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

REGULAR MEETING
Monday, May 20, 2019
9:00 a.m.

AGENDA

The Orange County Board of Retirement welcomes you to this meeting. This agenda contains a brief general description of each item to be considered. The Board of Retirement may take action on any item included in the following agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. The Board of Retirement may consider matters included on the agenda in any order, and not necessarily in the order listed.

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

At this time, members of the public may comment on (1) matters not included on the agenda, provided that the matter is within the subject matter jurisdiction of the Board; and (2) any matter appearing on the Consent Agenda.

When addressing the Board, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

In addition, public comment on matters listed on this agenda will be taken at the time the item is addressed. ***Persons wishing to address items on the agenda should provide written notice to the Secretary of the Board prior to the Board's discussion on the item by signing in on the Public Comment Sign-In Sheet located at the back of the room.***

CONSENT AGENDA

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

BENEFITS

C-1 OPTION 4 RETIREMENT ELECTION

Recommendation: Grant election of retirement benefit payment, Option 4, based on Segal Consulting's actuarial report.
(1) John Golden
(2) Mark Esquer

(3) Stephen Hatch
(4) Karl Dieckman
(5) Richard Edmond

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes April 15, 2019

Recommendation: Approve minutes.

ACTION ITEMS

NOTE: Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Board's discussion of the item. Persons wishing to address items on the agenda should provide written notice to the Secretary of the Board prior to the Board's discussion on the item by signing in on the Public Comment Sign-In Sheet located at the back of the room.

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

A-2 REQUEST FROM CITY OF SAN JUAN CAPISTRANO REGARDING RATE GROUP POOLING

Presentation by *Steve Delaney, Chief Executive Officer, OCERS, Paul Angelo, Senior Vice President, Actuary, Segal Consulting*

Recommendation: That the Board determine (1) whether the City of San Juan Capistrano's (City) proposed transfer of the City's Water Department would be considered a triggering event under the Declining Employer Payroll Policy (Policy); and (2) whether application of the Policy to the City should be modified to reflect the City's unique or exigent circumstances.

INFORMATION ITEMS

I-1 MEMBER MATERIALS DISTRIBUTED

Written Report

Application Notices May 20, 2019
Death Notices May 20, 2019

I-2 COMMITTEE MEETING MINUTES

None

I-3 CEO FUTURE AGENDAS AND 2019 OCERS BOARD WORK PLAN

Written Report

I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS
Written Report

I-5 LEGISLATIVE UPDATE
Written Report

I-6 BOARD COMMUNICATIONS
Written Report

I-7 FIRST QUARTER 2019 BUDGET TO ACTUALS REPORT
Written Report

I-8 FIRST QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED MARCH 31, 2019
Written Report

I-9 TRAVEL REPORT – PROFESSIONAL VISIT TO LACERA
Written Report

I-10 TRAVEL REPORT – CALIFORNIA RETIRED COUNTY EMPLOYEES ASSOCIATION (CRCEA)
Written Report

I-11 MEKETA PERFORMANCE SURVEY RESULTS
Written Report

I-12 PRELIMINARY DECEMBER 31, 2018 ACTUARIAL VALUATION
Presentation by Paul Angelo, Senior Vice President, Actuary, Segal Consulting

I-13 PUBLIC IDENTIFICATION OF REAL PROPERTY SUBJECT TO NEGOTIATIONS AND PERSONS WITH WHOM OCERS NEGOTIATOR MAY NEGOTIATE
Presentation by Brenda Shott, Asst. Chief Executive Officer, Internal Operations, OCERS

DISABILITY/MEMBER BENEFITS AGENDA
11:00 AM

NOTE: WHEN CONSIDERING DISABILITY RETIREMENT APPLICATIONS OR MEMBER APPEALS OF BENEFIT OR DISABILITY RETIREMENT DETERMINATIONS, THE BOARD MAY ADJOURN TO CLOSED SESSION TO DISCUSS MATTERS RELATING TO THE MEMBER'S APPLICATION OR APPEAL, PURSUANT TO GOVERNMENT CODE SECTIONS 54957 OR 54956.9. IF THE MATTER IS A DISABILITY APPLICATION UNDER SECTION 54957, THE MEMBER MAY REQUEST THAT THE DISCUSSION BE IN PUBLIC.

OPEN SESSION

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Board member requires separate action on a specific item. If separate action is requested, the item will be discussed during agenda item DA-1.

DC-1: Jesse Oller
Deputy Sheriff II, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board deny service and non-service connected disability retirement due to insufficient evidence of permanent incapacity. (Safety Member)

DC-2: Kelly Rehnberg
Deputy Public Guardian II, Health Care Agency

Recommendation: The Disability Committee recommends that the Board deny service connected disability retirement due to insufficient evidence of permanent incapacity. (General Member)

DC-3: Darrin Wheaton
Senior Social Worker, Social Services Agency

Recommendation: The Disability Committee recommends that the Board deny service connected disability retirement due to insufficient evidence of job causation. (General Member)

DC-4: Vanessa Callins
Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of June 27, 2018. (General Member)

DC-5: Alberto Gomez
Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of October 4, 2015. (General Member)

DC-6: Arthur Lopez-Hidalgo
Fire Captain, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of November 24, 2017. (Safety Member)

DC-7: Tracy Hohne
Paralegal, Orange County Public Defender

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of February 3, 2017. (General Member)

DC-8: Richard Regambal

Coach Operator, Orange County Transportation Authority

<u>Recommendation:</u> The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 30, 2018. (General Member)

DC-9: Jean Yu

Administrative Manager III, Orange County Information Technology

<u>Recommendation:</u> The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of August 5, 2016. (General Member)

<u>CLOSED SESSION</u>
(Government Code sections 54957 and 54956.9)

The Board will adjourn to Closed Session pursuant to Government Code sections 54957 or 54956.9 to discuss matters relating to member applications or appeals. The member may request that the discussion relating to his or her application or appeal take place in Open Session.

<u>ACTION ITEMS</u>

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

<u>DISABILITY/MEMBER BENEFITS AGENDA</u>

DA-2: DISABILITY APPEAL – MELISSA T. RAMIREZ

Eligibility Supervisor, Orange County Social Services Agency

<u>Recommendation:</u> Staff recommends that the Board approve and adopt the findings and recommendations of the Referee as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated March 11, 2019 (Recommendations), and grant service connected disability retirement with an effective date of October 4, 2012.

<u>CLOSED SESSION ITEMS</u>

E-1 CONFERENCE WITH REAL PROPERTY NEGOTIATORS

(GOVERNMENT CODE SECTION 54956.8)

Adjourn to closed session pursuant to Government Code Section 54956.8
Property: 2223 E. Wellington Avenue, Santa Ana, California
Agency Negotiator: Brenda Shott, OCERS Asst. Chief Executive Officer, Internal Operations
Negotiating Parties: Legacy Partners Residential LLC
Under Negotiation: Price and terms of payment

Recommendation: Take appropriate action.

E-2 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED
(Government Code section 54956.9(d)(1).)
Jeffrey Gross v. OCERS; County of Orange; et al., CA Superior Court, County of Orange (Case No. 30-2017-00944959)
Adjourn to closed session pursuant to Government Code section 54956.9(d)(1).

Recommendation: Take appropriate action.

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BOARD MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

****

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

<u>NOTICE OF NEXT MEETINGS</u>

PERSONNEL COMMITTEE MEETING
May 20, 2019
1:00 P.M.

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

GOVERNANCE COMMITTEE MEETING
May 21, 2019
9:00 A.M.

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

INVESTMENT COMMITTEE MEETING
May 29, 2019
9:00 A.M.

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

DISABILITY COMMITTEE MEETING
June 4, 2019
10:00 A.M.
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701

AUDIT COMMITTEE MEETING
June 6, 2019
1:00 P.M.

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

REGULAR BOARD MEETING
June 17, 2019
9:00 A.M.

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

All supporting documentation is available for public review in the retirement office during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Thursday and 8:00 a.m. – 4:30 p.m. on Friday.

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at adminsupport@ocers.org or call 714-558-6200 as soon as possible prior to the meeting to tell us about your needs and to determine if accommodation is feasible. We would appreciate at least 48 hours' notice, if possible. Please also advise us if you plan to attend meetings on a regular basis.

C-1

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Adina Bercaru, Member Services Manager

SUBJECT: **OPTION 4 RETIREMENT ELECTION – JOHN GOLDEN**

Written Report

Recommendation

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

Background/Discussion

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective March 15, 2019. The Orange County Employees Retirement System (OCERS) was joined in the member's dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member's ex-spouse was awarded a lifetime continuance as a percentage of the member's allowance. The member added his current spouse as a beneficiary under Option 4.

The approval of Option 4 will not increase OCERS liability because the cost of this Option 4 benefit is proportional to the cost of the other benefit plans. Segal Consulting has calculated the member's monthly allowance as indicated in the attached letter as well as the allowance payable to the member's ex-spouse.

Submitted by:

A. B. – APPROVED

Adina Bercaru
Member Services Manager

Segal Consulting

180 Howard Street Suite 1100 San Francisco CA 94105-6147
T 415 263 8200 www.segalco.com

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary
ayeung@segalco.com

PERSONAL and CONFIDENTIAL

VIA EMAIL and USPS

April 15, 2019

Ms. Adina Bercaru
Member Services Manager
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701-3101

RECEIVED
APR 16 2019
Orange County Employees Retirement System

Re: Orange County Employees Retirement System
Option 4 Calculation for John Golden

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to John Golden, his ex-spouse and his current spouse based on the unmodified benefit and other information provided in the System's request dated April 8, 2019.

The monthly benefits payable to the member and the ex-spouse and the data we used for our calculations are as follows:

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	March 15, 2019
Plan of Membership	General Plan J
Monthly Unmodified Benefit	$15,751.72
Ex-Spouse's Share of Monthly Unmodified Benefit	40.18%
Retirement Type	Service Retirement
Current Spouse's Date of Birth	
Continuance Payable to Current Spouse	100%

We have determined the Option 4 benefits using a two-part process. In Part One, we first calculated the adjustment to the member's unmodified benefit to provide a 40.18% continuance to the ex-spouse.

Part One – Before Adjustment for Continuance to Current Spouse

The ex-spouse bears the cost of Option 4 reduction for the DRO benefit	**Payable while the Member is Alive**	**Payable After the Member's Death**
Monthly benefit payable to member		
Annuity	$3,066.47	
Pension	6,356.21	
Total	$9,422.68	$0
Monthly benefit payable to ex-spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	$5,209.26*	$5,209.26

* *This is equal to 40.18% of the member's unmodified benefit (i.e., 40.18% * $15,751.72 or $6,329.04) adjusted further to provide a benefit payable over the ex-spouse's lifetime*

In Part Two, we further adjusted the member's benefit in Part One so that a continuance benefits of 100% can be paid to the current spouse. In addition, the cost to provide those continuance benefits would be paid for entirely by the member.

Part Two – After Adjustment for 100% Continuance to Current Spouse

	Payable while the Member is Alive	**Payable After the Member's Death**
Monthly benefit payable to member		
Annuity	$2,538.49	
Pension	5,261.81	
Total	$7,800.30	$0
Monthly benefit payable to current spouse	$0	$7,800.30
Monthly benefit payable to ex-spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	$5,209.26*	$5,209.26

* *This is equal to 40.18% of the member's unmodified benefit (i.e., 40.18% * $15,751.72 or $6,329.04) adjusted further to provide a benefit payable over the ex-spouse's lifetime*

ACTUARIAL ASSUMPTIONS

Effective interest rate of 4.126214% per year, which is calculated using an investment return assumption of 7.25% per year together with a cost-of-living adjustment assumption of 3.00% per year.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female for members.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 60% male and 40% female for beneficiaries.

The actuarial calculations contained in this letter were performed under my supervision. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

Please let us know if you have any comments or questions. As in all matters pertaining to the interpretation and application of the law, Plan, or individual Option 4 Calculation provisions, you should be guided by the advice of the Plan's Legal Counsel.

Sincerely,

Andy Yeung

Andy Yeung

AW/bqb

5577863v1/05794.001

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

Serving the Active and Retired Members of:

City of San Juan Capistrano

County of Orange

Orange County Cemetery District

Orange County Children & Families Commission

Orange County Department of Education (closed to new members)

Orange County Employees Retirement System

Orange County Fire Authority

Orange County In-Home Supportive Services Public Authority

Orange County Local Agency Formation Commission

Orange County Public Law Library

Orange County Sanitation District

Orange County Transportation Authority

Superior Court of California, County of Orange

Transportation Corridor Agencies

UCI Medical Center and Campus (closed to new members)

OCERS Retirement Benefit Payment Option Election

Please verify the information below, check the box, then sign and date.

☑ I, John W. Golden, acknowledge that I have elected Option 4 as required under the terms of my Domestic Relations Order (DRO), in order to provide a lifetime benefit to Diane Golden, my former spouse.

☑ I also elect to take a benefit reduction under Option 4 in order to provide a future 100% continuance to Sandra Weagraff.

☑ I understand that my retirement option is irrevocable and I will not be able to change my beneficiary election in future for continuance benefit purposes.

John W Golden
Member Signature

April 19, 2019
Date

RECEIVED
APR 22 2019
Orange County Employees Retirement System

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM ◆ *2223 E. Wellington Avenue, Suite 100, Santa Ana, CA 92701*
Telephone (714) 558-6200 Fax (714) 558-6234

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Adina Bercaru, Member Services Manager

SUBJECT: **OPTION 4 RETIREMENT ELECTION – MARK ESQUER**

Recommendation

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

Background/Discussion

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective March 15, 2019. The Orange County Employees Retirement System (OCERS) was joined in the member's dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member's ex-spouse was awarded a lifetime continuance as a percentage of the member's allowance.

The approval of Option 4 will not increase OCERS liability because the cost of this Option 4 benefit is proportional to the cost of the other benefit plans. Segal Consulting has calculated the member's monthly allowance as indicated in the attached letter as well as the allowance payable to the member's ex-spouse.

Submitted by:

A. B. – APPROVED
Adina Bercaru
Member Services Manager

Segal Consulting

180 Howard Street, Suite 1100, San Francisco, CA 94105-6147
T 415.263.8200 www.segalco.com

Andy Yeung ASA, MAAA, FCA, EA
Vice President & Actuary
ayeung@segalco.com

PERSONAL AND CONFIDENTIAL

April 16, 2019

Ms. Adina Bercaru
Member Services Manager
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701-3101

RECEIVED
APR 16 2019
Orange County Employees Retirement System

Re: Orange County Employees Retirement System
Option 4 Calculation for Mark A. Esquer

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to Mark A. Esquer and his ex-spouse based on the unmodified benefit and other information provided in the System's request dated April 10, 2019.

The monthly benefits payable to the member and the ex-spouse and the data we used for our calculations are as follows:

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	March 15, 2019
Plan of Membership	General Plan H
Monthly Unmodified Benefit	$13,407.87
Ex-Spouse's Share of Monthly Unmodified Benefit	37.86%
Retirement Type	Service Retirement

Ms. Adina Bercaru
April 16, 2019
Page 2

Option 4 Benefit

The ex-spouse bears the cost of Option 4 reduction for the DRO benefit		Payable while the Member is Alive	Payable After the Member's Death while the Ex-Spouse is Alive
Monthly Benefit Payable to Member			
	Annuity:	$1,862.55	
	Pension:	6,469.10	
	Total:	$8,331.65	$0
Monthly Benefit Payable to Ex-Spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)		$4,430.59*	$4,430.59

* *This is equal to 37.86% of the member's unmodified benefit (i.e., 37.86% * $13,407.87 or $5,076.22) adjusted further to provide a benefit payable over the ex-spouse's lifetime or to the estate of the ex-spouse if the ex-spouse pre-deceases the member.*

Actuarial Assumptions

Effective interest rate of 4.126214% per year, which is calculated using an investment return assumption of 7.25% per year together with a cost-of-living adjustment assumption of 3.00% per year.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female for members.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 60% male and 40% female for beneficiaries.

The actuarial calculations contained in this letter were performed under my supervision. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

Please let us know if you have any comments or questions. As in all matters pertaining to the interpretation and application of the law, Plan, or individual Option 4 Calculation provisions, you should be guided by the advice of the Plan's Legal Counsel.

Sincerely,

Andy Yeung

Andy Yeung

AW/gxk

5578419v1/05794.001

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

April 19, 2019

Mark A. Esquer

Re: Retirement Election Confirmation – Option 4

Dear Mr. Esquer:

You have elected Option 4 as your retirement option, as required by your DRO. This option will provide a 37.86% of your monthly benefit, for the life of the benefit, to:

Mary Ellen Esquer

This designation is irrevocable; you will not be allowed to change your retirement option or designated beneficiary.

Please complete this form and return to OCERS as soon as possible.

(✓) I understand that my retirement option is irrevocable; by choosing Option 4 I will take a monthly reduction in order to provide a 37.86% continuance to Mary Ellen Esquer.

04/19/2019

Member Signature / Date

RECEIVED
APR 19 2019
Orange County Employees Retirement System

Sincerely,

Adina Bercaru
Member Services Manager

RECEIVED
APR 24 2019
IMAGING DESK

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM 2223 E. Wellington Avenue, Suite 100, Santa Ana, CA 92701
Telephone(714) 558-6200 Fax (714) 558-6234 www.ocers.org

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Adina Bercaru, Member Services Manager

SUBJECT: **OPTION 4 RETIREMENT ELECTION – STEPHEN HATCH**

Recommendation

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

Background/Discussion

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective March 29, 2019. The Orange County Employees Retirement System (OCERS) was joined in the member's dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member's ex-spouse was awarded a lifetime continuance as a percentage of the member's allowance.

The approval of Option 4 will not increase OCERS liability because the cost of this Option 4 benefit is proportional to the cost of the other benefit plans. Segal Consulting has calculated the member's monthly allowance as indicated in the attached letter as well as the allowance payable to the member's ex-spouse.

Submitted by:

A. B. – APPROVED

Adina Bercaru
Member Services Manager

Segal Consulting

180 Howard Street Suite 1100 San Francisco, CA 94105-6147
T 415.263.8200 www.segalco.com

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary
ayeung@segalco.com

PERSONAL & CONFIDENTIAL

VIA EMAIL & USPS

May 3, 2019

Ms. Adina Bercaru
Member Services Manager
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701-3101

RECEIVED
MAY 06 2019
Orange County Employees Retirement System

Re: Orange County Employees Retirement System
Option 4 Calculation for Stephen Hatch

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to Stephen Hatch, his ex-spouse and his current spouse based on the unmodified benefit and other information provided in the System's request dated April 26, 2019.

The monthly benefits payable to the member and the ex-spouse and the data we used for our calculations are as follows:

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	March 29, 2019
Plan of Membership	General Plan J
Monthly Unmodified Benefit	$3,671.23
Ex-Spouse's Share of Monthly Unmodified Benefit	37.73%
Retirement Type	Service Retirement
Current Spouse's Date of Birth	October 31, 1953
Continuance Payable to Current Spouse	100%

We have determined the Option 4 benefits using a two-part process. In Part One, we first calculated the adjustment to the member's unmodified benefit to provide a 37.73% continuance to the ex-spouse.

Part One – Before Adjustment for Continuance to Current Spouse

The ex-spouse bears the cost of Option 4 reduction for the DRO benefit	**Payable while the Member is Alive**	**Payable After the Member's Death**
Monthly benefit payable to member		
Annuity	$1,556.79	
Pension	729.28	
Total	$2,286.07	$0
Monthly benefit payable to ex-spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	$1,023.16*	$1,023.16

* *This is equal to 37.73% of the member's unmodified benefit (i.e., 37.73% * $3,671.23 or $1,385.16) adjusted further to provide a benefit payable over the ex-spouse's lifetime or to the estate of the ex-spouse if the ex-spouse pre-deceases the member.*

In Part Two, we further adjusted the member's benefit in Part One so that a continuance benefit of 100% can be paid to the current spouse. In addition, the cost to provide this continuance benefit would be paid for entirely by the member.

Part Two – After Adjustment for 100% Continuance to Current Spouse

	Payable while the Member is Alive	**Payable After the Member's Death**
Monthly benefit payable to member		
Annuity	$1,158.91	
Pension	542.89	
Total	$1,701.80	$0
Monthly benefit payable to current spouse	$0	$1,701.80
Monthly benefit payable to ex-spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	$1,023.16*	$1,023.16

* *This is equal to 37.73% of the member's unmodified benefit (i.e., 37.73% * $3,671.23 or $1,385.16) adjusted further to provide a benefit payable over the ex-spouse's lifetime or to the estate of the ex-spouse if the ex-spouse pre-deceases the member.*

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ACTUARIAL ASSUMPTIONS

Effective interest rate of 4.126214% per year, which is calculated using an investment return assumption of 7.25% per year together with a cost-of-living adjustment assumption of 3.00% per year.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female for members.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 60% male and 40% female for beneficiaries.

The actuarial calculations contained in this letter were performed under my supervision. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

Please let us know if you have any comments or questions. As in all matters pertaining to the interpretation and application of the law, Plan, or individual Option 4 Calculation provisions, you should be guided by the advice of the Plan's Legal Counsel.

Sincerely,

Andy Yeung

Andy Yeung

AW/hy

5580361v1/05794.001

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

May 7, 2019

Stephen W. Hatch

Re: Retirement Election Confirmation – Option 4

Dear Mr. HATCH:

You have elected Option 4 as your retirement option. This option will provide a 37.73% of your monthly benefit, for the life of the benefit, to:
MARY HATCH

This designation is irrevocable; you will not be allowed to change your retirement option or designated beneficiary.
Please complete this form and return to OCERS as soon as possible.

(✓) I understand that my retirement option is irrevocable; by choosing Option 4 I will take a monthly reduction in order to provide a 37.73% continuance to MARY HATCH.
(✓) I choose to add no other beneficiary(yes) under Option 4 and understand that my current spouse will receive no continuance in the event I predecease her.

5/7/19
Member Signature/Date

Sincerely,

RECEIVED
MAY 07 2019
Orange County Employees
Retirement System

Adina Bercaru
Member Services Manager

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM 2223 E. Wellington Avenue, Suite 100, Santa Ana, CA 92701
Telephone (714) 558-6200 Fax (714) 558-6234 www.ocers.org

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Adina Bercaru, Member Services Manager

SUBJECT: **OPTION 4 RETIREMENT ELECTION – KARL DIECKMAN**

Recommendation

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

Background/Discussion

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective March 29, 2019. The Orange County Employees Retirement System (OCERS) was joined in the member's dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member's ex-spouse was awarded a lifetime continuance as a percentage of the member's allowance.

The approval of Option 4 will not increase OCERS liability because the cost of this Option 4 benefit is proportional to the cost of the other benefit plans. Segal Consulting has calculated the member's monthly allowance as indicated in the attached letter as well as the allowance payable to the member's ex-spouse.

Submitted by:

A. B. – APPROVED
Adina Bercaru
Member Services Manager

Segal Consulting

180 Howard Street Suite 1100 San Francisco, CA 94105-6147
T 415.263.8200 www.segalco.com

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary
ayeung@segalco.com

PERSONAL & CONFIDENTIAL

VIA EMAIL & USPS

May 9, 2019

Ms. Adina Bercaru
Member Services Manager
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701-3101

RECEIVED

MAY 09 2019

Orange County Employees
Retirement System

Re: Orange County Employees Retirement System
Option 4 Calculation for Karl Dieckman

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to Karl Dieckman and his ex-spouse based on the unmodified benefit and other information provided in the System's request dated May 2, 2019.

The monthly benefits payable to the member and the ex-spouse and the data we used for our calculations are as follows:

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	March 29, 2019
Plan of Membership	Safety Plan F
Monthly Unmodified Benefit	$5,066.90
Ex-Spouse's Share of Monthly Unmodified Benefit	41.84%
Retirement Type	Service Retirement

Option 4 Benefit

The member and the ex-spouse bear the cost of Option 4 reduction equally for the DRO benefit	**Payable while the Member is Alive**	**Payable After the Member's Death**
Monthly benefit payable to member		
Annuity	$615.85	
Pension	2,181.07	
Total	$2,796.92	$0
Monthly benefit payable to ex-spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	$1,970.00	$1,970.00

*Note: The member's benefit payable is equal to 58.16% (i.e., 100.00% - 41.84%) of the total unmodified benefit (i.e., 58.16% * $5,066.90) adjusted by $149.99 to provide a benefit payable over the ex-spouse's lifetime or to the estate of the ex-spouse if the ex-spouse pre-deceases the member. The ex-spouse's benefit payable is equal to 41.84% of the total unmodified benefit (i.e., 41.84% * $5,066.90) adjusted by $149.99 to provide a benefit payable over the ex-spouse's lifetime or to the estate of the ex-spouse if the ex-spouse pre-deceases the member.*

ACTUARIAL ASSUMPTIONS

Effective interest rate of 4.126214% per year, which is calculated using an investment return assumption of 7.25% per year together with a cost-of-living adjustment assumption of 3.00% per year.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 set back two years weighted 80% male and 20% female for members.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 20% male and 80% female for beneficiaries.

The actuarial calculations contained in this letter were performed under my supervision. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

Please let us know if you have any comments or questions. As in all matters pertaining to the interpretation and application of the law, Plan, or individual Option 4 Calculation provisions, you should be guided by the advice of the Plan's Legal Counsel.

Sincerely,

Andy Yeung

Andy Yeung

AW/hy

5581302v1/05794.001

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

May 9, 2019

Karl W. Dieckman
[redacted]

Re: Retirement Election Confirmation – Option 4

Dear Mr. DIECKMAN:

As required by your DRO, you have elected Option 4 as your retirement option. This option will provide a 41.84% of your monthly benefit, for the life of the benefit, to:

DEBORAH M. DIECKMAN

This designation is irrevocable; you will not be allowed to change your retirement option or designated beneficiary.

Please complete this form and return to OCERS as soon as possible.

(X) I understand that my retirement option is irrevocable; by choosing Option 4 I will take a monthly reduction in order to provide a 41.84% continuance to **DEBORAH M. DIECKMAN.**

5-10-19

Member Signature / Date

Sincerely,

Zaida Miramontes
Retirement Program Specialist

RECEIVED
MAY 10 2019
Orange County Employees Retirement System

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM 2223 E. Wellington Avenue, Suite 100, Santa Ana, CA 92701
Telephone (714) 558-6200 Fax (714) 558-6234 www.ocers.org

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Adina Bercaru, Member Services Manager

SUBJECT: **OPTION 4 RETIREMENT ELECTION – RICHARD EDMOND**

Recommendation

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

Background/Discussion

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective March 11, 2019. The Orange County Employees Retirement System (OCERS) was joined in the member's dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member's ex-spouse was awarded a lifetime continuance as a percentage of the member's allowance.

The approval of Option 4 will not increase OCERS liability because the cost of this Option 4 benefit is proportional to the cost of the other benefit plans. Segal Consulting has calculated the member's monthly allowance as indicated in the attached letter as well as the allowance payable to the member's ex-spouse.

Submitted by:

A. B. – APPROVED

Adina Bercaru
Member Services Manager

Segal Consulting

180 Howard Street Suite 1100 San Francisco, CA 94105-6147
T 415.263 8200 www.segalco com

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary
ayeung@segalco com

PERSONAL & CONFIDENTIAL

VIA EMAIL & USPS

May 3, 2019

Ms. Adina Bercaru
Member Services Manager
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701-3101

RECEIVED
MAY 06 2019
Orange County Employees Retirement System

Re: Orange County Employees Retirement System
Option 4 Calculation for Richard Edmond

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to Richard Edmond and his ex-spouse based on the unmodified benefit and other information provided in the System's request dated April 26, 2019.

The monthly benefits payable to the member and the ex-spouse and the data we used for our calculations are as follows:

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	March 11, 2019
Plan of Membership	General Plan J
Monthly Unmodified Benefit	$8,715.11
Ex-Spouse's Share of Monthly Unmodified Benefit	13.55%
Retirement Type	Service Retirement

Option 4 Benefit

The ex-spouse bears the cost of Option 4 reduction for the DRO benefit	**Payable while the <u>Member is Alive</u>**	**Payable After the <u>Member's Death</u>**
Monthly benefit payable to member		
Annuity	$2,284.01	
Pension	<u>5,250.20</u>	
Total	$7,534.21	$0
Monthly benefit payable to ex-spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	$1,078.77*	$1,078.77

* *This is equal to 13.55% of the member's unmodified benefit (i.e., 13.55% * $8,715.11 or $1,180.90) adjusted further to provide a benefit payable over the ex-spouse's lifetime or to the estate of the ex-spouse if the ex-spouse pre-deceases the member.*

ACTUARIAL ASSUMPTIONS

Effective interest rate of 4.126214% per year, which is calculated using an investment return assumption of 7.25% per year together with a cost-of-living adjustment assumption of 3.00% per year.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female for members.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 60% male and 40% female for beneficiaries.

The actuarial calculations contained in this letter were performed under my supervision. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

Please let us know if you have any comments or questions. As in all matters pertaining to the interpretation and application of the law, Plan, or individual Option 4 Calculation provisions, you should be guided by the advice of the Plan's Legal Counsel.

Sincerely,

Andy Yeung

Andy Yeung

AW/hy

5580364v1/05794.001

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

May 7, 2019

Richard Edmond

Re: Retirement Election Confirmation – Option 4

Dear Mr. Edmond:

You have elected Option 4 as your retirement option, as required by your DRO. This option will provide a 13.55% of your monthly benefit, for the life of the benefit, to:

Lisa Edmond

This designation is irrevocable; you will not be allowed to change your retirement option or designated beneficiary.
Please complete this form and return to OCERS as soon as possible.

(X) I understand that my retirement option is irrevocable; by choosing Option 4 I will take a monthly reduction in order to provide a 13.55% continuance to Lisa Edmond.
(X) I choose to add no other beneficiary(ies) under Option 4 and understand that, should I become married upon retirement, my current spouse will receive no continuance in the event I predecease her.

5/14/19

Member Signature / Date

RECEIVED
MAY 14 2019
Orange County Employees Retirement System

Sincerely,

Adina Bercaru
Member Services Manager

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. Wellington Avenue, Suite 100, Santa Ana, CA 92701
Telephone(714) 558-6200 Fax (714) 558-6234 www.ocers.org

C-2

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

REGULAR MEETING
Monday, April 15, 2019
9:00 A.M.

Minutes

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

Attendance was as follows:

Present: Chuck Packard, Chair; Roger Hilton, Vice-Chair; Chris Prevatt; Shawn Dewane; Frank Eley; Russell Baldwin, Shari Freidenrich, Wayne Lindholm, Jeremy Vallone; and David Ball

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; David Kim, Director of Internal Audit; Gina Ratto, General Counsel; Cynthia Hockless, Director of Administrative Services; Anthony Beltran, Visual Technician; Cammy Torres; Recording Secretary, and Nichol Forbes; Temporary Assistant Recording Secretary.

Guests: Azucena M. Coronel; Harvey Leiderman

Mr. Dewane led the Pledge of Allegiance.

CONSENT AGENDA

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

A **motion** was made by Mr. Hilton, **seconded** by Mr. Baldwin, to approve the consent agenda.

Motion passed **unanimously** with Ms. Freidenrich and Mr. Lindholm absent.

BENEFITS

C-1 OPTION 4 RETIREMENT ELECTION

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

(1) None

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes	March 18, 2019
Special Meeting	March 28, 2019

Recommendation: Approve minutes.

ACTION ITEMS

NOTE: Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Board's discussion of the item. **Persons wishing to provide comment on a matter listed on the agenda should fill out a speaker card located at the back of the room and deposit it in the Recording Secretary's box located near the back counter.**

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

A-2 FEBRUARY 19, 2019 REGULAR BOARD MEETING MINUTES
Presentation by Steve Delaney, CEO, OCERS

Recommendation: (1) Rescind the Board's action on March 18, 2019 approving the February 19, 2019 Regular Board Meeting minutes; and (2) approve the February 19, 2019 Regular Board Meeting minutes as amended.

Mr. Delaney presented the recommendations for item A-2.

A **motion** was made by Eley, **seconded** by Mr. Dewane to rescind the Board's action on March 18, 2019 approving the February 19, 2019 Regular Board Meeting minutes; and approve the February 19, 2019 Regular Board Meeting minutes as amended.

Motion passed **unanimously** with Ms. Freidenrich and Mr. Ball absent.

A-3 SACRS BOARD OF DIRECTORS ELECTION 2019-2020 – DIRECTION TO OCERS' VOTING DELEGATE
Presentation by Gina Ratto, General Counsel, OCERS

Recommendation: Consider the SACRS Nominating Committee's recommended slate of candidates and the list of additional candidates interested in running for the election of SACRS Directors; and give direction to OCERS' Voting Delegate and Alternate Delegates for the SACRS Board of Directors election to be held at the SACRS meeting on May 10, 2019.

Ms. Gina Ratto presented the information regarding the SACRS Board of Directors Election and the candidate materials.

A **motion** was made by Mr. Prevatt, **seconded** by Mr. Dewane, to consider the SACRS Nominating Committee's recommended slate of candidates and the list of additional candidates interested in running for the election of SACRS Directors; and give direction to OCERS' Voting Delegate and

Alternate Delegates for the SACRS Board of Directors election to be held at the SACRS meeting on May 10, 2019.

Motion passed **unanimously** with Ms. Freidenrich and Mr. Lindholm absent.

INFORMATION ITEMS

I-1 MEMBER MATERIALS DISTRIBUTED
Written Report

Application Notices	April 15, 2019
Death Notices	April 15, 2019

I-2 COMMITTEE MEETING MINUTES
- Audit Minutes - February 7, 2019

I-3 CEO FUTURE AGENDAS AND 2019 OCERS BOARD WORK PLAN
Written Report

I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS
Written Report

I-5 LEGISLATIVE UPDATE
Written Report

I-6 FIRST QUARTER 2019 EDUCATION AND TRAVEL EXPENSE REPORT
Written Report

I-7 BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN EXERCISE EXECUTIVE SUMMARY
Written Report

I-8 GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING
Written Report

I-9 BOARD COMMUNICATIONS
Written Report

I-10 REASONABLE ACCOMMODATION AND DISABILITY RETIREMENT TRAINING – COUNTY OF ORANGE AND OCERS COLLABORATION
Presentation by Azucena M. Coronel, CPDM, Manager, Integrated Disability and Absence Management, County Executive Office, Risk Management

Ms. Azucena M. Coronel presented to the Board on the efforts the County of Orange is making for reasonable accommodations to allow employees to continue to work when they have work restrictions as well as when they have filed for OCERS disability retirement.

Discussion took place on the types of accommodations that are being made available and whether someone must take the accommodated position, even if they do not want to perform those tasks.

Additional discussion took place on how the cost works out if the salary for the accommodated position is lower than the salary the member made prior to their disability claim.

I-11 ANNUAL CONFLICTS OF INTEREST EDUCATION

Presentation by Gina Ratto, General Counsel, OCERS and Harvey Leiderman, ReedSmith, LLP

Ms. Ratto presented the training session for the Annual Conflicts of Interest Education. Ms. Ratto reviewed financial conflicts of interest, the Political Reform Act, restrictions on gifts and honoraria and Government Code section 1090.

Ms. Freidenrich and Mr. Lindholm arrived at 9:12a.m.

Mr. Leiderman reviewed marketing prohibitions; government code section 7513.95, non-financial conflicts of interest regarding common law and Board Governance issues, and special rules for investment advisors.

Discussion took place regarding defined terms.

Ms. Freidenrich asked about county employees abiding by a Tin Cup Ordinance.

Ms. Ratto stated that each employer may have their own set of stricter rules in place stating an amount that may be accepted as a gift, in which case, the employer rules must be followed.

Mr. Hilton excused himself at 9:40a.m.

Mr. Hilton reentered at 9:42a.m.

The Board recessed for break at 9:52 a.m.

The Board reconvened from break at 10:04 a.m.

Ms. Ratto continued her presentation and spoke about the exceptions to the definition of gifts and additional discussion took place.

Mr. Dewane excused himself at 10:22a.m.

Mr. Dewane reentered at 10:24a.m.

*** * * * * END OF INFORMATION ITEMS AGENDA * * * * ***

DISABILITY/MEMBER BENEFITS AGENDA
10:00 AM

NOTE: WHEN CONSIDERING DISABILITY RETIREMENT APPLICATIONS OR MEMBER APPEALS OF BENEFIT OR DISABILITY RETIREMENT DETERMINATIONS, THE BOARD MAY ADJOURN TO CLOSED SESSION TO DISCUSS MATTERS RELATING TO THE MEMBER'S APPLICATION OR APPEAL, PURSUANT TO

GOVERNMENT CODE SECTIONS 54957 OR 54956.9. IF THE MATTER IS A DISABILITY APPLICATION UNDER SECTION 54957, THE MEMBER MAY REQUEST THAT THE DISCUSSION BE IN PUBLIC.

A **motion** was made by Mr. Hilton, **seconded** by Mr. Dewane, to approve the consent agenda.

Motion passed **unanimously.**

OPEN SESSION

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Board member requires separate action on a specific item. If separate action is requested, the item will be discussed during agenda item DA-1.

DC-1: Maria Alarcon
Senior Social Services Supervisor, Orange County Social Services Agency

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of August 4, 2017. (General Member)

DC-2: Herman Carter
Equipment Parts Clerk, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of September 8, 2015. (General Member)

DC-3: Ronald Pluma
Fire Apparatus Engineer, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of June 8, 2018. (Safety Member)

DC-4: Julian Waites
Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of November 26, 2017. Find the Applicant is capable of performing other duties in the service of the Orange County Transportation Authority pursuant to Government Code section 31725.65 and grant a supplemental disability retirement payment allowance in the amount of the salary difference between the higher and lower paying positions effective September 16, 2018, the date of the position change, until the day Mr. Waites wishes to retire from the new position. (General Member)

DC-5: Beth Weickum
Radio Dispatcher, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of November 10, 2017. (General Member)

DC-6: Donald Wendt
Kennel Attendant I, Orange County Community Resources

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of January 29, 2010. (General Member)

CLOSED SESSION
(Government Code sections 54957 and 54956.9)

The Board will adjourn to Closed Session pursuant to Government Code sections 54957 or 54956.9 to discuss matters relating to member applications or appeals. The member may request that the discussion relating to his or her application or appeal take place in Open Session.

ACTION ITEMS

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

DISABILITY/MEMBER BENEFITS AGENDA

DA-2: DISABILITY APPEAL – LUISA FERNANDEZ-VASQUEZ
Senior Social Worker, Orange County Social Services Agency

Recommendation: Staff recommends that the Board dismiss without prejudice the appeal by Luisa Fernandez-Vasquez of OCERS' denial of her application for service connected disability retirement pursuant to Rule 23 of OCERS Administrative Hearing Procedures (Version Adopted 2/19/2002).

A **motion** was made by Mr. Prevatt, **seconded** by Mr. Dewane, to approve staff recommendation that the Board dismiss without prejudice the appeal by Luisa Fernandez-Vasquez of OCERS' denial of her application for service connected disability retirement pursuant to Rule 23 of OCERS Administrative Hearing Procedures (Version Adopted 2/19/2002).

Mr. Hilton asked if there had been any contact with the applicant.

Ms. Jenike stated that she had received updates from OCERS Paralegal, Mr. Singleton every day leading up to the meeting and she had not been told that the member had contacted OCERS to ask for an extension of time.

Motion passed **unanimously.**

BOARD MEMBER COMMENTS

None

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Ms. Hockless presented the First Quarter Staffing Reports to the Board Members.

Mr. Ball asked if historical information can been added to the reports in order to see trend lines.

Ms. Hockless will provide this in future reports.

Ms. Freidenrich asked about interview process with any internal applicants.

Ms. Hockless responded that with internal applicants OCERS does run the full recruitment cycle and she proceeded to explain the OCERS internal interview process.

COUNSEL COMMENTS

None

****

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

Active Members
None

Retired Members
Antonio, Aquilino
Ayala, David
Brawn, Robert
Bridges, Marilyn
Burrill, Stephen
Castillo, Edward
Cates, Charles
Chen, John
Dang, Lieh
De Moray, Elaine
Dome, Rosalie
Dorn, Donna
Fitzpatrick, Francis
Fox, Joan
Goff, Patricia
Keister, Mollie
Kelly, Robert
Langston, Carol
Lear, Kathy

Mc Cray, Curtis
Mendoza, Arthur
Myers, Darrold
Nguyen, Thung
Paredes, David
Peters, Paul
Proff, Marilyn
Rabago, Anthony
Record, Marilyln
Roman, Ron
Rosenzweig, Herbert
Scott, Herbert
Sherman, Esther
Warren, Don

Surviving Spouses
Carl, Lois
Cartt, Clara
Cormack, Mary
Mc Nichols, John
McManis, Charles
Postman, Dorothy
Scriba, Vera

Meeting adjourned at 11:34a.m.

There being no further business to bring before the Board, the meeting adjourned at 11:34a.m.

Submitted by: Approved by:

___________________________ ______________________________

Steve Delaney
Secretary to the Board

Chuck E. Packard
Chairman

A-2

Memorandum

DATE: May 10, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **REQUEST FROM CITY OF SAN JUAN CAPISTRANO REGARDING RATE GROUP POOLING**

Recommendation:

That the Board determine (1) whether the City of San Juan Capistrano's (City) proposed transfer of the City's Water Department would be considered a triggering event under the Declining Employer Payroll Policy (Policy); and (2) whether application of the Policy to the City should be modified to reflect the City's unique or exigent circumstances.

Background/Discussion

The City of San Juan Capistrano (City) is considering detaching the City Water Department (Department) and transferring 13 employees to a water special district. (The City also expects an additional 5 employees to retire and 1 employee to terminate. Those numbers are based on a preliminary list[1] of employees provided in 2018) Though the Capistrano Valley Water District and the City merged nearly two decades ago, the City has determined that cost savings and improved services would be possible for its citizens if a special district whose sole purpose and expertise are to oversee water services were to take over the Department.

The Department employees would retain OCERS service credit for their service up to the point of separation, and would be covered by CalPERS thereafter. The City would continue to be liable for the service and ultimate retirement benefits related to the employment of those 13 departing employees, 5 retiring and 1 terminating employees.

Based on the results from the December 31, 2017 valuation, if the transfer takes place, the City's workforce will decline from 81 to 62 staff (23% decrease in staff), and its annual OCERS covered payroll will decrease from $8.0 million to $6.2 million (22% decrease in payroll).

The City is presently pooled for contribution purposes with five other employers -- the County of Orange, the Children and Families Commission, the Local Agency Formation Commission, Superior Courts, and OCERS (direct employees).

[1] The City has recently amended the list of employees but a new study to reflect the updated employees and associated liabilities is still pending.

With a reduced covered payroll, the City would have a reduced basis for paying the contributions that fund the pension liabilities already accrued. That is because contributions toward the Unfunded Actuarial Accrued Liability (UAAL) are allocated among the pooled employers in proportion to payroll.

DECLINING PAYROLL POLICY

In June 2015, the OCERS Board adopted the Declining Employer Payroll Policy (Policy). [See attached.] The purpose of the Policy, as stated in Section 1 of the Policy, is as follows:

1. A participating employer in the Orange County Employees Retirement System (OCERS) may experience an actual or expected material decline in the payroll attributable to its OCERS' active members (OCERS-covered payroll). The Declining Employer Payroll Policy is intended to establish guidelines by which OCERS intends to assure that such employer will continue to satisfy its obligation to timely pay all unfunded actuarial accrued liability (UAAL) attributable to the employer's active, retired and deferred employees and their beneficiaries by reason of their prior and future service as OCERS' members.

By its terms, the Policy is intended to establish guidelines, and not strict rules, by which OCERS intends to assure that an employer who experiences an actual or expected material decline in the payroll attributable to its active members will continue to satisfy its obligation to timely pay all unfunded actuarial liability attributable to the employer's active, retired and deferred employees and their beneficiaries by reason of their prior and future service as OCERS' members. The Policy further provides that "*[a]bsent exigent circumstances or unless otherwise expressly approved by the Board of Retirement at a duly-noticed public meeting*, the procedures and guidelines for implementing this Policy are set forth below." (Emphasis added.)

Section 5 of the Policy states that it "covers only those employers for whom the Board determines, based on a recommendation from OCERS' Chief Executive Officer (CEO), that a *triggering event* as described in this section 4 (sic) has occurred *and* who are not excluded from coverage under this Policy as described in section 5 (sic) and 6 below." (Emphasis in original.) Accordingly, pursuant to the Policy, the Board must (1) determine whether a triggering event as described in the Policy has occurred, and (2) confirm that the employer is not excluded from coverage under the Policy.

Section 5(b) of the Policy identifies one of the triggering events to include:

> *Triggering event resulting from a material and expected long-lasting reduction in OCERS-covered payroll.* Some employers may experience a material reduction in their OCERS-covered payroll, but nevertheless continue to enroll their new hires with OCERS. The reduction may be sudden (*e.g.*, due to a discrete event such as a partial loss of funding, or partial outsourcing), or it may be more gradual, over a period of years, and might not be tied to a discreet event. Generally, the Board would determine that this type of triggering event has occurred only if the Board expects that the reduction in employer's OCERS-covered payroll is expected to be permanent, long-lasting or for an indefinite period of time that is greater than a cycle that the employer may typically experience, or a cycle similarly experienced by the other employers, if any, in the same OCERS' rate group. Generally, by its nature, the determination whether this type of triggering event has occurred is more subjective than that described in subparagraph a) immediately above.

DETERMINE IF A TRIGGERING EVENT WOULD OCCUR

The first step in this process is outlined in Section 9 of the Policy, which states that "upon recommendation from the CEO and notice to the affected participating employer, the Board will make a determination at a duly-noticed public meeting regarding (i) whether a triggering event has occurred for the employer…"

In this case, the event has not yet occurred, but the City desires to know what actions the Board would take were the City to proceed with the transfer of the Department to another governmental entity.

As CEO, I believe the City's contemplated transfer of the Department employees to a local special district, which would result in a reduction in the number of the City's employees from 81 to 62, with a corresponding reduction in OCERS covered payroll from $8.0 million to $6.2 million, would meet the definition of a triggering event under Section 5(b) of the Policy.

The Board must determine whether it concurs with the CEO's recommendation that the City's proposed transfer of the Department would be considered a triggering event under the Policy.

DETERMINE IF THE CITY WOULD BE COVERED BY THIS POLICY

If the Board determines that the transfer contemplated by the City would be a triggering event under the Policy, then Section 9 of the Policy requires the Board to further determine "… (ii) whether the employer should be excluded from coverage under this Policy…"

Sections 6 and 7 of the Policy define the express exclusions from coverage of the Policy and appear to set out circumstances where application of the Policy would subvert the stated intention of the Policy to assure that an employer with a declining payroll will continue to satisfy its pension obligations. That is, employers who are not financially-viable entities when a triggering event occurs and who are not expected to continue indefinitely thereafter to be financially-viable entities are specifically excluded from the Policy. As stated in Section 6, the Policy expressly excludes the situation where an employer is going out of business by reason of dissolution, loss of funding, consolidation or merger (unless there is a surviving financially-viable entity that is acceptable to the Board that will make the ongoing payments under the Policy). The Policy also does not cover a "withdrawing employer" who ceases to provide OCERS membership for *all* of the employer's active OCERS members (*i.e.*, as of a date certain, withdraws both new hires and existing actives from membership with OCERS).

Because it appears that the City is both financially viable and is expected to continue to be financially viable in the future, the City would not be expressly excluded from coverage under the Policy. However, the Board retains the discretion to determine that the Policy should not apply or that application of the Policy to the City should be modified in light of the City's exigent circumstances.

Under the California Constitution, the Board has plenary authority and fiduciary responsibility for administration of the retirement system and broad authority over sound actuarial funding of employee retirement benefits. This broad authority was recently confirmed by the California Court of Appeal for the Fourth Appellate District in

Al Mijares et al., v. Orange County Employees' Retirement System (G055439; Super. Ct. No. 30-2016-00836897; ordered published 2/15/2019). The Policy sets forth guidelines, not strict rules, and expressly acknowledges that the Board has broad discretion to find that exigent circumstances exist, or to otherwise conclude that different procedures or a result other than those set forth in the Policy are warranted. This discretion should be informed by the objectives of the Policy, which include (i) ensuring equitable and adequate funding of UAAL in cases involving employers with declining payrolls, (ii) approving procedures for identifying employers who should be subject to the Policy, (iii) approving a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL and (iv) ensuring that the employer remains liable and must make the required appropriations and transfers to OCERS for its share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from OCERS. (Policy, Sections 2 and 3.)

If the Policy applies without modification, then it suggests that an employer must be depooled in order to immunize other participating employers in the pool from the cost impact of the triggering event.

Section 10 of the Policy states:

> If the Board determines that a triggering event has occurred and the employer is not excluded from coverage under the Policy, then, solely for the purposes of determining the covered employer's UAAL contribution obligation, OCERS will segregate on its books all assets and liabilities attributable to the employer, based upon the recommendation of OCERS' actuary, and shall maintain such separate accounting for the employer until all of the participating employer obligations to OCERS have been fully satisfied.

Therefore, if the Board determines that the transfer of the Department employees would be a triggering event, and that in that case the best course of action would be to depool the City from Rate Group 2 in order to isolate the financial impact of such an action to the City alone, then the Board should also determine that the City would not be excluded from coverage under the *Declining Payroll Policy*.

The City would argue that pools, which spread the impact of both costs and savings among all participants, are by their nature imperfect vehicles that offer protection against volatility to all participants, while not necessarily providing cost exactitude to each. For that reason, and noting the costly impact of depooling upon the City's contribution rate, and lack of further pooling protections against rate volatility brought on by unexpected risks such as employee disabilities, the City requests that rather than concluding that a strict application of the Policy would require the City to be depooled, that the Board instead exercise its broad discretion and consider other alternatives.

In discussions with the City two alternatives to depooling have been identified. Segal has reviewed both as outlined below and concluded both are actuarially sound.

ALTERNATIVE ONE – CITY REMAINS IN THE POOL

The City's stated preference is to be allowed to remain in the pool with the cost impact shared with all pool participants. The City notes all participants of the Rate Group 2 pool presently share the cost impact of voluntary actions taken by other pool participants, such as larger than assumed pay raises, without requiring depooling due to such actions.

Staff believes the Board has the discretion to conclude that the Policy is not intended to ***require*** depooling of an employer under the circumstances presented by the City. I would note however a counterargument to the City's request as expressed by other pool participants, namely that pools are generally designed to protect against unexpected risks such as disabilities, rather than protection against a planned cost reduction such as the City's contemplated transfer of the Department.

If the City were allowed to remain in the Rate Group 2 pool after the transfer, Segal would then reflect the reduction in the City's payroll as of the December 31, 2017 valuation, and the UAAL contribution rate for most employers in Rate Group 2 would increase by 0.04% of payroll (the UAAL rate for the Children and Family Commission would increase by 0.01%).

The Board could conclude that the four basis points (4 bps) impact to the other employers in Rate Group 2 is mitigated by the smoothing of costs and savings that inherently occur when different governmental bodies with differing goals and objectives are pooled, such that the City could be allowed to remain in Rate Group 2. Segal will however present data showing how those four basis points translate in actual dollar impact upon each of the Rate Group 2 pool participants

ALTERNATIVE TWO – REMAIN POOLED WITH ADDITIONAL CONTRIBUTIONS

Alternatively, the Board could conclude that the City could be allowed to remain in Rate Group 2 provided that the City pays a premium to cover the additional contributions that would otherwise be shifted to the other employers in the pool. Under this option, no change to the contribution rate for Rate Group 2 would occur. No additional cost would be attributed to the pool or paid for by those other participants. Instead, the City would pay its required unadjusted Rate Group 2 contribution on what would then be a reduced payroll, but would be assessed an additional contribution to be paid solely by the City to cover the cost impact of the unfunded liabilities no longer being financed due to the reduced covered payroll.

There is an important caveat to this alternative however. It is truly a one-time measurement, based on costs known at the time of the proposed transfer of the Department. Segal has cautioned that it would not be possible to do a "true up" in future years based on possible future changes to actuarial assumptions or actual experience with the departed group of the Department employees.

CONCLUSION

Since all three approaches - depooling; Alternative 1: pooling without conditions; and Alternative 2: pooling with additional payment by the City - are actuarially sound, the question before the Board is one of policy, equity and good governance; and the Board may choose any of the three courses of action within the exercise of its fiduciary duty to administer the retirement system and broad authority to ensure sound actuarial funding of employee retirement benefits.

Submitted by:

Steve Delaney

Steve Delaney
Chief Executive Officer

Declining Employer Payroll Policy

Purpose and Background

1. A participating employer in the Orange County Employees Retirement System (OCERS) may experience an actual or expected material decline in the payroll attributable to its OCERS' active members (OCERS-covered payroll). The Declining Employer Payroll Policy is intended to establish guidelines by which OCERS intends to assure that such employer will continue to satisfy its obligation to timely pay all unfunded actuarial accrued liability (UAAL) attributable to the employer's active, retired and deferred employees and their beneficiaries by reason of their prior and future service as OCERS' members.

Background and Objectives

2. As a general rule, under OCERS' practice in place prior to the adoption of this Declining Payroll Policy, OCERS determined employers' contribution obligations for UAAL by applying a contribution rate determined by OCERS' actuary to the employer's OCERS-covered payroll (the percentage-of-payroll methodology). For employers whose payrolls are generally consistent with OCERS actuarial assumptions regarding payroll growth, the percentage-of-payroll methodology continues to be appropriate. But for employers whose OCERS-covered payroll is declining, or is expected to decline, materially over time, the Board of Retirement has determined that the percentage-of-payroll methodology is not the appropriate means of collecting employer contributions owed to the system. The objectives of this Declining Employer Payroll Policy are to (i) to ensure equitable and adequate funding of UAAL in cases involving employers with declining payrolls, (ii) approve procedures for identifying employers who should be subject to this Policy, and (iii) approve a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL. This Policy does *not* change the methodology regarding how contributions for "normal cost" are determined for participating employers.
3. Generally, the objectives of this Policy also are to ensure compliance with County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended, and other applicable provisions of law. Pursuant to Gov't. Code sections 31453, 31453.5, 31581, 31582, 31584, 31585, 31586 and other applicable provisions of law, a participating employer remains liable, and must make the required appropriations and transfers, to OCERS for the district's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability and related benefits from OCERS.
4. It is the Board of Retirement's intent to allow an employer covered by this Policy to satisfy its funding obligation in a manner which provides the employer reasonable flexibility; however, primary consideration will be given to ensuring the adequacy of the assets attributable to the employer to satisfy the employer's funding obligations. This will generally require redetermination of the funding obligations of the employer for several years.

Policy Procedures and Guidelines

Absent exigent circumstances or unless otherwise expressly approved by the Board of Retirement at a duly-noticed public meeting, the procedures and guidelines for implementing this Policy are set forth below.

Commencement of Coverage – Triggering Events

5. This Policy covers only those employers for whom the Board determines, based on a recommendation from OCERS' Chief Executive Officer (CEO), that a *triggering event* as described in this section 4 has occurred *and* who are not excluded from coverage under this Policy as described in sections 5 and 6 below. The Board hereby directs the CEO to work with OCERS' Internal Audit and other staff, and OCERS' service providers (*e.g.,* the actuary) to obtain the information (*e.g.,* OCERS-covered payroll history) needed for the Board to make determinations regarding triggering events. The CEO is further directed to report to the Board, at least annually, regarding these activities.

   a. *Triggering event resulting from ceasing to enroll new hires.* Some OCERS' participating employers cease to enroll new hires with OCERS but, for a period of time, continue to have at least some previously-enrolled employees maintaining their status as active OCERS members. These employers' OCERS-covered payroll will eventually diminish to zero as their active employees retire or otherwise terminate employment. Examples of employers in this category may include an employer that is acquired by another entity that is not an OCERS participating employer, or an OCERS employer that is taken over by a state agency whose employees are covered by another pension system such as CalPERS. There may be other examples as well.

   b. *Triggering event resulting from a material and expected long-lasting reduction in OCERS-covered payroll.* Some employers may experience a material reduction in their OCERS-covered payroll, but nevertheless continue to enroll their new hires with OCERS. The reduction may be sudden (*e.g.*, due to a discrete event such as a partial loss of funding, or partial outsourcing), or it may be more gradual, over a period of years, and might not be tied to a discreet event. Generally, the Board would determine that this type of triggering event has occurred only if the Board expects that the reduction in employer's OCERS-covered payroll is expected to be permanent, long-lasting or for an indefinite period of time that is greater than a cycle that the employer may typically experience, or a cycle similarly experienced by the other employers, if any, in the same OCERS' rate group. Generally, by its nature, the determination whether this type of triggering event has occurred is more subjective than that described in subparagraph a) immediately above.

Exclusions from Coverage; Terminations of Coverage

6. This Policy also covers *only* those employers (i) who are financially-viable entities when a triggering event occurs, *and* (ii) whom OCERS expects to continue indefinitely thereafter to be financially-viable entities. This Policy does not cover any other situation, including, without limitation, an employer going out of business by reason of dissolution, loss of funding, consolidation or merger (unless there is a surviving financially-viable entity that is acceptable to the Board that will make the ongoing payments under the Policy). This Policy also does not cover a "withdrawing employer" who ceases to provide OCERS membership for *all* of the employer's active OCERS members (*i.e.*, as of a date certain, withdraws both new hires and existing actives from membership with OCERS).

7. The Board of Retirement also recognizes that participating employers covered by this Policy will have UAAL funding obligations for several years. Therefore, if concerns arise during that period of time regarding the employer's ongoing existence as a financially-viable entity, the Board may

remove the employer from coverage under this Policy and/or take any other measures that may be available to ensure the actuarial soundness of the retirement system including, without limitation, assessing the projected entire amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board) using a lower discount rate and payable in a single sum immediately due.

Procedures

8. The CEO will (i) work with OCERS' Internal Audit and other staff, OCERS' service providers (*e.g.,* the actuary), and OCERS' participating employers to obtain the information (*e.g.*, OCERS-covered payroll history, financial reports) needed for the Board to make determinations regarding triggering events and exclusions from, or terminations of, coverage and (ii) report to the Board, at least annually, regarding these activities.

9. Upon a recommendation from the CEO and notice to the affected participating employer, the Board will make a determination at a duly-noticed public meeting regarding (i) whether a triggering event has occurred for the employer, (ii) whether the employer should be excluded from coverage under this Policy, and (iii) for those employers that the Board has previously determined to be covered under the Policy, whether their coverage should be terminated under section 6 above. Employers may be required to provide OCERS with updated employee census and payroll data and financial reports. *See* Gov't. Code section 31543.

10. If the Board determines that a triggering event has occurred and the employer is not excluded from coverage under the Policy, then, solely for purposes of determining the covered employer's UAAL contribution obligation, OCERS will segregate on its books all assets and liabilities attributable to the employer, based upon the recommendation of OCERS' actuary, and shall maintain such separate accounting for the employer until all of the participating employer's obligations to OCERS have been fully satisfied.

11. OCERS' actuary will determine, and certify to the Board of Retirement, the covered employer's funding obligation for its initial UAAL, which obligation shall not be pro-rata based on payroll, but rather based on the employer's actuarial accrued liability (AAL) including inactives. The Board may determine to require the employer's contributions to be paid in level, fixed-dollar amounts over a period not to exceed twenty (20) years, beginning on July 1 of the calendar year immediately after the year in which the triggering event occurs.

12. The actuary will use the actuarial valuation performed for OCERS as of the end of the calendar year immediately prior to the calendar year in which the triggering event occurs (and based on all of OCERS' then current actuarial assumptions and methodologies) to determine the initial valuation value of assets (VVA), a smoothed value, allocated to the covered employer. That initial VVA will be a pro-rata allocation based on the employer's AAL (*i.e.,* based on the employer's initial UAAL allocation determined in accordance with section 10 above). Later values of the VVA (i.e., those used in the future valuations described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the actual smoothed (VVA) earnings rate on total OCERS assets.

13. Annually, after the determination of the covered employer's initial funding obligation, as part of the regular annual actuarial valuation of the plan, OCERS' actuary will measure any change in the UAAL

of the participating employer due to actuarial experience or changes in actuarial assumptions. In addition to the amortized payments for the covered employer's initial UAAL funding obligation determined as of the initial valuation, the employer will be liable for, and must contribute to OCERS, any such new UAAL determined as of subsequent valuations, based upon an amortization schedule recommended by the actuary and adopted by the Board of Retirement. OCERS will hold any negative UAAL (Surplus) to be applied against any future UAAL of the covered employer.

14. If any Surplus remains after the covered employer has satisfied *all* of its UAAL obligations (Final Surplus), OCERS will distribute the Final Surplus in accordance with the terms of applicable law.

Policy Review

15. The Board of Retirement will review this Policy at least every three (3) years to ensure that it remains relevant and appropriate.

Policy History

16. The Board of Retirement adopted this Policy on June 15, 2015.

Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.

Steve Delaney

6/15/15

Steve Delaney
Secretary of the Board

Date

Segal Consulting

Orange County Employees Retirement System (OCERS)

San Juan Capistrano Rate Group Pooling

May 20, 2019

Paul Angelo, FSA, EA, MAAA, FCA

Segal Consulting

5582317v5

Calculating Contributions and Liability for City of San Juan Capistrano (SJC)

➢ Valuation as of December 31, 2017

- SJC contribution rates for FY 2019/2020 are developed on a pooled basis with other employers in Rate Group 2
- SJC pays same normal cost (NC, employer and employee) and unfunded actuarial accrued liability (Unfunded AAL or UAAL) rates paid by other employers
  - Only exception is Plan S (2.0% @ 57) where SJC is the only employer
  - UAAL rates are lower for some employers to reflect additional UAAL contributions made or future service only improvement adopted for legacy plans

➢ With pooling for SJC

- Normal cost rates are developed without reflecting specific entry age profile of SJC employees
- UAAL rate is developed without reflecting specific SJC proportion of active payroll and AAL compared to other employers
- Some subsidies for SJC compared to standalone normal cost and UAAL rates developed using SJC specific employee profile and actuarial accrued liability
- More stable NC and UAAL rates

Spinoff of Some Utility Employees at SJC

➢ SJC is considering a spinoff of utility workers at City

- Some utility employees will leave SJC and new employer will enroll those employees in CalPERS
  – Future service benefits paid by CalPERS
  – Past service benefits (with reciprocity) paid by OCERS
- Some utility employees will be terminated or retired from SJC
- Some utility (and all non-utility) employees will be retained by SJC
- Segal has been asked to provide contributions and liability impacts
  – Based on preliminary list of utility employees provided by SJC in late 2018
  – SJC has recently amended the list of employees but Segal has not yet updated contributions and liability results

➢ How should contributions and liability be calculated upon the spinoff?

- Payroll for utility employees expected to leave, terminate or retire amount to about 22% of SJC total payroll as of December 31, 2017 (based on preliminary data)

Costs are Potentially Affected by Three Events

- First, <u>even without the spinoff</u>, SJC's current pooled Rate Group 2 rates are lower than they would be if SJC was in its own Rate Group
  - SJC actives have higher average entry age than Rate Group 2 so SJC's NC rate would increase
  - SJC has relatively more retirees compared to all of Rate Group 2, so SJC's AAL and UAAL rate would increase
  - Removing these "subsidies" by depooling would materially increase SJC's rates, and slightly reduce rates for the other employers
- Second, as part of the spinoff some SJC utility employees will terminate or retire earlier than expected
  - This increases the AAL and UAAL rate, whether pooled or not
- Third, the spinoff reduces SJC's payroll by $1,770,000 or 22%
  - Materially reduces SJC's share of the pooled UAAL payment
  - This last effect is the reason for the Declining Employer Payroll Policy
  - Note that Rate Group 2 payroll is about $1.1 billion so the decrease in the Rate Group payroll is about 0.16%

SJC Contributions and Liability Upon Spinoff

➢ Three choices that the Board may consider

Depool SJC from the rest of the employers in Rate Group 2

- SJC pays increased depooled NC and UAAL rates in new rate group
- Other employers pay slightly decreased NC and UAAL rates

Alternative #1: SJC remains in pool in Rate Group 2 and all employers share change in UAAL rate

- SJC pays pooled NC and UAAL rates in Rate Group 2 based on reduced SJC payroll
- SJC and other employers pay increased UAAL rate due to reduction in SJC payroll

Alternative #2: SJC remains in pool in Rate Group 2 and only SJC pays for change in UAAL rate

- SJC pays pooled NC and UAAL rates in Rate Group 2 based on reduced SJC payroll
- SJC makes additional payment so total value of UAAL contributions is same as before the reduction in SJC payroll
  - This offsets (avoids) increased UAAL contribution rate for other employers

SJC Contribution and Liability Upon Spinoff ($000) (Based on Preliminary List of Utility Employees)

	12/31/17 Valuation Results (Pooled and Before Spinoff)		12/31/17 Valuation Results (Depooled and Before Spinoff)		Depooled and After Spinoff		Alt #1: SJC Remains in Pool & All Employers Share Higher UAAL Rate from Reduced SJC Payroll		Alt #2: SJC Remains in Pool & SJC Makes Additional UAAL Payment	
	Rate	Contr	Rate	Contr	Rate	Contr	Rate	Contr	Rate	Contr
Er NC	11.67%	$930	12.68%	$1,011	12.46%	$773	11.30%	$701	11.30%	$701
Er UAAL*	22.67%	$1,808	26.28%	$2,096	36.37%	$2,257	22.71%	$1,409	22.67% **	$1,407 **
Total	34.34%	$2,738	38.96%	$3,107	48.83%	$3,030	34.01%	$2,110	33.97% **	$2,108 **
Payroll		$7,975		$7,975		$6,205		$6,205		$6,205
* Present Value UAAL payments		$23,884		$26,962		$28,005		$18,617		$23,884

** Plus Additional UAAL Payment of $23,884,000 - $18,617,000 = $5,267,000, in either single sum or installments

SJC Contribution and Liability Upon Spinoff

- **Depool SJC from the rest of the employers in Rate Group 2**
  - Remove current subsidy received by SJC from pooled NC and UAAL rates
  - Increase in employer SJC NC rates to reflect specific profile of SJC employees
    - **From 11.67% (pooled) to 12.68% (depooled) to 12.46% (after spinoff)**
    - CalPEPRA Tier Member NC rates also increase
  - Apply Board's Declining Employer Payroll Policy to allocate assets to SJC in new rate group based on SJC's proportion of AAL within cost group
    - Increase in SJC UAAL rates from 34.34% to 38.96% before spinoff
    - Also increase in SJC UAAL rates to reflect additional $1 million AAL due to SJC utility employees terminating or retiring earlier than expected
    - **UAAL payment (000s): $1,808 (pooled); $2,096 (depooled); $2,257 (spinoff)**
    - Assuming continued use of level percent of payroll to amortize UAAL
- Other employers pay slightly decreased NC and UAAL rates
  - Total rate decrease of about 0.03% of pay due to removing subsidy to SJC

SJC Contribution and Liability Upon Spinoff

➢ **Alt #1: SJC remains in Rate Group 2 pool and all employers share change in UAAL rate due to SJC's reduced payroll**

- Allows SJC to continue to receive current subsidies implicit in pooled NC and UAAL rates for Rate Group 2
  - SJC also retains advantages of pooled demographic experience and contribution rate stability
- No change in SJC NC rates (employer and employee) under each plan or formula
  - Change in aggregate normal cost rate is only from change in number of members in various plans after spinoff
- SJC's current UAAL payment decreases by about $400,000 because of SJC's reduced payroll
  - From $1,808,000 to $1,409,000
  - Value of all future UAAL payments decreases from $23,884,000 to $18,617,000
- Increase in UAAL rate (0.04% of payroll) for all employers in Rate Group 2
  - Due to 0.16% reduction in total Rate Group 2 payroll
    - » $1,770,000 out of $1.1 billion
  - Rate Group 2 total employer annual UAAL contributions increase by about $0.4 million (with rounding, same as the decrease for SJC)

Alt #1: Cost Impact on Rate Group 2 Employers

Employer	12/31/2017 Projected Payroll (After Reflecting SJC's Reduced Payroll)	Increase in UAAL Rate	Increase in UAAL Dollar Contribution
Orange County	$967,891,000	0.04%	$387,156
O.C. Retirement System	$6,698,000	0.04%	$2,679
City of San Juan Capistrano	$6,205,000	0.04%	$2,482*
O.C. Children & Families Commission	$984,000	0.01%	$98
Local Agency Formation Commssion	$430,000	0.04%	$172
O.C. Superior Court	$109,066,000	0.04%	$43,626
Total	$1,091,274,000		$436,213

* This amount does not reflect the $400,000 reduction in SJC's UAAL contributions due to the reduction in SJC's payroll.

SJC Contribution and Liability Upon Spinoff

➢ **Alt #2: SJC remains in pool in Rate Group 2 and only SJC pays change in UAAL rate**

- Allows SJC to continue to receive current subsidies implicit in pooled NC and UAAL rates for Rate Group 2
  - SJC also retains advantages of pooled demographic experience and contribution rate stability
- No change in SJC NC rates (employer and employee) under each plan or formula
  - Change in aggregate normal cost rate is only from change in number of members in various plans after spinoff
- Increase in UAAL rate (0.04% of pay) under Alt #1 is paid instead by SJC
  - No change in UAAL rates for other employers in Rate Group 2.
- SJC makes additional payment(s) so total value of SJC's UAAL contributions is same as before the reduction in SJC payroll
- Present value of additional UAAL payments for SJC is $5,267,000
  - = $23,884,000 minus $18,617,000
  - Paid in lump sum or level dollar installments
  - For example, 20 installments of about $500,000 per year

I-1

Orange County Employees Retirement System
Retirement Board Meeting
May 20, 2019
Application Notices

Member Name	Agency/Employer	Retirement Date
Adams, Jeffrey	Fire Authority (OCFA)	3/15/2019
Adamson, Randall	Fire Authority (OCFA)	3/15/2019
Aguilar, Arcelia	Probation	2/15/2019
Aguirre, Gerard	Health Care Agency	3/15/2019
Ahuja, Mahendra	Sheriff's Dept	3/1/2019
Alekoumbides, Karen	Child Support Services	3/1/2019
Alexander, Leann	District Attorney	3/15/2019
Alquisira, Elizabeth	Health Care Agency	3/4/2019
Angell, Lisa	Probation	3/15/2019
Aponte, Delia	Health Care Agency	3/15/2019
Ayala, Sergio	Cemetery District	3/15/2019
Baker, Thom	OC Public Works	3/15/2019
Beard, Kris	OC Public Works	3/15/2019
Beau, Paula	Health Care Agency	3/15/2019
Biggs, Anabel	Social Services Agency	3/15/2019
Biggs, Richard	District Attorney	3/15/2019
Bond, Dorothy	Child Support Services	3/21/2019
Bower, Jeffrey	Social Services Agency	3/15/2019
Brazao, Kelly	Probation	3/15/2019
Bryant, Kelly	Sheriff's Dept	3/15/2019
Buch, Amy	Health Care Agency	3/15/2019
Buitrago, Annabella	Social Services Agency	3/29/2019
Burnett, Edwin	District Attorney	3/15/2019
Campobasso, Pasquale	Sheriff's Dept	3/6/2019
Cano, Carlos	Social Services Agency	3/1/2019
Cardenas, Saul	Sheriff's Dept	3/15/2019
Carlson, John	Probation	3/15/2019
Carrasco, Eduardo	OC Public Works	3/15/2019
Carter, Kathleen	Social Services Agency	3/15/2019
Caspersen, Sheryl	Sheriff's Dept	3/15/2019
Cataline, Michael	Sheriff's Dept	3/1/2019
Chavers, Troy	Sheriff's Dept	3/5/2019
Chavez, Jerry	Sheriff's Dept	3/15/2019
Chin, Lily	Auditor Controller	3/8/2019
Cleveringa, Wes	Social Services Agency	2/26/2019
Coppock, Cindi	Sheriff's Dept	3/15/2019
Coppock, John	Sheriff's Dept	3/15/2019
Crawford, Carla	Superior Court	3/29/2019
Dahl, James	Sheriff's Dept	3/15/2019
Dallman, Mason	OCTA	3/22/2019
Daniels, Dan	Sheriff's Dept	3/15/2019
Davis, Roger	OCTA	3/9/2019
Dawes, Roger	Sheriff's Dept	3/15/2019
Day, James	Fire Authority (OCFA)	3/15/2019
De Los Reyes, Aurora	District Attorney	3/15/2019
Dewey, Bri	Health Care Agency	3/15/2019
Dickan, Thomas	Sheriff's Dept	3/15/2019
Dinh, Valerie	Social Services Agency	3/8/2019
Doan, Heather	Social Services Agency	3/15/2019

Member Name	Agency/Employer	Retirement Date
Dobbins, Melissa	Treasurer - Tax Collector	3/22/2019
Dunn, John	Sheriff's Dept	12/28/2018
Earl, Jacqueline	OC Public Works	3/15/2019
Echevarria-Lopez, Olga	Probation	3/5/2019
England, James	Sheriff's Dept	3/15/2019
Escobar, Susana	Health Care Agency	3/15/2019
Espinosa, Nannette	District Attorney	3/2/2019
Felipe, James	OC Public Works	3/15/2019
Fennessy, Denise	Health Care Agency	3/23/2019
Files, Victoria	Sheriff's Dept	3/15/2019
Flores, Rosemary	Sheriff's Dept	3/15/2019
Flynn, Colleen	Superior Court	3/22/2019
Forsman, Roberta	Superior Court	3/15/2019
Fountas, William	Sheriff's Dept	3/15/2019
Frankel, Ileen	OC Community Resources	3/15/2019
Franzen, Jeffrey	Sheriff's Dept	3/2/2019
Gahring, Marcia	Superior Court	3/15/2019
Geary, Kevin	Sheriff's Dept	3/15/2019
Ghosh, Arati	Auditor Controller	3/15/2019
Givant, Karen	Superior Court	3/15/2019
Gonzales, Lee	Social Services Agency	3/15/2019
Gotter, James	Sheriff's Dept	3/15/2019
Grover, William	Sheriff's Dept	3/6/2019
Grubaugh, Donna	Health Care Agency	3/5/2019
Haller, David	Probation	3/15/2019
Handler, Eric	Health Care Agency	3/15/2019
Hartman, Werner	Sheriff's Dept	3/15/2019
Hernandez, Sam	Sheriff's Dept	3/15/2019
Iyer, Bina	Sheriff's Dept	3/15/2019
Javed, Asea	Social Services Agency	3/6/2019
Jones, Michael	Probation	3/2/2019
Jung, Diana	District Attorney	3/15/2019
Kallman, Richard	Fire Authority (OCFA)	12/28/2018
Kaminske, Sara	Sheriff's Dept	3/4/2019
Kim, Joe	District Attorney	3/15/2019
Kircher, Steven	Fire Authority (OCFA)	3/15/2019
Kubasek, Christopher	OC Public Works	3/15/2019
Land, Gloria	Superior Court	3/15/2019
Land, Gloria	Child Support Services	3/15/2019
Landrito, Maurito	Health Care Agency	2/25/2019
Lange, Mark	Sheriff's Dept	3/15/2019
Lee, Mark	Sheriff's Dept	3/15/2019
Leonard, Douglas	Sheriff's Dept	3/15/2019
Lievanos, Norma	Assessor	3/15/2019
Lindsey, Carlton	County Executive Office (CEO)	3/23/2019
Lore, Doreen	Probation	3/15/2019
Luna, Martha	Probation	3/1/2019
Luna-Dipietro, Gloria	Superior Court	3/15/2019
Macias, Benjamin	Social Services Agency	3/15/2019
Madigan, Melinda	Superior Court	3/15/2019
Marcum, Alan	County Counsel	3/15/2019
Marquez, James	Health Care Agency	3/15/2019
Marquez, Lorraine	Health Care Agency	3/15/2019
Marshall, Audrey	Health Care Agency	3/15/2019
Martinez, Elaine	Health Care Agency	3/15/2019
Martinez, Rogelia	Treasurer - Tax Collector	3/4/2019
Matthews, Christopher	OCWR	3/15/2019

Member Name	Agency/Employer	Retirement Date
Mc Graw, Joseph	Sheriff's Dept	3/8/2019
Mcglone, Deborah	Health Care Agency	3/15/2019
Mckeown, Gregory	Fire Authority (OCFA)	3/15/2019
Mckeown, Kevin	OC Public Works	3/15/2019
Medrano, Rita	Probation	3/15/2019
Meier, Shannon	Sheriff's Dept	3/15/2019
Mejia-Aguayo, Luis Miguel	Superior Court	3/15/2019
Minten, Lyle	Sheriff's Dept	3/15/2019
Morris, Carol	Sheriff's Dept	3/15/2019
Motoike, Joanne	Public Defender	3/15/2019
Muleady, Donna	Sheriff's Dept	3/15/2019
Myhill, Susie	Sheriff's Dept	3/15/2019
Nester, Eric	Sheriff's Dept	3/15/2019
Newtown, Bob	Health Care Agency	3/15/2019
Nguyen, Dung	Superior Court	3/15/2019
Nguyen, Ky	OC Public Works	3/29/2019
Nguyen, Loanne	Social Services Agency	4/9/2019
Nguyen, Olivia	Social Services Agency	3/15/2019
Nguyen, Son	John Wayne Airport	3/15/2019
Nixon, Michael	Sheriff's Dept	3/15/2019
Njust, David	Sheriff's Dept	3/22/2019
Nolen, Joann	Social Services Agency	3/15/2019
Obermeier, Douglas	Fire Authority (OCFA)	3/15/2019
Oborny, Richard	Fire Authority (OCFA)	3/20/2019
Olms, Irma	Health Care Agency	3/6/2019
Orne, Carl	District Attorney	3/15/2019
Ortega, Michael	Probation	3/15/2019
Ortiz, Juana	Sheriff's Dept	3/15/2019
Packard, Lawrence	Sheriff's Dept	3/15/2019
Parchman, Sharon	Superior Court	3/1/2019
Parenteau, Brent	Sheriff's Dept	3/4/2019
Parmeter, Carla	Health Care Agency	3/1/2019
Paulick, Theresa	Sheriff's Dept	3/15/2019
Paulsen Smith, Laurie	Social Services Agency	3/15/2019
Perales, Leah	Probation	3/15/2019
Perez, Sherene	Social Services Agency	3/21/2019
Phan, Diep	Social Services Agency	3/15/2019
Phan, Ngoc	OC Public Works	3/15/2019
Phommasa, Arounsy	Auditor Controller	3/4/2019
Placentia, Teresa	Public Defender	3/15/2019
Plant, Darolyn	Health Care Agency	3/15/2019
Popescu, Mihaela	Sheriff's Dept	3/15/2019
Priegel, Scott	OC Public Works	3/15/2019
Ramirez, Darline	OC Community Resources	3/15/2019
Ramos, Zeferino	Social Services Agency	3/15/2019
Rawlings, Stewart	Sheriff's Dept	3/15/2019
Reichardt Lima, Victoria	Sheriff's Dept	3/15/2019
Reyes, Evelyn	Probation	3/15/2019
Reynolds, Carmen	Health Care Agency	3/11/2019
Rhein, Susan	Social Services Agency	3/15/2019
Richvalsky, Steve	OC Public Works	3/15/2019
Rodriguez, Richard	Sheriff's Dept	3/15/2019
Rodriguez, Victor	Probation	3/15/2019
Rudy, John	Sheriff's Dept	3/15/2019
Salcido, Darla	Probation	3/29/2019
Samra, Kim	Sheriff's Dept	3/15/2019
Sanger, Douglas	Probation	3/15/2019

Member Name	Agency/Employer	Retirement Date
Shearer, Janet	Sheriff's Dept	3/4/2019
Shirakawa, Robin	Sheriff's Dept	3/15/2019
Slate, Karim	Fire Authority (OCFA)	3/15/2019
Smith, Guy	Sheriff's Dept	3/15/2019
Smith, Robert	Sheriff's Dept	3/15/2019
Snaith, Jonelle	Sheriff's Dept	3/15/2019
Stansbery, Wesley	OC Public Works	3/15/2019
Stein, Lewis	Sheriff's Dept	3/15/2019
Steinkraus, Michael	Health Care Agency	3/15/2019
Stribling, Jack	County Executive Office (CEO)	3/15/2019
Strozier, James	Health Care Agency	3/15/2019
Sullivan, Charles	District Attorney	3/15/2019
Sumalpong, Rosita	Health Care Agency	3/25/2019
Summers, Nicholas	John Wayne Airport	3/5/2019
Swart, Michelle	Social Services Agency	3/29/2019
Swe, Win	Auditor Controller	3/15/2019
Taylor, Shay	Probation	3/15/2019
Telles, Lisa	Transportation Corridor Agency (TCA)	3/20/2019
Thompson, Russell	Sheriff's Dept	3/15/2019
Tiffer, Richard	OC Public Works	3/2/2019
Todd, Timothy	Probation	3/15/2019
Torrence, Dianna	Cemetery District	3/15/2019
Tran, Tuyet	Child Support Services	3/15/2019
Tunstall, Seth	Sheriff's Dept	3/5/2019
Turner, Terry	Superior Court	3/22/2019
Vale, Theresita	Health Care Agency	3/17/2019
Van Houten, Judith	OCTA	3/10/2019
Ventress, Lisa	Social Services Agency	3/15/2019
Villavicencio, Richard	Probation	3/15/2019
Vo, Lisa	Social Services Agency	3/2/2019
Volkas, Suzanne	Health Care Agency	3/2/2019
Vong, Elaine	Social Services Agency	3/15/2019
Vu, Thuan	Auditor Controller	2/25/2019
Vuong, Sylvia	Social Services Agency	3/8/2019
Wadsworth, Erik	Probation	3/15/2019
Walker, Cassandra	OCTA	3/18/2019
Waters, Pamela	OC Community Resources	3/15/2019
Weldon, Linda	County Counsel	3/6/2019
Westrick, Denise	Health Care Agency	3/15/2019
White, Richard	Sheriff's Dept	3/15/2019
Williams, Sharon	Superior Court	3/15/2019
Yopp, Nancy	Probation	3/1/2019
Young, Linda	Health Care Agency	2/8/2019
Zamora, Rodney	Probation	3/15/2019
Zazuetta, Guadalupe	Superior Court	3/15/2019
Zuber, Richard	Sheriff's Dept	3/15/2019

Orange County Employees Retirement
Retirement Board Meeting
May 20, 2019
Death Notices

Retired Members	*Agency/Employer*
Box, Thomas	OCTA
Camarena, Ruth	Probation
Crow, James	OCTA
Danielson, Mark	Fire Authority (OCFA)
Delaney, Jewel	Probation
Evans, Jim	OC Public Works
Gates. Jeannine	Superior Court
Johnson, Patricia	Social Services Agency
Jones, Norma	OC Public Works
Kuhter, James	Probation
Lopez, Raul	OCWR
Nash, Charlene	OCTA
Nichols, Elizabeth	Department of Education
Phillips, Carol	Registrar of Voters
Sanneman, Larry	Sheriff's Dept
Tagliapietra, Cary	Health Care Agency
Washington, James	County of Orange
Watkins, Adrienne	Sheriff's Dept
Winninghoff, Janet	Health Care Agency

Surviving Spouses	
Guth, Rachael	
Mayer, Leonore	
Sims, Helen	

I-2

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **COMMITTEE MEETING MINUTES**

This memorandum serves as a placeholder to inform you that there will be no printed materials for this section of the board book this month.

Submitted by:

Steve Delaney
Chief Executive Officer

I-3

Memorandum

DATE: May 09, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **CEO FUTURE AGENDAS AND 2019 OCERS BOARD WORK PLAN**

Written Report

AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

JUNE

December 31, 2018 Actuarial Valuation – Final Approval
Strategic Planning Workshop – Proposed Agenda
OCERS 2019 Business Plan and 2020-2021 Strategic Plan
Approve 2018 CAFR
Receive Financial Audit

JULY

Travel and Training Expense Report
Strategic Planning Workshop – Final Agenda
Consideration of early payment of Employer Contributions for fiscal year 2020-2021

AUGUST

OCERS by the Numbers
The Evolution of the OCERS UAAL
Employer Employee Contribution Matrix
Annual Succession Planning Report

Submitted by:

Steve Delaney
Chief Executive Officer

OCERS RETIREMENT BOARD - 2019 Work Plan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
System Oversight		STAR COLA Posting **(I)**	Approve 2019 STAR COLA **(A)**		Preliminary December 31, 2018 Valuation **(I)**	Mid-Year Review of 2019 Business Plan Progress **(I)**	Approve Early Payment Rates for Fiscal Year 2018-19 **(A)**	Review 2nd Quarter Budget to Actuals Financial Report **(I)**	Strategic Planning Workshop **(I)**	Overview of 2020 Administrative Budget and Investment (Workshop) **(I)**	Review 3rd Quarter Budget to Actuals Financial Report **(I)**	
		Approve 2019 COLA **(A)**	Quarterly 2019-2021 Strategic Plan Review **(A)**			Approve December 31, 2018 Actuarial Valuation & Funded Status of OCERS **(A)**		Receive OCERS by the Numbers **(I)**		Approve 2020-2022 Strategic Plan **(A)**	Approve 2020 Administrative (Operating) Budget **(A)**	
						Approve 2018 CAFR **(A)**		Receive Evolution of the UAAL **(I)**		Approve 2020 Business Plan **(A)**	Annual CEO Performance Review and Compensation **(A)**	
						Quarterly 2019-2021 Strategic Plan Review **(A)**		Employer & Employee Pension Cost Comparison **(I)**				
												Adopt 2020 Board Meeting Calendar **(A)**
Board Governance				Brown Act Training **(I)**				Annual Review of Succession Plan **(I)**				Adopt Annual Work Plan for 2020 **(A)**
				Conflict of Interest Training **(I)**								Vice-Chair Election **(A)**
Regulation / Policies	Communication Policy Fact Sheet **(I)**											
Compliance				Form 700 Due **(A)**		Receive Financial Audit **(I)**			State of OCERS **(A)**		Status of Board Education Hours for 2019 **(I)**	

(A) = Action | **(I) = Information**

I-4

Memorandum

DATE: May 6, 2019

TO: Members of the Board of Retirement

FROM: Jim Doezie, Contracts, Risk and Performance Administrator

SUBJECT: **QUIET PERIOD – NON-INVESTMENT CONTRACTS**

Written Report
Background/Discussion

1. Quiet Period Policy Guidelines

The following guidelines established by the Quiet Period Policy, section 3.c, will govern a search process for any contract to be awarded by OCERS:

"…Board Members and OCERS staff shall not knowingly communicate with any party financially interested in any prospective contract with OCERS regarding the contract, the services to be provided under the contract or the selection process;"

2. Quiet Period Guidelines

In addition, the following language is included in all distributed RFP's:

"From the date of issuance of this RFP until the selection of one or more respondents is completed and announced, respondents are not permitted to communicate with any OCERS staff member or Board Members regarding this procurement, except through the Point of Contact named herein. Respondents violating the communications prohibition may be disqualified at OCERS' discretion. Respondents having current business with OCERS must limit their communications to the subject of such business."

Distributed RFP's

The RFP's noted below are subject to the quiet period until such time as a contract(s) is finalized.

- An RFP was distributed for Hearing Officer Services in October, 2018. Submissions deadline was December 4th, 2018. Interviews have been conducted and final evaluations are in progress.

Submitted by:

Jim Doezie
Contracts, Risk and Performance Administrator

I-5

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **LEGISLATIVE UPDATE**

Written Report

Background/Discussion

The California Legislature convened on December 3, 2018 to commence the 2019 – 2020 legislative session. May 31, 2019 is the last day for bills to pass out of their houses of origin.

A comprehensive list and description of the pending bills that staff is monitoring is attached. Below is a brief summary of the bills that may be of greater interest to the Board. **New or updated information since the last report to the Board are indicated in bold text.**

SACRS Sponsored Bills

- **SB 783 (Senate Committee on Labor, Public Employees and Retirement)**
  The CERL authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension and death benefits to county and district employees. This bill would correct several erroneous and obsolete cross-references within CERL.
  (STATUS: Introduced 03/07/19. **Passed out of committee on 04/24/19. Read second time; ordered to third reading on 04/25/19**.)

Bills That Would Amend the CERL or Other Laws That Apply to OCERS

- **AB 249 (Choi)**
  This bill would prohibit a public employer from deterring or discouraging a public employee or an applicant to be a public employee from opting out of becoming or remaining a member of an employee organization. The bill would prohibit a public employer from taking adverse action against a public employee or applicant to be a public employee who opts out of becoming or remaining a member of an employee organization and would specify that adverse action includes reducing a public employee's current level of pay or benefits.
  (STATUS: Introduced 01/22/19. **First hearing in committee; failed passage on 04/03/19.**)

- **AB 287 (Voepel)**
  Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a

fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's internet website no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.
(STATUS: Introduced 01/28/19. Referred to the Committee on P.E. & R on 02/07/19.)

- **AB 472 (Voepel)**
  PEPRA establishes various limits on retirement benefits generally applicable to a public employee retirement system, as defined. The act prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would make non-substantive changes to that provision.
  (STATUS: Introduced 02/11/19. Pending committee assignment.)

- **AB 664 (Cooper)** Amended 03/13/19 to apply only to Sacramento County.
  The CERL provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers in the County of Sacramento, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill would require the board of retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become eligible for disability retirement pursuant to the bill's provisions. The bill would repeal these provisions on December 31, 2024.
  (STATUS: Introduced 02/15/19. **Passed out of committee on 04/24/19. Read second time; ordered to third reading on 04/25/19.)**

- **AB 992 (Mullin) Amended on 04/22/19.**
  The Brown Act generally requires that the meetings of legislative bodies of local agencies be conducted openly. That act defines "meeting" for purposes of the act and ~~**expressly excludes certain activities** from the application of the act.~~ **prohibits a majority of the members of a legislative body, outside a meeting authorized by the act, from using a series of communications of any kind to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the**

legislative body. This bill would provide that the ~~**act**~~ **prohibition described above** does not apply to the ~~**posting, commenting, liking, interaction with, or participation in, internet-based social media platforms that are ephemeral, live, or static**~~, **participation, as defined, in an internet-based social media platform, as defined,** by a majority of the members of a legislative body, provided that a majority of the members do not discuss among themselves**, as defined,** business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency**.**
(STATUS: Introduced 02/21/19. **Amended and re-referred to Committee on L. Gov. on 04/23/19.)**

- **AB 1184 (Gloria)**
  The California Public Records Act requires a public agency, defined to mean any state or local agency, to make public records available for inspection, subject to certain exceptions. Existing law specifies that public records include any writing containing information relating to the conduct of the public's business, including writing transmitted by electronic mail. The act requires any agency that has any information that constitutes a public record not exempt from disclosure, to make that public record available in accordance with certain provisions and authorizes every agency to adopt regulations stating the procedures to be followed when making its records available, if the regulations are consistent with those provisions. Existing law authorizes cities, counties, and special districts to destroy or to dispose of duplicate records that are less than two years old when they are no longer required by the city, county, or special district, as specified.

  This bill would, unless a longer retention period is required by statute or regulation, require a public agency for purposes of the California Public Records Act to retain and preserve for at least 2 years every writing containing information relating to the conduct of the public's business prepared, owned, or used by any public agency that is transmitted by electronic mail or other similar messaging system. (STATUS: Passed out of committee; read second time, amended and re-referred to the Committee on APPR. on 04/25/19.)

- **AB 1198 (Stone**)
  PEPRA, among other things, establishes new retirement formulas, which are generally applicable to employees first employed on or after January 1, 2013, and which a public employer offering a defined benefit pension plan is prohibited from exceeding. PEPRA excepts certain public employees from its provisions, including certain transit workers whose interests are protected by specified federal law until a federal district court ruled that a United States Department of Labor determination that the application of PEPRA to these workers violated federal law was in error, or until January 1, 2016, as specified. A district court ruling to this effect occurred on December 31, 2014. This bill would except transit workers hired before January 1, 2016, from PEPRA by removing the federal district court contingency language from the provision excepting certain transit workers from PEPRA, as described above.
  (STATUS: Introduced 02/21/19. **Set for first hearing in committee; hearing cancelled at the request of author on 04/24/19.)**

- **AB 1212 (Levine)**
  Existing law authorizes the boards of CalPERS, CalSTRS, and the '37 Act systems, consistent with their fiduciary duties and investment standards, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project. This bill would require a state agency that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described above, and to provide the list to those boards. The state agency would be required to provide further project information to a board upon request. (STATUS: Introduced 02/21/19. **Passed out of Committee on P.E. & R. and re-referred to Committee on APPR. on 04/24/19.)**

- **AB 1819 (Committee on Judiciary) Amended 04/11/19.**
  The California Public Records Act requires state and local agencies to make public records available upon receipt of a request that reasonably describes an identifiable record not otherwise exempt from disclosure, and upon payment of fees to cover costs. This bill would grant the requester the right to use the requester's equipment, without being charged any fees or costs, to photograph or otherwise copy or reproduce any **~~physical~~** record upon inspection and on the premises of the agency, unless the means of copy or reproduction would result in damage to the record, or unauthorized access to a computer system of the agency or secured network, as specified. The bill would authorize the agency to impose any reasonable limits on the use of the requester's equipment **that are necessary to protect the safety of the records or to prevent the copying of records from being an unreasonable burden to the orderly function of the agency and its employees. The bill would authorize the agency to impose any limit** that is necessary to maintain the integrity **~~of~~ of, or ensure the long-term preservation of,** historic or high-value records**~~, as specified~~.** By imposing additional duties and responsibilities upon local agencies in connection with requests for inspection of records, this bill constitutes a state-mandated local program. (STATUS: Introduced 03/26/19. **Passed out of Committee on JUD on 04/10/19. Amended and re-referred to Committee of APPR. on 04/22/19. Passed out of committee on 04/24/19. Read second time and ordered to third reading on 04/25/19.)**

- **SB 430 (Wieckowski)**
  PEPRA prohibits a public employer offering a defined benefit pension plan from exceeding specified retirement formulas for new members and prohibits an enhancement of a public employee's retirement formula or benefit adopted after January 1, 2013, from applying to service performed prior to the operative date of the enhancement. PEPRA defines "new member" to include an individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to that date; an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was a member of another public retirement system prior to that date, but who was not subject to reciprocity under specified law; or an individual who was an active member in a retirement system and who, after a break in service of more than 6 months, returned to active membership in that system with a new employer. This bill would specifically exclude from the definition of "new member" a judge, as defined in specified existing law, elected to office before January 1, 2013.

(STATUS: Introduced 02/21/19. **Re-referred to Committee on APPR. on 04/10/19; heard on 04/22/19 and placed on APPR. Suspense File.)**

- **SB 518 (Wieckowski)**
  The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. This bill, for purposes of the award of court costs and reasonable attorney's fees pursuant to the above provisions, would specifically notwithstand a provision of existing law that prescribes the withholding or augmentation of costs if an offer is made before judgment or award in a trial or arbitration.
  (STATUS: Introduced 02/21/19. **Passed out of committee and re-referred to Committee on APPR. 04/24/19.)**

- **SB 615 (Hueso)**
  The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. The act permit any person to institute proceedings for injunctive or declaratory relief or a writ of mandate to enforce the right to receive a copy of any public record covered by the act. This bill would require a person to meet and confer in good faith with the agency in an attempt to informally resolve each issue before instituting any proceeding for injunctive or declarative relief or writ of mandate. The bill would require the person or their attorney to file a declaration stating that this has occurred at the time that proceedings are instituted. Because the declaration would be made under penalty of perjury, the bill would expand the definition of a crime and impose a state-mandated local program. This bill contains other related provisions and other existing laws.
  (STATUS: Introduced 02/22/19. Referred to Committee on JUD. on 03/14/19.)

- **SB 749 (Durazo)**
  The California Public Records Act provides that nothing in the act requires the disclosure of corporate proprietary information including trade secrets, among other things. This bill would provide that records relating to wages, benefits, working hours, and other employment terms and conditions of employees working for a private industry employer pursuant to a contract with a state or local agency shall not be deemed to be trade secrets under the act. The bill would also provide that records of compliance with local, state, or federal domestic content requirements and records of a private industry employer's compliance with job creation, job quality, or job retention obligations contained in a contract or agreement with a state or local agency shall not be deemed trade secrets under the act.
  (STATUS: Introduced 02/22/19. **Passed out of committee; re-referred to Committee on APPR. on 04/25/19. Read second time; ordered to third reading on 04/25/19.)**

Other Bills of Interest

- **AB 1332 (Bonta)**
  This bill**,** ~~**would enact**~~ the Sanctuary State Contracting ~~**and Investment**~~ Act, ~~**which**~~ would, among other things, **require the Department of Justice, commending on January 1, 2020, and quarterly thereafter, to publish a list on its internet website, based on specified criteria, of each person or entity that, in the opinion of the Department of Justice, is providing data broker, extreme vetting, or detention facilities support to any federal immigration agency, as specified. The bill would** prohibit a state or local agency from entering into a new, amended, or extended contract or agreement with any person or entity that ~~**provides a federal immigration agency with any data broker, extreme vetting, or detention facilities services, as defined,**~~ **appears on the list published by the Department of Justice** unless the state or local agency has made a finding that no reasonable alternative exists, as specified. The bill would exempt **certain** contracts **or agreements from these provisions** related to ~~**retirement or retirement obligations that would impact investments or pensions from these**~~ **provisions the administration of retirement benefits and investment of moneys for retirement benefits, as specified**. This bill would authorize the Department of Justice to initiate, and require the department to receive and investigate, all complaints regarding violations of these provisions, and would require the department to issue findings regarding any alleged violation and notify any affected state or local agency. By increasing the duties of local officials, this bill would impose a state-mandated local program. Additionally, this bill would make a violation of these provisions subject to civil and criminal penalties, thereby imposing a state-mandated local program.
  (STATUS: Introduced 02/22/19. **Amended and re-referred to the Committee on P.E. & R. on 04/11/19. Re-referred to Committee on JUD. Amended and re-referred to Committee on APPR. on 04/25/19. Read second time and amended on 04/29/19**.)

- **SB 53 (Wilk)**
  The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in a meeting of a state body, subject to certain conditions and exceptions. This bill would specify that the definition of "state body" includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of 3 or more individuals, as prescribed, except a board, commission, committee, or similar multimember body on which a member of a body serves in his or her official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body, whether the multimember body is organized and operated by the state body or by a private corporation. This bill would declare that it is to take effect immediately as an urgency statute.
  (STATUS: Introduced 12/10/18. **Passed out of Senate; read first time in Assembly on 04/22/19.)**

- **SB 715 (Galgiani)**
  The California Constitution establishes the University of California as a public trust with full powers of organization and government, subject only to specified limitations. Under this independent constitutional authority, the University of California established retirement systems to provide various

retirement benefits to its members. Existing law prohibits the University of California from contracting for services unless a contractor certifies that the services will be performed solely by workers within the United States or if the contractor's bid describes any work that will be performed by workers outside the United States. This bill would prohibit the University of California from contracting for services with an asset manager for a defined contribution plan if that plan is a stand-alone optional plan that is not a complement to a defined benefit pension plan. The bill would apply this prohibition to a contract entered into on or after January 1, 2015.
(STATUS: Introduced 02/22/19. **Failed to pass out of committee. Reconsideration granted 04/24/19.)**

Bills that Apply to CalPERS and/or CalSTRS Only:

- **AB 181 (Rodriguez)**
  This bill would require CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives**,** to be defined by the boards**,** regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define "emerging manager" for purposes of these provisions.
  (STATUS: Introduced 01/09/19. **Referred to APPR. Suspense File on 04/10/19)**

- **AB 462 (Rodriguez)**
  CalPERS provides defined benefits to members of the system based on final compensation, credited service, and age at retirement, subject to certain variations. PERL defines terms for its purposes, including a county peace officer. PERL prescribes, among other things, the disability allowance for a state miscellaneous member upon industrial disability retirement as 50% of the member's final compensation, unless otherwise provided. PERL also defines a county police officer for PERS purposes. This bill would make non-substantive changes to the provisions defining a county peace officer and prescribing the disability allowance for a state miscellaneous member upon industrial disability retirement. This bill contains other related provisions and other existing laws.
  (STATUS: Introduced 02/11/19. **Passed out of Assembly; read first time in Senate; referred to Committee on RLS. for assignment on 04/29/19.)**

- **AB 644 (Committee on Public Employment and Retirement)**
  Existing law applicable to CalSTRS defines compensation earnable for the purpose of benefit calculations as the creditable compensation a person could earn in a school year for creditable service performed on a full time basis, and defines creditable compensation as remuneration paid in cash by an employer to all persons in the same class of employees for performing creditable service in that position. Existing law also requires employers to make contributions to the CalSTRS system based on the member's creditable compensation. This bill would revise the definition of compensation earnable for the purposes of CalSTRS to be the sum of the average annualized pay rate, as defined, paid in a school year divided by the service credited for that school year and the remuneration paid in addition to salary or wages. The

bill would make various conforming changes in accordance with the revised definition of compensation earnable.

Existing law applicable to CalSTRS requires an employer to certify that the member's employment has been terminated, unless the member's termination of employment occurred 12 consecutive months or more prior to the date the application for a termination of benefits is received by the system. This bill would require the employer certification to be in a format prescribed by CalSTRS and would specify that the application for a termination benefit must be received at the system's headquarters office.

Existing law authorizes specified CalSTRS members who, on January 1, 1976, are in state service positions or are employees of the Trustees of the California State University, to elect to not continue as members of CalSTRS and to transfer to CalPERS. This bill would repeal these provisions.
(STATUS: Introduced 02/15/19. **Passed out of committee and re-referred to Committee on APPR. on 04/24/19.)**

- **AB 672 (Cervantes)**
  CalPERS provides pension and other benefits to members of the system and prescribes conditions for service after retirement. PERL and PEPRA establish various limits on retirement benefits generally applicable to a public employee retirement system, and prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would prohibit a person who has retired for disability from being employed by any employer without reinstatement from retirement if the position is the position from which the person retired or if the position includes duties or activities that the person was previously restricted from performing at the time of retirement, unless an exception applies. The bill would require, if a person retired for disability is employed by an employer without reinstatement, an employer to provide to the board the nature of the employment and the duties and activities the person will perform.
  (STATUS: Introduced 02/15/19. **Passed out of committee and re-referred to Committee on APPR. on 04/24/19.)**

- **AB 1452 (O'Donnell)**
  Existing law also creates the CalSTRS Cash Balance Benefit Program, which is administered by the CalSTRS board, to provide a retirement plan for the benefit of participating employees who provide creditable service for less than 50% of full time. This bill would prohibit aggregating creditable service in more than one position for the purpose of determining mandatory membership on a part-time basis for 50% or more of the time the employer requires for a full-time position, as specified. This bill contains other related provisions and other existing laws.
  (STATUS: Introduced 02/22/19. **Passed out of committee and re-referred to Committee on APPR. on 04/24/19.)**

- **SB 266 (Leyva**)
  Under existing law, CalPERS is responsible for correcting errors and omissions in the administration of the system and the payment of benefits. Existing law requires the board to correct all actions taken as a

result of errors or omissions of the state or a contracting agency, in accordance with certain procedures. This bill would establish new procedures under PERL for cases in which CalPERS determines that the benefits of a member or annuitant are, or would be, based on compensation that conflicts with PEPRA and other specified laws and thus impermissible under PERL. The bill would also apply these procedures retroactively to determinations made on or after January 1, 2017, if an appeal has been filed and the employee member, survivor, or beneficiary has not exhausted their administrative or legal remedies. At the threshold, after determining that compensation for an employee member reported by the state, school employer, or a contracting agency is disallowed, the bill would require the applicable employer to discontinue the reporting of the disallowed compensation. The bill would require that contributions made on the disallowed compensation, for active members, be credited against future contributions on behalf of the state, school employer, or contracting agency that reported the disallowed compensation and would require that the state school employer, or contracting agency to return to the member any contributions paid by the member or on the member's behalf.
(STATUS: Introduced 02/12/19. **Placed on APPR. Suspense File on 04/08/19.)**

- **SB 341 (Morell)**
  Existing law requires the CalPERS and CalSTRS retirement boards to provide annual reports to the Legislature and the Governor with regard to investment returns on assets of CalPERS and CalSTRS, respectively. As part of these reports, the boards are required to calculate and report on the rate of return on investments based on different assumptions. This bill would require the Board of Administration of CalPERS to report a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. The bill would require the CalSTRS Retirement Board to provide a description of the discount rate the board uses for reporting liabilities, a calculation of liabilities based on a discount rate that is 2% below the long-term rate of return assumed by the board, and a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. This bill would also appropriate $1 billion from the General Fund for transfer to the Teachers' Retirement Fund to reduce the unfunded liability of the STRS defined benefit program, and appropriate another $1 billion to the Teachers' Retirement Fund if the Legislative Analyst determines in the May Revision of the 2019-20 Budget that the State has collected more than $1 billion in unanticipated General Fund revenue. This bill contains other related provisions and amendments other existing laws.
  (STATUS: Introduced 02/19/19. Referred to Committee on L., P.E. & R on 02/28/19. Set for hearing on 03/27/19. Failed passage in committee. Reconsideration granted.)

Divestment Proposals (CalPERS and CalSTRS Only)

- **AB 33 (Bonta)**
  This bill would prohibit the CalPERS and CalSTRS from making new investments or renewing existing investments of public employee retirement funds in a private prison company, as defined. This bill would require the boards to liquidate investments in private prison companies on or before July 1, 2020, and would require the boards, in making a determination to liquidate investments, to constructively engage with private prison companies to establish whether the companies are transitioning their

business models to another industry. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the constitution. The bill would provide that board members and other officers and employees shall be held harmless and be eligible for indemnification in connection with actions taken pursuant to the bill's requirements, as specified. The bill would make related legislative findings and declarations.
(STATUS: Introduced 12/03/18. Referred to Committee on P.E. & R on 01/17/19. **Second hearing cancelled at the request of author 04/24/19.)**

- **AB 1320 (Nazarian)**
  This bill, upon the passage of a federal law that imposes sanctions on Turkey for failure to acknowledge the Armenian Genocide, would prohibit the boards of administration of CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in Turkey that is issued by the government of Turkey or that is owned, controlled, or managed by the government of Turkey. The bill would require the boards to liquidate existing investments in Turkey in these types of investment vehicles within 6 months of the passage of a federal law imposing those sanctions on Turkey. The bill would require these boards, within one year of the passage of a federal law imposing those sanctions on Turkey, to make a specified report to the Legislature and the Governor regarding these actions. The bill would specify that its provisions do not require a board to take any action that the board determines in good faith is inconsistent with its constitutional fiduciary responsibilities to the retirement system. The bill would indemnify from the General Fund and hold harmless the present, former, and future board members, officers, and employees of, and investment managers under contract with, the boards, in connection with actions relating to these investments. The bill would repeal these provisions if a determination is made by the Department of State or the Congress of the United States, or another appropriate federal agency, that the government of Turkey has officially acknowledged its responsibility for the Armenian Genocide.
  (STATUS: Introduced 02/22/19. **Referred to Committee on APPR. suspense file on 04/24/19.)**

Attachments

Submitted by:

Gina M. Ratto

Gina M. Ratto
General Counsel

2019 - 2020 LEGISLATIVE SESSION BILLS OF INTEREST
LEGISLATIVE UPDATE (MAY 18, 2019) – ATTACHMENT

New or updated information in bold text

AB 33 (Bonta)
This bill would prohibit the CalPERS and CalSTRS from making new investments or renewing existing investments of public employee retirement funds in a private prison company, as defined. This bill would require the boards to liquidate investments in private prison companies on or before July 1, 2020, and would require the boards, in making a determination to liquidate investments, to constructively engage with private prison companies to establish whether the companies are transitioning their business models to another industry. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the constitution. The bill would provide that board members and other officers and employees shall be held harmless and be eligible for indemnification in connection with actions taken pursuant to the bill's requirements, as specified. The bill would make related legislative findings and declarations.
(STATUS: Introduced 12/03/18. Referred to Committee on P.E. & R on 01/17/19. **Second hearing canceled at request of author.**)

AB 181 (Rodriguez)
This bill would require CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives**,** to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define "emerging manager" for purposes of these provisions.
(STATUS: Introduced 01/09/19. **Referred to APPR Suspense File on 04/10/19**.)

AB 249 (Choi)
This bill would prohibit a public employer from deterring or discouraging a public employee or an applicant to be a public employee from opting out of becoming or remaining a member of an employee organization. The bill would prohibit a public employer from taking adverse action against a public employee or applicant to be a public employee who opts out of becoming or remaining a member of an employee organization and would specify that adverse action includes reducing a public employee's current level of pay or benefits.
(STATUS: Introduced 01/22/19. Referred to Committee on P.E. & R on 02/07/19. **First hearing in committee; failed passage on 04/03/19.**)

AB 287 (Voepel)

Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's internet website no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.
(STATUS: Introduced 01/28/19. Referred to the Committee on P.E. & R on 02/07/19.)

AB 346 (Cooper)

Existing law establishes a workers' compensation system, administered by the Administrative Director of the Division of Workers' Compensation, to compensate an employee for injuries sustained in the course of employment. Existing law provides that certain peace officers, firefighters, and other specified state and local public employees are entitled to a leave of absence without loss of salary while disabled by injury or illness arising out of and in the course of employment. The leave of absence is in lieu of temporary disability payments or maintenance allowance payments otherwise payable under the workers' compensation system. This bill would add police officers employed by a school district, county office of education, or community college district to the list of public employees entitled to a leave of absence without loss of salary, in lieu of temporary disability payments, while disabled by injury or illness arising out of and in the course of employment.
(STATUS: Introduced 02/04/19. **Passed out of Assembly; read first time in Senate; referred to Committee on RLS. for assignment on 04/29/19**.)

AB 462 (Rodriguez)

CalPERS provides defined benefits to members of the system based on final compensation, credited service, and age at retirement, subject to certain variations. PERL defines terms for its purposes, including a county peace officer. PERL prescribes, among other things, the disability allowance for a state miscellaneous member upon industrial disability retirement as 50% of the member's final compensation, unless otherwise provided. PERL also defines a county police officer for PERS purposes. This bill would make nonsubstantive changes to the provisions defining a county peace officer and prescribing the disability allowance for a state miscellaneous member upon industrial disability retirement. This bill contains other related provisions and other existing laws.
(STATUS: Introduced 02/11/19. **Passed out of Assembly; read first time in Senate; referred to Committee on RLS. for assignment on 04/23/19.**)

AB 472 (Voepel)
PEPRA establishes various limits on retirement benefits generally applicable to a public employee retirement system, as defined. The act prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would make non-substantive changes to that provision.
(STATUS: Introduced 02/11/19. Pending committee assignment.)

AB 510 (Cooley)
Existing law authorizes the head of a department of a county or city, or the head of a special district to destroy recordings of routine video monitoring maintained by that county, city, or special district after one year if that person receives approval from the legislative body and the written consent of the agency attorney. Existing law authorizes the head of a department of a county or city, or the head of a special district to destroy recordings of telephone and radio communications maintained by that county, city, or special district after 100 days if that person receives approval from the legislative body and the written consent of the agency attorney. This bill would exempt the head of a department of a county or city, or the head of a special district from these recording retention requirements if the county, city, or special district adopts a records retention policy governing recordings of routine video monitoring and recordings of telephone and radio communications.
(STATUS: Introduced 02/13/19. Referred to Committee on L. Gov. on 02/21/19.)

AB 644 (Committee on Public Employment and Retirement)
Existing law applicable to CalSTRS defines compensation earnable for the purpose of benefit calculations as the creditable compensation a person could earn in a school year for creditable service performed on a full time basis, and defines creditable compensation as remuneration paid in cash by an employer to all persons in the same class of employees for performing creditable service in that position. Existing law also requires employers to make contributions to the CalSTRS system based on the member's creditable compensation. This bill would revise the definition of compensation earnable for the purposes of CalSTRS to be the sum of the average annualized pay rate, as defined, paid in a school year divided by the service credited for that school year and the remuneration paid in addition to salary or wages. The bill would make various conforming changes in accordance with the revised definition of compensation earnable.

Existing law applicable to CalSTRS requires an employer to certify that the member's employment has been terminated, unless the member's termination of employment occurred 12 consecutive months or more prior to the date the application for a termination of benefits is received by the system. This bill would require the employer certification to be in a format prescribed by CalSTRS and would specify that the application for a termination benefit must be received at the system's headquarters office.

Existing law authorizes specified CalSTRS members who, on January 1, 1976, are in state service positions or are employees of the Trustees of the California State University, to elect to not continue as members of CalSTRS and to transfer to CalPERS. This bill would repeal these provisions.

(STATUS: Introduced 02/15/19. **Passed out of committee and re-referred to Committee on APPR. on 04/24/19.)**

AB 664 (Cooper) Amended 03/13/19 to apply only to Sacramento County.
The CERL provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers in the County of Sacramento, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill would require the board of retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become eligible for disability retirement pursuant to the bill's provisions. The bill would repeal these provisions on December 31, 2024.
(STATUS: Introduced 02/15/19. **Passed out of committee on 04/24/19. Read second time; ordered to third reading on 04/25/19.)**

AB 672 (Cervantes)
CalPERS provides pension and other benefits to members of the system and prescribes conditions for service after retirement. PERL and PEPRA establish various limits on retirement benefits generally applicable to a public employee retirement system, and prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would prohibit a person who has retired for disability from being employed by any employer without reinstatement from retirement if the position is the position from which the person retired or if the position includes duties or activities that the person was previously restricted from performing at the time of retirement, unless an exception applies. The bill would require, if a person retired for disability is employed by an employer without reinstatement, an employer to provide to the board the nature of the employment and the duties and activities the person will perform.
(STATUS: Introduced 02/15/19. **Passed out of committee and re-referred to Committee on APPR. on 04/24/19.)**

AB 979 (Reyes)
Existing law establishes the Judges' Retirement System II, which CalPERS administers. Existing law authorizes a judge who is a member of the system and who retires upon attaining both 65 years of age and 20 or more years of service, or upon attaining 70 years of age with a minimum of 5 years of service, to elect from specified retirement benefits including a monthly pension. Existing law requires a judge who leaves judicial office after accruing 5 or more years of service, but who has not reached the applicable age of retirement, to be paid a lump sum equal to monetary credits that accrued while in office, as specified. Existing law authorizes a judge who, among other things, separates from office after accruing 5 or more years of service and has not reached 65

years of age to continue health care benefits if the judge assumes certain payments. Existing law specifies benefits provided to a surviving spouse or other beneficiary in relation to these provisions.

This bill would authorize a judge who is a member of the system to retire upon attaining both 63 years of age and 15 or more years of service, or when a judge who has accrued at least 5 years of service and who has not received specified discipline is defeated for reelection. The bill would authorize a judge who is not otherwise eligible to retire and who has either attained 60 years of age with a minimum of 5 years of service or accrued 15 or more years of service to leave the judge's monetary credits on deposit with the system, to retire, and upon reaching retirement age, as specified, to receive a retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify the monthly allowance provided to a surviving spouse or other beneficiary and would make other conforming changes in relation to these provisions. This bill contains other related provisions and other existing laws.
(STATUS: Introduced 02/21/19. **Set for first hearing in committee; hearing canceled at request of author on 04/24/19.)**

AB 992 (Mullin)
The Brown Act generally requires that the meetings of legislative bodies of local agencies be conducted openly. That act defines "meeting" for purposes of the act and **~~expressly excludes certain activities from the application of the act.~~ prohibits a majority of the members of a legislative body, outside a meeting authorized by the act, from using a series of communications of any kind to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body.** This bill would provide that the **prohibition described above** does not apply to the **~~posting, commenting, liking, interaction with, or participation, as defined, in, internet-based social media platforms that are ephemeral, live, or static,~~ participation, as defined, in an internet-based social media platform, as defined,** by a majority of the members of a legislative body, provided that a majority of the members do not discuss among themselves**, as defined,** business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency**.**
(STATUS: Introduced 02/21/19. **Amended and re-referred to Committee on L. Gov. on 04/23/19.)**

AB 1184 (Gloria)
The California Public Records Act requires a public agency, defined to mean any state or local agency, to make public records available for inspection, subject to certain exceptions. Existing law specifies that public records include any writing containing information relating to the conduct of the public's business, including writing transmitted by electronic mail. The act requires any agency that has any information that constitutes a public record not exempt from disclosure, to make that public record available in accordance with certain provisions and authorizes every agency to adopt regulations stating the procedures to be followed when making its records available, if the regulations are consistent with those provisions. Existing law authorizes cities, counties, and special districts to destroy or to dispose of duplicate records that are less than two years old when they are no longer required by the city, county, or special district, as specified.

This bill would, unless a longer retention period is required by statute or regulation, require a public agency for purposes of the California Public Records Act to retain and preserve for at least 2 years every writing containing information relating to the conduct of the public's business prepared, owned, or used by any public agency that is transmitted by electronic mail or other similar messaging system.
(STATUS: Passed out of committee; read second time, amended and re-referred to the Committee on APPR. on 04/25/19.)

AB 1198 (Stone)
PEPRA, among other things, establishes new retirement formulas, which are generally applicable to employees first employed on or after January 1, 2013, and which a public employer offering a defined benefit pension plan is prohibited from exceeding. PEPRA excepts certain public employees from its provisions, including certain transit workers whose interests are protected by specified federal law until a federal district court ruled that a United States Department of Labor determination that the application of PEPRA to these workers violated federal law was in error, or until January 1, 2016, as specified. A district court ruling to this effect occurred on December 31, 2014. This bill would except transit workers hired before January 1, 2016, from PEPRA by removing the federal district court contingency language from the provision excepting certain transit workers from PEPRA, as described above.
(STATUS: Introduced 02/21/19. **Set for first hearing in committee; hearing canceled at request of author on 04/24/19**.)

AB 1212 (Levine)
Existing law authorizes the boards of CalPERS, CalSTRS, and the '37 Act systems, consistent with their fiduciary duties and investment standards, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project. This bill would require a state agency that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described above, and to provide the list to those boards. The state agency would be required to provide further project information to a board upon request.
(STATUS: Introduced 02/21/19. **Passed of Committee on P.E. & R. and re-referred to Committee on APPR. on 04/24/19.)**

AB 1320 (Nazarian)
This bill, upon the passage of a federal law that imposes sanctions on Turkey for failure to acknowledge the Armenian Genocide, would prohibit the boards of administration of CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in Turkey that is issued by the government of Turkey or that is owned, controlled, or managed by the government of Turkey. The bill would require the boards to liquidate existing investments in Turkey in these types of investment vehicles within 6 months of the passage of a federal law imposing those sanctions on Turkey. The bill would require these boards, within one year of the passage of a federal law imposing those sanctions on Turkey, to make a specified report to the Legislature and the Governor regarding these actions. The bill would specify that its provisions do not require a board to take any action that the board determines in good

faith is inconsistent with its constitutional fiduciary responsibilities to the retirement system. The bill would indemnify from the General Fund and hold harmless the present, former, and future board members, officers, and employees of, and investment managers under contract with, the boards, in connection with actions relating to these investments. The bill would repeal these provisions if a determination is made by the Department of State or the Congress of the United States, or another appropriate federal agency, that the government of Turkey has officially acknowledged its responsibility for the Armenian Genocide.
(STATUS: Introduced 02/22/19. **Referred to Committee on APPR. Suspense File on 04/24/19.)**

AB 1332 (Bonta)
This bill**,** ~~**would enact**~~ the Sanctuary State Contracting ~~**and Investment**~~ Act, ~~**which**~~ would, among other things, **require the Department of Justice, commending on January 1, 2020, and quarterly thereafter, to publish a list on its internet website, based on specified criteria, of each person or entity that, in the opinion of the Department of Justice, is providing data broker, extreme vetting, or detention facilities support to any federal immigration agency, as specified. The bill would** prohibit a state or local agency from entering into a new, amended, or extended contract or agreement with any person or entity that ~~**provides a federal immigration agency with any data broker, extreme vetting, or detention facilities services, as defined,**~~ **appears on the list published by the Department of Justice** unless the state or local agency has made a finding that no reasonable alternative exists, as specified. The bill would exempt **certain** contracts **or agreements from these provisions** related to ~~**retirement or retirement obligations that would impact investments or pensions from these**~~ **provisions the administration of retirement benefits and investment of moneys for retirement benefits, as specified**. This bill would authorize the Department of Justice to initiate, and require the department to receive and investigate, all complaints regarding violations of these provisions, and would require the department to issue findings regarding any alleged violation and notify any affected state or local agency. By increasing the duties of local officials, this bill would impose a state-mandated local program. Additionally, this bill would make a violation of these provisions subject to civil and criminal penalties, thereby imposing a state-mandated local program.
(STATUS: Introduced 02/22/19. **Amended and re-referred to the Committee on P.E. & R. on 04/11/19. Re-referred to Committee on JUD. Amended and re-referred to Committee on APPR. on 04/25/19. Read second time and amended on 04/29/19**.)

AB 1452 (O'Donnell)
Existing law also creates the CalSTRS Cash Balance Benefit Program, which is administered by the CalSTRS board, to provide a retirement plan for the benefit of participating employees who provide creditable service for less than 50% of full time. This bill would prohibit aggregating creditable service in more than one position for the purpose of determining mandatory membership on a part-time basis for 50% or more of the time the employer requires for a full-time position, as specified. This bill contains other related provisions and other existing laws.
(STATUS: Introduced 02/22/19. **Passed out of committee and re-referred to Committee on APPR. on 04/24/19.)**

AB 1819 (Committee on Judiciary)
The California Public Records Act requires state and local agencies to make public records available upon receipt of a request that reasonably describes an identifiable record not otherwise exempt from disclosure, and upon payment of fees to cover costs. This bill would grant the requester the right to use the requester's equipment, without being charged any fees or costs, to photograph or otherwise copy or reproduce any ~~**physical**~~ record upon inspection and on the premises of the agency, unless the means of copy or reproduction would result in damage to the record, or unauthorized access to a computer system of the agency or secured network, as specified. The bill would authorize the agency to impose any reasonable limits on the use of the requester's equipment **that are necessary to protect the safety of the records or to prevent the copying of records from being an unreasonable burden to the orderly function of the agency and its employees. The bill would authorize the agency to impose any limit** that is necessary to maintain the integrity of historic or high-value records~~**, as specified**~~. By imposing additional duties and responsibilities upon local agencies in connection with requests for inspection of records, this bill constitutes a state-mandated local program.
(STATUS: Introduced 03/26/19. **Passed out of Committee on JUD on 04/10/19. Amended and re-referred to Committee on APPR. on 04/22/19. Passed out of committee on 04/24/19. Read second time and ordered to third reading on 04/25/19.**)

SB 53 (Wilk)
The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in a meeting of a state body, subject to certain conditions and exceptions. This bill would specify that the definition of "state body" includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of 3 or more individuals, as prescribed, except a board, commission, committee, or similar multimember body on which a member of a body serves in his or her official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body, whether the multimember body is organized and operated by the state body or by a private corporation. This bill would declare that it is to take effect immediately as an urgency statute.
(STATUS: Introduced 12/10/18. **Passed out of Senate; read first time in Assembly on 04/22/19.)**

SB 184 (Moorlach)
Existing law establishes the Judges' Retirement System II, which CalPERS administers. Existing law authorizes a judge who is a member of the system and who retires upon attaining both 65 years of age and 20 or more years of service, or upon attaining 70 years of age with a minimum of 5 years of service, to elect from specified retirement benefits including a monthly pension. Existing law requires a judge who leaves judicial office after accruing 5 or more years of service, but who has not reached the applicable age of retirement, to be paid a lump sum equal to monetary credits that accrued while he or she was in office, as specified. Existing law authorizes a judge who, among other things, separates from office after accruing 5 or more years of service and has not reached 65 years of age to continue health care benefits if he or she assumes certain payments. Existing law specifies benefits provided to a surviving spouse or other beneficiary in relation to these provisions.

This bill would authorize a judge who is not otherwise eligible to retire and who has either attained 60 years of age with a minimum of 5 years of service or accrued 20 or more years of service to leave his or her monetary credits on deposit with the system, to retire, and upon reaching retirement age, as specified, to receive a retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify the monthly allowance provided to a surviving spouse or other beneficiary and would make other conforming changes in relation to these provisions. The bill would also provide, for the purposes of the Judges' Retirement System II, and for a judge first appointed or elected to office on or after January 1, 2020, that a surviving spouse is a spouse who was married to the judge continuously from the date of retirement until the judge's death.

Existing law establishes the Public Employees' Medical and Hospital Care Act (PEMHCA) for the purpose of providing health care benefits to employees and annuitants, as defined. PEMHCA defines an annuitant for purposes of receiving postretirement health benefits as including, among others, a person who retires within 120 days of separation from public employment and a judge who receives the above-described lump sum payment of monetary credits. Contributions and premiums paid under PEMHCA are deposited in the Public Employees' Contingency Reserve Fund, which is continuously appropriated.

This bill would authorize a judge who elects to retire as described above, but is not yet receiving his or her retirement allowance, to continue health care benefits upon separation from office if he or she assumes specified payments. The bill would include these judges within the definition of annuitant upon commencement of the judge's retirement allowance, thereby authorizing the judge to receive applicable postretirement health benefits. By authorizing the use of continuously appropriated funds for a new purpose, and by depositing additional amounts into a continuously appropriated fund, this bill would make an appropriation.
(STATUS: Introduced 01/30/19. **Placed on APPR. Suspense File on 04/08/19.)**

SB 266 (Leyva)
Under existing law, CalPERS is responsible for correcting errors and omissions in the administration of the system and the payment of benefits. Existing law requires the board to correct all actions taken as a result of errors or omissions of the state or a contracting agency, in accordance with certain procedures. This bill would establish new procedures under PERL for cases in which CalPERS determines that the benefits of a member or annuitant are, or would be, based on compensation that conflicts with PEPRA and other specified laws and thus impermissible under PERL. The bill would also apply these procedures retroactively to determinations made on or after January 1, 2017, if an appeal has been filed and the employee member, survivor, or beneficiary has not exhausted their administrative or legal remedies. At the threshold, after determining that compensation for an employee member reported by the state, school employer, or a contracting agency is disallowed, the bill would require the applicable employer to discontinue the reporting of the disallowed compensation. The bill would require that contributions made on the disallowed compensation, for active members, be credited against future contributions on behalf of the state, school employer, or contracting agency that reported the disallowed

compensation and would require that the state school employer, or contracting agency to return to the member any contributions paid by the member or on the member's behalf.
(STATUS: Introduced 02/12/19. **Placed on APPR. Suspense File on 04/08/19.)**

SB 341 (Morell)
Existing law requires the CalPERS and CalSTRS retirement boards to provide annual reports to the Legislature and the Governor with regard to investment returns on assets of CalPERS and CalSTRS, respectively. As part of these reports, the boards are required to calculate and report on the rate of return on investments based on different assumptions. This bill would require the Board of Administration of CalPERS to report a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. The bill would require the CalSTRS Retirement Board to provide a description of the discount rate the board uses for reporting liabilities, a calculation of liabilities based on a discount rate that is 2% below the long-term rate of return assumed by the board, and a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. This bill would also appropriate $1 billion from the General Fund for transfer to the Teachers' Retirement Fund to reduce the unfunded liability of the STRS defined benefit program, and appropriate another $1 billion to the Teachers' Retirement Fund if the Legislative Analyst determines in the May Revision of the 2019-20 Budget that the State has collected more than $1 billion in unanticipated General Fund revenue. This bill contains other related provisions and amendments other existing laws.
(STATUS: Introduced 02/19/19. Referred to Committee on L., P.E. & R on 02/28/19. Set for hearing on 03/27/19. Failed passage in committee. Reconsideration granted.)

SB 430 (Wieckowski)
PEPRA prohibits a public employer offering a defined benefit pension plan from exceeding specified retirement formulas for new members and prohibits an enhancement of a public employee's retirement formula or benefit adopted after January 1, 2013, from applying to service performed prior to the operative date of the enhancement. PEPRA defines "new member" to include an individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to that date; an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was a member of another public retirement system prior to that date, but who was not subject to reciprocity under specified law; or an individual who was an active member in a retirement system and who, after a break in service of more than 6 months, returned to active membership in that system with a new employer. This bill would specifically exclude from the definition of "new member" a judge, as defined in specified existing law, elected to office before January 1, 2013.
(STATUS: Introduced 02/21/19. **Re-referred to Committee on APPR. on 04/10/19; heard on 04/22/19 and placed on APPR. Suspense File.)**

SB 518 (Wieckowski)
The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are

exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. This bill, for purposes of the award of court costs and reasonable attorney's fees pursuant to the above provisions, would specifically notwithstand a provision of existing law that prescribes the withholding or augmentation of costs if an offer is made before judgment or award in a trial or arbitration.
(STATUS: Introduced 02/21/19. **Passed out of committee and re-referred to Committee on APPR. on 04/24/19.)**

SB 615 (Hueso)
The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. The act permit any person to institute proceedings for injunctive or declaratory relief or a writ of mandate to enforce the right to receive a copy of any public record covered by the act. This bill would require a person to meet and confer in good faith with the agency in an attempt to informally resolve each issue before instituting any proceeding for injunctive or declarative relief or writ of mandate. The bill would require the person or their attorney to file a declaration stating that this has occurred at the time that proceedings are instituted. Because the declaration would be made under penalty of perjury, the bill would expand the definition of a crime and impose a state-mandated local program. This bill contains other related provisions and other existing laws.
(STATUS: Introduced 02/22/19. Referred to Committee on JUD. on 03/14/19.)

SB 715 (Galgiani)
The California Constitution establishes the University of California as a public trust with full powers of organization and government, subject only to specified limitations. Under this independent constitutional authority, the University of California established retirement systems to provide various retirement benefits to its members. Existing law prohibits the University of California from contracting for services unless a contractor certifies that the services will be performed solely by workers within the United States or if the contractor's bid describes any work that will be performed by workers outside the United States. This bill would prohibit the University of California from contracting for services with an asset manager for a defined contribution plan if that plan is a stand-alone optional plan that is not a complement to a defined benefit pension plan. The bill would apply this prohibition to a contract entered into on or after January 1, 2015.
(STATUS: Introduced 02/22/19. **Failed to pass out of committee; reconsideration granted on 04/24/19**.)

SB 749 (Durazo)
The California Public Records Act provides that nothing in the act requires the disclosure of corporate proprietary information including trade secrets, among other things. This bill would provide that records relating to wages, benefits, working hours, and other employment terms and conditions of employees working for a private industry employer pursuant to a contract with a state or local agency shall not be deemed to be trade secrets under the act. The bill would also provide that records of compliance with local, state, or federal

domestic content requirements and records of a private industry employer's compliance with job creation, job quality, or job retention obligations contained in a contract or agreement with a state or local agency shall not be deemed trade secrets under the act.
(STATUS: Introduced 02/22/19. **Passed out of committee; re-referred to Committee on APPR. Read second time, amended and re-referred to Committee on APPR. on 04/29/19**.)

SB 783 (Senate Committee on Labor, Public Employees and Retirement)
The CERL authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension and death benefits to county and district employees. This bill would correct several erroneous and obsolete cross-references within CERL.
(STATUS: Introduced 03/07/19. **Passed out of committee on 04/24/19. Read second time; ordered to third reading on 04/25/19**.)

2019 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE AND THE OFFICE OF THE CHIEF CLERK
October 31, 2018 (revised)

JANUARY

S	M	T	W	TH	F	S
		1	2	3	4	5
6	**7**	8	9	**10**	11	12
13	14	15	16	17	18	19
20	**21**	22	23	24	**25**	26
27	28	29	30	31		

FEBRUARY

S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	**18**	19	20	21	**22**	23
24	25	26	27	28		

MARCH

S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	**29**	30
31						

APRIL

S	M	T	W	TH	F	S
	1	2	3	4	5	6
7	8	9	10	**11**	12	13
14	15	16	17	18	19	20
21	**22**	23	24	25	**26**	27
28	29	30				

MAY

S	M	T	W	TH	F	S
			1	2	**3**	4
5	6	7	8	9	**10**	11
12	13	14	15	16	**17**	18
19	20	21	22	23	24	25
26	**27**	**28**	**29**	**30**	**31**	

DEADLINES

Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).

Jan. 7 Legislature **reconvenes** (J.R. 51(a)(1)).

Jan. 10 Budget must be submitted by Governor (Art. IV, Sec. 12(a)).

Jan. 21 Martin Luther King, Jr. Day.

Jan. 25 Last day to submit **bill requests** to the Office of Legislative Counsel

Feb. 18 Presidents' Day.

Feb. 22 Last day for **bills to be introduced** (J.R. 61(a)(1)), (J.R. 54(a)).

Mar. 29 Cesar Chavez Day observed.

Apr. 11 **Spring recess** begins upon adjournment of this day's session (J.R. 51(a)(2)).

Apr. 22 **Legislature reconvenes** from Spring recess (J.R. 51(a)(2)).

Apr. 26 Last day for **policy committees** to hear and report to **fiscal committees fiscal bills** introduced in their house (J.R. 61(a)(2)).

May 3 Last day for **policy committees** to hear and report to the Floor **nonfiscal bills** introduced in their house (J.R. 61(a)(3)).

May 10 Last day for **policy committees** to meet prior to June 3 (J.R. 61(a)(4)).

May 17 Last day for **fiscal committees** to hear and report to the Floor bills introduced in their house (J.R. 61(a)(5)). Last day for **fiscal committees** to meet prior to June 3 (J.R. 61(a)(6)).

May 27 Memorial Day.

May 28-31 **Floor Session Only.**
No committees, other than conference or Rules committees, may meet for any purpose (J.R. 61(a)(7)).

May 31 Last day for bills to be **passed out of the house of origin** (J.R. 61(a)(8)).

*Holiday schedule subject to Rules committee approval.

2019 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE AND THE OFFICE OF THE CHIEF CLERK

October 31, 2018 (revised)

JUNE						
S	M	T	W	TH	F	S
						1
2	**3**	4	5	6	7	8
9	10	11	12	13	14	**15**
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Jun. 3 Committee meetings may resume (J.R. 61(a)(9)).

Jun. 15 **Budget Bill** must be **passed** by **midnight** (Art. IV, Sec. 12(c)(3)).

JULY						
S	M	T	W	TH	F	S
	1	2	3	**4**	5	6
7	8	9	**10**	11	**12**	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Jul. 4 Independence Day.

Jul. 10 Last day for **policy committees** to hear and report **fiscal bills** to **fiscal committees** (J.R. 61(a)(10)).

Jul. 12 Last day for **policy committees** to meet and report bills (J.R. 61(a)(11)). **Summer recess** begins upon adjournment of this day's session, provided Budget Bill has been passed (J.R. 51(a)(3)).

AUGUST						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	**12**	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	**30**	31

Aug. 12 **Legislature reconvenes** from Summer recess (J.R. 51(a)(3)).

Aug. 30 Last day for **fiscal committees** to meet and report bills to Floor (J.R. 61(a)(12)).

SEPTEMBER						
S	M	T	W	TH	F	S
1	**2**	**3**	**4**	**5**	**6**	7
8	**9**	**10**	**11**	**12**	**13**	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Sep. 2 Labor Day.

Sep. 3-13 **Floor Session Only.** No committees, other than conference and Rules committees, may meet for any purpose (J.R. 61(a)(13)).

Sep. 6 Last day to **amend bills on the floor** (J.R. 61(a)(14)).

Sep. 13 Last day for **each house to pass bills** (J.R. 61(a)(15)). **Interim Study Recess** begins upon adjournment of this day's session (J.R. 51(a)(4)).

*Holiday schedule subject to Senate Rules committee approval.

IMPORTANT DATES OCCURRING DURING INTERIM STUDY RECESS

2019

Oct. 13 Last day for Governor to sign or veto bills passed by the Legislature on or before Sep. 13 and in the Governor's possession after Sep. 13 (Art. IV, Sec.10(b)(1)).

2020

Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).

Jan. 6 Legislature reconvenes (J.R. 51 (a)(4)).

I-6

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **BOARD COMMUNICATIONS**

Written Report

Background/Discussion

To ensure that the public has free and open access to those items that could have bearing on the decisions of the Trustees of the Board of Retirement, the OCERS Board has directed that all written communications to the entire Board during the interim between regular Board meetings be included in a monthly communications summary.

News Links

The various news and informational articles that have been shared with the full Board are being provided to you here by web link address. By providing the links in this publicly available report, we comply with both the Brown Act public meeting requirements, as well as avoid any copyright issues.

The following news and informational item was provided by staff and the CEO for distribution to the entire Board:

Molly Murphy:

- Pension Bridge: 3 State Pension Plans Bare All on Funding Messes
https://www.ai-cio.com/news/pension-bridge-3-state-pension-plans-bare-funding-messes/

Steve Delaney:

- Example of challenges faced when a Joint Powers entity closes with existing UAAL
https://www.uniondemocrat.com/localnews/7110388-151/city-county-must-still-pay-618k-in-pension

- Sad state of retirement preparation in US will lead to crisis in future
https://www.fool.com/retirement/2019/04/14/5-jaw-dropping-stats-about-americans-retirement-sa.aspx

Attached: OCERS Activities and Updates for March 2019.

Submitted by:

Steve Delaney
Chief Executive Officer

To the members of the OCERS Board of Retirement,

The following is my regular monthly summary of OCERS staff activity, starting with an overview of key customer service statistics as well as activity highlights followed by updates for the month of March 2019.

TOP 3 MEMBER QUESTIONS:

The top three questions of the month as received by OCERS' counseling staff:

QUESTION ONE:

Q: How do I calculate what my COLA amount this year will be?

A: To determine your 2019 Cost of Living Adjustment, just add your base benefit amount and all previously accumulated COLAs together, and then multiply the result by 3%. The result is the amount that will be added to your benefit as of the May 1st payment.

QUESTION TWO:

Q: How can I change my Tax Withholding election?

A: There are several ways to submit a tax withholding change to OCERS. The easiest way is to login to the MyOCERS portal and submit the change there. Alternately, you may download the Tax Withholding Change Form from the OCERS website, then submit it by mail or fax. In all cases, the changes will be processed by OCERS within 2 weeks of our receiving the request.

QUESTION THREE:

Q: When can I get an updated Award Letter with the new benefit amount, including the new COLA?

A: OCERS will post COLA to eligible accounts before April 25. A member may login to the MyOCERS portal anytime thereafter and select "Award Letter" from the Shortcuts menu. The letter that generates will reflect the updated total benefit amount.

Customer Service Statistics

Member Approval: 99%

Un-Planned Recalculations: 1

Retirement Applications Received:

Mar - 2019	107
Feb - 2019	199
Jan – 2019	258
Dec – 2018	54
Nov – 2018	85
Oct – 2018	49
Sept - 2018	40
Aug - 2018	55
Jul - 2018	67
Jun - 2018	44
Apr - 2018	73
Mar - 2018	51
Feb - 2018	163
Jan - 2018	204
Dec - 2017	58
Nov - 2017	75
Oct - 2017	47
Sep - 2017	42
Aug - 2017	*69*
Jul - 2017	48
Jun - 2017	65
May - 2017	60

MEMBER SERVICES TELEPHONE METRICS

Member Services Call History			
Month / Year	Incoming Calls Through Queue	Incoming Calls Direct to Extension	Total Calls (Queue + Direct)
March 2019	*	3315	3315
March 2018	2395	3106	5501
March 2017	1366	4135	5501

*Queue call metrics unavailable this month due to sporadic issues with Mitel's Phone Reporting .

UPDATES

FINAL AVERAGE SALARY COMPONENTS REVIEW PROJECT

We continue to make good progress on the Salary and Pay Item review project. The individual Pay Item summary spreadsheets were prepared, with the results of the pensionable/comp earnable analysis performed by the team, and then submitted to all the OCERS employers for review and feedback. The outstanding questions and issues have been discussed and reviewed by the project team and the plan sponsors and most of the issues have been resolved. Only four employers, the County, OCERS, Fire Authority, and Superior Court, still have outstanding issues. One outstanding issue involves replacing the generic MT (Miscellaneous Pay Taxable) pay code with more specific codes. Mike is working with the County to address each special district and determine what new pay codes are required to replace the MT code. Monthly meetings with the CEO are being held to review the project status and address any policy issues. Information regarding the project and policy documents have been provided to employers, labor organizations and the Governance Committee. Board Policies, including the Compensation Earnable Policy and the Pensionable Compensation Policy, have been posted to the OCERS website.

INVESTMENT DEPARTMENT

David Beeson reports on March activities:

As of February 28, 2019, the portfolio year-to-date is up 4.6% net of fees, while the one-year return is up 2.2%. The fund value now stands at $16.2 billion. At the March 28th Investment Committee meeting, TorreyCove presented the 3rd quarter 2018 private real assets performance update. Since inception, OCERS' private real assets portfolio has a net IRR of 6.5%. TorreyCove also presented the 3rd quarter 2018 private equity performance update. Since inception, OCERS' private equity portfolio has a net IRR of 13.4%. OCERS' staff and TorreyCove then presented a private equity asset class review. The Committee approved the pacing plan of $400-$450 million in private equity commitments in 2019 to maintain the 10% target allocation to private equity. Next, OCERS' staff presented a review of the custody relationship with State Street. Ms. Murphy informed the Committee on her plan to have regular annual reviews of the complementary service providers to the investment process including the cash overlay program, proxy services process, and custody relationship with State Street. Finally, the Investment Committee discussed the Meketa and PCA contracts given the fact that Meketa and PCA have completed their merger. The Committee voted to terminate the existing PCA contract and gave staff direction to negotiate for the continued presence of Allan Emkin at quarterly meetings and for the continued delivery of the PCA quarterly risk report for the remainder of 2019. The Committee asked OCERS' staff to bring back the associated costs for those contract requests at the April Investment Committee meeting.

OCERS BUILDING - REMODEL

As the Board moves forward with what is likely a two-year project to remodel and update the OCERS headquarters building, I have asked that Ms. Brenda Shott provide a monthly update via this document. Below is the first of her reports, summarizing activity through March 2019:

After obtaining the Board's direction to move forward with putting together a project plan to renovate our existing building, OCERS hired Mark A. Smith and Associates as an Owner's Rep. The primary deliverable of the contract is to prepare a preliminary scope, schedule and budget for the OCERS Headquarters renovation project. The following progress was made in March on completing this first phase:

- Solicited bids for a comprehensive building due diligence review. In lieu of hiring multiple independent consultants to evaluate the mechanical and structural components of the building, Mark A. Smith and Associates recommended procuring the services of a firm that could prepare a comprehensive due diligence report of the entire building (including mechanical, electrical, plumbing, roofing, structural, ADA evaluations). Three proposals have been received and are currently being reviewed.
- Contacted Gensler to re-start where we left off with them in the fall as we paused to evaluate whether to stay and renovate or move facilities. We have received the draft programming report and will review with management to determine if all space needs have been properly identified. A formal re-kick off meeting with Gensler will be scheduled in April.
- Confirmed in writing with Avison Young that they will not receive any compensation for project management services related to this particular project.

A Staff Building Steering Committee was also formed to help guide the project. The Committee is scheduled to meet bi-weekly with Mark A. Smith. The members of the committee are Steve Delaney, Suzanne Jenike, Brenda Shott, Cynthia Hockless and Jim Doezie. We anticipate April and May to be busy with getting the due diligence review of the building complete and finalizing the programming report with Gensler.

As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the May 20 meeting of the OCERS Board of Retirement.

I-7

Memorandum

DATE: May 7, 2019

TO: Members of the Board of Retirement

FROM: Tracy Bowman, Director of Finance

SUBJECT: **FIRST QUARTER 2019 BUDGET TO ACTUALS REPORT**

Written Report

Highlights

First Quarter Target: 25% Used /75% Remaining

Administrative Budget	**Actuals to Date**	**Annual Budget**	**Budget $ Remaining**	**Budget % Remaining**
Personnel Costs	$ 3,446,193	$ 14,764,600	$ 11,318,407	76.7%
Service and Supplies	1,991,704	11,298,230	9,306,526	82.4%
Capital Expenditures	-	370,000	370,000	100.0%
Grand Total	$ 5,437,897	$ 26,432,830	$ 20,994,933	79.4%

Background/Discussion

The Board of Retirement approved OCERS' Administrative Budget for Fiscal Year 2019 (FY19) on November 19, 2018, in the amount of $26,432,830 for administration and investment related activities.

OCERS' budgeting authority is regulated by California Government Code Sections 31580.2 and 31596.1, including a provision that OCERS' budget for administrative expenses is limited to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system, excluding investment related costs and expenditures for computer software, hardware and related technology consulting services (commonly referred to as the 21 basis point test). The approved FY19 administrative budget represents 8.93 basis points of the projected actuarial accrued liability. The budget also meets OCERS' Board policy limitation of 18 basis points of the projected actuarial value of total assets and represents 14.20 basis points of these assets for FY19.

The Chief Executive Officer, or the Assistant CEO, has the authority to transfer funds within the three broad categories of the budget: 1) Salaries and Benefits, 2) Services and Supplies, and 3) Capital Projects. Funds may not be moved from one category to another without approval from the Board of Retirement.

Administrative Summary

For the three months ended March 31, 2019, year-to-date actual administrative expenses were $5,437,897 or 20.6% of the $26,432,830 administrative budget and below the 25% target set for the end of the first quarter budget by approximately $1.2 million. A summary of all administrative expenses and explanations of significant variances are provided below:

Summary of all Administrative Expenses
For the Quarter Ended March 31, 2019

	Actuals to Date	Annual Budget	Balance Remaining	% of Budget Used	Prorated Budget*	Prorated Budget vs. Actuals (Over)/Under
Personnel Costs	**$ 3,446,193**	**$ 14,764,600**	**$ 11,318,407**	**23.3%**	**$ 3,691,150**	**$ 244,957**
Services and Supplies						
Bldg. Prop. Mgmt./Maintenance	81,308	680,000	598,692	12.0%	170,000	88,692
Due Diligence	1,521	80,000	78,479	1.9%	20,000	18,479
Equipment Lease	11,077	62,000	50,923	17.9%	15,500	4,423
Equipment/Software Expenses	106,684	706,500	599,816	15.1%	176,625	69,941
Infrastructure Maintenance	169,303	829,100	659,797	17.5%	207,275	37,972
Legal Services	258,136	1,475,000	1,216,864	17.5%	368,750	110,614
Meetings & Mileage	20,298	61,350	41,052	33.1%	15,338	(4,960)
Membership/Periodicals	30,056	71,960	41,904	41.8%	17,990	(12,066)
Office Supplies	21,768	80,000	58,232	27.2%	20,000	(1,768)
Postage	30,303	164,500	134,197	18.4%	41,125	10,822
Printing	27,795	105,000	77,205	26.5%	26,250	(1,545)
Professional Services	1,111,000	6,331,000	5,220,000	17.5%	1,582,750	471,750
Telephone	35,029	165,500	130,471	21.2%	41,375	6,346
Training	87,426	486,320	398,894	18.0%	121,580	34,154
Services and Supplies	**1,991,704**	**11,298,230**	**9,306,526**	**17.6%**	**2,824,558**	**832,854**
Administrative Expense-Sub Total	**5,437,897**	**26,062,830**	**20,624,933**	**20.9%**	**6,515,708**	**1,077,811**
Capital Expenditures**	**-**	**370,000**	**370,000**	**0.0%**	**92,500**	**92,500**
Administrative Expense Total	**$ 5,437,897**	**$ 26,432,830**	**$ 20,994,933**	**20.6%**	**$ 6,608,208**	**$ 1,170,311**

*Prorated budget represents 25% (3 months/12 months) of the annual budget.
**Capital expenditures represent purchases of assets to be amortized in future periods.

Personnel Costs

Personnel Costs as of March 31, 2019 were approximately $3.4 million or 23.3% of the annual budget for this category. These costs are slightly below budget due to vacancies -for a Staff Attorney and two new positions adopted in the 2019 Budget, an additional Investment Analyst and a newly created Training Manager position.

Services and Supplies

Expenditures for services and supplies were approximately $2.0 million or 17.6% of the annual budget for this category. The variance of $832,854 between the pro-rated budget and year-to-date actuals in this category is primarily due to the following:

- Building Property Mgmt./Maintenance costs utilized 12.0% of the annual budget and were lower than the prorated budget by $88,692. Lower overall costs are related to timing of payments for property tax and insurance premiums, as well as lower maintenance costs incurred in the first quarter of the year. Maintenance costs do not occur evenly and will fluctuate throughout the year.
- Due Diligence costs are at 1.9% of the annual budget and lower than the prorated budget by $18,479. This lower than anticipated cost is due to only one investment manager visit occurring in the first quarter and the number of visits will fluctuate throughout the year.
- Equipment/Software expense utilized 15.1% of the annual budget, and lower than the prorated budget by $69,941. The lower than expected expenditures is the result of several projects budgeted for the year which have not been implemented during the first quarter, such as the manage file transfer solution, the board portal upgrade, change management solution and the anti-spam email solution. These expenses are expected to occur later in the year.
- Infrastructure Maintenance costs are at 20.4% of the annual budget resulting in an unused prorated budget of $37,972. Various costs associated with software and hardware support services were not incurred during the quarter, such as Microsoft Software Assurance, Vendor Management System License and Website Hosting, or were lower than budgeted.
- Legal Services are at 17.5% of the budget and are lower than the prorated budget by $110,614. This is primarily due to budgeted legal services for litigation, tax counsel and investments being utilized on an as-needed basis. Investment legal services are below budget by approximately $8,000, while general board and outside counsel services are under budget by approximately $102,000.
- Memberships/Periodical expense is at 41.8% of the annual budget which is above the prorated budget by $12,066. Many of the memberships and periodicals renew in the first quarter of the year. This difference is expected to diminish as the year continues with the result being within budget for this category.
- Postage is at 18.4% of the annual budget and lower than the prorated budget by $10,822. This is attributable to the timing of bulk mailings to members and the use of postage on an as-needed basis.
- Professional Services utilized 17.5% of the annual budget. Expenses are lower than the prorated budget by $471,750 primarily due to timing of expenses for various cyber-security and IT related consulting, as well as costs used on an as-needed-basis, including CEO contingency and court reporter fees.
- Training expense is at 18.0% of the annual budget and lower than the prorated budget by $34,154, primarily due to training costs that have been budgeted, but not yet incurred, including SACRS spring and fall conferences, investment-related conferences, employee tuition reimbursement, IT related training, and other various staff training and conferences.
- Meetings & Mileage, Office Supplies and Printing are all slightly over the prorated budget for the quarter due to the timing of various costs. These categories are not expected to continue to be over budget as the year progresses.

Capital Expenditures

No Capital Expenditures have been incurred as of the end of the quarter. Capital expenditures budgeted for the year are for building HVAC repair and board room audio visual improvements. The HVAC repair is expected to occur in the second quarter of 2019. The audio visual improvements are expected to be implemented in the later in the year.

Conclusion:

As of year-end, the Administrative budget based on preliminary actuals is at 20.6% of the annual budget. As actual administrative expenses are under the annual budget, OCERS is in compliance with the 21 basis point test and the 18 basis point test.

Submitted by:

OCERS T.B. - Approved

Tracy Bowman
Director of Finance

I-8

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: May 3, 2019

TO: Members of the Board of Retirement

FROM: Tracy Bowman, Director of Finance

SUBJECT: **FIRST QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED MARCH 31, 2019**

Written Report

Background/Discussion

The attached financial statements reflect the unaudited activity for the three months ended March 31, 2019. These statements are unaudited and are not the official statements of OCERS. The following statements represent a review of the progress to date for the first quarter of 2019. In prior periods, the OCTA OPEB 115 has been reported as an Agency Fund. Beginning with this quarterly statement the OCTA OPEB 115 fund is being reported as a Custodial Fund in accordance with the implementation of GASB 84, *Fiduciary Activities*. The change from an Agency Fund to a Custodial Fund records the activity of the fund in the Statement of Changes in Net Position. The result is an additional column in the Statement of Net Position, and an ending net position for the Custodial Fund. The official financial statements of OCERS are included in the Comprehensive Annual Financial Report (CAFR) which will be available for the year ended December 31, 2018 on our website, www.ocers.org, after the completion of the 2018 year-end audit in June 2019.

Summary

Fiduciary Net Position

As of March 31, 2019, the net position restricted for pension and other postemployment benefits is $15.7 billion, an increase of $561.3 million, or 3.7%, from March 31, 2018. The change is a result of an increase in total assets of $766.4 million off-set by an increase in total liabilities of $205.1 million as described below:

The $766.4 million, or 4.7%, increase in total assets can be attributed to a $447.0 million increase in investments at fair value, and a $351.1 million increase in receivables, off-set by decreases of $29.5 million and $2.2 million in cash and short-term investments and capital assets, respectively.

The $447.0 million increase in investments at fair value can be attributed to earnings from interest and dividends, and investment of proceeds received from prepaid contributions, as well as increases in net appreciation of investments at fair value during the first quarter of 2019. Since March of 2018, the global public equity, private equity, core fixed income and risk mitigation asset classes have increased, while the credit, real assets and absolute return asset classes have declined. These changes are primarily the result of the new asset allocation policy adopted by the Board in October 2018 to increase investment in the areas of private equity and risk mitigation, while eliminating or limiting the investment in real assets and credit categories. The risk mitigation asset class increased by $342.3 million due to the addition of two new investment managers with initial funding of $300 million. The increase in the private equity asset class of $206.0 million can be attributed to strong returns as well as five additional new investment managers. Core fixed income increased by $105.8 million due to increases in fair market value and the additional funding transferred to two new investment managers. The credit asset class decreased by $184.5 million, which is attributed to a net decrease in investment managers within this asset class; three investment managers were discontinued, offset by one new investment manager.

The decrease of $29.5 million in cash and short-term investments consists of an increase of $88.4 million in securities lending collateral due to an increase in the lending activity in the securities lending program, offset by a decrease of $117.9 million in cash and cash equivalents, due to timing of investing employee and employer contributions received during the quarter.

The receivable balance increase of $351.1 million is primarily related to the timing of securities sales, including one redemption in transit of $288.3 million. All other receivables, including investment income and contributions, increased from the prior year. The decrease in capital assets of $2.2 million from the prior year is primarily due to depreciation expense related to the Pension Administration System Solution (PASS) Project, V3.

Total liabilities increased $205.1 million, or 17.6%, from March 31, 2018 to March 31, 2019, including an increase in the obligations under the securities lending program of $88.4 million, which is directly related to the increase in securities lending collateral as previously discussed, and an increase in unsettled security purchases of $83.4 million. Unearned contributions increased $31.8 million due to an increase in prepaid employer contributions received for the 2019-2020 prepayment program compared to the prior year's prepayment program. Retiree payroll payable increased $6.0 million due to gradual increases in the number of participants in the plan and retiree benefits paid. Other liabilities and amounts due to employers had a combined decrease of $4.4 million, which was due to timing of other investment-related activity and the new reporting requirements of the OCTA OPEB 115 fund.

Statement of Changes in Fiduciary Net Position

The ending net position as of March 31, 2019 has increased by $561.3 million, or 3.7%, when compared to the same period ending March 31, 2018. The majority of the increase can be attributed to higher returns in 2019 versus a negative return of 1.67% by the end of the year in 2018. The combined return on the investment portfolio was 5.64% for the quarter ended March 31, 2019, compared to a return of 0.30% for the first quarter ended March 31, 2018.

Net investment income for the quarter ended March 31, 2019 is $871.2 million versus a negative $20.9 million for the quarter ended March 31, 2018, an increase of $892.1 million. The majority of the increase, $900.3 million, is related to the net appreciation in fair value of investments. During the first quarter of 2019, financial markets experienced strong market performance when compared to 2018. During the first quarter of 2018 financial markets struggled, and continued to struggle throughout the year as global equities suffered steep declines amid persistent worries over trade and economic growth. The global public equities asset class showed a substantial rebound in the first quarter of 2019, with a return of 12.46% for the quarter versus a loss of -0.37%

in the first quarter of 2018. Investment fees and expenses increased $6.8 million. The components of the increase include increases to investment manager fees for real return and private equity asset classes of $1.7 million and $2.8 million, respectively and other fund expenses increasing $1.8 million.

Employer and employee contributions have decreased $6.5 million over the prior year. In 2018, an $8 million employer contribution to the County health care fund was received in the first quarter and no contributions to this fund were received during the first quarter of 2019. The decrease in the health care fund was offset by a $1.4 million increase to the pension fund which is expected due to the increasing number of employees participating in the plan and the increase in the contribution rates.

Total deductions from fiduciary net position increased 7.7%, or $16.2 million, from the previous year. Participant benefits increased by $16.8 million, which is expected due to the continued and anticipated growth in member pension benefit payments, both in the total number of OCERS's retired members receiving a pension benefit and an increase in the average benefit received. Death benefits and members withdrawals and refunds decreased as changes in these categories will fluctuate from year to year based on the occurrence of these events. Administrative expenses decreased slightly, 1.6%, over the prior year.

Other Supporting Schedules

In addition to the basic financial statements for the three months ended March 31, 2019, the following supporting schedules are provided for additional information pertaining to OCERS:

- Total Fund Reserves
- Pension Trust Fund Contributions
- Schedule of Investment Expenses
- Schedule of Administrative Expenses
- Administrative Expense Compared to Actuarial Accrued Liability (21 basis points test).

Submitted by:

OCERS T.B. - Approved

Tracy Bowman
Director of Finance

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements

For the Three Months Ended March 31, 2019

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements
For the Three Months Ended March 31, 2019

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Statement of Fiduciary Net Position (Unaudited)
As of March 31, 2019
(with summarized comparative amounts as of March 31, 2018)
(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund-County	Health Care Fund-OCFA	OPEB 115 Custodial Fund	Total Fund	Comparative Totals 2018
ASSETS						
Cash and Short-Term Investments						
Cash and Cash Equivalents	$ 551,299	$ 11,011	$ 1,423	$ 228	$ 563,961	$ 681,863
Securities Lending Collateral	298,038	5,953	769	-	304,760	216,330
Total Cash and Short-Term Investments	849,337	16,964	2,192	228	868,721	898,193
Receivables						
Investment Income	29,934	598	77	-	30,609	19,841
Securities Sales	482,012	9,627	1,244	-	492,883	164,043
Contributions	25,688	-	-	-	25,688	14,479
Foreign Currency Forward Contracts	397	8	1	-	406	171
Other Receivables	2,874	57	7	-	2,938	2,888
Total Receivables	540,905	10,290	1,329	-	552,524	201,422
Investments at Fair Value						
Global Public Equity	5,979,092	119,417	15,432	11,117	6,125,058	6,107,355
Private Equity	1,523,559	30,429	3,932	-	1,557,920	1,351,952
Core Fixed Income	2,658,719	53,101	6,862	5,390	2,724,072	2,618,252
Credit	1,638,537	32,726	4,229	-	1,675,492	1,859,995
Real Assets	2,393,680	47,808	6,178	-	2,447,666	2,487,112
Risk Mitigation	1,060,992	21,191	2,738	-	1,084,921	742,590
Absolute Return	1,180	24	3	-	1,207	2,032
Total Investments at Fair Value	15,255,759	304,696	39,374	16,507	15,616,336	15,169,288
Capital Assets (Net)	17,909	-	-	-	17,909	20,158
Total Assets	**16,663,910**	**331,950**	**42,895**	**16,735**	**17,055,490**	**16,289,061**
LIABILITIES						
Obligations Under Securities Lending Program	298,038	5,953	769	-	304,760	216,330
Securities Purchased	316,872	6,329	818	-	324,019	240,600
Unearned Contributions	632,512	-	-	-	632,512	600,692
Foreign Currency Forward Contracts	-	-	-	-	-	166
Retiree Payroll Payable	68,943	3,859	746	-	73,548	67,511
Other	23,178	463	60	-	23,701	27,241
Due to Employers	-	-	-	15,496	15,496	16,352
Total Liabilities	**1,339,543**	**16,604**	**2,393**	**15,496**	**1,374,036**	**1,168,892**
Net Position Restricted for Pension and Other Post-Employment Benefits	**$ 15,324,367**	**$ 315,346**	**$ 40,502**	**$ 1,239**	**$ 15,681,454**	**$ 15,120,169**

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Three Months Ended March 31, 2019

(with summarized comparative amounts for the Three Months Ended March 31, 2018)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund-County	Health Care Fund-OCFA	OPEB 115 Custodial Fund	Total Fund	Comparative Totals 2018
ADDITIONS						
Contributions						
Employer	$ 141,503	$ -	$ 512	$ -	$ 142,015	$ 148,440
Employee	67,180	-	-	-	67,180	67,408
Other Post-Employment Contributions	-	-	-	137	137	-
Total Contributions	208,683	-	512	137	209,332	215,848
Investment Income						
Net Appreciation/(Depreciation) in Fair Value of Investments	826,030	16,315	2,065	179	844,589	(55,696)
Dividends, Interest, & Other Investment Income	51,433	1,017	136	1,252	53,838	55,253
Securities Lending Income						
Gross Earnings	2,293	46	6	-	2,345	1,104
Less: Borrower Rebates and Bank Charges	(1,959)	(39)	(5)	-	(2,003)	(769)
Net Securities Lending Income	334	7	1	-	342	335
Total Investment Income/(Loss)	877,797	17,339	2,202	1,431	898,769	(108)
Investment Fees and Expenses	(26,973)	(538)	(69)	(1)	(27,581)	(20,808)
Net Investment Income/(Loss)	850,824	16,801	2,133	1,430	871,188	(20,916)
Total Additions	**1,059,507**	**16,801**	**2,645**	**1,567**	**1,080,520**	**194,932**
DEDUCTIONS						
Participant Benefits	209,771	8,542	1,169	-	219,482	202,713
Death Benefits	74	-	-	-	74	130
Member Withdrawals and Refunds	2,323	-	-	-	2,323	3,133
Other Post-Employment Benefits	-	-	-	323	323	-
Administrative Expenses	4,648	5	5	5	4,663	4,737
Total Deductions	**216,816**	**8,547**	**1,174**	**328**	**226,865**	**210,713**
Net Increase/(Decrease)	**842,691**	**8,254**	**1,471**	**1,239**	**853,655**	**(15,781)**
Net Position Restricted For Pension and Other Post-Employment Benefits, Beginning of Year	14,481,676	307,092	39,031	-	14,827,799	15,135,950
Ending Net Position Restricted For Pension and Other Post-Employment Benefits	**$ 15,324,367**	**$ 315,346**	**$ 40,502**	**$ 1,239**	**$ 15,681,454**	**$ 15,120,169**

Total Fund Reserves

For the Three Months Ended March 31, 2019

(with summarized comparative amounts for the Three Months Ended March 31, 2018)

(Dollars in Thousands)

	2019	2018
Pension Reserve	$ 8,980,588	$ 8,248,509
Employee Contribution Reserve	3,268,827	3,146,211
Employer Contribution Reserve	2,813,636	2,780,641
Annuity Reserve	1,631,286	1,390,894
Health Care Reserve	355,848	333,936
OPEB 115 Reserve	1,239	-
County Investment Account (POB Proceeds) Reserve	139,147	134,648
Contra Account	(1,509,117)	(914,670)
Net Position - Total Fund	**$ 15,681,454**	**$ 15,120,169**

Schedule of Contributions
For the Three Months Ended March 31, 2019
(with summarized comparative amounts for the Three Months Ended March 31, 2018)
(Dollars in Thousands)

	2019			2018		
	Employee	Employer		Employee	Employer	
Pension Trust Fund Contributions						
County of Orange	$ 52,079	$ 110,166		$ 52,475	$ 109,015	
Orange County Fire Authority	5,942	18,032	[1]	5,778	17,940	[1]
Orange County Superior Court of California	4,274	7,299		4,159	7,528	
Orange County Transportation Authority	2,230	5,994		2,188	6,030	
Orange County Sanitation District	1,872	1,886		1,887	1,871	
Orange County Mosquito & Vector Control	-	878	[3]	-	-	
UCI Medical Center & Campus	-	665	[2]	-	765	[2]
Orange County Employees Retirement System	269	615		246	557	
City of San Juan Capistrano	200	596		201	609	
Transportation Corridor Agencies	179	381		339	447	
Orange County Department of Education	-	61	[2]	-	90	[2]
Orange County In-Home Supportive Services Public Authority	28	45		27	50	
Orange County Cemetery District	35	42		36	44	
Orange County Local Agency Formation Commission	10	34		9	32	
Orange County Children & Families Commission	25	27	[4]	23	73	
Orange County Public Law Library	37	27	[4]	40	55	
Contributions Before Prepaid Discount	67,180	146,748		67,408	145,106	
Prepaid Employer Contributions Discount	-	(5,245)		-	(5,246)	
Total Pension Trust Fund Contributions	**67,180**	**141,503**		**67,408**	**139,860**	
Health Care Fund - County Contributions	**-**	**-**		**-**	**8,044**	
Health Care Fund - OCFA Contributions	**-**	**512**		**-**	**536**	
Total Contributions	**$ 67,180**	**$ 142,015**		**$ 67,408**	**$ 148,440**	

[1] Unfunded actuarial accrued liability payments were made in 2019 and 2018 for $0.9 million and $0.7 million, respectively, for the Orange County Fire Authority.

[2] Unfunded actuarial accrued liability payments have been made in accordance with a separate 20-year level dollar payment schedule to include liabilities for employee benefits related to past service credit.

[3] Unfunded actuarial accrued liability payments were made in 2019 for $0.9 million for the Orange County Mosquito & Vector Control.

[4] Unfunded actuarial accrued liability was paid off in December 2017, which reduced employer contributions beginning in July 2018.

Schedule of Investment Expenses

For the Three Months Ended March 31, 2019
(with summarized comparative amounts for the Three Months Ended March 31, 2018)
(Dollars in Thousands)

	2019	2018
Investment Management Fees*		
Global Public Equity		
U.S. Equity	$ 412	$ 382
International Equity	1,188	1,299
Emerging Markets Equity	1,115	1,250
Total Global Public Equity	2,715	2,931
Core Fixed Income		
U.S. Fixed Income	590	295
Total Core Fixed Income	590	295
Credit		
High Yield	352	346
Emerging Market Debt	92	181
Direct Lending	565	673
Multi-Strategy	1,742	1,224
Non-U.S. Direct Lending	538	492
Total Credit	3,289	2,916
Real Assets		
Real Estate	3,806	3,187
Real Return		
Timber	274	327
Agriculture	305	283
Infrastructure	199	270
Energy	3,599	2,417
Total Real Return	4,377	3,297
Total Real Assets	8,183	6,484
Direct Hedge Fund	3	5
Private Equity	5,497	2,723
Risk Mitigation	1,471	1,432
Short-Term Investments	58	89
Total Investment Management Fees	**21,806**	**16,875**
Other Fund Expenses	**4,351**	**2,921**
Other Investment Expenses (Expenses Not Subject to the Statutory Limit)		
Consulting/Research Fees	488	230
Investment Department Expenses	597	463
Legal Services	180	175
Custodian Services	145	144
Investment Service Providers	14	-
Total Other Investment Expenses	**1,424**	**1,012**
Security Lending Activity		
Security Lending Fees	80	87
Rebate Fees	1,923	682
Total Security Lending Activity	**2,003**	**769**
Total Investment Expenses	**$ 29,584**	**$ 21,577**

* Does not include undisclosed fees deducted at source.

Schedule of Administrative Expenses

For the Three Months Ended March 31, 2019
(with summarized comparative amounts for the Three Months Ended March 31, 2018)
(Dollars in Thousands)

	2019	2018
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	$ 2,930	$ 2,814
Board Members' Allowance	5	4
Total Personnel Services	2,935	2,818
Operating Expenses		
Depreciation/Amortization	633	573
General Office and Adminstrative Expenses	418	570
Professional Services	490	435
Rent/Leased Real Property	92	114
Total Office Operating Expenses	1,633	1,692
Total Expenses Subject to the Statutory Limit	**4,568**	**4,510**
Expenses Not Subject to the Statutory Limit		
Actuarial Fees	17	139
Equipment / Software	35	52
Information Technology Consulting	28	26
Total Expenses Not Subject to the Statutory Limit	**80**	**217**
Total Pension Fund Administrative Expenses	**4,648**	**4,727**
Health Care Fund - County Administrative Expenses	**5**	**5**
Health Care Fund - OCFA Administrative Expenses	**5**	**5**
OPEB 115 - Administrative Expenses	**5**	**-**
Total Administrative Expenses	**$ 4,663**	**$ 4,737**

Administrative Expense Compared to Actuarial Accrued Liability
For the Three Months Ended March 31, 2019
(Dollars in Thousands)

Administrative Expense Compared to Actuarial Accrued Liability	
Projected Actuarial Accrued Liability (AAL) as of December 31, 2018	$ 20,666,562
Maximum Allowed For Administrative Expense (AAL * 0.21%)	43,400
Actual Administrative Expense[1]	4,568
Excess of Allowed Over Actual Expense	38,832
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability	0.02%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2018	0.08%

[1] Administrative Expense Reconciliation

Administrative expense per Statement of Changes in Fiduciary Net Position	$ 4,648
Less administrative expense not considered per CERL section 31596.1	(80)
Administrative Expense allowable under CERL section 31580.2	$ 4,568

I-9

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: David Kim, Director of Internal Audit

SUBJECT: **TRAVEL REPORT – PROFESSIONAL VISIT TO LACERA**

Written Report

Background

Annually, all members of the Executive Management Team are required to visit a peer pension system to collaborate, share and learn best practices.

On March 19, 2019, David Kim and Mark Adviento visited the offices of the Los Angeles County Employees Retirement System (LACERA).

The total cost for the trip as follows:

- Transportation - $39.00

Meeting Summary

Richard Bendall, LACERA Chief, Internal Audit and Leisha Collins, Principal Internal Auditor, hosted David and Mark at the LACERA office. The items discussed were audit reporting, management action plan follow-up, audit and risk assessment methodologies, audit scoping for a business continuity and disaster recovery audit, interactions with external auditors and plan sponsors outside of scheduled audits, and reference checking a LACERA vendor that was also a finalist for OCERS' IT Auditing services RFP. In particular of interest was the distribution of the draft audit reports to members of the Audit Committee to garner questions or comments prior to the Audit Committee meeting. Additionally, our discussion on the business continuity and disaster recovery audit provided insightful testing elements for consideration during our audit planning. The meeting lasted approximately three hours and we had agreed to continue sharing best practices between the two teams.

Submitted by:

David Kim

Director of Internal Audit

I-10

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: May 20, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **TRAVEL REPORT – CALIFORNIA RETIRED COUNTY EMPLOYEES ASSOCIATION (CRCEA)**

Written Report

Background/Discussion

From April 14-15, 2019, Suzanne Jenike, Assistant CEO, External Operations, attended the 2019 California Retired County Employees Association (CRCEA) Fall Conference in San Diego, California.

The total cost includes the following:

Conference Fee	Airfare	Hotel	Mileage	Total
$75.00	**$**	**$175.00**	**$100.00**	**$350.00**

As the California Retired County Employees Association Conference is not presently a pre-approved conference, OCERS' Travel Policy, Section 19, states:

"Board Members and staff who travel to conference or seminars that are not automatically authorized in paragraphs 8 and 12 shall file with the Chief Executive Officer a report that briefly summarizes the information and knowledge gained that may be relevant to other Board members, provides an evaluation of the conference or seminar, and provides a recommendation concerning future participation. Reports by a Board Member or staff will be made on the Conference / Seminar Report form shown in the appendix. The Chief Executive Officer shall cause a copy of the report to be distributed to each Board Member and to the Chief Investment Officer."

A report summarizing the conference is attached.

Submitted by:

Steve Delaney
Chief Executive Officer

Form

Report of Attendance at Conference or Seminar

Name of Employees Attending:	Suzanne Jenike
Name of Conference/Seminar:	2019 California Retired County Employees Association (CRCEA) Fall Conference
Location of Conference/Seminar:	Doubletree Hilton Hotel, Hotel Circle, San Diego, CA
Conference/Seminar Sponsor:	CRCEA and Retired Employees of San Diego County (RESDC)
Dates of Attendance:	April 14-17, 2019
Total Cost of Attendance:	Total = $350.00 approx. ($75.00 registration / $175 lodging / $100 mileage)

Brief Summary of Information and Knowledge Gained:

The 2019 CRCEA Spring Conference was a gathering of representatives from the county retirement associations in the state of California (including members of the REAOC Board of Directors), and included presentations on a wide variety of topics of interest to retirees of public pension plans. The topics covered included information on the current state of Alzheimer's disease research, the benefits of using a coalition to further retirement security, avoiding scams and preventing elder abuse, enrichment activities offered through the local university and education systems and a discussion on the future of retirement by NCPERS Director Hank Kim.

Evaluation of the Conference or Seminar:

This conference included subjects across a wide range of topics of interest to retirees. The presenters were knowledgeable, engaging and subject matter experts in their fields.

Recommendation Concerning Future Attendance:

The information received in the presentations was excellent. I would recommend that OCERS attend future CRCEA conferences.

Suzanne Jenike, Assistant CEO, External Operations
Signature

Return to: Executive Assistant Copies to: Board Members
Chief Executive Officer
Assistant Chief Executive Officers

California Retired County Employees Association

Representing Over 180,000 California County Retirees

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E. F. (Skip) Murphy, President
Michael Sloan, Vice President
Carlos Gonzalez, Treasurer
Virginia Adams, Secretary
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AFFILIATE MEMBERS

Member Extra, Inc.
My Senior Health Plan
Pacific Group Agencies, Inc
Segal Consulting

A 501(c)4 Association

February 5, 2019

CRCEA Delegates, Members, Affiliates and Friends of County Retirees,
'37 ACT Retirement Board Members and Administrators:

Please accept this invitation to join your fellow retirees at our Annual CRCEA Spring Conference that will be held on **April 14-17, 2019** in beautiful San Diego County, California, hosted by the Retired Employees of San Diego County (RESDC) and held at the **Doubletree Hotel (Hotel Circle),** San Diego, California.

Traveling to San Diego County will give you the opportunity to visit another of California's beautiful and historic counties. With its California early history and coastal attractions, including the Balboa Park area, world famous San Diego Zoo, beautiful La Jolla or Coronado, revitalized Gas Lamp District and the historical Old Town San Diego, along with some wonderful restaurants, RESDC encourages you to join them for this conference.

CRCEA continues our work by providing you with current educational information relative to our present and future county retiree issues, so I am pleased to inform you that our San Diego Host Committee, your CRCEA Executive and Conference Committees have worked hard to bring you a meaningful and enjoyable Conference.

The past several conferences included Round Table Discussion, highlighting information and issues from various member associations, which are very well received. Thus, the Conference Executive Committee will expand this session to include the future mechanisms of our conferences and continue to allot time for individual associations to present informational materials and discussing problem areas, requests for assistance, along with successful accomplishments that may be helpful to other associations.

With the new legislative session being kicked off in Sacramento, time has been planned for our Legislation Session to review what is going on with this new legislature. We hopefully will bring input from CRCEA Legislative Consultant Amy Brown and other "experts" dealing with the Sacramento scene. Although not here in person, their thoughts will be put into the discussion.

Included with this letter, you will be receiving the Tentative Program giving you an idea of the topics and great speakers we will be enjoying at the Conference. Our hosts are also providing entertainment and gifts guaranteed to make the Tuesday evening social event relaxing, fun and rewarding.

The Wednesday Morning Business Session is an important segment, with discussion from local associations as well as updates from all our Standing Committees. We will consider other business brought before the Delegates, who are the Board of Directors and the official voting body for CRCEA, including any items brought forward from the past or current conference. It is important that every association be represented at the Conference, not only for the valuable information, but especially at the Business Session.

You are always welcome to bring members of your family and friends to the Conference. Plan now to attend. Encourage your Retirement Board Retiree Member (and Alternate) to join us. We look forward to seeing you in San Diego County.

Sincerely,

SMurphy

E. F. "Skip" Murphy, President

CRCEA Office, P.O. Box 310756, Fontana, CA 92331
Phone: 909-790-7199 lvlyva@msn.com

Retired Employees of San Diego County, Inc.

Honoring Yesterday
Protecting Tomorrow

8825 Aero Drive, Suite 205
San Diego, CA 92123
Tel: 619-688-9229 • Fax: 619-688-0766
www.resdc.net • Email: resdc@resdc.net

CRCEA Spring 2019 Conference • April 14-17, 2019

https://www.resdc.net/crcea

The Retired Employees of San Diego County (RESDC) cordially invites you to attend the CRCEA Spring 2019 Conference to be held April 14-17, 2019 at DoubleTree by Hilton San Diego Hotel Circle. This conference marks the 50th anniversary of CRCEA. In honor of this milestone, our conference committee has been working diligently to plan a stellar lineup of presentations, a wonderful banquet, and exciting activities. We look forward to welcoming you to San Diego for this golden anniversary conference!

Included in this packet you will find the tentative conference schedule. We have some outstanding presentations lined up including "The Future of Retirement," "Avoiding Scams & Preventing Elder Abuse," and "Disaster Recovery." Our Keynote Speaker will be Dr. Paul Aisen, Professor of Neurology, and Director of USC Alzheimer's Therapeutic Research Institute (ATRI).

We have also enclosed directions on how to get to the hotel, details about the banquet and other optional activities, and general information about the San Diego region. Please note that the hotel does not provide shuttle service to and from the San Diego International Airport.

Reserve Your Hotel Room

DoubleTree by Hilton San Diego Hotel Circle, 1515 Hotel Circle S, San Diego, CA 92108
2 Queen or 1 King Room for $155 per night + taxes (includes self-parking, breakfast, and Wi-Fi)

Details and the reservation link are on the conference website: https://www.resdc.net/crcea. Or call (800) 486-5315 to book via agent and reference California Retired County Employees Association. The Hotel Reservation Deadline is March 15, 2019.

The conference rate is available for the nights of Thursday, April 11 through Friday, April 19 (check out on Saturday, April 20). Rooms are available until the block fills up or until the reservation deadline, whichever occurs sooner.

Register for the Conference

The Conference Registration Form is included in this packet. **Please complete one form for each attendee** (only spouses may be entered on the same form as an attendee). The attendee rate is $75, the spouse rate is $30, and the banquet is $50 per person. If you need to print additional forms, visit the conference website and click on the link for "Registration Form." Please send completed registration form(s) and check payable to RESDC by March 22, 2019.

We hope you will also join us for our fun extra activities. Please see the enclosed flyer with more information about those events, some of which require an RSVP on the registration form.

Questions

If you have questions, please contact the RESDC office at (619) 688-9229, toll-free at (866) 688-9229, or by email at resdc@resdc.net. Our office hours are Monday – Friday, 9:00am – 2:00pm.

We look forward to seeing you at the conference.

Sincerely,

John J. McTighe
RESDC President

RECEIVED
FEB 07 2019
Orange County Employees Retirement System

P.S. Delegates Only: Please bring 25 copies of your association newsletter and/or brochure for placement on the information table.

CRCEA SPRING 2019 CONFERENCE
APRIL 14 - 17, 2019

Conference Agenda

SUNDAY, APRIL 14	
2:00 – 5:00 p.m.	**Early Conference Registration** (Grand View Ballroom)
4:00 – 6:00 p.m.	**RESDC Roundup** at Stone Brewing in Liberty Station Free shuttle service will run between the hotel and event approximately every half hour from 3:30 – 8:30 p.m. See Activities flyer for event details.

MONDAY, APRIL 15	
6:00 a.m. – 10:00 a.m.	**Breakfast** (included in room rate; Solana Room)
9:00 a.m. – 4:30 p.m.	**Registration** (outside Grand View Ballroom)
1:00 – 1:30 p.m.	**Opening Session** (Grand View Ballroom) **Call to Order:** Skip Murphy, President, CRCEA **Invocation:** Sheriff's Dept Chaplain **Presentation of Colors:** Sheriff's Dept Color Guard **Pledge of Allegiance:** RESDC Board Member **Welcome:** John McTighe, President, RESDC **Roll Call of Counties:** Virginia Adams, Secretary, CRCEA **Introduction of First-Time Attendees:** Skip Murphy, President, CRCEA
1:30 – 1:45 p.m.	**Welcome Address** Speaker: Dianne Jacob, San Diego County Supervisor District 2 Introduction: John McTighe, President, RESDC
1:45 – 2:30 p.m.	**Keynote Address by Dr. Paul Aisen**, Professor of Neurology, Director USC Alzheimer's Therapeutic Research Institute (ATRI)
2:30 – 3:30 p.m.	**Presentation: Retirement Security Coalition** Speakers: - Chris Brewster, Board Member, City of San Diego Retired Employees' Association (CSDREA) - Mark Nanzer, Executive Director, Retired Employees of San Diego County (RESDC) - Gaspar Luna, Director, District G, California State Retirees Introduction: George Shoemaker
3:30 – 3:45 p.m.	**Afternoon Break**
3:45 – 4:30 p.m.	**Presentation: Avoiding Scams & Preventing Elder Abuse** Speaker: Paul Greenwood, former Deputy District Attorney and Lead Elder Abuse Prosecutor at San Diego County DA's Office Introduction: Chris Heiserman
4:30 – 5:15 p.m.	**Round Table Session** Moderator: Skip Murphy
5:30 – 7:00 p.m.	**Hospitality Reception** (Poolside Patio) Hosted by Steve Pettee, Affiliate Pacific Group Agencies, Inc. All attendees are invited for complimentary wine, beer, soft drinks, and light appetizers.
7:00 p.m.	**Dinner on your own**
7:15 p.m.	**Optional Activity: Padres vs. Rockies** Baseball Game at Petco Park See Activities flyer for details. More info will be on the conference website.

TUESDAY, APRIL 16	
6:00 a.m. – 10:00 a.m.	**Breakfast** (included in room rate; Solana Room)
8:00 – 12:00 p.m.	**Registration** (outside Grand View Ballroom)
8:30 – 8:45 a.m.	**Morning General Session** (Grand View Ballroom) **Call to Order:** Skip Murphy **Announcements:** Skip Murphy & John McTighe
8:45 – 9:45 a.m.	**Presentation: The Future of Retirement** Speaker: Hank Kim, Executive Director and Counsel, National Conference on Public Employee Retirement Systems (NCPERS) Introduction: George Shoemaker

Conference Agenda (continued)

9:45 – 10:45 a.m.	**Presentation: Enrichment Activities for Seniors** Speakers: - Jolyn Parker, VP of Programs, Oasis - Eddie Baca, Advisory Board member, Osher Lifelong Learning Institute (OLLI) - Pat Mosteller, Department Chair of Emeritus Program, San Diego Continuing Education (SDCE) Moderator: Chris Heiserman
10:45 – 11:00 a.m.	**Morning Break**
11:00 – 11:15 a.m.	**Introduction of Affiliates** by Mike Sloan, CRCEA Affiliate Chair
11:15–12:00 p.m.	**Presentation: Disaster Recovery** Speaker: Julie Jeakle, Senior Emergency Service Coordinator, Office of Emergency Services (OES) Introduction: Janel Pehau
12:00 p.m. 1:30 p.m.	**Lunch** (Poolside Patio) Sponsored by: My Senior Health Plan Introduction: John McTighe
1:30 – 2:30 p.m.	**Legislative Report – Sacramento Scene** Moderator: Art Goulet, Chair CRCEA Legislative Committee Introduction: Skip Murphy
2:30 – 2:45 p.m.	**Afternoon Break**
2:45 – 3:30 p.m.	**Presentation: Communication with Members** Speaker: Liz Silverman, Technology Manager, Retired Employees of San Diego County (RESDC) Introduction: Mark Nanzer
3:30 – 4:45 p.m.	**Standing Committee Breakout Sessions** (If you are not a member of a Committee, please sit in on the Session of your choice.)
5:30 – 7:00 p.m.	**Hospitality Reception** (Poolside Patio) Hosted by Steve Pettee, Affiliate Pacific Group Agencies, Inc. All attendees are invited for complimentary wine, beer, soft drinks, and light appetizers.
7:00 – 10:00 p.m.	**Banquet Dinner** (Grand View Ballroom) Entertainment: Sundance Band No Host Bar Opportunity Drawings Masters of Ceremonies: Chris Heiserman & Mark Nanzer

WEDNESDAY, APRIL 17	
6:00 a.m. – 10:00 a.m.	**Breakfast** (included in room rate; Solana Room)
8:00 – 11:00 a.m.	**Business Session** (Grand View Ballroom) **Call to Order:** Skip Murphy **Approval of Minutes of the 2018 Fall Conference:** Virginia Adams **Executive Committee Report:** Skip Murphy **Financial Report:** Carlos Gonzalez **Committee Reports by Committee Chairs** **Affiliate:** Mike Sloan **Bylaws:** David Muir, LA **Communications:** Virginia Adams **Audit/Finance:** Jerry Jacobs **Legislation:** Art Goulet **Membership/Benefits:** Rhonda Biesemeier **Nominating:** Will Hoag **Conference Committee:** Mike Sloan **Invitation to 2019 Fall Conference:** Sonoma County - Alix Shor **Closing Remarks:** Skip Murphy

I-11

Memorandum

DATE: May 6, 2019

TO: Members of the Board of Retirement

FROM: Jim Doezie, Contracts, Risk and Performance Administrator

SUBJECT: **MEKETA PERFORMANCE SURVEY RESULTS**

Written Report

Background/Discussion

1. Performance Review Guidelines

According to the Procurement & Contracting Policy (Section 11.D., page 5), contracted service providers need to have a performance review conducted every three years.

"The performance of every contracted provider will be reviewed at last every three years."

2. Contracts with Named Service Providers

The performance of Named Services Providers (as defined in the Procurement & Contacting Policy (Section V.A., page 8) will be solicited from and reported to the Board of Retirement (Section V.C.2, page 9).

"Performance reviews of Named Service Providers will include opinions solicited from Board of Retirement or designated sub-committee members, and/or selected staff members. The results of the review will be summarized and reported to the Board of Retirement."

3. Review of the General Investment Consultant - Meketa

Pursuant to the above referenced policies, a performance review was conducted for Meketa in April, 2019. The notes below summarize the results:

- There was a 50% response rate for this survey. Thank you everybody that provided a response.
- Those surveyed found Meketa to be responsible and trustworthy.
- Meketa personnel are extremely knowledgeable and easy to work with.
- Meketa is extremely reliable and is responsive to requests and inquiries.
- Meketa is also effective in guiding the Board and OCERS' staff members through decisions.
- The overall performance of rating for Meketa is very high and no corrective action is needed.

Memorandum

4. Performance Review Action Item(s)

There are no corrective action steps that need to be taken due to this review. Please be aware that the Meketa contract does not expire until May 31st of 2021. This will necessitate another review six months prior to the expiration date.

Submitted by:

Jim Doezie
Contracts, Risk and Performance Administrator

I-12

Memorandum

DATE: May 10, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **PRELIMINARY DECEMBER 31, 2018 ACTUARIAL VALUATION**

Presentation

Background/Discussion

On May 20, Mr. Paul Angelo of Segal Consulting, will be reviewing the attached PowerPoint presentation which is the introduction to the December 31, 2018 Actuarial Valuation.

OCERS is nearly unique among Segal clients in that the Board receives this initial PowerPoint summary of valuation highlights a month prior to the full formal Actuarial Valuation. This informal approach allows OCERS' stakeholders time to review the data being used in the Actuarial Valuation and provide input prior to the OCERS Board giving final approval to the valuation.

This month's presentation does not require formal approval from the Board but instead, is a informational presentation. On June 17, Mr. Angelo, will return to present the formal valuation that includes contribution rates to be effective July 1, 2020 and at that time, OCERS' staff will request the OCERS Board approve and finalize the valuation for distribution to all stakeholders.

Submitted by:

Steve Delaney
Chief Executive Officer

Segal Consulting

Orange County Employees Retirement System

December 31, 2018 Actuarial Valuation

May 20, 2019

Prepared by: *Paul Angelo and Andy Yeung*

Segal Consulting

San Francisco

5578633v1

Agenda

- Changes Since Last Valuation
- Plans of Benefit Offered at OCERS
- Summary of Employer Contribution Rates
- Calculation of Net Market, Actuarial and Valuation Value of Assets
- Unfunded Actuarial Accrued Liability and Funded Ratio
- Summary of Active and Retired Membership
- Contribution Rates for Employers and Members

Changes Since Last Valuation

- The Board approved a three-year phase-in of the UAAL employer cost impact due to assumption changes starting with the December 31, 2017 valuation
  - This is the second year of the phase-in reflecting another 1/3 of the cost impact. The first 1/3 of the cost impact was reflected in the rates developed in the December 31, 2017 valuation.
  - The employer contribution rates shown as of December 31, 2017 and 2018 have been adjusted to reflect the 1/3 and 2/3 phase-ins, respectively.
- OCFA contributed an additional $23.4 million to pay off part of their UAAL
- Results for Rate Group #3 reflecting an asset transfer of the remaining $14.6 million from O.C. Sanitation District UAAL Deferred Account to Valuation Assets in order to partially offset the actuarial losses (primarily from investment after smoothing) during 2018

Plans of Benefit Offered at OCERS

- General Plans
  - Plan A (§31676.12) – 2% @ 57
  - Plan B (§31676.1) – 1.67% @ 57.5
  - Plans G and H (§31676.18) – 2.5% @ 55
  - Plans I and J (§31676.19) – 2.7% @ 55
  - Plans M and N (§31676.16) – 2% @ 55
  - Plans O and P (§31676.01) – 1.62% @ 65
  - Plan S (§31676.12) – 2% @ 57
  - Plan T (§31676.01) – 1.62% @ 65 CalPEPRA
  - Plan U (§7522.20(a)) – 2.5% @ 67 CalPEPRA
  - Plan W (§31676.01) – 1.62% @ 65 CalPEPRA
- Safety Plans
  - Plans E and F (§31664.1) – 3% @ 50
  - Plans Q and R (§31664.2) – 3% @ 55
  - Plan V (§7522.25(d)) – 2.7% @ 57 CalPEPRA

Employer Contributions

- The sum of:
  - Normal Cost
  - Level percentage of payroll amortization of:
    - Balance of December 31, 2012 UAAL re-amortized over 20 years as of December 31, 2013 (with 15 years left as of December 31, 2018.)
    - New UAAL established after December 31, 2012 amortized over separate 20-year periods
    - Reduce by (last) 1/3 of the phase-in of cost impact of 2017 assumptions
      - UAAL contribution for Rate Group #11 has become negative after applying the phase-in (we have limited that to 0%)
  - Adjustment to reflect 18-month delay between date of valuation and date of rate implementation
- Expressed as percent of pay

Employer Contribution Rates – Fiscal Years Beginning July 1, 2019 and July 1, 2020 (% of payroll)

	FY 20-21[(1)]	FY 19-20[(1),(2)]	Difference
Rate Group #1			
General Plans A, B and U (non-OCTA, non-OCSD)[(3),(4)]	**18.89%**	**18.23%**	**0.66%**
Rate Group #2			
General Plans I, J, O, P, S, T, U and W (County et al.)	**37.36%**	**35.00%**	**2.36%**
Rate Group #3			
General Plans B, G, H and U (OCSD)	**12.98%**	**12.27%**	**0.71%**
Rate Group #5			
General Plans A, B and U (OCTA)	**30.53%**	**27.93%**	**2.60%**
Rate Group #9			
General Plans M, N and U (TCA)	**27.57%**	**24.36%**	**3.21%**
Rate Group #10			
General Plans I, J, M, N and U (OCFA)	**28.00%**	**28.86%**	**-0.86%**
Rate Group #11			
General Plans M and N, future service, and U (Cemetery)	**12.11%**	**12.47%**	**-0.36%**
Rate Group #12			
General Plans G, H and U (Law Library)	**15.29%**	**13.33%**	**1.96%**
Rate Group #6			
Safety Plans E, F and V (Probation)	**55.37%**	**52.07%**	**3.30%**
Rate Group #7			
Safety Plans E, F, Q, R and V (Law Enforcement)	**65.24%**	**62.01%**	**3.23%**
Rate Group #8			
Safety Plans E, F, Q, R and V (OCFA)	**48.60%**	**45.81%**	**2.79%**
Aggregate Total	**40.02%**	**37.66%**	**2.36%**

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.
(2) The FY 19-20 composite rates have changed due to payroll shifting among plans within the Rate Groups.
(3) Liability associated with Vector Control has been excluded in determining rates for RG #1.
(4) These rates are before adjustments to reflect the UAAL paid by Cypress Parks and Recreation, U.C.I. and DOE.

Reconciliation of Aggregate Employer Contributions ($000)

		Contribution Rate	Estimated Amount[1]
1.	Aggregate Recommended Contribution Rate as of December 31, 2017 (before adjustments for phase-in)	40.13%	$752,555
2.	Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	-2.47%	-$46,313
3.	Aggregate Recommended Contribution Rate as of December 31, 2017 (after adjustments for phase-in)	37.66%	$706,242
4.	Actuarial (gain)/loss items:		
a)	Effect of investment loss (after smoothing)	0.97%	$18,191
b)	Effect of additional UAAL contributions from Cypress Parks and Recreation and OCFA and anticipated payments from DOE and UCI	-0.11%	-$2,063
c)	Effect of $14.6 million asset transfer from O.C. Sanitation District UAAL Deferred Account	-0.06%	-$1,125
d)	Effect of difference in actual versus expected contributions (including loss from phase-in)	0.46%[2]	$8,627
e)	Effect of difference in actual versus expected COLA increases	0.09%	$1,688
f)	Effect of difference in actual versus expected salary increases	-0.27%	-$5,063
g)	Effect of growth in total payroll greater than expected	-0.04%	-$750
h)	Effect of other experience loss	0.08%[3]	$1,631
i)	Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	1.24%	$23,151
j)	Subtotal	2.36%	$44,287
5.	Aggregate Recommended Contribution Rate as of December 31, 2018	40.02%	$750,529

[1] Based on December 31, 2018 projected compensation of $1,875,370,000.
[2] Includes 0.18% of pay contribution loss from the phase-in of the UAAL cost impact due to changes in actuarial assumptions in 2017.
[3] Net of an adjustment of -0.12% to reflect a change in 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

Reconciliation of Employer Contributions for General Members

		RG #1[1]	RG #2	RG #3	RG #5	RG #9	RG #10	RG #11	RG #12
1.	Aggregate Recommended Contribution Rate as of December 31, 2017 (before adjustments for phase-in)	19.92%	37.38%	12.27%	30.25%	25.61%	30.74%	13.45%	13.33%
2.	Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	-1.69%	-2.38%	0.00%	-2.32%	-1.25%	-1.88%	-0.96%	0.00%
3.	Aggregate Recommended Contribution Rate as of December 31, 2017 (after adjustments for phase-in)	18.23%[2]	35.00%	12.27%	27.93%	24.36%	28.86%	12.49%	13.33%
4.	Actuarial (gain)/loss items:								
a)	Effect of investment loss (after smoothing)	0.56%	0.87%	1.15%	0.84%	0.60%	0.83%	0.75%	1.18%
b)	Effect of additional UAAL contributions from Cypress Parks and Recreation and OCFA and anticipated payments from DOE and UCI	-0.33%	0.00%	0.00%	0.00%	0.00%	-2.63%	0.00%	0.00%
c)	Effect of $14.6 million asset transfer from O.C. Sanitation District UAAL Deferred Account	0.00%	0.00%	-1.41%	0.00%	0.00%	0.00%	0.00%	0.00%
d)	Effect of difference in actual versus expected contributions (including loss from phase-in)	0.36%	0.52%	0.15%	0.53%	0.21%	0.03%	0.33%	-0.14%
e)	Effect of difference in actual versus expected COLA increases	0.04%	0.08%	0.09%	0.09%	0.06%	0.10%	0.03%	0.05%
f)	Effect of difference in actual versus expected salary increases	-0.36%	-0.47%	-0.10%	0.09%	0.22%	-0.04%	-1.70%	-0.66%
g)	Effect of growth in total payroll (greater)/less than expected	-0.19%	0.01%	0.00%	0.13%	0.88%	0.22%	0.04%	0.00%
h)	Effect of other experience (gain)/loss[3],[4]	-0.27%	0.16%	0.83%	-0.24%	0.61%	-0.31%	-0.31%	1.53%
i)	Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	0.85%	1.19%	0.00%	1.16%	0.63%	0.94%	0.48%	0.00%
j)	Subtotal	0.66%	2.36%	0.71%	2.60%	3.21%	-0.86%	-0.38%	1.96%
6.	Aggregate Recommended Contribution Rate as of December 31, 2018	18.89%[5]	37.36%	12.98%	30.53%	27.57%	28.00%	12.11%	15.29%

(1) Liability associated with Vector Control has been excluded in determining rates for RG #1.

(2) As of December 31, 2017, the net contribution rate for County and IHSS Public Authority after reflecting Board's UAAL contribution rate policy for Cypress Parks and Recreation, U.C.I. and DOE is 14.95% after adjustment for phase-in.

(3) Net of an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

(4) Effect of other experience (gain)/loss for RG #3 includes: 0.38% due to payee mortality losses. RG #9 includes: 0.19% due to change in contribution delay adjustment. RG #12 includes: 1.25% due to retirement loss for one member with a substantial amount of benefit based on the member's age and service at OCERS.

(5) As of December 31, 2018, the net contribution rate for County and IHSS Public Authority after reflecting Board's UAAL contribution rate policy for Cypress Parks and Recreation, U.C.I. and DOE is 15.40% after adjustment for phase-in.

Reconciliation of Employer Contributions for Safety Members

	RG #6	RG #7	RG #8
1. Aggregate Recommended Contribution Rate as of December 31, 2017 (before adjustments for phase-in)	56.33%	65.72%	48.10%
2. Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	-4.26%	-3.71%	-2.29%
3. Aggregate Recommended Contribution Rate as of December 31, 2017 (after adjustments for phase-in)	52.07%	62.01%	45.81%
4. Actuarial (gain)/loss items:			
a) Effect of investment loss (after smoothing)	1.16%	1.40%	1.27%
b) Effect of additional UAAL contributions from Cypress Parks and Recreation and OCFA and anticipated payments from DOE and UCI	0.00%	0.00%	-0.73%
c) Effect of $14.6 million asset transfer from O.C. Sanitation District UAAL Deferred Account	0.00%	0.00%	0.00%
d) Effect of difference in actual versus expected contributions (including loss from phase-in)	1.05%	0.42%	0.06%
e) Effect of difference in actual versus expected COLA increases	0.07%	0.14%	0.13%
f) Effect of difference in actual versus expected salary increases	-1.47%	0.08%	0.92%
g) Effect of growth in total payroll (greater)/less than expected	0.96%	-0.44%	-0.38%
h) Effect of other experience (gain)/loss[(1),(2)]	-0.60%	-0.22%	0.37%
i) Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	2.13%	1.85%	1.15%
j) Subtotal	3.30%	3.23%	2.79%
6. Aggregate Recommended Contribution Rate as of December 31, 2018	55.37%	65.24%	48.60%

(1) Net of an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

(2) Effect of other experience (gain)/loss for RG #6 includes: -0.45% due to change in contribution delay adjustment.

Reconciliation of Aggregate Member Contributions ($000)

	Contribution Rate	Estimated Amount[1]
Aggregate Recommended Contribution Rate as of December 31, 2017	12.46%	$233,718
Effect of changes in demographics	0.01%	87
Subtotal	0.01%	$87
Aggregate Recommended Contribution Rate as of December 31, 2018	12.47%	$233,805

(1) Based on December 31, 2018 projected compensation of $1,875,370,000.

Calculation of Net Market, Actuarial and Valuation Value of Assets

- Net market value of Pension Fund is total market value reduced by:
  - Obligations under securities lending program including securities purchased
  - Unearned contributions, retiree payroll payable and other liabilities
  - County investment account
  - Amount held in Health Care Funds
  - No adjustment required for O.C. Sanitation District UAAL Deferred Account as the balance is $0 as of December 31, 2018
- Actuarial value is a “smoothed” value to dampen short-term effect of market volatility
  - Based on spreading any difference between actual market return and expected market return (7.00% starting in 2018) over 5 years
  - Return for 2018 on market value was -2.46%[1] (i.e., 9.46% less than assumed)
  - Return for 2018 on actuarial value was 5.20% (i.e., 1.80% less than assumed)
  - As of December 31, 2018, there were $644.7 million in net deferred investment losses or about 4% of the net market value
    - Prior year: $455.4 million in net deferred investment gains or about 3% of net market value

[1] Return on market value was calculated using a modified dollar-weighted approach based on pension plan assets net of accounting liabilities. Actual investment loss on net pension plan assets was $361,321,000 during 2018 after including both the administrative expenses and discount for prepaid contributions while excluding the losses credited to County Investment Account and O.C. Sanitation District UAAL Deferred Account. Without these adjustments, the actual investment loss was $324,628,000.

Calculation of Net Market, Actuarial and Valuation Value of Assets

- Valuation value is actuarial value reduced by non-valuation reserves:
  - Medicare medical insurance reserve (only $85,000 as of December 31, 2018)

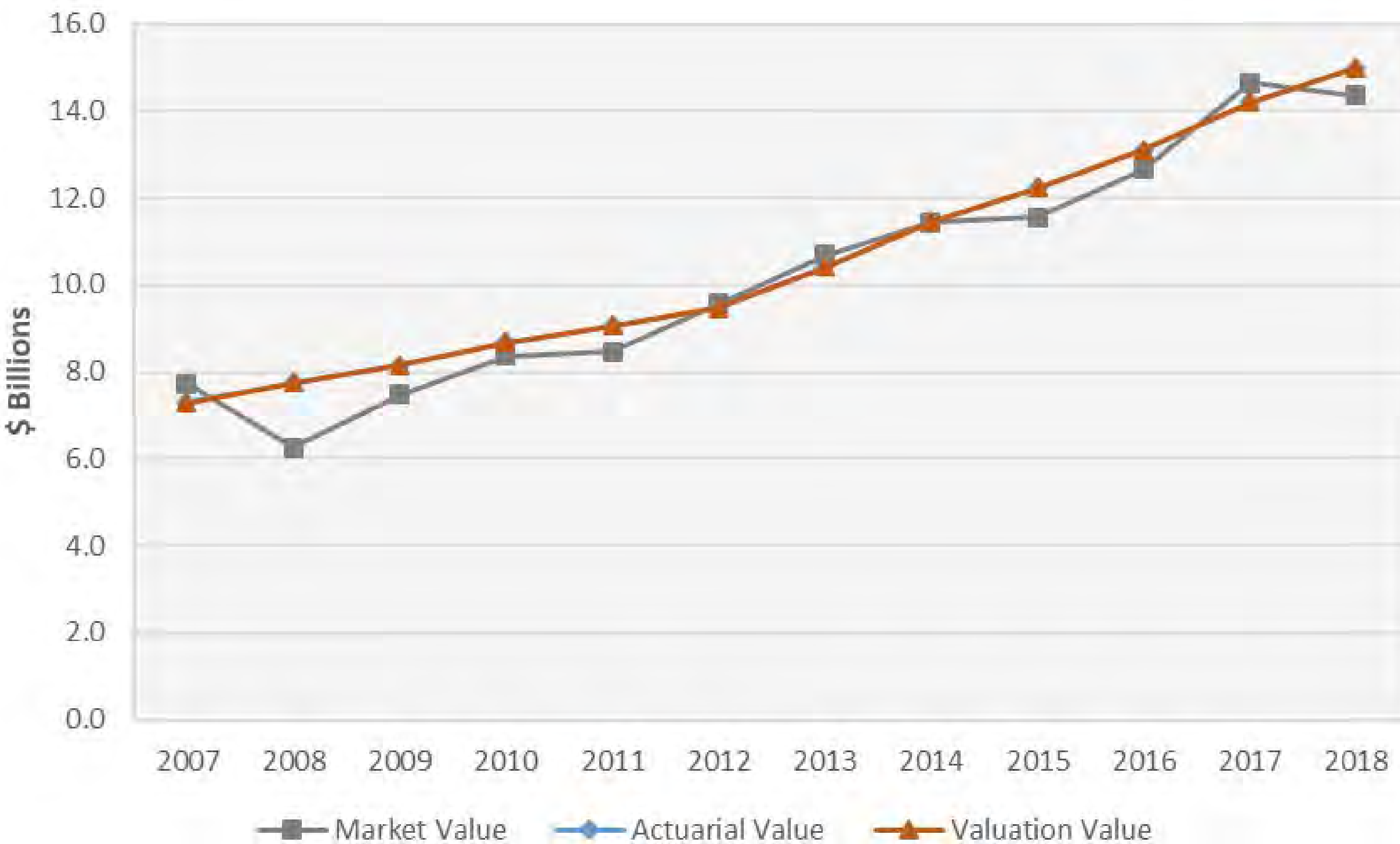
Market, Actuarial and Valuation Value of Assets ($000)

Valuation Date	Net Market Value of Assets[(1)(2)]	Actuarial Value of Assets[(2)]	Valuation Value of Assets
December 31, 2007	$7,719,690	$7,292,205	$7,288,900
December 31, 2008	$6,248,558	$7,750,751	$7,748,380
December 31, 2009	$7,464,761	$8,155,654	$8,154,687
December 31, 2010	$8,357,835	$8,673,473	$8,672,592
December 31, 2011	$8,465,593	$9,064,580	$9,064,355
December 31, 2012	$9,566,874	$9,469,423	$9,469,208
December 31, 2013	$10,679,507	$10,417,340	$10,417,125
December 31, 2014	$11,428,223	$11,450,001	$11,449,911
December 31, 2015	$11,548,529	$12,228,098	$12,228,009
December 31, 2016	$12,657,418	$13,103,066	$13,102,978
December 31, 2017	$14,652,607	$14,197,211	$14,197,125
December 31, 2018	$14,349,790	$14,994,505	$14,994,420

(1) Net of amounts in County investment account, prepaid employer contributions and O.C. Sanitation District UAAL Deferred Account (after transfer), if any.

(2) Includes amounts in unclaimed member reserve and Medicare medical insurance reserve.

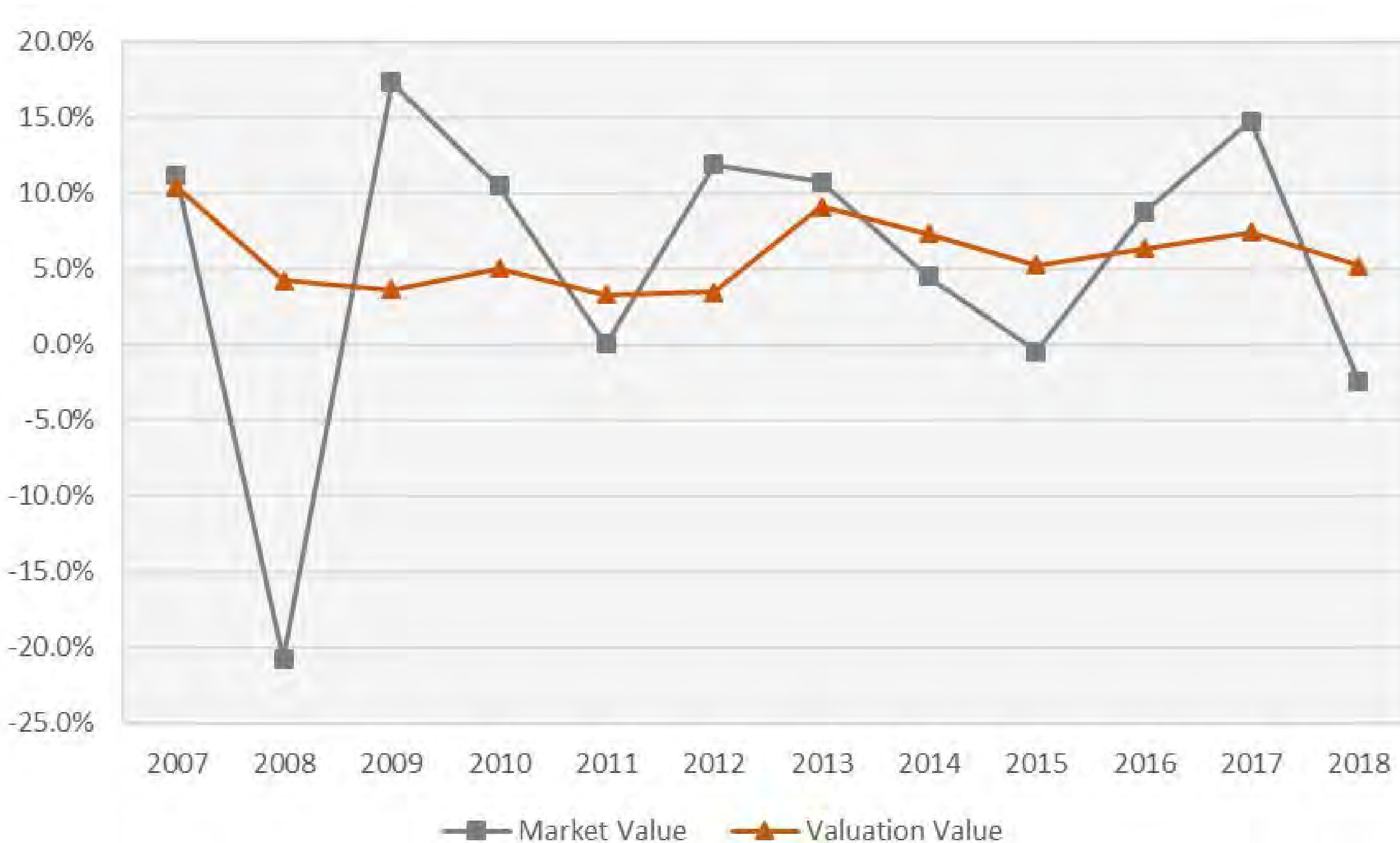
Market Value of Assets, Actuarial Value of Assets and Valuation Value of Assets as of December 31, 2007 - 2018



History of Return on Assets

	Market	Valuation	Expected
December 31, 2009	17.32%	3.62%	7.75%
December 31, 2010	10.47%	5.02%	7.75%
December 31, 2011	0.04%	3.29%	7.75%
December 31, 2012	11.92%	3.49%	7.75%
December 31, 2013	10.73%	9.11%	7.25%
December 31, 2014	4.52%	7.34%	7.25%
December 31, 2015	-0.45%	5.26%	7.25%
December 31, 2016	8.72%	6.33%	7.25%
December 31, 2017	14.79%	7.44%	7.25%
December 31, 2018	-2.46%	5.20%	7.00%
Annualized 5-Year Average	4.84%	6.31%	
Annualized 10-Year Average	7.36%	5.59%	

Market Value and Valuation Value Rates of Return for Years Ended December 31, 2007 - 2018



Unfunded Actuarial Accrued Liability ($000) and Funded Ratio

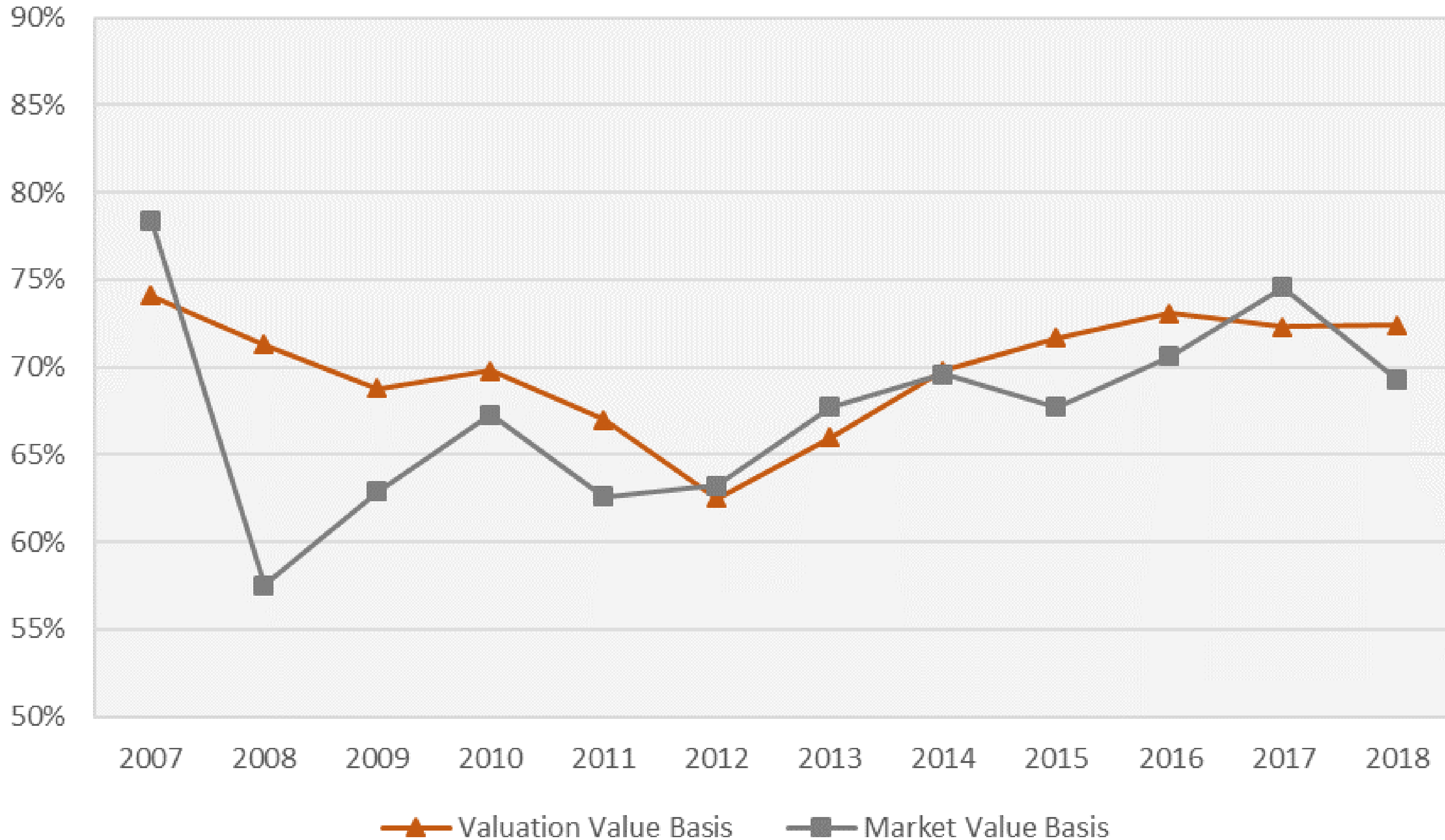
	December 31, 2018	December 31, 2017
Actuarial Accrued Liability	$20,703,349	$19,635,427
Valuation Value of Assets[1]	14,994,420	14,197,125
Unfunded Actuarial Accrued Liability	5,708,929	5,438,302
Percent Funded on Valuation Value	72.43%	72.30%
Market Value of Assets[1]	$14,349,705	$14,652,521
Percent Funded on Market Value	69.31%	74.62%

(1) Excludes County investment account, prepaid employer contributions, Medicare medical insurance reserve and O.C. Sanitation District UAAL Deferred Account (after transfer), if any.

Unfunded Actuarial Accrued Liability ($000) and Funded Ratio

Valuation Date	UAAL	Valuation Value Funded Ratio	Market Value Funded Ratio
December 31, 2007	$2,549,786	74.1%	78.4%
December 31, 2008	$3,112,335	71.3%	57.5%
December 31, 2009	$3,703,891	68.8%	62.9%
December 31, 2010	$3,753,281	69.8%	67.3%
December 31, 2011	$4,458,623	67.0%	62.6%
December 31, 2012	$5,675,680	62.5%	63.2%
December 31, 2013	$5,367,917	66.0%	67.7%
December 31, 2014	$4,963,213	69.8%	69.6%
December 31, 2015	$4,822,348	71.7%	67.7%
December 31, 2016	$4,830,483	73.1%	70.6%
December 31, 2017	$5,438,302	72.3%	74.6%
December 31, 2018	$5,708,929	72.4%	69.3%

Market Value and Valuation Value Funded Ratios for Years Ended December 31, 2007 - 2018



Changes in UAAL since December 31, 2017 Valuation

December 31, 2017 valuation

• Total UAAL	$5,438 million

Changes during calendar year 2018

• Interest minus expected payments to UAAL	-$81 million
• Difference in actual versus expected contributions (including loss from phase-in)	$121 million[(1)]
• Additional UAAL payments from Cypress Parks and Recreation and OCFA and anticipated payments[(2)] from DOE and UCI	-$28 million
• Investment losses (on smoothed value of assets)	$256 million
• Difference in actual versus expected salary increases	-$72 million
• Difference in actual versus expected COLA increases	$24 million
• Transfer from OCSD UAAL Deferred Account	-$14 million
• Other losses	$65 million
• Subtotal	$271 million

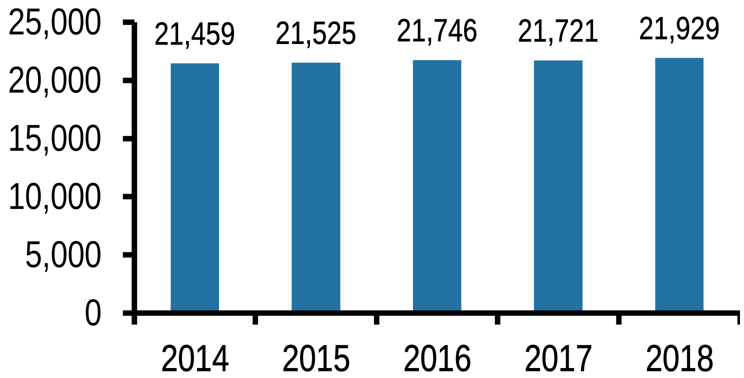
December 31, 2018 valuation

• Total UAAL	$5,709 million

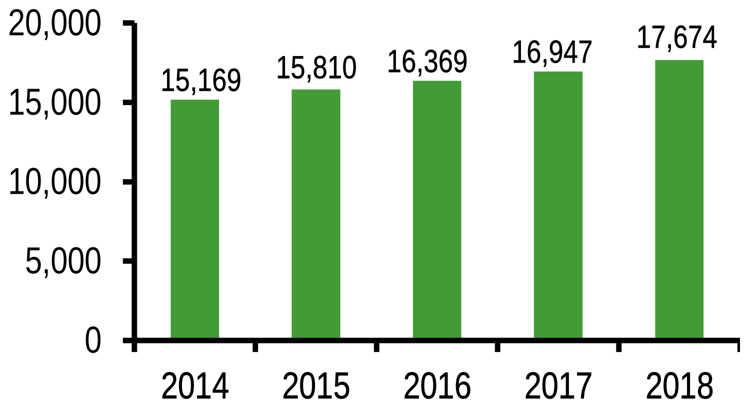
(1) Includes $46 million contribution loss from the phase-in of the UAAL cost impact due to changes in actuarial assumptions in 2017.

(2) Segal provided separate letters for DOE and UCI with regard to their required UAAL contributions based on the Board's withdrawing employer policy. These contributions have not been anticipated in the valuation.

Entire OCERS Membership Demographics (as of December 31)



	2018	2017
Active Members	21,929	21,721
• Average Age	45.1	45.3
• Average Service	12.8	12.9
• Average Compensation	$85,520	$83,416



	2018	2017
Retired Members and Beneficiaries	17,674	16,947
• Average Age	70.0	69.8
• Average Annual Benefit	$46,952	$44,939
Terminated Vested Members	6,026	5,803

Questions and Discussion

Summary of Active Membership

Rate Group #1 General – non-OCTA, non-OCSD	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	1,613	1,555	3.7%
Average age	43.0	43.1	-0.1
Average service	9.7	9.8	-0.1
Projected total compensation	$88,176,419	$83,675,611	5.4%
Projected average compensation	$54,666	$53,811	1.6%

Rate Group #2 General Plans I, J, O, P, S, T, U and W	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	14,267	14,097	1.2%
Average age	45.6	45.7	-0.1
Average service	12.8	12.9	-0.1
Projected total compensation	$1,127,951,040	$1,093,044,342	3.2%
Projected average compensation	$79,060	$77,537	2.0%

Summary of Active Membership

Rate Group #3 General – OCSD	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	616	592	4.1%
Average age	47.3	48.0	-0.7
Average service	12.3	12.7	-0.4
Projected total compensation	$73,563,905	$69,138,987	6.4%
Projected average compensation	$119,422	$116,789	2.3%

Rate Group #5 General – OCTA	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	1,279	1,313	-2.6%
Average age	50.1	50.4	-0.3
Average service	13.7	13.8	-0.1
Projected total compensation	$105,327,147	$102,731,350	2.5%
Projected average compensation	$82,351	$78,242	5.3%

Summary of Active Membership

Rate Group #9 General – TCA	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	62	64	-3.1%
Average age	48.8	49.2	-0.4
Average service	8.3	8.4	-0.1
Projected total compensation	$7,061,833	$7,317,008	-3.5%
Projected average compensation	$113,901	$114,328	-0.4%

Rate Group #10 General – OCFA	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	274	281	-2.5%
Average age	45.5	45.5	0.0
Average service(1)	11.2	10.8	0.4
Projected total compensation	$27,222,325	$26,691,539	2.0%
Projected average compensation	$99,352	$94,988	4.6%

(1) For some former Santa Ana Members, service used in calculating the average above is only used for vesting purposes. Benefit service starts to accrue only effective April 2012.

Summary of Active Membership

Rate Group #11 General – Cemetery District	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	25	25	0.0%
Average age	50.3	49.3	1.0
Average service	16.7	15.7	1.0
Projected total compensation	$1,643,501	$1,637,025	0.4%
Projected average compensation	$65,740	$65,481	0.4%

Rate Group #12 General – Law Library	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	14	14	0.0%
Average age	57.2	57.5	-0.3
Average service	16.4	17.5	-1.1
Projected total compensation	$1,095,420	$1,119,773	-2.2%
Projected average compensation	$78,244	$79,984	-2.2%

Summary of Active Membership

Rate Group #6 Safety – Probation Officers	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	764	763	0.1%
Average age	44.6	44.6	0.0
Average service	17.1	17.1	0.0
Projected total compensation	$64,229,791	$64,062,602	0.3%
Projected average compensation	$84,070	$83,961	0.1%

Rate Group #7 Safety – Law Enforcement	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	2,027	2,010	0.8%
Average age	40.9	41.0	-0.1
Average service	13.1	13.4	-0.3
Projected total compensation	$246,706,193	$236,373,080	4.4%
Projected average compensation	$121,710	$117,599	3.5%

Summary of Active Membership

Rate Group #8 Safety – OCFA	Year Ended December 31		Change from Prior Year
	2018	2017	
Number	988	1,007	-1.9%
Average age	43.2	43.3	-0.1
Average service[1]	13.9	13.9	0.0
Projected total compensation	$132,394,088	$126,088,193	5.0%
Projected average compensation	$134,002	$125,212	7.0%

[1] For some former Santa Ana Members, service used in calculating the average above is only used for vesting purposes. Benefit service starts to accrue only effective April 2012.

Summary of Retired Members and Beneficiaries

Rate Group #1 General – non-OCTA, non-OCSD	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	636	627	1.4%
Average monthly benefit[1]	$2,709	$2,645	2.4%
Disabled members			
Number in pay status	37	37	0.0%
Average monthly benefit[1]	$2,408	$2,337	3.0%
Beneficiaries			
Number in pay status	98	96	2.1%
Average monthly benefit[1]	$1,438	$1,360	5.7%

[1] Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #2 General Plans I, J, O, P, S, T, U and W	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	9,432	9,067	4.0%
Average monthly benefit[1]	$3,787	$3,628	4.4%
Disabled members			
Number in pay status	575	582	-1.2%
Average monthly benefit[1]	$2,558	$2,477	3.3%
Beneficiaries			
Number in pay status	1,489	1,433	3.9%
Average monthly benefit[1]	$1,907	$1,829	4.3%

[1] Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #3 General – OCSD	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	390	372	4.8%
Average monthly benefit[1]	$5,575	$5,321	4.8%
Disabled members			
Number in pay status	17	15	13.3%
Average monthly benefit[1]	$3,586	$3,633	-1.3%
Beneficiaries			
Number in pay status	79	72	9.7%
Average monthly benefit[1]	$2,406	$2,282	5.4%

(1) Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #5 General – OCTA	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	965	903	6.9%
Average monthly benefit[1]	$2,568	$2,463	4.3%
Disabled members			
Number in pay status	261	258	1.2%
Average monthly benefit[1]	$2,373	$2,304	3.0%
Beneficiaries			
Number in pay status	176	167	5.4%
Average monthly benefit[1]	$1,380	$1,349	2.3%

[1] Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #9 General – TCA	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	50	44	13.6%
Average monthly benefit[1]	$3,073	$2,944	4.4%
Disabled members			
Number in pay status	0	0	N/A
Average monthly benefit[1]	N/A	N/A	N/A
Beneficiaries			
Number in pay status	4	4	0.0%
Average monthly benefit[1]	$464	$451	2.9%

(1) Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #10 General – OCFA	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	162	157	3.2%
Average monthly benefit[1]	$4,550	$4,424	2.8%
Disabled members			
Number in pay status	11	10	10.0%
Average monthly benefit[1]	$2,660	$2,522	5.5%
Beneficiaries			
Number in pay status	12	12	0.0%
Average monthly benefit[1]	$1,311	$1,273	3.0%

[1] Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #11 General – Cemetery District	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	4	5	-20.0%
Average monthly benefit[1]	$2,730	$2,455	11.2%
Disabled members			
Number in pay status	0	0	N/A
Average monthly benefit[1]	N/A	N/A	N/A
Beneficiaries			
Number in pay status	5	4	25.0%
Average monthly benefit[1]	$1,523	$1,598	-4.7%

(1) Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #12 General – Law Library	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	12	11	9.1%
Average monthly benefit[(1),(2)]	$3,058	$2,200	39.0%
Disabled members			
Number in pay status	0	0	N/A
Average monthly benefit[(1)]	N/A	N/A	N/A
Beneficiaries			
Number in pay status	0	0	N/A
Average monthly benefit[(1)]	N/A	N/A	N/A

[(1)] Excludes monthly benefits payable from the STAR COLA.

[(2)] The increase in average monthly benefit is due to the retirement of one member with a substantial amount of benefit based on the member's age and service at OCERS.

Summary of Retired Members and Beneficiaries

Rate Group #6 Safety – Probation Officers	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	332	306	8.5%
Average monthly benefit[1]	$5,632	$5,444	3.5%
Disabled members			
Number in pay status	31	29	6.9%
Average monthly benefit[1]	$2,973	$2,872	3.5%
Beneficiaries			
Number in pay status	27	25	8.0%
Average monthly benefit[1]	$2,444	$2,473	-1.2%

(1) Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #7 Safety – Law Enforcement	Year Ended December 31 2018	Year Ended December 31 2017	Change from Prior Year
Retired members			
Number in pay status	1,402	1,333	5.2%
Average monthly benefit[1]	$7,128	$6,876	3.7%
Disabled members			
Number in pay status	368	351	4.8%
Average monthly benefit[1]	$5,266	$4,977	5.8%
Beneficiaries			
Number in pay status	370	351	5.4%
Average monthly benefit[1]	$3,114	$3,011	3.4%

[1] Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #8 Safety – OCFA	Year Ended December 31		Change from Prior Year
	2018	2017	
Retired members			
Number in pay status	441	414	6.5%
Average monthly benefit[1]	$8,376	$7,976	5.0%
Disabled members			
Number in pay status	182	164	11.0%
Average monthly benefit[1]	$6,912	$6,628	4.3%
Beneficiaries			
Number in pay status	105	97	8.2%
Average monthly benefit[1]	$3,305	$3,206	3.1%

[1] Excludes monthly benefits payable from the STAR COLA.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #1	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans A and B		
Normal Cost	10.73%	10.73%
UAAL	8.55%[2]	7.89%[3]
Total	19.28%	18.62%
Plan U		
Normal Cost	9.93%	9.93%
UAAL	8.55%[2]	7.89%[3]
Total	18.48%	17.82%
Rate Group 1 combined		
Normal Cost	10.34%	10.34%
UAAL	8.55%[2]	7.89%[3]
Total	18.89%	18.23%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

(2) For FY 20-21, the net UAAL contribution rate for County and IHSS Public Authority after reflecting Board's UAAL contribution rate policy for Cypress Parks and Recreation, U.C.I. and DOE is 5.06%.

(3) For FY 19-20, the net UAAL contribution rate for County and IHSS Public Authority after reflecting Board's UAAL contribution rate policy for Cypress Parks and Recreation, U.C.I. and DOE is 4.61%.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #1 (Continued)	Sample Member Rates	
	FY 20 – 21	FY 19 – 20
Plans A and B		
TIER 1		
Entry Age: 30	6.72%	6.72%
Entry Age: 35	7.28%	7.28%
Entry Age: 40	7.92%	7.92%
TIER 2		
Entry Age: 30	9.04%	9.04%
Entry Age: 35	9.79%	9.80%
Entry Age: 40	10.64%	10.65%
Plan U		
Entry Age: 30	9.35%	9.34%
Entry Age: 35	10.13%	10.11%
Entry Age: 40	10.98%	10.96%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #2	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans I and J (non-Children & Families)		
Normal Cost	14.36%	14.39%
UAAL[2]	25.05%	22.67%
Total	39.41%	37.06%
Plans I and J (Children & Families)		
Normal Cost	14.36%	14.39%
UAAL	3.26%	1.04%
Total	17.62%	15.43%
Plans O and P		
Normal Cost	6.23%	6.21%
UAAL[2]	25.05%	22.67%
Total	31.28%	28.88%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

(2) Before adjustments for future service benefit improvements.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #2 (Continued)	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plan S		
Normal Cost	12.13%[2]	11.51%
UAAL	25.05%	22.67%
Total	37.18%	34.18%
Plan T		
Normal Cost	7.12%	7.11%
UAAL[3]	25.05%	22.67%
Total	32.17%	29.78%
Plan U (non-Children & Families)		
Normal Cost	8.78%	8.78%
UAAL[3]	25.05%	22.67%
Total	33.83%	31.45%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

(2) The increase in the employer Normal Cost rate from last year to this year is primarily due to the change in the average entry age from 31.9 (for 17 members) to 32.8 for (for 16 members).

(3) Before adjustments for future service benefit improvements.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #2 (Continued)	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plan U (Children & Families)		
Normal Cost	8.78%	8.78%
UAAL	3.26%	1.04%
Total	12.04%	9.82%
Plan W		
Normal Cost	8.73%	8.56%
UAAL	25.05%	22.67%
Total	33.78%	31.23%
Rate Group 2 combined		
Normal Cost	12.33%	12.35%
UAAL	25.03%	22.65%
Total	37.36%	35.00%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #2 (Continued)	Sample Member Rate	
	FY 20 – 21	FY 19 – 20
Plans I and J		
TIER 1		
Entry Age: 30	13.16%	13.16%
Entry Age: 35	14.31%	14.31%
Entry Age: 40	15.53%	15.52%
TIER 2		
Entry Age: 30	12.59%	12.58%
Entry Age: 35	13.68%	13.67%
Entry Age: 40	14.75%	14.75%
Plan P		
TIER 2		
Entry Age: 30	8.29%	8.29%
Entry Age: 35	8.98%	8.98%
Entry Age: 40	9.76%	9.76%
Plan S		
TIER 2		
Entry Age: 30	10.86%	10.80%
Entry Age: 35	11.77%	11.70%
Entry Age: 40	12.79%	12.72%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #2 (Continued)	Sample Member Rate	
	FY 20 – 21	FY 19 – 20
Plan T		
Entry Age: 30	6.53%	6.50%
Entry Age: 35	7.08%	7.05%
Entry Age: 40	7.70%	7.67%
Plan U		
Entry Age: 30	8.34%	8.34%
Entry Age: 35	9.03%	9.03%
Entry Age: 40	9.79%	9.78%
Plan W		
Entry Age: 30	6.37%	6.12%
Entry Age: 35	6.91%	6.64%
Entry Age: 40	7.52%	7.22%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #3	Employer Rate	
	FY 20 – 21	FY 19 – 20
Plans G and H		
Normal Cost	13.24%	13.30%
UAAL	0.86%(1)	0.00%(2)
Total	14.10%	13.30%
Plan B		
Normal Cost	11.11%	11.25%
UAAL	0.86%(1)	0.00%(2)
Total	11.97%	11.25%
Plan U		
Normal Cost	10.02%	10.37%
UAAL	0.86%(1)	0.00%(2)
Total	10.88%	10.37%
Rate Group 3 combined		
Normal Cost	12.12%	12.27%
UAAL	0.86%(1)	0.00%(2)
Total	12.98%	12.27%

(1) These rates are after adjustment for $14,589,000 asset transfer from O.C. Sanitation District UAAL Deferred Account.
(2) These rates are after adjustment for $24,042,000 asset transfer from O.C. Sanitation District UAAL Deferred Account.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #3 (Continued)	Sample Member Rate	
	FY 20 – 21	FY 19 – 20
Plans G and H		
<u>TIER 1</u>		
Entry Age: 30	12.90%	12.90%
Entry Age: 35	14.03%	14.03%
Entry Age: 40	15.22%	15.22%
<u>TIER 2</u>		
Entry Age: 30	12.34%	12.34%
Entry Age: 35	13.41%	13.41%
Entry Age: 40	14.46%	14.46%
Plan B		
<u>TIER 2</u>		
Entry Age: 30	9.10%	9.10%
Entry Age: 35	9.86%	9.86%
Entry Age: 40	10.71%	10.72%
Plan U		
Entry Age: 30	8.75%	8.83%
Entry Age: 35	9.47%	9.56%
Entry Age: 40	10.27%	10.36%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #5	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans A and B		
Normal Cost	12.03%	12.10%
UAAL	18.60%	15.94%
Total	30.63%	28.04%
Plan U		
Normal Cost	11.32%	11.32%
UAAL	18.60%	15.94%
Total	29.92%	27.26%
Rate Group 5 combined		
Normal Cost	11.93%	11.99%
UAAL	18.60%	15.94%
Total	30.53%	27.93%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #5 (Continued)	Sample Member Rates	
	FY 20 – 21	FY 19 – 20
Plans A and B		
TIER 1		
Entry Age: 30	6.83%	6.83%
Entry Age: 35	7.41%	7.41%
Entry Age: 40	8.05%	8.05%
TIER 2		
Entry Age: 30	9.15%	9.15%
Entry Age: 35	9.92%	9.92%
Entry Age: 40	10.78%	10.78%
Plan U		
Entry Age: 30	9.77%	9.76%
Entry Age: 35	10.59%	10.57%
Entry Age: 40	11.47%	11.46%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #9	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans M and N		
Normal Cost	14.51%	14.51%
UAAL	14.66%	11.49%
Total	29.17%	26.00%
Plan U		
Normal Cost	11.13%	11.02%
UAAL	14.66%	11.49%
Total	25.79%	22.51%
Rate Group 9 combined		
Normal Cost	12.91%	12.87%
UAAL	14.66%	11.49%
Total	27.57%	24.36%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #9 (Continued)	Sample Member Rates	
	FY 20 – 21	FY 19 – 20
Plans M and N		
TIER 1		
Entry Age: 30	9.92%	9.90%
Entry Age: 35	10.76%	10.73%
Entry Age: 40	11.70%	11.67%
TIER 2		
Entry Age: 30	9.49%	9.47%
Entry Age: 35	10.29%	10.26%
Entry Age: 40	11.18%	11.15%
Plan U		
Entry Age: 30	8.90%	8.75%
Entry Age: 35	9.64%	9.48%
Entry Age: 40	10.45%	10.27%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #10	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans I and J		
Normal Cost	14.71%	14.72%
UAAL	14.96%	15.74%
Total	29.67%	30.46%
Plans M and N		
Normal Cost	13.50%	13.46%
UAAL	14.96%	15.74%
Total	28.46%	29.20%
Plan U		
Normal Cost	10.16%	10.41%
UAAL	14.96%	15.74%
Total	25.12%	26.15%
Rate Group 10 combined		
Normal Cost	13.04%	13.12%
UAAL	14.96%	15.74%
Total	28.00%	28.86%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #10 (Continued)	Sample Member Rate	
	FY 20 – 21	FY 19 – 20
Plans I and J		
TIER 1		
Entry Age: 30	13.15%	13.15%
Entry Age: 35	14.30%	14.30%
Entry Age: 40	15.51%	15.51%
TIER 2		
Entry Age: 30	12.58%	12.58%
Entry Age: 35	13.67%	13.67%
Entry Age: 40	14.74%	14.74%
Plan N		
TIER 2		
Entry Age: 30	9.63%	9.59%
Entry Age: 35	10.44%	10.39%
Entry Age: 40	11.34%	11.29%
Plan U		
Entry Age: 30	9.01%	9.11%
Entry Age: 35	9.75%	9.87%
Entry Age: 40	10.57%	10.70%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #11	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans M and N		
Normal Cost	12.05%	11.98%
UAAL	0.00%[2]	0.48%
Total	12.05%	12.46%
Plan U		
Normal Cost	12.33%	12.03%
UAAL	0.00%[2]	0.48%
Total	12.33%	12.51%
Rate Group 11 combined		
Normal Cost	12.11%	11.99%
UAAL	0.00%[2]	0.48%
Total	12.11%	12.47%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

(2) The FY 20-21 UAAL rates after the phase-in is negative. Under CalPEPRA, the employer's contribution rate cannot be less than the Normal Cost unless the funded ratio is over 120% and other conditions in CalPEPRA are met.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #11 (Continued)	Sample Member Rates	
	FY 20 – 21	FY 19 – 20
Plans M and N		
TIER 1		
Entry Age: 30	9.92%	9.90%
Entry Age: 35	10.76%	10.73%
Entry Age: 40	11.70%	11.67%
TIER 2		
Entry Age: 30	9.49%	9.47%
Entry Age: 35	10.29%	10.26%
Entry Age: 40	11.18%	11.15%
Plan U		
Entry Age: 30	9.77%	9.43%
Entry Age: 35	10.58%	10.21%
Entry Age: 40	11.47%	11.06%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #12	Employer Rates	
	FY 20 – 21	FY 19 – 20
Plans G and H		
Normal Cost	14.28%	14.11%
UAAL	1.77%	0.00%
Total	16.05%	14.11%
Plan U		
Normal Cost	10.32%[1]	9.36%
UAAL	1.77%	0.00%
Total	12.09%	9.36%
Rate Group 12 combined		
Normal Cost	13.52%	13.33%
UAAL	1.77%	0.00%
Total	15.29%	13.33%

(1) There are two active members in Plan U this year instead of one active member last year. The increase in the employer Normal Cost rate from last year to this year is primarily due to change in the average entry age from 32.5 (for 1 member) to 39.4 (for 2 members).

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #12 (Continued)	Sample Member Rates	
	FY 20 – 21	FY 19 – 20
Plan H		
<u>TIER 2</u>		
Entry Age: 30	12.37%	12.34%
Entry Age: 35	13.45%	13.41%
Entry Age: 40	14.50%	14.47%
Plan U [(1)]		
Entry Age: 30	8.31%	8.77%
Entry Age: 35	9.00%	9.50%
Entry Age: 40	9.76%	10.30%

(1) There is a decrease in the individual entry age based rates. However, there is an increase in the aggregate rate shown on the previous page as a result of the change in average entry age (see footnote 1 on that page).

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #6	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans E and F		
Normal Cost	23.45%	23.71%
UAAL	32.28%	28.74%
Total	55.73%	52.45%
Plan V		
Normal Cost	16.76%	16.63%
UAAL	32.28%	28.74%
Total	49.04%	45.37%
Rate Group 6 combined		
Normal Cost	23.09%	23.33%
UAAL	32.28%	28.74%
Total	55.37%	52.07%

[1] These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #6 (Continued)	Sample Member Rates	
	FY 20 – 21	FY 19 – 20
Plans E and F		
TIER 1		
Entry Age: 30	13.35%	13.28%
Entry Age: 35	14.39%	14.31%
Entry Age: 40	15.63%	15.55%
TIER 2		
Entry Age: 30	18.11%	18.04%
Entry Age: 35	19.45%	19.38%
Entry Age: 40	20.89%	20.80%
Plan V		
Entry Age: 30	16.61%	16.85%
Entry Age: 35	17.81%	18.06%
Entry Age: 40	19.17%	19.44%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #7	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans E and F		
Normal Cost	26.64%	26.69%
UAAL	40.71%	37.36%
Total	67.35%	64.05%
Plans Q and R		
Normal Cost	23.48%	23.69%
UAAL	40.71%	37.36%
Total	64.19%	61.05%
Plan V		
Normal Cost	19.04%	19.29%
UAAL	40.71%	37.36%
Total	59.75%	56.65%
Rate Group 7 combined		
Normal Cost	24.53%	24.65%
UAAL	40.71%	37.36%
Total	65.24%	62.01%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #7 (Continued)	Sample Member Rate	
	FY 20 – 21	FY 19 – 20
Plans E and F		
TIER 1		
Entry Age: 30	14.06%	14.01%
Entry Age: 35	15.14%	15.10%
Entry Age: 40	16.44%	16.39%
TIER 2		
Entry Age: 30	18.80%	18.75%
Entry Age: 35	20.17%	20.13%
Entry Age: 40	21.63%	21.58%
Plan R		
TIER 2		
Entry Age: 30	17.61%	17.57%
Entry Age: 35	18.89%	18.86%
Entry Age: 40	20.26%	20.22%
Plan V		
Entry Age: 30	18.48%	18.66%
Entry Age: 35	19.81%	20.00%
Entry Age: 40	21.32%	21.53%

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #8	Employer Rates[1]	
	FY 20 – 21	FY 19 – 20
Plans E and F		
Normal Cost	26.97%	27.24%
UAAL	23.84%	20.80%
Total	50.81%	48.04%
Plans Q and R		
Normal Cost	21.83%	21.97%
UAAL	23.84%	20.80%
Total	45.67%	42.77%
Plan V		
Normal Cost	15.27%	15.44%
UAAL	23.84%	20.80%
Total	39.11%	36.24%
Rate Group 8 combined		
Normal Cost	24.76%	25.01%
UAAL	23.84%	20.80%
Total	48.60%	45.81%

(1) These rates reflect the 1/3 and 2/3 phase-ins of changes in actuarial assumptions in the December 31, 2017 and 2018 valuations, respectively.

Contribution Rates - Fiscal Years Beginning July 1, 2020 and July 1, 2019

Rate Group #8 (Continued)	Sample Member Rate	
	FY 20 – 21	FY 19 – 20
Plans E and F		
TIER 1		
Entry Age: 30	13.48%	13.45%
Entry Age: 35	14.53%	14.50%
Entry Age: 40	15.79%	15.77%
TIER 2		
Entry Age: 30	18.18%	18.16%
Entry Age: 35	19.54%	19.52%
Entry Age: 40	21.03%	21.00%
Plan R		
TIER 2		
Entry Age: 30	17.22%	17.18%
Entry Age: 35	18.52%	18.47%
Entry Age: 40	19.92%	19.87%
Plan V		
Entry Age: 30	15.56%	15.77%
Entry Age: 35	16.68%	16.91%
Entry Age: 40	17.96%	18.20%

I-13

Memorandum

DATE: May 6, 2019

TO: Members of the Board of Retirement

FROM: Brenda Shott, Assistant CEO Finance and Internal Operations

SUBJECT: **PUBLIC IDENTIFICATION OF REAL PROPERTY SUBJECT TO NEGOTIATIONS AND PERSONS WITH WHOM OCERS NEGOTIATOR MAY NEGOTIATE**

Written Report

Background/Discussion

Staff received an unsolicited offer to purchase the OCERS headquarter building located at 2223 E. Wellington Avenue, Santa Ana, CA.

The Brown Act (California Government Code §54956.8) allows the Board to hold a closed session to "grant authority to its negotiator regarding the price and terms of payment for the … sale…" of real property by the Board. The Brown Act also requires that the Board hold an open and public session that identifies its negotiators, the real property or real properties which the negotiations concern and the person or persons with whom its negotiators may negotiate. The required information is as follows:

Agency Negotiator: Brenda Shott, OCERS Assistant Chief Executive Officer, Finance and Internal Operations

Negotiating Party: Legacy Partners Residential LLC

Property: 2223 E. Wellington Avenue, Santa Ana, CA

Submitted by:

Brenda M Shott

Brenda Shott

Assistant CEO, Finance and Internal Operations