



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MINUTES

Thursday, December 18, 2014

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

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

Staff Present: Margo Allen, Fiscal Services Officer
Victoria Arruda, Human Resources 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

14-149

The minutes of the regular meeting of November 20, 2014 were accepted on a motion by Ophelia Basgal, seconded by Elizabeth Rogers, and approved by a vote of 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, 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

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

14-150

It was moved by Elizabeth Rogers, seconded by George Dewey, and approved by a vote of 7 yes (*Basgal, Cain-Darnes, Carson, 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 **December** Committee meeting minutes are posted on the ACERA website (www.acera.org) after approval at the **December 18, 2014** Board meeting. This month's Committee reports were presented in the following order:*

Actuarial

George Wood reported that the Actuarial Committee met on December 18, 2014 at 10:04 a.m. and highlighted the following:

Paul Angelo, Segal Consulting's (Segal) Senior Vice President and Actuary, and Andy Yeung, Segal's Vice President and Associate Actuary, reviewed the components of ACERA's proposed investment return assumption, i.e., the inflation factor, the portfolio's real rate of return, investment and administrative expense adjustments, and the risk adjustment. With that came Segal and staff's recommendation to reduce the investment return assumption from 7.8% to 7.5%.

In compliance with GASB 67, a 7.5% rate would be used for both funding and financial disclosures, and therefore would be considered net of administrative expenses for funding, but gross of administrative expenses for financial disclosure. Consequently, administrative expenses would continue to be funded implicitly through investment returns. ACERA's CEO, Vince Brown, reminded the trustees that the Board may choose to phase in the economic impact to the changes made to the economic assumptions over a 3 year period in accordance with resolution (12-112) passed in October 2012.

Alameda County Administrator, Susan Muranishi, addressed the County's concerns over the proposed 7.5% investment return assumption. In her letter addressed to Annette Cain-Darnes, Chair, Board of Retirement, and George Wood, Chair, Actuarial Committee, dated December 17, 2014, Ms. Muranishi asked that the Actuarial Committee and the Board of Retirement "consider reducing the investment return assumption rate to 7.65% for the coming year while additional research is conducted on ACERA's investment expenses. The analysis would provide valuable information regarding the cost-effectiveness of paying active management expenses for the majority of the investment portfolio which could lead to adjustments to the assumed investment expenses." A copy of the aforementioned letter was given to the trustees and staff during the Actuarial Committee meeting. The County's actuary, John Botsford, Milliman, presented his actuarial opinion on the investment expense adjustment and answered related questions. In a written analysis prepared by Mr. Botsford, he explained that "the County proposes a 15 basis point reduction in the investment expense adjustment from 0.65% to 0.50% based on the assumption that [ACERA's] active investment managers will achieve an assumed investment return, net of expenses, that is neither superior nor inferior to a passively managed investment strategy for the portion of assets invested in publicly traded equity funds." Mr. Botsford said that this proposal was not backed up by any data.

ACERA's CEO, Vince Brown, recommended that the County's research request be referred to the Investment Committee for the required analysis. Mr. Brown further stated that although the request is valid, it is prospective, and therefore he recommends that any decision on the valuation be made based on work and recommendations made by Segal. The Board directed Betty Tse, CIO, to conduct research and analysis on ACERA's active and passive investment management expenses through the Investment Committee.

After an extensive discussion, it was moved by Liz Koppenhaver and seconded by Elizabeth Rogers that the Actuarial Committee recommends to the Board of Retirement that the Board reduce the investment return assumption from 7.8% to 7.5%.

The motion did *not* pass with 2 yes (*Koppenhaver, Rogers*), 5 no (*Amaral, Basgal, Cain-Darnes, Carson, Wood*), 0 abstentions.

Trustee Ophelia Basgal proposed a reduction of 10 basis points in the investment expense adjustment in recognition of the expense for active management while not having any data available. Subsequently, it was moved by Ophelia Basgal and seconded by Annette Cain-Darnes that the Actuarial Committee recommends to the Board of Retirement that the Board reduce the investment return assumption from 7.8% to 7.6%.

The motion carried with 5 yes (*Amaral, Basgal, Cain-Darnes, Carson, Wood*), 2 no (*Koppenhaver, Rogers*), 0 abstentions.

14-151

It was moved by George Wood and seconded by Dale Amaral that the Board reduce the investment return assumption used for funding and for financial disclosure purposes under GASB, from 7.80% to 7.60%. The motion carried 7 yes (*Amaral, Basgal, Carson, Cain-Darnes, Dewey, White Wood*), 2 no (*Koppenhaver, Rogers*), and 0 abstentions.

Paul Angelo asked if the trustees wanted another review of the remaining proposed assumptions in the Actuarial Experience Study and they declined.

14-152

It was moved by George Wood and seconded by Liz Koppenhaver that the Board adopt the Actuarial Experience Study for the period December 1, 2010 through November 30, 2013. The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, White, Wood*), 0 no, and 0 abstentions.

The formal Actuarial Committee minutes for December 18, 2014 will be presented and/or approved at the January 15, 2015 Board meeting.

Governance:

George Wood reported that the Governance Committee met on December 18, 2014 at 1:10 p.m. and highlighted the following:

The Committee reviewed Staff's December 11, 2014, memorandum and its recommendation regarding the *Retiree Payroll Deduction and Assignment of Benefit Policy*. Lori Schnall, Associate Counsel, advised the Committee that the Policy was revised to add language to reflect the allowable deductions stated in Government Code, section 31452.5.

The Committee suggested revising the language listing the various deductions so that they are drafted in a more uniform manner. Additionally, the language provides that the Board may charge a fee for making the deductions. The Committee suggested clarifying that fee is charged to the members for the deductions permitted in the policy.

14-153

It was moved by George Wood and seconded by George Dewey that the Board affirm the *Retiree Payroll Deduction and Assignment of Benefits Policy*, with revisions, as recommended by Staff. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

The Committee reviewed Staff's December 11, 2014 memo and its recommendation regarding the *Trustee Communications Policy*. Lori Schnall, Associate Counsel, advised the Committee that the Policy is appropriate and continues to meet the needs of ACERA. Staff had no recommended changes.

14-154

It was moved by George Wood and seconded by Liz Koppenhaver that the Board affirm the *Trustee Communications Policy*, without revisions, as recommended by Staff. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

The Committee reviewed Staff's December 11, 2014 memo and its recommendation regarding the *Record Retention Policy and Schedule*. Lori Schnall, Associate Counsel, advised the Committee that the Policy about the following recommended changes:

- 1) Clarify the term Records Manager;
- 2) Extend the period for destroying documents initially scanned from 90 today to a range of 90-180 days;
- 3) To clarify the destruction process for those documents within the OnBase and those documents not included in that system; and
- 4) To keep the Schedule as an operating document and delete as part of the Policy.

The Committee suggested adding language to the Policy referencing the Retention Schedule so that it is clear in the Policy that a Retention Schedule exists.

14-155

It was moved by George Wood and seconded by George Dewey that the Board affirm the *Record Retention Policy and Schedule*, with revisions, as recommended by Staff. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

The Committee reviewed Staff's December 11, 2014 memo and its recommendation regarding the *Electronic Tablet Usage Policy*. Lori Schnall, Associate Counsel, advised the Committee that the Policy is appropriate and continues to meet the needs of ACERA. Staff had no recommended changes.

14-156

It was moved by George Wood and seconded by Liz Koppenhaver that the Board affirm the ACERA Electronic Tablet Usage Policy, without revisions, as recommended by Staff. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

The formal Governance Committee minutes for December 18, 2014 will be presented and/or approved at the January 15, 2015 Board meeting.

NEW BUSINESS

Annually the Board must decide whether it intends to affirm the *Voluntary Elected Member Employer Reimbursement Policy* and continue the voluntary elected member reimbursement for the upcoming year, and for that purpose it was brought to the Board for action.

DISCLOSURE/RECUSAL STATEMENTS

Lori Schnall, Associate Counsel, provided elected active member ACERA Trustees Dale Amaral, Elizabeth Rogers, George Wood, and Darryl Walker with a disclosure/recusal statement and recommended that he/she recite the following disclosure statement and recuse him/herself from discussions and Board actions related to the *Voluntary Elected Member Employer Reimbursement Policy*.

DISCLOSE AND RECUSE

I, [George Wood], [Dale Amaral], [Darryl Walker], am an elected active member 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 [District Attorney's Office], [Alameda County Sheriff's Department], [Alameda County Probation Department], 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*.

DISCLOSE AND RECUSE

I, [Elizabeth Rogers], adopt the aforementioned disclosure with the addition that the financial impact will be on the Alameda County Public Defender's Office, which is my employing department.

After each elected active member ACERA Trustee read and signed his/her disclosure statement, he/she recused him/herself and left the Board Room.

14-157

It was moved by Liz Koppenhaver and seconded by Donald White that the Board affirm the *Voluntary Elected Member Reimbursement Policy*. The motion carried 6 yes (*Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, White*), (*Amaral, Rogers, Walker, Wood recused*) 0 no, and 0 abstentions.

14-158

It was moved by Liz Koppenhaver and seconded by Ophelia Basgal that the Board continue the voluntary elected member employer reimbursement for 2015. The motion carried 6 yes (*Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, White*), (*Amaral, Rogers, Walker, Wood recused*) 0 no, and 0 abstentions.

After the remaining Trustees took action regarding the *Voluntary Elected Member Employer Reimbursement Policy* and the continuation of the voluntary elected member employer reimbursement for 2015, elected active member Trustees Amaral, Rogers, Wood, and Walker returned to the Board Room.

Annette Cain-Darnes advised the Board that Appendix A to Resolution No. 07-29, has been revised and updated, which reflects the changes approved by the Board of Retirement to the Monthly Medical Allowance (MMA) amounts for Group and Individual plans as well as the Retiree Health Benefit contribution amounts for Plan Year 2015.

14-159

It was moved by Liz Koppenhaver and seconded by George Wood that the Board adopt the revised and updated Appendix A to Resolution No. 07-29, which reflects the changes approved by the Board of Retirement to the Monthly Medical Allowance (MMA) amounts for Group and Individual plans as well as the Retiree Health Benefit contribution amounts for Plan Year 2015. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, White, Wood*), 0 no, and 0 abstentions.

Margo Allen, Fiscal Services Officer, reported that as of October 31, 2014, ACERA's actual operating expenditures were under budget by \$1.4 million due to a reduction in staffing professional fees, office systems, and depreciation expenses with actual savings in timing differences.

Vince Brown, Chief Executive Officer's Report.

The CEO reported on the following items:

- Mr. Brown announced that a protest was scheduled today at approximately 4:00 p.m. at the corner of 14th and Broadway.
- Mr. Brown announced that Angela Bradford was selected for the position of Executive Secretary to the ACERA Board. Ms. Bradford thanked everyone for their support.
- Supervisor Keith Carson requested that Mr. Brown participate in the December 9, 2014 Joint meeting of the Board of Supervisors and Alameda Health Systems (AHS) to discuss the issue of late receipt of employer contribution payments and transmittals, etc. from AHS.
 - David Cox, AHS Chief Financial Officer, submitted a proposal to ACERA for review which reflects AHS' commitment to submit its employer contribution payments, transmittals, data, etc., which is necessary to process ACERA retirements, on time going forward. Mr. Brown thanked Supervisor Carson for inviting him to the Joint meeting.
- Preparing for GASB 67 and 68.
 - ACERA held a Participating Employers meeting on December 16, 2014 to inform employers of their responsibilities regarding the implementation of GASB 68.
- ACERA received the Government Finance Officers Association *Certificate of Achievement for Excellence for Financial Reporting* (ACERA 2013 Comprehensive Annual Financial Report (CAFR)), which is attributed to the Fiscal Services Department and other ACERA Staff involved with the preparation of the 2013 CAFR.
 - ACERA Staff is in the process of changing the format of the 2014 CAFR due to the implementation of GASB 67.
- Mr. Brown planned to attend the Annual Pacific States Institutional Investors Forum in San Francisco on December 11, 2014, but decided not to go due to the storm and flooding in San Francisco and to ensure the safety of ACERA Staff.
- 2014 Combined Charities Campaign Update: ACERA acquired 50 Staff donors, raised almost \$12,000 in donations, was 111%, above its commitment, and was ranked number 5 overall throughout the County. Mr. Brown gave kudos to Betty Tse, Chief Investment Officer, and the Investment Staff for an excellent job in leading the Campaign for ACERA.
- Mr. Brown wished the Board/Staff a Merry Christmas and a Happy New Year.

TRUSTEE/PUBLIC INPUT

Annette Cain-Darnes explained that the actuarial assumption rates for ACERA are reviewed every three (3) years unless there are extraordinary circumstances.

Trustee White announced that he attended a two-day ConsortiumWEST Conference in Los Angeles, CA that deals with diversity issues regarding retirement systems/pension boards. Trustee White stated that he enjoyed the four hour session wherein Trustees got an opportunity to meet and speak to various Consultants in the industry on a one-on-one basis. Trustee White stated that he met with about 10 Consultants, in 15 minute intervals, and discussed what ACERA and other companies are doing, ACERA's asset class status, etc.

Trustee Walker wished the Board and Staff happy holidays and stated that he enjoys serving on the ACERA Board. Trustee Walker then announced that today was Trustee Dewey's last day on the Board and expressed his appreciation for Trustee Dewey's contribution to the Board.

Trustee Dewey thanked the Board of Supervisors for his appointment to the ACERA Board and stated that serving on the Board has been a great learning experience. Trustee Dewey expressed his appreciation to the other Board Trustees for their support and thanked the members of the audience, retiree membership, and the ACERA Staff (from the highest level in the organization to the Staff behind the scenes) for all of their hard work. Trustee Dewey wished everyone a great holiday and phenomenal 2015.

Trustee White, Pete Albert, and Vince Brown, on behalf of Staff, also expressed their appreciation for Trustee Dewey's vast knowledge and background in the investment industry; especially, hedge funds, and for all of his hard work and dedication to the Board. Mr. Brown stated that it was a pleasure working with Trustee Dewey and wished him good luck in his future endeavors.

Mr. Albert thanked the ACERA Board and Staff for their participation at the December 5, 2014 ACRE Luncheon.

ADJOURNMENT INTO CLOSED EXECUTIVE SESSION

A) Pursuant to Government Code Section 54957 to discuss:

1) Chief Executive Officer Performance Evaluation

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

The Board reconvened into Open Session and announced the following:

No action was taken.

ADJOURNMENT

The meeting adjourned at 3:15 p.m.

Respectfully Submitted,



Vincent P. Brown
Chief Executive Officer

01/15/15

Date Adopted

APPENDIX A
APPLICATION FOR SERVICE RETIREMENT

ANGUIANO, Raquel R.
Effective: 7/11/2014
DRO - DEF

COURAND, Laura J.
Effective: 10/18/2014
Sheriff's Office - DEF

ANGUIANO, Raquel R.
Effective: 7/11/2014
Assessor

CUMMINGS, Raewyn D.
Effective: 8/31/2014
DRO - DEF

ARONE, Jason
Effective: 7/11/2014
Sheriff's Office

DENNY, William C.
Effective: 7/9/2014
District Attorney

BAKER, Ricky R.
Effective: 7/10/2014
Sheriff's Office

FLORES, Charles A.
Effective: 7/11/2014
Probation

BASS, Kennis D.
Effective: 7/11/2014
Sheriff's Office

GARRIGAN, James W.
Effective: 7/11/2014
Sheriff's Office

BERLINN, Kristian M.
Effective: 7/10/2014
Sheriff's Office

GRASSO, John J.
Effective: 7/10/2014
Sheriff's Office

BRENNAN, Evangeline C.
Effective: 7/11/2014
Behavioral Health Care Services

HARBOUR, Bridget M.
Effective: 7/11/2014
Sheriff's Office

BURGESS, Rhonda N.
Effective: 8/21/2014
Superior Court - DEF

JAMERSON, Yvonne C.
Effective: 7/11/2014
Social Services Agency

BUSCHHUETER, Frank J.
Effective: 7/11/2014
Sheriff's Office

JOHNSON, Ray L.
Effective: 9/26/2014
Human Resource Services - DEF

COHEN, Kenneth B.
Effective: 10/14/2014
Alameda Health System - DEF

LAM, William W.
Effective: 7/11/2014
Sheriff's Office

COLLINS, Wm C.
Effective: 9/1/2014
Information Technology Department - DEF

LUNDAY, Susan G.
Effective: 9/13/2014
Information Technology Department

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

MARCHAN, Debra A.
Effective: 7/8/2014
Child Support Services

MCKINNEY, Gloria T.
Effective: 7/11/2014
Superior Court

REED, Jeff P.
Effective: 7/11/2014
Sheriff's Office

SHIU, Matthew H.
Effective: 7/8/2014
Alameda Health System - DEF

TATMON, Sharon Y.
Effective: 8/8/2014
Alameda Health System

VEGLIANTE, Edward W.
Effective: 7/9/2014
Alameda Health System

YORK, Jerry A.
Effective: 7/10/2014
Social Services Agency

**APPENDIX D
LIST OF DECEASED MEMBERS**

Allen, Connie V.
11/5/2014
Social Services Agency

Lyles, Archie L.
11/4/2014
Survivor of Peggie D. Lyles

Artis, Norma L.
10/29/2014
Survivor of Robert L. Artis

Moreau, Ludger
10/28/2014
DRO

Avila, Joseph P.
11/16/2014
Information Technology Department

Preston, Helen R.
11/6/2014
Survivor of William G. Preston

Cable, Mattie
10/14/2014
Alameda Health System - DEF

Reithner, Carl E.
10/28/2014
General Services Agency

Cobon, Fernal
11/18/2014
Probation

Reyes, Ruben
10/27/2014
General Services Agency

Dennis, Georgia L.
11/11/2014
Social Services Agency

Robinson, George M.
11/7/2014
Sheriff's Office

Dickson, Roderick D.
11/20/2014
District Attorney

Royston-Grayson, Ruby A.
11/16/2014
Alameda Health System

Harris, Warren E.
9/30/2014
Sheriff's Office

Ryken, C. Denis
11/11/2014
Public Defender

Harris-Joseph, Dorothy L.
10/30/2014
Alameda Health System

Schultz, John J.
11/6/2014
Public Works Agency

Hollingsworth, Carole D.
11/4/2014
Alameda Health System

Shanks, William A.
11/5/2014
Alameda Health System

Langseth, Pan B.
11/2/2014
Sheriff's Office - DEF

Vales, Edward L.
10/22/2014
Public Works Agency

APPENDIX D
LIST OF DECEASED MEMBERS

Wallgren, Clifford C.
7/28/2014
Information Technology Department

Williams, Fusako H.
10/4/2014
Survivor of Lonnie L. Williams

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: Garcia, David
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Garcia a service connected disability and to 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 at this time.
