

January 5, 2011

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the January 5, 2011 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the January 5, 2011 Operations Committee Meeting to order at 9:03 a.m. Committee members present were Elizabeth Rogers, Chair; Dale Amaral, Ophelia Basgal, Keith Carson, and Liz Koppenhaver. Other Board members present were George Wood, 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; Betty Tse, Chief Investment Officer; Victoria Arruda, Human Resources Officer; Latrena Walker, Project and Information Services Manager; JP Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; and Harsh Jadhav, Internal Auditor.

ACTION ITEMS

1. Board Travel Policy

Staff brought the Travel Policy (Policy) to the Committee in December for review and potential amendment. After discussion the Committee requested information regarding the average expense associated with each of the conferences that Trustees have attended in the past three years. The Committee requested this information to evaluate conferences contained in the “excluded” list found in section III.c) of the Policy.

After discussion, the Committee requested Staff to provide: (1) a report on Staff travel expenses for 2010, (2) a report on Board travel expenses for 2010 that were reported to the media, and (3) the Travel Policy and Trustee Education Policy to the Trustees sent via e-mail. The Committee also requested that the Travel Policy and Trustee Education Policy be reviewed together and brought back for discussion to their respective Committees.

Ms. Liz Koppenhaver moved and Mr. George Wood seconded that the Committee recommend to the Board that the Board approve an amendment to the Travel Policy that states staff shall not reimburse a Trustee for expenses in excess of \$7,500 during

any calendar year for conferences which are not on the excluded list unless the Trustee has received approval by the Committee and the Board. The motion carried.

Following this motion, Ms. Liz Koppenhaver moved to amend the motion and Mr. George Wood seconded the amended motion that the Committee recommend to the Board that the Board approve an amendment to the Travel Policy that states staff shall not *advance/reimburse* a Trustee for expenses in excess of \$7,500 during any calendar year for conferences which are not on the excluded list unless the Trustee has received approval by the Committee and the Board. The motion carried.

2. Adoption of 2011 Operating Expense Budget, or alternatively, approval of the interim budget for February 2011

Staff proposed that the Committee consider recommending to the Board that it either adopt the 2011 Operating Expense Budget, or alternatively, approve an interim budget for February 2011.

Ms. Ophelia Basgal moved and Supervisor Keith Carson seconded that the Committee recommend to the Board that the Board adopt the 2011 Operating Expense Budget. The motion carried.

Mr. Dale Amaral requested that Staff provide the Committee with a capital expenditure policy which ensures that expenditures for capital projects that span multiple years remain within budget.

INFORMATION ITEMS

1. Use of the allocation practice in establishing the Administrative Budget

The Budget Working Group, a subset of the Operations Committee, met twice to review ACERA's budgetary process and the proposed 2011 Operating Expense Budget. One of the issues discussed by the Budget Working Group was ACERA's practice of allocating department resources related to investments, legal and disaster recovery. The Budget Working Group requested that this issue be brought back to the Committee for further discussion.

ACERA's Chief Counsel presented a memorandum regarding ACERA's current allocation practice and its impact on the current administrative budget. Language of the pertinent Government Codes and ACERA's interpretation of them are explained in the memo. Supporting documents include two exhibits: (1) the current allocation used in the 2011 budget and (2) a comparison of the administrative cap using and not using the allocation practice. It was noted that either approach was feasible, however ACERA has been using the current allocation method for 11 years.

Each year during the financial audit, ACERA's external auditor reviews ACERA's budgetary process and its conformance with administrative expense limits found in the CERL.

2. Monthly Financial Statements

In the month of November, there was an investment loss of approximately \$30,200,000. The November year-to-date net income from investments was \$390,648,681. The year-to-date investment performance was 8.80%, outperforming the policy index by 79 basis points. The total additions were \$598,016,760. Total deductions were \$298,241,532. As of November 30, 2010, net assets held in trust for pension benefits total \$4,976,654,822.

3. Total Operating Expenses – Budget vs Actual as of November 30, 2010

As of November 30, 2010 actual expenditures were under budget by \$472,171. The under spending was mainly in the General Accounts (insurance, disability, supplies and software maintenance) and Consultant Fees – Legal.

4. 2010 CAFR and PAFR

At the request of the Committee, Staff presented the legal reporting requirements of the Comprehensive Annual Financial Report (CAFR). Pursuant to Section 31597 of the County Employees Retirement Law (CERL), ACERA submits a copy of its CAFR, accompanied by a sworn statement, to the County Board of Supervisors and the County Auditor-Controller before June 30th of each year. In order to comply with Government Code Section 7504, ACERA submits a copy of its CAFR to the State Controller's Office before June 30th of each year.

The Government Accounting Standards Board (GASB) sets the standards of reporting and disclosure requirements for public entities. Furthermore, in order to receive an unqualified opinion from ACERA's external auditor, ACERA is required to comply with the GASB Standards.

In addition to the legal reporting requirements, the Government Finance Officers Association (GFOA) has extensive reporting requirements to meet the standards for excellence in reporting; however, participation in this program is voluntary.

To produce the 2010 CAFR and PAFR, Tobi Design, ACERA's consultant, submitted a quote for \$34,925 for the design and management of the project. This quote includes scaling back the cost and labor associated with photography over the previous year.

Staff proposed completing the design and management of the project in-house, utilizing three staff members, which includes a temporary Graphic Designer who will take on the bulk of the work. It was estimated that the cost for salary and benefits of staff members to work on the design and management is \$24,400. Since these staff members are on ACERA payroll already, this amount would be a savings to the overall project costs. An added benefit is that the in-house layout for the CAFR will be re-used in subsequent years, further reducing the design and labor costs in the

future. Under either scenario, the printing and mailing expenses of the CAFR and PAFR are estimated to be \$28,503.

5. 2011 Draft Operations Committee Work Plan

The draft Operations Committee Work Plan for 2011 was presented. The Acting CEO noted that the work plan will change monthly as action items are added or other necessary changes are made.

6. Enterprise Document Management System (EDMS)

In January the Benefits Staff will begin using three pilot workflows. Requirement gathering for the remaining nine workflows will also begin in January. The Backfile portion of the EDMS project is scheduled to be completed by the end of February. The EDMS project is currently on schedule and expected to be completed in June.

7. Human Resources Staffing Report

Currently there are no staff recruitments being conducted. Once the 2011 Operating Expense Budget is adopted by the Board, staff recruitments will resume. The CEO recruitment will close on January 28, 2011. ACERA's consultant, CPS, has received 12 applications so far.

TRUSTEE/PUBLIC INPUT

RECOMMENDATIONS

1. The Committee recommends, and I move that the Board approve an amendment to the Travel Policy that states staff shall not advance/reimburse a Trustee for expenses in excess of \$7,500 during any calendar year for conferences which are not on the excluded list unless the Trustee has received approval by the Committee and the Board.
2. The Committee recommends, and I move that the Board adopt the 2011 Operating Expense Budget.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for February 2, 2011 at 9:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 10:22 a.m.