

June 1, 2011

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the June 1, 2011 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the June 1, 2011 Operations Committee Meeting to order at 9:03 a.m. Committee members present Elizabeth Rogers, Chair, George Dewey, and Liz Koppenhaver. The other Board members present were Dale Amaral, and alternate members David Safer and Darryl Walker. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Latrena Walker, Project and Information Services Manager; JP Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; Victoria Arruda, Human Resources Officer; and Harsh Jadhav, Internal Auditor.

### **ACTION ITEM**

There were no action items for discussion.

### **INFORMATION ITEMS**

#### **1. Fiduciary Liability Insurance Coverage**

Representatives from Gallagher Crist Elliott Machette Insurance Brokers of CA and Travelers Insurance made a presentation on ACERA's fiduciary liability insurance. Currently, our fiduciary liability insurance coverage is for a combined limit of \$20 million with a deductible of \$100,000. Travelers Insurance insures the first layer of \$10 million and Chubb insures \$10 million in excess of Travelers.

Mr. Safer expressed concern that while we have \$20 million in fiduciary liability coverage, if this limit is inadequate to cover the full amount of a claim, theoretically a board member's personal assets are at risk. Travelers stated that they have never seen fiduciary liability insurance limits for any organization higher than \$20 million in either the public sector or private industry. Ms. Walker explained that other retirement systems have limits from \$10 million to \$20 million and that some have chosen not to purchase this insurance at all. Our Broker said they would find out if

the limit can be increased further. Mr. Safer asked if a personal umbrella policy would provide a trustee with fiduciary liability coverage. Our Broker agreed to look into it.

**2. Monthly Financial Statements**

The April year-to-date net income from investments was \$400,090,302. This is a 7.89% year-to-date rate of return, outperforming the policy index by 57 basis points. The total additions were \$477,542,244. Total deductions were \$114,227,685. As of April 30, 2011 net assets held in trust for pension benefits total \$5,587,809,438.

**3. Operating Expenses – Budget vs Actual as of April 30, 2011**

As of April 30, 2011 actual expenditures were under budget by \$607,909. The under spending was mainly in the Staffing, Professional Fees – Legal, Office Expense, Member Services, Depreciation, and Board of Retirement accounts.

**4. Board Member Conference Attendance Report for 1<sup>st</sup> Quarter 2011**

The Board Conference Attendance Report ending March 31, 2011 was presented.

**5. Employer Transmittal Exception Project**

As of May 15, 2011, 32% of the 15,641 pending employer transmittal exceptions have been completed. Staff reported that 11% or 1706 of the pending exceptions have impacted 544 retired members. It is anticipated that the retired member portion of the project will be completed by June 30<sup>th</sup>, after which Staff will provide a comprehensive report on the financial impact to the retired members.

**6. Request for Proposal (RFP) for Disability Medical Evaluation Services**

Staff presented the timeline and scope of work for a Request for Proposal (RFP) for disability medical evaluation services. The RFP is being issued in June. The Board will conduct interviews of the candidates at the August 3<sup>rd</sup> Operations Committee Meeting. A recommendation for a service provider will be made at the August 18<sup>th</sup> Board Meeting. The goal for the contract effective date is October 1, 2011.

**TRUSTEE/PUBLIC INPUT**

**ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for July 6, 2011 at 9:00 a.m.

**MEETING ADJOURNED**

The meeting adjourned at 9:56 a.m.