

July 6, 2011

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the July 6, 2011 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the July 6, 2011 Operations Committee Meeting to order at 9:02 a.m. Committee members present Elizabeth Rogers, Chair, Ophelia Basgal, Keith Carson, George Dewey, and Liz Koppenhaver. The other Board members present were Dale Amaral, Annette Cain-Darnes, and alternate members David Safer and Darryl Walker. Staff present were Vincent Brown, Chief Executive Officer; Catherine Walker, Assistant Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; Latrena Walker, Project and Information Services Manager; JP Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; Victoria Arruda, Human Resources Officer; and Harsh Jadhav, Internal Auditor.

INTRODUCTION OF THE CHIEF EXECUTIVE OFFICER

The Trustees and staff welcomed Vincent Brown, ACERA's new Chief Executive Officer. Mr. Brown began working in this position on July 5, 2011.

ACTION ITEM

1. Mitel Telephone System Upgrade

ACERA's legacy telephone system Mitel SX200 has been discontinued by the manufacturer and our current service provider AvanTel Networks is no longer supporting this system. The telephone system upgrade was initially budgeted for \$150,000. After further analysis the upgrade is now estimated to cost \$196,000. The budgeted amount did not include moving furniture and the extensive cabling requirements. There is an opportunity to save some money if we purchase the hardware. Staff recommended that ACERA's current service provider AdvanTel Networks be used for the upgrade and asked the Committee for approval to proceed with the project. Ms. Cain-Darnes asked to see a detailed quote for the \$196,000 and it was provided to the Committee. Supervisor Carson requested that staff seek 3 competitive bids from local vendors and the Committee supported this request. Staff agreed to bring the bids back next month and also break out the cost estimates for the cabling and movement of furniture. No action was taken.

INFORMATION ITEMS

1. Monthly Financial Statements

The May year-to-date net income from investments was \$352,152,515. The total additions were \$449,850,591. Total deductions were \$142,849,712. As of May 31, 2011 net assets held in trust for pension benefits total \$5,531,495,758. Staff reported that the 2010 CAFR was filed on time with the State Controller's Office, the Board of Supervisors and the Auditor-Controller.

2. Operating Expenses – Budget vs Actual as of May 31, 2011

As of May 31, 2011 actual expenditures were under budget by \$703,619. The under spending was mainly in the Staffing, Office Expense, Member Services and Depreciation accounts.

3. 2011-12 Insurance

Staff reported that our Fiduciary Liability insurance was renewed for a combined limit of \$25 million. This is an increase of \$5 million over the previous policy period. Additionally, each trustee and management employee of ACERA is now covered under a business travel accident insurance policy for domestic and foreign business travel. The Committee requested that this policy be reviewed together with the workers' compensation insurance provided by the County to determine if there is duplication. Barbara Lubben, the County's Director of Risk Management, agreed to perform the analysis.

4. Legislative Update

Staff provided the Committee with an update on legislation of interest to ACERA. SACRS sponsored two bills this year. The IRS tax compliance bill will be postponed until next year's legislative calendar, and the trustee education bill is expected to be inserted into a bill before the end of this year's legislative session. It was also reported that AB 340 was amended with a new approach to the spiking issue that conforms better to the requirements under *Ventura*. Captain Amaral requested that staff include Senate Constitutional Amendment 13 which addresses pension reform in the next Legislative Update.

5. Human Resources Staffing Report

At the end of the 2nd quarter there were 14 position vacancies. There are also 3 classifications which are in the 2011 budget but need to be created and approved by County Human Resources. They are the Compliance Officer, the Sr. Investment Officer and the Graphic Artist.

TRUSTEE/PUBLIC INPUT

ADJOURNMENT INTO CLOSED EXECUTIVE SESSION

Pursuant to Government Code §54956.9(a) the meeting adjourned at 10:13 a.m. into Closed Executive Session to confer with legal counsel regarding pending litigation in the matter of:

- 1) Lehman Brothers Holdings In, Case No. 08 Civ. 5523; and
- 2) In re Wells Fargo Mortgage-Backed Securities, Case No. 09-CV-1376.

RECONVENE INTO OPEN SESSION

The Committee reconvened into open session at 10:24 and reported that no action was taken.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for August 3, 2011 at 9:00 a.m.