



Board Policy No. 360

Actuarial Valuations for Retirement Fund Policy

ADOPTED: 9/1992

RECENT AMENDMENT: 3/25/2026

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 Plan by Proposition 162 to determine the District's contributions to the pension plan while avoiding unnecessary and costly duplicate work. This is addressed by reviewing the Actuarial Valuations of the plan at regular intervals to confirm that the Actuarially Determined Contribution (ADC) has been determined properly, and that Experience Studies and Actuarial Audits are both performed regularly and meet the required standards. The policy further addresses compliance with the relevant GASB statements.

II. PERSONS AFFECTED

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

III. DEFINITIONS

"ACTERP" means AC Transit Employees' Retirement Plan

"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. PUC section 25391 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.

B. Frequency and Types of Actuarial Studies.

1. On an annual basis, the District shall have a credentialed actuary review the actuarial valuation of the assets and liabilities of the Retirement Plan to ensure that the ADC is reasonable and the valuation meets professional standards. The review shall confirm that the actuarial valuation was performed in conformity with GASB Statements 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. If the review does not find the Retirement Plan's valuation to be satisfactory, the District shall perform its own valuation.
2. The District shall have a credentialed actuary review the ACTERP experience study when it is produced, approximately every three years. If the review does not find the Retirement Plan's experience study to be satisfactory, the District shall perform its own experience study.

C. Actuarial Determined Contribution Reporting/Disclosure Requirements

1. The ADC 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. If the District performs its own actuarial valuation, the assumptions and methods shall be clearly defined in the valuation report.

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 six 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 ACTERP actuary. This valuation will be based upon the same census data, assumptions, and actuarial methods used by the ACTERP actuary. This audit will also include an examination of the ACTERP actuary's methods and assumptions for reasonableness, and internal consistency.
2. An Actuarial Audit may 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 Retirement Plan 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.