



August 3, 2016

To: Members of the Operations Committee

From: Keith Carson, Chair

Subject: Summary of the August 3, 2016 Operations Committee Meeting

Operations Committee Chair Keith Carson called the August 3, 2016, Operations Committee Meeting to order at 9:30 a.m. Committee members present were Keith Carson, Chair, Dale Amaral, and Annette Cain-Darnes. The other Board members present were Ophelia Basgal, Tarrell Gamble, and George Wood, and alternate members David Safer and Darryl Walker. Staff present were David Nelsen, Chief Executive Officer, Kathy Foster, Assistant Chief Executive Officer; Betty Tse, Chief Investment Officer; Margo Allen, Fiscal Services Officer; Joseph Fletcher, Chief Counsel; Harsh Jadhav, Chief of Internal Audit; Victoria Arruda, Human Resources Director; and Sandra Duenas-Cuevas, Benefits Manager.

ACTION ITEMS

There were no action items for discussion.

INFORMATION ITEMS

1. Operating Expenses

Staff presented the year-to-date operating expenses – budget vs. actual. As of June 30, 2016, actual expenses are \$600,949 under budget.

2. Quarterly Financial Statements

Staff presented the unaudited financial statements for the six months ending June 30, 2016. The unaudited net assets held in trust for pension benefits total \$6,651,983,061. This amount decreased by \$280 million for the same time period in 2015. The Committee expressed concerns with investment returns and recent market volatility, which Staff intends to discuss further at the ACERA Board Off-Site meeting in October.

3. Quarterly Cash Forecast Report

Staff presented a report on the 12-month cash forecast model for the period July 1, 2016 through June 1, 2017. The projected average monthly negative cash position for the period was (\$15,367,103), excluding the three months that have three pay periods.

4. Quarterly Board Member Conference and Training Expense Report

Staff presented the quarterly Board Member Conference Expense Report. As of June 30, 2016, the year-to-date reported expenses were \$45,150.

5. Quarterly Senior Manager Conference and Training Expense Report

Staff presented the quarterly Senior Manager Conference and Training Expense Report. As of June 30, 2016, the year-to-date reported expenses were \$28,516. The Committee chair directed Staff to provide last years' Senior Manager Conference and Training Expense Report via email, following the meeting.

6. Fiduciary Liability Insurance Discussion

Staff introduced the following representatives from Arthur J. Gallagher, ACERA's insurance broker: Mike Machette, Area President, Dennis Butler, Account Executive, and Spencer Brush, Account Manager. Representatives from Travelers Insurance were: Brian Kavanagh, Manager, and Jeison Aguilar, Senior Account Underwriter. The representatives from Gallagher and Travelers discussed ACERA's fiduciary liability insurance and answered Trustees' questions regarding coverage limits and insurance trends.

7. Medical Advisor and Disability Claims Management Services Request for Proposal

Staff reported on plans to issue a Request for Proposal (RFP) for Medical Advisor and Disability Claims Management Services and provided a timeline. The Committee directed Staff to perform a detailed cost analysis of all viable options when preparing the final recommendation to the Committee. The Committee decided to forgo interviewing the candidates and will rely on Staff's recommendation for selection of the service provider.

8. Legislative Update

Staff presented an update on legislation of interest to ACERA. The Committee directed Staff to limit updates to legislation specific to the '37 Act plans, PEPRA, and any other legislation that directly impacts ACERA.

9. Human Resources Quarterly Staffing Report

Staff reported on the 2nd quarter position vacancies that were approved in the 2016 budget. As of June 30, 2016, there are 15 vacant positions. Staff discussed current recruitment challenges to staffing vacant positions and possible plans to extend employment opportunities to retired annuitants.

10. Call Center Report

Staff reported on the Call Center service levels for the first and second quarters of 2016.

11. Draft Board Off-Site Agenda

Staff presented the draft 2016 Board Off-Site agenda. The Committee chair suggests future consideration of including a Futurist guest speaker to discuss the potential changes that may affect ACERA in the next decade.

TRUSTEE/PUBLIC INPUT

None.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for September 7, 2016 at 9:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 10:45 a.m.