



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MINUTES

Thursday, September 19, 2013

Chair Dale Amaral called the meeting to order at 2:05 p.m.

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

Trustees Excused: Liz Koppenhaver

Staff Present: Margo Allen, Fiscal Services Officer
Victoria Arruda, Human Resources Officer
Vincent Brown, Chief Executive Officer
Kathy Foster, Assistant Chief Executive Officer
Harsh Jadhav, Internal Auditor
Marguerite Malloy, Associate Counsel
Martha Richardson, Executive Secretary
Betty Tse, Chief Investment Officer
Latrena Walker, Project and Information Services Manager

Staff Excused: Rose Kwong, Benefits Manager

13-90

The minutes of the regular meeting of August 15, 2013 were accepted on a motion by Annette Cain-Darnes, seconded by George Wood and approved by a vote of 6 yes (*Amaral, Basgal, Cain-Darnes, Rogers, Safer, Wood*), 0 no, and 0 abstentions.

CONSENT CALENDAR

REPORTS AND ACTION ITEMS

APPLICATION FOR SERVICE RETIREMENT

Appendix A

APPLICATION FOR RETIREMENT, DEFERRED

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LIST OF DECEASED MEMBERS

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

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APPLICATION FOR DISABILITY RETIREMENT – NON CONTESTED ITEMS

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APPLICATION FOR DISABILITY RETIREMENT – HEARING OFFICER RECOMMENDATIONS

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DISABILITIES STATUS REPORT

APPROVAL OF COMMITTEE MINUTES

It was moved by George Wood, seconded by Annette Cain-Darnes, and approved by a vote of 7 yes (*Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, Wood*), 1 recusal (*Amaral*), 0 no, 0 abstentions, that the following resolution is adopted:

13-91

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

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 Committee meeting minutes are posted on the ACERA website (www.acera.org) after approval at the **September 19, 2013** Board meeting. This month's Committee reports were presented in the following order:*

Operations:

Elizabeth Rogers reported that the Operations Committee met on September 4, 2013 at 9:23 a.m., and highlighted the following:

Lori Schnall, Associate Counsel, presented potential options to revise the Travel Policy with regards to the annual expense limit and list of conferences excluded from the annual limit. These options were offered for the Trustees' consideration due to the increased costs to attend conferences.

13-92

It was moved by Elizabeth Rogers and seconded by Keith Carson that the Board renew the Travel, eliminate the list of conferences that are excluded from the yearly allotment each trustee is allowed to spend on business related expenses and increase the allotment to \$12,000 per year, effective January 1, 2014. The motion carried 8 yes (Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, Wood), 0 no, and 0 abstentions.

Margo Allen, Fiscal Services Officer, stated that this action item was first discussed during the August Operations Committee meeting. This item was brought back to the September 7th Committee meeting for discussion together with the Trustee Education Policy and Travel Policy.

Captain Amaral stated that he intends to reimburse ACERA \$87.43 for the business related expenses that he incurred in excess of the annual allotment for his participation in the 2013 Milken Conference. Captain Amaral recused himself from the discussion and vote, and left the room.

13-93

It was moved by Elizabeth Rogers and seconded by George Wood that the Board approve trustee Dale Amaral's incurring business related expenses in connection with his participating in the 2013 Milken Conference, which exceeded the annual allotment as stated in the Travel Policy. The motion carried 6 yes (Basgal, Carson, Dewey, Rogers, Safer, Wood), 0 no, and 2 abstentions (Amaral, Cain-Darnes).

Trustee Dale Amaral paid the \$87.43 incurring business related expenses in connection with his participating in the 2013 Milken Conference.

Trustee Annette Cain-Darnes stated that she intends to reimburse ACERA \$8.12 for the business related expenses that she incurred in excess of the annual allotment for her participation in the 2013 Milken Conference. Ms. Cain-Darnes recused herself from the discussion and vote, and left the room.

13-94

It was moved by Elizabeth Rogers and seconded by George Wood that the Board approve Trustee Annette Cain-Darnes' incurring business related expenses in connection with his participating in the 2013 Milken Conference, which exceeded the annual allotment as stated in the Travel Policy. The motion carried 6 yes (*Basgal, Carson, Dewey, Rogers, Safer, Wood*), 0 no, and 2 abstentions (*Amaral, Cain-Darnes*).

Trustee Annette Cain-Darnes paid the \$8.12 incurring business related expenses in connection with her participating in the 2013 Milken Conference.

Lori Schnall, Associate Counsel, presented Staff's proposal that the Board adopt a yearly signatory authority and the criteria which will give staff authorization to execute contracts and allow for notice to third parties concerning such authority. The Committee directed Staff to make the yearly authorization structure clearer and bring it back to the Committee meeting in October.

Margo Allen, Fiscal Services Officer, presented the year-to-date operating expenses – budget vs. actual. As of July 31, 2013 actual expenses are under budget \$630,626.

Harsh Jadhav, Chief of Internal Audit, introduced the proposed audit plan to conduct the audits of two Participating Employers in 2014, and presented the Request for Proposal (RFP) to hire a third-party CPA firm to perform the audits. These audits are being conducted in accordance with the Public Employees Pension Reform Act (PEPRA).

Marguerite Malloy, Associate Counsel, reported that after investigating the registration discount provided to ACERA Trustees who attended the Milken Conference, Staff concluded that the discount is a gift to ACERA and not the individual Trustees. The Political Reform Act (PRA) requires that ACERA report a gift to the agency on Form 801, as prescribed by the California Fair Political Practices Commission (FPPC), and post the Form 801 on its website for four (4) years. Ms. Malloy informed the Committee that a Form 801 shall be prepared and posted on ACERA's website.

13-95

It was moved by Elizabeth Rogers and seconded by George Dewey that the Board approve the September 4, 2013 Operations Committee minutes. The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, Wood*), 0 no, and 0 abstentions.

Governance:

George Wood reported that the Governance Committee met on September 4, 2013 at 9:23 a.m.

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding the Chief Executive Officer Job Description and Delegation of Authority (CEO Job Description).

After an in-depth discussion, Staff expressed its intent to bring further proposed amendments back to the Committee with clarifications which would separate out the SACRS and CII proxy matters, and provide for the Board's delegation of proxy vote authority at the Board's discretion. Additionally, staff expressed intent to address the proxy matters in a separate subsection of the existing policy. The Committee further directed Staff to bring the revised CEO Job Description to the full Board for further review and possible approval under "New Business" at the Board's September 19, 2013 meeting. No action was taken.

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding ACERA's Conflict of Interest Code. Lori Schnall, Associate Counsel, advised the Committee that the Conflict of Interest Code was revised to include ACERA's two new positions: 1) Senior Investment Officer and 2) Investment Officer. Ms. Schnall also advised the Committee that the Chief Financial Officer (CFO) and Internal Auditor (IA) positions were re-titled in the Code to reflect the new titles of Fiscal Services Officer (FSO) and Chief of Internal Audit (CIA), respectively, and that the Code also requires Board of Supervisors (BOS) approval.

13-96

It was moved by George Wood and seconded by Elizabeth Rogers that the Board renew the Conflict of Interest Code, with revisions, and Staff forward the Code to the Alameda County Board of Supervisors for approval. The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, Wood*), 0 no, and 0 abstentions.

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding the Conflict of Interest Policy. Lori Schnall, Associate Counsel, advised the Committee that the Conflict of Interest Policy was revised to include ACERA's two new positions: 1) Senior Investment Officer and 2) Investment Officer. Ms. Schnall also advised the Committee that the CFO position was re-titled in the Policy to reflect the new title of FSO.

It was noted that while the position of IA (re-titled CIA) was listed in the Conflict of Interest Code, it was inadvertently omitted from the Conflict of Interest Policy. The position of CIA is now included in the revised Policy.

13-97

It was moved by George Wood and seconded by Annette Cain-Darnes that the Board approve the Conflict of Interest Policy. The motion carried 8 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, Wood*), 0 no, and 0 abstentions.

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding the Trustee Education Policy. Lori Schnall and Marguerite Malloy, Associate Counsels, advised the Committee that the Trustee Education Policy was revised for clarity and to reflect the new requirements under Government Code (GC) Section 31522.8 (AB 1519).

In order to implement the new law, Staff proposed a form for trustees to certify that all education requirements have been met as part of the Trustee Education Policy. After an in-depth discussion, Staff concluded a revision was necessary to the proposed compliance certification form. Staff determined the need to bring the revised Policy/Certification Form back to the next Governance Committee meeting for review and possible approval by the Committee. No action was taken.

The Committee reviewed Staff's September 4, 2013, memorandum and its recommendation regarding the Board Travel Policy. Lori Schnall, Associate Counsel, explained that, currently, the Trustee Education Policy is assigned to the Governance Committee and the Travel Policy is assigned to the Operations Committee. The Board requested that both the Trustee Education Policy and Board Travel Policy be assigned to the Operations Committee as the two policies are interrelated. Therefore, Staff recommended that the Trustee Education Policy be reassigned to the Operations Committee for drafting and to review annually with the Board Travel Policy.

13-98

It was moved by George Wood and seconded by Ophelia Basgal that the Board assign the Trustee Education Policy to the Operations Committee to renew annually with the Board Travel Policy. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

There were no Information Items.

13-99

It was moved by George Wood and seconded by Annette Cain-Darnes that the Board approve the September 4, 2013 Governance Committee minutes. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Retirees:

David Safer reported that the Retirees Committee met on September 4, 2013 at 11:45 a.m., and highlighted the following:

Kathy Foster, Assistant Chief Executive Officer, provided suggested revised language for the Supplemental Retiree Benefit Reserve (SRBR) Policy to reflect the changes in the eligibility requirements for the dental and vision plan contributions, effective February 1, 2014; and to make other minor consistency and clarifying changes for consideration.

13-100

It was moved by David Safer and seconded by Annette Cain-Darnes that the Board adopt the revisions to the Supplemental Retiree Benefit Reserve (SRBR) Policy that reflect the changes in the eligibility requirements for the dental and vision plan contributions, effective February 1, 2014

and the other language changes. The motion carried 9 yes (Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, White, Wood), 0 no, and 0 abstentions.

Kathy Foster, Assistant Chief Executive Officer, provided a revised Work Plan, which reflects changes on two scheduled items currently for September; the presentation and report on the Supplemental Retiree Benefit Reserve (SRBR) funding report/study has been delayed until October, and the information regarding the SRBR funding policy will be presented at the November Actuarial Committee meeting. The Segal Company, ACERA's Actuary, will provide the SRBR funding report/study at the October Retirees Committee meeting and the SRBR funding policy information at the November Actuarial Committee meeting.

Kathy Foster, Assistant Chief Executive Officer, provided summary information regarding renewal rates from Kaiser Permanente and UnitedHealthcare for the plan year February 1, 2014 through January 31, 2015. In addition, Ava Lavender from the County of Alameda presented more detailed information on the renewal rates. Also, Isabella Janus with Keenan & Associates, ACERA's Benefits Consultant, provided information on plan coverage and how rates were impacted based on retiree utilization/experience.

Sharen Stanek-Lowe, Assistant Benefits Manager, provided a report on the first and second quarter of the Health Reimbursement Arrangement (HRA) account activity related to Extend Health, Inc.'s performance, claim activity, payments, denied claims, and benefit overview. In addition, Kathy Foster, Assistant Chief Executive Officer, provided information on retirees' HRA balances as of July 31, 2013 categorized by years of service, and information on Extend Health's catastrophic coverage.

Sharen Stanek-Lowe, Assistant Benefits Manager, provided a timeline of milestones for ACERA's annual Open Enrollment and Retiree Health Fair activities, and a summary of the "What's New for 2014" section of the Enrollment Guide.

Sharen Stanek-Lowe, Assistant Benefits Manager, provided a list of organizations that act as advocates for patients, information regarding the Center for Medicare and Medicaid Services' policy regarding formulary changes during the plan year, and information regarding Staff's research on an option to provide retirees their retirement allowances via a prepaid debit card instead of a check.

13-101

It was moved by David Safer and seconded by George Wood that the Board approve the September 4, 2013 Retirees Committee minutes. The motion carried 9 yes (Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, White, Wood), 0 no, and 0 abstentions.

Investment:

Annette Cain-Darnes reported that the Investment Committee met on September 11, 2013 at 9:06 a.m., and highlighted the following:

Staff and Townsend recommended no changes or revisions to the text of the Strategic Plan, and that only exhibits be updated to reflect the current holdings in the real estate portfolio.

13-102

It was moved by Annette Cain-Darnes and seconded by Elizabeth Rogers that the Board adopt the Amended Real Estate Strategic Plan, Objectives, Policies and Procedures. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Staff and Townsend presented the 2013 – 2014 Investment Plan for ACERA’s real estate portfolio. ACERA’s current allocation for Real Estate is out of compliance with Core real estate assets funded at a 65% level versus 70% target. Townsend recommended an increase of \$50-\$80 million in Core real estate assets and an increase of \$20 million to Value-added real estate assets for 2014 to help the real estate portfolio get back into compliance.

13-103

It was moved by Annette Cain-Darnes and seconded by Elizabeth Rogers that the Board adopt the 2013-2014 Investment Plan for ACERA’s Real Estate Portfolio. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

Representatives from Mondrian Investment Partners discussed its investment philosophy, investment strategy, portfolio characteristics, and performance. The review revealed Mondrian Investment Partners to be in compliance with ACERA’s investment guidelines.

Mondrian representatives described current international equities market conditions and the portfolio shifts resulting from such conditions. They also discussed the rationale for replacing the Delaware Pooled Trust with the Mondrian Emerging Markets Fund, LP, effective July 1, 2012, and talked about how the manager’s patient, low cost trading style has added value to ACERA’s account.

The Federal Reserve’s discussion of tapering Quantitative Easing led to a pullback in the major indices in mid-June.

ACERA’s total Fund returned 0.7% in the second quarter of 2013.

As of 6/30/2013, the market value of the total Fund was about \$6.0 billion.

For the quarter, ACERA’s U.S. equity portfolio, international equity, fixed income, and real return pool asset classes returned 4.1%, -1.2%, -2.7%, and -7.9% (gross), respectively.

As of 6/30/13, the total market value of ACERA’s real estate portfolio was about \$322.8 million; approximately 5.4% of ACERA’s total Fund.

ACERA’s real estate portfolio returned 2.8% for Q2 2013.

13-104

It was moved by Annette Cain-Darnes and seconded by George Dewey that the Board approve the September 11, 2013 Investment Committee minutes. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

NEW BUSINESS

Motion to renew, with revisions, the Chief Executive Officer Job Description and Delegation of Authority

At the September 4, 2013 Governance Committee meeting, Staff was directed to bring the revised CEO Job Description to the full Board for further review and possible approval.

13-105

It was moved by Keith Carson and seconded by Annette Cain-Darnes that the Board renew the language in Section 1-U regarding delegation of proxy voting authority to the CEO as it relates to the Council of Institutional Investors. The motion carried 9 yes (*Amaral, Basgal, Cain-Darnes, Carson, Dewey, Rogers, Safer, White, Wood*), 0 no, and 0 abstentions.

The CEO Job Description and Delegation of Authority will be sent back to the Operations Committee for further review and discussion.

Vince Brown, Chief Executive Officer Report

CEO Vince Brown reported on the following items:

- Alameda Health System (AHS); update on Assembly Bill 1008
- 2013 Mid-Year Performance Evaluations
- All ACERA Staff Meeting
- Conferences

ESTABLISHMENT OF THE NEXT MEETING

Thursday, October 17, 2013 at 2 p.m.

ADJOURNMENT

The meeting adjourned at 3:55 p.m.

Respectfully Submitted,

Vincent P. Brown
Chief Executive Officer

Date Adopted

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

AGUAYO-RIFFEL, Raquel
Effective: 12/29/2012
Health Care Services Agency

ASHWELL, Deirdre A.
Effective: 12/20/2012
Alameda County Medical Center

BARRERE, Kirsten G.
Effective: 6/8/2013
Sheriff's Office

BOSTEELS, Mary J.
Effective: 6/1/2013
Library - DEF

CAMPBELL-FRENCH, Cherie
Effective: 3/30/2013
Social Services Agency

CARAVAYO, Francisco S.
Effective: 7/4/2013
Registrar of Voters - DEF

DALOPE, Lina T.
Effective: 4/1/2013
Alameda County Medical Center

ECCLESTON, Maria R.
Effective: 12/22/2012
Social Services Agency

FONG, Elaine H.
Effective: 3/30/2013
Health Care Services Agency

FUJISE, Jean E.
Effective: 12/22/2012
Social Services Agency

GAVRELL, Elaine B.
Effective: 12/22/2012
Public Health Care Services

HENDRIX, Barbara J.
Effective: 3/30/2013
Probation

HOWARD, Alicia Marie
Effective: 7/5/2013
Superior Court

JACKSON, Pamela D.
Effective: 6/22/2013
General Services Agency

JARIN, Reynaldo I.
Effective: 12/31/2012
Alameda County Medical Center

KONG, Li
Effective: 12/28/2012
Alameda County Medical Center

LEIGHTON, Jamie
Effective: 4/1/2012
Alameda County Medical Center

MCLAURIN, Loretta
Effective: 4/20/2013
General Services Agency

MELENDRES, Maria Theresa G.
Effective: 12/31/2012
Alameda County Medical Center

MILLER, Cecelia I.
Effective: 12/29/2012
Alameda County Medical Center

NGUYEN, Amy P.
Effective: 3/30/2013
Health Care Services Agency

ORTMAN, Edward P.
Effective: 3/30/2013
Sheriff's Office

PARAISO, Remedios E.
Effective: 12/31/2012
Alameda County Medical Center

PHUTIYOTIN, Chanthavone
Effective: 3/16/2013
Health Care Services Agency

POPAL, Abdullah
Effective: 3/30/2013
Social Services Agency

RAFF-HEYNSSENS, Amy S.
Effective: 3/31/2013
Alameda County Medical Center

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

REID, James L.
Effective: 4/1/2013
Probation

SOARES, Nicholas J.
Effective: 6/22/2013
Sheriff's Office

REYES, Estrella I.
Effective: 3/30/2013
Health Care Services Agency

SOTO, Patricia C.
Effective: 5/25/2013
Alameda County Medical Center

SANCHEZ, Norma
Effective: 6/29/2013
Health Care Services Agency

WALKER, Elizabeth J.
Effective: 3/31/2013
Social Services Agency

SECOQUIAN, Teodora S.
Effective: 6/8/2013
Auditor-Controller

WARREN, Mary E.
Effective: 7/9/2013
Alameda County Medical Center

SELLERS, Jacqueline D.
Effective: 3/30/2013
Social Services Agency

WILLIAMS, Charles V.
Effective: 4/1/2013
DRO-DEF

SHANAHAN, Delma
Effective: 6/1/2013
Health Care Services Agency

WILLIAMS, Pamela
Effective: 6/18/2013
Alameda County Medical Center

**APPENDIX D
LIST OF DECEASED MEMBERS**

BRETHAUER, Barbara
7/28/2013
Survivor of John Brethauer

QUILICI, Leo
8/14/2013
Assessor

CHOY, Franklin
7/27/2013
Survivor of Gloria Choy

SCURRY, Carol
7/27/2013
Alameda County Medical Center

GARRETT, Helen
7/4/2013
Survivor of Walter Garrett

STEWART, La Zetta
7/24/2013
Alameda County Medical Center

KING JR, Raymond
7/22/2013
General Services Agency

SYLVESTER, Anthony
8/2/2013
General Services Agency

KOHLER, Claudia
7/21/2013
Social Services Agency

TOOKE, Billie
4/23/2013
Survivor of James Tooke

LIVINGS, Cynthia
7/31/2013
Auditor-Controller Agency

WONG, Ruth
7/16/2013
Social Services Agency

NELSON, Patricia
8/3/2013
Superior Court

WOODWARD, Frances
8/9/2013
Social Services Agency

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

ARNOLD, George L.
Government Code § 31652 Redeposit

ARNOLD, George L.
Government Code § 31652 Redeposit

COX, Shelley Lynn
Government Code § 31652 Redeposit

OBIDAH, Karen
Government Code § 31652 Redeposit

**APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT**

Name: **Dudek, Scott**
Type of Claim: Service Connected

Staff's Recommendation:

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

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

Name: **Harris, Samuel**
Type of Claim: Service Connected

Staff's Recommendation:

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

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

Name: **Wiley, Kenneth**
Type of Claim: Service Connected – Reciprocal Member
Staff's Recommendation:

Approve staff's recommendation to grant Mr. Wiley a service connected disability retirement in conjunction with reciprocal agency, City of San Jose and in accordance with Section 31838.5