

November 3, 2010

To: Members of the Operations Committee

From: Elizabeth Rogers, Chair

Subject: Summary of the November 3, 2010 Operations Committee Meeting

Operations Committee Chair Elizabeth Rogers called the November 3, 2010 Operations Committee Meeting to order at 9:08 a.m. Committee members present were Elizabeth Rogers, Chair; Dale Amaral, Ophelia Basgal, Keith Carson and Liz Koppenhaver. Other Board members present were Annette Cain-Darnes, George Dewey, George Wood, and alternate members David Safer and Darryl Walker. Staff present were Catherine Walker, Acting Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Robert Gaumer, Chief Counsel; Betty Tse, Chief Investment 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.

A quorum of the Board attended the Operations Committee Meeting, so this meeting shall be deemed a joint meeting of the Board and Committee.

ACTION ITEMS

- 1. Contract with The Segal Company for Active and Deferred Member Statements**
Staff requested approval to enter into a contract with The Segal Company (Segal) to produce ACERA's annual Active and Deferred Member Statements for mailing in the Spring of 2011. Segal has provided ACERA with these consulting, design and production services for the past four years.

The total project cost is \$47,500 which includes the cost of printing the statements. This is a reduction of \$13,600 in overall project costs from the previous year. The reductions are attributed to three areas: (1) there will be minimal changes in the design of the statements which results in the reduction of project management costs; (2) we will not request Segal to conduct a review of the Pension Gold data, and; (3) it is estimated that there will be a \$3,000 savings in printing costs over the previous year due to the minimal changes in the design of the statements.

Ms. Liz Koppenhaver moved and Ms. Ophelia Basgal seconded that the Committee recommend to the Board that the Board authorize Staff to enter into a Service Provider contract with The Segal Company to produce the annual Active and Deferred Member Statements for 2010 to become effective November 1, 2010. The motion carried.

The Committee requested Staff to keep track of how many members contact ACERA with questions or concerns regarding their 2010 annual statement.

2. Contract with AccSys for services to upgrade Great Plains to version 2010

Staff requested approval to enter into a contract with AccSys to provide ACERA with services to upgrade Microsoft Dynamics Great Plains to version 2010 at a cost not to exceed \$308,000. This cost is for technical support only. ACERA's license entitles it to upgrade to a newer version of Great Plains without additional costs from Microsoft. ACERA has used AccSys as its technical service provider since 1997 for the prior three upgrades to Great Plains. Microsoft set January 11, 2011 as the termination date for technical support of the current version of the software.

To support the Board's objective of periodically evaluating alternative service providers, beginning in the 4th quarter of 2011 Staff will start the process for a request for proposal for a Microsoft Dynamics Great Plains technical support service provider.

Ms. Ophelia Basgal moved and Ms. Liz Koppenhaver seconded that the Committee recommend to the Board that the Board authorize Staff to enter into a contract with AccSys to provide ACERA with services to upgrade Great Plains to version 2010 at a cost not to exceed \$308,000. The motion carried.

3. Authorization to vote at the SACRS 2010 Fall Conference Business Meeting

The 2010 SACRS Fall Conference Business Meeting was discussed. ACERA's Board Chair and Vice Chair will not be available to attend this meeting. Therefore, Ms. Catherine Walker, Acting CEO offered to act as ACERA's alternate delegate at the business meeting.

Ms. Ophelia Basgal moved and Mr. Dale Amaral seconded that the Board grant Ms. Walker, as the Acting CEO, authority to vote on ACERA's behalf at the 2010 SACRS Fall Conference Business Meeting on November 12, 2010, and that going forward if the Board Chair and Vice Chair are not available to attend the SACRS Conference Business Meeting, then the CEO will have voting authority. The motion carried.

4. 2011 Operating Expense Budget

Ms. Elizabeth Rogers, the Committee Chair, and Ms. Annette Cain-Darnes, Board Chair, informed Staff that a Budget Workgroup is being formed to review the

operating expense budget, as discussed at the Board off site on October 28th. Supervisor Keith Carson will become Chair of the Budget Workgroup. No action was taken by the Committee.

INFORMATION ITEMS

1. Board Member Conference Attendance Report

The Board Member Conference Attendance Report was submitted for review and information. The Travel Policy will be brought to the Committee next month for review.

2. Quarterly Financial Statements

For the month of September there was a net investment gain of approximately \$325 million. The September year-to-date net income from investments was \$292 million, after offsetting the August year-to-date investment loss of approximately \$33 million. On a year-to-date basis the investment performance was a 6.65%, outperforming the policy index by 75 basis points. The total additions are \$458.4 million. Total deductions are \$243.6 million. As of September 30, 2010, net assets held in trust for pension benefits total \$4.89 billion.

3. Total Operating Expenses – Budget vs Actual as of September 30, 2010

As of September 30, 2010 actual expenditures were under budget by \$327,696. The under spending was mainly in the General Accounts and Consultant Fees – Legal. Year-to-date the Payroll and Staff Training Accounts are \$63,790 over budget, mainly due to the temporary staffing costs related to the EDMS project and other workload related staffing expenses.

Staff reported that the Web Member Services Project will be completed in 2011. As a result, there is no financial impact in 2010. In June, the Board approved the implementation of the Web Member Services Project, subject to the additional review of the 3rd quarter Administrative Expense Budget. It is anticipated that the project will be completed by the end of the 2nd quarter of 2011, so the only expense next year will be the six months of depreciation expense of approximately \$46,000.

4. Call Center Report

For the 3rd quarter, Staff reported that the Call Center continued to exceed its 90% service level goal, averaging over 96.3%. For the past 30 consecutive months, the Call Center has exceeded its monthly goal. The Committee asked Staff to consider revising the service level goal. Staff said the outcome of the 2011 budget will determine if changing the service level goal is feasible.

5. Legislative Update

Staff provided the Committee with an update on legislation of interest to ACERA.

- a) AB 1667 – Public employment: County of Alameda was chaptered on July 15, 2010 as an urgency bill. The County established two new safety tiers: 2% at 50 and 3% at 55. The Board of Supervisors and the Board of Retirement approved the appropriate resolutions necessary to adopt these new safety tiers.
- b) AB 609 – County employees’ retirement: administrative costs was chaptered on September 30, 2010. This bill provides a new administrative limit for ACERA to operate under. The rationale for changing from an administrative limit based on total assets to one based on actuarial accrued liabilities is to provide a less volatile administrative limit going forward and avoid seeking legislation with each downturn in the market.
- c) AB 1354: County employees’ retirement was chaptered on August 27, 2010. The changes to the County Employees Retirement Law (CERL) will benefit ACERA when it files its tax determination letter as more section of the CERL will be in compliance with the Internal Revenue Code and Regulations.
- d) SB 1479: Public employment: retirement benefits: administration was chaptered on August 18, 2010. This bill provides ACERA with additional sources of funding the SRBR. Additionally, the bill offers systems another process for determining reciprocity. If Staff determines that these changes would benefit ACERA, the Board of Supervisors would have to approve the new sections. Preliminarily, Staff does not anticipate moving to adopt these changes.
- e) AB 1743: Political Reform Act of 1974: placement agents was chaptered on September 30 2010. SACRS and Staff are reviewing the bill to determine which, if any, provisions apply to ACERA.

Captain Dale Amaral handed out documents to the Trustees prepared by Staff for a meeting with the Deputy Sheriff new hires regarding the new safety tiers. Captain Amaral commended Staff for creating and presenting this material to the Deputy Sheriff new hires. He noted that the examples used were based on age 31, which is the average age that a Deputy Sheriff employee becomes a member of ACERA. Captain Amaral recommended that examples be added of multiple ages, so that new hires clearly understand the difference between the two new safety tiers since the election is irrevocable. Staff agreed and will ask The Segal Company to do more calculations for the examples and then notify the Committee how much it costs.

6. 2010 Business Continuity Exercise Results

The 2010 Business Continuity recovery exercise was conducted on October 22, 2010. Overall the exercise proved successful. ACERA was able to achieve recovery of its computing environment and critical business processes. Staff explained that the Benefits Call Center telephones did not transfer during the exercise. At noon, AT&T was contacted and it was discovered that AT&T did not process ACERA’s recovery exercise request properly and that it would take them up to 3 hours to set up the test. ACERA declined and asked AT&T for a report on the matter. There were four other critical processes that failed because AT&T did not participate in the exercise:

AT&T PRI Redirect, SunGard PBX, SunGard ACD, and SunGard ACD Traffic Reports.

Also, there were two non-critical processes for the Project and Information Services Management Department (PRISM) that were tested for the first time this year. It was discovered during the exercise that access to certain databases failed because they are not backed up on a daily basis. PRISM staff has since corrected this issue.

Staff reported that on Sunday, October 24th a power outage occurred in the downtown Oakland area which affected our office building. Staff came into the office and found that our servers worked properly. After testing, all of our systems were powered off gracefully. This was the first time that ACERA has had to use the generator since purchasing it from Nextel after they vacated the building.

Mr. Amaral asked if ACERA had ever performed a surge test. Staff responded that building management has their own generator for the building and that the generator that ACERA owns is only for the space that we occupy in the building. Additionally, ACERA has a contract to have the generator tested monthly.

The Committee Chair requested that Staff bring AT&T's report back to the Committee.

TRUSTEE/PUBLIC INPUT

RECOMMENDATIONS

1. The Committee recommends, and I move that the Board authorize staff to enter into a Service Provider contract with The Segal Company to produce the annual Active and Deferred Member Statements for 2010 to become effective November 1, 2010.
2. The Committee recommends, and I move that the Board authorize staff to enter into a contract with AccSys to provide ACERA with services to upgrade Great Plains to version 2010 at a cost not to exceed \$308,000. Technical support will be provided by AccSys as needed on a time and material basis.

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for December 1, 2010 at 9:00 a.m.

MEETING ADJOURNED

The meeting adjourned at 9:58 a.m.