

February 3, 2010

To: Members of the Operations Committee
From: Elizabeth Rogers, Chair
Subject: Summary of the February 3, 2010 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the February 3, 2010 Operations Committee Meeting to order at 9:07 a.m. Committee members present were Dale Amaral, Vice Chair, Ophelia Basgal, Keith Carson and Liz Koppenhaver. Other Board members present were Annette Cain-Darnes, George Dewey, and alternate members David Safer and Darryl Walker. Staff present were Chuck Conrad, Chief Executive Officer; Catherine Walker, Assistant Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Lori Schnall, Associate Counsel; Betty Tse, Chief Investment Officer; J.P. Singh, Chief Financial Officer; Latrena Walker, Project and Information Services Manager; and Rose Kwong, Benefits Manager.

ACTION ITEMS

- 1. Voluntary Elected Member Employer Reimbursement**
 - a. Discussion and possible motion regarding the continuation of the voluntary elected member employer reimbursement policy for 2010**
 - b. Review, discussion and possible motion to amend the Voluntary Elected Member Reimbursement Policy**

These action items were continued from the last month's Committee Meeting.

DISCLOSURE/RECUSAL STATEMENTS

ACERA's Associate Counsel recommended that elected active member ACERA Trustee Elizabeth Rogers recite the following disclosure statement and recuse herself from discussions and Board actions related to the voluntary elected member employer reimbursement policy.

DISCLOSE AND RECUSE

I, Elizabeth Rogers, am an elected ACERA Board Trustee. I have determined that I have a potential conflict of interest with respect to the Operations Committee's consideration

of the Voluntary Elected Members Reimbursement Policy in that it has a financial impact on the Alameda County Public Defender's Office, which is my employing department. I have been advised that this interest can be classified as a "remote interest" under Government Code § 1091(b) (13) which allows me to remove myself from the process and enables the Committee to take action. As such I have decided to make this public disclosure and recuse myself from all Committee discussions, negotiations and voting activities related to the Voluntary Elected Member Reimbursement Policy.

Furthermore, ACERA's Associate Counsel recommended that elected active member ACERA Trustees Dale Amaral and Darryl Walker recite the following disclosure statement and recuse themselves from discussions and Board actions related to the voluntary elected member employer reimbursement policy.

DISCLOSE AND RECUSE

I, [Dale Amaral], [Darryl Walker], am an elected ACERA Board Trustee. I have determined that I have a potential conflict of interest with respect to the Operations Committee's consideration of the Voluntary Elected Member Reimbursement Policy in that it has a financial impact on the [Alameda County Sheriff's Department], [Alameda County Probation Department]. For the reasons just stated by Ms. Rogers, I have decided to make this public disclosure and recuse myself from all Committee discussions, negotiations and voting activities related to the Voluntary Elected Member Reimbursement Policy.

After each Trustee read their disclosure statement, each one left the Board Room.

At the January Operations Committee Meeting, the Committee endorsed Staff's proposal to establish a guide for certifying the time spent by elected Board Members on ACERA business in order to support the reimbursements of their employers. The method selected should be reasonable and based on an objective standard that is reviewed periodically.

At the request of the Committee, Staff took the proposed guide and incorporated it into the Board's current policy. The policy includes a process by which, at the end of the calendar year, each elected Board Member will certify in writing that he/she spent up to 25% (or 520 hours) of his/her time during business hours conducting ACERA business over the course of the calendar year. Reimbursement to Elected Trustees' employers will be made at the end of the calendar year upon completion of the certification process. For elected Board Members who certify less than 520 hours, reimbursement will be made on a proportional basis.

The Committee requested one revision to the policy on page 1, II. Objectives, last sentence: remove the words "Employers are cautioned not to rely on the potential reimbursement for budgetary purposes as its implementation" and begin the remaining sentence with the word "Reimbursement".

MOTIONS

- a. It was moved by Supervisor Keith Carson, seconded by Ophelia Basgal that the Committee recommends to the full Board that it continue the voluntary elected member employer reimbursement policy for 2010. The motion carried.
- b. It was moved by Ophelia Basgal, seconded by Supervisor Keith Carson that the Committee recommends to the full Board that it renew the Voluntary Elected Member Employer Reimbursement Policy, with revisions, as recommended by the Committee and Staff. The motion carried.

INFORMATION ITEMS

1. Contingency Reserve

Staff reported to the Committee that interest will be posted to ACERA's reserve accounts for the period ended 12/31/2009 on February 24, 2010. The preliminary estimates are that the Fund earned approximately \$700 million between July 1 and December 31 2009. Of that amount, approximately \$650 million will go into the Market Stabilization Reserve (MSR) to offset losses from prior years, leaving a balance in the MRS of a negative \$800 million. The balance from the earnings of approximately \$50 million, plus the balance in the Contingency Reserve account will result in approximately 1.9% being credited to all reserve accounts.

The Contingency Reserve Account (CRA) is specifically designed to make up for deficiencies in earnings. The CRA had a balance of \$66 million at 6/30/2009 (1.4% of total assets). The balance in the contingency reserve will be restored in the next interest crediting period when there are positive earnings.

A final report will be brought to the Committee when the numbers have been finalized.

2. Un-audited Financial Statements as of 12/31/2009

For the month of December, there were approximately \$64.5 million in investment gains. ACERA earned approximately \$958 million in net investment income through December 2009. This is a 26.16% return, which outperformed the policy index by 183 basis points.

The total additions are approximately \$1.2 billion. Total deductions are \$304.4 million year-to-date, including \$284.5 million for benefit payments. As of December 31, 2009, net assets held in trust for pension benefits total approximately \$4.7 billion.

3. Un-audited Operating Expenses – Budget vs Actual as of December 31, 2009

As of December 31, 2009 actual expenditures were approximately \$4.2 million under budget or 22.6%. Of this variance, 35% is in the payroll and staff training accounts and 45% is in the consultant fee accounts. The under spending in the payroll and staff training accounts is due to staff vacancies, lower fringe benefit costs, and management staff and “M” designated staff forgoing a salary increase. Likewise, the under spending in the consultant fee accounts can be attributed to the website redesign and network assessment projects being deferred, and the Benchmarking Project being completed in house. The EDMS project was also capitalized. Additionally, the Board election was not held in 2009 as budgeted. Staff will continue to look at ways to eliminate, defer or reduce expenses in 2010.

4. Enterprise Document Management Systems Project (EDMS)

Significant progress has been made on the EDMS project since October 2009. The project definition and planning phase, which took longer than anticipated, has been completed. The hardware and software phases were also completed. ACERA requested that the documentation be developed and received up front. Staff found that the initial documentation received to be very helpful. The backfile conversion will be performed in the 11th Floor Training Room. Document scanning is scheduled to begin in March 2010 with the member files. A training plan is being developed for staff. Additionally, EDMS kick-off meetings are currently being held with the staff and management.

5. ACMC and ACERA Work Group

The quarterly ACMC and ACERA Work Group meeting was held in January. The meeting was well attended by both ACMC and ACERA. ACMC had planned to give ACERA staff access to its historical database by the end of January. ACMC is still working on this and expects to give access to ACERA in the very near future. ACMC informed ACERA that they need additional time to propose what timeline they can meet for submitting their transmittal file and also to review the newly created transmittal file checklist. ACMC and ACERA scheduled and held additional sidebar meetings after the January meeting.

ACERA and ACMC management continue to have phone meetings bi-weekly. Most recently, ACERA’s management proposed a goal for 2010 to improve communications and mutual respect between our organizations. ACMC management agreed this goal was a high priority.

Staff announced that ACERA will conduct an Employer Handbook Training for the Participating Employers on February 22nd.

TRUSTEE/PUBLIC INPUT

The Committee requested that Staff:

1. Research how many service purchase requests turn into a purchase;
2. Consider developing a policy not to provide retirement estimates unless the member is planning to retire within 18 months;
3. Speak with the Employers, other than ACMC, about receiving their exception report;
4. Determine how many members have been required to pay back an overpayment;
5. Develop a policy regarding overpayments that ACERA cannot recover and bring it back to the Committee;
6. Develop an operating expense report that illustrates the names and fees paid to outside legal firms over the past five years.

RECOMMENDATIONS

1. **The Committee recommends, and I move that the Board continue the voluntary elected member employer reimbursement policy for 2010.**
2. **The Committee recommends, and I move that the Board renew the Voluntary Elected Member Reimbursement Policy, with revisions, as recommended by the Committee and Staff.**

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for March 3, 2010 at 9:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 9:51 a.m.