

Minutes of the Meeting of the Board of Directors Retired Employees of Alameda County

Monday, August 14, 2017

Health Care Services Agency Building, Room 242, 1000 San Leandro Blvd., San Leandro, CA

The meeting was called to order at 9:30 AM by Linda Barbaro, president of the board.

Roll Call: Present were Linda Barbaro, Marian Breitbart, Paul Reeves, Jerry Jacobs, Rosalie Masuda, Mike Smart, Liz Koppenhaver, and Mary Miller. Also present were Jon Orellana and Steve Scheinman, directors emeriti; Phil Wogsberg, ACERA staff; and Nancy Reilly, member and ACERA alternate retired board member.

Minutes: The minutes of the July 10, 2017, board meeting were reviewed. Marian noticed a typo in the second paragraph under the Treasurer's Report item. The word "Treasure's" should be corrected to read "Treasurer's." It was moved by Marian and seconded by Mary that the minutes be approved as corrected. The motion was approved.

Announcements and Communications: Linda announced that she will be moving to Oregon in September and, as a result, would be resigning from the REAC Board of Directors effective August 31, 2017. Linda also announced that Jessie Guiton, REAC board treasurer, has resigned. The board decided to delay any discussion regarding the two resignations, until later in today's meeting.

Liz reported that she has been working with several sheriff deputies who have retired, but did not receive credit in their retirement for their accumulated comp time. This issue also affects current active employees who are considering retirement. She will keep us posted on progress. Liz also reported that she has been working to help find a way to reduce the health care costs for a retiree who is not eligible for Medicare, even though that person meets the age requirement. She will keep us informed regarding that issue as well.

Reports

ACERA Investments: Phil Wogsberg handed out copies of the latest ACERA updates. For the one-year period ending March 31, 2017, the gross return of the total portfolio is 13.5%, outperforming the policy index by 0.1% and ranking it in the fifth percentile of similar funds in the InvestorForce Universe over the same time periods. Through March 31, 2017, ACERA's annualized five-year and ten-year gross portfolio returns of 8.5% and 5.9% rank it in the twenty-fifth and seventeenth percentiles, respectively. As of March 31, 2017, the total fund's market value was \$7,321,660,745.

The ACERA total fund continues to increase its exposure to alternative asset classes to enhance portfolio diversification. PEARLS, real estate, and real assets represent 21.2% of ACERA's portfolio, in comparison to the target of 31.0%.

As of June 30, 2017, the market value of the retirement fund had increased to almost \$7.6 billion. The fund has experienced nine months of steady growth and is currently funded at 78%.

Steve asked about moving some funds to “safer” investments, and Phil stated that ACERA will be moving some investments to more passive investments. They’re considering moving funds from U.S. Equity and International Equity to Private Equity and Alternatives to reduce volatility and limit potential losses in those asset classes. Once that is done, the actual asset allocation will then be more in line with the target allocation.

Treasurer’s Report: Linda handed out copies of the Second Quarter Financial Report (January through June 2017), and the July 2017 Treasurer’s Report. There were some errors noted in both reports, and the reports will be carried over to the September 2017 board meeting.

ACERA: Michael Fara reported on both the July 12, 2017, Retirees Committee Meeting and the August 2, 2017, Retirees Committee meeting.

During the July 2017 committee meeting there were three action items and two information items. The first action item was a discussion and possible motion to recommend to the Board of Retirement the adoption of the Monthly Medical Allowance (MMA) paid to eligible retirees in group plans for plan year 2018. The committee voted to recommend the adoption of the 2018 MMA at the 2017 level thereby maintaining the current maximum of \$540.44 for Plan Year 2018.

The second action item was a discussion and possible motion to recommend to the Board of Retirement the adoption of the MMA provided to qualified early (non-Medicare eligible) retirees enrolled in individual plans through the health exchange for plan year 2018. The committee voted to recommend the adoption of the 2018 MMA at the 2017 level thereby maintaining the current maximum of \$540.44 for plan year 2018.

The third action item was a discussion and possible motion to recommend to the Board of Retirement the adoption of the MMA provided to qualified Medicare eligible retirees enrolled in individual plans through the Medicare Exchange for the 2018 plan year. The committee voted to recommend the adoption of the 2018 MMA at the 2017 level thereby maintaining the current maximum of \$414 for plan year 2018.

During the August 2017 committee meeting there were two action items and three information items. The first action item was a discussion and possible motion to recommend to the Board of Retirement continuing dental plan contributions for plan year 2018. ACERA currently provides a contribution to cover the single retiree premium for retirees with ten or more years of ACERA service, service connected disability recipients, or non-service connected disability recipients grandfathered as of January 31, 2014. The committee voted to recommend continuing dental plan contributions, which provide a monthly subsidy equal to the single-party dental plan coverage premium of \$43.67 for the PPO plan and \$22.18 for the DeltaCare USA plan.

Keenan and Associates also provided a Delta Dental utilization summary for the twelve-month period ending June 2017. The majority of procedures performed were for diagnostic (45.2%) followed by preventive (23.2%) services; both are lower than Delta Dental's benchmark. (The benchmark is based on Delta Dental's book of business averages.) Basic procedures included restorative, endodontic, periodontics, oral surgery, and miscellaneous. This year the basic services are approximately equal to the Delta Dental benchmark (22.3% versus 22.1%)

The second action item was a discussion and possible motion to recommend to the Board of Retirement continuing vision plan contributions for plan year 2018. ACERA currently provides a contribution to cover the single retiree premium for retirees with ten or more years of ACERA service, service connected disability recipients, or non-service connected disability recipients grandfathered as of January 31, 2014. The committee voted to recommend continuing vision plan contributions, which provide a monthly subsidy equal to the single-party vision plan coverage premium of \$4.24.

One of the information items presented included a report on health reimbursement arrangement (HRA) account balances as of June 2017. For Medicare eligible retirees, there were 1,230 HRAs reported as active accounts at the end of June 2017. Out of the total enrolled in these plans, four retirees have used all of their funds. For early (pre-sixty-five) retirees, there were 126 HRAs reported as active accounts at the end of June 2017. Out of the total enrolled in these plans, nine retirees have used all their funds.

Health Care: Rosalie reminded the board that the flu season starts in October and continues through late May. It peaks from December through March. Kaiser will have their vaccines available in October, and it will be a stronger version of the vaccine.

Activities: Rosalie reported that she has only received two reservations for the REAC fall luncheon thus far. The deadline for registration is September 27, 2017, so it's still a bit early; and the numbers tend to increase the closer we get to the event. There was some additional discussion regarding the spring luncheon, and both Linda and Steve agreed to help Rosalie with the arrangements, letters, invitations, and so on. Linda reported that she asked Kathy Mount, ACERA's new chief counsel, if she would consider being the guest speaker at REAC's spring luncheon and was pleased to report that Kathy has agreed to be our guest speaker.

Membership and Recruitment: Membership at the end of July 2017 stood at 4,126.

REAC News: Linda will include information regarding the CRCEA fall conference and information regarding the pros and cons of the VSP Premium Voluntary Buy Up Plan.

CRCEA: Jerry and Liz provided an update on the status of the planning for the CRCEA 2017 Fall Conference. The agenda should be available by the end of this week, and Jerry will send it to the board for review. They need some additional volunteers to help with registration:

- two volunteers to help with registration from 2:00–5:00 PM on Sunday October 22
- three volunteers to help with registration from 9:00 AM–1:00 PM on Monday, October 23

- two volunteers to help with registration from 1:00–4:00 PM on Monday, October 23, and
- two volunteers to help with registration from 8:00 AM–2:00 PM on Tuesday, October 24

Liz made a motion that all volunteers be provided with free parking. Linda seconded the motion, and the motion was approved. Jerry will have the conference registration forms sent out by CRCEA, and he will also send forms to the delegates.

The event hospitality session will be held on Monday, October 23, from 5:00–7:00 PM; and Jerry and Alan Turner, member, will facilitate.

SACRS: Jon mentioned that the SACRS membership renewal was due in July and that it has been paid. SACRS also needed the names of two REAC board members for a point of contact. Paul and Marian were selected as the contacts. Paul also agreed to attend the SACRS fall conference, which will be held November 14–17 at the Hyatt Regency, San Francisco Airport.

Retirement Board: There was no additional information to report.

Investment Committee: Marian reminded the board of her previously submitted Investment Committee report for the August 9, 2017, meeting. The first item was a discussion and possible motion to recommend to the Board of Retirement that they adopt a new and separate Private Equity Policy. Both policies were referred back to staff for further clarification.

The next item was a discussion and possible motion to recommend to the Board of Retirement that they adopt a new and separate Absolute Return Policy.

The information items were a review of EnTrust Permal Asset Management Fixed Income Holding and an update on State Street Bank Custody Agreement Extension.

New Business: In light of Linda’s resignation, effective August 31, 2017, Marian motioned that Mary Miller be appointed as acting president effective September 1, 2017. Mike seconded the motion, and the motion was approved.

The board will convene a mini work group to address how best to proceed in the short-term absence of a treasurer. Rosalie motioned that Jerry be authorized to review the treasurer’s records and books and chair the mini work group. Paul seconded the motion, and the motion was approved. The group will evaluate what needs to be done and by when, what payments need to be made and by when, and so on. Linda will contact Jessie to determine when she will be available to turn over the treasurer documents and files.

Other Reports: There was no additional information to report.

Old Business: The REAC board’s 2017 Goals and Objectives item was carried over to the September 11, 2017, board meeting.

For the Good of the Order: No additional items.

Linda adjourned the meeting at 12:15 PM.

Respectfully submitted by Paul Reeves, Board Secretary

Next Meeting

Monday, September 11, 2017, 9:30 AM

Health Care Services Agency Building, Room 242, 1000 San Leandro Blvd., San Leandro, CA