



September 17, 2015

To: Members of the Actuarial Committee

From: Keith Carson, Chair

Subject: Summary of the September 17, 2015 Actuarial Committee Meeting

Actuarial Committee Chair Keith Carson called the September 17, 2015 Actuarial Committee Meeting to order at 12:32 p.m. Committee members present were Keith Carson, Chair, Elizabeth Rogers, Liz Koppenhaver and George Wood. The other Board members present were Dale Amaral, and alternate members David Safer and Darryl Walker. Staff present were Kathy Foster, Interim Chief Executive Officer; Margo Allen, Fiscal Services Officer; Joseph Fletcher, Chief Counsel; Latrena Walker, Project and Information Services Manager; Harsh Jadhav, Internal Auditor; and Victoria Arruda, Human Resources Director.

#### **ACTION ITEM**

There were no action items for discussion.

#### **INFORMATION ITEMS**

##### **1. Treatment of the Contingency Reserve**

Staff explained that prior to finalizing the Interest Crediting Policy there is one further policy decision to be made regarding the treatment of the Contingency Reserve Account (CRA). That decision is whether or not to use the CRA immediately to credit interest during the same six months interest crediting period that the CRA is restored to one (1) percent of total assets of the fund and when available earnings are less than the assumed rate of return, but not negative. Legal staff stated since Government Code Section 31616 does not provide guidance about the use of the CRA after it is restored the board can make a discretionary policy decision.

Andy Yeung, Vice-President and Actuary, Segal Consulting (Segal), presented illustrative examples of the two policy choices. Mr. Yeung explained that when available earnings are less than the assumed rate but are not negative, using the restored CRA immediately as available earnings to credit interest produces a smoother pattern of growth in the reserves and in the employer contribution rate. Conversely, not using the restored CRA immediately as available earnings to credit interest produces a less stable pattern of growth. However, choosing either treatment of the CRA will not make a difference over the long term in the reserves or employer contribution rates.

Following a discussion, the committee chair directed staff to bring this topic back to the committee with a recommendation.

##### **2. Proposed Options for engaging an Actuarial Consulting Firm**

Staff stated that Segal's fee schedule expires at the end of 2015. Staff reviewed the actuarial valuations that will need to be performed over the next three years and the other actuarial services that Segal currently provides to ACERA.

Staff submitted two options for engaging an actuarial consulting firm for the committee's consideration. The first option is to extend Segal's contract for one year (i.e. through the end of 2016) and issue an RFP during 2016 for a consulting actuary. The second option is to extend Segal's contract for three years (i.e. from 2016 through the end of 2018) and issue an RFP or directly hire an auditing actuary to perform an actuarial audit of Segal's valuation(s). Following a discussion, staff was directed to bring this item back to the committee.

#### **TRUSTEE/PUBLIC INPUT**

#### **ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for October 15, 2015 at 12:30 p.m.

#### **MEETING ADJOURNED**

The meeting adjourned at 1:42 p.m.