



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
REVISED MINUTES

Thursday, February 20, 2014

Chair Dale Amaral called the meeting to order at 2:10 p.m.

Trustees Present: Dale Amaral
Annette Cain-Darnes
Keith Carson
Elizabeth Rogers
Donald White
George Wood
Darryl Walker (*Alternate*)
David Safer (*Alternate*)

Trustees Excused: Ophelia Basgal
George Dewey
Liz Koppenhaver

Staff Present: Margo Allen, Fiscal Services Officer
Victoria Arruda, Human Resources Officer
Vincent Brown, Chief Executive Officer
Kathy Foster, Assistant Chief Executive Officer
Harsh Jadhav, Internal Auditor
Rose Kwong, Benefits Manager
Marguerite Malloy, Associate Counsel
Martha Richardson, Executive Secretary
Betty Tse, Chief Investment Officer
Latrena Walker, Project and Information Services Manager

14-13

The minutes of the regular meeting of January 16, 2014 were accepted on a motion by George Wood, seconded by Elizabeth Rogers and approved by a vote of 6 yes (*Amaral, Cain-Darnes, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

**CONSENT CALENDAR
REPORTS AND ACTION ITEMS**

APPLICATION FOR SERVICE RETIREMENT

Appendix A

APPLICATION FOR RETIREMENT, DEFERRED

Appendix B

Appendix B-1

APPLICATION FOR DEFERRED TRANSFER

Appendix C

LIST OF DECEASED MEMBERS

Appendix D

**REQUESTS FOR 130 BI-WEEKLY PAYMENTS TO RE-DEPOSIT
CONTRIBUTIONS AND GAIN CREDIT**

Appendix E

APPLICATION FOR DISABILITY RETIREMENT – NON CONTESTED ITEMS:

Appendix F

**APPLICATION FOR DISABILITY RETIREMENT – HEARING OFFICER
RECOMMENDATIONS**

Appendix G

DISABILITIES STATUS REPORT

APPROVAL OF COMMITTEE MINUTES

None

It was moved by George Wood, seconded by Elizabeth Rogers, and approved by a vote of 6 yes (*Cain-Darnes, Rogers, Safer, White, Walker, Wood*), (*Amaral-recused*), 0 no, 0 abstentions, that the following resolution is adopted:

14-14

BE IT RESOLVED BY THIS BOARD that the Consent Calendar is approved as presented.

**REGULAR CALENDAR – REPORTS AND ACTION ITEMS
DISABILITIES, CURRENT AND CONTINUING RECOMMENDATIONS AND
MOTIONS**

None.

COMMITTEE REPORTS, RECOMMENDATIONS AND MOTIONS

*Note: Per Committee Chairs, copies of the Committee meeting minutes were available for attendees. All **February** Committee meeting minutes are posted on the ACERA website (www.acera.org) after approval at the **February 20, 2014** Board meeting. This month's Committee reports were presented in the following order:*

Operations:

Dale Amaral reported that the Operations Committee met on February 5, 2013 at 9:14 a.m., and highlighted the following:

There were no action items.

Margo Allen, Fiscal Services Officer, presented the unaudited financial statements. For the period ending December 31, 2013 the unaudited net assets held in trust for pension benefits total \$6,637,680,253. This amount increased by \$969 million compared to the same time period in 2012. After a discussion, the Committee requested the following information: (1) an explanation of the reclassification of the \$97 million in the International Fixed Income – Commingled Funds line item, and (2) a comparative analysis of the investment related payables increase for 2013.

Margo Allen, Fiscal Services Officer, presented the unaudited year-to-date operating expenses – budget vs. actual. As of December 31, 2013 actual expenses are \$1,545,074 under budget.

Margo Allen, Fiscal Services Officer, presented the Board Member Conference Attendance Report for the 4th quarter 2013.

Margo Allen, Fiscal Services Officer, presented the Senior Manager Travel Expense Report for the 4th Quarter 2013. The committee requested that training expenses not be included in this report.

Sharen Stanek-Lowe, Assistant Benefits Manager, presented a quarterly update on the Call Center.

14-15

It was moved by Dale Amaral and seconded by Elizabeth Rogers that the Board approve the February 5, 2014 Operations Committee minutes. The motion carried 6 yes (*Amaral, Cain-Darnes, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Retirees:

David Safer noted that the Retirees Committee met on February 5, 2014 at 10:32 a.m., and highlighted the following:

Rose Kwong, Benefits Manager, provided information regarding the Supplemental Cost of Living Adjustment (COLA) benefit. For 2013, there were approximately 500 retirees/payees receiving this benefit at a cost of \$2,067,218.69. This annual supplemental benefit is non-vested and is funded by the Supplemental Retiree Benefit

Reserve (SRBR). Trustees directed Staff to provide additional information regarding the monthly dollar benefit, by Tiers, for those retirees receiving the Supplemental COLA.

14-16

It was moved by David Safer and seconded by Dale Amaral that the Board adopt the Supplemental COLA increase for Tier 1 members who retired on or before April 1, 1981 and Tier 2 members who retired on or before April 1, 1991, effective with the April 1, 2014 monthly retirement allowance. This annual supplemental benefit is a non-vested and is funded by the Supplemental Retirement Benefit Reserve (SRBR). The motion carried 6 yes (*Amaral, Cain-Darnes, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Rose Kwong, Benefits Manager, reported that based on information provided by The Segal Company, ACERA's actuaries, the Cost of Living Adjustment (COLA) effective April 1, 2014 results in an increase of 3% for Tier 1 and Tier 3 retirees/payees who retired on or before April 1, 1985. Tier 1 and Tier 3 retirees/payees who retired after April 1, 1985 through on or before April 1, 2014 will receive 2.5%, and all Tier 2 and Tier 4 retirees/payees will receive 2%.

Kathy Foster, Assistant Chief Executive Officer, provided information on retirees' Health Reimbursement Arrangement (HRA) account balances as of December 31, 2013 categorized by years of service.

Sharen Stanek-Lowe, Assistant Benefits Manager, presented information regarding the purpose and plans for ACERA's annual health plan meeting with Trustees, retiree representatives, Benefits Consultants, and Alameda County scheduled for March 5, 2014.

Sharen Stanek-Lowe, Assistant Benefits Manager, provided information on enrollments into the group and individual health care plans during open enrollment. She also provided dental and vision plan enrollments categorized by retirees with less than 10 years of service and those retirees with 10 or more years of service.

Sharen Stanek-Lowe, Assistant Benefits Manager, provided an update on the Health Reimbursement Arrangement (HRA) through December 31, 2013 and information on a contract agreement between UnitedHealthcare and Marin General Hospital. She also reported that due to a Kaiser Permanente pharmacy billing processing error, approximately 200 ACERA members were under charged for generic copayments. Kaiser plans to send these affected members a bill for the unpaid balance. Trustees directed Staff to find out Kaiser's legal position on recovering the underpayments from these members.

14-17

It was moved by David Safer and seconded by George Wood that the Board approve the February 5, 2014 Retirees Committee minutes. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Investment:

George Wood noted that the Investment Committee met on February 13, 2014 at 9:32 a.m., and highlighted the following:

The representatives from Angelo, Gordon & Co., L.P. presented to the Committee the goals and objectives of the A.G. OWL Fund which will take advantage of current market condition to purchase different types of loan at a discount. Angelo Gordon also presented the investment strategy and process including their risk management process.

14-18

It was moved by George Wood and seconded by Dale Amaral that the Board adopt the recommended \$35.0 million commitment to the AG Opportunistic Whole Loan Fund. L.P. pending completion of legal due diligence and successful contract negotiation. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

SIS reviewed the challenges that all large plan sponsors are facing in the recent investment environment. SIS also explained the methodology behind its capital markets review process. SIS further presented the new projected ACERA portfolio expectations. As of January 2014, the long-term expected total return of ACERA's target portfolio would be 7.55%, up slightly from last year's 7.50%. The long-term expected total risk is 14.4% up from last year's 14.0%. SIS announced that it conducts its study twice yearly.

CEO Vincent Brown discussed the conclusion of the work load study of the Investment Department; the Human Resources' study update on turnover and CALAPRS CIO Total Compensation survey, which will require until March to complete; and the conclusion of the Outsourcing report.

Based on the SIS memo and Townsend memo, ACERA will not make any recommendations to outsource any Investment Department functions at this time. However, staff will enhance SIS services as appropriate.

The CIO and Investment Department staff will continue their efforts to improve efficiencies and effectiveness of the department operations.

14-19

It was moved by George Wood and seconded by Dale Amaral that the Board approve the February 13, 2014 Investment Committee minutes. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Audit:

Donald White reported that the Audit Committee met on February 13, 2014 at 1:02 p.m., and highlighted the following:

The Committee briefly discussed the external audit scope of work and timeline. Mr. George Wood moved and Mr. Keith Carson seconded that the Audit Committee recommend to the Board of Retirement that the Board approve the External Audit Scope of Work and Timeline of Services to be performed by Williams Adley & Co. LLP. The motion carried.

14-20

It was moved by Donald White and seconded by George Wood that the Board approve the External Audit Scope of Work and Timeline of Services performed by Williams Adley & Co. LLP. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Robert Griffin from Williams Adley & Co. LLP, introduced the audit team which will be consistent with last year, to ensure continuity on the audit. Mr. Griffin and Ms. Elbert also presented the Audit and Communications Plan for the Year Ended December 31, 2013.

Margo Allen, Fiscal Services Officer presented the proposed 2014 Audit Committee Work Plan.

Harsh Jadhav, Chief of Internal Audit presented the 2014 Internal Audit Plan and the Annual Risk Assessment Process.

14-21

It was moved by Donald White and seconded by Keith Carson that the Board approve the February 13, 2014 Audit Committee minutes. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Actuarial:

George Wood reported that the Actuarial Committee met on February 20, 2014 at 12:37 p.m., and highlighted the following:

Margo Allen, Fiscal Services Officer, presented an overview of AB 1380 which allows for a Board's option to discontinue the original rounding requirement of CalPEPRA member contribution rates to the nearest .25%.

Paul Angelo, Segal's Senior Vice President and Actuary, and Andy Yeung, Segal's Vice President and Associate Actuary, explained that Segal anticipates in about half of future valuations when the total normal cost of contributions is split 50/50 between the member and the employer, the member will pay slightly more than 50% of the normal cost after rounding up to the nearest .25%, and vice versa. It was further explained that the Board now has discretion to no longer apply the rounding requirement if it wants contribution payments to be exactly 50 percent of the total normal cost rate by the CalPEPRA member and the employer.

14-22

It was moved by George Wood and seconded by Donald White that the Board approve the discontinuance of the .25% rounding requirement for CalPEPRA member contribution rate valuation calculations, pursuant to AB 1380. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Margo Allen, Fiscal Services Officer, presented a report containing a historical analysis of action taken by both the Alameda County Board of Supervisors and ACERA's Board of Retirement regarding the Death Burial Benefit Reserve (DBB-Reserve). As a result of the analysis, staff recommended to the Committee that consideration be given to treating the \$6 million balance of the DBB-Reserve as excess earnings and disperse it among the other reserves using the Article 5.5 interest crediting process and pay the retiree death benefit from the SRBR as provided in GC §31789.12

Vince Brown, CEO, clarified that this action is technical and should remain separate from any decision about revising the SRBR Policy which will be discussed during the March Retirees Committee meeting.

14-23A

It was moved by George Wood and seconded by Donald White that the Board approve dispersing the Death Burial Benefit Reserve as excess earning in ACERA's next available interest crediting cycle. The motion carried 6 yes (*Cain-Darnes, Carson, Rogers, Safer, White, Wood*), 1 no (*Amaral*), and 0 abstentions.

Margo Allen, Fiscal Services Officer, reviewed ACERA's current interest crediting procedure. Paul Angelo, Segal's Senior Vice President and Actuary, stated that during the April Actuarial Committee meeting Segal will discuss and identify the issues of an interest crediting process and recommend a step by step approach to writing a policy.

Paul Angelo, Segal's Senior Vice President and Actuary, and Andy Yeung, Segal's Vice President and Associate Actuary, provided the Committee with an update on GASB 67 & 68.

Margo Allen, Fiscal Services Officer, presented the proposed Actuarial Committee work plan for 2014.

NEW BUSINESS

Vince Brown, Chief Executive Officer's Report

The CEO reported on the following items:

- IRS Involuntary Correction (VCP)/Tax Qualification Letter
- Senior Managers Off-Site Retreat
- CalPERS Employer Audit Workshop
- CALAPRS Administrators Roundtable
- NCPERS 2014 Legislative Conference and Healthcare System
- CALAPRS 2014 General Assembly
- Retirees Lunches
- AHS Annual Community Meeting

PUBLIC/BOARD INPUT

Pete Albert inquired about the Judge's decision regarding PEPRA and its impact on ACERA. Associate Counsel Marguerite Malloy provided a summary of the current status of the litigation.

Keith Carson reported that a joint County Board of Supervisors and ACERA Board meeting will be scheduled in the near future.

ESTABLISHMENT OF THE NEXT MEETING

Thursday, March 20, 2014 at 2 p.m.

ADJOURNMENT INTO CLOSED EXECUTIVE SESSION

1. Conference with Legal Counsel-Existing Litigation: The Board will convene into Closed Session pursuant to Government Code §54956.9(a) to confer with legal counsel regarding pending litigation in matter of:

1) DSA v. ACERA, Case No.: RG12658890

2. Conference with Legal Counsel – Anticipated Litigation

Significant exposure to litigation pursuant to Government Code §54956.9
(1 case)

**RECONVENE INTO OPEN SESSION TO REPORT ON ACTION TAKEN IN
CLOSED EXECUTIVE SESSION:**

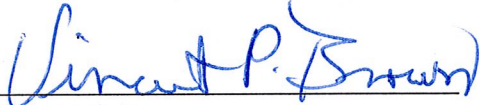
The Board reconvened into Open Session and announced the following:

No action was taken.

ADJOURNMENT

The meeting adjourned at 3:20 p.m.

Respectfully Submitted,



Vincent P. Brown
Chief Executive Officer

2/20/14
Date Adopted

APPENDIX A
APPLICATION FOR SERVICE RETIREMENT

BRICKLEY, Janice M.
Effective: 9/17/2013
Public Defender - DEF

PANTONIAL, Zenaida C.
Effective: 9/10/2013
Public Defender

BROWN, Ralph P.
Effective: 9/5/2013
Social Services Agency

RAMOS, Nicolas E.
Effective: 10/30/2013
Alameda Health System - DEF

CHIANG, Grace
Effective: 10/12/2013
Social Services Agency

RAPHAEL, Cathy H.
Effective: 11/9/2013
Child Support Services

DOOHA, Amy E.
Effective: 10/9/2013
Social Services Agency

REES, David
Effective: 10/12/2013
Social Services Agency

ENG, Brenda C.
Effective: 9/10/2013
Alameda Health System - DEF

RELIFORD, Janice M.
Effective: 11/9/2013
Public Health

GILBERT, Carol Bess
Effective: 11/1/2013
Superior Court

RUTTER, Norma J.
Effective: 10/4/2013
Alameda Health System

GUMS, Keith T.
Effective: 12/22/2012
Sheriff's Office

SMITH, Linda L.
Effective: 11/9/2013
Sheriff's Office

JACKSON, Henry L.
Effective: 11/15/2013
Sheriff's Office - DEF

TOROW, Martin I.
Effective: 11/23/2013
Social Services Agency

LE BLANC, Joyce B.
Effective: 10/1/2013
Social Services Agency

TUNGOHAN, Leonito F.
Effective: 12/7/2013
DRO - DEF

MURPHY, Rosemary C.
Effective: 12/31/2013
Alameda Health System - DEF

WALKER, Elizabeth
Effective: 12/6/2013
Social Services Agency - DEF

NELSON, Tina
Effective: 11/1/2013
Alameda Health System

WOOD-KRAFT, Sara L.
Effective: 10/12/2013
Behavioral Health Care Services

**APPENDIX D
LIST OF DECEASED MEMBERS**

BILARDELLO, Anthony F.
1/9/2014
Treasurer-Tax Collector

LUU, Loc H.
12/24/2013
Alameda Health System

BRUNO, Lelia C.
12/27/2013
Auditor-Controller

NELSON MD, Morton
12/23/2013
Health Care Services Agency

BURKE, Kenneth A.
12/27/2013
Social Services Agency - DEF

PRAT, Paula J.
12/25/2013
Social Services Agency

CATRINA, Michael N.
1/2/2014
Probation

ROSNER, Wendy L.
12/15/2013
Social Services Agency

DAVIS, June E.
12/31/2013
Social Services Agency

STEWART, Bonnie E.
12/18/2013
District Attorney

EWING, Joanne M.
12/16/2013
Social Services Agency

SWALWELL, Marjorie H.
12/13/2013
Survivor of William G. Swalwell

FRIBORG, Alice B.
12/21/2013
Survivor of William T. Friborg

VAN HORN, Alice C.
1/20/2014
DRO

LEWIS, Maxine L.
12/11/2013
Survivor of James W. Lewis

WINTER, Pearl J.
12/30/2013
General Services Agency

**APPENDIX E
REQUEST FOR 130 BI-WEEKLY PAYMENTS TO RE-DEPOSIT
CONTRIBUTIONS AND GAIN CREDIT**

EVANGELISTA, Neriveh
Government Code § 31652 Redeposit

SMITH, Freddie L.
Government Code § 31652 Redeposit

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: **Bowman, Gordon**
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Bowman a service connected disability and to not require future annual medical examinations at this time.

Name: **Butler, Jeffrey**
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Butler a service connected disability and to require future annual medical examinations at this time.

Name: **Ellis, Wanda**
Type of Claim: Non-Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Ms. Ellis a non-service connected. Since Ms. Ellis is over 55 years old, future medical examinations will not be required.

Based on Dr. Wagner's review and determination of Ms. Ellis' ability to determine the permanency of her incapacity, to deny Ms. Ellis' request for an earlier effective date.

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: **Gordillo, William**
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Gordillo a service connected disability and to not require future annual medical examinations at this time.

Name: **Moreno, Cynthia**
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Ms. Moreno a service connected disability. Since Ms. Moreno is over 55 years old, future medical examinations will not be required.

Name: **Underwood, Jeffrey**
Type of Claim: Earlier Effective Date (SCD Granted on 1/20/14)

Staff's Recommendation:

Approve Staff's recommendation to deny Mr. Underwood's request for an earlier effective date.