



September 3, 2014

To: Members of the Operations Committee
From: Dale Amaral, Chair
Subject: Summary of the September 3, 2014 Operations Committee Meeting

Operations Committee Chair Dale Amaral called the September 3, 2014 Operations Committee Meeting to order at 9:32 a.m. Committee members present were Dale Amaral, Chair, Keith Carson, George Dewey and Elizabeth Rogers. The other Board members present were Annette Cain-Darnes, Liz Koppenhaver and George Wood, and alternate members David Safer and Darryl Walker. Staff present were Vince Brown, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Betty Tse, Chief Investment Officer; Margo Allen, Fiscal Services Officer; Rose Kwong, Benefits Manager; Latrena Walker, Project and Information Services Manager; Victoria Arruda, Human Resources Director; Harsh Jadhav, Chief of Internal Audit; and Lori Schnall, Associate Counsel.

ACTION ITEM

1. Discussion and possible motion regarding refunds of member contributions on pay items not considered "compensation earnable" based on AB 197

Kathy Foster, Assistant CEO, explained that as a result of the implementation of AB 197 certain pay items are no longer considered "compensation earnable" and will not be included in final compensation. Harvey Leiderman, Fiduciary Counsel, Reed Smith, was present at the meeting and advised that the Board not proceed with considering or making any refunds to legacy members of ACERA affected by this change until after the Court of Appeals renders its decision.

It was moved by George Dewey and seconded by Elizabeth Rogers that the Operations Committee recommends to the Board of Retirement that the Board not proceed with the administrative and actuarial process that would be required if the Board concluded that refunds should be made on pay items no longer considered "compensation earnable" until the uncertainty of the appellate process has been resolved.

The motion carried 5 yes (*Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers*), 0 no, 0 abstentions.

2. Discussion and possible motion to adopt a Board Resolution regarding value of payments for accrued leave cash-outs

Kathy Foster, Assistant CEO, presented a proposed resolution concerning the value of payments for accrued leave cash-outs that will replace two previously approved resolutions (12-150 and 12-151). This new resolution is being proposed due to the final judgment in the DSA v. ACERA lawsuit regarding the implementation of AB 197. Harvey Leiderman, Fiduciary Counsel, Reed Smith, was available at the meeting to answer questions.

It was moved by George Dewey and seconded by Elizabeth Rogers that the Operations Committee recommends to the Board of Retirement that the Board adopt a Board Resolution regarding payments for additional services rendered outside normal working hours.

The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, Walker*), 0 no, 0 abstentions.

3. Discussion and possible motion to adopt a Board Resolution regarding payments for additional services rendered outside of normal working hours

Kathy Foster, Assistant CEO, presented a proposed resolution concerning the payments for additional services rendered outside of normal working hours that will replace a previously approved resolution (13-10). This new resolution is being proposed due to the final judgment in the DSA v. ACERA lawsuit regarding the implementation of AB 197. Harvey Leiderman, Fiduciary Counsel, Reed Smith, was available at the meeting to answer questions.

It was moved by George Dewey and seconded by Elizabeth Rogers that the Operations Committee recommends to the Board of Retirement that the Board adopt a Board Resolution regarding payments for additional services rendered outside normal working hours.

The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, Walker*), 0 no, 0 abstentions.

4. Discussion and possible motion to approve the Board Off-site agenda

Vince Brown, CEO, reviewed the changes to the draft Board Off-site agenda with the trustees.

After a discussion, it was moved by George Dewey and seconded by Elizabeth Rogers that the Operations Committee recommends to the Board of Retirement that the Board approve the Board Off-site agenda.

The motion carried 7 yes (*Amaral, Cain-Darnes, Carson, Dewey, Koppenhaver, Rogers, Walker*), 0 no, 0 abstentions.

INFORMATION ITEMS

1. Proposed Restructure of ACERA

Vince Brown, CEO, discussed the proposed restructure of ACERA from an operational standpoint. Mr. Brown answered numerous questions from the trustees. In addition, he reminded the Committee that the proposed restructure will be discussed at the October 1, 2014 Budget Committee from a budgetary standpoint and again at the October 17, 2014 Board Off-site.

2. Operating Expenses – Budget vs Actual as of July 31, 2014

Margo Allen, Fiscal Services Officer, presented the year-to-date operating expenses – budget vs. actual. As of July 31, 2014 actual expenses are \$1,016,344 under budget.

3. Status Update on Retirements due to AB 197 Implementation

Kathy Foster, Assistant CEO, provided an update, as of August 31, 2014, on the work completed and amounts spent on overtime and temporary employees together with information on the years of service and age at retirement for the 122 members who retired as of July 11, 2014, due to the implementation of AB 197.

RECOMMENDATIONS

1. The Committee recommends, and I move, that the Board of Retirement not proceed with the administrative and actuarial process that would be required if the Board concluded that refunds should be made on pay items no longer considered "compensation earnable" until the uncertainty of the appellate process has been resolved.
2. The Committee recommends, and I move, that the Board of Retirement adopt a Board Resolution regarding value of payments for accrued leave cash-outs.
3. The Committee recommends, and I move, that the Board of Retirement adopt a Board Resolution regarding payments for additional services rendered outside normal working hours.
4. The Committee recommends, and I move, that the Board of Retirement approve the Board Off-site agenda.

ADJOURNMENT INTO CLOSED EXECUTIVE SESSION

Pursuant to Government Code §54956.9(a) the meeting adjourned at 11:01 a.m. into Closed Executive Session to confer with legal counsel regarding pending litigation in the matter of:

- 1) Alameda County Employees' Retirement Association v. BP PLC, Case No. 4:12-CV-1256; and
- 2) Trustees of the Mineworkers' Pension Scheme Limited and Others v The Royal Bank of Scotland Group plc – HC12D01192.

RETURN TO OPEN SESSION

The Committee reconvened into open session at 11:15 a.m. and reported that no action was taken.

TRUSTEE/PUBLIC INPUT

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for October 1, 2014 at 9:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 11:16 a.m.