

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

**REGULAR MEETING
Monday, June 17, 2019
9:00 a.m.**

MINUTES

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

Attendance was as follows:

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

Absent: David Ball

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Molly Murphy, CIO; Brenda Shott, Assistant CEO, Internal Operations; Gina Ratto, General Counsel; Anthony Beltran, Visual Technician; and Nichol Forbes; Recording Secretary.

Guests: Harvey Leiderman

Trustee Dewane led the Pledge of Allegiance.

CONSENT AGENDA

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

C-1 OPTION 4 RETIREMENT ELECTION

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

- (1) Allan Jagger
- (2) Irene Marcote
- (3) Henry Molinar

C-2 BOARD MEETINGS AND COMMITTEE MEETINGS

Regular Board Meeting Minutes

May 20, 2019

Recommendation: Approve minutes.

The motion passed **unanimously** with Freidenrich and Lindholm absent.

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

OPEN SESSION

CONSENT AGENDA

MOTION by Hilton, **seconded** by Dewane, to approve the recommendations of the Disability Committee on all of the items on the Disability/Member Benefits Consent Agenda as follows:

DC-1: Cory Bartholomew

Maintenance Crew Supervisor II, Orange County Public Works

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of May 12, 2017. (General Member)

DC-2: Jaswinder Dullat

Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of January 11, 2015. (General Member)

DC-3: Nellie Le Gaspe

Eligibility Technician, Social Services Agency

Recommendation: The Disability Committee recommends that the Board deny service and non-service connected disability retirement due to the member's failure to cooperate. (General Member)

DC-4: Evan Sornborger

Fire Captain/ Paramedic, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of the day after the last day of regular compensation. (Safety Member)

DC-5: Robert Willis

Certified Journeyman Mechanic II, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of October 20, 2017. (General Member)

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

ACTION ITEMS

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

There were no items trailed from the Consent Agenda.

DISABILITY/MEMBER BENEFITS AGENDA

DA-2: DISABILITY APPEAL – CAROL L. THOMPSON

Institutional Cook, Orange County Sheriff's Department

MOTION by Eley, **seconded** by Prevatt, to approve and adopt the Factual Findings, Legal Conclusions and Recommendations of the Referee as set forth in the Proposed Decision dated April 8, 2019 (Proposed Decision), and grant Applicant's application for service-connected disability retirement on the orthopedic condition with an effective date of July 7, 2006, the date administratively determined by OCERS, and *deny* service-connected disability retirement on the Applicant's psychiatric condition.

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

DA-3: DISABILITY APPEAL – JACKI L. LIVINGSTON

Eligibility Technician, Orange County Social Services Agency

MOTION by Baldwin, **seconded** by Eley, to dismiss without prejudice the appeal by Jacki L. Livingston of OCERS' denial of her application for service and non-service connected disability retirement pursuant to Rule 23 of OCERS Administrative Hearing Procedures (Version Adopted 12/14/2015).

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

Trustee Freidenrich arrived at 9:09 a.m.

ACTION ITEMS

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

No items were trailed from the Consent Agenda.

A-2 DECEMBER 31, 2018 ACTUARIAL VALUATION

Presentation by Andy Yeung, Segal Consulting.

After discussion by the Board, **MOTION** by Prevatt, **seconded** by Baldwin, to approve the Actuarial Valuation and Review as of December 31, 2018 and adopt contribution rates for Fiscal Year 2020 – 2021 as recommended by Segal Consulting.

Motion passed **unanimously** with Lindholm absent.

A-3 REQUEST FROM CITY OF SAN JUAN CAPISTRANO REGARDING RATE GROUP POOLING

Presentations by CEO, Steve Delaney, and Andy Yeung, Segal Consulting.

After discussion by the Board, **MOTION** by Dewane, **seconded** by Prevatt as follows:

1. If the City San Juan Capistrano transfers its Water Department employees to a separate special district, then the Board will find that a triggering event will have occurred under the Policy; and
2. Exigent circumstances exist under the Declining Payroll Policy such that the City may remain pooled in Rate Group 2, provided that the City makes an additional payment of \$6.5 million in a

lump sum or level dollar installments, and provided further that if any of the data provided by the City were to change, the City will be required to return to the Board for approval.

Chair Packard called for public comment. Ken Al-Iman of the City of San Juan Capistrano was the only member of the public who provided comment.

Motion passed **unanimously** with Lindholm absent.

Trustee Lindholm arrived at 10:30 a.m.

The Board recessed for a break at 10:32 a.m.

The Board reconvened at 10:49 a.m.

A-4 2018 AUDITED FINANCIAL STATEMENTS AND COMPREHENSIVE ANNUAL FINANCIAL REPORTS

Presentation by Tracy Bowman, Director of Finance, OCERS.

MOTION by Dewane, **seconded** by Eley, to:

1. Approve OCERS' audited financial statements for the year ending December 31, 2018,
2. Direct staff to finalize OCERS' 2018 Comprehensive Annual Financial Report (CAFR)
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2018.
4. Receive and file Macias, Gini & O'Connell LLP's (MGO) "OCERS' Report to the Audit Committee for the Year Ended December 31, 2018" and their "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."

Motion passed **unanimously**.

A-5 GASB 68 VALUATION AND AUDIT REPORT

Presentation by Tracy Bowman, Director of Finance, OCERS.

MOTION by Freidenrich, **seconded** by Dewane, to:

1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2018.
2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2018 for distribution to employers.

Motion passed **unanimously**.

A-6 BOARD APPROVAL OF SELECTION AND ENGAGEMENT OF HEARING OFFICERS

Presentation by Gina Ratto, General Counsel, OCERS.

After discussion by the Board, **MOTION** by Dewane, **seconded** by Prevatt, to approve the appointment of and the award of a contract (subject to negotiation of satisfactory contract terms) with, the following individuals to serve as OCERS hearing officers for a term of seven years:

- Duane Bennett
- James Cloninger
- Robert Klepa

Motion passed **unanimously**.

**A-7 GOVERNANCE COMMITTEE OUTCOMES FROM MAY 21, 2019 COMMITTEE MEETING -
MASTER FINAL AVERAGE SALARY PROJECT**

Presentation by Suzanne Jenike, Assistant Chief Executive Officer, External Operations, OCERS.

After discussion by the Board, **MOTION** by Eley, **seconded** by Hilton, to approve the Master Final Average List of pay items, including pensionable pay attribute determinations, for Legacy and PEPRAs members.

Chair Packard called for public comment. There was none.

Motion passed **unanimously**.

A-8 GOVERNANCE COMMITTEE OUTCOMES FROM MAY 21, 2019 COMMITTEE MEETING

Presentation by Gina Ratto, General Counsel, OCERS.

MOTION by Dewane, **seconded** by Lindholm, to:

- (1) Approve revisions to the **Committee Chair Charter** as presented by staff; and
- (2) Approve revisions to the **Indemnity and Defense Policy** as presented by staff.

Motion passed **unanimously**.

INFORMATION ITEMS

The following written informational reports were received by the Board:

| | |
|--|----------------|
| I-1 MEMBER MATERIALS DISTRIBUTED | |
| Application Notices | June 17, 2019 |
| Death Notices | June 17, 2019 |
| I-2 COMMITTEE MEETING MINUTES | |
| Audit Committee Minutes | March 26, 2019 |
| Personnel Committee Minutes | May 20, 2019 |
| I-3 CEO FUTURE AGENDAS AND 2019 OCERS BOARD WORK PLAN | |
| I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS | |
| I-5 LEGISLATIVE UPDATE | |
| I-6 BOARD COMMUNICATION | |
| I-7 TRAVEL REPORT – MILKEN INSTITUTE GLOBAL CONFERENCE 2019 | |

I-8 2019 STRATEGIC PLANNING WORKSHOP – PROPOSED AGENDA TOPICS

I-9 2019 ANNUAL BUSINESS PLAN PROGRESS – MID YEAR REVIEW

I-10 OCERS 2019-2021 STRATEGIC PLAN PROGRESS – MID YEAR REVIEW

The following informational items were presented to the Board:

I-11 DISCUSSION OF SENSITIVITY ANALYSIS OF ALTERNATIVE ECONOMIC ASSUMPTIONS

Presentation by Andy Yeung, Segal Consulting.

After discussion by the Board, **MOTION** by Hilton, **seconded** by Baldwin to have Segal Consulting use the following alternative economic assumptions for purposes of the 2019 sensitivity analysis:

| | Inflation | Real Return | Investment Return |
|--|-----------|-------------|-------------------|
| Baseline (assumptions used in 12/31/18 val'n) | 2.75% | 4.25% | 7.00% |
| Alt #1: Lower inflation only | 2.50% | 4.25% | 6.75% |
| Alt #2: Lower real return only | 2.75% | 4.00% | 6.75% |
| Alt #3: Lower inflation and lower real return | 2.50% | 4.00% | 6.50% |
| Alt #4: Higher inflation and lower real return | 3.25% | 4.00% | 7.25% |

Motion passed **unanimously** with Lindholm absent.

I-12 OCERS BOARD AND COMMITTEE MEETING MINUTES STANDARDS

Presentation by Gina Ratto, General Counsel, OCERS, and discussion by the Board.

I-13 PUBLIC IDENTIFICATION OF REAL PROPERTY SUBJECT TO NEGOTIATIONS AND PERSONS WITH WHOM OCERS NEGOTIATOR MAY NEGOTIATE

Gina Ratto, General Counsel, OCERS, stated the following for the public record in compliance with the requirements of the Brown Act, which sets forth conditions for the Board to meet in closed session for Item E-1 to conduct property negotiations:

Government Code section 54956.8 permits the Board to hold a closed session with its negotiator prior to the purchase of real property for the agency in order to grant authority to its negotiator regarding the price and terms of payment for the purchase. Prior to the closed session, the Board is required to hold an open and public session in which it identifies its negotiators, the real property and the person with whom its negotiators may negotiate.

For purposes of the Brown Act, closed session Item E-1 involves the following:

OCERS' negotiators: Brenda Shott, OCERS Asst. Chief Executive Officer, Internal Operations
Brian Booth, Cushman & Wakefield
Real property: 1200 N. Tustin Avenue, Santa Ana, CA
Negotiating party: LBR Commercial

The Board **ADJOURNED** to closed session at 11:55 p.m. for item E-1.

CLOSED SESSION

The Board met in closed session to discuss the following:

**E-1 CONFERENCE WITH REAL PROPERTY NEGOTIATORS
(GOVERNMENT CODE SECTION 54956.8)**

Adjourn to closed session pursuant to Government Code Section 54956.8

The Board reconvened in open session at 12:25 p.m.

There was **no reportable action taken** in closed session.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Adina Bercaru reported the record breaking 501 new retirement benefits that were processed from May 1, 2019 to June 1, 2019.

The meeting **ADJOURNED** at 12:27 p.m. in memory of the active members, retired members, and surviving spouses who passed away during the past month:

Active Members

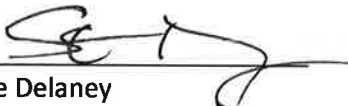
Baca, Thomas
Brooks, James
Bulle, Stanley
Chavez, Joseph
Eason, Robert
Escalera, Evelyn
Fuske, Richard
Goodbrand, Ronald
Guerra, Eva
Johnson, Marguerite
Karagah, Mohammed
Kim, John
Laughon, Mary Kay
Layman, Garry
Mays, Michael
McDonald, La Rene
Meehan, Ronald
Ricarte, Myrna
Ripley, Mary Lynne
Selleck, Edna
Smith, Donald
Veal-Hudson, Veronica
Verbeck, Florence
Ward, Sandra
Weinheimer, La Vonne
Wilson, Donald

Woolf, Stanley

Surviving Spouses

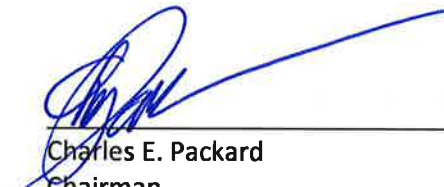
Baldwin, Arta
Bergeson, Garth
Bumstead, Irene
Cook, Nancy
Gallegos, Juana
Hartranft, Joyce
Hines, Maralee
Shafer, Robert
Wilson, Jackquelynn

Submitted by:



Steve Delaney
Secretary to the Board

Approved by:



Charles E. Packard
Chairman