



ALAMEDA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
MINUTES

Thursday, October 17, 2013

Chair Dale Amaral called the meeting to order at 2:00 p.m.

Trustees Present: Dale Amaral
Annette Cain-Darnes
George Dewey
Liz Koppenhaver
Elizabeth Rogers
David Safer (*Alternate*)
George Wood

Trustees Excused: Ophelia Basgal
Keith Carson
Donald White
Darryl Walker (*Alternate*)

Staff Present: Margo Allen, Fiscal Services Officer
Victoria Arruda, Human Resources Officer
Vincent Brown, Chief Executive Officer
Kathy Foster, Assistant Chief Executive Officer
Harsh Jadhav, Internal Auditor
Marguerite Malloy, Associate Counsel
Martha Richardson, Executive Secretary
Betty Tse, Chief Investment Officer
Latrena Walker, Project and Information Services Manager

Staff Excused: Rose Kwong, Benefits Manager

13-109

The minutes of the regular meeting of September 19, 2013 were accepted on a motion by Annette Cain-Darnes, seconded by Elizabeth Rogers and approved by a vote of 5 yes (*Amaral, Cain-Darnes, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

CONSENT CALENDAR
REPORTS AND ACTION ITEMS

APPLICATION FOR SERVICE RETIREMENT

Appendix A

APPLICATION FOR RETIREMENT, DEFERRED

Appendix B

Appendix B-1

APPLICATION FOR DEFERRED TRANSFER

Appendix C

LIST OF DECEASED MEMBERS

Appendix D

REQUESTS FOR 130 BI-WEEKLY PAYMENTS TO RE-DEPOSIT CONTRIBUTIONS AND GAIN CREDIT

Appendix E

NEW EMPLOYER PAY ITEMS

Appendix F

APPLICATION FOR DISABILITY RETIREMENT – NON CONTESTED ITEMS

Appendix G

APPLICATION FOR DISABILITY RETIREMENT – HEARING OFFICER RECOMMENDATIONS

Appendix H

DISABILITIES STATUS REPORT

APPROVAL OF COMMITTEE MINUTES

Chair Dale Amaral recused himself from the Board's vote on the Consent calendar. Second Vice Chair Elizabeth Rogers chaired the Board's discussion and action regarding the Consent Calendar.

It was moved by Liz Koppenhaver, seconded by George Wood, and approved by a vote of 5 yes (Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood), 1 recusal (Amaral), 0 no, 0 abstentions, that the following resolution is adopted:

13-110

BE IT RESOLVED BY THIS BOARD that the Consent Calendar is approved.

REGULAR CALENDAR – REPORTS AND ACTION ITEMS

DISABILITIES, CURRENT AND CONTINUING RECOMMENDATIONS AND MOTIONS

None.

COMMITTEE REPORTS, RECOMMENDATIONS AND MOTIONS

*Note: Per Committee Chairs, copies of the Committee meeting minutes were available for attendees. All **October** Committee meeting minutes are posted on the ACERA website (www.acera.org) after approval at the **October 17, 2013** Board meeting. This month's Committee reports were presented in the following order:*

Operations:

Elizabeth Rogers reported that the Operations Committee met on October 2, 2013 at 9:05 a.m., and highlighted the following:

There were two action items for discussion and possible motion regarding the voluntary elected member employer reimbursement. In the first action item, Staff recommended that the Voluntary Elected Member Employer Reimbursement Policy (Policy) be adopted without any changes. In the second action item, Staff recommended that the voluntary elected member employer reimbursement be continued for 2014. Prior to any discussion, Dale Amaral, Elizabeth Rogers, George Wood, and Darryl Walker recused themselves from the discussion and vote, and left the room.

Lori Schnall, Associate Counsel, introduced the Voluntary Elected Member Employer Reimbursement Policy. After Ms. Cain-Darnes explained the purpose of the Policy, Ms. Schnall announced that there was not a quorum to take a vote. Consequently, it was decided that both recommendations will be presented at the October Board meeting under New Business. There was no further discussion and no action was taken.

Lori Schnall, Associate Counsel, presented Staff's suggested changes to the Trustee Education Policy. During the discussion, the Committee proposed a few additional changes to the policy.

13-111

It was moved by Elizabeth Rogers and seconded by Liz Koppenhaver that the Board adopt the Trustee Education Policy with the changes recommended by the Committee and Staff. The motion carried 6 yes (Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood), 0 no, and 0 abstentions.

Lori Schnall, Associate Counsel, presented Staff's proposal that the Board consider adopting a delineation of signatory authority for contracts that will provide guidance on who can sign a contract after it has been approved, negotiated and finalized.

13-112

It was moved by Elizabeth Rogers and seconded by George Dewey that the Board adopt the annual signatory authority for contract execution as recommended by Staff. The motion carried 6 yes (Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood), 0 no, and 0 abstentions.

The approved delineation of signing authority is as follows:

Contracts with annual expenditures greater than \$100,000:

- CEO – Vincent P. Brown
- FSO – Margo Allen

If the CEO or FSO are unavailable, the CEO can delegate the authority to the Assistant CEO.

Contracts with annual expenditure equal to or less than \$100,000:

- CEO – Vincent P. Brown
- FSO – Margo Allen
- Assistant CEO – Kathy Foster

Contracts with annual expenditures of equal to or less than \$50,000:

- CEO – Vincent P. Brown
- FSO – Margo Allen
- Assistant CEO – Kathy Foster
- Senior Manager for the contract/agreement within that Senior Manager's Department

Kathy Foster, Assistant CEO, presented a request from Alameda County to review a new pay code – PHR Certification (Zone 7), Pay Code 40U. After Staff's evaluation, it was determined that Pay Code 40U is compensation earnable for members with entry dates prior to January 1, 2013 based on Government Code Section 31461 and pensionable compensation for members with entry dates on or after January 1, 2013 in accordance with Government Code Section 7522.34.

13-113

It was moved by Elizabeth Rogers and seconded by Liz Koppenhaver that the Board approve the inclusion of the newly created pay item PHR Certification (Zone 7), Pay Code 40U in compensation earnable and pensionable compensation for members with entry dates before and on or after January 1, 2013. The motion carried 6 yes (Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood), 0 no, and 0 abstentions.

Harsh Jadhav, Chief of Internal Audit, presented the proposed Participating Employer Audit RFP for possible motion to approve the format. Following a discussion, Staff determined to defer the motion until such time as Mr. Jadhav speaks with the participating employers, including the County of Alameda, further and ACERA conducts an educational meeting regarding the audit for the Participating Employers on October 21, 2013. No action was taken.

Margo Allen, Fiscal Services Officer, presented the year-to-date operating expenses – budget vs. actual. As of August 31, 2013 actual expenses are under budget \$901,727.

Margo Allen, Fiscal Services Officer, presented the Statement of Reserves as of June 30, 2013. The semi-annual interest crediting rate used was 2.9037%. In accordance with Board policy, \$4.6 million of actuarial earnings were credited to the Contingency Reserve Account to adjust the ending balance to 1.4% of total assets or \$88.3 million. The ending balance of the Market Stabilization Reserve was \$341.1 million. This balance represents the accumulated gains that have yet to be recognized.

Margo Allen, Fiscal Services Officer, reported that two (2) candidates were certified for the election of the Third Member to represent the general members, and that four (4) candidates were certified for the election of the Seventh Member to represent the safety members on the Board of Retirement. Ms. Liz Koppenhaver, the incumbent Eighth Member, was the only person to submit nomination papers and be certified as a candidate for the Eighth Member to represent the retired members. Mr. David Safer, the incumbent Alternate Eighth Member, was the only person to submit nomination papers and be certified as a candidate for the Alternate Eighth Member to represent the retired members. Pursuant to Government Code Section 31523 and ACERA's Board Election Policy, ACERA has requested the Board of Supervisors to direct the Clerk of the Board to cast a unanimous ballot in favor of Ms. Koppenhaver and Mr. Safer.

Michael Fara, Communications Manager, presented a report describing the efficiencies, cost savings, and performance measures of the communication unit from late 2008 to present. Following the transition of the communications production in-house, an \$891,000 savings was realized through technology improvements and automation.

Victoria Arruda, Human Resources Director, reported on the 3rd quarter position vacancies that are approved in the 2013 budget and explained that many of the vacant positions are being eliminated in the 2014 budget.

13-114

It was moved by Elizabeth Rogers and seconded by George Wood that the Board approve the October 2, 2013 Operations Committee minutes. The motion carried 6 yes (Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood), 0 no, and 0 abstentions.

Retirees:

Liz Koppenhaver reported that the Retirees Committee met on October 2, 2013 at 10:40 a.m., and highlighted the following:

The Segal Company (Segal), ACERA's Actuary, presented the annual GASB Statements No. 25 and 43 Actuarial Valuation of benefits provided through the Supplemental Retiree Benefit Reserve (SRBR) account as of December 31, 2012. Last May, Segal reported these benefits were projected to be paid through 2027. Due to subsequent decisions made by the Board of Retirement to maintain the current Monthly Medical Allowance and to change the eligibility requirements for vision and dental subsidies, the terminal year of the fund was extended by another year. Based on this valuation report, the terminal year of the "Other Post-Employment Benefit" (OPEB) and Non-OPEB is projected to be 2028.

13-115

It was moved by Liz Koppenhaver and seconded by Elizabeth Rogers that the Board accept the December 31, 2012 Supplemental Retiree Benefit Reserve (SRBR) Actuarial Valuation prepared by The Segal Company. The motion carried 6 yes (Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood), 0 no, and 0 abstentions.

Margo Allen, Fiscal Services Officer, presented a history of the Supplemental Retiree Benefit Reserve (SRBR) activity for the 10 ½ year period ending June 30, 2013. The ending balance of the SRBR as of June 30, 2013 was approximately \$569.5 million. The semi-annual interest crediting as

of June 30, 2013 based on the rate of 2.9037% was completed on August 28, 2013. There was approximately \$16.6 million of interest credited and \$18.0 million deducted from the SRBR fund.

Kathy Foster, Assistant Chief Executive Officer, reported that based on tax counsel's opinion, amending ACERA's contract with Extend Health, Inc. to prohibit covered retirees from receiving their Monthly Medical Allowance (MMA) through a Health Reimbursement Account (HRA) benefit upon return to work will allow us to keep the "Retiree Only Plan" status. This will enable the continuation of the MMA benefit to those enrolled through the Medicare Exchange for the 2014 calendar year.

Sharen Stanek-Lowe, Assistant Benefits Manager and Mike Fara, Communications Manager, provided a report and sample communication materials regarding ACERA's annual Open Enrollment for plan year 2014 and the Retiree Health Fair.

Sharen Stanek-Lowe, Assistant Benefits Manager, provided an update on the Health Reimbursement Arrangement (HRA) through August 31, 2013. She also reported on the Superior Court's Voluntary Separation Incentive Program, calls received from Alameda Hospital Services nurses, mailing of a specific letter to dental and vision plans enrollees whose coverage will cease as of January 31, 2014 due to the change in the eligibility requirements, the annual mailing of the Medicare Part D Certificate of Coverage Notice, and Covered California going into effect October 1, 2013.

13-116

It was moved by Liz Koppenhaver and seconded by George Wood that the Board approve the October 2, 2013 Retirees Committee minutes. The motion carried 6 yes (*Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

Investment:

Annette Cain-Darnes reported that the Investment Committee met on October 9, 2013 at 9:03 a.m., and highlighted the following:

SIS provided an education session on risk management. Mr. Patrick Thomas gave the presentation and explained the various types of risks associated with an investment portfolio. For example investment risk, risk of loss, operational risk and fortitude risk. He concluded that ACERA's overall investment program is highly risk-aware. The portfolio is becoming increasingly diversified through the PEARLS program and Real Return Pool. ACERA has been richly compensated for higher volatility.

ACERA's monthly Investment Committee meeting (ICM) is regularly scheduled on the second Wednesday of each month. However, the second Wednesday in November (November 13, 2013) coincides with SACRS Fall Conference which will be held from November 12 – 15, 2013. Staff proposed to postpone the November ICM to Wednesday, November 20, 2013 at 9:00 a.m.

13-117

It was moved by Annette Cain-Darnes and seconded by George Dewey that the Board approve the October 9, 2013 Investment Committee minutes. The motion carried 6 yes (*Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood*), 0 no, and 0 abstentions.

Audit:

George Wood reported that the Audit Committee met on October 9, 2013 at 11 am, and highlighted the following:

Harsh Jadhav, Chief of Internal Audit, presented changes in the organizational structure and responsibilities, and an update to the 2013 Internal Audit work plan. Two audits have been completed and all others are on track for timely completion in the fourth quarter of 2013 or during 2014.

The Internal Audit Department reviewed the results of the Security Access and Interest Posting audits. For each audit, Harsh reviewed the audit objective, key controls, results and key recommendations.

Harsh Jadhav presented the proposed Employer Audit Plan. He also discussed the general areas of audit review for this particular audit and next steps. He mentioned that a kick off meeting with the Participating Employers is scheduled for October 21, 2013.

Harsh Jadhav presented a draft of this policy, which main purpose is to limit ACERA Staff's authority to conduct an audit of a participating employer without the Board of Retirement's authorization.

13-118

It was moved by George Wood and seconded by Annette Cain-Darnes that the Board approve the October 9, 2013 Audit Committee minutes. The motion carried 6 yes (Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood), 0 no, and 0 abstentions.

NEW BUSINESS

Motions Regarding Voluntary Elected Member Employer Reimbursement

The motion to adopt revisions to the Voluntary Elected Member Employer Reimbursement Policy and the motion to continue to voluntary elected member employer reimbursement for 2014 were tabled to the November 21, 2013, Board meeting as there were not enough Trustees present to form a quorum.

Motion Regarding Service Purchases and Re-deposits

Lori Schnall, Associate Counsel, presented her memo to the Board, dated October 17, 2013, which addressed changes to voluntary member contributions and asked that the Board adopt a motion to continue pre-tax treatment of mandatory member contributions and eliminate pre-tax payroll deductions for voluntary member contributions (e.g., service purchases and re-deposits).

Board Chair Dale Amaral read the following language into the minutes regarding the Resolution:

In its fiduciary capacity, the Board considers the position of the IRS with regard to maintaining the qualified status of the plan and with regard to the taxation of members' contributions and benefits.

The IRS position with regard to the taxation of members' mandatory contributions allows for the continued pre-tax treatment of those contributions. The IRS position with regard to the taxation of

members' voluntary contributions for service purchases does not at the current time appear to allow for the continued pre-tax treatment of those contributions.

Therefore, the Board has determined that it is appropriate to change its policy with regard to employee voluntary contributions in order to protect members and employers from adverse tax consequences but also to maintain the service purchase program.”

13-119

It was moved by Dale Amaral and seconded by George Wood that the Board continue to accept pre-tax treatment for mandatory member contributions and eliminate pre-tax treatment of payroll deductions for voluntary member contributions (e.g., service purchases and re-deposits). This change is effective January 1, 2014 and is applicable to new service purchase contracts and re-deposits. Existing contracts are not impacted. The change will still permit the use of roll-overs and plan to plan transfers for service purchases and re-deposits. The motion carried 6 yes (Amaral, Cain-Darnes, Dewey, Koppenhaver, Rogers, Wood), 0 no, and 0 abstentions.

Vince Brown, Chief Executive Officer Report

CEO Vince Brown reported on the following items:

- PwC Exchange and the Council of Institutional Investors (CII) Fall Conference
- HansonBridget (HB) Change
- Business Continuity Planning (BCP) Exercise
- Participating Employers Audit Meeting

ESTABLISHMENT OF THE NEXT MEETING

Thursday, November 21, 2013 at 2:00 p.m.

ADJOURNMENT

The meeting adjourned at 2:45 p.m.

Respectfully Submitted,



Vincent P. Brown
Chief Executive Officer

November 21, 2013
Date Adopted

**APPENDIX A
APPLICATION FOR SERVICE RETIREMENT**

ANDERSON, Eddie
Effective: 3/31/2013
Alameda Health System

GUTIERREZ, Patricia
Effective: 5/3/2013
Alameda Health System

BERTRAND-CELESTIN, Nancy
Effective: 4/1/2013
Alameda Health System

HARANO, Joanne K.
Effective: 12/27/2012
Alameda Health System

BONIN, Susan A.
Effective: 5/29/2013
Child Support Services - DEF

HICKEY, Michael J.
Effective: 12/22/2012
Sheriff's Office

DEAN, James O.
Effective: 4/25/2013
Alameda Health System

HOM, James T.
Effective: 12/22/2012
Auditor-Controller

FEATHERSTONE, Suzanne J.
Effective: 12/31/2012
Social Services Agency

KELLER, Raymond D.
Effective: 7/13/2013
Public Defender

**APPENDIX D
LIST OF DECEASED MEMBERS**

ABERNATHY, Barbara J.
9/1/2013
Survivor of Jack P. Abernathy

MARTINEZ, Jerome
9/11/2013
Auditor-Controller - DEF

ANDERSON, Margaret A.
8/23/2013
Alameda Health System - DEF

POPPER, Robert R.
9/12/2013
Public Works Agency

BACON, Michael G.
9/2/2013
Social Service Agency

SAUER, Eunice I.
8/18/2013
Alameda Health System - DEF

BARSOZZI, Mario H.
9/6/2013
District Attorney

TAPIA, Frances V.
9/12/2013
Alameda Health System

COMPTON, Mary L.
7/3/2013
Survivor of Oliver S. Hayward

TIERNAN, Dorothy L.
9/4/2013
Registrar of Voters

HING, Melvin S.
8/27/2013
County Administrator

ZIMMERMAN, Norbert A.
9/9/2013
Survivor of Eleanor V. Zimmerman

HOLSTON, Charles
9/5/2013
Probation

APPENDIX F
APPLICATION FOR DISABILITY RETIREMENT

Name: **Ahmad, Amtul**
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Ms. Ahmad a service connected disability and to not require future annual medical examinations at this time.

Based on Dr. Wagner's review and determination of Ms. Ahmad's ability to determine the permanency of her incapacity, to deny Ms. Ahmad's request for an earlier effective date.

Name: **Muzio, Katharine**
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Ms. Muzio a service connected disability and to not require future annual medical examinations at this time.

Based on Dr. Wagner's review and determination of Ms. Muzio's ability to determine the permanency of her incapacity, to grant Ms. Muzio's request for an earlier effective date.

Name: **Quinn, Richard**
Type of Claim: Service Connected

Staff's Recommendation:

Approve the recommendation contained in Dr. Wagner's report to grant Mr. Quinn a service connected disability and to require future annual medical examinations.