

**PERALTA COMMUNITY COLLEGE DISTRICT
TRUST RETIREMENT BOARD
BYLAWS**

PREAMBLE

The objectives of the Peralta Community College District (Public Entity) in establishing a Trust (*or Trusts*) for the pre-funding of its OPEB liabilities is, *to the extent possible depending on the funding mechanism*, to comply with the requirements of GASB Statements No. 43 & No. 45 and to create a retirement system that complies with the California Constitution and Government Code provisions related to ~~such~~ *retirement and health and welfare* systems with a Governing Board (referred to as the "**Retirement Board**" *or the "Board"*) consisting of officials of the public entity.

~~The Trust is~~ *Any Trusts established by the Public Entity to provide retiree medical benefits to the retirees of the Public Entity and for which the Retirement Board is designated as the fiduciary responsible for administrative and investment functions are* to be managed in accordance with the following principles:

- Trust assets are managed in accordance with all applicable laws, trust documents, and a written Investment Policy Statement ("IPS") for the exclusive benefit of eligible employees, former employees, their dependents and beneficiaries, *with the understanding that to the extent the Trust is funded by proceeds from the Indenture of Trust, dated as of December 1, 2005, between the Public Entity and Deutsche Bank National Trust Company, dealing with the Peralta Community College District Taxable 2005 Limited Obligation OPEB Bonds (the "Indenture"), it will be considered consistent with the purposes of the Trust for the Board to accept (a) a direction from the Public Entity to make a transfer of designated amounts from the Trust following a determination by the Public Entity that any or all of the amounts held in the Trust are and will not be required for payment of current or future retiree health benefit costs, and that such amount is to be applied to redeem or defease outstanding bonds issued under the Indenture, in whole or in part; or (b) a direction from the Public Entity or U.S. Bank (or any successor trustee under the Indenture) to make a transfer of designated amounts from the Trust Fund following a determination by U.S. Bank (or any successor trustee under the Indenture) that an Event of Default as defined under Article 8 of the Indenture has occurred.*
- Trust assets are diversified to a specific risk/return profile as determined by the Retirement Board ~~and approved by the Public Entity~~ *consistent with the purpose of the Trust, including, to the extent the Trust is funded with bond proceeds, the restrictions under the Indenture described above.*
- A written ~~Investment Policy Statement (IPS)~~ *is adopted which* contains the detail to define, implement, and monitor the trust's investment strategy.
- Appropriate fiduciary standards are applied in the management of trust assets and the supervision of persons hired to assist in the management of the trust.
- Due diligence is documented.
- Control procedures are in place to monitor and account for Trust investments and administrative expenses.

Commented [LM1]: Generally, the preamble is amended to reflect the provisions of the Indenture of Trust that permit use of Trust assets to defease bonds when the Trust is "overfunded" or to pay off bonds in the event of default.

- There are safeguards to avoid conflicts of interest, such as the use of funding instruments that are non-proprietary funds of any service provider to the Trust; *and to the extent the Retirement Board authorizes investment in a proprietary fund by a trustee or investment advisor, such continuing investment is subject to fiduciary review and monitoring and sufficient disclosure to avoid a conflict of interest or other fiduciary issues.*

1: Retirement Board

1.1: The Public Entity's governing body has established by resolution a Retirement Board (the "**Board**") to supervise the Trust.

1.2: The Board has been established to manage, direct and control the *fiduciary Trust Settlor administrative and investment* functions, *including use of* consultants, actuaries, auditors and accountants, legal counsel, financial advisors of the Trust *to the extent reasonably necessary to fulfill the fiduciary functions the Trust. All Trust settlor functions shall be performed by the Public Entity.*"

Commented [JWB2]: Intended to clarify the fiduciary functions to be performed by the Board and remove references to settlor functions to be performed by the District.

1.3: The Board have and shall sign such documents as are necessary to adopt and maintain ~~an irrevocable trust~~ *one or more trusts that* which complies with the California Constitution, California Government Code, ~~GASB No. 43 & No. 45~~ and Section 115 of the Internal Revenue Code. *One or more such trusts may be an irrevocable trust that further complies with GASB No. 43 & No. 45.*

Commented [LM3]: Current revocable Trust will be known as "Trust 1" and new, irrevocable trust to be established under GASB 43 & 45 will be known as "Trust 2" and cover liabilities for post-2004 hires.

1.4: As mandated by the California Government Code, the Board shall perform all its duties ~~with the care, skill, and diligence that a prudent person would utilize~~ *with respect to the investment of the assets and administration of the Trust:*

(1) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants in the retiree health benefit plan, minimizing employer contributions thereto, and defraying reasonable expenses of administering the plan;

(2) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and

(3) Shall diversify the investments of the funds so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

Notwithstanding the foregoing, to the extent the Trust is funded with bond proceeds, the Board shall specifically honor as consistent with the purpose of the Trust (a) a direction from the Public Entity to make a transfer of designated amounts from the Trust following a determination by the Public Entity that any or all of the amounts held in the Trust are and will not be required for payment of current or future retiree health benefit costs, and that such amount is to be applied to redeem or defease outstanding bonds issued under the Indenture in whole or in part; or (b) a direction from the Public Entity or U.S. Bank (or any successor trustee under the Indenture) to make a transfer of designated amounts from the Trust Fund following a determination by U.S. Bank (or any successor trustee under the Indenture) that an Event of Default as defined under Article 8 of the Indenture has occurred.

Commented [LM4]: This section was revised to include statutory language regarding fiduciary responsibilities and the terms of the Indenture.

~~1.5: The Board have and shall also act solely in the interest of plan participants and beneficiaries with the sole purpose of providing benefits to them and paying only necessary and reasonable expenses for administering the Trust.~~

~~1.6: The Board shall oversee that the Trust's assets are diversified in order to minimize the risk of large investment losses.~~

Commented [LM5]: These two provisions are deleted as duplicative of amended Section 1.4.

1.5: The Board shall adhere to the terms of the written documents governing the Trust and ensure that the members comply with all applicable laws, rules and regulations that may affect the Trust.

~~1.8: The Board shall facilitate and oversee the preparation and centralized maintenance of the Public Entity's Comprehensive Compliance Plan. To aid the Public Entity in meeting its fiduciary requirements, the Substantive Plan, as described in GASB 43 and 45, will be set forth as an essential element in the development of a Comprehensive Compliance Plan.~~

Commented [LM6]: The deleted provision governs establishment and revision of Substantive Plan and Comprehensive Compliance Plan, which are District functions.

1.6: The Board will have the exclusive authority to establish, execute and interpret the Trust's written Investment Policy Statement (IPS), which profiles the long-term investment objectives of the Trust.

1.7: The Board shall facilitate any efforts and processes necessary to ensure the Public Entity executes applicable written agreements providing any required consent to compliance with the terms of the Trust.

1.8: The Board will require that compensation paid to the Trust's service providers is identifiable, transparent, and reasonable and adheres to the terms of the written documents governing the Trust.

2: Retirement Board — Member Appointments

2.1: *There shall be five (5) regular members and one alternate member of the Board: 1) the Vice Chancellor for Finance, 2) the Vice Chancellor for Human Resources, 3) and three regular members and one alternate member who are appointed by the governing body of the Public Entity*

Commented [LM7]: Revised to incorporate 2006 Bylaws and current administrative procedures.

~~2.2: Board members shall be appointed to the Board based solely on their titles and/or classification. If the Title of an existing Board member changes and that new title is not one of the designated titles included in the resolution of the governing body of the Public Entity, the Board member will no longer be a Board member unless there is a new resolution from the governing body of the Public Entity.~~

~~2.3: The number of Board members will consist of such number of individuals that are deemed necessary by the governing body of the Public Entity. The Board shall serve at the pleasure of the governing body.~~

Commented [LM8]: These two provisions are deleted as duplicative of amended Section 2.1.

2.2: The Board will designate one of its members by majority vote to serve as Chairperson and a second member as Vice Chairperson.

2.3: The Chairperson and Vice Chairperson will serve in this capacity for two years at which time the Board will act again to select a Chairperson and Vice Chairperson. The Chairperson and Vice Chairperson can serve multiple terms.

2.4: The Chairperson will act as the presiding officer for Board meetings.

2.5: Based on the minimum number of signatures required therein and/or specific people required by the Board, authorization for withdrawals, distributions, benefit payments and reasonable fees are restricted to individuals with specimen signatures listed on the Trust's Signature Authorization Form.

2.6: Board meetings shall be conducted by the Chairperson. When the Chairperson is not present, the Vice Chairperson will conduct the meeting.

2.7: A majority of the Board members must be present or attend by teleconference, per the provisions of the Ralph M. Brown Act, in order to conduct a Board meeting and is considered a quorum. A vote, under the protocols of the Ralph M. Brown Act, of the majority of the Board members shall be required to transact business.

2.8: Each Board member shall have one vote in accordance with the protocols of the Ralph M. Brown Act. No proxy votes shall be permitted unless approved by a majority of the Board members. If a member is attending by teleconference, all votes must be by roll-call. Decisions of the Board shall require an affirmative vote of at least a majority of the members of the Board and their decisions will be in accordance with the Ralph M. Brown Act.

2.9: In recognition of the importance of the work of the Board, regular attendance at Board meetings is expected from all members.

2.10: No Board member shall have the authority to bind the Board to any contract or endeavor without the approval of the Board.

2.11: No member serving on the Board will receive a salary or compensation from the Board.

2.12: The Board may approve reimbursement for reasonable expenses incurred by Board members. All expenditures of funds shall be subject to Board approval.

2.13: The Board shall designate a specific location at which it will receive notices, correspondence, and other communications and shall designate one of its members as an officer for the purpose of receiving service on behalf of the Retirement Board of Authority.

2.14: ~~The Board shall provide information and copies of investment statements and other similar reports regarding the Trust and its applicable investment performance to the Public Entity's governing body on a not less than quarterly basis.~~ *The Board shall present to the governing body of the Public Entity, in public session, an annual written report which includes a summary of the Board's proceedings and activities for the preceding year, including information and copies of investment statements and other similar reports regarding the Trust and its applicable investment performance. To the extent applicable, the Board shall abide by all other reporting requirements imposed by Sections 7500 to 7514.5 of the California Government Code, including but not limited to:*

- a. the preparation of at least tri-annual valuations conducted by a qualified actuary; and*
- b. the preparation of an annual audited financial statement by a qualified professional in accordance with generally accepted accounting principles and retention of a qualified auditor to review the Trust's financial statements.*

Commented [LM9]: Reference to "Retirement Board of Authority" deleted, because this term is not used in other Trust documents. We used the term "Retirement Board" throughout for clarity.

Commented [LM10]: Updated per changes requested at April 14, 2016 RB Meeting.

Commented [LM11]: The new provisions were incorporated from 2006 Bylaws.

3: Retirement Board — Advisory Members

3.1: The Board of Trustees of the Peralta Community College District by Board action at its July 19, 2011 Board meeting delegated to the Retirement Board discretionary authority to appoint advisory members.

3.2: There shall be six (6) advisory members. The three of the six advisory members shall be comprised of current retirees representing the entire retirement community. The remaining three advisory members shall be comprised of representatives from each of the three bargaining units within the Peralta

Community College District. At present, the bargaining units include Local 39, Local 1021, and Peralta Federation of Teachers.

3.3: The purpose of the advisory members are: 1) to advise the Board on all issues related to the investments and operations of the Peralta Community College Other Post Employment Retirement Benefit Trust; and 2) to make recommendations to the Board concerning items that will enhance the efficiency of the operations of the Trust and maintain and preserve the continued viability of the negotiated health and welfare benefits provided to current and future retirees of the Peralta Community College District.

3.4: The advisory members shall be entitled to receive any information relevant to its mission and which is not confidential. Confidential information is herein defined as records, documents, and other such information that which if divulged could place the District at risk of noncompliance with federal or state laws or expose the District to potential legal or monetary liability.

3.5: Advisory ~~committee members'~~ **recommendations** are advisory in nature and nonbinding.

Commented [LM12]: Updated per change requested at April 14, 2016 RB Meeting.

4: Retirement Board — Meeting Agendas

4.1: Board meetings and agendas are subject to the terms and provisions of The Ralph M. Brown Act. All Board meeting agendas shall be prepared and posted in a public location, as approved by the Board, at least 72 hours prior to the date and time of the scheduled meeting.

4.2: Per the provisions of the Ralph M. Brown Act, the Board shall hold their meetings at a minimum of once a year, giving advanced notice of 24 hours for special meetings to the media and certain others who request it.

4.3: The Board shall engage, at least annually, in analysis of any applicable modifications to the Investment Policy Statement (IPS) through meetings and consulting with the trustee and Registered Investment Advisor (RIA), as applicable.

4.4: In compliance with the Ralph M. Brown Act, an agenda shall be prepared for each regular and special meeting of the Board. The Agenda shall set forth those items which the Board anticipates taking action or discussing. Each Agenda item shall have attached backup material necessary for discussion or action by the Board.

4.5: Minutes recording deliberations and decisions from each meeting of the Board shall be maintained. Such records and documents shall be available to the public in accordance with the provisions of the Ralph M. Brown Act.

5: Retirement Board— Actuarial. Contribution, & Withdrawal Parameters

5.1: The Board will, at the direction of the Public Entity deliver contributions and allocation instructions to the Trustee. Such contributions and allocation instructions shall be delivered in accordance with the Trust's written provisions and agreements.

5.2: The Board will ratify the amount of any withdrawal by the Public Entity. Any withdrawal shall be in accordance with the Trust's written provisions and agreements. ~~Expenditures paid for by the Trust shall require a signature from each of the four (4) constituencies.~~

Commented [LM13]: Although we're not sure what entities comprise the four constituencies referred to here, only a fiduciary may be authorized to approve payments from the Trust.

5.3: In accordance with GASB Statement No. 45 schedules, the Board will work with the Public Entity's governing body in obtaining the necessary calculations to identify the "**Actuarial Present Value of Total Projected Benefits**" (APVTPB), the "**Unfunded Actuarial Accrued Liability**" (UAAL) and the "**Annual Required Contribution**" (ARC).

5.4: The Board will provide any necessary plan participant information to the Trustee on a timely basis. The Board shall provide responses to all information requested by the Discretionary Trustee in a timely fashion in order to perform services outlined in the Trust Agreement.

6: Retirement Board — Disclosure & Conflict of Interest

6.1: No Board member shall vote or participate in a determination of any matter in which the Board member shall receive a special compensation or gain.

6.2: Board members have a duty of loyalty precluding them from being influenced by motives other than the accomplishment of the Trust's objectives.

6.3: Board members, in the performance of their duties, must act pursuant to the documents & instruments establishing and governing the Trust.

6.4: *By accepting appointment to the Board, each member agrees to comply with Articles 4 (commencing with Section 1090) and 4.7 (commencing with Section 1125) of Division 4 of Title I of the Government Code.*

Commented [LM14]: The new provision was incorporated from 2006 Bylaws.

6.5: *The Board shall be subject to the District's Conflict of Interest Policy and Administrative Procedure.*

Commented [LM15]: UPDATE 10/13/16: Added per consultation with District's G.C.

7: Retirement Board — Rules of Order/Bylaws

7.1: Amendment of these Bylaws may be proposed by any member of the Board.

7.2: All amendments to the Bylaws must be approved by a majority vote of the Board members present, before the amendment shall become effective.

7.3: Such amendments shall be binding upon all members of the Board.

7.4: The effective date of any amendment shall be on the first day of the month following adoption, unless otherwise stated.

8: Retirement Board — Appearance Before the Board

8.1: All persons who wish to make appearances before the Board shall be scheduled in compliance with the provisions of the Ralph M. Brown Act.

8.2: Appearances before the Board may be in person or through a representative.

8.3: Communications with the Board may be in any form that complies with the provision of the Ralph M. Brown Act.

9: Retirement Board — Fiduciary & Governance Parameters

9.1: ~~The Trust will be structured so that the Board shall reduce its legal liability for investment risk by appropriately delegating investment decision-making.~~

Commented [LM16]: UPDATE 10/13/16: Revised to reflect Amendment No. 2 to Discretionary Trustee Agreement.

9.1: The Board shall ~~may~~ delegate investment decision-making to a Trustee with a discretionary mandate and thereafter monitor the performance of the Discretionary Trustee. For the management of the Trust's assets, an appropriate Registered Investment Advisor (RIA) shall ~~may~~ be selected and monitored by *the Retirement Board, unless such authority is delegated to* the Discretionary Trustee.

Commented [LM17]: UPDATE 10/13/16: Revised to reflect Amendment No. 2 to Discretionary Trustee Agreement.

9.2: The Board will monitor the performance and acts of the Discretionary Trustee in accordance with the limits and constraints of applicable laws, trust documents and the written Investment Policy Statement (IPS) as well as the Trust's investment goals, objectives, fees and expenses.

9.3: The Board shall monitor the Discretionary Trustee to determine that Trust assets are diversified as directed by the Investment Policy Statement (IPS) and applicable laws.

9.4: The Board through periodic reports will compare investment performance against appropriate indices, peer groups and Investment Policy Statement (IPS) objectives.

9.5: The Board will require that all service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards. Fees paid to each service provider shall be consistent with agreements, contracts and with all applicable laws. *The Board will comply with the District's Policy and Administrative Procedure governing bids and contracts.*

Commented [LM18]: UPDATE 10/13/16: Added per consultation with District's G.C.

9.6: ~~Directors and Officers~~ *Fiduciary liability* insurance shall be provided by the Public Entity for *the Board acting as a whole, and* each Board member for indemnification and protection.

Commented [LM19]: Fiduciary liability insurance will cover acts of the RB that D&O insurance might not, and should also cover the Board as a separate entity, as well as individual Board members.

10: Discretionary Trustee & Investment Management

10.1: The agreement appointing the Discretionary Trustee shall require the Discretionary Trustee to invest Trust assets in compliance with applicable laws, trust documents, and the written Investment Policy Statement (IPS).

10.2: The agreement appointing the Discretionary Trustee shall require the Discretionary Trustee document the specific duties and requirements of the parties involved in the investment process.

10.3: The Board shall require the Discretionary Trustee to acknowledge, in writing, that it is a fiduciary to the Trust and to the Public Entity.

10.4: *Except as specifically directed by the Board,* the Board shall prohibit the Discretionary Trustee from investing trust assets in its own proprietary investment products or those of its Registered Investment Advisor so as to avoid any potential conflicts of interest. *To the extent such investments have been made other than at the direction of the Board, divestment of such investments shall be made in a manner that complies with the duty of prudence applicable to the Board under Section 1.4 of these Bylaws and Section 53622 of the California Government Code and with the duty of prudence applicable to the Discretionary Trustee under its agreement to assume the duties of Discretionary Trustee."*

Commented [LM20]: UPDATE 10/13/16: Revised to reflect Amendment No. 2 to Discretionary Trustee Agreement.

10.5: The Board shall require the Discretionary Trustee to manage Trust assets with the care, skill and diligence of a prudent person under California law.

11: Registered Investment Advisor (RIA)

11.1: ~~The An~~ RIA engaged by the Discretionary Trustee must have the following qualifications and responsibilities:

- a) It shall work with the Discretionary Trustee to establish a long-term, target net rate of return objective for the trust, constructing an investment portfolio which gives due consideration to the Board's time horizon of investment, as well as its attitudes and capacity for risk.
- b) It shall recommend the appropriate combination of asset classes that optimizes the Trust's return objectives, while minimizing risk consistent with the Trust's constraints.
- c) It shall provide investment recommendations in accordance with the Investment Policy Statement (IPS) approved by the Board.
- d) It shall have access to appropriate databases and external research, and shall be supported with adequate technology and report production tools.

12: Program Coordinator

12.1: The Board has appointed a Program Coordinator with responsibility to assist the Board with the processes, procedures and protocols of the Trust's fiduciary decision making.

12.2: The Board shall require the Program Coordinator to facilitate all aspects of the Board's Fiduciary and Administrative mandates and work to assist the Board in ensuring that trust assets are managed in accordance with all applicable laws, trust documents and the written Investment Policy Statement (IPS).

12.3: The Board shall require the Program Coordinator to provide comprehensive assistance in conducting Board meetings and agendas in compliance with the provision of the Ralph M. Brown Act.

~~12.4: The Program Coordinator will provide support to the Board in the preparation and centralized maintenance of the Public Entity's Comprehensive Compliance Plan, including the Substantive Plan.~~

Commented [LM21]: We deleted this provision because the preparation of the Compliance Plan and Substantive Plan are settlor functions to be performed by the District.

13: Program Definitions

13.1: "**Actuarial Present Value of Total Projected Benefits**" (APVTPB) shall mean the total projected costs to finance benefits payable in the future based on members' service through the valuation date and their future service, discounted to reflect the expected effects of the time value of money. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay the total projected benefits when due.

13.2: "**Annual Required Contribution**" (ARC) is the actuarially-determined level of employer contribution that would be required on a sustained, ongoing basis to systematically fund the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) attributed to past service over a period not to exceed thirty years. It is the amount needed to pay benefits as they come due plus amortize the UAAL. The ARC has two components: Normal cost and amortization of the UAAL for both active employees and retirees.

~~13.3: "**Comprehensive Compliance Plan**" shall mean a broad compliance and fiduciary process incorporating the public entity's substantive plan obligations; the actuarial cost of those obligations; the plan for meeting those costs; the fiduciary strategies and steps in meeting plan requirements.~~

Commented [LM22]: We deleted this provision because the preparation of the Compliance Plan and Substantive Plan are settlor functions to be performed by the District.

13.3: "**Discretionary Trustee**" shall mean a trust structure whereby the Trustee will accept the delegation of investment duties and work as the sole authority in the selection, monitoring and disposition of Trust's assets.

13.4: "**Investment Policy Statement**" (IPS) shall mean a written statement that establishes the ~~Future is Public Entity Investment~~ Trust's investment related policies, goals, objectives and criteria for evaluating investment performance that are critical for the successful management of the Trust's investments.

Commented [LM23]: The deleted term appears to be a reference to a trust vehicle used by Keenan & Associates consulting firm.

13.5: "**Registered Investment Advisor**" (RIA) shall mean the investment entity charged with the responsibility for recommending comprehensive and continuous investment advice for the ~~Future is Public Entity Investment~~ Trust.

13.6: "**Retirement Board of Authority**" is established by the governing body of the Public Entity and shall mean the entity charged with the discretion, responsibility and authority to oversee the management of the ~~Public Entity Investment~~ Trust. Specifically, the Retirement Board of ~~Authority~~ shall determine the investment policy and strategy for the Trust and is empowered to inquire and resolve any matter it considers appropriate to carry out its *fiduciary* responsibilities *of investment of Trust assets and designated administrative functions under the Trust.*"

13.8: "**Substantive Plan**" shall mean ~~the plan through which assets are accumulated and benefits are paid as they come due in accordance with the commitments or understandings between the employer, eligible employees and their beneficiaries.~~

Commented [LM24]: We deleted this provision because the preparation of the Compliance Plan and Substantive Plan are settlor functions to be performed by the District.

13.7: "**The Trust**" shall mean *either the ~~Public Entity's Investment~~ revocable Trust established ~~[date in 2005 or 2006]~~ for the pre-funding of the Public Entity's OPEB liabilities with respect to eligible employees hired before July 1, 2004 and maintained in compliance with ~~GASB Statement No. 43 and No. 45~~, the California Constitution and the California Government Code with a governing Retirement Board of ~~Authority~~ consisting of officials of *or members of the governing body of the Public Entity appointed by the Public Entity (and limited to less than a majority of the governing body in accordance with Article XVI, Section 17, of the California Constitution), which shall be referred to as "Trust 1", or the Trust that the Public Entity is considering establishing that will be irrevocable, established for the pre-funding of liabilities with respect to eligible employees hired on or after July 1, 2004 and maintained in compliance with GASB Statement No. 43 & No. 45, the California Constitution, and the California Government Code, with a governing Retirement Board consisting of officials of or members of the governing body of the Public Entity appointed by the Public Entity (and limited to less than a majority of the governing body in accordance with Article XVI, Section 17, of the California Constitution), which shall be referred to as "Trust 2."**

Commented [LM25]: Revised to contemplate establishment of new, revocable trust in compliance with GASB Statement No. 43 & 45, the scope of which would cover liabilities for benefits for eligible retirees hired on or after July 1, 2004.

13.8: "**Unfunded Actuarial Accrued Liability**" (UAAL) shall mean the excess of the Actuarial Accrued Liability (AAL) over the Actuarial Value of Assets (AVA). The UAAL can derive from three sources: unfunded past Normal costs, actuarial gains and losses (differences between actuarial assumptions and actual experience), and changes to the level of benefits promised.