



April 10, 2024
Agenda Item 13

AGENDA

RETIREMENT BOARD MEETING

REGULAR MEETING
March 27, 2024
9:00 a.m.

Board Conference Room
1200 Concord Avenue, Suite 350
Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.
2. Public Comment (3 minutes/speaker).
3. Approve minutes from the February 28, 2024 meeting.

CLOSED SESSION

4. The Board will go into closed session pursuant to Govt. Code Section 54956.9(d)(4) to confer with legal counsel regarding initiation of litigation (one potential case).

OPEN SESSION

5. Presentation from staff and Brevan Howard – David Gorton regarding a potential commitment to BH-DG Systematic Trend Fund. (Presentation Item)
6. Consider and take possible action regarding a commitment to BH-DG Systematic Trend Fund. (Action Item)
7. Consider and take possible action to adopt the total fund policy performance implementation benchmark as recommended by Verus. (Action Item)
8. Review of private credit by StepStone. (Presentation Item)
9. Presentation from PARS (Public Agency Retirement Services) regarding the I.R.C. Section 115 Trust for Other Post-Employment Benefits for CCCERA Employees. (Presentation Item)

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

10. Consider authorizing the attendance of Board: (Action Item)
 - a. SACRS/UC Berkeley Program, July 14-17, 2024, Berkeley, CA.

11. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

March 20, 2024

Christina Dunn
Chief Executive Officer
Contra Costa County Employees' Retirement Association
1200 Concord Avenue, Suite 300
Concord, CA 94520

**Re: Contra Costa County Employees' Retirement Association (CCCERA)
Six-year projection of employer contribution rate using valuation results as of
December 31, 2022 and estimated 9.0% net market value investment return for 2023**

Dear Christina:

In our letter dated September 21, 2023, we provided projections of the employer contribution rates using results from the December 31, 2022 Actuarial Valuation. Since then, CCCERA has provided us with an estimated net market value investment return of 9.0% for the 2023 calendar year. As requested, we have updated our five-year projection of estimated employer contribution rate changes for CCCERA, taking into consideration the 6-month market returns for the first and the second halves of 2023. The deferred investment gains and losses are recognized over separate ten six-month periods, and therefore we have extended the projection period in this letter to the 2028 calendar year to capture the full recognition of the deferred investment experience for the six-month period ending December 31, 2023. Key assumptions and methods are detailed below.

It is important to understand that these results are entirely dependent on those assumptions used in the December 31, 2022 valuation being met and remaining unchanged in future valuations. Actual results as determined in future actuarial valuations will differ from these results. Actual investment returns, salary levels, and retiree cost-of-living adjustments¹ different than assumed can have a significant impact on future contribution rates.

Results

The estimated contribution rate changes shown below apply to the recommended average employer contribution rate. Estimated contribution rate changes for each cost group are shown in the attached exhibit.

¹ In particular, we have not taken into consideration the impact of the actual cost-of-living adjustments effective April 1, 2024.

The changes in the contribution rate starting in the December 31, 2023 valuation are due to:

1. Recognition of deferred investment gains and losses under the actuarial asset smoothing methodology.
2. Gains due to investment income earned on the excess of the Market Value of Assets (MVA) over the Actuarial Value of Assets (AVA) (and losses when the opposite occurs).
3. Contribution gains and losses which occur from delaying the implementation of new rates until 18 months after the actuarial valuation date.
4. Unfunded Actuarial Accrued Liability (UAAL) amortization layers dropping off as they become fully amortized.*
5. The reduction in UAAL rate due to reaching full funding (if applicable). For cost groups that are projected to reach full funding, all outstanding UAAL layers of the cost group would be fully amortized and there would be no UAAL payments in accordance with CCCERA's Actuarial Funding Policy. However, 0.13% of payroll would continue to be included in the UAAL rate for the payment of administrative expense.

This update also reflects an estimated net market value investment return of about 9.0% in 2023 as provided by CCCERA. According to CCCERA, the estimated net market value investment return for the six-month period ending June 30 2023 was about 5.2% and the estimated net market value investment return for the six-month period ending December 31, 2023 was about 3.7% for an annual market value investment return of about 9.0% in 2023.

The following table provides the year-to-year rate changes and the cumulative rate change over the six-year projection period from the above components in aggregate. To obtain the estimated average employer contribution rate at each successive valuation date, these cumulative rate changes should be added to the rates developed in the December 31, 2022 Actuarial Valuation. These rate changes represent the **average** rate, expressed as a percent of payroll, for the aggregate plan and they become effective 18 months following the actuarial valuation date shown in the table.

Rate Change as of December 31 Valuation

Item	2023	2024	2025	2026	2027	2028
Incremental Rate Change	0.75%	1.13%	1.08%	0.15%	-3.48%	-3.19%
Cumulative Rate Change	0.75%	1.88%	2.96%	3.11%	-0.37%	-3.56%

* This will happen when the UAAL amortization layers established in the December 31, 2008 through December 31, 2010 Actuarial Valuations become fully amortized in the December 31, 2026 through December 31, 2028 Actuarial Valuations, respectively.

If we use the average employer contribution rate determined in the December 31, 2022 Actuarial Valuation of 30.01% of payroll and based on the cumulative rate changes above, the average employer contribution rate is projected to progress as follows:

Employer Contribution Rate¹ as of December 31 Valuation

Component	2023	2024	2025	2026	2027	2028
Average Normal Cost Rate ²	15.45%	15.45%	15.45%	15.45%	15.45%	15.45%
Average UAAL Rate	15.31%	16.44%	17.52%	17.67%	14.19%	11.00%
Average Employer Contribution Rate	30.76%	31.89%	32.97%	33.12%	29.64%	26.45%

We have estimated the rate change due to investment related gains and losses over the six valuation dates for each individual cost group by allocating the investment related gains and losses based on each cost group's proportional share of the Valuation Value of Assets (VVA) as determined in the December 31, 2022 valuation. The actual rate changes by group may differ from those shown in the exhibit if there are changes to their proportional share of the VVA in future valuations.

The projected rate changes that are due to the 18-month rate delay for each cost group have been determined based on the different incremental rate changes from the prior valuations.

We have also projected that only Cost Group 6 (that is fully funded in the December 31, 2022 Actuarial Valuation) will remain fully funded during the next six valuations and that the other Cost Groups are not expected to become fully funded until after 2028. In accordance with CCCERA's Actuarial Funding Policy, when a Cost Group reaches full funding, all outstanding UAAL layers of the cost group would be fully amortized and there would be no UAAL payments (other than the continuation of the payment of the 0.13% administrative expense).

These estimated rate changes for each cost group are shown in the attached exhibit. We have also included the projected UAAL rate for the projection period in the exhibit.

Key assumptions and methods

The projection is based upon the following assumptions and methods:

- December 31, 2022 non-economic assumptions remain unchanged.
- December 31, 2022 retirement benefit formulas remain unchanged.
- December 31, 2022 1937 Act statutes remain unchanged.
- UAAL amortization method remains unchanged.

¹ The normal cost and UAAL rates shown include an explicit administrative expense load of 0.50% and 0.13% of payroll, respectively.

² As noted on next page, the normal cost projections do not reflect any changes in the employer contribution rates that could result due to future changes in the demographics of CCCERA's active members or decreases in the employer contribution rates that might result from new hires going into the PEPRA tiers.

- December 31, 2022 economic assumptions remain unchanged, including the 6.75% investment earnings assumption.
 - The net market value investment return of about 9.0% was earned during 2023. Moreover, for purposes of determining the AVA, we reflected a net market value investment return of about 5.2%% for the six-month period ending June 30 2023 and about 3.7% for the six-month period ending December 31, 2023 as reported by CCCERA.
 - We have assumed that returns of 6.75% are earned each year on a market value basis starting in 2024.
- Active payroll grows at 3.00% per annum.
- Deferred investment gains and losses are recognized per the asset smoothing schedule prepared by the Association as of December 31, 2022. They are funded as a level percentage of the Association's total active payroll base.
- All other actuarial assumptions used in the December 31, 2022 Actuarial Valuation are realized.
- No changes are made to actuarial methodologies, such as adjusting for the contribution rate delay in advance and the continuation of the current pooling arrangement among different employers within a cost group.
- The projections do **not** reflect any changes in the employer contribution rates that could result due to future changes in the demographics of CCCERA's active members or decreases in the employer contribution rates that might result from new hires going into the PEPRA tiers.
- The projections assumed a fixed administrative expense loads of 0.50% and 0.13% payroll that applied to employer normal cost and UAAL rates, respectively.
- It is important to note that these projections are based on plan assets as of December 31, 2022, further projected using an estimated net market value investment return of about 9.0% for the 2023 calendar year. The Plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. Moreover, these projections do not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after December 31, 2022.

Other considerations

This document has been prepared for the exclusive use and benefit of CCCERA, based upon information provided by CCCERA or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as may be required by law, this document should not be shared, copied or quoted, in whole or in part, without the consent of Segal. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Unless otherwise noted, all of the above calculations are based on the December 31, 2022 Actuarial Valuation results including the participant data, actuarial assumptions, methods, and models on which that valuation was based. That valuation and these projections were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary.

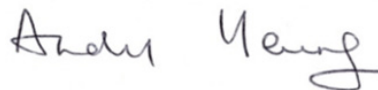
The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,



Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

EK/bbf
Enclosure

Contra Costa County Employees' Retirement Association
Estimated Employer Rate Change by Cost Group (CG) Based on December 31, 2022 Valuation with
Estimated 9.0% Net Market Value Return for 2023

Item	CG#1 & 2 Non-LAFCO	CG#1 & 2 LAFCO	CG#3 Enhanced CCC Sanitary District	CG#4 Enhanced Housing Authority	CG#5 Enhanced CCCFPD	CG#6 Non-Enhanced District
Estimated Incremental Rate Change as of 12/31/2023	0.52%	0.52%	1.41%	0.09%	1.11%	0.00%
Estimated Incremental Rate Change as of 12/31/2024	0.83%	0.83%	1.69%	0.77%	1.20%	0.00%
Estimated Incremental Rate Change as of 12/31/2025	0.82%	0.82%	1.36%	1.06%	0.90%	0.00%
Estimated Incremental Rate Change as of 12/31/2026	-0.01%	-0.01%	2.01%	-1.21%	1.16%	0.00%
Estimated Incremental Rate Change as of 12/31/2027	-1.94%	-1.94%	0.16%	-2.76%	-6.26%	0.00%
Estimated Incremental Rate Change as of 12/31/2028	-2.37%	-2.37%	0.06%	0.23%	-4.58%	0.00%
Cumulative Rate Change as of 12/31/2023	0.52%	0.52%	1.41%	0.09%	1.11%	0.00%
Cumulative Rate Change as of 12/31/2024	1.35%	1.35%	3.10%	0.86%	2.31%	0.00%
Cumulative Rate Change as of 12/31/2025	2.17%	2.17%	4.46%	1.92%	3.21%	0.00%
Cumulative Rate Change as of 12/31/2026	2.16%	2.16%	6.47%	0.71%	4.37%	0.00%
Cumulative Rate Change as of 12/31/2027	0.22%	0.22%	6.63%	-2.05%	-1.89%	0.00%
Cumulative Rate Change as of 12/31/2028	-2.15%	-2.15%	6.69%	-1.82%	-6.47%	0.00%
Employer UAAL rate as of 12/31/2022*	9.53%	4.05%	1.06%	13.39%	23.10%	0.13%
Employer UAAL rate as of 12/31/2023*	10.05%	4.57%	2.47%	13.48%	24.21%	0.13%
Employer UAAL rate as of 12/31/2024*	10.88%	5.40%	4.16%	14.25%	25.41%	0.13%
Employer UAAL rate as of 12/31/2025*	11.70%	6.22%	5.52%	15.31%	26.31%	0.13%
Employer UAAL rate as of 12/31/2026*	11.69%	6.21%	7.53%	14.10%	27.47%	0.13%
Employer UAAL rate as of 12/31/2027*	9.75%	4.27%	7.69%	11.34%	21.21%	0.13%
Employer UAAL rate as of 12/31/2028*	7.38%	1.90%	7.75%	11.57%	16.63%	0.13%
Year to Reach Full Funding (Valuation as of 12/31)	After 2028	After 2028	After 2028	After 2028	After 2028	2022

* The employer UAAL rates include an explicit administrative expense load of 0.13% of payroll. These rates do not include any employer subvention of member contributions or any member subvention of employer contributions.

Contra Costa County Employees' Retirement Association
Estimated Employer Rate Change by Cost Group (CG) Based on December 31, 2022 Valuation with
Estimated 9.0% Net Market Value Return for 2023

Item	CG#7 & 9 Combined Enhanced County	CG#8 Enhanced CCCFPD	CG#10 Enhanced Moraga-Orinda FD	CG#11 Enhanced San Ramon Valley FD	CG#12 Non-Enhanced Rodeo- Hercules FPD	Total Plan
Estimated Incremental Rate Change as of 12/31/2023	1.35%	2.07%	3.59%	-0.04%	1.89%	0.75%
Estimated Incremental Rate Change as of 12/31/2024	2.11%	2.39%	3.42%	1.31%	2.40%	1.13%
Estimated Incremental Rate Change as of 12/31/2025	2.08%	1.99%	2.47%	2.02%	2.14%	1.08%
Estimated Incremental Rate Change as of 12/31/2026	0.36%	1.54%	0.77%	-1.88%	-1.92%	0.15%
Estimated Incremental Rate Change as of 12/31/2027	-9.46%	-15.77%	-15.42%	3.91%	-11.55%	-3.48%
Estimated Incremental Rate Change as of 12/31/2028	-6.56%	-8.19%	-9.11%	-5.19%	-11.70%	-3.19%
Cumulative Rate Change as of 12/31/2023	1.35%	2.07%	3.59%	-0.04%	1.89%	0.75%
Cumulative Rate Change as of 12/31/2024	3.46%	4.46%	7.01%	1.27%	4.29%	1.88%
Cumulative Rate Change as of 12/31/2025	5.54%	6.45%	9.48%	3.29%	6.43%	2.96%
Cumulative Rate Change as of 12/31/2026	5.90%	7.99%	10.25%	1.41%	4.51%	3.11%
Cumulative Rate Change as of 12/31/2027	-3.56%	-7.78%	-5.17%	5.32%	-7.04%	-0.37%
Cumulative Rate Change as of 12/31/2028	-10.12%	-15.97%	-14.28%	0.13%	-18.74%	-3.56%
Employer UAAL rate as of 12/31/2022*	33.50%	40.99%	61.59%	24.15%	66.17%	14.56%
Employer UAAL rate as of 12/31/2023*	34.85%	43.06%	65.18%	24.11%	68.06%	15.31%
Employer UAAL rate as of 12/31/2024*	36.96%	45.45%	68.60%	25.42%	70.46%	16.44%
Employer UAAL rate as of 12/31/2025*	39.04%	47.44%	71.07%	27.44%	72.60%	17.52%
Employer UAAL rate as of 12/31/2026*	39.40%	48.98%	71.84%	25.56%	70.68%	17.67%
Employer UAAL rate as of 12/31/2027*	29.94%	33.21%	56.42%	29.47%	59.13%	14.19%
Employer UAAL rate as of 12/31/2028*	23.38%	25.02%	47.31%	24.28%	47.43%	11.00%
Year to Reach Full Funding (Valuation as of 12/31)	After 2028	After 2028	After 2028	After 2028	After 2028	

* The employer UAAL rates include an explicit administrative expense load of 0.13% of payroll. These rates do not include any employer subvention of member contributions or any member subvention of employer contributions.