

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA 92701**

**GOVERNANCE COMMITTEE MEETING
October 24, 2017
9:30 a.m.**

MINUTES

The Chair called the meeting to order at 9:38 a.m. Attendance was as follows:

Present: Roger Hilton, Chair; Shawn Dewane, Vice Chair; David Ball; Chris Prevatt

Staff: Steve Delaney, Chief Executive Officer; Gina Ratto, General Counsel; Lee Fink, Deputy General Counsel; Jenny Sadoski, Director of Information Technology; Sonal Sharma, Recording Secretary; Anthony Beltran, Audio Visual Technician

A. PROPOSED REVISIONS TO THE DISABILITY AND NON-DISABILITY BENEFITS ADJUDICATION POLICY AND ADMINISTRATIVE HEARING RULES AND PROCEDURES

Presented by Gina M. Ratto, General Counsel and Lee K. Fink, Deputy General Counsel

Recommendation: Approve, and recommend that the Board of Retirement approve changes to OCERS' processes and procedures relating to appeals of disability retirement and other benefit determinations including specifically:

1. Create a Disability Committee;
2. Approve the Disability Committee Charter;
3. Approve the Disability and Benefit Adjudication Policy and Administrative Hearing Rules to replace the existing Administrative Hearing Procedure Policy and OCERS Administrative Procedure (OAP) on Appeals;
4. Approve amendments to the Hearing Officer Selection Policy; and
5. Direct staff to implement the new processes by promulgating the necessary OAPs, forms, contract amendments, communications materials, and internal process documents.

Ms. Ratto presented the Committee with staff recommendations for revisions to the Disability and Non-Disability Benefits Adjudication Policy and Administrative Hearing Rules and Procedures intended to make process improvements that would make the system simpler and create more accountability for outside contractors and OCERS staff and management.

Staff revisited the recommendations made at the previous Governance Committee Meeting, and raised the key issues for which the Committee had directed staff to return with additional information and recommendations, including: use of a committee of the Board to review disability applications before an appeal, the use of a Medical Advisor, expedited review of applications, and Hearing Officer Selection.

The Disability Committee would review applications for disability retirement and provide a forum for members who disagree with the staff determination before having to "litigate" the case in

Governance Committee Meeting
October 24, 2017

administrative hearing setting. Recommendations from the Committee, if not appealed by the member to an administrative hearing, would be presented to the Board as a consent agenda item with a short recommendation.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Prevatt, to approve staff's recommendation #1 to create a Disability Committee with the change that the membership would include 2 elected members, 1 appointed member, and 1 alternate member all to be selected by the Board chair.

The motion passed unanimously.

Regarding recommendation #2, a **motion** was made by Mr. Dewane, **seconded** by Mr. Prevatt, to approve the Disability Committee Charter, with the addition of the membership that was voted upon by the Committee in the first motion.

The motion passed unanimously.

Ms. Ratto presented recommendation #3. The Committee agreed to suggested a change in the process presented by staff whereby instead of the Board itself holding a full hearing before overturning the committee's recommendation and denying the application, the member's application would be referred to a hearing officer.

The Committee recessed at 10:40am.

The Committee reconvened at 10:47am.

The Committee directed that although it would address parts now and in the future, that staff only bring the entire process before the Board, with the aim of doing so before the end of the year.

Ms. Ratto presented the addition of an Expedited Administrative Review process. This would be an expedited process, completed within six months, where the appeal would be decided by a hearing officer "on the papers" without a formal hearing with witnesses and oral arguments. The Committee expressed concerns on whether the use of an expedited administrative review process would make the process simpler and whether there is a sufficient level of review when a member is declined his or her benefits.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Prevatt, to approve the changes with the exception of the expedited administrative review process and with the exception of the benefit determination process.

The motion passed unanimously.

Ms. Ratto presented recommendation #4. At the previous Governance Committee Meeting, Committee members expressed a desire for transparency in the process of the selecting hearing officers and assurances that hearing officers are fair, impartial, and not biased in favor of OCERS. To expand the Board's visibility into the process, staff recommended that the Disability Committee Chair or Vice Chair also sit on the hearing officer selection panel.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Ball, to approve the amendments to the Hearing Officer Selection Policy.

The motion passed unanimously.

Ms. Ratto presented recommendation #5. Staff considered the role of medical professionals advising and assisting OCERS in evaluating disability applications. Staff does not recommend changing OCERS' current practice of using panel physicians and IMEs. If the Board were to empower the staff to make these decisions, there could be considerable savings of staff and Board time, resources, lower costs for medical examinations, and less wait for member's examinations.

Megan Cortez, Disability Coordinator, reviewed staff's current evaluation of the disability application review process and confirmed staff could make recommendations based on staff's own review of the medical records, more often than they currently do.

Mr. Prevatt confirmed that the Disability Committee will be able to send for a second opinion as one of their options as well.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Ball, to approve staff's recommendation.

The motion passed unanimously.

B. PROPOSED REVISIONS TO OCERS' RULES OF PARLIAMENTARY PROCEDURE

Presented by Gina M. Ratto, General Counsel

Recommendation: Approve, and recommend that the Board of Retirement approve, proposed revisions to the *OCERS Rules of Parliamentary Procedure*.

Ms. Ratto presented the Committee with proposed revisions to the *OCERS Rules of Parliamentary Procedure* (Rules).

At the September 5, 2017 Governance Committee Meeting, the Committee did not approve staff's recommended addition of voting protocols for the Board's alternate seventh member of the Board to the Rules. Instead, the Committee directed staff to survey other CERL systems to see how they interpret the voting rules applicable to the alternate seventh member.

Ms. Ratto explained that the other CERL systems are evenly divided in the way they interpret the CERL provision that sets forth the voting rules applicable to the alternate seventh member when the alternate member is sitting on the Board in place of an absent or vacant board member and the retirement determination for an OCERS member of the same service as the alternate member is presented to the Board.

Ms. Ratto recommended that OCERS interpret the CERL provision such that when the alternate seventh member is sitting on the Board in place of an absent or vacant elected member of the Board, and a retirement determination for an OCERS member of the same service as the alternate seventh member is presented to the Board, the alternate seventh member will nonetheless vote as the absent/vacant Board member, and the seventh member will vote as the safety member, even though the OCERS

member before the Board is of a different service than the seventh member. Staff believes this is the best interpretation because it results in the greatest number of Board members voting, preserves balance between appointed and elected member votes and is consistent with the interpretation of half of the CERL systems.

Following discussion, a **motion** was made by Mr. Ball, **seconded** by Mr. Dewane, to approve staff's recommendation as presented.

The **motion passed unanimously.**

C. PROPOSED REVISIONS TO THE SECURITIES LITIGATION POLICY AND INVESTMENT COMMITTEE CHARTER

Presented by Gina M. Ratto, General Counsel

Recommendation: Approve, and recommend that the Board of Retirement approve:

1. Revisions to the Securities Litigation Policy to clarify the loss thresholds for OCERS becoming involved in domestic and foreign securities actions and to clarify and update the circumstances under which OCERS will take an active role in securities litigation cases; and
2. Revisions to the Investment Committee Charter to reflect that the Investment Committee (rather than the Board) is responsible for the oversight of OCERS participation in securities litigation matters.

Based on valuable feedback from OCERS' security litigation monitoring counsel and a review of the securities litigation policies of other public pension systems, staff recommended revisions to the Securities Litigation Policy to clarify the loss thresholds for OCERS becoming involved in domestic and foreign securities actions and to clarify and update the circumstances under which OCERS will take an active role in securities litigation cases.

Staff also recommended revising the Investment Committee Charter to make the Investment Committee, rather than the Board, responsible for the oversight of OCERS' participation in and monitoring of securities litigation matters.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Ball, to approve staff's recommendations as presented.

The **motion passed unanimously.**

D. ACTUARIAL VALUATION POLICY

Presentation by Jenny Sadoski, Director of Information Technology

Recommendation: Approve, and recommend that the Board of Retirement approve revisions to the Actuarial Valuation Policy (previously named the Actuarial Extract Policy and Process).

Jenny Sadoski presented the proposed revisions to the Actuarial Valuation Policy. The revisions include significant changes which are aimed at creating a governing policy for the preparation of an annual Actuarial Valuation. In addition, staff requested to change the title of the Policy from "Actuarial Extract Policy and Process" to "Actuarial Valuation Policy."

Governance Committee Meeting
October 24, 2017

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Prevatt, to approve staff recommendation.

The **motion passed unanimously.**

The meeting was adjourned at 12:40pm.

PUBLIC COMMENTS:

None.

COMMITTEE MEMBER COMMENTS

None.

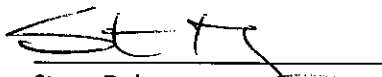
CHIEF EXECUTIVE OFFICER/STAFF COMMENTS:

None.

COUNSEL COMMENTS:

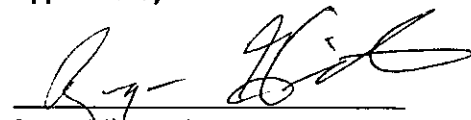
The next Governance Committee meeting was set for November 29, 2017 at 1:00 p.m. or upon conclusion of the Investment Committee Meeting.

Submitted by:



Steve Delaney
Secretary to the Board

Approved by:



Roger Hilton, Chair