



April 1, 2015

To: Members of the Operations Committee

From: Dale Amaral, Chair

Subject: Summary of the April 1, 2015 Operations Committee Meeting

Operations Committee Chair Dale Amaral called the April 1, 2015 Operations Committee Meeting to order at 9:30 a.m. Committee members present were Dale Amaral, Chair, Ophelia Basgal, Keith Carson, Tarrell Gamble and Liz Koppenhaver. The other Board members present were Annette Cain-Darnes, Elizabeth Rogers and George Wood; and alternate member Darryl Walker. Staff present were Kathy Foster, Interim Chief Executive Officer; Joseph Fletcher, Chief Counsel; Margo Allen, Fiscal Services Officer; Latrena Walker, Project and Information Services Manager; Victoria Arruda, Human Resources Director; Harsh Jadhav, Chief of Internal Audit; and Sandra Duenas-Cuevas, Benefits Manager.

ACTION ITEM

1. Discussion and possible motion to approve pay codes for Livermore Area Recreation and Park District

Staff stated that as a result of ACERA's employer audit of LARPD, it was recommended that certain pay codes originally consolidated into one pay item should be unbundled. Staff explained that this would require three separate motions.

It was moved by Elizabeth Rogers and seconded by Liz Koppenhaver that the Operations Committee recommends to the Board of Retirement that the Board approve the inclusion of Certification Incentive Pay in compensation earnable for legacy members in the job classification groups which include Park Maintenance, Specialist, and Foreman since this incentive pay item is only provided to those who became eligible in the 2010/2011 fiscal year.

The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Gamble, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

It was moved by Liz Koppenhaver and seconded by Ophelia Basgal that the Operations Committee recommends to the Board of Retirement that the Board approve the inclusion of Certification Incentive Pay in compensation earnable and pensionable compensation for the job classification group of Open Space Maintenance Technician for members with entry dates before, and on or after January 1, 2013 (legacy and PEPRA members).

The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Gamble, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

It was moved by Elizabeth Rogers and seconded by Liz Koppenhaver that the Operations Committee recommends to the Board of Retirement that the Board approve the inclusion of Higher Duty Pay for the employees temporarily assigned to special higher level assignments for members with entry dates before, and on or after January 1, 2013 (legacy and PEPRA members).

The motion carried 7 yes (*Amaral, Basgal, Cain-Darnes, Gamble, Koppenhaver, Rogers, Wood*), 0 no, 0 abstentions.

INFORMATION ITEMS

1. Draft Outside Legal Practice Policy

Staff introduced Ashley Dunning, Nossaman, outside fiduciary counsel, who provided ACERA with language that provides for limitations on private practice of law by ACERA's Chief Counsel and associate attorneys. It was explained that this language may be considered for inclusion in an existing policy or in the creation of a new policy and be presented at the next Governance Committee.

2. Operating Expenses – Budget vs Actual as of February 28, 2015

Staff presented the year-to-date operating expenses – budget vs. actual. As of February 28, 2015 actual expenses are \$479,925 under budget.

Ophelia Basgal asked if the seven vacancies in the Benefits Department are affecting customer service, and suggested that if there is no impact that staffing needs be reassessed. Staff replied that customer service and the effect of workflows are being considered when evaluating staffing levels.

Staff informed the Committee that an increase of 10% will be approved for a mid-level management employee bringing this individual's compensation level closer to the amount being received by the peers in the Investment Department performing the same level of responsibility. This increase is 5% above the approved merit increase for 2015 and is based on the performance evaluation and written justification by the department manager.

3. Statement of Reserves as of 12/31/14

Staff presented the Statement of Reserves as of December 31, 2015. Regular earnings at the assumed rate of 3.90% were credited to the valuation reserve accounts, the 401(h) account and the SRBR. Earnings equivalent to 50% above the assumed rate of return (excess earnings) were credited at a rate of 0.6872% to the valuation reserves accounts and the 401(h) account. The remaining 50% of earnings above the assumed rate of return (excess earnings) were credited to the SRBR at a rate of 5.0692%. The total combined interest crediting rate to the valuation reserve accounts and the 401(h) account was 4.5872%. The total combined interest crediting rate to the SRBR was 8.9692%.

On June 19, 2014, the Board passed a resolution to decrease the size of the Contingency Reserve (CRA) from 1.4% to 1.0% of total assets. In accordance with this new policy, \$1.4 million of earnings were made available for interest posting after being deducted from the CRA to adjust the ending balance of the CRA from 1.4% to 1% of total assets as of December 31, 2014.

The ending balance of the Market Stabilization Reserve was \$242.9 million, after deducting approximately \$388.1 million of gains in the current six month period.

Additionally, staff conducted a special interest posting to credit Active Member Reserves with \$13,933.79 of misclassified excess earnings.

4. Three Year Business Plan

Staff provided an update on the enterprise wide projects included in the Three Year Business Plan.

5. 2015 Legal Department Work Plan

Staff presented a work plan for ACERA's Legal Department. The work plan includes personnel and staffing incorporating vacancy recruitments, attorney assignments, legal professional development opportunities, and strategic planning. Staff stated that the scope of work for the Compliance Officer position will be brought back to the Committee following an analysis of centralizing additional compliance related work from elsewhere in the organization. The second part of the work plan involves a client survey and staff training. Ophelia Basgal suggested that the client survey be expanded to ask the County about the member disability claims process.

6. Draft Error Correction Policy

Staff discussed the draft Error Correction Policy. The purpose of this policy is to provide for the consistent handling of the errors made by Benefits Department staff that result in overpayment of benefits and underpayment of employee contributions. Ophelia Basgal suggested that a member be notified in a more customer service way by setting a meeting rather than sending a letter. Ms. Basgal also suggested that staff look into getting insurance to cover the mistakes in calculations. It was agreed that the Trustees will send an email to staff with the issues they want addressed in the policy.

7. Draft Discharge of Accountability of Benefits Overpayment Due to Death and Uncollectible Receivables Policy

Staff reviewed the draft Discharge of Accountability of Benefits Overpayment Due to Death and Uncollectible Receivables Policy and stated that this policy is still a work in progress.

Staff presented a Benefits Department report on the benefit overpayment amounts due to death from 2012 to 2014. It was reported that the Benefits and Fiscal Services Departments are working collaboratively to reconcile the amounts that the Benefits Department records show as uncollectable and those on the Fiscal Services Department's report.

RECOMMENDATIONS

1. The Committee recommends, and I move that the Board of Retirement approve the inclusion of Certification Incentive Pay in compensation earnable for legacy members in the job classification groups which include Park Maintenance, Specialist, and Foreman since this incentive pay item is only provided to those who became eligible in the 2010/2011 fiscal year.
2. The Committee recommends, and I move that the Board of Retirement approve the inclusion of Certification Incentive Pay in compensation earnable and pensionable compensation for the job classification group of Open Maintenance Technician for members with entry dates before, and on or after January 1, 2013 (legacy and PEPRAs members).
3. The Committee recommends, and I move that the Board of Retirement approve the inclusion of Higher Duty Pay for the employees temporarily assigned to special higher level assignments for members with entry dates before, and on or after January 1, 2013 (legacy and PEPRAs members).

TRUSTEE/PUBLIC INPUT

ESTABLISHMENT OF NEXT MEETING DATE

The next meeting is scheduled for May 6, 2015 at 9:30 a.m.

MEETING ADJOURNED

The meeting adjourned at 11:17 a.m.