



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MINUTES

Thursday, November 20, 2014

Chair Annette Cain-Darnes called the meeting to order at 2:00 p.m.

Trustees Present: Dale Amaral
Ophelia Basgal
Annette Cain-Darnes
George Dewey
Liz Koppenhaver
Elizabeth Rogers
George Wood
Darryl Walker (*Alternate*)

Trustees Excused: Keith Carson
Donald White
David Safer (*Alternate*)

Staff Present: Margo Allen, Fiscal Services Officer
Angela Bradford, Administrative Specialist II
Vincent Brown, Chief Executive Officer
Joseph Fletcher, Chief Counsel
Kathy Foster, Assistant Chief Executive Officer
Harsh Jadhav, Chief of Internal Audit
Rose Kwong, Benefits Manager
Betty Tse, Chief Investment Officer
Latrena Walker, Project and Information Services Manager

Staff Excused: Victoria Arruda, Human Resources Officer

Vince Brown, Chief Executive Officer, introduced ACERA's new Chief Counsel, Joseph W. Fletcher.

14-139

The minutes of the regular meeting of October 16, 2014 were accepted on a motion by Elizabeth Rogers, seconded by Dale Amaral, and approved by a vote of 6 yes (*Amaral, Cain-Darnes, Dewey, 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

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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

14-140

It was moved by Elizabeth Rogers, seconded by Liz Koppenhaver, and approved by a vote of 5 yes (*Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), (*Amaral recused*), 0 no, 0 abstention, that the following resolution is adopted:

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 **November** Committee meeting minutes are posted on the ACERA website (www.acera.org) after approval at the **November 20, 2014** Board meeting. This month's Committee reports were presented in the following order:*

Operations:

Dale Amaral reported that the Operations Committee met on November 5, 2014 at 9:38 a.m., and highlighted the following:

Margo Allen, Fiscal Services Officer, presented the quarterly financial statements. For the period ending September 30, 2014 the net assets held in trust for pension benefits total \$6,732,351,108.

Margo Allen, Fiscal Services Officer, presented the year-to-date operating expenses – budget vs. actual. As of September 30, 2014 actual expenses are \$1,398,967 under budget.

Margo Allen, Fiscal Services Officer, presented the Board Member Conference Attendance Report for the 3rd Quarter 2014.

Margo Allen, Fiscal Services Officer, presented the Senior Manager Travel Expense Report for the 3rd Quarter 2014. The committee requested that training attended by the senior managers be added and that the report be sorted by name.

Rose Kwong, Benefits Manager, provided an update on the work completed and amounts spent on overtime and temporary employees, as of October 25, 2014, for the members who retired as of July 11, 2014 due to the implementation of AB 197.

Rose Kwong, Benefits Manager, presented the 3rd quarter report on the Call Center. Trustee Ophelia Basgal asked what is included in the category of calls “Other”, since it is consistently the highest volume of calls. Ms. Kwong replied that many of the calls in this category are transferred to the retirement specialists because the members call the main ACERA telephone number. Trustee Basgal asked that consideration be given to breaking down the category of calls “Other” to provide further information in the report.

Lori Schnall, Associate Counsel, presented an update on legislation of interest to ACERA.

14-141

It was moved by Dale Amaral and seconded by Elizabeth Rogers that the Board approve the November 5, 2014 Operations Committee minutes. The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

Retirees:

Liz Koppenhaver reported that the Retirees Committee met on November 5, 2014 at 10:35 a.m., and highlighted the following:

The Segal Company (Segal), ACERA's Actuary, presented the annual GASB Statements No. 25 and 43 Actuarial Valuation of benefits provided through the Supplemental Retiree Benefit Reserve (SRBR) account as of December 31, 2013. Based on this valuation report, the terminal year of the "Other Post-Employment Benefit" (OPEB) is projected to be 2033 and the Non-OPEB is projected to be 2029. Segal reported that the prolonged projections are due to the high rate of return on the SRBR assets, lower than expected implicit subsidy, only half of the funds designated for individual plans Monthly Medical Allowance (MMA) being used, and the Board of Retirement's decision to maintain the current MMA.

14-142

It was moved by Liz Koppenhaver and seconded by Dale Amaral that the Board accept the December 31, 2013 Supplemental Retiree Benefit Reserve (SRBR) Actuarial Valuation prepared by The Segal Company. The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

Kathy Foster, Assistant Chief Executive Officer, provided information on the eligibility of ACERA's Medicare Part B Reimbursement Plan (MBRP) benefit with a recommendation to continue the benefit for 2015. Keenan & Associates, ACERA's Benefits Consultant, provided information regarding the 2015 cost of living adjustment and Medicare Part B premiums, which is available on the Medicare website.

14-143

It was moved by Liz Koppenhaver and seconded by Elizabeth Rogers that the Board continues to provide the Medicare Part B Reimbursement Plan (MBRP) benefit to eligible retirees in 2015, and approve the reimbursement based on the lowest standard monthly Medicare Part B premium at the rate of \$104.90. The MBRP benefit is a non-vested benefit funded by contributions from ACERA Employers to the 401(h) account. After contributions are made, in accordance with the County Employee Retirement Law (CERL), ACERA treats an equal amount of Supplemental Retiree Benefit Reserve (SRBR) assets as employer contributions for pensions. The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

Rose Kwong, Benefits Manager, provided a status report on the work completed and amounts spent on overtime and temporary employees as of October 25, 2014, due to the implementation of AB 197.

Kathy Foster, Assistant Chief Executive Officer, provided a report on the results of the Retiree Health Fair and Wellness Center. There were a total of 325 attendees compared to 385 attendees last year. In addition, she provided preliminary information on the Open Enrollment activity for plan year 2015. A report on ACERA's plan changes and OneExchange plan changes will be provided at the January 2015 Committee meeting.

Kathy Foster, Assistant Chief Executive Officer, provided responses to questions raised at the October Committee meeting regarding the Kaiser data breach that impacted three ACERA members. In addition, in response to questions raised regarding the potential impact to premiums resulting from the Cadillac Tax, she gave information on the "Minimum Essential Benefits" that must be provided under the Affordable Care Act.

14-144

It was moved by Liz Koppenhaver and seconded by Dale Amaral that the Board approve the November 5, 2014 Retiree Committee minutes. The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

Investment:

George Wood reported that the Investment Committee met on November 19, 2014 at 9:32 a.m., and highlighted the following:

Staff completed its first formal triennial review of ACERA's DB Policy since adoption and proposed amendments to the 2011 DB Policy specifically, updating Appendix I (List of Directed Brokerage Program Participating Investment Managers and Target Percentage of Direction) and Appendix II (List of Correspondent Brokers) to the DB Policy.

14-145

It was moved by George Wood and seconded by Liz Koppenhaver that the Board adopt the Proposed Amendments to ACERA's Directed Brokerage Policy. The motion carried 7 yes (*Amaral, Basgal Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

Staff presented its fourth comprehensive review of ACERA's DB Program since inception through 2Q14 and concluded that ACERA achieved all four goals as set forth in the DB Policy. This is the first triennial review since 2011; previous reviews were done annually. In addition, Staff provided the Committee with a cost-benefit analysis which showed a net gain of approximately \$995K (approximately \$133K annually) since inception through 2Q14.

A representative from Zeno Consulting Group, LLC (Zeno), ACERA's Transaction Cost Consultant, discussed the firm's analysis on Best Execution practices of participating Investment Managers. Zeno expressed its satisfaction with ACERA's DB Program and stated that Staff continues to perform extraordinary due diligence work on the Program when compared to its peers.

14-146

It was moved by George Wood and seconded by George Dewey that the Board Continue ACERA's Directed Brokerage Program. The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

Staff conducted the fourth service review of ACERA's Third-Party DB Administrator – Capital Institutional Services, Inc. (CAPIS) and concluded that CAPIS fulfilled its roles and responsibilities as set forth in the DB Policy as well as its contractual obligations since inception with ACERA.

CAPIS described its organization, the current state of securities trading in general, trends in the commission recapture business, and the status of ACERA's commission recapture program. In line with Zeno, CAPIS recommends ACERA continue its DB Program.

Representatives of Bivium presented an overview of their organization, investment strategy, process, and performance. The central focus of the discussion related to the changes Bivium had made to its sub-managers and, as a result, to the portfolio composition during November/December, 2013 and January, 2014 period to potentially enhance future account performance. Among the changes, one new manager experienced higher than expected trading costs which are expected to be transitory. The review found Bivium to be in compliance with ACERA's reporting requirements and ACERA's Emerging Investment Manager Policy.

For the one-year period ending 09/30/14, the account managed by Bivium returned 15.88% (gross), underperforming its benchmark (Russell 3000 + 100 bps) by 2.89%. Owing to underperformance, Bivium was placed on ACERA's Watchlist and Probation, effective 03/06/14 and 06/04//12, respectively. Bivium said that it expects account performance to improve following recent changes to the account structure and manager composition. Also, Bivium was placed on the Watchlist, effective 08/15/14 owing to organizational change.

Representatives from TCW provided updates on its organization, its investment process, philosophy, and performance. TCW has not changed its investment strategy or style, and has been in compliance with ACERA's reporting requirements.

TCW's gross return for the one-year period ending 9/30/14 was 12.03%, underperforming its account benchmark (Russell 1000 Growth Index + 200 bps) by 9.46%. TCW was placed on ACERA's Watchlist status effective 12/06/12 due to underperformance. As of 9/30/14, TCW managed approximately \$477.9 million, representing about 7.1% of ACERA's total assets. TCW explained that its recent underperformance can be traced to current market conditions during which defensive (high dividend) stocks have significantly outperformed cyclical (growth) stocks. TCW's investment style of selecting concentrated high growth stocks has lagged the Russell 1000 Growth Index in recent years.

14-147

It was moved by George Wood and seconded by Liz Koppenhaver that the Board approve the November 19, 2014 Investment Committee minutes. The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

NEW BUSINESS

Vince Brown, Chief Executive Officer, presented the final 2015 Operating Expense Budget and Three-Year Business Plan (formerly Five-Year Business Plan). It was noted that the 2015 Budget is approximately \$20.5 million.

14-148

It was moved by Ophelia Basgal and seconded by Elizabeth Rogers that the Board adopt ACERA's final 2015 Operating Expense Budget and Three-Year Business Plan. The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

There were two action items for discussion and possible motion regarding the voluntary elected member employer reimbursement. Trustee Cain-Darnes announced that this matter requires consideration by the appointed members of the Board, and due to the absence of a sufficient number of appointed members, this matter could not be considered at this time. Consequently, it was decided that both recommendations will be presented at the January 2016 Board meeting under New Business. There was no further discussion and no action was taken.

Vince Brown, Chief Executive Officer’s Oral Report.

The CEO reported on the following items:

- SACRS Fall Conference, November 11 – 14, 2014:
 - Mr. Brown moderated the November 12, 2014 SACRS Administrators’ Breakout Session and participated in an extensive Board Governance discussion among the CEO and Administrators, which was led by ACERA Fiduciary Counsel Harvey Leiderman.
 - Mr. Brown represented ACERA at the November 14, 2014 Business Meeting – Trustee Koppenhaver also attended. The proposed CERL Reorganization for structural changes was deferred.
 - Communication Education Program: Surveys will be provided to Board Trustees for completion – Discussion and possible motion regarding this issue is scheduled to take place in May at the 2015 SACRS Spring Conference.
 - Disability Bill to be introduced at the next Legislative Session.
 - Mr. Brown, CEO; Kathy Foster, Assistant CEO; and Harsh Jadhav, Chief of Internal Audit, presented their respective Breakout Reports at the Breakout Sessions during the Conference.
- Mr. Brown plans to attend the ACRE Holiday Luncheon on Friday, December 5, 2014.
- Mr. Brown wished the Board/Staff an enjoyable Thanksgiving Holiday.

TRUSTEE/PUBLIC INPUT

Trustee Basgal commended Staff for all their hard work on the 2015 Operating Expense Budget.

Trustee Amaral attended the Public Breakout Session during the SACRS 2014 Fall Conference and stated that he appreciates how well the ACERA Board works together and takes its fiduciary responsibility seriously compared to other ’37 Act Systems – Trustee Cain-Darnes and Mr. Brown concurred.

Trustee Koppenhaver announced that the SACRS RV Kuhn’s Report showed that ACERA was ranked number 2 for its earnings within the ’37 Act Systems.

ADJOURNMENT

The meeting adjourned at 2:28 p.m.

Respectfully Submitted,



12/18/14

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

ARAYA, Kidest G.
Effective: 10/19/2013
Alameda Health System

CRUZ, Filomena R.
Effective: 7/11/2014
Superior Court

BALANCE, Manuel R.
Effective: 4/1/2014
Alameda Health System

DARBY, Sandra
Effective: 7/29/2014
Alameda Health System - DEF

BALAOING, Rosa R.
Effective: 7/11/2014
Child Support Services

EDGERLY, Miranda
Effective: 7/26/2014
Superior Court

BRAY, Diane L.
Effective: 6/28/2014
Public Health

ELEAZARRARAZ, Joseph E.
Effective: 7/11/2014
Public Works Agency

BRODIE, Martha A.
Effective: 5/10/2014
Alameda Health System

ESTRELLAS-LAGATAO, Juanita
Effective: 3/3/2014
Alameda Health System

BROWN, Norma J.
Effective: 7/11/2014
Public Health

EVANS, Thomas G.
Effective: 9/11/2014
Library - DEF

BUNNELL, Elena M.
Effective: 3/15/2014
Public Health

FLORES, Alma G.
Effective: 9/5/2014
Probation - DEF

CELARIO, Leopoldo O.
Effective: 5/24/2014
Sheriff's Office

FRIEDMAN, Mark A.
Effective: 7/1/2014
First 5

CERVELLI, Vincent M.
Effective: 6/14/2014
Sheriff's Office

FUENTES, Isagani A.
Effective: 7/11/2014
Sheriff's Office

CORRAL, Guia G.
Effective: 7/11/2014
Assessor

GARCIA, Esther L.
Effective: 7/11/2014
Probation

CRUZ, Elizabeth A.
Effective: 7/11/2014
Probation

GARIBALDI, Jules
Effective: 7/11/2014
Alameda Health System

APPENDIX A
APPLICATION FOR SERVICE RETIREMENT

GARRETT, Maureen G.
Effective: 7/8/2014
Probation

LLORENTE, Emerlina A.
Effective: 7/5/2014
Treasurer - Tax Collector

GINNOLD, Elaine
Effective: 7/26/2014
Registrar of Voters - DEF

LOYA-FLORES, Carmencita N.
Effective: 11/1/2012
Public Health

GREER, Paula J.
Effective: 7/11/2014
Library

LUONG, Anh T.
Effective: 3/28/2014
Alameda Health System

HELLER, Richard
Effective: 9/29/2014
Registrar of Voters - DEF

MASSEY, Cheryl L.
Effective: 6/7/2014
Alameda Health System

HOEBER, Joseph S.
Effective: 7/4/2014
Sheriff's Office

MILLIKEN, Theresa
Effective: 7/11/2014
Alameda Health System - DEF

JACQUEMET, Jean F.
Effective: 8/16/2014
Public Health - DEF

MINEO, Rosa
Effective: 7/11/2014
Sheriff's Office

KEARNS, Bradley D.
Effective: 6/28/2014
District Attorney

MORRISON, Tina M.
Effective: 7/4/2014
Social Services Agency

KEEP, William A.
Effective: 7/5/2014
Public Defender

MULLER, Lyle L.
Effective: 7/5/2014
Sheriff's Office

KETELES, Brett M.
Effective: 7/11/2014
Sheriff's Office

PALAGANAS, Cirilo R.
Effective: 7/11/2014
Alameda Health System

LEE, Marvin
Effective: 12/22/2012
Alameda Health System

REYES, Leticia M.
Effective: 7/11/2014
Treasurer - Tax Collector

LITES, Regina R.
Effective: 7/11/2014
Probation

ROBERSON, Joan C.
Effective: 7/11/2014
District Attorney

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

ROBERTSON, Kathryn L.
Effective: 7/5/2014
Behavioral Health Care Services

SPANN, Richard J.
Effective: 6/28/2014
Alameda Health System

SALINAS, Lorina G.
Effective: 7/11/2014
Social Services Agency

THOMPSON, Gerone B.
Effective: 7/11/2014
Assessor

SALTA, Benjamin P.
Effective: 7/11/2014
Probation

WIGGAM, Donald L.
Effective: 8/1/2013
Assessor - DEF

SMITH-PAYNE, Brenda J.
Effective: 3/31/2014
Social Services Agency

WILLIAMS, Yvonne
Effective: 6/21/2014
Alameda Health System

SOLOMON, Sara
Effective: 7/10/2014
Alameda Health System

WILSON, Alvin A.
Effective: 7/10/2014
Sheriff's Office

WILSON, Jeffrey S.
Effective: 7/11/2014
Probation

**APPENDIX D
LIST OF DECEASED MEMBERS**

ANDERSON, Marzella F.
10/16/2014
Alameda Health System

SAYLOR, Stanley R.
9/24/2014
Public Works Agency - DEF

COHN, Ida M.
9/6/2014
Survivor of Robert O. Cohn

SCOTT, Henrietta T.
10/2/2014
Survivor of Charles Scott, Jr.

GUINN, Nora L.
9/2/2014
Survivor of Charles Guinn

SIMS, Mary
10/9/2014
Probation

HALL, Alvin J.
9/17/2014
General Services Agency

SOGA, Evelyn F.
10/10/2014
Social Services Agency

JONES, JR., Earl
9/26/2014
General Services Agency

SOGA, Evelyn F.
10/10/2014
Survivor of George Soga

JOSE, Cora O.
10/13/2014
Social Services Agency

WARREN, Richard B.
10/9/2014
Survivor of Joann M. Warren

KINCHEN, Melissa D.
9/28/2014
Public Health

WELLS, Blanch M.
10/1/2014
Social Services Agency

MEGINNESS, Beverly A.
9/29/2014
Behavioral Health Care Services

PIRIE, Jeannie R.
9/28/2014
Sheriff's Office

POWER, Gayle E.
10/8/2014
Child Support Services

RICHARDS, JR., Guy
10/10/2014
Public Works Agency

**APPENDIX E
REQUEST FOR 130 BI-WEEKLY PAYMENTS TO RE-DEPOSIT
CONTRIBUTIONS AND GAIN CREDIT**

CASTLE, Vernon

130 Biweekly Payroll Deductions for a total of \$32,399.90

Years of Service: 4.98270

Government Code § 31652 Redeposit

FISHER LEVY, Francey

130 Biweekly Payroll Deductions for a total of \$26,396.50

Years of Service: 5.32474

Government Code § 31641.5 Part Time & Days Prior

UDEAFOR, Elizabeth

130 Biweekly Payroll Deductions for a total of \$67,303.60

Years of Service: 4.69274

Government Code § 31652 Redeposit

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: Chapa, Sandra
Type of Claim: Non-Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Ms. Chapa a non-service connected disability and to not require future annual medical examinations at this time.

Name: Deleon, Dana
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Ms. Deleon a service connected disability and to require future annual medical examinations and questionnaires.

Based on Dr. Wagner's and Staff's review and determination of Ms. Deleon's ability to determine the permanency of her incapacity, to deny Ms. Deleon's request for an earlier effective date.

Name: Gamble, Jason
Type of Claim: Service Connected – Reciprocal Member

Staff's Recommendation:

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

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: Gardiner, Samara
Type of Claim: Non-Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Ms. Gardiner a non-service connected disability and to require future annual medical examinations.

Name: Hamilton, Frederick
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Hamilton a service connected disability and to not require future annual medical examinations at this time.

Name: Harris, David
Type of Claim: Annual Review for SCD (Granted on 9/20/2012)

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: **Olson, John**
Type of Claim: Non-Service Connected

Staff's Recommendation:

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

Based on Dr. Wagner's and Staff's review and determination of Mr. Olson's ability to determine the permanency of his incapacity, to deny Mr. Olson's request for an earlier effective date.

Approve Mr. Olson's request to pursue a service connected disability retirement.

Name: **Quinn, Richard**
Type of Claim: Annual Review for SCD (Granted on 10/17/2013)

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 reviews at this time.

Name: **Raines-Austin, Helen**
Type of Claim: Annual Review for SCD (Granted on 8/15/2013)

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 reviews at this time.

**APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT**

Name: **Tanner, Sal**
Type of Claim: **Service Connected**

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Tanner a service connected disability. Since Mr. Tanner is over 55 years old, future annual medical examinations will not be required.

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