

April 6, 2011

To: Members of the Operations Committee

From: George Dewey, Acting Chair

Subject: Summary of the April 6, 2011 Operations Committee Meeting

Operations Committee Acting Chair George Dewey called the April 6, 2011 Operations Committee Meeting to order at 9:02 a.m. Committee members present were George Dewey, Acting Chair, Keith Carson, Liz Koppenhaver and Darryl Walker, alternate member acting in the capacity of Elizabeth Rogers. Other Board members present were Annette Cain-Darnes, Dale Amaral, George Wood, and alternate member David Safer. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; Latrena Walker, Project and Information Services Manager; JP Singh, Chief Financial Officer; Rose Kwong, Benefits Manager; Victoria Arruda, Human Resources Officer; and Harsh Jadhav, Internal Auditor.

ACTION ITEM

1. Employer Transmittal Exception Completion Plan

At the March Operations Committee Meeting, the Committee directed staff to develop a plan to complete all pending employer transmittal exceptions by December 31, 2011. Staff proposed to hire three (3) temporary employees for the period April 11, 2011 through December 31, 2011. The estimated cost to hire the additional temporary employees is \$141,000. Staff noted that half of this cost can most likely be absorbed in the department budget due to savings in other areas.

There have also been additional staff members assigned to work on the project. Two (2) staff members from the Internal Audit Department will work 90% of their time from April 1st through May 31st, and two (2) staff members from the Accounting Department will work a few hours a week at various times of the year. Also, a temporary employee currently working part time on the exceptions project will be reassigned to work full time on the project.

Staff reported that there are 15,641 pending payroll transmittal exceptions for 2003 through 2009 and that there are no backlog exceptions for 2010 and 2011. Based on

the 2009 exceptions, staff determined that there were under-paid contributions (owed to ACERA) of \$279.11 / \$32.10 (high / low average) and over-paid contributions (ACERA owes) of \$36.84 / \$3.95 (high / low average). Staff agreed to review the retiree population in order to determine the impact to retired members that (1) owe the highest amount of contributions to ACERA, and (2) the retirement dates of impacted retirees. Staff committed to providing a report every other month to update the Committee on the progress of the project.

Ms. Liz Koppenhaver moved and Supervisor Keith Carson seconded that the Committee recommend to the Board of Retirement that the Board approve an increase in the 2011 approved budget of \$141,000 for the appointment of three (3) temporary staff in order to complete the payroll transmittal exception project. The motion carried.

INFORMATION ITEMS

1. Monthly Financial Statements

The February year-to-date net income from investments was \$202,655,028. This is a 4% year-to-date rate of return, outperforming the policy index by 20 basis points. The total additions were \$240,710,514. Total deductions were \$56,083,499. As of February 28, 2011 net assets held in trust for pension benefits total \$5,409,121,895.

2. Total Operating Expenses – Budget vs Actual as of February 28, 2011

As of February 28, 2011 actual expenditures were under budget by \$307,038. The under spending was mainly in the Staffing, Professional Fees – Legal and Member Services accounts due to staff vacancies, IRS compliance, and disability and arbitration respectively.

3. Statement of Reserves

The semi-annual interest crediting as of December 31, 2010 was completed on February 25, 2011. The interest crediting rate of 0.758% was used for this period. \$81,117,680 of interest was credited to the Contingency Reserve which restored it to 1.4% of total assets. \$40,973,414 was credited to all other reserve accounts except for the Market Stabilization Reserve and the Contingency Reserve.

The balance in the Market Stabilization Reserve was reduced from a negative \$990,200,000 as of June 30, 2010 to a negative \$263,400,000 as of December 31, 2010, offsetting \$726,800,000 of accumulated deferred losses. This was due a market value gain of \$806,700,000 during this period compared to actuarial earnings of \$79,900,000, after applying the 5 year asset smoothing method. The ending balance of \$263,400,000 represents accumulated losses that have yet to be recognized.

4. Active and Deferred Member Statements

The target mailing date for the Active and Deferred Member Statement (ADMS) is April 22, 2011. The statement provides members with their account information, such as nominated beneficiaries, service credit, and employee contributions. The statement also contains retirement allowance estimates.

As in past years, The Segal Company will provide consulting and design services as well as produce the ADMS. To cut costs, this year staff limited changes to the language, made no changes to the design or layout, and did not ask Segal to review the Pension Gold data since all the major data clean-up had already occurred. This will result in approximately \$13,600 in savings. Captain Amaral stated that he received positive feedback last year on the ADMS and appreciates the efforts to reduce the cost.

5. Human Resources Staffing Report

Staff presented the Position Vacancy List and noted that there are twelve (12) vacant positions at ACERA. In addition, there are three (3) classifications that ACERA is asking County Human Resources Services (HRS) to approve. The exam development for the classification of Retirement Support Specialist is being completed and ACERA is also working with HRS on revisions to the classification of Executive Assistant.

TRUSTEE/PUBLIC INPUT

RECOMMENDATIONS

1. The Committee recommends, and I move that the Board of Retirement approve an increase in the 2011 approved budget of \$141,000 for the appointment of three (3) temporary staff in order to complete the payroll transmittal exception project.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for May 4, 2011 at 9:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 9:36 a.m.