



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MINUTES

Thursday, October 18, 2012

Chair George Dewey 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
George Wood
Darryl Walker (*Alternate*)

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

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

Staff Excused: Rose Kwong, Benefits Manager
Catherine Walker, Assistant Chief Executive Officer

12-98

The minutes of the regular meeting of September 20, 2012 were corrected to reflect that Ophelia Basgal attended a session on Pension Reform sponsored by the Public Policy Institute of California. The minutes were then accepted on a motion by Dale Amaral, seconded by Annette Cain-Darnes and approved by a vote of 8 yes, 0 no, and 0 abstentions.

**CONSENT CALENDAR
REPORTS AND ACTION ITEMS**

APPLICATION FOR SERVICE RETIREMENT

Appendix A

APPLICATION FOR RETIREMENT, DEFERRED

*Appendix B
Appendix B-1*

APPLICATION FOR DEFERRED TRANSFER

Appendix C

LIST OF DECEASED MEMBERS

Appendix D

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

Appendix E

APPLICATION FOR DISABILITY RETIREMENT – NON CONTESTED ITEMS:

Appendix F

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

Appendix G

DISABILITIES STATUS REPORT

APPROVAL OF COMMITTEE MINUTES

None

It was moved by Liz Koppenhaver, seconded by George Wood and approved by a vote of 7 yes, (Amaral, Walker recused), 0 no, 0 abstentions, that the following resolution is adopted:

12-99

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 Committee meeting minutes are posted on the ACERA website (www.acera.org) after approval at the **October 18, 2012** Board meeting. This month's Committee reports were presented in the following order:*

Actuarial:

George Wood reported that the Actuarial Committee met on September 27, 2012 at 1 p.m., and highlighted the following:

There were no action items.

Paul Angelo and Andy Yeung of The Segal Company presented Segal's proposed significant provisions for a Statement of Actuarial Funding Policy.

The Committee requested Staff to take the following actions for the next Actuarial Committee meeting on October 18.

- (1) Ask the Participating Employers for their feedback regarding Segal's recommended changes to the Actuarial Funding Policy and then bring the information back as a discussion item; and
- (2) Bring the Actuarial Funding Policy back for discussion and possible motion.

12-100

It was moved by George Wood and seconded by Elizabeth Rogers that the Board approve the September 27, 2012 Actuarial Committee minutes. The motion carried 8 yes, 0 no, and 0 abstentions.

Operations:

Elizabeth Rogers reported that the Operations Committee met on October 3, 2012 at 9:01 a.m., and highlighted the following:

Latrene Walker, Project and Information Services Manager, explained that the website project was divided into two phases. The Web Member Services Portal was the first phase to be completed. The second phase is the Website Redesign and requires Board approval to move forward with this project.

12-101

It was moved by Elizabeth Rogers and seconded by Liz Koppenhaver that the Board approve the implementation of the ACERA Website Redesign Project. The motion carried 8 yes, 0 no, and 0 abstentions.

Kathy Foster, Assistant CEO, provided an update on Ronald Overholt's request for reciprocity between ACERA and CalPERS. Ms. Basgal stated that the Board needs to adopt a policy about what we do in these situations. Mr. Brown responded that a policy will be included as part of the development of ACERA's oversight role mandated by pension reform beginning in January 2013. The Committee also said that Staff should develop a checklist to assist the Participating Employers when a member terminates.

Vince Brown, CEO, presented the year-to-date operating expenses – budget vs actual. As of August 31, 2012 actual expenses are under budget \$443,553.

Mr. Brown presented the Statement of Reserves as of June 30, 2012. The semi-annual interest crediting rate used was 0.4111%. The ending balance of the Market Stabilization Reserve was negative \$210.2 million. This balance represents the accumulated losses that have yet to be recognized.

Mr. Brown reported that three (3) candidates were certified for the election of Second Member representing the General Members on the Board of Retirement.

Robert Gaumer, Chief Counsel, gave an oral update on pension reform. This week ACERA posted a pension reform summary on its website. On Tuesday, October 9, ACERA is providing a pension reform educational workshop for the Participating Employers. During October ACERA will meet with the bargaining units to explain our understanding of pension reform.

Victoria Arruda, Human Resources Director, reported on the 3rd quarter position vacancies that are approved in the 2012 budget. The Committee requested that Staff provide an organizational chart at the Board Offsite on October 25, 2012.

12-102

It was moved by Elizabeth Rogers and seconded by George Wood that the Board approve the October 3, 2012 Operations Committee minutes. The motion carried 8 yes, 0 no, and 0 abstentions.

Retirees:

Liz Koppenhaver reported that the Retirees Committee met on October 3, 2012 at 10:10 a.m., and highlighted the following:

The Segal Company, 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, 2011. Based on this valuation report, the terminal year of OPEB is projected to be 2027 and the terminal year for non-OPEB remains unchanged from the previous projection of 2031.

12-103

It was moved by Liz Koppenhaver and seconded by Annette Cain-Darnes that the Board accept the December 31, 2011 Supplemental Retiree Benefit Reserve (SRBR) Actuarial Valuation prepared by the Segal Company. The motion carried 8 yes, 0 no, and 0 abstentions.

Vince Brown, Chief Executive Officer, presented a history of the Supplemental Retiree Benefit Reserve (SRBR) activity for the 10 ½ year period ending June 30, 2012. The ending balance of the SRBR as of June 30, 2012 was approximately \$582.6 million. There was approximately \$2.5 million of interest credited and \$22.8 million deducted from the SRBR fund.

Keenan & Associates, ACERA's Benefits Consultant, provided the changes occurring to Medicare Part D standard benefits effective January 1, 2013. They have also confirmed that ACERA's group Medicare Part D plans continue to meet the standard of "creditable coverage" set forth by Medicare. ACERA plans to meet the mandated disclosure requirement by issuing the Creditable Coverage notices by the October 15th deadline.

Keenan & Associates provided information regarding the Patient Protection and Affordable Care Act (PPACA), health care reform specific to 2014, Medicare Part C update, California Health Benefit Exchange, proposed California legislation, retiree health care, and Early Retiree Reinsurance Program (ERRP).

Sharen Stanek-Lowe, Assistant Benefits Manager, and Mike Fara, Communications Manager, provided a report and sample communication materials regarding ACERA's annual Open Enrollment for plan year 2013 and the Retiree Health Fair.

Ms. Stanek-Lowe gave a presentation on ACERA's Wellness Program, which included the fourth quarter 2012 Wellness & Disease Management Work Plan, ACERA's goals for 2012, carrier measurements for the period 2008 through 2011, Kaiser Permanente's semi-annual chronic conditions report, and a summary of the second and third quarter 2012 accomplishments.

Ms. Stanek-Lowe provided an update regarding the transition to Extend Health, Inc., ACERA's Medicare Exchange service provider.

12-104

It was moved by Liz Koppenhaver and seconded by Annette Cain-Darnes that the Board approve the October 3, 2012 Retirees Committee minutes. The motion carried 8 yes, 0 no, and 0 abstentions.

Investment:

Annette Cain-Darnes noted that the Investment Committee met on October 10, 2012 at 9:18 a.m., and highlighted the following:

Staff recommended revisions to the text of and exhibits to the Strategic Plan for clarity and alignment of the Strategic Plan with those of the other asset class policies used in ACERA's Fund. Townsend and SIS concurred.

12-105

It was moved by Annette Cain Darnes and seconded by Dale Amaral that the Board adopt the Amended Real Estate Strategic Plan, Objectives, Policies and Procedures. The motion carried 8 yes, 0 no, and 0 abstentions.

Townsend presented the 2012 – 2013 Investment Plan for ACERA’s real estate portfolio.

12-106

It was moved by Annette Cain-Darnes and seconded by Liz Koppenhaver that the Board adopt the 2012 – 2013 Investment Plan for ACERA’s Real Estate Portfolio. The motion carried 8 yes, 0 no, and 0 abstentions.

The representatives from Heitman Capital Management, LLC outlined its organization, investment philosophy, strategy, process, performance objectives, and other key characteristics. They also addressed the Committee’s comments and questions.

12-107

It was moved by Annette Cain-Darnes and seconded by Dale Amaral that the Board adopt a \$40.0 million commitment to the Heitman America Real Estate Trust, L.P., pending completion of legal due diligence and successful contract negotiation. The motion carried 8 yes, 0 no, and 0 abstentions.

The representatives from UBS Realty Investors LLC outlined its organization, investment philosophy, strategy, process, performance objectives, and other key characteristics. They also addressed the Committee’s comments and questions.

12-108

It was moved by Annette Cain-Darnes and seconded by Dale Amaral that the Board adopt a \$40.0 million commitment to the UBS Trumbull Property Fund, pending completion of legal due diligence and successful contract negotiation. The motion carried 8 yes, 0 no, and 0 abstentions.

12-109

It was moved by Annette Cain-Darnes and seconded by George Wood that the Board approve the October 10, 2012 Investment Committee minutes. The motion carried 8 yes, 0 no, and 0 abstentions.

Audit:

Dale Amaral reported that the Audit Committee met on October 10, 2012 at 1:03 p.m. and reported the following:

Harsh Jadhav, Internal Auditor, presented an update to the 2012 Internal Audit work plan. Three audits have been completed and three are on track for completion in the fourth quarter of 2012 or during 2013.

The Audit Department has completed three audits; Vendor Compliance Remediation Audit, Wire Transfer Authorization Audit and the Cash Management Audit. For each audit, Harsh reviewed the audit objective, key controls, results and key recommendations.

12-110

It was moved by Dale Amaral and seconded by Annette Cain-Darnes that the Board approve the October 10, 2012 Audit Committee minutes. The motion carried 8 yes, 0 no, and 0 abstentions.

Actuarial:

George Wood reported that the Actuarial Committee met on October 18, 2012 at 11:03 a.m. and reported the following:

Paul Angelo and Andy Yeung of The Segal Company discussed their recommended changes to the Actuarial Funding Policy.

12-111

It was moved by George Wood and seconded by Liz Koppenhaver that the Board adopt the changes to the Actuarial Funding Policy as recommended by the Segal Company. The motion carried 8 yes, 0 no, and 0 abstentions.

Paul Angelo and Andy Yeung of The Segal Company discussed the frequency of reviewing the economic assumption for the actuarial valuation, and recommended that the economic actuarial assumptions be reviewed every 3 years at the time of the triennial experience study. The next review of the economic assumptions would be used to set the employer and employee contribution rates for the December 31, 2014 valuation.

Paul Angelo told the Committee that if the Board reviewed the economic assumptions every 3 years, then the Board may choose to phase in changes to the employer contributions over a 3 year period. Additionally, if there are any changes to the asset allocation or other factors that may significantly affect the economic assumptions, the Board could authorize a review of the economic assumptions at an earlier date.

12-112

It was moved by George Wood and seconded by Annette Cain-Darnes that the Board:

- a) Approve the review the economic assumptions every 3 years at the time of the triennial experience study, as recommended by The Segal Company;**
- b) Reserve the right to review the economic assumptions more frequently than every three years if there are any major changes to the asset allocation or other factors that may significantly impact the economic assumptions;**
- c) May choose to implement a 3 year phased-in approach to the economic impact of the changes made to the economic assumptions, as recommended by The Segal Company.**

The motion carried 8 yes, 0 no, and 0 abstentions.

12-113

It was moved by George Wood and seconded by Liz Koppenhaver that the Board approve the October 18, 2012 Actuarial Committee minutes. The motion carried 8 yes, 0 no, and 0 abstentions.

OLD BUSINESS

Motion Regarding the Adoption of the ACERA Electronic Tablet Policy

Robert Gaumer presented the corrected Electronic Tablet Usage Policy for Board approval.

12-114

It was moved by Ophelia Basgal and seconded by Elizabeth Rogers that the Board approve the corrected Electronic Usage Policy. The motion carried 8 yes, 0 no, and 0 abstentions.

NEW BUSINESS

Pension Reform Update

Vince Brown provided an overview of the issues related to the Pension Reform Legislation. He highlighted the Board's responsibility and summarized the next steps ACERA will take with respect to implementing the legislation.

Robert Gaumer presented a detailed Power Point entitled: 2013 California Public Employees' Pension Reform Act. The presentation outlined the impact of changes affecting ACERA members.

Updates regarding the legislation will be regularly posted on the ACERA website at www.acera.org.

Vince Brown, Chief Executive Officer Report

An Employer Roundtable was attended by participating employers on October 9. Union representatives attended the same meeting on October 15 and 16.

SACRS will conduct a concurrent session to discuss Pension Reform on November 15.

BOARD/PUBLIC INPUT

Pete Albert announced that former Board member Dale Bitney recently passed away. Mr. Bitney served on the Board in the 1980's.

ESTABLISHMENT OF THE NEXT MEETING

Thursday, November 8, 2012 at 2 p.m. *(Due to the SACRS Fall Conference, the November 15 Board meeting has been rescheduled.)*

ADJOURNMENT

The meeting adjourned at 3:30 p.m.

Respectfully Submitted,

Vincent P. Brown
Chief Executive Officer

Date Adopted

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

BIVENS, Glenn I.
Effective: 3/31/2012
Probation

JARIN, Alex
Effective: 6/16/2012
Alameda County Medical Center

BROWN, Bobbie J.
Effective: 3/30/2012
Superior Court

JOHNSON, Craig R.
Effective: 5/5/2012
Public Works Agency - DEF

CASHMAN, Patrick J.
Effective: 7/2/2012
Community Development Agency - DEF

KERSEY, Nancy
Effective: 7/8/2012
Alameda County Medical Center

EDWARDS, Anita E.
Effective: 6/23/2012
Probation

KILGORE, Kevin D.
Effective: 7/7/2012
Sheriff's Office

EVANS, Fayrene
Effective: 12/30/2011
Alameda County Medical Center

KUPFERER, Kimberly A.
Effective: 5/21/2011
Public Defender - DEF

FEHRMANN, Lynn A.
Effective: 6/11/2012
Alameda County Medical Center - DEF

LAU, Selina
Effective: 7/7/2012
Social Services Agency - DEF

GARDEMAN, Carl
Effective: 6/23/2012
Community Development Agency

LIVINGS, Cynthia D.
Effective: 7/3/2012
Auditor-Controller

GHUMMAN, Jarnail S.
Effective: 6/1/2012
General Services Agency

LUX, Christopher L.
Effective: 6/29/2012
District Attorney

HABETESELASSIE, Kidane
Effective: 7/4/2012
Alameda County Medical Center

MIRANDA, Peggy L.
Effective: 3/31/2012
Health Care Services Agency

HUEY, John M.
Effective: 7/21/2012
Sheriff's Office

NICHOLAS, Marie G.
Effective: 9/12/2011
Social Services Agency

HUNTSMAN, Carlton B.
Effective: 1/30/2012
Community Development Agency - DEF

NURIDDIN, Claudine
Effective: 6/30/2012
Social Services Agency

IROKO, Akin E.
Effective: 7/21/2012
Social Services Agency

PRENTICE, Esther
Effective: 3/31/2012
Probation

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

RAMIREZ, Julia R.
Effective: 7/21/2012
Auditor-Controller

TOFT, Sally H.
Effective: 7/21/2012
Alameda County Medical Center

SHILTS, Marilou
Effective: 6/21/2012
Alameda County Medical Center

WHITE, Robert E.
Effective: 7/21/2012
Information Technology Department

STALLWORTH, Claudia M.
Effective: 5/23/2012
Sheriff's Office

**APPENDIX B
APPLICATION FOR DEFERRED RETIREMENT**

ASCHE, Ellen L.
Community Development Agency
Effective: 05/04/07

IRVING, Anne E.
Public Health
Effective: 12/19/08

BLACKMER, Charlotte L.
Information Technology Department
Effective: 11/03/06

LAPLACA, Martin B.
Social Services Agency
Effective: 04/13/07

BRANDT, Juanita B.
Probation
Effective: 03/11/05

MALKINSON, Zachary I.
Public Defender
Effective: 08/08/08

BRYANT, Mieke N.
Public Defender
Effective: 08/23/06

NEFF-COOPER, Marcie Ann
Public Defender
Effective: 06/30/09

BURKE, Daniel R.
District Attorney
Effective: 05/18/07

VALENCIA, Carlos
Auditor-Controller
Effective: 04/30/88

HORTON, Gina
Social Services Agency
Effective: 03/23/07

WINKELSTEIN, Julie Ann M.
Library
Effective: 07/26/08

APPENDIX B-1
APPLICATION FOR NON-VESTED DEFERRED

DUTTON, Elizabeth C.
Board of Supervisors
Effective: 08/20/04

APPENDIX D
LIST OF DECEASED MEMBERS

BITNEY, Dale
8/27/2012
Public Works Agency

JONES, Esther M.
9/18/2012
Superior Court

CEASAR, Johnnie M.
9/12/2012
Assessor

LIM, Walter
8/28/2012
Survivor of Sylvia Lim

CRANFORD, Esther E.
9/11/2012
Survivor of Joseph H. Cranford

ROSALES, Eneida
8/28/2012
Alameda County Medical Center

FUKUNAGA, Raymond
8/31/2012
Survivor of Miyoko Fukunaga

STEPHENS, Leonilla
8/31/2012
Survivor of James T. Stephens

HOMEL, Harvey B.
8/28/2012
Public Defender

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: Ashworth, Daniel
Type of Claim: Non-Service Connected

Staff's Recommendation:

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

Name: Reed, Erica
Type of Claim: Annual Review for SCD (Granted on 09/15/2011)

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.