Alameda County Employees' Retirement Association

BOARD OF RETIREMENT

OPERATIONS COMMITTEE/BOARD MEETING NOTICE and AGENDA

ACERA MISSION:

To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.

Wednesday, September 5, 2018
9:30 a.m.

LOCATION	COMMITTEE MEMBERS	
ACERA C.G. "BUD" QUIST BOARD ROOM 475 14TH STREET, 10TH FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574	OPHELIA BASGAL, CHAIR	APPOINTED
	DALE AMARAL, VICE CHAIR	ELECTED SAFETY
	LIZ KOPPENHAVER	ELECTED RETIRED
	ELIZABETH ROGERS	ELECTED GENERAL
	GEORGE WOOD	ELECTED GENERAL

Should a quorum of the Board attend this meeting, this meeting shall be deemed a joint meeting of the Board and Committee.

The order of agenda items is subject to change without notice. Board and Committee agendas and minutes are available online at www.acera.org.

Note regarding public comments: Public comments are limited to four (4) minutes per person in total.

Note regarding accommodations: The Board of Retirement will provide reasonable accommodations for persons with special needs of accessibility who plan to attend Board meetings. Please contact ACERA at (510) 628-3000 to arrange for accommodation.

Call to Order: 9:30 a.m.

<u>Action Items: Matters for Discussion and Possible Motion by the Committee</u>

1. **Adoption of New Pay Item – Pay Code 42A for County**
   Discussion and possible motion to approve a New Pay Item – Pay Code 42A for Alameda County.

   \- Sandra Dueñas-Cuevas

   <u>Recommendation:</u>
   Staff recommends that the Operations Committee recommend to the Board of Retirement that the Board approve the inclusion of Pay Item 42A – Capital Programs Project as not pensionable compensation for PEPRA members however compensation earnable for Legacy members with entry dates before, on or after January 1, 2013, based on Government Code Section 7522.34 and 31461.

2. **Review, Discussion and Possible Motion to Adopt the Declining Employer Payroll Policy**

   \- Dave Nelsen
   \- Segal

   <u>Recommendation</u>
   Staff recommends that the Operations Committee recommend to the Board of Retirement that the Board adopt the Declining Employer Payroll Policy.

3. **Review, Discussion and Possible Motion to Adopt the Withdrawing Employer Policy**

   \- Dave Nelsen
   \- Segal

   <u>Recommendation</u>
   Staff recommends that the Operations Committee recommend to the Board of Retirement that the Board adopt the Withdrawing Employer Policy.

<u>Information Items: These items are not presented to Committee for action but consist of status updates and cyclical reports consist of status updates and cyclical reports</u>

1. **Operating Expenses**
   Report on the status of ACERA's budget vs. actual year-to-date for the period ending July 31, 2018

   \- Dave Nelsen

2. 2018 Board of Retirement Election Update

- Dave Nelsen

3. Managed Medical Review Organization (MMRO) Update
Staff will provide an update on the status of the disability retirement cases processed by MMRO.

- Kathy Foster

4. Service Retirement Application Process Improvement Project Update
Staff will provide an update on the evaluation and implementation of the changes resulting from this Process Improvement initiative.

- Kathy Foster
- Sandra Dueñas-Cuevas
- Mustafa Miakhail

Future Discussion Items

Felony Forfeiture Procedures

Trustee Remarks

Public Input

Establishment of Next Meeting Date

October 3, 2018, at 9:30 a.m.

Adjournment

ACERA

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 5, 2018

TO: Members of the Operations Committee

FROM: Sandra Dueñas-Cuevas, Benefits Manager SDC

SUBJECT: **Adoption of New Pay Item – Pay Code 42A for County**

Attached is a request from Dawn Duffy, of the Auditor-Controller Agency, with the County of Alameda (County) to review a new pay item to determine whether it meets the criteria of compensation earnable and pensionable compensation.

The pay item is Capital Programs Project, code 42A. The Board of Supervisors of the County of Alameda approved the Alameda County Salary Ordinance Section 3-11.26 to state; effective May 20, 2018, not to exceed one position of Job Code 0219PA, Administrative Specialist II, when assigned in addition to the regular assignment, responsibility of overseeing the construction procurement process, ensuring compliance with California's Public Contracting Codes and managing the project status system for Capital Programs, shall receive an additional five percent compensation. This footnote will sunset effective January 26, 2019. Pay Code 42A is effective May 20, 2018. The County has provided all required information for this item.

Because this pay item applies to one member in the classifications mentioned above, it will be not as considered pensionable compensation for PEPRA members however it will be compensation earnable for Legacy members according to Government Codes Section 7522.34 and 31461 (see attached Government Code Sections).

Recommendation:
Staff recommends that the Operations Committee recommend to the Board of Retirement that the Board approve the inclusion of Pay Item 42A – Capital Programs Project as not pensionable compensation for PEPRA members however compensation earnable for Legacy members with entry dates before, on or after January 1, 2013, based on Government Code Section 7522.34 and 31461.

Attachments

ALAMEDA COUNTY
AUDITOR-CONTROLLER AGENCY
STEVE MANNING
AUDITOR-CONTROLLER/CLERK-RECORDER

REQUEST FOR ACERA'S REVIEW OF A NEW PAY ITEM/CODE

Employer Name:	County of Alameda
Date of Request	8/6/18
Employer Department Submitting the Request	Auditor-Controller's Agency
Contact Person/Employer (include title/position)	Dawn Duffy
Contact Person Telephone incl area code	(510) 272-6383
Contact Person Email address	dawn.duffy@acgov.org
Pay Item Name (and code Number)	**42A Capital Programs Project**
Pay Item Effective Date per authorization:	5/20/18
State if additional documentation is attached	Yes

NOTE: The following information is required before ACERA can review and respond to the request. To meet ACERA's requirements, please provide substantive responses below or on a separate paper and return , with this form, all of the supporting documentation prior to issuing (paying) the pay item to any employee who is an ACERA member.

1. State the job classification of employees eligible for the pay item (i.e. Job Code 0499-Nurse Practitioners II may receive this pay item)

RESPONSE #1: Job Code 0219PA, Administrative Specialist II

2. State employment status of employees eligible to receive the pay item (i.e. full time employees, part time employees)

RESPONSE #2: Full Time

3. State the number of members or employees who are eligible to receive the pay item (i.e. all members or employees in a job classification eligible to receive the pay item, or "not to exceed one employee")

RESPONSE #3: One

4. State whether pay item is for overtime or regular base pay

RESPONSE #4: Regular base pay

5. State whether pay item is calculated as a fixed amount or percentage of the base pay

RESPONSE #5: percentage

6. State whether the pay item is paid one time (i.e. incentive pay, referral pay, bonus, award)

RESPONSE #6: No

7. State whether the pay item is an ad hoc payment (i.e, stipend, payment for attending a meeting during the working hours, payment for attending a meeting during non-working hours)

RESPONSE #7: No

8. State whether the pay item is a reimbursement (i.e., car allowance, housing allowance, uniform allowance, mileage payment, cell phone allowance)

RESPONSE #8: No

9. State regular working hours of the employees who will receive the pay item (i.e., 37.5 hour workweek employees, 40 hour workweek employees)

RESPONSE #9: 40 hour workweek

10. State whether pay item is for work performed outside of the regular workweek (i.e., payment for work or services performed outside of the employee's 37.5 hour workweek, or outside the employee's 40 hour workweek)

RESPONSE #10: No

11. State whether the pay item if for deferred compensation

RESPONSE #11: No

12. State whether the pay item is for retro payments

RESPONSE #12: No

13. State whether the pay item is for accrued unused leaves (i.e., sick leave, annual leave, floating holiday, vacation, comp time)

RESPONSE #13: No

14. State whether the payment is compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member or employee

RESPONSE #14: No

15. State whether the payment is severance or other payment in connection with or in anticipation of a separation from employment (and state if this payment is made while employee is working)

RESPONSE #15: No

16. State whether the pay item is paid in one lump sum or biweekly (or over some other time period-monthly, quarterly, annually)

RESPONSE #16: Biweekly

17. State the basis for eligibility for the pay item (i.e., certification of completion of training program conducted by an accredited university, or employee assigned as supervisor of badge distribution)

RESPONSE #17:

When assigned, in addition to regular assignment, responsibility of overseeing the construction procurement process, ensuring compliance with California's Public Contracting Codes and managing the project status system for Capital Programs.

Additional Information:

Per Salary Ordinance Section 3-11.26 (copy attached).

3-11.26 Effective May 20, 2018, not to exceed one position of Job Code 0219PA, Administrative Specialist II, when assigned, in addition to the regular assignment, responsibility of overseeing the construction procurement process, ensuring compliance with California's Public Contracting Codes and managing the project status system for Capital Programs, shall receive an additional five percent compensation. This footnote will sunset effective January 26, 2019.

SECOND READING - CONTINUED FROM 04/17/2018

Agenda 14 Apr **REVISED**

ALAMEDA COUNTY

Human Resource Services

Lakeside Plaza Building
1401 Lakeside Drive, Suite 200
Oakland, CA 94612-4305
TDD: (510) 272-3703

2nd Reading 5/8/18

April 5, 2018

Honorable Board of Supervisors
Administration Building
Oakland, CA 94612

Subject: ADOPT SALARY ORDINANCE AMENDMENTS

Dear Board Members:

Recommendation:

Adopt the following Salary Ordinance Amendments:

A. Establish a footnote for one Administrative Specialist II 0219SM in the General Services Agency (GSA);
B. Amend Section 3-13.19 to change the position eligible to receive the additional compensation from 0460MA Departmental Personnel Officer I, to 0468SM Disability Program Supervisor;
C. Establish Section 3-16.6 to specify salary administration criteria for the classification of 1007EM Deputy Registrar of Voters; and
D. Delete Sections 3-12.26, 3-17.25, 3-18.9, 3-18.21, 3-18.29, 3-18.30, 3-20.7, 3-21.32, 3-21.47, 3-21.53, 3-21.60, 3-21.69, and 3-21.70 for various County Departments/Agencies.

Discussion/Findings:

We are recommending establishing a footnote, of five percent additional compensation, for one position of 0219MA, Administrative Specialist II, in the General Services Agency (GSA) when assigned duties in addition to the regular assignment, including responsibility for overseeing the construction procurement process, ensuring compliance with California's Public Contracting Codes and managing the project status system for Capital Programs.

On June 30, 2015 a footnote of five percent additional compensation was established by your Board, to allow increased compensation for one position of 0460MA Departmental Human Resources Officer in the Human Resource Services Department for managing the re-entry program activities within the department, which included activities in support of the backgrounds and clearance processes tied to the program. These responsibilities are now assigned to one position of 0468SM, Disability Program Supervisor. We are recommending amending the existing language to apply this additional compensation to the appropriate job code effective March 11, 2018.

Additionally, we are recommending changing the existing classification of 1007EM Deputy Registrar of Voters from a step class to a deep class and establishing Salary Ordinance Section 3-16.6 to specify salary administration criteria for this position.

Lastly, we are recommending deleting Salary Ordinance Sections 3-12.26, 3-17.25, 3-18.9, 3-18.21, 3-18.29, 3-18.30, 3-20.7, 3-21.32, 3-21.47, 3-21.53, 3-21.60, 3-21.69, and 3-21.70 all of which contain expiration dates which have passed and/or are no longer applicable. The impacted labor organizations, Service Employees International Union (SEIU) Local 1021, Alameda County Management Employees Association (ACMEA) and International Federation of Professional Technical Engineers (IFPTE) - Professional Association of County Employees (PACE) Local 21 have not objected to the deletion of these expired or obsolete footnotes and the respective County Departments/Agencies have been notified and have agreed to proceed with the deletion of the footnotes.

Financing:
Funds are available in the 2017 – 2018 budget appropriation to pay the cost resulting from these actions.

Very truly yours,

Joe Angelo, Director
Human Resource Services

JA:my
Z:\Board Letters\4 17 2018\Salary Ordinance Amendments (GSA, HRS, Deletions, Salary Admin Criteria)

cc: CAO
Auditor-Controller
County Counsel
County Librarian
Director, Department of Child Support Services
Director, General Services Agency
Director, Health Care Services Agency
Director, Information Technology Department
Director, Social Services Agency
Public Defender
Sheriff

SECOND READING - CONTINUED FROM 04/17/2018

2nd reading 5/8/18

Approved as to Form
DONNA ZIEGLER, County Counsel

By [signature]

AN ORDINANCE AMENDING
CERTAIN PROVISIONS OF THE 2017 – 2018
COUNTY OF ALAMEDA SALARY ORDINANCE

The Board of Supervisors of the County of Alameda ordains as follows:

SECTION I

Article 3, Section 3-11 of the County of Alameda Salary Ordinance is hereby amended by the addition thereto of the following note to be effective on the date shown:

New Add'l Pay 42A

3-11.26 Effective May 20, 2018, not to exceed one position of Job Code 0219PA, Administrative Specialist II, when assigned, in addition to the regular assignment, responsibility of overseeing the construction procurement process, ensuring compliance with California's Public Contracting Codes and managing the project status system for Capital Programs, shall receive an additional five percent compensation. This footnote will sunset effective January 26, 2019.

SECTION II

Article 3, Subsection 3-13.19 of the County of Alameda Salary Ordinance is hereby amended by the underlined language to be effective on the date shown:

→ changed eligible Job code

Add'l Pay 41F
Legacy → Retire elig
CP Span → NO

3-13.19 ~~**Effective July 5, 2015**~~ **Effective March 11, 2018**, not to exceed one position of Job Code ~~0460MA, Department Personnel Officer I~~ 0468SM, Disability Program Supervisor, when assigned overall program coordination responsibility over the County's Re-entry Program shall receive an additional 5% compensation (BOS approved, 6/30/15)

SECTION III

Article 3, Section 3-16 of the County of Alameda Salary Ordinance is hereby amended by the addition thereto of the following note to be effective on the date shown:

3-16.6 Effective May 20, 2018, the salary for positions under Job Code 1007EM shall not be subject to the Five Step Plan. Salary increases within the range of salaries shown, for positions under Job Code 1007EM, require the approval of the Human Resource Services Department, the County Administrator's Office and the Department. Salary increases resulting from the annual salary adjustments for the classes require only the approval of the Department Head.

SECTION IV

Article 3, Sections 3-12, 3-17, 3-18, 3-20 and 3-21 of the County of Alameda Salary Ordinance is hereby amended by the deletion of the following subsections:

3-12.26 - Persons employed under Job Code 5383 on or before September 5, 1987, when qualified and assigned to perform a full range of duties in a general medical setting (as opposed to a specialty clinic setting) shall be compensated at the fifth step of the salary range for that class. This note will be in effect only until employees covered by this note have completed the time requirements for advancement to the fifth step as set forth in Section 4-1 of this ordinance.

Add'l Pay 350

3-17.25 - Effective May 13, 2001, the person occupying the position under Job Code 0465SM, when assigned the responsibility for the unique pre-employment activities for badge personnel, shall receive an additional 8 percent compensation.

TRC 720

3-18.21 - Effective December 1, 1999 through November 30, 2004, any employee under Job Code 6740, 6745 or 6750SM, who meets the provisions of the Pilot School Loan Forgiveness Program Policy and Procedures adopted by the Board of Supervisors on December 5, 2000, and revised on July 23, 2002, may be reimbursed according to the reimbursement schedule contained in that Policy and

1st reading 4/17/18
2nd reading 5/8/18

Procedures. The first reimbursement shall be payable in December 2000 with subsequent reimbursements payable each December of 2001 through 2007. In addition, any employee who resigns or is terminated or who accepts a position in the Social Services Agency or the County other than in the Job Code numbers in this note will no longer be eligible for this program and will be obligated to repay the County as set forth in the Policy and Procedures.

Add'l Pay 417

3-18.29 Not to exceed two employees under Job Code 6745 assigned responsibility for quality assurance to insure Agency compliance with the provisions of the American Safe Families Act (AFSA) shall receive an additional 5 percent compensation. The compensation authorized by this footnote will terminate when an appropriate new classification is adopted incorporating these responsibilities, or these responsibilities are assigned to another job class, or on September 26, 2005, whichever occurs first.

Add'l Pay 418

3-18.30 Not to exceed one person under Job Code 6045SM, when assigned to develop and refine the operational, practice and monitoring guidelines to support the implementation of the American Safe Families Act (ASFA), shall receive an additional 5 percent compensation. The compensation authorized by this footnote will terminate if the employee initially assigned this responsibility leaves this position or on September 1, 2004, whichever occurs first.

3-20.7 - Employees assigned to classes with the following Job Codes in the Information Technology Department shall be compensated as set forth in this note:

Add'l Pay 156

Employees in Job Code 1809 shall be compensated at the salary schedule for Job Code 1792,
Employees in Job Code 1810 shall be compensated at the salary schedule for Job Code 1793,
Employees in Job Code 1811 shall be compensated at the salary schedule for Job Code 1794,
Employees in Job Code 1812 shall be compensated at the salary schedule for Job Code 1795.

3-21.32 - Any person occupying a position under Job Code 8578CA, 8579CA, 8581SM, 8584SM, or 8585SM, when certified as having met the criteria for eligibility established for the Public Defender's Training Incentive Program, in Appendix D of the Memorandum of Understanding between the County and ACMEA (General Government Unit) shall for one year, effective on the July 1st immediately following the certification of completion, be compensated an additional 7.0 percent which shall be renewable each fiscal year upon completion of 30 hours or 3 units of Department Head-approved seminars or courses prior to such renewal. This note shall be in full force and effect for the term of the 1996-2001 Alameda County Management Employee Association, General Government Unit Memorandum of Understanding.

Add'l Pay 128

The provisions of this note shall be extended without interruption until the expiration date of the 2001-2005 Alameda County Management Employees Association, General Government, Memorandum of Understanding. Under no circumstances shall the compensation authorized by this note exceed 7 percent.

Add'l Pay 386

3-21.47 - Not to exceed one person under Job Code 4178SM, when assigned in writing by the County Librarian and approved by the County Administrator and the Director of Human Resource Services to manage a major Library construction project funded under the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000, shall receive an additional 10 percent compensation. The compensation authorized by this note will cease on the completion of the project or on February 28, 2003, whichever occurs first.

Add'l Pay 424

3-21.53 - Not to exceed one person occupying a position under Job Code 0305, Program Specialist, in the Department of Child Support Services, while under contract to the State of California pursuant to an employee loan contract between the County and the State of California, reimbursing the County of Alameda for the cost of the employee, shall receive an additional $504 biweekly. The compensation authorized by this note will terminate no later than December 31, 2005.

Add'l Pay 428

3-21.60 One person occupying a position under Job Code 1402, when assigned and spending at least 25 percent of his/her time in the planning, developing, implementing and administering training materials, shall be compensated an additional 5 percent. This recommendation shall have a sunset date of August 31, 2005.

Add'l Pay 450

3-21.69 - Not to exceed one person occupying a position in Job Code 1402, when assigned and spending at least 35 percent of his/her time assisting with the department-wide system conversions (i.e., performing account audits, working on special projects resulting from conversion issues, participating in testing and validating new systems, and providing technical training to staff), shall be compensated an additional 5 percent compensation. This footnote shall have a sunset date of December 31, 2008.

Add'l Pay 457

3-21.70 - Effective September 10, 2006, persons employed under Job Code 1165, 1166, or 1167 (Child Support Assistant I, II, & III) that are assigned to either the Legal or Establishment Units shall receive an additional five percent compensation for specialized legal work that requires qualifying as Deputy Court Clerks and specific knowledge of the rules and required time frames to process the legal documents used in the Department. This footnote shall have a sunset date of December 30, 2006.

SECTION V

This ordinance shall take effect immediately, and before the expiration of fifteen days after its passage, shall be published with the names of the members voting for and against it in the Inter-City Express, a newspaper published in the County of Alameda.

Gov. Code Sec. 31461. (a) "Compensation earnable" by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in Section 31460, that has been deferred shall be deemed "compensation earnable" when earned, rather than when paid.

(b) "Compensation earnable" does not include, in any case, the following:

(1) Any compensation determined by the board to have been paid to enhance a member's retirement benefit under that system. That compensation may include:

(A) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member, and which was converted to and received by the member in the form of a cash payment in the final average salary period.

(B) Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member's grade or class.

(C) Any payment that is made solely due to the termination of the member's employment, but is received by the member while employed, except those payments that do not exceed what is earned in each 12-month period during the final average salary period regardless of when reported or paid.

(2) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned in each 12-month period during the final average salary period, regardless of when reported or paid.

(3) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

(4) Payments made at the termination of employment, except those payments that do not exceed what is earned in each 12-month period during the final average salary period, regardless of when reported or paid.

Gov. Code Sec. 7522.34. (a) "Pensionable compensation" of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

(b) Compensation that has been deferred shall be deemed pensionable compensation when earned rather than when paid.

(c) "Pensionable compensation" does not include the following:

(1) Any compensation determined by the board to have been paid to increase a member's retirement benefit under that system.

(2) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.

(3) Any one-time or ad hoc payments made to a member.

(4) Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment, but is received by the member while employed.

(5) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.

(6) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

(7) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.

(8) Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code.

(9) Employer contributions to deferred compensation or defined contribution plans.

(10) Any bonus paid in addition to the compensation described in subdivision (a).

(11) Any other form of compensation a public retirement board determines is inconsistent with the requirements of subdivision (a).

(12) Any other form of compensation a public retirement board determines should not be pensionable compensation.

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 5, 2018

TO: Members of the Operations Committee

FROM: Dave Nelsen, Chief Executive Officer DN

SUBJECT: Declining Employer Payroll Policy

Introduction

The Declining Employer Payroll Policy is a proposed new policy. The Board Governance and Policy Development Process provides that a policy may be developed if:

1. The issue in question poses a substantial risk to ACERA (organizational, legal, public perception, etc.);
2. The issue is expected to recur regularly (i.e., it is generic in nature); and
3. The issue is within the Board's area of responsibility to effectively administer the pension plan.

In this case, no existing Board policy addresses the circumstances where the payroll of a Plan Sponsor diminishes to the point that it is insufficient to cover the contribution required to fund the employer's liabilities for employees who are or may be entitled to receive retirement benefits from ACERA.

The above criteria for policy development are present. The declining payroll of a Plan Sponsor could pose a risk to the Plan's fiscal health and falls clearly within the Board's fiduciary duty to effectively administer the Plan for the benefit of all participants. If the issue arises with more than one plan sponsor, a policy provides consistent direction for all such circumstances.

Proposed Policy

The following is a summary of the key provisions in the proposed new Policy:

Background:

ACERA's current practice is to apply a contribution rate determined by ACERA's actuary to the employers' ACERA-covered payroll, which is known as the percentage of payroll methodology. For employers whose ACERA-covered payroll is declining, or is expect to decline materially over time, the Board may reasonably conclude that the percentage of payroll methodology is not the appropriate means of collecting employer contributions owed to the Plan.

The objective of this new policy is to ensure equitable and adequate funding of UAAL in cases involving employers with declining payrolls, approve procedures for identifying employers who should be subject to this Policy, approve a different methodology for determining any UAAL attributable to such employer, and set the amount and schedule of the contributions needed to fund such UAAL.

Purpose:

The proposed Policy establishes guidelines to:

1. Be applied when a participating ACERA employer experiences an actual or anticipated material decline the payroll attributable to its ACERA-covered payroll.
2. Ensure such employer will continue to satisfy its obligation to timely pay all UAAL attributable to the prior and future service of ACERA members who are or were the participating employer's employees, and their beneficiaries.
3. Confirm the Board's discretion to take any measures available under law to ensure the actuarial soundness of the Retirement Association including, without limitation, assessing the projected entire amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board) using a lower discount rate and payable in a single sum immediately due.

Application:

1. Applies to employers which:
    a. Experience a triggering event such as ceasing to enroll new hires in ACERA because of transfer to other pension plans or other causes, or permanent material reduction in ACERA-covered payroll resulting from loss of funding, outsourcing, or other cause.
    b. Are financially viable entities when a triggering event occurs and which ACERA expects to continue indefinitely thereafter to be financially viable entities.
    c. Does not include withdrawing employers.
2. Confirms the Board's discretion to allocate liability for members who worked for more than one ACERA employer, and to set an appropriate manner for ensuring payment of funding obligations by the withdrawing employer.

Guidelines:

Provides a procedure for:

1. The CEO to identify and report triggering events.
2. Holding Board hearings to determine whether a triggering event has occurred and whether coverage should be terminated.
3. Segregating the employer's assets and liabilities for the purpose of determining the employer's UAAL contribution obligation.
4. Certification by ACERA's actuary to the Board of the covered employer's funding obligation for its initial UAAL based on the employer's AAL and authorizing the Board to require the employer's contributions to be paid in level, fixed-dollar amounts over a period not to exceed 20 years.
5. The actuarial valuation of initial VVA, AA, and UAAL and amortization schedule for contributions.
6. Distribution of any final surplus when an employer has satisfied all UAAL obligations.

Recommendations

Obtain feedback from participating employers to be considered by the Board's Operations Committee and the Board of Trustees.

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Attachments:

Exh. A: Proposed Declining Employer Payroll Policy

Declining Employer Payroll Policy

Purpose and Background

1. A participating Plan Sponsor (employer) in the Alameda County Employees' Retirement Association (ACERA) may experience an actual or anticipated material decline in the payroll attributable to its ACERA active members (ACERA-covered payroll). The Declining Employer Payroll Policy is intended to establish guidelines by which ACERA intends to assure that such employer will continue to satisfy its obligation to timely pay all unfunded actuarial accrued liability (UAAL) attributable to the prior and future service of active, retired and deferred ACERA members who are or were the participating employer's employees, and their beneficiaries.

Background and Objectives

2. As a general rule, under ACERA's practice in place prior to the adoption of this Declining Plan Sponsor Payroll Policy, ACERA determined employers' contribution obligations for UAAL by applying a contribution rate determined by ACERA's actuary to the employer's ACERA-covered payroll (the percentage-of- payroll methodology). For employers whose payrolls are generally consistent with ACERA's actuarial assumptions regarding payroll growth, or those whose payroll is growing faster than the actuarial assumptions, the percentage-of-payroll methodology continues to be appropriate. But for employers whose ACERA-covered payroll is declining, or is expected to decline, materially over time, the Board of Retirement has determined that the percentage-of-payroll methodology is not the appropriate means of collecting employer contributions owed to the Association. The objectives of this Declining Employer Payroll Policy are to (i) ensure equitable and adequate funding of UAAL in cases involving employers with declining payrolls, (ii) approve procedures for identifying employers who should be subject to this Policy, and (iii) approve a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL. This Policy does *not* change the methodology regarding how contributions for "normal cost" are determined for participating employers.
3. Generally, the objectives of this Policy also are to ensure compliance with County Employees Retirement Law of 1937 (Gov. Code secs. 31450 et seq., as amended), the Public Employees' Pension Reform Act of 2013 (Gov. Code secs. 7522-7522.74), and other applicable provisions of law. Pursuant to Gov't. Code sections 7522.52, 31453.5, 31581, 31582, 31584, 31585, 31586, 31611 and other applicable provisions of law, a participating employer remains liable, and must make the required appropriations and transfers to ACERA for the participating employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from ACERA.
4. It is the Board of Retirement's intent to allow an employer covered by this Policy to satisfy its funding obligation in a manner which provides the employer reasonable flexibility; however, primary consideration will be given to ensuring the adequacy of the assets attributable to the employer to satisfy the employer's funding obligations. This will generally require redetermination of the funding obligations of the employer for several years.

Policy Procedures and Guidelines

Absent exigent circumstances or unless otherwise expressly approved by the Board of Retirement at a duly- noticed public meeting, the procedures and guidelines for implementing this Policy are set forth below.

Commencement of Coverage – Triggering Events

5. This Policy covers only those employers for whom the Board determines, based on a recommendation from ACERA's Chief Executive Officer (CEO), that a *triggering event* as described in this section has occurred *and* who are not excluded from coverage under this Policy as described in section 6 and/or section 7 below. The fact that a triggering event may have occurred in the past does not prevent ACERA from applying this policy to that employer. The Board hereby directs the CEO to work with ACERA's staff and ACERA's actuary to obtain the information (*e.g.,* ACERA-covered payroll history) needed for the Board to make determinations regarding triggering events. The CEO is further directed to report to the Board, at least annually, regarding these activities.

   a. *Triggering event resulting from ceasing to enroll new hires.* Some ACERA participating employers cease to enroll new hires with ACERA but, for a period of time, continue to have at least some previously-enrolled employees maintaining their status as active ACERA members. These employers' ACERA-covered payroll will eventually diminish to zero as their active employees retire or otherwise terminate employment. Examples of employers in this category may include an employer that is acquired by another entity that is not an ACERA participating employer, or an ACERA employer that covers some of its employees through another pension system such as CalPERS or a 401(k) plan. There may be other examples as well.

   b. *Triggering event resulting from a material and permanent reduction in ACERA- covered payroll.* Some employers may experience a material reduction in their ACERA-covered payroll, but nevertheless continue to enroll their new hires with ACERA. The reduction may be sudden (*e.g.*, due to a discrete event such as a partial loss of funding, or partial outsourcing), or it may be more gradual, over a period of years, and might not be tied to a discreet event. Generally, the Board would determine that this type of triggering event has occurred only if the Board expects that the reduction in employer's ACERA-covered payroll is expected to be permanent or for an indefinite period of time with no reasonably foreseeable end. Generally, by its nature, the determination whether this type of triggering event has occurred is more subjective than that described in subparagraph a) immediately above.

Exclusions from Coverage; Terminations of Coverage

6. This Policy also covers *only* those employers which are (i) financially-viable entities when a triggering event occurs, *and* (ii) which ACERA expects to continue indefinitely thereafter to be financially- viable entities. This Policy does not cover any other situation, including, without limitation, an employer going out of business by reason of dissolution, loss of funding, consolidation or merger (unless there is a surviving financially-viable entity that is acceptable to the Board that will make the ongoing payments under the Policy). This Policy also does not cover a "withdrawing employer" who ceases to provide ACERA membership for *all* of the employer's active ACERA members (*i.e.*, as of a date certain, withdraws both new hires and existing actives from membership with ACERA).

7. The Board of Retirement also recognizes that participating employers covered by this Policy will have UAAL funding obligations for several years. Therefore, if concerns arise during that period of time regarding the employer's ongoing existence as a financially-viable entity, the Board may remove the employer from coverage under this Policy and/or take any other measures that may be available to ensure the actuarial soundness of the Retirement Association including, without limitation, assessing the projected entire amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board) using a lower discount rate and payable in a single sum immediately due.

Procedures

8. The CEO will (i) work with ACERA staff and actuary, and ACERA's participating employers to obtain the information (*e.g.*, ACERA-covered payroll history, financial reports) needed for the Board to make determinations regarding triggering events and exclusions from, or terminations of, coverage and (ii) report to the Board, at least annually, regarding these activities.
9. Upon a recommendation from the CEO and notice to the affected participating employer, the Board will make a determination at a duly-noticed public meeting regarding (i) whether a triggering event has occurred for the employer, (ii) whether the employer should be excluded from coverage under this Policy, and (iii) for those employers that the Board has previously determined to be covered under the Policy, whether their coverage should be terminated under section 6 above. Employers may be required to provide ACERA with updated employee census and payroll data and financial reports. *See* Gov't. Code section 31543.
10. If the Board determines that a triggering event has occurred and the employer is not excluded from coverage under the Policy, then, solely for purposes of determining the covered employer's UAAL contribution obligation, ACERA will segregate on its books all assets and liabilities attributable to the employer based upon the recommendation of ACERA's actuary, and shall maintain such separate accounting for the employer until all of the participating employer's obligations to ACERA have been fully satisfied.
11. ACERA's actuary will determine, and certify to the Board of Retirement, the covered employer's funding obligation for its initial UAAL, which obligation shall not be pro-rata based on payroll, but rather based on the employer's actuarial accrued liability (AAL) including inactives. The Board may determine to require the employer's contributions to be paid in level, fixed-dollar amounts over a period not to exceed twenty (20) years, beginning on July 1 of the calendar year immediately after the year in which the triggering event occurs.
12. The actuary will use the actuarial valuation performed for ACERA as of the end of the calendar year immediately prior to the calendar year in which the triggering event occurs (and based on all of ACERA's then current actuarial assumptions and methodologies) to determine the initial valuation value of assets (VVA), a smoothed value, allocated to the covered employer. That initial VVA will be a pro-rata allocation based on the employer's AAL (*i.e.,* based on the employer's initial UAAL allocation determined in accordance with section 10 above). Later values of the VVA (i.e., those used in the future valuations described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the actual smoothed (VVA) earnings rate on total ACERA assets.
13. Annually, after the determination of the covered employer's initial funding obligation, as part of the

regular annual actuarial valuation of the plan, ACERA' actuary will measure any change in the UAAL of the participating employer due to actuarial experience or changes in actuarial assumptions. In addition to the amortized payments for the covered employer's initial UAAL funding obligation determined as of the initial valuation, the employer will be liable for, and must contribute to ACERA, any such new UAAL determined as of subsequent valuations, based upon an amortization schedule recommended by the actuary and adopted by the Board of Retirement. ACERA will hold any negative UAAL (Surplus) to be applied against any future UAAL of the covered employer.

14. If any Surplus remains after the covered employer has satisfied *all* of its UAAL obligations (Final Surplus), ACERA will distribute the Final Surplus in accordance with the terms of applicable law.

Policy Review

15. The Board of Retirement will review this Policy at least every three (3) years to ensure that it remains relevant and appropriate.

Policy History

16. The Board of Retirement adopted this Policy on ____________, 2018.

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 5, 2018

TO: Members of the Operations Committee

FROM: Dave Nelsen, Chief Executive Officer DN

SUBJECT: Withdrawing Employer Policy

Introduction

The Withdrawing Employer Policy is a proposed new policy. The Board Governance and Policy Development Process provides that a policy may be developed if:

1. The issue in question poses substantial risk to ACERA (organizational, legal, public perception, etc.);
2. The issue is expected to recur regularly (i.e., it is generic in nature); and
3. The issue within the Board's area of responsibility to effectively administer the pension plan.

In this case, no existing Board policy addresses the circumstances when an employer chooses to withdraw from participation in ACERA and the above criteria for policy development are present. The withdrawal of an employer could pose a risk to the Plan's fiscal health and falls clearly within the Board's fiduciary duty to effectively administer the Plan for the benefit of all participants. If the issue arises with more than one plan sponsor, a policy provides consistent direction for all such circumstances.

Proposed Policy

The following is a summary of the key provisions in the proposed new policy:

Purpose:

The proposed policy establishes guidelines to be applied when a participating ACERA employer ceases to provide ACERA membership for its active ACERA members.

Application:

The withdrawing employer:

1. Must continue to be financially able to satisfy its obligation to pay timely all UAAL attributable to its active, retired and deferred employees by reason of their prior services as ACERA members.
    a. This provision does not include employers with declining payroll who do not affirmatively seek to withdraw from ACERA.
    b. This provision does not include the County of Alameda as a possible withdrawing employer.

Objectives:

With this policy, ACERA seeks to:

1. Ensure that a withdrawing employer remains liable for and makes the required appropriations and transfers to ACERA the employer's share of liabilities attributable to employees who are or may be entitled to receive retirement benefits from ACERA.
2. Establish the general principle by which ACERA will be paid the value of future benefits minus the value of ACERA assets attributable to the withdrawing employer.
3. Confirm the Board's discretion to allocate liability for members who worked for more than one ACERA employer, and to set an appropriate manner for ensuring payment of funding obligations by the withdrawing employer.

Guidelines:

1. Upon notice that a withdrawing employer seeks to termination ACERA membership:
    a. ACERA will segregate on its books all assets and liabilities attributable to the employer, as determined by ACERA's actuary and maintain separate accounting for that employer.
    b. ACERA and the withdrawing employer will enter into a Contribution Agreement to memorialize the employer's obligations, funding mechanism to timely satisfy existing and continuing financial obligations of the employer, true-ups, distribution of final surplus and other administrative, financial and reporting details.
2. The Board reserves the right to pursue any other remedies under applicable law to ensure the actuarial soundness of the Plan.

<u>Recommendations</u>

Obtain feedback from participating employers to be considered by the ACERA Board's Operations Committee and the Board of Trustees.

Attachments:
Exh. A: Proposed Withdrawing Employer Policy

ACERA Board Policy

Withdrawing Employer Policy

Purpose

This Policy establishes guidelines to be applied when a participating ACERA employer ceases to provide ACERA membership for its active ACERA members. This policy contemplates that the withdrawing employer will continue to be financially able to satisfy its obligation to timely pay all Unfunded Actuarial Accrued Liability ("UAAL") attributable to its active, retired and deferred employees by reason of their prior service as ACERA's members. This Policy is not intended to apply to the County of Alameda as a participating employer.

Objectives

1. To ensure compliance with County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended ("CERL") and other applicable provisions of law:

   a. Pursuant to CERL sections 31564.2, 31580.1, 31584, 31585 and other applicable provisions of law, a withdrawing employer remains liable, and must make the required appropriations and transfers, to ACERA for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from ACERA.

   b. CERL section 31564.2(d) provides, in part, that "[t]he funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency or the board of supervisors. Notwithstanding any other provision of the law, no contracting agency shall fail or refuse to pay the employer's contributions required by this chapter within the applicable time limitations. In dealing with a withdrawing district, the board of retirement shall take whatever action needed to ensure the actuarial soundness of the retirement system."

2. The general principle applied in this policy is to establish the funding obligation of withdrawing employers as:

   a. The value of future benefits to be paid by ACERA to the withdrawing employer's employees, retirees, beneficiaries and terminated members as of the withdrawal date; *minus*

   b. The value of ACERA assets allocated to the withdrawing employer as of the withdrawal date.

   In cases involving members who worked at more than one ACERA employer or who earned service at a County department before it was spun off into a District, the Board of Retirement retains discretion on how liabilities for such members should be allocated to the withdrawing employer.

3. It is the Board of Retirement's intent to allow a withdrawing employer to satisfy its funding obligation in a manner which provides the employer reasonable flexibility. However, primary consideration will be given to ensuring the funding obligation of the withdrawing employer is properly determined and satisfied. This will generally require redetermination of the funding obligation of the employer for several years following the date the employer initiates its withdrawal.

In lieu of the ongoing redetermination of the funding obligations, the withdrawing employer may request that a market valuation approach be used to determine the value of the future benefits to be paid and the value of the assets allocated by ACERA.

4. This policy covers *only* those withdrawing employers (i) who cease to provide ACERA membership for their active employees (i.e., both current actives and new hires), (ii) who are financially viable entities when the withdrawal is initiated, and (iii) for whom ACERA expects thereafter to continue to be financially viable entities. This policy does not cover any other situation – whether a withdrawing employer, a terminating employer or otherwise – including, without limitation, an employer going out of business by reason of bankruptcy, loss of funding, or merger, or an employer who gradually winds down its active employees' continued participation in ACERA either through attrition or through a decision to have employees hired after a specific date to not become members of ACERA (e.g., to participate in a retirement arrangement other than ACERA).

Guidelines

Absent exigent circumstances or unless otherwise expressly approved by the Board of Retirement at a duly-noticed meeting, the guidelines for implementing this policy are set forth below.

5. Upon notice that a participating employer seeks to terminate ACERA's membership for its active employees' future service, and on the advice and recommendation of its actuary, ACERA will segregate on its books all assets and liabilities attributable to the employer as determined by ACERA's actuary, and shall maintain such separate accounting for the employer until all of its liabilities have been fully satisfied.

6. ACERA and the withdrawing employer will enter into a Continuing Contribution Agreement, the purposes of which are to:

    a. evidence the withdrawing employer's obligations as of the date the employer initiates its withdrawal, as well as its continuing funding obligations for the ongoing benefits owed to its retired, deferred and disabled officers and employees and their surviving beneficiaries, for their accumulated ACERA service and related benefits;

    b. provide a funding mechanism acceptable to ACERA for the withdrawing employer to timely satisfy its existing and continuing funding obligations to ACERA, the payment of which must be over a period which is not longer than the period over which ACERA's remaining unfunded liability is being amortized (see CERL section 31564.2(c)). However, except in exigent circumstances, the amortization schedule for payment of the employer's initial funding obligation will not exceed a period of five (5) years.

    c. require the withdrawing employer to provide ACERA with updated employee census and payroll data requested by ACERA in the years following the date the employer initiates its withdrawal;

    d. provide a mechanism for adjusting the withdrawing employer's obligations and payments due to ACERA based on periodic actuarial experience analysis; and

    e. provide a mechanism by which ACERA will consider the transfer of any Final Surplus, as defined below, to the withdrawing employer or a successor retirement system, as appropriate.

7. Pursuant to the terms of the Continuing Contribution Agreement, ACERA's actuary will determine, and certify to the Board of Retirement, the withdrawing employer's initial funding obligation for its UAAL calculated as of the date of withdrawal.

8. A detailed description of the methodology that will be used in determining the initial value of the assets is provided in Exhibit One. The initial value of the assets used to determine the withdrawing employer's initial funding obligation for its UAAL will be based on the valuation value of assets (VVA) (a smoothed value) allocated to the withdrawing employer determined as of the end of the prior calendar year, adjusted to the date the employer initiated its withdrawal (or later date if the Continuing Contribution Agreement so provides), based upon all of ACERA's then current actuarial assumptions and methodologies. Later values (i.e., those used in "true-ups" described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the Total ACERA smoothed (VVA) earnings rate.

   No consideration will be given to current assets that are accumulated in the Supplemental Retiree Benefit Reserve (SRBR) to pay future Board of Retirement provided benefits paid out of the SRBR.

9. The present value of future benefits owed to the withdrawing employer's retired, deferred and disabled officers and employees and their surviving beneficiaries (present value of accrued benefits, or "liabilities") will be determined using ACERA's then current actuarial assumptions and methodologies. In determining the present value of accrued benefits, benefit service shall be frozen for the withdrawing employer's active employees but, for members who transfer to a system that has reciprocity with ACERA, pay shall be projected based on ACERA's then salary growth assumptions.

   No consideration will be given to future Board of Retirement provided benefits paid out of the SRBR.

10. Periodically after the date the employer initiated its withdrawal, in periods not to exceed three (3) years' duration, following an experience analysis, ACERA's actuary will re-measure (true-up), and certify to the Board of Retirement, any additional obligation of the withdrawing employer for UAAL. In accordance with the terms of the Continuing Contribution Agreement and applicable law, the withdrawing employer is liable for, and must contribute, any new UAAL determined in the true-up experience analysis, based upon an amortization schedule recommended by the actuary and adopted by ACERA.

    Absent exigent circumstances, the amortization schedule for payment of the employer's periodic true-up funding obligations will not exceed a period of three (3) years. ACERA will hold any negative UAAL (Surplus) to be applied against any future UAAL of the withdrawing employer.

11. If any Surplus remains after the withdrawing employer has satisfied *all* of its UAAL obligations (Final Surplus), ACERA will distribute the Final Surplus in accordance with the terms of the Continuing Contribution Agreement and applicable law.

12. Notwithstanding anything to the contrary herein, the ACERA Board of Retirement hereby reserves the right to pursue any other remedies under applicable law that, depending on the circumstances, may be available to "ensure the actuarial soundness of the retirement system" (CERL section 31564.2(d)). For example, notwithstanding the employer's obligations under the Continuing Contribution Agreement, if concerns arise regarding the employer's ongoing existence as a financially viable entity, the Board of Retirement may assess the projected entire amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board) using a lower discount rate and payable in a single sum immediately due.

Policy Review

13. The Board of Retirement will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

Policy History

14. The Board of Retirement adopted this policy on ______________________.

Exhibit One

Determination of Withdrawing Employer's Assets

ACERA is a cost sharing multiple employer plan. As a result, there is no ongoing separate accounting of ACERA's assets by employer except in instances when, in the Board of Retirement's opinion, separate accounting is necessary to maintain equity among employers. The ACERA assets attributable to contributions of the withdrawing employer and its employees as of the withdrawal date will be determined as follows:

Step 1: Determine the Actuarial Accrued Liability of the withdrawing employer as of ACERA's most recent actuarial valuation irrespective of the employer's anticipated withdrawal.

Step 2: Determine the Unfunded Actuarial Accrued Liability (UAAL) of the withdrawing employer as of the most recent actuarial valuation by dividing the withdrawing employer's annual required UAAL contribution amount by the UAAL amortization factor. The amortization factor will generally equal the UAAL contribution amount for the membership group which includes the withdrawing employer divided by the UAAL for that membership group. The withdrawing employer's UAAL contribution rate, annual payroll and UAAL amortization factor would be determined as of the most recent actuarial valuation date.

Step 3: Determine the non-investment change in assets from the most recent actuarial valuation date to the actual withdrawal date as:

- The total contributions by the withdrawing employer since the most recent actuarial valuation date; plus
- The total contributions by employees of the withdrawing employer since the most recent actuarial valuation date; minus
- The total benefit and refund payments since the most recent actuarial valuation date to retirees, beneficiaries, and former employees of the employer.

Step 4: Determine the accumulated assets at the withdrawal date as:

(Step 1 – Step 2) x (1 + i x t/365) + Step 3 x (1 + i x t/730)

where:

i = annual interest at the actuarial rate of return assumed in ACERA's most recent valuation.

t = number of calendar days from the most recent actuarial valuation date to the effective date of the employer's withdrawal.

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 5, 2018

TO: Members of the Operations Committee

FROM: Margo Allen, Fiscal Services Officer

SUBJECT: Total Operating Expense Budget Summary for July 31, 2018

ACERA's operating expenses are $121K under budget for the period ending July 31, 2018. Budget overages and surpluses worth noting are as follows:

Budget Overage

1. *Staffing*: Staffing is $253K over budget. This amount comprises overages in fringe benefits of $180K and temporary staffing of $363K, which are offset by surplus in staff vacancies of ($290K).

Budget Surplus

1. *Staff Development*: Staff Development is $148K under budget. The entire amount is savings from unattended staff trainings.
2. *Professional Fees*: Professional Fees is $56K under budget. This amount comprises surpluses in actuarial fess of (23K), legal fees of ($32K) and operations consulting of ($1K).
3. *Office Expense*: Office Expense is $27K under budget. This amount comprises surpluses in bank charges of ($14K), communications of (3K), office maintenance/supplies of ($19K), and printing/postage of ($3K), which are offset by overages in building expenses of $8K and minor equipment/equipment lease of $4K.
4. *Member Services*: Member Services is $22K under budget. This is mainly attributed to surpluses in disability legal arbitration/transcripts of ($16K), health reimbursement of ($4K), and member printing/postage of ($10K), which are offset by overages in disability medical expenses of $7K and members training of $1K resulting from timing differences.
5. *Systems:* Systems is $28K under budget. This is mainly attributed to surplus in software maintenance of ($54K) and computer maintenance of ($2K) due to timing differences that are offset by overages in business continuity planning of $11K, county data processing of $5K and minor computer hardware of $12K.
6. *Depreciation*: Depreciation is $4K under budget. This entire amount is a timing difference primarily with leasehold improvements and fixed assets.

7. *Board of Retirement:* Board of Retirement is $88K under budget. This amount comprises surpluses in board compensation of ($4K), board miscellaneous expense of ($18K) and savings of ($68K) from 2017 board employer reimbursement accruals, which are offset by overage in board conferences/trainings of $2K.

Staffing Detail

As of July 31, 2018, ACERA had the following vacant positions:

Department	Position	QTY	Comments
Administration	Assistant CEO	1	Work out of class – currently budgeted until 12/2018
Benefits	Retirement Specialist	3	Filled by temporary staff – budget allocation start 09/2018
Benefits	Retirement Support Specialist	1	Filled by temporary staff – budget allocation start 09/2018
Fiscal Services	Assistant Accounting Manager	1	Retired - currently budgeted until 12/2018
Fiscal Services	Retirement Accountant II	1	Retired - currently budgeted until 12/2018
Fiscal Services	Retirement Accountant III	1	Retired - currently budgeted until 12/2018
Investments	Admin Support Specialist	1	Filled by temporary staff – currently budgeted until 12/2018
Investments	Investment Analyst	1	Resigned - currently budgeted until 12/2018
	Total Positions	**10**	

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

TOTAL OPERATING EXPENSE SUMMARY

YEAR TO DATE ACTUAL VS. BUDGET

July 31, 2018

	Actual *Year-To-Date*	Budget *Year-To-Date*	YTD Variance *(Under)/Over*	2018 *Annual* *Budget*	% Actual to *Annual Budget*
Staffing	$ 8,243,351	$ 7,990,350	$ **253,001**	$ 13,850,200	**59.5%**
Staff Development	177,700	325,920	**(148,220)**	559,000	**31.8%**
Professional Fees (Page 2)	735,871	791,610	**(55,739)**	1,143,000	**64.4%**
Office Expense	279,162	305,920	**(26,758)**	530,000	**52.7%**
Insurance	735,682	736,790	**(1,108)**	1,278,000	**57.6%**
Member Services	210,581	232,800	**(22,219)**	470,800	**44.7%**
Systems	637,867	666,060	**(28,193)**	1,191,000	**53.6%**
Depreciation	71,314	75,010	**(3,696)**	126,000	**56.6%**
Board of Retirement	261,561	349,780	**(88,219)**	628,000	**41.6%**
Uncollectable Benefit Payments	-	-	-	30,000	**0.0%**
	$ 11,353,089	**$ 11,474,240**	**$ (121,151)**	**$ 19,806,000**	**57.3%**

ACERA

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PROFESSIONAL FEES
YEAR TO DATE ACTUAL VS. BUDGET
July 31, 2018

	Actual Year-To-Date	Budget Year-To-Date	YTD Variance (Under)/Over	2018 Annual Budget	% Actual to Annual Budget
Professional Fees					
Consultant Fees - Operations and Projects[1]	$ 227,052	$ 228,200	$ (1,148)	$ 360,000	63.1%
Legal Fees[2]	101,532	133,000	(31,468)	229,000	44.3%
Actuarial Fees	261,287	284,410	(23,123)	408,000	64.0%
External Audit	146,000	146,000	-	146,000	100.0%
Total Professional Fees	**$ 735,871**	**$ 791,610**	**$ (55,739)**	**$ 1,143,000**	64.4%

	Actual Year-To-Date	Budget Year-To-Date	YTD Variance (Under)/Over	2018 Annual Budget	% Actual to Annual Budget
[1] *Consultant Fees - Operations and Projects:*					
Benefits					
Keenan (Benefit Consultant/Retiree Open Enrollment)	67,254	67,200	54	115,000	58.5%
Keenan (Retirees Health Insurance Benefit)	49,000	36,000	13,000	36,000	136.1%
Benefit Consultant (County Retirees Medical)	63,000	73,500	(10,500)	126,000	50.0%
Total Benefits	179,254	176,700	2,554	277,000	64.7%
Human Resources					
Lakeside Group (County Personnel)	44,917	45,500	(583)	77,000	58.3%
Total Human Resources	44,917	45,500	(583)	77,000	58.3%
Internal Audit					
IDEA Consulting for software	-	3,000	(3,000)	3,000	0.0%
Peer Review - Internal Audit Quality	2,881	3,000	(119)	3,000	0.0%
Total Internal Audit	2,881	6,000	(3,119)	6,000	0.0%
Total Consultant Fees - Operations	$ 227,052	$ 228,200	$ (1,148)	$ 360,000	63.1%
Total Consultant Fees - Operations	**$ 227,052**	**$ 228,200**	**$ (1,148)**	**$ 360,000**	63.1%
ACTUARIAL FEES					
Actuarial fees (562-00-005)	196,227	211,600	(15,373)	311,000	63.1%
GASB 67 & 68 Valuation (562-00-005)	18,500	26,250	(7,750)	45,000	41.1%
GASB 74 & 75-Actuarial (562-00-005)	7,560	7,560	-	13,000	58.2%
Actuarial fees-SRBR (562-00-007)	39,000	39,000	-	39,000	100.0%
Total Actuarial Fees	$ 261,287	$ 284,410	$ (23,123)	$ 408,000	64.0%
EXTERNAL AUDIT					
External audit (562-00-004)	123,936	123,000	936	123,000	100.8%
GASB 67 & 68 (562-00-004)	11,388	12,000	(612)	12,000	94.9%
GASB 74 & 75-External Audit (562-00-004)	10,676	11,000	(324)	11,000	97.1%
Total External Audit Fees	$ 146,000	$ 146,000	$ -	$ 146,000	100.0%
[2] *Legal Fees*					
Manatt, Phelps & Phillips ***(Fiduciary Counseling)***	-	70,000	(70,000)	121,000	0.0%
Nossaman, LLP	51,558	-	51,558	-	0.0%
Tax and Benefit Issues					
Hanson, Bridgett, LLP	1,030	24,500	(23,470)	42,000	2.5%
Reed Smith	4,843	-	4,843		0.0%
Employment ***Litigation and Securities***	-	38,500	(38,500)	66,000	0.0%
Pension Reform					
Reed Smith (ACD Sheriff's)	31,883	-	31,883	-	0.0%
Contingency Fees - Misc.					
Confidential Investigation:					
Baker Hostetler	3,981	-	3,981	-	0.0%
Byers/Richardson	980	-	980	-	0.0%
Kroll LLC	2,270	-	2,270	-	0.0%
Meyers/Nave Professional Law Corporation	4,988	-	4,988	-	0.0%
John L. Williams	-	-	-	-	0.0%
Amy Oppenheimer	-	-	-	-	0.0%
West Coast Workplace Investigation	-		-	-	0.0%
Total Legal Fees	$ 101,532	$ 133,000	$ (31,468)	$ 229,000	44.3%

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 5, 2018

TO: Members of the Operations Committee

FROM: Margo Allen, Fiscal Services Officer

SUBJECT: **2018 Board of Retirement Election**

During 2018 an election is being conducted for the second member to represent the general membership of ACERA on the Board of Retirement.

The Registrar of Voters (ROV) will manage the vote-by-mail portion of the election. The ROV's scope of services include ballot programming services, ballot printing and assembly, mailing of the ballots, crediting of returned ballots from voters, and counting and remaking of the ballots. As with all elections conducted by the ROV, ballots will be mailed to the eligible voter's home address.

2018 Board of Retirement Election Calendar

- **Notice of Election** began on July 16 and ended on August 10
- **Nomination Period** began on August 13 and ends on September 10
- **Review Period of the candidate statements** begins on September 12 and ends on September 21
- **What's Up Newsletter – Election Edition** will be mailed to the general members on October 29
- **Ballots will be mailed** on November 5 to the active and deferred general members
- **Election period** is between November 5 and December 19
- **End of the election** and deadline for ballots to be returned to the ROV is on December 19 at 5:00 pm
- **Ballots will be counted** on December 20 beginning at 9:00 am at the ROV's office
- **Election results** will be announced on December 20 at the board meeting

Staff will provide a report on the certified candidates at the October 3, 2018 Operations Committee.

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 5, 2018

TO: Members of the Operations Committee

FROM: Kathy Foster, Assistant Chief Executive Officer KFoster

SUBJECT: **Managed Medical Review Organization (MMRO) Update**

As requested by the Operations Committee, the attached information regarding disability applications processed by Managed Medical Review Organization (MMRO) will be presented at the September Operations Committee meeting. Also attached is information regarding MMRO's staff modeling and process. This will also be reviewed to provide a broader understanding of the roles and work produced by MMRO.

Attachments

Status Report on Managed Medical Review Organization (MMRO)

Operations Committee Meeting

September 5, 2018

– Kathy Foster

MMRO Performance – Standard Cases

Duration of time to review, exhibit, conduct member outreach before disability packet is distributed to applicant and employer for comment review period	Average 69 days
Duration of time from completion of comment period to production and receipt of medical recommendation report	Average 28 days

*Note: Cases included in average numbers did not need an Independent Medical Examination (IME)

MMRO Performance (continued)

Completed Cases • Backlog Cases – 43 • Current Cases – 30	73
Cases in Progress	9

Non-Standard Cases

Type of Cases	Number
Cases in need of IME or IPE ➢ These cases will take longer to process due to scheduling of examinations, receipt of report, review time of parties and final completion of medical recommendations	6
Employer Filed Applications ➢ These cases will take longer to process due to additional information needed to make a determination. One member is unwilling to participate in the process and the other is having difficulty making scheduled appointments	2
Contested Cases ➢ The recommendation for these cases are being contested by the employer and anticipated to be scheduled for hearing	2

Managed Medical Review Organization (MMRO)

Staffing Model and Process

Please note that the below narrative is only intended to provide a high-level conceptual narrative of the type of service MMRO is able to provide.

ACERA STAFFING MODEL

• Physician Medical Consultant (PMC)
As a specialized medical consultant to a disability retirement claim, a PMC will perform applicable claim review functions review and submission of a comprehensive narrative report (Disability Recommendation Report) to the Board containing a medical opinion as to whether the disability recipient continues to be physically or mentally incapacitated for the position held by his/her when retired for disability, serve as "Medical Advisor" to the Board, which services shall include providing advice to the Board at Board Meetings and provision of expert testimony at Disability Hearings (in-person or telephonically).

• Disability Nurse Case Manager (NCM)
The Disability Nurse Case Manager (NCM) will be a Registered Nurse Clinician (RN). The Disability NCM will be charged with managing and adjudicating ACERA claims and will be involved in all aspects of the oversight and completion of the entire disability retirement claim management lifecycle. It is the Disability NCM's responsibility to ensure an efficient, timely, and complete disability retirement claim management process.

• Claims Liaison
The Claims Liaison will have responsibility of the administrative oversight of ACERAs Medical Advisor Services & Disability Claims Management Services process. The Claims Liaison monitors the coordination of the clinical triage workflow process, which includes, but is not limited to client/member/medical service providers/employers/third party administrators of workers' compensation programs outreaches, coordination of medical record requests, preparing disability packet prior to application being deemed complete, facilitate review period after application is deemed complete, facilitate referral to evidentiary hearing phase and administrative support to MMROs clinical staff by assisting with projects and work flow development, as deemed necessary.

• Medical Assessment Specialist
The Medical Assessment Specialist has responsibility for the administrative oversight of the Independent Medical Evaluations, Independent Psychiatric Evaluations and Specialist Medical Reviews performed.

• Independent Medical Evaluators (IME/IPE)
Independent Medical/Psychiatric Evaluators (IME/IPE) will be utilized, when applicable, during the disability retirement claim review process. The use of an IME or IPE will be used for further claim analysis to address clinical, functional and/or causative factors/inconsistencies.

• **Specialist Medical Review (SMR):** Only when deemed necessary as part of the disability retirement claims process (when applicable) MMRO will engage a Specialist Medical Reviewer(s) for claims that require further clinical review by a medical specialist(s) in the area(s) of medical expertise most applicable to the alleged disabling condition(s). The Specialist Medical Reviewer plays an integral role in the disability retirement claims process in assisting with analyzing support for the claimant's medically supported impairment and resulting functional restrictions/limitations.

DISABILITY RETIREMENT CLAIMS PROCESS

1. **Case Initiation:** MMRO will receive the completed Disability Packet, including all additional relevant information received from ACERA via MMRO's secure web-portal.

2. **Employee's Essential Job Functions (EFJA):** The MMRO Claims Liaison will review the applications to confirm the EFJA was submitted as part of the Disability Packet. If no EFJA was available from the Employer or Department when the applicant applied, MMRO will request the EFJA from the member's Employer or Department.

3. **Disability Claim Analysis:** The Disability Packet will be assigned to an ACERA dedicated Disability Nurse Case Manager (NCM) who is responsible for initiating the clinical review process and determining the appropriate Disability Claim Category. Clinical outreach by the Disability NCM is made, if applicable, to the disability retirement applicants, members, medical service providers, employers, legal counsel for the parties, third party administrators of Workers' Compensation programs, medical experts, and ACERA staff to clarify and/or confirm information received.

4. **Review Period and Comment Papers:** The Claims Liaison (CL) will facilitate the Review Period and Comment Papers after the application is deemed complete. The CL will distribute the Disability Packet to the Applicant and Employer for comment and final review.

5. **Disability Claim Category:** Once all relevant information has been received and analyzed, the Disability NCM will then determine Disability Claim Category:

    a. **Category I** - If the disabling condition(s) is of such clinical significance that the disability standard is clearly met, the Disability NCM will determine this claim to be a Category I and approval of the disability benefit recommendation will be presented to the Physician Medical Consultant(s) and/or MMRO Medical Director.

b. **Category II** - Clinical analysis results in the condition appearing to be very likely disabling, however, additional information may be required before a final decision is made as to how to proceed. All Category II pathways lead to either a Category I or Category III claim decision after further investigation and analysis. Further clinical analysis at this stage is dependent on the unique clinical factors of the claim.
c. **Category III** - When a potentially disabling condition does not meet the Category I or Category II threshold, it is assigned a Category III disability retirement claim pathway for which disability does not appear to be supported. This pathway is designated for those allegedly disabling conditions that cannot be substantiated based on clinical review of the claim documentation and the clinical outreach efforts during clinical triage. A disability benefit recommendation of disapproval will be presented to MMROs Clinical Escalation Committee (CEC).

6. **Medical Assessment Determination:** Under a Category III claim pathway, when approval cannot be recommended, a form of medical assessment is therefore required for further claim analysis. The Disability NCM will identify the type of medical assessment required. The Disability NCM will then determine the appropriate physician specialty type and refer the case for the appropriate medical assessment(s).

7. **Medical Assessment Process (if applicable**): MMROs Medical Assessment Coordinator will outreach to the disability retirement applicant referred for an Independent Medical Assessment (IME/IPE/FCE/SMR. This is an administrative position created for the purpose of assisting applicants throughout the Medical Assessment process. The initial call is to inform the applicant of the Independent Medical Assessment referral and to provide further explanation of what the applicant can expect as part of the Independent Medical Assessment process Applicants are provided direct contact information to the Medical Assessment Coordinator to assist them during the medical assessment process.

8. **Clinical Escalation Committee:** The Clinical Escalation Committee (CEC) is an MMRO Corporate Claim Standard. The CEC is comprised of the client assigned clinical staff, MMROs Executive Medical Director and/or Associate Medical Director. The CEC meets for the express purpose of a multi-dimensional claim analysis to include open sharing and discussion of disability retirement claims, mainly those considered to be disapproved, but also for clinically complex cases requiring further analysis and Medical Director counseling.

9. **Case Closure:** Once a disability retirement claims decision has been made, the Disability NCM completes Case Closure activities, including reviewing the entire case for accuracy and completeness, identification of disability benefit recommendation, identification of Annual Review (Periodic Review) frequency, if applicable, and formulation of a ACERA specific Disability Benefit Recommendation Report. The Disability NCM forwards recommendation report to Medical Advisor for review of recommended grant or denial of the disability retirement claim.

10. **Disability Benefit Recommendation:** The final draft Disability Benefit Recommendation Report, along with the indexed claim file, will be available to ACERA via MMRO's web portal within one (1) business day of the recommendation. MMRO will obtain A CERA's final disability benefit determination for tracking and trending purposes and set the Periodic Review schedule.

11. **Periodic Disability Retirement Claim Review (Annual Reviews):** If requested, MMRO would provide Periodic Reviews (Annual Reviews) for ACERA. Despite the permanent nature of approved disability retirement claims it is crucial that a claims monitoring process be in place to analyze ongoing eligibility. The Periodic Review (Annual Review) cycle of a disability retirement claim should always be determined by the unique clinical features of the disabling condition(s). The review can also be made when the initial provider's information provides guidance on when the disabling condition may change (such as following surgery) and to confirm continued treatment. These claims should have a comprehensive, industry-based claim analysis of continued eligibility utilizing the most current medical data (and non-medical data) in the disability retirement claims analysis.

Disability Application Process and MMRO Integration

Task	Frequency	Brief Description of Current Task/ACERA Processing	Current Time to Perform (per case)	If Change to MMRO, Who Will Perform?	Comments
Review of disability application	Weekly	Review application, medical records, and other documents submitted by applicant. Apply ACERA's Disability Retirement Procedures and Gov. Codes to determine eligibility and whether application is complete and can be accepted.	4 hrs.	ACERA	Retirement Specialist conducts initial review and determines if sufficient evidence is provided to accept application.
				MMRO	With MMRO, the Disability Packet will be assigned to an ACERA dedicated Disability Nurse Case Manager (NCM) who is responsible for initiating the clinical review process and determining the appropriate Disability Claim Category. Clinical outreach by the Disability NCM is made, if applicable, to the applicants, medical service providers, employers, legal counsel for the parties, third party administrators of Workers' Compensation programs, medical experts, and ACERA staff to clarify and/or confirm information received.
Obtain follow-up records if needed	Varies	If needed, request additional medical records, agency department statement form and pre-employment record, EFJA.	Varies (30 days)	ACERA	Retirement Specialist will reach out based on determination of needed documents.
				MMRO	The clinical triage process allows the Disability NCM to interact with the applicant and the treating physician(s) to clinically assess pertinent information. MMRO recognizes that a Demand for Additional Information from the Member, may, by written notice to the Member, require that the Member serve additional documentation within thirty (30) days. Additional evidence or supporting information, including, but not limited to: documentation needed to determine disability, medical condition, status of injury, and Workers' Compensation records to ensure a complete and comprehensive claim file.
Exhibiting	Weekly	Preparation of Disability Application Packet: organizing documents chronologically including application and employer statements. Medical records and supporting documents are cataloged and scanned using Bates numbering and file stamping.	4-14 days	MMRO	The MMRO Claim Liaison (CL) is an administrative position whose overarching purpose in the claims process is to assure the disability retirement applicant that MMRO is in receipt of their Disability Packet and to set expectations for the claim adjudication process (i.e., MMRO's turnaround times, what to expect, field questions from the applicant, and provide contact information to the applicant, etc.).
Review the disability packet	Weekly	Review/verify disability packet for completeness.	2 hrs.	MMRO	The Disability NCM will be a Registered Nurse Clinician (RN). The Disability NCM will be charged with managing and adjudicating ACERA claims and will be involved in all aspects of the oversight and completion of the entire disability retirement claim management

Task	Frequency	Brief Description of Current Task/ACERA Processing	Current Time to Perform (per case)	If Change to MMRO, Who Will Perform?	Comments
					lifecycle. Once all relevant information has been received and analyzed, the Disability NCM will then determine Disability Claim Category.
Write/verify letters	Daily	Communication via letters; emails to applicant, attorney, employer, all other parties; requesting information, and giving updates during entire disability application process (8-15 months).	1 hr.	MMRO	The CL will have responsibility of the administrative oversight of ACERA's Medical Advisor Services & Disability Claims Management Services process. The CL monitors the coordination of the clinical triage workflow process, which includes, but is not limited to client/member/medical service providers/employers/third party administrators of Workers' Compensation programs and outreaches, coordination of medical record requests, and preparing disability packet prior to application being deemed complete.
Comment paper process	Weekly	Create letter providing parties opportunity of up to 30 days to review the complete Disability Packet. If comments or additional records are received, then those must be exhibited into the file/packet and circulated back to the parties for additional comments.	1 hr.	MMRO	The CL will facilitate the review period and comment paper after the application is deemed complete. The CL will distribute the Disability Packet to the applicant and employer for comment and final review. The employer and/or applicant shall provide comments on the Disability Packet which shall be subsequently used by MMRO as part of the disability claim review process. The parties shall have thirty (30) days to review the record contained in the Disability Packet before it is submitted to the Medical Advisor (MA). The CL will receive and add commentary or additional information to finalize the Disability Packet during the thirty (30) day review period.
Independent review	As Needed	If MA requests an independent review, contact IME, send notices and Disability Packet to IME. Contact applicant to arrange appointment time. Determine reimbursement of member expenses, if necessary.	1 hr.	MMRO	Medical Assessment Process (if applicable): MMRO's Medical Assessment Coordinator will outreach to the disability retirement applicant referred for an independent medical assessment (IME/IPE/FCE/SMR) within one (1) business day of the referral. This is an administrative position created for the purpose of assisting applicants throughout the medical assessment process. The initial call is to inform the applicant of the independent medical assessment referral and to provide further explanation of what the applicant can expect as part of the independent medical assessment process. Applicants are provided direct contact information to the Medical Assessment Coordinator to assist them during the medical assessment process. IME/IPE will be utilized, when applicable, during the disability retirement claim review process. The use of an IME or IPE will be used for further claim analysis to address clinical, functional and/or causative factors/inconsistencies. The most frequent use of an IME

Task	Frequency	Brief Description of Current Task/ACERA Processing	Current Time to Perform (per case)	If Change to MMRO, Who Will Perform?	Comments
					or IPE as part of a disability retirement claim is when: 1) there is a clear disconnect between medical/claim records and information received from the claimant and/or treating doctor; or 2) there is strong support for a potential denial and there is a clinical basis for further physical exam findings to support/deny that assumption; or 3) when there is a clear disconnect or dis-correlation in the medical evidence of the claim file, including the clinical, functional and/or causative factors of the claim; or 4) there is a strong sense of malingering or secondary gain.
MA review and recommendation		Disability Packet is reviewed by ACERA's MA. Report on findings of whether or not there is a disability condition and if it is service or non-. service connected is provided for Board recommendation and action.	45 days	MMRO	Clinical Escalation Committee (CEC): the CEC is comprised of the client assigned clinical staff, MMRO's Executive Medical Director and/or Associate Medical Director. The CEC meets for the express purpose of a multi-dimensional claim analysis to include open sharing and discussion of disability retirement claims, mainly those considered to be disapproved, but also for clinically complex cases requiring further analysis and Medical Director counseling. This venue provides an opportunity for staff to discuss all clinical aspects of a claim and receive input and direction from peers and MMROs Medical Director(s). Case Closure: once a disability retirement claims decision has been made, the Disability NCM completes Case Closure activities, including reviewing the entire case for accuracy and completeness, identification of disability benefit recommendation, identification of annual review (periodic review) frequency, if applicable, and formulation of an ACERA specific Disability Benefit Recommendation Report using the ACERA plan definition of disability. The Disability NCM forwards recommendation report to MA for review of recommended grant or denial of the disability retirement claim. Physician Medical Consultant (PMC) - As a specialized medical consultant to a disability retirement claim, a PMC will perform applicable claim review functions and submission of a comprehensive narrative report (Disability Recommendation Report) to the Board containing a medical opinion as to whether the disability recipient continues to be physically or mentally incapacitated for the position held by him/her when retired for disability, serve as "Medical Advisor" to the Board, which services shall include: providing advice to the Board at Board meetings and

Task	Frequency	Brief Description of Current Task/ACERA Processing	Current Time to Perform (per case)	If Change to MMRO, Who Will Perform?	Comments
					provision of expert testimony at Disability Hearings (in-person or telephonically), and act as a member of MMRO's Clinical Escalation Committee.
MA's recommendation process	Weekly	Once MA recommendation is received and reviewed, provide copies to applicant and employer. If recommendation is uncontested, action to approve is placed on Board calendar. If contested, the hearing process will begin. Case then goes to Legal to facilitate.	2 hrs.	MMRO	Disability Benefit Recommendation: the final draft Disability Benefit Recommendation Report, along with the indexed claim file, will be available to ACERA via MMRO Access Point the portal system within one (1) business day of the recommendation. MMRO will obtain A CERA's final disability benefit determination for tracking and trending purposes and set the periodic review schedule.
				ACERA	Staff obtain report from portal and provide to applicant and employer.

MEMORANDUM TO THE OPERATIONS COMMITTEE

DATE: September 5, 2018

TO: Members of the Operations Committee

FROM: Kathy Foster, Assistant Chief Executive Officer

SUBJECT: **Service Retirement Application Process Improvement Project Update**

Staff will present the project team's analysis and results of their effort to optimize the service retirement application process.

Attachment

Retirement Application Process Improvement Project

Operations Committee Meeting

September 5, 2018

– Kathy Foster

– Sandra Dueñas-Cuevas

– Mustafa Miakhail

Project Team Members

- Jason Chu – Retired Unit
- Marcia DeNave – Active Unit
- Cristina Peña – Legal Dept.
- Brehanna Ramirez – Communications Dept.
- Thuhang Hoang – Active Unit Assistant Benefits Manager

Project Team Lead:

- Mustafa Miakhail

Project Sponsors:

- Kathy Foster
- Sandra Dueñas-Cuevas

Facilitators:

- Margo Allen
- Rick Tucci

Project Timeline

- Project launched in November 2018
- Recommendation presented to Senior Leadership Team in January 2018
- Active Unit trained in March 2018
- New process implemented in April 2018

Challenge of Processing First Retirement Payment

In order to meet the 60-day or faster mandate, ACERA uses "Partial Payment" processes to get around two constraints to making a full payment from the start:

- Final retiree payment data from the employer is not available for two to four weeks from the retirees' last pay date
- Retirees may not sign-off immediately on their preferred option for Final 100% Retirement Payment Allowance

What's Wrong with this Approach?

- Applications are processed TWICE – once for Partial Payment and then for Final Payment

- Retirees ready to make final payment decisions may wait up to three to six months before their Retirement Application is re-processed for 100% payment

- When demand increases, backlogs of Retirement Applications waiting for finalization grow, leading to a catch-up mode of operation for Benefits Department, creating pressure, potential mistakes and pressure on Staff

ACERA's Past Retirement Application Process

SCREENING & COUNSELLING

Take Call from Prospective Retiree → Mail Application Packet & Schedule Counseling Appointment → Conduct Counseling Session & Identify Term Date and Issues → Enter Application into System, Send out Missing Info Letter, Wait for Term Date → Add to Open Applications List

80% PAYMENT PROCESSING

Assign Specialists to Applications → Confirm Member Term Date → Calculate & Verify 80% Payment Amount → Process Health Coverage → Post to Payroll and Verify Changes → Cut 80% Payment & Issue Confirmation Letter to Retiree

80% check in Retiree's hands in no less than ~ 30 days and no more than ~ 60 days … *meeting expectations most of the time.*

100% PAYMENT PROCESSING

Resolve Application issues → Escalate & Resolve Problem Cases → Calculate 100% Payment Options & Generate Allowance Agreement → Mail Agreement to Member and Wait for Signature → Received Signed Agreement & Process for 100% Payment

100% Check in Retiree's Hands within ~ 90* days from Term Date, longer in some cases due to certain issues

ACERA's Past Retirement Application Process Performance Summary

- We were meeting the 45-day or faster expectation to get a first check to new retirees
- We experienced backlogs of applications needing 100% processing, that increased during surge periods
- We struggled to balance the demand for processing 80% payments vs. resolving 100% cases, leading to many cases waiting for resolution longer than necessary
- We struggled with effectively training and assigning Staff work given complexity involved in processing 80% and 100% payments while managing cases of varying difficulty levels

Vision for Improvement

Standardize the process and empower Active Unit Staff with time, training, and tools to execute consistently to standard timeframes:

SCREENING & APPOINTMENT SCHEDULING	**Utilize standard call scripts, checklist and education materials to reduce the burden of conducting counselling sessions and processing applications for “non-ready” Members.**
COUNSELLING	**Implement pre-appointment review of application requirements, projected final benefit calculation, upfront Member signature on election choice, and two-week allowance for member to complete missing information to increase number of applications ready for 100% payment.**
PAYMENT PROCESS SCHEDULING	**Install Master Application Processing Scheduler Role and Calendar Tool to ensure every application is scheduled for processing during specific calendar periods. Adjust schedule to due dates and work loads.**
100% PAYMENT PROCESSING	**Process 100% Payments only when application file is complete. Adhere to a standard process flow in order to increase capacity to make 100% payments in no more than 45 days.**
80% PAYMENT PROCESSING	**Treat 80% Payments as exceptions and standardizing the process for resolving application problems will speed processing of complex/problem applications to 100% payment to ~60 to ~80 days and eliminate backlogs.**
PAYROLL PROCESSING	**Utilize weekly check runs to eliminate 30-day unnecessary lag in check release.**

ACERA's New Retirement Application Process: Redesign for Immediate 100% Payment

SCREENING & APPOINTMENT SCHEDULING

1. Screen & Qualify Requests for Appointments →
2. Schedule Counselling Appointments

COUNSELLING

3. Complete Pre-Appointment Assessment →
4. Confirm Appointment or Reschedule →
5. Conduct Counselling Session →
6. Resolve Application Issues *(If Needed)* →
7. Confirm Application for 100% or 80% Processing & Submit for Scheduling

PAYMENT PROCESS SCHEDULING

8. Confirm Term Date for Member with Employer →
9. Schedule into Master Calendar for Payment Processing

→ 100% PAYMENT PROCESS

→ 80% PAYMENT PROCESS *(Exceptions)*

ACERA's New Retirement Application Process: Redesign for Immediate 100% Payment (continued)

100% PAYMENT PROCESSING

- **10a.** Secure Final Payroll Data From Employer →
- **10b.** Complete One-Pass 100% Payment Calculation and Confirmation →

PAYROLL PROCESSING

- **12.** Verify Payroll Set-Up →
- **13.** Issue Verify Final Allowance Confirmation Letter

First 100% Payment in Retiree's hands in no more than ~45 from last employer paycheck

ACERA's New Retirement Application Process:
80% Payment Exceptions Only

80% PAYMENT PROCESSING (Exceptions)

11a.
Complete One-Pass 100% Payment Calculation and Confirmation

→ PAYROLL PROCESSING

80% Payment in Retiree's hands in 45 days

Resolve Outstanding Application Issues → Send File for 100% Payment Processing → 100% PAYMENT PROCESSING → PAYROLL PROCESSING

100% Payment in Retiree's hands in no more than ~80 days from Term Date depending on payroll posting period

ACERA Retirement Application Process Improvement Summary

Adopting the proposed improvements has enabled ACERA to:

- Reduce the backlog of Retirement Applications waiting for 100% payment; 100+ (as of September 2017 to April 2018)
- Offer new retirees the opportunity to receive 100% payment at no more than 45 days from last employer paycheck; on average 35
- Provide the means to manage exception cases (applications with missing data and complex decisions) in a controlled fashion that results in continuation 80% payment within 30 to 45 days of termination date and 100% payment within 80 days
- Over first three months of using new process, only 14% of new retirees were placed on 80%