



October 1, 2014

To: Members of the Budget Committee
From: Ophelia Basgal, Chair
Subject: **Summary of the October 1, 2014 Budget Committee Meeting**

Budget Committee Chair Ophelia Basgal called the October 1, 2014 Budget Committee Meeting to order at 1:00 p.m. Committee members present were Ophelia Basgal, Chair, Keith Carson, George Dewey, Elizabeth Rogers, and George Wood. The other Board members present were, Dale Amaral, Annette Cain-Darnes, Liz Koppenhaver, Alternates David Safer and Darryl Walker. Staff present were Vince Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Margo Allen, Fiscal Services Officer; Betty Tse, Chief Investment Officer; Harsh Jadhav, Chief of Internal Audit; Victoria Arruda, Human Resource Officer; Rose Kwong, Benefits Manager; Latrena Walker, Project and Information Services Manager; Marguerite Malloy, Associate Counsel; and Lori Schnall, Associate Counsel.

ACTION ITEM

1. Discussion and possible motion to adopt the Proposed ACERA Organizational Restructure

Based on feedback and input at the September 3, 2014, Operations Committee meeting and discussions between the CEO and the Board Chair. Vince Brown, Chief Executive Officer, presented his October 1, 2014 memo which outlined Staffs' *modified* ACERA Organizational Restructure proposal. The *modification* establishes a new Chief Deputy Chief Executive Officer (CDCEO) position to be funded for a four (4) month period in 2015.

Staffs' *modified* Restructure also included the following recommendations:

- The current structure for the Assistant Chief Executive Officer (ACEO) Benefits position will remain unchanged for 2015;
- Recommended \$50,000 in funding for the vacant Compliance Officer position in the Legal Department for a four (4) month period in 2015; and
- The Communications Manager reporting to the CDCEO.

Mr. Brown reported that the proposed Chief Planning, Policy, and Compliance position has been tabled.

It was noted that the proposed 2015 Budget will not be significantly impacted because Staff will use monies from ACERA's de-funded positions to fund the proposed CDCEO, and vacant Chief Counsel and Compliance Officer positions. The timing issue will be addressed in December 2015.

After discussion, it was moved by George Dewey and seconded by Elizabeth Rogers that the Budget Committee recommends to the Board of Retirement that the Board adopt Staff's *modified* proposed ACERA Organizational Restructure.

The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

2. Discussion and possible motion to adopt the Proposed Draft 2015 Operating Expense Budget and Three-Year Business Plan

Vince Brown, Chief Executive Officer, presented a high-level overview of ACERA's proposed 2015 Operating Expense Budget of **\$20.5 million** and Three-Year Business Plan.

Mr. Brown reported that the proposed 2015 Budget is \$1.8 million more, or 9.7% greater, than the Board approved 2014 Budget of \$18,732,000.

Margo Allen, Fiscal Services Officer, outlined the process for the development of ACERA's proposed 2015 Budget and how Staff arrived at its \$20.5 million proposed Budget.

Ms. Allen presented a broad overview of the proposed 2015 Budget highlighting the assumptions and reported that the proposed 2015 Budget is 5.9% over its baseline Budget. After discussion, the Committee directed Staff to include: a breakdown of the 54% fringe benefit rate, a "percentage increase" column, and a breakdown of Staff development expenses.

The Senior Managers presented an overview of their individual Departmental Budgets and recommendations. Some of the highlights included adding two (2) permanent positions in the Benefits Department and enhancing the Benefits Department Web Member Services program, increases in Staff development/salaries, and enhancing software for the Audit and PRISM Departments.

It was moved by George Dewey and seconded by Elizabeth Rogers that the Budget Committee recommend to the Board of Retirement that the Board review the proposed draft 2015 Operating Expense Budget and Three-Year Business Plan and make recommendations and/or provide suggestions and/or comments to the Board for discussion at the Board Off-Site.

The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson Dewey, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

3. Discussion and possible motion to regarding ACERA Budget Policy

As directed by the Board and Operations and Budget Committee Chairs, Staff made revisions to the *Budget Committee Charter*, *Chief Executive Officer Job Description and Delegation of Authority*, and *Board Travel Policy*. Vince Brown, CEO, presented his October 1, 2014 memo with the revised Charter/Policies. Also contained in Mr. Brown's memo were the following Budget related Board Policies/documents:

- 1) *Board of Retirement Charter*, 2) *Board Operations Policy*, 3) *Committee Operations Policy*, 4) *Service Provider Policy*, 5) *November 2, 2011, CEO Memo-ACERA Budget: Review of Policies and Procedures and Potential Changes*.

Staff proposed the following revisions:

Budget Committee Charter: Staff recommended adding language to the Charter that the CERL authorizes the BOR to annually adopt a budget covering the entire expense of the administration of the retirement system taking into account those expenses that are specifically excluded. The Committee agreed with Staff's suggestion and recommended adding language to number five (5) that the Committee will review Contingency Fund requests and make recommendations to the Board "that are above the Chief Executive Officer's delegated threshold authority to establish a Contingency Fund."

It was moved by George Dewey and seconded by Keith Carson that the Budget Committee recommend to the Board of Retirement that the Board renew the Budget Committee Charter, with revisions, as recommended by the Staff and Committee.

The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

CEO Job Description and Delegation of Authority: Staff recommended adding language that the CEO shall establish Budget Contingency Funds to address one-time increases in workload due to a new law or judicial decision. The Committee agreed with Staff's recommendation and added the following language to section I.(C) "The Chief Executive Officer's threshold authority to establish a contingency fund is limited to estimated savings within the annual budget. The Chief Executive Officer must submit a request to the Board for approval of any contingency fund that exceeds the delegated threshold."

It was moved by George Dewey and seconded by Keith Carson that the Budget Committee recommend to the Board of Retirement that the Board renew CEO Job Description and Delegation of Authority, with revisions, as recommended by the Staff and Committee.

The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

Board Travel Policy: Staff recommended adding language in Section III (C) to increase the travel allotment to **\$12,360** for each Trustee in accordance with the *Consumer Price Index (CPI)* for the greater San Francisco Area. Staff further recommended that the annual cap automatically adjust each January 1 based upon the CPI. The Committee agreed with Staff's suggestions.

It was moved by George Dewey and seconded by Keith Carson that the Budget Committee recommend to the Board of Retirement that the Board renew the Board Travel Policy, with revisions, as recommended by the Staff and Committee.

The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

INFORMATION ITEMS

- None

RECOMMENDATIONS

- The Committee recommends, and I move that the Board of Retirement adopt Staff's *modified* proposed ACERA Organizational Restructure.
- The Committee recommends, and I move that the Board of Retirement review the proposed draft 2015 Operating Expense Budget and Three-Year Business Plan and make recommendations and/or provide suggestions and/or comments to the Board for discussion at the Board Off-Site.
- The Committee recommends, and I move that the Budget Committee recommend to the Board of Retirement that the Board renew the Budget Committee Charter, with revisions, as recommended by the Staff and Committee
- The Committee recommends, and I move that the Budget Committee recommend to the Board of Retirement that the Board renew CEO Job Description and Delegation of Authority, with revisions, as recommended by the Staff and Committee.
- The Committee recommends, and I move that the Budget Committee recommend to the Board of Retirement that the Board renew the Board Travel Policy, with revisions, as recommended by the Staff and Committee.

TRUSTEE/PUBLIC INPUT

- None

FUTURE DISCUSSION ITEMS

- Review and approval of the proposed 2015 Operating Expense Budget.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for November 20, 2014 at 1 p.m.

MEETING ADJOURNED

The meeting adjourned at 2:42 p.m.