

May 5, 2010

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the May 5, 2010 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the May 5, 2010 Operations Committee Meeting to order at 9:05 a.m. Committee members present were Dale Amaral, Vice-Chair, Ophelia Basgal, Keith Carson and Liz Koppenhaver. Other Board members present were Annette Cain-Darnes, George Dewey, George Wood and alternate members Dave Safer and Darryl Walker. Staff present were Chuck Conrad, Chief Executive Officer; Catherine Walker, Assistant Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment Officer; Victoria Arruda, Human Resources Officer; J.P. Singh, Chief Financial Officer; Latrena Walker, Project and Information Services Manager; and Rose Kwong, Benefits Manager.

### **ACTION ITEMS**

There were no action items.

### **INFORMATION ITEMS**

#### **1. Quarterly Financial Statements as of March 31, 2010**

Staff reported a \$175 million gain in net investment income through March 2010. Total additions are \$229 million year-to-date and total deductions are \$78 million year-to-date. As of March 31, 2010, net assets held in trust for pension benefits are \$4.8 billion. This is a \$1.3 billion increase compared to the same time last year.

#### **2. Total Operating Expenses – Budget vs Actual as of March 31, 2010**

As of March 31, 2010 actual expenditures were under budget by \$83,800 or 2%. Year-to-date the Payroll and Staff Training Accounts are \$86,000 over budget due to the temporary staffing costs related to the EDMS project. These expenses will be capitalized by year end when the project is completed.

### **3. Call Center Report**

In January, Staff reported certain inconsistencies in the reports that are generated by the call distribution tracking system. The inconsistencies were isolated to the call transfer process. To avoid these inconsistencies in the future, Staff was notified to transfer member calls to the primary call extension numbers so that these calls can be counted correctly.

The Call Center reports for the fourth quarter of 2009 and the first quarter of 2010 show that the service levels are at 94+%, which continue to exceed the service level goal of 90%. The PRISM Department and ACERA's telecommunication vendor believe the information contained in the Call Center reports is accurate and verifiable.

### **4. Medical Plan Coverage and Subsidies Provided by '37 Act Systems**

At the SRBR/Retiree Medical Plan Workshop, the Trustees requested that a survey be conducted on how other retirement systems administer their medical plans. All other nineteen '37 Act Systems, and San Diego City Employees Retirement and Los Angeles Fire and Police Pension System were sent a survey. Approximately half of the retirement systems responded to the survey. For those systems that did not respond, Staff obtained information from their websites.

All systems offer retiree medical coverage. Six systems administer the medical plans themselves, while the remaining sixteen systems have medical plans administered by the employer. Nine systems hold separate contracts for early retiree medical plans. Twelve systems have blended rates that include early retirees and active members. In all cases, the medical plan contributions offered appear to be non-vested and subject to funds being available. Two systems fund contributions through a Supplemental Retiree Benefits Reserve and three other systems fund contributions through excess earnings. When compared to other systems, the subsidy amounts that ACERA provides retirees are average to above average.

### **5. Board Member Conference Attendance Report**

The first quarter Board travel and conference attendance report was presented. Staff explained that only conferences registered through ACERA appear on the report. Each trustee was also provided via e-mail with a personal monthly statement listing the trustee's travel and business related expenses to date.

### **6. Going Green Initiative**

ACERA's going green initiative was introduced with some examples of how ACERA could save money and be more environmentally sensitive; that is reduce, reuse, recycle. Staff explained that it would not be practical to implement all of these ideas.

Trustees provided Staff with several suggestions.

- a. Review the entire 475 14<sup>th</sup> Street building structure,
- b. Consider solar power for the building,

- c. Ask PG&E for an audit of the building,
- d. Beware of cost savings versus cost shifting,
- e. Conduct an audit of how many printers ACERA has and seek ways to reduce their numbers.

Supervisor Carson asked to partner with Staff when searching for green vendors since he has experience in this area. He also wants to ensure that local green vendors are given a fair opportunity. The Committee Chair requested periodic updates as our going green initiative progresses.

## **7. Annual Medical Examinations**

Staff recommended two changes to the Disability Retirement Procedures when the Medical Advisor (MA) has found a member to no longer be disabled:

- a. Grant the member an opportunity to have an independent hearing officer review and opine on the change in the member's status if there is a dispute between the member and his/her former employer regarding whether a disability recipient is "no longer disabled".
- b. Take formal Board action to designate the member "no longer disabled" upon such a finding by the Board. This designation will place the retiree in a position to immediately accept an employment position should the employer be able to reinstate him/her at a later time, and it places the employer on notice that there is a potential employee that it can hire and remove from its disability payroll.

Two potential impacts to benefits were discussed when the retiree is designated "no longer disabled" and the employer does not offer to reinstate the retiree:

- a. If the disability was service connected, should ACERA change the income reporting from non-taxable to taxable?
- b. Should eligibility for the Monthly Medical Allowance (MMA) be based on the retiree's years of service instead of receiving the 100% MMA amount based on the original service connected disability determination?

Staff recommended continuing with its current practices of not changing the tax status of a disability recipient designated as "no longer disabled" for the following reasons:

- a. Under Government Code § 31730, ACERA can terminate a benefit to a rehabilitated disabled member only if both of these criteria are met: 1) there is a finding of "no longer disabled" and 2) the former employer agrees to reinstate the disabled member.
- b. There is no clear guidance regarding the taxability of the disabled member's benefit in this situation.

Staff also recommended retraining the current policy regarding MMA eligibility but noted that the Board has full authority over how it allocates SRBR funds, in this case the MMA.

The Committee agreed that there was a need for further discussion on the MMA as part of the SRBR policy, and asked that Staff obtain a memo from our tax counsel regarding the taxability issue.

**TRUSTEE/PUBLIC INPUT**

**ESTABLISHMENT OF NEXT MEETING DATE**

The next meeting is scheduled for June 2, 2010 at 9:00 a.m.

**MEETING ADJOURNED**

The meeting adjourned at 10:48 a.m.