



**Board Policy No. 360**

**Actuarial Valuations for Retirement Fund Policy**

**ADOPTED:** 9/1992

**RECENT AMENDMENT:** 4/22/20

**SEE ALSO:** N/A

**SUBJECT CATEGORY:** SECTION 300, FINANCE

**SUBSECTION:** RETIREMENT FUNDING

**CONTROL DEPARTMENT:** FINANCE

**I. PURPOSE**

The purpose of this board policy is to reconcile the requirements of Transit District Law with the plenary authority given to the Retirement Board by Proposition 162 to determine the District’s contributions to the pension plan. This is addressed by conducting Actuarial Valuations of the plan at regular intervals to arrive at the then current Actuarially Determined Contribution (ARC). The policy further addresses compliance with the relevant GASB statements, and sets the frequencies at which Experience Studies, and Actuarial Audits are to be conducted.

**II. PERSONS AFFECTED**

AC Transit Board of Directors, Finance Staff, District Personnel.

**III. DEFINITIONS**

**“ADC – Actuarially Determined Contribution”** means the amount calculated in the then current Actuarial study necessary to meet the financial obligations of the plan.

**“GASB”** means Government Accounting Standards Board

**“GFOA”** means Government Finance Officers Association

**“PUC”** means the State of California “Public Utilities Code”

**IV. POLICY**

**A. Transit District Law and Proposition 162**

In 1992, the voters adopted Proposition 162, “The California Pension Protection Act of 1992.” Under this legislation plenary authority over pension plans, including the determination of contributions to the pension plan by the District, rests with the AC Transit Employees’ Pension Plan Retirement Board. Section 25391 et seq. (a portion of Transit District Law, Public Utilities Code Section 24501 et seq.), predates Proposition 162 and provides for periodic actuarial valuations of the assets and liabilities of the retirement fund to determine the District’s contributions to the pension plan, among other things. The purpose of this Board Policy is to reconcile the requirements of Transit District Law with the plenary authority given to the

Retirement Board by Proposition 162 to determine the District's contribution to the pension plan.

**B. Frequency and Types of Actuarial Studies.**

1. The Board of Directors shall have an actuarial valuation of the assets and liabilities of the Retirement Fund of the District, as well as an experience analysis, performed on the assumptions used in the last actuarial valuation, performed by its own actuary. The actuarial valuation shall be performed in conformity with Governmental Accounting Standards Board (GASB) Statement 25, 67, and 68 as amended and contained in the GASB Codification section, Pension Plans Defined Benefit and the California Public Utilities Code, Division 10, Part 1, Chapter 5, Article 4, Section 25391.
2. In accordance with GASB 25 and 67 the actuarial valuation shall be performed no less often than once every two fiscal years, and the experience analysis referred to in Item 12, above, shall be performed approximately every third year, but not later than every fourth year, and also not before the completion of the AC Transit Retirement Board's experience study which occurs approximately every third year.

**C. Actuarial Determined Contribution Reporting/Disclosure Requirements**

1. The actuarially determined contribution requirements, contributions actually made, significant actuarial assumptions and the computation of a standardized measure of the pension obligation shall be disclosed in the financial reports issued by the District. The actuarial assumptions, and methods shall be set out in a Memorandum of Actuarial Assumptions, and actuarial valuations shall be in accordance with the Memorandum of Actuarial Assumptions.

**D. Actuarial Audits**

1. Consistent with GFOA's best practices statement on Actuarial Audits, a Level 1, or "full scope" Actuarial Audit will be performed on the AC Transit Retirement Board's Actuarial valuation not less than once every five years. In a Level 1 full scope actuarial audit, the District's consulting actuary fully replicates the most recent actuarial valuation that was performed by the AC Transit Retirement Board's actuary. This valuation will be based upon the same census data, assumptions, and actuarial methods used by the AC Transit Retirement Board's actuary. This audit will also include an examination of the AC Transit Retirement Board's actuary's methods and assumptions for reasonableness, and internal consistency.
2. An Actuarial Audit may also be triggered should any of the following events occur:
  - a. Significant and unanticipated changes in asset or liability trends or funded ratio.
  - b. Computed contribution rates change without adequate explanation.

- c. The Actuarial methods and assumptions used are not consistent with those approved by the AC Transit Retirement Board.
  - d. The actuarial methods and assumptions are not consistent with the plan objectives.
3. Should one of these situations occur, and it be deemed to be significant by the Chief Financial Officer, with concurrence with the District's consulting actuary, and/or at the request of the AC Transit Board of Directors the CFO will review the situation with the District's consulting actuary to determine which level of actuarial audit (Level 1 – Full replication, Level 2 – Sampling based or Level 3 – review of methods and assumptions) is most likely to identify the actual source/s of the issue, and proceed with that level Actuarial Audit.

## **V. AUTHORITY**

### **A. Board Authority**

The AC Transit Board of Directors has the authority to request an Actuarial Audit at any time.