

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

**AUDIT COMMITTEE MEETING  
Thursday, June 1, 2023  
9:30 A.M.**

**Members of the Committee**

Richard Oates, Chair  
Charles Packard, Vice Chair  
Adele Tagaloa  
Shari Freidenrich

Members of the public who wish to observe and/or participate in the meeting may do so (1) from the OCERS Boardroom or (2) via the Zoom app or telephone (information below) from any location.

OCERS Zoom Video/Teleconference information	
<p><b>Join Using Zoom App (Video &amp; Audio)</b></p> <p><a href="https://ocers.zoom.us/j/87424628613">https://ocers.zoom.us/j/87424628613</a></p> <p><b>Meeting ID: 874 2462 8613</b> <b>Passcode: 605617</b></p> <p>Go to <a href="https://www.zoom.us/download">https://www.zoom.us/download</a> to download Zoom app before meeting Go to <a href="https://zoom.us">https://zoom.us</a> to connect online using any browser.</p>	<p><b>Join by Telephone (Audio Only)</b></p> <p>Dial by your location</p> <p>+1 669 900 6833 US (San Jose) +1 253 215 8782 US (Tacoma) +1 346 248 7799 US (Houston) +1 929 436 2866 US (New York) +1 301 715 8592 US (Germantown) +1 312 626 6799 US (Chicago)</p> <p><b>Meeting ID: 874 2462 8613</b> <b>Passcode: 605617</b></p>
<p>A <a href="#">Zoom Meeting Participant Guide</a> is available on OCERS' website <a href="#">Board &amp; Committee meetings page</a></p>	

**AGENDA**

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

**OPEN SESSION**

1. **CALL MEETING TO ORDER AND ROLL CALL**
2. **COMMITTEE MEMBER REQUEST TO PARTICIPATE VIA ZOOM UNDER "EMERGENCY CIRCUMSTANCES" EXCEPTION (Government Code section 54953(f))**
3. **PUBLIC COMMENTS**

Members of the public who wish to provide comment during the meeting may do so by "raising your hand" in the Zoom app, or if joining by telephone, by pressing \* 9 on your telephone keypad. Members of the public who participate in the meeting from the OCERS Boardroom and who wish to provide comment during the meeting may do so from the podium located in the OCERS Boardroom. When

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

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 Committee; and (2) any matter appearing on the Consent Agenda.

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

### **CONSENT AGENDA**

#### **C-1 AUDIT COMMITTEE MEETING MINUTES**

Audit Committee Meeting Minutes

April 5, 2023

**Recommendation:** Approve minutes.

### **ACTION ITEMS**

**NOTE:** Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Committee's discussion of the item. **Members of the public who wish to provide comment in connection with any matter listed in this agenda may do so by "raising your hand" in the Zoom app, or if joining by telephone, by pressing \* 9, at the time the item is called. Persons attending the meeting in person and wishing to provide comment on a matter listed on the agenda should fill out a speaker card located at the back of the Boardroom and deposit it in the Recording Secretary's box located near the back counter.**

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

#### **A-2 2022 FINANCIAL STATEMENT AUDIT**

*Introduction by Brenda Shott, Assistant CEO of Finance and Internal Operations, and Tracy Bowman, Director of Finance, OCERS*

*Presentation by Kory Hoggan and Aaron Hamilton, Moss Adams*

#### **Recommendations:**

1. Approve OCERS' audited financial statements for the year ended December 31, 2022;
2. Direct staff to finalize OCERS' 2022 Annual Comprehensive Financial Report (Annual Report);
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2022; and
4. Receive and file Moss Adams LLP's "OCERS' Report to the Audit Committee for the Year Ended December 31, 2022" and their "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards."

**A-3 GASB 68 VALUATION AND AUDIT REPORT**

*Presentation by Brenda Shott, Assistant CEO of Finance and Internal Operations*

**Recommendations:**

1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2022; and
2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2022 for distribution to Employers.

**A-4 EXTERNAL QUALITY ASSESSMENT FINALISTS INTERVIEWS**

*Introduction by David Kim, Director of Internal Audit*

*Presentations by Plante Moran; and The Institute of Internal Auditors Quality Services*

**Recommendation:** Staff recommends (1) selecting one of the two finalists chosen to make an oral presentation at the June 1, 2023 Audit Committee meeting to perform an external quality assessment (EQA) of OCERS' Internal Audit based on the firm's presentation, responsiveness to the Audit Committee's questions, and the written proposal submitted; and (2) after conducting such interviews, that the Audit Committee select and approve the finalist to award the contract, subject to satisfactory negotiation of terms.

**A-5 CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q1 2023)**

*Presentation by Mark Adviento, Senior Internal Auditor and David Kim, Director of Internal Audit*

**Recommendation:** Receive and file

**CLOSED SESSION**

**E-1 THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957)**

*Adjourn into Closed Session pursuant to Government Code section 54957 to consult with Steve Delaney, CEO, Brenda Shott, Asst. CEO; Suzanne Jenike, Asst. CEO; Gina M. Ratto, General Counsel; David Kim, Director of Internal Audit, Mark Adviento, Senior Internal Auditor, and Jenny Davey, Internal Auditor.*

**Recommendation:** Take appropriate action.

**E-2 PUBLIC EMPLOYEE PERFORMANCE EVALUATION (GOVERNMENT CODE §54957(b))**

**Title: Director of Internal Audit**

*Adjourn pursuant to Government Code section 54957(b) to evaluate the performance of the Director of Internal Audit*

**Recommendation:** Take appropriate action.

**E-3 THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957)**

Adjourn into Closed Session pursuant to Government Code section 54957 to consult with *Steve Delaney, CEO, Brenda Shott, Asst. CEO; Matthew Eakin, Director of Information Security; Jenny Sadoski, Director of Information Technology; Jon Gossard, Information Security Manager; Suzanne Jenike, Asst. CEO; Gina M. Ratto, General Counsel; and David Kim, Director of Internal Audit.*

**Recommendation:** Take appropriate action.

**\*\*\*\*\* END OF CLOSED SESSION AGENDA \*\*\*\*\***

**WRITTEN REPORTS**

The following are written reports that will not be discussed unless a member of the Committee requests discussion.

**R-1 MANAGEMENT ACTION PLAN VERIFICATION REPORT**

*Written Report*

**R-2 STATUS UPDATE OF 2023 AUDIT PLAN**

*Written Report*

**COMMITTEE MEMBER COMMENTS**

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

**COUNSEL COMMENTS**

**ADJOURNMENT**

**NOTICE OF NEXT MEETINGS**

**DISABILITY COMMITTEE MEETING**

**June 19, 2023**

**8:30 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

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

**SANTA ANA, CA 92701**

Orange County Employees Retirement System  
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**REGULAR BOARD MEETING**  
**June 19, 2023**  
**9:30 A.M.**

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

*AVAILABILITY OF AGENDA MATERIALS - Documents and other materials that are non-exempt public records distributed to all or a majority of the members of the OCERS Board or Committee of the Board in connection with a matter subject to discussion or consideration at an open meeting of the Board or Committee of the Board are available at the OCERS' website: <https://www.ocers.org/board-committee-meetings>. If such materials are distributed to members of the Board or Committee of the Board less than 72 hours prior to the meeting, they will be made available on the OCERS' website at the same time as they are distributed to the Board or Committee members. Non-exempt materials distributed during an open meeting of the Board or Committee of the Board will be made available on the OCERS' website as soon as practicable and will be available promptly upon request.*

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

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

**AUDIT COMMITTEE MEETING  
Wednesday, April 5, 2023  
9:30 A.M.**

**MINUTES**

**OPEN SESSION**

Chair Oates called the meeting to order at 9:31 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Richard Oates, Chair; Charles Packard, Vice Chair; Adele Tagaloa, Board Member; Shari Freidenrich, Ex-Officio Member

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Brenda Shott, Assistant CEO, Internal Operations; Gina Ratto, General Counsel; David Kim, Director of Internal Audit; Jeff Lamberson, Director of Member Services; Matthew Eakin, Director of Information Security; Jon Gossard, Information Security Manager; Mark Adviento, Internal Auditor; Esther Hong, Internal Auditor; Marielle Horst, Recording Secretary; Anthony Beltran, Audio Visual Technician

Guests: Aaron Hamilton, Jeff Roybal, and Laurie Tish, Moss Adams

**PUBLIC COMMENT**

None

**INFORMATION ITEM**

**I-1 2022 FINANCIAL STATEMENT AUDIT – ENTRANCE CONFERENCE**

*Presentation by Aaron Hamilton and Jeff Roybal, Moss Adams*

Mr. Hamilton and Mr. Roybal presented the 2022 Financial Statement Audit process and deliverables timeline. Mr. Hamilton thanked staff for their corporation, noting they were ahead of schedule and do not foresee delays as they are fully staffed.

**CONSENT AGENDA**

**C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES**

Orange County Employees Retirement System  
April 5, 2023  
Audit Committee Meeting

Audit Committee Meeting Minutes

February 14, 2023

**MOTION** by Ms. Tagaloa, **seconded** by Mr. Packard, to approve the Minutes.

The motion passed **unanimously**.

**ACTION ITEMS**

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

None

**A-2 THE CHILDREN AND FAMILIES COMMISSION OF ORANGE COUNTY EMPLOYER AUDIT**

*Presentation by Mark Adviento, Senior Internal Auditor*

**Recommendation:** Receive and file.

Discussion: Mr. Adviento presented the observation in which previously separated members were classified as active. Ms. Jenike noted members who are not making contributions could be on leave and not necessarily separated. Staff is working with employers to improve the process of separation notification, as well as running reports and checklists. An audit of the OCERS Employer Payroll team by Internal Audit is scheduled for the upcoming third quarter.

After discussion, **MOTION** by Mr. Packard, **SECONDED** by Ms. Tagaloa to adopt staff's recommendation.

The motion passed **unanimously**.

**A-3 THE ORANGE COUNTY SUPERIOR COURT EMPLOYER AUDIT**

*Presentation by Mark Adviento, Senior Internal Auditor*

**Recommendation:** Receive and file

**MOTION** by Mr. Packard, **SECONDED** by Ms. Freidenrich to adopt staff's recommendation.

The motion passed **unanimously**.

*The Board recessed for break at 10:19 a.m.*

*The Board reconvened from break at 10:32 a.m.*

Recording Secretary administered the Roll Call attendance.

**A-4 AUDIT OF ALAMEDA BENEFIT RECALCULATIONS**

*Presentation by David Kim, Director of Internal Audit*

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**Recommendations:**

1. Receive and file; and
2. Provide direction as to sample size for further testing:
  - a. test the remaining 36 recalculations as initially planned; or
  - b. modify the sample size accordingly

Discussion: Mr. Kim presented observations regarding FAS recalculations. The Management Action Plan includes following the documented processes, training, as well as providing more time for QA. Ms. Jenike noted the errors were from contractors, who have since rechecked their work to ensure the error has not been duplicated. In addition, QA is performed by experienced staff while also performing QA reviews for the regular retiree payroll. Due to the short timeframe needed to perform both the Alameda and regular retiree payroll, Management will now extend the time to perform the QA process.

After discussion, **MOTION** by Mr. Packard, **SECONDED** by Ms. Freidenrich to adopt staff's recommendation to receive and file, and directed staff to test the remaining sample of 36 recalculations as initially planned from a sample of Alameda recalculations not covered by the December 20, 2022 County Board of Supervisors Resolution.

The motion passed **unanimously**.

**A-5 TRIENNIAL REVIEW OF THE ETHICS, COMPLIANCE AND FRAUD HOTLINE POLICY**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Approve and recommend that the Board approve the revisions to the Ethics, Compliance and Fraud Hotline Policy.

**MOTION** by Ms. Tagaloa, **SECONDED** by Mr. Packard to adopt staff's recommendation.

The motion passed **unanimously**.

**CLOSED SESSION ITEMS**

*Adjourned to closed session at 11:06 a.m.*

**E-1 THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957)**

Adjourn into Closed Session pursuant to Government Code section 54957 to consult with Steve Delaney, CEO, Brenda Shott, Asst. CEO; Matthew Eakin, Director of Information Security; Jenny Sadoski, Director of Information Technology; Jon Gossard, Information Security Manager; Suzanne Jenike, Asst. CEO; Gina M. Ratto, General Counsel; and David Kim, Director of Internal Audit.

**Recommendation:** Take appropriate action.

*Returned to open session at 11:46 a.m.*



Orange County Employees Retirement System  
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*No reportable action taken.*

**WRITTEN REPORTS**

**R-1 MANAGEMENT ACTION PLAN VERIFICATION REPORT**  
*Written Report*

**R-2 STATUS UPDATE OF 2023 AUDIT PLAN**  
*Written Report*

**COMMITTEE MEMBER COMMENTS**

None

**STAFF COMMENTS**

None

**CHIEF EXECUTIVE OFFICER**

None

**COUNSEL COMMENTS**

None

**ADJOURNMENT**

Chair Oates adjourned the meeting at 11:47 a.m.

Submitted by:

Submitted by:

Approved by:

\_\_\_\_\_  
David Kim  
Committee Liaison

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

\_\_\_\_\_  
Richard Oates  
Chair



## Memorandum

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**DATE:** June 1, 2023  
**TO:** Audit Committee Members  
**FROM:** Brenda Shott, Assistant CEO, Finance and Internal Operations; Tracy Bowman, Director of Finance  
**SUBJECT:** 2022 FINANCIAL STATEMENT AUDIT

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### Recommendation

Recommend to the Board of Retirement the following:

1. Approve OCERS' audited financial statements for the year ended December 31, 2022
2. Direct staff to finalize OCERS' 2022 Annual Comprehensive Financial Report (Annual Report)
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2022
4. Receive and file Moss Adams LLP's (Moss Adams) "OCERS' Report to the Audit Committee for the Year Ended December 31, 2022" and their "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."

### Background/Discussion

The attached draft of OCERS' 2022 Annual Report, including the audited financial statements and related notes for the year ended December 31, 2022, is in substantial final form and includes a draft of the unmodified (clean) audit opinion from Moss Adams, OCERS' independent auditors. Moss Adams will issue the signed audit opinion after presenting the draft financial statements to the Audit Committee. The audited financial statements and related notes are included in the Financial Section of OCERS' 2022 Annual Report.

The attached Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2022 is used for reporting purposes and is separate and distinct from the funding actuarial valuation. This valuation contains necessary information and schedules that have been incorporated into OCERS' 2022 Annual Report in compliance with GASB Statement No. 67, *Financial Reporting for Pension Plans*.

As part of the normal course of an annual financial statement audit, Moss Adams has issued a draft of their "Report to the Audit Committee" that includes the required communications of the independent auditors, comments and recommendations based on their 2022 audit of OCERS. Moss Adams has also issued a draft "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Performed in Accordance with Government Auditing Standards."

Moss Adams will be present at the Audit Committee Meeting on June 1, 2023. They will provide the Committee with a verbal report on their audit. A draft of the 2022 Annual Report in substantially final form will be presented to the Board at its regularly scheduled Board meeting on June 19, 2023. The final signed audit reports and the Annual Report will be distributed to the Board once finalized.



## Memorandum

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California's Government Code Section 7504 requires all state and local retirement agencies, including OCERS, to submit annual financial information to the State Controller within six months of the end of the fiscal year end. The State Controller's Office (SCO) has an automated system to allow retirement systems to provide the prescribed report containing specific financial and plan information to the SCO (this report is referred to as the State Controller's Report). In addition to the State Controller's Report, OCERS is also required to submit the annual audited financial statements and the most current funding actuarial valuation. Once the Board approves the financial statements for the year ended December 31, 2022, staff will file a timely submission of the State Controller's Report and submit OCERS' 2022 Annual Report and the Actuarial Valuation (for funding purposes) as of December 31, 2021 by the deadline of June 30, 2023.

As required by Government Code Section 315971.1, OCERS Chief Executive Officer will file in the office of the County Auditor and with the Board of Supervisors a sworn statement which will exhibit the financial condition of OCERS at the close of the preceding calendar year and its financial transactions for the year ending on December 31, 2022.

**Submitted by:**



**TB - Approved**

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Tracy Bowman  
Director of Finance

**Approved by:**



**BS - Approved**

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Brenda Shott  
Asst. CEO, Finance & Internal Operations



## **2022 Financial Statement Audit**

Presented on June 1, 2023

by

*Brenda Shott and Tracy Bowman*



## Recommendation

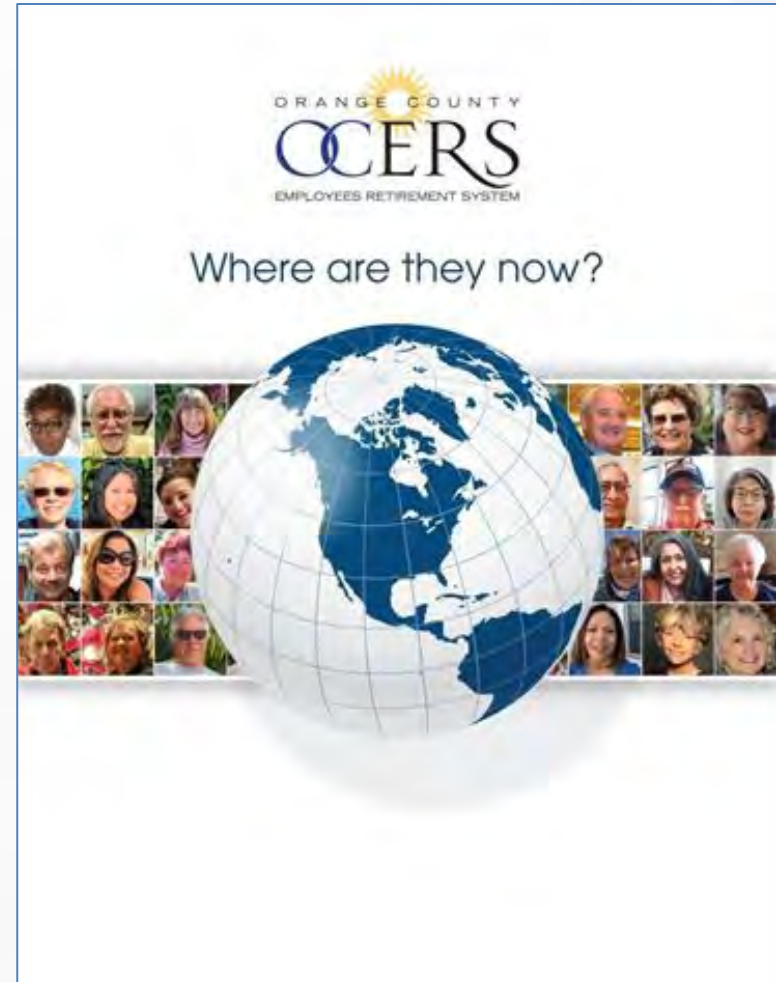
### Recommend to the Board of Retirement the following:

1. Approve OCERS' audited financial statements for the year ended December 31, 2022
2. Direct staff to finalize OCERS' 2022 Annual Comprehensive Financial Report (Annual Report)
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2022
4. Receive and file Moss Adams LLP's (Moss Adams) "OCERS' Report to the Audit Committee for the Year Ended December 31, 2022" and their "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards"



# 2022 Annual Report

- Second year audit was performed by Moss Adams and first time since pre-Covid that some fieldwork was conducted in-person
- Preliminary unaudited financial statements provided to the Board in March
  - No material changes reflected in final audited version included in the Annual Report
- Theme: **Where Are They Now?**
- No new GASB pronouncements adopted; GASB Statement No. 87, *Leases*, was evaluated, but determined to have an insignificant impact to OCERS financials







## Financial Highlights – MD&A

- Net position in 2022 totaled **\$20.2 billion**, a **decrease of \$2.3 billion**, or -10.1% from the prior year
- Total additions decreased from \$4.3 billion in 2021 to -\$1.1 billion in 2022
  - Net investment income decreased from \$3.3 billion in 2021 on returns of 16.6% to a loss of -\$2.1 billion in 2022 on losses of -7.8%
  - Investment losses offset by employee and employer contributions of approximately \$1.0 billion
- Total deductions increased 8.7% from \$1.1 billion in 2021 to \$1.2 billion in 2022
  - Member pension benefit payments increased 8.3% from \$1.0 billion in 2021 to \$1.1 billion in 2022

**Table 2 : Changes in Fiduciary Net Position**  
For the Years Ended December 31, 2022 and 2021  
(Dollars in Thousands)

	12/31/2022	12/31/2021	Increase / (Decrease)	Percentage Change
<b>Additions</b>				
Employer Pension Contributions	\$ 719,691	\$ 698,791	\$ 20,900	3.0%
Employer Health Care Contributions	44,821	57,822	(13,001)	-22.5%
Employee Pension Contributions	269,999	271,334	(1,335)	-0.5%
Employer OPEB Contributions	655	605	50	-8.3%
Net Investment Income/(Loss)	(2,105,160)	3,298,237	(5,403,397)	-163.8%
<b>Total Additions</b>	<b>(1,069,994)</b>	<b>4,326,789</b>	<b>(5,396,783)</b>	<b>-124.7%</b>
<b>Deductions</b>				
Participant Benefits - Pension	1,115,918	1,030,234	85,684	8.3%
Participant Benefits - Health Care	43,671	43,261	410	0.9%
Death Benefits	1,558	1,055	503	47.7%
Member Withdrawals and Refunds	22,239	14,449	7,790	53.9%
Employer OPEB Payments	1,466	1,419	47	3.3%
Administrative Expenses - Pension	23,546	21,473	2,073	9.7%
Administrative Expenses - Health Care and Employer	68	70	(2)	-2.9%
<b>Total Deductions</b>	<b>1,208,466</b>	<b>1,111,961</b>	<b>96,505</b>	<b>8.7%</b>
Increase/(Decrease) in Net Position Restricted for Pension, Other Postemployment Benefits and Employer	(2,278,460)	3,214,828	(5,493,288)	-170.9%
<b>Net Position Restricted for Pension, Other Postemployment Benefits and Employer</b>				
Beginning of the Year	22,489,427	19,274,599		
<b>End of the Year</b>	<b>\$ 20,210,967</b>	<b>\$ 22,489,427</b>		





## Financial Highlights – MD&A (continued)

**Table 3 : Membership Data**  
As of December 31, 2022 and 2021

	12/31/2022	12/31/2021	Increase/ (Decrease)	Percentage Change
Active Members	22,061	22,011	50	0.2%
Retired Members	20,678	19,826	852	4.3%
Deferred Members	7,894	7,238	656	9.1%
<b>Total Membership</b>	<b>50,633</b>	<b>49,075</b>	<b>1,558</b>	<b>3.2%</b>

- Increases in member pension benefit payments can be attributed to an increase in the number of retirees receiving a benefit
  - Number of retirees increased by 4.3% or 852, for a total of 20,678 payees as of December 31, 2022
  - The average annual benefit paid to retired members and beneficiaries during 2022 was \$53,966 vs. \$51,964 in 2021, an increase of 3.9%





## Financial Highlights – MD&A (continued)

- Annual Report includes information from the December 31, 2021 funding valuation, which is the most currently available information at the time the Annual Report is completed
  - Funding status based on actuarial value of assets (which smooths market gains and losses over five years) was 81.2% versus 90.5% if market gains and losses were recognized immediately
  - In comparison, in the December 31, 2022 funding valuation to be presented at the June Board meeting, the funding status based on actuarial value of assets was 81.5% versus 77.0% if market gains and losses were recognized immediately



## GASB 67

- GASB 67 Valuation is prepared by Segal for ***reporting purposes only***
  - Information is incorporated into the Notes (Note 8) and Required Supplementary Information sections of the Annual Report
  - Total Pension Liability (TPL) is based on rolling forward the TPL from the 2021 valuation to the December 31, 2022 measurement date
- 2022 Net Pension Liability (NPL) increased from \$2.1 billion to \$5.4 billion, primarily due to lower-than-expected returns
  - 2022 NPL is amount used in GASB 68 proportionate share calculation



# Conclusion

Questions?

**Please refer to the Financial Reports on the  
OCERS' website**

**(<https://www.ocers.org/financial-reports>)**

**to view the final version of the audited  
financial statements included in the Annual  
Comprehensive Financial Report for the  
Fiscal Year Ended December 31, 2022.**

# Orange County Employees Retirement System (OCERS)

## **Governmental Accounting Standards Board Statement 67 (GASB 67) Actuarial Valuation**

As of December 31, 2022



This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety, unless expressly authorized by Segal. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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**Segal**



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San Francisco, CA 94105-6147  
segalco.com  
T 415.263.8200

May 5, 2023

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

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2022. It contains various information that will need to be disclosed in order to comply with GASB Statement 67.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist Orange County Employees Retirement System (OCERS) in preparing items related to the pension plan in their financial report. The census and financial information on which our calculations were based were prepared by OCERS. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the System.

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

Sincerely,

Segal

Handwritten signature of Paul Angelo in black ink.

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

Handwritten signature of Andy Yeung in black ink.

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

Handwritten signature of Todd Tauzer in black ink.

Todd Tauzer, FSA, MAAA, FCA, CERA  
Vice President and Actuary

JY/jl

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# Section 1: Actuarial Valuation Summary

## Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board (GASB) Statement 67 as of December 31, 2022. This valuation is based on:

- The benefit provisions of OCERS, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of December 31, 2021, provided by OCERS;
- The assets of the Plan as of December 31, 2022, provided by OCERS;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board of Retirement for the December 31, 2022 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board of Retirement for the December 31, 2022 valuation.

## General observations on GASB 67 actuarial valuation

1. It is important to note that Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans should develop and adopt funding policies under current practices.
2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as OCERS uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is generally determined on the same basis as OCERS' Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.
3. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.



## Section 1: Actuarial Valuation Summary

### Highlights of the valuation

1. For this report, the reporting dates for the Plan are December 31, 2022 and 2021. The NPLs measured as of December 31, 2022 and 2021 have been determined by rolling forward the TPLs as of December 31, 2021 and 2020, respectively. The Plan's Fiduciary Net Positions were valued as of the measurement dates. In addition, any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.

However, since the O.C. Superior Court's Plan U improvement would be effective after the December 31, 2022 measurement date (and the impact on the TPL is immaterial even if it were to be included), we have not made any adjustment to the TPL when we roll forward the liabilities from December 31, 2021 to December 31, 2022.

2. The NPL increased from \$2,050.2 million as of December 31, 2021 to \$5,391.0 million as of December 31, 2022 primarily as a result a (9.43)%<sup>1</sup> return on the market value of assets during 2022 that was lower than the assumed return of 7.00% by approximately \$3,587.1 million. Changes in these values during the last two calendar years ending December 31, 2022 and December 31, 2021 can be found in *Section 2, Schedule of changes in Net Pension Liability* on page 17.
3. The discount rate used to determine the TPL and NPL as of both December 31, 2022 and 2021 was 7.00% following the same assumption used by the System in the pension funding valuations as of the December 31, 2021 and December 31, 2020. The detailed calculation of the discount rate of 7.00% used in the calculation of the TPL and NPL as of December 31, 2022 can be found in *Section 3, Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.
4. The Plan's Fiduciary Net Position of \$21,922,182,000 as of December 31, 2021 is equal to the final market value of assets in the Pension Trust Fund as of December 31, 2021. This differs from the \$21,738,794,000 market value of assets used in our December 31, 2021 funding valuation because the market value of assets in the funding valuation excludes \$167,745,000 in the County Investment Account and \$15,643,000 in O.C. Sanitation District UAAL Deferred Account.

The Plan's Fiduciary Net Position of \$19,690,021,000 as of December 31, 2022 is equal to the final market value of assets in the Pension Trust Fund as of December 31, 2022. This differs from the \$19,534,631,000 market value of assets used in our December 31, 2022 funding valuation because the market value of assets in the funding valuation excludes \$140,992,000 in the County Investment Account and \$14,398,000 in O.C. Sanitation District UAAL Deferred Account.

5. On July 30, 2020, the California Supreme Court issued a decision in the case of Alameda County Deputy Sheriffs' Association et al. v. Alameda County Employees' Retirement Association (ACERA) and Board of Retirement of ACERA. That decision has important implications for OCERS and its members. In particular, the decision requires pension systems like OCERS to exclude

<sup>1</sup> As documented in the funding valuation report, return on market value was calculated using a modified dollar-weighted approach based on pension plan assets net of accounting liabilities. Actual investment return on net pension plan assets was \$(2,106,139,000) during 2022 after including both the administrative expenses and discount for prepaid contributions while excluding the losses credited to County Investment Account and O.C. Sanitation District UAAL Deferred Account. Without these adjustments, the actual investment return was \$(2,058,590,000)

## Section 1: Actuarial Valuation Summary

certain pay items from a legacy member's compensation earnable. It should be noted that the December 31, 2022 assets reflects approximately \$5.5 million in contribution refunds related to the contributions previously paid by the members in conjunction with such pay items. In addition, because the December 31, 2022 liabilities were calculated by rolling forward the results as of December 31, 2021, the changes in the membership data as a result of the Board's actions will first be reflected with the December 31, 2023 liabilities.

6. It is important to note that this actuarial valuation is based on plan assets as of December 31, 2022. The plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Moreover, this actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after December 31, 2022 due to COVID-19. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.

## Section 1: Actuarial Valuation Summary

### Summary of key valuation results

Measurement Date		December 31, 2022	December 31, 2021
<b>Disclosure elements for calendar year ending December 31:</b>	• Service cost <sup>1</sup>	\$526,768,913	\$510,863,197
	• Total Pension Liability	25,081,027,171	23,972,419,722
	• Plan's Fiduciary Net Position	19,690,021,000	21,922,182,000
	• Net Pension Liability	5,391,006,171	2,050,237,722
<b>Schedule of contributions for calendar year ending December 31:</b>	• Actuarially determined contributions	\$707,319,000	\$684,142,000
	• Actual contributions <sup>2</sup>	719,691,000	698,791,000
	• Contribution deficiency / (excess) <sup>3</sup>	(12,372,000)	(14,649,000)
<b>Demographic data for calendar year ending December 31:</b>	• Number of retired members and beneficiaries	20,678	19,826
	• Number of inactive vested members	7,894	7,238
	• Number of active members	22,061	22,011
<b>Key assumptions as of December 31:</b>	• Investment rate of return	7.00%	7.00%
	• Inflation rate	2.50%	2.50%
	• Projected salary increases <sup>4</sup>	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%
	• Cost of living adjustments	2.75% of retirement income	2.75% of retirement income

<sup>1</sup> The Service Cost is based on the previous year's valuation, meaning the December 31, 2022 and December 31, 2021 measurement date values are based on the valuations as of December 31, 2021 and December 31, 2020, respectively. Both service costs have been calculated using the assumptions shown in the December 31, 2021 column, as there were no changes in the actuarial assumptions between the December 31, 2021 and December 31, 2020 valuations.

<sup>2</sup> Reduced by discount for prepaid contributions and transfer from County Investment Account, if any.

<sup>3</sup> Includes additional contributions made by employers toward the reduction of their UAAL. Details are shown in *Section 2, Schedule of Contributions* on page 18.

<sup>4</sup> Includes inflation at 2.50%, plus real across-the-board salary increases of 0.50% plus merit and promotion increases.

## Section 1: Actuarial Valuation Summary

### Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

<b>Plan Provisions</b>	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
<b>Participant Information</b>	An actuarial valuation for a plan is based on data provided to the actuary by OCERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
<b>Financial Information</b>	The valuation is based on the fair value of assets as of the measurement date, as provided by OCERS.
<b>Actuarial Assumptions</b>	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if any). The forecasted benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the Plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.
<b>Models</b>	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

## Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The valuation is prepared at the request of the Board to assist OCERS in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of future financial measures, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

If OCERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.

Segal's report shall be deemed to be final and accepted by the System upon delivery and review. The System should notify Segal immediately of any questions or concerns about the final content.

As Segal has no discretionary authority with respect to the management or assets of OCERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to OCERS.

## Section 2: GASB 67 Information

### General information about the pension plan

#### Plan Description

*Plan administration.* The Orange County Employees Retirement System (OCERS) was established by the County of Orange in 1945. OCERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). OCERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and General members employed by the County of Orange. OCERS also provides retirement benefits to the employee members of the Orange County Courts, the Orange County Retirement System, two cities and thirteen special districts.

The management of OCERS is vested with the Orange County Board of Retirement. The Board consists of nine members and one alternate. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the General membership; one member and one alternate are elected by the Safety membership, one member is elected by the retired members of the System. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with the County Treasurer term.

*Plan membership.* At December 31, 2022, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	20,678
Inactive vested members entitled to but not yet receiving benefits	7,894
Active members	<u>22,061</u>
<b>Total</b>	<b>50,633</b>

Note: Data as of December 31, 2022 is not used in the measurement of the TPL as of December 31, 2022.

## Section 2: GASB 67 Information

*Benefits provided.* OCERS provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Orange or contracting agencies who work a minimum of 20 hours per week become members of OCERS effective on the first day of employment in an eligible position. There are separate retirement plans for General and Safety member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers. Any new Safety member who becomes a member on or after January 1, 2013 is designated PEPRA Safety and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. All other employees are classified as General members. New General members employed on or after January 1, 2013 are designated as PEPRA General subject to the provisions of California Government Code 7522 et. seq.

General members hired prior to January 1, 2013, including all members of Plan T and Plan W hired on or after January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired ten or more years of retirement service credit. A member with thirty years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, excluding members of Plan T and Plan W, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

Safety members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired ten or more years of retirement service credit. A member with twenty years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

All General and Safety members can also retire at the age of 70 regardless of service.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General member benefits are calculated pursuant to the provisions of Sections 31676.01, 31676.1, 31676.12, 31676.16, 31676.18 or 31676.19. For Section 31676.01, the monthly allowance is equal to 1/90th of final compensation times years of accrued retirement service credit times age factor from that Section. For Section 31676.1, the monthly allowance is equal to 1/60th of final compensation times years of accrued retirement service credit times age factor from that Section. For Sections 31676.12, 31676.16, 31676.18 or 31676.19, the monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times age factor from the corresponding Section. General member benefits for those who are first hired on or after January 1, 2013, excluding members of Plan T and Plan W, are calculated pursuant to the provision of California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety member benefits are calculated pursuant to the provisions of California Government Code Sections 31664.1 and 31664.2. The monthly allowance is equal to 3% of final compensation times years of accrued retirement service credit times age factor from the corresponding Section. Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

## Section 2: GASB 67 Information

For members with membership dates before January 1, 2013, including all members of Plan T and Plan W hired on or after January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013, excluding members of Plan T and Plan W.

Final average compensation consists of the highest 12 consecutive months for a General Tier 1 or Safety Tier 1 member and the highest 36 consecutive months for a General Tier 2, General PEPRA, Safety Tier 2 or Safety PEPRA member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

OCERS provides an annual cost-of-living adjustment (COLA) benefit to all retirees. The COLA, based upon the ratio of the past two annual Consumer Price Indices for All Urban Consumers for the Los Angeles-Long Beach-Anaheim Area, is capped at 3.0%.

The County of Orange and contracting agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate for the first six months of calendar year 2022 or the second half of fiscal year 2021-2022 (based on the December 31, 2019 valuation) was 41.49%<sup>1</sup> of compensation. The average employer contribution rate for the last six months of calendar year 2022 or the first half of fiscal year 2022-2023 (based on the December 31, 2020 valuation) was 41.16%<sup>1</sup> of compensation.

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The average member contribution rate for the first six months of calendar year 2022 or the second half of fiscal year 2021-2022 (based on the December 31, 2019 valuation) was 12.31%<sup>2</sup> of compensation. The average member contribution rate for the last six months of calendar year 2022 or the first half of fiscal year 2022-2023 (based on the December 31, 2020 valuation) was 12.16%<sup>2</sup> of compensation.

<sup>1</sup> These employer contribution rates may be higher or lower than the composite rate for 2022 as shown on page 18 of this report because these rates have not been adjusted to reflect any pick-ups or reverse pick-ups. These employer contribution rates also do not reflect the shift in payroll to the lower cost plans from the valuation date to the date of rate implementation.

<sup>2</sup> It should be noted that these member contribution rates provided above have not been adjusted to reflect any pick-ups or reverse pick-ups.



## Section 2: GASB 67 Information

### Net Pension Liability

Measurement Date	December 31, 2022	December 31, 2021
<b>Components of the Net Pension Liability</b>		
Total Pension Liability	\$25,081,027,171	\$23,972,419,722
Plan's Fiduciary Net Position	(19,690,021,000)	(21,922,182,000)
<b>Net Pension Liability</b>	<b>\$5,391,006,171</b>	<b>\$2,050,237,722</b>
Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	78.51%	91.45%

The Net Pension Liability (NPL) was measured as of December 31, 2022 and 2021. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2021 and 2020, respectively.

*Plan provisions.* The plan provisions used in the measurement of the NPL as of December 31, 2022 and 2021 are the same as those used in the OCERS actuarial valuations as of December 31, 2022 and 2021, respectively.

*Actuarial assumptions.* The TPL as of December 31, 2022 was determined by the actuarial valuation as of December 31, 2021. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2017 through December 31, 2019 and they are the same assumptions used in the December 31, 2022 funding valuation for OCERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

<b>Inflation:</b>	2.50%
<b>Salary increases:</b>	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%, vary by service, including inflation
<b>Consumer Price Index (CPI) and Cost of Living Adjustments (COLA):</b>	CPI increases of 2.75% per year Retiree COLA increases of 2.75% per year. For members that have COLA banks, we assume they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter
<b>Investment rate of return:</b>	7.00%, net of pension plan investment expense, including inflation
<b>Other assumptions:</b>	See analysis of actuarial experience during the period January 1, 2017 through December 31, 2019

## Section 2: GASB 67 Information

### Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments<sup>1</sup> was determined in 2020 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2022 and 2021 actuarial valuations. This information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA - Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
<b>Total</b>	<b>100.00%</b>	<b>5.67%</b>

<sup>1</sup> Note that the investment return assumption for funding purposes is developed net of both investment and administrative expenses; however, the same investment return assumption is used for financial reporting purposes, where it is considered gross of administrative expenses.

## Section 2: GASB 67 Information

*Discount rate.* The discount rate used to measure the TPL was 7.00% as of December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2022 and 2021.

## Section 2: GASB 67 Information

### Discount rate sensitivity

*Sensitivity of the Net Pension Liability to changes in the discount rate.* The following presents the NPL as of December 31, 2022, calculated using the discount rate of 7.00%, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>Net Pension Liability as of December 31, 2022</b>	\$8,873,564,439	\$5,391,006,171	\$2,550,389,957

## Section 2: GASB 67 Information

### Schedule of changes in Net Pension Liability – Last two calendar years

Measurement Date	December 31, 2022	December 31, 2021
<b>Total Pension Liability</b>		
• Service cost	\$526,768,913	\$510,863,197
• Interest	1,675,053,178	1,609,891,069
• Change of benefit terms	0	0
• Differences between expected and actual experience	46,500,358	(113,046,194)
• Changes of assumptions	0	0
• Benefit payments, including refunds of member contributions	(1,139,715,000)	(1,045,738,000)
• Transfer of members among Rate Groups	0	0
• Other	0	0
<b>Net change in Total Pension Liability</b>	<b>\$1,108,607,449</b>	<b>\$961,970,072</b>
<b>Total Pension Liability – beginning</b>	<b>23,972,419,722</b>	<b>23,010,449,650</b>
<b>Total Pension Liability – ending</b>	<b>25,081,027,171</b>	<b>23,972,419,722</b>
<b>Plan's Fiduciary Net Position</b>		
• Contributions – employer <sup>1</sup>	\$719,691,000	\$698,791,000
• Contributions – member	269,999,000	271,334,000
• Net investment income	(2,058,590,000)	3,222,065,000
• Benefit payments, including refunds of member contributions	(1,139,715,000)	(1,045,738,000)
• Transfer of members among Rate Groups	0	0
• Administrative expense	(23,546,000)	(21,473,000)
• Other	0	0
<b>Net change in Plan's Fiduciary Net Position</b>	<b>\$(2,232,161,000)</b>	<b>\$3,124,979,000</b>
<b>Plan's Fiduciary Net Position – beginning</b>	<b>21,922,182,000</b>	<b>18,797,203,000</b>
<b>Plan's Fiduciary Net Position – ending</b>	<b>19,690,021,000</b>	<b>21,922,182,000</b>
<b>Net Pension Liability – ending</b>	<b>5,391,006,171</b>	<b>2,050,237,722</b>
<b>Plan's Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>78.51%</b>	<b>91.45%</b>
<b>Covered payroll<sup>2</sup></b>	<b>\$1,932,374,000</b>	<b>\$1,870,387,000</b>
<b>Plan Net Pension Liability as percentage of covered payroll</b>	<b>278.98%</b>	<b>109.62%</b>

<sup>1</sup> Reduced by discount for prepaid contributions and transfer from County Investment Account, if any.

<sup>2</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 67 Information

### Schedule of employer contributions – Last ten calendar years

Year Ended December 31	Actuarially Determined Contributions <sup>1,2</sup>	Contributions in Relation to the Actuarially Determined Contributions <sup>1,2</sup>	Contribution Deficiency / (Excess)	Covered Payroll <sup>3</sup>	Contributions as a Percentage of Covered Payroll <sup>1,2</sup>
2013	\$426,020,000	\$427,095,000 <sup>4</sup>	\$(1,075,000)	\$1,494,745,000	28.57%
2014	476,320,000	625,520,000 <sup>5</sup>	(149,200,000)	1,513,206,000	41.34%
2015	502,886,000	571,298,000 <sup>6</sup>	(68,412,000)	1,521,036,000	37.56%
2016	521,447,000	567,196,000 <sup>7</sup>	(45,749,000)	1,602,675,000	35.40%
2017	536,726,000 <sup>8</sup>	572,104,000 <sup>8,9</sup>	(35,378,000)	1,678,322,000	34.09%
2018	556,728,000 <sup>10</sup>	580,905,000 <sup>10,11</sup>	(24,177,000)	1,718,798,000	33.80%
2019	583,057,000	653,793,000 <sup>12</sup>	(70,736,000)	1,783,054,000	36.67%
2020	638,215,000	659,807,000 <sup>13</sup>	(21,592,000)	1,909,268,000	34.56%
2021	684,142,000 <sup>14</sup>	698,791,000 <sup>15</sup>	(14,649,000)	1,870,387,000	37.36%
2022	707,318,000	719,691,000 <sup>16</sup>	(12,373,000)	1,932,374,000	37.24%

<sup>1</sup> Reduced by transfers from County Investment Account (funded by pension obligation proceeds held by OCERS). Those transfers are as follows:

Calendar Year Ended December 31	Transfers from County Investment Account	Calendar Year Ended December 31	Transfers from County Investment Account
2013	\$5,000,000	2018	\$0
2014	5,000,000	2019	0
2015	0	2020	5,000,000
2016	0	2021	15,077,000
2017	0	2022	14,962,000

<sup>2</sup> Reduced by discount for prepaid contributions.

<sup>3</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

<sup>4</sup> Includes additional contributions of \$1,075,000 made by O.C. Fire Authority towards the reduction of their UAAL.

<sup>5</sup> Includes additional contributions of \$1,663,000 made by O.C. Cemetery District, \$22,537,000 made by O.C. Fire Authority and \$125,000,000 made by O.C. Sanitation District towards the reduction of their UAAL.

<sup>6</sup> Includes additional contributions of \$18,412,000 made by O.C. Fire Authority and \$50,000,000 made by O.C. Sanitation District towards the reduction of their UAAL.

<sup>7</sup> Includes additional contributions of \$5,133,000 made by O.C. Fire Authority, \$1,500,000 made by Law Library and \$5,587,000 made by O.C. Sanitation District towards the reduction of their UAAL as well as \$33,529,000 made by O.C. Sanitation District to their UAAL Deferred Account.

<sup>8</sup> \$24,042,000 transfer from O.C. Sanitation District Deferred UAAL Account required to offset UAAL increase for the assumption changes has been excluded from both these amounts.

<sup>9</sup> Includes additional contributions of \$32,096,000 made by O.C. Fire Authority, \$1,538,000 made by Law Library and \$1,744,000 made by O.C. Children and Families Commission towards the reduction of their UAAL.

<sup>10</sup> \$14,589,000 transfer from O.C. Sanitation District Deferred UAAL Account required to offset UAAL increase for the actuarial losses as of December 31, 2018 has been excluded from both these amounts.

<sup>11</sup> Includes additional contributions of \$23,437,000 made by O.C. Fire Authority and \$740,000 made by Cypress Recreation and Parks District towards the reduction of their UAAL.

<sup>12</sup> Includes additional contributions of \$19,043,000 made by O.C. Fire Authority, \$878,000 made by O.C. Vector Control, \$12,815,000 Transportation Corridor and \$8,116,000 made by O.C. Sanitation District towards the reduction of their UAAL as well as \$29,884,000 made by O.C. Sanitation District to their UAAL Deferred Account.

<sup>13</sup> Includes additional contributions of \$21,592,000 made by O.C. Fire Authority towards the reduction of their UAAL.

<sup>14</sup> Includes a contribution of \$6,500,000 made by City of San Juan Capistrano related to transferring its Water Department employees to a separate special district, which resulted in a triggering event under the Board's Declining Employer Payroll policy.

<sup>15</sup> Includes additional contributions of \$14,649,000 made by O.C. Fire Authority towards the reduction of their UAAL.

<sup>16</sup> Includes additional contributions of \$11,777,000 made by O.C. Fire Authority and \$596,000 made by Cypress Recreation and Parks District towards the reduction of their UAAL.

**Notes to Schedule:****Methods and assumptions used to establish “actuarially determined contribution” rates:**

<b>Valuation date:</b>	Actuarially determined contribution rates for the first six months of calendar year 2022 or the second half of fiscal year 2021-2022 are calculated based on the December 31, 2019 valuation. Actuarially determined contribution rates for the last six months of calendar year 2022 or the first half of fiscal year 2022-2023 are calculated based on the December 31, 2020 valuation.
<b>Actuarial cost method:</b>	Entry Age Actuarial Cost Method
<b>Amortization method:</b>	Level percent of payroll for total unfunded actuarial accrued liability
<b>Remaining amortization period:</b>	Effective December 31, 2013, the outstanding balance of the UAAL from the December 31, 2012 valuation was combined and re-amortized over a declining 20-year period. Any changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.
<b>Asset valuation method:</b>	The Actuarial Value of Assets is determined by recognizing any difference between the actual and the expected market return over a five-year period. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

## Section 2: GASB 67 Information

<b>Actuarial assumptions:</b>		
<b>Valuation Date:</b>	<b>December 31, 2020 Valuation</b>	<b>December 31, 2019 Valuation</b>
<b>Investment rate of return:</b>	7.00%, net of pension plan investment expense, including inflation	7.00%, net of pension plan investment expense, including inflation
<b>Inflation rate:</b>	2.50%	2.75%
<b>Real across-the-board salary increase:</b>	0.50%	0.50%
<b>Projected salary increases:</b>	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%, vary by service, including inflation	General: 4.25% to 12.25% and Safety: 4.75% to 17.25%, vary by service, including inflation
<b>Consumer Price Index (CPI) and Cost of Living Adjustments (COLA):</b>	CPI increases of 2.50% per year Retiree COLA increases of 2.75% per year. For members that have COLA banks, we assume they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter	CPI increases of 2.75% per year Retiree COLA increases of 2.75% per year. For members that have COLA banks, we assume they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter
<b>Other assumptions:</b>	Same as those used in the December 31, 2020 funding actuarial valuation	Same as those used in the December 31, 2019 funding actuarial valuation



## Section 3: Appendices

### Appendix A: Projection of Pension Plan's Fiduciary Net Position for use in the Calculation of Discount Rate as of December 31, 2022 (\$ in millions)

Year Beginning January 1	Projected Beginning Plan's Fiduciary Net Position (a)	Projected Total Contributions * (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan's Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2022	\$21,922	\$990	\$1,140	\$24	-\$2,059	\$19,690
2023	19,690	992	1,204	21	1,370	20,827
2024	20,827	985	1,274	22	1,447	21,962
2025	21,962	1,001	1,346	24	1,525	23,119
2026	23,119	1,037	1,419	25	1,604	24,316
2027	24,316	1,109	1,493	26	1,688	25,594
2028	25,594	1,116	1,568	27	1,775	26,890
2029	26,890	1,124	1,646	29	1,863	28,202
2030	28,202	1,131	1,725	30	1,953	29,531
2031	29,531	1,139	1,804	32	2,043	30,878
2047	38,085	171	2,918	41	2,570	37,868
2048	37,868	161	2,954	41	2,553	37,587
2049	37,587	151	2,987	40	2,532	37,243
2050	37,243	142	3,015	40	2,507	36,838
2051	36,838	134	3,037	40	2,477	36,372
2096	21,862	35	188	23	1,524	23,209
2097	23,209	36	153	25	1,620	24,687
2098	24,687	36	122	27	1,724	26,299
2099	26,299	37	96	28	1,838	28,049
2100	28,049	38	74	30	1,961	29,944
2134	277,919	299 **	0	299	19,454	297,374
2134 Discounted Value:	152 ***					

\* Of all the projected total contributions, only the first year's (i.e., 2022) contribution has been reduced by discount for prepaid contributions and transfers from County Investment Account, if any.

\*\* Mainly attributable to employer contributions to fund each year's annual administrative expenses.

\*\*\* \$277,919 million when discounted with interest at the rate of 7.00% per annum has a value of \$152 million as of December 31, 2022. Of this amount, about \$141 million is the balance available in the County Investment Account and \$14 million is the O.C. Sanitation District UAAL Deferred Account as of December 31, 2022.

Note: We have not utilized the balance in the County Investment Account to reduce the projected total contributions in column (b) even though those amounts have been used to reduce the NPL for the County as of December 31, 2022.

## Section 3: Appendices

### Notes:

- (1) Amounts may not total exactly due to rounding.
- (2) Amounts shown in the year beginning January 1, 2022 row are actual amounts, based on the final audited financial statements provided by OCERS.
- (3) Certain years have been omitted from the table.
- (4) Column (a): Except for the "discounted value" shown for 2134, all of the projected beginning Plan's Fiduciary Net Position amounts shown have not been adjusted for the time value of money.
- (5) Column (b): Projected total contributions include member and employer normal cost rates applied to closed group projected payroll (based on covered active members as of December 31, 2021), plus employer contributions to the Unfunded Actuarial Accrued Liability. Contributions are assumed to occur halfway through the year, on average.
- (6) Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of December 31, 2021. The projected benefit payments reflect the cost of living increase assumptions used in the December 31, 2022 valuation report.
- (7) Column (d): Projected administrative expenses are calculated as approximately 0.11% of the projected beginning Plan's Fiduciary Net Position amount. The 0.11% portion was based on the actual calendar year 2022 administrative expenses (unaudited) as a percentage of the actual beginning Plan's Fiduciary Net Position as of January 1, 2022. Administrative expenses are assumed to occur halfway through the year, on average.
- (8) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.
- (9) As illustrated in this Appendix, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2022 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.
- (10) This projection is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

## Section 3: Appendices

### Appendix B: Definition of Terms

Definitions of certain terms as they are used in Statement 67. The terms may have different meanings in other contexts.

<b>Actuarial Present Value of Projected Benefit Payments:</b>	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
<b>Actuarial Valuation:</b>	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
<b>Actuarial Valuation Date:</b>	The date as of which an actuarial valuation is performed.
<b>Actuarially Determined Contribution:</b>	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
<b>Ad Hoc Cost-of-Living Adjustments (Ad Hoc COLAs):</b>	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
<b>Ad Hoc Postemployment Benefit Changes:</b>	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
<b>Automatic Cost-of-Living Adjustments (Automatic COLAs):</b>	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
<b>Automatic Postemployment Benefit Changes:</b>	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
<b>Cost-of-Living Adjustments:</b>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<b>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Cost-Sharing Pension Plan):</b>	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
<b>Covered Payroll:</b>	Payroll on which contributions to a pension plan are based.
<b>Defined Benefit Pension Plans:</b>	Pension plans that are used to provide defined benefit pensions.

## Section 3: Appendices

<b>Defined Benefit Pensions:</b>	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of Statement 67.)
<b>Defined Contribution Pension Plans:</b>	Pension plans that are used to provide defined contribution pensions.
<b>Defined Contribution Pensions:</b>	Pensions having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (3) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
<b>Discount Rate:</b>	<p>The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:</p> <ol style="list-style-type: none"> <li>1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension Plan's Fiduciary Net Position is projected (under the requirements of Statement 67) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.</li> <li>2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.</li> </ol>
<b>Entry Age Actuarial Cost Method:</b>	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
<b>Inactive Employees:</b>	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
<b>Multiple-Employer Defined Benefit Pension Plan:</b>	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
<b>Net Pension Liability (NPL):</b>	The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.

## Section 3: Appendices

<b>Other Postemployment Benefits:</b>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
<b>Pension Plans:</b>	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
<b>Pensions:</b>	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
<b>Plan Members:</b>	Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
<b>Postemployment</b>	The period after employment.
<b>Postemployment Benefit Changes:</b>	Adjustments to the pension of an inactive employee.
<b>Postemployment Healthcare Benefits:</b>	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
<b>Projected Benefit Payments:</b>	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
<b>Public Employee Retirement System:</b>	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
<b>Real Rate of Return:</b>	The rate of return on an investment after adjustment to eliminate inflation.
<b>Service Costs:</b>	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
<b>Single-Employer Defined Benefit Pension Plan (Single-Employer Pension Plan):</b>	A defined benefit pension plan that is used to provide pensions to employees of only one employer.
<b>Termination Benefits:</b>	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
<b>Total Pension Liability (TPL):</b>	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 67.

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# Orange County Employees Retirement System

2022 AUDIT RESULTS

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Report to Audit Committee  
June 1, 2023





# Issued Reports

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**We will issue the following reports for the year ended December 31, 2022:**

- Audit report on the annual comprehensive financial report
- Report on internal control over financial reporting in accordance with *government auditing standards*
- Audit report on the schedule of allocated pension amounts by employer

## **Unmodified opinions**

Financial statements and schedule of allocated pension amounts are presented fairly in accordance with accounting principles generally accepted in the United States of America

**No material weaknesses or significant deficiencies reported.**



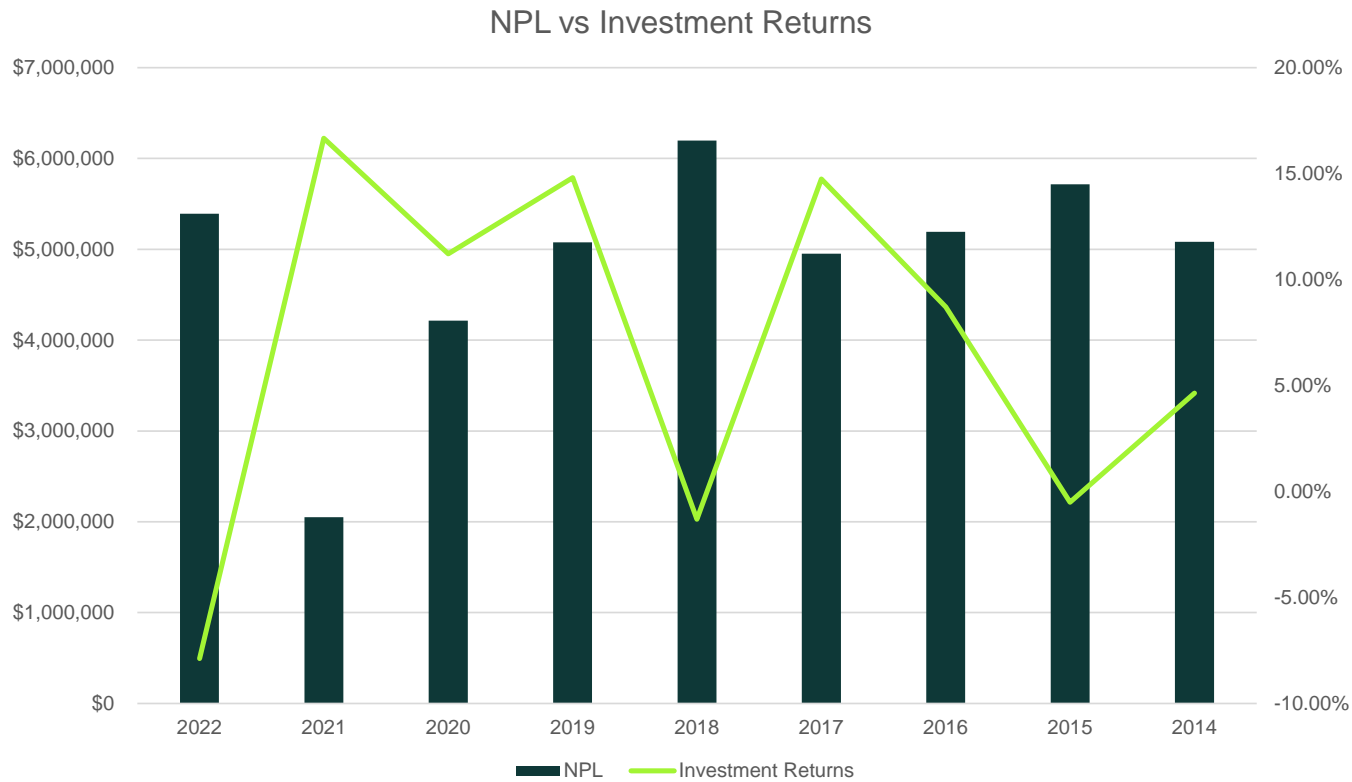
# Financial Highlights – Pension Trust Fund

(in thousands)	2022	2021	2020
<b>Total pension liability (a)</b>	<b>\$ 25,081,027</b>	<b>\$ 23,972,420</b>	<b>\$ 23,010,450</b>
<b>Plan fiduciary net position</b>			
Employer contributions	\$ 719,691	\$ 698,791	\$ 659,807
Member contributions	269,999	271,334	279,384
Net investment (loss) income	(2,058,590)	3,222,065	2,173,184
Benefit payments	(1,139,715)	(1,045,738)	(973,325)
Administrative expense	(23,546)	(21,473)	(20,428)
Net change in plan fiduciary net position	(2,232,161)	3,124,979	2,118,622
Plan fiduciary net position			
Beginning of year	21,922,182	18,797,203	16,678,581
<b>End of year (b)</b>	<b>\$ 19,690,021</b>	<b>\$ 21,922,182</b>	<b>\$ 18,797,203</b>
<b>Net pension liability (a) - (b)</b>	<b>\$ 5,391,006</b>	<b>\$ 2,050,238</b>	<b>\$ 4,213,247</b>
<b>Funded status (b) / (a)</b>	<b>78.5%</b>	<b>91.4%</b>	<b>81.7%</b>





# Financial Highlights – Pension Trust Fund



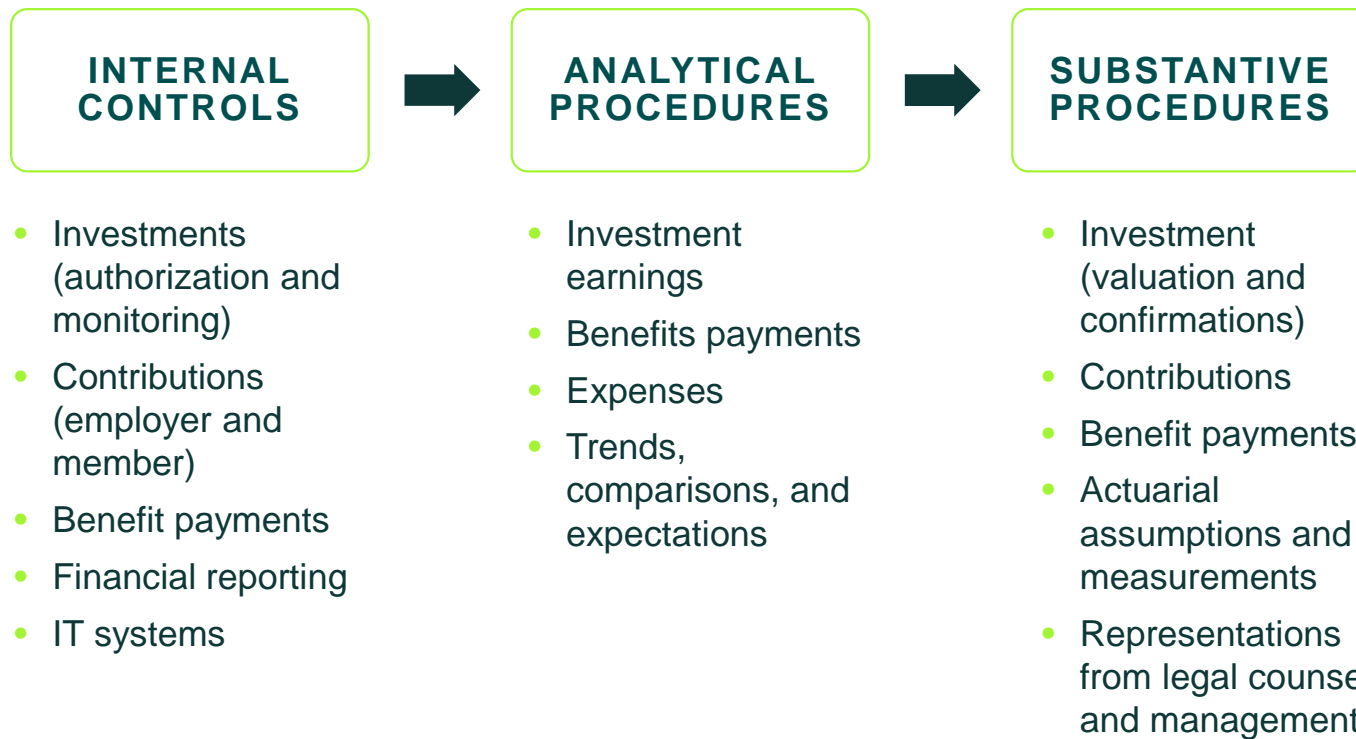
## Financial Highlights (continued)

(in thousands)	County Health Care Fund	OCFA Health Care Fund	OCTA Custodial Fund
<b>Plan fiduciary net position</b>			
Employer contributions	\$ 41,889	\$ 2,932	\$ 655
Net investment loss	(38,465)	(4,703)	(3,402)
Benefit payments	(37,013)	(6,658)	(1,466)
Administrative expense	(23)	(22)	(23)
Net change in plan fiduciary net position	<u>(33,612)</u>	<u>(8,451)</u>	<u>(4,236)</u>
Plan fiduciary net position			
Beginning of year	<u>486,332</u>	<u>59,456</u>	<u>21,457</u>
End of year	<u>\$ 452,720</u>	<u>\$ 51,005</u>	<u>\$ 17,221</u>





# Areas of Audit Emphasis



# Audit Emphasis – Alternative Investments

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## Alternative Investments

- Investments for which a readily determinable fair value does not exist
- Includes global public equity, private equity, real assets, and other institutional holdings
- Elevated risks for existence, valuation, and liquidity

## Audit Approach

- Virtual conference with alternative investment manager
- Reviewed due diligence procedures and controls
- Reviewed financial close and reporting controls
- Directly confirmed balances totaling \$11.6 billion of \$17 billion in global public equity private equity, real assets, and other institutional holdings based on risk assessment
- Performed other substantive procedures on remaining \$5.4 billion balances



## Other Areas

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### **Compliance with County Employees Retirement Law of 1937 (CERL)**

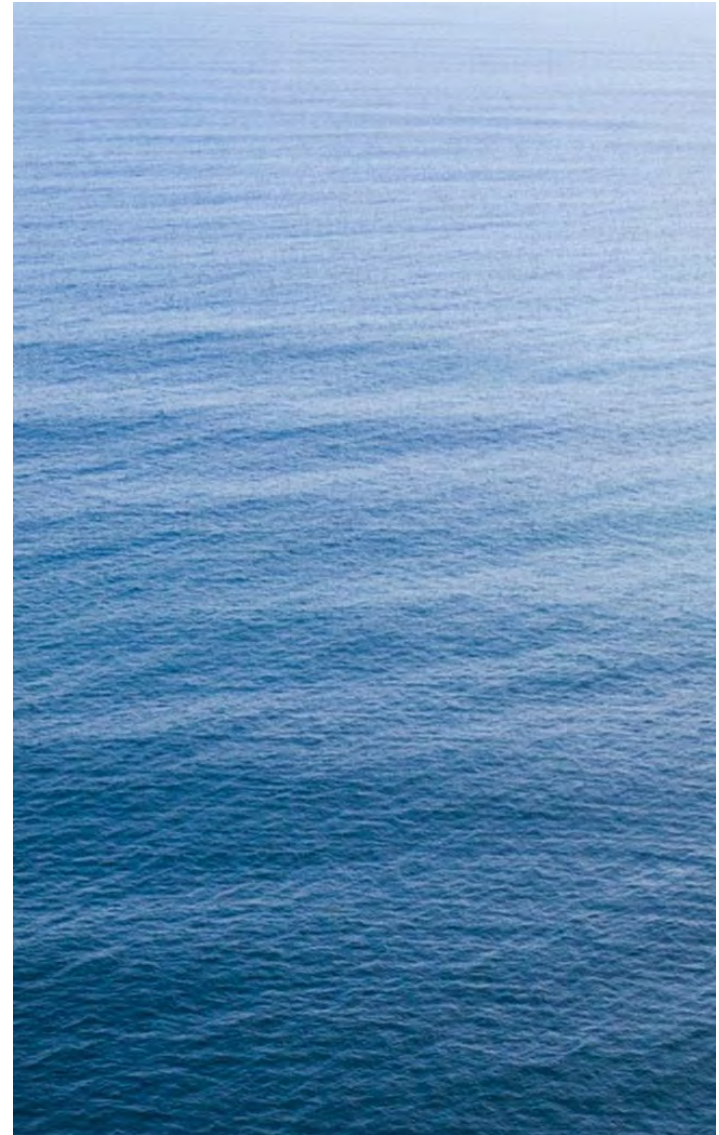
- Tested compliance with CERL on benefit payment recalculations
- No instances of non-compliance noted

### **OCERS Liquidity**

- Reviewed internal procedures for monitoring liquidity for payroll and capital calls
- Procedures were adequate and no recommendations were made

### **General Ledger Conversion**

- Reviewed the data conversion files and noted no issues with accuracy of the starting balances in Sage Intacct



# Required Communications

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- Significant accounting policies are summarized in Note 2 to financial statements
- Financial statement disclosures are consistent, clear, and understandable
- Written and oral representations to be received from management
- No audit adjustments (other than fair value adjustments to investments provided by management during audit)
- No uncorrected misstatements noted
- No disagreements with management
- OCERS adopted GASB No. 87 *Leases* – No impact noted



## Required Communications (continued)

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- Consultation with other independent auditors (none of which we are aware)
- No difficulties encountered during the audit
- Illegal acts (none noted)
- Ability to continue as a going concern (no disclosure necessary)
- Our audit report does not cover other information included in annual comprehensive financial report
- No circumstances noted that affect the form and content of the audit report
- Consideration of fraud in a financial statement audit
  - Procedures performed included journal entry testing and interviews of personnel
- Moss Adams is independent with respect to OCERS and its participating employers





- Audit performed within the scope, and timeline discussed during our entrance meeting and audit planning
- ‘Tone at the Top’ remains strong, and attitude from management and staff was helpful and open in response to audit requests



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COMMUNICATION OF INTERNAL  
CONTROL RELATED MATTERS

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

December 31, 2022

**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Retirement  
Orange County Employees Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying total funds column in the statement of fiduciary net position of Orange County Employees Retirement System (the System) as of and for the year ended December 31, 2022, and the related total funds column in the statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **June 1, 2023**.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Irvine, California

June 1, 2023



## Memorandum

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**DATE:** June 1, 2023  
**TO:** Audit Committee Members  
**FROM:** Brenda Shott, Assistant CEO, Finance and Internal Operations; Tracy Bowman, Director of Finance  
**SUBJECT:** GASB 68 VALUATION AND AUDIT REPORT

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### Recommendation

Recommend to the Board of Retirement the following:

1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2022
2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2022 for distribution to employers

### Background/Discussion

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, requires employers to record their proportionate share of the total pension liability less the plan's fiduciary net position (i.e., net pension liability) on the face of their financial statements. A proportionate share of the total pension expense and collective deferred inflows of resources and deferred outflows of resources of the pension trust fund at OCERS is shown on the face of each employer's financial statements.

#### Net Pension Liability vs. Unfunded Actuarial Accrued Liability

The Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation Based on December 31, 2022 Measurement Date for Employer Reporting as of June 30, 2023 is used for financial reporting purposes and was prepared by Segal Consulting (Attachment 1). This report is *separate and distinct from the funding actuarial valuation*. The net pension liability (NPL) shown in Exhibit 2 of the GASB 68 valuation as of December 31, 2022 is \$5.4 billion compared to the unfunded actuarial accrued liability (UAAL) of \$4.7 billion in the funding actuarial valuation as of December 31, 2022. The differences between the NPL and the UAAL are a direct result of the different liability and asset values used in measuring these amounts as detailed in the attached letter from Segal Consulting which includes a reconciliation of the Plan's December 31, 2022 NPL and UAAL (Attachment 2). The primary differences can be attributed to NPL being calculated using the Plan's current market value of assets, including the proceeds available in the County Investment Account and the Orange County Sanitation District UAAL Deferred Account; the UAAL is calculated by adjusting the market value of assets for asset smoothing per OCERS Actuarial Funding Policy and excludes the County Investment Account reserves and the Orange County Sanitation District UAAL Deferred Account. Differences are also created by timing differences of when actuarial gains and losses are recognized in the liability calculation for financial reporting purposes compared to funding valuation purposes.



## Memorandum

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### Schedule of Allocated Pension Amounts by Employer

The Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2022 and related notes were audited by OCERS' independent auditor, Moss Adams LLP (Moss Adams) (Attachment 3). The proportionate share allocation is based on rate groups. All rate groups, with the exception of rate groups 1 and 2, have only one active employer, so all of the NPL for those rate groups is allocated to that employer. For rate groups 1 and 2, the NPL is allocated based on the actual employer contributions within the rate group and excludes employers with inactive membership. If an employer participates in several rate groups, the employer's total proportionate share of the NPL is the sum of its allocated NPL from each rate group.

The audit report and GASB 68 valuation, once approved by the Audit Committee and Board of Retirement, will be made available to participating employers with the following disclaimer:

*To complete its financial statements, each participating employer will need to record its own proportionate share of collective pension amounts for all benefits provided through OCERS' cost-sharing multiple-employer defined benefit pension plan. OCERS has provided a schedule of pension amounts by employer, prepared by independent actuary Segal Consulting, in accordance with the methodology set forth in GASB 68, based on data maintained and provided by OCERS. This schedule has been audited by independent auditor, Moss Adams. Please note that OCERS is not responsible for employers' compliance with the requirements of GASB 68. Employers are solely responsible for accurately presenting their financial statements within the requirements of GASB 68.*

### Submitted by:



**TB - Approved**

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Tracy Bowman  
Director of Finance

### Approved by:



**BS - Approved**

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Brenda Shott  
Asst. CEO, Finance & Internal Operations

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# **GASB 68 Valuation and Audit Report**

Presented on June 1, 2023

by

*Brenda Shott and Tracy Bowman*



## Recommendation

- Recommend to the Board of Retirement the following:
  1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2022
  2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2022 for distribution to employers



## Overview

- This information is needed by Employers for their annual financial reporting.
- **Reports are prepared for GASB reporting purposes only - there are no actionable decisions to be made on content.**
- This item is brought before you because the Audit Committee Charter requires approval of all audit reports.





## Audit Report on GASB 68 Schedules

- Using the NPL calculated for GASB 67, Segal prepares the Schedule of Allocated Pension Amounts by Employer (included in Appendix B of the full GASB 68 valuation - Section 3)
- Moss Adams audits this schedule which includes amounts and information required for GASB 68 reporting for each employer
- Moss Adams has issued an unmodified opinion on the 2022 schedule and related notes which will allow our Employers' auditors to rely on Moss Adam's work, avoiding multiple audits of OCERS' information.



# Conclusion

Questions?

Attachment I

# Orange County Employees Retirement System (OCERS)

## **Governmental Accounting Standards Board Statement 68 (GASB 68) Actuarial Valuation**

Actuarial Valuation Based on December 31, 2022  
Measurement Date for Employer Reporting  
as of June 30, 2023



This report has been prepared at the request of the Board of Retirement to assist the sponsors of the Fund in preparing their financial report for their liabilities associated with the OCERS pension plan. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety, unless expressly authorized by Segal. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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**Segal**



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May 31, 2023

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

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation based on a December 31, 2022 measurement date for employer reporting as of June 30, 2023. It contains various information that will need to be disclosed in order for employers to comply with GASB Statement 68.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist the sponsors of the Orange County Employees Retirement System (OCERS) in preparing their financial report for their liabilities associated with the OCERS pension plan. The census and financial information on which our calculations were based were prepared by OCERS. That assistance is gratefully acknowledged.


The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

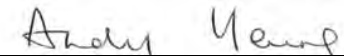
The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the System.


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

Sincerely,

Segal

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

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

  
\_\_\_\_\_  
Todd Tauzer, FSA, MAAA, FCA, CERA  
Vice President and Actuary

JY/jl

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# Section 1: Actuarial Valuation Summary

## Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board (GASB) Statement 68 for employer reporting as of June 30, 2023. The results used in preparing this GASB 68 report are comparable to those used in preparing the GASB Statement 67 report for the plan based on a reporting date and a measurement date as of December 31, 2022. This valuation is based on:

- The benefit provisions of OCERS, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of December 31, 2021, provided by OCERS;
- The assets of the Plan as of December 31, 2022, provided by OCERS;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board of Retirement for the December 31, 2022 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board of Retirement for the December 31, 2022 valuation.

## General observations on GASB 68 actuarial valuation

1. It is important to note that Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans should develop and adopt funding policies under current practices.
2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as OCERS uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is generally determined on the same basis as OCERS' Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.
3. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.

## Section 1: Actuarial Valuation Summary

### Highlights of the valuation

1. For this report, the reporting dates for the employers are June 30, 2023 and 2022. The NPLs measured as of December 31, 2022 and 2021 have been determined by rolling forward the TPLs as of December 31, 2021 and 2020, respectively. The Plan's Fiduciary Net Positions were valued as of the measurement dates. In addition, any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.

However, since the O.C. Superior Court's Plan U improvement would be effective after the December 31, 2022 measurement date (and the impact on the TPL is immaterial even if it were to be included), we have not made any adjustment to the TPL when we roll forward the liabilities from December 31, 2021 to December 31, 2022.

2. The NPL increased from \$2,050.2 million as of December 31, 2021 to \$5,391.0 million as of December 31, 2022 primarily as a result of a (9.43)%<sup>1</sup> return on the market value of assets during 2022 that was lower than the assumed return of 7.00% by approximately \$3,587.1 million. Changes in these values during the last two calendar years ending December 31, 2022 and December 31, 2021 can be found in *Section 2, Schedule of changes in Net Pension Liability* on page 17.
3. There was an increase in the total employer pension expense from a pension income of \$(121.1) million calculated last year to a pension expense of \$728.3 million calculated this year. The primary cause of the increase was due to an investment loss of \$3.6 billion with \$717.4 million being recognized in this year's expense.
4. The discount rate used to determine the TPL and NPL as of both December 31, 2022 and 2021 was 7.00% following the same assumption used by the System in the pension funding valuations as of the December 31, 2021 and December 31, 2020. The detailed calculation of the discount rate of 7.00% used in the calculation of the TPL and NPL as of December 31, 2022 can be found in *Section 3, Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.
5. The Plan's Fiduciary Net Position of \$21,922,182,000 as of December 31, 2021 is equal to the final market value of assets in the Pension Trust Fund as of December 31, 2021. This differs from the \$21,738,794,000 market value of assets used in our December 31, 2021 funding valuation because the market value of assets in the funding valuation excludes \$167,745,000 in the County Investment Account and \$15,643,000 in O.C. Sanitation District UAAL Deferred Account.

The Plan's Fiduciary Net Position of \$19,690,021,000 as of December 31, 2022 is equal to the final market value of assets in the Pension Trust Fund as of December 31, 2022. This differs from the \$19,534,631,000 market value of assets used in our December 31, 2022 funding valuation because the market value of assets in the funding valuation excludes \$140,992,000 in the County Investment Account and \$14,398,000 in O.C. Sanitation District UAAL Deferred Account.

<sup>1</sup> As documented in the funding valuation report, return on market value was calculated using a modified dollar-weighted approach based on pension plan assets net of accounting liabilities. Actual investment return on net pension plan assets was \$(2,106,139,000) during 2022 after including both the administrative expenses and discount for prepaid contributions while excluding the losses credited to County Investment Account and O.C. Sanitation District UAAL Deferred Account. Without these adjustments, the actual investment return was \$(2,058,590,000).

## Section 1: Actuarial Valuation Summary

6. In Appendix B, we show the Schedule of Pension Amounts by Employer. The expanded information shown in Appendix B has been used to prepare the Schedules that show the Pension Expense as well as the Deferred Outflows of Resources and Deferred Inflows of Resources.
7. Results shown in this report exclude any employer contributions made after the measurement date of December 31, 2022. Employers should consult with their auditors to determine the deferred outflow that should be created for these contributions.
8. All Rate Groups except Rate Groups #1 and #2 only have one active employer, so all of the NPL for those Rate Groups is allocated to that employer.

For Rate Groups #1<sup>1</sup> and #2, the NPL is allocated based on the actual employer contributions within the Rate Group. The steps we used are as follows:

- Calculate ratio of employer's contributions to the total contributions for the Rate Group.
- Multiply this ratio by the NPL for the Rate Group to determine the employer's proportionate share of the NPL for the Rate Group.

If the employer is in several Rate Groups, the employer's total allocated NPL is the sum of its allocated NPL from each Rate Group. Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers. The NPL allocation can be found in *Section 2, Determination of Proportionate Share*.

9. On July 30, 2020, the California Supreme Court issued a decision in the case of Alameda County Deputy Sheriffs' Association et al. v. Alameda County Employees' Retirement Association (ACERA) and Board of Retirement of ACERA. That decision has important implications for OCERS and its members. In particular, the decision requires pension systems like OCERS to exclude certain pay items from a legacy member's compensation earnable. It should be noted that the December 31, 2022 assets reflects approximately \$5.5 million in contribution refunds related to the contributions previously paid by the members in conjunction with such pay items. In addition, because the December 31, 2022 liabilities were calculated by rolling forward the results as of December 31, 2021, the changes in the membership data as a result of the Board's actions will first be reflected with the December 31, 2023 liabilities.
10. It is important to note that this actuarial valuation is based on plan assets as of December 31, 2022. The plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Moreover, this actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after December 31, 2022 due to COVID-19. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.

<sup>1</sup> The NPL for Rate Group #1 was adjusted by the NPLs for the O.C. Vector Control District, Cypress Recreation and Parks, Department of Education and U.C.I. prior to allocating the net NPL to the other employers in Rate Group #1 as the NPLs for these four employers were calculated separately.



## Section 1: Actuarial Valuation Summary

### Summary of key valuation results

Reporting Date for Employer under GASB 68 <sup>1</sup>		June 30, 2023	June 30, 2022
Measurement Date for Employer under GASB 68		December 31, 2022	December 31, 2021
<b>Disclosure elements for calendar year ending December 31:</b>	• Service cost <sup>2</sup>	\$526,768,913	\$510,863,197
	• Total Pension Liability	25,081,027,171	23,972,419,722
	• Plan's Fiduciary Net Position	19,690,021,000	21,922,182,000
	• Net Pension Liability	5,391,006,171	2,050,237,722
	• Pension expense	728,323,232	(121,126,855)
<b>Schedule of contributions for calendar year ending December 31:</b>	• Actuarially determined contributions	\$707,319,000	\$684,142,000
	• Actual contributions <sup>3</sup>	719,691,000	698,791,000
	• Contribution deficiency / (excess) <sup>4</sup>	(12,372,000)	(14,649,000)
<b>Demographic data for calendar year ending December 31:</b>	• Number of retired members and beneficiaries	20,678	19,826
	• Number of inactive vested members	7,894	7,238
	• Number of active members	22,061	22,011
<b>Key assumptions as of December 31:</b>	• Investment rate of return	7.00%	7.00%
	• Inflation rate	2.50%	2.50%
	• Projected salary increases <sup>5</sup>	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%
	• Cost of living adjustments	2.75% of retirement income	2.75% of retirement income

<sup>1</sup> The reporting date and measurement date for the plan are December 31, 2022 and December 31, 2021.

<sup>2</sup> The Service Cost is based on the previous year's valuation, meaning the December 31, 2022 and December 31, 2021 measurement date values are based on the valuations as of December 31, 2021 and December 31, 2020, respectively. Both service costs have been calculated using the assumptions shown in the December 31, 2021 measurement date column, as there were no changes in the actuarial assumptions between the December 31, 2021 and December 31, 2020 valuations.

<sup>3</sup> Reduced by discount for prepaid contributions and transfer from County Investment Account, if any.

<sup>4</sup> Includes additional contributions made by employers toward the reduction of their UAAL. Details are shown in *Section 2, Schedule of Employer Contributions* on page 18.

<sup>5</sup> Includes inflation at 2.50%, plus real across-the-board salary increases of 0.50% plus merit and promotion increases.

## Section 1: Actuarial Valuation Summary

### Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

<b>Plan Provisions</b>	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
<b>Participant Information</b>	An actuarial valuation for a plan is based on data provided to the actuary by OCERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
<b>Financial Information</b>	The valuation is based on the fair value of assets as of the measurement date, as provided by OCERS.
<b>Actuarial Assumptions</b>	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if any). The forecasted benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the Plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.
<b>Models</b>	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

## Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The valuation is prepared at the request of the Board to assist the sponsors of the Fund in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of future financial measures, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

If OCERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.

Segal's report shall be deemed to be final and accepted by the System upon delivery and review. The System should notify Segal immediately of any questions or concerns about the final content.

As Segal has no discretionary authority with respect to the management or assets of OCERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to OCERS.

## Section 2: GASB 68 Information

### General information about the pension plan

#### Plan Description

*Plan administration.* The Orange County Employees Retirement System (OCERS) was established by the County of Orange in 1945. OCERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). OCERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and General members employed by the County of Orange. OCERS also provides retirement benefits to the employee members of the Orange County Courts, the Orange County Retirement System, two cities and thirteen special districts.

The management of OCERS is vested with the Orange County Board of Retirement. The Board consists of nine members and one alternate. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the General membership; one member and one alternate are elected by the Safety membership, one member is elected by the retired members of the System. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with the County Treasurer term.

*Plan membership.* At December 31, 2022, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	20,678
Inactive vested members entitled to but not yet receiving benefits	7,894
Active members	22,061
<b>Total</b>	<b>50,633</b>

Note: Data as of December 31, 2022 is not used in the measurement of the TPL as of December 31, 2022.

## Section 2: GASB 68 Information

*Benefits provided.* OCERS provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Orange or contracting agencies who work a minimum of 20 hours per week become members of OCERS effective on the first day of employment in an eligible position. There are separate retirement plans for General and Safety member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers. Any new Safety member who becomes a member on or after January 1, 2013 is designated PEPRA Safety and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. All other employees are classified as General members. New General members employed on or after January 1, 2013 are designated as PEPRA General subject to the provisions of California Government Code 7522 et. seq.

General members hired prior to January 1, 2013, including all members of Plan T and Plan W hired on or after January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired ten or more years of retirement service credit. A member with thirty years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, excluding members of Plan T and Plan W, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

Safety members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired ten or more years of retirement service credit. A member with twenty years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

All General and Safety members can also retire at the age of 70 regardless of service.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General member benefits are calculated pursuant to the provisions of Sections 31676.01, 31676.1, 31676.12, 31676.16, 31676.18 or 31676.19. For Section 31676.01, the monthly allowance is equal to 1/90th of final compensation times years of accrued retirement service credit times age factor from that Section. For Section 31676.1, the monthly allowance is equal to 1/60th of final compensation times years of accrued retirement service credit times age factor from that Section. For Sections 31676.12, 31676.16, 31676.18 or 31676.19, the monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times age factor from the corresponding Section. General member benefits for those who are first hired on or after January 1, 2013, excluding members of Plan T and Plan W, are calculated pursuant to the provision of California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety member benefits are calculated pursuant to the provisions of California Government Code Sections 31664.1 and 31664.2. The monthly allowance is equal to 3% of final compensation times years of accrued retirement service credit times age factor from the corresponding Section. Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

## Section 2: GASB 68 Information

For members with membership dates before January 1, 2013, including all members of Plan T and Plan W hired on or after January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013, excluding members of Plan T and Plan W.

Final average compensation consists of the highest 12 consecutive months for a General Tier 1 or Safety Tier 1 member and the highest 36 consecutive months for a General Tier 2, General PEPRA, Safety Tier 2 or Safety PEPRA member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

OCERS provides an annual cost-of-living adjustment (COLA) benefit to all retirees. The COLA, based upon the ratio of the past two annual Consumer Price Indices for All Urban Consumers for the Los Angeles-Long Beach-Anaheim Area, is capped at 3.0%.

The County of Orange and contracting agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate for the first six months of calendar year 2022 or the second half of fiscal year 2021-2022 (based on the December 31, 2019 valuation) was 41.49%<sup>1</sup> of compensation. The average employer contribution rate for the last six months of calendar year 2022 or the first half of fiscal year 2022-2023 (based on the December 31, 2020 valuation) was 41.16%<sup>1</sup> of compensation.

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The average member contribution rate for the first six months of calendar year 2022 or the second half of fiscal year 2021-2022 (based on the December 31, 2019 valuation) was 12.31%<sup>2</sup> of compensation. The average member contribution rate for the last six months of calendar year 2022 or the first half of fiscal year 2022-2023 (based on the December 31, 2020 valuation) was 12.16%<sup>2</sup> of compensation.

<sup>1</sup> These employer contribution rates may be higher or lower than the composite rate for 2022 as shown on page 18 of this report because those rates have not been adjusted to reflect any pick-ups or reverse pick-ups. These employer contribution rates also do not reflect the shift in payroll to the lower cost plans from the valuation date to the date of rate implementation.

<sup>2</sup> It should be noted that these member contribution rates provided above have not been adjusted to reflect any pick-ups or reverse pick-ups.

## Section 2: GASB 68 Information

### Net Pension Liability

Reporting Date for Employer under GASB 68	June 30, 2023	June 30, 2022
Measurement Date for Employer under GASB 68	December 31, 2022	December 31, 2021
<b>Components of the Net Pension Liability</b>		
Total Pension Liability	\$25,081,027,171	\$23,972,419,722
Plan's Fiduciary Net Position	(19,690,021,000)	(21,922,182,000)
<b>Net Pension Liability</b>	<b>\$5,391,006,171</b>	<b>\$2,050,237,722</b>
Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	78.51%	91.45%

The Net Pension Liability (NPL) was measured as of December 31, 2022 and 2021. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2021 and 2020, respectively.

*Plan provisions.* The plan provisions used in the measurement of the NPL as of December 31, 2022 and 2021 are the same as those used in the OCERS actuarial valuations as of December 31, 2022 and 2021, respectively.

*Actuarial assumptions.* The TPL as of December 31, 2022 was determined by the actuarial valuation as of December 31, 2021. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2017 through December 31, 2019 and they are the same assumptions used in the December 31, 2022 funding valuation for OCERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

<b>Inflation:</b>	2.50%
<b>Salary increases:</b>	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%, vary by service, including inflation
<b>Cost of Living Adjustments (COLA):</b>	Retiree COLA increases of 2.75% per year. For members that have COLA banks, we assume they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter
<b>Investment rate of return:</b>	7.00%, net of pension plan investment expense, including inflation
<b>Other assumptions:</b>	See analysis of actuarial experience during the period January 1, 2017 through December 31, 2019

## Section 2: GASB 68 Information

### Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments<sup>1</sup> was determined in 2020 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2022 and 2021 actuarial valuations. This information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA - Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
<b>Total</b>	<b>100.00%</b>	<b>5.67%</b>

<sup>1</sup> Note that the investment return assumption for funding purposes is developed net of both investment and administrative expenses; however, the same investment return assumption is used for financial reporting purposes, where it is considered gross of administrative expenses.



## Section 2: GASB 68 Information

*Discount rate.* The discount rate used to measure the TPL was 7.00% as of December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2022 and 2021.

## Section 2: GASB 68 Information

### Discount rate sensitivity

*Sensitivity of the Net Pension Liability to changes in the discount rate.* The following presents the NPL as of December 31, 2022, calculated using the discount rate of 7.00%, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Orange County	\$7,073,376,712	\$4,469,282,004	\$2,345,201,635
O.C. Cemetery District	3,021,923	1,031,416	(592,179)
O.C. Law Library	1,427,506	(321,987)	(1,748,995)
O.C. Vector Control District	3,822,808	47,967	(3,031,055)
O.C. Retirement System	48,284,279	31,526,121	17,857,004
O.C. Fire Authority	628,822,571	279,060,590	(6,229,556)
Cypress Recreation and Parks	1,182,480	61,016	(853,728)
Department of Education	4,897,822	3,323,372	2,039,142
Transportation Corridor Agency	7,603,737	(659,689)	(7,399,913)
City of San Juan Capistrano	28,564,413	18,650,483	10,563,994
O.C. Sanitation District	110,139,693	(10,604,801)	(109,092,390)
O.C. Transportation Authority	362,148,902	207,132,957	80,691,194
U.C.I.	42,717,002	29,314,724	18,382,896
O.C. Children and Families Comm.	845,275	(21,846)	(729,130)
Local Agency Formation Comm.	2,431,582	1,587,646	899,273
Rancho Santa Margarita	7,911	1,652	(3,454)
O.C. Superior Court	552,784,187	360,927,849	204,436,505
O.C. IHSS Public Authority	<u>1,485,636</u>	<u>666,697</u>	<u>(1,286)</u>
<b>Total for all Employers</b>	<b>\$8,873,564,439</b>	<b>\$5,391,006,171</b>	<b>\$2,550,389,957</b>

## Section 2: GASB 68 Information

### Schedule of changes in Net Pension Liability — Last two calendar years

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Total Pension Liability</b>		
• Service cost	\$526,768,913	\$510,863,197
• Interest	1,675,053,178	1,609,891,069
• Change of benefit terms	0	0
• Differences between expected and actual experience	46,500,358	(113,046,194)
• Changes of assumptions	0	0
• Benefit payments, including refunds of member contributions	(1,139,715,000)	(1,045,738,000)
• Transfer of members among Rate Groups	0	0
• Other	0	0
<b>Net change in Total Pension Liability</b>	<b>\$1,108,607,449</b>	<b>\$961,970,072</b>
<b>Total Pension Liability – beginning</b>	<b>23,972,419,722</b>	<b>23,010,449,650</b>
<b>Total Pension Liability – ending</b>	<b>\$25,081,027,171</b>	<b>\$23,972,419,722</b>
<b>Plan’s Fiduciary Net Position</b>		
• Contributions – employer <sup>1</sup>	\$719,691,000	\$698,791,000
• Contributions – member	269,999,000	271,334,000
• Net investment income	(2,058,590,000)	3,222,065,000
• Benefit payments, including refunds of member contributions	(1,139,715,000)	(1,045,738,000)
• Transfer of members among Rate Groups	0	0
• Administrative expense	(23,546,000)	(21,473,000)
• Other	0	0
<b>Net change in Plan’s Fiduciary Net Position</b>	<b>\$(2,232,161,000)</b>	<b>\$3,124,979,000</b>
<b>Plan’s Fiduciary Net Position – beginning</b>	<b>21,922,182,000</b>	<b>18,797,203,000</b>
<b>Plan’s Fiduciary Net Position – ending</b>	<b>\$19,690,021,000</b>	<b>\$21,922,182,000</b>
<b>Net Pension Liability – ending</b>	<b>\$5,391,006,171</b>	<b>\$2,050,237,722</b>
<b>Plan’s Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>78.51%</b>	<b>91.45%</b>
<b>Covered payroll<sup>2</sup></b>	<b>\$1,932,374,000</b>	<b>\$1,870,387,000</b>
<b>Plan Net Pension Liability as percentage of covered payroll</b>	<b>278.98%</b>	<b>109.62%</b>

<sup>1</sup> Reduced by discount for prepaid contributions and transfer from County Investment Account, if any.

<sup>2</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of employer contributions – Last ten calendar years

Year Ended December 31	Actuarially Determined Contributions <sup>1,2</sup>	Contributions in Relation to the Actuarially Determined Contributions <sup>1,2</sup>	Contribution Deficiency / (Excess)	Covered Payroll <sup>3</sup>	Contributions as a Percentage of Covered Payroll <sup>1,2</sup>
2013	\$426,020,000	\$427,095,000 <sup>4</sup>	\$(1,075,000)	\$1,494,745,000	28.57%
2014	476,320,000	625,520,000 <sup>5</sup>	(149,200,000)	1,513,206,000	41.34%
2015	502,886,000	571,298,000 <sup>6</sup>	(68,412,000)	1,521,036,000	37.56%
2016	521,447,000	567,196,000 <sup>7</sup>	(45,749,000)	1,602,675,000	35.40%
2017	536,726,000 <sup>8</sup>	572,104,000 <sup>8,9</sup>	(35,378,000)	1,678,322,000	34.09%
2018	556,728,000 <sup>10</sup>	580,905,000 <sup>10,11</sup>	(24,177,000)	1,718,798,000	33.80%
2019	583,057,000	653,793,000 <sup>12</sup>	(70,736,000)	1,783,054,000	36.67%
2020	638,215,000	659,807,000 <sup>13</sup>	(21,592,000)	1,909,268,000	34.56%
2021	684,142,000 <sup>14</sup>	698,791,000 <sup>15</sup>	(14,649,000)	1,870,387,000	37.36%
2022	707,318,000	719,691,000 <sup>16</sup>	(12,373,000)	1,932,374,000	37.24%

<sup>1</sup> Reduced by transfers from County Investment Account (funded by pension obligation proceeds held by OCERS). Those transfers are as follows:

Calendar Year Ended December 31	Transfers from County Investment Account	Calendar Year Ended December 31	Transfers from County Investment Account
2013	\$5,000,000	2018	\$0
2014	5,000,000	2019	0
2015	0	2020	5,000,000
2016	0	2021	15,077,000
2017	0	2022	14,962,000

<sup>2</sup> Reduced by discount for prepaid contributions.

<sup>3</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

<sup>4</sup> Includes additional contributions of \$1,075,000 made by O.C. Fire Authority towards the reduction of their UAAL.

<sup>5</sup> Includes additional contributions of \$1,663,000 made by O.C. Cemetery District, \$22,537,000 made by O.C. Fire Authority and \$125,000,000 made by O.C. Sanitation District towards the reduction of their UAAL.

<sup>6</sup> Includes additional contributions of \$18,412,000 made by O.C. Fire Authority and \$50,000,000 made by O.C. Sanitation District towards the reduction of their UAAL.

<sup>7</sup> Includes additional contributions of \$5,133,000 made by O.C. Fire Authority, \$1,500,000 made by Law Library and \$5,587,000 made by O.C. Sanitation District towards the reduction of their UAAL as well as \$33,529,000 made by O.C. Sanitation District to their UAAL Deferred Account.

<sup>8</sup> \$24,042,000 transfer from O.C. Sanitation District Deferred UAAL Account required to offset UAAL increase for the assumption changes has been excluded from both these amounts.

<sup>9</sup> Includes additional contributions of \$32,096,000 made by O.C. Fire Authority, \$1,538,000 made by Law Library and \$1,744,000 made by O.C. Children and Families Commission towards the reduction of their UAAL.

<sup>10</sup> \$14,589,000 transfer from O.C. Sanitation District Deferred UAAL Account required to offset UAAL increase for the actuarial losses as of December 31, 2018 has been excluded from both these amounts.

<sup>11</sup> Includes additional contributions of \$23,437,000 made by O.C. Fire Authority and \$740,000 made by Cypress Recreation and Parks District towards the reduction of their UAAL.

<sup>12</sup> Includes additional contributions of \$19,043,000 made by O.C. Fire Authority, \$878,000 made by O.C. Vector Control, \$12,815,000 Transportation Corridor and \$8,116,000 made by O.C. Sanitation District towards the reduction of their UAAL as well as \$29,884,000 made by O.C. Sanitation District to their UAAL Deferred Account.

<sup>13</sup> Includes additional contributions of \$21,592,000 made by O.C. Fire Authority towards the reduction of their UAAL.

<sup>14</sup> Includes a contribution of \$6,500,000 made by City of San Juan Capistrano related to transferring its Water Department employees to a separate special district, which resulted in a triggering event under the Board's Declining Employer Payroll policy.

<sup>15</sup> Includes additional contributions of \$14,649,000 made by O.C. Fire Authority towards the reduction of their UAAL.

<sup>16</sup> Includes additional contributions of \$11,777,000 made by O.C. Fire Authority and \$596,000 made by Cypress Recreation and Parks District towards the reduction of their UAAL.

## Section 2: GASB 68 Information

### Notes to Schedule:

#### Methods and assumptions used to establish “actuarially determined contribution” rates:

<b>Valuation date:</b>	Actuarially determined contribution rates for the first six months of calendar year 2022 or the second half of fiscal year 2021-2022 are calculated based on the December 31, 2019 valuation. Actuarially determined contribution rates for the last six months of calendar year 2022 or the first half of fiscal year 2022-2023 are calculated based on the December 31, 2020 valuation.
<b>Actuarial cost method:</b>	Entry Age Actuarial Cost Method
<b>Amortization method:</b>	Level percent of payroll for total unfunded actuarial accrued liability
<b>Remaining amortization period:</b>	Effective December 31, 2013, the outstanding balance of the UAAL from the December 31, 2012 valuation was combined and re-amortized over a declining 20-year period. Any changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.
<b>Asset valuation method:</b>	The Actuarial Value of Assets is determined by recognizing any difference between the actual and the expected market return over a five-year period. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

## Section 2: GASB 68 Information

<b>Actuarial assumptions:</b>		
<b>Valuation Date:</b>	<b>December 31, 2020 Valuation</b>	<b>December 31, 2019 Valuation</b>
<b>Investment rate of return:</b>	7.00%, net of pension plan investment expense, including inflation	7.00%, net of pension plan investment expense, including inflation
<b>Inflation rate:</b>	2.50%	2.75%
<b>Real across-the-board salary increase:</b>	0.50%	0.50%
<b>Projected salary increases:</b>	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%, vary by service, including inflation	General: 4.25% to 12.25% and Safety: 4.75% to 17.25%, vary by service, including inflation
<b>Cost of Living Adjustments (COLA):</b>	Retiree COLA increases of 2.75% per year. For members that have COLA banks, we assume they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter	Retiree COLA increases of 2.75% per year. For members that have COLA banks, we assume they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter
<b>Other assumptions:</b>	Same as those used in the December 31, 2020 funding actuarial valuation	Same as those used in the December 31, 2019 funding actuarial valuation

## Section 2: GASB 68 Information

### Determination of proportionate share

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group  
January 1, 2021 to December 31, 2021

	Rate Group #1	Rate Group #1 Percentage	Rate Group #2	Rate Group #2 Percentage	Rate Group #3	Rate Group #3 Percentage
Orange County	\$13,347,000	98.713%	\$336,991,000	88.527%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	3,301,000	0.867%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	2,367,000	0.622%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	8,607,000	100.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	180,000	0.047%	0	0.000%
Local Agency Formation Comm.	0	0.000%	184,000	0.048%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	37,645,000	9.889%	0	0.000%
O.C. IHSS Public Authority	<u>174,000</u>	<u>1.287%</u>	<u>0</u>	<u>0.000%</u>	<u>0</u>	<u>0.000%</u>
<b>Total for all Employers</b>	<b>\$13,521,000</b>	<b>100.000%</b>	<b>\$380,668,000</b>	<b>100.000%</b>	<b>\$8,607,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2021 to December 31, 2021

	Rate Group #4	Rate Group #4 Percentage	Rate Group #5	Rate Group #5 Percentage	Rate Group #9	Rate Group #9 Percentage
Orange County	\$0	0.000%	\$0	0.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	867,000	100.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	30,263,000	100.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	100.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$0</b>	<b>100.000%</b>	<b>\$30,263,000</b>	<b>100.000%</b>	<b>\$867,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.



## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2021 to December 31, 2021

	Rate Group #10	Rate Group #10 Percentage	Rate Group #11	Rate Group #11 Percentage	Rate Group #12	Rate Group #12 Percentage
Orange County	\$0	0.000%	\$0	0.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	243,000	100.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	134,000	100.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	8,990,000	100.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$8,990,000</b>	<b>100.000%</b>	<b>\$243,000</b>	<b>100.000%</b>	<b>\$134,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2021 to December 31, 2021

	Rate Group #6	Rate Group #6 Percentage	Rate Group #7	Rate Group #7 Percentage	Rate Group #8	Rate Group #8 Percentage
Orange County	\$32,123,000	100.000%	\$171,101,000	100.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	74,105,000	100.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$32,123,000</b>	<b>100.000%</b>	<b>\$171,101,000</b>	<b>100.000%</b>	<b>\$74,105,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2021 to December 31, 2021

	Total Contributions <sup>1</sup>	Total Percentage
Orange County	\$553,562,000	76.817%
O.C. Cemetery District	243,000	0.034%
O.C. Law Library	134,000	0.019%
O.C. Vector Control District	0	0.000%
O.C. Retirement System	3,301,000	0.458%
O.C. Fire Authority	83,095,000	11.531%
Cypress Recreation and Parks	0	0.000%
Department of Education	0	0.000%
Transportation Corridor Agency	867,000	0.120%
City of San Juan Capistrano	2,367,000	0.328%
O.C. Sanitation District	8,607,000	1.194%
O.C. Transportation Authority	30,263,000	4.200%
U.C.I.	0	0.000%
O.C. Children and Families Comm.	180,000	0.025%
Local Agency Formation Comm.	184,000	0.026%
Rancho Santa Margarita	0	0.000%
O.C. Superior Court	37,645,000	5.224%
O.C. IHSS Public Authority	<u>174,000</u>	<u>0.024%</u>
<b>Total for all Employers</b>	<b>\$720,622,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

<sup>1</sup> Excludes combined additional contributions of \$14,649,000 made by O.C. Fire Authority towards the reduction of their UAALs, contributions of \$6,500,000 made by City of San Juan Capistrano, combined contributions of \$3,622,000 made by Department of Education and U.C.I., and combined employer pick-up contributions of \$32,000 made by O.C. Children and Families Commission and Local Agency Formation Commission and reverse pick-up contributions of \$(38,000) made by O.C. Fire Authority.

## Section 2: GASB 68 Information

### Allocation of December 31, 2021 Net Pension Liability

	Rate Group #1	Rate Group #1 Percentage	Rate Group #2	Rate Group #2 Percentage	Rate Group #3	Rate Group #3 Percentage
Orange County	\$(21,936,844)	240.597%	\$1,569,726,151	87.955%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District <sup>2</sup>	(5,501,623)	60.340%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	16,375,725	0.918%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks <sup>2</sup>	(103,379)	1.134%	0	0.000%	0	0.000%
Department of Education <sup>2</sup>	1,523,058	(16.704%)	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	11,742,303	0.658%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	(178,731,247)	100.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I. <sup>2</sup>	17,134,332	(187.924%)	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	(811,951)	(0.045%)	0	0.000%
Local Agency Formation Comm.	0	0.000%	912,794	0.051%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	186,750,735	10.464%	0	0.000%
O.C. IHSS Public Authority	(233,222)	2.558%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$(9,117,678)</b>	<b>100.000%</b>	<b>\$1,784,695,757</b>	<b>100.000%</b>	<b>\$(178,731,247)</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

<sup>2</sup> In determining the NPLs for the O.C. Vector Control District, Cypress Recreation and Parks, Department of Education and U.C.I., we first start by rolling forward the VVAs of these employers as of December 31, 2020 to December 31, 2021 for the actual contributions, benefit payments and return on their VVAs during 2021. Those VVAs are then marked to the Plan's Fiduciary Net Position as of December 31, 2021. The TPLs for these employers are obtained from internal valuation results (by rolling forward their TPLs from December 31, 2020).

## Section 2: GASB 68 Information

### Allocation of December 31, 2021 Net Pension Liability

	Rate Group #4	Rate Group #4 Percentage	Rate Group #5	Rate Group #5 Percentage	Rate Group #9	Rate Group #9 Percentage
Orange County	\$0	0.000%	\$0	0.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	(10,881,786)	100.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	73,424,051	100.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	(6,231)	100.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$(6,231)</b>	<b>100.000%</b>	<b>\$73,424,051</b>	<b>100.000%</b>	<b>\$(10,881,786)</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

### Allocation of December 31, 2021 Net Pension Liability

	Rate Group #10	Rate Group #10 Percentage	Rate Group #11	Rate Group #11 Percentage	Rate Group #12	Rate Group #12 Percentage
Orange County	\$0	0.000%	\$0	0.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	(1,394,665)	100.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	(2,629,777)	100.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	(12,928,328)	100.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$(12,928,328)</b>	<b>100.000%</b>	<b>\$(1,394,665)</b>	<b>100.000%</b>	<b>\$(2,629,777)</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

### Allocation of December 31, 2021 Net Pension Liability

	Rate Group #6	Rate Group #6 Percentage	Rate Group #7	Rate Group #7 Percentage	Rate Group #8	Rate Group #8 Percentage
Orange County	\$63,879,695	100.000%	\$435,907,016	100.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	(91,979,085)	100.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$63,879,695</b>	<b>100.000%</b>	<b>\$435,907,016</b>	<b>100.000%</b>	<b>\$(91,979,085)</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

### Allocation of December 31, 2021 Net Pension Liability

	Total NPL	Total Percentage
Orange County	\$2,047,576,018	99.870%
O.C. Cemetery District	(1,394,665)	(0.068%)
O.C. Law Library	(2,629,777)	(0.128%)
O.C. Vector Control District <sup>2</sup>	(5,501,623)	(0.268%)
O.C. Retirement System	16,375,725	0.799%
O.C. Fire Authority	(104,907,413)	(5.117%)
Cypress Recreation and Parks <sup>2</sup>	(103,379)	(0.005%)
Department of Education <sup>2</sup>	1,523,058	0.074%
Transportation Corridor Agency	(10,881,786)	(0.531%)
City of San Juan Capistrano	11,742,303	0.573%
O.C. Sanitation District	(178,731,247)	(8.718%)
O.C. Transportation Authority	73,424,051	3.581%
U.C.I. <sup>2</sup>	17,134,332	0.836%
O.C. Children and Families Comm.	(811,951)	(0.040%)
Local Agency Formation Comm.	912,794	0.044%
Rancho Santa Margarita	(6,231)	0.000%
O.C. Superior Court	186,750,735	9.109%
O.C. IHSS Public Authority	<u>(233,222)</u>	<u>(0.011%)</u>
<b>Total for all Employers</b>	<b>\$2,050,237,722</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

<sup>2</sup> In determining the NPLs for the O.C. Vector Control District, Cypress Recreation and Parks, Department of Education and U.C.I., we first start by rolling forward the VVAs of these employers as of December 31, 2020 to December 31, 2021 for the actual contributions, benefit payments and return on their VVAs during 2021. Those VVAs are then marked to the Plan's Fiduciary Net Position as of December 31, 2021. The TPLs for these employers are obtained from internal valuation results (by rolling forward their TPLs from December 31, 2020).



## Section 2: GASB 68 Information

### Notes regarding determination of proportionate share as of December 31, 2021 measurement date

1. Based on the January 1, 2021 through December 31, 2021 employer contributions as provided by OCERS. These contributions have been adjusted to include transfers made from the County Investment Account and to exclude employer paid member contributions and they have not been reduced for discount due to prepaid contributions.
- 2a. The Net Pension Liability (NPL) for each Rate Group is the Total Pension Liability (TPL) minus the Plan's Fiduciary Net Position (plan assets). The TPL for each Rate Group is obtained from internal valuation results. The Plan's Fiduciary Net Position for each Rate Group is estimated by adjusting the Valuation Value of Assets (VVA) for each membership class by the ratio of the total OCERS Plan's Fiduciary Net Position (excluding the balance of the County Investment Account and the O.C. Sanitation District UAAL Deferred Account) to total OCERS VVA. As previously directed by OCERS, the County Investment Account is then allocated among the four County Rate Groups using the proportions of County POB contributions applied during 2021. These amounts are provided in item 3. The O.C. Sanitation District UAAL Deferred Account is allocated entirely to Rate Group #3 and the balance of that account has increased from \$13,433,000 to \$15,643,000 at the end of the year. The balance of the O.C. Sanitation District UAAL Deferred Account was used to reduce the NPL for the O.C. Sanitation District as of the measurement date.
- b. Each of General Rate Groups #3, #4, #5, #9, #10, #11 and #12 and Safety Rate Groups #6, #7 and #8 have only one active employer, so all of the NPL for that Rate Group is allocated to the corresponding employer.
- c. For General Rate Groups #1 and #2, the NPL is allocated based on the actual employer contributions within the General Rate Group.
  - The NPL for Rate Group #1 was adjusted by the NPLs for the O.C. Vector Control District, Cypress Recreation and Parks, Department of Education and U.C.I. prior to allocating the net NPL to the other employers in Rate Group #1 as the NPLs for these four employers were calculated separately.
  - Calculate ratio of employer's contributions to the total contributions for the Rate Group. For this purpose, the employer contributions exclude the following amounts:
 

(i) Rate Group #1 (Department of Education):	\$345,566
(ii) Rate Group #1 (U.C.I.):	\$3,276,341
(iii) Rate Group #2 (City of San Juan Capistrano):	\$6,500,000
  - Multiply this ratio (unrounded) by the NPL for the Rate Group to determine the employer's proportionate share of the NPL for the Rate Group.

## Section 2: GASB 68 Information

- The UAAL contributions referenced in (i), (ii), and (iii) above are adjusted with interest to December 31, 2021 and are used to reduce the NPL for the two employers as of December 31, 2021.
3. The percentages of contributions by employer are not exactly equal to the percentages we use to allocate the NPL by employer because the NPL for the County has been reduced to reflect the portion of the County Investment Account that has been allocated among the four County Rate Groups. The amounts of the County Investment Account that have been allocated to those Rate Groups are as follows:

Rate Group #1: \$4,047,073

Rate Group #2: 102,031,509

Rate Group #6: 9,756,386

Rate Group #7: 51,910,032

**Total: \$167,745,000**

In addition, the NPL for Rate Group #2 was allocated prior to applying the adjusted balance of the \$1,744,454 in additional UAAL contributions made by O.C. Children and Families Commission on November 15, 2017. That balance is equal to \$1,748,649 as of December 31, 2020 and is equal to \$1,704,902 as of December 31, 2021 when adjusted with interest for the entire year and UAAL contribution offset starting from January 1, 2021 to December 31, 2021. We would continue to maintain the outstanding balance of the additional UAAL contributions for use in determining the NPL for this employer.

4. If the employer is in several Rate Groups, the employer's total allocated NPL is the sum of its allocated NPL from each Rate Group. Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2022 to December 31, 2022

	Rate Group #1	Rate Group #1 Percentage	Rate Group #2	Rate Group #2 Percentage	Rate Group #3	Rate Group #3 Percentage
Orange County	\$13,706,000	98.583%	\$370,256,000	88.630%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	3,614,000	0.865%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	2,138,000	0.512%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	8,686,000	100.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	187,000	0.045%	0	0.000%
Local Agency Formation Comm.	0	0.000%	182,000	0.044%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	41,375,000	9.904%	0	0.000%
O.C. IHSS Public Authority	<u>197,000</u>	<u>1.417%</u>	<u>0</u>	<u>0.000%</u>	<u>0</u>	<u>0.000%</u>
<b>Total for all Employers</b>	<b>\$13,903,000</b>	<b>100.000%</b>	<b>\$417,752,000</b>	<b>100.000%</b>	<b>\$8,686,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2022 to December 31, 2022

	Rate Group #4	Rate Group #4 Percentage	Rate Group #5	Rate Group #5 Percentage	Rate Group #9	Rate Group #9 Percentage
Orange County	\$0	0.000%	\$0	0.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	895,000	100.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	33,081,000	100.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	100.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$0</b>	<b>100.000%</b>	<b>\$33,081,000</b>	<b>100.000%</b>	<b>\$895,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2022 to December 31, 2022

	Rate Group #10	Rate Group #10 Percentage	Rate Group #11	Rate Group #11 Percentage	Rate Group #12	Rate Group #12 Percentage
Orange County	\$0	0.000%	\$0	0.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	285,000	100.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	128,000	100.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	8,293,000	100.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$8,293,000</b>	<b>100.000%</b>	<b>\$285,000</b>	<b>100.000%</b>	<b>\$128,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2022 to December 31, 2022

	Rate Group #6	Rate Group #6 Percentage	Rate Group #7	Rate Group #7 Percentage	Rate Group #8	Rate Group #8 Percentage
Orange County	\$31,341,000	100.000%	\$171,671,000	100.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	69,659,000	100.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$31,341,000</b>	<b>100.000%</b>	<b>\$171,671,000</b>	<b>100.000%</b>	<b>\$69,659,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

Actual Contributions (Excluding Employer Paid Member Contributions and Employee Paid Reverse Pick-up Contributions, and not Reduced for Discount due to Prepaid Contributions) by Employer and Rate Group

January 1, 2022 to December 31, 2022

	Total Contributions <sup>3</sup>	Total Percentage
Orange County	\$586,974,000	77.674%
O.C. Cemetery District	285,000	0.038%
O.C. Law Library	128,000	0.017%
O.C. Vector Control District	0	0.000%
O.C. Retirement System	3,614,000	0.478%
O.C. Fire Authority	77,952,000	10.315%
Cypress Recreation and Parks	0	0.000%
Department of Education	0	0.000%
Transportation Corridor Agency	895,000	0.118%
City of San Juan Capistrano	2,138,000	0.283%
O.C. Sanitation District	8,686,000	1.149%
O.C. Transportation Authority	33,081,000	4.378%
U.C.I.	0	0.000%
O.C. Children and Families Comm.	187,000	0.025%
Local Agency Formation Comm.	182,000	0.024%
Rancho Santa Margarita	0	0.000%
O.C. Superior Court	41,375,000	5.475%
O.C. IHSS Public Authority	197,000	0.026%
<b>Total for all Employers</b>	<b>\$755,694,000</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

<sup>3</sup> Excludes combined additional contributions of \$11,777,000 made by O.C. Fire Authority towards the reduction of their UAALs, combined contributions of \$4,186,000 made by Department of Education, U.C.I., and Cypress Recreation & Parks and combined employer pick-up contributions of \$33,000 made by O.C. Children and Families Commission and Local Agency Formation Commission.

## Section 2: GASB 68 Information

### Allocation of December 31, 2022 Net Pension Liability

	Rate Group #1	Rate Group #1 Percentage	Rate Group #2	Rate Group #2 Percentage	Rate Group #3	Rate Group #3 Percentage
Orange County	\$43,084,275	56.320%	\$3,141,103,763	88.388%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District <sup>4</sup>	47,967	0.063%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	31,526,121	0.887%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks <sup>4</sup>	61,016	0.080%	0	0.000%	0	0.000%
Department of Education <sup>4</sup>	3,323,372	4.344%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	18,650,483	0.525%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	(10,604,801)	100.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I. <sup>4</sup>	29,314,724	38.321%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	(21,846)	(0.001%)	0	0.000%
Local Agency Formation Comm.	0	0.000%	1,587,646	0.045%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	360,927,849	10.156%	0	0.000%
O.C. IHSS Public Authority	666,697	0.872%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$76,498,051</b>	<b>100.000%</b>	<b>\$3,553,774,016</b>	<b>100.000%</b>	<b>\$(10,604,801)</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

<sup>4</sup> In determining the NPLs for the O.C. Vector Control District, Cypress Recreation and Parks, Department of Education and U.C.I., we first start by rolling forward the VVAs of these employers as of December 31, 2021 to December 31, 2022 for the actual contributions, benefit payments and return on their VVAs during 2022. Those VVAs are then marked to the Plan's Fiduciary Net Position as of December 31, 2022. The TPLs for these employers are obtained from internal valuation results (by rolling forward their TPLs from December 31, 2021).



## Section 2: GASB 68 Information

### Allocation of December 31, 2022 Net Pension Liability

	Rate Group #4	Rate Group #4 Percentage	Rate Group #5	Rate Group #5 Percentage	Rate Group #9	Rate Group #9 Percentage
Orange County	\$0	0.000%	\$0	0.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	(659,689)	100.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	207,132,957	100.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	1,652	100.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$1,652</b>	<b>100.000%</b>	<b>\$207,132,957</b>	<b>100.000%</b>	<b>\$(659,689)</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

### Allocation of December 31, 2022 Net Pension Liability

	Rate Group #10	Rate Group #10 Percentage	Rate Group #11	Rate Group #11 Percentage	Rate Group #12	Rate Group #12 Percentage
Orange County	\$0	0.000%	\$0	0.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	1,031,416	100.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	(321,987)	100.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	37,555,646	100.000%	0	0.000%	0	0.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$37,555,646</b>	<b>100.000%</b>	<b>\$1,031,416</b>	<b>100.000%</b>	<b>\$(321,987)</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

### Allocation of December 31, 2022 Net Pension Liability

	Rate Group #6	Rate Group #6 Percentage	Rate Group #7	Rate Group #7 Percentage	Rate Group #8	Rate Group #8 Percentage
Orange County	\$199,228,663	100.000%	\$1,085,865,303	100.000%	\$0	0.000%
O.C. Cemetery District	0	0.000%	0	0.000%	0	0.000%
O.C. Law Library	0	0.000%	0	0.000%	0	0.000%
O.C. Vector Control District	0	0.000%	0	0.000%	0	0.000%
O.C. Retirement System	0	0.000%	0	0.000%	0	0.000%
O.C. Fire Authority	0	0.000%	0	0.000%	241,504,944	100.000%
Cypress Recreation and Parks	0	0.000%	0	0.000%	0	0.000%
Department of Education	0	0.000%	0	0.000%	0	0.000%
Transportation Corridor Agency	0	0.000%	0	0.000%	0	0.000%
City of San Juan Capistrano	0	0.000%	0	0.000%	0	0.000%
O.C. Sanitation District	0	0.000%	0	0.000%	0	0.000%
O.C. Transportation Authority	0	0.000%	0	0.000%	0	0.000%
U.C.I.	0	0.000%	0	0.000%	0	0.000%
O.C. Children and Families Comm.	0	0.000%	0	0.000%	0	0.000%
Local Agency Formation Comm.	0	0.000%	0	0.000%	0	0.000%
Rancho Santa Margarita	0	0.000%	0	0.000%	0	0.000%
O.C. Superior Court	0	0.000%	0	0.000%	0	0.000%
O.C. IHSS Public Authority	0	0.000%	0	0.000%	0	0.000%
<b>Total for all Employers</b>	<b>\$199,228,663</b>	<b>100.000%</b>	<b>\$1,085,865,303</b>	<b>100.000%</b>	<b>\$241,504,944</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

## Section 2: GASB 68 Information

### Allocation of December 31, 2022 Net Pension Liability

	Total NPL	Total Percentage
Orange County	\$4,469,282,004	82.903%
O.C. Cemetery District	1,031,416	0.019%
O.C. Law Library	(321,987)	(0.006%)
O.C. Vector Control District <sup>4</sup>	47,967	0.001%
O.C. Retirement System	31,526,121	0.585%
O.C. Fire Authority	279,060,590	5.176%
Cypress Recreation and Parks <sup>4</sup>	61,016	0.001%
Department of Education <sup>4</sup>	3,323,372	0.062%
Transportation Corridor Agency	(659,689)	(0.012%)
City of San Juan Capistrano	18,650,483	0.346%
O.C. Sanitation District	(10,604,801)	(0.197%)
O.C. Transportation Authority	207,132,957	3.842%
U.C.I. <sup>4</sup>	29,314,724	0.544%
O.C. Children and Families Comm.	(21,846)	0.000%
Local Agency Formation Comm.	1,587,646	0.029%
Rancho Santa Margarita	1,652	0.000%
O.C. Superior Court	360,927,849	6.695%
O.C. IHSS Public Authority	<u>666,697</u>	<u>0.012%</u>
<b>Total for all Employers</b>	<b>\$5,391,006,171</b>	<b>100.000%</b>

Note: Results may not total due to rounding.

<sup>4</sup> In determining the NPLs for the O.C. Vector Control District, Cypress Recreation and Parks, Department of Education and U.C.I., we first start by rolling forward the VVAs of these employers as of December 31, 2021 to December 31, 2022 for the actual contributions, benefit payments and return on their VVAs during 2022. Those VVAs are then marked to the Plan's Fiduciary Net Position as of December 31, 2022. The TPLs for these employers are obtained from internal valuation results (by rolling forward their TPLs from December 31, 2021).

## Section 2: GASB 68 Information

### Notes regarding determination of proportionate share as of December 31, 2022 measurement date

1. Based on the January 1, 2022 through December 31, 2022 employer contributions as provided by OCERS. These contributions have been adjusted to include transfers made from the County Investment Account and to exclude employer paid member contributions and they have not been reduced for discount due to prepaid contributions.
- 2a. The Net Pension Liability (NPL) for each Rate Group is the Total Pension Liability (TPL) minus the Plan's Fiduciary Net Position (plan assets). The TPL for each Rate Group is obtained from internal valuation results. The Plan's Fiduciary Net Position for each Rate Group is estimated by adjusting the Valuation Value of Assets (VVA) for each membership class by the ratio of the total OCERS Plan's Fiduciary Net Position (excluding the balance of the County Investment Account and the O.C. Sanitation District UAAL Deferred Account) to total OCERS VVA. As previously directed by OCERS, the County Investment Account is then allocated among the four County Rate Groups using the proportions of County POB contributions applied during 2022. These amounts are provided in item 3. The O.C. Sanitation District UAAL Deferred Account is allocated entirely to Rate Group #3 and the balance of that account has decreased from \$15,643,000 to \$14,398,000 at the end of the year. The balance of the O.C. Sanitation District UAAL Deferred Account was used to reduce the NPL for the O.C. Sanitation District as of the measurement date.
- b. Each of General Rate Groups #3, #4, #5, #9, #10, #11 and #12 and Safety Rate Groups #6, #7 and #8 have only one active employer, so all of the NPL for that Rate Group is allocated to the corresponding employer.
- c. For General Rate Groups #1 and #2, the NPL is allocated based on the actual employer contributions within the General Rate Group.
  - The NPL for Rate Group #1 was adjusted by the NPLs for the O.C. Vector Control District, Cypress Recreation and Parks, Department of Education and U.C.I. prior to allocating the net NPL to the other employers in Rate Group #1 as the NPLs for these four employers were calculated separately.
  - Calculate ratio of employer's contributions to the total contributions for the Rate Group. For this purpose, the employer contributions exclude the following amounts:
 

(i) Rate Group #1 (Department of Education):	\$366,917
(ii) Rate Group #1 (U.C.I.):	\$3,223,630
(iii) Rate Group #1 (Cypress Recreation & Parks):	\$595,600

## Section 2: GASB 68 Information

- Multiply this ratio (unrounded) by the NPL for the Rate Group to determine the employer's proportionate share of the NPL for the Rate Group.
  - The UAAL contributions referenced in (i), (ii) and (iii) above are adjusted with interest to December 31, 2022 and are used to reduce the NPL for the three employers as of December 31, 2022.
3. The percentages of contributions by employer are not exactly equal to the percentages we use to allocate the NPL by employer because the NPL for the County has been reduced to reflect the portion of the County Investment Account that has been allocated among the four County Rate Groups. The amounts of the County Investment Account that have been allocated to those Rate Groups are as follows:

Rate Group #1: \$3,300,236

Rate Group #2: 88,762,138

Rate Group #6: 7,563,286

Rate Group #7: 41,366,340

**Total: \$140,992,000**

In addition, the NPL for Rate Group #2 was allocated prior to applying the adjusted balance of the \$1,744,454 in additional UAAL contributions made by O.C. Children and Families Commission on November 15, 2017. That balance is equal to \$1,704,902 as of December 31, 2021 and is equal to \$1,653,109 as of December 31, 2022 when adjusted with interest for the entire year and UAAL contribution offset starting from January 1, 2022 to December 31, 2022. We would continue to maintain the outstanding balance of the additional UAAL contributions for use in determining the NPL for this employer.

## Section 2: GASB 68 Information

4. If the employer is in several Rate Groups, the employer's total allocated NPL is the sum of its allocated NPL from each Rate Group. Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

For the active employers, the following items are allocated based on the corresponding proportionate share within each Rate Group:

- a. Net Pension Liability
- b. Service cost
- c. Interest on the Total Pension Liability
- d. Current-period benefit changes
- e. Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability
- f. Expensed portion of current-period changes of assumptions or other inputs
- g. Member contributions
- h. Projected earnings on plan investments
- i. Expensed portion of current-period differences between actual and projected earnings on plan investments
- j. Administrative expense
- k. Recognition of beginning of year deferred outflows of resources as pension expense
- l. Recognition of beginning of year deferred inflows of resources as pension expense

## Section 2: GASB 68 Information

### Pension expense

#### Total for All Employers

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$526,768,913	\$510,863,197
• Interest on the Total Pension Liability	1,675,053,178	1,609,891,069
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	8,595,262	(20,742,423)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(270,032,000)	(271,328,000)
• Projected earnings on plan investments	(1,528,466,374)	(1,312,304,499)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	717,411,276	(381,952,100)
• Administrative expense	23,546,000	21,473,000
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	487,751,950	488,032,428
• Recognition of beginning of year deferred inflows of resources as pension expense	(912,304,973)	(765,059,527)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$728,323,232</b>	<b>\$(121,126,855)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.



## Section 2: GASB 68 Information

### Pension expense (continued)

#### Orange County

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$380,041,954	\$368,412,111
• Interest on the Total Pension Liability	1,251,187,176	1,196,305,667
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	1,786,458	(1,005,218)
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	4,117,589	(6,124,010)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(201,176,237)	(203,086,033)
• Projected earnings on plan investments	(1,106,094,213)	(946,656,208)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	518,370,000	(276,095,527)
• Administrative expense	17,678,496	15,957,997
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	356,184,404	355,055,739
• Recognition of beginning of year deferred inflows of resources as pension expense	(645,848,775)	(548,457,241)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	<u>3,818,335</u>	<u>7,137,914</u>
<b>Pension Expense</b>	<b>\$580,065,187</b>	<b>\$(38,554,809)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Cemetery District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$407,963	\$392,495
• Interest on the Total Pension Liability	944,512	890,649
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	19,388	7,939
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(191,000)	(182,000)
• Projected earnings on plan investments	(1,029,298)	(887,439)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	489,415	(257,112)
• Administrative expense	10,944	9,119
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	423,199	415,637
• Recognition of beginning of year deferred inflows of resources as pension expense	(664,112)	(571,006)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$411,011</b>	<b>\$(181,718)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Law Library

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$319,023	\$316,123
• Interest on the Total Pension Liability	839,331	825,504
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	6,542	(77,705)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(165,000)	(159,000)
• Projected earnings on plan investments	(1,010,753)	(879,609)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	480,213	(247,881)
• Administrative expense	6,733	6,330
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	288,619	288,618
• Recognition of beginning of year deferred inflows of resources as pension expense	(740,456)	(578,969)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	(25,423)
<b>Pension Expense</b>	<b>\$24,252</b>	<b>\$(532,012)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Vector Control District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$0	\$0
• Interest on the Total Pension Liability	1,803,819	1,884,831
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	122,278	(191,783)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	0	0
• Projected earnings on plan investments	(2,188,933)	(2,002,568)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	1,054,636	(531,341)
• Administrative expense	0	0
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	773,823	776,282
• Recognition of beginning of year deferred inflows of resources as pension expense	(1,674,671)	(1,345,037)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$(109,048)</b>	<b>\$(1,409,616)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Retirement System

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$2,306,862	\$2,333,020
• Interest on the Total Pension Liability	8,273,183	8,220,440
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(125,526)	262,105
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	36,835	(24,527)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(1,365,769)	(1,435,758)
• Projected earnings on plan investments	(7,167,638)	(6,380,412)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	3,354,700	(1,854,275)
• Administrative expense	114,335	105,166
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	2,397,791	2,480,087
• Recognition of beginning of year deferred inflows of resources as pension expense	(3,997,514)	(3,564,625)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	<u>1,185,182</u>	<u>833,197</u>
<b>Pension Expense</b>	<b>\$5,012,441</b>	<b>\$974,418</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Fire Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$71,985,133	\$68,123,987
• Interest on the Total Pension Liability	166,418,627	159,120,659
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	4,851,903	(5,411,470)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(30,119,000)	(29,587,000)
• Projected earnings on plan investments	(172,732,558)	(146,025,928)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	81,400,488	(43,070,769)
• Administrative expense	2,801,567	2,770,589
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	48,039,184	48,263,968
• Recognition of beginning of year deferred inflows of resources as pension expense	(113,363,957)	(90,743,047)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$59,281,387</b>	<b>\$(36,559,011)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### Cypress Recreation and Parks

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$0	\$0
• Interest on the Total Pension Liability	319,876	314,510
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(6,841)	17,217
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	0	0
• Projected earnings on plan investments	(345,920)	(301,552)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	161,776	(79,058)
• Administrative expense	14,170	0
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	868,805	851,586
• Recognition of beginning of year deferred inflows of resources as pension expense	(187,246)	(908,645)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$824,620</b>	<b>\$(105,942)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### Department of Education

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$0	\$0
• Interest on the Total Pension Liability	752,044	796,200
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	88,973	(30,989)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	0	0
• Projected earnings on plan investments	(658,415)	(622,689)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	316,706	(161,007)
• Administrative expense	8,729	7,649
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	353,747	353,749
• Recognition of beginning of year deferred inflows of resources as pension expense	(646,524)	(599,011)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$215,260</b>	<b>\$(256,098)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.



## Section 2: GASB 68 Information

### Pension expense (continued)

#### Transportation Corridor Agency

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$1,719,824	\$1,515,843
• Interest on the Total Pension Liability	4,004,357	3,850,950
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(70,168)	(176,742)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(769,000)	(750,000)
• Projected earnings on plan investments	(4,700,977)	(4,070,373)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	2,231,602	(1,159,083)
• Administrative expense	38,494	34,817
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	1,160,518	1,191,648
• Recognition of beginning of year deferred inflows of resources as pension expense	(2,917,822)	(2,049,721)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$696,828</b>	<b>\$(1,612,661)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### City of San Juan Capistrano

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$1,364,714	\$1,672,904
• Interest on the Total Pension Liability	4,894,318	5,894,511
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(691,040)	906,666
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	21,791	(17,587)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(807,973)	(1,029,518)
• Projected earnings on plan investments	(4,240,291)	(4,575,109)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	1,984,601	(1,329,618)
• Administrative expense	67,639	75,410
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	1,418,505	1,778,360
• Recognition of beginning of year deferred inflows of resources as pension expense	(2,364,883)	(2,556,034)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	182,364	(1,021,704)
<b>Pension Expense</b>	<b>\$1,829,745</b>	<b>\$(201,719)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Sanitation District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$17,682,577	\$17,065,799
• Interest on the Total Pension Liability	57,349,037	56,429,458
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	2,583,448	(4,042,052)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(8,371,000)	(8,398,000)
• Projected earnings on plan investments	(69,189,314)	(60,607,002)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	32,900,795	(16,948,741)
• Administrative expense	394,721	366,765
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	23,879,318	23,879,317
• Recognition of beginning of year deferred inflows of resources as pension expense	(41,874,971)	(31,238,883)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	25,423
<b>Pension Expense</b>	<b>\$15,354,611</b>	<b>\$(23,467,916)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Transportation Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$24,124,909	\$24,234,150
• Interest on the Total Pension Liability	76,125,814	74,438,122
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(3,790,022)	(4,399,492)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(11,226,000)	(10,212,000)
• Projected earnings on plan investments	(70,749,224)	(61,051,970)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	33,238,497	(17,637,562)
• Administrative expense	1,010,939	861,399
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	21,776,737	21,789,253
• Recognition of beginning of year deferred inflows of resources as pension expense	(47,521,666)	(37,546,561)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$22,989,984</b>	<b>\$(9,524,661)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### U.C.I

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$0	\$0
• Interest on the Total Pension Liability	6,588,721	6,837,427
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	188,437	11,990
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	0	0
• Projected earnings on plan investments	(5,503,209)	(5,175,045)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	2,644,474	(1,345,344)
• Administrative expense	76,694	72,519
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	2,481,257	2,515,625
• Recognition of beginning of year deferred inflows of resources as pension expense	(4,219,897)	(4,042,164)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$2,256,477</b>	<b>\$(1,124,992)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Children and Families Comm.

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$(1,598)	\$(115,678)
• Interest on the Total Pension Liability	(5,733)	(407,591)
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	265,607	(79,977)
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(26)	1,216
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	946	71,189
• Projected earnings on plan investments	4,967	316,357
• Expensed portion of current-period differences between actual and projected earnings on plan investments	(2,325)	91,940
• Administrative expense	(79)	(5,214)
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	(1,662)	(122,969)
• Recognition of beginning of year deferred inflows of resources as pension expense	2,770	176,743
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	(374,763)	(393,190)
<b>Pension Expense</b>	<b>\$(111,896)</b>	<b>\$(467,174)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### Local Agency Formation Comm.

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$116,173	\$130,044
• Interest on the Total Pension Liability	416,635	458,213
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(35,036)	41,869
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	1,855	(1,367)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(68,780)	(80,030)
• Projected earnings on plan investments	(360,960)	(355,648)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	168,942	(103,359)
• Administrative expense	5,758	5,862
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	120,752	138,242
• Recognition of beginning of year deferred inflows of resources as pension expense	(201,314)	(198,695)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	<u>39,141</u>	<u>42,793</u>
<b>Pension Expense</b>	<b>\$203,166</b>	<b>\$77,924</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### Rancho Santa Margarita

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$0	\$0
• Interest on the Total Pension Liability	3,016	3,091
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	182	(30)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	0	0
• Projected earnings on plan investments	(3,452)	(3,282)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	1,467	(629)
• Administrative expense	0	0
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	1,146	1,144
• Recognition of beginning of year deferred inflows of resources as pension expense	(3,040)	(3,992)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0	0
<b>Pension Expense</b>	<b>\$(681)</b>	<b>\$(3,698)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.



## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. Superior Court

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Components of Pension Expense</b>		
• Service cost	\$26,410,194	\$26,606,035
• Interest on the Total Pension Liability	94,715,812	93,746,882
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(1,226,025)	(83,753)
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	421,707	(279,706)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(15,636,056)	(16,373,559)
• Projected earnings on plan investments	(82,058,946)	(72,762,986)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	38,406,398	(21,146,370)
• Administrative expense	1,308,963	1,199,330
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	27,451,185	28,283,207
• Recognition of beginning of year deferred inflows of resources as pension expense	(45,765,677)	(40,651,408)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	(4,814,963)	(6,614,138)
<b>Pension Expense</b>	<b>\$39,212,592</b>	<b>\$(8,076,466)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Pension expense (continued)

#### O.C. IHSS Public Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Components of Pension Expense	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Service cost	\$291,185	\$176,364
• Interest on the Total Pension Liability	422,633	281,546
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	25,562	(41,692)
• Current-period benefit changes	0	0
• Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	1,391	(3,325)
• Expensed portion of current-period changes of assumptions or other inputs	0	0
• Member contributions <sup>1</sup>	(137,131)	(106,291)
• Projected earnings on plan investments	(437,240)	(263,036)
• Expensed portion of current-period differences between actual and projected earnings on plan investments	208,891	(76,364)
• Administrative expense	7,897	5,262
• Other	0	0
• Recognition of beginning of year deferred outflows of resources as pension expense	134,622	92,935
• Recognition of beginning of year deferred inflows of resources as pension expense	(315,218)	(181,231)
• Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	(35,296)	15,128
<b>Pension Expense</b>	<b>\$167,296</b>	<b>\$(100,704)</b>

<sup>1</sup> Member contributions include employer paid member contributions, if any.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources

#### Total for all Employers

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$25,097,401	\$25,034,306
• Changes of assumptions or other inputs	101,253,219	274,433,364
• Difference between projected and actual earnings on pension plan investments	2,869,645,098	272,055,737
• Difference between expected and actual experience in the Total Pension Liability	<u>163,731,917</u>	<u>143,247,717</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$3,159,727,635</b>	<b>\$714,771,124</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$25,097,401	\$25,034,306
• Changes of assumptions or other inputs	90,703,515	122,982,345
• Difference between projected and actual earnings on pension plan investments	1,783,252,999	2,600,993,035
• Difference between expected and actual experience in the Total Pension Liability	<u>129,435,283</u>	<u>166,626,218</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$2,028,489,198</b>	<b>\$2,915,635,904</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(424,553,023)
2024	\$(94,033,210)	(820,039,748)
2025	156,486,894	(569,519,644)
2026	348,588,252	(377,418,286)
2027	716,672,453	(9,334,079)
2028	3,524,048	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### Orange County

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$16,413,390	\$14,269,881
• Changes of assumptions or other inputs	81,544,510	215,922,612
• Difference between projected and actual earnings on pension plan investments	2,073,479,998	196,375,395
• Difference between expected and actual experience in the Total Pension Liability	<u>85,249,532</u>	<u>82,799,096</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$2,256,687,430</b>	<b>\$509,366,984</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$5,531,581	\$7,448,014
• Changes of assumptions or other inputs	59,952,702	81,289,468
• Difference between projected and actual earnings on pension plan investments	1,293,513,728	1,881,060,106
• Difference between expected and actual experience in the Total Pension Liability	<u>55,012,441</u>	<u>78,100,654</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$1,414,010,452</b>	<b>\$2,047,898,242</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(285,121,140)
2024	\$(61,967,363)	(584,593,278)
2025	118,419,418	(404,763,847)
2026	262,742,907	(260,844,849)
2027	521,061,361	(3,208,144)
2028	2,420,655	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Cemetery District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	82,339	192,556
• Difference between projected and actual earnings on pension plan investments	1,957,658	185,535
• Difference between expected and actual experience in the Total Pension Liability	<u>401,601</u>	<u>443,549</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$2,441,598</b>	<b>\$821,640</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	1,193,794	1,739,646
• Difference between expected and actual experience in the Total Pension Liability	<u>155,323</u>	<u>273,583</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$1,349,117</b>	<b>\$2,013,229</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(240,913)
2024	\$34,327	(474,476)
2025	177,985	(330,818)
2026	359,849	(148,954)
2027	512,373	3,572
2028	7,947	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Law Library

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	42,717	129,020
• Difference between projected and actual earnings on pension plan investments	1,920,850	193,385
• Difference between expected and actual experience in the Total Pension Liability	<u>45,465</u>	<u>25,545</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$2,009,032</b>	<b>\$347,950</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	1,166,471	1,705,162
• Difference between expected and actual experience in the Total Pension Liability	<u>472,570</u>	<u>674,335</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$1,639,041</b>	<b>\$2,379,497</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(451,837)
2024	\$(212,675)	(699,430)
2025	(1,729)	(488,484)
2026	129,926	(356,829)
2027	451,786	(34,967)
2028	2,683	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Vector Control District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	56,144	220,263
• Difference between projected and actual earnings on pension plan investments	4,218,544	497,305
• Difference between expected and actual experience in the Total Pension Liability	<u>700,950</u>	<u>274,103</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$4,975,638</b>	<b>\$991,671</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	2,582,253	3,805,364
• Difference between expected and actual experience in the Total Pension Liability	<u>958,190</u>	<u>1,409,750</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$3,540,443</b>	<b>\$5,215,114</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(900,848)
2024	\$(401,264)	(1,578,178)
2025	179,703	(997,211)
2026	516,009	(660,905)
2027	1,090,613	(86,301)
2028	50,134	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Retirement System

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$2,347,774	\$3,532,956
• Changes of assumptions or other inputs	814,678	1,858,168
• Difference between projected and actual earnings on pension plan investments	13,418,801	1,347,606
• Difference between expected and actual experience in the Total Pension Liability	<u>480,173</u>	<u>445,588</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$17,061,426</b>	<b>\$7,184,318</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$553,571	\$0
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	8,372,177	12,636,493
• Difference between expected and actual experience in the Total Pension Liability	<u>185,187</u>	<u>349,290</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$9,110,935</b>	<b>\$12,985,783</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(469,447)
2024	\$854,892	(2,533,128)
2025	1,644,189	(1,703,070)
2026	2,114,489	(1,202,729)
2027	3,373,284	106,909
2028	(36,363)	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.



## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Fire Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	1,263,564	11,055,459
• Difference between projected and actual earnings on pension plan investments	325,601,951	28,451,703
• Difference between expected and actual experience in the Total Pension Liability	<u>44,228,199</u>	<u>32,626,893</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$371,093,714</b>	<b>\$72,134,055</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	30,147,517	40,876,171
• Difference between projected and actual earnings on pension plan investments	198,693,451	288,925,170
• Difference between expected and actual experience in the Total Pension Liability	<u>21,455,804</u>	<u>33,859,388</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$250,296,772</b>	<b>\$363,660,729</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(65,324,773)
2024	\$(12,576,483)	(98,828,874)
2025	14,217,846	(72,034,545)
2026	33,349,071	(52,903,320)
2027	83,817,228	(2,435,162)
2028	1,989,280	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### Cypress Recreation and Parks

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	232	23,600
• Difference between projected and actual earnings on pension plan investments	647,105	70,662
• Difference between expected and actual experience in the Total Pension Liability	<u>172,485</u>	<u>947,260</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$819,822</b>	<b>\$1,041,522</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	7,213	9,779
• Difference between projected and actual earnings on pension plan investments	387,447	572,127
• Difference between expected and actual experience in the Total Pension Liability	<u>30,171</u>	<u>0</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$424,831</b>	<b>\$581,906</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$681,559
2024	\$38,920	(116,015)
2025	86,612	(68,323)
2026	109,580	(45,355)
2027	162,686	7,750
2028	(2,807)	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### Department of Education

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021	
<b>Deferred Outflows of Resources</b>			
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0	
• Changes of assumptions or other inputs	589	59,655	
• Difference between projected and actual earnings on pension plan investments	1,266,822	180,006	
• Difference between expected and actual experience in the Total Pension Liability	<u>607,487</u>	<u>329,790</u>	
<b>• Total Deferred Outflows of Resources</b>	<b>\$1,874,898</b>	<b>\$569,451</b>	
<b>Deferred Inflows of Resources</b>			
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0	
• Changes of assumptions or other inputs	59,457	80,616	
• Difference between projected and actual earnings on pension plan investments	804,206	1,193,127	
• Difference between expected and actual experience in the Total Pension Liability	<u>108,970</u>	<u>345,414</u>	
<b>• Total Deferred Inflows of Resources</b>	<b>\$972,633</b>	<b>\$1,619,157</b>	
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>			
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>			
	2023	N/A	\$(292,777)
	2024	\$74,745	(330,934)
	2025	173,583	(232,096)
	2026	225,727	(179,952)
	2027	391,730	(13,947)
	2028	36,480	0
	2029	0	0
	Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### Transportation Corridor Agency

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	104,567	433,224
• Difference between projected and actual earnings on pension plan investments	8,926,408	624,027
• Difference between expected and actual experience in the Total Pension Liability	<u>477,961</u>	<u>685,795</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$9,508,936</b>	<b>\$1,743,046</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	5,366,673	7,812,023
• Difference between expected and actual experience in the Total Pension Liability	<u>950,161</u>	<u>1,113,190</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$6,316,834</b>	<b>\$8,925,213</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(1,757,304)
2024	\$(244,686)	(2,406,120)
2025	450,828	(1,710,606)
2026	932,829	(1,228,605)
2027	2,081,902	(79,532)
2028	(28,771)	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### City of San Juan Capistrano

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$3,130,785	\$4,316,186
• Changes of assumptions or other inputs	481,954	1,332,409
• Difference between projected and actual earnings on pension plan investments	7,938,405	966,308
• Difference between expected and actual experience in the Total Pension Liability	<u>284,065</u>	<u>319,511</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$11,835,209</b>	<b>\$6,934,414</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$5,632,351	\$3,587,902
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	4,952,882	9,061,066
• Difference between expected and actual experience in the Total Pension Liability	<u>109,555</u>	<u>250,461</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$10,694,788</b>	<b>\$12,899,429</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(1,004,097)
2024	\$(879,118)	(2,727,988)
2025	(129,643)	(1,800,276)
2026	706,533	(832,741)
2027	1,717,042	400,087
2028	(274,393)	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Sanitation District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	5,759,591	11,884,767
• Difference between projected and actual earnings on pension plan investments	131,603,178	13,140,560
• Difference between expected and actual experience in the Total Pension Liability	<u>21,845,552</u>	<u>15,066,130</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$159,208,321</b>	<b>\$40,091,457</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	79,859,618	116,780,014
• Difference between expected and actual experience in the Total Pension Liability	<u>13,954,206</u>	<u>18,908,781</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$93,813,824</b>	<b>\$135,688,795</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(17,995,653)
2024	\$1,152,046	(34,332,197)
2025	11,328,468	(24,155,775)
2026	18,189,452	(17,294,791)
2027	33,665,319	(1,818,922)
2028	1,059,212	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Transportation Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	1,729,712	9,602,044
• Difference between projected and actual earnings on pension plan investments	132,953,990	13,108,759
• Difference between expected and actual experience in the Total Pension Liability	<u>1,823,315</u>	<u>2,618,961</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$136,507,017</b>	<b>\$25,329,764</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	82,873,325	121,050,493
• Difference between expected and actual experience in the Total Pension Liability	<u>33,789,970</u>	<u>26,420,471</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$116,663,295</b>	<b>\$147,470,964</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(25,744,929)
2024	\$(13,567,797)	(43,016,272)
2025	(685,112)	(30,133,587)
2026	8,181,835	(21,266,640)
2027	27,468,705	(1,979,772)
2028	(1,553,909)	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### U.C.I.

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	4,733	478,219
• Difference between projected and actual earnings on pension plan investments	10,577,898	1,483,018
• Difference between expected and actual experience in the Total Pension Liability	<u>1,886,324</u>	<u>1,580,070</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$12,468,955</b>	<b>\$3,541,307</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	533,050	722,747
• Difference between projected and actual earnings on pension plan investments	6,709,422	9,948,282
• Difference between expected and actual experience in the Total Pension Liability	<u>7,913</u>	<u>799,253</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$7,250,385</b>	<b>\$11,470,282</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(1,738,640)
2024	\$(84,514)	(2,917,425)
2025	896,330	(1,936,581)
2026	1,491,185	(1,341,726)
2027	2,838,310	5,397
2028	77,259	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.



## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Children and Families Comm.

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$1,255,317	\$113,879
• Changes of assumptions or other inputs	(565)	(92,133)
• Difference between projected and actual earnings on pension plan investments	(9,299)	(66,818)
• Difference between expected and actual experience in the Total Pension Liability	<u>(333)</u>	<u>(22,093)</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$1,245,120</b>	<b>\$(67,165)</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$684,632	\$1,089,285
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	(5,801)	(626,550)
• Difference between expected and actual experience in the Total Pension Liability	<u>(128)</u>	<u>(17,319)</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$678,703</b>	<b>\$445,416</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(292,722)
2024	\$(30,153)	(113,560)
2025	51,885	(91,606)
2026	208,523	20,750
2027	227,274	(35,443)
2028	108,888	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### Local Agency Formation Comm.

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$196,618	\$267,727
• Changes of assumptions or other inputs	41,027	103,576
• Difference between projected and actual earnings on pension plan investments	675,767	75,116
• Difference between expected and actual experience in the Total Pension Liability	<u>24,181</u>	<u>24,837</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$937,593</b>	<b>\$471,256</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$220,544	\$98,003
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	421,620	704,367
• Difference between expected and actual experience in the Total Pension Liability	<u>9,326</u>	<u>19,470</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$651,490</b>	<b>\$821,840</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(53,089)
2024	\$4,079	(157,612)
2025	58,086	(94,942)
2026	83,480	(63,163)
2027	154,062	18,222
2028	(13,604)	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### Rancho Santa Margarita

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	3	162
• Difference between projected and actual earnings on pension plan investments	5,868	588
• Difference between expected and actual experience in the Total Pension Liability	<u>1,548</u>	<u>1,145</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$7,419</b>	<b>\$1,895</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$0	\$0
• Changes of assumptions or other inputs	518	702
• Difference between projected and actual earnings on pension plan investments	2,825	4,364
• Difference between expected and actual experience in the Total Pension Liability	<u>113</u>	<u>1,430</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$3,456</b>	<b>\$6,496</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(1,894)
2024	\$272	(1,377)
2025	1,030	(619)
2026	949	(700)
2027	1,638	(11)
2028	74	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. Superior Court

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
<b>Deferred Outflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$1,634,440	\$2,513,172
• Changes of assumptions or other inputs	9,326,865	21,190,769
• Difference between projected and actual earnings on pension plan investments	153,625,590	15,368,255
• Difference between expected and actual experience in the Total Pension Liability	<u>5,497,276</u>	<u>5,081,537</u>
<b>• Total Deferred Outflows of Resources</b>	<b>\$170,084,171</b>	<b>\$44,153,733</b>
<b>Deferred Inflows of Resources</b>		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$12,313,476	\$12,600,403
• Changes of assumptions or other inputs	0	0
• Difference between projected and actual earnings on pension plan investments	95,849,149	144,108,081
• Difference between expected and actual experience in the Total Pension Liability	<u>2,120,124</u>	<u>3,983,349</u>
<b>• Total Deferred Inflows of Resources</b>	<b>\$110,282,749</b>	<b>\$160,691,833</b>
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>		
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>		
2023	N/A	\$(23,684,551)
2024	\$(6,137,475)	(44,973,100)
2025	9,634,746	(28,788,778)
2026	19,191,692	(18,928,116)
2027	37,442,227	(163,555)
2028	(329,768)	0
2029	0	0
Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

#### O.C. IHSS Public Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021	
<b>Deferred Outflows of Resources</b>			
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$119,077	\$20,505	
• Changes of assumptions or other inputs	559	38,994	
• Difference between projected and actual earnings on pension plan investments	835,564	54,327	
• Difference between expected and actual experience in the Total Pension Liability	<u>6,136</u>	<u>0</u>	
<b>• Total Deferred Outflows of Resources</b>	<b>\$961,336</b>	<b>\$113,826</b>	
<b>Deferred Inflows of Resources</b>			
• Changes in proportion and differences between employer's contributions and proportionate share of contributions <sup>1</sup>	\$161,246	\$210,699	
• Changes of assumptions or other inputs	3,058	2,862	
• Difference between projected and actual earnings on pension plan investments	509,759	513,700	
• Difference between expected and actual experience in the Total Pension Liability	<u>115,387</u>	<u>134,718</u>	
<b>• Total Deferred Inflows of Resources</b>	<b>\$789,450</b>	<b>\$861,979</b>	
<b>Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:</b>			
<b>Reporting Date for Employer under GASB 68 Year Ended June 30:</b>			
	2023	N/A	\$(159,968)
	2024	\$(90,963)	(239,784)
	2025	(17,331)	(188,480)
	2026	54,216	(139,661)
	2027	214,913	(20,260)
	2028	11,051	0
	2029	0	0
	Thereafter	0	0

<sup>1</sup> Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

## Section 2: GASB 68 Information

### Deferred outflows of resources and deferred inflows of resources (continued)

There are changes in each employer's proportionate share of the total NPL during the measurement period ended December 31, 2022. The net effect of the change on the employer's proportionate share of the collective NPL and collective deferred outflows of resources and deferred inflows of resources for the current period (i.e., 2022) is recognized over the average of the expected remaining service lives of all employees that are provided with pensions through OCERS which is 5.41 years determined as of December 31, 2021 (the beginning of the measurement period ended December 31, 2022). This is described in Paragraph 33a. of GASB 68.

In addition, the difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended December 31, 2022 is recognized over the same period.

The net effects of the change on the employer's proportionate share of the collective NPL and collective deferred outflows of resources and deferred inflows of resources for prior periods are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

The average of the expected service lives of all employees is determined by:

- Calculating each active employees' expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability

Total for All Employers

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	100.000%	\$5,291,126,088	\$1,494,745,333	353.98%	67.16%
2015	100.000%	5,082,480,673	1,513,206,357	335.87%	69.42%
2016	100.000%	5,716,604,741	1,521,035,820	375.84%	67.10%
2017	100.000%	5,191,216,603	1,602,675,426	323.91%	71.16%
2018	100.000%	4,952,099,401	1,678,322,080	295.06%	74.93%
2019	100.000%	6,197,202,089	1,718,798,287	360.55%	70.03%
2020	100.000%	5,075,682,463	1,783,054,087	284.66%	76.67%
2021	100.000%	4,213,246,650	1,909,268,347	220.67%	81.69%
2022	100.000%	2,050,237,722	1,870,386,937	109.62%	91.45%
2023	100.000%	5,391,006,171	1,932,374,427	278.98%	78.51%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### Orange County

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	74.198%	\$3,925,918,613	\$1,086,993,804	361.17%	66.88%
2015	76.680%	3,897,232,634	1,107,550,873	351.88%	68.16%
2016	76.813%	4,391,070,880	1,117,547,827	392.92%	65.66%
2017	77.898%	4,043,855,643	1,199,272,843	337.19%	69.56%
2018	80.445%	3,983,695,231	1,246,487,036	319.59%	72.85%
2019	79.367%	4,918,576,912	1,271,800,976	386.74%	68.06%
2020	81.254%	4,124,212,240	1,312,799,835	314.15%	74.47%
2021	84.200%	3,547,545,979	1,403,384,933	252.78%	79.31%
2022	99.870%	2,047,576,018	1,374,766,971	148.94%	88.59%
2023	82.903%	4,469,282,004	1,418,885,341	314.99%	76.17%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.



## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. Cemetery District

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.034%	\$1,820,018	\$1,183,960	153.72%	76.02%
2015	(0.002%)	(95,350)	1,202,916	(7.93%)	101.24%
2016	0.009%	533,906	1,247,006	42.82%	93.62%
2017	0.004%	222,409	1,288,388	17.26%	97.47%
2018	(0.004%)	(173,677)	1,419,045	(12.24%)	101.78%
2019	0.016%	962,119	1,518,808	63.35%	91.02%
2020	(0.004%)	(228,119)	1,595,506	(14.30%)	102.07%
2021	(0.003%)	(145,195)	1,730,433	(8.39%)	101.16%
2022	(0.068%)	(1,394,665)	1,787,176	(78.04%)	110.35%
2023	0.019%	1,031,416	1,883,493	54.76%	92.81%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. Law Library

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.063%	\$3,314,766	\$1,191,662	278.16%	63.14%
2015	0.063%	3,221,570	1,193,852	269.85%	66.76%
2016	0.061%	3,472,003	1,153,022	301.12%	62.38%
2017	0.034%	1,770,282	1,106,587	159.98%	80.96%
2018	(0.001%)	(36,317)	1,095,599	(3.31%)	100.35%
2019	0.009%	573,252	1,075,119	53.32%	94.64%
2020	(0.001%)	(74,515)	1,057,915	(7.04%)	100.66%
2021	(0.023%)	(949,226)	1,109,082	(85.59%)	108.09%
2022	(0.128%)	(2,629,777)	1,059,907	(248.11%)	122.03%
2023	(0.006%)	(321,987)	1,109,677	(29.02%)	102.56%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. Vector Control District

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.047%	\$2,464,723	\$0	N/A	91.24%
2015	0.057%	2,900,367	0	N/A	89.85%
2016	0.034%	1,941,891	0	N/A	92.66%
2017	0.032%	1,669,793	0	N/A	93.78%
2018	0.024%	1,166,920	0	N/A	95.89%
2019	0.040%	2,492,695	0	N/A	90.92%
2020	(0.012%)	(625,500)	0	N/A	102.29%
2021	(0.040%)	(1,681,965)	0	N/A	106.03%
2022	(0.268%)	(5,501,623)	0	N/A	120.52%
2023	0.001%	47,967	0	N/A	99.82%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. Retirement System

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.402%	\$21,259,813	\$5,368,550	396.01%	64.40%
2015	0.406%	20,656,114	5,655,725	365.22%	67.15%
2016	0.433%	24,747,342	6,063,327	408.15%	64.73%
2017	0.422%	21,886,393	6,190,905	353.52%	68.69%
2018	0.433%	21,427,080	6,486,488	330.33%	71.95%
2019	0.465%	28,844,760	7,501,588	384.52%	67.06%
2020	0.528%	26,824,264	8,491,615	315.89%	73.18%
2021	0.592%	24,954,057	9,414,503	265.06%	76.95%
2022	0.799%	16,375,725	9,518,018	172.05%	85.88%
2023	0.585%	31,526,121	9,950,919	316.82%	73.88%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. Fire Authority

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	8.366%	\$442,651,348	\$129,689,221	341.32%	69.66%
2015	9.188%	466,968,323	129,187,729	361.46%	70.35%
2016	9.056%	517,669,806	129,452,647	399.89%	68.90%
2017	9.043%	469,430,660	124,514,004	377.01%	73.11%
2018	7.485%	370,674,668	148,890,685	248.96%	80.44%
2019	7.531%	466,731,526	155,479,486	300.19%	76.63%
2020	6.982%	354,395,457	164,583,742	215.33%	83.51%
2021	4.299%	181,121,638	190,254,989	95.20%	91.96%
2022	(5.117%)	(104,907,413)	189,061,641	(55.49%)	104.45%
2023	5.176%	279,060,590	193,780,939	144.01%	88.92%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### Cypress Recreation and Parks

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.000%	\$0	\$0	N/A	N/A
2015	0.000%	0	0	N/A	N/A
2016	0.000%	0	0	N/A	N/A
2017	0.000%	0	0	N/A	N/A
2018	0.015%	718,340	0	N/A	83.78%
2019	0.007%	408,781	0	N/A	90.81%
2020	0.005%	262,415	0	N/A	94.23%
2021	0.004%	185,117	0	N/A	96.03%
2022	(0.005%)	(103,379)	0	N/A	102.18%
2023	0.001%	61,016	0	N/A	98.70%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### Department of Education

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.051%	\$2,691,224	\$62,538	4303.34%	81.08%
2015	0.072%	3,637,615	0	N/A	75.31%
2016	0.075%	4,306,689	0	N/A	69.50%
2017	0.085%	4,415,517	0	N/A	68.18%
2018	0.051%	2,530,324	0	N/A	80.00%
2019	0.057%	3,517,372	0	N/A	71.79%
2020	0.061%	3,099,339	0	N/A	74.84%
2021	0.063%	2,661,390	0	N/A	77.81%
2022	0.074%	1,523,058	0	N/A	86.62%
2023	0.062%	3,323,372	0	N/A	70.69%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### Transportation Corridor Agency

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.215%	\$11,359,334	\$6,054,822	187.61%	66.44%
2015	0.210%	10,682,807	6,118,067	174.61%	69.62%
2016	0.222%	12,713,136	6,088,331	208.81%	66.45%
2017	0.239%	12,423,364	6,431,272	193.17%	69.93%
2018	0.207%	10,242,769	6,775,031	151.18%	76.84%
2019	0.214%	13,253,632	6,609,886	200.51%	71.83%
2020	(0.035%)	(1,753,164)	6,809,655	(25.75%)	103.35%
2021	(0.092%)	(3,881,366)	7,257,523	(53.48%)	107.11%
2022	(0.531%)	(10,881,786)	6,686,314	(162.75%)	119.16%
2023	(0.012%)	(659,689)	7,068,237	(9.33%)	101.11%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.



## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### City of San Juan Capistrano

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.535%	\$28,312,625	\$6,324,207	447.69%	64.40%
2015	0.548%	27,866,378	6,863,345	406.02%	67.15%
2016	0.512%	29,249,120	6,464,876	452.43%	64.73%
2017	0.483%	25,089,009	6,636,488	378.05%	68.69%
2018	0.528%	26,138,852	7,227,226	361.67%	71.95%
2019	0.519%	32,142,058	7,253,654	443.12%	67.06%
2020	0.516%	26,191,970	7,294,439	359.07%	73.18%
2021	0.477%	20,116,465	6,701,987	300.16%	76.95%
2022	0.573%	11,742,303	6,112,331	192.11%	85.88%
2023	0.346%	18,650,483	5,334,212	349.64%	73.88%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. Sanitation District

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	3.832%	\$202,747,516	\$58,954,754	343.90%	63.14%
2015	1.130%	57,418,760	58,641,163	97.92%	89.61%
2016	0.742%	42,439,759	59,789,927	70.98%	92.74%
2017	(0.200%)	(10,384,510)	60,000,017	(17.31%)	101.70%
2018	(0.799%)	(39,571,102)	62,341,796	(63.47%)	105.96%
2019	0.468%	29,029,145	66,475,479	43.67%	95.86%
2020	(0.974%)	(49,446,617)	71,395,906	(69.26%)	106.64%
2021	(1.629%)	(68,643,380)	73,290,519	(93.66%)	108.50%
2022	(8.718%)	(178,731,247)	73,539,248	(243.04%)	121.74%
2023	(0.197%)	(10,604,801)	74,669,376	(14.20%)	101.22%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. Transportation Authority

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	4.112%	\$217,568,793	\$92,199,745	235.98%	71.77%
2015	4.006%	203,591,950	95,061,437	214.17%	74.00%
2016	4.377%	250,192,983	93,109,984	268.71%	69.82%
2017	4.436%	230,260,478	94,507,309	243.64%	73.17%
2018	4.283%	212,117,162	94,528,116	224.40%	77.15%
2019	4.353%	269,788,642	97,229,545	277.48%	71.97%
2020	4.419%	224,284,548	101,980,885	219.93%	77.80%
2021	4.415%	186,024,390	102,499,571	181.49%	82.52%
2022	3.581%	73,424,051	97,538,254	75.28%	93.26%
2023	3.842%	207,132,957	105,542,209	196.26%	81.45%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

U.C.I.

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.609%	\$32,214,491	\$643,375	5007.11%	74.44%
2015	0.523%	26,578,391	574,780	4624.10%	77.81%
2016	0.633%	36,184,065	285,025	12695.05%	69.50%
2017	0.696%	36,113,699	43,707	82626.81%	68.96%
2018	0.558%	27,644,960	14,874	185860.97%	75.13%
2019	0.562%	34,808,679	0	N/A	67.93%
2020	0.595%	30,213,739	0	N/A	71.62%
2021	0.601%	25,337,145	0	N/A	75.38%
2022	0.836%	17,134,332	0	N/A	82.75%
2023	0.544%	29,314,724	0	N/A	69.63%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

O.C. Children and Families Comm.

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.087%	\$4,590,845	\$1,116,074	411.34%	64.40%
2015	0.078%	3,957,425	1,043,030	379.42%	67.15%
2016	0.071%	4,066,523	1,042,786	389.97%	64.73%
2017	0.061%	3,158,290	925,031	341.43%	68.69%
2018	0.019%	962,204	849,266	113.30%	90.09%
2019	0.010%	630,610	966,061	65.28%	91.49%
2020	(0.013%)	(646,472)	1,061,044	(60.93%)	115.26%
2021	(0.015%)	(612,417)	1,167,468	(52.46%)	112.42%
2022	(0.040%)	(811,951)	1,304,766	(62.23%)	112.84%
2023	0.000%	(21,846)	1,209,958	(1.81%)	100.35%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### Local Agency Formation Comm.

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.022%	\$1,187,537	\$273,719	433.85%	64.40%
2015	0.026%	1,303,484	334,804	389.33%	67.15%
2016	0.020%	1,156,534	287,698	402.00%	64.73%
2017	0.026%	1,340,888	374,792	357.77%	68.69%
2018	0.026%	1,268,133	394,760	321.24%	71.95%
2019	0.026%	1,582,703	419,538	377.25%	67.06%
2020	0.029%	1,489,642	475,099	313.54%	73.18%
2021	0.030%	1,248,133	463,507	269.28%	76.95%
2022	0.044%	912,794	511,264	178.54%	85.88%
2023	0.029%	1,587,646	488,433	325.05%	73.88%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### Rancho Santa Margarita

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	(0.000%)	\$(4,181)	\$0	N/A	108.66%
2015	0.000%	1,729	0	N/A	96.78%
2016	0.000%	6,660	0	N/A	88.06%
2017	0.000%	9,332	0	N/A	82.95%
2018	(0.000%)	(2,320)	0	N/A	104.91%
2019	0.000%	1,284	0	N/A	97.28%
2020	(0.000%)	(2,214)	0	N/A	104.69%
2021	(0.000%)	(2,733)	0	N/A	105.92%
2022	(0.000%)	(6,231)	0	N/A	113.82%
2023	0.000%	1,652	0	N/A	96.34%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. Superior Court

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	7.415%	\$392,321,750	\$103,987,082	377.28%	64.40%
2015	7.002%	355,886,410	99,034,265	359.36%	67.15%
2016	6.926%	395,957,480	97,656,241	405.46%	64.73%
2017	6.726%	349,173,850	100,413,439	347.74%	68.69%
2018	6.716%	332,589,831	100,683,255	330.33%	71.95%
2019	6.338%	392,760,910	101,374,099	387.44%	67.06%
2020	6.635%	336,766,149	104,356,239	322.71%	73.18%
2021	7.112%	299,663,880	110,862,286	270.30%	76.95%
2022	9.109%	186,750,735	107,375,606	173.92%	85.88%
2023	6.695%	360,927,849	111,160,998	324.69%	73.88%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.



## Section 2: GASB 68 Information

### Schedule of proportionate share of the Net Pension Liability (continued)

#### O.C. IHSS Public Authority

Reporting Date for Employer under GASB 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll <sup>1</sup>	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
2014	0.013%	\$706,873	\$701,820	100.72%	73.15%
2015	0.013%	672,066	744,371	90.29%	75.26%
2016	0.016%	895,964	847,123	105.77%	73.52%
2017	0.015%	781,506	970,644	80.51%	79.30%
2018	0.014%	706,343	1,128,903	62.57%	84.20%
2019	0.018%	1,097,009	1,094,048	100.27%	77.97%
2020	0.014%	719,301	1,152,206	62.43%	86.11%
2021	0.007%	304,738	1,131,545	26.93%	93.94%
2022	(0.011%)	(233,222)	1,125,442	(20.72%)	104.54%
2023	0.012%	666,697	1,290,634	51.66%	88.70%

<sup>1</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability

#### Total for All Employers

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$2,050,237,722	\$4,213,246,650
• Pension Expense	728,323,232	(121,126,855)
• Employer Contributions	(719,658,000)	(698,797,000)
• New Net Deferred Inflows/Outflows	2,907,550,194	(1,620,112,172)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	424,553,023	277,027,099
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$5,391,006,171</b>	<b>\$2,050,237,722</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### Orange County

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$2,047,576,018	\$3,547,545,979
• Pension Expense	580,065,187	(38,554,809)
• Employer Contributions	(539,567,438)	(511,331,176)
• New Net Deferred Inflows/Outflows	2,091,638,561	(1,131,633,956)
• Change in Allocation of Prior Deferred Inflows/Outflows	(4,154,637)	(240,390)
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	7,878,277	(4,473,218)
• Recognition of Prior Deferred Inflows/Outflows	289,664,371	193,401,502
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>(3,818,335)</u>	<u>(7,137,914)</u>
<b>Ending Net Pension Liability</b>	<b>\$4,469,282,004</b>	<b>\$2,047,576,018</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Cemetery District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(1,394,665)	\$(145,195)
• Pension Expense	411,011	(181,718)
• Employer Contributions	(269,000)	(230,000)
• New Net Deferred Inflows/Outflows	2,043,157	(993,121)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	240,913	155,369
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$1,031,416</b>	<b>\$(1,394,665)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Law Library

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(2,629,777)	\$(949,226)
• Pension Expense	24,252	(532,012)
• Employer Contributions	(118,000)	(127,000)
• New Net Deferred Inflows/Outflows	1,949,701	(1,337,313)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	451,837	290,351
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>25,423</u>
<b>Ending Net Pension Liability</b>	<b>\$(321,987)</b>	<b>\$(2,629,777)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Vector Control District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(5,501,623)	\$(1,681,965)
• Pension Expense	(109,048)	(1,409,616)
• Employer Contributions	0	0
• New Net Deferred Inflows/Outflows	4,757,790	(2,978,797)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	900,848	568,755
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$47,967</b>	<b>\$(5,501,623)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Retirement System

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$16,375,725	\$24,954,057
• Pension Expense	5,012,441	974,418
• Employer Contributions	(3,614,000)	(3,301,000)
• New Net Deferred Inflows/Outflows	13,581,243	(7,526,242)
• Change in Allocation of Prior Deferred Inflows/Outflows	309,742	(143,215)
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	(553,571)	1,166,366
• Recognition of Prior Deferred Inflows/Outflows	1,599,723	1,084,538
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>(1,185,182)</u>	<u>(833,197)</u>
<b>Ending Net Pension Liability</b>	<b>\$31,526,121</b>	<b>\$16,375,725</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Fire Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(104,907,413)	\$181,121,638
• Pension Expense	59,281,387	(36,559,011)
• Employer Contributions	(87,637,000)	(95,585,000)
• New Net Deferred Inflows/Outflows	346,998,843	(196,364,119)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	65,324,773	42,479,079
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$279,060,590</b>	<b>\$(104,907,413)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.



## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### Cypress Recreation and Parks

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(103,379)	\$185,117
• Pension Expense	824,620	(105,942)
• Employer Contributions	(595,600)	0
• New Net Deferred Inflows/Outflows	616,934	(239,613)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	(681,559)	57,059
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$61,016</b>	<b>\$(103,379)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### Department of Education

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$1,523,058	\$2,661,390
• Pension Expense	215,260	(256,098)
• Employer Contributions	(366,917)	(345,566)
• New Net Deferred Inflows/Outflows	1,659,194	(781,930)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	292,777	245,262
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$3,323,372</b>	<b>\$1,523,058</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### Transportation Corridor Agency

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(10,881,786)	\$(3,881,366)
• Pension Expense	696,828	(1,612,661)
• Employer Contributions	(849,000)	(823,000)
• New Net Deferred Inflows/Outflows	8,616,965	(5,422,832)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	1,757,304	858,073
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
<b>Ending Net Pension Liability</b>	<b>\$(659,689)</b>	<b>\$(10,881,786)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### City of San Juan Capistrano

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$11,742,303	\$20,116,465
• Pension Expense	1,829,745	(201,719)
• Employer Contributions	(2,027,000)	(8,752,000)
• New Net Deferred Inflows/Outflows	8,034,504	(5,396,733)
• Change in Allocation of Prior Deferred Inflows/Outflows	1,354,403	142,246
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	(3,047,486)	4,034,666
• Recognition of Prior Deferred Inflows/Outflows	946,378	777,674
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>(182,364)</u>	<u>1,021,704</u>
<b>Ending Net Pension Liability</b>	<b>\$18,650,483</b>	<b>\$11,742,303</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Sanitation District

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(178,731,247)	\$(68,643,380)
• Pension Expense	15,354,611	(23,467,916)
• Employer Contributions	(8,220,000)	(8,172,000)
• New Net Deferred Inflows/Outflows	142,996,182	(85,782,094)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	17,995,653	7,359,566
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>(25,423)</u>
<b>Ending Net Pension Liability</b>	<b>\$(10,604,801)</b>	<b>\$(178,731,247)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Transportation Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$73,424,051	\$186,024,390
• Pension Expense	22,989,984	(9,524,661)
• Employer Contributions	(31,266,000)	(28,705,000)
• New Net Deferred Inflows/Outflows	116,239,993	(90,127,986)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	25,744,929	15,757,308
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$207,132,957</b>	<b>\$73,424,051</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

U.C.I.

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$17,134,332	\$25,337,145
• Pension Expense	2,256,477	(1,124,992)
• Employer Contributions	(3,223,630)	(3,276,341)
• New Net Deferred Inflows/Outflows	11,408,905	(5,328,019)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	1,738,640	1,526,539
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$29,314,724</b>	<b>\$17,134,332</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Children and Families Comm.

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(811,951)	\$(612,417)
• Pension Expense	(111,896)	(467,174)
• Employer Contributions	(177,000)	(165,000)
• New Net Deferred Inflows/Outflows	(9,411)	373,171
• Change in Allocation of Prior Deferred Inflows/Outflows	(456,571)	75,951
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	1,171,328	(355,898)
• Recognition of Prior Deferred Inflows/Outflows	(1,108)	(53,774)
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>374,763</u>	<u>393,190</u>
<b>Ending Net Pension Liability</b>	<b>\$(21,846)</b>	<b>\$(811,951)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.



## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### Local Agency Formation Comm.

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$912,794	\$1,248,133
• Pension Expense	203,166	77,924
• Employer Contributions	(165,000)	(174,000)
• New Net Deferred Inflows/Outflows	683,947	(419,518)
• Change in Allocation of Prior Deferred Inflows/Outflows	65,827	(23,720)
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	(154,509)	186,315
• Recognition of Prior Deferred Inflows/Outflows	80,562	60,453
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>(39,141)</u>	<u>(42,793)</u>
<b>Ending Net Pension Liability</b>	<b>\$1,587,646</b>	<b>\$912,794</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### Rancho Santa Margarita

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(6,231)	\$(2,733)
• Pension Expense	(681)	(3,698)
• Employer Contributions	0	0
• New Net Deferred Inflows/Outflows	6,670	(2,648)
• Change in Allocation of Prior Deferred Inflows/Outflows	0	0
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	0	0
• Recognition of Prior Deferred Inflows/Outflows	1,894	2,848
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>0</u>	<u>0</u>
<b>Ending Net Pension Liability</b>	<b>\$1,652</b>	<b>\$(6,231)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. Superior Court

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$186,750,735	\$299,663,880
• Pension Expense	39,212,592	(8,076,466)
• Employer Contributions	(41,375,000)	(37,645,000)
• New Net Deferred Inflows/Outflows	155,485,317	(85,830,170)
• Change in Allocation of Prior Deferred Inflows/Outflows	3,131,518	28,851
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	(5,406,768)	(372,699)
• Recognition of Prior Deferred Inflows/Outflows	18,314,492	12,368,201
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>4,814,963</u>	<u>6,614,138</u>
<b>Ending Net Pension Liability</b>	<b>\$360,927,849</b>	<b>\$186,750,735</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of reconciliation of Net Pension Liability (continued)

#### O.C. IHSS Public Authority

Reporting Date for Employer under GASB 68 Measurement Date for Employer under GASB 68 Reconciliation of Net Pension Liability	June 30, 2023 December 31, 2022	June 30, 2022 December 31, 2021
• Beginning Net Pension Liability	\$(233,222)	\$304,738
• Pension Expense	167,296	(100,704)
• Employer Contributions	(187,415)	(164,917)
• New Net Deferred Inflows/Outflows	841,699	(320,252)
• Change in Allocation of Prior Deferred Inflows/Outflows	(250,282)	160,277
• New Net Deferred Flows Due to Change in Proportion <sup>1</sup>	112,729	(185,532)
• Recognition of Prior Deferred Inflows/Outflows	180,596	88,296
• Recognition of Prior Deferred Flows Due to Change in Proportion <sup>1</sup>	<u>35,296</u>	<u>(15,128)</u>
<b>Ending Net Pension Liability</b>	<b>\$666,697</b>	<b>\$(233,222)</b>

<sup>1</sup> Includes differences between employer contributions and proportionate share of contributions.

## Section 2: GASB 68 Information

### Schedule of recognition of changes in total Net Pension Liability

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience on Total Pension Liability

Reporting Date for Employer Under GASB 68 Year Ended June 30	Differences between Expected and Actual Experience	Recognition Period (Years)	Reporting Date for Employer under GASB 68 Year Ended June 30:							
			2022	2023	2024	2025	2026	2027	2028	Thereafter
2016 <sup>1</sup>	\$(205,462,673)	6.06	\$(2,034,281)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2017 <sup>1</sup>	(323,565,741)	5.94	(51,204,006)	0	0	0	0	0	0	0
2018 <sup>1</sup>	(66,963,603)	6.01	(11,142,029)	(11,142,029)	(111,429)	0	0	0	0	0
2019 <sup>1</sup>	(118,124,401)	5.91	(19,987,206)	(19,987,206)	(18,188,371)	0	0	0	0	0
2020 <sup>1</sup>	24,382,911	5.86	4,160,905	4,160,905	4,160,905	3,578,386	0	0	0	0
2021 <sup>1</sup>	162,335,537	5.81	27,940,714	27,940,714	27,940,714	27,940,714	22,631,967	0	0	0
2022	(113,046,194)	5.45	(20,742,423)	(20,742,423)	(20,742,423)	(20,742,423)	(20,742,423)	(9,334,079)	0	0
2023	46,500,358	5.41	N/A	<u>8,595,262</u>	<u>8,595,262</u>	<u>8,595,262</u>	<u>8,595,262</u>	<u>8,595,262</u>	<u>3,524,048</u>	<u>0</u>
<b>Net increase (decrease) in pension expense</b>			<b>\$(73,008,326)</b>	<b>\$(11,174,777)</b>	<b>\$1,654,658</b>	<b>\$19,371,939</b>	<b>\$10,484,806</b>	<b>\$(738,817)</b>	<b>\$3,524,048</b>	<b>\$0</b>

As described in the Schedule of Deferred Outflows of Resources and Deferred Inflows of Resources, for the current period, the average of the expected remaining service lives of all employees that are provided with pensions through OCERS (active and inactive employees) determined as of December 31, 2021 (the beginning of the measurement period ending December 31, 2022) is 5.41 years.

<sup>1</sup> The amortization amounts prior to June 30, 2022 have been omitted from this exhibit. Those amounts can be found in prior years' GASB 68 reports.

## Section 2: GASB 68 Information

### Schedule of recognition of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition  
of the Effects of Assumption Changes

Reporting Date for Employer Under GASB 68 Year Ended June 30	Effects of Assumption Changes	Recognition Period (Years)	Reporting Date for Employer under GASB 68 Year Ended June 30:							
			2022	2023	2024	2025	2026	2027	2028	Thereafter
2016 <sup>1</sup>	\$0	6.06	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2017 <sup>1</sup>	0	5.94	0	0	0	0	0	0	0	0
2018 <sup>1</sup>	827,197,075	6.01	137,636,784	137,636,784	1,376,371	0	0	0	0	0
2019 <sup>1</sup>	0	5.91	0	0	0	0	0	0	0	0
2020 <sup>1</sup>	0	5.86	0	0	0	0	0	0	0	0
2021 <sup>1</sup>	18,966,926	5.81	3,264,531	3,264,531	3,264,531	3,264,531	2,644,271	0	0	0
2022	0	5.45	0	0	0	0	0	0	0	0
2023	0	5.41	N/A	0	0	0	0	0	0	0
<b>Net increase (decrease) in pension expense</b>			<b>\$140,901,315</b>	<b>\$140,901,315</b>	<b>\$4,640,902</b>	<b>\$3,264,531</b>	<b>\$2,644,271</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

As described in the Schedule of Deferred Outflows of Resources and Deferred Inflows of Resources, for the current period, the average of the expected remaining service lives of all employees that are provided with pensions through OCERS (active and inactive employees) determined as of December 31, 2021 (the beginning of the measurement period ending December 31, 2022) is 5.41 years.

<sup>1</sup> The amortization amounts prior to June 30, 2022 have been omitted from this exhibit. Those amounts can be found in prior years' GASB 68 reports.

## Section 2: GASB 68 Information

### Schedule of recognition of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Projected and Actual Earnings on Pension Plan Investments

Reporting Date for Employer Under GASB 68 Year Ended June 30	Differences Between Projected and Actual Earnings	Recognition Period (Years)	Reporting Date for Employer under GASB 68 Year Ended June 30:							
			2022	2023	2024	2025	2026	2027	2028	Thereafter
2016 <sup>1</sup>	\$851,007,781	5.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2017 <sup>1</sup>	(213,982,570)	5.00	0	0	0	0	0	0	0	0
2018 <sup>1</sup>	(1,009,651,572)	5.00	(201,930,316)	0	0	0	0	0	0	0
2019 <sup>1</sup>	1,360,278,701	5.00	272,055,741	272,055,737	0	0	0	0	0	0
2020 <sup>1</sup>	(1,170,895,935)	5.00	(234,179,185)	(234,179,185)	(234,179,195)	0	0	0	0	0
2021 <sup>1</sup>	(1,008,043,756)	5.00	(201,608,751)	(201,608,751)	(201,608,751)	(201,608,752)	0	0	0	0
2022	(1,909,760,501)	5.00	(381,952,100)	(381,952,100)	(381,952,100)	(381,952,100)	(381,952,101)	0	0	0
2023	3,587,056,374	5.00	N/A	717,411,276	717,411,276	717,411,276	717,411,276	717,411,270	0	0
<b>Net increase (decrease) in pension expense</b>			<b>\$(747,614,611)</b>	<b>\$171,726,977</b>	<b>\$(100,328,770)</b>	<b>\$133,850,424</b>	<b>\$335,459,175</b>	<b>\$717,411,270</b>	<b>\$0</b>	<b>\$0</b>

The differences between projected and actual earnings on pension plan investments are recognized over a five-year period per Paragraph 33b. of GASB 68.

<sup>1</sup> The amortization amounts prior to June 30, 2022 have been omitted from this exhibit. Those amounts can be found in prior years' GASB 68 reports.

## Section 2: GASB 68 Information

### Schedule of recognition of changes in total Net Pension Liability (continued)

#### Total Increase (Decrease) in Pension Expense

Reporting Date for Employer Under GASB 68 Year Ended June 30	Total Differences	Reporting Date for Employer under GASB 68 Year Ended June 30:							
		2022	2023	2024	2025	2026	2027	2028	Thereafter
2016 <sup>1</sup>	\$645,545,108	\$(2,034,281)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2017 <sup>1</sup>	(537,548,311)	(51,204,006)	0	0	0	0	0	0	0
2018 <sup>1</sup>	(249,418,100)	(75,435,561)	126,494,755	1,264,942	0	0	0	0	0
2019 <sup>1</sup>	1,242,154,300	252,068,535	252,068,531	(18,188,371)	0	0	0	0	0
2020 <sup>1</sup>	(1,146,513,024)	(230,018,280)	(230,018,280)	(230,018,290)	3,578,386	0	0	0	0
2021 <sup>1</sup>	(826,741,293)	(170,403,506)	(170,403,506)	(170,403,506)	(170,403,507)	25,276,238	0	0	0
2022	(2,022,806,695)	(402,694,523)	(402,694,523)	(402,694,523)	(402,694,523)	(402,694,524)	(9,334,079)	0	0
2023	3,633,556,732	N/A	<u>726,006,538</u>	<u>726,006,538</u>	<u>726,006,538</u>	<u>726,006,538</u>	<u>726,006,532</u>	<u>3,524,048</u>	<u>0</u>
<b>Net increase (decrease) in pension expense</b>		<b>\$(679,721,622)</b>	<b>\$301,453,515</b>	<b>\$(94,033,210)</b>	<b>\$156,486,894</b>	<b>\$348,588,252</b>	<b>\$716,672,453</b>	<b>\$3,524,048</b>	<b>\$0</b>

<sup>1</sup> The amortization amounts prior to June 30, 2022 have been omitted from this exhibit. Those amounts can be found in prior years' GASB 68 reports.



## Section 2: GASB 68 Information

### Allocation of changes in total Net Pension Liability

In addition to the amounts shown in the Schedule of Recognition of Changes in Total Net Pension Liability, there are changes in each employer's proportionate share of the total Net Pension Liability (NPL) during the measurement period ending on December 31, 2022. The net effect of the change in the employer's proportionate share of the collective NPL and collective deferred outflows of resources and deferred inflows of resources is also recognized over the average of the expected remaining service lives of all employees shown above. The difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ending on December 31, 2022 is recognized over the same periods. These amounts are shown on the following table, with the corresponding amounts for the measurement periods ending on December 31 beginning in 2016 shown on the following pages. While these amounts are different for each employer, they sum to zero over the entire OCERS.

## Section 2: GASB 68 Information

### Allocation of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of the Change in Proportion and Change in Employer Contributions for the Year Ended December 31, 2022

	Total Change to be Recognized	Recognition Period (Years)	2023	2024	2025	2026	2027	2028	Thereafter
Orange County	\$9,664,735	5.41	\$1,786,458	\$1,786,458	\$1,786,458	\$1,786,458	\$1,786,458	\$732,445	\$0
O.C. Cemetery District	0	5.41	0	0	0	0	0	0	0
O.C. Law Library	0	5.41	0	0	0	0	0	0	0
O.C. Vector Control District	0	5.41	0	0	0	0	0	0	0
O.C. Retirement System	(679,097)	5.41	(125,526)	(125,526)	(125,526)	(125,526)	(125,526)	(51,467)	0
O.C. Fire Authority	0	5.41	0	0	0	0	0	0	0
Cypress Recreation and Parks	0	5.41	0	0	0	0	0	0	0
Department of Education	0	5.41	0	0	0	0	0	0	0
Transportation Corridor Agency	0	5.41	0	0	0	0	0	0	0
City of San Juan Capistrano	(3,738,526)	5.41	(691,040)	(691,040)	(691,040)	(691,040)	(691,040)	(283,326)	0
O.C. Sanitation District	0	5.41	0	0	0	0	0	0	0
O.C. Transportation Authority	0	5.41	0	0	0	0	0	0	0
U.C.I.	0	5.41	0	0	0	0	0	0	0
O.C. Children and Families Comm.	1,436,935	5.41	265,607	265,607	265,607	265,607	265,607	108,900	0
Local Agency Formation Comm.	(189,545)	5.41	(35,036)	(35,036)	(35,036)	(35,036)	(35,036)	(14,365)	0
Rancho Santa Margarita	0	5.41	0	0	0	0	0	0	0
O.C. Superior Court	(6,632,793)	5.41	(1,226,025)	(1,226,025)	(1,226,025)	(1,226,025)	(1,226,025)	(502,668)	0
O.C. IHSS Public Authority	<u>138,291</u>	5.41	<u>25,562</u>	<u>25,562</u>	<u>25,562</u>	<u>25,562</u>	<u>25,562</u>	<u>10,481</u>	<u>0</u>
<b>Total for all Employers</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Section 2: GASB 68 Information

### Allocation of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of the Change in Proportion and Change in Employer Contributions for the Year Ended December 31, 2021

	Total Change to be Recognized	Recognition Period (Years)	2022	2023	2024	2025	2026	2027	Thereafter
Orange County	\$(5,478,436)	5.45	\$(1,005,218)	\$(1,005,218)	\$(1,005,218)	\$(1,005,218)	\$(1,005,218)	\$(452,346)	\$0
O.C. Cemetery District	0	5.45	0	0	0	0	0	0	0
O.C. Law Library	0	5.45	0	0	0	0	0	0	0
O.C. Vector Control District	0	5.45	0	0	0	0	0	0	0
O.C. Retirement System	1,428,471	5.45	262,105	262,105	262,105	262,105	262,105	117,946	0
O.C. Fire Authority	0	5.45	0	0	0	0	0	0	0
Cypress Recreation and Parks	0	5.45	0	0	0	0	0	0	0
Department of Education	0	5.45	0	0	0	0	0	0	0
Transportation Corridor Agency	0	5.45	0	0	0	0	0	0	0
City of San Juan Capistrano	4,941,332	5.45	906,666	906,666	906,666	906,666	906,666	408,002	0
O.C. Sanitation District	0	5.45	0	0	0	0	0	0	0
O.C. Transportation Authority	0	5.45	0	0	0	0	0	0	0
U.C.I.	0	5.45	0	0	0	0	0	0	0
O.C. Children and Families Comm.	(435,875)	5.45	(79,977)	(79,977)	(79,977)	(79,977)	(79,977)	(35,990)	0
Local Agency Formation Comm.	228,184	5.45	41,869	41,869	41,869	41,869	41,869	18,839	0
Rancho Santa Margarita	0	5.45	0	0	0	0	0	0	0
O.C. Superior Court	(456,452)	5.45	(83,753)	(83,753)	(83,753)	(83,753)	(83,753)	(37,687)	0
O.C. IHSS Public Authority	<u>(227,224)</u>	5.45	<u>(41,692)</u>	<u>(41,692)</u>	<u>(41,692)</u>	<u>(41,692)</u>	<u>(41,692)</u>	<u>(18,764)</u>	<u>0</u>
<b>Total for all Employers</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Section 2: GASB 68 Information

### Allocation of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of the Change in Proportion and Change in Employer Contributions for the Year Ended December 31, 2020

	Total Change to be Recognized	Recognition Period (Years)	2021	2022	2023	2024	2025	2026	Thereafter
Orange County	\$12,901,296	5.81	\$2,220,532	\$2,220,532	\$2,220,532	\$2,220,532	\$2,220,532	\$1,798,636	\$0
O.C. Cemetery District	0	5.81	0	0	0	0	0	0	0
O.C. Law Library	0	5.81	0	0	0	0	0	0	0
O.C. Vector Control District	0	5.81	0	0	0	0	0	0	0
O.C. Retirement System	562,430	5.81	96,804	96,804	96,804	96,804	96,804	78,410	0
O.C. Fire Authority	0	5.81	0	0	0	0	0	0	0
Cypress Recreation and Parks	0	5.81	0	0	0	0	0	0	0
Department of Education	0	5.81	0	0	0	0	0	0	0
Transportation Corridor Agency	0	5.81	0	0	0	0	0	0	0
City of San Juan Capistrano	(4,539,080)	5.81	(781,253)	(781,253)	(781,253)	(781,253)	(781,253)	(632,815)	0
O.C. Sanitation District	0	5.81	0	0	0	0	0	0	0
O.C. Transportation Authority	0	5.81	0	0	0	0	0	0	0
U.C.I.	0	5.81	0	0	0	0	0	0	0
O.C. Children and Families Comm.	173,659	5.81	29,890	29,890	29,890	29,890	29,890	24,209	0
Local Agency Formation Comm.	(136,351)	5.81	(23,468)	(23,468)	(23,468)	(23,468)	(23,468)	(19,011)	0
Rancho Santa Margarita	0	5.81	0	0	0	0	0	0	0
O.C. Superior Court	(8,930,323)	5.81	(1,537,061)	(1,537,061)	(1,537,061)	(1,537,061)	(1,537,061)	(1,245,018)	0
O.C. IHSS Public Authority	<u>(31,631)</u>	5.81	<u>(5,444)</u>	<u>(5,444)</u>	<u>(5,444)</u>	<u>(5,444)</u>	<u>(5,444)</u>	<u>(4,411)</u>	<u>0</u>
<b>Total for all Employers</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Section 2: GASB 68 Information

### Allocation of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of the Change in Proportion and Change in Employer Contributions for the Year Ended December 31, 2019

	Total Change to be Recognized	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	Thereafter
Orange County	\$(5,692,697)	5.86	\$(971,449)	\$(971,449)	\$(971,449)	\$(971,449)	\$(971,449)	\$(835,452)	\$0
O.C. Cemetery District	0	5.86	0	0	0	0	0	0	0
O.C. Law Library	0	5.86	0	0	0	0	0	0	0
O.C. Vector Control District	0	5.86	0	0	0	0	0	0	0
O.C. Retirement System	2,634,131	5.86	449,510	449,510	449,510	449,510	449,510	386,581	0
O.C. Fire Authority	0	5.86	0	0	0	0	0	0	0
Cypress Recreation and Parks	0	5.86	0	0	0	0	0	0	0
Department of Education	0	5.86	0	0	0	0	0	0	0
Transportation Corridor Agency	0	5.86	0	0	0	0	0	0	0
City of San Juan Capistrano	(1,157,951)	5.86	(197,603)	(197,603)	(197,603)	(197,603)	(197,603)	(169,936)	0
O.C. Sanitation District	0	5.86	0	0	0	0	0	0	0
O.C. Transportation Authority	0	5.86	0	0	0	0	0	0	0
U.C.I.	0	5.86	0	0	0	0	0	0	0
O.C. Children and Families Comm.	(1,110,175)	5.86	(189,450)	(189,450)	(189,450)	(189,450)	(189,450)	(162,925)	0
Local Agency Formation Comm.	157,671	5.86	26,906	26,906	26,906	26,906	26,906	23,141	0
Rancho Santa Margarita	0	5.86	0	0	0	0	0	0	0
O.C. Superior Court	5,149,368	5.86	878,732	878,732	878,732	878,732	878,732	755,708	0
O.C. IHSS Public Authority	<u>19,653</u>	5.86	<u>3,354</u>	<u>3,354</u>	<u>3,354</u>	<u>3,354</u>	<u>3,354</u>	<u>2,883</u>	<u>0</u>
<b>Total for all Employers</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Section 2: GASB 68 Information

### Allocation of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of the Change in Proportion and Change in Employer Contributions for the Year Ended December 31, 2018

	Total Change to be Recognized	Recognition Period (Years)	2019	2020	2021	2022	2023	2024	Thereafter
Orange County	\$13,152,991	5.91	\$2,225,549	\$2,225,549	\$2,225,549	\$2,225,549	\$2,225,549	\$2,025,246	\$0
O.C. Cemetery District	0	5.91	0	0	0	0	0	0	0
O.C. Law Library	0	5.91	0	0	0	0	0	0	0
O.C. Vector Control District	0	5.91	0	0	0	0	0	0	0
O.C. Retirement System	2,177,730	5.91	368,482	368,482	368,482	368,482	368,482	335,320	0
O.C. Fire Authority	0	5.91	0	0	0	0	0	0	0
Cypress Recreation and Parks	0	5.91	0	0	0	0	0	0	0
Department of Education	0	5.91	0	0	0	0	0	0	0
Transportation Corridor Agency	0	5.91	0	0	0	0	0	0	0
City of San Juan Capistrano	(142,910)	5.91	(24,181)	(24,181)	(24,181)	(24,181)	(24,181)	(22,005)	0
O.C. Sanitation District	0	5.91	0	0	0	0	0	0	0
O.C. Transportation Authority	0	5.91	0	0	0	0	0	0	0
U.C.I.	0	5.91	0	0	0	0	0	0	0
O.C. Children and Families Comm.	(361,087)	5.91	(61,098)	(61,098)	(61,098)	(61,098)	(61,098)	(55,597)	0
Local Agency Formation Comm.	13,795	5.91	2,334	2,334	2,334	2,334	2,334	2,125	0
Rancho Santa Margarita	0	5.91	0	0	0	0	0	0	0
O.C. Superior Court	(14,826,827)	5.91	(2,508,769)	(2,508,769)	(2,508,769)	(2,508,769)	(2,508,769)	(2,282,982)	0
O.C. IHSS Public Authority	<u>(13,692)</u>	5.91	<u>(2,317)</u>	<u>(2,317)</u>	<u>(2,317)</u>	<u>(2,317)</u>	<u>(2,317)</u>	<u>(2,107)</u>	<u>0</u>
<b>Total for all Employers</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Section 2: GASB 68 Information

### Allocation of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of the Change in Proportion and Change in Employer Contributions for the Year Ended December 31, 2017

	Total Change to be Recognized	Recognition Period (Years)	2018	2019	2020	2021	2022	2023	Thereafter
Orange County	\$8,107,013	6.01	\$1,348,921	\$1,348,921	\$1,348,921	\$1,348,921	\$1,348,921	\$1,348,921	\$13,487
O.C. Cemetery District	0	6.01	0	0	0	0	0	0	0
O.C. Law Library	0	6.01	0	0	0	0	0	0	0
O.C. Vector Control District	0	6.01	0	0	0	0	0	0	0
O.C. Retirement System	49,770	6.01	8,281	8,281	8,281	8,281	8,281	8,281	84
O.C. Fire Authority	0	6.01	0	0	0	0	0	0	0
Cypress Recreation and Parks	0	6.01	0	0	0	0	0	0	0
Department of Education	0	6.01	0	0	0	0	0	0	0
Transportation Corridor Agency	0	6.01	0	0	0	0	0	0	0
City of San Juan Capistrano	1,675,195	6.01	278,735	278,735	278,735	278,735	278,735	278,735	2,785
O.C. Sanitation District	0	6.01	0	0	0	0	0	0	0
O.C. Transportation Authority	0	6.01	0	0	0	0	0	0	0
U.C.I.	0	6.01	0	0	0	0	0	0	0
O.C. Children and Families Comm.	(445,507)	6.01	(74,128)	(74,128)	(74,128)	(74,128)	(74,128)	(74,128)	(739)
Local Agency Formation Comm.	(51,088)	6.01	(8,500)	(8,500)	(8,500)	(8,500)	(8,500)	(8,500)	(88)
Rancho Santa Margarita	0	6.01	0	0	0	0	0	0	0
O.C. Superior Court	(9,400,312)	6.01	(1,564,112)	(1,564,112)	(1,564,112)	(1,564,112)	(1,564,112)	(1,564,112)	(15,640)
O.C. IHSS Public Authority	<u>64,929</u>	6.01	<u>10,803</u>	<u>10,803</u>	<u>10,803</u>	<u>10,803</u>	<u>10,803</u>	<u>10,803</u>	<u>111</u>
<b>Total for all Employers</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Section 2: GASB 68 Information

### Allocation of changes in total Net Pension Liability (continued)

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of the Change in Proportion and Change in Employer Contributions for the Year Ended December 31, 2016

	Total Change to be Recognized	Recognition Period (Years)	2017	2018	2019	2020	2021	2022	Thereafter
Orange County	\$14,453,662	5.94	\$2,433,278	\$2,433,278	\$2,433,278	\$2,433,278	\$2,433,278	\$2,287,272	\$0
O.C. Cemetery District	0	5.94	0	0	0	0	0	0	0
O.C. Law Library	0	5.94	0	0	0	0	0	0	0
O.C. Vector Control District	0	5.94	0	0	0	0	0	0	0
O.C. Retirement System	(668,539)	5.94	(112,549)	(112,549)	(112,549)	(112,549)	(112,549)	(105,794)	0
O.C. Fire Authority	0	5.94	0	0	0	0	0	0	0
Department of Education	0	5.94	0	0	0	0	0	0	0
Transportation Corridor Agency	0	5.94	0	0	0	0	0	0	0
City of San Juan Capistrano	(1,754,991)	5.94	(295,453)	(295,453)	(295,453)	(295,453)	(295,453)	(277,726)	0
O.C. Sanitation District	0	5.94	0	0	0	0	0	0	0
O.C. Transportation Authority	0	5.94	0	0	0	0	0	0	0
U.C.I.	0	5.94	0	0	0	0	0	0	0
O.C. Children and Families Comm.	(598,916)	5.94	(100,828)	(100,828)	(100,828)	(100,828)	(100,828)	(94,776)	0
Local Agency Formation Comm.	306,180	5.94	51,545	51,545	51,545	51,545	51,545	48,455	0
Rancho Santa Margarita	0	5.94	0	0	0	0	0	0	0
O.C. Superior Court	(11,785,507)	5.94	(1,984,092)	(1,984,092)	(1,984,092)	(1,984,092)	(1,984,092)	(1,865,047)	0
O.C. IHSS Public Authority	<u>48,111</u>	5.94	<u>8,099</u>	<u>8,099</u>	<u>8,099</u>	<u>8,099</u>	<u>8,099</u>	<u>7,616</u>	<u>0</u>
<b>Total for all Employers</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



# Section 3: Actuarial Assumptions and Methods and Appendices

## Actuarial assumptions and methods

For December 31, 2022 Measurement Date and Employer Reporting as of June 30, 2023

<b>Rationale for Assumptions:</b>	The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the January 1, 2017 through December 31, 2019 Actuarial Experience Study dated August 6, 2020 and PowerPoint presentation dated August 17, 2020. Unless otherwise noted, all actuarial assumptions and methods shown below apply to members for all tiers. These assumptions were adopted by the Board.
<b><u>Economic Assumptions</u></b>	
<b>Net Investment Return:</b>	7.00%; net of investment expenses.
<b>Member Contribution Crediting Rate:</b>	5.00%, compounded semi-annually.
<b>Cost of Living Adjustments (COLA):</b>	Retiree COLA increases of 2.75% per year. For members that have COLA banks, we assume they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter. The actual COLA granted by OCERS on April 1, 2022 has been reflected for non-active members in the December 31, 2021 valuation.
<b>Payroll Growth:</b>	Inflation of 2.50% per year plus “across the board” real salary increases of 0.50% per year.
<b>Increase in Section 7522.10 Compensation Limit:</b>	Increase of 2.50% per year from the valuation date.

## Section 3: Actuarial Assumptions and Methods and Appendices

### Salary Increases:

- The annual rate of compensation increase includes: inflation at 2.50%, plus “across the board” salary increases of 0.50% per year, plus the following merit and promotion increases:

Years of Service	Rate (%)	
	General	Safety
Less than 1	8.00	12.00
1 - 2	7.25	10.00
2 - 3	6.25	8.50
3 - 4	5.25	7.50
4 - 5	4.25	6.50
5 - 6	3.50	5.50
6 - 7	2.75	5.00
7 - 8	2.50	4.00
8 - 9	1.70	3.00
9 - 10	1.70	2.50
10 - 11	1.60	1.85
11 - 12	1.60	1.85
12 - 13	1.50	1.85
13 - 14	1.50	1.85
14 - 15	1.25	1.85
15 - 16	1.25	1.60
16 - 17	1.00	1.60
17 - 18	1.00	1.60
18 - 19	1.00	1.60
19 - 20	1.00	1.60
20 & Over	1.00	1.60

In addition to the individual salary increase assumptions, we have applied an average of two hours of additional salary annually for leap-year salary adjustment.

## Section 3: Actuarial Assumptions and Methods and Appendices

### Demographic Assumptions:

#### Post-Retirement Mortality Rates:

##### *Healthy*

- **General Members:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

##### *Disabled*

- **General Members:** Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

##### *All Beneficiaries*

- Pub-2010 General Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019

The Pub-2010 mortality tables and adjustments as shown above reflect the mortality experience as of the measurement date. The generational projection is a provision for future mortality improvement.

## Section 3: Actuarial Assumptions and Methods and Appendices

### Pre-Retirement Mortality Rates:

- **General Members:** Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019
- **Safety Members:** Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019

Age	Rate (%) <sup>1</sup>			
	General		Safety	
	Male	Female	Male	Female
25	0.02	0.01	0.03	0.02
30	0.03	0.01	0.04	0.02
35	0.04	0.02	0.04	0.03
40	0.06	0.03	0.05	0.04
45	0.09	0.05	0.07	0.06
50	0.13	0.08	0.10	0.08
55	0.19	0.11	0.15	0.11
60	0.28	0.17	0.23	0.14
65	0.41	0.27	0.35	0.20
70	0.61	0.44	0.66	0.39

All General pre-retirement deaths are assumed to be non-service connected. For Safety, 90% of pre-retirement deaths are assumed to be non-service connected. The other 10% are assumed to be service connected.

<sup>1</sup> Generational projections beyond the base year (2010) are not reflected in the above mortality rates.

### Mortality Rates for Member Contributions:

- **General Members:** Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP 2019, weighted 40% male and 60% female
- **Safety Members:** Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 80% male and 20% female

## Section 3: Actuarial Assumptions and Methods and Appendices

### Disability Incidence:

Age	Rate (%)			
	General All Other	General OCTA	Safety Law & Fire	Safety Probation
20	0.00	0.00	0.00	0.00
25	0.00	0.00	0.01	0.03
30	0.01	0.03	0.07	0.08
35	0.03	0.20	0.19	0.10
40	0.08	0.39	0.31	0.13
45	0.14	0.48	0.44	0.21
50	0.20	0.53	1.10	0.28
55	0.27	0.70	2.70	0.42
60	0.33	1.22	5.00	0.20

65% of General All Other disabilities are assumed to be service connected disabilities. The other 35% are assumed to be non-service connected.

80% of General OCTA disabilities are assumed to be service connected disabilities. The other 20% are assumed to be non-service connected.

100% of Safety Law Enforcement and Fire disabilities are assumed to be service connected disabilities.

75% of Safety Probation disabilities are assumed to be service connected disabilities. The other 25% are assumed to be non-service connected.

## Section 3: Actuarial Assumptions and Methods and Appendices

### Termination:

Years of Service	Rate (%)			
	General All Other	General OCTA	Safety Law & Fire	Safety Probation
Less than 1	11.00	17.00	4.25	14.00
1 – 2	7.25	11.50	2.75	13.00
2 – 3	6.50	9.00	2.25	11.00
3 – 4	5.50	8.50	1.75	5.00
4 – 5	5.00	8.00	1.50	4.00
5 – 6	4.50	7.00	1.25	3.25
6 – 7	4.00	4.25	1.00	2.75
7 – 8	3.50	4.00	0.95	2.75
8 – 9	3.25	3.25	0.90	2.50
9 – 10	3.00	3.00	0.85	1.75
10 – 11	2.50	2.75	0.80	1.50
11 – 12	2.00	2.50	0.75	1.50
12 – 13	2.00	2.50	0.70	1.25
13 – 14	2.00	2.25	0.65	1.00
14 – 15	1.50	2.25	0.60	0.75
15 – 16	1.40	2.25	0.55	0.75
16 – 17	1.30	2.00	0.50	0.75
17 – 18	1.20	1.80	0.45	0.75
18 – 19	1.10	1.60	0.40	0.50
19 – 20	1.00	1.40	0.30	0.25
20 & Over	0.75	1.20	0.15	0.15

### Election for Withdrawal of Contributions (%)

Years of Service	Rate (%)			
	General All Other	General OCTA	Safety Law & Fire	Safety Probation
Less than 5	30.00	40.00	20.00	25.00
5 – 9	25.00	30.00	20.00	25.00
10 – 14	25.00	25.00	10.00	25.00
15 & Over	17.50	15.00	10.00	15.00

## Section 3: Actuarial Assumptions and Methods and Appendices

Retirement Rates:	Rate (%) <sup>1</sup>			
	General Enhanced		General Non-Enhanced <sup>2</sup>	
	Less than 30 Years of Service	Greater than 30 Years of Service	Less than 30 Years of Service	Greater than 30 Years of Service
Age				
49	0.00	30.00	0.00	25.00
50	2.00	4.00	3.00	3.00
51	2.00	4.00	3.00	3.00
52	2.50	5.00	2.00	2.00
53	2.50	5.00	3.50	3.50
54	7.00	14.00	2.75	2.75
55	12.00	30.00	3.25	3.25
56	9.00	19.00	3.50	3.50
57	9.00	18.00	5.00	5.00
58	9.00	18.00	5.50	5.50
59	10.00	20.00	6.50	6.50
60	11.00	20.00	9.00	13.50
61	11.00	20.00	9.00	13.50
62	13.00	20.00	9.00	18.00
63	13.00	22.00	9.50	19.00
64	16.00	24.00	10.00	20.00
65	24.00	28.00	22.00	26.40
66	24.00	30.00	25.00	30.00
67	24.00	30.00	25.00	30.00
68	22.00	27.50	30.00	27.50
69	22.00	27.50	30.00	27.50
70	25.00	27.50	20.00	27.50
71	25.00	27.50	20.00	27.50
72	25.00	27.50	20.00	27.50
73	20.00	27.50	20.00	27.50
74	20.00	27.50	20.00	27.50
75	100.00	100.00	100.00	100.00

<sup>1</sup> The retirement rates only apply to members that are eligible to retire at the age shown.

<sup>2</sup> These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (Plan T and Plan W).

## Section 3: Actuarial Assumptions and Methods and Appendices

### Retirement Rates (continued):

Age	Rate (%) <sup>1</sup>					
	Safety Law (31664.1)		Safety Fire (31664.1)		Safety Probation (31664.1)	
	Less than 30 Years of Service	Greater than 30 Years of Service	Less than 30 Years of Service	Greater than 30 Years of Service	Less than 30 Years of Service	Greater than 30 Years of Service
45	1.00	16.00	2.00	10.00	3.00	5.00
46	1.00	16.00	2.00	10.00	3.00	5.00
47	1.00	16.00	2.00	10.00	3.00	5.00
48	1.00	16.00	2.00	10.00	3.00	5.00
49	11.00	16.00	2.00	10.00	3.00	5.00
50	16.00	16.00	4.00	10.00	9.00	12.00
51	16.00	16.00	4.00	10.00	7.00	10.00
52	17.00	16.00	4.00	10.00	5.00	9.00
53	19.00	30.00	9.00	20.00	7.00	9.00
54	24.00	30.00	12.00	25.00	7.00	12.00
55	24.00	30.00	12.00	25.00	12.00	30.00
56	22.00	30.00	12.00	25.00	18.00	30.00
57	22.00	30.00	18.00	25.00	25.00	30.00
58	22.00	40.00	18.00	30.00	25.00	30.00
59	22.00	40.00	18.00	30.00	18.00	30.00
60	30.00	40.00	18.00	30.00	20.00	40.00
61	30.00	40.00	18.00	30.00	20.00	40.00
62	30.00	40.00	18.00	35.00	20.00	40.00
63	30.00	40.00	18.00	35.00	20.00	40.00
64	30.00	40.00	18.00	35.00	20.00	40.00
65	100.00	100.00	100.00	100.00	100.00	100.00

<sup>1</sup> The retirement rates only apply to members that are eligible to retire at the age shown.



## Section 3: Actuarial Assumptions and Methods and Appendices

### Retirement Rates (continued):

Age	Rate (%) <sup>1</sup>		
	General SJC (31676.12)	Safety Law (31664.2)	Safety Probation (31664.1)
50	4.00	11.50	8.00
51	4.00	12.00	9.00
52	4.00	12.70	10.00
53	4.00	17.90	12.00
54	4.00	18.80	14.00
55	4.00	35.00	23.00
56	5.00	25.00	22.00
57	6.00	25.00	25.00
58	7.00	25.00	25.00
59	9.00	30.00	35.00
60	10.00	40.00	40.00
61	12.00	40.00	40.00
62	13.00	40.00	40.00
63	13.00	40.00	40.00
64	19.00	40.00	40.00
65	20.00	100.00	100.00
66	25.00	100.00	100.00
67	25.00	100.00	100.00
68	25.00	100.00	100.00
69	25.00	100.00	100.00
70	45.00	100.00	100.00
71	45.00	100.00	100.00
72	45.00	100.00	100.00
73	45.00	100.00	100.00
74	45.00	100.00	100.00
75	100.00	100.00	100.00

<sup>1</sup> The retirement rates only apply to members that are eligible to retire at the age shown.

## Section 3: Actuarial Assumptions and Methods and Appendices

Retirement Rates (continued):	Rate (%) <sup>1</sup>				
	Age	CalPEPRA 2.5% @ 67 General Formula	CalPEPRA 2.7% @ 57 Safety Formula Probation	CalPEPRA 2.7% @ 57 Safety Formula Law	CalPEPRA 2.7% @ 57 Safety Formula Fire
	50	0.00	3.00	11.00	6.00
	51	0.00	3.00	11.50	6.50
	52	6.00	3.50	12.00	8.00
	53	2.00	3.50	16.00	10.00
	54	2.00	6.00	17.00	11.50
	55	2.50	12.00	29.00	20.00
	56	3.50	12.00	19.00	19.00
	57	5.50	15.00	19.00	21.00
	58	7.50	25.00	23.00	24.00
	59	7.50	25.00	26.00	30.00
	60	7.50	40.00	40.00	40.00
	61	7.50	40.00	40.00	40.00
	62	14.00	40.00	40.00	40.00
	63	14.00	40.00	40.00	40.00
	64	14.00	40.00	40.00	40.00
	65	20.00	100.00	100.00	100.00
	66	22.00	100.00	100.00	100.00
	67	23.00	100.00	100.00	100.00
	68	23.00	100.00	100.00	100.00
	69	23.00	100.00	100.00	100.00
	70	25.00	100.00	100.00	100.00
	71	25.00	100.00	100.00	100.00
	72	25.00	100.00	100.00	100.00
	73	25.00	100.00	100.00	100.00
	74	25.00	100.00	100.00	100.00
	75	100.00	100.00	100.00	100.00

<sup>1</sup> The retirement rates only apply to members that are eligible to retire at the age shown.

## Section 3: Actuarial Assumptions and Methods and Appendices

<b>Retirement Age and Benefit for Deferred Vested Members:</b>	<p>General Retirement Age: 59 Safety Retirement Age: 54</p> <p>Future deferred vested members who terminate with less than five years of service and are not vested are assumed to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit. 15% of future General and 20% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, 4.00% and 4.60% compensation increases are assumed per annum for General and Safety, respectively.</p>
<b>Liability Calculation for Current Deferred Vested Members:</b>	<p>Liability for a current deferred vested member is calculated based on salary (adjusted with the additional cashout assumptions for non-CalPEPRA members), service, and eligibility for reciprocal benefit as provided by the Retirement System. For those members without salary information that have 3 or more years of service, we used an average salary. For those members without salary information that have less than 3 years of service or for those members without service information, we assumed a refund of account balance.</p>
<b>Future Benefit Accruals:</b>	<p>1.0 year of service per year of employment. There is no assumption to anticipate conversion of unused sick leave at retirement.</p>
<b>Unknown Data for Members:</b>	<p>Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.</p>
<b>Form of Payment:</b>	<p>All active and inactive members are assumed to elect the unmodified option at retirement.</p>
<b>Percent Married:</b>	<p>For all active and inactive members, 75% of male members and 55% of female members are assumed to be married at pre-retirement death or retirement.</p>
<b>Age and Gender of Spouse:</b>	<p>For all active and inactive members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 2 years older than the member.</p>

## Section 3: Actuarial Assumptions and Methods and Appendices

### Cashout Assumptions:

Additional compensation amounts are expected to be received during a member's final average earnings period. The percentages used in this valuation are:

Years of Service	Rate (%)	
	Final One Year Salary	Final Three Year Salary
General Non-CalPEPRA	3.00%	2.90%
Safety Probation Non-CalPEPRA	3.80%	3.40%
Safety Law Non-CalPEPRA	N/A	6.90%
Safety Fire Non-CalPEPRA	N/A	1.50%
General CalPEPRA	N/A	N/A
Safety Probation CalPEPRA	N/A	N/A
Safety Law CalPEPRA	N/A	N/A
Safety Fire CalPEPRA	N/A	N/A

The additional terminal pay assumptions are the same for service and disability retirements.

### Actuarial Funding Policy

#### Actuarial Cost Method:

Entry Age Actuarial Cost Method. Entry Age is the age on the valuation date minus the lesser of years of employment or years of benefit service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation. The normal cost rate is calculated assuming their Entry Age is the date they entered service with OCERS.

Please note that for Probation members who have prior benefit service in another General OCERS plan, the normal cost rate for the current plan is calculated assuming their Entry Age is the date they entered service with their current plan.

#### Expected Remaining Service Lives:

The average of the expected service lives of all employees is determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

#### Changed Actuarial Assumptions and Methods:

There have been no changes in actuarial assumptions or methods since the last valuation.

## Section 3: Actuarial Assumptions and Methods and Appendices

### Appendix A: Projection of Pension Plan's Fiduciary Net Position for use in the Calculation of Discount Rate as of December 31, 2022 (\$ in millions)

Year Beginning January 1	Projected Beginning Plan's Fiduciary Net Position (a)	Projected Total Contributions * (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan's Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2022	\$21,922	\$990	\$1,140	\$24	-\$2,059	\$19,690
2023	19,690	992	1,204	21	1,370	20,827
2024	20,827	985	1,274	22	1,447	21,962
2025	21,962	1,001	1,346	24	1,525	23,119
2026	23,119	1,037	1,419	25	1,604	24,316
2027	24,316	1,109	1,493	26	1,688	25,594
2028	25,594	1,116	1,568	27	1,775	26,890
2029	26,890	1,124	1,646	29	1,863	28,202
2030	28,202	1,131	1,725	30	1,953	29,531
2031	29,531	1,139	1,804	32	2,043	30,878
2047	38,085	171	2,918	41	2,570	37,868
2048	37,868	161	2,954	41	2,553	37,587
2049	37,587	151	2,987	40	2,532	37,243
2050	37,243	142	3,015	40	2,507	36,838
2051	36,838	134	3,037	40	2,477	36,372
2096	21,862	35	188	23	1,524	23,209
2097	23,209	36	153	25	1,620	24,687
2098	24,687	36	122	27	1,724	26,299
2099	26,299	37	96	28	1,838	28,049
2100	28,049	38	74	30	1,961	29,944
2134	277,919	299 **	0	299	19,454	297,374
2134 Discounted Value:	152 ***					

\* Of all the projected total contributions, only the first year's (i.e., 2022) contribution has been reduced by discount for prepaid contributions and transfers from County Investment Account, if any.

\*\* Mainly attributable to employer contributions to fund each year's annual administrative expenses.

\*\*\* \$277,919 million when discounted with interest at the rate of 7.00% per annum has a value of \$152 million as of December 31, 2022. Of this amount, about \$141 million is the balance available in the County Investment Account and \$14 million is the O.C. Sanitation District UAAL Deferred Account as of December 31, 2022.

Note: We have not utilized the balance in the County Investment Account to reduce the projected total contributions in column (b) even though those amounts have been used to reduce the NPL for the County as of December 31, 2022.

Notes:

- (1) Amounts may not total exactly due to rounding.
- (2) Amounts shown in the year beginning January 1, 2022 row are actual amounts, based on the final audited financial statements provided by OCERS.
- (3) Certain years have been omitted from the table.
- (4) Column (a): Except for the "discounted value" shown for 2134, all of the projected beginning Plan's Fiduciary Net Position amounts shown have not been adjusted for the time value of money.
- (5) Column (b): Projected total contributions include member and employer normal cost rates applied to closed group projected payroll (based on covered active members as of December 31, 2021), plus employer contributions to the Unfunded Actuarial Accrued Liability. Contributions are assumed to occur halfway through the year, on average.
- (6) Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of December 31, 2021. The projected benefit payments reflect the cost of living increase assumptions used in the December 31, 2022 valuation report.
- (7) Column (d): Projected administrative expenses are calculated as approximately 0.11% of the projected beginning Plan's Fiduciary Net Position amount. The 0.11% portion was based on the actual calendar year 2022 administrative expenses (unaudited) as a percentage of the actual beginning Plan's Fiduciary Net Position as of January 1, 2022. Administrative expenses are assumed to occur halfway through the year, on average.
- (8) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.
- (9) As illustrated in this Appendix, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2022 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.
- (10) This projection is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

## Section 3: Actuarial Assumptions and Methods and Appendices

### Appendix B: Schedule of Pension Amounts by Employer as of December 31, 2022

Deferred Outflows of Resources	Orange County	O.C. Cemetery District	O.C. Law Library	O.C. Vector Control District	O.C. Retirement System
• Differences Between Expected and Actual Experience	\$85,249,532	\$401,601	\$45,465	\$700,950	\$480,173
• Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,073,479,998	1,957,658	1,920,850	4,218,544	13,418,801
• Changes of Assumptions	81,544,510	82,339	42,717	56,144	814,678
• Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>16,413,390</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,347,774</u>
• <b>Total Deferred Outflows of Resources</b>	<b>\$2,256,687,430</b>	<b>\$2,441,598</b>	<b>\$2,009,032</b>	<b>\$4,975,638</b>	<b>\$17,061,426</b>
<b>Deferred Inflows of Resources</b>					
• Differences Between Expected and Actual Experience	\$55,012,441	\$155,323	\$472,570	\$958,190	\$185,187
• Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,293,513,728	1,193,794	1,166,471	2,582,253	8,372,177
• Changes of Assumptions	59,952,702	0	0	0	0
• Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>5,531,581</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>553,571</u>
• <b>Total Deferred Inflows of Resources</b>	<b>\$1,414,010,452</b>	<b>\$1,349,117</b>	<b>\$1,639,041</b>	<b>\$3,540,443</b>	<b>\$9,110,935</b>
<b>Net Pension Liability as of December 31, 2021</b>	<b>\$2,047,576,018</b>	<b>\$(1,394,665)</b>	<b>\$(2,629,777)</b>	<b>\$(5,501,623)</b>	<b>\$16,375,725</b>
<b>Net Pension Liability as of December 31, 2022</b>	<b>\$4,469,282,004</b>	<b>\$1,031,416</b>	<b>\$(321,987)</b>	<b>\$47,967</b>	<b>\$31,526,121</b>
<b>Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>					
• Proportionate Share of Allocable Plan Pension Expense	\$574,460,394	\$411,011	\$24,252	\$(109,048)	\$3,952,785
• Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>5,604,793</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,059,656</u>
• <b>Total Employer Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>	<b>\$580,065,187</b>	<b>\$411,011</b>	<b>\$24,252</b>	<b>\$(109,048)</b>	<b>\$5,012,441</b>

## Section 3: Actuarial Assumptions and Methods and Appendices

### Appendix B: Schedule of Pension Amounts by Employer as of December 31, 2022 (continued)

	O.C. Fire Authority	Cypress Recreation and Parks	Department of Education	Transportation Corridor Agency	City of San Juan Capistrano
<b>Deferred Outflows of Resources</b>					
• Differences Between Expected and Actual Experience	\$44,228,199	\$172,485	\$607,487	\$477,961	\$284,065
• Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	325,601,951	647,105	1,266,822	8,926,408	7,938,405
• Changes of Assumptions	1,263,564	232	589	104,567	481,954
• Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,130,785</u>
• <b>Total Deferred Outflows of Resources</b>	<b>\$371,093,714</b>	<b>\$819,822</b>	<b>\$1,874,898</b>	<b>\$9,508,936</b>	<b>\$11,835,209</b>
<b>Deferred Inflows of Resources</b>					
• Differences Between Expected and Actual Experience	\$21,455,804	\$30,171	\$108,970	\$950,161	\$109,555
• Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	198,693,451	387,447	804,206	5,366,673	4,952,882
• Changes of Assumptions	30,147,517	7,213	59,457	0	0
• Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,632,351</u>
• <b>Total Deferred Inflows of Resources</b>	<b>\$250,296,772</b>	<b>\$424,831</b>	<b>\$972,633</b>	<b>\$6,316,834</b>	<b>\$10,694,788</b>
<b>Net Pension Liability as of December 31, 2021</b>	<b>\$(104,907,413)</b>	<b>\$(103,379)</b>	<b>\$1,523,058</b>	<b>\$(10,881,786)</b>	<b>\$11,742,303</b>
<b>Net Pension Liability as of December 31, 2022</b>	<b>\$279,060,590</b>	<b>\$61,016</b>	<b>\$3,323,372</b>	<b>\$(659,689)</b>	<b>\$18,650,483</b>
<b>Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>					
• Proportionate Share of Allocable Plan Pension Expense	\$59,281,387	\$824,620	\$215,260	\$696,828	\$2,338,421
• Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(508,676)</u>
• <b>Total Employer Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>	<b>\$59,281,387</b>	<b>\$824,620</b>	<b>\$215,260</b>	<b>\$696,828</b>	<b>\$1,829,745</b>



## Section 3: Actuarial Assumptions and Methods and Appendices

### Appendix B: Schedule of Pension Amounts by Employer as of December 31, 2022 (continued)

	O.C. Sanitation District	O.C. Transportation Authority	U.C.I.	O.C. Children and Families Comm.	Local Agency Formation Comm.
<b>Deferred Outflows of Resources</b>					
• Differences Between Expected and Actual Experience	\$21,845,552	\$1,823,315	\$1,886,324	\$(333)	\$24,181
• Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	131,603,178	132,953,990	10,577,898	(9,299)	675,767
• Changes of Assumptions	5,759,591	1,729,712	4,733	(565)	41,027
• Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,255,317</u>	<u>196,618</u>
• <b>Total Deferred Outflows of Resources</b>	<b>\$159,208,321</b>	<b>\$136,507,017</b>	<b>\$12,468,955</b>	<b>\$1,245,120</b>	<b>\$937,593</b>
<b>Deferred Inflows of Resources</b>					
• Differences Between Expected and Actual Experience	\$13,954,206	\$33,789,970	\$7,913	\$(128)	\$9,326
• Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	79,859,618	82,873,325	6,709,422	(5,801)	421,620
• Changes of Assumptions	0	0	533,050	0	0
• Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>684,632</u>	<u>220,544</u>
• <b>Total Deferred Inflows of Resources</b>	<b>\$93,813,824</b>	<b>\$116,663,295</b>	<b>\$7,250,385</b>	<b>\$678,703</b>	<b>\$651,490</b>
<b>Net Pension Liability as of December 31, 2021</b>	<b>\$(178,731,247)</b>	<b>\$73,424,051</b>	<b>\$17,134,332</b>	<b>\$(811,951)</b>	<b>\$912,794</b>
<b>Net Pension Liability as of December 31, 2022</b>	<b>\$(10,604,801)</b>	<b>\$207,132,957</b>	<b>\$29,314,724</b>	<b>\$(21,846)</b>	<b>\$1,587,646</b>
<b>Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>					
• Proportionate Share of Allocable Plan Pension Expense	\$15,354,611	\$22,989,984	\$2,256,477	\$(2,740)	\$199,061
• Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>(109,156)</u>	<u>4,105</u>
• <b>Total Employer Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>	<b>\$15,354,611</b>	<b>\$22,989,984</b>	<b>\$2,256,477</b>	<b>\$(111,896)</b>	<b>\$203,166</b>

## Section 3: Actuarial Assumptions and Methods and Appendices

### Appendix B: Schedule of Pension Amounts by Employer as of December 31, 2022 (continued)

Deferred Outflows of Resources	Rancho Santa Margarita	O.C. Superior Court	O.C. IHSS Public Authority	Total for all Employers
• Differences Between Expected and Actual Experience	\$1,548	\$5,497,276	\$6,136	\$163,731,917
• Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	5,868	153,625,590	835,564	2,869,645,098
• Changes of Assumptions	3	9,326,865	559	101,253,219
• Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>1,634,440</u>	<u>119,077</u>	<u>25,097,401</u>
• <b>Total Deferred Outflows of Resources</b>	<b>\$7,419</b>	<b>\$170,084,171</b>	<b>\$961,336</b>	<b>\$3,159,727,635</b>
<b>Deferred Inflows of Resources</b>				
• Differences Between Expected and Actual Experience	\$113	\$2,120,124	\$115,387	\$129,435,283
• Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,825	95,849,149	509,759	1,783,252,999
• Changes of Assumptions	518	0	3,058	90,703,515
• Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>12,313,476</u>	<u>161,246</u>	<u>25,097,401</u>
• <b>Total Deferred Inflows of Resources</b>	<b>\$3,456</b>	<b>\$110,282,749</b>	<b>\$789,450</b>	<b>\$2,028,489,198</b>
<b>Net Pension Liability as of December 31, 2021</b>	<b>\$(6,231)</b>	<b>\$186,750,735</b>	<b>\$(233,222)</b>	<b>\$2,050,237,722</b>
<b>Net Pension Liability as of December 31, 2022</b>	<b>\$1,652</b>	<b>\$360,927,849</b>	<b>\$666,697</b>	<b>\$5,391,006,171</b>
<b>Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>				
• Proportionate Share of Allocable Plan Pension Expense	\$(681)	\$45,253,580	\$177,030	\$728,323,232
• Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	<u>0</u>	<u>(6,040,988)</u>	<u>(9,734)</u>	<u>0</u>
• <b>Total Employer Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>	<b>\$(681)</b>	<b>\$39,212,592</b>	<b>\$167,296</b>	<b>\$728,323,232</b>

## Section 3: Actuarial Assumptions and Methods and Appendices

### Notes:

Amounts shown in this Appendix were allocated by employer based on the Employer Allocation Percentage calculated in the Schedule of Determination of Proportionate Share in this report.

In determining the pension expense:

- Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
- Current-period (i.e., 2022) differences between expected and actual experience and changes of assumptions are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through OCERS determined as of December 31, 2021 (the beginning of the measurement period ending December 31, 2022) and is 5.41 years.
- Prior-period differences between expected and actual experience and changes of assumptions are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired members.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

There was an increase in the total employer pension expense from a pension income of \$(121.1) million calculated last year to a pension expense of \$728.3 million calculated this year. The primary cause of the increase was due to an investment loss of \$3.6 billion with \$717.4 million being recognized in this year's expense.

Note: Results may not total due to rounding.

## Section 3: Actuarial Assumptions and Methods and Appendices

### Appendix C: Definition of Terms

Definitions of certain terms as they are used in Statement 68. The terms may have different meanings in other contexts.

<b>Actuarial Present Value of Projected Benefit Payments:</b>	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
<b>Actuarial Valuation:</b>	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
<b>Actuarial Valuation Date:</b>	The date as of which an actuarial valuation is performed.
<b>Actuarially Determined Contribution:</b>	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
<b>Ad Hoc Cost-of-Living Adjustments (Ad Hoc COLAs):</b>	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
<b>Ad Hoc Postemployment Benefit Changes:</b>	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
<b>Automatic Cost-of-Living Adjustments (Automatic COLAs):</b>	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
<b>Automatic Postemployment Benefit Changes:</b>	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
<b>Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:</b>	Deferred outflows of resources and deferred inflows of resources related to pensions arising from certain changes in the collective Net Pension Liability.
<b>Collective Pension Expense:</b>	Pension expense arising from certain changes in the collective Net Pension Liability.
<b>Cost-of-Living Adjustments:</b>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

## Section 3: Actuarial Assumptions and Methods and Appendices

<b>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Cost-Sharing Pension Plan):</b>	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
<b>Covered Payroll:</b>	Payroll on which contributions to a pension plan are based.
<b>Defined Benefit Pension Plans:</b>	Pension plans that are used to provide defined benefit pensions.
<b>Defined Benefit Pensions:</b>	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of Statement 68.)
<b>Defined Contribution Pension Plans:</b>	Pension plans that are used to provide defined contribution pensions.
<b>Defined Contribution Pensions:</b>	Pensions having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (3) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
<b>Discount Rate:</b>	<p>The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:</p> <ol style="list-style-type: none"> <li>1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension Plan's Fiduciary Net Position is projected (under the requirements of Statement 68) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.</li> <li>2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.</li> </ol>
<b>Entry Age Actuarial Cost Method:</b>	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.

## Section 3: Actuarial Assumptions and Methods and Appendices

<b>Inactive Employees:</b>	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
<b>Measurement Period:</b>	The period between the prior and the current measurement dates.
<b>Multiple-Employer Defined Benefit Pension Plan:</b>	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
<b>Net Pension Liability (NPL):</b>	The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.
<b>Other Postemployment Benefits:</b>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
<b>Pension Plans:</b>	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
<b>Pensions:</b>	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
<b>Plan Members:</b>	Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
<b>Postemployment</b>	The period after employment.
<b>Postemployment Benefit Changes:</b>	Adjustments to the pension of an inactive employee.
<b>Postemployment Healthcare Benefits:</b>	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
<b>Projected Benefit Payments:</b>	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
<b>Public Employee Retirement System:</b>	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
<b>Real Rate of Return:</b>	The rate of return on an investment after adjustment to eliminate inflation.
<b>Service Costs:</b>	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
<b>Single-Employer Defined Benefit Pension Plan (Single-Employer Pension Plan):</b>	A defined benefit pension plan that is used to provide pensions to employees of only one employer.

## Section 3: Actuarial Assumptions and Methods and Appendices

<b>Termination Benefits:</b>	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
<b>Total Pension Liability (TPL):</b>	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 68.

5767134v1/05794.001

Attachment II



Andy Yeung, ASA, MAAA, FCA, EA  
Vice President & Actuary  
T 415.263.8283  
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San Francisco, CA 94105-6147  
segalco.com

**Via Email**

May 26, 2023

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

**Re: Orange County Employees Retirement System (OCERS)  
Reconciliation of the Plan's December 31, 2022 Net Pension Liability (NPL) and  
Unfunded Actuarial Accrued Liability (UAAL)**

Dear Steve:

We have been requested by OCERS to reconcile, for each Rate Group, the December 31, 2022 Net Pension Liability (NPL) and the Unfunded Actuarial Accrued Liability (UAAL) as shown in the December 31, 2022 Governmental Accounting Standards Board (GASB) Statement 67 addendum letter and funding valuation report, respectively. (The breakdown of the NPL as disclosed in the GASB 67 addendum letter also appears in our GASB 68 financial report.)

The reconciliation is provided in Attachment A of this letter. The difference between the NPL and the UAAL is a direct result of the different liability and asset values we used in those developments.

**Liability**

The Total Pension Liability (TPL) shown in the GASB 67 addendum letter was measured based on the December 31, 2021 demographic data by: (i) rolling forward the liability from December 31, 2021 to December 31, 2022 and (ii) assuming that the actuarial experience of the System would match with that anticipated by the demographic assumptions. On the other hand, the Actuarial Accrued Liability (AAL) shown in the funding valuation report was measured based on the December 31, 2022 demographic data.

The differences between the TPL and the AAL were primarily due to: (a) actuarial gains/losses on the liability items as documented in Section 4, Exhibit 6 of the December 31, 2022 funding valuation report for each Rate Group and (b) differences between the rolled forward liabilities and the actual liabilities.



Mr. Steve Delaney  
May 26, 2023  
Page 2

## Assets

The Plan Fiduciary Net Position shown in the GASB 67 report as of December 31, 2022 (that we subsequently used for our GASB 67 addendum letter) was based on the plan's Market Value of Assets (MVA) including the proceeds available in the County Investment Account and O.C. Sanitation District (OCSD) UAAL Deferred Account. On the other hand, the funding valuation report used the Valuation Value of Assets (VVA) after adjusting the MVA for asset smoothing.<sup>1</sup>

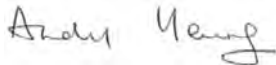
The differences between the Plan Fiduciary Net Position and the VVA were primarily due to the adjustment for the deferred investment loss.

The NPL and UAAL were calculated by taking the TPL and the AAL and subtracting the Plan Fiduciary Net Position and the VVA, respectively.

The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standard of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions or comments.

Sincerely,



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

JY/elf  
Enclosures

cc: Tracy Bowman  
Brenda Shott

<sup>1</sup> There were no non-valuation reserves as of December 31, 2022.

Attachment A

## All Rate Groups (Results are as of December 31, 2022)

<b>(A) Liability Reconciliation</b>	<b>Rate Group #1</b>	<b>Rate Group #2</b>	<b>Rate Group #3</b>	<b>Rate Group #4</b>
(1) Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$555,972,678	\$13,950,944,452	\$869,589,450	\$45,080
(2) (Gain)/Loss from (Lower)/Higher than Expected Salary Increases <sup>1</sup>	(1,039,000)	18,684,000	2,135,000	0
(3) Loss from Higher than Expected COLA Increases <sup>1</sup>	4,116,000	132,689,000	9,940,000	0
(4) Other Experience (Gain)/Loss <sup>1</sup>	(1,415,000)	(3,278,000)	10,034,000	0
(5) Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	<u>(144,678)</u>	<u>(1,357,452)</u>	<u>10,550</u>	<u>920</u>
<b>(6) Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items (1) through (5))</b>	<b>\$557,490,000</b>	<b>\$14,097,682,000</b>	<b>\$891,709,000</b>	<b>\$46,000</b>
<b>(B) Asset Reconciliation</b>				
(1) Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$476,174,391	\$10,308,408,298	\$865,796,251	\$43,428
(2) County Investment Account and OCSD UAAL Deferred Account	<u>3,300,236</u>	<u>88,762,138</u>	<u>14,398,000</u>	<u>0</u>
(3) Plan's Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter (1) + (2)	479,474,627	10,397,170,436	880,194,251	43,428
(4) Adjustment for Deferred Investment Return, Non-Valuation Reserve	<u>28,203,609</u>	<u>610,562,702</u>	<u>51,280,749</u>	<u>2,572</u>
<b>(5) Valuation of Assets Included in the Funding Valuation Report (1) + (4)</b>	<b>\$504,378,000</b>	<b>\$10,918,971,000</b>	<b>\$917,077,000</b>	<b>\$46,000</b>
<b>Net Pension Liability Shown in the GASB 67 Addendum Letter (A1) - (B3)</b>	<b>\$76,498,051</b>	<b>\$3,553,774,016</b>	<b>\$(10,604,801)</b>	<b>\$1,652</b>
<b>Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report (A6) - (B5)</b>	<b>\$53,112,000</b>	<b>\$3,178,711,000</b>	<b>\$(25,368,000)</b>	<b>\$0</b>

<sup>1</sup> These actuarial gain/loss items can be found in Section 4, Exhibit 6 of our December 31, 2022 funding valuation report.

Attachment A (continued)

## All Rate Groups (Results are as of December 31, 2022)

<b>(A) Liability Reconciliation</b>	<b>Rate Group #5</b>	<b>Rate Group #9</b>	<b>Rate Group #10</b>	<b>Rate Group #11</b>
(1) Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$1,116,408,923	\$59,512,347	\$315,901,347	\$14,335,425
(2) (Gain)/Loss from (Lower)/Higher than Expected Salary Increases <sup>1</sup>	28,618,000	406,000	(2,903,000)	516,000
(3) Loss from Higher than Expected COLA Increases <sup>1</sup>	10,329,000	617,000	3,424,000	68,000
(4) Other Experience (Gain)/Loss <sup>1</sup>	(2,902,000)	131,000	1,013,000	(252,000)
(5) Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	<u>(199,923)</u>	<u>653</u>	<u>(77,347)</u>	<u>(3,425)</u>
<b>(6) Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items (1) through (5))</b>	<b>\$1,152,254,000</b>	<b>\$60,667,000</b>	<b>\$317,358,000</b>	<b>\$14,664,000</b>
<b>(B) Asset Reconciliation</b>				
(1) Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$909,275,966	\$60,172,036	\$278,345,701	\$13,304,009
(2) County Investment Account and OCSD UAAL Deferred Account	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(3) Plan's Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter (1) + (2)	\$909,275,966	\$60,172,036	\$278,345,701	\$13,304,009
(4) Adjustment for Deferred Investment Return, Non-Valuation Reserve	<u>53,856,034</u>	<u>3,563,964</u>	<u>16,486,299</u>	<u>787,991</u>
<b>(5) Valuation of Assets Included in the Funding Valuation Report (1) + (4)</b>	<b>\$963,132,000</b>	<b>\$63,736,000</b>	<b>\$294,832,000</b>	<b>\$14,092,000</b>
<b>Net Pension Liability Shown in the GASB 67 Addendum Letter (A1) - (B3)</b>	<b>\$207,132,957</b>	<b>\$(659,689)</b>	<b>\$37,555,646</b>	<b>\$1,031,416</b>
<b>Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report (A6) - (B5)</b>	<b>\$189,122,000</b>	<b>\$(3,069,000)</b>	<b>\$22,526,000</b>	<b>\$572,000</b>

<sup>1</sup> These actuarial gain/loss items can be found in Section 4, Exhibit 6 of our December 31, 2022 funding valuation report.

Attachment A (continued)

## All Rate Groups (Results are as of December 31, 2022)

(A) Liability Reconciliation	Rate Group #12	Rate Group #6	Rate Group #7	Rate Group #8	Total
(1) Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$12,599,669	\$1,051,726,812	\$4,930,942,448	\$2,203,048,540	\$25,081,027,171
(2) (Gain)/Loss from (Lower)/Higher than Expected Salary Increases <sup>1</sup>	(59,000)	2,277,000	4,579,000	(25,747,000)	27,467,000
(3) Loss from Higher than Expected COLA Increases <sup>1</sup>	77,000	10,521,000	63,362,000	26,138,000	261,281,000
(4) Other Experience (Gain)/Loss <sup>1</sup>	(127,000)	5,803,000	689,000	11,191,000	20,887,000
(5) Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	<u>68,331</u>	<u>(196,812)</u>	<u>(1,096,448)</u>	<u>(997,540)</u>	<u>(3,993,171)</u>
<b>(6) Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items (1) through (5))</b>	<b>\$12,559,000</b>	<b>\$1,070,131,000</b>	<b>\$4,998,476,000</b>	<b>\$2,213,633,000</b>	<b>\$25,386,669,000</b>
<b>(B) Asset Reconciliation</b>					
(1) Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$12,921,656	\$844,934,863	\$3,803,710,805	\$1,961,543,596	\$19,534,631,000
(2) County Investment Account and OCSD UAAL Deferred Account	<u>0</u>	<u>7,563,286</u>	<u>41,366,340</u>	<u>0</u>	<u>155,390,000</u>
(3) Plan's Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter (1) + (2)	\$12,921,656	\$852,498,149	\$3,845,077,145	\$1,961,543,596	\$19,690,021,000
(4) Adjustment for Deferred Investment Return, Non-Valuation Reserve	<u>765,344</u>	<u>50,045,137</u>	<u>225,292,195</u>	<u>116,181,404</u>	<u>1,157,028,000</u>
<b>(5) Valuation of Assets Included in the Funding Valuation Report (1) + (4)</b>	<b>\$13,687,000</b>	<b>\$894,980,000</b>	<b>\$4,029,003,000</b>	<b>\$2,077,725,000</b>	<b>\$20,691,659,000</b>
<b>Net Pension Liability Shown in the GASB 67 Addendum Letter (A1) - (B3)</b>	<b>\$(321,987)</b>	<b>\$199,228,663</b>	<b>\$1,085,865,303</b>	<b>\$241,504,944</b>	<b>\$5,391,006,171</b>
<b>Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report (A6) - (B5)</b>	<b>\$(1,128,000)</b>	<b>\$175,151,000</b>	<b>\$969,473,000</b>	<b>\$135,908,000</b>	<b>\$4,695,010,000</b>

<sup>1</sup> These actuarial gain/loss items can be found in Section 4, Exhibit 6 of our December 31, 2022 funding valuation report.

**ORANGE COUNTY EMPLOYEES  
RETIREMENT SYSTEM  
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
Schedule of Allocated Pension Amounts by Employer  
As of and for the Year Ended December 31, 2022

DRAFT

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## **Report of Independent Auditors**

The Board of Retirement  
Orange County Employees Retirement System

### **Report on the Audit of the Schedule**

#### ***Opinion***

We have audited the totals for all employers of the deferred outflows of resources, deferred inflows of resources, net pension liability (asset), and pension expense (income) excluding that attributable to employer-paid member contributions as of and for the year ended December 31, 2022 in the Schedule of Allocated Pension Amounts by Employer (specific column totals) of the Orange County Employees Retirement System (the System) and the related notes (the schedule).

In our opinion, the accompanying schedule referred to above presents fairly, in all material respects, the totals for all the System's employers of the deferred outflows of resources, deferred inflows of resources, net pension liability (asset), and pension expense (income) excluding that attributable to employer-paid member contributions as of and for the year ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Schedule***

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedule that are free from material misstatement, whether due to fraud or error.

In preparing the schedule, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the schedule date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Matters***

***Financial Statements***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the System as of and for the year ended December 31, 2022, and our report thereon dated June 1, 2023 expressed an unmodified opinion on those financial statements.

***Restriction on Use***

Our report is intended solely for the information and use of the management, members of the Board of Retirement, and the System's participating employers and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

Irvine, California  
June 1, 2023



**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Schedule of Allocated Pension Amounts by Employer**  
**As of and for the Year Ended December 31, 2022**

<b>Deferred Outflows of Resources</b>	<b>County of Orange</b>	<b>O.C. Cemetery District</b>	<b>O.C. Public Law Library</b>	<b>O.C. Mosquito and Vector Control District</b>	<b>O.C. Employees Retirement System</b>
Differences Between Expected and Actual Experience	\$ 85,249,532	\$ 401,601	\$ 45,465	\$ 700,950	\$ 480,173
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	779,966,270	763,864	754,379	1,636,291	5,046,624
Changes of Assumptions	81,544,510	82,339	42,717	56,144	814,678
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	16,413,390	-	-	-	2,347,774
<b>Total Deferred Outflows of Resources</b>	<b>\$ 963,173,702</b>	<b>\$ 1,247,804</b>	<b>\$ 842,561</b>	<b>\$ 2,393,385</b>	<b>\$ 8,689,249</b>
<b>Deferred Inflows of Resources</b>					
Differences Between Expected and Actual Experience	\$ 55,012,441	\$ 155,323	\$ 472,570	\$ 958,190	\$ 185,187
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	-	-
Changes of Assumptions	59,952,702	-	-	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,531,581	-	-	-	553,571
<b>Total Deferred Inflows of Resources</b>	<b>\$ 120,496,724</b>	<b>\$ 155,323</b>	<b>\$ 472,570</b>	<b>\$ 958,190</b>	<b>\$ 738,758</b>
<b>Net Pension Liability/(Asset) as of December 31, 2022</b>	<b>\$ 4,469,282,004</b>	<b>\$ 1,031,416</b>	<b>\$ (321,987)</b>	<b>\$ 47,967</b>	<b>\$ 31,526,121</b>
<b>Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>					
Proportionate Share of Allocable Plan Pension Expense/(Income)	\$ 574,460,394	\$ 411,011	\$ 24,252	\$ (109,048)	\$ 3,952,785
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	5,604,793	-	-	-	1,059,656
<b>Total Employer Pension Expense/(Income) Excluding That Attributable to Employer-Paid Member Contributions</b>	<b>\$ 580,065,187</b>	<b>\$ 411,011</b>	<b>\$ 24,252</b>	<b>\$ (109,048)</b>	<b>\$ 5,012,441</b>

(Continued)

The accompanying notes are an integral part of these schedules.

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Schedule of Allocated Pension Amounts by Employer**  
**As of and for the Year Ended December 31, 2022**

	O.C. Fire Authority	Cypress Recreation & Parks District	O.C. Department of Education	Transportation Corridor Agencies	City of San Juan Capistrano
<b>Deferred Outflows of Resources</b>					
Differences Between Expected and Actual Experience	\$ 44,228,199	\$ 172,485	\$ 607,487	\$ 477,961	\$ 284,065
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	126,908,500	259,658	462,616	3,559,735	2,985,523
Changes of Assumptions	1,263,564	232	589	104,567	481,954
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-	-	-	3,130,785
<b>Total Deferred Outflows of Resources</b>	<b>\$ 172,400,263</b>	<b>\$ 432,375</b>	<b>\$ 1,070,692</b>	<b>\$ 4,142,263</b>	<b>\$ 6,882,327</b>
<b>Deferred Inflows of Resources</b>					
Differences Between Expected and Actual Experience	\$ 21,455,804	\$ 30,171	\$ 108,970	\$ 950,161	\$ 109,555
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	-	-
Changes of Assumptions	30,147,517	7,213	59,457	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-	-	-	5,632,351
<b>Total Deferred Inflows of Resources</b>	<b>\$ 51,603,321</b>	<b>\$ 37,384</b>	<b>\$ 168,427</b>	<b>\$ 950,161</b>	<b>\$ 5,741,906</b>
<b>Net Pension Liability/(Asset) as of December 31, 2022</b>	<b>\$ 279,060,590</b>	<b>\$ 61,016</b>	<b>\$ 3,323,372</b>	<b>\$ (659,689)</b>	<b>\$ 18,650,483</b>
<b>Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>					
Proportionate Share of Allocable Plan Pension Expense/(Income)	\$ 59,281,387	\$ 824,620	\$ 215,260	\$ 696,828	\$ 2,338,421
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-	-	-	(508,676)
<b>Total Employer Pension Expense/(Income) Excluding That Attributable to Employer-Paid Member Contributions</b>	<b>\$ 59,281,387</b>	<b>\$ 824,620</b>	<b>\$ 215,260</b>	<b>\$ 696,828</b>	<b>\$ 1,829,745</b>

(Continued)

The accompanying notes are an integral part of these schedules.

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Schedule of Allocated Pension Amounts by Employer**  
**As of and for the Year Ended December 31, 2022**

	O.C. Sanitation District	O.C. Transportation Authority	U.C.I. Medical Center and Campus	Children and Families Commission of O.C.	O.C. Local Agency Formation Commission
<b>Deferred Outflows of Resources</b>					
Differences Between Expected and Actual Experience	\$ 21,845,552	\$ 1,823,315	\$ 1,886,324	\$ (333)	\$ 24,181
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	51,743,560	50,080,665	3,868,476	-	254,147
Changes of Assumptions	5,759,591	1,729,712	4,733	(565)	41,027
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-	-	1,255,317	196,618
<b>Total Deferred Outflows of Resources</b>	<b>\$ 79,348,703</b>	<b>\$ 53,633,692</b>	<b>\$ 5,759,533</b>	<b>\$ 1,254,419</b>	<b>\$ 515,973</b>
<b>Deferred Inflows of Resources</b>					
Differences Between Expected and Actual Experience	\$ 13,954,206	\$ 33,789,970	\$ 7,913	\$ (128)	\$ 9,326
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	3,498	-
Changes of Assumptions	-	-	533,050	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-	-	684,632	220,544
<b>Total Deferred Inflows of Resources</b>	<b>\$ 13,954,206</b>	<b>\$ 33,789,970</b>	<b>\$ 540,963</b>	<b>\$ 688,002</b>	<b>\$ 229,870</b>
<b>Net Pension Liability/(Asset) as of December 31, 2022</b>	<b>\$ (10,604,801)</b>	<b>\$ 207,132,957</b>	<b>\$ 29,314,724</b>	<b>\$ (21,846)</b>	<b>\$ 1,587,646</b>
<b>Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>					
Proportionate Share of Allocable Plan Pension Expense/(Income)	\$ 15,354,611	\$ 22,989,984	\$ 2,256,477	\$ (2,740)	\$ 199,061
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-	-	(109,156)	4,105
<b>Total Employer Pension Expense/(Income) Excluding That Attributable to Employer-Paid Member Contributions</b>	<b>\$ 15,354,611</b>	<b>\$ 22,989,984</b>	<b>\$ 2,256,477</b>	<b>\$ (111,896)</b>	<b>\$ 203,166</b>

(Continued)

The accompanying notes are an integral part of these schedules.

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
**Schedule of Allocated Pension Amounts by Employer**  
**As of and for the Year Ended December 31, 2022**

	City of Rancho Santa Margarita	O.C. Superior Court of California	O.C. IHSS Public Authority	Total for all Employers
<b>Deferred Outflows of Resources</b>				
Differences Between Expected and Actual Experience	\$ 1,548	\$ 5,497,276	\$ 6,136	\$ 163,731,917
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	3,043	57,776,441	325,805	1,086,395,597
Changes of Assumptions	3	9,326,865	559	101,253,219
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1,634,440	119,077	25,097,401
<b>Total Deferred Outflows of Resources</b>	<b>\$ 4,594</b>	<b>\$ 74,235,022</b>	<b>\$ 451,577</b>	<b>\$ 1,376,478,134</b>
<b>Deferred Inflows of Resources</b>				
Differences Between Expected and Actual Experience	\$ 113	\$ 2,120,124	\$ 115,387	\$ 129,435,283
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	3,498
Changes of Assumptions	518	-	3,058	90,703,515
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	12,313,476	161,246	25,097,401
<b>Total Deferred Inflows of Resources</b>	<b>\$ 631</b>	<b>\$ 14,433,600</b>	<b>\$ 279,691</b>	<b>\$ 245,239,697</b>
<b>Net Pension Liability/(Asset) as of December 31, 2022</b>	<b>\$ 1,652</b>	<b>\$ 360,927,849</b>	<b>\$ 666,697</b>	<b>\$ 5,391,006,171</b>
<b>Pension Expense Excluding That Attributable to Employer-Paid Member Contributions</b>				
Proportionate Share of Allocable Plan Pension Expense/(Income)	\$ (681)	\$ 45,253,580	\$ 177,030	\$ 728,323,232
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	(6,040,988)	(9,734)	-
<b>Total Employer Pension Expense/(Income) Excluding That Attributable to Employer-Paid Member Contributions</b>	<b>\$ (681)</b>	<b>\$ 39,212,592</b>	<b>\$ 167,296</b>	<b>\$ 728,323,232</b>

The accompanying notes are an integral part of these schedules.

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
 Notes to the Schedule of Allocated Pension Amounts by Employer  
 As of and for the Year Ended December 31, 2022

**NOTE 1 – PLAN DESCRIPTION**

The Orange County Employees Retirement System (OCERS or System) administers a cost-sharing multiple-employer defined benefit pension plan (the Plan) for the County of Orange, Orange County Superior Court of California, City of San Juan Capistrano, and ten special districts: Orange County Cemetery District, Children and Families Commission of Orange County, Orange County Employees Retirement System, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission, Orange County Public Law Library, Orange County Sanitation District, Orange County Transportation Authority and the Transportation Corridor Agencies. The Orange County Department of Education, University of California, Irvine Medical Center and Campus, Capistrano Beach Sanitation District, Cypress Recreation & Parks District, Orange County Mosquito and Vector Control District and City of Rancho Santa Margarita are no longer active employers, but retired members and their beneficiaries, as well as deferred members, remain in the System. Capistrano Beach is not presented in the accompanying schedule as this employer is no longer in existence and OCERS does not have the ability to collect any unfunded liabilities from this inactive employer. OCERS is legally and fiscally independent of the County of Orange.

OCERS provides retirement, disability, and death benefits to general and safety members. Safety membership includes those members serving in active law enforcement, fire suppression and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon the date of OCERS membership. Additional information regarding the pensions plan's benefit structure is included in the Summary of Plan Description that is available on the web at: <https://www.ocers.org/summary-plan-description>.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Basis of Accounting**

Employers participating in the Plan are required to report pension information in their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The Schedule of Allocated Pension Amounts by Employer (the Schedule) along with OCERS' audited financial statements, the GASB Statement 67 Actuarial Valuation as of December 31, 2022 and the GASB Statement 68 Actuarial Valuation Based on the December 31, 2022 Measurement Date for Employer Reporting as of June 30, 2023, prepared by OCERS' third-party actuary, provide the required information for financial reporting related to the Plan that employers may use in their financial statements.

The accompanying Schedule was prepared by OCERS' third-party actuary and was derived from information provided by OCERS in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental organizations.

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
Notes to the Schedule of Allocated Pension Amounts by Employer  
As of and for the Year Ended December 31, 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation and Basis of Accounting (Continued)**

Legally or statutorily required employer contributions for the year ended December 31, 2022, less any amounts of those legally or statutorily required contributions that are paid by the employees (referred to as reverse pick-ups), are used as the basis for determining each employer's proportion of total contributions. For the year ended December 31, 2022, employer paid member contributions of \$33,000 under Government Code Section 31581.1 which OCERS reports as employer contributions as these payments do not become part of the accumulated employee contributions, have been excluded in determining each employer's proportion of total contributions. Contributions made by the employer on behalf of employees under Government Code Section 31581.2 are classified as employee contributions and are not included in the proportionate share calculation for the year ended December 31, 2022.

Employer contributions have not been reduced for discount due to prepaid contributions. Contributions for each employer are assigned to its respective participating Rate Group. Rate Groups are a collection of members who are or were employed by employers that offer similar pension benefit formula(s). Rate Groups exist for the purpose of risk-pooling and the contribution rates developed by the actuary should, in the long-term, fairly and accurately reflect the benefits offered/promised to members in each group. Rate Groups can contain one or more employers and employers may be included in one or more Rate Groups. If an employer participates in several Rate Groups, the employer's total proportionate share of the Net Pension Liability (NPL) and related allocated pension amounts is the sum of its NPL and allocated pension amounts from each Rate Group.

The following Rate Groups have only one active employer, so all of the NPL for that Rate Group is allocated to the corresponding employer:

<b>Rate Group</b>	<b>Employer</b>
<b>3</b>	Orange County Sanitation District
<b>4</b>	City of Rancho Santa Margarita
<b>5</b>	Orange County Transportation Authority
<b>6</b>	County of Orange (Probation)
<b>7</b>	County of Orange (Law Enforcement)
<b>8</b>	Orange County Fire Authority (Safety)
<b>9</b>	Transportation Corridor Agencies
<b>10</b>	Orange County Fire Authority (General)
<b>11</b>	Orange County Cemetery District
<b>12</b>	Orange County Public Law Library

The total Plan contributions are determined through OCERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. California Government Code Title 3, Division 4, Parts 3 and 3.9, Articles 6 and 6.8 define the methodology used to calculate member basic contribution rates for General members and Safety members. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Legally or statutorily required employer contributions were determined by multiplying the employers' contribution rate by the employers' payrolls for the fiscal year.

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
Notes to the Schedule of Allocated Pension Amounts by Employer  
As of and for the Year Ended December 31, 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation and Basis of Accounting (Continued)**

The NPL is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The TPL for each Rate Group is obtained from valuation results. The Fiduciary Net Position for each Rate Group is estimated by adjusting the valuation value of assets for each membership class by the ratio of the total Plan Fiduciary Net Position (excluding the balance of the County of Orange (County) Investment Account and the Orange County Sanitation District (OCSD) Unfunded Actuarial Accrued Liability (UAAL) Deferred Account) to total OCERS' valuation value of assets. The County Investment Account is then allocated among the four County Rate Groups using the proportion of the County's most recent contributions that were derived from the proceeds of the Pension Obligation Bonds for each of the four County Rate Groups. The OCSD UAAL Deferred Account balance of \$14,398,000 was allocated entirely to Rate Group 3 as of December 31, 2022 and was used to reduce the NPL for the OCSD as of the measurement date. The NPL is then allocated to the respective employers based on the legally or statutorily required employer contributions within each Rate Group.

In developing the pension expense amounts, the NPL proportionate share percentage is used to calculate the employer's pension expense components (service cost, interest, change in benefit terms, differences between expected and actual experience, changes in assumptions and benefit payments, including refunds of employee contributions), with the exception of the Orange County Mosquito and Vector Control District (Vector Control), Cypress Recreation & Parks District (CRPD), University of California, Irvine Medical Center and Campus (UCI) and the Orange County Department of Education (OCDE), which were adjusted to reflect the appropriate amount of service costs based on their current inactive membership.

The employer contributions used to determine the NPL proportionate share percentage excludes UCI, OCDE and CRPD employer contributions of \$3,223,630, \$366,917, and \$595,600, respectively. These employer contributions were intended to reduce the NPL of the specific employer, not the respective Rate Group as a whole. The percentages of contributions by employer do not equal the percentages used to allocate the NPL by employer because the NPL for the County has been reduced to reflect the portion of the County Investment Account, as described above. The amounts of the County Investment Account that have been allocated to those Rate Groups are as follows:

Rate Group	2022
1	\$ 3,300,236
2	88,762,138
6	7,563,286
7	41,366,340
<b>Total</b>	<b>\$ 140,992,000</b>

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
 Notes to the Schedule of Allocated Pension Amounts by Employer  
 As of and for the Year Ended December 31, 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation and Basis of Accounting (Continued)**

In addition, the NPL for Rate Group 1 was adjusted by the NPL for Vector Control, OCDE, UCI and CRPD prior to allocating the net NPL to the other employers in Rate Group 1. The NPL for these four employers were calculated separately as follows:

The Vector Control is no longer an active employer, but retired members and their beneficiaries, as well as deferred members, remain in the Plan. For this employer, the allocated net pension liability is based on the most recent estimate of the withdrawal liability and adjusted to reflect the Plan Fiduciary Net Position as of December 31, 2022.

The participation in the Plan for the OCDE and UCI is closed to new members. The funding obligation for these employers' UAAL is no longer pro-rata based on its payroll as there are no active members. Instead, the employer's UAAL is determined based on its specific actuarial accrued liability and a share of assets allocated to the employer. The employer's contributions for its UAAL are to be paid at level, fixed-dollar amounts over a period not to exceed twenty years. The employer will also be liable, or receive a credit, for any change in its funding obligation determined annually thereafter as a result of actuarial experience or changes in actuarial assumptions.

On October 19, 2015, the Board of Retirement approved the amortization schedule for payment of the OCDE UAAL and UCI UAAL of \$3,238,000 and \$27,586,000, respectively. These balances were calculated based on the December 31, 2014 actuarial valuation assuming fixed-dollar payments over twenty years beginning on July 1, 2016. As per OCERS' Declining Payroll Policy, the UAAL balances were updated as of the December 31, 2021 actuarial valuation to reflect actuarial gains or losses and other events that will be captured in a new twenty-year closed amortization layer. The amortization schedules for the new UAAL layers for the OCDE and UCI, after being adjusted for interest to December 31, 2022, can be found on OCERS' website as discussed in Note 4 – Additional Financial and Actuarial Information.

CRPD and Capistrano Beach Sanitary District (CBSD) are no longer active employers. CRPD has twenty-one retired members and beneficiaries, as well as four deferred members, and CBSD has three retired members remaining in the Plan. At the time these employers left the System, OCERS did not have an express policy addressing how the UAAL would be funded for inactive employers. On October 15, 2018, OCERS entered into a withdrawing employer and continuing contribution agreement with the City of Cypress and received payment of the UAAL associated with CRPD members, including interest through October 14, 2018, for a total of \$740,000. As of December 31, 2020, and every three years thereafter, CRPD's UAAL obligation will be recalculated and in the event there is any new UAAL obligation, CRPD will have three years following the effective date of the recalculation to satisfy the obligation in full, including accrued interest. As of December 31, 2022, the allocated net pension asset is based on the most recent estimate of the withdrawal liability and adjusted to reflect the Plan Fiduciary Net Position as of December 31, 2022. CBSD is no longer in existence and OCERS does not have the ability to collect any UAAL from this inactive employer under OCERS' Declining Employer Payroll Policy; unpaid liabilities from this employer are deemed immaterial.



**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
 Notes to the Schedule of Allocated Pension Amounts by Employer  
 As of and for the Year Ended December 31, 2022

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates in the Preparation of Financial Schedules**

The preparation of the Schedule in conformity with GAAP requires management to make significant estimates and assumptions that affect the reported amounts during the reporting period. Actual results could differ from those estimates.

The components of the NPL related to OCERS’ plan at December 31, 2022, are as follows (dollars in thousands):

	<b>2022</b>
Total pension liability	\$ 25,081,027
Less: Plan fiduciary net position	(19,690,021)
Net pension liability	\$ 5,391,006

For the measurement period ended December 31, 2022 (the measurement date), total pension liability was determined by rolling forward the December 31, 2021 (the valuation date) total pension liability. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2017 through December 31, 2019.

**NOTE 3 -- ACTUARIAL METHODS AND ASSUMPTIONS**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

The December 31, 2022 total pension liability was based on the following actuarial methods and assumptions:

<b>Actuarial Experience Study</b>	Three-Year Period Ending December 31, 2019
<b>Actuarial Cost Method</b>	Entry Age in accordance with the requirements of GASB Statement No. 68
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	7.00%. net of pension plan investment expenses, including inflation
Inflation Rate	2.50%
Projected Salary Increases	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%, vary by service, including inflation
Consumer Price Index (CPI) and Cost of Living Adjustments (COLA)	CPI increases of 2.75% per year Retiree COLA increases of 2.75% per year. For members that have COLA banks, we assume they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
Notes to the Schedule of Allocated Pension Amounts by Employer  
As of and for the Year Ended December 31, 2022

**NOTE 3 – ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)**

**Mortality Assumptions**

The mortality assumptions used in the TPL at December 31, 2022, were based on the results of the actuarial experience study for the period January 1, 2017 through December 31, 2019, using the Public Retirement Plans Mortality tables (Pub-2010) published by the Society of Actuaries. Within the Pub-2010 family of mortality tables, OCERS has adopted both the General and Safety Amount-Weighted Above-Median Mortality Tables (adjusted for OCERS experience), projected generationally using the two-dimensional mortality improvement scale MP-2019, adjusted separately for healthy and disabled for both general and safety members.

**Discount Rate**

The discount rate used to measure the TPL as of December 31, 2022 was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2022.

According to Paragraph 30 of Statement 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense.

The 7.00% investment return assumption used in the actuarial valuation for funding is net of administrative expenses. Administrative expenses are assumed to be 11 basis points. The investment return assumption remained the same for reporting purposes due to the immaterial impact administrative expenses has on the overall assumed rate of return.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. Additional information on the target allocation and projected arithmetic real rate of return for each major asset class is available in the OCERS' Annual Comprehensive Financial Report for the year ended December 31, 2022.

**Orange County Employees Retirement System**  
**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan**  
Notes to the Schedule of Allocated Pension Amounts by Employer  
As of and for the Year Ended December 31, 2022

**NOTE 3 – ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)**

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

The net difference between projected and actual investment earnings on pension plan investments in the Schedule represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis. The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period on a straight-line basis beginning with the year in which they occur. One-fifth was recognized in pension expense during the measurement period, and the remaining net difference between projected and actual investment earnings on pension plan investments at the measurement date is to be amortized over the remaining period.

Deferred outflows of resources and deferred inflows of resources related to the differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through the Plan determined as of December 31, 2021 (the beginning of the measurement period ending December 31, 2022) which is 5.41 years. Prior measurement period differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions continue to be recognized based on the expected remaining service lives of all employees calculated as of the beginning of those measurement periods.

The Schedule of Allocated Pension Amounts by Employer does not reflect contributions made to OCERS subsequent to the measurement date as defined in GASB Statement No. 68 paragraph 57. Appropriate treatment of such amounts is the responsibility of the employers.

**NOTE 4 – ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION**

Additional financial and actuarial information required for GASB Statement No. 68 disclosures is presented in OCERS' Annual Comprehensive Financial Report as of and for the year ended December 31, 2022, the OCERS' GASB Statement No. 67 Actuarial Valuation as of December 31, 2022, the OCERS' GASB Statement No. 68 Actuarial Valuation Based on the December 31, 2022, Measurement Date for Employer Reporting as of June 30, 2023, and the Unfunded Actuarial Liability and Associated Amortization Schedules as of the December 31, 2021 valuation for the Orange County Department Education and University of California, Irvine Medical Center and Campus, which can be found on OCERS' website at [www.ocers.org](http://www.ocers.org).



## Memorandum

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**DATE:** June 1, 2023  
**TO:** Members of the Audit Committee  
**FROM:** David Kim, Director of Internal Audit  
**SUBJECT:** EXTERNAL QUALITY ASSESSMENT FINALISTS INTERVIEWS

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### Recommendation

Staff recommends (1) selecting one of the two finalists chosen to make an oral presentation at the June 1, 2023 Audit Committee meeting to perform the external quality assessment (EQA) of OCERS’ Internal Audit based on the firm’s presentation, responsiveness to the Audit Committee’s questions, and the written proposal submitted; and (2) after conducting such interviews, that the Audit Committee recommend to award a contract for EQA services to the selected finalist, subject to satisfactory negotiation of terms.

### Background/Discussion

At its February 14, 2023 meeting, the Audit Committee approved distribution of a Request for Proposal (RFP) to initiate a search for EQA services. Under the International Standards for the Professional Practice of Internal Auditing (Standards), an EQA must be conducted once every five years. The last EQA was performed in 2018 by the Institute of Internal Auditors (IIA) Quality Services with an overall opinion that OCERS’ Internal Audit Department “Generally Conforms” to the Standards and the IIA Code of Ethics.

The Audit Committee Charter states that the Audit Committee’s key areas of responsibility includes the oversight of external auditors, including conducting the solicitation, selection and appointment for an external auditor (other than the financial auditor and the actuarial auditor) engaged for the purpose of issuing an independent audit report or performing other independent audits, reviews, or attest services.

### Selection Process

In February 2023, the RFP for EQA services was posted on OCERS’ website and released to various affiliates in addition to directly soliciting two firms. OCERS received four proposals in response to the RFP:

- CliftonLarsonAllen (CLA) LLP
- Plante & Moran, PLLC
- That Audit Guy LLC
- The Institute of Internal Auditors (IIA) Quality Services

All proposals received were reviewed for responsiveness based on the following criteria:

Pricing & Value	35%
Team Quality & Experience	30%
Experience with Public Agencies	25%
RFP Proposal Quality/Presentation	10%



## Memorandum

The review panel, consisting of four staff members reviewed all proposals and scored them on each criterion. Based on the total score from all panelists, the firms were ranked and the top two proposers who scored above the other two were determined to be the most qualified to provide OCERS with EQA services and were selected for interview:

- Plante & Moran, PLLC
- The Institute of Internal Auditors Quality Services

Please note that all references to the finalists in this memorandum and the documents that follow are in alphabetical order based on firm names.

**Interview Process**

The interviews will take place at the June 1, 2023 Audit Committee meeting. The planned procedure is for an approximately 45-minute interview with each firm as follows:

- Each candidate will be given ten minutes to make a general presentation about their firm.
- The Audit Committee will ask each firm the same four questions which will not be provided to the candidates ahead of time.
- The Audit Committee may ask the candidate additional or follow-up questions.
- Presentation to conclude with candidate summary.

The interview process will be explained to the candidates prior to the date of the Audit Committee. The finalist firm not being interviewed will be excused from the meeting during the other firm’s interviews. Both firms will be excused from the meeting once the interview is complete. OCERS will then communicate the decision to both firms of the finalist to be awarded the contract for EQA services the following day.

**Summary of the RFP Responses**

The summary below was based solely on staff’s review and understanding of the firms’ RFP responses and was not reviewed by the firms prior to inclusion with the Audit Committee materials.

Category	Plante & Moran	IIA Quality Services
<b>Total Fees</b>	<b>\$30,000</b>	<b>\$27,274</b>
Retirement Plan Experience	<ul style="list-style-type: none"> <li>• Illinois Municipal Retirement Fund</li> <li>• Chicago Teachers’ Pension Fund</li> <li>• New York State Teachers’ Retirement System</li> <li>• Ohio Public Retirement Systems</li> </ul>	<ul style="list-style-type: none"> <li>• OCERS</li> <li>• Los Angeles County Employees Retirement Association</li> <li>• Wisconsin Employee Trust Fund</li> </ul>



## Memorandum

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The full proposals provided by each of the finalists in response to the RFP and the scoring summary are attached to this memorandum.

**Submitted by:**



**DK- Approved**

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David Kim  
Director of Internal Audit

## Orange County Employee Retirement System External Quality Assessment RFP

Date: **May 4, 2023**

		Weighting %	Plante Moran		IIA Quality Svcs	
			Rating	Weighted Score	Rating	Weighted Score
Q1	Team quality/experience	30%	2.75	0.83	3.00	0.90
Q2	Pricing / Value	35%	2.50	0.88	3.25	1.14
Q3	Experience w/Public Agencies	25%	3.00	0.75	3.50	0.88
Q4	Proposal Presentation	10%	3.00	0.30	1.00	0.10
Q8	Pricing		\$30,000	0.00	\$27,274	0.00
				2.75		3.01
		100%		<b>B</b>		<b>B</b>

# External Quality Assessment Services

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## Request for Proposal

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**February 2023**

**Orange County Employees Retirement System (OCERS)**  
2223 E Wellington Avenue Suite 100  
Santa Ana, CA 92701 USA  
1-(714)-558-6200  
<http://www.ocers.org>



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## Section 1: Introduction

The Orange County Employees Retirement System (“OCERS”) is requesting proposals from qualified firms interested in providing External Quality Assessment (EQA) services.

Questions about this RFP must be submitted in writing by **5:00 pm, PT, Monday, March 6, 2023** to Jim Doezie, Contracts, Risk & Performance Administrator, by email at [jdoezie@ocers.org](mailto:jdoezie@ocers.org).

Those who wish to be considered must submit their completed proposal by **5:00 p.m., PT, Friday, April 14, 2023**. Specific instructions for proposal submissions are contained in Section 7 of this RFP.

## Section 2: Background

OCERS was established in 1945 under the County Employees Retirement Law of 1937, providing members with retirement, disability, death, and cost-of-living benefits. There are approximately 50,000 members served by OCERS, of which over 19,000 are retirees. OCERS is governed by a nine-member Board of Retirement (“Board”), which has plenary authority and fiduciary responsibility for the investment of moneys and administration of the retirement system. OCERS has over one hundred employees, and the Board appoints a Chief Executive Officer responsible for the agency’s management. For additional information about OCERS, please refer to the OCERS website at [ocers.org](http://ocers.org).

## Section 3: Scope of Services

The detailed scope of services for this engagement is outlined in the attached Exhibit “A” (“Scope of Services”). The primary objectives are to provide OCERS with: External Quality Assessment services

The firm selected for this engagement will be expected to meet requirements that include, but are not limited to, the following:

1. The firm must have all necessary permits and licenses to perform the requested services and must be bonded where applicable.
2. Minimum insurance coverage must include the following items, and proof of such insurance must be provided to OCERS prior to the commencement of work, on an annual basis, and upon request:
  - Commercial General Liability: \$2M per occurrence, \$2M aggregate
  - Automobile Liability: \$1M per occurrence, \$2M aggregate
  - Workers Compensation: \$1M per occurrence, \$1M aggregate
  - *Umbrella Liability*: \$5M per occurrence, \$5M aggregate
  - *Professional Liability*: \$2M per occurrence, \$3M aggregate

OCERS must be listed as an additional insured on the above policies.

3. The firm shall provide all personnel, equipment, tools, materials, vehicles, supervision, and other items and services necessary to perform all services, tasks, and functions as requested in this RFP.

4. The initial term of the contract awarded pursuant to this RFP will be for a one-time period, with OCERS retaining the option to renew the contract.
5. All work under the contract awarded shall be performed and all equipment furnished or installed in accordance with applicable safety codes, ordinances, and other regulations, including the regulations of the State of California, Division of Industrial Safety and the provisions of the California Labor Code.
6. Minimum Qualifications  
All respondents are required to sign and return the "Minimum Qualifications Certification," attached as Exhibit "B."

## **Section 4: General Conditions**

All terms, conditions, requirements, and procedures included in this RFP must be met for a proposal to be qualified. A proposal that fails to meet any material term, condition, requirement, or procedure of this RFP may be disqualified. OCERS reserves the right to waive or permit the cure of non-material errors or omissions. OCERS reserves the right to modify, amend, or cancel the terms of this RFP at any time.

OCERS may modify this RFP before the date fixed for submission of a proposal by posting, mailing, emailing, or faxing an addendum to the respondents known to be interested in submitting a proposal. However, failure of a respondent to receive or acknowledge receipt of any addendum shall not relieve the respondent of the responsibility for complying with the terms thereof.

A respondent's proposal shall constitute an irrevocable offer for the 120 days following the deadline for submission of proposals. Reference to a certain number of days in this RFP shall mean calendar days unless otherwise specified.

All proposals submitted in response to this RFP will become the exclusive property of OCERS. Therefore, proposals will not be returned to respondents.

By submitting a proposal, the respondent acknowledges that it has read this RFP, understands it, and agrees to be bound by its requirements unless clearly and specifically noted in the proposal submitted.

## **Section 5: Point of Contact**

A quiet period will be in effect from the date of issuance of this RFP until announcement of the candidate(s) selected. During the quiet period, respondents are not permitted to communicate with any OCERS staff member or Board Member regarding this RFP except through the Point of Contact named herein. Respondents violating this quiet period may be disqualified at OCERS' discretion. In addition, respondents having current business with OCERS must limit their communications to the subject of such business.

OCERS' regular business hours are from 08:00 to 17:00, Monday through Friday, except for federal and state holidays.

**The Point of Contact for all matters relating to this RFP is:**

<b>Name:</b>	Jim Doezie
<b>Title:</b>	Contracts, Risk & Performance Administrator
<b>Address:</b>	OCERS 2223 E Wellington Ave., Suite 100 Santa Ana, CA 92701
<b>Telephone:</b>	(714) 569-4884
<b>Email:</b>	<a href="mailto:jdoezie@ocers.org">jdoezie@ocers.org</a>
<b>OCERS Website:</b>	<a href="http://www.OCERS.org">www.OCERS.org</a>
<b>Status:</b>	See the OCERS website for status of the RFP and announcements. These items can also be found here: <a href="http://www.ocers.org/rfp/requestforproposal.htm">http://www.ocers.org/rfp/requestforproposal.htm</a>

## Section 6: Response to Request for Proposal

Proposals must be submitted to the Point of Contact identified in Section 5 and delivered by the due date and time stated below in the RFP Schedule.

OCERS will accept electronic, paper, or both types of submissions. Proposals may be submitted electronically in Microsoft Word or Adobe Acrobat PDF format to the email address noted in Section 5. Submission may also be made by mailing a USB flash drive with the electronic files or a paper copy to the mailing address noted in Section 5. If paper copies are submitted, two (2) copies must be submitted.

### RFP Schedule

The following timetable constitutes a tentative schedule for this RFP process. OCERS reserves the right to modify this schedule at any time.

Deliverable	Date	Time
Release of RFP	February 21, 2023	5:00 P.M. PST
RFP Questions Deadline	March 6, 2023	5:00 P.M. PST
RFP Answers Posted	March 17, 2023	5:00 P.M. PDT
RFP Submission Deadline	April 14, 2023	5:00 P.M. PDT
OCERS Review of RFP Submissions	April 17, 2023 to May 12, 2023	

<b>Selection of Finalists</b>	May 19, 2023
<b>Interviews of Finalists with Audit Committee</b>	June 1, 2023
<b>Service Award</b>	To be determined

## Section 7: Proposal Requirements

Proposals must include the following information:

1. The "Minimum Qualifications Certification," attached as Exhibit "B."
2. The "Proposal Cover Page and Check List," attached as Exhibit "C."
3. An executive summary that provides the respondent's background, experience, and other qualifications to provide the services included in the Scope of Services.
4. A description of the respondent including:
  - a. Brief history, including year the respondent firm was formed.
  - b. Ownership structure.
  - c. Office locations.
  - d. Organization chart.
  - e. Number of employees.
  - f. Annual revenues.
  - g. Scope of services offered.
  - h. Respondent's specialties, strengths, and limitations.
  - i. Describe the accounting systems used and financial reporting methodologies.
  - j. How soon after period-end (month, quarterly, annual) are the financial results delivered?
  - k. Are the respondent's financial reports independently audited? If so, what is the name of the audit firm?
  - l. An example of the respondent's financial reports.
  - m. The average retention rate (years of service) of the firm's other clients?
5. The names and qualifications of the staff that will be assigned to OCERS work, including a detailed profile of each person's background and relevant individual experience.
6. At least three (3) references for which the respondent has provided services similar to those included in the Scope of Services. Please include for each reference the individual point of contact, a summary of the work performed, and the length of time the respondent provided each service.
7. Copies of any pertinent licenses required to deliver respondent's product or service (e.g., business license).

8. A copy of respondent's standard professional services contract.
9. An explanation of the pricing proposal for the scope of work, including pricing of fees and costs, billing practices, and payment terms that would apply. OCERS does limit the pricing approach to pricing and will consider alternative pricing methods for the scope of work, or portions of it. This section of the response should include an explanation as to how the pricing approach(es) will be managed to provide the best value to OCERS. The respondent should represent that the pricing offered to OCERS is, and will remain, equivalent to or better than that provided to other public pension fund or institutional investor clients or explain why this representation cannot be provided. All pricing proposals should be "best and final," although OCERS reserves the right to negotiate on pricing.
10. An explanation of all actual or potential conflicts of interest that the respondent may have in contracting with OCERS.
11. A description of all past, pending, or threatened litigation, including malpractice claims, administrative, state ethics, disciplinary proceedings, and other claims against respondent and/or any of the individuals proposed to provide services to OCERS.
12. Any other information that the respondent deems relevant to OCERS' selection process.

## **Section 8: Evaluation Criteria**

Responses will be evaluated based upon the following:

1. Experience and reputation of the respondent.
2. Quality of the team proposed to provide services to OCERS, including staffing depth, experience, turnover, and compensation.
3. Pricing and value.
4. Delivery and payment terms.
5. Compliance with technical standards contained in this RFP.
6. The organization, completeness, and quality of the proposal.
7. Information provided by references.
8. Other factors OCERS determines to be relevant.

*The factors will be considered as a whole, without a specific weighting.*

OCERS may require one or more interviews with or personal presentations by finalists to be conducted with staff or members of the Board of Retirement.

If the proposal's information is deemed to be insufficient for evaluation, OCERS may request additional information or reject the proposal outright at OCERS' sole discretion. In addition, false, incomplete, or unresponsive statements in connection with a proposal may result in rejection of the proposal.

## **Section 9: Non-Discrimination Requirement**

By submitting a proposal, the respondent represents that it and its subsidiaries do not and will not discriminate against any employee or applicant for employment based on race, religion, color, national origin, ethnic group identification, mental disability, physical disability, medical condition, genetic information, marital status, ancestry, sex, gender, sexual orientation, gender identity, gender expression, age, or military and veteran status.

## Section 10: Notice Regarding the California Public Records Act

The information submitted in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (California Government Code Section 6250, et. seq., the "Act"). The Act provides that all records relating to a public agency's business are open to public inspection and copying unless exempted explicitly under one of several exemptions set forth in the Act. If a respondent believes any portion of its proposal is exempt from public disclosure under the Act, the respondent must provide a full explanation and mark such portion "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," and make it readily separable from the balance of the response. Proposals marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and OCERS will not deny public disclosure of all or any portion of proposals so marked.

By submitting a proposal with material marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," a respondent represents it has a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not necessarily be conclusive, and a respondent may be required to justify in writing why OCERS should not disclose such material under the Act. Fee and pricing proposals are not considered "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY."

If OCERS receives a request pursuant to the Act for materials that a respondent has marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY," and if OCERS agrees that the material requested is not subject to disclosure under the Act, OCERS will either notify the respondent so that it can seek a protective order at its own cost and expense, or OCERS will deny disclosure of those materials. OCERS will not be held liable for inadvertent disclosure of such materials, data, and information or for disclosure of such materials if deemed appropriate in OCERS' sole discretion. OCERS retains the right to disclose all information provided by a respondent.

If OCERS denies public disclosure of any materials designated as "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," the respondent agrees to reimburse OCERS for, and to indemnify, defend, and hold harmless OCERS, its Boards, officers, fiduciaries, employees, and agents from and against:

1. Any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses, including, without limitation, attorneys' fees, expenses, and court costs of any nature whatsoever (collectively, "Claims") arising from or relating to OCERS' non-disclosure of any such designated portions of a proposal; and
2. Any and all Claims arising from or relating to OCERS' public disclosure of any such designated portions of a proposal if OCERS determines disclosure is required by law, or if disclosure is ordered by a court of competent jurisdiction.

## Section 11: Contract Negotiations

OCERS will propose a contract to the successful respondent, which will contain such terms as OCERS, in its sole discretion, may require. In addition, the selected firm will agree that this RFP and the firm's proposal will be incorporated into any resulting contract.

This RFP is not an offer to contract. Acceptance of a proposal neither commits OCERS to award a contract to any respondent nor does it limit OCERS' right to negotiate the terms of a contract in OCERS' best interest, including the addition of terms not mentioned in this RFP. The final contract must, among other terms and conditions required by OCERS, allow OCERS to terminate the contract a) for OCERS' convenience, b) if funds are not appropriated for the services, or c) for default.

The general form of the contract OCERS intends to use is included as Exhibit "D" ("OCERS Services Agreement"). OCERS reserves the right to make changes to the contract prior to execution, including material changes. The final Scope of Services to be included in the contract will be determined at the conclusion of the RFP process.

By submitting a proposal without comment on the OCERS Services Agreement, respondent will be deemed to have agreed to each term in the OCERS Services Agreement, and to not seek any modifications to it. If respondent objects to any term in the OCERS Services Agreement or wishes to modify or add terms to the OCERS Services Agreement, the proposal must identify each objection and propose language for each modification and additional term sought. A rationale should be included for each objection, modification, or addition.

## **Section 12: Reservations by OCERS**

In addition to the other provisions of this RFP, OCERS reserves the right to:

1. Cancel or modify this RFP, in whole or in part, at any time.
2. Make such investigation as it deems necessary to determine the respondent's ability to furnish the required services, and the respondent agrees to furnish all such information for this purpose as OCERS may request.
3. Reject the proposal of any respondent who is not currently in a position to perform the services, or who has previously failed to perform similar services properly, or in a timely manner, or for any other reason in OCERS' sole discretion.
4. Waive irregularities, to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.
5. Award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the service needs of OCERS in OCERS' sole discretion, which may not be the proposal offering the lowest fees.
6. Request additional documentation or information from respondents, which may vary by respondent. OCERS may ask questions of any respondent to seek clarification of a proposal or to ensure the respondent understands the scope of the work or other terms of the RFP.
7. Reject any or all proposals submitted in response to this RFP.
8. Choose to not enter into an agreement with any of the respondents to this RFP or negotiate for the services described in this RFP with a party that did not submit a proposal.



9. Determine the extent, without limitation, to which the services of a successful respondent are or are not actually utilized.
10. Defer selection of a bidder to a time of OCERS' choosing.
11. Consider information about a respondent other than, and in addition to, that submitted by the respondent.

## **Exhibit A**

### **Scope of Services**

OCERS is seeking a qualified, independent assessment team to perform a full external quality assessment. As per The Institute of Internal Auditors' (The IIA) International Professional Practices Framework (IPPF), the objectives of the services include:

- Provide an opinion on the OCERS's Internal Audit (IA) activity's conformance to the IPPF and The IIA's Code of Ethics
- Assess the efficiency and effectiveness of OCERS's IA in light of the Internal Audit Charter; the expectations of the Audit Committee, executive management, and Director of Internal Audit/Chief Audit Executive (CAE)
- Consider IA's current needs and objectives, exposures to performing at less than an effective level, and future direction and goals of the organization
- If applicable, identify opportunities and offer ideas to the Director of Internal Audit/CAE and staff for improving performance
- Review interaction with other members of the governance process
- Building of the audit universe and preparation of the audit schedule
- Interview and survey executive management and clients for their perception of OCERS's IA. Provide insight into their level of satisfaction with appropriate suggestions
- Review can be performed remotely

#### **Engagement Deliverables**

- Results of satisfaction surveys and a comparison with Director of Internal Audit/CAE responses
- Personal consultation on techniques that may benefit OCERS's IA
- Detailed report covering:
  - Conformance with IPPF
  - Areas for improvement both on a governance and performance level
  - Recommendations of applications of best practices

**Exhibit B**

**MINIMUM QUALIFICATIONS CERTIFICATION**

All firms submitting a proposal in response to this RFP are required to sign and return this attachment, along with written evidence of how the respondent meets each qualification.

The undersigned hereby certifies that it fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

1. The consultant/firm has provided services consistent with the services requested in this RFP for the past 10 years.
2. The consultant/team leader assigned to this engagement has experience that is comparable to that of the Director of Internal Audit/Chief Audit Executive of OCERS.
3. The consultant/team are certified internal audit professionals possessing a professional designation (e.g., CPA, CIA, CISA, etc.)
4. The consultant/team has a thorough understanding of current internal audit practices and the International Professional Practices Framework (IPPF) and its application, sound judgment, and good communication and analytical skills as they relate to external audit assessments.
5. The consultant/team possess or has ready access to all of the necessary technical expertise (e.g., governance, IT, risk management, internal audit attributes, management consulting, and internal audit management).
6. The consultant or at least one team member has knowledge of the organization’s industry or service.

To ensure freedom from bias in the full external assessment, there should not be any relationship, either directly or indirectly, between the organization and the full external assessment team that is, or appears to be, a conflict of interest. Such relationships could significantly negate the benefits of the full external assessment.

**The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.**

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name and Title (please print)

\_\_\_\_\_  
Name of Firm

**Exhibit C**

**PROPOSAL COVER PAGE AND CHECK LIST (TO BE SUBMITTED IN FIRM'S LETTERHEAD)**

Respondent Name:

Respondent Address:

***By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements.***

Respondent specifically acknowledges the following:

1. Respondent possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of services.
3. The fee schedule submitted in response to the RFP is for the entire scope of services and no extra charges or expenses will be paid by OCERS.
4. Respondent has completely disclosed to OCERS all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of OCERS, or other officer, agent, or employee of OCERS presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in the proposal and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the California Public Records Act.
6. Respondent is not currently under investigation by any state or federal regulatory agency for any reason.
7. Except as specifically noted in the proposal, respondent agrees to all of the terms and conditions included in OCERS Services Agreement.
8. The signatory below is authorized to bind the respondent contractually.

**Exhibit D**

**SERVICES AGREEMENT TEMPLATE**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
AGREEMENT FOR SERVICES**

This Agreement for Services ("Agreement") is entered into this [redacted] day of [redacted], 20[redacted] (the "Effective Date") by and between the Orange County Employees Retirement System, ("OCERS") and [redacted] ("Contractor"). OCERS and Contractor are sometimes individually referred to as "Party" and collectively as "Parties." The Parties hereby agree as follows:

**1. PURPOSE.**

**1.1 Project.**

Contractor desires to perform and assume responsibility for the provision of, and OCERS desires to engage Contractor to render, services for External Quality Assessment Services on the terms and conditions set forth in this Agreement and its attached exhibits.

**2. TERMS.**

**2.1 Scope of Services.** Contractor promises and agrees to furnish to OCERS all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately perform all services contemplated by this Agreement ("Services"), as more particularly described in the attached **Exhibit "A"** ("Scope of Services"). All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state, and federal laws, rules, and regulations. Contractor represents and warrants to OCERS that Contractor will perform the Services in a professional and workmanlike manner, in accordance with best industry standards and practices used in well-managed operations performing services similar to the Services.

**2.2 Term.** The term of this Agreement will commence upon the Effective Date and will continue for up to twelve (12) months from the Effective Date ("Term"), unless earlier terminated as provided herein.

**2.3 Consideration.**

**2.3.1 Compensation.** Contractor shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement as set forth in **Exhibit "B"** ("Fee Schedule").

2.3.2 Invoices and Payment. Contractor shall submit to OCERS monthly itemized invoices as required by the Fee Schedule. OCERS shall pay all approved charges within net thirty (30) days of receiving such invoice.

2.3.3 Extra Work. At any time during the term of this Agreement, OCERS may request that Contractor perform Extra Work. As used herein, "Extra Work" means any work which is determined by OCERS to be necessary for the proper completion of the Services, but which the Parties did not reasonably anticipate would be necessary as of the Effective Date. Contractor shall not perform, nor be compensated for, Extra Work without written authorization by OCERS. Extra Work, if authorized, will be compensated at the rates and manner set forth in this Agreement.

## **2.4 Responsibilities of Contractor.**

2.4.1 Independent Contractor. The Services shall be performed by Contractor or by Contractor's employees under Contractor's supervision. Contractor will determine the means, methods, and details of performing the Services subject to the requirements of this Agreement. Contractor is an independent contractor and not an employee of OCERS. Except as OCERS may agree in writing, Contractor shall have no authority, expressed or implied, to act on behalf of OCERS in any capacity whatsoever as an agent of OCERS. Any additional personnel performing the Services under this Agreement on behalf of Contractor will also not be employees of OCERS and will at all times be under Contractor's exclusive direction and control.

2.4.2 Payment of Subordinates. Contractor will pay all wages, salaries, and other amounts due its personnel in connection with their performance of Services under this Agreement and as required by law. Contractor shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance. Contractor will bear the sole responsibility and liability for furnishing Workers' Compensation benefits to all such personnel for injuries arising from or connected with the Services.

2.4.3 Licensing. Contractor represents that it, its employees and subcontractors have all licenses, permits, qualifications, and approvals of whatever nature that are legally required to perform the Services, and that such licenses and approvals shall be maintained throughout the term of this Agreement.

2.4.4 Conformance to Applicable Requirements. All Services performed by Contractor shall be subject to the approval of OCERS.

2.4.5 Substitution of Key Personnel. Contractor has represented to OCERS that certain key personnel will perform and coordinate the Services under this Agreement ("Key Personnel"). The Key Personnel assigned to this Agreement are identified in the attached **Exhibit "C"** ("Key Personnel"). Key Personnel will be available to perform Services under the terms and conditions of this Agreement immediately upon commencement of the term of this Agreement. If one or more of such Key Personnel

becomes unavailable, Contractor may substitute other personnel of at least equal competence upon written approval of OCERS. Contractor shall provide OCERS written notification detailing the circumstances of the unavailability of the Key Personnel and designating replacement personnel prior to the effective date of the unavailability of such Key Personnel, to the maximum extent feasible, but no later than five (5) business days after the date of the Key Personnel's unavailability. OCERS will have the right to approve or disapprove the reassignment or substitution of Key Personnel for any reason at OCERS' sole discretion. In the event that OCERS and Contractor cannot agree as to the substitution of Key Personnel, OCERS will be entitled to terminate this Agreement for cause.\_

2.4.6 Removal of Key Personnel. Contractor agrees to remove any Key Personnel from performing Services under this Agreement within twenty-four (24) hours or as soon thereafter as is practicable if reasonably requested to do so by the OCERS.

2.4.7 Laws and Regulations. Contractor shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Contractor shall be liable for all violations of such laws and regulations in connection with Services. If the Contractor performs any work knowing it to be contrary to such laws, rules, and regulations, Contractor shall be solely responsible for all costs arising therefrom.

2.4.8 Accounting Records. Contractor shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Contractor shall allow a representative of OCERS during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Contractor shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of four (4) years from the date of final payment under this Agreement.

## 2.5 Representatives of the Parties.

2.5.1 OCERS' Representative. OCERS hereby designates David Kim, Director of Internal Audit, to act as its representative for the performance of this Agreement ("OCERS' Representative"). Contractor shall not accept direction or orders from any person other than the OCERS' Representative.

2.5.2 Contractor's Representative. Contractor hereby designates [name or title], or their designee, to act as its representative for the performance of this Agreement ("Contractor's Representative"). Contractor's Representative shall have full authority to represent and act on behalf of the Contractor for all purposes under this Agreement. The Contractor's Representative shall supervise and direct performance of the Services, using their best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

## **2.6 Indemnification.**

To the fullest extent permitted by law, Contractor shall indemnify, immediately defend, and hold OCERS, the members of the OCERS Board of Retirement (each a "Board member"), and OCERS' officials, officers, employees, volunteers, and agents free and harmless from any and all third party claims, demands, causes of action, suits, expenses, liabilities, losses, damages, or injury of any kind, in law or equity, to property or persons, including wrongful death (collectively, "Indemnity Claims"), in any manner arising out of, pertaining to, or incident to any negligent act, error or omission, intentional misconduct, or breach of this Agreement by Contractor, its officials, officers, employees, subcontractors, contractors, or agents in connection with the performance of the Services, or this Agreement, including attorneys' fees and costs, including expert witness fees. Contractor's duty to indemnify does not extend to the Indemnity Claims caused by OCERS' sole negligence or willful misconduct.

Contractor shall immediately defend, with legal counsel reasonably agreed to by OCERS and at Contractor's own cost, expense, and risk, any Indemnity Claims; excluding, however, such claims arising from OCERS' sole negligence or willful misconduct. Contractor shall control the defense or settlement of any such action, except that Contractor will not have the right to settle or compromise the claim without the consent of OCERS. Contractor shall pay and satisfy any judgment, award, or decree that may be rendered against OCERS or its Board members, officials, officers, employees, volunteers, and agents as part of any Indemnity Claim(s). Contractor shall also reimburse OCERS for the cost of any settlement paid by OCERS or its Board members, officials, officers, employees, agents, or volunteers as part of any Indemnity Claim. Such reimbursement shall include payment for OCERS' attorneys' fees and costs, including expert witness fees. Contractor's obligation to defend and indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by OCERS, its Board, officials, officers, employees, agents, or volunteers.

Notwithstanding the foregoing, to the extent the Services are subject to Civil Code Section 2782.8, the above indemnity and duty to defend shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Contractor.

## **2.7 Insurance**

**2.7.1 Time for Compliance.** Contractor shall not commence work under this Agreement until it has provided evidence satisfactory to OCERS that it has secured all insurance required under this Section 2.7. In addition, Contractor shall not allow any subcontractor to commence work on any subcontract until Contractor has provided evidence satisfactory to OCERS that the subcontractor has secured all insurance required under this section. Failure to provide and maintain all required insurance shall be grounds for the OCERS to terminate this Agreement for cause.



2.7.2 Minimum Requirements. Contractor shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Contractor, its agents, representatives, employees, or subcontractors. Contractor shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(a) Commercial General Liability. These policies shall include OCERS, and its board members, officers, agents, and employees, as an additional insured on a blanket basis and be primary and not contributory to any policy maintained by OCERS. Contractor shall maintain limits no less than two million dollars (\$2,000,000) per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury, and property damage.

(b) Automobile Liability. Business automobile liability insurance insuring all owned, non-owned, and hired automobiles, in the amount of one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.

(c) Workers' Compensation and Employer's Liability Insurance. Contractor shall maintain Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance in an amount no less than one million dollars (\$1,000,000) per accident for bodily injury or disease. The insurer shall agree to waive all rights of subrogation against OCERS, its Board of Trustees, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Contractor.

(d) Excess Liability. The limits of insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess coverage shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of OCERS (if agreed to in a written contract or agreement) before OCERS's own primary or self-insurance shall be called upon to protect it as a named insured. The policy shall be endorsed to state that OCERS, its Board, officials, officers, employees, agents, and volunteers shall be covered as additional insured. The coverage shall contain no special limitations on the scope of protection afforded to OCERS, its Board, officials, officers, employees, agents, and volunteers.

2.7.3 All Coverages. The general liability and automobile liability policy shall include or be endorsed to state that: (1) OCERS, its Board, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to work by or on behalf of the Contractor, including materials, parts, or equipment furnished in connection with such work; and (2) the insurance coverage shall be primary insurance as respects the OCERS, its directors, officials, officers, employees, agents, and volunteer, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by OCERS, its Board

members, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.

(a) The insurance policies required above shall contain or be endorsed to contain the following specific provisions:

(i) The policies shall contain a waiver of transfer rights of recovery ("waiver of subrogation") against OCERS, its Board members, officers, employees, agents, and volunteers, for any claims arising out of the work of Contractor.

(ii) Policies may provide coverage which contains deductible or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to OCERS under such policies. Contractor shall be solely responsible for deductible and/or self-insured retention and OCERS, at its option, may require Contractor to secure the payment of such deductible or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit. The insurance policies that contain deductibles or self-insured retentions in excess of \$25,000 per occurrence shall not be acceptable without the prior approval of OCERS.

(iii) Prior to start of work under this Agreement, Contractor shall file with OCERS evidence of insurance as required above from an insurer or insurers certifying to the required coverage. The coverage shall be evidenced on a certificate of insurance signed by an authorized representative of the insurer(s).

(iv) Each policy required in this section shall contain a policy cancellation clause that provides the policy shall not be cancelled or otherwise terminated by the insurer or the Contractor or reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to OCERS, Attention:                     

(v) Insurance required by this Agreement shall be placed with insurers licensed by the State of California to transact insurance business of the types required herein. Each insurer shall have a current Best Insurance Guide rating of not less than A: VII unless prior approval is secured from OCERS as to the use of such insurer.

(vi) Contractor shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

2.7.4 Reporting of Claims. Contractor shall report to OCERS, in addition to Contractor's insurer, any and all insurance claims submitted by Contractor in connection with the Services under this Agreement.

**2.8 Termination of Agreement.** OCERS may, by written notice to Contractor, terminate the whole or any part of this Agreement without liability to OCERS if Contractor fails to perform or breaches any of the terms contained herein. In addition, either Party

may terminate this Agreement for any reason or for no reason on thirty (30) days' written notice to the other Party. Upon termination, Contractor shall be compensated only for those Services that have been performed and delivered to OCERS' satisfaction, and Contractor shall be entitled to no further compensation.

## **2.9 Ownership of Materials and Confidentiality.**

2.9.1 Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for OCERS to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Contractor under this Agreement ("Documents & Data"). Contractor shall deliver to OCERS on demand or upon the termination or expiration of this Agreement, all such Documents & Data which shall be and remain the property of the OCERS. If OCERS uses any of the data, reports, and documents furnished or prepared by Contractor for use in Services other than as shown on Exhibit A, Contractor shall be released from responsibility to third parties concerning the use of the data, reports, and documents. Contractor may retain copies of the materials. OCERS may use or reuse the materials prepared by Contractor without additional compensation to Contractor.

2.9.2 Confidential Information. Any financial, statistical, personal, technical, and other data and information relating to a Party's operations which are made available to the other Party in order to carry out this Agreement shall be reasonably protected by such other Party from unauthorized use, except to the extent that disclosure thereof is required to comply with applicable law, including the California Public Records Act. The disclosing Party shall identify all confidential data and information at the time it is provided. Confidentiality does not apply to information which is known to a receiving Party from other sources, which is otherwise publicly available, or which is required to be disclosed pursuant to an order or requirements of a regulatory body or a court.

2.9.3 Customer Data. Contractor acknowledges that it may receive confidential information from OCERS or otherwise in connection with this Agreement or the performance of the Services, including personally identifiable information of OCERS' customers ("Customer Data"). Except for information in the public domain, unless such information falls into the public domain by disclosure or other acts of OCERS or through the fault of OCERS, Contractor agrees:

- (a) To maintain Customer Data in confidence;
- (b) Not to use Customer Data other than in the course of this Agreement;
- (c) Not to disclose or release Customer Data except on a need-to-know only basis;

- (d) Not to disclose or release Customer Data to any third person without the prior written consent of OCERS, except for authorized employees or agents of Contractor;
- (e) To promptly notify OCERS in writing of any unauthorized release of confidential information, including Customer Data;
- (f) To take all appropriate action, whether by instruction, agreement or otherwise, to ensure that third persons with access to the information under the direction or control or in any contractual privity with Contractor, do not disclose or use, directly or indirectly, for any purpose other than for performing the Services during or after the term of this Agreement, any confidential information, including Customer Data, without first obtaining the written consent of OCERS;
- (g) Upon request by OCERS and upon the termination or expiration of this Agreement for any reason, Contractor shall promptly return to OCERS all copies, whether in written, electronic, or other form or media, of Customer Data in its possession or in the possession of its employees or agents, or securely dispose of all such copies, and certify in writing to OCERS that such Customer Data has been returned to OCERS or disposed of securely; and
- (h) That the requirements in this Section 2.9.3 shall survive the expiration or termination of this Agreement.

2.9.4 Disclosure. Except as may be required by applicable law, neither Party shall make any disclosure of any designated confidential information related to this Agreement without the specific prior written approval from the other of the content to be disclosed and the form in which it is disclosed, except for such disclosures to the Parties' financing sources, other secured parties, creditors, beneficiaries, partners, members, officers, employees, agents, consultants, attorneys, accountants, and exchange facilitators as may be necessary to permit each Party to perform its obligations hereunder and as required to comply with applicable laws or rules of any exchange upon which a Party's shares may be traded. Notwithstanding the foregoing, nothing contained herein shall be deemed to restrict or prohibit OCERS from complying with applicable law regarding disclosure of information, including the California Public Records Act.

2.9.5 Publicity. Contractor shall not use OCERS' name or insignia, photographs of OCERS property, or any publicity pertaining to the Services in any advertisement, magazine, trade paper, newspaper, television, or radio production, or other similar medium without the prior written consent of OCERS.

## **2.10 Subcontracting/Sub-consulting.**

2.10.1 Prior Approval Required. Contractor shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of OCERS. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Contractor will be solely

responsible for the payment of all subcontractors and other third parties engaged by or through Contractor to provide, perform, or assist in the provision and delivery of the Services.

**3. General Provisions.**

3.1.1 Notices. All notices permitted or required under this Agreement shall be given to the respective Parties at the following address, or at such other address as the respective Parties may provide in writing for this purpose:

**OCERS:**

**Contractor:**

**Orange County Employees Retirement System**

**2223 E. Wellington Avenue**

**Santa Ana, CA 92701**

**Attention: Jim Doezie**

**e-mail: [jdoezie@ocers.org](mailto:jdoezie@ocers.org)**

Such notice shall be deemed made when personally delivered or when mailed, upon deposit in the U.S. Mail, first class postage prepaid and registered or certified addressed to the Party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

3.1.2 Equal Opportunity Employment. Contractor represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee, or applicant for employment because of race, religion, color, national origin, ethnic group identification, mental disability, physical disability, medical condition, genetic information, marital status, ancestry, sex, gender, sexual orientation, gender identity, gender expression, age, or military and veteran status. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff, or termination.

3.1.3 Time of Essence. Time is of the essence for each and every provision of this Agreement. The acceptance of late performance shall not waive the right to claim damages for such breach nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

3.1.4 OCERS' Right to Employ Other Contractors. OCERS reserves the right to employ other contractors in connection with the Services.

3.1.5 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the Parties.

3.1.6 Assignment or Transfer. Contractor shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of OCERS.

3.1.7 Amendment. This Agreement may not be altered or amended except in a writing signed by both Parties.

3.1.8 Waiver. All waivers under this Agreement must be in writing to be effective. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition.

3.1.9 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

3.1.10 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

3.1.11 Governing Law; Venue. This Agreement shall be governed by the laws of the State of California. The exclusive venue for any dispute arising out of or relating to this Agreement shall be in Orange County, California.

3.1.12 Attorneys' Fees. If either Party commences an action against the other Party, either legal, administrative, or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorneys' fees and all other costs of such action.

3.1.13 Authority to Enter Agreement. Contractor has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

3.1.14 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

3.1.15 Integration. This Agreement represents the entire understanding of OCERS and Contractor as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. Neither Party shall be deemed to be the drafter of this Agreement and no presumption for or against the drafter shall be applicable in interpreting or enforcing this Agreement.

3.1.16 Interpretation. This Agreement has been negotiated at arm's length and between parties sophisticated and knowledgeable in the matters dealt with in this Agreement. Each Party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law (including, without limitation, California's Civil Code Section 1654) or legal decisions that would require interpretation of any ambiguities in this

Agreement against the party that has drafted it shall not be applicable and are hereby waived. The provisions of the Agreement shall be interpreted in a reasonable manner to effectuate the purpose of the Parties and this Agreement.

3.1.17 Precedence. In the event of any conflict, inconsistency, or ambiguity between the terms and conditions in the main body of this Agreement and the terms and conditions in any exhibit, the main body of this Agreement shall control. This Agreement and all attached exhibits will be construed to be consistent, insofar as reasonably possible. When interpreting this Agreement, precedence shall be given to its respective parts and amendments in the following descending order:

- (a) Amendments to this Agreement entered into pursuant to Section 3.1.7 herein.
- (b) This Agreement.
- (c) Exhibit A: Scope of Services, Exhibit B: Fee Schedule, and Exhibit C: Key Personnel.
- (d) OCERS Request for Proposal dated February, 2023, attached as Exhibit "D".
- (e) Contractor's Response to OCERS Request for Proposal, attached as Exhibit "E".

IN WITNESS WHEREOF, the Parties hereby have caused this Agreement to be executed on the Effective Date:

APPROVED:

APPROVED:

**OCERS**

**[CONTRACTOR]**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## **EXHIBIT A SCOPE OF SERVICES**

Starting on the Effective Date, and continuing during the Term, Contractor will perform the Services in accordance with the terms of the Agreement. As per The Institute of Internal Auditors' (The IIA) International Professional Practices Framework (IPPF), the objectives of the services include:

- Provide an opinion on the OCERS's Internal Audit (IA) activity's conformance to the IPPF and The IIA's Code of Ethics
- Assess the efficiency and effectiveness of OCERS's IA in light of the Internal Audit Charter; the expectations of the Audit Committee, executive management, and Director of Internal Audit/Chief Audit Executive (CAE)
- Consider IA's current needs and objectives, exposures to performing at less than an effective level, and future direction and goals of the organization
- If applicable, identify opportunities and offer ideas to the Director of Internal Audit/CAE and staff for improving performance
- Review interaction with other members of the governance process
- Building of the audit universe and preparation of the audit schedule
- Interview and survey executive management and clients for their perception of OCERS's IA. Provide insight into their level of satisfaction with appropriate suggestions
- Review can be performed remotely

### Engagement Deliverables

- Results of satisfaction surveys and a comparison with Director of Internal Audit/CAE responses
- Personal consultation on techniques that may benefit OCERS's IA
- Detailed report covering:
  - Conformance with IPPF
  - Areas for improvement both on a governance and performance level
  - Recommendations of applications of best practices





**EXHIBIT B  
FEE SCHEDULE**

1. **Fees and Expenses.** Contractor agrees to accept the compensation set forth in this Exhibit B as full payment for performing all Services, including all staffing and materials required, for any reasonably unforeseen difficulties which may arise or be encountered in the execution of the Services, for risks connected with the Services, and for performance by Contractor of all its duties and obligations under the Agreement. OCERS will pay the following fees in accordance with the provisions of this Agreement:

- [REDACTED]

- *The total compensation shall not exceed XXX Dollars (\$XXX.00) without written approval by OCERS.*

- *[provision for expense reimbursement]*

2. **Payment Terms – Payment in Arrears:** Invoices are to be submitted in arrears to OCERS unless otherwise directed in this Agreement. Payment by OCERS will be net thirty (30) days after receipt and approval of an invoice in a format acceptable to OCERS.

3. **Payment – Invoicing Instructions:** Contractor will provide an invoice on the Contractor’s letterhead for services rendered under this Agreement. Each invoice will have a number and will include the following information:

- a. Contractor’s name and address
- b. Contractor’s remittance address, if different from item #1 above
- c. Contractor’s Taxpayer ID Number
- d. Name of OCERS Agency/Department
- e. Delivery/service address
- f. Agreement number
- g. Agency/Department’s Account Number
- h. Date of invoice
- i. Description and price of services provided
- j. Sales tax, if applicable
- k. Freight/delivery charges, if applicable
- l. Total

Invoice and support documentation are to be forwarded to:

Email: [Accountspayable@ocers.org](mailto:Accountspayable@ocers.org)

The physical address for OCERS is at:

Orange County Employees Retirement System

2223 E. Wellington Avenue

Santa Ana, CA 92701

Attention: Accounts Payable

**EXHIBIT C**  
**KEY PERSONNEL**

C-1



**Exhibit D**  
**Request for Proposal**



**Exhibit E**  
**Response to Request for Proposal**





APRIL 14, 2023

# Make the mark.

**ORANGE COUNTY EMPLOYEES RETIREMENT  
SYSTEM (OCERS), CALIFORNIA**

External Quality Assessment Services – RFQ Dated  
February 2023 (For the Internal Audit Period 2017-2022)



**Plante & Moran, PLLC**  
P.O. Box 307  
3000 Town Center, Suite 100  
Southfield, MI 48075  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

April 14, 2023

Mr. Jim Doezie  
Contracts, Risk & Performance Administrator  
Orange County Employees Retirement System (OCERS)  
2223 E Wellington Ave., Suite 100  
Santa Ana, CA 92701  
(Delivered Electronically via Point of Contact at [jdoezie@ocers.org](mailto:jdoezie@ocers.org))

Dear Jim,

On behalf of my colleagues at Plante Moran, we’re pleased to submit our proposal to complete a Quality Assurance Review (QAR) for Orange County Employees Retirement System’s (“OCERS”) internal audit function in response to your request for proposal, dated February 2023. We are excited about the opportunity to build our relationship with you. We look forward to assisting you in your assessment of your Internal Audit Department’s conformity with The Institute of Internal Auditor’s *International Standards for the Professional Practice of Internal Auditing*. Our project will assist you in assessing the efficiency and effectiveness of your current practices, while providing best practice feedback and areas to enhance your current activities.

This proposal discusses our comprehensive internal audit expertise as well as our collaborative approach to serving your organization.

All Plante Moran senior staff on your engagement will have extensive internal audit and QAR experience. We are ready to leverage our internal audit resources in support of this initiative’s project completion and reporting objectives. Our approach weaves the firm’s resources and government industry expertise to execute project objectives, as well as add value throughout the duration of the project and beyond. Plante Moran is uniquely qualified to execute this project based on the combination of our quality assurance review subject-matter expertise and the depth of our internal audit experience.

We are excited about the prospect of working with OCERS and look forward to continuing to grow our partnership.

Sincerely,

Troy Snyder, CICA  
Engagement Partner

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# The Value Plante & Moran Brings to You

**Communication and responsiveness** – A partner that listens and responds, timely and effectively with you. We will collaborate with you to be available for you on an ongoing basis. There are no barriers within our firm to prevent you from accessing the best specialists for your specific needs, and this model sets us apart from our competitors. We'll never charge you for routine calls or questions — in fact, we encourage them. You'll also receive complimentary trainings, webinars, and toolkits to prepare you for industry trends and regulatory changes.

**Broad expertise** – Our experts work together across disciplines to develop holistic solutions to your challenges. In addition to a QAR assessment, our firm specializes in governmental entities. We bring our whole practice to serve you. We have 500+ governmental clients. Once we build our relationship with you during the QAR process, we will continue to be your resource and be available for any other OCERS related activities, as this is a core service area for our firm.

**Going beyond compliance** – We will partner with you to support you through your compliance efforts. We are available to work with you beyond this activity. We view our relationship as long-term and can provide deep insight into your business. Going beyond compliance is just how we do business, so you have the analysis and advice on hand to make informed and strategic decisions on addressing gap areas and prioritizing process improvement opportunities.

**Quality through senior-level involvement** – Your engagement includes a high degree of partner and manager involvement. Our staffing mix makes us more efficient and effective than our competitors.

**Subject Matter Expertise** – Our Risk Advisory & Accounting Services (RAAS) team is comprised of 120 enterprise risk, internal audit, IT, and regulatory compliance professionals who are 100% dedicated to helping our clients build best-in-class business and risk management processes to identify, manage, and mitigate the risks to their organizations. Additionally, our RAAS team works closely with our dedicated group of professionals who have committed their careers to serving the governmental industry.

**Our Value Proposition** – Our operating philosophy, the depth of our technical expertise in the professional services area, and, most importantly, the people of Plante Moran set our firm apart from the others. We care about our clients, we care about our work, and we care about each other. We truly believe that this simple sincere philosophy is what makes our firm unique and is the key to our success.

**Our Retirement System Experience** – Our experience in your industry is in-depth. Example public pension clients include:

- Illinois Municipal Retirement Fund (IMRF); Total plan assets \$58 billion; Scope of work; ACFR audit, audit of GASB 68, census attestation, SOC 1 Type 2.
- Chicago Teachers' Pension Fund; Total plan assets \$13 billion; Scope of work; ACFR audit, audit of GASB 68, census attestation.
- New York State Teachers' Retirement System (NYSTRS); Total plan assets \$132 billion; Scope of work; ACFR audit, Trust (OPEB assets) audit, Audit of GASB 68.
- Ohio Public Employees Retirement System (OPERS); Total plan assets \$127 billion; Scope of work; ACFR audit, Audit of GASB 68 and GASB 75.

## Firm profile

We are the 13th largest certified public accounting and management consulting firm in the nation. With **a history spanning nearly 100 years**, our firm provides clients with financial, human capital, operations improvement, strategic planning, technology selection and implementation, and family wealth management services.

### Fast facts



**1924**  
Year founded



**3,300+**  
Staff



**24**  
Offices worldwide



**25+**  
Industries served



**50**  
States with clients



**100+**  
Countries with clients



**45+**  
Services available



**30**  
Languages spoken  
firmwide

## Plante Moran's history and culture, in under five minutes.

Our firm's founders had a vision: **"to create a people firm disguised as an accounting firm."** In other words, our professional expertise is just one part of who we are. Our character is what sets us apart and allows us to build meaningful relationships with our clients and colleagues.

As we move into the future — and continue to use artificial intelligence, data analytics, and other technologies to empower our client service model in new ways — we'll hold steadfast to that philosophy.



We invite you to watch our short film at [plantemoran.com](http://plantemoran.com), which captures our history, goals, and impact.



# Risk Advisory and Accounting Services

The internal audit assessment will be led by our Risk Advisory and Accounting Services (RAAS) team. Our RAAS team is a blend of risk management professionals with specializations in financial/operations internal controls and information technology.

These team members also have broad experiences that can assist in the assessment of your internal audit framework to support your strategic initiatives. The team works regularly throughout the spectrum of internal audit as a professional service firm – from staff augmentation to co-sourcing and full outsourcing.

Further, your engagement team’s Principal wrote the Firm’s thought leadership on implementation of the new COSO framework and hosted multiple in-person training sessions and Plante Moran-sponsored webinars on the topic, which are accessible through our website.

Our team is staffed by professional service experts who are deeply involved in the nuances and changing landscape of the industry.



## **Extensive Enterprise Risk Services knowledge, guidance, and expertise**

The practice staff undergo a structured training program that covers technical skills, accounting standard updates, and consulting skills.

### **Our comprehensive training programs include:**

- Plante Moran’s proprietary MC College knowledge transfer and training program. Our team members follow PCAOB guidance and obtain 120 hours or more of continuing education over a three-year period.
- External trainings hosted by state CPA boards, local and national IIA chapters, and other industry trainings.

### **Expertise and specializations**

Our team averages more than 13 years of experience providing internal audit, SOX, and internal control consulting services. Many of our professionals hold advanced accounting and finance degrees, and the majority of our team is credentialed in one or more of the following:

CPA – Certified Public Accountant

CIA – Certified Internal Auditor

CFE – Certified Fraud Examiner

CICA – Certified Internal Controls Auditor

MSA / MBA – Master’s in Accounting / Master’s in Business Administration

CISA – Certified Information Systems Auditor

CISSP – Certified Information Systems Security Professional

CITP – Certified Information Technology Professional

## Public sector experience that’s beyond the expected

When we serve public pension systems, ensuring value is just the first step. As OCERS’ partner, we’ll translate our expertise into solutions, helping you streamline operations, contain costs, and stay ahead of the curve. Why? It’s simple: Investing in our clients means investing in the future of our communities.

### What our practice looks like

<p><b>500+</b> Governmental clients, including:</p> <ul style="list-style-type: none"> <li>• Pension systems</li> <li>• Transportation organizations</li> <li>• Authorities</li> <li>• Local government</li> <li>• Airports</li> <li>• Special districts</li> <li>• State agencies</li> <li>• Utilities</li> </ul>	<p><b>750+</b> Annual Comprehensive Financial Report (ACFR) audits conducted in the past 25 years whereby the ACFRs have received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting</p>
<p><b>1,500+</b> Public sector clients served</p>	<p><b>575+</b> Single audits performed annually</p>
<p><b>1,300+</b> GASB entities served</p>	<p><b>45</b> States with public sector clients</p>
<p><b>75</b> Years serving government entities</p>	<p><b>250+</b> Staff dedicated to serving governmental clients</p>
	<p><b>25+</b> Partners dedicated to serving governmental clients</p>
	<p><b>\$9B</b> Federal expenditures audited per year</p>

### How we stand apart from the competition

When it comes to serving public pensions and government entities, the Plante Moran difference can be boiled down to two key factors:



**1** Our governmental clients are served by professionals who have made the public sector a focus of their careers.

Because our firm is organized by industry (not by office or region), you’ll always be served by specialists who have already served many governmental entities, including public pensions, cities and counties, municipal operations, water and sewer authorities, transit authorities, state government agencies, and public library systems.



**2** Our firm is unmatched in the level of research we conduct on challenges facing governmental leaders.

Our active involvement in government associations — along with our firsthand experience serving a large, diverse client base — is at the heart of our technical expertise. We pass on what we learn to our staff in the form of internal training seminars and to our clients through our webinars, white papers, and toolkits.

# Public Employee Retirement Systems experience

Plante Moran is a leader in auditing and consulting for public employee retirement systems. **We have a dedicated group of professionals who have committed their careers to serving PERS.** These professionals are national technical experts who specialize in financial statement audits for public plans and the governmental industry as a whole to provide enhanced resources and insight to OCERS.

Our PERS practice draws from a combination of our firm's experts from within our national governmental and employee benefit plan practices. Because of that, our PERS team members have a deep level of GASB expertise, combined with the deep expertise in auditing large investment portfolios.

## Unrivaled PERS expertise



Plante Moran has been serving PERS for more than 70 years and has been working with governmental organizations for over 75 years. We have found that PERS require a different approach — a more tailored approach. We have hand-picked a team of professionals that have a **specialized combination of PERS audit expertise**, with specific experience in the unique accounting and reporting issues of governmental retirement systems, particularly under GASB 68 and 75, in conjunction with staff with significant experience auditing large, complex

plans with significant investment portfolios, including alternative investment holdings.

Our PERS practice was built from a combination of our national governmental practice, providing our team sophisticated governmental technical expertise, and our benefit plan practice, which delivers the investment and census auditing experience.

Plante Moran not only understands the various types of investments, including alternative investments, **we helped write alternative investment guidance for other auditors.** One of our audit partners was a member of the AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) Investment Task Force. As a member of the Investment Task Force, Plante Moran assisted in the development of the EBPAQC's Primer, *Alternative Investments in Employee Benefit Plans*.



# Our “one-firm” firm philosophy

We are built fundamentally different from most because of our “one-firm” firm philosophy and structure. Our structure does not have competing regional, office, or service-level profit centers and, as a result, OCERS receives the **best resources regardless of office location or geography**. This guarantees our ability to identify professionals within our firm with specific experience and skills, and to seamlessly deploy resources to meet the specific needs of OCERS. Our philosophy stems from our belief that expertise trumps proximity.

What does this mean for OCERS?

It means your team is staffed by the **right people**. Once your engagement is staffed with the right people, efficiencies in work processes and communication are maximized, leaving more time for applying a holistic perspective to solutions to support OCERS.



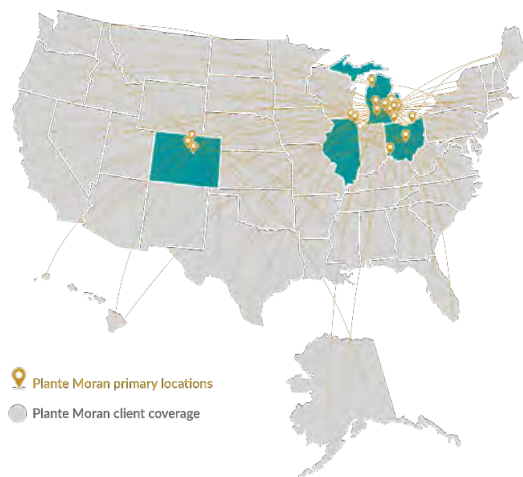
## Our accessibility to serve you – Plante Moran is like having the office next door

Given our investment in technology, service approach, and focus on service/industry expertise, we serve a significant amount of client work outside of our office footprint, seamlessly.

While we do have the ability to perform remote work and have a tried-and-true process for completing high quality remote work, we are available for in-person meetings and on-site testing if necessary. For this QAR, we plan to primarily perform this work remotely to achieve a high degree of value for OCERS..

Our recent remote work conditions have not altered the level of manager and partner/principal involvement in our engagements. Our service delivery is designed to include significant partner/principal and manager involvement throughout the fieldwork. Your key team members will work closely together during the fieldwork process and complete their reviews in a real-time manner. This brings our most knowledgeable and experienced team members together to direct the work with OCERS and address and resolve any issues as they arise.




We treat every client as if they are located in our own back yard, and our availability reflects that approach.



# Objectives and Project Phases

Plante Moran will tailor our services to your unique needs. We understand that a dynamic public pension such as yours has many goals and our diverse team of experts will customize our approach to meet your objectives. OCERS will be served by Plante Moran professionals who will **deliver on objectives and provide practical value-driven findings and recommendations**. Based on our review of the RFQ we’ve proposed a full external quality assessment of the internal audit function that not only addresses compliance with the IPPF, but also brings you insights on emerging best practices in the profession.

The phases for the proposed project are as follows:

 <p><b>Planning</b></p>	<ul style="list-style-type: none"> <li>• Our planning phase establishes the communication protocols to ensure all assessment interviewees are apprised of our project, and internal audit stakeholders are fully informed of assessment progress and findings.</li> <li>• We will collaborate with internal audit management and Audit Committee leadership to establish the appropriate assessment scope of the QAR.</li> <li>• Our advanced preparation procedures ensure that when we start virtually to work on OCERS, we will be fully prepared to conduct our assessment in an efficient manner. We will provide an advanced request listing to inform your department of the materials required to complete our assessment 2 weeks prior to our main engagement timeframe.</li> <li>• We will scale our team size and approach to fully accommodate the limited and valuable time of OCERS executives, internal audit department professionals, and other specifically identified project stakeholders.</li> </ul>
 <p><b>Fieldwork</b></p>	<ul style="list-style-type: none"> <li>• Virtual fieldwork procedures will take span over a 4-5 week timeframe, as adjusted to meet your needs and minimize interruption.</li> <li>• Interviews of key stakeholders will be held in a time-efficient manner with informed questions and encouraged candor.</li> <li>• We will provide updates on project progress as well as preliminary assessment results at the close of fieldwork.</li> </ul>
 <p><b>Post-Fieldwork</b></p>	<ul style="list-style-type: none"> <li>• Our draft report will be shared with designated management for feedback prior to distribution to the Board of Retirement of OCERS.</li> <li>• The QAR report will provide an overall assessment on OCERS’s conformity with the Standards and Code of Ethics of the Institute of Internal Auditors under the International Professional Practices Framework (IPPF)</li> <li>• We will also share consultative recommendations and observations on opportunities for internal audit improvement.</li> </ul>

# Our Tailored Workplan

Our workplan is based on our experience; however, during the planning phase, we may further tailor the plan based on information we will request. We will be ready to start when you are. Our subject matter experts have the flexibility to begin the project on any date OCERS requires. See the appendix for your Statement of Work, used to make our workplan.

We know you wish to have the **QAR completed, so it can be presented no later than Q1 2024**. We can align our testing timeframe to ensure this expectation is met and causes the minimal disruption to your operations. The table below lays out our plan to address the internal audit quality assurance review activities based on your statement of work:

QAR Fieldwork Plan		Week				
Phase	Task	1-2	2-3	4-5	6	TBD
<b>1</b>	<b>Planning &amp; Governance</b>					
	Establish Communication Protocols	●	○	○	○	○
	Project Kick-Off Meeting	●	○	○	○	○
	Obtain Department Policies & Charter	●	○	○	○	○
	Obtain Department Organization Chart	●	○	○	○	○
	Obtain Internal Audit Plans from 2017 to 2022	●	○	○	○	○
	Issue Project Sample Selection	●	○	○	○	○
	Schedule Interviews	●	○	○	○	○
<b>2</b>	<b>Virtual Fieldwork</b>					
	Review Selected Internal Audit Materials & Projects	○	●	●	○	○
	Interview Key Stakeholders	○	●	●	○	○
	Review Quality Assurance and Improvement Practices	○	●	●	○	○
	Review initial QAR ratings with IA Management	○	○	●	○	○
<b>3</b>	<b>Post-Fieldwork</b>					
	Prepare Draft Report	○	○	●	○	○
	Review Draft Report with Management	○	○	●	○	○
	Finalize Report and Submit to Board of Retirement (“Board”)	○	○	○	●	○
	Submit Presentation Materials for Audit Committee	○	○	○	●	○
	Present at Audit Committee Meeting, if requested	○	○	○	○	●
	Follow-Up and Implementation Support as requested	○	○	○	○	●

# Fee quotation

We estimate that this project will require 100-120 hours over an elapsed time of four weeks for fieldwork, plus additional time for presentation and follow-up if requested. As requested, our Firm Fixed, fees for this project will **not exceed \$30,000**. Fieldwork will take place virtually, as requested by OCERS.

**Notes:**

- **NO ADDITIONAL CHARGE:** routine calls or consultation are considered part of the basic services.
- **NO ADDITIONAL CHARGE:** for access to our thought leadership, CPE-approved webinars, and publications.
- **NO ADDITIONAL CHARGE:** for use of our secure collaboration portal — Client Collaboration Center — gives us and OCERS 24/7 access to easily share files and manage our engagements from anywhere in the world and with EZ Track, you get full access to track the status of your engagement.
- Any services provided outside of the scope of this proposal will be discussed and determined before any billing takes place.
- We have a “no surprises” approach when it comes to client billings.

# Team Biographies

Internal audit and delivery of client service is a people business. We understand your high expectations and we know our differentiators will set us apart from the field. Each of the professionals dedicated to serving you

will abide by the tenets below:

		Plante Moran	Big 4	Small Firm / IIA
<b>People</b>	"We care" principals-based mindset	✓	?	?
	High team continuity, low turnover	✓	?	?
	Experienced, capable professionals	✓	?	?
<b>Process</b>	Thorough and comprehensive QAR approach	✓	?	?
	Collaborative with all stakeholders	✓	?	?
	Flexible approach to fit client partnership needs	✓	?	?
	Results obsessed; value driven	✓	?	?
<b>Technology</b>	Internal Audit Analytics Center of Excellence	✓	?	?
	Repetitive process automation innovation center	✓	?	?
	GRC software partnership with Highbond by Diligent	✓	?	?
<b>Fees</b>	Fair and transparent fees	✓	?	?

**Troy Snyder, CICA | Engagement Partner**

I'm a partner in our firm's Risk and Accounting Advisory Services team. I specialize in QARs, internal audit, and SOX compliance strategy and oversight. I have an extensive background in the recommendation and implementation of appropriate solutions for governance, risk, and control strategies across the financial services, manufacturing, retail distribution, and entertainment industries. I will have overall responsibility for ensuring that all Plante Moran services are completed within schedule and budget. I provide project quality control over Plante Moran deliverables and services.

**Matthew Bohdan, CPA, CIA, MBA | Principal**

I'm a principal in the Risk and Accounting Advisory Services practice. I have over 16 years of public accounting and management consulting experience providing services to clients in several industries. I assist clients with various accounting and finance related consulting projects. Projects include internal audit quality assurance reviews, Enterprise Risk Management consulting, initial implementation of SOX procedures and recurring management testing of ICFR, risk assessment, internal audit, and financial reporting.

**Michael Davidson, MSC, CPA, CIA, CFE, CRISC, CISA | Senior Manager**

I'm a senior manager in the Risk and Accounting Advisory Services practice. I have over 22 years of auditing and consulting experience. I have over 10 years of external audit experience and 10 years of internal audit experience as a Chief Audit Executive. I assist clients with their risk evaluation, controls, processes, and business process improvement. I additionally lead Enterprise Risk Management consulting, internal audit performance and external audit support for audit readiness in both the technical and risk arenas. I have an in-depth background in the regulated space for companies, inclusive of numerous counties, cities, not-for-profit, higher education, and an extensive regulated utility and industrial portfolio.

**Kaylee Kern | Consultant**

I'm a consultant in the Risk and Accounting Advisory Services practice. I have experience with Sarbanes-Oxley (SOX) compliance, performing identified internal audits, internal control design and remediation assistance. Additionally, I have assisted clients in assessing their current policies and procedures for adherence to common internal controls. Specifically, I have reviewed current policies and procedures, and determine their applicability to an existing internal control framework or make recommendations for ensuring controls and policies are aligned.

# References and Experience

We have extensive experience conducting independent internal audit Quality Assurance Reviews and significant experience working with retirement systems and governmental related entities like, OCERS. Our internal audit and organizational risk management background make this a core competency of our practice. **We have the requisite skills to deliver upon your objectives in this area.**

Our clients can speak to the level of service you can expect when choosing Plante Moran. Please feel free to contact the individuals below to learn more about how we serve and treat our clients. Additional references can be provided upon request.

**Quality Assurance Review References:**

**County of San Diego**

**Date:** September 2022

**Project Manager:**

Matthew Bohdan/ Michael Davidson

**Client Contact:**

Juan Perez  
Auditor & Controller  
858.495.5991

**Address:**

5530 Overland Ave, Ste. 330  
San Diego, CA 92123

**Summary of Work:**

Performed an internal Audit Quality Assurance Review. Interviewed key personnel and performed an assessment of conformance to the IPPF standards.

**American Axle & Manufacturing**

**Date:** March 2023

**Project Manager:**

Matthew Bohdan

**Client Contact:**

Scott Bittinger  
Internal Audit Director  
313.758.4196

**Address:**

One Dauch Drive  
Detroit, MI 48211-1198

**Summary of Work:**

Performed an internal Audit Quality Assurance Review. Interviewed key personnel and performed an assessment of conformance to the IPPF standards.

**F.N.B Corporation**

**Date:** June 2021

**Project Manager:**

Matthew Bohdan

**Client Contact:**

Christine Tvaroch  
EVP & Chief Audit Executive  
724.983.3542

**Address:**

3320 E. State Street, 2<sup>nd</sup> Floor  
Hermiage, PA 16148

**Summary of Work:**

Performed an internal Audit Quality Assurance Review. Interviewed key personnel and performed an assessment of conformance to the IPPF standards.

**A note on Independence:**

Our team is independent of OCERS. We do not hold any direct or indirect financial interests in OCERS. The review team that we have selected to serve OCERS is fully independent of the employees of OCERS and its Board of Retirement.



# Example QAR Report

SAMPLE COMPANY

EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT ACTIVITIES

### EXECUTIVE SUMMARY

As requested by the Director of Internal Audit (Chief Audit Executive or CAE) and Audit Committee (AC), Plante Moran, PLLC (PM) conducted an external quality assessment (QA) of the internal audit (IA) activity of Sample Company ("Company").

The principal objectives of the QA were to:

- Assess the IA activity conformance to The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*
- Evaluate the IA activity effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of Company management)
- Identify opportunities to enhance IA activity management and work processes, as well as its value to the Company

We have included examples of our QAR executive summary and recommendations for internal audit improvement

### OPINION ON CONFORMANCE TO

It is our overall opinion that the IA activity conforms to the IIA's Quality Assessment Manual and the IIA's Code of Ethics of the Institute of Internal Auditors' Framework (IPPF) 2017.

The company performed a self-assessment

Standards	Generally Conforms
Attribute	18 of 18
Performance	32 of 32
IIA Code of Ethics	1 of 1

For a detailed list of conformance with individual standards and identified opportunities for further improvement, please refer to the IIA's Quality Assessment Manual suggestion. The IIA's Quality Assessment Manual suggests the following definitions:

**"Generally Conforms"**: meaning that an auditor is judged to be in conformance with the Standards

**"Partially Conforms"**: meaning that deficiencies exist with the Standards, but these deficiencies did not result in an unacceptable manner

**"Does Not Conform"**: meaning that deficiencies exist that seriously impair or preclude the IA activity from meeting its responsibilities

EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT ACTIVITIES

### KEY THEMES

On the subsequent pages, we have provided details of our findings and recommendations. It is important to discuss the overall themes of the engagement findings to provide a holistic picture of the key drivers of our recommendations.

#### Strategic Internal Audit Planning

A strategic approach to internal audit allows the department to align its objectives to those of the organization. This can be achieved through the optimization of consulting-type engagements and the timely response to management requests.

To allow this, internal audit may consider incorporating hours beyond the current 8% allocated for consulting. Internal audit may look to deliver insights via specifically identified projects to deliver value for the organization.

#### Feedback

Internal audit staff have expressed the desire to receive timely feedback on internal audit project performance. Providing candid, timely feedback to personnel will help maintain focus on technical proficiency, project management, professional development, and career progression.

In support of this outcome, the internal audit department should implement client feedback surveys following the completion of each internal audit. The purpose of this data collection methodology is to obtain specific feedback on internal audit staff, as well as feedback on the project-level performance of the internal audit function as a whole.

By obtaining measurable feedback on performance, internal audit department leadership can have immediate insight in the teams' understanding of the business and ability to add value through their procedures.

#### Optimize Internal Audit Reporting

Internal Audit can implement measures to increase the speed of internal audit project-level reporting while maintaining and building upon the current level of effectiveness.

The increased use of data visualization and analytics is an effective way to convey concepts and results while reducing the needs for time consuming written content. The objective will be the reduction of iterative levels of review and report delivery optimized for impact and content. The outcome will be the delivery of succinct, value-driven, actionable reporting.

# Appendix





## Exhibit B Minimum Qualifications Certification

### Exhibit B

#### MINIMUM QUALIFICATIONS CERTIFICATION

All firms submitting a proposal in response to this RFP are required to sign and return this attachment, along with written evidence of how the respondent meets each qualification.

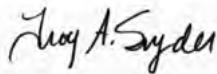
The undersigned hereby certifies that it fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

1. The consultant/firm has provided services consistent with the services requested in this RFP for the past 10 years.
2. The consultant/team leader assigned to this engagement has experience that is comparable to that of the Director of Internal Audit/Chief Audit Executive of OCERS.
3. The consultant/team are certified internal audit professionals possessing a professional designation (e.g., CPA, CIA, CISA, etc.)
4. The consultant/team has a thorough understanding of current internal audit practices and the International Professional Practices Framework (IPPF) and its application, sound judgment, and good communication and analytical skills as they relate to external audit assessments.
5. The consultant/team possess or has ready access to all of the necessary technical expertise (e.g., governance, IT, risk management, internal audit attributes, management consulting, and internal audit management).
6. The consultant or at least one team member has knowledge of the organization’s industry or service.

To ensure freedom from bias in the full external assessment, there should not be any relationship, either directly or indirectly, between the organization and the full external assessment team that is, or appears to be, a conflict of interest. Such relationships could significantly negate the benefits of the full external assessment.

**The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.**



\_\_\_\_\_

Authorized Signature

**April 10, 2023**

\_\_\_\_\_

Date

**Troy Snyder, Partner**

\_\_\_\_\_

Name and Title (please print)

**Plante & Moran, PLLC**

\_\_\_\_\_

Name of Firm

## Exhibit C Proposal Cover Page and Check List



**Plante & Moran, PLLC**  
P.O. Box 307  
3000 Town Center, Suite 100  
Southfield, MI 48075  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

**Respondent Name: Plante & Moran, PLLC**  
**Respondent Address: P.O. Box 307, 3000 Town Center, Suite 100**  
**Southfield, MI 48075**

*By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements, **subject to the exceptions noted in respondent's response.***

Respondent specifically acknowledges the following:

1. Respondent possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of services.
3. The fee schedule submitted in response to the RFP is for the entire scope of services and no extra charges or expenses will be paid by OCERS.
4. Respondent has completely disclosed to OCERS all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of OCERS, or other officer, agent, or employee of OCERS presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in the proposal and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the California Public Records Act.
6. Respondent is not currently under investigation by any state or federal regulatory agency for any reason.
7. Except as specifically noted in the proposal, respondent agrees to all of the terms and conditions included in OCERS Services Agreement.
8. The signatory below is authorized to bind the respondent contractually.

Troy Snyder, Partner

April 10, 2023

Date

Colorado Boulder • Denver • Fort Collins Illinois Chicago • Schaumburg Michigan Ann Arbor • Auburn Hills • Detroit  
East Lansing • Flint • Grand Rapids • Kalamazoo • Macomb • Southfield • Traverse City Ohio Cincinnati • Cleveland  
Columbus • Toledo China Shanghai India Mumbai Japan Tokyo Mexico Monterrey plantemoran.com



## Scope of Services Requirements

---

**The firm must have all necessary permits and licenses to perform the requested services and must be bonded where applicable.**

*Response: Plante & Moran has all necessary permits and licenses to perform these services for a California entity.*

### **Minimum insurance coverage**

*Response: We carry appropriate levels of commercial liability, automobile liability, excess umbrella liability, workers' compensation, employer's liability, professional liability (errors and omissions (E&O)), and cyber coverage at amounts commercially appropriate for a firm of our size. Our professional liability E&O coverage is underwritten by leading insurers, including Lloyd's of London. To the extent requested, we can provide certificates evidencing coverage in force for selected policies.*

*See legal exceptions report for further detail on insurance coverage.*

**The firm shall provide all personnel, equipment, tools, materials, vehicles, supervision, and other items and services necessary to perform all services, tasks, and functions as requested in this RFP.**

*Response: The firm will provide all necessary personnel and equipment to complete this RFP.*

**The firm shall have any pertinent licenses to deliver respondent's product or service.**

*Response: The firm is a licensed CPA firm. The performance member's license numbers are:*

*Matthew Bohdan, Principal; CIA 108235; CPA/ Michigan 1101032282*

*Michael Davidson, Senior Manager; CIA 104012/ CPA Michigan 1101027709*

# Plante & Moran Legal Exceptions Report

Page	Section / Reference	Proposed Exception	Rationale
3	3(2), first bullet point	<p><b>Please Modify as Follows:</b></p> <ul style="list-style-type: none"> <li>Commercial General Liability: <del>\$2M per occurrence, \$2M aggregate</del></li> </ul> <p>Each occurrence                      \$1,000,000</p> <p>Damages to Rented</p> <p>Premises (Ea occurrence)    \$1,000,000</p> <p>Med Exp (Any one person) \$10,000</p> <p>Personal &amp; Adv Injury        \$1,000,000</p> <p>General Aggregate            \$2,000,000</p> <p>Products-Comp/op Agg    \$2,000,000</p>	These edits reflect Plante Moran's commercial general liability insurance coverage.
3	3(2), second bullet point	<p><b>Please Modify as Follows:</b></p> <ul style="list-style-type: none"> <li>Automobile Liability: \$1M <del>combined single limit (each accident) covering hired and non-owned vehicles per occurrence, \$2M aggregate</del></li> </ul>	These edits reflect Plante Moran's automobile liability insurance coverage.
3	3(2) last sentence	<p><b>Please Modify as Follows:</b></p> <p>OCERS must be listed as an additional insured on the above policies <del>other than the professional liability policy.</del></p>	Plante Moran's professional liability is not structured to allow naming of additional insureds.
7	7(9)	<p><b>Please Modify as Follows:</b></p> <p>An explanation of the pricing proposal for the scope of work, including pricing of fees and costs, billing practices, and payment terms that would apply. OCERS does limit the pricing approach to pricing and will consider alternative pricing methods for the scope of work, or portions of it. This section of the response should include an explanation as to how the pricing approach(es) will be managed to provide the best value to OCERS. <del>The respondent should represent that the pricing offered to OCERS is, and will remain, equivalent to or better than that provided to other public pension fund or institutional investor clients or explain why this representation cannot be provided.</del> All pricing proposals should be "best and final," although OCERS reserves the right to negotiate on pricing.</p>	Plante Moran does not agree to "most favored nation" pricing provisions.
7	7(10)	<p><b>Please Modify as Follows:</b></p> <p>An explanation of <del>all any</del> actual or potential conflicts of interest that the respondent may have in contracting with OCERS <del>to the extent that it would that would materially and adversely impact respondent's objectivity in performing the services.</del></p>	The conflict language as written is too broad.

Page	Section / Reference	Proposed Exception	Rationale
Exhibit C			
13	Opening paragraph	<p><b>Please Modify as Follows:</b></p> <p><b>By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements, subject to the exceptions noted in respondent's response.</b></p>	Plante Moran can agree that it intends to comply with all RFP requirements, subject to the exceptions noted in its response.
Exhibit D Services Agreement Template			
14	2.1, last sentence	<p><b>Please Modify as Follows:</b></p> <p>Contractor represents and warrants to OCERS that Contractor will perform the Services in a professional <del>and workmanlike</del> manner, in accordance with <del>best applicable</del> industry standards <del>and practices used in well-managed operations performing services similar to the Services.</del></p>	<p>"Workmanlike" does not apply to professional services.</p> <p>Plante Moran can agree to perform the services in accordance with applicable industry standards.</p>
15	2.3.3, second to last sentence	<p><b>Please Modify as Follows:</b></p> <p>Contractor shall not perform, nor be compensated for, Extra Work without written authorization by OCERS <del>and an amendment to this Agreement signed by both parties that memorializes the Extra Work to be performed.</del></p>	Plante Moran would like any extra work to be memorialized in an amendment that is signed by both parties.
16	2.4.7	<p><b>Please Modify as Follows:</b></p> <p>Laws and Regulations. Contractor shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations <del>in any manner affecting the performance of the Services, including all Cal/OSHA requirements that apply to Contractor,</del> and shall give all notices required by law. Contractor shall be liable for all violations of such laws and regulations in connection with Services. If the Contractor performs any work knowing it to be contrary to such laws, rules, and regulations, Contractor shall be solely responsible for all costs arising therefrom.</p>	Plante Moran can agree to comply with legal requirements that apply to it.
16	2.4.8	<p><b>Please Modify as Follows:</b></p> <p>Accounting Records. Contractor shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Contractor shall allow a representative of OCERS during normal business hours to examine, audit, and make transcripts or copies of such records <del>and any other documents</del></p>	Plante Moran can agree to make its costs and expense records related to this agreement for the purpose of verifying compliance with this agreement.



Page	Section / Reference	Proposed Exception	Rationale
		<p><del>created pursuant to this Agreement for the purpose of verifying compliance with this Agreement. Contractor shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement such records</del> for a period of four (4) years from the date of final payment under this Agreement.</p>	
17	2.6	<p><b><i>Please Modify as Follows:</i></b></p> <p>To the fullest extent permitted by law, Contractor shall indemnify, <del>immediately defend, and hold</del> OCERS, the members of the OCERS Board of Retirement (each a "Board member"), and OCERS' officials, officers, employees, volunteers, and agents free and harmless from any and all third party claims, demands, causes of action, suits, expenses, liabilities, losses, damages, or injury of any kind, in law or equity, to property or persons, including wrongful death <del>(collectively, "Indemnity Claims")</del>, in <del>any manner arising out of, pertaining to, or incident to any negligent act, error or omission, intentional misconduct, or breach of this Agreement by each case to the extent caused by the gross negligence or willful misconduct of</del> Contractor, its officials, officers, employees, subcontractors, contractors, or agents in <del>connection with</del> the performance of the Services, <del>or under</del> this Agreement, including reasonable attorneys' fees and costs, including reasonable expert witness fees <del>(collectively, Indemnity Claims")</del>. Contractor's duty to indemnify does not extend to the Indemnity Claims caused by OCERS' <del>sole negligence or willful misconduct acts or omissions.</del></p> <p><del>Contractor shall immediately defend, with legal counsel reasonably agreed to by OCERS and at Contractor's own cost, expense, and risk, any Indemnity Claims; excluding, however, such claims arising from OCERS' sole negligence or willful misconduct. Contractor shall control the defense or settlement of any such action, except that Contractor will not have the right to settle or compromise the claim without the consent of OCERS. Contractor shall pay and satisfy any judgment, award, or decree that may be rendered against OCERS or its Board members, officials, officers, employees, volunteers, and agents as part of any Indemnity Claim(s). Contractor shall also reimburse OCERS for the cost of any settlement paid by OCERS or its Board members, officials, officers, employees, agents, or volunteers as part of any Indemnity Claim. Such reimbursement shall include payment for OCERS' attorneys' fees and costs, including expert witness fees. Contractor's obligation to defend and indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by OCERS, its Board, officials, officers, employees, agents, or volunteers.</del></p>	<p>Plante Moran can agree to indemnify OCERS in proportion to Plante Moran's fault, if any.</p>

Page	Section / Reference	Proposed Exception	Rationale
		<p><del>Notwithstanding the foregoing, to the extent the Services are subject to Civil Code Section 2782.8, the above indemnity and duty to defend shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Contractor.</del></p>	
18	2.7.2, first sentence	<p><b>Please Modify as Follows:</b>                      Minimum Requirements. Contractor shall, at its expense, <del>procure and</del> maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Contractor, its agents, representatives, employees, or subcontractors.</p>	Plante Moran already has insurance.
18	2.7.2(a)	<p><b>Please Modify as Follows:</b>                      Commercial General Liability. <del>These policies</del> This policy shall <del>include name</del> OCERS, and its board members, officers, agents, and employees, as an additional insured on a blanket basis and be primary and not contributory to any policy maintained by OCERS. Contractor shall maintain limits no less than <del>two million dollars (\$2,000,000) per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury, and property damage</del>, the following:</p> <p>Each occurrence                      \$1,000,000</p> <p>Damages to Rented</p> <p>Premises (Ea occurrence)    \$1,000,000</p> <p>Med Exp (Any one person) \$10,000</p> <p>Personal &amp; Adv Injury            \$1,000,000</p> <p>General Aggregate                \$2,000,000</p> <p>Products-Comp/op Agg    \$2,000,000</p>	These edits reflect Plante Moran's commercial general liability insurance coverage.
18	2.7.2(b)c	<p><b>Please Modify as Follows:</b>                      Automobile Liability. Business automobile liability insurance <del>insuring all owned, for</del> non-owned, and hired automobiles, in the amount of one million dollars (\$1,000,000) combined single limit per accident for bodily injury and property damage.</p>	These edits reflect Plante Moran's automobile liability insurance coverage.
18	2.7.2(c)	<p><b>Please Modify as Follows:</b>                      Workers' Compensation and Employer's Liability Insurance. Contractor shall maintain Workers' Compensation insurance as required by the State of <del>California-Michigan</del> and Employer's Liability Insurance in an amount no less than one million dollars (\$1,000,000) per accident for bodily injury or disease. <del>The insurer</del></p>	Plante Moran has workers' compensation insurance as required by Michigan law.  Plante Moran can agree to request a waiver of subrogation but cannot

Page	Section / Reference	Proposed Exception	Rationale
		<del>shall agree</del> Contractor agrees to request the workers' compensation insurer to waive all rights of subrogation against OCERS, its Board of Trustees, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Contractor.	commit that the insurer will agree to it.
18	2.7.2(d)	<p><b>Please Modify as Follows:</b></p> <p>Excess Liability. The limits of insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Contractor agrees to request that the excess liability policy <del>Any umbrella or excess coverage shall contain or</del> be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of OCERS (if agreed to in a written contract or agreement) before OCERS's own primary or self-insurance shall be called upon to protect it as a named insured. Contractor agrees to request that the policy shall be endorsed to state that OCERS, its Board, officials, officers, employees, agents, and volunteers shall be covered as additional insured. The coverage shall contain no special limitations on the scope of protection afforded to OCERS, its Board, officials, officers, employees, agents, and volunteers.</p>	Plante Moran can agree to request the endorsements.
18	2.7.3	<p><b>Please Modify as Follows:</b></p> <p>All Coverages. Contractor agrees to request that the general liability and automobile liability policy <del>shall include or</del> be endorsed to state that: (1) OCERS, its Board, officials, officers, employees, agents, and volunteers shall be covered as an additional insured with respect to work by or on behalf of the Contractor, including materials, parts, or equipment furnished in connection with such work; and (2) the insurance coverage shall be primary insurance as respects the OCERS, its directors, officials, officers, employees, agents, and volunteer, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled underlying coverage. Any insurance or self-insurance maintained by OCERS, its Board members, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.</p>	Plante Moran can agree to request the endorsements.
19	2.7.3(a)	<p><b>Please Modify as Follows:</b></p> <p>Contractor agrees to request that the insurance policies required above <del>shall contain or</del> be endorsed to contain the following specific provisions:</p>	Plante Moran can agree to request the endorsements.
19	2.7.3(a)(i)	<p><b>Please Modify as Follows:</b></p>	Plante Moran can agree to request the endorsement.



Page	Section / Reference	Proposed Exception	Rationale
		<del>The policies shall contain a</del> A waiver of transfer rights of recovery (“waiver of subrogation”) against OCERS, its Board members, officers, employees, agents, and volunteers, for any claims arising out of the work of Contractor.	
19	2.7.3(a)(ii)	<p><b>Please Modify as Follows:</b></p> <p>Policies may provide coverage which contains deductible or self-insured retentions. <del>Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to OCERS under such policies.</del> Contractor shall be solely responsible for deductible and/or self-insured retention <del>and OCERS, at its option, may require Contractor to secure the payment of such deductible or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit.</del> The insurance policies that contain deductibles or self-insured retentions in excess of \$25,000 per occurrence shall not be acceptable without the prior approval of OCERS.</p>	Plante Moran does not agree to the stricken language.
19	2.7.3(a)(iv)	<p><b>Please Modify as Follows:</b></p> <p>Delete this section in its entirety.</p>	Plante Moran’s insurers will not give notices to third parties.
19	2.7.4	<p><b>Please Modify as Follows:</b></p> <p>Delete this section in its entirety.</p>	Plante Moran does not disclose insurance claims information to third parties.
19-20	2.8	<p><b>Please Modify as Follows:</b></p> <p><b>Termination of Agreement.</b> <del>OCERS</del> A party may, by written notice to <del>Contractor</del> the other party, terminate the whole or any part of this Agreement without liability to OCERS if <del>Contractor</del> the other party fails to perform or breaches any of the terms contained herein. In addition, either Party may terminate this Agreement for any reason or for no reason on thirty (30) days’ written notice to the other Party. Upon termination, Contractor shall be compensated only for those Services <del>that have been performed and delivered to OCERS’ satisfaction rendered, and reimbursable costs incurred, through the effective date of termination,</del> and Contractor shall be entitled to no further compensation.</p>	Plante Moran would like the termination for breach right to be reciprocal.
20	2.9.1	<p><b>Please Modify as Follows:</b></p> <p><del>Work Product. Documents &amp; Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for OCERS to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise</del></p>	Plante Moran can agree to deliver to OCERS the work product prepared under this agreement that is in final form and intended for delivery to OCERS, and that such work product becomes OCERS’ property effective upon Plante Moran’s receipt of all amounts owed in connection with this agreement.

Page	Section / Reference	Proposed Exception	Rationale
		<p><del>recorded on computer diskettes, which are prepared or caused to be prepared by Contractor under this Agreement ("Documents &amp; Data").</del> Contractor shall deliver to OCERS <del>on demand or upon the termination or expiration of this Agreement, all such Documents &amp; Data</del> the work product prepared under this Agreement that is in final form and intended for delivery to OCERS, which shall become and remain the property of the OCERS, <del>effective upon Contractor's receipt of all amounts owed in connection with this Agreement.</del> If OCERS uses any <del>of the data, reports, and documents furnished or work product</del> prepared by Contractor for use in Services other than as shown on Exhibit A, Contractor shall be released from responsibility to third parties concerning the use of the <del>data, reports, and documents work product.</del> Contractor may retain copies of the materials. OCERS may use or reuse the materials prepared by Contractor without additional compensation to Contractor.</p>	
20	2.9.2	<p><b>Please Modify as Follows:</b></p> <p>Confidential Information. Any financial, statistical, personal, technical, and other data and information relating to a Party's operations which are made available to the other Party in order to carry out this Agreement shall be reasonably protected by such other Party from unauthorized use, except to the extent that disclosure thereof is required to comply with applicable law, including the California Public Records Act. The disclosing Party shall identify all confidential data and information at the time it is provided. Confidentiality does not apply to information which is known to a receiving Party from other sources, which is otherwise publicly available <del>or becomes publicly available, which is already known to or independently developed by a receiving Party, which is received from a third party not known to have a confidentiality obligation as to such information,</del> or which is required to be disclosed pursuant to an order or requirements of a regulatory body or a court.</p>	Plante Moran would like to add the indicated exceptions.
21	2.9.3(f)	<p><b>Please Modify as Follows:</b></p> <p>To <del>take all appropriate action, whether by instruction, agreement or otherwise, to ensure</del> require that third persons with access to the <del>confidential</del> information under the direction or control or in any contractual privity with Contractor, <del>do</del> not disclose or use, directly or indirectly, for any purpose other than for performing the Services during or after the term of this Agreement, any confidential information, including Customer Data, without first obtaining the written consent of OCERS;</p>	Plante Moran can agree to require third persons with access to confidential information to not disclose it or use it for any purpose other than performing the services.

Page	Section / Reference	Proposed Exception	Rationale
21	2.9.3(g)	<p><b>Please Modify as Follows:</b></p> <p>Upon request by OCERS <del>and upon the termination or expiration of this Agreement for any reason</del>, Contractor shall promptly return to OCERS all copies, whether in written, electronic, or other form or media, of Customer Data in its possession or in the possession of its employees or agents, or securely dispose of all such copies, and certify in writing to OCERS that such Customer Data has been returned to OCERS or disposed of securely; and</p>	Plante Moran can return or destroy Customer Data upon OCERS request.
22	3.1.1, second paragraph	<p><b>Please Modify as Follows:</b></p> <p>Such notice shall be deemed made when personally delivered or when mailed, <del>upon three business days</del> <b>after</b> deposit in the U.S. Mail, first class postage prepaid and registered or certified addressed to the Party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.</p>	Plante Moran would like delivery to be deemed to be made three business days after deposit in the U.S. Mail.
23	3.1.12	<p><b>Please Modify as Follows:</b></p> <p>Delete this section in its entirety.</p>	Plante Moran does not agree to attorney fee shifting provisions.

# Copy of Respondent's Standard Professional Services Contract

## Professional Services Agreement Addendum to Plante & Moran, PLLC Engagement Letter

The terms of this Professional Services Agreement are incorporated into the accompanying engagement letter (collectively, "Agreement") dated **April 10, 2023** between Plante & Moran, PLLC (referred to herein as "PM") and **Orange County Employees Retirement System (OCERS)** (referred to herein as "Client"). Any work performed in connection with the engagement before the date of this Agreement will also be governed by the terms and conditions of this Agreement.

1. **Management Responsibilities** – The services PM will provide are inherently advisory in nature. PM has no responsibility for any management decisions or management functions in connection with its engagement to provide these services. Further, Client acknowledges that Client is responsible for all such management decisions and management functions; for evaluating the adequacy and results of the services PM will provide and accepting responsibility for the results of those services; and for establishing and maintaining internal controls, including monitoring ongoing activities, in connection with PM's engagement. Client has designated **Example/ Director of Internal Audit, Example/ Director of Internal Audit**, to oversee the services PM will provide.

Client represents and warrants that any and all information that it transmits, or otherwise makes available, to Plante Moran will be done so in full compliance with all applicable federal, state, local, and foreign privacy and data protection laws, as well as all other applicable regulations and directives, as may be amended from time to time (collectively, "Data Privacy Laws"). Client shall not disclose personal data of data subjects ("Personal Data") who are entitled to certain rights and protections afforded by Data Privacy Laws to PM without prior notification to PM. Client shall make reasonable efforts to limit the disclosure of Personal Data to PM to the minimum necessary to accomplish the intended purpose of the disclosure to PM.

2. **Nature of Services** – PM's procedures will be applied to information and records provided to PM by Client. PM will rely on such underlying information and records and the procedures will not include audit or verification of the information and records provided to PM in connection with the procedures.

The procedures PM will perform will not constitute an examination or audit of any Client financial statements or any other items, including Client's internal controls. Additionally, this engagement will not include preparation or review of any tax returns or consulting regarding tax matters. If Client requires financial statements or other financial information for third-party use, or if Client requires tax preparation or consulting services, a separate engagement letter will be required. Accordingly, Client agrees not to associate or make reference to PM in connection with any financial statements or other financial information of Client. In addition, PM's engagement is not designed and cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, PM will inform you of any such matters that come to PM's attention.

PM may have agreed to provide documents in written or electronic form to Client as described in the accompanying engagement letter's Scope of Services (the "Deliverables"). Client agrees that it shall not rely, and will not induce or permit others to rely, upon any draft advice, opinions, information, reports, and other communications other than a final Deliverable. The content of any Deliverable or other advice provided during the provision of the services engaged hereunder is limited to the matters specifically addressed therein, and unless otherwise agreed in the accompanying engagement letter, does not address any other potential tax consequences, including the potential application of tax penalties to any matter. Once provided in final form, PM is not obligated to update any Deliverable to account for new information or changes in law.

3. **Use of Report** – At the conclusion of PM's procedures, PM will provide Client with a written report as described in the accompanying engagement letter. PM's report will be restricted solely to use by management of Client and Client agrees that PM's report will not be distributed to any outside parties for any purpose other than to carry out legal responsibilities of Client. PM will have no responsibility to update PM's report for any events or circumstances that occur or become known subsequent to the date of that report.
4. **Interactive Analyses and Visualizations** – In instances where PM expressly agrees in the accompanying engagement letter to provide interactive analyses or visualization tools (collectively, "Electronic Documents") to Client, such Electronic Documents will be provided in a format determined to be acceptable to both parties. Client acknowledges and agrees that Client's ability to access such Electronic Documents may require software programs that PM does not develop, license, or support, and Client shall be solely responsible for the costs to obtain, use, or support any such required software. PM makes no representation or warranty with respect to such software or the continuing functionality of such software relative to the Electronic Documents and disclaims any and all express

or implied warranties if any, associated with such software, its merchantability, and/or its fitness for any particular use by Client.

If and to the extent provided by PM, Electronic Documents are provided solely for the purpose of supporting the written report and are to be used only as expressly described in and authorized by the written report. PM disclaims any responsibility for any use of the Electronic Documents that is not expressly provided for in and authorized by the written report. Further, Client acknowledges that Client is solely responsible for evaluating the adequacy and accuracy of any results generated through the use of Electronic Documents. PM will have no responsibility to support or update the Electronic Documents for any events or circumstances that occur or become known subsequent to the date of their corresponding written report.

Client acknowledges that PM may utilize proprietary works of authorship that have not been created specifically for Client and were conceived, created, or developed prior to, or independent of, this engagement including, without limitation, computer programs, methodologies, algorithms, models, templates, software configurations, flowcharts, architecture designs, tools, specifications, drawings, sketches, models, samples, records, and documentation (collectively, "PM Intellectual Property"). Client agrees and acknowledges that PM Intellectual Property is and shall remain solely and exclusively the property of PM.

Upon payment for the engaged services, to the extent that PM incorporates PM Intellectual Property into the Electronic Documents (which PM shall do only as expressly provided for in the accompanying engagement letter), PM grants to Client a limited royalty-free, nonexclusive, right and license to use such incorporated PM Intellectual Property for internal purposes only and in the original format. Client agrees not to copy, publish, modify, disclose, distribute, decompile, reverse engineer, or create derivative works based on PM Intellectual Property. Notwithstanding the foregoing, in no event will PM be precluded from developing for itself or for others, works of authorship which are similar to those included in the written report.

If and to the extent PM shares information obtained from third-party data sources with Client, Client agrees not to (i) disclose or redistribute any such third-party data to third parties without the express written consent of PM; or (ii) attempt to extract, manipulate, or copy any embedded or aggregated third-party data from the Electronic Documents for any purpose.

5. **Confidentiality, Ownership, and Retention of Workpapers** – During the course of this engagement, PM and PM staff may have access to proprietary information of Client, including, but not limited to, information regarding general ledger balances, financial transactions, trade secrets, business methods, plans, or projects. PM acknowledges that such information, regardless of its form, is confidential and proprietary to Client. PM will comply with all applicable ethical standards, laws, and regulations as to the retention, protection, use, and distribution of such confidential client information. Except to the extent set forth herein, PM will not disclose such information to any third party without the prior written consent of Client.

In the interest of facilitating PM's services to Client, PM may communicate or exchange data by internet, email, facsimile transmission or other electronic methods. While PM will use its best efforts to keep such communications and transmissions secure in accordance with PM's obligations under applicable laws and professional standards, Client recognizes and accepts that PM has no control over the unauthorized interception of these communications or transmissions once they have been sent, and consents to PM's use of these electronic devices during this engagement.

Professional standards require that PM create and retain certain workpapers for engagements of this nature. All workpapers created in the course of this engagement are and shall remain the property of PM. PM will maintain the confidentiality of all such workpapers as long as they remain in PM's possession.

Both Client and PM acknowledge, however, that PM may be required to make its workpapers available to regulatory authorities or by court order or subpoena in a legal, administrative, arbitration, or similar proceeding in which PM is not a party. Disclosure of confidential information in accordance with requirements of regulatory authorities or pursuant to court order or subpoena shall not constitute a breach of the provisions of this Agreement. In the event that a request for any confidential information or workpapers covered by this Agreement is made by regulatory authorities or pursuant to a court order or subpoena, PM agrees to inform Client in a timely manner of such request and to cooperate with Client should Client attempt, at Client's cost, to limit such access. This provision will survive the termination of this Agreement. PM's efforts in complying with such requests will be deemed billable to Client as a separate engagement. PM shall be entitled to compensation for its time and reasonable reimbursement of its expenses (including legal fees) in complying with the request.

PM reserves the right to destroy, and it is understood that PM will destroy, workpapers created in the course of this engagement in accordance with PM's record retention and destruction policies, which are designed to meet all relevant regulatory requirements for retention of workpapers. PM has no obligation to maintain workpapers other than for its own purposes or to meet those regulatory requirements.

Upon Client's written request, PM may, at its sole discretion, allow others to view any workpapers remaining in its possession if there is a specific business purpose for such a review. PM will evaluate each written request

independently. Client acknowledges and agrees that PM will have no obligation to provide such access or to provide copies of PM's workpapers, without regard to whether access had been granted with respect to any prior requests.

6. **Consent to Disclosures to Service Providers** – In some circumstances, PM may use third-party service providers to assist PM with its services, including affiliates of PM within or outside the United States. In those circumstances, PM will be solely responsible for the provision of any services by any such third-party service providers and for the protection of any information provided to such third-party service providers. PM will require any such third-party service provider to: (i) maintain the confidentiality of any information furnished; and (ii) not use any information for any purpose unrelated to assisting with PM's services for Client. In order to enable these third-party service providers to assist PM in this capacity, Client, by its duly authorized signature on the accompanying engagement letter, consents to PM's disclosure of all or any portion of Client's information, including tax return information, to such third-party service providers, including affiliates of PM outside of the United States, if and to the extent such information is relevant to the services such third-party service providers may provide and agrees that PM's disclosure of such information for such purposes shall not constitute a breach of the provisions of this Agreement. Client's consent shall be continuing until the services provided for this engagement Agreement are completed.
7. **Protected Health Information** – If, and to the extent PM needs to review protected health information ("PHI") as defined under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") to perform the engaged services, Client agrees to separately execute a Business Associate Agreement, and Client agrees to make reasonable efforts to limit the disclosure of any PHI to the minimum amount necessary to accomplish the intended purpose of the disclosure to PM.
8. **Third-Party Data** – PM may reference third-party data sources in performing the services described in the accompanying engagement letter. Third-party data may include publicly available data, commercially available data licensed to PM, or information obtained from other sources. PM will use its judgment, discretion, best efforts, and good faith in evaluating the use of third-party data sources, but does not warrant or guarantee the accuracy, completeness, or timeliness of any data obtained from third-party data sources and disclaims any liability arising out of or relating to the use of data from third-party data sources. Client acknowledges that any commercially available third-party data sources referenced by PM are licensed to PM and PM's ability to share information obtained from commercially available third-party data sources is often restricted by the terms of use granted to PM by the licensor and, unless expressly set forth in the accompanying engagement letter, PM makes no representation or warranty that Client will have access to data obtained from third-party data sources. If and to the extent PM shares information obtained from third-party data sources with Client, Client agrees not to disclose or redistribute any such third-party data to third parties without the express written consent of PM. This Agreement does not convey to Client a sublicense to any third-party data source unless expressly agreed to in writing and signed by a duly authorized representative of PM. However, nothing herein shall prevent Client from directly contracting with or obtaining a license from any third-party data source if Client determines, in its sole discretion, that any such direct contract or license to be in its best interest.
9. **Fee Quotes** – In any circumstance where PM has provided estimated fees, fixed fees or not-to-exceed fees ("Fee Quotes"), these Fee Quotes are based on Client personnel providing PM staff the assistance necessary to satisfy Client responsibilities under the scope of services. This assistance includes availability and cooperation of those Client personnel relevant to PM's procedures and providing needed information to PM in a timely and orderly manner. In the event that undisclosed or unforeseeable facts regarding these matters causes the actual work required for this engagement to vary from PM's Fee Quotes, those Fee Quotes will be adjusted for the additional time PM incurs as a result.

In any circumstance where PM's work is rescheduled, PM offers no guarantee, express or implied, that PM will be able to meet any previously established deadline related to the completion of PM's work. Because rescheduling its work imposes additional costs on PM, in any circumstance where PM has provided Fee Quotes, those Fee Quotes may be adjusted for additional time PM incurs as a result of rescheduling its work.

PM will advise Client in the event these circumstances occur; however, it is acknowledged that the exact impact on the Fee Quote may not be determinable until the conclusion of the engagement. Such fee adjustments will be determined in accordance with the Fee Adjustments provision of this Agreement.

10. **Payment Terms** – PM's invoices for professional services are due upon receipt unless otherwise specified in the accompanying engagement letter. In the event any of PM's invoices are not paid in accordance with the terms of this Agreement, PM may elect, at PM's sole discretion, to suspend work until PM receives payment in full for all amounts due or terminate this engagement. In the event that work is suspended, for nonpayment or other reasons, and subsequently resumed, PM offers no guarantee, express or implied, that PM will be able to meet any previously established deadlines related to the completion of PM's consulting work or issuance of PM's consulting report upon resumption of PM's work. Client agrees that in the event that work is suspended, for non-payment or other reasons, PM shall not be liable for any damages that occur as a result of PM ceasing to render services.



11. **Fee Adjustments** – Any fee adjustments for reasons described in this Agreement will be determined based on the actual time expended by PM staff at the hourly rates stated in this Agreement, plus all reasonable and necessary travel and related costs PM incurs, and included as an adjustment to PM's invoices related to this engagement. Client acknowledges and agrees that payment for all such fee adjustments will be made in accordance with the payment terms provided in this Agreement.
12. **Force Majeure** – Neither party shall be deemed to be in breach of this Agreement as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, acts of God, war, other violence, epidemic, pandemic, or other public health emergency or government mandated shut down (each individually a "Force Majeure Event"). A Force Majeure Event shall not excuse any payment obligation relating to fees or costs incurred prior to any such Force Majeure Event.
13. **Exclusion of Certain Damages** – Except to the extent finally determined to have resulted from PM's gross negligence or willful misconduct, the liability of PM and any of PM's officers, directors, partners, members, managers, employees; its affiliated, parent or subsidiary entities; and approved allied third-party service providers (collectively, "PM Persons") for any and all claims, losses, costs, and damages of any nature whatsoever is limited so that the total aggregate liability of the PM and/or the PM Persons with respect to and arising out of the services provided hereunder shall not exceed the total fees paid to PM for the services provided in connection with this Agreement. It is agreed that these limitations on PM's and the PM Persons' maximum liability are reasonable in view of, among other things, the nature, scope, and limitations of the services PM is to provide, and the fees PM is to receive under this engagement. In no event shall the PM or the PM Persons be liable, whether a claim be in tort, contract, or otherwise, for any consequential, indirect, lost profit, punitive, exemplary, or other special damages. The exclusion of certain damages as set forth in this Section apply to any and all liabilities or causes of action against PM and/or the PM Persons, however alleged or arising, unless and to the extent otherwise prohibited by law. This provision shall survive the termination of this engagement.

In the event this Agreement expressly identified multiple phases of services, the total aggregate liability of PM shall be limited to no more than the total amount of fees received by PM for the particular phase of services alleged to have given rise to any such liability.

14. **Defense, Indemnification, and Hold Harmless** – As a condition of PM's willingness to perform the services provided for in the accompanying engagement letter, Client agrees to defend, indemnify, and hold PM and the PM Persons harmless against any claims by third parties for losses, claims, damages, or liabilities, to which PM or the PM Persons may become subject in connection with or related to the services performed in the engagement, unless a court having jurisdiction shall have determined in a final judgment that such loss, claim, damage, or liability resulted primarily from the willful misconduct or gross negligence of PM, or one of the PM Persons. This defense, indemnity, and hold harmless obligation includes the obligation to reimburse PM and/or the PM Persons for any legal or other expenses incurred by PM or the PM Persons, as incurred, in connection with investigating or defending any such losses, claims, damages, or liabilities.
15. **Limitation on Period to File Claims** – Any claim (based in contract, tort, or any other basis) made by either party shall be deemed waived if such claim is not the subject of a lawsuit filed within two years of the conclusion of this engagement. This provision shall not apply to any indemnification obligation created by this Agreement or applicable law, or to any action to recover fees for services provided under this Agreement.
16. **Legal Advice** – Client acknowledges that some of PM's partners and employees are licensed to practice law, but PM is not registered as a law firm in any jurisdiction. Client shall not rely upon any advice given by PM, any PM partner or employee (collectively, the "PM Persons") as legal advice, nor shall Client rely upon the PM Persons to satisfy, or assist Client in satisfying, any legal obligations. Upon request, PM may assist Client through the recommendation of counsel who may assist Client. Where such assistance is provided, Client agrees to hold PM harmless, and indemnify PM for the claims of third parties, for all damages claimed as a result of PM's recommendations.
17. **Conditions of PM Visit to Client Facilities** – Client agrees that some or all of PM's services may be provided remotely. In order to facilitate the provision of services remotely, Client agrees to provide documentation and other information reasonably required by PM for PM's performance of the engaged services electronically to the extent possible throughout the course of the engagement. In the event in-person visits to Client's facilities are requested by Client or otherwise determined by PM to be necessary for the performance of the engaged services, Client agrees, upon PM's request, to provide Client's policies and procedures that Client has implemented relating to workplace safety and the prevention of the transmission of disease at its facilities. In addition, Client affirms that it is in compliance with applicable Centers for Disease Control and Prevention and OSHA guidance pertaining to the prevention of the transmission of disease (collectively, "Applicable Preventative Guidance") and agrees that it shall continue to comply with Applicable Preventative Guidance throughout any in-person visits by PM to Client's facilities. Notwithstanding the foregoing, PM reserves the right to suspend or refrain from any in-person visit by PM to Client's facilities or impose further conditions on any such in-person visit if and as PM deems necessary. Client

agrees and acknowledges that any determination by PM to visit Client's facilities is not and shall not be construed to be or relied on by Client as a determination by PM of Client's compliance with Applicable Preventative Guidance.

18. **Receipt of Legal Process** – In the event PM is required to respond to a subpoena, court order, or other legal process (in a matter involving Client but not PM) for the production of documents and/or testimony relative to information PM obtained and/or prepared during the course of this engagement, Client agrees to compensate PM for the affected PM staff's time at such staff's current hourly rates, and to reimburse PM for all of PM's out-of-pocket costs incurred associated with PM's response unless otherwise reimbursed by a third party.
19. **Termination of Engagement** – This engagement may be terminated by either party upon written notice. Upon notification of termination of this engagement, PM will cease providing services under the engagement. Client shall compensate PM for all time expended and reimburse PM for all out-of-pocket expenditures incurred by PM through the date of termination of this engagement.
20. **Entire Agreement** – This Agreement is contractual in nature and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this Agreement supersede any prior oral or written representations or commitments by or between the parties regarding the subject matter hereof. Any material changes or additions to the terms set forth in this Agreement will only become effective if evidenced by a written amendment to this Agreement, signed by all of the parties.
21. **Severability** – If any provision of this Agreement (in whole or part) is held to be invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.
22. **Conflicts of Interest** – PM's engagement acceptance procedures include a check as to whether any conflicts of interest exist that would prevent PM's acceptance of this engagement. No such conflicts have been identified. Client understands and acknowledges that PM may be engaged to provide professional services, now or in the future, unrelated to this engagement to parties whose interests may not be consistent with interests of Client.
23. **Electronic Signatures** – The parties intend that any electronic signature shall be given full legal effect as if it were a handwritten signature.
24. **Governing Law** – This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, and jurisdiction over any action to enforce this Agreement, or any dispute arising from or relating to this Agreement shall reside exclusively within the State of Michigan.

### **End of Professional Services Agreement**





**We look forward to working with you.  
Please contact us with any questions.**



**Troy Snyder, CICA**  
Engagement Partner  
248-223-3273  
troy.snyder@plantemoran.com

According to our recent client satisfaction survey,

**99%**

of clients say they

**would recommend  
Plante Moran.**



A PROPOSAL PRESENTED TO  
**ORANGE COUNTY  
EMPLOYEES RETIREMENT  
SYSTEM**

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# QUALITY ASSESSMENT PROPOSAL

Prepared March 24, 2023



March 24, 2023

David Kim  
Chief Audit Executive  
Orange County Employees Retirement System  
2223 E. Wellington Ave, Ste 350  
Santa Ana, CA 92701  
dkim@ocers.org

Dear David Kim:

On behalf of IIA Quality Services, thank you for the opportunity to submit a proposal to perform a Quality Assessment for Orange County Employees Retirement System (OCERS).

Our proposed Quality Assessment will fully conform to the requirements set forth in The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* and will provide an independent evaluation performed by internal auditing peers. Assessment teams are comprised of audit professionals possessing broad experience and respected credentials. Each assessment team is led by a senior-level Team Leader who is well-versed in The IIA's *Standards*, internal audit techniques, and industry best practices.

This Quality Assessment proposal is provided to you and your organization in response to your recent request. Our assessment methodology is rooted in The IIA's *Quality Assessment Manual for the Internal Audit Activity (Manual)*. The *Manual* emphasizes the role and relationships of the internal audit activity in your organization's governance, enterprise risk management, and other processes adopted by your organization for managing both your internal audit practice as well as resources from the Chief Audit Executive's viewpoint.

This proposal is valid for 60 days from the date of this letter. IIA Quality Services reserves the right to revise fees and related expenses if your organization experiences significant organizational changes and/or requests scope revisions.

Again, thank you for this opportunity to present our proposal. Please contact us with any questions about this proposal. We look forward to working with you during your upcoming Quality Assessment.

Sincerely,



Nick Olson  
Manager, IIA Quality Services

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## EXECUTIVE SUMMARY

IIA Quality Services' mission is to elevate professionalism within internal auditing and conformance to The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* by providing knowledge resources to internal audit activities. For over 20 years, our experienced team of assessors have provided Full-Scope External Quality Assessments, Self-Assessments with Independent Validation, Readiness Assessments, and consultancy services to organizations of all sizes across all industries. This expertise provides IIA Quality Services with a unique advantage to objectively review your organization's internal audit activity.

The scope of our Quality Assessments has evolved in recent years from that of "conformance" to the *Standards* to our current approach which primarily focuses on how to improve the efficiency and effectiveness of the internal audit activity through an interactive approach with the Chief Audit Executive (CAE). This "future-focused" approach is designed to provide your organization's audit committee, executive management, and CAE with recommendations for aligning with the organization's strategies to improve its effectiveness and add more value, in addition to providing a conformance opinion related to the *Standards*, audit charter, plans, and policies.

Our informed, experienced, and objective team of assessors strive to provide your organization with counsel, ideas, and suggestions that will improve the management of the internal audit activity and increase the value provided to the organization's governance process. This is achieved through an evaluation of the following:

- The extent of internal audit activity alignment with the organization's strategic business plan and enterprise risk management
- Whether the audit plan adheres to the requirements set by the audit committee
- The maturity and credibility of the internal audit activity within the organization
- The effectiveness of the entire spectrum of assurance and advisory work performed by the internal audit activity, in conformance to the *Standards*

## SCOPE AND OBJECTIVES

### SCOPE

To meet governance obligations and provide assurance for stakeholders, OCERS seeks to retain the external services of a qualified and experienced assessor to execute its External Quality Assessment (EQA). Results of the EQA will fulfill the requirements of The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* and provide for successful practice implementation.

IIA Quality Services is uniquely positioned to provide your organization with a high-quality, value-added EQA service. First, our EQA is a true peer review based on the industry's recognized authority on internal auditing, The IIA. Second, our EQA program was developed and tested by internal auditors. Third, our experience spans the world and covers all sectors of economy, from business, to industry, and to government.

IIA Quality Services' assessment teams are comprised of former Chief Audit Executives (CAEs) and/or senior internal audit management professionals possessing stellar credentials, a deep knowledge of the EQA methodology, and vast experience across all industries.

### OBJECTIVES

The objectives of this EQA are as follows:

- Provide an opinion as to whether the internal audit activity conforms to The IIA's International Professional Practices Framework (IPPF) and The IIA's Code of Ethics
- Review implementation of the *Standards*, including the existence of a Quality Assurance process
- Assess the efficiency and effectiveness of the internal audit activity in light of:
  - its charter
  - expectations of the audit committee, executive management, and the CAE
  - current needs and the future direction and goals of the organization
- Identify opportunities and provide ideas and counsel for improving performance
  - By implementing selected successful practices, the internal audit activity will increase its value to management and the audit committee, as well as further promote the image and credibility of the internal audit activity within the organization
- Review interaction with the other members of the governance process and involvement in the enterprise risk assessment process, the building of the audit universe, and preparation of audit schedules
  - This includes assessing your annual and long-range audit plans to determine whether audit areas represent current and future business plans, strategy, exposures, and operations
- Determine the perception of internal auditing through interviews and surveys with executive management and customers, providing insights into their level of satisfaction with internal auditing's services, along with appropriate suggested changes
- Review and identify ways to enhance policies and practices, as well as coordination with external audit partners

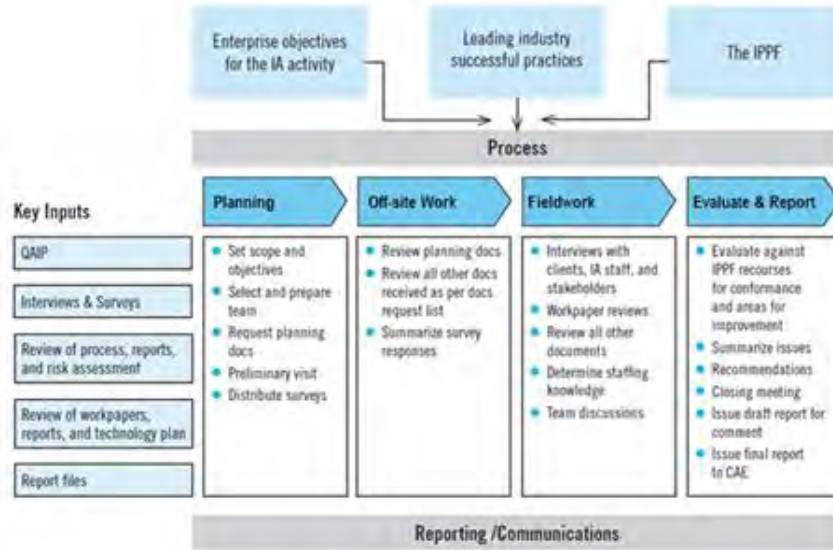
# APPROACH

## METHODOLOGY

IIA Quality Services' methodology is primarily based on The IIA's *Quality Assessment Manual (Manual)*. The *Manual* considers the effectiveness of internal audit in the eyes of the audit committee, senior management, and other stakeholders. Our methodology is executed by our seasoned cadre of Quality Assessment subject matter experts who possess a strong blend of Quality Assessment experience, internal audit leader/practitioner experience, internal audit leading practices, and survey analysis/benchmarking.

The EQA process reflects coverage of the areas contained in The IIA's *Definition of Internal Auditing*. Utilizing the *Manual* involves interaction with various governance participants. The *Manual* responds to the increasing expectations of CAEs as to how their activities can improve performance and add value to clients and stakeholders within the organization. Concepts and ideas for doing so have general application to internal audit activities of any size and industry.

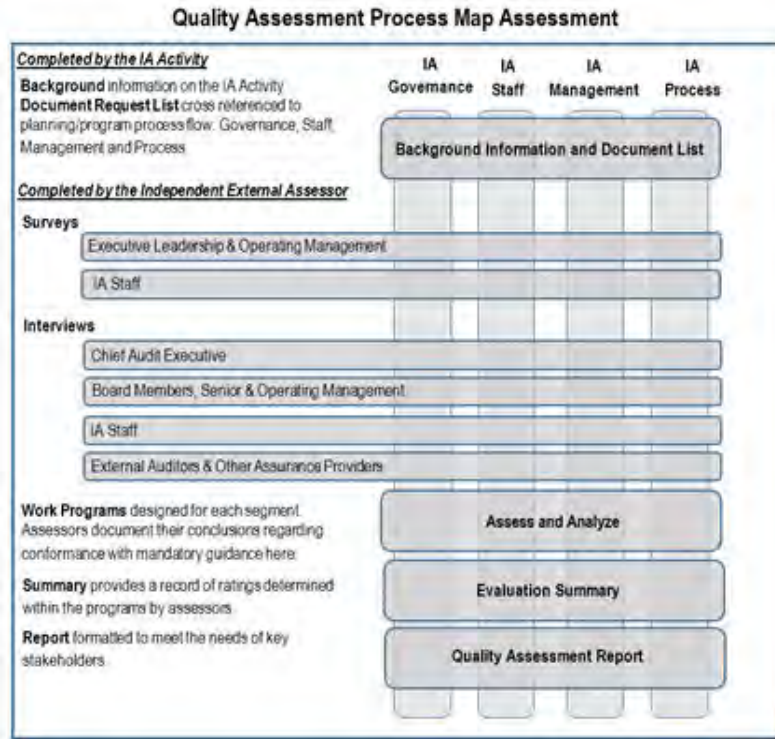
The EQA process is depicted in the following Program Methodology graphic:





## PROCESS MAP

The *Manual* divides the assessment process into four segments, which are shown below in the Process Map illustration:



We will consider various data points as part of our effort to provide value added information, recommendations, and successful practices throughout the EQA process. We possess a robust repository of knowledge and resources to enable the achievement of the EQA’s objectives. An Effectiveness Framework will be included as part of the EQA that describes the characteristics of infrastructure, process, and quality associated with differing levels of effectiveness for the Core Principles as evaluated for your organization’s internal audit activity.

## RESULTS

Upon conclusion of the EQA, we will deliver a report comprised of the following sections:

- Executive Summary and Summary Observations
- Opinion as to Conformance with the *Standards* and the Code of Ethics
- Objectives, Scope, and Methodology
- Successful Internal Audit Practices
- Gaps to Conformance with the *Standards*
- Opportunities for Continuous Improvement
- Survey Results (client and staff satisfaction, including a CAE comparison)

Throughout the EQA, our team will share successful practices and may produce a separate memorandum listing items that do not require immediate remediation or attention.



## ASSESSMENT TIMELINE

We estimate the EQA of OCERS will span 12 weeks. This estimation is subject to change and is based on several factors, such as audit department size and the number of audit reports issued each year. Project milestones and related dates are listed below for your reference. An alternate schedule may be considered as necessary.

	Activities	Dates
Planning and Preparation	<b>Survey</b> Internal Audit Department determines number of invitations	06/05/23
	<b>Survey</b> Internal Audit Department sends survey email invitations	06/12/23
	<b>Survey</b> Responses due from survey participants	06/26/23
	<b>Preliminary Meeting</b> Conducted by video conference	06/26/23
	<b>Quality Assessment Manual</b> Internal Audit Department submits Appendix A to IIA Quality Services	07/03/23
Fieldwork	<b>Assessment Period</b>	07/17/23 - 07/21/23
Evaluate and Report	<b>Draft Report</b> IIA Quality Services issues draft report	08/04/23
	<b>Draft Report</b> Reply to draft report and send to IIA Quality Services	08/18/23
	<b>Final Report</b> IIA Quality Services issues final report	08/25/23

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## FEES, EXPENSES, AND TERMS

Our proposed fee for this assessment is \$27,274. Fieldwork will be conducted virtually.

Additional meetings required by your organization upon conclusion of the closing meeting (such as an Audit Committee meeting) will incur additional fees and travel expenses, if applicable, that will be negotiated as necessary.

The fee is due upon receipt of our invoice. Accepted payment methods are Automated Clearing House (ACH) or wire transfer. Payment may not be made via credit card. Our services are considered rendered and completed upon the conclusion of the exit meeting. You will receive a final Quality Assessment report upon our receipt of your invoice payment in full.

An example of our Standard Terms and Conditions is included within Attachment A.

Please email [Quality@theiia.org](mailto:Quality@theiia.org) with questions regarding this proposal.

## ASSESSMENT TEAM

IIA Quality Services retains a seasoned cadre of Quality Assessment subject matter experts. Our teams possess a strong blend of Quality Assessment experience, internal audit leader/practitioner experience, internal audit leading practices, and survey analysis/benchmarking. Employing a consultative approach, our teams guide internal audit practitioners in collaboration with The IIA's methodology to perform Quality Assessments for clients spanning all industries across the world.

Your Assessment Team will be comprised as follows:

Role	Name
<b>Team Leader</b>	Steve Goodson
<b>Project Manager</b>	Nick Olson

The biography document of your Assessment Team's proposed Team Leader is included under separate cover for your review and approval. We will provide Team Member biography documentation for your review and approval upon your acceptance of this proposal should the size of your engagement warrant additional assessors. We will provide other qualified candidates for your review and approval should you have any reservations or concerns about the proposed Assessment Team.

Your Assessment Team is committed to your organization and will be available throughout the engagement to respond to any questions, comments, and/or concerns.

# ATTACHMENT A

## IIA QUALITY SERVICES, LLC'S STANDARD TERMS AND CONDITIONS

### 1. Confidential information.

- 1.1 The parties acknowledge that in the course of this Agreement they will have access to, and/or will be in possession of, confidential information ("Confidential Information") of the other party.
- 1.2 Confidential Information means information regarded by the disclosing party as confidential, including information relating to its past, present, or future research, development, or business affairs; future project purchases; any proprietary products, materials, or methodologies; all items prepared for and submitted by you in connection with Services performed under this Agreement, including drafts and associated material, and any other information marked or, in the case of information verbally disclosed, verbally designated as confidential at the time of disclosure by that party.
- 1.3 Confidential Information does not include information which (i) is or becomes generally available to the public other than as a result of an improper or unauthorized disclosure by the receiving party in breach of this Agreement, (ii) was known by or in the receiving party's possession prior to its being furnished to the other party pursuant to this Agreement, (iii) is or becomes available to the receiving party on a non-confidential basis from a source other than the disclosing party, or (iv) was or is developed by the receiving party independently of the Confidential Information.
- 1.4 Each party shall hold in confidence, in the same manner as it holds its own Confidential Information of like kind, all Confidential Information of the other party to which it may have access hereunder. Access to Confidential Information shall be restricted to the receiving party's personnel with a need to know and who are engaged in a permitted use under this Agreement. IIA Quality Services' Deliverable Products marked confidential shall neither be exhibited nor distributed in any way to parties external to Company.
- 1.5 If disclosure is required by applicable law, regulation, judicial or administrative process, the party required to make such disclosure will provide the other party with prompt written notice thereof, and if practical under the circumstances, allow the other party to seek a restraining order or other appropriate relief, at such party's sole cost and expense.
- 1.6 This Section 1 shall survive termination or expiration of this Agreement for any reason.

### 2. Limitation on liability.

- 2.1 IIA Quality Services' liability for all claims, losses, liabilities, or damages arising from or in connection with this Agreement will be limited to the total amount of fees paid by Company.
- 2.2 In no event will either party, its officers, agents, and employees be liable under or in connection with this Agreement under any theory of tort, contract, strict liability, or other legal or equitable theory for lost profits, special, incidental, or consequential damages.

**3. Mutual indemnity.** Each party will indemnify, defend and hold harmless the other party and their respective affiliates, officers, directors, partners and employees from and against any and all demands, claims, causes of action, damages, costs, and expenses (including reasonable legal fees) resulting from the respective parties' act, omission, or negligence in connection with the performance of this Agreement.

- 3.1 This Section 3 shall survive termination or expiration of this Agreement for any reason.

### 4. No warranty.

- 4.1 IIA Quality Services does not warrant the internal audit functions of Company and will not be responsible for claims, losses, damages, governmental charges, fines, or costs, including reasonable attorney's fees arising from or related to (i) Company's use of or reliance upon Services or (ii) IIA Quality Services' failure to disclose any inadequacy of Company's internal audit functions.

4.2 IIA Quality Services claims no responsibility to third parties for damages or losses arising from their reliance on the information and recommendations issued by IIA Quality Services resulting from activities under this Agreement.

5. **Independent contractor.** IIA Quality Services and Company are independent contractors under this Agreement, and none of the provisions of this Agreement shall be interpreted or deemed to create any relationship between the parties other than that of independent contractors.

6. **IIA Quality Services personnel.**

6.1 IIA Quality Services personnel shall be and will remain at all times, during this Agreement, employees or independent contractors of Quality Services. Company shall not be responsible for any payments due IIA Quality Services employees or independent contractors in connection with this Agreement.

6.2 IIA Quality Services employees or independent contractors who are found, in Company's sole opinion to be unsatisfactory for services to be performed hereunder, shall be removed by IIA Quality Services immediately upon receipt of written notice from Company. Such employee or independent contractor shall be replaced with another IIA Quality Services employee or independent contractor satisfactory to Company as soon as possible.

7. **Termination.** IIA Quality Services will not be liable for any loss, costs, or expenses arising from termination of this Agreement.

8. **General.**

8.1 **Governing law.** The Agreement and any dispute arising from it will be governed by the laws of the State of Florida and is subject to the exclusive jurisdiction of the courts of Seminole County, Florida.

8.2 **Force majeure.** Neither party will be held liable nor deemed to be in default of this Agreement if it is prevented from carrying out its obligations due to causes beyond its reasonable control, including any act of God, epidemic, pandemic, government restriction, fire, natural disaster, accident, war, acts of war (declared or not), insurrections, riots, civil commotion, strikes (except own staff), lockouts or any other labor disturbances, shortages in the marketplace, or acts, omissions or delays in acting by any governmental authority.

8.3 **Entire agreement.** The Agreement, once executed by both parties, forms the entire agreement between the parties in relation to the Services. It replaces any earlier agreements, representations or discussions.

8.4 **Survival.** Any clause that is meant to apply after termination of this Agreement will do so.

8.5 **Client Evaluation Survey.** Upon issuance of the Company's final Quality Assessment report, the client contact will be requested to complete a survey to evaluate their experience with IIA Quality Services. IIA Quality Services has the right to share the Company's responses to questions that concern the audit platform in the Client Evaluation Survey with the third-party provider of the audit platform in an anonymous fashion.

8.6 **Severability.** If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this Agreement will remain effective.

8.7 **Assignment.** Without written consent, neither you nor IIA Quality Services may assign any rights, obligations or claims under this Agreement.

8.8 **Captions and headings.** The captions and headings herein are for convenience only and in no way shall be used in the interpretation or construction of this Agreement.

8.9 **Notices.** Any notice required or permitted to be made or given to either party hereto will be sufficiently made or given on the date of receipt or on the refusal date as specified on the return receipt in the case of overnight courier, certified mail, or electronic mail, if sent to such party at its address, or such other address as it shall designate by written notice to the other party. Notice shall be deemed given on the date of delivery in the case of personal delivery.

8.10 **Payment.** Unless specifically stated on the invoice, the fee stated excludes all local and/or withholding taxes. Local and/or withholding taxes are the sole responsibility of the client and are not to be deducted or withheld from the client's payment of the invoiced fee. The amount paid by the client is expected to match the fee stated on the Engagement Letter and invoice.



## IIA Quality Services ASSESSOR BIOGRAPHY



### **STEVE GOODSON**

CIA, CISA, CGAP, CCSA,  
CRMA, CLEA

University of North Texas  
Master of Business  
Administration Degree

Stephen F. Austin State  
University  
Bachelor of Science Degrees in  
Business and Sociology

Steve Goodson has over 30 years of internal audit experience, including over 14 years as a Chief Audit Executive. Steve now provides internal audit consulting services and teaches internal audit to graduate students at The University of Texas' McCombs School of Business in Austin, TX. Steve has been the recipient at least six External Quality Assurance assessments and has participated in over two dozen assessments.

Steve has served as the Chief Audit Executive for the University of North Texas System, the Texas Department of Public Safety, and the Texas Commission on Environmental Quality.

Steve has experience in state government, higher education, healthcare and non-profit areas. Steve is experienced in understanding and documenting a wide variety of internal control systems including the accounting and technology areas. He has managed audit functions for billion dollar organizations with staff sizes varying from 18 to 25 professionals.

Steve graduated from Stephen F. Austin State University in 1985 with majors in Business and Sociology. He earned a Master's Degree in Business Administration from the University of North Texas in 2017. Steve is a graduate of the Texas Governor's Management Development Program and is a Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and Certified Government Auditing Professional (CGAP). He also holds certification in Control Self-Assessment (CCSA), Risk Management Assurance (CRMA) and is a Certified Law Enforcement Auditor (CLEA).

In 2002, Steve cofounded the Texas Internal Audit Leadership Development Program, an initiative that continues today. He has served as Governor for the Austin Chapter of The IIA, CISA Coordinator for ISACA Austin, and as Recorder, Vice Chairman, and Chair of the Texas State Agency Internal Audit Forum. He has served on The IIA's International Committee of Research and Education Advisors and on the Advisory Board for the American Center for Government Auditing.





## Memorandum

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**DATE:** June 1, 2023  
**TO:** Members of the Audit Committee  
**FROM:** D. Kim, Director of Internal Audit  
**SUBJECT:** CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q1 2023)

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### Recommendation

Receive and file.

### Background/Discussion

Internal Audit's 2023 audit plan included a process of auditing Final Average Salary (FAS) calculations. Internal Audit completed a review of FAS calculations for new benefit payments setup during the 1<sup>st</sup> quarter of 2023. As per the December 15, 2022 Audit Committee meeting, OCERS Management established a \$10 reportable threshold for benefit errors below which items are not included in the FAS error rate calculation. OCERS Management will continue to correct all errors, regardless of the dollar amount of the error. Internal Audit included a summary of the errors below the reportable threshold as an appendix in this report.

There were no reportable FAS calculation errors identified of the 40 FAS calculations reviewed from the 1<sup>st</sup> quarter.

The full audit report is attached.

### Submitted by:



**DK- Approved**

---

David Kim  
Director of Internal Audit



**Continuous Audit of Final Average Salary  
Calculations (Q1 2023)**

**Report Date: June 1, 2023**

**Internal Audit Department**



**OCERS Internal Audit**  
**Continuous Audit of Final Average Salary Calculations (Q1 2023)**  
**June 1, 2023**

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### Audit Objective and Scope

The objective of this audit was to provide an independent review of Final Average Salary (FAS) calculations used in new benefit payments setup by OCERS' Member Services, on a continuous basis.

A total of 102 new service retirement benefits were set up by Member Services for the 1<sup>st</sup> Quarter of 2023. Internal Audit reviewed the FAS calculations for 40 of these benefits.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

OCERS Management established a \$10 reportable threshold for benefit errors below which items are not included in the FAS error rate calculation. The reportable threshold was reviewed and approved at the December 2022 Audit Committee meeting. OCERS Management will continue to correct all errors, regardless of the dollar amount of the error. Internal Audit included a summary of the errors below the reportable threshold as an appendix in this report.

### Conclusion / Executive Summary

**Opinion: *Satisfactory***

During our review, Internal Audit did not note any reportable FAS calculation errors with our test sample for a 100% accuracy rate.

<p><b>Priority Observations</b></p> <div style="background-color: #4a7ebb; color: white; text-align: center; width: 40px; height: 40px; margin: 5px auto; border-radius: 5px;">0</div> <p><b>Important Observations</b></p> <div style="background-color: #4a7ebb; color: white; text-align: center; width: 40px; height: 40px; margin: 5px auto; border-radius: 5px;">0</div>	<p><b>Priority Observations</b> None</p> <p><b>Important Observations</b> None</p>
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### Background

To finalize each retiree's FAS, Member Services uses a retirement transaction Excel spreadsheet. In the spreadsheet, Member Services inputs a preliminary FAS number calculated by the pension administration system after reviewing it, and also inputs other manually calculated pensionable pay amounts not captured or calculated by the pension

administration system. To calculate these amounts, the Retirement Program Specialist (RPS) must reference a variety of external data sources provided by employers, such as hourly rate history, timesheet data, and relevant Employer MOUs. A Member Services Quality Assurance team member then reviews the final FAS calculated by the RPS.<sup>1</sup>

Internal Audit independently tested 40 FAS calculations from the January, February, and March 2023 benefit payroll months, and performed the following:

- Recalculated the member’s preliminary FAS calculation and reviewed the documentation used by Member Services to support the preliminary FAS calculation.
- Recalculated Member Service’s manual calculations of other pensionable pay item amounts (typically pensionable paid time off, or PTO) manually added to the preliminary FAS and reviewed the documentation used by Member Services to support their calculations.

Below is a summary of IA’s error rate noted in the current audit, plus error rates noted in prior 2021 and 2022 audits:

<b>Error Rates Prior to establishment of \$10 Reportable Threshold</b>				
<b>Quarter</b>	<b>Benefit Applications</b>	<b>Tested by Internal Audit (IA)</b>	<b>IA Error Count</b>	<b>IA Error Rate</b>
Q3/2021	75	75	6	8.0%*
Q4/2021	154	134	2	1.5%*
Q1/2022	196	50	2	4.0%*
Q2/2022	607	41	1	2.4%*
Q3/2022	151	40	0	0.0%
<b>Current Error Rate using the \$10 Reportable Threshold</b>				
Q1/2023	102	40	0	0.0%

\*Each of these quarters contained at least one month with 100% accuracy

<sup>1</sup> For 1<sup>st</sup> Quarter 2023, for business reasons, Management elected to temporarily suspend the QA review process if the FAS calculations were performed by management or a team member of the Transactions Processing team who has shown to consistently meet the accuracy goals of the department.

**Copies to:**

S. Delaney  
S. Jenike  
M. Murphy  
G. Ratto  
B. Shott

S. Ardeleanu  
J. Lamberson  
Audit Committee Members

**Appendix**

**FAS Error Summary - Below the \$10 Reportable Threshold (Q1 2023)**

Sample	Monthly Benefit Payment Error	Nature of FAS Error	Systemic
1	Original monthly benefit of \$9,877.95 <b>underpaid by \$5.47.</b>	Proration error with pay item - Manual	No
2	Original monthly benefit of \$2,511.63 <b>overpaid by \$0.28.</b>	Holiday pay error - Manual	No

### **Categories of Observations (Control Exceptions):**

#### **Priority Observations:**

These are observation(s) that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise OCERS' reputation or integrity. Management is expected to address Priority Observations brought to its attention immediately.

#### **Important Observations:**

These items are important to the process owner and they do impact the control environment and/or could be observations for improving the efficiency and/or effectiveness of OCERS' operations. Management is expected to address within six to twelve months.

### **Management's Responsibility for Internal Control**

Management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls. Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure are the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our Internal Control Audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and self-assessment of control risks.

### **Internal Control Limitations**

Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with OCERS' policies.

**Audit Report Opinions:**

**Satisfactory:**

No issues or a limited number of “Important Observations” (typically no more than two Important Observations).

**Opportunities for Improvement:**

Multiple issues classified as “Important Observations” (typically two or more Important Observations) with no more than one “Priority Observations”.

**Inadequate:**

Usually rendered when multiple issues are classified as “Priority” ” (typically one or more Priority Observations), together with one or more other issues classified as “Important Observations”. The Priority Observations identified have a major effect on processes, plan sponsors/members, financials, and/or regulatory requirements.



## Memorandum

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**DATE:** June 1, 2023  
**TO:** Members of the Audit Committee  
**FROM:** David Kim, Director of Internal Audit  
**SUBJECT:** MANAGEMENT ACTION PLAN VERIFICATION REPORT

---

### *Written Report*

#### **Background/Discussion**

Under the International Standards for the Professional Practice of Internal Auditing (“Standards”), Internal Audit must establish and maintain a system to monitor the disposition of prior results communicated to management. This includes a follow-up process to monitor and ensure that management action plans have been implemented or that management and the Audit Committee has accepted the risk of not taking action.

The follow-up on management action plans (MAPs) involves:

- Confirming management has implemented an action plan and no further action is required.
- Internal Audit has tested the operational effectiveness MAP.

The following report contains the status of the MAPs that have been reported to the Audit Committee:

- For the MAPs noted as Open, Internal Audit will continue to work with the respective parties until the MAP is closed and verified.
- For the MAPs noted as Closed – No Further Action Required (YTD), Internal Audit has confirmed the MAPs have been implemented and operating effectively during the current year.
- For the MAPs noted as Closed – No Further Action Required (Prior Years), MAPs that have been implemented and confirmed as operating effectively prior to the current year.

Please note, the report has been modified to report open action plans by project followed by closed action plans by project.

Submitted by:



**DK - Approved**

---

David Kim  
Director of Internal Auditor





### Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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REPORTING FOR: 2018, 2019, 2020, 2021, 2022, 2023, ARCHIVED	OPEN	Closed - No Further Action Required (YTD)	Closed - No Further Action Required (Prior Years)	Total
<b>Process Owner</b>				
EMPLOYER	3	6	13	22
EXECUTIVE	1	6	5	12
FINANCE	0	0	20	20
INFORMATION SECURITY	1	0	0	1
INFORMATION TECHNOLOGY	8	0	9	17
INVESTMENTS	0	0	10	10
MEMBER SERVICES	2	8	35	45
<b>Total Count:</b>	<b>15</b>	<b>20</b>	<b>92</b>	<b>127</b>



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 26 - Audit of Orange County Fire Authority (2018)

**REPORT DATE:** 10/23/2018

OPEN

**Open Observations:** 1

**OBSERVATION #6 - V3 CONTRIBUTION RATE CONFIGURATIONS SOD - THERE IS NOT A PROPER SEGREGATION OF DUTIES WITHIN OCERS' IT DIVISION IN REGARDS TO THE CONFIGURATION OF CONTRIBUTION RATES IN V3.**

**Process Owner:** INFORMATION TECHNOLOGY

**Due Date:** 06/30/2023

**Action Plan:** Management agreed to the following recommendation: OCERS' management should re-assign the duties of configuring updated rates in V3 from OCERS' Director of IT to the appropriate personnel for cross-training, process documentation, and backup purposes. The revised process will encompass multiple departments, and will segregate duties related to preparing the rate schedules, data input into V3 and verification/audit of contribution rates.

**IA Follow-Up:** Internal Audit has spoken with management about action plan and will verify when duties are transitioned. The duties have been segregated among different departments. IT is finalizing the procedural document to configure the contribution tables in V3.

**Project:** 6 - 1901 - Finance Contributions audit

**REPORT DATE:** 05/16/2019

OPEN

**Open Observations:** 1

**OBSERVATION #1 - A FORMAL PERIODIC REVIEW OF PROPER USER ACCESS TO OCERS APPLICATIONS AND NETWORK IS NOT DOCUMENTED BY THE APPROPRIATE MEMBERS OF THE BUSINESS.**

**Process Owner:** INFORMATION TECHNOLOGY

**Due Date:** 06/30/2023

**Action Plan:** Per IT Governance and Information Security action items to address Center for Internet Security (CIS) Control 16: Account Monitoring and Control, OCERS IT and the Executive management team are establishing the following:  
 1. Develop Account Management and Access Control Policies.  
 2. Create an annual User Account review process and supporting documentation.  
 3. Setup means for staff to review and enter data in SharePoint with associated workflow to complete and track reviews initiated with IT managed systems.

**IA Follow-Up:** Access review is underway. Formal policies are currently in working draft as of February 2021 to be formalized by Dec 2022. 9/16 - RPA is a possible long term solution. Mgmt is considering a short term solution using SharePoint



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 36 - 1943 2019 BCDR Audit

**REPORT DATE:** 10/17/2019

OPEN

**Open Observations:** 2

**OBSERVATION #3 - 3. A FORMAL PROCESS INVOLVING CRITICAL OCERS STAKEHOLDERS IS NOT IN PLACE TO TEST THE RECOVERY OF DEPENDENT IT APPLICATIONS.**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
<b>Due Date:</b>	07/31/2023
<b>Action Plan:</b>	OCERS IT will formalize and adopt a new Business Continuity and Disaster Recovery test plan that will include test activities, confirmation, and sign-off by the various business units within OCERS.
<b>IA Follow-Up:</b>	IT will develop testing templates and scenarios and will coordinate with management to perform testing for IT managed systems. 9/16/22 - Mgmt is currently developing test plans

**OBSERVATION #6 - 6. RECOVERY PROCEDURES FOR DEPENDENT IT APPLICATIONS ARE NOT DOCUMENTED IN THE RECOVERY PLANS.**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
<b>Due Date:</b>	06/30/2023
<b>Action Plan:</b>	End User documents are being developed for the purpose of providing recovery instructions to the crisis management team, in the event IT staff are not available in the event of an emergency. The documents will provide simple easy to follow instructions on how to failover and/or recover sites or systems in the event of a technology failure. These documents will be included in OCERS IT Backup and Recovery test plan stored in Catalyst to ensure procedures are complete and can be followed by non- IT staff
<b>IA Follow-Up:</b>	Procedures the steps involved in the recovery process have been drafted, however, an overall backup policy needs to be formally developed. 9/16/22 - IT and InfoSec noted that IT staff with the appropriate level of access would be needed for the recovery process and that there are enough IT and InfoSec staff for BCDR situations. Management will still develop documented procedures for recovery but geared towards IT Staff.

**Project:** 39 - 1971-IT General Controls

**REPORT DATE:** 06/04/2020

OPEN

**Open Observations:** 2

**OBSERVATION #2 - OCERS SHOULD FORMALIZE A PROCESS TO ANNUALLY OBTAIN AND REVIEW SOC REPORTS FOR RELEVANT IT VENDORS.**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
-----------------------	------------------------

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 Executed By: OCERS\dkim

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## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Due Date:** 09/30/2023

**Action Plan:** OCERS has developed criteria to identify IT vendors and technology service providers' requiring SOC2 reports, and will enhance our systems to notify staff to request and review SOC2 reports annually. Process and review documentation is being developed along with updates to our procurement process to mandate SOC2 reports as a deliverable

**IA Follow-Up:** Enhancements have been made to the vendor management system. Processes and Procurement policy needs to be formally updated.

**OBSERVATION #3 - OCERS DOES NOT MAINTAIN DATA FLOW DIAGRAMS OR OTHER DOCUMENTATION OF INFORMATION FLOW BOTH INTERNALLY AND TO EXTERNAL PARTIES.**

**Process Owner:** INFORMATION TECHNOLOGY

**Due Date:** 12/30/2023

**Action Plan:** Phase one of OCERS Data Classification project, will identify data elements in our V3 system and include the creation of data flow diagrams for data elements classified as "sensitive". In addition, OCERS IT Programming team will develop data flow diagrams of their internal datasets and reporting platform.

Additional data flow diagrams may be developed along with process flow diagrams as part of future lean process improvements.

**IA Follow-Up:** IT to discuss solutions with other vendors. IT will focus on Member data and related data from business processes (e.g. member payroll, death data). Focus on data flows either instead of or before data classifications, depending on the nature of the observation.

**Project:** 42 - 2032 - Actuarial Extract Audit

**REPORT DATE:** 10/13/2020

OPEN

**Open Observations:** 1

**OBSERVATION #4 - 4. NUMERICAL THRESHOLDS UNDER WHICH FURTHER INVESTIGATION OF VALIDATION RESULTS ARE NO LONGER CONSIDERED NECESSARY ARE NOT FORMALLY DEFINED.**

**Process Owner:** INFORMATION TECHNOLOGY

**Due Date:** 06/30/2023

**Action Plan:** The IT Programming team will work with OCERS Management to develop acceptable thresholds to use when reviewing the actuarial validation results.

**IA Follow-Up:** IT has developed threshold recommendations and will coordinate with business owners for final approval.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 33 - 2090 - Vulnerability and Patch Management

**REPORT DATE:** 03/22/2021

OPEN

**Open Observations:** 1

**OBSERVATION #1 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION**

**Process Owner:** INFORMATION SECURITY  
**Due Date:**  
**Action Plan:** Details Removed - Discussed in Closed Session  
**IA Follow-Up:**

**Project:** 56 - 2133 - Dependent Survivor Eligibility Audit

**REPORT DATE:** 10/04/2021

OPEN

**Open Observations:** 1

**OBSERVATION #3 - 3. A LUMP SUM BENEFICIARY PAYMENT TO A DECEASED DRO SURVIVOR PAYEE'S ESTATE WAS OVERPAID BY \$200.**

**Process Owner:** MEMBER SERVICES  
**Due Date:** 09/29/2023  
**Action Plan:** Member Services Management will perform a root cause analysis and develop a QA process specific to the Manual Tertiary Applications. This type of application is very rare and is not fully developed and automated in V3. We will work to incorporate this in either a V3 upgrade or the new PAS system in the future.  
**IA Follow-Up:**

**Project:** 60 - 2261 - Procurement Audit

**REPORT DATE:** 10/03/2022

OPEN

**Open Observations:** 1



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**OBSERVATION #1 - OCERS DID NOT COMPLY WITH OCERS PROCUREMENT AND CONTRACTING POLICY (POLICY) REGARDING CONTRACTS AWARDED TO TWO DIFFERENT VENDORS.**

<b>Process Owner:</b>	EXECUTIVE
<b>Due Date:</b>	06/30/2023
<b>Action Plan:</b>	A. Management will communicate with all Executives the requirements for issuing an RFP and will coordinate the RFP's per Policy requirements. B. Management will propose changes to the Procurement Policy to include a requirement of the Contracts Administrator to educate staff and confirm Policy compliance. C. Proof of bids and competitive price comparisons will be retained in the Contracts Management System ("CMS") for future reference
<b>IA Follow-Up:</b>	

**Project:** 66 - 2171 - IT Automated Controls

**REPORT DATE:** 02/14/2023

OPEN

**Open Observations:** 1

**OBSERVATION #1 - 1. AN OPPORTUNITY EXISTS TO ENHANCE DOCUMENTATION OF THREE SPECIFIC AREAS DESCRIBED ACROSS SIX OF THE 19 PENSION ADMINISTRATION SYSTEM SPECIFICATION DOCUMENTS REVIEWED BY INTERNAL AUDIT.**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
<b>Due Date:</b>	12/31/2023
<b>Action Plan:</b>	IT Management will work with our PAS vendor and Member Services to update the identified PAS Design Specification documents to include the detailed logic and calculations configured for our PAS.
<b>IA Follow-Up:</b>	

**Project:** 63 - 2235 - The Toll Roads Employer Audit

**REPORT DATE:** 02/14/2023

OPEN

**Open Observations:** 1

**OBSERVATION #4 - 4. TWO PROCESS AND REVIEW CONTROLS RELATED TO MEMBER ELIGIBILITY AND PREMIUM PAY ARE NOT FORMALLY DOCUMENTED.**

<b>Process Owner:</b>	EMPLOYER
<b>Due Date:</b>	06/30/2023



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Action Plan:**

- Quarterly review of total hours worked by Extra Help and temporary staff: TCA currently requires managers to monitor the hours of temporary project employees. The Controller reviews and signs off on each payroll register as evidence of review of payroll, which includes the hours of temporary project employees. The quarterly review is prepared as a visual aid to note the YTD hours of service for these employees. For additional documentation, TCA's Assistant Controller will begin signing off on her quarterly tracking spreadsheet.
- Auto allowance: TCA will add verbiage to the employee handbook describing the auto allowance program. This will be incorporated in the employee handbook revised draft for Board approval.

**IA Follow-Up:**

**Project:** 65 - 2332 - OC Superior Court

**REPORT DATE:** 04/05/2023

OPEN

**Open Observations:** 1

**OBSERVATION #1 - THIRTEEN MEMBERS PREVIOUSLY SEPARATED FROM SUPERIOR COURT WERE STILL CLASSIFIED WITH ACTIVE STATUS IN THE PENSION ADMINISTRATION SYSTEM (PAS).**

**Process Owner:** EMPLOYER

**Due Date:** 02/22/2023

**Action Plan:** OC Superior Court to send existing records of OCERS Termination Notices to eaa@ocers.org for all 13 members indicating the separation dates.

**IA Follow-Up:**

**Project:** 64 - 2331 - Children and Families Commission

**REPORT DATE:** 04/05/2023

OPEN

**Open Observations:** 1

**OBSERVATION #2 - 2. ONE MEMBER DID NOT HAVE A MEMBER AFFIDAVIT ON FILE IN THE PAS AND FIVE ADDITIONAL MEMBER AFFIDAVITS WERE SENT TO OCERS WITH MISSING INFORMATION.**

**Process Owner:** EMPLOYER

**Due Date:** 03/31/2023

**Action Plan:** All future Member Affidavit forms will be reviewed for accuracy and completeness by the CFCOC Assistant to CEO at time of onboarding new staff. A final review of the form will be performed by CFCOC Director of Finance before being submitted to OCERS.

CFCOC will either amend or correct affidavits currently on file that are incomplete depending on direction from OCERS.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**IA Follow-Up:**

**Project:** 67 - 2202 - Alameda Audit

**REPORT DATE:** 04/05/2023

OPEN

**Open Observations:** 1

**OBSERVATION #3 - 3. FOR ONE RETIREE IN OUR SAMPLE, THREE PAY ITEMS IN ONE PARTIAL PAY PERIOD WERE NOT PRORATED IN A CONSISTENT MANNER.**

**Process Owner:** MEMBER SERVICES

**Due Date:** 07/15/2023

**Action Plan:** Member Services followed a standing practice for this observation. OCERS current practice is to accept pay items that have already been prorated by the employer as reported in the transmittal. We will however ensure our current practice is documented in our procedure. We will also review our procedures to determine if it can be simplified even further to eliminate any manual proration of pay items passed to us from the employer.

**IA Follow-Up:**





## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 5 - Audit of the Benefit Setup Process (2012)

**REPORT DATE:** 12/04/2012

CLOSED

**Closed Observations:** 6

### OBSERVATION #1 - MANUAL FAS OVERRIDE

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	09/13/2022
<b>Action Plan:</b>	Management agreed to the following recommendation: Subsequent changes made to FAS after the initial benefit setup process should require a supervisory approval prior to making an override in the system. Additionally, management should use a system-generated report from V3 that lists all manual overrides to identify all such changes made in the system. Management should review and sign off on each manual override on that report for propriety and accuracy to mitigate the risk of unauthorized or incorrect amounts being entered in the system.
<b>IA Follow-Up:</b>	IA to confirmed the new QA process reviews all manual FAS overrides with the new 100% accruacy process

### OBSERVATION #3 - BENEFIT SETUP CHECKLIST

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/21/2019
<b>Action Plan:</b>	A check list that contains all of the required forms and documents necessary for each type of benefit setup will be created and scanned into LibertyNET until we have fully implemented V3. We have configured several workflows in V3 which will act as an electronic check list to ensure that all required documents are not only received but verified and audited by supervisors.
<b>IA Follow-Up:</b>	IA has verified the use of a workflow process in V3 in V3 benefit setup audits performed after V3 go-live in December 2014.

### OBSERVATION #5 - AUTOMATION WITH V3 SYSTEM

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	06/05/2019
<b>Action Plan:</b>	Every attempt is being done to incorporate as many of the manual processes into V3 as possible so the application is automated.
<b>IA Follow-Up:</b>	IA has verified the implementation of automated process in V3 that were previously manual within PensionGold. Processes related to reciprocity, service credit purchases, interest postings, domestic relations orders, and initial FAS calculations were tested.

### OBSERVATION #7 - UPDATE WRITTEN PROCEDURES

Executed: 5/24/2023 12:52:09 PM  
 Executed By: OCERS\dkim

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## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/21/2019
<b>Action Plan:</b>	Member Services has agreed to revise its written procedures to explicitly state the reviewer's practice of signing and dating the spreadsheet template to indicate approval of the FAS calculation. Management recently updated to include this recommendation. However, at the time of the audit it was pending final manager sign off.
<b>IA Follow-Up:</b>	IA has verified the signature requirement process with benefit setup audits performed after the V3 go-live date in December 2014.

### OBSERVATION #8 - MANUAL FAS SUPPORTING DOCUMENTATION

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	09/16/2021
<b>Action Plan:</b>	Management agreed to the following recommendation: All manual overrides to data should be fully documented with the staff that made the change, date the change was made, prior amount, revised amount, and reason for the change with supervisory approval documented in V3 in accordance with the current method of maintaining supporting documentation for benefits calculation. Member Services personnel are required to document V3 via note for any member file that requires a manual override.
<b>IA Follow-Up:</b>	IA to confirmed the FAS Review process contains steps to review the supporting documentation.

### OBSERVATION #9 - FAS AUDIT TRAIL

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	04/27/2020
<b>Action Plan:</b>	Management agreed to the following recommendation: We recommend that the new pension administration system (V3) include an audit trail within the system for manual override and other changes made to records. There should be a better audit trail in the new pension administration system to account for changes made in the system instead of relying only on records scanned into LibertyNET or similar imaging software for an explanation.
<b>IA Follow-Up:</b>	IA confirmed an audit trail function exists in V3 noting the original and new FAS, change date and Changed by.

**Project:** 11 - Audit of OCERS' Practices and Procedures for the Recording and Reconciliation the Investments (2013)

**REPORT DATE:** 02/18/2013

CLOSED

**Closed Observations:** 6

### OBSERVATION #1 - AUTOMATED JOURNAL VOUCHER ENTRIES

**Process Owner:** FINANCE



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Completion Date:</b>	05/03/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: Finance should consider use of State Street's General Ledger Feed software or consider building a Microsoft Access database. We are in the process of working with State Street to implement an automated process for downloading the trial balances with a goal of completing this by year end. Manual JV preparation will continue until detailed research/analysis is successfully completed with regards to automation of the GL feed with State Street in 2013. Target Completion Date: December 31, 2013.
<b>IA Follow-Up:</b>	IA verified that Finance is no longer manually entering State Street trial balance information, but uploading a State Street spreadsheet file into the monthly Investment Journal Entry worksheet.

**OBSERVATION #2 - UPDATE POLICY OVER MANAGER STATEMENT RECONCILIATIONS**

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	05/07/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: Finance should enforce timely due dates for when quarterly investment manager reconciliations are to be completed; the policy should be updated accordingly. Due date for the quarterly investment reconciliation between investment managers and State Street will be established to reflect 45-60 days after quarter-end. Policy will be updated to include the changes effective January 2013. Finance has prepared both the 1st quarter 2012 and 2nd quarter 2012 reconciliations and are pending review and approval by management. Target Completion Date: March 31, 2013.
<b>IA Follow-Up:</b>	IA verified that policy requires a reconciliation after Investment Managers Reports are collected from emailed statements and working trial balances are received from the State Street website. Private investment statements are often not available after the 45-60 day period.

**OBSERVATION #3 - UPDATE FINANCE MANUAL FOR MANAGER STATEMENT RECONCILIATIONS**

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	05/07/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: Management should revise appropriate sections of the policy to reflect the current practice of performing quarterly, not monthly, reconciliations of investment manager statements and State Street trial balances.
<b>IA Follow-Up:</b>	IA verified that policy requires a reconciliation after Investment Managers Reports are collected from emailed statements and working trial balances are received from the State Street website. Private investment statements are often not available after the 45-60 day period.

**OBSERVATION #4 - FINANCE MANAGER SIGNOFF FOR RECONCILIATIONS**

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	05/03/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: Finance should revise its policy to require management signoff of the reconciliation of the general ledger to evidence review and approval. Furthermore, Finance should perform these reconciliations on a monthly basis to help ensure that reconciling items are resolved in a timely manner. The Trial Balance Reconciliation process and policy will be revised to include Management signoff requirement. The revised policy will also show that the reconciliation process will be performed on a monthly basis in 2013 and the worksheet will reflect the names of preparer, approver, and approval date. Target Completion Date: March 31, 2013.
<b>IA Follow-Up:</b>	IA verified that internal policy now requires a management signoff review of the monthly trial balance reconciliation for investment accounts.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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### OBSERVATION #5 - MANAGER REVIEW OF CIO INVESTMENT REPORT RECONCILIATION

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	05/07/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: A supervisor should review and approve reconciliations of the CIO Investment Report. As evidence of review, the supervisor should sign and date the reconciliations, and note any discrepancies found. Finance policies and procedures should be updated accordingly. Current policy will be updated to include management signoff of the reconciliation. The reconciliation worksheet will reflect the names of preparer, approver, and approval date. Target Completion Date: December 31, 2012.
<b>IA Follow-Up:</b>	IA verified that policy requires management signoff on the reconciliation with the worksheet reflecting the names of the preparer, approver and approval date.

### OBSERVATION #6 - STATE STREET BANK - CUSTOMER SERVICES ISSUES

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	05/03/2019
<b>Action Plan:</b>	We believe management has addressed customer service issues with State Street custodian bank. We recommend that OCERS staff continue to monitor State Street's compliance with the action plan.
<b>IA Follow-Up:</b>	OCERS staff continues to monitor and address any issues/discrepancies in State Street reporting. This occurs through emails and periodic meetings between OCERS investments and finance staff and State Street staff. Annually, the review of the custodial relationship with State Street is presented to the Investment Committee.

**Project:** 7 - Review of OCERS' Derivatives Investments (2014)

**REPORT DATE:** 07/10/2014

CLOSED

**Closed Observations:** 3

### OBSERVATION #1 - OCERS IS NOT IN COMPLIANCE WITH THE INVESTMENT POLICY STATEMENT REGARDING THE SPECULATIVE USE OF DERIVATIVES.

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	09/25/2019
<b>Action Plan:</b>	OCERS should either follow the current investment policy and discontinue the practice of using derivatives for speculative purposes, or amend the Investment Policy Statement to follow the current practice. Staff has clarified the language on the derivatives within the Investment Policy Statement and the Investment Committee approved the changes at the 6/25/14 meeting.
<b>IA Follow-Up:</b>	Internal Audit reviewed the minutes of the June 25, 2014 Investment Committee meeting and the updated Investment Policy Statement



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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### OBSERVATION #2 - ANNUAL REPORTING OF DERIVATIVES TO THE INVESTMENT COMMITTEE

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	08/10/2020
<b>Action Plan:</b>	<p>Currently, the quarterly Derivatives Report provides information relating to the separately managed accounts. The commingled fund investments do not provide similar level of transparency, therefore the quarterly report does not include commingled funds data.</p> <p>The Investments staff has created a template (undergoing internal review) which could be used as a tool to receive information relating to derivatives directly from the investment managers. Such a disclosure and declaration is outside the norm, so it is difficult to predict how many or if the investment managers will comply. As soon as the template is finalized, staff will send it out to gather responses from the various investment managers. Our current expectation is that OCERS will not be able to impose periodic reporting requirements of our own on certain managers, and that in some if not most cases, we will be compelled to accept data as it can be provided by them on their annual cycles. Efforts will be made to achieve more-frequent reporting, but at this time there can be no assurance that such efforts will be successful.</p> <p>The Investment Policy Statement, approved at the 6/25/14 Investment Committee meeting, was amended in part to include the following: "The compliance report for separate account managers will be reviewed with the Investment Committee on a quarterly basis. The CIO shall report to the Committee annually on the staff and consultants' surveillance of diversification and risk controls associated with [derivatives]."</p>
<b>IA Follow-Up:</b>	<p>Internal Audit reviewed the 2019 Security Report reviewed and approved by the Investment Department.</p> <p>The Investment Team provided an update to the action plan. The quarterly Derivatives Report had been discontinued for a number of years and is no longer reported to the Investment Committee. For the action plan, Investments reviews the derivative information in preparation of the CAFR, which is presented to the Audit Committee. Internal Audit to follow-up during the Investment teams review of the derivative information as part of the 2019 CAFR preparation.</p> <p>Updated 8/10/20</p> <p>Investments provided the "Derivatives List - 2019.xls" file which includes the securities inventory that Investments provides to Finance with the investment types and leveling of assets.</p>

### OBSERVATION #3 - COUNTERPARTY RISK REPORTING

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	05/21/2020
<b>Action Plan:</b>	<p>Management has agreed to the recommendation: Counterparty risk, the risk that a financial institution will not honor the terms of a derivative contract due to poor financial health, is a key risk for derivatives.</p> <p>The Board is not getting complete information on the counterparty risks of all investment managers. Because many of OCERS' investment managers use the same institutions as counterparties, if a counterparty fails, it would affect several investment managers in the OCERS' portfolio simultaneously. Therefore, reporting on total counterparty risk to OCERS would be useful for accessing a concentration of risk with a single counterparty.</p> <p>OCERS' custodian bank, State Street, provides data on investment holdings and counterparty holdings that can be used to create a compilation of counterparties in the OCERS portfolio, though this will only include the OCERS' separately managed accounts.</p> <p>OCERS should request that State Street on a quarterly basis provide a report listing derivatives holdings by counterparty with amounts of currency forward contracts, swaps, and total fair value. The report should also include a credit rating agency's rating.</p> <p>This report should be included with the derivatives report to the Investment Committee.</p>
<b>IA Follow-Up:</b>	Internal Audit reviewed the 2019 Counterparty Risk Report reviewed and signed by the CIO.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 17 - Audit of OCERS' Due Diligence Process (2015)

**REPORT DATE:** 08/06/2015

CLOSED

**Closed Observations:** 5

### OBSERVATION #1 - NO DUE DILIGENCE POLICY

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	01/07/2021
<b>Action Plan:</b>	Management has agreed to the recommendation: The CIO and his staff should create written procedures that specifically document the steps necessary to conduct adequate due diligence. We concur with the recommendation that written procedures are desirable, and staff is working on the development of a document that would fulfill this objective.
<b>IA Follow-Up:</b>	The CIO and Investment Team developed Investment due diligence procedural documents including the Contract Due Diligence Checklist Procedure document and the Contract Due Diligence Checklist document.

### OBSERVATION #2 - OPERATIONAL DUE DILIGENCE

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	02/13/2020
<b>Action Plan:</b>	Management has agreed to the recommendation: For non-traditional pension fund managers that have not undergone an operational due diligence review from the OCERS' investment consultants, OCERS should consider the following on a case-by-case basis or at the CIO's discretion. A criteria or threshold (e.g., a dollar amount of an investment) should be set by the CIO to trigger when such a review will occur. Management agrees that a "deeper dive" could be appropriate for certain non-traditional managers, but only if a majority of the Board considers such measures to be necessary, cost-beneficial or justifiable on a risk-vs-cost basis. Cost-sharing strategies and outsourcing-versus-internal capacity should be explored and considered, along with a prioritization protocol.
<b>IA Follow-Up:</b>	In discussions with CIO, and review of the September Investment Committee meeting minutes, confirmed OCERS no longer requires the use of a special operational due diligence consultant. The consultant was not used or required when initially contracts.

### OBSERVATION #3 - DUE DILIGENCE FOR RFP MANAGERS

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	02/13/2020
<b>Action Plan:</b>	Management has agreed to the recommendation: For RFP-sourced managers, there should be consistent narrative due diligence reporting provided to the Investment Committee. Investments should consider using a checklist to make sure all documents are included for the Investment Committee to consider. We agree that our written procedures and future practices should include routine reporting of internal due diligence when the RFP channel is deployed for manager selection. The Director of Investment Operations has already included this step in the working draft of written procedures we are formulating and refining.
<b>IA Follow-Up:</b>	Due Diligence would apply to all managers, not just under an RFP process. Internal Audit observed due diligence process during Investment Consulting engagement.

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 Process Owner(s): ALL

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### OBSERVATION #4 - MANAGER RFP STANDARDIZED QUESTIONING

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	01/07/2021
<b>Action Plan:</b>	Management has agreed to the recommendation: Future RFP questionnaires should include interrogatories regarding a manager's operational infrastructure and negative findings disclosed from their annual external audit. We agree that future RFPs should include standard (first-stage or second stage) provisions and questions that are relatively uniform regarding due diligence, operations, and related legal, regulatory and compliance risks. The cited incident was an oversight that need not recur. Written procedures and a process to review those routinely will be helpful to assure consistency.
<b>IA Follow-Up:</b>	Investments included in the Contract Due Diligence Checklist document and the Compliance Report document steps to validate operational infrastructure of money managers.

### OBSERVATION #5 - CONSULTANT DUE DILIGENCE DOCUMENTATION

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	02/13/2020
<b>Action Plan:</b>	Management has agreed to the recommendation: As part of its due diligence process, OCERS' Investments staff should obtain and review NEPC's Investment Due Diligence Research Report for all managers NEPC recommends to OCERS. We agree that consultant documentation or pertinent summaries of their due diligence should routinely and consistently be included in Committee materials when managers are presented, or subsequently as a validating consent agenda item if their work follows a provisional approval.
<b>IA Follow-Up:</b>	As part of the Investment Consulting engagement, Internal Audit was able to observe the due diligence process which included reviewing the materials from the investment consultants.

**Project:** 8 - Audit of OCERS' Private Equity Managers Abbott Capital and Pantheon (2016)

**REPORT DATE:** 03/21/2016

CLOSED

**Closed Observations:** 4

### OBSERVATION #1 - ESTIMATED MANAGEMENT FEES

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	04/29/2019
<b>Action Plan:</b>	The Investments Division staff will coordinate with Finance to review the management fees for the 40 funds with OCERS' four private equity managers on a sampling or rotation basis. Finance concurs with this recommendation and will compare expected management fees provided by Investments to actual fees disclosed in the private equity managers' quarterly financial statements.
<b>IA Follow-Up:</b>	Management modified the approach with approval from the Board to use the annual Investment Fee Report prepared in accordance with the Board's Investment Fee Policy as the method by which OCERS' investment management costs are and will be tracked, reported and managed.

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 Process Owner(s): ALL

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### OBSERVATION #2 - STATE STREET REPORTING OF MANAGER FEES

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	05/03/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: OCERS' Finance should consult with State Street to ensure that State Street includes the management fees for Abbott Capital and Pantheon in the information for monthly journal entries provided to OCERS, since these fees are disclosed on the managers' quarterly investment statements. OCERS is currently working with State Street on the consistency of their reporting and directing them to capture all non-cash investment management fees in their custodial reports.
<b>IA Follow-Up:</b>	IA verified that Finance is reconciling fees noted on the manager statements are being captured in State Street journal entries.

### OBSERVATION #3 - CAFR FEE DISCLOSURES

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	04/29/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: OCERS' financial management should consider stating that the "Schedule of Investment Expenses" disclosure does not include underlying fund management fees and performance fees which are netted with investment returns. Finance will consider adding this disclosure in OCERS' 2015 CAFR as part of an overall review of all investment-related disclosures with its external auditors, Macias Gini & O'Connell LLP, and ensure that any changes in the disclosures are in compliance with GASB.
<b>IA Follow-Up:</b>	Disclosure has been added to the CAFR and confirmed by IA.

### OBSERVATION #4 - CONSIDERATION OF ILPA BEST PRACTICES

<b>Process Owner:</b>	INVESTMENTS
<b>Completion Date:</b>	01/25/2021
<b>Action Plan:</b>	OCERS should implement Institute of Limited Partners Association (ILPA) best practices in LPAs with direct investment private equity funds if OCERS goes into direct private equity program. In considering whether OCERS should adopt a direct private equity program, OCERS' Investments management should consider the cost of implementing the ILPA best practices. OCERS investment staff will first work with our private equity fund of funds managers to monitor their use of ILPA guidelines and best practices, as we further our own internal education about these evolving standards.
<b>IA Follow-Up:</b>	Investment Team developed a guide to track and assess the key legal and ILPA-related terms OCERS negotiates through the private markets investment manager contracting processes.





## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 16 - Audit of OCERS' Death Match Process (2016)

**REPORT DATE:** 06/24/2016

CLOSED

**Closed Observations:** 7

### OBSERVATION #1 - OVERPAYMENT TO DECEASED MEMBERS

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	12/21/2021
<b>Action Plan:</b>	The deceased members identified by Internal Audit will be processed immediately according to the specific circumstances of the accounts. Overpayments will be processed according to policy and beneficiaries will be contacted regarding lump sum payment options for refunds. Management will investigate possible options for instituting a multi-step review process to ensure entries are made into V3 or a quarterly/annually comparison of the database with the information from a death match service provider.
<b>IA Follow-Up:</b>	Member Services has repaid or wrote off \$421,402 of the \$990,694 of the 24 deferred members. Additionally, Member Services has recovered \$16,008 of the \$20,620 from the four deceased payees. Process is in place to review updates from death data vendor. Member Services will provide updates to the remaining overpayments bi-annually to Internal Audit, starting June 2022

### OBSERVATION #2 - MANUAL QUERY OF V3 UNTIL NEW REPORT IS CREATED

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	12/21/2021
<b>Action Plan:</b>	The overpayment to the specific member and DRO payee identified by Internal Audit will be dealt with immediately according to current policy. As V3 is currently configured the system will prevent future overpayments from occurring by suspending the benefit once a death date is entered. The items on the overpayment log need to be reconciled with V3 as a post-go live project but it was envisioned that V3 will replace the need for a manual spreadsheet outside of the system. A query or report may be needed during the transition period.
<b>IA Follow-Up:</b>	Query has been implemented. Recoupment of overpayment to be reviewed biannually with Internal Audit. The Benefit Recoupment Report has been created, refer to Benefit Recoupment Report 2021.pdf

### OBSERVATION #3 - CERTIFICATION LETTERS

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	04/07/2021
<b>Action Plan:</b>	Management agreed to the following recommendation: OCERS' management should consider sending a certification letter to payees over a selected age to confirm the status of the payee. Management should consider stopping benefit payments if OCERS does not receive a response after a reasonable number of attempts in order to incentivize the payee to return the letter. OCERS' management should also consider the costs/benefits of hiring a third party to perform random physical alive and well checks with payees that meet a given profile. However clear communication will need to be developed as the payees within this demographic may be the hardest to reach. In addition, the implications to payee's medical insurance needs to be considered any time a benefit is suspended.

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 Process Owner(s): ALL

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**IA Follow-Up:** After Member Services management discussed formulating a formal policy addressing when such certification letters should be sent and to whom after the result of a cost benefit analysis to be performed. Certification letters are sent to all international payees. Member Services relies on the death match file for updates to domestic members.

### OBSERVATION #4 - DEATH DATA VENDORS

**Process Owner:** MEMBER SERVICES

**Completion Date:**

**Action Plan:** Management agreed to the following recommendation: OCERS management should consider using only death audit vendors that hire external auditors to review its client data security controls. OCERS should require that death audit vendors provide copies of the audit report and the audit results to OCERS on an annual basis for review. OCERS management should consider using the RFF process to compare the services of death audit vendors and obituary review service vendors. Quality of services, price, and data security controls of vendors should be compared.

**IA Follow-Up:** Management to discuss the approach for obtaining and reviewing vendor security report on an entity wide approach, with a completion date of 6/30/2023. This observation and action plan will be tracked under the ITGC audit

### OBSERVATION #5 - MEMBER BANKING INFORMATION WITHIN V3

**Process Owner:** MEMBER SERVICES

**Completion Date:** 09/23/2021

**Action Plan:** Management agreed to the following recommendation: To reduce the possibility of fraudulently diverting benefit payments for deceased members, OCERS should implement automated checks and balances within the V3 system to ensure that no one employee can unilaterally change a payee's banking information without supervisory approval. The resulting change to V3 may require an additional change order to reconfigure the V3 system. However, the headline risk to OCERS outweighs the financial cost of making such a change.

**IA Follow-Up:** Workflow approvals were reviewed by Internal Audit. An audit in member banking to be proposed as a future audit.

### OBSERVATION #6 - PRO-RATING FINAL PAYMENT FOR DECEASED MEMBERS

**Process Owner:** MEMBER SERVICES

**Completion Date:** 02/25/2021



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Action Plan:** OCERS' management should consider the costs versus benefits of prorating a deceased member's final monthly benefit payment based upon the actual date of death versus making a full payment. V3 is not configured to calculate a prorated final benefit payment and a prorated initial continuance benefit payment effective the day after death for the remainder of the month. OCERS would have to pay additional costs to have Vitech reconfigure V3 and for OCERS' employees and consultants to test the changes. The estimated cost of reconfiguring and testing V3 to prorate the final benefit payment, the initial continuance payment, and payroll deductions is estimated by Vitech at \$144,000. In addition, management estimates that testing of the system changes would need to be done by staff or consultants at an estimated cost of \$150,000. A prorated final benefit policy would also result in more overpayments for Member Services to pursue for collection since the benefit payment is paid on the first of the month. Under current policy, deaths reported to OCERS in the month following death allows enough time for Member Services to terminate the benefit with no need to prorate. Under a prorated policy, it would be impossible for Member Services to prorate the final payment on the 1st of the month if the death was reported in the month after death. Member Services would possibly need to cross train staff in collection efforts to accommodate such an increase in collection efforts.

**Management Response**  
 Management considered the costs versus benefits of adopting a proration of the final benefit payment policy, but determined to continue the current practice of paying in full the final month's benefit. Prorating the member's final payment and survivor continuance first payment introduces additional complexity to the administration of the system and would require additional staff in Member Services and possibly Finance, in addition to the V3 configuration changes. Retiree payroll is typically

**IA Follow-Up:** Management considered the costs versus benefits of adopting a proration of the final benefit payment policy, but determined to continue the current practice of paying in full the final month's benefit.

**OBSERVATION #7 - DEBT COLLECTION VERSUS DEBT FORGIVENESS**

**Process Owner:** MEMBER SERVICES

**Completion Date:** 04/17/2020

**Action Plan:** Management agreed to the following recommendation: For overpayments in which Member Services has exhausted internal collection efforts, Member Services should inquire of the CEO and/or Board to forgive or partially forgive overpayments to these deceased payees or possibly make use of a collections agency for additional collection efforts.

**IA Follow-Up:** OCERS' Board Policy Write Off Policy now provides guidelines regarding when OCERS is permitted to forgo collection of amounts overpaid by or owing to OCERS, and when OCERS will not be required to make corrective distributions to OCERS members or their beneficiaries.

**Project:** 19 - Audit of V3 Benefit Setup Process (2016)

**REPORT DATE:** 07/21/2016

CLOSED

**Closed Observations:** 2

**OBSERVATION #1 - USE OF 2,088 HOURS FOR BENEFIT CALCULATION**

**Process Owner:** MEMBER SERVICES

**Completion Date:** 04/01/2020

**Action Plan:** Management will follow up with staff regarding the applicability of 2,088 to all retiring members and will review all benefits established in V3 to ensure the appropriate salary was used regardless of status. The part-time member's benefit identified by Internal Audit as being incorrect will be recalculated to reflect the salary associated to 2,088 hours.

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 Process Owner(s): ALL

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**IA Follow-Up:** IA reviewed the FAS recalculations performed by Member Services.

### OBSERVATION #2 - V3 WORKFLOW PROCESS

**Process Owner:** MEMBER SERVICES

**Completion Date:** 04/02/2020

**Action Plan:** The workflow module in V3 was an area that contained defects when we went live with the new system which prevented effective use. The majority of the defects have been addressed and staff is utilizing the workflows as part of their daily operations. However, we have found that a workflow can be completed without all of the steps being marked individually and as a result additional modifications to the overall configuration are being discussed. Management will work with staff to ensure that proper use of the workflow is being followed for all benefit setups. In addition, we will review the workflow steps as currently configured and make enhancements as needed to ensure all critical steps in the process are appropriated captured.

**IA Follow-Up:** IA confirmed worksteps are completed and V3 enhancements were implemented.

**Project:** 20 - Audit of OCERS' Service Credit Purchase Process (2016)

**REPORT DATE:** 11/26/2016

CLOSED

**Closed Observations:** 2

### OBSERVATION #1 - WORK IN PROCESS REPORTING

**Process Owner:** MEMBER SERVICES

**Completion Date:** 04/07/2021

**Action Plan:** OCERS' management agrees to initiate discussions with Vitech for best cost-benefit solutions to building work-in-process reporting to track the status of buybacks throughout its business processes to provide additional management oversight of staffing and resources; track compliance with business goals; and improve customer service response times to members.

**IA Follow-Up:** IA has verified that OCERS has implemented a work-in-process tracking database within SharePoint.

### OBSERVATION #2 - RECONFIGURE V3 DATA ENTRY SHEET

**Process Owner:** MEMBER SERVICES

**Completion Date:** 06/04/2019

**Action Plan:** Management agreed to investigate the costs versus benefits of reconfiguring V3's SCP datasheet for faster data entry.

**IA Follow-Up:** IA verified that OCERS has implemented an automated data entry process for SCP calculations.

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 Process Owner(s): ALL

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**Project:** 21 - Audit of OCERS' Bank Wire and ACH Transfer Process (2016)

**REPORT DATE:** 11/30/2016

CLOSED

**Closed Observations:** 5

### OBSERVATION #1 - FINANCE REVIEW OF NEW MANAGER FUNDINGS

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	04/23/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: Before sending a written wire request to State Street to fund a new manager or rebalance the investment portfolio, the Investments Divisions should also obtain approval from authorized initiators within the Finance Division. The Finance Division should review the wire transfer request letter prepared by the Investments Division against the money manager's wire instructions or funding agreement. Management concurs that the Finance Department should review wire transfer request letters prepared by the Investment Department and compare against the investment manager's wire instructions or funding agreement for transactions related to initial funding of investments and portfolio rebalancing transfers.
<b>IA Follow-Up:</b>	Internal Audit confirmed Finance is following proposed audit report resolution response as noted via email with appropriate attachments and inclusion of both Finance and Investments in confirmation email.

### OBSERVATION #2 - VERIFICATION CALL BACKS ON ALL WIRE TRANSFER AMOUNTS

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	05/03/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: Finance Division should instruct State Street to telephone OCERS' authorized verifiers to verify wire transfer request letters for amounts under \$100,000. Management concurs that all wires should be verified regardless of amount. State Street has a standard limit where call backs are not completed on wires under \$100,000. OCERS' Client Service Representative at State Street is looking into whether the limit can be removed and call backs placed on all wires.
<b>IA Follow-Up:</b>	IA verified that under the new eCFM (State Street's web-based wire transfer system) that transfer amounts under \$100,000 require dual approval.

### OBSERVATION #3 - TIMELY REVIEW OF BANK ACCOUNT RECONCILIATIONS

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	05/03/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: In addition to the daily reconciliations of online bank activity, the Finance Division should perform monthly bank reconciliations ideally within 30 days after month-end. Management concurs that bank reconciliations should be performed and reviewed on a timely basis.

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 Process Owner(s): ALL

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**IA Follow-Up:** IA verified that the monthly Wells Fargo bank reconciliation is being performed in a timely manner.

### OBSERVATION #4 - SYSTEM LIMITS FOR WIRE TRANSFER AMOUNT AUTHORIZATIONS

**Process Owner:** FINANCE

**Completion Date:** 04/23/2019

**Action Plan:** Management agreed to the following recommendation: Management should consider decreasing the cumulative dollar limit for daily wire transfers within CEO Portal® to appropriate business levels. Current monthly wire transfer activity is approximately \$5.2 million. Management concurs that the cumulative dollar limit for daily wire transfers can be reduced from its current limit of \$20 million to \$6 million.

**IA Follow-Up:** Cumulative daily dollar limit for wire transfers has been reduced from \$20 million to \$6 million, and has been adjusted to \$8 million based on current activity.

### OBSERVATION #5 - ENCRYPTION OF PAYROLL FILE

**Process Owner:** FINANCE

**Completion Date:** 05/03/2019

**Action Plan:** Management agreed to the following recommendation: Management should consider encrypting the ACH file before uploading to Wells Fargo's CEO Portal® in order to add another layer of protection over payees' confidential banking information. Encrypted files intercepted by fraudsters are unreadable.

**IA Follow-Up:** IA verified that the monthly payroll file is encrypted before it is sent to Wells Fargo bank.

**Project:** 14 - Audit of City of San Juan Capistrano Payroll Transmittals (2017)

**REPORT DATE:** 03/22/2017

CLOSED

**Closed Observations:** 4

### OBSERVATION #1 - MANUAL TRANSMITTAL FILE ADJUSTMENTS

**Process Owner:** EMPLOYER

**Completion Date:** 08/11/2020

**Action Plan:** Management agreed to the following recommendation: San Juan Capistrano will submit manual payroll adjustments into V3 that contain the payroll records required by OCERS for every subsequent pay period until year-end.

**IA Follow-Up:** IA noted that SJC has submitted manual payroll adjustments into V3 required by OCERS.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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### OBSERVATION #2 - CONTRIBUTION BASIS DATES

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	04/27/2020
<b>Action Plan:</b>	San Juan Capistrano's V3 transmittal file should reflect the correct reciprocal start date or the correct enrollment date with OCERS in the transmittal file field labeled "Reported Contribution Basis Date" in order to prevent these payroll exceptions from occurring again in V3. San Juan Capistrano concurs with this recommendation, which has been addressed based on information provided by OCERS' Member Services to SJC's Payroll Accountant.
<b>IA Follow-Up:</b>	IA examined a recent V3 payroll transmittal exception report for PP#2, 2020 and noted there were no exceptions related to reported contribution basis dates.

### OBSERVATION #3 - EARNABLE SALARY RECORDS

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	08/11/2020
<b>Action Plan:</b>	San Juan Capistrano will submit manual payroll adjustments into V3 that contain earnable salary payroll records required by OCERS during each pay period that the employee is out on leave of absence.
<b>IA Follow-Up:</b>	IA noted that SJC has submitted manual payroll adjustments for employees Away On Leave into V3, as required by OCERS.

### OBSERVATION #4 - INCORRECT AGE OF ENTRY

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/21/2019
<b>Action Plan:</b>	Member Services will notify the member that there was an error in the contribution basis date used to collect contributions since their date of entry. Member Services will update V3 accordingly and finalize the calculation of contributions due from the member plus interest. OCERS staff will offer the member a payment plan pursuant to our standard process and work with SJC to establish the collection via payroll deductions from the member's biweekly paycheck.
<b>IA Follow-Up:</b>	IA verified that the Member Services communicated the age of entry error to the member and that the member repaid undercollected contributions via payroll adjustments.

**Project:** 24 - Audit of OCERS' Reciprocity Process (2017)

**REPORT DATE:** 08/02/2017

CLOSED

**Closed Observations:** 3



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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### OBSERVATION #1 - MEMBER EDUCATIONAL EFFORTS

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/21/2019
<b>Action Plan:</b>	Consideration will be given to the following: OCERS should take additional steps to educate members of the benefits of reciprocity and the importance of timely notifying OCERS of previous public service. OCERS' welcome letters to new members could also include existing pamphlets describing the benefits of reciprocity. Furthermore, OCERS should inquire with the County if it would allow OCERS to present the benefits of reciprocity during the County's lunch time seminars available to County staff. In addition, staff should use the OCERS' At Your Service newsletter, the County Connection magazine, and other sources of communications with members to publicize the need for members to notify OCERS early about their eligibility for reciprocity. Member Services will work with Legal on the following: OCERS should consider recognizing a member's reciprocity only on a go-forward basis from the date of the member's reciprocity request, after confirming eligibility with the reciprocal system.
<b>IA Follow-Up:</b>	IA verified that quarterly newsletters to OCERS membership discussed the benefits of establishing reciprocity with other systems as well as the steps necessary to establish reciprocity. IA verified that OCERS has put in place a self-certification process to recognize reciprocity on a go-forward basis pending verification with the reciprocal system.

### OBSERVATION #2 - CALCULATION OF OCFA RECIPROCITY REFUNDS

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	06/05/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: Member Services staff should be trained, with the assistance of OCFA payroll personnel, in how OCFA calculates reciprocity refunds so that Member Services can add its own secondary review process over OCFA reciprocity refunds. Management has been in contact with the payroll team at OCFA and we have taken steps to reinstate the review process.
<b>IA Follow-Up:</b>	IA verified that OCERS Member Services is now calculating OCFA's reciprocity refund calculations. The calculations are reviewed by management.

### OBSERVATION #3 - WRITE OFF

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	06/05/2019
<b>Action Plan:</b>	Management agreed to the following recommendation: Member Services should write off the \$36 due to immateriality or attempt to recover the \$36 overpayment from the member.
<b>IA Follow-Up:</b>	IA verified that Member Services has written off the amount as per OCERS Write-Off policy.

**Project:** 26 - Audit of Orange County Fire Authority (2018)

**REPORT DATE:** 10/23/2018

**Closed Observations:** 7

CLOSED





## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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### OBSERVATION #1 - CONTRIBUTIONS - VACATION EXCESS PAY

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	04/02/2019
<b>Action Plan:</b>	<p>Management agreed to the following recommendation: On a go-forward basis, OCERS should now require that OCFA and its Legacy employees pay employer and employee contributions on the "Vacation Excess" pensionable pay item on a bi-weekly basis. This would also require OCERS to reconfigure the "Vacation Excess" pay item in V3 to expect bi-weekly contributions from OCFA via the bi-weekly payroll transmittal process.</p> <p>OCERS management agrees that any pensionable pay item should be reported biweekly and subject to employer and employee contributions. This would include "Vacation Excess" for Legacy members employed at OCFA. OCERS is in the process of reviewing the pay of all Plan Sponsors so that OCERS' management can ensure accurate reporting on a biweekly basis as well as consistency across the organization.</p>
<b>IA Follow-Up:</b>	<p>Internal Audit confirmed OCERS management sent a memo to OCFA on the Vacation Excess contributions and that V3 was configured to address the bi-weekly contributions.</p> <p>IA confirmed that OCFA and Legacy OCFA employees are paying contributions directly on VE (Vacation Excess) Pay.</p>

### OBSERVATION #1 - CONTRIBUTIONS - VACATION EXCESS PAY

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	04/02/2019
<b>Action Plan:</b>	<p>Management agreed to the following recommendation: On a go-forward basis, OCERS should now require that OCFA and its Legacy employees pay employer and employee contributions on the "Vacation Excess" pensionable pay item on a bi-weekly basis. This would also require OCERS to reconfigure the "Vacation Excess" pay item in V3 to expect bi-weekly contributions from OCFA via the bi-weekly payroll transmittal process.</p> <p>OCERS management agrees that any pensionable pay item should be reported biweekly and subject to employer and employee contributions. This would include "Vacation Excess" for Legacy members employed at OCFA. OCERS is in the process of reviewing the pay of all Plan Sponsors so that OCERS' management can ensure accurate reporting on a biweekly basis as well as consistency across the organization.</p>
<b>IA Follow-Up:</b>	<p>Internal Audit confirmed OCERS management sent a memo to OCFA on the Vacation Excess contributions and that V3 was configured to address the bi-weekly contributions.</p> <p>IA confirmed that OCFA and Legacy OCFA employees are paying contributions directly on VE (Vacation Excess) Pay.</p>

### OBSERVATION #2 - CONTRIBUTIONS - ON CALL PAY

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	04/02/2019
<b>Action Plan:</b>	<p>Management agreed to the following recommendation: On a go-forward basis, OCERS should now require that OCFA report "On Call" pay to Legacy members as a pensionable pay item in its automated bi-weekly payroll transmittals and that OCFA and its employees pay both employer and Legacy employee contributions on a bi-weekly basis.</p> <p>OCERS management agrees that any pensionable pay item should be reported biweekly and subject to employer and employee contributions. This would include "On Call" pay for Legacy members employed at OCFA. OCERS is in the process of reviewing the pay of all Plan Sponsors so that OCERS' management can ensure accurate reporting on a biweekly basis as well as consistency across the organization.</p>



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**IA Follow-Up:** Internal Audit confirmed OCERS management sent a memo to OCFA on the On Call contributions.  
 IA confirmed that both OCFA and Legacy OCFA employees are paying contributions directly on (On Call) Pay.

### OBSERVATION #2 - CONTRIBUTIONS - ON CALL PAY

**Process Owner:** EMPLOYER

**Completion Date:** 04/02/2019

**Action Plan:** Management agreed to the following recommendation: On a go-forward basis, OCERS should now require that OCFA report "On Call" pay to Legacy members as a pensionable pay item in its automated bi-weekly payroll transmittals and that OCFA and its employees pay both employer and Legacy employee contributions on a bi-weekly basis. OCERS management agrees that any pensionable pay item should be reported biweekly and subject to employer and employee contributions. This would include "On Call" pay for Legacy members employed at OCFA. OCERS is in the process of reviewing the pay of all Plan Sponsors so that OCERS' management can ensure accurate reporting on a biweekly basis as well as consistency across the organization.

**IA Follow-Up:** Internal Audit confirmed OCERS management sent a memo to OCFA on the On Call contributions.  
 IA confirmed that both OCFA and Legacy OCFA employees are paying contributions directly on (On Call) Pay.

### OBSERVATION #3 - CONTRIBUTION DISCREPANCY TRACKING REPORT

**Process Owner:** INFORMATION TECHNOLOGY

**Completion Date:** 04/02/2019

**Action Plan:** In June 2018, OCERS incorporated the necessary changes to the V3 "Contribution Discrepancy Tracking Report" within a system enhancement to V3. The cost to incorporate these changes was approximately \$7,800.

**IA Follow-Up:** 1. IA confirmed that modifications to the report were made, tested, and put into production.  
 2. IA obtained user testing documentation indicating that the modifications were made, tested, approved and put into production. IT also pulled a recent report with these modifications incorporated.

### OBSERVATION #4 - OCFA'S MOU FOR EMPLOYER PAID PICKUPS OF LEGACY EMPLOYEE CONTRIBUTIONS DOES NOT REFLECT ACTUAL PAYROLL PROCESSES.

**Process Owner:** EMPLOYER

**Completion Date:** 04/02/2019

**Action Plan:** OCFA agrees that this needs to be corrected, but not by a side letter. Effective pay period 21 (pay date 10/19/18) OCFA management corrected the OCFA payroll interface to the OCERS' V3 system to be consistent with the Firefighter MOU. Per CERL 31581.2 the employer paid pickup of employee contributions are to be considered vested with the employee.

**IA Follow-Up:** Internal audit verified that OCFA employer paid pickups of employee contributions are properly classified as § 31581.2 pickups on the transmittal files.

### OBSERVATION #5 - TRANSITION TO OCFA PAYROLL MANAGER

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### Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	04/02/2019
<b>Action Plan:</b>	As discussed and agreed to by OCERS Internal Auditor, this is not reflective of an internal control weakness for OCFA. The original intent of having both OCFA and OCERS staff maintain the spreadsheets was to prevent the errors that would occur due to either rounding differences or applying actuarial discounts differently. OCFA staff will take over the maintenance of the spreadsheets from OCERS Director of Technology. OCERS would need to ensure that the OCFA rates reflected in the rate spreadsheets provided by OCFA staff to OCERS are the same rates as those entered into the V3 system. The above transition from OCERS to OCFA took place beginning with Pay Period #14 in 2018.
<b>IA Follow-Up:</b>	Internal audit confirmed that maintenance of the spreadsheets has transitioned to OCFA's payroll manager.

<b>Project:</b>	22 - Audit of Orange County Superior Court Payroll Transmittal (2018)
<b>REPORT DATE:</b>	11/08/2018
<b>Closed Observations:</b>	6

CLOSED

**OBSERVATION #1 - CRR PAY CERTIFICATION**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	04/03/2019
<b>Action Plan:</b>	Superior Court will implement a process in October 2018 by which Court Reporters receiving CRR pay must provide proof of active certification (such as proof of training transcripts over a three year period) within 90 days or have the CRR pay removed. Record of this will be placed in the employee's electronic personnel file. Additionally, a reminder in the Court's training system will be flagged on these employees to check for certification every 3 years.
<b>IA Follow-Up:</b>	IA confirmed a notification had been distributed noting the requirements for CRR pay and CRR documentation for court reporters has been recorded.

**OBSERVATION #2 - QRR PAY CERTIFICATION**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	04/03/2019
<b>Action Plan:</b>	Superior Court will implement annually signed attestations beginning October 2018. Employees currently receiving QRR pay will need to complete the annual 45 day attestation within 90 days of the announcement to maintain the QRR pay. If no attestation is received, QRR pay will be removed for that employee. The Court will verify that at least 45 days of realtime court reporting services have been worked by the employee over the course of the last year.
<b>IA Follow-Up:</b>	IA confirmed a notification had been distributed noting the requirements for QRR pay and QRR documentation for court reporters has been recorded

**OBSERVATION #3 - SUPERIOR COURT DOES NOT MONITOR INDEPENDENT CONTRACTOR COURT REPORTERS WHO ARE OCERS' RETIREES FOR COMPLIANCE WITH CERL AND PEPR 960 HOUR RULE LIMIT.**

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## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	04/10/2019
<b>Action Plan:</b>	Superior Court will monitor hours worked for all retired independent contractor court reporters to ensure they do not work more than 960 hours in a fiscal year. A new report has been established through Superior Court's RITS tracking system and will be monitored monthly. Current retired independent contractors who have already worked more than 960 hours in the current fiscal year will not work hours until the next fiscal year.
<b>IA Follow-Up:</b>	IA confirmed Superior Court is monitoring the hourly limit for retired members and the retired members have not exceeded 960 hours.

**OBSERVATION #4 - SUPERIOR COURT'S HR DEPARTMENT DOES NOT HAVE POLICIES AND PROCEDURES IN PLACE TO DETERMINE IF THE INDEPENDENT CONTRACTOR STATUS FOR ITS INDEPENDENT CONTRACTORS COMPLIES WITH IRS RULES**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	01/05/2022
<b>Action Plan:</b>	Superior Court to review independent contractors working for court reporting services, court language services and court technology to determine if their independent contractor status complies with IRS rules defined for independent contractors.
<b>IA Follow-Up:</b>	Superior Court no longer use independent contractors as court reporters. New employee classification/class spec for "Assignment Court Reporter" was created.

**OBSERVATION #5 - EMPLOYEES ON-LEAVE STATUS**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	04/23/2019
<b>Action Plan:</b>	Orange County Superior Court currently uses the CAPS+ system that is administered by Orange County Auditor Controller. The current CAPS+ system has known limitations for employees in an "O" (unpaid leave) status. These employees are not included on the regular transmittal file to OCERS and thus no earnable record is generated. They do appear on the missing member report from OCERS Auditor Controller is working on a long-term solution for "O" status employees to still appear on the OCERS transmittal file. There is no current timeline for implementation. However, in the meantime, Superior Court's human resources staff will create updated employment records indicating a "Leave of Absence" in V3 for the above employees. Also, on a go-forward basis Superior Court's human resources staff will perform the same step in V3 for each employee who becomes classified with the above "O" status in CAPS+. This will allow OCERS personnel to more easily identify the reason for gaps in earnable salary records until the point in time when Auditor-Controller can correct the above CAPS+ limitations.
<b>IA Follow-Up:</b>	Internal Audit and management agreed that currently existing controls are sufficient to address the risk of missing pay periods. Internal Audit verified in V3 the automated messages that help the retirement specialist identify potential missing pay periods when retiring a member.

**OBSERVATION #6 - MEMBER AFFIDAVIT**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	04/03/2019



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Action Plan:</b>	Beginning in 4th quarter 2018, OCERS' Member Services will run a recently updated V3 report ("Missing Member Affidavit" report) that flags any member account without the Member Affidavit document type. OCERS' Member Services' Payroll Transmittal Team will monitor this quarterly report and contact plan sponsors to request a completed Member Affidavit for any members flagged in the above report.
<b>IA Follow-Up:</b>	Confirmed missing Member Affidavit was received and Member Services has scheduled the Missing Member Affidavit to be run on a monthly basis.

**Project:** 29 - Audit of Orange County Transportations Authority (2018)

**REPORT DATE:** 11/12/2018 CLOSED

**Closed Observations:** 1

**OBSERVATION #1 - CONTRIBUTIONS ON PTO CASHOUTS**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	04/02/2019
<b>Action Plan:</b>	OCERS is in the process of reviewing and evaluating all pay items in order to categorize and document in policy each item of compensation earnable for Legacy members and pensionable compensation for PEPRAs members. OCERS intends to present this policy to the OCERS Board for review and approval by 1st quarter of 2019.  The majority of OCERS' plan sponsors do not apply the contribution rates to cashouts (as does OCTA); instead, they rely on the actuarial cash out assumption (Load Factor) to pay for the actuarial cost of adding vacation pay and sick pay to a Legacy member's FAS calculation upon retirement. OCERS believes this is the better approach and will incorporate this in the new policy in order to have consistency among all plan sponsors. In addition to the new policy, by 1st quarter of 2019, OCERS intends to distribute a circular letter to all plan sponsors informing them of this approach to not collect contributions on these cashouts.
<b>IA Follow-Up:</b>	Internal Audit confirmed the circular letters have been posted to the OCERS website.

**Project:** 31 - Disability Payment Audit (2018)

**REPORT DATE:** 01/28/2019 CLOSED

**Closed Observations:** 1

**OBSERVATION #1 - DISABILITY PAYMENT CALCULATION**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	01/05/2022



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Action Plan:</b>	Member Services will be continuing to review with increased diligence or newly implementing to ensure accuracy of Disability benefits that are setup: <ul style="list-style-type: none"> <li>• Ensure that all disability benefits are peer audited (FAS calc) before benefit setup, including disability recalculations (from Service Retirement to SCD, Service Retirement to NSCD, NSCD to SCD)</li> <li>• Verify selected data points on the "New Benefit Setup Validation Report" (which will contain a subset of 16 reports – expected to be ready by Q3 2019)</li> <li>• Additional training will be provided to the RPS assigned to the disability department (this was a new position in 2018). These types of benefits are more specialized than regular retirement setups, and the Disability RPS will be trained to look for specific factors that affect the benefit, such as gaps in service, measuring period compression, manual calculations of FAS, recalculation issues.</li> </ul>
<b>IA Follow-Up:</b>	IA confirmed action plan has been implemented. A new Disability Process has been implemented along with the appropriate training.

**Project:** 36 - 1943 2019 BCDR Audit

**REPORT DATE:** 10/17/2019

CLOSED

**Closed Observations:** 6

**OBSERVATION #1 - OCERS BUSINESS CONTINUITY POLICY DOCUMENT HAS EXISTED SINCE 2015 BUT THE DOCUMENTATION OF THE APPROVALS WERE NOT FORMALIZED.**

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	12/13/2019
<b>Action Plan:</b>	We believe that the current document titled "OCERS Business Continuity Policy" would be more accurately described as a program document. As such, our plan is to retitle the document to be OCERS Business Continuity Program and review it with the CMT making updates as deemed appropriate. The Chief Executive Office will then formally approve the updated document. The updated document will be reviewed every three years for necessary changes. As an extension to this observation, staff will also recommend to the Board of Retirement a change to the CEO Charter the next time the Charter is due for a review. The change will be to specifically delegate to the CEO the duty of implementing, testing and maintaining a Business Continuity Program.
<b>IA Follow-Up:</b>	IA confirmed the Business Continuity Program documents has been formally approved by the CMT.

**OBSERVATION #2 - THE BUSINESS CONTINUITY PROGRAM STANDARD OPERATING PROCEDURES DOCUMENT HAS EXISTED SINCE 2015 BUT THE DOCUMENTATION OF THE APPROVALS BY THE CRISIS MANAGEMENT TEAM WERE NOT FORMALIZED.**

<b>Process Owner:</b>	FINANCE
<b>Completion Date:</b>	02/26/2020
<b>Action Plan:</b>	We concur with the observation and will formalize the approval of the document.
<b>IA Follow-Up:</b>	IA confirmed the Business Continuity Standard Operating Procedure document has been formally approved by the CMT.

**OBSERVATION #4 - THE TABLETOP EXERCISE DID NOT FULLY VALIDATE THE ORGANIZATION'S PREPAREDNESS AT AN ENTITY OR DEPARTMENT LEVEL IN THE EVENT OF A DISASTER.**

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## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Process Owner:</b>	EXECUTIVE
<b>Completion Date:</b>	12/06/2019
<b>Action Plan:</b>	<p>We believe the program is ready to enhance future exercises by including more functional testing. As an example, during our July 2019 tabletop, a component of the Finance team was asked to work from home in order to test their connectivity and functionality. In future exercises, we will expand the scenarios to encompass various departments within the organization such that over time, all departments with a recovery plan will have participated in a functional exercise. For upcoming exercises, we will create scenarios which allow us to include departments which have not yet participated in an exercise.</p> <p>We have added an item to the October 2019 Crisis Management Team meeting to discuss timing of the expansion of functional testing efforts as well as the importance of referring to the Crisis Management Plan and Department Recovery Plans during exercises. Our recommendation will be to conduct IT testing as part of our January exercises and deeper functional testing as part of our July exercises.</p>
<b>IA Follow-Up:</b>	IA confirmed the Q4 CMT meeting discussed expanding the functional testing with plans to start with IT testing in January.

**OBSERVATION #5 - MANAGEMENT PERSONNEL ARE NOT CONSISTENTLY UPDATING THE RELEVANT INFORMATION IN THE BUSINESS IMPACT ANALYSIS AND DEPARTMENT RECOVERY PLAN DOCUMENTS IN A TIMELY MANNER.**

<b>Process Owner:</b>	EXECUTIVE
<b>Completion Date:</b>	12/13/2019
<b>Action Plan:</b>	<p>The CMT Leader, OCERS CEO, will remind the CMT at least two weeks prior to the quarterly Business Continuity meetings to update the appropriate Business Continuity documents to reflect any changes in personnel, technology or vendors since the last meeting. Additionally, the CMT Leader will add as a standing agenda item for the quarterly meetings a reminder that the CMT should update the appropriate Business Continuity documents. The plan owners will update the necessary documents based on the reminder at least on a quarterly basis.</p> <p>The CMT Leader will also work with Administrative Services to add a workstep in the off-boarding and on-boarding processes for the plan owners to assess the organizational impact of the terminated or new employee to the Business Continuity documentation. Based on the assessment, the plan owner will update the documentation accordingly.</p>
<b>IA Follow-Up:</b>	<p>IA was able to confirm:</p> <ul style="list-style-type: none"> <li>- the BCDR CMT Meeting email contained a reminder for the CMT to review/update their documents</li> <li>- the agenda did contain an item notifying CMT members to update their documents</li> <li>- a workstep was added to the on-boarding and off-boarding checklist</li> </ul>

**OBSERVATION #7 - 7. THE IDENTIFICATION OF ALTERNATIVE FACILITY LOCATIONS HAS NOT BEEN FORMALLY DOCUMENTED AND APPROVED IN THE BCDR SYSTEM.**

<b>Process Owner:</b>	EXECUTIVE
<b>Completion Date:</b>	12/13/2019
<b>Action Plan:</b>	<p>The Business Continuity Coordinator team is currently working with the County of Orange to formalize an agreement to use County facilities as an alternate workspace location in the event of a localized disaster at OCERS headquarters. The County requested OCERS to complete a questionnaire, which was completed and sent back to the County on August 8, 2019. The most recent conversations with the County occurred on August 21, 2019; we will schedule a follow-up call with County representatives in the very near future.</p> <p>Once the agreement is formalized, all program documentation will be updated to include the alternate workspace site information and an action item to review the alternate workspace location on an annual basis will be created. This action item will serve to ensure that the alternate workspace location is still viable. The BC Coordinator team will continue to refine the alternate workspace options for additional scenarios. In addition, the BC Coordinators will create a schedule detailing space needs over time.</p>



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**IA Follow-Up:** IA confirmed the Alternate Facility plan has been formally approved. Additionally, the BC Coordinator follow-ed up with the County contact. Progress is being made to secure a location for OCERS.

**OBSERVATION #8 - 8. KEY MEMBERS OF THE CRISIS MANAGEMENT TEAM (CMT) ARE NOT CONSISTENTLY TAKING THE ASSIGNED ELECTRONIC RESOURCES WHEN TRAVELING FROM THE OFFICE.**

**Process Owner:** EXECUTIVE  
**Completion Date:** 12/06/2019  
**Action Plan:** The CMT Leader, OCERS CEO, will remind the CMT at the quarterly Business Continuity meetings of the importance of taking the necessary resources (laptops) when traveling away from the office.  
**IA Follow-Up:** IA confirmed the Q4 CMT agenda included a reminder to take the necessary resources when traveling.

**Project:** 44 - 1944 - Finance Benefits Audit

**REPORT DATE:** 01/13/2020

CLOSED

**Closed Observations:** 4

**OBSERVATION #1 - V3'S PRE DISBURSEMENT REGISTER REPORT CONTAINS PAYEE'S FULL SOCIAL SECURITY NUMBERS AND FULL NAMES.**

**Process Owner:** FINANCE  
**Completion Date:** 12/09/2019  
**Action Plan:** Build 8.14 will include the replacement of full Social Security Numbers with OCERS ID# (OID) and/or OIP# on the Pre-Disbursement Register Report and Disbursement Schedule.  
**IA Follow-Up:** IA confirmed the updated Disbursement Schedule Detail Report and Pre-Disbursement Register Report now display the OID numbers in place of SSNs.

**OBSERVATION #2 - FINANCE DOES NOT SYSTEMATICALLY DELETE V3'S ACH FILES CONTAINING BENEFICIARIES' BANKING INFORMATION FROM LOCAL HARD DRIVES.**

**Process Owner:** FINANCE  
**Completion Date:** 03/14/2022  
**Action Plan:** Management will establish procedures to delete copies of the ACH text files from local hard drives after a copy of the file has been uploaded to Wells Fargo.  
 Finance will work with IT and Vitech to consider the cost/benefit of changing the ACH file process to directly upload an ACH file once it has been created in V3 and directly downloading the file to a secured network folder in the Finance directory.





## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**IA Follow-Up:** IA confirmed with the Finance team the deletion of the ACH file from the local hard drive is now being performed by management. IA reviewed the procedures updated to reflect this practice. Due to COVID, the cost/benefit analysis has been moved to 2021.  
 2/3/22 - OCERS IT was able to modify the PM Export file process. The PM Export is now going to be run as a batch export file and will automatically save into a new secured folder location in the Finance folder on the F drive. In addition, access to run the PM Export is restricted to the Finance Accountant Auditor, Senior Accountant Auditor and Supervisor roles  
 3/14/22 - IA was able to confirm the PM Export file automatically uploads to a secured folder with limited access. IA also confirmed a documented procedure exists.

**OBSERVATION #3 - FINANCE PROCEDURES MANUAL RELATED TO BENEFIT AND LUMP SUM PAYMENTS (I.E. PAYROLL) DO NOT REFLECT ALL CURRENT PROCEDURES.**

**Process Owner:** FINANCE  
**Completion Date:** 10/05/2020  
**Action Plan:** Finance will be creating and updating stand-alone procedures for all of its processes as part of an organization-wide 2020 Business Plan Initiative.  
**IA Follow-Up:** Internal Audit reviewed the documented lump sum payroll procedures.

**OBSERVATION #4 - GENERAL LEDGER ENTRIES TO TRANSFER EMPLOYEE CONTRIBUTION RESERVES WERE NOT BOOKED TIMELY.**

**Process Owner:** FINANCE  
**Completion Date:** 12/20/2019  
**Action Plan:** In the instance noted here, processes with material impact to operations and financials were performed during the unforeseen long-term leave of absence of one of the Finance Managers, but in the future, Management will document approval of decisions to postpone processes due to extenuating circumstances noting impact and materiality of postponement.  
**IA Follow-Up:** IA confirmed the Finance Risk and Control Matrix (RACM) was updated to include additional documentation requirement.

**Project:** 39 - 1971-IT General Controls

**REPORT DATE:** 06/04/2020

CLOSED

**Closed Observations:** 2

**OBSERVATION #1 - ADMINISTRATOR ACCESS GRANTED TO THE FINANCIAL REPORTING AND INTRANET PORTAL APPLICATIONS PRESENT A HIGHER THAN NORMAL RISK DUE TO SEGREGATION OF DUTIES CONCERNS.**

**Process Owner:** INFORMATION TECHNOLOGY  
**Completion Date:** 01/13/2022



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Action Plan:** As OCERS is in the process of issuing an RFP for a new financial accounting system, we will defer changes to our current financial accounting system, and focus on building a secure segregated system with the appropriate controls and check and balances as part of the new system to be implemented in 2021.

Due to the size of the OCERS IT Programming group, team members share many administrative responsibilities and needs to be able to cover for other team member assignments and responsibilities when out of the office.

Both the intranet portal and the intranet portal source code repository provide account auditing features that track all changes are made, along with the user that made the change. This information is reported daily to the IT Programming Supervisor, so that he and the IT Management team have complete visibility into any administrative operations that are performed and by whom.

In addition to this audit trail, we have implemented a mandatory workflow process with each IT Programming Request that requires the review of a secondary team member when making changes to the intranet portal or source code in the intranet portal source code repository. This serves as an additional validation and backup to protect against segregation of duties concerns.

**IA Follow-Up:** New financial accounting system implementation was moved to 2021 with move to production in Jan 2022.  
 IA confirmed that the Intranet Portal has restricted administrative access.  
 IA also confirmed the new financial accounting system has restricted administrative access

**OBSERVATION #4 - EVIDENCE OF TESTING OF INTRANET PORTAL CHANGES ARE NOT RETAINED.**

**Process Owner:** INFORMATION TECHNOLOGY

**Completion Date:** 06/12/2020

**Action Plan:** Currently, OCERS IT Programming records all requested changes to its intranet portal environment in an IT Programming Request list located on OCERS Intranet site. The list includes automated notifications sent to stakeholders and approval workflows generated for approvals and sign off of requests.

To better capture evidence of testing performed prior to implementing changes to the intranet portal or hosted reports, this ticketing system has been modified to include a field for 'Testing Performed'. This field will be used to specifically capture testing that was performed by the developer and/or the end user prior to the implementation of the change. In addition, this field will include instructions the 'attach supporting testing documentation as necessary'.

**IA Follow-Up:** Internal Audit confirmed the creation and use of the "Testing and Validation Performed" field in the IT Programming Requests to document the review of Intranet Portal Changes.

**Project:** 40 - 1945- FAS Pay Items Audit

**REPORT DATE:** 06/04/2020

**Closed Observations:** 3

CLOSED

**OBSERVATION #1 - A FORMAL RECONCILIATION WAS NOT PERFORMED TO ENSURE THE PAY ITEMS REPORTED TO THE BOARD ACCURATELY AND COMPLETELY CORRESPONDED WITH THE CONFIGURATION IN V3.**

**Process Owner:** MEMBER SERVICES

**Completion Date:** 09/16/2021

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## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Action Plan:</b>	Member Services will address the variances noted in the audit, which includes making the appropriate configuration updates to the V3 system, communicating the updates to the Employers and following procedures in the OCERS' Overpaid and Underpaid Plan Contributions Policy in regards to the over and underpayment of contributions of the variances noted. At the next update to the Board, Member Services will include the corrections identified in this audit for pensionable attributes of relevant pay items. Going forward, Member Services will develop a process to perform a full reconciliation of the pay item file presented to the Board with the pay item configurations in the V3 system periodically, at least prior to the annual presentation to the Board to ensure accurate and complete reporting of pay items to the Board. Any discrepancies identified by the reconciliation will be addressed as needed.
<b>IA Follow-Up:</b>	Internal Audit reviewed updated procedure document and annual reconciliation file.

**OBSERVATION #2 - MEMBER SERVICES DOES NOT HAVE WRITTEN PROCEDURES IN REGARDS TO THE PROCESSING, REVIEW AND AUTHORIZATION OF EMPLOYER PAY ITEMS INTO V3.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	09/16/2020
<b>Action Plan:</b>	Member Services has since implemented a process to review the configurations made by OCERS IT to ensure every new or updated Pay Item is configured accurately in OCERS V3 Pension Administration System. This process will include a post review notification to all stakeholders from Member Services (IT, Member Services Director, and the Assistant CEO of External Operations) that will be kept in the same Network Directory as the rest of the supporting documentation (e.g. New Pay Item Submission Form, MOU/Side Letter Agreements, New Pay Item approvals)  In addition to the above procedure, Member Services is working with our third party vendor (Vitech) to implement a process for submitting and approving pay items within the V3 Pension Administration Software. Early analysis began prior to the work from home order.
<b>IA Follow-Up:</b>	IA confirmed the review process of pay codes in V3 was implemented and documented. The review consisted of walking through a pay item.

**OBSERVATION #3 - A PROCESS DOES NOT EXIST TO IDENTIFY UPDATES TO EMPLOYER DOCUMENTATION THAT MAY IMPACT THE LIST OF PAY ITEMS.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	03/14/2023
<b>Action Plan:</b>	Member Services is in the process of documenting all current MOU's and will draft an update to the pay item review procedure to include a section on monitoring MOU's for adjustments made by Employers to ensure Employers have obtained OCERS approval prior to implementing a new pay item.  Currently, the Employer is required to submit a "pay item request form" to OCERS for approval in order to add a new or adjust an existing pay item. This is required to be done at least two pay periods prior to implementation of the pay item in the Employer payroll. If however an Employer attempts to pass a pay item that has not been added for that Employer, the system will produce an error for the Employer when they submit the payroll. This process assists Member Services in monitoring the implementation of pay items directly by the Employer.
<b>IA Follow-Up:</b>	IA confirmed a process and supporting documentation was implemented.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 43 - 2031 - Audit of Orange County Sanitation District (OCSD) Payroll Transmittals

**REPORT DATE:** 06/04/2020

CLOSED

**Closed Observations:** 1

**OBSERVATION #2031 - AN EMPLOYEE IN OUR SAMPLE WAS NOT ENTITLED TO RECEIVE A PENSIONABLE PREMIUM PAY ITEM, RESULTING IN AN OVERPAYMENT OF THAT PENSIONABLE PREMIUM PAY ITEM (AND CONTRIBUTIONS PAID TO OCERS).**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	05/21/2020
<b>Action Plan:</b>	Development Pay requests are manually tracked in Excel, and entered in the FIS system. OCSD staff has begun using an exception report to compare the records from these two data sources, to ensure the number of employees listed on the Excel tracking sheet match the number of employees receiving Development Pay per the FIS system. Secondly, the Development Pay program will be audited bi-annually to capture and correct any administrative errors that may have occurred. Additionally, data entered in the FIS system is now done by using an employee identification (ID) number rather than an employee's last name to ensure the correct record is being updated each time. Lastly, in the past 4 years, we've had 5 different staff members administer the Development Pay program due to staff turnover. We now have a dedicated staff member that is knowledgeable in the program and is solely responsible for entering requests in the Excel worksheet and the FIS system, and a supervisor overseeing the function. OCSD is also working with the employee on a repayment plan to reimburse OCSD for the pensionable pay granted in error. Once this is finalized, the Development Pay for the impacted employee will be reversed and an adjustment entry (for contributions) will be done in V3 for each pay period affected.
<b>IA Follow-Up:</b>	IA confirmed the correct employee qualified for the certification pay, the premium payment in error was corrected with collections and the semi-annual audit has been implemented.

**Project:** 42 - 2032 - Actuarial Extract Audit

**REPORT DATE:** 10/13/2020

CLOSED

**Closed Observations:** 6

**OBSERVATION #1 - 1. THE PENSION ADMINISTRATION SYSTEM'S ACTUARIAL EXTRACT REPORTING DOES NOT EXTRACT THE CORRECT STATUS (E.G. ACTIVE, DEFERRED, RETIRED, TERMINATED) OF A MEMBER UNDER CERTAIN SCENARIOS, RESULTING IN THE NEED TO MANUALLY CORRECT THE ACTUARIAL EXTRACT REPORT**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
<b>Completion Date:</b>	09/22/2021
<b>Action Plan:</b>	OCERS is working with pension administration vendor to correct issues associated with the member status logic used for the actuarial export and subsequent data cleanup.
<b>IA Follow-Up:</b>	Member status logic recoding is complete and deployment launched.

**OBSERVATION #2 - 2. IT PROGRAMMING PERFORMS LOGICAL TESTING OF THE PROGRAMMING CODE BEHIND ITS ACTUARIAL EXTRACT VALIDATION PROCESS BUT DOES NOT KEEP FORMALIZED DOCUMENTATION EVIDENCING THE TESTING.**

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 Process Owner(s): ALL

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<b>Process Owner:</b>	INFORMATION TECHNOLOGY
<b>Completion Date:</b>	03/11/2021
<b>Action Plan:</b>	The IT Programming team will formalize and document the process by which logical testing of our actuarial validation code will be performed.
<b>IA Follow-Up:</b>	Formalized testing process has been documented and reviewed by IA

**OBSERVATION #3 - 3. FORMAL DOCUMENTATION OF THE APPROVAL OF VALIDATION PROGRAMMING CODE CHANGES DOES NOT EXIST.**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
<b>Completion Date:</b>	03/11/2021
<b>Action Plan:</b>	The IT Programming team will formalize and document the process of how actuarial extract validation code changes will be approved, including how all approvals will be tracked and logged within our system.
<b>IA Follow-Up:</b>	IT Programming has formalized the code change validations process.

**OBSERVATION #5 - 5. MEMBER SERVICES DOES NOT HAVE POLICIES AND PROCEDURES RELATED TO THE USE OF THE PENSION ADMINISTRATION SYSTEM MEMBER DATA VALIDATION QUERIES.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/15/2023
<b>Action Plan:</b>	The Member Services team will document and formalize policies and procedures related to the pension administration system data queries created by the OCERS IT Department. We will also document the personnel structure responsible for the process as well as the timing and scheduling cycles for the annual review.
<b>IA Follow-Up:</b>	Internal Audit confirmed a Member Services procedural document was created.

**OBSERVATION #6 - 6. A MINOR VARIANCE NOTED AND ADDRESSED DURING THE VALIDATION PROCESS WAS NOT ACCURATELY UPDATED IN THE DATA EXTRACT FILE SENT TO THE ACTUARY.**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
<b>Completion Date:</b>	03/11/2021
<b>Action Plan:</b>	The IT Programming team will enhance its process to incorporate all validation review updates and related data cleanup changes to ensure all updates are included in the final export to OCERS Actuary.
<b>IA Follow-Up:</b>	Data cleanup process has been updated and data validation has occurred.

**OBSERVATION #7 - 7. OCERS ACTUARIAL EXTRACT PROCESSING GUIDE DOES NOT DESCRIBE INFORMATIONAL QUERIES WHICH DO NOT REQUIRE INVESTIGATION UNLESS REQUESTED BY SEGAL.**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
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### Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Completion Date:</b>	03/11/2021
<b>Action Plan:</b>	The IT Programming team will add a section to the Actuarial Extract Processing guide that will describe the additional Informational queries available to OCERS staff to preview potential member datasets based on annual actuarial review question posed by OCERS actuary.
<b>IA Follow-Up:</b>	IA confirmed the Actuarial Extract Processing guide has been updated with the informational queries description.

<b>Project:</b>	47 - 2020 - Continuous Audit of Final Average Salary Calculations (Q3/Q4 2020)
<b>REPORT DATE:</b>	<b>03/22/2021</b>
<b>Closed Observations:</b>	2

CLOSED

**OBSERVATION #1 - 1. INTERNAL AUDIT NOTED AN 8% ERROR RATE (SIX ERRORS) WITH THE 75 FAS CALCULATIONS SAMPLED FROM THE 3RD AND 4TH QUARTERS OF 2020.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	
<b>Action Plan:</b>	Member Services has reviewed and is in the process of addressing the recalculations for members identified by Internal Audit during their review. Member Services Management has also taken the following steps which are further detailed in our "Member Services Management Quality Assurance Review Final Average Salary Q1-Q2 2020 Report.docx" document provided to the committee (Action Item A-5). 1. Reorganization of the Retirement Program Specialist (RPS) department. 2. Development of the OCERS Retirement Transaction Tool. 3. Development of detailed written procedures for the entire Retirement Transaction Process. 4. Retrained the RPS teams on the newly developed Retirement Transaction Tool. 5. Development of a fully focused Quality Assurance Review Team and Reporting process. 6. Random Sampling of Retirement Transactions by Member Services Management Team.
<b>IA Follow-Up:</b>	As part of the continuous audit for the FAS calculation, Internal Audit noted the MAP was completed during the July 1 payroll review.

**OBSERVATION #2 - 2. THE FAS SUPPORTING DOCUMENTATION FOR THREE MEMBERS NEEDED TO BE UPDATED IN THE PENSION ADMINISTRATION SYSTEM (NO FAS IMPACT).**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	04/02/2021
<b>Action Plan:</b>	Member Services has reviewed and updated the member files for the calculation documents for members identified by Internal Audit during their review. Member Services Management has also implemented a checklist within the new tool mentioned above.
<b>IA Follow-Up:</b>	Internal Audit noted the checklist was included in the new FAS tool.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 33 - 2090 - Vulnerability and Patch Management

**REPORT DATE:** 03/22/2021

CLOSED

**Closed Observations:** 1

**OBSERVATION #2 - DETAILS REMOVED - DISCUSSED IN CLOSED SESSION**

<b>Process Owner:</b>	INFORMATION TECHNOLOGY
<b>Completion Date:</b>	05/27/2021
<b>Action Plan:</b>	Details Removed - Discussed in Closed Session
<b>IA Follow-Up:</b>	Closed

**Project:** 48 - 2132 - Continuous Audit of Final Average Salary Calculations (Q2 2021)

**REPORT DATE:** 06/04/2021

CLOSED

**Closed Observations:** 2

**OBSERVATION #1 - 1. INTERNAL AUDIT NOTED A 6.7% ERROR RATE (FOUR ERRORS) OUT OF THE 60 FAS CALCULATIONS SAMPLED FROM THE 2ND QUARTER OF 2021.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/20/2021
<b>Action Plan:</b>	<p>Member Services Management team takes all errors very seriously. As discussed before, we reorganized our team and implemented a full Quality Assurance process to review all payroll transactions and perform recalculations on any member's account where we found an error. We are reviewing the root cause of all errors and we are providing ongoing training on the errors found each month. We are providing direct feedback to the specific team members who processed the original calculations where errors occurred. We are also reporting up to senior management weekly on the results of our efforts.</p> <p>As to the fourth error, we are working with ViTech, our V3 pension administration system vendor to develop a solution to this issue. We are also working with our team to review any accounts with similar employment history to ensure this error does not occur in the future until we can have the systematic issue fixed in V3. Upon our initial review of all member retirements that have been processed since the implementation of V3 (2016 forward), it is believed to impact approximately 11 members, but the investigation is ongoing. We will provide an update on the final number of members affected at the time of the June Audit Committee Meeting.</p> <p>Member Services is also providing training to the team on how to identify members with this potential issue to ensure additional members are not impacted in the future until the fix in V3 is made</p>
<b>IA Follow-Up:</b>	Internal Audit reviewed the ViTech submission and confirmed with Member Services of the additional training.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**OBSERVATION #2 - 2. THE FAS SUPPORTING DOCUMENTATION FOR TWO MEMBERS NEEDED TO BE UPDATED IN THE PENSION ADMINISTRATION SYSTEM (NO FAS IMPACT).**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/20/2021
<b>Action Plan:</b>	Member Services Management team is providing feedback to our team and the 2 specific team members who did not upload the fully completed supporting documentation to the V3 system. We will continue to reiterate the importance of maintaining the fully completed documentation in the members' files in V3 and will have the supervisor team monitor compliance.
<b>IA Follow-Up:</b>	Internal Audit confirmed the documents have been uploaded and the feedback to the team members have been provided.

**Project:** 55 - 2135 - Quarterly FAS Review (Q4 2021)

**REPORT DATE:** 10/04/2021

CLOSED

**Closed Observations:** 1

**OBSERVATION #1 - 1. INTERNAL AUDIT NOTED AN 8% ERROR RATE (SIX ERRORS) WITH THE 75 FAS CALCULATIONS TESTED FROM THE 3RD QUARTER OF 2021.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	10/01/2021
<b>Action Plan:</b>	<p>Member Services has recalculated the 6 accounts and made corrective retroactive payments/adjustments to each of the members in accordance with OCERS Overpaid and Underpaid Plan Benefits Policy. The first 5 members were corrected with the 9/1/2021 payroll and the last account was corrected on the 10/1/2021 payroll. Member Services RPS management team formed a committee to assist in developing new controls. One specific solution that came from this committee was the need to have a consistent process for them to follow to sort through the pay data used in determining FAS pay items. Member Services management developed new controls within the FAS Calculation Tool that incorporate macros to help sort and organize the work history for pay items to ensure all team members are working in a consistent process and to make it easier to identify the pay items to include in the FAS. We implemented and trained the RPS team on the new process in September.</p> <p>Member Services management has also enacted version control on the FAS Calculation tool to ensure it is easy to identify if calculations are performed on an outdated file. Member Services management will continue to find new ways to eliminate errors in this process and implement them quickly with appropriate training and documentation on the processes for the team.</p>
<b>IA Follow-Up:</b>	Member Services shared the updated version of the FAS excel tool.





## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Project:** 56 - 2133 - Dependent Survivor Eligibility Audit

**REPORT DATE:** 10/04/2021

CLOSED

**Closed Observations:** 3

**OBSERVATION #1 - 1. OCERS DOES NOT HAVE A FORMALIZED AND SYSTEMATIC PROCESS TO ADDRESS SURVIVOR BENEFITS UNCLAIMED OVER AN EXTENDED PERIOD OF TIME.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	01/05/2022
<b>Action Plan:</b>	<p>Member Services Management has worked with our IT partners to develop two reports that will alert us if we have a member that has a death date entered but does not have a survivorship processed. This will help us catch this type of oversight in the future. A process will be developed to monitor the reports/alerts and take appropriate action. Member Services will also research with ViTech to see if it would be possible to have an automated letter mailed out each month to a member's beneficiaries once a death date is entered and to conclude when a survivorship is processed to the beneficiaries. This will help ensure member beneficiaries are made aware of their possible benefit.</p> <p>2 Reports are as follows:</p> <ul style="list-style-type: none"> <li>• Deceased Retirees with No Associated Burial Benefit nor Survivorship benefit established.</li> <li>• Deceased Retirees with an Associated Burial Benefit but no Survivorship benefit established.</li> </ul>
<b>IA Follow-Up:</b>	Internal Audit confirmed the reports have been implemented

**OBSERVATION #2 - 2. UPON REVIEWING A SURVIVOR'S BENEFIT PAYMENT, WE NOTED ERRORS WITH THE DECEASED MEMBER'S BENEFIT PAYMENT HISTORY FROM 2002 TO THE MEMBER'S DEATH IN 2018.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	01/26/2023
<b>Action Plan:</b>	<ol style="list-style-type: none"> <li>1. Per the OCERS' Overpaid and Underpaid Plan Benefits Policy, OCERS will not recoup the overpaid funds from the surviving spouse's continuance.</li> <li>2. Current procedures requires Member Services to perform a comparison of the benefit components on both member and survivor to identify any possible discrepancies at the time of the survivorship establishment. We will review our current procedures to see if there are any additional steps, we can take to ensure we do not miss this type of discrepancy moving forward. We will also update our team and provide training specific to this issue.</li> </ol>
<b>IA Follow-Up:</b>	Confirmed procedures were updated for Member Services to verify COLA and Pension amounts for survivor benefit payments.

**OBSERVATION #4 - 4. A MEMBER'S DISABILITY APPLICATION WAS NOT LOCATED IN THE MEMBER'S V3 RECORDS.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	03/16/2022
<b>Action Plan:</b>	Member Services/Disability team will ensure all the documents are uploaded before completing the Required Proof Doc Checklist. Member Services will validate at the time of disability recalculation that the required disability documentation is within the V3 member file.

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Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**IA Follow-Up:** IA confirmed the disability documents have been uploaded to V3 and a process was implemented to validate documents have been uploaded.

**Project:** 57 - 2231 - SSA Employer Audit

**REPORT DATE:** 03/30/2022

CLOSED

**Closed Observations:** 1

**OBSERVATION #1 - 1. THE JOB TITLE IN THE OCERS PENSION ADMINISTRATION SYSTEM (PAS) RECORDS FOR A SOCIAL SERVICES AGENCY RETIREE IN OUR SAMPLE DID NOT REFLECT THE RETIREE'S ACTUAL JOB TITLE.**

**Process Owner:** MEMBER SERVICES

**Completion Date:** 01/30/2023

**Action Plan:** Member Services Employer Payroll (EP) Management Team will perform a one-time audit of the records between OCERS and all employers supported through the County (Not Just SSA). Once Complete, updates will be sent to OCERS IT to make the necessary changes. After IT makes the changes to the system, a member of the EP Team will verify that the changes were successfully implemented. Ongoing, accuracy validation of the data at the time a member retires is currently performed and is also part of our updated Quality Assurance Process initiated in 2021. As a result of our updated quality assurance program and the fact that we rarely receive new or changed Bargaining Units and Job Class, Management is recommending we continue to review the quality for these records at the time of retirement. We will perform another global reconciliation at the time we perform a migration from the current pension administration system to our new pension administration system in the coming years.

**IA Follow-Up:** Internal Audit confirmed the reconciliation of job title and job codes between the County and OCERS PAS. The issue identified has been corrected.

**Project:** 58 - 2211 - Investment Manager Fee Report

**REPORT DATE:** 03/30/2022

CLOSED

**Closed Observations:** 1

**OBSERVATION #1 - EVIDENCE OF MANAGEMENT REVIEW OVER THE PREPARATION OF THE FEE REPORT AND THE UNDERLYING EXCEL SCHEDULE USED TO HELP COMPILE THE REPORT IS NOT FORMALIZED AND RETAINED**

**Process Owner:** INVESTMENTS

**Completion Date:** 09/12/2022

**Action Plan:** We acknowledge and concur with the observation. We believe that documenting the process will strengthen Investment Division's procedures while also providing a strong audit trail.



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**IA Follow-Up:** Internal Audit reviewed the Fee Report Procedure and signoff for the 2021 Annual Fee Report presented at the August 2022 Investment Committee meeting.

**Project:** 59 - 2232 - Quarterly FAS Review (Q1 2022)

**REPORT DATE:** 03/30/2022

CLOSED

**Closed Observations:** 1

**OBSERVATION #1 - 1. INTERNAL AUDIT NOTED A 4.0% ERROR RATE (TWO ERRORS) WITH THE 50 FAS CALCULATIONS SAMPLED FROM THE 1ST QUARTER OF 2022**

**Process Owner:** MEMBER SERVICES

**Completion Date:** 01/26/2023

**Action Plan:** Member Services (M.S.) Management team investigated the first error reported by Internal Audit for this quarter, and we determined that the original data came to OCERS from CalPERS in an Excel spreadsheet that contained improper formatting for the salary records. M.S. management has engaged the leadership team at CalPERS for the department that prepares this information to inform them of the formatting error. We have also reviewed additional member accounts for which we had received salary information from CalPERS to determine if any other accounts had a similar issue. All of the other accounts we reviewed contained spreadsheets that contained merged fields similar to this account, but they were formatted properly and correctly reported final average salary. We are also training our staff to be aware of the possibility of formatting errors from any outside agency using Excel to report data to OCERS.

Regarding the second account with an error, M.S. Management team is working with ViTech to determine the reason for the error and fix the PAS software to ensure it is following the configuration settings properly. We are also working to query the PAS software to see if there are any other accounts that may have been affected in a similar way to this account.

**IA Follow-Up:** Internal Audit confirmed the training was performed and a JIRA ticket was created to identify the proration issue.

**Project:** 62 - 2233 - Quarterly FAS Review (Q2 2022)

**REPORT DATE:** 10/03/2022

CLOSED

**Closed Observations:** 1

**OBSERVATION #1 - INTERNAL AUDIT NOTED A 2.4% ERROR RATE (ONE ERROR) WITH THE 41 FAS CALCULATIONS SAMPLED FROM THE 2ND QUARTER OF 2022.**

**Process Owner:** MEMBER SERVICES

**Completion Date:** 03/17/2023



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Action Plan:** Provide additional training to the Team members when calculating a Sanitation District FAS and benefit. This would include reiterating that Quality Assurance will need to perform a completely separate reperformance of the FAS calculation. Work with the Employer, Sanitation District, to correct errors in the transmittal before OCERS can begin the process of calculating the FAS and benefit.

**IA Follow-Up:** IA confirmed Member Services provided the additional training and communicated the error with OC Sanitation District.

**Project:** 60 - 2261 - Procurement Audit

**REPORT DATE:** 10/03/2022

CLOSED

**Closed Observations:** 7

**OBSERVATION #2 - THE DUE DILIGENCE WAS NOT CONSISTENTLY PERFORMED OR DOCUMENTED BY THE CONTRACT ADMINISTRATOR, AS PER OCERS BUSINESS PRACTICES, FOR THREE VENDORS IN OUR SAMPLE:**

**Process Owner:** EXECUTIVE

**Completion Date:** 01/30/2023

**Action Plan:** A. Management will document and implement a process to ensure due diligence is performed prior to the execution of contracts and that will account for instances that might occur whereby a contract is signed before due diligence is completed.

**IA Follow-Up:** IA confirmed a new due diligence process was implemented. Additional samples were tested.

**OBSERVATION #3 - AUTHORIZING SIGNATURES, AS REQUIRED BY THE POLICY, WERE NOT OBTAINED ON FIVE CONTRACTS WITHIN OUR SAMPLE.**

**Process Owner:** EXECUTIVE

**Completion Date:** 04/20/2023

**Action Plan:** A. Management will recommend changes to the Procurement and Contracting Policy to include a duty of the Contract Administer to ensure the appropriate signatures for contracts are obtained.  
 B. In an instance where the Procurement and Contracting Policy is not followed, Management will address these non-compliance issues through the Employee Evaluation and Discipline practices as noted in the Employees Handbook.

**IA Follow-Up:** IA confirmed the Policy was updated with the provision for the Contract Administrator to ensure signatures comply with signature requirements.

**OBSERVATION #4 - THE LEGAL DIVISION'S REVIEW WAS NOT OBTAINED FOR AN IT CONSULTANT'S CONTRACT AWARDED IN 2021. (CONTRACT VALUE OF \$126,000).**

**Process Owner:** EXECUTIVE

**Completion Date:** 09/12/2022

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Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**Action Plan:** A. All contracts, including those that do not deviate from OCERS' form of contract, are now forwarded to the Legal Division for review. In addition, the Legal contract approval is being retained for future reference.

**IA Follow-Up:** Internal Audit reviewed sample of Legal approval of final contracts

**OBSERVATION #5 - FOR TWO VENDORS IN OUR SAMPLE, THE CERTIFICATE OF INSURANCE (COI) PROVIDED BY THE VENDOR DID NOT MEET THE DOLLAR AMOUNT COVERAGE AS SPECIFICALLY STATED IN THE EXECUTED CONTRACT.**

**Process Owner:** EXECUTIVE

**Completion Date:** 01/30/2023

**Action Plan:** A. Management will implement procedures to ensure Certificates of Insurance are in accordance with the vendor contracts. In those cases where the Insurance Certificate does not meet the contractual requirements, the contract stake holder and Legal Division will be consulted for additional action.

**IA Follow-Up:** Internal Audit confirmed COIs were obtained for an additional sample.

**OBSERVATION #6 - POLICY IS ABSENT GUIDANCE OF WHEN A CONTRACT IS NEEDED AND HOW TO MONITOR ROUTINE ITEMS THAT DO NOT WARRANT A CONTRACT.**

**Process Owner:** EXECUTIVE

**Completion Date:** 04/20/2023

**Action Plan:** Policy Issue: Management will work with the Legal Division to identify circumstances where a contract is required and make recommendations to update the Procurement and Contracting Policy as deemed appropriate.

**IA Follow-Up:** IA confirmed the Policy was updated to define when a written contract was required.

**OBSERVATION #7 - UPON REVIEW OF OCERS' CONTRACT MANAGEMENT SYSTEM (CMS), WE NOTED DATA ENTRY ERRORS WITH SIX VENDORS IN OUR SAMPLE.**

**Process Owner:** EXECUTIVE

**Completion Date:** 01/24/2023

**Action Plan:** Management has approval to hire an additional Team Member in this department. Review procedures will be created and implemented at that time.

**IA Follow-Up:** New Senior Manager hired. Internal Audit reviewed the Data Entry review schedule provided by management.

**OBSERVATION #8 - 8. WE NOTED POTENTIAL ROOM FOR IMPROVEMENT WITH EITHER THE POLICY OR WITH THE ADDITION OF NEW PROCEDURES.**

**Process Owner:** EXECUTIVE

**Completion Date:** 04/20/2023



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Action Plan:</b>	Policy Issue: A. Management will recommend changes to the Procurement and Contracting Policy regarding the approvals required for a contract whose value is unknown at the time of execution. B. Management will recommend changes to the Procurement and Contracting Policy to clarify proper approval of Named Service Providers C. Management will implement a process to track diverse and/or minority owned businesses in an RFP distribution sheet.
<b>IA Follow-Up:</b>	IA confirmed the Policy was updated to address instances when a contract value is not known at the time of execution, and to clarify the proper approval of Named Service Providers. Diverse Vendor tracking action plan is complete

**Project:** 63 - 2235 - The Toll Roads Employer Audit

**REPORT DATE:** 02/14/2023

CLOSED

**Closed Observations:** 3

**OBSERVATION #1 - 1. FOR ONE MEMBER IN OUR TEST SAMPLE, THE MEMBER AFFIDAVIT FORM WAS INCOMPLETE REGARDING THE MEMBER'S PREVIOUS PUBLIC SERVICE.**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	03/22/2023
<b>Action Plan:</b>	TCA ensures all member affidavits are completed for previous public service. The instance identified was for the HR Director. He did not fill out the previous experience because he knew it would not be eligible for reciprocity. TCA reminded the HR Director to ensure all member affidavits have this section completed, regardless of the employee's service credit reciprocity eligibility.
<b>IA Follow-Up:</b>	IA confirmed the HR Director was made aware to ensure all sections are completed in a member's affidavit.

**OBSERVATION #2 - FOR TWO MEMBERS IN OUR TEST SAMPLE, THE EMPLOYER INCORRECTLY REPORTED THE PAYROLL INFORMATION TO THE OCERS PENSION ADMINISTRATION SYSTEM (PAS).**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	05/02/2023
<b>Action Plan:</b>	TCA has adjusted the employee's reported hours for PP13 & PP14 to correctly reflect the hours worked. TCA noted our internal OCERS schedules properly reflected the number of hours worked, but they were incorrectly copied over to the OCERS transmittal. Additionally, TCA noted the internal schedule for the second employee properly reflected the hourly rate for the pay periods noted. TCA will adjust the employee's reported hourly rate for these periods. TCA reminded the staff and supervisor responsible for preparing and reviewing the transmittal to confirm all hours and information agree to our internal documentation prior to submission. TCA is also working to automate the process of updating the OCERS transmittals with the data from our payroll reports to limit the potential for manual data entry mistakes.
<b>IA Follow-Up:</b>	IA confirmed transmittal adjustments were recorded in V3. TCA has been working with OCERS to find opportunities to automate the payroll transmittal.

**OBSERVATION #3 - 3. WE NOTED A SINGLE INSTANCE IN WHICH A TIMESHEET LACKED SUPERVISORY SIGNOFF.**

<b>Process Owner:</b>	EMPLOYER
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## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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<b>Completion Date:</b>	03/22/2023
<b>Action Plan:</b>	The Sr. Accounting Clerk responsible for ensuring timesheets were properly approved for the selected pay period and the supervisor of the selected employee are no longer with TCA. TCA reminded the new payroll Sr. Accounting Clerk and Accounting Supervisor responsible for review to confirm all timecards (including partial timecards under a different supervisor) include supervisor approval prior to payroll submission.
<b>IA Follow-Up:</b>	IA confirmed communication was made to the Sr. Accounting Clerk and Accounting Supervisor responsible for ensuring timesheets are approved.

<b>Project:</b>	64 - 2331 - Children and Families Commission
<b>REPORT DATE:</b>	<b>04/05/2023</b>
<b>Closed Observations:</b>	2

CLOSED

**OBSERVATION #1 - FOUR MEMBERS PREVIOUSLY SEPARATED FROM CFCOC WERE STILL CLASSIFIED WITH ACTIVE STATUS IN THE PENSION ADMINISTRATION SYSTEM (PAS).**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	05/02/2023
<b>Action Plan:</b>	The CFCOC Assistant to CEO will add the required termination form to the off-boarding process when an employee terminates. Once completed, the CFCOC Director of Finance will review for accuracy and submit to OCERS.
<b>IA Follow-Up:</b>	IA confirmed the status was updated for the four members.

**OBSERVATION #3 - THERE ARE NO FORMAL INTERNAL GUIDELINES HELPING TO MONITOR INDEPENDENT CONTRACTORS FOR COMPLIANCE WITH IRS REGULATIONS DEFINING INDEPENDENT CONTRACTORS.**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	05/04/2023
<b>Action Plan:</b>	CFCOC staff will work with Commission Counsel and develop internal guidelines.
<b>IA Follow-Up:</b>	IA confirmed internal guidelines were developed.

<b>Project:</b>	67 - 2202 - Alameda Audit
<b>REPORT DATE:</b>	<b>04/05/2023</b>
<b>Closed Observations:</b>	2

CLOSED



## Management Action Plan Status Report

Project(s): ALL  
 Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
 Process Owner(s): ALL

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**OBSERVATION #1 - 1. INTERNAL AUDIT NOTED A 6.7% ERROR RATE (TWO ERRORS OUT OF THE SAMPLE OF 30) WITH THE FAS CALCULATIONS SAMPLED.**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/15/2023
<b>Action Plan:</b>	These errors were associated to the first 30 transactions performed by external contractors. The prior 6 transactions (October and November 2022) where Member Services did not have any errors were performed by seasoned team members. From our review of these items, the contractors did not follow the documented processes and training they were provided; had the process been followed errors would not have occurred. The issue has been addressed with the contractors and they fully understand the need for following the documented process. The Member Services management team is also considering extending the payroll deadlines to allow for more time to perform the processing and QA. We believe rushing to get transactions processed before the deadline has contributed to the errors and think extending the timeline will help prevent future errors.
<b>IA Follow-Up:</b>	Internal Audit confirmed the communication was made to the contractors to follow the documented procedure. The payroll deadline was also extended from 30 to 45 days.

**OBSERVATION #2 - INTERNAL AUDIT NOTED A 13.3% ERROR RATE (FOUR ERRORS OUT OF THE SAMPLE OF 30) WITH THE MANUAL ALLOCATION OF THE TOTAL OVERPAID BENEFITS TO BE RECOVERED BETWEEN THE RETIREE AND THE EMPLOYER (NOT FAS IMPACTING).**

<b>Process Owner:</b>	MEMBER SERVICES
<b>Completion Date:</b>	05/15/2023
<b>Action Plan:</b>	These errors were on a new Excel tab specifically created for Alameda recalculations. With the Board direction to only collect overpayments from 10/1/2020 forward from the member, Member Services needed to create a manual calculation process. This tab was created so we could split the amount of the overpayment between the Member and the Employer. V3 automatically calculates the total overpayment, however V3 cannot automate the split between Member and Employer. The data in this tab is a direct extract from members' V3 accounts and the errors occurred when the contractors entered the data manually vs extracting it from V3. In addition, the QA team did not validate the numbers thinking they were a direct extract. Member Services management team will be modifying our controls to ensure this new data tab is calculated separately by our QA team to validate the numbers.
<b>IA Follow-Up:</b>	Confirmed new control for overpayment allocation was implemented.

**Project:** 65 - 2332 - OC Superior Court

**REPORT DATE:** 04/05/2023

CLOSED

**Closed Observations:** 1

**OBSERVATION #2 - 2. TWO MEMBERS DID NOT HAVE A MEMBER AFFIDAVIT ON FILE IN THE PAS AND FIVE ADDITIONAL MEMBER AFFIDAVITS WERE SENT TO OCERS WITH EITHER MISSING INFORMATION OR ON AN OUTDATED FORM.**

<b>Process Owner:</b>	EMPLOYER
<b>Completion Date:</b>	04/17/2023

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### Management Action Plan Status Report

Project(s): ALL  
Mgmt. Status: OPEN, CLOSED - NO FURTHER ACTION REQUIRED  
Process Owner(s): ALL

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**Action Plan:**

The Court will complete the following:

- Send the two OCERS Member Affidavits that are missing from OCERS Records to employerpayroll@ocers.org
- OCERS Member Services instructed the Court to obtain emails from the three members with missing information answering the following: "Are you a member of any other public retirement system in the state of California?  
If yes, please list other public retirement systems along with dates of service.  
If no please respond to confirm you do not have any other public service in California"  
Emails to be sent by the Court HR to the employees to obtain their responses
- OCERS Member Services instructed the Court to obtain emails from the two members with outdated forms answering the following: "Are you a member of any other public retirement system in the state of California?  
If yes, please list other public retirement systems along with dates of service.  
If no please respond to confirm you do not have any other public service in California"  
Emails to be sent by the Court HR to the employees to obtain their responses

**IA Follow-Up:**

IA Confirmed the necessary information was provided to OCERS



## Memorandum

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**DATE:** June 1, 2023  
**TO:** Members of the Audit Committee  
**FROM:** David Kim, Director of Internal Audit  
**SUBJECT:** STATUS UPDATE OF 2023 AUDIT PLAN

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### *Written Report*

#### **Background/Discussion**

Attached is a comparison of budgeted 2023 audit plan hours versus the completed program actual hours, by project.

#### **Submitted by:**

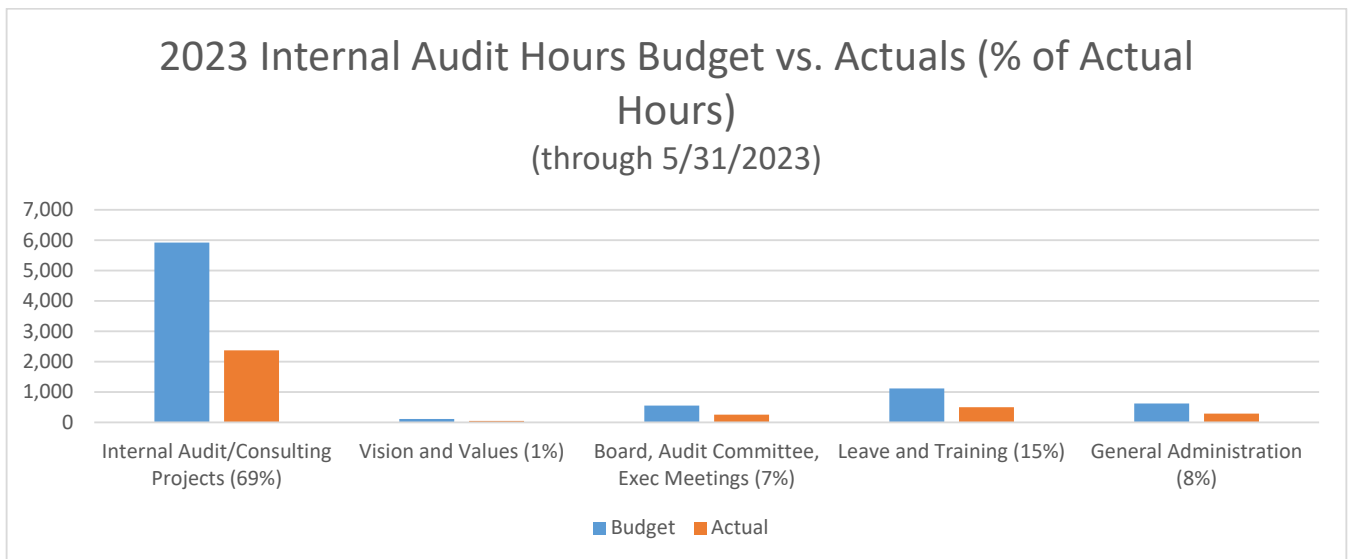
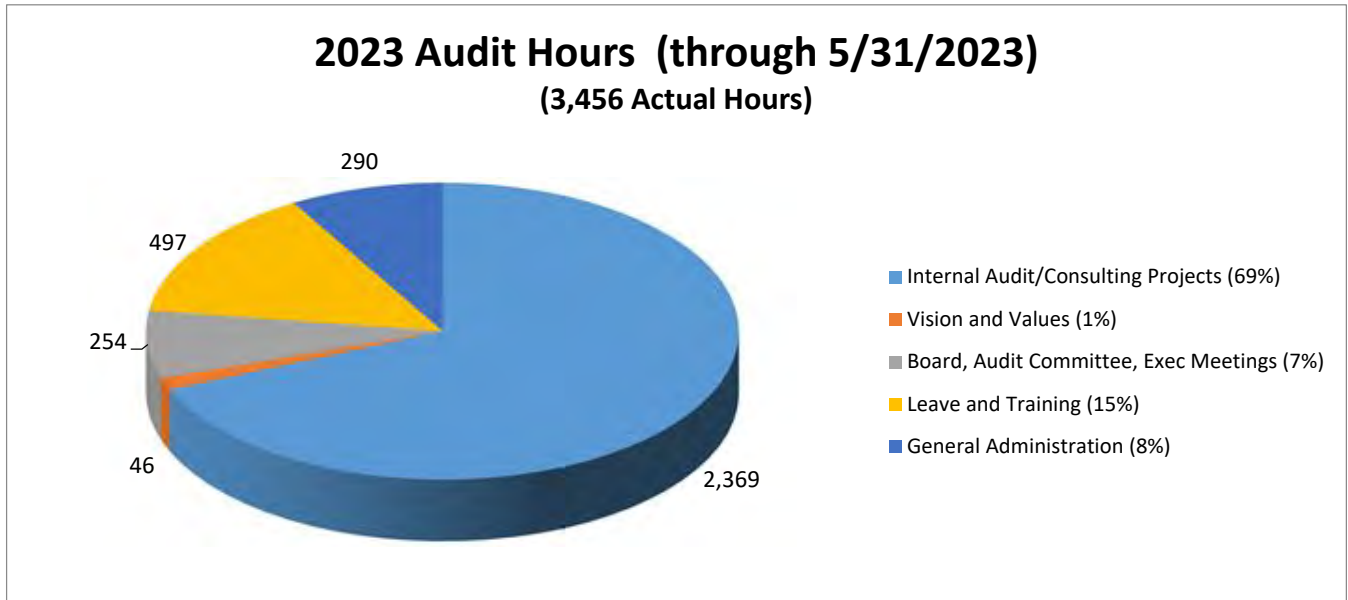


**DK - Approved**

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David Kim  
Director of Internal Auditor

## 2023 Internal Audit Plan



**Orange County Employees Retirement System  
2023 Internal Audit Plan**

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
<b>Internal Audit/Consulting/Planning/QAIP</b>		<b>5,920</b>	<b>2,369</b>	<b>3,583</b>	
<b>Internal Audits - Assurance</b>		<b>4,860</b>	<b>2,165</b>	<b>2,727</b>	
IT Automated Controls (carryover from 2022 audit plan)	Validate the policies and procedures over V3 System calculations of the Percent of Final Average Salary and Base Final Average Salary prior to management's manual adjustment process, as well as the calculation of the Plan Benefit after the manual adjustment process. Performed by RSM.	10	14	0	Complete
Employer Audit (Transportation Corridor Agency)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy. Last time audited in 2013.	30	34	0	Complete
Member Data Maintenance (Bank account changes)	Review the controls over member data to ensure unauthorized changes are not made to the members' information, specifically the member's bank account information.	340	364	0	First time audit - Complete
Hiring Practices	Review controls over the hiring process, from initial job requisition through start of employment.	340	207	133	First time audit - fieldwork in process
Governance - Asset Allocation/Rebalancing	Review of controls ensuring OCERS asset allocation/rebalancing activities are reviewed and fully reported to the Investment Committee as per Investment Policy Statement.	330	0	330	
Accounts Payable	Review of controls over the account payable process, from payment request through payment of invoice.	340	0	340	First time audit
Transmittal Processing	Review the Employer Payroll team's controls over the processing of payroll transmittals in V3.	340	30	310	First time audit
Alameda Implementation	Perform an independent review of the controls in place to ensure the recalculation of contribution refunds and retirement benefits related to the Alameda decision are complete and accurate; member information updated in V3 are reviewed and approved; and recording to the General Ledger is supported and authorized.	640	230	410	
Employer (In Home Support Services)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	330	0	330	
Employer (Children and Families Commission)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	330	330	0	Complete

**Orange County Employees Retirement System  
2023 Internal Audit Plan**

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
Employer (OCFA)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	330	206	124	Fieldwork in process
Employer Audit (OC Superior Court)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	330	330	0	Complete
Employer Audit (OCTA)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy. Last time audited in 2013.	330	0	330	
IT/InfoSec Audit Program	Azure Active Directory and MS365 Security – review the state of services deployed and determine if the current configuration aligns with leading practices (200 hours from RSM).  Center of Internet Security (CIS) - evaluate Information Security's implementation of the CIS Controls, and provide recommendations on management's assessment of the department's implementation status and maturity level as appropriate.	100	10	90	MS365 Audit started
Continuous Audit - Final Average Salary (FAS) Calculation	Continuous audit of FAS calculations. Sample on quarterly basis for Q1 and Q3	480	280	200	Q1 testing complete
Internal Audit - Management Action Plan Follow-up	Action Plan Follow-up - Perform MAP follow-ups with management.	260	130	130	Ongoing review of implemented MAPs from completed audits.
<b>Internal Audits - Consulting</b>		<b>240</b>	<b>126</b>	<b>114</b>	
Consulting/Ad-hoc projects	Open for any ad-hoc project TBD	240	126	114	Investment Incentive review, RPA, training for annual employer report
<b>Internal Audits - Planning</b>		<b>500</b>	<b>0</b>	<b>500</b>	
Annual Audit Planning	Review and update Risk and Control Matrix.	200	0	200	
	Annual preparation of the Audit Plan, updates to the current Audit Plan.	300	0	300	
<b>Internal Audits - Quality Assurance and Improvement Program</b>		<b>320</b>	<b>78</b>	<b>242</b>	
Quality Assurance and Improvement Program	IA Quality Review- self assessment - QAIP program and external peer review	220	62	158	Includes external peer auditor selection (RFP), QAIP data requests and response
	Use of hotline reporting system.	100	16	84	Potential for volume increase due to Alameda.
<b>Vision and Values</b>		<b>110</b>	<b>46</b>	<b>64</b>	
	Vision and Values - Continuous Improvement Program	50	16	34	Help with transition to Vision and Values Committee
	Vision and Values Committee (Internal OCERS Committee)	60	30	30	Internal committee to promote a positive culture at OCERS - Committee Vice Chair.
<b>Board, AC, OCERS Executive Meetings</b>		<b>552</b>	<b>254</b>	<b>298</b>	
	Board meetings, Audit Committee, Personnel Committee, Governance Committee, Executive meeting	470	220	250	
	Weekly meetings with CEO	26	11	15	
	Monthly meeting with Audit Committee Chair	56	23	33	

**Orange County Employees Retirement System  
2023 Internal Audit Plan**

Audit Activity	Description	Planned Hours	Actual Hours	Projected Remaining Hours	Comments
<b>General admin time</b>		<b>620</b>	<b>290</b>	<b>330</b>	
	General admin time	620	290	330	8% of total hours.
<b>Leave (Holiday/Annual) and Training</b>		<b>1,118</b>	<b>497</b>	<b>621</b>	
	Holidays (12 days), Annual Leave (15 days)	918	327	592	
	Training and Continuing Education	200	171	30	
<b>Grand Total Hours</b>		<b>8,320</b>	<b>3,456</b>	<b>4,894</b>	