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

REGULAR MEETING
Monday, August 20, 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

SWEARING IN OF OCERS BOARD MEMBER – JEREMY VALLONE BY ROGER HILTON, OCERS BOARD MEMBER

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-1A OPTION 4 RETIREMENT ELECTION

Recommendation: Grant election of retirement benefit payment, Option 4, based on Segal Consulting's actuarial report.
(1) Maritza Partida
(2) R. David Spencer

C-1B OPTIONAL DEATH ALLOWANCE – MARGARET TORRES (DECEASED)

Recommendation: Find the member is permanently incapacitated from the duties of an Office Technician. Grant survivor benefits pursuant to Government Code Section 31781.1 (Optional Death Allowance) to the member's spouse, Valerio Soto Torres.

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes July 16, 2018

Recommendation: Approve minutes.

C-3 DISPOSITION OF EQUIPMENT

Recommendation: Approve disposition of small factor department printers and monitors that have been replaced.

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 GOVERNANCE COMMITTEE OUTCOMES FROM JULY 10, 2018 MEETING

Presentation by Gina Ratto, General Counsel, OCERS

Recommendation: The Governance Committee recommends that the Board of Retirement:
(1) Approve the revisions to the **Legislative Policy** as approved by the Governance Committee;
(2) Approve the **Extraordinary Expense Recovery Policy** with no substantive revisions;
(3) Approve the **Cost Impacting Policy** with no substantive revisions;
(4) Rescind the **Annual Disclosure Policy**; and
(5) Approve revisions to the **Travel Policy** as approved by the Governance Committee.

A-3 CHANGE STAFF ANALYST POSITION FROM AN EXTRA HELP POSITION TO A REGULAR FULL-TIME POSITION

Presentation by Steve Delaney, Chief Executive Officer and Brenda Shott, Assistant Chief Executive Officer Internal Operations and Cynthia Hockless, Director of Administrative Services, OCERS

Recommendation:

1) Approve a Regular Full-Time position, classified as Staff Analyst and remove the current Extra Help position, classified as Staff Analyst for a net change of zero to the total number of Board approved OCERS direct positions.

2) Authorize the CEO to send the attached memorandum to the County of Orange to request a change to the Staff Analyst position from Extra Help to Regular Full-Time.

A-4 OCERS SPONSORED LEGISLATION FOR 2019

Presentation by Steve Delaney, Chief Executive Officer and Gina Ratto, General Counsel, OCERS

Recommendation: Take appropriate action.

INFORMATION ITEMS

I-1 MEMBER MATERIALS DISTRIBUTED

Written Report

Application Notices	August 20, 2018
Death Notices	August 20, 2018

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

Written Report

I-3 LEGISLATIVE UPDATE

Written Report

I-4 OCERS BOARD CORRESPONDENCE REGARDING PUBLIC EMPLOYEE PENSION TRANSPARENCY ACT (PEPTA)

Written Report

I-5 2018 STRATEGIC PLANNING WORKSHOP AGENDA (SEPTEMBER 12-13, 2018)

Written Report

I-6 SACRS 2019 LEGISLATIVE PROPOSALS AND TIMELINE

Written Report

I-7 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS

Written Report

I-8 SECOND QUARTER BUDGET TO ACTUAL REPORT

Written Report

I-9 GENERAL MEMBER ELECTION UPDATE
Written Report

I-10 EVOLUTION OF THE UAAL (2018 EDITION)
Written Report

I-11 OCERS BY THE NUMBERS (2018 EDITION)
Written Report

I-12 QUIET PERIOD – NON-INVESTMENT CONTRACTS
Written Report

I-13 AUDIT COMMITTEE OUTCOMES FROM JULY 17, 2018 MEETING
Written Report

I-14 BOARD COMMUNICATIONS
Written Report

I-15 COMMITTEE MEETING MINUTES
Written Report
- March 28, 2018 Governance Committee Minutes
- July 17, 2018 Audit Committee Minutes

I-16 2018 EMPLOYER AND EMPLOYEE PENSION COST COMPARISON
Presentation by Suzanne Jenike, Assistant Chief Executive Officer External Operations, OCERS

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/MEMBER BENEFITS AGENDA
10:00AM

OPEN SESSION

DISABILITY CONSENT AGENDA

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

DC-1 DISABILITY APPLICATION-DANIEL CHAVEZ
Deputy Sheriff I, Orange County Sheriff's Department, Safety Member

Recommendation: Grant service connected disability retirement with an effective date of July 5, 2017.

DC-2 DISABILITY APPLICATION-KIRBY ROUCHER
Deputy Sheriff I, Orange County Sheriff's Department, Safety Member

Recommendation: Grant service connected disability retirement with an effective date of July 7, 2017.

DC-3 DISABILITY APPLICATION-CHRISTOPHER ROELLE
Firefighter, Orange County Fire Authority, Safety Member

Recommendation: Grant service connected disability retirement with an effective date of September 2, 2016.

DC-4 DISABILITY APPLICATION-RICHARD VAN AUKEN
Fire Captain, Orange County Fire Authority, Safety Member

Recommendation: Grant service connected disability retirement with an effective date of February 1, 2018.

DC-5 DISABILITY APPLICATION-JENNIFER DAUGHERTY
Paralegal, Orange County Public Defender's Office, General Member

Recommendation: Grant service connected disability retirement with an effective date of September 16, 2016.

DC-6 DISABILITY APPLICATION-PATRICIA KOVARS
Marriage Family Therapist II, Health Care Agency, General Member

Recommendation: Grant service connected disability retirement with an effective date of November 24, 2017.

DC-7 DISABILITY APPLICATION-AMALIA NETTO
Eligibility Technician, Orange County Social Services Agency, General Member

Recommendation: Grant service connected disability retirement with an effective date of January 2, 2009, the day following the last day of regular compensation as an Eligibility Technician. 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 January 2, 2009, the date of the position change until February 18, 2016 the last day of compensation for the new position.

DC-8 DISABILITY APPLICATION-DAWN HERNANDEZ
Deputy Public Administrator II, Orange County District Attorney's Office, General Member

Recommendation: Grant service connected disability retirement with an effective date of February 19, 2016.

DC-9 DISABILITY APPLICATION-DANIEL QUINTANA
Laborer, Orange County Waste and Recycling, General Member

Recommendation: Grant non-service connected disability retirement with an effective date of December 7, 2017.

CLOSED SESSION
(Government Code sections 54957 and 54956.9)

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

ACTION ITEMS

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

DA-2: MEMBER BENEFIT APPEAL - JAMES MORELL
Research Attorney, Orange County Superior Court, General Member

Recommendation: Staff recommends that the Board, pursuant to California Government Code Section 31534(b):

1. Review the Hearing Officer's Proposed Findings of Fact, Conclusions of Law, and Recommended Decision ("Hearing Officer's Report") as a summary of testimony and evidence in the case;
2. Based on such evidence, adopt the following Conclusions of Law:
   – Government Code Section 31460.1 (effective January 1, 1991; repealed May 11, 1992) excluded from the definition of "compensation" cash payments to employees that are part of a flexible benefit plan;
   – The Orange County Board of Supervisors adopted Government Code section 31460.1 by Resolution 90-1551;

– The 1992 repeal of Government Code section 31460.1 did not invalidate Board Resolution 90-1551;

– Board Resolution 98-001 was validated by the court-approved 2002 Settlement Agreement (defined below) and excludes from compensation earnable flexible benefits paid in cash to the extent paid to members retiring on and after January 1, 1991; and

– Applicant, James Morell (Morell) is not exempt from the terms of the 2002 Settlement Agreement;

3. Enter its Decision upholding staff's calculation of Morell's retirement allowance, which excluded flexible benefits from final average salary; and

4. Direct staff to prepare Final Findings of Fact, Conclusions of Law and Decision and serve them on Morell. Morell will have ten days from such service to file and serve written objections with the Board. The matter will be placed on the agenda of the next available regular meeting of the Board at which time the Board will take final action.

BOARD MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

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

NOTICE OF NEXT MEETINGS

INVESTMENT COMMITTEE MEETING
August 30, 2018
9:00 A.M.

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

STRATEGIC PLANNING WORKSHOP
September 12-13, 2018
8:00 A.M.

EMBASSY SUITES BY HILTON SANTA ANA ORANGE COUNTY AIRPORT
1325 EAST DYER ROAD
SANTA ANA, CA 92705

DISABILITY COMMITTEE MEETING
October 2, 2018
10:00 A.M.

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

REGULAR BOARD MEETING
October 15, 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 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-1A

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Adina Bercaru, Member Services Manager

SUBJECT: **OPTION 4 RETIREMENT ELECTION – MARITZA PARTIDA**

Recommendation

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

Background/Discussion

This is an unusual situation in that the member was granted non-service connected disability retirement and passed away soon thereafter. She leaves behind two children and elected the option 4 payment election prior to passing away. Staff has conferred with Segal and the cost of the option 4 continuance payable to the children does not increase the liability to OCERS.

Submitted by:

A. B. – APPROVED
Adina Bercaru
Member Services Manager

Approved by:

S. J. – APPROVED
Suzanne Jenike
Assistant CEO, External Operations

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

DIRECT DIAL NUMBER
415-263-8254

E-MAIL ADDRESS
mcalcagno@segalco.com

PERSONAL & CONFIDENTIAL

July 23, 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 Maritza Partida – 3rd Revision

Dear Adina:

Pursuant to your request, we have revised the Option 4 benefits payable to Maritza Partida dated June 27, 2018 to reflect the actual retirement information and the Option 4 continuance benefit percentage elected by the member.

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

Member's Date of Birth	
Date of Death[1]	
Date of Retirement[1]	April 11, 2018
Plan of Membership	General Plan J
Monthly Unmodified Benefit	$2,619.95
Type of Retirement[1]	Non-Service Connected Disability
Daughter	Lyliah Guadalupe Sandoval
Daughter's Date of Birth	
Son	Marco Antonio Arturo Sandoval
Son's Date of Birth	

[1] It is our understanding that the member died the day before the anticipated retirement date and that the Board has approved a non-service connected disability retirement for this member. We have been directed by OCERS to perform an Option 4 non-service connected disability retirement calculation in lieu of an active death benefit calculation.

We have been requested to calculate an Option 4 benefit based on the following continuance percentages:

(% Continuance)		
Daughter	**Son**	**Other Features**
50%	50%	With reversion between two beneficiaries: Provides 100% continuance to the surviving child upon the death of first child

It is our understanding that pursuant to Regulation §1.401(a)(9)-6, the maximum percentage continuance benefit that can be provided to a non-spouse beneficiary may be limited if the difference in the member's age and the non-spouse beneficiary's age is greater than ten years. Based on advice previously provided by OCERS on similar calculations, we have used the member's age and the youngest beneficiary's age in determining such age difference. This approach is similar to the one we have been asked to follow for a few of our other 1937 Act County Employees Retirement System clients. The actual calculation is as follows:

Step 1: Calculate the difference in age between the member and the youngest beneficiary based on their ages on their birthdays during the calendar year of retirement (42-5=37).

Step 2: If the member is retiring before age 70, the age difference determined in Step 1 is reduced by the number of years that the member is retiring before age 70 (37-(70-42)=9).

Step 3: The maximum percentage continuance benefit can be found in the table provided in §1.401(a)(9)-6 which for an adjusted age difference of 9 years is 100%.

Based on the member's age and the youngest non-spouse beneficiary's age at retirement date, there is no need to reduce the total 100% continuance benefits payable to the two designated beneficiaries requested by the member.

	Payable while the Member is Alive	Payable After the Member's Death
Monthly benefit payable to member		
Annuity	$800.93	
Pension	1,276.91	
Total	$2,077.84	$0
Monthly benefit payable to each beneficiary while both beneficiaries are alive	$0	$1,038.92
Monthly benefit payable to the surviving beneficiary after the death of the other beneficiary	$0	$2,077.84

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 with ages set forward six years for males and set forward three years for females weighted 40% male and 60% female for members.

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

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,

Molly Calcagno

Molly Calcagno, ASA, MAAA
Assistant Actuary

AW/hy

5546220v1/05794.001

Orange County Employees Retirement
2223 E. Wellington Ave., Suite 100
Santa Ana, CA 92701

5 mp
April ~~2~~, 2018

Attn: Megan Cortez, Disability Coordinator

I am choosing Option 4 as the benefit payment option for my disability application with OCERS and would like the Continuance Percentages paid to my children and named primary beneficiaries under that option as follows:

a. Lyliah Guadalupe Sandoval (Daughter) – 50%
b. Marco Antonio Arturo Sandoval (Son) – 50%

I would also like to have 100% paid to the surviving child upon the death of the other child.

Sincerely,

Maritza Partida

RECEIVED
APR 05 2018
Orange County Employee
Retirement System

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Adina Bercaru, Member Services Manager

SUBJECT: **OPTION 4 RETIREMENT ELECTION – DAVID R. SPENCER**

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 July 6, 2018. The Orange County Employees Retirement System (OCERS) was joined in the member's dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member's ex-spouse was awarded a lifetime continuance as a percentage of the member's allowance.

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

Submitted by:

A. B. – APPROVED

Adina Bercaru
Member Services Manager

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

DIRECT DIAL NUMBER
415-263-8254

E-MAIL ADDRESS
mcalcagno@segalco.com

PERSONAL and CONFIDENTIAL

VIA EMAIL and USPS

August 1, 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 David Spencer

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to David Spencer and his ex-spouse based on the unmodified benefit and other information provided in the System's request dated July 26, 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	[redacted]
Ex-Spouse's Date of Birth	
Date of Retirement	July 6, 2018
Plan of Membership	Safety Plan F
Monthly Unmodified Benefit	$12,766.72
Ex-Spouse's Share of Monthly Unmodified Benefit	39.30%
Retirement Type	Service Retirement

[redacted]

Ms. Adina Bercaru
August 1, 2018
Page 2

Option 4 Benefit **The ex-spouse bears the cost of Option 4 reduction for the DRO benefit**	Payable while the Member is Alive	Payable After the Member's Death while the Ex-Spouse is Alive
Monthly Benefit Payable to Member		
Annuity:	$886.06	
Pension:	6,863.34	
Total:	$7,749.40	$0
Monthly Benefit Payable to Ex-Spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	$4,599.04*	$4,599.04

* *This is equal to 39.30% of the member's unmodified benefit (i.e., 39.30% * $12,766.72 or $5,017.32) adjusted further to provide a benefit payable over the ex-spouse's lifetime or to the estate of the ex-spouse if the ex-spouse pre-deceases the member.*

Actuarial Assumptions

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

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

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

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

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

Sincerely,

Molly Calcagno

Molly Calcagno, ASA, MAAA
Assistant Actuary

AW/bbf

[redacted]

5546890v1/05794.001

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

August 2, 2018

[redacted]

Re: Retirement Election Confirmation – Option 4

Dear Mr. SPENCER:

As required by your DRO, you have elected Option 4 as your retirement payment option. This option will provide a 39.30% of your monthly benefit, for the life of the benefit, to:

COLLEEN SPENCER

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

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

A I understand that my retirement option is irrevocable; by choosing Option 4, I will take a monthly reduction in order to provide a 39.30% continuance to **COLLEEN SPENCER**.

8/2/18

Member Signature / Date

Sincerely,

Zaida Miramontes
Retirement Program Specialist

RECEIVED
AUG 02 2018
Orange County Employees Retirement System

C-1B

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Suzanne Jenike, Assistant CEO, External Operations

SUBJECT: **Optional Death Allowance – Margaret Torres (deceased)**

Recommendation:

Find the member is permanently incapacitated from the duties of an Office Technician. Grant survivor benefits pursuant to Government Code Section 31781.1 (Optional Death Allowance) to the member's spouse, Valerio Soto Torres.

Background:

This active general member of the Orange County Social Services agency passed away from a non-work related illness on November 3, 2014. Due to her death, the member is permanently incapacitated from returning to her employment as an Office Technician and would have been qualified for a non-service connected disability retirement. The member's husband has applied for disability retirement benefits on the member's behalf.

Staff recommendation is to find the member permanently incapacitated from performing her usual and customary duties and to grant his surviving spouse benefits pursuant to Government Code Section 31781.1 (Optional Death Allowance).

Submitted by:

SJ-APPROVED

Suzanne Jenike
Assistant CEO, External Operations

7/28/08

To Whom It may concern:

I, Valerio Soto Torres, do hereby respectfully request the consideration, of OCERS Board of Retirement to be deemed beneficiary, as the surviving spouse of Margaret Victoria Torres.

Valerio Soto Torres
X Valerio Soto torres
[redacted] Tustin Ca 92780

RECEIVED
JUL 30 2018
Orange County Employees Retirement System

C-2

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

REGULAR MEETING
Monday, July 16, 2018
9:00 a.m.

MINUTES

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

Attendance was as follows:

Present: Chris Prevatt, Chair; Chuck Packard, Vice-Chair; David Ball; Roger Hilton; Shawn Dewane; Frank Eley; Russell Baldwin, Wayne Lindholm 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; Anthony Beltran, Visual Technician; Brittany Cleberg, Recording Secretary.

Guests: Hugh Nguyen, Orange County Clerk Recorder; Sally Choi, Consultant.

Ms. Freidenrich led the Pledge of Allegiance.

Mr. Hilton was sworn in by Mr. Nguyen, Orange County Clerk Recorder.

CONSENT AGENDA

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

Ms. Jenike ***removed*** item C-1.

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

Motion passed **unanimously**.

BENEFITS

C-1 OPTION 4 RETIREMENT ELECTION

<u>Recommendation</u>: Grant election of retirement benefit payment, Option 4, based on Segal Consulting's actuarial report.
(1) Maritza Partida

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes June 18, 2018

<u>Recommendation</u>: Approve minutes.

<u>ACTION ITEMS</u>

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 EARLY PAYMENT OF EMPLOYER CONTRIBUTIONS PROGRAM – 2019
Presentation by Brenda Shott, Assistant Chief Executive Officer Finance and Internal Operations and Molly Murphy, Chief Investment Officer

<u>Recommendation</u>: Approve the terms of a prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 2019 - June 2020.

Ms. Shott discussed the annual request to the Board to approve the terms of a prepayment program with the discount rate of 4.5%, consistent with the past two years, for employers who make prepayments of contributions prior to January 15, 2019. All other terms of the program remain the same.

Ms. Freidenrich and Ms. Shott discussed the level of participation in the prepayment program by the plan sponsors. The only plan sponsors not participating in the prepayment program are Superior Court, based on their funding mechanisms, and OCERS due to logistics.

A **<u>motion</u>** was made by Mr. Baldwin **<u>seconded</u>** by Mr. Packard to approve the terms of a prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 2019 - June 2020.

Motion passed **<u>unanimously</u>**.

A-4 CONSIDER TAKING POSITION ON PROPOSED FEDERAL LEGISLATION – PUBLIC EMPLOYEE PENSION TRANSPARENCY ACT (PEPTA)

Recommendation: Staff recommends an opposed position.

Ms. Ratto gave a summary of the proposed federal legislation, Public Employee Pension Transparency Act (PEPTA).

Mr. Ball requested Ms. Shott to provide a summary of what GASB requires with regards to using the treasury rate when valuing liabilities.

Ms. Shott explained that GASB requires the use of a blended rate in a plan if a cash flow analysis shows that the plan will not have the cash available to pay promised benefits. Should that condition exist, the plan would switch from using their assumed rate of return to value its liabilities to using a risk-free rate at the cross over point when cash is not sufficient to pay benefits due.

Mr. Ball clarified that using a blended rate does not apply to OCERS.

Mr. Dewane stated that there are two provisions in the OCERS Legislative Policy that indicate OCERS would oppose legislation: when the proposed bill had the potential to increase unfunded liability or when the bill might compromise OCERS ability to deliver benefits. This bill would have those direct results, taking an opposed position would be consistent with the tendency legislative policy.

Ms. Ratto stated the bill creates a reporting requirement only.

A **motion** was made by Mr. Hilton **seconded** by Mr. Packard to accept staff's recommendation to take an opposed position.

Motion passed **unanimously**.

INFORMATION ITEMS

Mr. Lindholm requested information regarding I-6. Mr. Delaney commented during the CEO Comments section.

I-1 MEMBER MATERIALS DISTRIBUTED
Written Report

Application Notices	July 16, 2018
Death Notices	July 16, 2018

I-2 AUDIT COMMITTEE MEETING MINUTES
Written Report

I-3 CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN
Written Report

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

I-5 LEGISLATIVE UPDATE
Written Report

I-6 2018 STRATEGIC PLANNING WORKSHOP – PROPOSED AGENDA TOPICS
Written Report

I-7 SECOND QUARTER 2018 EDUCATION AND TRAVEL EXPENSE REPORT
Written Report

I-8 BOARD OF RETIREMENT – GENERAL ELECTION
Written Report

I-9 CONTRACT STATUS FOR NAMED SERVICE PROVIDERS
Written Report

I-10 2018 PRIMA CONFERENCE
Written Report

I-11 SOCIETY OF HUMAN RESOURCES MANAGEMENT (SHRM)
Written Report

I-12 BOARD COMMUNICATION
Written Report

I-13 ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE ECONOMIC SCENARIOS
Presentation by Paul Angelo, Segal Consulting

Mr. Angelo explained the new actuarial standard, ASOP 51, OCERS actuary will comply with that standard effective with the December 2018 actuarial.

Ms. Freidenrich inquired about the possibility for the graph to have an overlay with rates.

A-3 SENSITIVITY ANALYSIS OF ALTERNATIVE ECONOMIC ASSUMPTIONS
Presentation by Paul Angelo, Segal Consulting

Mr. Angelo summarized the presentation of Alternative Economic Assumptions Analysis.

The Board discussed whether there was value in producing hypothetical information and the number of scenarios that should be run.

Mr. Prevatt suggested a change to the context of how the information is reported. A preamble as to what it is and why they are looking at it.

Mr. Angelo agreed to make the information more prominent.

A **motion** was made by Mr. Ball **seconded** by Mr. Baldwin to adopt the four Alternative Economic Assumptions for Sensitivity Testing proposed by Segal subject to the restrictions and qualifications that the Chair has placed on the dissemination of the information.

Motion passed **unanimously**.

The Board recessed for a break at 10:06am.

The Board reconvened from break at 10:23am.

I-14 CEM BENCHMARKING REPORT

Presentation by Steve Delaney, Chief Executive Officer and Sally Choi, Consultant

Mr. Delaney gave background on the CEM Benchmarking Report and the benefits.

Mr. Ball clarified that the chart was showing the wages necessary in California.

Mr. Delaney clarified that California is 46% higher in labor costs.

Mr. Ball stated that OCERS salary expense will put OCERS above the national average and OCERS should be compared to systems that have to pay similar wages.

Ms. Choi noted that one of the restraints with CEM is that not all systems participate.

Ms. Freidenrich noted that some systems have shared costs.

Mr. Ball shared the system's members will be concerned about how OCERS is spending this money and addressed the questions regarding efficiency.

Mr. Delaney stated the complexity of OCERS' system results in higher costs.

Mr. Eley noted that not only do OCERS has multiple plan sponsors but multiple plans per plan sponsor which is indicative of the complexity.

Ms. Choi noted that OCERS has a 19% higher workload than peer average.

Mr. Packard mentioned that the member calls seems larger than the peer average.

Mr. Delaney noted that the number of member calls is estimated and OCERS is working on an improved system to track those calls.

Mr. Prevatt addressed the estimated calls versus the retirement estimates online.

Mr. Hilton noted that the information is interesting but it doesn't appear to be of much use due to the estimated nature of the numbers presented and the inconsistent reporting and comparisons.

Mr. Packard and Ms. Choi discussed the disability score of zero. It was clarified that OCERS was given a low score due to the twelve months given as the disability application process length.

Mr. Prevatt and Ms. Jenike discussed the OCERS member portal and the measurability of portal use.

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

<u>DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA</u>

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.

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

11:00AM

<u>OPEN SESSION</u>
<u>DISABILITY CONSENT AGENDA</u>

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

DC-1 DISABILITY APPLICATION – JEFFREY REINIG
Fire Captain, Orange County Fire Authority, Safety Member

<u>Recommendation:</u> Grant service connected disability retirement with an effective date of July 28, 2017.

DC-2 DISABILITY APPLICATION – JACOB WILDBERGER
Firefighter/Paramedic, Orange County Fire Authority, Safety Member

<u>Recommendation</u>: Grant service connected disability retirement with an effective date of the day after last day of regular compensation.

DC-3 DISABILITY APPLICATION – LORETTA PALMINTERI
Coach Operator, Orange County Transportation Authority, General Member

<u>Recommendation:</u> Grant service connected disability retirement with an effective date of March 14, 2017.

DC-4 DISABILITY APPLICATION – MICHAEL WHEATLEY
District Attorney Investigator, Orange County District Attorney/Public Administrator's Office, Safety Member

Recommendation: Grant service connected disability retirement with an effective date of February 14, 2018.

A **motion** was made by Mr. Ball **seconded** by Mr. Dewane to adopt the recommendations in the consent agenda as presented.

Motion passed **unanimously**.

The Committee recessed into Closed Session at 11:10 a.m.

The Committee resumed to Open Session at 11:30 a.m.

CLOSED SESSION
(Government Code sections 54957 and 54956.9)

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

ACTION ITEMS

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

DA-2: DISABILITY APPLICATION – JEFF DEL CAMPO
Emergency Transportation Technician, Orange County Fire Authority, General Member

Recommendation: Staff recommends that the Board of Retirement adopt the findings and recommendations of the Hearing Officer and grant Applicant's application for service connected disability retirement with an effective date of March 16, 2011.

A **motion** was made by Mr. Packard **seconded** by Mr. Dewane 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 March 16, 2011. The Board noted the decision was based upon the member's service as an Emergency Transport Technician with OCFA.

Motion passed **unanimously**.

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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.

N/A

BOARD MEMBER COMMENTS

N/A

CEO COMMENTS

Mr. Delaney discussed the multiple potential speakers for the Strategic Planning Meeting in September.

STAFF COMMENTS

Ms. Jenike discussed the Contribution Comparisons Worksheet
Ms. Hockless gave an update on staffing. As of July 16, 2018 OCERS has twelve open positions and twenty positions have been filled this year.

COUNSEL COMMENTS

N/A

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

Retired Members
Barela, John
Barnard, Roberta
Bennett, Shirley
Brandt, Lincoln
Braun, Mary
De Marco, Ralph
Diethorn, Audrey
Faley, Mary
Grant, Robert
Hall, Judi
Horne, Lucinda
Hoyle, Viola
Jones, Donald
Kane, John
Kleeger, Sonia
May, Charles
Mc Nichols, Joyce
Munoz, Isabel

Murphy, Claire
Nelson, William
Parks, Carolyn
Schorer, Ervin
Smith, John
Solis, Baldemar
Wadginski, Francis
Williams, Robert

Surviving Spouses
Chaisson, Miriam
Cheatham, Norma
Cowder, Cecil
Fogle, Irene
Hitchcock, Dorothy
Kincaid, Margaret
Wayne, Vivian

There being no further business to bring before the Board, the meeting adjourned at 11:47 a.m.

Submitted by:	Approved by:
___________________________	______________________________
Steve Delaney	Chris Prevatt
Secretary to the Board	Chairman

C-3

Memorandum

DATE: August 6, 2018

TO: Members of the Board of Retirement

FROM: Jenny Sadoski, Director of Information Technology

SUBJECT: **DISPOSITION OF EQUIPMENT**

Recommendation

Approve disposition of small factor department printers and monitors that have been replaced.

Background/Discussion

Each year the OCERS IT and Admin/HR departments review their current inventory of computer and office equipment, furniture and supplies to determine if there are any items that are no longer in service or operational and should be disposed of in accordance with the Board's Disposition of Equipment Policy. Attached is the 2018 surplus list of OCERS IT equipment we are requesting to surplus.

Hard drives and other writeable media have been removed from all applicable equipment and are not included as part of the surplus equipment list. Any hard drives and other writeable media that are slated to be disposed of will first be wiped of all data in accordance with the U.S. Department of Defense 5220.00-M "National Industrial Security Program Operating Manual" (NISPOM) standards and then destroyed through a third party certified destruction process.

The approved surplus list will be posted to OCERS public website for silent auction, either by item or by the lot. Any item(s) that do not receive a bid may be donated to any California public institution. Items not sold or accepted as a donation may be disposed or recycled per State of California regulations such as the Electronic Waste Recycling Act of 2003.

Submitted by:

J.S. - Approved

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Jenny Sadoski
Director of Information Technology

OCERS Surplus Equipment List

Item #	Item Description	Item Type	Serial Number	Purchase Year	Item Age	Item Condition	Reason for Disposal
1	(5) HP LaserJet 4250 printers	printers		2007-2010	8-10	Needs repair	Obsolete
2	Brother IntelliFax 4750e	fax	U60283H9J965345	2009	9	Fair	Obsolete
3	Fujitsu fi-5750C	scanner	100667	2007	11	Fair	Obsolete
4	(2) Monitors	monitors		2010	8	Fair	Obsolete
5	HP LaserJet 8100	printers	JPBTM21704	2005	17	Fair	Obsolete

A-2

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **GOVERNANCE COMMITTEE OUTCOMES FROM JULY 10, 2018 MEETING**

Recommendation

The Governance Committee recommends that the Board of Retirement:

(1) Approve the revisions to the **Legislative Policy** as approved by the Governance Committee;
(2) Approve the **Extraordinary Expense Recovery Policy** with no substantive revisions;
(3) Approve the **Cost Impacting Policy** with no substantive revisions;
(4) Rescind the **Annual Disclosure Policy**; and
(5) Approve revisions to the **Travel Policy** as approved by the Governance Committee.

Background/Discussion

The Governance Committee met on July 10, 2018 and reviewed three policies, the Legislative Policy, the Extraordinary Expense Recovery Policy, and the Cost Impacting Policy, all of which are scheduled for review by the Board, after review by the Governance Committee, in 2018. (See attached memorandum.)

The Governance Committee also reviewed staff's proposal to rescind the Annual Disclosure Policy. (See attached memorandum.)

Finally, the Governance Committee reviewed additional revisions to the Travel Policy at the request of the Board in April. (See attached memorandum.)

A copy of the ***draft*** minutes of the July 10, 2018 Governance Committee meeting is also attached.

Attachments

Submitted by:

Gina M. Ratto

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Gina M. Ratto
General Counsel

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **GOVERNANCE COMMITTEE OUTCOMES FROM JULY 10, 2018 MEETING – TRIENNIAL REVIEW OF LEGISLATIVE POLICY, EXTRAORDINARY EXPENSE RECOVERY POLICY AND COST IMPACTING POLICY**

Background/Discussion

Triennial Review of Policies

The Board of Retirement (including the Investment Committee) has formally adopted over 40 charters and policies and has established a review schedule that requires review of every charter and policy every three years. At its February and June 2015 meetings, on recommendation of the Governance Committee, the Board approved a streamlined procedure to more efficiently manage the scheduled review of the charters and policies. Pursuant to this process, certain of the charters and policies are to be first reviewed by the Governance Committee before presentation to the Board for approval.

The following policies are scheduled for review and approval by the Board, after review by the Governance Committee, in 2018:

- The Legislative Policy
- The Extraordinary Expense Recovery Policy
- The Cost Impacting Policy

The Legislative Policy

The Legislative Policy is scheduled for review and approval by the Board, after review by the Governance Committee, in 2018. The Policy sets forth procedures for the Board to adopt an official position on proposed legislation; identify future legislative action; facilitate timely communication of proposed and enacted legislative changes to the Board and staff; provide guidance in communicating OCERS' official legislative positions to third parties; and identify optimal sources to promote OCERS' official legislative positions.

The Governance Committee met on July 10, 2018, and approved staff's recommended clarifying revision to Section 5.c. of the Legislative Policy as follows:

> 5. The following legislative principles will guide the Board when considering its position on proposed legislation:
>
> . . .
>
> c. Support legislative proposals that clarify statutory interpretation of the '37 Act provisions unless inconsistent with OCERS' ~~legislative policy~~ legally sound interpretation and implementation of the provision;

The Governance Committee recommends that the Board approve the Legislative Policy, as revised. A copy of the Legislative Policy, with recommended changes indicated in underlined/strikeout text, is attached.

The Extraordinary Expense Recovery Policy

The Extraordinary Expense Recovery Policy is scheduled for review and approval by the Board, after review by the Governance Committee, in 2018. The Policy sets forth guidelines for the Board and staff to identify expenses that are incurred by the System as a result of requests by third parties (other than Public Records Act requests and plan sponsor and member data requests) that are outside the ordinary course and scope of business of the System, and a mechanism for recovering such expenses from the responsible parties.

The Governance Committee met on July 10, 2018, and approved the Extraordinary Expense Recovery Policy with no substantive revisions. The Governance Committee recommends that the Board approve the policy without substantive revisions. A copy of the policy is attached.

The Cost Impacting Policy

The Cost Impacting Policy is scheduled for review and approval by the Board, after review by the Governance Committee, in 2018. The Cost Impacting Policy sets forth a process for the Board to follow when the Board is considering decisions that may have a material impact on employer and member financial interests.

The Governance Committee met on July 10, 2018, and approved the Cost Impacting Policy with no substantive revisions. The Governance Committee recommends that the Board approve the policy without substantive revisions. A copy of the policy is attached.

Attachments

(1) The Legislative Policy (redlined and unmarked)
(2) The Extraordinary Expense Recovery Policy (redlined and unmarked)
(3) The Cost Impacting Policy (redlined and unmarked)

Submitted by:

Gina M. Ratto

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Gina M. Ratto
General Counsel

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Legislative Policy

Purpose and Background

1. The purpose of the legislative policy is to provide the organization with a broad framework, which it can utilize as a basis for action. The Board is charged with the responsibility of administering the System in a manner to assure appropriate and prompt delivery of benefits and related services to plan participants and their beneficiaries and of managing the assets in a prudent manner. Legislation affecting the System must be closely monitored to determine the potential impact on the System and whether action is necessary.

Policy Objectives

2. The objectives of the Legislative Policy are to:
   a. Establish a procedure by which the Board of Retirement can adopt an official OCERS' position on proposed legislation;
   b. Identify future legislative action in light of the System's needs;
   c. Facilitate the timely communication of proposed and enacted legislative changes to the Board and staff;
   d. Provide guidance in communicating OCERS' official legislative positions to third parties;
   e. Identify the optimal sources to promote OCERS' official legislative positions.

Roles and Responsibilities

3. The Board will be responsible for:
   a. Adopting an official OCERS' position for pertinent legislative proposals affecting the System;
   b. Identifying the ongoing needs of OCERS for future legislative proposals;
   c. Analyzing legislative proposals suggested by OCERS' Board members, staff, or interested third parties, and determining appropriate action.
4. Staff will be responsible for:
   a. Analyzing and reporting on proposed legislation affecting OCERS, (and other public pension funds if relevant), at the beginning of each legislative session;
   b. Monitoring proposed legislation throughout the legislative session and reporting material modifications and their potential impact on OCERS to the Board;
   c. Monitoring all chaptered legislation and determining the impact on OCERS;
   d. Reporting the impact of, and, as required, suggesting procedures to implement, all chaptered legislation to the Board and staff;
   e. Communicating with organizations, active and retired OCERS' members, and/or plan sponsors, as applicable, to inform them of legislative changes affecting OCERS;

f. Drafting proposed legislation based upon proposals received from Board members, staff and interested parties, in accordance with SACRS' Legislative Committee, or other appropriate entity, guidelines and presenting the draft legislation to the Board for consideration; and

g. Identifying and communicating with elected representatives to serve as authors of OCERS-proposed legislation, when appropriate.

Policy Guidelines

Legislative Principles

5. The following legislative principles will guide the Board when considering its position on proposed legislation:

   a. Promote OCERS' legislative position primarily through organizations in which OCERS participates unless proposed legislation has a specific and unique effect on OCERS;

   b. Support legislative proposals that strengthen the confidentiality protections for member records;

   c. Support legislative proposals that clarify statutory interpretation of '37 Act provisions unless inconsistent with OCERS' legally sound interpretation and implementation of the provision;

   d. Support legislative proposals that strengthen the financial condition of OCERS and promote administrative efficiency;

   e. Oppose legislative proposals that create the potential for increased unfunded actuarial liability without appropriate funding provisions.

   f. Oppose legislative proposals that compromise or interfere with OCERS' duty to deliver benefits to participants and beneficiaries.

SACRS' Legislative Committee

6. OCERS will attempt to maintain a representative on the SACRS' Legislative Committee. The representative, or any other Board or staff member that participates in the Committee as a guest, shall adhere to the following standards:

   a. Represent the official position, if any, taken by the OCERS' Board of Retirement on all legislation considered by the Committee;

   b. Provide information to the CEO and Board on the activities of the Committee as needed so that the CEO and Board are well informed regarding legislation that is relevant to OCERS.

Policy Review

7. The Board will review this policy at least every three years to ensure that it remains relevant and appropriate.

Policy History

8. The Board adopted this policy on November 17, 2003. The policy was revised on April 16, 2007, June 21, 2010 , February 19, 2013, July 20, 2015, and August 20, 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.

Steve Delaney
Secretary of the Board

08/20/18
Date

Legislative Policy

Purpose and Background

1. The purpose of the legislative policy is to provide the organization with a broad framework, which it can utilize as a basis for action. The Board is charged with the responsibility of administering the System in a manner to assure appropriate and prompt delivery of benefits and related services to plan participants and their beneficiaries and of managing the assets in a prudent manner. Legislation affecting the System must be closely monitored to determine the potential impact on the System and whether action is necessary.

Policy Objectives

2. The objectives of the Legislative Policy are to:
   a. Establish a procedure by which the Board of Retirement can adopt an official OCERS' position on proposed legislation;
   b. Identify future legislative action in light of the System's needs;
   c. Facilitate the timely communication of proposed and enacted legislative changes to the Board and staff;
   d. Provide guidance in communicating OCERS' official legislative positions to third parties;
   e. Identify the optimal sources to promote OCERS' official legislative positions.

Roles and Responsibilities

3. The Board will be responsible for:
   a. Adopting an official OCERS' position for pertinent legislative proposals affecting the System;
   b. Identifying the ongoing needs of OCERS for future legislative proposals;
   c. Analyzing legislative proposals suggested by OCERS' Board members, staff, or interested third parties, and determining appropriate action.
4. Staff will be responsible for:
   a. Analyzing and reporting on proposed legislation affecting OCERS, (and other public pension funds if relevant), at the beginning of each legislative session;
   b. Monitoring proposed legislation throughout the legislative session and reporting material modifications and their potential impact on OCERS to the Board;
   c. Monitoring all chaptered legislation and determining the impact on OCERS;
   d. Reporting the impact of, and, as required, suggesting procedures to implement, all chaptered legislation to the Board and staff;
   e. Communicating with organizations, active and retired OCERS' members, and/or plan sponsors, as applicable, to inform them of legislative changes affecting OCERS;

f. Drafting proposed legislation based upon proposals received from Board members, staff and interested parties, in accordance with SACRS' Legislative Committee, or other appropriate entity, guidelines and presenting the draft legislation to the Board for consideration; and

g. Identifying and communicating with elected representatives to serve as authors of OCERS-proposed legislation, when appropriate.

Policy Guidelines

Legislative Principles

5. The following legislative principles will guide the Board when considering its position on proposed legislation:

   a. Promote OCERS' legislative position primarily through organizations in which OCERS participates unless proposed legislation has a specific and unique effect on OCERS;

   b. Support legislative proposals that strengthen the confidentiality protections for member records;

   c. Support legislative proposals that clarify statutory interpretation of '37 Act provisions unless inconsistent with OCERS' legally sound interpretation and implementation of the provision~~legislative policy~~;

   d. Support legislative proposals that strengthen the financial condition of OCERS and promote administrative efficiency;

   e. Oppose legislative proposals that create the potential for increased unfunded actuarial liability without appropriate funding provisions.

   f. Oppose legislative proposals that compromise or interfere with OCERS' duty to deliver benefits to participants and beneficiaries.

SACRS' Legislative Committee

6. OCERS will attempt to maintain a representative on the SACRS' Legislative Committee. The representative, or any other Board or staff member that participates in the Committee as a guest, shall adhere to the following standards:

   a. Represent the official position, if any, taken by the OCERS' Board of Retirement on all legislation considered by the Committee;

   b. Provide information to the CEO and Board on the activities of the Committee as needed so that the CEO and Board are well informed regarding legislation that is relevant to OCERS.

Policy Review

7. The Board will review this policy at least every three years to ensure that it remains relevant and appropriate.

Policy History

8. The Board adopted this policy on November 17, 2003. The policy was revised on April 16, 2007, June 21, 2010 , February 19, 2013, ~~and~~ July 20, 2015, and August 20, 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.

~~7/20/2015~~ **08/20/18**

Steve Delaney
Secretary of the Board

Date

Extraordinary Expense Recovery Policy

Purpose and Background

1. The Extraordinary Expense Recovery Policy is intended to establish guidelines and codify existing practices by which OCERS' Board of Retirement and staff can identify expenses incurred as a result of requests by third parties, other than expenses related to public records requests, which are handled in accordance with OCERS' Public Records Request Policy, or data requests, which are handled in accordance with OCERS' Plan Sponsor, Member and Stakeholder Data Request Policy, that are outside of the ordinary course and scope of the business of the Retirement System ("Extraordinary Expenses"); and a mechanism for recovering such expenses from the responsible party(ies).

Policy Objectives

2. The objectives of the policy are to ensure that:
   a. OCERS expends trust funds on authorized administrative expenses consistent with the law;
   b. There are clear expectations when third parties cause OCERS to incur Extraordinary Expenses;
   c. The identification of Extraordinary Expenses is clearly defined;
   d. The method for recovering Extraordinary Expenses is clearly defined.

Policy Guidelines

3. The following guidelines will be used to identify Extraordinary Expenses:
   a. OCERS CEO, or his or her designee, will gather the following information:
      i. The name of the person or organization responsible for the expense;
      ii. The purpose of the expense;
      iii. The amount of the expense;
      iv. Whether the expense benefits OCERS' membership generally, or a significant number of plan sponsors, and to what extent;
      v. Whether the expense is necessary for the administration of the system.
   b. Upon review of all information, the CEO or his or her designee will initially determine whether the expense is beneficial to the membership generally or to a significant number of plan sponsors and whether it is necessary for the administration of the system. If, in the discretion of the CEO or his or her designee, the expense is not beneficial to the membership generally or to a significant number of plan sponsors or necessary for the administration of the system, the CEO or his or her designee will determine the amount of the expense and make a recommendation to the Board for recovery of the full amount of the expense.
   c. If the CEO or his or her designee initially determines that the party responsible for the expense should reimburse OCERS, the issue will be placed on a Board of Retirement agenda for consideration by the full Board in a public meeting.

Extraordinary Expense Recovery Policy

d. The CEO or his or her designee will notify the responsible party of the date and time of the Board of Retirement meeting at which the Board's consideration will take place. The responsible party may be heard on the matter in open session.

e. If the Board determines that OCERS should be reimbursed for the Extraordinary Expenses, the CEO or his or her designee will provide a written request to the responsible party for reimbursement, detailing the amount of reimbursement requested and a brief statement as to the reason why the Board determined that the party was responsible for the Extraordinary Expenses. The written request will specify that payment is to be received by OCERS within 90 days of the request.

f. The Board, in its discretion, may allow the party to reimburse OCERS through an installment payment plan that is reasonably designed to allow OCERS to recoup the entire expense plus reasonable interest.

g. If the responsible party fails to reimburse OCERS within 90 days from the date of the written request or fails to make payments under an installment payment plan, OCERS shall take appropriate action under the law to recover the amount of the Extraordinary Expenses.

Policy Review

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

Policy History

5. The Board of Retirement adopted this policy on May 26, 2009. The Board revised this policy on February 19, 2013, July 20, 2015, and August 20, 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.

Steve Delaney

08/20/2018

Steve Delaney
Secretary of the Board

Date

Extraordinary Expense Recovery Policy

Purpose and Background

1. The Extraordinary Expense Recovery Policy is intended to establish guidelines and codify existing practices by which OCERS' Board of Retirement and staff can identify expenses incurred as a result of requests by third parties, other than expenses related to public records requests, which are handled in accordance with OCERS' Public Records Request Policy, or data requests, which are handled in accordance with OCERS' Plan Sponsor, Member and Stakeholder Data Request Policy, that are outside of the ordinary course and scope of the business of the Retirement System ("Extraordinary Expenses"); and a mechanism for recovering such expenses from the responsible party(ies).

Policy Objectives

2. The objectives of the policy are to ensure that:
   a. OCERS expends trust funds on authorized administrative expenses consistent with the law;
   b. There are clear expectations when third parties cause OCERS to incur Extraordinary Expenses;
   c. The identification of Extraordinary Expenses is clearly defined;
   d. The method for recovering Extraordinary Expenses is clearly defined.

Policy Guidelines

3. The following guidelines will be used to identify Extraordinary Expenses:
   a. OCERS CEO, or his or her designee, will gather the following information:
      i. The name of the person or organization responsible for the expense;
      ii. The purpose of the expense;
      iii. The amount of the expense;
      iv. Whether the expense benefits OCERS' membership generally, or a significant number of plan sponsors, and to what extent;
      v. Whether the expense is necessary for the administration of the system.
   b. Upon review of all information, the CEO or his or her designee will initially determine whether the expense is beneficial to the membership generally or to a significant number of plan sponsors and whether it is necessary for the administration of the system. If, in the discretion of the CEO or his or her designee, the expense is not beneficial to the membership generally or to a significant number of plan sponsors or necessary for the administration of the system, the CEO or his or her designee will determine the amount of the expense and make a recommendation to the Board for recovery of the full amount of the expense.
   c. If the CEO or his or her designee initially determines that the party responsible for the expense should reimburse OCERS, the issue will be placed on a Board of Retirement agenda for consideration by the full Board in a public meeting.

d. The CEO or his or her designee will notify the responsible party of the date and time of the Board of Retirement meeting at which the Board's consideration will take place. The responsible party may be heard on the matter in open session.
e. If the Board determines that OCERS should be reimbursed for the Extraordinary Expenses, the CEO or his or her designee will provide a written request to the responsible party for reimbursement, detailing the amount of reimbursement requested and a brief statement as to the reason why the Board determined that the party was responsible for the Extraordinary Expenses. The written request will specify that payment is to be received by OCERS within 90 days of the request.
f. The Board, in its discretion, may allow the party to reimburse OCERS through an installment payment plan that is reasonably designed to allow OCERS to recoup the entire expense plus reasonable interest.
g. If the responsible party fails to reimburse OCERS within 90 days from the date of the written request or fails to make payments under an installment payment plan, OCERS shall take appropriate action under the law to recover the amount of the Extraordinary Expenses.

Policy Review

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

Policy History

5. The Board of Retirement adopted this policy on May 26, 2009. The Board revised this policy on February 19, 2013, ~~and~~ July 20, 2015, and August 20, 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.

Steve Delaney

~~7/20/2015~~ 08/20/18

Steve Delaney
Secretary of the Board

Date

Cost Impacting Policy

Background

1. The Board of Retirement recognizes that some of its actions can materially impact employers' and members' financial interests. OCERS believes it prudent, when considering such impactful decisions, to provide appropriate notice and an opportunity for stakeholders to be heard on such matters before taking final action. The Board retains full authority to adopt, modify or repeal OCERS' policies.

Policy Guidelines

2. In the ordinary course of conducting its business, the Board intends to introduce the adoption or modification of policies or regulations that can materially impact employers' and members' financial interests at an initial duly noticed, public meeting, followed by subsequent duly noticed, public meeting(s), as appropriate, to consider the proposal, alternative proposals and comments from stakeholders, the Board, OCERS staff and consultants.

Policy Review

3. Absent exigent circumstances, the Board will use the following procedure when taking action on cost-impacting decisions covered by this policy:
   a. No action on any such proposal will be taken at the introductory meeting other than scheduling, direction to staff and consultants and other related matters;
   b. Action to be taken on proposals relating to the subject of the proposed action will be taken at one or more subsequent duly-noticed public meetings;
   c. At the meeting where the Board decides to take action (i.e., vote) on a cost-impacting decision, if only a single alternative is presented and discussed (not counting maintaining the *status quo* if that also is an alternative), the vote will constitute the Board's final determination on the matter;
   d. However, at the meeting where the Board decides to take action (i.e., vote) on a cost-impacting decision, if more than a single alternative is presented and discussed (not counting maintaining the *status quo* if that also is an alternative), the Board's vote will be considered a tentative determination on the matter and will become the Board's final determination *only if* the Board votes to ratify the tentative determination at a subsequent duly-noticed public meeting without material changes; and
   e. If material changes are made at the meeting where the ratification vote is taken, that vote (with the changes) will become the Board's final determination on the matter *only if* the Board votes to ratify it at a subsequent duly-noticed public meeting without additional material changes.
4. Challenges to any Board action based on a claim that the procedures in this policy were not properly followed must be brought and fully resolved prior to the end of the next regularly-scheduled Board meeting following the Board meeting where the final vote or final ratification vote on the challenged action takes place.

Policy Review

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

Policy History

6. This policy was adopted by the OCERS' Board of Retirement on May 17, 2011. It was revised on December 19, 2011, July 20, 2015, and August 20, 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.

Steve Delaney
Secretary of the Board

08/20/2018
Date

OCERS Board Policy

Cost Impacting Policy

Background

1. The Board of Retirement recognizes that some of its actions can materially impact employers' and members' financial interests. OCERS believes it prudent, when considering such impactful decisions, to provide appropriate notice and an opportunity for stakeholders to be heard on such matters before taking final action. The Board retains full authority to adopt, modify or repeal OCERS' policies.

Policy Guidelines

2. In the ordinary course of conducting its business, the Board intends to introduce the adoption or modification of policies or regulations that can materially impact employers' and members' financial interests at an initial duly noticed, public meeting, followed by subsequent duly noticed, public meeting(s), as appropriate, to consider the proposal, alternative proposals and comments from stakeholders, the Board, OCERS staff and consultants.

Policy Review

3. Absent exigent circumstances, the Board will use the following procedure when taking action on cost-impacting decisions covered by this policy:

   a. No action on any such proposal will be taken at the introductory meeting other than scheduling, direction to staff and consultants and other related matters;

   b. Action to be taken on proposals relating to the subject of the proposed action will be taken at one or more subsequent duly-noticed public meetings;

   c. At the meeting where the Board decides to take action (i.e., vote) on a cost-impacting decision, if only a single alternative is presented and discussed (not counting maintaining the *status quo* if that also is an alternative), the vote will constitute the Board's final determination on the matter;

   d. However, at the meeting where the Board decides to take action (i.e., vote) on a cost-impacting decision, if more than a single alternative is presented and discussed (not counting maintaining the *status quo* if that also is an alternative), the Board's vote will be considered a tentative determination on the matter and will become the Board's final determination *only if* the Board votes to ratify the tentative determination at a subsequent duly-noticed public meeting without material changes; and

   e. If material changes are made at the meeting where the ratification vote is taken, that vote (with the changes) will become the Board's final determination on the matter *only if* the Board votes to ratify it at a subsequent duly-noticed public meeting without additional material changes.

4. Challenges to any Board action based on a claim that the procedures in this policy were not properly followed must be brought and fully resolved prior to the end of the next regularly-scheduled Board meeting following the Board meeting where the final vote or final ratification vote on the challenged action takes place.

Policy Review

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

Policy History

6. This policy was adopted by the OCERS' Board of Retirement on May 17, 2011. It was revised on December 19, 2011~~, and~~ July 20, 2015, and August 20, 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.

Steve Delaney ~~7/20/15~~08/20/18

Steve Delaney
Secretary of the Board

Date

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **GOVERNANCE COMMITTEE OUTCOMES FROM JULY 10, 2018 MEETING – ANNUAL DISCLOSURE POLICY**

Background/Discussion

The Annual Disclosure Policy (Policy) was adopted by the Board on June 21, 2010, and has been reviewed at least every three years since its adoption.

The Policy requires OCERS Board members and executive staff to provide written disclosure to the Board of the following, by April 1 of each year:

1. All matters required to be disclosed on the FPPC's Statement of Economic Interests (Form 700);
2. Family and business relationships with, and value received from, any investment manager, placement agent, registered lobbyist, vendor, consultant, actuary, counsel or other persons who are (i) providing or actively seeking to provide services or products to, or (ii) seeking to influence the deliberations of the Board;
3. All matters required to be disclosed under OCERS' Conflict of Interest Code; and
4. Any other matters required to be disclosed under California law.

The Policy does not require disclosure of any matters that are not already required to be disclosed by Board members and executive staff under OCERS' Conflict of Interest Code or California law. The reporting requirement is duplicative of existing requirements and therefore is not meaningful or necessary. Accordingly, on July 10, 2018, staff recommended that the Governance Committee recommend to the Board that the Annual Disclosure Policy be rescinded. The Governance Committee agreed and now recommends to the Board that the Policy be rescinded.

<u>Attachment</u>

(1) The Annual Disclosure Policy

Submitted by:

Gina M. Ratto

Gina M. Ratto
General Counsel

Annual Disclosure Policy

Purpose

1. The Board of Retirement adopts this Annual Disclosure Policy to assure the independence of the Board's deliberations and votes on matters of fiduciary responsibility, free from undisclosed interests and influences; to inform the Board and staff of all potential conflicts of interest that may arise in the course of the Board's activities so that appropriate action may be taken in a timely fashion; and to assure the members, plan sponsors and the public that OCERS' processes are free from inappropriate influence.

Principles

2. In order to achieve the Purpose of this Policy, OCERS' Board members and executive staff shall publicly disclose, annually and prior to the time that a related Board or System action item arises, any and all financial interests they or their immediate family members may have that may affect the Board's deliberations and votes, OCERS' operations and other matters affecting OCERS' interests.

   Board members and executive staff are encouraged to err on the side of over-disclosure of matters that might be called for by this Policy.

Roles

3. The General Counsel shall be responsible for implementing and monitoring compliance with this Policy, and shall report to the Board, as requested, on the status of disclosures under this Policy.

Policy Guidelines

4. Board members and executive staff shall disclose in writing to the Board, by April 1st of each year, the following matters on an annual basis, and more frequently as changes occur:

   a. All matters required to be disclosed on FPPC Form 700.

   b. All family and business relationships with, and value received from, any investment manager, placement agent, registered lobbyist, vendor, consultant, actuary, counsel or other persons (i) providing or actively seeking to provide services or products to, or (ii) seeking to influence the deliberations of, OCERS' Board of Retirement.

   c. Any other matters required to be disclosed under California law.

   d. All matters required to be disclosed under OCERS' Conflict of Interest Code.

5. OCERS shall maintain all disclosures and writings made pursuant to this Policy as public records subject to disclosure under the provisions of the Public Records Act, Government Code sections 6250, et seq.

Policy Review

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

Policy History

7. The Board of Retirement adopted this policy on June 21, 2010. This policy was revised on February 21, 2012, March 17, 2014 and October 16, 2017.

Secretary's Certificate

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

Steve Delaney
Secretary of the Board

10/16/17
Date

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **GOVERNANCE COMMITTEE OUTCOMES FROM JULY 10, 2018 MEETING – TRAVEL POLICY**

Background/Discussion

At its March 7, 2018 meeting, the Governance Committee (Committee) undertook an in depth review of the Travel Policy (Policy) and approved several changes for recommendation to the Board. The Board adopted those changes at its April 18, 2018 meeting, and asked the Committee to consider two additional amendments to the Policy, as follows:

(1) Consider whether to include a provision in the Policy to state that whenever feasible, Board and staff members will travel on the same day of one-day events, and on the first and last days of multiple-day events, rather than the day before or after; and
(2) Consider whether the Policy should specify that Board members will be reimbursed for transportation costs to attend Board and committee meetings.

The Committee met on July 10, 2018 to consider the aforementioned proposed revisions to the Policy, along with a revision recommended by the Chief Executive Officer to expand the list of preapproved conferences in Paragraph 10.b. of the Policy to include all conferences sponsored by the National Conference on Public Employee Retirement Systems (NCPERS). During the Committee's discussions, additional revisions to the Policy were determined to be advisable.

Summary of Governance Committee Actions

On July 10, 2018, the Committee approved the following revisions to the Policy and recommend them to the Board for approval:

(1) Include in Paragraph 27 of the Policy a provision encouraging Board and staff members to travel on the same day of one-day events and on the first and last days of multiple-day events as follows:

> Whenever feasible, Board and staff members are encouraged to travel on the same day of a one-day event and on the first and last days of a multiple-day event, rather than the day before or after, in order to save the System lodging and meal costs.

(2) In recognition that not all Board members work traditional 8:00 a.m. to 5:00 p.m. schedules and may have to report to work at, for example, 2:00 a.m. the morning following an OCERS business travel day, revise Paragraph 32 of the Policy as follows:

> 32. If, at the conclusion of a business-related trip, it would be impractical for a Board member or staff member to return home the same day ~~and arrive home prior to 10:00 p.m. California time (due to the distance that must be travelled,~~

~~or the unavailability of a return flight) or if the traveler's work and travel time for the final day will exceed 12 hours~~, the Board member or staff member will be entitled to be reimbursed for one additional night of lodging.

(3) Add a new Paragraph 36 to specify that Board members will be reimbursed actual mileage driven for travel to/from OCERS Board and committee meetings or to attend other OCERS business purpose meetings, and revise Paragraph 39 regarding shared ride services for the same:

36. Board members who use their personal automobiles for transportation to OCERS (or to OCERS' offsite meeting locations) to attend meetings of the Board or committees of the Board or for the purpose of conducting other OCERS business will be reimbursed for actual mileage driven at the per-mile rate allowed by the IRS. The Board member will report such mileage on an OCERS Expense Report Form and provide documentation of the miles driven (e.g. copy of map and route).

39. Use of taxis, hired cars, shared ride services (e.g., Uber, Lyft, Sidecar) and public transportation for OCERS business (including attendance by a Board member at meetings of the Board or committees of the Board) will be reimbursed at current rates. The most economical mode of transportation should be used whenever practicable; however, use of a transportation provider with multiple stops (e.g., shuttle) is not required. A receipt is required for amounts over $25.00.

(4) As suggested by the CEO, expand the list of preapproved conferences in Paragraph 10.b. of the Policy to include all conferences sponsored by the National Conference on Public Employee Retirement Systems (NCPERS); and

(5) Consistent with Paragraph 18 of the Policy, which states OCERS will not reimburse overnight lodging for travel within Orange County, clarify that when Board or staff members are traveling outside Orange County, they will be reimbursed daily travel expenses by adding the following language to Paragraph 27:

Board and staff members will be reimbursed daily travel expenses, such as meals as outlined in paragraph 29, and gratuities as outlined in paragraph 42, for each day of travel when such travel is outside Orange County.

Rationale for the Governance Committee's Actions

Early Travel to Conferences

First, the Board asked the Committee to consider the appropriateness of Board and staff members traveling to a conference the day before the start of the conference when it is possible or feasible for the Board or staff member to travel on the same day and arrive in time for the start of the conference.

The Committee had a robust discussion about this concern, and ultimately determined that Board and staff members should be encouraged (but not required) to travel on the same day of one-day events and on the first and last days of multiple-day events, rather than the day before or after, in order to save the System lodging and meal costs. However, in recognition that not all Board members work traditional 8:00 a.m. to 5:00 p.m. schedules and may have to report to work at, for example, 2:00 a.m. the morning following an OCERS business travel day, the Committee determined that hours and travel time (for example, returning home after 10:00 p.m.

or travel days exceeding 12 hours) should not be specified. Accordingly, the Committee approved the addition of the following language to Paragraph 27 of the Policy:

> Whenever feasible, Board and staff members are encouraged to travel on the same day of a one-day event and on the first and last days of a multiple-day event, rather than the day before or after, in order to save the System lodging and meal costs.

In addition, and for the same reasons as stated above, the Committee determined that a revision to Paragraph 32 was also advisable, as follows:

32. If, at the conclusion of a business-related trip, it would be impractical for a Board member or staff member to return home the same day ~~and arrive home prior to 10:00 p.m. California time (due to the distance that must be traveled, or the unavailability of a return flight) or if the traveler's work and travel time for the final day will exceed 12 hours~~, the Board member or staff member will be entitled to be reimbursed for one additional night of lodging.

Transportation Costs to Attend Board and Committee Meetings

Second, the Board asked the Committee to consider whether it is appropriate for OCERS to reimburse Board members for their transportation costs to attend Board and committee meetings.

OCERS has historically applied Government Code section 31521 to pay, ***upon Board member request***:

(1) To the appointed members and the elected retiree member of the Board, a $100 per meeting stipend for up to five Board and committee meetings attended per month; and

(2) To all Board members, their transportation costs to attend meetings of the Board and committees.

Government Code section 31521 provides, in full, as follows:

> The board of supervisors may provide that the fourth and fifth members, and in counties having a board consisting of nine members or nine members and an alternate retired member, the fourth, fifth, sixth, eighth, ninth, and alternate retired members, and in counties having a board of investments under Section 31520.2, the fifth, sixth, seventh, eighth, and ninth members of the board of investments, shall receive compensation at a rate of not more than one hundred dollars ($100) for a meeting, or for a meeting of a committee authorized by the board, for not more than five meetings per month, together with actual and necessary expenses for all members of the board. (Emphasis added.)

The Committee concluded that such reimbursement is appropriate and determined that a new Paragraph 36 should be added to the Policy as follows:

36. Board members who use their personal automobiles for transportation to OCERS (or to OCERS' offsite meeting locations) to attend meetings of the Board or committees of the Board or for the purpose of conducting other OCERS business will be reimbursed for actual mileage driven at the per-mile rate allowed by the IRS. The Board member will report such mileage on an OCERS Expense Report Form and provide documentation of the miles driven (e.g. copy of map and route).

The Committee further approved a revision to Paragraph 39 as follows:

PublicTransportation

39. Use of taxis, hired cars, shared ride services (e.g., Uber, Lyft, Sidecar) and public transportation for OCERS business (including attendance by a Board member at meetings of the Board or committees of the Board) will be reimbursed at current rates. The most economical mode of transportation should be used whenever practicable; however, use of a transportation provider with multiple stops (e.g., shuttle) is not required. A receipt is required for amounts over $25.00.

NCPERS Conferences

The Committee agreed with the CEO's suggestion to expand the list of preapproved conferences in Paragraph 10.b. of the Policy to include all conferences sponsored by the National Conference on Public Employee Retirement Systems (NCPERS).

Reimbursement of Daily Travel Expenses for Travel Outside Orange County

Acknowledging that Paragraph 18 of the Policy states OCERS will not reimburse overnight lodging for travel within Orange County, the Committee determined that a clarification to Paragraph 27 of the Policy, to state that when Board or staff members are traveling outside Orange County, they will be reimbursed daily travel expenses including meals and gratuities for each day of travel, was advisable.

A copy of the Policy, with the suggested changes in underlined and strikeout text, is attached.

Attachment

Submitted by:

Gina M. Ratto

Gina M. Ratto
General Counsel

Purpose

1. Prudent oversight of a public sector pension plan requires that trustees and staff occasionally travel to business meetings and educational conferences or seminars, held in or outside of the state of California. Travel and related costs incurred in doing so not only represent legitimate expenses of the plan, but are a sound investment in the ongoing success of the organization in meeting the needs of the membership.
2. The purpose of the Travel Policy is to encourage and facilitate the pursuit of relevant educational and business related initiatives by trustees and staff. The policy is designed to assist them in meeting their fiduciary duties to administer the pension plan, ensure that expenditures incurred in the education and travel process are prudent and cost-effective, and to mitigate the risk of improprieties arising from travel or business related activities. Exceptions to any provision of this policy for a Board member or the Chief Executive Officer require the pre-approval of the Board Chair or Vice Chair; and require the pre-approval of the Chief Executive Officer in the case of an exception for a staff member.

Content Requirements

3. As a general rule, and with the exception of public retirement system meetings discussed below, unless a conference/seminar agenda contains an average of five (5) hours of substantive educational content per day, attendance at the particular conference/seminar will not be approved and related travel expenses will not be reimbursed. Educational forums, conferences and seminars that routinely and consistently satisfy this requirement will automatically qualify for Board approval for attendance. The Chief Executive Officer will screen and determine those conferences or seminars that meet the five (5) hour requirement and provide a list thereof to the Board members and appropriate staff members. Authorization to attend and receive travel expense reimbursement for a client conference organized or sponsored by a single company or firm shall be restricted to those conferences sponsored by firms who have a contractual relationship with OCERS. Board members or staff members who have independent relationships with a conference sponsor are not automatically entitled to attend such conferences at OCERS' expense. The Board of Retirement shall consider each request individually regardless of any Board or staff affiliation.

Board Member

4. The term "Board Member" shall include a designee of the Treasurer, provided such person is designated in writing to act as the designee, has taken the oath of office and has filed the written designation with the County Clerk, County Auditor and OCERS.

Travel Authorization

5. Except as otherwise provided herein, reimbursement of travel expenses for a Board member to attend an educational conference or seminar (or other type of meeting or event) requires the prior approval of the Board of Retirement.

6. All reimbursement of travel expenses for an employee of OCERS to attend an educational conference or seminar (or other type of meeting or event) or for administrative purposes requires the prior approval of the Chief Executive Officer or his or her designee.
7. Travel on OCERS' business within the Southern California region by Board members or staff need not be approved in advance provided that overnight accommodations are not required. The Southern California region shall include the counties of Orange, Los Angeles, San Bernardino, Riverside, San Diego, Imperial, Ventura, Santa Barbara and Kern.

Limitation on Meeting for Business Purpose

8. No more than four members of the Board are authorized to meet together for business purposes within the State of California unless there is appropriate public notice of the meeting. Attendance at educational conferences, seminars and social activities by more than four members of the Board is not a violation of this provision.

Cost of Administration

9. Approved education and travel expenses for Board and staff members shall be direct costs of administration of OCERS (or directly charged to Investments in the case of education and travel expenses for Investments staff) shall be paid by OCERS and shall not be paid through third party contracts or otherwise without express written authorization of the Board of Retirement. All approved travel and education expenses shall be included in the OCERS annual budget approved by the Board of Retirement. Due Diligence expenses, as authorized by the Board, shall not be treated as costs of administration.

Pre-Approved Conferences and Meetings

10. Board members and the OCERS staff members designated by the Chief Executive Officer are automatically authorized and encouraged to attend the following:
    a. Regular meetings of the State Association of County Retirement Systems (SACRS);
    b. Conferences of the National Conference on Public Employee Retirement Systems (NCPERS);
    c. CALAPRS annual General Assembly and Round Table meetings;
    d. Conferences of the National Association of State Retirement Administrators (NASRA);
    e. Conferences of the National Institute on Retirement Security (NIRS);
    f. Conferences sponsored by the Board of Retirement's retained consultants and/or investment managers;
    g. Conferences sponsored by the California Retired County Employees Association (CRCEA); and
    h. Conferences sponsored by a firm that has a contractual relationship with OCERS.

    In addition, the OCERS staff members designated by the Chief Executive Officer are automatically authorized and encouraged to attend the following:

   i. Annual Conference of the Public Pension Financial Forum (P2F2);
   j. Conferences of the National Association of Public Pension Attorneys (NAPPA);
   k. Conferences sponsored by the Government Finance Officers Association (GFOA); and
   l. Conferences sponsored by CEM Benchmarking.

11. Staff members designated by the Chief Executive Officer and Board members who are appointed to serve on committees and/or the Board of Directors of the organizations named in paragraph 10 are automatically authorized to attend meetings of the committee(s) to which they have been appointed.

12. Board members and the OCERS staff members designated by the Chief Executive Officer are automatically authorized to attend each of the following full curriculum pension management programs and courses on a one-time basis:
   a. Basic and advance educational programs sponsored by CALAPRS;
   b. Basic and advanced educational programs sponsored by SACRS;
   c. Basic and advanced investment programs sponsored by the Wharton School; provided, however, if the Wharton School does not offer an advanced investment program, the basic program may be taken a second time after three years of initially completing the program; and
   d. Global Financial Markets Institute, Inc. (various programs available).

13. New Board members, other than those with prior experience administering a public retirement system or pension fund, are encouraged to attend one of the courses listed in paragraph 12 within the first year after their election or appointment.

14. The Chief Executive Officer has identified the following conferences/seminars that Board members and designated staff members are automatically authorized to attend, subject to the limits set forth in paragraph 16, at OCERS expense:
   a. Conferences and Programs (CAPP) sponsored by the International Foundation of Employee Benefit Plans (IFEBP);
   b. Conferences sponsored by the Pension Real Estate Association (PREA);
   c. Conferences sponsored by Pension and Investments;
   d. Conferences sponsored by the Pacific Pension Institute (PPI);
   e. Forums sponsored by Institutional Investor;
   f. Conferences sponsored by the Council of Institutional Investors (CII);
   g. Conferences sponsored by Institutional Real Estate, Inc. (IREI);
   h. Conferences sponsored by the Opal Financial Group;
   i. Conferences sponsored by The Pension Bridge;
   j. Conferences sponsored by the Investment Management Consultants Association (IMCA);
   k. Conferences sponsored by SuperReturn;

l. Conferences sponsored by Global ARC;

m. Conferences sponsored by CIO Magazine;

n. Conferences sponsored by the Institutional Limited Partners Association;

o. Conferences sponsored by the Falk Marques Group; and

p. Conferences sponsored by Public Retirement Information Systems Management (PRISM).

15. The Chief Executive Officer shall provide newly elected or appointed Board members with a list of approved conferences scheduled to take place within the current calendar year.

Limitation on Attendance at Conferences and Seminars

16. A Board member is authorized to attend up to three events (i.e., conferences, seminars, meetings, or courses) that require overnight lodging at OCERS' expense each calendar year. Attendance at the pre-approved events listed in paragraphs 10, 11 and 12 are not subject to the three-event limit imposed by this paragraph even if they require overnight travel.

17. Board members who want to attend events (i.e., conferences, seminars, meetings or courses) that require overnight lodging and that are not automatically authorized under paragraphs 10, 11, 12 or 14 require advance approval by the Board. Staff members who want to attend events (i.e., conferences, seminars, meetings or courses) that require overnight lodging and that are not automatically authorized under paragraphs 10, 11, 12 or 14 require advance approval by the Chief Executive Officer or his or her designee.

18. OCERS will not reimburse overnight lodging for travel within Orange County, regardless of whether the event is pre-approved under any of the provisions of this policy. An exception to this provision may be granted by the Board Chair or Vice Chair upon the request of, and showing of good cause by, a Board member or the Chief Executive Officer; and by the Chief Executive Officer upon the request of, and showing of good cause by, a staff member.

19. In cases where attendance at a particular conference, seminar or other event is limited, the CEO will identify those trustees who will be authorized to attend as follows:

    a. first, by giving priority to those trustees who have not previously attended the specific conference, seminar or other event and, if needed, make selections by lottery of the interested trustees in this group;

    b. second, if additional opportunities to attend remain available, make selections by lottery of other interested trustees, and

    c. third, designate the remaining interested trustees as alternate attendees, who may attend in the event the trustees originally selected are unable to attend.

International Travel and Travel Outside the Continental United States

20. Travel by Board members to a destination outside the continental United States requires pre-approval by the Board. Travel by staff to a destination outside the continental United States requires pre-approval by the Chief Executive Officer and notification to the Board Chair. Travel to

attend a conference, seminar or meeting held outside the continental United States shall not be reimbursed by OCERS unless it can be demonstrated to the satisfaction of the Board (for travel by a Board member or the Chief Executive Officer) or the Chief Executive Officer (for travel by a staff member) that there is significant value to OCERS in attending, and comparable value cannot be obtained within the continental United States within a reasonable period of time.

Travel Reports

21. The Chief Executive Officer shall submit a quarterly report on conference, seminar and educational course attendance by Board members and staff and OCERS' costs related to such events. Such reports shall identify the individual (Board Member or staff), location, purpose and cost of travel. The Board of Retirement will review these reports in January, April, July and October of each calendar year. The report also shall include scheduled travel for the ensuing quarter.

Report on Conference or Seminar

22. Board Members and staff who travel to conferences or seminars that are not automatically authorized in paragraphs 10, 11, 12 or 14 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 or staff, 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.

Claims for Reimbursement

23. Reimbursement for travel by a Board member or staff shall be submitted on OCERS Expense Reimbursement Forms accompanied by all supporting original receipts or documentation of the expense incurred. All expense claim forms will be reviewed and approved (or disapproved) in accordance with the provisions of this policy. The Board Chair shall approve expense claims for Board members and the Chief Executive Officer. The Vice Chair will approve expense claims for the Chair. The Chief Executive Officer or his or her designee will approve all expense claims for staff. All approvals are subject to ultimate review and concurrence by the Board of Retirement as part of the quarterly report process required in paragraph 21.

Cash Advances

24. Cash advances will be provided upon request only for those conferences, seminars, meetings, and courses identified in paragraphs 10, 11, 12 or 14 of this policy as pre-approved by the Board and Chief Executive Officer. Any and all cash advances for travel and training shall be requested through the Chief Executive Officer. Cash advances are subject to approval by the Chair of the Board of Retirement and the Chief Executive Officer. Notice of all cash advances for travel and training shall be placed on the Consent Agenda for the next Regular Meeting of the Board of Retirement as an informational item.

Time Limit for Expense Claims

25. Claims for reimbursement pursuant to this policy must be submitted within 30 days following return to Orange County. In no event will a claim for reimbursement be approved if submitted 90 days after the end of the calendar year in which the expense was incurred.

Expenses for Traveling Companions

26. Expenses of family members and/or traveling companions are not reimbursable by OCERS.

Limitation on Time and Expense Allowance

27. Board and staff members will be reimbursed daily travel expenses, such as meals as outlined in paragraph 29, and gratuities as outlined in paragraph 42, for each day of travel when such travel is outside Orange County. Allowance for time and expense shall not exceed that which is reasonable and necessary as claimed by others to that precise destination whether by private automobile or common carrier. Expense reimbursements are limited to those items and amounts considered to be non-taxable income to the recipient by the Internal Revenue Service (IRS). Whenever feasible, Board and staff members are encouraged to travel on the same day of a one-day event and on the first and last days of a multiple-day event, rather than the day before or after, in order to save the System lodging and meal costs. Expense costs for extra days prior to or after a conference will be reimbursed only if such extension results in lower overall trip costs. For staff, cost comparisons for trip extensions shall include the cost of salary for any work days lost by the extension.

Travel and Lodging Cancellations

28. Board members and staff are responsible for the timely cancellation of registration fees, travel and lodging reservations made on his/her behalf that will not be used, so that no unnecessary expense will be incurred by OCERS.

Meals

29. **Meals While Attending Events that Require Overnight Travel.** Meals purchased by a Board or staff member while attending an event (i.e., conference, seminar, meeting or course) that requires overnight travel will be reimbursed at the actual and reasonable cost of the meals, including non-alcoholic beverages, tax and tip, (a) provided that both an itemized receipt and a charge receipt (when a payment card is used) are submitted, and (b) provided further that any meals included and already paid for by OCERS (such as through the conference registration fee) and meals paid for by a third party and subject to reporting requirements under the Political Reform Act will not be reimbursed. If an itemized receipt is not submitted, OCERS will reimburse the Board or staff member up to the GSA rate for that meal, upon request.
30. **Reimbursement for Meals Consumed and Purchased During a Business-Purpose Meeting Where Travel is Not Involved**. Board and staff members will be reimbursed for the actual and reasonable expense of meals, including non-alcoholic beverages, tax and a reasonable tip, consumed and purchased during meetings where business is conducted during the course of the meal, and no overnight travel is required to attend the meeting. (See paragraph 29 for meal reimbursement

during trips with overnight travel.) The Board or staff member must provide both an itemized receipt and a charge receipt (when a payment card is used) for all such meals. The names of the people who attended the business-purpose meeting and a brief description of the business discussed or conducted shall be submitted with the reimbursement request. In the event an itemized receipt is lost or is not available, a Missing Receipt Form must be completed and submitted with the expense reimbursement claim. The Missing Receipt Form includes a certification that only allowable items are included in the request for reimbursement.

Hotels

31. Actual expenses for economical and practical lodging will be reimbursed. Reimbursement will be limited to a room considered to be in a standard class. Whenever possible, a request for a government or conference rate will be made.
32. If, at the conclusion of a business-related trip, it would be impractical for a Board member or staff member to return home the same day, the Board member or staff member will be entitled to be reimbursed for one additional night of lodging.

Airline Travel

33. OCERS' Board members and staff will use good judgment to obtain airline tickets at competitive prices. OCERS will not reimburse a Board or staff member to fly business or first class except in extraordinary circumstances, and then only with the approval of the Board Chair or Vice Chair where the traveler is a Board member or the Chief Executive Officer, or the approval of the Chief Executive Officer where the traveler is a staff member. In addition, for travel that exceeds four hours in length, additional legroom seats or premium economy fees will be reimbursed. An individual may, at his or her own expense, pay to upgrade travel to business or first class.
34. If a significant savings can be realized on the airline fare by having a Board member or staff member extend their stay to include a Saturday night, the Board or staff member, at his or her option, may extend his or her stay in order to realize such savings. OCERS will reimburse the additional lodging and meal costs resulting from an extended itinerary, not to exceed the savings in airline fare.

Automobile Mileage

35. A Board member or staff member who uses his/her personal automobile for transportation on OCERS business will keep records of the actual mileage driven on business, and will report such mileage on an OCERS Expense Report Form and will provide documentation of the miles driven (e.g., copy of map and route). Reimbursement will be made at the per-mile rate allowed by the IRS. Mileage will be reimbursed for only those miles incurred beyond the staff member's normal commute to his or her regular worksite (i.e., if an employee departs from or returns to his or her home instead of the regular worksite, only the mileage in excess of the normal daily commute will be reimbursed).
36. Board members who use their personal automobiles for transportation to OCERS (or to OCERS' offsite meeting locations) to attend meetings of the Board or committees of the Board or for the purpose of conducting other OCERS business will be reimbursed for actual mileage driven at the per-

mile rate allowed by the IRS. The Board member will report such mileage on an OCERS Expense Report Form and provide documentation of the miles driven (e.g., copy of map and route).

37. A Board member or staff member who elects to use his/her personal automobile for travel will be reimbursed for mileage to the point that does not exceed the cost of the most economical (least expensive) round-trip ticket between Orange County and the destination city.

Parking and Tolls

38. Parking and tolls will be reimbursed at current rates. A receipt is required for amounts over $25.00.

Public Transportation

39. Use of taxis, hired cars, shared ride services (e.g., Uber, Lyft, Sidecar) and public transportation for OCERS business (including attendance by a Board member at meetings of the Board or committees of the Board) will be reimbursed at current rates. The most economical mode of transportation should be used whenever practicable; however, use of a transportation provider with multiple stops (e.g., shuttle) is not required. A receipt is required for amounts over $25.00.

Car Rentals

40. The use of a rental car by a Board member or staff will be reimbursed when it is economically reasonable to rent a vehicle rather than use taxis, hired cars, shared ride services or public transportation. Board members and staff are required to obtain and purchase (and OCERS will reimburse) Loss Damage Waiver and Supplemental Liability Insurance when renting vehicles on OCERS' business. Rental car discounts must be used whenever possible and appropriate. If available, a compact vehicle will be requested, unless several Board members and/or staff will be using the vehicle together.

Incidental Business Expenses

41. Incidental business expenses reasonably incurred in connection with OCERS business, such as telephone, fax, Internet access, and similar business expenses, will be reimbursed. Receipts are required for all amounts.

Porterage/Housekeeping/Other

42. OCERS will reimburse a maximum of $15 per day of travel for porterage, housekeeping and non-meal related gratuities. Receipts are not required for these expenses.

Excluded Expenses

43. The following expenses will not be reimbursed: Alcoholic beverages, tobacco, in-room movies, barber shop, beauty shop, gifts, magazines, personal telephone calls and mini-bar charges. In the case of a trip longer than five business days or an emergency situation, laundry and dry cleaning expenses will be reimbursed.

44. OCERS will not reimburse or pay for charges for attendance at or participation in networking, social or entertainment type events (e.g., golf, cocktail parties, excursions, outings, etc.) that are in

addition to or not included in the general conference registration fee, except that OCERS will pay for NASRA-sponsored networking events that take place during, and are included in the agenda for, NASRA-sponsored conferences.

Staff Travel

45. In furtherance of this policy, the Chief Executive Officer shall have discretionary authority to approve staff travel as necessary to carry out the administrative responsibilities of OCERS, such as attendance at legislative meetings or hearings, conducting on-site visits as part of due diligence evaluation of existing and proposed service providers, participating in continuing education programs, and other duties as directed.

Policy Review

46. This policy shall be reviewed every three years by the Governance Committee and may be amended by the Board of Retirement at any time.

Policy History

47. The Retirement Board adopted this policy on December 16, 2002.
48. This policy was revised on June 18, 2007, March 24, 2008, March 22, 2010, June 21, 2010, June 18, 2012, February 19, 2013, January 21, 2014, February 17, 2015, November 16, 2015, April 18, 2018, and August 20, 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.

Steve Delaney 08/20/18

Steve Delaney
Secretary of the Board

Date

Form

Report of Attendance at Conference or Seminar

Name of Member Attending: ____

Name of Conference/Seminar: ____

Location of Conference/Seminar: ____

Conference/Seminar Sponsor: ____

Dates of Attendance: ________________________

Total Cost of Attendance: ____________________

Brief Summary of Information and Knowledge Gained:

____

____

Evaluation of the Conference or Seminar:

____

____

Recommendation Concerning Future Atttendance:

____

____

____
Signature

Return to: Executive Assistant

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

Travel Policy

Purpose

1. Prudent oversight of a public sector pension plan requires that trustees and staff occasionally travel to business meetings and educational conferences or seminars, held in or outside of the state of California. Travel and related costs incurred in doing so not only represent legitimate expenses of the plan, but are a sound investment in the ongoing success of the organization in meeting the needs of the membership.
2. The purpose of the Travel Policy is to encourage and facilitate the pursuit of relevant educational and business related initiatives by trustees and staff. The policy is designed to assist them in meeting their fiduciary duties to administer the pension plan, ensure that expenditures incurred in the education and travel process are prudent and cost-effective, and to mitigate the risk of improprieties arising from travel or business related activities. Exceptions to any provision of this policy for a Board member or the Chief Executive Officer require the pre-approval of the Board Chair or Vice Chair; and require the pre-approval of the Chief Executive Officer in the case of an exception for a staff member.

Content Requirements

3. As a general rule, and with the exception of public retirement system meetings discussed below, unless a conference/seminar agenda contains an average of five (5) hours of substantive educational content per day, attendance at the particular conference/seminar will not be approved and related travel expenses will not be reimbursed. Educational forums, conferences and seminars that routinely and consistently satisfy this requirement will automatically qualify for Board approval for attendance. The Chief Executive Officer will screen and determine those conferences or seminars that meet the five (5) hour requirement and provide a list thereof to the Board members and appropriate staff members. Authorization to attend and receive travel expense reimbursement for a client conference organized or sponsored by a single company or firm shall be restricted to those conferences sponsored by firms who have a contractual relationship with OCERS. Board members or staff members who have independent relationships with a conference sponsor are not automatically entitled to attend such conferences at OCERS' expense. The Board of Retirement shall consider each request individually regardless of any Board or staff affiliation.

Board Member

4. The term "Board Member" shall include a designee of the Treasurer, provided such person is designated in writing to act as the designee, has taken the oath of office and has filed the written designation with the County Clerk, County Auditor and OCERS.

Travel Authorization

5. Except as otherwise provided herein, reimbursement of travel expenses for a Board member to attend an educational conference or seminar (or other type of meeting or event) requires the prior approval of the Board of Retirement.

6. All reimbursement of travel expenses for an employee of OCERS to attend an educational conference or seminar (or other type of meeting or event) or for administrative purposes requires the prior approval of the Chief Executive Officer or his or her designee.
7. Travel on OCERS' business within the Southern California region by Board members or staff need not be approved in advance provided that overnight accommodations are not required. The Southern California region shall include the counties of Orange, Los Angeles, San Bernardino, Riverside, San Diego, Imperial, Ventura, Santa Barbara and Kern.

Limitation on Meeting for Business Purpose

8. No more than four members of the Board are authorized to meet together for business purposes within the State of California unless there is appropriate public notice of the meeting. Attendance at educational conferences, seminars and social activities by more than four members of the Board is not a violation of this provision.

Cost of Administration

9. Approved education and travel expenses for Board and staff members shall be direct costs of administration of OCERS (or directly charged to Investments in the case of education and travel expenses for Investments staff) shall be paid by OCERS and shall not be paid through third party contracts or otherwise without express written authorization of the Board of Retirement. All approved travel and education expenses shall be included in the OCERS annual budget approved by the Board of Retirement. Due Diligence expenses, as authorized by the Board, shall not be treated as costs of administration.

Pre-Approved Conferences and Meetings

10. Board members and the OCERS staff members designated by the Chief Executive Officer are automatically authorized and encouraged to attend the following:
    a. Regular meetings of the State Association of County Retirement Systems (SACRS);
    b. ~~The Annual Conference, the Annual Safety Conference, and the Annual Legislative Workshop of~~ Conferences of the National Conference on Public Employee Retirement Systems (NCPERS);
    c. CALAPRS annual General Assembly and Round Table meetings;
    d. Conferences of the National Association of State Retirement Administrators (NASRA);
    e. Conferences of the National Institute on Retirement Security (NIRS);
    f. Conferences sponsored by the Board of Retirement's retained consultants and/or investment managers;
    g. Conferences sponsored by the California Retired County Employees Association (CRCEA); and
    h. Conferences sponsored by a firm that has a contractual relationship with OCERS.

    In addition, the OCERS staff members designated by the Chief Executive Officer are automatically authorized and encouraged to attend the following:

i. Annual Conference of the Public Pension Financial Forum (P2F2);

j. Conferences of the National Association of Public Pension Attorneys (NAPPA);

k. Conferences sponsored by the Government Finance Officers Association (GFOA); and

l. Conferences sponsored by CEM Benchmarking.

11. Staff members designated by the Chief Executive Officer and Board members who are appointed to serve on committees and/or the Board of Directors of the organizations named in paragraph 10 are automatically authorized to attend meetings of the committee(s) to which they have been appointed.

12. Board members and the OCERS staff members designated by the Chief Executive Officer are automatically authorized to attend each of the following full curriculum pension management programs and courses on a one-time basis:

    a. Basic and advance educational programs sponsored by CALAPRS;

    b. Basic and advanced educational programs sponsored by SACRS;

    c. Basic and advanced investment programs sponsored by the Wharton School; provided, however, if the Wharton School does not offer an advanced investment program, the basic program may be taken a second time after three years of initially completing the program; and

    d. Global Financial Markets Institute, Inc. (various programs available).

13. New Board members, other than those with prior experience administering a public retirement system or pension fund, are encouraged to attend one of the courses listed in paragraph 12 within the first year after their election or appointment.

14. The Chief Executive Officer has identified the following conferences/seminars that Board members and designated staff members are automatically authorized to attend, subject to the limits set forth in paragraph 16, at OCERS expense:

    a. Conferences and Programs (CAPP) sponsored by the International Foundation of Employee Benefit Plans (IFEBP);

    b. Conferences sponsored by the Pension Real Estate Association (PREA);

    c. Conferences sponsored by Pension and Investments;

    d. Conferences sponsored by the Pacific Pension Institute (PPI);

    e. Forums sponsored by Institutional Investor;

    f. Conferences sponsored by the Council of Institutional Investors (CII);

    g. Conferences sponsored by Institutional Real Estate, Inc. (IREI);

    h. Conferences sponsored by the Opal Financial Group;

    i. Conferences sponsored by The Pension Bridge;

    j. Conferences sponsored by the Investment Management Consultants Association (IMCA);

    k. Conferences sponsored by SuperReturn;

l. Conferences sponsored by Global ARC;

m. Conferences sponsored by CIO Magazine;

n. Conferences sponsored by the Institutional Limited Partners Association;

o. Conferences sponsored by the Falk Marques Group; and

p. Conferences sponsored by Public Retirement Information Systems Management (PRISM).

15. The Chief Executive Officer shall provide newly elected or appointed Board members with a list of approved conferences scheduled to take place within the current calendar year.

Limitation on Attendance at Conferences and Seminars

16. A Board member is authorized to attend up to three events (i.e., conferences, seminars, meetings, or courses) that require overnight lodging at OCERS' expense each calendar year. Attendance at the pre-approved events listed in paragraphs 10, 11 and 12 are not subject to the three-event limit imposed by this paragraph even if they require overnight travel.

17. Board members who want to attend events (i.e., conferences, seminars, meetings or courses) that require overnight lodging and that are not automatically authorized under paragraphs 10, 11, 12 or 14 require advance approval by the Board. Staff members who want to attend events (i.e., conferences, seminars, meetings or courses) that require overnight lodging and that are not automatically authorized under paragraphs 10, 11, 12 or 14 require advance approval by the Chief Executive Officer or his or her designee.

18. OCERS will not reimburse overnight lodging for travel within Orange County, regardless of whether the event is pre-approved under any of the provisions of this policy. An exception to this provision may be granted by the Board Chair or Vice Chair upon the request of, and showing of good cause by, a Board member or the Chief Executive Officer; and by the Chief Executive Officer upon the request of, and showing of good cause by, a staff member.

19. In cases where attendance at a particular conference, seminar or other event is limited, the CEO will identify those trustees who will be authorized to attend as follows:

    a. first, by giving priority to those trustees who have not previously attended the specific conference, seminar or other event and, if needed, make selections by lottery of the interested trustees in this group;

    b. second, if additional opportunities to attend remain available, make selections by lottery of other interested trustees, and

    c. third, designate the remaining interested trustees as alternate attendees, who may attend in the event the trustees originally selected are unable to attend.

International Travel and Travel Outside the Continental United States

20. Travel by Board members to a destination outside the continental United States requires pre-approval by the Board. Travel by staff to a destination outside the continental United States requires pre-approval by the Chief Executive Officer and notification to the Board Chair. Travel to

attend a conference, seminar or meeting held outside the continental United States shall not be reimbursed by OCERS unless it can be demonstrated to the satisfaction of the Board (for travel by a Board member or the Chief Executive Officer) or the Chief Executive Officer (for travel by a staff member) that there is significant value to OCERS in attending, and comparable value cannot be obtained within the continental United States within a reasonable period of time.

Travel Reports

21. The Chief Executive Officer shall submit a quarterly report on conference, seminar and educational course attendance by Board members and staff and OCERS' costs related to such events. Such reports shall identify the individual (Board Member or staff), location, purpose and cost of travel. The Board of Retirement will review these reports in January, April, July and October of each calendar year. The report also shall include scheduled travel for the ensuing quarter.

Report on Conference or Seminar

22. Board Members and staff who travel to conferences or seminars that are not automatically authorized in paragraphs 10, 11, 12 or 14 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 or staff, 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.

Claims for Reimbursement

23. Reimbursement for travel by a Board member or staff shall be submitted on OCERS Expense Reimbursement Forms accompanied by all supporting original receipts or documentation of the expense incurred. All expense claim forms will be reviewed and approved (or disapproved) in accordance with the provisions of this policy. The Board Chair shall approve expense claims for Board members and the Chief Executive Officer. The Vice Chair will approve expense claims for the Chair. The Chief Executive Officer or his or her designee will approve all expense claims for staff. All approvals are subject to ultimate review and concurrence by the Board of Retirement as part of the quarterly report process required in paragraph 21.

Cash Advances

24. Cash advances will be provided upon request only for those conferences, seminars, meetings, and courses identified in paragraphs 10, 11, 12 or 14 of this policy as pre-approved by the Board and Chief Executive Officer. Any and all cash advances for travel and training shall be requested through the Chief Executive Officer. Cash advances are subject to approval by the Chair of the Board of Retirement and the Chief Executive Officer. Notice of all cash advances for travel and training shall be placed on the Consent Agenda for the next Regular Meeting of the Board of Retirement as an informational item.

Time Limit for Expense Claims

25. Claims for reimbursement pursuant to this policy must be submitted within 30 days following return to Orange County. In no event will a claim for reimbursement be approved if submitted 90 days after the end of the calendar year in which the expense was incurred.

Expenses for Traveling Companions

26. Expenses of family members and/or traveling companions are not reimbursable by OCERS.

Limitation on Time and Expense Allowance

27. Board and staff members will be reimbursed daily travel expenses, such as meals as outlined in paragraph 29, and gratuities as outlined in paragraph 42, for each day of travel when such travel is outside Orange County. Allowance for time and expense shall not exceed that which is reasonable and necessary as claimed by others to that precise destination whether by private automobile or common carrier. Expense reimbursements are limited to those items and amounts considered to be non-taxable income to the recipient by the Internal Revenue Service (IRS). Whenever feasible, Board and staff members are encouraged to travel on the same day of a one-day event and on the first and last days of a multiple-day event, rather than the day before or after, in order to save the System lodging and meal costs. Expense costs for extra days prior to or after a conference will be reimbursed only if such extension results in lower overall trip costs. For staff, cost comparisons for trip extensions shall include the cost of salary for any work days lost by the extension.

Travel and Lodging Cancellations

28. Board members and staff are responsible for the timely cancellation of registration fees, travel and lodging reservations made on his/her behalf that will not be used, so that no unnecessary expense will be incurred by OCERS.

Meals

29. **Meals While Attending Events that Require Overnight Travel.** Meals purchased by a Board or staff member while attending an event (i.e., conference, seminar, meeting or course) that requires overnight travel will be reimbursed at the actual and reasonable cost of the meals, including non-alcoholic beverages, tax and tip, (a) provided that both an itemized receipt and a charge receipt (when a payment card is used) are submitted, and (b) provided further that any meals included and already paid for by OCERS (such as through the conference registration fee) and meals paid for by a third party and subject to reporting requirements under the Political Reform Act will not be reimbursed. If an itemized receipt is not submitted, OCERS will reimburse the Board or staff member up to the GSA rate for that meal, upon request.

30. **Reimbursement for Meals Consumed and Purchased During a Business-Purpose Meeting Where Travel is Not Involved**. Board and staff members will be reimbursed for the actual and reasonable expense of meals, including non-alcoholic beverages, tax and a reasonable tip, consumed and purchased during meetings where business is conducted during the course of the meal, and no overnight travel is required to attend the meeting. (See paragraph 29 for meal reimbursement

during trips with overnight travel.) The Board or staff member must provide both an itemized receipt and a charge receipt (when a payment card is used) for all such meals. The names of the people who attended the business-purpose meeting and a brief description of the business discussed or conducted shall be submitted with the reimbursement request. In the event an itemized receipt is lost or is not available, a Missing Receipt Form must be completed and submitted with the expense reimbursement claim. The Missing Receipt Form includes a certification that only allowable items are included in the request for reimbursement.

Hotels

31. Actual expenses for economical and practical lodging will be reimbursed. Reimbursement will be limited to a room considered to be in a standard class. Whenever possible, a request for a government or conference rate will be made.

32. If, at the conclusion of a business-related trip, it would be impractical for a Board member or staff member to return home the same day ~~and arrive home prior to 10:00 p.m. California time (due to the distance that must be traveled, or the unavailability of a return flight) or if the traveler's work and travel time for the final day will exceed 12 hours~~, the Board member or staff member will be entitled to be reimbursed for one additional night of lodging.

Airline Travel

33. OCERS' Board members and staff will use good judgment to obtain airline tickets at competitive prices. OCERS will not reimburse a Board or staff member to fly business or first class except in extraordinary circumstances, and then only with the approval of the Board Chair or Vice Chair where the traveler is a Board member or the Chief Executive Officer, or the approval of the Chief Executive Officer where the traveler is a staff member. In addition, for travel that exceeds four hours in length, additional legroom seats or premium economy fees will be reimbursed. An individual may, at his or her own expense, pay to upgrade travel to business or first class.

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Secretary's Certificate

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

Steve Delaney ~~04/18/18~~ 08/20/18

Steve Delaney
Secretary of the Board

Date

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

Form

Report of Attendance at Conference or Seminar

Name of Member Attending: ____

Name of Conference/Seminar: ____

Location of Conference/Seminar: ____

Conference/Seminar Sponsor: ____

Dates of Attendance: ______________________________

Total Cost of Attendance: ___________________________

Brief Summary of Information and Knowledge Gained:

____

____

Evaluation of the Conference or Seminar:

____

____

Recommendation Concerning Future Atttendance:

____

____

____
Signature

Return to: Executive Assistant

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

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

GOVERNANCE COMMITTEE MEETING
July 10, 2018
9:00 a.m.

MINUTES

The Chair called the meeting to order at 9:00 a.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; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Sonal Sharma, Recording Secretary; Anthony Beltran, Audio Visual Technician

CONSENT AGENDA

C-1 APPROVE GOVERNANCE COMMITTEE MEETING MINUTES

A **motion** was made by Mr. Ball, **seconded** by Mr. Hilton to approve the minutes. The motion passed unanimously.

ACTION AGENDA

A-2 PROPOSED AMENDMENTS TO THE TRAVEL POLICY
Presented by Gina M. Ratto, General Counsel

Recommendation: Staff proposed the following amendments to the Travel Policy (Policy) for the Governance Committee's consideration and for recommendation to the Board if the Committee so determines:

- Include a provision in the Policy to state that whenever feasible, Board and staff members will travel on the same day of one-day events, and on the first and last days of multiple-day events, rather than the day before or after.
- Specify that Board members will be reimbursed for transportation costs to attend Board and committee meetings.
- Expand the list of preapproved conferences in Paragraph 10.b. of the Policy to include all conferences sponsored by the National Conference on Public Employee Retirement Systems (NCPERS).

The Committee members discussed their concerns with the appropriateness of including specific times in the Policy due to odd working hours and commuting conditions. Following discussion, the Committee discussed the following changes:

- Revise paragraph 27 of the Travel Policy to encourage same day travel without specifying time of day or length of travel and leaving it up to the Trustees to determine what is reasonable.

- Amend paragraph 32 to make it consistent with the changes to paragraph 27.
- Specify, in paragraph 27 that when Board or staff members travel outside of Orange County, they will be reimbursed daily travel expenses.
- Reimburse Board members actual mileage and shared ride services to attend Board and committee meetings.
- Expand the list of preapproved conferences in Paragraph 10.b. to include all conferences sponsored by NCPERS.

Russell Baldwin, acting in his capacity as a member of the public gave public comment and agreed that the Policy should be as general as possible.

A **motion** was made by Mr. Prevatt, **seconded** by Mr. Hilton to approve the Travel Policy with the changes as discussed. The motion passed unanimously.

A-3 TRIENNIAL REVIEW OF THE LEGISLATIVE POLICY
Presentation by Gina M. Ratto, General Counsel

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

Staff reviewed the Policy recommended a clarifying revision to Section 5.c. of the Legislative Policy as follows:

5. The following legislative principles will guide the Board when considering its position on proposed legislation:

. . .

c. Support legislative proposals that clarify statutory interpretation of the '37 Act provisions unless inconsistent with OCERS' ~~legislative policy~~ legally sound interpretation and implementation of the provision;

A **motion** was made by Mr. Ball, **seconded** by Mr. Hilton to approve, and recommend that the Board approve, proposed revisions to the Legislative Policy as presented. The motion passed unanimously.

A-4 TRIENNIAL REVIEW OF THE EXTRAORDINARY EXPENSE RECOVERY POLICY
Presented by Gina M. Ratto, General Counsel

Recommendation: Approve, and recommend that the Board approve, proposed revisions to the Extraordinary Expense Recovery Policy as presented.

Staff reviewed the Policy and did not recommend any substantive changes.

Following discussion, a **motion** was made by Mr. Ball, **seconded** by Mr. Hilton to approve, and recommend that the Board approve, proposed revisions to the Extraordinary Expense Recovery Policy as presented. The motion passed unanimously.

A-5 TRIENNIAL REVIEW OF THE COST IMPACTING POLICY
Presented by Gina M. Ratto, General Counsel

Recommendation: Approve, and recommend that the Board approve, proposed revisions to the Cost Impacting Policy as presented.

Staff reviewed the Policy and did not recommend any substantive changes.

A **motion** was made by Mr. Ball, **seconded** by Mr. Hilton to approve, and recommend that the Board approve, proposed revisions to the Cost Impacting Policy as presented. The motion passed unanimously.

A-6 RESCIND THE ANNUAL DISCLOSURE POLICY
Presented by Gina M. Ratto, General Counsel

Recommendation: Recommend that the Board rescind the Annual Disclosure Policy.

Staff reviewed the Annual Disclosure Policy and determined that it is duplicative of existing requirements and therefore is not meaningful or necessary.

Acting as a member of the public, Russell Baldwin gave public comment and agreed with staff's recommendation.

A **motion** was made by Mr. Ball, **seconded** by Mr. Hilton to recommend that the Board rescind the Annual Disclosure Policy. The motion passed unanimously.

COMMITTEE MEMBER COMMENTS
Mr. Dewane asked Staff to perform further research about increasing the rate of per diem for Trustee attendance at Committee and Board Meetings.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS:
Mr. Delaney informed the Governance Committee that they will meet to review the new Personnel Policy Handbook in a future meeting. Mr. Prevatt suggested that the Handbook be reviewed in-depth by the Governance Committee so that it is streamlined for the Board.

Acting in his capacity as a member of the public, Russell Baldwin gave public comment and urged the Committee to thoroughly review the Handbook so the Board of Retirement does not have to perform a comprehensive review.

COUNSEL COMMENTS:
Counsel had no comments.

ADJOURNMENT:
The meeting adjourned at 9:44 a.m.

Submitted by:	**Approved by:**
___________________________	______________________________
Steve Delaney Secretary to the Board	Shawn Dewane, Chair

A-3

Memorandum

DATE: August 08, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **CHANGE STAFF ANALYST POSITION FROM AN EXTRA HELP POSITION TO A REGULAR FULL-TIME POSITION**

Recommendation

1) Approve a Regular Full-Time position, classified as Staff Analyst and remove the current Extra Help position, classified as Staff Analyst for a net change of zero to the total number of Board approved OCERS direct positions.

2) Authorize the CEO to send the attached memorandum to the County of Orange to request a change to the Staff Analyst position from Extra Help to Regular Full-Time.

Background/Discussion

On November 13, 2017, the Board of Retirement approved the addition of a Staff Analyst position in the Administrative Services department as an Extra Help position with the approval of the 2018 Staffing Plan. Extra Help positions are intended to be limited to being employed for six to twelve months. Extra Help positions does not received full employee benefits (with the exception of state required sick leave and ACA mandated medical benefits). The Staff Analyst position was filled in April, 2018 and the incumbent has done an exceptional job in completing several recruitments. After examining the workload assigned to the department, staff has determined that the need for a higher level position in the Administrative Services department is not short-term. The position was originally created to assist with just recruiting the newly created positions approved by the Board with the 2018 Budget. However, it has been realized that the availability of an analyst level position on an ongoing basis will assist the department with managing the current and ongoing demand of the agency's staffing needs. With this change, the Staff Analyst will be assigned a greater portion of recruiting tasks that require consistent resources beyond those that are currently assigned to others in the department. This position will also take on the primary responsibility of the upcoming OCERS Volunteer Program and assist with developing, implementing and tracking a comprehensive agency-wide training program that is part of OCERS 2018 Business Plan. The recommended change will allow the department to successfully provide administrative recruitment support for the agency on an on-going basis.

The recommendation to convert the position from the Extra Help Staff Analyst with limited benefits to a Regular Full-time employee will result in an estimated cost of $13,000, which will impact the 2018 budget. This estimated cost includes the difference in Extra Help to Regular Full-time employee benefits for the remaining 3-

months in the year. No amendments to the current budget are needed as this cost will be absorbed due to other budgeted vacancies within the agency.

The change from Extra Help to Regular Full-Time will include a recruitment that follows OCERS recruitment and selection process. If approved, staff anticipates converting the position within 30-days. As this is a conversion of a current approved position, there will be no changes to the current headcount of 92 employees.

Submitted by:

Steve Delaney
Chief Executive Officer

Attachments:

1. Justification Memorandum from Brenda Shott Assistant CEO, Internal Operations & Cynthia Hockless, Director of Administrative Services
2. Memo to County of Orange, Request to change Staff Analyst position

Memorandum

DATE: August 08, 2018

TO: Steve Delaney, Chief Executive Officer

FROM: Brenda Shott, Asst. CEO, Finance and Internal Operations

Cynthia Hockless, Director of Administrative Services

SUBJECT: **REQUEST TO CHANGE STAFF ANALYST POSITION FROM AN EXTRA HELP POSITION TO A REGULAR FULL-TIME POSITION**

Recommendation

Convert the Extra-Help Staff Analyst positon in the Administrative Services department, to a Regular Full-Time position.

Background/Discussion

The Extra-Help Staff Analyst position was added to the Administrative Services department in January 2018 with the OCERS Board approved staffing plan.

This year the department was tasked with recruiting twelve newly added positions and seven legacy positions for a total of nineteen positions. Under normal circumstances, this task may be feasible for the two positions classified to manage the agency's recruitments (Director of Administrative Services and Staff Specialist). However, the agency has experienced a continuous influx of separations over the past three years which have required the department's staff to spend the majority of their time on recruitment activities. These activities includes a high volume of: writing and posting new job bulletins, reviewing applications, coordinating job interviews and conducting new employee on-boarding activities.

The chart below displays the recruitment trend over the past three years and the 2018 trend as of August 08.

Calendar Year	Recruitments Conducted	Employees Separated	Turnover Percentage
2015	15	7	10.6%
2016	15	12	17.65%
2017	19	8	11.11%
2018 as of August 08	18	6	7.5%

The department conducted eighteen recruitments and year-to-date six employees voluntarily departed in the first 6-months of this year. These separations have created additional recruitments and internal promotional opportunities which resulted in the need to backfill positions. We anticipate to continue to see this trend over the next five-years, as many of the baby boomers plan to retire.

Extra Help positions are intended to be employees who term of employment is limited to six to twelve months. OCERS would be better served by adding a Regular Full-Time Staff Analyst to the recruiting desk as the needs of the department will extend out for several years. The Staff Analyst position requires a higher skillset, more experience and is charged with handling a larger degree of responsibility then the current next in line County, Staff Specialist position.

In addition to the lead recruitment duties, the Staff Analyst will have on-going duties assigned that will include: (1) be primarily responsible for the administration of the OCERS Volunteer Program (due to launch Fall 2018); (2) assisting the agency with the design, implementation and tracking of the agency-wide comprehensives Training Program as included in the 2018 Business Plan.

Budget Impact

The change to the Staff Analyst will have an estimated 2018 budget impact of $13,000:

Position	Cost / Pay Period	Number of Pay Periods (PP19-PP26.7)**	Total Estimated Cost (PP19 - PP26.7)
Staff Analyst – Regular Full-Time*	$4,451	8.7	$38,724
Staff Analyst - Extra Help	$3,122	8.7	$27,161
Additional Cost-Sub Total			$11,562
OBP (pro-rated for 3 months)			$875
Additional Cost-Estimated			**$12,437**

*The additional cost for the remaining 8.7 pay period for calendar year 2018 relates primarily to the cost of benefits as the Extra Help position does not earn benefits while a Regular Full-Time position does.

The Staff Analyst position has an annual budget impact of $120,000 and an annual difference of $38,000 from the budgeted Extra-Help position.

Position	Cost / Pay Period	Number of Pay Periods	Estimated Annual Cost	OBP	Total Estimated Annual Cost
Staff Analyst – Regular Full-Time	$4,451	26	$115,726	$3,500	$119,226
Staff Analyst - Extra Help	$3,122	26	$81,172	-	$81,172
Additional Annual Cost-Estimated					**$38,054**

Thank you in advance for your consideration.

Attachment:

Proposed Administrative Services Organization Chart

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Proposed Administrative Services Department Organizational Chart

Director of Administrative Services
Cynthia Hockless

Contracts/ Risk & Performance Administrator
Jim Doezie

- Agency Contracts
- RFP Administration
- Performance Risk
- BC/DC Co-Chair

Staff Analyst
Proposed

- Recruitment
- Volunteer Program
- Training & Development

Staff Specialist
Melissa Wozniuk

- Recruitment
- Employee Relations
- Building Management
- BC/DR Member

Staff Assistant
Eunice Garcia

- Employee Services & Benefits (Wellness)
- FMLA /LOA / WC
- Safety Program
- Ergonomic Assessments

Staff Assistant
Karisa Murrietta

- Bi-weekly payroll
- Performance Management Tracking
- HR Metric Reports

Store Clerk
Lisa D'Aiello

- Supplies & Procurement
- Office Deliveries
- Mail& Shipping Services

Memorandum

DATE: August 20, 2018

TO: County of Orange, Human Resources Services Department

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **CHANGE STAFF ANALYST POSITION FROM AN EXTRA HELP POSITION TO A REGULAR FULL-TIME POSITION**

On August 20, 2018, the OCERS' Board of Retirement approved the conversion of an Extra-Help Staff Analyst position in the Administrative Services department to be a Regular Full-Time position. This position will be assigned to OCERS' recruitment functions. Due to the urgent nature of this request, we ask that you use this memo as authorization to convert the position as we do not anticipate having the approved Board minutes until October 15, 2018. Once the approved minutes are received, the OCERS Administrative Services department will send you a copy of the minutes for your records. In the interim, we trust that this memo will serve to verify that the Board of Retirement approved the position.

Thank you in advance for your consideration. Please do not hesitate to contact me at (714) 558-6222 if you have any questions or concerns.

____
Steve Delaney, Chief Executive Officer

____
Chris Prevatt, OCERS Board Chair

A-4

Memorandum

DATE: August 8, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer and Gina Ratto, General Counsel

SUBJECT: **OCERS SPONSORED LEGISLATION FOR 2019**

Recommendation

Take appropriate action.

Background/Discussion

The OCERS Board has a limited window of opportunity to request SACRS to introduce legislation to amend the CERL in 2019. Item I-6 of the Board's agenda includes a timeline for introducing legislation through SACRS.

At the July 10, 2018 meeting of the OCERS Governance Committee, Trustee Dewane inquired whether OCERS should consider introducing legislation to amend Government Code section 31521, which currently sets the per meeting stipend paid to appointed members and the elected retiree member of the Board at $100 per meeting. Staff agreed to research this matter.

In initial discussions with the SACRS legislative liaisons, we learned that not much interest has been expressed in pursuing this concept from an association level. We have nonetheless requested SACRS to poll the CEOs of the other nineteen systems and associations to determine if this is still the case.

Ms. Ratto and I will report on any feedback to the Board at its next meeting on August 20. If there is no interest by other systems in joining OCERS in a legislative amendment, Item I-6 of the August 20 meeting materials includes information on how the OCERS Board could introduce the concept (or any other concept of interest to this Board) to SACRS on a more formal basis; we will be equally ready to discuss necessary steps should the OCERS Board choose to introduce legislation of any type directly.

Submitted by:

Steve Delaney
Chief Executive Officer

I-1

Orange County Employees Retirement System
Retirement Board Meeting
August 20, 2018
Application Notices

Member Name	Agency/Employer	Retirement Date
Abbaszadeh, Nasser	City Of San Juan Capistrano	6/8/2018
Barnes, Grace	OC Community Resources	6/22/2018
Barzotti, Luis	Social Services Agency	6/1/2018
Bloom, Kimberly	Health Care Agency	6/8/2018
Bonifacio, Meditas	Sheriff's Dept	6/22/2018
Burg, Roxanne	OC Community Resources	6/22/2018
Calder, Jo-Ann	Health Care Agency	6/22/2018
Canzone, Carlene	Social Services Agency	6/8/2018
Catlett, Amy	Superior Court	6/6/2018
Cerda, Anita	OC Public Works	3/30/2018
Chapman, Richard	Fire Authority (OCFA)	5/25/2018
Connelly, Daniel	Sheriff's Dept	6/8/2018
Cramer-Espinosa, Leigh	Superior Court	6/6/2018
De Avila, Raymond	OC Waste and Recycling	5/25/2018
De Las Alas, Nestor	OCTA	6/7/2018
Espinosa, Edward	Sheriff's Dept	6/22/2018
Gandara, Rogelio	OCTA	6/2/2018
Gonzales, Cynthia	OC Community Resources	6/6/2018
Guerrero, Saul	OCTA	6/6/2018
Haddad, Yvonne	Social Services Agency	4/1/2018
Himmel, Richard	Sheriff's Dept	5/25/2018
Huang, Sylvia	Child Support Services	5/31/2018
Kennedy, Sierra	Probation	5/25/2018
Lagaret, Lane	Sheriff's Dept	6/1/2018
Lieberman, Cheryl	Social Services Agency	6/3/2018
Liera, Michael	OC Waste and Recycling	6/19/2018
Lingad, John	Sheriff's Dept	5/25/2018
Mack, Bridget	Sheriff's Dept	6/1/2018
Manzo, Maria	Social Services Agency	7/3/2018
Martorelli, Mia	Superior Court	6/7/2018
Mccall, Michael	Health Care Agency	5/29/2018
Mccalman, Shellie	Social Services Agency	6/22/2018
Menendez, Rebecca	Probation	6/8/2018
Moore, Susan	Social Services Agency	6/8/2018
Mull, Robert	District Attorney	5/25/2018
Nguyen, Thuyet	Health Care Agency	6/8/2018
Pena, Barbara	Sheriff's Dept	6/1/2018
Pulliam, Gregory	OCTA	6/17/2018
Rasch, Christine	County Executive Office (CEO)	6/22/2018
Reeves, Pamela	Health Care Agency	5/25/2018
Rodriguez, Bernardino	OCTA	6/9/2018
Rosete, Bernardo	OCTA	6/15/2018
Ruiz, Teresa	Superior Court	6/8/2018
Ryan, Michael	Social Services Agency	6/22/2018
Saldana, Carmelita	Social Services Agency	6/8/2018
Scholl, Steven	OCTA	6/9/2018
Serrato, Jesse	Sheriff's Dept	6/6/2018
Stewart, Vicki	County Executive Office (CEO)	3/16/2018
Turner, Steven	OCTA	6/12/2018

Member Name	*Agency/Employer*	*Retirement Date*
Union, Ronald	Health Care Agency	6/23/2018
Walpus, Birgitt	Social Services Agency	5/25/2018
Weissburg, Jerry	OCERS	6/22/2018
Wheelan, Virginia	Health Care Agency	6/8/2018
Whiteman, Norman	Sanitation District	5/25/2018
Yates, Christine	Sanitation District	6/17/2018
Young, Brian	Fire Authority (OCFA)	6/8/2018

Orange County Employees Retirement
Retirement Board Meeting
August 20, 2018
Death Notices

Retired Members	*Agency/Employer*
Batchelder, Norman	OCTA
Blohm, Pauline	Health Care Agency
Bruney, Joseph	Social Services Agency
Crum, Arlene	Probation
Descoteaux, Normand	Sheriff's Dept
Dickson, Donald	Superior Court
Enright, James	Probation
Fobber, Melinda	Assessor
Herbel, Glenn	OC Public Works
Hernandez, Leticia	Social Services Agency
Hill, Celestina	Health Care Agency
Irvin, Richard	OC Public Works
Kim, Itara	Probation
Lupascu, Doina	Social Services Agency
Miller, David	Sheriff's Dept
Pearson, John	OC Community Resources
Rahner, Robert	Probation
Rees, Earl	Vector Control
Russell, Robert	Sheriff's Dept
Schoff, Rosemary	Probation
Silva-Scavo, Laura	Health Care Agency
Taylor, William	OCTA
Thoman, Mary	Assessor
Ventura, Marilyn	Social Services Agency
Westrum, Susan	Health Care Agency
Wick, Doris	Superior Court

Surviving Spouses	
Asper, Vera	
Davis, Patricia	
Leocadio, Maria	
Williams, Joanna	

I-2

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN**

Written Report

AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

SEPTEMBER

Strategic Planning Workshop

OCTOBER

Strategic Planning Workshop & Investment Forum Notes
Approve 2019 Business Plan
Approve 2019-2021 Strategic Plan
Voting Direction for SACRS Business Meeting
Santa Barbara-Ventura Site Visit Reports

NOVEMBER

Proposed Board meeting Schedule for 2019
Approve 2019 Administrative Budget
Annual Chief Executive Officer Performance Review
Quarterly Securities Litigation Update
Harassment Training
Third Quarter Budget to Actuals Report
Board Education Status Report

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
System Oversight		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)**						
Board Governance				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)**
Regulation / Policies											
Compliance			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**

I-3

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **LEGISLATIVE UPDATE**

Written Report

Background/Discussion

The California Legislature reconvened on January 3, 2018 to commence the second year of the 2017 - 2018 legislative session. The Legislature reconvened after summer recess on August 6, 2018. August 31, 2018 is the last day for each House to pass bills, and September 30, 2018 is the last day for the Governor to sign or veto bills. The 2018 Legislative Calendar is attached for the Board's information.

A comprehensive list and description of the pending bills that staff is monitoring is attached. Below is a brief summary of the bills that may be of greater interest to the Board. <u>**Updates to the last report to the Board are indicated in bold and underlined text.**</u>

SACRS Sponsored Bills

- **SB 1270 (Vidak)** The CERL authorizes the retirement boards of five specified counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. The CERL provides that these administrators and officers are employees of the county, as specified, while serving at the pleasure of the appointing boards, and that they may be dismissed without cause. This bill would apply these provisions to any county if the board of supervisors for that county, by resolution adopted by majority vote, makes those provisions applicable in the county. **(STATUS: <u>Signed by the Governor</u>.)**

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

- **AB 283 (Cooper)** would amend the CERL to require, for purposes of determining permanent incapacity of certain peace officers, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer as described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the bill, except for cases on appeal at that time. **(STATUS: In Senate Committee on PE&R.)**

- **AB 1912 (Rodriguez)** <u>**Amended July 3, 2018**</u>. Under existing law, the Joint Exercise of Powers Act ("JPA Act"), the debts, liabilities and obligations of a joint powers authority ("JPA") are the debts, liabilities and obligations of the parties to the JPA agreement "unless the agreement specifies otherwise." This bill would eliminate that authorization and would state that if a JPA participates in or contracts with a public retirement system the members of the JPA – both current and former – would be required, **prior to a** termination or a decision to dissolve or cease **the** operations of the agency, to mutually agree as to the apportionment of the JPA's retirement obligations **themselves**, provided that the agreement equals **100% of the** retirement liability of the JPA. If the member agencies are unable to mutually agree to the apportionment, the bill would require the **board to apportion the retirement liability of the agency to each member agency based on the share of service received from the agency, or the population of each member agency, as specified, and would establish procedures allowing a member agency to challenge the board's determination through the arbitration process. The bill would apply retroactively to a member agency, or current or former member agency, that has an agreement with the board of retirement on or before January 1, 2019, and to new agreements with the retirement board after that date.**

The bill also amends several other provisions of the PERL with respect to JPAs participating in the CalPERS plan and PERL provisions affecting termination of participation by JPAs in the CalPERS plan. **(STATUS: Read 2nd time and re-referred to Committee on APPR.)**

- **AB 2076 (Rodriguez)** The CERL authorizes the Los Angeles County Employees Retirement Association (LACERA) to adjust retirement payments due to errors or omissions, as specified, permits a member permanently incapacitated for duty to retire for disability only if specified criteria are met, and requires the LACERA board to determine the effective date of retirement in those cases, as specified. This bill would authorize LACERA to correct a prior board decision determining the effective date of retirement for a member permanently incapacitated for disability that was made between January 1, 2013, and December 31, 2015, and was based upon an error of law existing at the time of the decision, as specified. The bill would authorize a member seeking correction under these provisions to file an application with the board no later than one year from the date these provision, become operative. **(STATUS: Signed by the Governor.)**

- **SB 1244 (Wieckowski) Amended July 5, 2018.** The California Public Records Act (CPRA) requires state and local agencies to make their public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The CPRA makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemption.

  Further, the CPRA requires a court to award court costs and reasonable **attorney's** fees to the plaintiff if the plaintiff prevails in litigation filed pursuant to the CPRA, and requires the court to award court costs and reasonable **attorney's** fees to the public agency if the court finds that the plaintiff's case is clearly frivolous. This bill would replace "plaintiff" with "requester" in that **provision, would make conforming changes, and specify that these provisions do not preclude the award of fees and costs pursuant to other provisions of law. (STATUS: Read 2nd time in Assembly and amended. Ordered to 2nd reading.)**

Other Bills of Interest

- **AB 2571 (Fletcher)** This bill, if consistent with fiduciary responsibilities of a public investment fund as determined by its board, would require a public investment fund to require alternative investment vehicles to report at least annually certain information concerning specified hospitality employers relating to race and gender pay equity and sexual harassment. The bill would require a public investment fund to disclose the information provided to the fund at least once annually in a report presented at a meeting open to the public and would require the fund to provide the report upon request to a member of the Legislature. The bill would authorize the Department of Fair Employment and Housing to issue regulations for the implementation of these reporting requirements. The bill would define terms for purposes of the reporting provisions and repeal the reporting provisions on January 1, 2022.

  Existing law provides that board members and other officers and employees of CalPERS and CalSTRS, and certain other entities, shall be held harmless and eligible for indemnification from the General Fund in connection with prescribed actions relating to prohibited investments. The bill would additionally provide that board members of any public pension or retirement system, other officers and employees, and investment managers under contract with the system would also be held harmless and eligible for indemnification from the General Fund in connection with actions taken pursuant to the bill. **(STATUS: In Assembly PRSS Committee.)**

- **AB 3084 (Levine)** Existing law requires all state and local public retirement systems to submit audited financial statements to the State Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year. This bill would require each governing body of a public agency that provides other postemployment benefits to, in an annual financial statement submitted to the Controller, in a form prescribed by the Controller, show that the public agency has met or if it has not met, detail why it has not met, and what the public agency is doing to meet, specified parameters related to the provision of other postemployment benefits, including (a) Making targeted prefunding contributions on a timely basis; (b) Depositing contributions in an irrevocable qualified trust for the exclusive benefit of plan members; (c) Investing contributions in excess of any pay-as-you-go amounts in a diversified investment portfolio with a defined investment policy; and (d) Ensuring that the discounted rate used to develop the actuarial account liability and normal cost recognizes the expected return of the entire portfolio. **(STATUS: In Assembly Committee on APPR. Held under submission.)**

- **AB 3150 (Brough)** Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's Internet Web site no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. **(STATUS: In Assembly PRSS Committee.)**

Bills that apply to CalPERS and/or CalSTRS Only:

- **SB 656 (Moorlach & Lara) Amended July 2, 2018.** This bill would authorize a judge who is not otherwise eligible to retire and who has **either** attained 60 years of age with a minimum of 5 years of **service or** accrued 20 or more years of **service** to leave his or her monetary credits on deposit with the Judges' Retirement System II, to retire, and upon reaching retirement age, as specified, to receive a monthly retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify the retirement allowance provided to a surviving spouse or other beneficiary, and would make other conforming changes in relation to these provisions. The bill would also provide, for the purposes of the Judges' Retirement System II, and for a judge first appointed or elected to office on or after January 1, 2019, that a surviving spouse is a spouse who was married to the judge continuously from the date of retirement until the judge's death. This bill contains other related provisions and other existing laws. **(STATUS: Read 2nd time and re-referred to Assembly Committee on APPR on 7/2/18.)**

- **SB 964 (Allen)** This bill would, until January 1, 2035, require CalPERS and CalSTRS to analyze climate-related financial risk, as defined, to the extent the CalPERS and CalSTRS boards identify the risk as a material risk to the retirement system. The bill, by January 1, 2020, and every 3 years thereafter, would require each board to publicly report on the climate-related financial risk of its public market portfolio, including alignment of each system with a specified climate agreement and California climate policy goals and the exposure of the fund to long-term risks, as specified. The bill would provide that it does not require either board to take action unless the board determines in good faith that the action is consistent with its fiduciary responsibilities. **(STATUS: In Assembly Committee on APPR.)**

- **SB 1033 (Moorlach)** The PERL authorizes retirement systems to enter into agreements to provide certain reciprocal benefits to employees that are employed by other agencies that are parties to the agreement if the employees meet specified requirements, a practice commonly referred to as reciprocity. Reciprocity provides for the application of the final compensation paid by a subsequent employer to service provided to a prior employer. The PERL provides that a public agency that has agreed to reciprocity with CalPERS also has reciprocity with all other agencies that have entered into those agreements with CalPERS, among others. The PERL requires the CalPERS Board to ensure that a contracting agency that creates a significant increase in actuarial liability as a result of increased compensation paid to a nonrepresented employee bears the associated liability, except as specified, including a portion that would otherwise be borne by another contracting agency. The PERL requires the system actuary to assess an increase in liability, in this regard, to the employer that created it at the time the increase is determined and to make adjustments to that employer's contribution rates to account for the increased liability. This bill would require that an agency participating in CalPERS that increases the compensation of a member who was previously employed by a different agency to bear all actuarial liability for the action, if it results in an increased actuarial liability beyond what would have been reasonably expected for the member. The bill would require, in this context that the increased actuarial liability be in addition to reasonable compensation growth that is anticipated for a member who works for an employer or multiple employers over an extended time. The bill would require, if multiple employers cause increased liability, that the liability be apportioned equitably among them. The bill would apply to an increase in actuarial liability, as specified, due to increased compensation paid to an employee on and after January 1, 2019. **(STATUS: In Senate Committee on PE&R.)**

- **SB 1124 (Leyva**) This bill would establish new procedures under the PERL for cases in which a member's benefits are erroneously calculated by the state or a contracting agency. The bill, with respect to a memorandum of understanding (MOU) entered into before January 1, 2019, would require the system, upon determining that compensation for an employee member covered by that MOU reported by the state or a contracting agency conflicts with specified law, to discontinue the reporting of the disallowed compensation and not to pay benefits based on the disallowed compensation, except as provided. The bill would require the contributions made on the disallowed compensation, for active members, to be credited against future contributions on behalf of the member. The bill would require CalPERS, with respect to retired members or beneficiaries whose final compensation at retirement was predicated upon disallowed compensation, to permanently adjust the benefit to reflect the inclusion of the disallowed compensation. The bill would also require that the retired member or beneficiary be permitted to retain the benefit level and not be required to repay that benefit, if, among other things, the member was unaware the compensation was disallowed when reported. The bill would require the applicable state or contracting agency to pay the cost associated with the new entitlement, as specified. This bill contains other related provisions and other existing laws. (**STATUS: In Assembly Committee on APPR.**)

- **SB 1166 (Pan)** This bill would require that any CalPERS contracting agency that fails to make its required employer contributions on time, **and fails to cure the delinquency within 7 days**, to notify members and retired members who are current or past employees of that agency, or their beneficiaries, of the agency's delinquency by mail within 30 days of the payment having become delinquent. The bill would require the board to provide contact information in a specified format to contracting agencies for the purpose of providing notice to members and retired members who are current or past employees of that agency, or to their beneficiaries, and would prescribe a process in this regard. The bill would immunize contracting agencies for failure to provide notice if the contact information is incomplete or incorrect. (**STATUS: In Assembly Committee on APPR.**)

- **SB 1413 (Nielsen)** This bill would enact the California Employers' Pension Prefunding Trust Program and establish the California Employers' Pension Prefunding Trust Fund to allow state and local public agency employers that participate in CalPERS and provide a defined benefit pension plan to their employees to prefund their required pension contributions. The bill contains other related provisions. (**STATUS: In Assembly Committee on APPR.**)

Divestment Proposals (CalPERS and CalSTRS Only)

- **AB 1597 (Nazarian) Amended July 3, 2018.** This bill, **upon passage of a federal law imposing sanctions on Turkey for failure to acknowledge the Armenian Genocide,** would prohibit the boards of administration of the CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in Turkey that is issued by the government of Turkey or that is owned, controlled, or managed by the government of Turkey. The bill would require the boards to liquidate existing investments in Turkey in these types of investment vehicles within 6 months of the passage of a federal law imposing **those** sanctions on Turkey. The bill would require these boards, within one year of the passage of a federal law imposing **those** sanctions on Turkey, to make a specified report to the Legislature and the Governor regarding these actions. The bill would **specify** that its provisions do not require a board to take any action that the board determines in good faith is inconsistent with its constitutional fiduciary responsibilities to the retirement system. The bill would indemnify from the General Fund and hold harmless the present, former, and future board members, officers, and employees of, and investment managers under contract with, the boards, in connection with actions relating to these investments. **The bill would repeal these provisions if a determination is made by the Department of State or the Congress of the United States, or another appropriate federal agency, that the government of Turkey has officially acknowledged its responsibility for the Armenian Genocide. (STATUS: Read 2nd time and re-referred to Committee on APPR.)**

Attachments

Submitted by:

Gina M. Ratto

Gina M. Ratto
General Counsel

2017—2018 LEGISLATIVE SESSION BILLS OF INTEREST
LEGISLATIVE UPDATE (August 20, 2018) – ATTACHMENT

AB 283 (Cooper): The CERL currently provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's appointment, and that employment contributes substantially to that incapacity or the member has completed five years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. The bill would amend the CERL to require, for purposes of determining permanent incapacity of certain peace officers, that those members be evaluated to determine if they can perform all of the usual and customary duties of a peace officer as described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the bill, except for cases on appeal at that time. **(STATUS: In Senate Committee on PE&R.)**

AB 526 (Cooper) This bill would make the Sacramento County Employees Retirement System a district under the CERL. **(STATUS: In Senate Committee on PE&R.)**

AB 1597 (Nazarian) <u>Amended July 3, 2018</u>. This bill, **<u>upon passage of a federal law imposing sanctions on Turkey for failure to acknowledge the Armenian Genocide</u>,** would prohibit the boards of administration of the CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in Turkey that is issued by the government of Turkey or that is owned, controlled, or managed by the government of Turkey. The bill would require the boards to liquidate existing investments in Turkey in these types of investment vehicles within 6 months of the passage of a federal law imposing **<u>those</u>** sanctions on Turkey. The bill would require these boards, within one year of the passage of a federal law imposing **<u>those</u>** sanctions on Turkey, to make a specified report to the Legislature and the Governor regarding these actions. The bill would **<u>specify</u>** that its provisions do not require a board to take any action that the board determines in good faith is inconsistent with its constitutional fiduciary responsibilities to the retirement system. The bill would indemnify from the General Fund and hold harmless the present, former, and future board members, officers, and employees of, and investment managers under contract with, the boards, in connection with actions relating to these investments. **<u>The bill would repeal these provisions if a determination is made by the Department of State or the Congress of the United States, or another appropriate federal agency, that the government of Turkey has officially acknowledged its responsibility for the Armenian Genocide</u>. (STATUS: <u>Read 2nd time and re-referred to Committee on APPR</u>.)**

AB 1912 (Rodriguez) <u>Amended July 3, 2018</u>. Under existing law, the Joint Exercise of Powers Act ("JPA Act"), the debts, liabilities and obligations of a joint powers authority ("JPA") are the debts, liabilities and obligations of the parties to the JPA agreement "unless the agreement specifies otherwise." This bill would eliminate that authorization and would state that if JPA participates in or contracts with a public retirement system (including a CERL system) the members of the JPA – both current and former – would be required, **<u>prior to a</u>** termination or a decision to dissolve or cease **the** operations of the agency, to mutually agree as to the apportionment of the JPA's retirement obligations **themselves**, provided that the agreement equals **100% of the** retirement liability of the JPA. If the member agencies are unable to mutually agree to the apportionment, the bill would require the **retirement board to apportion the retirement liability of the agency to each member agency based on the share of service received from the agency, or the population of each member agency, as specified, and would establish procedures allowing a member agency to challenge the retirement board's determination through the arbitration process. The bill would apply retroactively to a member agency, or current or former member agency, that has an agreement with the board of retirement on or before January 1, 2019, and to new agreements with the retirement board after that date.**

The bill also amends several other provisions of the PERL with respect to JPAs participating in the CalPERS plan and PERL provisions affecting termination of participation by JPAs in the CalPERS plan. **(STATUS: Read 2nd time and re-referred to Committee on APPR.)**

AB 2076 (Rodriguez) The CERL authorizes a county retirement system in Los Angeles County to adjust retirement payments due to errors or omissions, as specified, and permits a member permanently incapacitated for duty to retire for disability only if specified criteria are met and requires the board to determine the effective date of retirement in those cases, as specified. This bill would authorize a county retirement system in Los Angeles County to correct a prior board decision determining the effective date of retirement for a member permanently incapacitated for disability that was made between January 1, 2013, and December 31, 2015, and was based upon an error of law existing at the time of the decision, as specified. The bill would authorize a member seeking correction under these provisions to file an application with the board no later than one year from the date these provision, become operative. **(STATUS: Signed by the Governor.)**

AB 2196 (Cooper) (1) Under the PERL, members may make certain elections, including elections to purchase service credit for various types of public service, upon payment of additional contributions. Existing law permits a member who retires before paying off the entire amount for service credit to pay the balance due or total amount if no payroll deductions had been made prior to retirement by deductions from his or her retirement allowance equal to those authorized as payroll deductions, as specified. This bill would permit the member, survivor, or beneficiary, as an alternative, to elect to receive an allowance that is reduced by the actuarial equivalent of any balance remaining unpaid by the member. The bill would also provide that all elections taking effect on or after January 1, 2020, including elections for normal contributions, arrears contributions, absences, or public service, would become due and payable at the time of member's retirement or preretirement death. The bill would additionally require the member, survivor, or beneficiary to have his or her allowance reduced by the actuarial equivalent of any balance remaining unpaid by the member, except as specified.

(2) Existing law permits a member of CalPERS who has elected to receive credit for service and who retires for disability, including a safety member who retires due to industrial disability, to elect to cancel the installments prospectively, in accordance with certain provisions. This bill would specify that for an election taking place on or after January 1, 2020, the amount remaining for normal contributions, arrears, contributions, absences, or public service would become due and payable at the time of the member's retirement or preretirement death.

The bill would provide that in these circumstances the member, survivor, or beneficiary would have his or her allowance reduced by the actuarial equivalent of any balance remaining unpaid by the member.

(3) Existing law specifies that an election by a member to receive credit for service under the PERL is effective only if accompanied by a lump-sum payment or an authorization for payments, in accordance with regulations of the CalPERS board; authorizes a member paying for credit for service in after-tax installments to suspend these payments for a period not to exceed 12 months, with payments automatically resuming at the end of the period or earlier, if requested by the member; and permits a member who retires during the suspension period to make, prior to retirement, a lump-sum payment for the recalculated balance due or cancel installment payments. This bill would permit a member, on or after January 1, 2020, as an alternative to these two options, to reduce his or her allowance by the actuarial equivalent of the recalculated balance remaining unpaid by the member.

(4) Under the provisions of the PERL governing the payment of additional service credit, a member's failure to elect to make a lump-sum payment of the election to cancel installment payments results in the resumption of installment payments as of the member's retirement date. This bill instead provide that, for elections with an initial effective date on or after January 1, 2020, a member's failure to elect to make a lump-sum payment or cancel his or her installment payments would result in the member's allowance being reduced by the actuarial equivalent of the recalculated balance remaining unpaid.

(5) The PERL establishes retirement formulas, known as the Second Tier, modified First Tier, and First Tier, which are applicable to specified members of the retirement system, and a member who elects to be subject to Second Tier benefits is paid his or her accumulated contributions plus interest, subject to specified conditions. Effective January 1, 2000, a member who received service credit subject to Second Tier benefits may elect to become subject to First Tier benefits and contribution rates. That law requires a member who elects to become subject to First Tier benefits to deposit accumulated contributions the member withdrew while he or she was subject to Second Tier benefits, plus interest, as specified, and this deposit requirement may be satisfied by an actuarial equivalent reduction in the member's retirement allowance. This bill would instead specify that this deposit requirement may be satisfied by an election to reduce the member's allowance by the actuarial equivalent of any balance remaining unpaid by the number at the time of the member's retirement or preretirement death. The bill would also specify that, for a member who elects to receive First Tier credit on or after January 1, 2020, any unpaid balance of that member would become due and payable at the time of the member's retirement or preretirement death, with the member, survivor, or beneficiary's allowance reduced by the actuarial equivalent of any balance remaining unpaid by the member. **(STATUS: Read 3rd time in Senate, passed, ordered to Assembly. In Assembly, concurrence in Senate amendments pending.)**

AB 2571 (Fletcher) This bill, if consistent with fiduciary responsibilities of a public investment fund as determined by its board, would require a public investment fund to require alternative investment vehicles to report at least annually certain information concerning specified hospitality employers relating to race and gender pay equity and sexual harassment. The bill would require the fund to disclose the information it receives at least once annually in a report presented at a meeting open to the public and would require the fund to provide the report upon request to a member of the Legislature. The bill would authorize the Department of Fair

Employment and Housing to issue regulations for the implementation of these reporting requirements. The bill would define terms for purposes of the reporting provisions and repeal the reporting provisions on January 1, 2022.

Existing law provides that board members and other officers and employees of CalPERS and CalSTRS, and certain other entities, shall be held harmless and eligible for indemnification from the General Fund in connection with prescribed actions relating to prohibited investments. The bill would additionally provide that board members of any public pension or retirement system, other officers and employees, and investment managers under contract with the system shall also be held harmless and be eligible for indemnification from the General Fund in connection with actions taken pursuant to the bill. **(STATUS: In Assembly PRSS Committee.)**

AB 3084 (Levine) Existing law requires all state and local public retirement systems to submit audited financial statements to the State Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year. This bill would require each governing body of a public agency that provides other postemployment benefits to, in an annual financial statement submitted to the Controller, in a form prescribed by the Controller, show that the public agency has met or if it has not met, detail why it has not met, and what the public agency is doing to meet, specified parameters related to the provision of other postemployment benefits, including (a) Making targeted prefunding contributions on a timely basis; (b) Depositing contributions in an irrevocable qualified trust for the exclusive benefit of plan members; (c) Investing contributions in excess of any pay-as-you-go amounts in a diversified investment portfolio with a defined investment policy; and (d) Ensuring that the discounted rate used to develop the actuarial account liability and normal cost recognizes the expected return of the entire portfolio. **(STATUS: In Assembly Committee on APPR. Held under submission.)**

AB 3150 (Brough) Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's Internet Web site no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws. **(STATUS: In Assembly PRSS Committee.)**

SB 656 (Moorlach & Lara) **Amended July 2, 2018.** This bill would authorize a judge who is not otherwise eligible to retire and who has **either** attained 60 years of age with a minimum of 5 years of **service or** accrued 20 or more years of **service** to leave his or her monetary credits on deposit with the Judges' Retirement System II, to retire, and upon reaching retirement age, as specified, to receive a monthly retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify the retirement allowance provided to a surviving spouse or other beneficiary, and would make other conforming changes in relation to these provisions. The bill would also provide, for the purposes of the Judges' Retirement System II, and for a judge first appointed or elected to office on or after January 1, 2019, that a surviving spouse is a spouse who was married to the judge continuously from the date of retirement until the judge's death. This bill contains other related provisions and other existing laws. **(STATUS: Read 2nd time and re-referred to Assembly Committee on APPR on 7/2/18.)**

SB 964 (Allen) This bill would, until January 1, 2035, require CalPERS and CalSTRS to analyze climate-related financial risk, as defined, to the extent the CalPERS and CalSTRS boards identify the risk as a material risk to the retirement system. The bill, by January 1, 2020, and every 3 years thereafter, would require each board to publicly report on the climate-related financial risk of its public market portfolio, including alignment of each system with a specified climate agreement and California climate policy goals and the exposure of the fund to long-term risks, as specified. The bill would provide that it does not require either board to take action unless the board determines in good faith that the action is consistent with its fiduciary responsibilities. **(STATUS: In Assembly Committee on APPR.)**

SB 1033 (Moorlach) The PERL authorizes retirement systems to enter into agreements to provide certain reciprocal benefits to employees that are employed by other agencies that are parties to the agreement if the employees meet specified requirements, a practice commonly referred to as reciprocity. Reciprocity provides for the application of the final compensation paid by a subsequent employer to service provided to a prior employer. The PERL provides that a public agency that has agreed to reciprocity with CalPERS also has reciprocity with all other agencies that have entered into those agreements with CalPERS, among others. The PERL requires the CalPERS Board to ensure that a contracting agency that creates a significant increase in actuarial liability as a result of increased compensation paid to a nonrepresented employee bears the associated liability, except as specified, including a portion that would otherwise be borne by another contracting agency. The PERL requires the system actuary to assess an increase in liability, in this regard, to the employer that created it at the time the increase is determined and to make adjustments to that employer's contribution rates to account for the increased liability. This bill would require that an agency participating in CalPERS that increases the compensation of a member who was previously employed by a different agency to bear all actuarial liability for the action, if it results in an increased actuarial liability beyond what would have been reasonably expected for the member. The bill would require, in this context that the increased actuarial liability be in addition to reasonable compensation growth that is anticipated for a member who works for an employer or multiple employers over an extended time. The bill would require, if multiple employers cause increased liability, that the liability be apportioned equitably among them. The bill would apply to an increase in actuarial liability, as specified, due to increased compensation paid to an employee on and after January 1, 2019. **(STATUS: In Senate Committee on PE&R.)**

SB 1060, 1061, 1062 (Mendoza) The PERL requires certain public employers to contribute moneys to CalPERS. Existing law prohibits the state, school employers, and contracting agencies, as defined, from refusing to pay the employers' contribution as required by the PERL. SB 1060 would require a contracting agency that fails to make a required contribution to CalPERS to notify members of the delinquency within 30 days, as specified. The State Teachers' Retirement Law establishes the Defined Benefit Program of the CalSTRS. The law requires certain employers, as defined, to contribute moneys to the CalSTRS). SB 1061 would require an employer that fails to make a required contribution to CalSTRS to notify members of the delinquency within 30 days, as specified. SB

1062 would require certain employers that fail to make a required employer contribution to CalSTRS or CalPERS to notify members of the delinquency within 30 days, as specified. **(STATUS: In Senate; pending referral.)**

SB 1124 (Leyva) This bill would establish new procedures under the PERL for cases in which a member's benefits are erroneously calculated by the state or a contracting agency. The bill, with respect to a memorandum of understanding (MOU) entered into before January 1, 2019, would require the system, upon determining that compensation for an employee member covered by that MOU reported by the state or a contracting agency conflicts with specified law, to discontinue the reporting of the disallowed compensation and not to pay benefits based on the disallowed compensation, except as provided. The bill would require the contributions made on the disallowed compensation, for active members, to be credited against future contributions on behalf of the member. The bill would require CalPERS, with respect to retired members or beneficiaries whose final compensation at retirement was predicated upon disallowed compensation, to permanently adjust the benefit to reflect the inclusion of the disallowed compensation. The bill would also require that the retired member or beneficiary be permitted to retain the benefit level and not be required to repay that benefit, if, among other things, the member was unaware the compensation was disallowed when reported. The bill would require the applicable state or contracting agency to pay the cost associated with the new entitlement, as specified. This bill contains other related provisions and other existing laws. **(STATUS: In Assembly Committee on APPR.)**

SB 1166 (Pan) This bill would require that any CalPERS contracting agency that fails to make its required employer contributions on time, and fails to cure the delinquency within 7 days, to notify members and retired members who are current or past employees of that agency, or their beneficiaries, of the agency's delinquency by mail within 30 days of the payment having become delinquent. The bill would require the board to provide contact information in a specified format to contracting agencies for the purpose of providing notice to members and retired members who are current or past employees of that agency, or to their beneficiaries, and would prescribe a process in this regard. The bill would immunize contracting agencies for failure to provide notice if the contact information is incomplete or incorrect. (**STATUS: In Assembly Committee on APPR.**)

SB 1244 (Wieckowski) <u>Amended July 5, 2018</u>. The California Public Records Act (CPRA) requires state and local agencies to make their public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The CPRA makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemption.

Further, the CPRA requires a court to award court costs and reasonable **<u>attorney's</u>** fees to the plaintiff if the plaintiff prevails in litigation filed pursuant to the CPRA, and requires the court to award court costs and reasonable **<u>attorney's</u>** fees to the public agency if the court finds that the plaintiff's case is clearly frivolous. This bill would replace "plaintiff" with "requester" in that **<u>provision, would make conforming changes, and specify that these provisions do not preclude the award of fees and costs pursuant to other provisions of law</u>. (STATUS: <u>Read 2nd time in Assembly and amended. Ordered to 2nd reading</u>.)**

SB 1270 (Vidak) The CERL authorizes the retirement boards of five specified counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. The CERL provides that these administrators and officers are employees of the county, as specified, while serving at the pleasure of the appointing boards, and that they may be dismissed without cause. This bill would apply these provisions to any county if the board of supervisors for that county, by resolution adopted by majority vote, makes those provisions applicable in the county. **(STATUS: Signed by the Governor.)**

SB 1413 (Nielsen) This bill would enact the California Employers' Pension Prefunding Trust Program and establish the California Employers' Pension Prefunding Trust Fund to allow state and local public agency employers that participate in the CalPERS plan that provide a defined benefit pension plan to their employees to prefund their required pension contributions. The bill contains other related provisions. **(STATUS: In Assembly Committee on APPR.)**

2018 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE

Revised 11/16/16

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

DEADLINES

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

Jan. 3 **Legislature Reconvenes** (J.R. 51(a)(4)).

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

Jan. 12 Last day for **policy committees** to hear and report **to fiscal committees** fiscal bills introduced in their house in the **odd-numbered year** (J.R. 61(b)(1)).

Jan. 15 Martin Luther King, Jr. Day.

Jan. 19 Last day for any committee to hear and report to the **floor** bills introduced in that house in the odd-numbered year (J.R. 61(b)(2)). Last day to **submit bill requests** to the Office of Legislative Counsel.

Jan. 31 Last day for each house **to pass bills introduced** in that house in the odd-numbered year (J.R. 61(b)(3), (Art. IV, Sec. 10(c)).

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

Feb. 16 Last day for bills to be **introduced** (J.R. 61(b)(4), (J.R. 54(a)).

Feb. 19 Presidents' Day.

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

Mar. 22 **Spring Recess** begins upon adjournment of this day's session (J.R. 51(b)(1)).

Mar. 30 Cesar Chavez Day observed.

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

Apr. 2 **Legislature Reconvenes** from Spring Recess (J.R. 51(b)(1)).

Apr. 27 Last day for **policy committees** to hear and report to **fiscal committees fiscal bills** introduced in their house (J.R. 61(b)(5)).

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

May 11 Last day for **policy committees** to hear and report to the floor **nonfiscal** bills introduced in their house (J.R. 61(b)(6)).

May 18 Last day for **policy committees** to meet prior to June 4 (J.R. 61(b)(7)).

May 25 Last day for **fiscal committees** to hear and report to the floor bills introduced in their house (J.R. 61(b)(8)).
Last day for **fiscal committees** to meet prior to June 4 (J.R. 61(b)(9)).

May 28 Memorial Day.

May 29- June 1 Floor Session only. No committees, other than conference or Rules committees, may meet for any purpose (J.R. 61 (b)(10)).

*Holiday schedule subject to Senate Rules committee approval

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

June 1 Last day for each **house to pass bills** introduced in that house (J.R. 61(b)(11)).

June 4 Committee meetings may resume (J.R. 61(b)(12)).

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

June 28 Last day for a legislative measure to qualify for the Nov. 6 General Election ballot (Elections code Sec. 9040).

June 29 Last day for **policy committees** to hear and report **fiscal bills** to fiscal committees (J.R. 61(b)(13)).

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

July 4 Independence Day.

July 6 Last day for **policy committees** to meet and report bills (J.R. 61(b)(14)).
Summer Recess begins upon adjournment provided Budget Bill has been passed (J.R. 51(b)(2)).

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

Aug. 6 **Legislature Reconvenes** (J.R. 51(b)(2)).

Aug. 17 Last day for **fiscal committees** to meet and report bills (J.R. 61(b)(15)).

Aug. 20-31 **Floor Session only.** No committees, other than Conference and Rules Committees, may meet for any purpose (J.R. 61(b)(16)).

Aug. 24 Last day to **amend** on the floor (J.R. 61(b)(17)).

Aug. 31 Last day for **each house to pass bills**, except bills that take effect immediately or bills in Extraordinary Session (Art. IV, Sec. 10(c), (J.R. 61(b)(18)).
Final Recess begins upon adjournment (J.R. 51(b)(3)).

*Holiday schedule subject to Senate Rules committee approval

IMPORTANT DATES OCCURRING DURING INTERIM STUDY RECESS

2018

Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).

Nov. 6 General Election

Nov. 30 Adjournment *Sine Die* at midnight (Art. IV, Sec. 3(a)).

Dec. 3 12 Noon convening of the 2019-20 Regular Session (Art. IV, Sec. 3(a)).

2019

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

I-4

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **CORRESPONDENCE TO U.S. REPRESENTATIVES REGARDING PUBLIC EMPLOYEE PENSION TRANSPARENCY ACT (PEPTA)**

Written Report

Background/Discussion

At its meeting on July 16, 2018, the Board of Retirement adopted staff's recommendation to take an oppose position on H.R. 6290, the Public Employee Pension Transparency Act (PEPTA), and directed staff to send a letter to OCERS' delegates in the House of Representatives urging them to not support the bill.

Staff has sent letters to Representatives Linda Sanchez, Ed Royce, Mimi Walters, Lou Correa, Alan Lowenthal, Dana Rohrabacher, and Darrell Issa. A copy of a sample letter is attached for the Board's information.

As reported in July, H.R, 6290 is cosponsored by Rep. Ken Calvert (R-CA), Rep. Chris Stewart (R-UT) and Rep. Tom McClintock (R-CA). Similar legislation was proposed by Rep. Nunes in 2010, 2011 and 2013, but was never enacted. Principally, PEPTA would require state and local pension plans to disclose their liabilities based on U.S. Treasury rates rather than expected rates of return on investments. The underlying premise of PEPTA is that the existing accounting system that governs state and local pensions results in understated liabilities, and is "flawed and masks the magnitude of what is owed to public employees." Using current accounting standards, Rep. Nunes states that in 2015, state and municipal public pensions disclosed a total unfunded liability of $1.378 trillion; but that if the U.S. Treasury rate were used, the liability would increase to $3.846 trillion. H.R. 6290 would also require the Secretary of the Treasury to provide the disclosure of pension liabilities to the public through a searchable website and would eliminate the federal tax-exempt bonding authority of state and local governments that do not comply with the new requirements.

<u>Attachment</u>

Submitted by:

Gina M. Ratto

Gina M. Ratto
General Counsel

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

Serving the Active and Retired Members of:

City of San Juan Capistrano

County of Orange

Orange County Cemetery District

Orange County Children & Families Commission

Orange County Department of Education (closed to new members)

Orange County Employees Retirement System

Orange County Fire Authority

Orange County In-Home Supportive Services Public Authority

Orange County Local Agency Formation Commission

Orange County Public Law Library

Orange County Sanitation District

Orange County Transportation Authority

Superior Court of California, County of Orange

Transportation Corridor Agencies

UCI Medical Center and Campus (closed to new members)

July 30, 2018

The Honorable Linda Sanchez
United States House of Representatives
Washington, DC 20515
VIA FACSIMILE and US MAIL

Dear Representative Sanchez:

On behalf of the Orange County Employees Retirement System, I am writing to you, as our local Representative, to relay our strong opposition to the Public Employee Pension Transparency Act (PEPTA), H.R. 6290, which is co-sponsored by Congressman Devin Nunes (R-CA), Congressman Ken Calvert (R-CA) and Congressman Chris Stewart (R-CA). This legislation would impose inappropriate, costly and burdensome unfunded federal mandates on sovereign States and local governments, and would additionally threaten the tax-exempt status of their municipal bonds. On behalf of the Orange County Employees Retirement System, I strongly urge you to oppose this bill and any attempts to include its harmful provisions in other legislation.

PEPTA does not save taxpayer dollars, protect employee pension benefits, improve state and local retirement system funding, or provide decision-useful information to policymakers. Rather, it creates an expensive federal bureaucracy and imposes red tape on government operations that will only serve to divert taxpayer resources from other priorities. State and local governments have the fiscal responsibility for these programs, have comprehensive oversight and reporting requirements in place, and have recently taken steps to strengthen their retirement systems:

- The Governmental Accounting Standards Board (GASB), which sets public pension accounting and reporting standards, has reviewed and significantly modified these financial disclosures, which must be followed by governments and their retirement systems in order to receive a clean audit. GASB considered and rejected the assumptions and calculations proposed by PEPTA as inappropriate for governmental entities.

- The financial condition of the plan, including funded status and necessary contributions, must be certified by enrolled actuaries that adhere to Actuarial Standards of Practice (ASOPs) maintained by the Actuarial Standards Board. The ASB is currently considering amendments to ASOPs applicable to pensions, including changes relating to assumptions and disclosures.

The Orange County Employees Retirement System received the annual Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting every year from 1994 to 2017, with the exception of 2010 when the System did not apply for

2223 E. Wellington Avenue, Suite 100, Santa Ana, CA 92701 ● Telephone (714) 558-6200 ● Fax (714) 558-6234 ● ocers.org

"We provide secure retirement and disability benefits with the highest standards of excellence."

the award. In addition, the Orange County Employees Retirement System received the Public Pension Coordinating Council's annual Public Pension Standards Award for Funding and Administration every year from 2009 to 2017, with the exception of 2011 and 2012 when the System did not apply.

- As a district of the County of Orange, the meetings of the Board and standing committees of the Orange County Employees Retirement System are meetings at which the public not only may be present but also may address the body on matters relevant to its authority under the provisions of the Ralph M. Brown Act (California Government Code sections 54950, *et seq.*). In addition, the records of the Orange County Employees Retirement System are public, and open to inspection by the public under the provisions of the California Public Records Act (California Government Code sections 6250. *et seq.*).

- The Comprehensive Annual Financial Reports (CAFR) of the Orange County Employees Retirement System are posted on its website and filed annually with the California State Controller. The CAFR is audited by an independent auditing firm whose audit reports are also posted on OCERS website.

- From the low point of the financial market decline to now, the Orange County Employees Retirement System has grown in assets from $7.8 billion to $15.5 billion. The Orange County Employees Retirement System provided $5.6 billion of pension benefits to participants in that time without a missed payment.

- In 2018, the Orange County Employees Retirement System is on track to provide benefits to the more than 44 thousand current and former members and beneficiaries of the retirement system.

The federal government has no financial obligation for state and local pensions and imposing onerous federal regulations serves no constructive purpose. I hope we can count on your opposition to this harmful legislation and any congressional consideration of its provisions. We are available to answer any questions you may have as to how this legislation would negatively impact your local pension program.

Sincerely,

Steve Delaney
Chief Executive Officer
Orange County Employees Retirement System

I-5

Memorandum

DATE: August 8, 2018

TO: Members, Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **2018 STRATEGIC PLANNING WORKSHOP AGENDA (SEPTEMBER 12-13, 2018)**

Written Report

Background/Discussion

In June the Board was provided a memo listing possible topics for consideration at its annual Strategic Planning Workshop, to be held over two days – September 12 and 13, 2018. As has been the Board's preference for many years, that preview allows for adjustments to the agenda, ensuring the Board considers the issues it considers most important in preparation for the coming calendar year.

No individual Board member requests for changes to the proposed topics were received. Attached is the final OCERS Board Strategic Planning Workshop Agenda for September 12 and 13, 2018.

If any speakers change prior to the meeting, I will inform the Board and work with the Board Chair to find an appropriate substitute.

Submitted by:

Steve Delaney

Chief Executive Officer

Attachment: Strategic Planning Workshop September 12 – 13, 2018 Agenda

OCERS BOARD OF RETIREMENT

2018 STRATEGIC PLANNING WORKSHOP

Embassy Suites by Hilton Santa Ana Orange County Airport
1325 E Dyer Road,
Santa Ana, CA 92705

AGENDA
Wednesday, September 12, 2018

BREAKFAST ***7:15 – 8:00***

WELCOME & INTRODUCTORY COMMENTS ***8:00 – 8:15***
Steve Delaney, CEO and Molly Murphy, CFA, CIO, OCERS

A. **STAKEHOLDER VIEWS ON OCERS PENSIONS** ***8:15 – 9:00***
Presentations by Michelle Aguirre, CFO, County of Orange; Tom Dominguez, President, Association of Orange County Deputy Sheriffs (AOCDS); and Tim Deutsch, General Manager, Orange County Cemetery District.

Goal: Understand how plan sponsors and member organizations will address their pension needs and obligations given current economic climate.

B. **OCERS INVESTMENT DEPARTMENT: YEAR IN REVIEW** ***9:00 – 9:30***
Presentation by Molly A. Murphy, CFA, CIO, OCERS

Goal: Review the accomplishments of OCERS investment department over the past year.

REFRESHMENT BREAK ***9:30 – 9:45***

C. ESG DISCUSSION ***9:45 – 10:45***
Presentation by Molly A. Murphy, CFA, CIO, OCERS and Reed Smith, Meketa

Goal: Panel will discuss what it means to be an ESG investor and provide perspectives for OCERS consideration.

D. GLOBAL REAL ESTATE MARKETS DISCUSSION ***10:45 – 11:45***
Presentation by Martin Rosenberg, Partner and Jennifer Stevens, Partner, Townsend

Goal: Townsend will discuss their view of global real estate markets and their due diligence process.

LUNCH ***11:45 – 12:45***

E. WHERE CAN BOARDS MOST EFFICIENTLY FOCUS THEIR EFFORTS? ***12:45 – 1:45***
Presentation by Keith Bozarth

Goal: Keith Bozarth will lead a discussion on Board best practices.

F. OCERS ACTUARIAL ISSUES ***1:45 – 3:15***
Presentation by Paul Angelo, Segal Consulting
- *Sensitivity Analysis outcomes*
- *UAAL Amortization: history and mechanics (change in discount rate)*
- *UAAL contribution methodology, including impact on volatility*

Goal: Discussion by Paul Angelo, Segal Consulting on topics and issues of concerns to the Orange County Board of Retirement.

REFRESHMENT BREAK ***3:15 – 3:30***

G. SONOMA COUNTY CERA – DISASTER RECOVERY CASE STUDY ***3:30 – 4:15***
Presentation by Julie Wyne, Chief Executive Officer, Sonoma County Employees Retirement Association (SCERA)

Goal: Discussion by SCERA CEO of lessons learned as they dealt with recent catastrophic countywide fires.

H. THE OCERS HQ BUILDING INTO THE FUTURE ***4:15 – 5:00***
Presentation by Brenda Shott, Assistant CEO, OCERS

Goal: Gensler will lead a discussion on the current status of the Wellington building space planning project.

OCERS BOARD OF RETIREMENT

2018 STRATEGIC PLANNING WORKSHOP

Embassy Suites by Hilton Santa Ana Orange County Airport
1325 E Dyer Road,
Santa Ana, CA 92705

AGENDA
Thursday, September 13, 2018

BREAKFAST ***7:15 - 8:00***

WELCOME & INTRODUCTORY COMMENTS ***8:00 - 8:15***
Steve Delaney, CEO and Molly Murphy, CFA, CIO, OCERS

A. **PRIVATE EQUITY DISCUSSION** ***8:15 - 9:15***
Discussion led by David Fann, TorreyCove

Goal: TorreyCove will discuss its due diligence process and views of global private equity.

B. **PORTFOLIO CONSTRUCTION: WHERE'S THE ALPHA?** ***9:15 - 9:45***
Discussion led by Molly Murphy, CIO, OCERS and Shanta Chary, Director of Investment Operations, OCERS

Goal: OCERS investment staff will describe the alpha and beta potential for the next ten years.

C. **ASSET ALLOCATION DISCUSSION** ***9:45 - 10:15***
Discussion led by Laura Wirick, Meketa

Goal: Meketa will lead a discussion of the current and suggested OCERS asset allocation model.

REFRESHMENT BREAK ***10:15 - 10:30***

D. **WHAT'S NEXT FOR RMS** ***10:30 - 11:00***
Discussion led by Alan Emkin, Managing Director, Pension Consulting Alliance and David Beeson, Investment Officer, OCERS

Goal: PCA and OCERS investment staff will preview the next phase of implementation for Risk Mitigating Strategies.

E. **CTA/ALT RISK PREMIA EDUCATION** ***11:00 - 12:00***
Discussion led by Scott Metchick, AQR

Goal: AQR will provide education in the areas of CTA/Trend-following and Alt Risk Premia strategies.

LUNCH ***12:00 - 1:00***

F. **TAFT HARTLEY PLANS – A COMPARATIVE REVIEW** ***1:00 - 2:00***
Presentation by Sally Choi, Agile Consultants

Goal: Discussion comparing public pensions to the Taft Hartley pension world for lessons that may be applicable at OCERS.

G. **SAN BERNARDINO CERA EMPLOYEES – A CASE STUDY** ***2:00 - 3:00***
Presentation by Christie Porter, Chief Operating Officer,
San Bernardino Employees Retirement Association (SBCERA)

Goal: Discussion of lessons learned at SBCERA from their recent move of County employees to direct employment with the association.

REFRESHMENT BREAK ***3:00 - 3:15***

H. **PRELIMINARY 2019 – 2021 OCERS STRATEGIC PLAN** ***3:15 - 4:00***
Presentation by Steve Delaney, CEO, OCERS

Goal: Review tentative strategic plan and benchmarks and provide direction for developing final strategic plan for 2019-2021.

I. **PRELIMINARY 2019 OCERS BUSINESS PLAN** ***4:00 - 5:00***
Presentation by Steve Delaney, CEO, and OCERS Management Team

Goal: Review tentative business goals and provide direction for developing the final business plan and budget for 2019.

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

I-6

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **SACRS 2019 LEGISLATIVE PROPOSALS AND TIMELINE**

Written Report

Timeline

The SACRS Legislative Committee has adopted the following timeline for soliciting legislative proposals from SACRS retirement associations for consideration in the 2019 Legislative Session:

September 7, 2018

Deadline for requests to be received by SACRS via the electronic link.

September 10, 2018

Proposals emailed to Legislative Committee for review.

September 21, 2018

Date of Legislative Committee meeting at which association requests will be discussed.

October 5, 2018

Legislative Committee will submit proposals (both those that the Legislative Committee recommends by inclusion in SACRS Legislative Platform, and other proposals received) to all retirement associations for consideration.

November 16, 2018

Those legislative proposals recommended by the Legislative Committee, as well as other proposals, will be discussed at the SACRS Fall Conference.

Required Information

SACRS requires the following information for each submission:

- Title of Issue
- Retirement association/system

- Contact Name
- Contact Phone number
- Contact Email address
- Description of issue
- Recommended solution
- Specific language that you would like changed in, or added to, ’37 Act Law, and suggested code section number(s)
- Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association/system?
- Do you anticipate that the proposed legislation would create any major problems such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations/systems?
- Who will support or oppose this proposed change in the law?
- Who will be available from your association/system to testify before the Legislature?

Submitted by:

Gina M. Ratto

Gina M. Ratto
General Counsel

I-7

Memorandum

DATE: August 8, 2018

TO: Members of the Board of Retirement

FROM: Tracy Bowman, Director of Finance

SUBJECT: **SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2018**

Written Report

Background/Discussion

The attached financial statements reflect the unaudited activity for the six months ended June 30, 2018. These statements are unaudited and are not the official statements of OCERS. The following statements represent a review of the progress to date through the second quarter of 2018. The official financial statements of OCERS are included in the Comprehensive Annual Financial Report (CAFR) as of and for the year ended December 31, 2017, which is available on our website, www.ocers.org.

Summary

Statement of Fiduciary Net Position (Unaudited)

As of June 30, 2018, the net position restricted for pension and other post-employment benefits is $15.2 billion, an increase of $1.2 billion, or 8.5%, from June 30, 2017. The change is a result of an increase in total assets of $1.4 billion off-set by an increase in total liabilities of $164.3 million as described below:

The $1.4 billion increase in total assets can be attributed to a $1.1 billion increase in investments at fair value, a $186.5 million increase in total cash and short-term investments, and a $31 million increase in receivables, off-set by a decrease of $2 million in capital assets.

Investments at fair value increased $1.1 billion, or 8.1%, from June 30, 2017 to June 30, 2018, which can be attributed to earnings from interest and dividends, and investment of proceeds received from prepaid contributions, as well as increases in net appreciation of investments at fair value. In early 2017, the OCERS' Investment Committee adopted a more simplified asset allocation policy. This policy was structured to increase investments in the areas of private equity, core fixed income and real assets, and adding a new asset class, risk mitigation, while eliminating investments in the credit and absolute return categories. As a result of this new allocation policy, private equity and core fixed income investments have increased by $658 million and $1.2 billion, respectively, while credit and absolute return investments have decreased by $1.2 million and $642 million, respectively. Also, allocation of assets to the categories of global public equity (which includes investments formerly classified as domestic equity, international equity and global equity), real assets and risk mitigation have sizeable increases compared to 2017 due to the change in the allocation of assets and additional funds available for investment.

The increase of $186.5 million in cash and short-term investments consists of a $97.2 million increase in cash and cash equivalents, due to the timing of investing employee and employer contributions received during the quarter, and an increase of $89.3 million in securities lending collateral due to an increase in lending activity in the securities lending program. The increase in the receivables balance is primarily related to the timing of pending securities sales, which increased by $26.7 million, and investment income, which increased by $4.3 million. The $2 million decrease in capital assets is due to depreciation expense primarily related to the Pension Administration System Solution (PASS) Project, V3.

Total liabilities increased $164.3 million, or 16.4%, from June 30, 2017 to June 30, 2018, including an increase in the obligations under the securities lending program of $89.3 million, which is directly related to the increase in securities lending collateral as previously discussed, and an increase in unsettled security purchases of $52.9 million. Unearned contributions increased by $7.3 million due to larger prepaid employer contributions received for the 2018-2019 prepayment program compared to prior year's prepayment program. Retiree payroll payable increased $6.4 million, which is to be expected as the number of participants in the plan and retiree benefits continue to increase. Other payables increased $7.8 million due to timing of other investment related activity.

Statement of Changes in Fiduciary Net Position (Unaudited)

Total additions to fiduciary net position decreased 61.7%, or $838.5 million, from the previous year. Total additions were $520 million for the quarter ended June 30, 2018 compared to $1.4 billion for the same period in 2017. The decrease can be attributed to higher returns in 2017, which reported a return of 7.12% for the quarter ended June 30, 2017, compared to a return of 1.06% for the quarter ended June 30, 2018.

Net investment income for the quarter ended June 30, 2018 is $80.1 million versus $922.7 million for the quarter ended June 30, 2017, a decrease of $842.6 million. The majority of the decrease, $864.1 million, is related to the net appreciation in fair value of investments. During 2017, financial markets continued to show strong market performance compared to 2018 where the financial markets have been more volatile through the first half of the year and have seen significantly less growth. Dividends, interest and other investment income increased by $27.1 million, which can be attributed to the change in the asset allocation; increases in core fixed income and global public equity investments have resulted in increases in interest and dividends. Total investment fees and expenses increased $5.5 million, primarily due to increases in investment manager fees and other fund expenses.

Total contributions have increased $4 million over the prior year, which can be attributed to an increase in employee contributions by nearly $5 million due to increases in employee salaries and higher contribution rates. This increase was offset by a slight decrease in employer contributions due to higher employer contributions received for the County health care fund as of the quarter ended June 30, 2017 compared to the same period in 2018.

Total deductions from fiduciary net position increased 7.5%, or $30.3 million, from the previous year. Total deductions were $434.7 million for the quarter ended June 30, 2018 compared to $404.4 million for the quarter ended June 30, 2017. Participant benefits increased by $29.1 million, 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. Administrative expenses increased by approximately $1 million, which includes increases in personnel services of $0.7 million due to anticipated salary increases and hiring of additional personnel, and general office and administrative expenses of $0.2 million primarily related to increases in employee training and equipment maintenance.

Other Supporting Schedules

In addition to the basic financial statements for the six months ended June 30, 2018, 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:

OCERS T.B. - Approved

Tracy Bowman
Director of Finance

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements

For the Six Months Ended June 30, 2018

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements
For the Six Months Ended June 30, 2018

Table of Contents

Statement of Fiduciary Net Position (Unaudited)
As of June 30, 2018
(with summarized comparative amounts as of June 30, 2017)
(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund-County	Health Care Fund-OCFA	OPEB 115 Agency Fund	Total Fund	Comparative Totals 2017
ASSETS						
Cash and Short-Term Investments						
Cash and Cash Equivalents	$ 562,580	$ 11,205	$ 1,522	$ 222	$ 575,529	$ 478,354
Securities Lending Collateral	324,591	6,465	878	-	331,934	242,646
Total Cash and Short-Term Investments	887,171	17,670	2,400	222	907,463	721,000
Receivables						
Investment Income	17,541	349	47	-	17,937	13,666
Securities Sales	142,021	2,829	384	-	145,234	118,533
Contributions	18,519	-	-	-	18,519	19,165
Foreign Currency Forward Contracts	244	5	1	-	250	18
Other Receivables	3,534	70	10	-	3,614	3,359
Total Receivables	181,859	3,253	442	-	185,554	154,741
Investments at Fair Value						
Global Public Equity	5,968,142	118,865	16,143	10,759	6,113,909	5,803,359
Private Equity	1,413,178	28,146	3,822	-	1,445,146	787,521
Core Fixed Income	2,558,818	50,963	6,921	5,542	2,622,244	1,410,948
Credit	1,726,707	34,390	4,670	-	1,765,767	2,952,941
Real Assets	2,516,265	50,115	6,806	-	2,573,186	2,180,682
Risk Mitigation	733,409	14,607	1,984	-	750,000	354,027
Absolute Return	1,836	37	5	-	1,878	644,349
Total Investments at Fair Value	14,918,355	297,123	40,351	16,301	15,272,130	14,133,827
Capital Assets (Net)	19,659	-	-	-	19,659	21,696
Total Assets	**16,007,044**	**318,046**	**43,193**	**16,523**	**16,384,806**	**15,031,264**
LIABILITIES						
Obligations Under Securities Lending Program	324,591	6,465	878	-	331,934	242,646
Securities Purchased	219,568	4,373	594	-	224,535	171,605
Unearned Contributions	484,329	-	-	-	484,329	477,000
Foreign Currency Forward Contracts	553	11	1	-	565	848
Retiree Payroll Payable	70,144	1,214	251	-	71,609	65,222
Other	33,323	668	91	-	34,082	26,300
Due to Employers	-	-	-	16,523	16,523	15,640
Total Liabilities	**1,132,508**	**12,731**	**1,815**	**16,523**	**1,163,577**	**999,261**
Net Position Restricted for Pension and Other Post-Employment Benefits	**$ 14,874,536**	**$ 305,315**	**$ 41,378**	**$ -**	**$ 15,221,229**	**$ 14,032,003**

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Six Months Ended June 30, 2018

(with summarized comparative amounts for the Six Months Ended June 30, 2017)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund-County	Health Care Fund-OCFA	Total Fund	Comparative Totals 2017
ADDITIONS					
Contributions					
Employer	$ 278,980	$ 25,755	$ 1,138	$ 305,873	$ 306,816
Employee	134,019	-	-	134,019	129,034
Total Contributions	412,999	25,755	1,138	439,892	435,850
Investment Income					
Net Appreciation in Fair Value of Investments	2,522	903	125	3,550	867,694
Dividends, Interest, & Other Investment Income	117,164	2,325	322	119,811	92,690
Securities Lending Income					
Gross Earnings	2,612	52	7	2,671	1,562
Less: Borrower Rebates and Bank Charges	(1,906)	(38)	(5)	(1,949)	(725)
Net Securities Lending Income	706	14	2	722	837
Total Investment Income	120,392	3,242	449	124,083	961,221
Investment Fees and Expenses	(42,992)	(856)	(116)	(43,964)	(38,512)
Net Investment Income	77,400	2,386	333	80,119	922,709
Total Additions	**490,399**	**28,141**	**1,471**	**520,011**	**1,358,559**
DEDUCTIONS					
Participant Benefits	400,951	16,545	413	417,909	388,812
Death Benefits	216	-	-	216	317
Member Withdrawals and Refunds	7,446	-	-	7,446	7,044
Administrative Expenses	9,141	10	10	9,161	8,233
Total Deductions	**417,754**	**16,555**	**423**	**434,732**	**404,406**
Net Increase	72,645	11,586	1,048	85,279	954,153
Net Position Restricted For Pension and Other Post-Employment Benefits, Beginning of Year	14,801,891	293,729	40,330	15,135,950	13,077,850
Ending Net Position Restricted For Pension and Other Post-Employment Benefits	**$ 14,874,536**	**$ 305,315**	**$ 41,378**	**$ 15,221,229**	**$ 14,032,003**

Total Fund Reserves

For the Six Months Ended June 30, 2018

(with summarized comparative amounts for the Six Months Ended June 30, 2017)

(Dollars in Thousands)

	2018	2017
Pension Reserve	$ 9,179,146	$ 8,424,565
Employee Contribution Reserve	3,281,847	2,970,364
Employer Contribution Reserve	2,225,580	2,135,092
Annuity Reserve	1,404,225	1,360,651
Health Care Reserve	346,693	304,970
County Investment Account (POB Proceeds) Reserve	135,485	125,876
OCSD UAAL Deferred Reserve	14,871	34,067
Contra Account	(1,366,618)	(1,323,582)
Net Position - Total Fund	**$ 15,221,229**	**$ 14,032,003**

Schedule of Contributions

For the Six Months Ended June 30, 2018

(with summarized comparative amounts for the Six Months Ended June 30, 2017)

(Dollars in Thousands)

	2018		2017	
	Employee	**Employer**	**Employee**	**Employer**
Pension Trust Fund Contributions				
County of Orange	$ 104,484	$ 216,702	$ 101,487	$ 203,403
Orange County Fire Authority	11,337	36,106 [1]	10,244	43,917 [1]
Superior Court of California, County of Orange	8,278	14,975	7,807	15,133
Orange County Transportation Authority	4,515	12,430	4,433	11,827
Orange County Sanitation District	3,738	3,704	3,611	3,795
UCI Medical Center and Campus	-	1,656 [2]	-	1,427 [2]
City of San Juan Capistrano	401	1,219	400	1,171
Orange County Employees Retirement System	486	1,099	440	944
Transportation Corridor Agencies	510	885	351	864
Orange County Department of Education	-	180 [2]	-	344 [2]
Orange County Children & Family Commission	46	146	42	130
Orange County Public Law Library	80	110	83	153
Orange County In-Home Supportive Services Public Authority	54	100	57	101
Orange County Cemetery District	71	87	61	81
Orange County Local Agency Formation Commission	19	63	18	61
Contributions Before Prepaid Discount	134,019	289,462	129,034	283,351
Prepaid Employer Contribution Discount	-	(10,482)	-	(12,354)
Total Pension Trust Fund Contributions	**134,019**	**278,980**	**129,034**	**270,997**
Health Care Fund - County Contributions	**-**	**25,755**	**-**	**34,625**
Health Care Fund - OCFA Contributions	**-**	**1,138**	**-**	**1,194**
Total Contributions	**$ 134,019**	**$ 305,873**	**$ 129,034**	**$ 306,816**

[1] Unfunded actuarial accrued liability payments were made in 2018 and 2017 for $2.5 million and $11.5 million, respectively, for the Orange County Fire Authority.

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

Schedule of Investment Expenses

For the Six Months Ended June 30, 2018

(with summarized comparative amounts for the Six Months Ended June 30, 2017)

(Dollars in Thousands)

	2018	2017
Investment Management Fees*		
Global Public Equity		
U.S. Equity	$ 722	$ 628
Global Equity	-	432
International Equity	2,590	2,227
Emerging Markets Equity	2,545	1,886
Total Global Public Equity	5,857	5,173
Core Fixed Income		
U.S. Fixed Income	930	460
Total Core Fixed Income	930	460
Credit		
High Yield	698	1,223
Emerging Market Debt	354	338
Direct Lending	1,296	1,823
Mortgage	-	2,565
Multi-Strategy	1,867	1,726
Non-U.S. Direct Lending	1,014	554
Total Credit	5,229	8,229
Real Assets		
Real Estate	8,932	7,706
Real Return		
Timber	656	665
Agriculture	570	514
Infrastructure	580	158
Energy	4,993	2,819
Total Real Return	6,799	4,156
Total Real Assets	15,731	11,862
Absolute Return		
Direct Hedge Fund	9	2,043
GTAA	-	1,093
Total Absolute Return	9	3,136
Private Equity	5,418	2,687
Risk Mitigation	2,596	2,532
Short-Term Investments	176	172
Total Investment Management Fees	**35,946**	**34,251**
Other Fund Expenses	**5,867**	**2,751**
Other Investment Expenses (Expenses Not Subject to the Statutory Limit)		
Consulting/Research Fees	723	535
Investment Department Expenses	848	530
Legal Costs	285	262
Custodian Services	288	150
Investment Service Providers	7	33
Total Other Investment Expenses	**2,151**	**1,510**
Security Lending Activity		
Security Lending Fees	192	208
Rebate Fees	1,757	517
Total Security Lending Activity	**1,949**	**725**
Total Investment Expenses	**$ 45,913**	**$ 39,237**

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 Six Months Ended June 30, 2018

(with summarized comparative amounts for the Six Months Ended June 30, 2017)

(Dollars in Thousands)

	2018	2017
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	$ 5,531	$ 4,851
Board Members' Allowance	8	8
Total Personnel Services	5,539	4,859
Operating Expenses		
Depreciation/Amortization	1,147	1,146
General Office and Adminstrative Expenses	872	672
Professional Services	851	726
Rent/Leased Real Property	259	228
Total Office Operating Expenses	3,129	2,772
Total Expenses Subject to the Statutory Limit	**8,668**	**7,631**
Expenses Not Subject to the Statutory Limit		
Actuarial Fees	238	98
Equipment / Software	191	68
Information Technology Consulting	44	409
Total Expenses Not Subject to the Statutory Limit	**473**	**575**
Total Pension Fund Administrative Expenses	**9,141**	**8,206**
Health Care Fund - County Administrative Expenses	**10**	**11**
Health Care Fund - OCFA Administrative Expenses	**10**	**16**
Total Administrative Expenses	**$ 9,161**	**$ 8,233**

Administrative Expense Compared to Actuarial Accrued Liability

For the Six Months Ended June 30, 2018

(Dollars in Thousands)

2017 Administrative Expense Compared to Actuarial Accrued Liability	
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[1]	8,668
Excess of Allowed Over Actual Expense	31,014
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability	0.05%
December 31, 2017	0.08%

[1] Administrative Expense Reconciliation

Administrative expense per Statement of Changes in Fiduciary Net Position	$ 9,141
Less administrative expense not considered per CERL section 31596.1	(473)
Administrative Expense allowable under CERL section 31580.2	$ 8,668

I-8

Memorandum

DATE: August 8, 2018

TO: Members of the Board of Retirement

FROM: Tracy Bowman, Director of Finance

SUBJECT: **SECOND QUARTER 2018 BUDGET TO ACTUALS REPORT**

Written Report

Highlights

Second Quarter Target: 50% Used / 50% Remaining

Administrative Budget	Actuals to Date	Annual Budget	Budget $ Remaining	Budget % Remaining
Personnel Costs	$6,291,094	$13,925,194	$7,634,100	54.8%
Services and Supplies	3,854,488	10,487,860	6,633,372	63.2%
Capital Expenditures	135,438	1,095,000	959,562	87.6%
Grand Total	$10,281,020	$25,508,054	$15,227,034	59.7%

Background/Discussion

The Board of Retirement approved OCERS' Administrative Budget for Fiscal Year 2018 (FY18) on November 13, 2017, in the amount of $25,508,054 for administration and investment related activities.

OCERS' budgeting authority is regulated by California Government Code Sections 31580.2 and 31596.1, including a provision that OCERS' budget for administrative expenses (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 FY18 administrative budget represents 9.31 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 14.48 basis points of these assets for FY18.

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 six months ended June 30, 2018, year-to-date actual administrative expenses were $10,281,020 or 40.3% of the $25,508,054 administrative budget and below the 50% target set for the end of the second quarter (six months ended June 30, 2018/twelve months for the year ending December 31, 2018). A summary of all administrative expenses and explanations of significant variances are provided below:

Summary of all Administrative Expenses
For the Six Months Ended June 30, 2018

	Actuals to Date	Annual Budget	Balance Remaining	% of Budget Used	Prorated Budget*	Prorated Budget vs. Actuals (Over)/Under
Personnel Costs	**$6,291,094**	**$13,925,194**	**$7,634,100**	**45.2%**	**$6,962,597**	**671,503**
Services and Supplies						
Bldg. Prop. Mgmt./Maintenance	234,982	730,000	495,018	32.2%	365,000	130,018
Due Diligence	15,823	56,600	40,777	28.0%	28,300	12,477
Equipment Lease	23,529	50,000	26,471	47.1%	25,000	1,471
Equipment Maintenance	374,811	764,300	389,489	49.0%	382,150	7,339
Equipment/Software Expenses	256,495	586,700	330,205	43.7%	293,350	36,855
Legal Services	133,993	375,000	241,007	35.7%	187,500	53,507
Meetings & Mileage	21,595	61,350	39,755	35.2%	30,675	9,080
Membership/Periodicals	36,741	179,170	142,429	20.5%	89,585	52,844
Office Supplies	51,852	75,000	23,148	69.1%	37,500	(14,352)
Postage	65,843	163,000	97,157	40.4%	81,500	15,657
Printing	46,349	104,800	58,451	44.2%	52,400	6,051
Professional Services	2,301,801	6,668,270	4,366,469	34.5%	3,334,135	1,032,334
Telephone	66,048	159,000	92,952	41.5%	79,500	13,452
Training	224,626	514,670	290,044	43.6%	257,335	32,709
Services and Supplies	**3,854,488**	**10,487,860**	**6,633,372**	**36.8%**	**5,243,930**	**1,389,442**
Administrative Expense-Sub Total	**10,145,582**	**24,413,054**	**14,267,472**	**41.6%**	**12,206,527**	**2,060,945**
Capital Expenditures**	**135,438**	**1,095,000**	**959,562**	**12.4%**	**547,500**	**412,062**
Administrative Expense Total	**$10,281,020**	**$25,508,054**	**$15,227,034**	**40.3%**	**$12,754,027**	**$2,473,007**

*Prorated budget represents 50% (6 months/12 months) of the annual budget.
**Capital expenditures represent purchases of assets to be amortized in future periods.

Personnel Costs

Personnel Costs incurred as of the second quarter were approximately $6.3 million or 45.2% of the annual budget and slightly below the 50% target for budget used for this category. These expenses are below budget due to several positons that were vacant as of the second quarter in the Investments, Member Services, Disability, IT, and Internal Audit departments, including Managing Director of Investments, Retirement Analyst, Member Services Supervisor, Disability Investigator, Director of Cyber Security, and Director of Internal Audit. In addition, the previously vacant positions of Member Services Manager, Retirement Benefit Technician, and Staff Analyst (extra-help) were filled during the second quarter of 2018.

Services and Supplies

Total expenditures for services and supplies were approximately $3.9 million or 36.8% of the annual budget for this category. The variance of $1,389,442 between the pro-rated budget and year-to-date actuals in this category is primarily due to the following:

- Building Property Mgmt./Maintenance costs utilized 32.2% of the annual budget and were lower than the pro-rated budget by $130,018. This is mainly due to the transition to a new property manager in February, which resulted in lower property management fees.
- Due Diligence costs are at 28% of the annual budget and lower than the pro-rated budget by $12,477. This is primarily due to timing of budgeted travel that will occur throughout the year.
- Equipment Maintenance costs are at 49% of the annual budget and are slightly lower than the pro-rated budget by $7,339. This is primarily attributable to the timing of budgeted costs relating to IT software maintenance/license fees, which have varying renewal timelines throughout the year.
- Equipment/Software expense utilized 43.7% of the annual budget and is lower than the pro-rated budget by $36,855. This is primarily due to the timing of purchases of equipment and software, which have been budgeted but not yet purchased.
- Legal Services are at 35.7% of the annual budget and are lower than the pro-rated budget by $53,507. This is primarily due to budgeted legal services for litigation, tax counsel and investments being utilized on an as-needed basis.
- Meetings & Mileage expense is at 35.2% of the annual budget and is lower than the pro-rated budget by $9,080. This is primarily due to budgeted meetings that have not yet been expensed, including manager visits to Southern California Retirement Systems, legislative meetings, and travel for plan sponsor audits.
- Memberships/Periodical expense is at 20.5% of the annual budget and lower than the pro-rated budget by $52,844. This is mainly due to the timing of membership and periodical expenses that will occur in later quarters, including IT's subscription fees for Gartner, which will renew in the third quarter.
- Office Supplies utilized 69.1% of the annual budget and is higher than the pro-rated budget by $14,352. This is primarily due to timing of office furniture purchases, including purchases relating to ergonomic workstations and furniture purchased for new staff.
- Postage is at 40.4% of the annual budget and lower than the pro-rated budget by $15,657. This is attributable to the timing of bulk mailings to Plan members, the summer edition of *At Your Service* newsletter which will be incurred during the third quarter, and the use of postage on an as-needed basis.
- Printing expense is at 44.2% of the annual budget and lower than the pro-rated budget by $6,051. This is primarily due to the timing of printing expenses budgeted for the CAFR, which is expected to be completed in the third quarter, as well as company brochures.
- Professional Services utilized 34.5% of the annual budget. Expenses are lower than the pro-rated budget by $1,032,334 primarily due to the timing of expenses for private equity and real estate consulting services, the website redesign project, various IT-related software consulting, administrative hearing and writ of mandate process fees, compensation study, and costs used on an as-needed-basis, such as CEO contingency.

- Telephone expense is at 41.5% of the annual budget and lower than the pro-rated budget by $13,452. This is primarily attributed to cost savings resulting from migrating to a cloud-based telephone system, as well as the timing of costs, which have been budgeted but not yet expensed.
- Training utilized 43.6% of the annual budget and is lower than the pro-rated budget by $32,709. This is primarily due to training costs that have been budgeted, but not yet expensed, including the Southern California SACRS and CALAPRS conferences, investment-related training, and various staff training sessions planned, but not yet taken.

Capital Expenditures

Capital Expenditures as of the second quarter are $135,438 or 12.4% of the annual budget for this category. The variance of $412,062 between the pro-rated budget and year-to-date actuals is primarily due to timing of budgeted costs for the remodel of the Board room, as well as building security and space management projects that will occur as the year progresses.

Conclusion:

Through the end of the second quarter, the Administrative budget was below the 50% target of the annual budget at 40.3%. In addition, actual Administrative expenses were within the 21 basis point test and 18 basis point test as budgeted.

Submitted by:

OCERS T.B. - Approved

Tracy Bowman
Director of Finance

I-9

Memorandum

DATE: August 09, 2018

TO: Members of the Board of Retirement

FROM: Cynthia Hockless, Director of Administrative Services

SUBJECT: **GENERAL MEMBER ELECTION UPDATE**

Written Report

Background/Discussion

On July 03, 2018, the Administrative Services department contacted the Registrar of Voters requesting an election for the General Member whose term expires on December 31, 2018. The new term is set for January 01, 2019 through December 31, 2021.

OCERS received a response from the Registrar of Voters informing us that the election will be held on October 30, 2018. The Registrar of Voters has provided the attached election schedule. The nomination period began on August 13, 2018 and will end at 5:00 P.M. on August 31, 2018. To date, all eligible general members have been notified regarding the election via mail.

We are currently on schedule and will continue to provide updates throughout the process.

Attachment

Response letter from the Registrar of Voters with Election Schedule

Submitted by:

Cynthia Hockless

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

July 25, 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 July 3, 2018 letter requesting the Registrar of Voters' Office to conduct a Special Election for the positions of General Member for the term of office from January 1, 2019 through December 31, 2021.

The election schedule is as follows:

July 27 and August 10 (E-95 and E-81)	The Orange County Retirement office shall notify the General Members of the Retirement System that an election will be conducted on October 30, 2018. The notice shall include the filing period, qualifications and requirements to be a candidate for General Member of the Orange County Retirement Board of Directors and shall be provided with the payrolls on July 27, 2018 and August 10, 2018.
August 1 (E-90)	The Retirement Office shall provide the number of eligible General Members to the Registrar of Voters' Office.
August 7 (E-84)	The Retirement Office shall provide the Registrar of Voters' Office with Willingness to Serve forms and a list of eligible General Members for use in establishing the eligibility of candidates.
August 13 (E-78)	Nomination period begins. A General Member requires 75 nomination signatures.

August 31 (E-60)	Deadline to file a biographical statement with the Retirement Office.
August 31 (E-60)	Nomination period ends at 5:00 p.m. on this date.
September 1 (E- 59)	Retirement Office shall provide camera-ready copies of biographical statements to the Registrar of Voters' Office to be printed.
September 4 (E-56)	Random draw will be held to determine the candidate placement on the ballot.
September 7 (E-53)	Retirement Office shall provide the Registrar of Voters with names and addresses of eligible General Members in an electronic format.
September 21 (E-39)	Mailing of ballots begins.
October 30 (E-0)	Tally voted ballots at the Registrar of Voters' Office.
December 4 (E+35)	Certificate of Election on Board of Supervisors' agenda.
January 1 (E+ 63)	Term begins for General Member. Term expires on December 31, 2021.

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

Sincerely,

Marcia Nielsen

Marcia Nielsen
Candidate and Voter Services Manager

I-10

Memorandum

DATE: August 17, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **EVOLUTION OF THE UAAL (2018 EDITION)**

Written Report

Background/Discussion

The Evolution of the UAAL document has been produced annually since 2009 to help the public to better understand how unfunded liabilities can develop over time, and how pension systems such as OCERS manage the long term plan to pay for those liabilities.

One particular issue that has been difficult to demonstrate or explain, is how much actual good progress has been made through the years by the OCERS Board of Retirement as they responsibly address the challenges of appropriately funding the OCERS pension plan. Illustrative of this challenge is 2017 in particular. When reading the narrative for 2017 in the attached document (see page 27), it is clear that the OCERS Board made great progress in investing to meet the fund's needs, with a return of 14.74%. Still the UAAL grew, because at the same time the Board adjusted the assumptions used in measuring the retirement benefit liabilities, in particular with regard to life expectancy, in order to reflect the system's recent experience as well as anticipating future increases in longevity. Making such change in assumption can mask the fact that progress is being made. How to best pull that mask off and reflect that progress has been an ongoing challenge. Segal Consulting will present some concepts and possibilities to the OCERS Board of Retirement at its Strategic Planning Workshop on September 12, 2018. Based on those discussions, a modification may be seen in the 2019 edition of this document to help better address that communication challenge.

Revised in August of each year following the release of the annual actuarial valuation, this 2018 edition is based on the Actuarial Valuation and Review as of December 31, 2017.

Submitted by:

Steve Delaney

Chief Executive Officer

The Evolution of OCERS Unfunded Actuarial Accrued Liability

Steve Delaney, CEO

December 31, 2017 Valuation

The Evolution of OCERS Unfunded Actuarial Accrued Liability

The Orange County Employees Retirement System (OCERS) is a public pension plan providing a defined benefit lifetime pension to many of Orange County's diverse community of public servants - from firefighters and police officers to bus drivers and court clerks.

OCERS conducts an annual valuation of the OCERS Trust Fund to determine its current economic status. In the most recent valuation, for the period ending December 31, 2017, the system's professional actuary (The Segal Group) calculated the Unfunded Actuarial Accrued Liability (UAAL) of the fund to be approximately $5,438 billion. At the start of the millennium, as of December 31, 2000, there was no UAAL at all, the system being more than 100% funded. The drivers and components that contributed to the evolution of OCERS' current UAAL are the subjects of this paper.

WHAT IS AN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)?

UAAL is the difference between the actuarial accrued liability and the actuarial value of assets accumulated to finance a public pension. In simpler terms, if you compare the cost of OCERS' pension promises with the actuarial value of OCERS' assets, the promises currently exceed the assets. That shortfall is OCERS' Unfunded Actuarial Accrued Liability.

A fully funded pension system with no UAAL (as was the case for OCERS in 2000), generally means that all of the actuary's assumptions as to the cost of the fund and growth of liabilities have been met, and the present value of the system's accumulated assets are sufficient to pay out all the pension promises to plan members.

But how does a public pension plan accrue the necessary funds for paying out benefits, and how can that process lead to a gap between the amount of assets held, and the present value of those future benefits?

A pension system's approach to building its assets in order to pay future benefits is not unlike the approach taken by many families in saving for their children's college education. If you expect your child's education is going to cost $100,000 eighteen years from now, you have three basic options:

(1) You could deposit a single lump sum amount representing the present value of that future cost into a savings account, similar to an endowment or trust, calculated to grow with sufficient earnings to total $100,000.

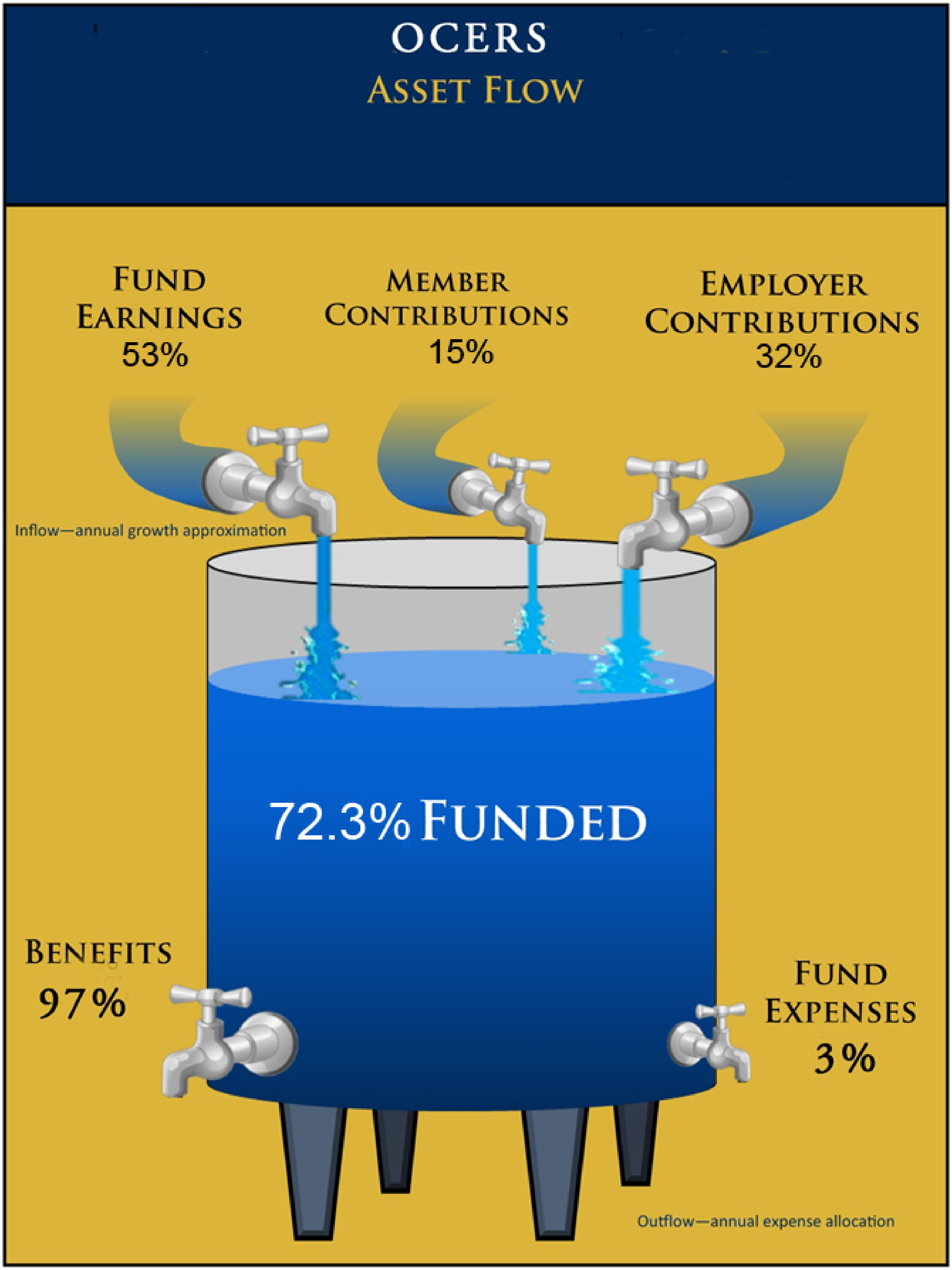
(2) You could save over time, depositing an equal amount year after year into an account and again assume that sufficient interest earnings will accrue to fully fund the cost when the big day arrives.

(3) You could wait until the child turns 18 and pull from your available resources at that time to pay the entire $100,000 in a single payment.

Public pension plans face similar choices in determining the best method for accruing sufficient resources to fund a member's benefit at retirement. Like most American families, the majority of public pension plan systems choose to pay a level percent of salary each year, in order to gradually grow the amount needed to fund future retirements.

Determining how much to contribute each year is a primary challenge for any public pension system. For that reason public pension plans use the expertise of a professional actuary to assist in planning the funding of those retirement benefits over the long term, allowing investment earnings on the contributions to fund the majority of the pension costs. In Orange County those investment earnings provide the largest portion of retirement benefits being paid, greatly reducing the cost to Orange County's employees and taxpayers in providing public services to our community.

The job of a pension plan actuary includes estimating (or assuming) how much money should be contributed each year so the plan will have enough funds to pay the benefits promised by the plan throughout the lifetime of the member. The year-to-year stream of contributions should be as smooth and consistent as possible to avoid wreaking havoc on the budget of the employer.


OCERS
Asset Flow
Fund Earnings 53%
Member Contributions 15%
Employer Contributions 32%
Inflow—annual growth approximation
72.3% Funded
Benefits 97%
Fund Expenses 3%
Outflow—annual expense allocation

The graphic above shows a snapshot of OCERS funded status as of December 31, 2016, while the representation of cash inflows and outflows reflect the period of 1998 through 2016.

HOW DID OCERS' CURRENT UAAL DEVELOP?

The long-term cost of retiree benefits are based on a host of variables, the future values of which are unknown. There are many different events that can both cause a UAAL to develop or even disappear. While actuaries try to pin down these variables through the use of best or at least reasonable assumptions and professional methodologies, the unexpected should be expected to occur.

There are six assumptions in particular that have the greatest impact on the actuary's estimates of plan funding:

1. The assumed rate of return on investments
2. The rate of increase in salaries
3. Member mortality
4. The age at which members choose to retire
5. How many members become disabled
6. How many members terminate their service earlier than anticipated

Finally, there are two other events that can have great impact on plan funding, events the actuaries can't anticipate:

(1) plan changes, that is, when a benefit formula is changed in some unanticipated manner by the plan sponsor, and

(2) differing actual experience, that is, when actual experience indicates that previous assumptions must be modified to reflect a more current reality. A key example here is life expectancy, which with the continued advances in medicine challenges actuaries in being able to accurately project average life expectancies in the coming decades.

Either will generally have an "unfunded" impact on the cost of the system, though savings can occur as well, as in fact has happened in the period of 2009 through 2012 with a slowing in projected salary increases due to the challenging economic times.

First, a summary history of OCERS UAAL as well as the plan's funded status:

(In 000's)

Actuarial Valuation Date December 31	Valuation Value of Plan Assets	Total Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio
1985	$613,863	$462,121	57.05%
1986	$713,506	$507,409	58.44%
1987	$821,884	$522,098	61.16%
1988	$985,030	$468,828	67.75%
1989	$1,136,210	$515,778	68.78%
1990	$1,297,575	$543,340	70.49%
1991	$1,576,131	$196,763	88.84%
1992	$1,807,319	$332,763	84.45%
1993	$2,024,447	$280,572	87.83%
1994	$2,177,673	$372,386	85.40%
1995	$2,434,406	$199,478	92.43%
1996	$2,675,632	$176,262	93.82%
1997	$3,128,132	$204,835	93.85%
1998	$3,504,708	$177,978	95.17%
1999	$3,931,744	$85,535	97.87%
2000	$4,497,362	($162,337)	103.74%
2002	$4,695,675	$978,079	82.76%

2003	$4,790,099	$1,309,334	78.53%
2004	$5,245,821	$2,158,151	70.85%
2005	$5,786,617	$2,303,010	71.53%
Actuarial Valuation Date December 31	**Valuation Value of Plan Assets**	**Total Unfunded Actuarial Accrued Liability (UAAL)**	**Funded Ratio**
2007	$7,288,900	$2,549,786	74.08%
2008	$7,748,380	$3,112,335	71.34%
2009	$8,154,687	$3,703,891	68.77%
2010	$8,672,592	$3,753,281	69.79%
2011	$9,064,355	$4,458,623	67.03%
2012	$9,469,208	$5,675,680	62.52%
2013	$10,417,125	$5,367,917	65.99%
2014	$11,449,911	$4,963,213	69.76%
2015	$12,228,009	$4,822,348	71.72%
2016	$13,102,978	$4,830,483	73.06%
2017	$14,197,125	$5,438,302	72.30%

As shown in the table above, the annual calculation of OCERS' UAAL can swing dramatically from year to year, such as **1990-91** when the UAAL shrank from $543 million to $196 million, a reduction of nearly 40% in a single year due primarily to the remarkable earnings of that year (1991: 20.25%); or **2002-03** when the UAAL grew from $978 million to $1.3 billion, an increase of approximately 30% reflecting both assumption and benefit changes the year before, as well as the delayed recognition of some heavy investment losses incurred in the three prior years.

While this document tracks the evolution of the OCERS UAAL as it has developed especially since the year 2000, keep in mind that the actuary can only show from one year to the next what the initial impact a given event may have on future liability projections using the assumptions adopted by the OCERS Board as of that measurement date. It cannot show what specific long term impact of that same event may be in later years should the initial assumption prove different from actual experience. An example of this was the increase in benefits that occurred in 2004, when a number of key benefit formulas were changed by the plan sponsor, leading to a change in the projection regarding future liabilities to be paid out, and creating an immediate increase in the UAAL of $365 million. Will the ultimate cost of that benefit adjustment be $365 million? Not likely, it was an estimate developed using the best assumptions available at the time to prepare that projection. Can we track that specific change in plan design to see what the ultimate cost might truly be? Not really. The OCERS plan is large and complex, with nearly 45,000 members making individual life choices that will impact the ultimate cost, either positively or negatively, over a very long period of time. Once the initial event is priced into the cost of the plan, then it is the plan as a whole that gets valued in future years, composed of the many smaller decisions made year after year, and determining the course of the UAAL.

YEAR BY YEAR REVIEW:

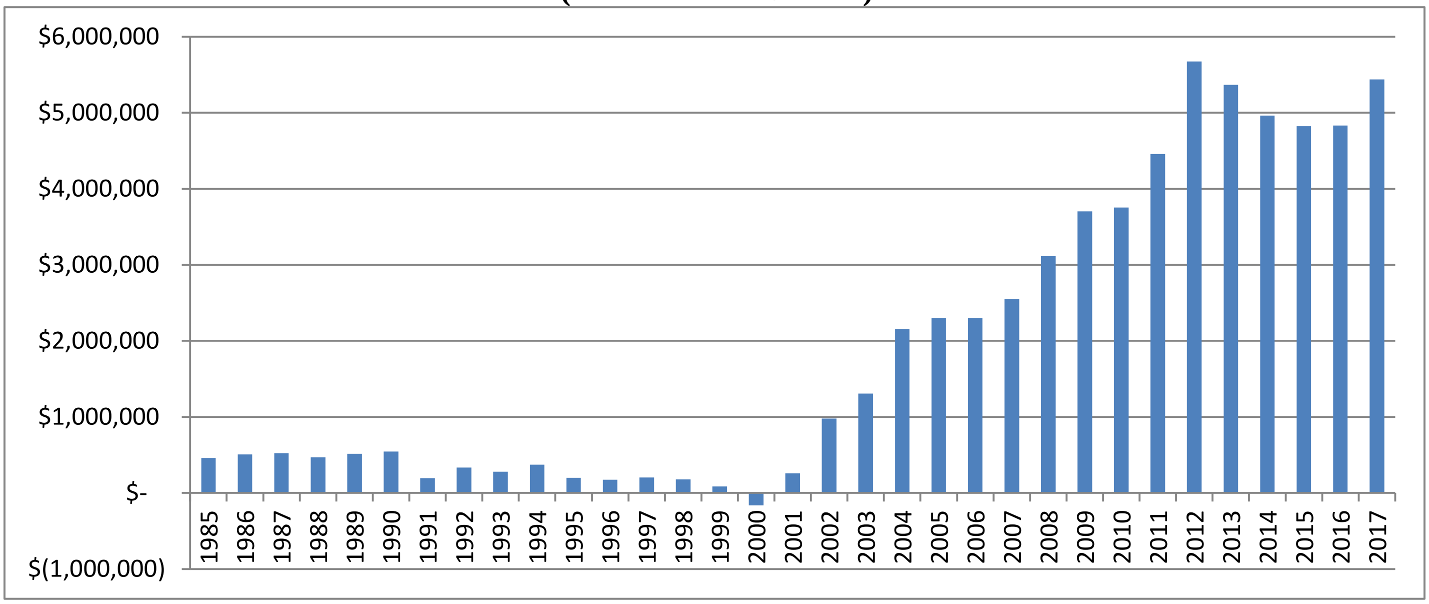
It is current history that has raised the most questions from both employers, members and the public in wanting to better understand how the current UAAL has evolved over the past decade and a half. In the following pages the data used in calculating the UAAL from calendar year 2000 when OCERS last had a surplus, through 2017, is presented in table format, with commentary on the events of each year that had primary impact on determining if the UAAL rose or fell for that given year.

[See the annual reviews for the OCERS UAAL as it develops from calendar year 2000 through 2017, beginning with Page 8.]

A VISUAL REVIEW OF THE UAAL HISTORY

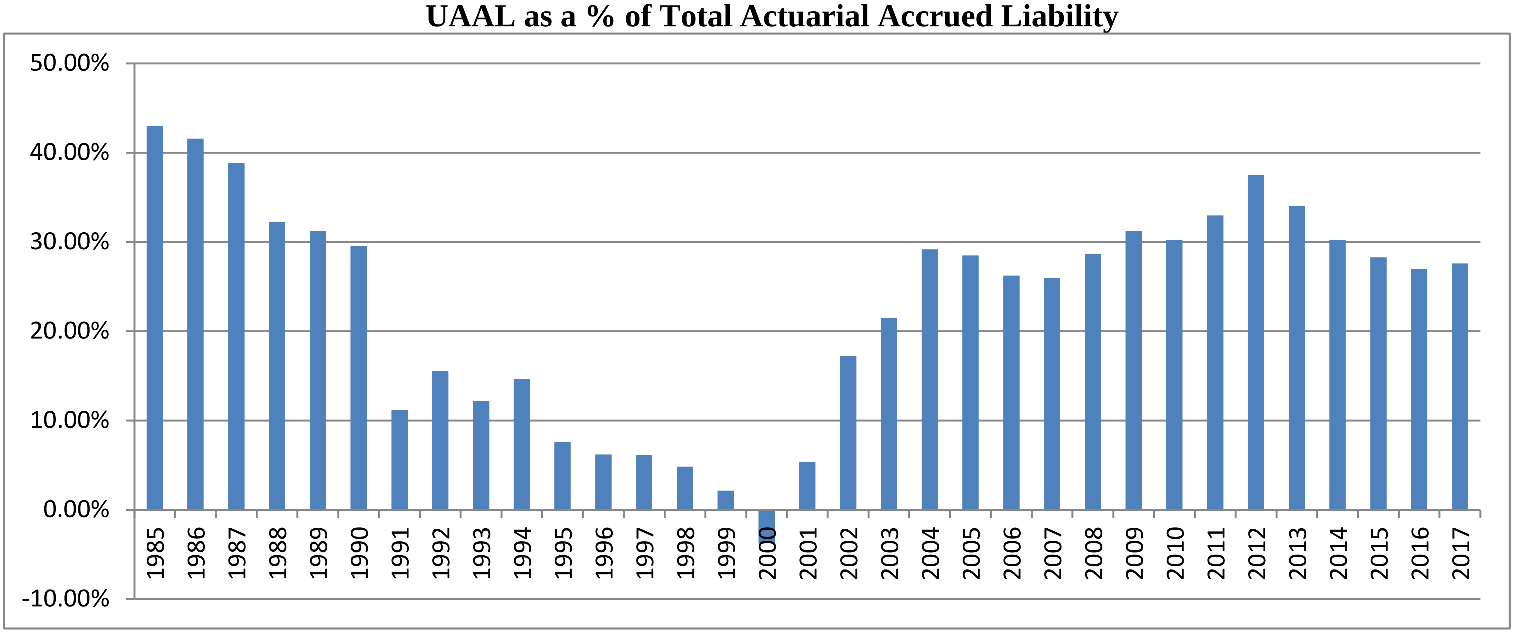
Two different approaches to viewing the UAAL in context of the OCERS Fund as a whole are displayed in the following tables. In the first table a trend line is displayed, reflecting the growth of the UAAL in total dollars. Identifying trends, and determining how best to address the cautionary tale being shared is an important task of any decision maker when it comes to pension design.

OCERS Total UAAL
(Dollars in Thousands)



In the following table, the UAAL is now reflected as a percentage of the total pension liability, both funded and unfunded, to put it into perspective. This is an important point to keep in mind as the OCERS plan continues to mature over time. Note for example that while the total UAAL increased in 2010 by approximately $50 million dollars, the funded ratio of the plan actually improved, as the total assets available to pay the plan's liabilities increased at an even faster rate.

OCERS HISTORY
UAAL as a % of Total Actuarial Accrued Liability



CONCLUSION:

As this review has shown, both past experience and assumptions (that try to predict the future using that past experience) often change, and have a major impact on the system's future costs. Actuaries use long economic cycles to make their assumptions. They do not often adjust their assumptions in response to year-to-year fluctuations in actual experience. Rather, actuarial assumptions are typically changed only following careful assessment of ongoing and durable trends in experience. Because public pension plans such as OCERS take a very long view of the time horizon, recognizing that in 2017 our average general and safety member retired with approximately 21 and 24 years of service, respectively. OCERS is designed specifically to allow time to exercise its smoothing effect on the costs associated with the variability of life and its vagaries.

No matter how one looks at the UAAL, it's important to keep these points in mind - The UAAL is only an estimate based on many different inputs and assumptions that are all subject to refinement. The UAAL is not an absolute number such as the fixed amount of your home mortgage, but is rather a fluid estimate that will both rise and fall as it is revised annually based upon actual experience. Under a well-structured plan with conservative assumptions, the deviations will be both positive (as was the case most recently in 2016) and negative (such as in 2008) in the short run, but tend to smooth to the actuaries assumed rates over time. The causes of transitory shortfalls and surpluses will be captured in improved assumptions and appropriate contribution rates over time, ensuring a secure financial foundation for the promises made to Orange County's public servants.

2000

Development of UAAL/(Surplus) for Year Ended December 31, 2000			
1.	**UAAL at beginning of year**		$ 85,534,716
2.	Total normal cost at middle of year		
3.	Amortization Payment		(6,752,601)
4.	Interest		11,403,640
5.	Expected UAAL		$ 90,185,755
6.	Actuarial (gain)/loss and other changes		
	a. Gain on investment	$(286,267,436)	
	b. Loss on salary increases	24,584,670	
	c. Loss on new retirees	29,186,796	
	d. Gain on mortality	(28,835,682)	
	e. Other experience (gain)/loss	8,809,049	
	f. Benefit improvements		
	g. Change in actuarial assumptions		
	h. Total changes		(252,522,603)
7.	**(Surplus) at the end of the year**		$ (162,336,848)

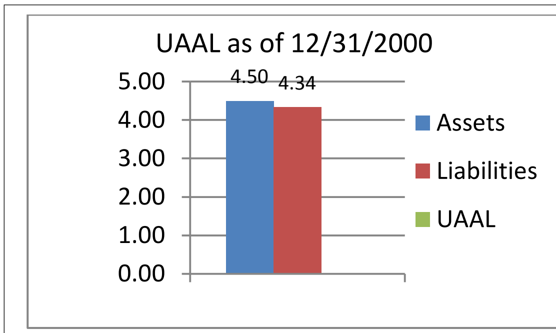
IMPACTING EVENTS

Calendar year 2000 is a key year, and emblematic of how public pension systems are designed to smooth out the highs and lows of plan costs over time, OCERS moves from a UAAL of $85 million at the start of the year to a surplus of $162 million as the year comes to a close.

There were no significant changes in Plan provisions in calendar year 2000.

Though total fund returns for 2000 were only 3.28% that exceeded the policy benchmark and ranked OCERS in the top quartile of the Callan Public Plan Sponsor Database. Altogether the recognition of past and current smoothed earnings lowered the UAAL by over $286 million.

The actuarial value of assets passed the actuarial value of liabilities in 2000, and the Plan was 103.7% funded at the end of the calendar year.



In billions

2001

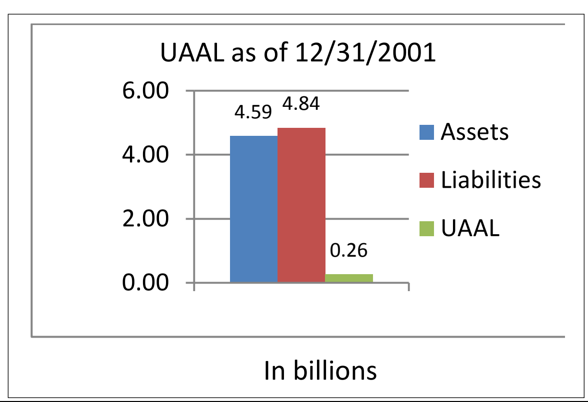
	Development of UAAL/(Surplus) for Year Ended December 31, 2001		
1.	**(Surplus) at beginning of year**		$(162,336,848)
2.	Total normal cost at middle of year		
3.	Amortization Payment		(11,193,795)
4.	Interest		7,117,033
5.	Expected UAAL		$(158,260,086)
6.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$221,191,812	
	b. Loss on salary increases	40,447,786	
	c. Loss on new retirees	48,490,180	
	d. Other experience (gain)/loss	19,791,339	
	e. Change in actuarial assumptions	(34,094,126)	
	f. Impact of 3%@50 for Law Enforcement (Safety)	119,488,767	
	g. Total changes		415,315,758
7.	**UAAL at the end of the year**		$ 257,055,672

IMPACTING EVENTS

While not significant, changes to the assumed withdrawal rates, the assumed termination rates, the assumed service-connected disability rates and the assumed retirement rates taken together actually lowered future liabilities by approximately $34 million.

The change in the retirement benefit for Law Enforcement (safety) members to a 3% per year of service benefit payable at age 50 increased future liability by approximately $119 million.

The OCERS portfolio experienced a loss of -3.24% in calendar year 2001, with an earnings assumption of 8%. That loss, though smoothed led to an increase of the UAAL by $221 million.



2002

Development of UAAL for Year Ended December 31, 2002

1.	**UAAL at beginning of year**		$ 257,055,672
2.	Total normal cost at middle of year		
3.	Amortization Payment		12,123,329
4.	Interest		27,502,107
5.	Expected UAAL		$ 296,681,108
6.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$ 220,329,452	
	b. Loss on salary increases	91,886,000	
	c. Loss on new retirees	82,392,000	
	d. Other experience (gain)/loss	48,763,0690	
	e. Change in actuarial assumptions	148,339,453	
	f. Impact of 3%@50 for Firefighters; Probation become Safety under the 2%@50 formula retro; 3%@50 fwd.	89,688,449	
	g. Total changes		681,398,423

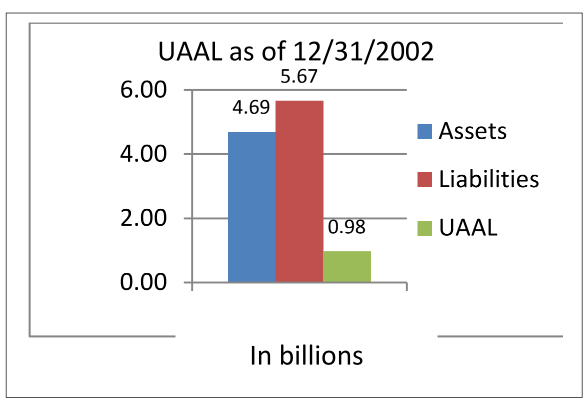
IMPACTING EVENTS

OCERS experienced negative returns in 2002 as did much of the market. A loss of -5.46%, when the assumption was for earnings of 8% led to an effective hit of -13.46% on the funding position of the plan. Even with smoothing in place, more than $220 million in losses were applied to the UAAL.

With the market having been down for a couple of years in a row, the OCERS Board revisited its earnings assumption and lowered the portfolio's assumed rate of return from 8% annual to 7.5%. That change in earnings assumption indicated there would be lower investment earnings to offset plan costs. Taken together with a lowering of the assumption for future salary increases (when salaries don't grow as fast as anticipated, fewer contributions than anticipated will be flowing to the system) from 5.5% to 4.5% annually, led to a $148 million increase in the UAAL.

On the benefit side, the formula for firefighters was improved to 3% of final average salary at age 50.

Effective June 28, 2002 Probation Services Unit employees became safety members and started accruing benefits in the 2%@50 retirement plan formula. Tier 1 employees hired prior to July 15, 1977 and who remained continuously employed thru June 28, 2002, had their general member service retroactively upgraded to the safety plan formula. Tier 2 employees with seven (7) or more years of service, had 90% of their general member service upgraded to the safety plan formula. Tier 2 employees with less than seven (7) years of service, had 80% of their general member service upgraded to the safety plan formula. The County of Orange Probation department paid for the plan upgrade of service as did the employees by paying a 2% share of employer cost. Additionally, all of the Tier 2 employees were given an opportunity to pay the employee and employer contributions necessary to upgrade the remainder of their general service into the safety plan formula.



2003

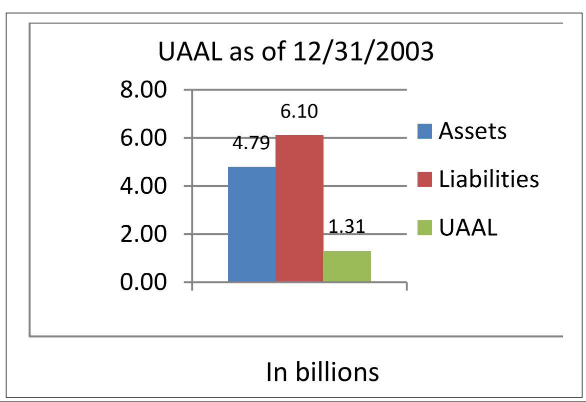
Development of UAAL for Year Ended December 31, 2003			
1.	**UAAL at beginning of year**		$ 978,079,531
3.	Total normal cost at middle of year		
4.	Amortization Payment		(58,355,527)
5.	Interest (7.5%)		78,359,367
6.	Expected UAAL		$ 998,083,371
7.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$ 287,828,001	
	b. Gain on salary increases	(103,234,000)	
	c. Loss on new retirees	119,420,000	
	d. Other experience (gain)/loss	4,898,374	
	e. Change in actuarial assumptions		
	f. Impact of new formula for City of San Juan Capistrano, and City of Rancho Santa Margarita	2,337,899	
	g. Total changes		311,250,274
8.	**UAAL at the end of the year**		$1,309,333,645

IMPACTING EVENTS

Despite a great year for the market, with the OCERS portfolio returning 19.84% in 2003, that wasn't enough to offset the smoothed losses of prior years continuing to be recognized in the valuation, with the UAAL growing by over $287 million on that basis alone.

Even with the lower salary growth assumption adopted in the previous year, member salaries did not grow as fast as anticipated, so while fewer contributions came in, that was offset by lower growth in pension liabilities, leading to a reduction in the UAAL of $103 million.

The cities of San Juan Capistrano and Rancho Santa Margarita adopted improved benefit formulas for their general service members, 2.7%@55 for San Juan Capistrano, and 2.5%@55 for Rancho Santa Margarita.



2004

Development of UAAL for Year Ended December 31, 2004

1.	**UAAL at beginning of year**		$1,309,334,000
2.	Changes in methods and procedures		106,630,000
3.	Total normal cost at middle of year		188,163,000
4.	Actual employer/member contributions		(279,940,000)
5.	Interest		102,756,000
6.	Expected UAAL		$1,426,943,000
7.	Actual (gain)/loss and other changes		
	a. Gain on investment	$(50,536,000)	
	b. Other experience (gain)/loss	19,372,000	
	c. Benefit improvements	365,409,000	
	d. Change in actuarial assumptions	579,681,000	
	e. Change to 3.5% inflation assumption and Entry Age Normal funding method	33,129,000	
	f. Change in investment return	(215,487,000)	
	g. Total changes		731,208,000
8.	**UAAL at the end of the year**		$2,158,151,000

IMPACTING EVENTS

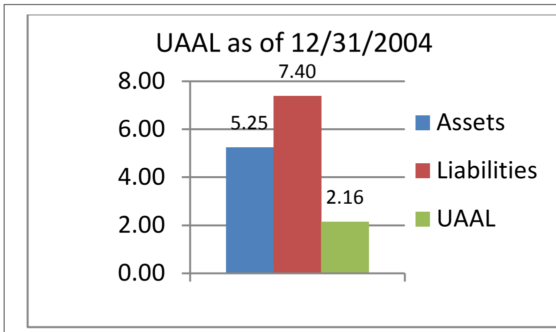
Two major events occurred in 2004, a change in actuarial services from Towers Perrin to The Segal Group led to a review and change in actuarial methods, procedures, and assumptions. There were also several retirement benefit formula improvements

Moving from one actuary to another is an uncommon event The change in valuation methods and procedures between Towers Perrin and The Segal Group led to an increase in the UAAL of $107 million. 2004 is the only year you will find the "Changes in Methods and Procedures" line entry capturing the impact of that change in this document.

In addition to reflecting a change in methods and procedures, the 2004 valuation also includes a number of basic actuarial assumption changes regarding future salary increases, rates of withdrawal at termination, and rates of retirement. Those changes added an additional $580 million to the UAAL.

An improvement in benefits as Probation members adopted the 3%@50 formula, Orange County Transportation Authority adopted 2.5%@55, and The County of Orange general members adopted 2.7%@55, increased the UAAL by $365 million.

A gain for the fund was the recognition that the current portfolio composition would earn an assumed rate of return of 7.75%, an increase over the previous 7.5%. That assumption that greater earnings would assist in offsetting costs lowered the UAAL by $215 million.



In billions

2005

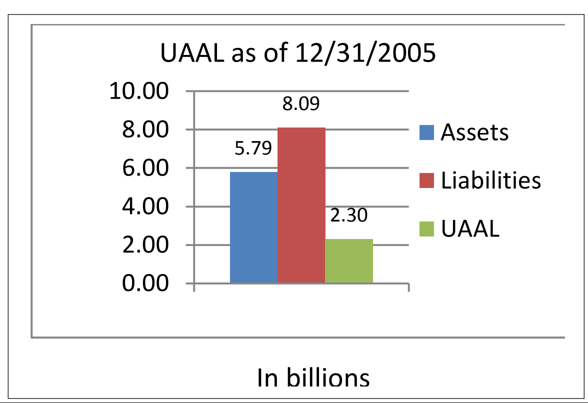
Development of UAAL for Year Ended December 31, 2005			
1.	**UAAL at beginning of year**		$2,158,151,000
2.	Total normal cost at middle of year		297,420,000
3.	Actual employer/member contributions		(345,111,000)
4.	Interest		165,409,000
5.	Expected UAAL		$2,275,869,000
6.	Actuarial (gain)/loss and other changes		
	a. Gain on investment	$(39,536,000)	
	b. Loss on salary increases	16,544,000	
	c. Change in methodology used to calculate benefits for deferred vested members	(15,335,000)	
	d. Other experience (gain)/loss	65,468,000	
	e. Benefit improvements		
	f. Change in actuarial assumptions		
	g. Total changes		27,141,000
7.	**UAAL at the end of the year**		$2,303,010,000

IMPACTING EVENTS

2005 is an example of how over the long term a defined benefit plan experiencing a period of rising costs can correct itself and move to a more stable norm. Though the UAAL rose just over $27 million in 2005, which was smaller as a percentage than the positive rise in the overall size of the portfolio, causing the funded status of the plan to improve from 70.85% at the start of the year, to 71.53% by the end of the year.

A positive return on the OCERS portfolio of 8.83%, exceeding the assumed earnings rate of 7.75%, allowed for application of a portion (after smoothing) of those investment gains to offset some larger losses where the economic and demographic experience through 2005 was negatively different from the actuarial assumptions.

A change in actuarial methodology used in calculating benefits for deferred vested members with reciprocal service led to a reduction in the UAAL of $15 million.



2006

Development of UAAL for Year Ended December 31, 2006			
1.	**UAAL at beginning of year**		$2,303,010,000
2.	Total normal cost at middle of year		300,072,000
3.	Actual employer/member contributions		(425,950,000)
4.	Interest		173,606,000
5.	Expected UAAL		$2,350,738,000
6.	Actuarial (gain)/loss and other changes		
	a. Gain on investment	$(112,612,000)	
	b. Loss on salary increases	21,679,000	
	c. Other experience (gain)/loss	39,155,000	
	d. Benefit improvements		
	e. Change in actuarial assumptions		
	f. Total changes		(51,778,000)
7.	**UAAL at the end of the year**		$2,298,960,000

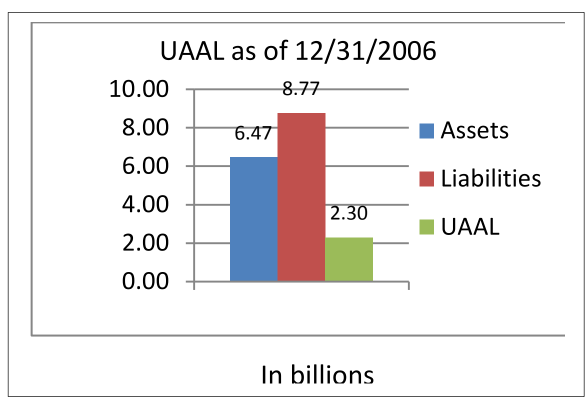
IMPACTING EVENTS

2006 is another example, like that of 2005, of how over the long term a defined benefit plan can correct itself and move to a more stable norm. In 2006 the UAAL dropped in relatively modest terms, by approximately $5 million. Overall however the funded status of the plan again improved, moving from 71.53% at the start of the year, to 73.77% by the end of the year. At the same time the aggregate employer contribution rate (the average of the County of Orange and all special districts combined) decreased from 24.27% of payroll to 24.01%. In turn, the aggregate employee's contribution rate similarly decreased from 10.39% of payroll to 10.36%.

Much of the positive movement in 2006 can be attributed to the 13.55% positive portfolio returns, exceeding the assumed earnings rate of 7.75%, allowing for application of a portion (after smoothing) of those investment gains towards the existing UAAL.

There were no benefit plan changes or any actuarial assumption changes in 2006.

The City of Rancho Santa Margarita did withdraw from OCERS in 2006 in order to move to CalPERS. There were no retirees with service earned with the City of Rancho Santa Margarita, so no long term pension liabilities were left behind with the OCERS plan upon the City's departure.



2007

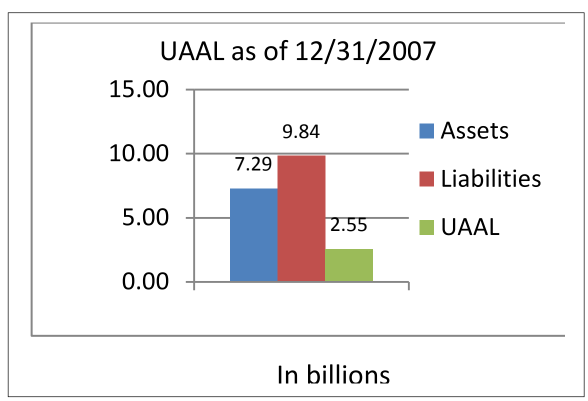
Development of UAAL for Year Ended December 31, 2007			
1.	**UAAL at beginning of year**		$2,298,960,000
2.	Total normal cost at middle of year		324,706,000
3.	Actual employer/member contributions		(486,212,000)
4.	Interest		171,911,000
5.	Expected UAAL		$2,309,365,000
6.	Actual (gain)/loss and other changes		
	a. Gain on investment	$(176,681,000)	
	b. Loss on salary increases	136,417,000	
	c. Other experience (gain)/loss	43,538,000	
	d. Benefit improvements		
	e. Change in actuarial assumptions	237,147,000	
	f. Total changes		240,421,000
7.	**UAAL at the end of the year**		$2,549,786,000

IMPACTING EVENTS

2007 saw a positive return on the OCERS portfolio of 10.75%, exceeding the assumed earnings rate of 7.75%, allowing for application of a portion (after smoothing) of those investment gains to offset some large changes in the actuarial assumptions.

Coming out of a triennial Actuarial Experience Study, analyzing the period of January 1, 2005 through December 31, 2007, a number of actuarial assumptions were changed in the areas of mortality, termination of membership, rates of retirement, salary growth, and annual payoffs, leading to an increase in the UAAL of approximately $237 million.

A benefit change for the Cemetery District, moving to a 2% of final average salary at age 55 for future service only, was too negligible to have an impact on plan funding.



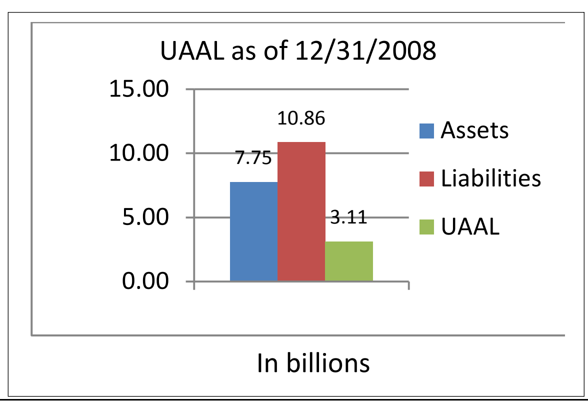
2008

Development of UAAL for Year Ended December 31, 2008			
1.	**UAAL at beginning of year**		$2,549,786,000
2.	Changes in methods and procedures		
3.	Total normal cost at middle of year		361,097,000
4.	Actual employer/member contributions		(532,656,000)
5.	Interest		190,961,000
6.	Expected UAAL		$2,569,188,000
7.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$257,752,000	
	b. Loss on salary increases	97,561,000	
	c. Loss on new retirements	54,911,000	
	d. Other experience (gain)/loss	17,159,000	
	e. Benefit improvements		
	f. Change in actuarial assumptions	115,764,000	
	g. Total changes		543,147,000
8.	**UAAL at the end of the year**		$3,112,335,000

IMPACTING EVENTS

2008 saw massive losses in the market by public pension systems across the country, with the Dow Jones Industrial Average (DJIA) down by -33.8%, the worst single year decline since the Great Depression. OCERS did remarkably well, declining by only -20.71%. Yet, even with smoothing of gains and losses in place, that decline led to a loss of $257.7 million that had to be recognized in the calculation of the 2008 UAAL.

Changes in service retirement rates for General members under improved benefit formulas required a change in actuarial assumptions, leading to an increase in the UAAL of $115.7 million.



2009

Development of UAAL for Year Ended December 31, 2009			
1.	**UAAL at beginning of year**		$3,112,335,000
2.	**Inclusion of Additional Premium Pay Items**		228,051,000
3	**ADJUSTED UAAL for beginning of year**		$3,340,386,000
4.	Changes in methods and procedures		
5.	Total normal cost at middle of year		396,025,000
6.	Actual employer/member contributions		(545,215,000)
7.	Interest		253,099,000
8.	Expected UAAL		$3,444,295,000
9.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	322,523,000	
	b. Gain on lower than expected salary increases	(77,858,000)	
	c. Other experience (gain)/loss	14,931,000	
	d. Benefit improvements		
	e. Change in actuarial assumptions		
	f. Total changes		259,596,000
8.	**UAAL at the end of the year**		$3,703,891,000

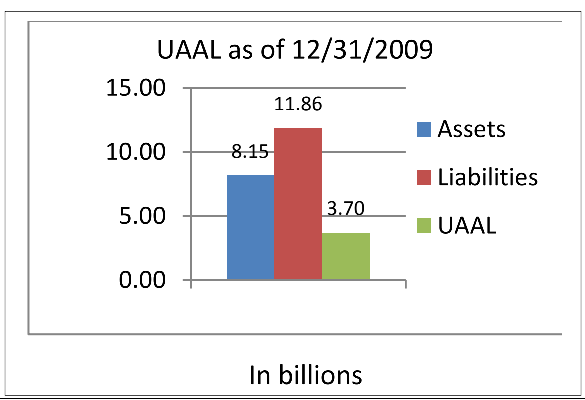
IMPACTING EVENTS

A major challenge for the 2009 valuation was the discovery, and inclusion of a pre-existing liability. The impact of "premium pay" [uniform allowance, bilingual requirements, etc.] on final compensation earnable had been underreported to the actuary since 2004. With proper reporting, the recognition of a liability that had been present, but unvalued, added an additional $228 million to the adjusted beginning UAAL figure for the year.

Despite increasing assets (on a market value) by over $1 billion in calendar year 2009, an 18.54% return, OCERS actually takes a loss on investments in 2009, in the amount of $322,523,000. Because OCERS smooths both gains and losses, only $120,722,000 of the gains in 2009 were recognized, while $444,350,000 of deferred losses had to be recognized in turn flowing out of the prior year 2008. Because there were some remaining gains to be recognized from prior years still being smoothed in as well, the actual calculation for the Loss on Investment in 2009 looked like this:

2005	$ 3,887,000
2006	64,826,000
2007	47,222,000
2008	(444,350,000)
2009	120,722,000
TOTAL	$(207,693,000)

The difference between the loss of $207.7 million from smoothing and the actual loss of $322.5 million recognized in the valuation was due to investment income that was not generated as the value of assets used in the valuation at the start of the year was actually more than the market value by about $1.5 billion.



2010

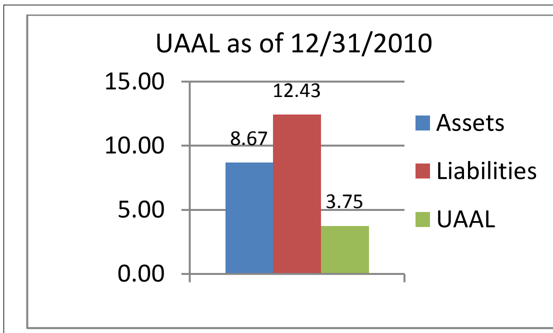
Development of UAAL for Year Ended December 31, 2010

1.	**UAAL at beginning of year**		$3,703,891,000
2.	Changes in methods and procedures		
3.	Total normal cost at middle of year		389,458,000
4.	Actual employer/member contributions		(565,242,000)
5.	Interest		280,240,000
6.	Expected UAAL		$3,808,347,000
7.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$224,044,000	
	b. Gain on lower than expected salary increases	(215,936,000)	
	c. Loss on new retirements		
	d. Other experience (gain)/loss	(63,174,000)	
	e. Benefit improvements		
	f. Change in actuarial assumptions		
	g. Total changes		(55,066,000)
8.	**UAAL at the end of the year**		$3,753,281,000

IMPACTING EVENTS

With continued economic stress, many of OCERS plan sponsors delayed filling vacancies, did not provide any cost-of-living adjustments to current salaries, and some even experienced wage reductions, combining to provide a large gain of more than $215 million in savings as future liabilities did not rise as quickly as the actuary assumed would be the case under normal market conditions.

Overall the system UAAL did increase by approximately $50 million, primarily due to lower than expected investment returns. While the system actually earned 11.74%, more than the assumed rate, due to smoothing, the ongoing recognition of losses coming out of 2008 continued to hold down any possible gain on investments. Still, this was an interesting year as even with a smoothed loss of $224 million, the funded ratio of the plan, that is total assets compared to total liabilities actually improved, moving from 68.77% the year prior to 69.79% at the end of 2010.



In billions

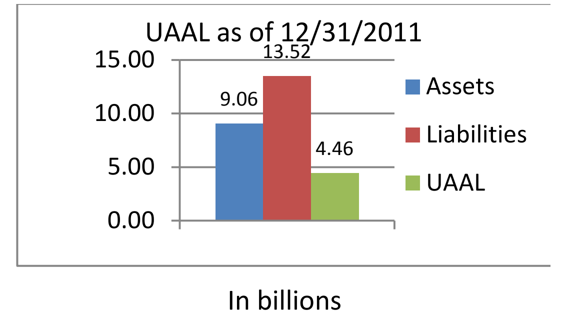
2011

Development of UAAL for Year Ended December 31, 2011			
1.	**UAAL at beginning of year**		$3,753,281,000
2.	Changes in methods and procedures		
3.	Total normal cost at middle of year		385,008,000
4.	Actual employer/member contributions		(598,271,000)
5.	Interest		282,615,000
6.	Expected UAAL		$3,822,633,000
7.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$388,935,000	
	b. Gain on lower than expected salary increases	(174,558,000)	
	c. Full-Time equivalent salary reporting adjustment for part time employees	73,448,000	
	d. Retiree continuance form code change	42,619,000	
	e. Reclassify some active members as deferred	(6,295,000)	
	f. Loss on new retirements		
	g. Other experience (gain)/loss	(52,001,000)	
	h. Benefit improvements		
	i. Change in actuarial assumptions	363,842,000	
	j. Total changes		635,990,000
8.	**UAAL at the end of the year**		$4,458,623,000

IMPACTING EVENTS

Every three years OCERS performs an experience study to determine how closely the actuary's assumptions are hewing to actual experience. The 2011 valuation was impacted by a number of assumption changes that flowed from the December 31, 2010 experience study, increasing the UAAL by $363,842,000. Those changes included (1) higher liability from recognition that General service retirees and all General and Safety beneficiaries were living longer than assumed, and (2) slightly higher individual salary increases, (3) offset to some degree by expectation of later service retirements, (4) fewer disability retirements, (5) more terminations and (6) slightly lower annual payoffs.

A very important change in an economic assumption also occurred, with the introduction of a 0.25% across the Board salary increase assumption. Though in the short term many OCERS plan sponsors have continued with layoffs, delayed hires, and reductions in overall salary payroll, the long term projection by the actuary is that salaries will increase. With the addition of this assumption, there is now a consideration that over long periods of time wage inflation will be higher than price inflation by 0.25% per year.



A major IT software conversion project also led OCERS to further refine the data reported to the actuary. Three of those data refinements had an impact on this year's UAAL as well:

Determining that full-time equivalent salaries (calculated by adjusting actual pensionable salaries with earnable salaries during those pay periods when the member is not working full-time) would more accurately reflect likely final compensation used to determine retirement benefits. That clarification added $73,448,000.

Confirming those retirees who have spouses eligible for a continued benefit following the member's death added $42,619,000.

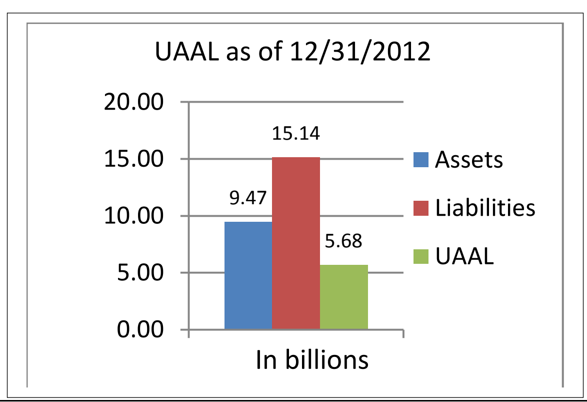
Confirming that some members who had been classified as active and therefore still accruing a liability, were in fact deferred and had reduced the UAAL by $6,295,000.

2012

Development of UAAL for Year Ended December 31, 2012			
1.	**UAAL at beginning of year**		$4,458,623,000
2.	Changes in methods and procedures		
3.	Total normal cost at middle of year		410,258,000
4.	Actual employer/member contributions		(627,964,000)
5.	Interest		337,107,000
6.	Expected UAAL		$4,578,024,000
7.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$387,808,000	
	b. Gain on lower than expected salary increases	(244,750,000)	
	c. Loss on new retirements		
	d. Other experience (gain)/loss	19,979,000	
	e. Benefit improvements		
	f. Change in actuarial assumptions	934,619,000	
	g. Total changes		1,097,656,000
8.	**UAAL at the end of the year**		$5,675,680,000

IMPACTING EVENTS

The 2012 valuation was impacted by economic assumption changes that flowed from the December 31, 2012 Review of Economic Actuarial Assumptions, increasing the UAAL by $934,619,000. Those changes included (1) decreasing the net investment return assumption from 7.75% per annum to 7.25% per annum, (2) decreasing the inflation assumption from 3.50% per annum to 3.25% per annum, and (3) increasing the current real "across the board" salary increase assumption from 0.25% to 0.50%. The $934,619,000 fully represents the effect of the change in earnings assumptions, as the cost impact of the other two (decrease inflation, increase salary assumptions) had a canceling effect on one another.



2013

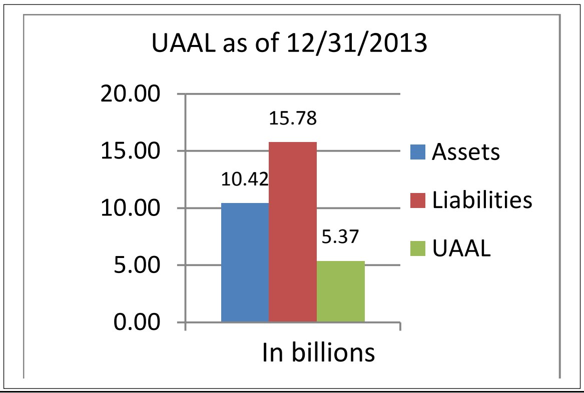
Development of UAAL for Year Ended December 31, 2013			
1.	**UAAL at beginning of year**		$5,675,680,000
2.	Changes in methods and procedures		
3.	Total normal cost at middle of year		457,762,000
4.	Actual employer/member contributions		(667,788,000)
5.	Interest		403,873,000
6.	Expected UAAL		$5,869,527,000
7.	Actuarial (gain)/loss and other changes		
	a. Gain on investment	$(176,930,000)	
	b. Gain on lower than expected salary increases	(294,326,000)	
	c. Loss on new retirements		
	d. Other experience (gain)/loss	(30,354,000)	
	e. Benefit improvements		
	f. Change in actuarial assumptions		
	g. Total changes		(501,610,000)
8.	**UAAL at the end of the year**		$5,367,917,000

IMPACTING EVENTS

The UAAL decreased in 2013 to $5,367,917,000. The decrease in unfunded liability is mainly due to higher than expected investment returns of $176 million (after smoothing), and lower than expected salary increases saving another $294 million. When salary growth is less than anticipated there is less payroll as a basis for spreading cost, but more importantly, for the UAAL, that lower salary growth means lower future earned benefit liabilities.

Through the end of 2017, there is an additional $262 million in deferred investment gains still to be recognized, which represents about 2% of the market value of assets. As noted in the introduction to this study, delaying the full recognition of such gains (or losses) allows for more stability in contribution rates. Were the full $262 million in deferred gains to be immediately recognized, OCERS funded ratio would rise from 65.99% to 67.65%.

Beginning with the December 31, 2013 valuation, OCERS began to include in the valuation report the decrease (or increase) in the UAAL by employer rate group (as found on pages 128 and 129 of the 2013 valuation). As of December 31, 2013, $3,872,000,000 of the UAAL is charged to general member service while the remaining $1,495,000,000 is related to safety member service.



2014

Development of UAAL for Year Ended December 31, 2014			
1.	**UAAL at beginning of year**		$5,367,917,000
2.	Changes in methods and procedures		
3.	Total normal cost at middle of year		454,221,000
4.	Expected employer/member contributions		(829,361,000)
5.	Interest		376,931,000
6.	Expected UAAL		$5,369,708,000
7.	Actuarial (gain)/loss and other changes		
	a. Gain from add'l UAAL contributions	$(151,485,000)	
	b. Loss from actual contributions less than expected	89,407,000	
	c. Gain from investment return	(9,570,000)	
	d. Gain from lower than expected salary increases	(125,746,000)	
	e. Gain from lower than expected COLA increases	(153,484,000)	
	f. Other experience (gain)/loss	66,554,000	
	g. Benefit improvements		
	h. Change in actuarial assumptions	(122,171,000)	
	i. Total changes		($406,495,000)
8.	**UAAL at the end of the year**		$4,963,213,000

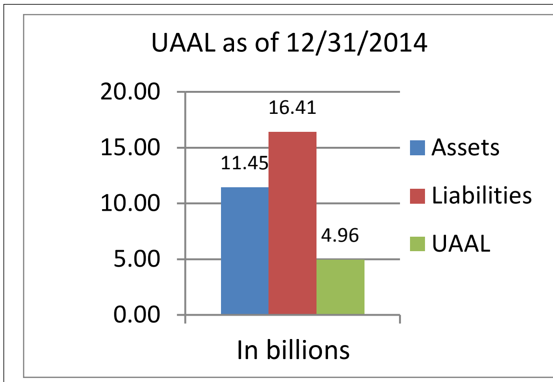
IMPACTING EVENTS

As in 2013, the UAAL once again decreased in 2014 to $4,963,213,000. A small investment gain of $9,570,000 was attributed to the fund recognizing prior year gains despite actually earning less than the assumed earnings rate of 7.25%. Additional factors contributing to the decrease in the UAAL included lower than expected salary increases, saving $125 million - when salary growth is less than anticipated there is less payroll as a basis for spreading cost, but more importantly, for the UAAL, that lower salary growth means lower future earned benefit liabilities. A $153,484,000 gain accrued due to low inflation as only 1.0% was statutorily granted in 2014 for retiree COLAs, despite the actuary having assumed a possible 3% (the maximum allowable) COLA when setting contribution rates.

The loss of $66,554,000 noted in the general category of "other experience" was primarily driven by more retirements than had been anticipated.

Beginning with the December 31, 2013 valuation, OCERS began to include in the valuation report the decrease (or increase) in the UAAL by employer rate group (as found on pages 139 and 140 of the 2014 valuation). As of December 31, 2014, $3,365,137,000 of the UAAL accrued from general member service while the remaining $1,598,076,000 accrued from safety member service.

A series of actuarial assumption changes led to a $122,701,000 reduction in the UAAL, with a net change to mortality (improved for safety members, but offset by a reduction among general members) comprising approximately $33,000,000 of that reduction.



2015

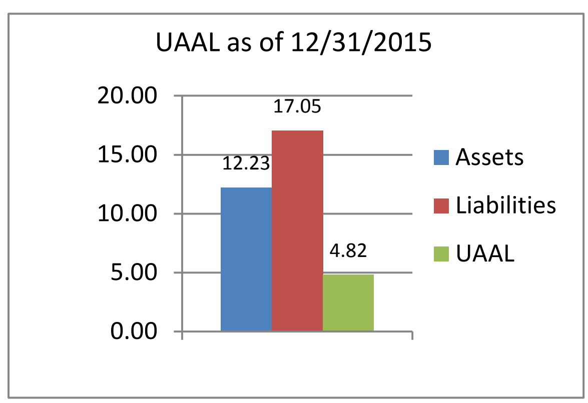
Development of UAAL for Year Ended December 31, 2015

1.	**UAAL at beginning of year**		$4,963,213,000
2.	Changes in methods and procedures		
3.	Total normal cost at middle of year		455,105,000
4.	Expected employer/member contributions		(822,863,000)
5.	Interest		347,804,000
6.	Expected UAAL		$4,943,259,000
7.	Actuarial (gain)/loss and other changes		
	a. Gain from add'l UAAL contributions	($69,852,000)	
	b. Loss from actual contributions less than expected	44,960,000	
	c. Loss from investment return	229,138,000	
	e. Gain from lower than expected COLA increases	(119,367,000)	
	f. Gain from lower than expected salary increases	(282,696,000)	
	g. Loss from higher than expected retirement experience increases	62,070,000	
	h. Other experience (gain)/loss	14,836,000	
	i. Total changes		($120,911,000)
8.	**UAAL at the end of the year**		$4,822,348,000

IMPACTING EVENTS

For the third year in a row, OCERS UAAL has decreased at a faster rate than would be expected if all assumptions were met. The UAAL at December 31, 2015 was $140,865 million lower than at the end of 2014 despite having net investment returns of -0.45%. Due to the smoothing of investment gains/losses over five years, the UAAL increased in 2015 by $229 million for earning less than assumed, but a deferred loss on investments of $680 million will be added to the UAAL over the next four years.

The current year's recognition of investment losses were offset by other gains which netted to a lower UAAL at the end of the year. The primary contributing factor for the decrease is actual salary increases being lower than assumed. As discussed in previous years, when salary growth is less than anticipated there is less payroll as a basis for spreading cost, but more importantly, for the UAAL, that lower salary growth means lower future earned benefit liabilities. In 2015, lower than expected salary growth resulted in lowering the UAAL by $283 million. Another factor that contributed to the decline in UAAL was having lower than expected COLA increases in benefit payments. Low inflation is still being experienced and as such, the Board granted retirees a 1.5% COLA in 2015 instead of the assumed maximum allowable COLA of 3%. This resulted in a reduction in the UAAL of $119 million. Lastly, additional UAAL contributions were made by OCFA and OC Sanitation District which contributed to a $70 million decrease in UAAL.



2016

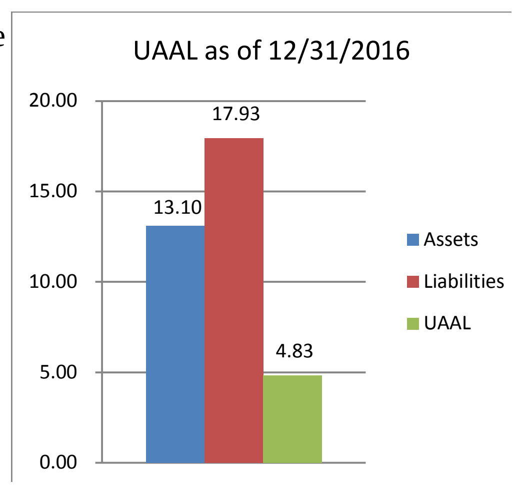
Development of UAAL for Year Ended December 31, 2016

1.	**UAAL at beginning of year**		$4,822,348,000
2.	Total normal cost at middle of year		442,698,000
3.	Expected employer/member contributions		(807,757,000)
4.	Interest		330,501,000
5.	Expected UAAL		$4,787,284,000
6.	Actuarial (gain)/loss and other changes		
	a. Gain from add'l UAAL contributions	($13,654,000)	
	b. Loss from actual contributions less than expected	5,142,000	
	c. Loss from investment return	113,103,000	
	d. Gain from lower than expected COLA increases	(186,039,000)	
	e. Loss from higher than expected salary increases	204,603,000	
	f. Loss from higher than expected retirement experience increases		
	g. Other experience (gain)/loss	12,631,000	
	h. Total changes		43,199,000
7.	**UAAL at the end of the year**		$4,830,483,000

<u>IMPACTING EVENTS</u>

Following three years of successive declines in the amount of OCERS UAAL, the December 31, 2016 valuation found the UAAL grew slightly by approximately $8 million in the last year. The UAAL growth occurred despite the portfolio earning 8.7% or $1,010 million which was higher than the assumed rate of return of 7.25% or $840 million. The resulting $170 million gain on investments for the current year, however, is not recognized immediately. Instead, it is "smoothed" into the actuarial valuation evenly over five years (20% each year). Smoothing of investment gains/losses is one of the actuarial levers used by pension systems to help reduce "cost shocks" by averaging investment performance over a period of time. By utilizing a five year smoothing method for investment gains/losses, plan sponsors are not faced with volatile contribution rates and they are able to budget for cost impacts due to investment performance over time.

The greater than assumed earnings achieved in 2016 does play a positive role in controlling system costs, even with the rise in the UAAL for the current year. By recognizing 20% of the $170 million in gains, or $34 million, in the current year, the amount of deferred investment losses from prior years was reduced. This will continue to be the case for the next four years as the remaining investment gains from 2016 are recognized in future valuations. For example, in the 2015 valuation, there were $169 million of net deferred losses related to investment performance between 2012 and 2015 that were scheduled to be recognized in the 2017 valuation. Now, when adding in the smoothed gains from 2016, the scheduled net deferred losses to be recognized



in the 2017 valuation are reduced to $135 million, a reduction of $34 million.

The future reduction in the recognition of deferred losses for 2017 through 2020 as a result of the 2016 investment gains can be seen when comparing the schedule on page 5 of the 2016 valuation with page 5 of the 2015 valuation.

The schedule above outlines many of the additional events that ultimately impacted the change in the UAAL as of December 31, 2016 when compared to the prior year.

Some employers made additional contributions to pay down their UAAL, resulting in the $13 million reduction. (line 6a)

Despite having earned $170 million more on our investments in 2016 than anticipated, the total smoothed gains and losses over the past five years led to the $113 million total smoothed loss that was recognized this year. (line 6c)

Inflation continues to run below the 3% annual cost of living allowance (COLA) assumption that is built into the valuation of retiree benefits. A 2% COLA was granted to retirees in 2016, which from an actuarial perspective reduced the UAAL by $186 million. The $186 million reduction represents the additional benefits related to COLA that would have otherwise been paid had inflation reached the assumed rate of 3%. (line 6d)

Finally, after having lagged assumptions for several years, salary increases in 2016 began to catch up in a significant way, exceeding the annual assumed projection of salary increases and adding an additional $204 million to the UAAL. (line 6e)

2017

Development of UAAL for Year Ended December 31, 2017

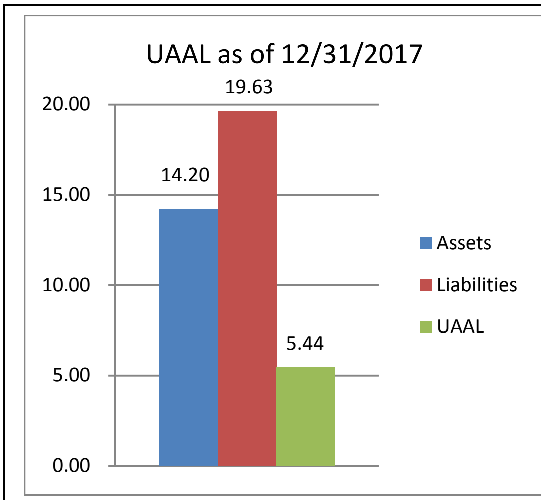
1.	**UAAL at beginning of year**		$4,830,483,000
2.	Additional UAAL Contributions from Children and Families and Law Library to pay-off UAAL		(3,800,000)
3.	UAAL at beginning of year after reflecting additional UAAL contributions from Children and Families and Law Library to pay-off UAAL		4,826,683,000
4.	Total normal cost at middle of year		468,525,000
5.	Expected employer and member contributions		(854,874,000)
6.	Interest		336,342,000
7.	Expected UAAL		4,776,676,000
8.	Actuarial (gain)/loss and other changes:		4,776,676,000
	a. Gain from additional UAAL	(36,348,000)	
	b. Loss from actual contributions less than expected	37,726,000	
	c. Gain from investment return	(24,401,000)	
	d. Gain from lower than expected COLA increases	(95,796,000)	
	e. Gain from higher than expected salary increases	(66,399,000)	
	f. Other experience loss	17,348,000	
	g. Gain from asset transfer from O.C. Sanitation District UAAL Deferred Account	(24,042,000)	
	h. Changes in actuarial assumptions	853,538,000	
	Total Changes		661,626,000
9.	**UAAL at the end of the year**		$5,438,302,000

IMPACTING EVENTS

2017 is an excellent example of the challenges that any public pension system faces in the short term.

The OCERS investment portfolio earned more than double what had been assumed, returning 14.74% or approximately $1.9 billion, and yet despite that the UAAL increased by nearly $608 million, decreasing the funded level of the system on a valuation value of assets basis from 73.1% to 72.3%.

Despite those great earnings, two things were balancing out those great returns, and Items 8(c) and (h) combined tell the story of what occurred:



Item 8 (c) shows that even with all those additional dollars flowing into the pension investment portfolio, only $24,401,000 was available to help lower the UAAL in the current valuation. First, that is because the system only recognizes one-fifth of any investment gain or loss in a given year, in a process called “smoothing” to help ensure our plan sponsors don’t face the volatility of wildly fluctuating contribution rates which would be the case were the entire investment gain or loss be immediately included with each year’s valuation. Second, the system had losses from prior years that were still being recognized or “smoothed” and offset a portion of those gains.

Still, even $24 million is a reduction to the UAAL. Now we move to Item 8(h) that tells the rest of the story.

Item 8(h) shows that the impact of updating the assumptions the OCERS Board of Trustees puts in place to help guide how much has to be saved in order to have the resources necessary to meet the pension promises made and those assumptions must be updated from time to time to reflect actual experience, and changing those assumptions can have a major financial impact. In 2017 the OCERS Board of Trustees recognized two primary challenges to the then current assumptions – the first and most impactful of those was mortality, our members are simply living longer than had been assumed in earlier years. And by living longer, the system needs more dollars than earlier anticipated in order to pay those additional benefits. Second, the financial markets have changed over time, especially after the Great Recession, and the recognition that finding solid, risk balanced investment opportunities would be challenging in the coming years, led the Board of Trustees to lower what it assumes it will earn on the investment portfolio from 7.25% to 7.0%.

The change in the mortality assumption alone added approximately $753 million to the UAAL. The change in the earnings assumption, offset by a reduction in the inflation assumption (from 3.00% to 2.75%) together with some other more minor changes to other assumptions such as the cost of living, added nearly $100 million more. Taken all together, the changes to the actuarial assumptions add more than $853 million to the UAAL.

A couple of other numbers to take note of –

Item 8(a) reflects the growing number of OCERS plan sponsors who have paid in additional dollars to the fund in order to lessen the cost of any UAAL attached to their particular employees. With OCERS now charging 7 cents in interest for every dollar in UAAL attributed to an employer, paying that liability down faster than under the current 20-year amortization plan can make a lot of financial sense.

Item 8(b) reflects the interest cost of the 18-month delay from the time that OCERS’ actuary completes an annual valuation, and the date that an employer and members must first begin paying the increased contribution rate. A necessary expense to allow employers the time to plan and budget for salary and pension expenses. Also, there is a contribution loss when the employer’s annual payroll grows at less than what is assumed in the valuation.

Item 8(d) reflects the savings gained by the fact that with lower inflation, OCERS only paid a 2% cost-of-living adjustment to our retired member’s benefits, though we actuarially budget for a 3% COLA that is possible under OCERS plan provisions.”

I-11

Memorandum

DATE: August 6, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **OCERS BY THE NUMBERS (2018 EDITION)**

Written Report

Background/Discussion

Attached is the 2018 edition of OCERS by the Numbers, based on the December 31, 2017 actuarial valuation.

OCERS has been producing this general informational document since 2009, with the majority of the statistical data drawn from each year's completed valuation report.

This document provides all stakeholders, no matter their point of view as to public pensions, with data-based facts regarding the OCERS plan.

Submitted by:

Steve Delaney
Chief Executive Officer

2018

OCERS by the Numbers

(*As of December 31, 2017 actuarial valuation*)

Table of Contents

Our Members Tell Our Story

OCERS members do not receive Social Security benefits for their years of service in our community so they depend on us to help them achieve a measure of financial security in retirement.

OCERS partners with 13 active Plan Sponsors (employers) to provide pension benefits for retirees and their beneficiaries. Our members include many different public servants, including deputy sheriffs, firefighters, probation officers, physicians, secretaries, bus drivers and their beneficiaries.

$750 mil. paid in pension benefits annually (as of Dec. 31, 2017)

$3,244 average monthly allowance for all General members

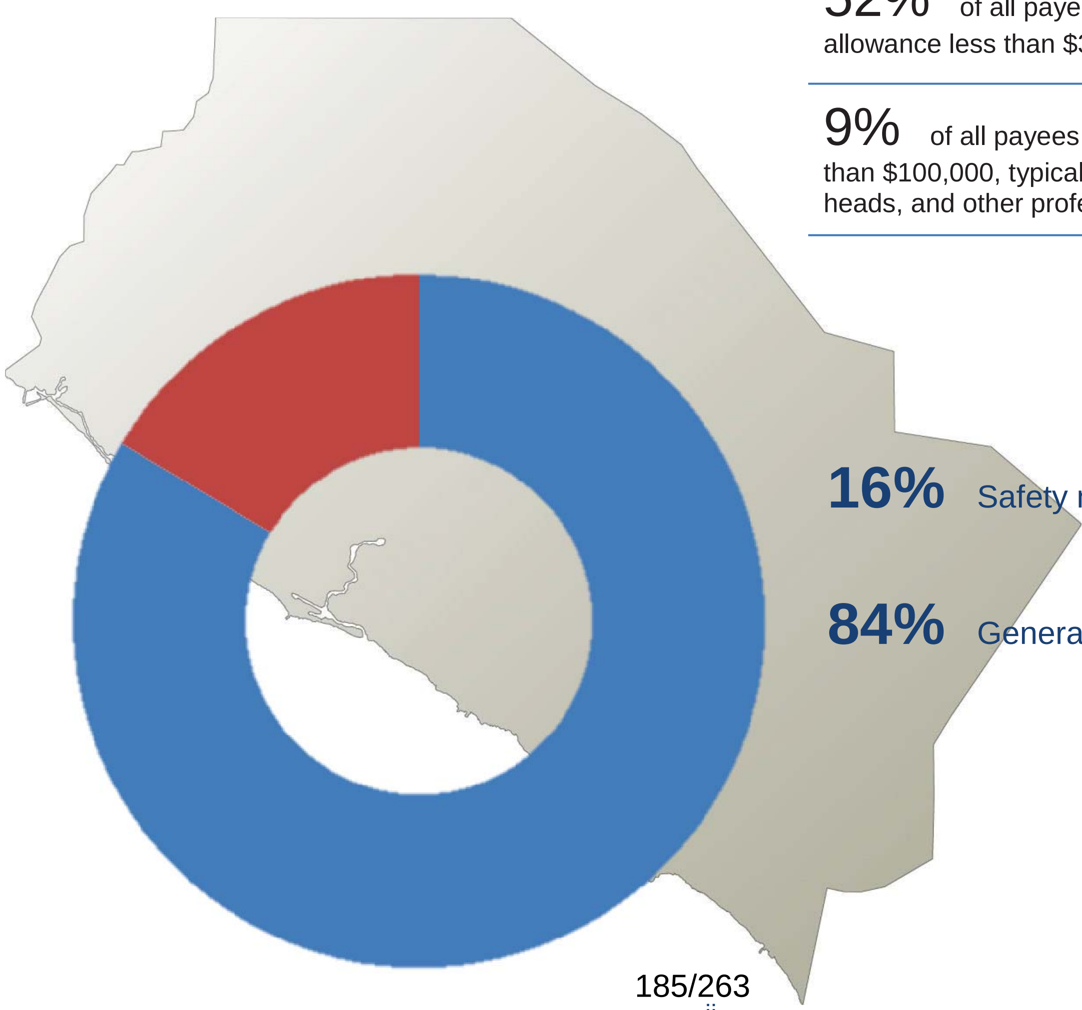
$6,017 average monthly allowance for all Safety members

$3,934 average monthly allowance for General members who retired with service retirement in 2017

$6,586 average monthly allowance for Safety members who retired with service retirement in 2017

52% of all payees receive a monthly allowance less than $3,000

9% of all payees receive a pension greater than $100,000, typically attorneys, department heads, and other professionals

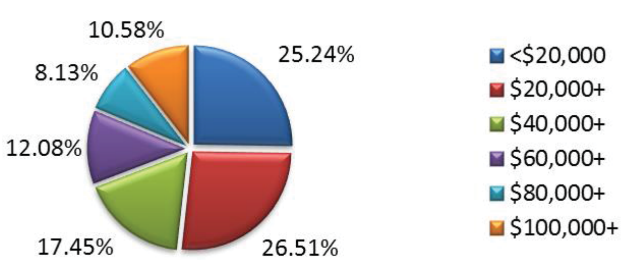


OCERS Pension Quick Facts

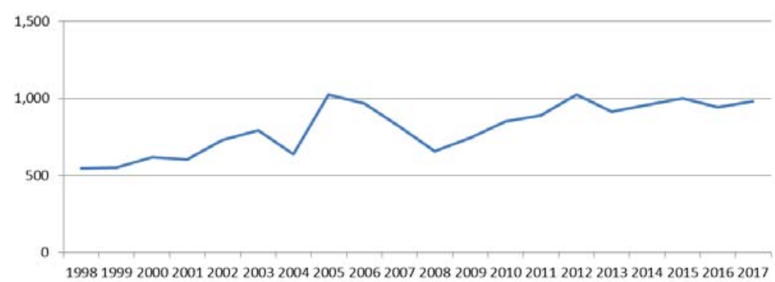
As of December 31, 2017

Quick Facts (For more details on retirees see pages 15–30)						
Members & Employers	**27,524** active & inactive members		**16,947** retirees, beneficiaries & survivors		**20** plan sponsors	**44,471** total membership
Pension Averages	**$3,244** monthly allowance for all General members and payees	**$6,017** monthly allowance for all Safety members and payees	**21** average years of service for General members who retired in 2017	**24** average years of service for Safety members who retired in 2017	**61 years old** average age at retirement for General members who retired in 2017	**55 years old** average age at retirement for Safety members who retired in 2017

Annual Pensions for Service Retirees



Retirement Trend
Retirees per year



FUNDING STATUS:
As of December 31, 2017 OCERS is approximately 72.30% funded based on the valuation value of assets of $14.2 billion in trust fund assets. The unfunded liability is estimated at $5.4 billion. (Segal Consulting)

CONTRIBUTION SOURCES:

Every dollar paid to OCERS pensioners comes from three sources:*

OCERS active members – 15¢

Employers – 32¢

Investment Earnings – 53¢

* Source: OCERS income to trust fund over last 20 years

Demographics

Orange County Employees Retirement System
As of December 31, 2017

Demographics

OCERS Active Plan Sponsors

City of San Juan Capistrano

County of Orange

Orange County Cemetery District

Orange County Children and Families Commission

Orange County Employees Retirement System

Orange County Fire Authority

Orange County In-Home Supportive Services Public Authority

Orange County Local Agency Formation Commission

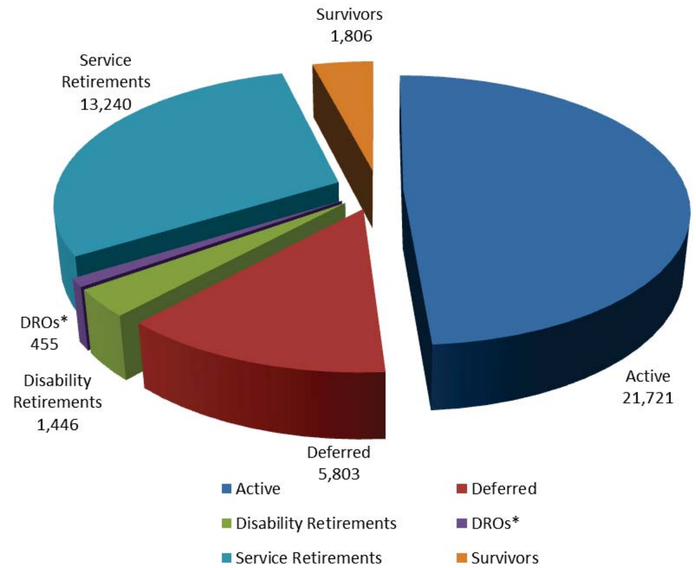
Orange County Public Law Library

Orange County Sanitation District

Orange County Superior Court

Orange County Transportation Authority

Transportation Corridor Agencies



* DRO: A court order dividing a pension benefit due to a divorce or legal separation.

OCERS Inactive Plan Sponsors

Capistrano Beach Sanitary District

City of Rancho Santa Margarita

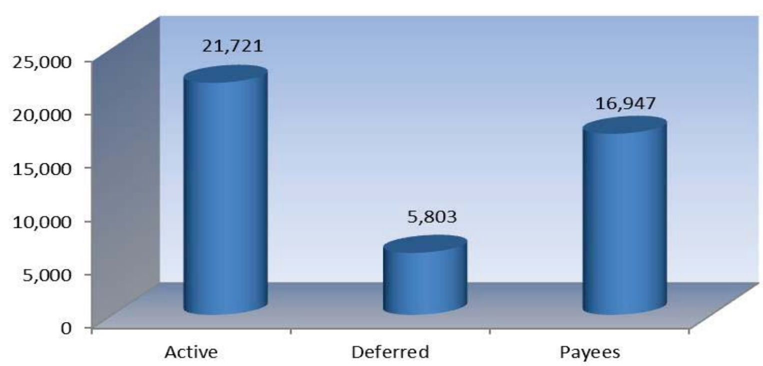
Cypress Recreation and Park District

Orange County Department of Education

Orange County Mosquito and Vector Control District

University of California, Irvine Medical Center

University of California, Irvine Campus



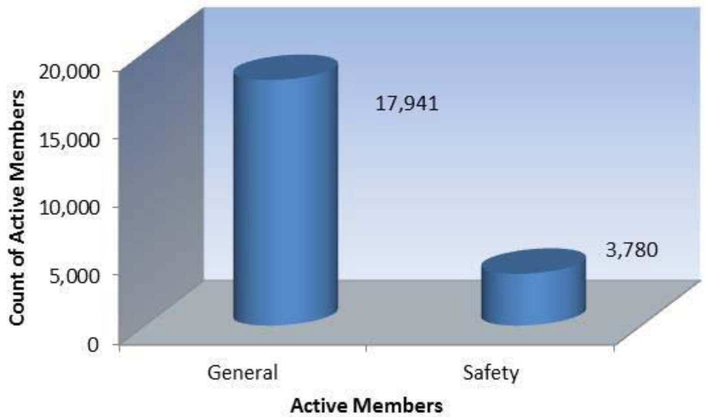
Count of Active, Deferred and Payee by Status
As of December 31, 2017

	General	Safety	Total
Active	17,941	3,780	21,721
Deferred	5,341	462	5,803
Payee	13,877	3,070	16,947
Total	37,159	7,312	44,471

Active Member Demographics

Count of Active Members by Status
As of December 31, 2017

	General	Safety	Total Count
Active	17,941	3,780	21,721

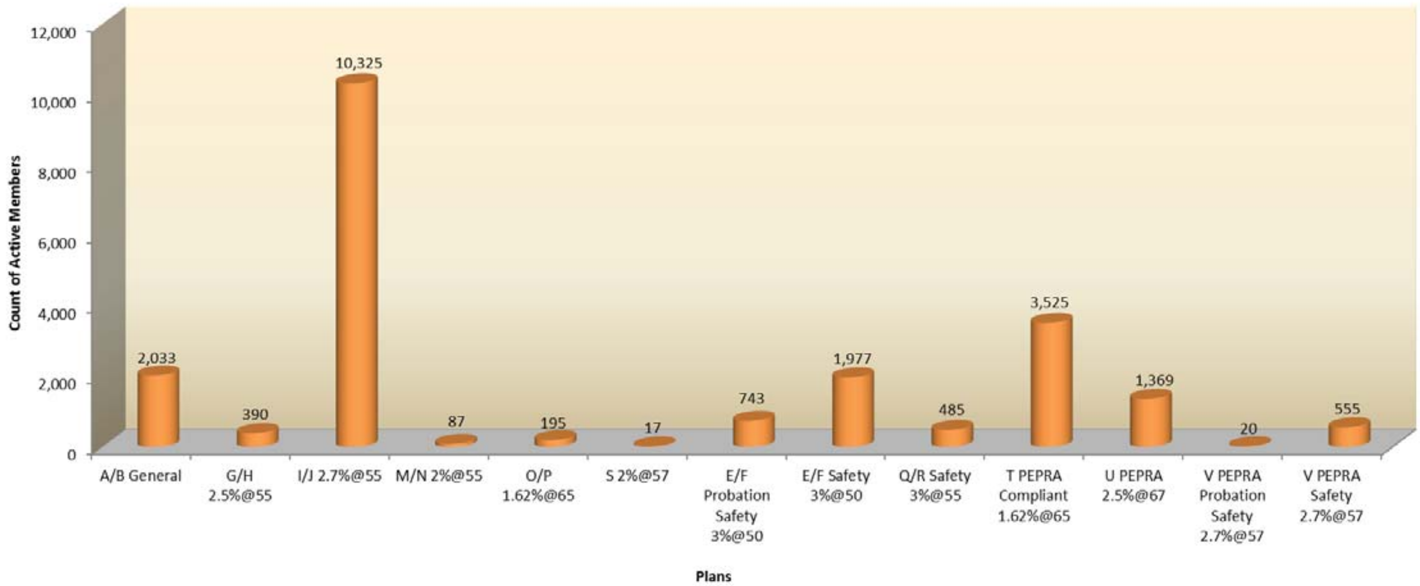


Count of Active Members by Plans and by Employers
As of December 31, 2017

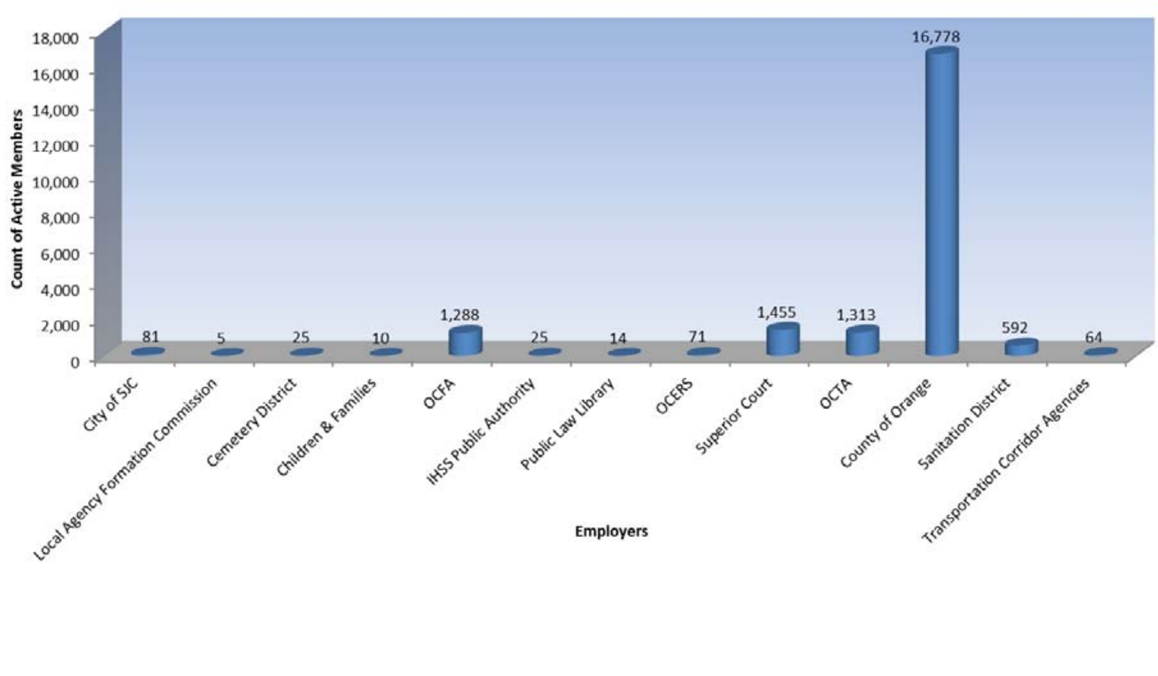
Retirement Plans

Employers	A/B General	G/H 2.5%@55	I/J 2.7%@55	M/N 2%@55	O/P 1.62%@65	S 2%@57	E/F Probation Safety 3%@50	E/F Safety 3%@50	Q/R Safety 3%@55	T PEPRA Compliant 1.62%@65	U PEPRA 2.5%@67	V PEPRA Probation Safety 2.7%@57	V PEPRA Safety 2.7%@57	Total
City of SJC			33			17					31			**81**
Local Agency Formation Commission			2							3				**5**
Cemetery District				18							7			**25**
Children & Families			5								5			**10**
OCFA			146	34				754	94		101		159	**1,288**
IHSS Public Authority	8										17			**25**
Public Law Library		13									1			**14**
OCERS			43							23	5			**71**
Superior Court			1,118		25					312				**1,455**
OCTA	1,147										166			**1,313**
County of Orange	820		8,978		170		743	1,223	391	3,187	850	20	396	**16,778**
Sanitation District	58	377									157			**592**
Transportation Corridor Agencies				35							29			**64**
Total	**2,033**	**390**	**10,325**	**87**	**195**	**17**	**743**	**1,977**	**485**	**3,525**	**1,369**	**20**	**555**	**21,721**

Count of Active Members by Plans
As of December 31, 2017

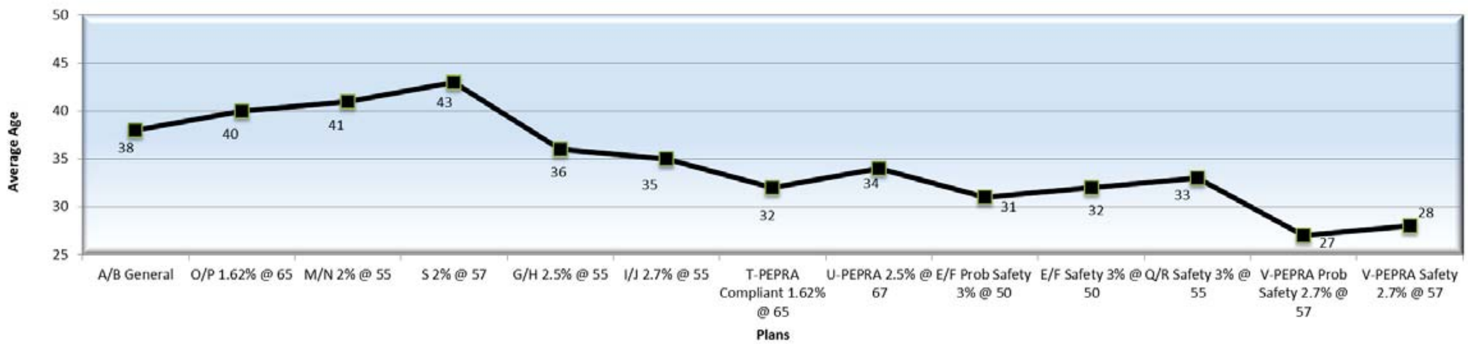


Count of Active Members by Employers
As of December 31, 2017



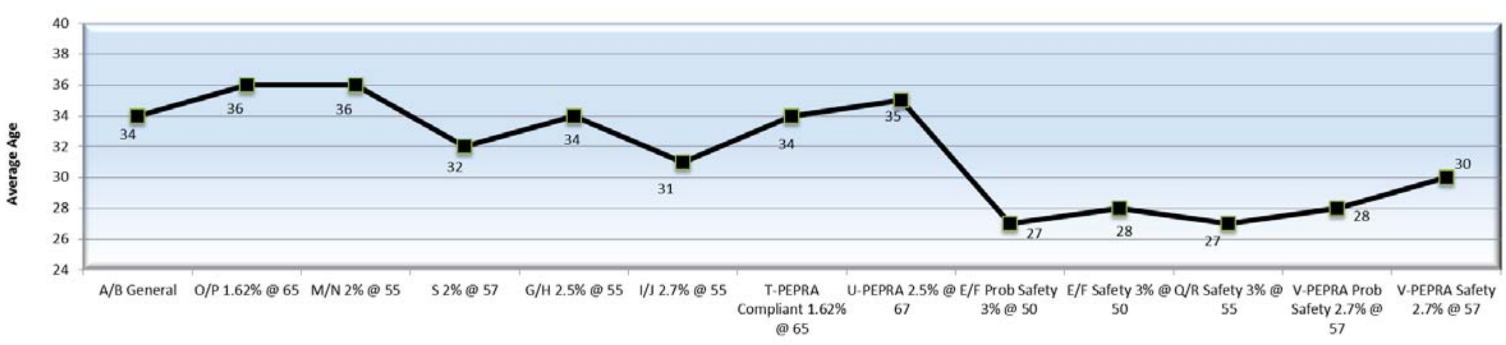
Average Entry Age of Active Members including Reciprocity by Plan Formula
As of December 31, 2017

	A/B General	O/P 1.62% @ 65	M/N 2% @ 55	S 2% @ 57	G/H 2.5% @ 55	I/J 2.7% @ 55	T PEPRA-Compliant 1.62% @ 65	U PEPRA 2.5% @67	E/F Probation Safety 3% @ 50	E/F Safety 3% @ 50	Q/R Safety 3% @ 55	V PEPRA Prob Safety 2.7% @ 57	V PEPRA Safety 2.7% @ 57	Average Entry Age
Average Entry Age by Plan	38	40	41	43	36	35	32	34	31	32	33	27	28	34



Average Entry Age of Active Members without including Reciprocity by Plan Formula
As of December 31, 2017

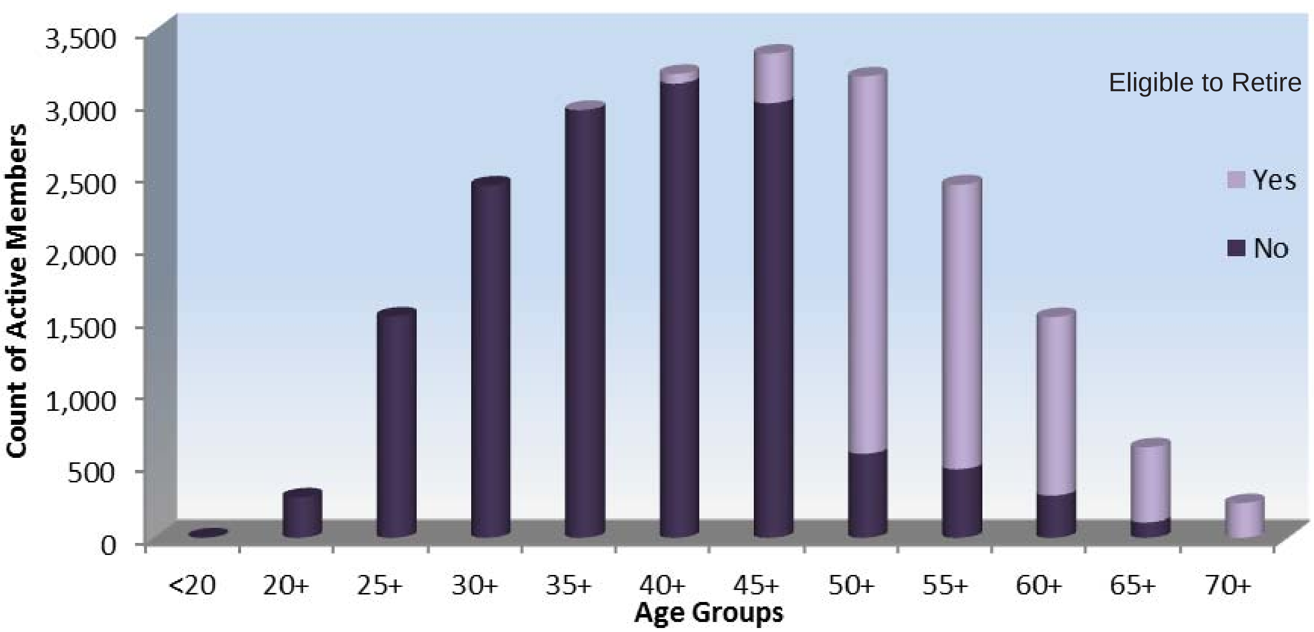
	A/B General	O/P 1.62% @ 65	M/N 2% @ 55	S 2% @ 57	G/H 2.5% @ 55	I/J 2.7% @ 55	T PEPRA-Compliant 1.62% @ 65	U PEPRA 2.5% @67	E/F Probation Safety 3% @ 50	E/F Safety 3% @ 50	Q/R Safety 3% @ 55	V PEPRA Prob Safety 2.7% @ 57	V PEPRA Safety 2.7% @ 57	Average Entry Age
Average Entry Age by Plan	34	36	36	32	34	31	34	35	27	28	27	28	30	32



Count of Active Members Eligible to Retire by Age Groups
As of December 31, 2017

Age Groups

Eligible to Retire	<20	20+	25+	30+	35+	40+	45+	50+	55+	60+	65+	70+	Total
No	3	279	1,525	2428	2,950	3,133	2,997	579	471	291	107		14,763
Yes					1	65	342	2,601	1,964	1,230	517	238	6,958
													21,721



Active Members – Eligible to Retire by Employers
As of December 2017

Plans	A & B General	G & H 2.5%@55	I & J 2.7%@55	M & N 2%@55	O & P 1.62%@65	S 2%@57	T PEPRA 1.62%@65	U PEPRA 2.5%@67	E & F Prob Safety 3%@50	E & F Safety 3%@50	Q & R Safety 3%@55	V PEPRA Safety 2.7%@57	Total Eligible to Retire	% Eligible by Employer
City of SJC			14			3		1					18	22%
Cemetery District				12									12	48%
Children & Families Comm			1										1	10%
OCFA			84	4						280	1	1	370	29%
IHSS Public Authority	3												3	12%
Public Law Library		9											9	64%
OCERS			18										18	25%
Superior Court			494		1		1						496	34%
OCTA	617												617	47%
County of Orange	315		3,979		9		12	2	273	583	5		5,178	31%
Sanitation District	7	208											215	36%
Transportation Corridor Agencies				21									21	33%
Total Eligible to Retire	942	217	4,590	37	10	3	13	3	273	863	6	1	6,958	32%
% Eligible By Plan	46%	56%	44%	43%	5%	18%	0%	0%	37%	44%	1%	0%		

(Percentages rounded)

Eligible to retire for plans A – S (Legacy plans for public employees hired before Jan 1, 2013 including reciprocity) if:

- 70 years old
- 50 years old and has 10 or more years of ***eligible service***
- Safety member has 20 years or more of ***eligible service at any age***
- General member has 30 years or more of ***eligible service at any age***

Eligible to retire for PEPRA compliant/alternative plans T and W if:
- 50 years old and has 10 or more years of ***eligible service***
- 70 years old

Eligible to retire for PEPRA plan U if:
- 52 years old and has 5 or more years of ***eligible service***
- 70 years old

Eligible to retire for PEPRA Safety plan V if:
- 50 years old and has 5 or more years of ***eligible service***
- 70 years old

Eligible Service = current service + incoming reciprocal service

	Tier 1 12 month measuring period	**Tier 2 (hired on or after Sep 21, 1979)** 36 month measuring period	
General	**G**	**H**	2.5% @ 55
	I	**J**	2.7% @ 55
	M	**N**	2% @ 55
	O	**P**	1.62% @ 65
		S	2% @ 57
	A	**B**	Other General Members
Safety	**C**	**D**	2% @ 50
	E	**F**	3% @ 50
	Q	**R**	3% @ 55

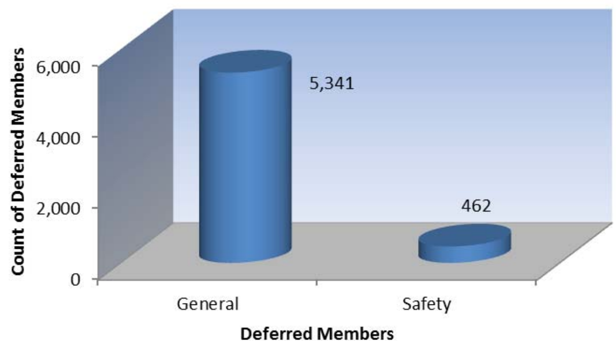
New Public Employees hired on or after Jan 1, 2013

General	**T & W**	1.62% @ 65
	U	2.5% @ 67
Safety	**V**	2.7% @ 57

Deferred Member Demographics

Count of Deferred Members by Status
As of December 31, 2017

	General	Safety	Total Count
Deferred	5,341	462	5,803

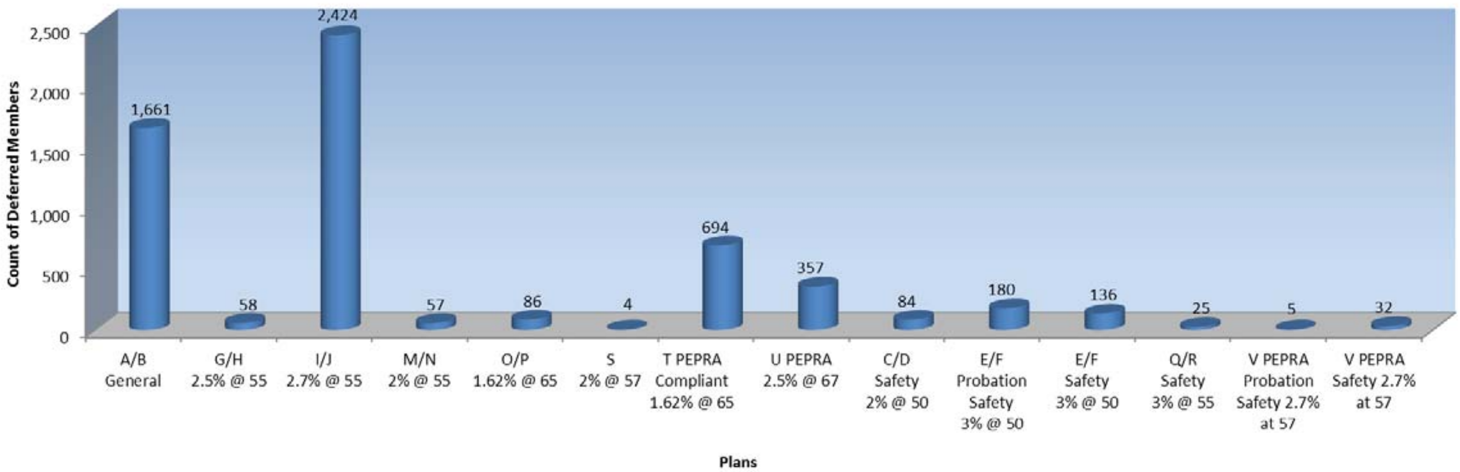


Count of Deferred Members by Plans and by Employers
As of December 31, 2017

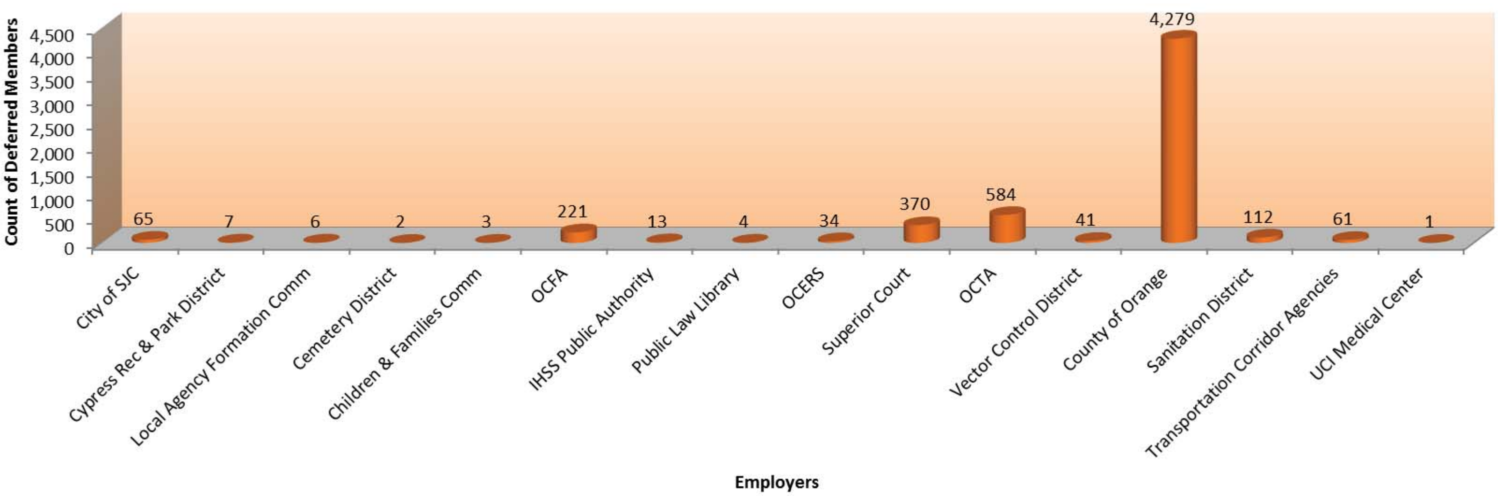
Retirement Plans

Employers	A/B General	G/H 2.5% @ 55	I/J 2.7% @ 55	M/N 2% @ 55	O/P 1.62% @ 65	S 2% @ 57	T PEPRA Compliant 1.62% @ 65	U PEPRA 2.5% @ 67	C/D Safety 2% @ 50	E/F Probation Safety 3% @ 50	E/F Safety 3% @ 50	Q/R Safety 3% @ 55	V PEPRA Probation Safety 2.7% at 57	V PEPRA Safety 2.7% at 57	Total
City of SJC	7		46			4		8							65
Cypress Rec & Park District	7														7
Local Agency Formation Comm			3		2		1								6
Cemetery District				2											2
Children & Families Comm			3												3
OCFA	9		81	11				53	5		43	3		16	221
IHSS Public Authority	3							10							13
Public Law Library	2	2													4
OCERS	1		24				6	3							34
Superior Court	17		265		12		76								370
OCTA	536							48							584
Vector Control District	41														41
County of Orange	989		2,002		72		611	210	79	180	93	22	5	16	4,279
Sanitation District	37	56						19							112
Transportation Corridor Agencies	11			44				6							61
UCI Medical Center	1														1
Total	1,661	58	2,424	57	86	4	694	357	84	180	136	25	5	32	5,803

Count of Deferred Members by Plans
As of December 31, 2017



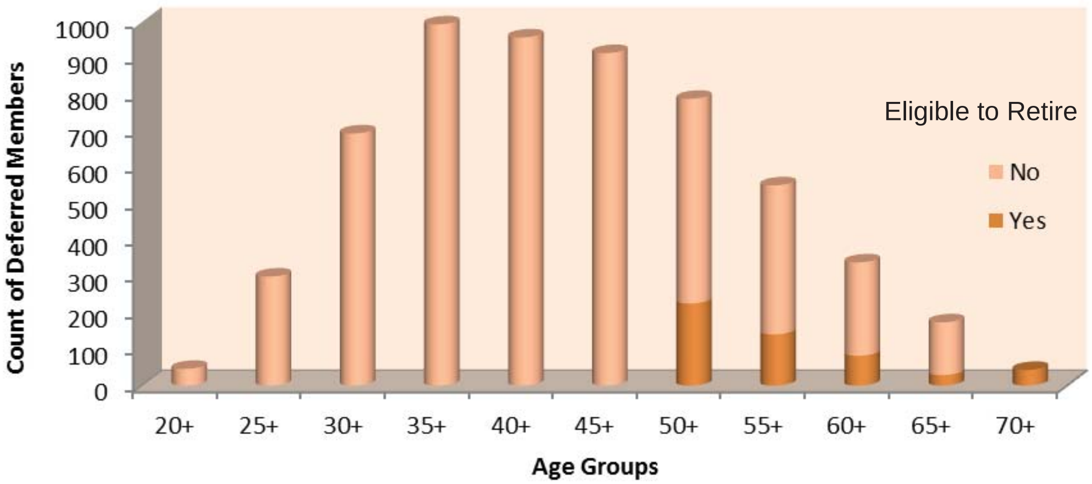
Count of Deferred Members by Employers
As of December 31, 2017



Count of Deferred Members Eligible to Retire by Age Groups
As of December 31, 2017

Age Groups

Eligible to Retire	20+	25+	30+	35+	40+	45+	50+	55+	60+	65+	70+	Total
No	46	300	694	994	958	915	563	410	257	145		5,282
Yes							226	141	82	29	43	521
												5,803



Count of Deferred Members - Eligible to Retire by Employers
As of December 2017

Plans	A/B	G/H 2.5%@55	I/J 2.7%@55	M/N 2%@55	O/P 1.62@65	T 1.62%@65	C/ D Safety 2%@50	E/F Prob Safety 3%@50	E/F Safety 3%@50	Eligible to Retire	% Eligible by Employer
City of SJC	3		9							**12**	**18%**
Cypress Rec & Park District	4									**4**	**57%**
OCFA	5		3	1			4		5	**18**	**8%**
Public Law Library	1	1								**2**	**50%**
OCERS	1		5							**6**	**18%**
Superior Court	2		21							**23**	**6%**
OCTA	96									**96**	**16%**
Vector Control	23									**23**	**56%**
County of Orange	320		175		1	3	45	20	18	**582**	**14%**
Sanitation District	10	3								**13**	**12%**
Transportaion Corridor Agencies				7						**7**	**11%**
UCI Medical Center	1									**1**	**100%**
Total Eligible to Retire	**466**	**4**	**213**	**8**	**1**	**3**	**49**	**20**	**23**	**787**	**14%**
% Eligible by Plan	**28%**	**7%**	**9%**	**14%**	**1%**	**0%**	**58%**	**11%**	**17%**		

Eligible to retire for plans A – S (Legacy plans for public employees hired before Jan 1, 2013 including reciprocity) if:
- 70 years old

- 50 years old and has 10 or more years of ***eligible service***

- Safety member has 20 years or more of ***eligible service at any age***

- General member has 30 years or more of ***eligible service at any age***

Eligible to retire for PEPRA compliant/alternative plans T & W if:
- 50 years old and has 10 or more years of ***eligible service***
- 70 years old

Eligible to retire for PEPRA plan U if:
- 52 years old and has 5 or more years of ***eligible service***
- 70 years old

Eligible to retire for PEPRA Safety plan V if:
- 50 years old and has 5 or more years of ***eligible service***
- 70 years old

Eligible Service = current service + incoming reciprocal service

	Tier 1	**Tier 2 (hired on or after Sep 21, 1979)**	
	12 month measuring period	36 month measuring period	
General	**G**	**H**	2.5% @ 55
	I	**J**	2.7% @ 55
	M	**N**	2% @ 55
	O	**P**	1.62% @ 65
		S	2% @ 57
	A	**B**	Other General Members
Safety	**C**	**D**	2% @ 50
	E	**F**	3% @ 50
	Q	**R**	3% @ 55

New Public Employees hired on or after Jan 1, 2013

General	**T & W**	1.62% @ 65
	U	2.5% @ 67
Safety	**V**	2.7% @ 57

Retiree & Beneficiary Demographics (Payees)

Retiree & Beneficiary Demographics

All benefit recipients as of December 31, 2017

• For General members:	12,089
• For General member survivors and other payees:	1,788
• For Safety members:	2,597
• For Safety member survivors and other payees:	473
Total Benefit Recipients:	16,947

Average age at retirement for members who retired with a service retirement in 2017

- For General members: 60.79 years old
- For Safety members: 55.09 years old

Average years of service for members who retired with a service retirement in 2017

- Average years of service at retirement for General members: 21.41
- Average years of service at retirement for Safety members: 23.92

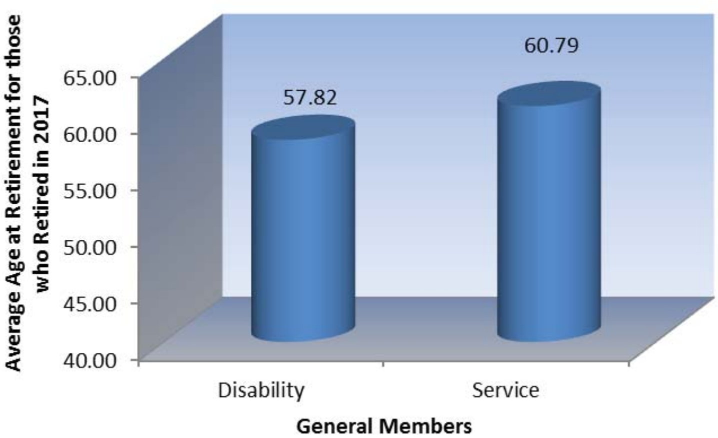
Average years of service for all General and Safety members who retired with service and disability retirements as of December 31, 2017: 21.68

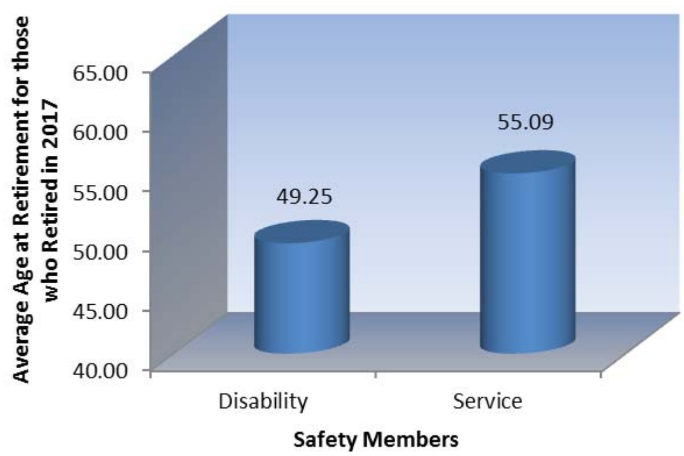
Average Years Into Retirement of Currently Retired Members
As of December 31, 2017

	Service			Disability			Total
	General	Safety 2%	Safety 3%	General	Safety 2%	Safety 3%	
Capistrano Beach Sanitary District	3 8.58						3 8.58
City of San Juan Capistrano	105 10.39			6 16.90			111 10.74
Cypress Recreation & Park District	16 12.80						16 12.80
Department of Education	19 19.76						19 19.76
Local Agency Formation Comm.	5 5.11						5 5.11
Cemetery District	4 11.72						4 11.72
Children & Families Comm.	9 5.36						9 5.36
OCFA	157 7.62	49 16.95	363 7.84	10 13.99	33 18.96	131 8.48	743 9.08
IHSS Public Authority	2 2.02						2 2.02
Public Law Library	11 8.69						11 8.69
OCERS	32 9.72			3 18.27			35 10.45
Superior Court	808 8.23			13 10.23			821 8.27
OCTA	899 9.58			258 17.15			1,157 11.27
Vector Control District	32 12.23						32 12.23
County of Orange	8,390 12.27	453 18.26	1,177 7.52	576 18.34	215 16.15	160 8.45	10,971 12.54
City of Rancho Santa Margarita	1 1.81						1 1.81
Sanitation District	357 9.52			14 17.98			371 9.84
Transportation Corridor Agencies	43 7.38						43 7.38
UCI Campus	15 15.27			1 13.55			16 15.16
UCI Medical Center	192 21.83			11 23.54			203 21.92
Average	11,100 11.73	502 18.13	1,540 7.59	892 17.87	248 25.20	291 8.46	14,573 12.05

Average Age at Retirement by Employer and Benefit Type For Those That Retired With An Effective Retirement Date in 2017

	General				Safety		
	Disability	Service	Total		Disability	Service	Total
City of San Juan Capistrano		54.78	**54.78**				
Children and Families Comm		56.34	**56.34**				
OCFA		57.33	**57.33**		56.92	58.07	**57.99**
IHSS Public Authority		70.37	**70.37**				
Public Law Library		66.19	**66.19**				
OCERS		50	**50**				
Superior Court		58.97	**58.97**				
OCTA	59.47	61.98	**61.94**				
Vector Control District		51.5	**51.5**				
County of Orange	57.39	61.14	**61.1**		44.14	54.33	**54.04**
Sanitation District		59.77	**59.77**				
Transportation Corridor Agencies		60.72	**60.72**				
Average	**57.82**	**60.79**	**60.76**		**49.25**	**55.09**	**54.87**





Average Retirement Age for Service and Disability Retirements Combined over last 10 years

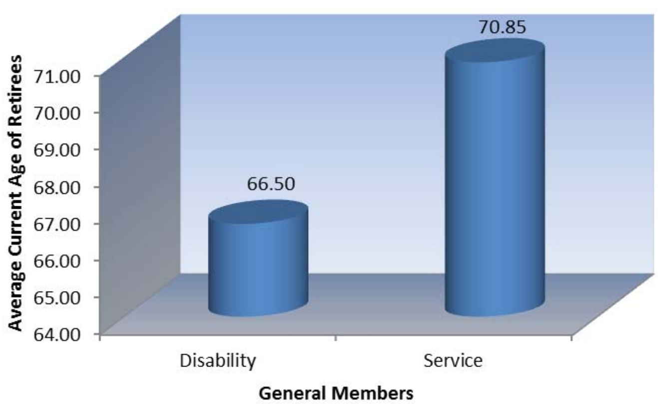
Years Ended December 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General	59.82	60.31	60.55	60.65	60.42	61.32	60.79	59.37	59.44	60.79
Safety	54.03	54.98	54.18	54.56	54.33	54.80	54.06	53.51	53.58	55.09

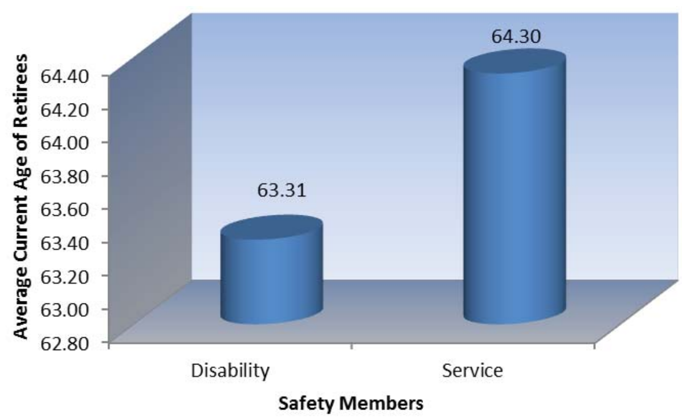
Average Years of Service at Retirement by Employer and Benefit Type
For Those That Retired With an Effective Retirement Date in 2017

	General			Safety		
	Disability	Service	Total	Disability	Service	Total
City of San Juan Capistrano		13.52	**13.52**			
Children and Families Comm		18.88	**18.88**			
OCFA		18.23	**18.23**	4.33	25.48	**23.97**
IHSS Public Authority		10.73	**10.73**			
Public Law Library		16.40	**16.40**			
OCERS		15.00	**15.00**			
Superior Court		21.62	**21.62**			
OCTA	17.86	18.54	**18.53**			
Vector Control District		15.22	**15.22**			
County of Orange	10.31	21.74	**21.63**	16.83	23.52	**23.33**
Sanitation District		25.79	**25.79**			
Transportation Corridor Agencies		20.83	**20.83**			
Average	**11.57**	**21.41**	**21.32**	**11.83**	**23.92**	**23.46**

Average Age of Retirees by Employer and Benefit Type
As of December 31, 2017

	General			Safety		
	Disability	Service	Total	Disability	Service	Total
Capistrano Beach Sanitary District		71.44	**71.44**			
City of San Juan Capistrano	61.44	67.49	**67.17**			
Cypress Recreation & Park District		69.07	**69.07**			
Department of Education		80.70	**80.70**			
Local Agency Formation Comm.		61.91	**61.91**			
Cemetery District		75.79	**75.79**			
Children & Families Comm.		64.33	**64.33**			
OCFA	61.44	65.34	**65.11**	65.15	64.49	**64.68**
IHSS Public Authority		62.79	**62.79**			
Public Law Library		71.78	**71.78**			
OCERS	69.69	69.81	**69.80**			
Superior Court	64.11	67.50	**67.45**			
OCTA	65.88	69.84	**68.96**			
Vector Control District		72.39	**72.39**			
County of Orange	66.71	71.37	**71.07**	62.51	64.25	**63.92**
City of Rancho Santa Margarita		72.95	**72.95**			
Sanitation District	66.57	67.79	**67.75**			
Transportation Corridor Agencies		68.59	**68.59**			
UCI Medical Campus	66.62	72.89	**72.50**			
UCI Medical Center	78.35	79.50	**79.43**			
Average	**66.50**	**70.85**	**70.53**	**63.31**	**64.30**	**64.09**





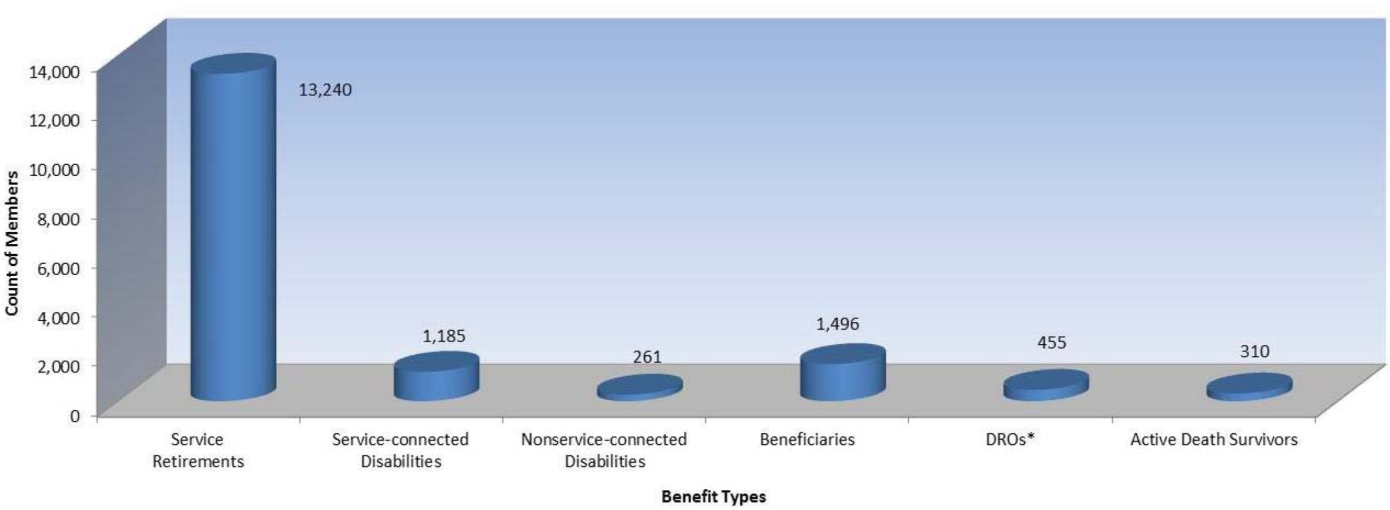
Benefit Recipients by Employers and Plans
As of December 31, 2017

	A & B General	G & H 2.5% @ 55	I & J 2.7% @ 55	M & N 2% @ 55	O & P 1.62% @ 65	T PEPRA - Compliant 1.62% @ 65	U PEPRA 2.5% @ 67	C & D Safety 2% @ 50	E & F Probation Safety 3% @ 50	E & F Safety 3% @ 50	Q & R Safety 3% @ 50	V PEPRA Safety 2.7% @ 57	Total Payees
Capistrano Beach Sanitary District	4												4
City of San Juan Capistrano	65		60										125
Cypress Recreation & Park District	21												21
Department of Education	20												20
Local Agency Formation Comm.	1		4										5
Cemetery District	7			2									9
Children & Families Comm.	1		10										11
OCFA	48		130	1				99		576		1	855
IHSS Public Authority	2												2
Public Law Library	5	6											11
OCERS	15		24										39
Superior Court	136		732										868
OCTA	1,328												1,328
Vector Control District	35												35
County of Orange	5,318		5,131		3	2		868	226	1,298	2		12,848
City of Rancho Santa Margarita		1											1
Sanitation District	150	309											459
Transportation Corridor Agencies	14			33			1						48
UCI Campus	16												16
UCI Medical Center	242												242
Total	**7,428**	**316**	**6,091**	**36**	**3**	**2**	**1**	**967**	**226**	**1,874**	**2**	**1**	**16,947**

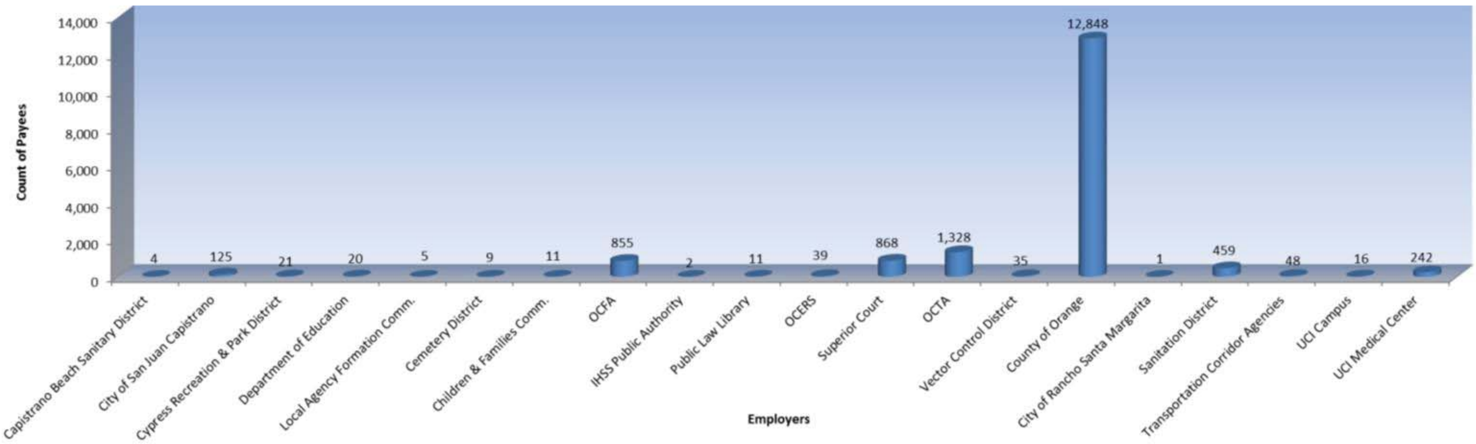
Benefit Recipients by Benefit Types
As of December 31, 2017

Service Retirements	Service-connected Disabilities	Nonservice-connected Disabilities	Beneficiaries	DROs*	Active Death Survivors	Total Payees
13,240	1,185	261	1,496	455	310	16,947

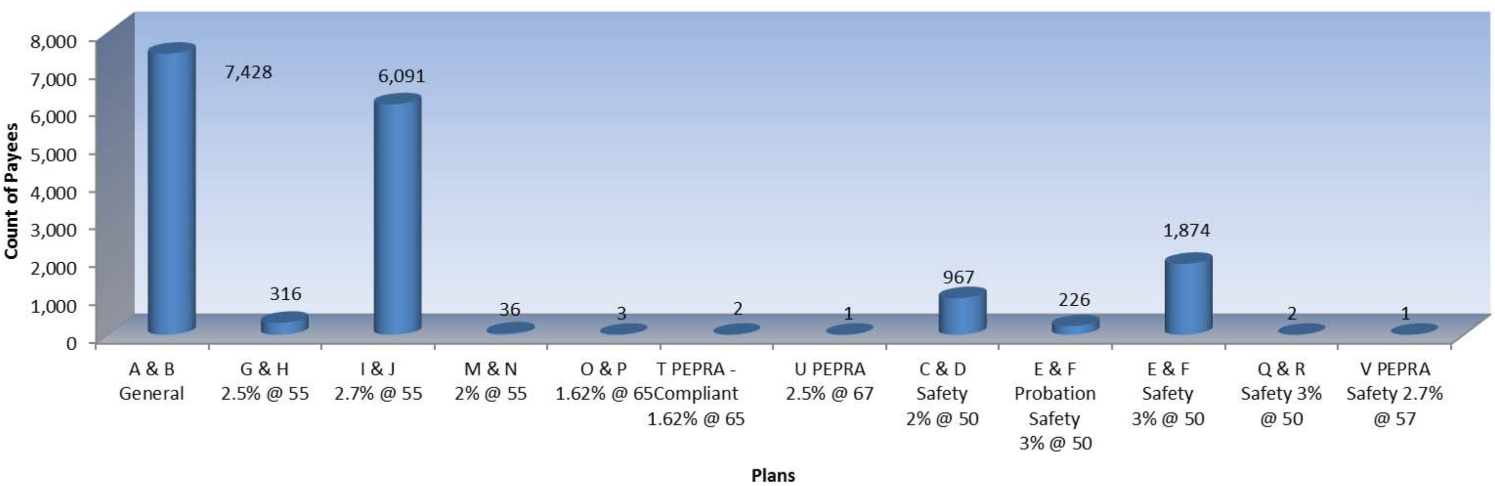
* DRO: A court order dividing a pension benefit due to a divorce or legal separation.



Benefit Recipients by Employers
As of December 31, 2017



Benefit Recipients by Plans
As of December 31, 2017



Benefit Recipients by Payment Options
December 31, 2017

Monthly Benefit	Unmodified	Option1	Option2	Option3	Option4	DRO Benefit	Annuity Only	Total Payees
$001-500	710	1	30	2	2	73	8	826
$501-1,000	1,425	1	47	1	2	96		1,572
$1,001-1,500	1,676	1	45	3	1	91		1,817
1,501-2,000	1,485	1	36	5	2	58		1,587
$2,001-2,500	1,526		29		6	48		1,609
$2,501-3,000	1,356		16	4	2	35		1,413
$3,001-3,500	1,062	1	23	3	2	25		1,116
$3,501-4,000	923	1	10	2	8	11		955
$4,001-4,500	812		16	2	4	4		838
$4,501-5,000	729		17	2	4	5		757
$5,001-5,500	583		15	1	4	7		610
$5,501-6,000	554	1	7		5	1		568
$6,001-6,500	455		10		4	1		470
$6,501-7,000	417	1	4		5			427
Over $7,000	2,345	1	23	2	11			2,382
Total	**16,058**	**9**	**328**	**27**	**62**	**455**	**8**	**16,947**
Percentage	**94.75%**	**0.05%**	**1.94%**	**0.16%**	**0.37%**	**2.68%**	**0.05%**	**100.00%**

Definition of Payment Options

Unmodified: This option provides the maximum lifetime retirement allowance with a 60 percent continuance to an eligible spouse, qualified domestic partner or eligible child for service retirement and 100 percent for service-connected disability retirement.

Option 1: Cash refund annuity. This option provides a reduced lifetime monthly allowance and a refund of any of the remaining member's contributions to the designated beneficiary.

Option 2: A 100 percent joint and survivor annuity. This option provides a reduced lifetime monthly allowance with the same monthly allowance to the designated beneficiary for the remainder of his or her lifetime.

Option 3: A 50 percent joint and survivor annuity. This option provides a reduced lifetime monthly allowance with 50 percent of the monthly allowance to the designated beneficiary for the remainder of his or her lifetime.

Option 4: This option allows multiple lifetime monthly allowances to designated beneficiaries and varying payment percentages if approved in advance by the Retirement Board.

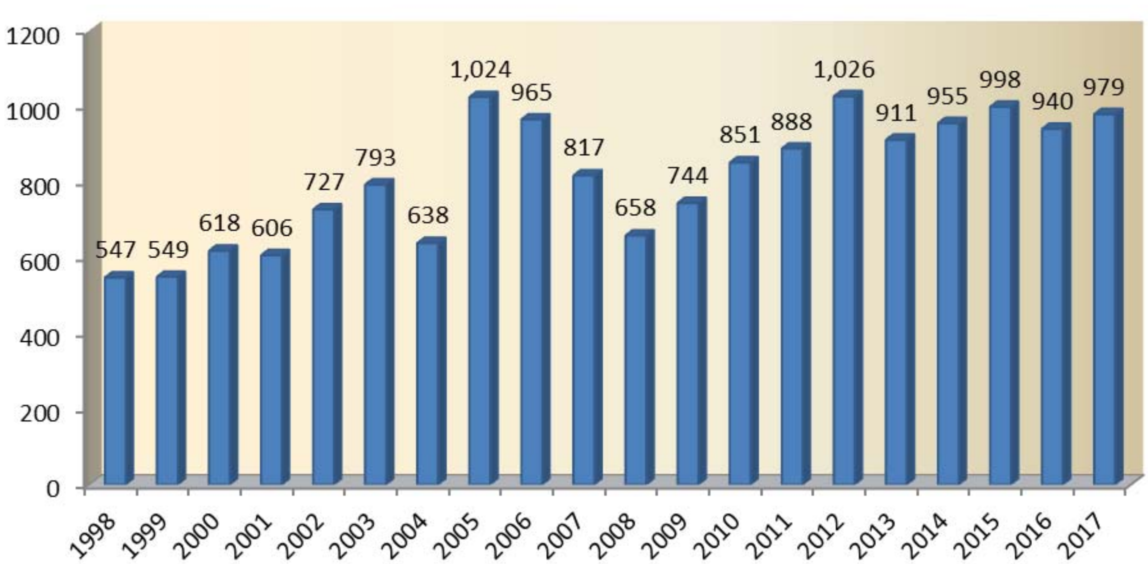
DRO Benefit: Domestic Relations Order Benefit. This is a court order allocating a portion of a retired member's pension to an ex-spouse or domestic partner.

Annuity Only: This payment option provides the actuarial equivalent of the member's accumulated contributions at the time of retirement and is used for very specific situations usually related to disability retirement payments and reciprocity.

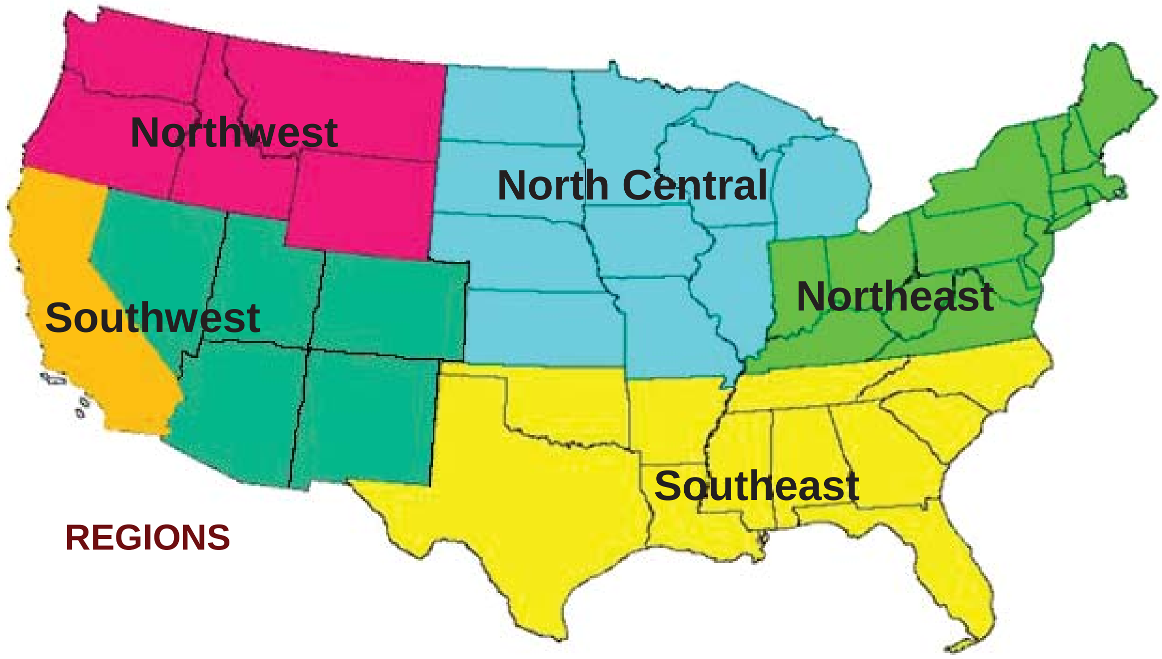
Number of New Payees by Calendar Year

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
547	549	618	606	727	793	638	1,024	965	817

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
658	744	851	888	1,026	911	995	998	940	979



Payees Residences by Region & State
As of December 31, 2017



Foreign Countries & US Territories	31
North Central	248
Northeast	210
Northwest	711
Southeast	784
Southwest	14,595
Total Count of Payees	**16,579 ***

* Payees with multiple benefits are counted only once.

Total Annual Benefits Paid in California	**$616,026,426**	**13,319**
Total Annual Benefits Paid in Orange County	**$440,559,832**	**9,004**

Benefits

Benefits as of December 31, 2017

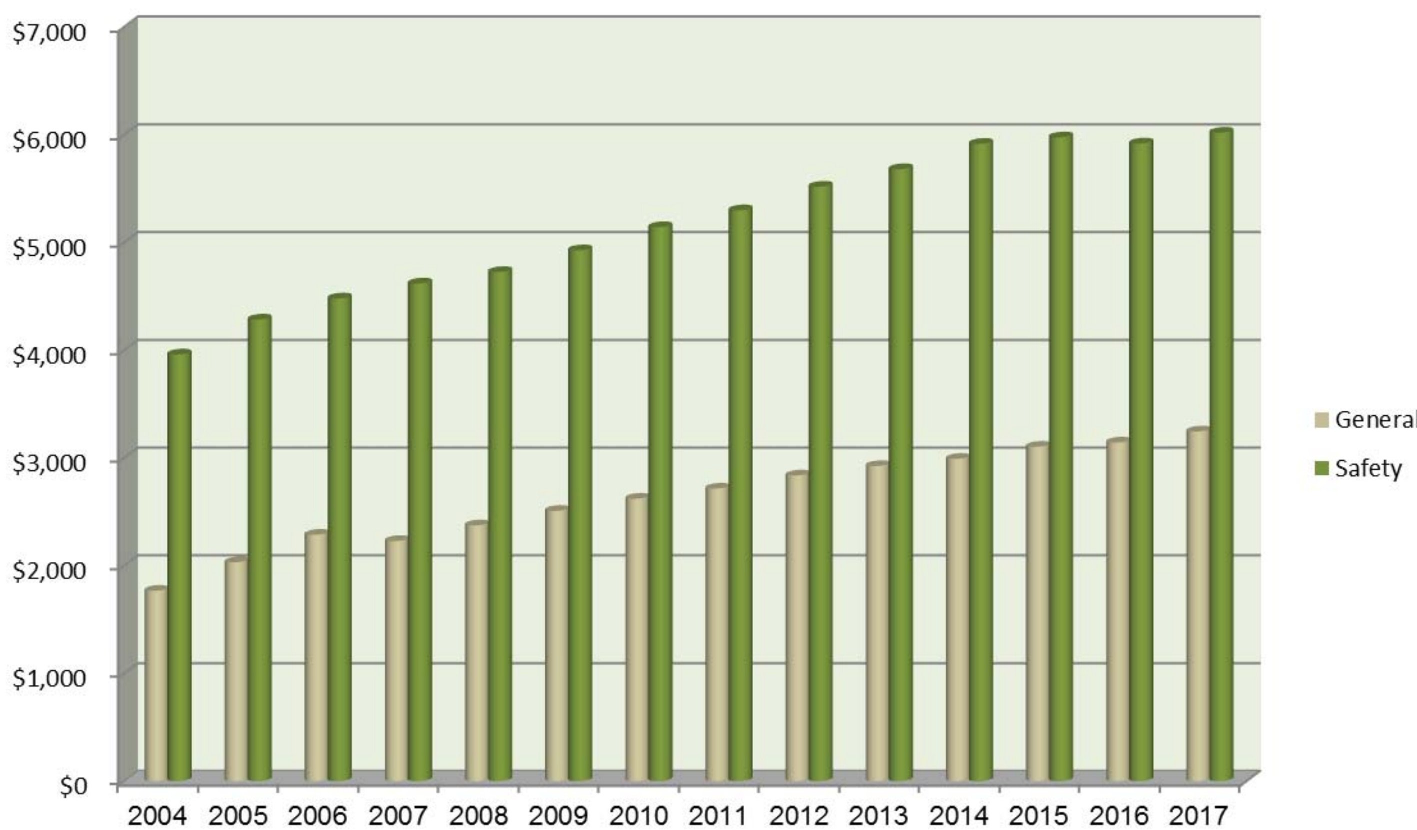
Average benefit

- For all General member retirees and other payees $3,244 monthly; $38,928 annually
- For all Safety member retirees and other payees $6,017 monthly; $72,204 annually
- For all General and Safety retirees and payees combined $3,746 monthly; $44,952 annually
- For all General and Safety retirees only $4,009; $48,108 annually

Average monthly pension check for all General and Safety retirees and payees

Years Ended Dec. 31	2004	2005	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General	$1,766	$2,031	$2,286	$2,228	$2,373	$2,508	$2,621	$2,714	$2,836	$2,924	$2,991	$3,103	$3,142	$3,244
Safety	$3,959	$4,283	$4,479	$4,618	$4,724	$4,926	$5,141	$5,297	$5,516	$5,679	$5,914	$5,974	$5,917	$6,017
Total Payees	9,433	10,488	11,182	11,420	11,778	12,243	12,762	13,289	13,947	14,505	15,169	15,810	16,369	16,947

* Year 2006 includes health grant



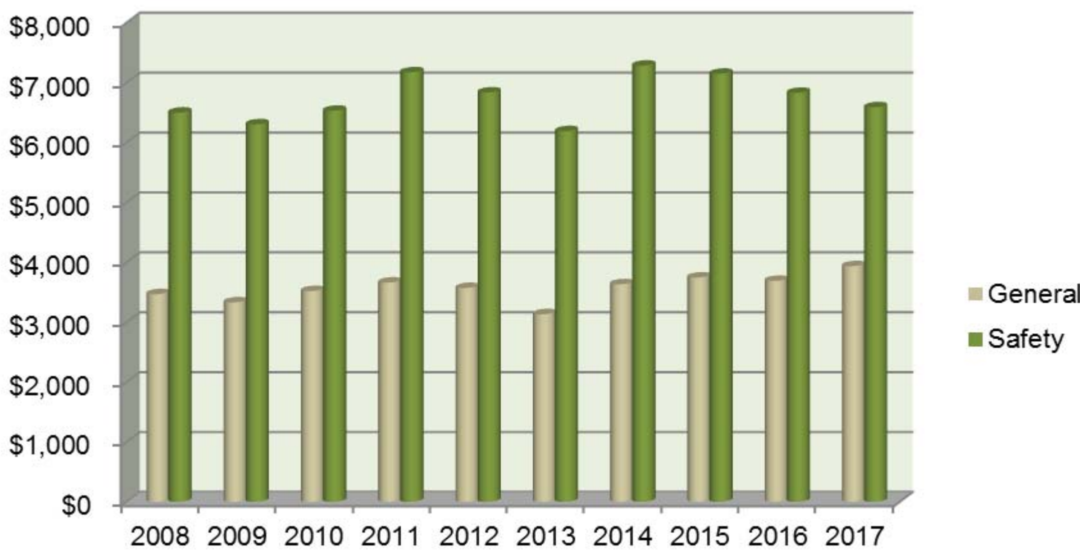
Average Monthly Pension Check for All General and Safety Retirees and Payees

Average benefit for General and Safety members with a service retirement (no disabilities) that retired in 2017

- For General members $3,934 monthly; $47,208 annually
- For Safety members $6,586 monthly; $79,032 annually

Average monthly pension check for those who retired in each calendar year with service retirements only

Years Ended December 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General	$3,466	$3,329	$3,518	$3,660	$3,570	$3,132	$3,632	$3,744	$3,689	$3,934
Safety	$6,497	$6,302	$6,528	$7,169	$6,832	$6,187	$7,281	$7,146	$6,827	$6,586



Average Monthly Pension Check for Those Who Retired in Each Calendar Year with Service Retirements Only

History of OCERS' Cost-of-Living Adjustments

OCERS annually adjusts the benefit allowances relative to the increase or decrease in the Consumer Price Index (CPI).* This adjustment, known as a Cost-of-Living Adjustment (COLA), is effective April 1st of each year. To determine the change in CPI, OCERS' actuary compares the Bureau of Labor Statistics' annual average CPI for all urban consumers for the Los Angeles-Riverside-Orange County area for each of the past two years and derives the percentage change between the two. The increase or decrease in the CPI is rounded to the nearest one-half of one percent. The maximum COLA of 3% shall be granted on every retirement allowance, optional death allowance, or annual death allowance payable to or on account of any member of the system.

For years in which the CPI exceeds 3%, the excess amount is banked and drawn from for future years when the CPI is less than 3%.

Date Granted	Actual CPI Rate	CPI Rounded	Max COLA Rate	COLA Granted
4/1/2017	1.89	2	3	2
4/1/2016	0.91	1	3	1
4/1/2015	1.35	1.5	3	1.5
4/1/2014	1.08	1	3	1
4/1/2013	2.04	2	3	2
4/1/2012	2.67	2.5	3	2.5
4/1/2011	1.20	1	3	1
4/1/2010	-0.80	-1	3	0/-1**
4/1/2009	3.53	3.5	3	3
4/1/2008	3.30	3.5	3	3
4/1/2007	4.26	4.5	3	3
4/1/2006	4.45	4.5	3	3
4/1/2005	3.31	3.5	3	3
4/1/2004	2.63	2.5	3	2.5
4/1/2003	2.76	3	3	3
4/1/2002	3.32	3.5	3	3
4/1/2001	3.31	3.5	3	3
4/1/2000	2.34	2.5	3	2.5
4/1/1999	1.44	1.5	3	1.5
4/1/1998	1.58	1.5	3	1.5

***** Per Government Code Section 318780.1
***** * 2009 saw a unique scenario, a -1% CPI reflecting economic deflation in that year. For new retirees as of April 1, 2010, 0% was determined to be a COLA "floor", as no benefit will ever be reduced. For longer retired members however, who had accumulated a COLA bank as of 2010, that bank was reduced by -1%.

Schedule of Average Monthly Pension Benefit Payments for Service Retirements by Years of Service

2006 – 2017

	Years of Service						
Retirement Effective Dates	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30 & Over**
PERIOD 1/1/06 –12/31/06							
Average Monthly Pension Benefits	$448	$788	$1,608	$2,389	$3,368	$4,898	$6,112
Average Monthly "Final Average Salary"	$3,770	$4,031	$4,952	$5,198	$5,668	$6,474	$6,789
Number of Retired Members	15	46	129	167	129	174	155
PERIOD 1/1/07 –12/31/07							
Average Monthly Pension Benefits	$368	$817	$1,593	$2,407	$3,366	$5,626	$6,401
Average Monthly "Final Average Salary"	$2,213	$4,206	$5,065	$5,239	$5,714	$7,219	$7,223
Number of Retired Members	16	45	110	111	100	145	104
PERIOD 1/1/08 –12/31/08							
Average Monthly Pension Benefits	$321	$876	$1,784	$2,451	$3,793	$5,323	$7,687
Average Monthly "Final Average Salary"	$2,539	$4,166	$5,512	$5,330	$6,484	$6,864	$8,424
Number of Retired Members	19	31	83	90	78	91	97
PERIOD 1/1/09 –12/31/09							
Average Monthly Pension Benefits	$381	$950	$1,821	$2,716	$3,711	$5,852	$7,467
Average Monthly "Final Average Salary"	$3,766	$4,228	$5,564	$6,006	$6,417	$7,669	$8,378
Number of Retired Members	26	45	102	87	110	106	124
PERIOD 1/1/10 –12/31/10							
Average Monthly Pension Benefits	$587	$986	$1,855	$2,929	$4,046	$5,922	$6,856
Average Monthly "Final Average Salary"	$3,666	$4,800	$5,537	$6,291	$6,962	$7,764	$7,741
Number of Retired Members	23	45	108	106	130	127	129
PERIOD 1/1/11 –12/31/11							
Average Monthly Pension Benefits	$678	$1,057	$1,689	$3,054	$4,257	$5,910	$6,766
Average Monthly "Final Average Salary"	$4,843	$5,825	$5,475	$6,497	$7,314	$7,874	$7,650
Number of Retired Members	16	55	111	86	120	123	155
PERIOD 1/1/12 –12/31/12							
Average Monthly Pension Benefits	$647	$1,142	$1,701	$2,957	$4,058	$5,802	$7,015
Average Monthly "Final Average Salary"	$5,988	$5,398	$5,672	$6,347	$6,759	$7,702	$7,750
Number of Retired Members	20	71	128	88	187	145	172
PERIOD 1/1/13 –12/31/13							
Average Monthly Pension Benefits	$435	$1,166	$2,039	$2,946	$3,794	$6,409	$7,732
Average Monthly "Final Average Salary"	$8,199	$6,347	$6,458	$6,492	$6,431	$8,432	$8,482
Number of Retired Members	29	55	139	82	161	147	131
PERIOD 1/1/14 –12/31/14							
Average Monthly Pension Benefits	$421	$1,152	$1,925	$3,188	$4,117	$6,444	$6,719
Average Monthly "Final Average Salary"	$8,176	$6,955	$6,301	$6,961	$7,003	$8,463	$7,349
Number of Retired Members	23	45	146	96	143	192	138
PERIOD 1/1/15 –12/31/15							
Average Monthly Pension Benefits	$582	$1,263	$1,755	$2,850	$3,895	$5,679	$7,235
Average Monthly "Final Average Salary"	$8,802	$6,888	$5,970	$6,673	$6,800	$7,893	$8,352
Number of Retired Members	22	63	128	119	110	200	182
PERIOD 1/1/16 –12/31/16							
Average Monthly Pension Benefits	$427	$1,244	$2,135	$2,886	$4,272	$5,549	$6,782
Average Monthly "Final Average Salary"	$8,298	$6,907	$6,911	$6,580	$7,383	$7,651	$7,762
Number of Retired Members	24	56	121	120	113	195	163
PERIOD 1/1/17 –12/31/17							
Average Monthly Pension Benefits	$541	$1,215	$2,073	$3,062	$4,513	$5,851	$7,069
Average Monthly "Final Average Salary"	$7,952	$6,800	$6,844	$6,810	$7,743	$7,975	$7,931
Number of Retired Members	21	47	122	147	112	190	153

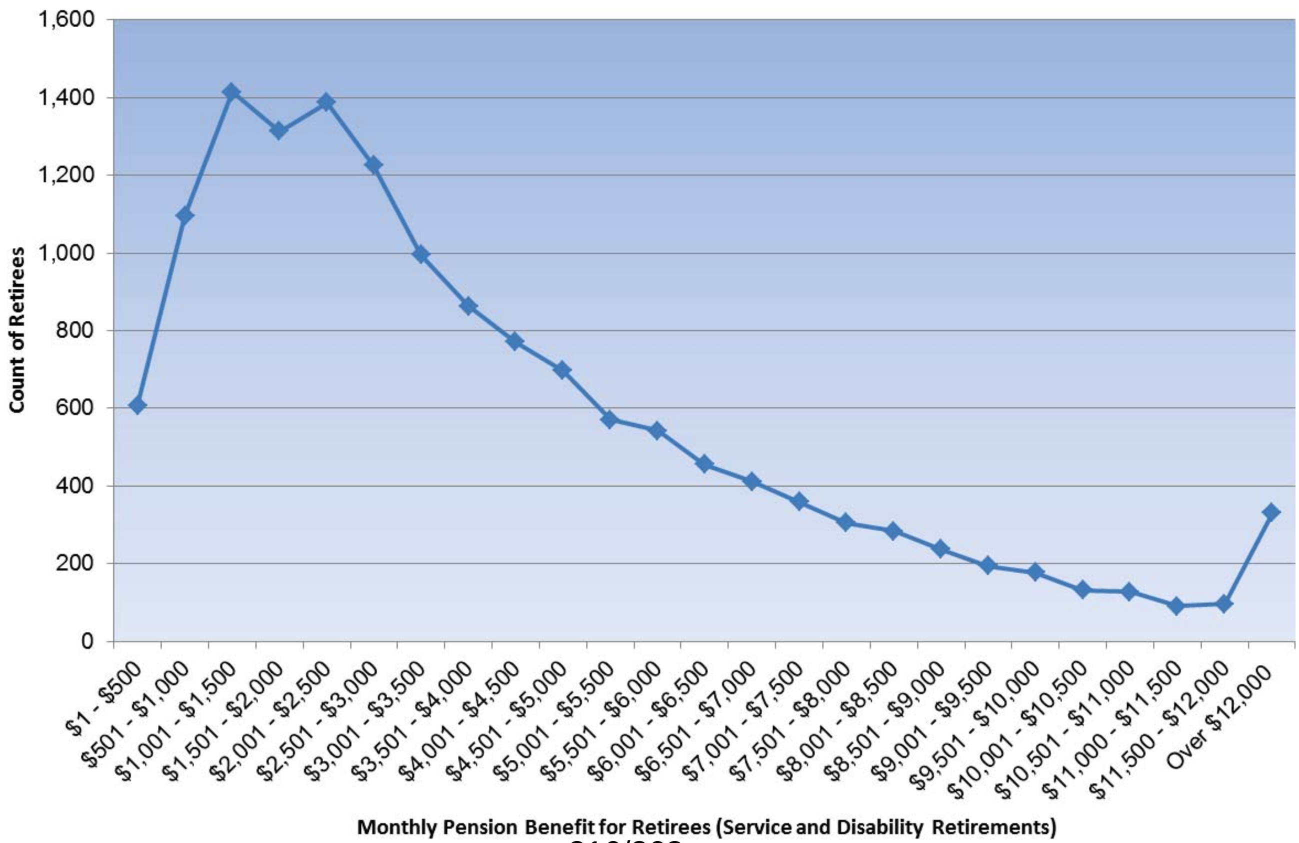
Schedule of Median Monthly Pension Benefit Payments for Service Retirements by Years of Service

2010 – 2017

Retirement Effective Dates	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30 & Over
PERIOD 1/1/10 –12/31/10							
Median Monthly Pension Benefits	$590	$887	$1,610	$2,438	$3,721	$5,396	$6,501
Median "Final Average Salary"	$2,109	$3,750	$4,688	$5,638	$6,826	$7,152	$7,451
Number of Retired Members	23	45	108	106	130	127	129
PERIOD 1/1/11 –12/31/11							
Median Monthly Pension Benefits	$557	$889	$1,456	$2,567	$3,994	$5,762	$5,691
Median "Final Average Salary"	$2,825	$4,698	$4,987	$5,501	$6,856	$7,807	$6,409
Number of Retired Members	16	55	111	86	120	123	155
PERIOD 1/1/12 –12/31/12							
Median Monthly Pension Benefits	$542	$992	$1,427	$2,568	$3,659	$5,830	$5,801
Median "Final Average Salary"	$3,431	$4,742	$4,730	$5,747	$6,166	$7,783	$6,831
Number of Retired Members	20	71	128	88	187	145	172
PERIOD 1/1/13 –12/31/13							
Median Monthly Pension Benefits	$280	$989	$1,767	$2,545	$3,225	$6,246	$6,570
Median "Final Average Salary"	$6,334	$5,582	$5,783	$5,959	$7,036	$8,477	$7,742
Number of Retired Members	29	55	139	82	161	147	131
PERIOD 1/1/14 –12/31/14							
Median Monthly Pension Benefits	$289	$830	$1,448	$2,627	$3,721	$6,451	$5,720
Median "Final Average Salary"	$8,646	$4,876	$5,188	$5,990	$6,265	$8,561	$6,319
Number of Retired Members	23	45	146	96	143	192	138
PERIOD 1/1/15 –12/31/15							
Median Monthly Pension Benefits	$426	$914	$1,640	$2,514	$3,511	$5,241	$5,965
Median "Final Average Salary"	$7,350	$4,979	$4,926	$5,999	$5,924	$7,379	$6,869
Number of Retired Members	22	63	128	119	110	200	182
PERIOD 1/1/16 –12/31/16							
Median Monthly Pension Benefits	$339	$980	$1,878	$2,563	$3,933	$5,080	$6,198
Median "Final Average Salary"	$9,412	$5,885	$6,015	$5,707	$6,714	$7,314	$7,020
Number of Retired Members	24	56	121	120	113	195	163
PERIOD 1/1/17 –12/31/17							
Median Monthly Pension Benefits	$393	$843	$1,703	$2,574	$3,845	$5,404	$6,333
Median "Final Average Salary"	$8,043	$4,996	$5,560	$5,946	$6,842	$7,673	$7,058
Number of Retired Members	21	47	122	147	112	190	153

Schedule of Monthly Pension Benefit for Retirees (Service and Disability Retirements)
As of December 31, 2017

Monthly Benefit	Number of retirees
$1 – 500	608
$501 – 1,000	1,096
$1,001 – 1,500	1,414
$1,501 – 2,000	1,313
$2,001 – 2,500	1,388
$2,501 – 3,000	1,225
$3,001 – 3,500	995
$3,501 – 4,000	864
$4,001 – 4,500	771
$4,501 – 5,000	697
$5,001 – 5,500	571
$5,501 – 6,000	543
$6,001 – 6,500	455
$6,501 – 7,000	412
$7,001 – 7,500	359
$7,501 – 8,000	305
$8,001 – 8,500	284
$8,501 – 9,000	237
$9,001 – 9,500	195
$9,501 – 10,000	177
$10,001 – 10,500	132
$10,501 – 11,000	128
$11,001 – 11,500	90
$11,501 – 12,000	96
Over $12,000	331
Total	14,686



The OCERS Fund

Funding Sources

Funding Sources for Benefits
(OCERS' net additions for the period 1998 – 2017)

53¢ 32¢ 15¢

Employee Contributions
This is the money active employees pay into the fund for future benefits

Net Investment Income
This includes earnings from stocks, bonds, alternatives, real estate and other investments, minus fees.

Employer Contributions
This is the money paid to OCERS from employers for pension benefits.

An often stated error with regard to public pension retirement funds is that they are funded solely from the taxpayers' back pocket.

That is not true.

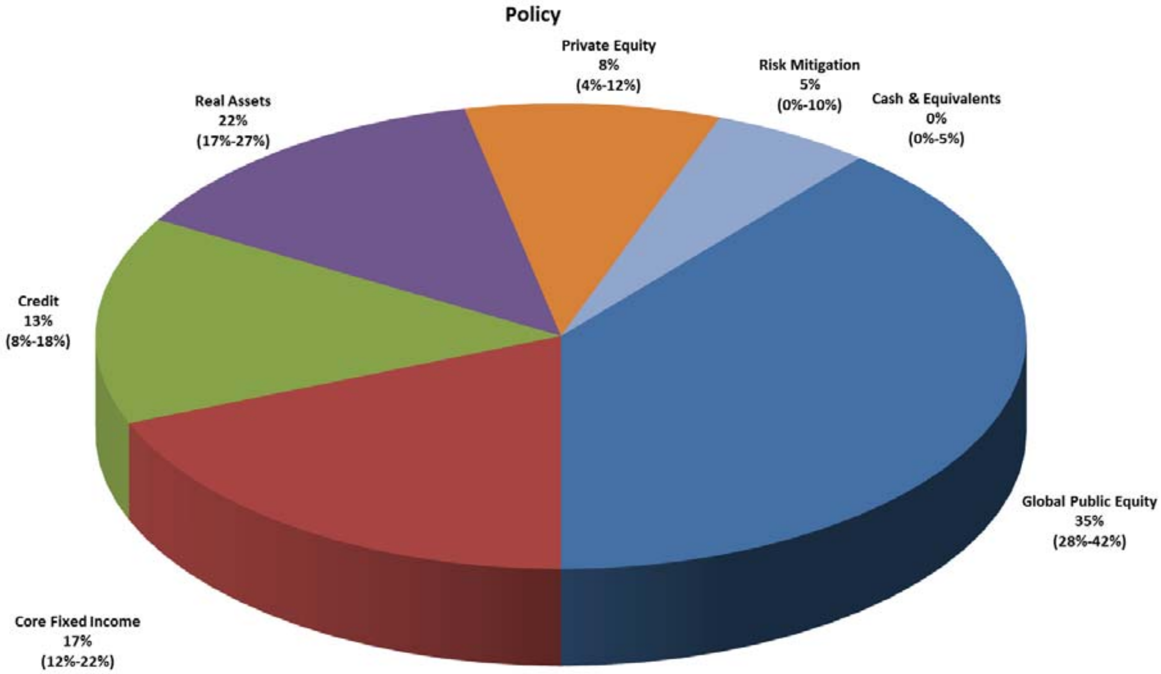
We have illustrated here a dollar going out the door in a benefit payment from OCERS to one of our retirees. What were the source funds for that dollar?

The first portion of the dollar, at 53 cents, is purely earnings from the OCERS investment portfolio. The OCERS Board of Trustees takes the contributions OCERS receives from both employees and employers and invests those contributions on behalf of our 44,000 members. OCERS grows those "seed" contributions through careful investments to an amount likely larger than an individual employee might have done solely on his or her own.

The next largest portion of that benefit dollar, at 32 cents, comes from employer contributions, such as those paid by the County of Orange, the City of San Juan Capistrano, the Public Law Library, and other public employers within Orange County. You might ask if those aren't local taxpayer dollars then, but the answer would be no. Many of those 32 cents do come from Orange County taxpayers, without a doubt, but some might just as well be sourced from various federal government grant programs or other sources. Interestingly, that figure of 32 cents paid by the employer or other plan sponsor would be even larger were it not for the fact that some OCERS employees are assisting in paying the employer obligation.

The final portion of the benefit dollar in the amount of 15 cents is taken directly from the regular paychecks of OCERS' members. Despite what is sometimes reported in the press, the hard working employees of the County of Orange and our other plan sponsors are contributing their own dollars to their retirement plan. In addition, as noted above, several employee groups pay a portion of the employer contribution out of their own pockets to further help fund their own retirement benefit. The County of Orange some years ago contracted with labor groups to have the employees pay a portion of the employer contribution in what is commonly termed a "reverse pick up."

Asset Allocation Policy for 2017



Credit – The fixed income-related strategies are diversified by region, by credit quality, and by sources of risk. The general shared characteristics of these strategies are a degree of illiquidity, and a focus on current yield as a principal source of expected return.

Core Fixed Income – A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate.

Global Public Equity – A stock or any other security representing an ownership interest. (Domestic – U.S.; Global – U.S. and developed countries outside the U.S.; International – developed countries outside of the U.S.; Emerging Markets – countries that are less economically developed).

Private Equity – Private equity includes investments in venture capital, buyouts, secondaries and special situations including distressed debt. These assets are illiquid and valuations are not marked to market on a daily basis. Valuations for private equity investments are based on estimates of fair value in accordance with industry standards.

Real Assets – Investments in physical or tangible assets that have a value due to their substance and properties. Real assets consist of both private and public securities, and include both equity and debt-oriented investments. Real assets include a number of sub-asset classes including agriculture, energy, timber, infrastructure, and real estate.

Risk Mitigation – Investments aimed at protecting OCERS' portfolio during severe equity market downturns with a secondary objective of producing an uncorrelated positive real return in the long-term.

Fund Performance

OCERS' investment program returned 14.51% net of fees in 2017. The one-year return outperformed the policy index of 13.73% and exceeded the 7.00% assumption rate.

During the year, the portfolio benefited from strong returns in global public equity markets and private equity. The U.S. equity market as represented by the S&P 500 index was up 21.83%, while the MSCI World index and the MSCI Emerging Markets index posted a 22.40% and 37.28% gain, respectively. The growth momentum continued throughout 2017 post the election, measured by above-average GDP growth, solid employment gains, and rising consumer confidence. The investment program remains well diversified across many asset classes.

OCERS' Fund Performance by Calendar Years 1986 – 2017

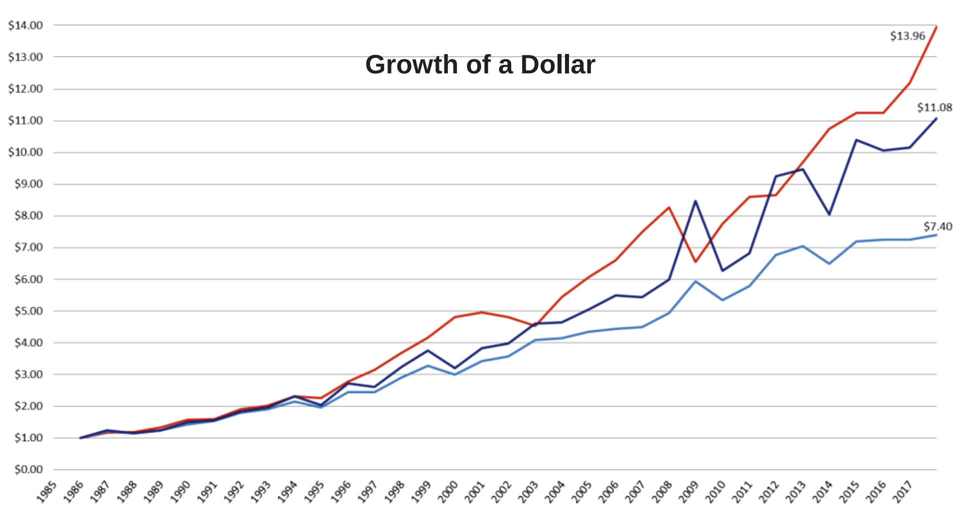
As of Dec. 31	Return	Assumed Rate of Return
1986	16.15%	7.25%
1987	2.88%	7.25%
1988	11.53%	7.25%
1989	18.40%	7.50%
1990	1.02%	7.50%
1991	20.25%	8.00%
1992	5.78%	8.00%
1993	13.88%	8.00%
1994	-2.29%	8.00%
1995	23.26%	8.00%
1996	13.29%	8.00%
1997	17.07%	8.00%
1998	12.77%	8.00%
1999	15.68%	8.00%
2000	3.28%	8.00%
2001	-3.22%	8.00%
2002	-5.46%	8.00%
2003	19.84%	7.50%
2004	11.40%	7.75%
2005	8.83%	7.75%
2006	13.55%	7.75%
2007*	10.44%	7.75%
2008	-20.95%	7.75%
2009	18.34%	7.75%
2010	11.21%	7.75%
2011	.53%	7.75%
2012	11.95%	7.25%
2013	10.86%	7.25%
2014	4.73%	7.25%
2015	-0.11%	7.25%
2016	8.52%	7.25%
2017	14.51%	7.00%

*****As of 2007, returns are presented net of fees.

OCERS Fund Performance

Growth of a Dollar in OCERS Compared to Treasury Bonds
1985 – 2017

	$1 Invested in OCERS	$1 Invested in 10 Yr Treasury	$1 Invested in 30 Yr Treasury
1985	$1.00	$1.00	$1.00
1986	$1.16	$1.20	$1.25
1987	$1.19	$1.16	$1.15
1988	$1.33	$1.23	$1.24
1989	$1.58	$1.44	$1.49
1990	$1.59	$1.53	$1.56
1991	$1.91	$1.80	$1.84
1992	$2.03	$1.91	$1.96
1993	$2.31	$2.14	$2.32
1994	$2.25	$1.97	$2.04
1995	$2.78	$2.44	$2.72
1996	$3.15	$2.44	$2.60
1997	$3.68	$2.90	$3.24
1998	$4.16	$3.27	$3.76
1999	$4.81	$3.00	$3.20
2000	$4.96	$3.43	$3.84
2001	$4.80	$3.57	$3.97
2002	$4.54	$4.09	$4.61
2003	$5.44	$4.15	$4.65
2004	$6.06	$4.35	$5.06
2005	$6.60	$4.44	$5.50
2006	$7.49	$4.50	$5.44
2007	$8.30	$4.94	$5.99
2008	$6.58	$5.94	$8.47
2009	$7.80	$5.35	$6.27
2010	$8.71	$5.78	$6.82
2011	$8.77	$6.76	$9.24
2012	$9.85	$7.05	$9.46
2013	$10.95	$6.50	$8.04
2014	$11.49	$7.19	$10.40
2015	$11.50	$7.26	$10.07
2016	$12.19	$7.25	$10.15
2017	$13.96	$7.40	$11.08



Revenue

Member and Employer Contributions and Investment Income and Losses to Pension Trust

Year	Member Contributions	Employer Contributions (Cash Payments Only to Pension Trust)	Employer Contributions from POB Funds*	Investment Income (Losses)
1998	$50,557,000	$17,977,000	$42,020,000	$493,491,000
1999	$55,693,000	$17,591,000	$47,129,000	$685,178,000
2000	$61,179,000	$15,561,000	$48,555,000	$45,284,000
2001	$68,635,000	$12,060,000	$41,319,000	($149,858,000)
2002	$77,917,000	$13,289,000	$65,180,000	($269,188,000)
2003	$81,581,000	$124,243,000	$26,209,000	$789,086,000
2004	$81,931,000	$194,430,000	$3,579,000	$569,000,000
2005	$107,544,000	$226,130,000	$9,675,000	$461,980,000
2006	$137,582,000	$277,368,000	$11,000,000	$830,200,000
2007	$159,476,000	$326,736,000	$11,000,000	$784,961,000
2008	$172,291,000	$360,365,000	$12,600,000	($1,596,776,000)
2009	$171,928,000	$338,387,000	$34,900,000	$1,064,855,000
2010	$177,929,000	$372,437,000	$11,000,000	$888,542,000
2011	$183,820,000	$387,585,000	$11,000,000	$50,456,000
2012	$191,215,000	$406,521,000	$5,500,000	$1,004,770,000
2013	$209,301,000	$427,095,000	$5,000,000	$1,152,647,000
2014	$232,656,000	$625,520,000	$5,000,000	$499,195,000
2015	$249,271,000	$571,298,000	$0	($10,873,000)
2016	$258,297,000	$567,196,000	$0	$1,061,243,000
2017	$262,294,000	$572,104,000	$0	$1,939,635,000

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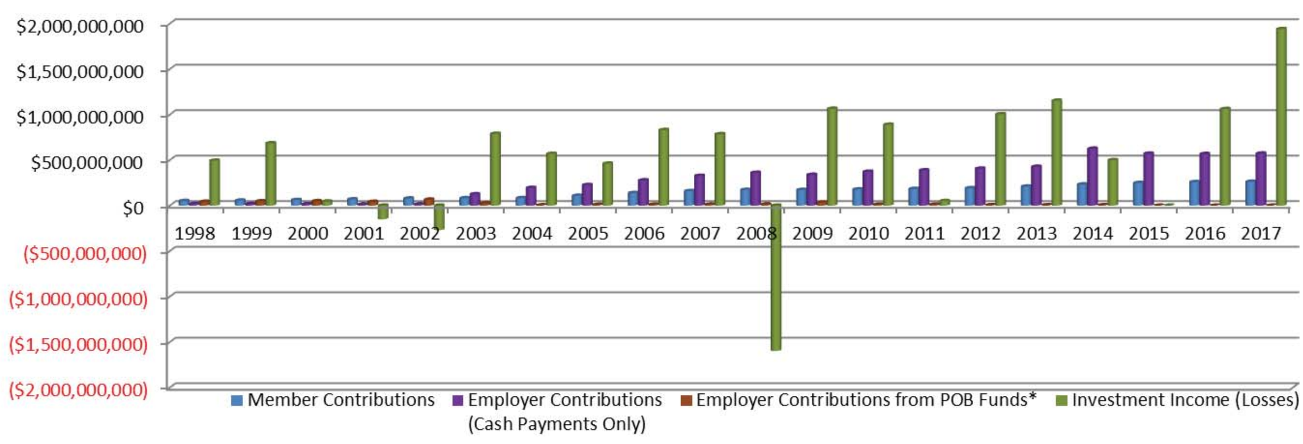


* In September 1994, the County of Orange issued $320 million in Pension Obligation Bonds (POB's) of which $318.3 million in proceeds were paid to OCERS to fund the County's portion of the Unfunded Actuarial Accrued Liability (UAAL). For accounting purposes, OCERS maintains the proceeds for the POB's in the County Investment Account. OCERS and the County of Orange, a single participating district, entered into an agreement which provided an offsetting credit based upon an amount actuarially determined to deplete the County Investment Account over the then remaining UAAL amortization period. The County determines annually how the account will be applied to contribution requirements.

Fund Status

OCERS' independent actuary, Segal Consulting, performed an actuarial valuation as of December 31, 2017 and determined that OCERS' funding ratio of actuarial assets to the actuarial accrued liability is 72.30%, which decreased from the prior's year's funded status of 73.06%. (See *The Evolution of OCERS UAAL* at ocers.org)

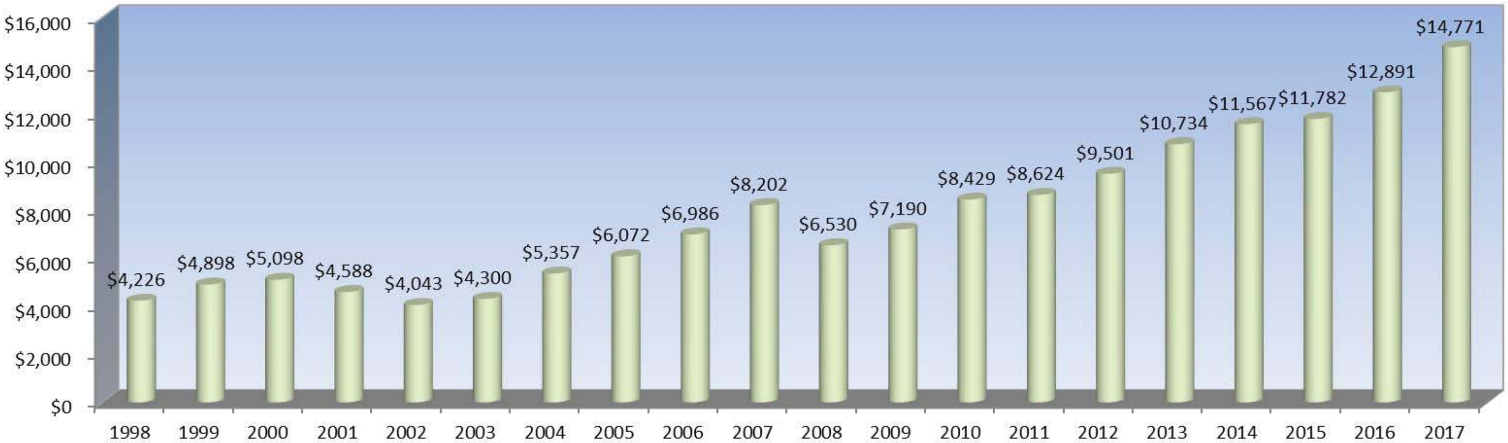
OCERS' Funded Status by Calendar Years 1986 – 2017
(Dollars in thousands)

Actuarial Valuation Date Dec. 31	Valuation Value of Assets (VVA) (a)	Actuarial Accrued Liability (AAL) (b)	Total Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Investment Returns
2017	$14,197,125	$19,635,427	$5,438,302	72.30%	14.51%
2016	$13,102,978	$17,933,461	$4,830,483	73.06%	8.52%
2015	$12,228,009	$17,050,357	$4,822,348	71.72%	-0.11%
2014	$11,449,911	$16,413,124	$4,963,213	69.76%	4.73%
2013	$10,417,125	$15,785,042	$5,367,917	65.99%	10.86%
2012	$9,469,208	$15,144,888	$5,675,680	62.52%	11.95%
2011	$9,064,355	$13,522,978	$4,458,623	67.03%	0.53%
2010	$8,672,592	$12,425,873	$3,753,281	69.79%	11.21%
2009	$8,154,687	$11,858,578	$3,703,891	68.77%	18.34%
2008	$7,748,380	$10,860,715	$3,112,335	71.34%	-20.95%
2007*	$7,288,900	$9,838,686	$2,549,786	74.08%	10.44%
2006	$6,466,085	$8,765,045	$2,298,960	73.77%	13.55%
2005	$5,786,617	$8,089,627	$2,303,010	71.53%	8.83%
2004	$5,245,821	$7,403,972	$2,158,151	70.85%	11.40%
2003	$4,790,099	$6,099,433	$1,309,334	78.53%	19.84%
2002	$4,695,675	$5,673,754	$978,079	82.76%	-5.46%
2001	$4,586,844	$4,843,899	$257,055	94.69%	-3.22%
2000	$4,497,362	$4,335,025	($162,337)	103.74%	3.28%
1999	$3,931,744	$4,017,279	$85,535	97.87%	15.70%
1998	$3,504,708	$3,682,686	$177,978	95.17%	12.77%
1997	$3,128,132	$3,332,967	$204,835	93.85%	17.07%
1996	$2,675,632	$2,851,894	$176,262	93.82%	13.29%
1995	$2,434,406	$2,633,884	$199,478	92.43%	23.26%
1994	$2,177,673	$2,550,059	$372,386	85.40%	-2.29%
1993	$2,024,447	$2,305,019	$280,572	87.83%	13.88%
1992	$1,807,319	$2,140,081	$332,763	84.45%	5.78%
1991	$1,567,131	$1,763,894	$196,763	88.84%	20.25%
1990	$1,297,575	$1,840,915	$543,340	70.49%	1.02%
1989	$1,136,210	$1,651,988	$515,778	68.78%	18.40%
1988	$985,030	$1,453,858	$468,828	67.75%	11.53%
1987	$821,884	$1,343,982	$522,098	61.16%	2.88%
1986	$713,506	$1,220,915	$507,409	58.44%	16.15%

***As of 2007, returns are presented net of fees

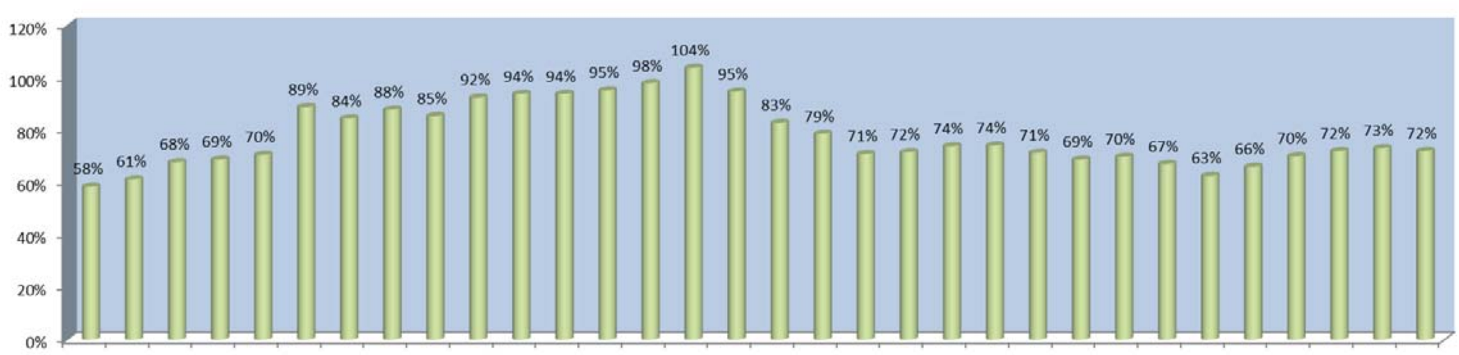
Note: On a market value basis OCERS' funded status is 74.62%.

Growth of System Net Investments at Fair Value
(Dollars in Millions)

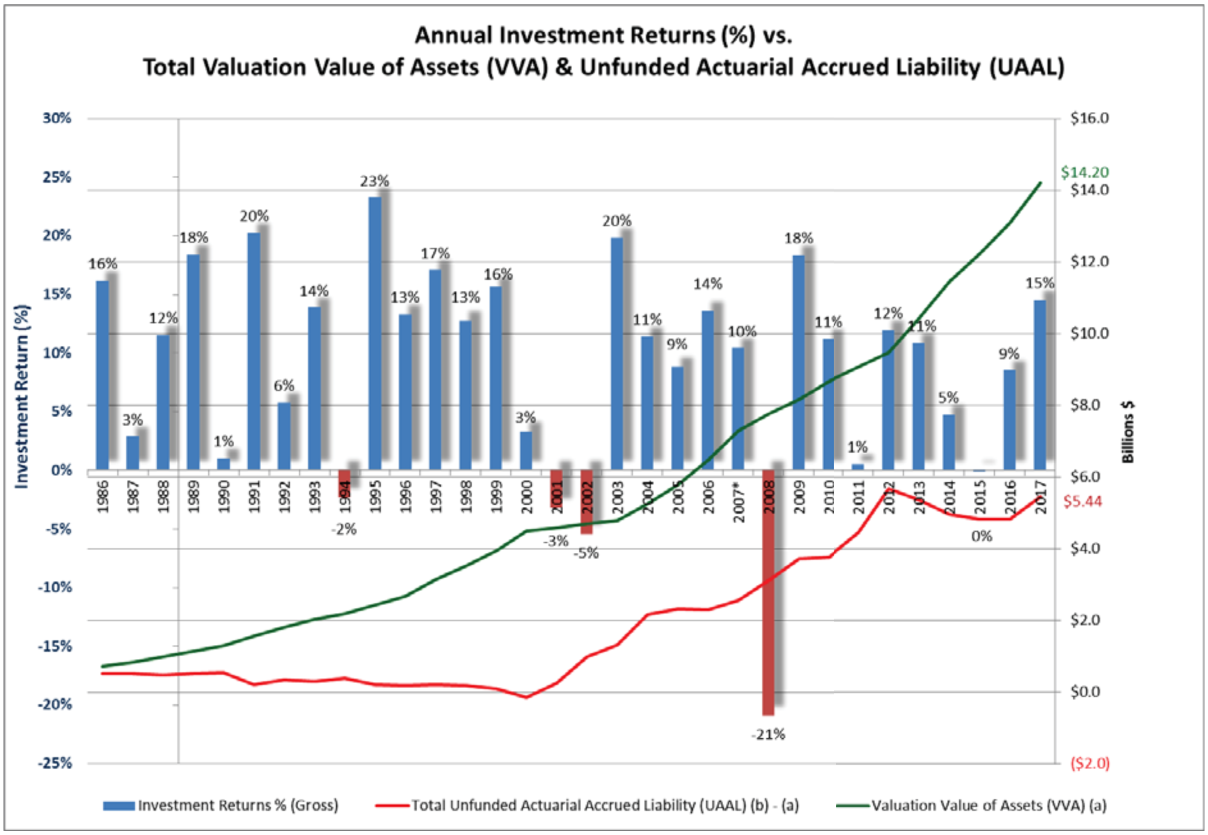


Unfunded Actuarial Accrued Liabilities (UAAL)
(Dollars in Millions)

Funded Ratio by Calendar Years
(Rounded)



OCERS by the Numbers



This chart demonstrates how positive earnings in most years will cause the UAAL to decrease. Interestingly this chart also illustrates how the UAAL can grow larger even when the pension fund's investment portfolio returns are positive.

First we need a definition for the UAAL. It simply means that the value of the retirement benefits promised by employers is larger than the actual dollars the retirement system has on hand. The difference between the two is called the UAAL. Having a UAAL is not a bad thing, a retirement system does not need to have in the bank today every benefit dollar that will ever be paid out in the coming 10, 20, 30 years or more. It is much like a parent saving for his or her child's college education. All the dollars required to pay that future obligation do not need to be in the parent's bank account today. In fact the parent is planning on including the returns from sound investments to help meet those future obligations.

OCERS has a plan in place to pay off the UAAL in 20 year increments. That plan includes an expectation that the OCERS portfolio will earn on average 7.00% each calendar year, while each plan sponsor and individual member in turn continues to pay the monthly contribution required of them by OCERS' actuary. It's good to note here that no Orange County public plan sponsor or individual OCERS member has ever failed to make the annual minimum required contribution to the OCERS retirement system.

While it is fairly easy to understand that when the portfolio does not earn its expected 7.00% in a year, that will cause the UAAL to grow, how is it possible for the UAAL to grow even in years where our earnings expectations are met? Note the chart above. The blue bars indicate how much OCERS earned on its investment portfolio each calendar year. The green line measuring total assets held in the portfolio is doing well and growing strongly because of those many good years. The red line tracks the rise and fall of the UAAL. The few red bars indicate when the portfolio actually lost money. In those years with the red bars, as you would expect, you can see an uptick in the red line. But back to our basic question, how is it that even in some good years you can see a rise in the UAAL as tracked by that red line?

Two basic reasons – in some years, such as 2011, even though the earnings bar is blue, it is barely blue, that is, even though the portfolio had positive returns, it didn't make the amount of money that was expected. Positive returns yes, but since it was not enough to meet the earnings expectation in that year, there will be an uptick in the UAAL. The other cause can occur when there is a change made to a basic assumption. 2012 is a good example of that – a strong blue bar representing a 12% return; easily beating our then expected 7.75%. However, in that same year of 2012 we lowered what we assumed could be earned in future years from 7.75% to 7.25% so the UAAL rose. If a parent saving for their child's college education is expecting to earn 7.75% on their passbook account suddenly learns the bank is only crediting 7.25% in the future, the parent won't have enough dollars in that account when the child finally reaches the big day. So too with OCERS, by lowering its assumed earnings rate for future years in 2012 the red line had to tick upward despite the good earnings in that year in order to account for the fact that OCERS had to anticipate fewer future dollars would be gained from investment earnings.

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

I-12

I-12

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: August 7, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

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

Written Report

Background/Discussion

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.

- An RFP was distributed for <u>Hearing Officer Services</u> in July. Pending receipt of proposals.

Submitted by:

Steve Delaney
Chief Executive Officer

I-13

Memorandum

DATE: August 6, 2018

TO: Members of the Board of Retirement

FROM: Mark Adviento, CPA, Internal Auditor

SUBJECT: **AUDIT COMMITTEE OUTCOMES FROM JULY 17, 2018 MEETING**

Recommendation

The Audit Committee recommends that the Board of Retirement:

(1) No recommendations were made by the Audit Committee.

Background/Discussion

The Committee adjourned into Closed Session under the authority of Government Code section 54957 to consider employment of a public employee, and conducted interviews of candidates for the position of OCERS' Director of Internal Audit.

The Chair announced that no reportable action was taken by the Committee in Closed Session.

Submitted by:

M.A. - approved

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Mark Adviento, CPA

Internal Auditor

I-14

Memorandum

DATE: August 20, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **BOARD COMMUNICATION**

Written Report

Background/Discussion

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

News Links

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

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

Steve Delaney:

Attached: OCERS Activities and Updates for MARCH, APRIL, MAY and JUNE 2018

Submitted by:

Steve Delaney
Chief Executive Officer

Memorandum

DATE: June 28, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **OCERS ACTIVITIES AND UPDATES – MARCH and APRIL and May 2018**

As noted in my cover e-mail, due to a number of issues my regular monthly reports have been delayed. This report covers a full quarter of a year, with specific key customer service statistics for the month of MAY 2018, followed by activity highlights and updates for the month of MAY 2018, with supplemental reports from March and April 2018. I will be returning to my previous monthly updates with the June 2018 report.

CUSTOMER SERVICE

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

How do I unlock my password?

Members are instructed to contact OCERS at (714) 558-6200 and a representative will assist them over the phone.

How does reciprocity and retirement work?

Reciprocal systems coordinate salary information so benefits are paid on the highest salary earned in either system.

What is a deferred member?

A deferred member is an OCERS member who separates from OCERS-covered employment and leaves his or her contributions on deposit with OCERS. Deferred members may apply for an OCERS retirement benefit upon meeting the minimum age and service credit requirements

MEMBER SERVICE STATS FOR MAY 2018

Member Approval **94%**

Unplanned Recalcs **0**

Retirement Apps Received

May 2018	**51**
April 2018	**62**
Mar 2018	**93**
Feb 2018	**163**
Jan 2018	**204**
Dec 2017	**58**
Nov 2017	**75**
Oct 2017	**47**
Sept 2017	**42**
Aug 2017	**69**
July 2017	***48***
June 2017	**65**
May 2017	**60**
April 2017	**47**

ACTIVITIES

OCERS YEAR IN REVIEW

MAY 2018: During the month of May, meetings were held with Supervisor Bartlett and her staff. The Supervisor did ask a number of questions about the Orange County Fire Authority and its approach to early payment of its UAAL. She does not believe the "snowball plan" will work and worries that 2030 can become a crisis point as entities have the opportunity then to depart the OCFA. OCERS staff shared the annual Plan Sponsor Review document in order to provide the Supervisor with OCERS' thinking on the topic. Meetings were also held during the month of April with the executive teams of the Orange County Transportation Authority, the Public Authority, and the Association of County Law Enforcement Managers.

APRIL: During the month of April, meetings were held with Supervisor Do and his staff. The Supervisor did ask about the risk profile of the OCERS investment portfolio and the history of the OCERS Board's approach to risk over the past decade. Meetings were also held during the month of April with the executive teams of the Orange County Vector Control, the City of San Juan Capistrano, the County of Orange (no issues or concerns were raised in this very important annual meeting) and the Orange County Fire Authority.

MARCH: During the month of March, meetings were held with Supervisor Steele's staff, as well as with the executive teams of the Orange County Cemetery District, the Transportation Corridor Authority, Orange County Sanitation District, Orange County Employees Association and the Association of Orange County Deputy Sheriffs.

LEGISLATIVE OUTREACH

Chair Prevatt and I spent May 22 and May 23 in Sacramento visiting as many members of the Orange County legislative delegation as possible in that short period of time. Our basic message was a reminder that they have a local public pension system in their own backyard, separate from CalPERS, and they should see us as a resource when they have questions or concerns regarding public pensions and related legislation.

Among those we visited, some had specific issues as noted below:

Assemblyman Brough: Wanted to know if OCERS was feeling undue pressure to divest from certain investments.

Assemblyman Chen: Also wanted to know if OCERS was feeling pressure to divest.

Assemblyman Choi: Had questions on contribution rates, how well OCERS investment portfolio was progressing, and the pros and cons for an employer of participating in OCERS rather than CalPERS.

Assemblyman Daly: Had a number of questions regarding OCERS portfolio returns.

Assemblywoman Quirk-Silva: Wanted to know if OCERS was experiencing the same issues as San Bernardino CERA with regard to Private Equity firms choosing not to do business with the system due to the stringent transparency rules now in effect in California.

Senator Moorlach: Though interested in the change in actuarial assumptions, he did not have any issues or concerns to pose to us specifically.

Senator Newman: Requested we review any remaining pension related bills presently before the legislature, to better understand impact.

Senator Nguyen: She had a number of questions as to the impact of OCERS recent change to actuarial assumptions.

INVESTMENT TEAM ACTITIVITIES

David Beeson reports on the primary Investment Team activities for the month of MAY, followed by supplementals for March and April:

MAY 2018: At the May 24th Investment Committee meeting, the Committee approved placing ASB Capital Management and Pictet Asset Management on Watch List. Pictet was placed on watch for underperformance and change in key personnel. ASB was placed on watch for underperformance. Jennifer Young Stevens and Robert Miranda from the Townsend Group (OCERS' real estate consultant) presented a real estate overview and program plan for OCERS to the Investment Committee. The Committee approved a preliminary plan for real estate commitments, structure, and ranges that included rebalancing the portfolio towards a 60/40 mix of core/non-core real estate with +/- 10% ranges. Meketa (OCERS' general consultant) presented the 4th quarter 2017 real estate performance report. OCERS' new real estate consultant Townsend will be presenting the quarterly real estate performance reports going forward. PCA presented the 1st quarter 2018 portfolio risk discussion for OCERS' portfolio. PCA is recommending that OCERS consider increasing the initial 5% allocation to risk mitigation strategies with the inclusion of additional strategies over time. Meketa wrapped up the meeting by presenting the 1st quarter 2018 portfolio evaluation report.

APRIL: As of March 31, 2018, the portfolio year-to-date is up 0.2% net of fees, while the one-year return is up 10.2%. The fund value now stands at $15.7 billion. At the April 24th Investment Committee meeting, the Committee approved amendments to the CIO Charter, Investment Committee Charter, and Investment Policy Statement outlining the process for delegated authority for investment manager approval and termination to the CIO, conditional on agreement by the Investment Consultant. The Committee also approved a preliminary plan of $300 to $350 million for 2018 private equity commitments and the sub-sector ranges for private equity following a presentation from Torrey Cove, OCERS' new private equity consultant. Finally, Jim Meketa, founder of Meketa Investment Group (OCERS' general consultant), discussed the long-term investment issues and themes that bind the relationship between the U.S. and China.

MARCH: As of February 28, 2018, the portfolio declined 1.8% net of fees for the month, while the one-year return is up 11.3%. February marked the first negative monthly return for the portfolio since October 2016. The fund value now stands at $15.8 billion. At the March 29th Investment Committee meeting, the Committee heard an education presentation from BlackRock on China A-Shares investing and the pending inclusion of A-Shares in the MSCI Emerging Markets Index. China is attempting to open up their equity markets to more foreign investors. Meketa, OCERS' general consultant, presented the 3rd quarter 2017 private equity performance report. Molly Murphy, OCERS' CIO, discussed the transition for private equity consulting coverage from Meketa to Torrey Cove, as well as the transition for real estate consulting coverage from Meketa to the Townsend Group.

UPDATES

FINAL AVERAGE SALARY COMPONENTS REVIEW PROJECT

Ms. Jenike reports for MAY 2018:

"We continue to make good progress on the master Final Average Salary review. All of the Memorandums of Understanding (MOUs) and other relevant documents for the County of Orange, Superior Court, Sanitation District and Orange County Transportation Authority have been reviewed and categorized. We are in the process of completing the review of the MOUs related to the Orange County Fire Authority. The OCERS team is ready to start going through the pay items line by line and applying the compensation earnable and pensionable compensation test. We will also meet with Mr. Delaney in the next couple of weeks to address several policy questions that need to be resolved before moving forward."

LEAN PROCESS IMPROVEMENT

Ms. Jenike reports for MAY 2018:

"OCERS Disability and Member Services Quality Assurance Team completed the first LEAN training on the disability retirement process. We learned techniques for breaking down a process and identifying work that does not provide added value. We are in the process of documenting what we learned from the LEAN workshop and will begin implementing a number of changes. The next process we will review from the LEAN perspective."

As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the July 16 meeting of the OCERS Board of Retirement.

Memorandum

DATE: July 26, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **OCERS ACTIVITIES AND UPDATES –JUNE 2018**

The following is my regular monthly summary of OCERS staff activity, starting with an overview of key customer service statistics as well as activity highlights followed by updates for the month of JUNE 2018 report.

CUSTOMER SERVICE

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

How do I inform OCERS of my new address?

Active County employees should report a change of address to their department personnel office, who will then forward the information to OCERS. Deferred members and payees can change their address directly through the myOCERS portal on the OCERS Web site. They may also report an address change by completing the change of address form and returning it to OCERS.

Can I withdraw my contributions early?

You may only withdrawal your contributions if you terminate employment. Doing so will end your OCERS membership.

I am getting divorced. How will this affect my retirement benefit?

If the Court determines that your OCERS benefits are community property, a court order will direct the division of your OCERS benefits. When the dissolution is final, OCERS will need a copy of all pages of the Judgment of Dissolution and, if applicable, the Domestic Relations Order (DRO). Our legal division will review the documents to ensure that they conform to OCERS' plan.

MEMBER SERVICE STATS FOR JUNE 2018

Member Approval **98%**

Unplanned Recalcs **2**

Retirement Apps Received

June 2018	**44**
May 2018	**51**
April 2018	**62**
Mar 2018	**93**
Feb 2018	**163**
Jan 2018	**204**
Dec 2017	**58**
Nov 2017	**75**
Oct 2017	**47**
Sept 2017	**42**
Aug 2017	**69**
July 2017	***48***
June 2017	**65**
May 2017	**60**

Telephone Statistics (incoming calls to Member Services):

Dates	Queue	Direct to Ext	Total (Queue + Direct)
JUNE 2018	1,563	2,392	**3,955**
JUNE 2017	849	3,128	**3,977**
JUNE 2016	1,037	3,122	**4,159**

ACTIVITIES

OCERS YEAR IN REVIEW

OCERS outreach continued into June. The final meetings were held in July and will be wrapped up in next month's July 2018 summary report.

JUNE 20: Ms. Jenike, Ms. Shott and I were pleased to host the executive team of the Orange County Sanitation District's labor union. Very appreciative to be included in our outreach effort, they did not have specific concerns with OCERS.

JUNE 20: Later that same morning, Ms. Shott and I met with the Director and Finance Officer of the Children and Families Commission of Orange County (CFCOC). During our discussion of the OCERS Year In Review materials they did ask "if the County of Orange were to change a benefit formula in the future due to financial distress, would CFCOC be required to change their benefit formula as well, due to their being pooled with the County?" Our answer was no, they would not be under an obligation to change formulas.

JUNE 20: That afternoon, with Ms. Shott stayed behind to lead the monthly OCERS INFORMATIONAL MEETING held in the OCERS' Modjeska Room for plan sponsor and labor representatives, Ms. Jenike and I met with the executive team of the Orange County Managers Association (OCMA) as well as the Orange County District Attorney's Association (OCDDA). Very interested in the details of the materials, they posed many questions about how OCERS provides benefit estimates to our mutual members, and they also discussed working with OCERS to better address their membership's concerns regarding retirement in general. We indicated that we are happy to partner with them in better communicating our mission to our members.

JUNE 26: Ms. Shott and I met with the executive team of the Superior Courts of Orange County. Lots of great questions and discussions to ensure they understood OCERS current financial position, but no issues or concerns.

JUNE 28: Ms. Jenike and I met with the executive team of the Professional Firefighters of Orange County (OCPFA). Good interaction, with many specific questions about pay items as they relate to Final Average Salary, which is why we always make sure to have Ms. Jenike at that particular meeting!

JUNE 28: I met that afternoon with a representative of Supervisor Spitzer's office. Good discussion, but no specific concerns or issues.

UPDATES

FINAL AVERAGE SALARY COMPONENTS REVIEW PROJECT

Ms. Heidi Halbur and Ms. Jenike report for JUNE 2018:

We continue to make good progress on the Salary and Pay item review project (Final Average Salary [Master Pay] Item Matrix). We have completed the review of ten PSR, MOU and side agreement documents for OCFA and all of the large plan sponsors. We are in the process of comparing all of the pay items that have been used historically to the current list of pay item codes in the V3 factor table and we have started matching the V3 pay item codes to the descriptions of pay items documented in the PSR and MOU documents to identify if there are any discrepancies. The team is ready to start going through the pay items line by line and applying the compensation earnable and pensionable compensation tests. We have also commenced monthly meetings with the CEO to review the status of the project and to address any policy questions that arise

OCERS INVESTMENT DEPARTMENT ACTIVITY
Mr. David Beeson reports the following:

As of May 31, 2018, the portfolio year-to-date is up 1.2% net of fees, while the one-year return is up 8.8%. The fund value now stands at $15.8 billion. At the June 27th Investment Committee meeting, the Committee approved placing the BlueBay Emerging Market Select Bond Fund on Watch List due to change in key personnel and underperformance. The Committee also approved placing Mondrian's International Small Cap Equity strategy on Watch List due to underperformance. Molly Murphy, OCERS' CIO, provided some background on the securities lending update report provided by State Street, OCERS' securities lending provider. David Fann, Heidi Poon, and Nic DiLoretta from TorreyCove presented the 4th quarter 2017 private equity performance update. The June IC meeting wrapped up with a special guest speaker. Larry Fink, Founder, Chairman, and CEO of BlackRock presented to the Committee. Larry Fink discussed a number of topics including environmental, social, and governance (ESG) issues at the company and national level. Mr. Fink also talked about the challenges and opportunities that developed and emerging economies face in an increasingly interconnected and interdependent world.

LEAN PROCESS IMPROVEMENT
Ms. Jenike reports for JUNE 2018:

OCERS Disability unit has completed the documenting their notes on LEAN training workshop and are working on evaluating and implementing the changes that they think will enhance efficiencies in the process. The next business process we will review with the LEAN trainer will be the death process and it has been scheduled to commence in October.

OCERS STAFFING
Ms. Hockless provided an excellent detailed verbal report at the Board's July 16 meeting. The following is her written report taking us through the end of June 2018:

OCERS Administrative Services Department has filled **twenty (20) positions** since the start of the year and continues to work attentively on the remaining recruitments. Due to many positions being filled with internal promotions, the agency has hired a total of **<u>thirteen (13) new full-time equivalents</u>** (FTE's) and promoted seven (7) internal candidates.

In June, we made an offer to an external candidate for the Director of Cyber Security who is scheduled to join the agency on August 3. The Admin staff concluded the Subject Matter Expert review process for the Director of Internal Audit and set the first round of face-to-face interviews for mid-July. Interviews were completed for the three Retirement Program Specialists positions. The Member Services department selected two internal candidates and one external candidate. On July 6, the Admin Staff completed onboarding activities for the Disability Investigator and Sr. Retirement Analyst. In late July, interviews will take place for the Staff Attorney as well as opening the new Managing Director position in the Investment Department.

To summarize our twelve (12) vacancies, we have five (5) OCERS direct positions vacant: Director of Internal Audit, Managing Director, Deputy General Counsel, Staff Attorney and Director of Cyber Security (scheduled start date Aug 3). Three (3) are legacy positions and two (2) are part of the newly added positions. We have seven (7) vacant County positions: Member Services Supervisor (pending start date), two (2) Accounting Technicians, Retirement Benefits Technician, Retirement Program Specialist (pending start date), Senior Retirement Program Specialist and Accountant Auditor I. Of these seven (7) vacancies, five (5) are newly added positions. Of the 12 vacancies, we have start dates for 3 candidates, scheduled to start in late July and early August.

OCERS has a total of 80 employees on payroll. A total of six (6) employees separated from OCERS as of July 16. The year-to-date annual turnover rate is rounded to 7.5%. This number is calculated by dividing the number of employees that separated by the number of active employees.

Total Vacant	Title	Status	Type	Dept	Reason Vacant
1	Retirement Program Specialist	Start Date Aug 03	County	Member Services	New
2	Senior Retirement Program Specialist	Open Continuous	County	Member Services	New
3	Accounting Technician	Interviews July 11	County	Member Services	Promotion -18
4	Accountant Auditor I	TBD	County	Finance	New
5	MS Supervisor	Start Date July 20	County	Member Services	Promotion -18
6	Director of Cyber Security	Start Date Aug 03	OCERS	Information Technology	New
7	Managing Director	Scheduled to open late July	OCERS	Investments	New
8	Director of Internal Audit	1st Round Interviews July 17	OCERS	Audit	Resignation -18
9	Retirement Benefits Technician	Pre-Employment Testing	County	Member Services	Promotion -18
10	Accounting Technician	Interviews July 11	County	Member Services	Promotion -18
11	Staff Attorney	Interviews late July	OCERS	Legal	Retired-18
12	Deputy General Counsel	Open Continuous	OCERS	Legal	Resignation -18
Total Vacant	**12**		**New Positions**	**5**	**Legacy 7**

★ ★ ★

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

I-15

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

GOVERNANCE COMMITTEE MEETING
March 28, 2018
9:00a.m.

MINUTES

Attendance was as follows:

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

Also Present: Steve Delaney, Chief Executive Officer; Molly Murphy, CFA, Chief Investment Officer; Gina Ratto, General Counsel; Brenda Shott; Chief Executive Officer, Internal Operations; Anthony Beltran, Visual Technician; and Sonal Sharma, Recording Secretary

The Chair called the meeting to order at 9:09 a.m.

ACTION ITEMS

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

A-1 CHIEF INVESTMENT OFFICER CHARTER
Presented by Steve Delaney, CEO and Molly Murphy, CIO

Mr. Delaney provided background commentary regarding Ms. Murphy's recommended revisions to the CIO Charter, including the recommendation of delegated authority to hire and terminate managers. He suggested this is only a slight change to current processes and procedures, but also noted this change is an important one.

Mr. Delaney reviewed and discussed OCERS' contract with OCERS' Strategic Portfolio and Risk Advisor, PCA; he stated, that "pursuant to Government Code Section 31595 and related provisions of law, the BOARD, may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, ..., with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims." Therefore, he rationalized that the central issue for the CIO Charter discussion, and in particular, the associated risks and benefits of delegated authority, is the prudent person rule.

Ms. Murphy expressed that she understood the Committee's concerns as natural, particularly given the circumstances: she recognized that the proposed change of delegated authority in the CIO Charter arrives at the same time OCERS is building out new internal resources and hiring new external sources, TorreyCove and Townsend Group.

Ms. Murphy suggested that the new relationships are effectively substitutions. She noted that Townsend Group is replacing RVK for real estate coverage. Observing that OCERS is allocating relatively more to private equity versus hedge funds, she noted that TorreyCove is replacing Aksia.

Mr. Delaney observed that some Trustees had wanted Meketa, as OCERS' General Consultant, to opine on private market investment managers; however, he explained that this type of monitoring was not the case historically. For example, he recalled that when RVK advised on a real estate manager, NEPC, as OCERS' General Consultant, would not opine on that manager.

Mr. Ball responded that this was one of his issues with NEPC.

Mr. Delaney responded, noting the difference, as NEPC would provide color on the impact upon the overall portfolio, but would not opine on a RVK's manager recommendation.

Ms. Murphy described the differences between the prior and the proposed CIO charter. In both charters, she discussed the various levers the Committee continues to control over advice, execution, and operations, including all investment consultants and custodians.

Mr. Hilton and Ms. Ratto discussed the OCERS' past processes and the recently proposed steps for hiring/firing investment managers.

Mr. Hilton asked Ms. Ratto if the only way for the Committee to hire/fire managers was through hiring/firing consultants.

Ms. Ratto responded that if the Committee were unhappy with the CIO's manager selection, the recourse would be to direct the CIO to issue an RFP, and work with the CEO and CIO, since the CIO reports to the CEO. She also observed that if the Committee is just concerned with one manager, then the issue is with the investment manager; however, she also noted that if it's a pattern where the CIO selects underperforming managers, then the issue is with CIO, at which point the Committee would then go to the CEO.

Ms. Murphy and Mr. Prevatt duly noted that the Committee has discretion over delegated authority and therefore could pull it anytime in its entirety, and/or change parts of the structure and process anytime as well.

Mr. Prevatt and Mr. Hilton continued the discussion on the appropriate steps and procedures should the Committee have any issues with delegated authority.

Ms. Murphy discussed the role and responsibilities of each of OCERS' investment consultants, including a discussion of their fiduciary duty; she reported upon the standardized contract language surrounding fiduciary language for each consultant.

Ms. Murphy discussed the process that the Committee undertakes prior to manager selection, i.e., the Asset Allocation, which includes asset and sub-asset class targets and ranges. She observed that there are many guidelines around Manager Search and Selection, as the Committee, through Asset Allocation policy, signals the investable areas to staff and consultants. She stated that if it is not defined in the asset allocation, then staff cannot invest without going back to the Committee for an approved mandate.

Ms. Murphy presented a slide on public peers with and without delegated authority, stating she also discussed the slide from a prior Investment Committee meeting. She reported upon peer exceptions, while also reporting those exceptions are evolving towards some form of delegated authority. She also observed that plans of OCERS' similar size have some form of delegated authority.

Ms. Murphy presented her slide on OCERS' Manager Hiring Process, which includes the following steps: (1) Asset Allocation; (2) Ongoing Due Diligence; (3) Manager Search and Selection; and (4) Manager Approval. She opined that the Ongoing Due Diligence process of staff and consultants is not discussed sufficiently enough in the Committee setting, and therefore she suggested the discipline of this process may not be clear or apparent to the Committee.

Ms. Murphy stated that OCERS' Asset Allocation is explicit direction from the Committee on what staff and the consultants can and cannot invest in.

Ms. Murphy discussed that where there is a gap in Asset Allocation, i.e., underperformance, or when the structure of an investment is not ideal, staff will assess the industry for peer group improvements. She also discussed the idea of "white space" i.e., gaps not already addressed or approved in the asset allocation, or structural inefficiencies that OCERS may want to exploit. She reported that it is incumbent of staff to bring such gaps to the Committee, and accordingly provide the needed educational presentations to the Committee. She observed that this is the time and place for input from the Committee to vet whether the investment idea is prudent and palatable such that the staff and consultants can proceed with Manager Search and Selection, and thus implement the Asset Allocation.

Mr. Ball opined upon the hiring of consultants and their respective duties to the Committee and to staff. He discussed the legal responsibility, fiduciary duty of each and every consultant, as well as their practical duty. He opined that Meketa, due to their day-to-day relationship with staff, would report to staff; further, he suggested that PCA, upon their hiring, would be both a Risk consultant, as well as a general consultant that acts as an independent source and voice to the Board.
Mr. Ball further observed that manager approval does not belong to the Committee, as the issue is the process by which the CIO educates and communicates to the Committee how OCERS' Asset Allocation is going to be distributed and implemented, with discussion on ranges and targets. He stated that during the Asset Allocation and Ongoing Due Diligence stages are the only stages where the Committee should get into the discussion and pose issues and questions. He noted that the Committee should step away and empower staff and consultants once staff and consultants are in the Manager Search and Selection stage.

Ms. Murphy expressed agreement with Mr. Ball, and reported that, given her experience, as well as OCERS' prior experience with RVK, OCERS should perform an annual strategic review and plan for each asset class. She expressed one concern with Mr. Ball's comments, specifying that not every manager search would go through a RFI/RFP process. She reported the Manager Search and Selection stage could go through a shortlist process. However, she noted that she would frequently communicate staff's due diligence process to the Committee, otherwise she would not even be doing the CIO's bare job requirements. She also described that another good way to provide transparency and frequent communication would be through providing a running pipeline of potential investments to the Committee on a monthly basis.

Mr. Ball noted that he is not necessarily concerned about the RFP/RFI process; rather, he expressed his concern that as the process is currently drafted, there is a possibility for zero communication between the Committee and the CIO. He voiced his desire for the Committee to be strategically involved, with frequent communication as to who and what potential manager hires are.

Mr. Prevatt, Mr. Ball, and Ms. Murphy discussed the need for more precise explicit language during the Ongoing Due Diligence process.

Mr. Prevatt reported that one of the Committee's concerns is that a manager could be hired without the Committee even knowing or understanding the manager's strategy.

Mr. Prevatt discussed that the process must explicitly state that new strategies or an underperforming existing strategy be discussed and presented to the Committee. He opined on the need for explicit controls that require a new idea or strategy to come before the Committee prior to additional steps are undertaken by staff and consultants.

Ms. Murphy expressed agreement that a new idea or strategy needs to be first vetted by the Committee.

Mr. Prevatt further explained that it is his understanding that this step would need to be hardcoded into the process for the Committee to get comfortable and agreeable with delegated authority.

Mr. Dewane and Ms. Murphy discussed an extreme example of Large Cap Growth, Private Equity, and Chinese Real Estate to emphasize the necessary steps and discussions required for the CIO to allocate capital across those strategies. The discussions and steps required would include a vetting of the change to the asset class, as well as vetting of the changes to the sub-asset class targets and ranges.

Mr. Ball described two boundaries for the delegated authority process: 1. Asset allocation; and 2. the Investment Committee has the right to be informed prior to the hiring of the manager, whereby a number of items are discussed, including but not limited to returns, risk, and timeframe.

Ms. Murphy and Mr. Ball discussed a hypothetical delegated authority example where Ms. Murphy sought to directly allocate to private equity buyout managers. They discussed the required discussions and communication between the CIO and the Committee, including the structure to fulfill that allocation, returns, risk, timeframe, fee structure, parameters, etc.

Ms. Murphy explained that this type of structural discussion has been lacking, even for less complex assets such as equities. She stated her goal is to have annual asset class reviews, where the Committee, staff, and consultants discuss, for example, goals and target tracking error parameters for each manager. Ms. Murphy commented that these types of discussions should be ongoing regardless of whether or not OCERS is hiring a manager or not.

Mr. Ball agreed, but noted the need for explicit parameters and guidelines.
Ms. Murphy and Mr. Hilton discussed the proper process in providing the information to the Committee.

Mr. Hilton expressed his preference for an executive summary that included the following: manager source (e.g., RFI, RFP); number of applicants; fees; and how the manager fits in the mandate. He explained that many conference attendees generally ask about OCERS' hiring process.

Mr. Hilton explained his concerns stem from the private equity consultant hiring as the background hiring information was limited to the information given to him the day of the ICM.

Ms. Murphy agreed and explained that the hiring process will be transparent. She explained that with the updated agenda format, the Trustees are free to pull items, discuss, and ask questions to the staff about the hiring of the managers.
Mr. Dewane, Ms. Ratto, and Ms. Murphy discussed the prudent person rule and prudent expert rule, particularly as it pertains to delegated authority.
Ms. Ratto explained that as members of the Investment Committee, Trustees would be bound by the prudent expert rule; that said, she continued to explain, that if a Trustee does not believe they are an expert, they are bound by fiduciary duty that they hire experts and rely on that expertise accordingly.
Ms. Murphy further explained and applied the prudent expert rule to her responsibilities as CIO, particularly as it relates to delegated authority; she discussed certain capacities that did warrant her to delegate authority, i.e., delegating authority to a custodian, such as State Street to value the portfolio. She explained that she does not have to serve as a prudent expert in every single capacity.

Mr. Dewane stated for the record that there are good academics supporting delegated authority.

Mr. Dewane asked if there were any comments from the public.

Mr. Eley, Regular Board and Investment Committee Member, addressed the Committee and asked for every ‘37 act pension to be listed with whether or not they have delegated authority.

Ms. Murphy explained that she reached out to every system but not every system responded.

Mr. Eley and Ms. Murphy discussed the costs and benefits of manager presentations during the manager hiring process.

Mr. Eley addressed the Committee, suggesting that manager materials and information could be added to the agenda under “Information Items”, noting the importance of manager presentations as educational tools for the Committee.

Ms. Murphy stated that the termination process is similar to the hiring process, explaining that the process similarly starts with Asset Allocation, as the Asset Allocation will have changed over time from the manager’s initial hiring.

Ms. Murphy expressed her preference to increasing the frequency of the quarterly compliance report to monthly, as compliance issues can occur monthly and not squarely on a quarterly basis.

Ms. Murphy described the Watch List process; she provided commentary on the importance of this step in the termination process to be in the public domain and in the domain of the Committee. She discussed the need for transparency, suggesting that a termination could be telegraphed for months through the Watch List step.

Ms. Murphy explained that with the proposed recommendation of delegated authority, the Committee would not necessarily bring a termination to a vote. She explained that in more emergency situations, the CIO has the ability to terminate for cause, with the approval of the CEO, and in conference of the Chair and Vice Chair of the Investment Committee.

Mr. Hilton and Ms. Murphy discussed the appropriate process regarding executive summary memos for termination, including how Board Members could arrive at a different interpretation of the rationale for termination without an executive summary.

Mr. Dewane summarized and confirmed that the Watch List would be regularly given to the Committee. He noted that possible terminations would be telegraphed for months. Further, he confirmed that only under extraordinary situations could there be a surprise to the entire Committee, explaining that under such a scenario, there would necessarily be communication between the CIO, CEO, as well as the IC Chair and Vice Chair.

Ms. Murphy further explained that staff has already been operating under this standard.

Mr. Ball and Ms. Murphy discussed bringing managers on the Watch List to the Investment Manager Monitoring Subcommittee (IMMS).

Ms. Murphy further explained that the IMMS will focus on Watch List managers.

Mr. Dewane asked for public comment.

Mr. Eley, Tustin, addressed the Committee about OCERS' prior manager termination history, including a discussion about OCERS' cash overlay program several years ago, as well as the benefits of manager presentations prior to manager terminations. He also discussed the possibility of an accompanying memo each from PCA, Meketa, and the staff to confirm/deny the manager termination, particularly should there be a disagreement between staff and the CIO. Given the relatively recent hiring of the CIO and consultants, he also stated that they are in their probationary period; in light of this, he suggested that Committee retain investment authority for some strategies, e.g., private equity, while applying the proposed delegated authority process for other strategies.

Mr. Prevatt addressed and responded to Mr. Eley's issues. Regarding the cash overlay program issue, he explained that would be a change in Asset Allocation rather than a manager change, so that would need to come before the Committee. Regarding terminated manager presentations, he discussed the risks of relying upon professional presenters versus relying on OCERS' prudent experts. Regarding possible disagreements between the CIO and staff, he expressed that the CIO is in charge of staff, and for the Investment Committee to get involved here would not prudently manage the investment process.

Mr. Ball expressed agreement with Mr. Prevatt's comments.

Mr. Ball also expressed that only under unusual circumstances would a manager not go through the typical Watch List process. He considered the Watch List as an early warning system. If the Committee has issues or questions with the Asset Allocation or the Watch List, he expressed then and only then could the Committee raise those issues or questions at that respective step, and not after the decisions has already been made. He discussed his issues with manager presentations, reiterating that it is not a matter of time spent with the manager, but rather that the manager will only talk their book up.

Mr. Eley discussed the need to keep managers in check and accountable, particularly as it relates to manager presentations to the Committee.

Mr. Hilton observed Mr. Eley's tenure and service as an OCERS Trustee. He also reported that the vote has already passed and Trustees must get in line with the approval; he also noted that with prior CIOs, the mere idea of delegated authority would likely not have even gotten to this step in discussions.

Mr. Dewane discussed the difficulty in measuring the investment acumen of a manager based upon the manager's ability to present to the Committee. Given his own expertise, he opined upon the persuasive ability of presenters, who are highly trained, and are by definition not objective.

Mr. Dewane opined upon the importance of Committee meetings, while also noting that time at meetings also equates to time spent for OCERS' staff away from their manager due diligence process.

Mr. Dewane expressed that while OCERS' consultants, TorreyCove and Townsend Group, as well as Ms. Murphy are relatively new to OCERS, the idea of delegated authority is not. He stated that delegated authority is well-documented and well-researched, noting that across the industry, delegated authority is considered best practice. He observed that Ms. Murphy is asking for the responsibility and for the accountability of the portfolio and asking to be measured by the performance of the fund itself. He continued to observe that she has skin in the game and opined that she has no incentive to invest improperly. Ultimately, he stated that the Committee always holds full recourse and can recall delegated authority. He opined that this change of delegated authority in the CIO Charter is a small conversion that will help elevate the Committee's discussion to more worthwhile topics and concerns, i.e., OCERS' performance, which he reported has been bottom decile over a number of time-periods.

Mr. Prevatt discussed the manager termination for cause process; he also discussed the Watch List for underperforming managers.

Mr. Prevatt discussed managers where there is a change in strategy, i.e., style drift, and thus, he stated that this would be in contradiction to OCERS' asset allocation, and consequently, he rationalized that the Committee has already made a decision and that would obviate the need for manager presentations. He also noted that if the Chair rationalizes, either due to underperformance or a change in organization structure, that the manager should be able to present during the Watch List process at the IMMS.

Ms. Murphy agreed, expressing that is how it is currently described in the current policy.

Mr. Prevatt further opined that information gap is being filled when the staff brings strategy education to the Committee. He explained strategy education and discussion tends to be less biased than the historical process, where the investment manager would present a new strategy to the Committee through marketing their own funds and firms.

Ms. Murphy, in an effort to discuss associated risks and oversight between selecting managers and selecting underlying securities, initiated a discussion on pension plans managing in excess of $40 – 50 billion.

Mr. Ball repeatedly voiced his confusion as to why such a discussion is relevant to the day's discussion.

Ms. Murphy responded that the goal of these slides was to explain what OCERS is and is not.

The Committee and Ms. Murphy discussed her CIO Charter memo, which discussed 3 options for the Committee to decide upon, with option 1 stating that the Committee "Maintain the delegated authority as outlined in the CIO Charter approved in January 2018.

Mr. Prevatt explained that Ms. Murphy's option 2, which includes limits, arose due to concerns from the members of the Committee who were concerned that there were no limits in the proposed delegated authority.

Mr. Ball expressed that no dollar limits are needed because the CIO has no authority unless the CIO goes to the Committee first for approval, specifically an executive summary memo that describes the asset and sub-asset category, the targeted size of investment, as well as the implications of the potential investment upon the Asset Allocation targets and ranges.

Mr. Delaney asked and confirmed that Mr. Ball did not care about the "who" the Committee would be allocating capital to, but rather is concerned about the why, in terms of the investment rationale and benefit to OCERS' portfolio

Mr. Ball stated that, to be clear, in no way is the Committee giving blanket authority to staff to allocate capital without first going through the process, expressing that capital could not be invested without the Committee ever knowing.

Mr. Dewane summarized and confirmed that through this process, the Committee, through option 1, would reaffirm the Asset Allocation, and then the CIO would execute the Asset Allocation through Manager Search and Selection.

Mr. Dewane asked if Mr. Ball is advocating option 1 and observed that Mr. Ball seems to be indicating that option 2 and 3 be eliminated because the concern has been previously addressed.

Mr. Prevatt stated that he would like to address again the concerns of half of the Committee regarding the CIO's limits, noting that without option 2, there are no limits within the proposed delegated authority, and thus those concerns would arise again.

Mr. Ball opined that today's discussion obviated the need for limits, because through option 1, the CIO would still need to seek the Committee's approval prior to proceeding with an allocation.

Mr. Dewane asked for public comments.

Ms. Freidenrich, Regular Board and Investment Committee Member, addressed the Committee about option 1, and expressed her concern that there were no limits within the proposed delegated authority.

Mr. Ball responded, and noted that earlier in the meeting, the Committee reviewed the Manager Hiring Process and modified it such that the CIO, for the Committee's review and approval, would present to the Committee a complete description of the proposed investment managers' strategies, including the asset category and the potential capital allocation. He explained further that the CIO then, with the Committee's approval, would implement within those guidelines.

Ms. Freidenrich thanked Mr. Ball for the clarification, and for her understanding, confirmed and summarized that at that point, the CIO would not bring managers to present, but rather select the manager within the approved limits. She further summarized that though option 1 was approved at the prior Investment Committee meeting, the Governance Committee modified option 1 such that no additional allowance or limit would be required because the Investment Committee would have already identified limits through the pre-approval process.

Mr. Ball agreed, and confirmed that the Governance Committee made the limit effectively zero for discretion, again explaining that without the explicit approval from the Committee, there is no authority to proceed with manager selection and investment.

Mr. Dewane observing that Ms. Freidenrich was not present earlier in the day, provided an investment example for Ms. Freidenrich's benefit; he described the steps the CIO could and could not do regarding the Large Cap Growth Equity allocation, Private Equity, and Chinese Real Estate. He particularly explained that the Asset Allocation would limit the CIO from reallocating such proceeds to Chinese Real Estate since that asset class is not within the strategic Asset Allocation.

Mr. Delaney observed that Ms. Murphy move the presentation back to slide 9 to illustrate the process for Ms. Freidenrich's benefit.

Mr. Ball continued Mr. Dewane's example and further explained the necessary steps, including a discussion of the required CIO memo that would describe the proposed investments' risk profile. He also stated that at that point Meketa and the risk consultant would add their input. With the Committee's approval, the CIO would select manager(s) that would fit the approved criteria.

Mr. Ball also explained what the CIO could not do without the Committee's approval, explaining that the CIO must fulfill the pre-approved criteria. For example purposes, he explained that the CIO could not terminate the cash overlay program as that would be a complete change in the Asset Allocation. He stated that the Committee retains 100% control of the direction and timing of the capital; the only thing the Committee is relinquishing is the individual interviewing and selection process of the managers.

Ms. Freidenrich expressed appreciation for the tighter Ongoing Due Diligence process and sufficient checks and balances within the proposed delegated authority.

Ms. Freidenrich, Mr. Ball, and Ms. Murphy discussed TorreyCove and their investment recommendation. They discussed the steps required of the CIO to proceed with an investment, including the initial CIO memo seeking pre-approval, and an executive summary that followed the pre-approval memo, that would remind the Committee of the approved mandate and what the CIO is proposing. They particularly discussed this alleviate Ms. Freidenrich's concerns regarding the need for frequent communication and transparency, which the original proposed recommendation for delegated authority lacked.

Mr. Dewane, sensing consensus amongst the Committee and the Trustees present in the public suggested that: (1) option 2 and 3 are both off the table and (2) option 1 is preferred, pursuant to the Governance Committee's discussions and modifications that occurred at the day's meeting.

Ms. Murphy expressed agreement, explaining that some of today's agreed upon language, steps and processes may end up in the Investment Policy Statement, while others would fall within the purview of the CIO Charter.

Mr. Prevatt asked that Ms. Murphy, in clarifying and confirming option 1 for the approval of the Committee, needs to specify the role and responsibilities of OCERS' consultants, Meketa, PCA, TorreyCove, and Townsend Group.

Mr. Prevatt and Mr. Ball cautioned against PCA providing a second opinion on a specific real estate manager selection, which could pose a conflict of interests; they agreed that PCA, as OCERS' risk consultant, should only opine on the broader risk allocation.

Mr. Dewane expressed agreement and stated the need for OCERS' consultants to provide a written investment recommendation, rather than a verbal one, that confirms or denies staff's proposed recommendation.

Ms. Murphy, also expressed agreement, further explaining that her recommendation would likely not progress to that stage without the expressed agreement from the appropriate OCERS' consultant, i.e., general consultant or specialty consultant.

A **motion** was made by Mr. Ball, **seconded** by Mr. Prevatt to maintain the delegated authority as outlined in the CIO Charter approved at the January 2018 Investment Committee meeting, subject to the two changes discussed at today's Governance Committee meeting: (1) alteration of the due diligence process defining the potential allocation's strategy, pricing, and risk profile identified first to the Committee prior to manager selection and hiring; (2) manager termination process goes through the Watch List process, where the Committee has the right to vote whether or not the manager goes on the Watch List, and the manager cannot be fired without extenuating circumstances. The **motion carried unanimously.**

Mr. Hilton and Ms. Murphy discussed the timing of delegated authority, particularly as it relates to a live example that would require approval at the April Investment Committee meeting.

The Committee further discussed the timing of the finalized delegated authority. They agreed and Mr. Prevatt confirmed that the policy would come back at the April Investment Committee meeting.

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

COMMITTEE MEMBER/CEO/CIO/STAFF/CONSULTANT COMMENTS
None

COUNSEL COMMENTS
None

ADJOURNMENT: The Chair adjourned the meeting at 10:15 a.m.

Submitted by:	Approved by:
___________________________	______________________________
Steve Delaney	Shawn Dewane
Secretary to the Committee	Chair

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

AUDIT COMMITTEE MEETING
July 17, 2018
9:00 a.m.

Members of the Committee
Frank Eley, Chair
Charles Packard, Vice Chair
Russell Baldwin
Shari Freidenrich

MINUTES

OPEN SESSION

The Chair called the meeting to order at 9:02 a.m.

Attendance was as follows:

Committee Members:	Frank Eley, Chair; Charles Packard, Vice Chair; Russell Baldwin
Staff:	Steve Delaney, CEO; Brenda Shott, Assistant CEO, Internal Operations; Gina Ratto, General Counsel; Felicia Durrah, Human Resources Staff Analyst

PUBLIC COMMENT
None.

CLOSED SESSION

The Committee adjourned into Closed Session at 9:05 a.m., under the authority of Government Code section 54957 to consider employment of a public employee, and conducted interviews of candidates for the position of OCERS' Director of Internal Audit.

A. INTERVIEWS OF CANDIDATE FOR OCERS' DIRECTOR OF INTERNAL AUDIT

OPEN SESSION

The Committee reconvened in Open Session at 4:14 p.m.

B. REPORT OF ANY ACTION TAKEN IN CLOSED SESSION

The Chair announced that no reportable action was taken by the Committee in Closed Session.

COMMITTEE MEMBER COMMENTS
None.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS
None.

COUNSEL COMMENTS
None.

The Committee adjourned at 4:15 p.m.

Submitted by:

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Steve Delaney
Secretary to the Committee

Approved by:

____
Frank Eley
Committee Chair

I-16

Memorandum

DATE: August 20, 2018

TO: Members, Board of Retirement

FROM: Suzanne Jenike, Assistant CEO, External Operations

SUBJECT: **2018 EMPLOYER AND EMPLOYEE PENSION COST COMPARISON**

Presentation

Background/Discussion

On an annual basis I provide the Board with an updated contribution comparison spreadsheet showing the various contribution rate provisions paid by employers and employees across several rate groups and plans. This document is intended to provide a high level overview of the rates, ownership of the funds once they are sent to OCERS, as well as some of the pick-up arrangements that the OCERS Plan Sponsors have bargained for with their employees.

Submitted by:

S. J. – APPROVED

____

Suzanne Jenike
Assistant CEO, External Operations

2018 LEGACY CONTRIBUTION COMPARISON

SJenike 8-1-18

The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2018.

	A	B	C	D	E	F	G	H	I	J	K	L
								Employer Owned	Employee Owned			
								Employer Paid EE Contributions		Employee Paid EE Contributions		
	# of Members	Tier, Plan and Rate Group	Rep Units	Description	Net Employer Costs = ER+EE p/u-rev p/u	Employer Cont Rate	Employee Cont Rate	Pick-Up Rates Eff	Pick-Up Rates	EE Cont	EE Reverse Pick-Up or Reimburse (Reduces ER Cost)	Net Employee Costs
								.1 ER P/U *	.2 ER P/U (varies) *			
		Rate Group #1 - General Members Non-OCTA, County Only - Avg Age 33										
0.01%	2	Tier 1 - Plan A - 2%@57 - 1 year MP	**EW**	Eligibility Worker Unit	16.76%	16.76%	6.47%	0.00%	0.00%	6.47%	0.00%	6.47%
5.00%	774	Tier 2 - Plan B - 1.667%@57 1/2 - 3 year MP			16.76%	16.76%	8.72%	0.00%	0.00%	8.72%	0.00%	8.72%
0.00%	0	Tier 2 - Plan B - 1.667%@57 1/2 - 3 year MP	**PO**	Deputy Sheriff Trainee	16.76%	16.76%	8.72%	0.00%	0.00%	8.72%	0.00%	8.72%
		Rate Group #1 - IHSS - Avg Age 37										
0.05%	8	Tier 2 - Plan B - 1.667%@57 1/2 - 3 year MP			16.76%	16.76%	9.36%	0.00%	0.00%	9.36%	0.00%	9.36%
		Rate Group #2 - General members 2.7@55 Non-OCFA. County only limited barg units, see disclaimer - Avg Age 33										
0.01%	2	Tier 1 - Plan I - 2.7%@55 - 1 year MP	**MA**	OCMA Member	27.69%	34.91%	13.04%	0.00%	0.00%	13.04%	7.222%	20.26%
5.95%	922	Tier 2 - Plan J - 2.7%@55 - 3 year MP			27.69%	34.91%	12.41%	0.00%	0.00%	12.41%	7.222%	19.63%
0.08%	12	Tier 2 - Plan P - 1.62%@65 - 3 year MP			24.92%	27.25%	8.03%	0.00%	0.00%	8.03%	2.332%	10.36%
0.05%	7	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**MB, MU**	OCMA Member	27.69%	34.91%	12.41%	0.00%	0.00%	12.41%	7.222%	19.63%
0.02%	3	Tier 2 - Plan P - 1.62%@65 - 3 year MP			24.92%	27.25%	8.03%	0.00%	0.00%	8.03%	2.332%	10.36%
2.33%	361	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**AT**	Attorney	29.85%	34.91%	12.41%	0.00%	0.00%	12.41%	5.062%	17.47%
1.54%	239	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**SO**	Sheriff Special Officer	34.91%	34.91%	12.41%	0.00%	0.00%	12.41%	0.000%	12.41%
0.01%	2	Tier 2 - Plan P - 1.62%@65 - 3 year MP			27.25%	27.25%	8.03%	0.00%	0.00%	8.03%	0.000%	8.03%
0.01%	1	Tier 1 - Plan I - 2.7%@55 - 1 year MP	**E1,E2,E3, EA**	County Board of Supv, Elected Officials, Exec. Mgmt.	27.43%	34.91%	13.04%	0.00%	0.00%	13.04%	7.482%	20.52%
0.49%	76	Tier 2 - Plan J - 2.7%@55 - 3 year MP			27.43%	34.91%	12.41%	0.00%	0.00%	12.41%	7.482%	19.89%
0.04%	6	Tier 2 - Plan P - 1.62%@65 - 3 year MP			24.66%	27.25%	8.03%	0.00%	0.00%	8.03%	2.592%	10.62%
0.13%	20	Tier 1 - Plan I - 2.7%@55 - 1 year MP	**CL, CS, GE, HP, SM**	OCEA represented	28.17%	34.91%	13.04%	0.00%	0.00%	13.04%	6.743%	19.78%
43.68%	6765	Tier 2 - Plan J - 2.7%@55 - 3 year MP			28.17%	34.91%	12.41%	0.00%	0.00%	12.41%	6.743%	19.15%
0.87%	134	Tier 2 - Plan P - 1.62%@65 - 3 year MP			25.40%	27.25%	8.03%	0.00%	0.00%	8.03%	1.852%	9.88%
0.01%	1	Tier 1 - Plan I - 2.7%@55 - 1 year MP	**CP**	Craft and Plant- IUOE Members	29.93%	34.91%	13.04%	0.00%	0.00%	13.04%	4.982%	18.02%
0.43%	66	Tier 2 - Plan J - 2.7%@55 - 3 year MP			28.93%	34.91%	12.41%	0.00%	0.00%	12.41%	5.982%	18.39%
0.03%	4	Tier 2 - Plan P - 1.62%@65 - 3 year MP			26.16%	27.25%	8.03%	0.00%	0.00%	8.03%	1.092%	9.12%
0.12%	19	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**PM**	Probation	34.91%	34.91%	12.41%	0.00%	0.00%	12.41%	0.000%	12.41%
0.31%	48	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**PS**	Probation	34.91%	34.91%	12.41%	0.00%	0.00%	12.41%	0.000%	12.41%
		Rate Group #2 - Superior Court - Avg Age 33										
0.02%	3	Tier 1 - Plan I - 2.7%@55 - 1 year MP	**CC, E6,SG**		28.17%	34.91%	13.04%	0.00%	0.00%	13.04%	6.74%	19.78%
0.90%	139	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**AX,CX,E5,E6,E7**		31.91%	34.91%	12.41%	0.00%	0.00%	12.41%	3.00%	15.41%
5.97%	924	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**CC,CI,SS,SG**		29.83%	34.91%	12.41%	0.00%	0.00%	12.41%	5.08%	17.49%
0.15%	24	Tier 2 - Plan P - 1.62%@65 - 3 year MP	**AX,CC,CX,SG,SS**		27.25%	27.25%	8.03%	0.00%	0.00%	8.03%	0.00%	8.03%
		Rate Group #2 - SJC - Avg Age 37										
0.01%	1	Tier 1 - Plan I - 2.7%@55 - 1 year MP	**CLASS**		34.91%	34.91%	14.05%	0.00%	0.00%	14.05%	0.00%	14.05%
0.19%	30	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**CLASS, EXEC1, MGMT1**		34.91%	34.91%	13.34%	0.00%	0.00%	13.34%	0.00%	13.34%
0.10%	16	Tier 2 - Plan S - 2%@57 - 3 year MP	**CLASS, EXEC1, MGMT1**		32.07%	32.07%	11.24%	0.00%	0.00%	11.24%	0.00%	11.24%
0.01%	1	Tier 2 - Plan W -1.62%@65 - 3 year MP	**PTXXX**		28.40%	28.40%	6.79%	0.00%	0.00%	6.79%	0.00%	6.79%

2018 LEGACY CONTRIBUTION COMPARISON

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The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2018.

	A	B	C	D	E	F	G	H	I	J	K	L
								Employer Owned	Employee Owned			
								Employer Paid EE Contributions		Employee Paid EE Contributions		
	# of Members	Tier, Plan and Rate Group	Rep Units	Description	Net Employer Costs = ER+EE p/u-rev p/u	Employer Cont Rate	Employee Cont Rate	Pick-Up Rates Eff	Pick-Up Rates	EE Cont	EE Reverse Pick-Up or Reimburse (Reduces ER Cost)	Net Employee Costs
								.1 ER P/U *	.2 ER P/U (varies) *			
		Rate Group #2 - OCERS Mgmt (future service) - Avg Age 35										
0.12%	18	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**EO, MR**		32.80%	32.80%	12.87%	0.00%	0.00%	12.87%	0.00%	12.87%
		Rate Group #2 - Children & Families Comm. (future service) - Avg Age 33										
0.03%	5	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**E9, MX**		13.76%	13.19%	12.41%	4.25%	0.00%	8.05%	3.68%	7.48%
		Rate Group #2 - LAFCO (future service) - Avg Age 37										
0.01%	2	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**E9, MY**		34.19%	32.80%	13.34%	4.56%	0.00%	8.66%	3.17%	7.27%
		Rate Group #3 - Sanitation - Avg Age 35										
0.01%	1	Tier 1 - Plan G - 2.5%@55 - 1 year MP			15.78%	12.28%	13.31%	0.00%	3.50%	13.31%	0.00%	9.81%
2.29%	354	Tier 2 - Plan H - 2.5%@55 - 3 year MP			15.78%	12.28%	12.66%	0.00%	3.50%	12.66%	0.00%	9.16%
0.36%	56	Tier 2 - Plan B - 1.667%@57 1/2 - 3 year MP			10.21%	10.21%	9.10%	0.00%	0.00%	9.10%	0.00%	9.10%
		Rate Group #5 - OCTA - Avg Age 36										
0.02%	3	Tier 1 - Plan A - 2%@57 - 1 year MP	**CO**		25.52%	25.52%	6.96%	0.00%	0.00%	6.96%	0.00%	6.96%
7.04%	1090	Tier 2 - Plan B - 1.667%@57 1/2 - 3 year MP	**CO, MN, NONE, TCU**		25.52%	25.52%	9.33%	0.00%	0.00%	9.33%	0.00%	9.33%
		Rate Group #6 - Probation - Avg Age 27										
0.03%	5	Tier 2 - Plan F - 3%@50 - 3 year MP - Mgmt	**E4/E8**	Executive	47.93%	47.93%	16.19%	0.00%	0.00%	16.19%	0.00%	16.19%
0.00%	0	Tier 1- Plan E - 3%@50 - 1 year MP - Mgmt	**MP, PM**	Probation Mgmt	47.93%	47.93%	11.82%	0.00%	0.00%	11.82%	0.00%	11.82%
0.72%	111	Tier 2 - Plan F7 - 3%@50 - 3 year MP - Mgmt			47.93%	47.93%	16.19%	0.00%	0.00%	16.19%	0.00%	16.19%
3.87%	599	Tier 2 - Plan F - 3%@50 - 3 year MP - Officer	**PS**	Probation Services	47.93%	47.93%	16.19%	0.00%	0.00%	16.19%	0.00%	16.19%
		Rate Group #7 - County Law Enforcement - Avg Age 27										
6.75%	1046	Tier 2 - Plan F3 - 3%@50 - 3 year MP - Sheriff	**PO/SP**		63.82%	63.82%	17.20%	0.00%	0.00%	17.20%	0.00%	17.20%
2.53%	392	Tier 2 - Plan R - 3%@55 - 3 year MP - Sheriff		New hires after 4/9/2010	61.19%	61.19%	16.12%	0.00%	0.00%	16.12%	0.00%	16.12%
0.62%	96	Tier 2 - Plan F3 - 3%@50 - 3 year MP - Sheriff	**ML,EB,EA**	Law Enforce/Mgmt	63.82%	63.82%	17.20%	0.00%	0.00%	17.20%	0.00%	17.20%
		Rate Group #8 - Fire Authority Safety - Avg Age 30										
4.66%	722	Tier 2 - Plan F - 3%@50 - 3 year MP	**FF, F3, T1, T3**	Fire Fighter, Engineer 17.99%	49.11%	49.11%	17.35%	0.00%	0.00%	17.35%	0.00%	17.35%
0.02%	3	Tier 2 - Plan F - 3%@50 - 3 year MP	**FM & M3**	Fire Management 19.29%	49.11%	49.11%	17.35%	0.00%	0.00%	17.35%	0.00%	17.35%
0.27%	42	Tier 2 - Plan F - 3%@50 - 3 year MP	**E3,M1**	Full Rate	49.11%	49.11%	17.35%	0.00%	0.00%	17.35%	0.00%	17.35%
0.63%	98	Tier 2 - Plan R - 3%@55 - 3 year MP	**F5, T5**	New hires after 7/1/2012 - 17.99%	44.13%	44.13%	16.50%	0.00%	0.00%	16.50%	0.00%	16.50%
		Rate Group #9 - TCA (retroactive upgrade) - Avg Age 39										
0.21%	32	Tier 2 - Plan N - 2%@55 - 3 year MP			24.76%	24.76%	10.31%	0.00%	0.00%	10.31%	0.00%	10.31%

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The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2018.

	A	B	C	D	E	F	G	H	I	J	K	L
								Employer Owned	**Employee Owned**			
								Employer Paid EE Contributions		**Employee Paid EE Contributions**		
	# of Members	**Tier, Plan and Rate Group**	**Rep Units**	**Description**	**Net Employer Costs = ER+EE p/u-rev p/u**	**Employer Cont Rate**	**Employee Cont Rate**	**Pick-Up Rates Eff**	**Pick-Up Rates**	**EE Cont**	**EE Reverse Pick-Up or Reimburse (Reduces ER Cost)**	**Net Employee Costs**
								.1 ER P/U *	**.2 ER P/U (varies) ***			
		Rate Group #10 - Fire Authority General - Avg Age 34										
0.87%	135	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**E2,G2,M2,S2**		31.96%	31.96%	12.66%	0.00%	0.00%	12.66%	0.00%	12.66%
0.21%	32	Tier 2 - Plan N - 2.0%@55 - 3 year MP	**E4,G4,M4,S4**	New hires after 7/1/2012	30.99%	30.99%	9.45%	0.00%	0.00%	9.45%	0.00%	9.45%
0.03%	4	Tier 2 - Plan J - 2.7%@55 - 3 year MP	**SE**	General Members .2 ER pickup	44.62%	31.96%	12.66%	0.00%	12.66%	0.00%	0.00%	0.00%
		Rate Group #11 - Cemetery District (future service) - Avg Age 31										
0.12%	18	Tier 2 - Plan N - 2%@55 - 3 year MP	**E9, ZC**		11.09%	11.09%	8.95%	0.00%	0.00%	8.95%	0.00%	8.95%
		Rate Group #12 - OCPLL (future service) - Avg Age 40										
0.08%	13	Tier 2 - Plan H - 2.5%@55 - 3 year MP	**E9, MY, ZL**		11.57%	13.32%	13.79%	0.00%	0.00%	13.79%	1.75%	15.54%
100.00%	15487											

Note: The total employee contribution can have several components. There can be an employer pick up component where the employer can pay some or all of the employee's normal contributions under two different sections of the '37 Act (31581.1 & 31581.2). There is also a reverse pick up that is in addition to the regular normal employee contributions. The reverse pick up is always paid by the employee and goes into the employee contribution balance.

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2018 PEPRA CONTRIBUTION COMPARISON

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Contribution rates are based on age at entry. For the purpose of this information the contribution rate reflected is the average age for that rate group.
The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2018.

								Employer Owned	Employee Owned			
								Employer Paid EE Contributions		Employee Paid EE Contributions		
	A	B	C	D	E	F	G	H	I	J	K	L
	# of Members	Tier, Plan and Rate Group	Rep Units	Description	Net Employer Costs = ER+EE p/u-rev p/u	Employer Cont Rate	Employee Cont Rate	Pick-Up Rates Eff	Pick-Up Rates	EE Cont	EE Reverse Pick-Up or Reimburse (Reduces ER Cost)	Net Employee Costs
								.1 ER P/U *	.2 ER P/U (varies) *			
		Rate Group #1 General members non-OCTA, County only - Avg Age 33										
11.90%	668	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**EW**	Eligibility Worker Unit	15.88%	15.88%	8.60%	0.00%	0.00%	8.60%	0.00%	8.60%
0.46%	26	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**PO**	Deputy Sheriff Trainee	15.88%	15.88%	8.60%	0.00%	0.00%	8.60%	0.00%	8.60%
		Rate Group #1 IHSS - Avg Age 37										
0.29%	16	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			15.88%	15.88%	9.22%	0.00%	0.00%	9.22%	0.00%	9.22%
		Rate Group #2 General members non-OCFA. County only limited barg units, see disclaimer - Avg Age 33										
2.85%	160	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**MA**	OCMA Member	24.44%	28.30%	6.26%	0.00%	0.00%	6.26%	3.860%	10.12%
0.46%	26	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**MB**	OCMA Member	24.44%	28.30%	6.26%	0.00%	0.00%	6.26%	3.860%	10.12%
2.87%	161	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**AT**	Attorney	28.30%	30.00%	8.00%	0.00%	0.00%	8.00%	1.700%	9.70%
0.73%	41	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**SSO**	Sheriff Special Officer	28.30%	28.30%	6.26%	0.00%	0.00%	6.26%	0.000%	6.26%
0.12%	7	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**E2,E3**		24.18%	28.30%	6.26%	0.00%	0.00%	6.26%	4.120%	10.38%
51.74%	2904	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**CL, CS, GE, HP, SM**	OCEA represented	24.92%	28.30%	6.26%	0.00%	0.00%	6.26%	3.380%	9.64%
0.80%	45	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**CP**		25.68%	28.30%	6.26%	0.00%	0.00%	6.26%	2.620%	8.88%
		Rate Group #2 Superior Court - Avg Age 33										
4.33%	243	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**CC, E6,SG**		28.30%	28.30%	6.26%	0.00%	0.00%	6.26%	0.00%	6.26%
0.69%	39	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**AX,CX,E5**		28.30%	28.30%	6.26%	0.00%	0.00%	6.26%	0.00%	6.26%
0.45%	25	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**CI,SS,EC**		28.30%	28.30%	6.26%	0.00%	0.00%	6.26%	0.00%	6.26%
		Rate Group #2 SJC - Avg Age 37										
0.55%	31	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			30.00%	30.00%	8.58%	0.00%	0.00%	8.58%	0.00%	8.58%
		Rate Group #2 OCERS Mgmt - Avg Age 35										
0.12%	7	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			27.89%	27.89%	8.29%	0.00%	0.00%	8.29%	0.00%	8.29%
		Rate Group #2 Children & Families Comm. - Avg Age 33										
0.09%	5	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**CF, MX**		8.28%	8.28%	8.00%	0.000%	0.00%	8.00%	0.00%	8.00%
		Rate Group #2 LAFCO - Avg Age 37										
0.05%	3	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**MY**		26.19%	26.19%	6.72%	0.00%	0.00%	6.72%	0.00%	6.72%
		Rate Group #3 Sanitation - Avg Age 35										
3.17%	178	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			9.27%	9.27%	8.66%	0.00%	0.00%	8.66%	0.00%	8.66%
		Rate Group #5 OCTA - Avg Age 36										
3.37%	189	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**CO, MN, NONE, TCU**		25.01%	25.01%	9.71%	0.00%	0.00%	9.71%	0.00%	9.71%
		Rate Group #6 Probation - Avg Age 27										
0.64%	36	**Tier 2** - Plan V - 2.7%@67 - 3 year MP	**PS**	Probation Services	41.30%	41.30%	14.98%	0.00%	0.00%	14.98%	0.00%	14.98%
		Rate Group #7 County Law Enforcement - Avg Age 27										
8.55%	480	**Tier 2** - Plan V - 2.7%@67 - 3 year MP	**PO**		57.58%	57.58%	17.42%	0.00%	0.00%	17.42%	0.00%	17.42%
		Rate Group #8 Fire Authority Safety - Avg Age 30										

2018 PEPRA CONTRIBUTION COMPARISON

	# of Members	Tier, Plan and Rate Group	Rep Units	Description	Net Employer Costs = ER+EE p/u-rev p/u	Employer Cont Rate	Employee Cont Rate	Pick-Up Rates Eff	Pick-Up Rates	EE Cont	EE Reverse Pick-Up or Reimburse (Reduces ER Cost)	Net Employee Costs
3.44%	193	**Tier 2** - Plan V - 2.7%@67 - 3 year MP	**F7**	Fire Fighter	37.11%	37.11%	14.92%	0.00%	0.00%	14.92%	0.00%	14.92%
0.02%	1	**Tier 2** - Plan V - 2.7%@67 - 3 year MP	**C7**	Fire Chief	37.11%	37.11%	14.92%	0.00%	0.00%	14.92%	0.00%	14.92%
		Rate Group #9 TCA (retroactive upgrade) - Avg Age 39										
0.48%	27	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			21.86%	21.86%	9.31%	0.00%	0.00%	9.31%	0.00%	9.31%
		Rate Group #10 Fire Authority General - Avg Age 34										
1.46%	82	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**G6**		27.34%	27.34%	8.63%	0.00%	0.00%	8.63%	0.00%	8.63%
0.16%	9	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**M6**	Admin Mgmt	27.34%	27.34%	8.63%	0.00%	0.00%	8.63%	0.00%	8.63%
0.05%	3	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**S6**	Supervisory	27.34%	27.34%	8.63%	0.00%	0.00%	8.63%	0.00%	8.63%
		Rate Group #11 Cemetery District - Avg Age 31										
0.12%	7	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			9.98%	9.98%	8.40%	0.00%		8.40%	0.00%	8.40%
		Rate Group #12 OCPLL - Avg Age 40										
0.02%	1	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			5.84%	7.59%	9.30%	0.00%	0.00%	9.30%	1.75%	11.05%
100.00%	5613											

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