



October 1, 2014

To: Members of the Operations Committee

From: Dale Amaral, Chair

Subject: Summary of the October 1, 2014 Operations Committee Meeting

Operations Committee Chair Dale Amaral called the October 1, 2014 Operations Committee Meeting to order at 9:36 a.m. Committee members present were Dale Amaral, Chair, Ophelia Basgal, Keith Carson, George Dewey and Elizabeth Rogers. The other Board members present were Annette Cain-Darnes, Liz Koppenhaver and George Wood, and alternate members David Safer and Darryl Walker. Staff present were Vince Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Betty Tse, Chief Investment Officer; Margo Allen, Fiscal Services Officer; Rose Kwong, Benefits Manager; Latrena Walker, Project and Information Services Manager; Victoria Arruda, Human Resources Director; Harsh Jadhav, Chief of Internal Audit; and Marguerite Malloy, Associate Counsel.

#### **ACTION ITEM**

**1. Discussion and possible motion to approve a cost increase in the two-year service contract agreement for Williams, Adley & Company (WACO)**

Margo Allen, Fiscal Services Officer, explained that in the course of finalizing the two-year extension of WACO's 2009 service agreement, WACO realized an error in its original estimate calculation amounting to an additional \$34K for audit year 2014.

It was moved by George Dewey and seconded by Liz Koppenhaver that the Operations Committee recommends to the Board of Retirement that the Board approve an additional \$34K for WACO's two (2) year extension of the 2009 Agreement for Audit Services between ACERA and Williams, Adley & Company.

The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

**2. Voluntary Elected Member Employer Reimbursement**

Marguerite Malloy, Associate Counsel, explained that there are two action items for discussion and possible motion regarding the voluntary elected member employer reimbursement. In the first action item, staff recommended that the Voluntary Elected Member Employer Reimbursement Policy (Policy) be renewed without revisions. In the second action item, staff recommended that the voluntary elected member employer reimbursement be continued for 2015. Prior to any discussion, trustees Dale Amaral, Elizabeth Rogers, George Wood, and Darryl Walker recused themselves from the discussion and vote, and left the room.

After a discussion, the committee suggested that staff ask the elected trustees if some of their work duties are being shifted to others on their work team, so that the elected trustees can maximize their opportunities to fulfill their fiduciary responsibilities to ACERA.

It was moved by Ophelia Basgal and seconded by Liz Koppenhaver that the Operations Committee recommends to the Board of Retirement that the Board renew the Voluntary Elected Member Employer Reimbursement Policy, without revisions.

The motion carried 5 yes (*Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver*), 0 no, 0 abstentions.

It was moved by Ophelia Basgal and seconded by Liz Koppenhaver that the Operations Committee recommends to the Board of Retirement that the Board continue the voluntary elected member employer reimbursement for 2015.

The motion carried 5 yes (*Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver*), 0 no, 0 abstentions.

## **INFORMATION ITEMS**

### **1. Operating Expenses – Budget vs Actual as of August 31, 2014**

Margo Allen, Fiscal Services Officer, presented the year-to-date operating expenses – budget vs. actual. As of August 31, 2014 actual expenses are \$1,238,138 under budget.

### **2. Statement of Reserves as of June 30, 2014**

Margo Allen, Fiscal Services Officer, presented the Statement of Reserves as of June 30, 2014. Regular earnings at the assumed rate of 3.90% were credited to the valuation reserve accounts, the 401(h) account and the SRBR. Earnings equivalent to 50% above the assumed rate of return (excess earnings) were credited at a rate of 1.8198% to the valuation reserves accounts and the 401(h) account. The remaining 50% of earnings above the assumed rate of return (excess earnings) were credited to the SRBR at a rate of 14.7456%. The total combined interest crediting rate to the valuation reserve accounts and the 401(h) account was 5.7198%. The total combined interest crediting rate to the SRBR was 18.6456%.

On June 19, 2014, the Board passed a resolution to decrease the size of the Contingency Reserve (CRA) from 1.4% to 1.0% of total assets. In accordance with this new policy, \$24.3 million of earnings were made available for interest posting after being deducted from the CRA to adjust the ending balance of the CRA from 1.4% to 1% of total assets as of June 30, 2014. The ending balance of the Market Stabilization Reserve was \$630.9 million, after recognizing \$55.9 million of gains in the current six month period.

### **3. Status Update on Retirements due to AB 197 Implementation**

Rose Kwong, Benefits Manager, provided an update on the work completed and amounts spent on overtime and temporary employees, as of September 30, 2014, for the members who retired as of July 11, 2014 due to the implementation of AB 197. Ms. Kwong stated that work in the Active Unit is scheduled to be completed by the end of October; however, work in the Retired Unit and Scan Unit will continue.

### **4. Human Resources Staffing Report**

Victoria Arruda, Human Resources Director, reported on the 3<sup>rd</sup> quarter position vacancies that are approved in the 2014 budget.

## **RECOMMENDATIONS**

1. The Committee recommends, and I move, that the Board of Retirement approve an additional \$34K for WACO's two (2) year extension of the 2009 Agreement for Audit Services between ACERA and Williams, Adley & Company.

2. The Committee recommends, and I move, that the Board of Retirement renew the Voluntary Elected Member Employer Reimbursement Policy, without revisions.
3. The Committee recommends, and I move, that the Board of Retirement continue the voluntary elected member employer reimbursement for 2015.

**TRUSTEE/PUBLIC INPUT**

Sharen Stanek-Lowe, Assistant Benefits Manager, informed the Committee that she gave her resignation to Kathy Foster, Assistant CEO and will begin working at a benefits consulting firm in two weeks.

**ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for November 5, 2014 at 9:30 a.m.

**MEETING ADJOURNED**

The meeting adjourned at 10:12 a.m.