

August 4, 2010

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the August 4, 2010 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the August 4, 2010 Operations Committee Meeting to order at 9:08 a.m. Committee members present were Elizabeth Rogers, Chair; Ophelia Basgal, Keith Carson and Liz Koppenhaver. Other Board members present were Annette Cain-Darnes, George Wood, and alternate members Dave Safer and Darryl Walker. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; Victoria Arruda, Human Resources Officer; Latrena Walker, Project and Information Services Manager; JP Singh, Chief Financial Officer; and Rose Kwong, Benefits Manager.

ACTION ITEMS

1. Website Redesign Project

In June Staff proposed a plan to redesign ACERA's website. The Committee requested that a cost benefit analysis be conducted for the proposed website redesign project. In addition, the Committee was also interested in an assessment of the value that is added by each capability that provides a new service to ACERA's membership. In response to this request, the Website Steering Committee decided to separate out the Web Member Self Service module from the proposed redesign project, and treat it as a separate project for 2010. It was felt that this approach would provide the most immediate benefit to our membership and improve customer service. The remaining website redesign plan initiative would be evaluated as part of ACERA's Information Technology Five-Year Plan.

A cost benefit analysis was completed for the Web Member Self Service project utilizing current ACERA Business Application Support Staff for project management, thus eliminating the cost of a third party consultant. When comparing the estimated costs to the estimated savings, it was determined that there would be a projected savings of \$137,921 through 2015.

- Estimated Costs: The estimated cost for 2010 is \$265,780. The initial project costs include licensing of Levi, Ray & Shoup (LRS) Web Member Service module, the implementation of the base system plus electronic forms, and the acquisition of hardware and software. It also includes the cost for Staff project management. Ongoing costs for this project per year are estimated at \$38,000 and include security testing and performance monitoring, LRS hosting services and LRS support services. The inclusive costs over the next 5 ½ years (which includes the remainder of calendar year 2010) are \$455,780.
- Benefits: Members will be able to (a) access their account information; (b) access a new retirement benefit calculator that will allow a member to perform his/her own projections using the member's own account information; and (c) permit members to submit transactions such as a change of address. Additionally, the security of confidential information is enhanced by a password login, and each transaction is encrypted.
- Estimate savings: Cost savings were estimated for each Web Member Service capability totaling \$593,701 over the next 5 years. These savings are based on a utilization of 15% to 20%, which was derived from a study of financial services organizations that use web member self service.

After discussion by the Committee, Ms. Ophelia Basgal moved and Ms. Liz Koppenhaver seconded that the Operations Committee recommend to the Board that the Board approve the implementation of the Web Member Self Service project as presented, subject to the additional review of the estimated 3rd quarter Administrative Expense Budget. The motion carried.

INFORMATION ITEMS

1. Quarterly Financial Statements

For the month of June there was a net investment loss of \$105.4 million, bringing down the year-to-date net income from investments to a negative \$165.7 million. On a year-to-date basis the investment performance was a negative 3.41%, outperforming the policy index by 78 basis points. The total additions are a negative \$56 million. Total deductions are \$160.4 million. As of June 30, 2010, net assets held in trust for pension benefits total \$4.46 billion, down from \$4.57 billion as of May.

2. Total Operating Expenses – Budget vs Actual as of June 30, 2010

As of June 30, 2010 actual expenditures were under budget by \$210,880, appearing mainly in the General Accounts and in Consultant Fees – Legal. Year-to-date the Payroll and Staff Training Accounts are \$77,432 over budget, mainly due to the temporary staffing costs related to the EDMS project and workflow requirements.

3. Service Provider Contract Review

As part of the 2010 Internal Audit Work Plan, a contracts audit is being performed which will evaluate contract performance and monitoring controls. Earlier this year,

the Board requested an internal audit of the Service Provider contracts to determine if specific contracts were approved by ACERA management without the required approval by the Board Chair or Board of Retirement. In response to this request, the contracts audit was broken out into two audits – Service Provider and General Contract.

The Internal Auditor presented an update on the compliance audit of the Service Provider contracts. Following a review of Accounts Payable, there were 29 Service Providers identified for 2009 and 19 Service Providers identified for 2010 year-to-date which exceeded \$40,000 in accrued billings. Additionally there is an examination being conducted of the 2010 contract commitments that have been approved, but not paid. The test procedures include a review of Service Provider Contracts that were approved, but not paid in 2010, to determine if there is any evidence that it lacked proper Board authorization.

The Auditor explained that the term Service Provider needs to be more clearly defined. For example, if a vendor which provides a temporary service does not fall under the definition of Service Provider, then it needs to be asked what policy is controlling and administering that contract. Ultimately, we want to create a better policy after all the issues have been identified in the audit.

The Committee asked if any verbal contracts have been discovered. The Auditor responded that only one verbal contract has been identified, and it was previously identified by Staff. As part of the audit, the Committee requested that the Auditor report on the number of vendors that automatically roll over from one year to the next.

The Committee also discussed the method that ACERA uses to choose product vendors. Staff explained that ACERA uses the County preferred vendor list, but has also uses a vendor called “Giving Back” which has provided us with an opportunity to save money and utilize a local community vendor. The Committee suggested that Staff research the possibility of posting our product needs on ACERA’s website so that vendors can place a bid on-line.

The findings of the Service Provider compliance review will be presented at the next Audit Committee meeting. The results of the larger contracts audit will be presented at a future Audit Committee meeting.

4. Call Center Report

For the 2nd quarter, Staff reported that the Call Center continued to exceed its 90% service level goal, averaging over 95.4%. For the past 27 consecutive months, the Call Center has exceeded its monthly goal.

5. Board Member Conference Attendance Report

The 2nd quarter Board member conference attendance report was submitted by Staff. There were no questions.

TRUSTEE/PUBLIC INPUT

The State Attorney General announced that all government agencies will be required to post the salaries of all their employees.

RECOMMENDATION

The Committee recommends, and I move that the Board approve the Web Member Services Project pending the additional review of the estimated 3rd quarter Administrative Expense Budget.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for September 1, 2010 at 9:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 10:38 a.m.