



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MINUTES

Thursday, November 12, 2015

Chair Elizabeth Rogers called the meeting to order at 2:01 p.m.

Trustees Present: Dale Amaral
Annette Cain-Darnes
Keith Carson
Tarrell Gamble
Liz Koppenhaver
Elizabeth Rogers
Donald White
George Wood
Darryl Walker (Alternate)

Trustees Excused: Ophelia Basgal
David Safer (Alternate)

Staff Present: Margo Allen, Fiscal Services Officer
Victoria Arruda, Human Resources Officer
Angela Bradford, Executive Secretary
Sandra Dueñas, Benefits Manager
Joseph Fletcher, Chief Counsel
Kathy Foster, Interim Chief Executive Officer
Harsh Jadhav, Chief of Internal Audit
Betty Tse, Chief Investment Officer
Latrena Walker, Project and Information Services Manager

15-140

The minutes of the regular meeting of October 15, 2015, were accepted on a motion by Dale Amaral, seconded by George Wood, and approved by a vote of 5 yes (*Amaral, Cain-Darnes, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstention.

**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
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Appendix E

APPLICATION FOR DISABILITY RETIREMENT – NON CONTESTED ITEMS:

Appendix F

**APPLICATION FOR DISABILITY RETIREMENT – HEARING OFFICER
RECOMMENDATIONS**

Appendix G

APPROVAL COMMITTEE MINUTES

October 15, 2015 Actuarial Committee Minutes

It was moved by George Wood, seconded by Liz Koppenhaver and approved by a vote of 6 yes (*Cain-Darnes, Koppenhaver, Rogers, Walker, White, Wood*), 1 recusal (*Amaral*), 0 no, 0 abstentions, that the following resolution is adopted:

15-141

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 **October and November** Committee meeting minutes are posted on the ACERA website (www.acera.org) after approval at the **November 12, 2015**, Board meeting. This month's Committee reports were presented in the following order:*

Operations:

Dale Amaral reported that the Operations Committee met on November 4, 2015, at 9:33 a.m., and highlighted the following:

Staff presented the revisions to the Travel Policy that was requested by the Trustees. Following a discussion, Staff was directed to accept the proposed changes to the policy, make two additional revisions, and bring the policy back to the Committee again for review. No action was taken.

15-142

It was moved by Dale Amaral and seconded by Liz Koppenhaver that the Board adopt the Travel Policy, with revisions. The motion carried 5 yes (*Amaral, Koppenhaver, Rogers, White, Wood*), 0 no, 1 abstention (*Cain-Darnes*).

Prior to any discussion, Dale Amaral recused himself. Staff presented a request from Alameda County to review new pay item Day-to-Day Supervising Assgmt – code 41J.

After staff's evaluation, it was determined since Pay Code 41J is for one member in this classification, it will not be considered pensionable compensation according to Government Code Section 7522.34, which applies to new members (PEPRA members) as of January 1, 2013. However, it will be considered compensation earnable for members (legacy members) with entry dates prior to January 1, 2013 based on Government Code Section 31461.

Prior to any discussion during the November 12, 2015 Board meeting, Dale Amaral recused himself and Liz Koppenhaver presented the following action item:

15-143

It was moved by Liz Koppenhaver and seconded by George Wood that the Board approve the non-inclusion of pay item Day-to-Day Supervising Assgmt, code 41J, in pensionable compensation for a member (PEPRA member) with an entry date on or after January 1, 2013 and that it approve the inclusion of this pay item in compensation earnable for a member (legacy member) with an entry date prior to January 1, 2013. The motion carried 6 yes (*Cain-Darnes, Koppenhaver, Rogers, Walker, White, Wood*), 1 recusal (*Amaral*), 0 no, 0 abstentions.

Staff presented a request from Alameda Health System to review a new pay item PTO Emergency – code 189.

After staff's evaluation, it was determined since Pay Code 189 applies to more than one member in this classification, it will be considered pensionable compensation for members (PEPRA members) with entry dates on or after January 1, 2013 based on Government Code Section 7522.34 and compensation earnable for members (legacy members) with entry dates prior to January 1, 2013 based on Government Code Section 31461.

15-144

It was moved by Dale Amaral and seconded by Liz Koppenhaver that the Board approve pay item 189 – PTO Emergency as compensation earnable and pensionable compensation for members with entry dates before and on or after January 1, 2013. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Koppenhaver, Rogers, White, Wood*), 0 no, 0 abstentions.

Staff presented the year-to-date operating expenses – budget vs. actual. As of September 30, 2015 actual expenses are \$1,814,227 under budget. Trustee Cain-Darnes asked that Staff include the portfolio investment management expenses to the budget vs actual operating expense report.

Staff presented the quarterly financial statements. For the period ending September 30, 2015 the net assets held in trust for pension benefits total \$6,467,131,107.

Staff presented the quarterly forecasting report of the net cash position for the period October 1, 2015 through November 1, 2016. The average monthly negative cash position for the period is (\$14,174,413), excluding the two months that have three pay periods.

Staff presented the quarterly Board Member Conference Expense Report. As of September 30, 2015, the year-to-date reported expenses were \$86,304.

Staff presented the quarterly Senior Manager Conference and Training Expense Report. As of September 30, 2015, the year-to-date reported expenses were \$61,710.

Staff presented an update on legislation of interest to ACERA. Trustee Carson asked Legal Staff to research whether it would be easier for Alameda Health System (AHS) to make their current ACERA members ineligible for participation in ACERA, now that legislation has passed authorizing the Alameda County Board of Supervisors to establish AHS as a separate district.

Staff reported on the 3rd quarter position vacancies that were approved in the 2015 budget.

Staff reported on the call center service levels for the period January 1, 2015 through September 30, 2015.

ADJOURNMENT INTO CLOSED EXECUTIVE SESSION

The meeting adjourned at 10:45 a.m. into Closed Executive Session to consider Ms. Celina Kan's appeal of staff's determination that Ms. Kan is ineligible to apply for a disability retirement.

RETURN TO OPEN SESSION

The Committee reconvened into open session at 11:29 a.m. It was reported that Dale Amaral moved, and Annette Cain-Darnes seconded, that the Operations Committee recommends to the Board of Retirement that the Board affirm Ms. Celina Kan is ineligible to apply for a disability retirement.

15-145

It was moved by Dale Amaral and seconded by Liz Koppenhaver that the Board approve the November 4, 2015, Operations Committee minutes. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

Retirees:

Liz Koppenhaver reported that the Retirees Committee met on November 4, 2015, at 11:37 a.m., and highlighted the following:

Staff reported that the Centers for Medicare & Medicaid Services (CMS) have not released the information regarding the Medicare Part B premium for 2016 as of the date of this meeting. After some discussion, the Trustees directed Staff to bring back this action item to the December Board of Retirement meeting as new business. No action was taken.

Staff provided a report on the results of the Retiree Health Fair and Wellness Center. There were a total of 345 attendees compared to 325 attendees last year. In addition, Staff provided preliminary information on the Open Enrollment activity for plan year 2016. A report on ACERA's plan changes and OneExchange plan changes will be provided at the January 2016 Committee meeting.

Staff provided information regarding the prescription drug cost increase from 2001 through March, 2015, based on the Milliman Medical Index. In addition, Staff reported on DeltaCare USA's 2014 expected standards metrics that were not met.

Trustee Koppenhaver directed Staff to provide information regarding the Kaiser Permanente Senior Advantage plan service area radius for medical coverage.

Trustee Dale Amaral expressed his appreciation to Kathy Foster for assisting the family of a safety member who was terminally ill by expediting the application process.

Pete Albert, ACRE Board President, announced that ACRE's annual holiday luncheon will be held on Friday, December 4, 2015 at Hs Lordships. Information regarding the luncheon will be sent to Staff.

15-146

It was moved by Liz Koppenhaver and seconded by Dale Amaral that the Board approve the November 4, 2015, Retirees Committee minutes. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

Audit:

Donald White reported that the Audit Committee met on November 4, 2015, at 1:05 p.m., and highlighted the following:

External Audit

Staff presented the proposed 2016 RFP schedule for audit services and the 2016 audit engagement schedule.

Internal Audit

Staff presented a status update on the 2015 Internal Audit Plan, the Participating Employer Audit Plan, an identified internal control weakness, and the ongoing audits.

Staff presented the scope, recommendations and conclusion for the Security Access Remediation Audit.

Staff discussed purchasing and implementing a new audit tool to help capture and compare data from various databases and systems. The tool will be used for both internal and employer audits.

14-147

It was moved by Donald White and seconded by Annette Cain-Darnes that the Board approve the November 4, 2015, Audit Committee minutes. The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

Investment:

Annette Cain-Darnes gave an oral report at today's Board meeting regarding the following action items discussed at the November 12, 2015 Investment Committee meeting:

Trustee Cain-Darnes reported that two action items were before the Committee for review and recommendation to the Board: **1)** ACERA's Amended Real Estate Investment Guidelines, Policies and Procedures (Investment Policy) and **2)** the 2016 – 2017 Investment Plan for ACERA's Real Estate Asset Class (Investment Plan). Trustee Cain-Darnes further reported that the Committee initially supported the Investment Plan; however, after an in-depth discussion regarding the number of changes to the amended Investment Policy, the Committee directed Staff to postpone its recommendation to the Board for *both* the Investment Policy and the Investment Plan until the January or February Investment Committee meeting. The Board took no action on either item.

Trustee Cain-Darnes noted that Betty Tse, Chief Investment Officer, provided an update to the Committee regarding the implementation of ACERA's revised Asset Allocation.

Note: *The formal written November 12, 2015 Investment Committee minutes will be included for approval on the December 17, 2015 Board Consent Calendar.*

NEW BUSINESS

Per the Board's direction at its October 23, 2015 Board Off-Site, Margo Allen, Fiscal Services Officer, prepared and presented a new schedule (Page 17) for inclusion in ACERA's proposed 2016 Operating Expense Budget. For transparency purposes, the new schedule reflects the projected expenses that are paid under ACERA's administrative "cap," which is 0.21% of ACERA's actuarial accrued liability. Ms. Allen provided an overview on how the administrative "cap" is calculated and clarified which expenses are excluded from ACERA's Operating Expense Budget. Ms. Allen stated that although ACERA's total expenses for 2016 are approximately \$71 million (*operating and investment expenses*), ACERA is \$6 million under its "cap."

14-148

It was moved by Donald White and seconded by George Wood that the Board approve the proposed 2016 Operating Expense Budget of \$20,585,000. The motion carried 8 yes (*Amaral, Cain-Darnes, Carson, Gamble, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

Annually the Board must decide whether it intends to continue with the Voluntary Elected Member Employer Reimbursement Policy for the upcoming year, and for that purpose it was brought to the Board for action.

DISCLOSURE/RECUSAL STATEMENTS

Elected ACERA Trustee Elizabeth Rogers recited the following disclosure statement and recused herself from discussions and Board actions related to the voluntary elected member employer reimbursement policy.

DISCLOSE AND RECUSE

“I, Elizabeth Rogers, am an elected ACERA Board Trustee. I have determined that I have a potential conflict of interest with respect to the Board’s consideration of the Voluntary Elected Members Reimbursement Policy in that it has a financial impact on the Alameda County Public Defender’s Office, which is my employing department. I have been advised that this interest can be classified as a “remote interest” under Government Code § 1091(b)(13) which allows me to remove myself from the process and enables the Board to take action. As such I have decided to make this public disclosure and recuse myself from all Board discussions, negotiations and voting activities related to the Voluntary Elected Member Reimbursement Policy.”

Elected ACERA Trustees Dale Amaral, George Wood, and Darryl Walker adopted Ms. Rogers’ disclosure statement, with the exception of their respective employers, which are as follows: **1)** Amaral-Alameda County Sheriff’s Office; **2)** Wood-Alameda County District Attorney’s Office; and **3)** Walker-Alameda County Probation Department, and recused themselves from discussions and Board actions related to the voluntary elected member employer reimbursement policy. After each Trustee recited and/or adopted and signed his/her disclosure statement, each Trustee left the Board Room and the following action items were presented:

15-149

It was moved by Liz Koppenhaver and seconded by Annette Cain-Darnes to adopt the Voluntary Elected Member Employer Reimbursement Policy, without revisions. The motion carried 5 yes (Cain-Darnes, Carson, Gamble, Koppenhaver, White), 4 recusals (Amaral, Rogers, Walker, Wood), 0 no, and 0 abstentions.

15-150

It was moved by Liz Koppenhaver and seconded by Donald White that the Board continue the voluntary elected member employer reimbursement for 2016. The motion carried 5 yes (Cain-Darnes, Carson, Gamble, Koppenhaver, White), 4 recusals (Amaral, Rogers, Walker, Wood), 0 no, and 0 abstentions.

Elected ACERA Trustees Amaral, Rogers, Walker, and Wood, returned to the Board Room.

At the October 15, 2015 meeting, the Board directed Staff to provide them with further clarification (*specific language*) regarding the State Association of County Retirement Systems' (SACRS) sponsored legislative proposal concerning District Status for 1937 Act County Employee Retirement Systems ('37 Act).

Kathy Foster, Interim Chief Executive Officer, presented a November 12, 2015 memo written by Joseph Fletcher, Chief Counsel, which provided detailed information regarding District Status and how half of the '37 Act Systems' are currently working under some type of independence. It was noted that all of Contra Costa County's employees are completely separate from its County.

Ms. Foster stated that this legislation would allow '37 Act Systems the opportunity to transition away from their respective Counties at any level, if they so choose, and that the SACRS Legislative Committee is waiting to receive feedback from the other '37 Act Systems before creating legislation. Therefore, *specific language* could not be provided to the Board at this time.

Mr. Fletcher explained that SACRS' position is to propose industry-wide enabling legislation in order to empower each '37 Act System to initiate a process to restructure its own management style, if they so choose, in lieu of creating specialized bills for each '37 Act System. Mr. Fletcher further explained that the Board would be voting for a "*statement of support*" giving SACRS Staff the authority to begin negotiations for creation of a Bill and that the Board would have an opportunity to review and/or approve the legislation prior to finalization. Ms. Foster stated that ACERA would benefit from being separated from the County because ACERA could then develop its own system to recruit Staff and set its own salaries. The Board voted as follows: **8 abstentions (Amaral, Cain-Darnes, Carson, Gamble, Koppenhaver, Rogers, White, Wood).**

At the October 15, 2015 meeting, the Board directed Staff to provide them with further clarification (*specific language*) regarding San Diego County Employees' Retirement Association's proposed legislation regarding Optional Employee Sworn Statements. Ms. Foster explained that ACERA currently receives over 100 paper Sworn Statements per month from its members which contains detailed and personal information. Ms. Foster stated that if this legislation passes, it would amend Government Code §31526 which would allow '37 Act Counties to accept electronic transmitted data (employers' business records) in lieu of the paper Sworn Statements. It was noted that receipt of electronic transmitted data would not prevent ACERA from continuing to maintain the requirement for, or to continue to utilize, paper Sworn Statements.

15-151

It was moved by Liz Koppenhaver and seconded by George Wood that the Board grant Kathy Foster authority to vote on behalf of the ACERA Board in support of SDCERA's sponsored legislation regarding Optional Employee Sworn Statements during the 2016–2017 California Legislative Session (November 20, 2015 SACRS Business Meeting). The motion carried 8 yes (Amaral, Cain-Darnes, Carson, Gamble, Koppenhaver, Rogers, White, Wood), 0 no, and 0 abstentions.

Interim Chief Executive Officer’s Oral Report

- All Senior Managers are attending the SACRS Fall Conference the week of November 16th – Each ACERA Department Manager designated a person to cover his/her department in their absence.
- ACERA interviewed five candidates for the Assistant Accounting Manager position and will possibly hire one of the five candidates. ACERA also interviewed for the three vacant Retirement Support Specialist (RSS) positions. Unfortunately, ACERA only received three candidates. Interviews for the Retirement Specialist position will take place on November 23, 2015.
- Senior Managers Kathy Foster, Interim Chief Executive Officer; Betty Tse, Chief Investment Officer; Margo Allen, Fiscal Services Officer; and Harsh Jadhav, Chief of Internal Audit, will graduate from the County’s Executive Development Program (EDP) on December 11, 2015. The goal of the program was to come up with innovate ideas to improve County services for employees and/or its citizens. The Board congratulated the Senior Managers for completing the Program.

CONFERENCE REPORTS

Trustee Donald White announced that he and Trustee David Safer attended the International Foundation of Employee Benefits Plans’ (IFEBP) 61st Annual Employee Benefits Conference on November 8–11, 2015 wherein there was a major discussion regarding *Defined Benefits v. Defined Contributions*. Trustee White also attended an accounting session which focused on the issue of the new Government Accounting Standards Board (GASB) 67 and 68 laws and how the accounting industry is now impacting the retirement benefits area. There was also a discussion regarding the real impact of *Obama Care* concerning defined benefit plans.

Trustee Darryl Walker announced that he participated as a panel speaker at the National Association of Securities Professionals (NASP) Conference wherein he discussed ACERA’s Emerging Managers Program. There was also a discussion regarding private equity programs. Trustee Walker thanked Betty Tse, Chief Investment Officer, and Strategic Investment Solutions, ACERA’s general Investment Consultant, for all of their hard work regarding ACERA’s Emerging Managers Program.

Trustee Tarrell Gamble announced that he attended the Pension & Investments West Coast Defined Contribution Conference wherein they discussed the issue of defined benefit programs (*government v. corporate*).

TRUSTEE/PUBLIC INPUT

- None

ESTABLISHMENT OF THE NEXT MEETING

- Thursday, December 17, 2015, at 2 p.m.

ADJOURNMENT INTO CLOSED EXECUTIVE SESSION:

A) Pursuant to Government Code Section 54957 to discuss and make recommendations regarding eligibility to apply for disability retirement:

- *Celina Kan*

B) Pursuant to Government Code Section 54956.9, Conference with Legal Counsel— Existing Litigation:

- *Neeley v. ACERA, Alameda County Superior Court Case No.: RG 14718687*

RECONVENE INTO OPEN SESSION TO REPORT ON ACTION TAKEN IN CLOSED EXECUTIVE SESSION:

The Board reconvened into Open Session and announced the following:

15-152

It was moved by Dale Amaral and seconded by Liz Koppenhaver that the Board affirm that Ms. Celina Kan is ineligible to apply for a disability retirement. The motion carried 6 yes (*Amaral, Cain-Darnes, Koppenhaver, Rogers, White, Wood*), 0 no, and 1 abstention (*Gamble*).

Counsel advised that the *Neeley v. ACERA* agenda item was for the Board's information only and that the Board took no action.

ADJOURNMENT

The meeting adjourned at 3:59 p.m.

Respectfully Submitted,



Kathy Foster
Interim Chief Executive Officer

12/17/15

Date Adopted

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

BAGBY, Naomi
Effective: 7/7/2015
Alameda Health System

MULDER, Beverly J.
Effective: 3/28/2015
Public Health

BRIDGMAN, Laila
Effective: 8/1/2015
Library

ROBERTSON, Joyce A.
Effective: 12/20/2014
DRO

CHEN, Chihsing S.
Effective: 11/3/2014
Alameda Health System - DEF

RUIZ, Susan D.
Effective: 7/3/2015
Library

CLAVO, Jacqueline
Effective: 1/8/2015
Alameda Health System

SAHOTA, Raghubinder S.
Effective: 2/2/2015
Community Development Agency

KATZ, Karen J.
Effective: 7/1/2015
Social Services Agency - DEF

THOMAS, Polly D.
Effective: 6/6/2015
Social Services Agency

LICHTER, Patricia C.
Effective: 5/8/2015
Library - DEF

VEJBY, Rhoda D.
Effective: 7/14/2015
Auditor-Controller - DEF

MILLET, Leo J.
Effective: 6/20/2015
Assessor

ZHANG, John
Effective: 4/1/2015
Public Health

**APPENDIX B
APPLICATION FOR DEFERRED RETIREMENT**

WATSON, David
Livermore Area Recreation & Park District
Effective: 7/22/2015

**APPENDIX D
LIST OF DECEASED MEMBERS**

ALTMAN, Jean
10/8/2015
Social Services Agency

MITCHELL, Ruth P.
10/17/2015
Survivor of Kenneth Mitchell

ARGONZA, William S.
8/13/2015
Alameda Health System

MITCHELL, Ruth P.
10/17/2015
Survivor of James K. Spence

DAVIS, Willie M.
10/12/2015
General Services Agency

NUNES, Louise C.
9/15/2015
Survivor of Louise C. Ventimiglio

DOMMES, Mildred
10/12/2015
Survivor of Sidney F. Dommes, Jr.

PRIEN, Richard E.
10/26/2015
Assessor

DUFF, Edith E.
8/27/2015
Alameda Health System

RAINERI, Raymond L.
10/16/2015
Probation

EAGER, Donald W.
7/31/2015
Health Care Services Agency

SHEPARD, Benjamin F.
10/25/2015
Assessor

GALVIN, William A.
9/28/2015
Public Defender

SUSS, Alyce L.
9/27/2015
Social Services Agency

HAL, Leonard E.
10/4/2015
Public Works Agency

VINH, Thuc
10/17/2015
Social Services Agency

LEW, Jennie
9/14/2015
Assessor

WEAVER, Claude H.
9/26/2015
General Services Agency

**APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT**

Name: **Beveridge, Wesley**
Type of Claim: Service Connected – Reciprocal Member

Staff's Recommendation:

Approve Staff's recommendation to grant Mr. Beveridge a service connected disability retirement in conjunction with reciprocal agency California Public Employees' Retirement System (CalPERS) and in accordance with Section 31838.5.

Name: **Garrett, Leon**
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Garrett a service connected disability, pending the earlier effective date determination, and to require future annual medical examinations and questionnaires.

Name: **Grasso, John**
Type of Claim: Annual Review for SCD (Granted on 9/18/2014)

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to continue the allowance for service connected disability and to not require future annual medical examinations and questionnaires at this time.

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: Pearson, Susan
Type of Claim: Non-Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Ms. Pearson a non-service connected disability, pending the earlier effective date determination, and to not require future annual medical examinations and questionnaires at this time.

Name: Reed, Erica
Type of Claim: Annual Review for SCD (Granted on 9/15/2011)

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to continue the allowance for service connected disability and to require future annual medical examinations and questionnaires.

Name: Sahota, Raghubinder
Type of Claim: Non-Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Sahota a non-service connected disability, pending the earlier effective date determination. Since Mr. Sahota is over 55 years old, future annual medical examinations will not be required.
