

March 3, 2010

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the March 3, 2010 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the March 3, 2010 Operations Committee Meeting to order at 9:06 a.m. Committee members present were Elizabeth Rogers, Chair, Ophelia Basgal, Keith Carson, alternate member Dave Safer serving in the absence of Liz Koppenhaver, and alternate member Darryl Walker serving in the absence of Dale Amaral. Other Board members present were Annette Cain-Darnes, George Dewey, and George Wood. Staff present were Chuck Conrad, Chief Executive Officer; Catherine Walker, Assistant Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; J.P. Singh, Chief Financial Officer; Latrena Walker, Project and Information Services Manager; and Rose Kwong, Benefits Manager.

ACTION ITEMS

1. Review, discussion and possible motion to adopt the amendments, if any, to the Travel Policy

As part of the annual budget process in November 2009, the Travel Policy was reviewed and renewed without revisions. The Travel Policy has been brought back to the Committee at this time because of recent suggestions made by Trustees. The three primary suggestions are: (1) that the Milken Institute Global Annual Conference be added to the list of excluded expenses; (2) to provide a monthly personal statement to the Board which lists individual Trustees' conference and travel expenditures; (3) to change the process for a Trustee who seeks approval to incur business related expenses which exceed the annual allotment of \$7,500.

Staff proposed the following revisions and additions to the "Policy Guidelines" of the Travel Policy:

- In subsection C, add the Milken Institute Global Annual Conference to the list of specific expenses that are excluded from the \$7,500 allotted to each Trustee for all business related expenses
- In subsection K, change the wording from “Staff is expected to provide the Board with a quarterly report regarding any business related travel.” and replace it with “Staff will provide the Board with a quarterly report identifying the educational conferences that each trustee has attended to date.”
- Adding subsection L, “Staff will provide each trustee with a monthly statement listing the individual trustee’s travel and business related expenditures to date. A copy of each statement will also be provided to the Board Chair.”
- In subsection N (formerly subsection D), change the wording so that it directs the discussion and approval for expenditures in excess of the annual \$7,500 allotment to the Operations Committee instead of directly to the Board.

The Committee requested that the expenditures also be put on the quarterly conference report for transparency and that this be added to subsection K.

The list of conferences that are excluded from the annual \$7,500 allotted to each Trustee for business related expenses was discussed. The Committee asked that the conferences which appear on the list of excluded expenses be re-evaluated and that the annual allotment of \$7,500 be discussed at a future Committee meeting. Pending this review and discussion, the Committee recommended that Milken not be included on the excluded list.

It was moved by Dave Safer and seconded by Ophelia Basgal that the Committee recommends to the full Board that it adopt the amendments to the Travel Policy that are recommended by Staff, excluding the amendment III, C, 8. The motion carried.

INFORMATION ITEMS

1. Travel and Conference Report Update

In addition to receiving the quarterly Board Conference Report, going forward the Board will receive a personal conference and travel statement once a month. Staff explained that this statement will assist the Board Members in tracking their own conference and travel expenditures in order to be in compliance with the spending limits as stated in the Board Travel Policy. The Committee asked that Staff review

whether it would be appropriate to add all requested publications of an educational nature to the \$7,500 spending limit.

2. Participating Employer Handbook Training

ACERA held its first Employer Handbook training in February. All Participating Employers attended the training with the exception of the Office of Education. A survey was completed by the attendees at the end of the training session. Overall the feedback was very positive. Staff plans to follow up with the attendees for suggestions on changes to the Handbook that would be most helpful to them.

3. Monthly Financial Statements

For the month of January, there were approximately \$105 million in investment losses. The annualized rate of return for January was a negative 2.2%. However, ACERA outperformed our policy index by 31 basis points, i.e. ACERA's losses were less than the index's losses by 31 basis points.

The total additions are a negative \$86 million approximately. Total deductions are \$26 million year-to-date, including \$24.8 million for benefit payments. As of January 31, 2010, net assets held in trust for pension benefits total \$4.6 billion.

4. Total Operating Expenses – Budget vs Actual as of January 31, 2010

As of January 31, 2010 actual expenditures were approximately \$84,000 under budget or 7%. Of this variance, 33% is in the general accounts and 47% is in the consultant fee accounts.

5. Legislative Update

AB 1987 (Hernandez) and SB 1425 (Simitian), described as an anti-spiking bill, was discussed. As written, this bill is effective July 1, 2011 and applies to all active and future members. Staff explained that the changes the sponsoring labor groups are seeking would be extremely difficult to administer and burden the pension fund with additional administrative expense. This bill will require ACERA to have a regulatory and oversight function. For example, we will have an affirmative duty to audit all of our Participating Employers to ensure that a change in member's salary, compensation, or remuneration is not made principally for the purpose of enhancing a member's retirement benefits.

6. Call Center Report

The 4th quarter 2009 Call Center report will be presented at the May Committee meeting along with the regularly scheduled 1st quarter 2010 Call Center report. Staff has discovered inconsistencies in the reports that are generated by the call distribution tracking system. The inconsistencies are isolated to the call transfer process in which calls are routed from the Reception Desk to the Call Center or visa versa, thus over counting the number of calls. Staff assured the Committee that the Call Center continues to exceed the Board mandated service levels of 90%.

7. Annual Medical Examinations

This Information Item was not discussed and was deferred until next month.

TRUSTEE/PUBLIC INPUT

Staff announced that the SRBR Workshop is scheduled for March 30th at 2:00 p.m.

RECOMMENDATION

The Committee recommends, and I move that the Board adopt the amendments to the Travel Policy that are recommended by Staff, excluding the amendment III, C, 8.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for April 7, 2010 at 9:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 10:06 a.m.