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

REGULAR MEETING
Monday, August 19, 2019
9:00 a.m.

AGENDA

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

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

At this time, members of the public may comment on (1) matters not included on the agenda, provided that the matter is within the subject matter jurisdiction of the Board; and (2) any matter appearing on the Consent Agenda. **Persons wishing to provide public comment at this time should fill out a speaker card located on the counter at the back of the room and deposit it in the Recording Secretary's inbox on the wall near the middle of the room.** When addressing the Board, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

In addition, public comment on matters listed on this agenda will be taken at the time the item is addressed.

CONSENT AGENDA

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

BENEFITS

C-1 OPTION 4 RETIREMENT ELECTION

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

NONE

ADMINISTRATION

C-2 BOARD MEETINGS AND COMMITTEE MEETINGS

Regular Board Meeting Minutes July 11, 2019

Recommendation: Approve minutes.

**C-3 OUTCOMES OF JULY 31, 2019 PERSONNEL COMMITTEE MEETING
TRIENNIAL REVIEW OF THE CEO PERFORMANCE EVALUATION POLICY**

Brenda Shott, Assistant CEO, Internal Operations and Cynthia Hockless, Director of Administrative Services, OCERS

Recommendation: The Personnel Committee recommends that the Board of Retirement:

1. Approve revisions to the CEO Performance Evaluation Process
2. Approve the timeline for the 2019 CEO Performance Evaluation Process.

DISABILITY/MEMBER BENEFITS AGENDA
9:00 AM

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

OPEN SESSION

CONSENT AGENDA

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

DC-1: Tabetha Black
Deputy Sheriff I, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of October 12, 2018. (Safety Member)

DC-2: Sheila D. Dailey
Eligibility Technician, Orange County Social Services Agency

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of August 8, 2014. (General Member)

DC-3: Derek Eastham
Fire Captain, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of January 4, 2019. (Safety Member)

DC-4: Alexandra Le
Legal Research Attorney, Orange County Superior Court

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of October 16, 2015. (General Member)

DC-5: Charles McHugh
Fire Apparatus Engineer, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of July 13, 2018. (Safety Member)

DC-6: Elizabeth Ortiz
Office Technician, Orange County Social Services Agency

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of January 13, 2012. (General Member)

DC-7: Michelle Wachter
Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of April 30, 2017. (General Member)

DC-8: Michael Brown
Environmental Technician, Orange County Sanitation District

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

DC-9: Vanessa Callins
Coach Operator, Orange County Transportation Authority

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

DC-10: Mark Yesia

Employment and Eligibility Specialist, Orange County Social Services Agency

Recommendation: The Disability Committee recommends that the Board deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate. (General Member)

DC-11: Jean Yu

Administrative Manager III, Orange County Information Technology

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

CLOSED SESSION
(Government Code sections 54957 and 54956.9)

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

ACTION ITEMS

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

DISABILITY/MEMBER BENEFITS AGENDA

DA-2: BENEFIT APPEAL – ANGELICA SALDANA

Recommendation: Staff recommends that the Board approve and adopt the Hearing Officer's Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated June 4, 2019 (Recommendation), and grant Applicant's request for an earlier effective date of March 3, 2017 of her service connected disability retirement, and deny the Applicant's request for an earlier effective date of October 29, 2013.

DA-3: BENEFIT APPEAL – LYDIA E. GONZALEZ

Recommendation: Staff recommends that the Board approve and adopt the Hearing Officer's Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated June 4, 2019 (Recommendation), and grant an earlier service retirement benefit effective date of June 6, 2008.

ACTION ITEMS

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

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

A-2 SEGAL CONTRACT RENEWAL
Presentation by Brenda Shott, Assistant CEO, Internal Operations OCERS

Recommendation: Approve amendment to the Segal Consulting Contract extending the term for three years.

A-3 REAL ESTATE BROKER CONTRACT
Presentation by Brenda Shott, Assistant CEO, Internal Operations OCERS

Recommendation: Approve contract with Cushman & Wakefield

INFORMATION ITEMS

I-1 MEMBER MATERIALS DISTRIBUTED
Written Report

Application Notices	August 19, 2019
Death Notices	August 19, 2019

I-2 COMMITTEE MEETING MINUTES
None

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

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

I-5 LEGISLATIVE UPDATE
Written Report

I-6 BOARD COMMUNICATION
Written Report

I-7 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019
Written Report

I-8 SECOND QUARTER 2019 BUDGET TO ACTUALS REPORT
Written Report

I-9 OCERS BY THE NUMBERS (2019 EDITION)
Written Report

I-10 THE EVOLUTION OF THE OCERS UAAL (2019 EDITION)
Written Report

I-11 2019 EMPLOYER AND EMPLOYEE CONTRIBUTIONS MATRIX
Written Report

I-12 2019 BOARD ELECTION GENERAL MEMBER AND RETIRED MEMBER UPDATE
Written Report

I-13 SACRS 2020 LEGISLATIVE PROPOSALS AND TIMELINE
Presentation by Gina Ratto, General Counsel, OCERS

I-14 OCERS ACTUARIAL REVIEW – RISK ASSESSMENT, PLAN MATURITY, AND CASH FLOW
Presentation by Paul Angelo, Segal Consulting

I-15 ORANGE COUNTY FIRE AUTHORITY – UPDATE ON ACCELERATED PENSION PAYDOWN PLAN
Presentation by Lori Zeller, Deputy Chief, Administration and Support, OCFA

I-16 CITY OF SAN DIEGO EMPLOYEES RETIREMENT SYSTEM - OVERVIEW
Presentation by Gregg Rademacher, Chief Executive Officer, SDCERS

I-17 OCERS BUILDING RENOVATION PROJECT
Presentation by Brenda Shott, Assistant CEO, Internal Operations, OCERS

I-18 PUBLIC IDENTIFICATION OF REAL PROPERTY SUBJECT TO NEGOTIATIONS AND PERSONS WITH WHOM OCERS NEGOTIATOR MAY NEGOTIATE
Presentation by Brenda Shott, Asst. Chief Executive Officer, Internal Operations, OCERS

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CLOSED SESSION ITEMS

E-1 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED (GOVERNMENT CODE SECTION 54956.9(d)(1)) O.C. Department of Education v. OCERS, CA Court of Appeal, 4th Dist. (Case No. G055439); CA Superior Court, Orange County, (Case No. 30-2016-00836897)
Adjourn pursuant to Government Code Section 54956.9(d)(1).

Recommendation: Take appropriate action.

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

Recommendation: Take appropriate action.

E-3 CONFERENCE WITH REAL PROPERTY NEGOTIATORS
(GOVERNMENT CODE SECTION 54956.8)
Adjourn to closed session pursuant to Government Code Section 54956.8
Property: 1200 N. Tustin Avenue, Santa Ana, CA
Agency Negotiators: Brenda Shott, OCERS Asst. Chief Executive Officer, Internal Operations and Brian Booth, Cushman & Wakefield
Negotiating Parties: LBR Commercial
Under Negotiation: Price and terms of payment

Recommendation: Take appropriate action.

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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 28, 2019
9:00 A.M.

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

DISABILITY COMMITTEE MEETING
September 3, 2019
10:00 A.M.

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

INVESTMENT MANAGER MONITORING SUBCOMMITTEE MEETING
September 5, 2019
9:00 A.M.

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

STRATEGIC PLANNING MEETING
September 18-19, 2019
8:00 A.M.

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

2020 OCERS BUDGET WORKSHOP
October 17, 2019
9:00 A.M.

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

REGULAR BOARD MEETING
October 21, 2019
9:00 A.M.

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

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

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

C-2

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

REGULAR MEETING
Thursday, July 11, 2019
9:00 a.m.

MINUTES

Chair Packard called the meeting to order at 9:02 a.m.

Attendance was as follows:

Present: Charles Packard, Chair; Roger Hilton, Vice Chair; Chris Prevatt; Frank Eley; Shari Freidenrich, Russell Baldwin, Wayne Lindholm and David Ball

Absent: Shawn Dewane, Jeremy Vallone

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; Dawn Matsuo, Staff Attorney; Matt Eakin, Director of Cyber Security; Anthony Beltran, Visual Technician; and Nichol Forbes; Recording Secretary.

Guests: Paul Angelo, Segal Consulting

Vice Chair Hilton led the Pledge of Allegiance.

CONSENT AGENDA

MOTION by Prevatt, **seconded** by Eley, 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.
NONE

C-2 BOARD MEETINGS AND COMMITTEE MEETINGS

Regular Board Meeting Minutes June 17, 2019

Recommendation: Approve minutes.

C-3 RETIREE REQUEST TO BE REINSTATED – NARCIZO BAHENA

Recommendation: Reinstate Mr. Bahena as an active member under the provisions of Government Code Section 31680.4 and 31680.5.

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

DISABILITY/MEMBER BENEFITS AGENDA

OPEN SESSION

CONSENT AGENDA

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

DC-1: Theresia Balandran
Senior Institutional Cook, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of August 18, 2017. (General Member)

DC-2: James Bland
Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of October 29, 2017. (General Member)

DC-3: Dumitru Bostean
Correctional Services Technician, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 31, 2017. Grant a supplemental disability retirement payment allowance in the amount of the salary difference between the higher and lower paying positions effective March 31, 2017, the date of the position change, until January 31, 2019 the day Mr. Bostean retired. (General Member)

DC-4: Susan Chipman
Social Worker II, Orange County Social Services Agency

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of September 20, 2016. (General Member)

DC-5: Shawn Fernandez
Equipment Operator, Orange County Community Resources

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of January 23, 2015. (General Member)

DC-6: Guy Grindle
Fire Apparatus Engineer, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of November 9, 2018. (Safety Member)

DC-7: Steven Haupu
Fire Apparatus Engineer, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of July 4, 2018. (Safety Member)

DC-8: Kamal Kamal
Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of February 18, 2018. (General Member)

DC-9: Brian Quinones
Deputy Juvenile Correctional Officer II, Orange County Probation Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of August 18, 2017. (Safety Member)

DC-10: Joseph Zawacki
Fire Apparatus Engineer, Orange County Fire Authority

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

The motion passed **unanimously** with Trustee Freidenrich, Trustee Lindholm and Trustee Dewane absent.

Trustee Lindholm arrived at 9:05 a.m.
Trustee Freidenrich arrived at 9:06 a.m.

The Board Meeting adjourned to closed session at 9:06 a.m.

CLOSED SESSION
(Government Code sections 54957 and 54956.9)

DISABILITY/MEMBER BENEFITS AGENDA

DA-2: DISABILITY APPEAL – JOYCE M. SIMON
Financial Counselor II, Orange County Auditor Controller

MOTION by Prevatt, **seconded** by Eley, to approve and adopt the findings and recommendations of the Referee as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated March 26, 2019 (Recommendations), and deny Applicant's request for service and non-service connected disability retirement due to insufficient evidence of permanent incapacity.

Mr. Simon addressed the Board with Mrs. Simon present. Mr. Simon asked that the Board's consideration of this item be continued to October.

Discussion by the Board took place.

The Board recessed for a break at 9:41 a.m.
The Board reconvened at 9:49 a.m.

Further discussion took place.

SUBSTITUTE MOTION by Baldwin, **seconded** by Hilton to refer the matter back to the Hearing Officer on the issue of the County's ability to accommodate the member's work restrictions, and give both the member and OCERS two additional months to present additional evidence to the Hearing Officer on the issue. The motion failed **6-2** with voting as follows:

AYES	NAYS	ABSTAIN	ABSENT
Baldwin	Prevatt		Dewane
Hilton	Lindholm		
	Ball		
	Eley		
	Freidenrich		
	Chair Packard		

On the original **MOTION** by Prevatt, **seconded** by Eley to adopt the findings and recommendations of the Referee as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated March 26, 2019 (Recommendations), and deny Applicant's request for service and non-service connected disability retirement due to insufficient evidence of permanent incapacity, the **motion passed 6-2** with voting as follows:

AYES	NAYS	ABSTAIN	ABSENT
Prevatt	Baldwin		Dewane
Lindholm	Hilton		
Ball			
Eley			
Freidenrich			
Chair Packard			

DA-3: DISABILITY APPEAL – CAROL J. DUENSING
Staff Assistant, Orange County Superior Court

MOTION by Prevatt, **seconded** by Eley, to approve and adopt the findings and recommendations of the Hearing Officer's Proposed Decision dated June 10, 2019 (Recommendations), and deny Applicant's request for service and non-service connected disability retirement for her orthopedic condition.

The motion passed **unanimously.**

The Board Meeting reconvened in Open Session at 10:11 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 EARLY PAYMENT OF EMPLOYER CONTRIBUTIONS PROGRAM – 2020

Presentation by Brenda Shott, Asst. Chief Executive Officer, Internal Operations

After discussion by the Board, **MOTION** by Eley, **seconded** by Ball, to approve the terms of prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 2020 through June 2021 (same terms and rates as prior year).

The motion passed **unanimously.**

MOTION by Eley, **seconded** by Prevatt, to approve OCERS continued non-participation in the Early Payment of Employer Contributions Program.

After discussion by the Board, the motion passed **unanimously.**

A-3 SEGAL PERFORMANCE REVIEW AND CONTRACT EXTENSION

Presentation by Steve Delaney, Chief Executive Officer, OCERS

After discussion by the Board, **MOTION** by Baldwin, **seconded** by Ball to extend the Segal contract for another three years with direction to staff to prepare an RFP prior to the end of the three year period.

After additional discussion by the Board, Ball withdrew his second and Baldwin withdrew his motion.

MOTION by Prevatt, **seconded** by Eley, to extend the Segal Agreement for another year with direction to staff to bring back suggestions related to further extensions to the Board.

The motion passed **unanimously.**

INFORMATION ITEMS

The following written informational reports were received by the Board:

I-1 MEMBER MATERIALS DISTRIBUTED
Written Report

Application Notices	July 11, 2019
Death Notices	July 11, 2019

I-2 COMMITTEE MEETING MINUTES
Written Report – Personnel Committee Minutes May 20, 2019

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

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

I-5 LEGISLATIVE UPDATE
Written Report

I-6 BOARD COMMUNICATIONS
Written Report

I-7 SECOND QUARTER 2019 TRAVEL AND TRAINING EXPENSE REPORT
Written Report

I-8 SEPTEMBER 2019 STRATEGIC PLANNING WORKSHOP AGENDA
Written Report

I-9 GENERAL AND RETIRED BOARD MEMBER ELECTION UPDATE
Written Report

I-10 VITECH PERFORMANCE SURVEY RESULTS
Written Report

I-11 CONTRACT STATUS FOR NAMED SERVICE PROVIDERS
Written Report

The following informational items were presented to the Board:

I-12 ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE INVESTMENT RETURN SCENARIOS

Presentation by Paul Angelo, Segal Consulting, and discussion by the Board.

I-13 CYBER SECURITY – CLOUD COMPUTING

Presentation by Matt Eakin, Director of Cyber Security, OCERS, and discussion by the Board.

I-14 OCERS 75TH ANNIVERSARY PLANNING OVERVIEW

Presentation by Steve Delaney, Chief Executive Officer, OCERS

I-15 PUBLIC IDENTIFICATION OF REAL PROPERTY SUBJECT TO NEGOTIATIONS AND PERSONS WITH WHOM OCERS NEGOTIATOR MAY NEGOTIATE

This item was pulled from the agenda.

CLOSED SESSION ITEMS

Both items on the Closed Session agenda were pulled. The Board did not adjourn into Closed Session.

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

E-2 **CONFERENCE WITH REAL PROPERTY NEGOTIATORS *(PULLED FROM AGENDA)***
(GOVERNMENT CODE SECTION 54956.8)
Adjourn to closed session pursuant to Government Code Section 54956.8
Property: 1200 N. Tustin Avenue, Santa Ana, CA
Agency Negotiators: Brenda Shott, OCERS Asst. Chief Executive Officer, Internal Operations and Brian Booth, Cushman & Wakefield
Negotiating Parties: LBR Commercial
Under Negotiation: Price and terms of payment

BOARD MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

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
Adakai, Larry
Broussard, Anne
Bucholz, Lillian
Cardenas, Ventura
Chu, Albert
Cline, Michael
Cullen, Elizabeth
Elmore, Eleanor
Fierro, Kay
Gallagher, Edward

Griffith, Vicki
Grudzinski, Richard
Hall, Charles
Harness, Billy
Heim, James
Henderson, Lucille
Hitchcock, Kurt
Mallick, Ralph
Martin, Margaret
Martinez, Adelina
Matkosky, Michael
McConnell, James
McLaughlin, Jeffrey
Nguyen, Tinh-Chau
Owen, Marilyn
Payton, Bobbie
Robertson, Clyde
Stewart, Douglas
Tanzer, James

Surviving Spouses

Cochran, Beverly
Currie, Frances
King, Pearl
Morales, Regino
Neff, James
Stone, Charline

Submitted by:	Approved by:
___________________________	______________________________
Steve Delaney	Charles E. Packard
Secretary to the Board	Chairman

C-3

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: August 9, 2019

TO: Members of the Board of Retirement

FROM: Cynthia Hockless, Director of Administrative Services

SUBJECT: **OUTCOMES OF JULY 31, 2019 PERSONNEL COMMITTEE MEETING**

TRIENNIAL REVIEW OF THE CEO PERFORMANCE EVALUATION POLICY

Recommendation

1. Approve revisions to the CEO Performance Evaluation Policy.
2. Approve the timeline for the 2019 CEO Performance Evaluation process

Background/Discussion

The Board of Retirement 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. The Board approved a streamlined procedure to more efficiently manage the scheduled review of the charters and policies. Pursuant to this process, certain policies are to first be reviewed by the Governance Committee before presentation to the Board for approval.

In 2019, the Board approved a Personnel Committee that will ***"Recommend new and review existing Board policies relating to OCERS personnel matters including without limitation the CEO Performance Evaluation Policy and the Succession Policy."*** Therefore, the review of the CEO Performance Evaluation policy will be heard by the Personnel Committee and will then go to the Board for approval.

The **CEO Performance Evaluation Policy** was adopted by the Board on February 19, 2002 and was last reviewed and revised on November 14, 2016. It is scheduled for review and approval by the Board, after review by the Personnel Committee.

CEO Performance Evaluation Policy

Staff has reviewed the CEO Performance Evaluation Policy and recommends the following edits:

1. Add to item #6 under Process and Timelines:
   In addition, the CEO's performance for the prior twelve months may be based on the six categories below:

The revisions are set forth in red strikeout text in the attached copy of the policy.

The Personnel Committee concurred with staff's changes and has recommended that the Board approve the revised Policy.

Attachments

1. Clean version of CEO Performance Evaluation Policy
2. Red-lined version of CEO Performance Evaluation Policy
3. Proposed timeline for 2019 CEO Performance Evaluation Process

Submitted by:

Cynthia Hockless
Director of Administrative Services

OCERS Board Policy

Chief Executive Officer Performance Evaluation Policy

Background and Objectives

1. The Board of Retirement supervises the Chief Executive Officer. Formal evaluation procedures and practices are required. This process shall be performed on an annual basis.
2. The objectives of this policy are to:
   a. Assist the Board in arriving at and communicating clear and meaningful goals and performance targets for the Chief Executive Officer;
   b. Ensure that the Chief Executive Officer receives meaningful, objective, and timely feedback that will allow the Chief Executive Officer to perform, over time, at the highest levels possible; and
   c. Enable the Board to hold the Chief Executive Officer accountable for performance.

Roles

3. The Board will be responsible for evaluating the performance of the Chief Executive Officer.
4. The Chair and Vice Chair will be responsible for coordinating the evaluation process. The Board may use a third party to facilitate the process.

Policy Guidelines

Process and Timelines

5. The Chief Executive Officer will discuss the following items with the Chair during November each year:
   a. Proposed CEO evaluation criteria for the coming calendar year;
   b. Proposed weights for each of the above criteria; and
   c. Proposed CEO Evaluation Form for the coming calendar year.
6. In addition, the CEO's performance for the prior twelve months may be based on the six categories below:
   a. Achievement of performance targets established for the System as a whole;
   b. Implementation of the annual Business Plan;
   c. Implementation of Board policies and associated reporting to the Board;
   d. Leadership and related qualities;
   e. Ability to address special developments or situations that may arise; and
   f. Other criteria that the Board may determine to be appropriate.

7. The Board will attempt to ensure that the criteria:
   a. Are objective and measurable; and
   b. Pertain only to outcomes over which the Chief Executive Officer has a reasonable degree of control.
8. The Chair shall distribute the CEO Evaluation Package to each member of the Board in October of each year. The Evaluation Package will include copies of the Evaluation Form to be completed by each Board member, Business Plan, and the CEO's self-evaluation. The Chief Executive Officer's self-evaluation report is designed to assist the Board in the evaluation process. It should describe the extent to which the CEO believes the evaluation criteria were met over the past year, as well as all relevant supporting data. Supporting data may be confirmed by internal audit material where appropriate. The report may also describe any additional accomplishments during the year.
9. The Board shall treat this material as confidential. Completed individual Evaluation Forms will be returned to the Chair or the designated third party with a copy to the Vice Chair within the time frame specified. The Chair will ensure that all data is tabulated and summarized in a Master CEO Evaluation Form and treated as confidential until released to the Board.
10. Evaluation of the Chief Executive Officer will be completed by November each year. The evaluation process itself will be conducted in executive session. The Chair will distribute a copy of the Master CEO Evaluation Form and invite discussion by the Board. At the conclusion of discussion, the Chief Executive Officer will join the Board for review and discussion of his/her performance along with any suggestions for improvement. The Board may have preliminary discussions in October, but will complete the process by November.
11. Upon completion of the Master CEO Evaluation Form, the Chair and the Chief Executive Officer will sign the Master CEO Evaluation Form and cause it to be placed in the Chief Executive Officer's personnel file.

Documentation

12. The Individual and Master CEO Evaluation Form(s) may take any format the Board deems appropriate, but must allow Board members an opportunity to provide general comments.

Compensation

13. The Board of Retirement will consider the Chief Executive Officer's compensation at the time the performance evaluation is conducted.

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Chief Executive Officer Performance Evaluation Policy

Policy Review

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

Policy History

15. This policy will be implemented in February 19, 2002. This policy was revised May 16, 2005, May 19, 2008, March 22, 2010, January 21, 2014~~, and~~ , November 14, 2016 and July 31, 2019. ~~.~~

Secretary's Certificate

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

11/14/16

Steve Delaney
Secretary of the Board

Date

OCERS Board Policy

Chief Executive Officer Performance Evaluation Policy

Background and Objectives

1. The Board of Retirement supervises the Chief Executive Officer. Formal evaluation procedures and practices are required. This process shall be performed on an annual basis.
2. The objectives of this policy are to:
    a. Assist the Board in arriving at and communicating clear and meaningful goals and performance targets for the Chief Executive Officer;
    b. Ensure that the Chief Executive Officer receives meaningful, objective, and timely feedback that will allow the Chief Executive Officer to perform, over time, at the highest levels possible; and
    c. Enable the Board to hold the Chief Executive Officer accountable for performance.

Roles

3. The Board will be responsible for evaluating the performance of the Chief Executive Officer.
4. The Chair and Vice Chair will be responsible for coordinating the evaluation process. The Board may use a third party to facilitate the process.

Policy Guidelines

Process and Timelines

5. The Chief Executive Officer will discuss the following items with the Chair during November each year:
    a. Proposed CEO evaluation criteria for the coming calendar year;
    b. Proposed weights for each of the above criteria; and
    c. Proposed CEO Evaluation Form for the coming calendar year.
6. In addition, the CEO's performance for the prior twelve months may be based on the six categories below:
    a. Achievement of performance targets established for the System as a whole;
    b. Implementation of the annual Business Plan;
    c. Implementation of Board policies and associated reporting to the Board;
    d. Leadership and related qualities;
    e. Ability to address special developments or situations that may arise; and
    f. Other criteria that the Board may determine to be appropriate.

7. The Board will attempt to ensure that the criteria:
   a. Are objective and measurable; and
   b. Pertain only to outcomes over which the Chief Executive Officer has a reasonable degree of control.
8. The Chair shall distribute the CEO Evaluation Package to each member of the Board in October of each year. The Evaluation Package will include copies of the Evaluation Form to be completed by each Board member, Business Plan, and the CEO's self-evaluation. The Chief Executive Officer's self-evaluation report is designed to assist the Board in the evaluation process. It should describe the extent to which the CEO believes the evaluation criteria were met over the past year, as well as all relevant supporting data. Supporting data may be confirmed by internal audit material where appropriate. The report may also describe any additional accomplishments during the year.
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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

11/14/16

Steve Delaney
Secretary of the Board

Date

DC-1: Tabetha Black

A-2

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Brenda Shott, Assistant CEO Finance and Internal Operations

SUBJECT: **SEGAL CONTRACT RENEWAL**

Recommendation

Approve an additional full three year extension of the Segal actuarial services contract.

Background/Discussion

On July 11 the OCERS Board approved a one year extension of the Segal actuarial services contract. During the discussion, there was interest expressed by a number of Trustees in extending the contract for the full three years made possible by the original contract. Unfortunately our contract manager was not available that day to assist in understanding the terms of a full three year extension, so the Board limited its motion to that the staff recommendation of one year.

Mr. Paul Angelo has provided materials as follows, outlining the terms of a full three year extension, terms which seem reasonable to your staff. He will be available on August 19 to discuss this item with the Board. Your staff recommends a full three year extension

Submitted by:

Brenda M Shott

Brenda Shott

Assistant CEO, Finance and Internal Operations

Segal Consulting

180 Howard Street Suite 1100 San Francisco, CA 94105-6147
T 415.263.8273 www.segalco.com

Paul Angelo FSA, MAAA, FCA, EA
Senior Vice President & Actuary
pangelo@segalco.com

VIA EMAIL

August 9, 2019

Mr. Steve Delaney
Chief Executive Officer
Orange County Employees Retirement System
2222 E. Wellington Avenue, Suite 100
Santa Ana, CA 992701-3101

Re: Orange County Employees Retirement System (OCERS) Fee Proposal for an Additional Two-Year Extension of Contract for Actuarial Services

Dear Steve:

This letter presents our proposed schedule of fixed valuation fees and hourly billing rates for our services to OCERS for a two-year extension from January 1, 2021 to December 31, 2022. As you know, our current contract was extended to December 31, 2020 by Board action on July 11, 2019. At that meeting there was also some discussion indicating the Board would be open to considering an additional two-year extension.

Fixed Fees for Services—2021 to 2022 Calendar Years

	Fixed Fees			
Service Provided	**Current 2019 Calendar Year**	**Previously Proposed 2020 Calendar Year**	**Proposed 2021 Calendar Year**	**Proposed 2022 Calendar Year**
Consulting and Advisory Services	Hourly Rates	Hourly Rates	Hourly Rates	Hourly Rates
Annual Actuarial Valuation for Funding(1)	$80,000	$82,000	$84,000	$86,000
Annual Actuarial Valuation for Plan Reporting (GASB 67)	$15,000	$15,500	$16,000	$16,500
Annual Actuarial Valuation for Employer Reporting (GASB 68)	$36,000	$37,000	$38,000	$39,000
Triennial Experience Study	$50,000	$55,000		

(1) In addition to providing the annual actuarial valuation report, Segal will provide up to four sensitivity analyses of alternative economic actuarial assumptions.

Additional Services—2021 to 2022 Calendar Years

Segal's hourly rates for consulting services not included above and for any additional services are provided in the table below. For any such services, as appropriate, Segal will estimate the time charges required and receive OCERS approval before commencing the project.

Consulting and Advisory Services, plus As-Needed Other Actuarial Services	**Loaded Fully Burdened Hourly Rate**			
Class of Personnel	**Current 2019 Calendar Year(2)**	**Previously Proposed 2020 Calendar Year(2)**	**Proposed 2021 Calendar Year(2)**	**Proposed 2022 Calendar Year(2)**
Principal Actuaries (Angelo)	$510	$520	$530	$540
Supervising Actuaries (Yeung)	$480	$490	$500	$510
Reviewing and Assistant Actuaries, Senior Actuarial Analysts	$300-$470	$310-$480	$320-$490	$330-$500
Actuarial Analysts	$200-$305	$210-$315	$220-$325	$230-$335
Compliance Consultant	$480	$490	$500	$510
Clerical	No Charge	No Charge	No Charge	No Charge

(2) A ten percent discount will be applied to the total amount for projects billed on an hourly rate basis, as per our August 4, 2016 letter to OCERS.

We look forward to continuing to work with you, your staff, and your Board. Please let us know if you need any additional information.

Sincerely yours,

Paul Angelo

PPA/gxk

cc: Jim Doezie
Suzanne Jenike
Gina M. Ratto
Brenda M. Shott

5591494V3/05794.001

A-3

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Brenda Shott, Assistant CEO Finance and Internal Operations

SUBJECT: **REAL ESTATE BROKER CONTRACT**

Recommendation:

Approve a contract with Cushman & Wakefield.

Background/Discussion

1. Policy for Non-Budgeted Expense

According to the Procurement & Contracting Policy (Section 11.B.10.i, page 5), Items or services valued over $100,000 must be approved by the CEO and the Board as either part of the annual budget or a specific Board Approval.

2. Real Estate Representation Agreement Expense

AS OCERS needs a Real Estate Representative to forward desired real estate actions, the estimated cost of representation by Cushman & Wakefield exceeds $100,000. As such, OCERS staff is seeking the Board of Retirement approval to go forward with a Representation Agreement with Cushman and Wakefield.

Submitted by:

Brenda M Shott

Brenda Shott

Assistant CEO Finance and Internal Operations

I-1

Orange County Employees Retirement System
Retirement Board Meeting
August 19, 2019
Application Notices

Member Name	Agency/Employer	Retirement Date
Aguilera, Arthur	OCTA	6/8/2019
Anderson, David	Fire Authority (OCFA)	6/14/2019
Anderson, Larry	OCTA	5/24/2019
Atuatasi, Anne	OCTA	6/4/2019
Axton, Caryl	Superior Court	3/29/2019
Curiel, Victor	OCTA	5/22/2019
Curry, William	City of San Juan Capistrano	5/28/2019
De La Torre, Beatriz	John Wayne Airport	6/21/2019
Del Rosario, Antonio	OCTA	6/6/2019
Douglas, Randall	OCTA	6/13/2019
Erickson, Maureen	Social Services Agency	6/7/2019
Felix, Francisco	OCTA	6/4/2019
Funke, Carl	Health Care Agency	6/7/2019
Harkins, Susan	OCTA	6/6/2019
Imlay, James	Fire Authority (OCFA)	6/21/2019
Jimenez-Pickering, Maria	Probation	6/14/2019
Kalla, Charlotte	Superior Court	5/31/2019
Keith, Ronald	OCTA	6/8/2019
Lang, Marjorie	OC Community Resources	6/7/2019
Lo, David	Social Services Agency	6/7/2019
Ly, Thu	OC Community Resources	6/21/2019
Martinez, Roland	District Attorney	6/3/2019
Mejicanos, Selvin	OCTA	6/21/2019
Oliver, Aaron	Sheriff's Dept	5/22/2019
Padmawidjaja, Inna	Social Services Agency	6/4/2019
Pendley, James	Sheriff's Dept	6/7/2019
Peters, Helen	Sheriff's Dept	6/6/2019
Reid, Sharah	Superior Court	6/7/2019
Rettberg, Mark	Sheriff's Dept	6/21/2019
Rinderer, Debra	Social Services Agency	6/7/2019
Rivera, Mary	Superior Court	5/24/2019
Robles, Daniel	Public Defender	6/7/2019
Robles, Ronald	Social Services Agency	6/21/2019
Rolfi, Barbara	OCTA	5/25/2019
Schatzle, Karen	District Attorney	3/28/2019
Seachrist, Gregory	Sheriff's Dept	6/7/2019
Sheaffer, Deborah	OC Community Resources	6/14/2019
Sherwood, Christopher	Fire Authority (OCFA)	6/7/2019
Thomas, Connie	Social Services Agency	6/7/2019
Viestenz, Louis	Sheriff's Dept	6/7/2019
Ward, Isidor	Health Care Agency	5/1/2019
West, William	Sheriff's Dept	6/21/2019
Wilcox, Robyn	Sanitation District	3/29/2019
Williams, James	Sheriff's Dept	3/16/2019

Orange County Employees Retirement
Retirement Board Meeting
August 19, 2019
Death Notices

Retired Members	*Agency/Employer*
Albertson, Barbara	Social Services Agency
Almario, Jose	Sheriff's Dept
Anderson, Melvin	OCTA
Bottorff, Clark	OC Waste and Recycling
Cadambi, Suresh	Social Services Agency
Covarrubias, Ramon	District Attorney
Do, Hue	Social Services Agency
Eberhart, Warren	John Wayne Airport
Eisenhut, Donna	OC Community Resources
Fleming, Dan	Social Services Agency
Franco, Mary	Social Services Agency
Gerhard, Donald	OC Public Works
Guevara, Norma	UCI
Hoskin, Charles	OC Public Works
Johnson, Darren	Fire Authority (OCFA)
Keene, John	Probation
Khidir, Christa	Sheriff's Dept
Lohnes, George	City of San Juan Capistrano
Nerase, Jody	Social Services Agency
Pearce, Allen	OC Public Works
Pederson, Marilyn	Health Care Agency
Perkins, Howard	County of Orange
Pflaster, Linda	Social Services Agency
Reed, Lois	Sheriff's Dept
Rodrigues, Clara	UCI
Scaggs, Aquila	OCTA
Tollison, Sandra	Social Services Agency
Upton, George	Assessor
Voss, Fred	County Executive Office (CEO)

Surviving Spouses	
Kennedy, Rachel	
Morgan, Fines	
Quintanilla, Elida	
Remp, Gayla	
Simpson, Harriet	
Vonda, Bryan	

I-3

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

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

Written Report

AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

SEPTEMBER

2019 OCERS Board Strategic Planning Workshop

Proposed Board Meeting schedule for 2020

OCTOBER

2019 OCERS Board Strategic Planning Workshop Outcomes

2020 OCERS Business Plan

2020-2021 Strategic Plan

NOVEMBER

Administrative and Investment OCERS Annual Budget for fiscal year 2020

CEO Personnel Review and Compensation Discussion

Election of the Vice-Chair

List of Next Year's Committee Members

Third Quarter Budget to Actuals Report

Board Education Status Report

Submitted by:

Steve Delaney
Chief Executive Officer

OCERS RETIREMENT BOARD - 2019 Work Plan

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

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

I-4

Memorandum

DATE: August 2, 2019

TO: Members of the Board of Retirement

FROM: Jim Doezie, Contracts, Risk and Performance Administrator

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

Written Report

Background/Discussion

1. Quiet Period Policy Guidelines

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

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

2. Quiet Period Guidelines

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

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

Distributed RFP's

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

- An RFP for a Unified Commutations & Contact Center Solution (Telephone System) was distributed May 15th. Bids received. We are currently evaluating the proposals.
- An RFP for Mail House Services was distributed. Pending receipt of the proposals.

Submitted by:

Jim Doezie
Contracts, Risk and Performance Administrator

I-5

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **LEGISLATIVE UPDATE**

Written Report

Background/Discussion

The California Legislature began its summer recess on July 12, 2019, and will reconvene on August 12, 2019. July 12th was the last day for policy committees to hear and report bills to fiscal committees; and August 30th is the last day for fiscal committees to meet and report bills to the floor. September 6th is the last day to amend bills on the floor; and September 13th is the last day for each house to pass bills.

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

SACRS Sponsored Bills

- **SB 783 (Senate Committee on Labor, Public Employees and Retirement)**
  The CERL authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension and death benefits to county and district employees. This bill would correct several erroneous and obsolete cross-references within CERL.
  (STATUS: Introduced 03/07/19. Read third time. Passed. Ordered to the Assembly on 05/02/19. In Assembly. Read first time. Held at desk on 05/02/19. Referred to Committee on P.E. & R. on 05/16/19.)

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

- **AB 249 (Choi)**
  This bill would prohibit a public employer from deterring or discouraging a public employee or an applicant to be a public employee from opting out of becoming or remaining a member of an employee organization. The bill would prohibit a public employer from taking adverse action against a public employee or applicant to be a public employee who opts out of becoming or remaining a member of an employee organization and would specify that adverse action includes reducing a public employee's current level of pay or benefits.
  (STATUS: Introduced 01/22/19. Died in committee pursuant to Joint Rule 62(a) on 06/04/19.)

- **AB 287 (Voepel)**
  Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's internet website no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.
  (STATUS: Introduced 01/28/19. Referred to Committee on P.E. & R on 02/07/19.)

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

- **AB 664 (Cooper)**
  The CERL provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers in the County of Sacramento, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill would require the board of retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become eligible for disability retirement pursuant to the bill's provisions. The bill would repeal these provisions on December 31, 2024.
  (STATUS: Introduced 02/15/19. Passed out of the Assembly and ordered to the Senate on 05/13/19. Referred to Committees on L., P.E. & R. and APPR on 05/22/19. **In committee: Set, first hearing. Hearing cancelled at request of author on 06/26/19.)**

- **AB 992 (Mullin)**

The Brown Act generally requires that the meetings of legislative bodies of local agencies be conducted openly. That act defines “meeting” for purposes of the act and prohibits a majority of the members of a legislative body, outside a meeting authorized by the act, from using a series of communications of any kind to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body**.** This bill would provide that the prohibition described above does not apply to the, participation, as defined, in an internet-based social media platform, as defined, by a majority of the members of a legislative body, provided that a majority of the members do not discuss among themselves, as defined, business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency**.**
(STATUS: Introduced 02/21/19. In committee: Set, first hearing. Failed passage. Reconsideration granted on 05/01/19.)

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

  This bill would, unless a longer retention period is required by statute or regulation, require a public agency for purposes of the California Public Records Act to retain and preserve for at least 2 years every writing containing information relating to the conduct of the public’s business prepared, owned, or used by any public agency that is transmitted by mail.
  (STATUS: Introduced 02/21/19. Passed out of the Assembly and order to the Senate on 05/28/19. Referred to Committee on JUD on 06/06/19. **Passed out of committee and re-referred to Committee on APPR. on 07/10/19.)**

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

(STATUS: Introduced 02/21/19. Set for first hearing in committee; hearing cancelled at the request of author on 04/24/19.)

- **AB 1212 (Levine)**
  Existing law authorizes the boards of CalPERS, CalSTRS, and the '37 Act systems, consistent with their fiduciary duties and investment standards, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project. This bill would require a state as defined**,** that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described above, and to provide the list to those boards. The state agency would be required to provide further project information to a board upon request.
  (STATUS: Introduced 02/21/19. Passed out of the Assembly and ordered to the Senate on 05/29/19. Referred to Committee on L., P.E. & R. on 06/12/19. **In committee: Set, first hearing. Hearing canceled at request of author on 07/02/19.**)

- **AB 1819 (Committee on Judiciary)**
  The California Public Records Act requires state and local agencies to make public records available upon receipt of a request that reasonably describes an identifiable record not otherwise exempt from disclosure, and upon payment of fees to cover costs. This bill would grant the requester the right to use the requester's equipment, without being charged any fees or costs, to photograph or otherwise copy or reproduce any record upon inspection and on the premises of the agency, unless the means of copy or reproduction would result in damage to the record, or unauthorized access to a computer system of the agency or secured network, as specified. The bill would authorize the agency to impose any reasonable limits on the use of the requester's equipment that are necessary to protect the safety of the records or to prevent the copying of records from being an unreasonable burden to the orderly function of the agency and its employees. The bill would authorize the agency to impose any limit that is necessary to maintain the integrity of, or ensure the long-term preservation of**,** historic or high-value records~~,~~. By imposing additional duties and responsibilities upon local agencies in connection with requests for inspection of records, this bill constitutes a state-mandated local program.
  (STATUS: Introduced 03/26/19. Passed out of the Assembly and ordered to the Senate on 05/06/19. Referred to Committee on JUD on 06/12/19. **Passed out of committee and re-referred to Committee on APPR with recommendation: To Consent Calendar on 07/03/19.)**

- **SB 430 (Wieckowski)**
  PEPRA prohibits a public employer offering a defined benefit pension plan from exceeding specified retirement formulas for new members and prohibits an enhancement of a public employee's retirement formula or benefit adopted after January 1, 2013, from applying to service performed prior to the operative date of the enhancement. PEPRA defines "new member" to mean, among other things, an individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to date. Existing law creates the Judges' Retirement System II, which is administered by the Board of Administration of the Public Employees' Retirement System, for the provision of retirement and other benefits to specified judges and their beneficiaries.

This bill would grant a judge who was elected to office in 2012, but did not take office until on or after January 1, 2013, the option of making a one-time, irrevocable election to have a pre-January 1, 2013, membership status in the Judges' Retirement System II for service accrued after on and after July 1, 2020. The bill would require the election to be made during a 30-day period beginning March 1, 2020. A judge making this election would no longer be a new member under specified provisions of PEPRA. The election would apply prospectively only, and membership rights and obligations that accrued based on service subject to PEPRA prior to July 1, 2020, would remain unchanged. The bill would specify that the Public Employees' Retirement System is not obligated to inform or locate a person who may be eligible to make the election and that its provisions do not affect the Legislature's reserved right to increase contributions or reduce benefits for purposes of the Judges' Retirement System II.
(STATUS: Introduced 02/21/19. Passed out of the Senate and ordered to the Assembly on 05/21/19. Referred to the Committee on P.E. & R. on 05/30/19. **Set for first hearing; cancelled at request of author on 06/26/19.)**

- **SB 518 (Wieckowski)**
  Current law, in a civil action to be resolved by trial or arbitration, authorizes a party to serve an offer in writing on any other party to the action to allow judgment to be taken or an award to be entered in accordance with the terms and conditions stated at the time. Existing law shifts specified postoffer costs to a plaintiff who does not accept a defendant's offer if the plaintiff fails to obtain a more favorable judgment or award. Current law also authorizes a court or arbitrator to order a party who does not accept the opposing party's offer and fails to obtain a more favorable judgment or award to cover the postoffer costs for the services of expert witnesses, as specified. Current law exempts certain actions from those provisions, including any labor arbitration filed pursuant to a memorandum of understanding under the Ralph C. Dills Act. This bill would also exempt from those provisions any action to enforce the California Public Records Act.
  (STATUS: Introduced 02/21/19. Passed out of the Senate and ordered to the Assembly on 05/23/19. Referred to Committee on JUD. on 06/06/19. Passed out of Committee as amended on 06/19/19. Read second time and amended. Ordered to second reading on 06/20/19. **July 3 set for first hearing. Placed on APPR. suspense file on 07/03/19.)**

- **SB 615 (Hueso)**
  The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. The act permit any person to institute proceedings for injunctive or declaratory relief or a writ of mandate to enforce the right to receive a copy of any public record covered by the act. This bill would require a person to meet and confer in good faith with the agency in an attempt to informally resolve each issue before instituting any proceeding for injunctive or declarative relief or writ of mandate. The bill would require the person or their attorney to file a declaration stating that this has occurred at the time that proceedings are instituted. Because the declaration would be made under

penalty of perjury, the bill would expand the definition of a crime and impose a state-mandated local program. This bill contains other related provisions and other existing laws.
(STATUS: Introduced 02/22/19. Referred to Committee on JUD. on 03/14/19.)

- **SB 749 (Durazo)**
  The California Public Records Act provides that nothing in the act requires the disclosure of corporate proprietary information including trade secrets, among other things. This bill would provide that specified records of a private industry employer that are prepared, owned, used, or retained by a public agency are not trade secrets and are public records, including certain records relating to employment terms and conditions of employees working for a private industry employer pursuant to a contract public agency, records of compliance with local, state, or federal domestic content requirements, and records of a private industry employer's compliance with job creation, job quality, or job retention obligations contained in a contract or agreement with a state or local agency.
  (STATUS: Introduced 02/22/19. Passed out of committee on 05/16/19. Read second time. Ordered to third reading on 05/16/19. Read third time and amended on 05/23/19. Ordered to second reading on 05/23/19. Read second time. Ordered to third reading on 05/24/19. Referred to Committee on JUD on 06/06/19. From committee: Passed out of committee as amended and re-referred to Committee on APPR. on 06/18/19. Read second time and amended. Re-referred to the Committee on APPR. on 06/19/19. **July 10 set for first hearing. Placed on APPR. suspense file on 07/10/19.**)

Other Bills of Interest

- **AB 1332 (Bonta)**
  This bill**,** the Sanctuary State Contracting Act, would, among other things**,** require the Department of Justice, commending on January 1, 2020, and quarterly thereafter, to publish a list on its internet website, based on specified criteria, of each person or entity that, in the opinion of the Department of Justice, is providing data broker, extreme vetting, or detention facilities support to any federal immigration agency, as specified. The bill would prohibit a state or local agency from entering into a new, amended, or extended contract or agreement with any person or entity that appears on the list published by the Department of Justice unless the state or local agency has made a finding that no reasonable alternative exists, as specified. The bill would exempt certain contracts or agreements from these provisions related to provisions the administration of retirement benefits and investment of moneys for retirement benefits, as specified. This bill would authorize the Department of Justice to initiate, and require the department to receive and investigate, all complaints regarding violations of these provisions, and would require the department to issue findings regarding any alleged violation and notify any affected state or local agency. By increasing the duties of local officials, this bill would impose a state-mandated local program. Additionally, this bill would make a violation of these provisions subject to civil and criminal penalties, thereby imposing a state-mandated local program.
  (STATUS: Introduced 02/22/19. In committee: Set, first hearing. Referred to APPR. suspense file on 05/08/19. In committee: Held under submission on 05/16/19.)

- **SB 53 (Wilk)**

The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in a meeting of a state body, subject to certain conditions and exceptions. This bill would specify that the definition of “state body” includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of 3 or more individuals, as prescribed, except a board, commission, committee, or similar multimember body on which a member of a body serves in his or her official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body, whether the multimember body is organized and operated by the state body or by a private corporation. This bill would declare that it is to take effect immediately as an urgency statute.
(STATUS: Introduced 12/10/18. Referred to the Committee on G.O. on 05/06/19. **Passed out of committee and re-referred to Committee on APPR on 07/11/19. Received at desk pursuant to JR 61(a)(10) on 07/11/19.)**

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

Bills that Apply to CalPERS and/or CalSTRS Only:

- **AB 181 (Rodriguez)**
  This bill would require CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives**,** to be defined by the boards**,** regarding participation of emerging managers responsible for asset management within each system’s portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define “emerging manager” for purposes of these provisions.
  (STATUS: Introduced 01/09/19. Passed out of the Assembly and ordered to the Senate on 05/28/19. Referred to Committee on RLS. on 06/06/19.)

- **AB 462 (Rodriguez)**
  This bill would require the Board of Administration of CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving

appropriate objectives and initiatives, to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define emerging manager for purposes of these provisions. This bill contains other related provisions and other existing laws.
(STATUS: Introduced 02/11/19. Referred to Committee on RLS. on 05/01/19. From committee chair, with author's amendments: Amend and re-refer to committee. Read second time, amended, and re-referred to Com. on RLS. on 05/21/19.)

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

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

  Existing law authorizes specified CalSTRS members who, on January 1, 1976, are in state service positions or are employees of the Trustees of the California State University, to elect to not continue as members of CalSTRS and to transfer to CalPERS. This bill would repeal these provisions.
  (STATUS: Introduced 02/15/19. **Signed by Governor on 07/12/19.**)

- **AB 672 (Cervantes)**
  CalPERS provides pension and other benefits to members of the system and prescribes conditions for service after retirement. PERL and PEPRA establish various limits on retirement benefits generally applicable to a public employee retirement system, and prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would prohibit a person who has retired for disability from being employed by any employer without reinstatement from retirement if the position is the position from which the person retired or if the position includes duties or activities that the person was previously restricted from performing at the time of retirement, unless an exception applies. The bill would require, if a person retired for disability is employed by an employer

without reinstatement, an employer to provide to the board the nature of the employment and the duties and activities the person will perform.
(STATUS: Introduced 02/15/19. **Signed by Governor on 07/12/19.)**

- **AB 1452 (O'Donnell)**
  Existing law also creates the CalSTRS Cash Balance Benefit Program, which is administered by the CalSTRS board, to provide a retirement plan for the benefit of participating employees who provide creditable service for less than 50% of full time. This bill would prohibit aggregating creditable service in more than one position for the purpose of determining mandatory membership on a part-time basis for 50% or more of the time the employer requires for a full-time position, as specified. This bill contains other related provisions and other existing laws.
  (STATUS: Introduced 02/22/19. Passed out of the Assembly and ordered to the Senate 05/09/19. Referred to Com. on L., P.E. & R. on 05/22/19. Passed out of committee and re-referred to Committee on APPR. with recommendation: To Consent Calendar. Re-referred to Committee on APPR. on 06/12/19. **In Committee: Referred to APPR. suspense file on 06/24/19.)**

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

  With respect to retired members, survivors, or beneficiaries whose benefits are based on disallowed final compensation, the bill would require PERS to adjust the benefit to reflect the exclusion of the disallowed compensation, and provide that contributions made on the disallowed compensation be credited against future contributions on behalf of the employer entity that reported the disallowed compensation. Additionally, if specified conditions are met, the bill would require the employing entity to refund overpayment costs to the system and to pay members, survivors, and beneficiaries whose benefits have been reduced a lump sum or an annuity reflecting the difference between the monthly allowance that was based on the disallowed compensation and the adjusted monthly allowance calculated without the disallowed compensation, as provided. The bill would require the system to provide certain notices in this regard. This bill would require the system to provide confidential contact information of retired members, and their survivors and beneficiaries, who are affected by these provisions to the relevant employing entities, the confidentiality of which the entities would be required to maintain.

The bill would authorize the state, a school employer, or a contracting agency, as applicable, to submit to the system an additional compensation item proposed to be included or contained in a memorandum of understanding or collective bargaining agreement on and after January 1, 2020, that is intended to form the basis of a pension benefit calculation for determination of compliance with PEPRA and other laws, as specified, and would require PERS to respond within 90 days, as specified. The bill would require PERS to publish notices identifying items of allowable compensation derived from language submitted to the system for review. The bill would make related legislative findings and declarations.
(STATUS: Introduced 02/12/19. Passed out of the Senate and ordered to the Assembly on 05/21/19. From committee with author's amendments. Read second time and amended. Re-referred to Committee on P.E. & R. on 06/17/19. **Passed out of committee and re-referred to Committee on APPR. on 06/26/19.)**

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

Divestment Proposals (CalPERS and CalSTRS Only)

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

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

- **AB 1320 (Nazarian) Amended 06/27/19.**
  This bill, upon the passage of a federal law that imposes sanctions on the government of Turkey for failure to officially acknowledge its responsibility for the Armenian Genocide, would prohibit the boards of administration of CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in the government of Turkey that is issued by the government of Turkey or that is **~~owned, controlled, or managed~~ owned** by the government of Turkey. The bill would require the boards to liquidate existing investments in the government of Turkey within 18 months of the passage of the above-describe federal law. The bill would require these boards to make specific reports to the Legislature and the Governor regarding these actions within one year of passage of a federal law imposing those sanctions on the government of Turkey and on or before January 1, 2024. 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~~ the above-described prohibited investment and reporting** provisions on January 1, 2025, or if a determination is made by the **board, the** Department of **~~State or~~ State,** 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, whichever occurs first.
  (STATUS: Introduced 02/22/19. Passed out of the Assembly and ordered to the Senate on 05/23/19. Referred to Committees on L., P.E. & R. and JUD. on 06/06/19. **Read second time and amended; re-referred to Committee on JUD. on 06/27/19. Passed out of committee and re-referred to Committee on APPR. on 07/03/19.)**

<u>Attachments</u>

Submitted by:

Gina M. Ratto

Gina M. Ratto
General Counsel

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

2019 - 2020 LEGISLATIVE SESSION BILLS OF INTEREST
LEGISLATIVE UPDATE (AUGUST 19, 2019) – ATTACHMENT

New or updated information in bold text

AB 33 (Bonta)
This bill would prohibit the CalPERS and CalSTRS from making new investments or renewing existing investments of public employee retirement funds in a private prison company, as defined. This bill would require the boards to liquidate investments in private prison companies on or before July 1, 2020, and would require the boards, in making a determination to liquidate investments, to constructively engage with private prison companies to establish whether the companies are transitioning their business models to another industry. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the constitution. The bill would provide that board members and other officers and employees shall be held harmless and be eligible for indemnification in connection with actions taken pursuant to the bill's requirements, as specified. The bill would make related legislative findings and declarations.
(STATUS: Introduced 12/03/18. Referred to Committee on P.E. & R on 01/17/19. Second hearing canceled at request of author on 04/24/19.)

AB 181 (Rodriguez)
This bill would require CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives**,** to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define "emerging manager" for purposes of these provisions.
(STATUS: Introduced 01/09/19. Passed out of the Assembly and ordered to the Senate on 05/28/19. Read first time. Referred to Committee on RLS. on 06/06/19.)

AB 249 (Choi)
This bill would prohibit a public employer from deterring or discouraging a public employee or an applicant to be a public employee from opting out of becoming or remaining a member of an employee organization. The bill would prohibit a public employer from taking adverse action against a public employee or applicant to be a public employee who opts out of becoming or remaining a member of an employee organization and would specify that adverse action includes reducing a public employee's current level of pay or benefits.
(STATUS: Introduced 01/22/19. Died in committee pursuant to Joint Rule 62(a) on 06/04/19.)

AB 287 (Voepel)
Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's internet website no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.
(STATUS: Introduced 01/28/19. Referred to Committee on P.E. & R on 02/07/19.)

AB 346 (Cooper)
Existing law establishes a workers' compensation system, administered by the Administrative Director of the Division of Workers' Compensation, to compensate an employee for injuries sustained in the course of employment. Existing law provides that certain peace officers, firefighters, and other specified state and local public employees are entitled to a leave of absence without loss of salary while disabled by injury or illness arising out of and in the course of employment. The leave of absence is in lieu of temporary disability payments or maintenance allowance payments otherwise payable under the workers' compensation system. This bill would add police officers employed by a school district, county office of education, or community college district to the list of public employees entitled to a leave of absence without loss of salary, in lieu of temporary disability payments, while disabled by injury or illness arising out of and in the course of employment.
(STATUS: Introduced 02/04/19. Referred to Committee on L., P.E. & R. and APPR. on 05/08/19. Passed out of committee and re-referred to Committee on APPR. on 06/12/19. **In committee: Referred to APPR. suspense file on 06/24/19.**)

AB 462 (Rodriguez)
This bill would require the Board of Administration of CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives, to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define emerging manager for purposes of these provisions. This bill contains other related provisions and other existing laws.
(STATUS: Introduced 02/11/19. Referred to Committee on RLS. on 05/01/19. From committee chair, with author's amendments: amend and re-refer to committee. Read second time, amended, and re-referred to Com. on RLS. on 05/21/19.)

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

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

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

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

Existing law authorizes specified CalSTRS members who, on January 1, 1976, are in state service positions or are employees of the Trustees of the California State University, to elect to not continue as members of CalSTRS and to transfer to CalPERS. This bill would repeal these provisions.
(STATUS: **Signed by Governor on 07/12/19.)**

AB 664 (Cooper)
The CERL provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers in the County of Sacramento, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill would require the board of retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become eligible for disability retirement pursuant to the bill's provisions. The bill would repeal these provisions on December 31, 2024.
(STATUS: Introduced 02/15/19. Passed out of the Assembly and ordered to the Senate on 05/13/19. Referred to Committees on L., P.E. & R. and APPR on 05/22/19. **In committee: Set, first hearing. Hearing cancelled at request of author on 06/26/19.)**

AB 672 (Cervantes)
CalPERS provides pension and other benefits to members of the system and prescribes conditions for service after retirement. PERL and PEPRA establish various limits on retirement benefits generally applicable to a public employee retirement system, and prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would prohibit a person who has retired for disability from being employed by any employer without reinstatement from retirement if the position is the position from which the person retired or if the position includes duties or activities that the person was previously restricted from performing at the time of retirement, unless an exception applies. The bill would require, if a person retired for disability is employed by an employer without reinstatement, an employer to provide to the board the nature of the employment and the duties and activities the person will perform.
(STATUS: **Signed by Governor on 07/12/19.)**

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

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

AB 992 (Mullin)
The Brown Act generally requires that the meetings of legislative bodies of local agencies be conducted openly. That act defines "meeting" for purposes of the act and prohibits a majority of the members of a legislative body, outside a meeting authorized by the act, from using a series of communications of any kind to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body**.** This bill would provide that the prohibition described above does not apply to the, participation, as defined, in an internet-based social media platform, as defined, by a majority of the members of a legislative body, provided that a majority of the members do not discuss among themselves, as defined, business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency**.**
(STATUS: Introduced 02/21/19. In committee: Set, first hearing. Failed passage. Reconsideration granted on 05/01/19.)

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

This bill would, unless a longer retention period is required by statute or regulation, require a public agency for purposes of the California Public Records Act to retain and preserve for at least 2 years every writing containing information relating to the conduct of the public's business prepared, owned, or used by any public agency that is transmitted by mail.

(STATUS: Introduced 02/21/19. Passed out of the Assembly and ordered to the Senate on 05/28/19. Referred to Committee on JUD on 06/06/19. **Passed out of committee and re-referred to Committee on APPR. on 07/10/19.)**

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

AB 1212 (Levine)
Existing law authorizes the boards of CalPERS, CalSTRS, and the ’37 Act systems, consistent with their fiduciary duties and investment standards, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project. This bill would require a state as defined, that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described above, and to provide the list to those boards. The state agency would be required to provide further project information to a board upon request.
(STATUS: Introduced 02/21/19. Passed out of the Assembly and ordered to the Senate on 05/29/19. Referred to Committee on L., P.E. & R. on 06/12/19. **In committee: Set, first hearing. Hearing canceled at request of author on 07/02/19.**)

AB 1320 (Nazarian) Amended 6/27/19.
This bill, upon the passage of a federal law that imposes sanctions on the government of Turkey for failure to officially acknowledge its responsibility for the Armenian Genocide, would prohibit the boards of administration of CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in the government of Turkey that is issued by the government of Turkey or that is ~~**owned, controlled, or managed**~~ **owned** by the government of Turkey. The bill would require the boards to liquidate existing investments in the government of Turkey within 18 months of the passage of the above-describe federal law. The bill would require these boards to make specific reports to the Legislature and the Governor regarding these actions within one year of passage of a federal law imposing those sanctions on the government of Turkey and on or before January 1, 2024. 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**~~ **the above-described prohibited investment and reporting** provisions on January 1, 2025, or if a determination is made by the **board, the** Department of ~~**State or**~~ **State,** 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, whichever occurs first.
(STATUS: Introduced 02/22/19. Passed out of the Assembly and ordered to the Senate on 05/23/19. Referred to Committees on L., P.E. & R. and JUD. on 06/06/19. **Read second time and amended; re-referred to Committee on JUD. on 06/27/19. Passed out of committee and re-referred to Committee on APPR. on 07/03/19.)**

AB 1332 (Bonta)
This bill**,** the Sanctuary State Contracting Act, would, among other things**,** require the Department of Justice, commending on January 1, 2020, and quarterly thereafter, to publish a list on its internet website, based on specified criteria, of each person or entity that, in the opinion of the Department of Justice, is providing data broker, extreme vetting, or detention facilities support to any federal immigration agency, as specified. The bill would prohibit a state or local agency from entering into a new, amended, or extended contract or agreement with any person or entity that appears on the list published by the Department of Justice unless the state or local agency has made a finding that no reasonable alternative exists, as specified. The bill would exempt certain contracts or agreements from these provisions related to provisions the administration of retirement benefits and investment of moneys for retirement benefits, as specified. This bill would authorize the Department of Justice to initiate, and require the department to receive and investigate, all complaints regarding violations of these provisions, and would require the department to issue findings regarding any alleged violation and notify any affected state or local agency. By increasing the duties of local officials, this bill would impose a state-mandated local program. Additionally, this bill would make a violation of these provisions subject to civil and criminal penalties, thereby imposing a state-mandated local program.
(STATUS: Introduced 02/22/19. In committee: Set, first hearing. Referred to APPR. suspense file on 05/08/19. In committee: Held under submission on 05/16/19.

AB 1452 (O'Donnell)
Existing law also creates the CalSTRS Cash Balance Benefit Program, which is administered by the CalSTRS board, to provide a retirement plan for the benefit of participating employees who provide creditable service for less than 50% of full time. This bill would prohibit aggregating creditable service in more than one position for the purpose of determining mandatory membership on a part-time basis for 50% or more of the time the employer requires for a full-time position, as specified. This bill contains other related provisions and other existing laws.
(STATUS: Introduced 02/22/19. Passed out of the Assembly and ordered to the Senate 05/09/19. Referred to Com. on L., P.E. & R. on 05/22/19. Passed out of committee and re-referred to Committee on APPR. with recommendation: To Consent Calendar. Re-referred to Committee on APPR. on 06/12/19. **In Committee: Referred to APPR. suspense file on 06/24/19.)**

AB 1819 (Committee on Judiciary)
The California Public Records Act requires state and local agencies to make public records available upon receipt of a request that reasonably describes an identifiable record not otherwise exempt from disclosure, and upon

payment of fees to cover costs. This bill would grant the requester the right to use the requester's equipment, without being charged any fees or costs, to photograph or otherwise copy or reproduce any record upon inspection and on the premises of the agency, unless the means of copy or reproduction would result in damage to the record, or unauthorized access to a computer system of the agency or secured network, as specified. The bill would authorize the agency to impose any reasonable limits on the use of the requester's equipment that are necessary to protect the safety of the records or to prevent the copying of records from being an unreasonable burden to the orderly function of the agency and its employees. The bill would authorize the agency to impose any limit that is necessary to maintain the integrity of, or ensure the long-term preservation of, historic or high-value records. By imposing additional duties and responsibilities upon local agencies in connection with requests for inspection of records, this bill constitutes a state-mandated local program.
(STATUS: Introduced 03/26/19. Passed out of the Assembly and ordered to the Senate on 05/06/19. Referred to Committee on JUD on 06/12/19. **Passed out of committee and re-referred to Committee on APPR with recommendation: To Consent Calendar on 07/03/19.)**

SB 53 (Wilk)
The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in a meeting of a state body, subject to certain conditions and exceptions. This bill would specify that the definition of "state body" includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of 3 or more individuals, as prescribed, except a board, commission, committee, or similar multimember body on which a member of a body serves in his or her official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body, whether the multimember body is organized and operated by the state body or by a private corporation. This bill would declare that it is to take effect immediately as an urgency statute.
(STATUS: Introduced 12/10/18. Referred to the Committee on G.O. on 05/06/19. **Passed out of committee and re-referred to Committee on APPR on 07/11/19. Received at desk pursuant to JR 61(a)(10) on 07/11/19.)**

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

This bill would authorize a judge who is 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 the judge's monetary credits on deposit with the system, to retire, and upon reaching retirement age, as specified, to receive a retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify the monthly allowance provided to a surviving spouse or other beneficiary and would make other conforming changes in relation to these provisions. The bill would also provide, for the purposes of the Judges' Retirement System II, and for a judge first appointed or elected to office on or after January 1, 2020, that a surviving spouse is a spouse who was married to the judge continuously for a period beginning one year prior to the date of the judge's retirement until the judge's death.

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

This bill would authorize a judge who elects to retire as described above, but is not yet receiving a retirement allowance, to continue health care benefits upon separation from office if he or she assumes specified payments. The bill would include these judges, and specified surviving spouses, within the definition of annuitant upon commencement of the judge's retirement allowance, thereby authorizing the judge or a surviving spouse to receive applicable postretirement health benefits. By authorizing the use of continuously appropriated funds for a new purpose, and by depositing additional amounts into a continuously appropriated fund, this bill would make an appropriation.
(STATUS: Introduced 01/30/19. Passed out of the Senate and ordered to the Assembly on 05/21/19. **Referred to Committee on P.E. & R. on 05/30/19. Passed out of committee and re-referred to Committee on APPR. with recommendation: To consent calendar on 06/26/19.)**

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

employer, or contracting agency return to the member any contributions paid by the member or on the member's behalf.

With respect to retired members, survivors, or beneficiaries whose benefits are based on disallowed final compensation, the bill would require PERS to adjust the benefit to reflect the exclusion of the disallowed compensation, and provide that contributions made on the disallowed compensation be credited against future contributions on behalf of the employer entity that reported the disallowed compensation. Additionally, if specified conditions are met, the bill would require the employing entity to refund overpayment costs to the system and to pay members, survivors, and beneficiaries whose benefits have been reduced a lump sum or an annuity reflecting the difference between the monthly allowance that was based on the disallowed compensation and the adjusted monthly allowance calculated without the disallowed compensation, as provided. The bill would require the system to provide certain notices in this regard. This bill would require the system to provide confidential contact information of retired members, and their survivors and beneficiaries, who are affected by these provisions to the relevant employing entities, the confidentiality of which the entities would be required to maintain.

The bill would authorize the state, a school employer, or a contracting agency, as applicable, to submit to the system an additional compensation item proposed to be included or contained in a memorandum of understanding or collective bargaining agreement on and after January 1, 2020, that is intended to form the basis of a pension benefit calculation for determination of compliance with PEPRA and other laws, as specified, and would require PERS to respond within 90 days, as specified. The bill would require PERS to publish notices identifying items of allowable compensation derived from language submitted to the system for review. The bill would make related legislative findings and declarations.
(STATUS: Introduced 02/12/19. Passed out of the Senate and ordered to the Assembly on 05/21/19. From committee with author's amendments. Read second time and amended. Re-referred to Committee on P.E. & R. on 06/17/19. **Passed out of committee and re-referred to Committee on APPR. on 06/26/19.)**

SB 341 (Morell)
Existing law requires the CalPERS and CalSTRS retirement boards to provide annual reports to the Legislature and the Governor with regard to investment returns on assets of CalPERS and CalSTRS, respectively. As part of these reports, the boards are required to calculate and report on the rate of return on investments based on different assumptions. This bill would require the Board of Administration of CalPERS to report a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. The bill would require the CalSTRS Retirement Board to provide a description of the discount rate the board uses for reporting liabilities, a calculation of liabilities based on a discount rate that is 2% below the long-term rate of return assumed by the board, and a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. This bill would also appropriate $1 billion from the General Fund for transfer to the Teachers' Retirement Fund to reduce the unfunded liability of the STRS defined benefit program, and appropriate another $1 billion to the Teachers' Retirement Fund if the Legislative Analyst determines in the May Revision of the 2019-20 Budget that the State

has collected more than $1 billion in unanticipated General Fund revenue. This bill contains other related provisions and amendments other existing laws.
(STATUS: Introduced 02/19/19. Referred to Committee on L., P.E. & R on 02/28/19. Set for hearing on 03/27/19. Failed passage in committee. Reconsideration granted.)

SB 430 (Wieckowski)
PEPRA prohibits a public employer offering a defined benefit pension plan from exceeding specified retirement formulas for new members and prohibits an enhancement of a public employee's retirement formula or benefit adopted after January 1, 2013, from applying to service performed prior to the operative date of the enhancement. PEPRA defines "new member" to mean, among other things, an individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to date. Existing law creates the Judges' Retirement System II, which is administered by the Board of Administration of the Public Employees' Retirement System, for the provision of retirement and other benefits to specified judges and their beneficiaries.

This bill would grant a judge who was elected to office in 2012, but did not take office until on or after January 1, 2013, the option of making a one-time, irrevocable election to have a pre-January 1, 2013, membership status in the Judges' Retirement System II for service accrued after on and after July 1, 2020. The bill would require the election to be made during a 30-day period beginning March 1, 2020. A judge making this election would no longer be a new member under specified provisions of PEPRA. The election would apply prospectively only, and membership rights and obligations that accrued based on service subject to PEPRA prior to July 1, 2020, would remain unchanged. The bill would specify that the Public Employees' Retirement System is not obligated to inform or locate a person who may be eligible to make the election and that its provisions do not affect the Legislature's reserved right to increase contributions or reduce benefits for purposes of the Judges' Retirement System II.
(STATUS: Introduced 02/21/19. Passed out of the Senate and ordered to the Assembly on 05/21/19. Referred to the Committee on P.E. & R. on 05/30/19. **Set for first hearing cancelled at request of author on 06/26/19.)**

SB 518 (Wieckowski)
Current law, in a civil action to be resolved by trial or arbitration, authorizes a party to serve an offer in writing on any other party to the action to allow judgment to be taken or an award to be entered in accordance with the terms and conditions stated at the time. Existing law shifts specified postoffer costs to a plaintiff who does not accept a defendant's offer if the plaintiff fails to obtain a more favorable judgment or award. Current law also authorizes a court or arbitrator to order a party who does not accept the opposing party's offer and fails to obtain a more favorable judgment or award to cover the postoffer costs for the services of expert witnesses, as specified. Current law exempts certain actions from those provisions, including any labor arbitration filed pursuant to a memorandum of understanding under the Ralph C. Dills Act. This bill would also exempt from those provisions any action to enforce the California Public Records Act.
(STATUS: Introduced 02/21/19. Passed out of the Senate and ordered to the Assembly on 05/23/19. Referred to Committee on JUD. on 06/06/19. Passed out of Committee as amended on 06/19/19. Read second time and

amended. Ordered to second reading on 06/20/19. **July 3 set for first hearing. Placed on APPR. suspense file on 07/03/19.)**

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

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

SB 749 (Durazo)
The California Public Records Act provides that nothing in the act requires the disclosure of corporate proprietary information including trade secrets, among other things. This bill would provide that specified records of a private industry employer that are prepared, owned, used, or retained by a public agency are not trade secrets and are public records, including certain records relating to employment terms and conditions of employees working for a private industry employer pursuant to a contract public agency, records of compliance with local, state, or federal domestic content requirements, and records of a private industry employer's compliance with job creation, job quality, or job retention obligations contained in a contract or agreement with a state or local agency.
(STATUS: Introduced 02/22/19. Passed out of committee on 05/16/19. Read second time. Ordered to third reading on 05/16/19. Read third time and amended on 05/23/19. Ordered to second reading on 05/23/19. Read

second time. Ordered to third reading on 05/24/19. Referred to Committee on JUD on 06/06/19. From committee: Passed out of committee as amended and re-referred to Committee on APPR. on 06/18/19. Read second time and amended. Re-referred to the Committee on APPR. on 06/19/19. **July 10 set for first hearing. Placed on APPR. suspense file on 07/10/19.)**

SB 783 (Senate Committee on Labor, Public Employees and Retirement)

The CERL authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension and death benefits to county and district employees. This bill would correct several erroneous and obsolete cross-references within CERL.

(STATUS: Introduced 03/07/19. Passed out of the Senate and ordered to the Assembly on 05/02/19. Referred to Committee on P.E. & R. on 05/16/19.)

2019 TENTATIVE LEGISLATIVE CALENDAR

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

October 31, 2018 (revised)

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

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

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

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

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

DEADLINES

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

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

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

Jan. 21 Martin Luther King, Jr. Day.

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

Feb. 18 Presidents' Day.

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

Mar. 29 Cesar Chavez Day observed.

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

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

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

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

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

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

May 27 Memorial Day.

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

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

*Holiday schedule subject to Rules committee approval.

2019 TENTATIVE LEGISLATIVE CALENDAR

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

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

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

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

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

Jul. 4 Independence Day.

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

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

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

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

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

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

Sep. 2 Labor Day.

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

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

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

*Holiday schedule subject to Senate Rules committee approval.

IMPORTANT DATES OCCURRING DURING INTERIM STUDY RECESS

2019

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

2020

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

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

I-6

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **BOARD COMMUNICATIONS**

Written Report

Background/Discussion

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

News Links

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

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

Steve Delaney:

Why is L.A. still backing the wasteful, double-dipping DROP program?

http://www.latimes.com/opinion/editorials/la-ed-drop-pension-20180206-story.html

Attached: OCERS Activities and Updates for May 2019 and June 2019.

Submitted by:

Steve Delaney
Chief Executive Officer

Monthly Staff Status
May 2019

To the members of the OCERS Board of Retirement,

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

TOP 3 MEMBER QUESTIONS:

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

QUESTION ONE:

Q: When do the new employee contribution rates go into effect?

A: Employee contribution rate changes for Fiscal Year 2019-2020 go into effect the first full pay period in July. Therefore, changes will take place starting with PP 15, which begins for most employers on July 5th. Employees will then see the effect of the modified rates on their July 26th paychecks.

QUESTION TWO:

Q: I am an Active member and I need to make a change to my address and marital status. How do I notify OCERS?

A: For Active members, both of these pieces of information are sent to OCERS by the employer on the biweekly transmittal. Therefore, if you are an Active employee you will need to report your address change or marital status change to your employer, and OCERS' records will be updated automatically when the next set of pay records are transmitted. However, the actual date of marriage would be reported to OCERS directly on the Beneficiary Change form or New Member Affidavit.

QUESTION THREE:

Q: I am retired and I need to contact someone about my health insurance. Who should I call?

A: OCERS does not administer the retiree health program for any of the employers, and is therefore not able to provide any specific information about plans, coverage, and billing. However, a list of retiree health contacts for all employers is located on the OCERS webpage under the "Retiree and Beneficiaries" menu at the top of the page (choose "Your Retirement Benefit", then select "Health Insurance Deductions"). Payees should contact the relevant plan administrator directly.

Customer Service Statistics

Member Approval: 98%

Un-Planned Recalculations: 0

Retirement Applications Received:

May - 2019	43
Apr - 2019	37
Mar - 2019	107
Feb - 2019	199
Jan – 2019	258
Dec – 2018	54
Nov – 2018	85
Oct – 2018	49
Sept - 2018	40
Aug - 2018	55
Jul - 2018	67
Jun - 2018	44
Apr - 2018	73
Mar - 2018	51
Feb - 2018	163
Jan - 2018	204
Dec - 2017	58
Nov - 2017	75
Oct - 2017	47
Sep - 2017	42
Aug - 2017	69
Jul - 2017	48
May - 2017	60

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Monthly Staff Status
May 2019

MEMBER SERVICES TELEPHONE METRICS

Member Services Call History			
Month / Year	Incoming Calls Through Queue	Incoming Calls Direct to Extension	Total Calls (Queue + Direct)
May 2019	*	3505	4611
May 2018	1799	2540	4339
May 2017	1643	2637	4280

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

ACTIVITIES

OUTREACH TO THE ORANGE COUNTY LEGISLATIVE DELEGATION IN SACRAMENTO

As part of our annual outreach to the Orange County legislative delegation, I accompanied Immediate Past Chair Chris Prevatt to Sacramento on May 1 and May 2. Our basic message is a reminder actually, a reminder that in addition to CalPERS, those legislators have a local public retirement system in their own backyard. We take the opportunity to review some basic OCERS statistics, explain the OCERS Board's objectives, and offer our services to assist and clarify whenever a pension related question might arise.

All the conversations were well received. Some highlights follow:

State Senator Tom Umberg – Recalled the legal battle in 2008 between the Board of Supervisors of the County of Orange and AOCDS regarding safety member benefits. He also asked how cities within Orange County might go about joining OCERS if they wanted to leave CalPERS. He also wanted to know some detail as to current challenges facing OCERS. We touched on the ongoing challenge of meeting our earnings assumption, as well as the issue of improved mortality with its impact on long term liabilities.

State Senator Bob Archuleta – He had a number of questions about the history of the Orange County bankruptcy. He wondered about the status of OCERS funding progress. He wished us well as we departed, remarking that Orange County workers are "well served by a solid plan".

Representative Tom Daly and his Executive Assistant asked if drug deaths are slowing the life expectancy rate for OCERS? We explained that while the actuarial industry has noted a recent flattening of the growth rate in life expectancy, we haven't heard our actuary specifically tie that to the drug epidemic thus far.

Representative Quirk-Silva asked how OCERS is funded, how do we pay our pension bills, and wanted some detail as to the OCERS Board's current investment allocation. Glad to hear of OCERS progress, the Representative indicated her concern over the lack of participation by citizens in general in their DC plans.

In addition to those legislators, we also held a number of helpful meetings with executive staff of other senators and representatives.

It is my belief that this is an important outreach effort, as it lays the foundation if ever needed for future interaction with our legislative delegation.

COOPERATION WITH THE COUNTY OF ORANGE

Mr. Doezie reports:

I want to give you an update regarding a recent meeting on May 15th between myself and four employees of the Orange County Health Care Agency (OCHCA). The OCHCA is looking to install a Vendor Management / Contract Tracking system similar to what we implemented at OCERS. To that end, I demonstrated the OCERS ProcessUnity Vendor Management system. The demonstration went well and there were many items that OCHCA liked about the ProcessUnity system. I provided the ProcessUnity contact information to the OCHCA folks and they are now in discussions with each other about pricing and functionality.

At the conclusion of the demonstration meeting I offered to help in the future if they need my assistance.

OCERS 101 TRAINING FOR OCEA HEADQUARTERS STAFF

On May 13 I was honored to be invited to come speak to the entire headquarters staff of the Orange County Employees Association (OCEA). An OCEA representative had participated in a general OCERS overview I had earlier provided to recently installed County Supervisor Chaffee, and was impressed enough that he arranged for me to give the same presentation to their entire team of some 30 individuals. The meeting was well received, and they had many questions.

A CHANCE FOR COMMUNITY OUTREACH

Special thanks to Ms. Hockless who shared her amazingly upbeat story of community outreach with all of OCERS staff at our monthly meeting in May. Early in the month Ms. Hockless notified the OCERS executive team of this opportunity, and shared the following:

"I have been asked to speak at Morningside High School http://mhs.myiusd.net/ in Inglewood on Thursday, May 16 as a Motivational speaker for the girls senior class. Morningside is a high school in the Los Angeles area that serves a population of at-risk youth. I will not be given any type of payment or other opportunity. The school may read my bio to the audience which will include my employment at OCERS. This engagement is strictly volunteer work."

I have to tell you, as Ms. Hockless spoke to OCERS staff, explaining the challenges these young ladies face in their daily lives, and repeated the message of determined hope that she had shared, there were many moist eyes in the audience.

PREPARING FOR OCERS' BOARD ELECTION

On May 23 the OCERS management team welcomed Mr. Neal Kelly, Orange County Registrar of Voters and members of his executive team to OCERS headquarters. The purpose of the visit was to discuss the details of the OCERS Board election coming up this fall for both the general and retired member seats.

CITY OF SAN JUAN CAPISTRANO COVERED SALARY CHALLENGE

Too many dates to note here. Suffice it to say, as the Board became aware, there were a number of meetings that took place between OCERS staff, city staff, employer representatives and consultants to come to an equitable resolution of the City's determination to spin out the water department, causing a drop in covered payroll with impact on other actuarial rate group employers. My thanks to all who were involved, it took many individuals to bring a final recommended resolution to the OCERS Board for consideration and ultimate approval.

UPDATES

FINAL AVERAGE SALARY COMPONENTS REVIEW PROJECT

The salary and Pay Item review project is nearly complete. An updated master list of pay items was finalized and delivered to each employer. The final master list of pay items was also presented to the Governance Committee on May 19th and the Board June 17th. Information regarding the project and policy documents have been provided to employers and labor organizations. Board Policies, including the Compensation Earnable Policy and the Pensionable Compensation Policy, have been posted to the OCERS website.

INVESTMENT ACTIVITY IN MAY

As reported by Mr. Beeson:

> As of April 30, 2019, the portfolio year-to-date is up 7.4% net of fees, while the one-year return is up 4.8%. The fund value now stands at $16.5 billion. At the May 29th Investment Committee meeting, the Investment Committee approved the contract amendments with Meketa, OCERS' general consultant. The contract will be amended to include Steve McCourt, Allan Emkin, and Laura Wirick as OCERS' service team with Mr. Emkin to attend six meetings per year. The scope of services is expanding to include performance reporting support to OCERS' staff and a new quarterly operational risk report. Molly Murphy then discussed staff's efforts to improve the reporting for the Investment Committee including the addition of a new commitment report that lists all commitments and unfunded commitments for new manager hires under delegated authority. This information was also added to the back page of the asset class structure placemat for the Investment Committee. During the monthly manager hirings and terminations report, Ms. Murphy discussed the termination of Gotham Asset Management, a long/short equity hedge fund. An asset class decision was made that it was no longer needed to have hedged equity managers in the equity portfolio since OCERS is now trying to hedge risk from an equity downturn through the risk mitigation asset class. Meketa then presented the 1st quarter 2019 portfolio evaluation report. OCERS' portfolio returned 5.5% net of fees during the first quarter of 2019 and 3.6% over the trailing one year, ranking in the 37th percentile (1st percentile being the best) over the trailing 12 months. Finally, Molly Murphy, Meketa, TorreyCove, and Townsend presented a year in review from a governance, asset allocation, risk management, and due diligence perspective for the OCERS portfolio. Ms. Murphy and the consultants discussed the 2018 and 2019 activities that staff and the consultants have undertaken for the portfolio as well as any gaps remaining in implementing the Investment Committee's policies.

OCERS YEAR IN REVIEW

In May we continued our meetings with stakeholders as part of the annual OCERS Year In Review outreach:

MAY 6: OCERS executive team met with the **LAFCO** executive team.

MAY 15: Mr. Packard, Mr. Hilton, Ms. Murphy and I met with **Supervisor Do** and his executive assistant. The Supervisor is always very engaged when meeting to discuss OCERS, and had many questions for Ms. Murphy who is accompanying us this year to each meeting held with a Supervisor.

MAY 24: OCERS executive team met with the **Orange County Employees Association** (OCEA) executive team.

MAY 30: Ms. Jenike and I met with the **City of San Juan Capistrano Employees Association** executive team. Not surprisingly, they had many questions about the City's goal of moving the water department over to Santa Margarita Water District. I hope to have representatives of this group join us and present at this year's Strategic Planning Workshop.

As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the August 19 meeting of the OCERS Board of Retirement.

Monthly Staff Status
June 2019

To the members of the OCERS Board of Retirement,

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

TOP 3 MEMBER QUESTIONS:

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

QUESTION ONE:

Q: When is the deadline to submit a direct deposit change so it will go into effect for the next benefit payment?

A: For a bank change to be guaranteed for the 1st of the next month, any change should be submitted by the 22nd day of the month. Bank changes can be submitted on either the myOCERS portal or using hardcopy forms, and the same submission date requirements apply to either method.

QUESTION TWO:

Q: What are the upcoming OCERS retirement session dates?

A: OCERS retirement sessions are held at our office location on the 1st and 3rd Wednesday of each month and run from 8 AM to 2:30 PM. To sign up to attend, visit the OCERS website and enter "sessions" in the search box, or click on one of the session links that appear throughout the site.

QUESTION THREE:

Q: Can I list my trust as my primary beneficiary?

A: In general, a trust is not eligible to receive monthly survivor benefit payments. If you are married or have minor children we recommend that they be listed as individuals, as they may be eligible for future survivorship benefits.

Customer Service Statistics

Member Approval: 98%

Un-Planned Recalculations: 0

Retirement Applications Received:

June - 2019	50
May - 2019	43
Apr - 2019	37
Mar - 2019	107
Feb - 2019	199
Jan – 2019	258
Dec – 2018	54
Nov – 2018	85
Oct – 2018	49
Sept - 2018	40
Aug - 2018	55
Jul - 2018	67
Jun - 2018	44
Apr - 2018	73
Mar - 2018	51
Feb - 2018	163
Jan - 2018	204
Dec - 2017	58
Nov - 2017	75
Oct - 2017	47
Sep - 2017	42
Aug - 2017	69
Jul - 2017	48

Monthly Staff Status
June 2019

MEMBER SERVICES TELEPHONE METRICS

Member Services Call History			
Month / Year	Incoming Calls Through Queue	Incoming Calls Direct to Extension	Total Calls (Queue + Direct)
June 2019	*	2114	2114
June 2018	1563	2392	3955
June 2017	849	3128	3977

*Queue call metrics unavailable this month due to sporadic issues with Mitel's Phone Reporting   That issue is being addressed, with service improved as of date of this report.

ACTIVITIES

ORANGE COUNTY CONGRESSIONAL DELEGATION

While OCERS staff met with the Orange County legislative delegation in Sacramento in the month of May, I accompanied OCERS Vice Chair Roger Hilton to Washington DC in June to visit our congressional delegation. Visits were made to the offices of Representatives Cisneros, Correa, Levin, Lowenthal, Porter, Rouda and Sanchez, as well as the offices of Senator Feinstein and Harris. The simple message being shared at each office was a reminder that they have an independent governmental retirement system in their own backyard, and should call on OCERS staff for expert comment when dealing with pension issues at the Federal level. In addition we also had a very productive meeting with the Deputy Director of Governmental Affairs for the National Association of Counties.

UPDATES

FINAL AVERAGE SALARY COMPONENTS REVIEW PROJECT

The Salary and Pay Item review project has been completed. The updated master list of pay items was finalized and approved by the OCERS Board of Retirement in the meeting on June 17th. The final list has been delivered to each employer and are available on the OCERS website. Board Policies, including the Compensation Earnable Policy and the Pensionable Compensation Policy are also available on the OCERS website.

SUCCESSION PLANNING

Continuing the process I started last year, of meeting individually with every OCERS staff member, this year in my conversations I have been focused on training and career development. In the course of my discussions, I realized that many staff members, busy with their day to day tasks in service of our members, are only vaguely aware of the broader issues being discussed in the pension arena, issues that will be important for them to better understand as they advance in seniority. To that end, finding the NASRA clips particularly helpful in enlightening all of us on the topics and challenges being considered by pension systems across the nation, I began at the end of June to forward the NASRA clips to all OCERS team members. I sent out the following introductory note to help staff better understand why they will now be receiving the NASRA news clips on a regular basis:

> To all OCERS Staff,
>
> A special good morning to you all.
>
> I have been very much enjoying my ongoing conversations with each of you as we visit and discuss your prior education and training, and more importantly future education and training that will help you individually grow in your careers at OCERS. Much of my focus in our one-on-one meetings is to learn how to help each of you grow and reach out for greater responsibilities. This agency will be celebrating 75 years of service in the coming year, and will continue on providing valuable pension benefits with amazing customer service literally for CENTURIES to come! Many of you are now or will become leaders of this agency, a small number of you may in the years ahead eventually find yourself sitting in the seat of Chief Executive Officer, guiding this agency forward in the service of our 46,000+ members.
>
> As you move into higher levels of responsibility, you will find that you need to know more about pensions than just the basics of calculating a benefit and getting a payment out the door. Our world of public pensions is facing challenges, from ensuring sufficient funding, dealing with improved mortality, visioning the impact of a maturing membership, and many others, and all are issues each of you would be well served to know more about in order to be better prepared to tackle those opportunities of greater responsibility and leadership here at OCERS as they become open in the years ahead.
>
> To that end, I wanted to start sharing with each of you a news clipping service provided to us by the National Association of State Retirement Administrators (NASRA). This service produces a summary of news articles from around the nation relating in some form or another to public pension issues. I have been forwarding these summaries to the executive management team as well as the Board Trustees for many years. In talking with so many of you this year regarding your career goals it occurred to me that each and every one of us can benefit by reading up on what is occurring nationwide. Some articles will focus on challenges, even problems, while others will help you see the actions being taken by our sister systems to address those challenges. Taking a few minutes to read the attached articles will help you begin to develop a fuller appreciation of our broader world of public pensions, and help equip you with the knowledge you will need as you continue on your journey with your OCERS family.
>
> If you ever see an article that piques your curiosity and you want to discuss, your senior team all have open doors. Feel free to stop by any of our offices, and I mean this sincerely, take a seat and let us know what issue has grabbed your attention and we can discuss it in more detail.
>
> Enjoy!

INVESTMENT TEAM REPORT

Mr. Beeson reports on June activity:

As of May 31, 2019, the portfolio year-to-date is up 5.6% net of fees, while the one-year return is up 2.6%. The fund value now stands at $16.2 billion. At the June 26th Investment Committee meeting, Matthew Harris from Global Infrastructure Partners presented an educational session to the Committee on investing in infrastructure. Mr. Harris discussed the merits of infrastructure including: long-lived assets, high barriers to entry, inflation protection, downside protection, and upside potential. Matthew Harris also described the types of infrastructure investments including airports, ports, rail, midstream, LNG, renewables, utilities, technology/AI, and climate change. Molly Murphy then discussed the monthly manager selections and terminations report. OCERS committed $50 million to Accel-KKR Capital Partners VI in the private equity buyout space. Allan Emkin and Laura Wirick from Meketa next presented the Q1 2019 portfolio risk report. This is a new quarterly report that Meketa developed to evaluate both operational risk and investment risk for the OCERS portfolio. The operational risk section included the manager selections and terminations during Q1, consultant confirmation, and confirmation that these actions were reported to the Committee. The investment risk review included a total portfolio risk review, valuation metrics risk dashboard, liquidity portfolio risk modeling, and manager correlation analysis. Finally, Julius Cuaresma and Shanta Chary presented a public equity asset class review. OCERS' equity overweights to small cap and emerging markets led to underperformance in 2018 versus the MSCI ACWI benchmark.

As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the August 19 meeting of the OCERS Board of Retirement.

I-7

Memorandum

DATE: July 25, 2019

TO: Members of the Board of Retirement

FROM: Tracy Bowman, Director of Finance

SUBJECT: **SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019**

Written Report

Background/Discussion

The attached financial statements reflect the unaudited financial activity for the six months ended June 30, 2019. 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 2019. In 2018, the OCTA OPEB 115 had been reported as an Agency Fund. Starting with the first quarterly statement of 2019, the OCTA OPEB 115 fund is being reported as a Custodial Fund in accordance with the implementation of GASB Statement No. 84, *Fiduciary Activities*. The change from an Agency Fund to a Custodial Fund records the activity of the fund in the Statement of Changes in Fiduciary Net Position. This results in presenting an additional column in the Statement of Changes in Fiduciary Net Position, and an ending fiduciary net position for the Custodial Fund. The official financial statements of OCERS are included in the Comprehensive Annual Financial Report (CAFR) as of and for the year ended December 31, 2018, which is available on our website, www.ocers.org.

Summary

Statement of Fiduciary Net Position (Unaudited)

As of June 30, 2019, the net position restricted for pension and other postemployment benefits is $16.2 billion, an increase of $995.5 million, or 6.5%, from June 30, 2018. The change is a result of an increase in total assets of $1.1 billion off-set by an increase in total liabilities of $128.7 million as described below:

The $1.1 billion, or 6.9%, increase in total assets can be attributed to a $584.4 million increase in total investments at fair value, a $270.7 million increase in total cash and short-term investments, and a $271.4 million increase in total receivables. These increases were off-set by a decrease of $2.4 million in total capital assets, net, respectively.

The $584.4 million increase in total investments at fair value can be attributed to earnings from interest and dividends, and investment of proceeds received from prepaid contributions, as well as increases in net appreciation of investments at fair value during the second quarter of 2019. Since June of 2018, the global public equity, private equity, core fixed income and risk mitigation asset classes have increased, while the credit, real assets and absolute return asset classes have decreased. These changes are primarily the result of the new asset allocation policy adopted by the Board of Retirement in October 2018, to increase investments in the areas of private equity and risk mitigation, while eliminating or limiting the investments in real assets and credit categories. Global public equity increased by $156.3 million, led by the performance of U.S. equity. The U.S. equity market rally in 2019 has been driven by the prospect for easier monetary policy by the Fed and optimism for a trade deal between the U.S. and China. U.S. Long Treasury Bonds as well as OCERS' new systematic trend following managers in the second quarter of 2019, has led to strong one year returns for the risk mitigation asset class which increased by $402.4 million. Private equity increased by $197.3 million and exhibited strong returns aided by strong one-year performance from Mesirow Financial, Abbott Capital and Adams Street Partners. Core fixed income increased by $177.4 million and performed well over the last 12 months as the U.S. 10 Year Treasury yield fell from 2.85% to 2.00% over the trailing 12 months. The credit, real assets and absolute return asset classes decreased by a total of $348.9 million, which is in line with the new asset allocation policy.

The increase of $270.7 million in total cash and short-term investments consists of an increase of $258.2 in cash and cash equivalents due to the timing of investing redemptions and distributions, as well as employee and employer contributions received during the quarter and an increase in securities lending collateral of $12.5 million due to an increase in lending activity in the securities lending program.

The total receivables increase of $271.4 million is related to the timing of securities sales and investment income. The decrease in total capital assets, net, of $2.4 million from the prior year is primarily due to depreciation expense related to the Pension Administration System Solution (PASS) Project, V3.

Total liabilities increased by $128.7 million, or 11.1%, from June 30, 2018 to June 30, 2019, which included an increase in unsettled security purchases of $92.0 million and an increase of $12.5 million in the obligations under the securities lending program, which is directly related to the increase in securities lending collateral, as previously discussed. Unearned contributions increased $29.8 million due to larger prepaid employer contributions received for the fiscal year 2019-2020 prepayment program compared to the prior year's prepayment program. Retiree payroll payable increased $6.5 million due to gradual increases in the number of participants in the plan and retiree benefits paid. Other liabilities decreased by $11.2 million due to the timing of other investment related activity.

Statement of Changes in Fiduciary Net Position (Unaudited)

The ending net position restricted for pension and other postemployment benefits for the six months ended June 30, 2019 increased by $995.5 million, or 6.5%, when compared to the six months ended June 30, 2018. The majority of the increase can be attributed to higher investment returns in 2019 versus 2018; the combined return on the investment portfolio was 9.07% for the six months ended June 30, 2019, compared to a return of 0.91% for the same period ended June 30, 2018.

Net investment income as of the quarter ended June 30, 2019 is $1.4 billion versus $80.1 million as of the quarter ended June 30, 2018, an increase of $1.3 billion. The majority of the increase is related to the net appreciation in fair value of investments. During the second quarter of 2019, financial markets continued to experience stronger market performance when compared to 2018. During the first half of 2018 financial markets struggled, and continued to struggle throughout the year as global equities suffered steep declines amid persistent worries over trade and economic growth. The global public equities asset class showed a substantial rebound in the second quarter of 2019, with a return of 16.32% as of the quarter versus a loss of -0.39% as of the second quarter of 2018.

Investment fees and expenses increased by $10.4 million. The components of the increase include increases to investment manager fees for credit and private equity asset classes of $1.5 million and $4.3 million, respectively, and other fund expenses increasing by $3.7 million which is expected due to an increase in investment activity.

Employer and employee contributions increased by $5.1 million from the prior year mainly due to employer contributions in the Pension Fund which increased by $3.6 million from the prior year caused by the increasing number of employees participating in the plan and the increase in contribution rates.

Total deductions from fiduciary net position restricted for pension and other postemployment benefits increased $37.9 million, or 8.7%, from the prior year. Participant benefits increased by $38.9 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. Member withdrawals and refunds decreased by $2.1 million. The change in this category fluctuates from year to year based on the occurrence of these events.

Other Supporting Schedules

In addition to the basic financial statements for the six months ended June 30, 2019, the following supporting schedules are provided for additional information pertaining to OCERS:

- Total Plan 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, 2019

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements
For the Six Months Ended June 30, 2019

Table of Contents

Statement of Fiduciary Net Position (Unaudited)
As of June 30, 2019
(with summarized comparative amounts as of June 30, 2018)
(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund-County	Health Care Fund-OCFA	OPEB 115 Custodial Fund	Total Funds	Comparative Totals 2018
ASSETS						
Cash and Short-Term Investments						
Cash and Cash Equivalents	$ 814,333	$ 17,256	$ 2,055	$ 59	$ 833,703	$ 575,529
Securities Lending Collateral	336,446	7,129	849	-	344,424	331,934
Total Cash and Short-Term Investments	1,150,779	24,385	2,904	59	1,178,127	907,463
Receivables						
Investment Income	31,459	667	79	-	32,205	17,937
Securities Sales	392,759	8,323	991	-	402,073	145,234
Contributions	19,020	-	-	-	19,020	18,519
Foreign Currency Forward Contracts	-	-	-	-	-	250
Other Receivables	3,608	76	9	-	3,693	3,614
Total Receivables	446,846	9,066	1,079	-	456,991	185,554
Investments at Fair Value						
Global Public Equity	6,113,620	129,547	15,427	11,575	6,270,169	6,113,909
Private Equity	1,604,430	33,998	4,049	-	1,642,477	1,445,146
Core Fixed Income	2,729,322	57,834	6,887	5,557	2,799,600	2,622,244
Credit	1,694,286	35,902	4,275	-	1,734,463	1,765,767
Real Assets	2,203,910	46,701	5,561	-	2,256,172	2,573,186
Risk Mitigation	1,125,702	23,853	2,841	-	1,152,396	750,000
Absolute Return	1,252	27	3	-	1,282	1,878
Total Investments at Fair Value	15,472,522	327,862	39,043	17,132	15,856,559	15,272,130
Capital Assets, Net	17,275	-	-	-	17,275	19,659
Total Assets	**17,087,422**	**361,313**	**43,026**	**17,191**	**17,508,952**	**16,384,806**
LIABILITIES						
Obligations Under Securities Lending Program	336,446	7,129	849	-	344,424	331,934
Securities Purchased	309,173	6,551	780	-	316,504	224,535
Unearned Contributions	514,149	-	-	-	514,149	484,329
Foreign Currency Forward Contracts	692	15	2	-	709	565
Retiree Payroll Payable	74,979	2,869	262	-	78,110	71,609
Other	22,342	473	56	-	22,871	34,082
Due to Employer	-	-	-	15,496	15,496	16,523
Total Liabilities	**1,257,781**	**17,037**	**1,949**	**15,496**	**1,292,263**	**1,163,577**
Net Position Restricted for Pension and Other Postemployment Benefits	**$ 15,829,641**	**$ 344,276**	**$ 41,077**	**$ 1,695**	**$ 16,216,689**	**$ 15,221,229**

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Six Months Ended June 30, 2019

(with summarized comparative amounts for the Six Months Ended June 30, 2018)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund-County	Health Care Fund-OCFA	OPEB 115 Custodial Fund	Total Funds	Comparative Totals 2018
ADDITIONS						
Contributions						
Employer	$ 282,561	$ 27,213	$ 1,072	$ -	$ 310,846	$ 305,873
Employee	134,148	-	-	-	134,148	134,019
Other Postemployment Contributions	-	-	-	305	305	-
Total Contributions	416,709	27,213	1,072	305	445,299	439,892
Investment Income						
Net Appreciation in Fair Value of Investments	1,240,059	24,372	3,049	402	1,267,882	3,551
Dividends, Interest, & Other Investment Income	195,806	4,140	506	1,654	202,106	119,811
Securities Lending Income						
Gross Earnings	4,590	97	12	-	4,699	2,671
Less: Borrower Rebates and Bank Charges	(3,942)	(84)	(10)	-	(4,036)	(1,949)
Net Securities Lending Income	648	13	2	-	663	722
Total Investment Income	1,436,513	28,525	3,557	2,056	1,470,651	124,084
Investment Fees and Expenses	(53,129)	(1,126)	(136)	(1)	(54,392)	(43,964)
Net Investment Income	1,383,384	27,399	3,421	2,055	1,416,259	80,120
Total Additions	**1,800,093**	**54,612**	**4,493**	**2,360**	**1,861,558**	**520,012**
DEDUCTIONS						
Participant Benefits	437,011	17,403	2,443	-	456,857	417,909
Death Benefits	230	-	-	-	230	216
Member Withdrawals and Refunds	5,389	-	-	-	5,389	7,446
Other Postemployment Benefits	-	-	-	655	655	-
Administrative Expenses	9,502	10	11	10	9,533	9,161
Total Deductions	**452,132**	**17,413**	**2,454**	**665**	**472,664**	**434,732**
Net Increase	1,347,961	37,199	2,039	1,695	1,388,894	85,280
Net Position Restricted For Pension and Other Postemployment Benefits, Beginning of Year	14,481,680	307,077	39,038	-	14,827,795	15,135,949
Ending Net Position Restricted For Pension and Other Postemployment Benefits	**$ 15,829,641**	**$ 344,276**	**$ 41,077**	**$ 1,695**	**$ 16,216,689**	**$ 15,221,229**

Total Plan Reserves

For the Six Months Ended June 30, 2019

(with summarized comparative amounts for the Six Months Ended June 30, 2018)

(Dollars in Thousands)

	2019	2018
Pension Reserve	$ 9,123,025	$ 9,179,146
Employee Contribution Reserve	3,265,448	3,281,847
Employer Contribution Reserve	3,090,426	2,225,580
Annuity Reserve	1,791,487	1,404,225
Health Care Reserve	385,353	346,693
OPEB 115 Reserve	1,695	-
County Investment Account (POB Proceeds) Reserve	143,647	135,485
OCSD UAAL Deferred Reserve	-	14,871
Contra Account	(1,584,392)	(1,366,618)
Total Net Position Restricted for Pension and Other Postemployment Benefits	**$ 16,216,689**	**$ 15,221,229**

Schedule of Contributions
For the Six Months Ended June 30, 2019
(with summarized comparative amounts for the Six Months Ended June 30, 2018)
(Dollars in Thousands)

	2019 Employee	2019 Employer	2018 Employee	2018 Employer
Pension Trust Fund Contributions				
County of Orange	$ 104,009	$ 220,460	$ 104,484	$ 216,702
Orange County Fire Authority	11,830	35,755 [1]	11,337	36,106 [1]
Orange County Superior Court of California	8,379	14,870	8,278	14,975
Orange County Transportation Authority	4,612	12,395	4,515	12,430
Orange County Sanitation District	3,731	3,764	3,738	3,704
UCI Medical Center & Campus	-	1,329 [2]	-	1,656 [2]
Orange County Employees Retirement System	536	1,222	486	1,099
City of San Juan Capistrano	416	1,192	401	1,219
Orange County Mosquito & Vector Control District	-	878 [3]	-	-
Transportation Corridor Agencies	361	790	510	885
Orange County Department of Education	-	121 [2]	-	180 [2]
Orange County In-Home Supportive Services Public Authority	57	93	54	100
Orange County Cemetery District	71	84	71	87
Orange County Local Agency Formation Commission	21	69	19	63
Orange County Children & Families Commission	50	55	46	146
Orange County Public Law Library	75	55	80	110
Contributions Before Prepaid Discount	134,148	293,132	134,019	289,462
Prepaid Employer Contributions Discount	-	(10,571)	-	(10,482)
Total Pension Trust Fund Contributions	**134,148**	**282,561**	**134,019**	**278,980**
Health Care Fund - County Contributions	**-**	**27,213**	**-**	**25,755**
Health Care Fund - OCFA Contributions	**-**	**1,072**	**-**	**1,138**
OPEB 115 Custodial Fund Postemployment Contributions	**-**	**305**	**-**	**-** [4]
Total Contributions	**$ 134,148**	**$ 311,151**	**$ 134,019**	**$ 305,873**

[1] Unfunded actuarial accrued liability payments were made in 2019 and 2018 for $1.9 million and $2.5 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.

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

[4] Presentation of OPEB 115 Custodial Fund due to the implementation of GASB Statement No. 84, *Fiduciary Activities.* Due to immateriality of activity, 2018 has not been restated.

Schedule of Investment Expenses
For the Six Months Ended June 30, 2019
(with summarized comparative amounts for the Six Months Ended June 30, 2018)
(Dollars in Thousands)

	2019	2018
Investment Management Fees*		
Global Public Equity		
U.S. Equity	$ 762	$ 722
International Equity	2,462	2,590
Emerging Markets Equity	2,246	2,545
Total Global Public Equity	5,470	5,857
Core Fixed Income		
U.S. Fixed Income	1,239	930
Total Core Fixed Income	1,239	930
Credit		
High Yield	868	698
Emerging Markets Debt	587	354
Direct Lending	1,273	1,296
Multi-Strategy	2,948	1,867
Non-U.S. Direct Lending	1,046	1,014
Total Credit	6,722	5,229
Real Assets		
Real Estate	7,632	8,932
Real Return		
Timber	386	656
Agriculture	612	570
Infrastructure	396	580
Energy	6,363	4,993
Total Real Return	7,757	6,799
Total Real Assets	15,389	15,731
Absolute Return		
Direct Hedge Fund	50	9
Total Absolute Return	50	9
Private Equity	9,680	5,418
Risk Mitigation	3,455	2,596
Short-Term Investments	202	176
Total Investment Management Fees	**42,207**	**35,946**
Other Fund Expenses[1]	**9,593**	**5,867**
Other Investment Expenses (Expenses Not Subject to the Statutory Limit)		
Consulting/Research Fees	922	723
Investment Department Expenses	1,105	848
Legal Services	261	285
Custodian Services	290	288
Investment Service Providers	14	7
Total Other Investment Expenses	**2,592**	**2,151**
Security Lending Activity		
Security Lending Fees	162	192
Rebate Fees	3,874	1,757
Total Security Lending Activity	**4,036**	**1,949**
Total Investment Expenses	**$ 58,428**	**$ 45,913**

* Does not include undisclosed fees deducted at source.

[1] These costs include, but are not limited to, foreign income tax and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

Schedule of Administrative Expenses
For the Six Months Ended June 30, 2019
(with summarized comparative amounts for the Six Months Ended June 30, 2018)
(Dollars in Thousands)

	2019	2018
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	$ 5,793	$ 5,531
Board Members' Allowance	9	8
Total Personnel Services	5,802	5,539
Office Operating Expenses		
Depreciation/Amortization	1,267	1,147
General Office and Administrative Expenses	734	872
Professional Services	1,043	851
Rent/Leased Real Property	192	259
Total Office Operating Expenses	3,236	3,129
Total Expenses Subject to the Statutory Limit	9,038	8,668
Expenses Not Subject to the Statutory Limit		
Actuarial Fees	202	238
Equipment/Software	64	191
Information Technology Professional Services	198	44
Total Expenses Not Subject to the Statutory Limit	464	473
Total Pension Fund Administrative Expenses	**9,502**	**9,141**
Health Care Fund - County Administrative Expenses	**10**	**10**
Health Care Fund - OCFA Administrative Expenses	**11**	**10**
OPEB 115 Custodial Fund - Administrative Expenses	**10**	**-**
Total Administrative Expenses	**$ 9,533**	**$ 9,161**

Administrative Expense Compared to Actuarial Accrued Liability

For the Six Months Ended June 30, 2019

(Dollars in Thousands)

Administrative Expense Compared to Actuarial Accrued Liability	
Projected Actuarial Accrued Liability (AAL) as of December 31, 2018	$ 20,666,562
Maximum Allowed For Administrative Expense (AAL * 0.21%)	43,400
Actual Administrative Expense [1]	9,038
Excess of Allowed Over Actual Expense	34,362
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2019	0.04%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2018	0.08%

[1] Administrative Expense Reconciliation

Administrative expense per Statement of Changes in Fiduciary Net Position	$ 9,502
Less administrative expense not considered per CERL section 31596.1	(464)
Administrative Expense allowable under CERL section 31580.2	$ 9,038

I-8

DATE: July 30, 2019

TO: Members of the Board of Retirement

FROM: Tracy Bowman, Director of Finance

SUBJECT: **SECOND QUARTER 2019 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	$ 6,777,008	$ 14,764,600	$ 7,987,592	54.1%
Service and Supplies	4,050,017	11,298,230	7,248,213	64.2%
Capital Expenditures	-	370,000	370,000	100.0%
Grand Total	$ 10,827,025	$ 26,432,830	$ 15,605,805	59.0%

Background/Discussion

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

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

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

Administrative Summary

For the six months ended June 30, 2019, year-to-date actual administrative expenses were $10,827,025 or 41.0% of the $26,432,830 administrative budget and below the 50% target set for the end of the second quarter budget by approximately $2.4 million. A summary of all administrative expenses and explanations of significant variances are provided below:

Summary of all Administrative Expenses
For the Quarter Ended June 30, 2019

	Actuals to Date	Annual Budget	Balance Remaining	% of Budget Used	Prorated Budget*	Prorated Budget vs. Actuals (Over)/Under
Personnel Costs	**$ 6,777,008**	**$ 14,764,600**	**$ 7,987,592**	**45.9%**	**$ 7,382,300**	**$ 605,292**
Services and Supplies						
Bldg. Prop. Mgmt./Maintenance	173,735	680,000	506,265	25.5%	340,000	166,265
Due Diligence	7,069	80,000	72,931	8.8%	40,000	32,931
Equipment Lease	18,489	62,000	43,511	29.8%	31,000	12,511
Equipment/Software Expenses	147,526	706,500	558,974	20.9%	353,250	205,724
Infrastructure Maintenance	322,708	829,100	506,392	33.1%	414,550	91,842
Legal Services	487,514	1,475,000	987,486	33.1%	737,500	249,986
Meetings & Mileage	34,834	61,350	26,516	56.8%	30,675	(4,159)
Membership/Periodicals	49,112	71,960	22,848	68.2%	35,980	(13,132)
Office Supplies	30,995	80,000	49,005	38.7%	40,000	9,005
Postage	60,087	164,500	104,413	36.5%	82,250	22,163
Printing	38,661	105,000	66,339	36.8%	52,500	13,839
Professional Services	2,442,566	6,331,000	3,888,434	38.6%	3,165,500	722,934
Telephone	64,785	165,500	100,715	39.1%	82,750	17,965
Training	171,936	486,320	314,384	35.4%	243,160	71,224
Services and Supplies	**4,050,017**	**11,298,230**	**7,248,213**	**35.8%**	**5,649,115**	**1,599,098**
Capital Expenditures**	**-**	**370,000**	**370,000**	**0.0%**	**185,000**	**185,000**
Administrative Expense Total	**$ 10,827,025**	**$ 26,432,830**	**$ 15,605,805**	**41.0%**	**$ 13,216,415**	**$ 2,389,390**

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

Personnel Costs

Personnel Costs as of June 30, 2019 were approximately $6.8 million or 45.9% of the annual budget for this category. These costs are slightly below budget due to vacancies for a Staff Attorney and an additional Investment Analyst. The newly created Training Manager position adopted in the 2019 Budget was filled during the second quarter.

Services and Supplies

Expenditures for services and supplies were approximately $4.1 million or 35.8% of the annual budget for this category. The positive variance of $1.6 million 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 25.5% of the annual budget and were lower than the prorated budget by $166,265. Lower overall costs are related to timing of payments for property tax and insurance premiums, as well as lower utility and maintenance costs incurred in the first half of the year. Utility and maintenance costs do not occur evenly and will fluctuate throughout the year.
- Due Diligence costs are at 8.8% of the annual budget and lower than the prorated budget by $32,931. This lower than anticipated cost is due to fewer visits occurring in the first half of the year as originally planned, and more visits are expected during the second half of the year. Due diligence visits to

investment managers tend to fluctuate throughout the year, additionally these visits are often done in conjunction with other investment conference/training travel. Due diligence costs are expected to remain under budget through the remainder of the year.

- Equipment/Software expense utilized 20.9% of the annual budget, and lower than the prorated budget by $205,724. The lower than expected expenditures is the result of several projects budgeted for the year which have not been implemented during the first half of the year, such as the manage file transfer solution, the board portal upgrade, change management solution and the anti-spam email solution. These expenses are expected to occur later in the year. Additionally, during the first half of the year miscellaneous hardware, software, and computer and printer supplies are running below the prorated budget and are incurred on an as-needed basis.
- Infrastructure Maintenance costs are at 33.1% of the annual budget resulting in an unused prorated budget of $91,842. Various infrastructure maintenance costs associated with software and hardware support services have not occurred during the first half of the year, such as Microsoft Software Assurance, Vendor Management System License and Website Hosting. Additionally, many hardware and software support services are currently lower than budgeted, including server and workstation hardware support, vmWare support, and Oracle-V3 support.
- Legal Services are at 33.1% of the budget and are lower than the prorated budget by $249,986. Legal services for investments, litigation and tax counsel are utilized on an as-needed basis. Investment legal services are below budget by approximately $114,000. General board, tax counsel and other counsel services are under budget by approximately $136,000.
- Meetings & Mileage costs are above the prorated budget for the quarter ended at 56.8%, or $4,159. The variance is primarily due to Board meeting costs including additional meetings, Personnel Committee and Disability Committee meetings that were added to the Board members meeting schedule, as well as travel to SACRS and legislative meetings by members. This category is not expected to continue to be over budget as the year progresses.
- Memberships/Periodical expense is at 68.2% of the annual budget which is above the prorated budget by $13,132. Many of the memberships and periodicals renew in the first half of the year and this difference is expected to diminish as the year continues with the result being within budget for this category.
- Postage is at 36.5% of the annual budget and lower than the prorated budget by $22,163. This is attributable to the timing of bulk mailings to members and the use of postage on an as-needed basis.
- Professional Services utilized 38.6% of the annual budget. Expenses are lower than the prorated budget by $722,934. The variance is primarily due to timing of expenses for various cyber-security and IT related consulting, as well as costs used on an as-needed-basis, including internal audit consultants and services, CEO contingency and court reporter fees.
- Training expense is at 35.4% of the annual budget and lower than the prorated budget by $71,224, primarily due to training costs that have been budgeted, but not yet incurred, including SACRS fall conference, investment-related conferences, employee tuition reimbursement, IT related training, and other various staff training and conferences.

Capital Expenditures

No Capital Expenditures have been incurred as of the end of the quarter. Capital expenditures budgeted for the year are for building HVAC repair and board room audio visual improvements. The building HVAC was serviced during the second quarter of the year, and the need for additional capital maintenance is being evaluated as part of the space management project currently underway. The audio visual improvements are expected to be implemented later in the year.

Conclusion:

As of quarter-end, the Administrative budget based on preliminary actuals is at 41.0% of the annual budget. As actual administrative expenses are under the annual budget, OCERS is in compliance with the 21 basis point test and the 18 basis point test.

Submitted by:

OCERS T.B. - Approved

Tracy Bowman
Director of Finance

I-9

Memorandum

DATE: August 19, 2018

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **OCERS BY THE NUMBERS (2019 EDITION)**

Written Report

Background/Discussion

Attached is the 2019 edition of OCERS by the Numbers, based on the December 31, 2018 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:

Suzanne Jenike
Assistant CEO, External Operations

Approved by:

Steve Delaney
Chief Executive Officer

2019
OCERS by the Numbers

(*As of December 31, 2018 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 participating employers to provide pension benefits for retirees and their beneficiaries. Our members include many different public servants, including deputy sheriffs, firefighters, probation officers, physicians, secretaries, bus drivers and their beneficiaries.

$814 mil. paid in pension benefits annually (as of Dec. 31, 2018)

$3,372 average monthly allowance for all General members

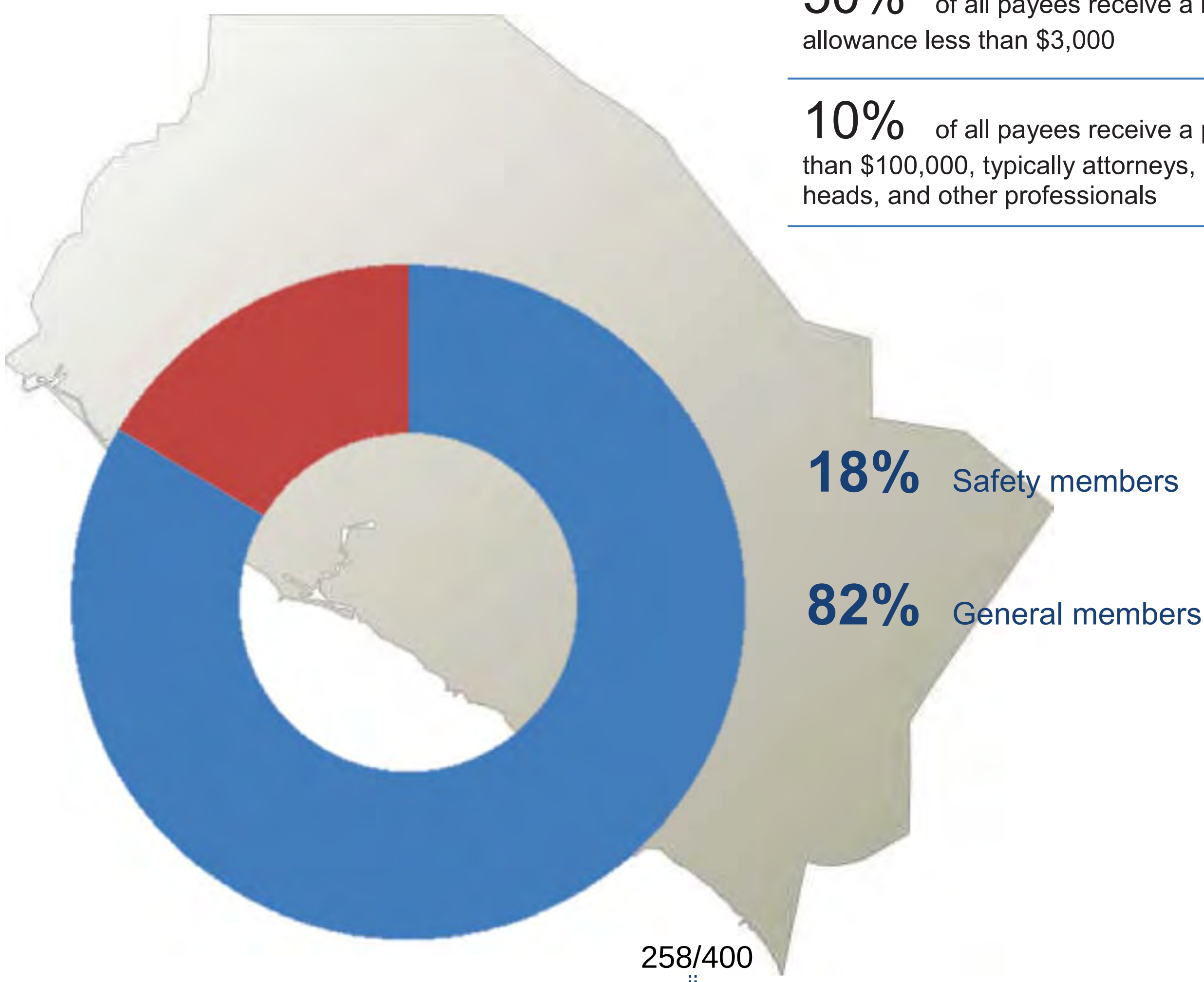
$6,245 average monthly allowance for all Safety members

$3,922 average monthly allowance for General members who retired with service retirement in 2018

$7,752 average monthly allowance for Safety members who retired with service retirement in 2018

50% of all payees receive a monthly allowance less than $3,000

10% of all payees receive a pension greater than $100,000, typically attorneys, department heads, and other professionals



OCERS Pension Quick Facts

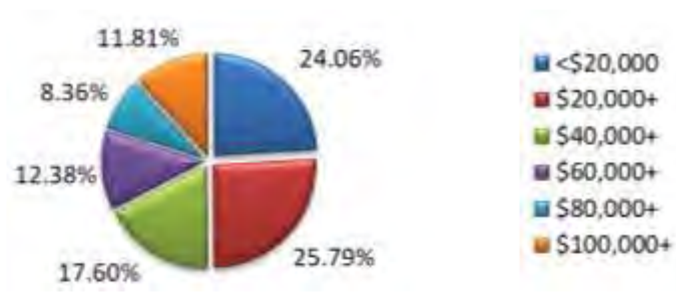
As of December 31, 2018

Quick Facts

(For more details on retirees see pages 15–30)

Members & Employers	**27,955** active & inactive members		**17,674** retirees, beneficiaries & survivors		**20** Participating Employers	**45,629** total membership
Pension Averages	**$3,372** monthly allowance for all General members and payees	**$6,245** monthly allowance for all Safety members and payees	**22** average years of service for General members who retired in 2018	**25** average years of service for Safety members who retired in 2018	**61 years old** average age at retirement for General members who retired in 2018	**55 years old** average age at retirement for Safety members who retired in 2018

Annual Pensions for Service Retirees



Retirement Trend

Retirees per year

FUNDING STATUS:

As of December 31, 2018 OCERS is approximately 72.43% funded based on the valuation value of assets of $15.0 billion in trust fund assets. The unfunded liability is estimated at $5.7 billion. (Segal Consulting)

CONTRIBUTION SOURCES:

Every dollar paid to OCERS pensioners comes from three sources:*

OCERS active members – 16¢

Employers – 34¢

Investment Earnings – 50¢

* Source: OCERS income to trust fund over last 21 years

Demographics

Orange County Employees Retirement System
As of December 31, 2018

Demographics

OCERS Active Participating Employers

City of San Juan Capistrano

County of Orange

Orange County Cemetery District

Orange County Children and Families Commission

Orange County Employees Retirement System

Orange County Fire Authority

Orange County In-Home Supportive Services Public Authority

Orange County Local Agency Formation Commission

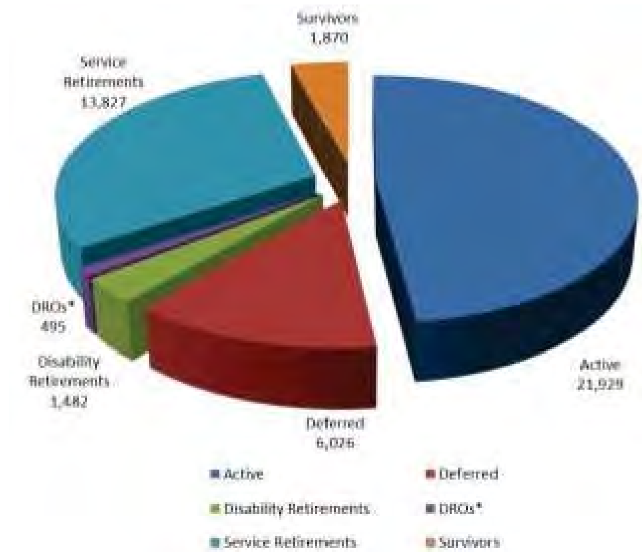
Orange County Public Law Library

Orange County Sanitation District

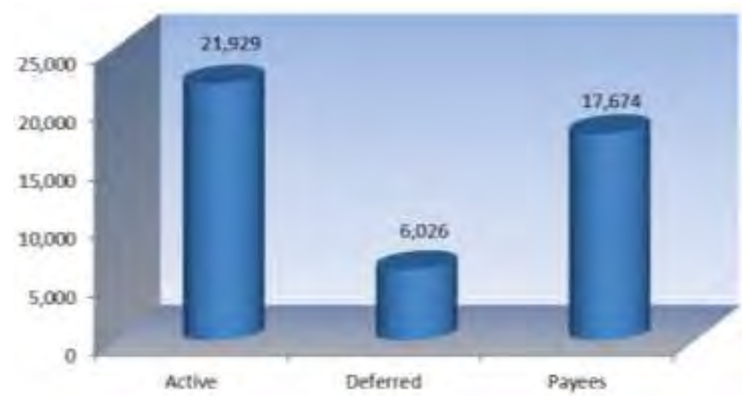
Orange County Superior Court

Orange County Transportation Authority

Transportation Corridor Agencies



* DRO: A court order dividing a pension benefit due to a divorce or legal separation.



OCERS Inactive Participating Employers

Capistrano Beach Sanitary District

City of Rancho Santa Margarita

Cypress Recreation and Park District

Orange County Department of Education

Orange County Mosquito and Vector Control District

University of California, Irvine Medical Center

University of California, Irvine Campus

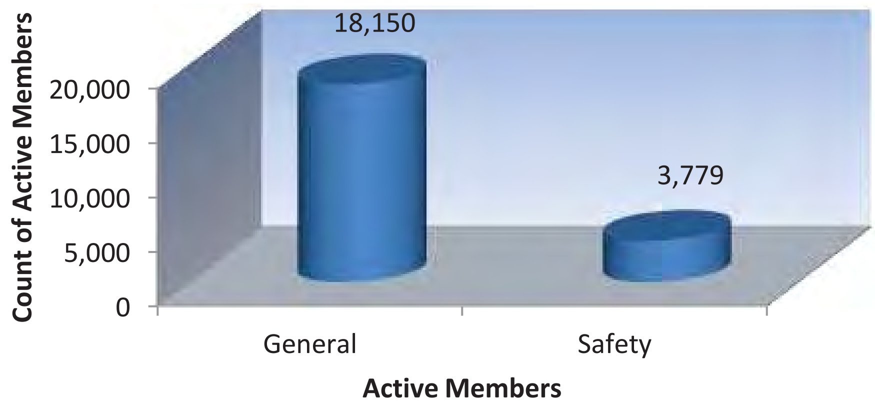
Count of Active, Deferred and Payee by Status
As of December 31, 2018

	General	Safety	Total
Active	18,150	3,779	21,929
Deferred	5,547	479	6,026
Payee	14,416	3,258	17,674
Total	38,113	7,516	45,629
Active Members per Payee	1.26	1.16	1.24

Active Member Demographics

Count of Active Members by Status
As of December 31, 2018

	General	Safety	Total Count
Active	18,150	3,779	21,929



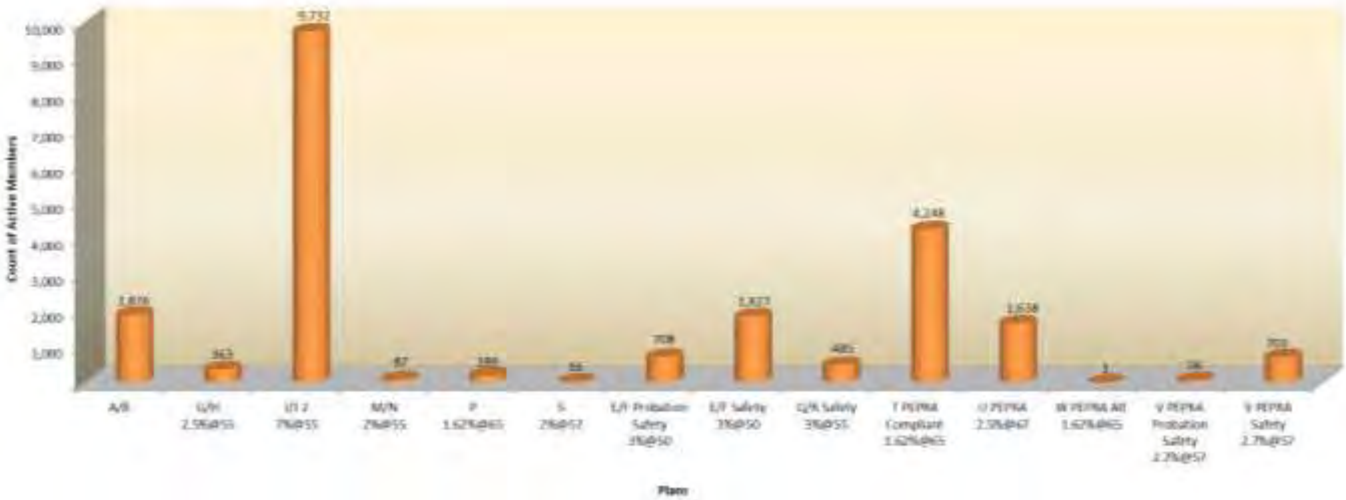
Count of Active Members by Plans and by Employers
As of December 31, 2018

Retirement Plans

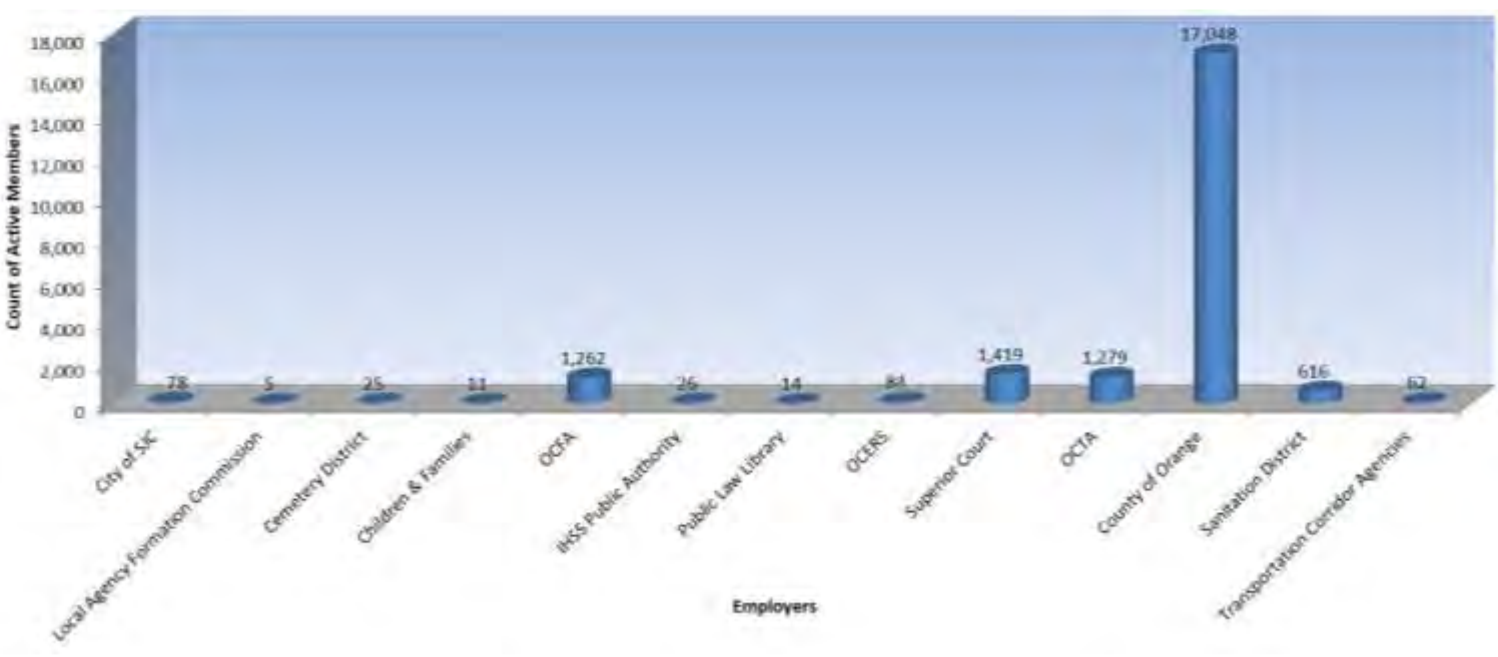
Employers	A/B	G/H 2.5%@55	I/J 2 7%@55	M/N 2%@55	P 1.62%@65	S 2%@57	E/F Probation Safety 3%@50	E/F Safety 3%@50	Q/R Safety 3%@55	T PEPRA Compliant 1.62%@65	U PEPRA 2.5%@67	W PEPRA Alt 1.62%@65	V PEPRA Probation Safety 2.7%@57	V PEPRA Safety 2.7%@57	Total
City of SJC			31			16					30	1			78
Local Agency Formation Commission			2							3					5
Cemetery District				18							7				25
Children & Families			5								6				11
OCFA			133	38				701	95		103			192	1,262
IHSS Public Authority	8										18				26
Public Law Library		12									2				14
OCERS			44							28	12				84
Superior Court			1,041		24					354					1,419
OCTA	1,044										235				1,279
County of Orange	768		8,476		165		708	1,126	390	3,863	985		56	511	17,048
Sanitation District	56	351									209				616
Transportation Corridor Agencies				31							31				62
Total	1,876	363	9,732	87	189	16	708	1,827	485	4,248	1,638	1	56	703	21,929

OCERS by the Numbers

Count of Active Members by Plans
As of December 31, 2018

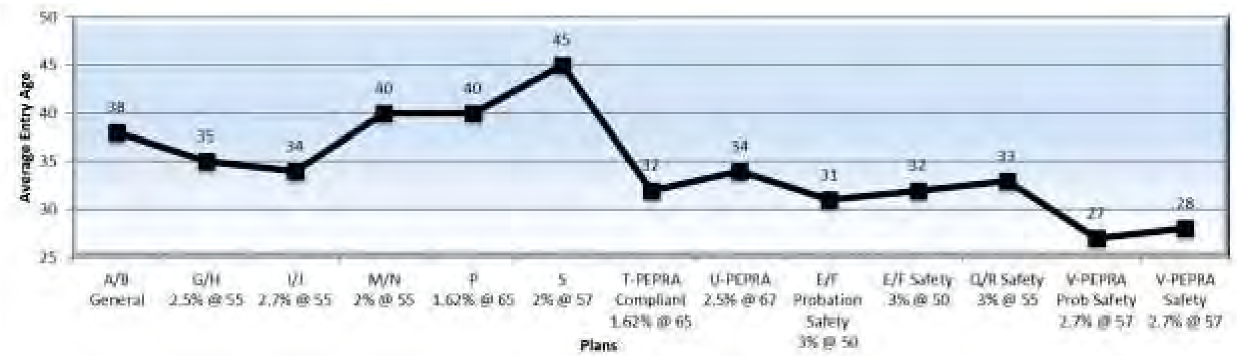


Count of Active Members by Employers
As of December 31, 2018



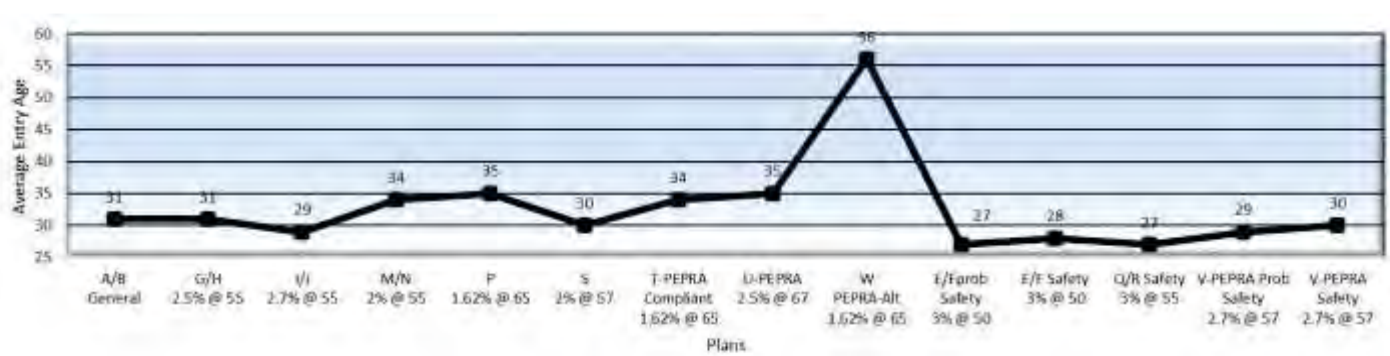
Average Entry Age of Active Members with Reciprocity by Plan Formula
As of December 31, 2018

	A/B General	G/H 2.5% @ 55	I/J 2.7% @ 55	M/N 2% @ 55	P 1.62% @ 65	S 2% @ 57	T-PEPRA Compliant 1.62% @ 65	U-PEPRA 2.5% @ 67	E/F Probation Safety 3% @ 50	E/F Safety 3% @ 50	Q/R Safety 3% @ 55	V-PEPRA Prob Safety 2.7% @ 57	V-PEPRA Safety 2.7% @ 57	Average Entry Age
Average Entry Age by Plan	38	35	34	40	40	45	32	34	31	32	33	27	28	34



Average Entry Age of Active Members without Reciprocity by Plan Formula
As of December 31, 2018

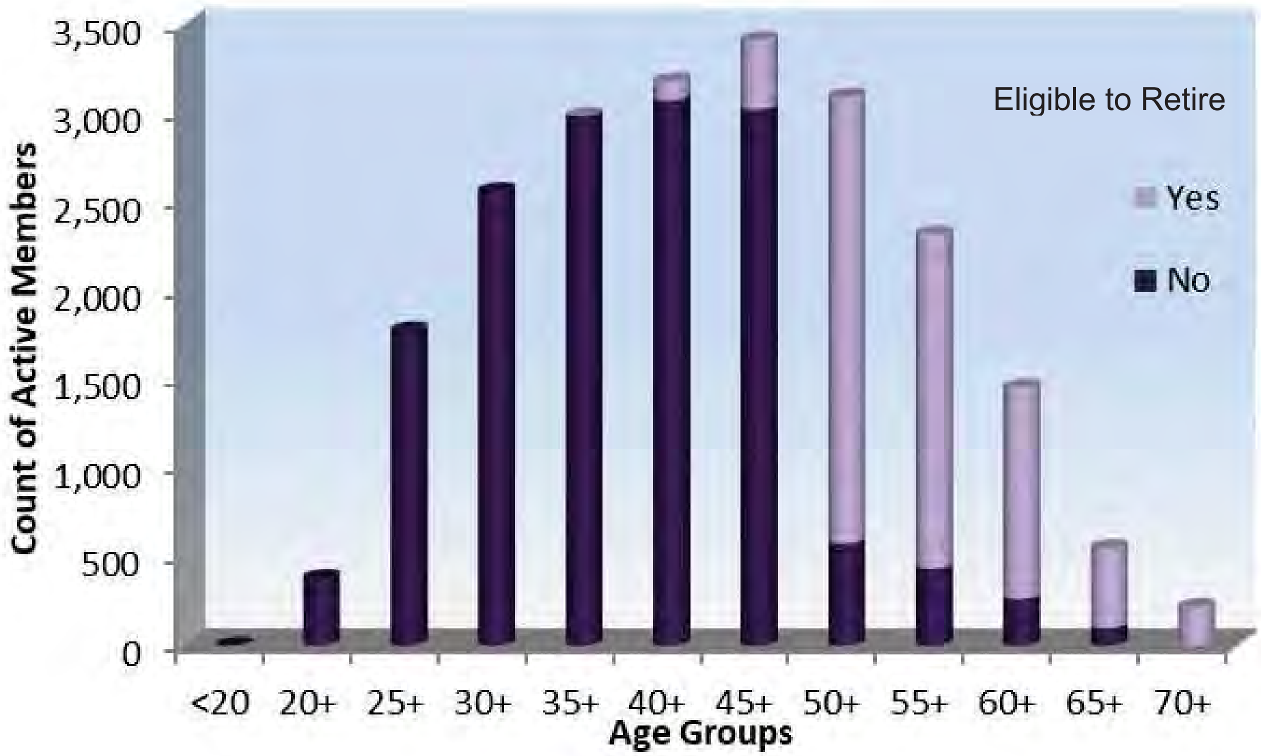
	A/B General	G/H 2.5% @ 55	I/J 2.7% @ 55	M/N 2% @ 55	P 1.62% @ 65	S 2% @ 57	T-PEPRA Compliant 1.62% @ 65	U-PEPRA 2.5% @ 67	W PEPRA-Alt 1.62% @ 65	E/Fprob Safety 3% @ 50	E/F Safety 3% @ 50	Q/R Safety 3% @ 55	V-PEPRA Prob Safety 2.7% @ 57	V-PEPRA Safety 2.7% @ 57	Average Entry Age
Average Entry Age by Plan	31	31	29	34	35	30	34	35	56	27	28	27	29	30	31



Count of Active Members Eligible to Retire by Age Groups
As of December 31, 2018

Age Groups

Eligible to Retire	<20	20+	25+	30+	35+	40+	45+	50+	55+	60+	65+	70+	Total
No	2	383	1,777	2,561	2,981	3,072	3,018	574	435	262	98		15,163
Yes					1	106	393	2,517	1,883	1,194	453	219	6,766
													21,929



Active Members – Eligible to Retire by Employers
As of December 31, 2018

Plans	A & B General	G & H 2.5%@55	I & J 2.7%@55	M & N 2%@55	P 1.62%@65	S 2%@57	T PEPRA Compliant 1.62%@65	U PEPRA 2.5%@67	W PEPRA Alt 1.62%@65	E & F Prob 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	Total Eligible to Retire	% Eligible by Employer
City of SJC			15			4		1							20	26%
LAFCO			1												1	20%
Cemetery District				12											12	48%
Children & Families Comm			1												1	9%
OCFA			78	6							260			1	345	27%
IHSS Public Authority	3							1							4	15%
Public Law Library		8													8	57%
OCERS			17												17	20%
Superior Court			484		1		2								487	34%
OCTA	570							1							571	45%
County of Orange	308		3,838		11		13	2		297	587	11		1	5,068	30%
Sanitation District	9	204													213	35%
Transportation Corridor Agencies				19											19	31%
Total Eligible to Retire	890	212	4,434	37	12	4	15	5	0	297	847	11	0	2	6,766	31%
% Eligible By Plan	47%	58%	46%	43%	6%	25%	0%	0%	0%	42%	46%	2%	0%	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	**A**	**B**	Other General Members
	G	**H**	2.5% @ 55
	I	**J**	2.7% @ 55
	M	**N**	2% @ 55
	O	**P**	1.62% @ 65
		S	2% @ 57
Safety	**C**	**D**	2% @ 50
	E	**F**	3% @ 50
	Q	**R**	3% @ 55

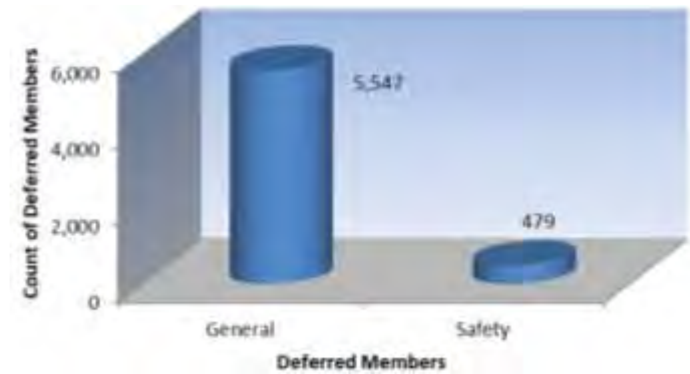
New Public Employees hired on or after Jan 1, 2013

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, 2018

	General	Safety	Total Count
Deferred	5,547	479	6,026

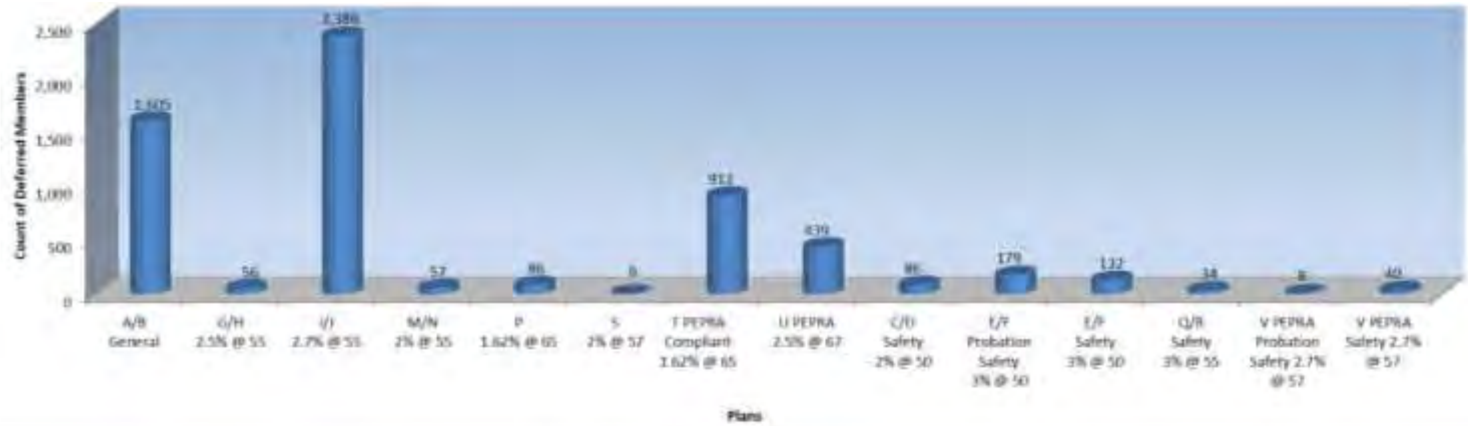


Count of Deferred Members by Plans and by Employers
As of December 31, 2018

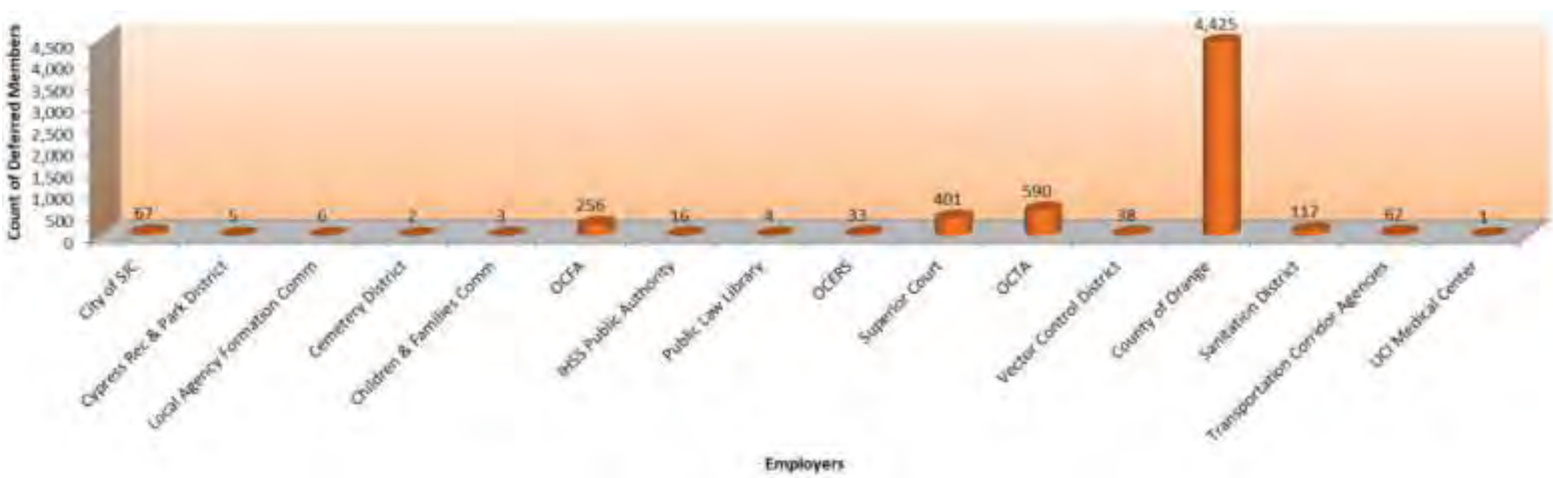
Retirement Plans

Employers	A/B General	G/H 2.5% @ 55	I/J 2.7% @ 55	M/N 2% @ 55	P 1.62% @ 65	S 2% @ 57	T 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% @ 57	V PEPRA Safety 2.7% @ 57	Total
City of SJC	5		44			6		12							**67**
Cypress Rec & Park District	5														**5**
Local Agency Formation Comm			3		2		1								**6**
Cemetery District				2											**2**
Children & Families Comm			3												**3**
OCFA	9		85	13				71	5		46	7		20	**256**
IHSS Public Authority	3							13							**16**
Public Law Library	2	2													**4**
OCERS	1		22				6	4							**33**
Superior Court	17		265		12		107								**401**
OCTA	529							61							**590**
Vector Control District	38														**38**
County of Orange	945		1,964		72		798	245	81	179	86	27	8	20	**4,425**
Sanitation District	39	54						24							**117**
Transportation Corridor Agencies	11			42				9							**62**
UCI Medical Center	1														**1**
Total	**1,605**	**56**	**2,386**	**57**	**86**	**6**	**912**	**439**	**86**	**179**	**132**	**34**	**8**	**40**	**6,026**

Count of Deferred Members by Plans
As of December 31, 2018



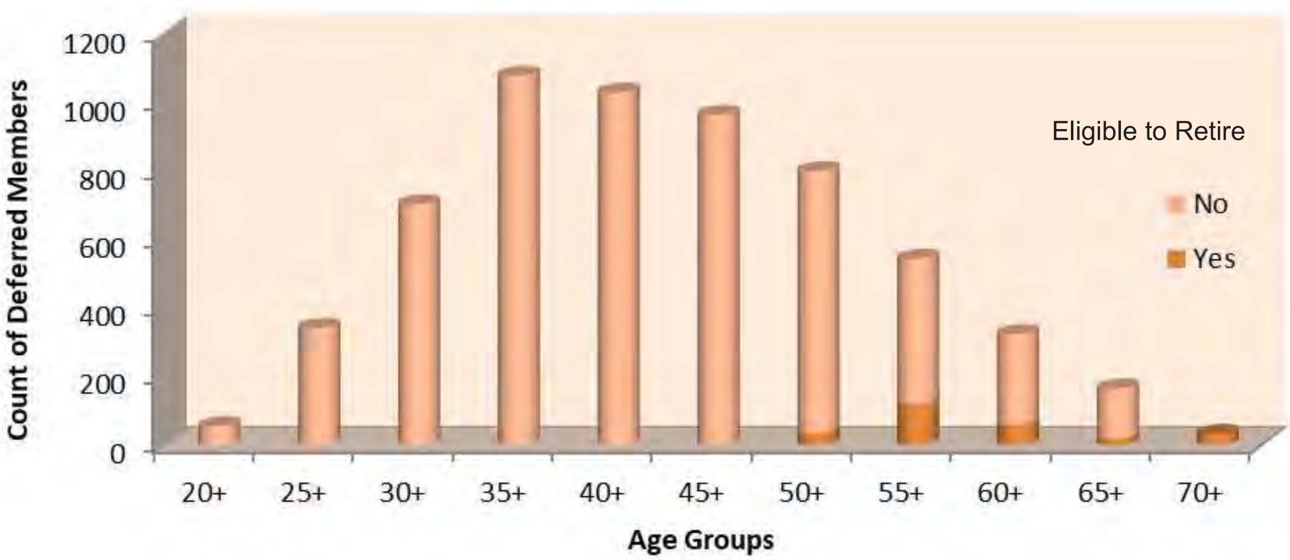
Count of Deferred Members by Employers
As of December 31, 2018



Count of Deferred Members Eligible to Retire by Age Groups
As of December 31, 2018

Age Groups

Eligible to Retire	20+	25+	30+	35+	40+	45+	50+	55+	60+	65+	70+	Total
No	55	342	701	1,076	1,027	960	763	423	265	146		5,758
Yes						2	35	120	59	19	33	268
												6,026



Count of Deferred Members - Eligible to Retire by Employers
As of December 31, 2018

Plans	A/B	G/H 2.5%@55	I/J 2.7%@55	M/N 2%@55	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	1		5							**6**	**9%**
Cypress Rec & Park District	1									**1**	**20%**
OCFA	2		3						1	**6**	**2%**
Public Law Library	1									**1**	**25%**
OCERS			2							**2**	**6%**
Superior Court	2		10							**12**	**3%**
OCTA	39									**39**	**7%**
Vector Control	14									**14**	**37%**
County of Orange	106		57		1	3	2	4	2	**175**	**4%**
Sanitation District	5	2								**7**	**6%**
Transportaion Corridor Agencies				4						**4**	**6%**
UCI Medical Center	1									**1**	**100%**
Total Eligible to Retire	**172**	**2**	**77**	**4**	**1**	**3**	**2**	**4**	**3**	**268**	**4%**
% Eligible by Plan	**11%**	**4%**	**3%**	**7%**	**1%**	**0%**	**2%**	**2%**	**2%**		

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, 2018

- For General members: 12,553
- For General member survivors and other payees: 1,863
- For Safety members: 2,756
- For Safety member survivors and other payees: 502

Total Benefit Recipients: 17,674

Average age at retirement for members who retired with a service retirement in 2018

- For General members: 61.30 years old
- For Safety members: 55.15 years old

Average years of service for members who retired with a service retirement in 2018

- For General members: 22.08
- For Safety members: 24.60

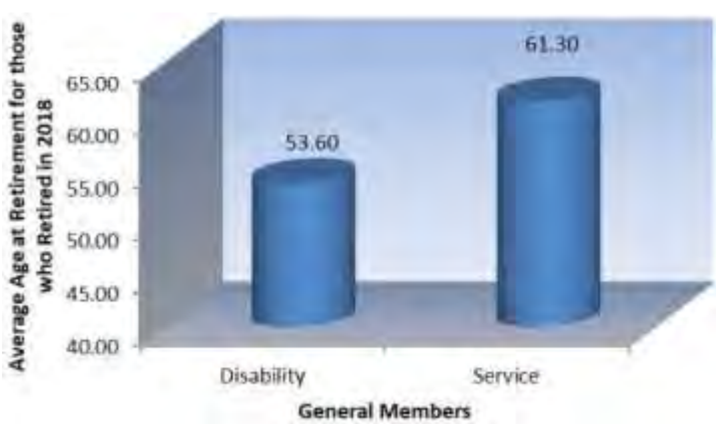
Average years of service for all General and Safety members who retired with service and disability retirements as of December 31, 2018: 22.45

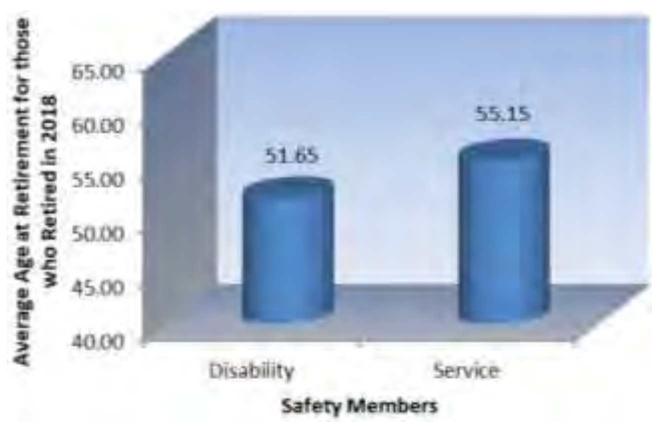
Average Years Into Retirement of Currently Retired Members
As of December 31, 2018

	Service			Disability			Total
	General	Safety 2%	Safety 3%	General	Safety 2%	Safety 3%	
Capistrano Beach Sanitary District	3 9.48						3 9.48
City of San Juan Capistrano	109 10.87			6 17.80			115 11.23
Cypress Recreation & Park District	18 12.27						18 12.27
Department of Education	19 20.65						19 20.65
Local Agency Formation Comm.	5 6.02						5 6.02
Cemetery District	4 12.62						4 12.62
Children & Families Comm.	10 5.98						10 5.98
OCFA	162 8.28	48 17.85	393 8.10	11 13.15	32 19.90	150 8.35	796 9.32
IHSS Public Authority	2 2.92						2 2.92
Public Law Library	12 8.85						12 8.85
OCERS	35 9.63			3 19.17			38 10.38
Superior Court	870 8.40			13 11.13			883 8.44
OCTA	963 9.58			261 17.57			1,224 11.27
Vector Control District	33 11.49						33 11.49
County of Orange	8,758 12.20	454 18.44	1,280 7.75	577 18.29	212 26.94	186 8.31	11,467 12.47
City of Rancho Santa Margarita	1 2.71						1 2.71
Sanitation District	390 9.55			17 16.12			407 9.82
Transportation Corridor Agencies	50 7.31						50 7.31
UCI Campus	14 15.95			1 14.45			15 15.85
UCI Medical Center	185 22.40			11 24.44			196 22.52
Average	11,643 11.68	502 18.38	1,673 7.83	900 17.94	244 26.01	336 8.33	15,298 12.00

Average Age at Retirement by Employer and Benefit Type
For Those That Retired With An Effective Retirement Date in 2018

	General			Safety		
	Disability	Service	Total	Disability	Service	Total
City of San Juan Capistrano		59.27	**59.27**			
Cypress Recreation & Park District		63.65	**63.65**			
OCFA		57.36	**57.36**	54.62	56.63	**56.19**
Public Law Library		65.10	**65.10**			
OCERS		63.62	**63.62**			
Superior Court		59.91	**59.91**			
OCTA		62.50	**62.50**			
Vector Control District		55.14	**55.14**			
County of Orange	53.60	61.36	**61.27**	47.95	54.73	**54.32**
Sanitation District		60.53	**60.53**			
Transportation Corridor Agencies		63.04	**63.04**			
Average	**53.60**	**61.30**	**61.24**	**51.65**	**55.15**	**54.80**



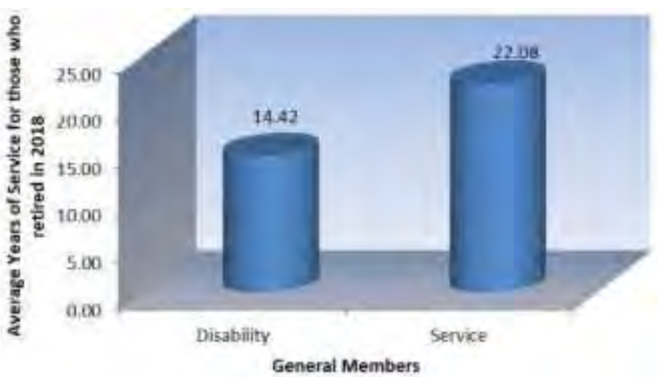


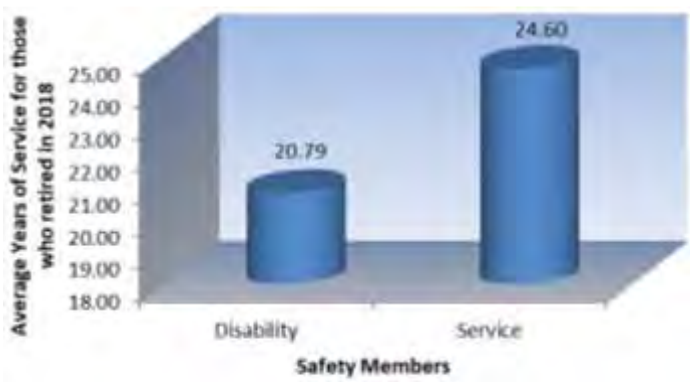
Average Retirement Age for Service and Disability Retirements Combined over last 10 years

Year Ended December 31	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General	60.31	60.55	60.65	60.42	61.32	60.79	59.37	59.44	60.79	61.30
Safety	54.98	54.18	54.56	54.33	54.80	54.06	53.51	53.58	55.09	55.15

Average Years of Service at Retirement by Employer and Benefit Type
For Those That Retired With an Effective Retirement Date in 2018

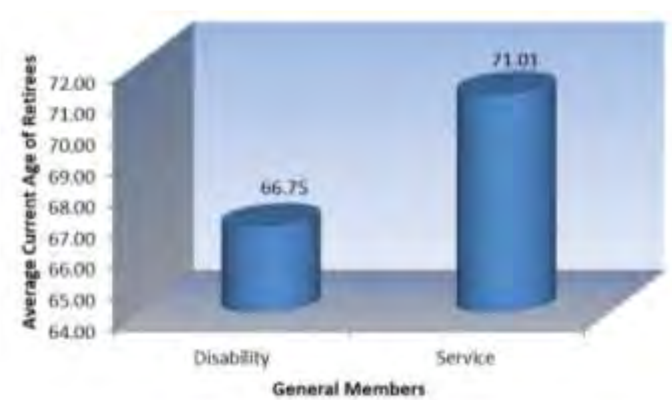
	General				Safety		
	Disability	Service	Total		Disability	Service	Total
City of San Juan Capistrano		12.73	**12.73**				
Cypress Recreation & Park District		6.07	**6.07**				
OCFA		19.41	**19.41**		21.61	28.91	**27.33**
Public Law Library		30.19	**30.19**				
OCERS		16.31	**16.31**				
Superior Court		22.46	**22.46**				
OCTA		20.52	**20.52**				
Vector Control District		1.50	**1.50**				
County of Orange	14.42	22.55	**22.46**		19.76	23.37	**23.16**
Sanitation District		23.15	**23.15**				
Transportation Corridor Agencies		12.20	**12.20**				
Average	**14.42**	**22.08**	**22.01**		**20.79**	**24.60**	**24.22**





Average Age of Retirees by Employer and Benefit Type
As of December 31, 2018

	General			Safety		
	Disability	Service	Total	Disability	Service	Total
Capistrano Beach Sanitary District		72.44	**72.44**			
City of San Juan Capistrano	62.44	68.30	**67.99**			
Cypress Recreation & Park District		69.42	**69.42**			
Department of Education		81.70	**81.70**			
Local Agency Formation Comm.		62.91	**62.91**			
Cemetery District		76.17	**76.17**			
Children & Families Comm.		65.34	**65.34**			
OCFA	61.19	66.03	**65.72**	65.01	64.91	**64.94**
IHSS Public Authority		63.79	**63.79**			
Public Law Library		72.16	**72.16**			
OCERS	70.69	70.08	**70.13**			
Superior Court	65.11	67.73	**67.69**			
OCTA	66.53	70.11	**69.35**			
Vector Control District		72.07	**72.07**			
County of Orange	66.82	71.49	**71.20**	62.79	64.40	**64.10**
City of Rancho Santa Margarita		73.95	**73.95**			
Sanitation District	65.83	68.16	**68.06**			
Transportation Corridor Agencies		68.88	**68.88**			
UCI Medical Campus	67.62	73.48	**73.09**			
UCI Medical Center	78.81	80.08	**80.00**			
Average	**66.75**	**71.01**	**70.70**	**63.48**	**64.50**	**64.29**



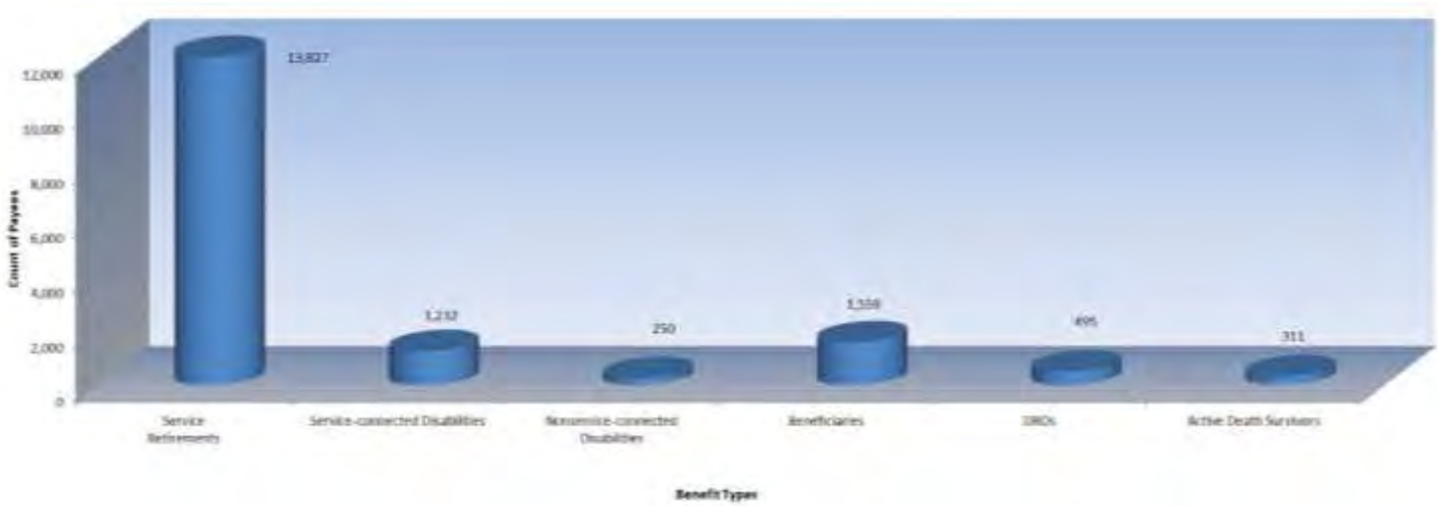
Benefit Recipients by Employers and Plans
As of December 31, 2018

	A & B General	G & H 2.5% @ 55	I & J 2.7% @ 55	M & N 2% @ 55	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		64										129
Cypress Recreation & Park District	23												23
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		135	1			1	94		633	1		913
IHSS Public Authority	2												2
Public Law Library	5	7											12
OCERS	15		28										43
Superior Court	133		797										930
OCTA	1,402												1,402
Vector Control District	38												38
County of Orange	5,189		5,618		5	2	2	868	256	1,402	2	2	13,346
City of Rancho Santa Margarita		1											1
Sanitation District	149	337											486
Transportation Corridor Agencies	14			39			1						54
UCI Campus	15												15
UCI Medical Center	231												231
Total	7,362	345	6,656	42	5	2	4	962	256	2,035	3	2	17,674

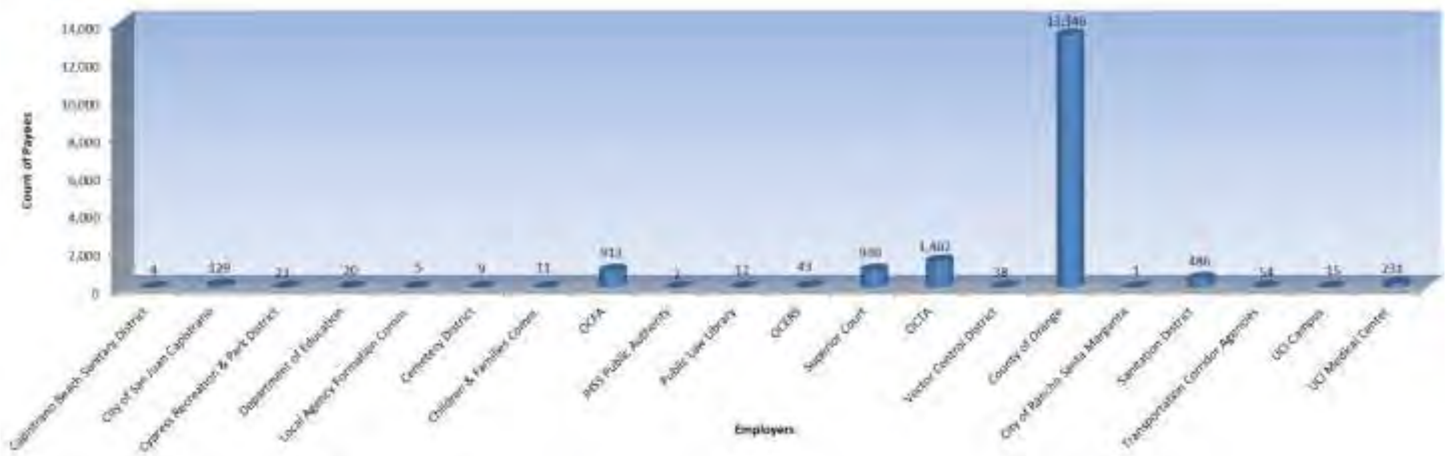
Benefit Recipients by Benefit Types
As of December 31, 2018

Service Retirements	Service-connected Disabilities	Nonservice-connected Disabilities	Beneficiaries	DROs*	Active Death Survivors	Total Payees
13,827	1,232	250	1,559	495	311	17,674

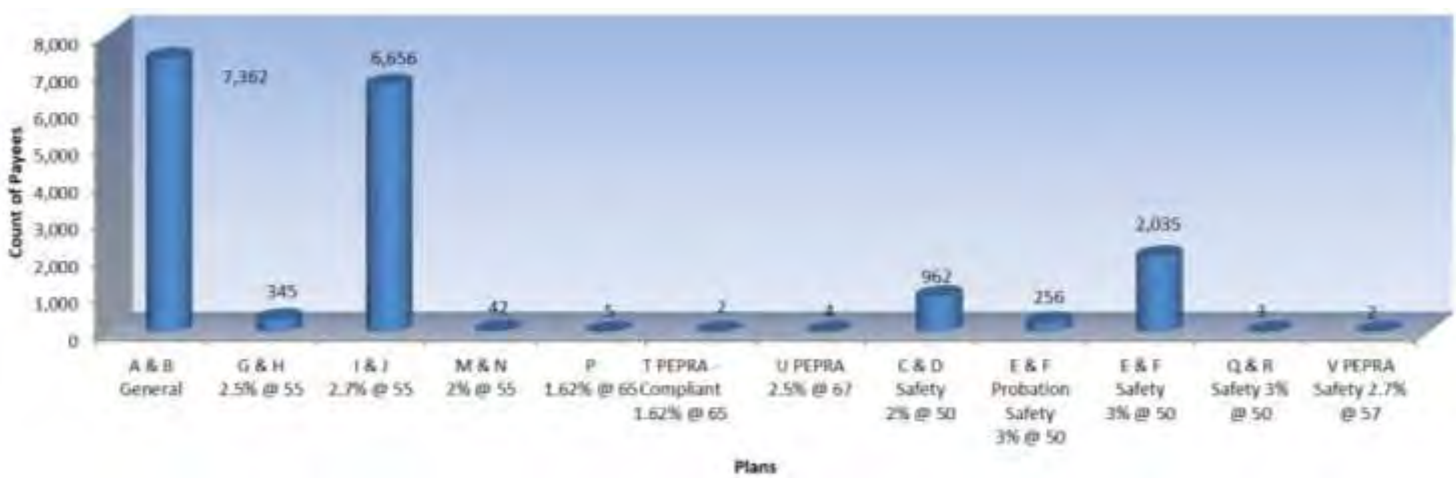
* DRO: A court order dividing a pension benefit due to a divorce or legal separation.



Benefit Recipients by Employers
As of December 31, 2018



Benefit Recipients by Plans
As of December 31, 2018



Benefit Recipients by Payment Options
December 31, 2018

Monthly Benefit	Unmodified	Option1	Option2	Option3	Option4	DRO Benefit	Annuity Only	Total Payees
$001-500	734	2	30	2	2	79	8	857
$501-1,000	1,389		49	1	2	98		1,539
$1,001-1,500	1,662	1	42	2	1	96		1,804
1,501-2,000	1,480	1	39	5	3	71		1,599
$2,001-2,500	1,502		26		6	45		1,579
$2,501-3,000	1,376		22	4	4	40		1,446
$3,001-3,500	1,150	1	23	3	1	30		1,208
$3,501-4,000	956	1	9	3	7	12		988
$4,001-4,500	858		21		6	6		891
$4,501-5,000	771		18	3	4	9		805
$5,001-5,500	670		16	1	4	6		697
$5,501-6,000	573	1	7		5	2		588
$6,001-6,500	490		10		6	1		507
$6,501-7,000	428		6		6			440
Over $7,000	2,682	2	24	1	17			2,726
Total	**16,721**	**9**	**342**	**25**	**74**	**495**	**8**	**17,674**
Percentage	**94.61%**	**0.05%**	**1.94%**	**0.14%**	**0.42%**	**2.80%**	**0.05%**	**100%**

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.

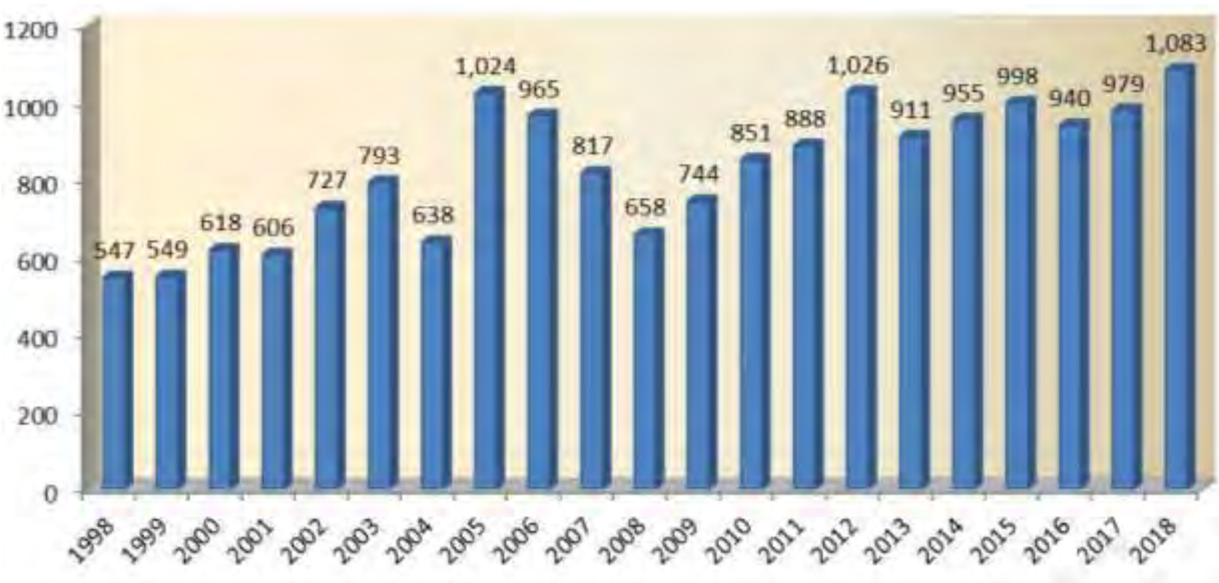
DRO Benefit: Domestic Relations Order Benefit. This is a court order allocating a portion of a retired member's pension to an ex-spouse or domestic partner.

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.

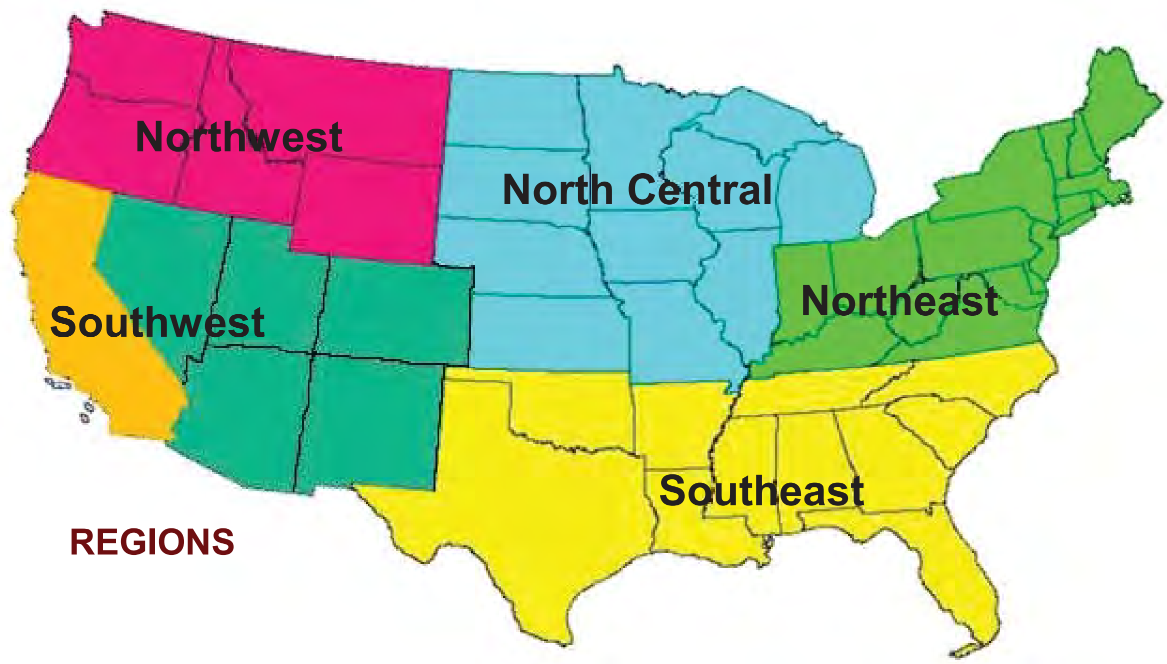
Number of New Payees by Calendar Year

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	2018
658	744	851	888	1,026	911	995	998	940	979	1,083



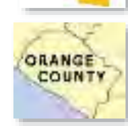
Payees' Residences by Region & State
As of December 31, 2018



Foreign Countries & US Territories	36
North Central	256
Northeast	214
Northwest	784
Southeast	867
Southwest	15,270
Total Count of Payees	**17,427 ***

* Payees with multiple benefits are counted only once.

Total Annual Benefits Paid in California	$657,784,355	13,884
Total Annual Benefits Paid in Orange County	$469,814,996	9,336



Benefits

Benefits as of December 31, 2018

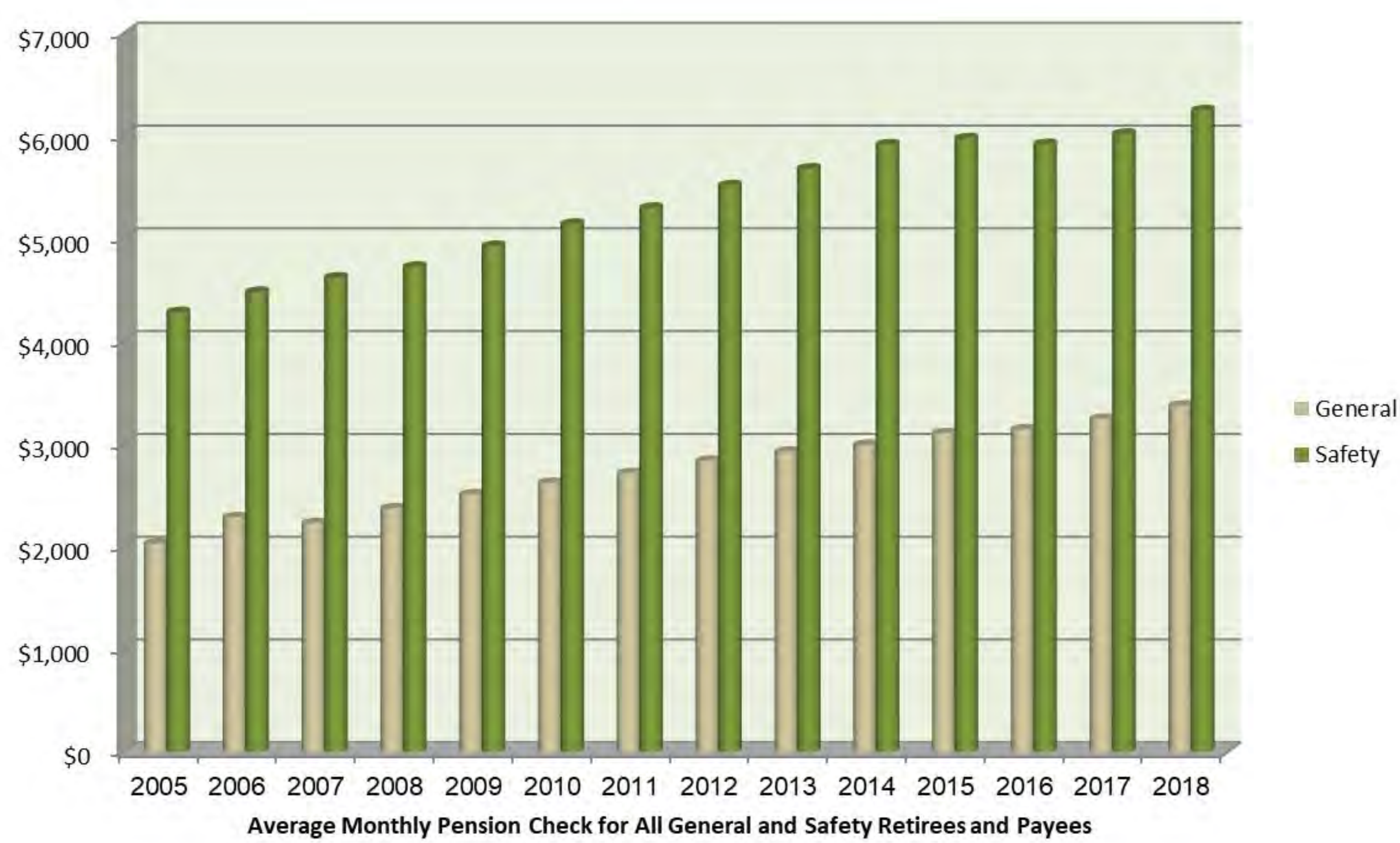
Average benefit

- For all General member retirees and other payees $3,372 monthly; $40,464 annually
- For all Safety member retirees and other payees $6,245 monthly; $74,940 annually
- For all General and Safety retirees and payees combined $3,902 monthly; $46,824 annually
- For all General and Safety retirees only $4,177; $50,124 annually

Average monthly pension check for all General and Safety retirees and payees

Years Ended Dec. 31	2005	2006*	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General	$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	$3,372
Safety	$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	$6,245
Total Payees	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	17,674

* Year 2006 includes health grant

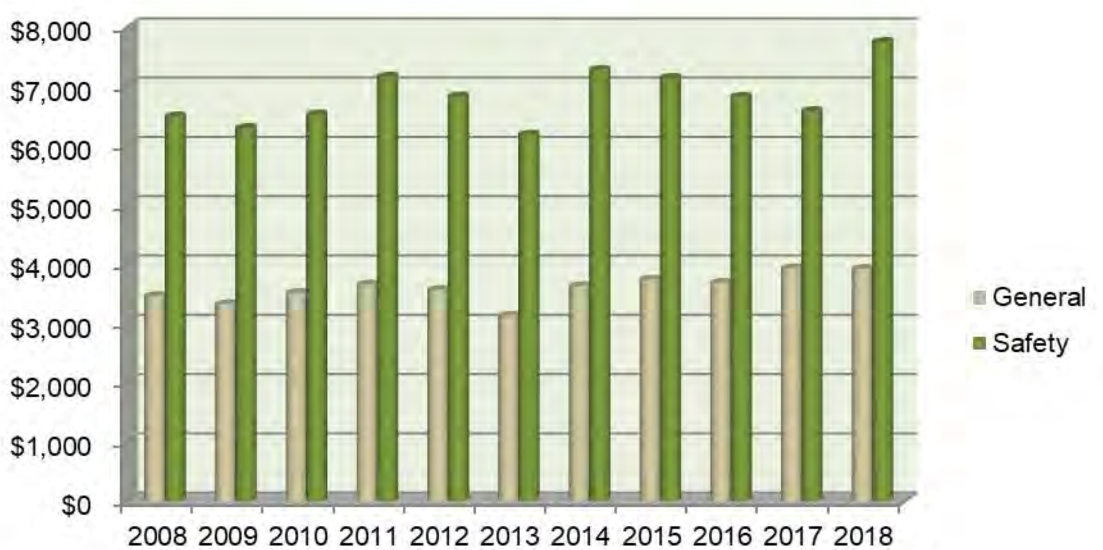


Average benefit for General and Safety members with a service retirement (no disabilities) that retired in 2018

- For General members $3,922 monthly; $47,064 annually
- For Safety members $7,752 monthly; $93,024 annually

Average monthly pension check for those who retired in each calendar year with service retirements only

Years Ended Dec .31	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General	$3,466	$3,329	$3,518	$3,660	$3,570	$3,132	$3,632	$3,744	$3,689	$3,934	$3,922
Safety	$6,497	$6,302	$6,528	$7,169	$6,832	$6,187	$7,281	$7,146	$6,827	$6,586	$7,752



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
4/1/2018	2.79	3	3	3
4/1/2017	1.89	2	3	2
4/1/2016	0.91	1	3	1
4/1/2015	1.35	1.5	3	1.5
4/1/2014	1.08	1	3	1
4/1/2013	2.04	2	3	2
4/1/2012	2.67	2.5	3	2.5
4/1/2011	1.20	1	3	1
4/1/2010	-0.80	-1	3	0/-1**
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

2007 – 2018

	Years of Service						
Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30 & Over
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
PERIOD 1/1/18 –12/31/18							
Average Monthly Pension Benefits	$554	$1,190	$1,943	$2,879	$4,681	$6,074	$7,439
Average Monthly "Final Average Salary"	$10,584	$7,287	$6,904	$6,859	$8,134	$8,246	$8,561
Number of Retired Members	23	62	125	144	127	205	208

Schedule of Median Monthly Pension Benefit Payments for Service Retirements by Years of Service

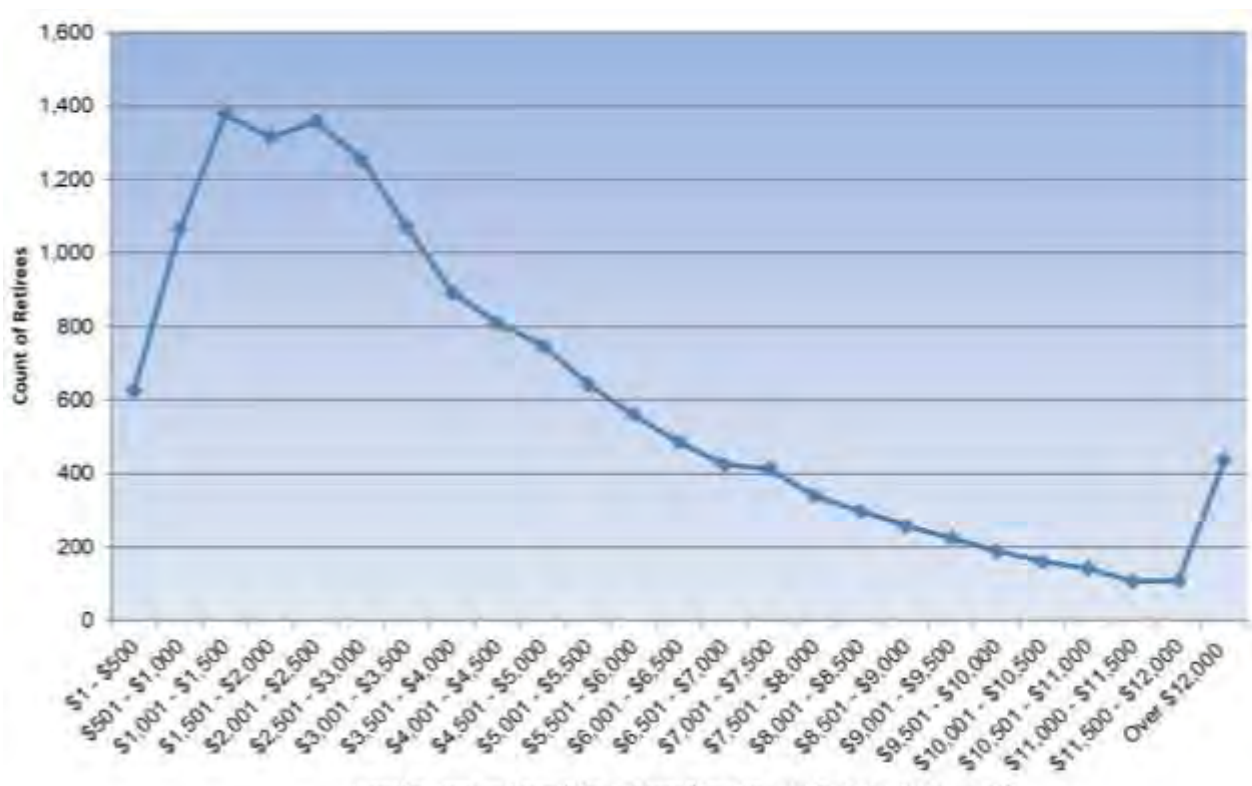
2010 – 2018

Years of Service

Retirement Effective Dates	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
PERIOD 1/1/18 –12/31/18							
Median Monthly Pension Benefits	$584	$876	$1,807	$2,489	$4,367	$5,284	$6,335
Median "Final Average Salary"	$10,653	$6,447	$5,795	$5,709	$7,430	$7,255	$7,151
Number of Retired Members	23	62	125	144	127	205	208

Schedule of Monthly Pension Benefit for Retirees (Service and Disability Retirements)
As of December 31, 2018

Monthly Benefit	Number of retirees
$1 – 500	627
$501 – 1,000	1,066
$1,001 – 1,500	1,378
$1,501 – 2,000	1,315
$2,001 – 2,500	1,358
$2,501 – 3,000	1,255
$3,001 – 3,500	1,071
$3,501 – 4,000	894
$4,001 – 4,500	808
$4,501 – 5,000	749
$5,001 – 5,500	642
$5,501 – 6,000	560
$6,001 – 6,500	486
$6,501 – 7,000	425
$7,001 – 7,500	413
$7,501 – 8,000	339
$8,001 – 8,500	297
$8,501 – 9,000	258
$9,001 – 9,500	225
$9,501 – 10,000	189
$10,001 – 10,500	161
$10,501 – 11,000	143
$11,001 – 11,500	107
$11,501 – 12,000	108
Over $12,000	435
Total	15,309



The OCERS Fund

Funding Sources

Funding Sources for Benefits
(OCERS' net additions for the period 1998 – 2018)

50¢ 34¢ 16¢

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.

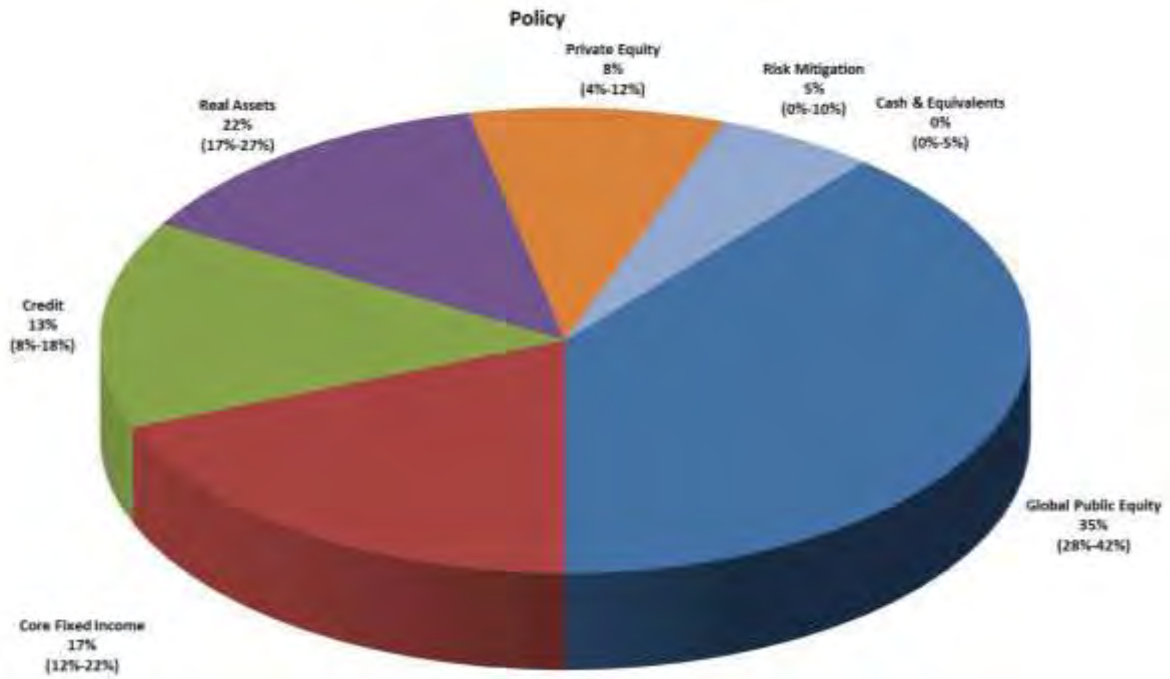
We have illustrated here a dollar going out the door in a benefit payment from OCERS to one of our retirees. What were the source funds for that dollar?

The first portion of the dollar, at 50 cents, is purely earnings from the OCERS investment portfolio. The OCERS Board of Trustees takes the contributions OCERS receives from both employees and employers and invests those contributions on behalf of our approximately 46,000 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 34 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 34 cents do come from Orange County taxpayers, without a doubt, but some might just as well be paid from various federal government grant programs or other sources. Interestingly, that figure of 34 cents paid by the employers would be even larger were it not for the fact that some OCERS employees assist in paying the employer obligation.

The final portion of the benefit dollar in the amount of 16 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 in the prior paragraph, several employee groups pay a portion of the employer contribution out of their own pockets to further help fund their own retirement benefit. The County of Orange some years ago contracted with labor groups to have the employees pay a portion of the employer contribution in what is commonly termed a "reverse pick up."

Asset Allocation Policy for 2018



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 -1.67% net of fees in 2018. The one-year return underperformed the policy index of -0.49% and did not exceed the 7.00% assumption rate. As of as of December 31, 2018, the portfolio returned 7.70% and 6.09% over the 10-and 20 year time periods, respectively.

2018 was a challenging year for investment returns. Global equity markets struggled in 2018. OCERS' public global equity markets declined 10.6% for the year versus a -9.4% return for the MSCI ACWI. OCERS' domestic equities outperformed the Russell 3000 Index, but OCERS' international and emerging markets equities underperformed in 2018. Core fixed income held up better than equities during the year but were also negative. OCERS' core fixed income portfolio declined 0.2% in 2018 versus a -0.3% return for OCERS' custom fixed income benchmark. Real estate and private equity were positive contributors to performance in 2018.

OCERS' Fund Performance by Calendar Years 1986 – 2018

As of Dec. 31	Return	Assumed Rate of Return
1986	16.15%	7.25%
1987	2.88%	7.25%
1988	11.53%	7.25%
1989	18.40%	7.50%
1990	1.02%	7.50%
1991	20.25%	8.00%
1992	5.78%	8.00%
1993	13.88%	8.00%
1994	-2.29%	8.00%
1995	23.26%	8.00%
1996	13.29%	8.00%
1997	17.07%	8.00%
1998	12.77%	8.00%
1999	15.68%	8.00%
2000	3.28%	8.00%
2001	-3.22%	8.00%
2002	-5.46%	8.00%

As of Dec. 31	Return	Assumed Rate of Return
2003	19.84%	7.50%
2004	11.40%	7.75%
2005	8.83%	7.75%
2006	13.55%	7.75%
2007*	10.44%	7.75%
2008	-20.95%	7.75%
2009	18.34%	7.75%
2010	11.21%	7.75%
2011	.53%	7.75%
2012	11.95%	7.25%
2013	10.86%	7.25%
2014	4.73%	7.25%
2015	-0.11%	7.25%
2016	8.52%	7.25%
2017	14.51%	7.00%
2018	-1.67%	7.00%

*As of 2007, returns are presented net of fees.

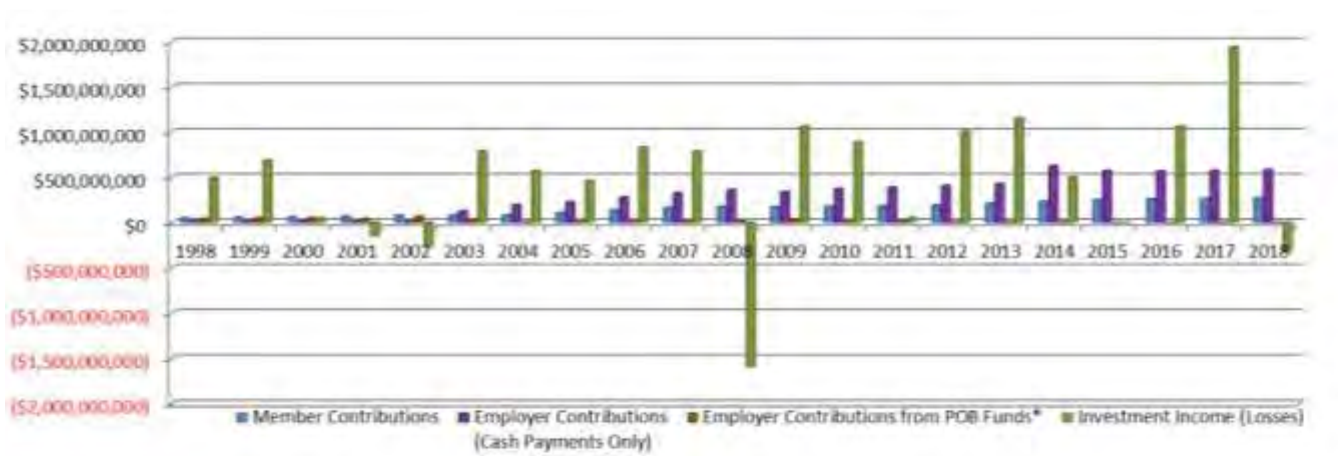
Growth of a Dollar in OCERS Compared to Treasury Bonds
1985 – 2018

	$1 Invested in OCERS	$1 Invested in 10 Yr Treasury	$1 Invested in 30 Yr Treasury
1985	$1.00	$1.00	$1.00
1986	$1.16	$1.20	$1.25
1987	$1.19	$1.16	$1.15
1988	$1.33	$1.23	$1.24
1989	$1.58	$1.44	$1.49
1990	$1.59	$1.53	$1.56
1991	$1.91	$1.80	$1.84
1992	$2.03	$1.91	$1.96
1993	$2.31	$2.14	$2.32
1994	$2.25	$1.97	$2.04
1995	$2.78	$2.44	$2.72
1996	$3.15	$2.44	$2.60
1997	$3.68	$2.90	$3.24
1998	$4.16	$3.27	$3.76
1999	$4.81	$3.00	$3.20
2000	$4.96	$3.43	$3.84
2001	$4.80	$3.57	$3.97
2002	$4.54	$4.09	$4.61
2003	$5.44	$4.15	$4.65
2004	$6.06	$4.35	$5.06
2005	$6.60	$4.44	$5.50
2006	$7.49	$4.50	$5.44
2007	$8.30	$4.94	$5.99
2008	$6.58	$5.94	$8.47
2009	$7.80	$5.35	$6.27
2010	$8.71	$5.78	$6.82
2011	$8.77	$6.76	$9.24
2012	$9.85	$7.05	$9.46
2013	$10.95	$6.50	$8.04
2014	$11.49	$7.19	$10.40
2015	$11.50	$7.26	$10.07
2016	$12.19	$7.25	$10.15
2017	$13.96	$7.40	$11.08
2018	$13.73	$7.40	$10.77

Revenue

Member and Employer Contributions and Investment Income and Losses to Pension Trust

Year	Member Contributions	Employer Contributions (Cash Payments Only to Pension Trust)	Employer Contributions from POB Funds*	Investment Income (Losses)
1998	$50,557,000	$17,977,000	$42,020,000	$493,491,000
1999	$55,693,000	$17,591,000	$47,129,000	$685,178,000
2000	$61,179,000	$15,561,000	$48,555,000	$45,284,000
2001	$68,635,000	$12,060,000	$41,319,000	($149,858,000)
2002	$77,917,000	$13,289,000	$65,180,000	($269,188,000)
2003	$81,581,000	$124,243,000	$26,209,000	$789,086,000
2004	$81,931,000	$194,430,000	$3,579,000	$569,000,000
2005	$107,544,000	$226,130,000	$9,675,000	$461,980,000
2006	$137,582,000	$277,368,000	$11,000,000	$830,200,000
2007	$159,476,000	$326,736,000	$11,000,000	$784,961,000
2008	$172,291,000	$360,365,000	$12,600,000	($1,596,776,000)
2009	$171,928,000	$338,387,000	$34,900,000	$1,064,855,000
2010	$177,929,000	$372,437,000	$11,000,000	$888,542,000
2011	$183,820,000	$387,585,000	$11,000,000	$50,456,000
2012	$191,215,000	$406,521,000	$5,500,000	$1,004,770,000
2013	$209,301,000	$427,095,000	$5,000,000	$1,152,647,000
2014	$232,656,000	$625,520,000	$5,000,000	$499,195,000
2015	$249,271,000	$571,298,000	$0	($10,873,000)
2016	$258,297,000	$567,196,000	$0	$1,061,243,000
2017	$262,294,000	$572,104,000	$0	$1,939,635,000
2018	$270,070,000	$580,905,000	$0	($324,628,000)



* 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, 2018 and determined that OCERS' funding ratio of actuarial assets to the actuarial accrued liability is 72.43%, which increased from the prior's year's funded status of 72.30%. (See *The Evolution of OCERS UAAL* at ocers.org)

OCERS' Funded Status by Calendar Years 1986 – 2018
(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
2018	$14,994,420	$20,703,349	5,708,929	72.43%	-1.67%
2017	$14,197,125	$19,635,427	$5,438,302	72.30%	14.51%
2016	$13,102,978	$17,933,461	$4,830,483	73.06%	8.52%
2015	$12,228,009	$17,050,357	$4,822,348	71.72%	-0.11%
2014	$11,449,911	$16,413,124	$4,963,213	69.76%	4.73%
2013	$10,417,125	$15,785,042	$5,367,917	65.99%	10.86%
2012	$9,469,208	$15,144,888	$5,675,680	62.52%	11.95%
2011	$9,064,355	$13,522,978	$4,458,623	67.03%	0.53%
2010	$8,672,592	$12,425,873	$3,753,281	69.79%	11.21%
2009	$8,154,687	$11,858,578	$3,703,891	68.77%	18.34%
2008	$7,748,380	$10,860,715	$3,112,335	71.34%	-20.95%
2007*	$7,288,900	$9,838,686	$2,549,786	74.08%	10.44%
2006	$6,466,085	$8,765,045	$2,298,960	73.77%	13.55%
2005	$5,786,617	$8,089,627	$2,303,010	71.53%	8.83%
2004	$5,245,821	$7,403,972	$2,158,151	70.85%	11.40%
2003	$4,790,099	$6,099,433	$1,309,334	78.53%	19.84%
2002	$4,695,675	$5,673,754	$978,079	82.76%	-5.46%
2001	$4,586,844	$4,843,899	$257,055	94.69%	-3.22%
2000	$4,497,362	$4,335,025	($162,337)	103.74%	3.28%
1999	$3,931,744	$4,017,279	$85,535	97.87%	15.70%
1998	$3,504,708	$3,682,686	$177,978	95.17%	12.77%
1997	$3,128,132	$3,332,967	$204,835	93.85%	17.07%
1996	$2,675,632	$2,851,894	$176,262	93.82%	13.29%
1995	$2,434,406	$2,633,884	$199,478	92.43%	23.26%
1994	$2,177,673	$2,550,059	$372,386	85.40%	-2.29%
1993	$2,024,447	$2,305,019	$280,572	87.83%	13.88%
1992	$1,807,319	$2,140,081	$332,763	84.45%	5.78%
1991	$1,567,131	$1,763,894	$196,763	88.84%	20.25%
1990	$1,297,575	$1,840,915	$543,340	70.49%	1.02%
1989	$1,136,210	$1,651,988	$515,778	68.78%	18.40%
1988	$985,030	$1,453,858	$468,828	67.75%	11.53%
1987	$821,884	$1,343,982	$522,098	61.16%	2.88%
1986	$713,506	$1,220,915	$507,409	58.44%	16.15%

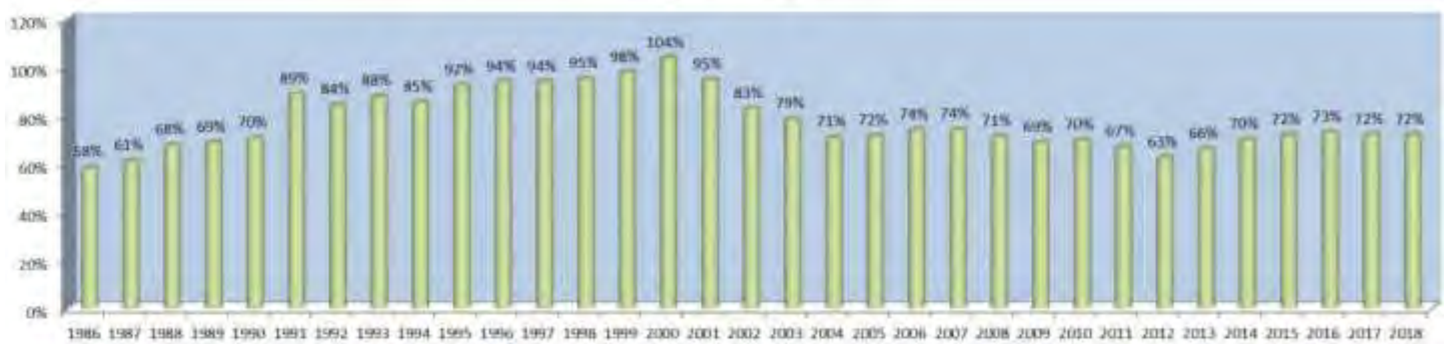
*As of 2007, returns are presented net of fees

Note: On a market value basis OCERS' funded status is 69.31%.

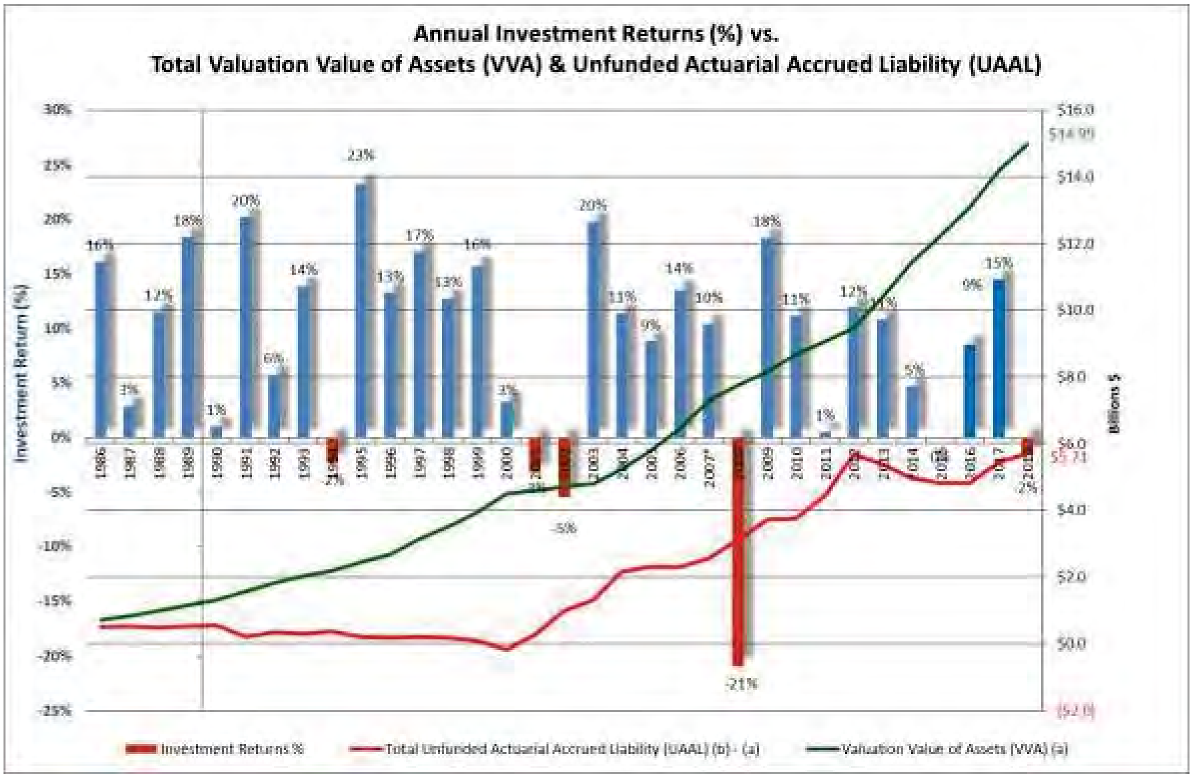
Growth of System Net Investments at Fair Value
(Dollars in Millions)

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 that future obligation.

OCERS has a plan in place to pay off the UAAL in 20 year increments. That plan includes an expectation that the OCERS portfolio will earn on average 7.00% each calendar year, while each 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 actuarially required contribution to the OCERS retirement system.

While it is fairly easy to understand that when the portfolio does not earn its expected 7.00% in a year, that will cause the UAAL to grow, how is it possible for the UAAL to grow even in years where 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 UAAL as measured by the red line. But back to our basic question, how is it that even in some good years you can see a rise in the UAAL as tracked by that red line?

Two basic reasons – in some years, such as 2011, even though the earnings bar is blue, it is barely blue, that is, even though the portfolio had positive returns, it didn't make the amount of money that was expected. Positive returns yes, but since it was not enough to meet the earnings expectation in that year, there was an uptick in the UAAL. The other cause can occur when there is a change made to a basic assumption. 2012 is a good example of that – a strong blue bar representing a 12% return; easily beating our then expected 7.75%. However, in that same year of 2012 we lowered what we assumed could be earned in future years from 7.75% to 7.25% so the UAAL rose. If a parent saving for their child's college education is expecting to earn 7.75% on their savings account suddenly learns the bank is only crediting 7.25% in the future, the parent won't have enough dollars in that account when the child finally reaches the big day. So too with OCERS, by lowering its assumed earnings rate for future years in 2012 the red line had to tick upward despite the good earnings in that year in order to account for the fact that OCERS had to anticipate fewer future dollars would be gained from investment earnings.

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

I-10

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: August 16, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **THE EVOLUTION OF THE OCERS UAAL (2019 EDITION)**

Written Report

Background/Discussion

Attached is the 2019 Edition of the Evolution of the UAAL document. While long, as it follows the development year over year from 2000 forward, the updated materials relate to Calendar Year 2018 which are found primarily on pages 30 and 31.

On August 19 Mr Paul Angelo will be presenting some new information and slides as part of his Risk Report, illustrating how Board actions can have impact through ensuing years. We may find his new information would be helpful to add to this document when preparing the 2020 Edition.

Submitted by:

Steve Delaney
Chief Executive Officer

The Evolution of OCERS Unfunded Actuarial Accrued Liability

Steve Delaney, CEO

December 31, 2018 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 life-time 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.

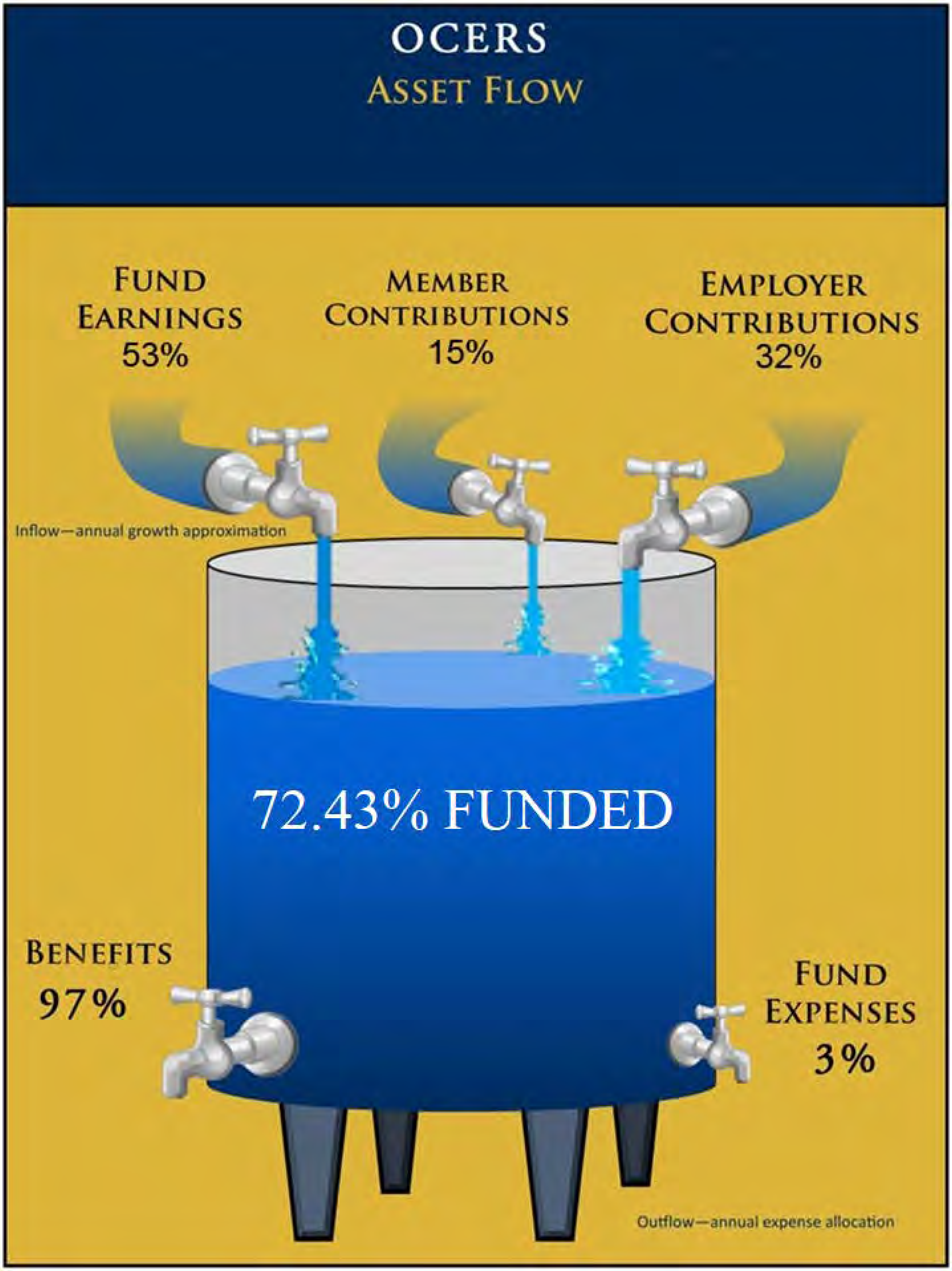
(2) You could save over time, depositing an equal amount year after year into an account and again assume that sufficient interest earnings will accrue to fully fund the cost when the big day arrives.

(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
72.43% FUNDED
Benefits 97%
Fund Expenses 3%
Outflow—annual expense allocation

The graphic above shows a snapshot of OCERS funded status as of December 31, 2017, while the representation of cash inflows and outflows reflect the period of 1998 through 2017.

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%

Actuarial Valuation Date December 31	Valuation Value of Planned Assets	Total Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio
2001	$4,586,844	$257,055	94.69%
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%
2006	$6,466,085	$2,298,960	73.77%
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%
2018	$14,994,420	$5,708,929	72.43%

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:

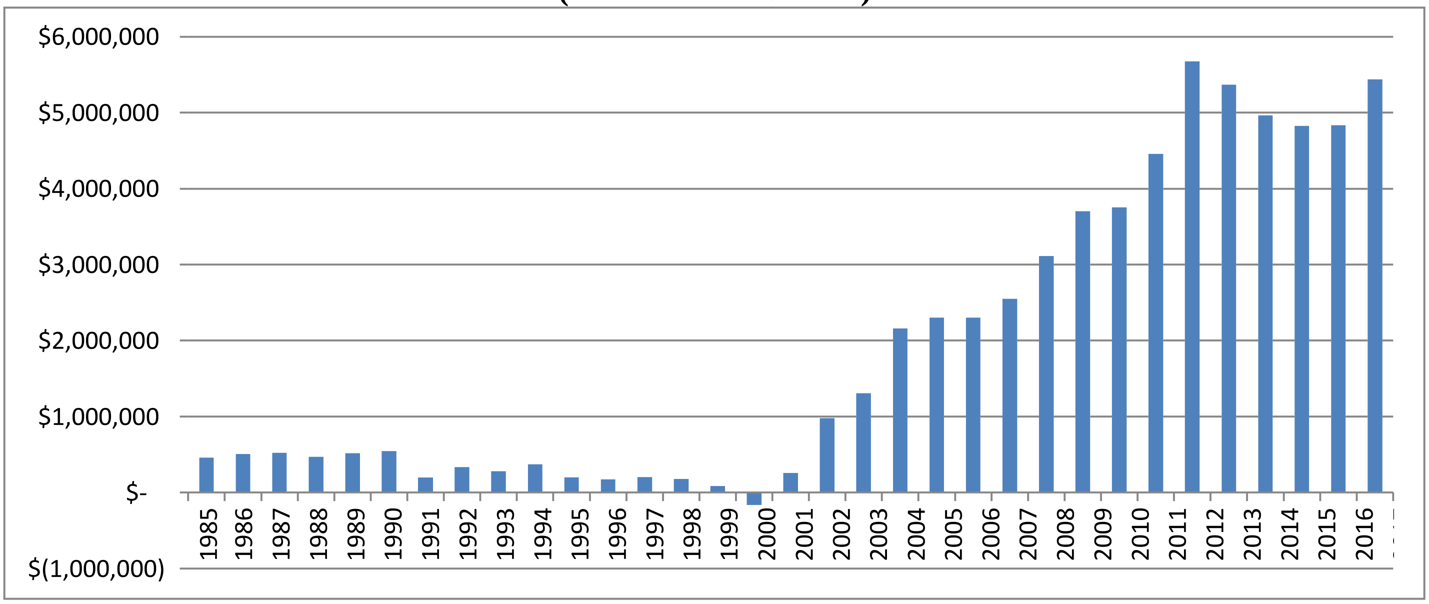
It is current history that has raised the most questions from both employers, members and the public in wanting to better understand how the current UAAL has evolved over the past decade and a half. In the following pages the data used in calculating the UAAL from calendar year 2000 when OCERS last had 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

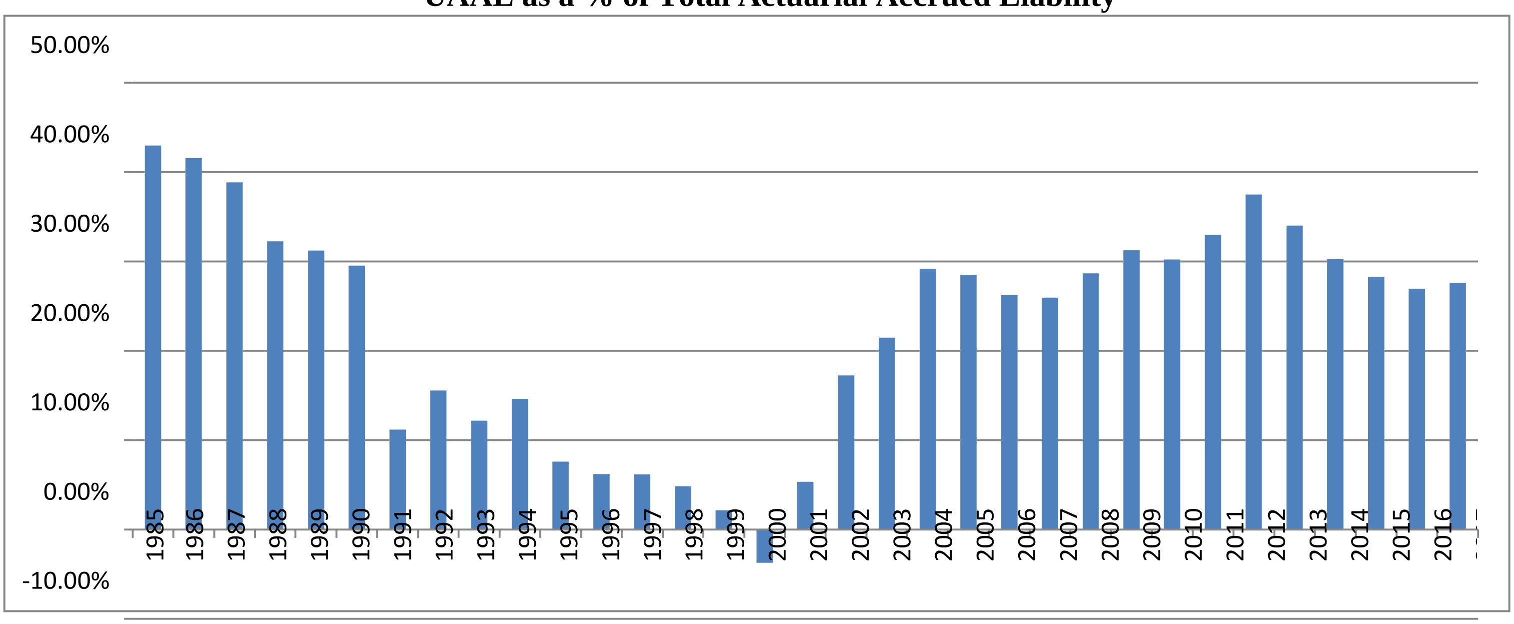
Two different approaches to viewing the UAAL in context of the OCERS Fund as a whole are displayed in the following tables. In the first table a trend line is displayed, reflecting the growth of the UAAL in total dollars. Identifying trends, and determining how best to address the cautionary tale being 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 201 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 2017) in the short run, but tend to smooth to the actuaries assumed earnings 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)

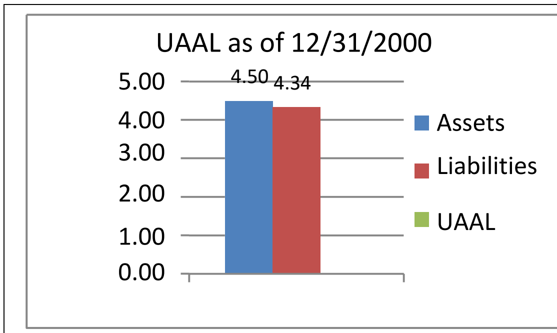
IMPACTING EVENTS

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

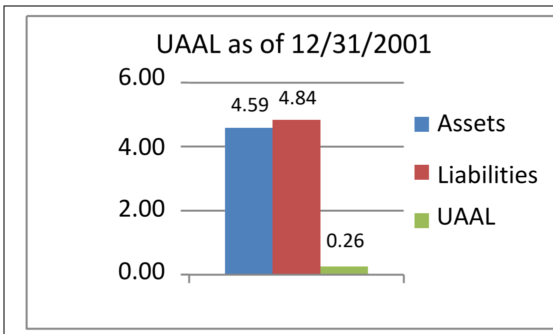
1.	**(Surplus) at beginning of year**		$(162,336,848)
2.	Total normal cost at middle of year		
3.	Amortization Payment		(11,193,795)
4.	Interest		7,117,033
5.	Expected UAAL		$(158,260,086)
6.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$221,191,812	
	b. Loss on salary increases	40,447,786	
	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.



In billions

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

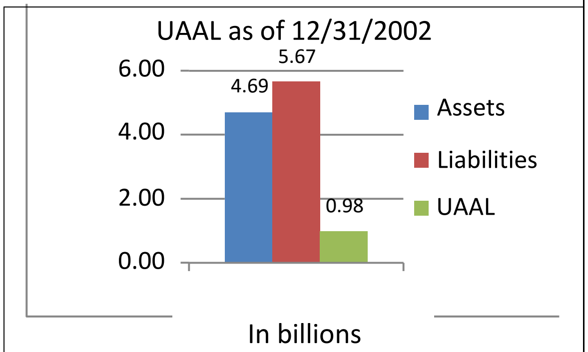
IMPACTING EVENTS

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.



Last Updated 08/15/2019

2003

Development of UAAL for Year Ended December 31, 2003

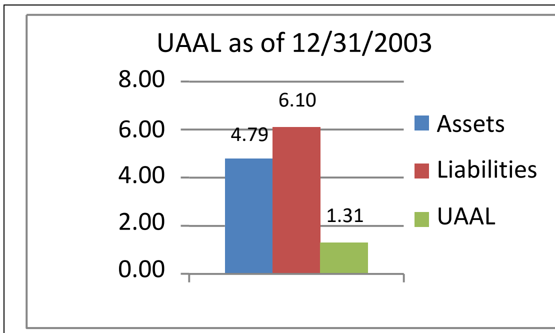
1.	**UAAL at beginning of year**		$ 978,079,531
3.	Total normal cost at middle of year		
4.	Amortization Payment		(58,355,527)
5.	Interest (7.5%)		78,359,367
6.	Expected UAAL		$ 998,083,371
7.	Actuarial (gain)/loss and other changes		
	a. Loss on investment	$ 287,828,001	
	b. Gain on salary increases	(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.



In billions

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.	Actuarial (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

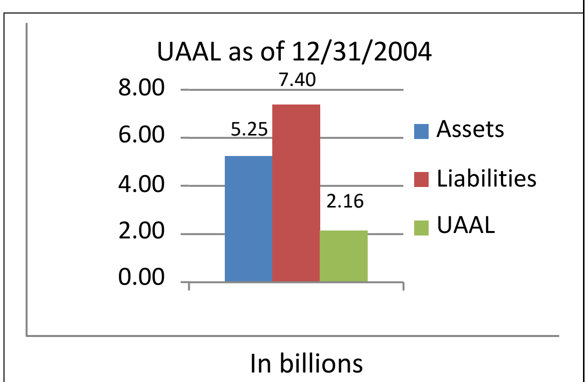
Two major events occurred in 2004, a change in actuarial services from Towers Perrin to The Segal Group led to a review and change in actuarial methods, procedures, and assumptions. There were also several retirement benefit formula improvements

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 Sanitation District 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.



Last Updated 08/15/2019

2005

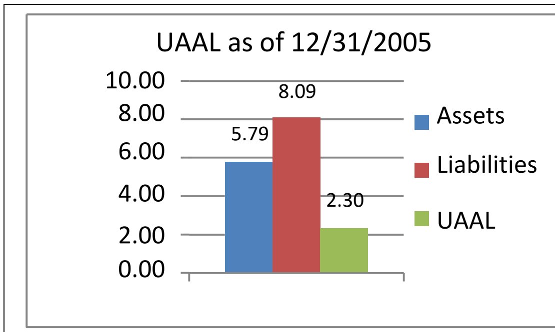
Development of UAAL for Year Ended December 31, 2005			
1.	**UAAL at beginning of year**		$2,158,151,000
2.	Total normal cost at middle of year		297,420,000
3.	Actual employer/member contributions		(345,111,000)
4.	Interest		165,409,000
5.	Expected UAAL		$2,275,869,000
6.	Actuarial (gain)/loss and other 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.



In billions

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

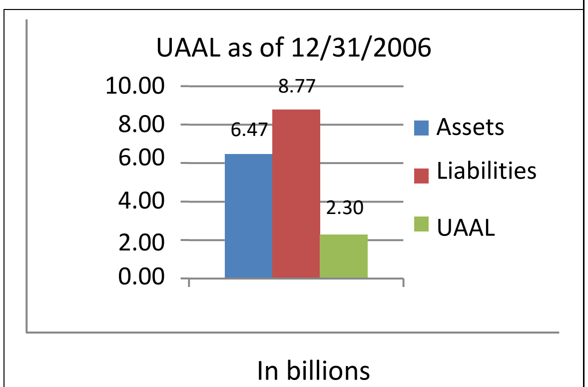
IMPACTING EVENTS

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

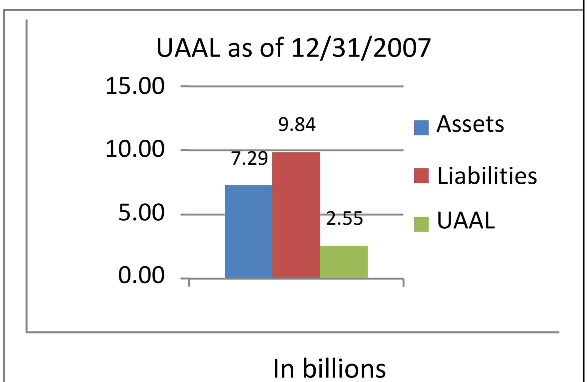
1.	**UAAL at beginning of year**		$2,298,960,000
2.	Total normal cost at middle of year		324,706,000
3.	Actual employer/member contributions		(486,212,000)
4.	Interest		171,911,000
5.	Expected UAAL		$2,309,365,000
6.	Actuarial (gain)/loss and other changes		
	a. Gain on investment	$(176,681,000)	
	b. 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.



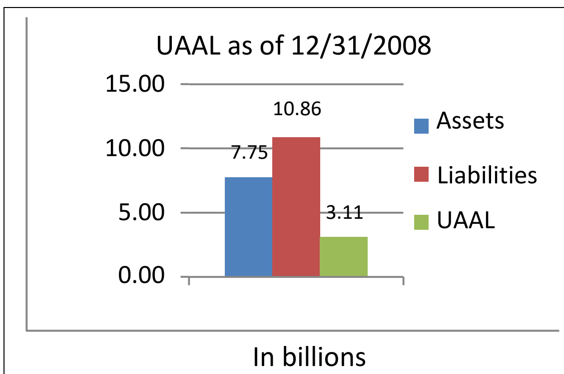
2008

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

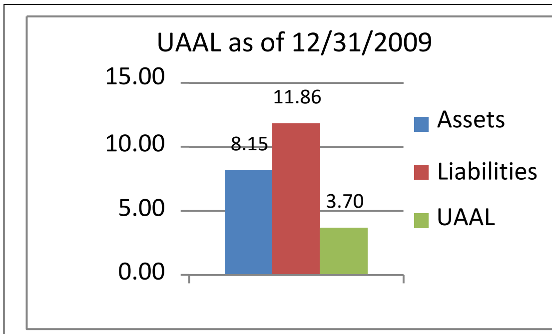
IMPACTING EVENTS

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.



In billions

2010

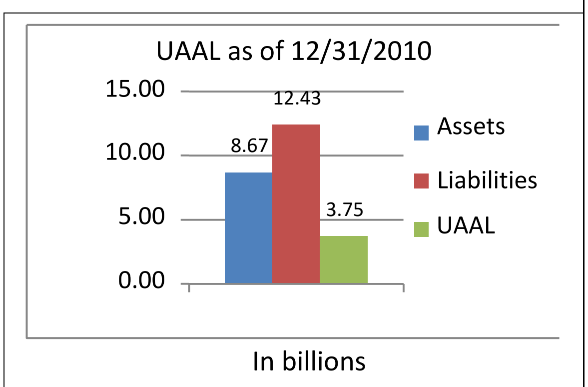
Development of UAAL for Year Ended December 31, 2010

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.



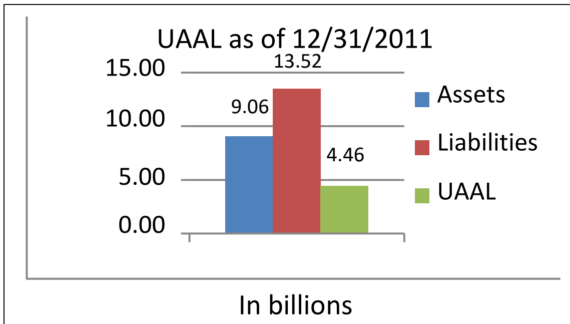
2011

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.

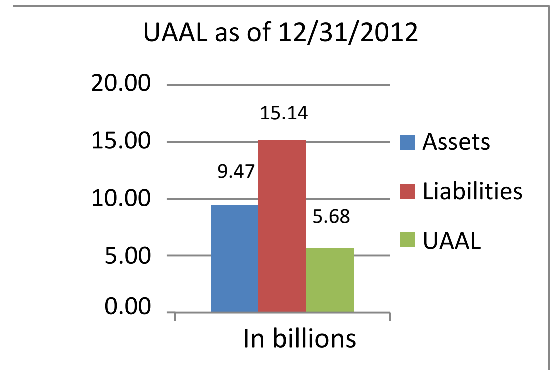
Confirming that some members who had been classified as active and therefore still accruing a liability, were in fact deferred and had reduced the UAAL by $6,295,000.

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

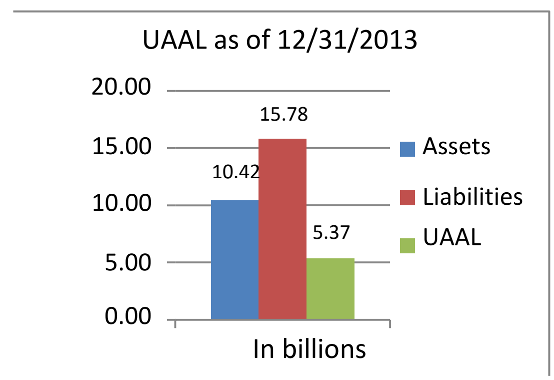
IMPACTING EVENTS

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

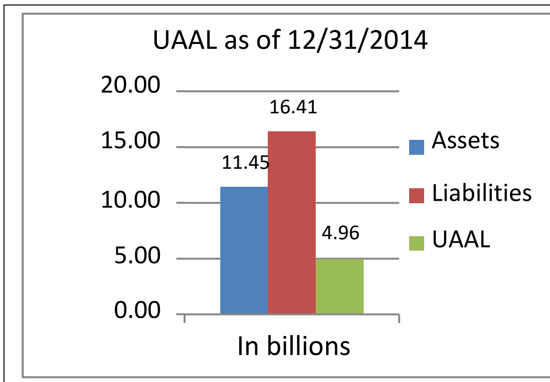
IMPACTING EVENTS

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

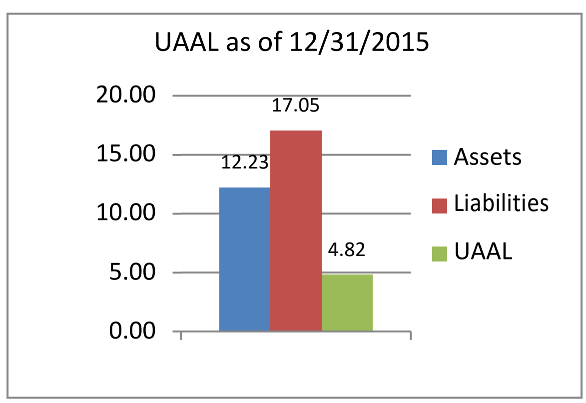
Development of UAAL for Year Ended December 31, 2015

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

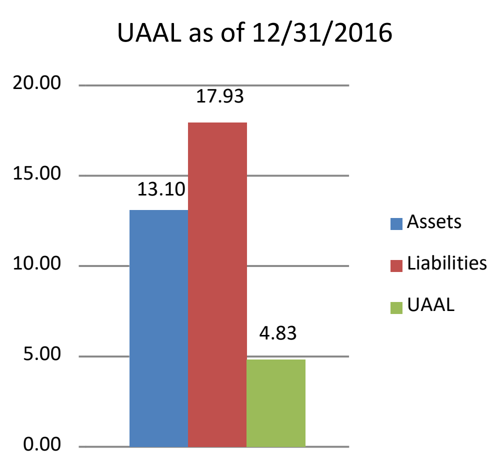
Development of UAAL for Year Ended December 31, 2016

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

IMPACTING EVENTS

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

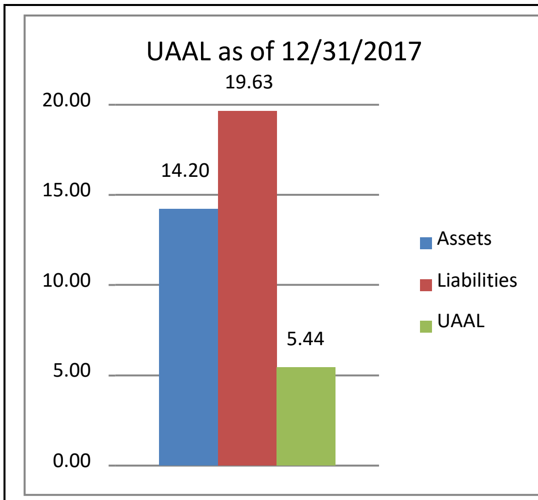
1.	**UAAL at beginning of year**		$4,830,483,000
2.	Additional UAAL Contributions from Children and Families and Law Library to pay-off UAAL		(3,800,000)
3.	UAAL at beginning of year after reflecting additional UAAL contributions from Children and Families and Law Library to pay-off UAAL		4,826,683,000
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."

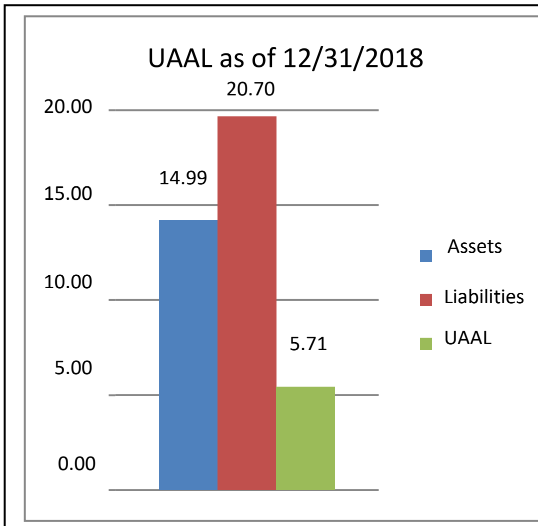
2018

Development of UAAL for Year Ended December 31, 2018

1.	**UAAL at beginning of year**		$5,438,302,000
2.	Total Normal Cost at middle of year		508,322,000
3.	Expected employer and member contributions		(961,688,000)
4.	Interest		372,542,000
5.	Expected Unfunded Accrued Liability at end of year		$5,357,478,000
6.	Changes due to:		
	a) Investment losses (on value of assets)	$255,908,000	
	b) Difference in actual versus expected contributions (including loss from phase-in)	120,939,000	
	c) Additional UAAL payments from Cypress Parks and Recreation and OCFA and anticipated payments from DOE and U.C.I.	(27,674,000)	
	d) Transfer from O.C. Sanitation District UAAL Deferred Account	(14,589,000)	
	e) Difference in actual versus expected salary increases	(71,908,000)	
	f) Difference in actual versus expected COLA increases	24,279,000	
	g) Other experience loss	64,496,000	
	Total changes		$351,451,000
7.	Unfunded Actuarial Accrued Liability at end of year		$5,708,929,000

IMPACTING EVENTS

Comparing the earnings of the OCERS investment portfolio in 2017 (14.79%) to the losses incurred in 2018(-2.46%) is an instructive snapshot of the type of market volatility that pension funds must plan for and adjust over the decades and decades of both the service and eventual retirement of our members. A swing in contribution rates based just on the returns in 2017 and losses in 2018 would make planning and budgeting for this important component of our participating employers salary benefit package extremely difficult. Such volatility demonstrates why OCERS staff routinely encourage our members and other stakeholders to not focus unduly on short term investment results, but instead look to



the long term fund accomplishments. In addition, there are tools used by actuaries at the Board's approval to assist in appropriate budgeting for pension expenses as they occur in a volatile market.

"Smoothing" is one such tool. By spreading the differences between actual market returns and OCERS expected market returns (which is presently 7% per year) over a five year period, the impact of year-over-year short term volatility is dampened. Reflected in item 6(a) we see the actuary recognizing one-fifth of the large loss suffered in 2018, offsetting part of that loss by one-fifth of the gains made in 2017, as well as portions of gains and losses still remaining to be recognized from 2016, 2015 and the final one-fifth from 2014.

Taken as a whole, OCERS still has a net deferred investment loss of $644.7 million to be smoothed over the coming four years. Again demonstrating the volatility that comes naturally from any investment plan, OCERS by contrast had $455.4 million in net deferred investment gains at the end of 2017.

Another tool that has been used by the actuary, at the direction of the OCERS Board of Retirement, is to phase in, over a three year period the cost impact of implementing more conservative plan assumptions. When the Board concurred in 2017 with the actuary's findings that members are living longer, and therefore, our Assumptions regarding mortality had to be lengthened, there was an immediate cost impact. The Board, however, chose to assist our participating employers in better planning and budgeting for that increase by directing cost be phased in over a three year period. That modified cost impact is partially reflected in item 6(b).

Other items that had an impact on the UAAL include:

Item 6(e), while salaries did not grow as quickly as assumed, which would cause a decrease in expected contributions, greater savings were accrued because liabilities flowing from those assumed salary increases never accrued. That lead to an actual reduction in the UAAL of nearly $72 million.

Item 6(f) COLA for 2018 came in at 3% which was greater than the assumed 2.7% COLA amount adding an additional $24,279,000.00 to the UAAL.

Item 6(g) covers a number of impacts such as member retiring earlier than assumed, more deaths than assumed, and other such variances.

I-11

Memorandum

DATE: August 19, 2019

TO: Members, Board of Retirement

FROM: Suzanne Jenike, Assistant CEO, External Operations

SUBJECT: **2019 EMPLOYER AND EMPLOYEE CONTRIBUTIONS MATRIX**

Written Report

Background/Discussion

On an annual basis I provide the Board with an updated contribution comparison matrix showing the various contribution rate provisions paid by employers and employees across several rate groups and plans. This document is intended to provide a high level overview of the rates, ownership of the funds once they are sent to OCERS, as well as some of the pick-up arrangements that the OCERS Plan Sponsors have bargained for with their employees.

Submitted by:

S. J. – APPROVED

Suzanne Jenike
Assistant CEO, External Operations

2019 PEPRA CONTRIBUTION COMPARISON

Contribution rates are based on age at entry. For the purpose of this information the contribution rate reflected is the average age for that rate group.
The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2019.

									Employer Owned		Employee Owned		
									Employer Paid EE Contributions		Employee Paid EE Contributions		
	A	B	C	D	E	F	G	H	I	J	K	L
	Number of Members	Tier, Plan and Rate Group	Rep Units	Description	Net Employer Costs = (ER + EE P/U) - REV P/U	Employer Contribution Rate	Employee Contribution Rate	Pick up Rates Eff	Pick up Rates	EE Rate	EE Reverse Pickup Rate (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 = 32										
10.82%	753	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**EW**	Eligibility Worker Unit	17.82%	17.82%	9.64%	0.00%	0.00	9.64%	0.00%	9.64%
0.85%	59	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**PO**	Deputy Sheriff Trainee	17.82%	17.82%	9.64%	0.00%	0.00%	9.64%	0.00%	9.64%
		Rate Group #1 - IHSS - Avg Age = 38										
0.29%	20	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			17.82%	17.82%	10.61%	0.00%	0.00%	10.61%	0.00%	10.61%
		Rate Group #2 - General members non-OCFA. County only limited barg units, see disclaimer - Avg Age = 32										
3.02%	210	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**MA**	OCMA Member	25.68%	29.78%	6.72%	0.00%	0.00%	6.72%	4.100%	10.82%
0.47%	33	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**MB**	OCMA Member	25.68%	29.78%	6.72%	0.00%	0.00%	6.72%	4.100%	10.82%
2.59%	180	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**AT**	Attorney	29.51%	31.45%	8.61%	0.00%	0.00%	8.61%	1.940%	10.55%
0.73%	51	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**SSO**	Sheriff Special Officer	26.16%	29.78%	6.72%	0.00%	0.00%	6.72%	3.620%	10.34%
0.09%	6	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**E2,E3**		25.42%	29.78%	6.72%	0.00%	0.00%	6.72%	4.360%	11.08%
52.28%	3640	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**CL, CS, GE HP, SM, OS**	OCEA represented	25.42%	29.78%	6.72%	0.00%	0.00%	6.72%	4.360%	11.08%
0.86%	60	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**CP**		26.92%	29.78%	6.72%	0.00%	0.00%	6.72%	2.860%	9.58%
		Rate Group #2 - Superior Court - Avg Age = 33										
4.51%	314	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**CC, E6,SG**		29.78%	29.78%	6.82%	0.00%	0.00%	6.82%	0.00%	6.82%
0.73%	51	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**AX,CX,E5**		29.78%	29.78%	6.82%	0.00%	0.00%	6.82%	0.00%	6.82%
0.36%	25	**Tier 2** - Plan T - 1.62%@65 - 3 year MP	**CI,SS,EC**		29.78%	29.78%	6.82%	0.00%	0.00%	6.82%	0.00%	6.82%
		Rate Group #2 - SJC - Avg Age = 36										
0.42%	29	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			31.45%	31.45%	9.17%	0.00%	0.00%	9.17%	0.00%	9.17%
		Rate Group #2 - OCERS Mgmt - Avg Age = 35										
0.20%	14	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			29.84%	29.84%	9.03%	0.00%	0.00%	9.03%	0.00%	9.03%
		Rate Group #2 - Children & Families Comm. - Avg Age = 33										
0.09%	6	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			8.28%	8.28%	8.74%	0.00%	0.00%	8.74%	0.00%	8.74%
		Rate Group #2 - LAFCO - Avg Age = 33										
0.04%	3	**Tier 2** - Plan T - 1.62%@65 - 3 year MP			28.17%	28.17%	6.82%	0.00%	0.00%	6.82%	0.00%	6.82%
		Rate Group #3 - Sanitation - Avg Age = 34										
3.12%	217	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			10.37%	10.37%	9.41%	0.00%	0.00%	9.41%	0.00%	9.41%
		Rate Group #5 - OCTA - Avg Age = 36										
4.09%	285	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**CO, MN NONE, TCU**		27.26%	27.26%	10.75%	0.00%	0.00%	10.75%	0.00%	10.75%
		Rate Group #6 - Probation - Avg Age = 27										
0.86%	60	**Tier 2** - Plan V - 2.7%@67 - 3 year MP	**PS**	Probation Services	45.37%	45.37%	16.19%	0.00%	0.00%	16.19%	0.00%	16.19%

2019 PEPRA CONTRIBUTION COMPARISON

Contribution rates are based on age at entry. For the purpose of this information the contribution rate reflected is the average age for that rate group.
The number of members in each plan/rate group are estimates and the contribution information was taken from pay period 15, 2019.

								Employer Owned		Employee Owned		
								Employer Paid EE Contributions		Employee Paid EE Contributions		
	A	B	C	D	E	F	G	H	I	J	K	L
	Number of Members	**Tier, Plan and Rate Group**	**Rep Units**	**Description**	**Net Employer Costs** = (ER + EE P/U) - REV P/U	**Employer Contribution Rate**	**Employee Contribution Rate**	**Pick up Rates Eff**	**Pick up Rates**	**EE Rate**	**EE Reverse Pickup Rate** (Reduces ER Cost)	**Net Employee Costs**
								(.1 ER P/U *)	(.2 ER P/U (varies) *			
		Rate Group #7 - County Law Enforcement - Avg Age = 27										
8.37%	583	**Tier 2** - Plan V - 2.7%@67 - 3 year MP	**PO**		56.65%	56.65%	17.92%	0.00%	0.00%	17.92%	0.00%	17.92%
		Rate Group #8 - Fire Authority Safety - Avg Age = 30										
2.93%	204	**Tier 2** - Plan V - 2.7%@67 - 3 year MP	**F7**	Fire Chief	36.24%	36.24%	15.77%	0.00%	0.00%	15.77%	0.00%	15.77%
		Rate Group #9 - TCA (retroactive upgrade) - Avg Age = 39										
0.43%	30	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			11.02%	24.36%	10.11%	0.00%	0.00%	10.11%	0.00%	10.11%
		Rate Group #10 - Fire Authority General - Avg Age = 33										
1.52%	106	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**G6**		26.15%	26.15%	9.56%	0.00%	0.00%	9.56%	0.00%	9.56%
0.11%	8	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**M6**	Admin Mgmt	26.15%	26.15%	9.56%	0.00%	0.00%	9.56%	0.00%	9.56%
0.06%	4	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**S6**	Supervisory	26.15%	26.15%	9.56%	0.00%	0.00%	9.56%	0.00%	9.56%
		Rate Group #11 - Cemetery District - Avg Age = 31										
0.13%	9	**Tier 2** - Plan U - 2.5%@67 - 3 year MP			12.51%	12.51%	9.58%	0.00%	0.00%	9.58%	0.00%	9.58%
		Rate Group #12 - OCPLL - Avg Age = 42										
0.03%	2	**Tier 2** - Plan U - 2.5%@67 - 3 year MP	**ZL**		7.61%	9.36%	10.64%	0.00%	0.00%	10.64%	1.75%	12.39%
100.00%	6962											

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.

Disclaimers: The information contained in this document is intended to be informational only. All of OCERS members may not be reflected and in some cases the pick up amounts are estimates.
*31581.1 & 31581.2 contribution percentages are calculated by the Plan Sponsor and have not been validated by OCERS staff.
Tier 1 employees must have entered OCERS membership on or before September 21, 1979

I-12

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Memorandum

DATE: August 07, 2019

TO: Members of the Board of Retirement

FROM: Cynthia Hockless, Director of Administrative Services

SUBJECT: **2019 BOARD ELECTION, GENERAL AND RETIRED MEMBER UPDATE**

Recommendation

Receive and File

Background/Discussion

On June 18, 2019, Administrative Services contacted the Registrar of Voters requesting them to conduct an election for the General and Retired member whose terms expire on December 31, 2019. We received a response informing us that the elections will be held on October 15, 2019. The Registrar of Voters has provided OCERS with an election schedule.

As per the attached schedule, we mailed a notification to the home address of all eligible General and Retired members via US mail.

At the time of this memo, we are currently in the nomination period which started on July 29, 2019 and will close at 5:00 p.m. on August 16, 2019.

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

Attachments:

1. OCERS General & Retired Member Election Calendar

Submitted by:

Cynthia Hockless

Cynthia Hockless

Director of Administrative Services

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM ELECTION CALENDAR
October 15, 2019
1 GENERAL MEMBER, 1 RETIRED MEMBER

July 12 and July 26 (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 15, 2019. The notice shall include the filing period, qualifications and requirements to be a candidate for General Member and Retired Member of the Orange County Retirement Board of Directors and shall be provided with the payrolls on July 12, 2019 and July 26, 2019.
July 17 (E-90)	The Retirement Office shall provide the number of eligible General Members and Retired Members to the Registrar of Voters' Office.
July 17 (E-90)	The Retirement Office shall provide the Registrar of Voters' Office with Willingness to Serve forms and a list of eligible General Members and Retired Members for use establishing the eligibility of candidates.
July 29 (E-78)	Nomination period begins. A General Member requires 75 nomination signatures and a Retired Member requires 25 nomination signatures.
August 16 (E-60)	Close of nomination period. Deadline to file a biographical statement with the Retirement Office. Camera-ready artwork due next business day.
August 20 (E-56)	Random draw will be held to determine the candidate placement on the ballot.
August 23 (E-53)	Retirement Office shall provide the Registrar of Voters with names and addresses of eligible General Members and Retired Members in an electronic format.
September 2 (E-43)	Retirement Office shall provide updated list of eligible General Members and Retired Members for voter verification.
September 6 (E-39)	Mailing of ballots begins.
October 15 (E-0)	Tally voted ballots at the Registrar of Voters' Office.
TBD (E+)	Certificate of Election on Board of Supervisors' agenda.
January 1, 2020 (E+ 78)	Term begins for General Member and Retired Member. Term expires on December 31, 2022.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM ELECTION CALENDAR
October 15, 2019
1 GENERAL MEMBER, 1 RETIRED MEMBER

July 12 and July 26 (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 15, 2019. The notice shall include the filing period, qualifications and requirements to be a candidate for General Member and Retired Member of the Orange County Retirement Board of Directors and shall be provided with the payrolls on July 12, 2019 and July 26, 2019.
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October 15 (E-0)	Tally voted ballots at the Registrar of Voters' Office.
TBD (E+)	Certificate of Election on Board of Supervisors' agenda.
January 1, 2020 (E+ 78)	Term begins for General Member and Retired Member. Term expires on December 31, 2022.

I-13

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Gina M. Ratto, General Counsel

SUBJECT: **SACRS 2020 LEGISLATIVE PROPOSALS AND TIMELINE**

Presentation

If the OCERS Board is interested in proposing any legislative amendments to SACRS with a request that SACRS sponsor said legislation during the 2020 Legislative Session, the timeline and information that must be submitted to SACRS are set forth below.

Timeline

The SACRS Legislative Committee has adopted the following timeline for soliciting legislative proposals from SACRS retirement associations for consideration in the 2020 Legislative Session:

August 30, 2019

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

September 20, 2019

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

October 18, 2019

Date on which the SACRS 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 15, 2019

Legislative proposals recommended by the SACRS Legislative Committee and proposals received from the associations will be discussed at the SACRS Fall Conference.

Information

SACRS requires the following information for each submission:

- Title of Issue
- Retirement association/system

- Contact Name, Phone number and Email address
- Description of issue
- Recommended solution
- Specific language that the association would like changed in, or added to, ’37 Act Law, and suggested code section number(s)
- Why the proposed legislation should be sponsored by SACRS rather than by the individual retirement association/system
- Whether the association anticipates 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-14

Memorandum

DATE: August 16, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **OCERS ACTUARIAL REVIEW – RISK ASSESSMENT, PLAN MATURITY, AND CASH FLOW**

Written Report

Background/Discussion

The Actuarial Standards Board approved a new Actuarial Standard of Practice No. 51 (ASOP 51) regarding risk assessment. ASOP 51 is effective with OCERS' December 31, 2018 actuarial valuation. ASOP 51 requires actuaries to identify risks that "may reasonably be anticipated to significantly affect the plan's future financial condition".

A copy of the risk assessment report including the analysis recommended by Segal in consultation with OCERS staff is provided in the attached report.

Submitted by:

Steve Delaney
Chief Executive Officer

Segal Consulting

Orange County Employees Retirement System

Risk Assessment Including Review of Funded Status of the Pension Plan as of December 31, 2018

Prepared by

Paul Angelo, FSA, MAAA, FCA, EA
Andy Yeung, ASA, MAAA, FCA, EA
Todd Tauzer, FSA, MAAA, FCA, CERA

August 16, 2019

Table of Contents

Section 1: Introduction and Executive Summary

Introduction

The results included in our December 31, 2018 funding valuation report for the Pension Plan were prepared based on a fixed set of economic and non-economic actuarial assumptions under the premise that future experience of the Orange County Employees Retirement System (OCERS) would be consistent with those assumptions. While those assumptions are reviewed every three years (with the assumptions from the last triennial experience study adopted by the Board of Retirement for use starting with the December 31, 2017 valuation), there is a risk that emerging results may differ significantly as actual experience is fluid and will not completely track current assumptions.

The purpose of this report is to assist the Board of Retirement, participating employers and members and other stakeholders to better understand and assess the risk profile of the system, as well as the particular risks inherent in using a fixed set of actuarial assumptions in preparing the results in our December 31, 2018 funding valuation for OCERS.

New Actuarial Standard of Practice on Risk Assessment

The Actuarial Standards Board approved the new Actuarial Standard of Practice No. 51 (ASOP 51) regarding risk assessment when performing a funding valuation and it is effective with OCERS' December 31, 2018 actuarial valuation for benefits provided by the Pension Plan. ASOP 51 requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition." Examples of key risks listed that are particularly relevant to OCERS are asset/liability mismatch risk, investment risk, and longevity and other demographic risks. The Standard also requires an actuary to consider if there is any ongoing contribution risk to the plan; however, it does not require the actuary to evaluate the particular ability or willingness of contributing entities to make contributions when due, nor does it require the actuary to assess the likelihood or consequences of future changes in applicable law.

The actuary's initial assessment can be strictly a qualitative discussion about potential adverse experience and the possible effect on future results, but it may also include quantitative numerical demonstrations where informative. The actuary is also encouraged to consider a recommendation as to whether a more detailed risk assessment would be significantly beneficial for the intended user in order to examine particular financial risks. When making that recommendation, the actuary will take into account such factors as the plan's design, risk profile, maturity, size, funded status, asset allocation, cash flow, possible insolvency and current market conditions. This report incorporates a more detailed risk assessment as agreed upon with OCERS.

Plan Risk Assessment

In Section 2, we start by discussing some of the historical factors that have caused changes in OCERS' funded status and employer contribution rates. It is important to understand how the combination of decisions and experience have led to the current financial status of the plan. We follow this with a discussion of the most significant risk factors going forward. Even though we have not included a numerical analysis of all the risk factors, we have been directed by OCERS to illustrate the impact on the funded status and employer contribution rates using relevant economic scenario tests. These tests illustrate the effect of future investment returns on the portfolio coming in different from the current 7.00% annual investment return assumption used in the December 31, 2018 valuation. The Standard also requires disclosure of plan maturity measures and other historical information that are significant to understanding the risks associated with the Pension Plan and this information is included in this report.

Historical Funded Status and Employer Contribution Rates

The following table provides a summary of financial changes to the plan over the last 10 valuations. The unfunded actuarial accrued liability (UAAL) [1] and contribution rates[2] increased primarily as a result of the strengthening of the actuarial assumptions used in preparing the valuations and unfavorable investment experience that were offset to some degree by favorable non-investment experience.

	Market Value Basis		Valuation Value Basis		Aggregate Employer Contribution Rate
Valuation Date	Funded Status	UAAL	Funded Status	UAAL	(% of Payroll)
December 31, 2009	63%	$4,394 M	69%	$3,704 M	30%
December 31, 2018	69%	$6,354 M	72%	$5,709 M	40%[3]

1 For example, the UAAL increased by $935 million and $854 million in the December 31, 2012 and December 31, 2017 valuations, respectively, as a result of the two immediately preceding experience studies.

2 For example, the increase in the employer's total rate (normal cost plus UAAL) was 4.63% in the December 31, 2012 valuation and 4.81% in the December 31, 2017 valuation, as a result of the two immediately preceding experience studies.

3 The employer contribution is 41% before reflecting the three-year phase-in of the UAAL employer cost impact due to assumption changes in the December 31, 2017 valuation.

Future Funded Status and Employer Contribution Rates

In this report, we highlight key factors that may affect the financial profile of the plan going forward. As investment experience in the past 10 years has had a significant impact on the funded status and employer contribution rates, we have also provided deterministic projections (uses select scenarios for illustration) under hypothetical favorable and unfavorable future market experience so that the impact of market performance can be better understood.

The total employer contribution rate is about 40% of total payroll in the December 31, 2018 valuation. Using a deterministic projection that assumes OCERS were to earn a favorable market return of 14.00% in 2019, there would be an increase in the total employer contribution rate to 41% of payroll in the December 31, 2019 valuation. This would be followed by a gradual decrease in the total employer contribution to 39% of payroll over next four years through the December 31, 2023 valuation when all the investment gains are fully recognized at the end of the 5-year asset smoothing period. Alternatively, an unfavorable market return of 0% in 2019 would bring an increase in the total employer contribution rate to 43% of payroll in the 2019 valuation and to 48% of payroll by the 2023 valuation.

Furthermore, under either favorable or unfavorable hypothetical market return scenarios for 2019, at the end of 20 years the System would be expected to reach full funding and the total employer contribution rate would be expected to approach about 11% of payroll [4]. That 11% of payroll is the employer normal cost rate after OCERS' UAAL layers as of December 31, 2018 are paid off over periods ranging from 15 to 20 years and any new UAALs resulting from the hypothetical market experience in 2019 are paid off over 20 years, all pursuant to the Board's actuarial funding policy. <u>This means that the Board's funding policy is very effective in achieving the general policy goal of achieving the long-term full funding of the costs of the benefits paid by OCERS.</u>

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4 Assuming no further assumption changes, method changes or experience that differs significantly from assumptions.

Plan Maturity Measures

During the past 10 valuations, the System has become more mature as evidenced by an increase in the ratio of members in pay status (retirees and beneficiaries) to active members and by an increase in the ratios of plan assets and liabilities to active member payroll. We expect these trends to continue going forward. This is significant for understanding the volatility of both historical and future employer contribution rates because any increase in UAAL due to unfavorable investment and non-investment experience for a relatively larger group of non-active and active members would have to be amortized and funded over the payroll of a relatively smaller group of active members. Put another way, as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes. As OCERS continues to mature with time, its risk profile will continue to evolve in this way and contributions will grow more sensitive to plan experience.

Section 2: Key Plan Risks on Funded Status, Unfunded Actuarial Accrued Liabilities, and Employer Contribution Rates

Evaluation of Historical Trends

Funded Status and UAAL

One common measure of OCERS' financial status is the funded ratio. This ratio compares the valuation[5] and market value of assets to the actuarial accrued liabilities (AAL)[6] of OCERS. The overall level of funding of OCERS has only slightly increased as a result of strengthening of the economic and non-economic assumptions especially in the two triennial experience studies recommending assumptions used in the December 31, 2012 and 2017 valuations. Unfavorable investment experience also had an impact. The funding ratios and UAAL for the past 10 valuations from December 31, 2009 to 2018 measured using both actuarial and market value of assets bases are provided in Chart 1.

The factors that caused the changes in the UAAL for the past 10 valuations from December 31, 2009 to 2018 are specified in Chart 2. The results in Chart 2 reflect the changes in the investment return assumption from 7.75% to 7.25% in the December 31, 2012 valuation and from 7.25% to 7.00% in the December 31, 2017 valuation. These reductions together with the changes in the mortality tables and other assumptions from the two triennial

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5 The valuation value of assets is equal to the market value of assets excluding unrecognized returns from the last few years and any non-valuation reserves. Unrecognized returns are based on the difference between actual and expected returns on a market value basis and are recognized over a five-year period.

6 For the actives, the actuarial accrued liability is the value of the accumulated normal costs allocated to the years before the valuation date. For the pensionsers, beneficiaries and deferred vested members, the actuarial accrued liability is the single sum present value of the lifetime benefit expected to be paid to those members.

experience studies recommending assumptions used in the December 31, 2012 and 2017 valuations have had by far the most impact on the UAAL for OCERS,[7] followed by the unfavorable investment experience during 2009 to 2018.

Chart 2 also shows that the unfavorable investment experience was offset to some extent by favorable non-investment experience. The non-investment experience included smaller salary increases received by active members and smaller cost-of-living-adjustment (COLA) increases received by retirees and beneficiaries than those expected under the actuarial assumptions. The non-investment experience also included the scheduled delay in implementing the contribution rates determined in the annual valuation.

It is important to note that OCERS has taken significant strides in risk management and resulting long-term plan sustainability. This includes strengthening of assumptions, particularly the expected return discount rate, and adopting a funding policy that eliminates negative amortization and promotes intergenerational equity. These changes may result in higher contributions in the short term, but in the medium to longer term avoid both deferring contributions and allowing unmanaged growth in the unfunded liability. We believe these actions are essential for OCERS' fiscal health going forward.

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[7] For instance, the UAAL increased by $935 million and $854 million in the December 31, 2012 and December 31, 2017 valuations, respectively, as a result of the two immediately preceding experience studies.

Chart 1

Funded Ratio (Percentages) and Dollar UAAL ($ Millions)
In December 31, 2009 to 2018 Valuations

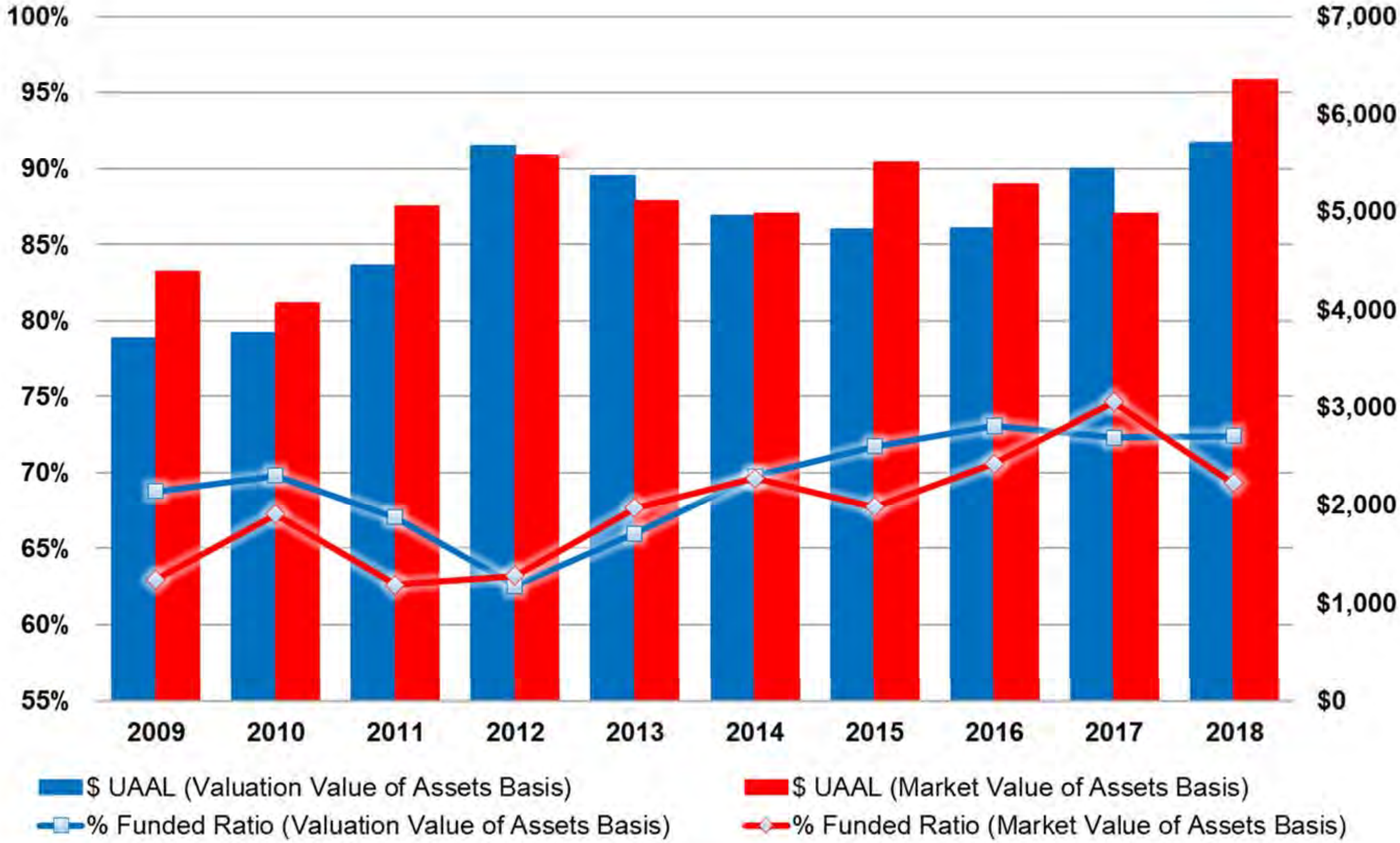
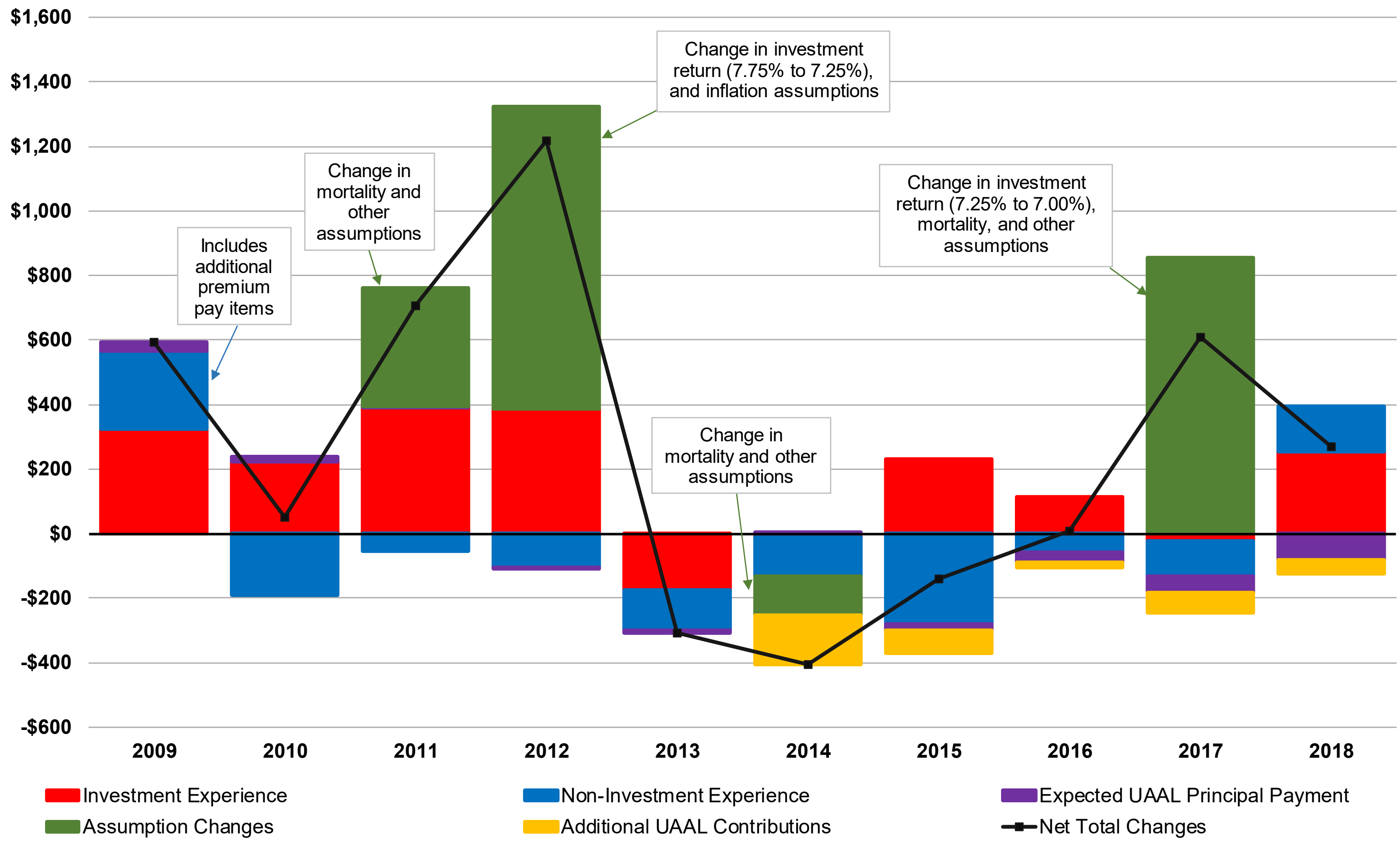


Chart 2

Factors that Changed UAAL in December 31, 2009 to 2018 Valuations ($ Millions)



Note: The primary source of investment losses starting in the December 31, 2008 valuation is the Great Recession, which was recognized in the Actuarial Value of Assets over five years.

Employer Contribution Rates

The total (normal cost[8] plus UAAL payment) employer contribution rates determined in the December 31, 2009 to 2018 valuations are provided in Chart 3 and the factors that caused the changes in the total employer aggregate rates[9] are provided in Chart 4.

Except for the increase caused by using new actuarial assumptions in the December 31, 2012 valuation, the employer's aggregate normal cost rates in Chart 3 have stayed relatively flat during the last 10 years. The changes to the employer's aggregate normal cost rates from assumption changes were offset to some degree by the plan changes under the Public Employees' Pension Reform Act of 2013 (PEPRA) as new members have been enrolled in the lower cost PEPRA benefit tiers starting on January 1, 2013.

Chart 4 shows that the changes in the investment return (from 7.75% to 7.25% in the December 31, 2012 valuation, from 7.25% to 7.00% in the December 31, 2017 valuation), mortality tables and other assumptions from the two triennial experience studies performed before those two valuations have had by far the most impact on increasing the UAAL contribution rates[10] for the employers. The next greatest impact was from the unfavorable investment experience in 2008, that was recognized from 2009 to 2012 under OCERS' asset smoothing policy.

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[8] The normal cost is the amount of contributions required to fund the portion of the level cost of the member's projected retirement benefit that is allocated to the current year of service.

[9] There are separate contribution rates determined in the valuation for the General and Safety membership groups and for the different benefit tiers and employers. The aggregate contribution rates have been calculated based on an average of those rates weighted by the payrolls of the active members reported in those valuations.

[10] For instance, the increase in the employer's total rate (normal cost plus UAAL) was 4.63% in the December 31, 2012 valuation and 4.81% in the December 31, 2017 valuation, as a result of the two experience studies.

Chart 3

Employer Contribution Rates in December 31, 2009 to 2018 Valuations (% of Payroll)

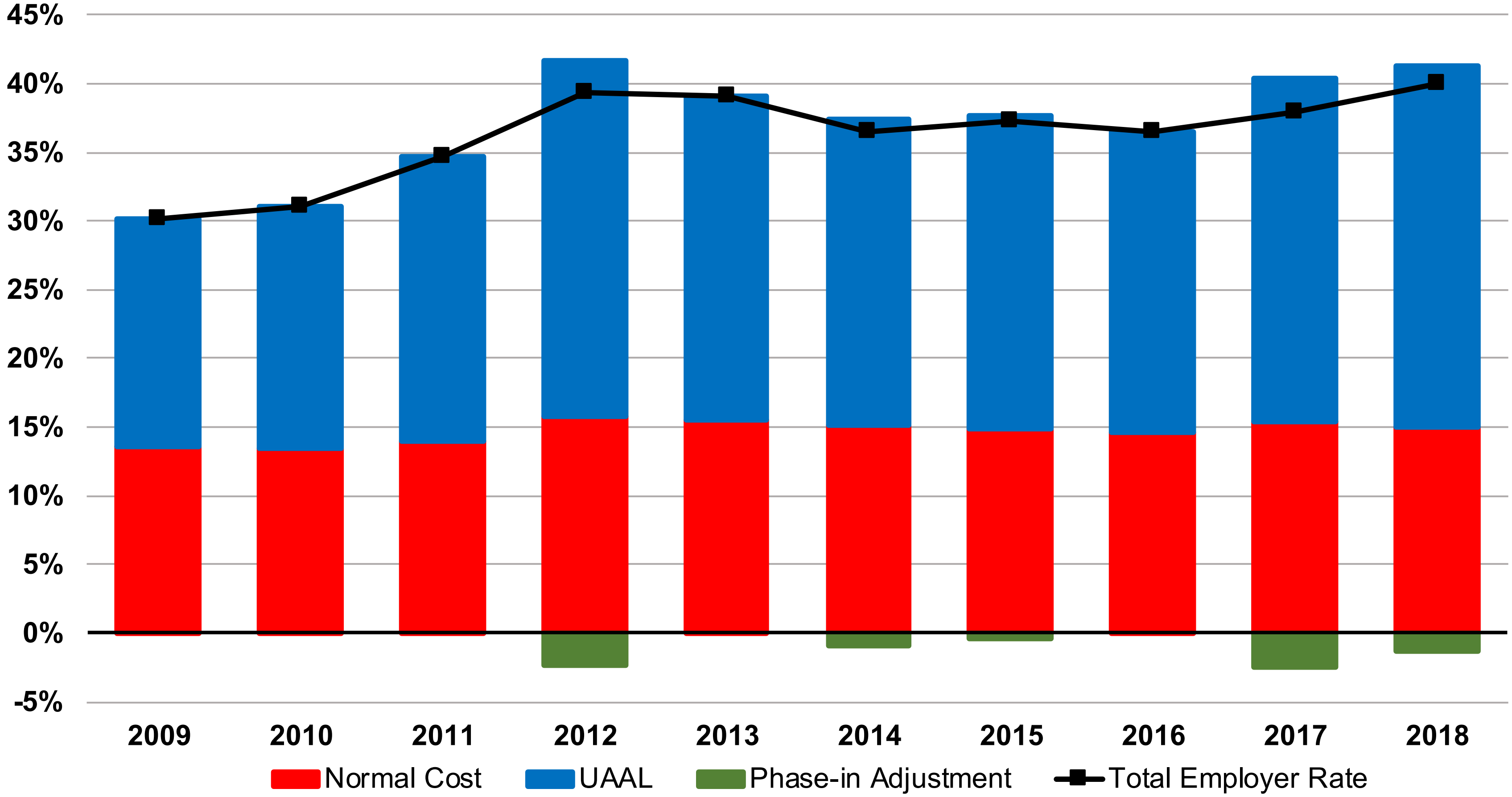
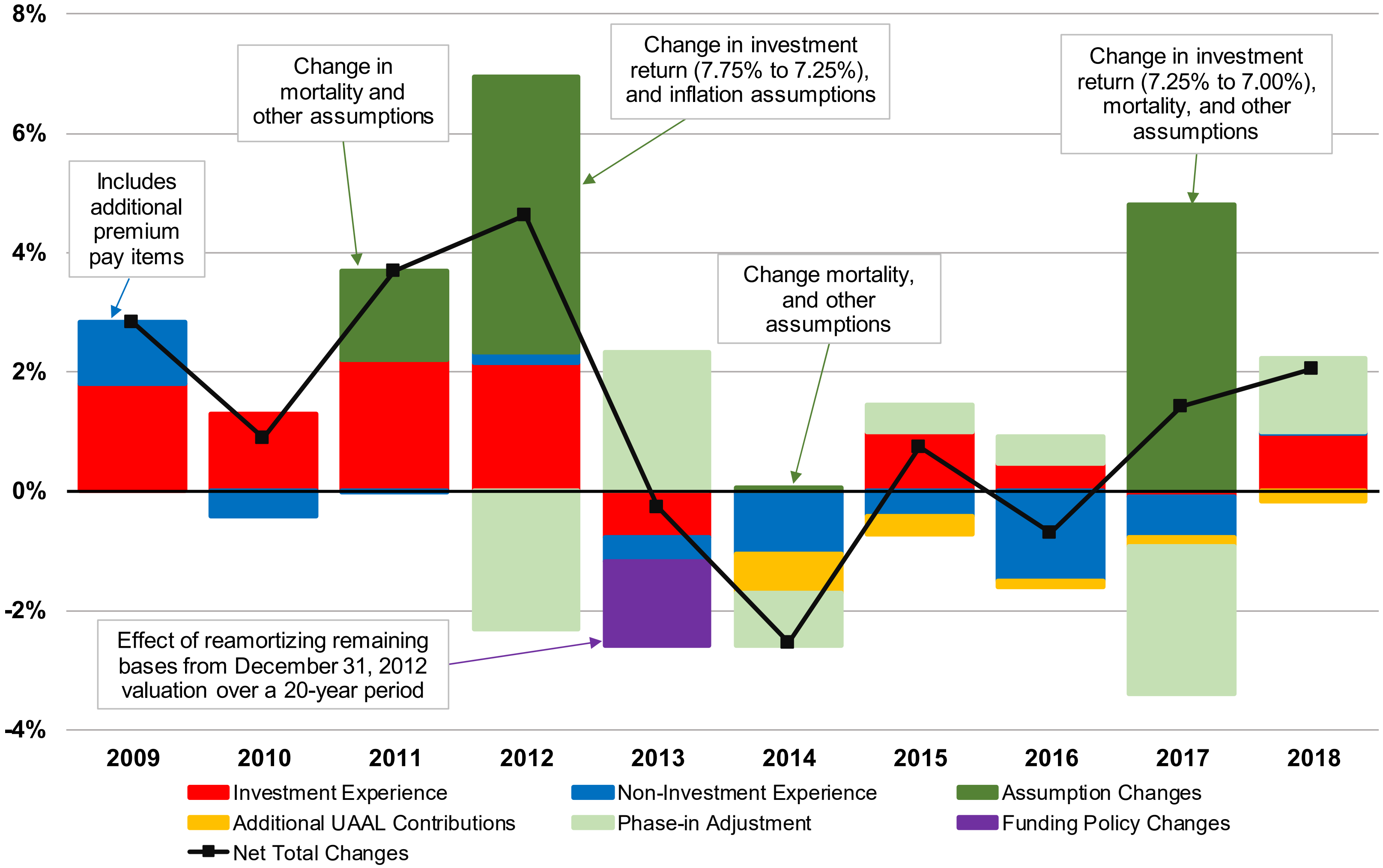


Chart 4

Factors that Affected Employer Contribution Rates in December 31, 2009 to 2018 Valuations (% of Payroll)



Note: The primary source of investment losses starting in the December 31, 2008 is the Great Recession, which was recognized in the Actuarial Value of Assets over five years.

Assessment of Primary Risk Factors Going Forward

As discussed in the Evaluation of Historical Trends section, in the 2009 to 2018 valuations the funded ratios and the employer contribution rates have changed mainly as a result of changes in actuarial assumptions and investment experience.

In general, we anticipate the following risk factors to have an ongoing influence on those financial metrics in our future valuations:

- Asset/liability mismatch risk – the potential that future plan experience does not affect asset and liability values in the same way, causing them to diverge.

  The most significant asset/liability mismatch risk to OCERS is investment risk, as defined below. In fact, investment risk has the potential to impact asset/liability mismatch in two ways. The first mismatch is evident in annual valuations: when asset values deviate from assumptions, those changes are essentially independent from liability changes. The second mismatch can be caused when systemic asset deviations from assumptions may signal the need for an assumption change, which causes liability values and contribution rates to move in the opposite direction from the experience of the asset values. As an example and as part of our assumption sensitivity analysis that we are performing for OCERS on an annual basis, we estimated that the total (employer and employee) contribution rate would increase by about 4% of payroll for a 0.25% reduction in only the investment return assumption.[11]

  Asset/liability mismatch can also be caused by longevity and other demographic assumption risks, which affect liabilities but have no impact on asset levels. These risks are also discussed below.

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[11] See Alternative #2 included in our "Sensitivity Illustrations of Retirement Costs, Unfunded Actuarial Accrued Liability and Funded Ratio under Alternative Inflation and Investment Return Assumptions" letter dated July 3, 2019.

It may be informative to use the Asset Volatility and Liability Volatility Ratios and associated contribution rate impacts provided in the following Plan Maturity Measures section when discussing with the employers the effect of unfavorable or favorable actuarial experience on the assets and the liabilities of OCERS.

- Investment risk – the potential that future market returns will be different from the current expected 7.00% annual return assumption.

  The investment return assumption is a long-term, deterministic assumption for valuation purposes even though in reality market experience can be quite volatile in any given year. We have included deterministic scenario tests later in this section so that OCERS can better understand the risk associated with earning either more or less than the assumed rate.

  Also, the Board has a policy of reviewing the investment return and the other actuarial assumptions every three years, with the next triennial experience study (recommending assumptions for the December 31, 2020 actuarial valuation) is scheduled to be performed in 2020 following the December 31, 2019 valuation. Even though the economic assumptions included in our annual sensitivity analysis might not correspond to whatever investment return and inflation assumptions we would recommend to the Board at the next triennial experience study, the results from that analysis could still provide the stakeholders the approximate financial impact of such changes in assumptions.

- Longevity and other demographic risks – the potential that mortality or other demographic experience will be different than expected.

  Aside from updates to the mortality tables to anticipate continued improvement in life expectancy for the System's members, there were no major changes in the other non-economic assumptions in the last experience study. As can be observed from Charts 2 and 4, there had been relatively small impact on the UAAL and employer contribution rates due to unfavorable non-investment related experience relative to the assumptions used in the last 10 valuations. However, in the last triennial experience study recommending assumptions for the December 31, 2017 valuation, we alerted the Board that it should consider a new benefit weighted mortality basis when choosing the next mortality table, pending the availability of mortality experience from the Society of Actuaries (SOA) that included data from public sector retirement plans.[12] In January 2019, the SOA published the public sector mortality tables. While it is premature to estimate the impact of applying those new mortality tables on employer and employee contribution rates until we perform the next triennial experience study recommending assumptions for the December 31, 2020 valuation, the Board should still be aware that there will likely be some increase in liabilities and contribution rates for General members. For Safety members, we expect that additional margins in the current mortality assumption will be sufficient to absorb the effect of the new benefit weighted mortality assumptions.

- Contribution risk – The potential that actual future contributions will be different from expected future contributions.

  ASOP 51 does not require the actuary to evaluate particular ability or willingness of the plan sponsor or other contributing entity to make contributions to the plan when due. However, it does require the actuary to consider the potential for and impact of actual contributions deviating from expected in the future. OCERS employers have a well-established practice of making the Actuarially Determined Contributions (ADC) determined in the annual actuarial valuation, based on the Board of Retirement's Actuarial Funding Policy. As a result, in practice OCERS has essentially no contribution risk.

  Furthermore, when ADCs determined in accordance with the OCERS Actuarial Funding Policy are made in the future by the employers (and contributions required by the statute are made by the employees), it is anticipated that the System would have enough assets to provide all future benefits promised to the current members enrolled in the System, if all of the actuarial assumptions used in the valuation are met.

The ASOP also lists interest rate risk as an example of a potential risk to consider. However, the valuation of your plan's liabilities is not linked directly to market interest rates so the resulting interest rate risk exposure is minimal.

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[12] We note that a similar recommendation to use benefit weighted mortality tables was made by OCERS' actuarial auditor in 2018.

Scenario Tests: Deterministic Projections

Since the funded ratio, UAAL and the employer contribution rates have fluctuated as a result of deviation in investment experience in the last 10 valuations, we have examined the risk for OCERS associated with earnings either higher or lower than the assumed rate of 7.00% in future valuations using projections under a deterministic approach.

To measure such risk, we have included a scenario test to study the change in unfunded liabilities and contribution rates if OCERS were to earn market return higher or lower than 7.00% in the next year following the December 31, 2018 valuation. In Charts 5, 6 and 7, we show the aggregate employer contribution rates, funded ratios, and UAAL respectively assuming that the portfolio's market return in 2019 will be as follows: Scenario 1: 14.00%, Scenario 2: 7.00% (baseline) or Scenario 3: 0%. The following table summarizes the resulting contribution changes (relative to the December 31, 2018 valuation aggregate employer contribution rate of approximately 40%) in the immediate next valuation as well as in December 31, 2023 valuation where all of the investment gains and losses are fully recognized in the (smoothed) actuarial value of assets.

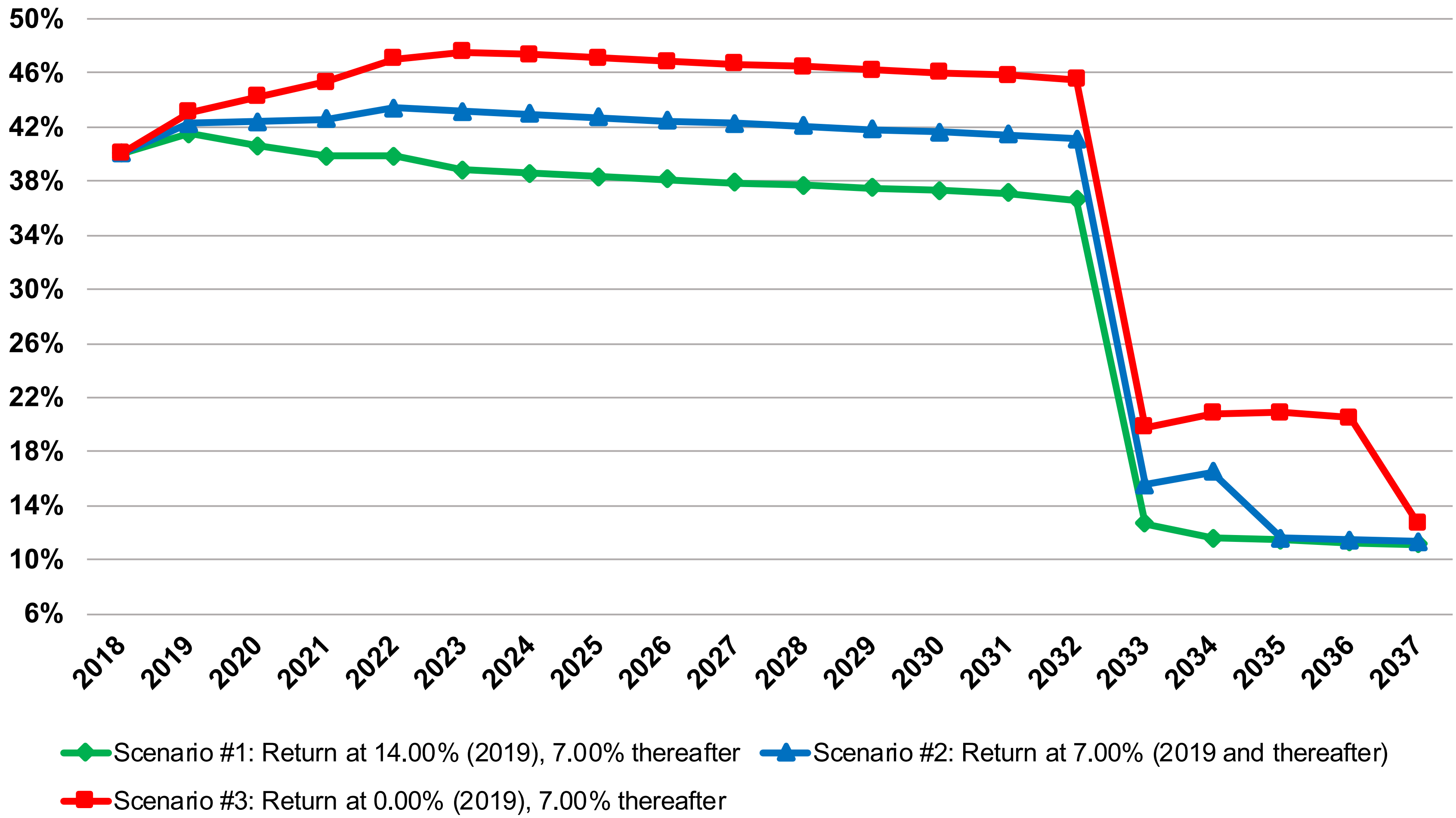
	2019 Single Year Investment Return		
Contribution Rate Change	**14%**	**7% (baseline)**	**0%**
December 31, 2019	+1% of payroll	+2% of payroll	+3% of payroll
December 31, 2023	-1% of payroll	+3% of payroll	+8% of payroll

Furthermore, under either favorable or unfavorable hypothetical market return scenarios for 2019, the total employer contribution rate would be expected to approach about 11% of payroll at the end of 20 years. That 11% of payroll is the employer normal cost rate after OCERS' UAAL layers as of December 31, 2018 are paid off over periods ranging from 15 to 20 years and any new UAALs resulting from the hypothetical market experience in 2019 are paid off over 20 years pursuant to the Board's actuarial funding policy. This means that the Board's funding policy is very effective in achieving the general policy goal of achieving the long-term full funding of the costs of the benefits paid by OCERS.

While we have not assigned a probability on the 2019 market return coming in at these rates, the Board and other stakeholders monitoring OCERS should still be able to prorate and estimate the funded status and employer contribution rates for the December 31, 2019 and next several valuations as the actual investment experience for the 2019 year becomes available throughout the year. Additionally, comparable experience in upcoming future years are likely to have a similar impact on the System absent any significant plan or assumption changes.

Chart 5

Projected Employer Contribution Rates Under
Three Hypothetical Market Return Scenarios for 2019 (% of Payroll)



Note: The plan is paying the Normal Cost only starting in the December 31, 2035 valuation for Scenario 1 and Scenario 2.

Chart 6

Projected Funded Ratios (on Valuation Value of Assets Basis) Under Three Hypothetical Market Return Scenarios for 2019

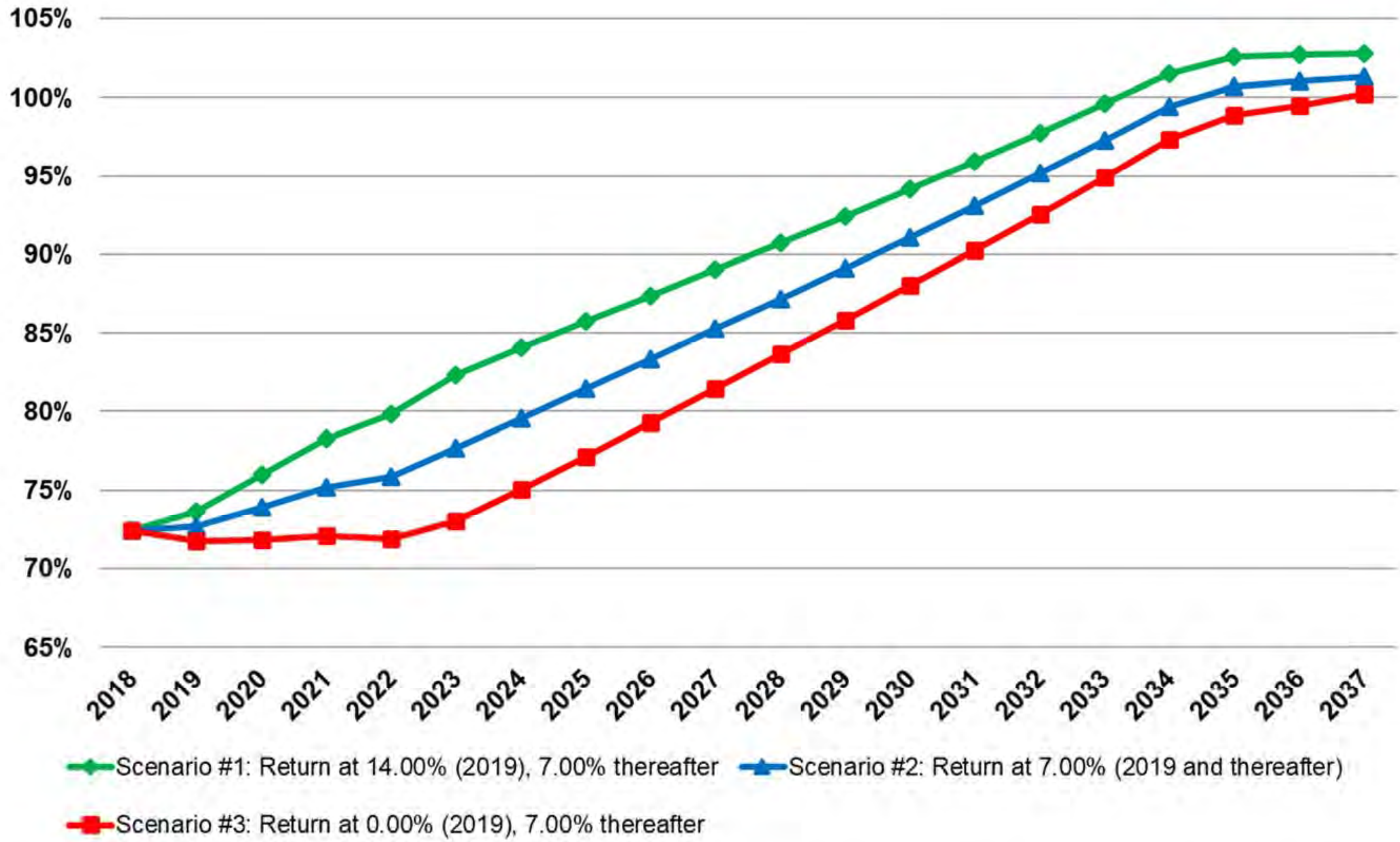
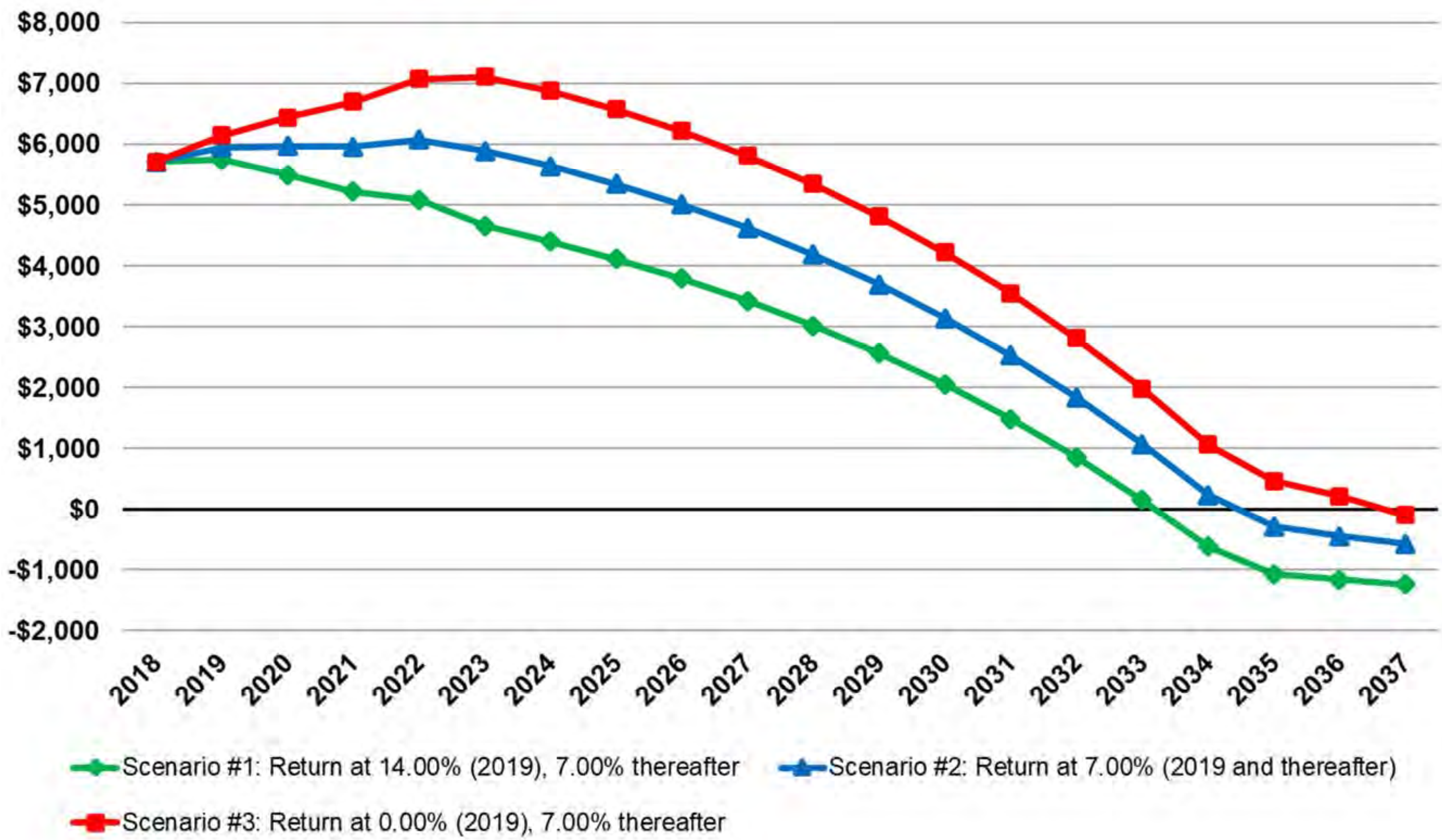


Chart 7

Projected UAAL (on Valuation Value of Assets Basis) Under
Three Hypothetical Market Return Scenarios for 2019 ($ Millions)



Plan Maturity Measures that Affect Primary Risks

The annual actuarial valuation considers the number and demographic characteristics of covered members, including active members and members in pay status (retirees and beneficiaries). In the past 10 valuations from December 31, 2009 to 2018, OCERS has become more mature, indicated by the continued increase in the ratio of members in pay status to active members seen in Chart 8. This ratio excludes vested terminated members who have relatively small liabilities. The increase in this ratio is significant because any increase in UAAL due to unfavorable future investment and non-investment experience for a relatively larger group of non-active members would have to be amortized and funded using the payroll of a relatively smaller group of active members. It is important to note that virtually all pension plans are becoming more mature, so as a local reference and comparison we have included average data that CalPERS makes publically available. OCERS has historically been less mature than CalPERS plans on average but that difference has diminished over time.

Besides the ratio of members in pay status to active members, another indicator of a more mature retirement plan is relatively large amounts of assets and/or liabilities compared to active member payroll and increasing volatility in the level of required contributions. The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of contribution sensitivity to changes in the current level of assets and is detailed in Chart 9. The Liability Volatility Ratio (LVR), which is equal to the actuarial accrued liability divided by payroll, provides an indication of the contribution sensitivity to changes in the current level of liability and is detailed in Chart 10. Over time, the AVR should approach the LVR as when a plan is fully funded the assets will equal the liabilities. As such, the LVR also indicates the long-term contribution sensitivity to the asset volatility, as the plan approaches full funding.

In particular, OCERS' AVR was 7.7 as of December 31, 2018. This means that a 1% asset gain or loss in 2019 (relative to the assumed investment return) would amount to 7.7% of one year's payroll. Similarly, OCERS' LVR was 11.0 as of December 31, 2018, so a 1% liability gain or loss in 2019 would amount to 11.0% of one year's payroll[13]. Based on OCERS' policy to amortize actuarial experience over a period of 20 years, there would be a 0.5% of payroll decrease or increase in the required contribution rate for each 1% asset gain or loss respectively and a 0.8% of payroll decrease or increase in the required contribution rate for each 1% liability gain or loss respectively.

It is also informative to note that the AVR and LVR ratios for OCERS' Safety groups are significantly higher than for General employees. This means that both investment volatility and assumption changes will have a greater impact on the contribution rates of Safety groups than General groups.

[13] The 7.7 and 11.0 are the AVR and LVR, respectively, for the entire System. There are considerable differences in those ratios for the General and Safety membership groups.

Chart 8

Ratios of Members in Pay-Status (Retirees and Beneficiaries) to Active Members In December 31, 2009 to 2018 Valuations

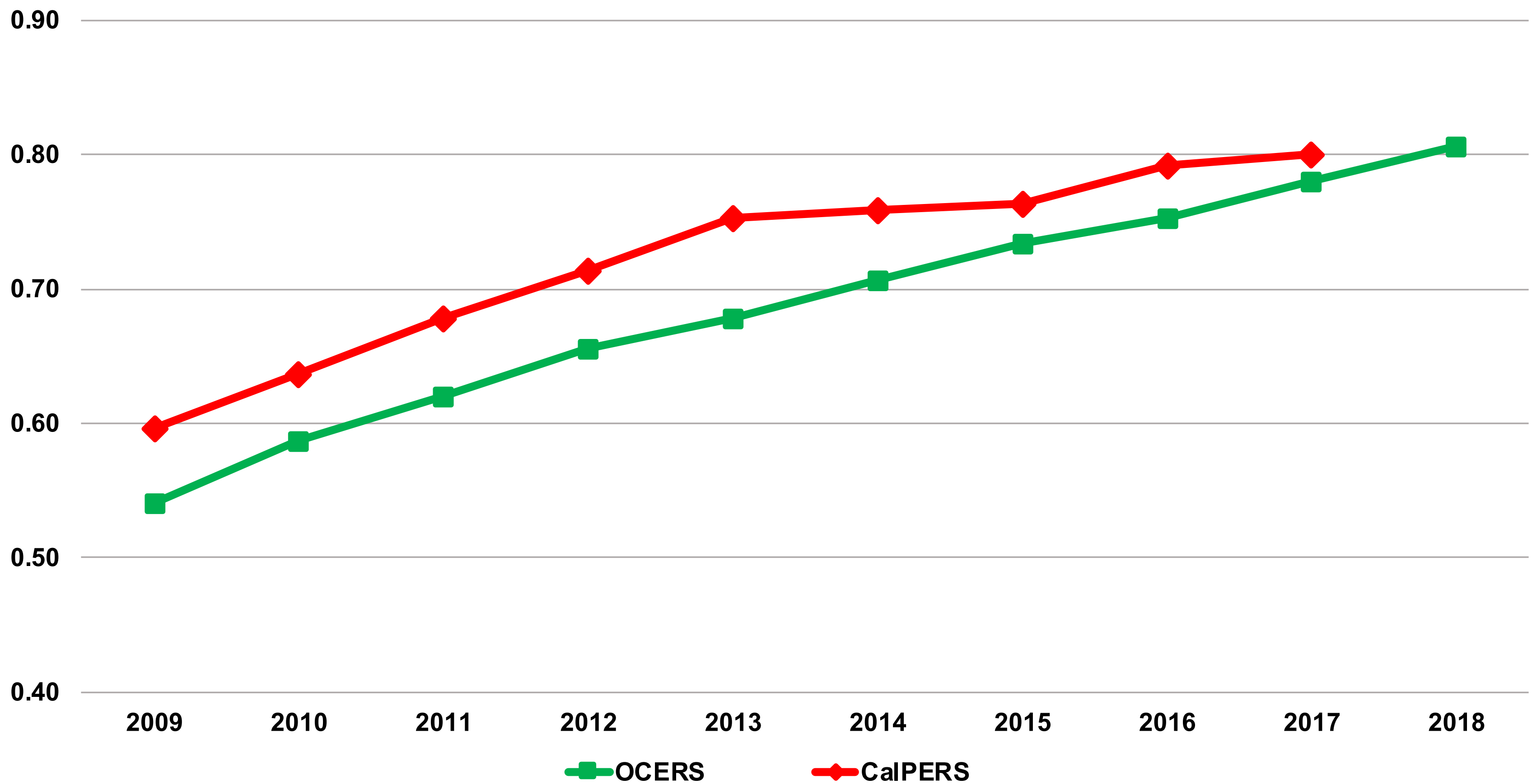


Chart 9

Asset Volatility Ratio in December 31, 2009 to 2018 Valuations

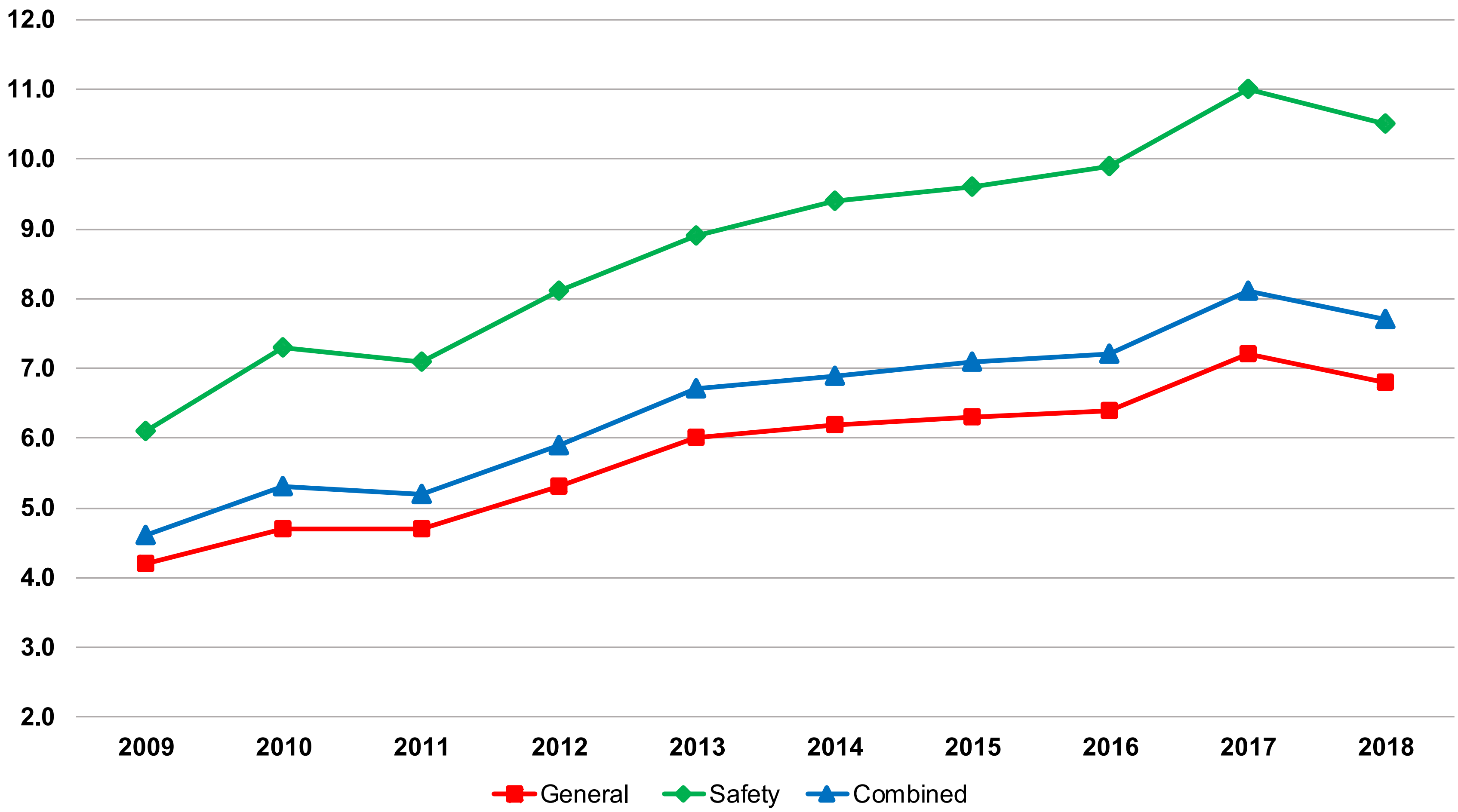
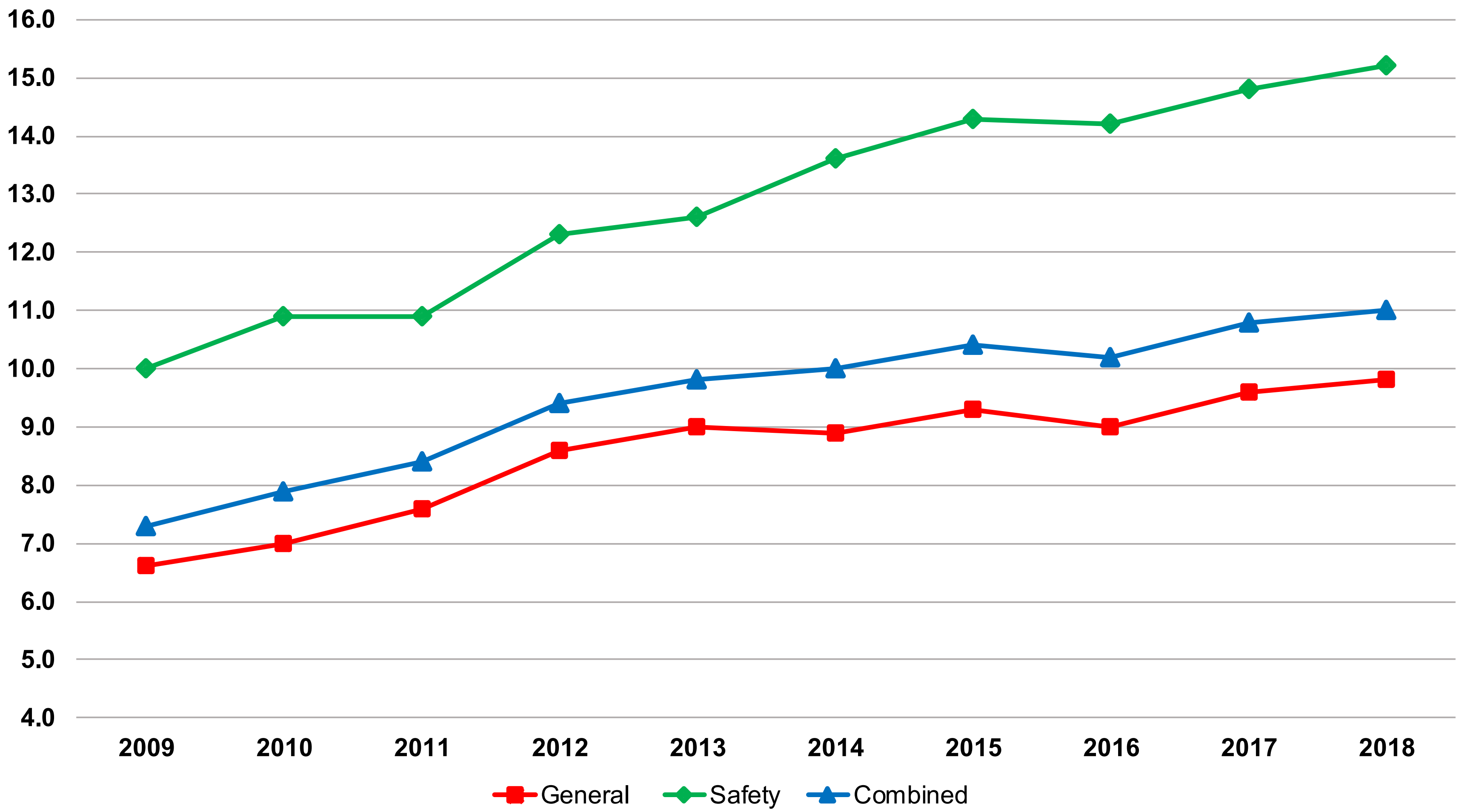


Chart 10

Liability Volatility Ratio in December 31, 2009 to 2018 Valuations



Appendix: Actuarial Assumptions, Methods and Actuarial Certification

Actuarial Assumptions and Methods

Unless otherwise noted, the results included in this report have been prepared based on the assumptions and methods used in preparing the December 31, 2018 valuation.

Deterministic Projection

In addition, we have prepared the deterministic projection using the following assumptions and methods applied in the December 31, 2018 actuarial valuation:

- Non-economic assumptions will remain unchanged.
- Retirement benefit formulas will remain unchanged.
- 1937 Act and PEPRA statutes will remain unchanged.
- UAAL amortization method will remain unchanged (i.e., 20-year layers and level percent of pay).
- Economic assumptions will remain unchanged, including the annual 7.00% investment earnings and 3.25% active payroll growth assumptions.
- Deferred investment gains and losses will be recognized over a 5-year period.
- All other actuarial assumptions used in the December 31, 2018 actuarial valuation will be realized.

Other Considerations

The results presented in this report are intended to provide insight into key plan risks that can inform financial preparation and future decision making. However, we emphasize that both deterministic and stochastic projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

Actuarial Certification

The actuarial calculations in this report were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary.

The actuarial opinions expressed in this report were prepared by Paul Angelo, FSA, MAAA, FCA, Enrolled Actuary, Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary and Todd Tauzer, FSA, MAAA, FCA, CERA. They are members of the American Academy of Actuaries and they meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

5591506v3/05794.001

I-15

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **ORANGE COUNTY FIRE AUTHORITY – UPDATE ON ACCELERATED PENSION PAYDOWN PLAN**

Written Report

Background/Discussion

On Monday, August 19, the OCERS Board will hear a presentation by Ms. Lori Zeller, Deputy Chief, Administration and Support, of the Orange County Fire Authority regarding that agency's long term pension goals.

Submitted by:

Steve Delaney
Chief Executive Officer

Orange County Fire Authority

Accelerated Pension Paydown Plan

OCERS Board of Retirement

August 19, 2019

Pension Paydown Plan

- **The OCFA Board adopted an Accelerated Pension Paydown Plan in September 2013 when the unfunded liability was $473.8M** (65% funded)

- **Accelerated Pension Paydown Plan was comprised of 3 strategies:**

  - ✓ **Allocate year-end fund balance available**

  - ✓ **Allocate savings from reduced pension formulas under PEPRA**

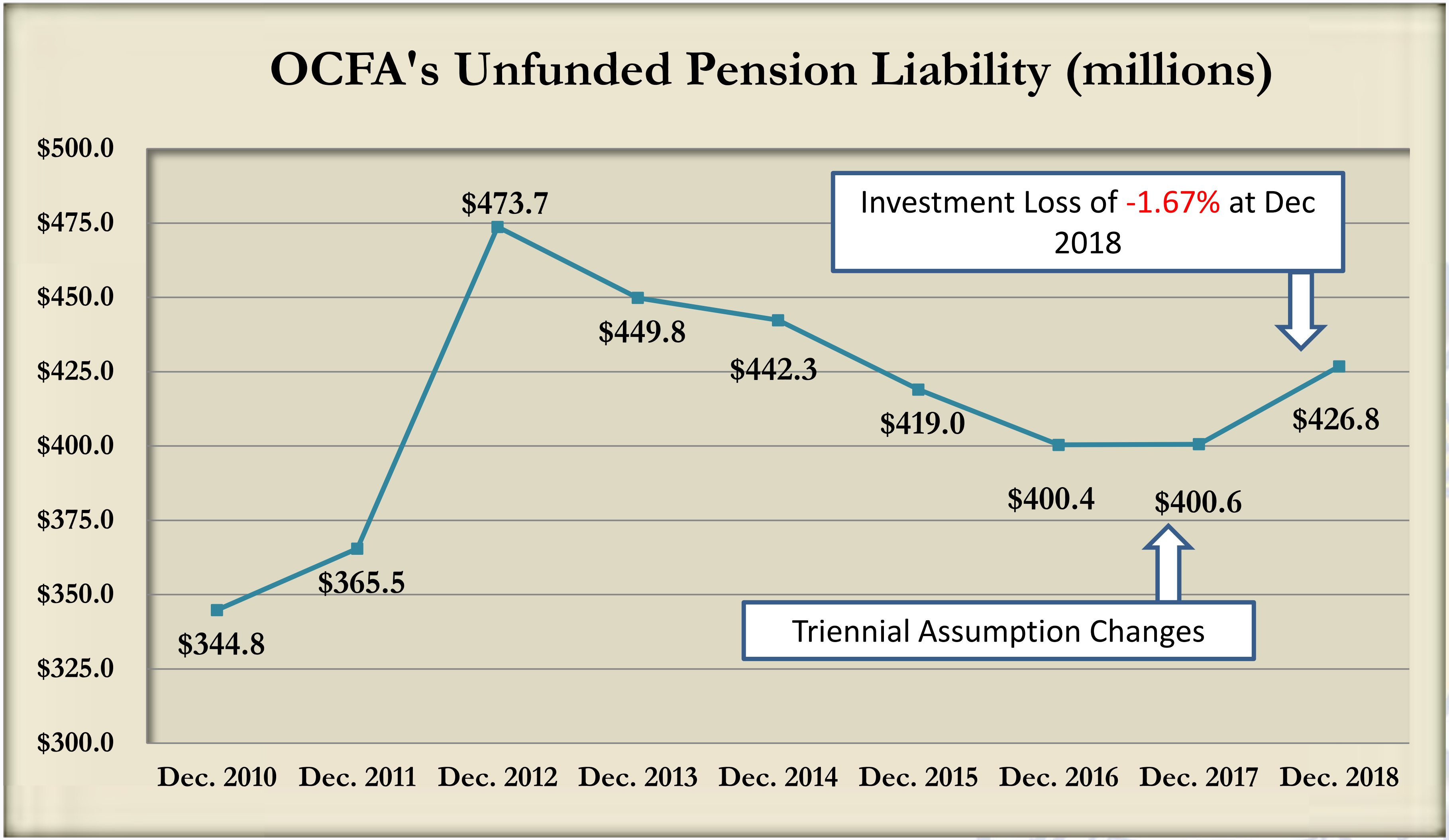
  - ✓ **Implement annual budget increases starting at $1M per year, and growing to $5M per year**

- **At that time, Segal Consulting estimated the Accelerated Pension Paydown Plan would fund OCFA's pension to 100% in 16 years**

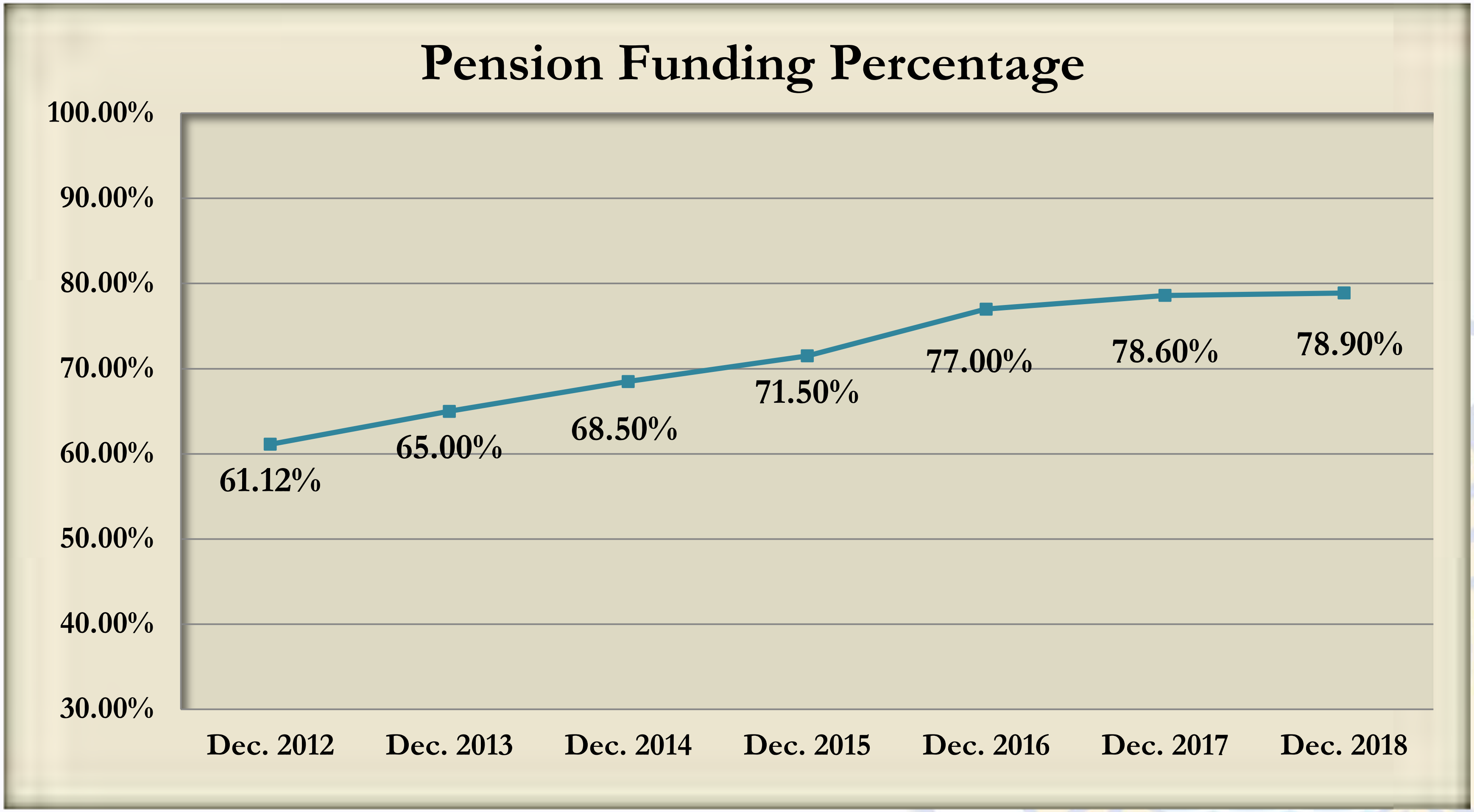
Pension Paydown Plan

- **Today, after 6 years from adoption of the Accelerated Pension Paydown Plan:**
  - ✓ **Additional strategies have been added to the Plan, further accelerating paydown**
  - ✓ **OCFA's unfunded pension liability has been reduced from \$473.8M to \$426.8M**
  - ✓ **OCFA's pension funding level has increased from 65% to 79%**
  - ✓ **The accelerated funding goal has been modified by the OCFA Board of Directors from 100% to 85%**

Pension Paydown Plan
UAAL trend since Sept 2013 implementation



Pension Progress



Pension Paydown Plan

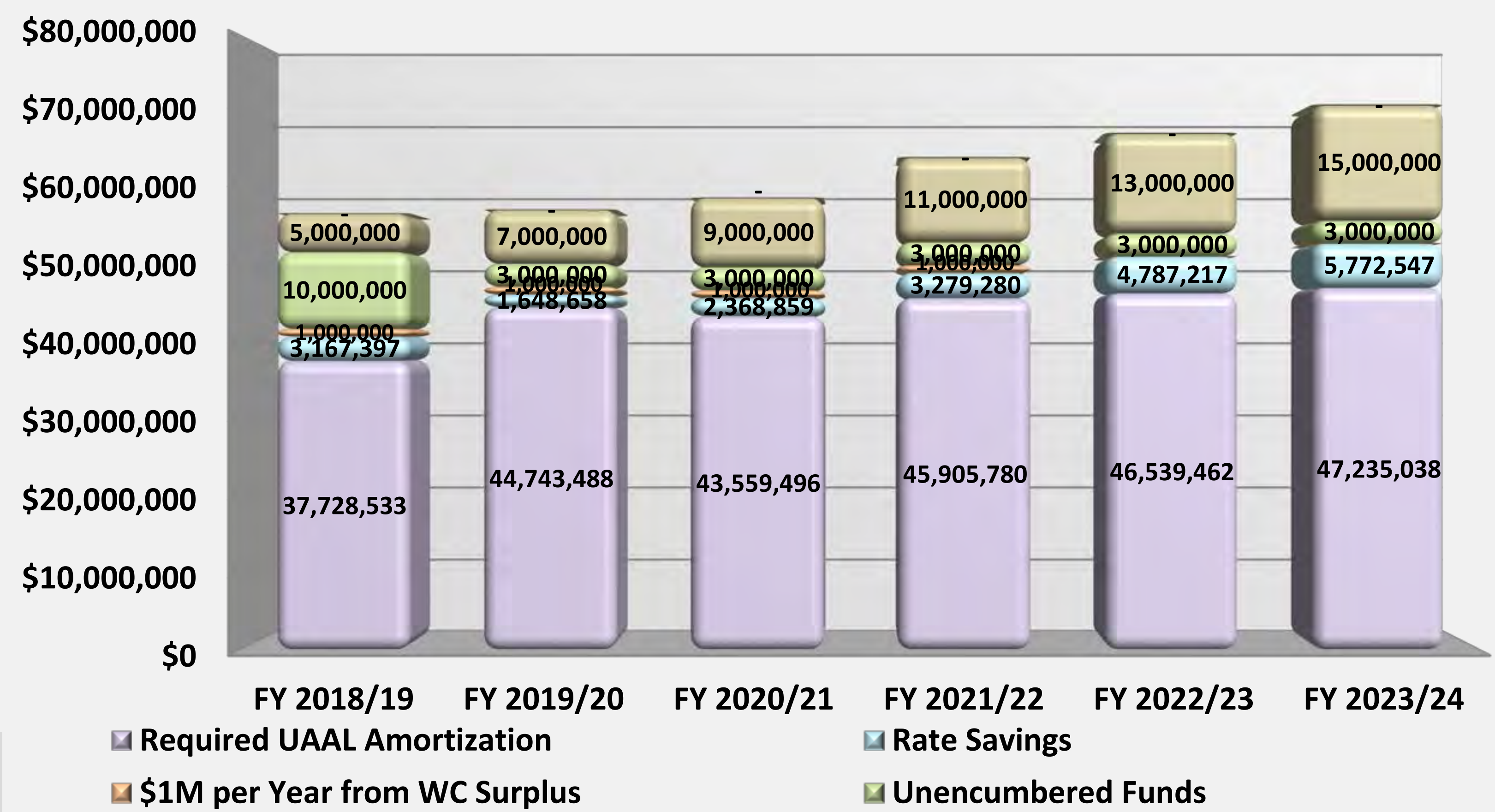
- **The updated Accelerated Pension Paydown Plan was recently submitted to Segal for review, with a report issued in July 2019 indicating:**

  ✓ **OCFA's accelerated payments are estimated to achieve the funding goal of 85% by December 2022**

  ✓ ***OCFA's accelerated payments made during the last 6 years have produced interest savings totaling <u>$24,582,776</u>***

    - **2014 = $1,012,937**
    - **2015 = $2,084,402**
    - **2016 = $3,295,068**
    - **2017 = $4,322,897**
    - **2018 = $6,059,497**
    - **2019 = $7,807,975**

Pension Paydown Plan



Total required payments above = $265.7M and accelerated payments = $109.0M

Total payments = $374.7M or 93.5% of OCFA's total UAAL

OCFA Modifications to Segal Rates

Orange County Fire Authority
Segal Actuarial Study for December 31, 2016
OCFA Modifications to Segal Recommended Rates

	RG #10 General	**RG #8 Safety**
Recommended Contribution Rate per Segal 2016 Study	30.54%	47.81%
Remove effect of additional UAAL contributions - 2016	0.15%	0.27%
Remove effect of additional UAAL contributions - 2015	0.80%	0.99%
Remove effect of additional UAAL contributions - 2014	1.17%	1.19%
Modified Contribution Rate for FY 2018/19	**32.66%**	**50.26%**

2016 Rate Group #10 (General)

2016 Study

Reconciliation of Employer Contributions for General Members

		RG #1	RG #2	RG #3	RG #5	RG #9	RG #10	RG #11	RG #12
1.	Aggregate Recommended Contribution Rate as of December 31, 2015 (before adjustments to FY17-18 rates)	18.51%(1)	34.38%	13.07%	26.18%	26.30%	32.58%	11.45%	31.00%(2)
2.	Adjustment to FY17-18 rates for additional UAAL contributions from OCSD and Law Library	0.00%	0.00%	-1.42%	0.00%	0.00%	0.00%	0.00%	-8.89%
3.	Effect of 3-year phase-in of changes in actuarial assumptions for Safety Rate Groups	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4.	Aggregate Recommended Contribution Rate as of December 31, 2015 (after adjustments to FY17-18 rates)	18.51%(1)	34.38%	11.65%	26.18%	26.30%	32.58%	11.45%	22.11%
5.	Actuarial (gain)/loss items:								
a)	Effect of recognizing one-third of 3-year phase-in of changes in actuarial assumptions for Safety rate groups	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
b)	Effect of investment loss (after smoothing)	0.27%	0.41%	N/A(3)	0.38%	0.27%	0.33%	N/A(3)	0.41%
c)	Effect of additional UAAL contributions from OCFA and scheduled payment for UCI	-0.11%	0.00%	N/A(3)	0.00%	0.00%	-0.15%	N/A(3)	0.00%
d)	Effect of difference in actual versus expected contributions	-0.12%	-0.02%	N/A(3)	0.14%	-0.20%	-0.13%	N/A(3)	0.19%
e)	Effect of difference in actual versus expected COLA increases	-0.42%	-0.68%	N/A(3)	-0.55%	-0.35%	-0.58%	N/A(3)	-0.36%
f)	Effect of difference in actual versus expected salary increases	-0.24%	0.87%	N/A(3)	0.23%	-0.46%	0.08%	N/A(3)	-0.99%
g)	Effect of growth in total payroll (greater)/less than expected	-0.68%	-0.96%	N/A(3)	-0.02%	-0.45%	-2.14%	N/A(3)	0.60%
h)	Effect of changes in data and process	-0.37%	-0.36%	N/A(3)	-0.86%	-0.12%	-0.35%	N/A(3)	-0.10%
i)	Effect of other experience (gain)/loss(4)(5)	-0.47%	0.02%	-0.04%	-0.02%	-1.17%	0.90%	-0.57%	0.88%
j)	Subtotal	-2.14%	-0.72%	-0.04%	-0.70%	-2.48%	-2.04%	-0.57%	0.63%
6.	Aggregate Recommended Contribution Rate as of December 31, 2016	16.37%(6)	33.66%	11.61%	25.48%	23.82%	30.54%	10.88%	22.74%

(1) As of December 31, 2015, the net contribution rate for County and IHSS Public Authority after reflecting Board's UAAL contribution rate policy for employers with declining payroll (i.e., U.C.I. and DOE) is 14.86%.

(2) After adjustments for future service improvements.

(3) N/A because RG #3 and RG #11 have become overfunded and under CalPEPRA, the employer's contribution rate cannot be less than the Normal Cost unless the funded ratio is over 120% and other conditions in CalPEPRA are met. If that restriction did not apply, the UAAL rates would have been -0.21% for RG #3 and -1.15% for RG #11 if the overfunded amounts are amortized over 30 years.

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

(5) Effect of other experience (gain)/loss includes:

	RG #9	RG #10	RG #11	RG #12
Effect of changes in demographics	-0.15%	0.14%	-0.57%	0.86%
Retirement experience (gain) /loss	-0.59%	0.54%	N/A	N/A

(6) As of December 31, 2016, the net contribution rate for County and IHSS Public Authority after reflecting Board's UAAL contribution rate policy for employers with declining payroll (i.e., U.C.I. and DOE) is 13.30%.

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2016 Rate Group #8 (Safety)

Reconciliation of Employer Contributions for Safety Members

2016
Study

		RG #6	RG #7	RG #8
1.	Aggregate Recommended Contribution Rate as of December 31, 2015 (before adjustments to FY17-18 rates)	47.09%	63.83%	49.43%
2.	Adjustment to FY17-18 rates for additional UAAL contributions from OCSD and Law Library	0.00%	0.00%	0.00%
3.	Effect of 3-year phase-in of changes in actuarial assumptions for Safety Rate Groups	-2.17%	-2.12%	-1.40%
4.	Aggregate Recommended Contribution Rate as of December 31, 2015 (after adjustments to FY17-18 rates)	44.92%	61.71%	48.03%
5.	Actuarial (gain)/loss items:			
a)	Effect of recognizing one-third of 3-year phase-in of changes in actuarial assumptions for Safety rate groups	2.17%	2.12%	1.40%
b)	Effect of investment loss (after smoothing)	0.49%	0.69%	0.59%
c)	Effect of additional UAAL contributions from OCFA and scheduled payment for UCI	0.00%	0.00%	-0.27%
d)	Effect of difference in actual versus expected contributions	0.24%	0.20%	0.07%
e)	Effect of difference in actual versus expected COLA increases	-0.64%	-1.28%	-1.05%
f)	Effect of difference in actual versus expected salary increases	1.30%	2.16%	-0.07%
g)	Effect of growth in total payroll (greater)/less than expected	-0.63%	-1.87%	-0.48%
h)	Effect of changes in data and process	-0.27%	-0.50%	-0.08%
i)	Effect of other experience (gain)/loss[1]	0.21%	-0.42%	-0.33%
j)	Subtotal	2.87%	1.10%	-0.22%
6.	Aggregate Recommended Contribution Rate as of December 31, 2016	47.79%	62.81%	47.81%

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

2015 Rate Group #10 (General)

2015 Study

Reconciliation of Employer Contributions for General Members

		RG #1	RG #2	RG #3	RG #5	RG #9	RG #10	RG #11
1.	Aggregate Recommended Contribution Rate as of December 31, 2014 (before UAAL credit)	18.01%[1]	34.00%	18.38%	25.15%	25.32%	32.97%	11.79%
2.	Adjustment for FY16-17 for additional UAAL contributions from OCSD	0.00%	0.00%	-5.47%	0.00%	0.00%	0.00%	0.00%
3.	Effect of 3-year phase-in of changes in actuarial assumptions for Safety Rate Groups	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4.	Aggregate Recommended Contribution Rate as of December 31, 2014 (after UAAL credit)	18.01%[1]	34.00%	12.91%	25.15%	25.32%	32.97%	11.79%
5.	Actuarial (gain)/loss items:							
a)	Effect of recognizing one-third of 3-year phase-in of changes in actuarial assumptions for Safety rate groups (another 1/3 remains to be recognized)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
b)	Effect of investment loss (after smoothing)	0.61%	0.91%	1.20%[2]	0.82%	0.56%	0.76%	N/A[3]
c)	Effect of additional UAAL contributions from OCFA	0.00%	0.00%	0.00%	0.00%	0.00%	-0.80%	N/A[3]
d)	Effect of difference in actual versus expected contributions	-0.08%	0.09%	-0.28%	0.13%	0.10%	-0.19%	N/A[3]
e)	Effect of difference in actual versus expected COLA increases	-0.31%	-0.48%	-0.44%	-0.39%	-0.24%	-0.34%	N/A[3]
f)	Effect of difference in actual versus expected salary increases	-0.51%	-1.42%	-0.60%	-0.99%	-0.07%	-0.51%	N/A[3]
g)	Effect of growth in total payroll less than expected	0.31%	0.98%	0.42%	0.99%	0.02%	-0.15%	N/A[3]
h)	Effect of difference in actual versus expected retirement experience	0.15%	0.36%	0.51%	0.63%	1.02%	1.08%	N/A[3]
i)	Effect of other experience (gain)/loss[4][5]	0.39%	0.26%	-0.09%	-0.14%	-0.29%	0.22%	-0.39%
j)	Subtotal	0.56%	0.70%	0.72%	1.05%	1.10%	0.07%	-0.39%
6.	Aggregate Recommended Contribution Rate as of December 31, 2015	18.57%[6]	34.70%	13.63%	26.20%	26.42%	33.04%	11.40%

[1] As of December 31, 2014, the net contribution rate for County and IHSS Public Authority after reflecting Board's new UAAL contribution rate policy for employers with declining payroll (i.e., U.C.I. and DOE) is 15.06%.

[2] Investment loss for Rate Group #3 is bigger than the other General Rate Groups because as that Rate Group gets better funded (through additional UAAL contributions), it is more impacted by adverse or favorable investment experience.

[3] N/A because RG #11 has become overfunded and under CalPEPRA, the employer's contribution rate cannot be less than the Normal Cost unless the funded ratio is over 120% and other conditions in CalPEPRA are met. If that restriction did not apply, the UAAL rate would have been -0.54% if the overfunded amount is amortized over 30 years.

[4] Net of an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

[5] Includes changes in form of payment for retirees provided using new Vitech Pension Administration System, application of additional cashout assumption to current deferred vested members, effect of additional cashout assumptions on estimating rates of retirement from active employment, etc.

[6] As of December 31, 2015, the net contribution rate for County and IHSS Public Authority after reflecting Board's new UAAL contribution rate policy for employers with declining payroll (i.e., U.C.I. and DOE) is 14.92%.

2015 Rate Group #8 (Safety)

2015
Study

Reconciliation of Employer Contributions for Safety Members

		RG #6	RG #7	RG #8
1.	Aggregate Recommended Contribution Rate as of December 31, 2014 (before UAAL credit)	47.07%	62.55%	50.60%
2.	Adjustment for FY16-17 for additional UAAL contributions from OCSD	0.00%	0.00%	0.00%
3.	Effect of 3-year phase-in of changes in actuarial assumptions for Safety Rate Groups	-4.34%	-4.25%	-2.82%
4.	Aggregate Recommended Contribution Rate as of December 31, 2014 (after UAAL credit)	42.73%	58.30%	47.78%
5.	Actuarial (gain)/loss items:			
a)	Effect of recognizing one-third of 3-year phase-in of changes in actuarial assumptions for Safety rate groups (another 1/3 remains to be recognized)	2.17%	2.13%	1.41%
b)	Effect of investment loss (after smoothing)	1.03%	1.52%	1.25%
c)	Effect of additional UAAL contributions from OCFA	0.00%	0.00%	-0.99%
d)	Effect of difference in actual versus expected contributions	0.87%	0.65%	0.40%
e)	Effect of difference in actual versus expected COLA increases	-0.39%	-0.91%	-0.59%
f)	Effect of difference in actual versus expected salary increases	-2.73%	-0.46%	-1.47%
g)	Effect of growth in total payroll less than expected	1.95%	1.09%	0.93%
h)	Effect of difference in actual versus expected retirement experience	-0.23%	-0.31%	0.24%
i)	Effect of other experience (gain)/loss[(1)(2)]	-0.43%	-0.12%	-0.58%
j)	Subtotal	2.24%	3.59%	0.60%
6.	Aggregate Recommended Contribution Rate as of December 31, 2015	44.97%	61.89%	48.38%

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

(2) Includes changes in form of payment for retirees provided using new Vitech Pension Administration System, application of additional cashout assumption to current deferred vested members, effect of additional cashout assumptions on estimating rates of retirement from active employment, etc.

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2014 Rate Group #10 (General)

2014 Study

Reconciliation of Employer Contributions for General Members [see page 137]

	RG #1	RG #2	RG #3	RG #5	RG #9	RG #10	RG #11
Recommended Contribution Rate as of December 31, 2013 (before UAAL credit)	21.03%	36.72%	34.33%	27.03%	25.95%	36.92%	22.10%
Adjustment to contribution rates for 2015-2016 for additional UAAL contributions	0.00%	0.00%	-13.74%	0.00%	0.00%	0.00%	-9.87%
Recommended Contribution Rate as of December 31, 2013 (after UAAL credit)	21.03%	36.72%	20.59%	27.03%	25.95%	36.92%	12.23%
Effect of investment gain	-0.03%	-0.04%	-0.04%	-0.03%	-0.02%	-0.03%	N/A(1)
Effect of additional UAAL contributions	0.00%	0.00%	0.00%	0.00%	0.00%	-1.17%	N/A(1)
Effect of actual contributions (more)/less than expected	0.12%	0.38%	0.65%	0.29%	0.45%	0.20%	N/A(1)
Effect of COLA increases less than expected	-0.39%	-0.58%	-0.50%	-0.48%	-0.29%	-0.41%	N/A(1)
Effect of actual individual salary increases more/(less) than expected	-0.12%	-0.56%	0.13%	0.17%	-0.12%	-0.41%	N/A(1)
Effect of growth in total payroll (more)/less than expected	-0.83%	0.16%	-0.09%	0.19%	1.05%	-0.41%	N/A(1)
Effect of changes in actuarial assumptions	-1.01%	-1.68%	-1.82%	-2.06%	-1.47%	-1.40%	-0.01%
Effect of including terminal pay assumptions in legacy plan member rates	-0.10%	-0.16%	-0.15%	-0.13%	-0.13%	-0.16%	-0.16%
Effect of other experience (gain)/loss(2)	-0.63%(3)	0.07%	-0.27%	0.20%	0.30%	0.14%	-0.27%
Subtotal	-2.99%	-2.41%	-2.09%	-1.85%	-0.23%	-3.65%	-0.44%
Recommended Contribution Rate as of December 31, 2014	18.04%	34.31%	18.50%	25.18%	25.72%	33.27%	11.79%

(1) N/A because RG #11 has become overfunded and under CalPEPRA, the employer's contribution rate cannot be less than the Normal Cost unless the funded ratio is over 120% and other conditions in CalPEPRA are met. If that restriction did not apply, the UAAL rate would have been -0.31% if the overfunded amount is amortized over 30 years.
(2) Net of an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.
(3) Includes -0.28% to reflect recognition of $2.8 million in estimated withdrawal liability as of 12/31/2014 for Vector Control.

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2014 Rate Group #8 (Safety)

2014
Study

Reconciliation of Employer Contributions for Safety Members [see page 138]

	RG #6 Probation	RG #7 Law	RG #8 Fire
Recommended Contribution Rate as of December 31, 2013 (before UAAL credit)	40.70%	56.23%	49.53%
Adjustment to contribution rates for 2015-2016 for additional UAAL contributions	0.00%	0.00%	0.00%
Recommended Contribution Rate as of December 31, 2013 (after UAAL credit)	40.70%	56.23%	49.53%
Effect of investment gain	-0.04%	-0.06%	-0.05%
Effect of additional UAAL contributions	0.00%	0.00%	-1.19%
Effect of actual contributions (more)/less than expected	0.38%	0.55%	0.43%
Effect of COLA increases less than expected	-0.54%	-1.17%	-0.88%
Effect of actual individual salary increases more/(less) than expected	-0.58%	-1.10%	-0.60%
Effect of growth in total payroll (more)/less than expected	0.70%	1.55%	-0.10%
Effect of changes in actuarial assumptions	6.51%	6.40%	4.26%
Effect of including terminal pay assumptions in legacy plan member rates	-0.22%	-0.35%	-0.13%
Effect of other experience (gain)/loss[1]	0.25%	0.61%[2]	-0.38%
Subtotal	6.46%	6.43%	1.36%
Recommended Contribution Rate as of December 31, 2014	47.16%	62.66%	50.89%

(1) Net of an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.
(2) Effect of other experience (gain)/loss includes a rate increase of 0.83% due to a loss from retirement.

Segal Consulting 6

Financial Impact of Placentia's Withdrawal from OCFA

Placentia – OCFA Contract Facts & Figures

- **OCFA's annual cost to serve Placentia = $11,170,310**
- **Annual contract fee charged to Placentia = $ 6,428,409**
- **Subsidy funded by other OCFA Revenues = $ 4,741,901****

*** This is funding that will become available to redeploy services to other areas of OCFA jurisdiction*

Placentia – OCFA Contract Facts & Figures

- **OCFA's unfunded pension liability attributed to Placentia remains the responsibility of OCFA post-withdrawal**
- **Per recent legislation, if the OCFA Joint Powers Authority is dissolved, the members (current AND past members) of OCFA are each responsible for their proportional share of the unfunded pension liability**
- **Placentia's proportional share (Dec 2017) was $17.2 million**

Questions?

I-16

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Steve Delaney, Chief Executive Officer

SUBJECT: **CITY OF SAN DIEGO EMPLOYEES RETIREMENT SYSTEM - OVERVIEW**

Written Report

Background/Discussion

On Monday, August 19, the OCERS Board will hear a presentation by Mr. Gregg Rademacher, CEO of the San Diego City Employees Retirement System (SDCERS).

Mr. Rademacher will address a number of challenges faced by SDCERS both past and present and lessons we all can learn.

Submitted by:

Steve Delaney
Chief Executive Officer

I-17 OCERS BUILDING RENOVATION PROJECT

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Brenda Shott, Assistant CEO Finance and Internal Operations

SUBJECT: **OCERS BUILDING RENOVATION PROJECT**

This memorandum serves as a placeholder to inform you that there will be no printed materials for item I-17 – OCERS BUILDING RENOVATION PROJECT.

Submitted by:

Brenda M Shott

Brenda Shott

Assistant CEO, Finance and Internal Operations

I-18 PUBLIC IDENTIFICATION OF REAL PROPERTY SUBJECT TO NEGOTIATIONS AND PERSONS WITH WHOM OCERS NEGOTIATOR MAY NEGOTIATE

Memorandum

DATE: August 19, 2019

TO: Members of the Board of Retirement

FROM: Brenda Shott, Assistant CEO Finance and Internal Operations

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

Presentation

Background/Discussion

Staff has become aware that the parcel of property immediately adjacent to the OCERS headquarter building located at 1200 N. Tustin Avenue, Santa Ana, CA is being marketed for sale.

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

Agency Negotiators:	Brenda Shott, OCERS Assistant Chief Executive Officer, Finance and Internal Operations and Brian Booth, Cushman & Wakefield
Negotiating Party:	LBR Commercial
Property:	1200 N. Tustin Avenue, Santa Ana, CA

Submitted by:

Brenda M Shott

Brenda Shott

Assistant CEO, Finance and Internal Operations