



**SPECIAL MEETING**

**TUESDAY, OCTOBER 22, 2024**

**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**

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

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The Board of Supervisors welcomes you to its meetings and your interest is appreciated. The Board of Supervisors allows in-person observation and participation by members of the public at this meeting.

**IN-PERSON PARTICIPATION:** The meeting site is open to the public. All in-person participants must adhere to posted health and safety protocols while in the building. If attending in-person and you wish to speak on a matter, please fill out a speaker slip and submit it to the Clerk as soon as possible. When addressing the Board, please give your name for the record prior to your presentation. Items set for a certain time on the agenda may not be heard earlier than the time listed on the agenda and may not be called at exactly the time indicated on the agenda, depending on the business of the Board. NOTE: Only matters within the Boards' jurisdiction may be addressed. Time limitations shall be at the discretion of the President of the Board.

Pursuant to Board Policy: (1) Signs that obstruct the view of meeting attendees are prohibited during Board meetings; (2) Demonstrations that disrupt the meeting are prohibited; (3) Each Board Member may request one continuance of any item to a meeting date within two regularly scheduled meetings. If you have questions regarding the agenda, please call the Clerk of the Board's Office at (510) 208-4949.

If you require a reasonable modification or accommodation for a disability, please contact the Clerk of the Board at 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.

**AGENDA - JOINT MEETING OF THE ALAMEDA COUNTY BOARD OF SUPERVISORS AND THE  
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The agenda, reports and supporting documents are available for public inspection online at <https://bos.acgov.org/broadcast/> and in the Clerk of the Board's Office. Documents are available for public inspection at the Clerk of the Board Office, 1221 Oak St., Suite 536, Oakland, CA 94612 during normal business hours.

Levine Act — Campaign Contributions (Government Code Section 84308). As of January 1, 2023, the Levine Act (Government Code Section 84308) applies to Board of Supervisor proceedings involving a license, permit, or other entitlement for use. Pursuant to Government Code Section 84308, no Board member shall accept, solicit, or direct a contribution of more than \$250 from any party or their agent, or from any participant or their agent, while a proceeding involving a license, permit, or other entitlement for use is pending before the County or for 12 months after a final decision is rendered in that proceeding. Any Board member who has received a contribution of more than \$250 within the preceding 12 months from a party or their agent, or from a participant or their agent, shall disclose that fact on the record of the proceeding and shall not make, participate in making, or in any way attempt to use their official position to influence the decision. Pursuant to Government Code Section 84308(d), any party to a covered proceeding before the Board is required, and any participant to such a proceeding is strongly urged, to disclose on the record of the proceeding any contribution, including aggregated contributions of more than \$250 made within the preceding 12 months by them or their agent to any Board member. The disclosure must include the name of the party or participant and any other person making the contribution, if any; the name of the recipient; the amount of the contribution; and the date the contribution was made. The disclosure shall occur in the manner required by Government Code Section 84308 and any applicable state or local regulations, opinions, or policies. No party or their agent, and no participant or their agent, shall make a contribution of more than \$250 to any Board member during the proceeding or for 12 months after a final decision is rendered in that proceeding. The foregoing statements regarding the Levine Act do not constitute legal advice, and parties and participants are urged to consult with their own legal counsel regarding the requirements of the law.

## **AGENDA**

**4:30 P.M.**

1. Opening Remarks & Introductions
2. Presentation on ACERA Actuarial Status  
PUBLIC COMMENT
3. ACERA Operational Updates  
PUBLIC COMMENT
4. Closing Remarks
5. Adjournment

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ACERA and Alameda County – October 22, 2024

# Our Actuarial Program

Joint Meeting of Board of Retirement & Board of Supervisors

Andy Yeung, Eva Yum and Todd Tauzer



# Agenda

**Actuarial work at ACERA**

**Long-term health and sustainability of benefits paid by ACERA**

**Minimizing volatility in employer's future contribution rates**

**Managing surplus after retirement plan becomes fully funded**

# Actuarial Work at ACERA

## Annual actuarial reports

- Actuarial Valuation for Retirement Plan
  - Determines current funded status and sets contribution rates
  - Details plan experience in the past year (both demographic and financial)
- 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

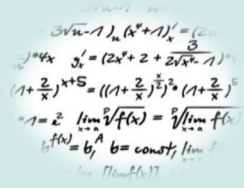
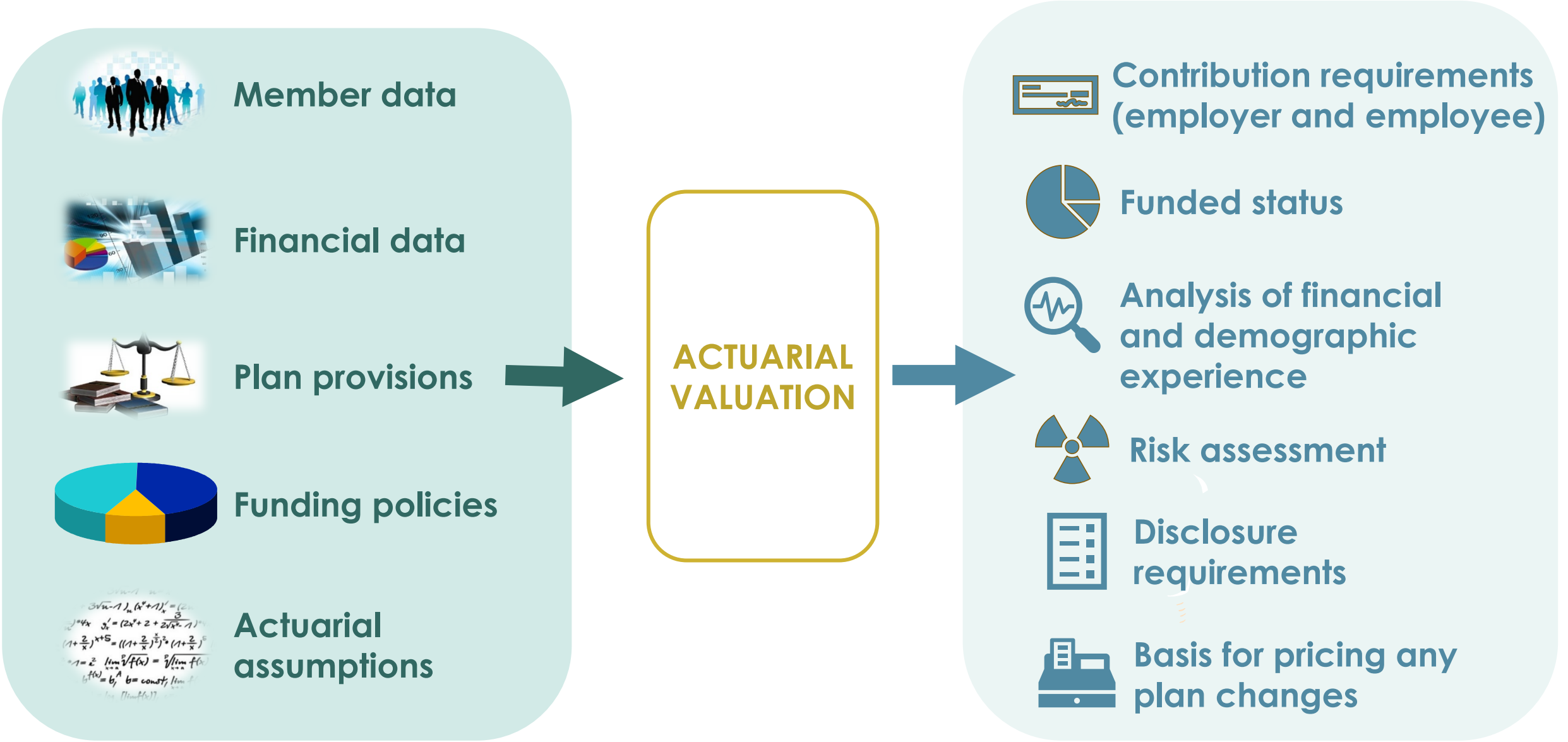
# The Actuarial Valuation for Retirement Plan

## *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
  - Based on parameters under ACERA's Actuarial Funding Policy
  - 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

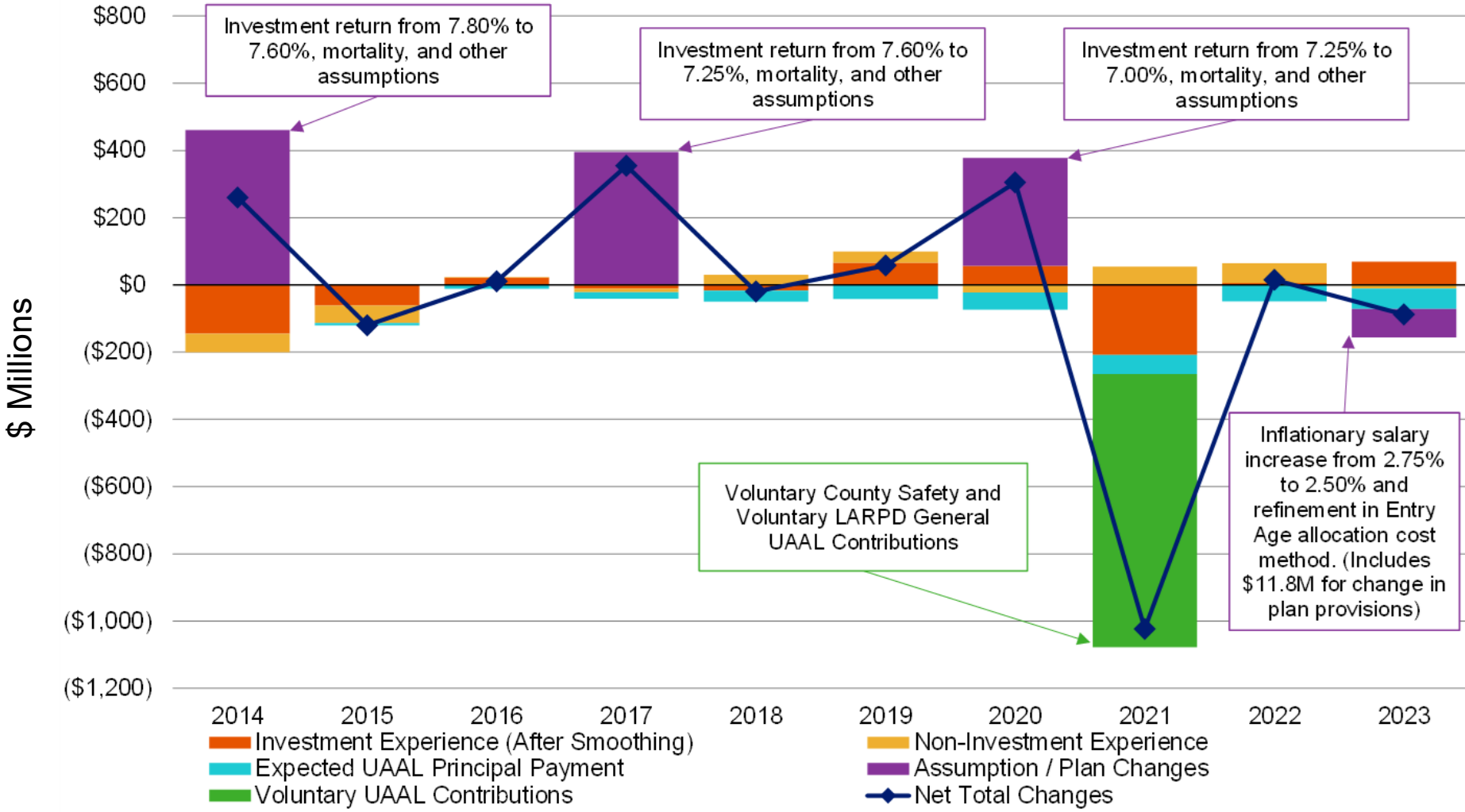
Valuation Date	Market Value Basis		Valuation Value Basis		Total Aggregate Contribution Rate (% of Payroll)	
	Funded Status	UAAL	Funded Status	UAAL	Employer	Employee
December 31, 2023	86.1%	\$1,637 M	88.0%	\$1,404 M	23.5%	9.9%
December 31, 2022	80.7%	\$2,209 M	86.9%	\$1,492 M	23.7%	10.1%

- Small change in employer and employee rates between 2022 and 2023 valuations
- Funded status: ratio of assets to actuarial accrued liabilities (AAL)
  - Continued progress towards achieving 100% funded status
- Unfunded actuarial accrued liability (UAAL): difference between AAL and assets
  - Continued progress towards paying off UAAL



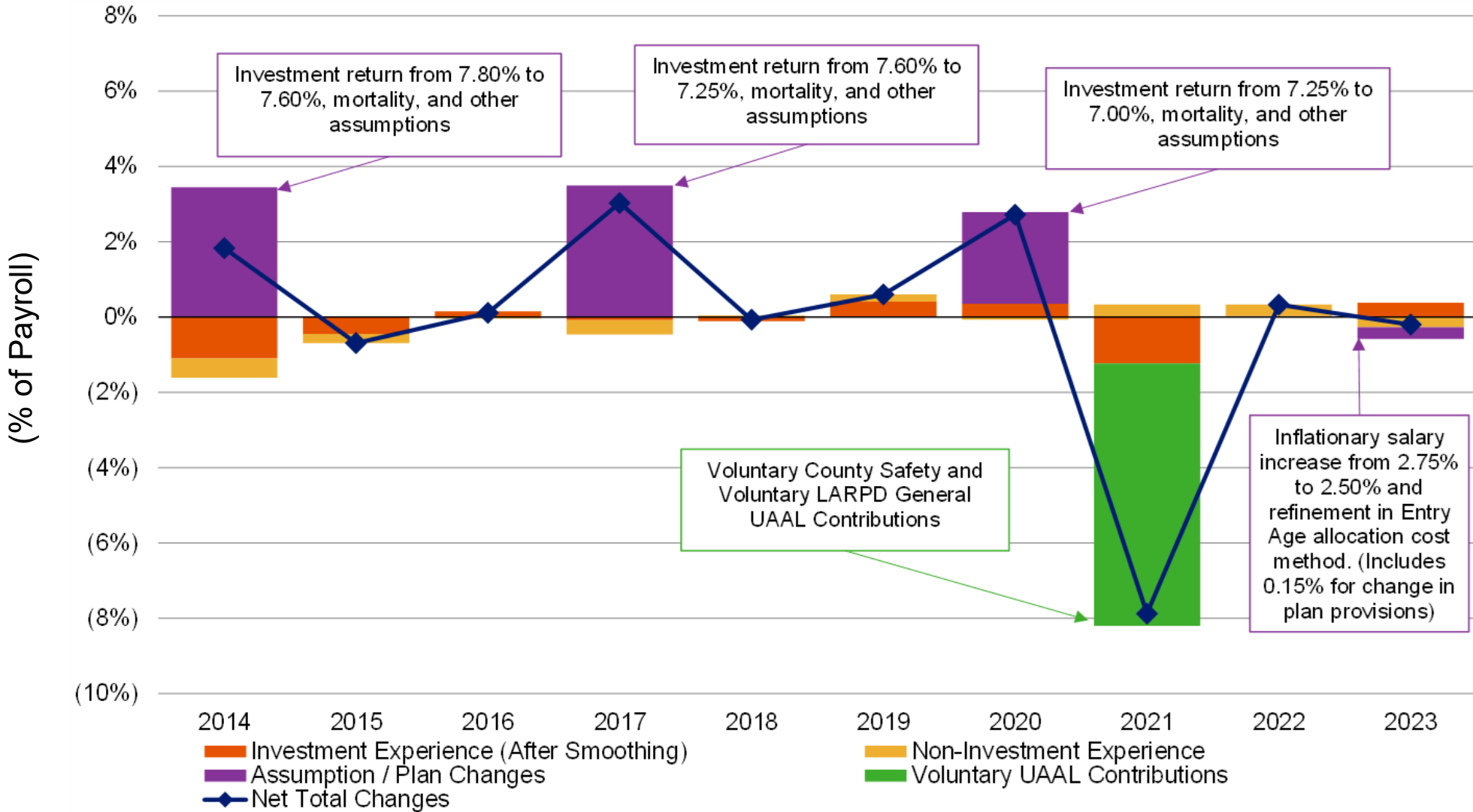
# Actuarial Status of Retirement Plan – Proactively valuing liabilities by ACERA and advance funding by Alameda County

## Factors that Changed Unfunded Liability (December 31, 2014 - 2023 Valuations)



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

## Factors that Affected Employer Rates (December 31, 2014 – 2023 Valuations)



# The Actuarial Valuation for Supplemental Retiree Benefit Reserve (SRBR)

Valuation Date	OPEB Benefits			Non-OPEB Benefits		
	Funded Status (Valuation Value)	UAAL	Sufficient to Pay Benefits Through	Funded Status (Valuation Value)	UAAL	Sufficient to Pay Benefits Through
December 31, 2023	91.2%	\$105 M	2048	56.7%	\$85 M	2047
December 31, 2022	96.1%	\$45 M	2050	29.0%	\$134 M	2038

- Future OPEB and non-OPEB benefits paid using funds currently in SRBR
  - About \$1,192 M as of December 31, 2023 and \$1,170 M as of December 31, 2022
- Sufficiency of funds to pay benefits depends heavily on excess earnings (no direct employer and employee contributions)
  - No excess earnings during 2023

# Valuation Inputs

*Two actuarial policy/decision areas*

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

- Reviewed immediately before December 31, 2023 valuation
- 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**

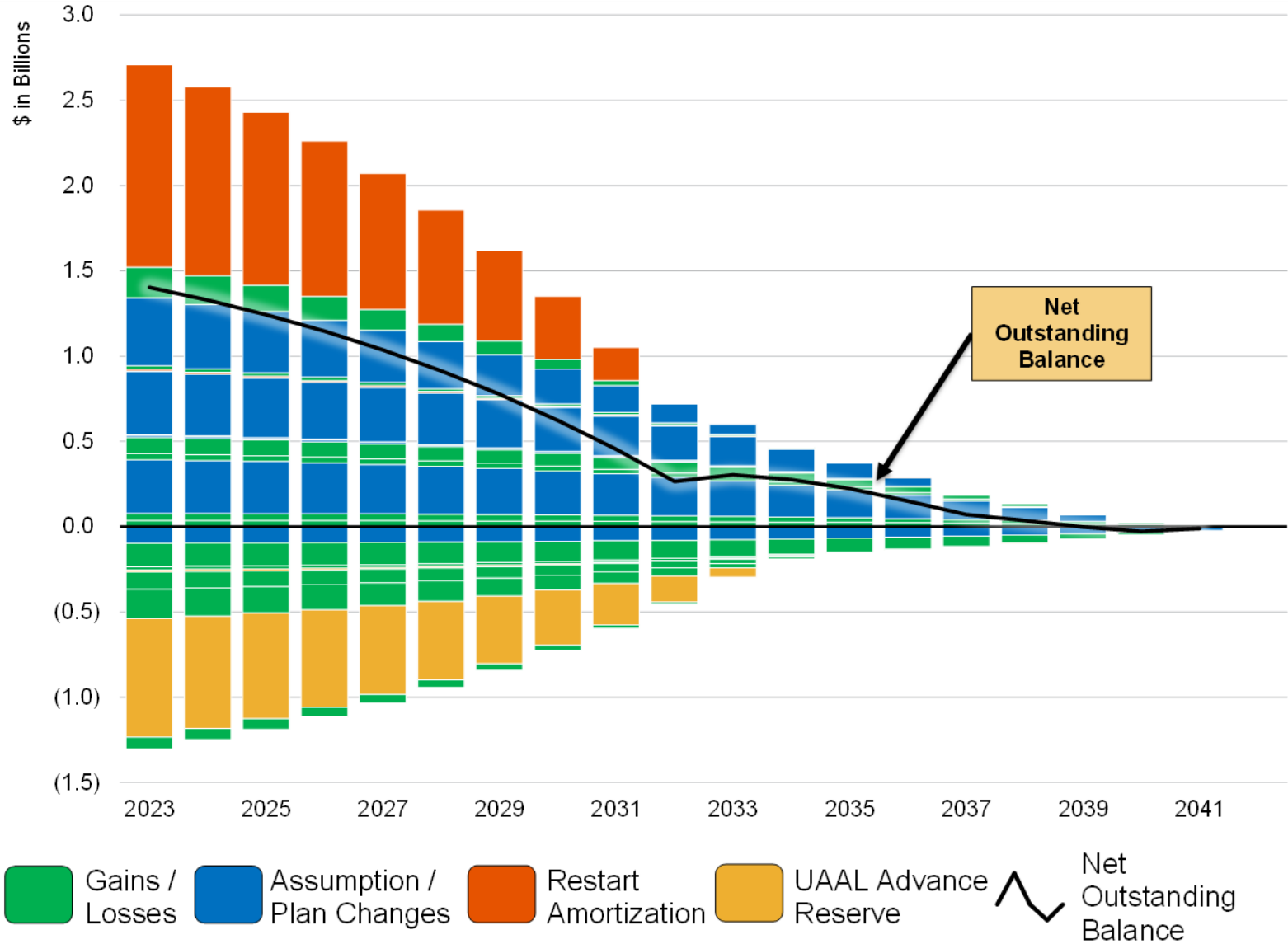
**Benefit Payments + Expenses**

- 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

# Actuarial Status of Retirement Plan

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

Outstanding Balance of \$1,404 Million in Net UAAL as of Dec 31, 2023



# Contribution Volatility Management

*Two primary considerations*

## **“Tail volatility” from UAAL amortization layers**

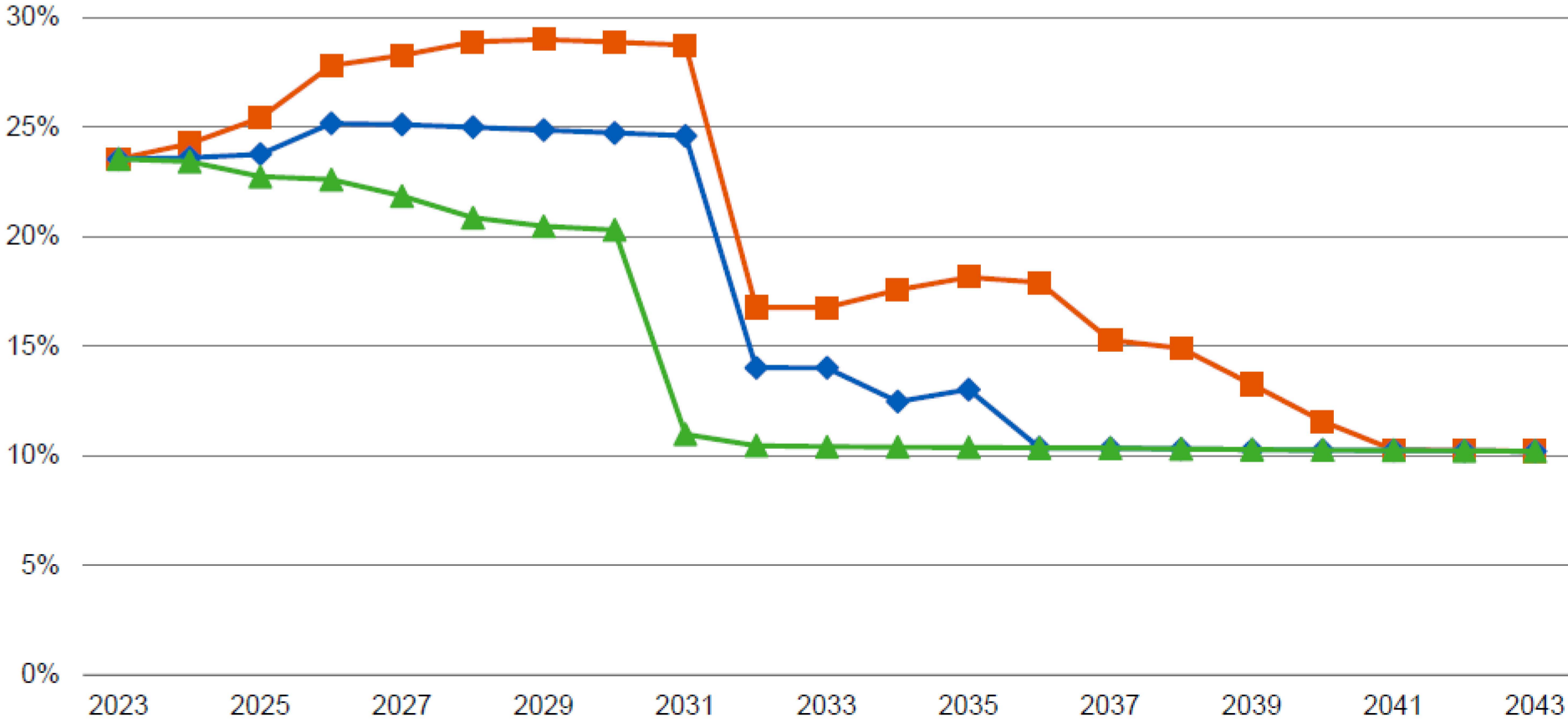
- Layered amortization systematic pays off all UAAL by source
- As layers are eliminated, contribution rates will move up or down
- Occasionally, this movement can be significant and need management

## **Contribution cliff when reaching surplus**

- When a plan reaches surplus, all existing UAAL layers are wiped out
- This can also create sudden swings in contribution rates

# Upcoming ACERA Contribution Cliff

Projected Employer Contribution Rates Under Hypothetical Market Return Scenarios for 2024  
(% of Payroll)

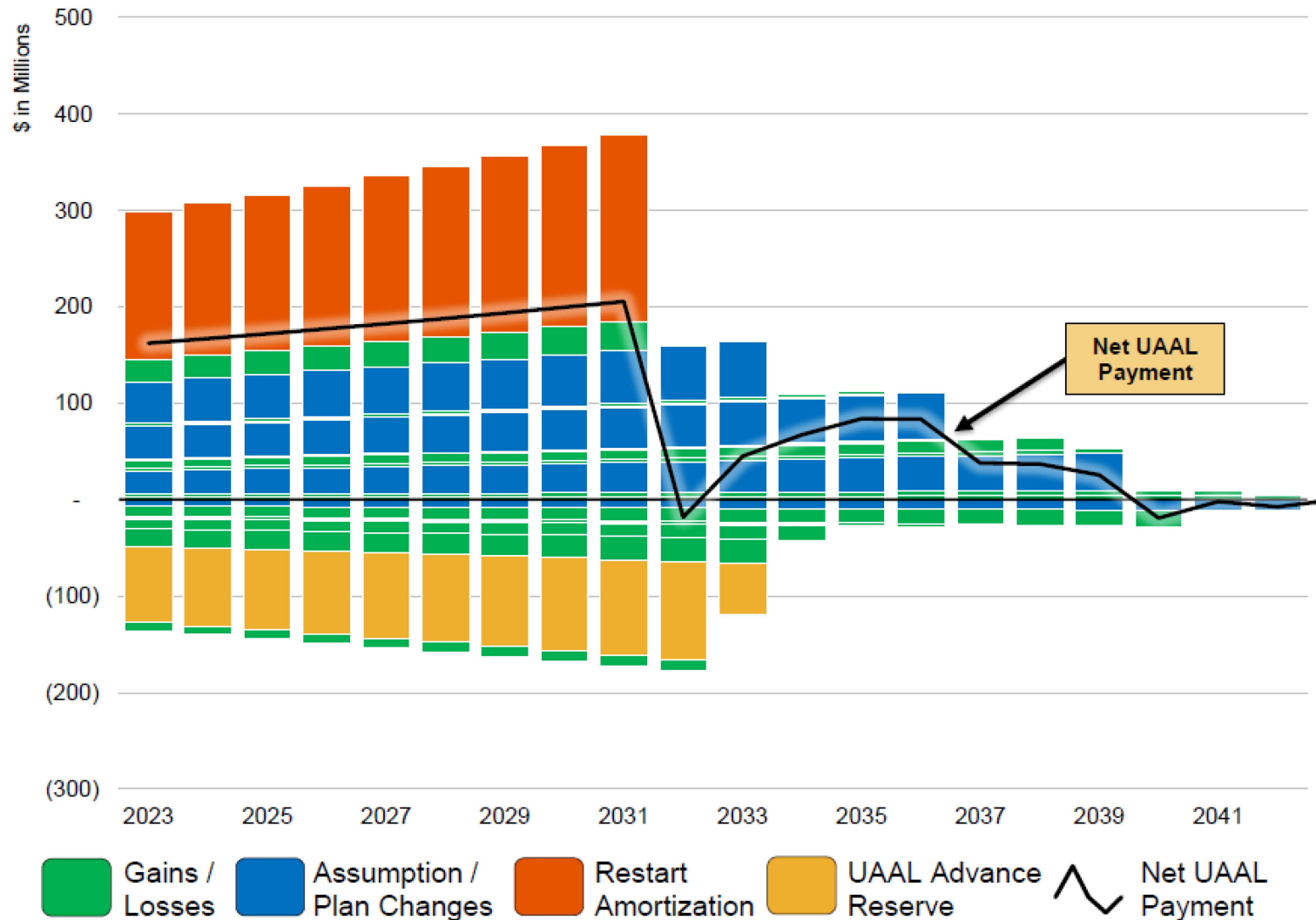


- Scenario #1: Return at 0.00% (2024), 7.00% thereafter
- Scenario #2: Return at 7.00% (2024), 7.00% thereafter
- Scenario #3: Return at 14.00% (2024), 7.00% thereafter



# ACERA's Schedule of UAAL Payments

Annual Payments Required to Amortize \$1,404 Million in Net UAAL as of December 31, 2023



Note: As UAAL contributions would be expected to be non-level starting with the 2032 valuation, Segal would bring back some proposals to levelize these amounts for the Board to consider.

# Managing Tail Volatility

## **ACERA is anticipating volatility starting in 2032**

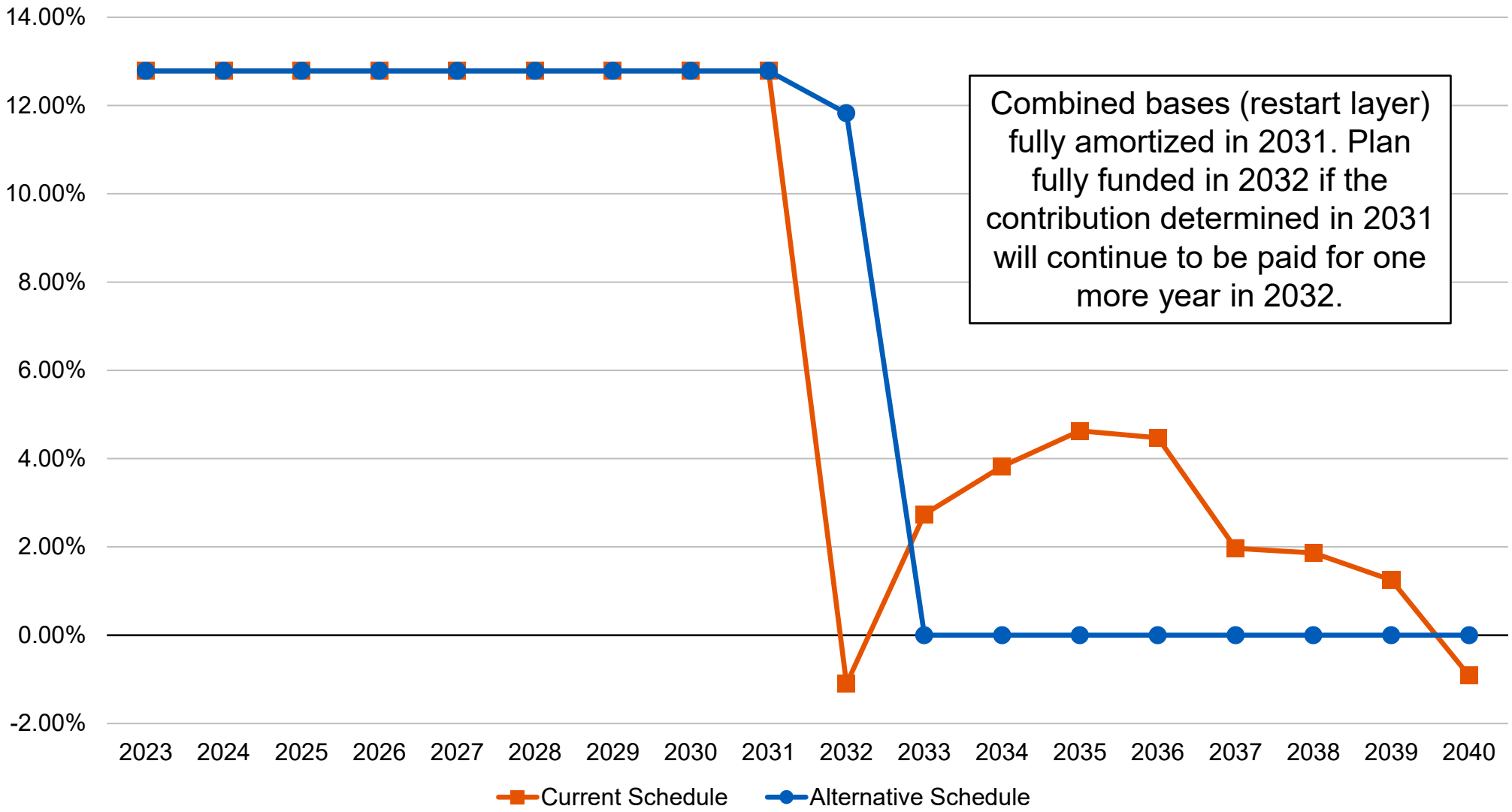
- Steep drop in contributions
- Followed by four years of increasing \$ contributions

## **Active management of amortization periods**

- Mitigating action ahead of time reduces impact on employer contributions
- Consider synchronizing payment periods for affected UAAL layers
- Generally, the goal is volatility management, not changing the funding period
  - In ACERA's case, keeping a stable contribution rate for one more year in 2032 could result in full funding in 2033

# Tail Volatility Example for ACERA

## *Projection of UAAL Contribution Rates (% of Payroll)*



# Surplus Management

## *Considerations to enhance ACERA's Funding Policy*

### **Best practices**

- Establish a formal Surplus Management Policy within the Funding Policy
- Mitigate future contribution rate volatility
  - Avoid large drops followed by increases, where possible
- Prepare the plan to be stable in a strong funding position

### **Resources published in the last year**

- GFOA's [Core Elements of a funding policy](#)
  - Includes specific considerations for a Surplus Management Funding Policy
- American Academy of Actuaries' [Surplus Considerations for Public Plans](#)

# ACERA's Surplus Management

*Already part way there*

## **ACERA already:**

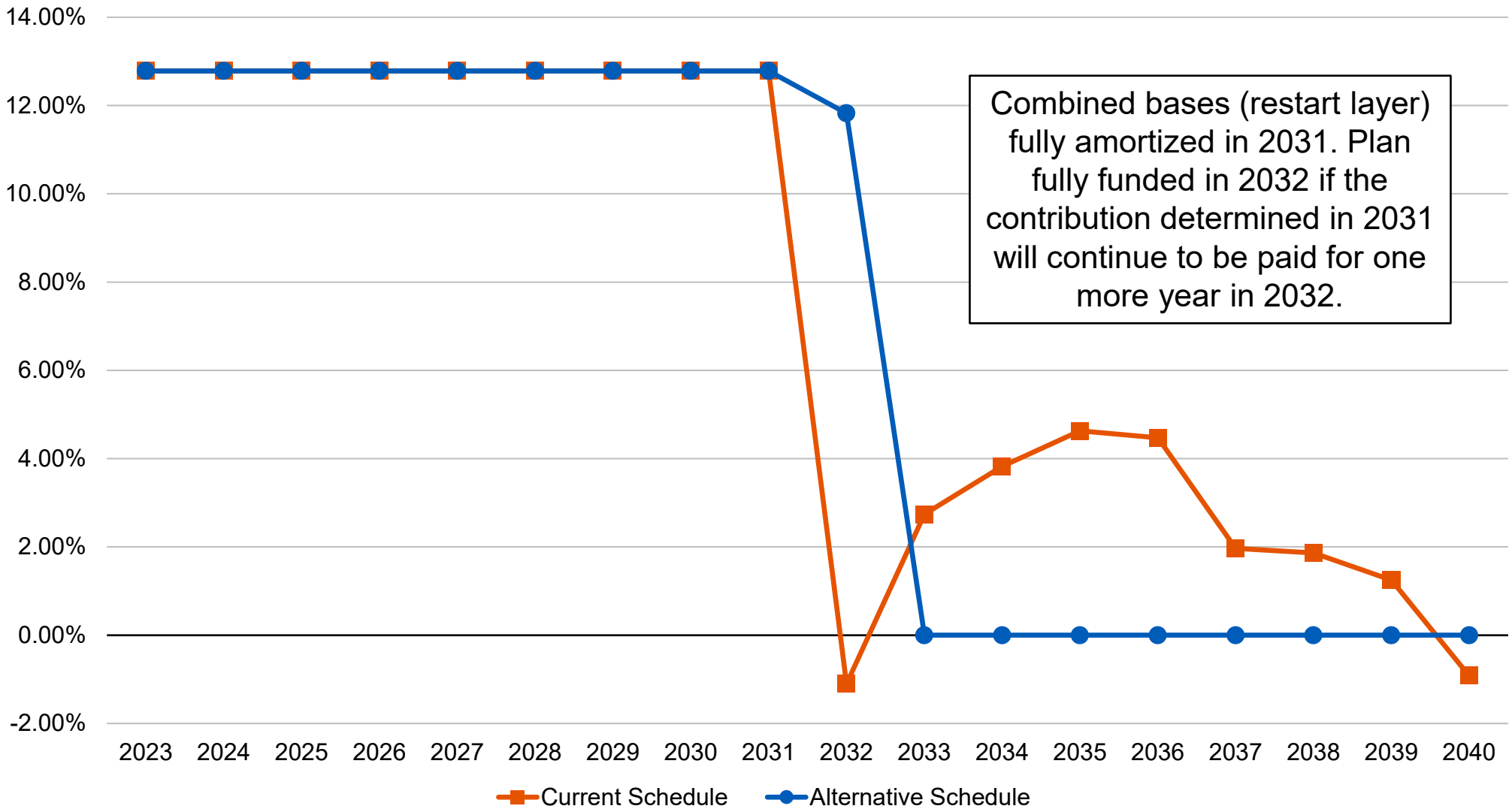
- Uses a buffer of 120% before amortizing any surplus as a credit (from PEPRA)
- Any surplus that can be amortized is done over a long “open” 30-year amortization

## **However, when reaching surplus, the plan is exposed to volatility**

- When the UAAL rate is eliminated, contribution rates could drop significantly
  - But any following losses could immediately put the plan back in unfunded territory
- It may be desirable to reduce the UAAL rate gradually over time
  - Creating a buffer against future losses and stabilizing contribution rates

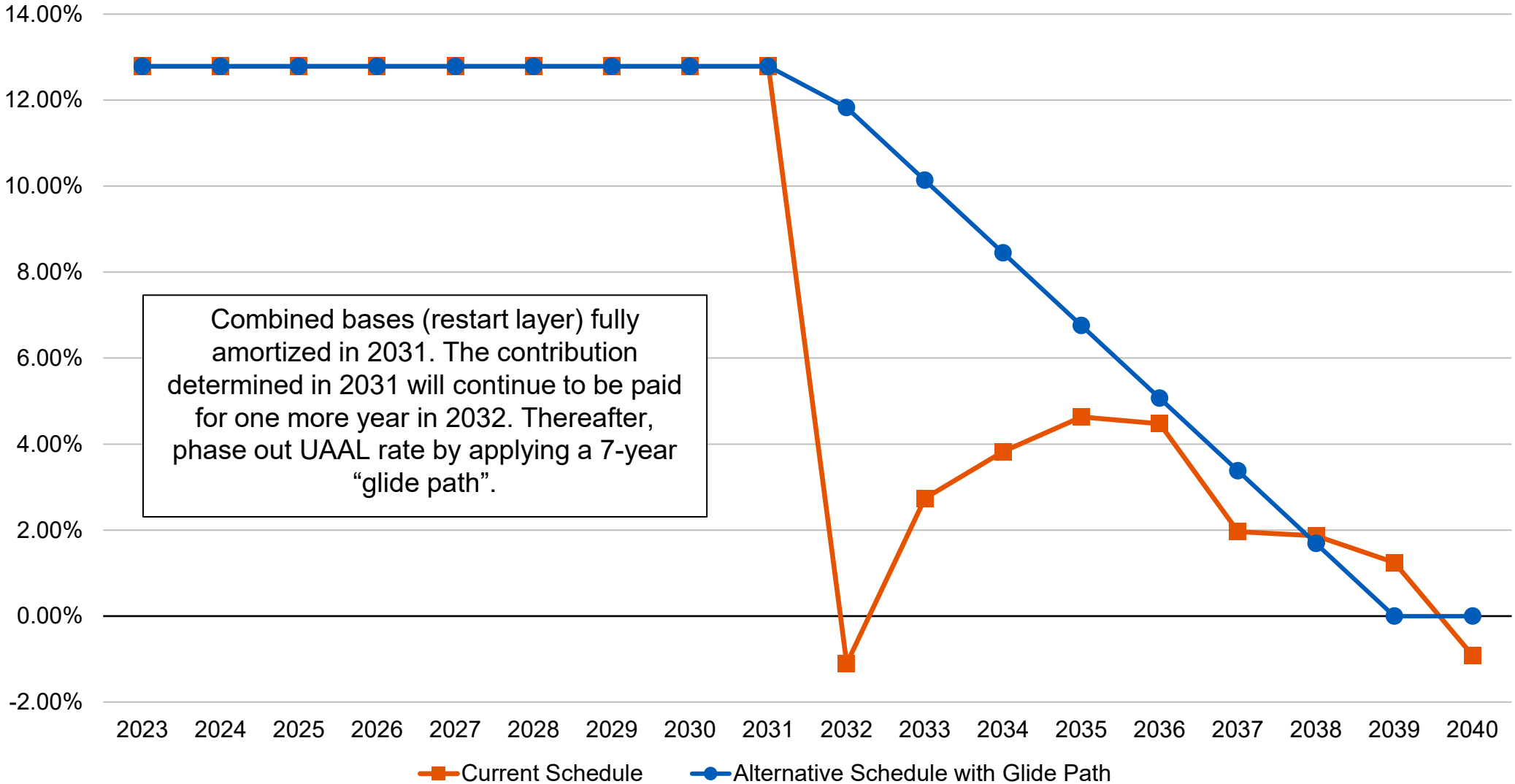
# Tail Volatility Example for ACERA

## *Projection of UAAL Contribution Rates (% of Payroll)*



# Tail Volatility Example for ACERA

## *Projection of UAAL Contribution Rates with Glide Path*



# In Conclusion

*ACERA could consider two ways to improve contribution volatility*

## **Mitigate “Tail volatility” from UAAL amortization layers**

- By actively managing layers before big movements occur

## **Proactively prepare for a future surplus position**

- By building a Surplus Management Policy (SMP) into the Board’s Funding Policy
- And utilizing contribution volatility mitigation strategies
  - Considering a SMP ahead of time helps support an objective process



# Questions?



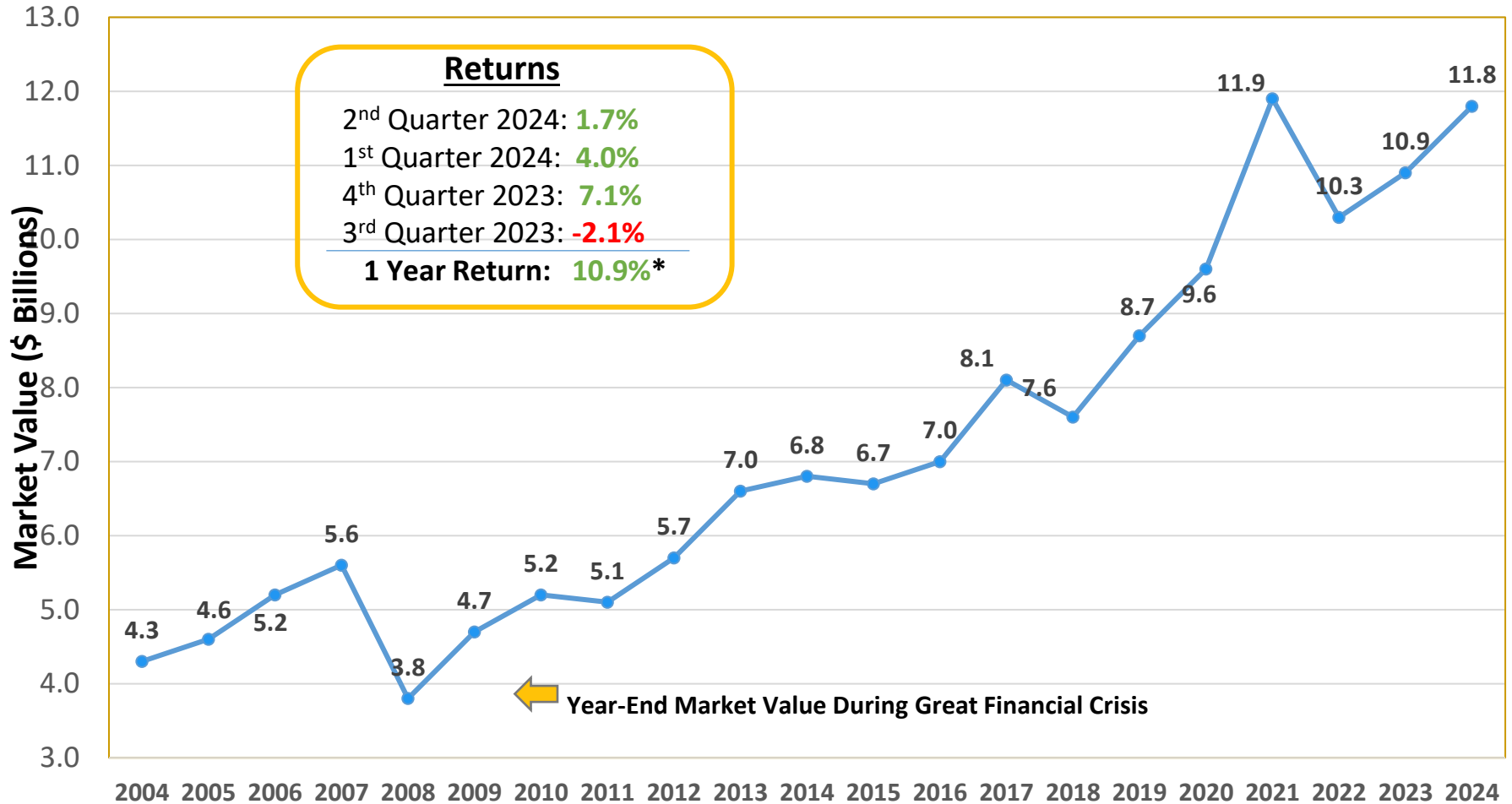
# ACERA Operations Update

Joint Board of Supervisors and  
Board of Retirement Meeting  
October 22, 2024



# ACERA Annual Market Values to 06/30/2024

## ACERA Annual Market Values 2004-2024



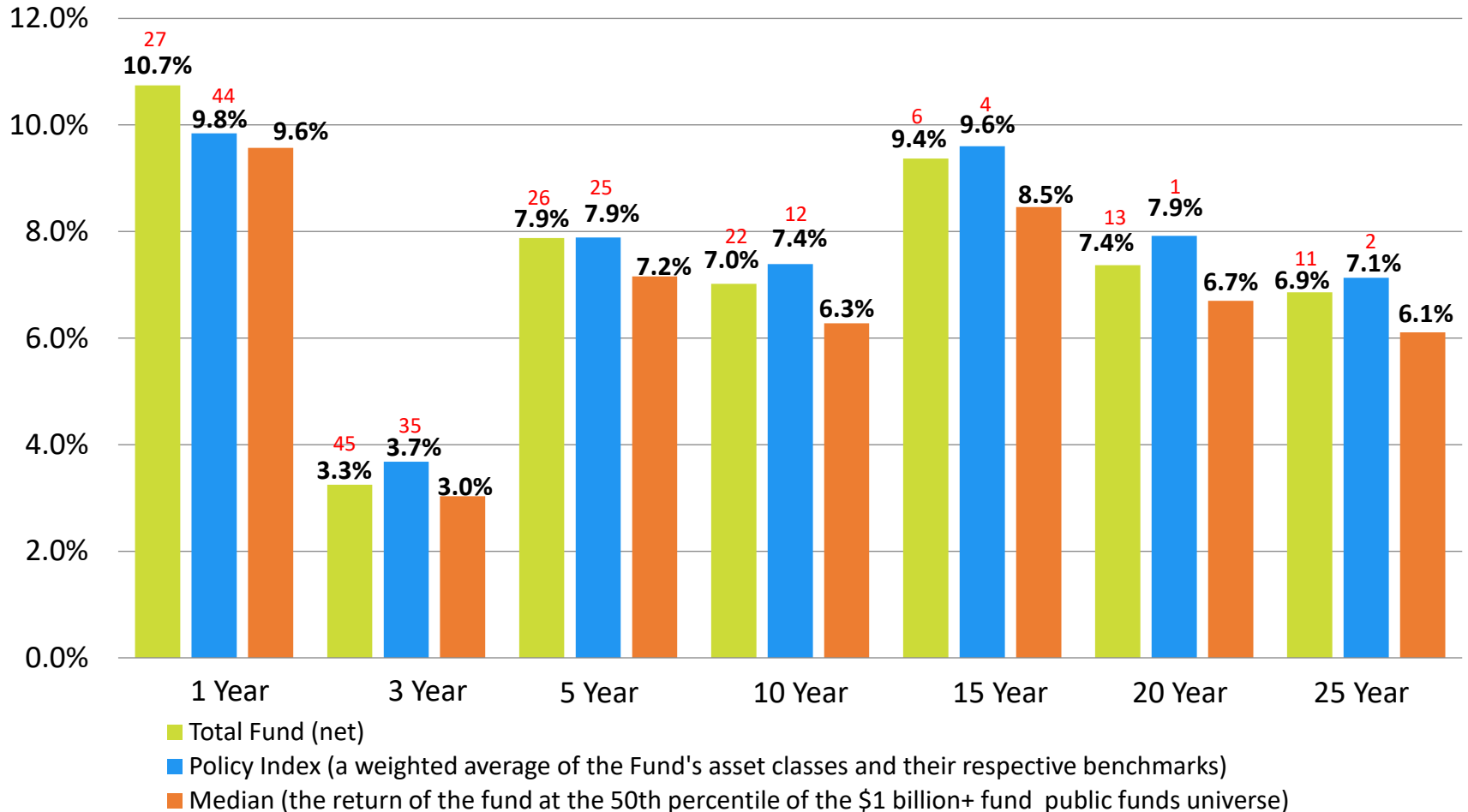
\*Due to changes in quarterly returns that occurred after NEPC performance numbers were published, the yearly return will not match exactly.

Market values provided by NEPC.

# ACERA Total Fund Performance (Net)

(Annualized)

## 25-Year History as of June 30, 2024



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

Rankings based on net returns differ from those based on gross returns because the comparison groups are composed of different funds. This discrepancy arises because not all funds report net returns.

# ACERA Operating Budget

- 2017 Operating Budget
  - \$21,406,000
- 2024 Operating Budget
  - \$22,422,000
- 4.7% Increase in seven 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

Went Live 10/1/2024

Culmination of a four year project

- Implemented slightly ahead of schedule and for the original contract amount with the vendors
- 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?

