



October 7, 2015

To: Members of the Operations Committee
From: Dale Amaral, Chair
Subject: Summary of the October 7, 2015 Operations Committee Meeting

Operations Committee Chair Dale Amaral called the October 7, 2015 Operations Committee Meeting to order at 9:32 a.m. Committee members present were Dale Amaral, Chair, Ophelia Basgal, Tarrell Gamble and Liz Koppenhaver. The other Board members present were Annette Cain-Darnes, Elizabeth Rogers and George Wood; and alternate members David Safer and Darryl Walker. Staff present were Kathy Foster, Interim Chief Executive Officer; Joseph Fletcher, Chief Counsel; Margo Allen, Fiscal Services Officer; Latrena Walker, Project and Information Services Manager; Victoria Arruda, Human Resources Director; Harsh Jadhav, Chief of Internal Audit; and Sandra Duenas-Cuevas, Benefits Manager.

ACTION ITEM

1. Discussion and possible motion to adopt the proposed Model Tax Compliance Regulations

Legal Staff reminded the committee that ACERA received a favorable tax determination letter and Voluntary Correction Program Compliance statement dated January 29, 2014 from the Internal Revenue Service (IRS). The IRS granted the tax determination letter with the understanding that ACERA would adopt model tax compliance regulations. Failure to adopt the regulations could result in penalties or a risk to ACERA's tax exempt status. Once the regulations are adopted, they will be sent to the Board of Supervisors for approval. The regulations would become effective January 1, 2016.

Legal Staff explained that the IRS approved the model tax compliance regulations, and ACERA's practices are consistent with them or require relatively minor changes. Legal Staff noted that language will be added to the Regulation for Code Section 401(a) (Distribution Limits) prior to the Board meeting concerning the reference to emergency situations, exceptions to PEPR, and the reference to a member returning to work without a bona fide separation and without the right under GC section 8558.

It was moved by Liz Koppenhaver and seconded by Annette Cain-Darnes that the Operations Committee recommends to the Board of Retirement that the Board adopt the proposed Model Tax Compliance Regulations.

The motion carried 6 yes (*Amaral, Cain-Darnes, Gamble, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

The Committee Chair directed Legal Staff to bring the Model Tax Compliance Regulations to the full Board with the revisions specified by Legal Staff.

2. Voluntary Elected Member Employer Reimbursement

Prior to any discussion, Trustees Dale Amaral, Elizabeth Rogers, George Wood, and Darryl Walker recused themselves from the discussion and vote, and left the room. Legal Staff explained that there are two action items for discussion and possible motion regarding the voluntary elected member employer reimbursement. In the first action item, Legal Staff recommends that the Voluntary Elected Member Employer Reimbursement Policy (Policy) be renewed, without revisions. In the second action item, Legal Staff recommends that the voluntary elected member employer reimbursement be continued for 2016.

It was moved by Ophelia Basgal and seconded by Liz Koppenhaver that the Operations Committee recommend to the Board of Retirement that the Board renew the Voluntary Elected Member Employer Reimbursement Policy, without revisions.

The motion carried 4 yes (*Basgal, Cain-Darnes, Gamble, Koppenhaver*), 0 no, 0 abstentions.

It was moved by Ophelia Basgal and seconded by Tarrell Gamble that the Operations Committee recommend to the Board of Retirement that the Board continue the voluntary elected member employer reimbursement for 2016.

The motion carried 4 yes (*Basgal, Cain-Darnes, Gamble, Koppenhaver*), 0 no, 0 abstentions.

INFORMATION ITEMS

1. Operating Expenses – Budget vs Actual as of August 31, 2015

Fiscal Services Staff presented the year-to-date operating expenses – budget vs. actual. As of August 31, 2015 actual expenses are \$1,534,765 under budget.

2. Statement of Reserves as of June 30, 2015

Fiscal Services Staff presented the Statement of Reserves as of June 30, 2015. Regular earnings at the assumed rate of 3.90% were credited to the valuation reserve accounts, the 401(h) account and the SRBR. Earnings equivalent to 50% above the assumed rate of return (excess earnings) were credited at a rate of 0.7702% to the valuation reserves accounts and the 401(h) account. The remaining 50% of earnings above the assumed rate of return (excess earnings) were credited to the SRBR at a rate of 5.5418%. The total combined interest crediting rate to the valuation reserve accounts and the 401(h) account was 4.6702%. The total combined interest crediting rate to the SRBR was 9.4418%.

In accordance with board policy, \$1.5 million of actuarial earnings were credited to the Contingency Reserve Account (CRA) to adjust the ending balance to 1% of total assets as of June 30, 2015.

The ending balance of the Market Stabilization Reserve was \$111.5 million as of June 30, 2015, after deducting approximately \$131.4 million of gains in the current six month period.

RECOMMENDATIONS

1. The Committee recommends, and I move that the Board of Retirement adopt the Model Tax Compliance Regulations.
2. The Committee recommends, and I move that the Board of Retirement renew the Voluntary Elected Member Employer Reimbursement Policy, without revisions.

3. The Committee recommends, and I move that the Board of Retirement continue the voluntary elected member employer reimbursement for 2016.

TRUSTEE/PUBLIC INPUT

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for November 4, 2015 at 9:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 9:54 a.m.