

February 2, 2011

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the February 2, 2011 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the February 2, 2011 Operations Committee Meeting to order at 9:08 a.m. Committee members present were Elizabeth Rogers, Chair, Ophelia Basgal, Keith Carson, George Dewey and Liz Koppenhaver. Other Board members present were Annette Cain-Darnes, George Wood, and alternate member Darryl Walker. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Victoria Arruda, Human Resources Officer; Latrena Walker, Project and Information Services Manager; JP Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; and Harsh Jadhav, Internal Auditor. Robert Gaumer, Chief Counsel, was excused.

ACTION ITEMS

1. Service Provider Contracts with Temporary Staffing Agencies

In accordance with the Service Provider Policy, Staff requested authorization to enter into service provider contracts with temporary staffing agencies to provide ACERA with temporary staff. Any one of these contracts or the sum of these contracts could exceed \$100,000. ACERA currently utilizes seven temporary staffing agencies.

In 2011, temporary staff will be paid through two line items in the approved 2011 Operating Expense Budget: temporary staffing which is budgeted for \$374,000 and the salaries of approved position which are vacant.

Ms. Ophelia Basgal moved and Mr. George Dewey seconded that the Committee recommend to the Board that the Board authorizes Staff to enter into service provider contracts with temporary staffing agencies to provide ACERA with temporary staff. The motion carried.

INFORMATION ITEMS

1. Un-audited Financial Statements as of 12/31/2010

The December year-to-date net income from investments was \$645,708,667. The total additions were \$873,441,579. Total deductions were \$326,113,783. As of December 31, 2010 net assets held in trust for pension benefits total \$5,224,207,390. This is an increase of \$547,327,796 over December 31, 2009.

2. Un-audited Operating Expenses – Budget vs Actual as of December 31, 2010

As of December 31, 2010 actual expenditures were under budget by \$715,408. The under spending was mainly in the Depreciation Accounts, General Accounts and the Payroll and Staff Training Accounts.

In conformance with GASB 51, \$300,000 in consultant fees for the RFP and pre-planning were expensed. According to SOP 98-1 (Statement of Position 98-1), which is the lower level of guidance when the GASB is silent on an issue, the cost of intangible assets can be capitalized. For that reason, \$300,000 in staffing costs has been capitalized for the development of EDMS software for ACERA.

3. Capital Expenditure Policy

At the request of the Committee, Staff presented the Capital Asset Policy and Procedures as well as the capital expenditures actual versus budget statement for the years ended December 31, 2006 through 2010. The Policy currently states that all capital assets with a cost of \$3,000 or more and an expected useful life of more than one year are capitalized. GFOA's recommended practices are that capital assets of \$5,000 or more are capitalized. ACERA will update its Policy to correspond with the threshold of capitalizing assets of \$5,000 or more.

4. Call Center Report

For the 3rd quarter, Staff reported that the Call Center continued to exceed its 90% service level goal, averaging over 94.9%. For the past 33 consecutive months, the Call Center has exceeded its monthly goal.

5. Joint Board Meetings

It was announced that the first of two joint sessions of the Board of Supervisors and the Board of Retirement will be held on Tuesday, March 22nd. The Acting CEO requested that the Trustees provide agenda items that they wish to include on the agenda.

Supervisor Carson commented that there are two new members of the Board of Supervisors and that it would be helpful if ACERA's actuaries presented a stochastic analysis which displays the probability of various outcomes for the ACERA fund, employer contribution rates, and the SRBR. Ms. Basgal suggested that information pertaining to the pension obligations in the Vallejo bankruptcy plan be shared at the meeting.

6. Ad-Hoc Budget Committee

During the 2011 Operating Expense Budget process, a Budget Working Group was formed to review the budget in depth. Subsequently, it was suggested that an Ad-Hoc or Standing Budget Committee be formed in 2011.

The Committee discussed whether it would be a good use of the Trustee's time to form a quarterly Standing Budget Committee, or should the budget be reviewed quarterly at the Operations Committee. It was decided that the budget would be reviewed quarterly at the Operations Committee with a more detailed budget versus expense format. A thorough review of the budget and expenditures will be conducted toward the end of the year.

TRUSTEE/PUBLIC INPUT

RECOMMENDATIONS

1. The Committee recommends, and I move that the Board authorizes Staff to enter into service provider contracts with temporary staffing agencies to provide ACERA with temporary staff.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for March 2, 2011 at 9:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 9:46 a.m.