

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

REGULAR MEETING  
Tuesday, February 13, 2018  
9:00 a.m.

AGENDA

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

The Board of Retirement encourages your participation. The public, plan members, beneficiaries, and/or representatives may speak to any subject matter contained in the agenda at the time the item is addressed. Persons wishing to address items on the agenda should provide written notice to the Secretary of the Board prior to the Board's discussion on the item by filling out the Public Comment Form located in the back of the room. Members of the public may also comment on any matter that is within the subject matter jurisdiction of the Board during the noticed Public Comment period. When addressing the Board, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

Pledge of Allegiance

CONSENT AGENDA

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

**BENEFITS**

**C-1 OPTION 4 RETIREMENT ELECTION**

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

(1) Eric J. Gafner

**ADMINISTRATION**

## **C-2 BOARD MEETINGS AND COMMITTEE MEETINGS**

Regular Board Meeting Minutes  
Governance Committee Minutes

January 16, 2018  
January 25, 2018

**Recommendation:** Authorize meeting and approve minutes.

## **C-3 GOVERNANCE COMMITTEE OUTCOMES FROM JANUARY 25, 2018 MEETING**

- Recommendation:** The Governance Committee recommends that the Board of Retirement:
- (1) Rescind the Board Performance Review Policy and revise the Board Chair Charter to delete the reference to the Board Performance Policy; and
  - (2) Immediately implement for all future Board and committee meetings the new agenda format as approved by the Governance Committee.

## **C-4 2018 STAR COLA COST POSTING**

**Recommendation:** In accordance with Government Code Section 7507, call a public meeting for March 19, 2018, to consider the STAR COLA ad hoc adjustment to applicable retirement allowances.

## **C-5 2018 COST OF LIVING ADJUSTMENT**

**Recommendation:** Adjust all applicable benefit allowances, effective April 1, 2018, in accordance with Government Code Section 31870.1, resulting from the 2.79% change in CPI, by 3%.

## **C-6 AUTHORIZATION FOR OCERS PAYMENTS**

**Recommendation:** Adopt Resolution 18-01 designating the Chief Executive Officer and Assistant Chief Executive Officer, Finance and Internal Operations, as authorized officials to approve checks and electronic transfers drawn on the OCERS retirement fund in accordance with California Government Code section 31590.

### **ACTION ITEMS**

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

#### **A-2 SACRS BOARD OF DIRECTORS ELECTIONS 2018-2019**

*Presentation by Gina Ratto, General Counsel, OCERS*

**Recommendation:** Identify one or more nominees for the SACRS Board of Directors election to be conducted on May 18, 2018; and direct staff to submit the nominations to the SACRS Nominating Committee on or before March 1, 2018.

**INFORMATION ITEMS**

**I-1 MEMBER MATERIALS DISTRIBUTED**

*Written report only*

Application Notices  
Death Notices

February 13, 2018

February 13, 2018

**I-2 CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN**

*Written report only*

**I-3 QUIET PERIOD – NON-INVESTMENT CONTRACTS**

*Written report only*

**I-4 BOARD ELECTION, SAFETY MEMBER AND ALTERNATE SAFETY MEMBER**

*Written report only*

**I-5 GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

*Written report only*

**I-6 TRAVEL REPORT – 2017 GARTNER DATA CENTER, INFRASTRUCTURE AND OPERATIONS MANAGEMENT CONFERENCE**

*Written report only*

**I-7 TRAVEL REPORT – NOSSAMAN LLP'S PUBLIC PENSIONS AND INVESTMENTS 2017 FIDUCIARIES' FORUM**

*Written report only*

**I-8 QUARTERLY BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN UPDATE**

*Written report only*

**I-9 FOURTH QUARTER 2017 BUDGET VS. PRELIMINARY ACTUALS REPORT**

*Written report only*

**I-10 FOURTH QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

*Written report only*

**I-11 BOARD COMMUNICATIONS**

*Written report only*

**I-12 REVISED ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE ECONOMIC SCENARIOS – UPDATED WITH NEWLY ADOPTED ASSUMPTIONS**

*Presentation by Paul Angelo, Segal Consulting*

**DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA**

10:00 A.M.

**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.**

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**DISABILITY CONSENT AGENDA**

**D-1: Natalie Orozco**

Office Assistant, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:  
10/20/2017

**Recommendation: Deny service connected disability retirement without prejudice due to the member's failure to cooperate. (General Member)**

**D-2: James Davis**

**Recommendation: Dismiss the appeal for the member's failure to participate pursuant to Rule 23. (Safety Member)**

**DISABILITY INDIVIDUAL AGENDA**

**D-3: INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA**

**D-4: Steven Craven**

Facilities Mechanic, Orange County Social Services Agency

Date of employee filed application for service and non-service connected disability retirement:  
04/26/2017

**Recommendation: Grant service connected disability retirement with an effective date of September 15, 2017, the day following the last day of regular compensation as a Facilities Mechanic.**

**Find the Applicant is capable of performing other duties in the service of the County of Orange pursuant to Government Code Section 31725.65.**

**Grant a supplemental disability retirement payment allowance in the amount of the salary difference between the higher and lower paying positions effective September 15, 2017, the date of the position change until the day Mr. Craven wishes to retire. (General Member)**

**D-5: Angelica Saldana**

Eligibility Technician, Orange County Social Services Agency

Date of employee filed application for service and non-service connected disability retirement:  
04/10/2014

**Recommendation: Grant service connected disability retirement with an effective date of April 14, 2017. (General Member)**

**D-6: Jeffrey Seper**

Deputy Sheriff I, Orange County Sheriff's Department

Date of employee filed application for service and non-service connected disability retirement:  
01/24/2017

**Recommendation: Grant service connected disability retirement with an effective date of July 7, 2017. (Safety Member)**

**D-7: Linda Solorza**

Assistant Sheriff, Orange County Sheriff's Department

Date of employee filed application for service connected disability retirement: 2/22/2017

**Recommendation: Grant service connected disability retirement with an effective date of February 22, 2017. (Safety Member)**

**D-8: Ronald Stanford**

Coach Operator, Orange County Transportation Authority

Date of employer filed application for service and non-service connected disability retirement:  
01/20/2017

Date of employee filed application for service connected disability retirement: 02/22/2017

**Recommendation: Grant service connected disability retirement with an effective date to be determined administratively. (General Member)**

**D-9: Bryan Stevens**

Deputy Sheriff II, Orange County Sheriff's Department

Date of employee filed application for service and non-service connected disability retirement:  
2/21/2017

**Recommendation: Grant service connected disability retirement with an effective date of December 22, 2017. (Safety Member)**

**D-10: Ianeta Ueligitone**

Estate Administration Specialist II, Health Care Agency/Public Guardian

Date of employee filed application for service and non-service connected disability retirement:  
05/12/2017

**Recommendation Grant service connected disability retirement with an effective date of May 12, 2017. (General Member)**

**D-11: Rosa Vargas**

Employment and Eligibility Specialist, Orange County Social Services Agency

Date of employee filed application for service connected disability retirement: 12/14/2016

**Recommendation Grant service connected disability retirement with an effective date of December 28, 2016. (General Member)**

**D-12: Jacki Livingston**

Eligibility Technician, Orange County Social Services Agency

Date of employee filed application for service and non-service connected disability retirement: 10/28/2015

**Recommendation Deny service and non-service connected disability retirement due to insufficient evidence of permanent incapacity. (General Member)**

**D-13: Joseph Luth**

Fire Apparatus Engineer, Orange County Fire Authority

Date of employee filed application for service connected disability retirement: 07/25/2016

**Recommendation Deny service connected disability retirement due to insufficient evidence of permanent incapacity. (Safety Member)**

**D-14: Mary Maicki**

Administrative Manager I, Orange County Health Care Agency

Date of employee filed application for service and non-service connected disability retirement: 08/16/2016

**Recommendation Deny service and non-service connected disability retirement due to insufficient evidence of permanent incapacity. (General Member)**

**D-15: Diem Vuong**

Office Assistant, Orange County Social Services Agency

Date of employee filed application for service connected disability retirement: 09/14/2016

**Recommendation: Deny service connected disability retirement due to insufficient evidence of job causation. (General Member)**

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

**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**

**February 20, 2018**

**9:00 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

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

**SANTA ANA, CA 92701**

**REGULAR BOARD MEETING**

**March 19, 2018**

**9:00 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

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

**SANTA ANA, CA 92701**

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

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at [adminsupport@ocers.org](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.

C-1



## Memorandum

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**DATE:** February 13, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations  
**SUBJECT: OPTION 4 RETIREMENT ELECTION – ERIC J. GAFNER**

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### Recommendation

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

### Background/Discussion

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective December 22, 2017. The Orange County Employees Retirement System (OCERS) was joined in the member’s dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member’s ex-spouse was awarded a lifetime continuance as a percentage of the member’s allowance.

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

### Submitted by:



S. J. – APPROVED

Suzanne Jenike  
Assistant CEO, External Operations



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E-MAIL ADDRESS  
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PERSONAL and CONFIDENTIAL

VIA EMAIL and USPS

January 26, 2018

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

**Re: Orange County Employees Retirement System  
Option 4 Calculation for Eric J. Gafner**

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to Eric J. Gafner and his ex-spouse based on the unmodified benefit and other information provided in the System's request dated January 25, 2018.

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

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	December 22, 2017
Plan of Membership	Safety Plan F
Monthly Unmodified Benefit	\$10,680.15
Ex-Spouse's Share of Monthly Unmodified Benefit	8.48%
Retirement Type	Service Retirement

**Option 4 Benefit**

**The member and the ex-spouse bear the cost of Option 4 reduction on a pro-rata basis (i.e., 91.52% paid for by member and 8.48% paid for by ex-spouse) for the DRO benefit**

	<u>Payable while the Member is Alive</u>	<u>Payable After the Member's Death while the Ex-Spouse is Alive</u>
Monthly benefit payable to member		
Annuity	\$1,408.85	
Pension	<u>8,243.54</u>	
Total	\$9,652.39	\$0
Monthly benefit payable to ex-spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	\$894.36*	\$894.36

\* *The member's benefit payable is equal to 91.52% (i.e., 100.00% - 8.48%) of the total unmodified benefit (i.e., 91.52% \* \$10,680.15) adjusted by \$122.08 to provide a benefit payable over the ex-spouse's lifetime. The ex-spouse's benefit payable is equal to 8.48% of the total unmodified benefit (i.e., 8.48% \* \$10,680.15) adjusted by \$11.32 to provide a benefit payable over the ex-spouse's lifetime.*

**ACTUARIAL ASSUMPTIONS**

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

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

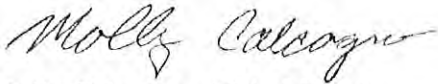
RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 20% male and 80% female for beneficiaries.

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

Ms. Adina Bercaru  
January 26, 2018  
Page 3

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

Sincerely,

A handwritten signature in cursive script that reads "Molly Calcagno".

Molly Calcagno, ASA, MAAA  
Assistant Actuary

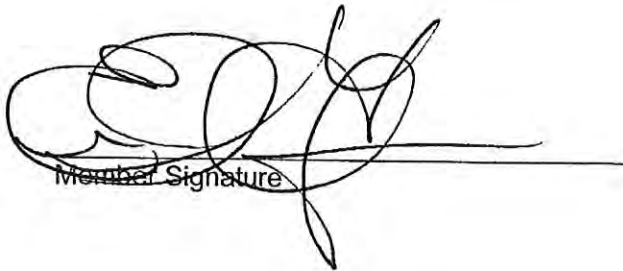
AW/bbf

**OCERS Retirement Benefit Payment Option Election**

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

I, ERIC J GARNER understand that my retirement option is irrevocable. As required by my DRO, I must elect **Benefit Payment Option 4** upon retirement, in order to provide a continuance to my former spouse, JAMIE GARNER and the reduction amount is supported by him/her/both parties.

I choose to add no other beneficiary(ies) under Option 4 and understand that, should I become married upon retirement, my current spouse will receive no continuance in the event I predecease him/her.

  
Member Signature

1/28/18  
Date

C-2

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

**REGULAR MEETING  
Tuesday, January 16, 2018  
9:00 a.m.**

**MINUTES**

Chair Prevatt called the meeting to order at 9:03 a.m.

Attendance was as follows:

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

Also Present: Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Finance and Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Molly Murphy, Chief Investment Officer; Jenny Sadoski, Director of Information Technology; Gina Ratto, General Counsel; Lee Fink, Deputy General Counsel; Anthony Beltran, Visual Technician; Megan Cortez; Disability Coordinator; Cammy Danciu, Recording Secretary.

Guests: Harvey Leiderman

Absent: Frank Eley

*Mr. Dewane led the Pledge of Allegiance.*

**CONSENT AGENDA**

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

Following discussion, a **motion** was made by Mr. Dewane **seconded** by Mr. Ball to move the consent agenda.

Motion passed **unanimously**.

<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.

(1) N/A

<b>ADMINISTRATION</b>
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**C-2 BOARD MEETINGS AND COMMITTEE MEETINGS**

Audit Committee Meeting Minutes  
Regular Board Meeting Minutes

December 14, 2017  
December 18, 2017

**Recommendation:** Authorize meeting and approve minutes.

**C-3 AUDIT COMMITTEE OUTCOMES FROM DECEMBER 14, 2017 MEETING**

The Audit Committee recommends that the Board of Retirement:

- (1) Receive and file the Audit of OCERS' Travel Expense Reports.
- (2) Receive and file the Hotline Update.
- (3) Receive and file the Status of 2017 Internal Audit Plan.
- (4) Approve the 2018 Risk Assessment and 2018 Audit Plan.

**C-4 2017 OCERS YEAR IN REVIEW: COMMUNICATION PLAN**

**Recommendation:** Approve the 2017 Year in Review Communication Plan.

**ACTION ITEMS**

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

**A-2 GOVERNANCE COMMITTEE OUTCOMES REGARDING REFORM OF THE ADMINISTRATIVE HEARING PROCESS**

*Presentation by Gina M. Ratto, General Counsel, and Lee Fink, Deputy General Counsel*

The Governance Committee recommends that the Board of Retirement:

- (1) Creation of a Disability Committee;
- (2) The Disability Committee Charter;
- (3) The Adjudication Policy and Administrative Hearing Rules for Disability and Non-Disability Benefits to supersede and replace the existing Administrative Hearing Procedures Policy and OCERS Administrative Procedure on Appeals; and
- (4) Revisions to the Hearing Officer Selection Policy.

Ms. Ratto and Mr. Fink presented the Governance Committee outcomes regarding Reform of the Administrative Hearing Process.



The composition and process of the Disability Committee meeting was discussed thoroughly by the Board members and staff.

Mr. Prevatt stated that items will be voted on separately.

*Recommendation Items 1 and 2:*

A **motion** was made by Mr. Ball **seconded** by Mr. Dewane to adopt the creation of a Disability Committee and the Disability Committee Charter with one change which is to allow the Chair to appoint the members of the Disability Committee, rather than specifying in the Charter which Trustee positions would be represented on the committee.

Motion passed **unanimously**.

***Mr. Gilbert stepped out of the room at 9:32a.m.***

*Recommendation Item 3:*

A **motion** was made by Mr. Dewane **seconded** by Mr. Ball to adopt the Adjudication Policy and Administrative Hearing Rules for Disability and Non-Disability Benefits to supersede and replace the existing Administrative Hearing Procedures Policy and OCERS Administrative Procedure on Appeals.

Motion passed **unanimously**.

*Recommendation Item 4:*

A **motion** was made by Mr. Dewane **seconded** by Mr. Ball to adopt the Revisions to the Hearing Officer Selection Policy.

Motion passed **unanimously**.

***Mr. Gilbert returned at 9:35a.m.***

Mr. Fink discussed the logistics of how and when OCERS will implement the Disability Committee as well as the timeline process. He stated that the Disability Committee has to be formed, the Board Members need to be appointed and the meetings need to be arranged. June 1, 2018 is the suggested started date that would work well for staff.

Ms. Jenike discussed the timeline schedule for 2018 and indicated that she can start coordinating the dates with the Disability Committee once the Committee is formed.

After further discussion, a **motion** was made by Mr. Ball, **seconded** by Mr. Dewane to set an implementation date of June 1, 2018 with the mechanics of the implementation to be directed by the Chair working with staff.

Motion passed **unanimously**.

**The Board recessed for break at 9:53a.m.**

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

**INFORMATION ITEMS**

The following matters are informational only and no action by the Board is necessary. However, as stated above, the Board may discuss and take action on any item included in the agenda.

**I-1 MEMBER MATERIALS DISTRIBUTED**

*Written report only*

Application Notices  
Death Notices

January 16, 2018  
January 16, 2018

**I-2 CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN**

*Written report only*

**I-3 QUIET PERIOD – NON-INVESTMENT CONTRACTS**

*Written report only*

**I-4 FOURTH QUARTER 2017 EDUCATION AND TRAVEL EXPENSE REPORT**

*Written report only*

Mr. Prevatt pulled item I-4. He stated that the last entry in the document, under Mr. Prevatt's name, belongs to Mr. Baldwin.

**I-5 BOARD COMMUNICATIONS POLICY FACT SHEET**

*Written report only*

**I-6 DISABILITY RETIREMENT STATISTICS – 2017 REPORT**

*Written report only*

**I-7 OVERPAID AND UNDERPAID PLAN BENEFITS – 2017 REPORT**

*Written report only*

**I-8 2018 OCERS BOARD OF RETIREMENT COMMITTEE ASSIGNMENTS**

*Written report only*

**I-9 2017 FORM 700 DESIGNATED FILERS LIST AND FACT SHEETS AND OCERS ANNUAL DISCLOSURE FORM**

*Written report only*

**I-10 PUBLIC PENSION COORDINATING COUNCIL (PPCC) STANDARDS AWARD FOR FUNDING AND ADMINISTRATION AWARD**

*Written report only*

**I-11 BOARD COMMUNICATIONS**

*Written report only*

**I-12 OCERS INNOVATIONS AND EMPLOYEE STAFF AWARDS**

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

Ms. Jenike presented the OCERS Innovations and Employee Staff Awards:

- Employee of the Year: Melissa Wozniuk
- Manager of the Year: Diane Dillard
- Innovation Award Winner: Michael Persi

Each OCERS department head presented their department's 2017 Innovations.

***Mr. Freidenrich arrived at 10:16a.m.***

Ms. Freidenrich asked about the Public Records Act request and how that's tracked with the new Instant Messaging tool.

Ms. Sadoski stated that they are stored on OCERS database and she will look into how that would be tracked.

Regarding the Legal Department, Mr. Prevatt directed Counsel to add the OCERS contracts staff position to the list of those employees who must file an Annual Disclosure Policy.

***Mr. Hilton stepped out at 10:41a.m.***

***Mr. Hilton returned at 10:44a.m.***

***Mr. Lindholm arrived at 10:51a.m.***

***Board adjourned for break at 11:10a.m.***

***Board reconvened from break at 11:17a.m.***

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

**DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA**

**11:00 A.M.**

**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.**

**DISABILITY INDIVIDUAL AGENDA**

Megan Cortez, Disability Coordinator, presented item D-1.

***Mr. Packard stepped out at 11:10a.m.***

**D-1: James Bau**

Sergeant, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:

10/28/2016

Date of employee filed application for service connected disability retirement: 12/30/2016

**Recommendation: Grant service connected disability retirement with an effective date of November 18, 2016. (Safety Member)**

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Dewane to grant service connected disability retirement with an effective date of November 18, 2016. The motion carried **8-0** with voting as follows:

**AYES**

**NAYS**

**ABSTAIN**

**ABSENT**

Chair Prevatt

Mr. Hilton

Ms. Freidenrich

Mr. Dewane

Mr. Lindholm

Mr. Gilbert

Mr. Ball

Mr. Baldwin

Mr. Eley

Mr. Packard

Megan Cortez, Disability Coordinator, presented item D-2.

**D-2: Ryan Bowsher**

Deputy Sheriff II, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:

11/04/2016

Date of employee filed application for service and non-service connected disability retirement:

12/20/2016

**Recommendation: Grant service connected disability retirement with an effective date of the day after the last day of regular compensation. (Safety Member)**

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Dewane to grant service connected disability retirement with an effective date of the day after the last day of regular compensation. The motion carried **8-0** with voting as follows:

**AYES**

**NAYS**

**ABSTAIN**

**ABSENT**

Chair Prevatt

Mr. Hilton

Ms. Freidenrich

Mr. Dewane

Mr. Lindholm

Mr. Gilbert

Mr. Ball

Mr. Baldwin

Mr. Eley

Mr. Packard

Megan Cortez, Disability Coordinator, presented item D-3.

**D-3: Emilio Mondragon**

Coach Operator, Orange County Transportation Authority

Date of employer filed application for service and non-service connected disability retirement:  
06/10/2016

Date of employee filed application for service connected disability retirement: 06/12/2017

**Recommendation: Grant service connected disability retirement with an effective date of June 10, 2016. (General Member)**

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Baldwin to grant service connected disability retirement with an effective date of June 10, 2016. The motion carried **8-0** with voting as follows:

**AYES**

Chair Prevatt  
Mr. Hilton  
Ms. Freidenrich  
Mr. Dewane  
Mr. Lindholm  
Mr. Gilbert  
Mr. Ball  
Mr. Baldwin

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Eley  
Mr. Packard

Megan Cortez, Disability Coordinator, presented item D-4.

***Mr. Packard returned out at 11:21a.m.***

**D-4: Walter Rejon**

Coach Operator, Orange County Transportation Authority

Date of employer filed application for service and non-service connected disability retirement:  
10/10/2016

Date of employee filed application for service and non-service connected disability retirement:  
11/18/2016

**Recommendation: Grant service connected disability with an effective date of the day after the last day of regular compensation. (General Member)**

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

**AYES**

Chair Prevatt  
Mr. Hilton  
Ms. Freidenrich  
Mr. Dewane  
Mr. Lindholm  
Mr. Gilbert  
Mr. Ball  
Mr. Baldwin

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Eley

Mr. Packard

Megan Cortez, Disability Coordinator, presented item D-5.

**D-5: Izabel Rivera**

Deputy Juvenile Correctional Officer II, Probation Department

Date of employee filed application for service and non-service connected disability retirement:  
02/06/2017

**Recommendation Grant service connected disability retirement with an effective date of November 11, 2016, the day following the last day of regular compensation as a Deputy Juvenile Correctional Officer II. Find the Applicant is capable of performing other duties in the service of the County of Orange pursuant to Government Code Section 31725.65. Grant a supplemental disability retirement payment allowance in the amount of the salary difference between the higher and lower paying positions effective November 11, 2016, the date of the position change until the day Ms. Rivera wishes to retire. (Safety Member)**

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Dewane to grant service connected disability retirement with an effective date of November 11, 2016, the day following the last day of regular compensation as a Deputy Juvenile Correctional Officer II. Find the Applicant is capable of performing other duties in the service of the County of Orange pursuant to Government Code Section 31725.65. Grant a supplemental disability retirement payment allowance in the amount of the salary difference between the higher and lower paying positions effective November 11, 2016, the date of the position change until the day Ms. Rivera wishes to retire. The motion carried **9-0** with voting as follows:

**AYES**

Chair Prevatt  
Mr. Hilton  
Ms. Freidenrich  
Mr. Dewane  
Mr. Lindholm  
Mr. Gilbert  
Mr. Ball  
Mr. Baldwin  
Mr. Packard

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Eley

Megan Cortez, Disability Coordinator, presented item D-6.

**D-6: Dortha Ronan**

Lieutenant, Orange County Sheriff's Department

Date of employee filed application for service connected disability retirement: 06/17/2016

**Recommendation Grant service connected disability with an effective date of June 17, 2016. (Safety Member)**

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Dewane to grant service connected disability with an effective date of June 17, 2016. The motion carried **8-1** with voting as follows:

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

Megan Cortez, Disability Coordinator, presented item D-7.

**D-7: Dean Weckerle**

Sergeant, Orange County Sheriff's Department

Date of employee filed application for service connected disability retirement: 07/18/2016

**Recommendation Grant service connected disability retirement with an effective date of August 5, 2016. (Safety Member)**

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Dewane to grant service connected disability retirement with an effective date of August 5, 2016. The motion carried **9-0** with voting as follows:

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

Megan Cortez, Disability Coordinator, presented item D-8.

**D-8: Maxine Perry**

**Recommendation: Adopt the findings and recommendations of the Hearing Officer and Grant Applicant's application for service connected disability retirement with an effective date of the day after the last day of regular compensation.**

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Baldwin to adopt the findings and recommendations of the Hearing Officer and Grant Applicant's application for service connected disability retirement with an effective date of the day after the last day of regular compensation. The motion carried **9-0** with voting as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
Chair Prevatt			Mr. Eley
Mr. Hilton			

Mr. Dewane  
Mr. Lindholm  
Mr. Gilbert  
Mr. Ball  
Mr. Baldwin  
Mr. Packard  
Ms. Freidenrich

Megan Cortez, Disability Coordinator, presented item D-9.

**D-9: Lisa Coley**

**Recommendation: Adopt the findings and recommendations of the Hearing Officer and find that at the time of her death, Lisa Coley, was legally married to Jerel Manning, therefore, Mr. Manning is entitled to a continuation of the disability allowance awarded to Ms. Coley as he is the surviving spouse.**

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Baldwin to adopt the findings and recommendations of the Hearing Officer and find that at the time of her death, Lisa Coley, was legally married to Jerel Manning, therefore, Mr. Manning is entitled to a continuation of the disability allowance awarded to Ms. Coley as he is the surviving spouse. The motion carried **9-0** with voting as follows:

**AYES**

**NAYS**

**ABSTAIN**

**ABSENT**

Chair Prevatt  
Mr. Hilton  
Mr. Dewane  
Mr. Lindholm  
Mr. Gilbert  
Mr. Ball  
Mr. Baldwin  
Mr. Packard  
Ms. Freidenrich

Mr. Eley

\*\*\*\*\*

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

N/A

**BOARD MEMBER COMMENTS**

Mr. Baldwin made sure his letter was received by the Board Members.

Mr. Hilton stated that he put his name on the ballot to be considered by the SACRS Board.



**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

N/A

**COUNSEL COMMENTS**

OCERS' General Counsel and Harvey Leiderman of Reed Smith provided a summary of the 70-page decision of the California Court of Appeal in Alameda County Deputy Sheriff's Association, et al., v. Alameda County Employees' Retirement Assn., et al.. This is the consolidated vested rights pension cases involving the retirement boards of Alameda, Contra Costa and Merced Counties, and represents the challenges by various unions and their members to the validity of PEPRA and AB 197 as applied to the legacy members of 20 county retirement systems governed by the County Employees Retirement Law (CERL).

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

**Active Members**

Mallozzi, Pietro  
Raymundo, Francisco

**Retired Members**

Beavers, Geraldine  
Branson, Deloria  
Denbraber, Elva  
Doyle, Agnes  
Gertsch, Marleen  
Heckrotte, Dorothy  
Hinkson, Edgar  
Jones, Laura  
Kennedy, Ronald  
Kim, Yanghee  
Klonowski, Dennis  
Lee, Insun  
Magruder, Marjorie  
Miller, Eugene  
Munoz, Anita  
Perez, Gloria  
Pierre, Ronald  
Rhodes, Marshall  
Rivas, Robert  
Rivas, Robert  
Solar, Mac  
Virnick, Joseph

Volkov, Alan

**Surviving Spouses**

Anaya, Leonor  
Hobel, Lavonne  
Holderman, Eugene  
Kawanami, Carol  
Norris, Kathryn  
Sharpe, Peggy  
Taylor, Betty

There being no further business to bring before the Board, the meeting adjourned at 11:54 a.m.

Submitted by:

Approved by:

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Steve Delaney  
Secretary to the Board

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Chris Prevatt  
Chairman

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

**GOVERNANCE COMMITTEE MEETING  
January 25, 2018  
1:00 p.m.**

**MINUTES**

The Chair called the meeting to order at 1:04 p.m. Attendance was as follows:

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

Staff: Steve Delaney, Chief Executive Officer; Gina Ratto, General Counsel; Lee Fink, Deputy General Counsel; Brenda Shott, Assistant CEO, Internal Operation; Sonal Sharma, Recording Secretary; Anthony Beltran, Audio Visual Technician

**PUBLIC COMMENTS:**

None.

**A. TRIENNIAL REVIEW OF THE TRAVEL POLICY**

*Presented by Gina M. Ratto, General Counsel*

**Recommendation:** Approve, and recommend that the Board approve, revisions to the Travel Policy as presented.

Ms. Ratto presented several additions to the *Travel Policy* to the Governance Committee including several additions to the list of pre-approved conferences and several clarifying revisions with respect to reimbursement of meals during one day travel, receipt requirements, permissible air travel, and networking/social events held during conferences.

Following discussion, a **motion** was made by Mr. Ball, **seconded** by Mr. Prevatt, directing staff to bring the policy back to the Governance Committee with the following revisions:

1. Change meal reimbursement during travel to the GSA per diem rate, but retain reimbursement for actual and reasonable meals during business-purpose meetings where travel is not involved;
2. Reimburse portage, housekeeping and other gratuities at the rate of up to 15 dollars per day (in addition to meal per diem);
3. Add a provision that overnight lodging for travel within Orange County will not be reimbursed except upon a showing of good cause and approval of the Board Chair/Vice-Chair (for Board members and the CEO) or the CEO (for OCERS staff);
4. Permit reimbursement of business or first class airfare in extraordinary circumstances with approval of the Board Chair/Vice-Chair (for Board members and the CEO) or the CEO (for OCERS staff);
5. Require the purchase of insurance in connection with car rentals;
6. Permit reimbursement/payment of NASRA-sponsored networking events that take place during and are included on the agendas for NASRA-sponsored conferences; and

7. Add a provision that permits the Board Chair or Vice-Chair to grant an exception to any provision of the Travel Policy for another Board member or the CEO, and permits the CEO to grant an exception to any provision of the Travel Policy for OCERS staff.

*The motion passed **unanimously**.*

## **B. BOARD PERFORMANCE REVIEW POLICY**

*Presented by Gina M. Ratto, General Counsel*

**Recommendation:** Discuss the Board Performance Review Policy; and approve, and recommend that the Board approve, revisions to the Policy based on the Committee's discussion.

At the request of the immediate-past and current Board Chairs, the Committee discussed the Board Performance Review Policy, which requires Board members to engage in an annual review of the performance of the Board as a whole with a goal of continuously improving its effectiveness. Staff polled CEOs of 13 CERL and city retirement systems to ask whether the board of their systems have a self-assessment/self-review process. The results of the poll revealed no system currently engages in a board self-assessment/self-review process, although two are in the process of engaging an external consultant and considering implementing a self-review process.

During discussion, the Committee acknowledged that the Board Performance Review Policy has not been effective. In addition, as noted by the Committee, Board member responsibilities **to prepare for, attend and participate in meetings of the Board** are already set forth in the OCERS Board Charter, and therefore the Board Performance Review Policy is redundant and unnecessary.

Following discussion, a **motion** was made by Mr. Prevatt, **seconded** by Mr. Ball to rescind the Policy.

Mr. Ball suggested a friendly amendment to the motion, which was accepted by Mr. Prevatt. The amended **motion** was made by Mr. Prevatt, **seconded** by Mr. Ball, to recommend that the Board repeal the Board Performance Review Policy based on the Committee's conclusion that the Policy has not been effective, and further, based on the fact that the Board Charter already adequately sets forth the responsibilities of Board members **to prepare for, attend and participate in meetings of the Board** .

*The motion **passed unanimously***

**The Committee directed staff to set forth, in the agenda item that will be presented to the Board in connection with this action, the provisions of the Board Charter that set forth the responsibilities of Board members to prepare for, attend and participate in meetings of the Board; and to review and bring forward any necessary revisions to any existing charters and policies that reference the Board Performance Review Policy.**

## **C. BOARD AGENDA FORMAT**

*Presented by Gina M. Ratto, General Counsel*

**Recommendation:** Discuss the format of the Board's agenda; and recommend that the Board approve revisions to the format based on the Committee's discussion.

Ms. Ratto noted that several changes to the format for the Board's Agenda have already been made including:

1. A separate category of **Consent Agenda** items for matters that require Board action, but for which unanimous approval is anticipated to be by one motion for all matters.
2. A separate category of **Action Items** for matters that require Board action, for which discussion is expected, for which a separate motion is indicated, and for which unanimous approval is not necessarily anticipated.
3. A separate category of **Information Items** that follows after the Action Items for matters that do not require Board action. Each item specifies whether staff plans to make a presentation or only a written report is contemplated.

Mr. Dewane explained his reasoning for his recommendation that Public Comment be moved to the beginning of the agenda. He stated that the goal of this Board Agenda format change was to further formalize the process and more tightly focus the Board's time and attention on items that are more timely relevant and actionable.

Following discussion, a motion was made by Mr. Hilton, seconded by Mr. Prevatt to approve, and recommend that the Board immediately implement for all future Board and committee meetings, the new agenda format as discussed by the Committee.

*The motion **passed unanimously***

The meeting adjourned at 2:47 pm.

#### **COMMITTEE MEMBER COMMENTS**

None.

#### **CHIEF EXECUTIVE OFFICER/STAFF COMMENTS:**

Mr. Delaney thanked the Governance Committee for their hard work.

#### **COUNSEL COMMENTS:**

None.

**Submitted by:**

**Approved by:**

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Steve Delaney  
Secretary to the Board

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Shawn Dewane, Chair

C-3

## Memorandum

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**DATE:** February 13, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT: GOVERNANCE COMMITTEE OUTCOMES FROM JANUARY 25, 2018 MEETING**

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### Recommendation

The Governance Committee recommends that the Board of Retirement:

- (1) Rescind the Board Performance Review Policy and revise the Board Chair Charter to delete the reference to the Board Performance Policy; and
- (2) Immediately implement for all future Board and committee meetings the new agenda format as approved by the Governance Committee.

### Background/Discussion

#### Board Review Policy

The Board adopted the **Board Performance Review Policy** ("Policy") on February 19, 2002, and the Policy was last revised on November 14, 2016. The purpose of the Policy is for Board members to engage in an annual review of the performance of the Board as a whole with a goal of continuously improving its effectiveness.

Both the immediate past and current Chairs of the Board asked that the Governance Committee review the Policy and determine whether the Policy should be retained; and if it is retained, how the process set forth in the Policy can be improved.

The Governance Committee discussed the Policy at its January 25, 2018, meeting. During the meeting, staff reported that it had informally polled the CEOs of 13 CERL and city retirement systems to ask whether the boards of their systems have a self-assessment/self-review process. Ten of 13 systems responded; and none currently engages in a board self-assessment/self-review process. Two systems are actively discussing implementing a process, and both of these systems are working with an external board governance consultant for this purpose. It was also noted that the OCERS Board engaged a consultant in 2014-2015 to assist the Board in improving the performance review process, and OCERS implemented the consultant's recommendations that were permissible to implement (OCERS did not implement the consultant's recommendation to hold evaluations in closed session because legal counsel opined that this is not permitted by the Brown Act).

After discussion, the Governance Committee concluded that the Policy has not met the Board's expectations, nor is it necessary in light of the existing provisions and requirements set forth in OCERS Charters and other Board policies including the following.

The **OCERS Board of Retirement Charter** sets forth the duties of the Board members including:

- The duty to participate in activities of the Board and its committees, and to commit the time and effort necessary to knowledgeable, effectively and efficiently administer the affairs of the system;
- The duty to endeavor to attend all regular meetings of the Board and committees on which the Board member serves; and

- The duty to be prepared in advance for informed discussion at each meeting.

The **OCERS Communications Policy** requires that during meetings of the Board and its committees, Board members communicate in a straightforward, constructive manner with due respect and professionalism.

The **Board of Retirement Chair Charter** and the **Committee Chair Charter** require the Chairs to:

- Guide the Board (or committee) in achieving a harmonious atmosphere, while allowing full and open debate;
- Facilitate effective and open communications between the Board, the CEO, and other OCERS senior management (or in the case of the Committee Chair, between the committee, the Board and the CEO); and
- Work to ensure that Board (or committee) deliberations are conducted with respect and professionalism.

The Governance Committee therefore recommends that the Board rescind the Policy, and revise the Board Chair Charter to delete the reference to the Policy. A copy of the Charter with the proposed revision in redlined text is attached.

### **New Agenda Format**

Over the past few months, staff has been exploring with the Board new formats for the Board's agenda. At the December Board meeting, the Board Chair asked that the Governance Committee review the format of the Board's agenda and recommend revisions for the Board's consideration.

At its January 25, 2018 meeting, the Governance Committee reviewed the agenda format in detail. Counsel noted that the Brown Act (Act) has few requirements regarding the content of agendas for public meetings, and no requirements regarding format. The agenda must contain a brief description (generally limited to 20 words) of each item to be discussed or transacted at the meeting, including items to be discussed in closed session. The Act is clear that discussion items must be placed on the agenda in addition to items that may be the subject of action by the body. The purpose of the brief general description is to inform interested members of the public about the subject matter under consideration so that they can determine whether to monitor or participate in the meeting.

After discussion, the Governance Committee recommends that the agenda for future Board and committee meetings reflect the changes that were implemented starting with the Board's agenda for its January 2018 meeting. These changes include:

1. A separate category of **Consent Agenda** items for matters that require Board action, but for which unanimous approval is anticipated to be by one motion for all matters.
2. A separate category of **Action Items** for matters that require Board action, for which discussion is expected, for which a separate motion is indicated, and for which unanimous approval is not necessarily anticipated.
3. A separate category of **Information Items** that follows after the Action Items for matters that do not require Board action. Each item specifies whether staff plans to make a presentation or only a written report is contemplated. (Staff will always be available to respond to questions about the written reports.)

The Governance Committee considered several other possible changes to the agenda format, but ultimately concluded that only one additional revision (additional to the changes incorporated in January 2018) is



recommended. The Governance Committee recommends moving **Public Comment** for matters not appearing on the agenda but which are within the subject matter jurisdiction of the Board (acknowledging that no action may be taken by the Board) to the beginning of the agenda. Note that under the Brown Act, the Board must also give the public opportunity to give comment in connection with any item on the agenda before the Board takes action on such item. This notification will continue to appear in the agenda.

The Governance Committee recommends that the Board immediately implement the new agenda format as approved by the Governance Committee for all future Board and committee meetings. A copy of the new format is attached.

Attachments:

- (1) Board Chair Charter
- (2) Agenda Format

**Submitted by:**



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Gina M. Ratto  
General Counsel

# Board of Retirement Chair Charter

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## Introduction

1. The Chair of the Board of Retirement will take office in accordance with the Board's By-Laws. The Chair will exercise the powers and will perform the duties and functions specified herein.

## Duties and Responsibilities

2. The Chair will, from time to time, and as necessary for the efficient governance of the Board:
  - a. Appoint members of committees of the Board;
  - b. Orient new members of the Board on current issues before the Board and designate an incumbent member of the Board to provide new members an orientation on current Board governance practices;
  - c. Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient manner and in accordance with *The Ralph M Brown Act "Government Code Section 54950, et.seq"* and the principles embodied in the OCERS Rules of Parliamentary Procedure;
  - d. Guide the Board in achieving a harmonious atmosphere, while allowing full and open debate;
  - e. Ensure coordination of meetings, agendas, schedules and presentations, in consultation with the CEO;
  - f. Facilitate effective and open communications between the Board, the CEO, and other OCERS senior management;
  - g. Work to ensure that Board deliberations are conducted with respect and professionalism
  - h. Work to ensure that the Board discharges its duties and responsibilities as set forth in the County Employees Retirement Law of 1937, Government Code, Title 3, Division 4, Part 3, Chapter 3 and 3.9, Sections 31450-31899.10 as amended , the Board Charter, the By Laws, and the governance policies of the Board,
  - i. In situations that call for an official spokesperson to speak on behalf of the OCERS, the CEO and the Chair will jointly determine who will act in such capacity, on an issue-by-issue basis;
  - j. Approve in advance all travel of the CEO and review all expense claims by the CEO and other members of the Board;
  - k. Sign subpoenas if the Secretary to the Board is unavailable; (§31535)
  - ~~l. Working with the Vice Chair, co-ordinate and assist in the implementation of the Board Evaluation Policy;~~
  - ~~m. Working with the Vice Chair, co-ordinate the CEO evaluation process;~~
  - ~~n. Review, revise as necessary, and approve and sign the minutes which shall be part of the permanent records of the Board; and~~

# **Board of Retirement Chair Charter**

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6. Carry out such other functions and duties as may be prescribed by the Board from time to time.

## **Charter Review**

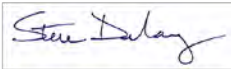
3. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

## **Charter History**

4. This charter was adopted by the Board of Retirement on November 18, 2002 and amended on July 20, 2015 [and February 13, 2018](#).

## **Secretary's Certificate**

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



**7/20/152/13/18**

Steve Delaney, Secretary of the Board

Date

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

REGULAR MEETING  
Monday, \_\_\_\_\_, 2018  
9:00 a.m.

AGENDA

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

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

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

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

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

CONSENT AGENDA

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

**BENEFITS**

**C-1 OPTION 4 RETIREMENT ELECTION**

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

(1) Add name

**ADMINISTRATION**

**C-2 BOARD MEETINGS AND COMMITTEE MEETINGS**

Regular Board Meeting Minutes \_\_\_\_\_, 2018  
Governance Committee Minutes \_\_\_\_\_, 2018  
Audit Committee Minutes \_\_\_\_\_, 2018

**Recommendation:** Authorize meeting and approve minutes.

**C-3 GOVERNANCE COMMITTEE OUTCOMES FROM \_\_\_\_\_, 2018 MEETING**

**Recommendation:**

- (1)
- (2)

**C-4 AUDIT COMMITTEE OUTCOMES FROM \_\_\_\_\_, 2018 MEETING**

**Recommendation:**

- (1)
- (2)

**ACTION ITEMS**

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

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

**A-2 TITLE OF AGENDA ACTION ITEM**

*Presentation by [NAME, TITLE]*

**Recommendation:** *add recommendations*

**A-3 TITLE OF AGENDA ACTION ITEM**

*Presentation by [NAME, TITLE]*

**Recommendation:** *add recommendation*

**A-4 TITLE OF AGENDA ACTION ITEM**

*Presentation by [NAME, TITLE]*

**Recommendation:** *add recommendations*

**INFORMATION ITEMS**

**I-1 MEMBER MATERIALS DISTRIBUTED**

*Written report only*

Application Notices \_\_\_\_\_, 2018

Death Notices \_\_\_\_\_, 2018

**I-2 TITLE OF AGENDA INFORMATION ITEM**

*Written report only*

**I-3 TITLE OF AGENDA INFORMATION ITEM**

*Written report only*

**I-4 TITLE OF AGENDA INFORMATION ITEM**

*Written report only*

**I-5 TITLE OF AGENDA INFORMATION ITEM**

*Presentation by [NAME, TITLE]*

**I-6 TITLE OF AGENDA INFORMATION ITEM**

*Presentation by [NAME, TITLE]*

**DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA**

**11:00 A.M.**

**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.**

\*\*\*\*\*

**DISABILITY CONSENT AGENDA**

**DISABILITY ACTION ITEMS**

\*\*\*\*\*

**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**

\_\_\_\_\_, 2018

9:00 A.M.

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

**REGULAR BOARD MEETING**

\_\_\_\_\_, 2018

9:00 A.M.

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

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

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at [adminsupport@ocers.org](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.

C-4



## Memorandum

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**DATE:** February 13, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations  
**SUBJECT:** 2018 STAR COLA COST POSTING

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### Recommendation

In accordance with Government Code Section 7507, call a public meeting for March 19, 2018, to consider the STAR COLA ad hoc adjustment to applicable retirement allowances.

### Background/Discussion

STAR COLA stands for Supplemental Targeted Adjustment for Retirees, Cost of Living Adjustment. The purpose is to restore purchasing power for retirees who have lost more than 20% of their purchasing power since retirement, as measured by the accumulation in a retired member's COLA bank. The STAR brings those individuals back to 80% of purchasing power. It applies to those retirees or their beneficiaries who began receiving a benefit on or before April 1, 1980, and is granted in accordance with Government Code Section 31874.3(c).

Before the Board votes on whether to grant the STAR COLA, the costs must be posted at a separate public meeting, in accordance with Government Code Section 7507. As such, this item is providing the required notice that on March 19, 2018, the Board will consider the granting of the STAR COLA. The total cost is projected to be \$525,485. As in the past, the Board will provide each plan sponsor with STAR COLA recipients the opportunity to pay their share of the cost in a lump sum, over a period of 12 months or add it to the unfunded liability for that plan sponsor. This item will be fully discussed at the March 19, 2018 meeting.

### Submitted by:



\_\_\_\_\_  
S. J. – APPROVED

Suzanne Jenike  
Assistant CEO, External Operations

VIA EMAIL and USPS

February 6, 2018

Mr. Steve J. Delaney  
Chief Executive Officer  
Orange County Employees Retirement System  
2223 Wellington Avenue  
Santa Ana, CA 92701-3101

**Re: Orange County Employees Retirement System  
STAR COLA Payment Projections**

Dear Steve:

As requested by the System, we have projected the cost of continuing the STAR COLA benefit over the next ten years.

#### **BACKGROUND**

The Retirement Board grants a STAR COLA benefit to maintain a minimum of 80% of a retiree's or beneficiary's purchasing power. The STAR COLA benefit is calculated by first taking the balance in a member's COLA bank that is in excess of 20% and multiplying that times the member's benefit.

The 1937 Act allows the Board either to advance fund the STAR COLA benefit subject to the availability of excess earnings above 1% of OCERS' assets or to grant this benefit on an annual basis. We understand that the Board's current policy is to grant this benefit on an annual basis.

#### **RESULTS AND ANALYSIS**

On April 1, 2018, only those members who retired on or before April 1, 1980 have COLA banks in excess of 20% and hence are eligible to receive the STAR COLA.

The attached Exhibit A shows a ten-year projection of the STAR COLA benefits, expressed as a percentage of the benefit payable effective April 1 of the next ten years. In Exhibit B, we show the annual benefit payment based on who is eligible for the STAR COLA benefit as of April 1, 2018 (i.e., members who retired on or before April 1, 1980) and those who may

become eligible after April 1, 2018. In Exhibit C, we have included a schedule that provides the breakdown of the anticipated STAR COLA benefits from April 2018 to March 2019 based on members who retired from each employer.

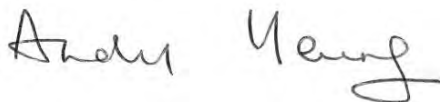
Our projections are based on the following assumptions provided below.

1. The existing 80% purchasing power cap will remain unchanged.
2. In adjusting the purchasing power banks after April 1, 2018, we have used the assumed annual inflation rate of 2.75% previously adopted by the Board for the upcoming December 31, 2017 valuation. As OCERS provides a maximum annual COLA of 3.0%, the COLA banks will decrease in the future under the 2.75% inflation assumption (see attached Exhibit A) and thus no other additional members will be expected to become eligible. We assume that future STAR COLA benefits, adjusted to reflect inflation for the prior calendar year, will be paid commencing April 1 of the subsequent year.
3. Our projections were based on the latest membership data used in the valuation as of December 31, 2016, but updated through January 26, 2018 to exclude those members who have passed away since the prior valuation. For conservatism, we assumed no deaths would have occurred among retirees and beneficiaries from January 26, 2018 to April 1, 2018. Effective April 1, 2018, we applied the life expectancies previously adopted by the Board for the upcoming December 31, 2017 valuation in projecting members who will be entitled to payments in the ten-year period.

I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,



Andy Yeung

MYM/bqb  
Enclosures

cc: Suzanne Jenike  
Brenda Shott

**EXHIBIT A – TEN-YEAR PROJECTION OF STAR COLA BENEFITS**

(Expressed as a Percent of the Benefit Payable Effective April 1 of the Year Indicated)

<b>Date of Retirement</b>	<b>April 1, 2018</b>	<b>April 1, 2019</b>	<b>April 1, 2020</b>	<b>April 1, 2021</b>	<b>April 1, 2022</b>	<b>April 1, 2023</b>	<b>April 1, 2024</b>	<b>April 1, 2025</b>	<b>April 1, 2026</b>	<b>April 1, 2027</b>
On or Before 04/01/1972	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%	25.00%	24.75%
04/02/1972 to 04/01/1973	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%	25.00%	24.75%	24.50%	24.25%
04/02/1973 to 04/01/1974	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%	25.00%	24.75%	24.50%	24.25%
04/02/1974 to 04/01/1975	26.00%	25.75%	25.50%	25.25%	25.00%	24.75%	24.50%	24.25%	24.00%	23.75%
04/02/1975 to 04/01/1976	20.50%	20.25%	20.00%	19.75%	19.50%	19.25%	19.00%	18.75%	18.50%	18.25%
04/02/1976 to 04/01/1977	15.00%	14.75%	14.50%	14.25%	14.00%	13.75%	13.50%	13.25%	13.00%	12.75%
04/02/1977 to 04/01/1978	11.50%	11.25%	11.00%	10.75%	10.50%	10.25%	10.00%	9.75%	9.50%	9.25%
04/02/1978 to 04/01/1979	7.50%	7.25%	7.00%	6.75%	6.50%	6.25%	6.00%	5.75%	5.50%	5.25%
04/02/1979 to 04/01/1980	2.50%	2.25%	2.00%	1.75%	1.50%	1.25%	1.00%	0.75%	0.50%	0.25%

Based on the ten-year projection, members who retired after April 1, 1980 are not eligible for STAR COLA.

## EXHIBIT B – PROJECTED BENEFIT PAYMENTS

The expected benefit payments for the current and new STAR COLA recipients for the next ten years, commencing April 1, 2018, are provided in the following table:

	Benefit Payments		
	(1) Eligible for STAR COLA as of April 1, 2018	(2) Not Yet Eligible for STAR COLA as of April 1, 2018	(1) + (2)
1. April 1, 2018 – March 31, 2019	\$525,485	\$0	\$525,485
2. April 1, 2019 – March 31, 2020	483,922	0	483,922
3. April 1, 2020 – March 31, 2021	443,234	0	443,234
4. April 1, 2021 – March 31, 2022	403,998	0	403,998
5. April 1, 2022 – March 31, 2023	366,650	0	366,650
6. April 1, 2023 – March 31, 2024	331,495	0	331,495
7. April 1, 2024 – March 31, 2025	298,721	0	298,721
8. April 1, 2025 – March 31, 2026	268,410	0	268,410
9. April 1, 2026 – March 31, 2027	240,562	0	240,562
10. April 1, 2027 – March 31, 2028	<u>215,113</u>	<u>0</u>	<u>215,113</u>
Total Benefit Payments	<u>\$3,577,590</u>	<u>\$0</u>	<u>\$3,577,590</u>
Discounted Benefit Payments <sup>(1)</sup>	<u>\$2,738,121</u>	<u>\$0</u>	<u>\$2,738,121</u>

<sup>(1)</sup> At 7.00% annual investment return assumption.

**EXHIBIT C – PROJECTED BENEFIT PAYMENTS BY EMPLOYER**

The expected benefit payments for the current STAR COLA recipients from April 1, 2018 to March 31, 2019 broken down by employer, are provided in the following table:

	Orange County	U.C.I. (Bi-weekly)	Sanitation District	Total
April 1, 2018 - March 31, 2019	\$519,954	\$3,018	\$2,513	\$525,485

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## Memorandum

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**DATE:** February 13, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations  
**SUBJECT: 2018 COST OF LIVING ADJUSTMENT**

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### Recommendation

Adjust all applicable benefit allowances by 3%, effective April 1, 2018, in accordance with Government Code Section 31870.1, resulting from the 2.79% change to CPI in calendar year 2017.

### Background/Discussion

Per Government Code Section 31870.1 the OCERS Board of Retirement is required to annually adjust the benefit allowances relative to the increase or decrease in the Consumer Price Index (CPI). This adjustment, known as a Cost of Living Adjustment (COLA), is effective April 1<sup>st</sup> of each year. This year, there was an increase in the CPI for year-end 2017 of 2.79%. To determine the change in CPI, Segal 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. This is done in accordance with Government Code Section 31870.1, which is the COLA section operative in Orange County. That section also states that any increase or decrease in the CPI is to be rounded to the nearest one-half of one percent (2.79% rounded to 3%) and provides that a 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 COLA exceeds 3%, the amount over 3% is banked for future years when the COLA is less than 3%.

Of note, for all benefit recipients, who began or will begin receiving benefits on or before April 1, 2018, this adjustment will increase their allowances by 3%.

### COLA History and Options:

Often a discussion of COLA raises questions as to its background, and legal tool sets or options available to plan sponsors, the County of Orange in particular, or even OCERS as a governing body. Mr. Harvey Leiderman has provided a thorough encapsulation of those topics in an attached memo, dated February 4, 2014, a copy of which is included in this item for informational purposes.

In addition, the question of the measurement period used to measure Consumer Price Index (CPI) changes is also raised when discussing COLA. Currently the Board measures the change in CPI using the average annual index method which compares the annual change in inflation from one year to the next. By contrast there is also a December to December index as used by some CERL systems such as LACERA which measures the CPI change



at a specific point in time, i.e. December to December. It is our understanding that either method is actuarially and legally acceptable. In speaking with Segal Consulting they have done analysis for other CERL clients and come to the following conclusion:

“Our general conclusion is that the two methods are numerically equivalent as to their expected long-term benefit impacts. We have noticed that there is some volatility in the month-to-month changes in the CPI. In particular there is a pattern of decreases between November to December CPI and then increases into the following year. While this may not impact the December over December change in CPI each year used to determine the COLA, some of the volatility could be eliminated by using the average annual index method which is more stable since it is based on a twelve-month average.”

**Submitted by:**



S. J. – APPROVED

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Suzanne Jenike  
Assistant CEO, External Operations



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T 415.263.8200 www.segalco.com

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

VIA E-MAIL & USPS

January 17, 2018

Mr. Steve Delaney  
Chief Executive Officer  
Orange County Employees Retirement System  
2223 Wellington Avenue  
Santa Ana, CA 92701-3101

**Re: Orange County Employees Retirement System  
Cost-of-Living Adjustments (COLA) as of April 1, 2018**

Dear Steve:

We have determined the cost-of-living adjustments for the System in accordance with Section 31870.1, as provided in the enclosed exhibit.

Pursuant to Section 31870.1, the cost-of-living factor to be used by the System on April 1, 2018 is determined by comparing the Bureau of Labor Statistics' annual average CPI for All Urban Consumers for the Los Angeles-Riverside-Orange County Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two annual indices, 256.210 in 2017 and 249.246 in 2016, is 1.0279. The County Law section cited above indicates that the resulting percentage change of 2.79% should be rounded to the nearest one-half percent, which is 3.0%.

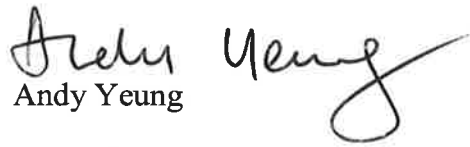
Please note the above cost-of-living adjustment calculated using established procedures for OCERS may result in adjustments different from those calculated using alternative procedures by other systems.

The actual cost-of-living adjustment is independent of the date of retirement. The CPI adjustment to be applied on April 1, 2018 is provided in Column (4) of the enclosed exhibit. The COLA bank on April 1, 2018 is provided in Column (5).

Mr. Steve Delaney  
January 17, 2018  
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Please give us a call if you have any questions.

Sincerely,

  
Andy Yeung

MAM/hy  
Enclosure

cc: Suzanne Jenike  
Brenda M. Shott, CPA

Orange County Employees Retirement System  
 Cost-Of-Living Adjustment  
 As of April 1, 2018

Retirement Date	(1) April 1, 2017 Accumulated Carry-over Bank	(2) 2018 CPI Change*	(3) 2018 CPI Rounded**	(4) 2018 CPI Used***	(5) April 1, 2018 Accumulated Carry-over Bank****
<b>All Members</b>					
<b>Section 31870.1</b>					
<b>Maximum Annual COLA</b>					
	3.0%				
<b>On or Before 4/1/1972</b>					
04/02/1972	47.0%	2.79%	3.0%	3.0%	47.0%
04/02/1974	46.5%	2.79%	3.0%	3.0%	46.5%
04/02/1975	46.0%	2.79%	3.0%	3.0%	46.0%
04/02/1976	40.5%	2.79%	3.0%	3.0%	40.5%
04/02/1977	35.0%	2.79%	3.0%	3.0%	35.0%
04/02/1978	31.5%	2.79%	3.0%	3.0%	31.5%
04/02/1979	27.5%	2.79%	3.0%	3.0%	27.5%
04/02/1980	22.5%	2.79%	3.0%	3.0%	22.5%
04/02/1981	15.0%	2.79%	3.0%	3.0%	15.0%
04/02/1982	4.5%	2.79%	3.0%	3.0%	4.5%
04/02/2017	0.0%	2.79%	3.0%	3.0%	0.0%
04/02/2018		2.79%	3.0%	3.0%	0.0%

\* Based on ratio of 2017 annual average CPI to 2016 annual average CPI for the Los Angeles - Riverside - Orange County Area.

\*\* Based on CPI change rounded to nearest one-half percent.

\*\*\* These are the cost-of-living adjustment factors to be applied on April 1, 2018.

\*\*\*\* These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2018.

**From:** Harvey L. Leiderman  
Direct Phone: +1 415 659 5914  
Email: HLeiderman@reedsmith.com

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101 Second Street  
Suite 1800  
San Francisco, CA 94105-3659  
+1 415 543 8700  
Fax +1 415 391 8269  
reedsmith.com

**To:** Board of Retirement, Orange County Employees' Retirement System  
**Date:** February 4, 2014  
**Subject:** Cost-of-Living Adjustments to Retirement Benefits Administered by OCERS

We have been asked to briefly summarize for the Board the legal and operational provisions that guide the application and funding of Cost-of-Living Adjustments ("COLA") to the retirement benefits of OCERS' members and their beneficiaries.

Under the County Employees Retirement Law of 1937 ("CERL"), effective April 1 each year, retirees' allowances are increased (or decreased) to account for inflation (or deflation) in consumer prices that occurred during the previous calendar year. The rate of inflation (or deflation) is derived from the Consumer Price Index for the affected region. CERL authorizes each county board of supervisors to set a ceiling on COLA increases in any one year, typically ranging from 2% to 6%. The Orange County Board of Supervisors has adopted the 3% ceiling found in CERL section 31870.1. That section applies not only to retired employees of the County, but also to retirees from other participating OCERS employers as well.

If inflation *exceeds* the 3% COLA ceiling in any given year, the law provides that the excess amount is "banked" for potential recovery in future years when inflation is less than 3%. This allows retirees to keep their "purchasing power" in future years closer to what it was when they retired. To illustrate, suppose inflation is 4% in 2013. On April 1, 2014, retiree allowances will be increased only to the maximum 3%, and the additional lost 1% will be "banked." Then, if inflation is only 2% in 2014, the 1% that was "banked" from 2013 will be added to the 2% from 2014 to result in a COLA increase on April 1, 2015 totaling 3%.

Up until recent years, 3% was below the long-term average rate of annual inflation, resulting in regular 3% annual increases to retirees' allowances. In recent years, however, inflation has lagged well below 3% on average. Reportedly this year the COLA increase will be 1%.

Once adopted by the board of supervisors, the right to a COLA benefit at the level adopted is vested. By law, it is compounded – that is, permanently added to the basic retirement allowance on which future COLA increases are then calculated.

Each year, OCERS' actuary calculates the "normal cost" of the COLA benefit (i.e., the projected cost of all future COLA increases attributed to the current year) along with the "normal cost" of the basic allowance. Like the normal cost of the basic allowance, the law requires that the normal cost of the COLA benefit be split roughly equally between the employers and the employees. Through collective bargaining, the parties may agree to have the employer "pick up" some or all of this cost. Additionally, the OCERS' Board is authorized to use so-called "excess earnings" (i.e., part of the fund's "unallocated fund balance," or "UFB") to pay for some or all of the COLA "normal cost" in a given year, but pursuant to OCERS' "Excess Earnings and Interest Crediting Policy" this is not a likely eventuality. The cost of any unfunded accrued actuarial liability ("UAAL") associated with the COLA benefit, as with UAAL generally, is solely the responsibility of the employers, and may be amortized along with the rest of the system's UAAL.

Over the past few decades, demographic changes in employment and mortality rates, coupled with significant rates of inflation, have caused unanticipated increases in the proportion of overall retirement benefits that is attributable to COLAs. It is not unusual to find that over lengthening retirement periods, COLAs can double (or more) the basic benefit amount received upon retirement. It is noteworthy, however, that when enacting statewide pension reform in 2012 ("PEPRA"), the State Legislature made no changes to the COLA provisions that govern state and local retirement plans.

The law permits counties to adopt a different COLA option for new employees first hired after a selected effective date in the future. *See* CERL section 31483. At least as to current members and retirees, however, California law is very clear that their COLA levels may not be reduced, absent their express consent.

OCERS' role with regard to the COLA provisions under CERL is purely a ministerial one: to administer the COLA provisions duly adopted by the County through the actions of the Board of Supervisors and its employees. As with most plan design matters, so long as there is no impact on the administration of the system, OCERS has no fiduciary responsibility to advocate for or against any particular benefit terms, and should refrain from using trust fund assets for any such purpose, except to educate stakeholders on the nature and consequences of such terms.

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## Memorandum

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**DATE:** January 30, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Brenda Shott, Assistant CEO, Finance and Internal Operations  
**SUBJECT: AUTHORIZATION FOR OCERS PAYMENTS**

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### Recommendation

Adopt Resolution 18-01 designating the Chief Executive Officer and Assistant Chief Executive Officer, Finance and Internal Operations, as authorized officials to approve checks and electronic transfers drawn on the OCERS retirement fund in accordance with California Government Code section 31590.

### Background

Prior to 1995, pursuant California Government Code section 31590 all checks and electronic transfers, including all benefit payments, were approved by the County Treasurer and a board member designated by the OCERS Board of Retirement. Section 31590 was amended in 1995 (see attached) to give agencies the option of designating two board members or agency employees as authorized signatories on checks and electronic transfers. As a result, in late 1995 the OCERS Board of Retirement adopted a resolution authorizing the Board Chair and the Retirement Administrator (now the CEO) to approve OCERS' payments.

However, sometime after the Board adopted the resolution in 1995<sup>1</sup>, the process of reviewing and approving payments was delegated to staff. From that time until January 2013, staff in the Finance Department "signed" all accounts payable checks with a rubber stamp containing the signatures of the Board Chair and CEO. Benefit payments were "signed" with a digital signature that was printed on the checks. Every year, both the rubber and digital stamps were updated with the signature of the new Board Chair. In January 2013, the practice of using a rubber stamp to "sign" accounts payable checks was stopped in order to address the inherent weakness in the internal controls surrounding who and when the rubber stamps were used. At that time, staff moved to using electronic signatures on accounts payable checks, consistent with how retiree payroll checks were signed. Then, in 2014, as staff was planning for the implementation of V3, another change in practice was initiated. In an effort to eliminate the cost and time of changing the Board Chair's digital signature each year, the signature of the Assistant CEO, Finance and Internal Operations, was substituted for the Board Chair's signature. The change was vetted through internal legal counsel at the time, who concurred that the change complied with the provisions of Section 31590.

Recently, a new trustee inquired as to why a check register was not presented to the Board of Retirement for approval each month as is commonly done at cities and special districts. OCERS legal counsel researched the question and determined that the California Government Code governing those types of entities is different from the County Employees Retirement Law that governs OCERS. However, in doing the research, it was also

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<sup>1</sup> The timing of when and why the Board Chair stopped being directly involved in the approval of payments has not been determined.



discovered that a formal delegation of authority to the Assistant CEO, Finance and Internal Operations, to approve payments had not been ratified by the Board.

**Discussion:**

The process of approving payments has many steps that ensure proper internal controls are exercised. There are many layers of approvals in processing all forms of payments made by OCERS (wire transfers, ACH, and checks) which include appropriate segregation of duties among those who have authority to approve transactions requiring a payment, those who record or report the transactions, those who execute the transactions and those who have custody of the fund’s assets. Payment processing is also designed to be efficient, timely and accurate. Weekly accounts payable check runs are completed to allow for timely and variable payment terms. Monthly benefit payments are processed in a manner that allows for new retirees to have their benefits begin timely. Ad hoc or manual payments are processed as necessary. In conclusion, requiring the Board Chair to approve all payments made by OCERS would be extremely onerous on the Chair due to the frequency with which payments are made by OCERS.

In December 2016, OCERS’ Internal Audit Division completed an independent audit of OCERS’ procedures for sending wire transfers and ACH transfers from the Wells Fargo operating bank account and the State Street investment custodian bank and presented its report to the Audit Committee. The auditors observed the current process which included a review of signatories for the authorization of all checks and electronic transfers. The audit concluded that OCERS has adequate controls in place over both manual and automated procedures and requirements for sending a wire or an ACH transfer. While there is no concern with respect to the validity of the authorization of prior payments by OCERS, staff recommends the Board take formal action to align authorizations with current practices.

**Conclusion:**

Staff recommends the Board adopt Resolution No. 18-01, designating the CEO and Assistant Chief Executive Officer, Finance and Internal Operations, as the OCERS officials authorized to approve checks, warrants and electronic transfers made by OCERS.

**Submitted by:**

\_\_\_\_\_  
Brenda Shott  
Assistant CEO, Finance and Internal Operations

**Approved by:**

\_\_\_\_\_  
Steve Delaney  
CEO

**RESOLUTION NO. 18-01**

**A RESOLUTION OF THE BOARD OF RETIREMENT OF THE ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DESIGNATING OFFICIALS TO AUTHORIZE PAYMENTS BY OCERS.**

WHEREAS, pursuant to Section 31590 of the California Government Code (Section 31590) the Board of Retirement shall designate two Board members or employees whose signatures or approvals are required for all checks, warrants and electronic payments made by OCERS;

WHEREAS, by Resolution 95-007, the OCERS Board of Retirement designated the Board Chair and the Chief Executive Officer as such officials; and

WHEREAS, to conform to existing administrative internal controls, it is desirable to replace the Board Chair with the Assistant Chief Executive Officer, Finance and Internal Operations, as one of the designated officials under Section 31590.

NOW THEREFORE, THE BOARD OF RETIREMENT OF THE ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Pursuant to Section 31590, the OCERS Board of Retirement hereby designates and authorizes the Chief Executive Officer and the Assistant Chief Executive Officer, Finance and Internal Operations, to jointly sign (by original or facsimile) or authorize all warrants, checks and electronic transfers drawn on the OCERS retirement fund.

SECTION 2. The provisions of Resolution 95-007 that are inconsistent with this Resolution are hereby replaced and superseded by this Resolution.

STATE OF CALIFORNIA                    }  
COUNTY OF ORANGE                    } ss

I, Steve Delaney, Secretary of the Board of Retirement of the Orange County Employees Retirement System, do hereby certify that the foregoing Resolution No. 18-01 was duly passed and adopted at a regular meeting of the Board of Retirement of the Orange County Employees Retirement System held on the 13<sup>th</sup> day of February, 2018, by the following roll call vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

**Section 31590 Warrants, checks and electronic fund transfers; signature and authorization; validity; direct deposit of electronic fund transfers; authorization of benefit payments issuance by banks**

(a) All warrants, checks, and electronic fund transfers drawn on the retirement fund shall be signed or authorized by at least two board officers or employees, designated by the board or by the treasurer if designated by the board. If the treasurer is designated by the board, the board shall also designate the auditor to sign or authorize warrants, checks, and electronic fund transfers. The authorization may be by blanket authorization of all warrants, checks, or electronic fund transfers appearing on a list or register, or may be by a standing order to draw warrants, checks, or electronic fund transfers, which shall be good until revoked. If the treasurer and auditor are designated by the board, a warrant, check, or electronic fund transfer is not valid until it is signed or authorized, numbered, and recorded by the county auditor, except as provided in subdivision (c).

(b) Any person entitled to the receipt of benefits may authorize the payment of the benefits to be directly deposited by electronic fund transfer into the person's account at the financial institution of the person's choice under a program for direct deposit by electronic transfer established by the board or treasurer if authorized by the board. The direct deposit shall discharge the system's obligation in respect to that payment.

(c) The board may, or, if authorized by the board, the treasurer shall, authorize a trust company or trust department of any state or national bank authorized to conduct the business of a trust company in this state or the Federal Reserve Bank of San Francisco or any branch thereof within this state, to process and issue payments by check or electronic fund transfer.

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## Memorandum

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**DATE:** February 13, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT: SACRS BOARD OF DIRECTORS ELECTIONS 2018-2019**

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### Recommendation

Identify one or more nominees for the SACRS Board of Directors election to be conducted on May 18, 2018; and direct staff to submit the nomination(s) to the SACRS Nominating Committee on or before March 1, 2018.

### Background/Discussion

At the May 18, 2018 SACRS business meeting, SACRS will conduct the 2018-2019 election for the SACRS Board of Directors. The Board of Directors consists of the following positions:

- President
- Vice President
- Treasurer
- Secretary
- Two (2) Regular Members
- The Immediate Past President

Attached is the timeline for the 2018-2019 election.

Any regular member of SACRS, such as OCERS, may submit nominations for the election of the SACRS Directors. Such nominations are to be submitted to the SACRS Nominating Committee, and must be received by the Nominating Committee prior to the first business day after March 1 of each calendar year.

The purpose of this agenda item is for the Board to discuss and identify one or more nominees for the SACRS Board of Directors election to be conducted on May 18, 2018, and to direct staff to submit the nomination(s) to the SACRS Nominating Committee on or before March 1, 2018.

In addition, individuals interested in serving on the SACRS Board of Directors may indicate their interest by completing and submitting the attached SACRS Nomination Submission Form, with a letter of intent. The form and the letter of intent must be submitted no later than March 1, 2018. OCERS Board member, Roger Hilton, has submitted a letter of intention to run for the position of Regular Member of the SACRS Board of Directors. A copy of Mr. Hilton's submission is attached.

Prior to March 25, the Nominating Committee will report a final ballot to each regular member. Staff will present the final ballot to the OCERS Board at its April 18, 2018 meeting so that the Board can give the OCERS Voting Delegate direction on how to vote OCERS' proxy in the SACRS election.

Attachments

- (1) SACRS Board of Directors Election 2018-2019 Information and Timeline
- (2) SACRS Nomination Submission Form
- (3) Nomination Submission Form and Letter of Intent submitted by Roger Hilton

**Submitted by:**



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Gina M. Ratto  
General Counsel



January 9, 2018

To: SACRS Trustees & SACRS Administrators/CEO's  
 From: Ray McCray, SACRS Immediate Past President, Nominating Committee Chair  
 SACRS Nominating Committee  
 Re: SACRS Board of Director Elections 2018-2019 Elections

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SACRS BOD 2018-2019 election process will begin **January 2018**. Please review the following timeline and distribute to your Board of Trustees.

DEADLINE	DESCRIPTION
March 1, 2018	Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations prior to the first Business Day after March 1 of each calendar year. Nominations shall not be accepted from the floor on the day of the election.
March 25, 2018	The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25.
May 18, 2018	Nominating Committee to conduct elections during the SACRS Business Meeting at the Spring Conference (May 15-18, 2018).
May 18, 2018	Board of Directors take office for 1 year

Per SACRS Bylaws, Article VIII, Section 1. Board of Director and Section 2. Elections of Directors:

**Section 1. Board of Directors.** The Board shall consist of the officers of SACRS as described in Article VI, Section 1, the immediately Past President, and two (2) regular members.

- A. Immediate Past President. The immediate Past President, while he or she is a regular member of SACRS, shall also be a member of the Board. In the event the immediate Past President is unable to serve on the Board, the most recent Past President who qualifies shall serve as a member of the Board.
- B. Two (2) Regular Members. Two (2) regular members shall also be members of the Board with full voting rights.

**Section 2. Elections of Directors.** Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations prior to the first Business Day after March 1 of each calendar year. Nominations shall not be accepted from the floor on the day of the election.

The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's recommended ballot and final ballot to each trustee and



placing the election of SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.

Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform with Article V, Sections 6 and 7 of the Bylaws.

Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.

Interested candidates should submit their letter of intent and the form included in this letter to the Nominating Committee no later than the cut-off dates listed in the schedule. Candidates may submit for only one position on the Board:

- President
- Vice President
- Treasurer
- Secretary
- Regular Member 1
- Regular Member 2

The elections will be held at the SACRS Spring Conference May 15 – 18, 2018 at the Anaheim Marriott, Anaheim, CA. Elections will be held during the Annual Business meeting on Friday, May 18, 2018.

If you have any questions, please contact me at Ray McCray, [raym1@sbcglobal.net](mailto:raym1@sbcglobal.net) or (209) 417-4472.

Thank you for your prompt attention to this timely matter.

Sincerely,

*Ray McCray*

Ray McCray, San Joaquin CERA Trustee  
SACRS Nominating Committee Chair

CC: SACRS Board of Directors  
SACRS Nominating Committee Members  
Sulema H. Peterson, SACRS Administrator





**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2018-2019**

All interested candidates must complete this form and submit it along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2018.** Please submit to the Nominating Committee Chair at [raym1@sbcglobal.net](mailto:raym1@sbcglobal.net) or to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 441-1850.

<b>Name of Candidate</b>	
<b>Candidate Contact Information (Phone Number, Email Address and Mailing Address MUST be included)</b>	
<b>Name of Retirement System Candidate Currently Serves On</b>	
<b>Current Position On Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	
<b>Applying for SACRS Board of Directors Position (You may only select one)</b>	<ul style="list-style-type: none"> <li><input type="radio"/> President</li> <li><input type="radio"/> Vice President</li> <li><input type="radio"/> Treasurer</li> <li><input type="radio"/> Secretary</li> <li><input type="radio"/> Regular Member</li> </ul>
<b>Brief Bio</b>	



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2018-2019**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2018.** Please submit to the Nominating Committee Chair at [raym1@sbcglobal.net](mailto:raym1@sbcglobal.net) or to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 441-1850.

<b>Name of Candidate</b>	Roger Hilton
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	(714) 325-9295, <a href="mailto:rhilton@ocers.org">rhilton@ocers.org</a> , <a href="mailto:roger@aocds.org">roger@aocds.org</a>  2223 East Wellington Ave. Suite 100 Santa Ana, CA 92701
<b>Name of Retirement System Candidate Currently Serves On</b>	Orange County Employees Retirement System (OCERS)
<b>Current Position On Candidates Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	Elected Safety Member
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input checked="" type="radio"/> Regular Member



<p><b>Brief Bio</b></p>	<ul style="list-style-type: none"> <li>❑ OCERS: served as Chairman of the board, chair of the Investment Committee, and have chaired several committees, elected 2012 - Present.</li> <li>❑ Association of Orange County Deputy Sheriffs (AOCDS) Board of Directors: Currently serving as Vice President and Political Action Chairman, 2011 - Present.</li> <li>❑ Trustee on Medical and Benefits Trusts, 2011 - Present.</li> <li>❑ Trustee on Fraternal Order of Police, Lodge 18, 2011- Present.</li> <li>❑ Association of Deputy Marshals Board of Directors, 1992-2000 – Served as President 1996-2000, Treasurer 1993-1996.</li> <li>❑ Public Pension Trustee certificates:             <ul style="list-style-type: none"> <li>-Modern Investment Theory &amp; Practice – UC Berkeley;</li> <li>-Portfolio concepts and Management -Wharton School of Business;</li> <li>-Certificate in Public Plan Policy I and II;</li> <li>-Principles of Pension Management - Stanford University;</li> <li>-Advanced Principles of Pension Management - UCLA;</li> <li>-Labor and Worklife Program, Harvard Law School</li> </ul> </li> </ul>
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January 15, 2018

2223 East Wellington Ave. Suite 100  
Santa Ana, CA 92701

Ray McCray, SACRS Nominating Committee Chair

Dear Mr. McCray:

Please accept this letter as my intent to run for the Board of Directors for the position of Regular Member. I would request that my name be included in the 2018-2019 SACRS Nomination Slate at the upcoming elections in May 2018.

I believe my years of experience leading employee labor organizations and the OCERS Board of Retirement have uniquely prepared me for this challenge. I have over 28 years of experience in law enforcement, 25 years serving in the leadership of employee labor organizations, and over 5 years on the OCERS Board of Retirement. My experience is further outlined on the Nomination Submission form attached to this letter.

Since elected to OCERS, I have made it a point to attend the SACRS conferences. Through these conferences, I have learned a great deal about pensions and have found many friends and mentors. I believe that SACRS is the most effective and important conference '37 Act trustees should attend, because of its relevant content and top-notch presenters. My primary goal is to keep SACRS as the premier public pension organization. I plan to utilize my extensive leadership experience by reaching out to and communicating with our members so they fully understand the many benefits of SACRS. My focus will be on continuing successful conferences and keeping SACRS a professional organization.

It would be an honor to serve on the SACRS Board of Directors and I appreciate the consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Roger Hilton", written in a cursive style.

Roger Hilton

OCERS Board of Directors

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*Orange County Employees Retirement System  
Retirement Board Meeting  
February 13, 2018  
Application Notices*

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
<b>Acton, Jeanette</b>	OC Community Resources	12/22/2017
<b>Alvarado, Margie</b>	Social Services Agency	12/8/2017
<b>Aquino, Edith</b>	Health Care Agency	12/22/2017
<b>Balandran, Theresia</b>	Sheriff's Dept	12/19/2017
<b>Bell, Rogelio</b>	Sheriff's Dept	12/8/2017
<b>Boqucki, Joanne</b>	District Attorney	12/23/2017
<b>Brennan, Brian</b>	OCTA	12/9/2017
<b>Brewer, Georgina</b>	District Attorney	12/22/2017
<b>Camber, Michael</b>	OC Public Defender	11/11/2017
<b>Catu, Constantin</b>	OCTA	12/8/2017
<b>Chen, Helen</b>	Health Care Agency	12/11/2017
<b>Cullen, Christopher</b>	Probation	11/30/2017
<b>Duran, Jeffrey</b>	Fire Authority (OCFA)	12/22/2017
<b>Elliott, Rene</b>	Sheriff's Dept	12/4/2017
<b>Ewan, George</b>	Fire Authority (OCFA)	11/24/2017
<b>Fernandez, Virginia</b>	Health Care Agency	12/7/2017
<b>Gilbert, Linda</b>	Sheriff's Dept	12/22/2017
<b>Gwynn, Anne</b>	Social Services Agency	11/30/2017
<b>Hathorn, Jodie</b>	Superior Court	12/15/2017
<b>Hayek, Eric</b>	Fire Authority (OCFA)	12/22/2017
<b>Hemstock, Deborah</b>	Fire Authority (OCFA)	12/1/2017
<b>Hillis, Viera</b>	Health Care Agency	11/24/2017
<b>Hollenbeck, John</b>	Sheriff's Dept	12/22/2017
<b>Jacobs, Daniel</b>	Sheriff's Dept	12/17/2017
<b>Kilpatrick, Rene</b>	Child Support Services	12/22/2017
<b>Lopez Hernandez, Elizabeth</b>	Superior Court	12/8/2017
<b>Lopez, Beatriz</b>	Superior Court	12/18/2017
<b>Lyon, Christine</b>	Sheriff's Dept	12/7/2017
<b>Mecado, Louie</b>	Social Services Agency	12/22/2017
<b>Morse, David</b>	OCTA	12/9/2017
<b>Neuroth, Jerry</b>	Fire Authority (OCFA)	12/22/2017
<b>Nguyen, Long</b>	District Attorney	11/9/2017
<b>Nguyen, Minh</b>	Sheriff's Dept	12/22/2017
<b>Pham, Hao</b>	Registrar Of Voters	12/22/2017
<b>Pham, Minh-Ha</b>	Health Care Agency	12/8/2017
<b>Pierce, Peter</b>	District Attorney	12/22/2017
<b>Rathman, Christopher</b>	Fire Authority (OCFA)	12/22/2017
<b>Robinson, Kayla</b>	Sheriff's Dept	12/22/2017
<b>Rojas, Irene</b>	OCERS	1/5/2018
<b>Rosales, Tami</b>	OC Community Resources	12/22/2017
<b>Sanchez, Irene</b>	Social Services Agency	12/8/2017
<b>Scott, Grace</b>	County Executive Office (CEO)	11/10/2017
<b>Sepeda, Jeannie</b>	District Attorney	1/5/2018
<b>Stanford, Ronald</b>	OCTA	11/26/2017
<b>Sudo, Jenny</b>	District Attorney	12/27/2017
<b>Twilley, Harold</b>	OCTA	12/3/2017
<b>Ureta, Debbie</b>	Social Services Agency	12/22/2017
<b>Viernes, Sandra</b>	Health Care Agency	12/2/2017
<b>Walden, Sandra</b>	Health Care Agency	12/8/2017

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
<b>Walker, Paul</b>	Fire Authority (OCFA)	11/24/2017
<b>Weld, Judy</b>	Sheriff's Dept	12/22/2017
<b>Williams, Ka Sandra</b>	Probation	12/22/2017
<b>Wing, Cheryle</b>	Health Care Agency	11/30/2017

*Orange County Employees Retirement  
Retirement Board Meeting  
February 13, 2018  
Death Notices*

<i>Active Members</i>	<i>Agency/Employer</i>	<i>Date of Death</i>
<b>Blackburn, Colleen</b>	Sanitation District	11/14/2017
<b>Dirden, Josephine</b>	Social Services Agency	1/23/2018
<b>Johnson, Lagene</b>	Public Defender	12/23/2017
<b>Sawyer, Thomas</b>	John Wayne Airport	12/27/2017

<i>Retired Members</i>	<i>Agency/Employer</i>	<i>Date of Death</i>
<b>Adams, Maggie</b>	OC Public Works	12/7/2017
<b>Allen, Jimmie</b>	OC Public Works	1/4/2018
<b>Benson, John</b>	Probation	1/9/2018
<b>Berger, Larry</b>	Sanitation District	1/9/2018
<b>Brautigam, Robert</b>	Sheriff's Dept	12/18/2017
<b>Bui, Luyen</b>	Health Care Agency	12/9/2017
<b>Burgin, William</b>	OC Public Works	1/4/2018
<b>Buus, Larry</b>	Sheriff's Dept	1/7/2018
<b>Carlsten, Bettye</b>	Superior Court	12/18/2017
<b>Casper, Shirley</b>	Superior Court	1/22/2018
<b>Clark, Gerelyn</b>	Social Services Agency	1/23/2018
<b>Correa, Manuel</b>	OC Community Resources	11/5/2017
<b>Elo, James</b>	Sanitation District	1/10/2018
<b>Felton, Donald</b>	Probation	1/24/2018
<b>Giger, James</b>	District Attorney	1/28/2018
<b>Gilbert, Fredrick</b>	Social Services Agency	1/15/2018
<b>Halleen, Blanche</b>	UCI	12/3/2017
<b>Hamlin, Helen</b>	Social Services Agency	12/15/2017
<b>Harlon, Sandra</b>	City Of San Juan Capistrano	12/24/2017
<b>Hicks, Terry</b>	Sheriff's Dept	1/11/2018
<b>Hookum, Dennis</b>	OC Public Works	12/14/2017
<b>Jones, Donald</b>	OC Public Works	12/17/2017
<b>Keppner, Konrad</b>	OC Public Works	1/19/2018
<b>Knight, Lary</b>	Assessor	1/11/2018
<b>Lane, William</b>	Sheriff's Dept	1/4/2018
<b>Le, Leslie</b>	Registrar of Voters	12/12/2017
<b>Lopez, Ruben</b>	Sheriff's Dept	1/15/2018
<b>Luna, Mary</b>	Health Care Agency	12/13/2017
<b>Magno, Valorie</b>	Assessor	1/13/2018
<b>Nunez, Joe</b>	Public Defender	12/18/2017
<b>Parrish, Dennis</b>	Sheriff's Dept	1/17/2018
<b>Pham, Danh</b>	Sheriff's Dept	1/25/2018
<b>Pierce, William</b>	Sanitation District	1/19/2018
<b>Raya, Josephina</b>	UCI	12/5/2017
<b>Reese, Shirley</b>	District Attorney	12/25/2017



<i>Retired Members</i>	<i>Agency/Employer</i>	<i>Date of Death</i>
<b>Reynoso, Mary</b>	Sheriff's Dept	1/6/2018
<b>Rhoades, Michelle</b>	Sheriff's Dept	1/9/2018
<b>Rosas, Henry</b>	OC Public Works	1/18/2018
<b>Stocker, Suzanne</b>	Social Services Agency	12/21/2017
<b>Sundquist, Lillian</b>	UCI	12/23/2017
<b>Taisne, Jean</b>	Sanitation District	12/19/2017
<b>Tapia, Trinidad</b>	OC Public Works	12/2/2017
<b>Torres, Stephen</b>	Sheriff's Dept	11/7/2017
<b>Tracy, John</b>	Sheriff's Dept	12/30/2017
<b>Vaughan, Lawrence</b>	Health Care Agency	12/14/2017
<b>Wiley, Barbara</b>	UCI	12/29/2017
<b>Wolfe, John</b>	OC Public Works	1/13/2018
<b>Wright, John</b>	Sanitation District	1/1/2018
<b>Young, Ruth</b>	Social Services Agency	12/25/2017
<b>Zolezio, Sylvia</b>	District Attorney	12/15/2017
<b>Vodicka, Marie Therese</b>	Superior Court	12/21/2017
<b>Weiller, Herbert</b>	Social Services Agency	12/31/2017

<i>Surviving Spouses</i>	<i>Date of Death</i>
<b>Cohen, Adrienne</b>	1/4/2018
<b>Collins, Ruth</b>	1/8/2018
<b>Hurd, Joan</b>	12/16/2017
<b>Isefuku, Junko</b>	1/9/2018
<b>Janson, Janet</b>	12/16/2017
<b>Kaliher, Phyllis</b>	12/11/2017
<b>Kitagawa, Tom</b>	12/9/2017
<b>Landrum, Eileen</b>	12/11/2017
<b>Marquez, Ernest</b>	11/11/2017
<b>Picker, Franklin</b>	12/17/2017
<b>Reece, Margie</b>	12/29/2017
<b>Rodusky, Ethel</b>	12/15/2017
<b>Takeguma, Hideichi</b>	12/12/2017
<b>Wehe, Theodore</b>	12/28/2017

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## Memorandum

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DATE: February 1, 2018  
TO: Members of the Board of Retirement  
FROM: Steve Delaney, Chief Executive Officer  
SUBJECT: **CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN**

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### *Written report only*

#### AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

##### MARCH

The Current State of OCERS – Annual Report  
SACRS Election Materials  
2018 Star COLA FINAL APPROVAL  
Quarterly 2018-2020 Strategic Plan Review

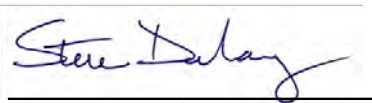
##### APRIL

Annual Brown Act Training  
SACRS Board of Directors Election

##### MAY

Preliminary December 31, 2018 Valuation  
Quarterly Securities Litigation Update

### **Submitted by:**



Steve Delaney  
Chief Executive Officer

**OCERS RETIREMENT BOARD - 2018 Work Plan**

	Jan	Feb	Mar	Apr	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
<b>System Oversight</b>		STAR COLA Posting (I)	Approve 2018 STAR COLA (A)		Mid-Year Review of 2018 Business Plan Progress (I)	Approve Early Payment Rates for Fiscal Year 2018-19 (A)	Review 2nd Quarter Budget to Actuals Financial Report (I)	Strategic Planning Workshop (I)	Overview of 2019 Administrative Budget and Investment (Workshop) (I)	Review 3rd Quarter Budget to Actuals Financial Report (I)	CEO Compensation (A)
		Approve 2018 COLA (A)	Quarterly 2018-2020 Strategic Plan Review (A)		Approve December 31, 2017 Actuarial Valuation & Funded Status of OCERS (A)		Receive OCERS by the Numbers (I)		Approve 2019-2021 Strategic Plan (A)	Approve 2019 Administrative (Operating) Budget (A)	
					Approve 2017 CAFR (A)		Receive Evolution of the UAAL (I)		Approve 2019 Business Plan (A)	Annual CEO Performance Review (A)	
					Quarterly 2018-2020 Strategic Plan Review (A)						
<b>Board Governance</b>				Brown Act Training (I)						Adopt 2019 Board Meeting Calendar (A)	Adopt Annual Work Plan for 2019 (A)
				Conflict of Interest Training (I)							Vice-Chair Election (A)
<b>Regulation / Policies</b>											
<b>Compliance</b>			State of OCERS (A)	Form 700 and OCERS Annual Disclosure Due (A)	Receive Financial Audit (I)					Status of Board Education Hours for 2018 (I)	

(A) = Action (I) = Information

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## Memorandum

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**DATE:** January 29<sup>th</sup>, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** QUIET PERIOD – NON-INVESTMENT CONTRACTS

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### *Written Report Only*

### Background/Discussion – Options

#### **1. Quiet Period Policy Guidelines – Named Service Providers**

The following guidelines established by the Quiet Period Policy, section 3.c, will govern a search process for Named Service Providers:

*“All Board and Investment Committee Members, and staff not directly involved in the search process, shall refrain from communicating with Service Provider candidates regarding any product or service related to the search offered by the candidate throughout the quiet period,...”*

#### **2. Quiet Period Guidelines – Non-Named Service Providers**

There are no policy guidelines regarding a quiet period for non-Named Service Providers. However, 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.

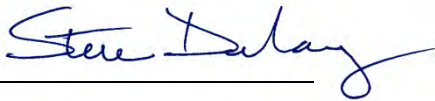
- Sent out an RFP in July for Property Management Services for the building located at 2223 E. Wellington Avenue, Santa Ana, CA 92701. Awarded the bid to Avison Young. Contract has been finalized and the transition is effective February 1<sup>st</sup>, 2018.
- Distributed an RFP October 12<sup>th</sup> for Tax Counsel Services. Received six proposals. Selection completed and a contract is in place with Steptoe & Johnson, LLP.
- II-Liquid Investment Advisor RFP was distributed October 2<sup>nd</sup>. Bids received October 31<sup>st</sup>. The finalists are presenting their proposals February 20th.

## Memorandum

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- An RFP for Employment Counsel Services was distributed January 4<sup>th</sup>, 2018. Pending receipt of proposals.

**Submitted by:**



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Steve Delaney  
Chief Executive Officer

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## Memorandum

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**DATE:** January 29, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Cynthia Hockless, Director of Administrative Services  
**SUBJECT: BOARD ELECTION, SAFETY MEMBER AND ALTERNATE SAFETY MEMBER**

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### *Written Report Only*

#### **Background:**

On January 5, 2018, Administrative Services contacted the Registrar of Voters requesting them to conduct an election for the Safety Member and Alternate Safety Member whose terms expire on June 30, 2018. We received a response informing us that the election will be held on May 15, 2018. The Registrar of Voters has provided the attached timeline.

As per the attached timeline, we are in the process of notifying eligible Safety Members of the election. The Safety Election Notices will be distributed with the February 09, 2018 and February 23, 2018 payrolls as well as mailed to the home of each Safety member via US mail.

The Information Technology staff is preparing the list of active Safety Members for the mailing of the notification and the Registrars' use in establishing the eligibility of candidates.

The nomination period begins on February 26, 2018 and will close at 5:00 p.m. on March 16, 2018.

We are currently on schedule and will continue to provide updates as we progress through the process.

#### Attachment:

Response letter from the Registrar of Voters

#### **Submitted by:**



\_\_\_\_\_  
C.H. – APPROVED

Cynthia Hockless  
Director of Administrative Services



**NEAL KELLEY**  
Registrar of Voters

Mailing Address:  
P.O. Box 11298  
Santa Ana, California 92711

**REGISTRAR OF VOTERS**  
1300 South Grand Avenue, Bldg. C  
Santa Ana, California 92705  
(714) 567-7600  
FAX (714) 567-7627  
ocvote.com

January 11, 2018

Ms. Cynthia Hockless  
Director of Administrative Services  
Orange County Employees Retirement System  
2223 Wellington Avenue, Suite 100  
Santa Ana, CA 92701

Dear Ms. Hockless:

This is in response to your January 5, 2018 letter requesting the Registrar of Voters' Office to conduct a Special Election for the positions of Safety Member and Alternate Member for the term of office from July 1, 2018 through June 30, 2021.

The election schedule is as follows:

February 9 and February 23 (E-95 and E-81)      The Orange County Retirement office shall notify the Safety Members of the Retirement System that an election will be conducted on May 15, 2018. The notice shall include the filing period, qualifications and requirements to be a candidate for Safety Member and Alternate Member of the Orange County Retirement Board of Directors and shall be provided with the payrolls on February 9, 2018 and February 23, 2018.

February 14 (E-90)      The Retirement Office shall provide the number of eligible Safety Members to the Registrar of Voters' Office.

February 20 (E-84)      The Retirement Office shall provide the Registrar of Voters' Office with Willingness to Serve forms and a list of eligible Safety Members for use in establishing the eligibility of candidates.

February 26 (E-78)      Nomination period begins. A Safety Member requires 75 nomination signatures.

March 16  
(E-60) Deadline to file a biographical statement with the Retirement Office.

March 16  
(E-60) Nomination period ends at 5:00 p.m. on this date.

March 19  
(E- 57) Retirement Office shall provide print-ready copies of biographical statements to the Registrar of Voters' Office to be printed by March 28.

March 20  
(E-56) Random draw will be held to determine the candidate placement on the ballot.

March 23  
(E-53) Retirement Office shall provide the Registrar of Voters with names and addresses of eligible Safety Members in an electronic format.

April 6  
(E-39) Mailing of ballots begins.

April 6  
(E-39) Retirement Office shall provide updated list of eligible Safety Members for voter verification.

May 15  
(E-0) Tally voted ballots at the Registrar of Voters' Office.

May 22  
(E+7) Certificate of Election on Board of Supervisors' agenda.

July 1  
(E+47) Term begins for Safety Member and Alternate Member. Term expires on June 30, 2021.

If you have any questions, I can be reached at (714) 567-7568.

Sincerely,



Marcia Nielsen  
Candidate and Voter Services Manager

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## Memorandum

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**DATE:** January 22, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Tracy Bowman, Director of Finance  
**SUBJECT:** **GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

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### *Written report only*

#### **Background/Discussion**

The Government Finance Officers Association (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program) in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal.

The Certificate of Achievement for Excellence in Financial Reporting has been awarded to OCERS by the GFOA for its CAFR for the year ended December 31, 2016. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

In addition, an Award of Financial Reporting Achievement has been presented to the Finance Division by the GFOA for preparing the award-winning CAFR. The CAFR was judged by an impartial panel to meet the high standards of the program including demonstrating a constructive “spirit of full disclosure” to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

#### **Attachments:**

Certificate of Achievement for Excellence in Financial Reporting  
Award of Financial Reporting Achievement

#### **Submitted by:**

A rectangular stamp with a light blue background. On the left is the OCERS logo. To the right of the logo, the text "T.B. - Approved" is written in a blue, serif font. A horizontal line is drawn across the bottom of the stamp.

Tracy Bowman  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Orange County  
Employees Retirement System  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morrill*

Executive Director/CEO



The Government Finance Officers Association  
of the United States and Canada

*presents this*

## AWARD OF FINANCIAL REPORTING ACHIEVEMENT

*to*

### Finance Division

Orange County Employees Retirement System, California



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

*Christopher P. Morrill*

Date December 12, 2017

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## Memorandum

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**DATE:** January 19, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** **TRAVEL REPORT – 2017 GARTNER DATA CENTER, INFRASTRUCTURE AND OPERATIONS MANAGEMENT CONFERENCE**

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### Background/Discussion

From December 4-7, 2017, Jon Gossard, Information Technology Manager, and Javier Lara, Information Technology Operations Supervisor, attended the Gartner Data Center, Infrastructure and Operations Management Conference in Las Vegas, NV. While in Las Vegas for the Gartner conference, they also visited OCERS’ out-of-state data center to undergo a required security orientation.

The total cost for both individuals’ attendance is included in the following:

Conference Fee	Hotel	Transportation	Meals	Total
\$0*	\$1,098	\$380	\$135	\$1,613

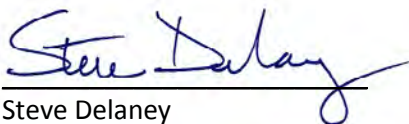
\* Conference registration for two attendees is included in the cost of our annual Gartner subscription. The standard registration cost for this conference is \$2,750 per person.

As it is not presently pre-approved, OCERS’ Travel Policy, Section 19, states:

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

A report summarizing the conference is attached.

### Submitted by:



Steve Delaney  
 Chief Executive Officer

## Report of Attendance at Conference or Seminar

**Name of Staff Attending:** Jon Gossard, Information Technology Manager  
Javier Lara, Information Technology Operations Supervisor

**Name of Conference/Seminar:** 2017 Gartner Data Center, Infrastructure and Operations Management Conference

**Location of Conference/Seminar:** Las Vegas, NV

**Conference/Seminar Sponsor:** Gartner

**Dates of Attendance:** December 4-7, 2017

**Total Cost of Attendance:** \$1,613 (approx. \$807 per person)

### Brief Summary of Information and Knowledge Gained:

This multi-day conference presented by technology research and advisory firm Gartner is designed for individuals who work in IT infrastructure and operations, servers, storage and backup, mobile, cloud and virtualization and data center networking. Mr. Gossard and Mr. Lara previously attended the conference in 2016 and found it to be a valuable conference that provides technological and philosophical roadmaps pertaining to the current and future direction of IT operations management. This year's conference continues to be particularly timely given OCERS' ongoing initiative to enhance our business continuity and disaster recovery preparedness by moving the OCERS data center to a professionally-managed external co-location facility. Mr. Gossard and Mr. Lara attended the conference again this year and attended sessions covering pertinent areas such as:

- Creating an enterprise cloud strategy
- Private cloud, public cloud and edge
- State of business continuity management
- Increasing IT resiliency with a secure infrastructure platform
- Data backup and recovery solutions

As is typical with Gartner-sponsored conferences, vendors were on hand to discuss and demonstrate their products. This allowed us to interact with several vendors whom we currently utilize or are incorporating into our technology infrastructure.

### Evaluation of the Conference or Seminar:

This Gartner conference affords OCERS staff an opportunity to stay abreast of developments in the infrastructure and operations management sphere, ensuring that we are aware of the latest trends and are able to identify opportunities for maximizing IT operations efficiency. The conference is very well attended, allowing staff to interact with colleagues in many different lines of business and across all market capitalization levels. This is particularly useful as we like to see how others outside of the pension administration world handle similar issues to those faced by OCERS.

The Gartner conference is also attended by a large group of vendors which offers staff the ability to be exposed to a number of hardware and software solutions that may have an impact in the OCERS technology environment.

# Report of Attendance at Conference or Seminar

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**Recommendation Concerning Future Attendance:**

The Gartner Data Center, Infrastructure and Operations Management conference offers specific information that is of use to the IT Operations team to ensure that we are aware of current and upcoming trends in the infrastructure management area and allows us to plan for and leverage those emerging technologies in the appropriate circumstances. I would recommend that we attend this conference as needed based on the content planned for that particular conference and the current OCERS initiatives at the time of the conference.

**Submitted By:** \_\_\_\_\_ 

Jon Gossard, Information Technology Manager

**Return to:** Executive Assistant

**Copies to:** Board Members, Chief Executive Officer & Assistant Chief Executive Officers

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## Memorandum

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**DATE:** January 24, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** TRAVEL REPORT – NOSSAMAN LLP’S PUBLIC PENSIONS AND INVESTMENTS 2017 FIDUCIARIES’ FORUM

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### Background/Discussion

From November 30 – December 1, 2017, Gina Ratto, General Counsel and Brenda Shott, Assistant CEO Finance and Internal Operations, attended the Nossaman LLP Public Pension and Investment 2017 Fiduciaries Forum in San Francisco, CA.

The total cost for both individuals’ attendance is included in the following:

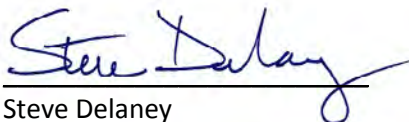
Conference Fee	Hotel	Transportation	Meals	Total
\$750	\$716	\$720	\$32	\$2,218

As it is not presently pre-approved, OCERS’ Travel Policy, Section 19, states:

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

A report summarizing the conference is attached.

### Submitted by:



Steve Delaney  
 Chief Executive Officer

## Report of Attendance at Conference or Seminar

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**Name of Member Attending:** Brenda Shott, Assistant CEO, Finance and Internal Operations  
Gina Ratto, General Counsel

**Name of Conference/Seminar:** Public Pensions and Investment 2017 Fiduciaries' Forum

**Location of Conference/Seminar:** San Francisco, CA

**Conference/Seminar Sponsor:** Nossaman LLP

**Dates of Attendance:** November 30 – December 1, 2017

**Total Cost of Attendance:** \$2,218 (total for both attendees)

### Brief Summary of Information and Knowledge Gained:

Nossaman LLP's Public Pensions and Investments Practice Group presented this multi-day education forum. The intended audience was board members, executive staff and in-house counsel of retirement systems. The forum took an in-depth look at fiduciary challenges in an evolving legal landscape and included a series of sessions that covered a variety of topics including:

- Employer Audits by Public Retirement Systems: Hot Ticket Items to Track
- Cybersecurity and Privacy
- Insurance Coverage
- FATCA, IRS Audits and Other Tax Issues
- Developments in Subscription Agreements and Booklets
- Investments – Pros and Cons of Different Legal Structures
- How to Speak to the Media to Manage a Crisis

Each of the sessions provided a fair amount of detailed information given the allotted time for each topic. The Cybersecurity session was especially helpful and provided some very usable information that will be used as we continue to develop OCERS' cybersecurity program. The session on Insurance was also very timely as a large portion of the discussion was related to Cyber Insurance, which OCERS is in the midst of procuring. In addition the attorneys from Nossaman did a great job covering the process and documents involved in entering into investment management agreements. They discussed the various pros and cons to different arrangements and shared information regarding limitations that exist in different arrangements.

# Report of Attendance at Conference or Seminar

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**Evaluation of the Conference or Seminar:**

The conference was very informative, well organized and topics covered were timely and very relevant to the work done here at OCERS. The attendees were staff and some trustees from other California pension funds, and therefore the conference also provided a valuable networking opportunity.

**Recommendation Concerning Future Attendance:**

Nossaman did a great job organizing this educational forum. We recommend participation in this forum in the future.

  
\_\_\_\_\_

  
\_\_\_\_\_

Signatures

Return to: Executive Assistant

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

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## Memorandum

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**DATE:** January 31, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Jenny Sadoski, Director of Information Technology  
**SUBJECT:** **QUARTERLY BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN UPDATE**

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### *Written Report Only*

#### Update

Continuing from the information provided in the November 2017 regular Board meeting, Wilcon has resolved the connectivity issues to the Nevada data center and the connection is expected to be live and ready for OCERS' use by late February. Wilcon has also agreed to cover any service charges incurred by OCERS for the Nevada site for the period in which we were delayed.

Staff continues to test and migrate on-premise systems to the Irvine data center. Many core infrastructure systems are now operational in Irvine and our focus is now on finalizing the migration of critical systems such as V3 and the Dynamics financial system.

To mitigate security concerns that staff had with respect to transporting our legacy equipment from OCERS' headquarters to the Nevada data center, the project team has decided to merge elements of Phases III and IV. The initial plan was to build out the legacy systems and securely transport the equipment to Nevada; however, that equipment would have contained OCERS data. Rather than risk the loss of equipment which contained OCERS data, the project team has decided to wipe the equipment clean and transport it to Nevada with no OCERS data. The equipment will then be seeded with data once it resides in the secure Nevada facility.

**Table 1: Revised Colocation and WAN Services Project Timeline**

Colocation and WAN Services Project Phase	Targeted Completion Date	Estimated Completion Date
Phase I: Preparation of Primary (Irvine) Colocation Facility	end of August 2017	COMPLETED
Phase II: Cutover to Primary (Irvine) Colocation Facility	end of November 2017	in process; revised to mid-1 <sup>st</sup> Quarter 2018
Phase III: Configure Replication with Legacy Equipment	end of December 2017	revised to early-2 <sup>nd</sup> Quarter 2018
Phase IV: Legacy Equipment Relocation to Secondary (Nevada) Colocation Facility	end of March 2018	
Phase V: Knowledge Transfer and Project Closing	mid-1 <sup>st</sup> Quarter 2018	late-2 <sup>nd</sup> Quarter 2018

#### Future of Cloud Computing at OCERS

We understand the current Board's desire to move away from OCERS' private cloud architecture and migrate OCERS' infrastructure and applications to secure public/private cloud offerings when and where the right opportunities present themselves. OCERS staff has been actively engaged in exploring robust, cost effective,

secure cloud-based solutions that meet OCERS operational business requirements and provide for enhanced security and future growth.

In 2016-2017, OCERS migrated its on-premise telephony system to a cloud-based solution, procured new cloud-based contracts and customer relationship management applications and implemented a cloud-based endpoint protection system. In 2018, we are reviewing our options to migrate e-mail and productivity applications to Microsoft's government Office 365 Cloud and plan to leverage cloud-based systems as part of scheduled infrastructure and Board room upgrades. We will also be working with our partners to discuss cloud options that may be available to us for our finance and pension administration systems.

Additionally, to position ourselves to be able to successfully evaluate, adopt and migrate infrastructure and applications to the cloud, staff are working to develop a cloud strategy, governance and risk management policies and update our procurement, contract and vendor management processes to allow us to successfully review, acquire and manage future cloud-based solutions. All new application acquisitions being considered by OCERS include cloud-based solutions.

## **Background and History of Project**

At the September 2014 Strategic Planning meeting, OCERS' Board of Retirement directed staff to hire a business continuity consulting firm to provide professional services to assist in the development of a new BC/DR plan. The cost for the professional services was budgeted as part of the OCERS 2015 budget which was reviewed at the OCERS 2014 Budget Workshop and approved at the November 17, 2014 regular Board meeting. The total project was budgeted at \$2.3 million. During the 2014 Strategic Planning meeting, staff also received feedback from Board members to avoid the use of public cloud architecture for its core business application.

At the April 15, 2015 regular Board meeting, OCERS staff presented to the Board the results of the business continuity consulting services RFP. The Board approved staff's recommendation to acquire the services of Avalution Consulting for a cost of \$102,500 and procurement of the Catalyst online software solution at an annual cost of \$3,000. The Avalution project team began work in June 2015, conducting the business impact analysis and developing OCERS' business continuity and disaster recovery plan with staff, including a crisis management plan.

OCERS staff presented the methodology, deliverables and recommendations from Avalution Consulting to the Board at the October 19, 2015 regular Board meeting. Avalution's recommendations, based on industry best practices, were:

### **1. Identify Alternate Workspace**

- Identify solution that can support all personnel required for response and recovery from a disruption.

### **2. Develop and Implement Disaster Recovery Capabilities**

- Identify a suitable alternate location for the data center as well as develop and implement disaster recovery procedures to recover and relocate its network systems.

### **3. Develop and Implement a Crisis Management Structure**

- Establish a crisis management team to lead the response to a disruption event.
- Implement and document strategies to address a loss of employees who perform critical activities and implement succession planning for critical personnel.
- Implement and validate (test) work from home or alternate location capabilities.
- Communicate and train OCERS staff on business continuity planning and procedures.

### **4. Develop and Document Manual Workarounds**

- Document manual workarounds and alternate process procedures and make documents available by storing in Catalyst business continuity software.

At the October 19, 2015 Board meeting, staff presented to the Board the following next steps for the project:

- Develop annual BC/DR testing and maintenance schedule.
- Pursue and implement options for alternate workspaces for OCERS staff in case of disruption of service.
- Draft and implement redundant and high availability solutions for OCERS data center and pursue out of state co-location of OCERS data center.
- Establish communications systems including new Voice-over-IP phone system, to support member communications, reporting, and crisis management.
- Investigate cost and feasibility of building improvement options such power generators and new data center equipment (UPS, HVAC).

In June 2016, OCERS released a RFP for IT BC/DR implementation services which received four responses and culminated in the selection in July 2016 of Sidepath as our technology partner for this initiative.

At the November 14, 2016 regular Board meeting, the Board approved staff's recommendation to establish a hybrid (private/public) cloud infrastructure solution, relocate the primary OCERS data center to a local, professionally-managed facility, establish a secondary site out-of-state and implement a public cloud-based telephony system in order to enhance OCERS' business continuity and disaster recovery capabilities at a cost not to exceed the 2017 budgeted amount of \$1.235 million. At that meeting, the Board requested bi-monthly status updates to be included in the consent agenda.

On November 21, 2016, OCERS issued a purchase order to our technology partner, Sidepath, to allow them to begin procurement of the hardware, software and support required for the project. The bill of materials for this procurement was subject to a competitive bid process for which we received three responses.

At the March 20, 2017 regular Board meeting, staff reported that we had completed procurement of the hardware, software and training required for the data center colocation project at a total cost of \$654,276.88. Additionally, it was noted that staff was working closely with our technology partner, Sidepath, to review responses to the RFP used to select a vendor to provide the local and out-of-state colocation facilities and WAN connectivity services.

At the May 15, 2017 regular Board meeting, staff reported that selection of colocation site vendors and a WAN connectivity provider had been completed and contract negotiations had begun with each vendor. Additionally, IT staff, working with OCERS staff, particularly Member Services and Executive Management, obtained approval to migrate the on-premise ShoreTel telephony system to the ShoreTel Connect CLOUD system.

At the June 12, 2017 regular Board meeting, in response to questions raised by the Board at the May 15 regular Board meeting, staff presented an overview of the business continuity and disaster recovery plan and the current status of the project. Following presentation of the information, the Board reaffirmed their approval of the project and directed staff to continue their efforts.

At the August 14, 2017 regular Board meeting, staff reported that both the colocation facility and cloud-based telephony projects were well under way and proceeding smoothly.

At the November 13, 2017 regular Board meeting, staff reported on the successful transfer of telephony service to ShoreTel's cloud-based solution and the rearrangement of the project timeline.

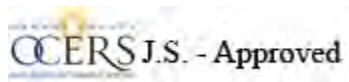
OCERS has defined a budget of \$1.235 million in 2017 to proceed with a hybrid cloud solution which includes the costs shown in Table 2.

**Table 2: Approved 2017 Purchase Costs and Actuals-to-Date**

Description	Estimated Expenses	Actual Expenses-to-Date
Hardware and Software	\$ 671,000.00	\$ 651,741.84
Professional Services	\$ 80,000.00	\$ 24,000.00
Staff Training	\$ 4,000.00	\$ 4,080.69
Public Cloud-based Telephony System	\$ 250,000.00	\$ 14,416.89
Initial Setup and First Year Recurring Costs	\$ 140,000.00	\$ 68,450.00*
Contingency	\$ 90,000.00	\$ -
<b>Total</b>	<b>\$ 1,235,000.00</b>	<b>\$ 762,689.42</b>

\* These expenses have not been incurred; rather, they represent the contractually negotiated costs for initial setup and first year recurring costs.

**Submitted by:**



\_\_\_\_\_  
 Jenny Sadoski  
 OCERS Director of Information Technology

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## Memorandum

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**DATE:** January 31, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Tracy Bowman, Director of Finance  
**SUBJECT:** **FOURTH QUARTER 2017 BUDGET VS. PRELIMINARY ACTUALS REPORT**

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### *Written report only*

### Highlights

Fourth Quarter Target: 100% Used /0% Remaining

	Actuals to Date	Annual Budget	Budget \$ Remaining	Budget % Remaining
<b>Administrative Budget</b>				
Personnel Costs	\$9,949,483	\$10,998,091	\$1,048,608	9.5%
Services and Supplies	4,375,851	6,072,360	1,696,509	27.9%
Capital Expenditures	342,523	1,293,000	950,477	73.5%
Administrative Expense Total	<u>\$14,667,857</u>	<u>\$18,363,451</u>	<u>\$3,695,594</u>	<u>20.1%</u>
<b>Investment Budget</b>				
Personnel Costs	\$1,123,059	\$1,419,337	\$296,278	20.9%
Services and Supplies	47,481	150,757	103,276	68.5%
Professional Services	2,200,827	2,897,559	696,732	24.0%
Investment Expense Total	<u>\$3,371,367</u>	<u>\$4,467,653</u>	<u>\$1,096,286</u>	<u>24.5%</u>
<b>Grand Total</b>				
Personnel Costs	\$11,072,542	\$12,417,428	\$1,344,886	10.8%
Services and Supplies	4,423,332	6,223,117	1,799,785	28.9%
Capital Expenditures-Administrative	342,523	1,293,000	950,477	73.5%
Professional Services-Investments	2,200,827	2,897,559	696,732	24.0%
Grand Total	<u>\$18,039,224</u>	<u>\$22,831,104</u>	<u>\$4,791,880</u>	<u>21.0%</u>

### Background/Discussion

The Board of Retirement approved OCERS' Administrative and Investment Budgets for Fiscal Year 2017 (FY17) on November 14, 2016, in the amount of \$61,155,100; \$18,363,451 for administration and \$42,791,649 for investment related activities. At the August 21, 2017 Regular Board Meeting, the Board approved a budget amendment to remove investment management fees of \$38,323,996 that were originally included in the professional services line item in OCERS' Administrative and Investment Budget for 2017. As a result, OCERS'

amended Administrative and Investment Budgets for FY17 is \$22,831,104; \$18,363,451 for administration and \$4,467,653 for investments.

OCERS' budgeting authority is regulated by California Government Code Sections 31580.2 and 31596.1, including a provision that OCERS' budget for administrative expenses (which excludes investment related costs and expenditures for computer software, hardware and related technology consulting services) is limited to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system (commonly referred to as the 21 basis point test). The approved FY17 administrative budget represents 8.55 basis points of the projected actuarial accrued liability. The budget also meets OCERS' Board policy limitation of 18 basis points of the projected actuarial value of total assets and represents 14.56 basis points of these assets for FY17.

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

### ***Administrative Summary***

For the year ended December 31, 2017, preliminary actual administrative expenses were \$14,667,857 or 79.9% of the \$18,363,451 administrative budget and below budget by approximately \$3.7 million. A summary of all administrative expenses (excluding investments) and explanations of significant variances are provided below:

**Summary of all Administrative Expenses (excluding Investments)  
For the Year Ended December 31, 2017**

	<b>Actuals to Date</b>	<b>Annual Budget</b>	<b>% of Budget Used</b>	<b>Budget vs. Actuals (Over)/Under</b>
<b>Personnel Costs</b>	<b>\$9,949,483</b>	<b>\$10,998,091</b>	<b>90.5%</b>	<b>\$1,048,608</b>
<b>Services and Supplies</b>				
Bldg. Prop. Mgmt./Maintenance	507,482	682,000	74.4%	174,518
Equipment Lease	61,001	90,000	67.8%	28,999
Equipment Maintenance	553,149	680,400	81.3%	127,251
Equipment/Software Expenses	97,188	149,500	65.0%	52,312
Legal Services	277,658	625,000	44.4%	347,342
Meetings & Mileage	28,554	57,350	49.8%	28,796
Membership/Periodicals	111,812	137,825	81.1%	26,013
Office Supplies	56,242	47,000	119.7%	(9,242)
Postage	124,742	163,000	76.5%	38,258
Printing	102,827	99,000	103.9%	(3,827)
Professional Services	2,134,143	2,800,200	76.2%	666,057
Telephone	113,270	80,000	141.6%	(33,270)
Training	207,783	461,085	45.1%	253,302
<b>Services and Supplies</b>	<b>4,375,851</b>	<b>6,072,360</b>	<b>72.1%</b>	<b>1,696,509</b>
<b>Administrative Expense-Sub Total</b>	<b>14,325,334</b>	<b>17,070,451</b>	<b>83.9%</b>	<b>2,745,117</b>
<b>Capital Expenditures*</b>	<b>342,523</b>	<b>1,293,000</b>	<b>26.5%</b>	<b>950,477</b>
<b>Administrative Expense Total</b>	<b>\$14,667,857</b>	<b>\$18,363,451</b>	<b>79.9%</b>	<b>\$3,695,594</b>

\*Capital expenditures represent purchases of assets to be amortized in future periods.

**Personnel Costs - Administrative**

Personnel Costs incurred as of year-end were approximately \$9.9 million or 90.5% of the annual budget for this category. These expenses are below budget due to several positions that were vacant in the Administrative Services, Disability, Legal, Member Services, and IT departments, including a Staff Assistant, Retirement Analyst, two Senior Retirement Program Specialists, Retirement Program Specialist, and Retirement Programmer/Business Analyst, which were filled during the fourth quarter.

**Services and Supplies - Administrative**

Total expenditures for services and supplies were approximately \$4.4 million or 72.1% of the annual budget for this category. The variance of \$1,696,509 in this category is primarily due to the following:

- Building Property Mgmt./Maintenance costs utilized 74.4% of the annual budget and were lower than the budget by \$174,518. This is mainly due to proceeds received from OCERS Headquarters' property manager for reimbursement of funding that exceeded the property management established reserves for maintenance of the building.



- Equipment Lease is at 67.8% of the annual budget and lower than the budget by \$28,999. This is attributable to lease costs coming in less than budget primarily due to budgeted costs being based on usage of the old copiers that were replaced last year and shortly before the 2017 budget estimates were developed, as well as a reduction of in-house printing jobs.
- Equipment Maintenance costs are at 81.3% of the annual budget and are lower than the budget by \$127,251. This is primarily due to budgeted costs left unused at year-end, including telephone and various hardware support.
- Equipment/Software expense utilized 65% of the annual budget and is lower than the budget by \$52,312. This is primarily due to budgeted costs coming in less than expected or left unused at year-end for miscellaneous IT software and equipment, including Open DNS (Domain Name System) and SmartBear software, as well as postponement of laptop security and location services to FY18.
- Legal Services are at 44.4% of the annual budget and are lower than the budget by \$347,342. This is primarily due to budgeted legal services being utilized on an as-needed basis, as well as utilizing more legal services with in-house counsel.
- Meetings & Mileage expense is at 49.8% of the annual budget and is lower than the budget by \$28,796. This is primarily due to budgeted costs coming in less than expected or unused at year-end, including manager visits to Southern California Retirement Systems, legislative meetings, and travel for plan sponsor audits.
- Memberships/Periodical expense is at 81.1% of the annual budget and lower than the budget by \$26,013. This is mainly due to savings from IT's subscription fees for the Gartner renewal during 2017.
- Office Supplies utilized 119.7% of the annual budget and is higher than the budget by \$9,242. This is primarily due to office furniture purchases relating to ergonomic workstations, as well as furniture purchased for new staff. As the total amount expended under the Services and Supplies category remains under budget, an amendment is not required to cover the Office Supplies budget shortfall. The CEO or Assistant CEO has the authority to move budget dollars within the Services and Supplies category to cover the shortfall and as of year-end, there were sufficient dollars available in other Services and Supplies line items to offset this shortage.
- Postage is at 76.5% of the annual budget and lower than the budget by \$38,258. This is attributable to budgeted costs coming in less than expected and the use of postage on an as-needed basis.
- Printing expense is at 103.9% of the annual budget and higher than the budget by \$3,827. This is primarily due to actual costs coming in higher than expected for quarterly newsletters and company brochures. As the total amount expended under the Services and Supplies category remains under budget, an amendment is not required to cover the Printing budget shortfall. The CEO or Assistant CEO has the authority to move budget dollars within the Services and Supplies category to cover the shortfall and as of year-end, there were sufficient dollars available in other Services and Supplies line items to offset this shortage.
- Professional Services utilized 76.2% of the annual budget. Expenses are lower than the budget by \$666,057 primarily due to budgeted costs coming in less than expected for various IT-related software consulting, administrative hearing and writ of mandate process fees, as well as costs used on an as-needed-basis, such as CEO contingency.
- Telephone expense is at 141.6% of the annual budget and higher than the budget by \$33,270. This is primarily due to telephone rate increases incurred as a result of not signing up for additional long

term agreements with a telephone service provider during which time OCERS was in the process of migrating to a cloud-based telephone system, which was completed at the end of the third quarter. As the total amount expended under the Services and Supplies category remains under budget, an amendment is not required to cover the Telephone budget shortfall. The CEO or Assistant CEO has the authority to move budget dollars within the Services and Supplies category to cover the shortfall and as of year-end, there were sufficient dollars available in other Services and Supplies line items to offset this shortage.

- Training utilized 45.1% of the annual budget and is lower than the budget by \$253,302. This is primarily due to training costs coming in less than budget for various training, including the annual subscription to IT online training, Southern California SACRS and CALAPRS conferences, and tuition reimbursement. The expenses in this category are well under budget due to staffing and workload challenges as addressed in the FY18 Staffing Plan.

### **Capital Expenditures - Administrative**

Capital Expenditures as of year-end are \$342,523 or 26.5% of the annual budget for this category. The variance of \$950,477 is primarily due to budgeted costs for the Business Continuity/Disaster Recovery Planning project coming in less than expected, as well as budgeted costs which are not anticipated to occur until 2018 and are being carried over to the FY18 budget.

## Investment Summary

For the year ended December 31, 2017, preliminary actual investment expenses were approximately \$3.4 million or 75.5% of the \$4,467,653 amended annual investment budget and below budget by approximately \$1.1 million. A summary of all investment expenses and explanations of significant variances are provided below:

### Summary of all Investment Expenses For the Year Ended December 31, 2017

	Actuals to Date	Annual Amended Budget	% of Amended Budget Used	Amended Budget vs. Actuals (Over)/Under
<b>Personnel Costs</b>	<b>\$1,123,059</b>	<b>\$1,419,337</b>	<b>79.1%</b>	<b>\$296,278</b>
<b>Services and Supplies</b>				
Due Diligence	8,519	44,110	19.3%	35,591
Equipment/Software Expenses	23,810	25,680	92.7%	1,870
Meetings & Mileage	8,115	10,000	81.2%	1,885
Membership/Periodicals	4,470	11,507	38.8%	7,037
Training	2,567	59,460	4.3%	56,893
<b>Services and Supplies</b>	<b>47,481</b>	<b>150,757</b>	<b>31.5%</b>	<b>103,276</b>
<b>Investment Expense-Sub Total</b>	<b>1,170,540</b>	<b>1,570,094</b>	<b>74.6%</b>	<b>399,554</b>
Professional Services	2,200,827	2,897,559	76.0%	696,732
<b>Investment Expense Total</b>	<b>\$3,371,367</b>	<b>\$4,467,653</b>	<b>75.5%</b>	<b>\$1,096,286</b>

### Personnel Costs - Investments

Personnel costs are approximately \$1.1 million or 79.1% of the annual budget for this category. The expenses are lower than budget due to the vacant CIO position, which was filled at the end of the second quarter, as well as an Investment Officer position that became vacant during the third quarter.

### Services and Supplies - Investments

Services and Supplies expenditures, excluding professional services that are discussed separately below, are \$47,481 or 31.5% of the annual budget for this category. This is primarily due to expenses coming in less than budget for training, including tuition reimbursements and the Education Forum, as well as due diligence travel due to the vacancies of the CIO and Investment Officer positions.

### Professional Services - Investments

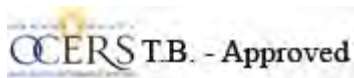
Professional services are approximately \$2.2 million or 76% of the annual budget and lower than the budget by \$696,732. The variance primarily relates to custodial fees coming in lower than budget due to timing of the new

State Street contract, costs for consulting and actuarial fees coming in less than budget, as well as budgeted investment-related legal services being utilized on an as-needed basis.

**Conclusion:**

As of year-end, the amended Administrative and Investment budgets, based on preliminary actuals, were below their annual budgets at 79.9% and 75.5%, respectively. In addition, actual Administrative expenses were within the 21 basis point test and 18 basis point test as budgeted.

**Submitted by:**



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Tracy Bowman  
Director of Finance

**1-10**

## Memorandum

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**DATE:** January 30, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Tracy Bowman, Director of Finance  
**SUBJECT:** **FOURTH QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

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### *Written report only*

#### **Background/Discussion**

The attached financial statements reflect the unaudited activity for the year ended December 31, 2017. These reports are preliminary and do not reflect the reclassification of certain investments for financial reporting and timing/market differences between investment manager statements and custodian bank statements. These, and other potential year-end adjustments that may result from the upcoming year-end audit, will be recorded if it is determined to have a material impact in the final Comprehensive Annual Financial Report (CAFR). The final CAFR, the official financial statements of OCERS, will be made available on our website, [www.ocers.org](http://www.ocers.org), after the anticipated completion of the audit at the end of June 2018.

#### **Summary**

##### **Fiduciary Net Position**

As of December 31, 2017, the net position restricted for pension and other postemployment benefits is \$15.1 billion, an increase of \$2 billion from December 31, 2016. The change is a result of an increase in total assets of \$2.1 billion off-set by an increase in total liabilities of \$89 million as described below:

The \$2.1 billion increase in total assets can be attributed to a \$2 billion increase in investments at fair value, a \$57 million increase in total cash and short-term investments and a \$12 million increase in receivables, off-set by a \$2 million decrease in capital assets.

The \$2 billion increase in investments at fair value can be attributed to earnings from interest and dividends, investment of proceeds received from employee and employer contributions, including prepaid employer contributions and additional unfunded actuarial accrued liability (UAAL) payments, as well as increases in the net appreciation of investments at fair value. In January 2017, the OCERS' Investment Committee adopted a more simplified asset allocation policy. The new policy was structured to increase investments in the areas of private equity, core fixed income and real assets, while decreasing or eliminating investments in diversified credit and absolute return. The new asset allocation categories are reflected in the investments at fair value section in the statement of fiduciary net position. As part of the implementation of the new asset allocation, a number of hedge funds were liquidated in light of high fees and low returns. Also, allocation of assets to the categories of global public equity (which includes investments formerly classified as domestic equity,

international equity and global equity), core fixed income (formerly classified as domestic fixed income) and private equity have sizable relative increases compared to 2016, while assets in the absolute return investment category have decreased significantly.

The increase of \$57 million in cash and short-term investments is due to a difference in the timing of contributions and other receipts near year-end and an increase in the fair value of collateral related to the securities lending program.

The increase in the total receivable balance is primarily related to the timing of pending securities sales which increased by \$67 million. This increase was offset by a net decrease in other receivables of \$55 million which related to the timing of year-end investment redemptions in 2016. Although not material, it should be noted that the presentation of foreign currency forward contracts has changed from prior years. Previously, foreign currency forward contracts were presented net with asset and liability positions offsetting each other. The asset or liability positions of these contracts are now presented separately in conjunction with the implementation of GASB 72, *Fair Value Measurement and Application*, as of December 31, 2016. In 2017, the majority of foreign currency forward contracts were in a payable position and overall activity has decreased significantly with the new asset allocation policy and changes in forward holdings and exchange rates.

The \$2 million decrease in capital assets represents accumulated depreciation on the Pension Administration System Solution (PASS) Project, also known as V3. Depreciation expense related to capital assets is approximately \$2 million annually, with the majority of the expense related to V3.

The increase of \$89 million in total liabilities as of December 31, 2017 compared to December 31, 2016 is primarily attributed to a \$25 million increase in the fair value of the obligations under the securities lending program, a \$37 million increase related to pending securities purchased and a \$22 million increase in unearned contributions due to larger prepaid employer contributions received for the 2017-2018 prepayment program compared to prior year's prepayment program. Retiree payroll payable increased \$4 million with gradual increases to retiree payroll payable to be expected as the number of participants in the plan and retiree benefits increase.

### **Statement of Changes in Fiduciary Net Position**

The ending net position as of December 31, 2017 has increased by \$2 billion, or 15.3 percent, when compared to the same period ending December 31, 2016. The increase can be attributed to positive returns in 2016 continuing in 2017. For the year ended December 31, 2017 the preliminary return is 14.7 percent, compared to a return of 8.5 percent for the year ended December 31, 2016.

Net investment income for the year ended December 31, 2017 is \$1.9 billion versus \$1.1 billion for the year ended December 31, 2016, an increase of \$845 million. The majority of the increase is related to the net appreciation in fair value of investments due to the continued strong market performance in equities. The increase in fair value of investments was offset by decreases in interest, dividends and real estate income which can be attributed to a decrease in the types of investment holdings that produced this income due to the newly adopted asset allocation policy. All major investment categories experienced positive returns in the year ended December 31, 2017. Investment fees and expenses decreased by \$1.3 million from December 31, 2016 to

December 31, 2017 due to a decrease of \$8.4 million in other fund expenses, primarily interest and other expenses related to an investment manager in the timber sector, offset by an increase of \$7.9 million in investment management fees which can be attributed to an increase in the number of investment managers reporting “at source” identifiable management fees that were previously netted against investment returns. Security lending rebate fees increased by approximately \$1.3 million due to the impact of three rate increases by the Federal Open Market Committee during 2017 and a decrease in the demand to borrow securities, causing the rebate paid to borrowers to increase.

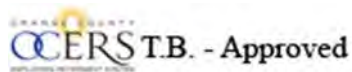
Total deductions from fiduciary net position increased 6.3 percent, or \$48.1 million, from the previous year. Participant benefits, which increased by \$47.4 million, represents almost the entire increase which is expected due to the continued and anticipated growth in member pension benefit payments, both in the total number of OCERS’ retired members receiving a pension benefit and an increase in the average benefit received. The average monthly retirement payroll has increased approximately \$3 million per month. Administrative expenses remained consistent when compared to the same period ending December 31, 2016.

### **Other Supporting Schedules**

In addition to the basic financial statements for the year ended December 31, 2017, the following supporting schedules are provided for additional information pertaining to OCERS:

- Total Fund Reserves
- Schedule of 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 Year Ended December 31, 2017**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

Unaudited Financial Statements  
For the Year Ended December 31, 2017

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**Statement of Fiduciary Net Position (Unaudited)**  
As of December 31, 2017  
(with summarized comparative amounts as of December 31, 2016)  
(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>OPEB 115 Agency Fund</u>	<u>Total Fund</u>	<u>Comparative Totals 2016</u>
<b>ASSETS</b>						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 486,561	\$ 9,605	\$ 1,307	\$ 378	\$ 497,851	\$ 466,328
Securities Lending Collateral	189,936	3,749	510	-	194,195	168,896
Total Cash and Short-Term Investments	<u>676,497</u>	<u>13,354</u>	<u>1,817</u>	<u>378</u>	<u>692,046</u>	<u>635,224</u>
Receivables						
Investment Income	13,726	271	37	-	14,034	16,210
Securities Sales	150,610	2,973	405	-	153,988	87,036
Contributions	21,361	-	-	-	21,361	19,206
Foreign Currency Forward Contracts	70	1	-	-	71	839
Other Receivables	2,505	49	7	-	2,561	57,184
Total Receivables	<u>188,272</u>	<u>3,294</u>	<u>449</u>	<u>-</u>	<u>192,015</u>	<u>180,475</u>
Investments at Fair Value						
Global Public Equity	5,987,045	118,184	16,081	10,625	6,131,935	4,996,519
Private Equity	1,311,167	25,882	3,522	-	1,340,571	1,095,351
Core Fixed Income	2,010,985	39,697	5,401	5,632	2,061,715	931,660
Credit	2,148,412	42,410	5,770	-	2,196,592	2,441,810
Real Assets	2,389,063	47,160	6,417	-	2,442,640	2,262,968
Risk Mitigation	727,304	14,357	1,953	-	743,614	356,345
Absolute Return	2,151	42	6	-	2,199	806,736
Total Investments at Fair Value	<u>14,576,127</u>	<u>287,732</u>	<u>39,150</u>	<u>16,257</u>	<u>14,919,266</u>	<u>12,891,389</u>
Capital Assets (Net)	<u>20,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,670</u>	<u>22,620</u>
<b>Total Assets</b>	<b><u>15,461,566</u></b>	<b><u>304,380</u></b>	<b><u>41,416</u></b>	<b><u>16,635</u></b>	<b><u>15,823,997</u></b>	<b><u>13,729,708</u></b>
<b>LIABILITIES</b>						
Obligations Under Securities Lending Program	189,936	3,749	510	-	194,195	168,896
Securities Purchased	194,254	3,835	522	-	198,611	161,150
Unearned Contributions	244,552	-	-	-	244,552	222,524
Foreign Currency Forward Contracts	390	8	1	-	399	914
Retiree Payroll Payable	63,318	2,663	263	-	66,244	62,406
Other	20,154	398	54	-	20,606	21,273
Due to Employers	-	-	-	16,635	16,635	14,694
<b>Total Liabilities</b>	<b><u>712,604</u></b>	<b><u>10,653</u></b>	<b><u>1,350</u></b>	<b><u>16,635</u></b>	<b><u>741,242</u></b>	<b><u>651,857</u></b>
<b>Net Position Restricted for Pension and Other Post-Employment Benefits</b>	<b><u>\$ 14,748,962</u></b>	<b><u>\$ 293,727</u></b>	<b><u>\$ 40,066</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,082,755</u></b>	<b><u>\$ 13,077,851</u></b>

**Statement of Changes in Fiduciary Net Position (Unaudited)**  
For the Year Ended December 31, 2017  
(with summarized comparative amounts for the Year Ended December 31, 2016)  
(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>Total Fund</u>	<u>Comparative Totals 2016</u>
<b>ADDITIONS</b>					
Contributions					
Employer	\$ 572,104	\$ 59,864	\$ 2,380	\$ 634,348	\$ 612,021
Employee	<u>262,294</u>	<u>-</u>	<u>-</u>	<u>262,294</u>	<u>258,297</u>
Total Contributions	834,398	59,864	2,380	896,642	870,318
Investment Income					
Net Appreciation in Fair Value of Investments	1,772,607	31,871	4,811	1,809,289	938,390
Interest	90,726	1,790	241	92,757	117,396
Dividends	37,655	743	100	38,498	40,940
Real Estate Income	21,429	423	57	21,909	27,458
Alternative Investments	38,277	755	102	39,134	36,792
Other Investment Income	3,766	74	10	3,850	1,304
Securities Lending Income					
Gross Earnings	3,498	69	9	3,576	1,895
Less: Borrower Rebates and Bank Charges	<u>(1,888)</u>	<u>(37)</u>	<u>(5)</u>	<u>(1,930)</u>	<u>(668)</u>
Net Securities Lending Income	<u>1,610</u>	<u>32</u>	<u>4</u>	<u>1,646</u>	<u>1,227</u>
Total Investment Income	1,966,070	35,688	5,325	2,007,083	1,163,507
Investment Fees and Expenses	<u>(79,368)</u>	<u>(1,566)</u>	<u>(211)</u>	<u>(81,145)</u>	<u>(82,493)</u>
Net Investment Income	<u>1,886,702</u>	<u>34,122</u>	<u>5,114</u>	<u>1,925,938</u>	<u>1,081,014</u>
<b>Total Additions</b>	<b><u>2,721,100</u></b>	<b><u>93,986</u></b>	<b><u>7,494</u></b>	<b><u>2,822,580</u></b>	<b><u>1,951,332</u></b>
<b>DEDUCTIONS</b>					
Participant Benefits	749,784	32,042	4,239	786,065	738,634
Death Benefits	694	-	-	694	384
Member Withdrawals and Refunds	13,866	-	-	13,866	13,643
Administrative Expenses	<u>17,002</u>	<u>22</u>	<u>27</u>	<u>17,051</u>	<u>16,914</u>
<b>Total Deductions</b>	<b><u>781,346</u></b>	<b><u>32,064</u></b>	<b><u>4,266</u></b>	<b><u>817,676</u></b>	<b><u>769,575</u></b>
Net Increase	<b>1,939,754</b>	<b>61,922</b>	<b>3,228</b>	<b>2,004,904</b>	<b>1,181,757</b>
Net Position Restricted For Pension and Other Post-Employment Benefits, Beginning of Year	<u>12,809,208</u>	<u>231,805</u>	<u>36,838</u>	<u>13,077,851</u>	<u>11,896,094</u>
<b>Ending Net Position Restricted For Pension and Other Post-Employment Benefits</b>	<b><u>\$ 14,748,962</u></b>	<b><u>\$ 293,727</u></b>	<b><u>\$ 40,066</u></b>	<b><u>\$ 15,082,755</u></b>	<b><u>\$ 13,077,851</u></b>

**Total Fund Reserves**  
For the Year Ended December 31, 2017  
(with summarized comparative amounts for the Year Ended December 31, 2016)  
(Dollars in Thousands)

	<b>2017</b>	<b>2016</b>
Pension Reserve	\$ 8,409,830	\$ 8,121,613
Employee Contribution Reserve	3,093,113	2,893,408
Employer Contribution Reserve	2,596,765	2,085,832
Annuity Reserve	1,411,751	1,263,105
Health Care Reserve	333,793	268,643
County Investment Account (POB Proceeds) Reserve	134,416	117,723
OCSD UAAL Deferred Reserve	38,913	34,067
Contra Account	<u>(935,826)</u>	<u>(1,706,540)</u>
<b>Net Position - Total Fund</b>	<b><u>\$ 15,082,755</u></b>	<b><u>\$ 13,077,851</u></b>

**Schedule of Contributions**  
For the Year Ended December 31, 2017  
(with summarized comparative amounts for the Year Ended December 31, 2016)  
(Dollars in Thousands)

	<u>2017</u>		<u>2016</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
<b>Pension Trust Fund Contributions</b>				
County of Orange	\$ 206,350	\$ 420,500	\$ 204,697	\$ 406,442
Orange County Fire Authority	21,294	98,291	18,309	70,161
Superior Court of California, County of Orange	15,300	30,423	15,933	31,521
Orange County Transportation Authority	8,926	24,310	9,069	24,584
Orange County Sanitation District	7,496	7,625	7,328	48,880
UCI Medical Center and Campus	-	2,948	2	1,315
City of San Juan Capistrano	802	2,391	809	2,264
Orange County Children & Family Commission	86	2,015	102	310
Orange County Employees Retirement System	901	1,960	896	1,975
Orange County Public Law Library	163	1,801	168	1,816
Transportation Corridor Agencies	692	1,738	724	1,799
Orange County Department of Education	-	524	-	-
Orange County In-Home Supportive Services Public Authority	112	204	99	190
Orange County Cemetery District	131	170	122	160
Orange County Local Agency Formation Commission	37	125	39	132
Contributions Before Prepaid Discount	262,294	595,025	258,297	591,549
Prepaid Employer Contribution Discount	-	(22,921)	-	(24,353)
<b>Total Pension Trust Fund Contributions</b>	<b><u>262,294</u></b>	<b><u>572,104</u></b>	<b><u>258,297</u></b>	<b><u>567,196</u></b>
<b>Health Care Fund - County Contributions</b>	<b><u>-</u></b>	<b><u>59,864</u></b>	<b><u>-</u></b>	<b><u>42,411</u></b>
<b>Health Care Fund - OCFA Contributions</b>	<b><u>-</u></b>	<b><u>2,380</u></b>	<b><u>-</u></b>	<b><u>2,414</u></b>
<b>Total Contributions</b>	<b><u>\$ 262,294</u></b>	<b><u>\$ 634,348</u></b>	<b><u>\$ 258,297</u></b>	<b><u>\$ 612,021</u></b>

<sup>1</sup> Unfunded actuarial accrued liability payments were made in 2017 and 2016 for \$32.1 million and \$5.1 million, respectively, 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 2017 and 2016 for \$1.5 million each year for the Orange County Public Law Library.

<sup>4</sup> Unfunded actuarial accrued liability payments were made in 2017 of \$1.7 million for the Orange County Children & Family Commission.

<sup>5</sup> Unfunded actuarial accrued liability payments were made in 2016 of \$39.1 million for the Orange County Sanitation District.

**Schedule of Investment Expenses**  
For the Year Ended December 31, 2017  
(with summarized comparative amounts for the Year Ended December 31, 2016)  
(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
<b>Investment Management Fees*</b>		
<b>Global Public Equity</b>		
U.S. Equity	\$ 2,932	\$ 1,125
Global Equity	451	1,046
International Equity	4,957	4,705
Emerging Markets Equity	4,292	5,451
<b>Total Global Public Equity</b>	<u>12,632</u>	<u>12,327</u>
<b>Core Fixed Income</b>		
U.S. Fixed Income	974	750
<b>Total Core Fixed Income</b>	<u>974</u>	<u>750</u>
<b>Credit</b>		
High Yield	2,362	3,068
Emerging Market Debt	695	660
Direct Lending	3,000	2,815
Mortgage	4,460	2,046
Multi-Strategy	3,429	5,076
Non-U.S. Direct Lending	1,400	1,246
<b>Total Credit</b>	<u>15,346</u>	<u>14,911</u>
<b>Real Assets</b>		
Real Estate	15,697	10,885
Real Return		
Timber	1,329	1,576
Agriculture	1,086	971
Commodities	-	225
Infrastructure	5,703	-
Energy	882	5,258
<b>Total Real Return</b>	<u>9,000</u>	<u>8,030</u>
<b>Total Real Assets</b>	<u>24,697</u>	<u>18,915</u>
<b>Absolute Return</b>		
Direct Hedge Fund	2,134	5,673
GTAA	1,406	2,167
<b>Total Absolute Return</b>	<u>3,540</u>	<u>7,840</u>
<b>Private Equity</b>	8,093	3,935
<b>Risk Mitigation</b>	5,166	3,880
<b>Short-Term Investments</b>	250	239
<b>Total Investment Management Fees</b>	<u>70,698</u>	<u>62,797</u>
<b>Foreign Income Tax and Other Fund Expenses</b>	<u>7,459</u>	<u>15,891</u>
<b>Other Investment Expenses (Expenses Not Subject to the Statutory Limit)</b>		
Consulting/Research Fees	1,005	1,517
Investment Department Expenses	1,171	1,465
Legal Costs	346	493
Custodian Services	438	300
Investment Service Providers	28	30
<b>Total Other Investment Expenses</b>	<u>2,988</u>	<u>3,805</u>
<b>Security Lending Activity</b>		
Security Lending Fees	399	366
Rebate Fees	1,531	302
<b>Total Security Lending Activity</b>	<u>1,930</u>	<u>668</u>
<b>Total Investment Expenses</b>	<u>\$ 83,075</u>	<u>\$ 83,161</u>

Note: New schedule format for investment management fees to reflect the new investment allocation adopted in 2017.

\* Does not include undisclosed fees deducted at source.

**Schedule of Administrative Expenses**  
For the Year Ended December 31, 2017  
(with summarized comparative amounts for the Year Ended December 31, 2016)  
(Dollars in Thousands)

	<b>2017</b>	<b>2016</b>
<b>Pension Trust Fund Administrative Expenses</b>		
<b>Expenses Subject to the Statutory Limit</b>		
Personnel Services		
Employee Salaries and Benefits	\$ 9,933	\$ 9,408
Board Members' Allowance	16	15
<b>Total Personnel Services</b>	<b>9,949</b>	<b>9,423</b>
Operating Expenses		
Depreciation/Amortization	2,292	2,314
General Office and Administrative Expenses	1,300	1,327
Professional Services	1,240	2,314
Rent/Leased Real Property	568	660
<b>Total Office Operating Expenses</b>	<b>5,400</b>	<b>6,615</b>
<b>Total Expenses Subject to the Statutory Limit</b>	<b>15,349</b>	<b>16,038</b>
<b>Expenses Not Subject to the Statutory Limit</b>		
Information Technology Consulting	1,171	357
Actuarial Fees	385	394
Equipment / Software	97	81
<b>Total Expenses Not Subject to the Statutory Limit</b>	<b>1,653</b>	<b>832</b>
<b>Total Pension Fund Administrative Expenses</b>	<b>17,002</b>	<b>16,870</b>
<b>Health Care Fund - County Administrative Expenses</b>	<b>22</b>	<b>22</b>
<b>Health Care Fund - OCFA Administrative Expenses</b>	<b>27</b>	<b>22</b>
<b>Total Administrative Expenses</b>	<b>\$ 17,051</b>	<b>\$ 16,914</b>



## Administrative Expense Compared to Actuarial Accrued Liability

For the Year Ended December 31, 2017

(Dollars in Thousands)

<b>2017 Administrative Expense Compared to Actuarial Accrued Liability</b>	
Projected Actuarial Accrued Liability (AAL) as of December 31, 2017	\$ 18,896,140
Maximum Allowed For Administrative Expense (AAL * 0.21%)	39,682
Actual Administrative Expense <sup>1</sup>	<u>15,349</u>
Excess of Allowed Over Actual Expense	<u>24,333</u>
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability	0.08%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of prior year	0.07%
<sup>1</sup> Administrative Expense Reconciliation	
Administrative expense per Statement of Changes in Fiduciary Net Position	\$ 17,002
Less administrative expense not considered per CERL section 31596.1	<u>(1,653)</u>
Administrative Expense allowable under CERL section 31580.2	<u>\$ 15,349</u>

**1-11**

## Memorandum

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**DATE:** February 13, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT: BOARD COMMUNICATIONS**

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### *Written report only*

#### **Background/Discussion**

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

#### **News Links**

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

The following news and informational links were received by OCERS staff for distribution to the entire Board:

#### From Chuck Packard

- **How High Can Bitcoin's Price Go in 2018?**  
<http://fortune.com/2017/12/21/bitcoin-price-value-prediction-bubble/>

#### From Russell Baldwin

- **Real Estate Investors Finally Consider Climate Risks**  
<https://www.triplepundit.com/2018/01/know-enough-act-real-estate-investors-finally-consider-climate-risks/>

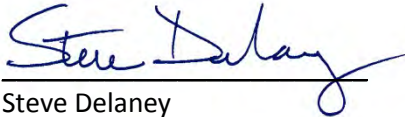
#### Other Items: (See Attached)

1. Monthly summary of OCERS staff activity, starting with an overview of key customer service as well as highlights and updates for the month of December 2017.
2. Correspondence from Stephen M. Wontrobski (2 attachments).

Please note, Mr. Wontrobski's letter of January 8, 2018 states that he never received a response to his June 12, 2017 letter. I have confirmed with Mr. Wontrobski that he did in fact receive a full response from me by e-mail on August 28, 2017. While discussing his letter with Chair Prevatt of the Investment Committee, I did overlook sharing that June 12, 2017 letter with the entire Board as requested. That is remedied here.

3. Memo - 2018 OCERS Board of Retirement Committee Assignments (Updated)

**Submitted by:**

A handwritten signature in blue ink that reads "Steve Delaney". The signature is written in a cursive style with a horizontal line underneath the name.

Steve Delaney  
Chief Executive Officer

## Memorandum

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**DATE:** January 26, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT: OCERS ACTIVITIES AND UPDATES – DECEMBER 2017**

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 DECEMBER 2017.

### **CUSTOMER SERVICE**

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

**What is the COLA Rate going to be?**

Although the Board won't formally adopted COLA granting until the February Board meeting, many payees and even more importantly, employees considering retirement want to know about the Cost of Living adjustment to make their important life decision. Until the Board formally adopts the COLA as calculated by our actuary, we are advising members we have estimated the regional CPI at approximately 2.8%.

**How can I update my beneficiaries?**

Members are able to update nominated beneficiary information via the Member Self Service portal, myOCERS. Staff refers callers to the portal and guides them as necessary. Members may also update named beneficiary information by downloading the beneficiary change form from the OCERS website to complete and return, or we mail them the form. Once a member has retired, beneficiary updates cannot be made on certain payment options (Option 2, 3 and 4) as these payment calculations are actuarially reduced and consider the specific mortality information of the named beneficiary at the time of retirement.

**MEMBER SERVICE STATS FOR  
 DECEMBER 2017**

**Member Approval 95%**

**Unplanned Recalcs 0**

**Retirement Apps Received**

<i>Dec 2017</i>	<b>58</b>
<i>Nov 2017</i>	<b>75</b>
<i>Oct 2017</i>	<b>47</b>
<i>Sept 2017</i>	<b>42</b>
<i>Aug 2017</i>	<b>69</b>
<i>July 2017</i>	<b>48</b>
<i>June 2017</i>	<b>65</b>
<i>May 2017</i>	<b>60</b>
<i>April 2017</i>	<b>47</b>
<i>Mar 2017</i>	<b>79</b>
<i>Feb 2017</i>	<b>107</b>
<i>Jan 2017</i>	<b>151</b>
<i>Dec 2016</i>	<b>62</b>
<i>Nov 2016</i>	<b>64</b>

**Can I take a loan, or withdraw my member contributions while an active member?**

Contributions may not be borrowed against at any time while on deposit with OCERS. The only way a member may withdraw their contribution and interest from OCERS is upon separation of employment. Withdrawing account balance from member OCERS accounts terminates membership.

**PHONE STATS**

<b>DATE/S</b>	<b>QUEUE</b>	<b>DIRECT TO EXTENSION</b>	<b>TOTAL CALLS TO MS (Queue + Direct)</b>
December 2017	791	2257	3048
December 2016	918	2848	3766
December 2015	1335	2075	3410

**ACTIVITIES**

**CITY OF CYPRESS – RECREATION AND PARKS DEPARMENT**

On December 12 I accompanied Ms. Brenda Shott to meet with the City manager and finance team of the City of Cypress. Ms. Shott shared her research that had determined the City did have an inherited UAAL for past service rendered by employees of the Recreation and Parks Department. Interestingly, during the meeting the city staff mentioned that they knew OCERS would come knocking someday. The meeting was very cordial, and Ms. Shott and I have offered to make ourselves available to assist city staff in presenting to the City Council when the time comes. The OCERS Board will learn more about this topic at its February 2018 meeting.

**THE HOLIDAYS AT OCERS**

Lot’s of activity of course as the year comes to a close. We had a Holiday Baked goods exchange party meet, division parties, and a charity tree for local underprivileged children among other activities. Here are a few fotos of other events to give you some color for all that went on through the month of December:

The Ugly Sweater Contest



Our “Year End” celebration took place at Irvine Lanes this year, a return to a popular place for staff.



At the “Year End” celebration, we honored those with many years of OCERS service.



Here Irene Rojas receives a recognition award for her 30<sup>th</sup> year of service to Orange County and OCERS. That was the good news. In next month’s report I’ll be sharing info on Irene’s retirement party, as unfortunately for us she decided 30 years was the perfect number to finish up a tremendous career of service and go out and enjoy time with her children and grandchildren.



## **INVESTMENTS IN DECEMBER**

Mr. Beeson provides this report on the Investment Team's December activities:

"As of November 30, 2017, the portfolio year-to-date is up 13.1% net of fees, while the one-year return is up 14.8%. The fund value now stands at \$15.1 billion. At the December 13th Investment Committee meeting, the Committee approved new asset class benchmarks for the new asset allocation that were recommended by staff and Meketa, OCERS' general consultant. The Committee also voted to approve an initial \$125 million allocation each to Longfellow Core and Schroder Value Core strategies, two core fixed income managers. Meketa also presented a second quarter 2017 private equity review. OCERS' private equity program has generated a since inception net IRR of 12.8%.

In other activities, OCERS' staff continued interviewing semifinalist candidates as part of its Illiquid Investments Advisory Services RFP. OCERS' staff also had an investment team offsite meeting on December 19th to discuss 2018 views on each asset class."

## **UPDATES**

### **SECOVA and MEMBER HEALTH INSURANCE**

OCERS staff worked with Secova and the County teams testing file processing and data accuracy for healthcare premium and health grants changes effective for the 1/1/2018 payment. OCERS staff did a great job reconciling information presented which contained several errors such as incorrect grant calculations, invalid codes, including payees who are usually billed directly vs. through their OCERS benefit payment. These errors required multiple test files. In addition, there was confusion about the file submission process. Secova had new personnel working on the open enrollment process - OCERS had to extend the deadline by one day in order for Secova to generate an accurate file. As the changes are effective in January, Ms. Catherine Fairley will report pertinent member feedback and process results next month.

### **DECEMBER STAFFING UPDATE**

Ms. Hockless provides a report on December staffing activities:

"OCERS finished the year filling all new positions added to the headcount in January 2017. The new year will bring 12 newly approved positions in the Investments, Finance, Member Services and Administrative Services departments. The new headcount will assist OCERS with maintaining the heavy workloads in these key areas. The team started recruiting for many of the new positions this month and will utilize established eligibility list for many of the County level positions.

At the close of the year OCERS had a total of eight (8) employees leave employment (seven (7) voluntary resignations and one (1) probationary release). OCERS ended the year with an 11.0% turnover rate.



Effective January 1, 2018, the new headcount will increase to 92 positions (32 OCERS Direct and 60 county positions).

Staffing Summary as of December 31, 2017	
Budgeted Positions	80
Employees on Staff	72
Vacancies	8
Recruitments Conducted	19
New Hires (New as OCERS Direct or County)	Total: 14 OCERS Direct: 3 County: 11
Employees Transferred In (County Employees)	3
Third Party Employees	16
V3 Contractors (Linea/ViTech)	4
Independent Contractors (Contract with OCERS)	4
Temporary (Staffing Agency)	8
Employees Promoted (within Agency)	9
Employee Separations	8
Voluntary	7
Terminations	0
Probationary Release	1
Employee Transferred Out (County employee counted in separation)	1
<b>Employee Turnover</b> $\frac{8}{72} \times 100$ Separations/Employees on Staff x 100	<b>11.00%</b>



As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the February 13 meeting of the OCERS Board of Retirement.

Stephen M. Wontrobski  
Mission Viejo, CA 92692

June 12, 2017

Mr. Steve Delaney  
Orange County Employees Retirement System  
2223 E. Wellington Avenue, Suite 100  
Santa Ana, CA 92701

Ref: OCERS Social Responsibility Investment Mandate

Dear Mr. Delaney,

In the June 1, 2017 OCERS Investment Monitoring Committee Meeting, Director Packard asked the Capital Group if they were following socially responsible investing for the management of the OCERS portfolio of investments. Capital Group responded that they were and pointed to “green” investments and other investments that would mitigate climate warming concerns.

This response seemed to address Committee member concerns on this issue. However, it did not satisfy my socially responsible investment concerns. I then questioned the Capital Group how they could effectively say they were socially responsible to OCERS concerns, when one of their major investments for OCERS was with British American Tobacco (BAT).

Capital Group agreed with me that BAT had successfully switched its marketing efforts to Asian countries. However, their “successful” marketing efforts are effectively killing more people. Capital Group did not express concern for this issue. Their response was that they were socially responsible, since BAT was following the laws of the Asian countries they were doing business in. This answer does not meet mine or other socially responsible investment mandates.

I request that this item be addressed at the next OCERS Board of Directors meeting as an agenda item. Does OCERS even have a socially responsible mandate? Should OCERS request the Capital Group to liquidate the OCERS investment in BAT?

Any assistance you can provide in this regard would be appreciated

Sincerely,

Stephen M. Wontrobski

:ocerssocialresponsibility6-12-17

CC: Orange County Board of Supervisors

Stephen M. Wontrobski  
Mission Viejo, CA 92692

January 8, 2018

Mr. Steve Delaney  
Orange County Employees Retirement System  
2223 E. Wellington Avenue, Suite 100  
Santa Ana, CA 92701

Ref: OCERS Social Responsibility Investment Mandate

Dear Mr. Delaney,

Please reference my attached June 12, 2017 letter regarding the need for OCERS to exercise a commitment to social responsibility. I never received an OCERS Board of Directors response to this letter. It might be instructive if OCERS took an informal poll of its members to determine, if they had a similar objection for their retiree investment funds being invested in British American Tobacco (BAT).

As a followup to my June 12, 2017 letter, I request that OCERS provide me with information regarding the following.

1. Please confirm that no response letter has been provided to my June 12, 2017 letter.
2. Does the Capital Group still have OCERS money invested in BAT?
3. Does OCERS consider investing in tobacco companies to be socially responsible investing?
4. Does OCERS consider that Capital Group is socially responsible, because BAT is concentrating its marketing efforts in Asian countries rather than the United States?
5. Did OCERS ever discuss this item as an agenda item at any 2017 Board meeting? If so, please furnish me the date of the meeting.
6. Does OCERS have a socially responsible mandate or policy? If it does, can you include it as part of an OCERS response to this letter.
7. Should OCERS request the Capital Group to liquidate the OCERS investment in BAT?

I and various OCERS retirees look forward to a response to this inquiry, especially those retirees that may be suffering from lung cancer.

Sincerely,

Stephen M. Wontrobski

:ocerssocialresponsibilityadd1-8-18

CC: Orange County Board of Supervisors



# Memorandum

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**DATE:** February 1, 2018  
**TO:** Members, Board of Retirement  
**FROM:** Chris Prevatt, OCERS Board Chair - 2018  
**SUBJECT:** **2018 OCERS BOARD OF RETIREMENT COMMITTEE ASSIGNMENTS (UPDATED)**

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Meeting on January 16, the OCERS Board approved the formation of a DISABILITY COMMITTEE. The Board directed that the committee should be composed of three Trustees and one alternate; the composition of the committee membership was left to me as Board Chair.

I am happy to provide you with an updated Committee Assignment list for 2018, which now includes the newly formed Disability Committee. My thanks to those Trustees who have made themselves available to serve in this new capacity:

**Audit Committee**

Frank Eley, Chair  
Chuck Packard, Vice Chair  
Shari Freidenrich  
Russell Baldwin

*Staff Coordinator:* Mark Adviento

**Governance Committee**

Shawn Dewane, Chair  
Roger Hilton, Vice Chair  
Chris Prevatt  
David Ball

*Staff Coordinator:* Gina Ratto

**Disability Committee**

Roger Hilton, Chair  
Frank Eley, Vice Chair  
David Ball  
Chris Prevatt, Alternate

*Staff Coordinator:* Suzanne Jenike

**Investment Committee**

Wayne Lindholm, Chair  
Frank Eley, Vice Chair  
All Other Trustees

*Staff Coordinator:* Molly Murphy

**Manager Monitoring Subcommittee**

Chuck Packard, Chair  
Russell Baldwin, Vice Chair  
Frank Eley  
Shawn Dewane

*Staff Coordinator:* David Beeson

**Ad hoc Board Room/Building Review Committee**

David Ball, Chair  
Chris Prevatt, Vice Chair  
Chuck Packard

*Staff Coordinator:* Brenda Shott

**1-12**

VIA E-MAIL AND USPS

February 2, 2018

Mr. Steve Delaney  
Chief Executive Officer  
Orange County Employees Retirement System  
2223 Wellington Avenue  
Santa Ana, CA 92701-3101

**Re: Illustrations of Retirement Costs, Unfunded Actuarial Accrued Liability and Funded Ratio under Alternative Investment Return Scenarios using the Assumptions Adopted by the Board for the December 31, 2017 Valuation (REVISED)**

Dear Steve:

In our letter dated December 18, 2017, we provided 20-year illustrations of the employer contribution rates for OCERS under three sets of market investment return “scenarios” after December 31, 2016 using results in the December 31, 2016 valuation and the simplifying assumption that the new assumptions adopted by the Board for the December 31, 2017 valuation would be effective with the December 31, 2016 valuation. In that letter, we also provided the Unfunded Actuarial Accrued Liability (UAAL) in dollars and the funded ratio associated with those projected employer contribution rates.

As we discussed with OCERS, in this letter we have updated the December 18, 2017 illustrations to reflect the actual timing of applying the new assumptions with the December 31, 2017 valuation instead of the December 31, 2016 valuation.

The three market rate of return scenarios used in this letter are as follows:

	<u>Market Rate of Return</u>	<u>Investment Return Assumption in Actuarial Valuation</u>
<b>Scenario 1</b>	0.00% for 2017 and 7.00% thereafter	7.25% for 2017 and 7.00% thereafter
<b>Scenario 2</b>	7.25% for 2017 and 7.00% thereafter	7.25% for 2017 and 7.00% thereafter
<b>Scenario 3</b>	14.50% for 2017 and 7.00% thereafter	7.25% for 2017 and 7.00% thereafter

Even though the financial impact is shown under only three hypothetical market investment return scenarios for 2017, the financial impact under other possible short-term market investment return scenarios may be approximated by interpolating or extrapolating using the results from the three scenarios shown.<sup>1</sup>

The various projections included are as follows:

- The projected contribution rates for the aggregate plan are provided in Attachment A.
- The projected contribution rates for the eleven Rate Groups are provided in Attachment B.
- The projected UAAL and funded ratio for the aggregate plan are provided in Attachment C.
- The projected UAAL and funded ratio for the eleven Rate Groups are provided in Attachments D through N.
- Also, we have included in Attachment O the projected contribution rates for the different plans within the eleven Rate Groups.

This projection also reflects the potential employer savings as current members leave employment and are replaced by new members covered under the tiers required by the California Public Employees' Pension Reform Act of 2013 (CalPEPRA) starting at January 1, 2013 (or January 1, 2015 for Rate Group #5). Please note that some of the changes made by CalPEPRA, such as the sharing of the total Normal Cost on a 50:50 basis, may result in employer savings for current members under the legacy plans. As those changes have not been implemented by the employers and the bargaining parties at OCERS, we have not reflected them in this illustration.

## **METHODS AND ASSUMPTIONS**

The methods and actuarial assumptions we used to prepare the employer contribution rates, the UAAL and the funded ratio are as summarized below:

- The illustrations are based on the census data used in our December 31, 2016 valuation report for the Retirement Plan and the actuarial assumptions adopted by the Board for the December 31, 2017 valuation. We have estimated the effect of the changes in assumptions based on the December 31, 2016 valuation by assuming that the same proportional increase in the Actuarial Accrued Liability (AAL) and Normal Cost in that valuation would carry over to the December 31, 2017 valuation. With the exception of the market rates of return specified above, it is assumed that all actuarial assumptions would be met in the future.
- The detailed amortization schedule for OCERS' UAAL as of December 31, 2016 is provided in the valuation report. For these illustrations, those bases were reamortized as of December 31, 2017 to take into account the reduction in the payroll growth assumption from

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<sup>1</sup> For example, a hypothetical market investment return of 10.875% (i.e., halfway between 7.25% and 14.50%) is expected to result in a change in employer's contribution of about one-half of the difference between those shown for Scenarios #2 and #3, starting with the December 31, 2016 valuation.

3.50% per year to 3.25% per year and the reduction in the investment return assumption from 7.25% per year to 7.00% per year. Any subsequent changes in the UAAL due to actuarial gains or losses (e.g., from investment returns on valuation value of assets greater or less than assumed) are amortized over separate 20-year periods.

- An adjustment has been made in the illustrations to reflect the long-term impact on OCERS of the three-year phase-in of the UAAL cost increase due to the changes in actuarial assumptions adopted by the Board. The first year of the three-year phased-in contribution rates would apply to fiscal year 2019-2020, based on the December 31, 2017 valuation.
- CalPEPRA prescribes new benefit formulas for members with a membership date on or after January 1, 2013 (or January 1, 2015 for Rate Group #5). For Rate Groups #1, #3, #5, #9, #10, #11 and #12, we have estimated the Normal Cost savings<sup>2</sup> associated with the enrollment of those members under the new 2.5% at 67 formula.

For new members within Rate Group #2, only the County's attorneys, San Juan Capistrano members<sup>3</sup> and OCERS Management members will receive the 2.5% at 67 formula while all other new members in Rate Group #2 will receive the "new" 1.62% at 65 formulas.<sup>4</sup> We assumed that the proportion of the payrolls for members who will receive the 2.5% at 67 formula, the Plan T "new" 1.62% at 65 formula and the Plan W "new" 1.62% at 65 formula in the future would remain unchanged from that observed at the December 31, 2016 valuation. As of December 31, 2016, payroll for active members in Rate Group #2 under these three formulas represented about 7.4%, 92.6% and 0.0% of the combined payroll for members under the 2.5% at 67 formula, the Plan T "new" 1.62% at 65 formula and the Plan W "new" 1.62% at 65 formula, respectively. We have estimated the Normal Cost savings<sup>2</sup> associated with the enrollment of new members under the three new formulas.<sup>5</sup>

For Rate Group #6, #7 and #8 members with a membership date on and after January 1, 2013, we have estimated the Normal Cost savings<sup>2</sup> associated with the enrollment of those members under the new 2.7% at 57 formula.

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<sup>2</sup> We have estimated the potential employer Normal Cost savings assuming that the payroll for new members who would be covered after the December 31, 2016 valuation under the CalPEPRA tiers could be modeled by: (1) projecting the total December 31, 2016 payroll within each Rate Group using a 3.50% assumption to predict annual wage growth for amortizing the UAAL for 2017 and a 3.25% assumption thereafter and (2) subtracting the projected closed group payroll from the current members in the December 31, 2016 valuation using the assumptions to anticipate salary increases as well as termination, retirement (both service and disability) and other exits from active employment.

<sup>3</sup> For San Juan Capistrano members with membership dates on or after January 1, 2016, they will be allowed to elect Plan W (1.62% at 65) in lieu of Plan U (2.5% at 67). As of December 31, 2016, there were no members enrolled in Plan W. We estimated the Normal Cost for Plan W under the new assumptions by ratioing the current Normal Cost rate up by the proportional increase in the Plan T (1.62% at 65) Normal Cost under the new assumptions.

<sup>4</sup> The "new" 1.62% at 65 formula is the CalPEPRA Plan T for non-City of San Juan Capistrano members and the CalPEPRA Plan W for City of San Juan Capistrano members.

<sup>5</sup> The payroll for new members is split between the 2.5% at 67 formula, the Plan T 1.62% at 65 formula and the Plan W 1.62% at 65 formula based on the proportion of payrolls under those formulas as of December 31, 2016.



- We understand that, with the exception of new members who would be covered under the “new” 1.62% at 65 formulas, in the determination of pension benefits under the CalPEPRA formulas the maximum compensation that can be taken into account for new members on and after January 1, 2017 is equal to \$142,530 in 2017. To the extent this provision will limit compensation of the new members, our assumption that the total payroll will increase by 3.50% for 2017 and 3.25% thereafter over the projection period (for use in determining the contribution rate for the UAAL) may be overstated somewhat. If so, then there would be an increase in the UAAL contribution rate as the amount required to amortize the UAAL will have to be spread over a somewhat smaller total payroll base.
- Other than the above adjustments to the Normal Costs from the new CalPEPRA formulas, we have not included any other adjustments for the pre-CalPEPRA members such as the anticipated reduction in proportion (and hence in the associated Normal Cost) of existing Tier 1 active members (with pension benefits based on final one year average formula) relative to the increase in proportion of existing Tier 2 active members (with pension benefits based on final three year average formula) for members in any Rate Group.

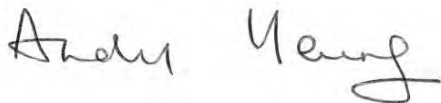
#### **OTHER CONSIDERATIONS**

Projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

This study was prepared under my supervision and I am a member of the American Academy of Actuaries and meet the qualification requirements to provide the opinion contained herein.

Please let us know if you have any questions.

Sincerely,

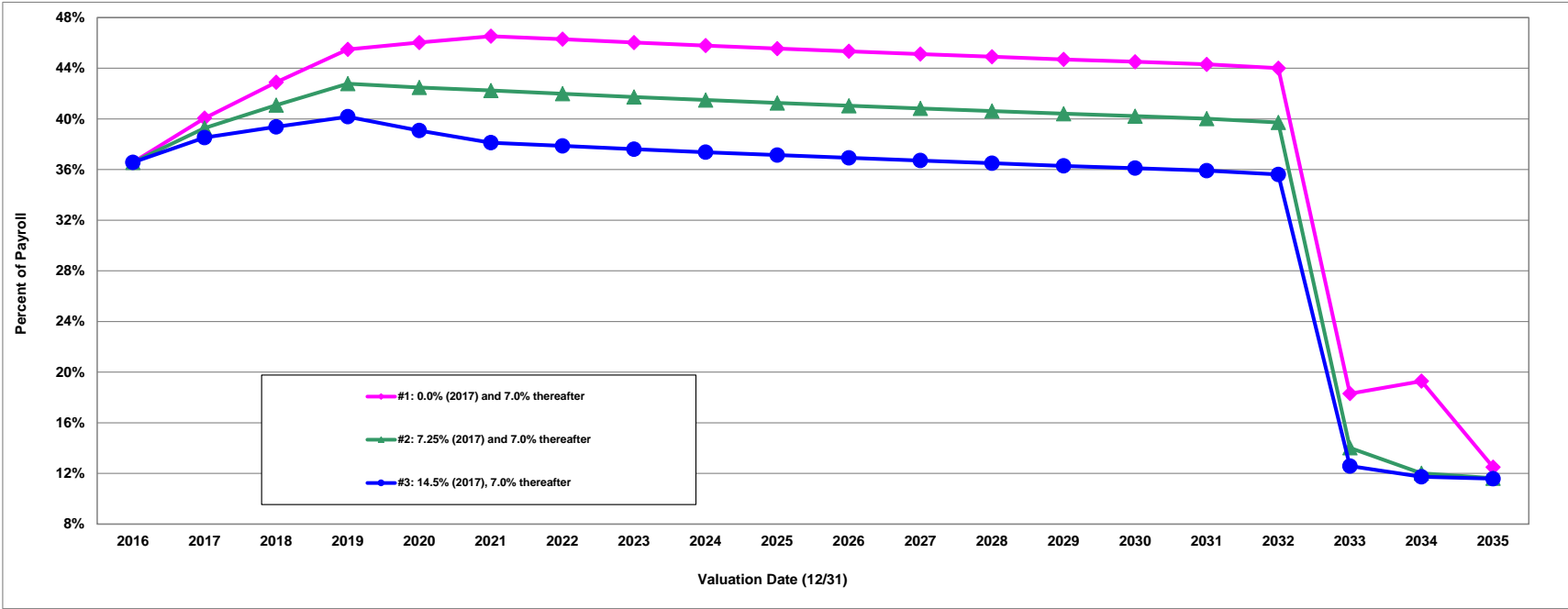


Andy Yeung

AW/hy  
Enclosures

cc: Suzanne Jenike  
Brenda Shott

# Attachment A Projected Employer Rates Aggregate Plan



Valuation Date (12/31)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	36.6%	40.1%	42.9%	45.5%	46.0%	46.5%	46.3%	46.0%	45.8%	45.6%	45.3%	45.1%	44.9%	44.7%	44.5%	44.3%	44.0%	18.3%	19.3%	12.5%
#2: 7.25% (2017) and 7.0% thereafter	36.6%	39.3%	41.1%	42.8%	42.5%	42.2%	42.0%	41.7%	41.5%	41.3%	41.0%	40.8%	40.6%	40.4%	40.2%	40.0%	39.7%	14.0%	12.0%	11.6%
#3: 14.5% (2017), 7.0% thereafter	36.6%	38.5%	39.4%	40.2%	39.1%	38.1%	37.9%	37.6%	37.4%	37.1%	36.9%	36.7%	36.5%	36.3%	36.1%	35.9%	35.6%	12.6%	11.7%	11.6%

**Attachment B**  
**Projected Employer Rates by Rate Group**  
**Scenario 1: 0.0% for 2017 and 7.0% thereafter**

	Valuation Date (12/31)																			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
General																				
RG #1 - Plans A, B and U (non-OCTA, non-OCSD)	16.4%	19.3%	21.1%	22.9%	23.3%	23.7%	23.7%	23.7%	23.6%	23.6%	23.6%	23.6%	23.6%	23.5%	23.5%	23.5%	23.4%	12.5%	14.0%	13.9%
RG #2 - Plans I, J, O, P, S, T, U and W (County et al.)	33.7%	36.9%	39.4%	41.8%	42.2%	42.6%	42.3%	42.1%	41.8%	41.6%	41.3%	41.1%	40.9%	40.7%	40.5%	40.3%	39.9%	13.1%	15.4%	8.6%
RG #3 - Plans B, G, H and U (OCSD)	11.6%	12.8%	15.1%	16.9%	17.6%	18.3%	18.2%	18.1%	17.9%	17.8%	17.7%	17.6%	17.5%	17.4%	17.4%	17.3%	17.2%	17.2%	17.1%	17.0%
RG #5 - Plans A, B and U (OCTA)	25.5%	29.1%	31.7%	34.1%	34.7%	35.2%	35.2%	35.1%	35.0%	35.0%	35.0%	35.0%	34.9%	34.9%	34.9%	34.8%	34.7%	16.4%	17.6%	11.4%
RG #9 - Plans M, N and U (TCA)	23.8%	26.1%	27.8%	29.3%	29.7%	30.1%	29.9%	29.8%	29.7%	29.6%	29.5%	29.4%	29.4%	29.3%	29.2%	29.2%	29.1%	14.7%	15.3%	11.5%
RG #10 - Plans I, J, M, N and U (OCFA)	30.5%	33.4%	35.6%	37.5%	38.0%	38.4%	38.2%	38.0%	37.9%	37.7%	37.6%	37.4%	37.3%	37.2%	37.0%	36.9%	36.7%	13.9%	16.3%	10.7%
RG #11 - Plans M and N, future service, and U (Cemetery)	10.9%	13.1%	15.2%	17.1%	17.6%	18.2%	18.2%	18.1%	18.0%	17.9%	17.8%	17.8%	17.7%	17.6%	17.5%	17.5%	17.5%	17.4%	17.4%	17.3%
RG #12 - Plans G and H, future service, and U (Law Library)	22.7%	23.8%	26.1%	28.1%	28.5%	28.9%	28.6%	28.3%	28.1%	27.9%	27.6%	27.4%	27.3%	27.2%	27.1%	26.9%	26.8%	15.1%	15.0%	14.9%
Safety																				
RG #6 - Plans E, F and V (Probation)	47.8%	53.5%	57.5%	61.3%	62.1%	62.9%	62.7%	62.4%	62.2%	61.9%	61.6%	61.3%	61.0%	60.6%	60.2%	59.8%	59.3%	34.9%	30.1%	31.0%
RG #7 - Plans E, F, Q, R and V (Law Enforcement)	62.8%	68.1%	72.6%	76.8%	77.7%	78.6%	78.4%	78.1%	77.8%	77.6%	77.4%	77.2%	77.0%	76.8%	76.6%	76.4%	76.1%	38.7%	35.8%	21.8%
RG #8 - Plans E, F, Q, R and V (Fire Authority)	47.8%	51.0%	54.2%	57.0%	57.6%	58.2%	57.8%	57.0%	56.4%	56.0%	55.5%	55.1%	54.7%	54.3%	53.9%	53.5%	53.0%	25.5%	25.0%	17.8%

Under this scenario, Rate Group #3 would be expected to use up the entire amount in the O.C. Sanitation District UAAL Deferred Account by the December 31, 2017 valuation. (That account has a balance of \$34,067,000 as of December 31, 2016.)

Rates shown throughout these projections for Rate Group #12 have been adjusted for the future service only benefit enhancement. They have not been adjusted for the additional UAAL payment that Law Library has made on December 15, 2017. The Law Library's contribution rates after adjusting for that additional UAAL payment will be provided in a separate report.

In our December 18, 2017 letter, Rate Group #6 was just barely over 100% funded as of December 31, 2035. Reflecting the impact of the implementation of the assumption changes in the December 31, 2017 valuation instead of the December 31, 2016 valuation increases the AAL enough to make Rate Group #6 drop below 100% funded as of December 31, 2035 in this letter. Therefore, they still have a UAAL contribution rate as of December 31, 2035 so their total rate as of that date is significantly higher than the total contribution rate in our December 18, 2017 letter.

Similar to prior projections, we have not taken into account the County Investment Account (that account has a balance of \$117,723,000 as of December 31, 2016) in these projections.

**Attachment B**  
**Projected Employer Rates by Rate Group**  
**Scenario 2: 7.25% for 2017 and 7.0% thereafter**

	Valuation Date (12/31)																			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
General																				
RG #1 - Plans A, B and U (non-OCTA, non-OCSD)	16.4%	18.8%	20.1%	21.3%	21.3%	21.3%	21.2%	21.2%	21.2%	21.2%	21.2%	21.1%	21.1%	21.1%	21.1%	21.1%	21.0%	10.1%	10.0%	10.0%
RG #2 - Plans I, J, O, P, S, T, U and W (County et al.)	33.7%	36.2%	37.8%	39.4%	39.0%	38.8%	38.5%	38.3%	38.0%	37.8%	37.5%	37.3%	37.1%	36.8%	36.7%	36.4%	36.1%	9.3%	8.8%	8.6%
RG #3 - Plans B, G, H and U (OCSD)	11.6%	12.4%	12.6%	13.2%	12.9%	12.7%	12.6%	12.5%	12.3%	12.2%	12.1%	12.0%	11.9%	11.8%	11.8%	11.7%	11.6%	11.6%	11.5%	11.4%
RG #5 - Plans A, B and U (OCTA)	25.5%	28.4%	30.2%	31.8%	31.8%	31.7%	31.7%	31.6%	31.6%	31.5%	31.5%	31.4%	31.4%	31.4%	31.3%	31.3%	31.2%	12.9%	11.4%	11.4%
RG #9 - Plans M, N and U (TCA)	23.8%	25.6%	26.7%	27.7%	27.5%	27.4%	27.2%	27.1%	27.0%	26.9%	26.8%	26.7%	26.7%	26.6%	26.5%	26.5%	26.3%	12.0%	11.5%	11.5%
RG #10 - Plans I, J, M, N and U (OCFA)	30.5%	32.8%	34.2%	35.5%	35.3%	35.2%	35.0%	34.8%	34.6%	34.5%	34.3%	34.2%	34.0%	33.9%	33.8%	33.7%	33.4%	10.8%	10.8%	10.7%
RG #11 - Plans M and N, future service, and U (Cemetery)	10.9%	12.4%	13.7%	14.8%	14.6%	14.6%	14.5%	14.4%	14.3%	14.3%	14.2%	14.2%	14.1%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	13.9%
RG #12 - Plans G and H, future service, and U (Law Library)	22.7%	23.1%	24.4%	25.6%	25.1%	24.8%	24.5%	24.2%	24.0%	23.8%	23.5%	23.3%	23.2%	23.0%	22.9%	22.7%	22.6%	10.9%	10.8%	9.1%
Safety																				
RG #6 - Plans E, F and V (Probation)	47.8%	52.6%	55.5%	58.3%	58.1%	58.0%	57.7%	57.5%	57.3%	57.0%	56.7%	56.4%	56.1%	55.7%	55.3%	54.9%	54.4%	30.0%	25.2%	18.2%
RG #7 - Plans E, F, Q, R and V (Law Enforcement)	62.8%	66.9%	69.9%	72.7%	72.4%	72.1%	71.8%	71.6%	71.3%	71.1%	70.9%	70.7%	70.5%	70.3%	70.1%	69.9%	69.6%	32.2%	21.9%	21.8%
RG #8 - Plans E, F, Q, R and V (Fire Authority)	47.8%	50.0%	51.8%	53.4%	52.9%	52.5%	52.1%	51.3%	50.7%	50.3%	49.8%	49.4%	49.1%	48.7%	48.2%	47.9%	47.3%	19.8%	18.1%	17.8%

Under this scenario, Rate Group #3 would be expected to use up the entire amount in the O.C. Sanitation District UAAL Deferred Account by the December 31, 2018 valuation. (That account has a balance of \$34,067,000 as of December 31, 2016.)

Rates shown throughout these projections for Rate Group #12 have been adjusted for the future service only benefit enhancement. They have not been adjusted for the additional UAAL payment that Law Library has made on December 15, 2017. The Law Library's contribution rates after adjusting for that additional UAAL payment will be provided in a separate report.

Similar to prior projections, we have not taken into account the County Investment Account (that account has a balance of \$117,723,000 as of December 31, 2016) in these projections.

**Attachment B**  
**Projected Employer Rates by Rate Group**  
**Scenario 3: 14.5% for 2017 and 7.0% thereafter**

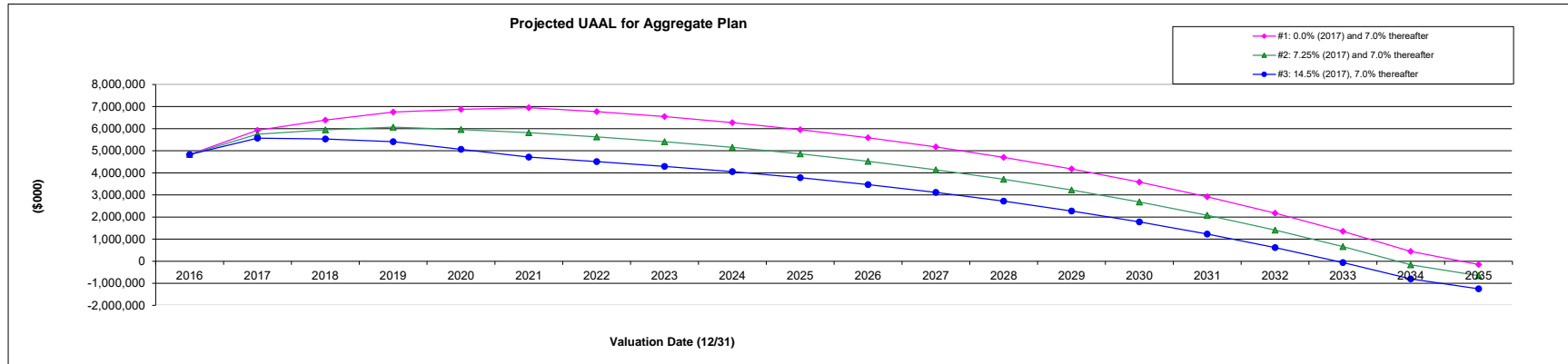
	Valuation Date (12/31)																			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
General																				
RG #1 - Plans A, B and U (non-OCTA, non-OCSD)	16.4%	18.4%	19.1%	19.8%	19.3%	18.8%	18.8%	18.8%	18.8%	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%	18.6%	18.6%	10.0%	10.0%	10.0%
RG #2 - Plans I, J, O, P, S, T, U and W (County et al.)	33.7%	35.4%	36.2%	36.9%	35.9%	35.0%	34.7%	34.4%	34.2%	33.9%	33.7%	33.5%	33.2%	33.0%	32.8%	32.6%	32.3%	8.9%	8.8%	8.6%
RG #3 - Plans B, G, H and U (OCSD)	11.6%	12.4%	12.3%	12.1%	12.0%	11.8%	11.7%	11.5%	11.4%	11.3%	11.2%	11.1%	11.0%	10.9%	10.8%	10.8%	10.7%	10.6%	10.6%	10.5%
RG #5 - Plans A, B and U (OCTA)	25.5%	27.8%	28.7%	29.6%	28.8%	28.2%	28.1%	28.1%	28.0%	28.0%	27.9%	27.9%	27.9%	27.9%	27.8%	27.8%	27.7%	11.4%	11.4%	11.4%
RG #9 - Plans M, N and U (TCA)	23.8%	25.2%	25.6%	26.0%	25.3%	24.7%	24.6%	24.5%	24.4%	24.3%	24.2%	24.2%	24.1%	24.0%	24.0%	23.9%	23.8%	11.6%	11.5%	11.5%
RG #10 - Plans I, J, M, N and U (OCFA)	30.5%	32.3%	32.9%	33.5%	32.7%	31.9%	31.8%	31.6%	31.4%	31.2%	31.1%	31.0%	30.8%	30.7%	30.6%	30.4%	30.2%	10.8%	10.8%	10.7%
RG #11 - Plans M and N, future service, and U (Cemetery)	10.9%	11.9%	12.1%	12.4%	11.7%	11.7%	11.6%	11.6%	11.6%	11.5%	11.5%	11.5%	11.5%	11.4%	11.4%	11.4%	11.4%	11.4%	11.3%	11.3%
RG #12 - Plans G and H, future service, and U (Law Library)	22.7%	22.5%	22.9%	23.2%	22.0%	21.1%	20.9%	20.7%	20.6%	20.4%	20.2%	20.0%	19.9%	19.8%	19.7%	19.6%	9.3%	9.2%	9.2%	9.1%
Safety																				
RG #6 - Plans E, F and V (Probation)	47.8%	51.8%	53.5%	55.3%	54.1%	53.0%	52.8%	52.6%	52.4%	52.1%	51.8%	51.5%	51.2%	50.8%	50.4%	50.0%	49.5%	25.1%	18.6%	18.2%
RG #7 - Plans E, F, Q, R and V (Law Enforcement)	62.8%	65.7%	67.2%	68.6%	67.0%	65.6%	65.3%	65.1%	64.8%	64.6%	64.4%	64.2%	64.0%	63.8%	63.6%	63.4%	63.1%	25.7%	21.9%	21.8%
RG #8 - Plans E, F, Q, R and V (Fire Authority)	47.8%	48.9%	49.5%	49.9%	48.2%	46.8%	46.4%	45.6%	45.0%	44.6%	44.1%	43.8%	43.4%	43.0%	42.6%	42.2%	41.7%	18.5%	18.1%	17.8%

Under this scenario, Rate Group #3 would be expected to use up only some of the amount in the O.C. Sanitation District UAAL Deferred Account by the December 31, 2035 valuation. (That account has a balance of \$34,067,000 as of December 31, 2016.)

Rates shown throughout these projections for Rate Group #12 have been adjusted for the future service only benefit enhancement. They have not been adjusted for the additional UAAL payment that Law Library has made on December 15, 2017. The Law Library’s contribution rates after adjusting for that additional UAAL payment will be provided in a separate report.

Similar to prior projections, we have not taken into account the County Investment Account (that account has a balance of \$117,723,000 as of December 31, 2016) in these projections.

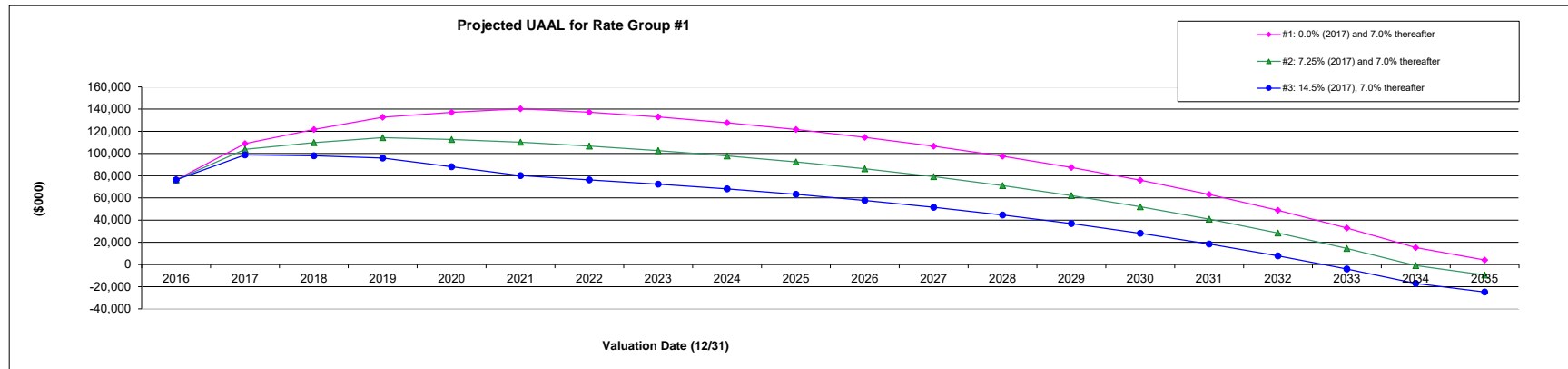
## Attachment C Projected UAAL and Funded Ratio for Aggregate Plan



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>UAAL (\$000)</b>																				
#1: 0.0% (2017) and 7.0% thereafter	4,830,483	5,927,829	6,386,244	6,754,835	6,875,889	6,950,171	6,773,514	6,546,047	6,271,335	5,953,703	5,589,486	5,174,629	4,704,698	4,175,007	3,580,577	2,915,995	2,175,426	1,352,601	442,611	-147,834
#2: 7.25% (2017) and 7.0% thereafter	4,830,483	5,748,356	5,950,087	6,072,307	5,960,899	5,820,306	5,631,529	5,410,749	5,154,642	4,860,113	4,523,823	4,142,248	3,711,412	3,227,162	2,685,090	2,080,339	1,407,658	661,459	-162,335	-656,147
#3: 14.5% (2017), 7.0% thereafter	4,830,483	5,572,635	5,533,501	5,410,580	5,067,501	4,711,876	4,509,776	4,293,485	4,053,128	3,778,592	3,466,836	3,114,679	2,718,776	2,275,356	1,780,436	1,229,834	618,897	-57,291	-802,072	-1,250,657
<b>Funded Ratio</b>																				
#1: 0.0% (2017) and 7.0% thereafter	73.1%	70.0%	69.3%	69.2%	70.2%	71.4%	73.4%	75.5%	77.6%	79.7%	81.8%	83.8%	85.9%	88.0%	90.1%	92.3%	94.4%	96.7%	98.9%	100.3%
#2: 7.25% (2017) and 7.0% thereafter	73.1%	70.9%	71.4%	72.3%	74.2%	76.0%	77.9%	79.8%	81.6%	83.4%	85.2%	87.1%	88.9%	90.7%	92.6%	94.5%	96.4%	98.4%	100.4%	101.5%
#3: 14.5% (2017), 7.0% thereafter	73.1%	71.8%	73.4%	75.3%	78.1%	80.6%	82.3%	83.9%	85.5%	87.1%	88.7%	90.3%	91.9%	93.5%	95.1%	96.7%	98.4%	100.1%	101.9%	102.9%

## Attachment D

### Projected UAAL and Funded Ratio for Rate Group #1 Plans A, B and U (non-OCTA, non-OCSD)

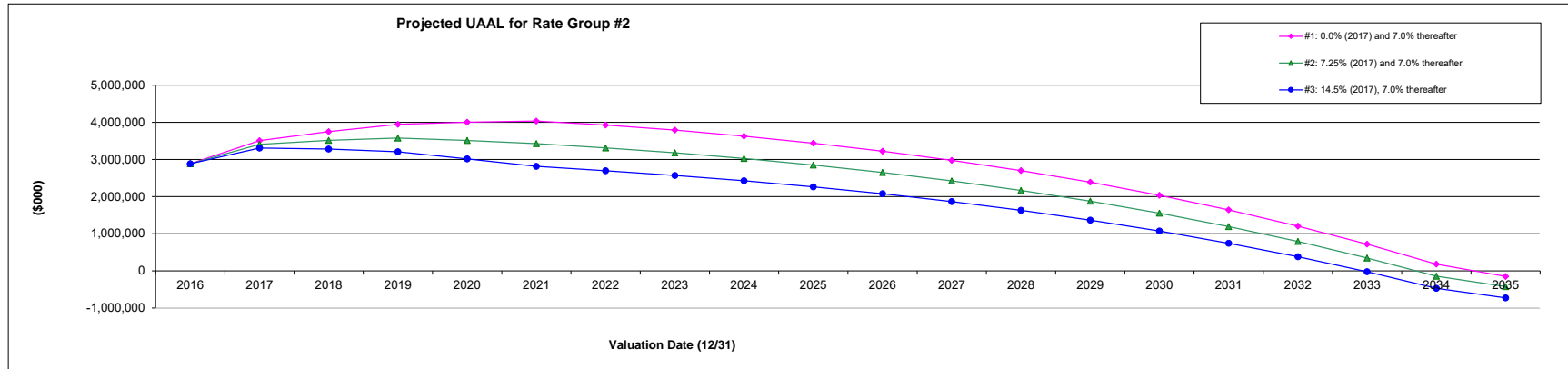


UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	76,266	108,828	121,575	132,636	137,087	140,340	137,171	132,905	127,668	121,592	114,608	106,638	97,597	87,392	75,919	63,079	48,756	32,822	15,188	4,046
#2: 7.25% (2017) and 7.0% thereafter	76,266	103,779	109,783	114,258	112,565	110,191	106,701	102,619	97,882	92,425	86,192	79,115	71,118	62,127	52,059	40,817	28,305	14,418	-913	-9,473
#3: 14.5% (2017), 7.0% thereafter	76,266	98,731	97,988	95,872	88,025	80,017	76,215	72,311	68,060	63,215	57,724	51,532	44,580	36,804	28,137	18,498	7,806	-4,023	-17,039	-24,782

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	82.6%	77.6%	76.2%	75.3%	75.7%	76.2%	77.8%	79.5%	81.2%	82.8%	84.5%	86.1%	87.8%	89.5%	91.2%	92.9%	94.7%	96.6%	98.5%	99.6%
#2: 7.25% (2017) and 7.0% thereafter	82.6%	78.6%	78.5%	78.7%	80.0%	81.4%	82.8%	84.2%	85.6%	86.9%	88.3%	89.7%	91.1%	92.5%	94.0%	95.4%	96.9%	98.5%	100.1%	100.9%
#3: 14.5% (2017), 7.0% thereafter	82.6%	79.6%	80.8%	82.1%	84.4%	86.5%	87.7%	88.8%	90.0%	91.1%	92.2%	93.3%	94.4%	95.6%	96.7%	97.9%	99.2%	100.4%	101.7%	102.4%

**Attachment E**  
**Projected UAAL and Funded Ratio for Rate Group #2**  
**Plans I, J, O, P, S, T, U and W (County et al.)**



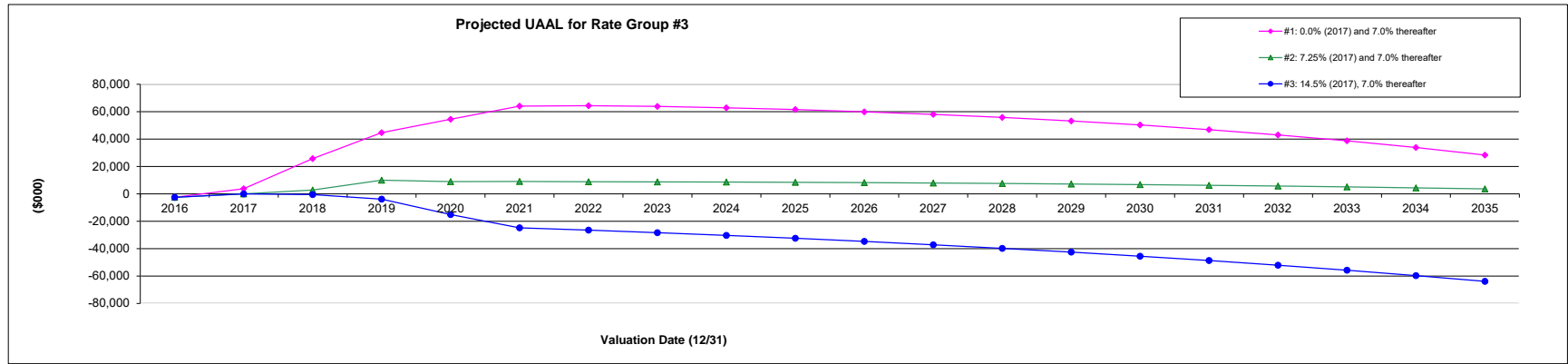
UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	2,882,742	3,506,309	3,749,403	3,943,829	4,002,290	4,032,638	3,926,147	3,790,477	3,627,414	3,439,086	3,223,348	2,977,825	2,699,881	2,386,755	2,035,558	1,643,106	1,205,975	720,485	183,818	-146,775
#2: 7.25% (2017) and 7.0% thereafter	2,882,742	3,406,084	3,514,227	3,575,897	3,509,490	3,424,717	3,311,792	3,179,767	3,026,745	2,850,876	2,650,167	2,422,553	2,165,657	1,876,999	1,553,993	1,193,783	793,204	348,942	-141,331	-419,831
#3: 14.5% (2017), 7.0% thereafter	2,882,742	3,305,858	3,279,042	3,207,926	3,016,707	2,816,780	2,697,290	2,568,835	2,425,769	2,262,337	2,076,708	1,866,982	1,631,191	1,367,065	1,072,239	744,256	380,304	-22,555	-466,335	-726,677

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	71.2%	68.1%	67.6%	67.5%	68.5%	69.7%	71.7%	73.8%	76.0%	78.1%	80.3%	82.4%	84.6%	86.9%	89.1%	91.5%	93.9%	96.5%	99.1%	100.7%
#2: 7.25% (2017) and 7.0% thereafter	71.2%	69.0%	69.6%	70.5%	72.4%	74.2%	76.1%	78.1%	80.0%	81.9%	83.8%	85.7%	87.7%	89.7%	91.7%	93.8%	96.0%	98.3%	100.7%	102.0%
#3: 14.5% (2017), 7.0% thereafter	71.2%	70.0%	71.6%	73.5%	76.2%	78.8%	80.6%	82.3%	83.9%	85.6%	87.3%	89.0%	90.7%	92.5%	94.3%	96.2%	98.1%	100.1%	102.2%	103.4%



## Attachment F Projected UAAL and Funded Ratio for Rate Group #3 Plans B, G, H and U (OCSD)



UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	-2,522	3,752	25,786	44,743	54,490	64,049	64,393	63,913	62,855	61,544	59,960	58,073	55,857	53,281	50,315	46,923	43,068	38,718	33,830	28,352
#2: 7.25% (2017) and 7.0% thereafter	-2,522	0	2,827	10,037	8,965	9,053	8,892	8,763	8,605	8,411	8,177	7,900	7,577	7,202	6,771	6,280	5,724	5,096	4,390	3,601
#3: 14.5% (2017), 7.0% thereafter	-2,522	0	-568	-3,889	-15,125	-24,771	-26,505	-28,361	-30,346	-32,470	-34,743	-37,175	-39,777	-42,562	-45,541	-48,729	-52,140	-55,790	-59,695	-63,874

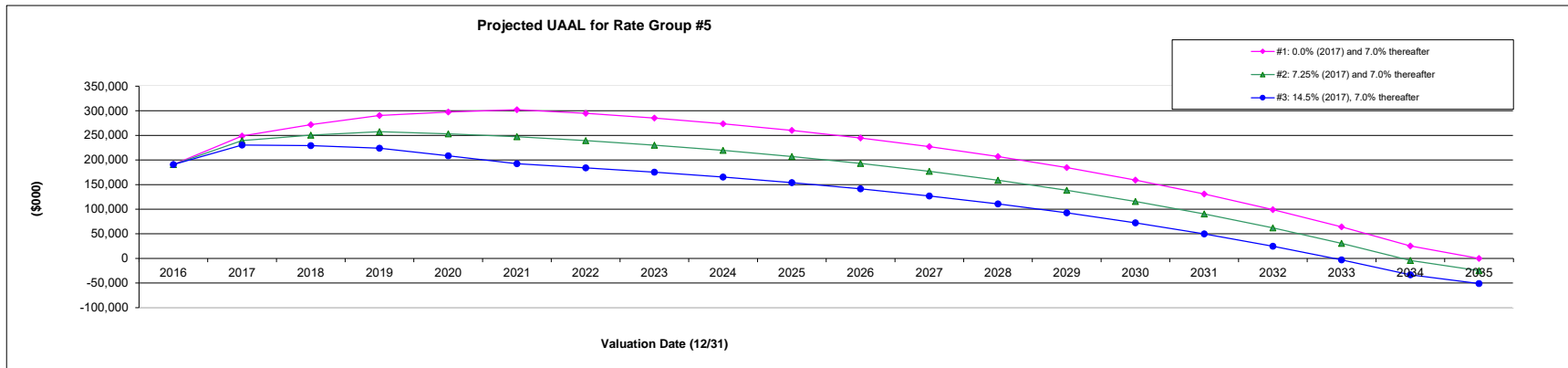
  

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	100.4%	99.4%	96.3%	93.9%	93.0%	92.2%	92.5%	92.9%	93.3%	93.8%	94.2%	94.6%	95.1%	95.5%	95.9%	96.3%	96.8%	97.2%	97.6%	98.1%
#2: 7.25% (2017) and 7.0% thereafter	100.4%	100.0%	99.6%	98.6%	98.8%	98.9%	99.0%	99.0%	99.1%	99.1%	99.2%	99.3%	99.3%	99.4%	99.4%	99.5%	99.6%	99.6%	99.7%	99.8%
#3: 14.5% (2017), 7.0% thereafter	100.4%	100.0%	100.1%	100.5%	101.9%	103.0%	103.1%	103.1%	103.2%	103.3%	103.4%	103.4%	103.5%	103.6%	103.7%	103.8%	103.9%	104.0%	104.2%	104.3%

Unlike most of the other Rate Groups, Rate Group #3 has a UAAL under Scenarios #1 and #2 due to the reemergence of their UAAL amortization layers starting with the December 31, 2017 and December 31, 2018 valuations, respectively. While Rate Group #3 is overfunded as of the December 31, 2016 valuation, they are anticipated to have a restart amortization layer starting with the 2018 and 2019 valuations under Scenarios #1 and #2, respectively, which will not drop off until 20 years after that restart amortization layer is established.

## Attachment G

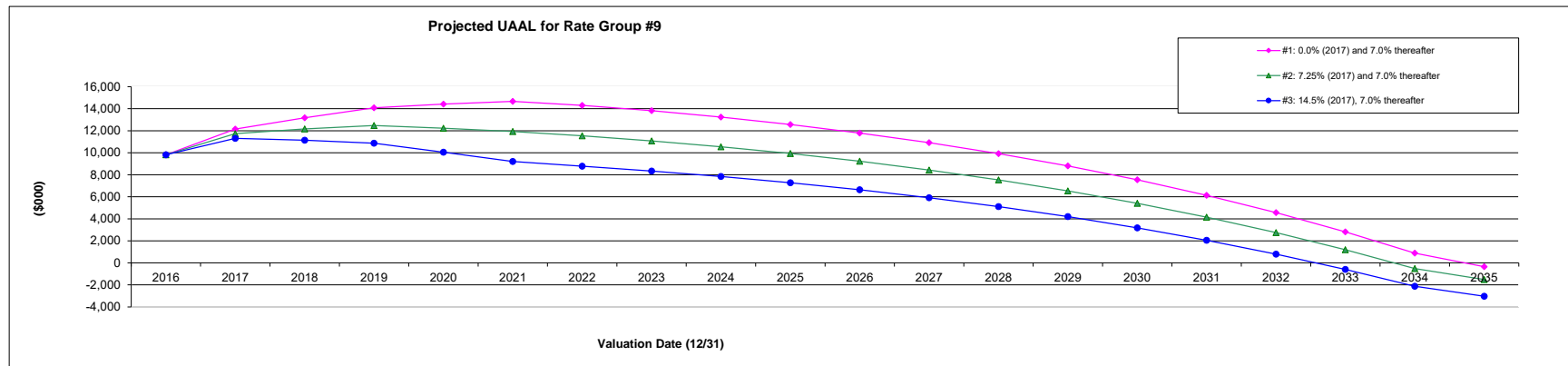
### Projected UAAL and Funded Ratio for Rate Group #5 Plans A, B and U (OCTA)



UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	190,783	248,671	271,722	290,633	297,543	302,181	294,862	285,288	273,650	260,170	244,692	227,052	207,054	184,498	159,167	130,828	99,231	64,107	25,249	-106
#2: 7.25% (2017) and 7.0% thereafter	190,783	239,574	250,430	257,378	253,066	247,378	239,478	230,231	219,491	207,134	193,018	176,992	158,891	138,540	115,750	90,309	62,006	30,605	-4,072	-24,733
#3: 14.5% (2017), 7.0% thereafter	190,783	230,476	229,136	224,115	208,576	192,558	184,081	175,161	165,326	154,092	141,337	126,931	110,735	92,598	72,351	49,817	24,817	-2,849	-33,323	-51,243
<b>Funded Ratio</b>																				
#1: 0.0% (2017) and 7.0% thereafter	77.3%	73.2%	72.2%	71.7%	72.4%	73.3%	75.2%	77.1%	79.0%	80.9%	82.9%	84.8%	86.7%	88.6%	90.6%	92.6%	94.6%	96.6%	98.7%	100.0%
#2: 7.25% (2017) and 7.0% thereafter	77.3%	74.2%	74.3%	74.9%	76.5%	78.2%	79.8%	81.5%	83.2%	84.8%	86.5%	88.1%	89.8%	91.5%	93.2%	94.9%	96.6%	98.4%	100.2%	101.2%
#3: 14.5% (2017), 7.0% thereafter	77.3%	75.1%	76.5%	78.2%	80.7%	83.0%	84.5%	85.9%	87.3%	88.7%	90.1%	91.5%	92.9%	94.3%	95.7%	97.2%	98.6%	100.2%	101.7%	102.5%

## Attachment H

### Projected UAAL and Funded Ratio for Rate Group #9 Plans M, N and U (TCA)



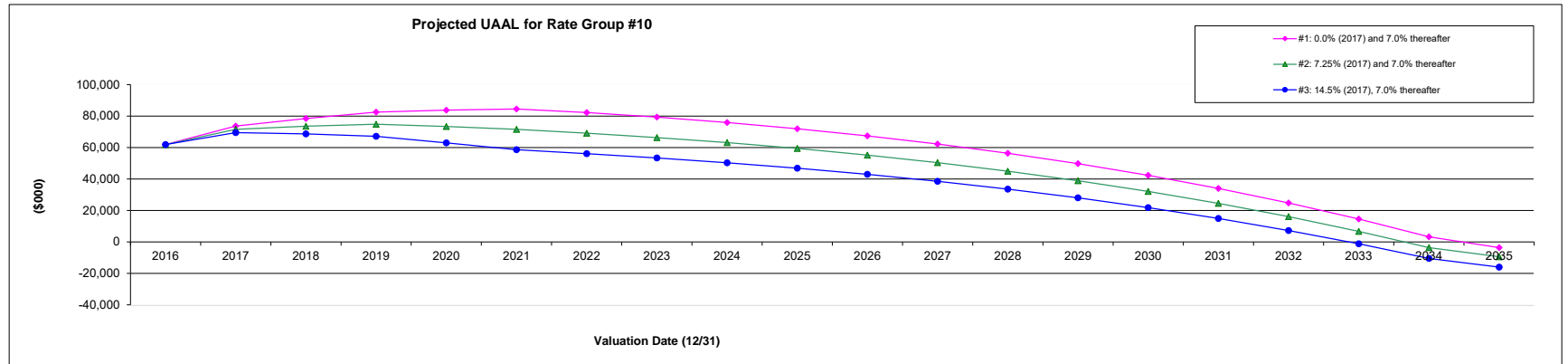
UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	9,816	12,156	13,174	14,081	14,415	14,663	14,297	13,817	13,235	12,563	11,793	10,916	9,923	8,803	7,543	6,134	4,561	2,813	880	-354
#2: 7.25% (2017) and 7.0% thereafter	9,816	11,729	12,158	12,470	12,229	11,935	11,538	11,076	10,541	9,927	9,227	8,433	7,537	6,531	5,403	4,144	2,744	1,190	-525	-1,515
#3: 14.5% (2017), 7.0% thereafter	9,816	11,303	11,142	10,860	10,047	9,211	8,782	8,332	7,839	7,276	6,638	5,918	5,106	4,197	3,179	2,047	791	-598	-2,125	-3,038

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	75.3%	72.7%	72.4%	72.6%	73.8%	75.1%	77.3%	79.5%	81.6%	83.7%	85.6%	87.5%	89.3%	91.1%	92.8%	94.5%	96.2%	97.8%	99.3%	100.2%
#2: 7.25% (2017) and 7.0% thereafter	75.3%	73.6%	74.6%	75.7%	77.8%	79.8%	81.7%	83.6%	85.4%	87.1%	88.7%	90.3%	91.9%	93.4%	94.9%	96.3%	97.7%	99.1%	100.4%	101.1%
#3: 14.5% (2017), 7.0% thereafter	75.3%	74.6%	76.7%	78.8%	81.7%	84.4%	86.1%	87.6%	89.1%	90.5%	91.9%	93.2%	94.5%	95.8%	97.0%	98.2%	99.3%	100.5%	101.6%	102.1%

## Attachment I

### Projected UAAL and Funded Ratio for Rate Group #10 Plans I, J, M, N and U (OCFA)



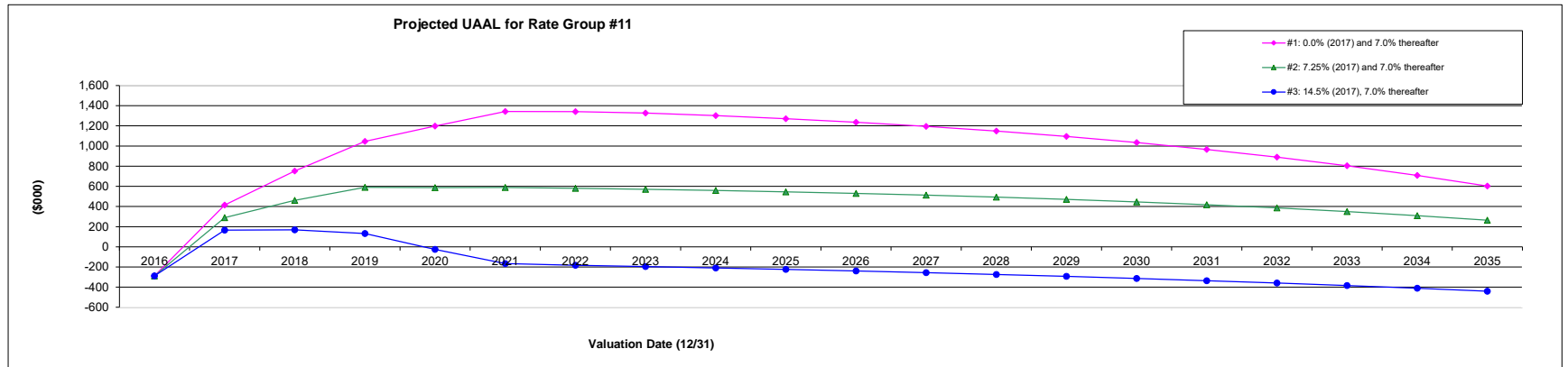
UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	61,930	73,681	78,489	82,569	83,816	84,537	82,288	79,420	75,970	71,988	67,426	62,235	56,362	49,750	42,334	34,046	24,818	14,568	3,238	-3,646
#2: 7.25% (2017) and 7.0% thereafter	61,930	71,616	73,596	74,847	73,392	71,578	69,183	66,389	63,154	59,439	55,202	50,398	44,981	38,897	32,090	24,499	16,061	6,708	-3,615	-9,427
#3: 14.5% (2017), 7.0% thereafter	61,930	69,552	68,704	67,130	62,979	58,642	56,103	53,384	50,364	46,915	43,001	38,581	33,612	28,048	21,838	14,929	7,265	-1,217	-10,555	-16,058

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	70.2%	67.9%	67.8%	68.1%	69.4%	70.8%	73.2%	75.5%	77.8%	80.0%	82.2%	84.4%	86.6%	88.7%	90.9%	93.0%	95.1%	97.3%	99.4%	100.6%
#2: 7.25% (2017) and 7.0% thereafter	70.2%	68.8%	69.8%	71.0%	73.2%	75.3%	77.4%	79.5%	81.5%	83.5%	85.5%	87.4%	89.3%	91.2%	93.1%	95.0%	96.8%	98.7%	100.6%	101.6%
#3: 14.5% (2017), 7.0% thereafter	70.2%	69.7%	71.8%	74.0%	77.0%	79.8%	81.7%	83.5%	85.3%	87.0%	88.7%	90.3%	92.0%	93.6%	95.3%	96.9%	98.6%	100.2%	101.9%	102.8%

## Attachment J

### Projected UAAL and Funded Ratio for Rate Group #11 Plans M and N, future service, and U (Cemetery)



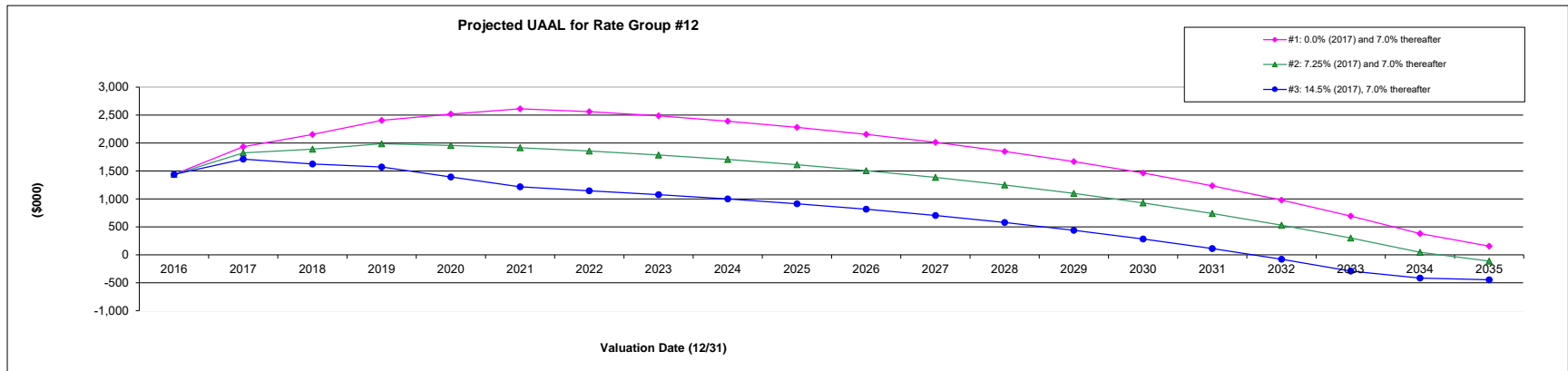
UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	-289	414	752	1,046	1,198	1,343	1,342	1,327	1,301	1,271	1,236	1,195	1,148	1,094	1,034	966	890	805	709	602
#2: 7.25% (2017) and 7.0% thereafter	-289	290	460	590	587	589	580	571	559	546	530	513	493	470	445	417	386	350	309	264
#3: 14.5% (2017), 7.0% thereafter	-289	166	169	132	-26	-166	-183	-195	-209	-224	-239	-256	-274	-293	-314	-336	-359	-385	-411	-440

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	103.4%	95.7%	92.8%	90.7%	90.0%	89.6%	90.3%	91.0%	91.8%	92.5%	93.2%	93.8%	94.4%	95.0%	95.6%	96.1%	96.7%	97.2%	97.6%	98.1%
#2: 7.25% (2017) and 7.0% thereafter	103.4%	97.0%	95.6%	94.7%	95.1%	95.4%	95.8%	96.1%	96.5%	96.8%	97.1%	97.3%	97.6%	97.9%	98.1%	98.3%	98.6%	98.8%	99.0%	99.2%
#3: 14.5% (2017), 7.0% thereafter	103.4%	98.3%	98.4%	98.8%	100.2%	101.3%	101.3%	101.3%	101.3%	101.3%	101.3%	101.3%	101.3%	101.3%	101.3%	101.3%	101.4%	101.4%	101.4%	101.4%

## Attachment K

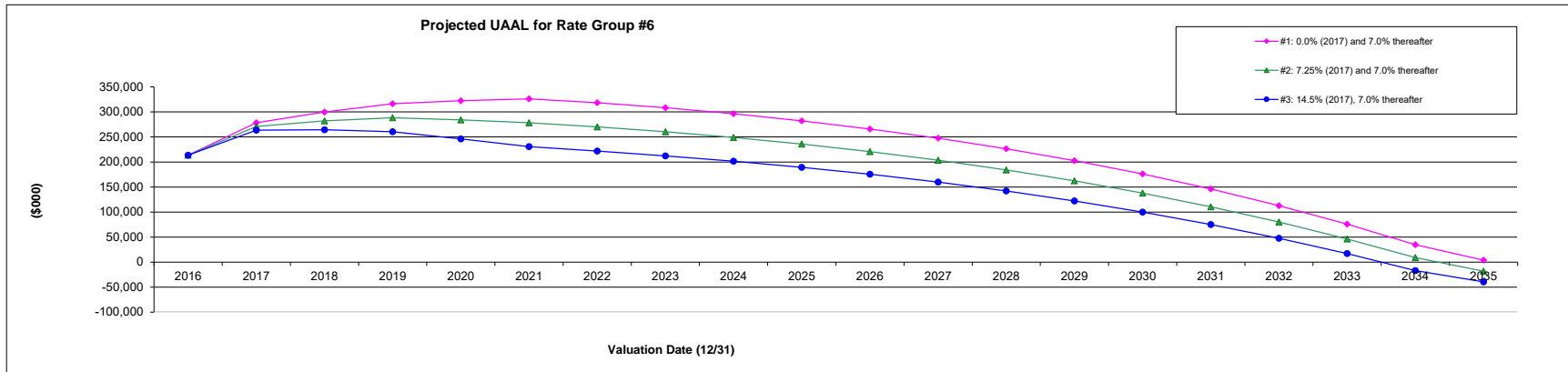
### Projected UAAL and Funded Ratio for Rate Group #12 Plans G, H and U (Law Library)



UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
#1: 0.0% (2017) and 7.0% thereafter	1,438	1,933	2,154	2,404	2,517	2,612	2,560	2,485	2,391	2,281	2,155	2,012	1,850	1,668	1,464	1,235	979	695	380	155	
#2: 7.25% (2017) and 7.0% thereafter	1,438	1,822	1,889	1,987	1,955	1,915	1,856	1,786	1,705	1,612	1,505	1,385	1,250	1,098	929	741	532	300	45	-113	
#3: 14.5% (2017), 7.0% thereafter	1,438	1,711	1,625	1,570	1,392	1,215	1,146	1,076	1,001	914	815	703	578	439	284	112	-79	-290	-416	-446	
<b>Funded Ratio</b>																					
#1: 0.0% (2017) and 7.0% thereafter	84.4%	81.3%	80.6%	79.8%	80.2%	80.7%	82.2%	83.8%	85.3%	86.8%	88.3%	89.7%	91.0%	92.4%	93.7%	95.0%	96.2%	97.5%	98.7%	99.5%	
#2: 7.25% (2017) and 7.0% thereafter	84.4%	82.4%	83.0%	83.3%	84.6%	85.9%	87.1%	88.4%	89.5%	90.7%	91.8%	92.9%	94.0%	95.0%	96.0%	97.0%	97.9%	98.9%	99.8%	100.4%	
#3: 14.5% (2017), 7.0% thereafter	84.4%	83.5%	85.4%	86.8%	89.0%	91.0%	92.1%	93.0%	93.9%	94.7%	95.6%	96.4%	97.2%	98.0%	98.8%	99.5%	100.3%	101.1%	101.4%	101.5%	

## Attachment L

### Projected UAAL and Funded Ratio for Rate Group #6 Plans E, F and V (Probation)



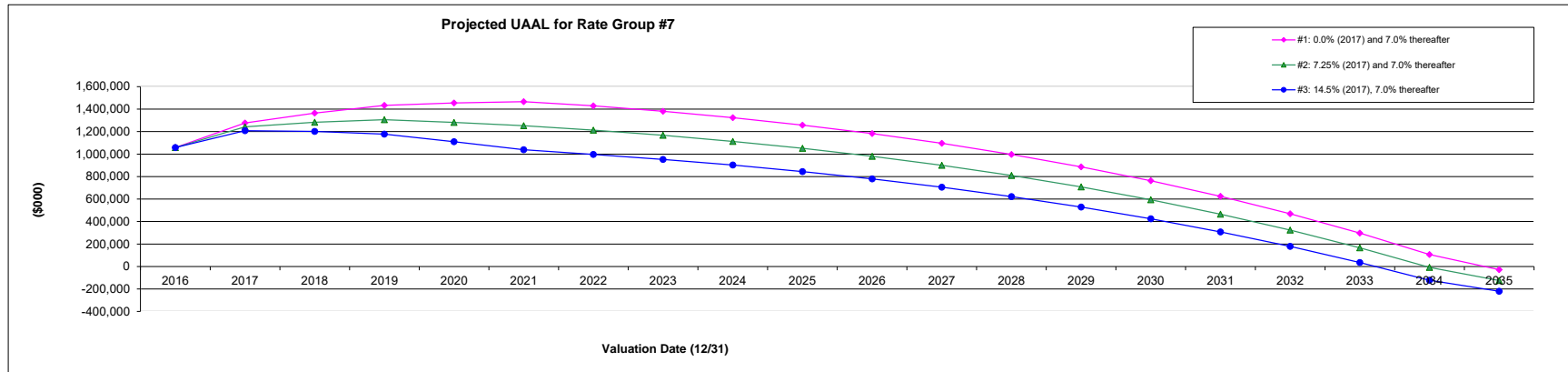
UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	213,650	278,401	299,727	316,454	322,420	326,211	318,485	308,457	296,289	282,180	265,960	247,441	226,427	202,707	176,051	146,211	112,918	75,886	34,876	3,902
#2: 7.25% (2017) and 7.0% thereafter	213,650	271,005	282,074	288,388	284,232	278,345	270,045	260,270	248,882	235,743	220,696	203,576	184,207	162,401	137,950	110,629	80,199	46,409	9,044	-17,846
#3: 14.5% (2017), 7.0% thereafter	213,650	263,608	264,427	260,344	246,104	230,607	221,738	212,216	201,605	189,433	175,559	159,836	142,112	122,218	99,966	75,161	47,591	17,030	-16,696	-39,507

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	70.8%	66.8%	66.8%	67.4%	69.1%	70.9%	73.5%	76.0%	78.5%	80.8%	83.1%	85.3%	87.4%	89.4%	91.4%	93.3%	95.1%	96.9%	98.7%	99.9%
#2: 7.25% (2017) and 7.0% thereafter	70.8%	67.7%	68.8%	70.3%	72.7%	75.1%	77.5%	79.8%	81.9%	84.0%	86.0%	87.9%	89.7%	91.5%	93.2%	94.9%	96.5%	98.1%	99.7%	100.6%
#3: 14.5% (2017), 7.0% thereafter	70.8%	68.6%	70.7%	73.2%	76.4%	79.4%	81.5%	83.5%	85.4%	87.1%	88.8%	90.5%	92.1%	93.6%	95.1%	96.5%	97.9%	99.3%	100.6%	101.4%

## Attachment M

### Projected UAAL and Funded Ratio for Rate Group #7 Plans E, F, Q, R and V (Law Enforcement)



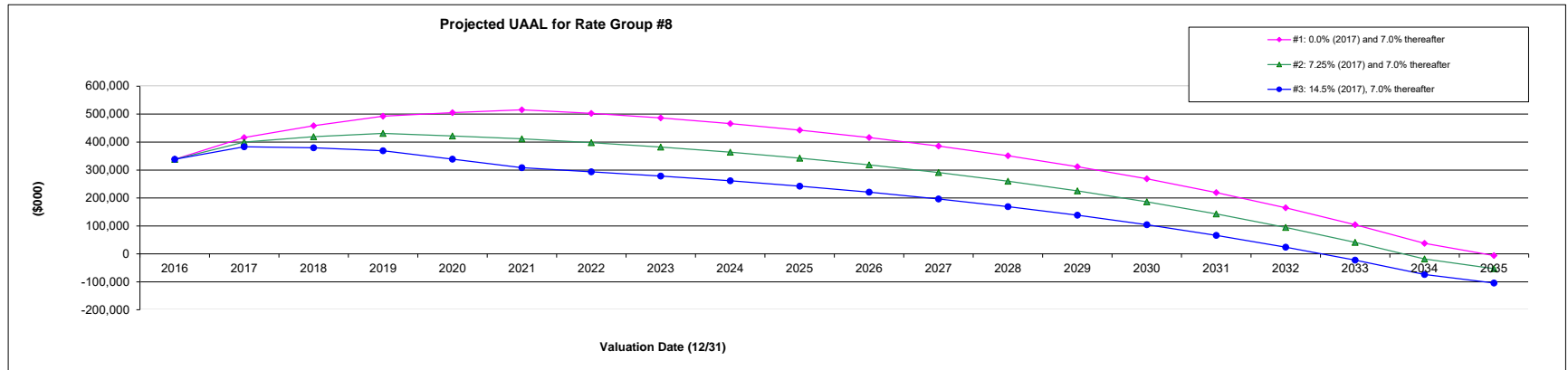
UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	1,058,165	1,277,255	1,365,072	1,433,655	1,454,586	1,466,202	1,429,084	1,381,591	1,324,345	1,258,118	1,182,134	1,095,547	997,444	886,843	762,688	623,843	469,086	297,104	106,819	-28,138
#2: 7.25% (2017) and 7.0% thereafter	1,058,165	1,242,655	1,283,555	1,305,574	1,282,313	1,252,742	1,213,264	1,166,999	1,113,260	1,051,388	980,687	900,393	809,671	707,651	593,384	465,831	323,889	166,377	-7,625	-124,352
#3: 14.5% (2017), 7.0% thereafter	1,058,165	1,208,056	1,202,043	1,177,506	1,110,066	1,039,342	997,495	952,448	902,205	844,690	779,258	705,243	621,918	528,481	424,086	307,824	178,717	35,714	-121,961	-220,391

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	69.9%	67.0%	66.6%	66.8%	68.1%	69.5%	71.7%	74.0%	76.3%	78.6%	80.9%	83.1%	85.3%	87.5%	89.8%	92.0%	94.2%	96.5%	98.8%	100.3%
#2: 7.25% (2017) and 7.0% thereafter	69.9%	67.9%	68.6%	69.8%	71.8%	73.9%	76.0%	78.1%	80.1%	82.1%	84.1%	86.1%	88.1%	90.1%	92.0%	94.0%	96.0%	98.0%	100.1%	101.3%
#3: 14.5% (2017), 7.0% thereafter	69.9%	68.8%	70.6%	72.7%	75.6%	78.4%	80.3%	82.1%	83.9%	85.6%	87.4%	89.1%	90.8%	92.6%	94.3%	96.1%	97.8%	99.6%	101.4%	102.4%



**Attachment N**  
**Projected UAAL and Funded Ratio for Rate Group #8**  
**Plans E, F, Q, R and V (Fire Authority)**



UAAL (\$000)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	338,504	416,428	458,391	492,783	505,527	515,394	502,884	486,367	466,217	442,911	416,173	385,695	351,155	312,216	268,506	219,625	165,143	104,598	37,624	-5,874
#2: 7.25% (2017) and 7.0% thereafter	338,504	399,802	419,088	430,881	422,103	411,862	398,201	382,279	363,818	342,613	318,422	290,991	260,032	225,246	186,314	142,888	94,608	41,064	-18,042	-52,721
#3: 14.5% (2017), 7.0% thereafter	338,504	383,175	379,792	369,015	338,756	308,441	293,615	278,278	261,514	242,415	220,780	196,384	168,995	138,360	104,211	66,257	24,185	-22,328	-73,513	-104,203

Funded Ratio	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
#1: 0.0% (2017) and 7.0% thereafter	77.6%	75.0%	74.2%	74.0%	74.9%	76.0%	77.9%	79.9%	81.8%	83.7%	85.5%	87.3%	89.0%	90.8%	92.5%	94.2%	95.8%	97.5%	99.1%	100.1%
#2: 7.25% (2017) and 7.0% thereafter	77.6%	76.0%	76.4%	77.3%	79.1%	80.8%	82.5%	84.2%	85.8%	87.4%	88.9%	90.4%	91.9%	93.3%	94.8%	96.2%	97.6%	99.0%	100.4%	101.1%
#3: 14.5% (2017), 7.0% thereafter	77.6%	77.0%	78.7%	80.5%	83.2%	85.6%	87.1%	88.5%	89.8%	91.1%	92.3%	93.5%	94.7%	95.9%	97.1%	98.2%	99.4%	100.5%	101.7%	102.3%

**Attachment O**  
**Projected Employer Rates by Plans within each Rate Group**  
**Scenario 1: 0.0% for 2017 and 7.0% thereafter**

	Valuation Date (12/31)																			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>General</b>																				
RG #1 - Plans A and B	16.8%	19.7%	21.6%	23.3%	23.8%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.1%	13.2%	14.7%	14.7%
RG #1 - Plan U	15.9%	18.8%	20.7%	22.4%	22.9%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.2%	12.3%	13.8%	13.7%
RG #1 - Plans A, B and U (non-OCTA, non-OCSD)	16.4%	19.3%	21.1%	22.9%	23.3%	23.7%	23.7%	23.7%	23.6%	23.6%	23.6%	23.6%	23.6%	23.5%	23.5%	23.5%	23.4%	12.5%	14.0%	13.9%
RG #2 - Plans I and J	34.9%	38.6%	41.4%	44.1%	44.8%	45.4%	45.4%	45.4%	45.4%	45.4%	45.4%	45.4%	45.4%	45.4%	45.4%	45.4%	45.2%	18.6%	21.0%	14.4%
RG #2 - Plans O and P	27.3%	30.4%	33.2%	35.9%	36.6%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.2%	37.0%	10.4%	12.8%	6.2%
RG #2 - Plan S	32.1%	35.7%	38.5%	41.2%	41.9%	42.5%	42.5%	42.5%	42.5%	42.5%	42.5%	42.5%	42.5%	42.5%	42.5%	42.5%	42.3%	15.7%	18.1%	11.5%
RG #2 - Plan T	28.3%	31.3%	34.1%	36.8%	37.5%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	38.1%	37.9%	11.3%	13.7%	7.1%
RG #2 - Plan U	30.0%	33.3%	36.1%	38.7%	39.4%	40.1%	40.1%	40.1%	40.1%	40.1%	40.1%	40.1%	40.1%	40.0%	40.0%	40.0%	39.9%	13.2%	15.7%	9.1%
RG #2 - Plan W	28.4%	31.4%	34.2%	36.9%	37.6%	38.3%	38.3%	38.2%	38.2%	38.2%	38.2%	38.2%	38.2%	38.2%	38.2%	38.2%	38.0%	11.4%	13.9%	7.2%
RG #2 - Plans I, J, O, P, S, T, U and W (County et al.)	33.7%	36.9%	39.4%	41.8%	42.2%	42.6%	42.3%	42.1%	41.8%	41.6%	41.3%	41.1%	40.9%	40.7%	40.5%	40.3%	39.9%	13.1%	15.4%	8.6%
RG #3 - Plans G and H	12.3%	13.7%	16.2%	18.0%	18.9%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%	19.8%
RG #3 - Plan B	10.2%	11.8%	14.2%	16.1%	17.0%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%	17.9%
RG #3 - Plan U	9.3%	10.5%	13.0%	14.9%	15.7%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%
RG #3 - Plans B, G, H and U (OCSD)	11.6%	12.8%	15.1%	16.9%	17.6%	18.3%	18.2%	18.1%	17.9%	17.8%	17.7%	17.6%	17.5%	17.4%	17.4%	17.3%	17.2%	17.2%	17.1%	17.0%
RG #5 - Plans A and B	25.5%	29.2%	31.9%	34.3%	35.0%	35.6%	35.6%	35.6%	35.6%	35.6%	35.6%	35.5%	35.5%	35.5%	35.5%	35.5%	35.4%	17.2%	18.3%	12.2%
RG #5 - Plan U	25.0%	28.3%	30.9%	33.4%	34.0%	34.7%	34.7%	34.7%	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%	34.6%	34.5%	16.2%	17.4%	11.2%
RG #5 - Plans A, B and U (OCTA)	25.5%	29.1%	31.7%	34.1%	34.7%	35.2%	35.1%	35.1%	35.0%	35.0%	35.0%	34.9%	34.9%	34.9%	34.9%	34.8%	34.7%	16.4%	17.6%	11.4%
RG #9 - Plans M and N	24.8%	27.2%	29.0%	30.7%	31.2%	31.7%	31.7%	31.7%	31.7%	31.7%	31.7%	31.7%	31.7%	31.7%	31.7%	31.7%	31.6%	17.4%	18.0%	14.2%
RG #9 - Plan U	21.9%	24.2%	26.0%	27.7%	28.2%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.7%	28.6%	14.4%	15.0%	11.2%
RG #9 - Plans M, N and U (TCA)	23.8%	26.1%	27.8%	29.3%	29.7%	30.1%	29.9%	29.8%	29.7%	29.6%	29.5%	29.4%	29.4%	29.3%	29.2%	29.1%	29.1%	14.7%	15.3%	11.5%
RG #10 - Plans I and J	32.0%	35.1%	37.4%	39.5%	40.1%	40.7%	40.7%	40.7%	40.7%	40.7%	40.7%	40.7%	40.7%	40.6%	40.6%	40.6%	40.5%	17.8%	20.3%	14.8%
RG #10 - Plans M and N	31.0%	33.8%	36.1%	38.3%	38.9%	39.4%	39.4%	39.4%	39.4%	39.4%	39.4%	39.4%	39.4%	39.4%	39.4%	39.4%	39.3%	16.5%	19.0%	13.5%
RG #10 - Plan U	27.3%	30.3%	32.6%	34.8%	35.4%	35.9%	35.9%	35.9%	35.9%	35.9%	35.9%	35.9%	35.9%	35.9%	35.9%	35.9%	35.8%	13.0%	15.5%	10.0%
RG #10 - Plans I, J, M, N and U (OCFA)	30.5%	33.4%	35.6%	37.5%	38.0%	38.4%	38.2%	38.0%	37.9%	37.7%	37.6%	37.4%	37.3%	37.2%	37.0%	36.9%	36.7%	13.9%	16.3%	10.7%
RG #11 - Plans M and N, future service	11.1%	13.3%	15.4%	17.3%	18.0%	18.6%	18.6%	18.5%	18.5%	18.4%	18.4%	18.3%	18.3%	18.2%	18.2%	18.2%	18.1%	18.1%	18.1%	18.1%
RG #11 - Plan U	10.0%	12.4%	14.5%	16.4%	17.0%	17.7%	17.7%	17.6%	17.6%	17.5%	17.5%	17.4%	17.4%	17.3%	17.3%	17.2%	17.2%	17.2%	17.2%	17.2%
RG #11 - Plans M and N, future service, and U (Cemetery)	10.9%	13.1%	15.2%	17.1%	17.6%	18.2%	18.2%	18.1%	18.0%	17.9%	17.8%	17.8%	17.7%	17.6%	17.5%	17.5%	17.4%	17.4%	17.4%	17.3%
RG #12 - Plans G and H, future service	23.0%	25.1%	27.8%	30.3%	31.1%	31.9%	31.9%	31.8%	31.8%	31.8%	31.7%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%	20.0%	20.0%	19.9%
RG #12 - Plan U	17.3%	19.6%	22.4%	24.9%	25.6%	26.4%	26.4%	26.4%	26.4%	26.3%	26.3%	26.2%	26.2%	26.2%	26.2%	26.2%	26.1%	14.5%	14.5%	14.5%
RG #12 - Plans G and H, future service, and U (Law Library)	22.7%	23.8%	26.1%	28.1%	28.5%	28.9%	28.6%	28.3%	28.1%	27.9%	27.6%	27.4%	27.3%	27.2%	27.1%	26.9%	26.8%	15.1%	15.0%	14.9%
<b>Safety</b>																				
RG #6 - Plans E and F	47.9%	53.8%	58.0%	62.0%	62.9%	63.9%	63.9%	63.8%	63.8%	63.8%	63.8%	63.8%	63.8%	63.8%	63.8%	63.8%	63.7%	39.7%	35.3%	36.6%
RG #6 - Plan V	41.3%	46.5%	50.6%	54.6%	55.6%	56.5%	56.5%	56.5%	56.5%	56.5%	56.5%	56.5%	56.5%	56.5%	56.5%	56.4%	56.3%	32.4%	28.0%	29.2%
RG #6 - Plans E, F and V (Probation)	47.8%	53.5%	57.5%	61.3%	62.1%	62.9%	62.7%	62.4%	62.2%	61.9%	61.6%	61.3%	61.0%	60.6%	60.2%	59.8%	59.3%	34.9%	30.1%	31.0%
RG #7 - Plans E and F	63.8%	69.4%	74.2%	78.6%	79.8%	81.0%	80.9%	80.9%	80.9%	80.9%	80.9%	80.9%	80.9%	80.8%	80.8%	80.8%	80.6%	43.4%	40.7%	26.8%
RG #7 - Plans Q and R	61.2%	66.5%	71.2%	75.6%	76.8%	78.0%	78.0%	78.0%	78.0%	77.9%	77.9%	77.9%	77.9%	77.9%	77.9%	77.7%	77.7%	40.5%	37.7%	23.8%
RG #7 - Plan V	57.6%	63.6%	68.4%	72.8%	74.0%	75.1%	75.1%	75.1%	75.1%	75.1%	75.0%	75.0%	75.0%	75.0%	75.0%	74.8%	74.8%	37.6%	34.9%	20.9%
RG #7 - Plans E, F, Q, R and V (Law Enforcement)	62.8%	68.1%	72.6%	76.8%	77.7%	78.6%	78.4%	78.1%	77.8%	77.6%	77.4%	77.2%	77.0%	76.8%	76.6%	76.4%	76.1%	38.7%	35.8%	21.8%
RG #8 - Plans E and F	49.1%	52.9%	56.5%	59.8%	60.8%	61.8%	61.8%	61.8%	61.8%	61.8%	61.8%	61.8%	61.7%	61.7%	61.7%	61.7%	61.6%	34.4%	34.3%	27.4%
RG #8 - Plans Q and R	44.1%	47.8%	51.4%	54.7%	55.7%	56.7%	56.7%	56.7%	56.7%	56.7%	56.7%	56.7%	56.6%	56.6%	56.6%	56.5%	56.5%	29.3%	29.2%	22.3%
RG #8 - Plan V	37.1%	41.3%	44.9%	48.1%	49.1%	50.2%	50.2%	50.1%	50.1%	50.1%	50.1%	50.1%	50.1%	50.1%	50.1%	50.1%	49.9%	22.8%	22.7%	15.8%
RG #8 - Plans E, F, Q, R and V (Fire Authority)	47.8%	51.0%	54.2%	57.0%	57.6%	58.2%	57.8%	57.0%	56.4%	56.0%	55.5%	55.1%	54.7%	54.3%	53.9%	53.5%	53.0%	25.5%	25.0%	17.8%

Rates shown above have not been adjusted for employers with future service only benefit enhancement in Rate Group #2.

In our December 18, 2017 letter, Rate Group #6 was just barely over 100% funded as of December 31, 2035. Reflecting the impact of the implementation of the assumption changes in the December 31, 2017 valuation instead of the December 31, 2016 valuation increases the AAL enough to make Rate Group #6 drop below 100% funded as of December 31, 2035 in this letter. Therefore, they still have a UAAL contribution rate as of December 31, 2035 so their total rate as of that date is significantly higher than the total contribution rate in our December 18, 2017 letter.

**Attachment O**  
**Projected Employer Rates by Plans within each Rate Group**  
**Scenario 2: 7.25% for 2017 and 7.0% thereafter**

	Valuation Date (12/31)																			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>General</b>																				
RG #1 - Plans A and B	16.8%	19.3%	20.6%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.7%	10.8%	10.7%	10.7%
RG #1 - Plan U	15.9%	18.3%	19.6%	20.9%	20.9%	20.9%	20.9%	20.9%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	9.9%	9.8%	9.8%
RG #1 - Plans A, B and U (non-OCTA, non-OCSD)	16.4%	18.8%	20.1%	21.3%	21.3%	21.3%	21.2%	21.2%	21.2%	21.2%	21.1%	21.1%	21.1%	21.1%	21.1%	21.0%	10.1%	10.0%	10.0%	
RG #2 - Plans I and J	34.9%	37.9%	39.8%	41.7%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	41.4%	14.8%	14.4%	14.4%
RG #2 - Plans O and P	27.3%	29.7%	31.6%	33.5%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.4%	33.2%	6.6%	6.2%	6.2%
RG #2 - Plan S	32.1%	35.0%	36.9%	38.8%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.5%	11.9%	11.5%	11.5%
RG #2 - Plan T	28.3%	30.6%	32.5%	34.4%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.3%	34.1%	7.5%	7.1%	7.1%
RG #2 - Plan U	30.0%	32.5%	34.5%	36.3%	36.3%	36.3%	36.3%	36.3%	36.3%	36.3%	36.3%	36.2%	36.2%	36.2%	36.2%	36.2%	36.1%	9.4%	9.1%	9.1%
RG #2 - Plan W	28.4%	30.7%	32.7%	34.5%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.4%	34.2%	7.6%	7.2%	7.2%
RG #2 - Plans I, J, O, P, S, T, U and W (County et al.)	33.7%	36.2%	37.8%	39.4%	39.0%	38.8%	38.5%	38.3%	38.0%	37.8%	37.5%	37.3%	37.1%	36.8%	36.7%	36.4%	36.1%	9.3%	8.8%	8.6%
RG #3 - Plans G and H	12.3%	13.3%	13.6%	14.3%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%
RG #3 - Plan B	10.2%	11.3%	11.7%	12.4%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%
RG #3 - Plan U	9.3%	10.1%	10.4%	11.2%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
RG #3 - Plans B, G, H and U (OCSD)	11.6%	12.4%	12.6%	13.2%	12.9%	12.7%	12.6%	12.5%	12.3%	12.2%	12.1%	12.0%	11.9%	11.8%	11.8%	11.7%	11.6%	11.6%	11.5%	11.4%
RG #5 - Plans A and B	25.5%	28.6%	30.4%	32.1%	32.1%	32.1%	32.1%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	31.9%	13.6%	12.2%	12.2%
RG #5 - Plan U	25.0%	27.6%	29.5%	31.2%	31.1%	31.1%	31.1%	31.1%	31.1%	31.1%	31.1%	31.1%	31.1%	31.1%	31.1%	31.1%	31.0%	12.7%	11.2%	11.2%
RG #5 - Plans A, B and U (OCTA)	25.5%	28.4%	30.2%	31.8%	31.8%	31.7%	31.6%	31.6%	31.6%	31.5%	31.5%	31.4%	31.4%	31.4%	31.3%	31.3%	31.2%	12.9%	11.4%	11.4%
RG #9 - Plans M and N	24.8%	26.7%	27.9%	29.1%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	28.9%	14.6%	14.2%	14.2%
RG #9 - Plan U	21.9%	23.7%	24.9%	26.1%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	25.9%	11.6%	11.2%	11.2%
RG #9 - Plans M, N and U (TCA)	23.8%	25.6%	26.7%	27.7%	27.5%	27.4%	27.2%	27.1%	27.0%	26.9%	26.8%	26.7%	26.7%	26.6%	26.5%	26.5%	26.3%	12.0%	11.5%	11.5%
RG #10 - Plans I and J	32.0%	34.5%	36.1%	37.5%	37.5%	37.5%	37.4%	37.4%	37.4%	37.4%	37.4%	37.4%	37.4%	37.4%	37.4%	37.4%	37.3%	14.8%	14.8%	14.8%
RG #10 - Plans M and N	31.0%	33.2%	34.8%	36.3%	36.2%	36.2%	36.2%	36.2%	36.2%	36.2%	36.2%	36.1%	36.1%	36.1%	36.1%	36.1%	36.0%	13.5%	13.5%	13.5%
RG #10 - Plan U	27.3%	29.7%	31.3%	32.8%	32.7%	32.7%	32.7%	32.7%	32.7%	32.7%	32.7%	32.6%	32.6%	32.6%	32.6%	32.6%	32.5%	10.0%	10.0%	10.0%
RG #10 - Plans I, J, M, N and U (OCFA)	30.5%	32.8%	34.2%	35.5%	35.3%	35.2%	35.0%	34.8%	34.6%	34.5%	34.3%	34.2%	34.0%	33.9%	33.8%	33.7%	33.4%	10.8%	10.8%	10.7%
RG #11 - Plans M and N, future service	11.1%	12.6%	13.9%	15.0%	14.9%	14.9%	14.9%	14.9%	14.8%	14.8%	14.8%	14.7%	14.7%	14.6%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
RG #11 - Plan U	10.0%	11.7%	13.0%	14.1%	14.0%	14.0%	14.0%	13.9%	13.9%	13.9%	13.8%	13.8%	13.8%	13.7%	13.7%	13.8%	13.8%	13.8%	13.8%	13.8%
RG #11 - Plans M and N, future service, and U (Cemetery)	10.9%	12.4%	13.7%	14.8%	14.6%	14.6%	14.5%	14.4%	14.3%	14.3%	14.2%	14.2%	14.1%	14.0%	14.0%	14.0%	14.0%	14.0%	13.9%	13.9%
RG #12 - Plans G and H, future service	23.0%	24.3%	26.2%	27.8%	27.7%	27.8%	27.8%	27.7%	27.7%	27.7%	27.6%	27.5%	27.5%	27.5%	27.5%	27.4%	27.4%	15.8%	15.8%	14.1%
RG #12 - Plan U	17.3%	18.9%	20.7%	22.4%	22.3%	22.3%	22.3%	22.3%	22.3%	22.2%	22.2%	22.1%	22.1%	22.1%	22.0%	22.0%	21.9%	10.4%	10.3%	8.7%
RG #12 - Plans G and H, future service, and U (Law Library)	22.7%	23.1%	24.4%	25.6%	25.1%	24.8%	24.5%	24.2%	24.0%	23.8%	23.5%	23.3%	23.2%	23.0%	22.9%	22.7%	22.6%	10.9%	10.8%	9.1%
<b>Safety</b>																				
RG #6 - Plans E and F	47.9%	53.0%	56.0%	59.0%	58.9%	58.9%	58.9%	58.9%	58.9%	58.9%	58.9%	58.9%	58.9%	58.9%	58.9%	58.9%	58.7%	34.8%	30.4%	23.8%
RG #6 - Plan V	41.3%	45.6%	48.7%	51.6%	51.6%	51.6%	51.6%	51.6%	51.6%	51.6%	51.6%	51.6%	51.5%	51.5%	51.5%	51.5%	51.4%	27.5%	23.1%	16.5%
RG #6 - Plans E, F and V (Probation)	47.8%	52.6%	55.5%	58.3%	58.1%	58.0%	57.7%	57.5%	57.3%	57.0%	56.7%	56.4%	56.1%	55.7%	55.3%	54.9%	54.4%	30.0%	25.2%	18.2%
RG #7 - Plans E and F	63.8%	68.2%	71.5%	74.5%	74.4%	74.4%	74.4%	74.4%	74.4%	74.4%	74.4%	74.4%	74.3%	74.3%	74.3%	74.3%	74.1%	36.9%	26.8%	26.8%
RG #7 - Plans Q and R	61.2%	65.3%	68.5%	71.6%	71.5%	71.5%	71.5%	71.4%	71.4%	71.4%	71.4%	71.4%	71.4%	71.4%	71.4%	71.4%	71.2%	34.0%	23.8%	23.8%
RG #7 - Plan V	57.6%	62.4%	65.6%	68.7%	68.6%	68.6%	68.6%	68.6%	68.6%	68.5%	68.5%	68.5%	68.5%	68.5%	68.5%	68.5%	68.3%	31.1%	20.9%	20.9%
RG #7 - Plans E, F, Q, R and V (Law Enforcement)	62.8%	66.9%	69.9%	72.7%	72.4%	72.1%	71.8%	71.6%	71.3%	71.1%	70.9%	70.7%	70.5%	70.3%	70.1%	69.9%	69.6%	32.2%	21.9%	21.8%
RG #8 - Plans E and F	49.1%	51.9%	54.2%	56.2%	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%	56.0%	56.0%	55.9%	28.8%	27.4%	27.4%
RG #8 - Plans Q and R	44.1%	46.8%	49.1%	51.1%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	51.0%	50.9%	50.9%	50.8%	23.7%	22.3%	22.3%
RG #8 - Plan V	37.1%	40.3%	42.6%	44.6%	44.5%	44.5%	44.5%	44.5%	44.4%	44.4%	44.4%	44.4%	44.4%	44.4%	44.4%	44.4%	44.3%	17.1%	15.8%	15.8%
RG #8 - Plans E, F, Q, R and V (Fire Authority)	47.8%	50.0%	51.8%	53.4%	52.9%	52.5%	52.1%	51.3%	50.7%	50.3%	49.8%	49.4%	49.1%	48.7%	48.2%	47.9%	47.3%	19.8%	18.1%	17.8%

Rates shown above have not been adjusted for employers with future service only benefit enhancement in Rate Group #2.

**Attachment O**  
**Projected Employer Rates by Plans within each Rate Group**  
**Scenario 3: 14.5% for 2017 and 7.0% thereafter**

	Valuation Date (12/31)																				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
General																					
RG #1 - Plans A and B	16.8%	18.8%	19.5%	20.3%	19.8%	19.4%	19.4%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	19.3%	10.7%	10.7%	10.7%
RG #1 - Plan U	15.9%	17.9%	18.6%	19.3%	18.9%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.3%	9.8%	9.8%	9.8%	
RG #1 - Plans A, B and U (non-OCTA, non-OCSD)	16.4%	18.4%	19.1%	19.8%	19.3%	18.8%	18.8%	18.8%	18.8%	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%	18.6%	18.6%	10.0%	10.0%	10.0%	
RG #2 - Plans I and J	34.9%	37.2%	38.2%	39.3%	38.5%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.8%	37.7%	37.7%	37.7%	37.6%	14.4%	14.4%	14.4%
RG #2 - Plans O and P	27.3%	29.0%	30.0%	31.1%	30.3%	29.6%	29.6%	29.6%	29.6%	29.6%	29.6%	29.6%	29.6%	29.6%	29.5%	29.5%	29.5%	29.4%	6.2%	6.2%	6.2%
RG #2 - Plan S	32.1%	34.3%	35.3%	36.4%	35.6%	34.9%	34.9%	34.9%	34.9%	34.9%	34.9%	34.9%	34.9%	34.9%	34.8%	34.8%	34.8%	34.7%	11.5%	11.5%	11.5%
RG #2 - Plan T	28.3%	29.9%	30.9%	32.0%	31.2%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%	30.4%	30.4%	30.4%	30.3%	7.1%	7.1%	7.1%	
RG #2 - Plan U	30.0%	31.8%	32.9%	33.9%	33.1%	32.5%	32.5%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.3%	9.1%	9.1%	9.1%
RG #2 - Plan W	28.4%	30.0%	31.0%	32.1%	31.3%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.5%	30.4%	7.2%	7.2%	7.2%
RG #2 - Plans I, J, O, P, S, T, U and W (County et al.)	33.7%	35.4%	36.2%	36.9%	35.9%	35.0%	34.7%	34.4%	34.2%	33.9%	33.7%	33.5%	33.2%	33.0%	32.8%	32.6%	32.3%	8.9%	8.8%	8.6%	
RG #3 - Plans G and H	12.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%
RG #3 - Plan B	10.2%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
RG #3 - Plan U	9.3%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%	10.1%
RG #3 - Plans B, G, H and U (OCSD)	11.6%	12.4%	12.3%	12.1%	12.0%	11.8%	11.7%	11.5%	11.4%	11.3%	11.2%	11.1%	11.0%	10.9%	10.8%	10.8%	10.7%	10.6%	10.6%	10.5%	
RG #5 - Plans A and B	25.5%	27.9%	28.9%	29.9%	29.1%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.4%	12.2%	12.2%	12.2%
RG #5 - Plan U	25.0%	27.0%	28.0%	28.9%	28.2%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.6%	27.5%	11.2%	11.2%	11.2%
RG #5 - Plans A, B and U (OCTA)	25.5%	27.8%	28.7%	29.6%	28.8%	28.2%	28.1%	28.1%	28.0%	28.0%	27.9%	27.9%	27.9%	27.9%	27.8%	27.7%	27.8%	11.4%	11.4%	11.4%	
RG #9 - Plans M and N	24.8%	26.2%	26.9%	27.4%	26.8%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.3%	14.2%	14.2%	14.2%	
RG #9 - Plan U	21.9%	23.2%	23.9%	24.4%	23.8%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.3%	11.2%	11.2%	11.2%	
RG #9 - Plans M, N and U (TCA)	23.8%	25.2%	25.6%	26.0%	25.3%	24.7%	24.6%	24.5%	24.4%	24.3%	24.2%	24.2%	24.1%	24.0%	24.0%	23.9%	23.8%	11.6%	11.5%	11.5%	
RG #10 - Plans I and J	32.0%	33.9%	34.7%	35.5%	34.8%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.1%	14.8%	14.8%	14.8%	
RG #10 - Plans M and N	31.0%	32.6%	33.5%	34.2%	33.6%	33.0%	33.0%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	32.8%	13.5%	13.5%	13.5%	
RG #10 - Plan U	27.3%	29.1%	30.0%	30.7%	30.1%	29.5%	29.5%	29.4%	29.4%	29.4%	29.4%	29.4%	29.4%	29.4%	29.4%	29.4%	29.3%	10.0%	10.0%	10.0%	
RG #10 - Plans I, J, M, N and U (OCFA)	30.5%	32.3%	32.9%	33.5%	32.7%	31.9%	31.8%	31.6%	31.4%	31.2%	31.1%	31.0%	30.8%	30.7%	30.6%	30.4%	30.2%	10.8%	10.8%	10.7%	
RG #11 - Plans M and N, future service	11.1%	12.1%	12.3%	12.6%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
RG #11 - Plan U	10.0%	11.1%	11.4%	11.7%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%
RG #11 - Plans M and N, future service, and U (Cemetery)	10.9%	11.9%	12.1%	12.4%	11.7%	11.7%	11.6%	11.6%	11.6%	11.5%	11.5%	11.5%	11.5%	11.4%	11.4%	11.4%	11.4%	11.4%	11.3%	11.3%	11.3%
RG #12 - Plans G and H, future service	23.0%	23.7%	24.6%	25.4%	24.6%	24.0%	24.1%	24.2%	24.3%	24.3%	24.3%	24.2%	24.3%	24.3%	24.3%	24.3%	24.3%	14.1%	14.1%	14.1%	14.1%
RG #12 - Plan U	17.3%	18.2%	19.2%	20.0%	19.2%	18.6%	18.7%	18.7%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	8.7%	8.7%	8.7%	8.7%	
RG #12 - Plans G and H, future service, and U (Law Library)	22.7%	22.5%	22.9%	23.2%	22.0%	21.1%	20.9%	20.7%	20.6%	20.4%	20.2%	20.0%	19.9%	19.8%	19.7%	19.6%	9.3%	9.2%	9.2%	9.1%	
Safety																					
RG #6 - Plans E and F	47.9%	52.1%	54.0%	55.9%	54.9%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	53.8%	29.9%	23.8%	23.8%	
RG #6 - Plan V	41.3%	44.8%	46.7%	48.6%	47.6%	46.7%	46.7%	46.7%	46.7%	46.7%	46.7%	46.7%	46.7%	46.6%	46.6%	46.6%	46.5%	22.6%	16.5%	16.5%	
RG #6 - Plans E, F and V (Probation)	47.8%	51.8%	53.5%	55.3%	54.1%	53.0%	52.8%	52.6%	52.4%	52.1%	51.8%	51.5%	51.2%	50.8%	50.4%	50.0%	49.5%	25.1%	18.6%	18.2%	
RG #7 - Plans E and F	63.8%	67.0%	68.8%	70.4%	69.1%	67.9%	67.9%	67.9%	67.9%	67.9%	67.9%	67.9%	67.8%	67.8%	67.8%	67.8%	67.6%	30.4%	26.8%	26.8%	
RG #7 - Plans Q and R	61.2%	64.1%	65.8%	67.5%	66.1%	65.0%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.8%	64.7%	27.5%	23.8%	23.8%	
RG #7 - Plan V	57.6%	61.2%	62.9%	64.6%	63.3%	62.1%	62.1%	62.1%	62.0%	62.0%	62.0%	62.0%	62.0%	62.0%	62.0%	61.8%	61.8%	24.6%	20.9%	20.9%	
RG #7 - Plans E, F, Q, R and V (Law Enforcement)	62.8%	65.7%	67.2%	68.6%	67.0%	65.6%	65.3%	65.1%	64.8%	64.6%	64.4%	64.2%	64.0%	63.8%	63.6%	63.4%	63.1%	25.7%	21.9%	21.8%	
RG #8 - Plans E and F	49.1%	50.9%	51.9%	52.7%	51.4%	50.4%	50.4%	50.4%	50.4%	50.4%	50.4%	50.4%	50.4%	50.4%	50.4%	50.4%	50.2%	27.4%	27.4%	27.4%	
RG #8 - Plans Q and R	44.1%	45.8%	46.8%	47.6%	46.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.1%	22.3%	22.3%	22.3%	
RG #8 - Plan V	37.1%	39.2%	40.2%	41.0%	39.8%	38.8%	38.8%	38.8%	38.8%	38.8%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	38.7%	15.8%	15.8%	15.8%	
RG #8 - Plans E, F, Q, R and V (Fire Authority)	47.8%	48.9%	49.5%	49.9%	48.2%	46.8%	46.4%	45.6%	45.0%	44.6%	44.1%	43.8%	43.4%	43.0%	42.6%	42.2%	41.7%	18.5%	18.1%	17.8%	

Rates shown above have not been adjusted for employers with future service only benefit enhancement in Rate Group #2.