



April 6, 2016

To: Members of the Operations Committee

From: Keith Carson, Chair

Subject: Summary of the April 6, 2016 Operations Committee Meeting

Operations Committee Chair Keith Carson called the April 6, 2016, meeting to order at 9:30 a.m. Committee members present were Dale Amaral, Annette Cain-Darnes, Keith Carson, Liz Koppenhaver, and Elizabeth Rogers. Also present were Ophelia Basgal and Tarrell Gamble; and alternate members David Safer and Darryl Walker. Staff present were Kathy Foster, Interim Chief Executive Officer; Margo Allen, Fiscal Services Officer; Joseph Fletcher, Chief Counsel; Betty Tse, Chief Investment Officer; Harsh Jadhav, Chief of Internal Audit; Victoria Arruda, Human Resources Director; and Sandra Duenas-Cuevas, Benefits Manager.

At the start of the meeting, Chief Counsel Joseph Fletcher announced that the scheduled closed executive session agenda items would be postponed until the May Operations Committee meeting.

ACTION ITEMS

There were no action items for discussion.

INFORMATION ITEMS

1. Operating Expenses – Budget vs. Actual as of February 29, 2016

Staff presented the year-to-date operating expenses – budget vs. actual. As of February 29, 2016, actual expenses were \$175,046 under budget. After discussion regarding the \$36K over budget amount under Professional Fees, which was partially due to legal fees but most due to a judgement, Staff agreed that a separate line item is needed for settlement and judgment expenses under the Legal Department.

2. Statement of Reserves as of December 31, 2015

Staff presented the Statement of Reserves as of December 31, 2015, pointing out that the memo format was revised from last year to highlight the use of the Contingency Reserve Account (CRA). Regular earnings of \$256.2 million were credited to all the valuation reserves, at the assumed rate of 3.80%. There were no excess earnings to be credited to the valuation reserves, 401(h) account, or the SRBR.

This was the first interest crediting period to use the CRA to meet the assumed rate of return. There was discussion regarding the market loss for the six-month period ended December 31, 2015, and the impact to the market stabilization reserve account.

As a result of a separate but related cash shortfall discussion, Staff will consider the feasibility of providing future discussion on the impact of the growing cash shortfall on ACERA's investment portfolio.

3. Web Member Services Intrusion Test Results

Staff reported on the Web Member Services security assessment, indicating that a total of nine security risks (two high-risk issues, four medium-risk issues, and three low-risk issues) were identified. To date, all but two potential risks have been resolved. The two remaining items, classified as low and medium risk, are scheduled to be resolved in April and September 2016. Staff agreed to look into the current process for monitoring security for ACERA's internal systems.

4. Proposed SACRS Sponsored Legislation for Operating Authority Initiative

Staff provided updated information regarding the SACRS sponsored legislation to be presented for a vote at the May 2016 spring conference. Staff will provide further updates and a recommendation at the April 2016 Board of Retirement meeting to determine the Board's proxy vote on this legislation at the conference business meeting.

TRUSTEE/PUBLIC INPUT

None.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for May 4, 2016 at 9:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 10:12 a.m.