OPERATIONS OVERSIGHT COMMITTEE MINUTES 12-9-10

PRESENT

- Yves Chery, Chair
- Edward L. Blecksmith, Vice Chair
- William de la Garza
- Ed C. Morris, Alternate

ABSENT

- Will Pryor

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

- Marvin Adams
- Simon S. Russin

STAFF, ADVISORS, PARTICIPANTS

- Robert Hill
- Janice Golden
- Bernie Buenaflor
- JJ Popowich

The meeting was called to order by Chery at 10:10 a.m.

1. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

   The Chair appointed Mr. Morris a voting member of the Committee.

2. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF NOVEMBER 4, 2010

   A motion was made by Mr. Morris, seconded by Mr. Blecksmith, to approve the minutes of the special meeting of November 4, 2010. The motion passed unanimously.

3. FOR INFORMATION

   1. **Implementation of AB 609** (oral presentation)
      Robert Hill

      Under existing law, a retirement system's annual budget for administrative expenses is limited by an asset-based formula. Currently the annual budget for administrative expenses may not exceed 18 hundredths of 1% of the total assets of the retirement system. Retirement systems may increase their budgets to 23 hundredths of 1% of their total assets if their administrative expenses include expenditures for certain computer related expenses.

      AB 609, effective January 1, 2011, establishes a liability-based budget limitation. This statute provides that the annual budget for administrative expenses may not exceed the greater of either 21

hundredths of 1% of the accrued actuarial liability of the retirement system, or $2 million, adjusted annually for the cost of living, as specified. Additionally, certain expenses relating to computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration.

The most significant change is that the budget will now be calculated on the accrued actuarial liability of the retirement system, rather than the assets, which is more reflective of a system's administrative costs. This will provide more stability in the budget. The budget process, monitoring and culture remains the same.

AB 609 implementation milestones:

- FY 2011-2012 budget will be based on AB 609 (21 hundredths of 1% of the accrued actuarial liability)
- Further define the information technology (IT) carve-out
- Refine the budget and accounting practices to capture and report the IT carve-out
- Memorialize the implementation of AB 609 in the budget and procedures

2. **Claims Processing Production Strategies** (oral presentation)
Bernie Buenaflor

Mr. Buenaflor discussed the production strategies for the Claims Processing Division. Questions to be answered are:

Where are the backlogs and how did they get there?

The key backlogs are member initiated transactions. These backlogs were caused by increased volume of incoming transactions, increased issues and complexities, stronger quality controls, and staff shortages.

How are we working to catch up?

Set Priorities — To manage the workflow of business processes, time sensitive processing windows must be met, then we can address the turnaround timelines, then focus on the high volume processes.

Teamwork — The 1996 Project Team was pulled temporarily to assist with previous service backlog, teams were formed to address processes based on FIFO (first-in/first-out), teams were reformatted to focus on one or two specific processes, staff shifted to team focusing on retirement estimates, Payroll processing split into two teams, a floating team of three Expediters with technical expertise was created, staff cross-trained for back-up assistance when needed.

New Tactics — Adjust to more conservative service levels until backlogs are relieved, reconfigure processing queues to better sort and manage work, use a "clean slate" strategy to prevent a rolling backlog by focusing on new work and expediting old work as needed, Job Log replaces Exceptions Queue and is worked by the Expediters, Benefits WIKI to rapidly standardize and memorialize business practices, centralize and streamline correspondence processes.

How will we prevent them in the future?

Workforce Planning — Develop an early warning system for future workload spikes, new hires to replace lost staff, sufficient backup capacity to ensure adequate staff are available when volumes rise, re-alignment of staff.

Imbedded Quality — Continuous process improvement, documentation improvement, training and assessment.

Tools — Work with Systems to develop IT tools to manage work, as well as process work.

How will we measure our success?

Productivity per staff person as measured in productive work hours rather than a count of work objects, quality ratings per Quality Assurance's quality audits, decrease of backlogs, ability to meet turnaround goals, reduced volume of complaints, and increased morale.

4. MISCELLANEOUS
5. PUBLIC COMMENT
6. GOOD OF THE ORDER

   (For discussion purposes only)

7. ADJOURNMENT

PROMISED BENEFITS | In 1937, a promise was made to County employees; we exist to uphold that promise.

1/13/11