

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF RETIREMENT
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA**

**REGULAR MEETING
Tuesday, February 7, 2017
9:00 a.m.**

MINUTES

Chair Ball called the meeting to order at 9:00 a.m.

Attendance was as follows:

Present: David Ball, Chair; Chris Prevatt, Vice Chair; Eric Gilbert, Chuck Packard, Russell Baldwin, Tom Flanigan, Roger Hilton, Wayne Lindholm; Frank Eley and Shari Freidenrich

Also Present: Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Finance and Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; David James, Director of Internal Audit; Gina Ratto, Chief Legal Officer; Anthony Beltran, Visual Technician; Megan Cortez; Disability Coordinator; Cammy Danciu, Recording Secretary.

Guests: Harvey L. Leiderman, ReedSmith LLP

Mr. Hilton led the Pledge of Allegiance.

Mr. Packard arrived at 9:02 a.m.

Mr. Gilbert arrived at 9:12 a.m.

Chris Prevatt, Vice Chair, administered the Swearing in Ceremony of OCERS Board Members Mr. Ball and Mr. Packard.

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Board Member or a member of the public requests separate action on a specific item.

Ms. Freidenrich pulled item C-3 for discussion.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Hilton to move the remainder of the consent calendar. The motion carried **unanimously**.

C-1 MATERIAL DISTRIBUTED

Application Notices
Death Notices

February 7, 2017
February 7, 2017

Recommendation: Receive and file.

C-2 OPTION 4 RETIREMENT ELECTION – RICHARD ALEXANDER

Recommendation: Grant election of retirement benefit payment, Option 4, based on Segal Consulting's actuarial report.

C-3 2017 STAR COLA COST POSTING

Recommendation: In accordance with Government Code Section 7507, call a public meeting for March 20, 2017, to consider the STAR COLA ad hoc adjustment to applicable retirement allowances.

ADMINISTRATION

C-4 BOARD MEETINGS AND COMMITTEE MEETINGS

Regular Board Meeting Minutes

January 17, 2017

Recommendation: Authorize meeting and approve minutes.

C-5 CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN

Recommendation: Receive and file.

C-6 GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Recommendation: Receive and file.

C-7 SACRS BOARD OF DIRECTORS ELECTIONS 2017-2018

Recommendation: Receive and file.

C-8 BOARD COMMUNICATIONS

Recommendation: Receive and file.

***** END OF CONSENT AGENDA *****

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

As lead in, Mr. Prevatt read the following statement regarding RVK, OCERS Real Estate consultant:

“OCERS was informed yesterday that the entire real estate team led by Dan Krivinskas has departed RVK to launch a new real estate and real assets consulting firm called Alignium, LLC. Alignium is a SEC registered investment advisor. The departure of the team has resulted in a material breach of OCERS’ contract. Staff has been in discussions with RVK, Meketa, PCA and investment counsel, Tom Hickey to understand the impact and next course of action. Counsel is drafting a Breach of Contract letter to be sent to RVK shortly which should void the existing contract. In order to continue the oversight of the real estate portfolio, staff has also asked for real estate monitoring proposals from both Meketa and PCA which will be presented to the Investment Committee at the February 22nd meeting.”

Ms. Jenike then followed by providing a brief update regarding the health insurance administration change, as the County of Orange engages a new third party administrator, Secova.

Brenda Diedrich, Chief HR Officer for the County of Orange, discussed the change and transition that took place from Xerox to the Secova.

Mr. Eley stated that County staff should be the ones handling member complaints as OCERS staff have been inundated with member calls over the past few weeks.

Ms. Renee Catanzariti, Manager for the County of Orange Human Resource Services Department, stated that the County is working on improving their service delivery model this year and looking at what makes sense for the County going forward.

Mr. Prevatt stated that the complexity of the model isn’t something new and that it’s always been around. He suggests always looking at different models as they provide perspective when looking at performance reviews.

Mr. Packard stated that the County should meet with REAOC on a regular basis as there will be more retirees than active members going forward.

Ms. Diedrich stated that the County meets with REAOC twice a year to discuss various ways to make health care more affordable to retirees.

Mr. Eley asked Ms. Diedrich and Ms. Catanzariti to provide an email to Mr. Delaney with the steps the County is taking to resolve issues related to Secova.

INDIVIDUAL ITEMS AGENDA

I-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

C-3

Ms. Freidenrich suggested that OCERS follow the County of Orange example and whenever a government code is stated in an agenda, the government code itself should be added as an attachment.

Mr. Delaney stated that is a good suggestion and OCERS staff will do so in the future.

Following discussion, a **motion** was made by Ms. Freidenrich, **seconded** by Mr. Eley to approve the recommendation for item C-3 which states: in accordance with Government Code Section 7507, call a public meeting for March 20, 2017, to consider the STAR COLA ad hoc adjustment to applicable retirement allowances. The motion carried **unanimously**.

I-2 **2017 COST OF LIVING ADJUSTMENT**

Presentation by Suzanne Jenike, Assistant CEO External Operations, OCERS

Recommendation: Adjust all applicable benefit allowances, effective April 1, 2017, in accordance with Government Code Section 31870.1, resulting from the 1.89% change in CPI, as follows:

1. For benefit recipients who began receiving benefits on or before April 1, 1971 through April 1, 1982, increase applicable benefit allowances by 2%, and reduce COLA banks by 1% for a total benefit adjustment of 3%.
2. For benefit recipients who began receiving benefits or will begin receiving benefits between April 2, 1982 and April 1, 2017, increase applicable benefit allowances by 2% with no reduction in COLA banks.

Ms. Jenike presented the 2017 Cost of Living Adjustment materials.

There will be two categories of members affected by this 2% change in CPI as mentioned above in the recommendation.

Mr. Lindholm asked how much in actual dollar is involved in this 2% change.

Following discussion, a **motion** was made by Mr. Prevatt, **seconded** by Mr. Lindholm to adjust all applicable benefit allowances, effective April 1, 2017, in accordance with Government Code Section 31870.1, resulting from the 1.89% change in CPI. The motion carried **unanimously**.

The Board recessed for break at 9:51am

The Board reconvened from break at 10:00am

I-3 **CEM BENCHMARKING REPORT**

Presentation by Steve Delaney, Chief Executive Officer, OCERS, and Suzanne Jenike, Assistant CEO External Operations, OCERS

Recommendation: Receive and file.

Due to Mr. Delaney's laryngitis, Ms. Jenike presented highlights of the CEM Benchmarking Report.

Ms. Freidenrich said that the building cost shows at a higher level for OCERS and asked if the reason is because we own the building. She asked staff to look into it.

Mr. Hilton stated there should be a better way for CEM to measure performance in their report as OCERS shows performance levels that differ from what they truly are.

Mr. Prevatt said even if CEM doesn't change their reports, staff can present to the Board the actual charts and graphs to better represent where OCERS stands among its peers.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Packard to receive and file the CEM Benchmarking Report. The motion carried **unanimously**.

I-4 OCERS PLAN SPONSOR – AN ANNUAL REVIEW

Presentation by David James, Director of Internal Audit, OCERS, and Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Receive and File OCERS' 2017 Plan Sponsor Review Report and OCERS' 2017 Plan Sponsor Presentation.

Mr. James presented the third annual plan sponsor review and presentation. At the request of the Board, Internal Audit obtained key financial information on OCERS' plan sponsors to provide the Board with information regarding plan sponsors' financial position to ascertain their capacity to meet their obligations to OCERS and the long-term viability of the OCERS' plan. The report update uses 2016 financial information from plan sponsors.

Both Ms. Freidenrich and Mr. Ball asked if the numbers and matrix presented in this report include the invoices paid by the sponsors.

David James answered yes, the numbers reflect the current invoices.

Mr. Stephen Wontrobaski, Mission Viejo, addressed the Board and expressed his concerns regarding OCFA.

Ms. Freidenrich asked staff to clarify why OC Superior Court's contribution level decreased this year.

Brenda Shott stated that OC Courts pays all required contributions based on their payroll.

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Eley to receive and File OCERS' 2017 Plan Sponsor Review Report and OCERS' 2017 Plan Sponsor Presentation. The motion carried **unanimously**.

I-5 STRATEGIC PLAN QUARTERLY REVIEW

Presentation by Brenda Shott, Assistant CEO Internal Operations, OCERS

Recommendation: Approve recommended modifications to the 2017-2019 Strategic Plan.

Due to Mr. Delaney's laryngitis, Ms. Shott presented the Strategic Plan Quarterly Review.

Following discussion, a **motion** was made by Mr. Prevatt, **seconded** by Mr. Packard to approve recommended modifications to the 2017-2019 Strategic Plan. The motion carried **unanimously**.

I-6 FIDUCIARY INSURANCE POLICY

Presentation by Brenda Shott, Assistant CEO Internal Operations, OCERS

Recommendation: Authorize Staff to bind a one year fiduciary insurance policy with RLI Insurance Company with a coverage limit of \$5,000,000, self-insured retention of \$250,000 and an annual premium of \$75,100 which includes the Waiver of Recourse for all Trustees and Executive Management.

Ms. Shott presented the Fiduciary Insurance Policy.

While other CERL systems seem to be at the \$10 million level, the Alliant representatives, OCERS insurance broker, recommended OCERS begin with a \$5 million policy as OCERS had been self-insuring up to this point in time and \$5 million is a good entry point.

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to approve recommended modifications to the 2017-2019 Strategic Plan. The motion carried **unanimously**.

I-7 ADDITION OF EXTRA HELP POSITION IN LEGAL DEPARTMENT

Presentation by Gina Ratto, Chief Legal Officer, OCERS

Recommendation:

- 1) Approve the addition of an Extra Help position, classified as a Deputy Chief Counsel in the Legal department.
- 2) Authorize the CEO to send the attached memorandum to the County of Orange to request the addition of an Extra Help position.

Ms. Ratto presented the addition of extra help position in the Legal Department.

Mr. Russell stated that he's hopeful Ms. Ratto has someone in mind.

Ms. Ratto said she does have someone in mind but does not want to disclose the name.

Following discussion, a **motion** was made by Mr. Baldwin, **seconded** by Mr. Eley to approve the addition of an Extra Help position, classified as a Deputy Chief Counsel in the Legal department and to authorize the CEO to send memorandum to the County of Orange to request the addition of an Extra Help position. The motion carried **unanimously**.

The Board recessed for break at 10:50am

The Board reconvened from break at 11:00am

***** END OF INDIVIDUAL ITEMS AGENDA *****

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

11:00 A.M.

NOTE: WHEN CONSIDERING DISABILITY RETIREMENT APPLICATIONS, THE BOARD MAY FIND IT NECESSARY TO DISCUSS MATTERS RELATING TO THE EVALUATION OF THE WORK PERFORMANCE OF AN EMPLOYEE WHO HAS APPLIED FOR DISABILITY RETIREMENT, OR DISCUSS COMPLAINTS OR CHARGES MADE AGAINST SUCH EMPLOYEE. IF THIS OCCURS, THE BOARD MAY ADJOURN TO A CLOSED SESSION TO DISCUSS SUCH MATTERS PURSUANT TO GOVERNMENT CODE SECTION 54957, UNLESS THE EMPLOYEE REQUESTS THAT THE DISCUSSION BE IN PUBLIC.

Megan Cortez, Disability Coordinator, presented D-1 to the Board along with the staff recommendation.

D-1: CARLOS CAMMON

Deputy Sheriff II, Orange Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:
08/26/2015

Date of employee filed application for service and non-service connected disability retirement:
05/02/2016

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF THE DAY AFTER THE LAST DAY OF COMPENSATION. (SAFETY MEMBER) (D-1)

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Eley to grant service connected disability retirement with an effective date after the last day of compensation. The motion carried **9-0** with the voting was as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
Mr. Flanigan			
Mr. Eley			
Mr. Lindholm			
Ms. Freidenrich			
Mr. Hilton			
Mr. Packard			
Mr. Baldwin			
Mr. Prevatt			
Chair Ball			

Megan Cortez, Disability Coordinator, presented D-2 to the Board along with the staff recommendation.

D-2: JULIE GALLAGHER

Information Processing Technician, Orange County Social Services Agency

Date of employer filed application for service and non-service connected disability retirement:
09/23/2014

Date of employee filed application for service connected disability retirement: 01/22/2015

GRANT NON-SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF SEPTEMBER 23, 2014 AND DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION. (GENERAL MEMBER) (D-2)

Mr. Eley asked if there was a representative present for this case.

Mr. Ball stated that there were no speaking requests for this item.

Following discussion, a **motion** was made by Mr. Prevatt, **seconded** by Mr. Baldwin to grant non-service connected disability retirement with an effective date of September 23, 2014 and deny service connected disability retirement due to insufficient evidence of job causation. The motion carried **8-1** with the voting was as follows:

AYES

Mr. Flanigan
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Baldwin
Mr. Prevatt
Chair Ball

NAYS

Mr. Eley

ABSTAIN

ABSENT

Megan Cortez, Disability Coordinator, presented D-3 to the Board along with the staff recommendation.

D-3: JEROME LARSON

Lieutenant, Orange Sheriff's Department

Date of employee filed application for service and non-service connected disability retirement:
03/18/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF MARCH 20, 2015. (SAFETY MEMBER) (D-3)

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of March 20, 2015. The motion carried **9-0** with the voting was as follows:

AYES

Mr. Flanigan
Mr. Lindholm
Mr. Eley
Ms. Freidenrich
Mr. Hilton
Mr. Packard

NAYS

ABSTAIN

ABSENT

Mr. Baldwin
Mr. Prevatt
Chair Ball

Megan Cortez, Disability Coordinator, presented D-4 to the Board along with the staff recommendation.

D-4: NANNETTE LOFT

Deputy Sheriff II, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:
05/14/2015

Date of employee filed application for service and non-service connected disability retirement:
06/10/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF DECEMBER 25, 2015. (SAFETY MEMBER) (D-4)

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of March 20, 2015. The motion carried **9-0** with the voting was as follows:

AYES

NAYS

ABSTAIN

ABSENT

Mr. Flanigan
Mr. Lindholm
Mr. Eley
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Baldwin
Mr. Prevatt
Chair Ball

D-5: DEBRA MORRIS

Correctional Services Technician, Orange County Sheriff's Department

Date of employee filed application for service and non-service connected disability retirement:
08/24/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF MARCH 18, 2016. (GENERAL MEMBER) (D-5)

D-5 was **PULLED** at the member's request.

D-6: JOYCE SIMON

Financial Counselor II, Orange County Auditor Controller

Date of employee filed application for service and non-service connected disability retirement:
12/22/2014

STAFF RECOMMENDATION IS TO DENY SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY. (GENERAL MEMBER) (D-6)

D-6 was **PULLED** at the member's request.

***The adjourned for closed session at 11:20
The Board reconvened from break at 11:49am***

CLOSED SESSION ITEMS

- E-1 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED
(GOVERNMENT CODE SECTION 54956.9(d)(1)) O.C. Department of Education v. OCERS, CA
Superior Court, Orange County, (Case No. 30-2016-00836897)
Adjourn pursuant to Government Code Section 54956.9(d)(1).**

Recommendation: Take appropriate action.

Mr. Lindholm recused himself at 11:37am.

No reportable action taken.

- E-2 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED
(GOVERNMENT CODE SECTION 54956.9(d)(1))
Carlos Bustamante v. OCERS, CA Superior Court, Orange County (Case No. 30-2017-00898104-
CU-WM-CJC)
Adjourn pursuant to Government Code Section 54956.9(d)(1).**

Recommendation: Take appropriate action.

The Board voted unanimously to hire ReedSmith LLP to defend OCERS in the Bustamante case.

PUBLIC COMMENTS: At this time members of the public may address the Board of Retirement regarding any items within the subject matter jurisdiction of the Board, provided that no action may be taken on non-agendized items unless authorized by law.

Mr. Bob Phillips addressed the Board regarding his wife's 1099 form.

Mr. Ball stated that Mr. Phillips needs to discuss the rules and how taxes are allocated by the state with his CPA/tax advisors.

BOARD MEMBER COMMENTS: See attachment for Mr. Flanigan's comments regarding the vacant OCERS CIO position.

Mr. Lindholm returned at 12:00pm

COUNSEL COMMENTS

N/A

ADJOURNMENT: (IN MEMORY OF THE ACTIVE MEMBERS, RETIRED MEMBERS, AND SURVIVING SPOUSES WHO PASSED AWAY THIS PAST MONTH)

Active Members:

Torres, Joel
Wride, Brent

Retired Members:

Ashdale, Ronald
Barkan, Frieda
Barnett, Edward
Belasco, Scott
Brice, Evelyn
Burgess, Sarah
Buth, Marilyn
Crookshanks, William
Davis, William
Do, Dominic
Doran, Larry
Estrada, David
Gilbert, Gerald
Grossoehme, Lannon
Harris, James
Hua, Kimmy
Jennings, Lillian
Jones, Cleveland
Lockett, Gordon
Mossman, Mae Grace
Oliver, Mary
O'Loughlin, Carole
Pavloff, Fred
Pirtle, Elizabeth
Self, Sara
Simon, Walter
Stein, Judith
Stites, Harry
Wahlstedt, Arthur
Wong, Priscilla
Wright, Ionia
Zane, Wendy

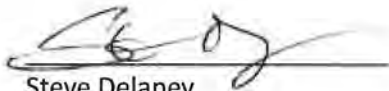
Surviving Spouses:

Barton, Julianne
Findley, Helen
Fraser, Lorraine
Gloor, Henry
Himmelberg, Kathleen
Hitchcock, Evelyn
Klima, Margaret

Kondas, Michael
Little, Stanley
Lopez, Anita
Mestre, Donna
Parker, Corinne
Rapp, Myron
Walters, Carrie

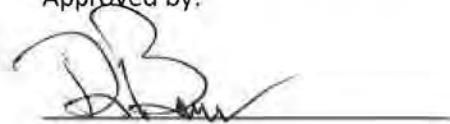
There being no further business to bring before the Board, the meeting adjourned at 12:05a.m.

Submitted by:



Steve Delaney
Secretary to the Board

Approved by:



David Ball
Chairman

Fw: C.I.O.Search- "Ad Hoc" vs Retention of a Professional Financial Headhunter!

tom flanagan <tefco4u@msn.com>

Tue 2/7/2017 1:35 PM

To: tom flanagan <tefco4u@msn.com>;

Sent: Wednesday, February 1, 2017 12:59 PM

To: tom flanagan

Subject: Re: C.I.O.Search- "Ad Hoc" vs Retention of a Professional Financial Headhunter!

Well defined.

On Mon, Jan 30, 2017 at 4:40 PM, tom flanagan <tefco4u@msn.com> wrote:

Colleagues: As a "Fiduciary" member of the OCERS Board I have given a 'great' deal of thought to the process upon which OCERS is to select a new C.I.O.; particularly given the fact that this position is one of the MOST important, if not the most important position, in Orange County.

My concern goes to the issue of '**LIABILITY**'; both Civil & Corporate [which the OCERS and each of its "BMers" could be held accountable] or the lack of 'Coverage' as it may pertain to the process should it be via an "Ad Hoc" Committee! I am concerned, meaning NO disrespect that the committee, consisting of a composite set of the OCERS own "BMers" may NOT necessarily possess the required 'seasoned experience, databases, contacts and the ability to perform the required 'background' checks etc. which a 'Professional' Headhunter has to offer.

If the 'Ad Hoc' Committee were to consist of four former seasoned C.I.O.'s, along with the assistance of a General Consultant [as has been mentioned] I, as a FIDUCIARY and a RETIREE of OCERS, would still evidence the same concerns; and as such would STRONGLY recommend that the OCERS retain a Professional Financial Headhunter in this regard.

I believe that the avoidance of any Legal Liability should the process go 'awry' as well as the 'Indemnification' provided by a Professional capability is of a 'paramount' importance! It would, as well, provide the OCERS members and Retirees a strong degree of 'comfort' as regards the Process of selecting the new OCERS C.I.O.

I am aware of the 'considerations' with re: to the 'Ad Hoc' Committee approach, as I have discussed them with the C.E.O.: Mr. Delaney; but for the reasons mentioned above I remain STRONGLY convinced that the OCERS retain an outside experienced [possibly National in scope] Professional Financial Headhunter capability that will aid the OCERS in finding the very best person available to fill the OCERS C.I.O position.

I would also appreciate soliciting a professional Legal opinion from the OCERS Fiduciary Counsel in this regard for the record.

2/7/2017

Fw: C.I.O.Search- "Ad Hoc" vs Retention of a Professional Fi... - tom flanigan

I would hope that my fellow Colleagues on the OCERS Board give some further thought to this very important issue and give some additional thought to their 'options' as FIDUCIARIES of the OCERS as we pursue this very important 'challenge'! Respectfully; Thomas E. Flanigan[OCERS Board Member & Retiree].