers who should be subject to this Policy, and sets forth a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund the UAAL, pursuant to Gov't Code § 31450 et seq.

**Recommendation**

Staff recommends that the Operations Committee recommend that the Board of Retirement revise the Declining Employer Payroll Policy, per the redline in the agenda backup.

**Attachment:**
Declining Employer Payroll Policy

# Declining Employer Payroll Policy

## I. Purpose and Background

An ACERA participating employer~~Plan Sponsor (employer) in the Alameda County Employees' Retirement Association (ACERA)~~ may experience an actual or anticipated material decline in the payroll attributable to its ACERA active members (ACERA-covered payroll). ~~The Declining Employer Payroll~~This Policy ~~is intended to~~ establishes guidelines ~~by which ACERA intends to assure~~to ensure that such an employer will ~~continue to~~ satisfy its obligation to ~~timely~~ pay all unfunded actuarial accrued liability (UAAL) that are fairly attributable to ~~the prior and future service of active, retired and deferred ACERA members who are or were the participating employer's employees, and their beneficiaries~~the employer. The Board of Retirement (Board) may deviate from this Policy as the Board determines is appropriate under existing circumstances.

## II. Background and Objectives

A. As a general rule, ~~under ACERA's practice in place prior to the adoption of this Declining Plan Sponsor Payroll Policy,~~ ACERA determines~~d~~ employers' contribution obligations for UAAL by applying a contribution rate determined by ACERA's actuary to the employer's ACERA-covered payroll (the percentage-of-payroll methodology). For employers whose payrolls are generally consistent with ACERA's actuarial assumptions regarding payroll growth, ~~or those whose payroll is growing faster than the actuarial assumptions,~~ the percentage-of-payroll methodology ~~continues to be~~is appropriate. ~~But f~~For employers whose ACERA-covered payroll is declining~~,~~ or is expected to decline~~,~~ materially over time, the ~~Board of Retirement has determined that the~~ percentage-of-payroll methodology ~~is~~ may not be the appropriate means of collecting employer contributions owed to ~~the Association~~ACERA. The objectives of this ~~Declining Employer Payroll~~ Policy are to (i) ensure equitable and adequate funding of UAAL in cases involving employers with materially declining payrolls, (ii) approve procedures for identifying employers who should be subject to this Policy, and (iii) approve a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL. ~~This Policy does not change the methodology regarding how contributions for "normal cost" are determined for participating employers.~~

B. ~~Generally, t~~The objectives of this Policy also are to ensure compliance with County Employees Retirement Law of 1937 (Gov. Code §31450 et seq.~~, as amended~~), the Public

Employees' Pension Reform Act of 2013 (Gov. Code §§7522-7522.74), and other applicable ~~provisions of~~ law. Pursuant to Gov. Code §§7522.52, 31453.5, 31454.7, 31581, 31582, 31584, 31585, 31586, 31611, and other applicable ~~provisions of~~ law, a participating employer remains liable, and must make the required appropriations and transfers to ACERA for the participating employer's share of liabilities ~~attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from ACERA~~.

C. It is the Board ~~of Retirement~~'s intent to allow an employer covered by this Policy to satisfy its funding obligation in a manner ~~which~~ that provides the employer reasonable flexibility, ~~; however,~~ but primary consideration will be given to ensuring the adequacy of the assets attributable to the employer to satisfy the employer's funding obligations. This ~~will generally~~ may require redetermination of the funding obligations of the employer ~~for several years~~.

## III. Policy Procedures and Guidelines

~~Absent exigent circumstances or u~~Unless otherwise ~~expressly~~ approved by the Board ~~of Retirement at a duly-noticed public meeting~~, the procedures and guidelines for implementing this Policy are set forth below.

### A. Commencement of Coverage – Triggering Events

~~1.~~ This Policy covers only those employers for whom the Board determines, based on a recommendation from ACERA's ~~Chief Executive Officer (~~CEO~~)~~, ~~that~~ a triggering event as described in this section has occurred and who are not excluded from coverage under this Policy as described ~~in section III.B.1 and/or section III.B.2.~~ below. ~~The fact that a triggering event may have occurred in the past does not prevent ACERA from applying this Policy to that employer. The Board hereby directs the CEO to work with ACERA's staff and ACERA's actuary to obtain the information (e.g., ACERA-covered payroll history) needed for the Board to make determinations regarding triggering events. The CEO is further directed to report to the Board, at least annually, regarding these activities.~~

1.

2. Triggering event resulting from ceasing to enroll new hires. Some ACERA participating employers cease to enroll new hires with ACERA but~~,~~ for ~~a period of~~ some time ~~,~~ continue to have at least some ~~previously-enrolled~~ employees

maintaining their status as active ACERA members. These employers' ACERA-covered payroll will eventually diminish to zero as their active employees retire or otherwise terminate employment. Examples of employers in this category may include an employer that is acquired by another entity that is not an ACERA participating employer, or an ACERA employer that covers some of its employees through another pension system such as CalPERS or a 401(k) plan. ~~There may be other examples as well.~~

a. Triggering event resulting from a material and permanent reduction in ACERA-covered payroll. Some employers may experience a material reduction in their ACERA-covered payroll, but ~~nevertheless~~ continue to enroll their new hires ~~with~~ in ACERA. The reduction may be sudden (e.g., due to a discrete event such as a partial loss of funding, or partial outsourcing), or it may be more gradual, over a period of years, and might not be tied to a discreet event. Generally, the Board would determine that this type of triggering event has occurred only if the Board expects that the reduction in employer's ACERA-covered payroll is expected to be permanent or ~~for an indefinite period of time~~ with no reasonably foreseeable end. ~~Generally, by its nature, the determination whether this type of triggering event has occurred is more subjective than that described in subparagraph a) immediately above.~~

B. Exclusions from Coverage; Terminations of Coverage

1. This Policy ~~also~~ covers only those employers which are (a) financially-viable entities when a triggering event occurs, and (b) which ACERA expects to continue indefinitely thereafter to be financially-viable entities. ~~This Policy does not cover any other situation, including, without limitation, an employer going out of business by reason of dissolution, loss of funding, consolidation or merger (unless there is a surviving financially-viable entity that is acceptable to the Board that will make the ongoing payments under the Policy). This Policy also does not cover a "withdrawing employer" who ceases to provide ACERA membership for all of the employer's active ACERA members (i.e., as of a date certain, withdraws both new hires and existing actives from membership with ACERA).~~

2. ~~The Board of Retirement also recognizes that p~~Participating employers covered by this Policy will have UAAL funding obligations for several years. ~~Therefore, i~~If concerns arise during that ~~period of~~ time regarding the employer's ongoing existence as a

financially-viable entity, the Board may ~~remove the employer from coverage under this Policy and/or~~ take any ~~other~~ measures ~~that may be~~ available to ensure the employer meets its obligations ~~actuarial soundness of the Retirement Association including, without limitation,~~such as assessing the projected entire amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board) using a lower discount rate and payable in a single sum immediately due.

C. Procedures

1. The CEO will ~~(i)~~ work with ACERA staff and actuary, and ACERA's participating employers to obtain the information (e.g., ACERA-covered payroll history, financial reports) needed for the Board to ~~make determinations regarding triggering events and exclusions from, or terminations of, coverage and~~apply this Policy and the CEO will ~~(ii)~~ report to the Board, at least annually, regarding these activities.

2. Upon a recommendation from the CEO and notice to the affected participating employer, the Board will ~~make a~~ determin~~cation~~ ~~at a duly-noticed public meeting regarding~~ (i) whether a triggering event has occurred for the employer, (ii) whether the employer should be excluded from coverage under this Policy, and (iii) for those employers that the Board has previously determined to be covered under the Policy, whether their coverage should be terminated~~ under section III.B.1. above~~. Employers may be required to provide ACERA with updated employee census and payroll data and financial reports. See Gov. Code §31543.~~)~~

3. If the Board determines that a triggering event has occurred and the employer is not excluded from coverage under the Policy, then, solely for purposes of determining the covered employer's UAAL contribution obligation, ACERA will segregate on its books all assets and liabilities attributable to the employer based upon the recommendation of ACERA's actuary, and shall maintain such separate accounting for the employer until all of the participating employer's obligations to ACERA have been fully satisfied.

4. ACERA's actuary will determine, and certify to the Board~~ of Retirement,~~ the covered employer's funding obligation for its initial UAAL ~~, which obligation shall not be pro-rata based on payroll, but rather~~ based on the employer's actuarial accrued liability (AAL) including inactive members, when determinable. ~~Otherwise, t~~The Board may use other methodologies to determine liability as recommended by ~~their~~ its actuary. ~~;~~ ~~including but not limited to the pro-rata share based on payroll.~~ The Board may ~~determine to~~ require the employer's contributions to be paid in level, fixed-dollar

amounts over a period ~~not to exceed twenty (20) years, beginning on July 1 of the calendar year immediately after the year in which the triggering event occurs~~the Board determines appropriate.

5. The actuary will use the actuarial valuation performed for ACERA as of the end of the calendar year immediately prior to the calendar year in which the triggering event occurs (and based on all ~~of~~ ACERA's then current actuarial assumptions and methodologies) to determine the initial valuation value of assets (VVA), a smoothed value, allocated to the covered employer. That initial VVA will be a pro-rata allocation based on the employer's AAL (i.e., based on the employer's initial UAAL allocation ~~determined in accordance with section III.C.3 above~~). Later values of the VVA (i.e., those used in the future valuations described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the actual smoothed (VVA) earnings rate on total ACERA assets.

6. Annually, after the determination of the covered employer's initial funding obligation, as part of the regular annual actuarial valuation of the plan, ACERA's actuary will measure any change in the UAAL of the participating employer due to actuarial experience or changes in actuarial assumptions. In addition to the amortized payments for the covered employer's initial UAAL funding obligation determined as of the initial valuation, the employer will be liable for, and must contribute to ACERA, any such new UAAL determined as of subsequent valuations, based upon an amortization schedule recommended by the actuary and adopted by the Board of Retirement. ACERA will hold any negative UAAL (Surplus) to be applied against any future UAAL of the covered employer.

7. If any Surplus remains after the covered employer has satisfied all ~~of~~ its UAAL obligations (Final Surplus), ACERA will account for the Final Surplus in accordance with the terms of applicable law.

8. ~~Notwithstanding anything to the contrary herein, t~~The ~~ACERA~~ Board ~~of Retirement~~ reserves the right to pursue any other legal remedies ~~under applicable law~~ that~~,~~ ~~depending on the circumstances, may be available~~ to "ensure the actuarial soundness of the retirement system" (CERL §31564.2(d)) and ensure that "the county and districts shall each remain liable to the retirement system for their respective share of any unfunded actuarial liability of the system, as determined by the board" (CERL §31454.7).

## IV. Policy Review

The Operations Committee will review this Policy at least every three ~~(3)~~ years to ensure that it remains relevant and appropriate.

## V. Policy History

A. The Board ~~of Retirement~~ adopted this Policy on October 18, 2018.

B. The Board ~~of Retirement~~ revised this Policy on October 21, 2021 and ~~.~~September 19, 2024.

ACERA

*Office of the Chief Counsel*

To: Operations Committee

From: Jeff Rieger, Chief Counsel

Meeting: September 4, 2024

Subject: **Revisions To Required Minimum Distribution Tax Regulation**

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Tax law requires ACERA to make payments to a deferred member at a certain age if the member has not yet retired or withdrawn their contributions and accrued interest. This is referred to as a Required Minimum Distribution (RMD).

In response to some changes to tax law and to generally fine-tune ACERA's RMD procedures, ACERA engaged outside tax counsel to review ACERA's policies and procedures. Most of outside tax counsel's recommendations related to staff procedure documents and form letters to members that do not require Board approval, but recommended revisions to ACERA Tax Regulations require Board approval.

The recommended revisions relate only to the new ages for RMD, based on changes to tax law. ACERA is already following the new rules, but ACERA's Tax Regulations should be consistent with law, so we are seeking Board approval for the necessary revisions, per the redline that follows this memorandum.

# ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

# REGULATIONS FOR IRC CODE § 401(a)(9)

# REQUIRED MINIMUM DISTRIBUTIONS RULES

**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**REGULATIONS FOR IRC SECTION 401(a)(9)**

**MINIMUM REQUIRED DISTRIBUTIONS**

## SECTION I. GENERAL RULES

### A. Purpose and Effective Date

In accordance with sections 31485.14, 31525 and 31706 of the California Government Code, the regulations set forth herein are effective as of January 1, 2016 (amended September 19, 2024), and reaffirm and clarify the existing practices of the Alameda County Employees' Retirement Association (the "Association") with respect to the minimum distribution requirements under section 401(a)(9) of the Internal Revenue Code (the "Code").

These regulations are intended to be in accordance with the Code and the applicable Treasury regulations. To the extent there is a conflict between these regulations and the Code and Treasury regulations, the applicable federal law will govern.

The Association may establish reasonable procedures for complying with the minimum distribution requirements under section 401(a)(9) of the Code that it deems necessary or desirable to comply with applicable tax laws or for administrative purposes.

### B. Reasonable Good Faith Interpretation of Code

In accordance with section 823 of the Pension Protection Act of 2006 ("PPA"), these regulations are promulgated in accordance with a reasonable good faith interpretation of section 401(a)(9) of the Code, and the Treasury regulations thereunder, as applicable to a governmental plan within the meaning of section 414(d) of the Code. For purposes of section 401(a)(9), Code means the Code and applicable Treasury regulations as they apply under a reasonable good faith interpretation of section 401(a)(9).

### C. Elections Under TEFRA § 242(b)(2)

Notwithstanding the other requirements of this regulation to the contrary, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act.

Capitalized terms used in this Regulation are defined in Section VI. Terms defined in the County Employees' Retirement Law of 1937 (the "CERL") apply here unless otherwise stated.

## SECTION II. TIME AND MANNER OF DISTRIBUTION

### A. Required Beginning Date

The Member's entire interest will be distributed, or begin to be distributed, no later than the Member's Required Beginning Date.

### B. Forms of Distribution

1. Periodic And Other Forms Of Payments

A Member's entire interest in the Association shall be distributed in the form of RMD Annuity payments that meet the requirements of paragraph 2 of this subsection or in the form of a single sum or an insurance company annuity contract that meets the requirements of paragraph 3.a of this subsection. Payments may be made in a combination of these forms of payment and may include lump sum refunds or withdrawals of Member contributions or death benefits as provided in the CERL provided that these forms comply with a reasonable good faith interpretation of Code section 401(a)(9).

2. General Rules Regarding RMD Annuities

a. Periodic

RMD Annuities must be paid over equal payment intervals which may not be longer than one year.

b. Distribution Period

RMD Annuities will be paid over the life or lives of the Member and a beneficiary or over a period certain that does not exceed the maximum length of the period described in Section III or Section IV of this regulation.

c. Increases

RMD Annuities may not increase over time except in accordance with the rules in Section V.A.

d. Change in Period Paid

The period over which an RMD Annuity is paid can be changed only in accordance with Q&A-13 of section 1.401(a)(9)-6 of the Treasury regulations.

e. Commencement

Payment of the RMD Annuity must start no later than the Required Beginning Date.

3. Other Forms

a. Annuity Contract

If the Member's interest is distributed in the form of an annuity contract purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code.

b. Individual Account

Any part of the Member's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of Section 401(a)(9) of the Code that apply to individual accounts.

**C. Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals.**

The amount that must be distributed on or before the Member's Required Beginning Date is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the Member's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date. If the Member dies before distributions begin, the same rules apply with reference to the date distributions are required to begin under section IV.A.1 or IV.A.2.

## SECTION III. RMD ANNUITY DISTRIBUTIONS BEGINNING DURING MEMBER'S LIFE

The following rules must be met to comply with the requirements of the Code and this regulation for RMD Annuities that begin during the Member's lifetime.

**A. Single Life RMD Annuity**

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime only, with no benefits paid to any other person, meets the requirements of the Code and this regulation.

**B. Joint and Survivor RMD Annuity - Death of Member After Benefits Begin**

If Member dies after RMD Annuity payments have commenced to the Member, then distributions must continue to be made over the remaining period over which distributions commenced in accordance with the schedule of payments made to the Member. Reasonable delay for administration may occur, but in this case payments that should have been made in accordance with the original payment schedule must be made with the first resumed payment.

**C. Joint and Survivor RMD Annuity With Spouse as the Sole Beneficiary**

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of the Member's surviving Spouse, with no benefits paid to any other person, meets the requirements of the Code and this regulation regardless of the difference in age of the Member and the Member's Spouse.

**D. Joint and Survivor RMD Annuity When the Sole Beneficiary Is Not the Member's Spouse**

1. Limit on Percentage of Member's RMD Annuity Paid to Non-Spouse Beneficiary

   The survivor annuity percentage of an RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of a beneficiary other than the Member's surviving Spouse must not at any time exceed the applicable percentage of the RMD Annuity payment during the Member's lifetime, using the table set forth in Treasury regulation section 1.401(a)(9)-6, Q&A-2(c)(2), as determined in the manner described in Q&A-2(c)(1). This Treasury Regulation requires that the RMD Annuity payable to the Member's beneficiary after the Member's death not exceed the percentage of the RMD Annuity payable to the Member during the Member's life specified in the table if the adjusted age difference between the Member and the beneficiary is more than 10 years.

2. Rule Regarding Children of Member

   Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a surviving child of the Member for a limited period of time (such as until the child reaches the age of 22), the survivor benefit shall be treated as payable solely to the surviving Spouse of the Member.

**E. Period Certain RMD Annuity**

1. Spouse is the Sole Beneficiary

   If the Member's sole beneficiary is the Member's surviving Spouse, and the form of distribution is a period certain with no life annuity, the period certain may not exceed the joint life and last survivor expectancy of the Member and Spouse as determined in accordance with the Joint and Last Survivor Table set forth in section 1.401(a)(9)–9, Q&A-3, of the Treasury Regulations, using the Member's and Spouse's ages as of the Member's and Spouse's birthdays in the calendar year that contains the Annuity Starting Date.

2. Spouse is Not the Sole Beneficiary

   When the Member's surviving Spouse is not the sole beneficiary then the period certain may not exceed the period established under the Uniform Lifetime Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-9 for the calendar year that contains the

Annuity Starting Date. If the Member is younger than ~~age 70~~the Applicable RMD Age in that year, then the distribution period for the Member is the distribution period for ~~age 70~~the Applicable RMD Age increased by the difference between ~~70~~ the Applicable RMD Age and the age of the Member in the year of the Annuity Starting Date. Also see below regarding Designated Beneficiaries.

3. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, the period certain distribution rules shall not apply to survivor benefits payable to children of the Member but the rules of section III.D above shall apply.

## SECTION IV. DISTRIBUTIONS WHEN MEMBER DIES BEFORE BENEFITS BEGIN

If a Member dies before distributions begin, distributions after the death of the Member must meet the following requirements:

### A. When Distributions Must Begin

1. Spouse is the Sole Designated Beneficiary

If the Member's sole Designated Beneficiary is the Member's surviving Spouse, then, except as provided in paragraph 5 of this subsection A, distributions to the surviving Spouse must begin by December 31 of the calendar year immediately following the calendar year in which the Member died or, if later, by December 31 of the calendar year in which the Member would have reached ~~age 70 1/2~~the Applicable RMD Age.

2. Spouse is not the Sole Designated Beneficiary

If the Member's sole Designated Beneficiary is not the Member's surviving Spouse, then, except as provided in paragraph 5 of this subsection A, distributions to the Designated Beneficiary must begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

3. No Designated Beneficiary

If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, then distributions of the Member's entire interest must be completed by December 31 of the calendar year that contains the fifth anniversary of the Member's death.

4. Death of Surviving Spouse Who Is the Sole Designated Beneficiary

If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse are required to begin, then this section IV.A, other than section IV.A.1 applies as if the surviving Spouse were the Member.

5. Election of Five Year Rule

A Designated Beneficiary may elect, at the time and in the manner determined by the System, to have the five year rule of section IV.A.3 apply, but solely to the extent that the Designated Beneficiary may elect, under the CERL, a benefit which will be paid in the required time period.

### B. When Distributions Are Considered to Begin

For purposes of this Section IV, unless Section IV.A.4 applies, distributions are considered to begin on the Member's Required Beginning Date. If Section IV.A.4 applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section IV.A.1. If distributions under an RMD Annuity meeting the requirements of this regulation commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section IV.A.1), the date distributions are considered to begin is the date distributions actually commence.

### C. Length of Distribution Period

1. Member Is Survived by a Designated Beneficiary

   a. General Rule

   If the Member is survived by a Designated Beneficiary, the Member's entire interest in the System shall be distributed over the life of the Designated Beneficiary or over a period certain that does not exceed the period specified in C.1.b

   b. Period Certain

   The period certain in C.1.a may not exceed the Designated Beneficiary's life expectancy determined using the Single Life Table in Treasury regulations section 1.401(a)(9)-9, Q&A-1. If the Annuity Starting Date is in the first Distribution Calendar Year, the life expectancy shall be determined using the Designated Beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death. If the Annuity Starting Date is before the first Distribution Calendar Year, then the life expectancy is determined using the Designated Beneficiary's age in the calendar year that contains the Annuity Starting Date.

2. No Designated Beneficiary

   If there is no Designated Beneficiary as of the September 30 of the year following the year of the Member's death, distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

3. Death of Surviving Spouse Before Distributions To Spouse Begin

   If the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section IV.C shall apply as if the surviving Spouse were the Member, except that the time that distributions are required to begin is determined without regard to Section IV.A.1.

## SECTION V. SPECIAL RULES

### A. RMD Annuity Payment Increases

RMD Annuity payments will either not increase over time or increase only as follows:

1. Cost of Living Adjustments

   a. Annual COLA Increases

   RMD Annuity payments may increase by an annual percentage that does not exceed the percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of section 1.401(a)(9)-6 of the Treasury regulations, for a 12-month period ending in the year during which the increase occurs or a prior year.

   b. Cumulative COLA Increases

   RMD Annuity payments may increase by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index, as defined in the preceding paragraph since the Annuity Starting Date, or if later, the date of the most recent percentage increase.

c. Additional COLA Increases

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b) and taking into account the vested rights in retirement benefits created by the California Constitution, RMD Annuity payments may increase by a percentage or amount that is determined by the System, in accordance with the CERL, to represent an appropriate amount to take account of cost of living increases affecting retirees or beneficiaries.

2. "Pop-Up's"

RMD Annuity Payments may increase to the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period dies or is no longer the Member's beneficiary pursuant to a domestic relations order under applicable state law.

3. Single Sum Distribution

RMD Annuity Payments may increase to the extent necessary to allow a beneficiary to convert the survivor portion of a joint and survivor annuity into a single sum distribution upon the Member's death or under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-14(a)(5) and taking into account the vested rights in retirement benefits created by the California Constitution, to allow a beneficiary to select a lump sum distribution of all or part of the Member's interest under the Association as provided in the CERL.

4. Plan Amendment

Benefits may increase if they result from an amendment to, or interpretation of, the CERL, the California Government Code or any other applicable law governing benefits for Members or from an ordinance, resolution or regulation pursuant to such law.

5. Other Benefits

Benefits may increase (i) to the extent increases are permitted in accordance with paragraph (c) or (d) of Q&A-14 of section 1.401(a)(9)-6 of the Treasury regulations dealing with additional permitted increases for annuity payments under annuity contracts purchased from an insurance company and additional permitted increases for annuity payments from a qualified trust; (ii) pursuant to Article 5.5 of the CERL dealing with the Supplemental Retiree Benefit Reserve; (iii) pursuant to Section 31691.1 of the CERL; and (iv) pursuant to sections 31681.1 et. seq., and 31739 et. seq. of the CERL.

**B. Additional Accruals After First Distribution Calendar Year**

Any additional benefits accruing to the Member in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such benefit accrues.

**C. Domestic Relations Orders**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if Article 8.4 of the CERL applies (relating to the establishment of separate accounts under domestic relations orders), then both the Member and the Member's former Spouse shall be deemed to be separate Members of the System for purposes of these regulations and section 401(a)(9) of the Code.

**D. Reciprocal Member**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a deferred Member is a current employee and a member of another retirement system with which the Association has reciprocity under California law, then for purposes of determining the Required Beginning Date under the Association the Member shall be treated as a current employee of the Association and as such, as if he or she had not retired, even if he or she has attained ~~age 70½~~the Applicable RMD Age.

**E. Public Safety Member Killed In Line of Duty**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, any additional retirement benefits paid under CERL section 31787.5 to the surviving Spouse of a public safety Member killed in the line of duty shall not be limited by Code section 401(a)(9) because they shall be treated as incidental death benefits.

**F. Rollovers**

Amounts that are required minimum distributions cannot be rolled over to another qualified retirement plan or other tax-favored vehicle. The amount that cannot be rolled over shall be determined in accordance with Treasury regulations section 1.402(c)-2, Q&A-7.

**G. Payments to Surviving Child Treated as Made to Surviving Spouse**

Solely to the extent required by section 401(a)(9) of Title 26 of the United States Code and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, for purposes of Code section 401(a)(9) and these regulations, payments to a Member's surviving child in accordance with the requirements of Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations shall be treated as if such payments had been made to the Member's surviving Spouse to the extent the payments become payable to the surviving Spouse upon the child's attainment of the age of majority, as determined in accordance with Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or upon the occurrence of such other event specified in Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or as otherwise specified in IRS guidance under section 401(a)(9) of the Code.

## SECTION VI. DEFINITIONS

**A. Annuity Starting Date**

"Annuity Starting Date" means the first day of the first period for which a retirement benefit is payable as an RMD Annuity or, in the case of a retirement benefit not payable in the form of an RMD Annuity, the first day on which all events have occurred which entitle the Member to payment.

**B. Applicable RMD Age**

"Applicable RMD Age" means (a) age 70-1/2 if the Member attains age 70-1/2 before January 1, 2020; (b) age 72 if the Member attains age 70-1/2 on or after January 1, 2020 and age 72 before January 1, 2023; (c) age 73 if the Member attains age 72 on or after January 1, 2023 and age 73 before January 1, 2033; or (d) age 75 if the Member attains age 73 on or after January 1, 2033.

**~~B.~~C. Designated Beneficiary**

"Designated Beneficiary" means the individual who is designated by the Member (or the Member's surviving Spouse) as the beneficiary of the Member's interest under the Association and who is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-4 of the Treasury regulations. Accordingly, entities other than individuals, such as the Member's estate or a trust, cannot be a Designated Beneficiary of a Member's interest in the Association. However, the individuals who are beneficiaries under a designated trust shall be treated as Designated Beneficiaries for purposes of determining the distribution period under this regulation and Code section 401(a)(9) if all of the applicable requirements of Treasury regulation section 1.401(a)(9)-4, Q&A-5(b) are met. If all of such applicable requirements are not met, then the distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

### ~~C.~~D. Distribution Calendar Year

"Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section IV.A of this regulation.

### E~~D~~. Required Beginning Date

"Required Beginning Date" means April 1 of the calendar year following the later of the calendar year in which the Member attains ~~age 70½~~the Applicable RMD Age or the calendar year in which the Member retires.

### F~~E~~. RMD Annuity

"RMD Annuity" means, for purposes of the required minimum distribution rules in section 401(a)(9) of the Code, a distribution form providing for periodic payments for a specified period of time. "RMD Annuity" for purposes of this regulation does **not** mean "annuity" as defined in the County Employee Retirement Law but instead means a retirement benefit that is payable by the Association.

### G. Spouse

Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

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ACERA

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 4, 2024

TO: Members of the Operations Committee

FROM: Erica Haywood, Fiscal Services Officer DS EH

SUBJECT: Year-to-Date Operating Expenses & Budget Summary for July 31, 2024

ACERA's year-to-date operating expenses are $154K over budget for the period ended July 31, 2024. Budget overages and surpluses worth noting are as follows:

**Budget Overages**

1. *Staffing:* Staffing is $367K over budget. This amount comprised overages in temporary staffing of $167K, and 5% staff vacancies adjustment of $514K, offset by surpluses in salaries & wages expenses of ($222K), and fringe benefits of ($92K).

2. *Member Services:* Member Services are $81K over budget. This amount comprised overages in disability medical expenses of $63K, disability legal arbitration & transcripts of $33K, and offset by surpluses in disability claim management of ($4K), and members' printing & postage of ($11K).

3. *Depreciation:* Depreciation expense is $5K over budget from purchase of new equipment.

**Budget Surpluses**

1. *Staff Development:* Staff Development is $95K under budget for staff training and conferences.

2. *Professional Fees:* Professional Fees are $85K under budget. This amount comprised overage in operation consultant fee of $5K, offset surpluses in actuarial fees of ($29K), and legal fees of ($61K).

3. *Office Expense:* Office Expense is $33K under budget. This amount comprised surpluses in bank charges & miscellaneous expenses of ($9K), building expenses of ($3K), equipment lease and maintenance of ($12K), office supplies and maintenance of ($5K), and printing and postage of ($4K).

4. *Insurance:* Insurance is $3K under budget from lower insurance premiums.

5. *Systems:* Systems are $4K under budget. This amount comprised overages in minor computer hardware of $26K, intangible right to use SBITA-GASB96 $50K, and offset by surpluses in business continuity ($16K), county data processing ($1K), and software maintenance & support ($63K).

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6. *Board of Retirement:* Board of Retirement is $79K under budget. This amount comprised surpluses in board compensation of ($5K), board conferences & training of ($65K), board miscellaneous expenses of ($7K), and board software maintenance and support of ($2K).

**Staffing Detail**

Vacant positions as of July 31, 2024:

| Department | Position | Qty | Comments |
|---|---|---|---|
| Administration | Supply Clerk | 1 | Vacant - currently budgeted for the year |
| Benefits | Retirement Benefits Specialist | 1 | Vacant - currently budgeted for the year |
| Benefits | Retirement Benefits Specialist | 1 | Vacant - currently budgeted for the year |
| Benefits | Retirement Support Specialist | 1 | Vacant – currently budgeted for the year |
| Benefits | Senior Retirement Technician | 1 | Vacant – currently budgeted for the year |
| Investment | Investment Officer | 1 | Vacant - currently budgeted for the year |
| | **Total Positions** | 6 | |

| Pension Administration System Project - as of July 31, 2024 | | | | | |
|---|---|---|---|---|---|
| | Year-To-Date | | | | |
| | Actual | Budget | Variance | 2024 Budget | 2019-23 Actual |
| **Consultant Fees** | | | | | |
| Levi, Ray and Shoup | $1,552,004 | $1,137,500 | $414,504 | $1,950,000 | $3,231,571 |
| Segal and other consultant fees | 417,197 | 345,917 | 71,280 | 593,000 | 2,323,470 |
| Other expenses | - | - | - | - | 1,500 |
| Leap Technologies | - | - | - | - | 98,970 |
| Total | 1,969,201 | 1,483,417 | 485,784 | 2,543,000 | 5,655,511 |
| **Staffing** | 472,312 | 449,750 | 22,562 | 771,000 | 2,845,789 |
| **TOTAL** | **$2,441,513** | **$1,933,167** | **$508,346** | **$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

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## ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## TOTAL OPERATING EXPENSES SUMMARY

YEAR TO DATE - ACTUAL VS. BUDGET

*July 31, 2024*

| | Actual *Year-To-Date* | Budget *Year-To-Date* | YTD Variance *(Under)/Over* | 2024 *Annual* *Budget* | % Actual to *Annual Budget* |
|---|---|---|---|---|---|
| **Staffing** | $ 10,268,696 | $ 9,901,610 | $ **367,086** | $ 17,032,000 | **60.3%** |
| **Staff Development** | 111,674 | 207,030 | **(95,356)** | 351,000 | **31.8%** |
| **Professional Fees** **(Next Page)** | 690,695 | 775,970 | **(85,275)** | 1,141,000 | **60.5%** |
| **Office Expense** | 242,243 | 274,790 | **(32,547)** | 468,000 | **51.8%** |
| **Insurance** | 361,626 | 364,680 | **(3,054)** | 637,000 | **56.8%** |
| **Member Services** | 405,193 | 323,870 | **81,323** | 608,000 | **66.6%** |
| **Systems** | 722,837 | 727,600 | **(4,763)** | 1,288,000 | **56.1%** |
| **Depreciation** | 69,923 | 65,090 | **4,833** | 112,000 | **62.4%** |
| **Board of Retirement** | 338,995 | 417,680 | **(78,685)** | 707,000 | **47.9%** |
| **Uncollectable Benefit Payments** | - | - | **-** | 78,000 | **0.0%** |
| **Total Operating Expense** | **$ 13,211,882** | **$ 13,058,320** | **$ 153,562** | **$ 22,422,000** | **58.9%** |

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PROFESSIONAL FEES

YEAR TO DATE - ACTUAL VS. BUDGET

July 31, 2024

| | Actual Year-To-Date | Budget Year-To-Date | YTD Variance (Under)/Over | 2024 Annual Budget | % Actual to Annual Budget |
|---|---|---|---|---|---|
| *Professional Fees* | | | | | |
| Consultant Fees - Operations and Projects[1] | $ 200,781 | $ 195,860 | $ 4,921 | $ 356,000 | 56.4% |
| Actuarial Fees[2] | 319,048 | 347,750 | (28,702) | 490,000 | 65.1% |
| External Audit[3] | 145,000 | 145,000 | - | 145,000 | 100.0% |
| Legal Fees[4] | 25,866 | 87,360 | (61,494) | 150,000 | 17.2% |
| **Total Professional Fees** | **$ 690,695** | **$ 775,970** | **$ (85,275)** | **$ 1,141,000** | **60.5%** |

| | Actual Year-To-Date | Budget Year-To-Date | YTD Variance (Under)/Over | 2024 Annual Budget | % Actual to Annual Budget |
|---|---|---|---|---|---|
| [1] CONSULTANT FEES - OPERATIONS AND PROJECTS: | | | | | |
| Benefits | | | | | |
| *Alameda County HRS (Benefit Services)* | 73,500 | 73,500 | - | 126,000 | 58.3% |
| *Segal (Benefit Consultant/Retiree Open Enrollment)* | 77,583 | 77,560 | 23 | 133,000 | 58.3% |
| *Total Benefits* | 151,083 | 151,060 | 23 | 259,000 | 58.3% |
| Fiscal Services | | | | | |
| *Cashlog* | - | - | - | 20,000 | 0.0% |
| *Total Fiscal Services* | - | - | - | 20,000 | 0.0% |
| Human Resources | | | | | |
| *Lakeside Group (County Personnel)* | 49,698 | 44,800 | 4,898 | 77,000 | 64.5% |
| *Total Human Resources* | 49,698 | 44,800 | 4,898 | 77,000 | 64.5% |
| **Total Consultant Fees - Operations** | **200,781** | **195,860** | **4,921** | **356,000** | **56.4%** |
| [2] ACTUARIAL FEES | | | | | |
| *Actuarial Valuation* | 87,500 | 87,500 | - | 87,500 | 100.0% |
| *GASB 67 & 68 Valuation* | 21,500 | 26,750 | (5,250) | 53,500 | 40.2% |
| *GASB 74 & 75 Actuarial* | 8,000 | 8,000 | - | 16,000 | 50.0% |
| *Actuarial Standard of Practice 51 Pension Risk* | 30,000 | 30,000 | - | 30,000 | 100.0% |
| *Supplemental Consulting* | 127,048 | 150,500 | (23,452) | 258,000 | 49.2% |
| *Supplemental Retiree Benefit Reserve valuation* | 45,000 | 45,000 | - | 45,000 | 100.0% |
| **Total Actuarial Fees** | **319,048** | **347,750** | **(28,702)** | **490,000** | **65.1%** |
| [3] EXTERNAL AUDIT | | | | | |
| *External audit* | 122,000 | 122,000 | - | 122,000 | 100.0% |
| *GASB 67 & 68 audit* | 11,000 | 11,000 | - | 11,000 | 100.0% |
| *GASB 74 & 75 audit* | 12,000 | 12,000 | - | 12,000 | 100.0% |
| **Total External Audit Fees** | **145,000** | **145,000** | **-** | **145,000** | **100.0%** |
| [4] LEGAL FEES | | | | | |
| *Fiduciary & Litigation* | 19,151 | 35,000 | (15,849) | 60,000 | 31.9% |
| *Tax and Benefit Issues* | 5,545 | 14,560 | (9,015) | 25,000 | 22.2% |
| *Miscellaneous Legal Advice* | 1,170 | 37,800 | (36,630) | 65,000 | 1.8% |
| **Total Legal Fees** | **25,866** | **87,360** | **(61,494)** | **150,000** | **17.2%** |

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL EXPENDITURES VS.PRIOR YEAR ACTUAL
For the Seven Months Ending 7/31/2024

| | ***For the Month of July 2024*** | ***For the Month of July 2023*** | Variance | ***Year-To-Date 2024*** | ***Year-To-Date 2023*** | Variance |
|---|---|---|---|---|---|---|
| STAFFING | | | | | | |
| Salaries | 1,150,779 | 872,907 | 277,872 | 6,552,791 | 5,994,174 | 558,617 |
| Fringe Benefits | 617,322 | 445,810 | 171,512 | 3,432,627 | 3,023,515 | 409,112 |
| Temporary Staffing Cost | 42,438 | 39,903 | 2,535 | 283,278 | 274,351 | 8,927 |
| Staffing Total | 1,810,539 | 1,358,620 | 451,919 | 10,268,696 | 9,292,040 | 976,656 |
| STAFF DEVELOPMENT | 9,770 | 16,864 | (7,094) | 111,674 | 100,405 | 11,269 |
| PROFESSIONAL FEES | | | | | | |
| Actuarial Fees | 51,500 | 120,400 | (68,900) | 319,048 | 347,889 | (28,841) |
| Consultant Fees - Operations | 32,781 | 27,667 | 5,114 | 200,781 | 200,442 | 339 |
| Consultant Fees - Legal | (19,763) | 9,932 | (29,695) | 25,866 | 55,519 | (29,653) |
| External Audit | 0 | 0 | 0 | 145,000 | 144,000 | 1,000 |
| Professional Fees Total | 64,518 | 157,999 | (93,481) | 690,695 | 747,850 | (57,155) |
| OFFICE EXPENSE | | | | | | |
| Bank Charges & Misc. Admin | 6,406 | 11,320 | (4,914) | 41,315 | 51,292 | (9,977) |
| Building Expenses | 2,748 | 3,521 | (773) | 18,506 | 15,263 | 3,243 |
| Communications | 11,459 | 8,356 | 3,103 | 73,867 | 60,632 | 13,235 |
| Equipment Lease/Maintenance | 14,358 | 8,106 | 6,252 | 68,917 | 60,361 | 8,556 |
| Minor Equipment and Furniture | 0 | 0 | 0 | 2,578 | 8,211 | (5,633) |
| Office Supplies/Maintenance | 2,494 | 1,837 | 657 | 28,023 | 21,890 | 6,133 |
| Printing & Postage | 1,048 | 1,726 | (678) | 9,037 | 8,112 | 925 |
| Office Expense Total | 38,513 | 34,866 | 3,647 | 242,243 | 225,761 | 16,482 |
| INSURANCE | 52,085 | 52,973 | (888) | 361,626 | 334,519 | 27,107 |
| MEMBER SERVICES | | | | | | |
| Disability - Legal Arbitration & Transcripts | 18,288 | 0 | 18,288 | 80,484 | (3,283) | 83,767 |
| Disability Medical Expense | 27,300 | 8,300 | 19,000 | 168,555 | 108,420 | 60,135 |
| Disability Claims Management | 3,850 | 3,850 | 0 | 23,100 | 26,950 | (3,850) |
| Health Reimbursement Acct. (HRA) | 5,562 | 5,415 | 147 | 41,608 | 39,718 | 1,890 |
| Member Training & Education | 571 | 418 | 153 | 5,013 | 3,305 | 1,708 |
| Printing & Postage - Members | 4,579 | 16,512 | (11,933) | 48,395 | 34,941 | 13,454 |
| Virtual Call Center | 5,431 | 5,422 | 9 | 38,038 | 37,894 | 144 |
| Member Services Total | 65,581 | 39,917 | 25,664 | 405,193 | 247,945 | 157,248 |



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ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
TOTAL EXPENDITURES VS.PRIOR YEAR ACTUAL
For the Seven Months Ending 7/31/2024

| | *For the Month of July 2024* | *For the Month of July 2023* | Variance | *Year-To-Date 2024* | *Year-To-Date 2023* | Variance |
|---|---|---|---|---|---|---|
| SYSTEMS | | | | | | |
| Business Continuity Expense | 1,326 | 5,354 | (4,028) | 125,697 | 129,051 | (3,354) |
| County Data Processing | 11,399 | 10,860 | 539 | 79,957 | 76,177 | 3,780 |
| Minor Computer Hardware | 11,217 | 9,791 | 1,426 | 50,439 | 54,729 | (4,290) |
| Intangible right to use SBITA - GASB96 | 7,348 | 0 | 7,348 | 50,170 | 0 | 50,170 |
| Software Maintenance & Support | 58,872 | 58,501 | 371 | 416,574 | 432,337 | (15,763) |
| Systems Total | 90,162 | 84,506 | 5,656 | 722,837 | 692,294 | 30,543 |
| DEPRECIATION | | | | | | |
| Depreciation Expense | 8,703 | 9,961 | (1,258) | 69,923 | 69,730 | 193 |
| BOARD OF RETIREMENT | | | | | | |
| Board Compensation | 2,100 | 1,400 | 700 | 11,300 | 13,800 | (2,500) |
| Board Conferences & Training | 10,959 | 13,632 | (2,673) | 91,265 | 118,246 | (26,981) |
| Board Employer Reimbursement | 31,570 | 29,660 | 1,910 | 221,290 | 212,220 | 9,070 |
| Board Miscellaneous Expense | 1,073 | 1,193 | (120) | 5,976 | 11,198 | (5,222) |
| Board Software Maint. & Support | 1,335 | 1,042 | 293 | 9,164 | 7,683 | 1,481 |
| Board of Retirement Total | 47,037 | 46,927 | 110 | 338,995 | 363,147 | (24,152) |
| GRAND TOTALS | 2,186,908 | 1,802,633 | 384,275 | 13,211,882 | 12,073,691 | 1,138,191 |