OPERATIONS COMMITEE

- A very long discussion took place about the recovery of retirement overpayments post death. Apparently deaths are not being reported timely and thus the need to recoup payments. Jerry Jacobs, Liz and Dave were present and perhaps could enlighten those with further questions. A new written policy was presented but I am uncertain whether it was adopted as drafted.
- Margo Allen, Fiscal Services Officer provided a detailed report of ACERA financial statements. Of partial interest was the amount of outgo versus incoming funds due to more retirees, fewer active employees and PERPA contribution changes. I cannot recall the exact amount, but it was in the neighborhood of $122 million, I believe per year, as this was an annual report. Several comments were made that the member agencies, such as the County, Courts and ACMC, need to be aware that this could impact the unfunded liability of the retirement fund.
- Several reports were given on the expenditures of board member conferences. Board members are allowed up to $12k, plus inflation index, for expenditures.
- Web Member contribution error. Due to a technical problem, for a certain term, member's accounts showed a greater contribution (as it included employer contributions) that negatively impacted those leaving the employer and making incorrect assumptions as to total contributions. The error has been fixed.
- Ismael Pina was promoted, I believe to Assistant Benefits Manager. A report was given as to open ACERA positions.
- A report was provided regarding member service requests, which is an indicator of those planning to retire in the near future.

Lastly, and perhaps most importantly, Margo Allen responded to me regarding a question posed by Steve Scheinman about the 3.8% crediting to the SRBR, even in a year when the investment returns were well below the assumption rate. Apparently ACERA has two accounts that are used to credit the SRBR with the

"normal" one-half of the assumption rate in low return years. [Recall the SRBR is funded by 1/2 of the normal ACERA returns IN EXCESS of the assumption rate]. One therefore might reasonably expect in a year when ACERA returns did not exceed the assumption rate, the SRBR would not receive ANY contribution. However, ACERA utilizes two accounts, the Contingency Reserve Account, which the trustees place up to 1% of ACERA's assets and an "Excess Returns Account" that is used for the employer portion of the "excess returns" to provide a minimum contribution rate of one half of the assumption rate, or 3.8% last year. One or both of these reserve accounts are used to make the minimum contribution rate to the SRBR, or one half of the assumption rate. Accordingly the SRBR will always be credited with 1/2 of the assumption rate in years when the investment fund fails to reach the projected assumption rate AND there are sufficient funds available within these two reserve accounts.

Respectfully submitted, Richard Karlsson, 5/4/16