

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

**REGULAR MEETING  
Monday, August 17, 2020  
9:30 A.M.**

**Pursuant to Executive Order N-29-20, certain provisions of the Brown Act are suspended due to a State of Emergency in response to the COVID-19 pandemic. Consistent with the Executive Order, this meeting will be conducted by video/teleconference only. None of the locations from which the Board members will participate will be open to the public.**

**Members of the public who wish to observe and/or participate in the meeting may do so via the Zoom app or via telephone. Members of the public who wish to provide comment during the meeting may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing \* 9 on your telephone keypad.**

<b>OCERS Zoom Video/Teleconference information</b>	
<p><b>Join Using Zoom App (Video &amp; Audio)</b></p> <p><a href="https://ocers.zoom.us/j/95760809775">https://ocers.zoom.us/j/95760809775</a></p> <p><b>Meeting ID: 957 6080 9775</b> <b>Password: 822583</b></p> <p>Go to <a href="https://www.zoom.us/download">https://www.zoom.us/download</a> to download Zoom app before meeting Go to <a href="https://zoom.us">https://zoom.us</a> to connect online using any browser.</p>	<p><b>Join by Telephone (Audio Only)</b></p> <p>Dial by your location</p> <ul style="list-style-type: none"> <li>+1 669 900 6833 US (San Jose)</li> <li>+1 346 248 7799 US (Houston)</li> <li>+1 253 215 8782 US</li> <li>+1 301 715 8592 US</li> <li>+1 312 626 6799 US (Chicago)</li> <li>+1 929 436 2866 US (New York)</li> </ul> <p><b>Meeting ID: 957 6080 9775</b> <b>Password: 822583</b></p>
<p>A <a href="#">Zoom Meeting Participant Guide</a> is available on OCERS website <a href="#">Board &amp; Committee meetings page</a></p>	

**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.**

**CALL MEETING TO ORDER AND ROLL CALL**

**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. Members of the public who wish to provide comment at this time may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing \* 9 on your telephone keypad. 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.

**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.

- None

**ADMINISTRATION**

**C-2 BOARD MEETING MINUTES**

Regular Board Meeting Minutes

July 20, 2020

**Recommendation:** Approve minutes.

**C-3 OUTCOMES OF THE GOVERNANCE COMMITTEE MEETING ON AUGUST 4, 2020**

**Recommendation:** The Governance Committee recommends that the Board:  
(1) Adopt the proposed revisions to the Actuarial Valuation Policy as presented;  
(2) Adopt the proposed revisions to the Securities Litigation Policy as presented;  
(3) Adopt the proposed revisions to OCERS’ Conflict of Interest Code as presented; and  
(4) Adopt the proposed revisions to the Adjudication Policy and Administrative Hearing Rules, including renaming the policy as the Administrative Review and Hearing Policy, as presented.

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**CONSENT ITEMS: DISABILITY/MEMBER BENEFITS AGENDA**

**9:30 AM**

**AGENDA**

**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 ITEMS**

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: CHRISTINA QINTERO**

Property Tax Technician, Orange County Treasurer-Tax Collector

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

**DC-2: STACY ANDROUS**

Deputy Juvenile Correctional Officer II, Orange County Probation Department

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of May 10, 2019. (Safety Member)

**DC-3: ROBERT BARNARD**

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 August 2, 2019. (Safety Member)

**DC-4: ANTHONY BOMMARITO**

Fire Captain, Orange County Fire Authority

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of February 28, 2020. (Safety Member)

**DC-5: RUSSELL CARINGER**

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 March 30, 2018. (Safety Member)

**DC-6: DOUGLAS LEONARD**

Deputy Sheriff II, Orange County Sheriff's Department

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 15, 2019. (Safety Member)

**DC-7: WILLIAM LOCKHART**

Battalion Chief, Orange County Fire Authority

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 29, 2019. (Safety Member)

**DC-8: CHRISTOPHER SHERWOOD**

Firefighter, Orange County Fire Authority

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of June 7, 2019. (Safety Member)

**DC-9: JAMES THURMAN**

Coach Operator, Orange County Transportation Authority

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of September 30, 2018. (General Member)

**CLOSED SESSION**

**Government Code section 54957**

**Adjourn to Closed Session under Government Code section 54957 to consider member disability applications and to discuss member medical records submitted in connection therewith. The applicant may waive confidentiality and request his or her disability application to be considered in Open Session.**

**OPEN SESSION**

**REPORT OF ACTIONS TAKEN IN CLOSED SESSION**

**ACTION ITEMS:**

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

**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. **Members of the public who wish to provide comment in connection with any matter listed in this agenda may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing \* 9, at the time the item is called.**

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

**A-2 TRIENNIAL STUDY OF ACTUARIAL ASSUMPTIONS**

*Presentation by Paul Angelo and Andy Yeung, Segal Consulting*

**Recommendation:** Approve demographic and economic actuarial assumptions based on the recommendations and alternatives included in the Actuarial Experience Study of the period January 1, 2017 through December 31, 2019 prepared by Segal.

**A-3 ADDITION OF EXTRA HELP POSITION IN THE MEMBER SERVICES DEPARTMENT**

*Presentation by Suzanne Jenike, Assistant CEO, OCERS*

**Recommendation:**

- 1) Approve the addition of three Extra Help positions, classified as a Retirement Program Specialist(s) in the Member Services department.
- 2) Authorize the CEO to send the attached memorandum to the County of Orange to request the addition of three Extra Help positions.

**INFORMATION ITEMS**

**I-1 MEMBER MATERIALS DISTRIBUTED**

Written Report

Application Notices

August 17, 2020

Death Notices

August 17, 2020

**I-2 COMMITTEE MEETING MINUTES**

- N/A

**I-3 CEO FUTURE AGENDAS AND 2020 OCERS BOARD WORK PLAN**

Written Report

**I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS**

Written Report

- I-5 **BOARD COMMUNICATIONS**  
Written Report
- I-6 **STATE AND FEDERAL LEGISLATIVE UPDATE**  
Written Report
- I-7 **SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
Written Report
- I-8 **SECOND QUARTER 2020 BUDGET TO ACTUALS REPORT**  
Written Report
- I-9 **OCERS BY THE NUMBERS (2020 EDITION)**  
Written Report
- I-10 **THE EVOLUTION OF THE OCERS UAAL (2020 EDITION)**  
Written Report
- I-11 **2020 EMPLOYER AND EMPLOYEE CONTRIBUTIONS MATRIX**  
Written Report
- I-12 **2020 STRATEGIC PLANNING WORKSHOP AGENDA**  
Written Report
- I-13 **OCERS STAFFING UPDATE**  
*Presentation by Cynthia Hockless, Director of Administrative Services, Admin/HR, OCERS*
- I-14 **UPDATE ON RECENT CALIFORNIA SUPREME COURT DECISION IN *Alameda County Deputy Sheriff's Assoc. et al., v. Alameda County Employees' Retirement Assn., et al***  
*Presentation by Harvey Leiderman, Partner, Reed Smith*
- I-15 **COVID-19 UPDATE**  
*Presentation by Steve Delaney, Chief Executive Officer, OCERS*

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

**CLOSED SESSION ITEMS**

- E-1 **CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED (GOVERNMENT CODE SECTION 54956.9(d)(1)) *OCERS v. Al Mijares, et al., CA Superior Court, Los Angeles County, (Case No. 19STCP04023)***  
Adjourn pursuant to Government Code Section 54956.9(d)(1).

**Recommendation:** Take appropriate action.

**E-2 CONFERENCE REGARDING SIGNIFICANT EXPOSURE TO LITIGATION (ONE MATTER)  
(GOVERNMENT CODE SECTION 54956.9)**

Adjourn pursuant to Government Code section 54956.9(d)(2)

**Recommendation:** Take appropriate action.

**BOARD MEMBER COMMENTS**

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

**COUNSEL COMMENTS**

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

**NOTICE OF NEXT MEETINGS**

**INVESTMENT COMMITTEE MEETING  
August 26, 2020  
9:30 A.M.**

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

**STRATEGIC PLANNING WORKSHOP  
September 9-10, 2020  
9:00 A.M.**

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

**GOVERNANCE COMMITTEE MEETING  
October 6, 2020  
9:00 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
2223 E. WELLINGTON AVENUE, SUITE 100**

Orange County Employees Retirement System  
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Regular Board Meeting – Agenda

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**SANTA ANA, CA 92701**

**DISABILITY COMMITTEE MEETING**

**October 19, 2020**

**8:30 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

**2223 E. WELLINGTON AVENUE, SUITE 100**

**SANTA ANA, CA 92701**

**REGULAR BOARD MEETING**

**October 19, 2020**

**9:30 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](mailto: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.

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

**REGULAR MEETING  
Monday, July 20, 2020  
9:30 a.m.**

**MINUTES**

Chair Hilton called the meeting to order at 9:35 a.m.

Cammy Torres administered the Roll Call attendance.

Attendance was as follows:

Present via Zoom video teleconference pursuant to Executive Order N-29-20 issued by Governor Newsom on March 17, 2020:

Roger Hilton, Chair; Shawn Dewane, Vice-Chair; Shari Freidenrich, Jeremy Vallone, Adele Tagaloo, Charles Packard, Chris Prevatt and Arthur Hidalgo

Also Present via Zoom:

Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, General Counsel; Jenny Sadoski, Director of Information Technology, Anthony Beltran, Visual Technician; Cammy Torres; Recording Secretary

Guests via Zoom:

Harvey Leiderman, ReedSmith

Absent:

Frank Eley and Wayne Lindholm

**CONSENT AGENDA**

**MOTION** by Packard, **seconded** by Dewane, to approve staff's recommendation on all of the following items on the Consent Agenda:

<b>BENEFITS</b>
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**C-1 OPTION 4 RETIREMENT ELECTION**

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

- Joseph Hoskins

**ADMINISTRATION**

**C-2 BOARD MEETING MINUTES**

Regular Board Meeting Minutes June 15, 2020  
Special Board Meeting Minutes June 24, 2020

**Recommendation:** Approve minutes.

**C-3 OUTCOMES OF THE GOVERNANCE COMMITTEE MEETING ON JUNE 9, 2020**

**Recommendation:** The Governance Committee recommends that the Board approve the Membership Eligibility Requirements Policy as presented.

The motion passed **unanimously**.

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**CONSENT ITEMS: DISABILITY/MEMBER BENEFITS AGENDA**

**OPEN SESSION**

**CONSENT ITEMS**

**MOTION** by Dewane, **seconded** by Prevatt, to approve staff’s recommendation on all of the following items on the Consent Agenda:

**DC-1 JOSE FRANCO**  
**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 December 20, 2019. (Safety Member)

**DC-2 ARLENE GARCIA**  
**Coach Operator, Orange County Transportation Authority**

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

**DC-3: DONALD HAYS**  
**Firefighter, Orange County Fire Authority**

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 29, 2019. (Safety Member)

**DC-4: THOMAS HOKLOTUBBE**  
**Firefighter, Orange County Fire Authority**

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 29, 2019. (Safety Member)

**DC-5: KELLY PAAKKONEN**  
**Deputy Sheriff II, Orange County Sheriff's Department**

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of July 5, 2019. (Safety Member)

**DC-6: JOHN SPRAGUE**  
**Deputy Sheriff II, Orange County Sheriff's Department**

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of January 31, 2020. (Safety Member)

**DC-7: RENEE BROWN**  
Eligibility Supervisor, Orange County Social Services Agency

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

**DC-8: JOHN DURAN**  
**Bindery Technician, Registrar of Voters**

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

**DC-9: CHRISTY WATSON**  
**Fire Community Relations/Education Specialist, Orange County Fire Authority**

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

The motion passed **unanimously**.

**ACTION ITEMS**

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

**No items were trailed from the Consent Agenda.**

**DISABILITY/MEMBER BENEFITS AGENDA**

**DA-2: BENEFIT APPEAL – DAVID V. SHERWOOD**

**Recommendation:** Approve and adopt the findings and recommendations of the Referee/Hearing Officer as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated June 8, 2020 (Recommendations) wherein the Hearing Officer determined that the yearly service credits of Applicant David Sherwood (Applicant) were properly calculated by OCERS based on OCERS’ policy of converting hours worked into service years, thus reconciling payroll periods with calendar years; and as such, the calculation was not arbitrary or capricious.

**MOTION** by Packard, **seconded** by Dewane, to approve and adopt the findings and recommendations of the Referee/Hearing Officer as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated June 8, 2020 (Recommendations) wherein the Hearing Officer determined that the yearly service credits of Applicant David Sherwood (Applicant) were properly calculated by OCERS based on OCERS’ policy of converting hours worked into service years, thus reconciling payroll periods with calendar years; and as such, the calculation was not arbitrary or capricious.

The motion passed **unanimously**.

**ACTION ITEMS**

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

N/A

**A-2 EARLY PAYMENT OF EMPLOYER CONTRIBUTIONS PROGRAM – 2021**

*Presentation by Brenda Shott, Asst. Chief Executive Officer, Internal Operations and Molly Murphy, Chief Investment Officer, CFA, OCERS*

**Recommendation:** Approve the terms of a prepayment discount program for the advance payment of employer contributions, including a 5.8% discount rate to be used for contribution year July 2021 through June 2022.

Ms. Shott and Ms. Murphy presented the Early Payment of Employer Contributions Program to the Board.

After Board discussion, a **MOTION** by Dewane, **seconded** by Prevatt to approve the terms of a prepayment discount program for the advance payment of employer contributions, including a 5.8% discount rate to be used for contribution year July 2021 through June 2022.

The motion passed **unanimously**.

**A-3   SUSPENSION OF ADMINISTRATIVE HEARINGS INVOLVING THE ISSUE OF THE APPLICATION OF THE DISABILITY OFFSET UNDER GOVERNMENT CODE SECTION 31838.5**

*Presentation by Gina M. Ratto, General Counsel, OCERS*

**Recommendation:** Pursuant to the Board’s retained authority under the Board’s Adjudication Policy and Administrative Hearing Rules, order that all pending administrative hearings and administrative hearings requested in the future involving the issue of the application of the disability offset under Government Code section 31838.5 to members who have not established reciprocity be suspended pending a final decision in pending litigation captioned, Nicholas Casson v. OCERS, Orange County Superior Court, Case No. 30-2020-01140757-CU-WM-CJC.

Ms. Ratto presented the suspension of administrative hearings involving the issue of the application of the disability offset.

**MOTION** by Dewane, **seconded** by Prevatt to approve staff recommendation.

Michael Tregar, attorney, opposed staff recommendation and stated that the writ hearing is not scheduled until January 24, 2022 and it is not reasonable, just or fair for the members to wait a year and a half to start their appeal process.

The motion passed **unanimously**.

***The Board recessed for break at 10:11 a.m.***  
***The Board reconvened from break at 10:25 a.m.***

Ms. Torres administered a Roll Call attendance.

All Board members were present except for Mr. Vallone.

**INFORMATION ITEMS**

**I-1   MEMBER MATERIALS DISTRIBUTED**

Written Report

Application Notices

July 20, 2020

Death Notices

July 20, 2020

**I-2   COMMITTEE MEETING MINUTES**

-   March 13, 2020 Governance Committee Minutes

**I-3   CEO FUTURE AGENDAS AND 2020 OCERS BOARD WORK PLAN**

Written Report

**I-4   QUIET PERIOD – NON-INVESTMENT CONTRACTS**

Written Report

**I-5   BOARD COMMUNICATIONS**

Written Report

**I-6 STATE AND FEDERAL LEGISLATIVE UPDATE**

Written Report

**I-7 SECOND QUARTER 2019 TRAVEL AND TRAINING EXPENSE REPORT**

Written Report

**I-8 CONTRACT STATUS FOR NAMED SERVICE PROVIDERS**

Written Report

**I-9 IMPACT OF VARIABILITY OF SALARY CHANGES ON UAAL AS OF DECEMBER 31, 2019 FOR THE DIFFERENT RATE GROUPS**

Written Report

Although this item was a “written report,” Mr. Angelo and Mr. Yeung discussed the “Impact of Variability of Salary Changes on UAAL as of December 31, 2019 for the Different Rate Groups.”

**I-10 ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE INVESTMENT RETURN SCENARIOS**

*Presentation by Paul Angelo and Andy Yeung, Segal Consulting*

Mr. Angelo and Mr. Yeung presented the “Illustrations of Retirement Costs, Unfunded Actuarial Accrued Liability and Funded Ratio Under Alternative Investment Return Scenarios” to the Board.

**I-11 SENSITIVITY ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE INFLATION AND INVESTMENT RETURN ASSUMPTIONS**

*Presentation by Paul Angelo and Andy Yeung, Segal Consulting*

Mr. Angelo and Mr. Yeung presented the “Sensitivity Illustrations of Retirement Costs, Unfunded Actuarial Accrued Liability and Funded Ratio Under Alternative Inflation and Investment Return Assumptions” to the Board.

**I-12 ACTUARIAL RISK ASSESSMENT BASED ON THE DECEMBER 31, 2019 ACTUARIAL VALUATION**

*Presentation by Paul Angelo and Andy Yeung, Segal Consulting*

Mr. Angelo and Mr. Yeung presented the “Actuarial Risk Assessment based on the December 31, 2019 Actuarial Valuation” to the Board.

**I-13 2020 STRATEGIC PLANNING WORKSHOP – PROPOSED FORMAT AND AGENDA TOPICS**

*Presentation by Steve Delaney, Chief Executive Officer, OCERS*

Mr. Delaney presented the proposed Strategic Planning Agenda. He will poll the Board Members on preferred times and topics and will report back with the final Agenda at the August Board meeting.

**I-14 COVID-19 UPDATE**

*Presentation by Steve Delaney, Chief Executive Officer, OCERS*

Mr. Delaney presented the COVID-19 update for the month of July. He informed the Board that while OCERS staff continue to work remotely through Friday, August 28, in line with current County

Orange County Employees Retirement System  
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Health Department advice emphasizing telework wherever possible, that decision is revisited by himself and the Crisis Management team every month.

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

**BOARD MEMBER COMMENTS**

N/A

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

N/A

**COUNSEL COMMENTS**

N/A

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Chair Hilton adjourned in memory of the active members, retired members, and surviving spouses who passed away during the past month. The meeting **ADJOURNED** at 12:07 p.m.

Submitted by:

Approved by:

\_\_\_\_\_  
Steve Delaney  
Secretary to the Board

\_\_\_\_\_  
Roger Hilton  
Chairman



## Memorandum

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**DATE:** August 17, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT:** **OUTCOMES OF THE GOVERNANCE COMMITTEE MEETING ON AUGUST 4, 2020**

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### Recommendation

The Governance Committee recommends that the Board:

- (1) Adopt the proposed revisions to the **Actuarial Valuation Policy** as presented;
- (2) Adopt the proposed revisions to the **Securities Litigation Policy** as presented;
- (3) Adopt the proposed revisions to **OCERS' Conflict of Interest Code** as presented; and
- (4) Adopt the proposed revisions to the **Adjudication Policy and Administrative Hearing Rules**, including renaming the policy as the Administrative Review and Hearing Policy, as presented.

### Background/Discussion

#### (1) Actuarial Valuation Policy

The Actuarial Valuation Policy was reviewed by the Governance Committee on August 4, 2020, and non-substantive revisions were approved by the Committee. The revisions are set forth in underlined/strikeout text and attached hereto. The Governance Committee now recommends the Board adopt the revised Actuarial Valuation Policy as presented.

#### (2) Securities Litigation Policy

At its August 4, 2020 meeting, the Governance Committee conducted a triennial review of the Securities Litigation Policy and approved the revisions recommended by staff. The objectives of the revisions to the policy are mainly to remove unnecessary verbiage and re-word and re-organize the substance of the policy to enhance clarity and readability. The changes have reduced the document length from seven pages to five, while maintaining the substance of the provisions, expanding on the explanation of the goals of the policy, and updating and defining terms.

Substantive revisions approved by the Governance Committee include:

- Revisions to the "Principles" section to add more specific explanations of OCERS' motivations in securities litigation. For example, revisions to Section 6 expand on the current enumeration of the goals for participation in securities class action cases in a manner that captures the myriad reasons OCERS may act to protect its members' interests and comply with its fiduciary duties.
- The definitions of "active participation" contained in the policy have been consolidated and clarified in Section 8.
- The factors for Board consideration of active participation set forth in current Section 16 have been refined and separated into those for domestic cases (Section 13) and those for foreign cases (Section 14). An additional factor has been added for domestic securities class actions (in Section 13): whether OCERS' active participation would be effective in deterring similar corporate misconduct in the future.

In foreign cases, the role OCERS will play in decision-making in the litigation has been added as a factor in Section 14.

The revisions to the policy approved by the Governance Committee are set forth in underlined/strikeout text in the attached copy of the Securities Litigation Policy. An unmarked version of the policy is also attached for the Board's ease in reading.

### **(3) OCERS' Conflict of Interest Code**

At its August 4, 2020 meeting, the Governance Committee conducted a biennial review of OCERS' Conflict of Interest Code (OCERS' Code) and approved the revisions recommended by staff.

Under Section 82011(b) of the Political Reform Act (Act), the Orange County Board of Supervisors serves as the code reviewing body for OCERS; and the County has established certain disclosure categories for the agencies whose codes the Board of Supervisors reviews and approves. The Act requires an agency's conflict of interest code to be reviewed by the agency biennially and updated when titles and positions of the agency are added or changed. OCERS' Code was last reviewed and updated by the OCERS Board in 2018.

Since 2018, one position title has changed (Director of Investment Operations is now Director of Investments), and three new titles (Director of Information Security, Senior Investment Officer, and Senior Investment Analyst) have been added. In addition, the code has been edited to clarify that the Clerk of the Orange County Board of Supervisors is the filing officer for OCERS. Staff also conducted a comprehensive review of OCERS' Code for compliance with the Act, FPPC regulations, and various FPPC advice letter rulings and based on that review, recommended, and obtained approval of the Governance Committee of, the following revisions to OCERS' Code:

- That the position of Director of Investment Operations be renamed in OCERS' Code as Director of Investments (a position that manages public investments); and
- That the following positions be added to OCERS' Code as "Designated Filers":
  - Director of Information Security
  - Senior Investment Officer
  - Senior Investment Analyst

A copy of OCERS' Code, with the proposed revisions indicated in underlined/strikeout text, is attached. If the Board adopts the recommended amendments to OCERS' Code, the amendments will be forwarded to the County Board of Supervisors, and once approved by the Board of Supervisors, the amendments will become part of OCERS' Code, effective with the disclosures required on April 1, 2021.

### **(4) Administrative Review and Hearing Policy (formerly, Adjudication Policy and Administrative Hearing Rules)**

The Governance Committee reviewed staff's proposed revisions to the Adjudication Policy and Administrative Hearing Rules at its meetings on June 9, 2020, and August 4, 2020. Between the two meetings, the proposed revisions were shared with OCERS' stakeholders, including labor representatives, representatives of all OCERS' participating employers, OCERS' hearing officers, and attorneys who regularly represent OCERS' members and employers at administrative hearings, and these stakeholders were given 30 days to provide feedback.

At its August 4, 2020 meeting, the Governance Committee approved numerous non-substantive revisions to the policy, including renaming the policy as the Administrative Review and Hearing Policy. Substantive revisions to the policy were also approved as follows:

**Narrowing Scope of Issues Reviewed by a Hearing Officer**

Under Government Code (CERL) section 31533, the Board is empowered to determine whether a hearing is necessary in order for the Board to make a determination. Section 31533 states in full as follows:

Whenever, in order to make a determination, it is necessary to hold a hearing the board may appoint either one of its members or a member of the State Bar of California to serve as a referee. The referee shall hold such a hearing and shall transmit, in writing, to the board his proposed findings of fact and recommended decision.

Under the current policy, if the member disagrees with the Disability Committee's recommendations, all aspects of the disability application are processed together and subject to review by a hearing officer. As a result, tangential issues, such as timeliness of an application, ineligibility due to termination, application of the disability offset, etc., that are beyond the fundamental issues relating to a disability determination as set forth in CERL Section 31724, i.e, (1) permanent incapacity, (2) service connection, and (3) the effective date, end up being litigated before the hearing officer.

In addition, the policy as currently drafted gives members the right to request a hearing on all benefit determinations, and does not provide the Board with the opportunity to exercise its authority under section 31533 (set forth above) to determine whether a hearing is necessary, or to define the issues to be presented to the hearing officer. As a result, the hearing officer hears and issues recommendations on a variety of questions that involve interpretations of the CERL and/or policy decisions by the Board. Examples include whether a particular pay item is pensionable for Legacy members; whether Board Resolution 98-001 should be revised; whether the disability offset should be applied where reciprocity has not been established; how to calculate a year of service credit; etc. These are issues for which the Board, and not a hearing officer, is the appropriate arbiter, unless and until challenged in state court in a writ proceeding.

The revisions to the policy approved by the Governance Committee would limit the issues to be reviewed by a hearing officer in connection with a disability application to the three issues outlined in section 31724 (permanent incapacity; service connection and effective date). All other tangential issues related to an application for disability retirement would be treated as benefit determinations; and for these, and for all other questions regarding benefit determinations, staff recommends restoring to the Board the power under section 31533 to determine what issues require a hearing. As revised, members can request CEO review of staff level determinations of a member's benefit (e.g., calculation of the amount of the benefit, effective date, reciprocity determinations), and if the member is dissatisfied with the CEO determination, the member may request review by the Board. The Board would then have the choice of deciding the issue itself (and the Board's decision at that point would be final and subject to a writ proceeding filed with state court) or sending the matter to a hearing with the issues to be considered by the hearing officer as defined and limited by the Board's order.

In determining whether to hear and determine the matter or refer the matter to a hearing officer, the Board would consider all relevant factors, including, but not limited to, the following:

- a. Whether the disputed issues are legal, not factual, in nature;
- b. Relevant judicial authority on the disputed legal issue(s);
- c. Whether the Board and/or a Hearing Officer has previously ruled on substantively similar issue(s);
- d. Whether the Applicant is represented by an attorney;
- e. The efficient use of OCERS resources; and
- f. The interests of the Applicant in receiving a timely decision.

Additionally, the policy as currently drafted does not expressly address the situation where the member wants to appeal limited aspects of a Disability Committee recommendation such as the effective date of the benefit or whether the disability is service connected. Currently, staff moves forward to the Board the committee's recommended grant of a non-service connected disability retirement, and allows the member to simultaneously appeal the issues of effective date or service connection. The proposed revisions would memorialize the process currently followed by staff and allow a hearing limited to the contested issues with the non-contested issues sent directly to the Board for action.

#### **Consolidation of Requests for Administrative Review or Hearing**

The Governance Committee approved a revision to the policy to expressly empower the Board or the hearing officer to consolidate review or hearing of individual member cases that involve related issues after considering 1) the complexity of the issues involved; 2) the potential prejudice to any party; 3) the avoidance of duplicate or inconsistent orders; and 4) the efficient utilization of OCERS' resources. This is the process that was followed earlier this year in connection with the five cases that involved the issue of the application of the disability offset. Because the policy didn't contemplate consolidation of the cases, staff was required to formally request the Board to order the consolidation at a meeting of the Board.

#### **Party Objections to Hearing Officer Recommendations**

As currently drafted, the policy permits all parties to file objections to the hearing officer's recommendations, but does not include a process for the hearing officer to review and respond to those objections – either by affirming the original recommendations or by issuing revised recommendations in light of the objections. This puts the Board in the position of having to review and consider the parties' objections without the benefit of knowing whether the objections would persuade the hearing officer to alter his or her original recommendation. The only alternative currently is for the Board to send the matter back to the hearing officer with instructions to consider the objections.

The above process represented a change that was made in 2018; and after two years of living with the new policy, staff believes the process regarding objections to hearing officer recommendations under the 2015 version of the policy is superior to the current language. Staff therefore recommended to the Governance Committee and the Governance Committee agreed to revert to the previous process and revising the policy to provide that any objections will be filed with the hearing officer, who will consider the objections and either affirm or revise the original recommendations, before the matter is presented to the Board. This will eliminate any "guesswork" regarding whether the hearing officer would have found any of the objections to be persuasive.

#### **Procedural Issues Raised at the Pre-Hearing Conference**

The Governance Committee approved the addition of a provision to Rule 8 in the Hearing Rules (appendix to the Policy) to permit OCERS to raise procedural issues not previously raised by OCERS staff that could moot an appeal such as timeliness of the Application or ineligibility due to the member having been terminated for cause. This issue has arisen in a few cases where an eligibility or timeliness issue was not addressed by staff at the determination level. The purpose of the proposed revision is to avoid having a matter that could or should be resolved by the Board going all the way through the hearing process. As proposed, the hearing officer would give the other parties an opportunity to respond, and could continue the Pre-Hearing Conference to do so. If the

hearing officer found in favor of OCERS on the issue of eligibility or timeliness, the hearing would be suspended and the matter would be referred to the Board and handled as if it were a CEO Determination.

**Dismissal of Hearing for Failure to Appear at Pre-Hearing Conference Without Good Cause**

The Governance Committee approved the addition of a provision to Rule 8 in the Hearing Rules (appendix to the Policy) to permit a hearing officer to dismiss a hearing if *neither* the member Applicant nor the employer (where the employer has filed an Application on behalf of the member) participates in the Pre-Hearing Conference.

The clerk of the hearing officers will first file and serve on all parties and the hearing officer an Order to Show Cause why the matter should not be dismissed, and give the member and employer five (5) days to respond to the hearing officer. Unless at least one of the Applicants shows good cause why the matter should not be dismissed, the hearing officer is authorized to dismiss the hearing. In such cases, the matter will proceed as if no Request for Administrative Hearing had been filed in accordance with Section 5 of the policy. If the hearing officer determines that an Applicant has shown good cause, the hearing officer will direct the clerk to reschedule the Pre-Hearing Conference and the Applicant will be liable to OCERS for any actual costs incurred by OCERS as a result of the delay.

**Definition of Medical Witness**

The definition of Medical Witness was revised as follows:

**Medical Witness:** A person who by profession is a physician, surgeon, psychologist, optometrist, dentist, or podiatrist, ~~acupuncturist, or chiropractic practitioner~~ licensed by the State of California or by such other jurisdiction of the United States in which such person maintains a regular practice in good standing.

There are numerous non-substantive revisions to the Policy that were recommended by the staff and approved by the Governance Committee that are not outlined or summarized here. The attached redline of the policy reflects all of the revisions proposed. The Governance Committee recommends that the Board adopt these revisions to the policy as presented.

Attachments

**Submitted by:**



Gina M. Ratto  
General Counsel



## OCERS Board Policy Actuarial Valuation Policy

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### Purpose

1. In compliance with Section 31453 of the California Employees Retirement Law of 1937 ("CERL"), OCERS (the "System") shall conduct an annual actuarial valuation to determine the value of assets and liabilities and the funding requirements of the System. The valuation shall be conducted under the supervision of an actuary and shall cover the mortality, service and compensation experience of the System's members and beneficiaries.

### Policy Objectives

2. To ensure compliance with the CERL with regards to conducting annual actuarial valuations that determine the value of assets and liabilities and the funding requirements of the system.
3. Define roles and responsibilities of staff, actuary and Board of Retirement in preparing an annual actuarial valuation.
4. Support the general public policy goals of accountability and transparency by being clear as to the annual valuation process that includes the use of complete and accurate data.
5. Definitions

**Actuarial Extract:** a set of computer generated files that are compiled by OCERS from its Pension Administration System. It captures individual member data including Gross Salary, Pensionable Salary, Earnable Salary, Pensionable Pay Items, accumulated service, demographic data and contribution data.

**Ad Hoc Actuarial Extract Review Committee:** an internal OCERS committee consisting of management and line staff which has the primary purpose of reviewing the data used in the final Actuarial Extract submitted to the actuary.

**Annual Actuarial Valuation:** a report generated by OCERS retained actuary as of December 31<sup>st</sup> of each year, setting forth plan membership demographics, rate group structure, contributions on deposit, funding obligations of members and participating employers plan sponsors, contribution rates and funding progress.

**Earnable Salary:** the total salary an OCERS member could have earned during a bi-weekly pay period. This is calculated by multiplying the member's hourly rate by the number of hours the member could have worked in a reported pay period based on their work schedule (full time or eligible part time). The salary, combined with pensionable pay items, that is used to calculate final average salary.

**Gross Salary:** the total payment made to a member within a reported bi-weekly pay period.

**Pensionable Pay Items:** the elements of compensation in addition to Pensionable Salary that OCERS members earned during each pay period, that is deemed pensionable and included in the calculation of contributions and final average salary.



## OCERS Board Policy Actuarial Valuation Policy

**Pensionable Salary:** the total salary an OCERS member actually earned during a bi-weekly pay period, excluding Pensionable Pay Items. This is calculated by multiplying the member's hourly rate by the number of hours the member actually worked in a reported pay period. The salary that is used to calculate contributions due-

**Pension Administration System:** the software program OCERS uses to store member and participating employer plan sponsor data, calculate pensions, receive payroll transmittals, calculate benefits, run queries and reports containing contribution and membership demographic data, and communicate with members, participating employers plan sponsors and stakeholders.

### Policy Guidelines

6. Annually, the OCERS team staff will work with the System's actuary to review and produce an Annual Actuarial Valuation.
7. Each year the OCERS' team staff will identify and confirm requested data elements from the actuary.
8. The Ad Hoc Actuarial Extract Review Committee will prepare an Actuarial Extract from the Pension Administration System as well as additional ad hoc supplemental reports as required to provide requested data for active, deferred, and retired members, as well as for and other payees such as beneficiaries and domestic relation orders. The data will be collected as of calendar year -end.
9. Once the data is generated, the Ad Hoc Actuarial Extract Review Committee will review and analyze the results and correct information in the Pension Administration System as needed to ensure accuracy and consistency with the data received from Participating Employers Plan Sponsors. Elements of data to be reviewed and analyzed will include Gross Salary, Earnable Salary, Pensionable Salary and Pensionable Pay Items.
10. The Ad Hoc Actuarial Extract Review Committee will deliver the Actuarial Extract, ad hoc supplemental reports and any other requested information to the actuary in accordance with the agreed upon schedule. OCERS staff will work in conjunction with the actuary to ensure that the data is complete and as accurate as possible. This will entail additional analysis of the data submitted by the actuary and research and response to questions by the Ad Hoc Actuarial Extract Review Committee.
11. The accurate and complete reporting of member demographic, employment, payroll and contribution data is required from all Participating Employers Plan Sponsors.
12. Under the guidelines of the Actuarial Funding Policy, the actuary will use data provided by OCERS to produce the annual valuation. Annual valuation data and results are the source information for OCERS triennial study.
13. The actuary will present draft annual actuarial valuations to the Board of Retirement in or around May of each year.
14. The Board of Retirement will give final approval of the valuation and contribution rates each year.



## OCERS Board Policy Actuarial Valuation Policy

15. Every three to five years an external third-party actuary will conduct an audit of the annual valuation.

### Policy Review

16. The Board of Retirement will review this Policy at least once every three years to ensure that it remains relevant and appropriate.

### Policy History

17. The Board of Retirement adopted this policy on June 18, 2012.

### Secretary's Certificate

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

**11/13/17**

Steve Delaney  
Secretary of the Board

Date



## OCERS Board Policy Actuarial Valuation Policy

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**Actuarial Extract:** a set of computer generated files that are compiled by OCERS from its Pension Administration System. It captures individual member data including Gross Salary, Pensionable Salary, Earnable Salary, Pensionable Pay Items, accumulated service, demographic data and contribution data.

**Ad Hoc Actuarial Extract Review Committee:** an internal OCERS committee consisting of management and line staff which has the primary purpose of reviewing the data used in the final Actuarial Extract submitted to the actuary.

**Annual Actuarial Valuation:** a report generated by OCERS retained actuary as of December 31<sup>st</sup> of each year, setting forth plan membership demographics, rate group structure, contributions on deposit, funding obligations of members and participating employers, contribution rates and funding progress.

**Earnable Salary:** the total salary an OCERS member could have earned during a bi-weekly pay period. This is calculated by multiplying the member's hourly rate by the number of hours the member could have worked in a reported pay period based on their work schedule (full time or eligible part time). The salary, combined with pensionable pay items, that is used to calculate final average salary.

**Gross Salary:** the total payment made to a member within a reported bi-weekly pay period.

**Pensionable Pay Items:** the elements of compensation in addition to Pensionable Salary that OCERS members earned during each pay period, that is deemed pensionable and included in the calculation of contributions and final average salary.

**Pensionable Salary:** the total salary an OCERS member actually earned during a bi-weekly pay period, excluding Pensionable Pay Items. This is calculated by multiplying the member's hourly rate by the number of hours the member actually worked in a reported pay period. The salary that is used to calculate contributions due



## OCERS Board Policy

# Actuarial Valuation Policy

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7. Each year the OCERS' team will identify and confirm requested data elements from the actuary.
8. The Ad Hoc Actuarial Extract Review Committee will prepare an Actuarial Extract from the Pension Administration System as well as additional ad hoc supplemental reports as required to provide requested data for active, deferred, and retired members, as well as for other payees such as beneficiaries and domestic relation orders. The data will be collected as of calendar year-end.
9. Once the data is generated, the Ad Hoc Actuarial Extract Review Committee will review and analyze the results and correct information in the Pension Administration System as needed to ensure accuracy and consistency with the data received from Participating Employers. Elements of data to be reviewed and analyzed will include Gross Salary, Earnable Salary, Pensionable Salary and Pensionable Pay Items.
10. The Ad Hoc Actuarial Extract Review Committee will deliver the Actuarial Extract, ad hoc supplemental reports and any other requested information to the actuary in accordance with the agreed upon schedule. OCERS staff will work in conjunction with the actuary to ensure that the data is complete and as accurate as possible. This will entail additional analysis of the data submitted by the actuary and research and response to questions by the Ad Hoc Actuarial Extract Review Committee.
11. The accurate and complete reporting of member demographic, employment, payroll and contribution data is required from all Participating Employers.
12. Under the guidelines of the Actuarial Funding Policy, the actuary will use data provided by OCERS to produce the annual valuation. Annual valuation data and results are the source information for OCERS triennial study.
13. The actuary will present draft annual actuarial valuations to the Board of Retirement in or around May of each year.
14. The Board of Retirement will give final approval of the valuation and contribution rates each year.
15. Every three to five years an external third-party actuary will conduct an audit of the annual valuation.

### Policy Review

16. The Board of Retirement will review this Policy at least once every three years to ensure that it remains relevant and appropriate.



## OCERS Board Policy Actuarial Valuation Policy

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### 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  
Secretary of the Board

\_\_\_\_\_ Date



## OCERS Board Policy

# Securities Litigation Policy

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### Purpose and Background

1. The Securities Litigation Policy is intended to establish procedures and guidelines for monitoring and ~~when appropriate,~~ participating in securities class actions in furtherance of the Board of Retirement's fiduciary duty ~~to protect the assets of the trust.~~ For purposes of this policy, a securities class action includes, but is not limited to, an action alleging claims under state or federal securities and antitrust laws, as well as similar claims arising under the laws of foreign jurisdictions. See Cal. Const. Art. XVI, § 17. The responsibility for overseeing securities litigation is delegated to the Investment Committee.

### Principles

2. As a large institutional shareholder, OCERS is frequently a class member in securities class actions that seek to recover damages resulting from ~~alleged wrongful acts or omissions of others~~ corporate fraud and misconduct.
3. The Private Securities Litigation Reform Act, ~~("PSLRA")~~ enacted in 1995, allows institutional investors ~~and other large shareholders~~ to seek lead plaintiff status in securities class actions pending within the United States under U.S. federal securities laws. The lead plaintiff attains the right to supervise and control the prosecution of such cases. ~~Since enactment of the PSLRA, it has been demonstrated that P~~ participation as lead plaintiff by large, sophisticated shareholders, ~~particularly public pension funds, such as OCERS~~ has resulted in larger recoveries and lower attorney's' fees and significantly larger recoveries on behalf of shareholders. ~~The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.~~
4. In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* ~~("Morrison")~~ held that ~~certain investor losses stemming from corporate wrongdoing cannot be pursued under federal securities laws. Specifically, the Supreme Court held that~~ investors cannot bring or participate in a U.S. securities class action if their claims are based on securities ~~they~~ purchased outside the ~~United States.~~ As ~~such a result,~~ investors no longer have the protection of U.S. securities laws for securities purchased on a foreign exchange. In many foreign jurisdictions, however, investors are required to join as a named plaintiff or otherwise join as an active litigant at the commencement of the case as a condition to sharing in any damages awarded or recovered. Such direct participation may be costly and, depending on the jurisdiction, may subject OCERS to the risk of liability for defendant's fees and costs if the claim is unsuccessful. Therefore, OCERS must weigh the potential benefits of action in a foreign jurisdiction carefully. ~~must now identify and evaluate foreign securities actions in order to fully protect their interests, including the right to participate in such actions and share in any recovery. Unlike the United States, most countries do not have a class action procedure for the adjudication of securities claims. Instead, many other countries have some form of collective litigation that requires investors to affirmatively join the action to seek a recovery on a securities claim. Because there is no possibility of recovery as a passive member of the class in those cases,~~



## OCERS Board Policy

# Securities Litigation Policy

~~OCERS must give special consideration to whether the potential benefits of actively participating in such cases outweighs the potential risks.~~

5. In June 2017, the United States Supreme Court in *CalPERS v. ANZ Securities, Inc.* (~~“ANZ Securities”~~) held that the filing of a securities class action does not “toll” or satisfy the three-year time period (called the statute of repose) for putative class members to assert individual claims for recovery under Sections 11 and 12 of the Securities Act of 1933. The Supreme Court’s decision has been extended by lower federal courts to apply to claims brought under ~~the~~ Securities Exchange Act of 1934. As a result, investors can no longer rely on the filing of a securities class action case to preserve the timeliness of their individual claims for recovery of damages ~~under the federal securities laws,~~ and must exercise heightened diligence to protect potentially valuable claims from expiring under the statute of repose.
  
6. ~~Because OCERS exists to provide retirement income to its members, the goal of this policy is the preservation of trust assets to meet the needs of OCERS members. OCERS will prudently select the best means to preserve those assets.~~ OCERS’ goals for participation in securities class actions include:
  - Fulfilling OCERS’ fiduciary duties by protecting trust assets and effectively managing claims as assets of the trust fund.
  - Maximizing claim recovery and reducing fees paid to obtain recoveries.
  - Deterring future fraud and corporate malfeasance to better protect fund assets.
  - Maintaining access to the courts through securities litigation in the best interest of OCERS’ members and beneficiaries.

## Monitoring of Securities Litigation ~~and OCERS Holdings~~

7. ~~Monitoring of Class Action Filings and Cases~~ Review of Class Action Filings. The Legal ~~Division~~ department will ~~identify and evaluate~~ monitor securities class actions ~~filings, pending or proposed to be filed within the United States both domestic and in foreign jurisdictions, to identify cases wherein which OCERS is a potential class member may have recognized losses. Cases in which the applicable loss threshold (as defined in Section 10 below) is met or where special circumstances exist that justify OCERS’ interest in the case will be monitored.~~
  
8. ~~Active Case Monitoring.~~ The Legal department will actively monitor each case in which it has determined the case has merit and either OCERS’ estimated loss meets the Loss Threshold or there are special circumstances that justify OCERS actively monitoring the case. ~~Active monitoring may include participation by the Legal department in significant motions and in settlement discussions when permitted by the parties or the court.~~
  
14. ~~Active Participation.~~ The Legal Office will recommend to the Investment Committee whether OCERS should take an active role in a securities class action ~~(which may~~ Active participation in a domestic case ~~includes, but is not limited to, seeking lead plaintiff status, or opting out of the class action and filing pursuing an individual action, or intervening in the class action.)~~ in any case where the Legal department, after consulting with outside counsel, has determined the case has merit, the best interests of OCERS will be served by taking such action, and the case meets the Domestic



## OCERS Board Policy Securities Litigation Policy

~~Loss Threshold or Foreign Loss Threshold.~~ Active participation in a foreign case includes joining the case as a named plaintiff or take other affirmative action at the commencement of the case to participate in the litigation.

~~15.9. Recommendation of the Legal Division Domestic Loss Threshold.~~ A case pending or proposed to be filed within the United States will meet OCERS' Domestic Loss Threshold if (a) OCERS' estimated loss is at least \$1 million; (b) OCERS has substantial losses that are less than \$1 million but OCERS will join the case with one or more other institutional investors; (c) OCERS cannot recover without active participation in the case; or (d) OCERS' active participation in the case may lead to meaningful corporate governance reforms. The Legal Division will recommend to the Investment Committee that OCERS take an active role in a securities class action when it has determined that the case is meritorious, the applicable Loss Threshold is met, and it is in OCERS' best interest to take such action. In addition, the Legal Division may also recommend active participation in a securities class action where the Loss Threshold is not met but either OCERS will join the case with one or more other institutional investors, OCERS cannot recover without active participation in the case, or OCERS' active participation may otherwise serve the goals of this policy.

~~16.10. Foreign Loss Thresholds.~~ A case within the United States meets the Domestic Loss Threshold when OCERS' estimated loss is at least \$1 million. ~~pending or proposed to be filed in a foreign jurisdiction will meet OCERS'.~~ The Foreign Loss Threshold, for a case filed in a foreign jurisdiction, is met with an ~~where~~ OCERS' estimated loss ~~of is~~ at least \$250,000.

~~17. Losses Below Threshold.~~ If the Legal ~~Division~~ department identifies a case where OCERS' losses during the alleged claims period is less than the Loss Threshold, but OCERS suffered a loss in excess of the Loss Threshold during a period of time ~~closely preceding or following the~~ shortly before or after the claims period, the Legal ~~Division~~ department will consider whether to seek an adjustment of the claims period. If warranted, the Legal ~~Division~~ department will actively monitor the case and participate in a motion to adjust the claims period ~~or seek approval of the Investment Committee to actively participate in the case.~~

~~18. OCERS will take an active role in a securities class action only after approval by the Investment Committee or the Chief Executive Officer, as set forth in Sections 15 through 18, below.~~

~~11.~~

~~12. The Legal Division's recommendation on whether to take an active role in a domestic or foreign securities litigation case will be presented to the Investment Committee at a regularly scheduled meeting or, where immediate approval is necessary, at a special meeting. In addition, the Chief Executive Officer ("CEO") is authorized to approve taking such action where, after consultation with the General Counsel, it is determined that immediate approval is required to preserve OCERS' rights and the matter cannot be timely presented to the Investment Committee. In the event the CEO exercises such authority, the CEO will simultaneously notify the Chair of the Investment Committee and then provide a full report of the action at the next regularly scheduled Investment Committee meeting, or meeting of the Board of Retirement, whichever is sooner.~~

~~19. The Legal department will collaborate with the Investment department in monitoring securities class action filings and settlements that affect the OCERS investment portfolio, identifying instances where OCERS may have suffered losses due to securities fraud, and identifying developments in the~~



## OCERS Board Policy Securities Litigation Policy

~~marketplace that would lead to an interest or need in OCERS participating in litigation regarding the market generally.~~

### Active Participation: Domestic

~~20. Recommendations on whether to take an active role in a securities litigation case will be presented to the Investment Committee at a regularly scheduled meeting or, where immediate approval is necessary, at a special meeting.~~

~~21.13.~~ **13.** In deciding whether to pursue ~~take an~~ active participation ~~role~~ in a domestic securities litigation cases, the Investment Committee will consider the following factors:

a. The size of OCERS' loss;

b. The merits of the case;

~~b-c.~~ The identity of the lead plaintiff and other parties, if known;

~~c-d.~~ The identity of lead counsel, if known;

~~d. Whether OCERS has, or had, substantial losses or significant holdings in the company or security during the most plausible class period and sustained damages surpassing its threshold for considering action;~~

~~e. The merits of the case, both from a legal perspective and a business perspective;~~

e. The sources of recovery available to satisfy a judgment if plaintiffs prevail;

~~f. likely~~ The availability of internal OCERS' resources to participate in the litigation and the potential burdens of discovery; degree of recovery, including the probability of a defendant's insurer being able to fund an award, balanced against the time and costs involved in taking an active role in the case;

~~g. g.~~ Whether OCERS' active participation will increase the likely recovery or otherwise add significant value to the resolution of the case ~~The effectiveness and availability of potential witnesses and ability of OCERS Investment department staff and fund managers to respond to requested discovery;~~

h. The potential impact on the OCERS portfolio from trading restrictions arising from the potential acquisition of inside information in litigation, if any; and

i. Whether OCERS' active participation would be effective in deterring similar corporate misconduct in the future.

### Active Participation: Foreign

**14.** Notwithstanding the Foreign Loss Threshold having been met, active participation in foreign securities actions will be examined on a case-by-case basis to determine whether the potential benefits of active participation outweigh the potential costs. In deciding whether to pursue active participation in a foreign securities litigation case, the Investment Committee will consider the following factors:



## OCERS Board Policy Securities Litigation Policy

- a. The size of the potential recovery;
  - b. OCERS' potential obligation to pay legal fees and costs;
  - c. OCERS' potential liability for the legal fees and costs of the opposing party;
  - d. The merits of the case in light of the law in that jurisdiction;
  - e. How the action is being funded, and which law will apply to the relationship between OCERS and any funders;
  - f. The identity of the foreign counsel and the method of their payment;
  - g. The potential burdens of discovery; and
  - h. The role OCERS will play in decision-making in the case.
- ~~h. — The potential impact on the portfolio from potential trading restrictions arising from acquisition of inside information in litigation, if any;~~
- ~~i. — The effectiveness of potential alternatives for recovering the losses, such as filing a claim or protective motion, and monitoring;~~
  - ~~j. — Whether active participation by OCERS would add value to the potential resolution or management of the case;~~
  - ~~k. — The forum and choice of law for the case; and~~
  - ~~l. — Notwithstanding the Loss Threshold for active participation, active participation in foreign securities actions will be examined on a case-by-case basis. The Legal department will present meritorious foreign securities cases to the Investment Committee to determine whether the potential benefits of active participation outweigh the potential risks and costs. In making such determination, the Investment Committee will consider, among other factors, the size of the potential recovery, OCERS' potential obligation to pay legal fees and costs, the potential liability for an adverse cost award, and whether the funding arrangement, other participation agreements, or applicable local laws are sufficient to protect OCERS from an adverse cost award or other potential liability.~~
- ~~**22.** If the Chief Executive Officer determines that immediate approval is required in order to preserve OCERS' rights and/or interests by taking an active role in a securities litigation case, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the Investment Committee, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the General Counsel, Chief Investment Officer, and Chair of the Investment Committee, to make the decision and shall notify the Investment Committee at its next regularly scheduled meeting.~~
- ~~**23.** For purposes of this policy, a foreign securities action is defined as a lawsuit pending or proposed to be filed outside the United States involving securities purchased on a foreign securities exchange or other non-domestic transaction by OCERS or on its behalf. Participation as a class member in a foreign securities action, if participation in such foreign action requires registration or other affirmative action by OCERS, shall be considered "active participation" and shall be submitted to the Investment Committee for approval.~~



## OCERS Board Policy

# Securities Litigation Policy

### Settlements

**24.15.** When a settlement is ~~proposed~~desented in a case in which OCERS has taken an active role, the Legal ~~department~~Division will provide the Investment Committee with an analysis of the settlement terms, ~~including the total amount of the proposed recovery, proposed costs and fees paid to attorneys, the best estimate of the percentage of recovery of OCERS' identified losses, analysis from the firm representing OCERS in the case, and any other relevant information pertaining to the settlement.~~ The Investment Committee may approve ~~a proposed~~the settlement or delegate to the ~~Chief Executive Officer~~EO or the General Counsel authority to enter into a settlement on ~~whatever~~ terms it deems appropriate.

**25.16.** If the ~~Chief Executive Officer~~EO determines that immediate approval of a response (including a counteroffer) to a settlement is required in order to preserve OCERS' rights ~~and/or interests~~, and the matter cannot be timely presented for approval ~~by the at a regularly scheduled or special meeting of the Investment Committee, or where a quorum cannot be reached at such meeting,~~ the ~~Chief Executive Officer~~EO is authorized, after consultation with the General Counsel, Chief Investment Officer, and Chair of the Investment Committee, to approve a response to the settlement and notify the Investment Committee at its next regularly scheduled meeting.

### Claims Filing and Audits

**17.** OCERS' custodial bank ~~will~~shall be responsible for filing all claims ~~, including the necessary supporting documents and information,~~ necessary to recover assets in every securities class action cases in which OCERS has suffered losses, ~~and the which has been brought or is pending within the United States. If OCERS' custodial bank is not able to file all claims and necessary supporting documents and information, necessary to recover assets in every securities class action in which OCERS has suffered losses which has been brought or is pending in a foreign jurisdiction, then the Legal department, in consultation with the Investment department, shall designate the entity that will be responsible for filing those claims. The Legal department shall prepare, and revise as necessary, a statement of work to be included in the custodial agreement will setting forth formalized the~~ claims filing procedures for the custodial bank to follow, ~~which shall include identifying and reviewing all class action settlements, providing timely notice of each settlement to OCERS, filing claims correctly and timely on OCERS' behalf, and providing quarterly reports regarding its efforts. The Legal department, in consultation with the Investment department, shall monitor the performance of the custodial bank in these matters. If OCERS' custodial bank is not able to file the claim, then the Legal Division, in consultation with the Investment Division, will designate the entity that will be responsible for filing.~~

**26.18.** The custodial bank will submit or make available to OCERS quarterly reports on the securities litigation proceeds recovered, ~~which information shall be shared and those reports will be provided to with~~ the Investment Committee.

**27.19.** The Legal ~~Division~~department, in conjunction with the Investment ~~Division~~department, will, shall from time to time, audit the custodial bank's claims filing process to einsure that OCERS is maximizing recovery ~~ing all the amounts that OCERS is due~~ from securities litigation settlements and awards. The Legal ~~Division~~department, in conjunction with the Investment ~~Division~~department,



## OCERS Board Policy Securities Litigation Policy

may require that the custodial bank change its processes ~~for or implement an alternative plan for filing proofs of claim filings.~~

### Retention of ~~Securities~~ Monitoring Firms and Litigation Counsel

~~28.20.~~ The General Counsel, with the approval of the ~~Chief Executive Officer~~EO, will engage ~~at least two and no more than~~to five firms with demonstrated expertise ~~and experience in prosecuting and/or monitoring~~ securities class actions (the “~~Securities Litigation~~ Monitoring Firms”) to advise ~~and/or~~ represent OCERS in monitoring securities class action filings and settlements that affect the OCERS investment portfolio ~~and identifying new instances where OCERS may have suffered losses due to securities fraud or related misconduct.~~

~~29.21.~~ ~~At a minimum, Securities Litigation~~The Monitoring Firms will:

- a. Obtain OCERS’ securities trading and holdings information directly from OCERS’ custodial bank;
- b. Identify and ~~monitor~~ domestic securities class actions ~~filed or proposed to be filed in the United States,~~ and analyze OCERS’ estimated losses ~~es, if any,~~ in the affected ~~security or securities in each action;~~
- c. ~~PEvaluate and provide~~ timely notice and analysis of ~~potential or pending~~ securities class actions filed in the U ~~nit~~-S ~~ates~~ where ~~(i)~~ OCERS has suffered losses that meet its Loss Threshold and ~~where~~ active participation may be ~~necessary and~~ warranted; or ~~(ii) if OCERS’ losses are below its Loss Threshold, the Securities Litigation Monitoring Firm believes~~where other factors exist that justify OCERS’ consideration of the case;
- d. Provide reports ~~(at least quarterly)~~ of newly-filed domestic securities class actions and OCERS’ estimated losses ~~or online access to pending securities class actions filed in the United States and OCERS’ estimated losses~~ on at least a quarterly basis;
- e. Identify and monitor securities actions ~~that are filed or may be filed outside the United States~~ in foreign jurisdictions, and provide an analysis of OCERS’ estimated loss ~~, if any, es~~ in the affected ~~security or securities in each action;~~
- f. ~~PEvaluate and provide~~ timely notice and analysis of those ~~foreign potential and pending non-U.S.~~ securities actions where ~~(i)~~ OCERS has suffered losses that meet its Foreign Loss Threshold; or ~~where (ii) if OCERS’ losses are below its Foreign Loss Threshold, the Securities Litigation Monitoring Firm other believes~~ factors exist that justify OCERS’ consideration of the case;
- g. Assist OCERS in joining and filing claims in ~~foreign non-U.S~~ securities actions in which the Investment Committee approves active participation ~~, including obtaining, assisting in the review and negotiation, and submission of engagement agreements, third-party funder agreements, and insurance agreements;~~ and
- h. Assist OCERS in identifying meritorious U.S. securities class actions in which OCERS has substantial losses or significant holdings, determining the relevant statutes of repose, monitoring the progress of the litigation ~~(including class certification),~~ and evaluating whether to file a protective claim or motion before a significant repose period expires.



## OCERS Board Policy Securities Litigation Policy

~~30.22.~~ Retainer Agreements with ~~Securities Litigation~~ Monitoring Firms will be for terms not exceeding six years. Prior to the expiration of the six-year term, the General Counsel or ~~his or her~~their designee will conduct a Request for Proposals (~~“RFP”~~).

~~31.23.~~ When the Investment Committee or the ~~Chief Executive Officer~~ approves OCERS taking an active role in litigation, ~~it or he or she~~they will ~~also~~ direct the General Counsel to retain litigation counsel ~~under specific terms, issue an RFP for litigation counsel,~~ or delegate to the General Counsel the authority to retain litigation counsel for the matter.

~~32.24.~~ The General Counsel may rely on ~~Securities Litigation~~ Monitoring Firms for preparation of in-depth damages analyses and ~~or for~~ representation in litigation ~~which OCERS is actively monitoring~~. However, the General Counsel may, with the approval of the Chief Executive Officer, retain outside counsel on behalf of OCERS to undertake these matters or to assist the Legal ~~Division~~department in carrying out ~~any of its other responsibilities under~~ this policy.

### Reporting

~~33.25.~~ The Legal ~~Division~~department will ~~keep~~provide the Investment Committee ~~apprised of major developments on cases in which OCERS is actively participating and will provide with regular reports on its covering its responsibilities under this policy-related activities on at least , and in no event less than~~ a quarterly basis. The reports will include listings of new securities litigation case filings and new settlements or awards in which OCERS has identified losses. For matters where OCERS’ estimated losses exceed \$1 million, the report will include a brief analysis of the merits of the case.

~~34.~~ ~~The reports will include listings of new securities litigation case filings and new settlements or awards in which OCERS has identified losses. The General Counsel will define the scope of other information that should be contained in the reports, and may include information such as the name of the security, the class period, OCERS’ identified losses, and the claims filing deadlines. For any matters where OCERS’ estimated losses exceed \$1 million, the report will include a brief analysis of the merits of the litigation.~~

~~35.~~ ~~Legal department will provide the Investment Committee with status reports as needed to keep the Investment Committee apprised of major developments in cases in which OCERS is a party.~~

### Policy History

~~36.~~ The Board adopted this policy on December 15, 2003. The Board amended this policy on December 20, 2004; reviewed this policy with no changes on March 24, 2008; and amended this policy on August 24, 2009, May 20, 2013, March 20, 2017, ~~and~~ November 13, 2017 and \_\_\_\_\_.



# OCERS Board Policy Securities Litigation Policy

## Secretary's Certificate

### 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  
Secretary of the Board

11/13/2017

Date



## OCERS Board Policy Securities Litigation Policy

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### Purpose and Background

1. The Securities Litigation Policy is intended to establish procedures and guidelines for monitoring and participating in securities class actions in furtherance of the Board of Retirement's fiduciary duties. For purposes of this policy, a securities class action includes, but is not limited to, an action alleging claims under state or federal securities and antitrust laws, as well as similar claims arising under the laws of foreign jurisdictions. The responsibility for overseeing securities litigation is delegated to the Investment Committee.

### Principles

2. As a large institutional shareholder, OCERS is frequently a class member in securities class actions that seek to recover damages resulting from corporate fraud and misconduct.
3. The Private Securities Litigation Reform Act, enacted in 1995, allows institutional investors to seek lead plaintiff status in securities class actions pending within the United States under U.S. federal securities laws. The lead plaintiff attains the right to supervise and control the prosecution of such cases. Participation as lead plaintiff by large, sophisticated shareholders such as OCERS has resulted in larger recoveries and lower attorneys' fees.
4. In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* held that investors cannot bring or participate in a U.S. securities class action if their claims are based on securities purchased outside the U.S. As such, investors no longer have the protection of U.S. securities laws for securities purchased on a foreign exchange. In many foreign jurisdictions, however, investors are required to join as a named plaintiff or otherwise join as an active litigant at the commencement of the case as a condition to sharing in any damages awarded or recovered. Such direct participation may be costly and, depending on the jurisdiction, may subject OCERS to the risk of liability for defendant's fees and costs if the claim is unsuccessful. Therefore, OCERS must weigh the potential benefits of action in a foreign jurisdiction carefully.
5. In June 2017, the United States Supreme Court in *CalPERS v. ANZ Securities, Inc.* held that the filing of a securities class action does not "toll" or satisfy the three-year time period (called the statute of repose) for putative class members to assert individual claims for recovery under Sections 11 and 12 of the Securities Act of 1933. The Supreme Court's decision has been extended by lower federal courts to apply to claims brought under the Securities Exchange Act of 1934. As a result, investors can no longer rely on the filing of a securities class action case to preserve the timeliness of their individual claims for recovery of damages and must exercise heightened diligence to protect potentially valuable claims from expiring under the statute of repose.
6. OCERS' goals for participation in securities class actions include:
  - Fulfilling OCERS' fiduciary duties by protecting trust assets and effectively managing claims as assets of the trust fund.
  - Maximizing claim recovery and reducing fees paid to obtain recoveries.
  - Deterring future fraud and corporate malfeasance to better protect fund assets.



## OCERS Board Policy Securities Litigation Policy

- Maintaining access to the courts through securities litigation in the best interest of OCERS' members and beneficiaries.

### Monitoring of Securities Litigation

- 7. Monitoring of Class Action Filings and Cases.** The Legal Division will monitor securities class actions filings, both domestic and foreign, to identify cases where OCERS is a potential class member. Cases in which the applicable loss threshold (as defined in Section 10 below) is met or where special circumstances exist that justify OCERS' interest in the case will be monitored.
- 8. Active Participation.** Active participation in a domestic case includes seeking lead plaintiff status, opting out of the class action and filing an individual action, or intervening in the class action. Active participation in a foreign case includes joining the case as a named plaintiff or take other affirmative action at the commencement of the case to participate in the litigation.
- 9. Recommendation of the Legal Division.** The Legal Division will recommend to the Investment Committee that OCERS take an active role in a securities class action when it has determined that the case is meritorious, the applicable Loss Threshold is met, and it is in OCERS' best interest to take such action. In addition, the Legal Division may also recommend active participation in a securities class action where the Loss Threshold is not met but either OCERS will join the case with one or more other institutional investors, OCERS cannot recover without active participation in the case, or OCERS' active participation may otherwise serve the goals of this policy.
- 10. Loss Thresholds.** A case within the United States meets the Domestic Loss Threshold when OCERS' estimated loss is at least \$1 million. The Foreign Loss Threshold, for a case filed in a foreign jurisdiction, is met with an OCERS' estimated loss of at least \$250,000.
- 11. Losses Below Threshold.** If the Legal Division identifies a case where OCERS' losses during the alleged claims period is less than the Loss Threshold but OCERS suffered a loss in excess of the Loss Threshold during a period of time shortly before or after the claims period, the Legal Division will consider whether to seek an adjustment of the claims period. If warranted, the Legal Division will actively monitor the case and participate in a motion to adjust the claims period.
- 12.** The Legal Division's recommendation on whether to take an active role in a domestic or foreign securities litigation case will be presented to the Investment Committee at a regularly scheduled meeting or, where immediate approval is necessary, at a special meeting. In addition, the Chief Executive Officer ("CEO") is authorized to approve taking such action where, after consultation with the General Counsel, it is determined that immediate approval is required to preserve OCERS' rights and the matter cannot be timely presented to the Investment Committee. In the event the CEO exercises such authority, the CEO will simultaneously notify the Chair of the Investment Committee and then provide a full report of the action at the next regularly scheduled Investment Committee meeting, or meeting of the Board of Retirement, whichever is sooner.

### Active Participation: Domestic

- 13.** In deciding whether to pursue active participation in a domestic securities litigation cases, the Investment Committee will consider the following factors:
  - a. The size of OCERS' loss;



## OCERS Board Policy Securities Litigation Policy

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- b. The merits of the case;
- c. The identity of the lead plaintiff and other parties, if known;
- d. The identity of lead counsel, if known;
- e. The sources of recovery available to satisfy a judgment if plaintiffs prevail;
- f. The availability of internal OCERS' resources to participate in the litigation and the potential burdens of discovery;
- g. Whether OCERS' active participation will increase the likely recovery or otherwise add significant value to the resolution of the case;
- h. The potential impact on the OCERS portfolio from trading restrictions arising from the potential acquisition of inside information in litigation, if any; and
- i. Whether OCERS' active participation would be effective in deterring similar corporate misconduct in the future.

### Active Participation: Foreign

**14.** Notwithstanding the Foreign Loss Threshold having been met, active participation in foreign securities actions will be examined on a case-by-case basis to determine whether the potential benefits of active participation outweigh the potential costs. In deciding whether to pursue active participation in a foreign securities litigation case, the Investment Committee will consider the following factors:

- a. The size of the potential recovery;
- b. OCERS' potential obligation to pay legal fees and costs;
- c. OCERS' potential liability for the legal fees and costs of the opposing party;
- d. The merits of the case in light of the law in that jurisdiction;
- e. How the action is being funded, and which law will apply to the relationship between OCERS and any funders;
- f. The identity of the foreign counsel and the method of their payment;
- g. The potential burdens of discovery; and
- h. The role OCERS will play in decision-making in the case.

### Settlements

**15.** When a settlement is proposed in a case in which OCERS has taken an active role, the Legal Division will provide the Investment Committee with an analysis of the settlement terms. The Investment Committee may approve the settlement or delegate to the CEO or the General Counsel authority to enter into a settlement on terms it deems appropriate.

**16.** If the CEO determines that immediate approval of a response (including a counteroffer) to a settlement is required in order to preserve OCERS' rights, and the matter cannot be timely



## OCERS Board Policy Securities Litigation Policy

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presented for approval by the Investment Committee, the CEO is authorized, after consultation with the General Counsel, Chief Investment Officer, and Chair of the Investment Committee, to approve a response to the settlement and notify the Investment Committee at its next regularly scheduled meeting.

### Claims Filing and Audits

17. OCERS' custodial bank will be responsible for filing all claims necessary to recover assets in securities class action cases in which OCERS has suffered losses, and the statement of work in the custodial agreement will set forth the claims filing procedures for the custodial bank to follow. If OCERS' custodial bank is not able to file the claim, then the Legal Division, in consultation with the Investment Division, will designate the entity that will be responsible for filing.
18. The custodial bank will submit or make available to OCERS quarterly reports on the securities litigation proceeds recovered and those reports will be provided to the Investment Committee.
19. The Legal Division, in conjunction with the Investment Division, will, from time to time, audit the custodial bank's claims filing process to ensure that OCERS is maximizing recovery from securities litigation settlements and awards. The Legal Division, in conjunction with the Investment Division, may require that the custodial bank change its processes for claim filings.

### Retention of Monitoring Firms and Litigation Counsel

20. The General Counsel, with the approval of the CEO, will engage two to five firms with demonstrated expertise in securities class actions (the "Monitoring Firms") to advise or represent OCERS in monitoring securities class action filings and settlements that affect the OCERS investment portfolio.
21. The Monitoring Firms will:
  - a. Obtain OCERS' securities trading and holdings information directly from OCERS' custodial bank;
  - b. Identify and monitor domestic securities class actions and analyze OCERS' estimated losses in the affected securities;
  - c. Provide timely notice and analysis of securities class actions filed in the U.S. where OCERS has suffered losses that meet its Loss Threshold and active participation may be warranted; or where other factors exist that justify OCERS' consideration of the case;
  - d. Provide reports of newly-filed domestic securities class actions and OCERS' estimated losses on at least a quarterly basis;
  - e. Identify and monitor securities actions in foreign jurisdictions, and provide an analysis of OCERS' estimated losses in the affected securities;
  - f. Provide timely notice and analysis of those foreign securities actions where OCERS has suffered losses that meet its Foreign Loss Threshold or where other factors exist that justify OCERS' consideration of the case;



## OCERS Board Policy Securities Litigation Policy

- g. Assist OCERS in joining and filing claims in foreign securities actions in which the Investment Committee approves active participation; and
  - h. Assist OCERS in identifying meritorious U.S. securities class actions in which OCERS has substantial losses or significant holdings, determining the relevant statutes of repose, monitoring the progress of the litigation, and evaluating whether to file a protective claim or motion before a significant repose period expires.
- 22.** Retainer Agreements with Monitoring Firms will be for terms not exceeding six years. Prior to the expiration of the six-year term, the General Counsel or their designee will conduct a Request for Proposals.
- 23.** When the Investment Committee or the CEO approves OCERS taking an active role in litigation, they will direct the General Counsel to retain litigation counsel or delegate to the General Counsel the authority to retain litigation counsel for the matter.
- 24.** The General Counsel may rely on Monitoring Firms for preparation of in-depth damages analyses and representation in litigation. However, the General Counsel may, with the approval of the Chief Executive Officer, retain outside counsel on behalf of OCERS to undertake these matters or to assist the Legal Division in carrying out this policy.

### Reporting

- 25.** The Legal Division will keep the Investment Committee apprised of major developments on cases in which OCERS is actively participating and will provide reports on its policy-related activities on at least a quarterly basis. The reports will include listings of new securities litigation case filings and new settlements or awards in which OCERS has identified losses. For matters where OCERS' estimated losses exceed \$1 million, the report will include a brief analysis of the merits of the case.

### Policy History

The Board adopted this policy on December 15, 2003. The Board amended this policy on December 20, 2004; reviewed this policy with no changes on March 24, 2008; and amended this policy on August 24, 2009, May 20, 2013, March 20, 2017, November 13, 2017 and \_\_\_\_\_.

### 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  
Secretary of the Board

\_\_\_\_\_ Date

### CONFLICT OF INTEREST CODE FOR THE ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

The Political Reform Act, Government Code Sections 81000, et seq. (the "Act"), requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission ("FPPC") has adopted a regulation (2 Cal. Code of Regs. Section 18730; "Section 18730") that contains the terms of a standard Conflict of Interest Code, which may be incorporated by reference in an agency's code. After public notice and hearing, the FPPC may amend Section 18730 to conform to amendments in the Act. Therefore, the terms of Section 18730 and any amendments thereto, along with the attached Exhibits A and B designating positions and establishing disclosure categories, are hereby incorporated by reference, and shall constitute the Conflict of Interest Code of the Orange County Employees Retirement System ("OCERS").

#### DESIGNATED POSITIONS

OCERS employees and consultants whose positions are listed in Exhibit A hereto shall file statements of economic interests with the office of the Clerk of the Orange County Board of Supervisors, which will make the statements available for public inspection and reproduction (Gov. Code Sec. 81008). All statements will be retained by the Clerk of the Orange County Board of Supervisors. OCERS Chief Executive Officer, who serves as the OCERS Board Secretary and as the OCERS Filing Officer, and who will make the statements available for public inspection and reproduction (Government Code Section 82008). The applicable Disclosure Category for each Designated Position is set forth in Exhibit A; and the Disclosure Categories are described in Exhibit B.

#### OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

Officials who manage public investments, as defined by 2 Cal. Code of Regs. §18701 (b), are not subject to OCERS' Conflict of Interest Code but are listed here for informational purposes. Unlike the Designated Positions, the reporting obligations of these officials are not limited by reference to a disclosure category. It has been determined that the positions listed below are the OCERS officials who manage public investments:

- Members of the Board of Retirement including the Alternate Member
- Chief Executive Officer
- Chief Investment Officer
- ~~Director of Investment Operations~~
- Managing Director of Investments
- Director of Investments
- Consultants Who Manage Public Investments

Officials who manage public investments shall ~~forward~~file statements of economic interests ~~to with~~ the OCERS Chief Executive Officer, who serves as the OCERS Board Secretary ~~and Filing Officer~~. Upon receipt of these statements, the ~~OCERS Filing Officer~~ Chief Executive Officer shall make and retain a copy and forward the original of these statements to the Clerk of the Orange County Board of Supervisors ~~who is~~as the filing officer for these positions.

The disclosure categories and requirements for these positions are set forth in Article 2 of Chapter 7 of the Political Reform Act, Government Code Section 87200 et seq. They generally require the disclosure of interests in real property in the agency's jurisdiction, as well as investments, business positions, and sources of income (including gifts, loans, and travel payments).

**EXHIBIT A**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
LIST OF DESIGNATED POSITIONS**

<b>Position</b>	<b>Disclosure Category</b>
Assistant Chief Executive Officer, External Operations	OC-01
Assistant Chief Executive Officer, Internal Operations	OC-01
General Counsel	OC-01
Director of Internal Audit	OC-01
Director of Finance	OC-01
Director of Administrative Services	OC-11
Director of Information Technology	OC-08
<u>Director of Information Security</u>	<u>OC-08</u>
Deputy General Counsel	OC-01
Investment Officer/ <u>Senior Investment Officer</u>	OC-01
Contracts, Risk & Performance Manager	OC-06
Investment Analyst/ <u>Senior Investment Analyst</u>	OC-01
Consultant	OC-30

**OFFICIALS WHO MANAGE PUBLIC INVESTMENTS**

Officials who manage public investments, as defined by 2 Cal. Code of Regs. §18701(b), are NOT subject to the System's code, but are subject to the disclosure requirements of the Act (Government Code Section 87200 et seq.). [Regs. §18730(b)(3)]. These positions are listed here for informational purposes only.

<b>Position</b>	<b>Disclosure Category</b>
Board Member/Alternate Board Member	87200 Filer
Chief Executive Officer	87200 Filer
Chief Investment Officer	87200 Filer

<del>Managing</del> Director of Investment <del>Operations</del>	87200 Filer
<del>Managing</del> Director of Investments	87200 Filer
Consultants Who Manage Public Investments	87200 Filer

**EXHIBIT B**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
DISCLOSURE CATEGORIES/DESCRIPTIONS**

<b>Disclosure Category</b>	<b>Disclosure Description</b>
OC-01	All interests in real property in Orange County, as well as investments, business positions and sources of income (including gifts, loans and travel payments).
OC-06	All investments in, business positions with and income (including gifts, loans and travel payments) from sources that provide leased facilities and goods, supplies, equipment, vehicles, machinery or services (including training and consulting services) of the types used by OCERS.
OC-08	All investments in, business positions with and income (including gifts, loans and travel payments) from sources that develop or provide computer hardware/software, voice data communications, or data processing goods, supplies, equipment, or services (including training and consulting services) used by OCERS.
OC-11	All interests in real property in Orange County, as well as investments in, business positions with and income (including gifts, loans and travel payments) from sources that are engaged in the supply of equipment or services related to recruitment, employment search & marketing, classification, training, or negotiation with personnel; employee benefits, and health and welfare benefits.
OC-30	Consultants shall be included in the list of designated employees and shall disclose pursuant to the broadest category in the code subject to the following limitation: The CEO may determine that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure required. The determination of disclosure is a public record and shall be filed with the Form 700 and retained by the Filing Officer for public inspection.

**CONFLICT OF INTEREST CODE FOR THE  
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

The Political Reform Act, Government Code Sections 81000, et seq. (the "Act"), requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission ("FPPC") has adopted a regulation (2 Cal. Code of Regs. Section 18730; "Section 18730") that contains the terms of a standard Conflict of Interest Code, which may be incorporated by reference in an agency's code. After public notice and hearing, the FPPC may amend Section 18730 to conform to amendments in the Act. Therefore, the terms of Section 18730 and any amendments thereto, along with the attached Exhibits A and B designating positions and establishing disclosure categories, are hereby incorporated by reference, and shall constitute the Conflict of Interest Code of the Orange County Employees Retirement System ("OCERS").

**DESIGNATED POSITIONS**

OCERS employees and consultants whose positions are listed in Exhibit A hereto shall file statements of economic interests with the office of the Clerk of the Orange County Board of Supervisors, which will make the statements available for public inspection and reproduction (Gov. Code Sec. 81008). All statements will be retained by the Clerk of the Orange County Board of Supervisors. The applicable Disclosure Category for each Designated Position is set forth in Exhibit A; and the Disclosure Categories are described in Exhibit B.

**OFFICIALS WHO MANAGE PUBLIC INVESTMENTS**

Officials who manage public investments, as defined by 2 Cal. Code of Regs. §18701 (b), are not subject to OCERS' Conflict of Interest Code but are listed here for informational purposes. Unlike the Designated Positions, the reporting obligations of these officials are not limited by reference to a disclosure category. It has been determined that the positions listed below are the OCERS officials who manage public investments:

Members of the Board of Retirement including the Alternate Member  
Chief Executive Officer  
Chief Investment Officer  
Managing Director of Investments  
Director of Investments  
Consultants Who Manage Public Investments

Officials who manage public investments shall forward statements of economic interests to the OCERS Chief Executive Officer, who serves as the OCERS Board Secretary. Upon receipt of these statements, the Chief Executive Officer shall make and retain a copy and forward the original of these statements to the Clerk of the Orange County Board of Supervisors who is the filing officer for these positions.

The disclosure categories and requirements for these positions are set forth in Article 2 of Chapter 7 of the Political Reform Act, Government Code Section 87200 et seq. They generally require the disclosure of interests in real property in the agency's jurisdiction, as well as investments, business positions, and sources of income (including gifts, loans, and travel payments).

**EXHIBIT A**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
LIST OF DESIGNATED POSITIONS**

<b>Position</b>	<b>Disclosure Category</b>
Assistant Chief Executive Officer, External Operations	OC-01
Assistant Chief Executive Officer, Internal Operations	OC-01
General Counsel	OC-01
Director of Internal Audit	OC-01
Director of Finance	OC-01
Director of Administrative Services	OC-11
Director of Information Technology	OC-08
Director of Information Security	OC-08
Deputy General Counsel	OC-01
Investment Officer/Senior Investment Officer	OC-01
Contracts, Risk & Performance Manager	OC-06
Investment Analyst/Senior Investment Analyst	OC-01
Consultant	OC-30

**OFFICIALS WHO MANAGE PUBLIC INVESTMENTS**

Officials who manage public investments, as defined by 2 Cal. Code of Regs. §18701(b), are NOT subject to the System's code, but are subject to the disclosure requirements of the Act (Government Code Section 87200 et seq.). [Regs. §18730(b)(3)]. These positions are listed here for informational purposes only.

<b>Position</b>	<b>Disclosure Category</b>
Board Member/Alternate Board Member	87200 Filer
Chief Executive Officer	87200 Filer
Chief Investment Officer	87200 Filer
Managing Director of Investments	87200 Filer
Director of Investments	87200 Filer
Consultants Who Manage Public Investments	87200 Filer

**EXHIBIT B**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
DISCLOSURE CATEGORIES/DESCRIPTIONS**

<b>Disclosure Category</b>	<b>Disclosure Description</b>
OC-01	All interests in real property in Orange County, as well as investments, business positions and sources of income (including gifts, loans and travel payments).
OC-06	All investments in, business positions with and income (including gifts, loans and travel payments) from sources that provide leased facilities and goods, supplies, equipment, vehicles, machinery or services (including training and consulting services) of the types used by OCERS.
OC-08	All investments in, business positions with and income (including gifts, loans and travel payments) from sources that develop or provide computer hardware/software, voice data communications, or data processing goods, supplies, equipment, or services (including training and consulting services) used by OCERS.
OC-11	All interests in real property in Orange County, as well as investments in, business positions with and income (including gifts, loans and travel payments) from sources that are engaged in the supply of equipment or services related to recruitment, employment search & marketing, classification, training, or negotiation with personnel; employee benefits, and health and welfare benefits.
OC-30	Consultants shall be included in the list of designated employees and shall disclose pursuant to the broadest category in the code subject to the following limitation: The CEO may determine that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure required. The determination of disclosure is a public record and shall be filed with the Form 700 and retained by the Filing Officer for public inspection.



# OCERS Board Policy ~~Adjudication Policy and~~ **Administrative Review** **and Hearing** **Rules Policy** **(Disability and Non-Disability Benefits)**

## 1. Intent

The Board of Retirement (“Board”) of the Orange County Employees Retirement System (“OCERS”) intends that this ~~Adjudication Policy and~~ **Administrative Review and Hearing Rules Policy** (“Policy”) ~~shall~~**will** apply to and govern ~~the process by which OCERS’ Administrative Review and Administrative Hearing processes for Disability Determinations, Benefit Determinations and other final administrative orders or decisions of the Board.~~ **Any person who is entitled to a hearing and who does not request one under this Policy will be deemed to have waived the right to a hearing.**

- ~~A. Makes determinations on disability retirement applications (including, but not limited to determinations of permanent incapacity, whether the incapacity arose out of and in the course of employment, and the effective date);~~
- ~~B. Resolves disputes over retirement benefits (including but not limited to disputes regarding final compensation); and~~
- ~~C. Makes any final administrative order or decision made as the result of a proceeding in which by law a hearing is required to be given. See Cal. Civ Proc. Code § 1094.5. Any person who is entitled to an administrative hearing who does not request one under this policy shall be deemed to have waived his/her right to a hearing. See Cal. Civ Proc. Code § 1094.5.~~

~~Although the Board intends to follow this policy for the internal management of OCERS, nothing in this policy shall be deemed an admission or waiver.~~ **Nothing in this Policy will be deemed an acknowledgement by OCERS that any procedure set forth herein, including an administrative hearing, is required by law. The Board retains the right to amend this Policy or, in extraordinary cases, vary the process set forth in this Policy in any manner consistent with the law.**

## 2. Definitions

The following terms ~~shall~~**will** have the meanings set ~~out in this section~~**forth below.**

**Administrative Hearing; Hearing:** ~~The proceedings before a Hearing Officer or the Board on the merits of a particular Request for Administrative Hearing and related Application. The process described in this Policy (including an Expedited Administrative Review), which is the exclusive means by which a Party may seek an administrative review of a determination on a disability retirement application, a resolution of a dispute over retirement benefits, or any final administrative order or decision made as the result of a proceeding in which by law a hearing is required to be given. An Administrative Hearing shall be a hearing de novo, conducted as if the original recommendation or determination had not taken place. This means the Hearing Officer or other fact finding body will consider anew all of the evidence submitted without relying on the past findings of a court, the Committee, the Board or other fact finding body. A Party is entitled to request an Administrative Hearing within the time periods set forth in this Policy, and failure to make a timely~~



## OCERS Board Policy Adjudication Policy and Administrative Review and Hearing Rules Policy (Disability and Non-Disability Benefits)

~~request shall result in a waiver of the Party's rights to contest the final determination by OCERS. See Cal. Civ. Proc. Code § 1094.5.~~

**Administrative Record:** The documents and other records relied upon by ~~OCERS staff~~Staff or a fact-finding body in an Administrative Review or Hearing conducted pursuant to this Policy ~~and includes, including~~ any documents submitted ~~by an Applicant or~~ on behalf of an Applicant, documents prepared by OCERS or by independent sources that are received by OCERS, any transcripts or recordings of testimony ~~provided, or any other documents that are relevant to deciding the issue of an Applicant's request to receive or modify a benefit.~~ A Party may object to the admission of items into evidence or seek to admit additional information into evidence as set forth in these Rules, and the Hearing Officer or other fact-finding body shall decide the admissibility of all evidence, ~~or any other documents relevant to an Application.~~

For purposes of any proceeding following an Administrative Review or Hearing, the Administrative Record also includes written correspondence, Party Pre-Hearing Statements, the Hearing Officer's Proposed Findings of Fact and Recommended Decision, Party objections, hearing transcripts, and other documents ~~that are relevant to deciding the issue of an Applicant's request to receive or modify a benefit~~Application.

Administrative Review: The process described in this Policy (including the Rules) by which a Party may seek an administrative review of a Benefit Determination, CEO Determination or Disability Determination or any other final administrative order or decision of the Board.

**Applicant; Member:** ~~Any~~ member of OCERS, or a person or other entity on behalf of a member of OCERS (including but not limited to the member's surviving spouse), or any person who claims an interest in the pension or allowance of an OCERS member, who files an application with OCERS to requestApplication or ~~modify~~who seeks Administrative Review of a Benefit Determinationbenefit that OCERS may grant pursuant to the CERL.

**Application:** The ~~paper(s) initially~~submittal, including any amendments thereto, filed with OCERS by or on behalf of an Applicant, ~~and/ for either: (i) a disability retirement; or any amended paper(s) filed~~(ii) a service retirement.

Benefit Determination: A determination made by Staff in connection with OCERS ~~by or on behalf~~(i) a service retirement Application; (ii) a disability retirement Application with the exception of a Disability Determination; or (iii) an Applicant after the initial filing, to request or modify a Applicant's benefit provided by OCERS.(e.g., calculation of the amount of the benefit, benefit effective date, reciprocity determinations).

**Board:** The Board of Retirement of OCERS.

CEO Determination: A Benefit Determination made by the CEO or the CEO's designee.

**Clerk, Clerk to the Hearing Officers.** A person or persons designated by the OCERS General Counsel or ~~his/her~~their designee to fulfill the duties of providing administrative assistance to the Hearing Officers appointed by OCERS ~~under this Policy.~~



## OCERS Board Policy ~~Adjudication Policy and~~ **Administrative Review and Hearing Rules Policy** **(Disability and Non-Disability Benefits)**

**Consolidation/Consolidated Review or Hearings.** Where two or more Requests for Administrative Review or Hearing that have common issues of fact or law are consolidated for Administrative Review or Hearing pursuant to Section 8 of this Policy or Rule 7 of the Rules.

**Days:** All days are calendar days, unless otherwise provided herein.

**Disability Committee, Committee:** A committee of the Board, chartered by the Board to review Applications for disability retirement and make recommendations to the Board with respect to Disability Determinations.

**Disability Determination:** The action taken by the Board in response to a disability retirement Application pursuant to Government Code Section 31724, limited to the following findings: (1) whether the Applicant is permanently incapacitated for performance of their duties in the service; (2) whether the disability was service-connected; and (3) the effective date of the disability retirement. Any other determinations affecting a disability retirement Application, including, but not limited to, timeliness of the Application, ineligibility due to termination for cause, and applicability of a disability offset, are Benefit Determinations pursuant to this Policy and subject to a CEO Determination.

**Employer:** The public agency who employed the OCERS member whose benefits are at issue in any given matter. The Employer is a Party to an Administrative Review but does not need to participate in an Administrative Review or Hearing. If the Employer initiates an Administrative Review or Hearing, it will act in the role of the Applicant with the corresponding burden of proof.

**Expedited Administrative ~~Review~~ Hearing:** An alternative administrative ~~review~~ Hearing process, set forth in Rule 6 of the ~~Hearing Rules,~~ under which an Applicant may obtain a more speedy resolution of his/her Administrative Hearing.

~~**Hearing:** Presentation of sworn testimony, other evidence, and legal argument before a Hearing Officer or other fact-finding body on the merits of an Application or benefit determination.~~

**Hearing Officer:** A referee appointed pursuant to Government Code ~~§section~~ 31533, ~~that who~~ is either (i) a current member of the California State Bar on the approved OCERS' Hearing Officer panel, as selected under the OCERS Hearing Officer Selection and Retention Policy, or (ii) a member of the Board-

~~**Hearing Rules, Rules:** The "Orange County Employees Retirement System Administrative Hearing Rules," attached as an appendix to and made part of this Policy.~~

**Medical Witness:** A person who by profession is a physician, surgeon, psychologist, optometrist, dentist, podiatrist, ~~acupuncturist, or chiropractic practitioner~~ licensed by the State of California or by such other jurisdiction of the United States in which such person maintains his/hers regular practice in good standing.

**Party or Parties:** OCERS, ~~any~~ an Applicant who seeks an Administrative Review or Hearing under this Policy, the ~~member's employer/plan sponsor~~ Employer, and any other person who may be affected by the Board's decision and who participates in the Administrative Review or Hearing.



## OCERS Board Policy Adjudication Policy and Administrative Review and Hearing Rules Policy (Disability and Non-Disability Benefits)

~~**Petitioner:** The Party filing a Request for Administrative Hearing. (In most instances, the Applicant is also the Petitioner.)~~

~~**Plan Sponsor:** The employer who employed the member whose benefits are at issue in any given matter. The Plan Sponsor is a Party to an Administrative Hearing but does not need to participate in an Administrative Hearing.~~

**Pre-Hearing Statements:** Statements filed by the Parties pursuant to Rule ~~89~~ of the ~~Hearing~~ Rules.

**Proposed Findings of Fact and Recommended Decision:** The recommendation of the Hearing Officer to the Board, as set forth in Rule ~~1314~~ of the ~~Hearing~~ Rules.

**Request for Administrative Review or Request for Administrative Hearing:** The document filed by the ~~Petitioner~~Applicant (or in limited cases, the Employer) to ~~appeal~~seek a review of a decision of the Committee or ~~OCERS~~Staff and initiate the Administrative Review or Administrative Hearing process. Where the Applicant requests a Hearing or the Board refers the matter to a Hearing, the document will be referred to as a Request for Administrative Hearing. Where the Applicant seeks review of a Benefit Determination or CEO Determination, the document will be referred to as a Request for Administrative Review.

**Respondent:** ~~OCERS, provided that the Plan Sponsor or~~ will always be the primary Respondent. The Employer may, but is not required to respond to the request for Administrative Review or Hearing. Where the Employer initiates a review or hearing, the Applicant may join as the Respondent, as appropriate.

~~**Rule:** A hearing rule included in the Hearing Rules.~~

**Rules:** The "Orange County Employees Retirement System Administrative Rules," attached as an appendix to and made part of this Policy.

**Staff:** OCERS staff members other than the CEO and the CEO's designee.

### 3. Disability Determination Process

~~For Disability Determinations: or determinations on Applications for disability retirement:OCERS staff~~

- A. ~~Staff~~ will investigate all disability retirement Applications to determine (i) whether the Applicant is permanently incapacitated from the performance of ~~his/her~~their usual duties; (ii) whether the incapacity arose out of and in the course of employment, and (iii) the appropriate effective date of any disability retirement allowance. In undertaking this investigation, ~~staff~~Staff will have the discretion, based on ~~s~~Staff's review of the Application (including the Applicant's treating physicians' medical reports,) to determine whether or not to seek further medical examination of the Applicant, expert medical advice, or expert review of Applicant's medical records. Upon completion of the investigation, ~~OCERS-s~~Staff will make a recommendation to the Committee regarding permanent incapacity, service connection, and effective date.



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- B. The Committee will review the disability retirement Application and the Staff recommendation under subsection A, above, at a duly-noticed meeting of the Committee. ~~OCERS's~~ Staff will give Applicant (~~or his/her and the Applicant's attorney, if any~~) and the Employer notice of the date and time of the Committee meeting, ~~and the Applicant (or his/her attorney) at which they~~ will have the opportunity to be heard by the Committee.
- C. After the Committee ~~makes a recommendation, OCERS staff~~ reviews the disability retirement Application, the Committee will determine whether to recommend that the Board grant or deny the Application, in full or in part. Staff will notify the Applicant (and his/her attorney) Applicant's attorney, and the Employer by email of the Committee's recommendation, ~~and provide the Applicant. They will also be provided~~ with instructions regarding on how ~~the Applicant can appeal the determination by filing a Request for~~ to request an Administrative Hearing to challenge any part of the Committee's recommendation. Notice will be effective when the email is sent.
- D. In the event ~~that~~ the Committee recommends that any part of the Application be denied in full or in part, the Applicant will have 90 days from the date of the notice required by 3.C., above, to file a Request for Administrative Hearing with the Clerk, as set forth in the Hearing Rules. In the event ~~that~~ the Committee recommends the Application be granted in full, any ~~person other Party including the Employer~~ aggrieved by the recommendation, ~~including the Plan Sponsor~~, will have 10 ten days from the date of the notice required by 3.C., above, to make file a written Request for Administrative Hearing as set forth in the Hearing Rules.
- E. Where the Committee recommends (i) a grant of a non-service connected disability retirement, but denial of a service-connected disability retirement; or (ii) a grant of a either a service-connected or non-service connected disability retirement and the Applicant disputes the Committee's recommendation regarding the effective date of disability, the Applicant may request a Hearing on the denial of a service-connected disability or the effective date of disability. In such cases, the issues not disputed will not be at issue in the Hearing. Staff will forward those non-disputed issues to the Board for final action.
- ~~E.F.~~ If no Request for Administrative Hearing is filed within the time limits set forth in 3.D., above, the matter shall Committee's recommendation will be placed on the consent agenda at the next regularly scheduled meeting of the Board for action in accordance with Section 5, below.

### **4. ~~Non-Disability~~ Benefit Determination Review Process**

~~For all other benefit determinations:~~

~~An Applicant may request a written review of any OCERS staff level benefit determination (e.g., non-disability determinations regarding amount of the benefit, effective date, reciprocity determinations) For~~ Benefit Determinations:

- A. Staff will notify the Member of the Benefit Determination, and the Member may request a CEO Determination within 90 days of the benefit determination by OCERS date of the notice of the



## OCERS Board Policy Adjudication Policy and Administrative Review and Hearing Rules Policy **(Disability and Non-Disability Benefits)**

Benefit Determination. The CEO ~~or his/her designee~~ Determination will ~~provide~~ be in the form of a written review, ~~which may be completed and returned to the Member within 90 days of receipt of the request for a CEO Determination, and will~~ include a synopsis of the ~~member's~~ Member's request and ~~shall include citation of~~ to any authority relied upon by ~~OCERS~~ the CEO in making ~~its~~ the CEO Determination. In addition, the written review will include instructions regarding how the ~~Applicant can appeal the determination by filing a Request for Administrative Hearing~~ Member may request review of the CEO Determination by the Board.

B. The ~~Applicant~~ Member will have 90 days from the date of the notice of the CEO Determination provided in 4.A., above, to file a Request for Administrative Review. If no timely Request for Administrative Review is filed, the CEO Determination will be final.

### 5. Board Action on Disability Determination Upon Recommendation from the Disability Committee Appeals of Disability and Non-Disability Benefit Determinations

- A. **Consent Agenda.** When there has been no timely Request for an Administrative Hearing of the Disability Committee's recommendation under Section 3, above, the Board will consider the Committee's recommendation on the Board's consent agenda.
- B. **Removing Items from Consent Agenda/Action.** Any member of the Board may remove an item from the consent agenda to be discussed and voted on separately. If any Board member removes a Disability Determination from the consent agenda, the item will be considered by the Board in closed session as set forth in Section 7, below.
- B.C. **Action on Recommendations from the Disability Committee.** After consideration by the Board, the Board will either (i) adopt the recommendation of the Disability Committee; or (ii) refer the matter to a Hearing Officer for a Hearing (unless a Hearing is waived by the Applicant, in which case the Committee recommendation will be adopted).

~~A Party has a right to an Administrative Hearing only if the Party files a request for Administrative Hearing within the time frames set forth in Sections 3 or 4, above. An Administrative Hearing shall proceed according to the Hearing Rules.~~

### 6. Closed Sessions for Board Determination of Disability and Non-Disability Benefits

~~Except for matters on the Board's consent agenda, the Board shall adjourn to a closed session, pursuant to Cal. Gov't Code § 54957(b), to discuss the Application of any member for disability or other benefit.~~

~~A. **Closed Session With the Parties Present.** The Board shall conduct any discussion of an Application, including instances where the Board convenes an Administrative Hearing before itself, as a closed session.~~



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~~Attendance at the closed session will be limited to 1) the Parties; 2) counsel for the Parties; 3) any OCERS disability staff members and/or attorneys acting as advocates for the staff initial determination or Committee recommendation; 4) any witnesses called to present testimony before the Board; 5) OCERS staff necessary to facilitate the hearing (including the Clerk of the Board and IT Staff); 6) the CEO; and 7) the OCERS General Counsel (or his/her designee) to provide legal advice to the Board.~~

~~B. **Closed Session Without Parties**—~~ Following the Board’s hearing of a matter in a closed session with the Parties present, the Board may adjourn to a closed session including only the CEO and the OCERS General Counsel (or his/her designee) to provide legal advice to the Board in order to consider the merits of the case and the Board’s legal obligations.

### **7. Board Determination of Disability and Non-Disability Benefits**

~~C. —~~ When no appeal has been timely filed on an Application for a disability retirement, the Board shall consider the Committee’s recommendation on a consent agenda. Any member of the Board may object to an Application on the consent agenda except that the alternate seventh member (and not the seventh member) of the Board may object to any item relating to a member of the same service as the alternate seventh member. In addition, if the alternate seventh member is present, s/he shall be considered to have voted to approve any item adopted on the consent agenda relating to a member of the same service.

~~D. **Absence of Unanimous Consent for Disability Applications Recommended for Approval By the Committee; Administrative Hearing Before the Board.**~~ If any Board member objects to the approval of an Application for disability retirement that has been placed on the consent agenda, and the matter has not been the subject of an Administrative Hearing, the Board shall either (i) adopt the recommendation of the Committee; or (ii) refer the matter to a Hearing Officer for an Administrative Hearing.

### **6. Board Action on Disability Determinations After Hearing.**

Following an Administrative Hearing and the Board’s receipt of the Hearing Officer’s Proposed Findings of Fact and Recommended Decision, the Board ~~shall hear~~ will consider the matter at a duly-noticed meeting of the Board ~~as set forth~~ and take action in accordance with Rule 16 of the Hearing Rules.

### **7. Closed Sessions for Disability Determinations**

Except for matters on the Disability Committee’s or Board’s consent agenda, the Disability Committee or Board will adjourn to a closed session, pursuant to Cal. Gov’t Code § 54957(b), to discuss a recommended Disability Determination in connection with an Application for disability retirement, or a Hearing Officer’s Proposed Findings of Fact and Recommended Decision in connection with a Disability Determination, unless the Applicant requests the matter be heard in open session.



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**A. Closed Session With the Parties Present.** The Committee or the Board will conduct any discussion of an Application, including instances where the Board convenes and conducts its own Hearing, in closed session. Attendance at the closed session will be limited to 1) the Applicant; 2) counsel for the Applicant as well as any individual deemed by the Board Chair to be essential to the Applicant in the matter; 3) any OCERS disability Staff members and/or attorneys acting as advocates for the Staff recommendation or Committee recommendation; 4) Staff necessary to facilitate the Hearing (including the Clerk of the Board and IT Staff to provide technical support); 5) the CEO; 6) the OCERS General Counsel (or their designee); and 7) outside counsel to the Board. Additionally, in the event the Board conducts its own hearing, witnesses called to present testimony may be permitted to attend the closed session to do so.

**B. Closed Session Without Parties.** 8-Before or after the Committee’s or Board’s consideration of a matter in a closed session under A, above, the Committee or the Board may adjourn to a closed session with only the CEO and the OCERS General Counsel (or their designee) to provide legal advice to the Committee or the Board in connection with the merits of the case and the Board’s legal obligations.

**8. Board Action on CEO Determination.**

**A. Board Review of CEO Determinations.** In the case of a timely Request for Administrative Review of a CEO Determination, the Board will consider the matter at a duly noticed regular meeting of the Board. Staff will make a recommendation to the Board regarding the issues raised in the CEO Determination and the Applicant (or the Applicant’s attorney) will have the opportunity to be heard.

**B. Board’s Options.** At the meeting, the Board may choose to hear and conduct the review at that meeting, continue it to a later meeting, or refer the matter to a Hearing Officer for a Hearing to be conducted pursuant to the Rules. If the Board chooses to hear and determine the matter, the Board’s decision will be final. If the Board chooses to refer the matter to a Hearing, the Board will identify the factual and legal issues to be considered by the Hearing Officer.

In determining whether to hear and determine the matter or refer the matter to a Hearing Officer, the Board will consider all relevant factors, including, but not limited to, the following:

- i. whether the disputed issues are legal, not factual, in nature;
- ii. relevant judicial authority on the disputed legal issue(s);
- iii. whether the Board and/or a Hearing Officer has previously ruled on substantively similar issue(s);
- iv. whether the Applicant is represented by an attorney;
- v. the efficient use of OCERS resources; and
- vi. the interests of the Applicant in receiving a timely decision.



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C. Consolidation of Reviews. When review by the Board of two or more CEO Determinations involves common questions of law or fact, the Board may order a Consolidated Review or Consolidated Hearing of the matters. Consolidation may be ordered for limited purposes or for all purposes.

In determining whether to order a Consolidation of the CEO Determinations, the Board will consider all relevant factors, including, but not limited to, the following:

- i. the complexity of the issues involved;
- ii. the potential prejudice to any party, including whether a Consolidation would result in undue delay;
- iii. the avoidance of duplicate or inconsistent orders; and
- iv. the efficient utilization of OCERS resources.

**9. Board Action on CEO Determination After a Hearing.**

In the case of a CEO Determination referred by the Board to a Hearing, the Board will consider the Hearing Officer’s Proposed Findings of Fact and Recommended Decision at a duly-noticed meeting of the Board in accordance with Rule 16 of the Rules. The Board may adopt the Hearing Officer’s recommendations or make its own determination based on the Administrative Record and the Board’s decision will be final.

**10. Policy Review**

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

**911. Policy History**

This Policy was adopted by the Board of Retirement on February 19, 2002. It was amended most recently on \_\_\_\_\_.

**Secretary’s Certificate**

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

\_\_\_\_\_  
Steve Delaney  
Secretary of the Board

\_\_\_\_\_  
Date



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**Appendix - Administrative Hearing Rules**

**Rule 1. Definitions**

All capitalized terms contained within these ~~Hearing Rules shall~~will have the meaning set forth in Section 2 of the OCERS ~~Disability and Non-Disability Benefits Adjudication Policy and Administrative Review and Hearing Rules Policy.~~

**Rule 2. Filing of Documents**

**A. Administrative Review and Hearing Filing Procedures**

1. ~~OCERS staff shall promulgate, and may from time to time amend, the~~The "Administrative Hearing Filing Procedures" ~~to set~~sets forth the procedures by which the ~~Clerk to the Parties and Hearing Officers shall~~Officer will file documents, ~~the Clerk will~~ accept filing of documents ~~in Administrative Hearings and service of, and the Clerk will serve~~ documents on the Parties and the Hearing Officer.
2. The Administrative Hearing Filing Procedures may include forms that ~~parties may be~~the Parties are permitted or required to use ~~during the course of an Administrative~~in connection with a Hearing.
3. The Clerk ~~shall~~will provide the ~~Petitioner~~Applicant with a copy of the Administrative Hearing Filing Procedures upon ~~Petitioner's~~the filing of a Request for Administrative Hearing.

**B. Filing of Documents**

1. All documents required or permitted to be filed by any Party ~~during the course of the Administrative~~in connection with a Hearing ~~shall~~will be filed with the Clerk.
2. ~~A~~Filing of documents will be done electronically in conformance with the Administrative Hearing Filing Procedures, except that an Applicant ~~(and only the Applicant)~~ may opt to file documents in person, by US Mail, or electronically, ~~in conformance the Administrative Hearing Filing Procedures. Any~~ Applicants that opt for filing documents by US Mail, must inform the Clerk of this in writing. The Clerk will then inform all other ~~Party~~Parties and the Hearing Officer, ~~shall that the Applicant has opted to file all documents electronically, in conformance with the Administrative Hearing Filing Procedures~~documents by US Mail.
  - ~~3.i.~~ Documents filed in person shallwill be ~~considered~~deemed filed on the day received by OCERS.
  - ~~4.~~ Documents filed by US Mail shallwill be ~~considered~~deemed filed on the ~~following dates:~~



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- ~~i.~~ If mailed from within Orange County, on the date post-marked on the envelope containing the documents;
- ~~ii.~~ If mailed within the State of California, five (5) days following the date post-marked on the envelope containing the documents;
- ~~iii.~~ii. If mailed outside of the State of California, ten (10) days following the date post-marked on the envelope containing the documents.
- ~~5.~~iii. Documents filed electronically ~~shall~~will be ~~considered~~deemed filed on the date electronically ~~sent~~received by the Clerk.

### ~~C.~~ **Service of Documents**

- ~~1.~~ Within one (1) business day of any document being filed, the Clerk shall serve all documents that have been filed in any Administrative Hearing on all Parties and the Hearing Officer.
- ~~2.~~ The Clerk shall serve an Applicant by US Mail, unless the Applicant consents to be served electronically, in conformance with the Administrative Filing Procedures. The Clerk shall serve any other Party and the Hearing Officer electronically, in conformance with the Administrative Hearing Filing Procedures.

### C. Service of Documents

- 1. The Clerk will serve on all Parties and the Hearing Officer any documents filed by a Party or the Hearing Officer within one (1) business day of receipt of the documents by the Clerk.
- 2. Service by the Clerk will be electronic, in conformance with the Administrative Hearing Filing Procedures, except where the Applicant has opted to file by US Mail pursuant to B.2., above, in which case the Clerk will serve documents on the Applicant by US Mail. In that case, the Applicant will be deemed to have received service three (3) days after the date the Clerk deposits the document in the US Mail. Electronic service will be deemed served upon electronic transmission by the Clerk.

### **Rule 3. Administrative Hearing Request, Scope, and Settlement**

- A. Request for Administrative Hearing.** A written Request for Administrative Hearing must be filed with the Clerk within the time frame set forth in Sections 3 and 4 of the ~~OCERS Adjudication Policy and Administrative Hearing Rules (the "Policy")~~. The Request ~~for Administrative Hearing~~ ~~shall~~should include a short and plain statement of the grounds for the ~~appeal of the recommendation of the Committee or the OCERS staff~~request.
- B. Referral from the Board.** In the event ~~that~~ the Board refers a matter to a Hearing Officer for ~~an Administrative Hearing~~, ~~(pursuant to Sections 5.C. or 8 of the Applicant shall be considered the Petitioner and Policy)~~, the referral from the Board ~~shall~~will be considered the Request for



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Administrative Hearing, but for all procedural purposes under these Rules, the request will be deemed to have been filed by the Applicant.

C. Permitted Representatives, Attorneys. Any Party is entitled, at the Party's expense, to be represented by an attorney at any stage of the proceedings. Such attorney must be a current, active member of the California State Bar in good standing. A Party must file with the Clerk a written notice of the hiring, changing, or dismissal of an attorney. Absent such written designation, OCERS is not obligated to recognize any attorney or other individual claiming to represent a Party.

C.D. Burden of Proof. The Applicant will have the burden of proof by a preponderance of the evidence to establish his/her/the right to the benefit sought by a preponderance of the evidence. Where the Employer filed the Request for Administrative Hearing under Section 3.D. of the Policy, the Employer will have the burden of proof by a preponderance of the evidence to demonstrate that the Committee's recommendation should be overturned, and the Employer will be bound by all of the procedural rules applicable to the Applicant under these Rules.

D.E. Scope of Hearing.

1. A disability retirement Administrative The Hearing on a Disability Determination will only address the issues of disability permanent incapacity, service connection, timeliness of the application, and/or effective date. All other issues related to a disability retirement Application are subject to the Benefit Determination process under Sections 4 or 8 of the Policy.
2. In accordance with Section 8 of the Policy, the Hearing on a CEO Determination will only address the factual and legal issues that are identified by the Board for consideration by the Hearing Officer.  
2.— Except as set forth in these Rules, the Hearing Officer shall will not make a finding or recommendation on any issue that was not raised in the Applicant's original application to OCERS (either for disability Request for Administrative Hearing or non-disability benefits).
3. If the Applicant seeks to raise new issues or add conditions, s/he will be required to file a new Application, provided however, that OCERS shall retain the discretion to stipulate that the Applicant may dismiss the original Application and file an amended Application, the date of which shall relate back to date included in the Board's referral of the original Application matter to a Hearing. Likewise, the Hearing Officer will not consider any evidence or make a finding or recommendation on any medical condition not included in the disability retirement Application or that was not previously evaluated by Staff, except as provided in subsection 4, below.
4. Settlement— If at any time during the Hearing process the Applicant either (i) alleges an injury or disease not listed in the disability retirement Application or (ii) raises an issue that was not previously presented to the Committee, the Hearing process will be suspended by the Hearing Officer and the Application will be treated as an amended Application. The amended Application will be referred back to Staff to be processed. If the Committee subsequently



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recommends a denial of the amended Application, the matter will be returned to the Hearing Officer who will consider all the medical conditions (those raised in the Application and the amended Application). A new Hearing Date, Pre-Hearing Conference and deadlines for Pre-Hearing Statements will be set in accordance with Rule 8.

~~E.F. Settlement. Administrative Hearing-If at any time during the Hearing process it becomes apparent to OCERS staff that a different result is appropriate, OCERS staff and the Applicant Staff may settle and dismiss the Administrative Hearing. For settlements related to non-disability benefits, the suspend the Hearing and refer a settlement shall be deemed final. For settlements related to disability benefits, the settlement shall be referred to the Board to be heard on a consent agenda. If the Board approves a settlement with the Applicant, the Hearing will be dismissed.~~

### **Rule 4. Assignment of Hearing Officers**

A. **Assignment of Hearing Officer.** Hearing Officers are selected and placed on the panel pursuant to OCERS' Hearing Officer Selection and Retention Policy. As ~~Administrative Hearings matters~~ are requested referred to a Hearing, the Clerk ~~shall randomly~~ will assign the Hearing Officer, ~~subject to the procedures for challenge under Rule 4.C, below. The Clerk's random assignment process shall ensure on a rotational basis, while ensuring~~ that, to the extent possible, each Hearing Officer on the panel is assigned an equal number of cases. Within fourteen (14) days after the Applicant files a Request for Administrative Hearing, the Clerk will serve notice to all Parties, including the Hearing Officer, indicating the name and address of the Hearing Officer to whom the matter is assigned, which notice will include information regarding the ability to challenge a Hearing Officer as set forth below.

~~B. Notice to Parties of Hearing Officer Assignment. Within fourteen (14) days after the Petitioner files a Request for Administrative Hearing, the Clerk will file a notice indicating the name and address of the Hearing Officer to whom the matter has been assigned.~~

~~C.B. Challenge/Removal of Hearing Officer.~~ A Party ~~shall be entitled to have a Hearing Officer replaced by another~~ may object to a Hearing Officer in accordance with the following procedures.

1. ~~An Applicant Peremptory Challenge: Any Party other than OCERS is entitled to one automatic peremptory (without cause) challenge to the assignment of the Hearing Officer in accordance with the provisions of this section.~~ The challenge must be filed with the Clerk within fourteen (14) days ~~after~~ of the date of the notice assigning the Hearing Officer. ~~The Clerk shall then~~ If the Applicant opts for service by US Mail, the time period for filing a challenge will be extended by three (3) days. In the event of a peremptory challenge, the Clerk will re-assign the case to another Hearing Officer in the same fashion as selection of the first hearing officer selected in the same manner as the first Hearing Officer. In the event no challenge is made to a proposed Hearing Officer, or after the exhaustion of all challenges, the Clerk will notify the Parties that the matter will proceed with the assigned Hearing Officer.



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2. Removal for Cause: Any Party, including OCERS, may challenge a Hearing Officer for cause by filing a request at any time, with supporting declarations made under penalty of perjury ~~under the laws of the State of California and and~~ any other evidence upon which the Party is relying ~~on~~. Any opposing Party will have fourteen (14) days from the Clerk’s service of the challenge for cause on all Parties to file a response ~~to the request to remove for cause~~. The Clerk ~~shall~~will then randomly assign the removal request to another Hearing Officer, who ~~must decide the issue within thirty (30) days. If the~~will consider all evidence and arguments for and against removal of the Hearing Officer ~~grants the request, and file a ruling with~~ the Clerk ~~shall re-assign the case to a Hearing Officer other than the Hearing Officer who heard the request for re-~~within thirty (30) days from assignment. Cause for removal ~~shall~~will be limited to demonstrated bias against a Party or counsel based on a personal or financial relationship (other than the Hearing Officer’s contract with OCERS) that would ~~make~~cause a reasonable person to doubt the Hearing Officer’s ability to render an impartial decision. ~~If the request for removal is granted, the Clerk will re-assign the case to another Hearing Officer (other than the Hearing Officer who heard the challenge) in the same fashion as selection of the first Hearing Officer.~~

3. Removal Due to Unforeseen Circumstances: If the service of a Hearing Officer is discontinued due to unforeseen circumstances, ~~including but not limited to such as~~ death ~~or,~~ illness, or termination with or without cause, the ~~Applicant is~~Parties other than OCERS are entitled to a peremptory challenge to the new Hearing Officer in accordance with subsection ~~(B.1)~~ of this Rule.-

~~D. Notice of Assignment to Hearing Officer. After the expiration of the time period in Rule 4.C, above, the Clerk shall file a Notice to the Hearing Officer of his/her assignment, providing the name, address and phone number of the Applicant, Applicant’s counsel if any, and counsel representing OCERS.~~

~~E. Recusal of Hearing Officer. If at any time the Hearing Officer determines that there is cause to remove him/her, s/he shall immediately file with the Clerk a statement of recusal, and the Clerk shall reassign the case pursuant to Rule 4.A.~~

~~F.4. Assignment After Removal Due to Unforeseen Circumstances. If the service of a Hearing Officer is discontinued due to unforeseen circumstances, including but not limited to such as death or, illness, or termination with or without cause, before the Hearing Date is set, or after the Hearing has commenced, any hearing date will be vacated and the Clerk shall will assign a new Hearing Officer randomly pursuant to Rule 4.A above and schedule a new Pre-Hearing Scheduling Conference pursuant to Rule 7, below. If the service of a Hearing Officer is discontinued due to unforeseen circumstances after the Hearing Date has been set, the Clerk shall assign a Hearing Officer who agrees to the Hearing Date. If no such Hearing Officer is available, the Clerk shall assign a Hearing Officer randomly pursuant to Rule 4.A above and schedule a Pre-Hearing Scheduling Conference pursuant to Rule 7, below.~~



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C. **Recusal of Hearing Officer.** If at any time the Hearing Officer determines that there is cause for their recusal, the Hearing Officer will immediately file with the Clerk a statement of recusal, and the Clerk will reassign the case pursuant to Rule 4.A.

### **Rule 5. Preparation ~~and~~ Service of Administrative Record**

Within ~~45~~**sixty (60)** days of the filing of a Request for Administrative Hearing, ~~OCERS shall~~**the Clerk will** assemble and ~~file~~**serve on the Hearing Officer and each Party** the initial Administrative Record. ~~A~~**Except as provided in Rule 6, a** Party may object to the admission of items into evidence or seek to admit additional information into evidence as set forth in these Rules, and the Hearing Officer ~~shall~~**will** decide the admissibility of all evidence.

### **Rule 6. ~~Alternative Expedited Administrative Review~~ Hearing**

A. **Provisions for ~~Alternative~~ Expedited Administrative ~~Review~~ Hearing.** Expedited Administrative ~~Review~~**Hearing** is an irrevocable waiver of the Applicant’s right to the process described in Rules 7 through 12. The goal of the ~~Alternative~~ Expedited Administrative ~~Review~~**Hearing** process is to complete the ~~Administrative~~ Hearing in less than six months ~~and~~. ~~The Hearing Officer’s Proposed Findings of Fact and Recommended Decision will be~~ based only on the Administrative Record and written arguments, without in-person testimony or argument.

B. **Availability of Expedited Administrative ~~Review~~ Hearing.**

1. An Expedited Administrative ~~Review~~**Hearing is** only ~~be~~ available ~~infor~~ those cases that OCERS ~~General Counsel~~ determines ~~are~~**the process is** appropriate ~~for an Expedited Administrative Review.~~
2. ~~OCERS will make the~~**The** determination as to whether Expedited Administrative ~~Review~~**Hearing** is appropriate ~~will be made in~~**is** the sole discretion ~~of the OCERS General Counsel,~~ on a case-by-case basis. In ~~determining whether Expedited Administrative Review is appropriate, OCERS shall~~**doing so, the General Counsel will** consider: whether; there are any material facts in dispute, ~~and;~~ whether the introduction of testimonial evidence is likely to clarify the issues; whether there is controlling legal authority; and whether the Applicant’s condition is such that time is of the essence in ~~seeking review of the staff recommendation or ultimately judicial review~~**completing the Hearing process.**

~~3. If OCERS~~**In the event the General Counsel** determines that ~~the~~**a** matter is appropriate for Expedited Administrative ~~Review,~~**Hearing,** the Clerk will ~~notify~~**notify** the Applicant ~~will have the choice of whether this determination and the Applicant’s right to accept or not to opt for reject~~**the Expedited Administrative Review.**

~~C.3. Waiver and Election.~~ **In the event that OCERS determines that a matter is appropriate for Administrative Review, OCERS shall file** ~~Hearing along with a Notice of Right to Expedited Administrative Review form in which~~ **provides the Applicant notice of his/her rights and**



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~~provides a Waiver of Rights and Election for Expedited Administrative Review (the “Waiver and Election”)~~ to do so. The Applicant may file ~~its Waiver and Election~~ the acceptance or rejection any time prior to ~~or at the Pre-Hearing Scheduling Conference~~ Clerk’s service of the Administrative Record on the Parties.

~~D.C.~~ Timeline. The Expedited Administrative ~~Review shall~~ Hearing will be conducted according to the following timeline.

1. Within ~~30~~ fourteen (14) days ~~from of~~ the date the Applicant files the Waiver and Election ~~(or within 30 days after Clerk serves the Administrative Record is filed, whichever is later), in accordance with Rule 5,~~ each party ~~shall file~~ anymay lodge with the Clerk any additional written evidence that it seeks to rely on in addition to the Administrative Record.
2. Within thirty (30) days ~~from of~~ the date the Clerk serves the Administrative Record, the Applicant ~~files the Waiver and Election (or within 30~~ will file a Statement of Issues of not more than five (5) pages setting forth the Applicant’s contentions.
- ~~2-3.~~ Within fourteen (14) days after the Administrative Record is filed, whichever is later), each Party shall Clerk serves Appellant’s Statement of Issues on Respondent, Respondent will file a Statement of Issues of not more than five (5) pages which shall set setting forth the Party’s contentions.
- ~~3-4.~~ Within 90 sixty (60) days from the date ~~the Applicant files the Waiver and Election (or within 30 days after the Administrative Record is filed, whichever is later),~~ Respondent files its Statement of Issues, the Hearing Officer ~~shall will~~ file his/her the Proposed Findings of Fact and Recommended Decision, ~~which shall conform to Rule 13 in conformance with Rule 14.~~ Notwithstanding the timeframes for objections set out in Rule 14C, objections will be filed within 10 days rather than 20 days, and responses thereto likewise will be filed within 10 days rather than 20 days.

### **Rule 7. Consolidation of Hearings**

In addition to Consolidation by the Board of two or more cases pursuant to Section 8.C. of the Policy, cases may be Consolidated in accordance with this Rule 7, and this Rule 7 will apply to all such Consolidations.

A. When two or more pending Requests for an Administrative Hearing involve common questions of law or fact, a Hearing Officer, upon request by OCERS or the Applicant, may order the Hearings Consolidated. Consolidation may be ordered for limited purposes or for all purposes.

In determining whether to order Consolidated Hearings, the Hearing Officer will consider all relevant factors, including but not limited to the following:

1. the complexity of the issues involved;
2. the potential prejudice to any Party, including whether granting Consolidation would unduly delay the resolution of any of the matters involved;



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- 3. the avoidance of duplicate or inconsistent orders; and
- 4. the efficient utilization of OCERS' resources.
- B. Any Party may file a request with the Clerk to Consolidate two or more pending Hearings irrespective of the procedural stages of the affected Hearings, which request will be served by the Clerk on all Parties and the Hearing Officers.
- C. In all cases, the request for Consolidation will be referred to the Hearing Officer first assigned to any of the Hearings. The Hearing Officer may decide the matter on written submittals, or may convene the Parties, either in-person or electronically, to hear further argument on the request for Consolidation. Failure to timely oppose Consolidation will constitute a waiver of objection to an order of Consolidation.
- D. If the Hearing Officer orders the Consolidation, all affected Hearings will be transferred to that Hearing Officer.
- E. Upon Consolidation, all hearing dates will be vacated and the Clerk will schedule a new Pre-Hearing Conference for the Consolidated Hearings. Following the Hearing, the Hearing Officer will have the option of preparing separate Proposed Findings of Fact and Recommended Decisions for each matter that was Consolidated or a single Proposed Findings of Fact and Recommended Decision.
- F. Nothing contained herein will prohibit the Parties from stipulating to Consolidated Hearings. In the event a stipulation is reached, the Parties will file a written stipulation with Clerk, signed by all Parties. The Clerk will then assign the Consolidated Hearings to the first assigned Hearing Officer.

**Rule 8. ~~Rule 7~~-Pre-Hearing Scheduling Conference**

- A. The Clerk ~~shall~~will schedule a Pre-Hearing ~~Scheduling~~ Conference to be held within thirty (30) days of the ~~filingservice~~ of the Administrative Record ~~on the Parties~~. The Clerk ~~shall undertake its~~will use best efforts to schedule the Pre-Hearing ~~Scheduling~~ Conference at a time convenient to all Parties.
- B. The Pre-Hearing Scheduling Conference ~~may~~will be held telephonically or electronically ~~(e.g. Skype, Facetime). The Pre-Hearing Scheduling Conference will not be transcribed unless a Party files a request for a court reporter at least seven (7) days before the Pre-Hearing Scheduling Conference. If any Party requests a transcription, the~~ The Clerk shall arrange for a court reporter to transcribe the conference at OCERS' expense. ~~, but the requesting Party shall be liable for reimbursing OCERS for the costs. Any party may make an audio-recording of the Pre-Hearing Scheduling Conference, and a copy of the recording must be filed with the Clerk. The Pre-Hearing Scheduling Conference shall not be considered a "confidential communication" under the California Invasion of Privacy Act, Cal. Penal Code § 632(c).~~
- C. At the Pre-Hearing ~~Scheduling~~ Conference, the Hearing Officer ~~shall~~will advise the Applicant (whether or not the Applicant ~~is~~has initiated the ~~Petitioner~~matter) of the following:



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1. The Applicant has the right to be represented by ~~counsel~~ an attorney;
  2. Any financial or personal interest that the Hearing Officer has in the case, other than the Hearing Officer’s contract with OCERS;
  3. The scope of the Hearing and the issues to be decided consistent with the constraints of Rule 3.E., above;
  - 3-4. The Hearing will be ~~a hearing de novo,~~ conducted as if the ~~original recommendation~~ Disability Determination or ~~determination~~ CEO Determination had not taken place. This means the Hearing Officer ~~or other fact finding body~~ will consider anew all of the evidence submitted and defenses asserted, without relying on the past findings of ~~a court,~~ the Committee, the Board, ~~OCERS staff, or other fact finding body or the CEO;~~
  - 4-5. The Hearing Officer’s purpose in the process is to find the facts relevant to the Applicant’s request and provide an impartial recommendation to the Board;
  - 5-6. The Applicant has the burden of proof in establishing by a preponderance of the evidence his/hershe right to the benefit ~~s/he seeks~~ sought;
  - 6-7. The Applicant must identify witnesses and other evidence when  ~~filing~~ his/hershe Pre-Hearing Statement, and that failure to include in the Pre-Hearing Statement the witnesses and other evidence ~~s/he intends~~ they intend to rely on could mean that evidence will be excluded unless the Applicant shows that ~~s/hethey~~ could not have discovered the information earlier through the exercise of reasonable diligence;
  - 7-8. The timelines required under these ~~rules~~ Rules for filing documents and for the ~~Administrative~~ Hearing, and the ~~result~~ consequences of a failure to meet those deadlines, including that the Applicant’s case can be dismissed ~~;~~ and
  - 8-9. ~~That upon~~ Upon the completion of the ~~Administrative~~ Hearing, the matter will be referred to the Board pursuant to these Rules. Upon action by the Board, the decision will be final for all purposes. There ~~shall~~ will be no requirement for a further written decision from the Board or opportunity for the Board to reconsider its decision. Any ~~party~~ Party aggrieved by the Board’s decision may petition the Superior Court for judicial review as provided by law. The time for any ~~party~~ Party to seek judicial review ~~shall~~ will be governed by the California Code of Civil Procedure Section 1094.6.
- D. At the Pre-Hearing Scheduling Conference, each Party shall:
1. Make a good faith effort to identify the witnesses, both expert and non-expert, that it intends to call;
  2. ~~Ensure that that the~~ Identify any witnesses it intends to call ~~either who cannot either~~ speak and/or understand English to permit OCERS to arrange a translator for the witnesses in



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- ~~accordance with Rule 10.K.; or that the Party calling the witness is responsible for requesting a translator for the witnesses in accordance with Rule 10.J.;~~
3. Indicate whether it will require an opposing party's Medical Witness to appear in person ~~to be cross-examined~~ at the Hearing;
  4. ~~If possible, set mutually convenient dates for any depositions. Identify any witnesses the Party seeks to depose and, if possible, set mutually convenient dates for any depositions.~~
- E. No later than the Pre-Hearing Conference, OCERS, through its counsel, will identify any issues related to eligibility of the Applicant such as timeliness of the Application or ineligibility due to termination for cause, which, if correct would moot the Hearing. The Hearing Officer will give the other Parties an opportunity to respond, and may continue the Pre-Hearing Conference to do so. If the Hearing Officer finds in favor of OCERS on the issue of eligibility, the Hearing process will be suspended and the issue of eligibility will be referred to the Board in accordance with Section 8 of the Policy and handled as if it were a CEO Determination.
- F. At the Pre-Hearing Scheduling Conference, the Hearing Officer shall set the date for the Hearing.
1. The Hearing Officer ~~shall~~will confer with the Parties to determine a mutually agreeable date for the hearing ("Hearing Date"), ~~but in all cases the Hearing Date shall be set~~ as soon as reasonably practicable, but in all cases the first Hearing Date will be set for no later than six (6) months after the date of the Pre-Hearing Scheduling Conference. ~~The hearing will be held within the time frame provided by Rule 16. OCERS, at its expense, shall arrange for a court reporter and a room for the Hearing.~~
  2. Each Party shall provide a good faith estimate of the amount of time it anticipates the Hearing will last. As much as practicable, the Hearing shall continue from day-to-day until complete, and the Hearing Officer ~~shall~~will schedule all Hearing Dates to which the Hearing Officer to which s/he anticipates the Hearing will be continued until complete.
- G. Within five (5) days of the Pre-Hearing Scheduling Conference, the Clerk ~~shall file~~will issue a Notice of Administrative Hearing Dates Scheduling Order, which ~~shall~~will include the Hearing Date(s) of the Hearing and the dates that each Party's Pre-Hearing Statements are due.
- H. After the Pre-Hearing Scheduling Conference, the Hearing Officer may continue the Hearing Date only upon a showing of good cause, as set forth in Rule 15, below.
- I. If neither the Applicant nor the Employer, where the Employer has filed an Application on behalf of the Member (and is therefore also treated as an Applicant under these Rules), participates in the Pre-Hearing Conference, the Clerk will file and serve on all Parties and the Hearing Officer an Order to Show Cause why the matter should not be dismissed, and give all Applicants (including the Employer where the Employer has filed an Application on behalf of the Member) five (5) days to



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respond to the Hearing Officer. Other Parties are permitted, but not required to submit responses. Unless at least one of the Applicants shows good cause why the matter should not be dismissed, the Hearing Officer will dismiss the Hearing, and the matter will proceed as if no Request for Administrative Hearing had been filed in accordance with Section 5 of the Policy.

If the Hearing Officer determines that an Applicant has shown good cause, the Hearing Officer will direct the Clerk to reschedule the Pre-Hearing Conference and the Applicant will be liable to OCERS for any actual costs incurred by OCERS as a result of the delay.

**Rule 89. Pre-Hearing Statements**

- A. The ~~Petitioner shall~~Applicant will file a Pre-Hearing Statement of up to ten (10) pages no later than sixty (60) days prior to the first Hearing Date.
- B. Respondent ~~shall~~will file a Pre-Hearing Statement of up to ten (10) pages no later than thirty (30) days prior to the first Hearing Date.
- C. Any Party may file supplemental Pre-Hearing Statements of up to five (5) pages no later than fourteen (14) days prior to the first Hearing Date ~~solely for the purpose of providing rebuttal information or reports to information or evidence included in another party's Pre-Hearing Statement.~~
- D. The Pre-~~hearing~~Hearing Statements ~~shall~~will include the following:
  - 1. A statement of the issues and contentions of the Party, and a brief summary of the evidence to be presented;
  - 2. A list and copies of any expert's reports, transcripts of depositions of any witnesses, and any other documentary evidence on which the Party will rely, if not already in the Administrative Record;
  - 3. The names, addresses, and telephone numbers of any non-expert witnesses whose testimony the Party intends to ~~present~~call for oral testimony at the Hearing and a brief description of the content of that testimony; ~~and~~
  - 4. The names, addresses, and phone numbers of any expert witnesses whom the Party intends to call for oral testimony at the Hearing and a ~~synopsis~~brief description of the ~~expected~~content of that testimony.
- E. If ~~a Petitioner~~the Applicant disputes the effective date of the disability retirement, the ~~Petitioner shall~~Applicant will raise the effective date as an issue and ~~shall~~will state ~~Petitioner's~~Applicant's contention in ~~his/her~~the Pre-Hearing Statement.
- F. If a Petitioner~~the Applicant~~ fails to timely file a Pre-Hearing Statement, the Clerk ~~shall~~will file and serve on all Parties and the Hearing Officer an Order to Show Cause why the case should not be dismissed, and give the ~~Petitioner~~Applicant five (5) days to respond ~~to the Hearing Officer. Other~~



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~~Parties are permitted, but not required to submit responses.~~ Unless the ~~Petitioner~~Applicant shows good cause for the failure to timely file its Pre-Hearing Statement, the Hearing Officer ~~shall~~will dismiss ~~the Administrative Hearing,~~ and the matter ~~shall~~will proceed as if no Request for Administrative Hearing had been filed—~~in accordance with Section 5 of the Policy.~~

~~F.~~ If the ~~Petitioner shows~~Hearing Officer determines that the Applicant has shown good cause, the Hearing Officer may allow the Respondent additional time to file its Pre-Hearing Statement or may re-schedule the Hearing within the time requirements of Rule ~~16 and the Petitioner shall~~15. ~~The Applicant will~~ be liable to OCERS for any actual costs incurred ~~by OCERS~~ as a result of the delay.

### **Rule 910. Depositions and Subpoenas**

- A. **Depositions:** Witness depositions may be taken by either Party ~~before~~in the presence of a certified ~~Court Reporter~~court reporter and ~~shall~~will be taken under oath or affirmation. The Party taking the deposition ~~shall~~will pay all associated costs. If any Party offers any portion of any deposition testimony into evidence at the Hearing, that Party ~~shall~~will provide a full copy of the deposition transcript to each adverse Party and the Hearing Officer free of charge.
- B. **Subpoenas and Related Fees/Costs:**
  - 1. OCERS ~~shall~~will issue a subpoena for the personal appearance of a witness at the Hearing or at a deposition, or for the production of documents (subpoena *duces tecum*), in conformance with California Government Code Section 31535, upon the request of any Party filed at least seven (7) days before the date the subpoena is to be issued. ~~The requesting Party shall~~Each request will state the witness’s full name and the complete address of the witness’s place of employment or residence. OCERS will issue the subpoena; however, the requesting Party will be obligated to serve the subpoena and pay all associated witness fees and costs of service and production. The Party requesting oral testimony of an expert witness ~~shall~~will in all cases be responsible for any expert witness fees.
  - 2. Any fee disputes between a witness and the requesting Party is independent ~~from~~of any proceeding between the ~~Petitioner~~Applicant and OCERS. Those fee disputes ~~shall~~will be resolved by the requesting Party and the witness in the California courts, not in this forum. The Hearing Officer has no authority ~~or jurisdiction to hear evidence about, or to~~ decide any such dispute.

### **Rule 1011. Conduct of Hearings**

- A. All Hearings ~~shall~~will be held at the ~~OCERS~~OCERS’ office, ~~located at~~ 2223 East Wellington Avenue, Santa Ana, California ~~92701~~.



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- B. The Clerk ~~shall~~will arrange for a court reporter to be ~~paid at OCERS's expense present.~~ Oral evidence ~~shall~~will be taken only on oath or affirmation administered by the Hearing Officer or the court reporter.
- C. A written medical report bearing the signature (including a digital signature) of the Medical Witness ~~shall~~will be admissible in evidence as the author's direct testimony, ~~provided on the express condition~~ that the adverse Party has had the opportunity to ~~require the Medical Witness to be present and to~~ cross-examine the witness at the Hearing, or to depose the witness and have the deposition transcript admitted into evidence.
- D. Each Party ~~shall~~will have the ~~rights~~right to call and examine witnesses; to introduce exhibits, including reports and depositions of medical witnesses; to cross-examine opposing witnesses on any matter relevant to the issues even though that matter was not covered in the direct examination; to impeach any witness regardless of which Party first called the witness to testify; and to rebut adverse evidence. If an Applicant does not testify by direct examination, OCERS may call and examine the Applicant ~~under cross-examination.~~
- E. The Hearing need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence ~~shall~~will be admitted if it is the sort of evidence on which reasonable persons are accustomed to rely in the conduct of serious affairs regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. The rules of privilege ~~shall~~will be effective to the extent that they are otherwise required by statute to be recognized at the Hearing. Irrelevant and unduly repetitious evidence ~~shall~~will be excluded.
- F. Hearsay evidence may be used for the express purpose of supplementing or explaining other evidence but ~~shall~~will not be sufficient by itself to support a finding unless it would be admissible over objection in civil actions. ~~This section shall~~will not be applicable to written medical reports received into evidence pursuant to Rule 10.C. Every Hearing ~~shall~~will proceed as though each Party had made a standing objection to all inadmissible hearsay at the commencement of the Hearing.
- G. The court reporter will lodge with the Clerk the transcript of the Hearing within thirty (30) days of the final Hearing Date.
- G.H. The record shall~~will~~ be closed to new evidence at the conclusion of the final ~~day of~~ Hearing Date. However, if subsequent to the ~~close of the final~~ Hearing Date, a Party discovers or obtains new evidence that is relevant and not repetitive of other evidence already admitted, that Party may ~~file that~~lodge the new evidence with the Clerk and request that the Hearing Officer include it in the Administrative Record. The Hearing Officer may require the Parties to provide declarations and argument about inclusion of the new evidence. If, after showing of good cause as defined under Rule 10.I, the Hearing Officer allows inclusion of the new evidence, the opposing Party will be provided an opportunity to submit rebuttal evidence in accordance with Rule 10.I. No rebuttals of the rebuttal ~~shall~~will be permitted.



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~~H. The court reporter shall file the transcript of the Hearing within 30 days of the final day of the Hearing.~~

I. ~~Late Submission of Evidence.~~ No partyParty may submit a medical report or other documentary evidence, ~~nor shall any Party call a witness not included in the Administrative Record or listed in its Pre-Hearing Statement except for purposes of impeachment, unless the Party demonstrates good cause. Likewise, no Party will be permitted to call a witness not listed in its Pre-Hearing Statement, except for purposes of impeachment, unless the Party demonstrates good cause.~~ For purposes of this Rule, "good cause" means ~~that the relevant evidence that, in the exercise of reasonable diligence, or witness could not have been previously produced; or identified even with the exercise of reasonable diligence.~~ The Party requesting submission of such evidence ~~shall or witness will~~ file a written request prior to the Hearing, or if unable to do so in the exercise of reasonable diligence, ~~shall will~~ make an oral request at the ~~HaringHearing~~. The request ~~shall will~~ state the reason the evidence ~~or witness~~ was not timely produced ~~or identified~~. After providing a reasonable opportunity for each adverse Party to be heard, the Hearing Officer ~~shall will~~ rule on such a request. If the evidence is allowed to be admitted into evidence, ~~or the witness is allowed to testify,~~ the Parties ~~shall will~~ have the right to a continuance to engage in further discovery, obtain rebuttal medical evidence, or depose or cross-examine the Medical Witness in order to comply with Rule 10.C. In no event, will good cause permit admission of medical reports or other documentary evidence relating to a new medical condition covered by Rule 3.E.

J. Each Party will have the right to submit a closing oral argument at the conclusion of the Hearing.

K. Use of Interpreter Services.

1. If an Applicant or a witness does not speak or understand English sufficiently to participate in the proceedings or provide testimony, an interpreter certified to provide interpretation services in administrative hearings ~~shall will~~ be provided to that Applicant or witness at OCERS's expense. Notice that an Applicant or witness requires interpreting services ~~shall will~~ be given to OCERS at the Pre-Hearing ~~Scheduling~~ Conference or be included in the Party's Pre-Hearing Statement. If a Party fails to provide such notice, then the witness may not be called unless good cause is shown, as set forth Rule 10.I.
2. All interpreters must be certified to provide interpreting services in administrative hearings pursuant to Government Code Section 11435.30. The interpreter ~~may must~~ not have had any involvement in the issues of the case prior to the Administrative Hearing.
3. If an Applicant objects to the interpreter provided by OCERS, the Applicant may supply ~~her/her~~their own interpreter, provided that the interpreter is certified under Government Code Section 11435.30. However, time for an Applicant to find and hire an interpreter ~~shall will~~ not be considered good cause to continue the Hearing. OCERS will pay the chosen interpreter the same amount OCERS would have paid an interpreter hired directly by OCERS. The Applicant shall will be responsible for any amounts charged by the interpreter that are over the amount



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OCERS would have paid to an interpreter hired directly by OCERS. Fee disputes between the interpreter and the Applicant ~~shall~~will not be resolved in this forum, and the Hearing Officer ~~shall~~will not have authority to resolve any fee disputes between interpreters and the Parties.

**Rule 11. ~~Rule 12.~~ Resolution of Disputes about Depositions and Conduct of Hearings**

The Hearing Officer ~~shall~~will resolve disputes about depositions and the conduct of the Hearing. A request for resolution of a dispute ~~shall~~may be made ~~in person~~verbally at a Pre-Hearing ~~Scheduling~~ Conference, at the Hearing, or ~~may be by written motion~~ filed ~~and may be supported by declarations, a memorandum of points and authorities and a proposed resolution.~~ The adverse Party shall file its response within (10) days. ~~Declarations, a copy of the deposition or with the Clerk at any time prior to the Hearing transcript, a memorandum of points and authorities and a proposed resolution may also accompany the response.~~ The Hearing Officer ~~may convene a conference (in person or by telephone) to hear the dispute and shall file its resolution of the dispute within thirty (30) days., in the exercise of sound discretion, may permit written argument or briefs.~~

**Rule 13. ~~Rule 12.~~ Closing Arguments**Briefs

- A. Each Party ~~shall~~will have the right to submit a written closing brief. ~~oral or written argument. A waiver of argument at the Administrative Hearing shall not constitute a waiver of argument before the Board.~~ Unless the ~~parties~~Parties waive closing briefs, the ~~parties shall~~Parties will adhere to the following schedule for filing ~~written~~ closing briefs:
  1. ~~Petitioner's~~The Applicant's closing brief ~~shall~~will be filed within thirty days (30) of the date the transcript of the Hearing is ~~filed~~lodged with the Clerk.
  2. Respondents' closing briefs ~~shall~~will be filed within ~~sixty (60)~~thirty days (30) days of the date the ~~transcript of~~Clerk serves the Applicant's closing brief on the ~~Hearing is filed~~other Parties.
  3. ~~Petitioner's~~Applicant's reply brief ~~shall~~will be filed within fifteen (15) days of the date that the Clerk serves Respondents' closing briefs ~~are filed~~on the Applicant.
- B. Each ~~party's~~Party's closing brief may be supported by facts in the record and citation to law. The ~~Petitioner's~~Applicant's and Respondents' closing ~~brief shall~~briefs may not exceed fifteen (15) pages and the reply brief ~~shall~~may not exceed ten (10) pages, unless the Hearing Officer, in the proper exercise of ~~his/her~~ discretion, determines at the Hearing that a longer limit is appropriate under the circumstances. ~~The Hearing Officer may reject briefs exceeding the foregoing limits.~~

**Rule 14. ~~Rule 13.~~ Hearing Officer's Findings of Fact and Recommended Decision**

- A. **Time for Filing.** The Hearing Officer ~~shall~~will file ~~his/her~~the Proposed Findings of Fact and Recommended Decision with the Clerk within sixty (60) days of the date that the



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~~Petitioner's~~Applicant's reply brief is due or, if the Parties waived closing briefs, within sixty (60) days of the date the transcript of the Hearing is ~~filed due (i.e., within 30 days of the final Hearing Date) or actually lodged (if earlier than 30 days after the final Hearing Date).~~

**B. Content of Proposed Findings of Fact and Recommended Decision.** The Hearing Officer's Proposed Findings of Fact and Recommended Decision ~~shall~~will include a summary of the following: (1) issues raised by the parties; (2) the testimony; (3) all other evidence received by the Hearing Officer; (4) a factual discussion of matters on which the Hearing Officer relied; (5) conclusions of law with citations to legal authority; and (6) recommended ~~action~~decision. The summary of the testimony, plus all other evidence received, ~~shall~~will be sufficient to satisfy the requirements of Government Code Section 31534(b).

**A. Objections/Requests for Clarification.** ~~Within twenty (20) days from the date that the Hearing Officer files the Proposed Findings of Fact and Recommended Decision with the Clerk, any Party may file with the Clerk objections or written requests for clarification to the Hearing Officer's Proposed Findings of Fact and Recommended Decision. The Clerk shall refer will serve such objections or written requests for clarification on the Hearing Officer as well as the other Parties. The other Parties will then have twenty (20) days after service to the Board for its consideration the Hearing Officer's file a response with the Clerk. Within thirty (30) days after the later of: (a) the date that Hearing Officer receives the objections or requests for clarification or (b) an adverse party's response to such objections or requests for clarification, the Hearing Officer will:~~

~~A. Affirm the Proposed Findings of Fact and Recommended Decision and any related objections.~~

~~B. The Clerk shall provide written notice to the Parties and the Hearing Officer of the time and date of the regular meeting where the matter will be placed on the Board's agenda for action. The Parties will have the opportunity to be heard at the Board meeting subject to appropriate time limitations.~~

~~C. After reviewing the foregoing documents, pursuant to Government Code Section 31534, the Board may:~~

~~1. Approve and adopt the proposed findings, conclusions, and the recommendations of the Hearing Officer; as originally submitted without change, or~~

~~2. Require a transcript or summary of all testimony, plus all other evidence received by the Hearing Officer. On receipt thereof, the Board shall take such action as in its opinion is indicated by such evidence; or~~

~~3. Refer the matter back with or without instructions to the Hearing Officer for further proceedings; or~~

~~4. Set the matter for hearing before itself. At Make such hearing, the Board shall hear and decide the matter de novo.~~



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~~D.2. The Hearing Officer's changes to the Proposed Findings of Fact and Recommended Decision shall be sufficient to satisfy the requirements of Government Code Section 31534(b) and Rule 14.C.2. In any case where the Board makes a decision based on a transcript or summary of all testimony, plus other evidence received by the Hearing Officer, or where the Board sets the matter for Hearing before itself, the Board may approve and adopt the Proposed Findings of Fact and Recommended Decision of the Hearing Officer; otherwise, the Board shall prepare its Findings of Fact and Decision, either itself or through direction to staff with its approval, as the Hearing Officer deems appropriate in light of the evidence, the objections or requests for clarification submitted by the Parties, and the responses thereto.~~

~~E. Upon action by the Board, the decision will be final for all purposes. There shall be no requirement for a further written decision from the Board or opportunity for the Board to reconsider its decision. Any party aggrieved by the Board's decision may petition the Superior Court for judicial review as provided by law. The time for any party to seek judicial review shall be governed by the California Code of Civil Procedure Section 1094.6.~~

The objections and/or requests for clarification and the response thereto and the Hearing Officer's final Proposed Findings of Fact and Recommended Decision following any objections, will be added to the Administrative Record and submitted for consideration by the Board.

**Rule 15. Alteration of Time Requirements Continuances and Relief from Orders**

~~A. The Hearing Officer~~The deadlines and timelines established in these Rules are for the purpose of expediting the Hearing process as quickly as reasonably possible in order to give certainty to the Applicant in the retirement process. Therefore, delays, continuances, or relief should be granted for documented good cause (as defined hereafter) and any delay should be the absolute shortest necessary under the circumstances. If the Hearing Officer believes the request is primarily for the purpose of delay or caused by inattention or lack of preparation of a Party, the request should be denied.

~~A.B. Upon the request of a Party, the Hearing Officer~~ may amend or continue the time periods set forth in these rules, but only for good cause shown by the Party seeking the delay.

~~B.C. Good cause for continuing a time period set forth in these Rules or established by the Hearing Officer shall~~ purposes of this Rule will be only for the following reasons:

- ~~1. the~~The discovery of relevant evidence that, in the exercise of reasonable diligence, could not have been previously produced; (in which case there will only be one continuance permitted for each request);
- ~~2. the~~The need to engage in further discovery, obtain rebuttal medical evidence, or depose or cross-examine a Medical Witness; (in which case there will only be one continuance permitted for each request), as set forth under Rule 10.I; or



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3. ~~the~~The illness or disability of ~~an~~the Applicant, witness, attorney, or the Hearing Officer which was unknown to the person at the time of the Pre-Hearing ~~Scheduling~~Conference (or other time at which the deadline was set) which makes it impossible for the person to participate in the Administrative Hearing process. Relief in these instances ~~shall~~will be granted only if the person raises the request as soon as practicable, ~~and the~~. The Hearing Officer ~~shall~~will consider a failure to timely seek relief a waiver by the person.

~~C.~~ Any ~~if~~ a continuance granted under this Rule shall be for as short a period as necessary ~~is sought due to allow the person to participate in the process.~~

~~1-D.~~ If an illness or disability ~~affects~~affecting an attorney who will not be able to participate in the process within a reasonably short period of time, then the continuance ~~shall only~~will be for ~~such time as is necessary~~ a maximum of sixty (60) days to secure substitute counsel, ~~and the Clerk will schedule a Pre-Hearing Conference pursuant to Rule 7.~~

~~2-E.~~ If ~~the~~a continuance is sought due to an illness or disability ~~affects~~affecting the Hearing Officer, and the Hearing Officer cannot proceed within the time period set forth in Rule ~~16~~17, below, the Hearing Officer ~~shall recuse him/herself~~will be recused and ~~the Clerk will appoint~~ a new Hearing Officer ~~shall be appointed~~pursuant to Rule 4 and schedule a new Pre-Hearing Conference pursuant to Rule 7.

~~D-F.~~ If good cause ~~exists~~is found to exist to reschedule a Hearing, the Hearing Officer ~~may~~will order that the Clerk schedule a Pre-Hearing ~~Scheduling~~Conference ~~in no more than seven (7) days from the date of the Hearing Officer's order to re-set~~and the Hearing Date ~~will be reset no more than ninety (90) days from the date of the Pre-Hearing Conference.~~

~~E-G.~~ Until such time as the matter has been referred to the Board, the Hearing Officer may, upon any terms as may be just, relieve a party ~~or his/her legal representative~~ from an order, or other action taken against ~~him/her~~that Party through ~~his/her~~ mistake, inadvertence, surprise, or excusable neglect; ~~on the part of the Party.~~ Application for this relief ~~shall~~will be made within a reasonable time ~~and once.~~ Once the matter has been placed on the Board agenda, the Hearing Officer ~~shall~~will no longer have jurisdiction.

**Rule 16. Hearing and Action by the Board**

A. The Clerk will refer to the Board for its consideration the Hearing Officer's Proposed Findings of Fact and Recommended Decision as well as any related objections/requests for clarification, responses thereto, and the Hearing Officer's final Proposed Findings of Fact and Recommended Decision following any objections.

B. The Clerk will place the matter on the agenda of a regular meeting of the Board which will be no later than two (2) calendar months after the later of the date the Clerk receives the Hearing Officer's Proposed Findings of Fact and Recommended Decision; or the date the Clerk receives the



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Hearing Officer's final Proposed Findings of Fact and Recommended Decision following any objections or requests for clarification from the Parties.

- C. The Clerk will provide written notice to the Parties and the Hearing Officer of the time and date of the regular meeting where the matter will be placed on the Board's agenda for action. The Parties will have the opportunity to be heard at the Board meeting subject to appropriate time limitations as set out in the OCERS By-laws.
- D. Pursuant to Government Code Section 31534, after reviewing the Hearing Officer's Proposed Findings of Fact and Recommended Decision and any related objections/requests for clarification, the Board may:
  - 1. Approve and adopt the Proposed Findings of Fact and Recommended Decision of the Hearing Officer; or
  - 2. Require a transcript or summary of all testimony, plus all other evidence received by the Hearing Officer; and upon receipt thereof, take such action as the Board in its opinion is indicated by such evidence; or
  - 3. Refer the matter back with or without instructions to the Hearing Officer for further proceedings; or
  - 4. Set the matter for hearing before itself. At such hearing, the Board will hear and decide the matter.
- E. The Hearing Officer's Proposed Findings of Fact and Recommended Decision (and responses to objections/requests for clarification) will be sufficient to satisfy the requirements of Government Code Section 31534(b) and Rule 15.D.2, above.
- F. In any case where the Board makes a decision under Rule 15.D.2 or 15.D.3, above, the Board may approve and adopt the Proposed Findings of Fact and Recommended Decision of the Hearing Officer or prepare its own Findings of Fact and Decision, either itself or through direction to Staff with its approval.
- G. Upon action by the Board, the decision will be final for all purposes. There will be no requirement for a further written decision from the Board or opportunity for the Board to reconsider its decision. Any Party aggrieved by the Board's decision may petition the Superior Court for judicial review as provided by law. The time for any party to seek judicial review will be governed by the California Code of Civil Procedure Section 1094.6. The Clerk will notify the Applicant (and attorney), and the Employer by email of the Board's final action. Notice will be effective when the email is sent.



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**Rule 17. Dismissal for Failure to Pursue the Administrative Review and**  
**Hearing**

Except as otherwise provided, if as a result of an Applicant’s failure to pursue ~~his/her~~the case or to comply with any of these Rules, ~~the Applicant’s Request for Administrative Hearing (or Board referral)~~a Hearing is not ~~heard~~conducted within one year after the ~~Applicant files~~filing of a Request for Administrative Hearing (or the Board’s referral of a case to a Hearing Officer), the Hearing Officer ~~shall~~will dismiss the ~~Administrative~~ Hearing and the matter ~~shall~~will proceed as if no Request for Administrative Review or Hearing had been filed in accordance with Section 5 of the Policy.

**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, Secretary of the Board~~

\_\_\_\_\_

~~Date~~



## **OCERS Board Policy Administrative Review and Hearing Policy (Disability and Non-Disability Benefits)**

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### **1. Intent**

The Board of Retirement (“Board”) of the Orange County Employees Retirement System (“OCERS”) intends that this Administrative Review and Hearing Policy (“Policy”) will apply to and govern OCERS’ Administrative Review and Administrative Hearing processes for Disability Determinations, Benefit Determinations and other final administrative orders or decisions of the Board. Any person who is entitled to a hearing and who does not request one under this Policy will be deemed to have waived the right to a hearing.

Nothing in this Policy will be deemed an acknowledgement by OCERS that any procedure set forth herein, including an administrative hearing, is required by law. The Board retains the right to amend this Policy or vary the process set forth in this Policy in any manner consistent with the law.

### **2. Definitions**

The following terms will have the meanings set forth below.

**Administrative Hearing; Hearing:** The proceedings before a Hearing Officer or the Board on the merits of a particular Request for Administrative Hearing and related Application.

**Administrative Record:** The documents and other records relied upon by Staff or a fact-finding body in an Administrative Review or Hearing conducted pursuant to this Policy, including any documents submitted on behalf of an Applicant, documents prepared by OCERS or by independent sources that are received by OCERS, any transcripts or recordings of testimony, or any other documents relevant to an Application.

For purposes of any proceeding following an Administrative Review or Hearing, the Administrative Record also includes written correspondence, Party Pre-Hearing Statements, the Hearing Officer’s Proposed Findings of Fact and Recommended Decision, Party objections, hearing transcripts, and other documents relevant to an Application.

**Administrative Review:** The process described in this Policy (including the Rules) by which a Party may seek an administrative review of a Benefit Determination, CEO Determination or Disability Determination or any other final administrative order or decision of the Board.

**Applicant; Member:** A member of OCERS, or a person or other entity on behalf of a member of OCERS (including but not limited to the member’s surviving spouse), or any person who claims an interest in the pension or allowance of an OCERS member who files an Application or who seeks Administrative Review of a Benefit Determination.

**Application:** The submittal, including any amendments thereto, filed with OCERS by or on behalf of an Applicant for either: (i) a disability retirement; or (ii) a service retirement.

**Benefit Determination:** A determination made by Staff in connection with (i) a service retirement Application; (ii) a disability retirement Application with the exception of a Disability Determination; or (iii) an Applicant’s benefit (e.g., calculation of the amount of the benefit, benefit effective date, reciprocity determinations).

**CEO Determination:** A Benefit Determination made by the CEO or the CEO’s designee.



## **OCERS Board Policy Administrative Review and Hearing Policy (Disability and Non-Disability Benefits)**

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**Clerk, Clerk to the Hearing Officers.** A person or persons designated by the OCERS General Counsel or their designee to fulfill the duties of providing administrative assistance to the Hearing Officers appointed by OCERS.

**Consolidation/Consolidated Review or Hearings.** Where two or more Requests for Administrative Review or Hearing that have common issues of fact or law are consolidated for Administrative Review or Hearing pursuant to Section 8 of this Policy or Rule 7 of the Rules.

**Days:** All days are calendar days, unless otherwise provided herein.

**Disability Committee, Committee:** A committee of the Board, chartered by the Board to review Applications for disability retirement and make recommendations to the Board with respect to Disability Determinations.

**Disability Determination:** The action taken by the Board in response to a disability retirement Application pursuant to Government Code Section 31724, limited to the following findings: (1) whether the Applicant is permanently incapacitated for performance of their duties in the service; (2) whether the disability was service-connected; and (3) the effective date of the disability retirement. Any other determinations affecting a disability retirement Application, including, but not limited to, timeliness of the Application, ineligibility due to termination for cause, and applicability of a disability offset, are Benefit Determinations pursuant to this Policy and subject to a CEO Determination.

**Employer:** The public agency who employed the OCERS member whose benefits are at issue in any given matter. The Employer is a Party to an Administrative Review but does not need to participate in an Administrative Review or Hearing. If the Employer initiates an Administrative Review or Hearing, it will act in the role of the Applicant with the corresponding burden of proof.

**Expedited Administrative Hearing:** An alternative administrative Hearing process, set forth in Rule 6 of the Rules.

**Hearing Officer:** A referee appointed pursuant to Government Code section 31533 who is either a member of the State Bar selected under the OCERS Hearing Officer Selection and Retention Policy, or a member of the Board.

**Medical Witness:** A person who by profession is a physician, surgeon, psychologist, optometrist, dentist or podiatrist licensed by the State of California or by such other jurisdiction of the United States in which such person maintains a regular practice in good standing.

**Party or Parties:** OCERS, an Applicant who seeks an Administrative Review or Hearing under this Policy, the Employer, and any other person who may be affected by the Board's decision and who participates in the Administrative Review or Hearing.

**Pre-Hearing Statements:** Statements filed by the Parties pursuant to Rule 9 of the Rules.

**Proposed Findings of Fact and Recommended Decision:** The recommendation of the Hearing Officer to the Board, as set forth in Rule 14 of the Rules.

**Request for Administrative Review or Request for Administrative Hearing:** The document filed by the Applicant (or in limited cases, the Employer) to seek a review of a decision of the Committee or Staff and initiate the Administrative Review or Administrative Hearing process. Where the Applicant requests a



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### **Administrative Review and Hearing Policy (Disability and Non-Disability Benefits)**

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Hearing or the Board refers the matter to a Hearing, the document will be referred to as a Request for Administrative Hearing. Where the Applicant seeks review of a Benefit Determination or CEO Determination, the document will be referred to as a Request for Administrative Review.

**Respondent:** OCERS will always be the primary Respondent. The Employer may, but is not required to respond to the request for Administrative Review or Hearing. Where the Employer initiates a review or hearing, the Applicant may join as a Respondent.

**Rules:** The "Orange County Employees Retirement System Administrative Rules," attached as an appendix to and made part of this Policy.

**Staff:** OCERS staff members other than the CEO and the CEO's designee.

### **3. Disability Determination Process**

For Disability Determinations:

- A. Staff will investigate all disability retirement Applications to determine (i) whether the Applicant is permanently incapacitated from the performance of their usual duties; (ii) whether the incapacity arose out of and in the course of employment, and (iii) the appropriate effective date of any disability retirement allowance. In undertaking this investigation, Staff will have the discretion, based on Staff's review of the Application (including the Applicant's treating physicians' medical reports) to determine whether or not to seek further medical examination of the Applicant, expert medical advice, or expert review of Applicant's medical records. Upon completion of the investigation, Staff will make a recommendation to the Committee regarding permanent incapacity, service connection, and effective date.
- B. The Committee will review the disability retirement Application and the Staff recommendation under subsection A, above, at a duly-noticed meeting of the Committee. Staff will give Applicant (and the Applicant's attorney, if any) and the Employer notice of the date and time of the Committee meeting at which they will have the opportunity to be heard by the Committee.
- C. After the Committee reviews the disability retirement Application, the Committee will determine whether to recommend that the Board grant or deny the Application, in full or in part. Staff will notify the Applicant (and Applicant's attorney), and the Employer by email of the Committee's recommendation. They will also be provided with instructions on how to request an Administrative Hearing to challenge any part of the Committee's recommendation. Notice will be effective when the email is sent.
- D. In the event the Committee recommends that the Application be denied in full or in part, the Applicant will have 90 days from the date of the notice required by 3.C., above, to file a Request for Administrative Hearing with the Clerk, as set forth in the Rules. In the event the Committee recommends the Application be granted in full, any other Party including the Employer aggrieved by the recommendation will have ten days from the date of the notice required by 3.C., above, to file a written Request for Administrative Hearing as set forth in the Rules.
- E. Where the Committee recommends (i) a grant of a non-service connected disability retirement, but denial of a service-connected disability retirement; or (ii) a grant of a either a service-connected or



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### Administrative Review and Hearing Policy (Disability and Non-Disability Benefits)

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non-service connected disability retirement and the Applicant disputes the Committee's recommendation regarding the effective date of disability, the Applicant may request a Hearing on the denial of a service-connected disability or the effective date of disability. In such cases, the issues not disputed will not be at issue in the Hearing. Staff will forward those non-disputed issues to the Board for final action.

- F. If no Request for Administrative Hearing is filed within the time limit set forth in 3.D., above, the Committee's recommendation will be placed on the consent agenda at the next regularly scheduled meeting of the Board for action in accordance with Section 5, below.

#### 4. Benefit Determination Review Process

For Benefit Determinations:

- A. Staff will notify the Member of the Benefit Determination, and the Member may request a CEO Determination within 90 days of the date of the notice of the Benefit Determination. The CEO Determination will be in the form of a written review completed and returned to the Member within 90 days of receipt of the request for a CEO Determination, and will include a synopsis of the Member's request and citation to any authority relied upon by the CEO in making the CEO Determination. In addition, the written review will include instructions regarding how the Member may request review of the CEO Determination by the Board.
- B. The Member will have 90 days from the date of the notice of the CEO Determination provided in 4.A., above, to file a Request for Administrative Review. If no timely Request for Administrative Review is filed, the CEO Determination will be final.

#### 5. Board Action on Disability Determination Upon Recommendation from the Disability Committee

- A. Consent Agenda.** When there has been no timely Request for an Administrative Hearing of the Disability Committee's recommendation under Section 3, above, the Board will consider the Committee's recommendation on the Board's consent agenda.
- B. Removing Items from Consent Agenda/Action.** Any member of the Board may remove an item from the consent agenda to be discussed and voted on separately. If any Board member removes a Disability Determination from the consent agenda, the item will be considered by the Board in closed session as set forth in Section 7, below.
- C. Action on Recommendations from the Disability Committee.** After consideration by the Board, the Board will either (i) adopt the recommendation of the Disability Committee; or (ii) refer the matter to a Hearing Officer for a Hearing (unless a Hearing is waived by the Applicant, in which case the Committee recommendation will be adopted).

#### 6. Board Action on Disability Determinations After Hearing.

Following an administrative Hearing and the Board's receipt of the Hearing Officer's Proposed Findings of



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Fact and Recommended Decision, the Board will consider the matter at a duly-noticed meeting of the Board and take action in accordance with Rule 16 of the Rules.

### **7. Closed Sessions for Disability Determinations**

Except for matters on the Disability Committee's or Board's consent agenda, the Disability Committee or Board will adjourn to a closed session, pursuant to Cal. Gov't Code § 54957(b), to discuss a recommended Disability Determination in connection with an Application for disability retirement, or a Hearing Officer's Proposed Findings of Fact and Recommended Decision in connection with a Disability Determination, unless the Applicant requests the matter be heard in open session.

- A. Closed Session With the Parties Present.** The Committee or the Board will conduct any discussion of an Application, including instances where the Board convenes and conducts its own Hearing, in closed session. Attendance at the closed session will be limited to 1) the Applicant; 2) counsel for the Applicant as well as any individual deemed by the Board Chair to be essential to the Applicant in the matter; 3) any OCERS disability Staff members and/or attorneys acting as advocates for the Staff recommendation or Committee recommendation; 4) Staff necessary to facilitate the Hearing (including the Clerk of the Board and IT Staff to provide technical support); 5) the CEO; 6) the OCERS General Counsel (or their designee); and 7) outside counsel to the Board. Additionally, in the event the Board conducts its own hearing, witnesses called to present testimony may be permitted to attend the closed session to do so.
  
- B. Closed Session Without Parties.** Before or after the Committee's or Board's consideration of a matter in a closed session under A, above, the Committee or the Board may adjourn to a closed session with only the CEO and the OCERS General Counsel (or their designee) to provide legal advice to the Committee or the Board in connection with the merits of the case and the Board's legal obligations.

### **8. Board Action on CEO Determination.**

- A. Board Review of CEO Determinations.** In the case of a timely Request for Administrative Review of a CEO Determination, the Board will consider the matter at a duly noticed regular meeting of the Board. Staff will make a recommendation to the Board regarding the issues raised in the CEO Determination and the Applicant (or the Applicant's attorney) will have the opportunity to be heard.
  
- B. Board's Options.** At the meeting, the Board may choose to hear and conduct the review at that meeting, continue it to a later meeting, or refer the matter to a Hearing Officer for a Hearing to be conducted pursuant to the Rules. If the Board chooses to hear and determine the matter, the Board's decision will be final. If the Board chooses to refer the matter to a Hearing, the Board will identify the factual and legal issues to be considered by the Hearing Officer.

In determining whether to hear and determine the matter or refer the matter to a Hearing Officer, the Board will consider all relevant factors, including, but not limited to, the following:

- i. whether the disputed issues are legal, not factual, in nature;



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- ii. relevant judicial authority on the disputed legal issue(s);
- iii. whether the Board and/or a Hearing Officer has previously ruled on substantively similar issue(s);
- iv. whether the Applicant is represented by an attorney;
- v. the efficient use of OCERS resources; and
- vi. the interests of the Applicant in receiving a timely decision.

C. **Consolidation of Reviews.** When review by the Board of two or more CEO Determinations involves common questions of law or fact, the Board may order a Consolidated Review or Consolidated Hearing of the matters. Consolidation may be ordered for limited purposes or for all purposes.

In determining whether to order a Consolidation of the CEO Determinations, the Board will consider all relevant factors, including, but not limited to, the following:

- i. the complexity of the issues involved;
- ii. the potential prejudice to any party, including whether a Consolidation would result in undue delay;
- iii. the avoidance of duplicate or inconsistent orders; and
- iv. the efficient utilization of OCERS resources.

### 9. Board Action on CEO Determination After a Hearing.

In the case of a CEO Determination referred by the Board to a Hearing, the Board will consider the Hearing Officer’s Proposed Findings of Fact and Recommended Decision at a duly-noticed meeting of the Board in accordance with Rule 16 of the Rules. The Board may adopt the Hearing Officer’s recommendations or make its own determination based on the Administrative Record and the Board’s decision will be final.

### 10. Policy Review

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

### 11. Policy History

This Policy was adopted by the Board of Retirement on February 19, 2002. It was amended most recently on August 17, 2020.

### 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 Secretary of the Board	Date
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**Appendix - Administrative Rules**

***Rule 1. Definitions***

All capitalized terms contained within these Rules will have the meaning set forth in Section 2 of the OCERS Administrative Review and Hearing Policy.

***Rule 2. Filing of Documents***

**A. Administrative Review and Hearing Filing Procedures**

1. The "Administrative Hearing Filing Procedures" sets forth the procedures by which the Parties and Hearing Officer will file documents, the Clerk will accept filing of documents, and the Clerk will serve documents on the Parties and the Hearing Officer.
2. The Administrative Hearing Filing Procedures may include forms that the Parties are permitted or required to use in connection with a Hearing.
3. The Clerk will provide the Applicant with a copy of the Administrative Hearing Filing Procedures upon the filing of a Request for Administrative Hearing.

**B. Filing of Documents**

1. All documents required or permitted to be filed by any Party in connection with a Hearing will be filed with the Clerk.
2. Filing of documents will be done electronically in conformance with the Administrative Hearing Filing Procedures, except that an Applicant (and only the Applicant) may opt to file documents in person, by US Mail or electronically. Applicants that opt for filing documents by US Mail, must inform the Clerk of this in writing. The Clerk will then inform all other Parties and the Hearing Officer that the Applicant has opted to file documents by US Mail.
  - i. Documents filed in person will be deemed filed on the day received by OCERS.
  - ii. Documents filed by US Mail will be deemed filed on the date post-marked on the envelope containing the documents.
  - iii. Documents filed electronically will be deemed filed on the date electronically received by the Clerk.

**C. Service of Documents**

1. The Clerk will serve on all Parties and the Hearing Officer any documents filed by a Party or the Hearing Officer within one (1) business day of receipt of the documents by the Clerk.
2. Service by the Clerk will be electronic, in conformance with the Administrative Hearing Filing Procedures, except where the Applicant has opted to file by US Mail pursuant to B.2., above, in which case the Clerk will serve documents on the Applicant by US Mail. In that case, the Applicant will be deemed to have received service three (3) days after the date the Clerk deposits the document in the US Mail. Electronic service will be deemed served upon electronic transmission by the Clerk.



## OCERS Board Policy Administrative Review and Hearing Policy (Disability and Non-Disability Benefits)

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### *Rule 3. Administrative Hearing Request, Scope, and Settlement*

- A. **Request for Administrative Hearing.** A written Request for Administrative Hearing must be filed with the Clerk within the time frame set forth in Sections 3 and 4 of the Policy. The Request should include a short and plain statement of the grounds for the request.
- B. **Referral from the Board.** In the event the Board refers a matter to a Hearing Officer for a Hearing (pursuant to Sections 5.C. or 8 of the Policy), the referral from the Board will be considered the Request for Administrative Hearing, but for all procedural purposes under these Rules, the request will be deemed to have been filed by the Applicant.
- C. **Permitted Representatives, Attorneys.** Any Party is entitled, at the Party's expense, to be represented by an attorney at any stage of the proceedings. Such attorney must be a current, active member of the California State Bar in good standing. A Party must file with the Clerk a written notice of the hiring, changing, or dismissal of an attorney. Absent such written designation, OCERS is not obligated to recognize any attorney or other individual claiming to represent a Party.
- D. **Burden of Proof.** The Applicant will have the burden of proof by a preponderance of the evidence to establish the right to the benefit sought. Where the Employer filed the Request for Administrative Hearing under Section 3.D. of the Policy, the Employer will have the burden of proof by a preponderance of the evidence to demonstrate that the Committee's recommendation should be overturned, and the Employer will be bound by all of the procedural rules applicable to the Applicant under these Rules.
- E. **Scope of Hearing.**
  - 1. The Hearing on a Disability Determination will only address the issues of permanent incapacity, service connection, and effective date. All other issues related to a disability retirement Application are subject to the Benefit Determination process under Sections 4 or 8 of the Policy.
  - 2. In accordance with Section 8 of the Policy, the Hearing on a CEO Determination will only address the factual and legal issues that are identified by the Board for consideration by the Hearing Officer.
  - 3. Except as set forth in these Rules, the Hearing Officer will not make a finding or recommendation on any issue that was not raised in the Applicant's Request for Administrative Hearing or included in the Board's referral of the matter to a Hearing. Likewise, the Hearing Officer will not consider any evidence or make a finding or recommendation on any medical condition not included in the disability retirement Application or that was not previously evaluated by Staff, except as provided in subsection 4, below.
  - 4. If at any time during the Hearing process the Applicant either (i) alleges an injury or disease not listed in the disability retirement Application or (ii) raises an issue that was not previously presented to the Committee, the Hearing process will be suspended by the Hearing Officer and the Application will be treated as an amended Application. The amended Application will be referred back to Staff to be processed. If the Committee subsequently recommends a denial of



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the amended Application, the matter will be returned to the Hearing Officer who will consider all the medical conditions (those raised in the Application and the amended Application). A new Hearing Date, Pre-Hearing Conference and deadlines for Pre-Hearing Statements will be set in accordance with Rule 8.

- F. **Settlement.** If at any time during the Hearing process it becomes apparent to Staff that a different result is appropriate, Staff may suspend the Hearing and refer a settlement to the Board. If the Board approves a settlement with the Applicant, the Hearing will be dismissed.

### *Rule 4. Assignment of Hearing Officers*

- A. **Assignment of Hearing Officer.** Hearing Officers are selected and placed on the panel pursuant to OCERS' Hearing Officer Selection and Retention Policy. As matters are referred to a Hearing, the Clerk will assign the Hearing Officer on a rotational basis, while ensuring that, to the extent possible, each Hearing Officer on the panel is assigned an equal number of cases. Within fourteen (14) days after the Applicant files a Request for Administrative Hearing, the Clerk will serve notice to all Parties, including the Hearing Officer, indicating the name and address of the Hearing Officer to whom the matter is assigned, which notice will include information regarding the ability to challenge a Hearing Officer as set forth below.
- B. **Challenge/Removal of Hearing Officer.** A Party may object to a Hearing Officer in accordance with the following procedures.
  - 1. **Peremptory Challenge:** Any Party other than OCERS is entitled to one peremptory (without cause) challenge to the assignment of the Hearing Officer. The challenge must be filed with the Clerk within fourteen (14) days of the date of the notice assigning the Hearing Officer. If the Applicant opts for service by US Mail, the time period for filing a challenge will be extended by three (3) days. In the event of a peremptory challenge, the Clerk will re-assign the case to another Hearing Officer selected in the same manner as the first Hearing Officer. In the event no challenge is made to a proposed Hearing Officer, or after the exhaustion of all challenges, the Clerk will notify the Parties that the matter will proceed with the assigned Hearing Officer.
  - 2. **Removal for Cause:** Any Party, including OCERS, may challenge a Hearing Officer for cause by filing a request at any time, with supporting declarations made under penalty of perjury and any other evidence upon which the Party is relying. Any opposing Party will have fourteen (14) days from the Clerk's service of the challenge for cause on all Parties to file a response to the request to remove for cause. The Clerk will then randomly assign the removal request to another Hearing Officer, who will consider all evidence and arguments for and against removal of the Hearing Officer and file a ruling with the Clerk within thirty (30) days from assignment. Cause for removal will be limited to demonstrated bias against a Party or counsel based on a personal or financial relationship (other than the Hearing Officer's contract with OCERS) that would cause a reasonable person to doubt the Hearing Officer's ability to render an impartial decision. If the request for removal is granted, the Clerk will re-assign the case to another Hearing Officer (other than the Hearing Officer who heard the challenge) in the same fashion as selection of the first Hearing Officer.



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3. **Removal Due to Unforeseen Circumstances:** If the service of a Hearing Officer is discontinued due to unforeseen circumstances, such as death, illness, or termination with or without cause, the Parties other than OCERS are entitled to a peremptory challenge to the new Hearing Officer in accordance with subsection B.1 of this Rule.
  4. **Assignment After Removal Due to Unforeseen Circumstances:** If the service of a Hearing Officer is discontinued due to unforeseen circumstances, such as death, illness, or termination with or without cause, any hearing date will be vacated and the Clerk will assign a new Hearing Officer pursuant to Rule 4.A above and schedule a new Pre-Hearing Conference pursuant to Rule 7, below.
- C. **Recusal of Hearing Officer.** If at any time the Hearing Officer determines that there is cause for their recusal, the Hearing Officer will immediately file with the Clerk a statement of recusal, and the Clerk will reassign the case pursuant to Rule 4.A.

### ***Rule 5. Preparation and Service of Administrative Record***

Within sixty (60) days of the filing of a Request for Administrative Hearing, the Clerk will assemble and serve on the Hearing Officer and each Party the initial Administrative Record. Except as provided in Rule 6, a Party may object to the admission of items into evidence or seek to admit additional information into evidence as set forth in these Rules, and the Hearing Officer will decide the admissibility of all evidence.

### ***Rule 6. Expedited Administrative Hearing***

- A. **Provisions for Expedited Administrative Hearing.** Expedited Administrative Hearing is an irrevocable waiver of the Applicant's right to the process described in Rules 7 through 12. The goal of the Expedited Administrative Hearing process is to complete the Hearing in less than six months. The Hearing Officer's Proposed Findings of Fact and Recommended Decision will be based only on the Administrative Record and written arguments without in-person testimony or argument.
- B. **Availability of Expedited Administrative Hearing.**
1. An Expedited Administrative Hearing is only available for those cases that OCERS General Counsel determines the process is appropriate.
  2. The determination as to whether Expedited Administrative Hearing is appropriate will be made in the sole discretion of the OCERS General Counsel, on a case-by-case basis. In doing so, the General Counsel will consider whether: there are any material facts in dispute; whether the introduction of testamentary evidence is likely to clarify the issues; whether there is controlling legal authority; and whether the Applicant's condition is such that time is of the essence in completing the Hearing process.
  3. In the event the General Counsel determines that a matter is appropriate for Expedited Administrative Hearing, the Clerk will notify the Applicant of this determination and the Applicant's right to accept or reject the Expedited Administrative Hearing along with a form in which to do so. The Applicant may file the acceptance or rejection any time prior to the Clerk's service of the Administrative Record on the Parties.



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- C. **Timeline.** The Expedited Administrative Hearing will be conducted according to the following timeline.
1. Within fourteen (14) days of the date the Clerk serves the Administrative Record in accordance with Rule 5, each party may lodge with the Clerk any additional written evidence that it seeks to rely on in addition to the Administrative Record.
  2. Within thirty (30) days of the date the Clerk serves the Administrative Record, the Applicant will file a Statement of Issues of not more than five (5) pages setting forth the Applicant's contentions.
  3. Within fourteen (14) days after the Clerk serves Appellant's Statement of Issues on Respondent, Respondent will file a Statement of Issues of not more than five (5) pages setting forth its contentions.
  4. Within sixty (60) days from the date Respondent files its Statement of Issues, the Hearing Officer will file the Proposed Findings of Fact and Recommended Decision in conformance with Rule 14. Notwithstanding the timeframes for objections set out in Rule 14C, objections will be filed within 10 days rather than 20 days, and responses thereto likewise will be filed within 10 days rather than 20 days.

### ***Rule 7. Consolidation of Hearings***

In addition to Consolidation by the Board of two or more cases pursuant to Section 8.C. of the Policy, cases may be Consolidated in accordance with this Rule 7, and this Rule 7 will apply to all such Consolidations.

- A. When two or more pending Requests for an Administrative Hearing involve common questions of law or fact, a Hearing Officer, upon request by OCERS or the Applicant, may order the Hearings Consolidated. Consolidation may be ordered for limited purposes or for all purposes.

In determining whether to order Consolidated Hearings, the Hearing Officer will consider all relevant factors, including but not limited to the following:

1. the complexity of the issues involved;
  2. the potential prejudice to any Party, including whether granting Consolidation would unduly delay the resolution of any of the matters involved;
  3. the avoidance of duplicate or inconsistent orders; and
  4. the efficient utilization of OCERS' resources.
- B. Any Party may file a request with the Clerk to Consolidate two or more pending Hearings irrespective of the procedural stages of the affected Hearings, which request will be served by the Clerk on all Parties and the Hearing Officers.
- C. In all cases, the request for Consolidation will be referred to the Hearing Officer first assigned to any of the Hearings. The Hearing Officer may decide the matter on written submittals, or may convene the Parties, either in-person or electronically, to hear further argument on the request for Consolidation. Failure to timely oppose Consolidation will constitute a waiver of objection to an order of Consolidation.



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- D. If the Hearing Officer orders the Consolidation, all affected Hearings will be transferred to that Hearing Officer.
- E. Upon Consolidation, all hearing dates will be vacated and the Clerk will schedule a new Pre-Hearing Conference for the Consolidated Hearings. Following the Hearing, the Hearing Officer will have the option of preparing separate Proposed Findings of Fact and Recommended Decisions for each matter that was Consolidated or a single Proposed Findings of Fact and Recommended Decision.
- F. Nothing contained herein will prohibit the Parties from stipulating to Consolidated Hearings. In the event a stipulation is reached, the Parties will file a written stipulation with Clerk, signed by all Parties. The Clerk will then assign the Consolidated Hearings to the first assigned Hearing Officer.

### ***Rule 8. Pre-Hearing Conference***

- A. The Clerk will schedule a Pre-Hearing Conference to be held within thirty (30) days of the service of the Administrative Record on the Parties. The Clerk will use best efforts to schedule the Pre-Hearing Conference at a time convenient to all Parties.
- B. The Pre-Hearing Conference will be held telephonically or electronically. The Clerk will arrange for a court reporter to transcribe the conference at OCERS' expense.
- C. At the Pre-Hearing Conference, the Hearing Officer will advise the Applicant (whether or not the Applicant has initiated the matter) of the following:
  - 1. The Applicant has the right to be represented by an attorney;
  - 2. Any financial or personal interest that the Hearing Officer has in the case, other than the Hearing Officer's contract with OCERS;
  - 3. The scope of the Hearing and the issues to be decided consistent with the constraints of Rule 3.E., above;
  - 4. The Hearing will be conducted as if the Disability Determination or CEO Determination had not taken place. This means the Hearing Officer will consider anew all of the evidence submitted and defenses asserted, without relying on the past findings of the Committee, the Board or the CEO;
  - 5. The Hearing Officer's purpose in the process is to find the facts relevant to the Applicant's request and provide an impartial recommendation to the Board;
  - 6. The Applicant has the burden of proof in establishing by a preponderance of the evidence the right to the benefit sought;
  - 7. The Applicant must identify witnesses and other evidence when filing the Pre-Hearing Statement, and that failure to include in the Pre-Hearing Statement the witnesses and other evidence they intend to rely on could mean that evidence will be excluded unless the Applicant shows that they could not have discovered the information earlier through the exercise of reasonable diligence;



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8. The timelines required under these Rules for filing documents and for the Hearing, and the consequences of a failure to meet those deadlines, including that the Applicant's case can be dismissed; and
  9. Upon the completion of the Hearing, the matter will be referred to the Board pursuant to these Rules. Upon action by the Board, the decision will be final for all purposes. There will be no requirement for a further written decision from the Board or opportunity for the Board to reconsider its decision. Any Party aggrieved by the Board's decision may petition the Superior Court for judicial review as provided by law. The time for any Party to seek judicial review will be governed by the California Code of Civil Procedure Section 1094.6.
- D. At the Pre-Hearing Conference, each Party will:
1. Make a good faith effort to identify the witnesses, both expert and non-expert, that it intends to call;
  2. Identify any witnesses it intends to call who cannot either speak or understand English to permit OCERS to arrange a translator for the witnesses in accordance with Rule 10.K.;
  3. Indicate whether it will require an opposing Party's Medical Witness to appear in person at the Hearing;
  4. Identify any witnesses the Party seeks to depose and, if possible, set mutually convenient dates for any depositions.
- E. No later than the Pre-Hearing Conference, OCERS, through its counsel, will identify any issues related to eligibility of the Applicant such as timeliness of the Application or ineligibility due to termination for cause, which, if correct would moot the Hearing. The Hearing Officer will give the other Parties an opportunity to respond, and may continue the Pre-Hearing Conference to do so. If the Hearing Officer finds in favor of OCERS on the issue of eligibility, the Hearing process will be suspended and the issue of eligibility will be referred to the Board in accordance with Section 8 of the Policy and handled as if it were a CEO Determination.
- F. At the Pre-Hearing Conference, the Hearing Officer will set the date for the Hearing.
1. The Hearing Officer will confer with the Parties to determine a mutually agreeable date for the Hearing ("Hearing Date"), as soon as reasonably practicable, but in all cases the first Hearing Date will be set no later than six (6) months after the date of the Pre-Hearing Conference.
  2. Each Party will provide a good faith estimate of the amount of time it anticipates the Hearing will last. As much as practicable, the Hearing will continue from day-to-day until complete, and the Hearing Officer will schedule all Hearing Dates to which the Hearing Officer anticipates the Hearing will be continued until complete.
- G. Within five (5) days of the Pre-Hearing Conference, the Clerk will issue a Scheduling Order, which will include the Hearing Date(s) and the dates that each Party's Pre-Hearing Statements are due.
- H. After the Pre-Hearing Conference, the Hearing Officer may continue the Hearing Date only upon a showing of good cause, as set forth in Rule 15 below.



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- I. If neither the Applicant nor the Employer, where the Employer has filed an Application on behalf of the Member (and is therefore also treated as an Applicant under these Rules), participates in the Pre-Hearing Conference, the Clerk will file and serve on all Parties and the Hearing Officer an Order to Show Cause why the matter should not be dismissed, and give all Applicants (including the Employer where the Employer has filed an Application on behalf of the Member) five (5) days to respond to the Hearing Officer. Other Parties are permitted, but not required to submit responses. Unless at least one of the Applicants shows good cause why the matter should not be dismissed, the Hearing Officer will dismiss the Hearing, and the matter will proceed as if no Request for Administrative Hearing had been filed in accordance with Section 5 of the Policy.

If the Hearing Officer determines that an Applicant has shown good cause, the Hearing Officer will direct the Clerk to reschedule the Pre-Hearing Conference and the Applicant will be liable to OCERS for any actual costs incurred by OCERS as a result of the delay.

### ***Rule 9. Pre-Hearing Statements***

- A. The Applicant will file a Pre-Hearing Statement of up to ten (10) pages no later than sixty (60) days prior to the first Hearing Date.
- B. Respondent will file a Pre-Hearing Statement of up to ten (10) pages no later than thirty (30) days prior to the first Hearing Date.
- C. Any Party may file supplemental Pre-Hearing Statements of up to five (5) pages no later than fourteen (14) days prior to the first Hearing Date.
- D. The Pre-Hearing Statements will include the following:
  1. A statement of the issues and contentions of the Party and a brief summary of the evidence to be presented;
  2. A list and copies of any expert's reports, transcripts of depositions of any witnesses, and any other documentary evidence on which the Party will rely, if not already in the Administrative Record;
  3. The names, addresses, and telephone numbers of any non-expert witnesses whose testimony the Party intends to call for oral testimony at the Hearing and a brief description of the content of that testimony; and
  4. The names, addresses, and phone numbers of any expert witnesses whom the Party intends to call for oral testimony at the Hearing and a brief description of the content of that testimony.
- E. If the Applicant disputes the effective date of the disability retirement, the Applicant will raise the effective date as an issue and will state Applicant's contention in the Pre-Hearing Statement.
- F. If the Applicant fails to timely file a Pre-Hearing Statement, the Clerk will file and serve on all Parties and the Hearing Officer an Order to Show Cause why the case should not be dismissed, and give the Applicant five (5) days to respond to the Hearing Officer. Other Parties are permitted, but not required to submit responses. Unless the Applicant shows good cause for the failure to timely file



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its Pre-Hearing Statement, the Hearing Officer will dismiss Hearing, and the matter will proceed as if no Request for Administrative Hearing had been filed in accordance with Section 5 of the Policy.

If the Hearing Officer determines that the Applicant has shown good cause, the Hearing Officer may allow the Respondent additional time to file its Pre-Hearing Statement or may re-schedule the Hearing within the time requirements of Rule 15. The Applicant will be liable to OCERS for any actual costs incurred by OCERS as a result of the delay.

### ***Rule 10. Depositions and Subpoenas***

- A. **Depositions:** Witness depositions may be taken by either Party in the presence of a certified court reporter and will be taken under oath or affirmation. The Party taking the deposition will pay all associated costs. If any Party offers any portion of any deposition testimony into evidence at the Hearing, that Party will provide a full copy of the deposition transcript to each adverse Party and the Hearing Officer free of charge.
- B. **Subpoenas and Related Fees/Costs:**
  - 1. OCERS will issue a subpoena for the personal appearance of a witness at the Hearing or at a deposition, or for the production of documents (subpoena *duces tecum*), in conformance with California Government Code Section 31535, upon the request of any Party filed at least seven (7) days before the date the subpoena is to be issued. Each request will state the witness's full name and the complete address of the witness's place of employment or residence. OCERS will issue the subpoena; however, the requesting Party will be obligated to serve the subpoena and pay all associated witness fees and costs of service and production. The Party requesting oral testimony of an expert witness will in all cases be responsible for any expert witness fees.
  - 2. Any fee disputes between a witness and the requesting Party is independent of any proceeding between the Applicant and OCERS. Those fee disputes will be resolved by the requesting Party and the witness in the California courts, not in this forum. The Hearing Officer has no authority to decide any such dispute.

### ***Rule 11. Conduct of Hearings***

- A. All Hearings will be held at the OCERS' office located at 2223 East Wellington Avenue, Santa Ana, California 92701.
- B. The Clerk will arrange for a court reporter to be present. Oral evidence will be taken only on oath or affirmation administered by the Hearing Officer or the court reporter.
- C. A written medical report bearing the signature (including a digital signature) of the Medical Witness will be admissible in evidence as the author's direct testimony, on the express condition that the adverse Party has had the opportunity to require the Medical Witness to be present and to cross-examine the witness at the Hearing, or to depose the witness and have the deposition transcript admitted into evidence.
- D. Each Party will have the right to call and examine witnesses; to introduce exhibits, including reports and depositions of medical witnesses; to cross-examine opposing witnesses on any matter relevant



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to the issues even though that matter was not covered in the direct examination; to impeach any witness regardless of which Party first called the witness to testify; and to rebut adverse evidence. If an Applicant does not testify by direct examination, OCERS may call and examine the Applicant.

- E. The Hearing need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence will be admitted if it is the sort of evidence on which reasonable persons are accustomed to rely in the conduct of serious affairs regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. The rules of privilege will be effective to the extent that they are otherwise required by statute to be recognized at the Hearing. Irrelevant and unduly repetitious evidence will be excluded.
- F. Hearsay evidence may be used for the express purpose of supplementing or explaining other evidence but will not be sufficient by itself to support a finding unless it would be admissible over objection in civil actions. This section will not be applicable to written medical reports received into evidence pursuant to Rule 10.C. Every Hearing will proceed as though each Party had made a standing objection to all inadmissible hearsay at the commencement of the Hearing.
- G. The court reporter will lodge with the Clerk the transcript of the Hearing within thirty (30) days of the final Hearing Date.
- H. The record will be closed to new evidence at the conclusion of the final Hearing Date. However, if subsequent to the final Hearing Date, a Party discovers or obtains new evidence that is relevant and not repetitive of other evidence already admitted, that Party may lodge the new evidence with the Clerk and request that the Hearing Officer include it in the Administrative Record. The Hearing Officer may require the Parties to provide declarations and argument about inclusion of the new evidence. If, after showing of good cause as defined under Rule 10.I, the Hearing Officer allows inclusion of the new evidence, the opposing Party will be provided an opportunity to submit rebuttal evidence in accordance with Rule 10.I. No rebuttals of the rebuttal will be permitted.
- I. No Party may submit a medical report or other documentary evidence not included in the Administrative Record or listed in its Pre-Hearing Statement except for purposes of impeachment, unless the Party demonstrates good cause. Likewise, no Party will be permitted to call a witness not listed in its Pre-Hearing Statement, except for purposes of impeachment, unless the Party demonstrates good cause. For purposes of this Rule, "good cause" means that the relevant evidence or witness could not have been previously produced or identified even with the exercise of reasonable diligence. The Party requesting submission of such evidence or witness will file a written request prior to the Hearing, or if unable to do so in the exercise of reasonable diligence, will make an oral request at the Hearing. The request will state the reason the evidence or witness was not timely produced or identified. After providing a reasonable opportunity for each adverse Party to be heard, the Hearing Officer will rule on such a request. If the evidence is allowed to be admitted into evidence, or the witness is allowed to testify, the Parties will have the right to a continuance to engage in further discovery, obtain rebuttal medical evidence, or depose or cross-examine the Medical Witness in order to comply with Rule 10.C. In no event, will good cause permit admission of medical reports or other documentary evidence relating to a new medical condition covered by Rule 3.E.



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- J. Each Party will have the right to submit a closing oral argument at the conclusion of the Hearing.
- K. Use of Interpreter Services.
  - 1. If an Applicant or a witness does not speak or understand English sufficiently to participate in the proceedings or provide testimony, an interpreter certified to provide interpretation services in administrative hearings will be provided to that Applicant or witness at OCERS's expense. Notice that an Applicant or witness requires interpreting services will be given to OCERS at the Pre-Hearing Conference or be included in the Party's Pre-Hearing Statement. If a Party fails to provide such notice, then the witness may not be called unless good cause is shown, as set forth Rule 10.I.
  - 2. All interpreters must be certified to provide interpreting services in administrative hearings pursuant to Government Code Section 11435.30. The interpreter must not have had any involvement in the issues of the case prior to the Administrative Hearing.
  - 3. If an Applicant objects to the interpreter provided by OCERS, the Applicant may supply their own interpreter, provided that the interpreter is certified under Government Code Section 11435.30. However, time for an Applicant to find and hire an interpreter will not be considered good cause to continue the Hearing. OCERS will pay the chosen interpreter the same amount OCERS would have paid an interpreter hired directly by OCERS. The Applicant will be responsible for any amounts charged by the interpreter that are over the amount OCERS would have paid to an interpreter hired directly by OCERS. Fee disputes between the interpreter and the Applicant will not be resolved in this forum, and the Hearing Officer will not have authority to resolve any fee disputes between interpreters and the Parties.

### ***Rule 12. Resolution of Disputes about Depositions and Conduct of Hearings***

The Hearing Officer will resolve disputes about depositions and the conduct of the Hearing. A request for resolution of a dispute may be made verbally at a Pre-Hearing Conference, at the Hearing, or by written motion filed with the Clerk at any time prior to the Hearing. The Hearing Officer, in the exercise of sound discretion, may permit written argument or briefs.

### ***Rule 13. Closing Briefs***

- A. Each Party will have the right to submit a written closing brief. Unless the Parties waive closing briefs, the Parties will adhere to the following schedule for filing closing briefs:
  - 1. The Applicant's closing brief will be filed within thirty days (30) of the date the transcript of the Hearing is lodged with the Clerk.
  - 2. Respondents' closing briefs will be filed within thirty days (30) days of the date the Clerk serves the Applicant's closing brief on the other Parties.
  - 3. Applicant's reply brief will be filed within fifteen (15) days of the date that the Clerk serves Respondents' closing briefs on the Applicant.
- B. Each Party's closing brief may be supported by facts in the record and citation to law. The Applicant's and Respondents' closing briefs may not exceed fifteen (15) pages and the reply brief



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may not exceed ten (10) pages unless the Hearing Officer, in the proper exercise of discretion, determines that a longer limit is appropriate under the circumstances. The Hearing Officer may reject briefs exceeding the foregoing limits.

#### ***Rule 14. Hearing Officer's Findings of Fact and Recommended Decision***

- A. **Time for Filing.** The Hearing Officer will file the Proposed Findings of Fact and Recommended Decision with the Clerk within sixty (60) days of the date that the Applicant's reply brief is due or, if the Parties waived closing briefs, within sixty (60) days of the date the transcript of the Hearing is due (i.e., within 30 days of the final Hearing Date) or actually lodged (if earlier than 30 days after the final Hearing Date).
- B. **Content of Proposed Findings of Fact and Recommended Decision.** The Hearing Officer's Proposed Findings of Fact and Recommended Decision will include a summary of the following: (1) issues raised by the parties; (2) the testimony; (3) all other evidence received by the Hearing Officer; (4) a factual discussion of matters on which the Hearing Officer relied; (5) conclusions of law with citations to legal authority; and (6) recommended decision. The summary of the testimony, plus all other evidence received, will be sufficient to satisfy the requirements of Government Code Section 31534(b).
- C. **Objections/Requests for Clarification.** Within twenty (20) days from the date that the Hearing Officer files the Proposed Findings of Fact and Recommended Decision with the Clerk, any Party may file with the Clerk objections or written requests for clarification to the Hearing Officer's Proposed Findings of Fact and Recommended Decision. The Clerk will serve such objections or written requests for clarification on the Hearing Officer as well as the other Parties. The other Parties will then have twenty (20) days after service to file a response with the Clerk. Within thirty (30) days after the later of: (a) the date that Hearing Officer receives the objections or requests for clarification or (b) an adverse party's response to such objections or requests for clarification, the Hearing Officer will:
  - 1. Affirm the Proposed Findings of Fact and Recommended Decision findings, conclusions, and recommendations as originally submitted without change, or
  - 2. Make such changes to the Proposed Findings of Fact and Recommended Decision as the Hearing Officer deems appropriate in light of the evidence, the objections or requests for clarification submitted by the Parties, and the responses thereto.

The objections and/or requests for clarification and the response thereto and the Hearing Officer's final Proposed Findings of Fact and Recommended Decision following any objections, will be added to the Administrative Record and submitted for consideration by the Board.

#### ***Rule 15. Continuances and Relief from Orders***

- A. The deadlines and timelines established in these Rules are for the purpose of expediting the Hearing process as quickly as reasonably possible in order to give certainty to the Applicant in the retirement process. Therefore, delays, continuances, or relief should be granted for documented good cause (as defined hereafter) and any delay should be the absolute shortest necessary under



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- the circumstances. If the Hearing Officer believes the request is primarily for the purpose of delay or caused by inattention or lack of preparation of a Party, the request should be denied.
- B. Upon the request of a Party, the Hearing Officer may amend or continue the time periods set forth in these rules, but only for good cause shown by the Party seeking the delay.
  - C. Good cause for purposes of this Rule will be only for the following reasons:
    - 1. The discovery of relevant evidence that, in the exercise of reasonable diligence, could not have been previously produced (in which case there will only be one continuance permitted for each request);
    - 2. The need to engage in further discovery, obtain rebuttal medical evidence, or depose or cross-examine a Medical Witness (in which case there will only be one continuance permitted for each request), as set forth under Rule 10.I; or
    - 3. The illness or disability of the Applicant, witness, attorney, or the Hearing Officer which was unknown to the person at the time of the Pre-Hearing Conference (or other time at which the deadline was set) which makes it impossible for the person to participate in the Administrative Hearing process. Relief in these instances will be granted only if the person raises the request as soon as practicable. The Hearing Officer will consider a failure to timely seek relief a waiver by the person.
  - D. If a continuance is sought due to an illness or disability affecting an attorney who will not be able to participate in the process within a reasonably short period of time, then the continuance will be for a maximum of sixty (60) days to secure substitute counsel, and the Clerk will schedule a Pre-Hearing Conference pursuant to Rule 7.
  - E. If a continuance is sought due to an illness or disability affecting the Hearing Officer, and the Hearing Officer cannot proceed within the time period set forth in Rule 17, below, the Hearing Officer will be recused and the Clerk will appoint a new Hearing Officer pursuant to Rule 4 and schedule a new Pre-Hearing Conference pursuant to Rule 7.
  - F. If good cause is found to exist to reschedule a Hearing, the Hearing Officer will order that the Clerk schedule a Pre-Hearing Conference no more than seven (7) days from the date of the Hearing Officer's order and the Hearing Date will be reset no more than ninety (90) days from the date of the Pre-Hearing Conference.
  - G. Until such time as the matter has been referred to the Board, the Hearing Officer may, upon any terms as may be just, relieve a party from an order, or other action taken against that Party through mistake, inadvertence, surprise, or excusable neglect on the part of the Party. Application for this relief will be made within a reasonable time. Once the matter has been placed on the Board agenda, the Hearing Officer will no longer have jurisdiction.

### ***Rule 16. Hearing and Action by the Board***

- A. The Clerk will refer to the Board for its consideration the Hearing Officer's Proposed Findings of Fact and Recommended Decision as well as any related objections/requests for clarification,



## **OCERS Board Policy Administrative Review and Hearing Policy (Disability and Non-Disability Benefits)**

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- responses thereto, and the Hearing Officer's final Proposed Findings of Fact and Recommended Decision following any objections.
- B. The Clerk will place the matter on the agenda of a regular meeting of the Board which will be no later than two (2) calendar months after the later of the date the Clerk receives the Hearing Officer's Proposed Findings of Fact and Recommended Decision; or the date the Clerk receives the Hearing Officer's final Proposed Findings of Fact and Recommended Decision following any objections or requests for clarification from the Parties.
  - C. The Clerk will provide written notice to the Parties and the Hearing Officer of the time and date of the regular meeting where the matter will be placed on the Board's agenda for action. The Parties will have the opportunity to be heard at the Board meeting subject to appropriate time limitations as set out in the OCERS By-laws.
  - D. Pursuant to Government Code Section 31534, after reviewing the Hearing Officer's Proposed Findings of Fact and Recommended Decision and any related objections/requests for clarification, the Board may:
    - 1. Approve and adopt the Proposed Findings of Fact and Recommended Decision of the Hearing Officer; or
    - 2. Require a transcript or summary of all testimony, plus all other evidence received by the Hearing Officer; and upon receipt thereof, take such action as the Board in its opinion is indicated by such evidence; or
    - 3. Refer the matter back with or without instructions to the Hearing Officer for further proceedings; or
    - 4. Set the matter for hearing before itself. At such hearing, the Board will hear and decide the matter.
  - E. The Hearing Officer's Proposed Findings of Fact and Recommended Decision (and responses to objections/requests for clarification) will be sufficient to satisfy the requirements of Government Code Section 31534(b) and Rule 15.D.2, above.
  - F. In any case where the Board makes a decision under Rule 15.D.2 or 15.D.3, above, the Board may approve and adopt the Proposed Findings of Fact and Recommended Decision of the Hearing Officer or prepare its own Findings of Fact and Decision, either itself or through direction to Staff with its approval.
  - G. Upon action by the Board, the decision will be final for all purposes. There will be no requirement for a further written decision from the Board or opportunity for the Board to reconsider its decision. Any Party aggrieved by the Board's decision may petition the Superior Court for judicial review as provided by law. The time for any party to seek judicial review will be governed by the California Code of Civil Procedure Section 1094.6. The Clerk will notify the Applicant (and attorney), and the Employer by email of the Board's final action. Notice will be effective when the email is sent.



**OCERS Board Policy**  
**Administrative Review and Hearing Policy**  
**(Disability and Non-Disability Benefits)**

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***Rule 17. Dismissal for Failure to Pursue the Administrative Review and Hearing***

Except as otherwise provided, if as a result of an Applicant's failure to pursue the case or to comply with any of these Rules, a Hearing is not conducted within one year after the filing of a Request for Administrative Hearing (or the Board's referral of a case to a Hearing Officer), the Hearing Officer will dismiss the Hearing and the matter will proceed as if no Request for Administrative Review or Hearing had been filed in accordance with Section 5 of the Policy.



## Memorandum

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DATE: August 17, 2020  
TO: Members of the Board of Retirement  
FROM: Steve Delaney, Chief Executive Officer  
SUBJECT: **TRIENNIAL STUDY OF ACTUARIAL ASSUMPTIONS**

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### Recommendation

Approve demographic and economic actuarial assumptions based on the recommendations and alternatives included in the Actuarial Experience Study of the period January 1, 2017 through December 31, 2019 prepared by Segal.

### Background/Discussion

Every three years OCERS engages the actuary to conduct an actuarial experience study. It is that time again. That process involves comparing assumed to actual experience for the period of January 1, 2017 through December 31, 2019. Such a study will often lead to modifications to existing economic and demographic assumptions, as you will find addressed with the attached report.

On August 17, 2020, Mr. Paul Angelo of Segal will present the study findings. We have crafted a recommendation that would allow the Board to either:

- Approve the recommended assumptions as presented
- Approve the alternative assumptions as presented or
- Consider the August 17 presentation to be informational only and take no action at the August 17, 2020 meeting.

In the third scenario, Segal could return to the Board at the Wednesday morning, September 13 session of the Board's annual Strategic Planning Workshop and provide any additional information requested. Once assumptions are approved they will be first implemented in the Actuarial Valuation as of December 31, 2020.

### Submitted by:



**SD - Approved**

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Steve Delaney  
Chief Executive Officer

Orange County Employees  
Retirement System

# Actuarial Experience Study

**Analysis of Actuarial Experience  
During the Period**

**January 1, 2017 through December 31, 2019**



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

August 6, 2020

Board of Retirement  
Orange County Employees Retirement System  
2223 Wellington Avenue  
Santa Ana, CA 92701

**Re: Review of Actuarial Assumptions for the December 31, 2020 Actuarial Valuation**

Dear Members of the Board:

We are pleased to submit this report of our review of the actuarial experience for the Orange County Employees Retirement System. This study utilizes the census data for the period January 1, 2017 to December 31, 2019 and provides the proposed actuarial assumptions, both economic and demographic, to be used in the December 31, 2020 valuation.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to reviewing this report with you and answering any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Angelo".

---

Paul Angelo, FSA, MAAA, FCA, EA  
Senior Vice President and Actuary

A handwritten signature in black ink, appearing to read "Andy Yeung".

---

Andy Yeung, ASA, MAAA, FCA, EA  
Vice President and Actuary

JY/jl

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# I. Introduction, Summary, and Recommendations

To project the cost and liabilities of the Retirement System, assumptions are made about all future events that could affect the amount and timing of the benefits to be paid and the assets to be accumulated. Each year actual experience is compared against the projected experience, and to the extent there are differences, the future contribution requirement is adjusted.

If assumptions are modified, contribution requirements are adjusted to take into account a change in the projected experience in all future years. There is a great difference in both philosophy and cost impact between recognizing the actuarial deviations as they occur annually and changing the actuarial assumptions. Taking into account one year's gains or losses without making a change in the assumptions means that year's experience is treated as temporary and that, over the long run, experience will return to what was originally assumed. For example, it is impossible to determine when and to what extent the economy will rebound after the current crisis caused by the COVID-19 pandemic.<sup>1</sup> Changing assumptions reflects a basic change in thinking about the future, and has a much greater effect on the current contribution requirements than recognizing gains or losses as they occur.

The use of realistic actuarial assumptions is important in maintaining adequate funding, while paying the promised benefit amounts to participants already retired and to those near retirement. The actuarial assumptions used do not determine the "actual cost" of the plan. The actual cost is determined solely by the benefits and administrative expenses paid out, offset by investment income received. However, it is desirable to estimate as closely as possible what the actual cost will be so as to permit an orderly method for setting aside contributions today to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

This study was undertaken in order to review the economic and demographic actuarial assumptions and to compare the actual experience with that expected under the current assumptions during the three-year experience period from January 1, 2017 through December 31, 2019. The study was performed in accordance with Actuarial Standard of Practice (ASOP) No. 27 "Selection of Economic Assumptions for Measuring Pension Obligations" and ASOP No. 35 "Selection of Demographic and Other Non-Economic Assumptions for Measuring Pension Obligations." These Standards of Practice provide guidance for the selection of the various actuarial assumptions utilized in a pension plan actuarial valuation. Based on the study's results and expected future experience, we are recommending various changes in the current actuarial assumptions.

We are recommending changes in the assumptions for inflation, merit and promotion salary increases, retirement from active employment, retirement age for inactive vested members, percent of members assumed to go on to work for a reciprocal system, spouse or domestic partner age difference, pre-retirement mortality, post-retirement healthy and disabled life

<sup>1</sup> An analysis of the ongoing impact of the COVID-19 pandemic is beyond the scope of the current experience study.

mortality, termination (refunds and deferred vested retirements), disability (non-service connected and service connected) and additional cashouts.

Our recommendations for the major actuarial assumption categories are as follows:

Pg #	Actuarial Assumption Categories	Recommendation
13	<p><b>Inflation:</b> Future increases in the Consumer Price Index (CPI), which drives investment returns and active member salary.</p> <p><b>Retiree Cost of Living Increases:</b> Future increases in the Cost of Living adjustment for Retirees.</p>	<p>Reduce the inflation assumption from 2.75% to 2.50% per annum as discussed in Section (III)(A).</p> <p>Maintain the retiree cost-of-living assumption at 2.75% per annum (based on our recommended inflation assumption of 2.50% plus a margin for adverse deviation of 0.25%) as discussed in Section (III)(A).</p> <p>Alternative: Reduce the retiree cost of living assumption from 2.75% per annum to 2.50% per annum (based on our recommended inflation assumption of 2.50% without a margin for adverse deviation) as discussed in Section (III)(A).</p>
16	<p><b>Investment Return:</b> The estimated average future net rate of return on current and future assets of the System as of the valuation date. This rate is used to discount liabilities.</p>	<p>Maintain the current investment return assumption at 7.00% as discussed in Section (III)(B).</p>
24	<p><b>Individual Salary Increases:</b> Increases in the salary of a member between the date of the valuation to the date of separation from active service. This assumption has three components:</p> <ul style="list-style-type: none"> <li>• Inflationary salary increases</li> <li>• Real “across the board” salary increases</li> <li>• Merit and promotion increases</li> </ul>	<p>Reduce the current inflationary salary increase assumption from 2.75% to 2.50% and maintain the current real “across the board” salary increase assumption at 0.50%. This means that the combined inflationary and real “across the board” salary increases will decrease from 3.25% to 3.00%.</p> <p>We recommend adjusting the merit and promotion rates of salary increase as developed in Section III(C) to reflect past experience. Future merit and promotion salary increases are higher in some service categories and lower in other service categories under the proposed assumptions.</p> <p>The recommended total rates of salary increase anticipate lower salary increases overall for General members and about the same salary increases overall for Safety members.</p>

Pg #	Actuarial Assumption Categories	Recommendation
30	<p><b>Retirement Rates:</b> The probability of retirement at each age at which participants are eligible to retire.</p> <p><b>Other Retirement Related Assumptions including:</b></p> <ul style="list-style-type: none"> <li>• Percent married and spousal age differences for members not yet retired</li> <li>• Retirement age for deferred vested members</li> <li>• Future reciprocal members and reciprocal salary increases</li> </ul>	<p>We recommend adjusting the retirement rates to those developed in Section IV (A).</p> <p>For those tiers that have been adopted for the legacy members for a longer period of time, we are recommending separate sets of age-based retirement assumptions for those with less than 30 years of service at retirement and for those with 30 or more years of service at retirement.</p> <p>For active and deferred vested members, maintain the current percent married at retirement assumption at 75% for males and 55% for females. Maintain the spouse age difference assumption that male retirees are three years older than their spouses and revise the spouse age assumption that female retirees are three years younger than their spouses to two years younger than their spouses.</p> <p>For deferred vested members, maintain the deferred vested retirement assumption at age 59 for General members and revise the deferred vested retirement assumption from 53 to 54 for Safety Members.</p> <p>Maintain the current proportion of future deferred vested members expected to be covered by a reciprocal system at 15% for General members and decrease the assumption from 25% to 20% for Safety members. In addition, decrease the reciprocal salary increase assumption from 4.25% to 4.00% for General members and from 4.75% to 4.60% for Safety members.</p>

Pg #	Actuarial Assumption Categories	Recommendation
53	<p><b>Mortality Rates:</b> The probability of dying at each age. Mortality rates are used to project life expectancies.</p>	<p><u>For pre-retirement mortality:</u>                      Current base table: Headcount-Weighted RP-2014 Employee Mortality Table times 80%.                      Recommended base table for General Members: Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table.                      Recommended base table for Safety Members: Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table.</p> <p><u>For healthy General retirees:</u>                      Current base table: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table.                      Recommended base table: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 5%.</p> <p><u>For healthy Safety retirees:</u>                      Current base table: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set back four years.                      Recommended base table: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table.</p> <p><u>For all beneficiaries:</u>                      Current base table: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table.                      Recommended base table: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table with rates increased by 5%.</p> <p><u>For disabled General retirees:</u>                      Current base table: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward five years.                      Recommended base table: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with rates decreased by 5%.</p> <p><u>For disabled Safety retirees:</u>                      Current: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table.                      Recommended base table: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table.</p> <p><u>All current tables</u> are projected generationally with the two-dimensional mortality improvement scale MP-2016.  <u>All recommended tables</u> are projected generationally with the two-dimensional mortality improvement scale MP-2019.</p> <p><u>For member contribution rates, optional forms and reserves:</u> change the mortality rates to those developed in Section (IV)(B).</p>
67	<p><b>Termination Rates:</b> The probability of leaving employment at each age and receiving either a refund of member contributions or a deferred vested retirement benefit.</p>	<p>We recommend adjusting the termination rates to those developed in Section IV (D) to reflect a slightly higher incidence of termination for General All Other (non-OCTA) members and Safety members, and a slightly lower incidence of termination for General OCTA members. In addition, a lower proportion of members is expected to elect a withdrawal of member contributions with a higher proportion electing instead to receive a deferred vested benefit under the recommended assumptions.</p>

Pg #	Actuarial Assumption Categories	Recommendation
73	<b>Disability Incidence Rates:</b> The probability of becoming disabled at each age.	We recommend adjusting the disability rates to those developed in Section IV (E) to reflect slightly higher incidence of disability for General All Other, General OCTA and Safety Law and Fire members.
78	<b>Additional Cashouts:</b> Additional pay elements that are expected to be received during the member's final average earnings period.	We recommend adjusting the additional cashout assumptions to those developed in Section IV (F) to reflect recent years' experience.  In determining the assumptions for the cashouts, we asked OCERS for directions on whether the recent California Supreme Court decision on compensation earnable is expected to have an impact on the pay elements that we have used in our analysis of the above assumptions. We were informed that in OCERS' opinion that decision does not apply to leave cash outs for Legacy members.

We have estimated the impact of all the recommended economic and demographic assumptions as if they were applied to the December 31, 2019 actuarial valuation. The table below shows the changes in the employer and member contribution rates due to the proposed assumption changes separately for the recommended economic assumption changes (as recommended in Section III of this report which include the recommended merit and promotion salary increases) and the recommended demographic assumption changes (as recommended in Section IV of this report).

### Cost Impact of the Recommended Assumptions Based on December 31, 2019 Actuarial Valuation

Impact on Employer Contribution Rates	
Decrease due to changes in economic assumptions	-0.29%
Increase due to changes in demographic assumptions	<u>0.98%</u>
Total increase in average employer rate	0.69%
Total estimated increase in annual dollar amount (\$000s)	\$11,711
Impact on Member Contribution Rates	
Decrease due to changes in economic assumptions	-0.26%
Increase due to changes in demographic assumptions	<u>0.25%</u>
Total decrease in average member rate	-0.01%
Total estimated decrease in annual dollar amount (\$000s)	\$(621)
Impact on UAAL and Funded Percentage	
Increase in UAAL	\$38 million
Change in Funded Percentage	From 73.17% to 73.06%

Of the various assumption changes, the most significant employer cost impact (rate increase) for the General Rate Groups is from the change in the retirement assumptions while the most significant employer cost impact (rate reduction) for the Safety Rate Groups is from the change in the mortality assumptions.

Section III of this report includes a possible alternative to the recommended 2.75% retiree Cost-of-Living assumption that is consistent with prior practice relative to the recommended inflation assumption. The following table shows the estimated cost impact of adopting a 2.50% retiree Cost-of-Living assumption, together with all the other assumption changes recommended in this report.

**Cost Impact of the Alternative Assumptions  
Based on December 31, 2019 Actuarial Valuation  
(with 2.50% Retiree Cost-of-Living Assumption)**

<b>Impact on Employer Contribution Rates</b>	
Decrease due to changes in economic assumptions	-3.16%
Increase due to changes in demographic assumptions	<u>0.98%</u>
Total decrease in average employer rate	-2.18%
Total estimated decrease in annual dollar amount (\$000s)	\$(44,124)
<b>Impact on Member Contribution Rates</b>	
Decrease due to changes in economic assumptions	-0.70%
Increase due to changes in demographic assumptions	<u>0.25%</u>
Total decrease in average member rate	-0.45%
Total estimated decrease in annual dollar amount (\$000s)	\$(9,106)
<b>Impact on UAAL and Funded Percentage</b>	
Decrease in UAAL	\$(557) million
Change in Funded Percentage	From 73.17% to 75.08%

Section II provides some background on the basic principles and methodology used for the experience study and for the review of the economic and demographic actuarial assumptions. A detailed discussion of each assumption and reasons for the proposed changes are found in Section III for the economic assumptions and Section IV for the demographic assumptions. The cost impact of the proposed changes is detailed in Section V.

## II. Background and Methodology

In this report, we analyzed both economic and demographic (“non-economic”) assumptions. The primary economic assumptions reviewed are inflation, investment return, and salary increases. Demographic assumptions include the probabilities of certain events occurring in the population of members, referred to as “decrements,” e.g., termination from service, disability retirement, service retirement, and death before and after retirement. In addition to decrements, other demographic assumptions reviewed in this study include the percentage of members with an eligible spouse or domestic partner, spousal age difference, percent of members assumed to go on to work for a reciprocal system, reciprocal salary increase and additional cashouts.

### Economic Assumptions

Economic assumptions consist of:

- **Inflation:** Increases in the price of goods and services. The inflation assumption reflects the basic return that investors expect from securities markets. It also reflects the expected basic salary increase for active employees and drives increases in the allowances of retired members.
- **Investment Return:** Expected long-term rate of return on the System’s investments after investment expenses. This assumption has a significant impact on contribution rates.
- **Salary Increases:** In addition to inflationary increases, it is assumed that salaries will also grow by real “across the board” pay increases in excess of price inflation. It is also assumed that employees will receive raises above these average increases as they advance in their careers. These are commonly referred to as merit and promotion increases. Payments to amortize any Unfunded Actuarial Accrued Liability (UAAL) are assumed to increase each year by the price inflation rate plus any real “across the board” pay increases that are assumed.

The setting of these economic assumptions is described in Section III.

### Demographic Assumptions

In order to determine the probability of an event occurring, we examine the “decrements” and “exposures” of that event. For example, taking termination from service, we compare the number of employees who actually terminate in a certain age and/or service category (i.e., the number of “decrements”) with those who could have terminated (i.e., the number of “exposures”). For example, if there were 500 active employees in the 20-24 age group at the beginning of the year and 50 of them left during the year, we would say the probability of termination in that age group is  $50 \div 500$  or 10%.

The reliability of the resulting probability is highly dependent on both the number of decrements and the number of exposures. For example, if there are only a few people in a high age category at the beginning of the year (number of exposures), we would not lend as much credibility to the probability of termination developed for that age category, especially if it is out of line with the pattern shown for the other age groups. Similarly, if we are considering the death

decrement, there may be a large number of exposures in, say, the age 20-24 category, but very few decrements (actual deaths); therefore, we would not be able to rely heavily on the probability developed for that category.

One reason we use several years of experience for such a study is to have more exposures and decrements, and therefore more statistical reliability. Another reason for using several years of data is to smooth out fluctuations that may occur from one year to the next. However, we also calculate the rates on a year-to-year basis to check for any trend that may be developing in the later years.

## III. Economic Assumptions

### A. Inflation

Unless an investment grows at least as fast as prices increase, investors will experience a reduction in the inflation-adjusted value of their investment. There may be times when “riskless” investments return more or less than inflation, but over the long term, investment market forces will generally require an issuer of fixed income securities to maintain a minimum return which protects investors from inflation.

The inflation assumption is long term in nature, so our analysis begins with a review of historical information. Following is an analysis of 15 and 30 year moving averages of historical inflation rates:

**Historical Consumer Price Index – 1930 to 2019<sup>2</sup>**  
(U.S. City Average - All Urban Consumers)

	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile
15-year moving averages	2.4%	3.3%	4.4%
30-year moving averages	2.9%	3.7%	4.8%

The average inflation rates have continued to decline gradually over the last several years due to the relatively low inflationary environment over the past two decades. Also, the later 15-year averages during the period are lower because they do not include the high inflation years of the mid-1970s and early 1980s.

Based on information found in the Public Plans Data website, which is produced in partnership with the National System of State Retirement Administrators (NASRA), the median inflation assumption used by 174 large public retirement funds in their 2018 fiscal year valuations was 2.65%.<sup>3</sup> In California, CalSTRS, Orange County and fourteen other 1937 Act CERL systems use an inflation assumption of 2.75%, two 1937 Act CERL systems use an inflation assumption of 2.50%, and the three other 1937 Act CERL systems currently use an inflation assumption of 3.00%. We note that OCERS was one of the first 1937 Act CERL systems, as well as of Segal’s California public retirement system clients, to use the 2.75% inflation assumption when the Board lowered the 3.00% assumption to 2.75% at the last triennial experience study. CalPERS has lowered their inflation assumption from 2.75% to 2.50% over a three-year period.

OCERS’ investment consultant, Meketa, anticipates an annual inflation rate of 2.60%, while the average inflation assumption provided by Meketa and six other investment advisory firms retained by Segal’s California public sector clients was 2.33%. Note that, in general, investment consultants use a time horizon for this assumption that is shorter than the time horizon we use for the actuarial valuation.<sup>4</sup>

<sup>2</sup> Source: Bureau of Labor Statistics – Based on CPI for All Items in U.S. city average, all urban consumers, not seasonally adjusted (Series ID: CUUR0000SA0).

<sup>3</sup> Among 188 large public retirement funds, the inflation assumption was not available for 14 of the public retirement funds in the survey data.

<sup>4</sup> The time horizon used by the seven investment consultants in our review generally ranges from 10 years to 30 years, and Meketa uses a 20-year horizon.

To find a forecast of inflation based on a longer time horizon, we referred to the Social Security Administration's (SSA) 2020 report on the financial status of the Social Security program.<sup>5</sup> The projected average increase in the Consumer Price Index (CPI) over the next 75 years under the intermediate cost assumptions used in that report was 2.40%. The SSA report also includes alternative projections using lower and higher inflation assumptions of 1.80% and 3.00%, respectively.

We also compared the yields on the thirty-year inflation indexed U.S. Treasury bonds to comparable traditional U.S. Treasury bonds.<sup>6</sup> As of June 2020, the difference in yields is about 1.55% which provides a measure of market expectations of inflation.

**Based on all of the above information, we recommend that the current 2.75% annual inflation assumption be reduced to 2.50% for the December 31, 2020 actuarial valuation.**

The setting of the inflation assumption using the information outlined above is a somewhat subjective process, and Segal does not apply a specific weight to each of the metrics in determining our recommended inflation assumption. Based on a consideration of all of the above metrics, we have generally been recommending a 0.25% decrease in the inflation assumption when we conduct experience studies for our other California public retirement system clients.

## Retiree Cost-of-Living Increases

In our last experience study as of December 31, 2017, consistent with the 2.75% annual inflation assumption adopted by the Board for that valuation, the Board used a 2.75% cost-of-living adjustment for all retirees.<sup>7</sup>

In the last experience study, we set the recommended post-retirement cost-of-living adjustment (COLA) assumption to be equal to our recommended inflation assumption. However, we observed in the table below that during the most recent 5-year, 10-year and 20-year periods ending before December 31, 2019, the changes in the average annual CPI based on Los Angeles-Long Beach-Anaheim area used by the Board to set COLAs have exceeded those of the average annual CPI for the U.S. City Average. In order to reflect this experience and to mitigate actuarial losses which may arise from future COLA increases greater than the inflation assumption, we believe it is reasonable for the Board to consider adopting an extra margin above the general price inflation in anticipating future COLAs. **Our recommended COLA assumption of 2.75% includes a 0.25% margin above our recommended inflation assumption, which leaves the COLA assumption unchanged.**

We have also included for consideration an alternative 2.50% COLA assumption that does not include the 0.25% margin, which would be consistent with prior practice relative to the recommended inflation assumption.

<sup>5</sup> Source: Social Security Administration: The 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds

<sup>6</sup> Source: Board of Governors of the Federal Reserve System.

<sup>7</sup> For current retirees and beneficiaries, we would utilize the accumulated COLA banks to value annual 3.00% COLA increases as long as the COLA banks are available.

	<b>Change in Average Annual CPI for Los Angeles-Long Beach-Anaheim Area</b>	<b>Change in Average Annual CPI for U.S. City Average</b>
5-year period	2.49%	1.55%
10-year period	2.08%	1.77%
20-year period	2.54%	2.16%

In developing the COLA assumption, we also considered the results of a stochastic approach that would attempt to account for the possible impact of low inflation that could occur before COLA banks are able to be established for the member. Although the results of this type of analysis might justify the use of a lower COLA assumption, we are not recommending that at this time. The reasons for this conclusion include the following:

- The results of the stochastic modeling are significantly dependent on assuming that lower levels of inflation will persist in the early years of the projections. If this is not assumed, then the stochastic modeling will produce results similar to our proposed COLA assumptions.
- Using a lower long-term COLA assumption based on a stochastic analysis would mean that an actuarial loss would occur even when the inflation assumption is met in a year. We question the reasonableness of this result.

We do not see the stochastic possibility of COLAs averaging less than those predicted by the assumed rate of inflation as a reliable source of cost savings that should be anticipated in our COLA assumptions. Therefore, with this experience study, we recommend setting the COLA assumptions consistent with COLA assumption we have used in prior years.

## B. Investment Return

The investment return assumption is comprised of two primary components, inflation and real rate of investment return, with adjustments for investment expenses and risk.

### Real Rate of Investment Return

This component represents the portfolio's incremental investment market returns over inflation. Theory has it that as an investor takes a greater investment risk, the return on the investment is expected to also be greater, at least in the long run. This additional return is expected to vary by asset class and empirical data supports that expectation. For that reason, the real rate of return assumptions are developed by asset class. Therefore, the real rate of return assumption for a retirement System's portfolio will vary with the Board's asset allocation among asset classes.

The System's current target asset allocation and the assumed real rate of return assumptions by asset class are shown in the following table. The first column of real rate of return assumptions are determined by reducing Meketa's total or "nominal" 2020 return assumptions by their assumed 2.60% inflation rate. The second column of returns (except certain asset classes as noted in the table) represents the average of a sample of real rate of return assumptions. The sample includes the expected annual real rate of return provided to us by Meketa and six other investment advisory firms retained by Segal's public sector clients. We believe these averages are a reasonable consensus forecast of long-term future market returns in excess of inflation.<sup>8</sup>

<sup>8</sup> Note that, just as for the inflation assumption, in general the time horizon used by the investment consultants in determining the real rate of return assumption is shorter than the time horizon encompassed by the actuarial valuation.

## OCERS' Target Asset Allocation and Assumed Arithmetic Real Rate of Return Assumptions by Asset Class and for the Portfolio

Asset Class	Percentage of Portfolio	Meketa's Assumed Real Rate of Return <sup>9</sup>	Average Assumed Real Rate of Return from a Sample of Consultants to Segal's California Public Sector Clients <sup>10</sup>
Large Cap Equity	23.10%	6.25%	5.43%
Small Cap Equity	1.90%	6.25%	6.21%
International Developed Equity	13.00%	7.11%	6.67%
Emerging Markets Equity	9.00%	9.38%	8.58%
Core Bonds	9.00%	0.48%	1.10%
High Yield Bonds	1.50%	3.21%	2.91%
TIPS	2.00%	0.55%	0.65%
Emerging Market Debt	2.00%	2.51%	3.25%
Corporate Credit	1.00%	1.25%	0.53%
Long Duration Fixed Income	2.50%	1.32%	1.44%
Real Estate	3.01%	4.31%	4.42%
Private Equity	13.00%	10.16%	9.41%
Value Added Real Estate	3.01%	7.42%	7.42% <sup>11</sup>
Opportunistic Real Estate	0.98%	10.18%	10.18% <sup>11</sup>
Energy	2.00%	9.68%	9.68% <sup>11</sup>
Infrastructure (Core Private)	1.50%	5.08%	5.08% <sup>11</sup>
Infrastructure (Non-Core Private)	1.50%	8.92%	8.92% <sup>11</sup>
CTA - Trend Following	2.50%	2.38%	2.38% <sup>11</sup>
Global Macro	2.50%	2.13%	2.13% <sup>11</sup>
Private Credit	2.50%	5.47%	5.47% <sup>11</sup>
Alternative Risk Premia	2.50%	2.50%	2.50% <sup>11</sup>
<b>Total</b>	<b>100.0%</b>	<b>6.02%</b>	<b>5.67%</b>

The above are representative of “indexed” returns and do not include any additional returns (“alpha”) from active management. This is consistent with the Actuarial Standard of Practice No. 27, Section 3.6.3.d, which states:

“Investment Manager Performance - Anticipating superior (or inferior) investment manager performance may be unduly optimistic (or pessimistic). The actuary should not assume that superior or inferior returns will be achieved, net of investment expenses, from an active investment management strategy compared to a passive investment management strategy unless the actuary has reason to believe, based on relevant supporting data, that such superior or inferior returns represent a reasonable expectation over the long term.”

<sup>9</sup> Derived by reducing Meketa's nominal rate of return assumptions by their assumed 2.60% inflation rate.

<sup>10</sup> These are based on the projected arithmetic returns provided by Meketa and six other investment advisory firms serving the county retirement system of Orange and 16 other city and county retirement systems in California. These return assumptions are gross of any applicable investment expenses.

<sup>11</sup> For these asset classes, Meketa's assumption is applied in lieu of the average because there is a larger disparity in returns for these asset classes among the firms surveyed and using Meketa's assumption should more closely reflect the underlying investments made specifically for OCERS.

The following are some observations about the returns provided above:

1. The investment consultants to our California public sector clients have each provided us with their expected real rates of return for each asset class, over various future periods of time. However, in general, the returns available from investment consultants are projected over time periods that are much shorter than the durations of a retirement plan's liabilities.
2. Using a sample average of expected real rate of returns allows the System's investment return assumption to reflect a broader range of capital market information and should help reduce year to year volatility in the investment return assumption.
3. Therefore, we recommend that the 5.67% portfolio real rate of return be used to determine the System's investment return assumption. This is 0.40% higher than the return that was used three years ago in the review to prepare the recommended investment return assumption for the December 31, 2017 valuation. The difference is due to changes in the real rate of return assumptions provided to us by the investment advisory firms (+0.22% under the 2017 asset allocation) and changes in the System's target asset allocation (+0.18%).

## System Expenses

For funding purposes, the real rate of return assumption for the portfolio needs to be adjusted for investment and administrative expenses expected to be paid from investment income. The following table provides the investment and administrative expenses in relation to the valuation value of assets for the five years ending December 31, 2019.

### Administrative and Investment Expenses as a Percentage of Valuation Value of Assets (Dollars in 000's)

Plan Year	Valuation Value of Assets <sup>12</sup>	Administrative Expenses	Investment Expenses <sup>13</sup>	Administrative %	Investment %	Total %
2015	11,449,911	12,521	54,532	0.11	0.48	0.59
2016	12,228,009	16,870	80,810 <sup>14</sup>	0.14	0.66	0.80 <sup>14</sup>
2017	13,102,978	17,002	79,376	0.13	0.61	0.74
2018	14,197,125	18,284	101,408	0.13	0.71	0.84
2019	14,994,420	19,171	106,330	0.13	0.71	0.84
<b>Five-Year Average</b>				<b>0.13</b>	<b>0.63</b>	<b>0.76</b>
<b>Three-Year Average</b>				<b>0.13</b>	<b>0.68</b>	<b>0.81</b>
<b>Current Assumption</b>				<b>0.15</b>	<b>0.65</b>	<b>0.80</b>
<b>Proposed Assumption</b>				<b>0.15</b>	<b>0.70</b>	<b>0.85</b>

<sup>12</sup> As of beginning of plan year.

<sup>13</sup> Net of securities lending expenses. Because we do not assume any additional net return for this program, we effectively assume that any securities lending expenses will be offset by related income.

<sup>14</sup> Per OCERS, the increase in the investment expenses for plan year 2016 is primarily due to the reporting of the "at-source" investment management fees in the financial statement that were previously netted against the investment returns.

The average administrative and investment expenses percentage over this five-year period in the current experience study is 0.76% of the valuation value of assets. However, the total expenses percentage went up to 0.80% for plan year 2016 when the “at-source” investment managed fees started to be disclosed in the financial statements instead of being treated as a reduction in the investment returns. Taking into account how the investment expenses have been reported starting with the 2016 plan year, we believe that it is reasonable to increase the future expense component from 0.80% used in the last review in 2017 to 0.85%.

Note related to investment expenses paid to active managers – As cited above, under Section 3.6.3.d of ASOP No. 27, the effect of an active investment management strategy should be considered “net of investment expenses...unless the actuary believes, based on relevant data, that such superior or inferior returns represent a reasonable expectation over the measurement period.” For OCERS, nearly all of the investment expenses were paid for expenses associated with active managers.

We have not performed a detailed analysis to measure how much of the investment expenses paid to active managers might have been offset by additional returns (“alpha”) earned by that active management. For now, we will continue to use the current approach that any “alpha” that may be identified would be treated as an increase in the risk adjustment and corresponding confidence level. For example, 0.25% of alpha would increase the confidence level by 3% (see discussions that follow on definitions of risk adjustment and confidence level).

## Risk Adjustment

The real rate of return assumption for the portfolio is adjusted to reflect the potential risk of shortfalls in the return assumptions. The System’s asset allocation determines this portfolio risk, since risk levels are driven by the variability of returns for the various asset classes and the correlation of returns among those asset classes. This portfolio risk is incorporated into the real rate of return assumption through a risk adjustment.

The purpose of the risk adjustment (as measured by the corresponding confidence level) is to increase the likelihood of achieving the actuarial investment return assumption in the long term.<sup>15</sup> This is consistent with our experience that retirement plan fiduciaries would generally prefer that returns exceed the assumed rate more often than not.

The 5.67% expected real rate of return developed earlier in this report was based on expected mean or average arithmetic returns. In our model, the confidence level associated with a particular risk adjustment represents the relative likelihood that future investment earnings would equal or exceed the assumed earnings over a 15-year period on an expected value basis.<sup>16</sup> The 15-year time horizon represents an approximation of the “duration” of the fund’s liabilities, where the duration of a liability represents the sensitivity of that liability to interest rate variations. Note that, based on the investment return assumptions recently adopted by systems that have been analyzed under this model, we observe a confidence level in the range of 50% to 55%.

<sup>15</sup> This type of risk adjustment is referred to in the Actuarial Standards of Practice as a “margin for adverse deviation.”

<sup>16</sup> If a retirement system uses the expected arithmetic average return as the discount rate in the funding valuation, that retirement system is expected to have no surplus or asset shortfall relative to its expected obligations assuming all actuarial assumptions are met in the future.

Three years ago, the Board adopted an investment return assumption of 7.00%. That return implied a risk adjustment of 0.22%, reflecting a confidence level of 53% that the actual average return over 15 years would not fall below the assumed return, assuming that the distribution of returns over that period follows the normal statistical distribution.<sup>17</sup>

If we use the same 53% confidence level from our last study to set this year's risk adjustment and the current long-term portfolio standard deviation of 13.60% provided by Meketa, the corresponding risk adjustment would be 0.23%. Together with the other investment return components, this would result in an investment return assumption of 7.09%, which is slightly higher than the current assumption of 7.00%.

Based on the general practice of using one-quarter percentage point increments for economic assumptions, we evaluated the effect on the confidence level of alternative investment return assumptions. In particular, a net investment return assumption of 7.00%, together with the other investment return components, would produce a risk adjustment of 0.32%, which corresponds to a confidence level of 54%. We believe this analysis supports maintaining the current assumption at 7.00%.

The table below shows OCERS' investment return assumptions and, for the years when this analysis was performed, the risk adjustments and corresponding confidence levels compared to the values for prior studies.

### Historical Investment Return Assumptions, Risk Adjustments and Confidence Levels based on Assumptions Adopted by the Board

Year Ending December 31	Investment Return	Risk Adjustment	Corresponding Confidence Level
2004 - 2007	7.75%	0.39%	56%
2008 - 2010	7.75%	0.80%	61%
2011	7.75%	-0.23%	<50%
2012 - 2013	7.25%	0.34%	55%
2014 - 2016	7.25%	0.28%	53%
2017 - 2019	7.00%	0.22%	53% <sup>18</sup>
2020 (Recommended)	7.00%	0.32%	54%

As we have discussed in prior experience studies, the risk adjustment model and associated confidence level is most useful as a means for comparing how the System has positioned itself relative to risk over periods of time.<sup>19</sup> The use of a 54% confidence level under Segal's model should be considered in context with other factors, including:

<sup>17</sup> Based on an annual portfolio return standard deviation of 13.00% provided by Meketa in 2017. Strictly speaking, future compounded long-term investment returns will tend to follow a log-normal distribution. However, we believe the normal distribution assumption is reasonable for purposes of setting this type of risk adjustment.

<sup>18</sup> This was based on the 2.75% inflation assumption adopted by the Board. In our December 31, 2017 triennial experience study report, we calculated a 55% confidence level based on an inflation assumption of 3.00%.

<sup>19</sup> In particular, it would not be appropriate to use this type of risk adjustment as a measure of determining an investment return rate that is "risk-free."

- As noted above, the confidence level is more of a relative measure than an absolute measure, and so can be reevaluated and reset for future comparisons.
- The confidence level is based on the standard deviation of the portfolio that is determined and provided to us by Meketa. The standard deviation is a statistical measure of the future volatility of the portfolio and so is itself based on assumptions about future portfolio volatility and can be considered somewhat of a “soft” number.
- A confidence level of 54% is within the range of about 50% to 55% that corresponds to the risk adjustments used by most of Segal’s other California public retirement system clients.
- We have not taken into account any additional returns (“alpha”) that might be earned on active management. This means that if active management generates enough alpha to cover its related expenses, this would increase returns. This aspect of Segal’s model is further evaluated below.
- As with any model, the results of the risk adjustment model should be evaluated for reasonableness and consistency. This is discussed in the later section on “Comparison with Other Public Retirement Systems.”

Taking into account the factors above, our recommendation is to maintain the net investment return assumption at 7.00%. As noted above, this return implies a 0.32% risk adjustment and reflects a confidence level of 54%.

## Recommended Investment Return Assumption

The following table summarizes the components of the investment return assumption developed in the previous discussion. For comparison purposes, we have also included similar values from the last study.

### Calculation of Investment Return Assumption

Assumption Component	December 31, 2020 Recommended Value	December 31, 2017 Adopted Value
Inflation	2.50%	2.75%
Plus Portfolio Real Rate of Return	5.67%	5.27%
Minus Expense Adjustment	(0.85)%	(0.80)%
Minus Risk Adjustment	(0.32)%	(0.22)%
<b>Total</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Confidence Level</b>	<b>54%</b>	<b>53%</b>

**Based on this analysis, we recommend that the investment return assumption be maintained at 7.00% per annum.**

## Comparison with Alternative Model used to Review Investment Return Assumption

Since our appointment as actuary for OCERS in 2004, we have consistently reviewed investment return assumptions based on our model that incorporates expected arithmetic real returns for the different asset classes and for the entire portfolio as one component of that model.<sup>20</sup> The use of “forward looking expected arithmetic returns” is one of the approaches discussed for use in the Selection of Economic Assumptions for measuring Pension Obligations under Actuarial Standards of Practice (ASOP) No. 27.

Besides using forward looking expected arithmetic returns, ASOP No. 27 also discussed setting investment return assumptions using an alternative “forward looking expected geometric returns” approach.<sup>21</sup> Even though expected geometric returns are lower than expected arithmetic returns, those California public retirement systems that have set investment return assumptions using this alternative approach have in practice adopted investment return assumptions that are comparable to those adopted by the Board for OCERS. This is because under the model used by those retirement systems, their investment return assumptions are not reduced to anticipate future investment expenses.<sup>22</sup>

For comparison, we evaluated the recommended 7.00% assumption based on the expected geometric return for the entire portfolio, net of administrative and investment expenses. Under that model, over a 15-year period, there is a 59% likelihood that future average geometric returns will meet or exceed 7.00%.<sup>23</sup>

## Comparing with Other Public Retirement Systems

One final test of the recommended investment return assumption is to compare it against those used by other public retirement systems, both in California and nationwide.

We note that an investment return of 7.00% or lower is becoming more common among California public sector retirement systems. In particular, of the twenty 1937 Act CERL systems, twelve use a 7.00% investment return assumption, two use 6.75%, and one uses 6.50%. The remaining five 1937 Act CERL systems currently use a 7.25% earnings assumption. Furthermore, both CalPERS and CalSTRS currently use a 7.00% earnings assumption, while the San Jose and San Diego City retirement systems use investment return assumptions of 6.75% and 6.50%, respectively.

The following table compares OCERS' recommended net investment return assumption against those of the 188 large public retirement funds in their 2018 fiscal year valuations based on

<sup>20</sup> Again, as discussed in the footnote to “Risk Adjustment”, if a retirement system uses the expected arithmetic average return as the discount rate in the funding valuation, that retirement system is expected to have no surplus or asset shortfall relative to its expected obligations assuming all actuarial assumptions are met in the future.

<sup>21</sup> If a retirement system uses the expected geometric average return as the discount rate in the funding valuation, that retirement system is expected to have an asset value that generally converges to the median accumulated value as the time horizon lengthens assuming all actuarial assumptions are met in the future.

<sup>22</sup> This means that if the model were to be applied to OCERS, the expected geometric return would not be adjusted for the approximately 0.70% investment expenses paid by OCERS.

<sup>23</sup> We performed this stochastic simulation using the capital market assumptions included in the 2019 survey prepared by Horizon Actuarial Services. That simulation was performed using 10,000 trial outcomes of future market returns, using assumptions from 20-year arithmetic returns, standard deviations and correlation matrix that were found in the 2019 survey that included responses from 34 investment advisors.

information found in the Public Plans Data website, which is produced in partnership with NASRA:<sup>24</sup>

Assumption	OCERS	Public Plans Data <sup>25</sup>		
		Low	Median	High
Net Investment Return	7.00%	4.50%	7.25%	8.00%

The detailed survey results show that more than 80% of the systems have an investment return assumption in the range of 6.75% to 7.50%. Also, about one-third of the systems have reduced their investment return assumption during the year. State systems outside of California tend to change their economic assumptions less frequently and so may lag behind emerging practices in this area.

In summary, we believe that both the risk adjustment model and other considerations support maintaining the current earnings assumption. The recommended assumption of 7.00% provides for a risk margin within the risk adjustment model and is consistent with OCERS' current practice relative to other public systems.

<sup>24</sup> Among 188 large public retirement funds, the investment return assumption was not available for 6 of the public retirement funds in the survey data.

<sup>25</sup> Public Plans Data website – Produced in partnership with the National System of State Retirement Administrators (NASRA)

## C. Salary Increase

Salary increases impact plan costs in two ways: (i) by increasing members' benefits (since benefits are a function of the members' highest average pay) and future normal cost collections; and (ii) by increasing total active member payroll which in turn generates lower UAAL contribution rates as a percent of payroll. These two impacts are discussed separately as follows:

As an employee progresses through his or her career, increases in pay are expected to come from three sources:

1. **Inflation:** Unless pay grows at least as fast as consumer prices grow, employees will experience a reduction in their standard of living. There may be times when pay increases lag or exceed inflation, but over the long term, labor market forces may require an employer to maintain its employees' standards of living.

**As discussed earlier in this report, we are recommending that the assumed rate of inflation be decreased from 2.75% to 2.50% per annum. This inflation component is used as part of the salary increase assumption.**

2. **Real "Across the Board" Pay Increases:** These increases are typically termed productivity increases since they are considered to be derived from the ability of an organization or an economy to produce goods and services in a more efficient manner. As that occurs, at least some portion of the value of these improvements can provide a source for pay increases. These increases are typically assumed to extend to all employees "across the board". The State and Local Government Workers Employment Cost Index produced by the Department of Labor provides evidence that real "across the board" pay increases have averaged about 0.4% – 0.7% annually during the last ten to twenty years.

We also referred to the annual report on the financial status of the Social Security program published in April 2020. In that report, real "across the board" pay increases are forecast to be 1.1% per year under the intermediate assumptions.

The real pay increase assumption is generally considered a more "macroeconomic" assumption that is not necessarily based on individual plan experience. However, recent salary experience with public systems in California as well as anecdotal discussions with plans and plan sponsors indicate lower future real wage growth expectations for public sector employees. We note that for OCERS' active members, the actual average inflation plus "across the board" increase (i.e., wage inflation) over the three year period ending December 31, 2019 was 2.77%, which is less than the change in CPI of 3.22% during that same period:

Valuation Date	Actual Average Increase <sup>26</sup>	Actual Change in CPI <sup>27</sup>
December 30, 2017	3.21%	2.79%
December 30, 2018	2.52%	3.81%
December 30, 2019	2.58%	3.07%
<b>Three Year Average</b>	<b>2.77%</b>	<b>3.22%</b>

<sup>26</sup> Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.

<sup>27</sup> Based on the change in the annual average CPI for the Los Angeles-Long Beach-Anaheim Area compared to the prior year. Prior to December 31, 2018, this was based on the change in the annual average CPI for Los Angeles- Riverside-Orange County Area.

**Considering these factors, we recommend maintaining the real “across the board” salary increase assumption at 0.50%. This means that the combined inflation and “across the board” salary increase assumption will decrease from 3.25% to 3.00%.**

3. **Merit and Promotion Increases:** As the name implies, these increases come from an employee’s career advances. This form of pay increase differs from the previous two, since it is specific to the individual. For OCERS, there are service-specific merit and promotion increases.

The annual merit and promotion increases are determined by measuring the actual increases received by members over the experience period, net of the inflationary and real “across the board” pay increases. Increases are measured separately for General and Safety members. This is accomplished by:

- a. Measuring each continuing member’s actual salary increase over each year of the experience period on a salary-weighted basis, with higher weights assigned to experience from members with larger salaries;
- b. Excluding any members with increases of more than 50% or any decreases during any particular year;
- c. Categorizing these increases according to member demographics;
- d. Removing the wage inflation component from these increases (assumed to be equal to the increase in the members’ average salary during the year);
- e. Averaging these annual increases over the experience period; and
- f. Modifying current assumptions to reflect some portion of these measured increases reflective of their “credibility.”

To be consistent with the other economic assumptions, these merit and promotion assumptions should be used in combination with the total 3.00% assumed inflation and real “across the board” increases recommended in this study.

Due to the high variability of the actual salary increases, we have analyzed this assumption using data for the past six years. We believe that when the experience from the current and prior studies is combined, it provides a more reasonable representation of potential future merit and promotion salary increases over the long term.

The following table shows the General members' actual average merit and promotion increases by years of service over the three-year period from January 1, 2017 through December 31, 2019 along with the actual average increases based on combining the current three-year period with the three-year period from the prior experience study. The current and proposed assumptions are also shown. The actual increases were reduced by the actual average inflation plus "across the board" increase (i.e. wage inflation, estimated as the increase in average salaries) for each year during the experience period (2.57% on average for the most recent three-year period).

## General

Rate (%)				
Years of Service	Current Assumptions	Actual Average Increase from Current Study (Last 3 Years)	Actual Average Increase Current and Prior Two Studies (Last 6 Years)	Proposed Assumption
Less than 1	9.00	4.67	5.58	8.00
1 – 2	7.25	7.51	7.33	7.25
2 – 3	6.00	6.69	6.65	6.25
3 – 4	5.00	6.14	5.95	5.25
4 – 5	4.00	5.47	5.04	4.25
5 – 6	3.50	3.92	3.81	3.50
6 – 7	2.50	3.03	3.10	2.75
7 – 8	2.25	2.55	2.73	2.50
8 – 9	1.75	1.56	2.16	1.70
9 – 10	1.50	1.82	2.18	1.70
10 – 11	1.50	1.59	1.77	1.60
11 – 12	1.50	1.53	1.78	1.60
12 – 13	1.50	1.54	1.69	1.50
13 – 14	1.50	1.49	1.65	1.50
14 – 15	1.50	1.12	1.38	1.25
15 – 16	1.50	0.93	1.33	1.25
16 – 17	1.00	0.88	1.20	1.00
17 – 18	1.00	0.81	1.18	1.00
18 – 19	1.00	0.72	1.29	1.00
19 – 20	1.00	0.78	1.13	1.00
20 & Over	1.00	0.71	1.04	1.00

The following table shows the Safety members' actual average merit and promotion increases by years of service over the three-year period from January 1, 2017 through December 31, 2019 along with the actual average increases based on combining the current three-year period with the three-year period from the prior experience study. The current and proposed assumptions are also shown. The actual increases were reduced by the actual average inflation plus "across the board" increase (i.e. wage inflation, estimated as the increase in average salaries) for each year during the experience period (3.01% on average for the most recent three-year period).

## Safety

Years of Service	Rate (%)			
	Current Assumptions	Actual Average Increase from Current Study (Last 3 Years)	Actual Average Increase Current and Prior Two Studies (Last 6 Years)	Proposed Assumption
Less than 1	14.00	10.34	12.13	12.00
1 – 2	10.00	12.05	9.14	10.00
2 – 3	7.75	11.32	8.49	8.50
3 – 4	6.00	10.37	7.59	7.50
4 – 5	5.50	8.71	7.66	6.50
5 – 6	4.50	7.32	5.77	5.50
6 – 7	3.75	6.16	5.05	5.00
7 – 8	3.25	5.66	4.39	4.00
8 – 9	2.50	4.11	3.39	3.00
9 – 10	2.25	3.08	2.64	2.50
10 – 11	1.75	2.18	1.89	1.85
11 – 12	1.75	2.22	1.91	1.85
12 – 13	1.75	1.85	1.55	1.85
13 – 14	1.75	2.32	2.00	1.85
14 – 15	1.75	2.10	1.75	1.85
15 – 16	1.75	1.34	1.50	1.60
16 – 17	1.50	1.39	1.46	1.60
17 – 18	1.50	1.64	1.76	1.60
18 – 19	1.50	1.63	1.93	1.60
19 – 20	1.50	1.50	1.85	1.60
20 & Over	1.50	1.98	1.63	1.60

Chart 1 that follows later in the section compares actual experience with the current and proposed rates of actual merit and promotion increases for General members. Also shown is the actual merit and promotion increases based on an average of both the current and previous three-year experience periods.

Chart 2 compares actual experience with the current and proposed rates of actual merit and promotion increases for Safety members. Also shown is the actual merit and promotion increases based on an average of both the current and previous three-year experience periods.

**Based on this experience, we are proposing changes in the merit and promotion salary increases for both General and Safety members, with increases in some service categories and decreases in other service categories. Overall, merit and promotion salary increases are assumed to be slightly lower for General members and higher for Safety members. The overall salary increase assumptions will decrease for General members and remain substantially the same for Safety members after taking into account the lower inflation component of the salary increase assumption.**

## **Active Member Payroll**

Projected active member payrolls are used to develop the UAAL contribution rate. Future values are determined as a product of the number of employees in the workforce and the average pay for all employees. The average pay for all employees increases only by inflation and real “across the board” pay increases. The merit and promotion increases are not an influence, because this average pay is not specific to an individual.

Under the Board’s current practice, the UAAL contribution rate is developed by assuming that the total payroll for all active members will increase annually over the amortization periods at the same assumed rates of inflation plus real “across the board” salary increase assumptions as are used to project the members’ future benefits.

**We recommend that the active member payroll increase assumption be decreased from 3.25% to 3.00% annually, consistent with the combined inflation plus real “across the board” salary increase assumptions.**

Chart 1: Merit and Promotion Salary Increase Rates  
General Members

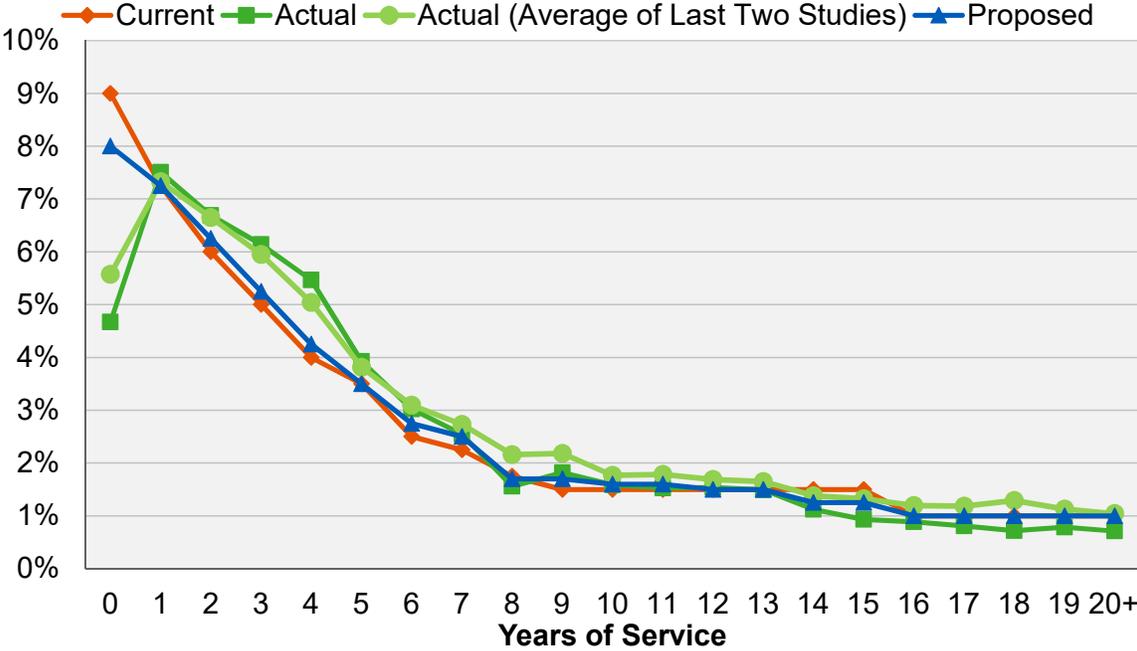
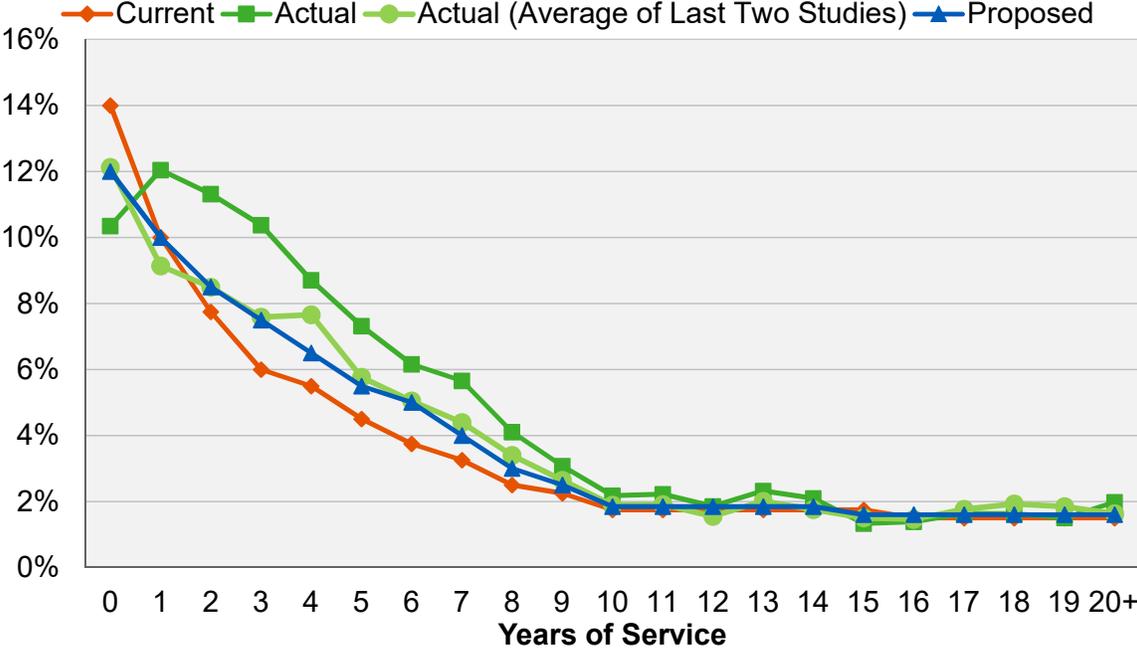


Chart 2: Merit and Promotion Salary Increase Rates  
Safety Members



## IV. Demographic Assumptions

### A. Retirement Rates

The age at which a member retires from service (i.e., who did not retire on a disability pension) will affect both the amount of the benefits that will be paid to that member as well as the period over which funding must take place.

The System's current retirement rates for the non-CalPEPRA Plans<sup>28</sup> are separated into:

- (1) General Enhanced
- (2) General Non-Enhanced<sup>29</sup>
- (3) General SJC (2.0% @ 57 under §31676.12)
- (4) Safety Law Enforcement (3.0% @ 50 under §31664.1)
- (5) Safety Law Enforcement (3.0% @ 55 under §31664.2)
- (6) Safety Fire (3.0% @ 50 under §31664.1)
- (7) Safety Fire (3.0% @ 55 under §31664.2)
- (8) Safety Probation (3.0% @ 50 under §31664.1)

For members who are covered under the CalPEPRA Plans, the retirement rates are separated into:

- (1) CalPEPRA General
- (2) CalPEPRA Safety Probation
- (3) CalPEPRA Safety Law Enforcement
- (4) CalPEPRA Safety Fire

### Use of Age-Based Versus Service-Based Retirement Assumptions

Currently, the assumed retirement rates are a function of only the member's age. In the last experience study report, we reviewed but decided not to recommend assumptions based on age and years of service citing the need for more reliable experience especially if several sets of those assumptions had to be derived based on a large number of service categories. With this year's experience study, we have again analyzed recent years' retirement experience as a function of age and years of service but only using two service categories in relation to the probability of retirement. Our review concludes that the retirement rates generally correlate both with age and with years of service when we look at the experience of those members before and after attaining 30 years of service.

<sup>28</sup> CalPEPRA or California Public Employees' Pension Reform Act of 2013 imposed lower benefit tiers for General and Safety members together with other changes.

<sup>29</sup> These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (§31676.01).

The tables below separate out retirement experience for members with service either less than or greater than 30 as well as age either below or above 60 for each of the earlier legacy OCERS tiers. These tables show that there is a discernable pattern of higher rates of retirement for members with 30 or more years of service compared to those with less than 30 years of service in each group.

<b>Rate of Retirement (%)</b>			
<b>General Enhanced</b>			
<b>Age</b>	<b>All Service</b>	<b>Less than 30 Years of Service</b>	<b>30 or More Years of Service</b>
60 & Under	7.65	6.14	23.03
60 & Over	18.32	16.99	27.67
All Ages	11.01	9.47	24.85

<b>Rate of Retirement (%)</b>			
<b>General Non-Enhanced</b>			
<b>Age</b>	<b>All Service</b>	<b>Less than 30 Years of Service</b>	<b>30 or More Years of Service</b>
60 & Under	3.91	3.89	4.07
60 & Over	14.98	14.04	20.48
All Ages	8.35	7.77	13.49

<b>Rate of Retirement (%)</b>			
<b>Safety Law Enforcement (3.0% @ 50 under §31664.1)</b>			
<b>Age</b>	<b>All Service</b>	<b>Less than 30 Years of Service</b>	<b>30 or More Years of Service</b>
60 & Under	13.05	11.60	32.20
60 & Over	36.90	30.51	52.00
All Ages	14.19	12.29	35.66

<b>Rate of Retirement (%)</b>			
<b>Safety Fire (3.0% @ 50 under §31664.1)</b>			
<b>Age</b>	<b>All Service</b>	<b>Less than 30 Years of Service</b>	<b>30 or More Years of Service</b>
60 & Under	10.38	6.17	29.50
60 & Over	22.37	18.92	25.64
All Ages	11.45	6.88	28.65

<b>Rate of Retirement (%)</b>			
<b>Safety Probation (3.0% @ 50 under §31664.1)</b>			
<b>Age</b>	<b>All Service</b>	<b>Less than 30 Years of Service</b>	<b>30 or More Years of Service</b>
60 & Under	10.01	8.82	28.26
60 & Over	22.78	20.55	50.00
All Ages	11.23	9.92	30.77

Based on this observation, we recommend that retirement rates be structured as a function of both age and years of service for the legacy tiers that have been adopted for a longer period of time for which we have enough data to support proposing rates based on both age and service. The new structure of retirement assumptions for these tiers will apply different sets of age-based retirement assumptions for those with less than 30 years of service and for those with more than 30 years of service. For General San Juan Capistrano or SJC (2.0% @ 57 under §31676.12), Safety Law Enforcement (3.0% @ 55 under §31664.2), and Safety Fire (3.0% @ 55 under §31664.2), as well as the CalPEPRA Tiers, we continue to recommend that retirement rates be structured as a function of only age until more data on actual retirement experience is available to review the retirement rates based on both age and service.

The table on the following page shows the observed service retirement rates for General Enhanced members based on the actual experience over the past three years. The observed service retirement rates were determined by comparing those members who actually retired from service to those eligible to retire from service. This same methodology is followed throughout this report and was described in Section II. Also shown are the current assumed rates and the rates we propose.

## General Enhanced

Age	Rate of Retirement (%)				
	All Service	Less than 30 Years of Service		30 or More Years of Service	
	Current Rate	Actual Rate	Proposed Rate	Actual Rate	Proposed Rate
49 <sup>30</sup>	30.00	N/A	0.00	0.00	30.00
50	2.50	2.97	2.00	7.14	4.00
51	2.00	1.82	2.00	3.23	4.00
52	2.50	2.79	2.50	3.64	5.00
53	2.50	2.48	2.50	10.11	5.00
54	5.50	7.51	7.00	16.81	14.00
55	15.00	11.72	12.00	41.77	30.00
56	10.00	9.05	9.00	24.58	19.00
57	10.00	7.77	9.00	30.51	18.00
58	11.00	8.88	9.00	24.04	18.00
59	11.00	10.97	10.00	20.78	20.00
60	12.00	11.54	11.00	29.27	20.00
61	12.00	9.54	11.00	23.29	20.00
62	14.00	13.87	13.00	24.00	20.00
63	16.00	12.82	13.00	28.79	22.00
64	16.00	16.20	16.00	18.37	24.00
65	22.00	24.92	24.00	38.64	28.00
66	22.00	24.35	24.00	40.48	30.00
67	23.00	24.06	24.00	29.63	30.00
68	23.00	21.84	22.00	22.22	27.50
69	23.00	19.86	22.00	23.53	27.50
70	25.00	27.27	25.00	11.76	27.50
71	25.00	24.44	25.00	54.55	27.50
72	25.00	28.77	25.00	22.22	27.50
73	25.00	13.21	20.00	37.50	27.50
74	25.00	18.00	20.00	33.33	27.50
75 & Over	100.00	24.09	100.00	22.22	100.00

**As shown above, we are recommending decreases in some of the retirement rates for General Enhanced members with less than 30 years of service and recommending increases in most of the retirement rates for General Enhanced members with 30 or more years of service.**

Chart 3 that follows later in this section compares actual experience with the current and proposed rates of retirement for General Enhanced members with less than 30 years of service.

Chart 4 compares actual experience with the current and proposed rates of retirement for General Enhanced members with 30 or more years of service.

<sup>30</sup> These rates are applicable to General members with 30 or more years of service.

The following table shows the observed retirement rates for General Non-Enhanced members over the past three years. Also shown are the current rates assumed and the rates we propose:

## General Non-Enhanced

Age	Rate of Retirement (%)				
	All Service	Less than 30 Years of Service		30 or More Years of Service	
	Current Rate	Actual Rate	Proposed Rate	Actual Rate	Proposed Rate
49 <sup>31</sup>	25.00	N/A	0.00	N/A	25.00
50	2.00	3.73	3.00	N/A	3.00
51	2.00	3.31	3.00	0.00	3.00
52	2.00	0.68	2.00	0.00	2.00
53	2.75	5.44	3.50	0.00	3.50
54	2.75	1.30	2.75	0.00	2.75
55	3.25	4.38	3.25	0.00	3.25
56	3.50	2.82	3.50	5.56	3.50
57	5.50	4.19	5.00	4.35	5.00
58	5.50	5.59	5.50	9.09	5.50
59	6.50	7.80	6.50	4.17	6.50
60	9.25	10.60	9.00	13.33	13.50
61	12.00	7.52	9.00	15.15	13.50
62	16.00	7.69	9.00	24.14	18.00
63	16.00	7.00	9.50	15.79	19.00
64	18.00	9.28	10.00	25.00	20.00
65	22.00	21.13	22.00	38.46	26.40
66	28.00	25.00	25.00	30.00	30.00
67	24.00	18.00	25.00	40.00	30.00
68	24.00	35.29	30.00	0.00	27.50
69	20.00	40.00	30.00	0.00	27.50
70	20.00	26.67	20.00	0.00	27.50
71	25.00	9.52	20.00	0.00	27.50
72	25.00	4.35	20.00	N/A	27.50
73	25.00	30.77	20.00	N/A	27.50
74	25.00	18.18	20.00	0.00	27.50
75 & Over	100.00	26.67	100.00	N/A	100.00

**As shown above, we are recommending decreases in some of the retirement rates for General Non-Enhanced members with less than 30 years of service and recommending increases in most of the retirement rates for General Non-Enhanced members with 30 or more years of service.**

<sup>31</sup> These rates are applicable to General members with 30 or more years of service.

Chart 5 that follows later in this section compares actual experience with the current and proposed rates of retirement for General Non-Enhanced members with less than 30 years of service.

Chart 6 compares actual experience with the current and proposed rates of retirement for General Non-Enhanced members with 30 or more years of service.

The following table shows the observed retirement rates for Safety Law Enforcement (3.0% @ 50 under §31664.1) members over the past three years. Also shown are the current rates assumed and the rates we propose:

**Safety Law Enforcement (3.0% @ 50 under §31664.1)**

Age <sup>32</sup>	Rate of Retirement (%)				
	All Service	Less than 30 Years of Service		30 or More Years of Service	
	Current Rate <sup>33</sup>	Actual Rate	Proposed Rate	Actual Rate	Proposed Rate
45	0.00	1.27	1.00	N/A	16.00
46	0.00	0.91	1.00	N/A	16.00
47	0.00	2.38	1.00	N/A	16.00
48	0.00	0.00	1.00	N/A	16.00
49	12.00	10.53	11.00	N/A	16.00
50	18.00	16.00	16.00	20.00	16.00
51	18.00	14.65	16.00	16.67	16.00
52	17.00	17.29	17.00	9.09	16.00
53	17.00	19.59	19.00	37.50	30.00
54	22.00	25.88	24.00	40.00	30.00
55	22.00	23.08	24.00	29.41	30.00
56	20.00	22.50	22.00	41.18	30.00
57	20.00	23.53	22.00	20.00	30.00
58	20.00	23.81	22.00	50.00	40.00
59	26.00	20.00	22.00	50.00	40.00
60	35.00	30.77	30.00	25.00	40.00
61	35.00	38.46	30.00	50.00	40.00
62	40.00	10.00	30.00	50.00	40.00
63	40.00	33.33	30.00	60.00	40.00
64	40.00	20.00	30.00	60.00	40.00
65 & Over	100.00	41.67	100.00	66.67	100.00

**As shown above, we are recommending changes (both decreases and increases) in most of the retirement rates for Safety Law Enforcement (3.0% @ 50 under §31664.1) members with less than 30 years of service and recommending increases in most of the retirement**

<sup>32</sup> For retirement ages below 50, the rates are applicable to Safety members with 20 or more years of service.

<sup>33</sup> Retirement rate is currently assumed at 100% after a Safety Law Enforcement member accrues a benefit of 100% of final average earnings.

**rates for Safety Law Enforcement (3.0% @ 50 under §31664.1) members with 30 or more years of service.**

Retirement rate is currently assumed at 100% after a Safety Law Enforcement member accrues a benefit of 100% of final average earnings. However, we are recommending removing this assumption under the new retirement assumption structure as a function of both age and years of service.

Chart 7 that follows later in this section compares actual experience with the current and proposed rates of retirement for Safety Law Enforcement (3.0% @ 50 under §31664.1) members with less than 30 years of service.

Chart 8 compares actual experience with the current and proposed rates of retirement for Safety Law Enforcement (3.0% @ 50 under §31664.1) members with 30 or more years of service.

The following table shows the observed retirement rates for Safety Fire (3.0% @ 50 under §31664.1) members over the past three years. Also shown are the current rates assumed and the rates we propose:

**Safety Fire (3.0% @ 50 under §31664.1)**

Age <sup>34</sup>	Rate of Retirement (%)				
	All Service	Less than 30 Years of Service		30 or More Years of Service	
	Current Rate	Actual Rate	Proposed Rate	Actual Rate	Proposed Rate
45	0.00	0.00	2.00	N/A	10.00
46	0.00	0.00	2.00	N/A	10.00
47	0.00	0.00	2.00	N/A	10.00
48	0.00	0.00	2.00	N/A	10.00
49	2.00	6.82	2.00	0.00	10.00
50	5.00	5.88	4.00	0.00	10.00
51	7.00	2.82	4.00	14.29	10.00
52	9.50	1.54	4.00	8.33	10.00
53	10.50	8.93	9.00	22.73	20.00
54	15.00	11.76	12.00	28.57	25.00
55	18.00	12.12	12.00	26.32	25.00
56	20.00	11.76	12.00	28.57	25.00
57	21.00	21.21	18.00	50.00	25.00
58	28.00	4.76	18.00	40.00	30.00
59	28.00	16.67	18.00	50.00	30.00
60	30.00	27.27	18.00	14.29	30.00
61	30.00	11.11	18.00	33.33	30.00
62	35.00	20.00	18.00	33.33	35.00
63	35.00	0.00	18.00	20.00	35.00
64	35.00	0.00	18.00	33.33	35.00
65 & Over	100.00	22.22	100.00	22.22	100.00

**As shown above, we are recommending decreases in most of the retirement rates for Safety Fire (3.0% @ 50 under §31664.1) members with less than 30 years of service and recommending increases in most of the retirement rates for Safety Fire (3.0% @ 50 under §31664.1) members with 30 or more years of service.**

Chart 9 that follows later in this section compares actual experience with the current and proposed rates of retirement for Safety Fire (3.0% @ 50 under §31664.1) members with less than 30 years of service.

Chart 10 compares actual experience with the current and proposed rates of retirement for Safety Fire (3.0% @ 50 under §31664.1) members with 30 or more years of service.

The following table shows the observed retirement rates for Safety Probation (3.0% @ 50 under §31664.1) members over the past three years. Also shown are the current rates assumed and the rates we propose:

<sup>34</sup> For retirement ages below 50, the rates are applicable to Safety members with 20 or more years of service.

### Safety Probation (3.0% @ 50 under §31664.1)

Age <sup>35</sup>	Rate of Retirement (%)				
	All Service	Less than 30 Years of Service		30 or More Years of Service	
	Current Rate <sup>36</sup>	Actual Rate	Proposed Rate	Actual Rate	Proposed Rate
45	0.00	0.00	3.00	N/A	5.00
46	0.00	3.64	3.00	N/A	5.00
47	0.00	5.56	3.00	N/A	5.00
48	0.00	5.56	3.00	N/A	5.00
49	0.00	3.64	3.00	N/A	5.00
50	3.25	18.68	9.00	N/A	12.00
51	3.25	5.63	7.00	N/A	10.00
52	4.25	5.26	5.00	0.00	9.00
53	4.25	11.36	7.00	0.00	9.00
54	7.00	5.56	7.00	25.00	12.00
55	12.00	9.09	12.00	57.14	30.00
56	12.00	19.23	18.00	57.14	30.00
57	18.00	31.58	25.00	0.00	30.00
58	18.00	20.00	25.00	42.86	30.00
59	18.00	16.67	18.00	0.00	30.00
60	20.00	21.43	20.00	0.00	40.00
61	20.00	15.38	20.00	50.00	40.00
62	25.00	15.38	20.00	100.00	40.00
63	40.00	20.00	20.00	N/A	40.00
64	40.00	16.67	20.00	100.00	40.00
65 & Over	100.00	29.41	100.00	N/A	100.00

**As shown above, we are recommending increases in most of retirement rates for Safety Probation (3.0% @ 50 under §31664.1) members with less than 30 years of service and recommending increases in all of the retirement rates for Safety Probation (3.0% @ 50 under §31664.1) members with 30 or more years of service.**

Retirement rate is currently assumed at 100% after a Safety Probation member accrues a benefit of 100% of final average earnings. However, we are recommending removing this assumption under the new retirement assumption structure as a function of both age and years of service.

Chart 11 compares actual experience with the current and proposed rates of retirement for Safety Probation (3.0% @ 50 under §31664.1) members with less than 30 years of service.

Chart 12 compares actual experience with the current and proposed rates of retirement for Safety Probation (3.0% @ 50 under §31664.1) members with 30 or more years of service.

<sup>35</sup> For retirement ages below 50, the rates are applicable to Safety members with 20 or more years of service.

<sup>36</sup> Retirement rate is currently assumed at 100% after a Safety Probation member accrues a benefit of 100% of final average earnings.

For General SJC under (2.0% @ 57 under §31676.12), Safety Law Enforcement (3.0% @ 55 under §31664.2) and Safety Fire (3.0% @ 55 under §31664.2), we do not have credible experience from the past three years to propose new rates based on actual retirement from members of these newer plans. However, we are recommending revising some of the rates currently used for those plans to commensurate with the overall changes to the retirement rates that we observed and are recommending from the other older plans.

The following are the current and proposed rates of retirement for General SJC (31676.12), Safety Law Enforcement (31664.2), and Safety Fire (31664.2) members:

Age	Rate of Retirement (%)					
	General SJC (31676.12)		Safety Law Enforcement (31664.2)		Safety Fire (31664.2)	
	Current Rate	Proposed Rate	Current Rate <sup>37</sup>	Proposed Rate	Current Rate	Proposed Rate
50	3.00	4.00	11.50	11.50	8.00	8.00
51	3.00	4.00	12.00	12.00	10.00	9.00
52	3.00	4.00	12.70	12.70	11.00	10.00
53	3.00	4.00	17.90	17.90	12.00	12.00
54	3.00	4.00	18.80	18.80	14.00	14.00
55	4.00	4.00	30.70	35.00	24.00	23.00
56	5.00	5.00	20.00	25.00	23.00	22.00
57	6.00	6.00	20.00	25.00	27.00	25.00
58	7.00	7.00	25.00	25.00	27.00	25.00
59	9.00	9.00	30.00	30.00	36.00	35.00
60	11.00	10.00	40.00	40.00	40.00	40.00
61	13.00	12.00	40.00	40.00	40.00	40.00
62	15.00	13.00	40.00	40.00	40.00	40.00
63	15.00	13.00	40.00	40.00	40.00	40.00
64	20.00	19.00	40.00	40.00	40.00	40.00
65	20.00	20.00	100.00	100.00	100.00	100.00
66	24.00	25.00	100.00	100.00	100.00	100.00
67	24.00	25.00	100.00	100.00	100.00	100.00
68	24.00	25.00	100.00	100.00	100.00	100.00
69	24.00	25.00	100.00	100.00	100.00	100.00
70	50.00	45.00	100.00	100.00	100.00	100.00
71	50.00	45.00	100.00	100.00	100.00	100.00
72	50.00	45.00	100.00	100.00	100.00	100.00
73	50.00	45.00	100.00	100.00	100.00	100.00
74	50.00	45.00	100.00	100.00	100.00	100.00
75 & Over	100.00	100.00	100.00	100.00	100.00	100.00

<sup>37</sup> Retirement rate is currently assumed at 100% after a Safety Law Enforcement member accrues a benefit of 100% of final average earnings.

Retirement rate is currently assumed at 100% after a Safety Law Enforcement member accrues a benefit of 100% of final average earnings. Similar to what we proposed for the Safety Law Enforcement (3.0% @ 50 under §31664.1) members, we are recommending removing this assumption for the Safety Law Enforcement (3.0% @ 55 under §31664.2) members.

Chart 13 compares the current rates with the proposed rates of retirement for General SJC under (2.0% @ 57 under §31676.12).

Chart 14 compares the current rates with the proposed rates of retirement for Safety Law Enforcement (3.0% @ 55 under §31664.2).

Chart 15 compares the current rates with the proposed rates of retirement for Safety Fire (3.0% @ 55 under §31664.2).

On January 1, 2013, new CalPEPRA formulas were implemented for new General and Safety tiers. For these new formulas, we do not have credible experience from the past three years to propose new rates based on actual retirement from members of the newer plans. However, we have revised some of our recommended rates for CalPEPRA General and Safety formulas so that those rates will remain comparable to the proposed retirement rates we are recommending for the non-CalPEPRA General and Safety formulas.

Age	Rate of Retirement (%)							
	CalPEPRA – General		CalPEPRA – Safety Probation		CalPEPRA – Safety Law Enforcement		CalPEPRA – Safety Fire	
	Current Rate	Proposed Rate	Current Rate <sup>38</sup>	Proposed Rate	Current Rate <sup>38</sup>	Proposed Rate	Current Rate	Proposed Rate
50	0.00	0.00	2.50	3.00	11.00	11.00	6.00	6.00
51	0.00	0.00	2.50	3.00	11.50	11.50	7.00	6.50
52	4.00	6.00	3.00	3.50	12.00	12.00	9.00	8.00
53	1.50	2.00	3.00	3.50	16.00	16.00	10.00	10.00
54	1.50	2.00	5.50	6.00	17.00	17.00	11.50	11.50
55	2.50	2.50	10.00	12.00	28.00	29.00	21.00	20.00
56	3.50	3.50	10.00	12.00	18.00	19.00	20.00	19.00
57	5.50	5.50	15.00	15.00	17.50	19.00	22.00	21.00
58	7.50	7.50	20.00	25.00	22.00	23.00	25.00	24.00
59	7.50	7.50	20.00	25.00	26.00	26.00	30.00	30.00
60	7.50	7.50	40.00	40.00	40.00	40.00	40.00	40.00
61	7.50	7.50	40.00	40.00	40.00	40.00	40.00	40.00
62	14.00	14.00	40.00	40.00	40.00	40.00	40.00	40.00
63	14.00	14.00	40.00	40.00	40.00	40.00	40.00	40.00
64	14.00	14.00	40.00	40.00	40.00	40.00	40.00	40.00
65	18.00	20.00	100.00	100.00	100.00	100.00	100.00	100.00
66	22.00	22.00	100.00	100.00	100.00	100.00	100.00	100.00
67	23.00	23.00	100.00	100.00	100.00	100.00	100.00	100.00
68	23.00	23.00	100.00	100.00	100.00	100.00	100.00	100.00
69	23.00	23.00	100.00	100.00	100.00	100.00	100.00	100.00
70	25.00	25.00	100.00	100.00	100.00	100.00	100.00	100.00
71	25.00	25.00	100.00	100.00	100.00	100.00	100.00	100.00
72	25.00	25.00	100.00	100.00	100.00	100.00	100.00	100.00
73	25.00	25.00	100.00	100.00	100.00	100.00	100.00	100.00
74	25.00	25.00	100.00	100.00	100.00	100.00	100.00	100.00
75 & Over	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Retirement rate is currently assumed at 100% after a CalPEPRA Safety Probation member or a CalPEPRA Safety Law Enforcement member accrues a benefit of 100% of final average earnings. Similar to what we proposed for the Non-CalPEPRA Safety Probation and Non-CalPEPRA Safety Law Enforcement members, we are recommending removing this assumption for the CalPEPRA Safety Probation members and CalPEPRA Safety Law Enforcement members.

Chart 16 compares the current rates with the proposed rates of retirement for CalPEPRA General members.

<sup>38</sup> Retirement rate is currently assumed at 100% after a Safety Probation or Safety Law Enforcement member accrues a benefit of 100% of final average earnings.

Chart 17 compares the current rates with the proposed rates of retirement for CalPEPRA Safety Probation members.

Chart 18 compares the current rates with the proposed rates of retirement for CalPEPRA Safety Law Enforcement members.

Chart 19 compares the current rates with the proposed rates of retirement for CalPEPRA Safety Fire members.

## Deferred Vested Members

In prior valuations, deferred vested General and Safety members were assumed to retire at age 59 and 53, respectively. The average age at retirement over the current three years period in this experience study was 59.5 for General and 54.4 for Safety. **We recommend maintaining the current assumption for General members at age 59 and increasing the current assumption for Safety members from age 53 to age 54.**

For members who terminate with less than five years of service after January 1, 2003 and are not vested, we assume they would retire at age 70 for both General and Safety if they decide to leave their contributions on deposit as permitted by §31629.5.

## Reciprocity

Under the current assumptions, it was assumed that 15% of General and 25% of Safety future deferred vested members would be covered under a reciprocal retirement system. For those covered under a reciprocal retirement system, a General member is assumed to receive 4.25% annual salary increases, while a Safety member is assumed to receive 4.75% annual salary increases from termination until their date of retirement. As of December 31, 2019, about 12.4% of the total General deferred vested members and 20.2% of the total Safety deferred vested members went on to be covered by a reciprocal retirement system.

**We recommend maintaining the reciprocal assumption at 15% for General members and decreasing the assumption from 25% to 20% for Safety members.** This recommendation takes into account the experience of all deferred vested members as of December 31, 2019 instead of just new deferred vested members during the three-year period. This is because there is usually a lag between a member's date of termination and the time that it is known if they have reciprocity with a reciprocal retirement system.

**In addition, we recommend 4.00% and 4.60% annual salary increase assumptions for General and Safety members, respectively, be utilized to anticipate salary increases from the date of termination from OCERS to the expected date of retirement for deferred vested members covered by a reciprocal retirement system.** These assumptions are based on the ultimate 1.00% and 1.60% merit and promotion salary increase assumptions for General and Safety members, respectively, together with the 2.50% inflation and 0.50% real "across the board" salary increase assumptions that are recommended earlier in Section III of this report.

## Survivor Continuance under the Unmodified Option

In prior valuations, it was assumed that 75% of all active male members and 55% of all active female members who selected the unmodified option would be married or have an eligible domestic partner when they retired.

We reviewed experience for new retirees during the three-year period and determined the actual percentage of these new retirees that were married or had a domestic partner at retirement. The results of that analysis are shown below.

Year Ending December 31	New Retirees – Actual Percent with Eligible Spouse or Domestic Partner and Selected Unmodified Option	
	Male	Female
2017	76%	53%
2018	72%	51%
2019	71%	49%
<b>Total</b>	<b>73%</b>	<b>51%</b>

**According to experience of members who retired during the last three years, about 73% of all male members and 51% of all female members who selected the unmodified option were married or had a domestic partner at retirement. We recommend maintaining the assumption at 75% for male members and 55% for female members.**

Since the present value of the survivor's automatic continuance benefit is dependent on the survivor's age and sex, we must also have assumptions for the age and sex of the survivor. Based on the experience for members who retired during the current three-year period (results shown in the table below) and studies done for other retirement systems, **we recommend the following:**

1. Since most the survivors are actually of the opposite sex, even with the inclusion of domestic partners, **we will continue to assume that the survivor's sex is the opposite of the member.**
2. **We recommend maintaining the spouse age difference assumption that male retirees are three years older than their spouses and decreasing the spouse age difference assumption for female retirees from three years to two years younger than their spouses.** These assumptions will continue to be monitored in future experience studies.

	Spouse's Age as Compared to Member's Age	
	Male	Female
Current Assumption	3 years older	3 years younger
Actual OCERS Experience	2.6 years older	2.2 years younger
Proposed Assumption	3 years older	2 years younger

Chart 3: Retirement Rates  
 General Enhanced Members with Less than 30 Years of Service

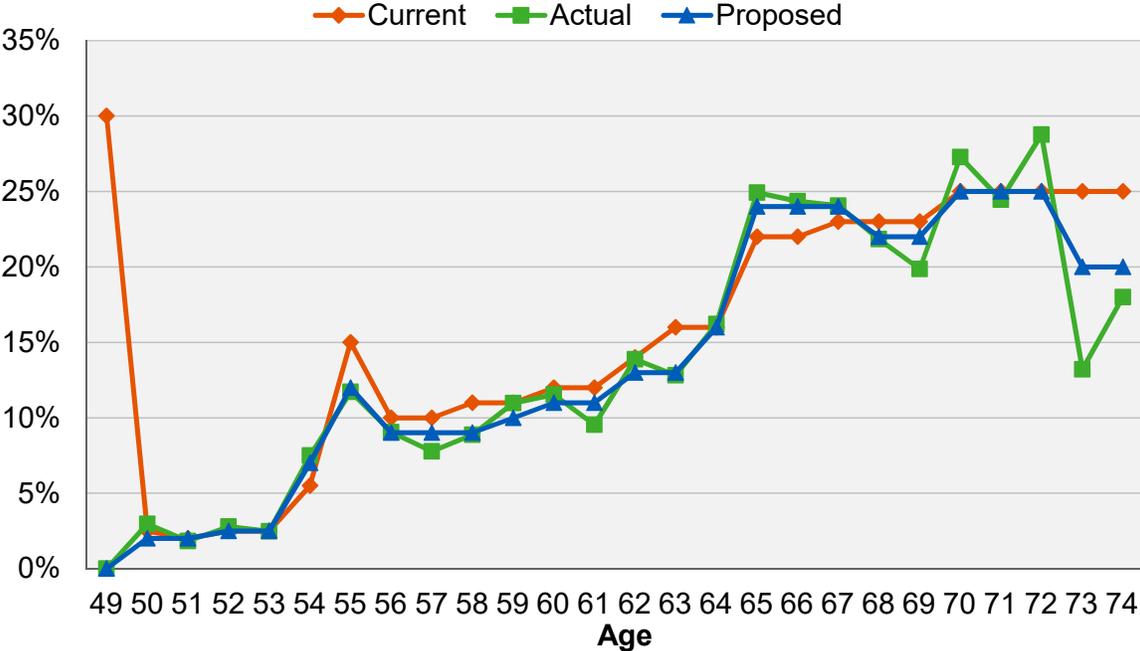


Chart 4: Retirement Rates  
 General Enhanced Members with More than 30 Years of Service

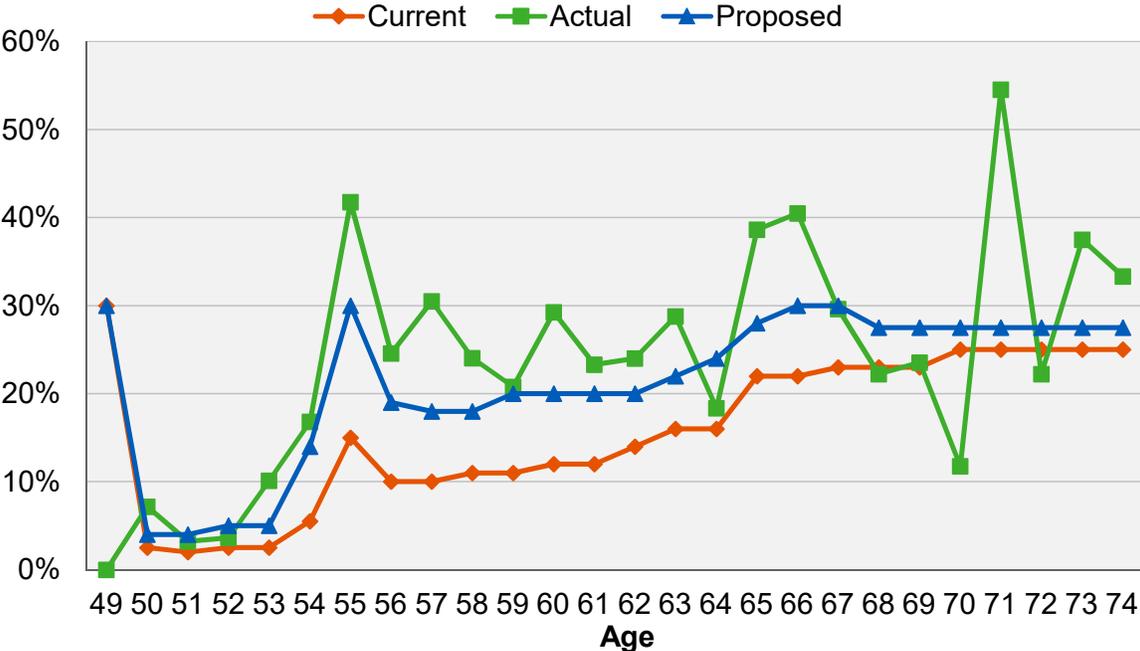


Chart 5: Retirement Rates  
 General Non-Enhanced Members with Less than 30 Years of Service

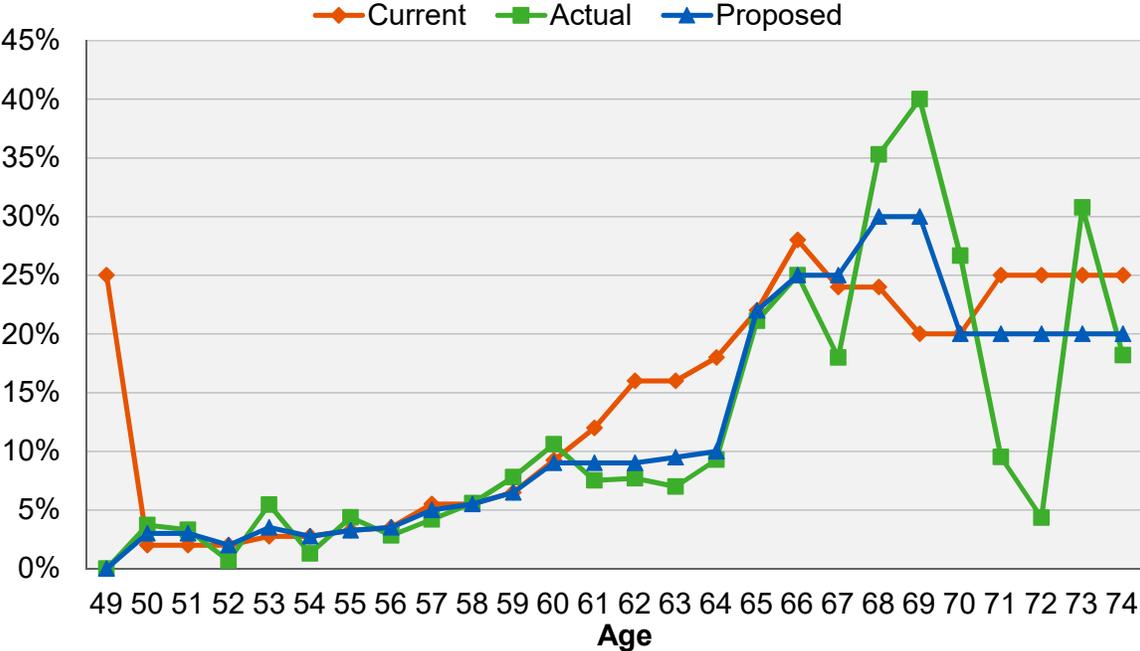


Chart 6: Retirement Rates  
 General Non-Enhanced Members with More than 30 Years of Service

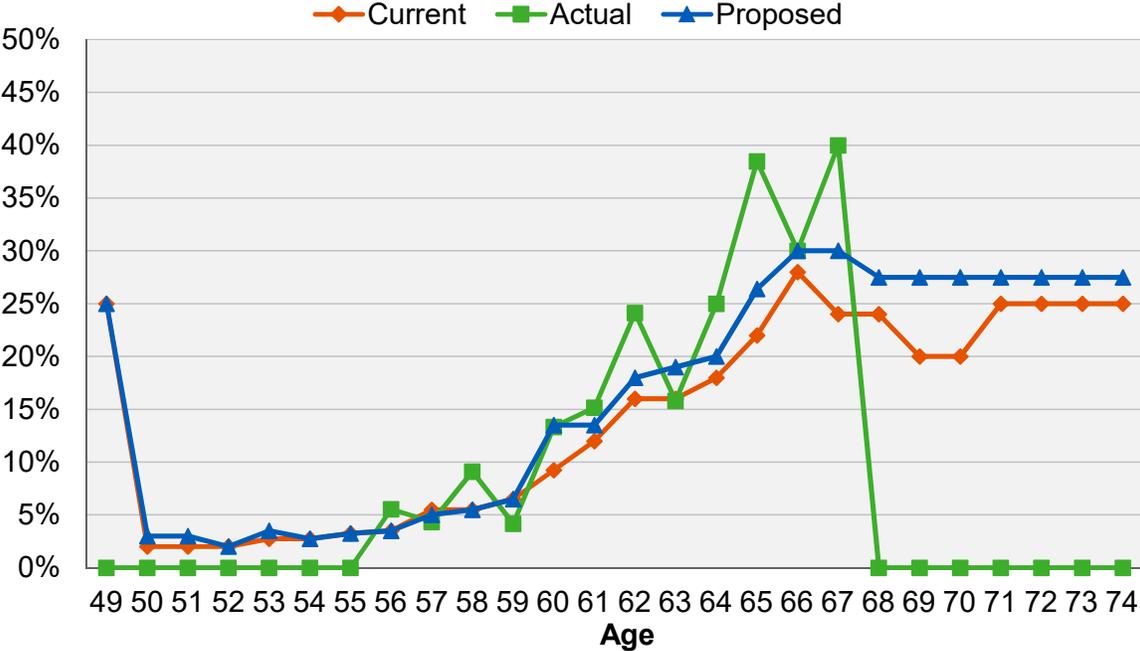


Chart 7: Retirement Rates  
 Safety Law Enforcement Members (31664.1) with Less than 30 Years of Service

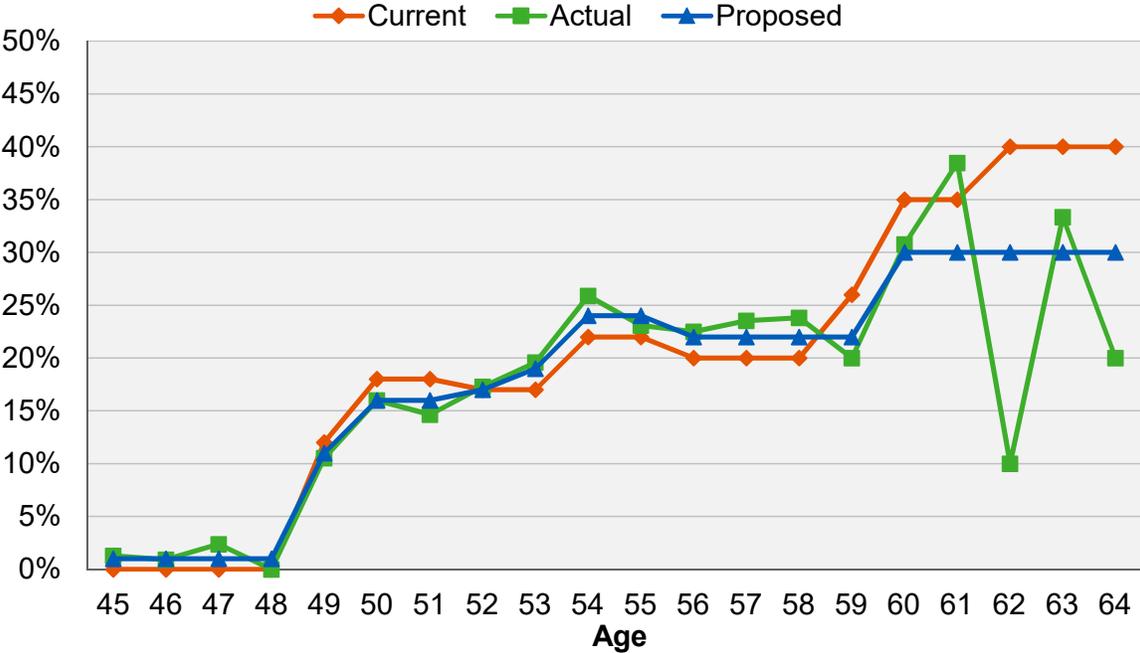


Chart 8: Retirement Rates  
 Safety Law Enforcement Members (31664.1) with More than 30 Years of Service

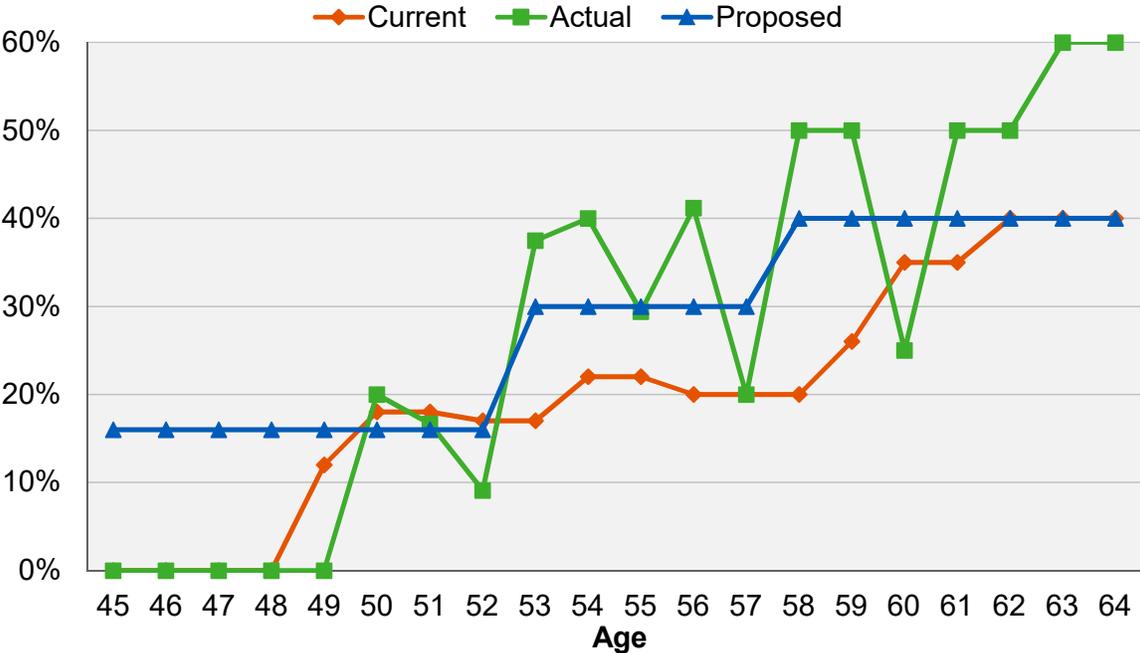


Chart 9: Retirement Rates  
 Safety Fire (3.0% @ 50 under §31664.1) with Less than 30 Years of Service

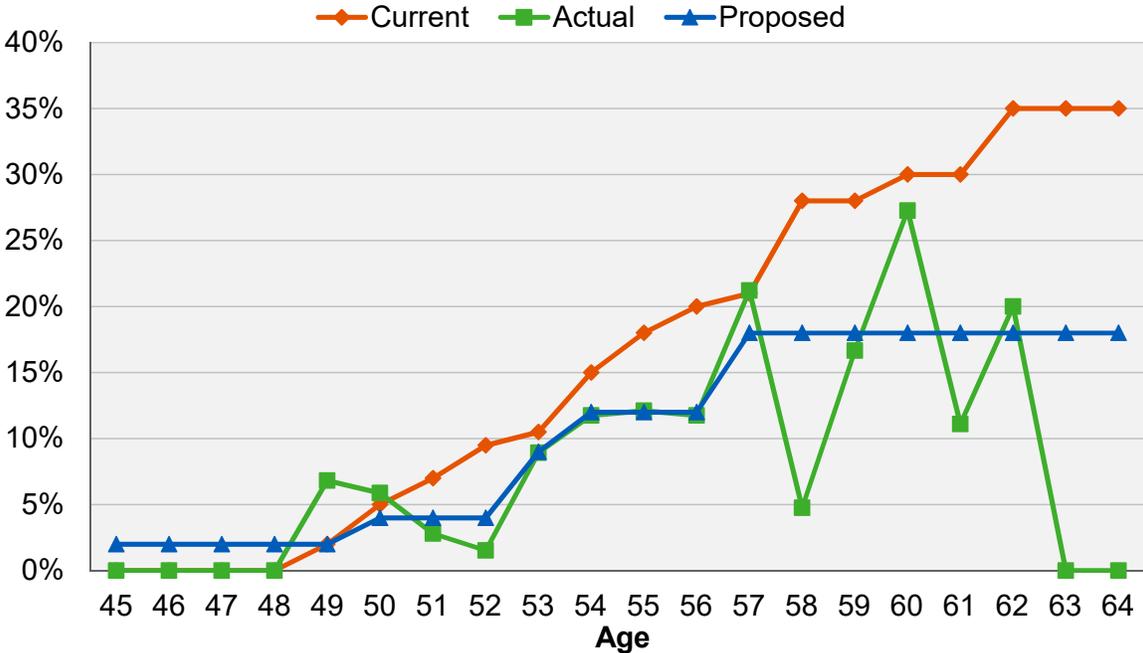


Chart 10: Retirement Rates  
 Safety Fire (3.0% @ 50 under §31664.1) with More than 30 Years of Service

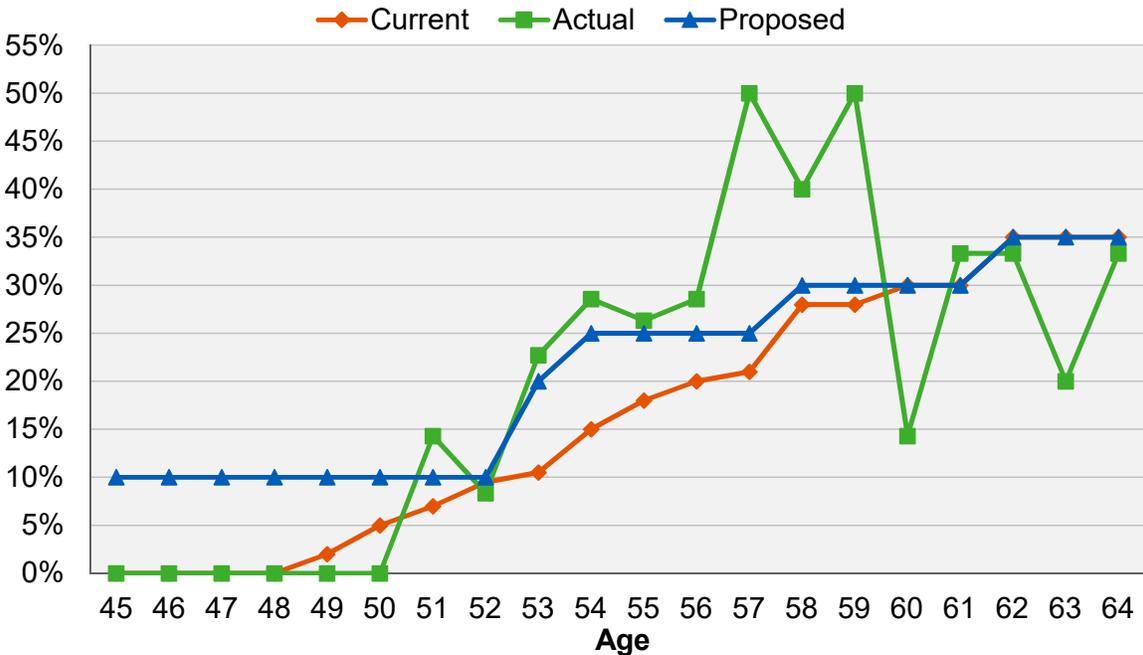


Chart 11: Retirement Rates  
 Safety Probation (3.0% @ 50 under §31664.1) with Less than 30 Years of Service

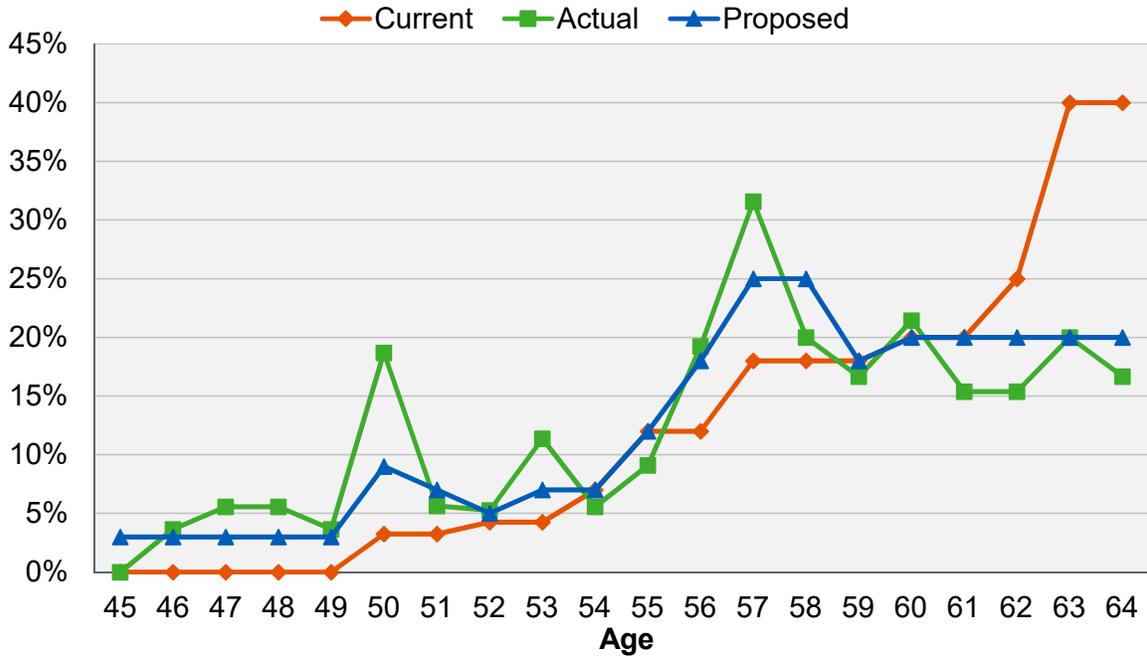


Chart 12: Retirement Rates  
 Safety Probation (3.0% @ 50 under §31664.1) with More than 30 Years of Service

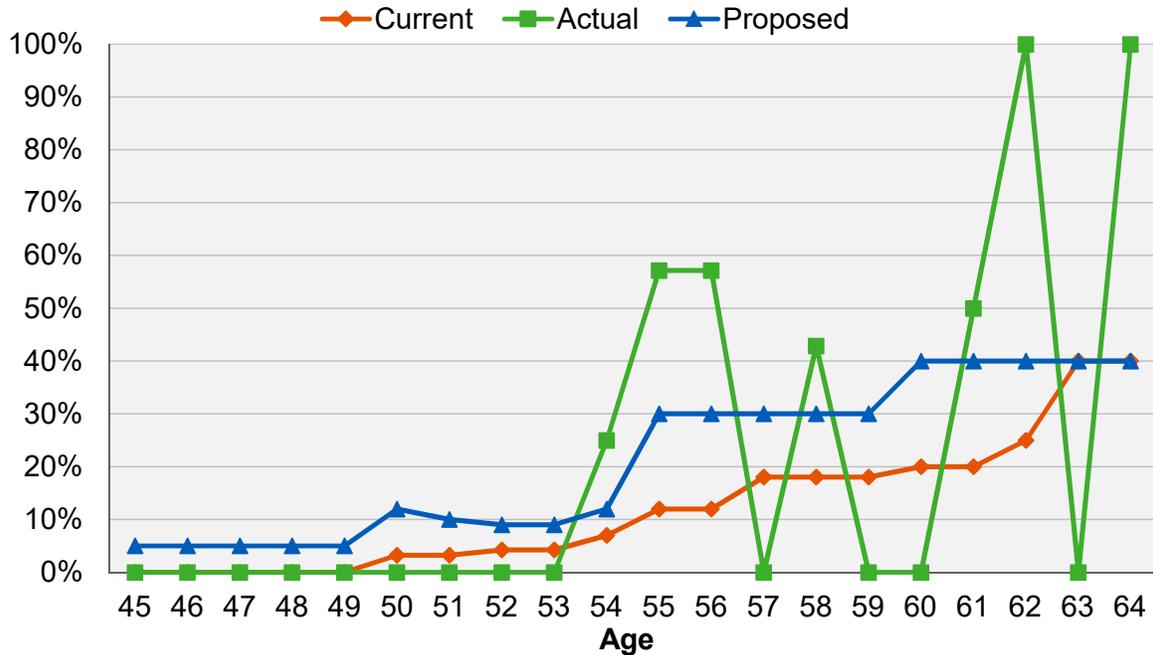


Chart 13: Retirement Rates  
General SJC Members (31676.12)

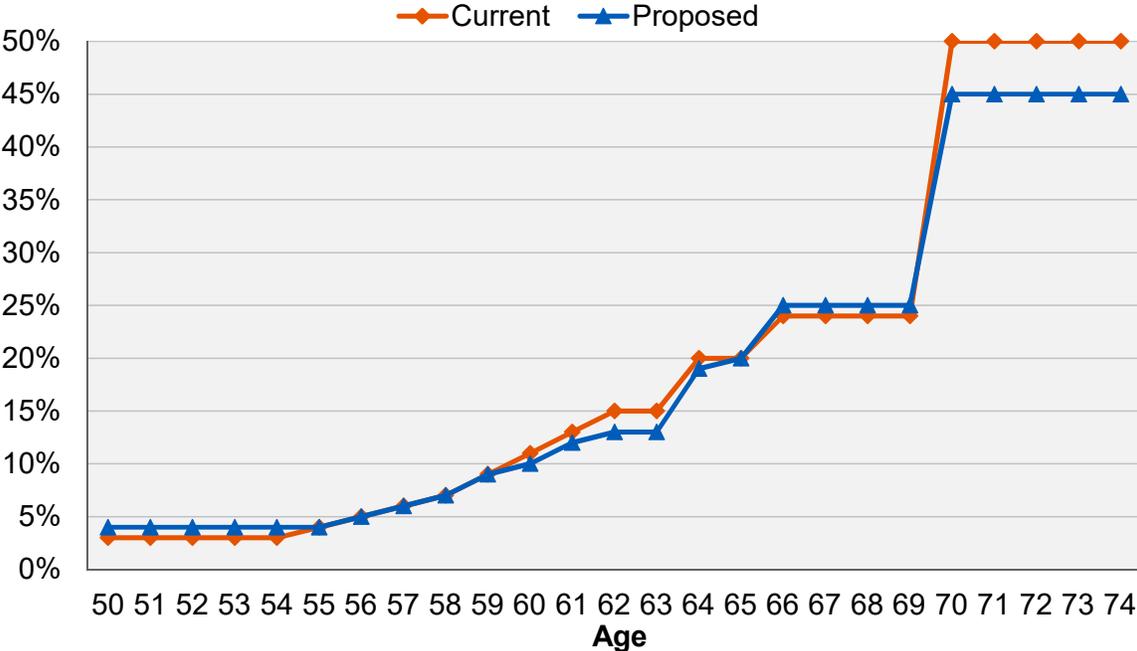


Chart 14: Retirement Rates  
Safety Law Enforcement Members (31664.2)

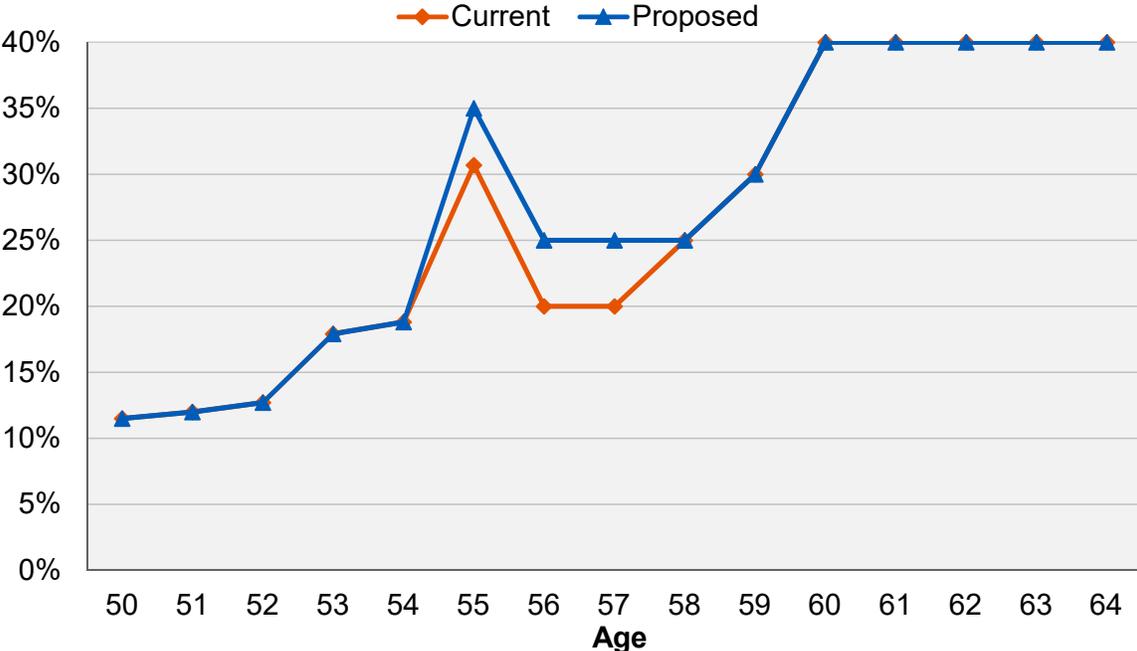


Chart 15: Retirement Rates  
Safety Fire Authority Members (31664.2)

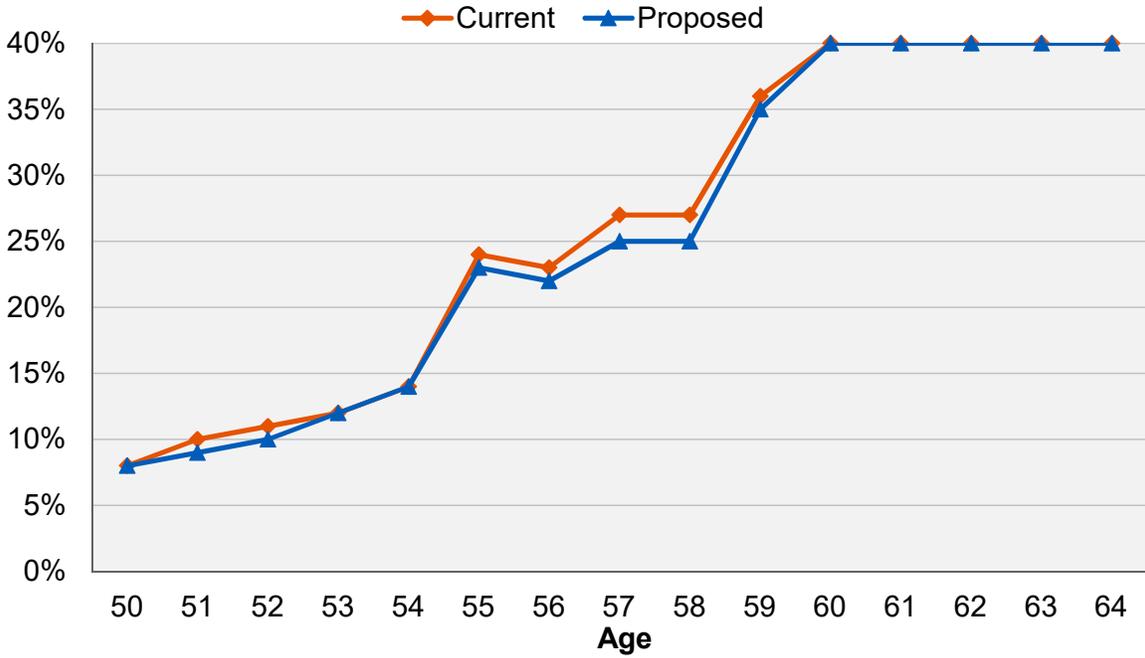


Chart 16: Retirement Rates  
CalPEPRA General Members

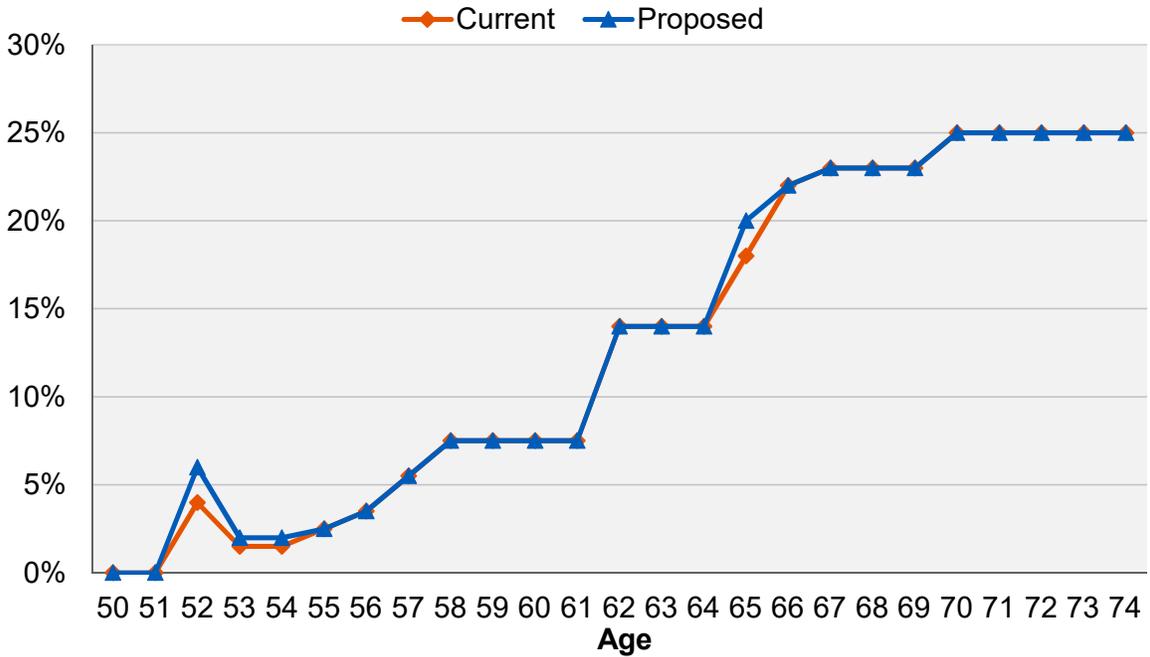


Chart 17: Retirement Rates  
CalPEPRA Safety Probation Members

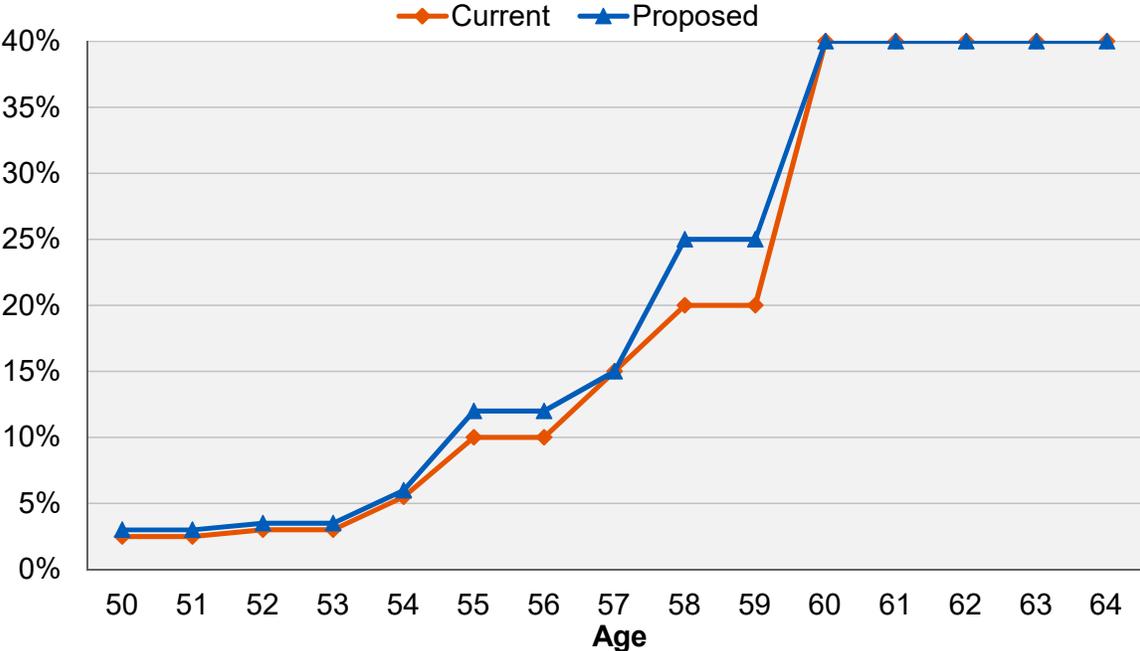


Chart 18: Retirement Rates  
CalPEPRA Safety Law Enforcement Members

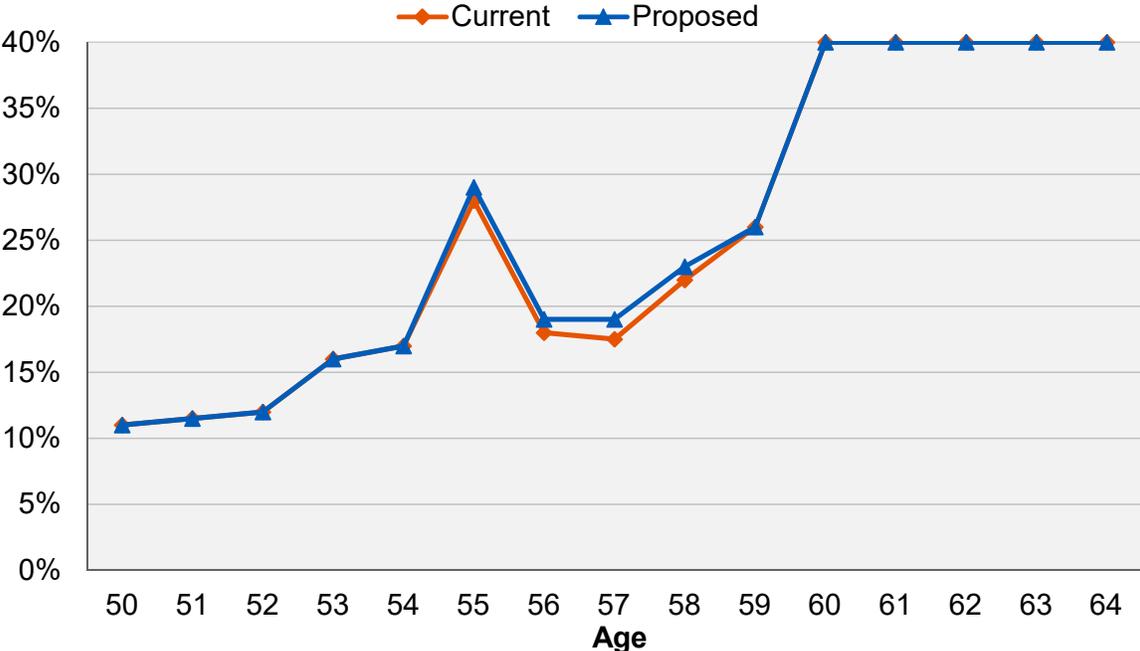
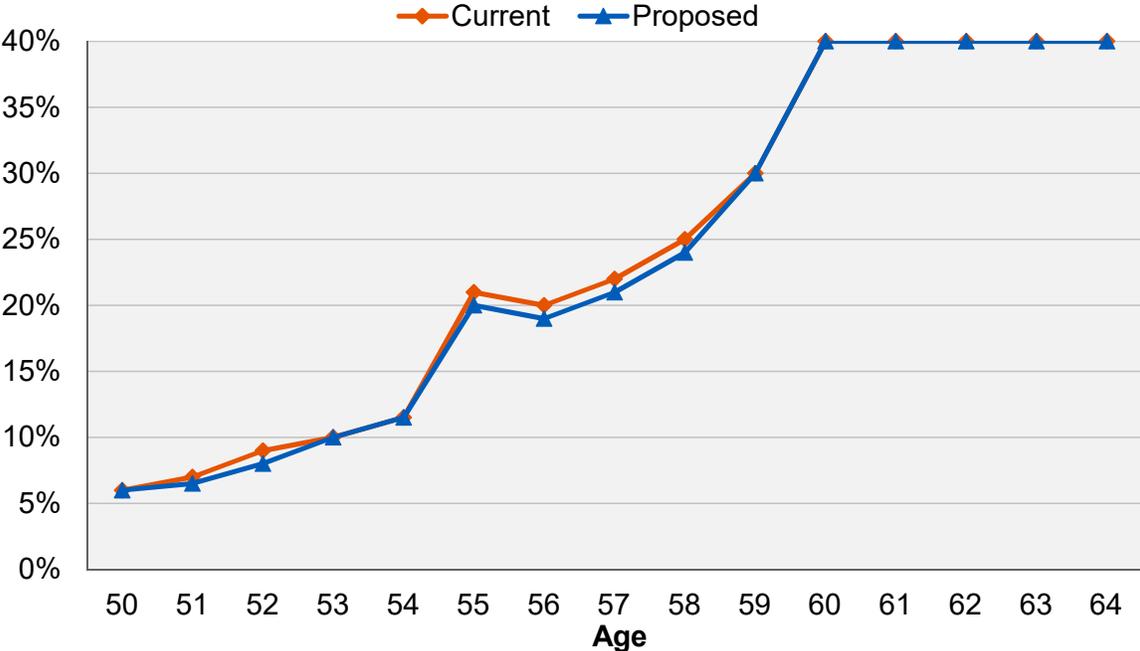


Chart 19: Retirement Rates  
CalPEPRA Safety Fire Authority Members



## B. Mortality Rates - Healthy

The “healthy” mortality rates project the life expectancy of a member who retires from service (i.e., who did not retire on a disability pension). Also, the “healthy” pre-retirement mortality rates project what proportion of members will die before retirement. For General members, the table currently being used for post-service retirement mortality rates is the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) with no setback for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2016. For Safety members, the table currently being used for post-service retirement mortality rates is the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) with ages set back four years for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2016. Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.

When we conducted the last experience study, we alerted the Board that we may recommend a switch from a Headcount-Weighted to a Benefit-Weighted table once the Society of Actuaries (SOA) provided mortality tables based on public sector experience comparable to the RP-2014 mortality tables developed using data collected from private and multi-employer pension plans.

The Retirement Plans Experience Committee (RPEC) of the SOA has published the Public Retirement Plans Mortality tables (Pub-2010). For the first time, the published mortality tables are based exclusively on public sector pension plan experience in the United States. Within the Pub-2010 family of mortality tables, there are separate tables by job categories of General, Safety and Teachers. Included with the mortality tables is the analysis prepared by RPEC that continues to observe that benefit amount for healthy retirees and salary for employees are the most significant predictors of mortality differences within the job categories. Therefore, Pub-2010 includes mortality rates developed for annuitants on a “benefit” weighted basis, with higher credibility assigned to experience from annuitants receiving larger benefits.

As the Pub-2010 study shows that benefit (or salary for employees) is a significant predictor of mortality difference, the Pub-2010 family of mortality tables also includes mortality rates based on population with above-median benefit amount (or salary for employees), below-median benefit amount (or salary for employees) and total population within each job category. The median benefit amounts used to determine the above-median and below-median mortality rates as shown in the Pub-2010 report for General and Safety are as follows:

Median Benefit Amounts (\$) by Gender, Job Category, and Status				
Job Category	Males		Females	
	Employees	Retirees	Employees	Retirees
General	45,800	21,200	34,700	11,900
Safety	72,200	36,900	61,800	29,200

*Note: Values shown as of 2010.*

Even after we adjust the above amounts by a reasonable measure of U.S. price inflation from 2010 to 2019 for a total increase of around 30%, the benefit amounts (or salaries) paid to OCERS’ members were generally greater than the adjusted median amounts shown above.

Therefore, we recommend that the above-median version of the mortality tables for each job category be used.

We continue to recommend that the mortality improvement scale be applied generationally where each future year has its own mortality table that reflects the forecasted improvements, using the published improvement scales. The “generational” approach is now the established practice within the actuarial profession.

A generational mortality table provides dynamic projections of mortality experience for each cohort of retirees. For example, the mortality rate for someone who is 65 next year will be slightly less than for someone who is 65 this year. In general, using generational mortality anticipates increases in the cost of the Plan over time as participants’ life expectancies are projected to increase.

We understand that RPEC intends to publish annual updates to their mortality improvement scales. Improvement scale MP-2019 is the latest improvement scale available. We recommend that the Board adopt the Benefit-Weighted Above-Median Pub-2010 mortality table (adjusted for OCERS experience), and project the mortality improvement generationally using the MP-2019 mortality improvement scale.

In order to reflect more OCERS experience in our analysis, we have used experience for a nine-year period by using data from the current (from January 1, 2017 through December 31, 2019) and the last two (from January 1, 2014 to December 31, 2016 and from January 1, 2011 to December 31, 2013) experience study periods in order to analyze this assumption.

Even with the use of nine years of experience, based on standard statistical theory the data is only partially credible especially under the recommended benefit-weighted basis when dispersion of retirees’ benefit amounts is taken into account particularly for the Safety cost groups. In 2008 the SOA published an article recommending that mortality assumptions include an adjustment for credibility. Under this approach, the number of deaths needed for full credibility for a headcount-weighted mortality table is just over 1,000, where full credibility means a 90% confidence that the actual experience will be within 5% of the expected value. Therefore, in our recommended assumptions, we have only partially adjusted the Pub-2010 mortality tables to fit OCERS’ experience particularly for the Safety cost groups. In future experience studies, more data will be available which may further increase the credibility of the OCERS experience.

## Pre-Retirement Mortality

For General and Safety members, the table currently being used for pre-retirement mortality rates is the Headcount-Weighted RP-2014 Employee Mortality Table (separate tables for males and females) times 80%, projected generationally with the two-dimensional scale MP-2016.

**For General members, we recommend changing the pre-retirement mortality to follow the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.**

**For Safety members, we recommend changing the pre-retirement mortality to follow the Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.**

**Currently, our assumption is that all General member pre-retirement deaths are non-service connected. For Safety, 90% of pre-retirement deaths are assumed to be non-service connected and the other 10% are assumed to be service connected. Based on actual experience during the last three years, we recommended maintaining the current assumption for both General and Safety members.<sup>39</sup>**

## **Post-Retirement Mortality (Service Retirements)**

Among all retired members, the actual deaths weighted by benefit amounts under the current assumptions for the last nine years are shown in the table below. We also show the deaths weighted by benefit amount under the proposed assumptions. We continue to recommend the use of a generational mortality table, which incorporates a more explicit assumption for future mortality improvement. Accordingly, the goal is to start with a mortality table that closely matches the current experience (without a margin for future mortality improvement), and then reflect mortality improvement by projecting lower mortality rates in future years.

The proposed mortality table also reflects current experience to the extent that the experience is credible based on standard statistical theory. For OCERS, the volume of General member data makes it relatively credible. In contrast, there is much less Safety data, so it is given substantially less credibility. The proposed mortality tables (as shown in the table below) after adjustments for partial credibility have actual to expected ratios of 99% and 96% for General and Safety, respectively. In future years the ratio should remain around 99% and 96% for General and Safety, respectively, as long as actual mortality improves at the same rates as anticipated by the generational mortality tables. The number of actual deaths compared to the number expected under the current and proposed assumptions weighted by benefit amounts for the last nine years are as follows:

<sup>39</sup> While it is possible that COVID-19 deaths for members in certain industries may be considered service connected, we do not recommend a change in our assumption to reflect this possible short-term increase in service connected deaths.

Gender	General Members – Healthy (\$ in millions)			Safety Members – Healthy (\$ in millions)		
	Current Expected Weighted Deaths	Actual Weighted Deaths	Proposed Expected Weighted Deaths	Current Expected Weighted Deaths	Actual Weighted Deaths	Proposed Expected Weighted Deaths
Male	47.47	39.46	40.43	12.21	10.87	10.85
Female	35.17	31.47	31.18	0.94	0.50	1.00
<b>Total</b>	<b>82.64</b>	<b>70.92</b>	<b>71.61</b>	<b>13.16</b>	<b>11.37</b>	<b>11.85</b>
Actual / Expected	86%		99% <sup>40</sup>	86%		96%

Notes: (1) Experience shown above is weighted by annual benefit amounts for deceased members instead of by headcounts.

(2) Expected amounts under the proposed generational mortality table are based on mortality rates from the base year projected with mortality improvements to the experience study period.

(3) Results may not add due to rounding.

**For General members, we recommend updating the current table to the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019. The recommended mortality table has an actual to expected ratio of 99%.<sup>41</sup>**

**For Safety members, we recommend updating the current table to the Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019. The recommended mortality table has an actual to expected ratio to 96%.**

For informational purposes only, we have also provided in the table below the actual and expected deaths computed without weighting these by benefit amounts. This is similar to how actual and expected death ratios were developed based on the prior headcount approach.

<sup>40</sup> If we use the benchmark Pub-2010 General table without any adjustment, the proposed actual to expected ratio would be 104%.

<sup>41</sup> If we use the benchmark Pub-2010 General table without any adjustment, the proposed actual to expected ratio would be 104%.

Gender	General Members – Healthy			Safety Members – Healthy		
	Current Expected Weighted Deaths	Actual Weighted Deaths	Proposed Expected Weighted Deaths	Current Expected Weighted Deaths	Actual Weighted Deaths	Proposed Expected Weighted Deaths
Male	1,132	1,067	984	161	156	150
Female	1,240	1,207	1,137	15	10	16
<b>Total</b>	<b>2,373</b>	<b>2,274</b>	<b>2,120</b>	<b>176</b>	<b>166</b>	<b>166</b>
Actual / Expected	96%		107%	94%		100%

Notes: (1) Experience shown above is weighted by headcounts for deceased members instead of by annual benefit amounts.

(2) The proposed expected deaths are based on the Pub-2010 Amount-Weighted Above-Median Mortality Tables.

(3) Results may not total due to rounding.

Chart 20 that follows later in this section compares actual to expected deaths on a benefit-weighted basis for General members under the current and proposed assumptions over the past nine years.

Chart 21 compares actual to expected deaths on a benefit-weighted basis for Safety members under the current and proposed assumptions over the past nine years.

Chart 22 compares actual to expected deaths on a headcount-weighted basis for General members under the current and proposed assumptions over the past nine years provided for informational purposes only.

Chart 23 compares actual to expected deaths on a headcount-weighted basis for Safety members under the current and proposed assumptions over the past nine years provided for informational purposes only.

Chart 24 shows the life expectancies (i.e., expected future lifetime) under the current and the proposed tables for General members on a benefit-weighted basis. Life expectancies under the proposed generational mortality rates are based on age as of 2020. In practice, assumed life expectancies will increase as a result of the mortality improvement scale.

Chart 25 shows the life expectancies (i.e., expected future lifetime) under the current and the proposed tables for Safety members on a benefit-weighted basis.

## Beneficiaries Mortality

In studying the mortality for all beneficiaries in our prior experience study, we reviewed the actual deaths compared to the expected deaths and recommended the same mortality tables for General retirees and all beneficiaries. However, Pub-2010 has separate mortality tables for healthy retirees and contingent annuitants.

The Pub-2010 Contingent Survivors Table is developed based only on contingent survivor data after the death of the retirees. This is consistent with the mortality experience that we have available for beneficiaries. The Pub-2010 contingent survivor mortality rates are comparable to OCERS' actual mortality experience for beneficiaries.

**For all beneficiaries, we recommend changing the mortality assumption to follow the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019.**

#### **Mortality Table for Member Contributions, Optional Forms of Payment and Reserves**

There are administrative reasons why a generational mortality table is more difficult to implement for determining member contributions for the legacy tiers, optional forms of payment and reserves. For determining member contributions, one emerging practice is to approximate the use of a generational mortality table by the use of a static table with projection of the mortality improvement from the measurement year over a period that is close to the duration of the benefit payments for active members. We would recommend the use of this approximation for determining member contributions for employees in the legacy tiers.

**For General members, we recommend that the mortality table used for determining contributions for General members be updated to a blended table based on the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 40% male and 60% female.**

**For Safety members, we recommend that the mortality table used for determining contributions for Safety members be updated to a blended table based on the Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 80% male and 20% female.**

For optional forms of payment and reserves, there are some administrative issues that we may need to resolve with OCERS and its vendor maintaining the pension administration software before we would recommend a comparable generational scale to anticipate future mortality improvement. We will provide a recommendation to OCERS for use in reflecting mortality improvement for determining optional forms of payment after we have those discussions with OCERS and its vendor.

Chart 20: Post-Retirement Benefit-Weighted Deaths (\$ In Millions) Non-Disabled General Members (January 1, 2011 through December 31, 2019)

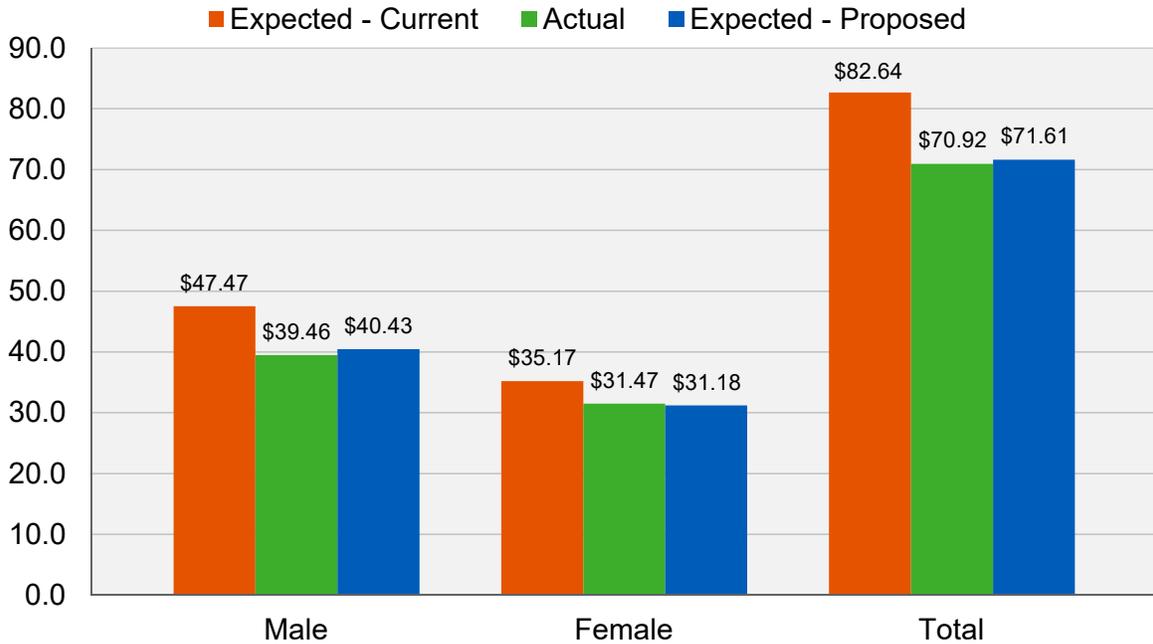


Chart 21: Post-Retirement Benefit-Weighted Deaths (\$ In Millions) Non-Disabled Safety Members (January 1, 2011 through December 31, 2019)

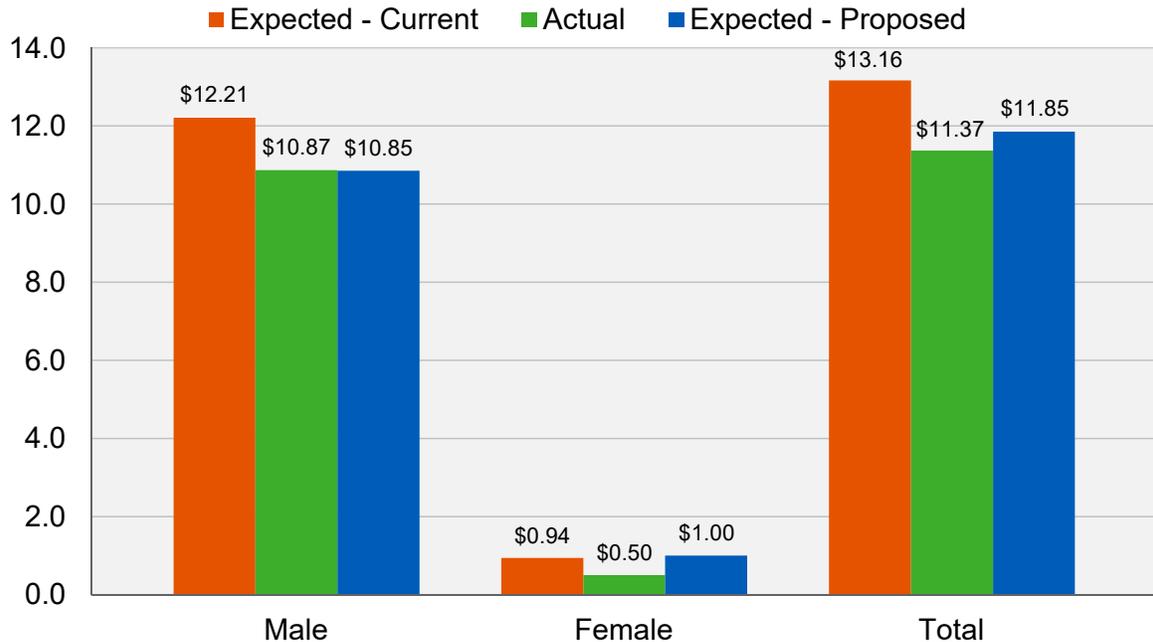


Chart 22: Post-Retirement Headcount-Weighted Deaths Non-Disabled General Members (January 1, 2011 through December 31, 2019)  
 Provided for Informational Purposes Only

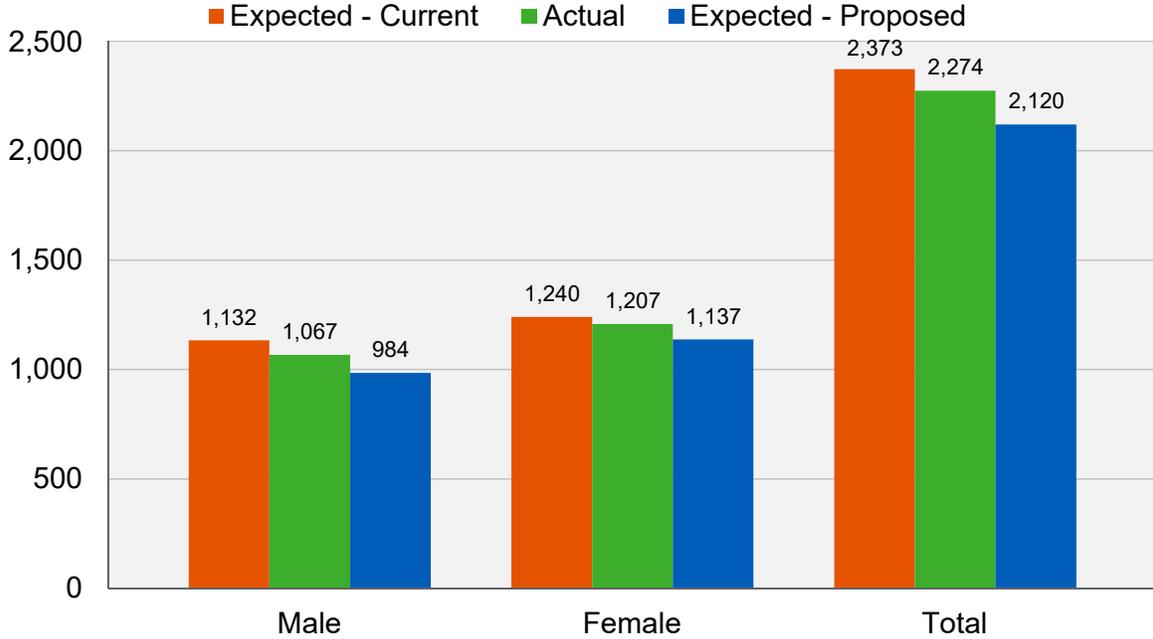


Chart 23: Post-Retirement Headcount-Weighted Deaths Non-Disabled Safety Members (January 1, 2011 through December 31, 2019)  
 Provided for Informational Purposes Only

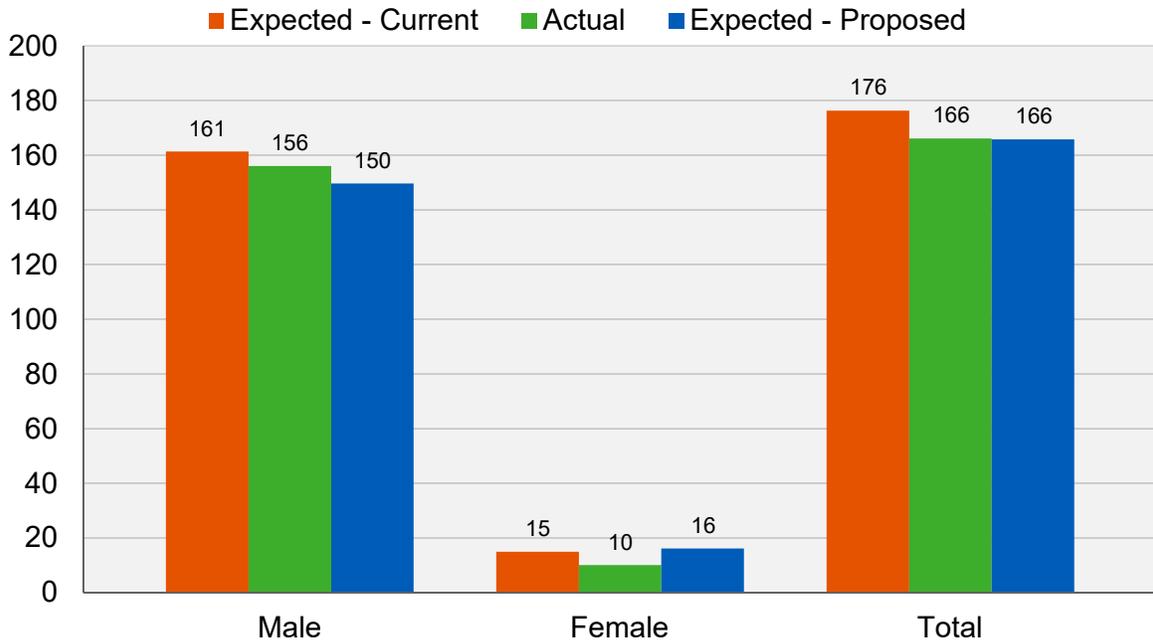


Chart 24: Benefit-Weighted Life Expectancies  
Non-Disabled General Members

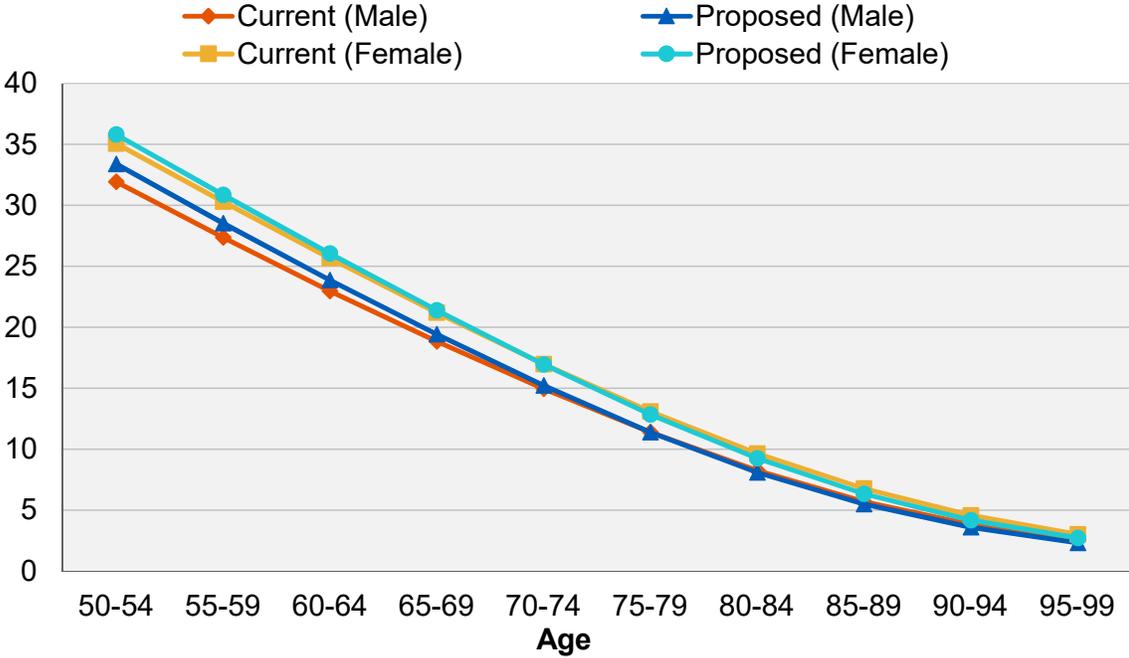
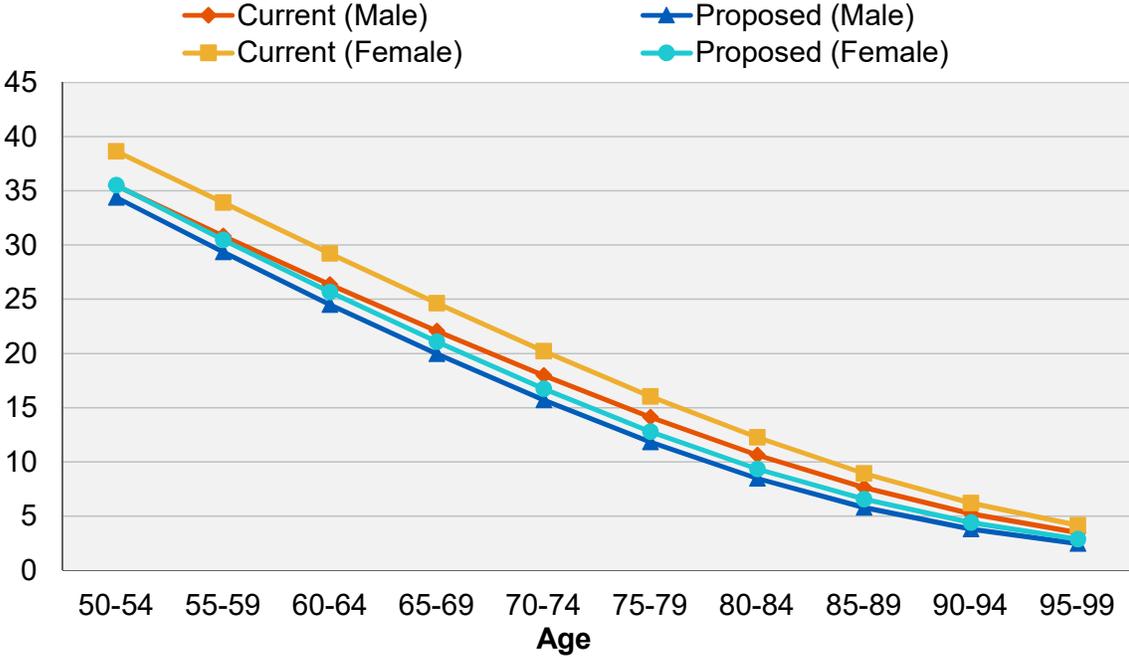


Chart 25: Life Expectancies  
Non-Disabled Safety Members



### C. Mortality Rates - Disabled

Since mortality rates for disabled members can vary from those of healthy members, a different mortality assumption is often used. For General members, the table currently being used is the Headcount-Weighted RP-2014 Healthy Annuitant Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2016, set forward five years for males and females. For Safety members, the table currently being used is the Headcount-Weighted RP-2014 Healthy Annuitant Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2016, with no setback for males and females.

Similar to mortality rates for service retirees, the proposed mortality table reflects current experience to the extent that the experience is credible based on standard statistical theory. For OCERS, there is far less data for disabled retirees, so it is given little credibility. The proposed mortality tables (as shown in the table below) after adjustments for partial credibility have actual to expected ratios of 87% and 92% for General and Safety, respectively. In future years the ratio should remain around 87% and 92% for General and Safety, respectively, as long as actual mortality improves at the same rates as anticipated by the generational mortality tables. The number of actual deaths compared to the number expected under the current and proposed assumptions weighted by benefit amounts for the last nine years are as follows:

Gender	General Members – Disabled (\$ in millions)			Safety Members – Disabled (\$ in millions)		
	Current Expected Weighted Deaths	Actual Weighted Deaths	Proposed Expected Weighted Deaths	Current Expected Weighted Deaths	Actual Weighted Deaths	Proposed Expected Weighted Deaths
Male	3.82	3.42	4.07	3.42	3.09	3.22
Female	2.74	2.80	3.12	0.27	0.11	0.28
<b>Total</b>	<b>6.56</b>	<b>6.22</b>	<b>7.19</b>	<b>3.69</b>	<b>3.20</b>	<b>3.49</b>
Actual / Expected	95%		87% <sup>42</sup>	87%		92%

Notes: (1) Experience shown above is weighted by annual benefit amounts for deceased members instead of by headcounts.  
 (2) Expected amounts under the proposed generational mortality table are based on mortality rates from the base year projected with mortality improvements to the experience study period.  
 (3) Results may not add due to rounding.

The Pub-2010 family of mortality tables provides separate disabled retiree mortality tables for Non-Safety disabled retirees and Safety disabled retirees.

**For General disabled members, we recommend updating the current table to the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019.** The recommended mortality table has an actual to expected ratio of 87%.

<sup>42</sup> If we use the benchmark Pub-2010 Genera disabled table without any adjustment, the proposed actual to expected ratio would be 82%.

**For Safety disabled members, we recommend updating the current table to the Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.** The recommended mortality table has an actual to expected ratio of 92%.<sup>43</sup>

For informational purposes only, we have also provided in the table below the actual and expected deaths computed without weighting these by benefit amounts. This is similar to how actual and expected death ratios were developed based on the prior headcount approach.

	General Members – Disabled			Safety Members – Disabled		
Gender	Current Expected Weighted Deaths	Actual Weighted Deaths	Proposed Expected Weighted Deaths	Current Expected Weighted Deaths	Actual Weighted Deaths	Proposed Expected Weighted Deaths
Male	129	124	137	59	61	56
Female	107	115	120	6	2	6
<b>Total</b>	<b>236</b>	<b>239</b>	<b>257</b>	<b>64</b>	<b>63</b>	<b>61</b>
Actual / Expected	101%		93%	98%		103%

*Notes: (1) Experience shown above is weighted by headcounts for deceased members instead of by annual benefit amounts.*

*(2) The proposed expected deaths are based on the Pub-2010 Amount-Weighted Above-Median Mortality Tables.*

*(3) Results may not add due to rounding.*

Chart 26 compares actual to expected deaths on a benefit-weighted basis for disabled General members under the current and proposed assumptions over the past nine years.

Chart 27 compares actual to expected deaths on a benefit-weighted basis for disabled Safety members under the current and proposed assumptions over the past nine years.

Chart 28 compares actual to expected deaths on a headcount-weighted basis for disabled General members under the current and proposed assumptions over the past nine years provided for informational purposes only.

Chart 29 compares actual to expected deaths on a headcount-weighted basis for disabled Safety members under the current and proposed assumptions over the past nine years provided for informational purposes only.

Chart 30 shows the life expectancies (i.e., expected future lifetime) under the current and the proposed tables for disabled General members on a benefit-weighted basis. Life expectancies under the proposed generational mortality rates are based on age as of 2020. In practice, life expectancies will be assumed to increase based on applying the mortality improvement scale.

Chart 31 shows the life expectancies (i.e., expected future lifetime) under the current and the proposed tables for disabled Safety members on a benefit-weighted basis.

<sup>43</sup> If we use the benchmark Pub-2010 General disabled table without any adjustment, the proposed actual to expected ratio would be 82%.

Chart 26: Post-Retirement Benefit-Weighted Deaths (\$ In Millions)  
 Disabled General Members (January 1, 2011 through December 31, 2019)

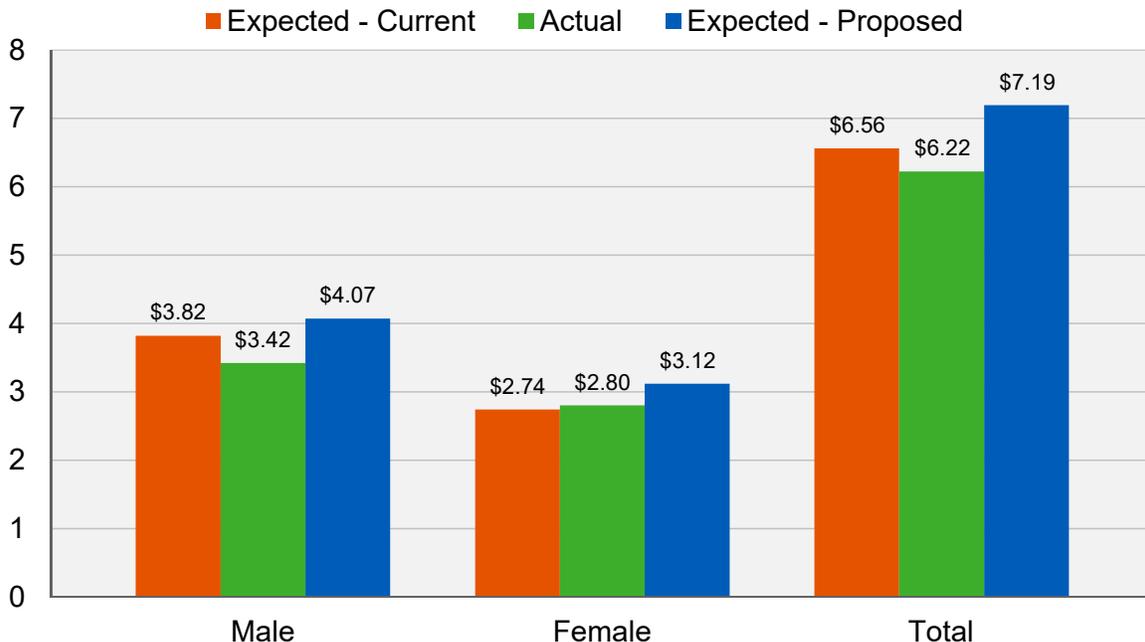
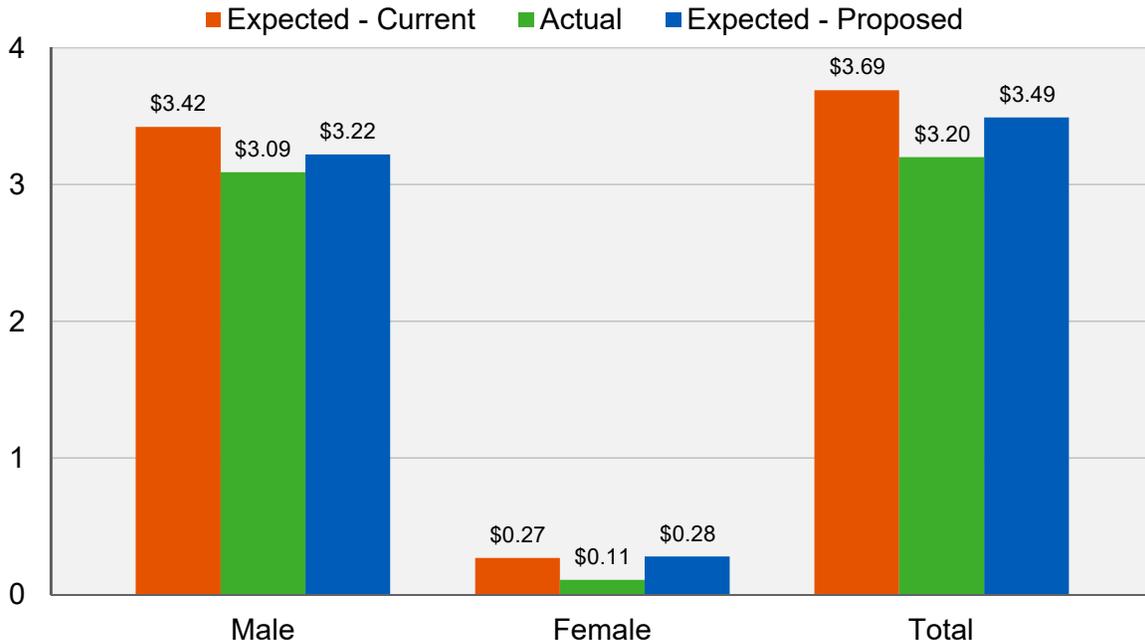
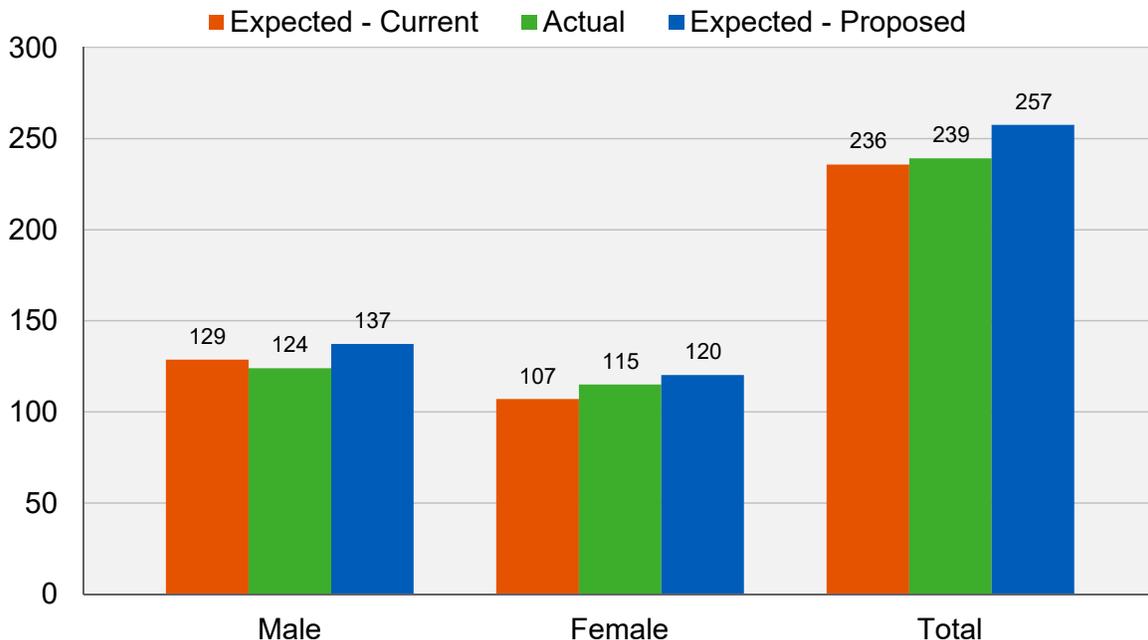


Chart 27: Post-Retirement Benefit-Weighted Deaths (\$ In Millions)  
 Disabled Safety Members (January 1, 2011 through December 31, 2019)



**Chart 28: Post-Retirement Headcount-Weighted Deaths  
Disabled General Members (January 1, 2011 through December 31, 2019)  
Provided for Informational Purposes Only**



**Chart 29: Post-Retirement Headcount-Weighted Deaths  
Disabled Safety Members (January 1, 2011 through December 31, 2019)  
Provided for Informational Purposes Only**

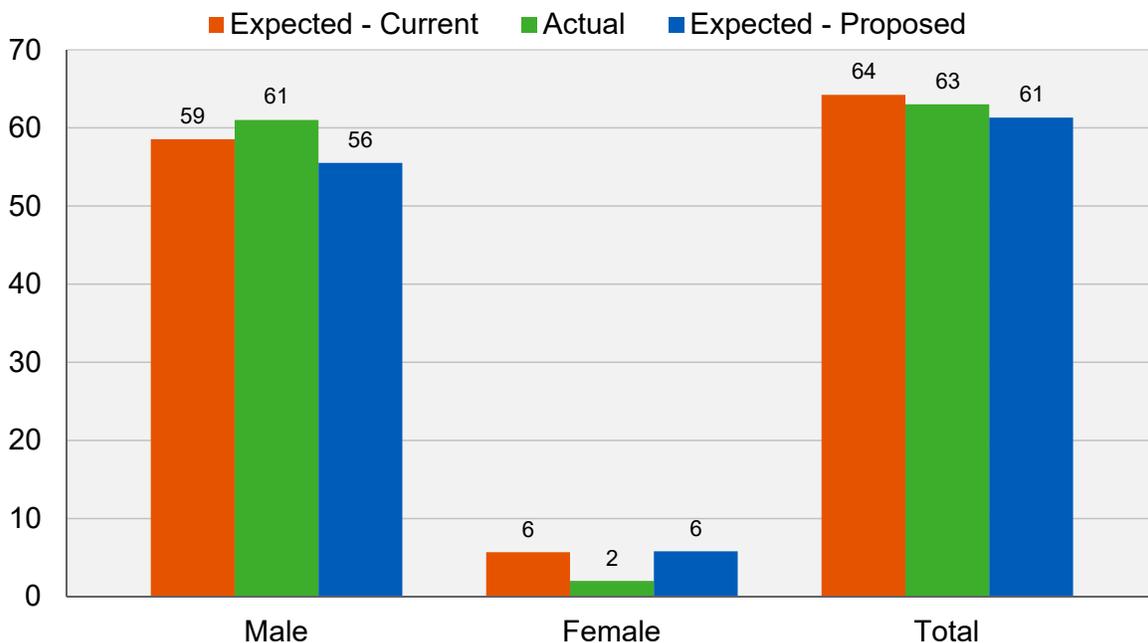


Chart 30: Benefit-Weighted Life Expectancies  
Disabled General Members

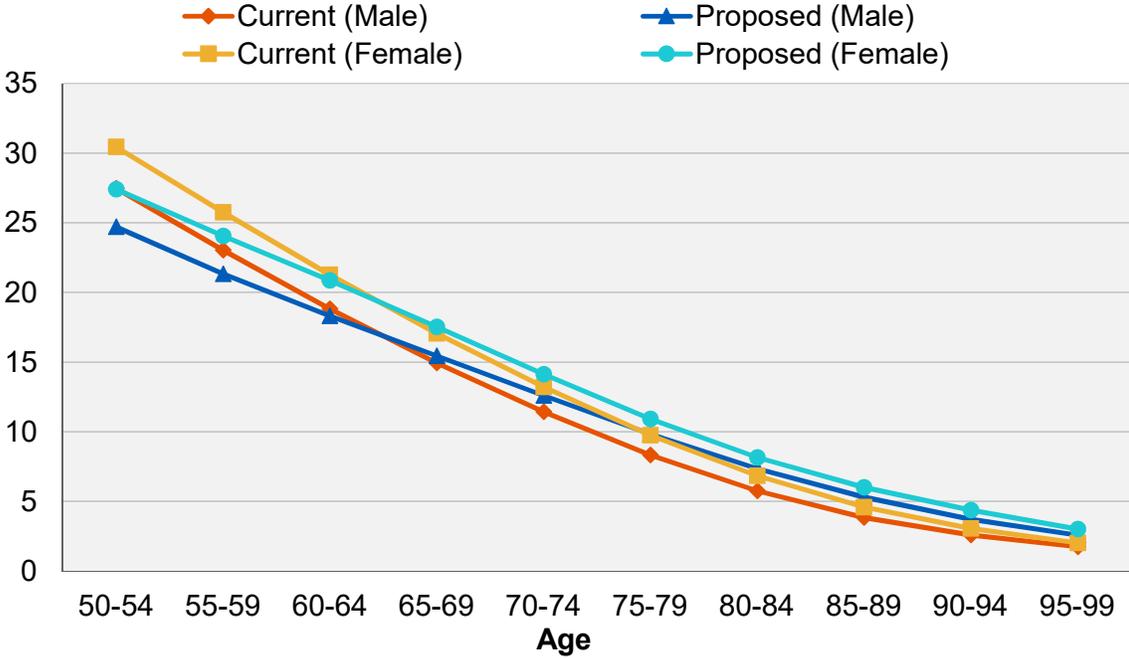
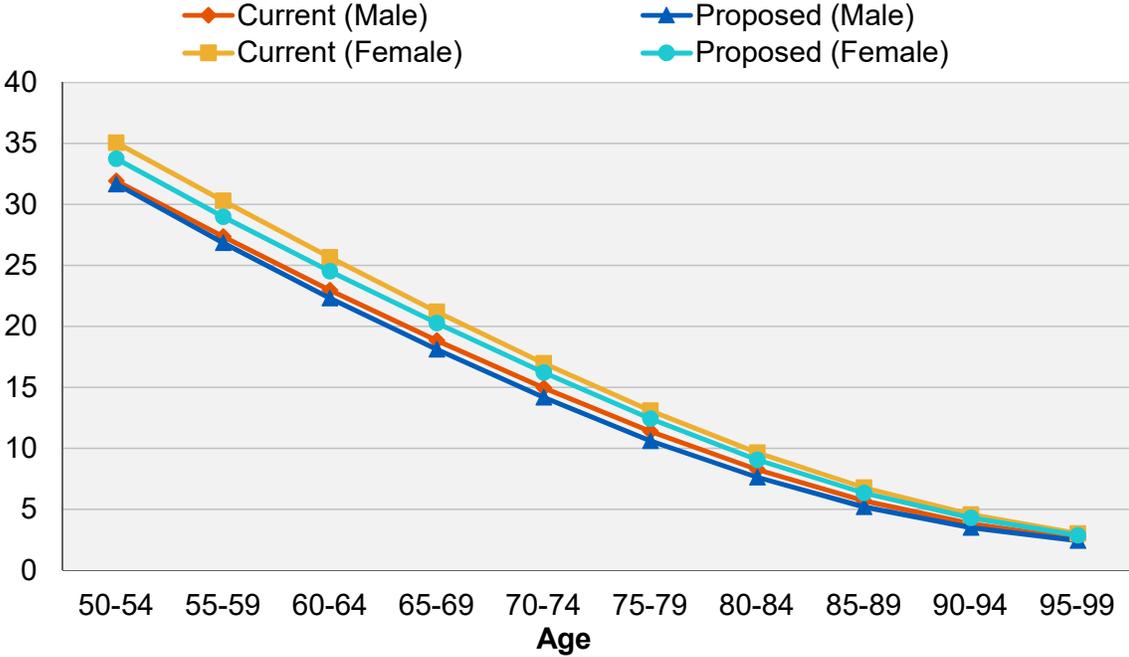


Chart 31: Life Expectancies  
Disabled Safety Members



## D. Termination Rates

Termination rates include all terminations for reasons other than death, disability, or retirement. Under the current assumptions there is an overall incidence of termination assumed, combined with assumptions, based on the plan membership and years of service. There is also another set of assumptions to anticipate the percentage of members who will withdraw their contributions and members who will leave their contributions on deposit and receive a deferred vested benefit.

We have developed rates for the following four groups: (1) General All Other, (2) General OCTA, (3) Safety Law Enforcement and Fire and (4) Safety Probation. The termination experience over the last three years is shown by years of service in the following tables. We also show the current and proposed assumptions.

### Rates of Termination – General

Years of Service	Termination Rate (%)					
	General All Other			General OCTA		
	Current Rate	Observed Rate	Proposed Rate	Current Rate	Observed Rate	Proposed Rate
Less than 1	11.00	11.29	11.00	17.50	16.30	17.00
1 – 2	7.50	7.17	7.25	11.00	12.43	11.50
2 – 3	6.50	6.66	6.50	9.00	9.43	9.00
3 – 4	5.00	6.20	5.50	8.50	8.57	8.50
4 – 5	4.50	5.39	5.00	7.50	11.31	8.00
5 – 6	4.25	4.74	4.50	7.00	5.76	7.00
6 – 7	3.75	4.37	4.00	4.50	1.22	4.25
7 – 8	3.25	5.03	3.50	4.00	8.62	4.00
8 – 9	3.00	3.72	3.25	3.50	2.86	3.25
9 – 10	2.75	3.11	3.00	3.00	1.75	3.00
10 – 11	2.50	2.62	2.50	3.00	2.45	2.75
11 – 12	2.00	2.07	2.00	3.00	2.14	2.50
12 – 13	2.00	1.76	2.00	3.00	0.00	2.50
13 – 14	1.75	2.17	2.00	2.50	1.44	2.25
14 – 15	1.50	1.42	1.50	2.50	1.30	2.25
15 – 16	1.40	1.25	1.40	2.50	3.80	2.25
16 – 17	1.30	1.64	1.30	2.00	3.80	2.00
17 – 18	1.20	1.21	1.20	1.80	0.69	1.80
18 – 19	1.10	0.91	1.10	1.60	2.44	1.60
19 – 20	1.00	0.84	1.00	1.40	0.00	1.40
20 & Over	0.90	0.32	0.75	1.20	0.62	1.20

## Rates of Termination – Safety

Years of Service	Termination Rate (%)					
	Safety Law and Fire			Safety Probation		
	Current Rate	Observed Rate	Proposed Rate	Current Rate	Observed Rate	Proposed Rate
Less than 1	4.50	3.77	4.25	14.00	8.16	14.00
1 – 2	2.50	2.76	2.75	13.00	14.29	13.00
2 – 3	2.00	2.40	2.25	10.00	13.33	11.00
3 – 4	1.50	1.27	1.75	5.00	0.00	5.00
4 – 5	1.25	3.40	1.50	4.00	4.35	4.00
5 – 6	1.00	3.05	1.25	3.50	0.00	3.25
6 – 7	0.95	1.15	1.00	2.75	0.00	2.75
7 – 8	0.90	0.49	0.95	2.00	16.67	2.75
8 – 9	0.85	1.44	0.90	2.00	8.33	2.50
9 – 10	0.80	0.91	0.85	1.75	2.00	1.75
10 – 11	0.75	0.47	0.80	1.75	0.98	1.50
11 – 12	0.65	1.13	0.75	1.50	3.27	1.50
12 – 13	0.60	0.91	0.70	1.25	1.65	1.25
13 – 14	0.55	0.00	0.65	1.00	0.00	1.00
14 – 15	0.50	2.18	0.60	0.75	0.83	0.75
15 – 16	0.45	1.33	0.55	0.75	0.56	0.75
16 – 17	0.40	0.76	0.50	0.75	1.10	0.75
17 – 18	0.35	0.69	0.45	0.25	1.80	0.75
18 – 19	0.30	0.00	0.40	0.25	0.61	0.50
19 – 20	0.25	0.61	0.30	0.25	0.00	0.25
20 & Over	0.20	0.13	0.15	0.25	0.15	0.15

**Based upon the recent experience, we have decreased the termination rates overall for General OCTA members while increasing the termination rates overall for General All Other members, Safety Law and Fire members and Safety Probation members.**

The next two tables show the currently assumed, actual and proposed assumed percentages for members who withdraw their contributions. The assumed percentages for members who leave their contributions on deposit and receive a deferred vested benefit is equal to 100% minus the percentage of those assumed to withdraw.

## Proportion of Total Termination Assumed to Withdraw Contributions – General

Years of Service	Rates of Electing a Refund of Contributions upon Termination%					
	General All Other			General OCTA		
	Current Rate	Observed Rate	Proposed Rate	Current Rate	Observed Rate	Proposed Rate
Less than 5	35.00	20.00	30.00	40.00	36.70	40.00
5 – 9	30.00	17.67	25.00	35.00	22.22	30.00
10 – 14	25.00	24.41	25.00	30.00	14.29	25.00
15 & Over	20.00	17.86	17.50	20.00	12.00	15.00

## Proportion of Total Termination Assumed to Withdraw Contributions – Safety

Years of Service	Rates of Electing a Refund of Contributions upon Termination					
	Safety Law and Fire			Safety Probation		
	Current Rate	Observed Rate	Proposed Rate	Current Rate	Observed Rate	Proposed Rate
Less than 5	20.00	22.00	20.00	25.00	30.00	25.00
5 – 9	20.00	25.00	20.00	25.00	33.33	25.00
10 – 14	20.00	0.00	10.00	25.00	22.22	25.00
15 & Over	20.00	16.67	10.00	25.00	12.50	15.00

For both General and Safety members, the overall actual rates for electing a refund of contributions are lower than the current assumptions for the past three years. **For General All Other members, we recommend decreasing the rates of electing a refund of contributions for most service bands, as shown above. For General OCTA members, we recommend decreasing the rates of electing a refund of contributions over 5 years of service, as shown above. For Safety Law and Fire members, we recommend decreasing the rates of electing a refund of contributions over 10 years of service, as shown above. For Safety Probation members, we recommend decreasing the rates of electing a refund of contributions over 15 years of service, as shown above.**

Chart 32 compares actual to expected terminations over the past three years for both the current and proposed assumptions for General All Other, General OCTA, Safety Law Enforcement and Fire and Safety Probation members.

Chart 33 shows the actual termination rates over the past three years compared to the current and proposed assumptions for General All Other members.

Chart 34-36 shows the same information as Chart 33, but for General OCTA, Safety Law and Fire and Safety Probation members.

Chart 32: Actual Number of Terminations Compared to Expected

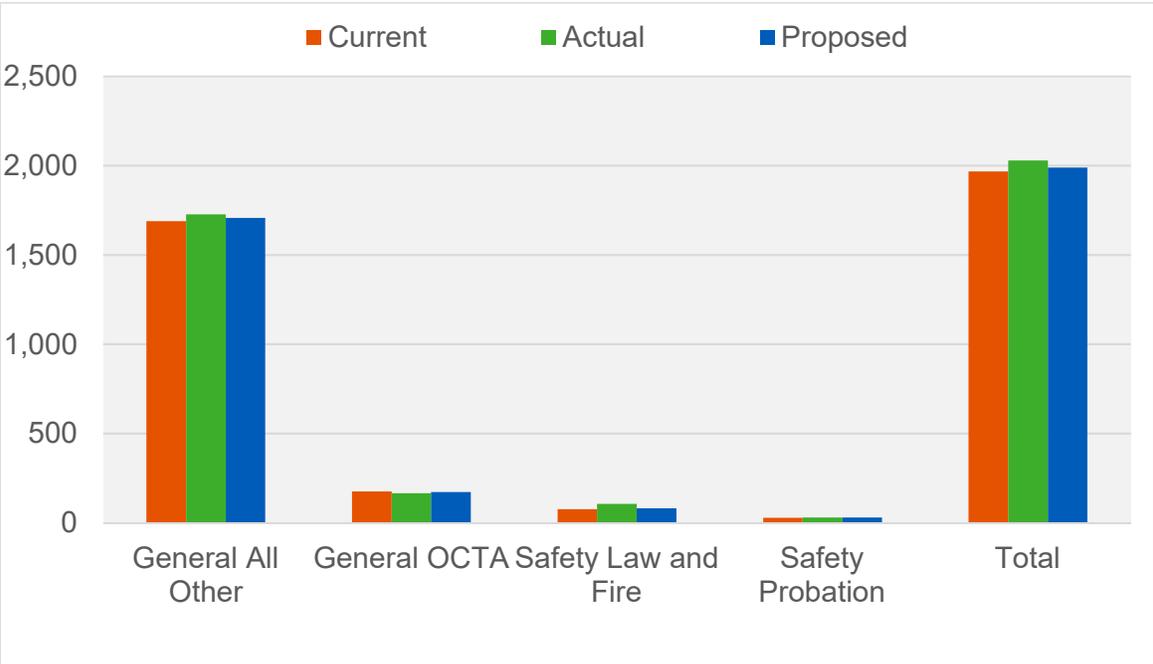


Chart 33: Termination Rates – General All Other Members

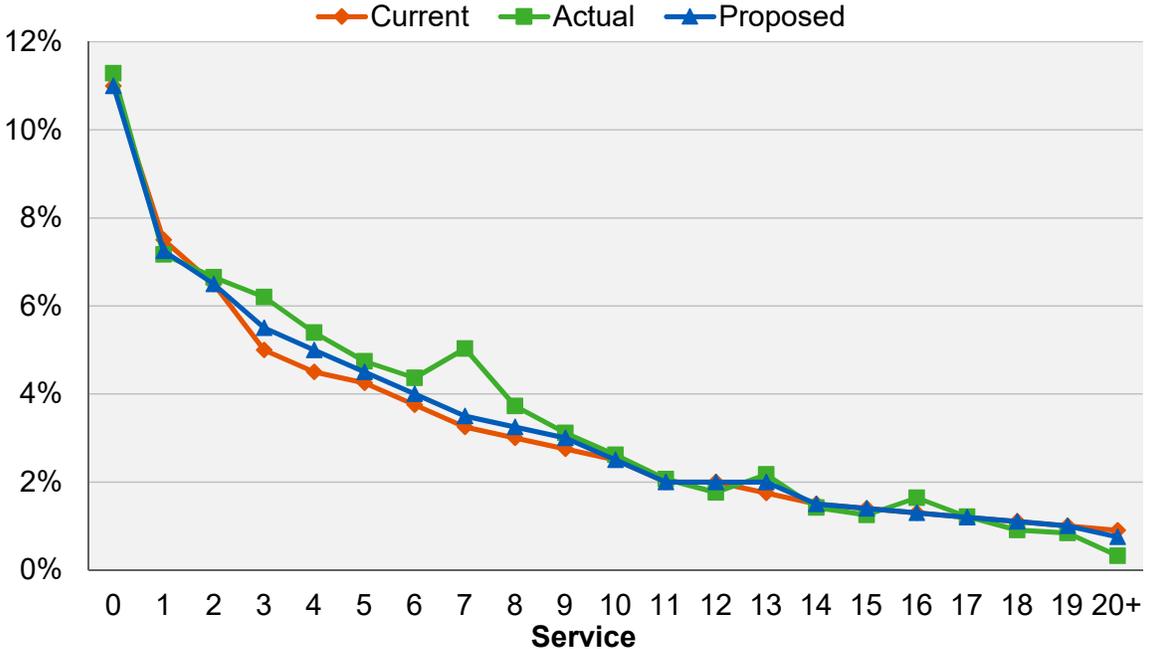


Chart 34: Termination Rates – General OCTA Members

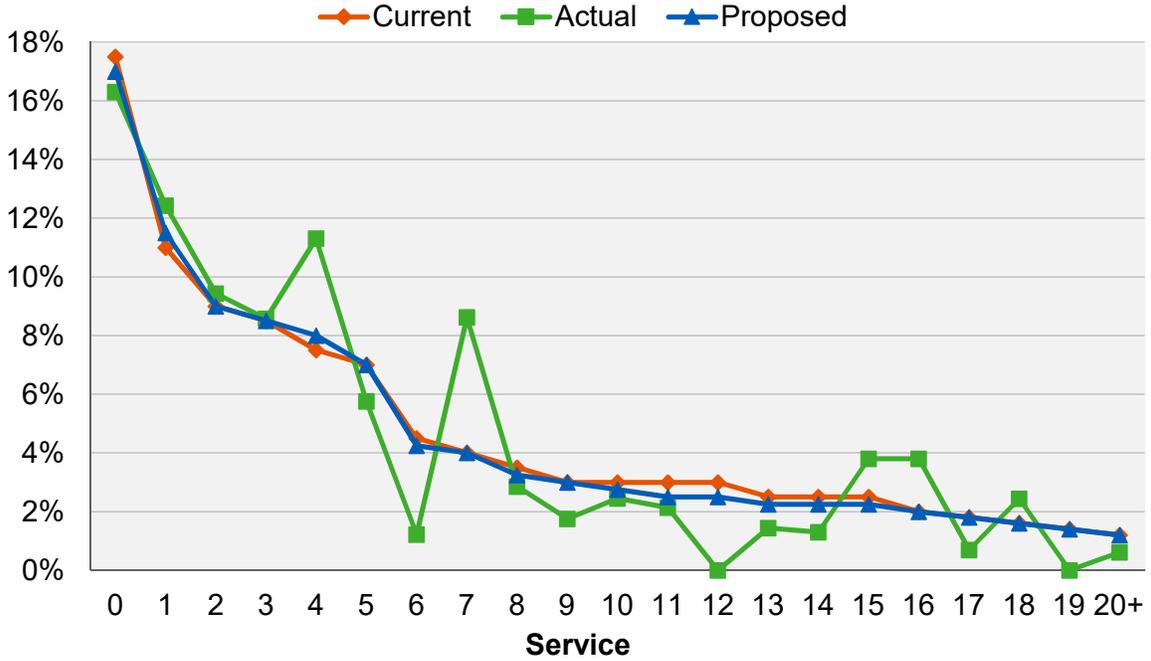


Chart 35: Termination Rates – Safety Law and Fire Members

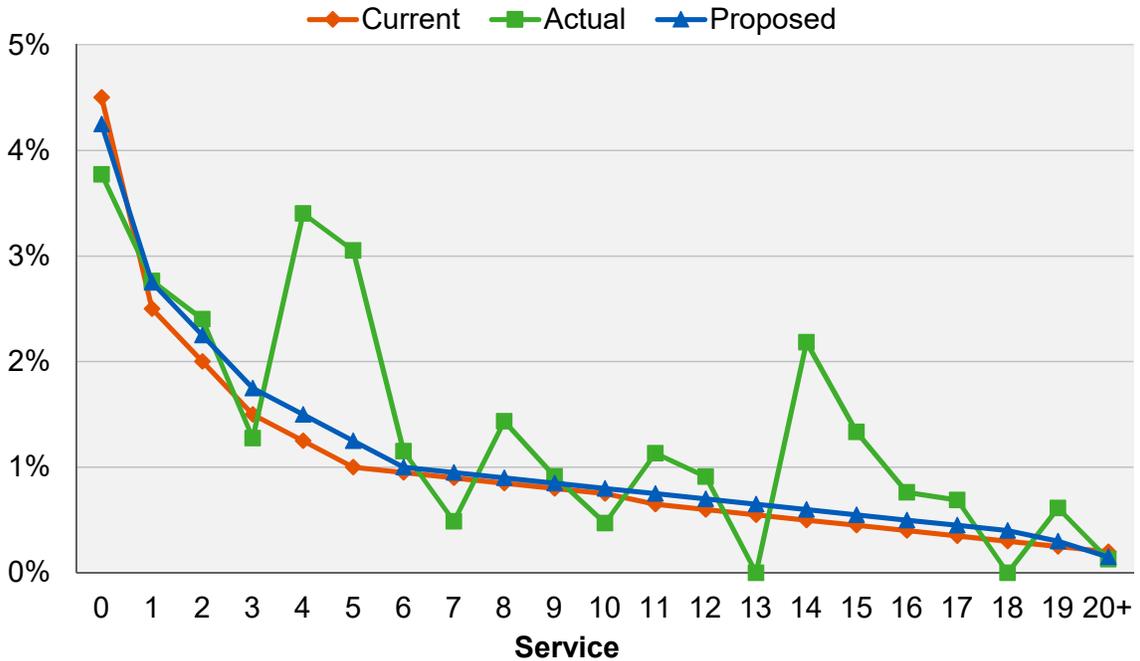
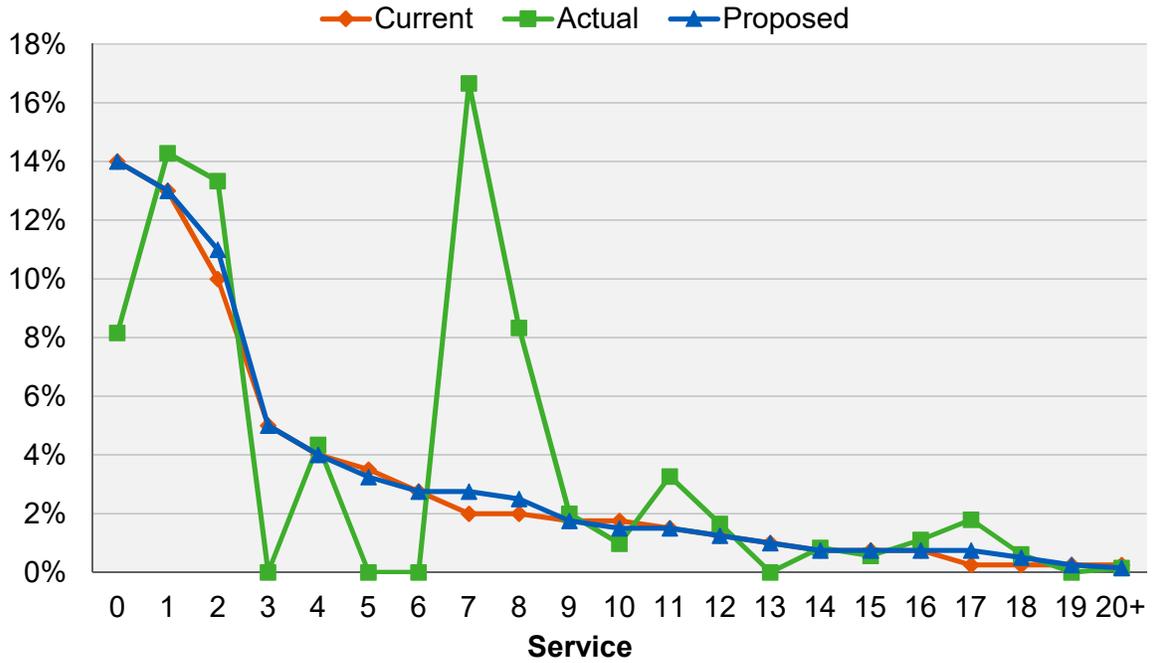


Chart 36: Termination Rates – Safety Probation Members



## E. Disability Incidence Rates

When a member becomes disabled, he or she may be entitled to at least a 50% of pay pension (service connected disability), or a pension that depends upon the member's years of service (non-service connected disability).

The following summarizes the actual incidence of combined service and non-service connected disabilities over the past three years compared to the current and proposed assumptions for both service connected and non-service connected disability incidence:

Age	Disability Incidence Rate (%)					
	General All Other			General OCTA		
	Current Rate	Observed Rate	Proposed Rate	Current Rate	Observed Rate	Proposed Rate
20 – 24	0.00	0.00	0.00	0.00	0.00	0.00
25 – 29	0.00	0.00	0.00	0.00	0.00	0.00
30 – 34	0.01	0.00	0.01	0.05	0.00	0.05
35 – 39	0.05	0.06	0.05	0.30	0.00	0.30
40 – 44	0.10	0.09	0.10	0.40	0.47	0.45
45 – 49	0.15	0.19	0.16	0.45	0.73	0.50
50 – 54	0.20	0.24	0.22	0.50	0.59	0.55
55 – 59	0.25	0.34	0.30	0.75	0.90	0.80
60 – 64	0.35	0.32	0.35	1.60	1.19	1.50
65 – 69	0.35	0.50	0.35	1.60	2.19	1.75

Age	Disability Incidence Rate (%)					
	Safety Law and Fire			Safety Probation		
	Current Rate	Observed Rate	Proposed Rate	Current Rate	Observed Rate	Proposed Rate
20 – 24	0.00	0.00	0.00	0.00	0.00	0.00
25 – 29	0.02	0.00	0.02	0.05	0.00	0.05
30 – 34	0.05	0.29	0.10	0.10	0.00	0.10
35 – 39	0.20	0.36	0.25	0.10	0.00	0.10
40 – 44	0.25	0.57	0.35	0.15	0.15	0.15
45 – 49	0.50	0.26	0.50	0.25	0.54	0.25
50 – 54	1.50	1.48	1.50	0.30	0.31	0.30
55 – 59	3.00	4.41	3.50	0.50	0.00	0.50
60 – 64	6.00	4.41	6.00	0.00	0.00	0.00
65 – 69	7.00	13.21	8.00	0.00	5.56	0.00

**Based upon the recent experience, we have increased the disability incidence rates overall for General All Other members, General OCTA members and Safety Law and Fire members while maintaining disability incidence rates for Safety Probation members.**

Chart 37 compares the actual number of non-service connected and service connected disabilities over the past three years to that expected under both the current and proposed assumptions.

Chart 38 shows actual disablement rates, compared to the assumed and proposed rates for General All Other members. Charts 39-41 graph the same information as Chart 38, but for General OCTA, Safety Law and Fire and Safety Probation members.

The following table shows the currently assumed, actual and proposed assumed percentages for service versus non-service connected disability for the groups.

	Service vs. Non-Service Connected Disability			
	Disabilities Receiving Service Connected Disability			Disabilities Receiving Non-Service Connected Disability
	Current Assumption	Actual Percentage	Proposed Assumption	Proposed Assumption
<b>General All Other</b>	60%	77%	65%	35%
<b>General OCTA</b>	65%	87%	80%	20%
<b>Safety Law and Fire</b>	100%	99%	100%	0%
<b>Safety Probation<sup>44</sup></b>	75%	100%	75%	25%

**Based upon the recent experience, we have increased the assumed percentages for service connected disability for General All Other and General OCTA members while maintaining the assumed percentages for Safety Law and Fire and Safety Probation members.**

<sup>44</sup> In the last experience study, 67% of Safety Probation disablements were receiving service connected disability.

Chart 37: Actual Number of Service and Non-service Disability Retirements Compared to Expected

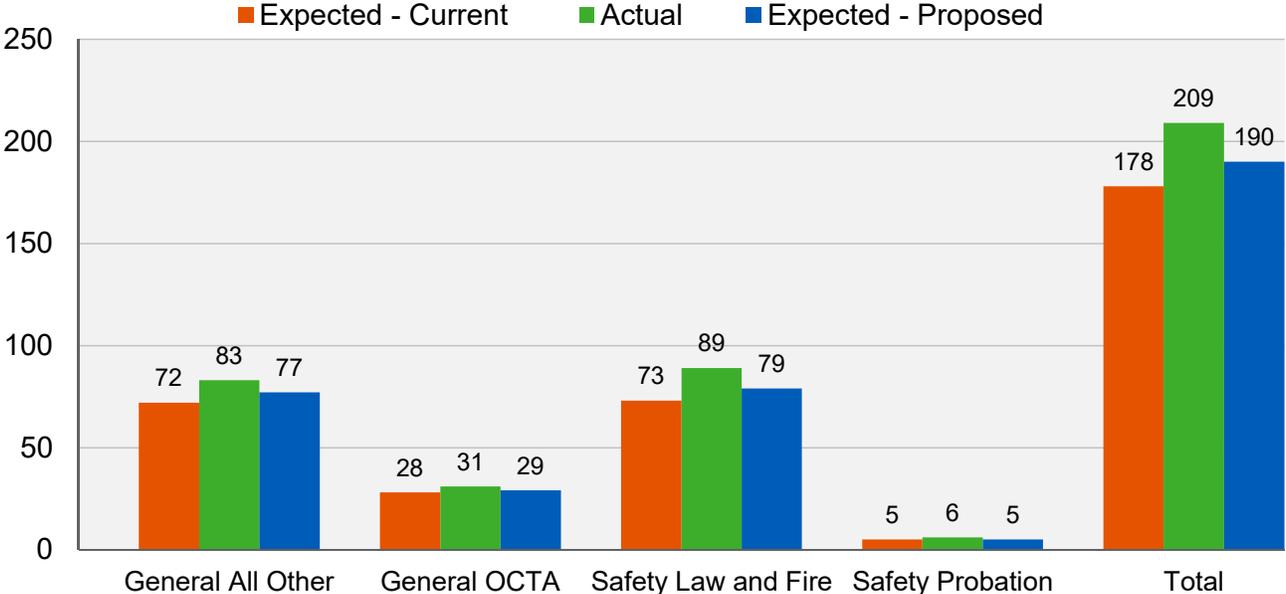


Chart 38: Disability Incidence Rates General All Other Members

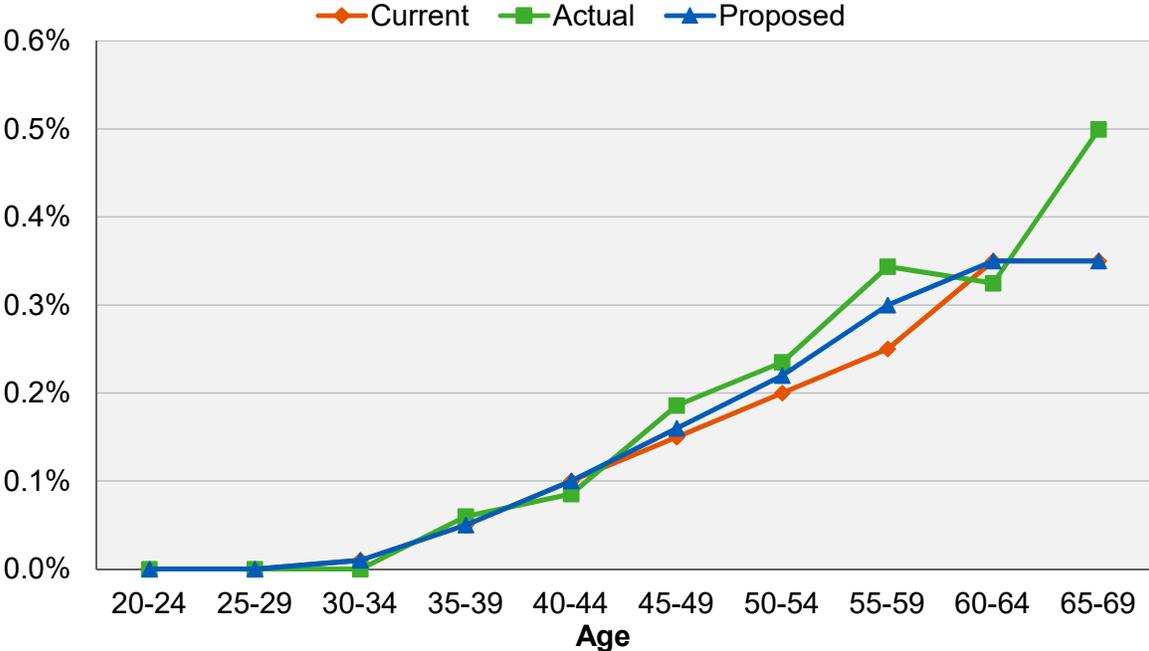


Chart 39: Disability Incidence Rates  
General OCTA Members

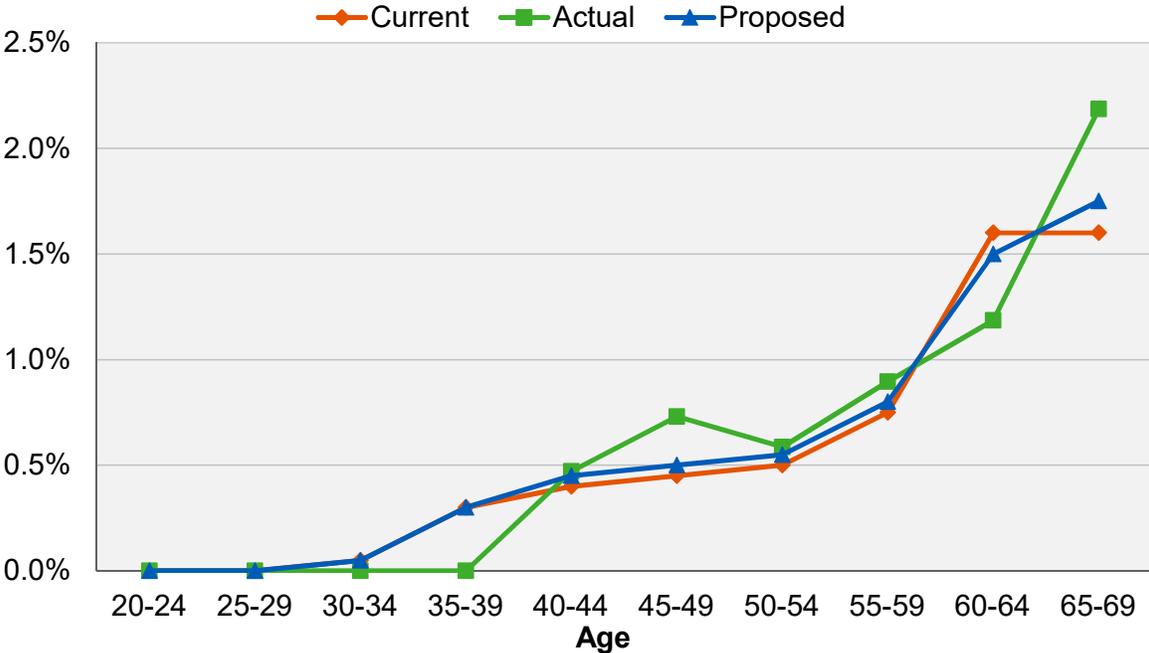


Chart 40: Disability Incidence Rates  
Safety Law and Fire Members

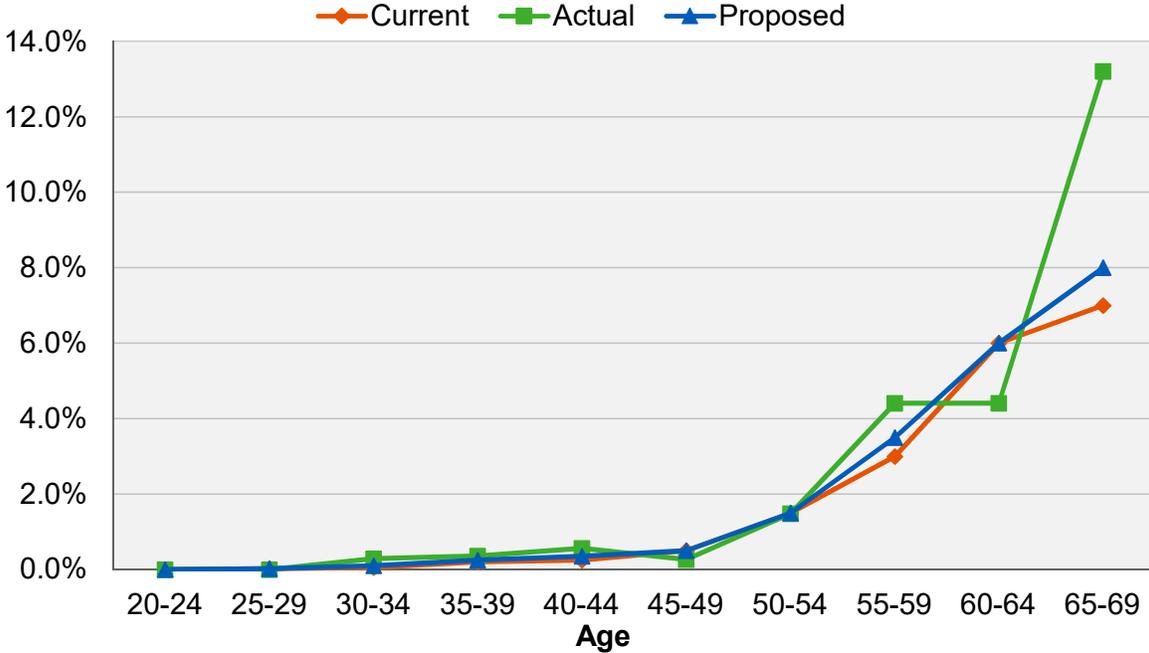
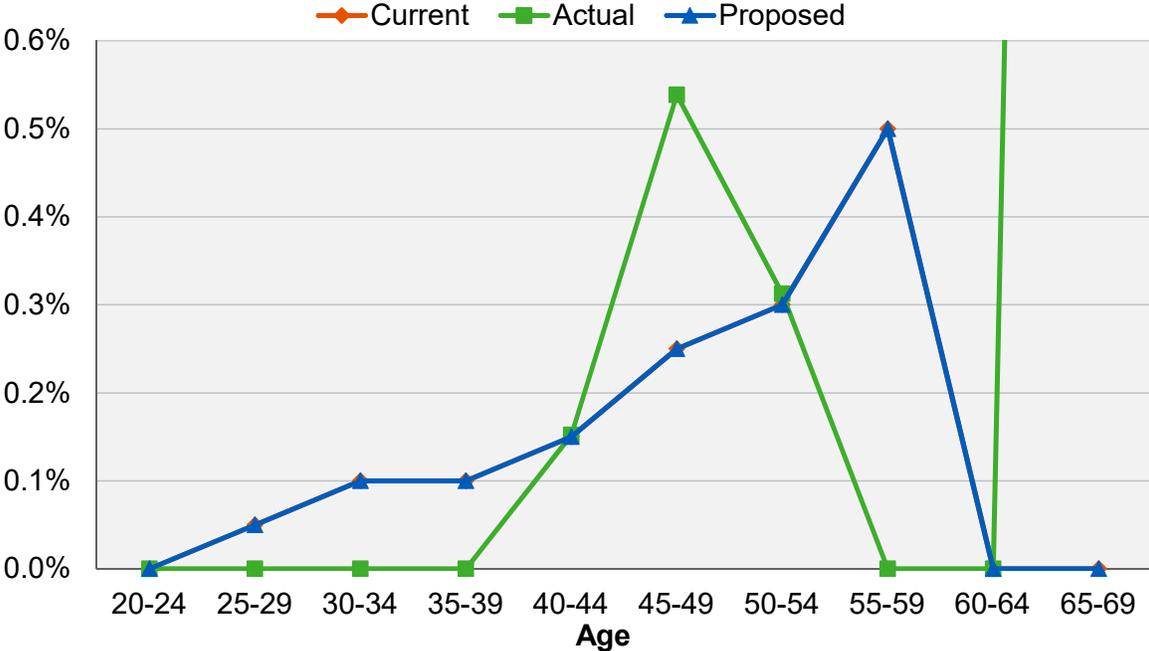


Chart 41: Disability Incidence Rates  
Safety Probation Members



## F. Additional Cashouts

Certain OCERS legacy members are eligible for additional cashouts on an annual basis. These cashouts are included as part of a member's Earnable Compensation at retirement. These additional pay elements fall into two categories:

- Ongoing Pay Elements – Those that are expected to be received relatively uniformly over a member's employment years; and
- Terminal Pay Elements – Those that are expected to be received only during the member's final average earnings pay period.

The first category is recognized in the actuarial calculations by virtue of being included in the current pay of active members. Any year to year fluctuation in the amount of additional cashouts would be incorporated in the salary scale assumptions discussed in the prior section of this report. The second category requires a separate actuarial assumption to anticipate its impact on a member's retirement benefit.

In this study, we have been provided with final average salaries determined by OCERS before ("FAS – Base")<sup>45</sup> as well as after ("FAS – Final")<sup>46</sup> including the terminal pay elements for members who retired during the last three years. We have studied the impact of including these pay elements by taking the ratio of "FAS – Final" to "FAS – Base". Members covered under CalPEPRA plans are not eligible to receive leave cashouts.

The current and recommended additional cashout assumptions are provided in the following table:

Membership	Final One Year Salary			Final Three Year Salary		
	Current Assumption	Actual Rate	Proposed Assumption	Current Assumption	Actual Rate	Proposed Assumption
General Members	3.00%	2.43%	3.00%	2.80%	2.90%	2.90%
Safety Probation	3.80%	4.32%	3.80%	3.40%	3.40%	3.40%
Safety Law Enforcement	5.20%	N/A	N/A	4.60%	6.88%	6.90%
Safety Fire	2.00%	N/A	N/A	1.70%	1.49%	1.50%

Note that the Safety Law Enforcement and Safety Fire Tiers 1 no longer have any active members.

**Based on the above experience, we recommend revising some of the proposed cashout assumptions for the Final Three Year Salary tiers.** The Safety Law Enforcement cashout load is increased by 50% as supported by the experience shown above and consistent with changes in MOUs that allow for maximum vacation and annual leave cashouts in a given year to increase from 40 hours to 120 hours effective September 16, 2016.

<sup>45</sup> Per OCERS, this is calculated by the System using base earnable salary plus those reported pensionable pay items (regularly included in the annual actuarial valuation) based on the highest system-calculated FAS period.

<sup>46</sup> Per OCERS, this is equal to "FAS – Base" plus all eligible pensionable pay items that had not been formerly transmitted to OCERS from the employer.

In determining the assumptions for the cashouts, we have asked OCERS for directions on whether or not the recent California Supreme Court decision on compensation earnable is expected to have an impact on the pay elements that we have used in the analysis of the above assumptions. We were informed that in OCERS' opinion that decision does not apply to leave cash outs for Legacy members.

## V. Cost Impact

We have estimated the impact of all the recommended demographic and economic assumptions as if they were applied to the December 31, 2019 actuarial valuation. The table below shows the changes in the employer and member contribution rates due to the proposed assumption changes separately for the recommended economic assumption changes (as recommended in Section III of this report which include the recommended merit and promotion salary increases) and the recommended demographic assumption changes (as recommended in Section IV of this report).

### Cost Impact of the Recommended Assumptions Based on December 31, 2019 Actuarial Valuation

Impact on Employer Contribution Rates	
Decrease due to changes in economic assumptions	-0.29%
Increase due to changes in demographic assumptions	<u>0.98%</u>
Total increase in average employer rate	0.69%
Total estimated increase in annual dollar amount (\$000s)	\$11,711
Impact on Member Contribution Rates	
Decrease due to changes in economic assumptions	-0.26%
Increase due to changes in demographic assumptions	<u>0.25%</u>
Total decrease in average member rate	-0.01%
Total estimated decrease in annual dollar amount (\$000s)	\$(621)
Impact on UAAL and Funded Percentage	
Increase in UAAL	\$38 million
Change in Funded Percentage	From 73.17% to 73.06%

Of the various assumption changes, the most significant cost impact (rate increase) for General Rate Groups is from the change in the retirement assumptions while the most significant cost impact (rate reduction) for Safety Rate Groups is from the change in the mortality assumptions.

Assumption Change	Impact on Employer Contribution Rates	Impact on Member Contribution Rates	Impact on UAAL (\$ millions)
<b>Decrease due to changes in economic assumptions</b>	<b>-0.29%</b>	<b>-0.26%</b>	<b>-106</b>
Increase/(decrease) due to change in mortality	-0.45%	0.11%	-97
Increase due to change in terminal pay	0.23%	0.04%	37
Increase due to change in retirement	0.96%	0.06%	171
Increase due to changes in all other demographic	0.24%	0.04%	32
<b>Increase due to changes in demographic assumptions</b>	<b>0.98%</b>	<b>0.25%</b>	<b>144</b>
<b>Total increase/(decrease) due to all assumption changes</b>	<b>0.69%</b>	<b>-0.01%</b>	<b>38</b>

*Results may not add due to rounding.*

Section III of this report includes a possible alternative to the recommended 2.75% retiree Cost-of-Living assumption that is consistent with prior practice relative to the recommended inflation assumption. The following table shows the estimated cost impact of adopting 2.50% retiree Cost-of-Living assumptions, together with all the other assumption changes recommended in this report.

### Cost Impact of the Alternative Assumptions Based on December 31, 2019 Actuarial Valuation (with 2.50% Retiree Cost-of-Living Assumption)

Impact on Employer Contribution Rates	
Decrease due to changes in economic assumptions	-3.16%
Increase due to changes in demographic assumptions	<u>0.98%</u>
Total decrease in average employer rate	-2.18%
Total estimated decrease in annual dollar amount (\$000s)	\$(44,124)
Impact on Member Contribution Rates	
Decrease due to changes in economic assumptions	-0.70%
Increase due to changes in demographic assumptions	<u>0.25%</u>
Total decrease in average member rate	-0.45%
Total estimated decrease in annual dollar amount (\$000s)	\$(9,106)
Impact on UAAL and Funded Percentage	
Decrease in UAAL	\$(557) million
Change in Funded Percentage	From 73.17% to 75.08%

We have also analyzed in the tables below the average employer and member contribution rate impacts for each cost group due to the recommended assumption changes as if they were applied to the December 31, 2019 actuarial valuation.

<b>Employer Contribution Rate Increases/(Decreases) (% of Payroll)</b> (Estimated Annual Dollar amounts in Thousands)				
	<b>Normal Cost</b>	<b>UAAL</b>	<b>Total</b>	<b>Annual Amount<sup>47</sup></b>
Rate Group #1 – Plans A, B and U (non-OCTA, non-OCSD)	-0.24%	0.11%	-0.13%	\$(169)
Rate Group #2 – Plans I, J, O, P, S, T, U and W (County et al.)	0.08%	1.86%	1.94%	21,258
Rate Group #3 – Plans B, G, H and U (OCSD) <sup>48</sup>	-0.04%	0.10%	0.06%	26
Rate Group #5 – Plans A, B and U (OCTA)	0.27%	0.79%	1.06%	1,090
Rate Group #9 – Plans M, N and U (TCA)	-0.15%	0.38%	0.23%	15
Rate Group #10 – Plans I, J, M, N and U (OCFA)	-0.05%	1.22%	1.17%	344
Rate Group #11 – Plans M and N, future service, and U (Cemetery)	0.14%	1.07%	1.21%	21
Rate Group #12 – Plans G, H, future service, and U (Law Library)	-0.14%	0.57%	0.43%	5
Rate Group #6 – Plans E, F and V (Probation)	0.42%	-3.58%	-3.16%	(2,044)
Rate Group #7 – Plans E, F, Q, R and V (Law Enforcement)	-0.09%	-1.68%	-1.77%	(4,553)
Rate Group #8 – Plans E, F, Q, R and V (OCFA)	-0.51%	-2.35%	-2.86%	(4,282)
<b>Combined</b>	<b>0.02%</b>	<b>0.67%</b>	<b>0.69%</b>	<b>\$11,711</b>

<b>Average Member Contribution Rate Increases/(Decreases) (% of Payroll)</b> (Estimated Annual Dollar Amounts in Thousands)		
	<b>Total</b>	<b>Annual Amount<sup>47</sup></b>
Rate Group #1 – Plans A, B and U (non-OCTA, non-OCSD)	-0.15%	\$(163)
Rate Group #2 – Plans I, J, O, P, S, T, U and W (County et al.)	0.04%	140
Rate Group #3 – Plans B, G, H and U (OCSD)	0.02%	(5)
Rate Group #5 – Plans A, B and U (OCTA)	0.11%	91
Rate Group #9 – Plans M, N and U (TCA)	-0.01%	(3)
Rate Group #10 – Plans I, J, M, N and U (OCFA)	-0.02%	(18)
Rate Group #11 – Plans M and N, future service, and U (Cemetery)	-0.08%	(2)
Rate Group #12 – Plans G, H, future service, and U (Law Library)	0.13%	1
Rate Group #6 – Plans E, F and V (Probation)	-0.22%	(153)
Rate Group #7 – Plans E, F, Q, R and V (Law Enforcement)	-0.04%	(87)
Rate Group #8 – Plans E, F, Q, R and V (OCFA)	-0.27%	(422)
<b>Combined</b>	<b>-0.01%</b>	<b>\$(621)</b>

<sup>47</sup> Based on December 31, 2020 projected annual payroll as determined under each set of assumptions.

<sup>48</sup> The UAAL for Rate Group #3 after reflecting the recommended assumptions has been partially offset by the OCSD UAAL Deferred Account of \$12,057,000 as of December 31, 2019. If Rate Group #3 had not been overfunded prior to the changes in assumptions and if the OCSD UAAL Deferred Account was not available to offset the change in UAAL due to the changes in assumptions, the UAAL Contribution rate impact due to the changes in assumptions would have been 1.36% of payroll.

In addition, we have analyzed in the tables below the average employer and member contribution rate impacts for each cost group under the alternative assumptions (decreasing the retiree Cost of Living increases assumption from 2.75% to 2.50%). as if they were applied to the December 31, 2019 actuarial valuation.

<b>Employer Contribution Rate Increases/(Decreases) (% of Payroll)</b> <b>(Estimated Annual Dollar amounts in Thousands)</b>				
	<b>Normal Cost</b>	<b>UAAL</b>	<b>Total</b>	<b>Annual Amount<sup>49</sup></b>
Rate Group #1 – Plans A, B and U (non-OCTA, non-OCSD)	-0.53%	-0.75%	-1.28%	\$(1,204)
Rate Group #2 – Plans I, J, O, P, S, T, U and W (County et al.)	-0.27%	-0.43%	-0.70%	(9,240)
Rate Group #3 – Plans B, G, H and U (OCSD) <sup>50</sup>	-0.39%	0.00%	-0.39%	(313)
Rate Group #5 – Plans A, B and U (OCTA)	-0.06%	-1.10%	-1.16%	(1,409)
Rate Group #9 – Plans M, N and U (TCA) <sup>50</sup>	-0.47%	-0.39%	-0.86%	(65)
Rate Group #10 – Plans I, J, M, N and U (OCFA)	-0.40%	-0.72%	-1.12%	(379)
Rate Group #11 – Plans M and N, future service, and U (Cemetery)	-0.16%	-0.49%	-0.65%	(11)
Rate Group #12 – Plans G, H, future service, and U (Law Library) <sup>50</sup>	-0.59%	-0.19%	-0.78%	(9)
Rate Group #6 – Plans E, F and V (Probation)	-0.19%	-7.09%	-7.28%	(4,636)
Rate Group #7 – Plans E, F, Q, R and V (Law Enforcement)	-0.79%	-5.76%	-6.55%	(16,976)
Rate Group #8 – Plans E, F, Q, R and V (OCFA)	-1.18%	-5.48%	-6.66%	(9,882)
<b>Combined</b>	<b>-0.41%</b>	<b>-1.77%</b>	<b>-2.18%</b>	<b>\$(44,124)</b>

<b>Average Member Contribution Rate Increases/(Decreases) (% of Payroll)</b> <b>(Estimated Annual Dollar Amounts in Thousands)</b>		
	<b>Total</b>	<b>Annual Amount<sup>47</sup></b>
Rate Group #1 – Plans A, B and U (non-OCTA, non-OCSD)	-0.44%	\$(425)
Rate Group #2 – Plans I, J, O, P, S, T, U and W (County et al.)	-0.31%	(3,911)
Rate Group #3 – Plans B, G, H and U (OCSD)	-0.34%	(280)
Rate Group #5 – Plans A, B and U (OCTA)	-0.23%	(292)
Rate Group #9 – Plans M, N and U (TCA)	-0.37%	(29)
Rate Group #10 – Plans I, J, M, N and U (OCFA)	-0.39%	(135)
Rate Group #11 – Plans M and N, future service, and U (Cemetery)	-0.36%	(7)
Rate Group #12 – Plans G, H, future service, and U (Law Library)	-0.32%	(4)
Rate Group #6 – Plans E, F and V (Probation)	-0.95%	(613)
Rate Group #7 – Plans E, F, Q, R and V (Law Enforcement)	-0.77%	(1,986)
Rate Group #8 – Plans E, F, Q, R and V (OCFA)	-0.95%	(1,424)
<b>Combined</b>	<b>-0.45%</b>	<b>\$(9,106)</b>

<sup>49</sup> Based on December 31, 2020 projected annual payroll as determined under each set of assumptions.

<sup>50</sup> These Rate Groups are fully funded under the alternative assumptions so we have incorporated a net UAAL rate of 0.00% of payroll.

# Appendix A: Current Actuarial Assumptions

## Economic Assumptions

<b>Net Investment Return:</b>	7.00%, net of investment expenses and administration expenses.
<b>Member Contribution Crediting Rate:</b>	5.00%, compounded semi-annually.
<b>Consumer Price Index:</b>	Increase of 2.75% per year, retiree COLA increases due to CPI subject to a 3.0% maximum change per year.
<b>Payroll Growth:</b>	Inflation of 2.75% per year plus "across the board" real salary increases of 0.50% per year.
<b>Increase in Section 7522.10 Compensation Limit:</b>	Increase of 2.75% per year from the valuation date.

## Salary Increases

Inflation: 2.75% per year; plus “across the board” real salary increases of 0.50% per year; plus the following merit and promotion increases.

### Annual Rate of Compensation Increase<sup>51</sup>

Years of Service	Rate (%)	
	General	Safety
Less than 1	9.00	14.00
1 – 2	7.25	10.00
2 – 3	6.00	7.75
3 – 4	5.00	6.00
4 – 5	4.00	5.50
5 – 6	3.50	4.50
6 – 7	2.50	3.75
7 – 8	2.25	3.25
8 – 9	1.75	2.50
9 – 10	1.50	2.25
10 – 11	1.50	1.75
11 – 12	1.50	1.75
12 – 13	1.50	1.75
13 – 14	1.50	1.75
14 – 15	1.50	1.75
15 – 16	1.50	1.75
16 – 17	1.00	1.50
17 – 18	1.00	1.50
18 – 19	1.00	1.50
19 – 20	1.00	1.50
20 & Over	1.00	1.50

<sup>51</sup> In addition to the individual salary increase assumptions, we have applied an average two hours of additional salary annually for leap-year salary adjustment.

## Demographic Assumptions

### Mortality Rates – Healthy

- **General Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected generationally with the two-dimensional MP-2016 projection scale
- **Safety Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) set back four years, projected generationally with the two-dimensional MP-2016 projection scale

### Mortality Rates – Disabled

- **General Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) set forward five years, projected generationally with the two-dimensional MP-2016 projection scale
- **Safety Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected generationally with the two-dimensional MP-2016 projection scale

### Mortality Rates – Beneficiaries

- **Beneficiaries:** Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement

### Mortality Rates - Member Contribution Rates

- **General Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016, weighted 40% male and 60% female
- **Safety Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016 set back four years, weighted 80% male and 20% female

The RP-2014 mortality tables and adjustments as shown above reflect the mortality experience as of the measurement date. The generational projection is a provision for future mortality improvement.

## Mortality Rates – Pre-Retirement

- **General and Safety Members:** Headcount-Weighted RP-2014 Employee Mortality Table times 80%, projected generationally with the two-dimensional MP-2016 projection scale

Age	Rate (%)	
	Male	Female
25	0.05	0.02
30	0.05	0.02
35	0.05	0.03
40	0.06	0.04
45	0.10	0.07
50	0.17	0.11
55	0.27	0.17
60	0.45	0.24
65	0.78	0.36
70	1.27	0.59

Note that generational projections beyond the base year (2014) are not reflected in the above mortality rates.

All General pre-retirement deaths are assumed to be non-service connected. For Safety, 90% of pre-retirement deaths are assumed to be non-service connected. The other 10% are assumed to be service connected.

## Disability Incidence Rates

Age	Rate (%)			
	General All Other <sup>52</sup>	General OCTA <sup>53</sup>	Safety Law & Fire <sup>54</sup>	Safety Probation <sup>55</sup>
20	0.00	0.00	0.00	0.00
25	0.00	0.00	0.01	0.03
30	0.01	0.03	0.04	0.08
35	0.03	0.20	0.14	0.10
40	0.08	0.36	0.23	0.13
45	0.13	0.43	0.40	0.21
50	0.18	0.48	1.10	0.28
55	0.23	0.65	2.40	0.42
60	0.31	1.26	4.80	0.20

<sup>52</sup> 60% of General All Other disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service connected.

<sup>53</sup> 65% of General OCTA disabilities are assumed to be service connected disabilities. The other 35% are assumed to be non-service connected.

<sup>54</sup> 100% of Safety Law Enforcement and Fire disabilities are assumed to be service connected disabilities.

<sup>55</sup> 75% of Safety Probation disabilities are assumed to be service connected disabilities. The other 25% are assumed to be non-service connected.

## Termination Rates

Years of Service	Rate (%)			
	General All Other	General OCTA	Safety Law and Fire	Safety Probation
Less than 1	11.00	17.50	4.50	14.00
1 – 2	7.50	11.00	2.50	13.00
2 – 3	6.50	9.00	2.00	10.00
3 – 4	5.00	8.50	1.50	5.00
4 – 5	4.50	7.50	1.25	4.00
5 – 6	4.25	7.00	1.00	3.50
6 – 7	3.75	4.50	0.95	2.75
7 – 8	3.25	4.00	0.90	2.00
8 – 9	3.00	3.50	0.85	2.00
9 – 10	2.75	3.00	0.80	1.75
10 – 11	2.50	3.00	0.75	1.75
11 – 12	2.00	3.00	0.65	1.50
12 – 13	2.00	3.00	0.60	1.25
13 – 14	1.75	2.50	0.55	1.00
14 – 15	1.50	2.50	0.50	0.75
15 – 16	1.40	2.50	0.45	0.75
16 – 17	1.30	2.00	0.40	0.75
17 – 18	1.20	1.80	0.35	0.25
18 – 19	1.10	1.60	0.30	0.25
19 – 20	1.00	1.40	0.25	0.25
20 & Over	0.90	1.20	0.20	0.25

## Proportion of Total Termination Assumed to Withdraw Contributions

Rate (%)				
Years of Service	General All Other	General OCTA	Safety Law and Fire	Safety Probation
Less than 5	35.00	40.00	20.00	25.00
5 – 9	30.00	35.00	20.00	25.00
10 – 14	25.00	30.00	20.00	25.00
15 & over	20.00	20.00	20.00	25.00

## Retirement Rates

Age	Rate (%) <sup>56</sup>							
	General			Safety				
	Enhanced	Non-Enhance <sup>57</sup>	SJC (31676.12)	Law (31664.1) <sup>58</sup>	Law (31664.2) <sup>58</sup>	Fire (31664.1)	Fire (31664.2)	Probation <sup>58</sup>
48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
49	30.00	25.00	0.00	12.00	0.00	2.00	0.00	0.00
50	2.50	2.00	3.00	18.00	11.50	5.00	8.00	3.25
51	2.00	2.00	3.00	18.00	12.00	7.00	10.00	3.25
52	2.50	2.00	3.00	17.00	12.70	9.50	11.00	4.25
53	2.50	2.75	3.00	17.00	17.90	10.50	12.00	4.25
54	5.50	2.75	3.00	22.00	18.80	15.00	14.00	7.00
55	15.00	3.25	4.00	22.00	30.70	18.00	24.00	12.00
56	10.00	3.50	5.00	20.00	20.00	20.00	23.00	12.00
57	10.00	5.50	6.00	20.00	20.00	21.00	27.00	18.00
58	11.00	5.50	7.00	20.00	25.00	28.00	27.00	18.00
59	11.00	6.50	9.00	26.00	30.00	28.00	36.00	18.00
60	12.00	9.25	11.00	35.00	40.00	30.00	40.00	20.00
61	12.00	12.00	13.00	35.00	40.00	30.00	40.00	20.00
62	14.00	16.00	15.00	40.00	40.00	35.00	40.00	25.00
63	16.00	16.00	15.00	40.00	40.00	35.00	40.00	40.00
64	16.00	18.00	20.00	40.00	40.00	35.00	40.00	40.00
65	22.00	22.00	20.00	100.00	100.00	100.00	100.00	100.00
66	22.00	28.00	24.00	100.00	100.00	100.00	100.00	100.00
67	23.00	24.00	24.00	100.00	100.00	100.00	100.00	100.00
68	23.00	24.00	24.00	100.00	100.00	100.00	100.00	100.00
69	23.00	20.00	24.00	100.00	100.00	100.00	100.00	100.00
70	25.00	20.00	50.00	100.00	100.00	100.00	100.00	100.00
71	25.00	25.00	50.00	100.00	100.00	100.00	100.00	100.00
72	25.00	25.00	50.00	100.00	100.00	100.00	100.00	100.00
73	25.00	25.00	50.00	100.00	100.00	100.00	100.00	100.00
74	25.00	25.00	50.00	100.00	100.00	100.00	100.00	100.00
75	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

<sup>56</sup> The retirement rates only apply to members that are eligible to retire at the age shown.

<sup>57</sup> These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (Plan T and Plan W).

<sup>58</sup> Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

**Retirement Rates (continued)**

Age	Rate (%) <sup>59</sup>			
	General	Safety		
	CalPEPRA 2.5% @ 67	CalPEPRA Probation Formula <sup>60</sup>	CalPEPRA Law Formula <sup>60</sup>	CalPEPRA Fire Formula
50	0.00	2.50	11.00	6.00
51	0.00	2.50	11.50	7.00
52	4.00	3.00	12.00	9.00
53	1.50	3.00	16.00	10.00
54	1.50	5.50	17.00	11.50
55	2.50	10.00	28.00	21.00
56	3.50	10.00	18.00	20.00
57	5.50	15.00	17.50	22.00
58	7.50	20.00	22.00	25.00
59	7.50	20.00	26.00	30.00
60	7.50	40.00	40.00	40.00
61	7.50	40.00	40.00	40.00
62	14.00	40.00	40.00	40.00
63	14.00	40.00	40.00	40.00
64	14.00	40.00	40.00	40.00
65	18.00	100.00	100.00	100.00
66	22.00	100.00	100.00	100.00
67	23.00	100.00	100.00	100.00
68	23.00	100.00	100.00	100.00
69	23.00	100.00	100.00	100.00
70	25.00	100.00	100.00	100.00
71	25.00	100.00	100.00	100.00
72	25.00	100.00	100.00	100.00
73	25.00	100.00	100.00	100.00
74	25.00	100.00	100.00	100.00
75	100.00	100.00	100.00	100.00

<sup>59</sup> The retirement rates only apply to members that are eligible to retire at the age shown.<sup>60</sup> Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings

<b>Retirement Age and Benefit for Deferred Vested Members</b>	<p>General Retirement Age: 59 Safety Retirement Age: 53</p> <p>Future deferred vested members who terminate with less than five years of service and are not vested are assumed to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit.</p> <p>15% of future General and 25% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, 4.25% and 4.75% compensation increases are assumed per annum for General and Safety, respectively.</p>															
<b>Liability Calculation for Current Deferred Vested Members</b>	<p>Liability for a current deferred vested member is calculated based on salary (adjusted with the additional cashout assumptions for non-CalPEPRA members), service, and eligibility for reciprocal benefit as provided by the Retirement System. For those members without salary information that have 3 or more years of service, we used an average salary. For those members without salary information that have less than 3 years of service or for those members without service information, we assumed a refund of account balance.</p>															
<b>Future Benefit Accruals</b>	<p>1.0 year of service per year of employment. There is no assumption to anticipate conversion of unused sick leave at retirement.</p>															
<b>Unknown Data for Members</b>	<p>Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.</p>															
<b>Definition of Active Member</b>	<p>All active members of OCERS as of the valuation date.</p>															
<b>Form of Payment</b>	<p>All active and inactive members are assumed to elect the unmodified option at retirement.</p>															
<b>Percent Married</b>	<p>For all active and inactive members, 75% of male members and 55% of female members are assumed to be married at pre-retirement death or retirement.</p>															
<b>Age and Gender of Spouse</b>	<p>For all active and inactive members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 3 years older than the member.</p>															
<b>Additional Cashout Assumptions</b>	<p><b><u>Non-CalPEPRA Formulas</u></b></p> <p>Additional compensation amounts are expected to be received during a member's final average earnings period. The percentages used in this valuation are:</p> <table border="1"> <thead> <tr> <th></th> <th><b>Final One Year Salary</b></th> <th><b>Final Three Year Salary</b></th> </tr> </thead> <tbody> <tr> <td>General Members</td> <td>3.00%</td> <td>2.80%</td> </tr> <tr> <td>Safety Probation</td> <td>3.80%</td> <td>3.40%</td> </tr> <tr> <td>Safety Law Enforcement</td> <td>5.20%</td> <td>4.60%</td> </tr> <tr> <td>Safety Fire</td> <td>2.00%</td> <td>1.70%</td> </tr> </tbody> </table> <p>The additional terminal pay assumptions are the same for service and disability retirements.</p> <p><b><u>CalPEPRA Formulas</u></b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>		<b>Final One Year Salary</b>	<b>Final Three Year Salary</b>	General Members	3.00%	2.80%	Safety Probation	3.80%	3.40%	Safety Law Enforcement	5.20%	4.60%	Safety Fire	2.00%	1.70%
	<b>Final One Year Salary</b>	<b>Final Three Year Salary</b>														
General Members	3.00%	2.80%														
Safety Probation	3.80%	3.40%														
Safety Law Enforcement	5.20%	4.60%														
Safety Fire	2.00%	1.70%														

# Appendix B: Proposed Actuarial Assumptions

## Economic Assumptions

<b>Net Investment Return:</b>	7.00%, net of investment expenses and administration expenses.
<b>Member Contribution Crediting Rate:</b>	5.00%, compounded semi-annually.
<b>Consumer Price Index:</b>	Increase of 2.50% per year, retiree COLA increases of 2.75% per year under recommended assumption and 2.50% per year under alternative assumption.
<b>Payroll Growth:</b>	Inflation of 2.50% per year plus “across the board” real salary increases of 0.50% per year.
<b>Increase in Section 7522.10 Compensation Limit:</b>	Increase of 2.50% per year from the valuation date.

## Salary Increases

Inflation: 2.50% per year; plus “across the board” real salary increases of 0.50% per year; plus the following merit and promotion increases.

### Annual Rate of Compensation Increase<sup>1</sup>

Rate (%)		
Years of Service	General	Safety
Less than 1	8.00	12.00
1 – 2	7.25	10.00
2 – 3	6.25	8.50
3 – 4	5.25	7.50
4 – 5	4.25	6.50
5 – 6	3.50	5.50
6 – 7	2.75	5.00
7 – 8	2.50	4.00
8 – 9	1.70	3.00
9 – 10	1.70	2.50
10 – 11	1.60	1.85
11 – 12	1.60	1.85
12 – 13	1.50	1.85
13 – 14	1.50	1.85
14 – 15	1.25	1.85
15 – 16	1.25	1.60
16 – 17	1.00	1.60
17 – 18	1.00	1.60
18 – 19	1.00	1.60
19 – 20	1.00	1.60
20 & Over	1.00	1.60

<sup>1</sup> In addition to the individual salary increase assumptions, we have applied an average two hours of additional salary annually for leap-year salary adjustment.

## Demographic Assumptions

### Mortality Rates – Healthy

- **General Members:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

### Mortality Rates – Disabled

- **General Members:** Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

### Mortality Rates – Beneficiaries

- **Beneficiaries:** Pub-2010 General Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019

### Mortality Rates - Member Contribution Rates

- **General Members:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 40% male and 60% female
- **Safety Members:** Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 80% male and 20% female

## Mortality Rates – Pre-Retirement

- **General Members:** Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

Age	Rate (%)			
	General		Safety	
	Male	Female	Male	Female
25	0.02	0.01	0.03	0.02
30	0.03	0.01	0.04	0.02
35	0.04	0.02	0.04	0.03
40	0.06	0.03	0.05	0.04
45	0.09	0.05	0.07	0.06
50	0.13	0.08	0.10	0.08
55	0.19	0.11	0.15	0.11
60	0.28	0.17	0.23	0.14
65	0.41	0.27	0.35	0.20
70	0.61	0.44	0.66	0.39

All General pre-retirement deaths are assumed to be non-service connected. For Safety, 90% of pre-retirement deaths are assumed to be non-service connected. The other 10% are assumed to be service connected. Note that generational projections beyond the base year (2010) are not reflected in the above mortality rates.

## Disability Incidence Rates

Age	Rate (%)			
	General All Other <sup>1</sup>	General OCTA <sup>2</sup>	Safety Law & Fire <sup>3</sup>	Safety Probation <sup>4</sup>
20	0.00	0.00	0.00	0.00
25	0.00	0.00	0.01	0.03
30	0.01	0.03	0.07	0.08
35	0.03	0.20	0.19	0.10
40	0.08	0.39	0.31	0.13
45	0.14	0.48	0.44	0.21
50	0.20	0.53	1.10	0.28
55	0.27	0.70	2.70	0.42
60	0.33	1.22	5.00	0.20

<sup>1</sup> 65% of General All Other disabilities are assumed to be service connected disabilities. The other 35% are assumed to be non-service connected.

<sup>2</sup> 80% of General OCTA disabilities are assumed to be service connected disabilities. The other 20% are assumed to be non-service connected.

<sup>3</sup> 100% of Safety Law Enforcement and Fire disabilities are assumed to be service connected disabilities.

<sup>4</sup> 75% of Safety Probation disabilities are assumed to be service connected disabilities. The other 25% are assumed to be non-service connected.

## Termination Rates

Years of Service	Rate (%)			
	General All Other	General OCTA	Safety Law and Fire	Safety Probation
Less than 1	11.00	17.00	4.25	14.00
1 – 2	7.25	11.50	2.75	13.00
2 – 3	6.50	9.00	2.25	11.00
3 – 4	5.50	8.50	1.75	5.00
4 – 5	5.00	8.00	1.50	4.00
5 – 6	4.50	7.00	1.25	3.25
6 – 7	4.00	4.25	1.00	2.75
7 – 8	3.50	4.00	0.95	2.75
8 – 9	3.25	3.25	0.90	2.50
9 – 10	3.00	3.00	0.85	1.75
10 – 11	2.50	2.75	0.80	1.50
11 – 12	2.00	2.50	0.75	1.50
12 – 13	2.00	2.50	0.70	1.25
13 – 14	2.00	2.25	0.65	1.00
14 – 15	1.50	2.25	0.60	0.75
15 – 16	1.40	2.25	0.55	0.75
16 – 17	1.30	2.00	0.50	0.75
17 – 18	1.20	1.80	0.45	0.75
18 – 19	1.10	1.60	0.40	0.50
19 – 20	1.00	1.40	0.30	0.25
20 & Over	0.75	1.20	0.15	0.15

## Proportion of Total Termination Assumed to Withdraw Contributions

Years of Service	Rate (%)			
	General All Other	General OCTA	Safety Law and Fire	Safety Probation
Less than 5	30.00	40.00	20.00	25.00
5 – 9	25.00	30.00	20.00	25.00
10 – 14	25.00	25.00	10.00	25.00
15 & over	17.50	15.00	10.00	15.00

## Retirement Rates

Age	Rate (%)				
	Enhanced		Non-Enhanced <sup>1</sup>		SJC (31676.12)
	< 30 Years of Service	> 30 Years of Service	< 30 Years of Service	> 30 Years of Service	All Years of Service
49	0.00	30.00	0.00	25.00	0.00
50	2.00	4.00	3.00	3.00	4.00
51	2.00	4.00	3.00	3.00	4.00
52	2.50	5.00	2.00	2.00	4.00
53	2.50	5.00	3.50	3.50	4.00
54	7.00	14.00	2.75	2.75	4.00
55	12.00	30.00	3.25	3.25	4.00
56	9.00	19.00	3.50	3.50	5.00
57	9.00	18.00	5.00	5.00	6.00
58	9.00	18.00	5.50	5.50	7.00
59	10.00	20.00	6.50	6.50	9.00
60	11.00	20.00	9.00	13.50	10.00
61	11.00	20.00	9.00	13.50	12.00
62	13.00	20.00	9.00	18.00	13.00
63	13.00	22.00	9.50	19.00	13.00
64	16.00	24.00	10.00	20.00	19.00
65	24.00	28.00	22.00	26.40	20.00
66	24.00	30.00	25.00	30.00	25.00
67	24.00	30.00	25.00	30.00	25.00
68	22.00	27.50	30.00	27.50	25.00
69	22.00	27.50	30.00	27.50	25.00
70	25.00	27.50	20.00	27.50	45.00
71	25.00	27.50	20.00	27.50	45.00
72	25.00	27.50	20.00	27.50	45.00
73	20.00	27.50	20.00	27.50	45.00
74	20.00	27.50	20.00	27.50	45.00
75	100.00	100.00	100.00	100.00	100.00

<sup>1</sup> These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (Plan T and Plan W).

## Retirement Rates (continued)

Age	Rate (%)							
	Law (31664.1)		Law (31664.2)	Fire (31664.1)		Fire (31664.2)	Probation (31664.1)	
	< 30 Years of Service	> 30 Years of Service	All Years of Service	< 30 Years of Service	> 30 Years of Service	All Years of Service	< 30 Years of Service	> 30 Years of Service
45	1.00	16.00	0.00	2.00	10.00	0.00	3.00	5.00
46	1.00	16.00	0.00	2.00	10.00	0.00	3.00	5.00
47	1.00	16.00	0.00	2.00	10.00	0.00	3.00	5.00
48	1.00	16.00	0.00	2.00	10.00	0.00	3.00	5.00
49	11.00	16.00	0.00	2.00	10.00	0.00	3.00	5.00
50	16.00	16.00	11.50	4.00	10.00	8.00	9.00	12.00
51	16.00	16.00	12.00	4.00	10.00	9.00	7.00	10.00
52	17.00	16.00	12.70	4.00	10.00	10.00	5.00	9.00
53	19.00	30.00	17.90	9.00	20.00	12.00	7.00	9.00
54	24.00	30.00	18.80	12.00	25.00	14.00	7.00	12.00
55	24.00	30.00	35.00	12.00	25.00	23.00	12.00	30.00
56	22.00	30.00	25.00	12.00	25.00	22.00	18.00	30.00
57	22.00	30.00	25.00	18.00	25.00	25.00	25.00	30.00
58	22.00	40.00	25.00	18.00	30.00	25.00	25.00	30.00
59	22.00	40.00	30.00	18.00	30.00	35.00	18.00	30.00
60	30.00	40.00	40.00	18.00	30.00	40.00	20.00	40.00
61	30.00	40.00	40.00	18.00	30.00	40.00	20.00	40.00
62	30.00	40.00	40.00	18.00	35.00	40.00	20.00	40.00
63	30.00	40.00	40.00	18.00	35.00	40.00	20.00	40.00
64	30.00	40.00	40.00	18.00	35.00	40.00	20.00	40.00
65	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

**Retirement Rates (continued)**

Age	Rate (%)			
	General	Safety		
	CalPEPRA 2.5% @ 67	CalPEPRA Probation Formula	CalPEPRA Law Formula	CalPEPRA Fire Formula
50	0.00	3.00	11.00	6.00
51	0.00	3.00	11.50	6.50
52	6.00	3.50	12.00	8.00
53	2.00	3.50	16.00	10.00
54	2.00	6.00	17.00	11.50
55	2.50	12.00	29.00	20.00
56	3.50	12.00	19.00	19.00
57	5.50	15.00	19.00	21.00
58	7.50	25.00	23.00	24.00
59	7.50	25.00	26.00	30.00
60	7.50	40.00	40.00	40.00
61	7.50	40.00	40.00	40.00
62	14.00	40.00	40.00	40.00
63	14.00	40.00	40.00	40.00
64	14.00	40.00	40.00	40.00
65	20.00	100.00	100.00	100.00
66	22.00	100.00	100.00	100.00
67	23.00	100.00	100.00	100.00
68	23.00	100.00	100.00	100.00
69	23.00	100.00	100.00	100.00
70	25.00	100.00	100.00	100.00
71	25.00	100.00	100.00	100.00
72	25.00	100.00	100.00	100.00
73	25.00	100.00	100.00	100.00
74	25.00	100.00	100.00	100.00
75	100.00	100.00	100.00	100.00

<b>Retirement Age and Benefit for Deferred Vested Members</b>	<p>General Retirement Age: 59  Safety Retirement Age: 54</p> <p>Future deferred vested members who terminate with less than five years of service and are not vested are assumed to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit.</p> <p>15% of future General and 20% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, 4.00% and 4.60% compensation increases are assumed per annum for General and Safety, respectively.</p>															
<b>Liability Calculation for Current Deferred Vested Members</b>	<p>Liability for a current deferred vested member is calculated based on salary (adjusted with the additional cashout assumptions for non-CalPEPRA members), service, and eligibility for reciprocal benefit as provided by the Retirement System. For those members without salary information that have 3 or more years of service, we used an average salary. For those members without salary information that have less than 3 years of service or for those members without service information, we assumed a refund of account balance.</p>															
<b>Future Benefit Accruals</b>	<p>1.0 year of service per year of employment. There is no assumption to anticipate conversion of unused sick leave at retirement.</p>															
<b>Unknown Data for Members</b>	<p>Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.</p>															
<b>Definition of Active Member</b>	<p>All active members of OCERS as of the valuation date.</p>															
<b>Form of Payment</b>	<p>All active and inactive members are assumed to elect the unmodified option at retirement.</p>															
<b>Percent Married</b>	<p>For all active and inactive members, 75% of male members and 55% of female members are assumed to be married at pre-retirement death or retirement.</p>															
<b>Age of Spouse</b>	<p>For all active and inactive members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 2 years older than the member.</p>															
<b>Additional Cashout Assumptions</b>	<p><b><u>Non-CalPEPRA Formulas</u></b></p> <p>Additional compensation amounts are expected to be received during a member's final average earnings period. The percentages used in this valuation are:</p> <table border="1"> <thead> <tr> <th></th> <th><b>Final One Year Salary</b></th> <th><b>Final Three Year Salary</b></th> </tr> </thead> <tbody> <tr> <td>General Members</td> <td>3.00%</td> <td>2.90%</td> </tr> <tr> <td>Safety Probation</td> <td>3.80%</td> <td>3.40%</td> </tr> <tr> <td>Safety Law Enforcement</td> <td>N/A</td> <td>6.90%</td> </tr> <tr> <td>Safety Fire</td> <td>N/A</td> <td>1.50%</td> </tr> </tbody> </table> <p>The additional cashout assumptions are the same for service and disability retirements.</p> <p><b><u>CalPEPRA Formulas</u></b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>		<b>Final One Year Salary</b>	<b>Final Three Year Salary</b>	General Members	3.00%	2.90%	Safety Probation	3.80%	3.40%	Safety Law Enforcement	N/A	6.90%	Safety Fire	N/A	1.50%
	<b>Final One Year Salary</b>	<b>Final Three Year Salary</b>														
General Members	3.00%	2.90%														
Safety Probation	3.80%	3.40%														
Safety Law Enforcement	N/A	6.90%														
Safety Fire	N/A	1.50%														

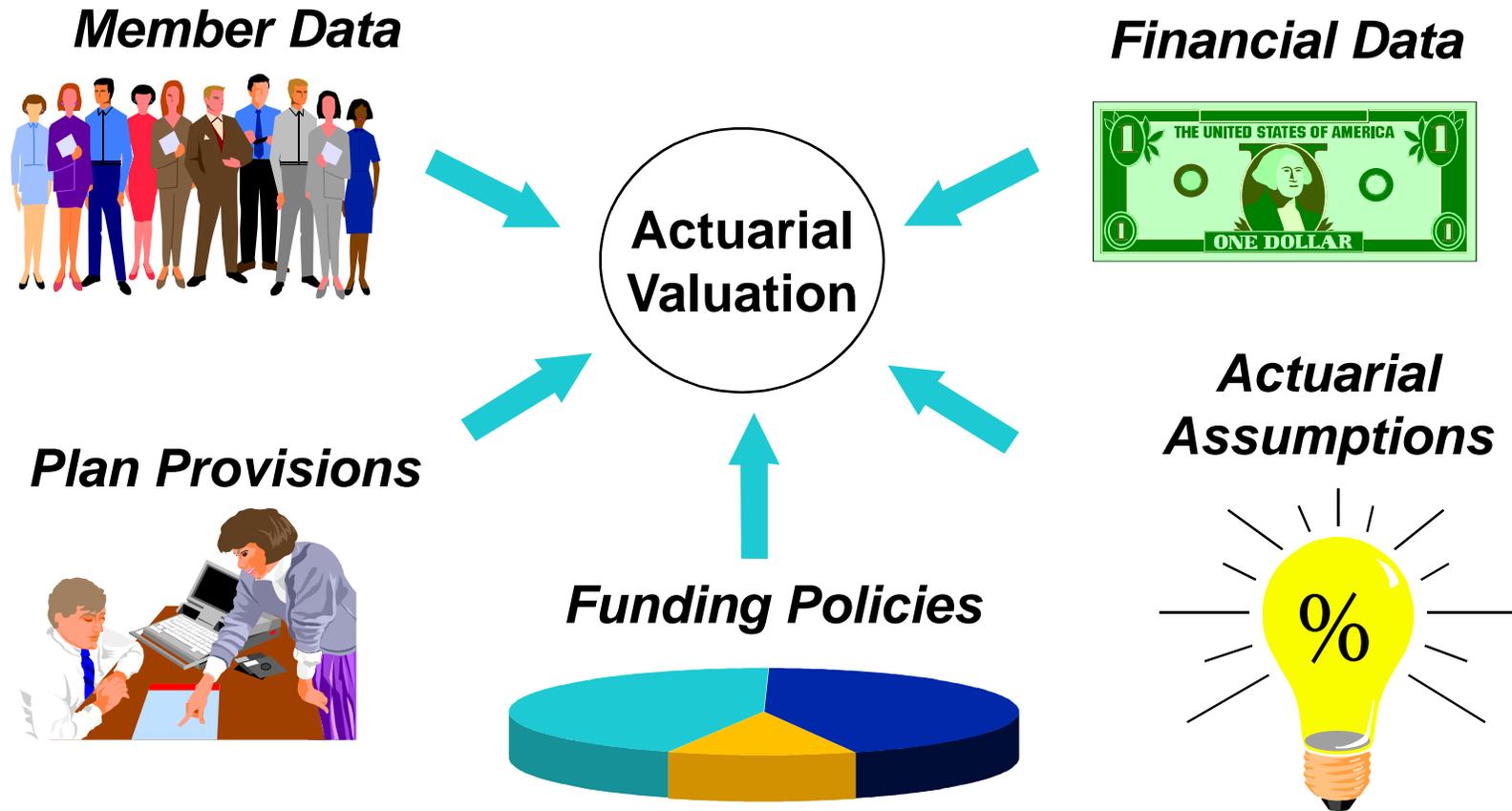
# Orange County Employees Retirement System

**2020 Actuarial Experience Study  
August 17, 2020**

**Paul Angelo, FSA / Andy Yeung, ASA**



# What Goes Into an Actuarial Valuation



# Selection of Actuarial Assumptions

- New assumptions will be used in December 31, 2020 valuation
  - Sets contributions for 2022 – 2023 fiscal year
- Actuarial assumptions – two kinds
  - Demographic — When benefits will be payable
  - Economic — How assets, and salaries and benefits increase
- Objective, long term
- Recent experience or future expectations
  - Demographic: recent experience
  - Economic: not necessarily!
  - Note: ongoing effect of COVID-19 is beyond scope of this study
- System specific or not
  - All assumptions are system specific except price inflation
- Consistency among assumptions
- Desired pattern of cost incidence
  - Good assumptions produce level costs
  - Beware “results based” assumptions!

# Always Remember

$$\mathbf{C + I = B + E}$$

**Contributions + Investment Income  
equals  
Benefit Payments + Expenses**

- Actuarial valuation determines the current or “measured” cost, not the ultimate cost
- Assumptions and funding methods affect only the timing of costs (unless benefits are affected!)

# Demographic Assumptions

- Rates of “decrement”
  - Termination, mortality, disability, retirement
  - Termination
    - Withdrawal
    - Deferred vested
  - Mortality
    - Before and after retirement
    - Service retiree, disabled retiree, beneficiary
- Percent married
- Member/spouse age difference
- Reciprocity
- Additional cashouts
- Assumptions can be distinct for General and Safety
  - Also for different Plans and different Rate Groups

# Setting Demographic Assumptions

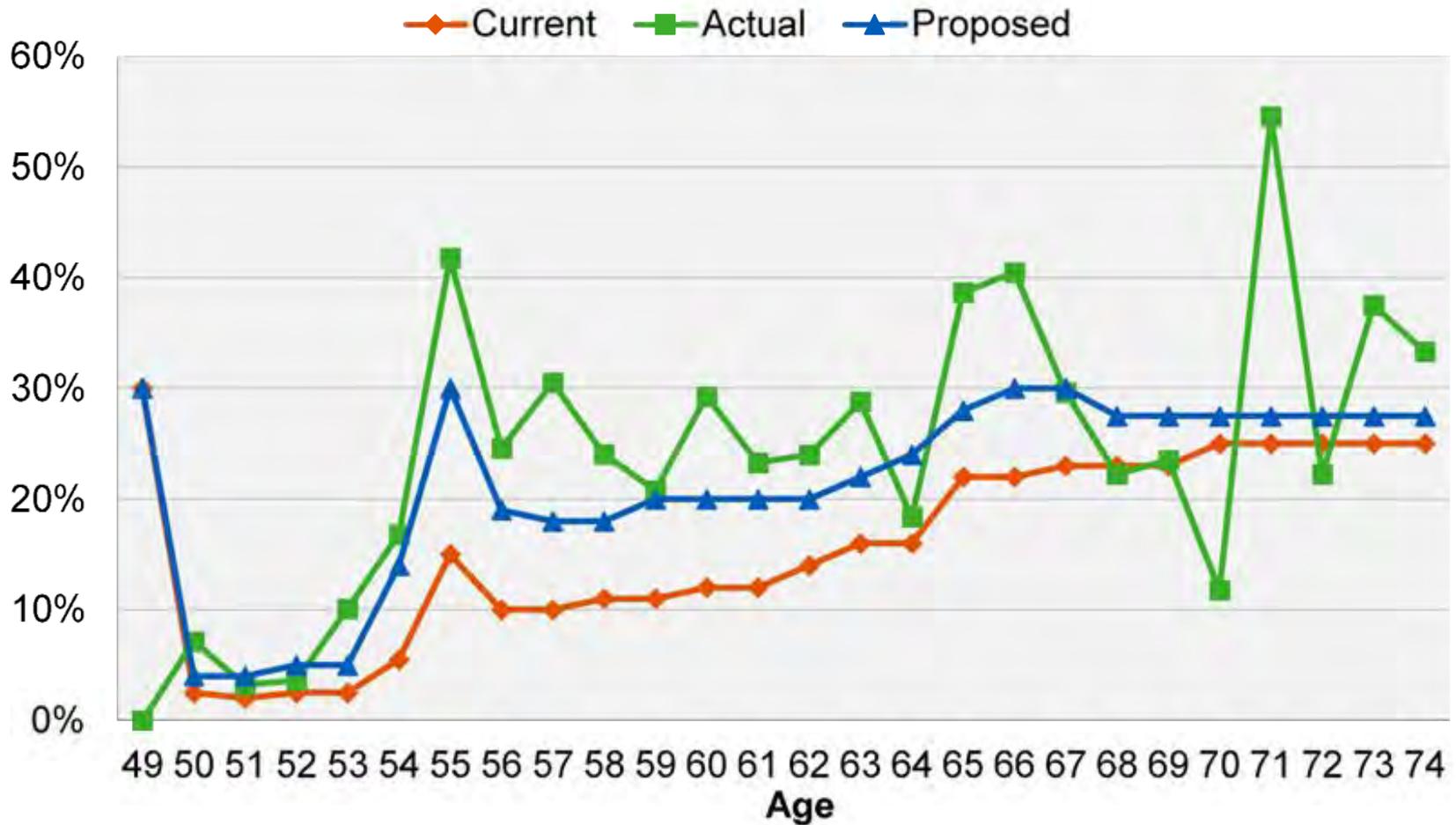
- To determine rates for each assumption, we count the “exposures” and “decrements” for that event
  - Exposures = Number of employees at each age or service who could have terminated, retired, etc.
  - Decrements = Number of employees at each age or service who actually terminated, retired, etc.
  - Comparing these gives the “actual” decrement rates for that age or service during the study period
- Compare to the “current” assumed rates (or to expected number of decrements based on those current rates)
- Develop “proposed” new assumption based on both “current” assumption and recent “actual” experience
  - Weight the “actual” based on “credibility”

# Recommendations – Demographic

- Retirement rates
  - Change in structure to use both age and service for those tiers that have been adopted for the legacy members for a longer period of time
  - For members with under 30 years of service
    - Later retirements for General and Safety members
  - For members with over 30 years of service
    - Earlier retirements for General and Safety members
  - Adjust retirement rates for CalPEPRA formulas consistent with adjustments for the legacy formulas

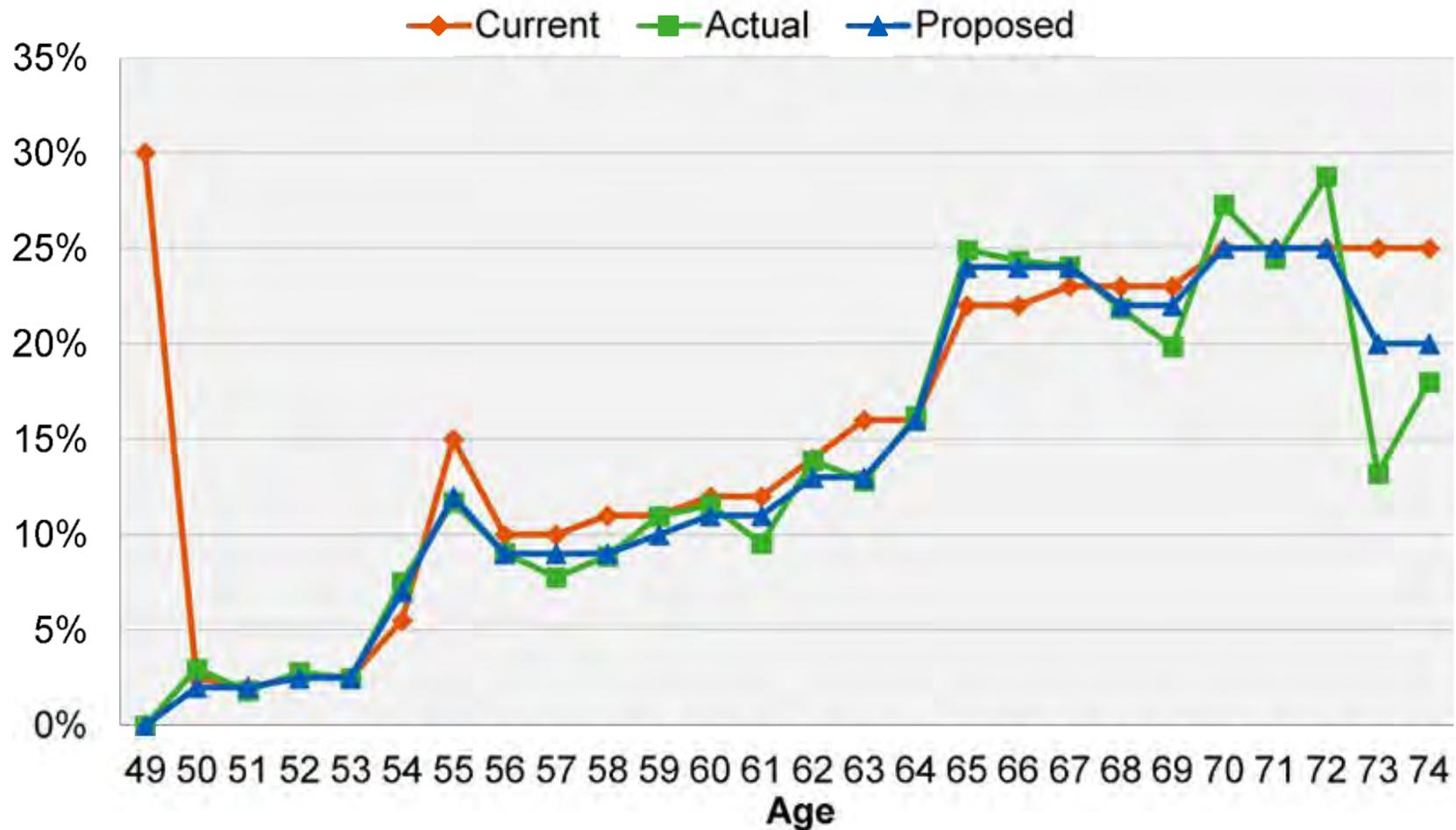
# Retirement Rates – General Enhanced

Chart 4: Retirement Rates  
General Enhanced Members with More than 30 Years of Service



# Retirement Rates – General Enhanced

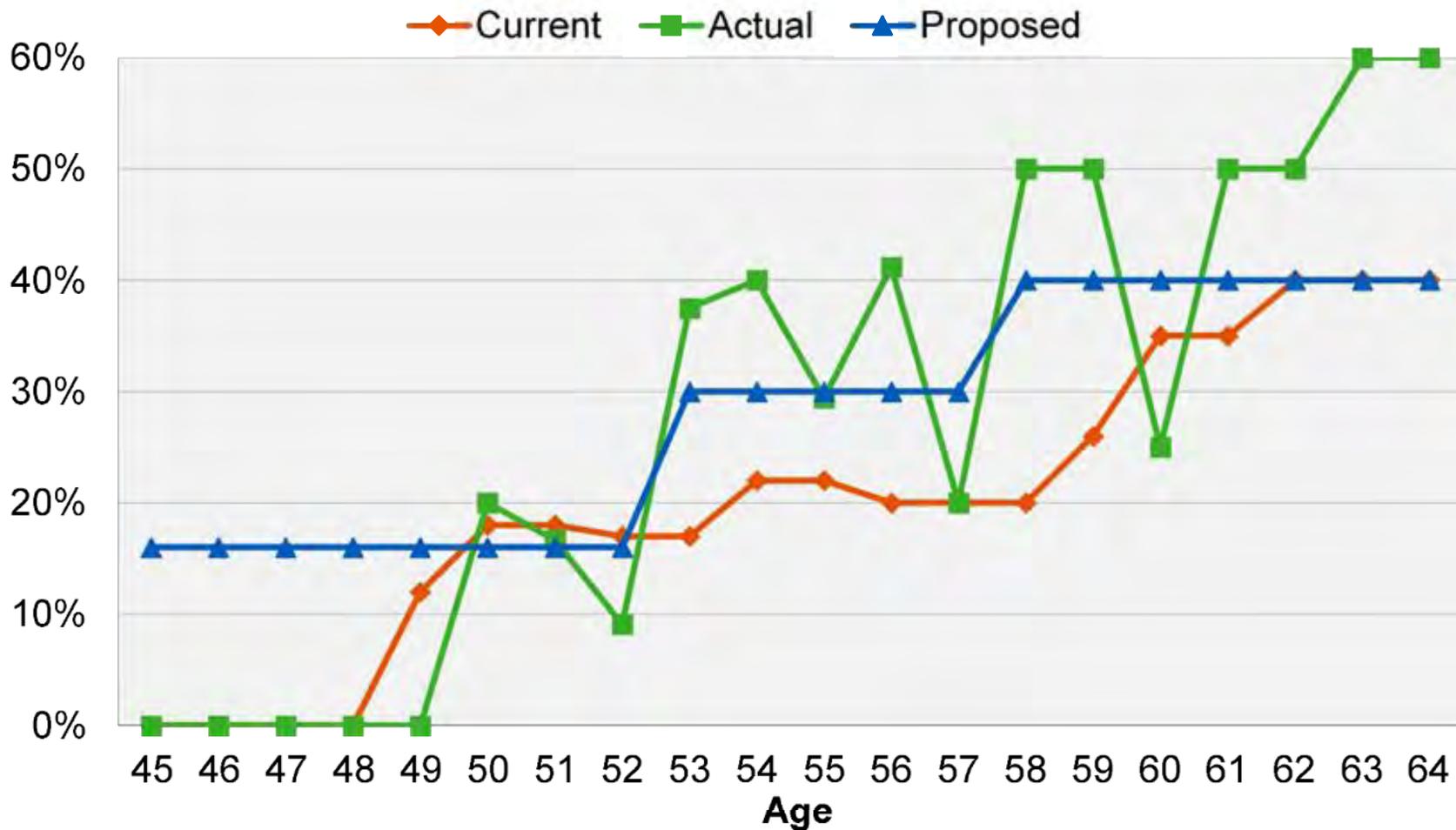
Chart 3: Retirement Rates  
General Enhanced Members with Less than 30 Years of Service



# Retirement Rates – Safety Law Enforcement

## Chart 8: Retirement Rates

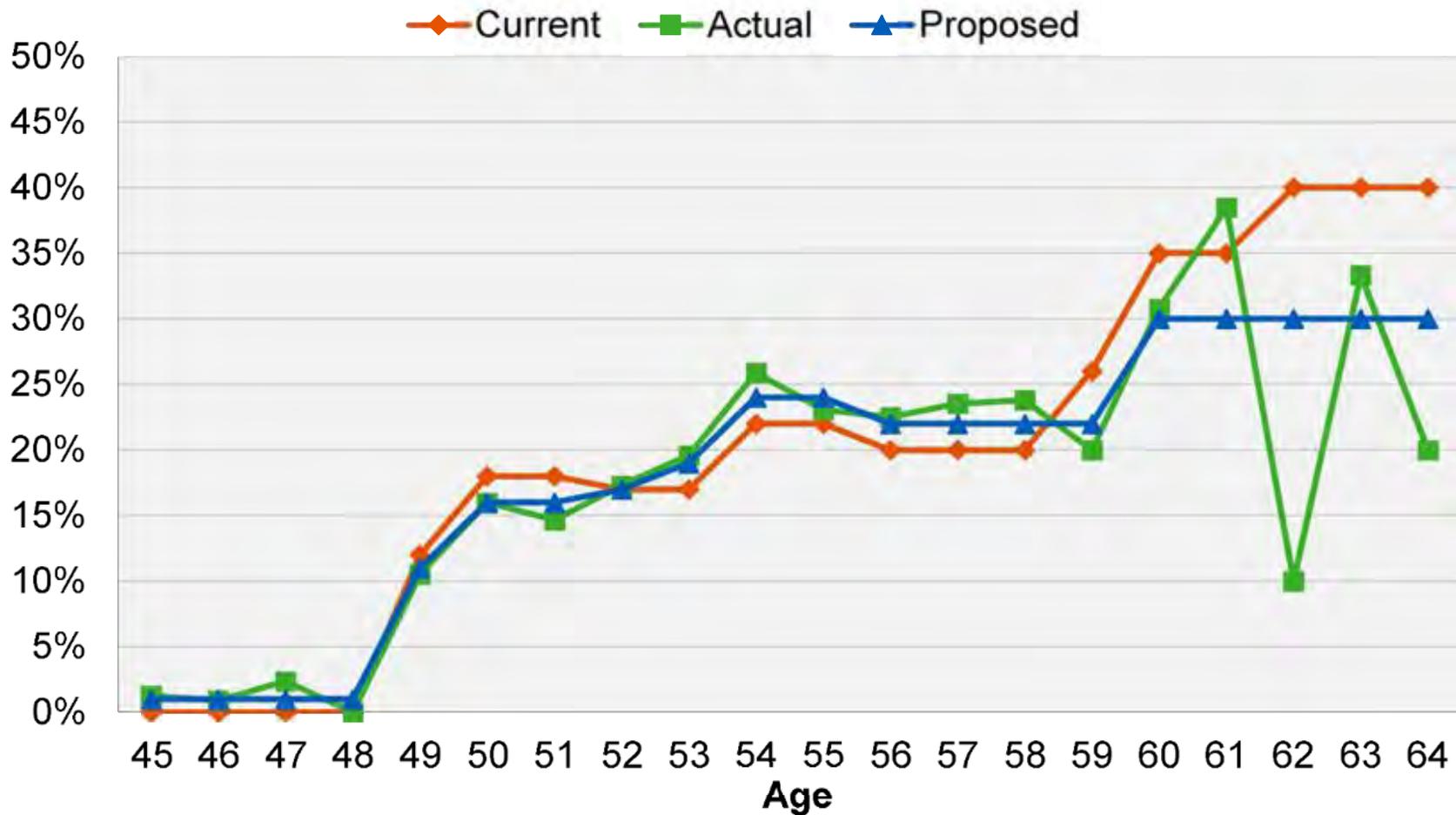
Safety Law Enforcement Members (31664.1) with More than 30 Years of Service



# Retirement Rates – Safety Law Enforcement

## Chart 7: Retirement Rates

Safety Law Enforcement Members (31664.1) with Less than 30 Years of Service



# Recommendations – Demographic

- Termination rates:
  - Increase in termination rates
    - Decrease assumption for General OCTA members
  - Decrease assumption for proportion of members electing a refund
- Disability incidence:
  - Increase assumption overall
    - Maintain assumption for Safety Probation members
- Additional cashouts for Legacy members:
  - According to OCERS, recent Supreme Court decision on compensation earnable does not apply to cashouts for legacy members
  - Decrease assumption for Safety Fire members and slight increase for General members (with Final Three Year Salary Formulas)
  - Increase assumption for Safety Law Enforcement members
    - Changes in MOUs allow for increase in maximum vacation and annual leave cashouts in a year from 40 hours to 120 hours effective September 16, 2016

# Setting Actuarial Assumptions – Mortality Assumptions for OCERS

- Current mortality assumptions for OCERS members
  - Assumptions adopted with last experience study and used for 12/31/2017, 12/31/2018 and 12/31/2019 valuations
  - Generational projection of future mortality improvement
  - Separate headcount weighted mortality tables for General and Safety members
    - Both using RP-2014 as base table
      - RP-2014 table developed using private sector pension experience
    - Adjusted based on 9 years of OCERS mortality experience
      - General retirees expected to live about as long as base table
      - Safety retirees expected to live about 4 years longer than base table

# Setting OCERS Mortality Assumptions – Future mortality improvement

- Two ways to project future mortality improvement: static or generational
- Prior to last experience study, used static improvement
  - Static projection - reflect mortality at a future date, not as of today
  - Preferable to have a margin of around 20%
- OCERS adopted generational improvement in 2017 study
- Recommend continued use of generational improvement
- OCERS current mortality improvement scale is MP-2016
  - Recommended mortality improvement scale is MP-2019
    - MP-2019 anticipates less future mortality improvement as compared to MP-2016

# Setting OCERS Mortality Assumptions – Headcount weighted basis vs benefit weighted

- 2017 study noted upcoming change from headcount weighted basis to benefit weighted basis
  - Headcount weighted looks at number of members who die or survive
  - Benefit weighted basis reflects how income affects mortality
    - Important because pension liability is greater for members with higher benefits
    - Consistent with recommendation made by OCERS' actuarial auditor in 2018
  - Switch to benefit weighted basis was deferred, pending new mortality tables based on public sector experience
- Pub-2010 tables published by the Retirement Plans Experience Committee (RPEC) of the Society of Actuaries (SOA) in 2019
  - Separate tables for
    - Job category (i.e., General, Safety and Teacher)
    - Pre and post retirement
    - Healthy annuitant, disabled annuitant and survivor
    - Three benefit weighted tables
      - Above-median benefit, total population, below-median benefit
      - OCERS benefits are above median

# Setting OCERS Mortality Assumptions – Credibility of OCERS mortality experience

- Greater focus on “credibility” of OCERS specific data
  - About 1,000 deaths needed for full credibility for headcount-weighted mortality
    - Where full credibility means 90% confidence that the actual experience will be within 5% of the expected value
    - More than 1,000 deaths required under benefit weighted basis
      - Because dispersion of retirees’ benefit amounts is taken into account
    - With full credibility, can adjust standard tables to match observed experience
      - Otherwise must weight observed experience and standard table
    - Can mean more stable assumptions (especially for smaller groups like Safety)
- Credibility of OCERS specific data
  - OCERS’ mortality experience over a 9-year period is relatively more credible for General members and less credible for Safety members
    - Partially adjust the Pub-2010 mortality tables to fit OCERS’ experience
    - Pub-2010 rates increased by 5% for General, but no adjustment for Safety

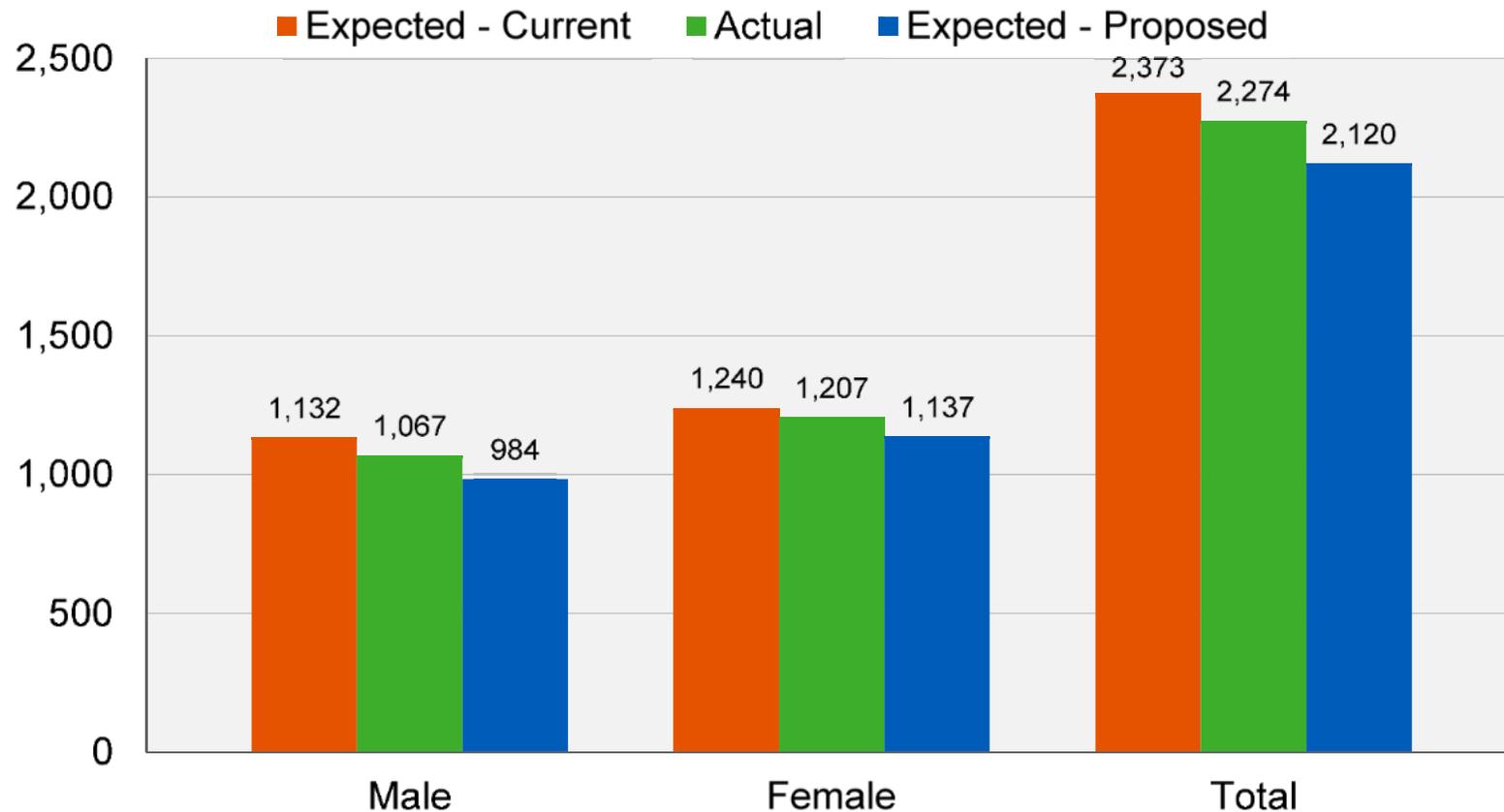
# Setting OCERS Mortality Assumptions – Mortality Assumptions Example

Chart 20: Post-Retirement Benefit-Weighted Deaths (\$ In Millions) Non-Disabled General Members (January 1, 2011 through December 31, 2019)



# Setting OCERS Mortality Assumptions – Mortality Assumptions Example

Chart 22: Post-Retirement Headcount-Weighted Deaths Non-Disabled  
General Members (January 1, 2011 through December 31, 2019)  
Provided for Informational Purposes Only



# Recommended OCERS Mortality Assumptions

- General retirees base table:
  - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate males and females tables), rates increased 5%
  - Base table actual to expected ratio is 99%
- Safety retirees base table:
  - Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females)
  - Base table actual to expected ratio is 96%
- Both tables projected generationally with the two-dimensional mortality improvement scale MP-2019
- Impact of new mortality assumptions on valuation results
  - Increase in liabilities and contribution rates for General members due to effect of new benefit weighted mortality assumptions
  - Decrease in liabilities and contribution rates for Safety members due to lower credibility gives to OCERS specific experience

# Discussion



# Economic Assumptions

- Price Inflation (CPI)
  - Investment Return, Salary Increases, COLA
- Salary Increases
  - “Across the board” increases
    - Includes price inflation plus real wage growth
  - Merit & Promotion: based on experience
    - More like a “demographic” assumption
- Investment Return
  - Components include CPI, real return, investment and administrative expenses
  - Generally based on passive returns

# Recommended Economic Assumptions – Summary

	2017 Study Adopted		2020 Study Recommended	
	Return	Pay*	Return	Pay*
Price Inflation	2.75%	2.75%	2.50%	2.50%
Real Wages	n/a	0.50%	n/a	0.50%
Net Real Return	4.25%**	n/a	4.50%**	n/a
<b>Total</b>	<b>7.00%</b>	<b>3.25%</b>	<b>7.00%</b>	<b>3.00%</b>

\* Excludes merit and promotion component of assumed individual salary increases

\*\* Recommended return is net of investment and administrative expenses

# Recommended Economic Assumptions – Summary

- Price Inflation (CPI)
  - Decrease to from 2.75% 2.50%
- Retiree Cost of Living Increases
  - Maintain at 2.75% (based on recommended inflation assumption of 2.50% plus a margin for adverse deviation of 0.25%)
    - Recommendation for a 0.25% margin is based on higher local CPI used by the Board to set COLA increases for retirees
  - Alternative: Reduce to 2.50% (based on recommended inflation assumption of 2.50% without a margin for adverse deviation)

# Recommended Economic Assumptions – Summary

- Salary Increases

- Decrease price inflation from 2.75% to 2.50%
- Maintain “across the board” real wage growth at 0.50%
- Total wage inflation is decreased from 3.25% to 3.00%
- Active member payroll growth based on wage inflation
- Merit and promotion:
  - For General members, salary increases are assumed to be slightly lower
  - For Safety members, salary increases are assumed to be slightly higher

- Investment Return

- Maintain at 7.00%
  - Includes 2.50% price inflation and net real return of 4.50%
  - Net real return increased from 4.25%

# Recommended Economic Assumptions – Price Inflation

- Historical Consumer Price Index
  - Averages declining due to low inflation over past 20 years, but still substantially higher than current inflation rates
- NASRA Survey
  - Median inflation assumption is 2.65%
- Social Security Intermediate Forecast = 2.40%
- Meketa anticipates long-term inflation of 2.60%
  - Average inflation from survey of 7 consultants = 2.33%
- Market based inflation expectations = 1.55% (June 2020)
- Recommend decreasing price inflation from 2.75% to 2.50%
  - OCERS was one of the first 1937 Act CERL systems to adopt an inflation assumption of 2.75%
  - Segal generally recommending 0.25% decrease in inflation assumption

# Recommended Economic Assumptions – Retiree Cost of Living Increases

- Recommend maintaining at 2.75%
  - Based on our recommended inflation assumption of 2.50% plus a margin for adverse deviation of 0.25%
- Recommendation for a 0.25% margin based on higher local CPI used by the Board to set COLA increases for retirees

	Change in Average Annual CPI for Los Angeles-Long Beach-Anaheim Area	Change in Average Annual CPI for U.S. City Average
5-year period	2.49%	1.55%
10-year period	2.08%	1.77%
20-year period	2.54%	2.16%

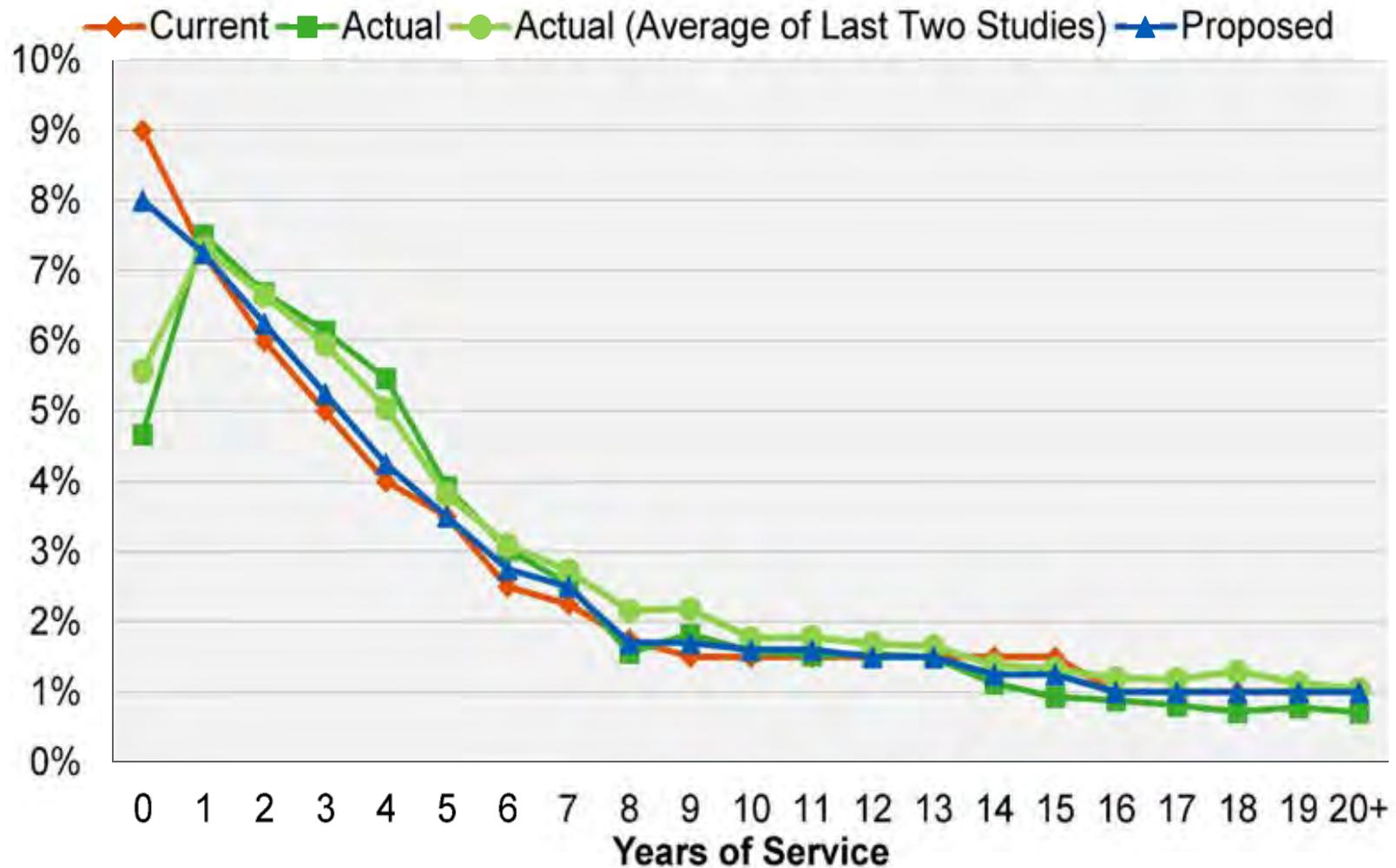
- Alternative: Reduce to 2.50%
  - Based on our recommended inflation assumption of 2.50% without a margin for adverse deviation

# Recommended Economic Actuarial Assumptions – Salary Increases

- Three components:
  - Price inflation: decrease to 2.50%
  - “Across the board” real wage growth: maintain at 0.50%
    - Department of Labor: Historically: 0.4%-0.7% for state and local governments
    - Social Security projects 1.1% (median assumptions)
  - Merit and Promotion: from experience study
    - Assumption based on years of service
    - General: Currently 9.00% (0-1 years) to 1.00% (20+ years)
      - Increases in some service categories and decreases in other service categories
    - Safety: Currently 14.00% (0-1 years) to 1.50% (20+ years)
      - Increase for most years of service categories

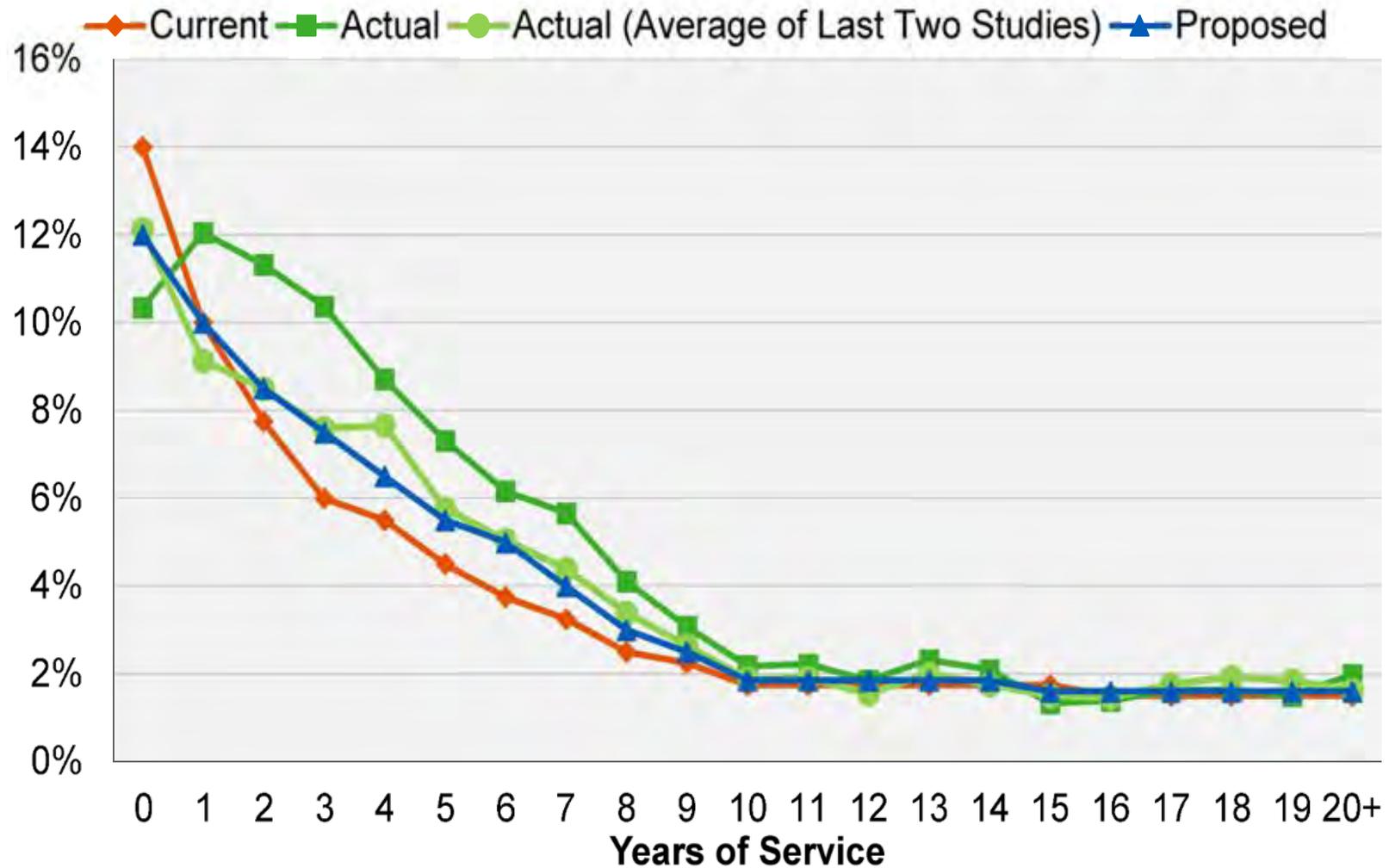
# Merit and Promotion Salary Increases – General

Chart 1: Merit and Promotion Salary Increase Rates  
General Members



# Merit and Promotion Salary Increases – Safety

Chart 2: Merit and Promotion Salary Increase Rates  
Safety Members



# Recommended Economic Assumptions – Payroll Growth Assumption

- Active member payroll based on wage inflation
  - Assume constant future active headcount
  - Used to project total payroll for UAAL amortization
- Includes price inflation and “across the board” real wage growth
  - Price inflation: decrease from 2.75% to 2.50%
  - Real increases: maintain at 0.50%
  - Total is decreased from 3.25% to 3.00%

# Question?



# Setting Economic Actuarial Assumptions – Investment Return Assumption

- Used to set the discount rate for measuring costs
  - Sometimes called the assumed interest rate
- Used for contribution requirements
  - Also for financial reporting (GASB 67 and 68)
- Affects timing of Plan cost
  - Lower assumed rate means higher current cost
  - Ultimately, actual earnings determine cost
  - $C + I = B + E$**
  - “Can’t pay benefits with assumed earnings!”

# Setting the Investment Return Assumption

- Building-Block Method
  - Four components:
    - Expected inflation: consistent with salary increases
    - Real return for each asset class
      - Weighted by asset allocation
    - Less assumed expenses (investment and administrative)
    - Less risk adjustment (“margin for adverse deviation”)
      - Expressed as confidence level above 50%
- Note: generally no add-on for superior managers
  - “Indexed” returns, no “alpha”
- Sources of real return data:
  - Investment consultants (your Fund and industry)

# Setting the Investment Return Assumption – Building Block Components -- Preview

	<b>2014 Study</b>	<b>2017 Study</b>	<b>2020 Study</b>
Assumed Inflation	3.00%	2.75%	2.50%
Portfolio Real Rate of Return	5.33%	5.27%	5.67%
Assumed Expenses	(0.80%)	(0.80%)	(0.85%)
Risk Adjustment	<u>(0.28%)</u>	<u>(0.22%)</u>	<u>(0.32%)</u>
<b>Total</b>	<b>7.25%</b>	<b>7.00%</b>	<b>7.00%</b>
Confidence Level	53%	53%	54%

# Setting the Investment Return Assumption – Real Return Component

- Real returns by asset class
  - Use an average of 7 investment advisory firms retained by Segal’s California public clients
    - Use results from Meketa for asset categories unique to OCERS
  - Expected real return for OCERS asset allocation is 5.67%
    - Increased from 5.27% in 2017 study
    - Change in the real rate of return (+0.22% under the 2017 asset allocation)
    - Change in the System’s target asset allocation (+0.18%)

# OCERS Real Rate of Return

Asset Class	Target Allocation	Real Return	Weighted Return
Large Cap Equity	23.10%	5.43%	1.26%
Small Cap Equity	1.90%	6.21%	0.12%
International Developed Equity	13.00%	6.67%	0.87%
Emerging Markets Equity	9.00%	8.58%	0.77%
Core Bonds	9.00%	1.10%	0.10%
High Yield Bonds	1.50%	2.91%	0.04%
TIPS	2.00%	0.65%	0.01%
Emerging Market Debt	2.00%	3.25%	0.07%
Corporate Credit	1.00%	0.53%	0.01%
Long Duration Fixed Income	2.50%	1.44%	0.04%
Real Estate	3.01%	4.42%	0.13%
Private Equity	13.00%	9.41%	1.22%
Value Added Real Estate	3.01%	7.42%	0.22%
Opportunistic Real Estate	0.98%	10.18%	0.10%
Energy	2.00%	9.68%	0.19%
Infrastructure (Core Private)	1.50%	5.08%	0.08%
Infrastructure (Non-Core Private)	1.50%	8.92%	0.13%
CTA - Trend Following	2.50%	2.38%	0.06%
Global Macro	2.50%	2.13%	0.05%
Private Credit	2.50%	5.47%	0.14%
Alternative Risk Premia	<u>2.50%</u>	2.50%	<u>0.06%</u>
<b>Total</b>	<b>100.00%</b>		<b>5.67%</b>

# Administrative and Investment Expenses (\$000s)

Plan Year	Valuation Value of Assets <sup>1</sup>	Administrative Expenses	Investment Expenses	Administrative %	Investment %	Total %
2015	11,449,911	12,521	54,532	0.11	0.48	0.59
2016	12,228,009	16,870	80,810 <sup>3</sup>	0.14	0.66	0.80 <sup>3</sup>
2017	13,102,978	17,002	79,376	0.13	0.61	0.74
2018	14,197,125	18,284	101,408	0.13	0.71	0.84
2019	14,994,420	19,171	106,330	0.13	0.71	0.84
Five-Year Average				0.13	0.63	0.76
Three-Year Average				0.13	0.68	0.81
Current Assumption				0.15	0.65	0.80
Proposed Assumption				0.15	0.70	0.85

<sup>1</sup> As of the beginning of the plan year.

<sup>2</sup> Included some one-time expenses.

<sup>3</sup> We understand that this increase reflects a change in how expenses are reported.

- Based on this experience, we have increased the future total expense component from 0.80% to 0.85%.

# Setting the Investment Return Assumption – Risk Adjustment Component

- Risk adjustment model and confidence level
  - Compares the System’s risk position over time
  - Confidence level is a relative, not absolute, measure
    - Can be reevaluated and reset for future comparisons
  - Confidence level is based on standard deviation
    - Measure of volatility based on portfolio assumptions
  - Results should be evaluated for reasonableness

# Setting the Investment Return Assumption

- Risk adjustment model and confidence level (continued)
  - Most useful for comparing risk position over time
  - Confidence level is based on standard deviation
    - Relative likelihood that actual average 15-year return will exceed investment return assumption on expected value basis

Year Ending December 31	Investment Return Assumption	Risk Adjustment	Confidence Level
2004 – 2007	7.75%	0.39%	56%
2008 - 2010	7.75%	0.80%	61%
2011	7.75%	-0.23%	<50%
2012 - 2013	7.25%	0.34%	55%
2014 - 2016	7.25%	0.28%	53%
2017 - 2019	7.00%	0.22%	53%*
2020 (Recommended)	7.00%	0.32%	54%

\* Based on the 2.75% inflation assumption adopted by the Board. In our December 31, 2017 triennial experience study report, we calculated a 55% confidence level based on an inflation assumption of 3.00%.

# Setting the Investment Return Assumption -- Building Block Components

	Current	Recommended
Assumed Inflation	2.75%	2.50%
Portfolio Real Rate of Return	5.27%	5.67%
Assumed Expenses	(0.80%)	(0.85%)
Risk Adjustment	<u>(0.22%)</u>	<u>(0.32%)</u>
<b>Total</b>	<b>7.00%</b>	<b>7.00%</b>
Confidence Level	53%	54%

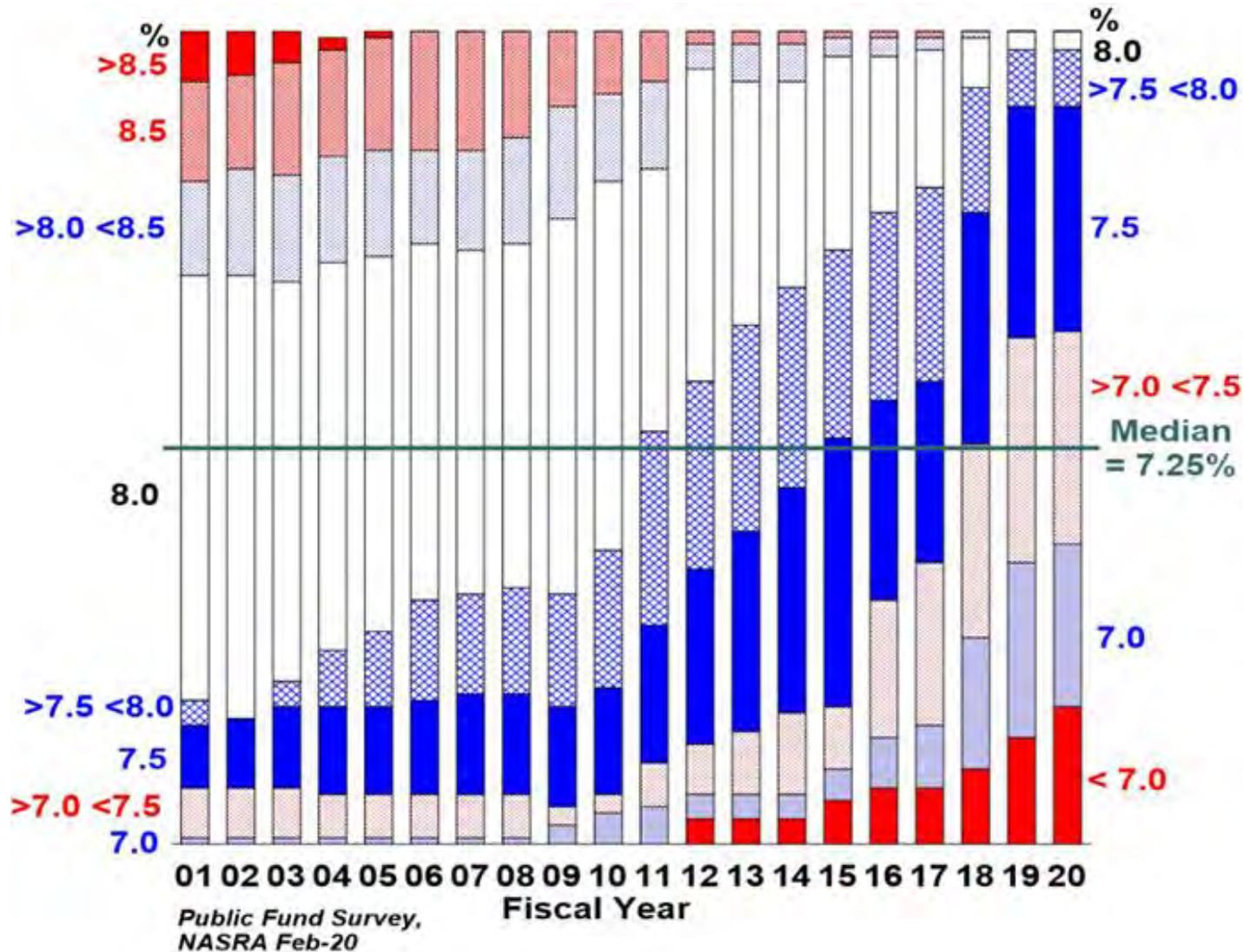
# Setting the Investment Return Assumption – Comparison with Other Models

- Segal's model for review of earnings assumption
  - Uses forward looking expected arithmetic average returns
    - No surplus or asset shortfall on expected value basis
- Comparison with an alternate model in common use
  - Uses forward looking expected geometric average returns
    - No surplus or asset shortfall on a median value basis
    - Expected geometric returns are lower than expected arithmetic returns
  - However, under this model, earning assumptions are not reduced for future investment expenses
    - Hence in practice, comparable results between earnings assumptions set using this model versus using Segal's model
- Segal ran OCERS' asset allocation through this model
  - Using a national survey of capital market assumptions (Horizon)
    - Stochastic simulation using 10,000 trial outcomes
  - 59% likelihood of achieving 7.00% using 15-year returns

# Setting the Investment Return Assumption – Comparison with Other Systems

- Comparison with other systems
  - National median is 7.50% but continues to trend down nationwide
    - National practice lags California!
  - 7.00% and 7.25% are most common for California CERL systems
    - Twelve California systems at 7.00% and five at 7.25%
    - CalPERS and CalSTRS both approved reduction to 7.00%

# Investment Return Assumption – Change in Distribution of Public Pension Investment Return Assumptions, FY 01 to FY 20



# Investment Return Assumption – Expected Return Assumptions for California Systems

System(s)	Assumption	Count
CalPERS	7.00%	
CalSTRS	7.00%	
University of California	6.75%	
1937 CERL Systems	7.25%	5
	7.00%	12
	6.75%	2
	6.50%	1
City Systems		
San Francisco	7.40%	
LACERS, LAFPP	7.00%	
LADWP	7.00%	
Fresno	7.00%	
San Jose	6.75%	
San Diego	6.50%	

# Question?



# Anticipated Impact on Valuation Results Modeled as of December 31, 2019 for Illustration

<b>Summary of Cost Impact of Recommended Assumptions</b>	
<b><u>Impact on Employer</u></b>	
Change due to economic assumptions	-0.29%
Change due to demographic assumptions	<u>0.98%</u>
Total change in average employer rate	0.69%
Total estimated change in annual dollar amount (000s)	\$11,711
<b><u>Impact on Member</u></b>	
Change due to economic assumptions	-0.26%
Change due to demographic assumptions	<u>0.25%</u>
Total change in average member rate	-0.01%
Total estimated change in annual dollar amount (000s)	\$(621)
<b><u>Impact on UAAL and Funded Percentage</u></b>	
Change in UAAL	\$38 million
Change in funded percentage	From 73.17% to 73.06%

# Anticipated Impact on Valuation Results Modeled as of December 31, 2019 for Illustration

Assumption Change	Impact on Employer Contribution Rates	Impact on Member Contribution Rates	Impact on UAAL (\$ millions)
<b>Decrease due to changes in economic assumptions</b>	<b>-0.29%</b>	<b>-0.26%</b>	<b>\$(106)</b>
Increase/(decrease) due to change in mortality	-0.45%	0.11%	(97)
Increase due to change in terminal pay	0.23%	0.04%	37
Increase due to change in retirement	0.96%	0.06%	171
Increase due to changes in all other demographic	0.24%	0.04%	32
<b>Increase due to changes in demographic assumptions</b>	<b>0.98%</b>	<b>0.25%</b>	<b>\$144</b>
<b>Total increase/(decrease) due to all assumption changes</b>	<b>0.69%</b>	<b>-0.01%</b>	<b>\$38</b>

- Of the various assumption changes, the most significant cost impact (rate increase) for General Rate Groups is from the change in the retirement assumptions while the most significant cost impact (rate reduction) for Safety Rate Groups is from the change in the mortality assumptions

# Anticipated Impact on Valuation Results Modeled as of December 31, 2019 for Illustration

<b>Employer Contribution Rate Increases/(Decreases) (% of Payroll) (Estimated Annual Dollar Amounts in \$000s)</b>				
	<b>Normal Cost</b>	<b>UAAL</b>	<b>Total</b>	<b>Annual Amount*</b>
Rate Group #1	-0.24%	0.11%	-0.13%	\$(169)
Rate Group #2	0.08%	1.86%	1.94%	21,258
Rate Group #3**	-0.04%	0.10%	0.06%	26
Rate Group #5	0.27%	0.79%	1.06%	1,090
Rate Group #9	-0.15%	0.38%	0.23%	15
Rate Group #10	-0.05%	1.22%	1.17%	344
Rate Group #11	0.14%	1.07%	1.21%	21
Rate Group #12	-0.14%	0.57%	0.43%	5
Rate Group #6	0.42%	-3.58%	-3.16%	(2,044)
Rate Group #7	-0.09%	-1.68%	-1.77%	(4,553)
Rate Group #8	-0.51%	-2.35%	-2.86%	(4,282)
<b>Combined</b>	<b>0.02%</b>	<b>0.67%</b>	<b>0.69%</b>	<b>\$11,711</b>

\* Based on projected annual payroll as determined under each set of assumptions.

\*\* After reflecting the cost impact of the recommended assumptions being partially offset by the OCSD UAAL Deferred Account of \$12,057,000 as of December 31, 2019.

# Anticipated Impact on Valuation Results Modeled as of December 31, 2019 for Illustration

Average Member Contribution Rate Increases/(Decreases) (% of Payroll) (Estimated Annual Dollar Amounts in \$000s)		
	Total	Annual Amount*
Rate Group #1	-0.15%	\$(163)
Rate Group #2	0.04%	140
Rate Group #3	0.02%	(5)
Rate Group #5	0.11%	91
Rate Group #9	-0.01%	(3)
Rate Group #10	-0.02%	(18)
Rate Group #11	-0.08%	(2)
Rate Group #12	0.13%	1
Rate Group #6	-0.22%	(153)
Rate Group #7	-0.04%	(87)
Rate Group #8	-0.27%	(422)
<b>Combined</b>	<b>-0.01%</b>	<b>\$(621)</b>

\* Based on projected annual payroll as determined under each set of assumptions.

# Alternative Cost of Living Assumption – Impact on Valuation Results (as of Dec. 31, 2019)

<b>Summary of Cost Impact of Recommended Assumptions (with 2.50% Retiree Cost-of-Living Assumption)</b>	
<b><u>Impact on Employer</u></b>	
Change due to economic assumptions	-3.16%*
Change due to demographic assumptions	<u>0.98%</u>
Total change in average employer rate	-2.18%
Total estimated change in annual dollar amount (000s)	\$(44,124)
<b><u>Impact on Member</u></b>	
Change due to economic assumptions	-0.70%*
Change due to demographic assumptions	<u>0.25%</u>
Total change in average member rate	-0.45%
Total estimated change in annual dollar amount (000s)	\$(9,106)
<b><u>Impact on UAAL and Funded Percentage</u></b>	
Change in UAAL	\$(557) million
Change in funded percentage	From 73.17% to 75.08%

\* As compared to -0.29% and -0.26% respectively under recommended COL assumption.

# Alternative Cost of Living Assumption – Impact on Valuation Results (as of Dec. 31, 2019)

<b>Employer Contribution Rate Increases/(Decreases) (% of Payroll) (with 2.50% Retiree Cost-of-Living Assumption) (Estimated Annual Dollar Amounts in \$000s)</b>				
	<b>Normal Cost</b>	<b>UAAL</b>	<b>Total</b>	<b>Annual Amount*</b>
Rate Group #1	-0.53%	-0.75%	-1.28%	\$(1,204)
Rate Group #2	-0.27%	-0.43%	-0.70%	(9,240)
Rate Group #3**	-0.39%	0.00%	-0.39%	(313)
Rate Group #5	-0.06%	-1.10%	-1.16%	(1,409)
Rate Group #9**	-0.47%	-0.39%	-0.86%	(65)
Rate Group #10	-0.40%	-0.72%	-1.12%	(379)
Rate Group #11	-0.16%	-0.49%	-0.65%	(11)
Rate Group #12**	-0.59%	-0.19%	-0.78%	(9)
Rate Group #6	-0.19%	-7.09%	-7.28%	(4,636)
Rate Group #7	-0.79%	-5.76%	-6.55%	(16,976)
Rate Group #8	-1.18%	-5.48%	-6.66%	(9,882)
<b>Combined</b>	<b>-0.41%</b>	<b>-1.77%</b>	<b>-2.18%</b>	<b>\$(44,124)</b>

\* Based on projected annual payroll as determined under each set of assumptions.

\*\* These Rate Groups are fully funded under the alternative assumptions so we have incorporated a net UAAL rate of 0.00% of payroll.

# Alternative Cost of Living Assumption – Impact on Valuation Results (as of Dec. 31, 2019)

Average Member Contribution Rate Increases/(Decreases) (% of Payroll) (with 2.50% Retiree Cost-of-Living Assumption) (Estimated Annual Dollar Amounts in \$000s)		
	Total	Annual Amount*
Rate Group #1	-0.44%	\$(425)
Rate Group #2	-0.31%	(3,911)
Rate Group #3	-0.34%	(280)
Rate Group #5	-0.23%	(292)
Rate Group #9	-0.37%	(29)
Rate Group #10	-0.39%	(135)
Rate Group #11	-0.36%	(7)
Rate Group #12	-0.32%	(4)
Rate Group #6	-0.95%	(613)
Rate Group #7	-0.77%	(1,986)
Rate Group #8	-0.95%	(1,424)
<b>Combined</b>	<b>-0.45%</b>	<b>\$(9,106)</b>

\* Based on projected annual payroll as determined under each set of assumptions.

# Question?





## Memorandum

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**DATE:** August 17, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** **ADDITION OF EXTRA HELP POSITIONS IN MEMBER SERVICES DEPARTMENT**

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### Recommendation

- 1) Approve the addition of three Extra Help positions, classified as a Retirement Program Specialist(s) in the Member Services department.
- 2) Authorize the CEO to send the attached memorandum to the County of Orange to request the addition of three Extra Help positions.

### Background/Discussion

On July 14, 2020, the Orange County Board of Supervisors adopted a Voluntary Incentive Program (VIP) designed to address their loss of revenue due to COVID-19 and the Governor's Stay-At-Home order. By incentivizing their employees to separate from employment the County may reduce their budget shortfall but it also increases the workload of the OCERS Member Services department. To date OCERS has received more service retirement applications in the month of July than we did in our entire busiest 2020 season. In addition to all of the customer service tasks associated to processing retirement applications, our customer service calls have increased with members needing benefit estimates and member information center assistance.

To assist with the tasks needed to achieve our customer service standards during this unprecedented time the Member Services Department requests the addition of three (3) Extra Help positions, effective August 21, 2020.

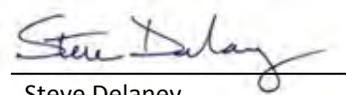
The County of Orange Human Resources Services Policy defines Extra Help as follows:

**Extra Help Position-** *Extra Help Position is a position intended to be occupied on less than a year-round basis including, but not limited to, the following: to cover seasonal peak workloads; extra emergency workloads of limited duration; or necessary vacation relief, paid sick leave and other situations involving a fluctuating staff. Ordinarily, a full-time extra help position will not be authorized for a period exceeding six (6) months. In unusual circumstances, and at the discretion of the Chief Executive Officer, a full-time extra help position may be authorized for a period longer than six (6) months, provided such period shall not exceed one (1) year.*

Two of the extra help positions will be filled immediately with retirees trained in customer service strategies and knowledgeable of OCERS benefit structure. The third position will be filled with a retiree who is trained on benefit calculations and has experience putting members on OCERS retiree payroll. All of the positions will be for a limited

term and will be eliminated once the majority of the benefit payments have been established and the service needs level off. The expectation is that the positions will only be needed for 4-6 months.

**Submitted by:**



Steve Delaney  
Chief Executive Officer

**Attachments:**

1. Justification Memorandum from the Assistant CEO, External Operations
2. County of Orange Position Request Form
3. Memo to County of Orange, Request to add Extra-Help positions



## Memorandum

---

**DATE:** August 17, 2020  
**TO:** Steve Delaney, Chief Executive Officer  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations  
**SUBJECT:** JUSTIFICATION FOR ADDITION OF EXTRA HELP POSITIONS IN MEMBER SERVICES DEPARTMENT

---

### Recommendation

I recommend the addition of three (3) Extra Help position, to be classified as Retirement Program Specialist(s), in the Member Services department.

### Background/Discussion

As you know the County of Orange has launched a Voluntary Incentive Program (VIP) to address their budget shortfall brought on by COVID-19 and the Governors Stay-At-Home order. By incentivizing their employees to separate from employment the County may reduce their budget issues but the program significantly increases the workload of the OCERS Member Services department. To date we have received an unprecedented number of service retirement applications that need to be processed and our customer service representatives have been busy answering the phones and assisting members with generating benefit estimates and navigating the online portal as well as conducting pre-retirement seminars. I have directed all team members to focus on essential retiree payroll tasks however we do not want to see customer service levels declining in other areas. The Team is in need of immediate assistance if we are going to provide the highest quality of service our members deserve and have come to expect. I have been in touch with three (3) individuals who have worked for OCERS previously and who are all available for a limited term assignment.

Thank you in advance for your consideration.

### Submitted by:

A handwritten signature in blue ink, appearing to read "Suzanne Jenike", is written over a horizontal line.

Suzanne Jenike  
Assistant CEO, External Operations



## Memorandum

---

**DATE:** August 17, 2020  
**TO:** County of Orange, Human Resources Services Department  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** REQUEST TO CREATE EXTRA HELP POSITIONS

---

On August 17, 2020, the OCERS' Board of Retirement approved the creation of three (3) Extra Help positions in the OCERS Member Services department, and authorized me to send this memo to you. The Extra Help positions will be used to assist the customer service representatives in the Retirement Program Specialist classification who are processing an increased volume of retirement applications as a result of the County of Orange Voluntary Incentive Program.

Due to the urgent nature of this request, we ask that you use this memo as authorization to create the positions. We will forward a copy of the Board meeting minutes as soon as they are formally approved by the Board on October 19, 2020. In the interim, we trust that this memo will serve to verify that the Board of Retirement approved the position.

Thank you in advance for your consideration. Please do not hesitate to contact me at (714) 558-6222 if you have any questions or concerns.

---

Steve Delaney, Chief Executive Officer

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Roger Hilton, OCERS Board Chair



# Position Request Form

A Position Request Form should be attached to all PSMT transactions when positions are being added, deleted or changed.

## PART I - Agency/Department

Budget Control/Home Dept.

157

Select from drop-down list ↑

Agency/Department

Orange County Employees Retirement System

Select from drop-down list ↑

Reset Form

Print Form

Save Form

**ADD New Position**  Budgeted  Unbudgeted  Regular  Limited Term  
 (Attach justification and job duties for requested classification level) (Expiration/Extension date required)

**DELETE Existing Position**

**CHANGE Existing Position**  Full-time  Part-time  Hours per pay period

Requested Effective Date: Friday August 21, 2020  
 Expiration Date (Limited Term):  
 Extension Date (if requested):

NOTE: Enter date in format of XX/XX/XX, OR click in the field then the arrow button to select a date from the calendar

Funding Source

(e.g., Federal, State, Gen/Non-Gen Fund, User Fees, etc.)

Title Code	Title Description	Budget Control	Unit
0862GE	Retirement Program Specialist	157	0030

# of Position(s) Requested: 3  
 # of Incumbent(s): 3  
 List affected position number(s) [if applicable]:

AUTHORIZED SIGNATURE: *Suzanne J. [Signature]* DATE: 8/17/2020  
*Assistant CEO, Ext. ops.*

## PART II - Department Human Resource Representative

Recommend  Not Recommended

DATE REVIEW COMPLETED: \_\_\_\_\_ AUTHORIZED SIGNATURE: \_\_\_\_\_

## PART III - Human Resource Services

Recommend  Not Recommended

DATE REVIEW COMPLETED: \_\_\_\_\_ AUTHORIZED SIGNATURE: \_\_\_\_\_

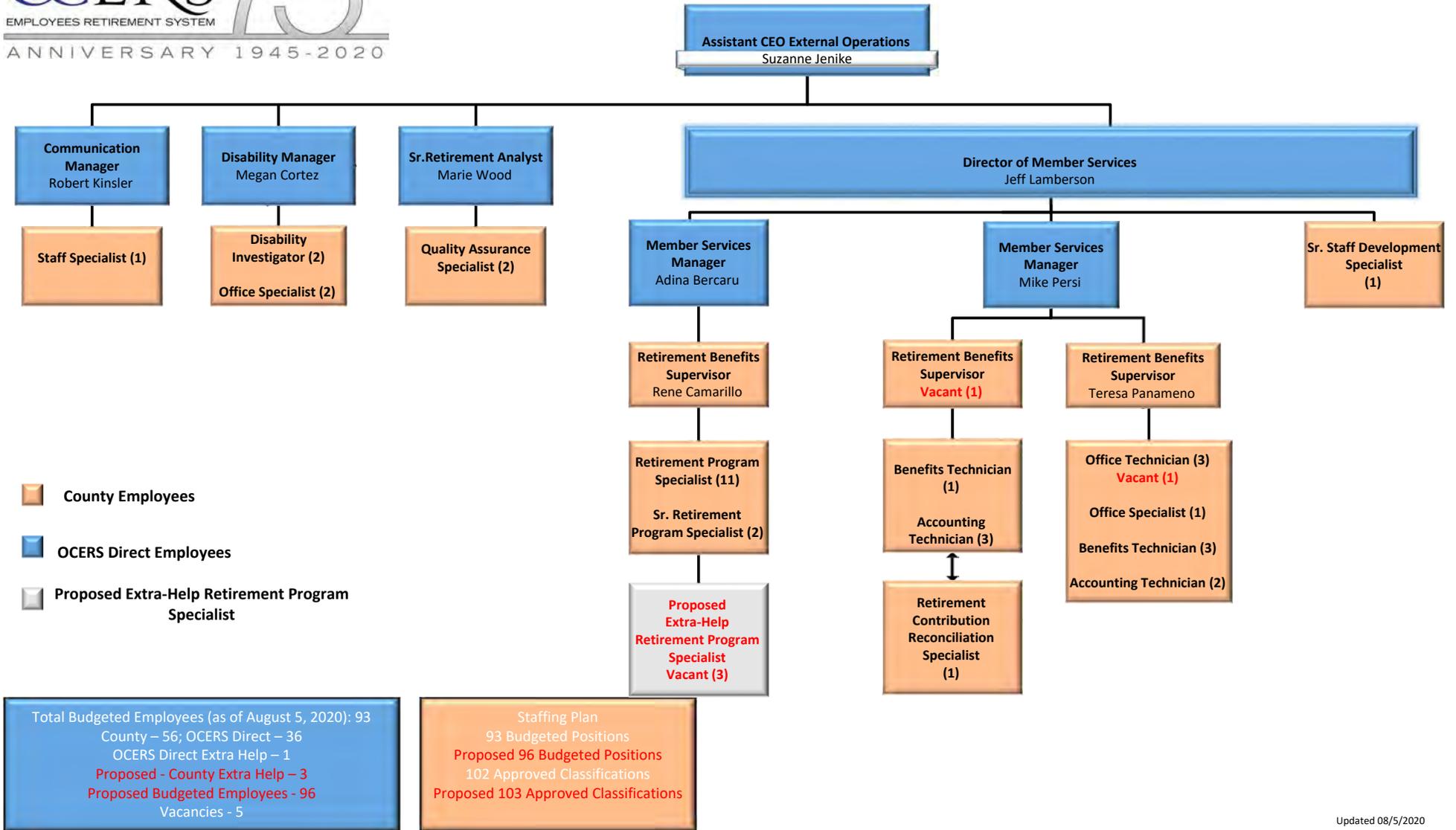
Other Information (if required) - action proposed, level recommended, budget quarter (if other than requested), etc:

*On August 17, 2020 OCERS Board of Retirement approved the addition of 3 Extra Help positions.*

Revised 2/16/16



## Member Services Department Organizational Chart



*Orange County Employees Retirement System  
Retirement Board Meeting  
August 17, 2020  
Application Notices*

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Barrera, Aldo	Health Care Agency	6/17/2020
Boxer, Doreen	Public Defender	6/11/2020
Brust, Karen	City of San Juan Capistrano	6/13/2020
Dinnie, Dorothy	Child Support Services	6/12/2020
Drusys, Allan	Health Care Agency	5/27/2020
Engle, Melanie	OCTA	6/21/2020
Follmer, Lisa	Health Care Agency	6/3/2020
Fowlkes, Dewayne	Sheriff's Dept	6/5/2020
Gurwitz, Yvette	District Attorney	6/20/2020
Hoey, Jeffrey	Fire Authority (OCFA)	3/27/2020
Hoskins, Joseph	Sheriff's Dept	5/30/2020
Jaramillo, Nubia	OCTA	6/5/2020
Jordan, Celia	Social Services Agency	6/19/2020
Kim, Christian	District Attorney	6/19/2020
Kim, Steve	Sheriff's Dept	6/5/2020
Lahlou, Michael	Sanitation District	6/19/2020
Love, Samuel	Health Care Agency	6/4/2020
Luna, Heather	Social Services Agency	6/11/2020
Mann, Katherine	Public Defender	6/19/2020
Mayer, David	Sheriff's Dept	5/31/2020
Moen, Vivian	Health Care Agency	6/11/2020
Moreno, Kathleen	Fire Authority (OCFA)	5/6/2020
Morgan, Leslie	Social Services Agency	6/5/2020
Naranjo, Leticia	Child Support Services	6/19/2020
Phillipson, Deborah	Social Services Agency	6/19/2020
Pietri, Sylvia	Social Services Agency	5/31/2020
Santos, Nestor	Sheriff's Dept	6/19/2020
Schwandt, Leslie	OCTA	6/5/2020
Sokolow, Melissa	Superior Court	6/12/2020
Thomas-Reed, Suzanne	Superior Court	5/31/2020
Truong, Dung	Sheriff's Dept	6/24/2020
Wong, Jane	Fire Authority (OCFA)	6/5/2020

***Orange County Employees Retirement  
Retirement Board Meeting  
August 17, 2020  
Death Notices***

<i>Active Members</i>	<i>Agency/Employer</i>
Chaudhary, Omar	Health Care Agency
Niebla, Gary	Sheriff's Dept
Richardson, Robert	County Executive Office (CEO)
Shankling, Jeremy	District Attorney
Wu, Phoebe	Social Services Agency

<i>Retired Members</i>	<i>Agency/Employer</i>
Altieri, Loretta	OCTA
Alvarado, Juanita	Social Services Agency
Bane, Delores	Superior Court
Bharadwaj, Hominder	OCTA
Bracamontes, Michael	Probation
Busuioc, Mihail	OC Public Works
Conn, Ruth	Human Resources Dept
Dudevoir, Eileen	Assessor
Edwards, Larry	Auditor Controller
Fauskin, Elizabeth	Assessor
Franco-Gutierrez, Addarosa	Auditor Controller
Goebel, Charles	District Attorney
Hanover, Mary Ann	Social Services Agency
Horton, Charles	Social Services Agency
Julian, Stephen	City of San Juan Capistrano
Killpatrick, Rene	Child Support Services
Latona, Sharon	Probation
Meadows, Billy	Social Services Agency
Nguyen, Victor	Health Care Agency
Ochoa, Helen	Social Services Agency
Oxhorn, Libby	Social Services Agency
Pham, Dinh	Sheriff's Dept
Phillippi, Dorothy	Sheriff's Dept
Pipher, Louise	OC Public Works
Prickett, Robert	OCTA
Raymond, Robert	OC Public Works
Reilly, Ann Marie	OC Public Works
Talmage, Gordon	OC Public Works
Zimmer, Elmer	Assessor

<i>Surviving Spouses</i>	
Batory, Herbert	
Gould, Donna	
Haskins, Mary	

Poorman, Dolores	
Laster, Dorathy	
Perino, Joan	
Posth, Maureen	
Sanchez, Elisa	
Schnitzler, Robert	
St John, Elizabeth	
Weinroth, Jean	



## Memorandum

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DATE: August 17, 2020  
TO: Members of the Board of Retirement  
FROM: Steve Delaney, Chief Executive Officer  
SUBJECT: **CEO FUTURE AGENDAS AND 2020 OCERS BOARD WORK PLAN**

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### Written Report

#### AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

##### SEPTEMBER

2020 OCERS Board Strategic Planning Workshop  
State of OCERS  
Proposed Board Meeting schedule for 2021

##### OCTOBER

September 2020 Strategic Workshop Summary  
Overview of 2021 Proposed Administrative Budget  
Approve 2021-2023 Strategic Plan  
Approve 2021 Business Plan  
Annual Review of Succession Plan

##### NOVEMBER

Administrative and Investment OCERS Annual Budget for fiscal year 2021  
CEO Personnel Review and Compensation Discussion  
Election of the Vice-Chair  
List of Next Year's Committee Members  
Third Quarter Budget to Actuals Report  
Board Education Status Report

##### Submitted by:



**SD - Approved**

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Steve Delaney  
Chief Executive Officer

**OCERS RETIREMENT BOARD - 2020 Work Plan**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
<b>System Oversight</b>		STAR COLA Posting (I)	Approve 2020 STAR COLA (A)	SACRS Board of Directors Election (A)	Preliminary December 31, 2019 Valuation (I)	Mid-Year Review of 2020 Business Plan Progress (I)	Alt. Invest. Return and Assumption Sensitivity: 20-year Illustration (I)	Review 2nd Quarter Budget to Actuals Financial Report (I)	Strategic Planning Workshop (I)	Overview of 2021 Administrative Budget and Investment (Workshop) (I)	Review 3rd Quarter Budget to Actuals Financial Report (I)	
		Approve 2020 COLA (A)	Quarterly 2020-2022 Strategic Plan Review (A)			Approve December 31, 2019 Actuarial Valuation & Funded Status of OCERS (A)	Actuarial Review: Risk Assessment (I)	Receive OCERS by the Numbers (I)		Approve 2021-2023 Strategic Plan (A)	Approve 2021 Administrative (Operating) Budget (A)	
						Approve 2019 CAFR (A)	Approve Early Payment Rates for Fiscal Year 2019-20 (A)	Receive Evolution of the UAAL (I)		Approve 2021 Business Plan (A)	Annual CEO Performance Review and Compensation (A)	
						Quarterly 2020-2022 Strategic Plan Review (A)		Employer & Employee Pension Cost Comparison (I)				
								Approve Actuarial Experience Study 2017-2019 (A)			Adopt 2021 Board Meeting Calendar (A)	
<b>Board Governance</b>				Brown Act Training (I) - Future Date TBD					Annual Review of Succession Plan (I)			Adopt Annual Work Plan for 2021 (A)
				Conflict of Interest Training (I) - Future Date TBD							Vice-Chair Election (A)	
<b>Regulation / Policies</b>	Communication Policy Fact Sheet (I)											
<b>Compliance</b>				Form 700 Due (A)		Receive Financial Audit (I)			State of OCERS (I)		Status of Board Education Hours for 2020 (I)	

(A) = Action (I) = Information



## Memorandum

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**DATE:** August 3, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Jim Doezie, Contracts, Risk and Performance Administrator  
**SUBJECT:** QUIET PERIOD – NON-INVESTMENT CONTRACTS

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### 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 for additional Investment Counsel firm(s) was issued in March 2020. The need for this RFP is to get at least one additional Investment Counsel Firm (Attorney group) to handle the volume of investments that are being reviewed. OCERS selected two firms from this RFP. Contracts with these firms are currently being processed.
- An RFP for Investment Risk Management software was distributed in March 2020. The Investments department has selected a company from the twelve (12) bids that were received. A contract for these services is currently being processed.

### Submitted by:

Jim Doezie  
Contracts, Risk and Performance Administrator



## Memorandum

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**DATE:** August 17, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** BOARD COMMUNICATIONS

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### 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.

Attached:

- OCERS Activities for June 2020

#### Submitted by:



**SD - Approved**

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Steve Delaney  
Chief Executive Officer



# Monthly Staff Status June 2020

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 June 2020.

## Customer Service Statistics

### MEMBER SURVEY RESPONSE

“I came in to get a copy of my benefits for the Social Security Office. My request was handled promptly and I received exactly what I needed”

**February 2020**

“OCERS was extremely helpful and very professional. The OCERS representative went above and beyond my expectations.”

**March 2020**

“I want to express my gratitude to OCERS for their efforts in helping me purchase service credit. OCERS team members were courteous, patient, thorough and responsive. They were outstanding!!!”

**April 2020**

“Thank you so much for your kindness on the telephone and your prompt response to my request. Everyone one of you at the Board, and in this case, especially you are amazing. “

**May 2020**

“My retirement appointment was one of the easiest meetings I have ever had.”

**June 2020**

**Member Approval:** 100%

**Un-Planned Recalculations:** 1

#### Retirement Applications Received:

Jun – 2020	63
May – 2020	47
Apr – 2020	33
Mar – 2020	80
Feb – 2020	169
Jan – 2020	249
Dec – 2019	75
Nov – 2019	54
Oct – 2019	69
Sept – 2019	38
Aug – 2019	62
July – 2019	53
June – 2019	50
May – 2019	43
Apr – 2019	37
Mar – 2019	107
Feb – 2019	199
Jan – 2019	258
Dec – 2018	54
Nov – 2018	85
Oct – 2018	49
Sept – 2018	40
Aug – 2018	55

### MEMBER SERVICES TELEPHONE METRICS

Member Services Call History			
Month / Year	Incoming Calls Through Queue	Incoming Calls Direct to Extension	Total Calls (Queue + Direct)
June 2020	*	*	8586
June 2019	1228	2114	3342
June 2018	1536	2392	3928

\*Currently configuring reports from new phone system Dialpad to determine calls through Queue versus Direct to Extension.



# Monthly Staff Status

## June 2020

### ACTIVITIES

#### OC SANITATION – ADMINISTRATION COMMITTEE MEETING w/OCERS INVITED

Early evening of June 10 Ms. Shott and I were invited to join the OC Sanitation Administration Committee via Zoom, as they discussed a number of options under consideration for building financial reserves. Ms. Shott was especially helpful in working with Sanitation District staff in their preparation for the presentation by explaining how funds they have deposited with OCERS are booked to the credit of the OC Sanitation District. She also answered questions about Section 115 trust funds as they relate to pensions plans. Currently, OCERS is not authorized to administer 115 pension trust funds, however, there are other agencies that do administer such plans that could be an option for the District. The Committee had a full discussion about the options presented, without needing any further information from OCERS. We continue to offer our assistance and make ourselves available to our participating employers as they consider important topics such as pension plan funding.

#### OCERS YEAR IN REVIEW

Delayed by COVID, on June 11 we finally held our first OCERS Year In Review outreach meeting. This first meeting was with the executive team of the Association of Orange County Deputy Sheriffs, and at their request was held in person at their Santa Ana offices. To limit OCERS exposure I attended in person, and Ms. Jenike and Ms. Shott joined via Zoom. The process worked well, they had a number of questions about service impact, and we were able to answer all to their satisfaction. On July 1 I held our second Year In Review meeting, this time with the Orange County Public Law Library, and that was done solely via Zoom.

#### OCERS AND OCFA SHARE LESSONS IN ZOOM TECHNOLOGY

Ms. Sadoski reports:

The IT team and I had a great call with the OCFA IT team Wednesday afternoon (June 24) to talk about our experience using Zoom for our Board meeting. The Zoom call ran for about an hour and they had a lot of questions, all of which we were able to answer. I don't know whether or not the OCFA Board will make the move to Zoom, but we have tempered any concerns or fears the IT team had about the platform, and showed how to create, manage and secure their accounts. We also had a great discussion about the challenges and successes of virtual meetings. I think everyone got something out of the call.

#### FOURTH OF JULY

Arranged in June, but obviously completed in July, for a fifth year OCERS arranged for barriers to be placed at all entries into the OCERS parking lot prior to the Fourth of July celebration to prevent others from entering and endangering the OCERS building by launching powerful and often illegal fireworks from our property.



# Monthly Staff Status June 2020

OCERS' day time security worked through the night of July 4<sup>th</sup> to 5<sup>th</sup> to ensure the barriers were not breached.



In past years the OCERS parking lot looked like a war zone the day after the 4th, reflecting the danger that had been present all through the prior night. The photo below shows the OCERS parking lot this year, immediately after the 4<sup>th</sup> celebrations.



## UPDATES

### **OCERS TEAM – WEEKLY ZOOM CALLS**

The weekly Zoom conference call with all 88 OCERS team members is a great way to keep all equally informed of issues facing the agency, while also having a little good natured fun as well, reminding us that we are all in this together.



# Monthly Staff Status June 2020

In last month's summary I shared with you a screen shot of some of the OCERS team participating with a "The 70s" theme. We have since had a "The 80s" theme:



And of course, a "The 90s" theme:



## NEW OCERS HEADQUARTERS BUILDING

Ms. Shott reports:

The month of June was relatively quiet with regards to the Future OCERS HQ project. As previously reported the Building Committee working with our team of consultants has determined the best course of action at this time is to diligently watch the market with an interested eye on viable opportunities and various options that could meet OCERS HQ needs in the future. We continue to explore how the



## Monthly Staff Status June 2020

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pandemic and the new widespread work from home conditions might change the workplace and OCERS office space needs in the future. Mr. Packard, Building Committee Chairman, Mr. Delaney and Ms. Shott had a call with the Cushman Team on Friday July 10. The Cushman team briefed us on what they are seeing in the commercial real estate market most recently. To summarize the discussion, the office space sector of the market has been significantly impacted by the pandemic and the stay at home orders throughout the country. Transaction volume in the office space sector was estimated to be down 90% from the prior year. Work environment conditions for the future for office based business (including operations such as OCERS) is still being debated. Some believe office space will be all but extinct in the longer term, while others believe it will come back but density within offices will be reduced. The timeframe for which office based businesses will return and the new normal will emerge is thought to be a year to two years away. When considering OCERS future needs, we believe that time is on our side and a slow and steady process of determining what will work best for our operations continues to be our best course of action. Initial indications are that more space per person will be a likely change and that building with a larger footprint and less stories (1 or 2 story building so that there is no need for elevators) will be preferential. We intend to continue with our slow and steady approach of identifying OCERS future needs and watching the best practices for office space designs and layouts develop in a post COVID-19 world.

### **OCERS WORK STATUS**

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The OCERS team continues to work from home, with just a skeleton crew of 4-8 individuals per day coming in to perform duties best done at the building. We are presently scheduled to continue under mandatory Telework through July 31. In light of the current surge of COVID, I am doubtful that I will be ready to ask for volunteers to return to the OCERS building in August, I will discuss this in more detail during my closing at Monday's July 20 meeting of the Board.

In the meantime, Ms. Shott and her team have been busy preparing the building for a new world of social distancing and other safety measures. Here is a photo of the Silverado Room, where the Board would meet for lunch, to give you a sense of some of the continued changes being made:



# Monthly Staff Status

## June 2020



### INVESTMENT DEPARTMENT

Mr. Beeson reports:

As of May 31, 2020, the portfolio year-to-date is down 4.0% net of fees, while the one-year return is up 4.0%. The fund value now stands at \$16.9 billion. The OCERS Investment Team continues to work effectively remotely during the coronavirus pandemic. The June 24<sup>th</sup> Investment Committee meeting took place via video/teleconference on Zoom. The meeting began with guest speaker Tony James, Executive Vice Chairman of Blackstone, discussing the current investment markets. Mr. James explained that he believed the economy would come back in the second half of 2020 but not all the way to pre-COVID levels. Next, Molly Murphy presented the monthly manager selections and terminations report. OCERS committed \$75 million to Thoma Bravo Fund XIV, a re-up investment in the private equity buyout space that will focus on software and tech-enabled upper middle market companies. OCERS committed \$50 million to Stellex Capital Partners II within the private equity special situations space. This manager will focus on deep value, middle market, special situations private equity targeting businesses in out-of-favor, often overlooked industries. OCERS committed approximately \$25 million to Vitruvian Investment Partnership IV within the private equity buyout space. Vitruvian will invest in high growth middle market businesses across Europe within the technology, healthcare, business services, and financial services sectors. OCERS committed \$75 million to Waterton Residential Property Venture XIV, a re-up investment that will focus on value-add multifamily investments within the non-core real estate space. OCERS committed \$75 million to the SVP Strategic Value Dislocation Fund to focus on event driven and special situations within the private credit space. Reggie Tucker then presented the unique strategies and private equity asset class reviews that revisited the background and investment objectives for unique strategies and private equity. David Fann and Heidi Poon from Aksia TorreyCove next presented the 4<sup>th</sup> Quarter 2019 private equity performance update. Since inception, OCERS'



## Monthly Staff Status June 2020

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private equity program has returned a 13.3% net IRR and 1.57x multiple of total value to paid-in capital. Aksia TorreyCove then presented the private equity commitment pacing model. The Investment Committee approved the 2021 pacing plan of \$550 million in private equity commitments to help move towards the new 13% target for private equity. Finally, Steve McCourt from Meketa and Molly Murphy presented the updated Investment Policy Statement to reflect the new asset allocation changes approved at the April Investment Committee meeting. The Investment Committee voted to approve the updates to the Investment Policy Statement.



As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the August 17 meeting of the OCERS Board of Retirement.



## Memorandum

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**DATE:** August 17, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT:** STATE AND FEDERAL LEGISLATIVE UPDATE

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### Written Report

#### *State Legislative Update*

The California Legislature reconvened on January 6, 2020, marking the beginning of the second year of the legislative session. A comprehensive list and description of the pending bills that staff will monitor during the second year of the 2019-2020 legislative session 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.**

The Legislature was originally scheduled to return from its brief summer recess on July 13, 2020. However, because at least two legislators and several staff have contracted COVID-19, the Senate and Assembly delayed their return to the Capitol to July 27. SACRS' lobbyists recently reported the following:

With just over four weeks remaining before the end of session, tensions are running high between the Senate and Assembly. While the Senate curtailed its work considerably earlier in the year, sending only roughly 200 bills to the Assembly, the Assembly sent more than 500 bills to the Senate before adjourning for recess. To manage its workload, Senate Committee Chairs have pushed Assemblymembers to drop legislation and in some cases chose not to set bills for hearing over the objection of their Assembly authors. In response, several Assembly Committees have delayed their hearings to reconsider which Senate bills they will advance. This type of interhouse posturing and hostage taking is common at the end of session. However, the compressed timeline in 2020 seems to be exacerbating it. It is possible that many bills fall by the wayside as a consequence of these disagreements.

It is possible that the Governor could call a special session of the Legislature so that bills can be heard after August 31. If the proclamation calling for a special session is written broadly enough, bills that died in 2020 could be reintroduced as special session bills.

## SACRS Sponsored Bills

- **AB 2101 (formerly SB 783) (Senate Committee on Labor, Public Employees and Retirement)**

The provisions of the SACRS' sponsored "CERL housekeeping" bill were added to the CalPERS' sponsored annual "PERL housekeeping" bill and the CalSTRS' sponsored annual "Education Code housekeeping" bill; and the proposed CERL amendments are now set forth in the bill language. (See the attachment for a description of the proposed amendments to the PERL and Education Code.) We believe that the bill will be heard on the consent calendar in the Senate Labor, Public Employment and Retirement Committee on August 5<sup>th</sup>. Being on the consent calendar means it should be passed unanimously on the date of the hearing.

The bill would amend the CERL to include a statement of legislative affirmation regarding the ruling in *Mijares v. OCERS*, which upheld a retirement board's plenary authority to recommend adjustments to county and district contributions necessary to ensure the appropriate funding of the retirement system.

CERL authorizes a member who returns to active service following an uncompensated leave of absence on account of illness to receive service credit for the period of the absence upon payment of the contributions that the member would have paid during that period, together with the interest that the contributions would have accrued. This bill would similarly authorize a member who returns to active service following an uncompensated leave of absence on account of approved parental leave to receive service credit for the period upon payment of contributions and interest. The bill would prohibit service credit to be received for such a period of absence from exceeding 12 consecutive months and would prescribe requirements for payments. This provision would be operative in a county only if the board of supervisors elect to make it so, and would apply to parental leave that begins after the election.

The CERL authorizes a member who resigns or obtains a leave of absence to enter, and who does enter, the Armed Forces of the United States on a voluntary or involuntary basis, under prescribed circumstances, to obtain service credit for the period during which the member was out of county service. This bill would recast these provisions and would generally require that CERL comply with the federal Uniformed Services Employment and Reemployment Rights Act of 1994, as it may be amended. The bill would also authorize a member who does not qualify for reemployment benefits due to the length of military service and who returns to county or district employment within one year of being honorably discharged from the Armed Forces of the United States to receive credit for service for all or any part of the member's military service upon making specified payments.

The CERL requires boards of retirement to provide for the retirement of members who meet age and service requirements. This bill would authorize a system administrator or other personnel to exercise a board's power to retire members. The bill would require that service retirements be reported to the board at its next public meeting after the retirement.

The CERL prescribes requirements for calculating the effective date of retirement under different membership conditions, generally providing that the date not be more than 60 days after the date of filing

of the application for retirement. This bill would prescribe general requirements regarding the effective date of retirement to prohibit it from beginning earlier than the date the application is filed with the board or more than 60 days after the date of filing or more than a number of days that has been approved by the board.

The CERL and other existing laws prescribe requirements for reinstatement after retirement and for service without reinstatement. The CERL prescribes different requirements, to be elected by a county, regarding member status in a retirement system upon reemployment, including how the rate of contributions and retirement allowance are to be calculated upon a subsequent retirement. This bill would require that people who have retired under the CERL following an involuntary termination of employment who are subsequently reinstated to that employment pursuant to a final administrative or judicial proceeding be reinstated from retirement as if there were no intervening period of retirement. The bill would require the person to repay an allowance paid to the person to the retirement system from which they retired in accordance with the retirement system's repayment policy and that contributions be made for any period for which salary is awarded in the administrative or judicial proceedings in the amount that would have been contributed had the member's employment not been terminated. The bill would require that the person receive service credit for the period for which salary is awarded. The retirement system would be granted discretion regarding the timing of repayment.

The CERL prescribes requirements regarding notification of members who have left service and elected to leave accumulated contributions in the retirement fund or have been deemed to have elected deferred retirement, as specified. Existing law requires the retirement system to start paying the member an unmodified retirement allowance in the year in which the member attains 70 ½ years of age, if the member can be located but does not make proper application for a deferred retirement allowance. Existing law prescribes alternate requirements if a member cannot be located. The CERL establishes the Deferred Retirement Option Program, which a county or district may elect to offer and which provides an additional benefit on retirement to participating members. This bill would require that members who have left service, as described above, in addition to notification regarding retirement allowances, also be notified regarding their eligibility for a one-time distribution of accumulated contributions and interest. The bill would revise the age at which the retirement system is required to provide the above-described notice, as well as when the retirement system must start payment of an unmodified retirement allowance, to 72 years of age. The bill would further require the retirement system at that time to make a one-time distribution of accumulated contributions if the member is ineligible for a deferred retirement allowance, as specified. The bill would change the age threshold from 70 ½ years of age to 72 years of age with regard to requirements that apply when members cannot be located and with reference to when distributions are to be made to members who are participating in a Deferred Retirement Option Program.

The CERL establishes various rights to benefits that accrue to children of members and their surviving spouses under specified circumstances. In these instances, generally, these benefits will accrue provided that the children are under 18 years of age and unmarried and they continue until every child dies, marries, or attains age 18. Existing law authorizes the continuance of the benefits, in specified instances, to children through the age of 21 if the children remain unmarried and are regularly enrolled as full-time students in an

accredited school. This bill would revise the standard applicable to children through the age of 21 to instead be up to the 22nd birthday of the child. The bill would make a related change with regard to a provision that provides an alternative to survivorship benefits under federal social security benefits.

(STATUS: Passed out of the Assembly and ordered to the Senate on 06/08/20. Read second time in Senate, amended, and re-referred to Committee on L., P.E. & R. on 06/29/20.)

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

- **AB 992 (Mullin) Amended in Senate 07/31/20**

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 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 **until January 1, 2026**, the prohibition described above does not apply to the participation, as defined, in **prevent a member from engaging in separate conversations or communications outside of a meeting authorized by the Brown Act with any person using an internet-based social media platform by a majority of the members of a legislative body, to answer questions, provide information to the public, or to solicit information from the public regarding a matter that is within the subject matter jurisdiction of the legislative body**, provided that a majority of the members do not use the internet-based social media platform to discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency, **and that a member shall not respond directly to any communication on an internet-based social media platform regarding a matter that is within the subject matter jurisdiction of the legislative body that is made, posted, or shared by any other member of the legislative body.**

(STATUS: Introduced 02/21/19. Passed out of the Assembly and ordered to the Senate on 01/30/20. Read first time in Senate. Referred to Committee on GOV. & F. on 06/23/20. **From committee: Amended and passed as amended on 07/30/20. Read second time in Senate, amended and ordered to third reading on 07/31/20.**)

- **AB 2473 (Cooper)**

The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. Existing law excludes from the disclosure requirement certain records regarding alternative investments in which public investment funds invest. This bill would exempt from disclosure under the act specified records regarding an internally managed private loan made directly by a public investment fund, including quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information.

(STATUS: Introduced 02/19/20. Passed out of the Assembly and ordered to the Senate on 06/08/20. Read first time in Senate and referred to Committee on RLS for assignment on 06/09/20. Referred to Committee on P.E. & R. on 06/23/20. **From committee chair, with author’s amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Committee on L., P.E. & R. on 07/28/20.**)

- **AB 2659 (Chen)**

The Information Practices Act of 1977 prescribes a set of requirements, prohibitions, and remedies applicable to public agencies, as defined, with regard to their collection, storage, and disclosure of personal information. The act specifically requires an agency to establish rules of conduct for persons involved in the design, development, operation, disclosure, or maintenance of records containing personal information and to instruct these people with respect to the rules and the requirements of the act. This bill would require that the above-described rules of conduct include security awareness and training policies and procedures. (STATUS: Introduced 02/20/20. Referred to Committee on P. & C. P. on 03/12/20.)

- **AB 2676 (Quirk)**

Current law exempts from disclosure critical infrastructure information, as defined, that is voluntarily submitted to the Office of Emergency Services for use by that office, including the identity of the person who or entity that voluntarily submitted the information. This law defines “voluntarily submitted” for that purpose. This bill would remove the restriction that the submission be voluntary, thereby expanding that exemption. Current constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. This bill would make legislative findings to that effect. The California Constitution also requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose. This bill would make legislative findings to that effect. (STATUS: Introduced 02/20/20. Referred to Committee on JUD on 03/02/20. Hearing postponed by Committee on 03/17/20.)

- **AB 2768 (Kalra)**

Existing law authorizes the use of a digital signature in any written communication with a public entity, as defined, in which a signature is required or used. Under existing law, if a public entity elects to use a digital signature, that digital signature has the same force and effect as the use of a manual signature if it embodies all of specified attributes, including being unique to the person using it and conforming to regulations adopted by the Secretary of State. Existing law requires the Secretary of State to have adopted the initial regulations for these provisions no later than January 1, 1997, including seeking the advice of public and private entities in developing these regulations and holding at least one public hearing to receive comments before adopting the regulations. This bill would delete the above-described language requiring the adoption of the initial regulations, as prescribed. The bill would instead require digital signatures to conform to regulations adopted by the Secretary of State pursuant to specified procedures. The bill would further require the Secretary of State to adopt emergency regulations to provide appropriate and timely guidance to public entities and the public generally regarding the signature requirements and to make the regulatory changes needed to update these provisions no later than March 1, 2022, in accordance with the Administrative Procedure Act. The bill would make the emergency regulations adopted pursuant to these

provisions effective only until nonemergency, final regulations are adopted and become effective through the regular rulemaking process.

(STATUS: Introduced 02/20/20; original bill language replaced in full on 05/04/20. From committee chair, with author's amendments: Amend, and re-refer to Committee on JUD. Read second time and amended on 05/04/20. Re-referred to Committee on JUD. on 05/05/20.)

- **AB 2937 (Fong)**

The CERL prescribes the methods for calculating a non-service-connected disability retirement for different membership classifications and for the purpose of calculating reciprocal benefits. In these instances, the sum of allowance may vary depending on whether or not the retirement board finds, in its opinion, the member's disability is due to intemperate use of alcoholic liquor or drugs, among other things. In this regard, the CERL conditions the grant of a disability retirement pension by a county or district on a finding by the board that the member's disability is not the result of intemperate use of alcoholic liquor or drugs. This bill would create an optional provision, to be elected by a county board of supervisors, that would remove the retirement board's assessment regarding the intemperate use of alcoholic liquor or drugs as a condition to the disability retirement.

(STATUS: Introduced 02/21/20. Read first time 02/24/20. Referred to Committee on P.E. & R. on 03/05/20.)

- **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 specified records of a private industry employer that are prepared, owned, used, or retained by a public agency are not trade secrets and are public records, including certain records relating to employment terms and conditions of employees working for a private industry employer pursuant to a contract with a public agency, if those wages, benefits, working hours and other employment terms and conditions relate to work performed under the contract, 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. The bill, however, would exclude contracts between a public agency and a private industry employer entered into on or before January 1, 2020, and records that include communications between the state or local agency and specified state or local officials, on matters posing a threat to the security of a public building, a threat to the security of essential public services, or a threat to the public's right of access to public services or public facilities, from these provisions. Because the bill would require local officials to perform additional duties, it would impose a state-mandated local program.

(STATUS: Introduced 02/22/19. From committee with author's amendments. Read second time and amended. Re-referred to Committee on JUD. on 09/10/19. Assembly Rule 96 suspended. Withdrawn from committee. Ordered to third reading on 09/12/19. Ordered to inactive file on request of Assembly Member Calderon on 09/13/19.)

- **SB 931 (Wieckowski)**

The Brown Act requires meetings of the legislative body of a local agency to be open and public and also requires regular and special meetings of the legislative body to be held within the boundaries of the territory over which the local agency exercises jurisdiction, with specified exceptions. Current law authorizes a person to request that a copy of an agenda, or a copy of all the documents constituting the agenda packet, of any meeting of a legislative body be mailed to that person. This bill would require, if the local agency has an internet website, a legislative body or its designee to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. The bill would require, where the local agency determines it is technologically infeasible to send a copy of all documents constituting the agenda packet or a website link containing the documents by electronic mail or by other electronic means, the legislative body or its designee to send by electronic mail a copy of the agenda or a website link to the agenda and mail a copy of all other documents constituting the agenda packet in accordance with the mailing requirements.

(STATUS: Introduced 02/05/20. Referred to Committee on GOV. and F. on 02/12/20. From committee with author's amendments; read second time and amended; re-referred to Committee on GOV. and F. on 04/02/20.)

- **SB 1297 (Moorlach)**

This bill would revise the provision of pension and other benefits to members of all state or local public retirement systems. The bill would apply its provisions prospectively to any member of a state or local public retirement system who is employed upon the date of its enactment and to any person who may be employed and become a member thereafter.

The bill would:

- void any limit on a pension that prohibits the pension from exceeding a percentage of final compensation, as specified;
- prohibit a local entity from establishing a deferred retirement option program, as described, and if a local entity has established a deferred retirement option program, whether or not the program is closed to new participants, it would be required to disenroll any participating employees and close the program;
- with regard to any member of a state or local public retirement system, the bill would require that final annual compensation used for purposes of ascertaining any pension or benefit be calculated as an average of the member's three highest earning years;
- prohibit, for any method of calculating a pension that is based on fractional percentage of final compensation multiplied by years of service with respect to a particular age at retirement, that fractional percentage from exceeding 2.7%;
- include findings that changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities;
- require that an agency participating in PERS that increases the compensation of a member who was previously employed by a different agency to bear all actuarial liability for the action, if it results in an increased actuarial liability beyond what would have been reasonably expected for the member;

- require that the increased actuarial liability be in addition to reasonable compensation growth that is anticipated for a member who works for an employer or multiple employers over an extended time;
- require, if multiple employers cause increased liability, that the liability be apportioned equitably among them; and
- apply to an increase in actuarial liability, as specified, due to increased compensation paid to an employee on and after January 1, 2021.

(STATUS: Introduced on 02/21/20. To Committee on RLS for assignment on 02/21/20. Read first time on 02/24/20. Referred to Committee on L., P.E. & R. on 03/05/20.)

#### Other Bills of Interest

- **AB 664 (Cooper, Bonta and, Gonzalez) Amended in Senate on 07/31/20**

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, and creates a disputable presumption that specified injuries sustained in the course of employment of a specified member of law enforcement or a specified first responder arose out of and in the course of employment. **Existing law also allows for a claim to be presumed compensable if it has not been rejected within 90 days of filing, as specified.** Existing law makes an employer liable only for the percentage of permanent disability directly caused by the injury arising out of and occurring in the course of employment and requires apportionment of permanent disability to be based on causation and on a physician's report addressing the issue of permanent disability to include an apportionment determination in order for the report to be considered complete on that issue. **Existing law imposes a duty on an employer to provide certain safety materials and adopt safety practices as necessary. A failure to meet this duty, under specified circumstances, is a misdemeanor.**

This bill would define "injury," for certain state and local firefighting personnel, peace officers, certain hospital employees, and certain fire and rescue services coordinators who work for the Office of Emergency Services to include being exposed to or contracting, on or after January 1, 2020, a communicable disease, including ~~coronavirus disease 2019 (COVID-19),~~ **COVID-19** that is the subject of a state ~~or local declaration of a state of public health~~ emergency that is issued on or after January 1, 2020. The bill would create a ~~conclusive disputable~~ **conclusive disputable** presumption, as specified, that the injury arose out of and in the course of the employment. **The bill would require a claim to be presumed compensable if not rejected within 30 days.** The bill would apply to injuries that occurred prior to the declaration of the state of emergency and would also exempt these provisions from the apportionment requirements. **This bill would explicitly add to those materials required to be provided by an employer personal protective equipment, as defined. A failure to comply with provision of personal protective equipment would not constitute a misdemeanor.** If passed, this bill would take effect immediately as an urgency statute.

(STATUS: Introduced 02/15/19; original bill language replaced in full on 04/17/20. **From committee chair, with author's amendments. Read second time, amended, and re-referred to Committee on L. P.E. & R. on 07/31/20.**)

- **AB 1945 (Sala)**

Under existing law, the California Emergency Services Act, the Governor is authorized to proclaim a state of emergency, as defined, under specified circumstances. The California Emergency Services Act also authorizes the governing body of a city, county, city and county, or an official designated by ordinance adopted by that governing body, to proclaim a local emergency, as defined. Under existing law, the Office of Emergency Services within the Governor's office is required to, among other things, develop curriculum for first responder training, and to adopt standards and procedures for training first responder instructors. A person who violates any provision of the act is guilty of a misdemeanor. This bill would, for purposes of the California Emergency Services Act, define "first responder" as an employee of the state or a local public agency who provides emergency response services, including a peace officer, firefighter, paramedic, emergency medical technician, public safety dispatcher, public safety telecommunicator. The bill would provide that the definition of first responder described above does not confer a right to, or entitlement upon, an employee or prospective employee to obtain a retirement benefit formula for an employment classification that is not included in, or is expressly excluded from, that formula, as specified. The bill would prohibit an employer from offering, or indicating an ability to offer to an employee or prospective employee a retirement benefit formula for an employment classification that is not included in, or is expressly excluded from, that formula because of the definition of "first responder."

(STATUS: Introduced 01/17/20. Referred to Committees on G.O. and P.E. & R. on 01/30/20. From Committee Chair, with author's amendments: Amend, and re-refer to Committee on G.O. Read second time and amended on 05/04/20. Re-referred to Committee on G.O. on 05/05/20. From committee: Do pass and re-referred to Committee on APPR. on 05/13/20. Passed out of the Assembly and ordered to the Senate on 06/08/20. In Senate. Read first time; referred to Committee on RLS. for Assignment on 06/09/20. Referred to Committee on L. P.E. & R. on 06/23/20. From committee chair, with author's amendments. Read second time, amended, and re-referred to Committee on L. P.E. & R. on 06/29/20.)

- **AB 2452 (C. Garcia)**

Current law authorizes the California State Auditor to establish a high-risk local government agency audit program to identify, audit, and issue reports on any local government agency, including any city, county, or special district, or any publicly created entity that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness. Existing law authorizes the California State Auditor to consult with the Controller, the Attorney General, and other state agencies in identifying local government agencies that are at high risk. Current law also authorizes the legislative body of a local agency or a district to enter into an association for the purposes of attending the Legislature and the Congress of the United States, and any committees thereof, and presenting information regarding legislation that the legislative body or the district deems to be beneficial or detrimental to the local agency or the district. This bill would authorize the California State Auditor to include in the high-risk local government agency audit program any local agency or district association that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness.

(STATUS: Introduced 02/19/20. Referred to Committee on A. & A.R. on 02/27/20.)

- **AB 3249 (Fong)**

Current law requires state and local public retirement systems to submit audited financial statements to the Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year, and requires the Controller, within 12 months of receipt of the information, to compile and publish a report on the financial condition of all state and local public retirement systems. This bill would additionally require the Controller to post the report on the financial condition of all state and local public retirement systems on the Controller's internet website.

(STATUS: Introduced 02/21/2020. Read first time on 02/24/20. Referred to Committee on P.E. & R. on 03/09/20.)

- **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. Placed on APPR. suspense file on 08/14/19. Heard on 08/30/19. Held in committee and under submission on 08/30/19.)

- **SB 1159 (Hill) Amended in Assembly on 08/04/20**

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 creates a disputable presumption that specified injuries sustained in the course of employment of a specified member of law enforcement or a specified first responder arose out of and in the course of the employment. **Existing law governs the procedures for filing a claim for workers' compensation, including filing a claim form, and provides that an injury is presumed compensable if liability is not rejected within 90 days after the claim form is filed.** This bill would, ~~until an unspecified date,~~ define "injury" for an employee to include illness or death resulting from **the 2019 novel coronavirus disease-2019 (COVID-19)** under specified circumstances, **until January 1, 2024, and July 1, 2024, for employees generally, and until July 1, 2024, for certain peace officers, firefighters, and health care workers, among others.** The bill would create a disputable presumption that ~~an injury that develops or manifests itself while an employee is employed~~ **the injury** arose out of and in the course of the employment **and is compensable. The bill would limit the applicability of the presumption under certain circumstances.** The bill would require an employee to exhaust their paid sick leave benefits and meet specified certification requirements before receiving any temporary disability benefits or, for police officers, firefighters, and other specified ~~government~~ employees, a leave of absence. **The bill would also make a claim relating to a COVID-19 illness presumptively compensable, as described above, after 30 days rather than 90 days. Until July 1,**

**2024, the bill would allow for a presumption of injury for all employees whose fellow employees at their place of employment experience specified levels of positive testing, and whose employer has five or more employees.**

(STATUS: Introduced 02/20/20; original bill language replaced in full on 04/22/20. Passed out of the Senate and ordered to the Assembly on 06/26/20. Read first time in Assembly. Referred to Committee on INS. on 06/29/20. **July 29 hearing postponed by committee on 07/27/20. Amended in Assembly on 08/04/20.**)

**Bills that Apply to CalPERS and/or CalSTRS Only:**

- **AB 462 (Rodriguez)**

This bill would require the Boards of Administration of 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. This bill contains other related provisions and other existing laws.

(STATUS: Introduced 02/11/19. Passed out of the Assembly and ordered to the Senate on 04/22/19. Read second time in the Senate, amended, and re-referred to Com. on RLS. on 05/21/19.)

- **AB 1975 (Bigelow)**

Existing law, the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by the Board of Administration of the Public Employees' Retirement System, authorizes the board to contract for health benefit plans for employees and annuitants, as defined, which may include employees and annuitants of contracting agencies. PEMHCA prescribes requirements for the contributions of contracting agencies and their employees and annuitants for these benefits and creates alternative funding formulations for specified counties and districts. This bill would create an alternative funding formulation for employer contributions for postretirement health care benefits for specified employees of the County of Madera. The bill would apply its provisions to unrepresented and extra help employees, appointed department heads, and represented employees, as specified, provided that these employees are otherwise eligible. The bill would require the employees to have a specified minimum amount of service credit, including at least 5 years of service with the county. If the employees are represented, the bill would require a mutually agreed-upon memorandum of understanding regarding contributions for postretirement health benefits consistent with the bill's provisions to be in place. With regard to unrepresented and extra help employees and appointed department heads, the bill would require a specified resolution to have been adopted by a majority of the county board of supervisors that provides for contributions for postretirement health benefits. Upon satisfaction of these conditions, the bill would prescribe a schedule pursuant to which the county would pay employer contributions for postretirement health care benefits for the employees based on specified percentages associated with the employee's credited years of service, that would reach 100% when the employee attains 20 years of service. The bill would apply these provisions to employees of the County of Madera first hired and appointed on and after the date the bill becomes effective.

(STATUS: Introduced 02/22/20. Original bill language replaced in full on 05/04/20. From committee chair, with author's amendments: Amend, and re-refer to Committee on P.E. & R. Read second time and amended on 05/04/20. Re-referred to Committee on P.E. & R. on 05/05/20.)

- **AB 2378 (Cooper)**

The PERL requires that upon the death of certain members after retirement and while receiving a retirement allowance, a specified sum of money be paid to the member's designated beneficiary. Existing law provides that the additional employer contributions required to fund these benefits be computed as a level percentage of member compensation, and requires the contributions to be deposited in the Public Employees' Retirement Fund. This bill would authorize the CalPERS Board, beginning on or after January 1, 2021, to adjust the death benefit amounts following each actuarial valuation to reflect changes in the All Urban California Consumer Price Index, as specified. By authorizing the board to increase contributions deposited in the Public Employees' Retirement Fund, this bill would make an appropriation.

(STATUS: Introduced 02/18/20. Referred to Committee on P.E. and R. on 02/24/20.)

- **AB 2394 (Cooper)**

Pursuant to the PERL, CalPERS provides a defined benefit to members of the system, based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law generally provides that retirement allowances are adjusted annually to reflect increases in the cost of living in relation to the consumer price index, as defined. Existing law defines "consumer price index" for these purposes to mean the United States city average "Consumer Price Index for All Urban Consumers," effective January 1, 1978. Existing law establishes the Department of Industrial Relations as an instrumentality of California government. This bill would change the definition of "consumer price index," effective January 1, 2021, to instead refer to the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations.

(STATUS: Introduced 02/18/20. Referred to Committee on P.E. and R. on 02/24/20.)

- **AB 2510 (Cooley)**

The CalSTRS Defined Benefit Program provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. Current law authorizes the CalSTRS board, upon a finding by the board that necessary investment expertise is not available within existing civil service classifications, and with approval of the State Personnel Board, to contract with qualified investment managers, as provided. This bill would additionally authorize the board to contract with investment advisers, as defined, upon the same finding by the board and approval by the State Personnel Board. The bill would, pursuant to a policy adopted by the board, authorize the board to establish a competitive bidding process and to specify the contract terms and conditions the board solely deems necessary and prudent to contract with qualified investment managers and investment advisers.

(STATUS: Introduced 02/19/20. Referred to Committee on P.E. & R. on 02/27/20. First hearing canceled at the request of author on 05/04/20.)

- **AB 2967 (O'Donnell) Amended in Senate on 07/28/20**

The PERL authorizes a public agency to contract to make all or part of its employees members of PERS, subject to specified conditions, and requires membership in PERS to be compulsory for all employees included under a contract. Existing law prohibits these contracts from providing for the exclusion of some, but not all, firefighters and specified public safety officers. With regard to other groups of employees, existing law requires that they be based on general categories, such as departments or duties, and not on individual employees. This bill would delete provisions of PERL that generally authorize a public agency contracting with PERS to make all or part of its employees members of the system. The bill would generally prohibit exclusions of groups of employees from being made by amendment of a public agency contract with PERS, **except as provided**. The bill would apply these provisions to contracts entered into, amended, or extended on and after January 1, ~~2020~~**2021**.

(STATUS: Introduced 02/21/20. Original bill language replaced in full on 05/04/20. Passed out of the Assembly and ordered to the Senate on 06/08/20. Read second time in the Senate, amended, and re-referred to Committee on L. P.E. & R. on 06/29/20. **From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Committee on L., P.E. & R. on 07/28/20.**)

- **AB 2998 (Kiley)**

The CalSTRS Defined Benefit Program provides a defined benefit to members of the program based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law prohibits the governing board of a school district from drawing orders for the salary of any teacher in violation of a salary schedule based on a uniform allowance for years of training and years of experience, or on other criteria agreed to by the school district and the exclusive representative of the certificated employees of the school district. This bill would authorize a school district to offer a defined contribution plan to certificated employees and would exclude a certificated employee who opts into a defined contribution plan from membership in the Defined Benefit Program. The bill would authorize a school district to offer a higher salary or lower contribution rate to a defined contribution plan as an incentive for a certificated employee to opt into a defined contribution plan. The bill would authorize a certificated employee to negotiate a salary or contribution rate for a defined contribution plan outside of the school district's salary schedule. The bill would provide that, to the extent the bill's provisions conflict with any provision of a collective bargaining agreement entered into by a public school employer and an exclusive bargaining representative before January 1, 2021, these provisions do not apply to the school district until the expiration or renewal of that collective bargaining agreement.

(STATUS: Introduced 02/19/20. From committee chair with author's amendments; re-referred to Committee on P.E. & R.; read second time and amended on 05/04/20. Re-referred to Committee on P.E. & R. on 05/05/20.)

- **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 disallowed compensation that conflicts with PEPR 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 return to the member any contributions paid by the member or on the member's behalf.

With respect to retired members, survivors, or beneficiaries whose benefits are based on disallowed final compensation, the bill would require PERS to adjust the benefit to reflect the exclusion of the disallowed compensation, and provide that contributions made on the disallowed compensation be credited against future contributions on behalf of the employer entity that reported the disallowed compensation. Additionally, if specified conditions are met, the bill would require the employing entity to refund overpayment costs to the system and to pay retired members, survivors, and beneficiaries whose benefits have been reduced an annuity or a lump sum, as prescribed, that reflects the difference between the monthly allowance that was based on the disallowed compensation and the adjusted monthly allowance calculated without the disallowed compensation, as provided. The bill would require the system to provide certain notices in this regard. This bill would require the system to provide confidential contact information of retired members, and their survivors and beneficiaries, who are affected by these provisions to the relevant employing entities, the confidentiality of which the entities would be required to maintain.

The bill would authorize the state, a school employer, as specified, or a contracting agency, as applicable, to submit to the system an additional compensation item proposed to be included or contained in a memorandum of understanding or collective bargaining agreement on and after January 1, 2020, that is intended to form the basis of a pension benefit calculation in order for PERS to review its consistency with PEPR and other laws, as specified, and would require PERS to provide guidance regarding the review within 90 days, as specified. The bill would require PERS to publish notices regarding proposed compensation language submitted to the system for review and the guidance given by the system that is connected with it. For educational entities that participate in the system, the final responsibility for funding payments to the system and to retired members, survivors, and beneficiaries would belong to the educational entity that is the actual employer of the employee.

(STATUS: Introduced 02/12/19. Read third time in Assembly; ordered to the Senate; Senate concurred in amendments; ordered to engrossing and enrolling on 09/12/19. Withdrawn from engrossing and enrolling, and ordered held at the Desk on 09/13/19.)

- **SB 430 (Wieckowski)**

PEPR 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. PEPR defines “new member” to mean, among other things, 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 date. Existing law creates the Judges’ Retirement System II, which is administered by the Board of Administration of the Public Employees’ Retirement System, for the provision of retirement and other benefits to specified judges and their beneficiaries. This bill would grant a judge who was elected to office in 2012, but did not take office until on or after January 1, 2013, the option of making a one-time, irrevocable election to have a pre-January 1, 2013, membership status in the Judges’ Retirement System II for service accrued after on and after July 1, 2020. The bill would require the election to be made during a 30-day period beginning March 1, 2020. A judge making this election would no longer be a new member under specified provisions of PEPR. The election would apply prospectively only, and membership rights and obligations that accrued based on service subject to PEPR prior to July 1, 2020, would remain unchanged. The bill would specify that the Public Employees’ Retirement System is not obligated to inform or locate a person who may be eligible to make the election and that its provisions do not affect the Legislature’s reserved right to increase contributions or reduce benefits for purposes of the Judges’ Retirement System II.

(STATUS: Introduced 02/21/19. Passed out of the Senate and ordered to the Assembly on 05/21/19.

Referred to the Committee on P.E. & R. on 05/30/19. Set for first hearing; cancelled at request of author on 06/26/19.)

#### **Divestment Proposals (CalPERS and CalSTRS Only)**

- **AB 2780 (Holden)**

Existing law, upon the passage of a federal law imposing sanctions on the government of Turkey for failure to officially acknowledge its responsibility for the Armenian Genocide, prohibits the CalPERS and CalSTRS boards from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in the government of Turkey that is issued by the government of Turkey or that is owned by the government of Turkey. Existing law requires the boards to liquidate existing investments in the government of Turkey within 18 months of the passage of the above-described federal law.

This bill, upon the passage of a federal law imposing sanctions on the government of Turkey for imposing an economic blockade of Armenia, would prohibit the boards of CalPERS, CalSTRS, and the General Fund portion of the University of California Retirement Fund from making additional or new investments or renew existing investments of public employee retirement funds in any investment vehicle that is issued or owned by the government of Azerbaijan or Turkey. The bill would require the boards to liquidate investments in the government of Azerbaijan or Turkey within 18 months of the passage of the above-described law. The bill would not apply the above provisions to an investment vehicle if the governing body of the financial institution issuing the investment vehicle, by resolution, adopts a policy not to renew existing, expand existing, or engage in new, discriminatory practices in furtherance of or in compliance with the economic blockade of Armenia by the governments of Turkey and Azerbaijan. The bill would require a copy of the resolution to be submitted to the Treasurer and the chief administrative officer of each public employee

retirement fund, accompanied by a certification, under penalty of perjury, that the adopted policy is being complied with by the financial institution. By expanding the scope of the crime of perjury, the bill would impose a state-mandated local program. The bill would also require these boards to make specified reports to the Legislature and the Governor regarding these actions within one year of the passage of a federal law imposing those sanctions on the government of Azerbaijan or Turkey. 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 the above-described prohibited investment and reporting provisions on January 1, 2026, or if a determination is made by the Legislature, the Department of State, the Congress of the United States, or another appropriate federal agency that the government of either Turkey or both Turkey and Azerbaijan has adopted a policy to cease their economic blockade of Armenia.

(STATUS: Introduced 02/20/20. Original bill language replaced in full on 05/04/20. From committee chair, with author's amendments: Amend, and re-refer to Committee on P.E. & R. Read second time and amended on 05/04/20. Referred to Committee on P.E. & R. on 05/05/20.)

### ***Federal Legislation Affecting '37 Act Systems***

#### **The Federal SECURE Act (HR 1865)**

On December 20, 2019, the President signed HR 1865, which includes the Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act"), into law. Two provisions affect the '37 Act Systems.

#### ***Section 114 of the SECURE Act***

Prior to passage of the SECURE Act, tax qualified plans were required to distribute a member's entire benefit or begin to distribute a member's benefit no later than the "required beginning date." Internal Revenue Code (IRC) § 401(a)(9) defined required beginning date as April 1 of the calendar year following the later of (i) the calendar year in which the member attains age 70½ or (ii) the member retires.

Section 114 of the SECURE Act increases the required beginning date age factor from age 70½ to age 72. Under this new guidance, to satisfy the required minimum distribution rules, members must begin receiving benefits by April 1 of the calendar year following the later of (i) the calendar year in which the member attains age 72, or the member retires. The new rule applies to individuals who turn 70½ after December 31, 2019. For anyone who turned 70½ in 2019, the first RMD must still be taken by April 1, 2020. Individuals turning 70½ in 2020 or later will not be required to take their first withdrawal until April 1 of the year following their 72<sup>nd</sup> birthday.

The SACRS Legislative Committee is reviewing whether an amendment to the CERL will be necessary in order to conform the CERL to Section 114 of the SECURE Act. In addition, the OCERS team will review and amend as necessary our §401(a)(9) regulations or procedures to ensure the higher distribution age is reflected. Unless further extended by the Secretary of the Treasury, any necessary amendments will be required to be made no later than the last day of the first plan year beginning on or after January 1, 2024. Therefore, calendar year

Systems like OCERS must amend affected regulations by December 31, 2024 (fiscal year Systems will have until June 30, 2025).

**Section 402 of the SECURE Act**

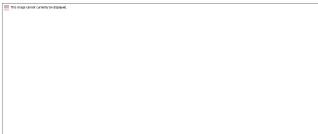
IRS Form 945, Annual Return of Withheld Federal Income Tax, is typically used to report federal income taxes withheld on distributions made from a retirement system. IRC §6651 imposes a tax penalty for the failure to timely file a Form 945.

Section 402 of the SECURE Act increases the minimum tax penalty imposed by IRC §6651. As amended, IRC §6651 allows for the imposition of a tax equal to at least the lesser of \$435 (to be adjusted for inflation) or 100% of the amount required to be shown as tax on the return where the Form 945 is not filed within 60 days of its due date (including any applicable filing extensions). The penalty may still be waived if a System can show reasonable cause for the failure to timely file a Form 945.

The increase in penalties applies to IRS Forms 945 with a due date after December 31, 2019, including extensions. While no amendments or policy updates may be required as a result of this change, future failures to timely file Form 945 may trigger increased penalties.

Attachments

**Submitted by:**



Gina M. Ratto  
General Counsel



**OCERS BOARD OF RETIREMENT  
August 17, 2020 MEETING**

**LEGISLATIVE UPDATE – ATTACHMENT**

**2019 - 2020 CALIFORNIA STATE LEGISLATIVE SESSION  
BILLS OF INTEREST**

*New or updated information in bold text*

**AB 462 (Rodriguez)**

This bill would require the Boards of Administration of 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 02/11/19. Passed out of the Assembly and ordered to the Senate on April 22, 2019. Read second time in the Senate, amended, and re-referred to Com. on RLS. on 05/21/19.)

**AB 664 (Cooper, Bonta and, Gonzalez) Amended in Senate on 07/31/20**

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, and creates a disputable presumption that specified injuries sustained in the course of employment of a specified member of law enforcement or a specified first responder arose out of and in the course of employment. **Existing law also allows for a claim to be presumed compensable if it has not been rejected within 90 days of filing, as specified.** Existing law makes an employer liable only for the percentage of permanent disability directly caused by the injury arising out of and occurring in the course of employment and requires apportionment of permanent disability to be based on causation and on a physician’s report addressing the issue of permanent disability to include an apportionment determination in order for the report to be considered complete on that issue. **Existing law imposes a duty on an employer to provide certain safety materials and adopt safety practices as necessary. A failure to meet this duty, under specified circumstances, is a misdemeanor.**

This bill would define “injury,” for certain state and local firefighting personnel, peace officers, certain hospital employees, and certain fire and rescue services coordinators who work for the Office of Emergency Services to include being exposed to or contracting, on or after January 1, 2020, a communicable disease, including ~~coronavirus disease 2019 (COVID-19),~~ **COVID-19** that is the subject of a state ~~or local declaration of a state of~~

**public health** emergency that is issued on or after January 1, 2020. The bill would create a ~~conclusive disputable~~ presumption, as specified, that the injury arose out of and in the course of the employment. **The bill would require a claim to be presumed compensable if not rejected within 30 days.** The bill would apply to injuries that occurred prior to the declaration of the state of emergency and would also exempt these provisions from the apportionment requirements. **This bill would explicitly add to those materials required to be provided by an employer personal protective equipment, as defined. A failure to comply with provision of personal protective equipment would not constitute a misdemeanor.** If passed, this bill would take effect immediately as an urgency statute.

(STATUS: Introduced 02/15/19; original bill language replaced in full on 04/17/20. **From committee chair, with author's amendments. Read second time, amended, and re-referred to Committee on L. P.E. & R. on 07/31/20.**)

#### **AB 992 (Mullin) Amended in Senate 07/31/20**

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 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 **until January 1, 2026**, the prohibition described above does not ~~apply to the participation, as defined, in~~ **prevent a member from engaging in separate conversations or communications outside of a meeting authorized by the Brown Act with any person using an internet-based social media platform by a majority of the members of a legislative body, to answer questions, provide information to the public, or to solicit information from the public regarding a matter that is within the subject matter jurisdiction of the legislative body**, provided that a majority of the members do not **use the internet-based social media platform to** discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the legislative body ~~of the local agency~~, **and that a member shall not respond directly to any communication on an internet-based social media platform regarding a matter that is within the subject matter jurisdiction of the legislative body that is made, posted, or shared by any other member of the legislative body.**

(STATUS: Introduced 02/21/19. Passed out of the Assembly and ordered to the Senate on 01/30/20. Read first time in Senate. Referred to Committee on GOV. & F. on 06/23/20. **From committee: Amended and passed as amended on 07/30/20. Read second time in Senate, amended and ordered to third reading on 07/31/20.**)

#### **AB 1945 (Sala)**

Under existing law, the California Emergency Services Act, the Governor is authorized to proclaim a state of emergency under specified circumstances. The California Emergency Services Act also authorizes the governing body of a city, county, city and county, or an official designated by ordinance adopted by that governing body, to proclaim a local emergency. Under existing law, the Office of Emergency Services within the Governor's office is required to, among other things, develop curriculum for first responder training, and to adopt standards and procedures for training first responder instructors. A person who violates any provision of the act is guilty of a misdemeanor. This bill would, for purposes of the California Emergency Services Act, define "first responder" as

an employee of the state or a local public agency who provides emergency response services, including a peace officer, firefighter, paramedic, emergency medical technician, public safety dispatcher, public safety telecommunicator. The bill would provide that the definition of first responder described above does not confer a right to, or entitlement upon, an employee or prospective employee to obtain a retirement benefit formula for an employment classification that is not included in, or is expressly excluded from, that formula, as specified. The bill would prohibit an employer from offering, or indicating an ability to offer to an employee or prospective employee a retirement benefit formula for an employment classification that is not included in, or is expressly excluded from, that formula because of the definition of “first responder.”

(STATUS: Introduced 01/17/20. Passed out of the Assembly and ordered to the Senate on 06/08/20. Read second time in Senate, amended, and re-referred to Committee on L. P.E. & R. on 06/29/20.)

#### **AB 1975 (Bigelow)**

Existing law, the Public Employees’ Medical and Hospital Care Act (PEMHCA), which is administered by the CalPERS board, authorizes the board to contract for health benefit plans for employees and annuitants, as defined, which may include employees and annuitants of contracting agencies. PEMHCA prescribes requirements for the contributions of contracting agencies and their employees and annuitants for these benefits and creates alternative funding formulations for specified counties and districts. This bill would create an alternative funding formulation for employer contributions for postretirement health care benefits for specified employees of the County of Madera. The bill would apply its provisions to unrepresented and extra help employees, appointed department heads, and represented employees, as specified, provided that these employees are otherwise eligible. The bill would require the employees to have a specified minimum amount of service credit, including at least 5 years of service with the county. If the employees are represented, the bill would require a mutually agreed-upon memorandum of understanding regarding contributions for postretirement health benefits consistent with the bill’s provisions to be in place. With regard to unrepresented and extra help employees and appointed department heads, the bill would require a specified resolution to have been adopted by a majority of the county board of supervisors that provides for contributions for postretirement health benefits. Upon satisfaction of these conditions, the bill would prescribe a schedule pursuant to which the county would pay employer contributions for postretirement health care benefits for the employees based on specified percentages associated with the employee’s credited years of service, that would reach 100% when the employee attains 20 years of service. The bill would apply these provisions to employees of the County of Madera first hired and appointed on and after the date the bill becomes effective.

(STATUS: Introduced 02/22/20. Original bill language replaced in full on 05/04/20. From committee chair, with author’s amendments: Amend, and re-refer to Committee on P.E. & R. Read second time and amended on 05/04/20. Re-referred to Committee on P.E. & R. on 05/05/20.)

#### **AB 2101 (Committee on Public Employment and Retirement)**

This bill combines CalPERS’ annual “PERL housekeeping bill” and CalSTRS’ annual “Education Code housekeeping bill” and incorporates SACRS’ first sponsored “CERL housekeeping bill” (previously SB 783).

CERL/Government Code Changes:

The California Constitution commits plenary authority for administration of public employee retirement systems, and for the provision of actuarial services for the systems, to their boards of administration. CERL prescribes actuarial requirements for CERL systems and, upon the basis of the investigation, valuation, and recommendation of the actuary, the retirement board is required to recommend to the county board of supervisors the changes in rates of interest, in rates of member contributions, and in county and district appropriations that are necessary. A similar process is prescribed for districts within the system, but that are not governed by the board of supervisors. This bill would make a statement of legislative affirmation regarding the ruling in *Mijares v. OCERS*, which upheld a retirement board's plenary authority to recommend adjustments to county and district contributions necessary to ensure the appropriate funding of the retirement system.

CERL authorizes a member who returns to active service following an uncompensated leave of absence on account of illness to receive service credit for the period of the absence upon payment of the contributions that the member would have paid during that period, together with the interest that the contributions would have accrued. This bill would similarly authorize a member who returns to active service following an uncompensated leave of absence on account of approved parental leave to receive service credit for the period upon payment of contributions and interest. The bill would prohibit service credit to be received for such a period of absence from exceeding 12 consecutive months and would prescribe requirements for payments. This provision would be operative in a county only if the board of supervisors elect to make it so, as specified, and would apply to parental leave that begins after the election.

The CERL authorizes a member who resigns or obtains a leave of absence to enter, and who does enter, the Armed Forces of the United States on a voluntary or involuntary basis, under prescribed circumstances, to obtain service credit for the period during which the member was out of county service. This bill would recast these provisions and would generally require that CERL comply with the federal Uniformed Services Employment and Reemployment Rights Act of 1994, as it may be amended. The bill would also authorize a member who does not qualify for reemployment benefits due to the length of military service and who returns to county or district employment within one year of being honorably discharged from the Armed Forces of the United States, to receive credit for service for all or any part of the member's military service upon making specified payments.

The CERL requires boards of retirement to provide for the retirement of members who meet age and service requirements. This bill would authorize a system administrator or other personnel to exercise a board's power to retire members as described above. The bill would require that service retirements be reported to the board at its next public meeting after the retirement.

The CERL prescribes requirements for calculating the effective date of retirement under different membership conditions, generally providing that the date not be more than 60 days after the date of filing. This bill would prescribe general requirements regarding the effective date of retirement to prohibit it from beginning earlier

than the date the application is filed with the board or more than 60 days after the date of filing or more than a number of days that has been approved by the board.

The CERL and other existing laws prescribe requirements for reinstatement after retirement and for service without reinstatement. The CERL prescribes different requirements, to be elected by a county, regarding member status in a retirement system upon reemployment, including how the rate of contributions and retirement allowance are to be calculated upon a subsequent retirement. This bill would require that people who have retired under the CERL following an involuntary termination of employment who are subsequently reinstated to that employment pursuant to a final administrative or judicial proceeding, as specified, be reinstated from retirement as if there were no intervening period of retirement. The bill would require the person to repay an allowance paid to the person to the retirement system from which they retired in accordance with the retirement system's repayment policy and that contributions be made for any period for which salary is awarded in the administrative or judicial proceedings in the amount that would have been contributed had the member's employment not been terminated. The bill would require that the person receive service credit for the period for which salary is awarded. The retirement system would be granted discretion regarding the timing of repayment.

The CERL prescribes requirements regarding notification of members who have left service and elected to leave accumulated contributions in the retirement fund or have been deemed to have elected deferred retirement, as specified. Existing law requires the retirement system to start paying the member an unmodified retirement allowance in the year in which the member attains 70 ½ years of age, if the member can be located but does not make proper application for a deferred retirement allowance, as specified. Existing law prescribes alternate requirements if a member cannot be located. CERL establishes the Deferred Retirement Option Program, which a county or district may elect to offer and which provides an additional benefit on retirement to participating members. This bill would require that members who have left service, as described above, in addition to notification regarding retirement allowances, also be notified regarding their eligibility for a one-time distribution of accumulated contributions and interest. The bill would revise the age at which the retirement system is required to provide the above-described notice, as well as when the retirement system must start payment of an unmodified retirement allowance, to 72 years of age. The bill would further require the retirement system at that time to make a one-time distribution of accumulated contributions if the member is ineligible for a deferred retirement allowance, as specified. The bill would change the age threshold from 70 ½ years of age to 72 years of age with regard to requirements that apply when members cannot be located and with reference to when distributions are to be made to members who are participating in a Deferred Retirement Option Program.

The CERL establishes various rights to benefits that accrue to children of members and their surviving spouses under specified circumstances. In these instances, generally, these benefits will accrue provided that the children are under 18 years of age and unmarried and they continue until every child dies, marries, or attains age 18. Existing law authorizes the continuance of the benefits, in specified instances, to children through the age of 21 if the children remain unmarried and are regularly enrolled as full-time students in an accredited

school, as specified. This bill would revise the above-described standard applicable to children through the age of 21 to instead be up to the 22nd birthdays of the children. The bill would make a related change with regard to a provision that provides an alternative to survivorship benefits under federal social security benefits.

**PERL/Government Code Changes:**

Under existing provisions of the PERL, data filed with the CalPERS board by any member, retired member, beneficiary, or annuitant is confidential. Existing law prohibits system officials and employees from divulging the data except pursuant to specified parties and entities. This bill would make various technical and clarifying changes to these provisions, including specifying that data filed on behalf of any member, retired member, beneficiary, or annuitant is also confidential and that data may be divulged to other retirement systems that provide reciprocal benefits to members of PERS.

Existing law authorizes a member of PERS, who is credited with less than a certain number of years of service and who enters employment as a member of another public retirement system supported by state funds, within 6 months of leaving state service, to elect to leave their accumulated contributions on deposit in the retirement fund. Existing law specifies that a member's failure to make an election to withdraw accumulated contributions is deemed an election to leave the member's accumulated contributions on deposit in the retirement fund. Existing law provides that a member may revoke their election to allow accumulated contributions to remain in the retirement system, except under specified circumstances. Existing law requires a member who is permanently separated from all PERS covered service, who meets specified conditions, and who attains 70 years of age, to be provided with an election to withdraw contributions, or, if vested, an election to either apply for service retirement or to withdraw contributions. This bill would instead require a member permanently separated under the circumstances described above to attain 71 ½ years of age before being provided with those election options.

The PERL contains the State Peace Officers' and Firefighters' Defined Contribution Plan as a separate supplemental plan for certain peace officers and firefighters. Under applicable provisions of the PERL, a participant, nonparticipant, spouse, or beneficiary is not permitted to elect a distribution under the plan that does not satisfy specified requirements of federal law related to being a qualified pension trust plan. Existing law requires the beginning date of distributions that reflect the entire interest of the participant, for a lump-sum distribution, to be made not later than April 1 of the calendar year following the later of the calendar year in which the participant attains 70 ½ or the calendar year in which the participant terminates all employment subject to plan coverage. Existing law also requires, for a distribution to the participant in the form of installment payments or an annuity, that payment begin not later than April 1 of the calendar year following the later of the calendar year in which the participant attains 70 ½ years of age or the calendar year in which the participant terminates all employment subject to plan coverage. Existing law also requires, if a benefit is payable on account of the participant's death, and the beneficiary is the participant's spouse, the distributions to commence on or before the later of either December 31 of the calendar year immediately following the calendar year in which the participant dies, or December 31 of the calendar year in which the participant would

have attained 70 ½ years of age. This bill would raise the age for required distributions, in the circumstances described above, from 70 ½ years of age to 72 years of age.

Existing law establishes the Supplemental Contributions Program as a defined contribution plan to supplement the benefits provided under PERL. Under existing law, a participant, nonparticipant, spouse, or beneficiary is not permitted to elect a distribution under the plan that does not satisfy federal requirements related to being a qualified pension trust plan. Existing law requires the beginning date of distributions that reflect the entire interest of the participant, for a lump-sum distribution to the participant, to be made not later than April 1 of the calendar year following the later of the calendar year in which the participant attains 70 ½ years of age or the calendar year in which the participant terminates all employment. Existing law requires the beginning date of distributions, if provided in periodic payments, to begin not later than April 1 of the calendar year following the later of the calendar year in which the participant attains 70 ½ years of age or the calendar year in which the participant terminates all employment subject to plan coverage. Existing law also requires, if a benefit is payable on account of the participant's death, and the beneficiary is the participant's spouse, that distributions commence on or before the later of either December 31 of the calendar year immediately following the calendar year in which the participant dies or December 31 of the calendar year in which the participant would have attained 70 ½ years of age. This bill would raise the age for required distributions, in the circumstances described above, from 70 ½ years of age to 72 years of age.

The Judges' Retirement Law prescribes retirement benefits for judges, as defined, who were first elected or appointed to judicial office before November 9, 1994. Existing law also establishes the Extended Service Incentive Program to provide enhanced retirement benefits for those judges who continue in service beyond retirement age, as specified, and directs the board of administration of PERS to implement the program. Existing law prescribes that the required beginning date of distributions that reflect the entire interest of the judge, for a lump-sum distribution, be made not later than April 1 of the calendar year following the later of the calendar year in which the judge attains 70 ½ years of age or the calendar year in which the judge terminates employment. Existing law also requires, if a benefit is payable on account of the judge's death, and the beneficiary is the judge's spouse, that distributions commence on or before the later of December 31 of the calendar year immediately following the calendar year in which the judge dies or December 31 of the calendar year in which the judge would have attained 70 ½ years of age. This bill would raise the age for required distributions, in the circumstances described above, from 70 ½ years of age to 72 years of age.

#### Education Code Changes:

Existing law authorizes a member to elect continued defined benefit coverage in CalSTRS when taking a position that provides a defined benefit in another public retirement system, and requires the election to be made in writing and to be filed with CalSTRS and the other public retirement system. This bill would remove the requirement that the election be filed with the other public retirement system, and would instead require the employer to retain a copy of the election form.

Existing law grants a member of CalSTRS service credit at retirement for accumulated and unused sick leave days, as specified. Existing law defines sick leave days for these purposes to mean the number of days of accumulated and unused leave of absence for illness or injury, and defines basic sick leave to mean the equivalent of one day's paid leave of absence per pay period due to illness or injury. Existing law also grants a member service credit during the time the member is serving as an elected officer of an employee organization and is on a compensated leave of absence. This bill would instead define sick leave to be the number of days of accumulated and unused leave of absence for illness or injury granted by each employer, and would define basic sick leave to mean the days of paid leave of absence due to illness or injury granted by each employer, not to exceed 12 days per school year. The bill would specify that a member is prohibited from receiving service credit for accumulated, unused sick leave that the member receives service credit for in another public retirement system. The bill would grant a member who is an elected officer of an employee organization on a compensated leave of absence STRS benefits that the member would have received had the member not been on a compensated leave of absence.

Existing law authorizes an employer, for purposes of CalSTRS, to offer an additional 2 years of service credit to specified members if the member elects to retire in a defined period. Existing law requires a member to forfeit the additional 2 years of service credit if the retired member takes any job within the school district, community college district, or county office of education that granted the member the service credit less than 5 years after receiving the additional credit. This bill would require a member to forfeit the additional 2 years of service credit if the member takes any job within the school district, community college district, or county office of education as an employee, an independent contractor, or an employee of a third party.

Existing law requires a termination benefit under the Defined Benefit Supplement Program and Cash Balance Benefit Program to be payable 6 months after the member terminates employment. This bill would instead require the termination benefit to be payable 180 calendar days after the member terminates employment.

Existing law authorizes the Teachers' Retirement Board to assess penalties and interest if an employer fails to make a payment of contributions to CalSTRS. This bill would require penalties and interest overpaid to CalSTRS to be considered additional contributions, to be deposited in the Teachers' Retirement Fund, and to be treated in the same manner as other contributions paid to CalSTRS.

(STATUS: Passed out of the Assembly and ordered to the Senate on 06/08/20. Read second time in Senate, amended, and re-referred to Committee on L., P.E. & R. on 06/29/20.)

#### **AB 2226 (Voepel)**

The Personal Income Tax Law imposes a tax on individual taxpayers measured by the taxpayer's taxable income for the taxable year, but excludes certain items of income from the computation of tax, including an exclusion for combat-related special compensation. This bill, for taxable years beginning on or after January 1, 2021, and before January 1, 2031, would exclude from gross income specified amounts of retirement pay received by a taxpayer from the federal government for service performed in the uniformed services, as defined, during the taxable year. Current law requires any bill authorizing a new tax expenditure to contain, among other things,

specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements. The bill also would include additional information required for any bill authorizing a new tax expenditure. This bill would take effect immediately as a tax levy.

(STATUS: Introduced 02/12/20. Referred to Committee on REV. and TAX on 02/20/20. Hearing postponed by committee on 03/16/20.)

**AB 2378 (Cooper)**

The PERL requires that upon the death of certain members after retirement and while receiving a retirement allowance, a specified sum of money be paid to the member's designated beneficiary. Existing law provides that the additional employer contributions required to fund these benefits be computed as a level percentage of member compensation, and requires the contributions to be deposited in the Public Employees' Retirement Fund. This bill would authorize the CalPERS Board, beginning on or after January 1, 2021, to adjust the death benefit amounts following each actuarial valuation to reflect changes in the All Urban California Consumer Price Index, as specified. By authorizing the board to increase contributions deposited in the Public Employees' Retirement Fund, this bill would make an appropriation.

(STATUS: Introduced 02/18/20. Referred to Committee on P.E. and R. on 02/24/20.)

**AB 2394 (Cooper)**

Pursuant to the PERL, CalPERS provides a defined benefit to members of the system, based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law generally provides that retirement allowances are adjusted annually to reflect increases in the cost of living in relation to the consumer price index, as defined. Existing law defines "consumer price index" for these purposes to mean the United States city average "Consumer Price Index for All Urban Consumers," effective January 1, 1978. Existing law establishes the Department of Industrial Relations as an instrumentality of California government. This bill would change the definition of "consumer price index," effective January 1, 2021, to instead refer to the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations.

(STATUS: Introduced 02/18/20. Referred to Committee on P.E. and R. on 02/24/20.)

**AB 2452 (C. Garcia)**

Current law authorizes the California State Auditor to establish a high-risk local government agency audit program to identify, audit, and issue reports on any local government agency, including any city, county, or special district, or any publicly created entity that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness. Existing law authorizes the California State Auditor to consult with the Controller, the Attorney General, and other state agencies in identifying local government agencies that are at high risk. Current law also authorizes the legislative body of a local agency or a district to enter into an association for the purposes of attending the Legislature and the Congress of the United States, and any committees thereof, and presenting information regarding legislation that the legislative body or the district deems to be beneficial or detrimental to the local agency or the district. This bill would authorize the California

State Auditor to include in the high-risk local government agency audit program any local agency or district association that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness. (STATUS: Introduced 02/19/20. Referred to Committee on A. & A.R. on 02/27/20.)

**AB 2473 (Cooper)**

The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. Existing law excludes from the disclosure requirement certain records regarding alternative investments in which public investment funds invest. This bill would exempt from disclosure under the act specified records regarding an internally managed private loan made directly by a public investment fund, including quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information. (STATUS: Introduced 02/19/20. Passed out of the Assembly and ordered to the Senate on 06/08/20. Read first time in Senate and referred to Committee on RLS for assignment on 06/09/20. Referred to Committee on P.E. & R. on 06/23/20. **From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Committee on L., P.E. & R. on 07/28/20.**)

**AB 2510 (Cooley)**

The CalSTRS Defined Benefit Program provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. Current law authorizes the CalSTRS board, upon a finding by the board that necessary investment expertise is not available within existing civil service classifications, and with approval of the State Personnel Board, to contract with qualified investment managers, as provided. This bill would additionally authorize the board to contract with investment advisers, as defined, upon the same finding by the board and approval by the State Personnel Board. The bill would, pursuant to a policy adopted by the board, authorize the board to establish a competitive bidding process and to specify the contract terms and conditions the board solely deems necessary and prudent to contract with qualified investment managers and investment advisers. (STATUS: Introduced 02/19/20. Referred to Committee on P.E. & R. on 02/27/20. First hearing canceled at the request of author on 05/04/20.)

**AB 2659 (Chen)**

The Information Practices Act of 1977 prescribes a set of requirements, prohibitions, and remedies applicable to public agencies with regard to their collection, storage, and disclosure of personal information. The act specifically requires an agency to establish rules of conduct for persons involved in the design, development, operation, disclosure, or maintenance of records containing personal information and to instruct these people with respect to the rules and the requirements of the act. This bill would require that the above-described rules of conduct include security awareness and training policies and procedures. (STATUS: Introduced 02/20/20. Referred to Committee on P. & C.P. on 03/12/20.)

**AB 2676 (Quirk)**

Current law exempts from disclosure critical infrastructure information, as defined, that is voluntarily submitted to the Office of Emergency Services for use by that office, including the identity of the person who or entity that voluntarily submitted the information. This law defines “voluntarily submitted” for that purpose. This bill would remove the restriction that the submission be voluntary, thereby expanding that exemption. Current constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. This bill would make legislative findings to that effect. The California Constitution also requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose. This bill would make legislative findings to that effect.

(STATUS: Introduced 02/20/20. Referred to Committee on JUD on 03/02/20. Hearing postponed by Committee on 03/17/20.)

**AB 2768 (Kalra)**

Existing law authorizes the use of a digital signature in any written communication with a public entity, as defined, in which a signature is required or used. Under existing law, if a public entity elects to use a digital signature, that digital signature has the same force and effect as the use of a manual signature if it embodies all of specified attributes, including being unique to the person using it and conforming to regulations adopted by the Secretary of State. Existing law requires the Secretary of State to have adopted the initial regulations for these provisions no later than January 1, 1997, including seeking the advice of public and private entities in developing these regulations and holding at least one public hearing to receive comments before adopting the regulations. This bill would delete the above-described language requiring the adoption of the initial regulations, as prescribed. The bill would instead require digital signatures to conform to regulations adopted by the Secretary of State pursuant to specified procedures. The bill would further require the Secretary of State to adopt emergency regulations to provide appropriate and timely guidance to public entities and the public generally regarding the signature requirements and to make the regulatory changes needed to update these provisions no later than March 1, 2022, in accordance with the Administrative Procedure Act. The bill would make the emergency regulations adopted pursuant to these provisions effective only until nonemergency, final regulations are adopted and become effective through the regular rulemaking process.

(STATUS: Introduced 02/20/20; original bill language replaced in full on 05/04/20. From committee chair, with author’s amendments: Amend, and re-refer to Committee on JUD. Read second time and amended on 05/04/20. Re-referred to Committee on JUD. on 05/05/20.)

**AB 2780 (Holden)**

Existing law, upon the passage of a federal law imposing sanctions on the government of Turkey for failure to officially acknowledge its responsibility for the Armenian Genocide, prohibits the CalPERS and CalSTRS boards from making additional or new investments, or renewing existing investments, of public employee retirement

funds in an investment vehicle in the government of Turkey that is issued by the government of Turkey or that is owned by the government of Turkey. Existing law requires the boards to liquidate existing investments in the government of Turkey within 18 months of the passage of the above-described federal law.

This bill, upon the passage of a federal law imposing sanctions on the government of Turkey for imposing an economic blockade of Armenia, would prohibit the boards of CalPERS, CalSTRS, and the General Fund portion of the University of California Retirement Fund from making additional or new investments or renew existing investments of public employee retirement funds in any investment vehicle that is issued or owned by the government of Azerbaijan or Turkey. The bill would require the boards to liquidate investments in the government of Azerbaijan or Turkey within 18 months of the passage of the above-described law. The bill would not apply the above provisions to an investment vehicle if the governing body of the financial institution issuing the investment vehicle, by resolution, adopts a policy not to renew existing, expand existing, or engage in new, discriminatory practices in furtherance of or in compliance with the economic blockade of Armenia by the governments of Turkey and Azerbaijan. The bill would require a copy of the resolution to be submitted to the Treasurer and the chief administrative officer of each public employee retirement fund, accompanied by a certification, under penalty of perjury, that the adopted policy is being complied with by the financial institution. By expanding the scope of the crime of perjury, the bill would impose a state-mandated local program. The bill would also require these boards to make specified reports to the Legislature and the Governor regarding these actions within one year of the passage of a federal law imposing those sanctions on the government of Azerbaijan or Turkey. 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 the above-described prohibited investment and reporting provisions on January 1, 2026, or if a determination is made by the Legislature, the Department of State, the Congress of the United States, or another appropriate federal agency that the government of either Turkey or both Turkey and Azerbaijan has adopted a policy to cease their economic blockade of Armenia. (STATUS: Introduced 02/20/20. Original bill language replaced in full on 05/04/20. From committee chair, with author's amendments: Amend, and re-refer to Committee on P.E. & R. Read second time and amended on 05/04/20. Referred to Committee on P.E. & R. on 05/05/20.)

#### **AB 2937 (Fong)**

The CERL prescribes the methods for calculating a non-service-connected disability retirement for different membership classifications and for the purpose of calculating reciprocal benefits. In these instances, the sum of allowance may vary depending on whether or not the retirement board finds, in its opinion, the member's disability is due to intemperate use of alcoholic liquor or drugs, among other things. In this regard, the CERL conditions the grant of a disability retirement pension by a county or district on a finding by the board that the member's disability is not the result of intemperate use of alcoholic liquor or drugs. This bill would create an

optional provision, to be elected by a county board of supervisors, that would remove the retirement board's assessment regarding the intemperate use of alcoholic liquor or drugs as a condition to the disability retirement. (STATUS: Introduced 02/21/20. Read first time 02/24/20. Referred to Committee on P.E. & R. on 03/05/20.)

**AB 2967 (O'Donnell) Amended in Senate on 07/28/20**

The PERL authorizes a public agency to contract to make all or part of its employees members of PERS, subject to specified conditions, and requires membership in PERS to be compulsory for all employees included under a contract. Existing law prohibits these contracts from providing for the exclusion of some, but not all, firefighters and specified public safety officers. With regard to other groups of employees, existing law requires that they be based on general categories, such as departments or duties, and not on individual employees. This bill would delete provisions of the PERL that generally authorize a public agency contracting with PERS to make all or part of its employees members of the system. The bill would generally prohibit exclusions of groups of employees from being made by amendment of a public agency contract with PERS, **except as provided**. The bill would apply these provisions to contracts entered into, amended, or extended on and after January 1, ~~2020~~**2021**.

(STATUS: Introduced 02/21/20. Original bill language replaced in full on 05/04/20. Passed out of the Assembly and ordered to the Senate on 06/08/20. Read second time in the Senate, amended, and re-referred to Committee on L. P.E. & R. on 06/29/20. **From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Committee on L., P.E. & R. on 07/28/20.**)

**AB 2998 (Kiley)**

The CalSTRS Defined Benefit Program provides a defined benefit to members of the program based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law prohibits the governing board of a school district from drawing orders for the salary of any teacher in violation of a salary schedule based on a uniform allowance for years of training and years of experience, or on other criteria agreed to by the school district and the exclusive representative of the certificated employees of the school district. This bill would authorize a school district to offer a defined contribution plan to certificated employees and would exclude a certificated employee who opts into a defined contribution plan from membership in the Defined Benefit Program. The bill would authorize a school district to offer a higher salary or lower contribution rate to a defined contribution plan as an incentive for a certificated employee to opt into a defined contribution plan. The bill would authorize a certificated employee to negotiate a salary or contribution rate for a defined contribution plan outside of the school district's salary schedule. The bill would provide that, to the extent the bill's provisions conflict with any provision of a collective bargaining agreement entered into by a public school employer and an exclusive bargaining representative before January 1, 2021, these provisions do not apply to the school district until the expiration or renewal of that collective bargaining agreement.

(STATUS: Introduced 02/19/20. From committee chair with author's amendments; re-referred to Committee on P.E. & R.; read second time and amended on 05/04/20. Re-referred to Committee on P.E. & R. on 05/05/20.)

**AB 3249 (Fong)**

Current law requires state and local public retirement systems to submit audited financial statements to the Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year, and requires

the Controller, within 12 months of receipt of the information, to compile and publish a report on the financial condition of all state and local public retirement systems. This bill would additionally require the Controller to post the report on the financial condition of all state and local public retirement systems on the Controller's internet website.

(STATUS: Introduced 02/21/2020. Read first time on 02/24/20. Referred to Committee on P.E. & R. on 03/09/20.)

### **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. Placed on APPR. suspense file on 08/14/19. Heard on 08/30/19. Held in committee and under submission on 08/30/19.)

### **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 disallowed 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 return to the member any contributions paid by the member or on the member's behalf.

With respect to retired members, survivors, or beneficiaries whose benefits are based on disallowed final compensation, the bill would require PERS to adjust the benefit to reflect the exclusion of the disallowed compensation, and provide that contributions made on the disallowed compensation be credited against future

contributions on behalf of the employer entity that reported the disallowed compensation. Additionally, if specified conditions are met, the bill would require the employing entity to refund overpayment costs to the system and to pay retired members, survivors, and beneficiaries whose benefits have been reduced an annuity or a lump sum, as prescribed, that reflects the difference between the monthly allowance that was based on the disallowed compensation and the adjusted monthly allowance calculated without the disallowed compensation, as provided. The bill would require the system to provide certain notices in this regard. This bill would require the system to provide confidential contact information of retired members, and their survivors and beneficiaries, who are affected by these provisions to the relevant employing entities, the confidentiality of which the entities would be required to maintain.

The bill would authorize the state, a school employer, as specified, or a contracting agency, as applicable, to submit to the system an additional compensation item proposed to be included or contained in a memorandum of understanding or collective bargaining agreement on and after January 1, 2020, that is intended to form the basis of a pension benefit calculation order for PERS to review its consistency with PEPRAs and other laws, as specified, and would require PERS to provide guidance regarding the review within 90 days, as specified. The bill would require PERS to publish notices regarding proposed compensation language submitted to the system for review and the guidance given by the system that is connected with it. For educational entities that participate in the system, the final responsibility for funding payments to the system and to retired members, survivors, and beneficiaries would belong to the educational entity that is the actual employer of the employee.

(STATUS: Introduced 02/12/19. Read third time in Assembly; ordered to the Senate; Senate concurred in amendments; ordered to engrossing and enrolling on 09/12/19. Withdrawn from engrossing and enrolling, and ordered held at the Desk on 09/13/19.)

#### **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 mean, among other things, 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 date. Existing law creates the Judges' Retirement System II (JRS II), which is administered by the CalPERS Board, for the provision of retirement and other benefits to specified judges and their beneficiaries. This bill would grant a judge who was elected to office in 2012, but did not take office until on or after January 1, 2013, the option of making a one-time, irrevocable election to have a pre-January 1, 2013, membership status in JRS II for service accrued after on and after July 1, 2020. The bill would require the election to be made during a 30-day period beginning March 1, 2020. A judge making this election would no longer be a new member under specified provisions of PEPRA. The election would apply prospectively only, and membership rights and obligations that accrued based on service subject to PEPRA prior to July 1, 2020, would remain unchanged. The bill would specify that CalPERS is not obligated to inform or locate a person who may be eligible to make the election and that its provisions do not affect the Legislature's reserved right to increase contributions or reduce benefits for purposes of JRS II.

(STATUS: Introduced 02/21/19. Passed out of the Senate and ordered to the Assembly on 05/21/19. Referred to the Committee on P.E. & R. on 05/30/19. Hearing cancelled at request of author on 06/26/19.)

**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 specified records of a private industry employer that are prepared, owned, used, or retained by a public agency are not trade secrets and are public records, including certain records relating to employment terms and conditions of employees working for a private industry employer pursuant to a contract with a public agency, if those wages, benefits, working hours and other employment terms and conditions relate to work performed under the contract, 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. The bill, however, would exclude contracts between a public agency and a private industry employer entered into on or before January 1, 2020, and records that include communications between the state or local agency and specified state or local officials, on matters posing a threat to the security of a public building, a threat to the security of essential public services, or a threat to the public's right of access to public services or public facilities, from these provisions. Because the bill would require local officials to perform additional duties, it would impose a state-mandated local program.

(STATUS: Introduced 02/22/19. From committee with author's amendments. Read second time and amended. Re-referred to Committee on JUD. on 09/10/19. Assembly Rule 96 suspended. Withdrawn from committee and ordered to third reading on 09/12/19. Ordered to inactive file on request of Assembly Member Calderon on 09/13/19.)

**SB 931 (Wieckowski)**

The Brown Act requires meetings of the legislative body of a local agency to be open and public and also requires regular and special meetings of the legislative body to be held within the boundaries of the territory over which the local agency exercises jurisdiction, with specified exceptions. Current law authorizes a person to request that a copy of an agenda, or a copy of all the documents constituting the agenda packet, of any meeting of a legislative body be mailed to that person. This bill would require, if the local agency has an internet website, a legislative body or its designee to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. The bill would require, where the local agency determines it is technologically infeasible to send a copy of all documents constituting the agenda packet or a website link containing the documents by electronic mail or by other electronic means, the legislative body or its designee to send by electronic mail a copy of the agenda or a website link to the agenda and mail a copy of all other documents constituting the agenda packet in accordance with the mailing requirements.

(STATUS: Introduced 02/05/20. Referred to Committee on GOV. and F. on 02/12/20. From committee with author's amendments; read second time and amended; re-referred to Committee on GOV. and F. on 04/02/20.)

**SB 1042 (Pan)**

The California Secure Choice Retirement Savings Trust Act establishes the CalSavers Retirement Savings Program to be administered by the California Secure Choice Retirement Savings Investment Board. Existing law requires the Treasurer, on behalf of the board, to appoint an executive director, who is not a member of the board and who serves at its pleasure. Existing law requires eligible employers to offer a payroll deposit retirement savings arrangement so that eligible employees may contribute a portion of their salary or wages to a retirement savings program account in the program, as specified. Existing law requires the board to take various actions upon implementation of the program and, for to up 3 years following its initial implementation of the program, requires the board to establish managed accounts invested in United States Treasuries, myRAs, or similar investments. This bill would rename the California Secure Choice Retirement Savings Trust Act as the CalSavers Retirement Savings Trust Act, the body that administers the act as the CalSavers Retirement Savings Board, and make conforming changes in this regard. The bill would make various changes in the act to reflect that it has been implemented, including eliminating the requirement to establish managed accounts invested in United States Treasuries, myRAs, or similar investments described above. The bill would authorize the board to delegate rulemaking authority to its executive director. The bill would authorize an employee to opt out of participation in the program by telephone and would eliminate a condition relating to contribution amounts that depends on the length of time that an employee has contributed to the program.

Current law, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under AUMA to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. Existing law, the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities. MAUCRSA generally divides responsibility for the state licensure and regulation of commercial cannabis activity among the Department of Food and Agriculture, the State Department of Public Health, and the Bureau of Cannabis Control, which are generally referred to as licensing authorities. This bill would require the licensing authorities described above to provide specified information regarding licensees to the CalSavers Retirement Savings Board upon request by the board.

(STATUS: Introduced on 02/18/20. Referred to Committee on L. P.E. & R. and B., P. & E.D. on 02/27/20. Set for hearing March 25; hearing postponed by committee on 03/18/20. On 05/12/20, referral to Committee on B., P. & E.D. rescinded due to the shortened 2020 Legislative Calendar.)

**SB 1159 (Hill) Amended in Assembly on 08/04/20**

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 creates a disputable presumption that specified injuries sustained in the course of employment of a specified member of law enforcement or a specified first responder arose out of and in the course of the employment. **Existing law governs the procedures for filing a claim for workers' compensation, including filing a claim form, and provides that an injury is presumed compensable if liability is not rejected**

**within 90 days after the claim form is filed.** This bill would, ~~until an unspecified date,~~ define “injury” for an employee to include illness or death resulting from **the 2019 novel coronavirus disease-2019 (COVID-19)** under specified circumstances, **until January 1, 2024, and July 1, 2024, for employees generally, and until July 1, 2024, for certain peace officers, firefighters, and health care workers, among others.** The bill would create a disputable presumption that ~~an injury that develops or manifests itself while an employee is employed~~ **the injury** arose out of and in the course of the employment **and is compensable. The bill would limit the applicability of the presumption under certain circumstances.** The bill would require an employee to exhaust their paid sick leave benefits and meet specified certification requirements before receiving any temporary disability benefits or, for police officers, firefighters, and other specified ~~government~~ employees, a leave of absence. **The bill would also make a claim relating to a COVID-19 illness presumptively compensable, as described above, after 30 days rather than 90 days. Until July 1, 2024, the bill would allow for a presumption of injury for all employees whose fellow employees at their place of employment experience specified levels of positive testing, and whose employer has five or more employees.**

(STATUS: Introduced 02/20/20; original bill language replaced in full on 04/22/20. Passed out of the Senate and ordered to the Assembly on 06/26/20. Read first time in Assembly. Referred to Committee on INS. on 06/29/20. **July 29 hearing postponed by committee on 07/27/20. Amended in Assembly on 08/04/20.**)

#### **SB 1297 (Moorlach)**

This bill would revise the provision of pension and other benefits to members of all state or local public retirement systems. The bill would apply its provisions prospectively to any member of a state or local public retirement system who is employed upon the date of its enactment and to any person who may be employed and become a member thereafter.

The bill would:

- void any limit on a pension that prohibits the pension from exceeding a percentage of final compensation, as specified;
- prohibit a local entity from establishing a deferred retirement option program, as described, and if a local entity has established a deferred retirement option program, whether or not the program is closed to new participants, it would be required to disenroll any participating employees and close the program;
- with regard to any member of a state or local public retirement system, the bill would require that final annual compensation used for purposes of ascertaining any pension or benefit be calculated as an average of the member’s three highest earning years;
- prohibit, for any method of calculating a pension that is based on fractional percentage of final compensation multiplied by years of service with respect to a particular age at retirement, that fractional percentage from exceeding 2.7%;
- include findings that changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities;

- require that an agency participating in PERS that increases the compensation of a member who was previously employed by a different agency to bear all actuarial liability for the action, if it results in an increased actuarial liability beyond what would have been reasonably expected for the member;
- require that the increased actuarial liability be in addition to reasonable compensation growth that is anticipated for a member who works for an employer or multiple employers over an extended time;
- require, if multiple employers cause increased liability, that the liability be apportioned equitably among them; and
- apply to an increase in actuarial liability, as specified, due to increased compensation paid to an employee on and after January 1, 2021.

(STATUS: Introduced on 02/21/20. To Committee on RLS for assignment on 02/21/20. Read first time on 02/24/20. Referred to Committee on L., P.E. & R. on 03/05/20.)

**2020 TENTATIVE LEGISLATIVE CALENDAR**

COMPILED BY THE OFFICE OF THE ASSEMBLY CHIEF CLERK AND THE OFFICE OF THE SECRETARY OF THE SENATE  
Revised 10-18-19

**DEADLINES**

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

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

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

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

MAY							
	S	M	T	W	TH	F	S
Wk. 4						1	2
Wk. 1	3	4	5	6	7	8	9
Wk. 2	10	11	12	13	14	15	16
Wk. 3	17	18	19	20	21	22	23
No Hrgs.	24	25	26	27	28	29	30
Wk. 4	31						

- Jan. 1** Statutes take effect (Art. IV, Sec. 8(c)).
- Jan. 6** Legislature reconvenes (J.R. 51(a)(4)).
- Jan. 10** Budget must be submitted by Governor (Art. IV, Sec. 12(a)).
- Jan. 17** Last day for **policy committees** to hear and report to **fiscal committees** fiscal bills introduced in their house in the odd-numbered year (J.R. 61(b)(1)).
- Jan. 20** Martin Luther King, Jr. Day.
- Jan. 24** Last day for any committee to hear and report to the **floor** bills introduced in that house in the odd-numbered year. (J.R. 61(b)(2)). Last day to submit **bill requests** to the Office of Legislative Counsel.
- Jan. 31** Last day for each house to pass bills introduced in that house in the odd-numbered year (J.R. 61(b)(3)) (Art. IV, Sec. 10(c)).

- Feb. 17** Presidents' Day.
- Feb. 21** Last day for bills to be **introduced** (J.R. 61(b)(4), J.R. 54(a)).

**Mar. 27** Cesar Chavez Day observed.

- Apr. 2** **Spring Recess** begins upon adjournment (J.R. 51(b)(1)).
- Apr. 13** Legislature reconvenes from Spring Recess (J.R. 51(b)(1)).
- Apr. 24** Last day for **policy committees** to hear and report to fiscal committees **fiscal bills** introduced in their house (J.R. 61(b)(5)).
- May 1** Last day for **policy committees** to hear and report to the floor **nonfiscal** bills introduced in their house (J.R. 61(b)(6)).
- May 8** Last day for **policy committees** to meet prior to June 1 (J.R. 61(b)(7)).
- May 15** Last day for **fiscal committees** to hear and report to the **floor** bills introduced in their house (J.R. 61(b)(8)). Last day for **fiscal committees** to meet prior to June 1 (J.R. 61(b)(9)).
- May 25** Memorial Day.
- May 26-29** **Floor session only.** No committee may meet for any purpose except for Rules Committee, bills referred pursuant to Assembly Rule 77.2, and Conference Committees (J.R. 61(b)(10)).
- May 29** Last day for each house to pass bills introduced in that house (J.R. 61(b)(11)).

\*Holiday schedule subject to final approval by Rules Committee.

OVER

**2020 TENTATIVE LEGISLATIVE CALENDAR**COMPILED BY THE OFFICE OF THE ASSEMBLY CHIEF CLERK AND THE OFFICE OF THE SECRETARY OF THE SENATE  
Revised 10-18-19

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

**June 1** Committee meetings may resume (J.R. 61(b)(12)).**June 15** Budget Bill must be passed by midnight (Art. IV, Sec. 12(c)).**June 25** Last day for a legislative measure to qualify for the Nov. 3 General Election ballot (Elections Code Sec. 9040).**June 26** Last day for **policy committees** to hear and report **fiscal bills** to fiscal committees (J.R. 61(b)(13)).

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

**July 2** Last day for **policy committees** to meet and report bills (J.R. 61(b)(14)).**Summer Recess** begins upon adjournment, provided Budget Bill has been passed (J.R. 51(b)(2)).**July 3** Independence Day observed.

AUGUST							
	S	M	T	W	TH	F	S
Summer Recess							1
Wk. 1	2	3	4	5	6	7	8
Wk. 2	9	10	11	12	13	14	15
No Hrgs.	16	17	18	19	20	21	22
No Hrgs.	23	24	25	26	27	28	29
No Hrgs.	30	31					

**Aug. 3** Legislature reconvenes from **Summer Recess** (J.R. 51(b)(2)).**Aug. 14** Last day for **fiscal committees** to meet and report bills (J.R. 61(b)(15)).**Aug. 17 – 31 Floor session only.** No committee may meet for any purpose except Rules Committee, bills referred pursuant to Assembly Rule 77.2, and Conference Committees (J.R. 61(b)(16)).**Aug. 21** Last day to **amend** bills on the floor (J.R. 61(b)(17)).**Aug. 31** Last day for each house to pass bills (Art. IV, Sec 10(c), J.R. 61(b)(18)). **Final Recess** begins upon adjournment (J.R. 51(b)(3)).**IMPORTANT DATES OCCURRING DURING FINAL RECESS****2020**

Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).

Oct. 1 Bills enacted on or before this date take effect January 1, 2021. (Art. IV, Sec. 8(c)).

Nov. 3 General Election.

Nov. 30 Adjournment *sine die* at midnight (Art. IV, Sec. 3(a)).

Dec. 7 2021-22 Regular Session convenes for Organizational Session at 12 noon. (Art. IV, Sec. 3(a)).

**2021**

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

\*Holiday schedule subject to final approval by Rules Committee.



## Memorandum

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**DATE:** July 30, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Tracy Bowman, Director of Finance  
**SUBJECT:** **SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020**

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### Written Report

#### Background/Discussion

The attached financial statements reflect the unaudited activity for the six months ended June 30, 2020. 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 second quarter of 2020. The official financial statements of OCERS are included in the Comprehensive Annual Financial Report (CAFR) as of and for the year ended December 31, 2019, which is available on our website, [www.ocers.org](http://www.ocers.org).

#### Summary

##### Statement of Fiduciary Net Position (Unaudited)

As of June 30, 2020, the net position restricted for pension, other post-employment benefits and OPEB 115 is \$16.5 billion, an increase of \$278.2 million, or 1.7%, from June 30, 2019 after the prior year restatement of the OPEB 115 Custodial Fund for \$15.5 million due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. The change is the result of an increase in total assets of \$196.8 million and a decrease in total liabilities of \$81.5 million as described below:

The \$196.8 million, or 1.1%, increase in total assets can be attributed to a \$758.0 million increase in total investments at fair value offset by decreases of \$368.7 million in total cash and short-term investments, \$190.2 million in total receivables and \$2.3 million in capital assets.

Total investments at fair value increased by \$758.0 million, or 4.8%, from June 30, 2019 to June 30, 2020, which can be attributed to net depreciation in fair value of investments, offset slightly by earnings from interest and dividends, and investment of proceeds received from contributions. In March 2020, the World Health Organization declared the coronavirus disease, COVID-19, a global pandemic, resulting in the U.S. and many foreign countries requesting their citizens to shelter in place. The pandemic has continued through the second quarter of 2020 as the U.S. economy started to reopen and start to recover. As a result, the investment portfolio reported a year-to-date loss of -3.11% for the quarter ending June 30, 2020. This is slightly up from the -8.96% year-to-date loss reported in the first quarter of 2020, but is significantly lower than the 9.07% return for the second quarter ending June 30, 2019. All investment categories continued to report a loss in the second quarter of 2020 with the exception of core fixed income and risk mitigation which reported a year to date return of 6.13%

and 0.42%, respectively. Risk mitigation is designed to protect OCERS' portfolio from market downturns and has performed relatively well. The increase in risk mitigation is due to one-year returns of 3.42% and a 25.97% one-year return for BlackRock U.S. Long Treasury Bonds. U.S. Long Treasury Bonds have significantly benefited from the Federal Reserve rate cuts. The Federal Reserve cut rates by 25 basis points three times in 2019, with two more 25 basis point rate cuts in 2020, resulting in interest rates near zero. The increase in core fixed income is primarily due to one-year returns of 8.69% and continues to perform well as yields have come down and prices have gone up. Global public equities experienced strong performance in 2019, which has not continued in 2020. Private equity increased due to more investment managers being added in 2020 and a one-year return of 3.90%. The decreases in the credit and real assets are primarily attributed to the termination of certain investment managers and replacing those with other investment managers. Unique strategies is a new investment category for 2020.

The decrease of \$368.7 million in total cash and short-term investments consists of a decrease of \$205.8 million in cash and cash equivalents due to the timing of investing redemptions and distributions, as well as employee and employer contributions received during the quarter, and a decrease of \$162.9 million in securities lending collateral due to a decrease in lending activity in the securities lending program.

The decrease of \$190.2 million in total receivables is primarily related to the timing of securities sales and investment income; securities sales receivables and investment income receivables decreased by \$188.4 million and \$8.4 million, respectively. These decreases were offset by an increase in contributions receivable of \$5.1 million, foreign currency forward contracts of \$0.4 million and other receivables of \$1.0 million.

The decrease in capital assets of \$2.3 million from the prior year represents depreciation expense, of which \$2.2 million is attributed to the Pension Administration System Solution (PASS) Project.

Total liabilities decreased \$81.5 million, or -6.4%, from June 30, 2019 to June 30, 2020, primarily due to a decrease in obligations under the securities lending program of \$162.9 million which is directly related to the decrease in securities lending collateral as previously discussed, foreign currency forward contracts which decreased by \$0.7 million and other liabilities which decreased by \$5.8 million. These decreases were offset by increases in securities purchased of \$9.9 million, unearned contributions of \$72.4 million and retiree payroll payable of \$5.5 million. Unearned contributions increased due to increases in prepaid employer contributions received for the 2020-2021 prepayment program compared to the prior year's prepayment program. The increase in securities purchased relates to the timing of these transactions at the end of the quarter. An increase in retiree payroll payable is a result of increases in the number of participants in the plan and the amount of retiree benefits paid.

#### **Statement of Changes in Fiduciary Net Position (Unaudited)**

The ending net position restricted for pension, other postemployment benefits and OPEB 115 as of June 30, 2020 increased by \$278.2 million or 1.7%, compared to the same period ending June 30, 2019. The change is a result of higher rates of return in 2019, which were offset by a negative rate of return for the quarter ended June 30, 2020, as previously discussed. Total additions to fiduciary net position decreased 104.7%, or \$2.0 billion for the quarter from the previous year.

Net investment loss for the six months ended June 30, 2020 is -\$562.5 million versus a net investment income of \$1.4 billion for the six months ended June 30, 2019, a decrease of \$2.0 billion. The majority of the decrease is due to the net depreciation in fair value of investments with the majority of investment categories reporting year-to-date losses in 2020 due to the coronavirus pandemic which continued through June 2020. The U.S. economy started to reopen in the second quarter and has slightly improved compared to the first quarter of 2020, but returns for the year are still significantly low compared to the second quarter in 2019 when all investment categories reported higher returns and no losses. The most significant change was in global public equities which reported a negative year-to-date return of -5.69% for June 2020 versus a year-to-date return of 16.32% for June 2019. Dividends, interest and other investment income decreased by \$168.6 million or 83.4%, which can primarily be attributed to decreases in investment income for all investment categories. Total investment fees and expenses decreased by \$6.1 million, primarily due to decreases in security lending activity fees and other fund expenses.

Total contributions increased \$29.3 million compared to the prior year primarily due to Pension Fund employer contributions which increased by \$27.6 million in 2020 due to the increase in contribution rates and the number of active employees participating in the plan.

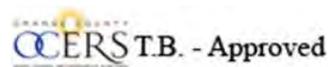
Total deductions from fiduciary net position increased 7.9%, or \$37.4 million, from the previous year. Participant benefits increased by \$36.1 million, which is expected due to the continued and anticipated growth in member pension benefit payments, both in the total number of OCERS's retired members receiving a pension benefit and an increase in the average benefit received. In June 2020, there were 18,631 payees with an average benefit payment of \$4,380 compared to 17,985 payees with an average benefit payment of \$4,248 in June 2019. Death benefits and member withdrawals and refunds increased by \$0.5 million compared to June 2019. Changes in these categories will fluctuate from year-to-year based on the occurrence of these events. Administrative expenses increased by \$0.9 million, 8.9%, over the prior year. The majority of this increase relates to increased personnel costs over the prior year.

### Other Supporting Schedules

In addition to the basic financial statements for the six months ended June 30, 2020, 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:




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Tracy Bowman  
Director of Finance



**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

**Unaudited Financial Statements**

**For the Six Months Ended June 30, 2020**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

Unaudited Financial Statements  
For the Six Months Ended June 30, 2020

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**Statement of Fiduciary Net Position (Unaudited)**  
As of June 30, 2020  
(with summarized comparative amounts as of June 30, 2019)  
(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>OPEB 115 Custodial Fund</u>	<u>Total Funds</u>	<u>Comparative Totals 2019</u>
<b>ASSETS</b>						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 612,979	\$ 13,417	\$ 1,415	\$ 83	\$ 627,894	\$ 833,703
Securities Lending Collateral	<u>177,209</u>	<u>3,879</u>	<u>409</u>	<u>-</u>	<u>181,497</u>	<u>344,424</u>
Total Cash and Short-Term Investments	790,188	17,296	1,824	83	809,391	1,178,127
Receivables						
Investment Income	23,287	510	54	-	23,851	32,205
Securities Sales	208,672	4,567	482	-	213,721	402,073
Contributions	24,127	-	-	-	24,127	19,020
Foreign Currency Forward Contracts	403	9	1	-	413	-
Other Receivables	<u>4,597</u>	<u>101</u>	<u>11</u>	<u>-</u>	<u>4,709</u>	<u>3,693</u>
Total Receivables	261,086	5,187	548	-	266,821	456,991
Investments at Fair Value						
Global Public Equity	6,229,952	136,362	14,382	11,252	6,391,948	6,270,169
Private Equity	1,756,969	38,457	4,056	-	1,799,482	1,642,477
Core Fixed Income	2,897,637	63,424	6,689	6,048	2,973,798	2,799,600
Credit	1,599,340	35,007	3,692	-	1,638,039	1,734,463
Real Assets	2,039,153	44,633	4,707	-	2,088,493	2,256,172
Risk Mitigation	1,679,476	36,761	3,877	-	1,720,114	1,152,396
Absolute Return	561	12	1	-	574	1,282
Unique Strategies	<u>2,032</u>	<u>44</u>	<u>5</u>	<u>-</u>	<u>2,081</u>	<u>-</u>
Total Investments at Fair Value	16,205,120	354,700	37,409	17,300	16,614,529	15,856,559
Capital Assets, Net	<u>14,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,963</u>	<u>17,275</u>
<b>Total Assets</b>	<b><u>17,271,357</u></b>	<b><u>377,183</u></b>	<b><u>39,781</u></b>	<b><u>17,383</u></b>	<b><u>17,705,704</u></b>	<b><u>17,508,952</u></b>
<b>LIABILITIES</b>						
Obligations Under Securities Lending Program	177,209	3,879	409	-	181,497	344,424
Securities Purchased	318,729	6,976	736	-	326,441	316,504
Unearned Contributions	586,594	-	-	-	586,594	514,149
Foreign Currency Forward Contracts	51	1	-	-	52	709
Retiree Payroll Payable	80,462	2,901	251	-	83,614	78,110
Other	<u>16,692</u>	<u>365</u>	<u>39</u>	<u>-</u>	<u>17,096</u>	<u>22,871</u>
<b>Total Liabilities</b>	<b><u>1,179,737</u></b>	<b><u>14,122</u></b>	<b><u>1,435</u></b>	<b><u>-</u></b>	<b><u>1,195,294</u></b>	<b><u>1,276,767</u></b>
<b>Net Position Restricted for Pension, Other Postemployment Benefits and OPEB 115</b>						
	<b><u>\$ 16,091,620</u></b>	<b><u>\$ 363,061</u></b>	<b><u>\$ 38,346</u></b>	<b><u>\$ 17,383</u></b>	<b><u>\$ 16,510,410</u></b>	<b><u>\$ 16,232,185</u></b>

**Statement of Changes in Fiduciary Net Position (Unaudited)**

For the Six Months Ended June 30, 2020

(with summarized comparative amounts for the Six Months Ended June 30, 2019)

(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>OPEB 115 Custodial Fund</u>	<u>Total Funds</u>	<u>Comparative Totals 2019</u>
<b>ADDITIONS</b>						
Contributions						
Employer	\$ 310,186	\$ 22,679	\$ 1,008	\$ -	\$ 333,873	\$ 310,846
Employee	140,441	-	-	-	140,441	134,148
Other Postemployment Contributions	-	-	-	313	313	305
Total Contributions	<u>450,627</u>	<u>22,679</u>	<u>1,008</u>	<u>313</u>	<u>474,627</u>	<u>445,299</u>
Investment Income						
Net Appreciation / (Depreciation) in Fair Value of Investments	(534,976)	(11,547)	(1,328)	(454)	(548,305)	1,267,882
Dividends, Interest, & Other Investment Income	32,518	712	75	201	33,506	202,106
Securities Lending Income						
Gross Earnings	1,316	29	3	-	1,348	4,699
Less: Borrower Rebates and Bank Charges	(778)	(17)	(2)	-	(797)	(4,036)
Net Securities Lending Income	<u>538</u>	<u>12</u>	<u>1</u>	<u>-</u>	<u>551</u>	<u>663</u>
Total Investment Income / (Loss)	<u>(501,920)</u>	<u>(10,823)</u>	<u>(1,252)</u>	<u>(253)</u>	<u>(514,248)</u>	<u>1,470,651</u>
Investment Fees and Expenses	<u>(47,131)</u>	<u>(1,032)</u>	<u>(109)</u>	<u>(1)</u>	<u>(48,273)</u>	<u>(54,392)</u>
Net Investment Income / (Loss)	<u>(549,051)</u>	<u>(11,855)</u>	<u>(1,361)</u>	<u>(254)</u>	<u>(562,521)</u>	<u>1,416,259</u>
<b>Total Additions</b>	<b><u>(98,424)</u></b>	<b><u>10,824</u></b>	<b><u>(353)</u></b>	<b><u>59</u></b>	<b><u>(87,894)</u></b>	<b><u>1,861,558</u></b>
<b>DEDUCTIONS</b>						
Participant Benefits	472,117	18,133	2,691	-	492,941	456,857
Death Benefits	388	-	-	-	388	230
Member Withdrawals and Refunds	5,680	-	-	-	5,680	5,389
Other Postemployment Benefits	-	-	-	686	686	655
Administrative Expenses	<u>10,352</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10,385</u>	<u>9,533</u>
<b>Total Deductions</b>	<b><u>488,537</u></b>	<b><u>18,144</u></b>	<b><u>2,702</u></b>	<b><u>697</u></b>	<b><u>510,080</u></b>	<b><u>472,664</u></b>
Net Increase / (Decrease)	(586,961)	(7,320)	(3,055)	(638)	(597,974)	1,388,894
Net Position Restricted For Pension, Other Postemployment Benefits and OPEB 115, Beginning of Year	16,678,581	370,381	41,401	18,021	17,108,384	14,827,795
Restatement of Net Position	-	-	-	-	-	15,496
Net Position Restricted For Pension, Other Postemployment Benefits and OPEB 115, Beginning of Year, as Restated	<u>16,678,581</u>	<u>370,381</u>	<u>41,401</u>	<u>18,021</u>	<u>17,108,384</u>	<u>14,843,291</u>
<b>Ending Net Position Restricted For Pension, Other Postemployment Benefits and OPEB 115</b>	<b><u>\$ 16,091,620</u></b>	<b><u>\$ 363,061</u></b>	<b><u>\$ 38,346</u></b>	<b><u>\$ 17,383</u></b>	<b><u>\$ 16,510,410</u></b>	<b><u>\$ 16,232,185</u></b>

**Total Plan Reserves**

For the Six Months Ended June 30, 2020

(with summarized comparative amounts for the Six Months Ended June 30, 2019)

(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Pension Reserve	\$ 9,839,692	\$ 9,123,025
Employee Contribution Reserve	3,458,849	3,265,448
Employer Contribution Reserve	3,255,145	3,090,426
Annuity Reserve	2,001,120	1,791,487
Health Care Reserve	401,407	385,353
OPEB 115 Reserve	17,383	17,191
County Investment Account (POB Proceeds) Reserve	145,496	143,647
OCSD UAAL Deferred Reserve	12,088	-
Contra Account	<u>( 2,620,770 )</u>	<u>( 1,584,392 )</u>
<b>Total Net Position Restricted for Pension, Other Postemployment Benefits and OPEB 115</b>	<b><u>\$ 16,510,410</u></b>	<b><u>\$ 16,232,185</u></b>

**Schedule of Contributions**  
For the Six Months Ended June 30, 2020  
(with summarized comparative amounts for the Six Months Ended June 30, 2019)  
(Dollars in Thousands)

	2020		2019	
	Employee	Employer	Employee	Employer
<b>Pension Trust Fund Contributions</b>				
County of Orange	\$ 107,693	\$ 241,033	\$ 104,009	\$ 220,460
Orange County Fire Authority	13,625	40,529	<sup>1</sup> 11,830	<sup>1</sup> 35,755
Orange County Superior Court of California	8,068	16,609	8,379	14,870
Orange County Transportation Authority	5,268	14,070	4,612	12,395
Orange County Sanitation District	4,077	4,195	3,731	3,764
UCI Medical Center & Campus	-	1,471	<sup>2</sup> -	<sup>2</sup> 1,329
Orange County Employees Retirement System	587	1,413	536	1,222
City of San Juan Capistrano	410	1,185	416	1,192
Transportation Corridor Agencies	402	459	361	790
Orange County Department of Education	-	146	<sup>2</sup> -	<sup>2</sup> 121
Orange County Cemetery District	81	102	71	84
Orange County In-Home Supportive Services Public Authority	63	84	57	93
Orange County Local Agency Formation Commission	23	80	21	69
Orange County Children & Families Commission	62	71	50	55
Orange County Public Law Library	82	61	75	55
Orange County Mosquito & Vector Control District	-	-	-	<sup>3</sup> 878
Contributions Before Prepaid Discount	140,441	321,508	134,148	293,132
Prepaid Employer Contributions Discount	-	(11,322)	-	(10,571)
<b>Total Pension Trust Fund Contributions</b>	<b>140,441</b>	<b>310,186</b>	<b>134,148</b>	<b>282,561</b>
<b>Health Care Fund - County Contributions</b>	<b>-</b>	<b>22,679</b>	<b>-</b>	<b>27,213</b>
<b>Health Care Fund - OCFA Contributions</b>	<b>-</b>	<b>1,008</b>	<b>-</b>	<b>1,072</b>
<b>OPEB 115 Custodial Fund Postemployment Contributions</b>	<b>-</b>	<b>313</b>	<b>-</b>	<b>305</b>
<b>Total Contributions</b>	<b>\$ 140,441</b>	<b>\$ 334,186</b>	<b>\$ 134,148</b>	<b>\$ 311,151</b>

<sup>1</sup> Unfunded actuarial accrued liability payments (UAAL) were made in 2020 for \$3.8 million and 2019 for \$1.9 million for the Orange County Fire Authority.

<sup>2</sup> 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.

<sup>3</sup> Unfunded actuarial accrued liability payments were made in 2019 for \$0.9 million for the Orange County Mosquito & Vector Control District.

**Schedule of Investment Expenses**  
For the Six Months Ended June 30, 2020  
(with summarized comparative amounts for the Six Months Ended June 30, 2019)  
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
<b>Investment Management Fees*</b>		
Global Public Equity		
U.S. Equity	\$ 458	\$ 762
International Equity	3,118	2,462
Emerging Markets Equity	<u>2,200</u>	<u>2,246</u>
Total Global Public Equity	<u>5,776</u>	<u>5,470</u>
Core Fixed Income		
U.S. Fixed Income	<u>1,324</u>	<u>1,239</u>
Total Core Fixed Income	<u>1,324</u>	<u>1,239</u>
Credit		
High Yield	-	868
Emerging Markets Debt	1,416	587
Direct Lending	-	1,273
Corporate Credit	870	-
Opportunistic Credit	1,816	-
Private Credit	1,414	-
Multi-Strategy	-	2,948
Non-U.S. Direct Lending	<u>-</u>	<u>1,046</u>
Total Credit	<u>5,516</u>	<u>6,722</u>
Real Assets		
Real Estate	5,608	7,632
Real Return		
Timber	379	386
Agriculture	623	612
Infrastructure	1,464	396
Energy	<u>2,504</u>	<u>6,363</u>
Total Real Return	<u>4,970</u>	<u>7,757</u>
Total Real Assets	<u>10,578</u>	<u>15,389</u>
Absolute Return		
Direct Hedge Fund	<u>4</u>	<u>50</u>
Total Absolute Return	<u>4</u>	<u>50</u>
Private Equity	9,954	9,680
Risk Mitigation	6,692	3,455
Short-Term Investments	<u>184</u>	<u>202</u>
<b>Total Investment Management Fees</b>	<b><u>40,028</u></b>	<b><u>42,207</u></b>
<b>Other Fund Expenses<sup>1</sup></b>	<b><u>5,599</u></b>	<b><u>9,593</u></b>
<b>Other Investment Expenses (Expenses Not Subject to the Statutory Limit)</b>		
Consulting/Research Fees	887	922
Investment Department Expenses	1,212	1,105
Legal Services	248	261
Custodian Services	290	290
Investment Service Providers	<u>9</u>	<u>14</u>
<b>Total Other Investment Expenses</b>	<b><u>2,646</u></b>	<b><u>2,592</u></b>
<b>Security Lending Activity</b>		
Security Lending Fees	137	162
Rebate Fees	<u>660</u>	<u>3,874</u>
<b>Total Security Lending Activity</b>	<b><u>797</u></b>	<b><u>4,036</u></b>
<b>Total Investment Expenses</b>	<b><u>\$ 49,070</u></b>	<b><u>\$ 58,428</u></b>

\* Does not include undisclosed fees deducted at source.

<sup>1</sup> These costs include, but are not limited to, foreign income tax and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

**Schedule of Administrative Expenses**  
For the Six Months Ended June 30, 2020  
(with summarized comparative amounts for the Six Months Ended June 30, 2019)  
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
<b>Pension Trust Fund Administrative Expenses</b>		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 6,500	\$ 5,793
Board Members' Allowance	<u>7</u>	<u>9</u>
Total Personnel Services	<u>6,507</u>	<u>5,802</u>
Office Operating Expenses		
Depreciation/Amortization	1,267	1,267
General Office and Administrative Expenses	764	734
Professional Services	830	1,043
Rent/Leased Real Property	<u>302</u>	<u>192</u>
Total Office Operating Expenses	<u>3,163</u>	<u>3,236</u>
Total Expenses Subject to the Statutory Limit	<u>9,670</u>	<u>9,038</u>
Expenses Not Subject to the Statutory Limit		
Actuarial Fees	88	202
Equipment/Software	161	64
Information Technology Professional Services	400	198
Information Security Professional Services	<u>33</u>	<u>-</u>
Total Expenses Not Subject to the Statutory Limit	<u>682</u>	<u>464</u>
<b>Total Pension Fund Administrative Expenses</b>	<b>10,352</b>	<b>9,502</b>
<b>Health Care Fund - County Administrative Expenses</b>	<b>11</b>	<b>10</b>
<b>Health Care Fund - OCFA Administrative Expenses</b>	<b>11</b>	<b>11</b>
<b>OPEB 115 Custodial Fund - Administrative Expenses</b>	<b><u>11</u></b>	<b><u>10</u></b>
<b>Total Administrative Expenses</b>	<b><u>\$ 10,385</u></b>	<b><u>\$ 9,533</u></b>

**Administrative Expense Compared to Actuarial Accrued Liability**  
For the Six Months Ended June 30, 2020  
(Dollars in Thousands)

<b>Administrative Expense Compared to Actuarial Accrued Liability</b>	
Projected Actuarial Accrued Liability (AAL) as of December 31, 2019	\$ 21,747,090
Maximum Allowed For Administrative Expense (AAL * 0.21%)	45,669
Actual Administrative Expense <sup>1</sup>	<u>9,670</u>
Excess of Allowed Over Actual Expense	<u>35,999</u>
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2019	0.04%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2018	0.08%
 <sup>1</sup> Administrative Expense Reconciliation	
Administrative expense per Statement of Changes in Fiduciary Net Position	\$ 10,352
Less administrative expense not considered per CERL section 31596.1	<u>(682)</u>
Administrative Expense allowable under CERL section 31580.2	<u>\$ 9,670</u>



## Memorandum

**DATE:** August 1, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Tracy Bowman, Director of Finance  
**SUBJECT:** **SECOND QUARTER 2020 BUDGET TO ACTUALS REPORT**

### Written Report

#### Highlights

Second Quarter Target: 50% Used /50% Remaining

<b>Administrative Budget</b>	<b>Actuals to Date</b>	<b>Annual Budget</b>	<b>Budget \$ Remaining</b>	<b>Budget % Remaining</b>
Personnel Costs	\$ 7,628,167	\$ 15,507,410	\$ 7,879,243	50.8%
Service and Supplies	4,102,751	11,077,380	6,974,629	63.0%
Capital Expenditures	169,152	600,000	430,848	71.8%
<b>Grand Total</b>	<u>\$ 11,900,070</u>	<u>\$ 27,184,790</u>	<u>\$ 15,284,720</u>	<u>56.2%</u>

#### Background/Discussion

The Board of Retirement approved OCERS' Administrative Budget for Fiscal Year 2020 (FY20) on November 18, 2019, for \$27,184,790 to fund administrative expenses.

OCERS' budgeting authority, regulated by California Government Code Sections 31580.2 and 31596.1, includes a provision that limits the OCERS' budget for administrative expenses to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system. This provision (commonly referred to as the 21 basis point test) excludes investment related costs and expenditures for computer software, hardware and related technology consulting services. The approved FY20 administrative budget represents 9.04 basis points of the projected actuarial accrued liability.

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 transferred from one category to another without approval from the Board of Retirement.

#### Administrative Summary

For the six months, ended June 30, 2020, year-to-date actual administrative expenses were \$11,900,070 or 43.8% of the \$27,184,790 administrative budget and below the 50% target set for the end of the second quarter budget by approximately \$1.7 million. A summary of all administrative expenses and explanations of significant variances are below:

**Summary of all Administrative Expenses  
For the Quarter Ended June 30, 2020**

	Actuals to Date	Annual Budget	Balance Remaining	% of Budget Used	Prorated Budget*	Prorated Budget vs. Actuals (Over)/Under
<b>Personnel Costs</b>	\$ 7,628,167	\$ 15,507,410	\$ 7,879,243	49.2%	\$ 7,753,705	\$ 125,538
<b>Services and Supplies</b>						
Bldg. Prop. Mgmt./Maintenance	280,066	680,000	399,934	41.2%	340,000	59,934
Due Diligence	13,656	135,000	121,344	10.1%	67,500	53,844
Equipment Lease	22,157	48,500	26,343	45.7%	24,250	2,093
Equipment/Software Expenses	227,981	857,500	629,519	26.6%	428,750	200,769
Infrastructure Maintenance	368,767	835,100	466,333	36.3%	417,550	48,783
Legal Services	371,944	1,025,000	653,056	36.3%	512,500	140,556
Meetings & Mileage	15,592	79,350	63,758	19.6%	39,675	24,083
Membership/Periodicals	42,710	83,055	40,345	51.4%	41,528	( 1,182 )
Office Supplies	35,250	80,000	44,750	44.1%	40,000	4,750
Postage	59,038	167,000	107,962	35.4%	83,500	24,462
Printing	26,497	69,000	42,503	38.4%	34,500	8,003
Professional Services	2,413,904	6,199,320	3,785,416	38.9%	3,099,660	685,756
Telephone	140,352	205,000	64,648	68.5%	102,500	( 37,852 )
Training	84,837	613,555	528,718	13.8%	306,778	221,941
<b>Services and Supplies</b>	<b>4,102,751</b>	<b>11,077,380</b>	<b>6,974,629</b>	<b>37.0%</b>	<b>5,538,691</b>	<b>1,435,940</b>
<b>Capital Expenditures**</b>	<b>169,152</b>	<b>600,000</b>	<b>430,848</b>	<b>28.2%</b>	<b>300,000</b>	<b>130,848</b>
<b>Administrative Expense Total</b>	<b>\$ 11,900,070</b>	<b>\$ 27,184,790</b>	<b>\$ 15,284,720</b>	<b>43.8%</b>	<b>\$ 13,592,396</b>	<b>\$ 1,692,326</b>

\*Prorated budget represents 50% (6 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 June 30, 2020 were approximately \$7.6 million or 49.2% of the annual budget for this category, under the prorated budget by \$125,538. These costs are slightly below budget due to several staff vacancies, which are offset by an increase in the annual leave liability. Annual leave expense and liability accounts are adjusted each quarter based on the annual leave balances of OCERS' employees and are trending higher than expected because of the continued impact of the COVID-19 global pandemic on work and travel restrictions. For the six months ended June 30, 2020, the annual leave liability increased by approximately \$216,000. Personnel costs are expected to be within budget for the year.

### Services and Supplies

Expenditures for services and supplies were approximately \$4.1 million or 37.0% of the annual budget for this category. The variance of \$1,435,940 between the pro-rated budget and year-to-date actuals in this category is primarily due to the following (note: under budget differences that are less than \$5,000 are deemed immaterial and are excluded from the discussion below):

- Building Property Mgmt./Maintenance costs utilized 41.2% of the annual budget and were lower than the prorated budget by \$59,934. Lower overall costs relate to timing of payments for property tax and insurance premiums, as well as lower utility and maintenance costs due to a decrease in employee occupancy of the headquarter building as team members continue to work from home

under Governor Newsom's Stay At Home Order. In addition, utility and maintenance costs do not occur evenly and will fluctuate throughout the year. OCERS completed the transition to a new property manager in February 2020.

- Due Diligence costs are at 10.1% of the annual budget and lower than the prorated budget by \$53,844. This lower than anticipated cost is due to no in person meetings and travel occurring during the current global pandemic. Due diligence meetings are over Zoom and will continue for the foreseeable future. Due diligence costs are expected to remain under budget through the remainder of the year.
- Equipment/Software expense utilized 26.6% of the annual budget, and is lower than the prorated budget by \$200,769. The lower than expected expenditures is the result of several projects budgeted for the year which have not been implemented during the first half of the year, including the implementation of new accounting software and other IT software implementations. Projects have been delayed as IT focuses on providing team members with equipment and other resources to use at home as they continue to work remotely; since the work from home directive was implemented in March, additional unbudgeted costs of approximately \$69,000 have been incurred for miscellaneous hardware, software, and computer and printer supplies. Equipment/Software expenses are expected to remain under budget for the remainder of the year.
- Infrastructure Maintenance costs are at 36.3% of the annual budget resulting in an unused prorated budget of \$48,783. Various infrastructure maintenance costs associated with software and hardware support services have not yet been incurred or are purchased on an as-needed basis.
- Legal Services are at 36.3% of the budget and are lower than the prorated budget by \$140,556. Legal services for investments, litigation and tax counsel are utilized on an as-needed basis. Investment legal services are below budget by approximately \$52,000. General board, tax counsel and other counsel services are under budget by approximately \$88,000 primarily due to less than expected litigation costs, offset by \$18,000 for research on pandemic related issues, such as the Coronavirus Aid, Relief and Economic Security (CARES) Act.
- Meetings & Mileage costs is at 19.6% of the annual budget and lower than the prorated budget by \$24,083. Since work from home has been in place, Board and Committee meetings have been held remotely resulting in the lower than budgeted costs for the meetings. Board and Committee meetings are not expected to resume in person for the foreseeable future and related costs are expected to remain under budget through the remainder of the year.
- Memberships/Periodical expense is at 51.4% of the annual budget, slightly exceeding the prorated budget by \$1,182. Many of the memberships and periodicals renew in the first half of the year and this difference is expected to diminish as the year continues with the result being within budget for this category.
- Postage is at 35.4% of the annual budget and lower than the prorated budget by \$24,462. Postage costs associated with an additional mailing related to COVID 19 correspondence and delivery of equipment to team members of \$6,100 were incurred. Postage usage fluctuates based on an as-needed basis.
- Printing costs are at 38.4% of the annual budget and lower than the prorated budget by \$8,003 primarily due to printing costs for the CAFR which are expected to be incurred in the third quarter. The lower than expected costs were offset by approximately \$5,000 for costs associated with an additional mailing to members from our CEO to address COVID-19 related concerns.

- Professional Services utilized 38.9% of the annual budget. Expenses are lower than the prorated budget by \$685,756. The variance is primarily due to postponement of utilizing consulting services as OCERS focuses on maintaining current operations while team members continue to work from home. Postponed costs include a technical writer, governance and LEAN process consultants, Office 365 migration consulting, , as well as costs used on an as-needed-basis, including internal audit consultants and services and CEO contingency
- Telephone expense is at 68.5% of the annual budget and over the prorated budget by \$37,852. During the first quarter, OCERS implemented a new Dialpad telephone system and incurred costs associated with both the old Mitel System and the new Dialpad system. Additionally, approximately \$9,000 of additional costs for cellular data and teleconference costs were incurred during the initial period of working remotely but have been subsequently reduced by using Zoom and other services. Telephone costs will be closely monitored for the remainder of the year and the CEO or Assistant CEO has the authority to transfer budget dollars with the Services and Supplies category to cover any shortfall. No transfer is required at this time.
- Training expense is at 13.8% of the annual budget and lower than the prorated budget by \$221,941. Training costs are expected to remain significantly below the budget since all travel-related training and conferences were cancelled or postponed due to the COVID-19 pandemic. All current training and conferences are being done remotely and are typically less expensive than in-person training or conferences.

### Capital Expenditures

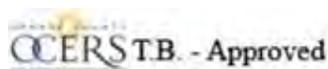
Capital Expenditures incurred as of the end of the quarter are \$169,152. A contract for new firewalls was completed during the second quarter for approximately \$139,000. Capital expenditures incurred for building security, safety and health upgrades include approximately \$30,000 for the first installment of Plexiglas around office cubicles as part of the plan to safely re-open OCERS headquarters building and gradually return team members back to the office. Additional costs will occur in the third quarter for the next installment. Building security, safety and health upgrades will continue to take priority as part of the plan to ensure the health and safety of our team members.

### Conclusion:

As of quarter-end, the Administrative budget is at 43.8% of the annual budget. As actual administrative expenses are under the annual budget, OCERS complies with the 21 basis point test.

As of June 30, 2020, approximately \$138,000 has been spent in response to the global pandemic and transition to a remote work environment, including costs for computer and home office equipment, teleconferencing, health supplies such as masks and sanitizers, safety upgrades, legal fees and printing and postage. These additional costs have been offset by savings in areas such as training and due diligence.

### Submitted by:




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Tracy Bowman  
Director of Finance



## Memorandum

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**DATE:** August 17, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** OCERS BY THE NUMBERS (2020 EDITION)

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### Written Report

#### Background/Discussion

Attached is the 2020 edition of OCERS by the Numbers, based on the December 31, 2019 actuarial valuation.

OCERS has been producing this general informational document since 2009, with the majority of the statistical data drawn from each year's completed valuation report.

This document provides all stakeholders, no matter their point of view as to public pensions, with data based facts regarding the OCERS plan.

#### Submitted by:

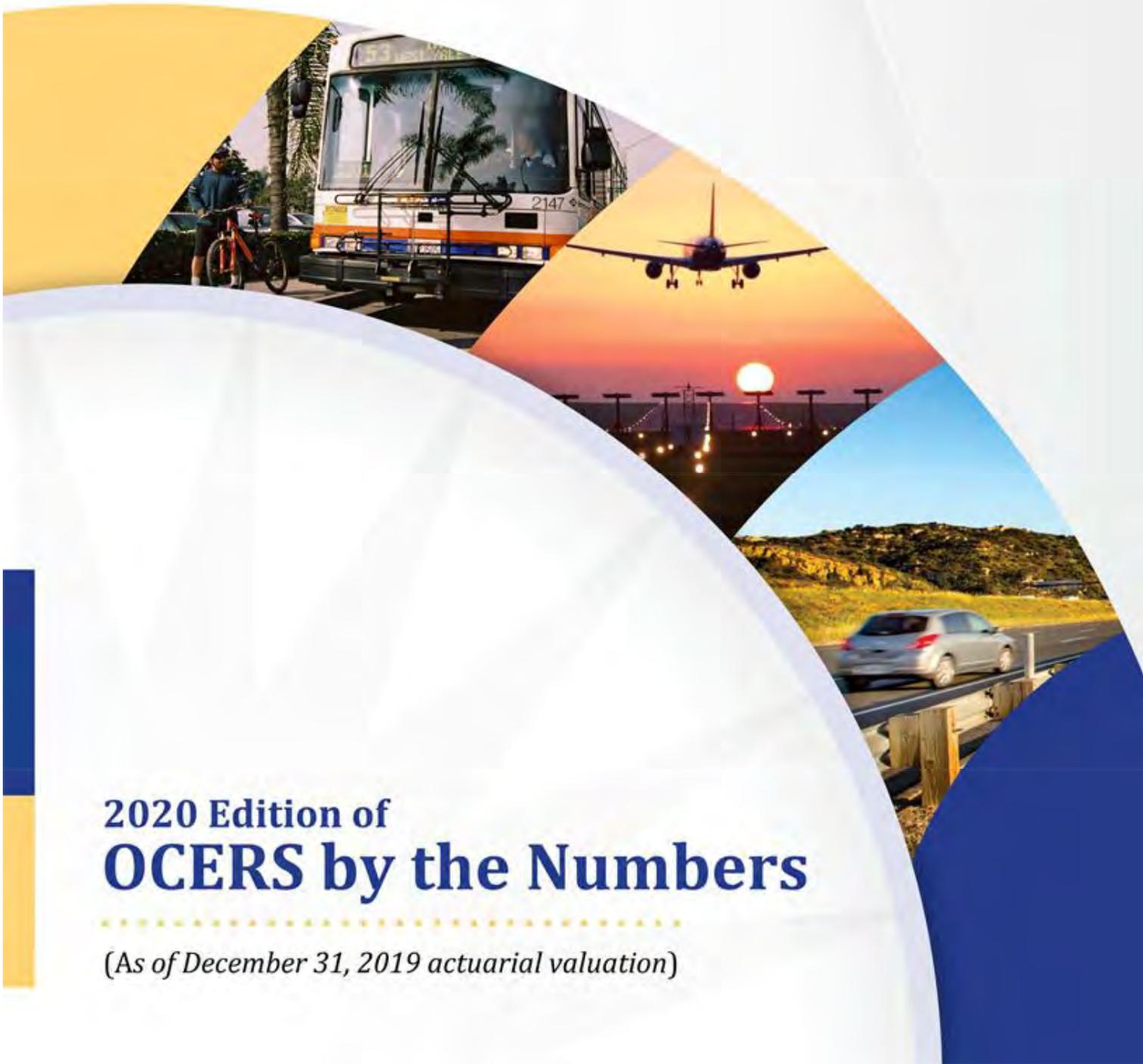
A handwritten signature in blue ink, appearing to read "Suzanne Jenike", is written over a horizontal line.

Suzanne Jenike  
Assistant CEO, External Operations

#### Approved by:

A handwritten signature in blue ink, appearing to read "Steve Delaney", is written over a horizontal line.

Steve Delaney  
Chief Executive Officer



2020 Edition of  
**OCERS by the Numbers**

*(As of December 31, 2019 actuarial valuation)*

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## OCERS by the Numbers

### Our Members Tell Our Story

**OCERS members do not receive Social Security benefits for their years of service in our community so they depend on us to help them achieve a measure of financial security in retirement.**

OCERS partners with 13 active participating employers to provide pension benefits for retirees and their beneficiaries. Our members include many different public servants, including deputy sheriffs, firefighters, probation officers, physicians, secretaries, and bus drivers.

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**\$887 mil.** paid in pension benefits annually (as of Dec. 31, 2019)

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**\$3,757** average monthly allowance for retired General members (excludes DRO's and beneficiaries)

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**\$7,084** average monthly allowance for retired Safety members (excludes DRO's and beneficiaries)

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**\$4,118** average monthly allowance for General members who retired with service retirement in 2019

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**\$7,854** average monthly allowance for Safety members who retired with service retirement in 2019

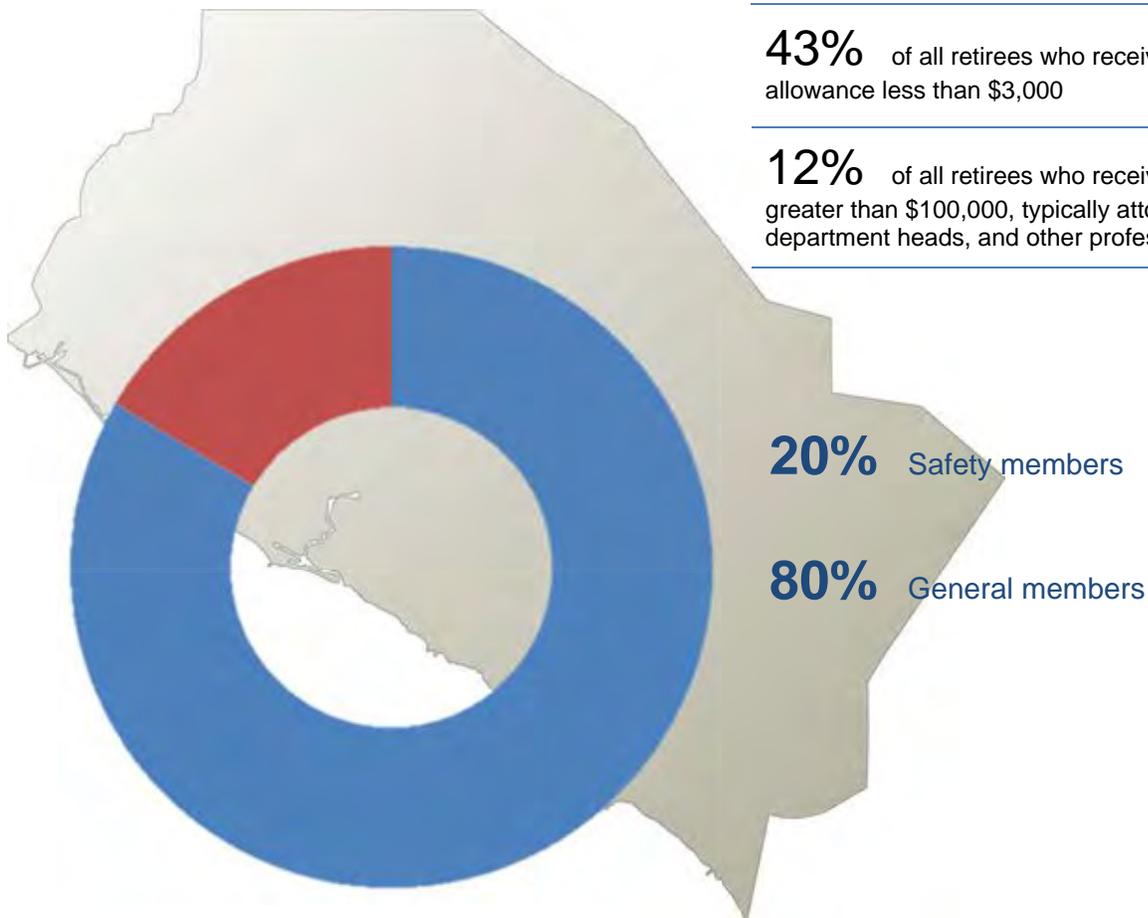
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**43%** of all retirees who receive a monthly allowance less than \$3,000

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**12%** of all retirees who receive a pension greater than \$100,000, typically attorneys, department heads, and other professionals

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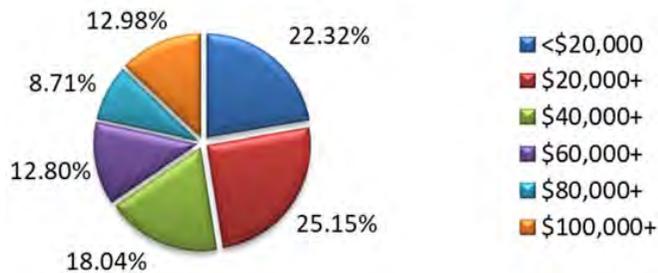
## OCERS by the Numbers

### OCERS Pension Quick Facts

As of December 31, 2019

Quick Facts (For more details on retirees see pages 15–30)						
Members & Employers	28,777 active & inactive members		18,420 retirees, beneficiaries & survivors		20 Participating Employers	47,197 total membership
	Pension Averages		\$3,520 monthly allowance for all General members and payees	\$6,499 monthly allowance for all Safety members and payees	22 average years of service for General members who retired in 2019	24 average years of service for Safety members who retired in 2019
					55 years old average age at retirement for Safety members who retired in 2019	

Annual Pensions for Service Retirees



Retirement Trend  
Retirees per year



#### FUNDING STATUS:

As of December 31, 2019 OCERS is approximately 73.17% funded based on the valuation value of assets of \$16.0 billion in trust fund assets. The unfunded liability is estimated at \$5.9 billion. (Segal Consulting)

#### CONTRIBUTION SOURCES:

Every dollar paid to OCERS pensioners comes from three sources:\*

OCERS active members – 15¢

Employers – 32¢

Investment Earnings – 53¢

\* Source: OCERS income to trust fund over last 22 years

**OCERS by the Numbers**

***Demographics***

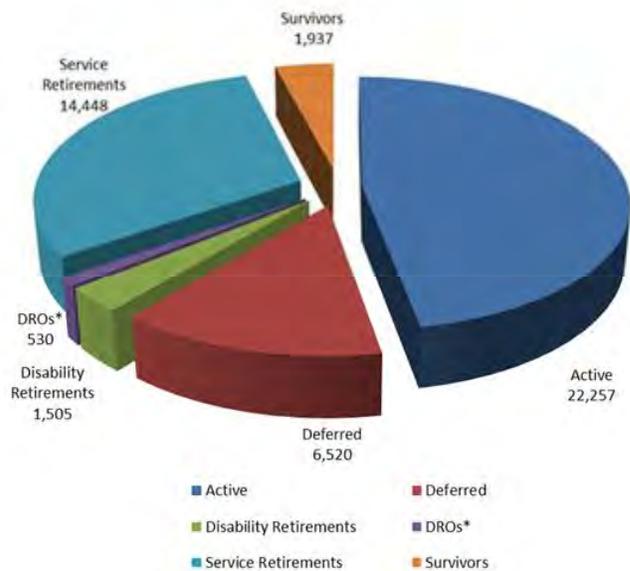
## Orange County Employees Retirement System

As of December 31, 2019

### Demographics

#### OCERS Active Participating Employers

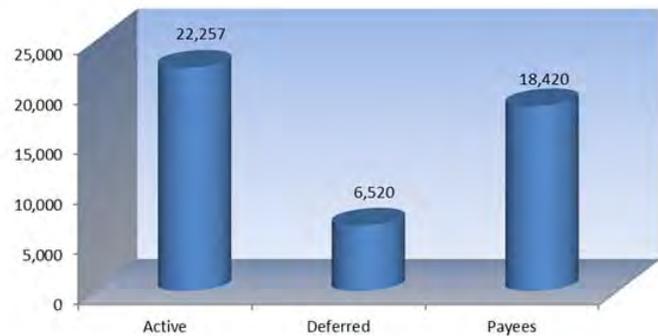
- City of San Juan Capistrano
- County of Orange
- Orange County Cemetery District
- Orange County Children and Families Commission
- Orange County Employees Retirement System
- Orange County Fire Authority
- Orange County In-Home Supportive Services Public Authority
- Orange County Local Agency Formation Commission
- Orange County Public Law Library
- Orange County Sanitation District
- Orange County Superior Court
- Orange County Transportation Authority
- Transportation Corridor Agencies



\* DRO: A court order dividing a pension benefit due to a divorce or legal separation.

#### OCERS Inactive Participating Employers

- Capistrano Beach Sanitary District
- City of Rancho Santa Margarita
- Cypress Recreation and Park District
- Orange County Department of Education
- Orange County Mosquito and Vector Control District
- University of California, Irvine Medical Center
- University of California, Irvine Campus



Count of Active, Deferred and Payee by Status  
As of December 31, 2019

	General	Safety	Total
Active	18,356	3,901	22,257
Deferred	6,004	516	6,520
Payee	14,971	3,449	18,420
<b>Total</b>	<b>39,331</b>	<b>7,866</b>	<b>47,197</b>
<i>Active Members per Payee</i>	1.23	1.13	1.21

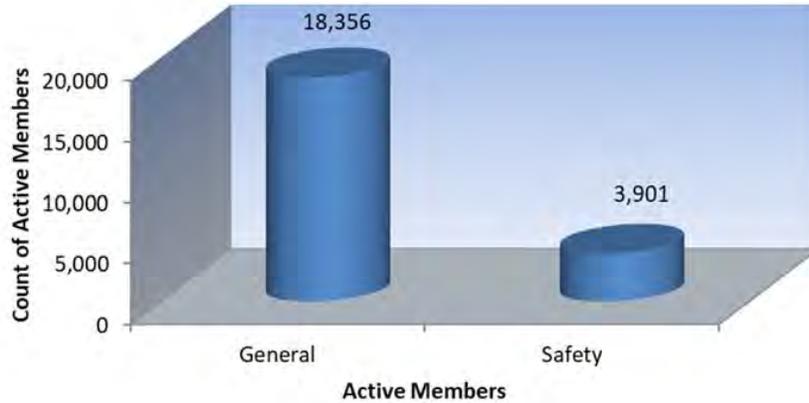
**OCERS by the Numbers**

***Active Member Demographics***

**OCERS by the Numbers**

**Count of Active Members by Status  
As of December 31, 2019**

	General	Safety	Total Count
Active	18,356	3,901	22,257



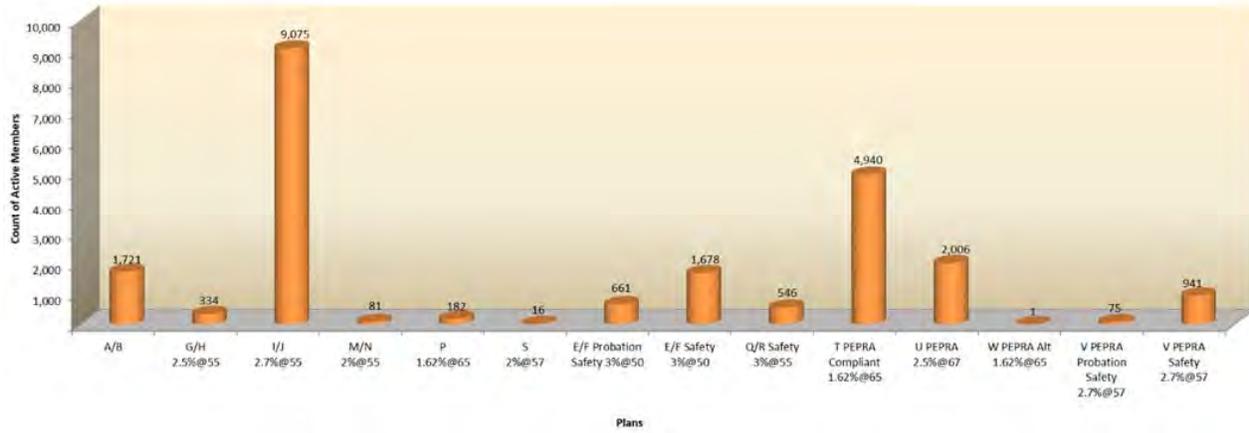
**Count of Active Members by Plans and by Employers  
As of December 31, 2019**

**Retirement Plans**

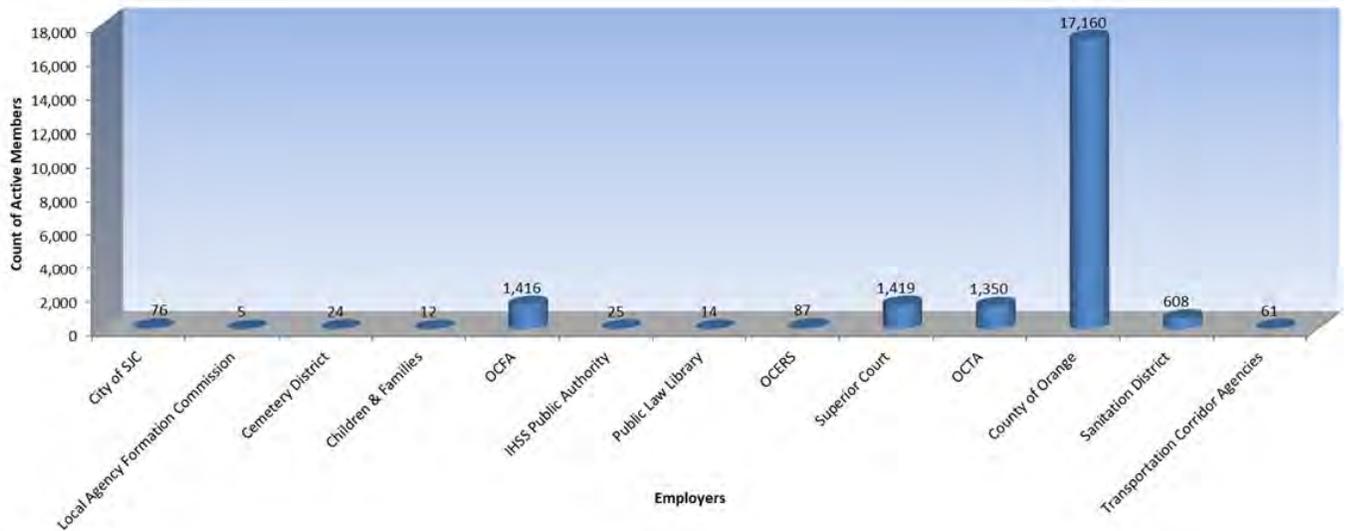
Employers	A/B	G/H 2.5%@55	I/J 2.7%@55	M/N 2%@55	P 1.62%@65	S 2%@57	E/F Probation Safety 3%@50	E/F Safety 3%@50	Q/R Safety 3%@55	T PEPRA Compliant 1.62%@65	U PEPRA 2.5%@67	W PEPRA Alt 1.62%@65	V PEPRA Probation Safety 2.7%@57	V PEPRA Safety 2.7%@57	Total
City of SIC			30			16					29	1			76
Local Agency Formation Commission			2							3					5
Cemetery District				15							9				24
Children & Families			5								7				12
OCFA			123	36				660	156		151			290	1,416
IHSS Public Authority	7										18				25
Public Law Library		12									2				14
OCERS			42							29	16				87
Superior Court			962		21					436					1,419
OCTA	970										380				1,350
County of Orange	693		7,911		161		661	1,018	390	4,472	1,128		75	651	17,160
Sanitation District	51	322									235				608
Transportation Corridor Agencies				30							31				61
<b>Total</b>	<b>1,721</b>	<b>334</b>	<b>9,075</b>	<b>81</b>	<b>182</b>	<b>16</b>	<b>661</b>	<b>1,678</b>	<b>546</b>	<b>4,940</b>	<b>2,006</b>	<b>1</b>	<b>75</b>	<b>941</b>	<b>22,257</b>

## OCERS by the Numbers

### Count of Active Members by Plans As of December 31, 2019



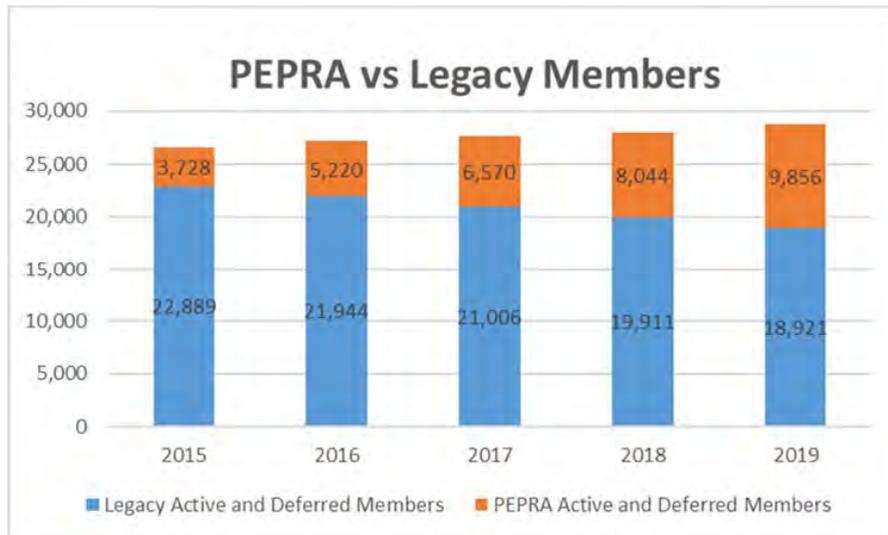
### Count of Active Members by Employers As of December 31, 2019



## OCERS by the Numbers

### Count and Percentage of PEPRA to Legacy Members

	2015	2016	2017	2018	2019
Legacy Active and Deferred Members	22,889	21,944	21,006	19,911	18,921
PEPRA Active and Deferred Members	3,728	5,220	6,570	8,044	9,856
Total	26,617	27,164	27,576	27,955	28,777
<b>Percentage of PEPRA to Legacy Members</b>	<b>14%</b>	<b>19%</b>	<b>24%</b>	<b>29%</b>	<b>34%</b>

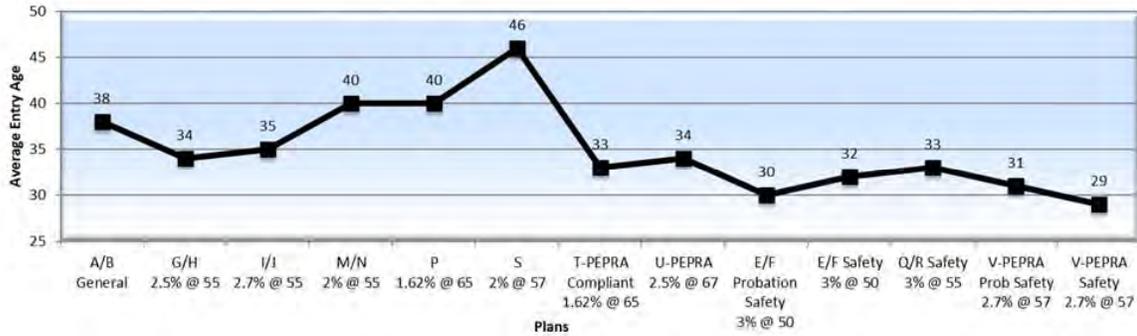


**PEPRA Members are new Public Employees hired on or after Jan 1, 2013**

## OCERS by the Numbers

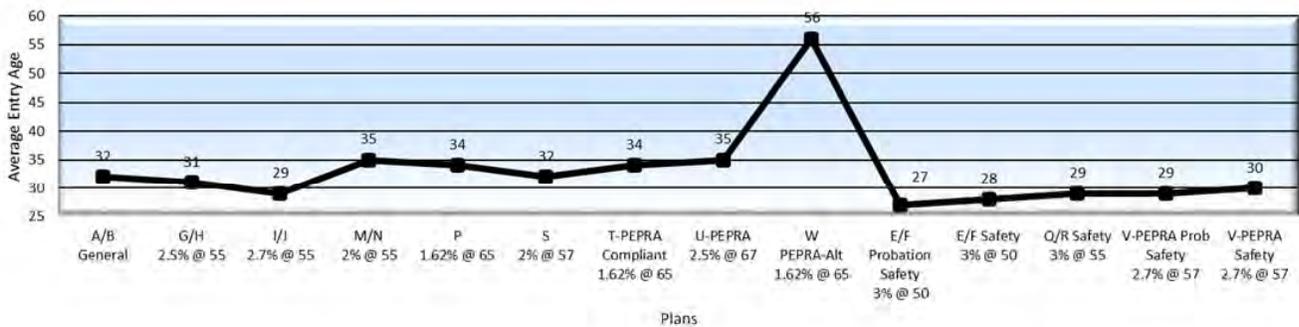
**Average Entry Age of Active Members with Reciprocity by Plan Formula  
As of December 31, 2019**

	A/B General	G/H 2.5% @ 55	I/J 2.7% @ 55	M/N 2% @ 55	P 1.62% @ 65	S 2% @ 57	T-PEPRA Compliant 1.62% @ 65	U-PEPRA 2.5% @ 67	E/F Probation Safety 3% @ 50	E/F Safety 3% @ 50	Q/R Safety 3% @ 55	V-PEPRA Prob Safety 2.7% @ 57	V-PEPRA Safety 2.7% @ 57	Average Entry Age
Average Entry Age by Plan	38	34	35	40	40	46	33	34	30	32	33	31	29	34



**Average Entry Age of Active Members without Reciprocity by Plan Formula  
As of December 31, 2019**

	A/B General	G/H 2.5% @ 55	I/J 2.7% @ 55	M/N 2% @ 55	P 1.62% @ 65	S 2% @ 57	T-PEPRA Compliant 1.62% @ 65	U-PEPRA 2.5% @ 67	W PEPRA-Alt 1.62% @ 65	E/F Probation Safety 3% @ 50	E/F Safety 3% @ 50	Q/R Safety 3% @ 55	V-PEPRA Prob Safety 2.7% @ 57	V-PEPRA Safety 2.7% @ 57	Average Entry Age
Average Entry Age by Plan	32	31	29	35	34	32	34	35	56	27	28	29	29	30	31

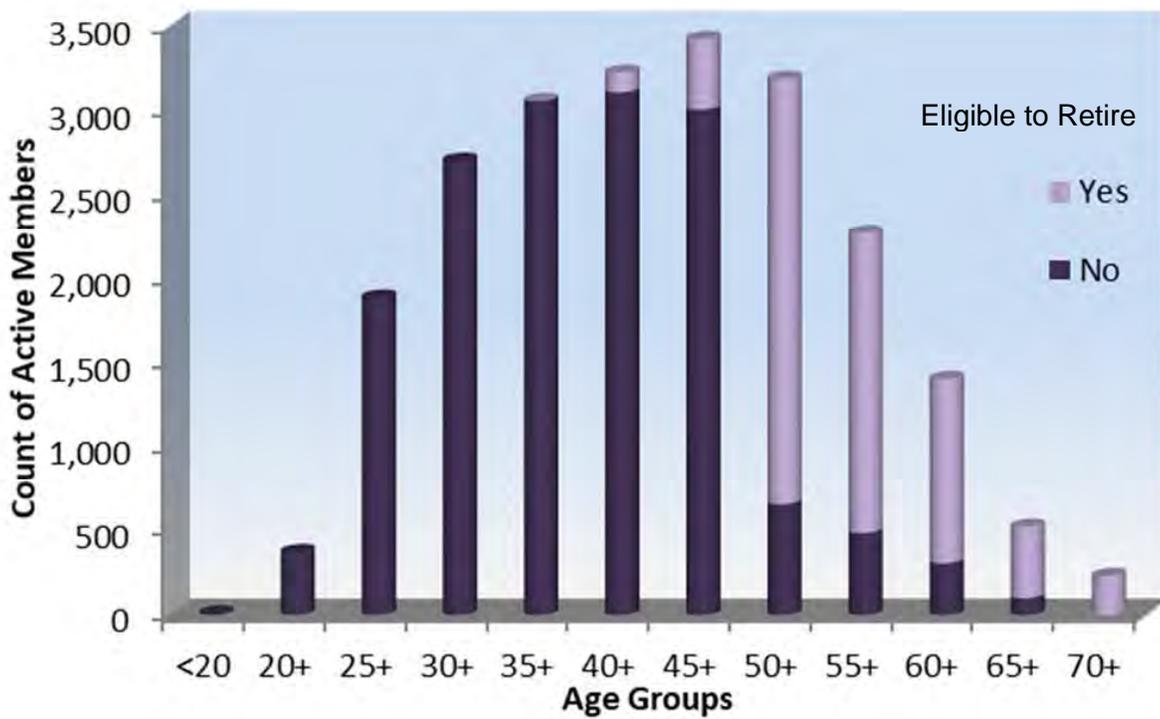


## OCERS by the Numbers

### Count of Active Members Eligible to Retire by Age Groups As of December 31, 2019

#### Age Groups

Eligible to Retire	<20	20+	25+	30+	35+	40+	45+	50+	55+	60+	65+	70+	Total
No	7	370	1,883	2,700	3,053	3,104	3,002	653	483	303	96		15,654
Yes					1	117	418	2,531	1,785	1,098	424	229	6,603
													22,257



## OCERS by the Numbers

### Active Members – Eligible to Retire by Employers As of December 31, 2019

Plans	A & B General	G & H 2.5%@55	I & J 2.7%@55	M & N 2%@55	P 1.62%@65	S 2%@57	T PEPR Compliant 1.62%@65	U PEPR 2.5%@67	W PEPR Alt 1.62%@65	E & F Prob Safety 3%@50	E & F Safety 3%@50	Q & R Safety 3%@55	V PEPR Prob Safety 2.7%@57	V PEPR Safety 2.7%@57	Total Eligible to Retire	% Eligible by Employer
City of SJC			14			6		1							21	28%
LAFCO			1												1	20%
Cemetery District				9											9	38%
Children & Families Comm			1												1	8%
OCFA			73	8							264	2			347	25%
IHSS Public Authority	4							1							5	20%
Public Law Library		8													8	57%
OCERS			18												18	21%
Superior Court			468		1		4								473	33%
OCTA	554							1							555	41%
County of Orange	299		3,717		14		19	2		309	565	13	1	1	4,940	29%
Sanitation District	9	196						1							206	34%
Transportation Corridor Agencies				19											19	31%
<b>Total Eligible to Retire</b>	<b>866</b>	<b>204</b>	<b>4,292</b>	<b>36</b>	<b>15</b>	<b>6</b>	<b>23</b>	<b>6</b>	<b>0</b>	<b>309</b>	<b>829</b>	<b>15</b>	<b>1</b>	<b>1</b>	<b>6,603</b>	<b>30%</b>
<b>% Eligible By Plan</b>	<b>50%</b>	<b>61%</b>	<b>47%</b>	<b>44%</b>	<b>8%</b>	<b>38%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>47%</b>	<b>49%</b>	<b>3%</b>	<b>0%</b>	<b>0%</b>		

(Percentages rounded)

**Eligible to retire for plans A – S (Legacy plans for public employees hired before Jan 1, 2013 including reciprocity) if:**

- 70 years old

- 50 years old and has 10 or more years of *eligible service*

- Safety member has 20 years or more of *eligible service at any age*

- General member has 30 years or more of *eligible service at any age*

**Eligible to retire for PEPR compliant/alternative plans T and W if:**

- 50 years old and has 10 or more years of *eligible service*

- 70 years old

**Eligible to retire for PEPR plan U if:**

- 52 years old and has 5 or more years of *eligible service*

- 70 years old

**Eligible to retire for PEPR Safety plan V if:**

- 50 years old and has 5 or more years of *eligible service*

- 70 years old

**Eligible Service** = current service + incoming reciprocal service

**Tier 1**  
12 month measuring period

**General**  
A  
G  
I  
M  
O

**Safety**  
C  
E  
Q

**Tier 2 (hired on or after Sep 21, 1979)**

36 month measuring period  
**Other General Members**  
B  
H 2.5% @ 55  
J 2.7% @ 55  
N 2% @ 55  
P 1.62% @ 65  
S 2% @ 57

**D** 2% @ 50  
**F** 3% @ 50  
**R** 3% @ 55

**New Public Employees hired on or after Jan 1, 2013**

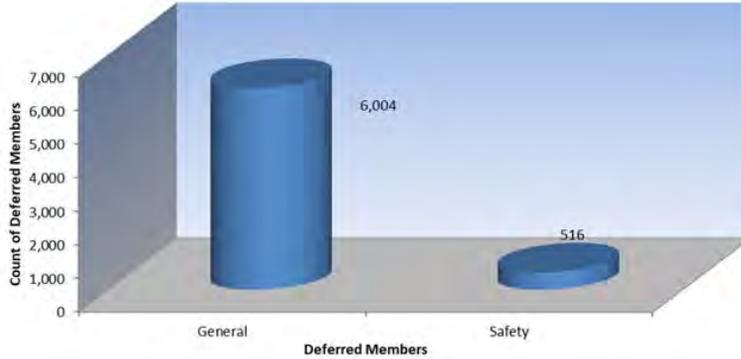
**General**  
**T & W** 1.62% @ 65  
**U** 2.5% @ 67  
**Safety**  
**V** 2.7% @ 57

# ***Deferred Member Demographics***

## OCERS by the Numbers

### Count of Deferred Members by Status As of December 31, 2019

	General	Safety	Total Count
Deferred	6,004	516	6,520



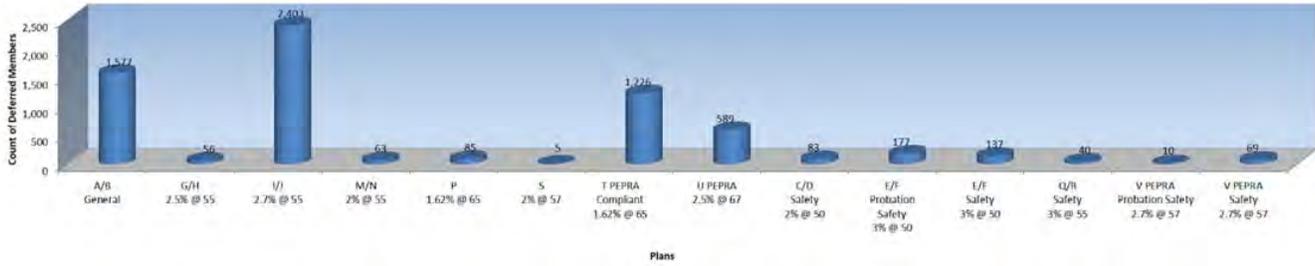
### Count of Deferred Members by Plans and by Employers As of December 31, 2019

#### Retirement Plans

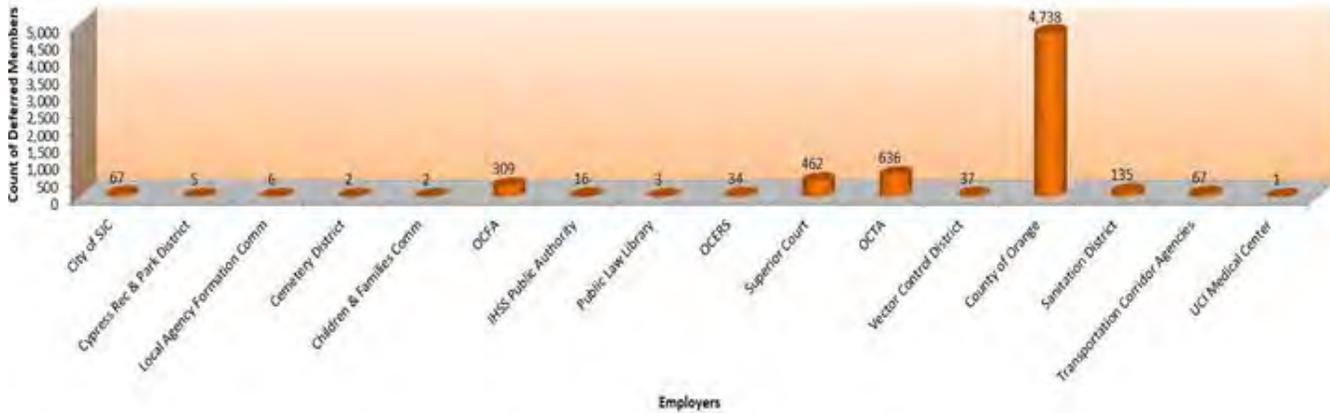
Employers	A/B General	G/H 2.5% @ 55	I/J 2.7% @ 55	M/N 2% @ 55	P 1.62% @ 65	S 2% @ 57	T PEPR Compliant 1.62% @ 65	U PEPR A 2.5% @ 67	C/D Safety 2% @ 50	E/F Probation Safety 3% @ 50	E/F Safety 3% @ 50	Q/R Safety 3% @ 55	V PEPR A Probation Safety 2.7% @ 57	V PEPR A Safety 2.7% @ 57	Total
City of SJC	5		42			5		15							67
Cypress Rec & Park District	5														5
Local Agency Formation Comm			3		2		1								6
Cemetery District				2											2
Children & Families Comm			2												2
OCFA	8		88	19				94	5		46	7		42	309
IHSS Public Authority	3							13							16
Public Law Library	1	2													3
OCERS			20				9	5							34
Superior Court	16		278		13		155								462
OCTA	530							106							636
Vector Control District	37														37
County of Orange	914		1,970		70		1,061	307	78	177	91	33	10	27	4,738
Sanitation District	46	54						35							135
Transportation Corridor Agencies	11			42				14							67
UCI Medical Center	1														1
<b>Total</b>	<b>1,577</b>	<b>56</b>	<b>2,403</b>	<b>63</b>	<b>85</b>	<b>5</b>	<b>1,226</b>	<b>589</b>	<b>83</b>	<b>177</b>	<b>137</b>	<b>40</b>	<b>10</b>	<b>69</b>	<b>6,520</b>

## OCERS by the Numbers

### Count of Deferred Members by Plans As of December 31, 2019



### Count of Deferred Members by Employers As of December 31, 2019

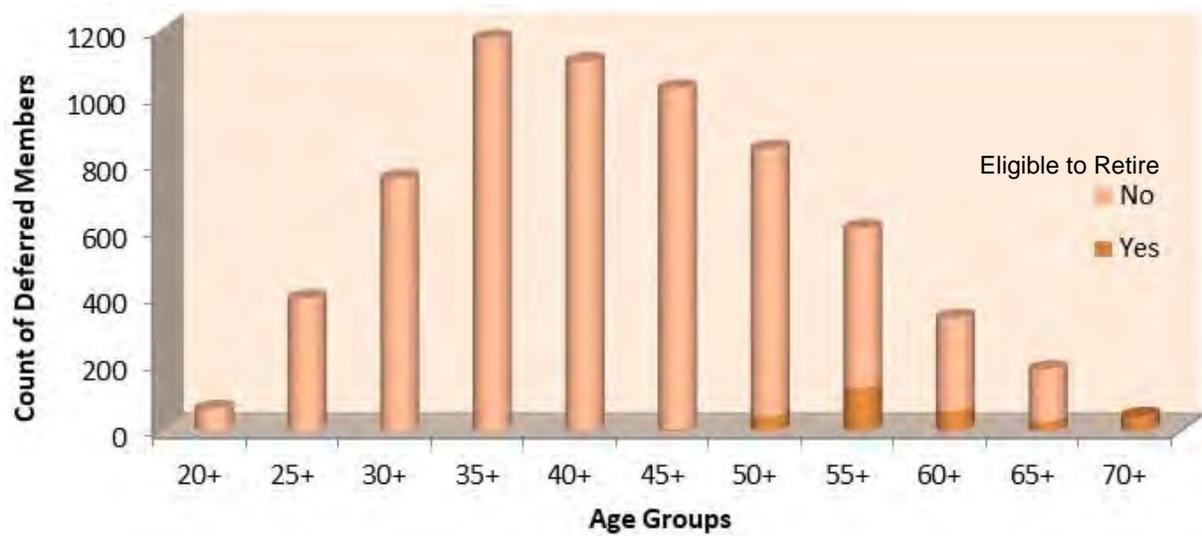


## OCERS by the Numbers

### Count of Deferred Members Eligible to Retire by Age Groups As of December 31, 2019

#### Age Groups

Eligible to Retire	20+	25+	30+	35+	40+	45+	50+	55+	60+	65+	70+	Total
<b>No</b>	65	395	753	1,171	1,103	1,018	798	477	279	156		6,215
<b>Yes</b>						4	44	128	58	27	44	305
												6,520



**OCERS by the Numbers**

**Count of Deferred Members - Eligible to Retire by Employers  
As of December 31, 2019**

Plans	A/B	G/H 2.5%@55	I/J 2.7%@55	M/N 2%@55	P 1.62%@65	T PEPR Compliant 1.62%@65	C/ D Safety 2%@50	E/F Prob Safety 3%@50	E/F Safety 3%@50	Q/R Safety 3% @ 55	Eligible to Retire	% Eligible by Employer
City of SJC	1		6								7	10%
Cypress Rec & Park District	1										1	20%
OCFA	1		5						4		10	3%
OCERS			2								2	6%
Superior Court	1		17								18	4%
OCTA	49										49	8%
Vector Control	14										14	38%
County of Orange	113		57		3	2	5	5	3	1	189	4%
Sanitation District	6	2									8	6%
Transportaion Corridor Agencies				6							6	9%
UCI Medical Center	1										1	100%
<b>Total Eligible to Retire</b>	<b>187</b>	<b>2</b>	<b>87</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>1</b>	<b>305</b>	<b>5%</b>
<b>% Eligible by Plan</b>	<b>12%</b>	<b>4%</b>	<b>4%</b>	<b>10%</b>	<b>4%</b>	<b>0%</b>	<b>6%</b>	<b>3%</b>	<b>5%</b>	<b>3%</b>		

**Eligible to retire for plans A – S (Legacy plans for public employees hired before Jan 1, 2013 including reciprocity) if:**

- 70 years old
- 50 years old and has 10 or more years of *eligible service*
- Safety member has 20 years or more of *eligible service at any age*
- General member has 30 years or more of *eligible service at any age*

**Eligible to retire for PEPR A compliant/alternative plans T & W if:**

- 50 years old and has 10 or more years of *eligible service*
- 70 years old

**Eligible to retire for PEPR A plan U if:**

- 52 years old and has 5 or more years of *eligible service*
- 70 years old

**Eligible to retire for PEPR A Safety plan V if:**

- 50 years old and has 5 or more years of *eligible service*
- 70 years old

**Eligible Service** = current service + incoming reciprocal service

	Tier 1	Tier 2 (hired on or after Sep 21, 1979)
	12 month measuring period	36 month measuring period
<b>General</b>	<b>G</b>	<b>H</b> 2.5% @ 55
	<b>I</b>	<b>J</b> 2.7% @ 55
	<b>M</b>	<b>N</b> 2% @ 55
	<b>O</b>	<b>P</b> 1.62% @ 65
	<b>A</b>	<b>S</b> 2% @ 57
		<b>B</b> Other General Members
<b>Safety</b>	<b>C</b>	<b>D</b> 2% @ 50
	<b>E</b>	<b>F</b> 3% @ 50
	<b>Q</b>	<b>R</b> 3% @ 55

**New Public Employees hired on or after Jan 1, 2013**

<b>General</b>	<b>T &amp; W</b>	1.62% @ 65
	<b>U</b>	2.5% @ 67
<b>Safety</b>	<b>V</b>	2.7% @ 57

# ***Retiree & Beneficiary Demographics (Payees)***

## Retiree & Beneficiary Demographics

### All benefit recipients as of December 31, 2019

- For Retired General members with service and disability retirements: 13,030
- For General member survivors and other payees: 1,941
- For Safety members with service and disability retirements: 2,923
- For Safety member survivors and other payees: 526
- Total Benefit Recipients: 18,420

### Average age at retirement for members who retired with a service retirement in 2019

- For General members: 61.14 years old
- For Safety members: 54.53 years old

### Average years of service for members who retired with a service retirement in 2019

- For General members: 21.95
- For Safety members: 24.36

### Average years of service for all General and Safety members who retired with service and disability retirements as of December 31, 2019: 22.35

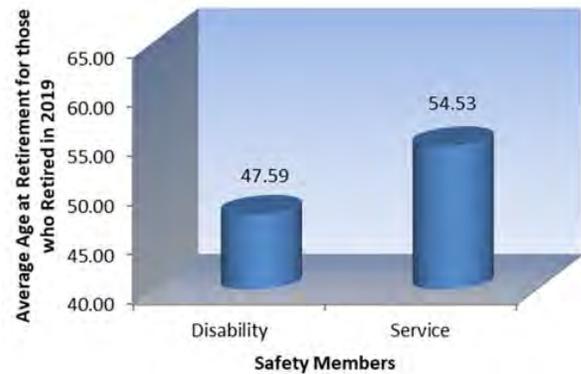
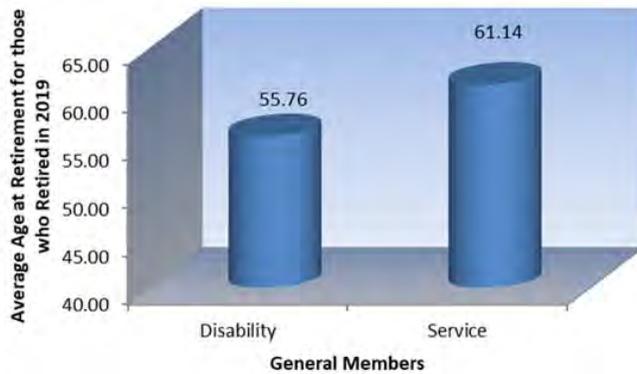
### Average Years Into Retirement of Currently Retired Members As of December 31, 2019

	Service			Disability			Total
	General	Safety 2%	Safety 3%	General	Safety 2%	Safety 3%	
Capistrano Beach Sanitary District	3						3
	10.54						10.54
City of San Juan Capistrano	114			6			120
	11.24			18.86			11.62
Cypress Recreation & Park District	18						18
	13.33						13.33
Department of Education	17						17
	20.58						20.58
Local Agency Formation Comm.	5						5
	7.08						7.08
Cemetery District	7						7
	8.23						8.23
Children & Families Comm.	10						10
	7.04						7.04
OCFA	172	48	412	11	31	165	839
	8.75	18.43	8.68	14.04	20.92	8.62	9.76
IHSS Public Authority	3						3
	2.95						2.95
Public Law Library	13						13
	9.21						9.21
OCERS	39			3			42
	9.70			20.23			10.45
Superior Court	917			15			932
	8.89			11.04			8.92
OCTA	992			268			1,260
	10.06			17.82			11.71
Vector Control District	33						33
	11.40						11.40
County of Orange	9,130	450	1,413	572	206	197	11,968
	12.24	19.06	8.04	18.63	27.76	8.97	12.52
City of Rancho Santa Margarita	1						1
	3.77						3.77
Sanitation District	410			19			429
	9.74			15.71			10.01
Transportation Corridor Agencies	51						51
	8.08						8.08
UCI Campus	14			1			15
	17.01			15.51			16.91
UCI Medical Center	176			11			187
	23.27			25.50			23.40
<b>Average</b>	<b>12,125</b>	<b>498</b>	<b>1,825</b>	<b>906</b>	<b>237</b>	<b>362</b>	<b>15,953</b>
	<b>11.80</b>	<b>19.00</b>	<b>8.19</b>	<b>18.24</b>	<b>26.86</b>	<b>8.81</b>	<b>12.13</b>

## OCERS by the Numbers

### Average Age at Retirement by Employer and Benefit Type For Those That Retired With An Effective Retirement Date in 2019

	General			Safety		
	Disability	Service	Total	Disability	Service	Total
City of San Juan Capistrano		62.23	<b>62.23</b>			
Cemetery District		65.15	<b>65.15</b>			
OCFA	54.98	57.51	<b>57.26</b>	43.69	55.67	<b>54.64</b>
IHSS Public Authority		70.00	<b>70.00</b>			
Public Law Library		66.13	<b>66.13</b>			
OCERS		58.09	<b>58.09</b>			
Superior Court		59.18	<b>59.18</b>			
OCTA	45.44	62.72	<b>62.41</b>			
Vector Control District		70.00	<b>70.00</b>			
County of Orange	61.32	61.25	<b>61.25</b>	50.51	54.28	<b>54.18</b>
Sanitation District		59.46	<b>59.46</b>			
Transportation Corridor Agencies		63.34	<b>63.34</b>			
<b>Average</b>	<b>55.76</b>	<b>61.14</b>	<b>61.11</b>	<b>47.59</b>	<b>54.53</b>	<b>54.27</b>



### Average Retirement Age for Service and Disability Retirements Combined over last 10 years

Year Ended December 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General	60.55	60.65	60.42	61.32	60.79	59.37	59.44	60.79	61.24	61.11
Safety	54.18	54.56	54.33	54.80	54.06	53.51	53.58	55.09	54.80	54.27

## OCERS by the Numbers

### Average Years of Service at Retirement by Employer and Benefit Type For Those That Retired With an Effective Retirement Date in 2019

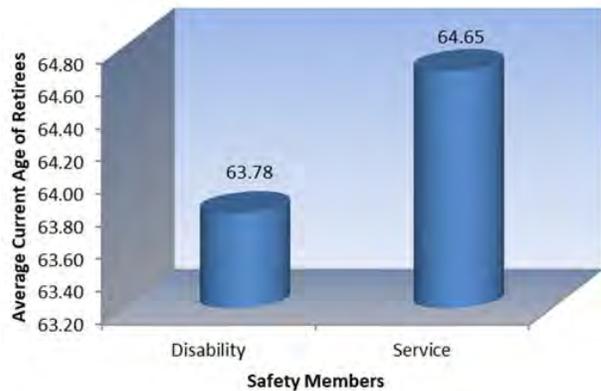
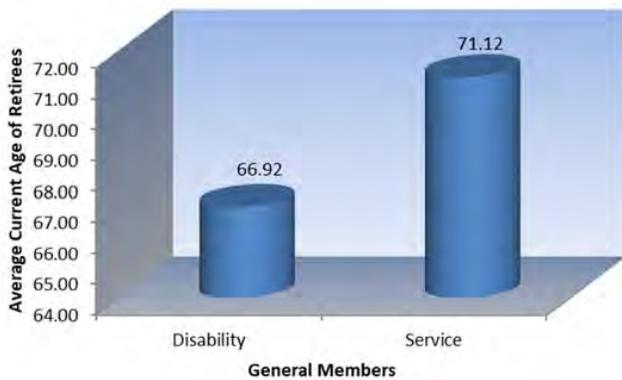
	General			Safety		
	Disability	Service	Total	Disability	Service	Total
City of San Juan Capistrano		10.00	10.00			
Cemetery District		28.52	28.52			
OCFA	19.83	21.77	21.58	17.41	26.36	25.59
IHSS Public Authority		3.36	3.36			
Public Law Library		10.82	10.82			
OCERS		14.68	14.68			
Superior Court		23.80	23.80			
OCTA	2.70	20.19	19.89			
Vector Control District		2.82	2.82			
County of Orange	15.54	22.21	22.19	20.27	23.92	23.82
Sanitation District		20.02	20.02			
Transportation Corridor Agencies		21.41	21.41			
<b>Average</b>	<b>13.40</b>	<b>21.95</b>	<b>21.91</b>	<b>19.04</b>	<b>24.36</b>	<b>24.16</b>



## OCERS by the Numbers

### Average Age of Retirees by Employer and Benefit Type As of December 31, 2019

	General			Safety		
	Disability	Service	Total	Disability	Service	Total
Capistrano Beach Sanitary District		73.44	<b>73.44</b>			
City of San Juan Capistrano	63.44	68.80	<b>68.53</b>			
Cypress Recreation & Park District		70.41	<b>70.41</b>			
Department of Education		81.40	<b>81.40</b>			
Local Agency Formation Comm.		63.91	<b>63.91</b>			
Cemetery District		72.26	<b>72.26</b>			
Children & Families Comm.		66.33	<b>66.33</b>			
OCFA	62.19	66.38	<b>66.13</b>	65.18	65.32	<b>65.28</b>
IHSS Public Authority		66.68	<b>66.68</b>			
Public Law Library		72.65	<b>72.65</b>			
OCERS	71.69	69.80	<b>69.93</b>			
Superior Court	65.01	68.04	<b>67.99</b>			
OCTA	66.90	70.60	<b>69.81</b>			
Vector Control District		72.41	<b>72.41</b>			
County of Orange	66.86	71.54	<b>71.26</b>	63.10	64.48	<b>64.23</b>
City of Rancho Santa Margarita		74.95	<b>74.95</b>			
Sanitation District	65.88	68.39	<b>68.28</b>			
Transportation Corridor Agencies		69.51	<b>69.51</b>			
UCI Medical Campus	68.62	74.48	<b>74.09</b>			
UCI Medical Center	79.80	80.81	<b>80.75</b>			
<b>Average</b>	<b>66.92</b>	<b>71.12</b>	<b>70.83</b>	<b>63.78</b>	<b>64.65</b>	<b>64.47</b>



## OCERS by the Numbers

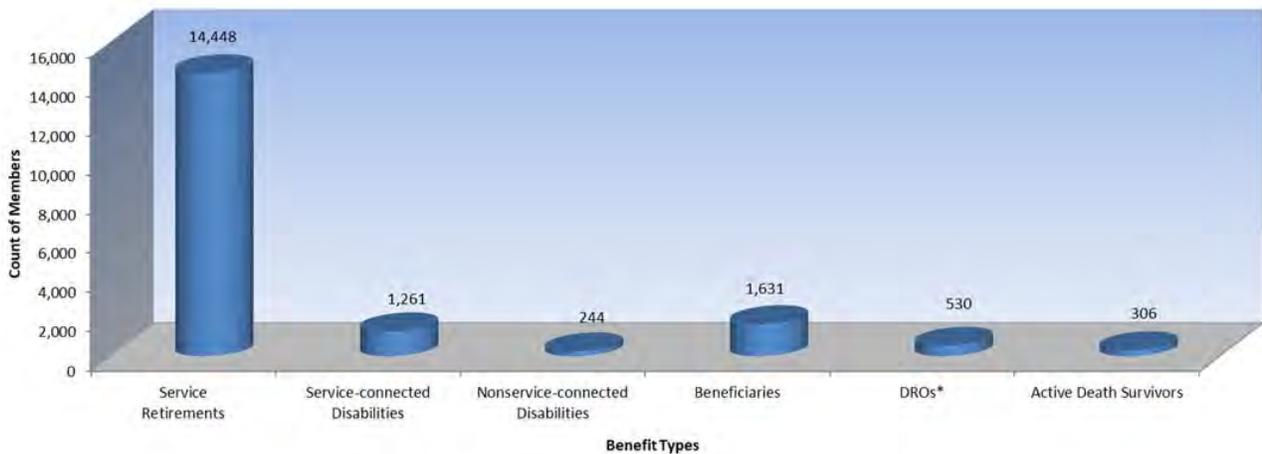
### Benefit Recipients by Employers and Plans As of December 31, 2019

	A & B General	G & H 2.5% @ 55	I & J 2.7% @ 55	M & N 2% @ 55	P 1.62% @ 65	S 2% @ 57	T PEPPRA - Compliant 1.62% @ 65	U PEPPRA 2.5% @ 67	C & D Safety 2% @ 50	E & F Probation Safety 3% @ 50	E & F Safety 3% @ 50	Q & R Safety 3% @ 50	V PEPPRA Safety 2.7% @ 57	Total Payees
Capistrano Beach Sanitary District	4													4
City of San Juan Capistrano	66		70			1								137
Cypress Recreation & Park District	23													23
Department of Education	19													19
Local Agency Formation Comm.	1		4											5
Cemetery District	7			6										13
Children & Families Comm.	1		10											11
OCFA	47		145	1				3	94		672	1	2	965
IHSS Public Authority	2								1					3
Public Law Library	6	7												13
OCERS	16		30											46
Superior Court	131		855											986
OCTA	1,445							2						1,447
Vector Control District	38													38
County of Orange	5,070		6,148		8		3	2	858	303	1,513	2	4	13,911
City of Rancho Santa Margarita			1											1
Sanitation District	143	365												508
Transportation Corridor Agencies	14			40				1						55
UCI Campus	15													15
UCI Medical Center	220													220
<b>Total</b>	<b>7,268</b>	<b>373</b>	<b>7,262</b>	<b>47</b>	<b>8</b>	<b>1</b>	<b>3</b>	<b>9</b>	<b>952</b>	<b>303</b>	<b>2,185</b>	<b>3</b>	<b>6</b>	<b>18,420</b>

### Benefit Recipients by Benefit Types As of December 31, 2019

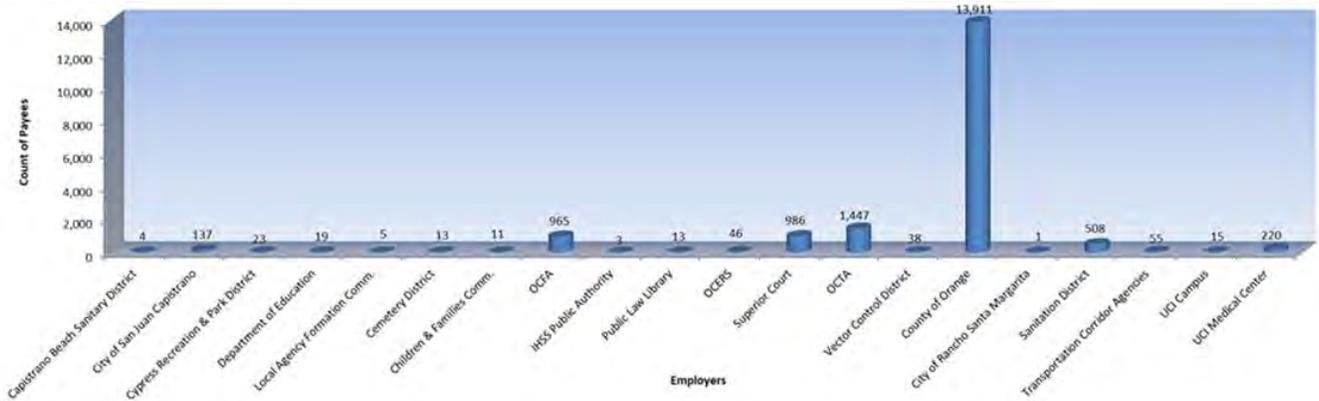
Service Retirements	Service-connected Disabilities	Nonservice-connected Disabilities	Beneficiaries	DROs*	Active Death Survivors	Total Payees
14,448	1,261	244	1,631	530	306	18,420

\* DRO: A court order dividing a pension benefit due to a divorce or legal separation.

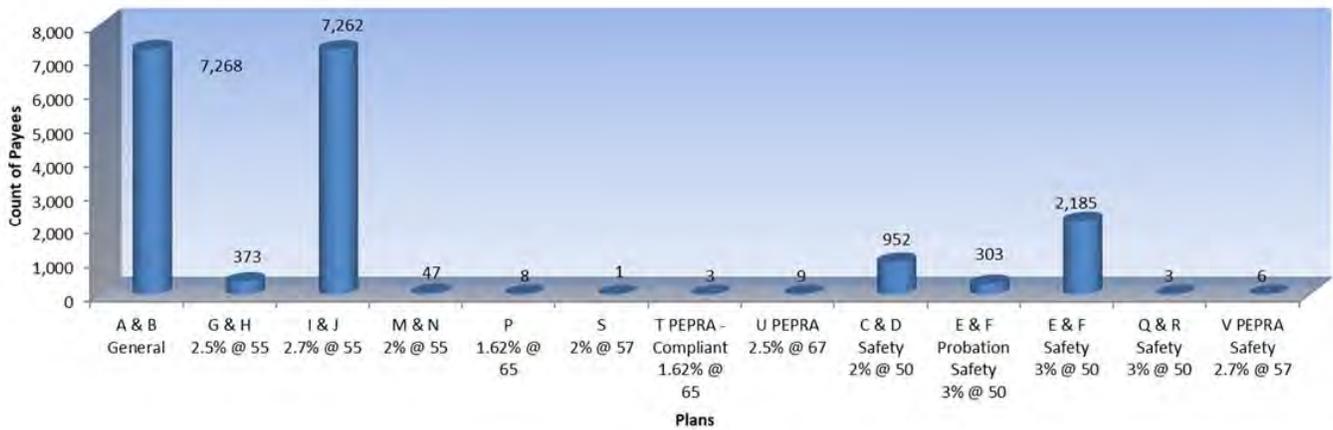


## OCERS by the Numbers

### Benefit Recipients by Employers As of December 31, 2019



### Benefit Recipients by Plans As of December 31, 2019



## OCERS by the Numbers

### Benefit Recipients by Payment Options December 31, 2019

Monthly Benefit	Unmodified	Option1	Option2	Option3	Option4	DRO Benefit	Annuity Only	Total Payees
\$001-500	667	1	25	3	2	75	9	782
\$501-1,000	1,333	1	55	1	3	106		1,499
\$1,001-1,500	1,640	1	41	2	1	102		1,787
1,501-2,000	1,504	1	41	4	2	76		1,628
\$2,001-2,500	1,482		28	1	7	54		1,572
\$2,501-3,000	1,453		22	3	4	35		1,517
\$3,001-3,500	1,234	1	22	3	1	33		1,294
\$3,501-4,000	1,013		11	3	7	18		1,052
\$4,001-4,500	884	1	20	2	9	7		923
\$4,501-5,000	821		20	3	2	11		857
\$5,001-5,500	753		14		6	9		782
\$5,501-6,000	571		8	1	3	3		586
\$6,001-6,500	562	1	8		8	1		580
\$6,501-7,000	465		9		7			481
Over \$7,000	3,028	2	27	2	21			3,080
<b>Total</b>	<b>17,410</b>	<b>9</b>	<b>351</b>	<b>28</b>	<b>83</b>	<b>530</b>	<b>9</b>	<b>18,420</b>
<b>Percentage</b>	<b>94.51%</b>	<b>0.05%</b>	<b>1.91%</b>	<b>0.15%</b>	<b>0.45%</b>	<b>2.88%</b>	<b>0.05%</b>	<b>100%</b>

#### Definition of Payment Options

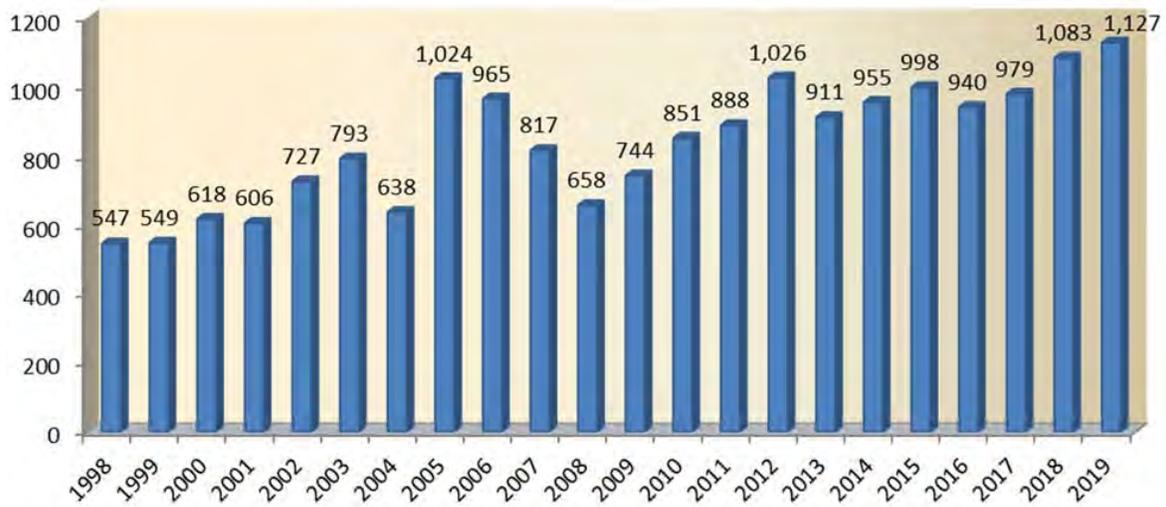
- Unmodified:** This option provides the maximum lifetime retirement allowance with a 60 percent continuance to an eligible spouse, qualified domestic partner or eligible child for service retirement and 100 percent for service-connected disability retirement.
- Option 1:** Cash refund annuity. This option provides a reduced lifetime monthly allowance and a refund of any of the remaining member's contributions to the designated beneficiary.
- Option 2:** A 100 percent joint and survivor annuity. This option provides a reduced lifetime monthly allowance with the same monthly allowance to the designated beneficiary for the remainder of his or her lifetime.
- Option 3:** A 50 percent joint and survivor annuity. This option provides a reduced lifetime monthly allowance with 50 percent of the monthly allowance to the designated beneficiary for the remainder of his or her lifetime.
- Option 4:** This option allows multiple lifetime monthly allowances to designated beneficiaries and varying payment percentages if approved in advance by the Retirement Board.
- DRO Benefit:** Domestic Relations Order Benefit. This is a court order allocating a portion of a retired member's pension to an ex-spouse or domestic partner.
- Annuity Only:** This payment option provides the actuarial equivalent of the member's accumulated contributions at the time of retirement and is used for very specific situations usually related to disability retirement payments and reciprocity.

## OCERS by the Numbers

### Number of New Payees by Calendar Year

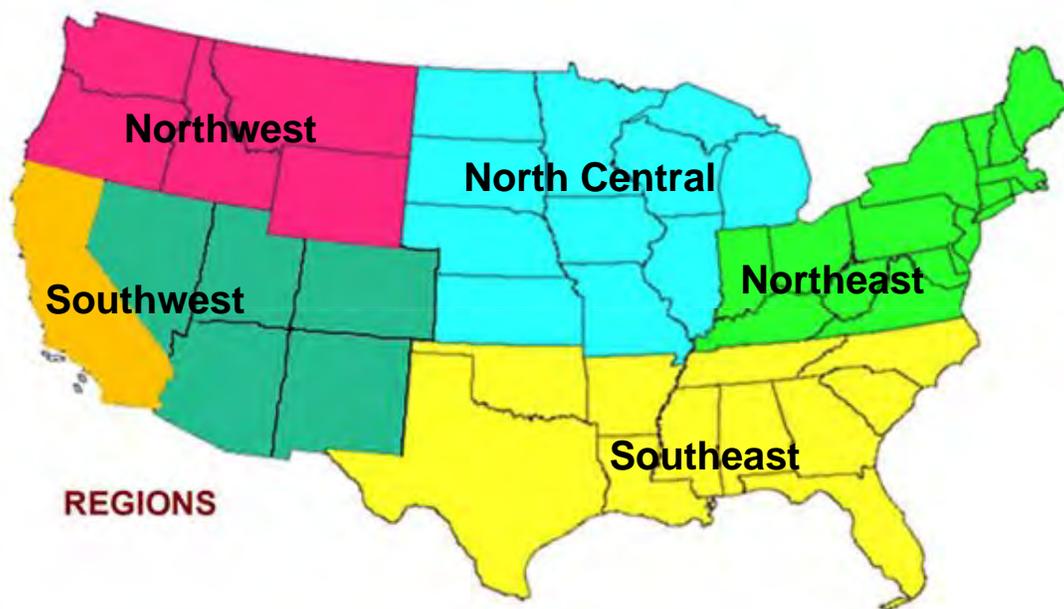
1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
547	549	618	606	727	793	638	1,024	965	817	658

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
744	851	888	1,026	911	995	998	940	979	1,083	1,127



## OCERS by the Numbers

**Payees' Residences by Region & State  
As of December 31, 2019**



Foreign Countries & US Territories	34
North Central	263
Northeast	238
Northwest	831
Southeast	958
Southwest	15,826
<b>Total Count of Payees</b>	<b>18,150*</b>

\* Payees with multiple benefits are counted only once.

<b>Total Annual Benefits Paid in California</b>	<b>\$711,100,309</b>	<b>14,364</b>
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<b>Total Annual Benefits Paid in Orange County</b>	<b>\$507,787,063</b>	<b>9,661</b>
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## **OCERS by the Numbers**

# ***Benefits***

***Benefits as of December 31, 2019***

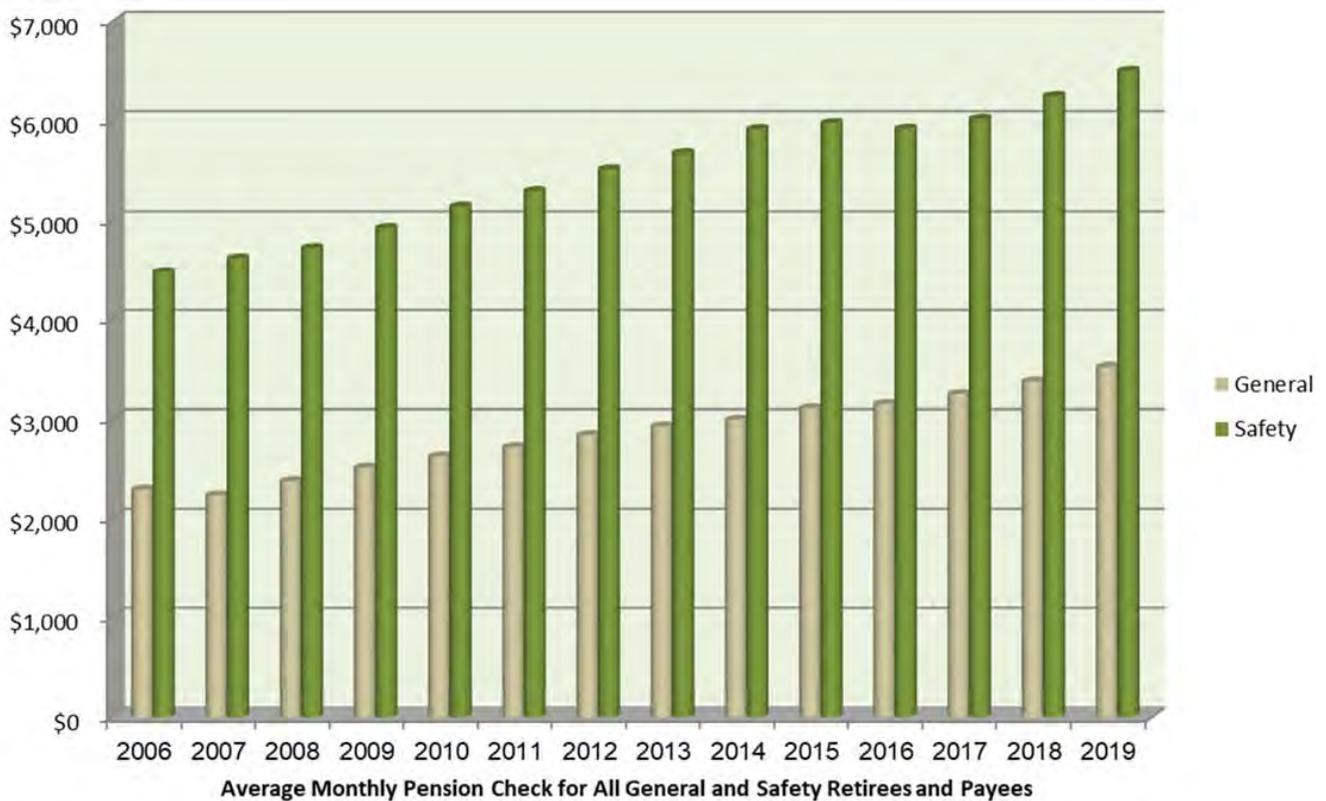
**Average benefit**

- For all General member retirees and other payees \$3,520 monthly; \$42,240 annually
- For all Safety member retirees and other payees \$6,499 monthly; \$77,988 annually
- For all General and Safety retirees and payees combined \$4,078 monthly; \$48,936 annually
- For all General and Safety retirees only \$4,366; \$52,392 annually

**Average monthly pension check for all General and Safety retirees and payees**

Years Ended Dec. 31	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General</b>	\$2,286	\$2,228	\$2,373	\$2,508	\$2,621	\$2,714	\$2,836	\$2,924	\$2,991	\$3,103	\$3,142	\$3,244	\$3,372	\$3,520
<b>Safety</b>	\$4,479	\$4,618	\$4,724	\$4,926	\$5,141	\$5,297	\$5,516	\$5,679	\$5,914	\$5,974	\$5,917	\$6,017	\$6,245	\$6,499
<b>Total Payees</b>	11,182	11,420	11,778	12,243	12,762	13,289	13,947	14,505	15,169	15,810	16,369	16,947	17,674	18,420

\* Year 2006 includes health grant



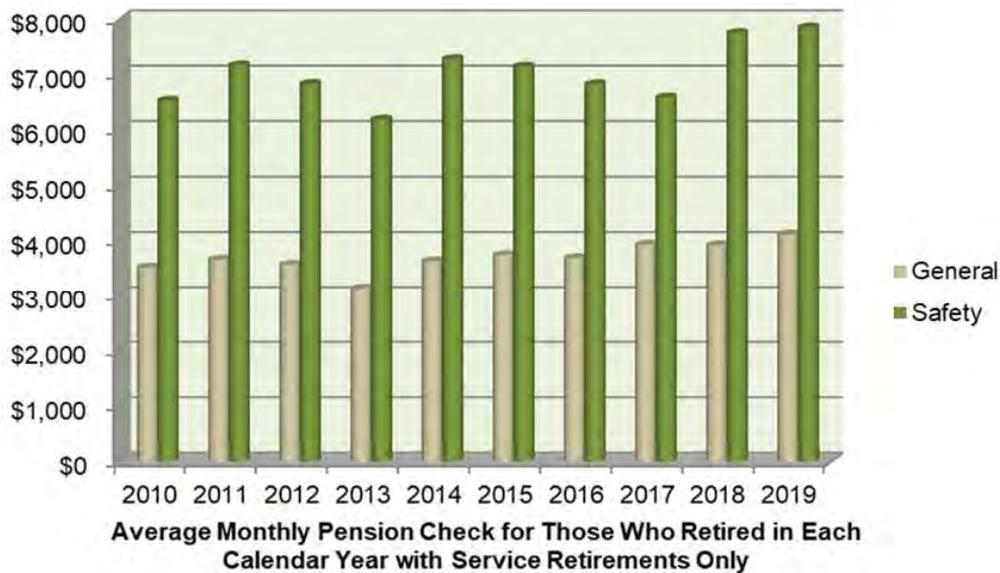
## OCERS by the Numbers

### Average benefit for General and Safety members with a service retirement (no disabilities) that retired in 2019

- For General members \$4,118 monthly; \$49,416 annually
- For Safety members \$7,854 monthly; \$94,248 annually

### Average monthly pension check for those who retired in each calendar year with service retirements only

Years Ended Dec .31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General</b>	\$3,518	\$3,660	\$3,570	\$3,132	\$3,632	\$3,744	\$3,689	\$3,934	\$3,922	\$4,118
<b>Safety</b>	\$6,528	\$7,169	\$6,832	\$6,187	\$7,281	\$7,146	\$6,827	\$6,586	\$7,752	\$7,854



## OCERS by the Numbers

### History of OCERS' Cost-of-Living Adjustments

OCERS annually adjusts the benefit allowances relative to the increase or decrease in the Consumer Price Index (CPI).<sup>\*</sup> This adjustment, known as a Cost-of-Living Adjustment (COLA), is effective April 1<sup>st</sup> of each year. To determine the change in CPI, OCERS' actuary compares the Bureau of Labor Statistics' annual average CPI for all urban consumers for the Los Angeles-Riverside-Orange County area for each of the past two years and derives the percentage change between the two. The increase or decrease in the CPI is rounded to the nearest one-half of one percent. The maximum COLA of 3% shall be granted on every retirement allowance, optional death allowance, or annual death allowance payable to or on account of any member of the system.

For years in which the CPI exceeds 3%, the excess amount is banked and drawn from for future years when the CPI is less than 3%.

Date Granted	Actual CPI Rate	CPI Rounded	Max COLA Rate	COLA Granted
4/1/2019	3.81	4	3	3
4/1/2018	2.79	3	3	3
4/1/2017	1.89	2	3	2
4/1/2016	0.91	1	3	1
4/1/2015	1.35	1.5	3	1.5
4/1/2014	1.08	1	3	1
4/1/2013	2.04	2	3	2
4/1/2012	2.67	2.5	3	2.5
4/1/2011	1.20	1	3	1
4/1/2010	-0.80	-1	3	0/-1 <sup>**</sup>
4/1/2009	3.53	3.5	3	3
4/1/2008	3.30	3.5	3	3
4/1/2007	4.26	4.5	3	3
4/1/2006	4.45	4.5	3	3
4/1/2005	3.31	3.5	3	3
4/1/2004	2.63	2.5	3	2.5
4/1/2003	2.76	3	3	3
4/1/2002	3.32	3.5	3	3
4/1/2001	3.31	3.5	3	3
4/1/2000	2.34	2.5	3	2.5
4/1/1999	1.44	1.5	3	1.5
4/1/1998	1.58	1.5	3	1.5

<sup>\*</sup> Per Government Code Section 318780.1

<sup>\*\*</sup> 2009 saw a unique scenario, a -1% CPI reflecting economic deflation in that year. For new retirees as of April 1, 2010, 0% was determined to be a COLA "floor", as no benefit will ever be reduced. For longer retired members however, who had accumulated a COLA bank as of 2010, that bank was reduced by -1%.

## OCERS by the Numbers

### Schedule of Average Monthly Pension Benefit Payments for Service Retirements by Years of Service

2008 – 2019  
Years of Service

Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30 & Over
<b>PERIOD 1/1/08 –12/31/08</b>							
Average Monthly Pension Benefits	\$321	\$876	\$1,784	\$2,451	\$3,793	\$5,323	\$7,687
Average Monthly "Final Average Salary"	\$2,539	\$4,166	\$5,512	\$5,330	\$6,484	\$6,864	\$8,424
Number of Retired Members	19	31	83	90	78	91	97
<b>PERIOD 1/1/09 –12/31/09</b>							
Average Monthly Pension Benefits	\$381	\$950	\$1,821	\$2,716	\$3,711	\$5,852	\$7,467
Average Monthly "Final Average Salary"	\$3,766	\$4,228	\$5,564	\$6,006	\$6,417	\$7,669	\$8,378
Number of Retired Members	26	45	102	87	110	106	124
<b>PERIOD 1/1/10 –12/31/10</b>							
Average Monthly Pension Benefits	\$587	\$986	\$1,855	\$2,929	\$4,046	\$5,922	\$6,856
Average Monthly "Final Average Salary"	\$3,666	\$4,800	\$5,537	\$6,291	\$6,962	\$7,764	\$7,741
Number of Retired Members	23	45	108	106	130	127	129
<b>PERIOD 1/1/11 –12/31/11</b>							
Average Monthly Pension Benefits	\$678	\$1,057	\$1,689	\$3,054	\$4,257	\$5,910	\$6,766
Average Monthly "Final Average Salary"	\$4,843	\$5,825	\$5,475	\$6,497	\$7,314	\$7,874	\$7,650
Number of Retired Members	16	55	111	86	120	123	155
<b>PERIOD 1/1/12 –12/31/12</b>							
Average Monthly Pension Benefits	\$647	\$1,142	\$1,701	\$2,957	\$4,058	\$5,802	\$7,015
Average Monthly "Final Average Salary"	\$5,988	\$5,398	\$5,672	\$6,347	\$6,759	\$7,702	\$7,750
Number of Retired Members	20	71	128	88	187	145	172
<b>PERIOD 1/1/13 –12/31/13</b>							
Average Monthly Pension Benefits	\$435	\$1,166	\$2,039	\$2,946	\$3,794	\$6,409	\$7,732
Average Monthly "Final Average Salary"	\$8,199	\$6,347	\$6,458	\$6,492	\$6,431	\$8,432	\$8,482
Number of Retired Members	29	55	139	82	161	147	131
<b>PERIOD 1/1/14 –12/31/14</b>							
Average Monthly Pension Benefits	\$421	\$1,152	\$1,925	\$3,188	\$4,117	\$6,444	\$6,719
Average Monthly "Final Average Salary"	\$8,176	\$6,955	\$6,301	\$6,961	\$7,003	\$8,463	\$7,349
Number of Retired Members	23	45	146	96	143	192	138
<b>PERIOD 1/1/15 –12/31/15</b>							
Average Monthly Pension Benefits	\$582	\$1,263	\$1,755	\$2,850	\$3,895	\$5,679	\$7,235
Average Monthly "Final Average Salary"	\$8,802	\$6,888	\$5,970	\$6,673	\$6,800	\$7,893	\$8,352
Number of Retired Members	22	63	128	119	110	200	182
<b>PERIOD 1/1/16 –12/31/16</b>							
Average Monthly Pension Benefits	\$427	\$1,244	\$2,135	\$2,886	\$4,272	\$5,549	\$6,782
Average Monthly "Final Average Salary"	\$8,298	\$6,907	\$6,911	\$6,580	\$7,383	\$7,651	\$7,762
Number of Retired Members	24	56	121	120	113	195	163
<b>PERIOD 1/1/17 –12/31/17</b>							
Average Monthly Pension Benefits	\$541	\$1,215	\$2,073	\$3,062	\$4,513	\$5,851	\$7,069
Average Monthly "Final Average Salary"	\$7,952	\$6,800	\$6,844	\$6,810	\$7,743	\$7,975	\$7,931
Number of Retired Members	21	47	122	147	112	190	153
<b>PERIOD 1/1/18 –12/31/18</b>							
Average Monthly Pension Benefits	\$554	\$1,190	\$1,943	\$2,879	\$4,681	\$6,074	\$7,439
Average Monthly "Final Average Salary"	\$10,584	\$7,287	\$6,904	\$6,859	\$8,134	\$8,246	\$8,561
Number of Retired Members	23	62	125	144	127	205	208
<b>PERIOD 1/1/19 –12/31/19</b>							
Average Monthly Pension Benefits	\$367	\$1,424	\$2,332	\$3,073	\$4,831	\$6,475	\$7,324
Average Monthly "Final Average Salary"	\$7,568	\$8,243	\$7,509	\$6,985	\$8,088	\$8,591	\$8,249
Number of Retired Members	31	54	121	150	135	249	191

## OCERS by the Numbers

### Schedule of Median Monthly Pension Benefit Payments for Service Retirements by Years of Service

2010 – 2019

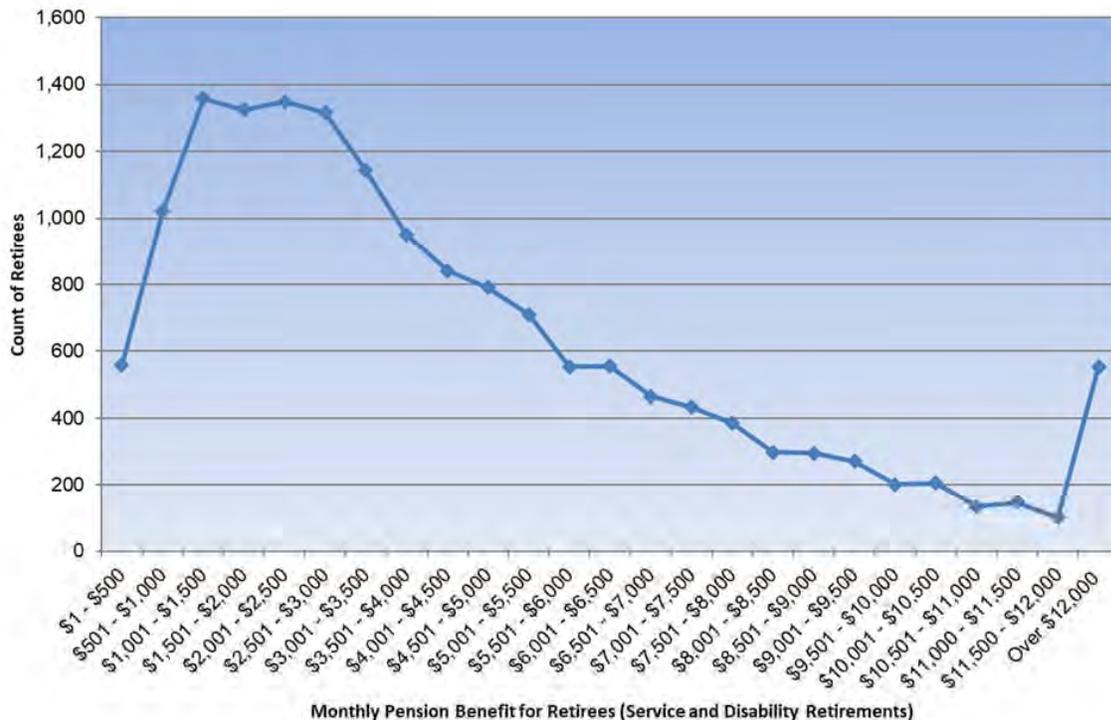
Years of Service

Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30 & Over
<b>PERIOD 1/1/10 –12/31/10</b>							
Median Monthly Pension Benefits	\$590	\$887	\$1,610	\$2,438	\$3,721	\$5,396	\$6,501
Median "Final Average Salary"	\$2,109	\$3,750	\$4,688	\$5,638	\$6,826	\$7,152	\$7,451
Number of Retired Members	23	45	108	106	130	127	129
<b>PERIOD 1/1/11 –12/31/11</b>							
Median Monthly Pension Benefits	\$557	\$889	\$1,456	\$2,567	\$3,994	\$5,762	\$5,691
Median "Final Average Salary"	\$2,825	\$4,698	\$4,987	\$5,501	\$6,856	\$7,807	\$6,409
Number of Retired Members	16	55	111	86	120	123	155
<b>PERIOD 1/1/12 –12/31/12</b>							
Median Monthly Pension Benefits	\$542	\$992	\$1,427	\$2,568	\$3,659	\$5,830	\$5,801
Median "Final Average Salary"	\$3,431	\$4,742	\$4,730	\$5,747	\$6,166	\$7,783	\$6,831
Number of Retired Members	20	71	128	88	187	145	172
<b>PERIOD 1/1/13 –12/31/13</b>							
Median Monthly Pension Benefits	\$280	\$989	\$1,767	\$2,545	\$3,225	\$6,246	\$6,570
Median "Final Average Salary"	\$6,334	\$5,582	\$5,783	\$5,959	\$7,036	\$8,477	\$7,742
Number of Retired Members	29	55	139	82	161	147	131
<b>PERIOD 1/1/14 –12/31/14</b>							
Median Monthly Pension Benefits	\$289	\$830	\$1,448	\$2,627	\$3,721	\$6,451	\$5,720
Median "Final Average Salary"	\$8,646	\$4,876	\$5,188	\$5,990	\$6,265	\$8,561	\$6,319
Number of Retired Members	23	45	146	96	143	192	138
<b>PERIOD 1/1/15 –12/31/15</b>							
Median Monthly Pension Benefits	\$426	\$914	\$1,640	\$2,514	\$3,511	\$5,241	\$5,965
Median "Final Average Salary"	\$7,350	\$4,979	\$4,926	\$5,999	\$5,924	\$7,379	\$6,869
Number of Retired Members	22	63	128	119	110	200	182
<b>PERIOD 1/1/16 –12/31/16</b>							
Median Monthly Pension Benefits	\$339	\$980	\$1,878	\$2,563	\$3,933	\$5,080	\$6,198
Median "Final Average Salary"	\$9,412	\$5,885	\$6,015	\$5,707	\$6,714	\$7,314	\$7,020
Number of Retired Members	24	56	121	120	113	195	163
<b>PERIOD 1/1/17 –12/31/17</b>							
Median Monthly Pension Benefits	\$393	\$843	\$1,703	\$2,574	\$3,845	\$5,404	\$6,333
Median "Final Average Salary"	\$8,043	\$4,996	\$5,560	\$5,946	\$6,842	\$7,673	\$7,058
Number of Retired Members	21	47	122	147	112	190	153
<b>PERIOD 1/1/18 –12/31/18</b>							
Median Monthly Pension Benefits	\$584	\$876	\$1,807	\$2,489	\$4,367	\$5,284	\$6,335
Median "Final Average Salary"	\$10,653	\$6,447	\$5,795	\$5,709	\$7,430	\$7,255	\$7,151
Number of Retired Members	23	62	125	144	127	205	208
<b>PERIOD 1/1/19 –12/31/19</b>							
Median Monthly Pension Benefits	\$349	\$1,108	\$1,956	\$2,715	\$4,141	\$5,591	\$6,524
Median "Final Average Salary"	\$6,738	\$7,434	\$6,459	\$6,068	\$7,308	\$7,328	\$7,430
Number of Retired Members	31	54	121	150	135	249	191

## OCERS by the Numbers

### Schedule of Monthly Pension Benefit for Retirees (Service and Disability Retirements) As of December 31, 2019

Monthly Benefit	Number of retirees
\$1 – 500	558
\$501 – 1,000	1,021
\$1,001 – 1,500	1,358
\$1,501 – 2,000	1,324
\$2,001 – 2,500	1,349
\$2,501 – 3,000	1,316
\$3,001 – 3,500	1,143
\$3,501 – 4,000	950
\$4,001 – 4,500	840
\$4,501 – 5,000	791
\$5,001 – 5,500	710
\$5,501 – 6,000	554
\$6,001 – 6,500	555
\$6,501 – 7,000	465
\$7,001 – 7,500	433
\$7,501 – 8,000	384
\$8,001 – 8,500	298
\$8,501 – 9,000	295
\$9,001 – 9,500	270
\$9,501 – 10,000	201
\$10,001 – 10,500	206
\$10,501 – 11,000	133
\$11,001 – 11,500	146
\$11,501 – 12,000	100
Over \$12,000	553
<b>Total</b>	<b>15,953</b>



**OCERS by the Numbers**

***The OCERS Fund***

## OCERS by the Numbers

### Funding Sources

#### Funding Sources for Benefits (OCERS' net additions for the period 1998 – 2019)



An often stated error with regard to public pension retirement funds is that they are funded solely from the taxpayers' back pocket.

That is not true.

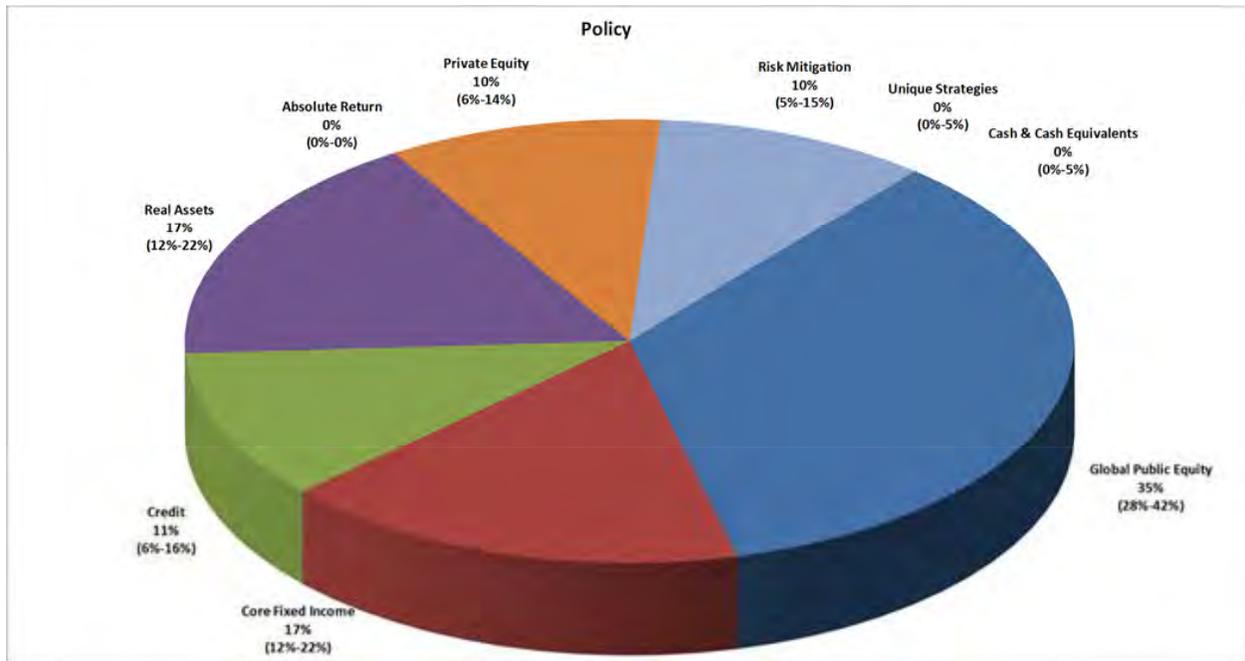
We have illustrated here a dollar going out the door in a benefit payment from OCERS to one of our retirees. What were the source funds for that dollar?

The first portion of that dollar, at 53 cents, is purely earnings from the OCERS investment portfolio. The OCERS Board of Trustees takes the contributions OCERS receives from both employees and employers and invests those contributions on behalf of our approximately 47,000 members. OCERS grows those "seed" contributions through careful investments to an amount likely larger than an individual employee might have done solely on his or her own.

The next largest portion of that benefit dollar, at 32 cents, comes from employer contributions, such as those paid by the County of Orange, the City of San Juan Capistrano, the Public Law Library, and other public employers within Orange County. You might ask if those aren't local taxpayer dollars then, but the answer would be no. Many of those 32 cents do come from Orange County taxpayers, without a doubt, but some might just as well be paid from various federal government grant programs or other sources. Interestingly, that figure of 32 cents paid by the employers would be even larger were it not for the fact that some OCERS employees assist in paying the employer obligation.

The final portion of the benefit dollar in the amount of 15 cents is taken directly from the regular paychecks of OCERS' members. Despite what is sometimes reported in the press, the hard working employees of the County of Orange and our other participating employers are contributing their own dollars to their retirement plan. In addition, as noted in the prior paragraph, several employee groups pay a portion of the employer contribution out of their own pockets to further help fund their own retirement benefit. The County of Orange some years ago contracted with labor groups to have the employees pay a portion of the employer contribution in what is commonly termed a "reverse pick up."

## Asset Allocation Policy for 2019



**Credit** – The fixed income-related strategies are diversified by region, by credit quality, and by sources of risk. The general shared characteristics of these strategies are a degree of illiquidity, and a focus on current yield as a principal source of expected return.

**Core Fixed Income** – A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate.

**Global Public Equity** – A stock or any other security representing an ownership interest. (Domestic – U.S.; Global – U.S. and developed countries outside the U.S.; International – developed countries outside of the U.S.; Emerging Markets – countries that are less economically developed).

**Private Equity** – Private equity includes investments in venture capital, buyouts, secondaries and special situations including distressed debt. These assets are illiquid and valuations are not marked to market on a daily basis. Valuations for private equity investments are based on estimates of fair value in accordance with industry standards.

**Real Asset** – Investments in physical or tangible assets that have a value due to their substance and properties. Real assets consist of both private and public securities, and include both equity and debt-oriented investments. Real assets includes a number of sub-asset classes including agriculture, energy, timber, infrastructure, and real estate.

**Risk Mitigation** – investments aimed at protecting the OCERS' portfolio during severe equity market downturns with a secondary objective of producing an uncorrelated positive real return in the long-term.

**Unique Strategies** – An investment that can have characteristics representative of any asset class, wholly or blended. These investments are designed to achieve rates of return consistent with or in excess of the actuarial expected rate of return with low correlation to other portfolio holdings. Often these investments are private and valuations may be based on estimates of fair value in accordance with industry standards.

## OCERS by the Numbers

### Fund Performance

OCERS' investment program returned 14.4% net of fees in 2019 and the portfolio finished the year with a market value of \$17.3 billion, up from \$15.1 billion at the end of 2018. The one-year return was in line with the policy index of 14.5% and more than doubled OCERS' actuarial assumed rate of return of 7.0%. As of as of December 31, 2019, the portfolio returned 7.3% and 6.0% over the 10-and 20 year time periods, respectively.

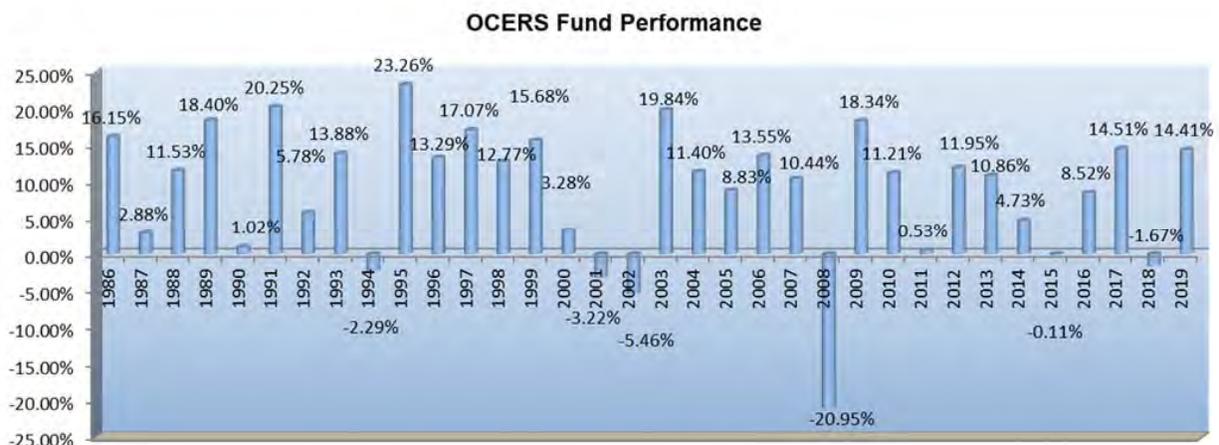
2019 was a strong year for most risk-oriented assets. Global public equities led the way in performance with OCERS' global equity portfolio gaining 26.9% vs 26.4% for the MSCI ACWI IMI index. Fixed income markets also enjoyed a solid 2019 as the yield on the 10-year Treasury declined from 2.69% to 1.92% throughout the year. OCERS' core fixed income portfolio returned 8.8% net of fees during the year in line with the 8.8% return for OCERS' custom fixed income benchmark. Real estate and private equity were positive contributors to performance in 2019.

#### OCERS' Fund Performance by Calendar Years 1986 – 2019

As of Dec. 31	Return	Assumed Rate of Return
1986	16.15%	7.25%
1987	2.88%	7.25%
1988	11.53%	7.25%
1989	18.40%	7.50%
1990	1.02%	7.50%
1991	20.25%	8.00%
1992	5.78%	8.00%
1993	13.88%	8.00%
1994	-2.29%	8.00%
1995	23.26%	8.00%
1996	13.29%	8.00%
1997	17.07%	8.00%
1998	12.77%	8.00%
1999	15.68%	8.00%
2000	3.28%	8.00%
2001	-3.22%	8.00%
2002	-5.46%	8.00%

As of Dec. 31	Return	Assumed Rate of Return
2003	19.84%	7.50%
2004	11.40%	7.75%
2005	8.83%	7.75%
2006	13.55%	7.75%
2007*	10.44%	7.75%
2008	-20.95%	7.75%
2009	18.34%	7.75%
2010	11.21%	7.75%
2011	.53%	7.75%
2012	11.95%	7.25%
2013	10.86%	7.25%
2014	4.73%	7.25%
2015	-0.11%	7.25%
2016	8.52%	7.25%
2017	14.51%	7.00%
2018	-1.67%	7.00%
2019	14.41%	7.00%

\*As of 2007, returns are presented net of fees.

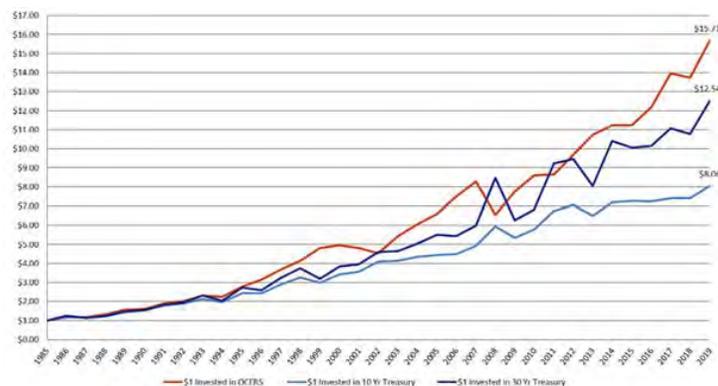


## OCERS by the Numbers

### Growth of a Dollar in OCERS Compared to Treasury Bonds 1985 – 2019

	\$1 Invested in OCERS	\$1 Invested in 10 Yr Treasury	\$1 Invested in 30 Yr Treasury
1985	\$1.00	\$1.00	\$1.00
1986	\$1.16	\$1.20	\$1.25
1987	\$1.19	\$1.16	\$1.15
1988	\$1.33	\$1.23	\$1.24
1989	\$1.58	\$1.44	\$1.49
1990	\$1.59	\$1.53	\$1.56
1991	\$1.91	\$1.80	\$1.84
1992	\$2.03	\$1.91	\$1.96
1993	\$2.31	\$2.14	\$2.32
1994	\$2.25	\$1.97	\$2.04
1995	\$2.78	\$2.44	\$2.72
1996	\$3.15	\$2.44	\$2.60
1997	\$3.68	\$2.90	\$3.24
1998	\$4.16	\$3.27	\$3.76
1999	\$4.81	\$3.00	\$3.20
2000	\$4.96	\$3.43	\$3.84
2001	\$4.80	\$3.57	\$3.97
2002	\$4.54	\$4.09	\$4.61
2003	\$5.44	\$4.15	\$4.65
2004	\$6.06	\$4.35	\$5.06
2005	\$6.60	\$4.44	\$5.50
2006	\$7.49	\$4.50	\$5.44
2007	\$8.30	\$4.94	\$5.99
2008	\$6.58	\$5.94	\$8.47
2009	\$7.80	\$5.35	\$6.27
2010	\$8.71	\$5.78	\$6.82
2011	\$8.77	\$6.76	\$9.24
2012	\$9.85	\$7.05	\$9.46
2013	\$10.95	\$6.50	\$8.04
2014	\$11.49	\$7.19	\$10.40
2015	\$11.50	\$7.26	\$10.07
2016	\$12.19	\$7.25	\$10.15
2017	\$13.96	\$7.40	\$11.08
2018	\$13.73	\$7.40	\$10.77
2019	\$15.71	\$8.06	\$12.54

**Growth of a Dollar**

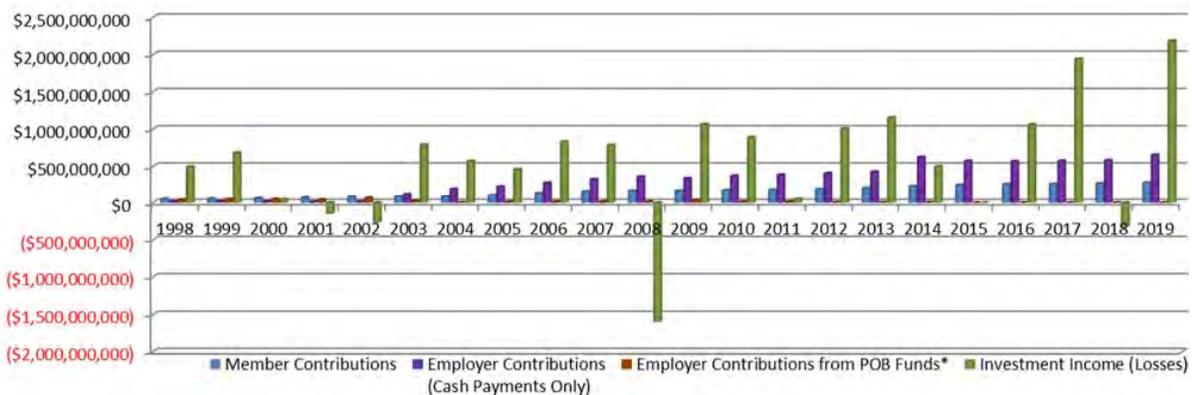


## OCERS by the Numbers

### Revenue

#### Member and Employer Contributions and Investment Income and Losses to Pension Trust

Year	Member Contributions	Employer Contributions (Cash Payments Only to Pension Trust)	Employer Contributions from POB Funds*	Investment Income (Losses)
1998	\$50,557,000	\$17,977,000	\$42,020,000	\$493,491,000
1999	\$55,693,000	\$17,591,000	\$47,129,000	\$685,178,000
2000	\$61,179,000	\$15,561,000	\$48,555,000	\$45,284,000
2001	\$68,635,000	\$12,060,000	\$41,319,000	(\$149,858,000)
2002	\$77,917,000	\$13,289,000	\$65,180,000	(\$269,188,000)
2003	\$81,581,000	\$124,243,000	\$26,209,000	\$789,086,000
2004	\$81,931,000	\$194,430,000	\$3,579,000	\$569,000,000
2005	\$107,544,000	\$226,130,000	\$9,675,000	\$461,980,000
2006	\$137,582,000	\$277,368,000	\$11,000,000	\$830,200,000
2007	\$159,476,000	\$326,736,000	\$11,000,000	\$784,961,000
2008	\$172,291,000	\$360,365,000	\$12,600,000	(\$1,596,776,000)
2009	\$171,928,000	\$338,387,000	\$34,900,000	\$1,064,855,000
2010	\$177,929,000	\$372,437,000	\$11,000,000	\$888,542,000
2011	\$183,820,000	\$387,585,000	\$11,000,000	\$50,456,000
2012	\$191,215,000	\$406,521,000	\$5,500,000	\$1,004,770,000
2013	\$209,301,000	\$427,095,000	\$5,000,000	\$1,152,647,000
2014	\$232,656,000	\$625,520,000	\$5,000,000	\$499,195,000
2015	\$249,271,000	\$571,298,000	\$0	(\$10,873,000)
2016	\$258,297,000	\$567,196,000	\$0	\$1,061,243,000
2017	\$262,294,000	\$572,104,000	\$0	\$1,939,635,000
2018	\$270,070,000	\$580,905,000	\$0	(\$324,628,000)
2019	\$279,373,000	\$653,793,000	\$0	\$2,183,808,000



\* In September 1994, the County of Orange issued \$320 million in Pension Obligation Bonds (POB's) of which \$318.3 million in proceeds were paid to OCERS to fund the County's portion of the Unfunded Actuarial Accrued Liability (UAAL). For accounting purposes, OCERS maintains the proceeds for the POB's in the County Investment Account. OCERS and the County of Orange, a single participating district, entered into an agreement which provided an offsetting credit based upon an amount actuarially determined to deplete the County Investment Account over the then remaining UAAL amortization period. The County determines annually how the account will be applied to contribution requirements.

## OCERS by the Numbers

## Fund Status

OCERS' independent actuary, Segal Consulting, performed an actuarial valuation as of December 31, 2019 and determined that OCERS' funding ratio of actuarial assets to the actuarial accrued liability is 73.17%, which increased from the prior's year's funded status of 72.43%. (See *The Evolution of OCERS UAAL* at [ocers.org](http://ocers.org))

**OCERS' Funded Status by Calendar Years 1986 – 2019**  
(Dollars in thousands)

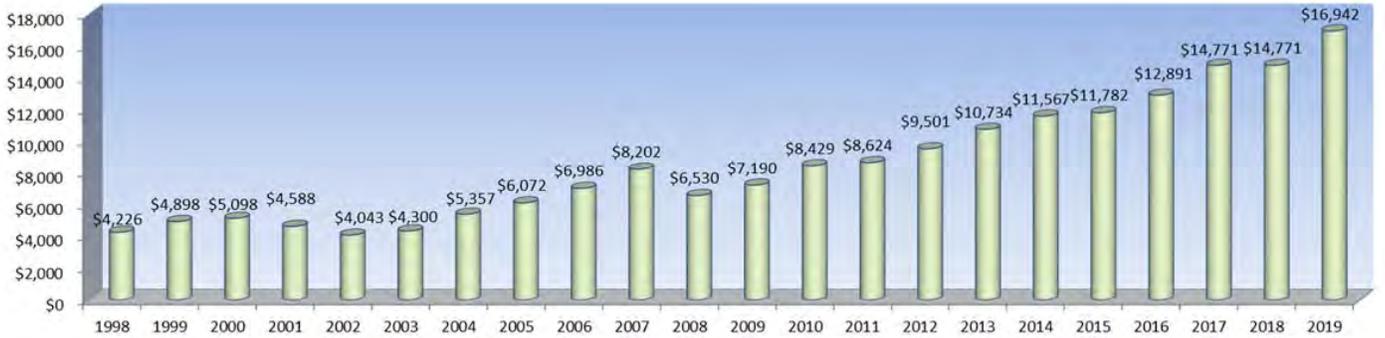
Actuarial Valuation Date Dec. 31	Valuation Value of Assets (VVA) (a)	Actuarial Accrued Liability (AAL) (b)	Total Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Investment Returns
2019	\$16,036,869	\$21,916,730	\$5,879,861	73.17%**	14.41%
2018	\$14,994,420	\$20,703,349	\$5,708,929	72.43%	-1.67%
2017	\$14,197,125	\$19,635,427	\$5,438,302	72.30%	14.51%
2016	\$13,102,978	\$17,933,461	\$4,830,483	73.06%	8.52%
2015	\$12,228,009	\$17,050,357	\$4,822,348	71.72%	-0.11%
2014	\$11,449,911	\$16,413,124	\$4,963,213	69.76%	4.73%
2013	\$10,417,125	\$15,785,042	\$5,367,917	65.99%	10.86%
2012	\$9,469,208	\$15,144,888	\$5,675,680	62.52%	11.95%
2011	\$9,064,355	\$13,522,978	\$4,458,623	67.03%	0.53%
2010	\$8,672,592	\$12,425,873	\$3,753,281	69.79%	11.21%
2009	\$8,154,687	\$11,858,578	\$3,703,891	68.77%	18.34%
2008	\$7,748,380	\$10,860,715	\$3,112,335	71.34%	-20.95%
2007*	\$7,288,900	\$9,838,686	\$2,549,786	74.08%	10.44%
2006	\$6,466,085	\$8,765,045	\$2,298,960	73.77%	13.55%
2005	\$5,786,617	\$8,089,627	\$2,303,010	71.53%	8.83%
2004	\$5,245,821	\$7,403,972	\$2,158,151	70.85%	11.40%
2003	\$4,790,099	\$6,099,433	\$1,309,334	78.53%	19.84%
2002	\$4,695,675	\$5,673,754	\$978,079	82.76%	-5.46%
2001	\$4,586,844	\$4,843,899	\$257,055	94.69%	-3.22%
2000	\$4,497,362	\$4,335,025	(\$162,337)	103.74%	3.28%
1999	\$3,931,744	\$4,017,279	\$85,535	97.87%	15.70%
1998	\$3,504,708	\$3,682,686	\$177,978	95.17%	12.77%
1997	\$3,128,132	\$3,332,967	\$204,835	93.85%	17.07%
1996	\$2,675,632	\$2,851,894	\$176,262	93.82%	13.29%
1995	\$2,434,406	\$2,633,884	\$199,478	92.43%	23.26%
1994	\$2,177,673	\$2,550,059	\$372,386	85.40%	-2.29%
1993	\$2,024,447	\$2,305,019	\$280,572	87.83%	13.88%
1992	\$1,807,319	\$2,140,081	\$332,763	84.45%	5.78%
1991	\$1,567,131	\$1,763,894	\$196,763	88.84%	20.25%
1990	\$1,297,575	\$1,840,915	\$543,340	70.49%	1.02%
1989	\$1,136,210	\$1,651,988	\$515,778	68.78%	18.40%
1988	\$985,030	\$1,453,858	\$468,828	67.75%	11.53%
1987	\$821,884	\$1,343,982	\$522,098	61.16%	2.88%
1986	\$713,506	\$1,220,915	\$507,409	58.44%	16.15%

\*As of 2007, returns are presented net of fees

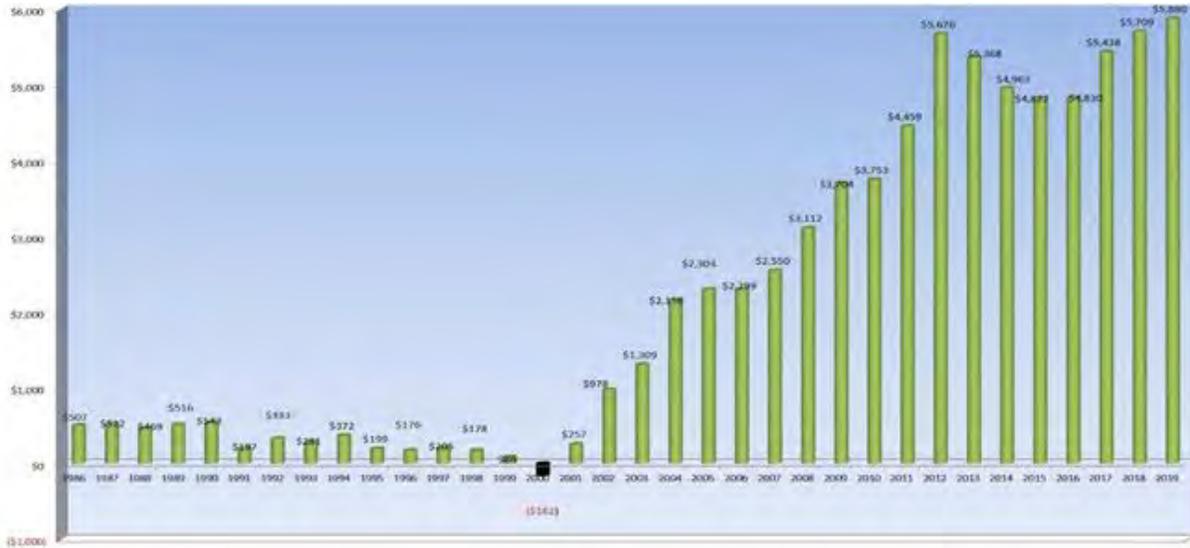
\*\* Note: On a market value basis OCERS' funded status is 75.36%

## OCERS by the Numbers

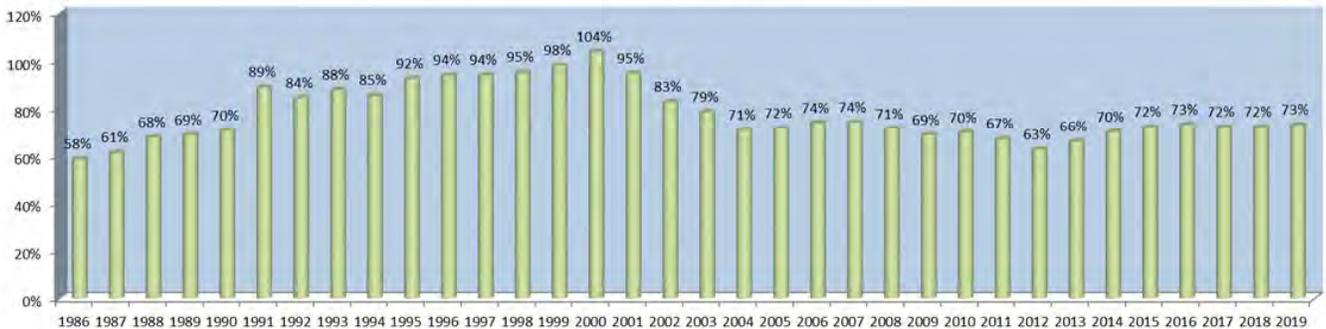
### Growth of System Net Investments at Fair Value (Dollars in Millions)



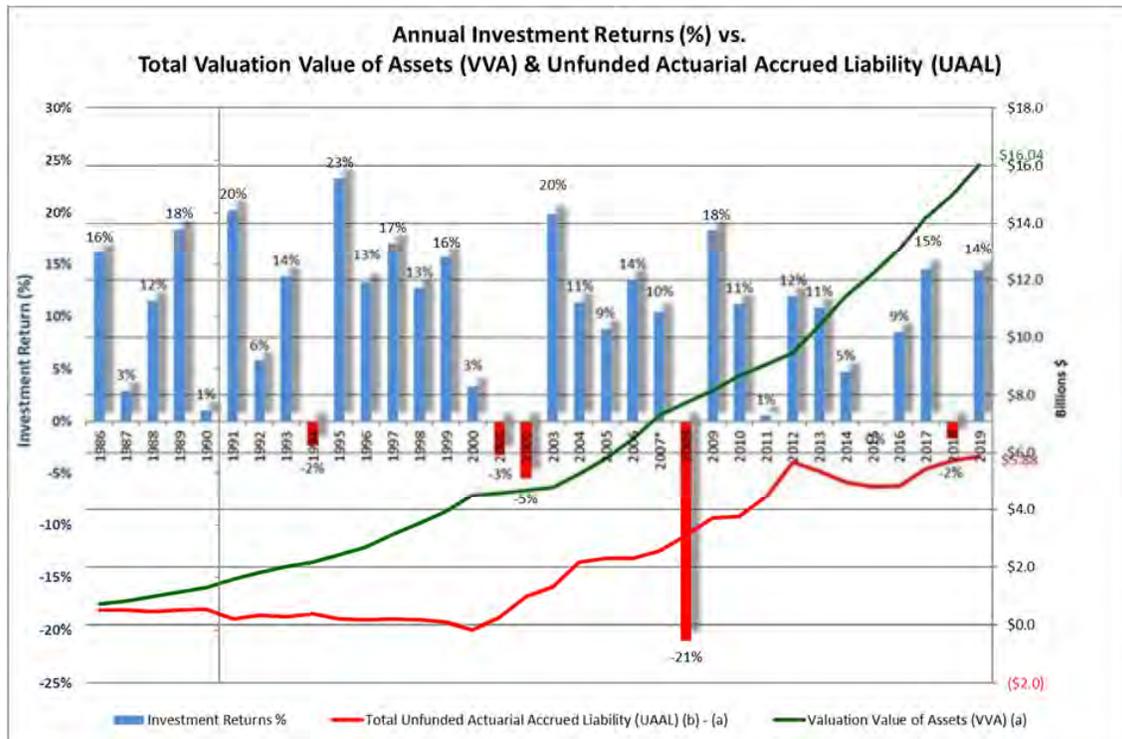
### Unfunded Actuarial Accrued Liabilities (UAAL) (Dollars in Millions)



### Funded Ratio by Calendar Years (Rounded)



## OCERS by the Numbers



This chart demonstrates how positive earnings in most years will cause the Unfunded Actuarial Accrued Liability (UAAL) to decrease. Interestingly this chart also illustrates how the UAAL can grow larger even when the pension fund's investment portfolio returns are positive.

First we need a definition for the UAAL. It simply means that the value of the retirement benefits promised by employers is larger than the actual dollars the retirement system has on hand. The difference between the two is called the UAAL. Having a UAAL is not a bad thing, a retirement system does not need to have in the bank today every benefit dollar that will ever be paid out in the coming 10, 20, 30 years or more. It is much like a parent saving for his or her child's college education. All the dollars required to pay that future obligation do not need to be in the parent's bank account today. In fact the parent is planning on including the returns from sound investments to help meet that future obligation.

OCERS has a plan in place to pay off the UAAL in 20 year increments. That plan includes an expectation that the OCERS portfolio will earn on average 7.00% each calendar year, while each employer and individual member in turn continues to pay the monthly contribution required of them by OCERS' actuary. It's good to note here that no OCERS employer or individual OCERS member has ever failed to make the annual actuarially required contribution to the OCERS retirement system.

While it is fairly easy to understand that when the portfolio does not earn its expected 7.00% in a year, that will cause the UAAL to grow, how is it possible for the UAAL to grow even in years where the portfolio earnings are at least positive? Note the chart above. The blue bars indicate how much OCERS earned on its investment portfolio each calendar year. The green line measuring total assets held in the portfolio is doing well and growing strongly because of those many good years. The red line tracks the rise and fall of the UAAL. The few red bars indicate when the portfolio actually lost money. In those years with the red bars, as you would expect, you can see an uptick in the UAAL as measured by the red line. But back to our basic question, how is it that even in some good years you can see a rise in the UAAL as tracked by that red line?

Two basic reasons – in some years, such as 2011, even though the earnings bar is blue, it is barely blue, that is, even though the portfolio had positive returns, it didn't make the amount of money that was expected. Positive returns yes, but since it was not enough to meet the earnings expectation in that year, there was an uptick in the UAAL. The other cause can occur when there is a change made to a basic assumption. 2012 is a good example of that – a strong blue bar representing a 12% return; easily beating our then expected 7.75%. However, in that same year of 2012 we lowered what we assumed could be earned in future years from 7.75% to 7.25% so the UAAL rose. If a parent saving for their child's college education is expecting to earn 7.75% on their savings account suddenly learns the bank is only crediting 7.25% in the future, the parent won't have enough dollars in that account when the child finally reaches the big day. So too with OCERS, by lowering its assumed earnings rate for future years in 2012 the red line had to tick upward despite the good earnings in that year in order to account for the fact that OCERS had to anticipate fewer future dollars would be gained from investment earnings.





## Memorandum

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**DATE:** August 17, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** **THE EVOLUTION OF THE OCERS UAAL (2020 EDITION)**

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Item I-10 – THE EVOLUTION OF THE OCERS UAAL (2020 EDITION) has been pulled and will be presented at a later date.

**Submitted by:**



**SD - Approved**

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Steve Delaney  
Chief Executive Officer



## Memorandum

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**DATE:** August 17, 2020  
**TO:** Members, Board of Retirement  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations  
**SUBJECT:** 2020 EMPLOYER AND EMPLOYEE CONTRIBUTIONS MATRIX

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### Written Report

#### Background/Discussion

On an annual basis I provide the Board with an updated contribution comparison matrix showing the various contribution rate provisions paid by employers and employees across several rate groups and plans. This document is intended to provide a high level overview of the rates, ownership of the funds once they are sent to OCERS, as well as some of the pick-up arrangements that the OCERS Employers have bargained for with their employees.

#### Submitted by:



S. J. – APPROVED

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Suzanne Jenike  
Assistant CEO, External Operations

## 2020 LEGACY CONTRIBUTION COMPARISON

Contribution rates are based on age at entry. For the purpose of this information the contribution rate reflected is the average age for that rate group.  
 The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2020

A Number of Members	B Tier, Plan and Rate Group	C Rep Units	D Description	E Net Employer Costs = (ER + EE P/U) - REV P/U	F Employer Contribution Rate	G Employee Contribution Rate	Employer Owned		Employee Owned		L Net Employee Costs
							H Pick up Rates Eff (.1 ER P/U *)	I Pick up Rates Eff (.2 ER P/U (varies) *)	Employee Paid EE Contributions		
									J EE Rate	K EE Reverse Pickup Rate (Reduces ER Cost)	
<b>Rate Group #1 - General Members; Non-OCTA; County Only - Avg Age = 32</b>											
0.01%	1			15.79%	15.79%	6.93%	0.00%	0.00%	6.93%	0.00%	6.93%
4.74%	639	EW	Eligibility Worker Unit	15.79%	15.79%	9.33%	0.00%	0.00%	9.33%	0.00%	9.33%
0.01%	2	PO	Deputy Sheriff Trainee	18.62%	18.62%	9.33%	0.00%	0.00%	9.33%	0.00%	9.33%
<b>Rate Group #1 - IHSS - Avg Age = 38</b>											
0.05%	7			18.62%	18.62%	10.29%	0.00%	0.00%	10.29%	0.00%	10.29%
<b>Rate Group #2 - General Members 2.7@55 Non-OCFA. County only limited barg units, see disclaimer - Avg Age = 32</b>											
0.01%	1			33.44%	39.41%	13.60%	0.00%	0.00%	13.60%	5.970%	19.57%
6.58%	887	MA	OCMA Member	33.44%	39.41%	13.01%	0.00%	0.00%	13.01%	5.970%	18.98%
0.09%	12			31.28%	31.28%	8.56%	0.00%	0.00%	8.56%	0.000%	8.56%
0.04%	6	MB	OCMA Member	33.44%	39.41%	13.01%	0.00%	0.00%	13.01%	5.970%	18.98%
0.02%	3			31.28%	31.28%	8.56%	0.00%	0.00%	8.56%	0.000%	8.56%
2.23%	300	AT	Attorney	35.14%	39.41%	13.01%	0.00%	0.00%	13.01%	4.270%	17.28%
1.59%	214			33.92%	39.41%	13.01%	0.00%	0.00%	13.01%	5.490%	18.50%
0.01%	2	SSO	Sheriff Special Officer	31.28%	31.28%	8.56%	0.00%	0.00%	8.56%	0.000%	8.56%
0.00%	0			30.78%	39.41%	13.60%	0.00%	0.00%	13.60%	8.630%	22.23%
0.62%	84	E1, E2, E3, EA	County Board of Supv Elected Officials Exec. Mgmt.	33.18%	39.41%	13.01%	0.00%	0.00%	13.01%	6.230%	19.24%
0.03%	4			28.04%	31.28%	8.56%	0.00%	0.00%	8.56%	3.240%	11.80%
0.13%	17			33.92%	39.41%	13.60%	0.00%	0.00%	13.60%	5.490%	19.09%
43.51%	5865	CL, CS, GE, HP, SM, OS	OCEA represented	33.92%	39.41%	13.01%	0.00%	0.00%	13.01%	5.490%	18.50%
0.99%	134			31.28%	31.28%	8.56%	0.00%	0.00%	8.56%	0.000%	8.56%
0.01%	1			35.68%	39.41%	13.60%	0.00%	0.00%	13.60%	3.730%	17.33%
0.31%	42	CP	Craft and Plant IUOE Members	34.68%	39.41%	13.01%	0.00%	0.00%	13.01%	4.730%	17.74%
0.03%	4			31.28%	31.28%	8.56%	0.00%	0.00%	8.56%	0.000%	8.56%
0.19%	26	GM		31.52%	39.41%	13.01%	0.00%	0.00%	13.01%	7.890%	20.90%
0.21%	28	GS		31.52%	39.41%	13.01%	0.00%	0.00%	13.01%	7.890%	20.90%
<b>Rate Group #2 - Superior Court - Avg Age = 33</b>											
0.01%	1	CC, SG		33.41%	39.41%	13.83%	0.00%	0.00%	13.83%	6.00%	19.83%
0.01%	1	E6		39.41%	39.41%	13.83%	0.00%	0.00%	13.83%	0.00%	13.83%
0.95%	128	AX, CX, E5		36.41%	39.41%	13.22%	0.00%	0.00%	13.22%	3.00%	16.22%
0.07%	10	E6		39.41%	39.41%	13.22%	0.00%	0.00%	13.22%	0.00%	13.22%
5.41%	729	CC, SS, SG		33.41%	39.41%	13.22%	0.00%	0.00%	13.22%	6.00%	19.22%
0.33%	44	CI		33.41%	39.41%	13.22%	0.00%	0.00%	13.22%	6.00%	19.22%
0.15%	20	AX, CC, CX, SG, SS		31.28%	31.28%	8.69%	0.00%	0.00%	8.69%	0.00%	8.69%
<b>Rate Group #2 - SJC - Avg Age = 36</b>											
0.01%	1			39.41%	39.41%	14.56%	0.00%	0.00%	14.56%	0.00%	14.56%
0.17%	23			39.41%	39.41%	13.92%	0.00%	0.00%	13.92%	0.00%	13.92%
0.12%	16			37.18%	37.18%	11.97%	0.00%	0.00%	11.97%	0.00%	11.97%
0.01%	1			29.18%	33.78%	7.03%	0.00%	0.00%	7.03%	0.00%	7.03%

## 2020 LEGACY CONTRIBUTION COMPARISON

Contribution rates are based on age at entry. For the purpose of this information the contribution rate reflected is the average age for that rate group.  
 The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2020

A Number of Members	B Tier, Plan and Rate Group	C Rep Units	D Description	E Net Employer Costs = (ER + EE P/U) - REV P/U	F Employer Contribution Rate	G Employee Contribution Rate	Employer Owned		Employee Owned		L Net Employee Costs
							H Pick up Rates Eff  (.1 ER P/U *)	I Pick up Rates Eff  (.2 ER P/U (varies) *)	Employee Paid EE Contributions		
									J EE Rate	K EE Reverse Pickup Rate (Reduces ER Cost)	
<b>Rate Group #2 - OCERS Mgmt (future service) - Avg Age = 35</b>											
0.11%	15	Tier 2 - Plan J - 2.7%@55 - 3 year MP		38.27%	38.27%	13.68%	0.00%	0.00%	13.68%	0.00%	13.68%
<b>Rate Group #2 - Children &amp; Families Comm. (future service) - Avg Age = 33</b>											
0.04%	5	Tier 2 - Plan J - 2.7%@55 - 3 year MP		18.23%	17.62%	13.22%	4.24%	0.00%	8.98%	3.63%	8.37%
<b>Rate Group #2 - LAFCO (future service) - Avg Age = 33</b>											
0.01%	2	Tier 2 - Plan J - 2.7%@55 - 3 year MP		41.35%	39.41%	13.22%	5.06%	0.00%	8.16%	3.12%	6.22%
<b>Rate Group #3 - Sanitation - Avg Age = 34</b>											
0.00%	0	Tier 1 - Plan G - 2.5%@55 - 1 year MP		13.24%	13.24%	13.79%	0.00%	0.00%	13.79%	0.00%	13.79%
2.18%	294	Tier 2 - Plan H - 2.5%@55 - 3 year MP		16.74%	13.24%	13.18%	0.00%	3.50%	13.18%	0.00%	9.68%
0.39%	52	Tier 2 - Plan B - 1.667%@57 1/2 - 3 year MP		11.11%	11.11%	9.70%	0.00%	0.00%	9.70%	0.00%	9.70%
<b>Rate Group #5 - OCTA - Avg Age = 36</b>											
0.01%	1	Tier 1 - Plan A - 2%@57 - 1 year MP	CO	30.63%	30.63%	7.53%	0.00%	0.00%	7.53%	0.00%	7.53%
6.91%	931	Tier 2 - Plan B - 1.667%@57 1/2 - 3 year MP	CO, MN, TCU, NONE	30.63%	30.63%	10.08%	0.00%	0.00%	10.08%	0.00%	10.08%
<b>Rate Group #6 - Probation - Avg Age = 27</b>											
0.04%	5	Tier 2 - Plan F - 3%@50 - 3 year MP - Mgmt	E4/E8	Executive	55.73%	55.73%	17.36%	0.00%	17.36%	0.00%	17.36%
0.62%	84	Tier 2 - Plan F - 3%@50 - 3 year MP - Mgmt	PM		55.73%	55.73%	17.36%	0.00%	17.36%	0.00%	17.36%
3.75%	506	Tier 2 - Plan F - 3%@50 - 3 year MP - Officer	PS	Probation Services	55.73%	55.73%	17.36%	0.00%	17.36%	0.00%	17.36%
<b>Rate Group #7 - County Law Enforcement - Avg Age = 27</b>											
6.44%	868	Tier 2 - Plan F - 3%@50 - 3 year MP - Sheriff	PO/SP	New Hires After	67.35%	67.35%	18.01%	0.00%	18.01%	0.00%	18.01%
2.89%	389	Tier 2 - Plan R - 3%@55 - 3 year MP - Sheriff		4/9/2010	64.19%	64.19%	16.87%	0.00%	16.87%	0.00%	16.87%
0.65%	87	Tier 2 - Plan F - 3%@50 - 3 year MP - Sheriff		Law Enforce/Mgmt	67.35%	67.35%	18.01%	0.00%	18.01%	0.00%	18.01%
<b>Rate Group #8 - Fire Authority Safety - Avg Age = 30</b>											
4.35%	586	Tier 2 - Plan F - 3%@50 - 3 year MP	FF, F3 T1, T3	Fire Fighter Engineer 14.5%	52.22%	50.81%	18.18%	0.00%	14.50%	0.00%	13.09%
0.00%	0	Tier 2 - Plan F - 3%@50 - 3 year MP	M3	Fire Management 15.99%	51.48%	50.81%	18.18%	0.00%	15.99%	0.00%	15.32%
0.33%	45	Tier 2 - Plan F - 3%@50 - 3 year MP	E3, M1	Full Rate	50.81%	50.81%	18.18%	0.00%	17.32%	0.00%	17.32%
1.14%	154	Tier 2 - Plan R - 3%@55 - 3 year MP	T5	New hires After 7/1/2012 - 14.5%	46.68%	45.67%	17.22%	0.00%	14.50%	0.00%	13.49%
<b>Rate Group #9 - TCA (retroactive upgrade) - Avg Age = 39</b>											
0.20%	27	Tier 2 - Plan N - 2%@55 - 3 year MP			14.51%	14.51%	10.99%	0.00%	10.99%	0.00%	10.99%

## 2020 LEGACY CONTRIBUTION COMPARISON

Contribution rates are based on age at entry. For the purpose of this information the contribution rate reflected is the average age for that rate group.  
 The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2020

							Employer Owned		Employee Owned			
							Employer Paid EE Contributions		Employee Paid EE Contributions			
A	B	C	D	E	F	G	H	I	J	K	L	
Number of Members	Tier, Plan and Rate Group	Rep Units	Description	Net Employer Costs = (ER + EE P/U) - REV P/U	Employer Contribution Rate	Employee Contribution Rate	Pick up Rates Eff	Pick up Rates Eff	EE Rate	EE Reverse Pickup Rate (Reduces ER Cost)	Net Employee Costs	
							(.1 ER P/U *)	(.2 ER P/U (varies) *)				
<b>Rate Group #10 - Fire Authority General - Avg Age = 33</b>												
0.79%	106	Tier 2 - Plan J - 2.7%@55 - 3 year MP	E2, G2, M2, S2		29.67%	29.67%	13.21%	0.00%	0.00%	13.21%	0.00%	13.21%
0.29%	39	Tier 2 - Plan N - 2.0%@55 - 3 year MP	E4, G4, M4, S4	New Hires After 7/1/2012	28.46%	28.46%	10.10%	0.00%	0.00%	10.10%	0.00%	10.10%
0.03%	4	Tier 2 - Plan J - 2.7%@55 - 3 year MP	SE	General Members .2 ER pickup over Flat Rate	39.67%	39.67%	13.21%	0.00%	0.00%	13.50%	0.00%	13.50%
<b>Rate Group #11 - Cemetery District (future service) - Avg Age = 31</b>												
0.11%	15	Tier 2 - Plan N - 2%@55 - 3 year MP	E9, ZC		12.05%	12.05%	9.64%	0.00%	0.00%	9.64%	0.00%	9.64%
<b>Rate Group #12 - OCPLL (future service) - Avg Age = 42</b>												
0.09%	12	Tier 2 - Plan H - 2.5%@55 - 3 year MP	ZL		14.30%	16.05%	14.93%	0.00%	0.00%	14.93%	1.75%	16.68%
100.00%	13480											

**Note:** The total employee contribution can have several components. There can be an employer pick up component where the employer can pay some or all of the employee's normal contributions under two different sections of the '37 Act (31581.1 & 31581.2). There is also a reverse pick up that is in addition to the regular normal employee contributions. The reverse pick up is always paid by the employee and goes into the employee contribution balance.

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 \*31581.1 & 31581.2 contribution percentages are calculated by the Employer and have not been validated by OCERS staff.  
 Tier 1 employees must have entered OCERS membership on or before September 21, 1979

## 2020 PEPRRA CONTRIBUTION COMPARISON

Contribution rates are based on age at entry. For the purpose of this information the contribution rate reflected is the average age for that rate group. The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2020.

A Number of Members	B Tier, Plan and Rate Group	C Rep Units	D Description	E Net Employer Costs = (ER + EE P/U) - REV P/U	F Employer Contribution Rate	G Employee Contribution Rate	Employer Owned		Employee Owned		L Net Employee Costs	
							Employer Paid EE Contributions		Employee Paid EE Contributions			
							H Pick up Rates Eff (.1 ER P/U *)	I Pick up Rates (.2 ER P/U (varies) *	J EE Rate	K EE Reverse Pickup Rate (Reduces ER Cost)		
<b>Rate Group #1 - General Members; Non-OCTA, County Only - Avg Age = 32</b>												
10.74%	868		EW	Eligibility Worker Unit	14.99%	14.99%	9.65%	0.00%	0.00%	9.65%	0.00%	9.65%
0.49%	40		PO	Deputy Sheriff Trainee	14.99%	14.99%	9.65%	0.00%	0.00%	9.65%	0.00%	9.65%
<b>Rate Group #1 - IHSS - Avg Age = 38</b>												
0.24%	19				14.99%	14.99%	10.63%	0.00%	0.00%	10.63%	0.00%	10.63%
<b>Rate Group #2 - General members non-OCFA. County only limited barg units, see disclaimer - Avg Age = 32</b>												
3.04%	246		MA	OCMA Member	28.07%	32.17%	6.74%	0.00%	0.00%	6.74%	4.100%	10.84%
0.41%	33		MB	OCMA Member	28.07%	32.17%	6.74%	0.00%	0.00%	6.74%	4.100%	10.84%
2.54%	205		AT	Attorney	33.83%	33.83%	8.61%	0.00%	0.00%	8.61%	0.000%	8.61%
0.69%	56		SSO	Sheriff Special Officer	30.95%	32.17%	6.74%	0.00%	0.00%	6.74%	1.220%	7.96%
0.09%	7		E2,E3		30.21%	32.17%	6.74%	0.00%	0.00%	6.74%	1.960%	8.70%
50.33%	4067		CL, CS, GE HP, SM, OS	OCEA represented	30.95%	32.17%	6.74%	0.00%	0.00%	6.74%	1.220%	7.96%
0.85%	69		CP		31.71%	32.17%	6.74%	0.00%	0.00%	6.74%	0.460%	7.20%
0.07%	6		GM		27.94%	32.17%	6.74%	0.00%	0.00%	6.74%	4.230%	10.97%
0.42%	34		GS		27.94%	32.17%	6.74%	0.00%	0.00%	6.74%	4.230%	10.97%
<b>Rate Group #2 - Superior Court - Avg Age = 33</b>												
4.59%	371		CC, E6,SG		32.17%	32.17%	6.85%	0.00%	0.00%	6.85%	0.00%	6.85%
0.78%	63		AX,CX,E5		32.17%	32.17%	6.85%	0.00%	0.00%	6.85%	0.00%	6.85%
0.43%	35		CI,SS,EC		32.17%	32.17%	6.85%	0.00%	0.00%	6.85%	0.00%	6.85%
<b>Rate Group #2 - SJC - Avg Age = 36</b>												
0.32%	26				33.83%	33.83%	9.18%	0.00%	0.00%	9.18%	0.00%	9.18%
<b>Rate Group #2 - OCERS Mgmt - Avg Age = 35</b>												
0.24%	19				32.69%	32.69%	9.03%	0.00%	0.00%	9.03%	0.00%	9.03%
<b>Rate Group #2 - Children &amp; Families Comm. - Avg Age = 33</b>												
0.10%	8				12.04%	12.04%	8.75%	0.00%	0.00%	8.75%	0.00%	8.75%
<b>Rate Group #2 - LAFCO - Avg Age = 33</b>												
0.02%	2				32.17%	32.17%	6.85%	0.00%	0.00%	6.85%	0.00%	6.85%
<b>Rate Group #3 - Sanitation - Avg Age = 34</b>												
3.08%	249				10.02%	10.02%	9.32%	0.00%	0.00%	9.32%	0.00%	9.32%
<b>Rate Group #5 - OCTA - Avg Age = 36</b>												
5.16%	417		CO, MN NONE, TCU		29.92%	29.92%	10.76%	0.00%	0.00%	10.76%	0.00%	10.76%
<b>Rate Group #6 - Probation - Avg Age = 27</b>												
0.89%	72		PS	Probation Services	59.75%	59.75%	15.96%	0.00%	0.00%	15.96%	0.00%	15.96%
<b>Rate Group #7 - County Law Enforcement - Avg Age = 27</b>												
8.37%	676		PO		49.04%	49.04%	17.96%	0.00%	0.00%	17.96%	0.00%	17.96%

## 2020 PEPRRA CONTRIBUTION COMPARISON

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A Number of Members	B Tier, Plan and Rate Group	C Rep Units	D Description	E Net Employer Costs = (ER + EE P/U) - REV P/U	F Employer Contribution Rate	G Employee Contribution Rate	Employer Owned		Employee Owned		L Net Employee Costs
							H Pick up Rates Eff (.1 ER P/U *)	I Pick up Rates (.2 ER P/U (varies) *)	J EE Rate	K EE Reverse Pickup Rate (Reduces ER Cost)	
<b>Rate Group #8 - Fire Authority Safety - Avg Age = 30</b>											
4.12%	333	F7, C7	Fire Chief	39.11%	39.11%	15.56%	0.00%	0.00%	15.56%	0.00%	15.56%
<b>Rate Group #9 - TCA (retroactive upgrade) - Avg Age = 39</b>											
0.38%	31			11.02%	11.13%	10.28%	0.00%	0.00%	10.28%	0.00%	10.28%
<b>Rate Group #10 - Fire Authority General - Avg Age = 33</b>											
1.31%	106	G6		25.12%	25.12%	9.45%	0.00%	0.00%	9.45%	0.00%	9.45%
0.10%	8	M6	Admin Mgmt	25.12%	25.12%	9.45%	0.00%	0.00%	9.45%	0.00%	9.45%
0.05%	4	S6	Supervisory	25.12%	25.12%	9.45%	0.00%	0.00%	9.45%	0.00%	9.45%
<b>Rate Group #11 - Cemetery District - Avg Age = 31</b>											
0.11%	9			12.33%	12.33%	9.93%	0.00%	0.00%	9.93%	0.00%	9.93%
<b>Rate Group #12 - OCPLL - Avg Age = 42</b>											
0.02%	2	ZL		7.61%	9.36%	10.08%	0.00%	0.00%	10.08%	1.75%	11.83%
<b>100.00%</b>	<b>8081</b>										

**Note:** The total employee contribution can have several components. There can be an employer pick up component where the employer can pay some or all of the employee's normal contributions under two different sections of the '37 Act (31581.1 & 31581.2). There is also a reverse pick up that is in addition to the regular normal employee contributions. The reverse pick up is always paid by the employee and goes into the employee contribution balance.

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## Memorandum

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**DATE:** August 17, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** **2020 STRATEGIC PLANNING WORKSHOP AGENDA**

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### Written Report

#### Background/Discussion

At the June 15 meeting of the OCERS Board of Retirement, it was determined that this year's Strategic Planning Workshop would still be held as planned on Wednesday, September 9 and Thursday, September 10. Bowing however to the realities of the current COVID-19 pandemic, it was also decided that the workshop would be held using virtual technology. Further, the length of each day's sessions was reduced to three hours per day.

At the July 20 meeting of the OCERS Board of Retirement we considered a proposed agenda, and also agreed to poll the Trustees to determine what schedule worked best.

That poll has been completed, and the overwhelming preference was to hold both sessions, Wednesday, September 9 and Thursday September 10 in the morning hours.

One further change has also occurred to the agenda that the Trustees previously reviewed. Chair Hilton has agreed that it is best to add time on Wednesday, September 9 for any follow up action that may be required in completing the actuarial Triennial Study, which will be considered in depth on August 17. An hour for such discussion has been added to the Wednesday agenda.

Though this is presented as an information item, I will be happy on August 17 to answer any questions Trustees may have regarding agenda topics.

Attached is the proposed agenda for the OCERS Board's annual Strategic Planning Workshop.

#### Submitted by:



**SD - Approved**

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Steve Delaney  
Chief Executive Officer

2020 Strategic Planning Workshop & Investment Forum  
 September 9 & 10, 2020

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**OCERS BOARD OF RETIREMENT**  
**2020 STRATEGIC PLANNING WORKSHOP**



OCERS Zoom Video/Teleconference information	
<p><b>Join Using Zoom App (Video &amp; Audio)</b></p> <p><a href="https://ocers.zoom.us/j/96047063145">https://ocers.zoom.us/j/96047063145</a></p> <p><b>Meeting ID: 960 4706 3145</b>  <b>Password: 931702</b></p> <p>Go to <a href="https://www.zoom.us/download">https://www.zoom.us/download</a> to download Zoom app before meeting                      Go to <a href="https://zoom.us">https://zoom.us</a> to connect online using any browser.</p>	<p><b>Join by Telephone (Audio Only)</b></p> <p>Dial by your location</p> <ul style="list-style-type: none"> <li>+1 669 900 6833 US (San Jose)</li> <li>+1 346 248 7799 US (Houston)</li> <li>+1 253 215 8782 US</li> <li>+1 301 715 8592 US</li> <li>+1 312 626 6799 US (Chicago)</li> <li>+1 929 436 2866 US (New York)</li> </ul> <p><b>Meeting ID: 960 4706 3145</b>  <b>Password: 931702</b></p>
<p>A <a href="#">Zoom Meeting Participant Guide</a> is available on OCERS website <a href="#">Board &amp; Committee meetings page</a></p>	

**AGENDA**  
**Wednesday, September 9, 2020**

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- |                      |  |                               |
|----------------------|--|-------------------------------|
| <b>9:00 – 9:10</b>   | <b>WELCOME</b>   | Chair Hilton, Steve Delaney   |
| <b>9:10 – 10:00</b>  | <b>HEARING FROM OUR STAKEHOLDERS</b><br><i>For more than a decade we have started each workshop by hearing first from our stakeholders.</i>  | County of Orange, OCEA, AOCDS |
| <b>10:00 – 10:30</b> | <b>A SECOND LOOK AT AGE BASED RATES</b><br><i>OCERS was nearly alone in continuing with Age Based member contribution rates when PEPPRA was first introduced. That creates a number of complications. Staff would like to discuss what might be gained by joining our sister systems in using a flat rate instead.</i> | Suzanne Jenike, Steve Delaney |
| <b>10:30 – 10:45</b> | <b>BREAK</b>   |                               |

2020 Strategic Planning Workshop & Investment Forum  
 September 9 & 10, 2020

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**10:45 – 11:30 PENSION ADMINISTRATION SYSTEM OUTLOOK** Suzanne Jenike, Jenny Sadoski,  
 Brenda Shott  
*V3 is now five years old. While we are still years away from an update or replacement, we do need to begin thinking now about what the future holds for our most important technological tool.*

**11:30-12:30 2020 ACTUARIAL TRIENNIAL STUDY** Paul Angelo, Segal  
*A triennial review of OCERS’s actuarial assumptions begins on August 17. This session will allow for conclusion of any actions that carry forward from that meeting.*

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**OCERS BOARD OF RETIREMENT**

**2020 STRATEGIC PLANNING WORKSHOP**



OCERS Zoom Video/Teleconference information	
<p><b>Join Using Zoom App (Video &amp; Audio)</b></p> <p><a href="https://ocers.zoom.us/j/92501764968">https://ocers.zoom.us/j/92501764968</a></p> <p><b>Meeting ID: 925 0176 4968</b>  <b>Password: 332226</b></p> <p>Go to <a href="https://www.zoom.us/download">https://www.zoom.us/download</a> to download Zoom app before meeting                      Go to <a href="https://zoom.us">https://zoom.us</a> to connect online using any browser.</p>	<p><b>Join by Telephone (Audio Only)</b></p> <p>Dial by your location</p> <ul style="list-style-type: none"> <li>+1 669 900 6833 US (San Jose)</li> <li>+1 346 248 7799 US (Houston)</li> <li>+1 253 215 8782 US</li> <li>+1 301 715 8592 US</li> <li>+1 312 626 6799 US (Chicago)</li> <li>+1 929 436 2866 US (New York)</li> </ul> <p><b>Meeting ID: 925 0176 4968</b>  <b>Password: 332226</b></p>
<p>A <a href="#">Zoom Meeting Participant Guide</a> is available on OCERS website <a href="#">Board &amp; Committee meetings page</a></p>	

**AGENDA**

**Thursday, September 10, 2020**

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**9:00 – 9:15 WELCOME** Vice Chair Dewane, Molly Murphy

**9:15 – 10:00 INTRODUCTION TO PRIVATE EQUITY CO-INVESTMENTS** Molly Murphy

**10:00 – 10:30 ANNUAL OCERS EMPLOYER REVIEW** Suzanne Jenike, Jeff Lamberson  
*An annual review of the financial health of our participating employers.*

**10:30 – 11:00 INVESTMENT CONTRACT TERMS – NEGOTIATIONS AND BEST PRACTICES** Molly Murphy

2020 Strategic Planning Workshop & Investment Forum  
September 9 & 10, 2020

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**11:00 – 11:15 BREAK**

**11:15 – 11:45 THE STATE OF OCERS** Steve Delaney  
*An annual review of the challenges and opportunities facing our system.*

**11:45 – 11:50 2021-2023 STRATEGIC PLAN** Steve Delaney

**11:50 – 12:30 2021 BUSINESS PLAN** OCERS Senior Executive Team

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](mailto: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.



## Memorandum

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**DATE:** August 05, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Cynthia Hockless, Director of Human Resources  
**SUBJECT:** STAFFING UPDATE

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### Presentation

OCERS Human Resources Department started the year with a budgeted headcount of ninety-three (93) positions. In January 2020, we had nine (9) vacancies. This number included the following six (6) vacancies carried over from 2019:

1. Director of Member Services
2. Investment Analyst
3. Senior Manager, Operations Support Services
4. Finance Staff Analyst
5. Accounting Technician
6. Staff Assistant

In addition to the aforementioned vacancies, the Board of Retirement approved the following three (3) internal career ladders bringing the total number of vacancies to nine (9):

1. Staff Analyst (Human Resources)
2. Sr. Investment Analyst (Investments)
3. Retirement Contribution Reconciliation Specialist (Member Services)

In 2020, we have had two employees leave OCERS employment leaving the following two (2) classifications open:

1. Senior Staff Development Specialist –Retired
2. Office Technician – Transferred to the County (Promotion)

With the many vacancies at the onset of the year, OCERS continued to support its philosophy of encouraging succession planning, internal promotions, and employee retention by promoting five (5) internal candidates. At the time of this report, the Human Resources department filled the following nine (9) vacancies:

#	POSITION	TYPE OF Recruitment
1	Member Services Director	External Candidate
2	Investment Staff Analyst	External Candidate
3	Finance Staff Analyst	Internal Promotion
4	Sr. Staff Development Specialist	Internal Promotion
5	HR Staff Analyst	Internal Promotion (Career Ladder)
6	Sr. Investment Analyst	Internal Promotion (Career Ladder)
7	Retirement Contribution Reconciliation Specialist	Internal Promotion (Career Ladder)
8	Accounting Technician	Transferred in from the County
9	Accounting Technician	Employee Reassigned

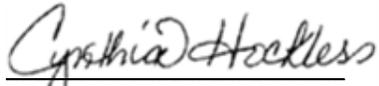
Currently, OCERS has a total of five (5) vacant positions. Due to the current health crisis, the following four (4) positions are on hold:

1. Senior Manager - Operations Support Services – OCERS Direct
2. Staff Assistant - Human Resources – County Position
3. Office Technician - Member Services – County Position
4. Accountant/Auditor II - Finance – County Position

The vacant Retirement Benefits Program Supervisor position will be used to pilot an internal leadership development program. The Next Level Leadership program is in the process of being developed in conjunction with the OCERS Learning & Development department and Members Services department. The program will follow the County's Memorandum of Understanding and Merit & Selection rules as it pertains to the regulations for temporary promotions. The program will allow current employees the opportunity to participate in a curriculum designed to provide staff supervisory skills, promote succession planning and leadership development. The program is currently in the design phase and is anticipated to launch in the fourth quarter.

In conclusion, OCERS has 88 team members on the payroll. At the time of this report, a total of two (2) team members have separated from the agency. These two separations were due to a retirement and an employee accepting a promotional opportunity with the County of Orange. The year-to-date annual turnover rate is 2.27%. This number is calculated by dividing the number of team members separated by the number of active team members.

**Submitted by:**



Cynthia Hockless  
Director of Human Resources

**Attachments:**

1. OCERS Staffing Presentation

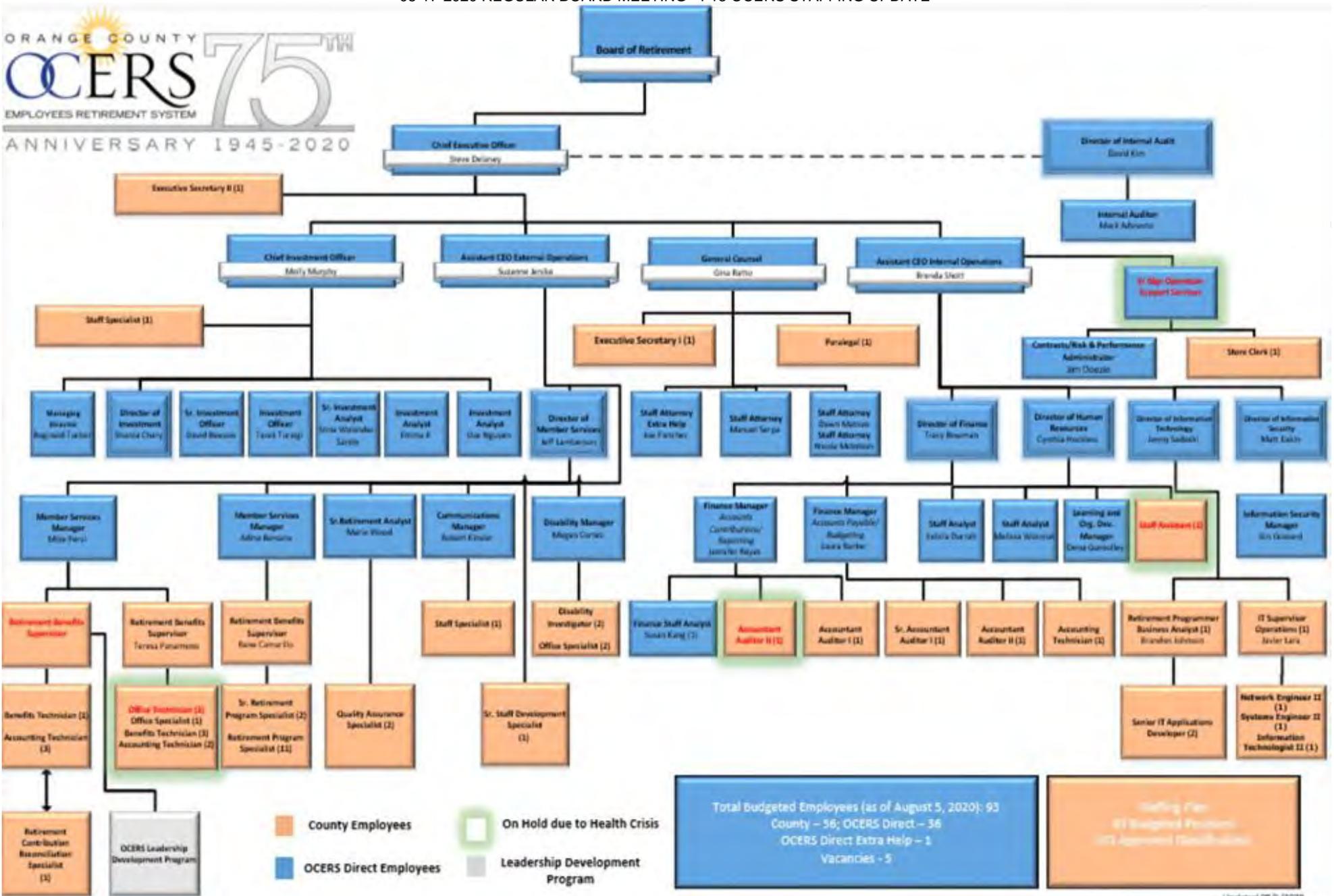
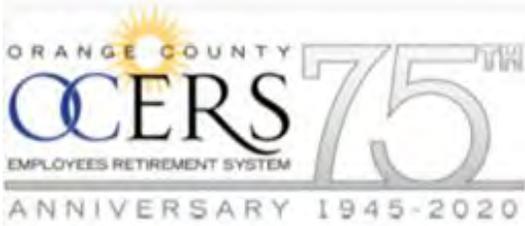


# OCERS

# Staffing Report

*"We provide secure retirement and disability benefits  
with the highest standards of excellence."*

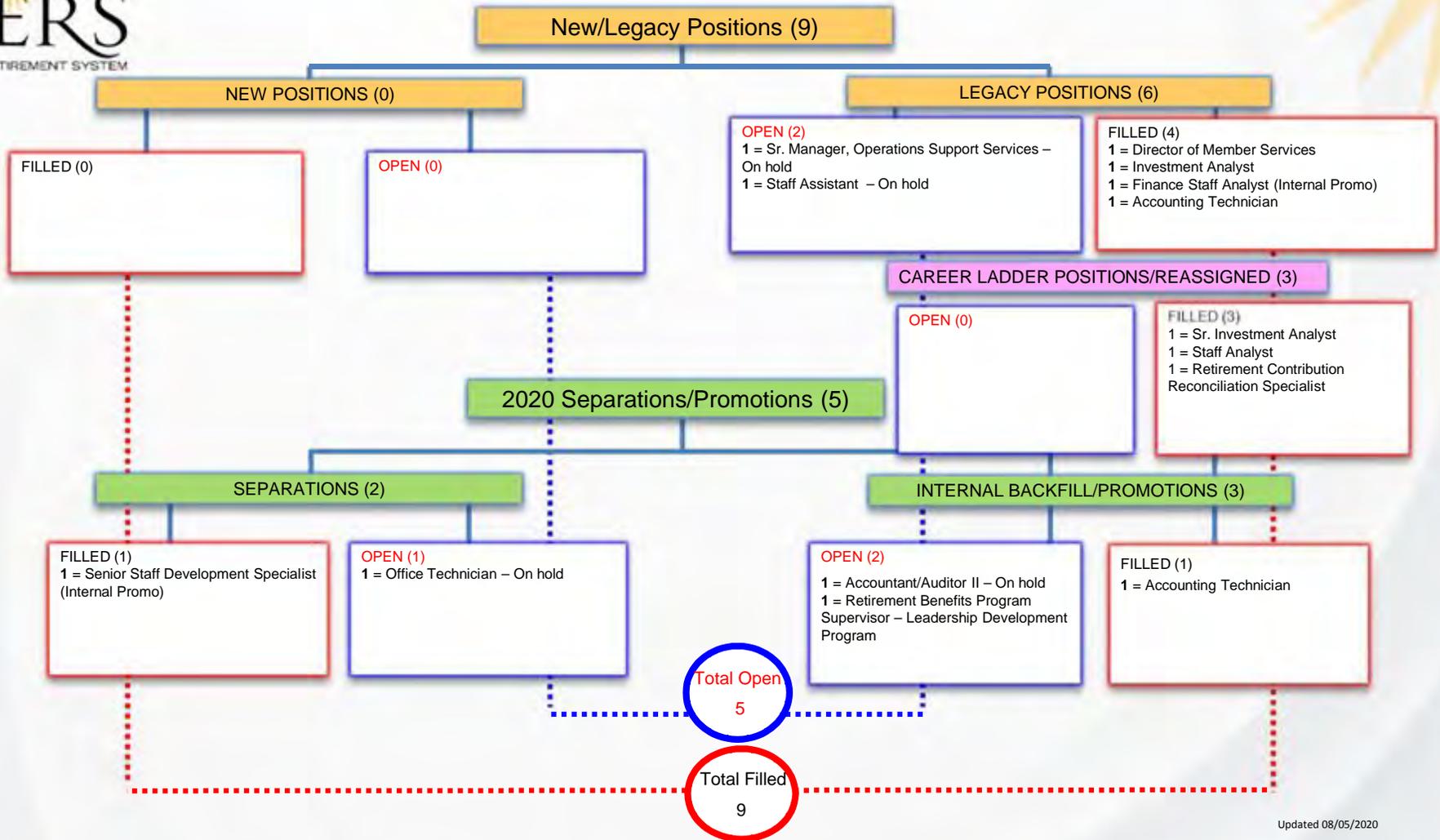




"We provide secure retirement and disability benefits with the highest standards of excellence."



## 2020 Recruitment Activity



Updated 08/05/2020





## Program Overview

- A Partnership with LOD (Learning and Organizational Development) and Member Services to pilot the program utilizing the vacant Retirement Benefits Supervisor opening.
- OCERS Team Members may apply (supported by County of Orange and aligned with their Merit and Selection rules). Upon selection they will be classified as a Cohort and commit to work as part of a team to assist in supervising the Employer Payroll Unit of OCERS, Member Services Department.





## Program Overview

- Participants will benefit from quality experiential learning in:

Leadership Essentials – with customized OCERS segments

Coaching Sessions – Professional Development Plan

Diversity and Inclusion

Accountability

Supervisory / Managerial Practical Application Skills



## Program Benefits

**Retention** – Promotes the ideology and opportunity for OCERS Team Members to stay and invest in a Career with OCERS.

**Growth** – Promotes and sustains Agency Succession Planning.

**Expanded Knowledge** – Develops skills within our workforce that improves overall performance.

**Process Alignment** – Supported by County of Orange and aligns with their Merit and Selection rules.

**ROI** – Savings per employee departure + recruitment for position fill.





# OCERS NEXT LEVEL LEADER



OCERS NEXT LEVEL LEADER



## Memorandum

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DATE: August 17, 2020  
TO: Members of the Board of Retirement  
FROM: Steve Delaney, Chief Executive Officer  
SUBJECT: **COVID-19 UPDATE**

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### **Presentation**

The OCERS staff continues to do a great job meeting the COVID-19 challenge and ensuring that our members receive the services they expect as we fulfil this agency's mission. Rather than provide you with a written report of the agency status prior to the Monday, August 17<sup>th</sup> meeting of the OCERS Board of Retirement, I will instead provide a verbal update of plan status and challenges at that time. This recognizes the fact that issues impacted by COVID-19 seem to change daily.

### Submitted by:



**SD - Approved**

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Steve Delaney  
Chief Executive Officer