



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

**ACTUARIAL COMMITTEE/BOARD MEETING  
NOTICE and AGENDA**

**THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE PER GOV'T CODE § 54953(e)**

**ACERA MISSION:**

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

**Thursday, October 20, 2022  
11:00 am**

<b>ZOOM INSTRUCTIONS</b>	<b>COMMITTEE MEMBERS</b>	
The public can view the Teleconference and comment via audio during the meeting. To join this Teleconference, please click on the link below. <a href="https://zoom.us/join">https://zoom.us/join</a> Call-In Number: 1 699 900 6833 Webinar ID: 879 6337 8479 Passcode: 699406 For help joining a Zoom meeting, see: <a href="https://support.zoom.us/hc/en-us/articles/201362193">https://support.zoom.us/hc/en-us/articles/201362193</a>	<b>OPHELIA BASGAL, CHAIR</b>	<b>APPOINTED</b>
	<b>HENRY LEVY, VICE CHAIR</b>	<b>TREASURER</b>
	<b>KEITH CARSON</b>	<b>APPOINTED</b>
	<b>LIZ KOPPENHAVER</b>	<b>ELECTED RETIRED</b>
	<b>GEORGE WOOD</b>	<b>ELECTED GENERAL</b>

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

The order of agenda items 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 available online at [www.acera.org](http://www.acera.org).

*Note regarding public comments:* Public comments are limited to four (4) minutes per person in total.

*Note regarding accommodations:* The Board of Retirement will provide reasonable accommodations for persons with special needs of accessibility who plan to attend Board meetings. Please contact ACERA at (510) 628-3000 to arrange for accommodation.

# ***ACTUARIAL COMMITTEE/BOARD MEETING***

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**Call to Order:** 11:00 am

**Roll Call**

**Public Input**

**Action Items: Matters for Discussion and Possible Motion by the Committee**

- 1. Discussion and possible motion to hire an Actuarial Auditing firm to audit Segal's actuarial work.**

-Lisa Johnson

Recommendation

Staff recommends that the Actuarial Committee recommend to the Board of Retirement that the Board approve staff's recommendation for an actuarial auditor to audit Segal's actuarial work.

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

None

**Trustee Input**

**Future Discussion Items**

None

**Establishment of Next Meeting Date**

TBD

**Adjournment**




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MEMORANDUM TO THE ACTUARIAL COMMITTEE

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DATE: October 20, 2022  
TO: Members of the Actuarial Committee  
FROM: Lisa Johnson, Assistant Chief Executive Officer   
SUBJECT: Staff Recommendation of Cavanaugh Macdonald to Audit Segal's Actuarial Work

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### **Executive Summary**

On June 16, 2022, staff brought the Segal contract expiration and related recommendations to the Actuarial Committee for information and discussion. Staff was directed by the Actuarial Committee to do a search to identify potential qualified actuarial auditors who have the interest and experience to perform an audit of Segal's 2021 Actuarial Valuation, GASB Statements (67/68/74/75), and the 2023 Triennial Experience Study and bring the information back to the Board of Retirement.

On July 21, 2022, staff reported to the Board of Retirement that staff located and contacted six actuarial firms, however, only four firms responded with interest in providing a bid (Cheiron, GRS Consulting, Cavanaugh Macdonald (Cavanaugh Macdonald Consulting, LLC), and Bolton USA).

On August 15, 2022 a Request for Information (RFI) was sent to each of the firms who responded, with all bid responses due back to ACERA on September 15, 2022.

Three firms submitted completed bids by September 15, 2022; Cheiron, Bolton USA, and Cavanaugh Macdonald.

### **Analysis of Actuarial Services Proposals**

All bids were evaluated on the basis of:

- Company experience,
- Key staff experience
- Qualifications
- Approach to the audit; and
- Cost.

## Summary

All responding firms have been in business for 17 or more years. Each firm has a depth of experience performing as principle actuaries and auditing actuaries for public pension systems with OPEB. For each firm, the key staff members hold essential actuarial credentials. Planned approaches to the audit are similar amongst all submitters, with some nuances in the audit staffing redundancy plans, software products used to perform some of the work and communication methods. Cheiron has the most experience with '37 Act Systems, Cavanaugh Macdonald is the auditing actuary for LACERA, and Bolton had no experience with '37 Act Systems.

## Cost

Cost is the area where Cavanaugh Macdonald stood far apart from other firms for most of the requested work, most notably on the full replication of Segal's 2021 Actuarial Valuation. Cavanaugh Macdonald's proposal acknowledges that full replication typically carries a higher cost than peer review as an auditing method, but that full replication audits generate the highest confidence level to assess the accuracy of the original valuation. This matches our goals in a cost-effective manner.

We requested pricing for full replication on Segal's 2021 Actuarial Valuation and peer review on the GASB reports (67/68/74/75) and the upcoming 2023 Triennial Experience Study. Please see the cost comparison table below.

Table 1, Vendor Cost for Actuarial Audit Services.

Vendor	2021 Actuarial Valuation (replicated)	GASB 67 Report	GASB 68 Report	GASB 74 Report	GASB 75 Report	2023 Triennial Actuarial Experience Study	Total
Cavanaugh Macdonald	\$25,000	\$2,500	\$2,500	\$2,500	\$2,500	\$10,000	\$ 45,000
Bolton USA	\$55,000	\$3,500	\$3,500	\$3,500	\$3,500	\$ 8,750	\$ 77,750
Cheiron	\$65,000	\$8,000	\$8,000	\$8,000	\$8,000	\$20,000	\$117,000

Cavanaugh Macdonald's key assigned leads have an average of 29 years actuarial experience. The staffing plan engages a primary team with two additional teams backing up and supporting the primary team creating a depth of coverage that keeps the project moving efficiently. The communication methods and frequency will be collaborative and timely. Cavanaugh Macdonald has provided a clear picture of a balance of relevant experience, a sound approach at a competitive price.

## Recommendation

Staff recommends that the Actuarial Committee recommend to the Board of Retirement that the Board approve staff's recommendation of Cavanaugh Macdonald to audit Segal's work.