



Alameda County Employees' Retirement Association
BOARD OF RETIREMENT

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.

Thursday, November 8, 2018
2:00 p.m.

LOCATION	BOARD OF RETIREMENT - MEMBERS	
ACERA C.G. "BUD" QUIST BOARD ROOM 475 14 TH STREET, 10 TH FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574	TARRELL GAMBLE CHAIR	APPOINTED
	GEORGE WOOD FIRST VICE-CHAIR	ELECTED GENERAL
	HENRY LEVY SECOND VICE-CHAIR	TREASURER
	DALE AMARAL	ELECTED SAFETY
	OPHELIA BASGAL	APPOINTED
	KEITH CARSON	APPOINTED
	JAIME GODFREY	APPOINTED
	LIZ KOPPENHAVER	ELECTED RETIRED
	ELIZABETH ROGERS	ELECTED GENERAL
	NANCY REILLY	ALTERNATE RETIRED ¹
	DARRYL L. WALKER	ALTERNATE SAFETY ²

¹ Alternate Retired Member (Votes in the absence of the Elected Retired Member, or, if the Elected Retired Member is present, then votes if both Elected General members, or the Elected Safety Member and an Elected General member, are absent.

² Alternate Safety Member (Votes in the absence of (1) the Elected Safety, (2) either of the two Elected General Members, or (3) both the Retired and Alternate Retired members).

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.

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

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

1. **CALL TO ORDER:**
2. **ROLL CALL:**
3. **REVIEW AND APPROVAL:** Minutes of the Regular Board Meeting:
October 18, 2018
4. **CONSENT CALENDAR:**
 - A. **APPLICATION FOR SERVICE RETIREMENT:**
Appendix A
 - B. **APPLICATION FOR RETIREMENT, DEFERRED:**
Appendix B
Appendix B-1
 - C. **APPLICATION FOR DEFERRED TRANSFER:**
Appendix C
 - D. **LIST OF DECEASED MEMBERS:**
Appendix D
 - E. **REQUESTS FOR 130 BI-WEEKLY PAYMENTS TO RE-DEPOSIT CONTRIBUTIONS AND GAIN CREDIT:**
Appendix E
 - F. **APPLICATION FOR DISABILITY RETIREMENT – NON CONTESTED ITEMS:**
Appendix F
 - G. **APPLICATION FOR DISABILITY RETIREMENT – HEARING OFFICER RECOMMENDATIONS:**
Appendix G
 - H. **APPROVAL OF COMMITTEE MINUTES:**
October 18, 2018 Audit Committee Minutes
October 18, 2018 Actuarial Committee Minutes
 - I. **MISCELLENIOUS MATTERS:**
None

-----End of Consent Calendar-----
(MOTION)

REGULAR CALENDAR
REPORTS AND ACTION ITEMS

5. A. DISABILITIES, CURRENT, RECOMMENDATIONS AND MOTIONS:
(Item(s) will be heard in Closed Executive Session)

- None.

B. DISABILITIES, CONTINUING, RECOMMENDATIONS AND MOTIONS:
(Item(s) will be heard in Closed Executive Session)

- None.

6. COMMITTEE REPORTS, RECOMMENDATIONS AND MOTIONS:

A. Investment:

1. Oral report of November 7, 2018 Investment Committee meeting
(Note: The formal written Investment Committee minutes will be included for approval on the December 20, 2018, Board Consent Calendar.)
2. Motion that the Board:
 - a. Approve a total investment of up to \$400 million (from ii and iii below) into the following three (3) State Street Global Advisors (SSgA) funds, as follows: (1) State Street Bloomberg Roll Select Commodity Index Non-Lending Fund (up to \$60 Million or 15%); (2) State Street S&P Global Infrastructure Index Non-Lending Common Trust Fund (up to 140 Million or 35%); and (3) State Street S&P Global LargeMidCap Natural Resources Index Non-Lending Fund (up to \$200 Million or 50%) as part of ACERA's Real Assets Portfolio's – Liquid Pool (Liquid Pool);
 - b. Fully redeem ACERA's investments in AQR Customized Real Return Offshore, Gresham eTAP, and Gresham TAP Funds for a combined redemption of (up to \$300 million) and infuse the entire redemption proceeds into the Real Assets Portfolio's Liquid Pool; and
 - c. Increase the Real Assets Portfolio to its approved 5% allocation of the Total Fund by rebalancing monies, as needed, from the Equities and Fixed Income asset classes (up to \$100 million) and infusing the entire amount into the Liquid Pool.
3. Motion that the Board approve an up to \$40 Million Investment in EQT Infrastructure IV in ACERA's Real Assets Portfolio – Infrastructure.

B. Budget:

1. Oral report of November 8, 2018, Budget Committee Meeting.
(Note: The formal written Budget Committee minutes will be included for approval on the December 20, 2018, Board Consent Calendar.)
2. Motion to approve the Proposed 2019 ACERA Operating Expense Budget.

7. OLD BUSINESS:

None.

8. NEW BUSINESS:

- A. Motion to adopt ACERA Interest Crediting Policy without revisions.
- B. Motion to adopt ACERA Actuarial Funding Policy without revisions.
- C. Discussion and possible motion to select potential dates for the 2019 Board Off-Site.
- D. Discussion and possible motion to select an Oversight Project Manager (OPM) for the Pension Administration System replacement project.
- E. **Operations Committee Information Item(s):**
 1. Quarterly Financial Statements as of September 30, 2018
 2. Operating Expenses as of September 30, 2018
 3. Quarterly Cash Forecast Report
 4. Board Member Conference Expense Report for 3rd Qtr. 2018
 5. Senior Manager Conference and Training Expense Report for 3rd Qtr. 2018
- F. Chief Executive Officer's Report.

9. CONFERENCE REPORTS/ORAL REPORTS:

10. ANNOUNCEMENTS:

11. PUBLIC INPUT:

12. BOARD INPUT:

13. CLOSED SESSION:

- A.** Government Code Section 54957(b)(1): Consider ACERA Chief Executive Officer's Annual Performance.

14. REPORT ON ACTION TAKEN IN CLOSED SESSION:

15. ESTABLISHMENT OF NEXT MEETING:

Thursday, December 20, 2018 at 2:00 p.m.

16. ADJORNMENT:

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

ACOLATSE, Ann E.
Effective: 9/8/2018
Sheriff's Office

FELDER, Crystal
Effective: 9/8/2018
Public Health

BRANDT, Juanita B.
Effective: 8/31/2018
Probation

FREEDMAN, Joyce M.
Effective: 9/8/2018
Health Care Services Agency

CAMERON, Maria
Effective: 1/13/2018
Alameda Health System

FUENTES, Eliane M.
Effective: 5/30/2018
First 5

CAMPBELL, Evon
Effective: 8/25/2018
Sheriff's Office

FUKUSHIMA, Dianne
Effective: 9/9/2017
Superior Court

CARLSON, James
Effective: 8/15/2018
Health Care Services Agency

HARRISON, Brenda F.
Effective: 8/24/2018
Social Services

CHARLES, Jeanne G.
Effective: 9/8/2018
District Attorney

HILL, Valerie
Effective: 8/25/2018
Social Services

CONTRERAS, Juan
Effective: 8/24/2018
General Services Agency

HUNTER, Darren
Effective: 8/4/2018
Health Care Services Agency

CROWDER, Robert
Effective: 8/25/2018
Alameda Health System

JUMONVILLE, Louis
Effective: 8/24/2018
Social Services

DeVITO, Michael
Effective: 9/1/2018
Health Care Services Agency

KEELING, Cheryl J.
Effective: 8/24/2018
Housing Authority

DINGEL, Earlemaire
Effective: 3/31/2018
DEFERRED

LAM, Hien My
Effective: 8/25/2018
Superior Court

ESPINOSA, Jesus G.
Effective: 4/1/2018
Information Technology Department

LIANG, Judy
Effective: 8/24/2018
Library

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

LICANO, Debra W.
Effective: 9/8/2018
Probation

SANCHEZ, Irmira
Effective: 8/11/2018
Board of Supervisors

MAGALLANES-ORDAZ, Carmen
Effective: 3/1/2018
Information Technology Department

SUAREZ, Wilfredo
Effective: 3/31/2018
General Services Agency

MCGRORY, ROBERT
Effective: 8/11/2018
Sheriff's Office

THOMAS-FOUSSENI, Deborah
Effective: 8/25/2018
Alameda Health System

NAGRAMP, Angela
Effective: 3/31/2018
Health Care Services Agency

WASHINGTON, Wanda L.
Effective: 4/1/2018
Alameda County Medical Center

NGUYEN, Hung
Effective: 6/30/2018
General Services Agency

WILLIAMSON, Kimberly A.
Effective: 8/11/2018
Sheriff's Office

NGUYEN, Nhung
Effective: 6/30/2018
General Services Agency

WILLIAMS-REDMON, Latresiya
Effective: 8/18/2018
Sheriff's Office

NORMAND, Dawn
Effective: 8/21/2018
Library

WOERGOETTER, Gerald R.
Effective: 9/1/2018
Public Works Agency

RICHARDSON, Ronald I.
Effective: 9/1/2018
Health Care Services Agency

WRIGHT, Leegretta
Effective: 8/25/2018
Social Services

RIZZO-SHUMAN, Mary
Effective: 8/10/2018
Housing Authority

YEE, Judy F.
Effective: 3/31/2018
Social Services

ROBINSON, Elliott C.
Effective: 8/11/2018
Social Services

**APPENDIX B
APPLICATION FOR DEFERRED RETIREMENT**

BERGER, Diana L. P.
Health Care Services Agency
Effective: 8/2/2018

SPLITTER-HUBBARD, Amy
Alameda Health System
Effective: 4/30/2018

LATORRE, Jory M.
Superior Court
Effective: 8/31/2018

STULTS, Robin S.
Social Services Agency
Effective: 2/1/2018

LEWIS, Mykeisha J.
Probation
Effective: 9/13/2018

TEJADA CASTILLO, Ana R.
Child Support Service
Effective: 2/28/2018

MONTANEZ, Lori
Alameda Health System
Effective: 7/13/2018

TERMINI, Scott L.
Sheriff's Office
Effective: 6/24/2018

MURRAY, Tracy L.
Social Services Agency
Effective: 8/7/2018

VAN ZANTEN, Jodie D.
ACERA
Effective: 4/12/2018

RIVERA, Karina
Board of Supervisors
Effective: 2/16/2018

WILLIAMS, Cassandra L.
Social Services Agency
Effective: 6/15/2018

SCHEAR, Tracey A.
Health Care Services Agency
Effective: 4/6/2018

**APPENDIX B-1
APPLICATION FOR NON-VESTED DEFERRED**

MILEY, Angelina P.
Assessor
Effective: 09/14/2018

**APPENDIX D
LIST OF DECEASED MEMBERS**

ALGA, Gene
General Services Agency
09/07/2018

AQUINO, Maria
Social Services Agency
01/07/2018

BEARD, Robert
Non member Survivor of Rosie Beard
07/26/2018

BERMAN, Paul
Social Services Agency
06/03/2018

BLANKENSHIP, King
Probation
09/26/2018

BRITTO, Rosalind C.
Superior Court
06/01/2018

CENTER, Claudette
Sheriff's Office
08/28/2018

CLARK, Barbara
Superior Court
07/03/2018

COOPER, Norman
Probation
09/06/2018

CROSBY, Josephine
Alameda Health System
08/24/2018

GUICE, Georgie
Non member Survivor of Lew Guice
01/26/2018

HARRIS, Albert
General Services Agency
06/11/2018

HOPKINS, Marilyn
Non member Survivor of William Hopkins
08/31/2018

HUYNH, Tran
Social Services Agency
08/23/2018

LAYTON, Carol
Superior Court
08/11/2018

LEIGHTON, Alan
Non member Survivor of Erma Leighton
04/09/2018

MILLER, Henry
General Services Agency
05/18/2018

OLIVER, Naomi
Social Services Agency
08/11/2018

RALPH, Kathryn
Probation
03/09/2018

SERALIE, Elizabeth
Assessor
07/21/2018



**ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MINUTES**

Thursday, October 18, 2018

Chair Tarrell Gamble called the meeting to order at 2:00 p.m.

Trustees Present: Dale Amaral
Ophelia Basgal
Tarrell Gamble
Jaime Godfrey
Henry Levy
Elizabeth Rogers
George Wood
Nancy Reilly (*Alternate*)
Darryl Walker (*Alternate*)

Trustees Excused: Keith Carson
Liz Koppenhaver

Staff Present: Margo Allen, Fiscal Services Officer
Victoria Arruda, Human Resource Officer
Angela Bradford, Executive Secretary
Sandra Dueñas-Cuevas, Benefits Manager
Harsh Jadhav, Chief of Internal Audit
Vijay Jagar, Retirement Chief Technology Officer, ACERA
Kathy Foster, Assistant Chief Executive Officer
Kathy Mount, Chief Counsel
David Nelsen, Chief Executive Officer
Betty Tse, Chief Investment Officer

18-120

The minutes of the regular meeting of September 20, 2018, were accepted on a motion, by Dale Amaral, seconded by George Wood approved by a vote of 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

CONSENT CALENDAR

REPORTS AND ACTION ITEMS

APPLICATION FOR SERVICE RETIREMENT

Appendix A

APPLICATION FOR RETIREMENT, DEFERRED

Appendix B

Appendix B-1

APPLICATION FOR DEFERRED TRANSFER

Appendix C

LIST OF DECEASED MEMBERS

Appendix D

REQUESTS FOR 130 BI-WEEKLY PAYMENTS TO RE-DEPOSIT CONTRIBUTIONS AND GAIN CREDIT

Appendix E

APPLICATION FOR DISABILITY RETIREMENT – NON-CONTESTED ITEMS:

Appendix F

APPLICATION FOR DISABILITY RETIREMENT – HEARING OFFICER RECOMMENDATIONS

Appendix G

APPROVAL COMMITTEE MINUTES

September 20, 2018 Governance Committee Minutes

MISCELLANEOUS MATTERS:

None

18-121

It was moved by George Wood seconded by Ophelia Basgal, and approved by a vote of 7 yes (*Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions that the following resolution is adopted (*Dale Amaral and Darryl Walker both recused themselves because one or more of the consent calendar items involved their employing Department*):

BE IT RESOLVED BY THIS BOARD that the Consent Calendar is approved as presented.

REGULAR CALENDAR – REPORTS AND ACTION ITEMS

DISABILITIES, CURRENT AND CONTINUING RECOMMENDATIONS AND MOTIONS

None.

COMMITTEE REPORTS, RECOMMENDATIONS AND MOTIONS

*Note: Per Committee Chairs, copies of the Committee meeting minutes were available for attendees. All **September/October** Committee meeting minutes are posted on the ACERA website (www.acera.org) after approval at the **October 18, 2018**, Board meeting. This month's Committee reports were presented in the following order:*

Operations:

Dale Amaral reported that the Operations Committee met on October 3, 2018, at 9:32 a.m. and highlighted the following:

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.

18-122

It was moved by Dale Amaral and seconded by George Wood that the Board adopt the *Declining Employer Payroll Policy*. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

The Withdrawing Employer 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.

18-123

It was moved by Dale Amaral and seconded by George Wood that the Board adopt the *Withdrawing Employer Policy* including the change recommended by staff. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Staff presented a proposal to the Operations Committee to recommend to the Board of Retirement that the Board adopt Pay Code 42E for Alameda County.

18-124

It was moved by Dale Amaral and seconded by George Wood that the Board designate Pay Item 42E – Creation/Revision – Job Code/Spec (Creation/Revision – Job Code Specification) 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. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Staff presented a proposal to the Operations Committee to recommend to the Board of Retirement that the Board adopt Pay Code 42F for Alameda County.

18-125

It was moved by Dale Amaral and seconded by George Wood that the Board designate Pay Item 42F – Oversight/Resp-Dis. Svcs (PD Off) (Oversight Responsibility – Disability Services Public Defender’s Office) 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. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Staff presented a proposal to the Operations Committee to recommend to the Board of Retirement that the Board adopt Pay Code 42G for Alameda County.

18-126

It was moved by Dale Amaral and seconded by George Wood that the Board designate Pay Item 42G – Lead/Off Mgr-Bus. Tax Lic Unit (Lead/Office Manager – Business Tax License Unit) 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. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Staff presented a proposal to the Operations Committee to recommend to the Board of Retirement that the Board adopt Pay Code 42H for Alameda County.

18-127

It was moved by Dale Amaral and seconded by George Wood that the Board designate Pay Item 42H – PH Emergency Response Function (Public Health Emergency Response Function) 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. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Staff presented a proposal to the Operations Committee to recommend to the Board of Retirement that the Board adopt Pay Code 42I for Alameda County.

18-128

It was moved by Dale Amaral and seconded by George Wood that the Board approve the inclusion of Pay Item 42I – Childrn & Family Svcs Dept Asgn (Children And Family Services Department Assignment) as pensionable compensation and compensation earnable for a members with entry dates before, on or after January 1, 2013, based on Government Code Section 7522.34 and 31461. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Staff presented the Total Operating Expense Budget Summary for August 31, 2018. As of August 31, 2018, actual expenses were \$24K under budget. Budget overages noted were Staffing (\$295K over budget) and Professional Fees (\$44K over budget). Budget surpluses noted were Staff Development (\$151K under budget), Office Expense (\$22K under budget), Member Services (\$23K under budget), Systems (\$68K under budget), Depreciation (\$4K under budget), and Board Expenses (\$93K under budget).

Staff reported on the Statement of Reserves and the interest posted to member and employer accounts for the six months ending June 30, 2018. For the six-month period ending June 30, 2018, approximately \$314.7 million of total interest was credited to all the valuation reserve accounts and the 401(h) account, and the SRBR at rate of 3.9548% and 4.9832%, respectively.

Staff provided an update regarding the 2018 Board of Retirement election. Two candidates were certified for the second seat general member. The ballots will be mailed on November 5th, and the election period is between November 5th and December 19th. The end of the election and deadline for ballots to be returned to the Registrar of Voters office is December 19th at 5:00 p.m. Results of the election will be announced at the December 20, 2018, Board of Retirement meeting.

Staff presented and discussed the quarterly report on active and retiree members' underpayments and overpayments.

18-129

It was moved by Dale Amaral and seconded by George Wood that the Board approve the October 3, 2018 Operations Committee minutes. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Retirees:

George Wood reported that the Retirees Committee met on October 3, 2018, at 10:32 a.m. and highlighted the following:

Staff and Segal Consulting, ACERA's Actuary, presented the annual Actuarial Valuation of the OPEB and non-OPEB Benefits Provided by the Supplemental Retiree Benefit Reserve, Including Sufficiency of Funds, as of December 31, 2017. Based on this valuation report, the terminal year of the "Other Post-Employment Benefits" (OPEB) is projected to be 2039, with full benefits paid through 2038 for a total of 21 full years and one partial year. The terminal year of non-OPEB benefits is projected to be 2038, with full benefits paid through 2037 for a total of 20 full years and one partial year. As Segal reported during its preliminary presentation in May, the projected terminal year for the OPEB benefits is the same as last year mainly because the combined experience of the OPEB plan did not change significantly from the prior valuation's assumptions. The four year increased projection for the non-OPEB's is mainly due to the change in the actuarial assumptions, specifically, the decrease in the inflation assumption from 3.25% to 3.00% per year.

18-130

It was moved by George Wood moved and seconded by Dale Amaral that the Board accept the December 31, 2017 Supplemental Retiree Benefit Reserve Actuarial Valuation prepared by Segal Consulting. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Staff presented a history of the Supplemental Retiree Benefit Reserve (SRBR) activity for the 10-year period ending June 30, 2018. The ending balance of the SRBR as of June 30, 2018 was approximately \$911.5 million. The semi-annual interest crediting as of June 30, 2018 based on the rate of 4.9832% was completed on August 29, 2018; slightly more than \$44.5 million in interest was credited. During that same six-month period, approximately \$27.4 million was deducted from the SRBR.

Staff provided information regarding the preparations being made for Open Enrollment for Plan Year 2019. Updates were also given on Via Benefits' preparations for its Open Enrollment period and the Retiree Health and Wellness Fair.

Staff reported on four benefit items affecting ACERA retirees. First, ACERA will be sending out its annual Medicare Part D coverage certification by October 15th. Second, in the individual plan marketplace, beginning in 2019, there will be a new Medicare Advantage open enrollment period (test drive period) from January 1 through March 31. Third, Via Benefits' Medicare Fall Newsletters were mailed starting mid-August, and the Pre-65 Fall Newsletters will be mailed starting mid-October. Last, Via Benefits mailed Balance Reminder Statements to Health Reimbursement Account holders in waves starting late September.

Pete Albert, President of the Alameda County Retired Employees retiree association announced that its annual holiday luncheon is tentatively scheduled for Friday, November 30, 2018 at the Hilton Oakland Airport. The date and location of the luncheon will be confirmed once the arrangements have been finalized.

18-131

It was moved by George Wood and seconded by Elizabeth Rogers that the Board approve the October 3, 2018 Retirees Committee minutes. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Investment:

Elizabeth Rogers reported that the Investment Committee met on October 10, 2018, at 9:34 a.m. and highlighted the following:

A representative from Verus and Staff discussed the process utilized (focused list) in the U.S. Small Cap Growth Manager Search, which culminated in the recommendation of the four finalist firms who have met the Minimum Qualifications. In alphabetic order, the finalist are: 1) Granahan Investment Management (Granahan), 2) Pier Capital, Inc. (Pier), 3) Virtus Investment Partners, Inc. (Virtus), and 4) William Blair Investment Management (William Blair).

The Committee discussed with Verus and Staff the differences in scoring of the four finalist and the other firms. For example, Virtus had a 14-point difference in scoring between Verus and Staff, so Verus and Staff provided the rationale of their respective scoring results. In the case of Virtus, Verus's scoring under the sub-category of "Ownership, Organization, and Staffing" was less favorable because Virtus is a publicly-traded firm and not an employee-owned company.

Verus also provided a summary of the four finalists and both Verus and Staff discussed the merits of whether to include or not include the incumbent manager (Next Century Growth). Verus and Staff discussed Next Century Growth's inconsistent performance relative to the benchmark and relative rank compared to other managers on the focused-list. Staff further discussed the significant decline in NCG's strategy and firm's AUM.

Tom Press from Next Century Growth addressed the Committee and stated that ACERA's Small Cap Growth account has done well over the recent seven quarters. Press reiterated NCG's investment process –which has not changed, had gone out of favor over the 2010-2016 time period when interest rates were very low. He offered either a fee reduction or to negotiate a performance-based fee to remain as a candidate in our U.S. Small Cap Growth Manager Search. The Committee stated its appreciation for his appearance and thanked him.

18-132

It was moved by Elizabeth Rogers and seconded by Jaime Godfrey that the Board approve the four Finalists for ACERA's U.S. Small Cap Growth Manager Search – Domestic Equities: 1) Granahan Investment Management, 2) Pier Capital, Inc., 3) Virtus Investment Partners, Inc., and 4) William Blair Investment Management. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Staff and Verus recommended amendments/updates to ACERA's *Real Assets Policy* (RA Policy) as follows:

- (1) Modify the strategic allocations to the Real Assets Portfolio to include both liquid and illiquid investments with specific asset allocation targets;
- (2) Clarify the strategic objective of the Real Assets Portfolio (i.e, ...to generate a positive, domestic inflation-sensitive return in excess of the asset class's assigned benchmark.");
- (3) Better define the types of real assets investments to allow for investments in both liquid and illiquid strategies;
- (4) Update the RA Policy language to reflect current California law on disclosure and related changes;
- (5) Add an Addendum to describe the transition period of the RA Portfolio until it reaches its strategic (long-term) asset allocation target.

18-133

It was moved by Elizabeth Rogers and seconded by Jaime Godfrey that the Board adopt the *Amended ACERA Real Assets Policy*. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Representatives from Verus, joined by Staff, presented and recommended an updated 2018-2022 Real Assets Investment Plan (RA Plan) to the Committee. The representatives explained that the Real Assets Class is forecasted to grow at the actuarial assumed rate of 7.25%. Because the proposed RA Plan consists of various investment vehicles, such as natural resources, infrastructure, and commodities, the representatives asked the Committee for input should some of these investment vehicles be considered inappropriate. The Committee members discussed and stated that they would examine each proposed investment opportunity on a case-by-case basis.

The Plan offers a roadmap for building out the asset class by showing estimated year-by-year commitments to each sub-asset class from 2018 through 2022. The plan involves moving the portfolio away from a commodity heavy allocation (most inflation sensitive) and into both a diversified private markets portfolio and a liquid portfolio that would allocate to investments that will enhance return, while protecting against anticipated inflation.

Staff and Verus stated that the adoption of the RA Plan would require terminating three of ACERA's existing funds: 1) AQR Customized Real Return Offshore Fund, 2) Gresham ETAP, and 3) Gresham TAP.

18-134

It was moved by Elizabeth Rogers and seconded by George Wood that the Board adopt the *2018 – 2022 Investment Plan for ACERA's Real Assets Class*. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

18-135

It was moved by Elizabeth Rogers and seconded by Dale Amaral that the Board approve the October 10, 2018 Investment Committee minutes. The motion carried 8 yes (*Amaral, Basgal, Gamble, Godfrey, Levy, Reilly, Rogers, Wood*), 0 no, and 0 abstentions.

Audit:

Board Chair Tarrell Gamble gave an oral report stating that the Audit Committee met today and that Staff provided the Committee with an update on the status of the Internal Audit and Employer Audit Plans.

Actuarial:

Board Chair Tarrell Gamble gave an oral report stating that the Actuarial Committee met today and that Staff presented and discussed with the Committee ACERA's Interest Crediting and Actuarial Funding Policies and the Actuarial Standards of Practice (ASOP).

NEW BUSINESS:

Presentation on the State of State Association of County Retirement Systems (SACRS)

SACRS Secretary Kathryn Cavness addressed the Board to find how the SACRS organization could better serve ACERA Trustees and Staff. Ms. Cavness asked that the Trustees provide her with any feedback regarding what information they like and/or dislike about the SACRS Spring and Fall Conferences and the SACRS UC Berkeley Program (Public Pension Investment Management). Trustees provided the following feedback: **1)** Chair Gamble stated he will work with Ms. Cavness offline to try to have some conferences relocated to Alameda County; **2)** shorten the length of conferences; **3)** conduct the Business Meetings separate from the regular conferences; **4)** develop a more academic format (pertinent educational content similar to what CALAPRS and the Wharton Program (IFEBP) offers [possibly a Joint CALAPRS/SACRS Conference]); **5)** have panel discussions and/or debates regarding pension reform/issues instead of presentations from investment and other marketing professionals; **6)** conduct Breakout Sessions (including online) that don't conflict with each other; **7)** provide Cybersecurity Training.

It was noted that SACRS Conferences are driven by affiliates that are either ACERA's clients and/or want to become a client. Therefore, the SACRS Conferences are not very beneficial to ACERA Trustees/Staff.

Ms. Cavness gave a high level report regarding SACRS' goals and objectives which include: **1)** identifying and hiring a professional marketing team to assist SACRS with developing a strategic plan and to increase marketing efforts regarding the SACRS UC Berkeley Program; **2)** increasing Trustee and Staff attendance at SACRS conferences; **3)** maximizing relationships and maintaining positive relations between affiliate organizations and SACRS' members **4)** reviewing SACRS' current contract renewal process. Ms. Cavness reported that SACRS is currently conducting a Request for Proposal (RFP) to locate and contract two lobbyists. Ms. Cavness announced the speakers and moderators that will be participating at the upcoming SACRS' New and Advanced Trustee Training that she will be attending and encouraged ACERA Trustees and Staff to attend.

Ms. Cavness asked that the Trustees email her with any additional feedback and stated that she would forward the Trustees' comments to the SACRS Board for its consideration.

Orange CERS Stipend Adjustment Proposal

Chief Executive Officer Dave Nelsen reported that OCERS withdrew its proposal regarding a Stipend adjustment.

Follow up to Public Comments on the Baltimore Waterfront Marriott Hotel Labor Issue and Possible Board Action

Mr. Nelsen reminded the Board that at the September 20, 2018 Board meeting, Unite HERE and a few Hospitality Workers presented public testimony to encourage the ACERA Board to assist with the labor dispute between Unite HERE/Hospitality Workers and the Baltimore Waterfront Marriott Hotel (Waterfront) managed by Marriott International, and that this item is being brought back to today's Board meeting for discussion and possible Board action.

Unite HERE Representative Michael Pineschi and two hotel employees attended today's meeting. UBS Client Relations Manager Ms. Mia Dennis was also in attendance. Mr. Nelsen provided and explained options the Board could take action on to assist with the labor dispute. The options are: **1)** allow the Waterfront (managed by Marriott International) and Unite HERE to resolve their labor dispute through regular channels; **2)** direct the ACERA Chief Executive Officer or Chief Investment Officer to contact and encourage UBS to advocate for resolution of the labor dispute; and **3)** draft and send a letter from the Board Trustees, signed by the Board Chair, to UBS encouraging UBS to advocate for resolution of the labor dispute. In light of Ms. Dennis' attendance at the Board Meeting, two additional options were presented: **1)** provide Ms. Dennis with the Board's feedback to take back to UBS for consideration; and/or **2)** allow representatives from UBS to appear before the ACERA Board. Ms. Dennis introduced herself and reported that UBS owns 51% of the Waterfront (via the Trumbull Property Fund) and that Marriott and another party own the remaining 49% and although UBS has no authority to direct Marriott Management on what to do with its employees, UBS has reached out to Marriott asking that the Marriott conduct a fair and equitable process in an effort to come to some type of resolution regarding the labor dispute.

Trustees expressed their concerns regarding possible environmental, social and governance (ESG) and/or fiduciary related risks involved if the Board were to take any action regarding the labor dispute. ACERA Chief Counsel Kathy Mount reminded the Board of its fiduciary obligation and stated that the options that Staff presented are within the scope of the Board's fiduciary responsibility. After discussion, the Board made the following amended motion:

18-136

It was moved by Tarrell Gamble and seconded by Henry Levy that the Board: *1) draft and send a letter from the ACERA Board Chair, on behalf of the Board of Retirement, to the Chair of UBS encouraging UBS to come to an equitable resolution regarding the labor dispute (the Chair and Chief Executive Officer of the Marriott and Unite HERE Representative are to be copied on the letter); AND 2) the Board also directs Chief Investment Officer Betty Tse to contact and encourage UBS to advocate for an equitable resolution of the labor dispute. The motion carried 6 yes (Basgal, Gamble, Godfrey, Levy, Reilly, Rogers), 2 no (Amaral, Wood), and 0 abstentions.*

David Nelsen, Chief Executive Officer's Report

Mr. Nelsen presented his October 18, 2018, written Chief Executive Officer's Report which provided an update on the following items: *1) Senior Manager Recruitment; 2) Committee/Board Action Items; 3) Conference Schedule; and 4) Other Items.*

Mr. Nelsen's October 18, 2018 Chief Executive Officer's Report indicated that the Team Engagement Survey scores would be available. However, the Survey has not yet been distributed, but is scheduled for distribution to Staff on Monday, October 22, 2018.

Mr. Nelsen reported that the Board Off-Site meeting agenda has been finalized, confirmed the speakers' participation and encouraged Trustees to attend the Off-Site.

CONFERENCE REPORTS

Trustee Darryl Walker and Trustee Elizabeth Rogers reported that they attended the IFEBP Conference. Both Trustees stated the Conference was very educational and encouraged other Trustees to attend in the future.

ANNOUNCEMENTS

None.

PUBLIC INPUT

None.

BOARD INPUT

Trustee Walker suggested that the SACRS Board take on the impending issues of Environmental, Social and Governance (ESG) and Cybersecurity Training.

CLOSED SESSION

- A. Government Code Section 54957(b)(1): Consider ACERA Chief Executive Officer's Annual Performance.

REPORT ON ACTION TAKEN IN CLOSED SESSION

The Board reconvened into Open Session and Chair Gamble announced that no Board action was taken.

ADJOURNMENT

The meeting adjourned at approximately 2:45 p.m.

Respectfully Submitted,



David Nelsen
Chief Executive Officer

11/8/18

Date Adopted

APPENDIX A
APPLICATION FOR SERVICE RETIREMENT

AGUILAR, Daniel R.
Effective: 7/21/2018
Public Works Agency

CLAUDIO, Dennis Floro
Effective: 8/18/2018
Superior Court

AGUILERA, Barbara L.
Effective: 8/25/2018
Public Works Agency

DALISAY, Michael
Effective: 7/29/2018
Sheriff's Office

AMOROSO, Alexander J.
Effective: 6/2/2018
Community Development Agency

DARRIN, David K.
Effective: 1/13/2018
Sheriff's Office

BERRY, Sheryl
Effective: 8/11/2018
Alameda Health System

DE JESUS, Lisa G.
Effective: 8/14/2018
Library

BLACKSTONE, Jacqueline
Effective: 8/4/2018
Superior Court

FAMULENER, Kathleen C.
Effective: 2/24/2018
District Attorney

BURGESS, Janine
Effective: 8/23/2018
Non-member

FRANKILN-DRAKE, Sheila
Effective: 7/28/2018
Social Services Agency

CABALLERO, Luis A.
Effective: 2/10/2018
Sheriff's Office

FRAZIER, Alan T.
Effective: 3/31/2018
Probation

CALLAHAN, Joan E.
Effective: 2/1/2018
Sheriff's Office

GARCIA, Remigio B.
Effective: 7/28/2018
Library

CAMAYA, Arnel P.
Effective: 7/28/2018
Social Services Agency

GOODMAN, Tuula S.
Effective: 8/9/2018
Sheriff's Office

CARTY, Miriam
Effective: 8/8/2018
Social Services Agency

HICKS, Jila B.
Effective: 2/26/2018
Probation

CHEN, Ling
Effective: 8/2/2018
ACERA

HOUTS, David W.
Effective: 8/11/2018
Health Care Services Agency

APPENDIX A
APPLICATION FOR SERVICE RETIREMENT

HUI, Tim
Effective: 8/4/2018
Health Care Services Agency

PLUMHOFF, Ray H.
Effective: 3/31/2018
Public Defender

KARCHER, Stephen E.
Effective: 1/13/2018
Sheriff's Office

RHEE, Chong Y.
Effective: 12/30/2017
Alameda Health System

KHALIL, Samer
Effective: 8/1/2018
Information Technology

RICKETTS, Thomas
Effective: 3/1/2018
Livermore Area Recreation and Park District

LEEPER, Shannon M.
Effective: 7/24/2018
Superior Court

SANCHEZ-RAMOS, Cristina
Effective: 7/28/2018
Library

LONGMIRE, Lynette
Effective: 3/31/2018
Alameda Health System

SCOTT, Lisa M.
Effective: 10/25/2017
Social Services Agency

LU-YU, Mona D. Q.
Effective: 1/27/2018
Social Services Agency

SEKHON, Gurdev
Effective: 8/11/2018
Alameda Health System

MAY, Sue M.
Effective: 3/24/2018
Social Services Agency

SIT, Kin T.
Effective: 10/7/2017
Alameda Health System

MILLIGAN, Elizabeth E.
Effective: 8/11/2018
Social Services Agency

SUGARMAN, Michael G.
Effective: 3/24/2018
Alameda Health System

MORALES, Paula
Effective: 2/24/2018
Health Care Services Agency

TOLIVER, Deloris J.
Effective: 8/1/2018
Social Services Agency

NIKULAINEN, Heli T.
Effective: 8/24/2018
Alameda Health System

WILLIAMS, Valerie A.
Effective: 8/11/2018
Health Care Services Agency

OSTINI, Robert R.
Effective: 3/3/2018
Superior Court

WOLF, James C.
Effective: 2/1/2018
Superior Court

APPENDIX B
APPLICATION FOR DEFERRED RETIREMENT

LATORRE, Jory M.
Superior Court
08/31/2018

MURRAY, Tracy L.
Social Services Agency
08/07/2018

RIVERA, Karina
Board of Supervisors
02/16/2018

SCHEAR, Tracey, A.
Health Care Services Agency
04/06/2018

SPLITTER-HUBBARD, Amy
Alameda Health System
04/30/2018

STULTS, Robin S.
Social Services Agency
02/01/2018

TEJADA CASTILLO, Ana R.
Child Support Service
02/28/2018

TERMINI, Scott L.
Sheriff's Office
06/24/2018

VAN ZANTEN, Jodie D.
ACERA
04/12/2018

WILLIAMS, Cassandra
Social Services Agency
06/15/2018

APPENDIX B-1
APPLICATION FOR NON-VESTED DEFERRED

GUZMAN, Maria J.
Juv Fiel – Juvenile Svcs
Effective: 07/27/2018

TALLA, Srinivasa R.
Information Technology
Effective: 3/23/2018

PRASAD, Ruman N.
Sheriff's Office
Effective: 8/11/2018

TAMULAITIS, Audra E.
Alameda Health System
Effective: 5/25/2018

RAMIREZ, Laura I.
Alameda Health System
Effective: 3/24/2018

THIRUNAHARI, Sreenivasa S.
Information Technology
Effective: 4/27/2018

RATTANASITH, Aleta
Health Care Services Agency
Effective: 5/31/2018

THOMAS, Angela
Alameda Health System
Effective: 1/23/2018

RICH, Joanna B
Public Defender
Effective: 6/15/2018

TRAN, Elaine K.
Public Works Agency
Effective: 3/9/2018

ROSAAEN, Kimberlee R.
Social Services Agency
Effective: 2/2/2018

WALTERS, Robert D.
ACERA
Effective: 7/13/2018

ROSS, Rachel L.
District Attorney
Effective: 2/9/2018

WAN, Jiashunzi
Assessor
Effective: 1/18/2018

SALDANA, Gina A.
Alameda Health System
Effective: 4/17/2018

WILLIAMS, Monique S.
Public Works Agency
Effective: 5/11/2018

SEKANY, Ay Laurel
Superior Court
Effective: 3/8/2018

YOUNG, Rafell D.
Human Resource Services
Effective: 3/29/2018

ZHENG, Yue Hong
Information Technology
Effective: 5/18/2018

APPENDIX D
LIST OF DECEASED MEMBERS

ALGA, Gene
General Services Agency
09/07/2018

GUICE, Georgie
Non member Survivor of Lew Guice
01/26/2018

AQUINO, Maria
Social Services Agency
01/07/2018

HARRIS, Albert
General Services Agency
06/11/2018

BEARD, Robert
Non member Survivor of Rosie Beard
07/26/2018

HOPKINS, Marilyn
Non member Survivor of William Hopkins
08/31/2018

BERMAN, Paul
Social Services Agency
06/03/2018

HUYNH, Tran
Social Services Agency
08/23/2018

BLANKENSHIP, King
Probation
09/26/2018

LAYTON, Carol
Superior Court
08/11/2018

BRITTO, Rosalind C.
Superior Court
06/01/2018

LEIGHTON, Alan
Non member Survivor of Erma Leighton
04/09/2018

CENTER, Claudette
Sheriff's Office
08/28/2018

MILLER, Henry
General Services Agency
05/18/2018

CLARK, Barbara
Superior Court
07/03/2018

OLIVER, Naomi
Social Services Agency
08/11/2018

COOPER, Norman
Probation
09/06/2018

RALPH, Kathryn
Probation
03/09/2018

CROSBY, Josephine
Alameda Health System
08/24/2018

SERALIE, Elizabeth
Assessor
07/21/2018

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: Feeny, Christopher
Type of Claim: Annual Review for SCD (Granted on 4/20/17)

Staff's Recommendation:

Adopt the findings and conclusions and approve and adopt the recommendation contained in the Medical Advisor's report to continue the allowance for Mr. Feeny's service connected disability and to require future annual medical examinations and questionnaires.

Name: Hicks, Jila
Type of Claim: Service Connected

Staff's Recommendation:

Adopt the findings and conclusions and approve and adopt the recommendation contained in the Medical Advisor's report, including but not limited to, granting Ms. Hicks's application for a service connected disability and to waive future annual medical examinations and questionnaires at this time.

Name: Williamson, Kimberly
Type of Claim: Service Connected

Staff's Recommendation:

Adopt the findings and conclusions and approve and adopt the recommendation contained in the Medical Advisor's report, including but not limited to, granting Ms. Williamson's application for a service connected disability and to waive future annual medical examinations and questionnaires at this time.

Name: Willis, Taia
Type of Claim: Annual Review for NSCD (Granted on 4/21/16)

Staff's Recommendation:

Adopt the findings and conclusions and approve and adopt the recommendation contained in the Medical Advisor's report to continue the allowance for Ms. Willis's non-service connected disability and to require future annual medical examinations and questionnaires.

Adopt the findings and conclusions and approve and adopt the recommendation contained in the Medical Advisor's report, including but not limited to, granting Mr. Yussuf's application for a service connected disability. Since Mr. Yussuf is over 55 years old, future annual medical examinations and questionnaires will not be required.

**October 18, 2018 Audit
Committee Minutes
For approval under November 8, 2018
Board “Consent Calendar”**



Date: October 18, 2018
To: Members of the Audit Committee
From: Henry C. Levy, Chair
Subject: Summary of the October 18, 2018, Audit Committee Meeting

Audit Committee Chair Henry Levy called the October 18, 2018, Audit Committee meeting to order at 10:01 am. Committee members present were Dale Amaral, Darryl Walker, Jaime Godfrey*, Ophelia Basgal, Nancy Reilly and Tarrell Gamble. Members of the staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Margo Allen, Fiscal Services Officer; Harsh Jadhav, Chief of Internal Audit; Kathy Mount, Chief Counsel; Betty Tse, Chief Investments Officer; Sandra Dueñas-Cuevas, Benefits Manager; Vijay Jagar, Retirement Chief Technology Officer; and Victoria Arruda, Human Resources Officer.

*Annette Cain-Darnes resigned from the Board of Retirement on June 5, 2018. The Board of Supervisors appointed Jaime Godfrey to serve the remainder of the term through November 30, 2018.

ACTION ITEMS

None.

INFORMATION ITEMS

Internal Audit

1. Progress report on the Internal Audit Plan

Staff provided a progress update on the 2018 Internal Audit Plan. The internal audits, compliance audits and special projects detailed in the audit plan were reported to be on track and expected to be completed on schedule.

2. Progress Report on the Employer Audit Plan

Staff presented a progress update on the Employer Audit Plan. The Alameda Health System Employer Audit is on track for completion in 2019. The Superior Court Employer Audit was initiated in Q4 2018, with the department completing the initial risk assessment, audit timeline and the audit plan.

3. Review Objective and Scope of the Employer Audit of the Superior Court of Alameda County

Staff presented the audit timeline for the Superior Court of Alameda County. Staff also discussed the scope of work for the audit, which included a review of employee eligibility and pensionable compensation. It was noted that The Superior Court of Alameda County is planning to implement a new HR/Payroll system in 2019.

4. Discuss the Internal Audit Department Charter

Staff presented the Internal Audit Department Charter for review and consideration. The charter has been updated to reflect the recognition of the recently incorporated *Code of Ethics* and a section on *Consulting and Advisory Services*. Trustee Levy commented that he wanted to make sure the language was clear in that the Internal Audit Department was operating in a consulting capacity and not directing or assisting in the selection of a system. Staff confirmed that the department's role would not interfere with ACERA's operations, and will act solely in an advisory capacity. CEO, Dave Nelsen further commented that the Charter is clear in the naming of the section as *Consulting and Advisory Services*, and further clarified the role of the internal audit department to work in a limited scope advisory capacity.

5. Discuss the Audit Committee Charter

Staff presented a draft Audit Committee Charter for discussion and consideration. The charter is intended to provide guidance and direction to the Audit Committee in carrying out its responsibilities. The charter outlined the Audit Committee's meeting and quorum requirements, authority and scope of responsibility, reporting requirements to the Board of Retirement, and specific duties as they relate to ensuring accurate financial reporting, maintaining an effective system of compliance and internal controls, and monitoring internal and external audit activities.

6. Discuss Implementation of the Financial Fraud Hotline

Staff presented information to the committee regarding plans to implement a Financial Fraud Hotline for ACERA. The committee discussed the need for the hotline, the information to be presented on the intranet website, and how other pension agencies currently utilize their hotlines.

7. Discuss the Financial Fraud Policy

Staff pulled the item from the agenda due to time constraints, and will bring back the draft policy to the next Audit Committee meeting, for review and discussion.

TRUSTEE/PUBLIC INPUT

None

ESTABLISHMENT OF NEXT MEETING DATE

February 21, 2019, at 1:00 pm

MEETING ADJOURNED

The meeting adjourned at 10:56 am

**October 18, 2018 Actuarial
Committee Minutes
For approval under November 8, 2018
Board “Consent Calendar”**



October 18, 2018

To: Members of the Actuarial Committee

From: Dale Amaral, Chair

Subject: Summary of the October 18, 2018 Actuarial Committee Meeting

Actuarial Committee Chair, Dale Amaral, called the October 18, 2018, Actuarial Committee meeting to order at 11:03 pm. Committee members present were Dale Amaral, Chair, Henry Levy, Elizabeth Rogers, and Ophelia Basgal. Other Board members present were, Tarrell Gamble, Jamie Godfrey, Nancy Reilly, Elizabeth Rogers, and Darryl Walker. Staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Kathy Mount, Chief Counsel; Margo Allen, Fiscal Services Officer; Betty Tse, Chief Investment Officer; Sandra Dueñas-Cuevas, Benefits Manager, Victoria Arruda, Human Resources Officer, Vijay Jagar, Retirement Technology Chief, and Harsh Jadhav, Chief of Internal Audit.

ACTION ITEM

None

INFORMATION ITEMS

- 1. Presentation and discussion of ACERA's Interest Crediting Policy**
Staff and Segal Consulting representatives discussed ACERA's Interest Crediting Policy. It will be presented for further discussion and possible motion at the November 8, 2018 Actuarial Committee meeting.
- 2. Presentation and discussion of ACERA's Actuarial Funding Policy**
Staff and Segal Consulting representatives discussed ACERA's Actuarial Funding Policy. It will be presented for further discussion and possible motion at the November 8, 2018 Actuarial Committee meeting.
- 3. Presentation and discussion of the Actuarial Standard of Practice (ASOP) No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Contributions.**
Staff and Segal Consulting representatives discussed the Actuarial Standard of Practice (ASOP) No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Contributions. It will be presented for further discussion and possible motion at the November 8, 2018 Actuarial Committee meeting.

RECOMMENDATION

None

TRUSTEE/PUBLIC INPUT

None

Future Discussion Items

Discussion and possible motion to adopt ACERA's Interest Crediting Policy.

Discussion and possible motion to adopt ACERA's Actuarial Funding Policy.

Discussion and possible motion to adopt the Actuarial Standard of Practice (ASOP) No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Contributions.

ESTABLISHMENT OF NEXT MEETING DATE

November 8, 2018 at 1:00 pm

MEETING ADJOURNED

The meeting adjourned at 12:02 pm

**Minutes for the November 7, 2018
Investment Committee
Will be included on the December 20, 2018,
Board “Consent Calendar” for approval.**

**Minutes for the November 8, 2018
Budget Committee
Will be included on the December 20, 2018,
Board “Consent Calendar” for approval.**

NEW BUSINESS

8. Actuarial Policies:

- A. Motion to adopt ACERA Interest Crediting Policy without revisions.**
- B. Motion to adopt ACERA Actuarial Funding Policy without revisions.**

8.C. Discussion and possible motion to select potential dates for the 2019 Board Off-Site.

8.D. Discussion and possible motion to select an Oversight Project Manager (OPM) for the Pension Administration System replacement project.

8.E. Operations Committee Information Item(s):

- 1. Quarterly Financial Statements as of September 30, 2018**
- 2. Operating Expenses as of September 30, 2018**
- 3. Quarterly Cash Forecast Report**
- 4. Board Member Conference Expense Report for 3rd Qtr. 2018**
- 5. Senior Manager Conference and Training Expense Report for 3rd Qtr. 2018**

F. Chief Executive Officer's Report.

NEW BUSINESS

8. Actuarial Policies:

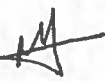
- A. Motion to adopt ACERA Interest Crediting Policy without revisions.**
- B. Motion to adopt ACERA Actuarial Funding Policy without revisions.**



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: November 8, 2018

TO: Members of the Board of Retirement

FROM: Margo Allen, Fiscal Services Officer 

SUBJECT: Review ACERA Interest Crediting and Actuarial Funding Policies

Executive Summary

At the October 18, 2018, Actuarial Committee meeting, Staff and Segal Consulting (Segal) conducted a review of ACERA's Interest Crediting Policy and Actuarial Funding Policy. A discussion of both policies was completed at the committee level; however, the policies were not properly agenzized to take action; therefore, no committee action was taken to update the policies without revision. With agreement from the Actuarial Committee chairman, staff has brought both policies back to the board to finalize the review and take action if desired.

Interest Crediting Policy Review: Staff and Segal agree to no recommended changes for the Interest Crediting Policy (refer to the attached Segal correspondence, October 8, 2018).

Actuarial Funding Policy Review: Staff and Segal agree to no recommended changes for the Actuarial Funding Policy. However, for purpose of disclosure only, at committee Segal led a discussion regarding the pooling of the normal cost rate for all Tier 1 members, including those from LARPD. Despite LARPD's higher than average entry age into the plan, i.e., 41 vs. 29 years of age, Segal explained that the board could choose to just continue the current method to calculate an average total normal cost rate for all members who have the same benefit formula (refer to the attached Segal correspondence, October 8, 2018).

Recommendation

Staff recommends to the Board of Retirement to update the Interest Crediting Policy and Actuarial Funding Policy without revision.

Attachments:

Segal correspondence, October 8, 2018
Interest Crediting Policy
Actuarial Funding Policy



100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

VIA E-MAIL & USPS

October 8, 2018

Ms. Margo Allen
Fiscal Services Officer
Alameda County Employees' Retirement Association
475 14th Street, Suite 1000
Oakland, CA 94612-1900

**Re: Alameda County Employees' Retirement Association
Review of Interest Crediting Policy and Actuarial Funding Policy**

Dear Margo:

As requested by the Association, we have reviewed and provided commentary on the interest crediting policy and the actuarial funding policy that we previously discussed with the Board several years ago.

Interest Crediting Policy

Based on discussions in 2014 and 2015, the Board approved the attached policy with respect to the interest rates to apply in crediting the various reserve accounts. As a very detailed analysis was conducted by Segal before the Board decided to pick a 1% Contingency Reserve¹, we believe the various steps included in ACERA's policy are still appropriate in allowing the Association to achieve the objectives provided in Section II of the policy.

Actuarial Funding Policy

Based on discussions that started in 2012, the Board formally approved in 2014 the attached policy for the actuarial funding of the "regular benefits" not including those that are financed by the SRBR. While we are not recommending any changes to the approved policy, we have provided commentary with respect to the calculation of the normal cost rate so that the Board is aware of the pooling under the policy.

¹ It is our understanding that as an Article 5.5 County, the Board has fewer choices in crediting interest and allocating excess earnings. For instance, every six months all the reserves will have to be credited at one-half of the assumed annual valuation interest rate if Available Earnings are sufficient and one-half of any remaining earnings (after restoring the Contingency Reserve to 1%) will have to be allocated to the SRBR.

Entry Age Actuarial Cost Method

The Entry Age (EA) method is considered a reasonable funding method under the Actuarial Standards of Practice and is the only acceptable cost allocation method approved by the Governmental Accounting Standards Board (GASB) for financial reporting purposes.

With the EA method, the normal costs are determined as a level percentage of covered payroll over each active member's career². Under the Board's actuarial funding policy, there is an average total (employer and member) normal cost rate that is calculated by dividing the sum of the individual normal costs by the sum of the individual payrolls for all members that have the same benefit formula.

For instance, when the actuarial funding policy is applied to calculate an average total normal cost rate for General Tier 4, we include all employees covered under the non-LARPD and LARPD membership groups. (This pooling of employees with the same benefit structure should result in a more stable normal cost rate for the smaller employers, such as LARPD). It should be noted though that besides the benefit formula, the normal cost rate is primarily dependent on the age at entry into ACERA³ even though projected age at retirement, probability of receiving service versus disability retirement, etc. will also have an impact. In the case of General Tier 4, there is not a big difference between the average entry age of 38 for the 3,136 non-LARPD members versus the average entry age of 39 for the 20 LARPD members as of December 31, 2017.

As we recently discussed with the Board, ACERA is considering the application of the declining employer payroll policy to LARPD members enrolled in General Tier 1. After applying that policy, actuarial experience for LARPD General Tier 1 members would no longer be pooled with the non-LARPD General Tier 1 members even though an average total normal cost rate would continue to be calculated under the Board's actuarial funding policy.

In the case of General Tier 1, there is a larger difference between the average entry age of 29 for the 183 non-LARPD members versus the average entry age of 41 for the 9 LARPD members as of December 31, 2017. However, based on the assumptions applied in the valuation, both of these non-LARPD and LARPD active employees would only be expected to work another 4-5 years from January 1, 2018 before retirement and there are very few of these active employees left. Therefore, the Board could choose to just continue the current method to calculate an average total normal cost rate for all members that have the same benefit formula.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

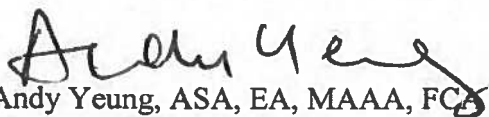
² The actuarial accrued liability, with respect to service already earned by an active employee as of the date of the valuation, is then calculated by accumulating his/her past normal costs.

³ Generally speaking, a higher entry age would result in a higher normal cost rate.

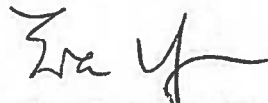
Ms. Margo Allen
October 8, 2018
Page 3

We look forward to discussing this letter with you.

Sincerely,



Andy Yeung, ASA, EA, MAAA, FCA
Vice President and Actuary



Eva Yum, FSA, EA, MAAA
Associate Actuary

EZY/hy
Enclosures (5556600, 5556601)



ACTUARIAL FUNDING POLICY

I. PURPOSE

The purpose of the Actuarial Funding Policy (Policy) is to record the funding objectives and policy set by the Board of Retirement (Board) for the Alameda County Employees' Retirement Association (ACERA). This Policy is to ensure the systematic funding of future benefit payments for members of ACERA. In addition, this Policy records guidelines established by the Board to assist in administering ACERA's retirement fund in a consistent and efficient manner.

II. ASSUMPTIONS

- A.** ACERA is a public employee retirement system that was established in 1948 to provide retirement allowances and other benefits to all permanent General and Safety employees of the County of Alameda and participating special districts.
- B.** These benefits are financed through a combination of employee and employer contributions along with the investment return on those contributions. Benefit and contribution level may vary within ACERA depending on the member's classification (General or Safety), tier and by participating employer (the County or one of the Special Districts).
- C.** ACERA is governed by the provisions of the County Employees Retirement Law of 1937 (1937 Act). Alameda County adopted Article 5.5 of the 1937 Act. This Article creates a Supplemental Retiree Benefit Reserve (SRBR) through which the Board may pay supplemental benefits to retirees and beneficiaries.
- D.** An actuarial valuation is performed annually as of December 31 of each year to determine the contribution rates for the fiscal year that begins 6 months after the valuation date.
- E.** This Policy applies to "regular benefits" which refer to the retirement, disability, survivor and withdrawal benefits, and all cost-of-living increases that were adopted by the County of Alameda (or the special districts) and whose payments are guaranteed by those agencies. This Policy does not cover benefits financed by the SRBR. Also, this Policy does not cover the interest crediting procedure that is used by the Board to

allocate earnings among the different reserves (i.e., the valuation reserves used for the “regular benefits” and SRBR for “excess earnings benefits”).

- F. This Policy supersedes any previous actuarial funding policies.

III. OBJECTIVES

- A. To achieve long-term full funding of the cost of “retiree benefits” provided by ACERA;
- B. To seek reasonable and equitable allocation of the cost of “retiree benefits” over time;
- C. To minimize volatility of the plan sponsor’s contribution to the extent reasonably possible, consistent with other policy goals; and
- D. To the extent that it does not conflict with the above goals, the Board will try to pool risks across all portions of ACERA to the extent that groups of members have similar benefit provisions, contribution provisions and contribution histories. Separate cost sharing groups will be set up to recognize meaningful differences in benefit structure (e.g., Safety or General), employer contribution history (e.g., payment of extraordinary contributions like Pension Obligation Bond payments and credit from reimbursement of implicit retiree health benefit subsidy) and benefit changes for a specific employer.

IV. FUNDING REQUIREMENTS AND COMPONENTS

ACERA annual funding requirement for “regular benefits” is comprised of a payment of the Normal Cost and a payment towards the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost and the amount of payment on UAAL are determined by the following three components of this Policy:

- A. **Actuarial Cost Method:** the techniques to allocate the total Present Value of Future Benefits to each years of service, including all past years;
- B. **Asset Smoothing Method:** the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and
- C. **Amortization Policy:** the decisions on how, in terms of duration and pattern of contributions, to reduce the difference between the Actuarial Accrued Liability and the Valuation Value of Assets in a systematic manner.

Actuarial Cost Method:

The Entry Age method shall be applied to the projected retirement benefits in determining the Normal Cost and the Actuarial Accrued Liability. The Normal Cost shall be determined on an individual basis for each active member.

Asset Smoothing Method:

The investment gains or losses of each valuation period, as a result of comparing the actual market return and the expected market return, shall be recognized semi-annually in level amounts over 5 years in calculating the Actuarial Value of Assets. Total Net Deferred investment gains or losses cannot exceed 40% of the Market Value of Assets. Note that the Valuation Value of Assets is the Actuarial Value of Assets reduced by any applicable Non-Valuation Reserves, as defined in ACERA's Interest Crediting Policy.

Amortization Policy:

1. The UAAL, (i.e., the difference between the Actuarial Accrued Liability and the Valuation Value of Assets), as of December 31, 2011 shall be amortized separately from any future changes in UAAL over a period of 21 years from December 31, 2011.
2. After December 31, 2011, any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of December 31 will be amortized over a period of 20 years.
3. After December 31, 2011, any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 20 years.
4. Unless an alternative amortization period is recommended by the Actuary and accepted by the Board based on the results of an actuarial analysis:
 - a. With the exception noted in b., below, the change in UAAL as a result of any plan amendments will be amortized over a period of 15 years or less;
 - b. The increase in UAAL resulting from a temporary retirement incentive, including the impact of benefits resulting from additional service permitted under Section 31641.04 of the 1937 CERL (Golden Handshake), will be funded over a period of up to 5 years.
5. UAAL shall be amortized over "closed" amortization periods so that the remaining amortization period for each layer decreases by one year with each actuarial valuation.
6. UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level

percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

7. If an overfunding exists (i.e., the total of all UAAL becomes negative so that there is a surplus) and the amount of such surplus is in excess of 20% of the AAL per Section 7522.52 of PEPPRA, such surplus that is in excess of 20% of the AAL and any subsequent such surpluses will be amortized over an “open” amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over 20 years as the first of a new series of amortization layers.
8. These amortization policy components will apply separately to each of ACERA’s UAAL cost sharing groups.

V. OTHER POLICY CONSIDERATIONS

A. Timing of Contributions

1. The contribution rates determined in each valuation (as of December 31) will apply to the fiscal year that begins after the date of the valuation. The UAAL contribution rates in the actuarial valuation are not adjusted in advance to account for this delay.
2. Any change in contribution rate requirement that results from a plan amendment (including a change in member contribution rates) is generally implemented as of the effective date of the plan amendment or as soon as administratively feasible.
3. For purposes of calculating employer contributions, the employer and member contributions are assumed to be made during consistent intervals throughout the year.

B. Cost Groups

Separate cost groups will be set up in order to recognize differences in benefit structure (e.g., General Tiers 1 through 4 and Safety Tiers 1, 2, 2C, 2D and 4), member contribution levels, employer contribution history (e.g., payment of extraordinary contributions like Pension Obligation Bond (POB) payments as well as any credit from reimbursement of implicit retiree health benefit subsidy), and other differences that the

Board deems significant, such as benefit changes for a specific employer.

An employer may be contributing to one or more different cost groups depending on the benefit structure adopted for its employees.

1. ACERA's total (employer and member) Normal Cost is determined separately for each group of members that have the same benefit formula (on a prospective basis) based on the Actuarial Cost Method described above. This means that to the extent that members have the same plan provisions for future benefit accruals, then the total Normal Cost (as a percentage of payroll) for those employers will be the same.
2. The net employer Normal Cost is calculated by reducing the total Normal Cost for expected member contributions. This is done separately for each of the different member contribution arrangements and benefit structures that exist for the various employers. The various member contribution arrangements are described in more detail in the actuarial valuation report.
3. ACERA's UAAL is determined separately based on contribution and benefit history. This means that there could be separate calculations of AAL for cost groups that have significantly different contribution histories, or prior benefit accrual provisions (e.g., General versus Safety). Plan assets are tracked separately for groups with different UAAL contribution histories unless otherwise established by the Board.
4. There is a further adjustment made to the UAAL contribution rate for LARPD General Tiers 3 and 4 to account for the District's Tier 3 employees receiving the 2.5% @ 55 formula for past service and the payment of the District's other UAAL as a level percent of payroll over a closed amortization period. This adjustment is described in more detail in the actuarial valuation report.

VI. GLOSSARY OF FUNDING POLICY TERMS

Present Value of Future Benefits (PVFB): the present value at a particular point in time of all projected future benefit payments for current plan members. The future benefit payments and the present value of those payments are determined using actuarial assumptions as to future events. Examples of these assumptions are estimates of retirement patterns, salary increases,

investment returns, etc. Another way to think of the PVB is that if the plan has assets equal to the PVB and all actuarial assumptions are met, then no future contributions would be needed to provide all future service benefits for all current members, including future service and salary increases for current active members.

Actuarial Cost Method: allocates a portion of the total cost (PVB) to each year of service, both past service and future service.

Normal Cost (NC): the cost allocated under the Actuarial Cost Method to each year of active member service.

Entry Age Actuarial Cost Method: A funding method that calculates the Normal Cost as a level percentage of pay over the working lifetime of the plan's members.

Actuarial Accrued Liability (AAL): the value at a particular point in time of all past Normal Costs. This is the amount of assets the plan would have today if the current plan provisions, actuarial assumptions and participant data had always been in effect, contributions equal to the Normal Cost had been made and all actuarial assumptions came true.

Market Value of Assets (MVA): the fair value of assets of the plan as reported in the plan's audited financial statements.

Actuarial Value of Assets (AVA) or smoothed value: a market-related value of the plan assets. The AVA tracks the market value of assets over time and smoothes out short-term fluctuations in market values.

Valuation Value of Assets (VVA): the value of assets used in the actuarial valuation to determine contribution rate requirements. It is equal to the Actuarial Value of Assets reduced by the value of any applicable Non-Valuation Reserves as defined in ACERA's Interest Crediting Policy. In particular, the VVA will not include assets allocated to the SRBR.

Unfunded Actuarial Accrued Liability (UAAL): the positive difference, if any, between the AAL and the VVA.

Surplus: the positive difference, if any, between the VVA and the AAL.

Actuarial Gains and Losses: changes in UAAL or surplus due to actual experience different from what is assumed in the actuarial valuation. For example, if during a given year the assets (after smoothing) earn more than the investment return assumption, the amount of earnings above the assumption will cause an unexpected reduction in UAAL, or "actuarial gain" as of the next valuation. Actuarial gains and losses include contribution gains and losses that result

from actual contributions made being greater or less than the level determined under this Policy.

Valuation Date: December 31 of every year.

III. POLICY MODIFICATION

The Actuarial Committee, or other committee designated by the Board, shall review this policy at least every three (3) years. The Committee shall make recommendations to the Board concerning any improvements or modifications it deems necessary.

VII. POLICY HISTORY

A. The Board adopted this Policy on September 18, 2014.



INTEREST CREDITING POLICY

I. PURPOSE

The purpose of this policy is to establish the process to be used by the Alameda County Employees' Retirement Association ("ACERA") to credit semi-annual interest to reserves.

This policy shall include, but may not be limited to, the following:

- A. Defining the reserves maintained by ACERA;
- B. Determining the regular and excess rates of interest at which reserves are to be credited; and
- C. Determining the priorities and sequence by which interest will be credited to the reserves.

II. OBJECTIVES

The policy has been developed with the following objectives:

- A. To comply with appropriate legal and regulatory requirements.
- B. To maintain consistency between the reserving structure and the actuarial funding of ACERA.
- C. To limit, to the extent possible, the volatility of interest crediting from period to period.
- D. To limit, to the extent possible, the charging of losses to valuation reserves.
- E. To assure that the reserve values track the market value of assets over the long term.

III. GOVERNING LAW

ACERA is governed by provisions of the County Employees Retirement Law of 1937 ("CERL"), as well as other federal and State laws relating to public retirement systems.

CERL generally governs interest crediting and excess earnings. Under CERL, interest is credited every 6 months. Various reserves and designations are established and maintained by the Board under procedures adopted by the Board pursuant to Article 5.5 of CERL.

IV. RESERVES

ACERA maintains the following reserves:

A. Valuation Reserves

1. Member Deposit Basic and Cost-of-Living Reserves – The reserves to which member contributions are credited. These contributions may be refunded to the member upon separation from service or left on deposit by the member upon separation from service (deferred retirement). Upon retirement of a member, transfers are made to Annuity and Cost-of-Living Reserves.
2. Employer Advance (Basic) Reserve – The reserve to which basic employer contributions are credited, including amounts made directly to the retirement plan as well as amounts made to the 401(h) Reserve Account for payment of estimated retiree health benefits (OPEB) for the next fiscal year but reimbursed with a transfer from the SRBR. Upon retirement of a member, a transfer is made to Pension (Current and Prior) Reserves (Pension).
3. Cost-of-Living Reserve – The reserve to which cost-of-living employer contributions are credited and Member Cost-of-Living contributions for new retirees are transferred when the member retires.
4. Retired Member Reserves (Annuity & Pension) – The reserves to which transfers are made from Member Deposit Basic and Employer Advance (Basic) Reserve at the time of a member's retirement. The total of these reserves should equal the present value of the total benefits (excluding cost-of-living increases) due all retirees and eligible beneficiaries had there been no actuarial gains or losses and changes in actuarial assumptions.
5. Survivor Death Benefit Reserve – The reserve is credited with the present value of death and survivor benefits expected to be paid upon the death of an active member.

B. Non-Valuation Reserves

1. Contingency Reserve Account – The reserve is maintained in an amount equal to 1% of the total market value of assets to provide funds to offset future deficiencies in interest earnings, losses on investment or other contingencies. This reserve consists of the minimum 1% required pursuant to Section 31616.

If the Contingency Reserve is negative, then it will be included as an offset to the valuation value of assets used to determine the employers' contribution rates in the annual actuarial valuation.

2. 401(h) Reserve Account – The reserve is credited with employer contributions in an amount sufficient for payment of estimated retiree health benefits (OPEB) for the next fiscal year. Once the employers make the contributions to this Account, there will be a reimbursement to the Employer Advance Reserve through a transfer from the SRBR.
3. Supplemental Retiree Benefit Reserve (SRBR) – This reserve is used for the payment of benefits provided to members who are retired or beneficiaries as determined by the Board in accordance with Section 31618 of the CERL. For book-keeping purposes only, the SRBR Reserve is divided into two parts:
 - a. OPEB Reserve – This reserve is used to fund discretionary retiree health benefits.
 - b. Non-OPEB Reserve – This reserve is used to fund discretionary supplemental COLA benefits and to fund vested \$1,000 lump sum death benefits.

C. Financial Statement Reserves and Accounts

Market Stabilization Reserve – The difference between the current market value of assets and the actuarial value of assets used to establish the above reserves.

V. GUIDELINES

- A. “Available Earnings” are determined on current period earnings of the fund calculated on the actuarial value of assets as determined under the Board’s funding policy, plus any positive balance in the Contingency Reserve.
- B. Credit regular interest at the assumed annual valuation interest rate on the valuation reserves, the 401(h) Reserve Account and the SRBR. Earnings will be credited twice each year to all reserves that have been on deposit for six full months, in accordance with Section 31615 of the CERL. The crediting of interest will take effect on June 30 and December 31 of each year.

- C. Maintain a 1% Contingency Reserve Account required pursuant to Section 31616. (It should be noted that an additional amount up to 2% may be included at the discretion of the Board as permitted by Section 31616. The Board's current policy is not to include any such additional discretionary amount.)
- D. Any Available Earnings remaining after crediting full interest to valuation reserves, the 401(h) Reserve Account, the SRBR, and restoring the Contingency Reserve Account to its target level constitute Excess Earnings. The Excess Earnings will be allocated in the following manner:
 - 1. Allocate one-half to the Unallocated SRBR.
 - 2. Allocate the other one-half of the remaining earnings to the valuation reserves and the 401(h) Reserve Account in proportion to the amounts in each of those reserves.
- E. The Glossary of terms is attached as Exhibit A.

VI. REGULAR INTEREST CREDITING PROCESS

Step 1 Determine "Available Earnings" for accounting period as the sum of:

- A. Earnings of the retirement fund for the period based on actuarial value of assets, expressed in dollars. This could be a negative amount.
- B. Any positive balance in the Contingency Reserve Account.
- C. If sum of A. and B. is negative, such negative amount is credited only to the Contingency Reserve Account but not to the valuation reserves, the 401(h) Reserve Account or the SRBR.

Step 2 Credit interest to the valuation reserves, the 401(h) Reserve Account, and the SRBR

- A. If in the prior accounting period the Contingency Reserve Account was reduced below 1% to meet the interest crediting requirements under Step 2 in the prior period, transfer Available Earnings from the current period into the Contingency Reserve Account to restore it to 1% of total assets.
- B. Credit the valuation reserves, the 401(h) Reserve Account and the SRBR at a rate up to one-half of the assumed annual valuation interest rate, if there are enough Available Earnings.

- C. Deduct the interest credited above from Available Earnings which includes the Contingency Reserve Account even if that Account was just restored to 1% in Step 2A¹. If the amount of interest credited is more than the Available Earnings, credit in Step 2B only up to the amount of the Available Earnings.

Step 3 Maintain a Contingency Reserve of 1%

Transfer from any remaining Available Earnings from Step 2C into the Contingency Reserve the amount required to maintain a Contingency Reserve of 1% of total assets.

VII. EXCESS INTEREST CREDITING PROCESS

Apply any remaining available earnings (excess earnings) as follows:

- A. Allocate one-half of any remaining earnings to the SRBR.
- B. Allocate the other one-half of the remaining earnings to the valuation reserves and the 401(h) Reserve Account in proportion to the amounts in each of those reserves, on the balance in the fund for at least six full months.

VIII. POLICY REVIEW

This policy has been adopted by a majority vote of the ACERA Board, and can be amended by the ACERA Board by a majority vote. This policy is effective with the six-month interest crediting period ending December 31, 2015. This policy will be reviewed as deemed necessary.

IX. POLICY HISTORY

The Board adopted this policy on December 17, 2015.

¹ Restoring the Contingency Reserve to 1% in Step 2A and immediately including the amount in that Reserve as Available Earnings in Step 2C in the same interest crediting period would have the effect of not restoring the 1% Contingency Reserve for use in the subsequent interest crediting period until Step 3, i.e., until after crediting interest to all the reserves in Step 2B. This order of crediting interest to the Reserves has been researched by ACERA's legal counsel and determined to be a reasonable exercise of discretion available to the Board in accordance with Government Code Section 31616. It would also result in more stable pattern of interest crediting in some situations, based on scenarios developed by ACERA's actuary.



EXHIBIT A

GLOSSARY

Actuarial Terms and Definitions

The following list defines certain technical terms relevant to the Regular Interest and Excess Interest Crediting Policy for the convenience of the reader:

Investment Return

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain, and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return reflects a smoothing of market gains and losses to avoid significant swings in the value of assets from one year to the next.

Actuarial Value of Assets

Market value of assets less unrecognized market value gains and losses from each of the last five years. Market value gains and losses are equal to the difference between the actual market return and the expected return on the market value, and are recognized semi-annually over a five-year period. The actuarial value of assets is limited to no greater than 140% or less than 60% of the market value of assets.

Valuation Value of Assets

The actuarial value of assets reduced by the value of the Non-Valuation Reserves (401(h) Reserve Account, SRBR and Contingency Reserve (unless negative).

Assumed Annual Valuation Interest Rate

This is the interest rate adopted by the Board from the actuarial valuation that established the employer and employee contribution rates for that fiscal year.


NEW BUSINESS

8.C. Discussion and possible motion to select potential dates for the 2019 Board Off-Site.



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

475 14th Street, Suite 1000, Oakland, CA 94612 (800) 838-1932 (510) 628-3000 fax: (510) 268-9574 www.acera.org

DATE: November 8, 2018
TO: Members of the Board of Retirement
FROM: Dave Nelsen, Chief Executive Officer 
SUBJECT: **Board Off-Site: 2019 Date**

At the 2018 Board Off-Site event, it was discussed that choosing a date early for next year's event would allow for improved planning and the ability to get on the calendar early for desirable speakers. It was suggested to bring dates for next year's event to the November Board meeting to adopt.

In looking at options, the last week in October doesn't conflict with any other Board functions. Since Verus has a conflict on Monday the 28th, I would propose Tuesday the 29th. It is close to a weekend for travel purposes, but far enough away from Halloween so as not to interfere with individual and venue scheduling.

Recommendation: Staff recommends that the Board of Retirement adopt Tuesday, October 29, 2019 as the date for the 2019 Board of Retirement Off-Site Event.

NEW BUSINESS

- 8.D. Discussion and possible motion to select an Oversight Project Manager (OPM) for the Pension Administration System replacement project (*Recommendation and supporting documents will be provided under separate cover*).**

NEW BUSINESS

8.E. Operations Committee Information Item(s):


- 1. Quarterly Financial Statements as of September 30, 2018**
- 2. Operating Expenses as of September 30, 2018**
- 3. Quarterly Cash Forecast Report**
- 4. Board Member Conference Expense Report for 3rd Qtr. 2018**
- 5. Senior Manager Conference and Training Expense Report for 3rd Qtr. 2018**



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: November 8, 2018

TO: Members of the Board of Retirement

FROM: Margo Allen, Fiscal Services Officer 

SUBJECT: September 30, 2018, Unaudited Financial Statements

Executive Summary

Attached for review and discussion is the unaudited financial statements for the nine months ended September 30, 2018.

The Fiduciary Net Position Held in Trust and the Change in Fiduciary Net Position compared to the same time in 2017 increased by \$455 million.

Financial Highlights

- Net Position Restricted (Held in Trust for Benefits), as reported on the Statement of Fiduciary Net Position totaled \$8.3 billion. Total Receivables decreased by \$64 million, Investments at fair value increased by \$419 million and Total Liabilities decreased by \$101 million.
- The year-over-year Change in Net Position decreased by \$691 million. This is due to decrease in additions of \$668 million and increase in deductions of \$23 million as explained below:
 - Total Additions year-over-year decreased by \$668 million. The increase in contributions of \$17 million was offset by \$685 million decrease in investments.
 - Total Deductions year-over-year increased by \$23 million. The amount is attributable to the growth in payments of service retirement, disability benefits, retiree health programs and administrative expenses.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
As of 9/30/2018
MR 2012

	<u>Year-To-Date 2018</u>	<u>Year-To-Date 2017</u>
ASSETS		
Cash (Note 1)	1,341,589	2,532,179
Securities Lending Cash Collateral (Note 2)	245,752,901	354,835,649
Receivables:		
Contributions (Note 3)	22,932,438	19,291,077
Investment Receivables (Note 4a)	20,230,036	18,968,644
Unsettled Trades - Investments Sold	12,904,733	82,235,143
Futures Contracts - Equity Index (Note 5a)	2,959,069	2,577,393
Equity Index Swaps (Note 6a)	320,222	0
Foreign Exchange Contracts (Note 7a)	398,583	315,655
Other Receivables (Note 8)	184,877	189,056
Total Receivables	<u>59,929,957</u>	<u>123,576,968</u>
Prepaid Expenses	809,772	887,140
Total Current Assets	<u>307,834,219</u>	<u>481,831,936</u>
Investments - at Fair Value:		
Short-Term Investments (Note 9)	160,453,682	219,182,270
Domestic Equity	723,408,756	1,461,866,109
Domestic Equity Commingled Funds	1,989,819,455	1,040,264,501
International Equity	1,604,732,787	1,819,217,580
International Equity Commingled Funds (Note 10)	477,559,540	521,387,851
Domestic Fixed Income	938,293,560	938,569,905
International Fixed Income	150,593,120	135,502,993
International Fixed Income - Commingled Funds (Note 11)	134,743,640	142,802,272
Real Estate - Separate Properties (Note 12)	68,866,184	66,207,843
Real Estate - Commingled Funds (Note 13)	478,921,367	446,292,778
Real Assets	315,473,924	280,282,634
Absolute Return (Note 14a)	705,815,575	309,750,136
Private Equity (Note 14b)	506,029,112	454,120,030
Total Investments	<u>8,254,710,702</u>	<u>7,835,446,904</u>
Capital Assets at Cost (Net of Accumulated Depreciation or Amortization) (Note 15)	1,514,309	1,635,576
Total Assets	<u>8,564,059,231</u>	<u>8,318,914,416</u>
LIABILITIES		
Securities Lending Liability (Note 2)	245,752,901	354,835,649
Unsettled Trades - Investments Purchased	18,407,384	115,216,472
Investment-Related Payables (Note 4b)	11,775,196	13,464,695
Futures Contracts - Equity Index (Note 5b)	459,458	625,967
Equity Index Swaps (Note 6b)	0	230,405
Foreign Exchange Contracts (Note 7b)	568,543	3,385,816
Accrued Administration Expenses (Note 16)	2,240,797	2,862,676
Members Benefits & Refunds Payable (Note 17a)	4,981,079	3,463,294
Retirement Payroll Deductions Payable (Note 17b)	13,489	10,135
Total Liabilities	<u>284,198,848</u>	<u>494,095,110</u>
Net Position		
Restricted - Held in Trust for Benefits	<u>8,279,860,382</u>	<u>7,824,819,306</u>
Total Net Position	<u>8,279,860,382</u>	<u>7,824,819,306</u>

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Nine Months Ending 9/30/2018
MR 2012

	<u>Year-To-Date 2018</u>	<u>Year-To-Date 2017</u>
ADDITIONS		
Contributions: (Note 18)		
Members	70,014,427	66,284,073
Employers	196,421,794	183,288,216
Total Contributions	<u>266,436,221</u>	<u>249,572,289</u>
From Investment Activities:		
Net Appreciation in Fair Value of Investments	225,884,374	911,762,126
Interest	37,073,436	30,463,995
Dividends	60,078,286	59,610,615
Real Estate - Net	16,862,042	17,372,511
Private Equity and Alternatives	(4,081,853)	(3,523,602)
Brokers Commissions - Directed Brokerage	76,238	98,797
Sub-Total of Dividends, Interest, Other Investment Income (Note 19)	<u>110,008,148</u>	<u>104,022,316</u>
Total Income from Investment Activities	335,892,523	1,015,784,442
Total Investment Expenses (Note 20)	<u>(42,567,445)</u>	<u>(36,881,194)</u>
Net Income from Investment Activities (Note 21)	<u>293,325,078</u>	<u>978,903,248</u>
From Securities Lending Activities:		
Securities Lending Income	4,970,317	3,910,912
Securities Lending Expenses	<u>(3,444,815)</u>	<u>(2,142,857)</u>
Net Income from Securities Lending Activities (Note 22)	<u>1,525,503</u>	<u>1,768,056</u>
Total Net Investment Income	<u>294,850,580</u>	<u>980,671,304</u>
Miscellaneous Income (Note 23)	<u>1,036,008</u>	<u>423,713</u>
Total Additions	<u>562,322,809</u>	<u>1,230,667,305</u>
DEDUCTIONS		
Benefits:		
Service Retirement and Disability Benefits (Note 24)	342,172,149	323,329,427
Death Benefits (Note 25)	2,311,594	2,044,547
Supplemental Cost of Living Allowance	858,394	936,011
Retiree Healthcare Program	<u>30,363,652</u>	<u>28,051,070</u>
Total Benefit Payments	<u>375,705,788</u>	<u>354,361,055</u>
Member Refunds	6,686,197	5,537,675
Administration: (Note 26)		
Administrative Expenses	8,694,899	8,227,170
Actuarial Expenses	304,354	293,654
Business Continuity Expenses	424,088	295,236
Legal Expenses	1,179,325	1,172,078
Technology Expenses	656,331	636,564
401(h) Expenses	<u>911,000</u>	<u>904,750</u>
Total Administration	<u>12,169,997</u>	<u>11,529,452</u>
Total Deductions	<u>394,561,983</u>	<u>371,428,182</u>
Net Increase(Decrease)	167,760,826	859,239,123
Net Position Held in Trust for Benefits:		
Net Position - January 1	<u>8,112,099,556</u>	<u>6,965,580,182</u>
Net Position - September 30	<u>8,279,860,382</u>	<u>7,824,819,306</u>

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

Basis of Accounting

ACERA follows the accounting principles and reporting guidelines set forth by the Government Accounting Standards Board (GASB). ACERA's financial statements are prepared on the accrual basis of accounting.

(Note 1)

Cash - \$1.34 million

Cash balance is the sum of the funds in the Wells Fargo Bank operating accounts. The decrease of \$1.19 million from \$2.53 million for September 30, 2017, is due to the timing difference between receipt of contributions and the transfer of funds to retiree payroll and investment.

(Note 2)

Securities Lending Cash Collateral - \$245.75 million

Cash collateral of \$245.75 million and \$354.84 million was held by ACERA related to securities on loan as of September 30, 2018, and September 30, 2017, respectively. This amount is reported as an asset with a corresponding liability for the same amount in compliance with the GASB Statement No. 28.

(Note 3)

Contributions Receivables - \$22.93 million

The receivable balances of September 30, 2018, increased approximately \$3.64 million from \$19.29 million in September 30, 2017. This is primarily due to the increase in employer and member contribution rates.

(Note 4a)

Investment Receivables - \$20.23 million

The investment receivables balance as of September 30, 2018, increased by \$1.26 million from \$18.97 million for September 30, 2017. This increase is due mainly to higher stock dividends receivables.

(Note 4b)

Investment-Related Payables - \$11.78 million

The investment related payables balance as of September 30, 2018, decreased by \$1.68 million from \$13.46 million for September 30, 2017. The decrease is due to investment management fee payments.

(Note 5)

Future Contracts - Equity Index - Receivable - \$2.96 million and Liability - \$0.46 million

5a. The receivable represents unrealized gains on open future contracts. The total unrealized gains as of September 30, 2018 were \$2.96 million and total unrealized gains as of September 30, 2017 were \$2.58 million.

5b. The liability represents the unrealized losses on open future contracts. The total unrealized losses as of September 30, 2018, and September 30, 2017, were \$0.46 million and \$0.63 million, respectively.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

(Note 6)

Equity Index Swaps – Receivable - \$0.32 million and Payables - None

6a. The receivable represents the amount to be received from the counterparties of the equity index swaps. As of September 30, 2018, and September 30, 2017, the amount to be received from equity index swap counterparties were \$0.32 million and none, respectively.

6b. The liability represents the amount owed, but not yet paid, to the counterparties of equity index swaps. As of September 30, 2018, and September 30, 2017, payables to equity index swap counterparties were none and \$0.23 million, respectively.

(Note 7)

Foreign Exchange Contracts – Receivable \$0.40 million and Liability \$0.57 million

7a. Foreign exchange (FX) contracts include currency forward contracts and spot contracts. As of September 30, 2018, and September 30, 2017, unrealized gains on FX contracts were \$0.40 million and \$0.32 million, respectively. The \$0.08 million increase is due to valuation of contracts.

7b. The liability represents unrealized losses on foreign exchange contracts. As of September 30, 2018, and September 30, 2017, the total unrealized losses were \$0.57 million and \$3.39 million, respectively. The \$2.82 million decrease is due to valuation of contracts.

(Note 8)

Other Receivables - \$0.18 million

Other receivables as of September 30, 2018, are comprised primarily of funds due from deceased retirees' estates for overpayment of benefits.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

(Note 9)

Short-Term Investments - \$160.45 million

Short-term investments are temporarily kept in a pooled account with State Street Bank. These pooled assets are primarily invested in short-term investment funds and deposits, including U.S. Treasury and agency obligations, corporate bonds, commercial paper, repurchase agreements, certificates of deposit, bankers' acceptances, time deposits, and floating-rate notes.

<i>As of September 30, 2018</i>	<i><u>Dollars in Millions</u></i>
Brandywine	\$ 39.88
AQR Capital Management, LLC	32.28
Loomis	18.89
Baird Investors	16.33
Capital Guardian	15.97
Unallocated Cash	15.01
Mondrian	6.35
Kennedy	5.25
Trust Company of the West	5.01
Next Century Growth Small Cap	2.81
Pzena	1.49
Bivium - Huber Capital Management, LLC	0.55
Bivium - Quest Investment Management	0.28
Bivium - Vulcan Value Partners, LLC	0.17
Bivium - Alta Capital Management, LLC	0.12
Bivium - Oakbrook Investments	0.06
Total	\$ 160.45

(Note 10)

International Equity Commingled Funds - \$477.56 million

As of September 30, 2018, and September 30, 2017, the International Equity Commingled Funds were \$477.56 million and \$521.39 million, respectively. The decrease of \$43.83 million is due to market depreciation.

(Note 11)

International Fixed Income –Commingled Funds - \$134.74 million

The decrease of \$8.06 million from the prior year is mainly due to unrealized losses. Disclosure of credit ratings on mutual fund holdings of fixed income portfolio is not required per GASB Statement No. 40.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

(Note 12)

Real Estate - Separate Properties - \$68.87 million

The following is a summary of Real Estate – Separate Property investments as of September 30, 2018, and September 30, 2017. The year over year increase of \$2.66 million is due to the market appreciation of the Oakland 14th Street property.

(Dollars in Millions)

<u><i>Investment Manager</i></u>	<u><i>Net Mkt. Value 2018</i></u>	<u><i>Net Mkt. Value 2017</i></u>	<u><i>No. of Properties 2018</i></u>	<u><i>No. of Properties 2017</i></u>
RREEF	\$ 68.87	\$ 66.21	1	1

(Note 13)

Real Estate - Commingled Funds \$478.92 million

Detailed records regarding these investments of public pension funds are exempt from disclosure under the California Government Code Section 6254.26. The increase of \$32.63 million in 2018 as compared to 2017 is mostly due to additional investments net of distributions.

(Note 14a)

Absolute Return - \$705.82 million

Detailed records regarding these investments of public pension funds are exempt from disclosure under California Government Code Section 6254.26. The increase of \$396.07 million in 2018 as compared to 2017 is predominantly due to additional investments.

(Note 14b)

Private Equity - \$506.03 million

Detailed records regarding these investments of public pension funds are exempt from disclosure under California Government Code Section 6254.26. The increase of \$51.91 million in 2018 as compared to 2017 is predominantly due to additional investments net of distributions.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

(Note 15)

Capital Assets at Cost (Net of Accumulated Depreciation and Amortization) - \$1.51 million

As of September 30, 2018, and September 30, 2017:

	<u>9/30/2018</u>	<u>9/30/2017</u>
Equipment, Furniture & Information Systems	\$ 13.49	\$ 13.49
Electronic Document Management System	4.16	4.16
Less: Accumulated Depreciation	(17.61)	(17.59)
Net Book Value	\$ 0.04	\$ 0.06
Leasehold Improvements	2.59	2.59
Less: Accumulated Depreciation	(1.12)	(1.01)
Net Book Value	\$ 1.47	\$ 1.58
Total Capital Assets, Net	\$ 1.51	\$ 1.64

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

Depreciation is computed using the straight-line method for most assets not relevant over the following estimated useful lives:

<input type="checkbox"/>	Computer Hardware	5 years
<input type="checkbox"/>	Computer Software	3 years
<input type="checkbox"/>	Equipment	5 years
<input type="checkbox"/>	Furniture	7 years
<input type="checkbox"/>	Information System – Retirement	7 years
<input type="checkbox"/>	Information System – Accounting	3 years
<input type="checkbox"/>	EDMS	5 years
<input type="checkbox"/>	Disaster Recovery	5 years
<input type="checkbox"/>	Leasehold Improvements	27.5 years

(Note 16)

Accrued Administration Expenses - \$2.24 million

Accrued administration expenses consist of accounts payable, payroll expense, actuarial services payable and other operating expense.

(Note 17)

17a. Members' Benefits & Refunds Payable - \$4.98 million

Members Benefits and Refund Payable as of September 30, 2018, are detailed as follows:

<i>Accrued Benefits and Refunds</i>	<u>9/30/2018</u>	<u>9/30/2017</u>
Basic Active Death Benefits	\$ 0.81	\$ 0.55
Active Death Contribution Refunds	2.34	1.49
Retired Death Benefits	1.24	1.22
Members' Contribution Refunds	0.59	0.20
Total Members' Benefit & Refunds Payable	\$ 4.98	\$ 3.46

17b. Retirement Payroll Deductions Payables - \$0.01 million

The balance for September 30, 2018, includes health premium prepayments for 11 retirees. The corresponding balance for September 30, 2017, of \$0.01 million included prepayments for 9 retirees.

(Note 18)

Contributions - \$266.44 million

The increase in contributions of \$16.87 million in 2018 as compared to 2017 is primarily due to the slight increases in employer and member contribution rates. For the first nine-months of 2018, the average member and employer contribution rates were 0.03% and 0.10% higher than the rate in effect for the same time period in 2017, respectively.

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

(Note 19)

Interest, Dividend, and Other Investment Income - \$110.01 million

<i>Interest, Dividend, and Other Investment Income</i>	<i>For the Nine Months Ended</i>	
	<i>9/30/2018</i>	<i>9/30/2017</i>
Interest Income	\$ 37.07	\$ 30.46
Dividend Income	59.80	58.91
Real Estate Income	16.86	17.37
PEARLS Income (Loss) ⁽¹⁾	(4.08)	(3.52)
Other Investment Income	0.28	0.70
Directed Brokerage Commission Recapture	0.08	0.10
Total Interest, Dividend, and Other Investment Income ⁽²⁾	<u>\$ 110.01</u>	<u>\$ 104.02</u>

⁽¹⁾The PEARLS Income (Loss) represents the net operating results of all Private Equity, Absolute Return and Real Assets Funds.

⁽²⁾The increase of \$5.99 million from 2017 is primarily due to Interest Income.

(Note 20)

Investment Expenses - \$42.57 million

	<i>For the Nine Months Ended</i>			
	<i>Basis Points</i>	<i>9/30/2018</i>	<i>Basis Points</i>	<i>9/30/2017</i>
Investment Manager and Incentive Fees	45.70	\$ 37.74	42.6	\$ 33.39
Investment Custodian	0.50	0.41	0.50	0.41
Investment Consultants and Other Expenses (*)	2.50	2.08	1.23	0.96
Subtotal Investment Services	48.70	40.23	44.33	34.76
Investment Allocated Costs	2.80	2.34	2.7	2.12
Total Investment Expenses (**)	51.50	\$ 42.57	47.03	\$ 36.88

(*) *Investment Consultant and Other Expenses:*

	<i>For the Nine Months Ended</i>			
	<i>Basis Points</i>	<i>9/30/2018</i>	<i>Basis Points</i>	<i>9/30/2017</i>
Investment Advising & Performance (Pearls, Alternative Investment)	0.80	\$ 0.66	0.85	\$ 0.66
Consultant - Portfolio Rebalancing	0.04	0.04	0.04	0.04
Consultant - Legal (Alternative Investment)	0.24	0.19	0.08	0.06
Subtotal – Consultants Expenses	1.08	0.89	0.97	0.76
Proxy Services	0.05	0.04	0.05	0.04
Transaction Cost Analysis	0.04	0.03	0.05	0.03
Other Expenses (includes software support)	1.35	1.12	0.16	0.13
Subtotal – Other Investment Expenses	1.44	1.19	0.26	0.20
Total Investment Consultants & Other Exp.	2.52	\$ 2.08	1.23	\$ 0.96

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

(**) The \$5.69 million increase in total investment expenses from 2017 is predominantly due to investment management and incentive fees in Real Estate, Private Equity, Absolute Return and Real Assets.

(Note 21)

Net Investment Gain (Loss) \$293.33 million

The breakdown of net investment income (loss) is as follows:

	<i>For the Nine Months Ended</i>		<i>Inc./ (Dec.)</i>
	<i>9/30/2018</i>	<i>9/30/2017</i>	<i>from previous year</i>
Paper gains/(losses) (Unrealized gains/(losses))	\$ (904.57)	\$ 653.49	\$ (1,558.06)
Actual gains/(losses) (Realized gains/(losses))	1,130.45	258.27	872.18
Investment Income (Interest/Dividend/RE/Other)- Net of Expenses	67.45	67.14	0.31
Total Net Income (Loss) From Investment Activities	\$ 293.33	\$ 978.90	\$ (685.57)

(Note 22)

Securities Lending Net Income - \$1.53 million

The securities lending net income balance as of September 30, 2018, and September 30, 2017, were \$1.53 million and \$1.77 million, respectively.

(Note 23)

Miscellaneous Income - \$1.04 million

The miscellaneous income of \$1.04 million is predominately from prior years' class action litigation settlements.

(Note 24)

Service Retirement and Disability Benefits - \$342.17 million

The increase of \$18.84 million was predominantly due to the higher average benefit paid to the newly added retirees as compared to that of deceased retirees with lower average benefits as well as a modest increase of 257 in the total number of retirees receiving benefits, from 9,433 at 9/30/17 to 9,690 at 9/30/18.

(Note 25)

Death Benefits - \$2.31 million

The death benefits paid out during the nine months ended September 30, 2018, were comprised of \$0.14 million of Retired Death Benefits, \$0.62 million of Active Death Benefits, and \$1.55 million of Survivorship Benefits.

(Note 26)

Total Administration - \$12.17 million

ACERA's Board of Retirement adopted Section 31580.2 of the 1937 Act. This Section allows ACERA to exclude investment (included in Total Investment Expenses under Note 20 above), actuarial, legal, business continuity related expenses and technology costs from administrative expenses subject to the

ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
As of September 30, 2018

statutory limits. Under Section 31618.5 ACERA excludes the SRBR administrative expenses from its total administrative expenses. ACERA's SRBR administrative expenses are the amount that exceeds the employers' 401(h) contributions allocated to estimated administrative costs of Postemployment Medical Benefits.

The breakdown on total Administration Expenses is as follows:


<u>Total Administration Expenses</u>	<u>For the Nine Months Ended</u>		<u>Inc./(Dec.) from</u> <u>previos year</u>
	<u>9/30/2018</u>	<u>9/30/2017</u>	
Administrative Expenses	\$ 8.70	\$ 8.23	\$ 0.47
Actuarial Expenses	0.30	0.29	0.01
Business Continuity Expenses	0.42	0.30	0.12
Legal Expenses	1.18	1.17	0.01
Technology Expenses	0.66	0.64	0.02
401(h) Administrative Expenses	0.91	0.90	0.01
Total Administration	\$ 12.17	\$ 11.53	\$ 0.64



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: November 8, 2018

TO: Members of the Board of Retirement

FROM: Margo Allen, Fiscal Services Officer 

SUBJECT: Total Operating Expense Budget Summary for September 30, 2018

ACERA's operating expenses are \$251K under budget for the period ending September 30, 2018. Budget overages and surpluses worth noting are as follows:

Budget Overage

1. *Staffing*: Staffing is \$245K over budget. This amount comprises overages in fringe benefits of \$54K due to excesses in the fringe benefit rate and temporary staffing of \$463K due to vacant positions filled by temporary staff, which are offset by surplus in staff vacancies of (\$272K).
2. *Professional Fees*: Professional Fees is \$2K over budget. This amount comprises overages in actuarial fees of \$10K due to timing differences, which is offset by surplus in legal fees of (\$1K), external audit fees of (\$2K) and operations consulting of (\$5K).

Budget Surplus

1. *Staff Development*: Staff Development is \$201K under budget. The is due to savings from unattended staff trainings and reductions in headcount.
2. *Office Expense*: Office Expense is \$19K under budget. This amount comprises surpluses in bank charges and miscellaneous admin expenses of (\$10K), office maintenance and supplies of (\$20K), communication expense of (\$1K), and minor equipment/furniture and equipment lease/maintenance of (\$1K), which are offset by overages in building expenses of \$9K and printing and postage of \$4K.
3. *Insurance*: Insurance is \$3K under budget. This entire amount is a savings due to negotiated reduction of premiums for insurance purchased through Arthur Gallagher.
4. *Member Services*: Member Services is \$83K under budget. This amount comprises surpluses in disability legal arbitration and transcripts of (\$22K), health reimbursement account of (\$4K), disability medical expense of (\$5K) and members printing and postage of (\$54K), which are offset by overages in members training and education and disability claims management of \$2K.

5. *Systems:* Systems is \$94K under budget. This is mainly attributed to surplus in software maintenance and support of (\$102K) due to delays in database migration project, business continuity expense of (\$3K) and computer maintenance of (\$1K), which are offset by overage in county data processing of \$7K and minor computer hardware of \$5K.
6. *Depreciation:* Depreciation is \$5K under budget. This is primarily due to fully depreciated fixed assets included in office equipment, EDMS and disaster recovery equipment.
7. *Board of Retirement:* Board of Retirement is \$93K under budget. This amount comprises surpluses in board miscellaneous expense of (\$20K) primarily due to delays in software upgrade for trustees and board room recording upgrade, board compensation of (\$4K), board conferences and trainings of (\$1K) and savings of (\$69K) from 2017 board employer reimbursement accruals, which are offset by overage in board strategic planning of \$1K.

Staffing Detail

As of September 30, 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 started in 09/2018
Benefits	Retirement Specialist	3	Filled by temporary staff - currently budgeted until 12/2018
Benefits	Retirement Support Specialist	1	Filled by temporary staff – budget allocation started in 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	Filled by temporary staff - currently budgeted until 12/2018
Investments	Admin Support Specialist	1	Resigned - currently budgeted until 12/2018
Investments	Investment Analyst	1	Resigned - currently budgeted until 12/2018
Total Positions		13	



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

TOTAL OPERATING AND PORTFOLIO MANAGEMENT INVESTMENT EXPENSE SUMMARY

YEAR TO DATE - ACTUAL VS. BUDGET					
<u>September 30, 2018</u>					
	<u>Actual</u>	<u>Budget</u>	<u>YTD</u>	<u>2018</u>	<u>% Actual to</u>
	<u>Year-To-Date</u>	<u>Year-To-Date</u>	<u>Variance</u>	<u>Annual</u>	<u>Annual Budget</u>
			<u>(Under)/Over</u>	<u>Budget</u>	
Staffing	\$ 10,531,901	\$ 10,287,000	\$ 244,901	\$ 13,850,200	76.0%
Staff Development	239,059	439,520	(200,461)	559,000	42.8%
Professional Fees (Next Page)	934,444	932,070	2,374	1,143,000	81.8%
Office Expense	375,811	395,130	(19,319)	530,000	70.9%
Insurance	949,636	953,090	(3,454)	1,278,000	74.3%
Member Services	267,749	350,800	(83,051)	470,800	56.9%
Systems	792,442	886,580	(94,138)	1,191,000	66.5%
Depreciation	90,653	95,390	(4,737)	126,000	71.9%
Board of Retirement	326,017	419,000	(92,983)	628,000	51.9%
Uncollectable Benefit Payments	-	-	-	30,000	0.0%
Total Operating Expense	\$ 14,507,712	\$ 14,758,580	\$ (250,868)	\$ 19,806,000	73.2%
Investment Consultant Fees	2,085,997	1,366,760	719,237	1,823,000	114.4%
Investment Custodian Fees	408,561	412,200	(3,639)	550,000	74.3%
Investment Manager and Incentive Fees	37,735,171	39,658,860	(1,923,689)	52,879,000	71.4%
Total Portfolio Management Investment Expense	\$ 40,229,729	\$ 41,437,820	\$ (1,208,091)	\$ 55,252,000	72.8%
Total Operating and Portfolio Management Investment Expense	\$ 54,737,441	\$ 56,196,400	\$ (1,458,959)	\$ 75,058,000	72.9%



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PROFESSIONAL FEES
YEAR TO DATE - ACTUAL VS. BUDGET
September 30, 2018

	<u>Actual Year-To-Date</u>	<u>Budget Year-To-Date</u>	<u>YTD Variance (Under)/Over</u>	<u>2018 Annual Budget</u>	<u>% Actual to Annual Budget</u>
<u>Professional Fees</u>					
Consultant Fees - Operations and Projects ¹	\$ 276,802	\$ 281,400	\$ (4,598)	\$ 360,000	76.9%
Actuarial Fees ²	343,354	333,670	9,684	408,000	84.2%
External Audit ³	144,585	146,000	(1,416)	146,000	99.0%
Legal Fees ⁴	169,703	171,000	(1,297)	229,000	74.1%
Total Professional Fees	\$ 934,444	\$ 932,070	\$ 2,374	\$ 1,143,000	81.8%


	<u>Actual Year-To-Date</u>	<u>Budget Year-To-Date</u>	<u>YTD Variance (Under)/Over</u>	<u>2018 Annual Budget</u>	<u>% Actual to Annual Budget</u>
¹ CONSULTANT FEES - OPERATIONS AND PROJECTS:					
Benefits					
Keenan (Benefit Consultant/Retiree Open Enrollment)	86,421	86,400	21	115,000	75.1%
Keenan (Retirees Health Insurance Benefit)	35,250	36,000	(750)	36,000	97.9%
Benefit Consultant (County Retirees Medical)	94,500	94,500	-	126,000	75.0%
Total Benefits	216,171	216,900	(729)	277,000	78.0%
Human Resources					
Lakeside Group (County Personnel)	57,750	58,500	(750)	77,000	75.0%
Total Human Resources	57,750	58,500	(750)	77,000	75.0%
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	96.0%
Total Internal Audit	2,881	6,000	(3,119)	6,000	48.0%
Total Consultant Fees - Operations	\$ 276,802	\$ 281,400	\$ (4,598)	\$ 360,000	76.9%
² ACTUARIAL FEES					
Actuarial fees (562-00-005)	245,854	251,200	(5,346)	311,000	79.1%
GASB 67 & 68 Valuation (562-00-005)	44,500	33,750	10,750	45,000	98.9%
GASB 74 & 75-Actuarial (562-00-005)	13,000	9,720	3,280	13,000	100.0%
Actuarial fees-SRBR (562-00-007)	39,000	39,000	-	39,000	100.0%
Actuarial Audit (562-90-415)	1,000	-	1,000	-	0.0%
Total Actuarial Fees	\$ 343,354	\$ 333,670	\$ 9,684	\$ 408,000	84.2%
³ EXTERNAL AUDIT					
External audit (562-00-004)	122,520	123,000	(480)	123,000	99.6%
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	\$ 144,585	\$ 146,000	\$ (1,416)	\$ 146,000	99.0%
⁴ LEGAL FEES					
<u>Fiduciary Counseling</u>					
Manatt, Phelps & Phillips	-	90,000	(90,000)	121,000	
Nossaman, LLP	68,384	-	68,384	-	
Baker Hostetler	3,981	-	3,981	-	
Kroll LLC	7,270	-	7,270	-	
Meyers/Nave Professional Law Corporation	6,075	-	6,075	-	
Reed Smith (ACD Sheriffs)	52,058	-	52,058	-	
Subtotal	137,768	90,000	47,768	121,000	113.9%
<u>Tax and Benefit Issues</u>					
Hanson, Bridgett, LLP	1,030	31,500	(30,470)	42,000	
Subtotal	1,030	31,500	(30,470)	42,000	2.5%
<u>Litigation</u>					
Byers/Richardson	980	-	980	-	
The Law offices of Elizabeth F. McDonald	20,513	49,500	(28,987)	66,000	
Subtotal	21,493	49,500	(28,007)	66,000	32.6%
<u>Investigation Services</u>					
Law offices of Amy Oppenheimer	9,412	-	9,412	-	
Subtotal	9,412	-	9,412	-	0.0%
Total Legal Fees	\$ 169,703	\$ 171,000	\$ (1,297)	\$ 229,000	74.1%



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: November 8, 2018

TO: Members of the Board of Retirement

FROM: Margo Allen, Fiscal Services Officer 

SUBJECT: ACERA's Cash Forecast Model (CFM) October 2018 – September 2019

Executive Summary

As a mature, cost-sharing, multi-employer, defined benefit 401(a) plan, ACERA's monthly retirement benefit payment liabilities and administrative expenses exceed current member contributions; therefore, ACERA liquidates cash from the plan's invested assets on a monthly basis to meet its increasing financial obligations. To manage assets, best practices recommend a robust cash forecast and analysis to understand, communicate, and manage the invested assets that fund ever-increasing pension liabilities and administrative expense obligations.

Table 1, below, is the current forecasted negative cash position for the period spanning October 1, 2018, to September 30, 2019. **Excluding the two three-pay-period months¹ (i.e., November 2018 and May 2019, and annotated by an *), the average monthly negative cash position for the referenced period is negative \$15,582,106.**

ACERA's Monthly Negative Cash Position			
Month-Year	Total Receipts	Total Disbursements	Negative Cash Position
Oct-18	\$ 29,590,000	\$ 46,327,541	\$ (16,737,541)
Nov-18*	44,434,153	45,036,929	(602,776)
Dec-18	29,831,916	45,074,833	(15,242,917)
Jan-19	29,911,175	45,464,072	(15,552,897)
Feb-19	30,060,082	45,524,425	(15,464,343)
Mar-19	30,094,611	45,602,791	(15,508,180)
Apr-19	30,192,833	46,209,837	(16,017,004)
May-19*	45,267,614	45,685,471	(417,857)
Jun-19	30,368,323	45,740,956	(15,372,633)
Jul-19	30,457,663	45,797,683	(15,340,020)
Aug-19	30,564,937	45,880,717	(15,315,780)
Sep-19	30,658,033	45,927,776	(15,269,743)
Total	\$ 391,431,340	\$ 548,273,031	\$ (156,841,691)
Average	\$ 30,172,957	\$ 45,755,063	\$ (15,582,106)
Table 1.		*Three-pay-period month	

¹ The three-pay-period months are excluded from the average because they cause inaccuracy with extreme fluctuation.

Tables 2 thru 4, below, provide a 5-year, annualized analysis of ACERA's cash management.

5-Year Annual Cash Inflow			
Year	Total Contributions, Misc. Cash Receipts, etc.	Cash Draw from SSB*	Total Cash Inflow
2018	\$ 362,551,845	\$ 221,000,000	\$ 583,551,845
2017	335,099,875	217,350,000	552,449,875
2016	325,836,998	196,400,000	522,236,998
2015	316,918,096	216,100,000	533,018,096
2014	292,454,010	181,650,000	474,104,010

Table 2. Annualized inflow of total cash receipts. The Cash Draw from SSB, in the second column is the actual net cash drawn from ACERA's investment portfolio.

5-Year Annual Cash Outflow			
Year	Retiree Payroll, Accounts Payable, ACERA Payroll, etc.	Cash Return to SSB*	Total Cash Outflow
2018	\$ 534,827,176	\$ 63,703,646	\$ 598,530,822
2017	502,857,234	33,750,000	536,607,234
2016	475,743,162	45,900,000	521,643,162
2015	454,551,561	78,200,000	532,751,561
2014	430,279,558	44,350,000	474,629,558

Table 3. Annualized outflow of retirement and benefit payments, accounts payable, and ACERA payroll. Excess cash (Cash Return to SSB column) is wired to the SSB HI1A account.

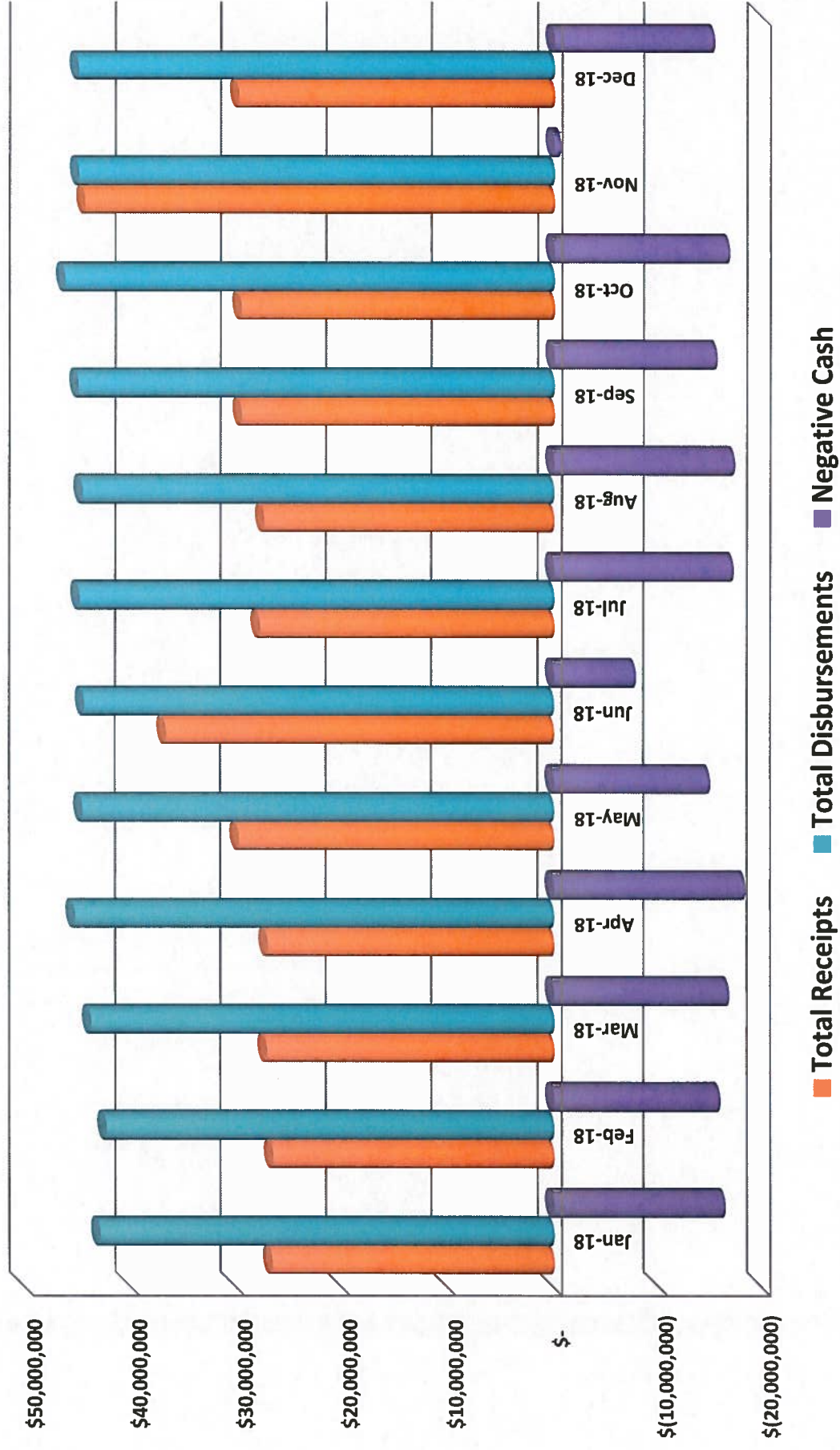
5-Year Annual Net Cash Inflow/(Outflow)			
Year	Negative Cash	Net Cash Draw from SSB*	Variance
2018	\$ (172,275,331)	\$ 157,296,354	\$ (14,978,977)
2017	(167,757,359)	183,600,000	15,842,641
2016	(149,906,164)	150,500,000	593,836
2015	(137,633,465)	137,900,000	266,535
2014	(137,825,548)	137,300,000	(525,548)

Table 4. Annualized Negative Cash position and the SSB Net Cash Draw. Due to timing differences and end-of-year balance differences, the net cash draw can fluctuate several hundred-thousand dollars in a year-over-year comparison.

* State Street Bank (SSB)

Conclusion: This information is not meant to be statistically inferential in nature; but rather, it presents facts about ACERA's negative cash position on a 5-year annualized basis. Future analysis of this information can be undertaken to evaluate specific tendency; however, the current presentation is intended to provide a factual assessment of the actual cash draw down of ACERA's investment portfolio.

Cash Forecast January - December 2018






MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: November 8, 2018

TO: Members of the Board of Retirement

FROM: Margo Allen, Fiscal Services Officer 

SUBJECT: Board Conference and Training Expense Report for the period
January 1, 2018 to September 30, 2018

Attached is the year-to-date Board Conference and Training Expense report. As of September 30, 2018, reported expenses totaled \$121,197.

**ACERA Board of Retirement
Conference and Training Expense Report
YTD September, 2018**

Month	Date	Conference/Location	Attendee	Sum of Total	
January	08-10	Opal Public Funds Summit	Darryl Walker	\$ 69	
	26	NASP - Diverse and Emerging Manager Forum	Darryl Walker	985	
			Tarrell Gamble	1,626	
January Total				\$ 2,679	
February	09-10	SEO Alternative Investments	Tarrell Gamble	555	
February Total				\$ 555	
March	12-14	CII Spring Conference	Elizabeth Rogers	2,651	
	28	NASP - 8th Annual Day of Education in Private Equity for Trustees	Darryl Walker	954	
			Tarrell Gamble	973	
	28-30	CALAPRS Advanced Principles of Pension Management	Elizabeth Rogers	3,756	
				Henry Levy	3,684
March Total				\$ 12,017	
April	10-11	NASP - Pension Bridge Annual Conference	Darryl Walker	109	
	23-28	The Wharton School University of Pennsylvania, Portfolio Concepts Management	Henry Levy	7,148	
			Nancy Reilly	6,770	
	29-02	Milken Global Conference 2018	Dale Amaral	12,079	
			Darryl Walker	12,513	
			George Wood	11,808	
			Henry Levy	12,161	
			Keith Carson	11,684	
April Total				\$ 74,271	
May	15-18	SACRS - Spring Conference	Darryl Walker	120	
			Elizabeth Rogers	1,957	
			Henry Levy	1,454	
			Liz Koppenhaver	1,102	
			Nancy Reilly	1,255	
			Tarrell Gamble	1,163	
	31	California Labor Trustee Convening	Darryl Walker	362	
May Total				\$ 7,414	
June	04-06	NASP - 29th Annual Pension & Financial Services Conference	Darryl Walker	2,225	
	08	CALAPRS Trustees Round Table	Tarrell Gamble	1,985	
			Henry Levy	148	
	13-14	GCM Grosvenor - Consortium 2018	Tarrell Gamble	1,224	
	5	California Alternative Investments Association - Financial Tech Group - Blockchain as an Asset	Henry Levy	20	
	25-27	RFKennedy 9th Annual Compass Investor Conference	Elizabeth Rogers	2,222	
June Total				\$ 7,824	
July	23-24	Pension Bridge, Private Equity Exclusive	Tarrell Gamble	1,118	
	30-01	IFEBP - Wharton West - Alternative Investment Strategies	Henry Levy	4,019	
July Total				\$ 5,137	
September	12-13	OPAL Group, Emerging Managers Summit 2018	Tarrell Gamble	1,241	
	12-14	Principles for Responsible Investment Strategies - PRI in Person	Henry Levy	976	
	27	CAIA (Chartered Alternative Investment Analyst Association) - Fundamentals of Alternative Investments	Tarrell Gamble	795	
	9/11/18	SASB (Sustainability Accounting Standards Board) Open House	Henry Levy	23	
September Total				\$ 3,035	
October	13-17	(*) IFEBP Annual Conference	Darryl Walker	2,279	
	14		Elizabeth Rogers	1,965	
	Keith Carson		1,965		
	10-18	(*) Nossaman 2018 Public Pensions and Investments Fiduciaries Forum	Henry Levy	380	
			Ophelia Basgal	380	
October Total				\$ 6,969	
November	13-16	(*) SACRS - Fall Conference	Elizabeth Rogers	120	
			Henry Levy	420	
			Keith Carson	428	
			Liz Koppenhaver	120	
			Nancy Reilly	208	
November Total				\$ 1,297	
Grand Total				\$ 121,197	

(*) Prepaid Expenses



MEMORANDUM TO THE BOARD OF RETIREMENT

DATE: November 8, 2018

TO: Members of the Board of Retirement

FROM: Margo Allen, Fiscal Services Officer 

SUBJECT: Sr. Managers Conference and Training Expense Report for the period
January 1, 2018 to September 30, 2018

Attached is the year-to-date Senior Managers' Conference and Training Expense report. As of September 30, 2018, reported expenses totaled \$63,511.

ACERA Sr. Managers
SM Conference and Training Expense Report
January 1, 2018 to September 30, 2018

From	To	Senior Manager	Training/Conference	Total
Training				
01/17/18	01/17/18	Betty Tse	CA Society of CPAs Continuing Education	\$ 70.00
03/07/18	03/07/18	Betty Tse	Continuing Education	795.00
05/22/18	05/22/18	Betty Tse	Continuing Education	410.00
05/31/18	05/31/18	Betty Tse	CALCPA Webcast Continuing Education	306.00
06/21/18	06/21/18	Betty Tse	Continuing Education	306.00
		Betty Tse Training Total		\$ 1,887.00
Conference				
04/29/18	05/02/18	Betty Tse	Milken Conference	\$ 11,954.19
05/15/18	05/18/18	Betty Tse	SACRS Spring Conference	1,400.62
06/04/18	06/04/18	Betty Tse	Trusted Insights	12.90
06/22/18	06/22/18	Betty Tse	CALAPRS Investment Roundtable	149.00
09/20/18	09/20/18	Betty Tse	AAIM Conference	814.78
		Betty Tse Conference Total		\$ 14,331.49
Conference				
03/06/17	03/08/17	Dave Nelsen	Calaprs General Assembly 2017**	\$ 100.00
01/19/18	01/19/18	Dave Nelsen	Calaprs Administrators Roundtable	887.88
03/03/18	03/06/18	Dave Nelsen	Calaprs General Assembly	1,392.06
05/15/18	05/18/18	Dave Nelsen	SACRS Spring Conference	1,603.53
06/11/18	06/13/18	Dave Nelsen	Calaprs Management Leadership Academy	838.43
06/22/18	06/22/18	Dave Nelsen	Calaprs Administrators Roundtable	135.00
08/04/18	08/08/18	Dave Nelsen	NASRA Conference	2,659.43
09/26/18	09/28/18	Dave Nelsen	Calaprs Administrators Institute 2018	1,250.00
10/18/18	10/18/18	Dave Nelsen	Nossamon LLP 2018 Public Pensions Forum	380.00
11/13/18	11/16/18	Dave Nelsen	SACRS Fall Conference	324.40
		Dave Nelsen Conference Total		\$ 9,570.73
Training				
02/08/18	02/08/18	Harsh Jadhav	Internal Investigations Webinar	\$ 143.10
02/27/18	02/27/18	Harsh Jadhav	ISACA Training	190.00
03/02/18	03/02/18	Harsh Jadhav	One Note Training	13.06
04/18/18	04/18/18	Harsh Jadhav	Access 2013 Fundamentals	175.00
05/10/18	05/10/18	Harsh Jadhav	Access 2013 Intermediate	175.00
11/01/18	11/01/18	Harsh Jadhav	GFOA GAAP Update	125.00
		Harsh Jadhav Training Total		\$ 821.16
Conference				
05/06/18	05/09/18	Harsh Jadhav	APPFA Conference	\$ 1,311.53
05/15/18	05/18/18	Harsh Jadhav	SACRS Spring Conference	1,028.47
11/13/18	11/15/18	Harsh Jadhav	SACRS Fall Conference	336.28
		Harsh Jadhav Conference Total		\$ 2,676.28
Training				
06/01/18	07/31/18	Vijay Jagar	Management Coaching & Leadership Academy	\$ 800.00
08/01/18	08/30/18	Vijay Jagar	Management Coaching & Leadership Academy	400.00
		Vijay Jagar Training Total		\$ 1,200.00
Conference				
02/21/18	02/21/18	Vijay Jagar	Alternative Investments Security Roundtable	\$ 25.00
04/22/18	04/25/18	Vijay Jagar	PRISM Conference	1,661.29
05/15/18	05/18/18	Vijay Jagar	SACRS Spring Conference	1,026.32
		Vijay Jagar Total		\$ 2,712.61
Training				

ACERA Sr. Managers
SM Conference and Training Expense Report
January 1, 2018 to September 30, 2018

From	To	Senior Manager	Training/Conference	Total
01/16/18	01/16/18	Kathy Foster	SACRS Program Committee	\$ 4.00
		Kathy Foster Training Total		\$ 4.00
Conference				
03/06/17	03/08/17	Kathy Foster	Calaprs General Assembly**	\$ 100.00
02/24/18	02/27/18	Kathy Foster	NASRA Winter Meeting	2,746.98
03/04/18	03/06/18	Kathy Foster	Calaprs General Assembly	1,214.65
05/15/18	05/18/18	Kathy Foster	SACRS Spring Conference	1,286.74
06/08/18	06/08/18	Kathy Foster	Calaprs Benefits Roundtable	149.00
08/26/18	08/29/18	Kathy Foster	ISCEBS Employee Benefits Symposium	3,599.16
10/17/18	10/17/18	Kathy Foster	Calaprs Intermediate Course	541.98
11/12/18	11/16/18	Kathy Foster	SACRS Fall Conference	380.40
		Kathy Foster Conference Total		\$ 10,018.91
Conference				
10/27/17	10/27/17	Kathy Mount	Calaprs Attorneys' Roundtable**	\$ 125.00
02/21/18	02/24/18	Kathy Mount	NAPPA Winter Seminar 2018	1,592.28
05/15/18	05/18/18	Kathy Mount	SACRS Spring Conference	985.09
09/20/18	09/21/18	Kathy Mount	Calaprs Attorneys' Roundtable	930.82
09/27/18	09/28/18	Kathy Mount	Disability Retirement Attorney Roundtable	651.45
		Kathy Mount Conference Total		\$ 4,284.64
Training				
04/18/18	04/18/18	Margo Allen	Advanced Financial Statements	\$ 50.00
11/01/18	11/01/18	Margo Allen	GFOA GAAP Update	125.00
		Margo Allen Training Total		\$ 175.00
Conference				
05/15/18	05/18/18	Margo Allen	SACRS Spring Conference	\$ 120.00
		Margo Allen Conference Total		\$ 120.00
Training				
06/01/18	07/31/18	Sandra Dueñas-Cuevas	Management Coaching & Leadership Academy	\$ 1,000.00
		Sandra Dueñas-Cuevas Training Total		\$ 1,000.00
Conference				
05/15/18	05/18/18	Sandra Dueñas-Cuevas	SACRS Spring Conference	\$ 1,243.26
06/12/18	06/15/18	Sandra Dueñas-Cuevas	IFEBP Certificate Series	3,707.98
09/11/18	09/13/18	Sandra Dueñas-Cuevas	Onbase Conference	1,825.00
09/18/18	09/20/18	Sandra Dueñas-Cuevas	Pension Gold User Conference	683.59
11/13/18	11/15/18	Sandra Dueñas-Cuevas	SACRS Fall Conference	228.40
		Sandra Dueñas-Cuevas Conference Total		\$ 7,688.23
Conference				
06/16/18	06/19/18	Victoria Arruda	SHRM Conference	\$ 4,372.07
08/05/18	08/09/18	Victoria Arruda	HR DMEC Conference	2,618.80
10/04/18	10/04/18	Victoria Arruda	Annual Disability Employee Awareness	30.00
		Victoria Arruda Conference Total		\$ 7,020.87
		Grand Total		\$ 63,510.92

(**) 2017 Expenses paid in 2018.


Note: This report only shows expenses received and processed by the FSD on or before September 30, 2018. This report does not include accruals only actuals.

NEW BUSINESS

F. Chief Executive Officer's Report.



*Office of the Chief Executive Officer
Office of Administration*

DATE: November 8, 2018
TO: Members of the Board of Retirement
FROM: Dave Nelsen, Chief Executive Officer 
SUBJECT: Chief Executive Officer's Report

Senior Manager Recruitment

No vacancies needing recruitment.

Committee/Board Action Items

ASSIGNED FOLLOW-UP ITEMS				
Follow-Up Board Item	Assigned Senior Leader	Estimated Completion Date	Completion Date	Notes
Develop a policy regarding pre-payment of contributions by employers.	Dave Nelsen	To be scheduled		A new law passed in 2017 expanded the circumstances regarding employers pre-paying retirement contributions. ACERA needs to develop a policy regarding this option.
Develop a Diminishing Employer Payroll Policy	Kathy Mount	July 2018 October 2018	Completed in October 2018	This policy will address the issues of how to allocate liability and determine funding requirements for an employer whose payroll is permanently decreasing.
Develop a Withdrawing Employer Policy	Kathy Mount	July 2018 October 2018	Completed in October 2018	This policy will address the issues of how to allocate liability and determine funding requirements for an employer that withdraws from the system.
Revise Format of the Statement of Reserves Report	Margo Allen	With the next Semi-annual report		Revise the format of the report to increase readability, particularly for those accessing the report electronically.
Discuss Committee Consolidation	Dave Nelsen	December		Possible consolidation of the Committee's work
Expand the Use of the Consent Calendar	Kathy Mount	December		Discuss some items that could be included on the Consent Calendar rather than individual Board action items.
Discuss Modifying the Delegated Investment Authority to Staff	Betty Tse	To be determined		By modifying the delegated investment authority it may free up more time for other discussions or education at the Investment Committee meetings.
Frequency of Staff Reports	Committee Liaisons	Addressed at respective Committees		Evaluating the frequency of Staff reports may increase administrative efficiency without sacrificing good governance.

Conference Schedule

Several Staff members, including me, will attend the SACRS Fall Conference from November 13-16 in Indian Wells, CA.

Other

Process Excellence Activities:

- The second project continues working on developing employee personal development plan templates and processes.
- Remaining ACERA team members have been trained in the methodology, and have been challenged to apply the training at their own process level. These are being called "just do it projects". There are 14 of these projects underway, and 5 have been completed.
- Senior Leaders continue their work on two initiatives: **1)** developing agency-wide operational effectiveness measures, and **2)** developing a process to identify, prioritize and balance resources for the many projects of the association. High level measures being implemented include:
 - Adherence to budget
 - Team engagement survey scores-The first survey has been sent out and scores should be available soon. The results of the survey will be shared with all employees and individual work teams will work on an area of the survey that they choose.
 - Customer satisfaction survey scores-A survey has been developed and was provided at the Health Fair, as well as personal phone call interviews to recent retirees.
 - Meeting investment benchmark performance on a rolling 10-year basis.

Projects identified for 2019 include requirements definition for the Pension Administration System replacement project, benefits process optimization using lean process improvement, departmental organization optimization, and implementing performance development and training tools.