

June 2, 2010

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the June 2, 2010 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the June 2, 2010 Operations Committee Meeting to order at 9:05 a.m. Committee members present were Dale Amaral, Vice-Chair, Keith Carson and Liz Koppenhaver. Other Board members present were Annette Cain-Darnes, George Dewey, George Wood and alternate member Dave Safer. 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; J.P. Singh, Chief Financial Officer; Latrena Walker, Project and Information Services Manager; and Rose Kwong, Benefits Manager.

ACTION ITEMS

1. Retention of a Third Party Consultant

ACERA's Chief Counsel received a request to have the Operations Committee retain an investigator to investigate claims communicated directly to the Board of Retirement. The day prior to this request, ACERA retained Tara Bedeau of Precise Aim Consulting to conduct such an investigation. At the time, the investigation was limited to a retaliation claim.

ACERA requested the County Diversity Program Manager, Mr. Morales, to identify an investigator for us. Mr. Morales selected Precise Aim Consulting, a local firm with expertise in employment investigation. ACERA played no part in the selection of the firm and will play no part in the investigation, except to arrange interviews and logistics for the investigation if and when so requested by Diversity Programs. The Diversity Programs Department will direct, manage, and supervise the investigation. Staff gave a proposal and contract to the Committee for their review.

The County also received a whistle blower complaint from the same employee who made a claim of retaliation. The County contacted ACERA and requested that the two complaints be investigated together. ACERA agreed.

Since the Committee did not want to change the scope of the investigation or the selection of an investigator, no action was taken by the Committee.

2. Website Redesign Project

ACERA’s website, www.acera.org, was launched ten years ago. In 2010 ACERA hired L.R. Wechsler Ltd. (LRWL) to complete an assessment of our website and to develop a website redesign plan. The website improvement objectives are to:

1. Enable members to view and update their account information
2. Provide members with access to a retirement calculator that would calculate a retirement estimate based on a member’s actual account information in Pension Gold
3. Ensure that access to confidential information is secure
4. Improve site navigation for users
5. Make the site visually appealing
6. Increase site traffic and therefore reduce ACERA staff effort.

In May a series of meetings were held to consider a variety of features for the new website. Staff made additional suggestions and prioritized all the features based on their value and importance. The Board of Retirement was also invited to participate in a survey to find out what features were of most interest to the Board and why the Board thought it was important to proceed with this project. The Website Redesign Steering Committee reviewed the features lists, considered the alternatives to improving the website, and then agreed upon the recommendations to the Operations Committee.

LRWL defined the alternatives to redesign ACERA’s website and provided us with a proposed schedule and budget to implement the recommended approach to improve ACERA’s website. The dollar amounts in the proposed budget are considered to be the upper limit.

| ALTERNATIVE | RECOMMENDATION | PROPOSED BUDGET <i>(upper limit)</i> | PROPOSED SCHEDULE |
|--|--|---|------------------------------|
| Member Self-Service | Implement LRS Web Member Services base features now, and add Steering Committee recommended features that provide high value | LRS \$233,280 LRWL \$ 93,120 <u>TOTAL \$326,400</u> | June through December 2010 |
| Improve www.acera.org content | Implement a Web Content Management System after the Web Member Services implementation is complete | LRS \$205,520 LRWL \$155,695 <u>TOTAL \$361,215</u> | January through October 2011 |

| ALTERNATIVE | RECOMMENDATION | PROPOSED BUDGET | PROPOSED SCHEDULE |
|------------------------------|--|-----------------|-------------------|
| Employer Self-Service | Wait for a future Pension Gold upgrade or Replacement – do not invest now | | |
| Board and Staff Self-Service | Implement an ACERA intranet as an internal project to be included in the ACERA Five-Year IT Plan | | |
| Web Hosting | For Member and Employer Self-Service: Contract with LRS to implement new Web host infrastructure at ACERA and to provide ongoing remote support For www.acera.org and Intranet: Select an appropriate hosting service as part of the Web Content Management System procurement | | |

Also recommended is a security vulnerability assessment to be done by a third party at an additional cost of \$10,000 or less.

Will Morrow of LRWL explained that ACERA’s current pension system, Pension Gold (PG), is a product of Levi, Ray and Shoup (LRS). The base Web Member Services from LRS is recommended because it is an “add on” product that is compatible with PG, however it has view only capabilities. Features that can be added to the base product include being able to submit forms online, change direct deposit information and register for retirement seminars.

A review of ACERA’s peer retirement systems in California revealed that although ACERA’s website offers the same basic features as the peer websites, it is lacking in search capabilities and does not offer Web Member Services.

The Committee requested that Staff conduct a cost benefit analysis 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. No action was taken by the Committee.

INFORMATION ITEMS

1. SRBR Sustainability Policy

A Supplemental Retiree Benefits Reserve (SRBR) Sustainability Policy was introduced. This policy was proposed to ensure that there will be enough funds available to pay expected benefit liabilities over a reasonable period of time. The time period Staff suggested is a rolling period of 15 years. The intention of the policy is that the Board continues its procedure of yearly SRBR valuations and, based on the results of those valuations, adjust the benefit level to ensure that current assets will be sufficient to make payments for the next 15 years. Fifteen years approximates the average service career of an ACERA member. Adjustments to the benefit level can be moderated by considering a limit of no more than a 5% increase or decrease to the yearly benefit payment.

ACERA's actuary, Andy Yeung of The Segal Company, described two projections for how long the SRBR would be able to pay the current level of benefits.

1. In the first projection, without taking into account deferred investment losses, assuming an 8% investment rate of return, and increasing the Monthly Medical Allowance (MMA) yearly by ½ of the medical inflation assumption from the current SRBR valuation, the SRBR is projected to last approximately 18-20 years.
2. In the second projection, if deferred investment losses are taken into account, an 8% investment rate of return is assumed, and the MMA is increased yearly by ½ of the medical inflation assumption from the current SRBR valuation, the SRBR is projected to last only 12-13 years.

Discussion of the SRBR Sustainability Policy will continue at the Retiree Committee.

2. Monthly Financial Statements

For the month of April, there were \$242 million in investment gains. This is a 5.3% rate of return, outperforming the policy index by 51 basis points. The total additions are a \$314.5 million. Total deductions are \$106 million, which includes \$102 million for benefit payments. As of April 30, 2010, net assets held in trust for pension benefits total \$4.9 billion.

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

As of April 30, 2010 actual expenditures were under budget by \$180,000, appearing mainly in Consultant Fees – Legal and General Accounts. Year-to-date the Payroll and Staff Training Accounts are \$56,000 over budget due to the temporary staffing costs related to the EDMS project.

4. Legislative Update

Staff provided the Committee with an update on legislation of interest to ACERA. Of particular significance is AB 1667 – Public employment: County of Alameda, which proposes to amend Government Code section 31485.16 by implementing optional tiers of retirement benefits for new safety employees of Alameda County. Also discussed were SACRS sponsored bills SB 1479 and AB 1987.

5. Securities Litigation Update

Since September 2009, ACERA has received payment in 25 class action settlements totaling \$230, 749.89. Staff reported that ACERA is currently acting as lead plaintiff in two cases: Lehman Brothers and Wells Fargo.

TRUSTEE/PUBLIC INPUT

ESTABLISHMENT OF NEXT MEETING DATE

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

MEETING ADJOURNED

The meeting adjourned at 10:59 a.m.