

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

REGULAR MEETING
Tuesday, February 7, 2017
9:00 a.m.

AGENDA

The Orange County Board of Retirement welcomes you to this meeting. This agenda contains a brief general description of each item to be considered. The Board of Retirement encourages your participation. The public, plan members, beneficiaries, and/or representatives may speak to any subject matter contained in the agenda at the time the item is addressed. Except as otherwise provided by law, no action shall be taken on any item not appearing in the following agenda. Persons wishing to address items on the agenda should provide written notice to the Secretary of the Board prior to the Board's discussion on the item by filling out the Public Comment Form located in the back of the room. Members of the public may also comment during the Public Comment period at the end of Open Session. When addressing the Board, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

Pledge of Allegiance

Swearing in of OCERS Board Members

CONSENT AGENDA

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

BENEFITS

C-1 [MATERIAL DISTRIBUTED](#)

Application Notices
Death Notices

February 7, 2017
February 7, 2017

Recommendation: Receive and file.

C-2 [OPTION 4 RETIREMENT ELECTION – RICHARD ALEXANDER](#)

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

C-3 [2017 STAR COLA COST POSTING](#)

Recommendation: In accordance with Government Code Section 7507, call a public meeting for March 20, 2017, to consider the STAR COLA ad hoc adjustment to applicable retirement allowances.

ADMINISTRATION

C-4 [BOARD MEETINGS AND COMMITTEE MEETINGS](#)

Regular Board Meeting Minutes

January 17, 2017

Recommendation: Authorize meeting and approve minutes.

C-5 [CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN](#)

Recommendation: Receive and file.

C-6 [GOVERNMENT FINANCE OFFICERS ASSOCIATION \(GFOA\) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING](#)

Recommendation: Receive and file.

C-7 [SACRS BOARD OF DIRECTORS ELECTIONS 2017-2018](#)

Recommendation: Receive and file.

C-8 [BOARD COMMUNICATIONS](#)

Recommendation: Receive and file.

* * * * * **END OF CONSENT AGENDA** * * * * *

INDIVIDUAL ITEMS AGENDA

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

I-2 [2017 COST OF LIVING ADJUSTMENT](#)

Presentation by Suzanne Jenike, Assistant CEO External Operations, OCERS

Recommendation: Adjust all applicable benefit allowances, effective April 1, 2017, in accordance with Government Code Section 31870.1, resulting from the 1.89% change in CPI, as follows:

1. For benefit recipients who began receiving benefits on or before April 1, 1971 through April 1, 1982, increase applicable benefit allowances by 2%, and reduce COLA banks by 1% for a total benefit adjustment of 3%.
2. For benefit recipients who began receiving benefits or will begin receiving benefits between April 2, 1982 and April 1, 2017, increase applicable benefit allowances by 2% with no reduction in COLA banks.

I-3 CEM BENCHMARKING REPORT

Presentation by Steve Delaney, Chief Executive Officer, OCERS and Suzanne Jenike, Assistant CEO External Operations, OCERS

Recommendation: Receive and file.

I-4 OCERS PLAN SPONSOR – AN ANNUAL REVIEW

Presentation by David James, Director of Internal Audit, OCERS, and Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Receive and File OCERS' 2017 Plan Sponsor Review Report and OCERS' 2017 Plan Sponsor Presentation.

I-5 STRATEGIC PLAN QUARTERLY REVIEW

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Approve staff recommended modifications.

I-6 FIDUCIARY INSURANCE POLICY

Presentation by Brenda Shott, Assistant CEO Internal Operations, OCERS

Recommendation: Authorize Staff to bind a one year fiduciary insurance policy with RLI Insurance Company with a coverage limit of \$5,000,000, self-insured retention of \$250,000 and an annual premium of \$75,100 which includes the Waiver of Recourse for all Trustees and Executive Management.

I-7 ADDITION OF EXTRA HELP POSITION IN LEGAL DEPARTMENT

Presentation by Gina Ratto, Chief Legal Officer, OCERS

Recommendation:

- 1) Approve the addition of an Extra Help position, classified as a Deputy Chief Counsel in the Legal department.

2) Authorize the CEO to send the attached memorandum to the County of Orange to request the addition of an Extra Help position.

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

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

11:00 A.M.

NOTE: WHEN CONSIDERING DISABILITY RETIREMENT APPLICATIONS, THE BOARD MAY FIND IT NECESSARY TO DISCUSS MATTERS RELATING TO THE EVALUATION OF THE WORK PERFORMANCE OF AN EMPLOYEE WHO HAS APPLIED FOR DISABILITY RETIREMENT, OR DISCUSS COMPLAINTS OR CHARGES MADE AGAINST SUCH EMPLOYEE. IF THIS OCCURS, THE BOARD MAY ADJOURN TO A CLOSED SESSION TO DISCUSS SUCH MATTERS PURSUANT TO GOVERNMENT CODE SECTION 54957, UNLESS THE EMPLOYEE REQUESTS THAT THE DISCUSSION BE IN PUBLIC.

D-1: CARLOS CAMMON

Deputy Sheriff II, Orange Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:
08/26/2015

Date of employee filed application for service and non-service connected disability retirement:
05/02/2016

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF THE DAY AFTER THE LAST DAY OF COMPENSATION. (SAFETY MEMBER) (D-1)

D-2: JULIE GALLAGHER

Information Processing Technician, Orange County Social Services Agency

Date of employer filed application for service and non-service connected disability retirement:
09/23/2014

Date of employee filed application for service connected disability retirement: 01/22/2015

GRANT NON-SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF SEPTEMBER 23, 2014 AND DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION. (GENERAL MEMBER) (D-2)

D-3: JEROME LARSON

Lieutenant, Orange Sheriff's Department

Date of employee filed application for service and non-service connected disability retirement:
03/18/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF MARCH 20, 2015. (SAFETY MEMBER) (D-3)

D-4: NANNETTE LOFT

Deputy Sheriff II, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:
05/14/2015

Date of employee filed application for service and non-service connected disability retirement:
06/10/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF DECEMBER 25, 2015. (SAFETY MEMBER) (D-4)

D-5: DEBRA MORRIS

Correctional Services Technician, Orange County Sheriff's Department

Date of employee filed application for service and non-service connected disability retirement:
08/24/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF MARCH 18, 2016. (GENERAL MEMBER) (D-5)

D-6: JOYCE SIMON

Financial Counselor II, Orange County Auditor Controller

Date of employee filed application for service and non-service connected disability retirement:
12/22/2014

STAFF RECOMMENDATION IS TO DENY SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY. (GENERAL MEMBER) (D-6)

CLOSED SESSION ITEMS

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

Recommendation: Take appropriate action.

- E-2 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED**

(GOVERNMENT CODE SECTION 54956.9(d)(1))

Carlos Bustamante v. OCERS, CA Superior Court, Orange County (Case No. 30-2017-00898104-CU-WM-CJC)

Adjourn pursuant to Government Code Section 54956.9(d)(1).

Recommendation: Take appropriate action.

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

BOARD MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

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

NOTICE OF NEXT MEETINGS

GOVERNANCE COMMITTEE MEETING

February 8, 2017

9:00 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

INVESTMENT COMMITTEE MEETING

February 22, 2017

9:00 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

MANAGER MONITORING SUBCOMMITTEE MEETING

March 2, 2017

9:00 A.M.

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

**REGULAR BOARD MEETING
March 20, 2017
9:00 A.M.**

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

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

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

C-1

*Orange County Employees Retirement System
Retirement Board Meeting
February 7, 2017
Application Notices*

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Acoba, Flordeliz	Treasurer-Tax Collector	12/9/2016
Allanique, Cristina	Health Care Agency	12/7/2016
Bickelhaupt, David	OC Community Resources	12/14/2016
Boqosian, Jason	Sheriff's Department	12/23/2016
Brooks, Gary	OC Public Works	12/14/2016
Bryant, Shirley	Social Services Agency	12/23/2016
Castro, Veronica	Superior Court	12/9/2016
Christopher, Carol	Probation	12/23/2016
Conner, Sharon	OC Community Resources	12/10/2016
Consiglio, Antoinette	OC Public Works	12/9/2016
Darling, Curtis	Superior Court	12/9/2016
Darling, Linda	Superior Court	12/9/2016
Davis, John	Sheriff's Department	12/9/2016
Davis, Robert	UCI	9/27/2016
Dhaliwal, Harsimran	OCTA	12/12/2016
Ferraro, Arlene	Superior Court	12/15/2016
Frank, Mark	OC Public Works	12/12/2016
Gager, Lisa	Social Services Agency	12/9/2016
Gannon, Timothy	Health Care Agency	12/5/2016
George, Adrian	Social Services Agency	12/23/2016
Halderman, Charles	Sheriff's Department	12/2/2016
Held, Robert	Health Care Agency	12/19/2016
Honsberger, John	OC Public Works	12/9/2016
Istratescu, Constance	Public Defender	12/9/2016
Jones, Martin	Fire Authority (OCFA)	12/22/2016
Kennedy, Sandra	District Attorney	12/1/2016
Krepp, Martin	OC Public Works	12/16/2016
Le, Lieu Hue	Social Services Agency	12/23/2016
Lopez, Jose	OCTA	12/8/2016
Mabey, Maria	Fire Authority (OCFA)	12/22/2016
Martus, Arlene	Social Services Agency	12/21/2016
Mitchell, Doug	Fire Authority (OCFA)	12/23/2016
Montgomery, David	Fire Authority (OCFA)	11/25/2016
Murphy, Jamie	Fire Authority (OCFA)	12/23/2016
Najari, Souzan	OCTA	11/15/2016
Nguyen, Dai	Social Services Agency	12/9/2016
O'Keith, Billie	Probation	12/9/2016
Parker, Beverly	Sheriff's Department	11/11/2016
Peralta, Stephen	Sheriff's Department	11/26/2016
Quiaoit, Enrique	Child Support Services	11/25/2016
Rechsteiner, Donna	Health Care Agency	12/23/2016
Samson, Cynthia	Social Services Agency	12/9/2016
Schiewitz, Deborah	Superior Court	12/10/2016
Shafer, Karen	Sheriff's Department	12/23/2016
Shepard, Deborah	Public Defender	12/9/2016
Sipe, Russell	Vector Control	11/29/2016
Smith, Mary	OC Community Resources	12/9/2016
Spiegel, Robert	Fire Authority (OCFA)	12/23/2016
Vandiver, Wesley	District Attorney	12/9/2016
Varner, Alice	Superior Court	12/9/2016
Waters, Janet	John Wayne Airport	12/23/2016
Wayne, Keith	OCTA	12/1/2016
Woznichak, Emily	Sheriff's Department	12/2/2016

*Orange County Employees Retirement
Retirement Board Meeting
February 7, 2017
Death Notices*

<i>Active Members</i>	<i>Agency/Employer</i>	<i>Date of Death</i>
Torres, Joel	Cemetery District	12/22/2016
Wride, Brent	Sanitation District	1/6/2017

<i>Retired Members</i>	<i>Agency/Employer</i>	<i>Date of Death</i>
Ashdale, Ronald	OC Community Resources	12/27/2016
Barkan, Frieda	Social Services Agency	1/11/2017
Barnett, Edward	Sheriff's Department	12/29/2016
Belasco, Scott	Public Defender	12/18/2016
Brice, Evelyn	Auditor-Controller	1/18/2017
Burgess, Sarah	OC Public Works	8/30/2016
Buth, Marilyn	Fire Authority (OCFA)	12/19/2016
Crookshanks, William	Fire Authority (OCFA)	1/9/2017
Davis, William	Social Services Agency	12/18/2016
Do, Dominic	OC Public Works	12/17/2016
Doran, Larry	Social Services Agency	12/29/2016
Estrada, David	Superior Court	12/22/2016
Gilbert, Gerald	OC Public Works	1/9/2017
Grossoehme, Lannon	Sheriff's Department	1/5/2017
Harris, James	Superior Court	1/5/2017
Hua, Kimmy	County Executive Office (CEO)	1/2/2017
Jennings, Lillian	Health Care Agency	12/7/2016
Jones, Cleveland	Probation	1/5/2017
Lockett, Gordon	OC Community Resources	1/4/2017
Mossman, Mae Grace	Health Care Agency	12/11/2016
Oliver, Mary	Health Care Agency	1/6/2017
O'Loghlin, Carole	Health Care Agency	1/5/2017
Pavloff, Fred	OC Community Resources	12/6/2016
Pirtle, Elizabeth	Auditor-Controller	12/29/2016
Self, Sara	OC Community Resources	12/24/2016
Simon, Walter	Probation	12/31/2016
Stein, Judith	Sheriff's Department	1/17/2017
Stites, Harry	OCTA	1/7/2017
Wahlstedt, Arthur	County Counsel	12/24/2016
Wong, Priscilla	Health Care Agency	12/28/2016
Wright, Ionia	Superior Court	12/22/2016
Zane, Wendy	Probation	1/12/2017

<i>Surviving Spouses</i>	<i>Agency/Employer</i>	<i>Date of Death</i>
Barton, Julianne		12/26/2016

C-2

Memorandum

DATE: January 23, 2017
TO: Members of the Board of Retirement
FROM: Suzanne Jenike, Assistant CEO, External Operations
SUBJECT: OPTION 4 RETIREMENT ELECTION – RICHARD ALEXANDER

Recommendation:

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

Background:

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective August 5, 2016. The Orange County Employees Retirement System (OCERS) was joined in the member’s dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member’s ex-spouse was awarded a lifetime continuance as a percentage of the member’s allowance.

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

Submitted by:



S. J. – APPROVED

Suzanne Jenike
Assistant CEO, External Operations



100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8283 www.segalco.com

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

PERSONAL and CONFIDENTIAL

January 24, 2017

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

**Re: Orange County Employees Retirement System
Option 4 Calculation for Richard Alexander**

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to Richard Alexander and his ex-spouse based on the unmodified benefit and other information provided in the System's request dated January 23, 2017.

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

Member's Date of Birth	[REDACTED]
Ex-Spouse's Date of Birth	[REDACTED]
Date of Retirement	August 5, 2016
Plan of Membership	General Plan I
Monthly Unmodified Benefit	\$7,049.65
Ex-Spouse's Share of Monthly Unmodified Benefit	27.77%
Type of Retirement	Service Retirement

Option 4 Benefit

The ex-spouse bears the cost of Option 4 reduction for the DRO benefit	<u>Payable while the Member is Alive</u>	<u>Payable After the Member's Death while the Ex-Spouse is Alive</u>
Monthly Benefit Payable to Member		
Annuity	\$1,451.84	
Pension	<u>3,640.12</u>	
Total	\$5,091.96	\$0
Monthly Benefit Payable to Ex-Spouse (or to the estate of the ex-spouse if the ex-spouse predeceases the member)	\$1,588.11*	\$1,588.11

* This is equal to 27.77% of the member's unmodified benefit (i.e., 27.77% * \$7,049.65 or \$1,957.69) adjusted further to provide a benefit payable over the ex-spouse's lifetime..

ACTUARIAL ASSUMPTIONS

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

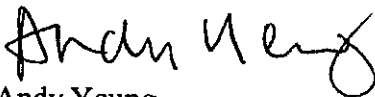
RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female for members.

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

The actuarial calculations contained in this letter were performed under the supervision of Andy Yeung, ASA, Enrolled Actuary, who is a member of the American Academy of Actuaries and who meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

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

Sincerely,


Andy Yeung

AW/

C-3

Memorandum

DATE: January 31, 2017
TO: Members of the Board of Retirement
FROM: Suzanne Jenike, Assistant CEO, External Operations
SUBJECT: 2017 STAR COLA COST POSTING

Recommendation

In accordance with Government Code Section 7507, call a public meeting for March 20, 2017, to consider the STAR COLA ad hoc adjustment to applicable retirement allowances.

Background/Discussion

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

Before the Board votes on whether to grant the STAR COLA, the costs must be posted at a separate public meeting, in accordance with Government Code Section 7507. As such, this item is providing the required notice that on March 20, 2017, the Board will consider the granting of the STAR COLA. The total cost is projected to be \$568,505. As in the past, the Board will provide each plan sponsor with STAR COLA recipients the opportunity to pay their share of the cost in a lump sum, over a period of 12 months or add it to the unfunded liability for that plan sponsor. This item will be fully discussed at the March 20, 2017 meeting.

Submitted by:



S. J. – APPROVED

Suzanne Jenike
Assistant CEO, External Operations



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

VIA EMAIL AND USPS

January 31, 2017

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

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

Dear Steve:

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

BACKGROUND

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

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

RESULTS AND ANALYSIS

On April 1, 2017, only those members who retired on or before April 1, 1980 have COLA banks in excess of 20% and hence are eligible to receive the STAR COLA.

The attached Exhibit A shows a ten-year projection of the STAR COLA benefits, expressed as a percentage of the benefit payable effective April 1 of the next ten years. In Exhibit B, we show the annual benefit payment based on who is eligible for the STAR COLA benefit as of April 1, 2017 (i.e., members who retired on or before April 1, 1980) and those who may become eligible after April 1, 2017. In Exhibit C, we have included a schedule that provides the breakdown of the anticipated STAR COLA benefits from April 2017 to March 2018 based on members who retired from each employer.

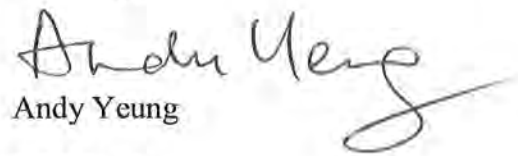
Our projections are based on the following assumptions provided below.

1. The existing 80% purchasing power cap will remain unchanged.
2. In adjusting the purchasing power banks after April 1, 2017, we have used the assumed annual inflation rate of 3.00% previously adopted by the Board for the December 31, 2015 valuation that will carry over unchanged for the December 31, 2016 valuation. As OCERS provides a maximum annual COLA of 3.0%, the COLA banks will not change in the future under the 3.00% inflation assumption (see attached Exhibit A) and thus no other additional members will be expected to become eligible. We assume that future STAR COLA benefits, adjusted to reflect inflation for the prior calendar year, will be paid commencing April 1 of the subsequent year.
3. Our projections were based on the latest membership data used in the valuation as of December 31, 2015, but updated through January 27, 2017 to exclude those members who have passed away since the prior valuation. For conservatism, we assumed no deaths would have occurred among retirees and beneficiaries from January 27, 2017 to April 1, 2017. Effective April 1, 2017, we applied the life expectancies previously adopted by the Board for the December 31, 2015 valuation that will again carry over unchanged for the December 31, 2016 valuation in projecting members who will be entitled to payments in the ten-year period.

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

Please let us know if you have any questions.

Sincerely,


Andy Yeung

MYM/gxk
Enclosures

cc: Suzanne Jenike
Brenda Shott

EXHIBIT A – TEN-YEAR PROJECTION OF STAR COLA BENEFITS

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

Date of Retirement	April 1, 2017	April 1, 2018	April 1, 2019	April 1, 2020	April 1, 2021	April 1, 2022	April 1, 2023	April 1, 2024	April 1, 2025	April 1, 2026
On or Before 04/01/1972	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%	27.00%
04/02/1972 to 04/01/1973	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
04/02/1973 to 04/01/1974	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
04/02/1974 to 04/01/1975	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%	26.00%
04/02/1975 to 04/01/1976	20.50%	20.50%	20.50%	20.50%	20.50%	20.50%	20.50%	20.50%	20.50%	20.50%
04/02/1976 to 04/01/1977	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
04/02/1977 to 04/01/1978	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
04/02/1978 to 04/01/1979	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
04/02/1979 to 04/01/1980	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

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

EXHIBIT B – PROJECTED BENEFIT PAYMENTS

The expected benefit payments for the current and new STAR COLA recipients for the next ten years, commencing April 1, 2017, are provided in the following table:

	Benefit Payments		(1) + (2)
	(1) Eligible for STAR COLA as of April 1, 2017	(2) Not Yet Eligible for STAR COLA as of April 1, 2017	
1. April 1, 2017 – March 31, 2018	\$568,505	\$0	\$568,505
2. April 1, 2018 – March 31, 2019	539,914	0	539,914
3. April 1, 2019 – March 31, 2020	508,485	0	508,485
4. April 1, 2020 – March 31, 2021	477,370	0	477,370
5. April 1, 2021 – March 31, 2022	444,153	0	444,153
6. April 1, 2022 – March 31, 2023	409,355	0	409,355
7. April 1, 2023 – March 31, 2024	379,178	0	379,178
8. April 1, 2024 – March 31, 2025	350,432	0	350,432
9. April 1, 2025 – March 31, 2026	323,237	0	323,237
10. April 1, 2026 – March 31, 2027	<u>297,648</u>	<u>0</u>	<u>297,648</u>
Total Benefit Payments	<u>\$4,298,277</u>	<u>\$0</u>	<u>\$4,298,277</u>
Discounted Benefit Payments ⁽¹⁾	<u>\$3,215,576</u>	<u>\$0</u>	<u>\$3,215,576</u>

⁽¹⁾ At 7.25% annual investment return assumption.

EXHIBIT C – PROJECTED BENEFIT PAYMENTS BY EMPLOYER

The expected benefit payments for the current STAR COLA recipients from April 1, 2017 to March 31, 2018 broken down by employer, are provided in the following table:

April 1, 2017 - March 31, 2018	Orange County	U.C.I. (Bi-weekly)	Sanitation District	Total
	\$562,465	\$2,982	\$3,058	\$568,505

C-4

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

**REGULAR MEETING
Tuesday, January 17, 2017
9:00 a.m.**

MINUTES

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

Attendance was as follows:

Present: David Ball, Chair; Eric Gilbert, Chuck Packard, Russell Baldwin, Tom Flanigan, Roger Hilton, Wayne Lindholm; Frank Eley and Shari Freidenrich

Also Present: Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Finance and Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; David James, Director of Internal Audit; Gina Ratto, Chief Counsel; Jenny Sadoski, Director of Information Technology; Robert Kinsler, Communications Manager; Cynthia Hockless, Director of Administrative Services; Jim Doezie, Contracts Administrator; Catherine Fairley, Director of Member Services; Anthony Beltran, Visual Technician; Megan Cortez; Disability Coordinator; Cammy Danciu, Recording Secretary.

Guests: Harvey L. Leiderman, ReedSmith LLP

Absent: Chris Prevatt, Vice Chair

Mr. Hilton led the Pledge of Allegiance.

Mr. Lindholm arrived at 9:04a.m.

Hugh Nguyen, Orange County Clerk Recorder, administered the Swearing in Ceremony of OCERS Board Members Mr. Eley and Mr. Baldwin.

Mr. Hilton presented Certificates of Appreciation to the 2016 Board Committee Chairs.

CONSENT AGENDA

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

Mr. Eley pulled item C-13.

Mr. Delaney stated that the form for item C-10: 2016/2017 Form 700 Designated Filers List and Fact Sheets and OCERS Annual Disclosure Form, will be sent electronically to the Board Members.

Mr. Ball asked Mr. Delaney to give an overview of items C-8, C-12 and C-14 and what was discussed during the Chair/Vice Chair/Passed Chair conference call on Friday, January 13, 2017.

C-8 – Mr. Delaney stated that OCERS will present the Disability Retirement Statistics Report to the OCERS Board at a later time. Member service response time will be one of the items discussed in this report.

C-12 – Mr. Delaney stated that at Mr. Hilton’s request, OCERS will have a quarterly report brought to the Board for verbal updates regarding the Business Continuity and Disaster Recovery Plan.

C-14 – Mr. Delaney stated that item C-14: Difference in Regulations, Bylaws, Policies and OCERS’ Administrative Procedures, will be brought back to the Board as practical information, an “I” item, in a future Board meetings.

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Hilton to move the remainder of the consent calendar. The motion carried **unanimously** with the voting as follows:

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

C-1 MATERIAL DISTRIBUTED

Application Notices	January 17, 2017
Death Notices	January 17, 2017

Recommendation: Receive and file.

ADMINISTRATION

C-2 BOARD MEETINGS AND COMMITTEE MEETINGS

Governance Committee Meeting Minutes	December 8, 2016
Audit Committee Meeting Minutes	December 15, 2016
Regular Board Meeting Minutes	December 19, 2016

Recommendation: Authorize meeting and approve minutes.

C-3 RECOMMENDATIONS FROM THE AUDIT COMMITTEE MEETING ON DECEMBER 15 2016

Recommendation: Approve the Audit Committee recommendations for Items A, B, C, and D as recommended by the Audit Committee on December 15, 2016.

C-4 CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN

Recommendation: Receive and file.

C-5 2016 OCERS YEAR IN REVIEW: COMMUNICATION PLAN

Recommendation: Approve the 2016 Year in Review Communication Plan.

C-6 BOARD COMMUNICATIONS POLICY FACT SHEET

Recommendation: Receive and file.

C-7 BOARD PERFORMANCE SELF-REVIEW

Recommendation: Receive and file.

C-8 2016 DISABILITY RETIREMENT STATISTICS REPORT

Recommendation: Receive and file.

C-9 FOURTH QUARTER 2016 EDUCATION AND TRAVEL EXPENSE REPORT

Recommendation: Receive and file.

C-10 2016/2017 FORM 700 DESIGNATED FILERS LIST AND FACT SHEETS AND OCERS ANNUAL DISCLOSURE FORM

Recommendation: Receive and file.

C-11 2017 OCERS BOARD OF RETIREMENT COMMITTEE ASSIGNMENTS

Recommendation: Receive and file.

C-12 BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN UPDATE

Recommendation: Receive and file.

C-13 TRAVEL REPORT – 2016 GARTNER DATA CENTER, INFRASTRUCTURE AND OPERATIONS MANAGEMENT CONFERENCE

Recommendation: Receive and file.

C-14 DIFFERENCES IN REGULATIONS, BYLAWS, POLICIES AND OCERS' ADMINISTRATIVE PROCEDURES

Recommendation: Receive and file.

C-15 ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE ECONOMIC SCENARIOS - REVISED

Recommendation: Receive and file.

C-16 BOARD COMMUNICATIONS

Recommendation: Receive and file.

******* END OF CONSENT AGENDA *******

INDIVIDUAL ITEMS AGENDA

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

C-13

Jon Gossard, I.T. Manager, gave an overview of the Gartner Data Center, Infrastructure and Operations Management Conference in Las Vegas, NV. While in Las Vegas for the Gartner Conference on December 5-9, 2016, Jon Gossard and Javier Lara, Information Technology Operations Supervisor, also visited two data center colocation facilities which may be considered as potential out-of-state business continuity and disaster recovery locations.

Mr. Eley noted the value OCERS' IT team obtains from the agencies annual subscription to Charter services. He encouraged the Board to continue investing in those services.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Packard to receive and file item C-13: Travel Report – 2016 Gartner Data Center, Infrastructure and Operations Management Conference. The motion carried **unanimously** with the voting was as follows:

AYES

Mr. Flanigan

NAYS

ABSTAIN

ABSENT

Mr. Prevatt

Mr. Eley
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Gilbert
Mr. Baldwin
Chair Ball

I-2 RETIRED EMPLOYEE’S ASSOCIATION OF ORANGE COUNTY – ISSUES UPDATE

Presented by Linda Robinson and Doug Storm, Co-Presidents, REAOC

Recommendation: Receive and file.

Mr. Delaney introduced Linda Robinson and Doug Storm, Co-Presidents of REAOC.

Mr. Storm and Ms. Robinson gave an update overview of REAOC and presented the challenges that REAOC faces today.

A key concern shared by Ms. Robinson and Mr. Storm was the recent challenges the County of Orange has had with the Health Insurance provider Secova. They thanked OCERS staff for the support being given to OCERS retirees while the County works on correcting the issues.

Mr. Eley thanked Mr. Storm and Ms. Robinson for all their hard work and fixing a lot of problems and issues that arise.

Mr. Delaney thanked Ms. Fairley of OCERS member Services for her leadership and all her team’s hard work in dealing with the Secova issue.

Mr. Ball gave direction to staff to inquire if there is anything OCERS needs to do in order for REAOC members to have access to a computer. Mr. Ball stated that members need to be able to use a computer to access their account and asked for this topic to be discussed at the next REAOC update.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Hilton to receive and file item I-2: Retired Employee’s Association of Orange County – Issues Update. The motion carried **unanimously** with the voting was as follows:

AYES

Mr. Flanigan
Mr. Eley
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Gilbert
Mr. Baldwin
Chair Ball

NAYS

ABSTAIN

ABSENT

Mr. Prevatt

I-3 MEMORANDUM OF UNDERSTANDING WITH ORANGE COUNTY SANITATION DISTRICT

Presentation by Brenda Shott, Assistant CEO, Internal Operations, OCERS

Recommendation: Adopt Resolution 17-001 Memorandum of Understanding with the Orange County Sanitation District Regarding Payment of the agency's Unfunded Accrued Actuarial Liabilities.

Ms. Shott presented an overview of the Memorandum of Understanding (MOU) with the Orange County Sanitation District regarding payment of Unfunded Accrued Actuarial Liabilities.

Mr. Eley asked what the difference is between the Orange County Sanitation District MOU and the County's investment account MOU.

Mr. Leiderman stated that the main difference is that the County has the option of applying funds that they've previously paid into their investment account. Under the Orange County Sanitation District MOU, there is no choice available. OCSD has designated that this money shall be applied, therefore there is no option available to change when and how much to credit funds in this account to the UAAL.

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Lindholm to adopt Resolution 17-001 Memorandum of Understanding with the Orange County Sanitation District Regarding Payment of Unfunded Accrued Actuarial Liabilities. The motion carried **unanimously** with the voting was as follows:

AYES

Mr. Flanigan
Mr. Eley
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Gilbert
Mr. Baldwin
Chair Ball

NAYS

ABSTAIN

ABSENT

Mr. Prevatt

The Board recessed for break at 9:52am

The Board reconvened from break at 10:05am

I-4 OCERS INNOVATIONS AND EMPLOYEE STAFF AWARDS

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Receive and file.

Mr. Delaney presented the OCERS Innovation and Employee Staff Awards overview. Each manager presented their department's innovations for the year 2016.

Regarding Information Technology, Mr. Packard asked Ms. Sadoski if there were to be a catastrophic event, how would OCERS contact employees and provide services to the members.

Ms. Sadoski said that OCERS has a Catalyst Program which is a web cloud program that includes a master contact list. Through that system, each employee would receive a text and/or email with communication.

Regarding office products purchases, Mr. Eley asked for OCERS to look at the County to see how they purchase items using requisitions as that may be something OCERS would like to mimic.

Regarding Administrative Services, Mr. Leiderman asked Ms. Hockless if there are contract specific requirements and if compliance is included in potential contracts.

Ms. Hockless indicated such compliance is not presently part of the OCERS Tracking System.

Mr. Ball asked that a compliance section should be added to contracts.

Mr. Doezie stated that a compliance section is something that can be implemented at any time.

Regarding Communications, Mr. Ball asked Mr. Kinsler about the PRA request process and how has that become streamlined at OCERS.

Mr. Kinsler stated that if other OCERS staff member receives a request, that individual would contact him as he is the main OCERS contact who handles media inquiries.

Mr. Eley suggested that a database be created so that that information can be emailed directly to interested parties.

Mr. Ball asked for this PRA request topic to be brought back to the Board for further discussion. He asked for a separate presentation to be made at a later time.

Mr. Ball thanked all staff for all the innovative ideas and hard work.

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Hilton to receive and file the OCERS Innovations and Employee Staff Awards. The motion carried **unanimously** with the voting was as follows:

AYES

Mr. Flanigan
Mr. Eley
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Gilbert
Mr. Baldwin
Chair Ball

NAYS

ABSTAIN

ABSENT

Mr. Prevatt

The Board recessed for break at 10:43am

The Board reconvened from break at 11:00am

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

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

1:00 P.M.

NOTE: WHEN CONSIDERING DISABILITY RETIREMENT APPLICATIONS, THE BOARD MAY FIND IT NECESSARY TO DISCUSS MATTERS RELATING TO THE EVALUATION OF THE WORK PERFORMANCE OF AN EMPLOYEE WHO HAS APPLIED FOR DISABILITY RETIREMENT, OR DISCUSS COMPLAINTS OR CHARGES MADE AGAINST SUCH EMPLOYEE. IF THIS OCCURS, THE BOARD MAY ADJOURN TO A CLOSED SESSION TO DISCUSS SUCH MATTERS PURSUANT TO GOVERNMENT CODE SECTION 54957, UNLESS THE EMPLOYEE REQUESTS THAT THE DISCUSSION BE IN PUBLIC.

Megan Cortez, Disability Coordinator, presented D-1 to the Board along with the staff recommendation.

D-1: Timothy Cullen

Sergeant, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:
01/20/2016

Date of employee filed application for service connected disability retirement: 12/09/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF JULY 22, 2016. (SAFETY MEMBER) (D-1)

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of July 22, 2016. The motion carried **8-0** with the voting was as follows:

AYES

Mr. Flanigan
Mr. Eley
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Baldwin
Chair Ball

NAYS

ABSTAIN

ABSENT

Mr. Prevatt
Mr. Gilbert

Mr. Gilbert reconvened from break at 11:05am

Megan Cortez, Disability Coordinator, presented D-2 to the Board along with the staff recommendation.

D-2: Lori Delgado

Office Specialist, Orange Sheriff's Department

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

11/14/2014

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

02/10/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF NOVEMBER 27, 2015. (GENERAL MEMBER) (D-2)

Mr. Lindholm asked for clarification between degenerative arthritis and cumulative trauma and how this was analyzed.

Ms. Cortez stated that Ms. Delgado has a preexisting condition of arthritis but that the condition was exacerbated by the cumulative trauma on the job.

Mr. Hilton stated that his concern is with the doctors. He stated that the doctor's answers weren't sufficient and that the service connected portion of the doctor's answers need work.

Ms. Jenike stated that OCERS is cognitive of the issues the Board has with the doctors and their reports. She stated that OCERS is also looking to expand the doctor panel.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of November 27, 2015. The motion carried **8-1** with the voting was as follows:

AYES

Mr. Flanigan

Mr. Eley

Mr. Packard

Mr. Baldwin

Ms. Freidenrich

Mr. Hilton

Mr. Gilbert

Chair Ball

NAYS

Mr. Lindholm

ABSTAIN

ABSENT

Mr. Prevatt

Megan Cortez, Disability Coordinator, presented D-3 to the Board along with the staff recommendation.

D-3: Gregory Engle

Sheriff's Special Officer II, Orange County Sheriff's Department

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

09/18/2014

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

07/21/2015

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF APRIL 3, 2015. (GENERAL MEMBER) (D-3)

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Baldwin to grant service connected disability retirement with an effective date of April 3, 2015. The motion carried **8-1** with the voting was as follows:

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

Megan Cortez, Disability Coordinator, presented D-4 to the Board along with the staff recommendation.

D-4: William B. Mitchell

Senior Deputy Coroner, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:
01/20/2016

Date of employee filed application for service connected disability retirement: 01/12/2016

STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF DECEMBER 13, 2016. (GENERAL MEMBER) (D-4)

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Hilton to grant service connected disability retirement with an effective date of December 13, 2016. The motion carried **9-0** with the voting was as follows:

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

Megan Cortez, Disability Coordinator, presented D-5 to the Board along with the staff recommendation.

D-5: Mark Sturdivant

Heavy Fire Equipment Operator, Orange County Fire Authority

Date of employee filed application for service connected disability retirement: 10/21/2015

GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF DECEMBER 25, 2015. (SAFETY MEMBER) (D-5)

Following discussion, a **motion** was made by Mr. Gilbert, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of December 25, 2016. The motion carried **9-0** with the voting was as follows:

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

Megan Cortez, Disability Coordinator, presented D-6 to the Board along with the staff recommendation.

D-6: Ana Tran

Eligibility Technician, Orange County Social Services Agency

Date of employer filed application for service and non-service connected disability retirement:
10/30/2014

Date of employee filed application for service and non-service connected disability retirement:
04/17/2015

STAFF RECOMMENDATION IS TO GRANT NON-SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF MARCH 14, 2013 AND TO DENY SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF JOB CAUSATION. (GENERAL MEMBER) (D-6)

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Gilbert to grant non-service connected disability retirement with an effective date of March 14, 2013 and to deny service connected disability retirement due to insufficient evidence of job causation. The motion carried **9-0** with the voting was as follows:

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

Megan Cortez, Disability Coordinator, presented D-7 to the Board along with the staff recommendation.

This item was **PULLED** at the request of the applicant to allow for additional testimony.

D-7: Janice Denham

Legal Processing Supervisor, Orange County Superior Court

Date of employee filed application for service and non-service connected disability retirement:
05/08/2015

STAFF RECOMMENDATION IS TO DENY SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY. (GENERAL MEMBER) (D-7)

Megan Cortez, Disability Coordinator, presented D-8 to the Board along with the staff recommendation.

D-8: Lisa Olvera

Office Technician, Orange County Social Services Agency

Date of employee filed application for service and non-service connected disability retirement:
07/02/2014

STAFF RECOMMENDATION IS TO DENY SERVICE AND NON-SERVICE CONNECTED DISABILITY DUE TO INSUFFICIENT EVIDENCE OF PERMANENT INCAPACITY. (GENERAL MEMBER) (D-8)

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Lindholm to deny service and non-service connected disability due to insufficient evidence of permanent incapacity. The motion carried **9-0** with the voting was as follows:

AYES

Mr. Flanigan
Mr. Eley
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Baldwin
Mr. Gilbert
Chair Ball

NAYS

ABSTAIN

ABSENT

Mr. Prevatt

Megan Cortez, Disability Coordinator, presented D-9 to the Board along with the staff recommendation.

D-9: Leslie Mack

Supervising Deputy Coroner, Orange County Sheriff/Coroner's Department

Date of employee filed application for service and non-service connected disability retirement:
09/14/2010

Date of employer filed application for service and non-service connected disability retirement:
08/05/2011

STAFF RECOMMENDATION IS TO ADOPT THE FINDINGS AND RECOMMENDATIONS OF THE HEARING OFFICER AND GRANT APPLICANT'S APPLICATION FOR SERVICE CONNECTED DISABILITY RETIREMENT. (GENERAL MEMBER) (D-9)

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Lindholm to adopt the findings and recommendations of the Hearing Officer and grant applicant's application for service connected disability retirement. The motion carried **9-0** with the voting was as follows:

AYES

NAYS

ABSTAIN

ABSENT

Mr. Flanigan
Mr. Eley
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Baldwin
Mr. Gilbert
Chair Ball

Mr. Prevatt

Megan Cortez, Disability Coordinator, presented D-10 to the Board along with the staff recommendation.

D-10: Donna Berger

Community Transportation Coordinator, Orange County Transportation Authority
Date of employee filed application for non-service connected disability retirement:
01/09/2012

STAFF RECOMMENDATION IS TO ADOPT THE FINDINGS AND RECOMMENDATIONS OF THE HEARING OFFICER AND DENY APPLICANT'S APPLICATION FOR NON-SERVICE CONNECTED DISABILITY RETIREMENT. (GENERAL MEMBER) (D-10)

Mr. Polhamous addressed the Board and explained his concerns regarding the report.

Ms. Ratto stated that the Hearing Officer placed greater weight on the doctor's statement.

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Gilbert to adopt the findings and recommendations of the Hearing Officer and grant applicant's application for non-service connected disability retirement. The motion carried **9-0** with the voting was as follows:

AYES

Mr. Flanigan
Mr. Eley
Mr. Lindholm
Ms. Freidenrich
Mr. Hilton
Mr. Packard
Mr. Baldwin
Mr. Gilbert
Chair Ball

NAYS

ABSTAIN

ABSENT

Mr. Prevatt

CLOSED SESSION ITEMS

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

Recommendation: Take appropriate action.

No reportable action taken.

E-2 CONFERENCE REGARDING ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9;

number of potential cases unknown

Adjourn pursuant to Government Code Section 54956.9(d)(2)

Recommendation: Take appropriate action.

No reportable action taken.

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

BOARD MEMBER COMMENTS

N/A

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

N/A

COUNSEL COMMENTS

Ms. Ratto gave brief remarks regarding the CalFire vs CALPERS case. She presented some highlights and takeaways from the results of the case.

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

Active Members:

Aragon, Martha
Castro, Ronald
Drury, Gina
Kanis, Douglas
Parker, Arnell
Trejo, Adriana
Ward, Courtney
Weuve, Eric

Retired Members:

Bautista, Reynaldo
Branson, Lawrence
Bullmer, Rachel

Connolly, Theodore
Craig, Scott V.
Dostal, Katherine
Everett, Robert
Gibbons, Leonard
Gill, Joanne
Glass, Dorothy
Guy, John
Hibbard, Elizabeth
Hicks, Margaret
Hill, Elaine
Hodgens, Cora
Huffnagle, Richard
Jacobs, Lenore
Leddy-McKay, Shirley
Madrigal, Guillermo
Mallozzi, Michele
Marcario, Anita
Marques, John
Moldt, Marion Evon
Munoz, Rafael
Musgrave, Roberta
Potter, Laurance
Pruett, Judith
Rios, Beatrice
Robart, Richard
Robles, Phillip
Shaw, William
Spainhour, Constance
Taylor, Betty
Williams, Debbie
Williams, Steven
Wilson, Jimmy
Young, Wanda
Zook, Mary Anne

Surviving Spouses:

Bailey, Virginia
Bartosh, Helen
Bergstrom, Charles
Brizzolara, Marie
Erdner, Betty
Kreachbaum, Terry
Mc Court, Cecilia
Peterson, Robert
Riviere, Helen
Vogt, Norman
Wong, Frank
Woodard, Jeanne

There being no further business to bring before the Board, the meeting adjourned at 11:46a.m.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Board

David Ball
Chairman

C-5

Memorandum

DATE: January 7, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN**

Recommendation

Receive and file.

TENTATIVE AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

MARCH

OCERS Vision and Values
State of OCERS Annual Report
2017 Star COLA Final Approval
GFOA Awards
Business Continuity And Disaster Recovery Plan Update
SACRS Board Of Directors Elections 2017-2018

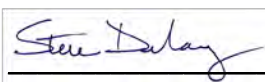
APRIL

Annual Brown Act Training
Conflict of Interest Training
Form 700 and OCERS Annual Disclosure Due
Member Services Annual Report
Disability Benefits Overview
SACRS Board Election

MAY

Review Budget to Actuals Financial Report
Preliminary December 31, 2016 Actuarial Valuation
2017-2019 Strategic Plan Quarterly Review

Submitted by:



Steve Delaney
Chief Executive Officer

OCERS RETIREMENT BOARD - 2017 Work Plan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
<i>System Oversight</i>		STAR COLA Posting (I)	Approve 2017 STAR COLA (A)		Review Budget to Actuals Financial Report (I)	Mid-Year Review of 2017 Business Plan Progress (I)	Approve Early Payment Rates for Fiscal Year 2017-18 (A)	Review Budget to Actuals Financial Report (I)	Strategic Planning Workshop (I)	Overview of 2017 Administrative Budget and Investment (Workshop) (I)	Review Budget to Actuals Financial Report (I)	CEO Compensation (A)
		Approve 2017 COLA (A)	Quarterly 2016-2018 Strategic Plan Review (A)		Receive Preliminary December 31, 2016 Actuarial Valuation & Funded Status of OCERS (A)	Approve December 31, 2016 Actuarial Valuation & Funded Status of OCERS (A)	Actuarial Experience Study (A)	Receive OCERS by the Numbers (I)		Approve 2017-2019 Strategic Plan (A)	Approve 2018 Administrative (Operating) Budget (A)	
			Review 2017 Administrative (Operating) Budget (A)			Approve 2016 CAFR (A)		Receive Evolution of the UAAL (I)		Approve 2017 Business Plan (A)	Annual CEO Performance Review (A)	
						Quarterly 2016-2018 Strategic Plan Review (A)		Quarterly CEO Performance Review (A)				
						Approve Financial Statements (A)						
<i>Board Governance</i>	Board Self-Review Process 2017 (I)	Board Self-Review Delivered (A)		Brown Act Training (I)							Adopt 2017 Board Meeting Calendar (A)	Adopt Annual Work Plan for 2017 (A)
				Conflict of Interest Training (I)								Vice-Chair Election (A)
												Appointment of Committee Members & Committee Chairs / Vice Chairs (A)
<i>Regulation / Policies</i>			Quarterly CEO Performance Review (I)			Quarterly CEO Performance Review (I)	Membership Policy (A)	Review Staff Retention Program (I)		Membership Policy (A)		
<i>Compliance</i>		State of OCERS (A)		Form 700 and OCERS Annual Disclosure Due (A)		Receive Financial Audit (I)					Overview of 2017 Training Courses (I)	

(A) = Action (I) = Information

C-6



Memorandum

DATE: January 23, 2017
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: **GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

Recommendation

Receive and file.

Background/Discussion

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

The Certificate of Achievement for Excellence in Financial Reporting has been awarded to OCERS by the GFOA for its CAFR for the year ended December 31, 2015. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

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

Attachments:

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

Submitted by:

A rectangular stamp with the OCERS logo on the left and the text "OCERS T.B. - Approved" in a bold, sans-serif font on the right. A horizontal line is drawn below the stamp.

Tracy Bowman
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Orange County
Employees Retirement System
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



The Government Finance Officers Association
of the United States and Canada

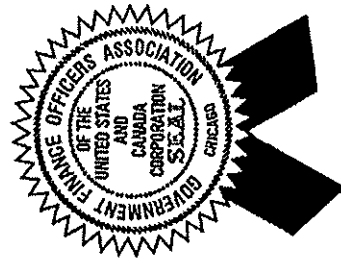
presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Division

Orange County Employees Retirement System, California



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

Executive Director

Date December 7, 2016

C-7

Memorandum

DATE: February 7, 2017
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, Chief Legal Officer
SUBJECT: SACRS BOARD OF DIRECTORS ELECTIONS 2017-2018

Recommendation

Receive and file.

Background/Discussion

The SACRS Board of Directors election process for 2017-2018 commenced in January. Attached is the timeline for the process.

During the month of January 2017, SACRS accepted nominations for the SACRS Board from individual members of SACRS. On January 23, 2017, Steve Delaney informed you of your opportunity to submit, as an individual SACRS member, nominations for the SACRS Board of Directors. These nominations were due on February 1, 2017.

On March 1, 2017, the SACRS Nominating Committee will submit to OCERS and the other '37 Act County retirement system boards, the SACRS Nominating Committee's recommended ballot for the election. The OCERS Board of Retirement will have until March 25, 2017 to nominate additional candidates.

The final ballot will be submitted to OCERS and the other '37 Act County boards on or before April 1, 2017, and the election will be conducted at the SACRS business meeting on May 19, 2017.

We will present the Board with the SACRS Nominating Committee's recommended ballot at the Board's March 2017 meeting, and discuss at that meeting whether the Board wishes to nominate any additional candidates.

Attachment

Submitted by:



Gina M. Ratto
Chief Legal Officer

October 14, 2016

To: SACRS Trustees & SACRS Administrators/CEO's
From: Yves Chery, SACRS Immediate Past President, Nominating Committee Chair
SACRS Nominating Committee
Re: SACRS Board of Director Elections 2017-2018 Elections

SACRS BOD 2017-2018 election process will begin January 2017. Please review the following timeline and distribute to your Board of Trustees, per the bylaws:

DEADLINE	DESCRIPTION
February 1, 2017	Nominating Committee receives nominations from SACRS membership
March 1, 2017	Nominating Committee submits its recommended ballot to each 1937 Act Board
March 25, 2017	Nominating Committee receives nominations from any 1937 Act Board
April 1, 2017	Nominating Committee submits final ballot to each 1937 Act Board – ballot consists of recommended ballot plus anybody else who is nominated but not recommended by the Nominating Committee (April 1 is a Saturday; next business day applies)
May 19, 2017	Conduct elections during the SACRS Business Meeting (At end of the May 2017 conference)
May 19, 2017	Board of Directors take office for 1 year

Per SACRS Bylaws, Article VI ~ Section 2 – Election, Qualification and Term of Office

“The officers of SACRS shall be regular members of SACRS. The officers shall be elected by majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year and shall hold office for one (1) year and until a successor is elected.”

Per SACRS Bylaws, Article VI ~Section 4 - Officer Elections

“...The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee’s final ballot provided the Nominating Committee receives those write-in candidates prior to March 25th.

The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's recommended ballot and final ballot to each trustee and placing the election of SACRS Officers on his or her Board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee..."

Interested candidates should submit their letter of intent and brief bio to the Nomination Committee no later than the cut-off dates listed in the schedule. The elections will be held at the SACRS Spring Conference May 16-19, 2017, at the Napa Valley Marriott in Napa, CA. Elections will be held during the Annual Business meeting on Friday, May 19, 2017.

If you have any questions, please contact me directly at ychery2013@gmail.com. Thank you for your prompt attention to this timely matter.

Sincerely,

Yves Chery

Yves Chery, Los Angeles CERA Trustee
SACRS Nominating Committee Chair

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

C-8



Memorandum

DATE: February 7, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: BOARD COMMUNICATION

Recommendation

Receive and file.

Background/Discussion

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

News Links

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

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

From Tom Flanigan

- **Ambrose Evans-Pritchard: Will We Make It Through 2017 Before The Reckoning Hits**
<http://www.telegraph.co.uk/business/2017/01/02/almighty-trump-dollar-derail-china-world-2017/>
- **Europe’s Sovereign Debt Crisis Thickens**
https://edelsonwave.com/real-wealth/europes-sovereign-debt-crisis-thickens-83928?utm_source=MAM&em=tefco4u%40msn.com&utm_campaign=MAM3682a&campid=82348&utm_medium=email

+++++

From Steve Delaney

To the members of the OCERS Board of Retirement,

The Board of Supervisor's met today, and had two OCERS-related items on their agenda. I have just returned from that meeting, and wanted to provide you with a summary of the item outcomes.

Agenda Item 1 (Consent Agenda) – Board of Retirement, OCERS – Appoint Frank Ury, Mission Viejo and reappoint David L. Ball, Costa Mesa and Charles Packard, Irvine, for terms ending 12/31/19.

With Mr. Packard, Mr. Ury and Treasurer Freidenrich also in the audience, the morning began with public comment. Mr. Stephen Wontrobski of Mission Viejo, who often speaks at the OCERS Board meetings rose and spoke in favor of Mr. Ball and Mr. Packard's reappointments, but spoke strongly against the appointment of Mr. Ury, alleging that Mr. Ury was very rude to public speakers while sitting on the city council of the City of Mission Viejo. He stated that while he always found Mr. Ball and Mr. Packard to be very respectful to himself and other public speakers, he did not think Mr. Ury was a good fit for the OCER Board.

No questions were asked of Mr. Wontrobski by the Supervisors.

The item itself was pulled by Supervisor Nelson from the consent agenda.

When returning to the Item 1, Supervisor Nelson simply stated that he would like to see this item moved to the January 25 agenda of the Board of Supervisors. There was some concern that that might be leaving a seat open on the OCERS Board. I came to the dais and explained that while Mr. Flanigan's term had ended, under CERL he would remain in the seat until such time as the Board of Supervisors made another appointment. That seemed reassuring to the other supervisors, so as "professional courtesy" to Supervisor Nelson, who had made no explanation as to why he was requesting it moved, the item was put forward to the January 25 agenda.

Agenda Item 36 – Approve issuing \$400 million Taxable Pension Obligation Bonds in order to prepay employer OCERS contributions for FY 2017-18.

This item had previously failed as the Public Finance Advisory Committee (PFAC) had recommended against the bond issuance. In a special meeting held on January 4, the PFAC committee heard hours of testimony, and on a 4-2 vote changed their directive and recommended the Board of Supervisors proceed with the sale. Supervisor Spitzer publicly thanked the PFAC for its work, and the motion passed unanimously.

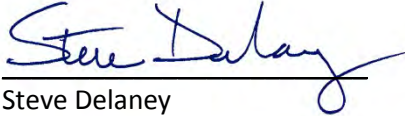
Your OCERS Investment Team is now working with both Meketa and PCA to determine how best to invest that very large sum of money when it arrives next week.

If you have any comments, questions or concerns, please call or write.

Other Items: (See Attached)

1. Monthly summary of OCERS staff activity, starting with an overview of key customer service as well as highlights and updates for the month of December.

Submitted by:

A handwritten signature in blue ink that reads "Steve Delaney". The signature is written in a cursive style and is positioned above a horizontal line.

Steve Delaney
Chief Executive Officer

Memorandum

DATE: January 11, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: OCERS ACTIVITIES AND UPDATES – DECEMBER 2016

The following is my regular monthly summary of OCERS staff activity, starting with an overview of key customer service statistics as well as activity highlights followed by updates for the month of DECEMBER 2016.

CUSTOMER SERVICE

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

Please explain the process to purchase service credit.

Staff explains the process begins with the member filling out the Request to Purchase Service credit form. Members can submit the request online through the member portal or download the form from our website, complete and mail. It's common that members call and speak with a retirement benefit technician to confirm they have eligible service they can purchase. Once they send us the completed form, OCERS confirms eligibility to purchase service and sends request for documentation to the respective agency. Once OCERS has received the requested information, staff calculates the cost to purchase service. Correspondence and a cost contract are mailed to the member providing the time frame, cost and method they can choose to pay for their service. Once the contract is paid in full, service credit is added to the member's account with the exception of public service, with service credited to account with each payment.

MEMBER SERVICE STATS FOR DECEMBER 2016

Member Approval 95%

Unplanned Recalcs 2

Retirement Apps Received

<i>Dec 2016</i>	62
<i>Nov 2016</i>	64
<i>Oct 2016</i>	53
<i>Sept 2016</i>	45
<i>Aug 2016</i>	61
<i>July 2016</i>	62
<i>June 2016</i>	65
<i>May 2016</i>	51
<i>April 2016</i>	61
<i>Mar 2016</i>	61
<i>Feb 2016</i>	95
<i>Jan 2016</i>	98
<i>Dec 2015</i>	76
<i>Nov 2015</i>	77

What is the withdrawal process? And what is the turnaround time?

Upon separation of employment, OCERS requires a written notice of termination from the employer. OCERS mails the member a letter notifying members of their options. If members wish to withdraw their contributions and interest from their OCERS account, we direct them to the OCERS web site and instruct them to obtain the form *Member Request to Withdraw Contributions/Elect Rollover* which starts the process. Once the completed form is received at OCERS, we process the request within 8 to 10 weeks to allow for final salary records to post from their employer. When members withdraw their balance, they forfeit retirement, disability and survivor benefits.

How do I start the retirement process?

Most members start with a phone call to the retirement specialist that handles their agency. The OCERS website has a list of agencies and the associated retirement specialist assigned to assist them in the retirement process. Comprehensive retirement counseling is conducted over the phone and continues with an appointment where we provide final average salary (FAS) information. Members are encouraged to submit their retirement applications online. During the retirement appointment, members provide original birth and marriage certificates, and the application and additional forms of tax withholding and direct deposit are reviewed. The benefit options are explained thoroughly to ensure complete understanding.

ACTIVITIES

NEW VENDOR FOR COUNTY RETIREE HEALTHCARE

The County of Orange switched healthcare plan administrators to Secova (formerly Xerox). The transition has been rough on OCERS payees. Although OCERS has been working closely with Secova and the County since May of 2016 on file requirements and testing, the January 2017 payroll files (first live file) from Secova were late and contained many errors. Our members are frustrated with the lack of customer service from the benefits center staff and call OCERS for help - we have received over 500 calls since 12/30/16. The overall process needs improvement. OCERS staff continues to inform the County about our frustrated members. Some of the issues have been: disabled members never enrolled in retiree medical had premiums of over \$2,000 deducted in error and can't get immediate reimbursement - mortgage payments have bounced and late fees incurred, members dropped from insurance coverage, members couldn't get prescriptions filled, separated employees informed they can't enroll in retiree medical until after date of retirement, many members didn't receive their retiree medical enrollment packet, Secova's website had incorrect phone number, materials from the County contained incorrect website address, Secova benefits center staff refer calls to OCERS. MS staff continues to provide feedback to County Employee Benefits Management and escalated to OCERS executive management.

“EXTRA HELP” STAKEHOLDER WORKGROUP

Work on resolving the broader question of what the recommended Board definition of “extra help” employees should be continued into December. Ms. Suzanne Jenike led the stakeholder work group as they met on December 5. There continue to be occasional differences of opinion that have caused this process to take longer than anticipated. It appears however that we are getting closer to a resolution that can be carried back to the Governance Committee for consideration. A final (we believe) stakeholder work group meeting will be held in late January, and then we will be ready to present to the Governance Committee.

REAOC WINTER LUNCHEON

Always a well-attended and festive event, several hundred retired members were present for the REAOC Winter Luncheon on December 7. I attended with Ms. Jenike, and we had opportunity to speak to the crowd and relate some of the latest OCERS news that we believed most relevant to the audience.

BOND SALE FOR PREPAYMENT – Board of Supervisor’s Meeting

On December 13, Ms. Brenda Shott and I attended the Orange County Board of Supervisor’s meeting, as the question of approving a \$400 million bond sale to provide for the prepayment of the County’s OCERS employer contributions for FY 2017-18 was on the agenda. We had received word from County staff that there had been opposition to the sale expressed by the Public Finance Advisory Committee (PFAC), and county staff wanted to be sure that Ms. Shott and I were present and available to respond to questions that might be posed by the Supervisors. Starting out our morning at the Hall of Administration at 9:30 a.m., it took a very long time for the Supervisors to get to this item. After a number of starts and stops the Supervisors finally gave this item their full attention by approximately 7:00 p.m. that evening. They had many questions for their staff as to why the PFAC had advised against the bond sale, but there were no clear answers as there were no representatives of PFAC present. OCERS staff was never called upon to testify. After much discussion the Supervisors made no decision, but instead moved this item to their January 10 meeting, with a request that PFAC be called to meet in a special emergency meeting prior to that date, to determine if they would reconsider their recommendation.

[Spoiler alert – As the Trustees know, the PFAC did meet subsequently on January 4 and changed their recommendation to one of approval of the bond sale, and the Board of Supervisors approved that sale at their January 10 meeting.]

OCERS STAFF YEAR END EVENT

All those food sales and raffles finally paid off, as OCERS staff gathered on December 13 at Dave and Busters for our annual Year End Event. Note the date is the same as the Board of Supervisor's meeting above, so Ms. Shott was delayed in getting to the event, and I had to skip altogether, but my thanks to Ms. Gina Ratto who gamely stepped up and assisted in MCing a number of the presentations in our absence. Special thanks to Ms. Cynthia Hockless and her staff who do the hard work in every year getting this all put together and coming out a success .



UPDATES

DECEMBER INVESTMENT DIVISION SUMMARY

Ms. Chary, Director of Investment Operations, provides the following summary of December's activities in the absence of a CIO:

As a result of Mr. Miller’s resignation as OCERS’ CIO the Investment staff has been working very closely with its general investment consultant, Meketa and risk consultant, PCA to ensure that investment operations and projects including the asset allocation study continue uninterrupted. At the December Investment Committee meeting, a decision was taken to defer the RFPs relating to real estate consultant and proxy voting service provider. In light of OCERS upcoming CIO search, the Committee instructed the CEO to review the CIO Charter and Investment Policy Statement to ensure that the authority and flexibility provided within the two documents is still valid. The Committee continued its discussion on the Investment Beliefs document which is believed to be the cornerstone for the asset allocation process. The asset allocation discussion has been a multi-month process and is ongoing. The Committee instructed Meketa to present additional asset mixes that reflect varying risk/return levels. The Committee also reviewed the RVK SACRS Public Fund Universe Analysis Report. The focus of the discussion was OCERS’ underperformance relative to the peer group.

DECEMBER STAFFING SUMMARY

Ms. Hockless provides the following summary of December’s staffing activities:

The New Year brought an increase in the OCERS headcount to keep pace with the agency’s heavy workloads. Last November, the OCERS’ Board approved the addition of four new positions, increasing the budgeted headcount from 75 to 79. In December, we received Mr. Lantzer’s resignation as Deputy Chief Counsel as he has accepted a promotion to Chief Retirement Counsel with the Sonoma County Employees’ Retirement Association. Mr. Lantzer is scheduled to leave the position January 19th and the recruitment is scheduled to open January 17th. We also received a resignation letter from an Accounting Technician in the Finance department who received a promotion to the County of Orange Auditor Controller’s office. The incumbent in this position will transition in early January. The Administrative Services department completed the testing process for the Accounting Technician positions and is scheduled to host interviews for the Member Services and Finance Departments in early January to fill the five (5) vacancies throughout the agency. As of December 31, 2016, the agency had a total of 12 employees leave OCERS employment (8 voluntary resignations, 3 terminations and 1 probationary release). The current annual turnover rate is rounded to 17%. This is calculated by dividing the number of employees that left the agency by the number of employees on payroll. OCERS has 79 budgeted positions and 68 employees on payroll, which includes 27 OCERS Direct and 52 County positions.

Please find the details of our most recent recruitment activity below:

Position Type	Position Title	Department	Comments
OCERS	Chief Investment Officer	Investments	Open date January 2017

OCERS	Deputy Chief Counsel	Legal	Scheduled to open January 17, 2017
OCERS	Member Services Manager	Member Services	New position 01/01/2017
County	Five (5) Accounting Technicians	(3) Member Services (2) Finance	Interviews scheduled for January
County	Accountant Auditor II	Finance	Second Round of Interviews scheduled January 2017
County	Sr. IT Applications Developer	Information Technology	In SME review process, pending Interviews
County	IT Business Analyst	Information Technology	New position 01/01/2017
County	Member Services Benefits Supervisor	Member Services	New position 01/01/2017
County	(2) Sr. Retirement Specialist	Member Services	New position 01/01/2017

As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the consent agenda for the February 7 meeting of the OCERS Board of Retirement.

I-2

Memorandum

DATE: January 30, 2017
TO: Members of the Board of Retirement
FROM: Suzanne Jenike, Assistant CEO, External Operations
SUBJECT: 2017 COST OF LIVING ADJUSTMENT

Recommendation

Adjust all applicable benefit allowances, effective April 1, 2017, in accordance with Government Code Section 31870.1, resulting from the 1.89% change in CPI, as follows:

1. For benefit recipients who began receiving benefits on or before April 1, 1971 through April 1, 1982, increase applicable benefit allowances by 2%, and reduce COLA banks by 1%, for a total benefit adjustment of 3%.
2. For benefit recipients who began receiving benefits or will begin receiving benefits between April 2, 1982 and April 1, 2017, increase applicable benefit allowances by 2% with no reduction in COLA banks.

Background/Discussion

Per Government Code Section 31870.1 OCERS Board of Retirement is required to annually adjust the benefit allowances relative to the increase or decrease in the Consumer Price Index (CPI). This adjustment, known as a Cost of Living Adjustment (COLA), is effective April 1st of each year. This year, there was an increase in the CPI for year-end 2016 of 1.89%. To determine the change in CPI, Segal compares the Bureau of Labor Statistics' annual average CPI for All Urban Consumers for the Los Angeles-Riverside-Orange County area for each of the past two years and derives the percentage change between the two. This is done in accordance with Government Code Section 31870.1, which is the COLA section operative in Orange County. That section also states that any increase or decrease in the CPI is to be rounded to the nearest one-half of one percent (1.89% rounded to 2%) and provides that a maximum COLA of 3% shall be granted on every retirement allowance, optional death allowance, or annual death allowance payable to or on account of any member of the system.

For years in which the COLA exceeds 3%, the amount over 3% is banked for future years when the COLA is less than 3%, which happens to be this year.

For our benefit recipients who began receiving benefits on or before April 1, 1971 through April 1, 1982, their allowances will be increased by the 2% COLA and 1% will be deducted from their COLA banks, since they have accumulated enough in their banks to provide the maximum 3% total COLA adjustment.

For all remaining benefit recipients, who began or will begin receiving benefits on or after April 2, 1982 through April 1, 2017, their allowances will be increased by 2% since their COLA banks are presently at zero.

COLA History and Options:

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

In addition, the question of the measurement period used to measure Consumer Price Index (CPI) changes is also raised when discussing COLA. Currently the Board measures the change in CPI using the average annual index method which compares the annual change in inflation from one year to the next. By contrast there is also a December to December index as used by some CERL systems such as LACERA which measures the CPI change at a specific point in time, i.e. December to December. It is our understanding that either method is actuarially and legally acceptable. In speaking with Segal Consulting they have done analysis for other CERL clients and come to the following conclusion:

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

Submitted by:



S. J. – APPROVED

Suzanne Jenike
Assistant CEO, External Operations



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

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

VIA E-MAIL & USPS

January 19, 2017

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

**Re: Orange County Employees Retirement System
Cost-of-Living Adjustments (COLA) as of April 1, 2017**

Dear Steve:

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

Pursuant to Section 31870.1, the cost-of-living factor to be used by the System on April 1, 2017 is determined by comparing the Bureau of Labor Statistics' annual average CPI for All Urban Consumers for the Los Angeles-Riverside-Orange County Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two annual indices, 249.246 in 2016 and 244.632 in 2015, is 1.0189. The County Law section cited above indicates that the resulting percentage change of 1.89% should be rounded to the nearest one-half percent, which is 2.0%.

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

The actual cost-of-living adjustment is dependent on date of retirement. The CPI adjustment to be applied on April 1, 2017 is provided in Column (4) of the enclosed exhibit. The COLA bank on April 1, 2017 is provided in Column (5).

Mr. Steve Delaney
January 19, 2017
Page 2

Please give us a call if you have any questions.

Sincerely,


Andy Yeung

TJH/hy
Enclosure

cc: Suzanne Jenike
Brenda Shott

Orange County Employees Retirement System
Cost-Of-Living Adjustment
As of April 1, 2017

Retirement Date	(1) April 1, 2016 Accumulated Carry-over Bank	(2) 2017 CPI Change*	(3) 2017 CPI Rounded**	(4) 2017 CPI Used***	(5) April 1, 2017 Accumulated Carry-over Bank****
All Members					
Section 31870.1					
Maximum Annual COLA	3.0%				
On or Before 4/1/1971					
04/02/1971 to 04/01/1972	48.0%	1.89%	2.0%	3.0%	47.0%
04/02/1972 to 04/01/1973	47.5%	1.89%	2.0%	3.0%	46.5%
04/02/1973 to 04/01/1974	47.5%	1.89%	2.0%	3.0%	46.5%
04/02/1974 to 04/01/1975	47.0%	1.89%	2.0%	3.0%	46.0%
04/02/1975 to 04/01/1976	41.5%	1.89%	2.0%	3.0%	40.5%
04/02/1976 to 04/01/1977	36.0%	1.89%	2.0%	3.0%	35.0%
04/02/1977 to 04/01/1978	32.5%	1.89%	2.0%	3.0%	31.5%
04/02/1978 to 04/01/1979	28.5%	1.89%	2.0%	3.0%	27.5%
04/02/1979 to 04/01/1980	23.5%	1.89%	2.0%	3.0%	22.5%
04/02/1980 to 04/01/1981	16.0%	1.89%	2.0%	3.0%	15.0%
04/02/1981 to 04/01/1982	5.5%	1.89%	2.0%	3.0%	4.5%
04/02/1982 to 04/01/1983	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1983 to 04/01/1984	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1984 to 04/01/1985	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1985 to 04/01/1986	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1986 to 04/01/1987	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1987 to 04/01/1988	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1988 to 04/01/1989	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1989 to 04/01/1990	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1990 to 04/01/1991	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1991 to 04/01/1992	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1992 to 04/01/1993	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1993 to 04/01/1994	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1994 to 04/01/1995	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1995 to 04/01/1996	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1996 to 04/01/1997	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1997 to 04/01/1998	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1998 to 04/01/1999	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/1999 to 04/01/2000	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2000 to 04/01/2001	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2001 to 04/01/2002	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2002 to 04/01/2003	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2003 to 04/01/2004	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2004 to 04/01/2005	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2005 to 04/01/2006	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2006 to 04/01/2007	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2007 to 04/01/2008	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2008 to 04/01/2009	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2009 to 04/01/2010	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2010 to 04/01/2011	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2011 to 04/01/2012	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2012 to 04/01/2013	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2013 to 04/01/2014	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2014 to 04/01/2015	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2015 to 04/01/2016	0.0%	1.89%	2.0%	2.0%	0.0%
04/02/2016 to 04/01/2017		1.89%	2.0%	2.0%	0.0%

* Based on ratio of 2016 annual average CPI to 2015 annual average CPI for the Los Angeles - Riverside - Orange County Area.

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

*** These are the cost-of-living adjustment factors to be applied on April 1, 2017.

**** These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2017.

From: Harvey L. Leiderman
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Suite 1800
San Francisco, CA 94105-3659
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To: Board of Retirement, Orange County Employees' Retirement System
Date: February 4, 2014
Subject: Cost-of-Living Adjustments to Retirement Benefits Administered by OCERS

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

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

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

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

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

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

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

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

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

I-3

Memorandum

DATE: February 7, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: CEM BENCHMARKING REPORT

Recommendation

Receive and file.

Background/Discussion

Located in Toronto Canada, CEM Benchmarking is considered the industry leader for public pension plans looking to incorporate comparative benchmarks into their business improvement processes.

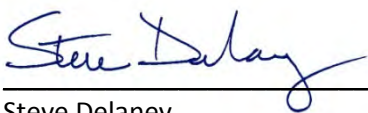
CEM Benchmarking explains their goal this way: “We specialize in benchmarking cost and performance of investments and administration, making ‘apples-to-apples’ comparisons and providing insights into best practices. To do this, we focus on understanding your business, obtaining standardized performance metrics from you and your peers, and explaining your results relative to a custom peer group and our universe of funds”.

OCERS had participated in the CEM Benchmarking process for several years, when choosing to withdraw in 2013 due to the limited number of similar sized agencies that could have provided a better base line comparison for our work processes, than does making a comparison to a system as large as New York State Teachers for example.

CEM Benchmarking took that as a challenge, and over time created a specialized grouping of public systems more appropriate to OCERS size. With OCERS Board approval, we returned to the CEM Benchmarking family in 2016.

You will find attached our first CEM Benchmarking report using the new custom peer group. This first report sets the baseline for your staff, as we then work in the future to improve those areas we feel most important to accomplishing the OCERS mission. Ms. Jenike and I will walk you through some of the highlights of this report on Tuesday, February 7.

Submitted by:



Steve Delaney
Chief Executive Officer

**Defined Benefit Administration
Benchmarking Analysis**

FY 2015

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM (OCERS)

Final Report - January 11, 2017

CEM Benchmarking Inc.
372 Bay Street, Suite 1000, Toronto, ON, M5H 2W9
Tel: 416-369-0568 Fax: 416-369-0879
www.cembenchmarking.com



Copyright 2017 by CEM Benchmarking Inc. Although the information in this report has been based upon and obtained from sources we believe to be reliable, CEM does not guarantee its accuracy or completeness. The information contained herein is proprietary and confidential and may not be disclosed to third parties without the express written mutual consent of both CEM and Orange County ERS.

The benefits to benchmarking your administration costs and service:

1. Measure and manage your performance
 - Identify what is important
 - Monitor progress using an independent benchmark
 - Serves as a catalyst for change

2. Communicate to stake-holders
 - Demonstrate success and achievements to governing bodies
 - Identify service gaps to support resource requests

3. Focus on your customer service levels
 - Learn what others are doing that you are not
 - Gain best practice insights into key areas

75 leading global pension systems participate in the benchmarking service.

Participants

United States

Arizona SRS
 CalPERS
 CalSTRS
 City of Austin ERS
 City of Detroit
 Colorado PERA
 Delaware PERS
 ERFC
 Fairfax County RS
 Florida RS
 Idaho PERS
 Illinois MRF
 Indiana PRS
 Iowa PERS
 Kansas PERS
 LACERA
 Michigan ORS
 MOSERS
 North Carolina RS
 NYC TRS
 NYSLRS
 Ohio PERS
 SERS Ohio
 Oregon PERS
 Orange County ERS
 Pennsylvania PSERS
 San Bernardino CERA
 San Diego City ERS
 Sonoma County ERA
 South Dakota RS
 STRS Ohio
 TRS Illinois
 TRS Louisiana
 TRS of Texas
 Utah RS

Virginia RS

Washington State DRS
 Wisconsin DETF

Canada

Alberta Pension Services
 BC Pension Corporation
 Canada Post
 Defence Canada
 Federal Public Service
 HOOPP
 Local Authorities (Alberta)
 Ontario Municipal Employees'
 Ontario Pension Board
 Ontario Teachers
 OPTrust
 RCMP
 Saskatchewan Teachers
 Saskatchewan Healthcare Employees

The Netherlands

ABP
 bpfBOUW
 Pensioenfonds Metaal en Techniek
 Pensioenfonds van de Metalektro
 PFZW
 Rabobank Pensioenfonds
 St. Algemeen Pensioenfonds KLM

Denmark

ATP

Middle East

Abu Dhabi RPB
 Oman

Australia

BUSS(Q)
 CBUS
 First State Super
 HESTA
 QSuper
 REST
 SunSuper
 VicSuper

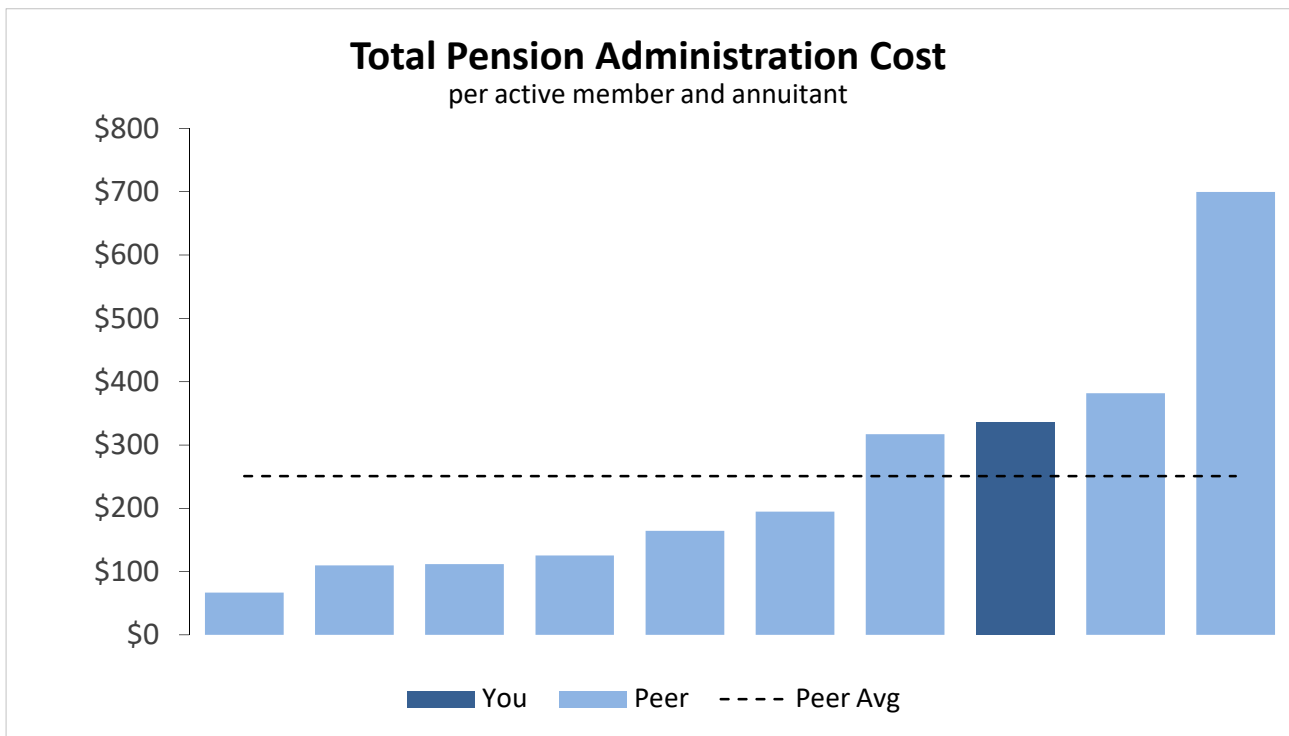
United Kingdom

Armed Forces Pension Schemes
 Principal Civil Service Pension Scheme
 Scottish Public Pension Agency
 Teacher's Pension Scheme
 Universities Superannuation Scheme

Your peer group consists of the following 10 participants:

Peers	Membership		Total
	Active	Annuitant	
City of Austin ERS	9,063	5,679	14,742
San Diego City ERS	7,534	9,482	17,016
Saskatchewan Teachers	15,428	1,802	17,230
Fairfax County RS	17,438	10,484	27,922
City of Detroit	9,142	20,997	30,139
ERFC	19,532	10,754	30,286
San Bernardino CERA	20,429	11,824	32,253
Orange County ERS	21,525	15,810	37,335
South Dakota RS	39,383	25,656	65,039
Delaware PERS	42,114	28,187	70,301
Peer Average	20,159	14,068	34,226

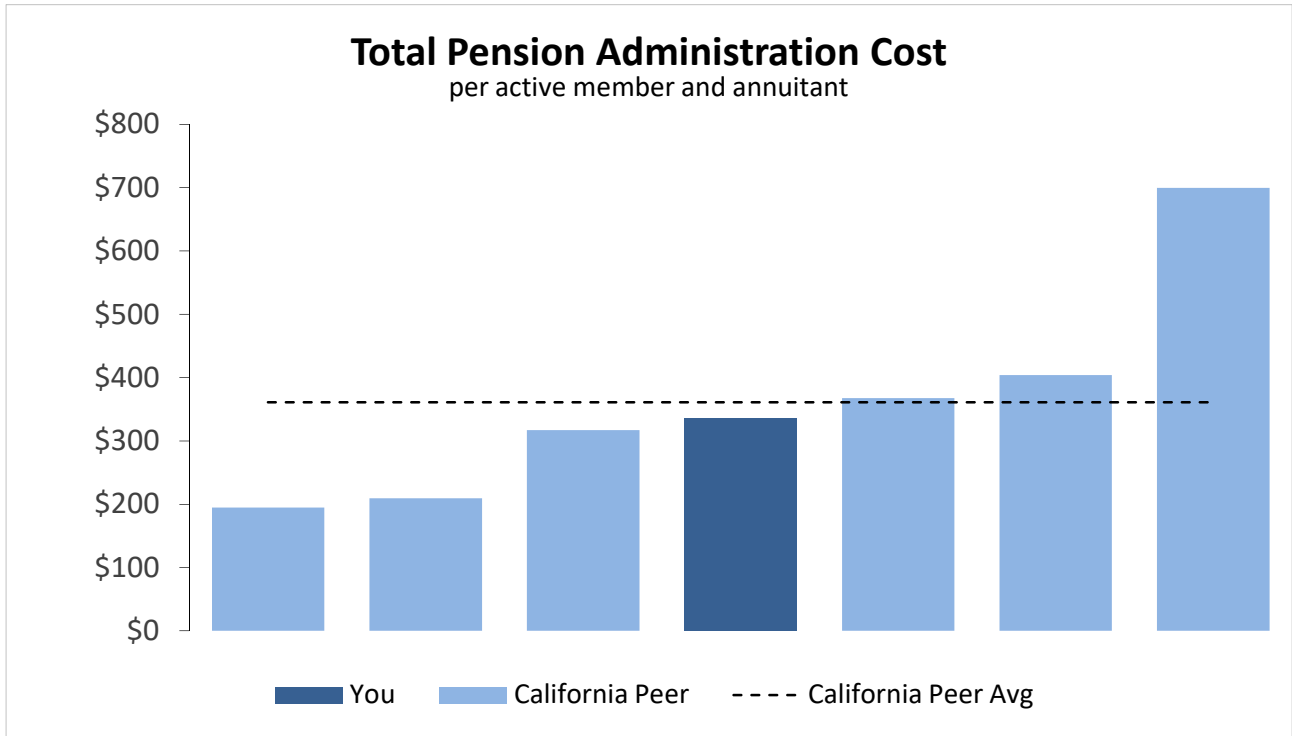
Your pension administration cost was \$335 per active member and annuitant. This was \$85 above the peer average of \$251.



All foreign currency amounts have been converted to USD using Purchasing Power Parity figures as per the OECD (see Appendix B).

Your cost per member calculation is based on total pension administration cost of \$12.5 million. CEM reconciled the reported total pension administration per CEM's survey to your FY2015 CAFR.

California systems tend to be higher cost.



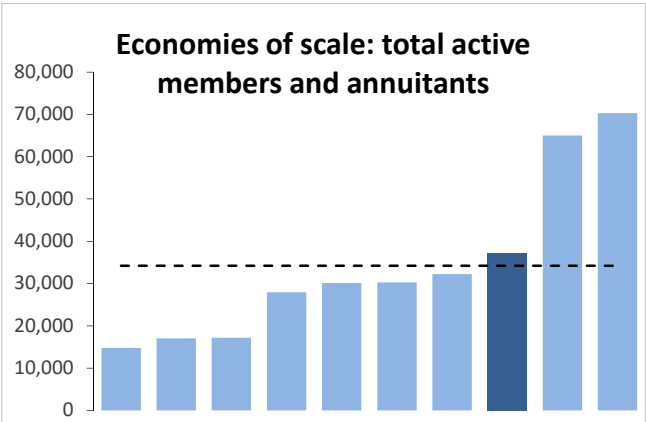
Your total pension administration cost of \$335 compared to an average of \$361 for all the California systems in the CEM database.

California Systems
CalPERS
CalSTRS
LACERA
Orange County ERS
San Bernardino CERA
San Diego City ERS
Sonoma County ERA

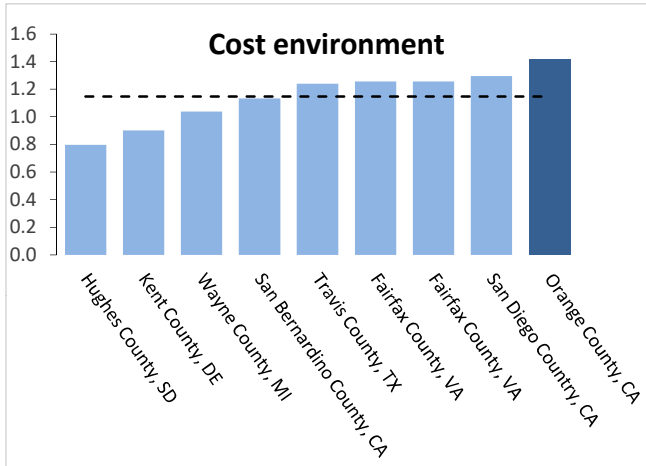
Reasons why your total cost was \$85 higher than the peer average:

Reason	Comparison			Impact \$s per member
	You	Peer average	More/ Less	
	<u>FTE per 10,000 members</u>			
A. Using 37% more FTE to serve members	17.1	12.5	37%	\$35
B. Paying more in total per FTE for:	<u>Cost per FTE</u>			
• Salaries & benefits	\$138,323	\$92,962	49%	
• Building expenses	<u>\$11,646</u>	<u>\$9,991</u>	17%	
	\$149,969	\$102,953	46%	\$80
C. Paying less per member in total for:	<u>\$s per member</u>			
• Professional Fees	\$48	\$64	-24%	
• Amortization	\$1	\$10	-93%	
• Charges from sister organizations	\$0	\$5	-100%	
• Other administration expenses	<u>\$30</u>	<u>\$31</u>	-2%	
	\$79	\$109	-28%	-\$30
Total				\$85

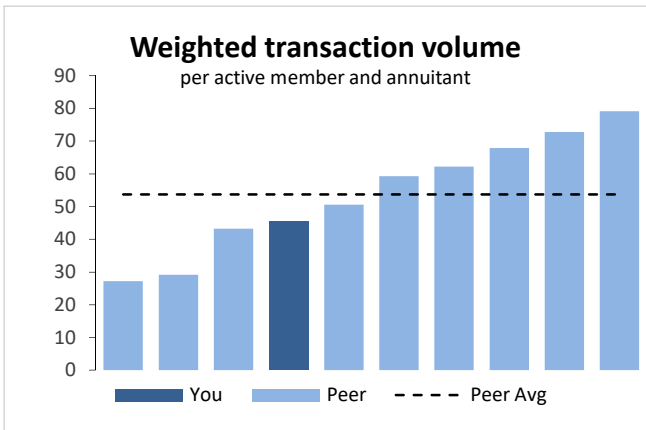
Differences in costs can also be attributed to factors such as economies of scale, cost environment, and differences in transaction volumes.



Research suggests that for every tenfold increase in size, administrative costs fall by \$40 per member. This suggests that you have a \$1.51 per member advantage relative to the peer average.



Your cost environment was 23% higher than the peer average.



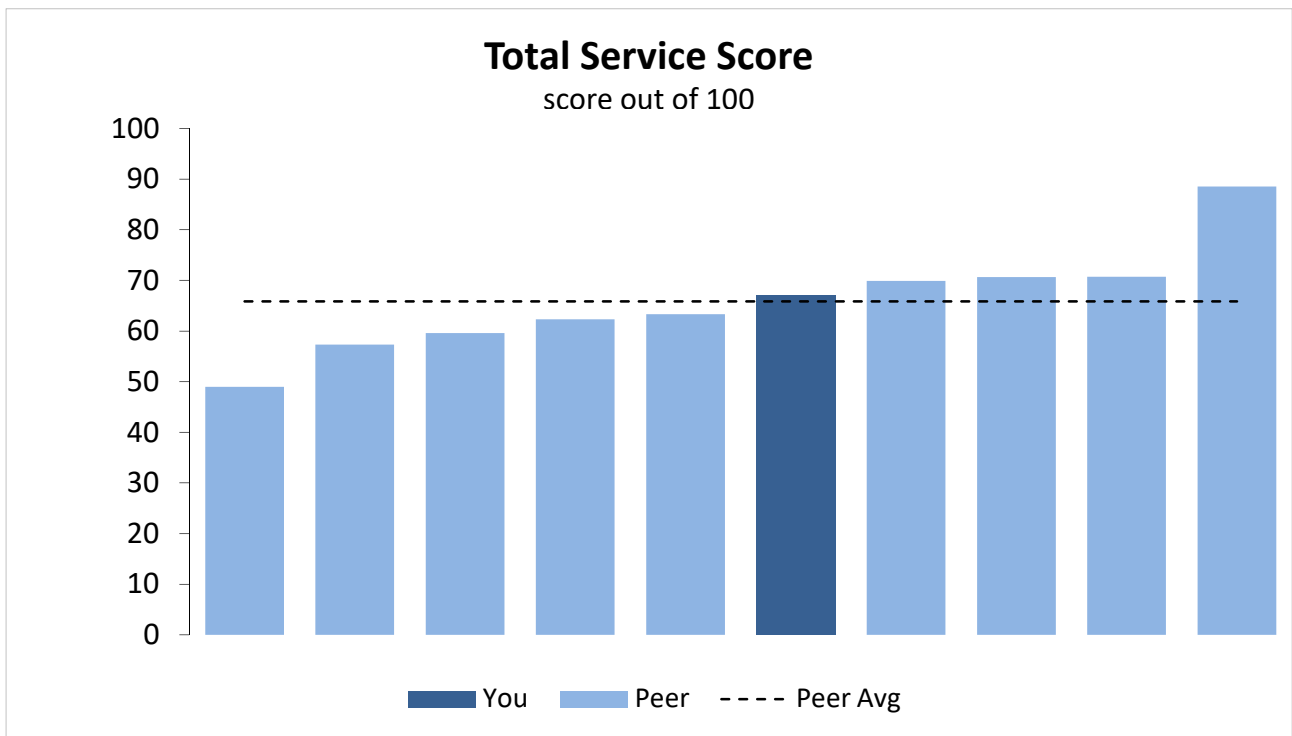
Workloads: your weighted transaction volume was 45, which was 15% below the peer average. This suggests that you do fewer transactions and/or have a less costly mix of transactions per active member and annuitant. The next page shows you where you are doing more or less transactions in comparison with your peers.

Where are you doing more/fewer transactions than your peers?

Where are you doing more/fewer transactions than your peers?						
Activity	Activity volume description	Your Volume	Volume per 1,000 active members & annuitants			
			You	Peer Avg	More/-less	
1. Member Transactions						
A. Pension Payments	annuitants	15,810	423.5	406.0	4%	
B. Pension Inceptions	service & survivor inceptions	1,038	27.8	27.4	1%	
C. Withdrawals	withdrawals	207	5.5	20.5	-73%	
D. Purchases	purchases	186	5.0	8.1	-39%	
E. Disability	disability applications	70	1.9	1.2	59%	
2. Member Communication						
A. Member Calls	calls & emails	70,005	1,875.1	1,089.3	72%	
B. Mail Room	incoming letters	23,400	626.8	404.5	55%	
C. Pension Estimates	written estimates	885	23.7	119.1	-80%	
D. 1-on-1 Counseling	counseling sessions	498	13.3	47.4	-72%	
E. Presentations	presentations	58	1.6	1.2	26%	
F. Mass Communication	active members	21,525	576.5	594.0	-3%	
3. Collections and Data Maintenance						
A. Employer data	active members	21,525	576.5	594.0	-3%	
B. Non-employer data	annuitants, inactive members	20,902	559.9	582.4	-4%	
Weighted Total¹			45.4	53.7	-15%	

1. The weights used for each transaction type are equal to the 2016 fiscal year global PABS participant median. See section 5 for more details.

Your total service score was 67 out of 100. This was above the peer average of 66.



Service is defined as 'Anything a member would like, before considering costs'. Generally speaking this means faster is better, and more services and more availability is better. The Total Service Score is a weighted average of the service scores for each activity. The following pages provide an overview of the key service measure included in your Service Score.

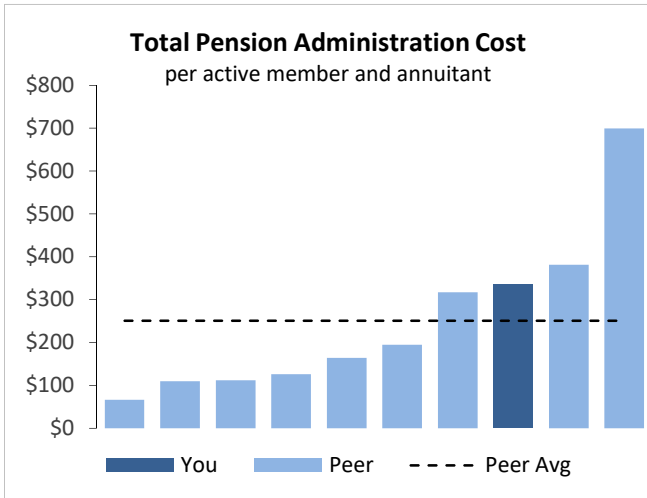
The total service score is the weighted average of the activity level service scores.

Service Scores by Activity			
Activity	You	Peer Average	Weights
Paying Pensions	100	100	20.0%
Pension Inceptions	14	52	7.0%
Benefit Estimates	80	61	5.0%
1-on-1 Counseling	100	90	7.0%
Presentations	99	81	6.0%
Member Contacts	45	49	21.0%
Website	84	54	11.0%
News and Targeted Communication	86	62	4.0%
Member Statements	40	59	6.0%
Disability	0	49	4.0%
Red Tape	80	46	4.0%
Satisfaction Surveying	26	34	5.0%
Total Service Score	67	66	100.0%
Total Service Score - Median		65	

Examples of key service measures included in your Service Score:

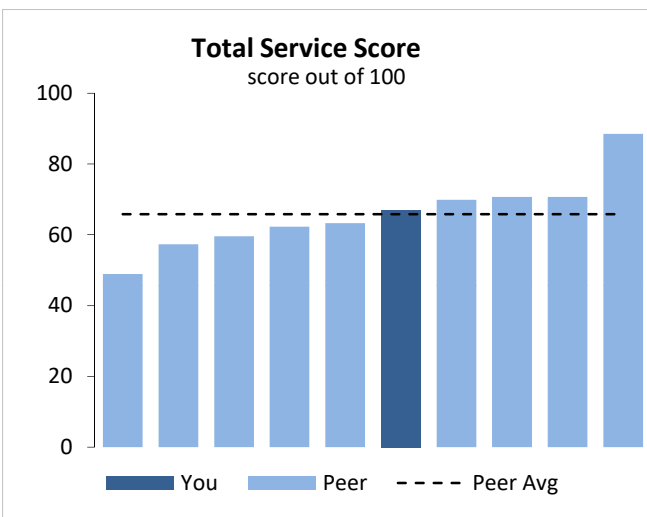
Select Key Service Metrics	You	Peer Avg
<u>Member Contacts</u>		
• Average total wait time including time negotiating auto attendants, etc.	Unknown	47 secs
• % of calls abandoned while in queue, on hold or in menu?	Unknown	4%
• How many hours per week can members call service representatives?	39.5	40.7
<u>Website</u>		
• Can members access their own data in a secure environment?	Yes	70% Yes
• Do you have an online calculator linked to member data?	Yes	70% Yes
• # of other website tools offered such as changing address information, registering for counseling sessions and/or workshops, viewing or printing tax receipts, etc.	12	7
<u>Member Statements</u>		
• How current is the data in member statements when mailed?	1 mnth	2 mnths
• Do statements provide an estimate of the future pension entitlement?	No	40% Yes
<u>Pension Inceptions</u>		
• What % of annuity pension inceptions are paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	1%	53%
<u>1-on-1 counseling</u>		
• % of your active membership that attended a 1-on-1 counseling session	2.3%	8.5%

Key Takeaways:



Your pension administration cost was \$85 above the peer average. Your higher than average cost reflects:

- You pay more per FTE for salaries and benefits.
- You use more FTE to serve your members than your peers.
- You operate in the highest cost environment relative to your peers.



Your total service score was above the peer average.

You scored above your peers in the following area:

- Website. You are among 3 peers with the most transactions tools offered on your website.

You scored below your peers for the following:

- Pension inceptions. None of your inceptions to retiring active members were paid without an interruption of cash flow shorter than 1 month between the final pay check and the first pension check versus a peer average of 53%.

Peer Characteristics

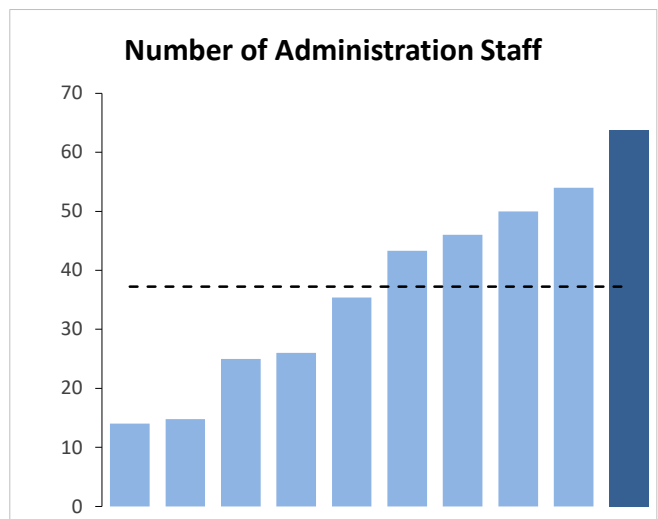
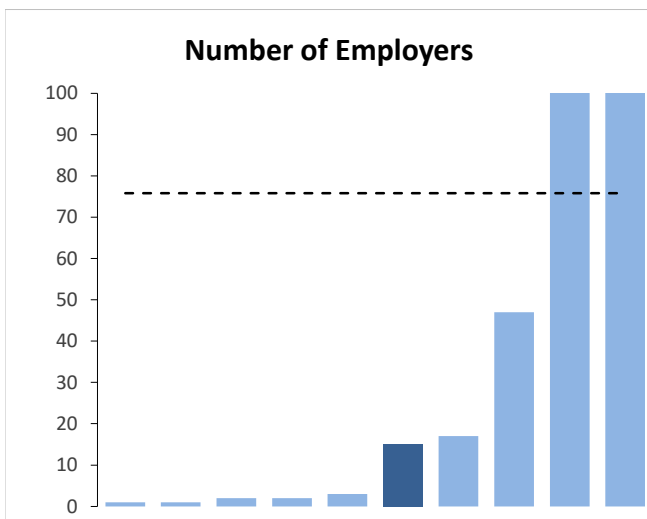
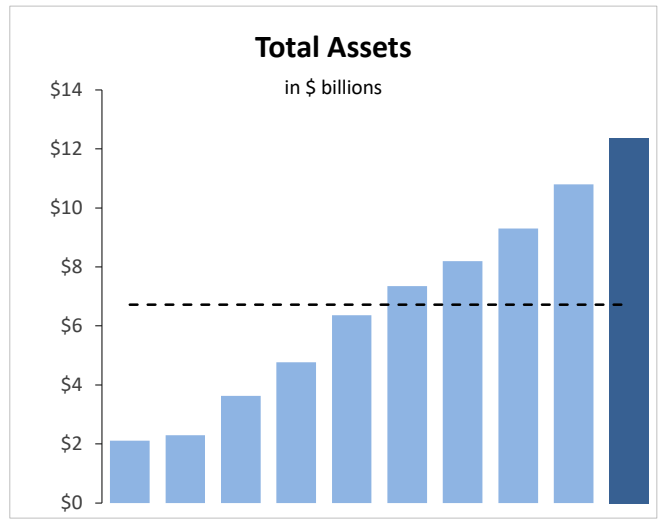
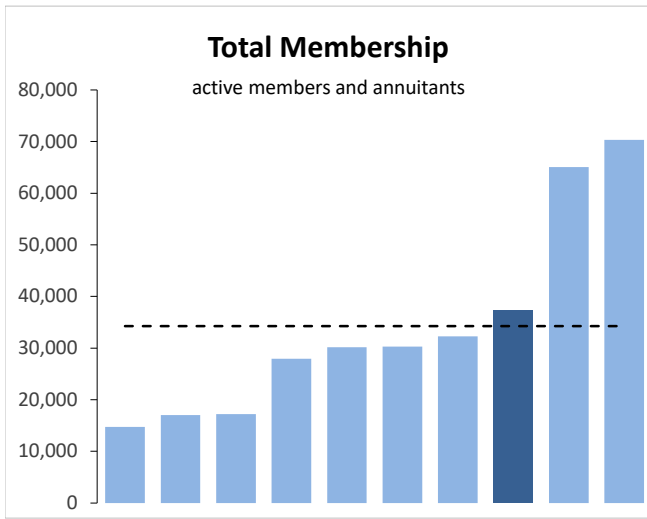
This section contains:

- Details of your peer group.
- A comparison of the characteristics of your peers.

Your peer group consists of 10 peers.

Custom Peer Group for Orange County ERS	Members			Assets \$ millions	# employers	# pension admin. FTEs
	Active	Annuitant	Total			
City of Austin ERS	9,063	5,679	14,742	2,300	2	14
San Diego City ERS	7,534	9,482	17,016	7,352	3	46
Saskatchewan Teachers	15,428	1,802	17,230	3,635	47	15
Fairfax County RS	17,438	10,484	27,922	6,359	2	25
City of Detroit	9,142	20,997	30,139	4,771	1	50
ERFC	19,532	10,754	30,286	2,106	1	26
San Bernardino CERA	20,429	11,824	32,253	8,200	17	54
Orange County ERS	21,525	15,810	37,335	12,374	15	64
South Dakota RS	39,383	25,656	65,039	10,800	481	35
Delaware PERS	42,114	28,187	70,301	9,300	189	43
Peer Average	20,159	14,068	34,226	6,720	76	37

Graphical comparison of peer characteristics



Profiles of the 62 benchmarking participants

page 1 of 2 (excluding Australian and UK systems)

Participant	Members by Type			Member Groups								Plan Types					Administer Retiree Healthcare			
	Active Members	Annuityants	Inactive Members	City or County Only	State/ County Employees	Teachers	School	Police and/or Fire	Participating Local Employers	Other (Judges etc)	Corporate	Industry	DB	Cash Balance	DB/ Cash Balance	DB/ Money Match		Drop	DC	Hybrid DB/ DC
Canada																				
APS	209,154	92,942	48,242	X	X	X	X	X					X							
BC Pension Corporation	302,581	165,606	68,242	X	X	X	X	X	X	X	X	X	X	X	X				X	
Canada Post	53,497	34,561	1,313	X						X			X					X		
Defence Canada	89,529	111,141	15						X				X							
FPSP	290,653	273,896	4,214	X									X							
HOOPP	196,245	87,195	25,639	X				X			X		X							
LAPP	156,141	58,087	30,393	X		X	X	X					X							
OMERS	280,617	140,883	39,135			X	X	X	X	X			X							
Ontario Pension Board	42,105	36,220	6,037	X			X		X				X							
Ontario Teachers	182,529	132,683	69,701	X	X	X							X							
OPTrust	46,429	33,719	6,843	X									X							
RCMP	23,027	18,809	220	X			X						X							X
Saskatchewan Teachers	15,428	1,802	8,257	X	X								X						X	
Saskatchewan Healthcare Employees	34,991	14,519	2,799					X			X		X							
Denmark																				
ATP	3,060,599	974,568	941,139	X																
The Netherlands																				
ABP	1,080,490	834,529	941,586										X							
bpfbouw	123,522	256,264	416,664										X							
Pensioenfond Metaal en Techniek	379,005	211,070	661,179										X							
Pensioenfond van de Metalektro	147,635	165,715	302,435										X							
PFZW	1,151,300	390,900	1,041,200										X							
Rabobank Pensioenfond	39,147	16,472	44,317										X							
St. Algemeen Pensioenfond KLM	14,654	9,912	8,103										X							
United Arab Emirates																				
Abu Dhabi RPB	72,886	13,869	1,804																	
CSEPF of Oman	176,201	60,973	0																	
United States																				
Arizona SRS	203,252	135,538	219,346	X	X	X		X	X				X						X	X
CalPERS	831,881	613,410	335,930	X		X	X	X					X							X
CalSTRS	429,460	281,124	184,396		X								X	X						

Profiles of the 62 benchmarking participants

page 2 of 2 (excluding Australian and UK systems)

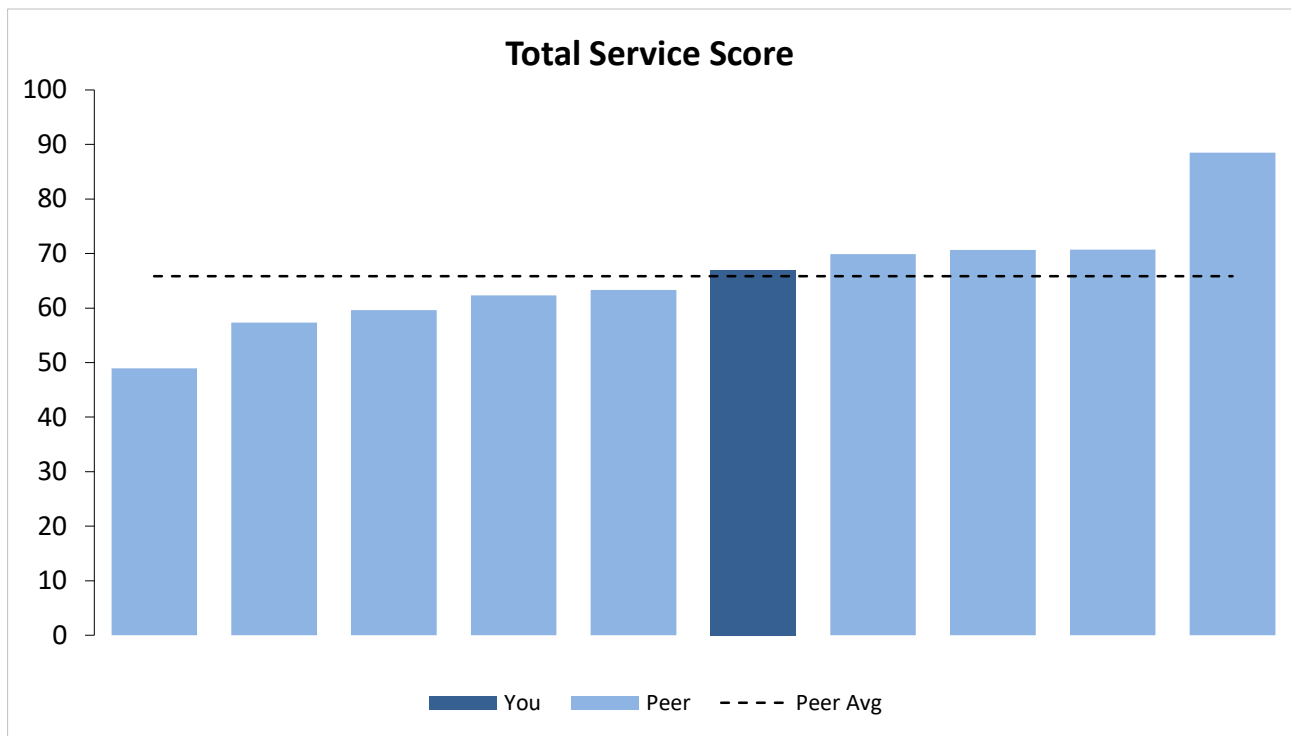
Participant	Members by Type			Member Groups								Plan Types								
	Active Members	Annuityants	Inactive Members	City or County Only	State/ County Employees	Teachers	School	Police and/or Fire	Participating Local Employers	Other (Judges etc)	Corporate	Industry	DB	Cash Balance	DB/ Cash Balance	DB/ Money Match	Drop	DC	Hybrid DB/ DC	Administer Retiree Healthcare
United States (continued)																				
City of Austin ERS	9,063	5,679	985	X									X							
City of Detroit	9,142	20,997	2,941	X					X				X				X	X	X	
Colorado PERA	237,691	110,129	219,541		X	X	X		X	X			X					X	X	X
Delaware PERS	42,114	28,187	15,959		X	X	X	X	X	X			X							
ERFC	19,532	10,754	4,103	X		X	X						X							
Fairfax County RS	17,438	10,484	448	X			X	X		X			X	X			X			X
Florida RS	621,788	412,346	116,247		X	X	X	X	X	X			X				X	X		
Idaho PERS	67,008	42,657	29,827		X	X	X	X	X	X			X						X	
Illinois MRF	174,129	116,455	121,664				X	X	X				X							
Indiana PRS	251,760	145,590	67,545		X	X	X	X	X	X			X				X	X	X	
Iowa PERS	167,367	111,368	67,375		X	X	X	X	X	X			X							
Kansas PERS	158,325	92,742	48,762		X	X	X	X	X	X			X							
LACERA	93,674	61,895	12,928	X				X		X			X							X
Michigan ORS	217,099	264,638	555,248		X	X	X	X		X			X				X		X	X
MOSERS	50,153	44,012	19,326		X		X	X		X			X							
North Carolina RS	471,880	283,852	222,905		X	X	X	X	X	X			X							
NYC TRS	120,753	85,243	39,097	X		X	X						X						X	
NYSLRS	522,930	430,308	120,248		X		X	X	X	X			X							
Ohio PERS	345,294	205,601	514,561		X			X		X			X	X					X	X
Ohio SERS	134,471	74,372	57,515				X						X							X
Orange County ERS	21,525	15,810	5,092		X				X				X							
Oregon PERS	164,859	134,520	64,796		X	X	X	X	X	X					X				X	X
Pennsylvania PSERS	256,027	219,727	140,725		X	X	X						X							X
San Bernardino CERA	20,429	11,824	4,921		X				X	X			X							
San Diego City ERS	7,534	9,482	3,364		X				X				X			X				
Sonoma County ERA	4,071	4,653	1,047	X	X				X				X							
South Dakota RS	39,383	25,656	16,594		X	X	X	X	X	X			X							
STRS Ohio	206,568	159,906	148,344			X							X					X	X	X
TRS Illinois	159,707	114,922	125,969		X	X							X							
TRS Louisiana	88,814	76,002	22,978			X	X						X			X	X			
TRS of Texas	828,945	377,738	252,560		X	X	X						X							X
Utah RS	101,157	59,843	110,870		X	X	X	X	X	X			X					X	X	
Virginia RS	340,576	184,769	123,498		X	X	X	X	X	X			X						X	
Washington State DRS	301,331	164,555	241,276		X	X	X	X	X	X			X						X	
Wisconsin DETF	257,255	185,605	161,123		X	X	X	X	X	X									X	X

Service Levels

This section:

1. Analyzes your current service levels relative to your peers, to identify what you do and how it compares to others.
2. Identifies areas where you may be able to improve, or reduce, your service levels.
3. Provides details of the methodology and criteria we used to evaluate your service levels.

Your total service score was 67 out of 100. This was above the peer average of 66.



Interpreting your Service Results

Higher service scores are not necessarily better. This is because:

- Service is defined as: *'Anything a member would like, before considering costs'*. As this definition does not consider costs, high service may not always be cost effective or optimal. For example, it is higher service to have a call center open 24 hours a day but few systems would be able to justify the cost.
- Our 'weights' are an approximation of the importance of an individual service element. These weights will not always reflect the relative importance that you or your members attach to an individual service element.

The service measures are most useful for identifying what you are doing differently than your peers. Understanding these differences can give you ideas on how you may want to improve, *or reduce*, the service you provide to your members.

Service scores by activity and the weights used to determine the total service score

Service Scores by Activity			
Activity	You	Peer Average	Weights
Paying Pensions	100	100	20.0%
Pension Inceptions	14	52	7.0%
Benefit Estimates	80	61	5.0%
1-on-1 Counseling	100	90	7.0%
Presentations	99	81	6.0%
Member Contacts	45	49	21.0%
Website	84	54	11.0%
News and Targeted Communication	86	62	4.0%
Member Statements	40	59	6.0%
Disability	0	49	4.0%
Red Tape	80	46	4.0%
Satisfaction Surveying	26	34	5.0%
Total Service Score	67	66	100.0%
Total Service Score - Median		65	

How did we determine the weights for each activity?

CEM considered the following 8 criteria to determine the weights used to calculate your total service score:

1. Feedback from Participants

The weights reflect feedback from participants solicited at on-site meetings, symposiums and peer conferences.

2. Relative Cost of Each Activity

The average CEM participant spends 4.8% of its annual budget for member contacts (calls, emails, letters) versus 1.6% for 1-on-1 counseling. Thus, based solely on relative cost, member contacts is 2.9 times more important than 1-on-1 counseling.

3. Relative Volume of Each Activity (i.e., How many times does the service 'touch' a member?)

The average CEM participant initiates 26 pensions and receives 604 calls for every 1,000 active members and annuitants. Thus, based solely on relative volume, calls are 23.5 times more important than pension inceptions.

4. Expectations Based on External Experience

Members have external comparisons for receiving payments, telephone calls and annual statements, but they have no direct experience with the pension inception process. Thus, based solely on external experience, paying pensions and member contacts are more important than pension inceptions.

5. Personalized Human Contact

Research shows that the points of human contact provide the greatest opportunity for generating customer satisfaction. Thus, based solely on personalized human contact, counseling and calls are much more important than 'no contact' activities such as the website or paying annuity pensions.

6. About Members' Money

Nothing gets a member's attention faster than his or her own money. So, based solely on this criteria, activities such as benefit calculators linked to member data, member statements and paying annuity pensions are much more important than newsletters or brochures.

7. Mission Critical

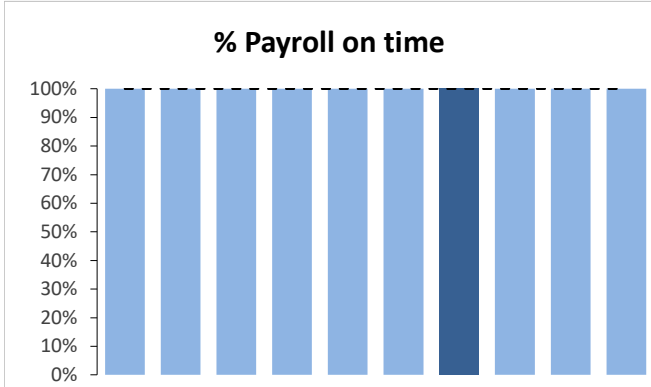
Paying pensions is mission critical. Providing counseling is not.

8. Stability

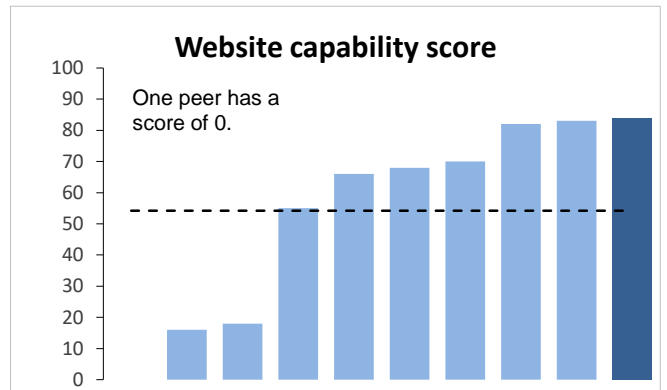
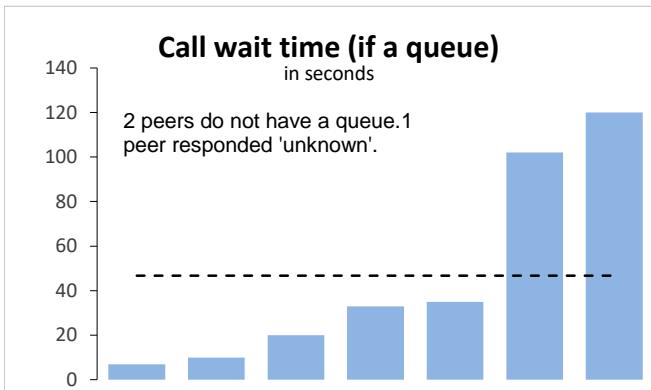
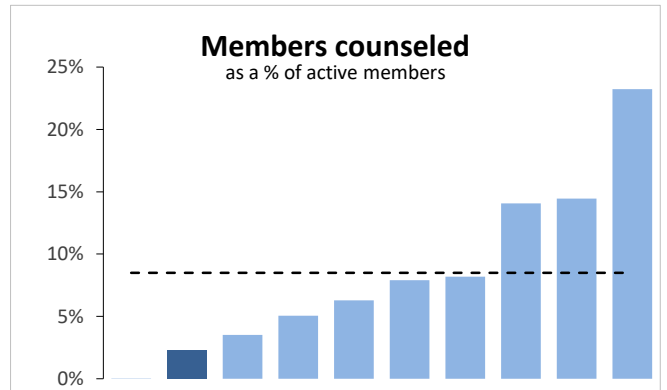
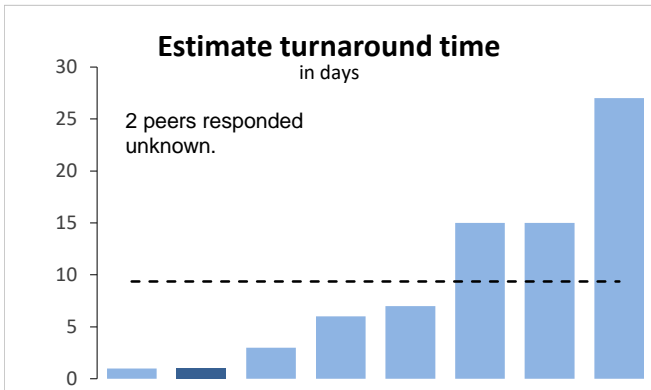
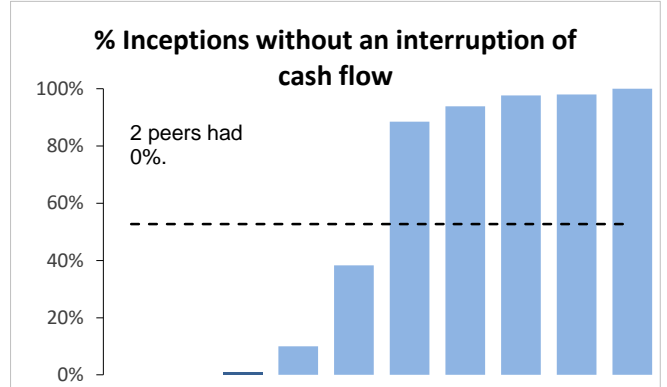
We have been told that keeping the weights stable is more important than continually perfecting them. Clients want to measure their progress against a stable metric.

Graphical comparison of key service measures

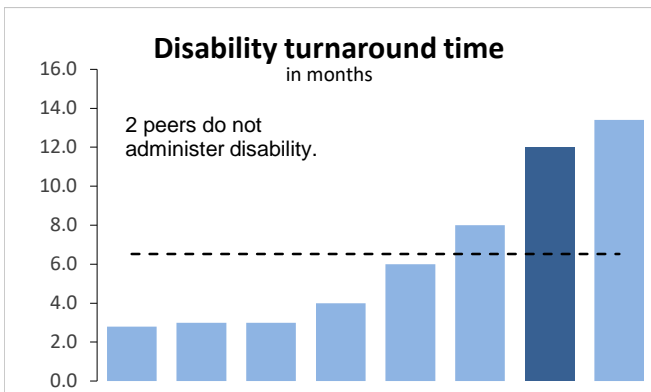
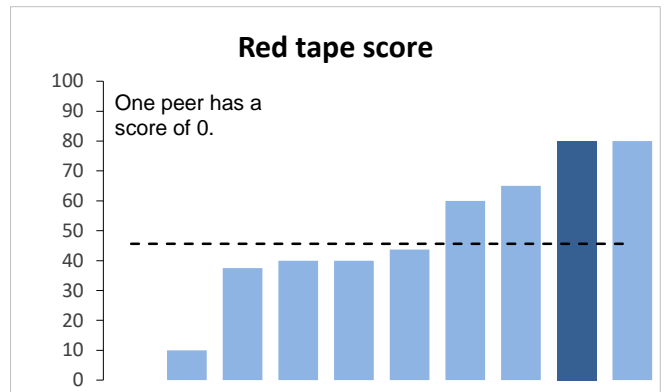
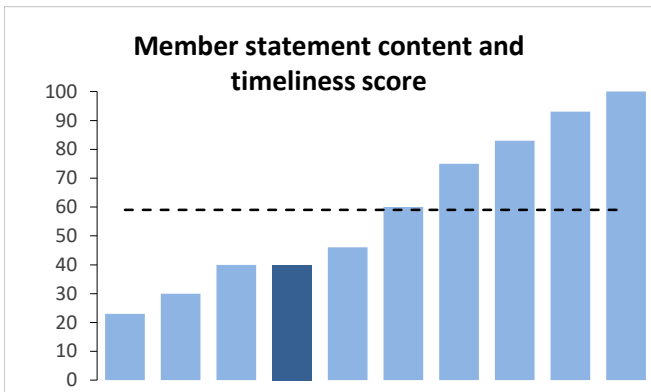
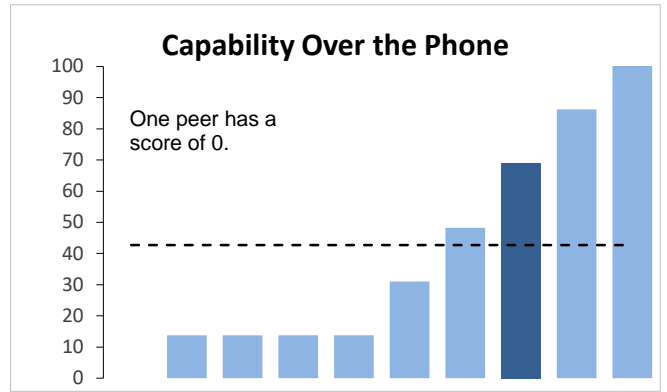
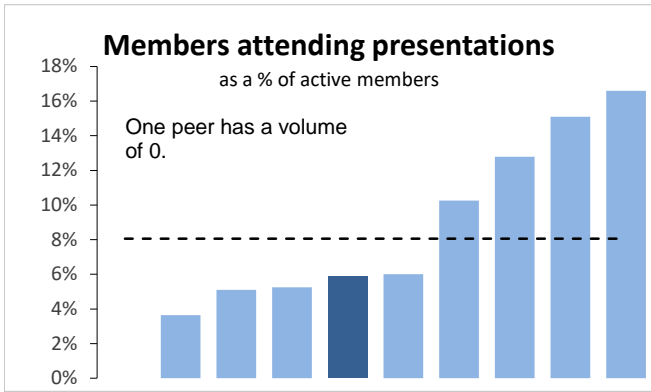
This page shows a sample of key service metrics that we have weighted highly because we believe they are particularly important service measures from a member's perspective.



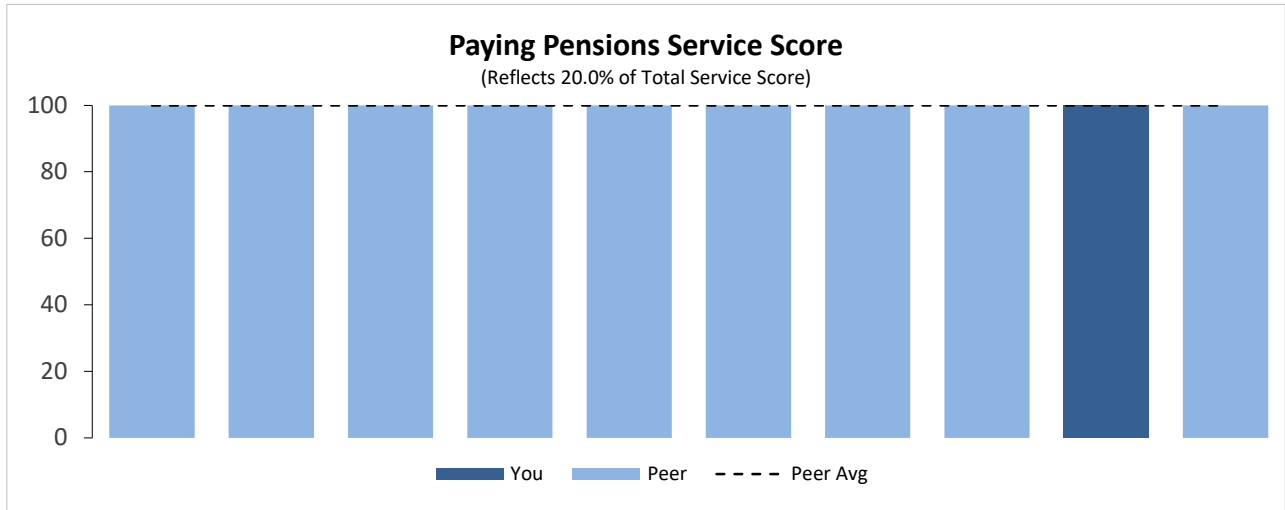
Most peers get a perfect score for this critical measure.



Graphical comparison of key service measures (continued)



Your service score for paying pensions was 100 out of 100. This compares to a peer average of 100.



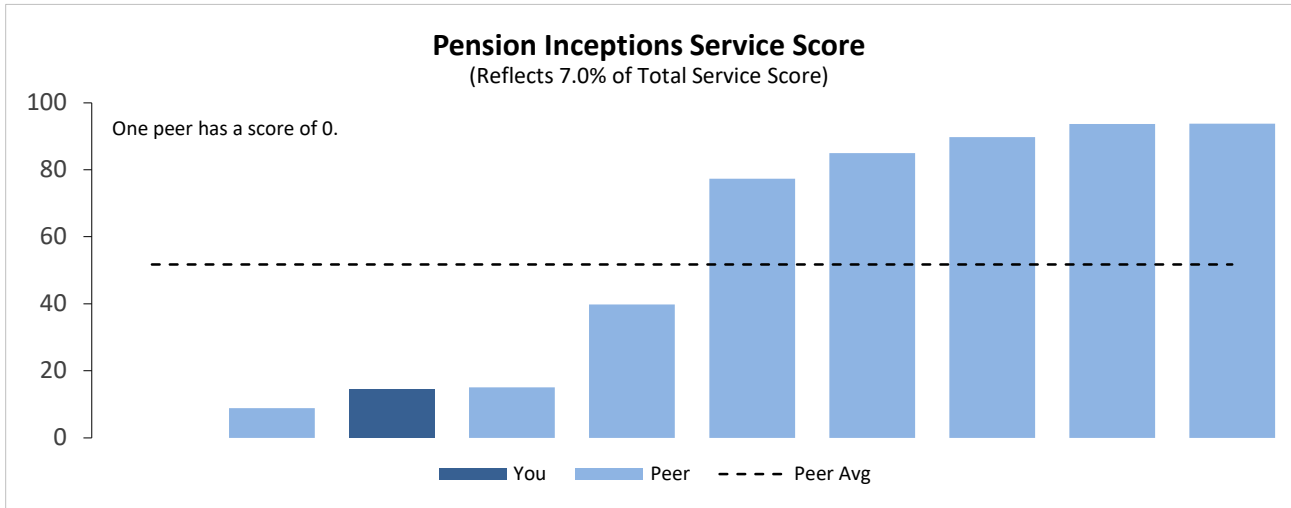
1. Scoring method		Your Data	Your Score
+ 100	If none of your pension payrolls were late vis-à-vis your normal payment cycle, otherwise 100 - 10 x numbers of late payrolls x average number of days late.	n/a	100.0
Total Score			100.0

2. Rationale for the scoring method

Paying the pension payroll on the due date is a critical service requirement for retirement systems. Therefore, almost all systems get a perfect score for this measure, except in the event of a business interruption. A perfect score requires that all regular pension payrolls are paid on their due date.

3. Survey questions used		You	Peer Avg
Q24	Were any of your pension payrolls late vis-à-vis your normal payment cycle? [For example, a payroll might be late because of system problems, etc.]	No	0% Yes
	a) If yes, how many payrolls were late?	n/a	n/a
	b) On average, how many days late were they?	n/a	n/a

Your service score for pension inceptions was 14 out of 100. This compares to a peer average of 52.



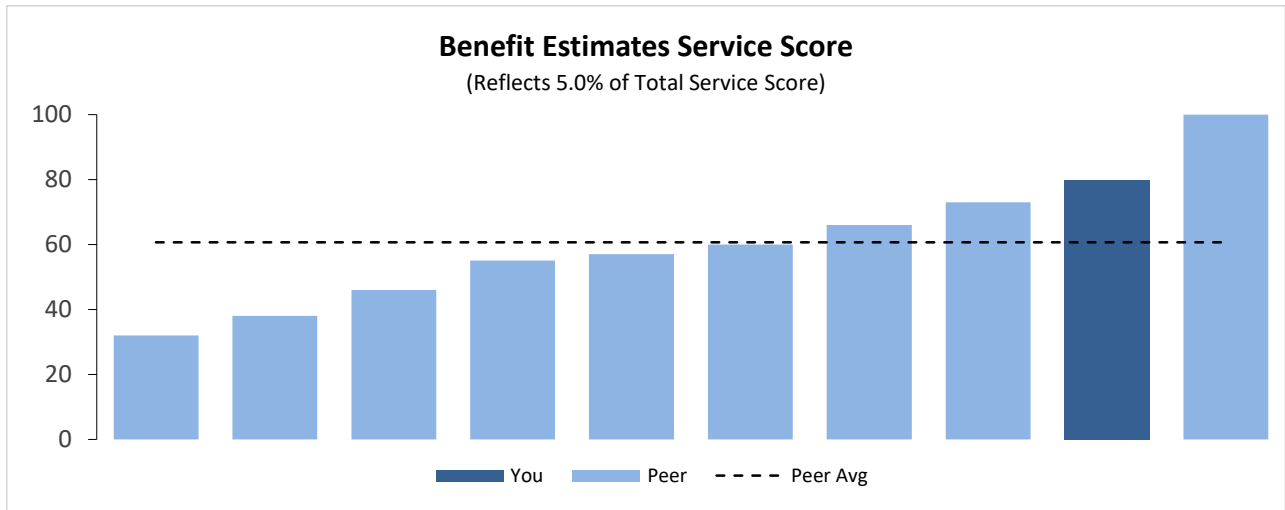
1. Scoring Method		Your Data	Your Score
<u>Cashflow Interruptions</u>			
+ 85	85 x percent of inceptions that occur within 1 month of final pay check (0% is assumed if unknown)	1.0%	0.9
<u>Survivor Pensions</u>			
+ 15	15 x percent of pensions paid without interruption to survivors (0% is assumed if unknown)	90.0%	13.5
Total Score			14.4

2. Rationale for the scoring method

Cashflow interruptions can cause hardships and irritation for members. In case of a survivor pension this potential hardship comes at a difficult time. A perfect score requires that you can inception a pension or survivor benefit without an interruption of cashflow.

3. Survey questions used		You	Peer Avg
Q25	What % of pension inceptions to retiring active members were paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	1.0%	52.7%
Q26	What % of survivor pension inceptions are paid without an interruption of cash flow between the pensioner's final pension check and the survivor's first pension check?	90.0%	51.4%

Your service score for benefit estimates was 80 out of 100. This compares to a peer average of 61.



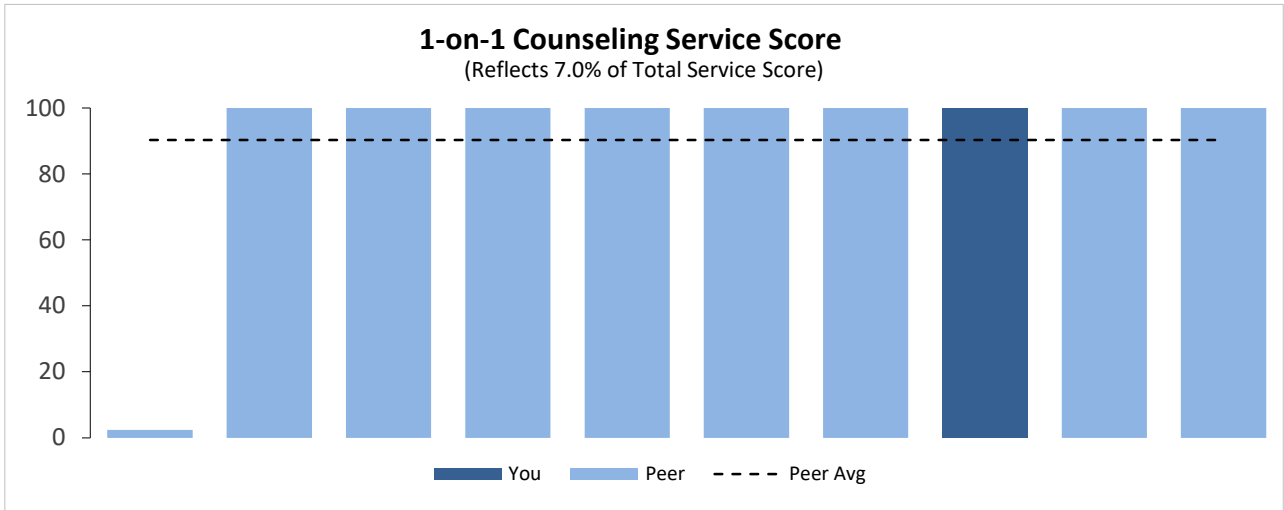
1. Scoring method		Your Data	Your Score
<u>Speed of Turnaround</u>			
+ 31	if estimate is mailed in 3 days or less, otherwise 31 minus 1 per day over 3 days to provide a written estimate (30 days is assumed if unknown)	1 days	31.0
+ 4	if you do regularly measure the time to provide an estimate	No	4.0
<u>Content</u>			
+ 8	if you clearly address if and how the pension benefit is inflation protected	Yes	8.0
+ 4	if you discuss the effects of social security	n/a	0.0
+ 3	if you discuss alternative scenarios that could improve benefit	No	0.0
+ 10	if you model alternative retirement options	Yes	10.0
<u>Alternative Channels</u>			
+ 40	if you also offer estimates via member statement, website and call center, otherwise: 27 if you offer 2 alternatives; 14 if you offer 1; 0 if you offer none	2 channels	27.0
Total Score			80.0

2. Rationale for the scoring method

A perfect score requires that you can turn around an estimate within three days of the request. The more members understand how their pension benefit is affected by inflation, social security, etc. the better they can plan for retirement. A perfect score requires that you provide all this information on a written estimate. More channel choices in obtaining a pension estimate provides greater access and convenience for your members.

3. Survey questions used		You	Peer Avg
Q16	Indicate whether the following capabilities are offered on your website and provide volumes (if available):		
	a) Benefit calculator in non-secure area?	Yes	50% Yes
	b) Benefit calculator in secure area not linked to member data?	No	0% Yes
	c) Benefit calculator in secure area linked to member's salary and service data?	Yes	70% Yes
Q20	Can and will you provide the following information on an immediate real-time basis to members over the phone: [If you do not have real-time access to the information or if your policy is not to give the information over the phone because of security or other concerns then your answer should be 'no'.]		
	a) Estimates of benefits at retirement?	Yes	30% Yes
Q27	On average, how many business days did it take to provide a formal written estimate from the time of initial request from a member? [Do not include time in the mail.]	1	9
	a) Is this a number you regularly measure and track? [versus being an estimate]	No	30% Yes
Q28	Do your written pension estimates: [including cover letters etc. sent with the estimate]		
	a) Clearly address if and how the pension benefit is inflation protected or not protected?	Yes	40% Yes
	b) If your pension is coordinated with or reduced by social security is the impact explained?	n/a	86% Yes
	c) Discuss alternative scenarios that could improve the benefit such as purchasing service credit or working longer?	No	50% Yes
	d) Model alternative retirement payment options?	Yes	90% Yes
Q33	Do your member statements for active members include:		
	e) An estimate of the future pension entitlement based on age scenario modeling or assuming the member continues to work until earliest possible retirement?	No	40% Yes

Your service score for 1-on-1 counseling was 100 out of 100. This compares to a peer average of 90.



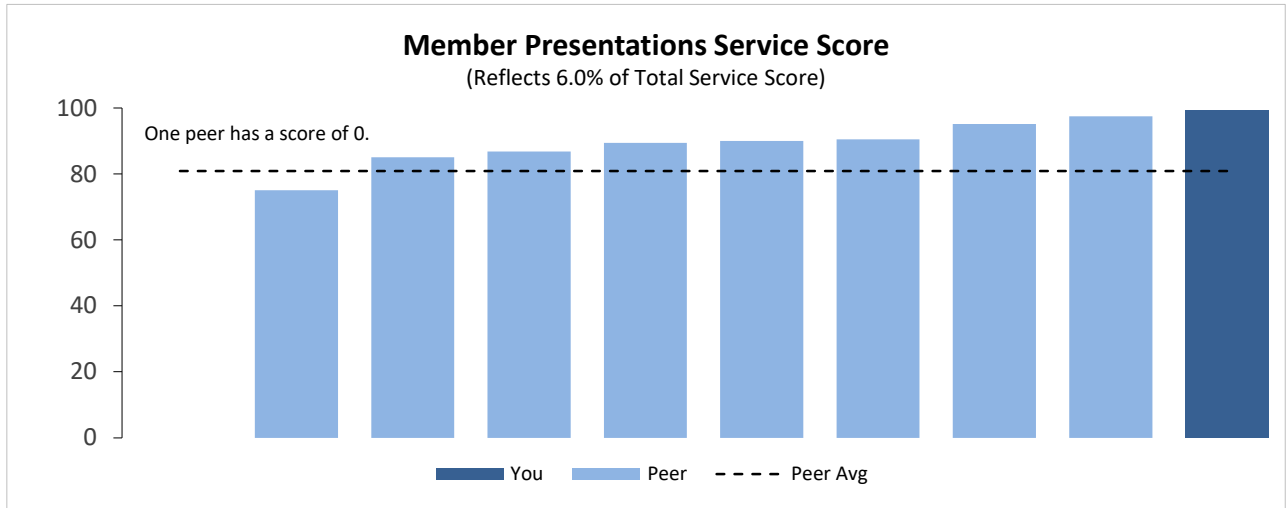
1. Scoring method	Your Data	Your Score
<u>Availability</u> + 100 if members counseled 1-on-1 as a % of your active membership is more than 1%, otherwise 100 x members counseled 1-on-1 per 10,000 active members (+ 25 if unknown)	2.3%	100.0
Total Score		100.0

2. Rationale for the scoring method

Higher volumes imply greater availability, value and greater communication of availability.

3. Survey questions used	You	Peer Avg
Q2 Provide the breakdown of total members between: a) Active members (A)	21,525	20,159
Q14 What were your volumes for: l) Members counseled 1-on-1? (B)	498	1,237
Members counseled 1-on-1 as a % of active members (B / A)	2.3%	8.5%

Your service score for member presentations was 99 out of 100. This compares to a peer average of 81.



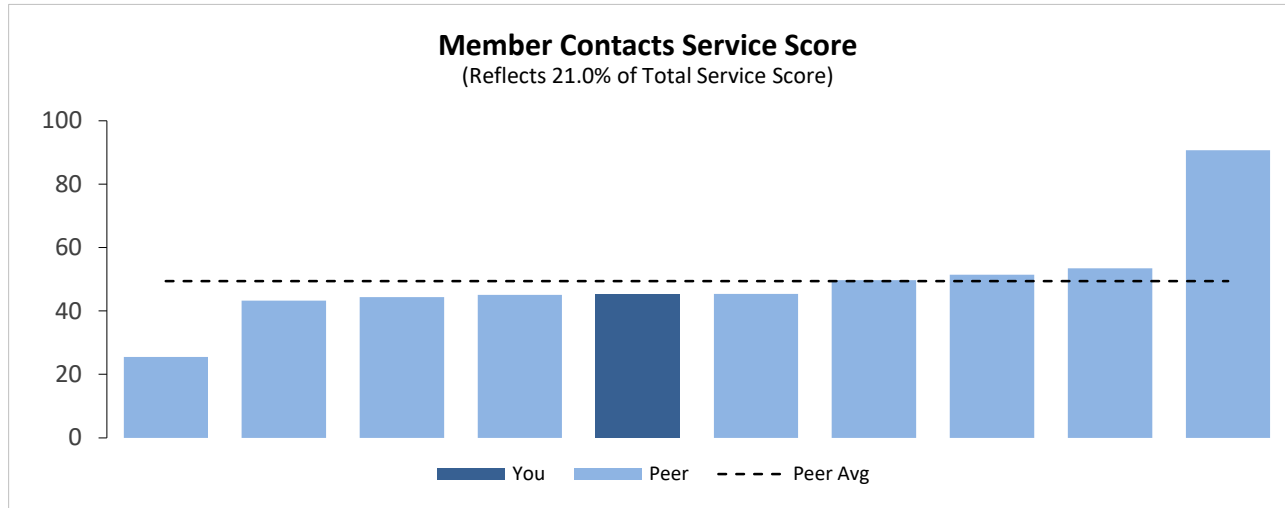
1. Scoring method		Your Data	Your Score
<u>Availability</u>			
+ 75	if attendees as a percent of active members is greater than 2.5%, otherwise 30 x attendees as percent of active members (+ 25 if unknown)	5.9%	75.0
<u>Group Size</u>			
+ 25	if average of 20 attendees or fewer per presentation, otherwise 35 - average number of attendees per group presentation / 2 (+ 15 if unknown)	21.8	24.1
Total Score			99.1

2. Rationale for the scoring method

Higher volumes imply greater availability and value. Smaller groups are preferred to larger groups. They provide more opportunities for individual attention.

3. Survey questions used		You	Peer Avg
Q2	Provide the breakdown of total members between: a) Active members (A)	21,525	20,159
Q14	What were your volumes for: m) Presentations to members? (B)	58	44
	n) How many members in total attended these presentations? (C)	1,264	1,740
	Attendees as a % of active members (C / A)	5.9%	8.1%
	Attendees per presentation (C / B)	21.8	39.4

Your service score for member contacts was 45 out of 100. This compares to a peer average of 49.



1. Scoring method		Your Data	Your Score
<u>Availability</u>			
+ 21	if members experience no abandoned calls, less % of abandoned calls X 90 (subject to minimum score of 0), +5 if unknown	Unknown	5.0
+ 3	if your call center is open more than 50 hours per week, otherwise 3 x total weekly operating hours / 50 (subject to a minimum of zero)	39.5 hours	2.37
+ 24	if members reach a knowledgeable person in 20 seconds or less, otherwise 24 - 0.5 for each second to reach a knowledgeable person (+ 10 if you cannot provide accurate wait times or if you do not have a queue, subject to a minimum of zero)	Unknown seconds	10.0
+ 12	if one or fewer menu layers, + 8 if two menu layers on average or less, + 2.5 if three menu layers on average or less, 0 otherwise	2	8.0
- 4	if a receptionist is the first point of contact	No	0.0

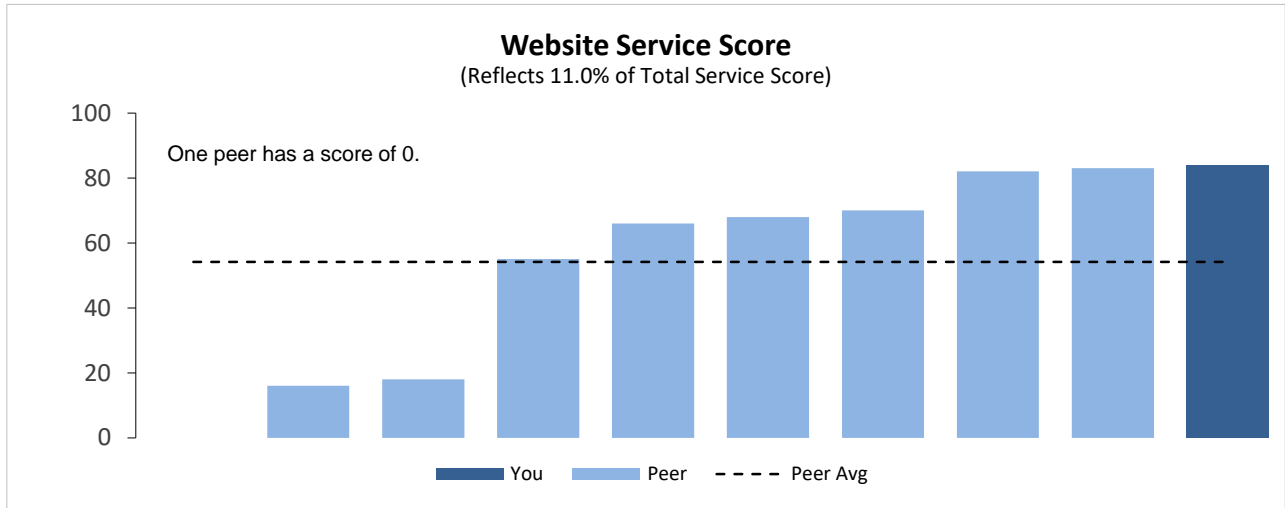
1. Scoring method (continued)		Your Data	Your Score
<u>Capability</u>			
+ 7	if you provide benefit estimates over the phone	Yes	7.0
+ 9	if estimates are based on a calculator linked to member account data	Yes	9.0
+ 5	if you can provide service credit purchase estimates	No	0.0
+ 15	if members can change their address, email, and payment instructions over the phone otherwise +5 for each transaction	0	0.0
+ 4	if you have a workflow system with real-time status of open items	Yes	4.0
Total Score			45.4

2. Rationale for the scoring method

- A perfect score requires callers to reach a knowledgeable person with a wait time of less than 20 seconds.
- Members prefer to get through immediately to a knowledgeable person who can answer their questions.
- Irritation increases rapidly with the number of menu layers.
- Receptionists are often more irritating than a menu layer because of the need to explain your needs twice, incorrect redirection, etc.
- You can serve your members better if you have real time access to all of their records and have tools which will enable you to provide immediate, informed and accurate answers to their questions.
- Your ability to serve members is greatly reduced if your capabilities or policies prevent you from answering questions over the phone.

3. Survey questions used		You	Peer Avg
Q17	When a member calls in, is the first point of human contact usually a receptionist?	No	60% Yes
Q18	Do callers wait in a queue for service representatives?	Yes	80% Yes
	a) If yes, what is the average wait time? [in seconds]	Unknown	47
	b) What is the percentage abandoned calls [i.e. caller hangs-up] while in queue or on hold or in menu?	Unknown	4.5%
Q19	Do members have to navigate a phone menu before speaking to a service representative?	Yes	50% Yes
	If yes:		
	a) What is the average number of menu layers that must be navigated before a caller can speak to a live person? [Count each and every time a caller must select a menu option by pressing a button on the phone as a menu layer. Use the volume-weighted average number of menu layers if there are different menu-tree branches.]	2	2
Q20	Can and will you provide the following information on an immediate real-time basis to members over the phone: [If you do not have real-time access to the information or if your policy is not to give the information over the phone because of security or other concerns then your answer should be 'no'.]		
	a) Estimates of benefits at retirement?	Yes	30% Yes
	a1) If yes, is the estimate based on an interactive benefit calculator linked to the member's actual account data?	Yes	100% Yes
	b) Service credit purchase cost estimates?	No	20% Yes
Q21	Can members calling in perform the following transactions over the phone:		
	a) Change address?	No	20% Yes
	b) Add or change email address?	No	30% Yes
	c) Change payment instructions? [i.e., bank account]	No	10% Yes
Q22	How many hours per week can members call service representatives?	39.5 hours	41 hours
Q23	Do your service representatives have real time access to a workflow system that lets them know the status of open items?	Yes	90% Yes

Your service score for website was 84 out of 100. This compares to a peer average of 54.



1. Scoring method		Your Data	Your Score
<u>Benefit Calculators</u>			
+ 12	if you have an interactive calculator on your website	Yes	12.0
+ 24	if the calculator is linked to a member's salary and service data	Yes	24.0
+ 3	if you can calculate the cost of purchasing service credit	No	0.0
<u>Salary and Service Credit</u>			
+ 5	if you offer secure access to both salary and service credit data	Yes	5.0
+ 5	if salary & service credit data is up-to-date to the most recent pay period	Yes	5.0
+ 1	if a complete annual history of salary and service credit data is available	No	0.0
<u>Secure Access Design</u>			
+ 4	if members can get online immediately upon registering	Yes	4.0
+ 3	if you greet member by name upon log-in	Yes	3.0
- 2	if you force members to acknowledge a disclaimer every time they log-in	No	0.0
- 2	if you force members to acknowledge a disclaimer every time they use the calculator	No	0.0
+ 1	if inactive members have access to the secure member area	Yes	1.0
+ 2	if you offer a secure mailbox or a digital file which includes a history of recent correspondence and member documents	No	0.0

1. Scoring method (continued)		Your Data	Your Score
<u>Other Transactions and Tools</u>			
+ 1	register for counseling sessions in real time	No	0.0
+ 1	register for presentations	Yes	1.0
+ 2	live chat	Yes	2.0
+ 3	change address	Yes	3.0
+ 2	change beneficiaries	Yes	2.0
+ 3	add or change email address	Yes	3.0
+ 1	reset password	Yes	1.0
+ 2	change annuity deposit banking information	Yes	2.0
+ 2	change tax withholding amount	Yes	2.0
+ 3	view or print tax receipts	Yes	3.0
+ 3	view pension payment gross amount and deductions (payment stubs)	Yes	3.0
+ 3	apply for retirement	Yes	3.0
+ 2	if less than 50% of pensions initiated online require follow-up documents or signatures to be mailed in	90.0%	0.0
+ 1	if can check status of retirement application	No	0.0
+ 3	apply for a transfer-out or refund	No	0.0
+ 2	download member statement	Yes	2.0
+ 3	upload documents in lieu of mailing hard copies	No	0.0
+ 3	view pensionable earnings and/ or service without downloading	Yes	3.0
Total Score			84.0

2. Rationale for the scoring method

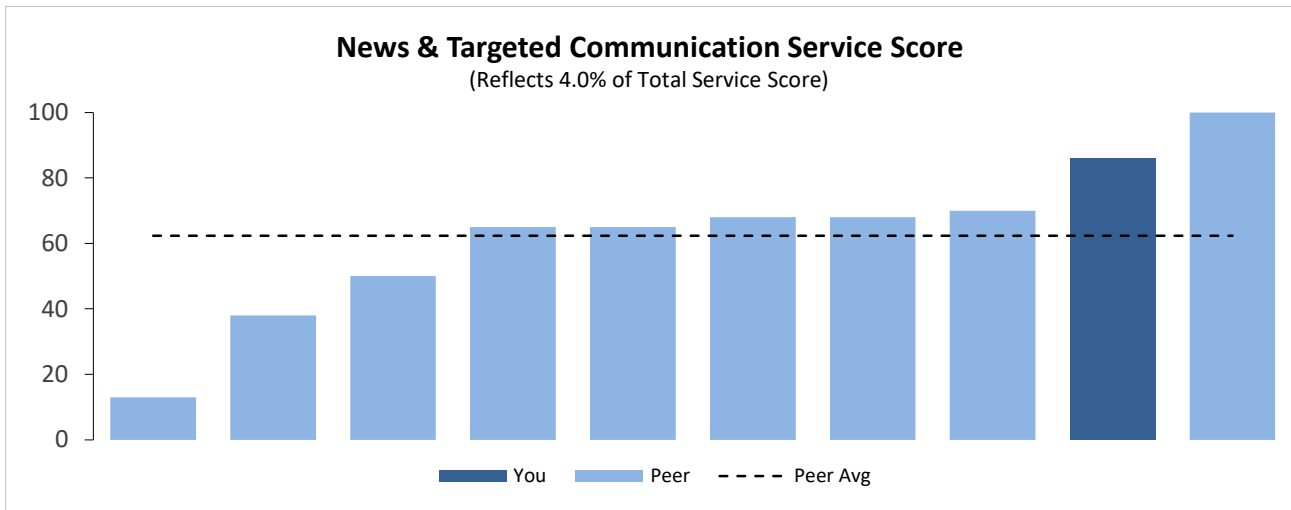
Members visit your website looking for information. The more you can provide, the more tailored and customized to the member, and the easier it is to get on-line, the better.

3. Survey questions used

	You	Peer Avg
Q15 Does your website have a secure member area where members can access their own data?	Yes	70% Yes
If yes:		
c) If a member wants to register for the first time, does he/she have to wait for a password in the mail?	No	14% Yes
d) Do you welcome the member by name on the home page of the secure member area?	Yes	100% Yes
e) Are users required to acknowledge a disclaimer every time they log in?	No	0% Yes
f) Are users required to acknowledge a disclaimer every time they generate a pension estimate?	No	29% Yes
g) Do inactive members have access to the secure member area?	Yes	86% Yes

3. Survey questions used (continued)		You	Peer Avg
Q16	Indicate whether the following capabilities are offered on your website and provide volumes (if available):		
	a) Benefit calculator in non-secure area?	Yes	50% Yes
	b) Benefit calculator in secure area not linked to member data?	No	0% Yes
	c) Benefit calculator in secure area linked to member's salary and service data?	Yes	70% Yes
	d) Service credit purchase calculator?	No	40% Yes
	e) Register for counseling sessions?	No	10% Yes
	e1) Does the member have real-time access to available dates and times?	n/a	100% Yes
	f) Register for presentations?	Yes	50% Yes
	g) Live chat?	Yes	20% Yes
	h) Change address?	Yes	50% Yes
	i) Change beneficiary?	Yes	30% Yes
	j) Change email address?	Yes	70% Yes
	k) Reset password?	Yes	70% Yes
	l) Change banking information for direct deposit?	Yes	30% Yes
	m) Change tax withholding amount?	Yes	30% Yes
	n) Download or print duplicate tax receipts? [i.e., 1099s in the U.S.]	Yes	40% Yes
	o) View pension payment details? [i.e., gross amounts, deductions]	Yes	70% Yes
	p) Submit a retirement application online?	Yes	10% Yes
	p1) Does the online application provide an estimate, final value or neither of the annuity payment the member will receive?	Neither	0% Final
	p2) Approximately what % of retirements initiated online require follow-up documents or signatures to be mailed in?	90.0%	90%
	q) View status of online retirement application?	No	0% Yes
	r) Apply for a refund or transfer-out?	No	0% Yes
	s) Secure mailbox or digital file including history of recent correspondence and member documents?	No	20% Yes
	t) Download member statement? [i.e., Adobe format]	Yes	70% Yes
	u) Upload documents (such as birth certificates)?	No	10% Yes
	v) View pensionable earnings and/or service without downloading?	Yes	70% Yes
	v1) Are both salary and service data available?	Yes	86% Yes
	v2) Is online data up-to-date to the most recent pay period?	Yes	71% Yes
	v3) Is a complete history from the beginning of employment available?	No	43% Yes

Your service score for news and targeted communication was 86 out of 100. This compares to a peer average of 62.



1. Scoring method		Your Data	Your Score
<u>Newsletters</u>			
+ 25	if active members receive a newsletter 2 or more times per year, 18 if 1 time, 0 otherwise	4 times	25.0
+ 25	if annuitants receive a newsletter 2 or more times per year, 18 if 1 time, 0 otherwise	4 times	25.0
+ 2	if inactive members receive a newsletter at least annually	4 times	2.0
+ 32	if you have different newsletters for 3 or more of the following segments: all members, actives, inactives, annuitants, age based, gender based, employer/ employment category, other; 18 if 2 segments; 0 otherwise	2 segments	18.0
<u>Other communication</u>			
+ 13	if you issue a 'welcome' kit to new members	Yes	13.0
+ 3	if you include a personalized letter	Yes	3.0
Total Score			86.0

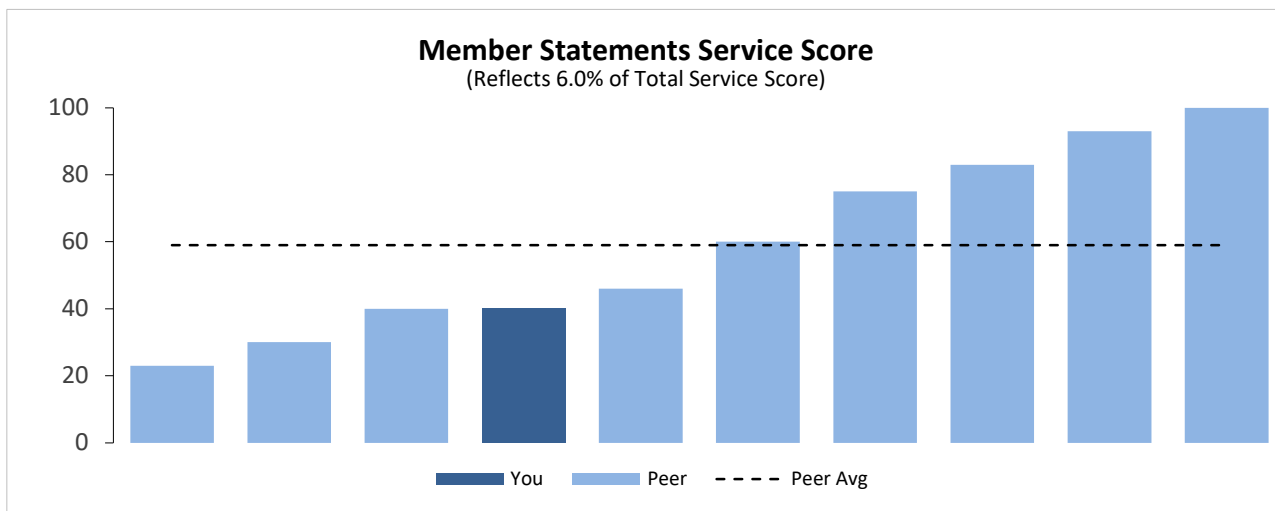
2. Rationale for the scoring method

- Communicating more frequently by newsletter, personalized, and customized messages for different target audiences is higher service.
- Milestone events, such as joining the system, are good opportunities to communicate the value of the benefit.

3. Survey questions used

		You		Peer Avg	
Q29	Indicate whether you sent newsletters or news magazines (in either electronic or paper format) last year to any of the following member segments, and if yes, the number of times it was sent. Only indicate 'yes' if the newsletter was customized for and only sent to members in the segment:				
			#		#
	a) All members (active, inactive and annuitants)?	Yes	4	70% Yes	3
	b) Active and inactives members?	No	n/a	10% Yes	1
	c) Active members and annuitants?	No	n/a	20% Yes	3
	d) Active members only?	No	n/a	20% Yes	5
	e) Inactive members only?	No	n/a	0% Yes	n/a
	f) Annuitants only?	No	n/a	20% Yes	2
	g) Age segments (i.e., under 35, 35-50, 50 plus)?	No	n/a	0% Yes	n/a
	h) Women only or men only?	No	n/a	0% Yes	n/a
	i) Employer or employment category (i.e., a different newsletter for teachers vs. bus drivers)?	No	n/a	0% Yes	n/a
	j) Other?	<u>Yes</u>	3	<u>10% Yes</u>	3
	Total segments		2		1.5
Q35	Are new members issued a 'welcome' kit describing their benefits?	Yes		60% Yes	
	a) If yes, does it include a personalized letter addressing the new member by name?	Yes		50% Yes	

Your service score for member statements was 40 out of 100. This compares to a peer average of 59.



1. Scoring method		Your Data	Your Score
+ 20	if data is current to 1 month, otherwise 22 - 2 x number of months out of date	1	20.0
+ 5	if paper member statements mailed directly to the member's home	No	0.0
+ 5	if email or other electronic notice to members that the statement is available in the secure member area	No	0.0
+ 5	if sent to inactive members annually or more frequently, otherwise 5 X times per year on average	0	0.0
	<u>Content</u>		
+ 10	if summarizes service credit	Yes	10.0
+ 10	if provides pensionable earnings	No	0.0
+ 5	if provides a historical summary of salary and service credit earned each year	No	0.0
+ 10	if shows refund value if you left at the statement date	Yes	10.0
+ 30	if shows estimate of future pension entitlement	No	0.0
Total Score			40.0

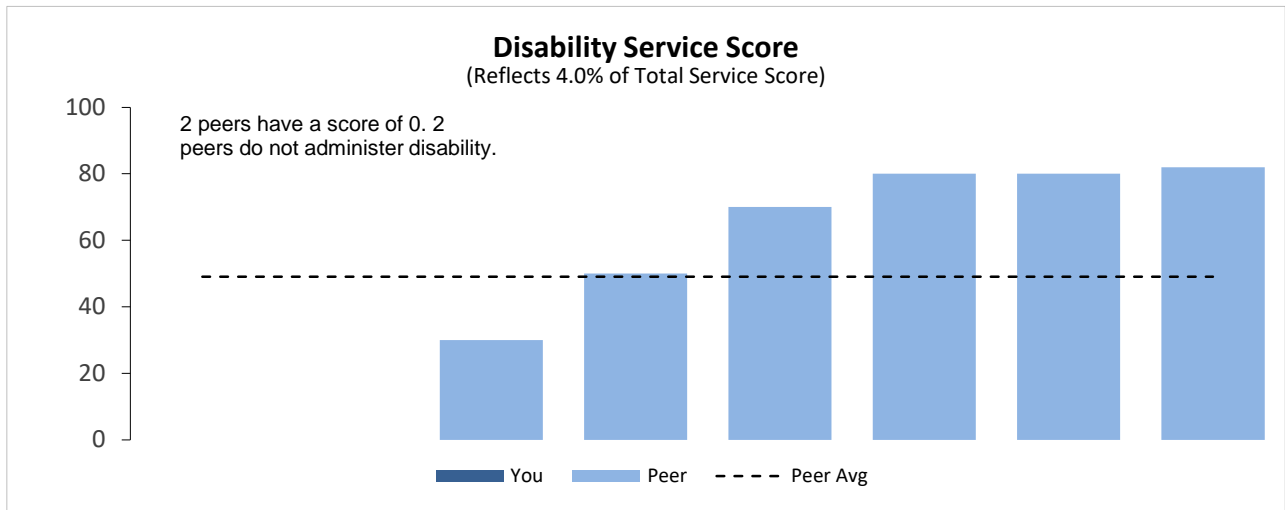
2. Rationale for the scoring method

- Up-to-date, accurate member statements provide one of your best opportunities to communicate the value of the benefit to members.
- Showing an estimate of the future pension entitlement is more important than showing the refund value because the pension entitlement is potentially much more valuable.
- Sending member statements directly to active members' homes or via email or other electronic notice rather than through employers is higher service because the statements are less likely to get lost, and it is more confidential.

3. Survey questions used

	You	Peer Avg
Q31		
Indicate the approximate percentage breakdown of how you send member statements to active members:		
a) Directed through the employer?	0%	0%
b) Mailed directly to members' homes?	0%	78%
c) Email or other electronic notice to members that the statement is available in the secure member area?	0%	16%
Q32		
On average, how current was an active member's data when their member statement was mailed to them?	1	2
Q33		
Do your member statements for active members include:		
a) Total accumulated service credit?	Yes	80% Yes
b) Pensionable earnings?	No	40% Yes
c) A historical summary of salary and service credit earned each year?	No	10% Yes
d) The refund value if you left at the statement date?	Yes	80% Yes
e) An estimate of the future pension entitlement based on age scenario modeling or assuming the member continues to work until earliest possible retirement?	No	40% Yes
Q34		
How frequently do you send member statements to inactive members? [i.e., never, annually, every 2 years, etc.]	Never	1 Per Year

Your service score for disability was 0 out of 100. This compares to a peer average of 49.



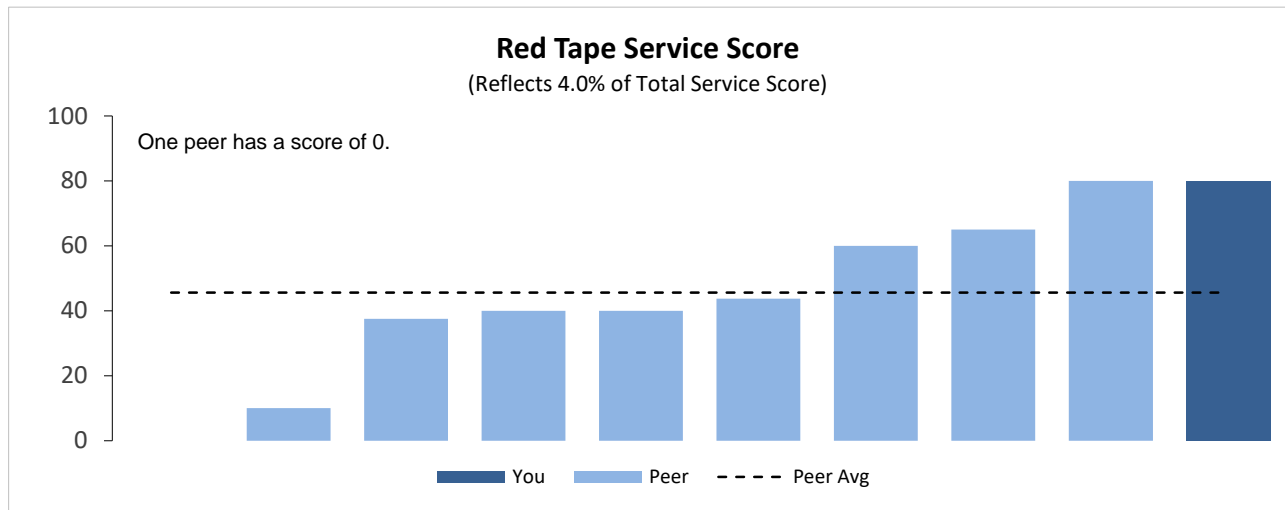
1. Scoring method		Your Data	Your Score
<u>Timeliness</u>			
+ 100	if you return a decision on a disability application in 1 month or less, otherwise 110 - 10 x number of months to reach a decision	12 months	0.0
Total Score			0.0

2. Rationale for the scoring method

From a member perspective, faster is higher service.

3. Survey questions used		You	Peer Avg
Q36	Do you administer disability? If yes, how many months, on average, does it take to return a decision on a disability application from: a) the date of the initial receipt to a decision?	12	7

Your service score for red tape was 80 out of 100. This compares to a peer average of 46.



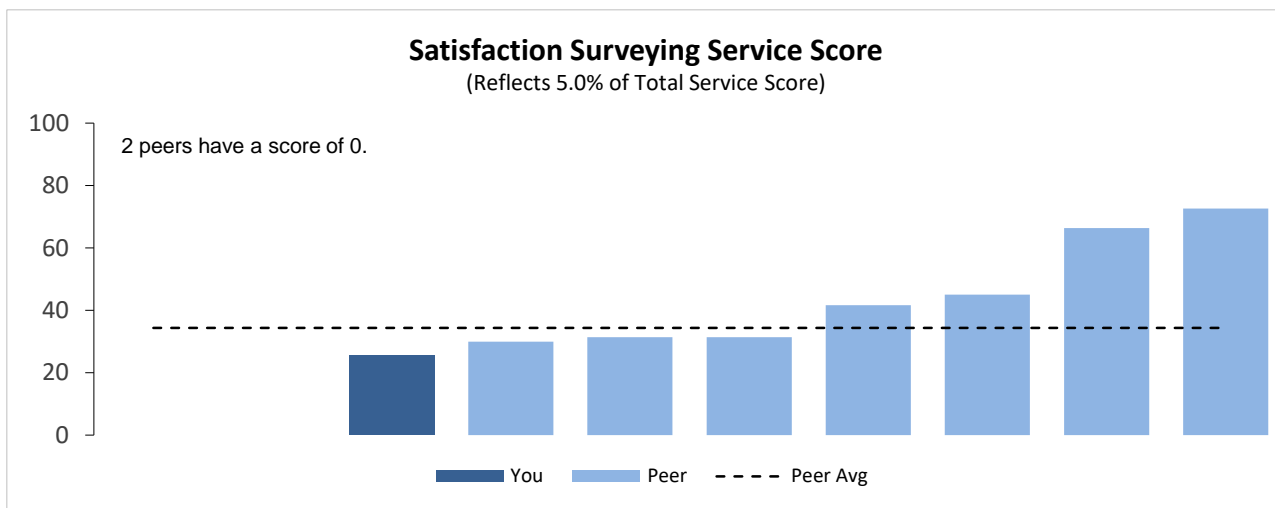
1. Scoring method		Your Data	Your Score
<u>Red Tape</u>			
+ 50	if you do not require notarization of retirement applications, 25 if you require notarization of only some retirement applications, 0 if you require notarization for all retirement applications	None	50.0
+ 20	if you do not require birth/marriage certificates before incepting a pension, 0 if you do require birth/marriage certificates before incepting a pension	Yes	0.0
+ 10	if you do not require notarization for refund applications, 5 if you require notarization of only some refund applications, 0 if you require notarization for all refund applications	None	10.0
<u>No Notarization Disability</u>			
+ 20	if you do not require notarization of disability applications, 10 if you require notarization of only some disability applications, 0 if you require notarization for all disability applications	None	20.0
Total Score			80.0
Adjusted Total Score if you do not administer disability			80.0

2. Rationale for the scoring method

Extra red tape, like obtaining notarizations, creates work for members and may not provide additional protection for the system. For example, notarizations can be fraudulent. Many systems have decided that the potential risk reduction does not justify the inconvenience caused to members.

3. Survey questions used		You	Peer Avg
Q37	Do you require notarization of all/some/none:		
	a) Normal or early retirement applications?	None	20% All
	b) Refund applications?	None	20% All
	c) Disability applications?	None	26% All
Q38	Do you require a birth or marriage certificate before incepting a pension?	Yes	100% Yes

Your service score for satisfaction surveying was 26 out of 100. This compares to a peer average of 34.



Your service score for satisfaction surveying is the weighted total of the components shown in the table below. The methodology and data used to determine your scores for each of these components is described in detail on the following pages.

Satisfaction Surveying Service Score Components			
	Weight	Do you survey?	Your Score
a. Member telephone calls	50%	No	0
b. Member presentations	16%	Yes	83
c. 1-on-1 counseling	17%	Yes	73
d. Pension inceptions	17%	No	0
Weighted total			25.69

1. Scoring method		Your Data	Your Score
<u>Calls</u>			
+ 30	if survey focuses primarily on member telephone calls	n/a	0.0
+ 30	if the longest length of time between the survey and member telephone call is 14 days or less	n/a	0.0
+ 10	if surveys are continuous or more than 11 times per year, + 8 if quarterly, + 3 if once per year	n/a	0.0
+ 10	if you can summarize results by service representative	n/a	0.0
+ 10	if you can summarize results by topic covered	n/a	0.0
+ 10	if survey is delayed at least one day from the member telephone call	n/a	<u>0.0</u>
	Total		0.0
<u>Presentations</u>			
+ 35	if survey focuses primarily on member presentations	Yes	35.0
+ 35	if the longest length of time between the survey and member attending a presentation is 14 days or less	1 day	35.0
+ 10	if surveys are continuous or more than 11 times per year, + 8 if quarterly, + 3 if once per year	1	3.0
+ 10	if you can summarize results by service representative	Yes	10.0
+ 10	if survey is delayed at least one day from the member presentation	No	<u>0.0</u>
	Total		83.0
<u>Counseling</u>			
+ 30	if survey focuses primarily on member counseling	Yes	30.0
+ 30	if the longest length of time between the survey and when the member was counseled is 14 days or less	7 days	30.0
+ 10	if surveys are continuous or more than 11 times per year, + 8 if quarterly, + 3 if once per year	1	3.0
+ 10	if you can summarize results by service representative	No	0.0
+ 10	if you can summarize results by topic covered	No	0.0
+ 10	if survey is delayed at least one day from the session	Yes	<u>10.0</u>
	Total		73.0
<u>Pension Inception Process</u>			
+ 40	if survey focuses only on the annuity pension inception process	n/a	0.0
+ 40	if the longest length of time between the survey and pension inception is 14 days or less	n/a	0.0
+ 20	if surveys are continuous or more than 11 times per year, + 16 if quarterly, + 6 if once per year	n/a	<u>0.0</u>
	Total		0.0
Weighted total			25.7

2. Rationale for the scoring method

Best practice satisfaction surveying is single activity focused, sent only to members who have recently received the service, can be summarized by the person that did the work, is performed on a frequent random-sample basis and results are communicated widely. If you measure satisfaction, we assume you do a better job of managing and improving it.

Surveying immediately after the activity tends to give feedback that is heavily influenced by the member's positive or negative impression of the service agent. Surveying a day or so later captures member's feedback regarding the success of the process and whether the member accomplished what they intended to.

3. Survey questions used

Q39	Satisfaction Surveying	<u>Calls</u>		<u>Presentations</u>		<u>Counseling</u>		<u>Pension Inception Process</u>	
		You	Peer Avg	You	Peer Avg	You	Peer Avg	You	Peer Avg
	Did you survey member satisfaction with regard to the activity (per the column headings) in your most recently completed fiscal year? (yes/ no)	No	30% Yes	Yes	70% Yes	Yes	60% Yes	Yes	50% Yes
	If yes:								
	a) Did the survey focus primarily on the single activity (per the column heading) or was it part of a wider survey on multiple activities? (single activity/ multiple)	n/a	33% Single Activity	Single Activity	100% Single Activity	Single Activity	100% Single Activity	n/a	80% Single Activity
	c) What was the longest possible length of time between the activity and the survey? (in days) [i.e., if you sent a survey to a sample of members that had called sometime in the past year, then the answer is 365 days]	n/a	4 days	1 day	7 days	7 days	3 days	n/a	15 days
	d) Is the survey delayed by at least 1 day from the date of the session? (yes/ no)	n/a	67% Yes	No	43% Yes	Yes	67% Yes		
	e) How many times did you survey member satisfaction with regard to the activity in your most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as every 10th refund, etc.)	n/a	100% ≥ 12	1	71% ≥ 12	1	83% ≥ 12	n/a	100% ≥ 12
	f) Can you break down the survey results by service agent?	n/a	33% Yes	Yes	71% Yes	No	50% Yes		
	g) Can you break down the survey results by topic covered?	n/a	67% Yes			No	33% Yes		

Cost Analysis

This section:

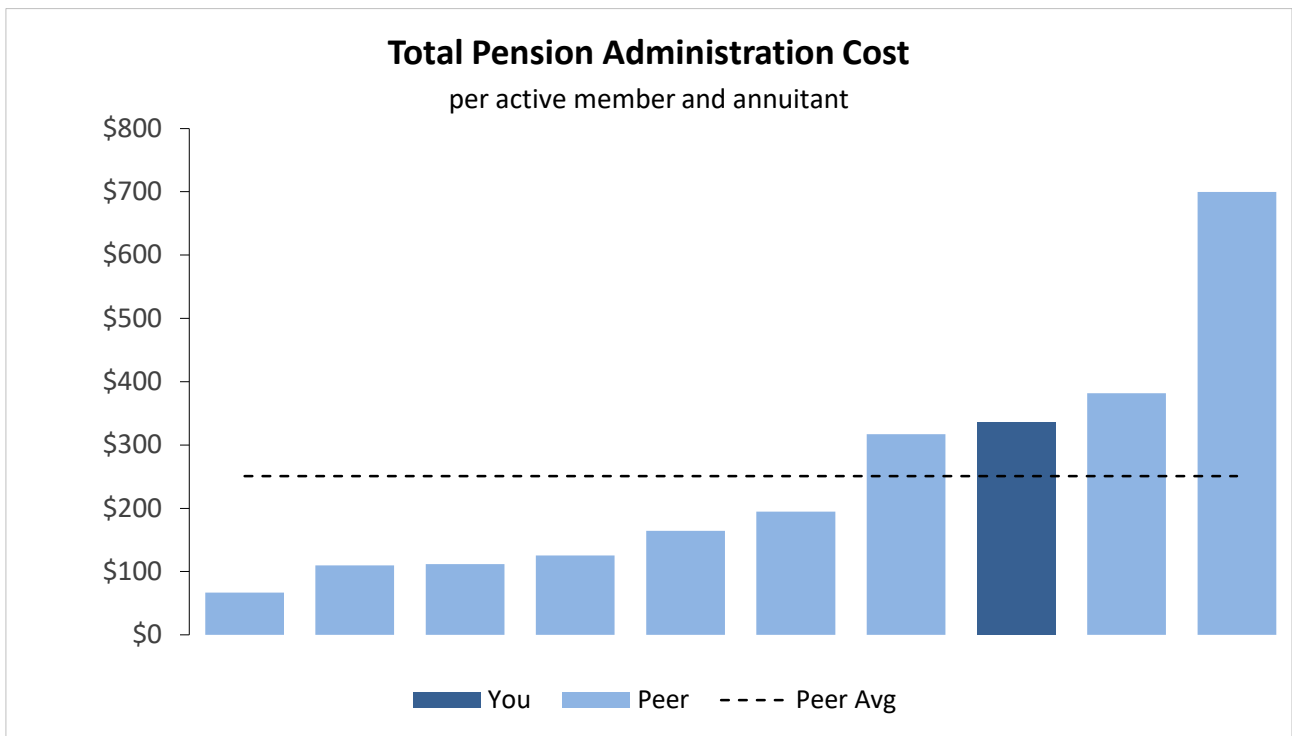
- Compares your total costs per member.
- Shows how differences in FTE, salaries, professional fees and building costs impact
- Compares other factors that impact costs such as workloads, productivity, economies of scale, cost environment, and major projects.

Your total pension administration cost per the survey was \$12.5 million, or \$335 per active member and annuitant.

Cost Category	In \$000s		as a % of total	
	You	Peer Average	You	Peer Average
Salaries and benefits	8,825	3,618	70%	52%
Professional fees (actuarial, legal, audit, consulting, outsourced IT, etc)	1,807	1,995	14%	26%
Building expenses (rent, depreciation, leasehold amortization, utilities, facility services)	743	381	6%	5%
Cross charges paid to sister organizations	0	92	0%	3%
Amortization and depreciation (non-building)	24	208	0%	2%
Other administrative expenses	1,122	798	9%	11%
Total administration cost (A)	\$12,521	\$7,092	100%	100%
Active members and annuitants (B)	37,335	34,226		
\$ per active member and annuitant (A X 1000/B)	\$335.37	\$250.70		

All foreign currency amounts have been converted to USD using Purchasing Power Parity figures as per the OECD (see Appendix B). The same exchange rate was used for both the current and prior years. The benefit of using the same exchange rate for prior years is that changes in costs reflect fluctuations in your peers' costs and not fluctuations in foreign exchange.

Your pension administration cost was \$335 per active member and annuitant. This was \$85 above the peer average of \$251.

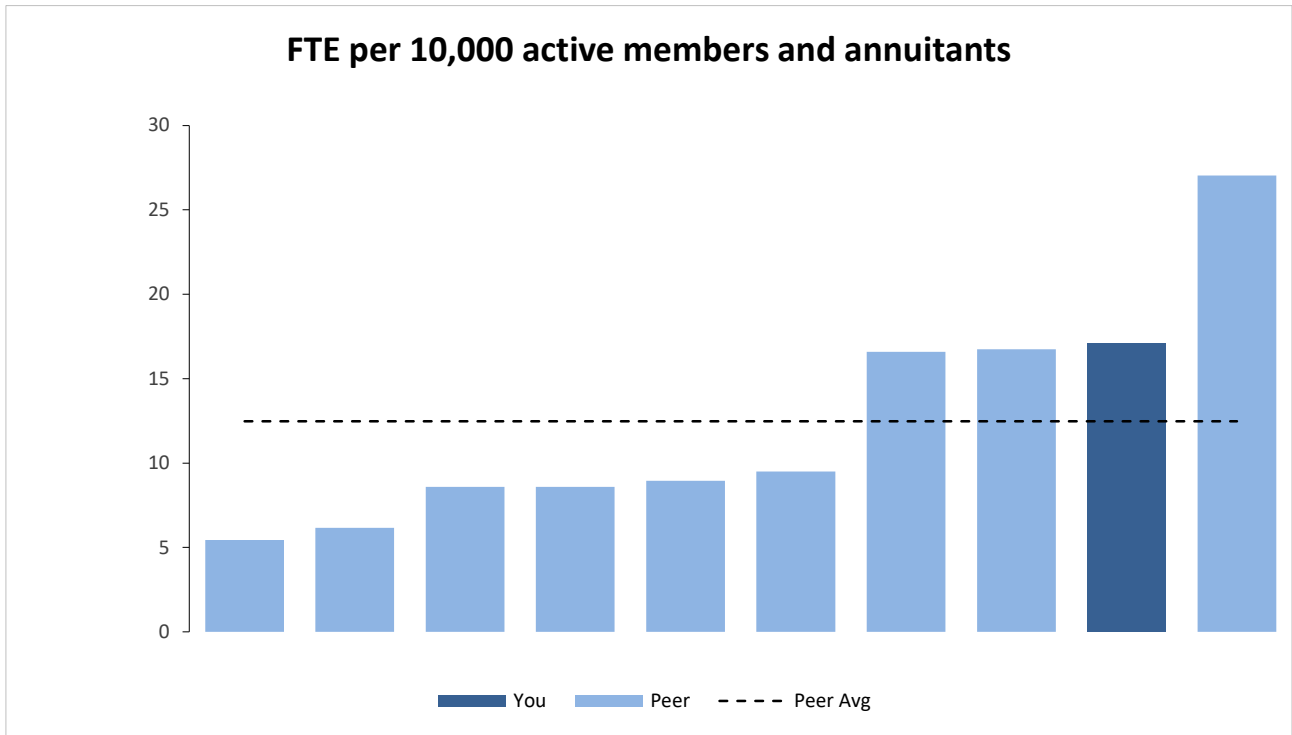


Inactive members are excluded from the Total Membership because they are much less costly to administer than e annuitants. Inactive members are also excluded from the denominator when determining Total Cost per Member.

Reasons why your total cost was \$85 higher than the peer average:

Reason	Comparison			Impact \$s per member
	You	Peer average	More/ Less	
	<u>FTE per 10,000 members</u>			
A. Using 37% more FTE to serve members	17.1	12.5	37%	\$35
B. Paying more in total per FTE for:	<u>Cost per FTE</u>			
• Salaries & benefits	\$138,323	\$92,962	49%	
• Building expenses	<u>\$11,646</u>	<u>\$9,991</u>	17%	
	\$149,969	\$102,953	46%	\$80
C. Paying less per member in total for:	<u>\$s per member</u>			
• Professional Fees	\$48	\$64	-24%	
• Amortization	\$1	\$10	-93%	
• Charges to sister organizations	\$0	\$5	-100%	
• Other administration expenses	<u>\$30</u>	<u>\$31</u>	-2%	
	\$79	\$109	-28%	-\$30
Total				\$85

You used 37% more FTE to serve your members in comparison to the peer average.



Using more FTE increases your cost relative to the peer average by an estimated \$34.72 per member.

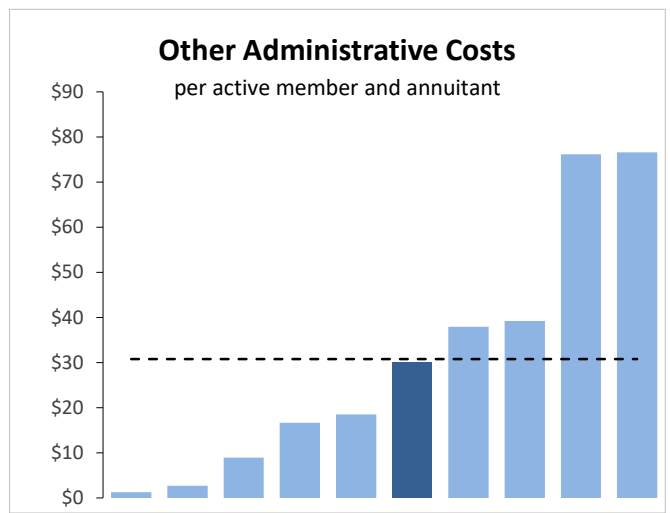
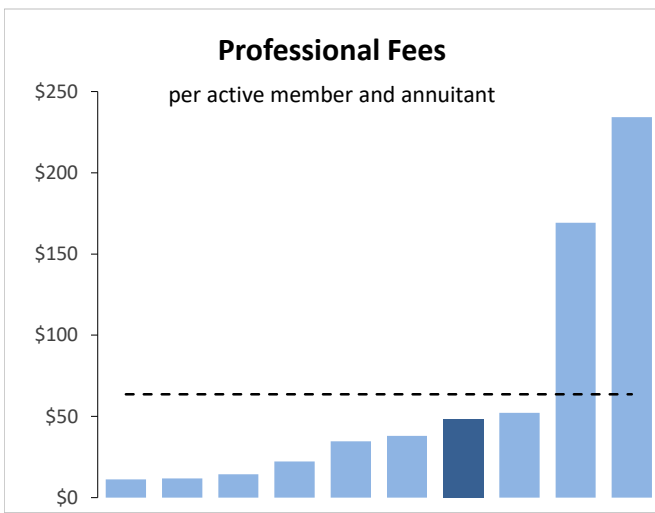
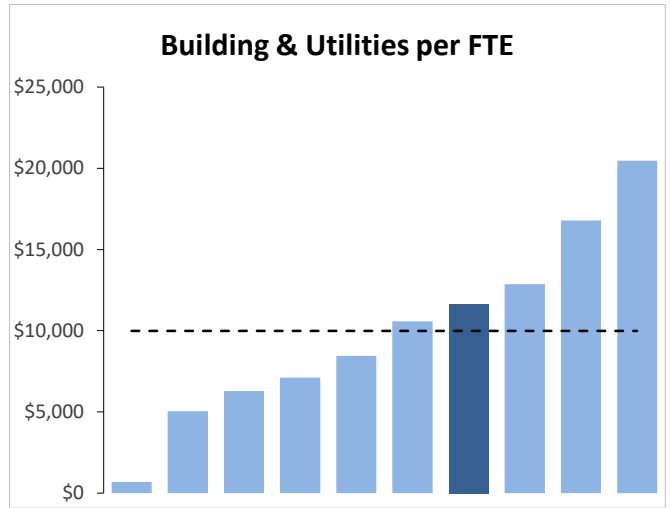
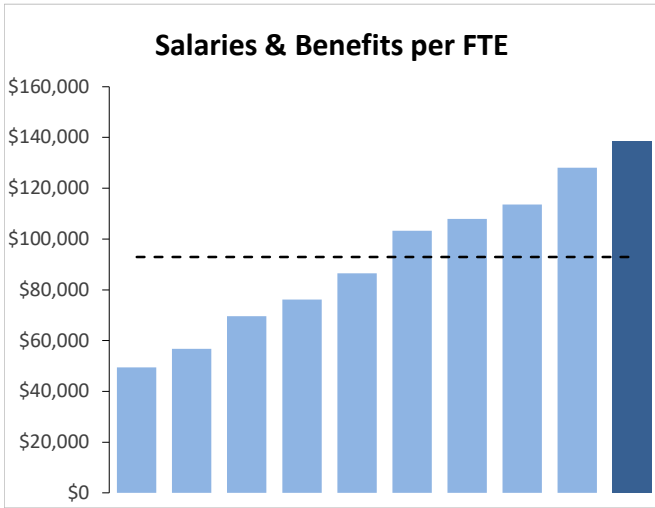
Key reasons for differences in FTE per member include differences in workloads and differences in productivity.

Workloads: your weighted transaction volume was 45, which was 15% below the peer average. This suggests that you do fewer transactions and/or have a less costly mix of transactions per active member and annuitant. The next page shows you where you are doing more or less transactions in comparison with your peers.

Productivity: your weighted-transaction score per FTE was 26,562, which is 47% lower than the peer average. Differences in productivity are caused by differences in staff capabilities, IT capability, service levels, economies of scale, organizational processes, complexity, projects and outsourcing (i.e., using consultants instead of internal staff will increase productivity per internal FTE).

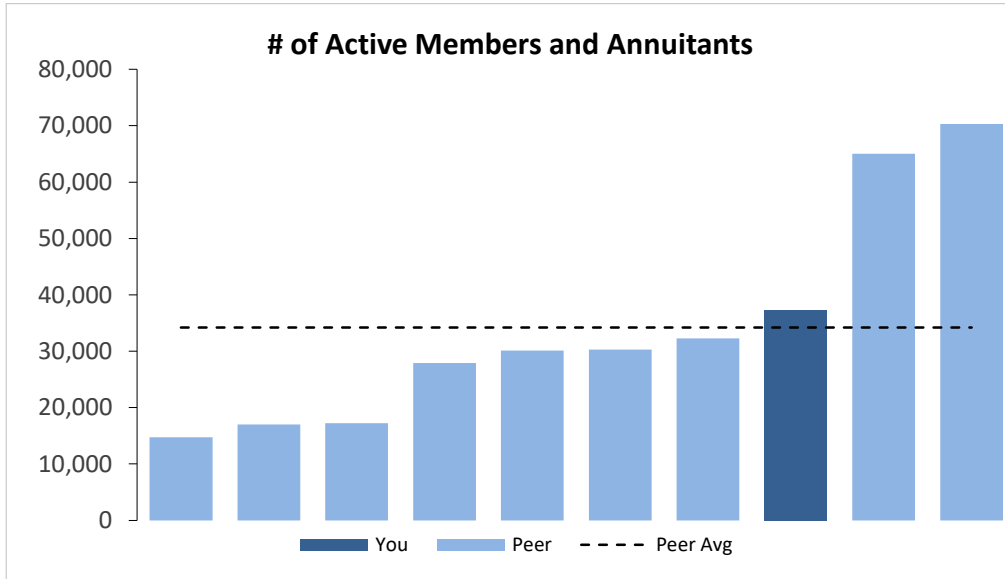
Refer to section 5 Transaction Volumes for more insight into workloads.

Graphical comparisons - Where do you pay more/less?

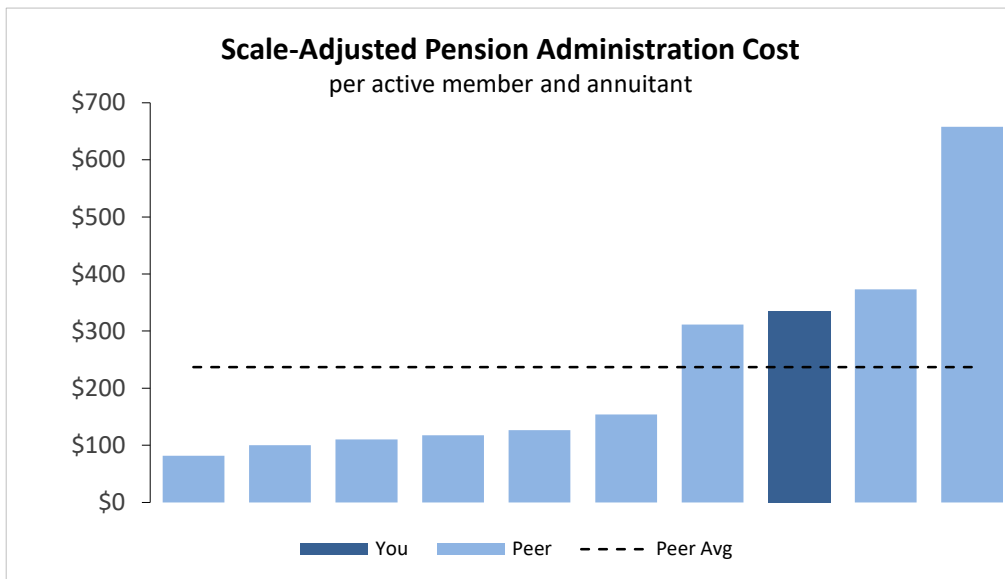


Economies of scale also impacts costs.

Size is a key driver of costs. Larger funds can spread their fixed base costs over a bigger population.

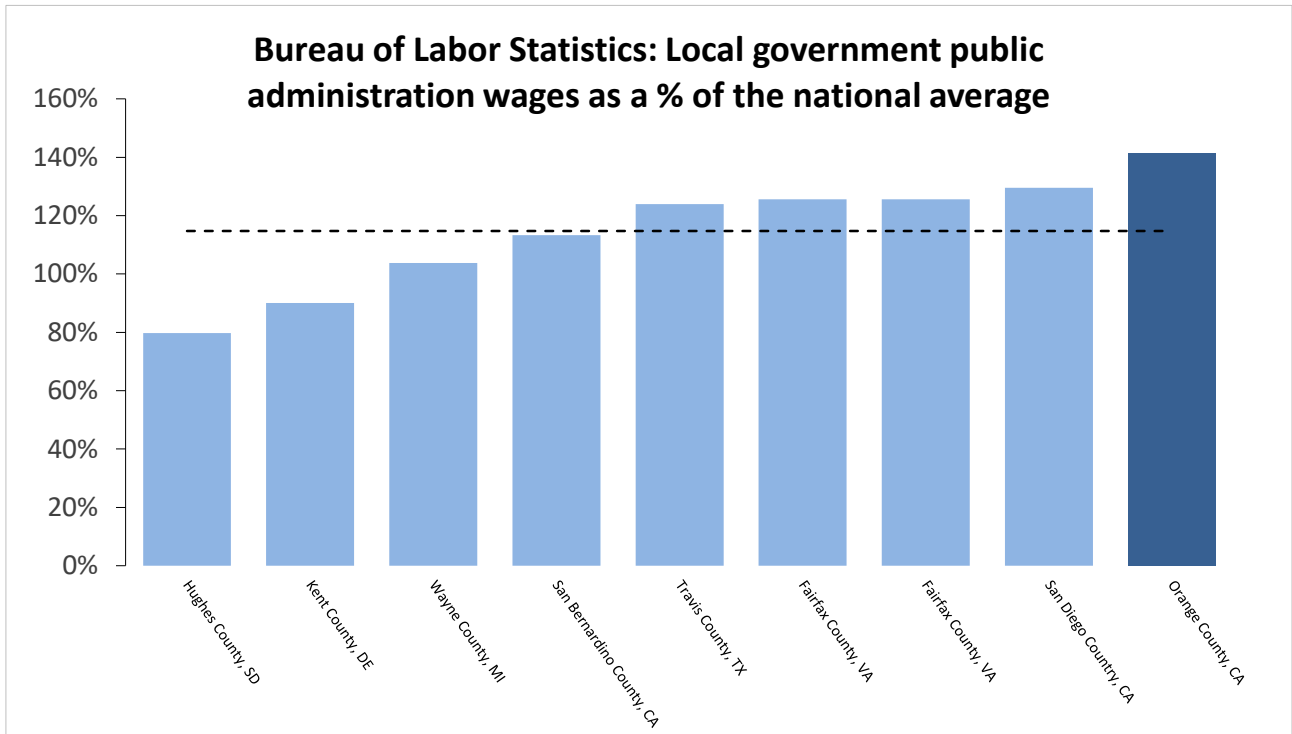


This scale-adjusted graph shows your peers' costs as if they had the same number of members as you:



Your cost environment was 23% higher than the peer average.

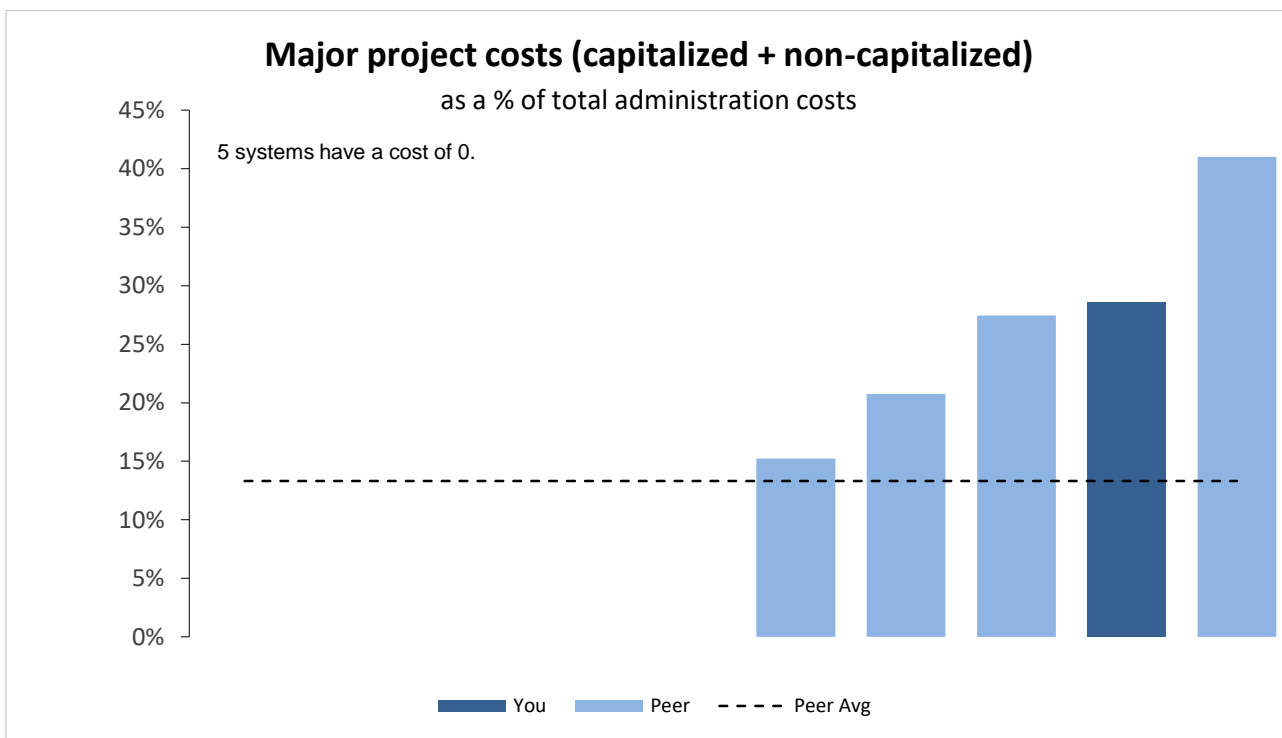
The more expensive the location you are in, the higher your costs. The highest cost environment in your peer group was 77% higher cost than the lowest cost environment.



Source: Bureau of Labor Statistics (BLS), United States Department of Labor

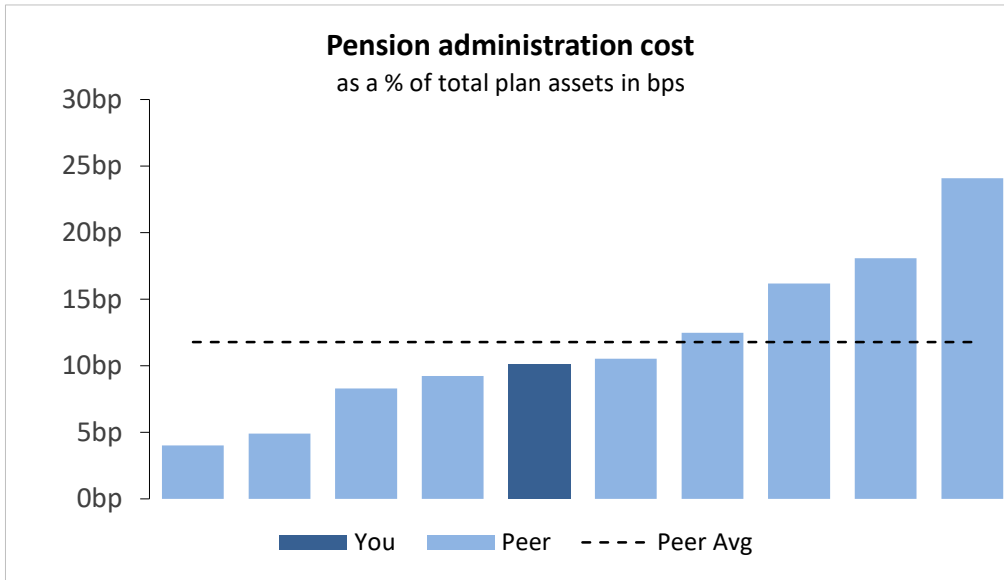
The cost environment measure is based on Bureau of Labor Statistics data for state and local government public administration wages within a given geographical area. It is normalized by dividing it by the national average.

You spent 29% of your total administration cost on major projects. This was above the peer average of 13%.



Differences in investment in major projects can have a very large impact on relative cost performance.

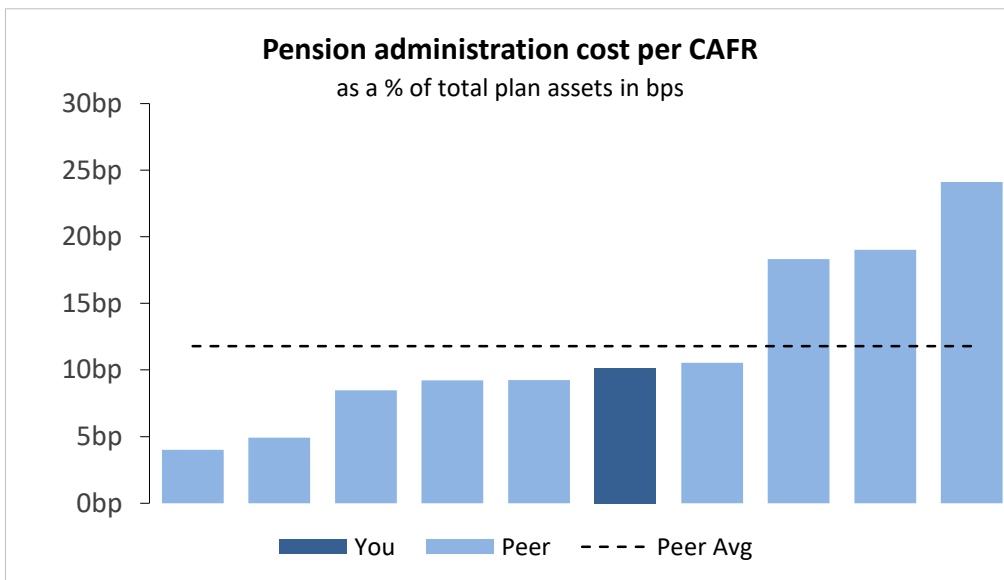
An alternative way of comparing costs is as a percentage of total assets. Your cost of 10.1 bps was below the peer average of 11.8 bps.



Calculation of your pension administration cost as a percentage of total assets	
Total pension administration cost in \$000s (A)	\$12,521
Total assets in \$ millions at the end of the calendar year (B)	\$12,374.0
Pension administration cost as a % of total assets in bps (A/B X 10)	10.1 bps

1 basis point (bps) equals 0.01%.

The above calculation uses your net pension administration cost. These exclude any healthcare or investment management related costs. If healthcare and investment management related costs are included in this calculation, your cost was 10.1 bps compared to a peer average of 11.8.

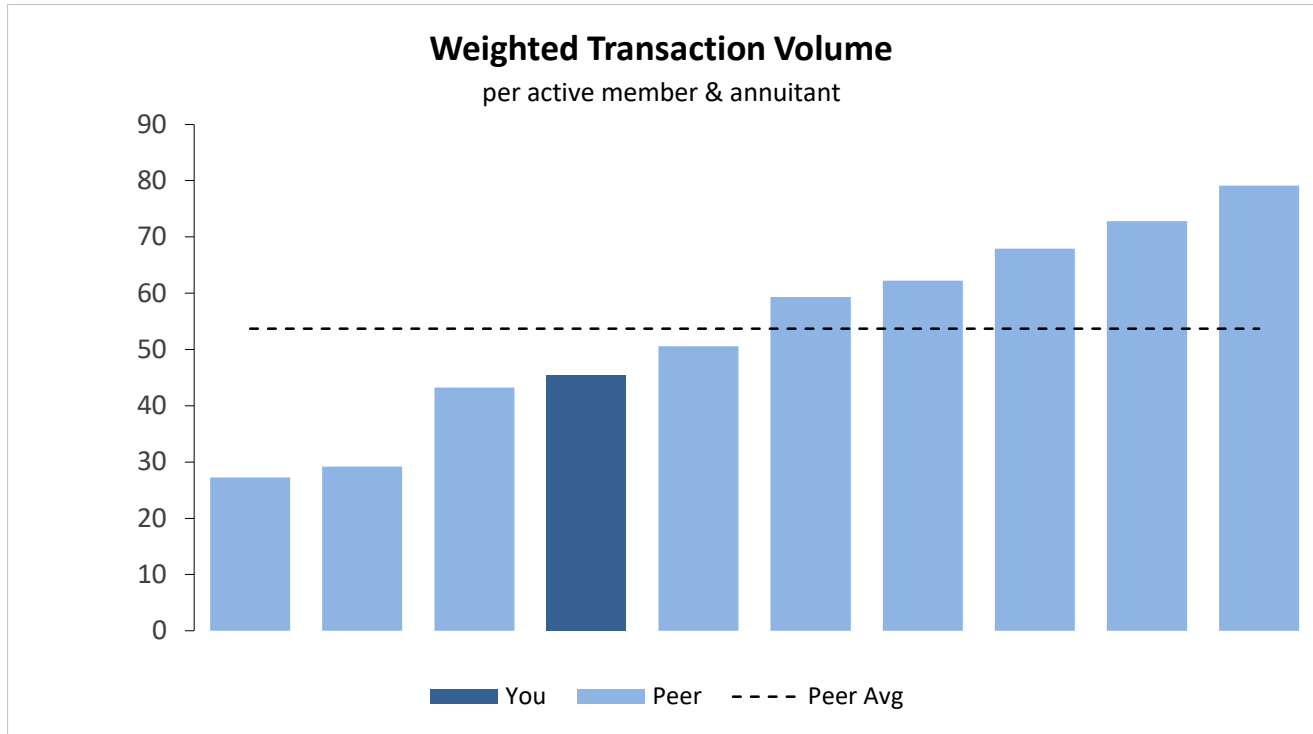


Transaction Volumes

This section contains:

- Comparisons of the most important pension administration transaction volumes. Transactions are a major driver of costs. It is higher cost to have higher transaction volumes per member.
- The calculation of your weighted transaction volume score per member. It shows whether your transaction volumes are more or less costly in aggregate.
- Comparisons of online transaction volumes.

Your weighted transaction volume was 15% lower than the peer average.



The weighted transaction volume shows whether your transaction volumes are more or less costly in aggregate.

Differences in volume per member reflect differences in:

- Activities that you administer. For example, some plans do not administer disability.
- Services provided. For example, some plans do not offer counseling.
- Online self-service. For example, self-service can reduce call volumes.
- Membership mix. Active members cause more transaction volumes than annuitants.
- Member demographics. Some member types demand more services than others.

Your weighted transaction volume equals the cost weighted average of 13 key activity volumes.

Calculation of your Weighted Transaction Volume per Member				
Activity	Activity volume description	Your Volume (A)	Weight = World PABS Cost per Unit (B)	Weighted Volume (A x B)
1. Member Transactions				
A. Pension Payments	annuitants	15,810	8	122,369
B. Pension Inceptions	service & survivor inceptions	1,038	164	170,398
C. Withdrawals	withdrawals	207	221	45,780
D. Purchases	purchases	186	325	60,444
E. Disability	disability applications	70	1,827	127,865
2. Member Communication				
A. Member Calls	calls & emails	70,005	9	597,843
B. Mail Room	incoming letters	23,400	7	157,716
C. Pension Estimates	written estimates	885	89	79,031
D. 1-on-1 Counseling	counseling sessions	498	174	86,896
E. Member Presentations	presentations	58	1,641	95,166
F. Mass Communication	active members	21,525	3	65,221
3. Collections and Data Maintenance				
A. Employer data & money	active members	21,525	3	65,221
B. Non-employer data	annuitants, inactives	20,902	1	20,693
Total				1,694,642
Total per active member & annuitant				45

The weights used are the in-house peer median cost per transaction for all participants in CEM's global pension administration benchmarking service. These weights enable us to normalize for the substantial differences in time and effort expended on each type of task. For example, the work effort in responding to a disability application is much higher than answering a telephone call.

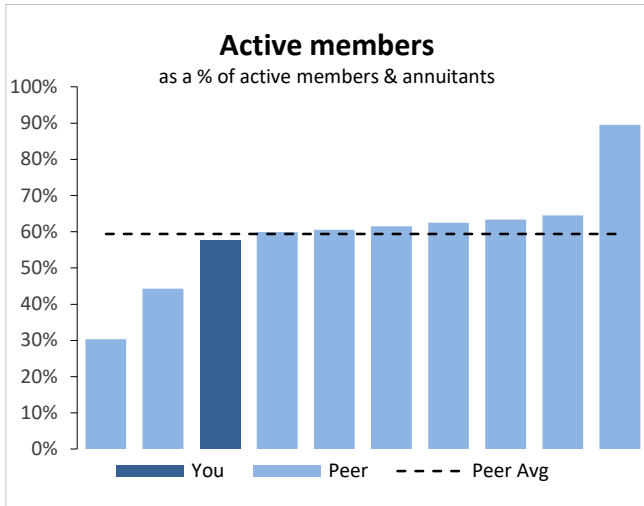
For some activities, we have used members as a proxy for the activity's transactions. For example, active members is used as a proxy for the transactions of employer data and money. The implicit assumption is that data maintenance transactions (such as new hires, leaves, exits, changes in family status, address changes, etc) will occur at similar ratios of members for all schemes.

Where are you doing more/fewer transactions than your peers?

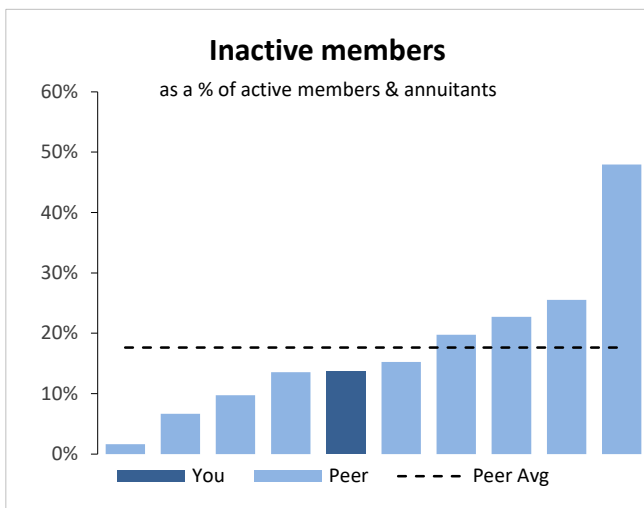
Where are you doing more/fewer transactions than your peers?						
Activity	Activity volume description	Your Volume	Volume per 1,000 active members & annuitants			Cost-impact You vs. Peers
			You	Peer Avg	More/-less	
1. Member Transactions						
A. Pension Payments	annuitants	15,810	423.5	406.0	4%	increasing
B. Pension Inceptions	service & survivor inceptions	1,038	27.8	27.4	1%	neutral
C. Withdrawals	withdrawals	207	5.5	20.5	-73%	decreasing
D. Purchases	purchases	186	5.0	8.1	-39%	decreasing
E. Disability	disability applications	70	1.9	1.2	59%	increasing
2. Member Communication						
A. Member Calls	calls & emails	70,005	1,875.1	1,089.3	72%	increasing
B. Mail Room	incoming letters	23,400	626.8	404.5	55%	increasing
C. Pension Estimates	written estimates	885	23.7	119.1	-80%	decreasing
D. 1-on-1 Counseling	counseling sessions	498	13.3	47.4	-72%	decreasing
E. Presentations	presentations	58	1.6	1.2	26%	increasing
F. Mass Communication	active members	21,525	576.5	594.0	-3%	neutral
3. Collections and Data Maintenance						
A. Employer data	active members	21,525	576.5	594.0	-3%	neutral
B. Non-employer data	annuitants, inactives	20,902	559.9	582.4	-4%	neutral
Weighted Total			45.4	53.7	-15%	decreasing

All volumes in the above table are compared on a 'per 1,000 active members and annuitants', even if both member groups do not always cause the volume. This is because active members & annuitants is the divisor used to determine cost per member. Therefore, if you want to know how volumes impact your relative cost performance, they need to be compared on the same basis.

Membership mix impacts transaction volumes



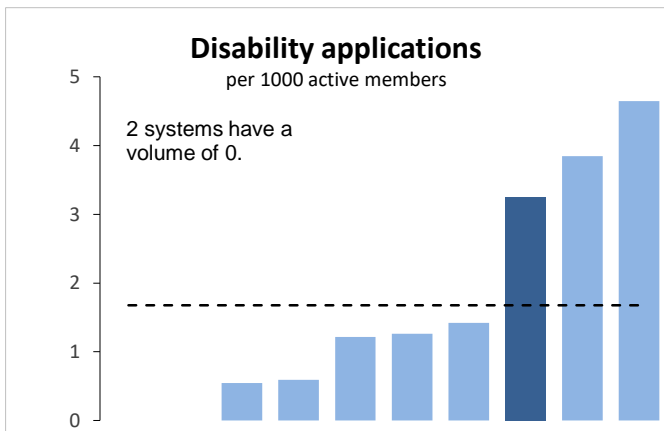
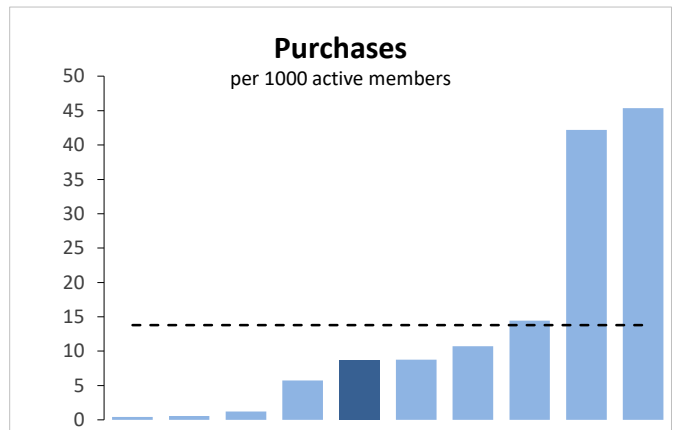
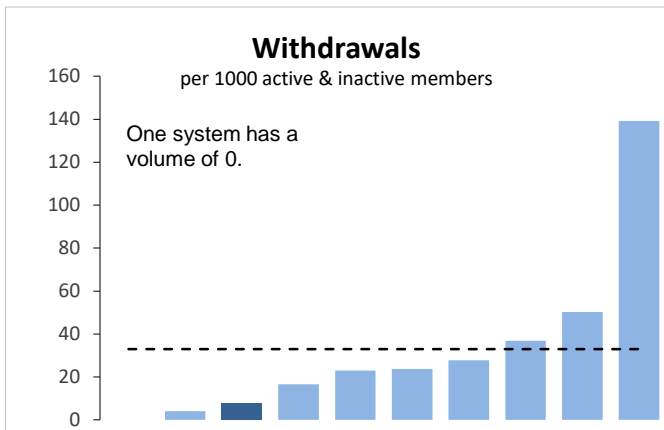
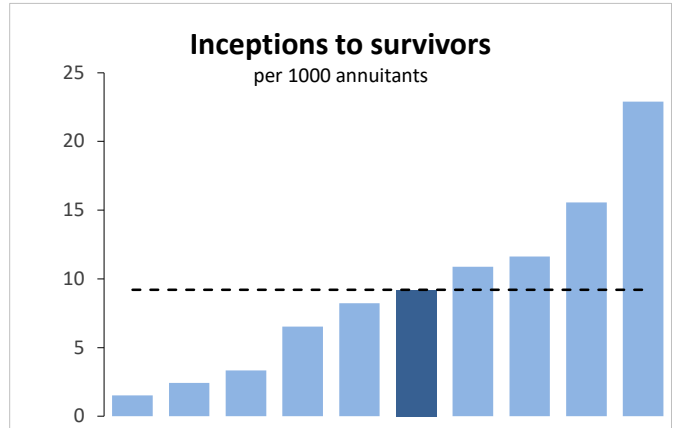
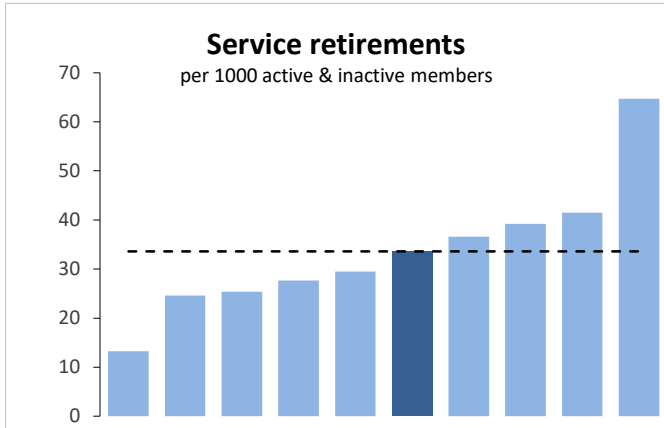
Active members cause more transactions than annuitants. For your system, active members represented 58% of the divisor used to determine cost per member (i.e., active members and annuitants). This was less than the peer average of 59%. Having less active members decreases your relative volumes and costs.



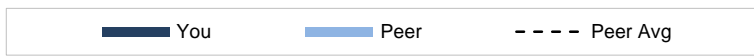
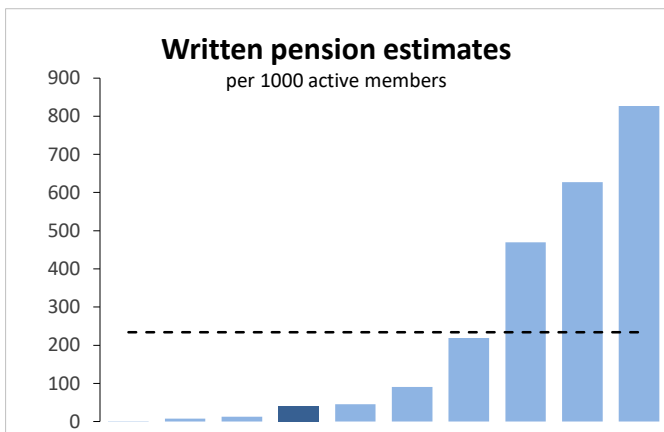
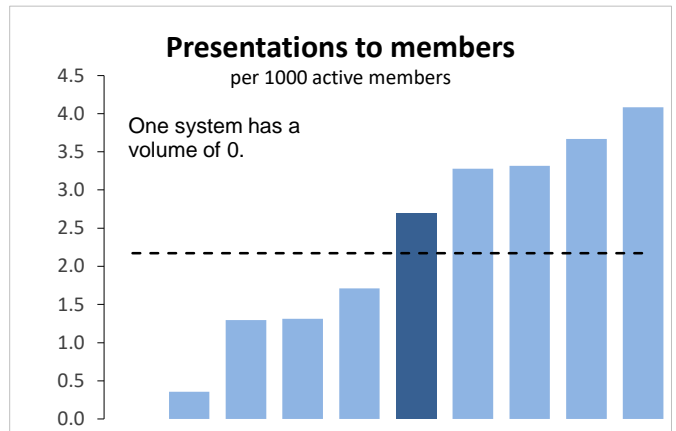
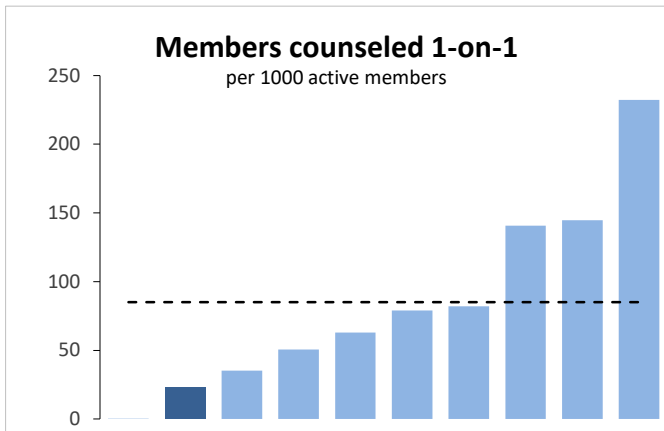
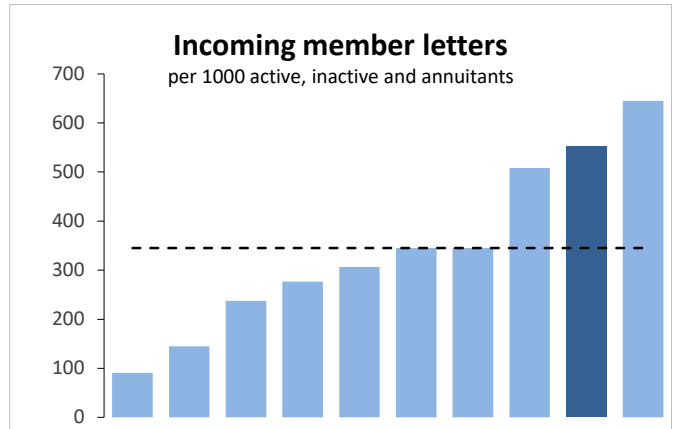
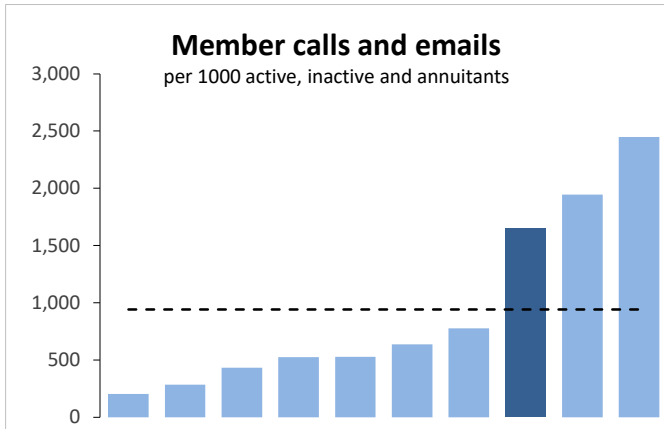
Inactive members cause the fewest transactions. Therefore they are excluded from membership volumes when determining cost per member. But they still cause some transactions (i.e., withdrawals, service retirements, calls). So having less inactive members decreases your relative volumes and costs. Your system had less. Inactive members represented 14% of the divisor used to determine cost per member (i.e., active members and annuitants) which was less than the peer average of 18%.

Member transactions - Where are you doing more/less?

Transaction volumes below, and on the following two pages, are compared versus the member group subsets that are most likely to cause the volumes.

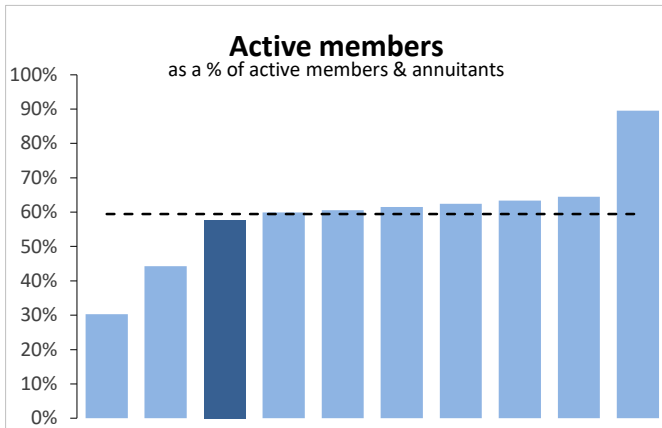


Communication transactions - Where are you doing more/less?

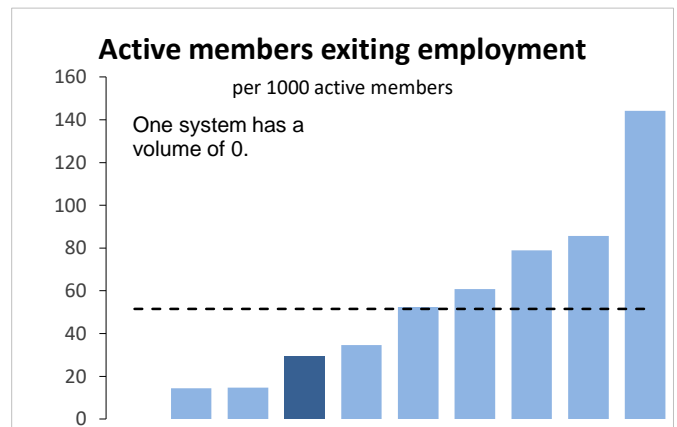
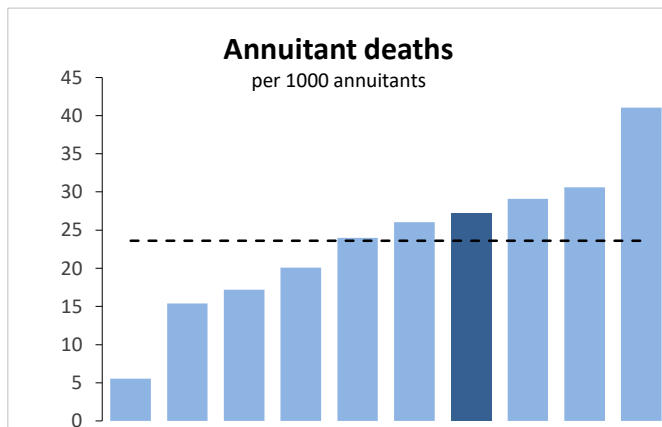
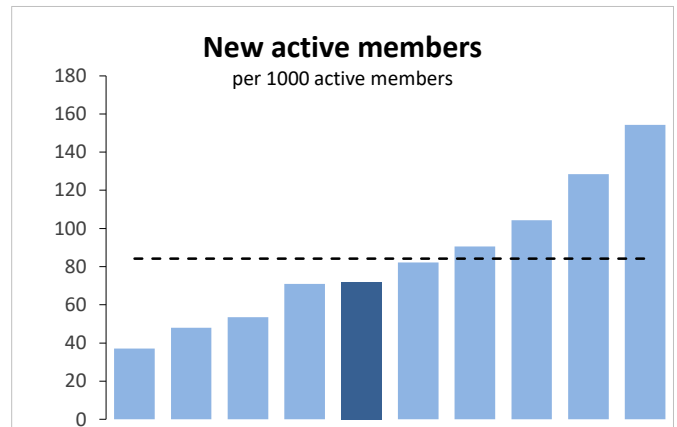
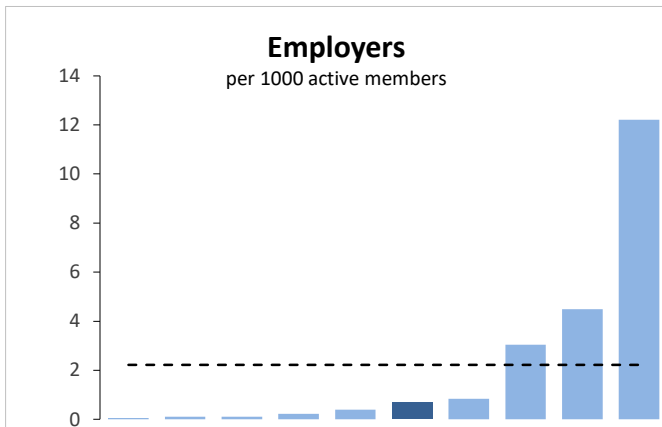


Collections and data transactions - Where are you doing more/less?

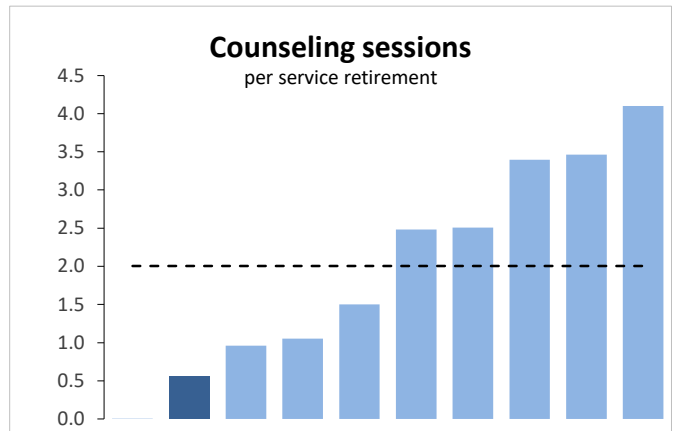
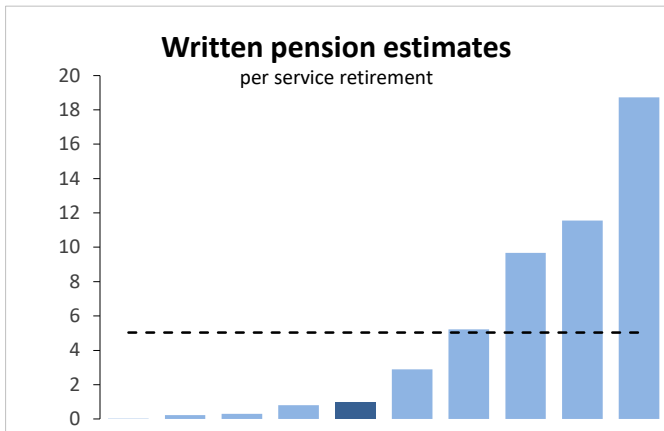
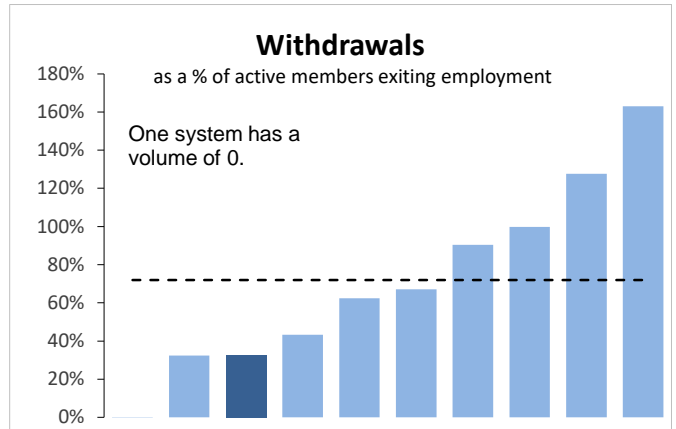
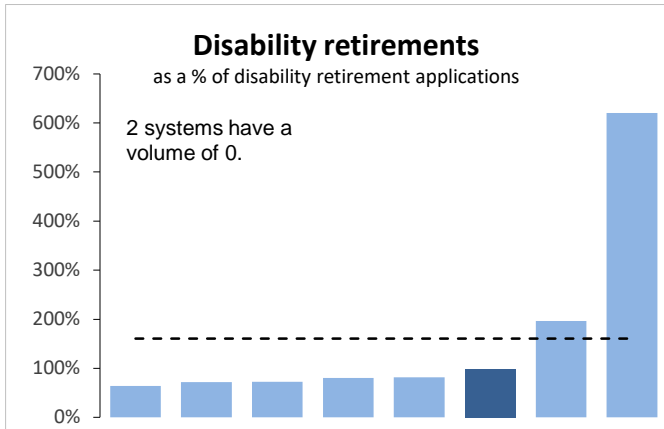
The key driver of collection and data transactions and costs is active members which in turn cause data transactions such as service accruals, divorce, leaves of absence, exits, withdrawals, inceptions, deaths, beneficiaries and new members. Annuitants and inactive members cause far fewer data transactions. So if you have a higher ratio of actives relatives to annuitants, this will increase your relative cost per member.



Shown below are secondary drivers of collections and data cost.



Interesting ratios



Service retirements are not the only driver of counseling sessions. Systems that administer healthcare often counsel retirees on healthcare choices.



Online Transactions

Online Tool	Do you offer?		If offered: Volume per 1,000 active members and annuitants		
	You	Peers	You	Peer Average	# peers able to provide
Benefit Calculators					
In non-secure area	Yes	50% Yes	Unknown	417	3
In secure area not linked to member's data	No	0% Yes	n/a	n/a	0
In secure area linked to member's salary and service data	Yes	70% Yes	756	361	4
Service credit purchase calculator	No	40% Yes	n/a	81	2
Register for counseling sessions	No	10% Yes	n/a	15	1
Real-time access to available dates and times	n/a	100% Yes			
Register for presentations	Yes	50% Yes	n/a	19	3
Live chat	Yes	20% Yes			
Change address	Yes	50% Yes	27	30	3
Change beneficiary	Yes	30% Yes	56	66	2
Change email address	Yes	70% Yes	26	24	2
Reset password	Yes	70% Yes	165	93	2
Tools for annuitants					
Change banking information for direct deposit	Yes	30% Yes	27	21	2
Change tax withholding amount	Yes	30% Yes	49	64	2
Download duplicate tax receipts	Yes	40% Yes	Unknown	n/a	0
View annuity payment details	Yes	70% Yes	Unknown	108	2
Submit a retirement application	Yes	10% Yes	21	21	1
View status of retirement application	No	0% Yes	n/a	n/a	0
Apply for a refund or transfer-out	No	0% Yes	n/a	n/a	0
Secure mailbox or digital file of recent correspondence and member documents	No	20% Yes	n/a	951	1
Download member statement (i.e., Adobe format)	Yes	70% Yes	298	173	3
Upload documents	No	10% Yes	n/a	n/a	0
View pensionable earnings and/or service without downloading	Yes	70% Yes	508	539	3
If yes:					
Both salary and service data is available	Yes	86% Yes			
Online data is up-to-date to the most recent pay period	Yes	71% Yes			
A complete annual history from the beginning of employment is available	No	43% Yes			

Appendices

Appendix A - Survey Responses

Appendix B - Foreign Currency Conversion

Appendix A - Orange County ERS Survey Responses

Survey Question	Your Data 2015	Peers 2015				Count
		Max.	Median	Min.	Avg	
Contact Information						
1 <u>ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM (OCERS)</u> <u>SUZANNE JENIKE</u> <u>714-558-6215</u> <u>SJENIKE@OCERS.ORG</u> Membership						
2 Provide the breakdown of total members between: <u>End of most recent fiscal year</u> a) Active members b) Deferred members c) Annuitants (Service, Disabled, Survivor) <u>End of prior fiscal year</u> a) Active members b) Deferred members c) Annuitants (Service, Disabled, Survivor) Plan Description	21,525 5,092 15,810 21,460 4,789 15,169	42,114 16,594 28,187 43,956 15,744 27,209	18,485 4,512 11,289 17,817 4,190 10,704	7,534 448 1,802 7,754 435 1,487	20,159 6,266 14,068 20,128 5,843 13,513	10 10 10 10 10 10
3 Indicate 'yes' if your employers/ member groups can be described as the following (indicate all that apply): a) Is your membership limited to a city or county? b) Participating Local Employers? [i.e. municipalities have a choice in participating in your plan] c) State, Province, Country? d) Teachers? e) School Employees (Custodians, Admin. Staff)? f) Safety (Police, Fire, Sheriff's Dept, etc)? g) Other (Judges, Legislators, etc)? h) Corporate? i) Industry? i1) If Industry, describe the industry: <u>n/a</u>	No Yes No No No Yes No No No	40% Yes, 60% No, 0% n/a 50% Yes, 50% No, 0% n/a 30% Yes, 70% No, 0% n/a 40% Yes, 60% No, 0% n/a 40% Yes, 60% No, 0% n/a 70% Yes, 30% No, 0% n/a 40% Yes, 60% No, 0% n/a 0% Yes, 100% No, 0% n/a 0% Yes, 100% No, 0% n/a				10 10 10 10 10 10 10 10 10
4 Which of the following descriptions best describes the non-optional benefit plans that you administer for each of your member groups: A plan is non-optional if members' must participate in it, or choose between it and alternatives. Do not include membership in benefit plans that are supplemental and optional such as deferred compensation 457, 403B or 401(k) plans. Do not include plans administered by a 3rd party. a) Traditional Defined Benefit ("DB")? b) DC Cash Balance (aka Money Purchase)? c) Hybrid DB/ DC Cash Balance? d) Hybrid DB/ Money Match? e) DROP savings? f) Defined Contribution ("DC")? g) Hybrid DB/ DC? h) Other (describe)? <u>n/a</u>	Yes No No No No No No No	100% Yes, 0% No, 0% n/a 10% Yes, 90% No, 0% n/a 0% Yes, 100% No, 0% n/a 0% Yes, 100% No, 0% n/a 30% Yes, 70% No, 0% n/a 10% Yes, 90% No, 0% n/a 20% Yes, 80% No, 0% n/a 0% Yes, 90% No, 10% n/a				10 10 10 10 10 10 10 9
5 Which of the following programs do you offer to members AND administer yourself (i.e., design, enrolment, premium collection)? a) Pre-retirement health? b) Post-retirement health? c) Pre-retirement dental and vision? d) Post-retirement dental and vision? e) Long-term care insurance? f) Loans to members?	No No No No No No	0% Yes, 100% No, 0% n/a 10% Yes, 90% No, 0% n/a 0% Yes, 100% No, 0% n/a 0% Yes, 100% No, 0% n/a 0% Yes, 100% No, 0% n/a 10% Yes, 90% No, 0% n/a				10 10 10 10 10 10

Survey Question	Your Data 2015	Peers 2015				Count
		Max.	Median	Min.	Avg	
g) Optional tax deferred savings plans? [i.e., 457, 403, 401k, 401a, etc]	No	20% Yes, 80% No, 0% n/a				10
h) Optional insurance? [i.e., life and/or auto and/or home]	No	10% Yes, 90% No, 0% n/a				10
i) Other (describe)? <u>n/a</u> <u>n/a</u> <u>n/a</u>	No	20% Yes, 80% No, 0% n/a				10
6 What was your total asset value in \$ millions at the end of the fiscal year?	\$12,374.0					
7 How many employers do you have? Administration Costs	15	481	9	1	76	10
8 Total administrative expenses per your financial statements (CAFR) <u>Subtract, if included:</u> a) Healthcare administration costs b) Investment administration costs <u>Add, if not included:</u> c) Amortization and depreciation of administrative assets d) Actuarial and all other professional fees relating to pension administration Net pension administration costs	\$12,521.0 n/a n/a n/a n/a \$12,521.0					
9 Provide the breakdown of your net pension administrative costs from question 8 above: a) Salaries and benefits b) Professional fees (actuarial, legal, audit, consulting, outsourced IT, etc.) c) Building expenses (rent, depreciation, utilities, facility services, amortization of lease holds) d) Amortization and depreciation (non-building) e) Cross charges paid to sister organizations (do not include building expense cross charges, they belong in 'c' above) f) Other administrative expenses Total administrative expenses	\$8,825.0 \$1,807.0 \$743.0 \$24.0 \$0.0 \$1,122.0 \$12,521.0					
10 Are any of the following services provided free of charge, or at a subsidized cost, by a sister organization (cost should be included under 9e above): <u>Provided by sister org.?</u> a) Building? b) IT services? c) Actuarial services? d) Pension payroll? e) Member data maintenance? f) Other? Please describe below: <u>n/a</u> <u>Free of charge?</u> a) Building? b) IT services? c) Actuarial services? d) Pension payroll? e) Member data maintenance? f) Other? Please describe below:	No No No No No No n/a n/a n/a n/a n/a n/a	10% Yes, 90% No, 0% n/a 30% Yes, 70% No, 0% n/a 0% Yes, 100% No, 0% n/a 10% Yes, 90% No, 0% n/a 10% Yes, 90% No, 0% n/a 0% Yes, 100% No, 0% n/a 0% Yes, 10% No, 90% n/a 10% Yes, 20% No, 70% n/a 0% Yes, 0% No, 100% n/a 0% Yes, 10% No, 90% n/a 0% Yes, 10% No, 90% n/a 0% Yes, 0% No, 100% n/a				10 10 10 10 10 10 1 3 0 1 1 0
11 Provide the number of full-time equivalent ("FTE") of all staff whose compensation is included in 8a above. [i.e. the full time equivalent of all administrative staff, less health care, non-pension and optional benefit, and investment administration staff, less staff whose salaries were capitalized]. Include the FTEs who are under contract, part-time and non-permanent. For example, a person who works 3 days a week counts as 0.6 FTE. Do not include the FTE of unfilled positions.	63.8	63.8	39.4	14.0	37.2	10

Survey Question	Your Data 2015	Peers 2015				Count
		Max.	Median	Min.	Avg	
12 Did you capitalize any pension administration related costs last year? a) If yes, total amount capitalized?	Yes \$3,581.0	30% Yes, 70% No, 0% n/a				10
13 Did you have any major project costs that were not capitalized? a) If yes, what were your total non-capitalized major project costs?	No n/a	20% Yes, 80% No, 0% n/a				10
Transaction Volumes						
14 What were your volumes for:						
<u>Change-in-Member-Status Volumes</u>						
a) Service retirement inceptions?	893	1,652	698	314	791	10
b) Inceptions to survivors, partners, ex-partners or dependents?	145	307	165	6	139	10
c) Disability retirement inceptions?	69	69	38	8	38	8
d) Disability retirement applications?	70	95	27	5	39	8
e) Deaths of annuitants?	429	863	309	10	384	10
f) New active members?	1,550	6,077	1,565	279	1,908	10
g) Active members exiting employment? [exclude service and disability retirements]	632	3,111	707	111	1,170	9
h) Withdrawals, refunds?	207	2,815	543	96	886	9
i) Purchases?	186	411	203	4	189	10
<u>Communication Volumes</u>						
j) Member calls?	57,355	87,097	20,026	5,200	31,213	10
k) Written pension estimates mailed per member request? [Do not include estimates on annual statements, or given over the phone, or generated through your website]	885	12,246	1,372	2	3,633	10
l) Members counseled 1-on-1?	498	2,521	1,028	10	1,237	10
m) Presentations to members?	58	72	51	7	44	9
n) How many members in total attended these presentations?	1,264	2,632	1,706	711	1,740	8
o) Responses to email queries from members?	12,650	12,650	2,678	572	3,983	7
p) Correspondence received from members? [Include all correspondence from members even if the correspondence did not require action.]	23,400	41,449	10,923	3,000	15,126	8
Website Capabilities						
15 Does your website have a secure member area where members can access their own data? If yes:	Yes	70% Yes, 30% No, 0% n/a				10
a) How many unique members accessed the secure member area? [Count a member only once even if he/she visited multiple times.]	76,734	76,734	18,936	4,126	24,368	6
b) How many visits in total were there by members to the secure member area? [Count each visit even if the same member visits multiple times.]	131,635	151,120	48,020	27,588	80,186	5
c) If a member wants to register for the first time, does he/she have to wait for a password in the mail?	No	10% Yes, 60% No, 30% n/a				7
d) Do you welcome the member by name on the home page of the secure member area?	Yes	70% Yes, 0% No, 30% n/a				7
e) Are users required to acknowledge a disclaimer every time they log in?	No	0% Yes, 70% No, 30% n/a				7
f) Are users required to acknowledge a disclaimer every time they generate a pension estimate?	No	20% Yes, 50% No, 30% n/a				7
g) Do inactive members have access to the secure member area?	Yes	60% Yes, 10% No, 30% n/a				7
16 Indicate whether the following capabilities are offered on your website and provide volumes (if available):						
a) Benefit calculator in non-secure area?	Yes	50% Yes, 50% No, 0% n/a				10
b) Benefit calculator in secure area not linked to member data?	No	0% Yes, 100% No, 0% n/a				10
c) Benefit calculator in secure area linked to member's salary and service data?	Yes	70% Yes, 30% No, 0% n/a				10
d) Service credit purchase calculator?	No	40% Yes, 60% No, 0% n/a				10
e) Register for counseling sessions?	No	10% Yes, 90% No, 0% n/a				10
If yes:						

Survey Question	Your Data 2015	Peers 2015				Count
		Max.	Median	Min.	Avg	
e1) Does the member have real-time access to available dates and times?	n/a	10% Yes, 0% No, 90% n/a				1
f) Register for presentations?	Yes	50% Yes, 50% No, 0% n/a				10
g) Live chat?	Yes	20% Yes, 80% No, 0% n/a				10
h) Change address?	Yes	50% Yes, 50% No, 0% n/a				10
i) Change beneficiary?	Yes	30% Yes, 70% No, 0% n/a				10
j) Change email address?	Yes	70% Yes, 30% No, 0% n/a				10
k) Reset password?	Yes	70% Yes, 30% No, 0% n/a				10
l) Change banking information for direct deposit?	Yes	30% Yes, 70% No, 0% n/a				10
m) Change tax withholding amount?	Yes	30% Yes, 70% No, 0% n/a				10
n) Download or print duplicate tax receipts? [i.e., 1099s in the U.S.]	Yes	40% Yes, 60% No, 0% n/a				10
o) View pension payment details? [i.e., gross amounts, deductions]	Yes	70% Yes, 30% No, 0% n/a				10
p) Submit a retirement application online?	Yes	10% Yes, 90% No, 0% n/a				10
If yes:						
p1) Does the online application provide an estimate, final value or neither of the annuity payment the member will receive?	Neither	0% Final, 10% Neither, 0% Estimate, 90% n/a				1
p2) Approximately what % of retirements initiated online require follow-up documents or signatures to be mailed in?	90.0%	90.0%	90.0%	90.0%	90.0%	1
q) View status of online retirement application?	No	0% Yes, 80% No, 20% n/a				8
r) Apply for a refund or transfer-out?	No	0% Yes, 100% No, 0% n/a				10
s) Secure mailbox or digital file including history of recent correspondence and member documents?	No	20% Yes, 80% No, 0% n/a				10
t) Download member statement? [i.e., Adobe format]	Yes	70% Yes, 30% No, 0% n/a				10
u) Upload documents (such as birth certificates)?	No	10% Yes, 90% No, 0% n/a				10
v) View pensionable earnings and/or service without downloading?	Yes	70% Yes, 30% No, 0% n/a				10
If yes:						
v1) Are both salary and service data available?	Yes	60% Yes, 10% No, 30% n/a				7
v2) Is online data up-to-date to the most recent pay period?	Yes	50% Yes, 20% No, 30% n/a				7
v3) Is a complete history from the beginning of employment available?	No	30% Yes, 40% No, 30% n/a				7
<u>If yes, volume</u>						
a) # Benefit calculator in non-secure area?	Unknown	37,016	8,802	8,323	18,047	3
b) # Benefit calculator in secure area not linked to member data?	n/a	n/a	n/a	n/a	n/a	0
c) # Benefit calculator in secure area linked to member's salary and service data?	28,228	33,609	16,338	382	16,667	4
d) # Service credit purchase calculator?	n/a	9,254	5,585	1,915	5,585	2
e) # Register for counseling sessions?	n/a	219	219	219	219	1
f) # Register for presentations?	n/a	1,062	859	444	788	3
h) # Change address?	1,009	1,390	1,009	696	1,032	3
i) # Change beneficiary?	2,076	2,076	1,682	1,288	1,682	2
j) # Change email address?	977	1,390	1,184	977	1,184	2
k) # Reset password?	6,157	6,157	3,774	1,390	3,774	2
l) # Change banking information for direct deposit?	1,001	1,001	634	267	634	2
m) # Change tax withholding amount?	1,811	1,811	1,582	1,353	1,582	2
n) # Download or print duplicate tax receipts? [i.e., 1099s in the U.S.]	Unknown	n/a	n/a	n/a	n/a	0
o) # View pension payment details? [i.e., gross amounts, deductions]	Unknown	8,964	7,389	5,813	7,389	2
p) # Submit retirement application online?	789	789	789	789	789	1
q) # View status of online retirement application?	n/a	n/a	n/a	n/a	n/a	0
r) # Apply for a refund or transfer-out?	n/a	n/a	n/a	n/a	n/a	0
s) # Digital file including history of recent correspondence and member documents?	n/a	30,657	30,657	30,657	30,657	1
t) # Download member statement? [i.e., Adobe format]	11,118	11,118	7,094	71	6,094	3
u) # Upload documents (such as birth certificates)?	n/a	n/a	n/a	n/a	n/a	0
v) # View pensionable earnings and/or service without downloading?	18,951	23,576	21,490	18,951	21,339	3
Member Calls						
17 When a member calls in, is the first point of human contact usually a receptionist?	No	60% Yes, 40% No, 0% n/a				10

Survey Question	Your Data 2015	Peers 2015				Count
		Max.	Median	Min.	Avg	
18 Do callers wait in a queue for service representatives? a) If yes, what is the average wait time? [in seconds] b) What is the percentage abandoned calls [i.e. caller hangs-up] while in queue or on hold or in menu?	Yes Unknown Unknown	80% Yes, 20% No, 0% n/a				10 7 7
19 Do members have to navigate a phone menu before speaking to a service representative? If yes: a) What is the average number of menu layers that must be navigated before a caller can speak to a live person? [Count each and every time a caller must select a menu option by pressing a button on the phone as a menu layer. Use the volume-weighted average number of menu layers if there are different menu-tree branches.]	Yes 2	50% Yes, 50% No, 0% n/a				10 5
20 Can and will you provide the following information on an immediate real-time basis to members over the phone: [If you do not have real-time access to the information or if your policy is not to give the information over the phone because of security or other concerns then your answer should be 'no'] a) Estimates of benefits at retirement? a1) If yes, is the estimate based on an interactive benefit calculator linked to the member's actual account data? b) Service credit purchase cost estimates?	Yes Yes No	30% Yes, 70% No, 0% n/a				10 3 10
21 Can members calling in perform the following transactions over the phone: a) Change address? b) Add or change email address? c) Change payment instructions? [i.e., bank account]	No No No	20% Yes, 80% No, 0% n/a				10 10 10
22 How many hours per week can members call service representatives?	40	45	40	35	41	10
23 Do your service representatives have real time access to a workflow system that lets them know the status of open items? Service Measures	Yes	90% Yes, 10% No, 0% n/a				10
24 Were any of your pension payrolls late vis-à-vis your normal payment cycle? [For example, a payroll might be late because of system problems, etc.] a) If yes, how many payrolls were late? b) On average, how many days late were they?	No n/a n/a	0% Yes, 100% No, 0% n/a				10 0 0
25 What % of pension inceptions to retiring active members were paid without an interruption of cash flow greater than 1 month between the final pay check and the first pension check?	1.0%	100.0%	63.4%	0.0%	52.7%	10
26 What % of survivor pension inceptions are paid without an interruption of cash flow between the pensioner's final pension check and the survivor's first pension check?	90.0%	100.0%	48.5%	0.0%	51.4%	9
27 On average, how many business days did it take to provide a formal written estimate from the time of initial request from a member? [Do not include time in the mail.] a) Is this a number you regularly measure and track? [versus being an estimate]	1 No	27	7	1	9	8 10
28 Do your written pension estimates: [including cover letters etc. sent with the estimate] a) Clearly address if and how the pension benefit is inflation protected or not protected? b) If your pension is coordinated with or reduced by social security is the impact explained? c) Discuss alternative scenarios that could improve the benefit such as purchasing service credit or working longer? d) Model alternative retirement payment options?	Yes n/a No Yes	40% Yes, 60% No, 0% n/a				10 7 10 10

Survey Question	Your Data 2015	Peers 2015				
		Max.	Median	Min.	Avg	Count
29 Indicate whether you sent newsletters or news magazines (in either electronic or paper format) last year to any of the following member segments, and if yes, the number of times it was sent. Only indicate 'yes' if the newsletter was customized for and only sent to members in the segment:						
a) All members (active, inactive and annuitants)?	Yes	70% Yes, 30% No, 0% n/a				10
b) Active and inactives members?	No	10% Yes, 90% No, 0% n/a				10
c) Active members and annuitants?	No	20% Yes, 80% No, 0% n/a				10
d) Active members only?	No	20% Yes, 80% No, 0% n/a				10
e) Inactive members only?	No	0% Yes, 100% No, 0% n/a				10
f) Annuitants only?	No	20% Yes, 80% No, 0% n/a				10
g) Age segments? [i.e., under 35, 35-50, 50 plus]	No	0% Yes, 100% No, 0% n/a				10
h) Women only or men only?	No	0% Yes, 100% No, 0% n/a				10
i) Employer or employment category? [i.e., a different newsletter for teachers vs. bus drivers]	No	0% Yes, 100% No, 0% n/a				10
j) Other? (describe your other newsletter segments below) <u>Employee Newsletter</u>	Yes	10% Yes, 90% No, 0% n/a				10
<u>If yes, # times last year</u>						
a) All members (active, inactive and annuitants)?	4	5	3	1	3	7
b) Active and inactive members?	n/a	1	1	1	1	1
c) Active members and annuitants?	n/a	4	3	2	3	2
d) Active members only?	n/a	7	5	2	5	2
e) Inactive members only?	n/a	n/a	n/a	n/a	n/a	0
f) Annuitants only?	n/a	2	2	2	2	2
g) Age segments (i.e., under 35, 35-50, 50 plus)?	n/a	n/a	n/a	n/a	n/a	0
h) Women only or men only?	n/a	n/a	n/a	n/a	n/a	0
i) Employer or employment category (i.e., a different newsletter for teachers vs. bus drivers)?	n/a	n/a	n/a	n/a	n/a	0
j) Other? (describe your other newsletter segments below)	3	3	3	3	3	1
30 Indicate the approximate percentage breakdown of how you send newsletters to active members:						
a) Forward through employer?	0.0%	49.0%	0.0%	0.0%	6.8%	8
b) Mail to their home?	100.0%	100.0%	90.4%	0.0%	60.6%	8
c) Deliver electronically by email or other?	100.0%	100.0%	7.1%	0.0%	36.1%	10
31 Indicate the approximate percentage breakdown of how you send member statements to active members:						
a) Directed through the employer?	0.0%	0.0%	0.0%	0.0%	0.0%	10
b) Mailed directly to members' homes?	0.0%	100.0%	100.0%	0.0%	78.2%	10
c) Email or other electronic notice to members that the statement is available in the secure member area?	0.0%	100.0%	0.0%	0.0%	16.4%	10
32 On average, how current was an active member's data when their member statement was mailed to them? [For example, if statements with data current to December 31st are mailed in a staggered mailing beginning May 1st and finishing June 30th, then the members are receiving data that is between 4 and 6 months old, or 5 months old on average.]	1	6	2	1	2	10
33 Do your member statements for active members include:						
a) Total accumulated service credit?	Yes	80% Yes, 20% No, 0% n/a				10
b) Pensionable earnings?	No	40% Yes, 60% No, 0% n/a				10
c) A historical summary of salary and service credit earned each year?	No	10% Yes, 90% No, 0% n/a				10
d) The refund value if you left at the statement date?	Yes	80% Yes, 20% No, 0% n/a				10
e) An estimate of the future pension entitlement based on age scenario modeling or assuming the member continues to work until earliest possible retirement?	No	40% Yes, 60% No, 0% n/a				10
34 How frequently do you send member statements to inactive members? [i.e., never, annually, every 2 years, etc.]	Never	1	1	0	1	10
35 Are new members issued a 'welcome' kit describing their benefits?	Yes	60% Yes, 40% No, 0% n/a				10

Survey Question	Your Data 2015	Peers 2015				Count
		Max.	Median	Min.	Avg	
a) If yes, does it include a personalized letter addressing the new member by name?	Yes	30% Yes, 30% No, 40% n/a				6
36 Do you administer disability? If yes, how many months, on average, does it take to return a decision on a disability application from:	Yes	80% Yes, 20% No, 0% n/a				10
a) the date of the initial receipt to a decision?	12	13	5	3	7	8
b) the date if receipt of all necessary documentation to complete an application?	Unknown	9	2	1	3	6
37 Do you require notarization of all/some/none:						
a) Normal or early retirement applications?	None	20% All, 40% None, 40% Some, 0% n/a				10
b) Refund applications?	None	20% All, 40% None, 40% Some, 0% n/a				10
c) Disability applications?	None	20% All, 20% None, 40% Some, 20% n/a				8
38 Do you require a birth or marriage certificate before incepting a pension?	Yes	100% Yes, 0% No, 0% n/a				10
Satisfaction Surveying						
39 Satisfaction Surveying						
<u>Calls</u> Did you survey member satisfaction with regard to the activity (per the column headings) in your most recently completed fiscal year? (yes/ no)	No	30% Yes, 70% No, 0% n/a				10
If yes: a) Did the survey focus primarily on the single activity (per the column heading) or was it part of a wider survey on multiple activities? (single activity/ multiple)	n/a	10% Single Activity, 20% Multiple, 70% n/a				3
b) Was the survey only issued to those members who experienced the activity (per the column heading)? [As opposed to being issued to all or a cross section of members who may or may not have experienced the activity. For example, for the first column, was the survey only issued to members that had called?] (yes/ no)	n/a	10% Yes, 20% No, 70% n/a				3
c) What was the longest possible length of time between the activity and the survey? (in days) [i.e., if you sent a survey to a sample of members that had called sometime in the past year, then the answer is 365 days]	n/a	7	5	0	4	3
d) Is the survey delayed by at least 1 day from the date of the session? (yes/ no)	n/a	20% Yes, 10% No, 70% n/a				3
e) How many times did you survey member satisfaction with regard to the activity in your most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as every 10th refund, etc.)	n/a	250	250	52	184	3
f) Can you break down the survey results by service agent?	n/a	10% Yes, 20% No, 70% n/a				3
g) Can you break down the survey results by topic covered?	n/a	20% Yes, 10% No, 70% n/a				3
<u>Presentations</u> Did you survey member satisfaction with regard to the activity (per the column headings) in your most recently completed fiscal year? (yes/ no)	Yes	70% Yes, 30% No, 0% n/a				10
If yes: a) Did the survey focus primarily on the single activity (per the column heading) or was it part of a wider survey on multiple activities? (single activity/ multiple)	Single Activity	70% Single Activity, 0% Multiple, 30% n/a				7
b) Was the survey only issued to those members who experienced the activity (per the column heading)? [As opposed to being issued to all or a cross section of members who may or may not have experienced the activity. For example, for the first column, was the survey only issued to members that had called?] (yes/ no)	Yes	50% Yes, 20% No, 30% n/a				7
c) What was the longest possible length of time between the activity and the survey? (in days) [i.e., if you sent a survey to a sample of members that had called sometime in the past year, then the answer is 365 days]	1	30	1	0	7	7

Survey Question	Your Data 2015	Peers 2015				Count
		Max.	Median	Min.	Avg	
d) Is the survey delayed by at least 1 day from the date of the session? (yes/no)	No	30% Yes, 40% No, 30% n/a				7
e) How many times did you survey member satisfaction with regard to the activity in your most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as every 10th refund, etc.)	1	250	250	1	146	7
f) Can you break down the survey results by service agent?	Yes	50% Yes, 20% No, 30% n/a				7
<u>Counseling</u> Did you survey member satisfaction with regard to the activity (per the column headings) in your most recently completed fiscal year? (yes/ no)	Yes	60% Yes, 40% No, 0% n/a				10
If yes: a) Did the survey focus primarily on the single activity (per the column heading) or was it part of a wider survey on multiple activities? (single activity/ multiple)	Single Activity	60% Single Activity, 0% Multiple, 40% n/a				6
b) Was the survey only issued to those members who experienced the activity (per the column heading)? [As opposed to being issued to all or a cross section of members who may or may not have experienced the activity. For example, for the first column, was the survey only issued to members that had called?] (yes/ no)	Yes	40% Yes, 20% No, 40% n/a				6
c) What was the longest possible length of time between the activity and the survey? (in days) [i.e., if you sent a survey to a sample of members that had called sometime in the past year, then the answer is 365 days]	7	7	1	0	3	6
d) Is the survey delayed by at least 1 day from the date of the session? (yes/no)	Yes	40% Yes, 20% No, 40% n/a				6
e) How many times did you survey member satisfaction with regard to the activity in your most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as every 10th refund, etc.)	1	250	250	1	176	6
f) Can you break down the survey results by service agent?	No	30% Yes, 30% No, 40% n/a				6
g) Can you break down the survey results by topic covered?	No	20% Yes, 40% No, 40% n/a				6
<u>Pension Inception Process</u> Did you survey member satisfaction with regard to the activity (per the column headings) in your most recently completed fiscal year? (yes/ no)	No	50% Yes, 50% No, 0% n/a				10
If yes: a) Did the survey focus primarily on the single activity (per the column heading) or was it part of a wider survey on multiple activities? (single activity/ multiple)	n/a	40% Single Activity, 10% Multiple, 50% n/a				5
b) Was the survey only issued to those members who experienced the activity (per the column heading)? [As opposed to being issued to all or a cross section of members who may or may not have experienced the activity. For example, for the first column, was the survey only issued to members that had called?] (yes/ no)	n/a	30% Yes, 20% No, 50% n/a				5
c) What was the longest possible length of time between the activity and the survey? (in days) [i.e., if you sent a survey to a sample of members that had called sometime in the past year, then the answer is 365 days]	n/a	30	14	0	15	5
e) How many times did you survey member satisfaction with regard to the activity in your most recently completed fiscal year? (once, quarterly, monthly, on a continuous basis such as every 10th refund, etc.)	n/a	250	250	12	155	5

Appendix B - Foreign currency conversion

All currency amounts have been converted to USD using Purchasing Power Parity figures per the OECD. The table below shows the foreign exchange rates for the past 4 years.

Purchasing Power Parity ¹				
Currency	2016	2015	2014	2013
United States Dollars - USD	1.00	1.00	1.00	1.00
Canada Dollars - CAD	0.82	0.82	0.80	0.81
Euro - EUR	1.31	1.31	1.29	1.29
Denmark Kroner - DKK	0.13	0.13	0.13	0.13
Sweden Kronor - SEK	0.11	0.11	0.11	0.12
United Kingdom Pounds - GBP	1.43	1.43	1.43	1.44
Australia Dollars - AUD	0.69	0.69	0.67	0.68

1. Source OECD Website, February 2016. 2016 PPP data will be available in February 2017.

I-4



Memorandum

DATE: January 26, 2017
TO: Members of the Board of Retirement
FROM: David James, CPA, Director of Internal Audit
SUBJECT: **OCERS PLAN SPONSOR – AN ANNUAL REVIEW**

Recommendation

Receive and File OCERS' 2017 Plan Sponsor Review Report and OCERS' 2017 Plan Sponsor Presentation.

Background/Discussion

At the request of the Board, Internal Audit has prepared its third annual plan sponsor review and presentation. The purpose of the report is to provide the Board with information regarding plan sponsors' financial position to ascertain their capacity to meet their obligations to OCERS and the long-term viability of OCERS' plan. This report update uses 2016 financial information compiled from plan sponsors, if available.

Mr. Delaney and I will present a PowerPoint presentation outlining the highlights of this year's report, with a special focus on plan sponsor revenue trends.

Submitted by:

The OCERS logo is repeated here, with the text "D.J. - Approved" to its right.

D.J. - Approved

David James, CPA
Director of Internal Audit



OCERS' Plan Sponsors Review

Report Date: January 25, 2017

Internal Audit Division

Director of Internal Audit: David James, CPA, MBA

Internal Auditor: Mark Adviento, CPA

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Conclusion

At the request of the Board, Internal Audit obtained key financial information on OCERS' plan sponsors to provide the Board with information regarding plan sponsors' financial position to ascertain their capacity to meet their obligations to OCERS and the long-term viability of OCERS' plan. This report update uses 2016 financial information from plan sponsors, if available.

The County is the largest plan sponsor with about three-quarters of the active members and contributions. Our review indicates that revenue streams of plan sponsors are generally stable. The "going concern" risk of plan sponsors, or risk of default, appears low, but additional information regarding OCFA has been added (See sub-section titled "Impact on OCERS from Withdrawal or Termination of Members or Dissolution of the OCFA JPA" on page 17.). OCERS' Board must also be cognizant of the possibility that the City of Irvine may withdraw membership from the OCFA in the year 2020 (property taxes from the City of Irvine accounted for 22% of OCFA's 2016 revenues).

On January 24, 2017, the City of Irvine City Council directed City staff to explore leaving the OCFA in 2020 and return with a plan on how that could be accomplished. Were the City to withdraw from OCFA, the amount of property taxes from the City of Irvine to remain allocated to OCFA is indeterminable at this point. The County of Orange Board of Supervisors, the City of Irvine, and OCFA would need to negotiate the reallocation of property tax.

Plan sponsors have the flexibility of operations to adjust for lower revenues. During the financial crisis when revenues were reduced, the County took effective steps to cut expenses. No actuarially required contribution payments have ever been missed by any plan sponsor. Even during the Orange County bankruptcy in 1994, contribution payments continued to be made without interruption to OCERS from pension obligation bonds. Credit agency ratings of debt of plan sponsors range from AAA for the Sanitation District bond issues to BB (speculative grade) for TCA bonds.

One variable we found for the County was for contract cities with the Sherriff's Department. The County allows most contract cities with the Sherriff's Department to have one-year contracts, and the contracts do not address payment of the UAAL upon termination of the agreement. However, the entire revenue of the Sherriff's Department's 13 contract cities, which was \$121 million for fiscal year 2015-16, is not material enough to significantly impact the County's total revenue, which was \$4.0 billion for the year ended June 30, 2016.

The Orange County Fire Authority's agreements with cities also do not mention required payment of UAAL upon termination of the agreement, except for the 2012 agreement with the City of Santa Ana. Structural Fire Fund and Contract Cities are 20-year members beginning July 1, 2010 with 20-year membership terms automatically renewed in 2030. Cities may give written notice by July 1, 2018 to withdraw by June 30, 2020. If any city chose to withdraw from OCFA, OCFA's management would have at least two years to adjust for a reduction in revenues.

Some plan sponsors are making additional payments to reduce their share of its UAAL. OCFA has an expedited payment plan over the next 12 years. Since fiscal year 2014, OCFA has made additional payments totaling \$42 million towards its UAAL. Between 2014 and 2015, the Orange County Sanitation District made additional payments totaling \$175 million towards its UAAL; subsequent to fiscal year-end 2016, Orange County Sanitation District has made an additional payment of \$39 million towards its UAAL. Subsequent to fiscal year-end 2016, the Orange County Law Library paid \$1.5 million towards its UAAL. Also in 2016, the County and UCI evenly split a payment of \$1.3 million towards UCI's UAAL.

The net position (total assets less liabilities) of plan sponsors has decreased in large part due to GASB 68's requirement that they include their proportionate share of the unfunded pension liability ("Net Pension Liability") on their Statement of Net Position (balance sheet).

OCERS' Board cannot control the financial management of plan sponsors. However, OCERS' Board can change its funding policy or revise its UAAL amortization schedule in consultation with its outside actuary, but current circumstances do not appear to indicate a need for these actions by the Board.

Purpose of this Review

The Board of Retirement approved OCERS' Internal Audit to prepare a report on key financial information on OCERS' plan sponsors at the May 19, 2014 Regular Board meeting. As such, this report is the third annual compilation of key financial information on OCERS' plan sponsors such as revenue sources and net positions for the period ending June 30, 2016.

Scope

This report includes financial information on OCERS' plan sponsors for fiscal years ending 2014 through 2016. There were 21,873 active members within OCERS' fifteen plan sponsors as of December 31, 2016. Although this report includes financial information on the Orange County Fire Authority and the Orange County Sheriff's Department, it does not include financial information of the cities that contract with the Orange County Fire Authority (OCFA) and the

Orange County Sheriff's Department. Fees received from contract cities represent the second highest source of revenues for the OCFA and also for the Orange County Sheriff's Department.

Background

According to the County Employees Retirement Law of 1937, plan sponsors are obligated to make annual payments to the pension system. Upon withdrawal from the retirement system, a plan sponsor is liable for its share of any unfunded actuarial liability:

“§31564.2. Liability of district upon termination of participation

(a) If a district's participation in the retirement system is terminated pursuant to the provisions of Section 31564, the district shall remain liable to the retirement system for the district's share of any unfunded actuarial liability of the system which is attributable to the officers and employees of the district who either have retired or will retire under the retirement system.”

See the chart below for plan sponsors' proportionate share of net pension liability (NPL) for the fiscal years ending June 30, 2014 through 2016, as stated on their individual June 30 CAFRs and calculated by Segal (using an actuarial measuring date of December 31 of the prior year). Total NPL increased \$634 million between 2015 and 2016 primarily due to the investment portfolio earning a 0.09% rate of return for the year ending December 31, 2015 versus the actuarial assumed rate of return of 7.25%.

GASB 68 Net Pension Liability (in '000s), per Segal Consulting:			
Plan Sponsor	6/30/2014	6/30/2015	6/30/2016
Orange County	3,925,919	3,897,233	4,391,071
OCFA	442,651	466,968	517,670
Superior Court	392,322	355,886	395,957
OCTA	217,569	203,593	250,193
Sanitation District	202,748	57,419	42,440
UCI	32,215	26,578	36,184
San Juan Capistrano	28,313	27,866	29,249
OCERS	21,260	20,656	24,747
Toll Roads	11,359	10,683	12,713
Dept of Education	2,691	3,638	4,307
Children & Families	4,591	3,957	4,066
Law Library	3,315	3,222	3,472
Vector Control	2,465	2,900	1,942
LAFCO	1,188	1,303	1,157
In-Home Support Services	707	672	896
Cemetery District	1,820	(95)	534
Rancho Santa Margarita	(4)	2	7
Total:	\$ 5,291,129	\$ 5,082,481	\$ 5,716,605

Gray-shaded plan sponsors represent 98% of the total pension liability.

According to the County Employees Retirement Law of 1937, plan sponsors are obligated to make annual payments to the pension system. Below is a schedule of payments made by plan sponsors in the past three years.

Employer Contributions (in 000's) for year ending December 31:			
Plan Sponsor	2014	2015	2016 (prelim)
Orange County	364,418	388,687	397,079
OCFA	82,178	82,735	68,433
Sanitation District	144,794	62,894	48,633
Superior Court	30,307	31,854	30,826
OCTA	24,017	25,056	24,245
San Juan Capistrano	2,373	2,352	2,218
OCERS	1,759	1,990	1,930
Toll Roads	1,376	1,507	1,762
Children & Families	337	365	301
Law Library	347	346	1,809
Vector Control	500	314	-
In-Home Support Services	148	178	162
Cemetery District	1,850	153	156
LAFCO	111	105	129
UCI	119	62	1,314
Total:	\$ 654,634	\$ 598,598	\$ 578,997

Includes Sanitation District's additional contributions of \$125m and \$50m, respectively, in 2014 & 2015.

Includes OCFA's additional contributions of \$5m, \$21m and \$15m, respectively, in 2014, 2015 & 2016.

Includes Law Library's additional contribution of \$1.5 m in 2016.

Below are employer pension contribution rates from recent years. For every \$1 in pensionable salary paid to an employee, the employer must pay an additional percentage of pensionable salary to OCERS.

Aggregate Employer Contribution Rates, per Segal		2013	2014	2015
No. of Actives	General			
1,535	Rate Group #1 (non-OCTA, non-OCSD)	21%	18%	19%
13,957	Rate Group #2 (County, et al.)	37%	34%	35%
588	Rate Group #3 (Law Library, OCSD)	34%	19%	14%
1,413	Rate Group #5 (OCTA)	27%	25%	26%
63	Rate Group #9 (Toll Roads)	26%	26%	26%
262	Rate Group #10 (OCFA - General)	37%	33%	33%
21	Rate Group #11 (Cemetery)	22%	12%	11%
No. of Actives	Safety			
821	Rate Group #6 (Probation - Safety)	41%	47%	45%
1,902	Rate Group #7 (Law Enforcement - Safety)	56%	63%	62%
963	Rate Group #8 (Fire Authority - Safety)	50%	51%	48%

Primary Revenue Sources for OCERS' Top 5 Plan Sponsors - Year Ended June 30, 2016

Revenue Category	County*	OCFA	Superior Court	OCTA	OCSD
Intergovernmental	54%	4%	99%	25%	
Property Tax	21%	62%			20%
Sales Tax				59%	
Service Charges	14%	33%		13%	77%
% of Total Revenues	89%	99%	99%	97%	97%
Total Revenues:	\$4 billion	\$357 million	\$201 million	\$794 million	\$423 million

* Excludes CalOptima revenues

Net Position for OCERS' Top 5 Plan Sponsors - Year Ended June 30, 2016

Net Position, as of year ending June 30 (000's):			
Plan Sponsor	6/30/2014	6/30/2015	6/30/2016
Orange County	5,450,577	2,007,750	2,185,709
OCFA	243,754	(169,124)	(160,663)
Superior Court	n/a	n/a	n/a
OCTA	1,348,460	1,260,358	1,417,477
Sanitation District	1,822,295	1,761,844	1,918,572

The Unrestricted Fund portion of County's Net Position actually has a deficit of \$2.5 billion.

Orange County Superior Court does not issue stand-alone financial statements.

Plan Sponsors’ Rating Agency Bond Ratings, Purpose of Debt Issue, and Security

County of Orange	OCTA	OCSD	Toll Roads	City of San Juan Capistrano
AA/AA- for debt issuances (i.e. Pension Obligation Bonds, Revenue Bonds, Certificates of Participation Notes)	AA- for \$124MM of Toll Road Revenue Bonds AA+ for \$339 MM of M2 Tax Revenue Bonds	AAA for \$1.2 BB of Certificate of Participation Notes and Revenue Bonds	BBB for \$2.3 BB of Total Revenue bonds (Foothill/Eastern toll roads) BB for \$2.3 BB of Total Revenue bonds (San Joaquin toll roads)	AAA for \$31 MM in General Obligation Bonds A for \$34 MM in Certificates of Participation Notes
Debt issued to pay bankruptcy debts, pension payments, construction of facilities, and to finance the Teeter Plan	Debt issued to pay for Measure M2 projects and acquisition of 91 Express Toll Roads	Debt issued to pay for treatment plant upgrades and water recycling facilities	Debt issued to construct the 73, 241, & 261 toll roads	Debts issued to acquire , preserve, and improve land; and to construct a ground water recovery plant
Secured by lease payments from the County, general purpose revenues, airport revenues, and waste management revenues	Secured by M2 sales tax revenues and 91 Express Lanes toll fees	Secured by sewer usage fees	Secured by toll road revenues	Secured by property tax revenues and water usage fees

Not all plan sponsors are rated.

County of Orange

The County of Orange (the County) is governed by a five-member Board of Supervisors (the Board), who each serve four-year terms, and annually elect a Chair and Vice-Chair. A County Executive Officer, who reports to the Board, oversees nineteen County departments, and elected department heads oversee seven County departments.

The County of Orange is OCERS' largest plan sponsor, with 77% of OCERS' active members with 16,839 active members as of December, 31 2016. The County contributed \$397 million (preliminary) to OCERS for the year ended December 31, 2016 (representing 69% of total contributions received by OCERS in that period).

Although the County's Net Position is a positive \$2.2 billion entity wide, the Unrestricted Fund portion of the Net Position has a deficit of \$2.5 billion primarily due to the recognition of the net pension liability on its Balance Sheet, implemented in 2015.

As of County Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Total Assets & Deferred Outflows of Resources	\$7.5 billion	\$8.3 billion	\$9.1 billion
Total Liabilities & Deferred Inflows of Resources	\$2.1 billion	\$6.3 billion	\$6.9 billion
Net Position	\$5.4 billion	\$2.0 billion	\$2.2 billion
Cash and Cash Equivalents	\$2.4 billion	\$2.6 billion	\$2.8 billion
Net Pension Liability	\$3.9 billion	\$3.9 billion	\$4.4 billion

During The County's Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Employer Contributions to OCERS	\$348 million	\$364 million	\$384 million
As a % of Covered Payroll - General	33%	37%	37%
As a % of Covered Payroll - Safety	50%	57%	56%
As a % of Total Revenues	9.2%	9.3%	9.6%

Revenues

The County's total revenues were \$4.0 billion for the year ending June 30, 2016.

The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating/capital grants and contributions comprised the largest revenue source for the County at \$2.1 billion, followed by charges for services at \$557 million, property taxes at \$501 million, property taxes (in lieu of motor vehicle license fees) at \$334 million, and \$172

million in other taxes/revenue sources. John Wayne Airport and Waste Management provided another \$300 million in revenues.

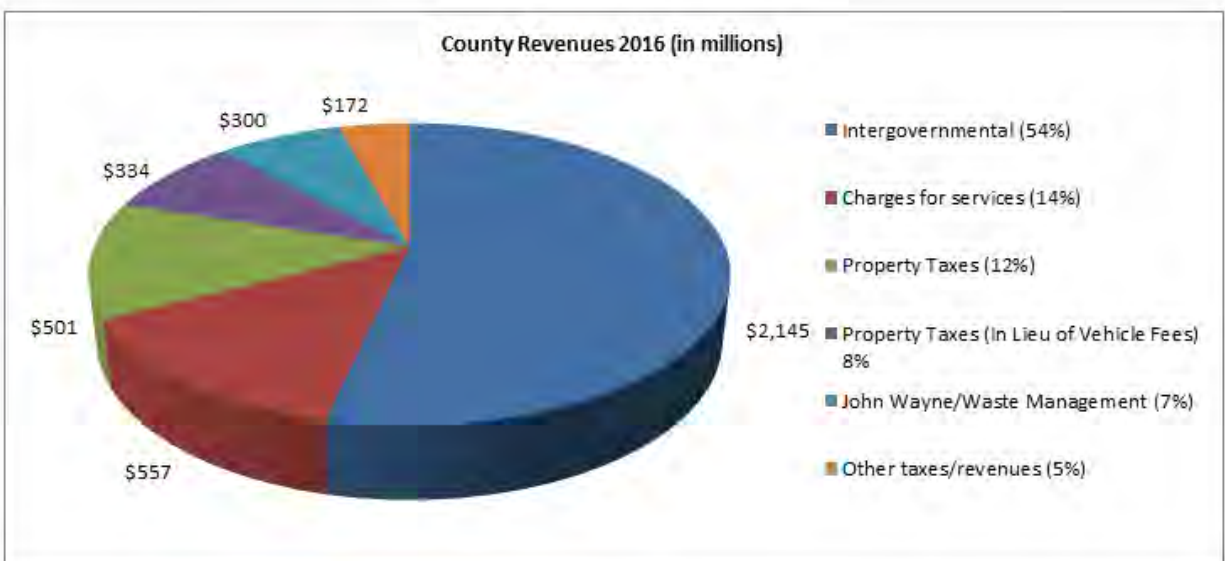
Operating/Capital grants and contributions (\$2.1 billion) are monies received from parties outside the County and are generally restricted to one or more specific programs such as State and Federal revenues for public assistance and for health care.

Charges for services are revenues (\$557 million) that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Examples of the types of services that fall under this category include engineering services provided to cities under contract, park and recreation fees, and law enforcement services provided to other governmental agencies under contract.

Property taxes (\$501 million) are levied by the County. The 1% tax rate is the levy for property tax based on assessed property values. From the 1% property tax collected, the County receives 6% for its General Fund operations.

The County receives property taxes “In-Lieu of Motor Vehicle License Fees” (\$334 million in 2016) as part of the California State Budget Act of 2004. The Legislature reduced the backfill to cities and counties for reductions in the Vehicle License Fee and in return gave cities and counties additional property tax revenue.

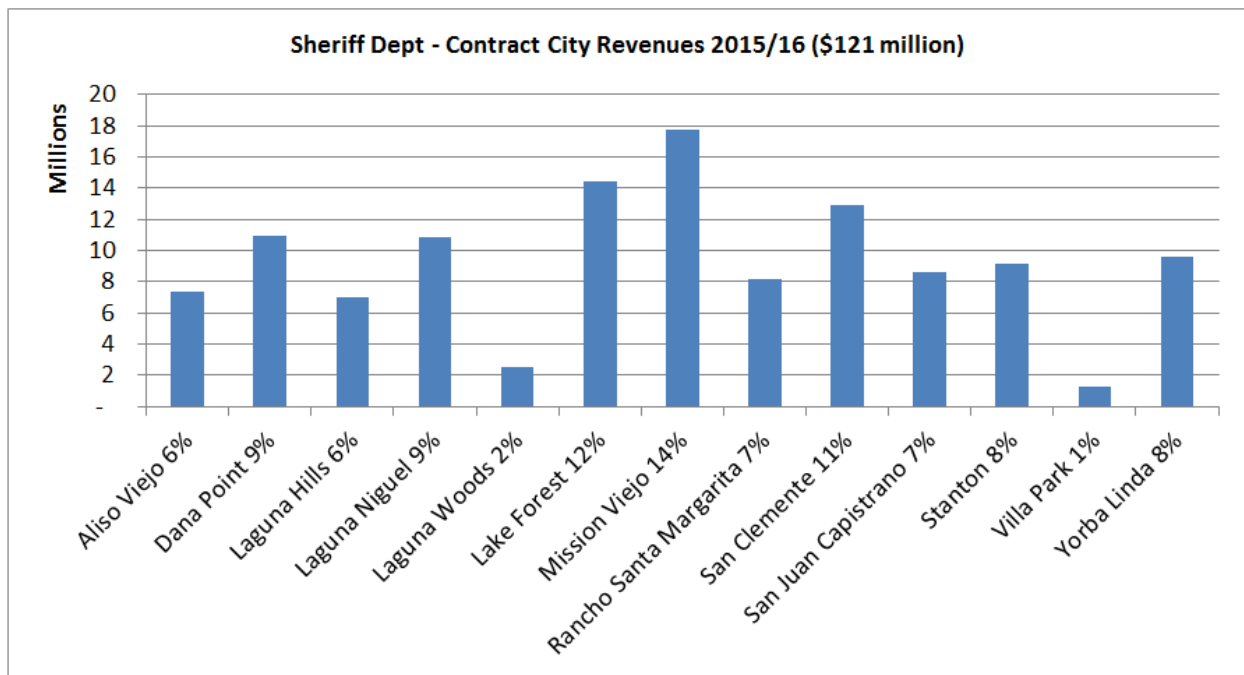
John Wayne Airport and Waste Management provided another \$300 million in revenues.



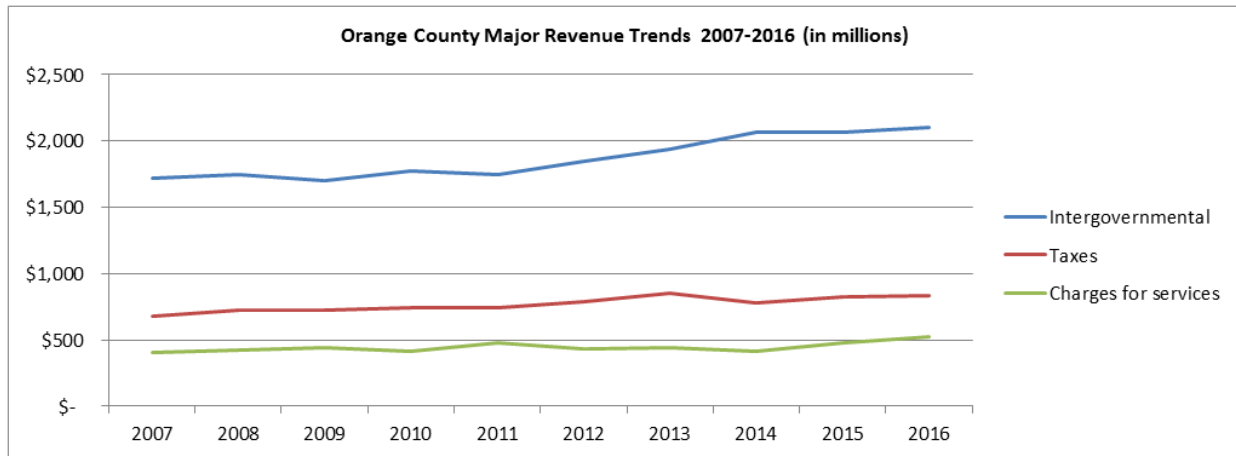
Sherriff's Department

A large component of service charges for government services was public safety provided by the Orange County Sherriff's Department to 13 contract cities, unincorporated areas of the County, and John Wayne Airport. The Department has approximately 3,400 sworn and professional staff members in addition to reserve personnel. The Department receives financial support from the Proposition 172 Public Safety ½ Cent Sales Tax which provided approximately \$309 million for fiscal 2015-2016. For fiscal 2015-16, 13 contract cities also paid approximately \$121 million to obtain the services of the Sheriff's Department. Rates for contract cities are budgeted to increase by an average of 3.8% for fiscal 2016-2017. These funds are in part used for pension contributions to OCERS.

Contracts between contract cities and the County with Orange County Sheriff's Department are one year long, and either party can terminate the agreement with 180 days written notice. All cities currently under contract with the Orange County Sheriff's Department also contract with the Orange County Fire Authority for fire and emergency services.



County Revenue Past Trends



Net Position as of June 30, 2016

The total assets of the County exceeded its total liabilities at June 30, 2016 by \$2.2 billion. The County's Net Position was comprised of the following:

- **Net Investments in capital assets** of \$3.4 billion includes buildings, equipment, land, construction in progress, structures, equipment, software, and infrastructure.
- **Restricted** was \$1.3 billion, which combined amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation and was primarily for social services/welfare grants, pension obligation bonds, future capital projects, and the County's debt service.
- **Unrestricted** has a deficit of \$2.5 billion. The unrestricted fund balance is to be made available for any purpose approved by the Board of Supervisors, but is negative due to the recognition of the net pension liability (GASB 68).

Budgeting and Forecasting by the County

The County Executive Office prepared the fiscal year 2016-17 Recommended Budget for approval by the Board of Supervisors. The "2016 Strategic Financial Plan" includes their forecast and what key indicators they use. The Strategic Financial Plan is influenced by several economic factors, measuring Orange County against the nation and other counties and against its own past performance:

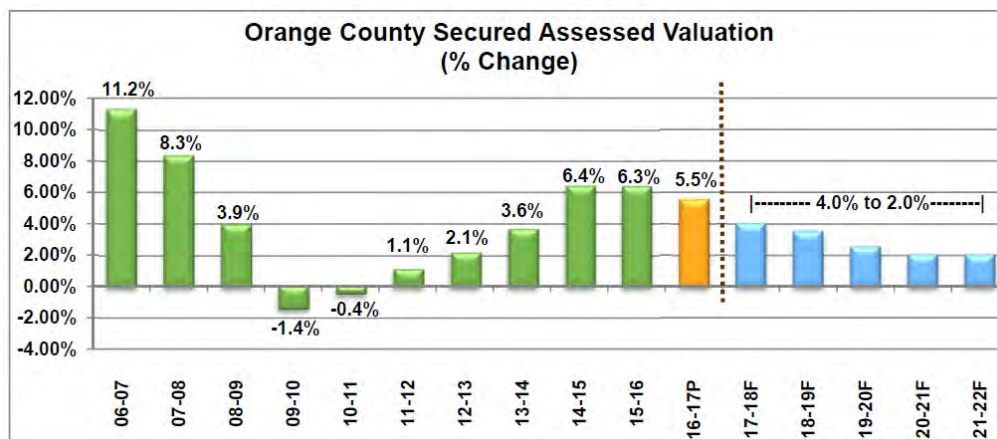
- Comparative employment statistics against other Southern California counties
- Orange County's year-over-year property tax and general purpose revenue growth
- Comparison of Orange County's Fund Balance against other Southern California counties

- Comparative housing analysis of median home price, unit sales, and median family incomes against other Southern California counties
- Trends in taxable sales year-over-year
- Orange County’s Sources and Uses for the County’s discretionary General Purpose Revenue
- Additional funding or augmentations requests from the County General Fund and Reserve available to the General Fund
- Orange County’s Capital Improvement Plan
- Orange County’s Strategic Priorities for major projects / initiatives and requested funding from the County General Fund.

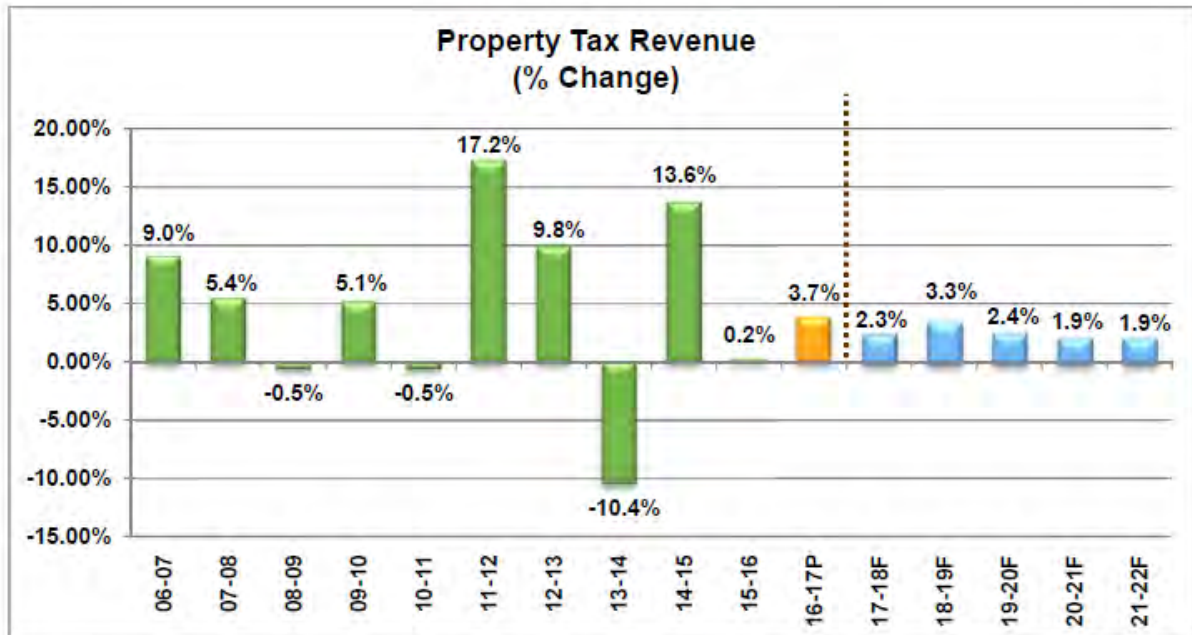
The County uses forecasts from Chapman University, UCLA, the State Legislative Analyst Office and other various sources. The Forecast reports consist of national and state level data and commentary including interest rates, real estate analysis, government revenues, online services, exports and imports, employment, financial activity, demographics, personal income, online services, and consumer spending.

The County also uses the Congressional Budget Office (CBO) Monthly Budget Review-Summary for forecasts of Gross Domestic Product, Consumer Price Index, unemployment, Treasury bill rates, and the federal deficit. The County uses the Legislative Analyst's Office revenue forecasts for the State. The County also uses the Chapman University forecast for economic and employment growth. Chapman also tracks and forecasts Permits for Dwelling Units and Resale Homes Index for Single Units. Both UCLA and Chapman have state forecasts of CPI, Taxable Sales, Personal Income, and Payroll Employment. The County tracks taxable sales and other economic data from various sources that help the County to forecast revenues.

The assessed value of taxable property in Orange County declined in 2009-10, but by 2014-15, the value reached \$483 billion, surpassing the high of 2008-2009. Within the County’s “2016 Strategic Plan”, the following chart illustrates the history of the percent change in Orange County’s Secured Assessment Roll of Value and forecast:



Within the County’s “2016 Strategic Plan”, the following chart illustrates the history of property tax revenue growth rates and forecast:



Long-Term Debt and Bond Ratings (Non-UAAL liability)

In its CAFR, the County specifies revenues it plans to use to pay long-term debt. The amount of general obligation bonded indebtedness the County can incur is limited by law to 1.25% of the last equalized assessment property tax roll. At June 30, 2016, the County had no net general obligation bonded debt. The County’s legal debt limit for the year was \$6.3 billion. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, Section 1 requires the approval of two-thirds of the voters voting on the proposition.

In September 1994, the County issued \$320 million of pension obligation bonds, of which \$318 million was paid to OCERS. OCERS maintains the proceeds in an investment account with the County. Amounts in the investment account have been used to fund a portion of the County’s pension contributions over time; the County has discretion in applying the credit. As of June 2016, \$111 million of the proceeds remains in the investment account available for future credit towards the County’s pension obligations.

The County’s long-term outstanding debt is rated by three municipal bond rating services:

- Fitch Ratings
- Moody’s Investor Service
- Standard & Poor’s Global Ratings.

Ratings are as of October 2016:

Outstanding Principle & Interest ('000s) as of 09/2016	Type of Bonds	Fitch	Moody's	S&P
\$7.8 million	1991 Civic Center Parking COP's	NR	Aa2	NR
\$63.5 million	1997A Refunding Pension Obligation Bonds	AA	Aa1	AA-
\$5.8 million	2005 Lease Revenue Refunding Bonds	AA	Aa2	AA-
\$8.4 million	2006 Lease Revenue Bonds	AA	Aa2	AA-
\$16.9 million	2012 Juvenile Justice Center Lease Refunding Bonds	NR	Aa2	AA
\$89.8 million	2016 Lease Revenue Bonds	NR	NR	AA
\$200 million	2009A & 2009B Airport Revenue Bonds	AA-	Aa3	AA-
\$392.2 million, total				

The ratings reflect the rating services’ assessment of the following factors for the County, as quoted below:

- Very strong economy, with access to a broad and diverse metropolitan statistical area;
- Strong management, with good financial policies and practices under S&P’s Financial Management Assessment methodology;
- Strong budgetary flexibility, with an available fund balance expected to improve in the near term;
- Very strong liquidity, with total government available cash at 60.0% of total governmental fund expenditures and adequate governmental debt service, and access to exceptional external liquidity;
- Strong debt and contingent liability position, with debt service carrying charges at 4.7% of expenditures and net direct debt that is a low percentage of total governmental fund revenue, as well as low overall net debt, but with a large pension and other postemployment benefit obligation and the lack of a plan to sufficiently address these obligations;
- Total County debt has declined steadily in the past ten years from \$1.5 billion in 2003-04 to levels noted above.

Orange County Fire Authority (OCFA)

The OCFA was formed on March 1, 1995, transitioning from the Orange County Fire Department to a Joint Powers Authority (JPA). The OCFA is an independent special district that services twenty-three member cities and the unincorporated areas of Orange County. A twenty-five member Board of Directors governs the OCFA. This Board includes an elected official from each of the twenty-three member cities and two representatives from the County Board of Supervisors. The OCFA is managed by an appointed Fire Chief who reports to the Board of Directors. Emergency response services are provided to 1.8 million residents in a 576 square mile area of Orange County. The OCFA had 1,270 active employees, or 6% of OCERS' active membership, as of December 2016.

Although OCFA's Net Position has a deficit of \$161 million entity-wide, the Unrestricted portion of the Net Position actually has a deficit of \$349 million primarily due to the recognition of the net pension liability on its Statement of Net Position (GASB 68). GASB 68 was implemented in 2015.

As of OCFA's Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Total Assets & Deferred Outflows of Resources	\$397 million	\$494 million	\$562 million
Total Liabilities & Deferred Inflows of Resources	\$153 million	\$663 million	\$723 million
Net Position	\$244 million	-\$169 million	-\$161 million
Cash and Investments	\$160 million	\$165 million	\$178 million
Net Pension Liability	\$443 million	\$467 million	\$518 million

During OCFA's Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Required Contributions to OCERS	\$57.8 million	\$66.2 million	\$67.3 million
As a % of Covered Payroll	46%	52%	51%
Actual Contributions to OCERS	\$63.0 million	\$87.5 million	\$82.7 million
As a % of Covered Payroll	50%	68%	63%
As a % of Total Revenues	20%	26%	23%

Revenues

OCFA's total revenues were \$357 million for the year ending June 30, 2016.

Two primary sources of OCFA revenue come from contract cities and the Structural Fire Fund as outlined in the Joint Powers Agreement for the OCFA. The majority of revenues came from \$220 million property taxes from the Structural Fire Fund (SFF), and \$117 million charges for

services paid by contract cities and the State of California. Property tax is 63% of their budgeted revenues. OCFA also received \$15 million in operating grants and capital grants from other governmental agencies. There were \$5 million in miscellaneous revenues and investment income.

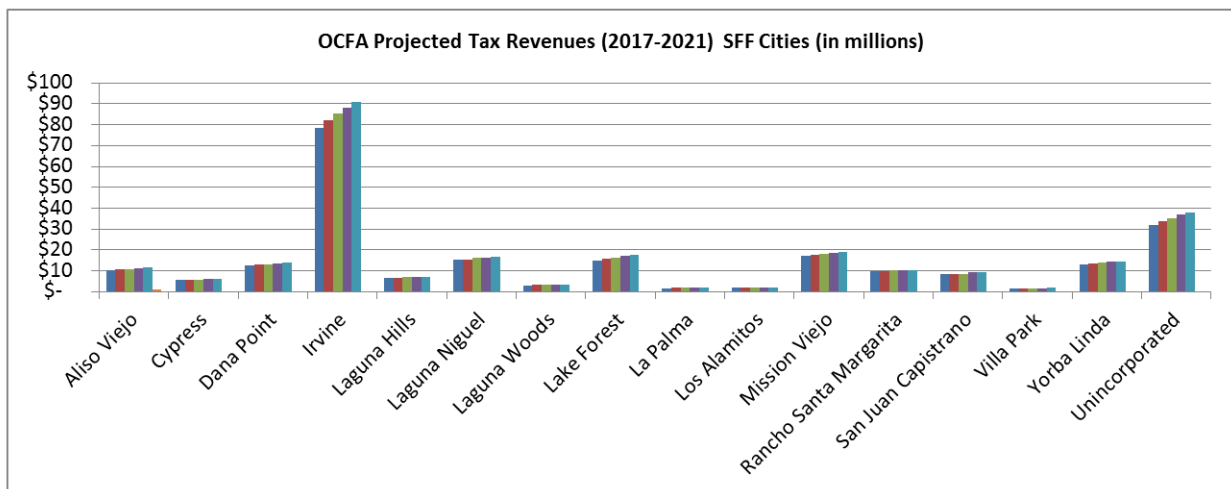
Structural Fire Funds (SFF)

The County of Orange remits a portion of property taxes collected from SFF cities to OCFA in accordance with the County’s tax apportionment procedures and schedules. In fiscal year 2015-2016, 11.47% of the county’s collected property tax was allocated to OCFA for SFF.

SFF members currently include Aliso Viejo, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Rancho Santa Margarita, San Juan Capistrano, Villa Park, Yorba Linda, and unincorporated areas of the County. For SFF members, the current 20-year term began on July 1, 2010 and ends on June 30, 2030. Approximately 48% of property tax revenues allocated to OCFA from structural fire fund cities are generated from the City of Irvine (35%) and the County’s unincorporated territory (13%).

On January 24, 2017, the City of Irvine City Council directed City staff to explore leaving the OCFA in 2020 and return with a plan on how that could be accomplished. Were the City to withdraw from OCFA, the amount of property taxes from the City of Irvine to remain allocated to OCFA is indeterminable at this point. The County of Orange Board of Supervisors, the City of Irvine, and OCFA would need to negotiate the reallocation of property tax.

Below is OCFA’s multi-year projection of forecasted property tax revenues for each of the SFF members, according to their consultant for forecasting, RSG. OCFA’s consultant expects an average of 3.6% increase in property tax revenues over the next five years through 2021.

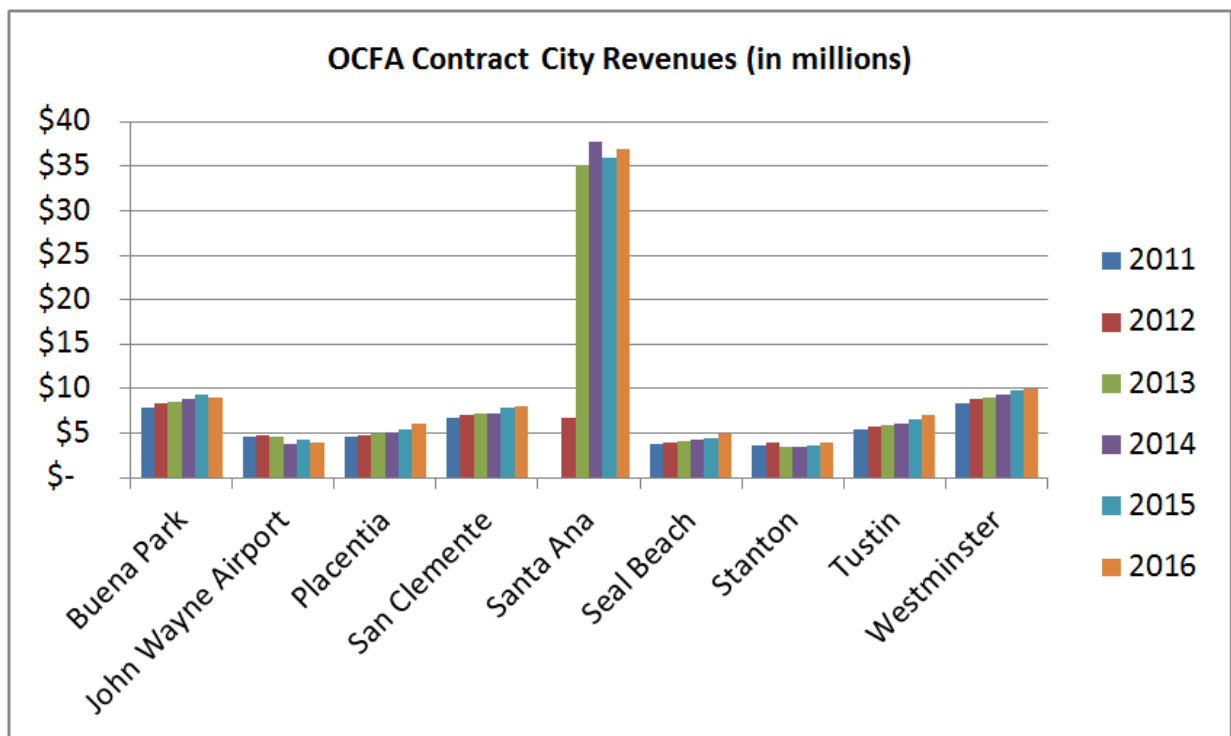


Contract Cities

Contract cities pay the OCFA for fire services out of their general funds. Contract cities currently include Buena Park, Placentia, San Clemente, Santa Ana, Seal Beach, Stanton, Tustin, and Westminster. There is also a contract with the state department of forestry (CAL FIRE) that renews every three years and a contract with John Wayne Airport that has renewed in varying intervals ranging from one-year intervals to five-year intervals. Contract cities are members of the OCFA for a current 20-year term that began on July 1, 2010 with the option of withdrawal after 10 years, only if notice is provided two years prior to the 10th year (i.e., notice must be provided by June 30, 2018 in order to withdraw effectively July 1, 2020).

Annually, OCFA calculates the total fire service charges for each contract city. The charge includes a base service charge, vehicle replacement costs, and station maintenance costs. The base service charge is the sum of the prior year total service charge plus cost increases capped at no more than 4.5%. Generally, salary and benefits historically account for more than 90% of the base service charge. Thus, increases in salary and benefits have been the general drivers of the annual increase in base service charges.

Every five years, OCFA compares actual operational costs for the fiscal year against the annual service charge of each contract city. Depending on the size of the difference between those two, the contract city may potentially end up paying to OCFA the entire difference in the current year or amortizing payment over the subsequent five years.



OCFA's Long-Term Liabilities

OCFA's long-term liabilities as of June 30, 2016 were \$669 million composed of the following: \$518 million in net pension liability, \$61 million in accrued workers' compensation claims, \$67 million in other post-employment benefits (OPEB), \$17 million in compensated balances for vacation and sick pay, and \$6 million in capital lease obligations for helicopters. Although OCFA has a \$61 million liability for accrued workers' compensation claims, they have fully funded the liability with cash reserves that have been set aside for this dedicated purpose.

OCFA's "Expedited Pension UAAL Payment Plan"

In September 2013, the OCFA Board of Directors approved an "Expedited Pension UAAL Payment Plan" with an expected payment of the entire UAAL balance over 13 years by 2026-27. During fiscal year 2013-14, OCFA made a total of \$5.2 million in additional payments to OCERS to help pay down its share of the UAAL. In fiscal year 2014-15, OCFA made an additional \$21.4 million in payments to OCERS to help pay down the UAAL. In fiscal year 2015-16, OCFA made an additional \$15.4 million in payments to OCERS to help pay down the UAAL.

Net Position as of June 30, 2016

The total liabilities and deferred inflows of resources of OCFA exceeded its total assets and deferred outflows of resources at June 30, 2016 by \$161 million. The negative net position is in part due to GASB 68's requirement to include long-term unfunded pension liabilities in the Statement of Net Position, implemented in 2015.

The Unrestricted Fund portion of the Net Position has a deficit of \$349 million primarily due to the recognition of the net pension liability on its Statement of Net Position (GASB 68).

City of Irvine and Payment Amendment to Joint Powers Agreement

In fiscal year 2013-14, the OCFA amended its Joint Powers Agreement with SFF cities and the County to adjust revenues received from SFF members. OCFA agreed to pay "overfunded" SFF members, such as the City of Irvine, a Jurisdictional Equity Adjustment Payment (JEAP). "Overfunded" means a SFF revenue rate greater than the average SFF revenue rate for all SFF members. However, the County of Orange contested the JEAP amendment in Superior Court, and on August 4, 2014, the judge invalidated the JEAP amendment to the plan. OCFA filed for an appeal of this decision but ultimately lost in appellate court in March 2016.

Contract Cities Agreements and UAAL

Neither the original March 1995 OCFA Joint Powers Authority Agreement, nor the March 2000 amendment, nor the July 2010 amendment renewing the OCFA membership of contract cities, structural fire fund cities, and the County, explicitly mention any requirement for a member city to pay a portion of OCFA's unfunded actuarial accrued liability to OCERS upon leaving OCFA. However, the March 2012 "Fire Services and Medical Services Agreement" between the City of Santa Ana and OCFA states:

"Upon termination or expiration of this Agreement or other cessation of city's membership in OCFA, city agrees to pay OCFA the amount of the unfunded pension liability that had accrued during the term of this Agreement for the number of OCFA employees serving the city. In the event of any dispute regarding the amount of the unfunded pension liability at that time, the parties agree that the amount shall be determined by an independent actuary selected either by mutual agreement of the parties, or failing that, by the actuary used by the Orange County Employees Retirement System (OCERS)."

Leaving the JPA

Under the JPA, both SFF and Contract Cities shall be members of the Authority for a 20-year term commencing July 1, 2010. Twenty-year membership terms automatically renew in 2030. However, a city may give written notice of withdrawal prior to July 1 of the second to last year of every ten-year interval of a twenty-year term. So for the first ten-year interval, notice must be given by July 1, 2018 to withdraw by June 30, 2020.

Impact on OCERS from Withdrawal or Termination of Members or Dissolution of the OCFA JPA

Under JPA law, the "debts, liabilities, and obligations of the agency shall be debts, liabilities, and obligations of the parties to the agreement, unless the agreement specifies otherwise." Govt. Code sec. 6508.1. In OCFA's case, the JPA agreement expressly disclaims members' liability for debts incurred by OCFA. While members are contractually obligated to OCFA to contribute their share towards OCFA's operating expenses and bonded indebtedness, OCFA's employer contribution obligations to OCERS are the obligations of OCFA alone.

SFF cities, contract cities and the County all have the contractual right to withdraw from the OCFA JPA at certain specified dates. The County may not withdraw until at least 2030. Alternatively, each participating city may be terminated for non-payment of its annual obligations to the JPA. In the event of a member withdrawal or termination, the JPA would remain liable to OCERS for its full portion of OCERS' UAAL. Cities would remain liable to

OCFA for their share of those liabilities generated during the period of their membership in the JPA.

The withdrawal or termination of a SFF city would not alter the County's obligation to pay into the OCFA JPA that city's share of annual property taxes collected by the County. In this manner, a continuous flow of new cash would come into the JPA, likely sufficient to meet OCFA's anticipated UAAL payments to OCERS into the future. Further, OCFA has the authority to impose new special taxes or assessments in order to make up any funding shortage. Finally, under CERL and the California Constitution, OCERS has the right to accelerate the amortization of OCFA's UAAL so that it could become immediately due and payable in the event of a threatened dissolution of the JPA.

Ultimately, however, if OCFA were to dissolve or elect Chapter 9 bankruptcy protection, OCERS' ability to recover the nearly \$500 million in UAAL payments for which the JPA presently is liable could be at risk. Among other available remedies, OCERS may be entitled to subrogate to the rights of the JPA in order to proceed directly against any SFF or contract city for its share of the pension obligations generated during the term of that city's membership in OCFA.

Orange County Superior Court

The State of California has 58 superior courts—one in each of the state’s 58 counties. Based on the number of authorized judicial officers, the Superior Court of Orange County is the third largest of the 58 courts. The Court has 124 Superior Court Judges and 20 Superior Court Commissioner positions. The Orange County Superior Court was part of the County of Orange until 1999 when it transitioned to the State of California and became a plan sponsor for OCERS.

Orange County Superior Court does not issue stand-alone financial statements.

As of Superior Court Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Net pension liability	\$392 million	\$356 million	\$396 million

As of OCERS’ Calendar Year Ending:

	12/31/14	12/31/15	12/31/16
Employer Contributions to OCERS	\$30 million	\$32 million	\$31 million
As a % of Total Revenues	16%	17%	15%

Superior Court is one of OCERS’ five largest plan sponsors. It has 1,509 active members, or 7% of OCERS’ active membership, as of OCERS’ fiscal year 2016.

Trial courts in California are predominantly state-funded entities, whose funding appropriations are included in the State of California Budget under the Trial Court Trust Fund. Thus, the Judicial Branch is subject to the level of funding that is negotiated between the Governor and the state Legislature. Since the recession of 2008, the Judicial Branch had significant funding reductions. Over the past five years, the state of California has reduced State General Fund support for the Judicial Branch by nearly \$1 billion.

The Court itself has seen a reduction of \$15 million of funding over the past five years compared to historical funding levels. Due to these funding restrictions, Orange County Superior Court does not participate in OCERS’ prepayment plan for discounted employer contributions.

Revenue Allocation from the State

In 2012, the Governor and Legislature tasked the Judicial Branch with developing a new funding methodology to more equitably distribute funding to the 58 trial courts. In 2013, the new methodology named the Workload-Based Allocation and Funding Methodology (WAFM) established a baseline funding formula for each court using data such as total court filings, filing-driven costs, and U.S. Bureau of Labor Statistics labor cost data. Adjustments are taken to account for the ratio of simple and complex cases for each of the 58 trial courts. The WAFM result for each court is updated annually and varies annually depending on actual filing trends,

workload costs, and other various adjustments. The new methodology is being phased in over five years, currently in its fourth year. In fiscal year 2016-17, Superior Court is funded at roughly five percent more than the statewide average; hence funds will be taken from Superior Court and redistributed to courts below the statewide average, based on need as calculated by WAFM.

Revenues

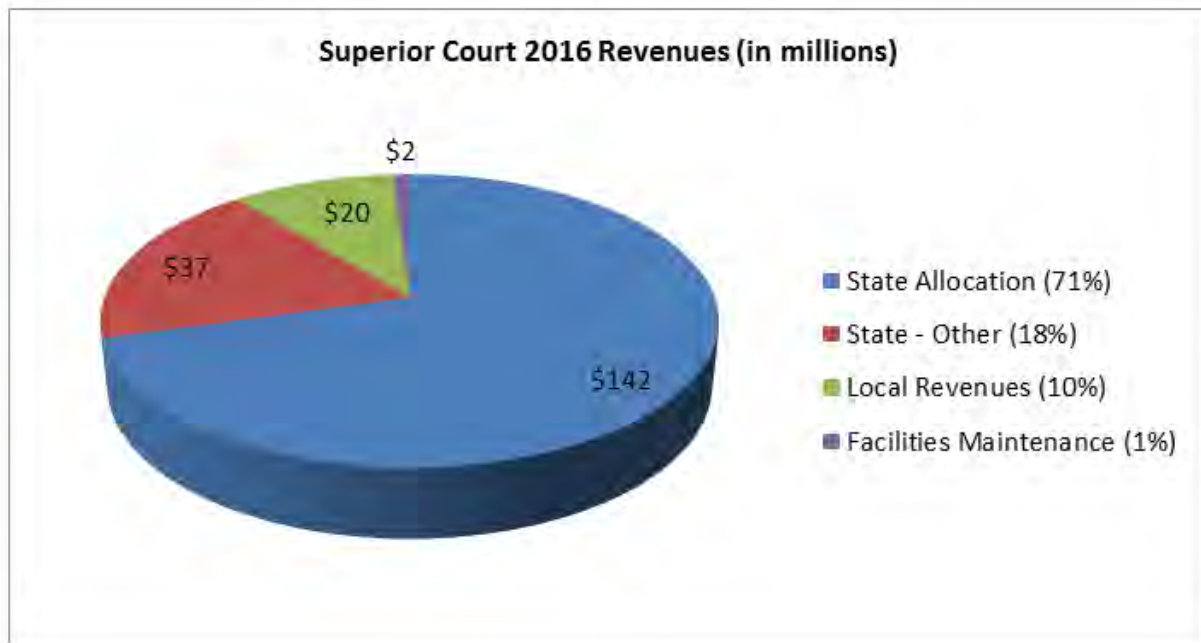
Superior Court’s total revenues were \$201 million for the year ending June 30, 2016.

State Allocation of revenues to the Court was \$142 million for fiscal year ended June 30, 2016.

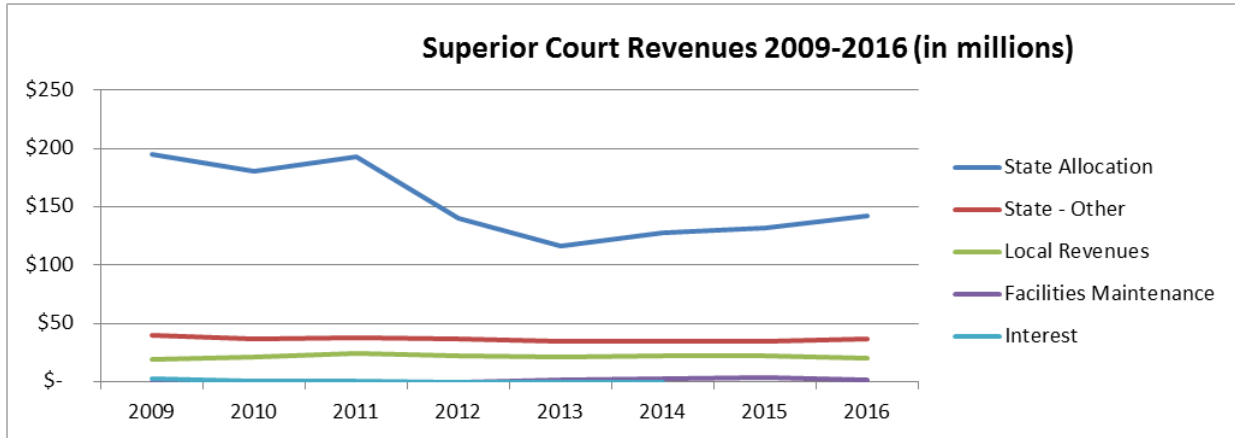
“State Other Revenue” was \$37 million that includes state grants and dollar for dollar reimbursements of expenditures for language interpreters, jury pay expenditures, complex case programs, and self-help programs.

Local Revenues were \$20 million and includes donations, reimbursements for services provided to the County, and cost recovery for the Enhanced Collections program and local fees, for example for copies of documents. Typically, local revenues remain consistent and fluctuate little from year to year. These are dollar in – dollar out reimbursement of expenses.

Facilities Maintenance was \$2 million and is a three-year pilot program in which the court gets reimbursed for facility maintenance and modifications, also a dollar in – dollar out reimbursement.



Superior Court's Past Revenue Trend



Orange County Transportation Authority (OCTA)

OCTA was established by state law on June 20, 1991. OCTA is governed by an 18-member Board of Directors (Board) that includes of five members of the Orange County Board of Supervisors, ten city representatives, two public members selected by the OCTA Board, and a non-voting representative appointed by the Governor of California. A Chief Executive Officer manages OCTA and acts in accordance with the directions, goals, and policies approved by the Board. OCTA serves Orange County residents and commuters by providing countywide bus and paratransit service, Metrolink commuter rail service, freeway improvements, street and road improvements, the 91 Express Lanes, motorist aid services, and taxi program regulation.

OCTA is one of OCERS five largest plan sponsors. It has 1,375 active members, or 6% of OCERS’ active membership, as of 2016 year-end.

As of OCTA’s Fiscal Year Ending:

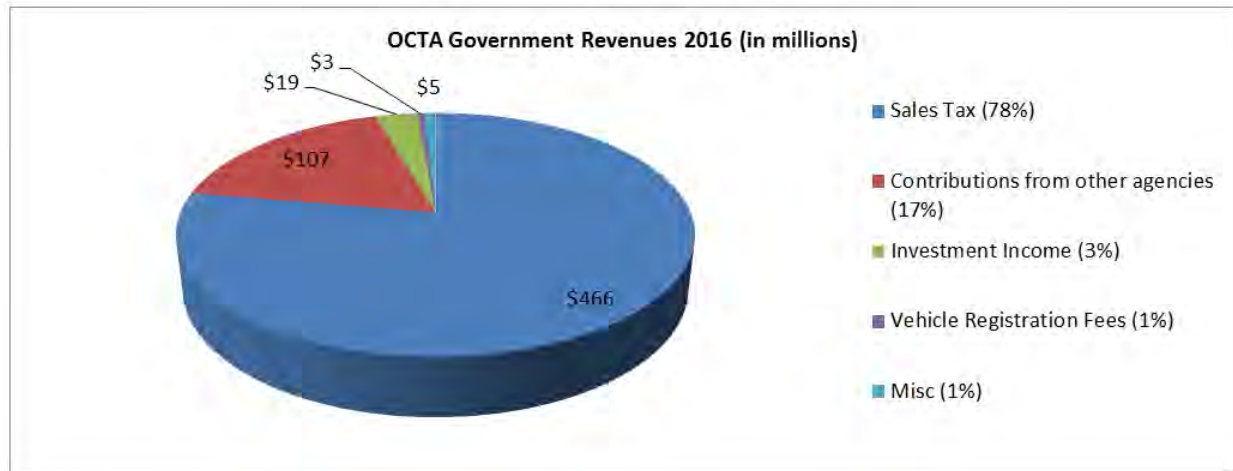
	6/30/14	6/30/15	6/30/16
Total Assets & Deferred Outflows of Resources	\$2.1 billion	\$2.2 billion	\$2.3 billion
Total Liabilities & Deferred Inflows of Resources	\$0.7 billion	\$0.9 billion	\$0.9 billion
Net Position	\$1.4 billion	\$1.3 billion	\$1.4 billion
Cash and Investments	\$1.2 billion	\$1.3 billion	\$1.3 billion
Net Pension Liability	\$218 million	\$204 million	\$250 million

As of OCTA’s Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Employer Contributions to OCERS	\$22 million	\$25 million	\$26 million
As a % of Covered Payroll	24.6%	26.6%	26.9%
As a % of Total Revenues	3%	3%	3%

2016 Revenues

OCTA’s total revenues were \$794 million. Most revenues were government fund revenues which were \$600 million for the year ended June 30, 2016. OCTA’s key sources of government revenues were Measure M sales taxes, state sales tax, and contributions from other agencies.



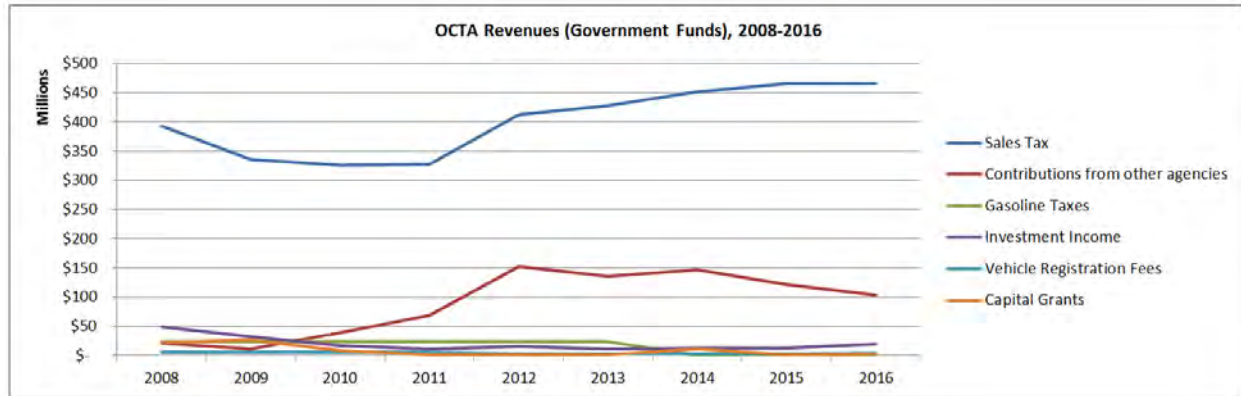
Sales Taxes of \$466 million were comprised of Orange County’s Measure M, California’s Transportation Development Act, and State Transit Assistance programs:

- Measure M ½ cent local sales tax - In 2006, Orange County voters renewed the M2 ½-cent sales tax for an additional 30 years. Allocation of M2 funds remains the same as the original M1 with 43% slated for freeway improvements, 32% for streets and roads, and 25% for transit projects and programs.
- California’s Transportation Development Act (TDA) ¼ cent state sales tax - TDA provides funding for public transportation via the Local Transportation Fund (LTF). This fund is for the development and support of public transportation needs that exist in California and are allocated to areas of each county based on population, taxable sales, and transit performance.
- State Transit Assistance (STA) revenue is generated by the state sales tax on diesel fuel as specified under the gas tax swap enacted in March 2010. STA revenues are then distributed based on several demographic factors.

Contributions from other agencies (\$107 million) include Federal Operating Assistance Grants, Federal Capital Assistance Grants, and other federal or state grants. These funds are available for para-transit operating assistance, preventive maintenance, capital cost of contracting, demonstration projects, transportation planning, and acquisition and construction of facilities, transit vehicles and related support equipment. Federal grant funds are allocated on a formula and competitive basis for capital projects. Federal revenues are legally restricted to their intended purposes and cannot be used to pay pension costs.

Other Income (\$27 million) include \$19 million in investment interest income, \$3 million in vehicle license fees, and \$5 million in miscellaneous income.

OCTA'S Past Revenue Trends (Government Funds)



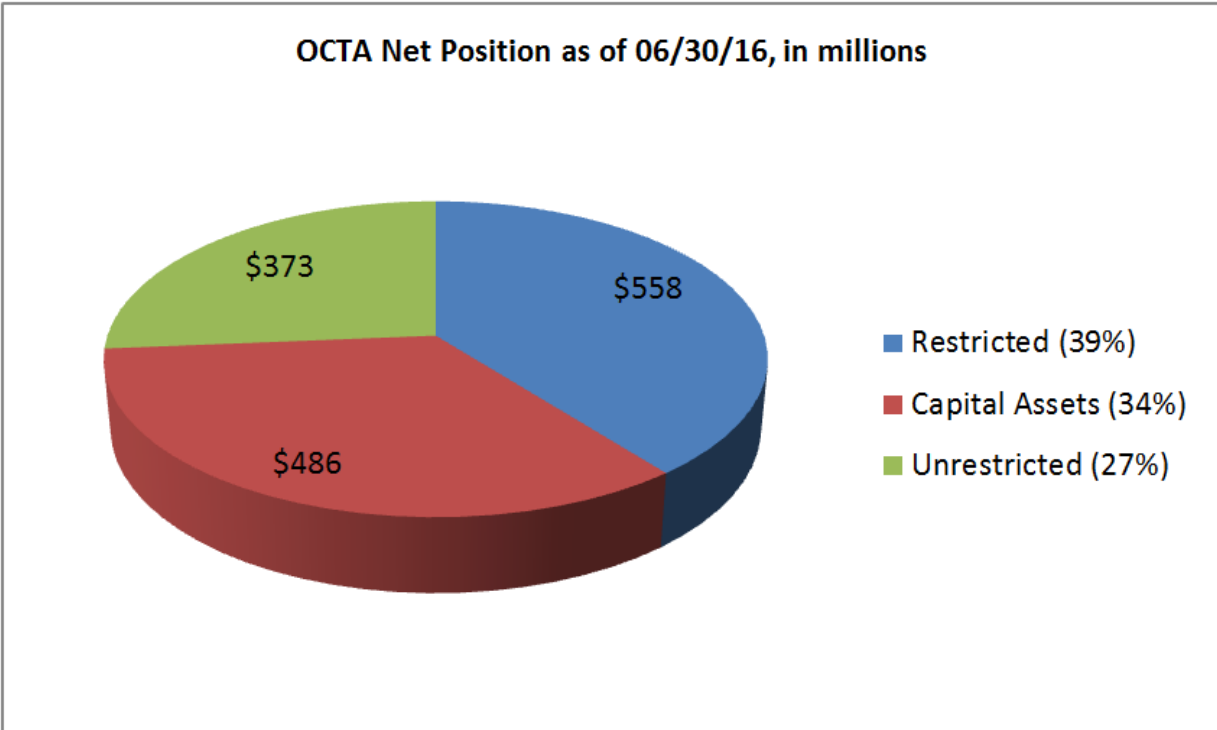
In addition to the government fund revenues above, OCTA also had 2016 total proprietary (enterprise) operating revenues of \$104 million and non-operating revenues of \$90 million from the 91 Freeway Express Lanes (owned and operated by OCTA) and the Orange County Transit District (OCTA's predecessor agency which is now managed by OCTA). Enterprise funds are separately stated from government funds to emphasize the business-like nature of enterprise funds versus governmental operations.

Net Position as of June 30, 2016

The total assets of OCTA exceeded its total liabilities at June 30, 2016 by \$1.4 billion. Of this amount, \$373 million is unrestricted and may be used to meet OCTA's ongoing obligations to citizens and creditors. OCTA prepays its annual employer contributions to OCERS, and its total liabilities do not include its employer contribution.

The OCTA's Net Position was assigned or restricted to the funds listed below:

- **Net Investments in capital assets** of \$486 million includes buildings and improvements, machinery, equipment, furniture, transit vehicles, and transponders.
- **Restricted** was \$558 million, represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties. This is mostly comprised of \$530 million of net assets restricted by Measure M2 legislation for transportation programs and motorist services.
- **Unrestricted** was \$373 million. These are available for any purpose approved by the Board of Directors.



Budgeting and Forecasting by OCTA

According to OCTA’s CAFR, in 2005 when Measure M (M2) was being developed, the revenue forecast at that time assumed M2 would generate \$24.3 billion during the 30 year program. However, OCTA’s new forecasting methodology anticipates that total taxable sales available for the M2 Program will be \$14.2 billion over the 30 year period, a year-over-year decrease of \$1.4 billion, or 10 percent, from last year’s 30 year forecast. Also according to OCTA’s new tax forecasting methodology, the estimated taxable sales growth rate for FY 2017-2021 is 3.6%. This blended rate is based on forecasts from Chapman University, California State University, Fullerton, and University of California, Los Angeles and an outside consultant.

Also based OCTA’s new forecasting methodology, it is projected that OCTA’s bus program will receive \$1 billion less in California’s Transportation Development Act (TDA) ¼ cent state sales tax revenue over the next 20 years. TDA revenue is anticipated to decrease from \$5.4 billion to \$4.4 billion, which represents an 18 percent decrease in sales tax revenue available to support ongoing bus operations. According to OCTA, by the 2028-2029 fiscal year, the cost of the bus system will begin to outpace incoming revenue.

Long-Term Obligations and Bond Ratings (Non-Pension Related)

In 2010, OCTA issued \$293.5 million in par value of bonds. The outstanding amount as of June 30, 2016 was also \$293 million. M2 sales tax revenues are the revenue source assigned to pay

down this debt. Currently, bond rating agencies have assigned AA+ ratings for these bonds. These bonds mature 2041.

Also in 2010, OCTA issued \$59 million in par value of bonds. The outstanding amount as of June 30, 2016 was \$46 million. M2 sales tax revenues are the revenue source assigned to pay down this debt. Currently, bond rating agencies have assigned AA+ ratings for these bonds. These bonds mature in 2020.

In 2013, OCTA issued \$124 million in par value worth of bonds. The outstanding amount as of June 30, 2016 was also \$124 million. 91 Express Lane toll revenue is the revenue source assigned to pay down this debt. Currently, bond rating agencies have assigned AA- ratings for these bonds. These bonds mature in 2030. This was issued to help OCTA finance the purchase of the 91 Express Toll lanes.

Orange County Sanitation District

The Orange County Sanitation District (OCSD) is a special district established by the California State legislature and governed by a 25-member board of directors. The directors are comprised of elected representatives for each of the sewer agencies or cities within OCSD's 479 square mile service area.

OCSD owns and operates certain wastewater facilities in order to provide regional wastewater collection, treatment, and disposal services to approximately 2.5 million people in the northern and central portion of the County – 200 million gallons of daily wastewater. It is managed by an administrative organization comprised of directors appointed by the agencies and cities which are serviced by OCSD.

OCSD is one of OCERS' five largest plan sponsors. It has 581 active members, or 3% of OCERS' active membership, as of December 2016 year end.

As of OCSD Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Total Assets & Deferred Outflows of Resources	\$3.2 billion	\$3.2 billion	\$3.2 billion
Total Liabilities & Deferred Inflows of Resources	\$1.4 billion	\$1.4 billion	\$1.3 billion
Net Position	\$1.8 billion	\$1.8 billion	\$1.9 billion
Cash and Cash Equivalents	\$215 million	\$58 million	\$126 million
Net Pension Liability	\$203 million	\$57 million	\$42 million*

During OCSD's Fiscal Year Ending:

	6/30/14	6/30/15	06/30/16
Required Contributions to OCERS	\$19 million	\$17 million	\$12 million
As a % of Covered Payroll	32%	29%	20%
Actual Contributions to OCERS	\$19 million	\$142 million	\$62 million
As a % of Covered Payroll	32%	242%	104%
As a % of Total Revenues	5%	36%	15%

*OCSD has paid an additional \$39 million contribution towards its UAAL subsequent to 6/30/16.

Revenues

OCSD's revenues were \$423 million for the year ending June 30, 2016.

Service Charges were \$314 million. User fees are ongoing fees for service paid by customers connected to the sewer system. A property owner, or user, does not pay user fees until connected to the sewer system and receiving services. Once connected, a user is responsible for his share of the system's costs in proportion to his demand on the system. These fees are for both single family residences and multiple family residences. The 2015-16 single family residential rate, the

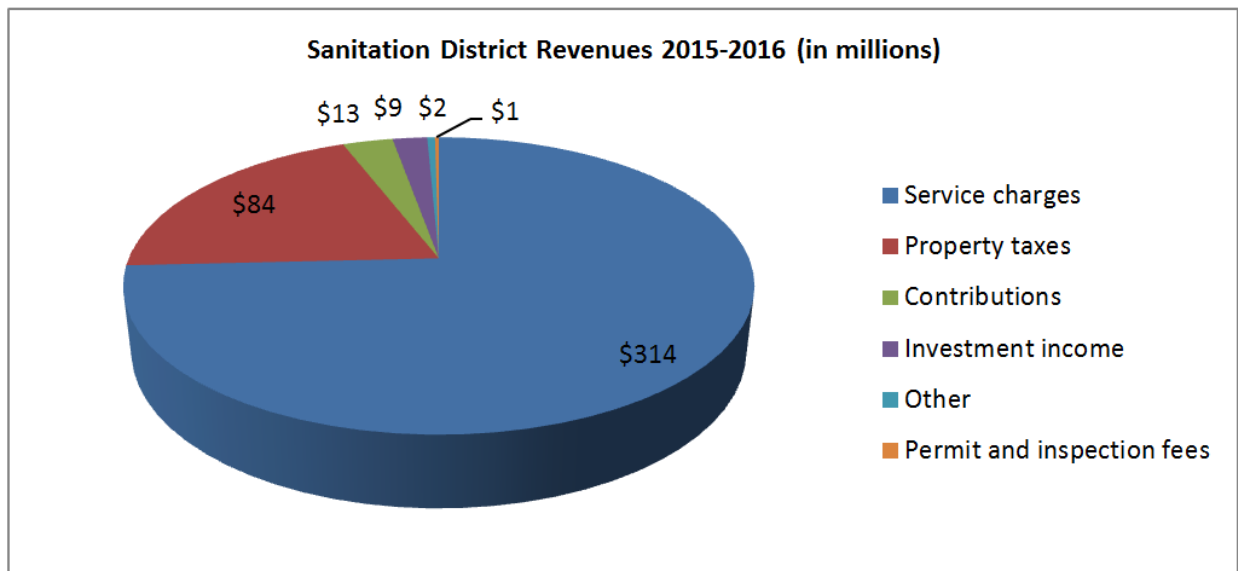
underlying basis for all sewer rates, is \$327. Rates for commercial and residential use are modified upward for the additional water flow that comes from these types of structures.

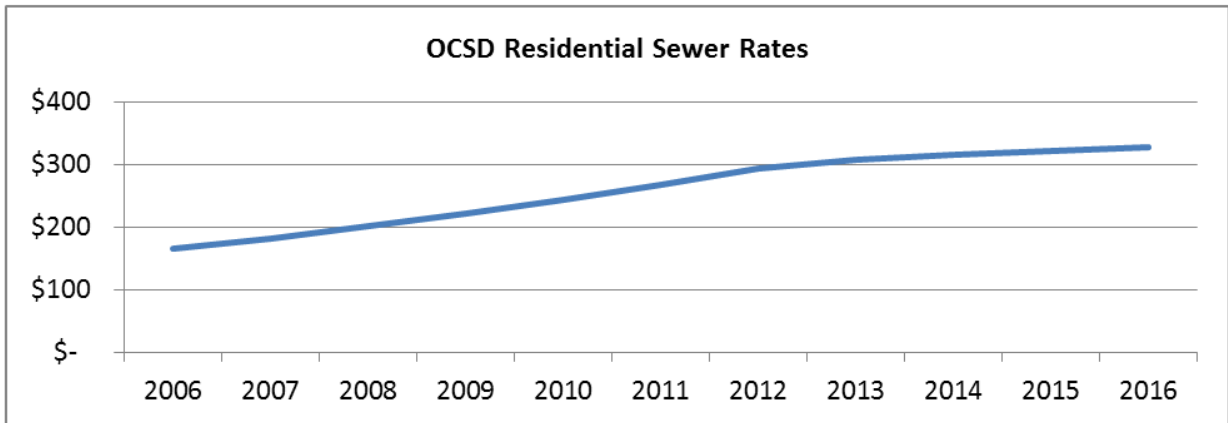
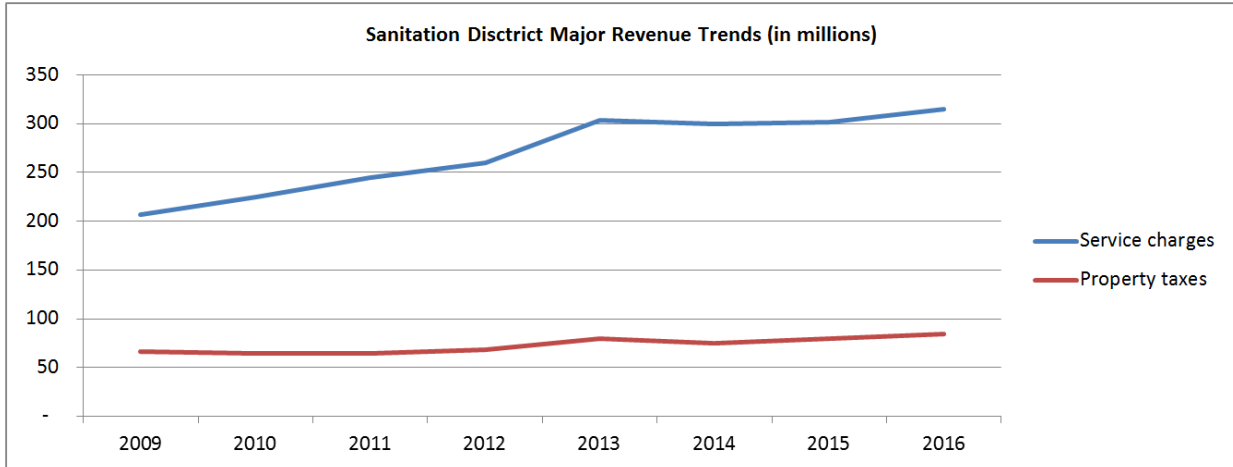
Property taxes (non-operating revenues) were \$84 million. The County is permitted by State law (Proposition 13) to levy taxes at one percent of full market value and can increase the assessed value no more than two percent per year. OCSD receives a share of the basic levy proportionate to what was received from 1976 to 1978. OCSD's share of this revenue is dedicated for the payment of debt service.

Contributions from other government were \$13 million: this represents service charges to the Irvine Ranch Water District for its use of OCSD's collection, treatment, and disposal system.

Permit and inspection fees were \$1 million. Large industrial and commercial properties that discharge high volumes or high strength wastewater are required to obtain a discharge permit and pay extra fees. These fees are for the owner's share of the system's costs, both fixed and variable, in proportion to the demand placed on the system.

Investment interest was \$9 million in 2016, with Other Income of \$2 million.



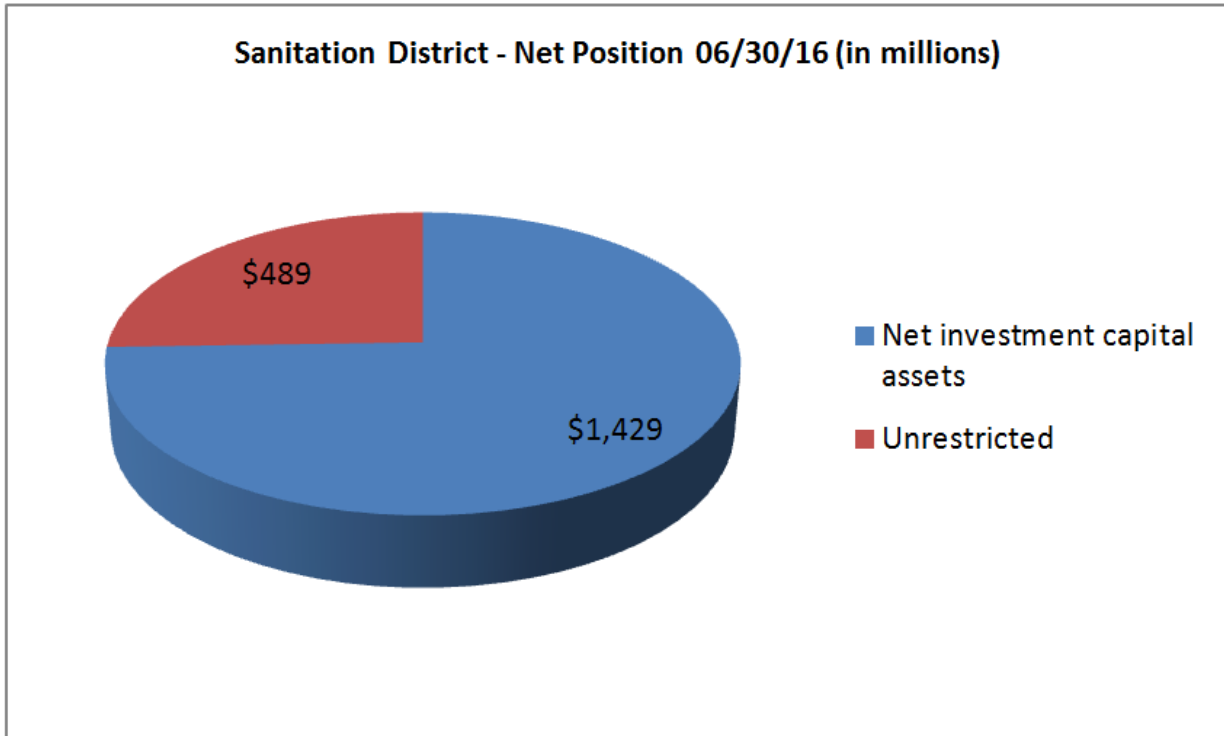


Net Position as of June 30, 2016

The total assets of OCSD exceeded its total liabilities at June 30, 2016 by \$1.9 billion. Of this amount, \$489 million is unrestricted and may be used to meet OCSD’s ongoing obligations to citizens and creditors.

The County’s Net Position was assigned or restricted to the funds listed below:

- Net investment in capital assets: \$1.4 billion:
 - Collection system: \$529 million
 - Treatment and disposal: \$2 billion
 - Less: debt of \$1.1 billion
- Unrestricted: \$489 million: These are available for any purpose approved by the Board of Directors.



Long-Term Obligations and Bond Ratings (Excluding Net Pension Liability)

All of the outstanding debt of OCSD (\$1.1 billion as of June 30, 2016) has rate covenants that require a minimum coverage ratio of 1.25. The minimum coverage ratio is the ratio of net annual revenues available for debt service requirements to total annual debt service requirements. As of June 30, 2016, the coverage ratio for senior lien debt was 3.39.

Both Standard and Poor’s Corporation and Fitch Ratings reaffirmed their AAA rating of the Orange County District in the past fiscal year.

City of San Juan Capistrano

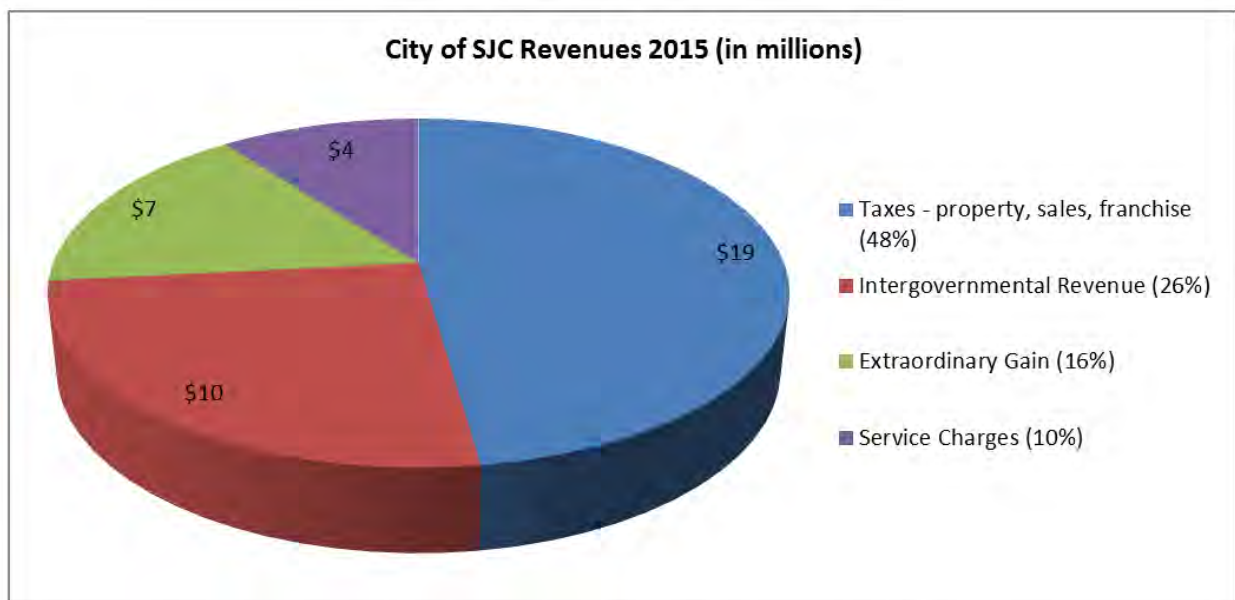
The City of San Juan Capistrano contributed \$2.2 million (preliminary) to OCERS for the year ended December 31, 2016. The City has 82 active members as of 2016 year-end. The City's net pension liability was \$29.2 million as of June 2016.

The City has grown from a community of 10,000 persons in 1974 to a developed city of 34,593 in 2016. The City government is staffed by 75 employees plus seasonal and temporary workers. The City is governed by a City Council of five members elected to four-year overlapping terms. San Juan Capistrano joined OCERS as a plan sponsor in 1975. Most current city employees are part of OCERS' Plan S (2.0% @ 57) or Plan J (2.7% at 55).

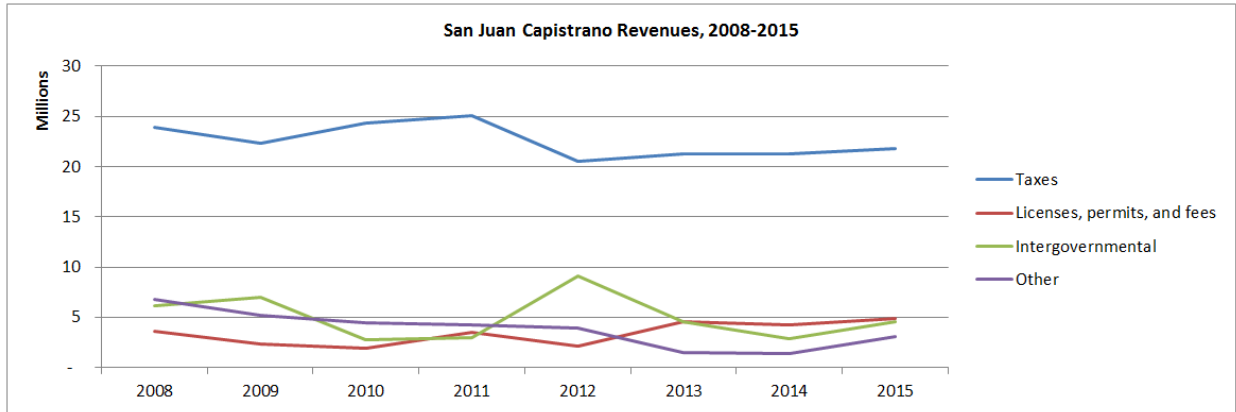
Revenues

The 2016 CAFR for the City of San Juan Capistrano was not available at the time of this report. Below contains financial information from the City's 2015 CAFR.

The City's total governmental revenues were \$40 million for the year ending June 30, 2015 and are broken down as follows:



Extraordinary Gain - vacant land transfer to the City from a redevelopment agency.



In addition to the above government revenues, the City’s total proprietary fund operating revenues were \$24 million for the year ended June 30, 2015. 99% were water and sewer fees.

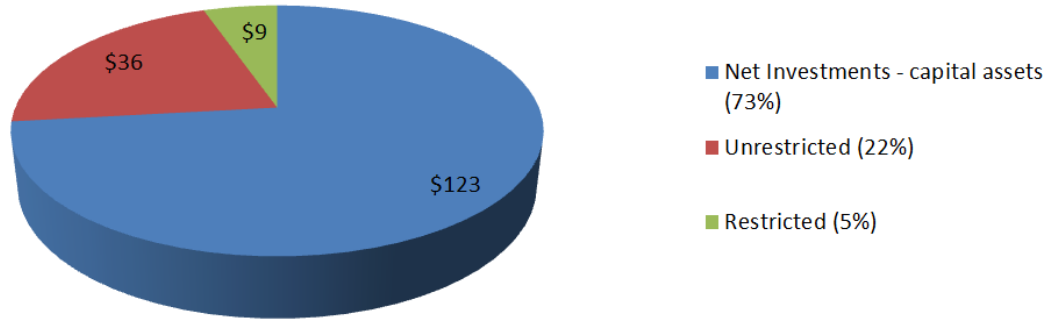
Net Position as of June 30, 2015

The total assets of the City exceeded its total liabilities at June 30, 2015 by \$168 million. Of this amount, \$36 million is unrestricted and may be used to meet the City’s ongoing obligations to citizens and creditors.

The City’ Net Position was assigned or restricted to the funds listed below:

- **Net Investments in capital assets** of \$123 million includes buildings, equipment, and land and also included construction-in-progress, structures, equipment, software, and infrastructure.
- **Restricted** was \$9 million, which combined amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation. These funds are restricted to various public and development works projects and for the water rate stabilization project.
- **Unrestricted** was \$36 million. These are available for any purpose approved by the City Council.

City of SJC Net Position 06/30/15 (in millions)



Orange County Employees Retirement System (OCERS)

OCERS, as a plan sponsor, contributed \$2 million (preliminary) to OCERS for the year ended December 31, 2015. It has 72 active members as of 2016 year-end. OCERS's net pension liability as a plan sponsor was \$24.7 million as of June 2016.

As permitted by Government Code section CERL 31580.2, administrative expenses, which include contributions to the OCERS' retirement plan, are charged directly against the earnings of the OCERS' pension trust fund.

According to OCERS' 2015 CAFR, administrative expenses of \$11.8 million were approximately \$23 million less than the allowable limit of the County Employees Retirement Law.

Transportation Corridor Agencies

The Transportation Corridor Agencies (TCA), or The Toll Roads, contributed \$1.7 million (preliminary) to OCERS for the year ended December 31, 2016. It had 68 active members as of December 31, 2016. TCA's net pension liability was \$12.7 million as of June 30, 2016.

TCA is comprised of the two joint-powers agencies - the San Joaquin Hills Transportation Corridor Agency (SJHTCA) and the Foothill/Eastern Transportation Corridor Agency (FETCA) - formed in 1986 to manage the planning, financing, construction, and operation of State Routes 73, 133, 241 and 261. TCA's Board of Directors is composed of elected officials from 18 cities and three members of the Orange County Board of Supervisors.

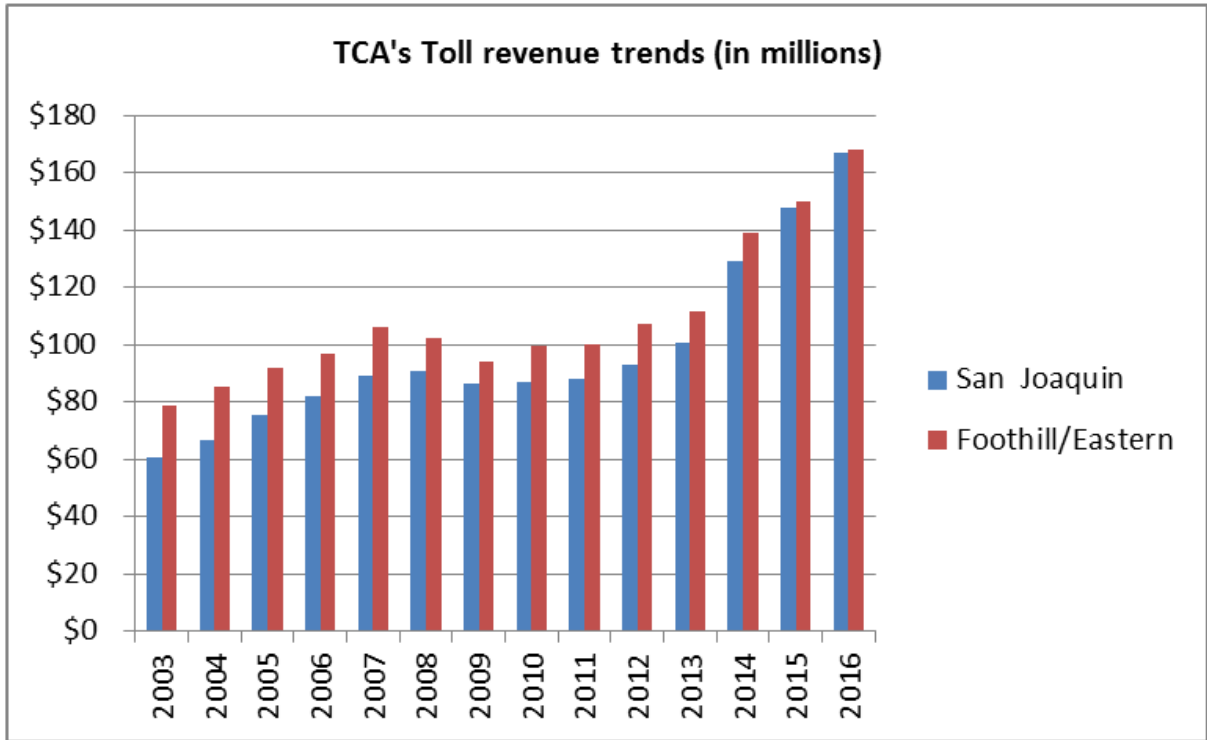
The San Joaquin Hills Transportation Corridor, commonly known as the 73 Toll Road, opened to traffic in 1996. For the year ending June 30, 2016, approximately 31 million transactions were recorded on the 73 Toll Road.

The Foothill/Eastern Transportation Corridor consists of the 241, 261, and 133 Toll Roads and first opened to traffic in 1993. For the year ending June 30, 2016, approximately 64 million transactions were recorded.

Revenues

TCA's total operating revenues (SJHTCA and FETCA combined) were \$371 million for the year ending June 30, 2016.

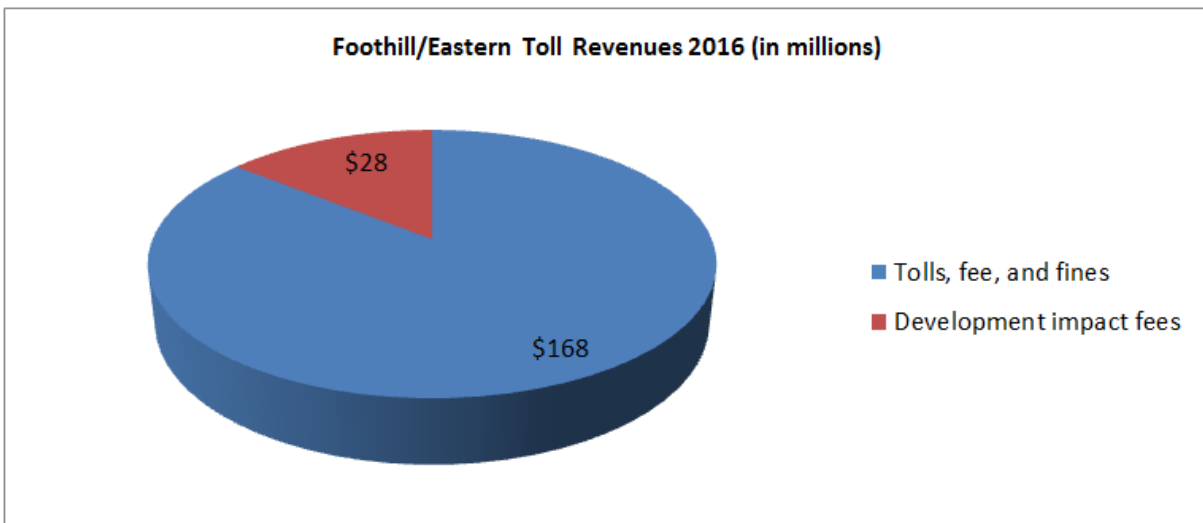
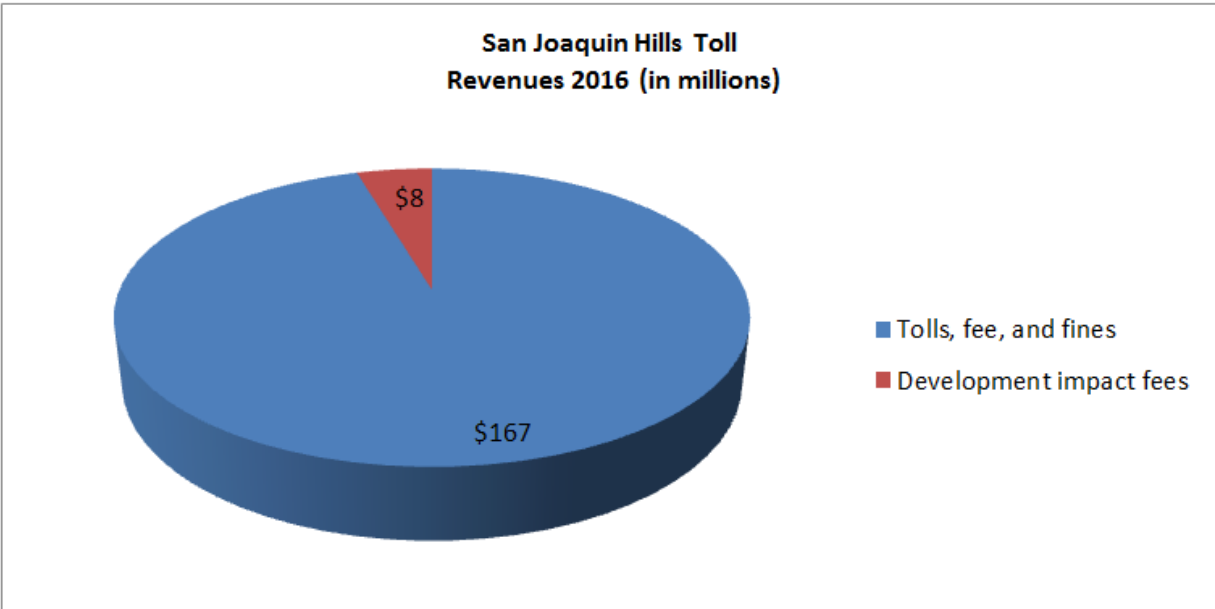
San Joaquin Hills Transportation Corridor Agency earned \$167 million in tolls, fees, and fines during the year ended June 30, 2016. Foothill/Eastern Transportation Corridor Agency earned \$168 million in tolls, fees, and fines during the year ended June 30, 2016.



Development impact fees during the year ended June 30, 2016:

- San Joaquin Hills Transportation Corridor Agency earned \$8 million in development impact fees during the year ended June 30, 2016.
- Foothill/Eastern Transportation Corridor Agency earned \$28 million in development impact fees during the year ended June 30, 2016.

Development impact fees are fees charged for new residential units and new commercial square footage developed in certain cities that surround and benefit from the Toll Roads. The cities collect these fees from property developers and remit them directly to the Toll Roads. Of the \$36 million development impact fees noted above, the City of Irvine was the largest city to remit funds and remitted \$29 million collected from the developers during the year ending June 30, 2016.



Long-Term Debt

SJHTCA’s long-term debt of \$2.3 billion as of June 30, 2016 has maturities extending up to 2050. FETCA’s \$2.3 billion in long-term debt as of June 30, 2016 has maturities between 2020 and 2053. According to the JPA, SJHTCA’s and FETCA’s existence as independent agencies collecting tolls is to “sunset,” or cease, upon the payment in full of its respective debts. However, as has been done in the past, refinancing of debt can potentially push back the “sunset” provision beyond the years 2050 and 2053 respectively.

As rated by S&P, Fitch, and Moody’s, the bonds of SJHTCA and FETCA have ratings that fall in the BB (speculative grade) and BBB (good credit quality/investment grade) categories.

Net Position as of June 30, 2016

- **Restricted** – \$291 million and \$317 million, respectively, for SJHTCA and FETCA. This portion of Net Position is subject to externally imposed conditions that can be fulfilled by the actions of the agency or by the passage of time, and is related primarily to restricted bond proceeds and certain revenues collected.
- **Unrestricted** – \$61 million and \$199 million, respectively, for SJHTCA and FETCA. These amounts are available for any purpose approved by the Board of Directors.
- **Capital Assets** – Negative \$2,207 million and negative \$1,944 million, respectively, for SJHTCA and FETCA. The portion of Net Position related to investment in capital assets is a negative balance because ownership of the toll roads and related rights-of-way has been transferred to the State of California’s Department of Transportation, and these assets are not presented within each agency’s financial statements. Thus, the balances presented include only certain other capital assets, offset by the debt that financed construction of the toll roads.

Orange County Public Law Library

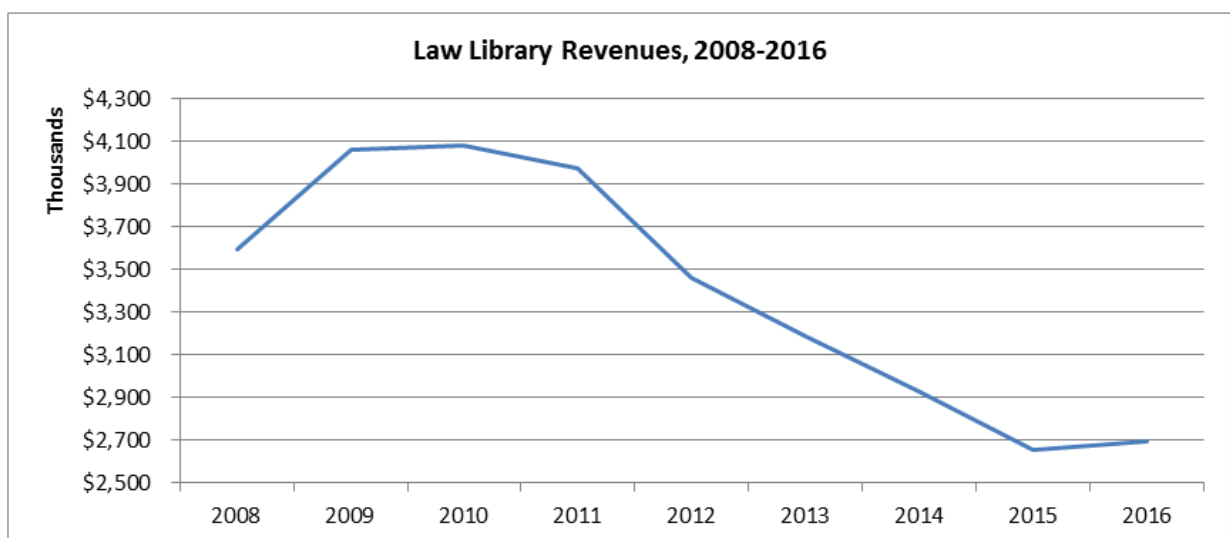
The Orange County Public Law Library (Law Library) contributed approximately \$1.8 million (preliminary) to OCERS for the year ended December 31, 2016. In December 2016 the Law Library made an extra payment of \$1.5 million toward its pension liability. It had 15 active members as of December 31, 2016. The Law Library's net pension liability was \$3.5 million as of June 30, 2016

The library's Board of Trustees is composed of five judges chosen by the Orange County Superior Court and two attorneys chosen by the Orange County Board of Supervisors.

Revenues

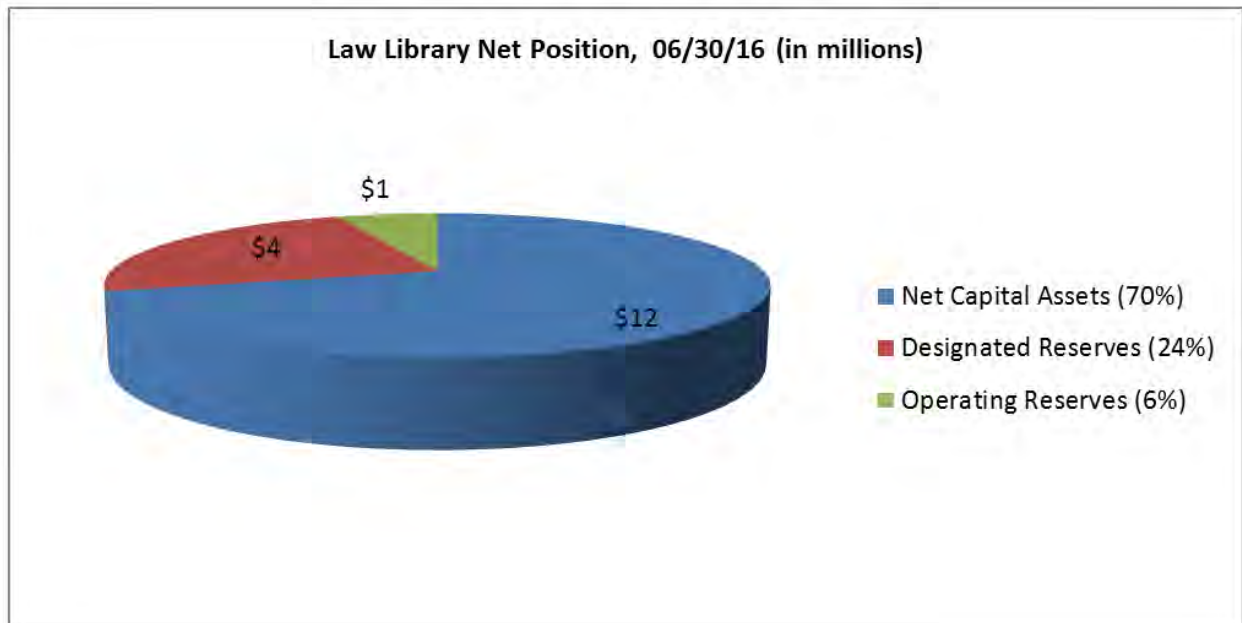
The Law Library's total revenues were \$2.7 million for the year ending June 30, 2016.

Filing Fees received by the Library accounted for 99% of total revenues for the year. The Library's court filing fees are derived from a filing fee paid for every civil action filed in Orange County Superior Court. The filing fee of \$35 (\$2 for small claims cases) is set statutorily by California and this rate has been stable for several years. However, the number of civil cases filed in court has declined – a 4% decline in filing fee revenue from the previous year (8% decline in 2013 preceded by a 13% decline in 2012). Fee waivers granted by the Court for civil cases also have a negative impact on revenues. Accordingly, the Law Library has no control over the number of civil filings nor the filing fee rate set by the State of California.



Net Position as of June 30, 2016

- **Net Investments in capital assets** of \$12 million comprised of the library facility, books and equipment.
- **Designated Reserves** of \$4 million, which are assets set aside by the Board of Trustees for replacement of equipment, future expansion of the existing facility, a self-insurance fund for protecting against earthquake damage, and other future capital requirements of the library.
- **Operating Reserves** of \$0.7 million, which are net assets subject available for the general use of the library.



Children and Families Commission

The Children and Families Commission (CFCOC) contributed approximately \$301,000 (preliminary) to OCERS for the year ended December 31, 2016. The Commission has nine active members as of December 31, 2016. The Children and Families Commission's net pension liability was \$4.1 million as of June 30, 2016.

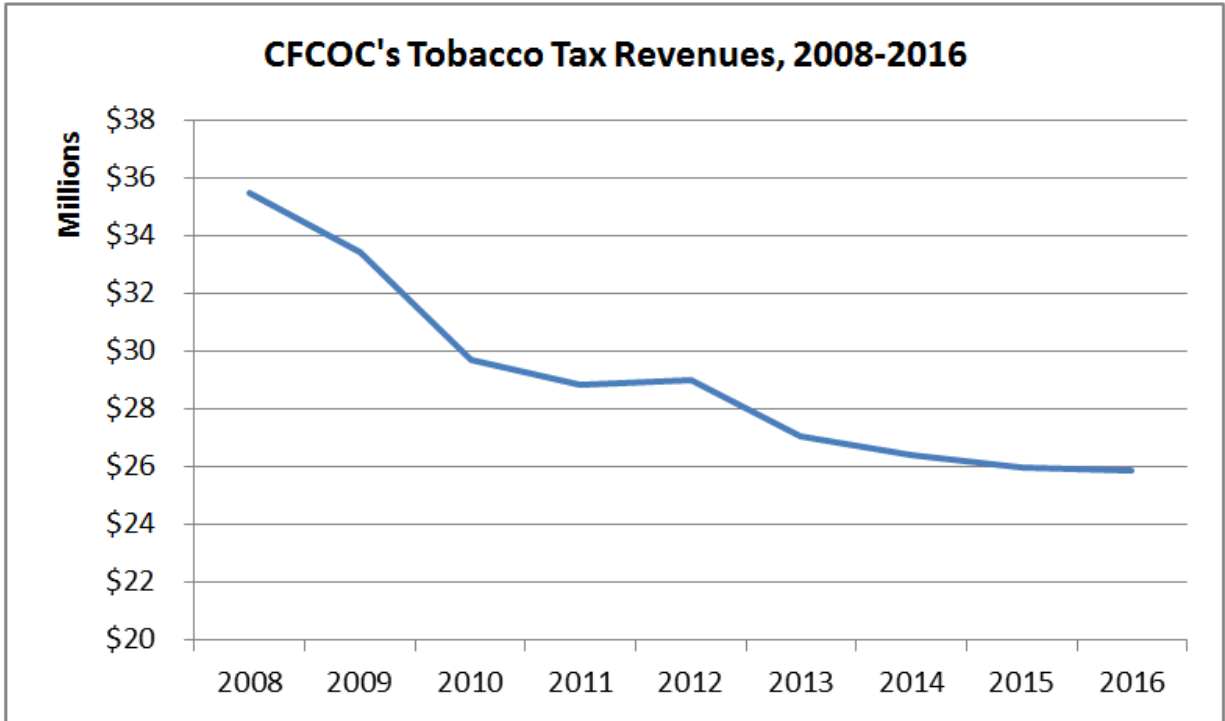
The Children and Families Commission of Orange County was created as a result of Proposition 10, the California Children and Families Act of 1998. The proposition added a 50-cent sales tax on tobacco products sold in California and requires that funds raised be used to support education, health and child development programs for children from the prenatal stage through age five. The State Commission, or First 5 California, receives 20 percent of Proposition 10 funds for state-wide programs and public outreach. The remaining 80 percent of funds are allocated to commissions in each of California's 58 counties by birth rate. Only Los Angeles and San Diego counties surpassed Orange County in terms of birth rate totals for 2011 in the state of California.

The commission is governed by a nine member board consisting of the County's Health Care Agency director, the County's Social Services Agency Director, one member of the County's Board of Supervisors, and six members from the public appointed by the Board of Supervisors.

Revenues

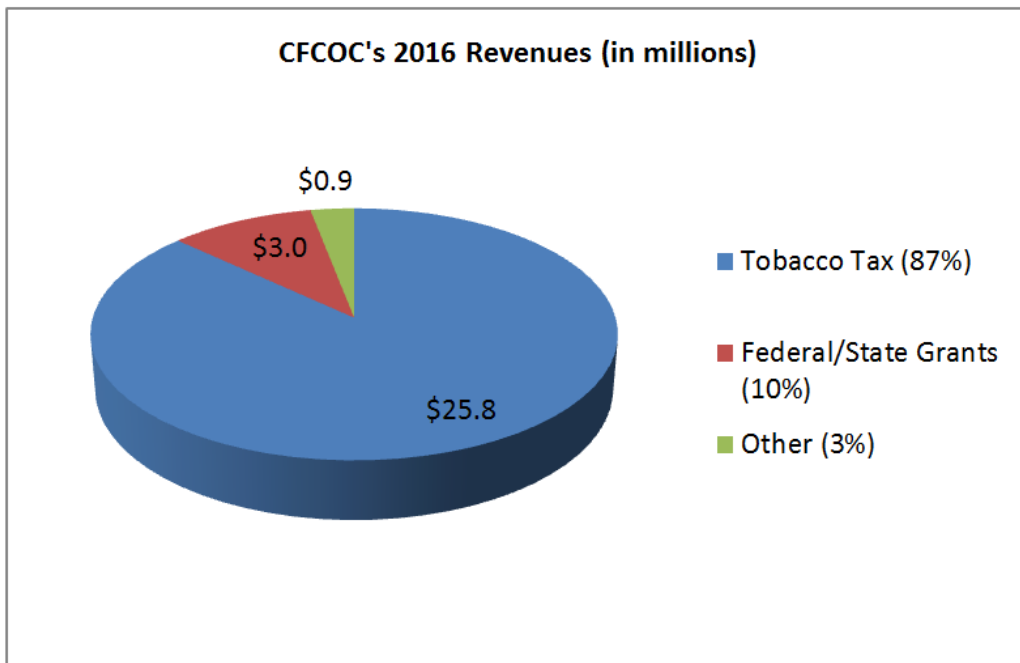
The Commission's total revenues were \$29.7 million for the year ending June 30, 2016.

Tobacco Tax revenues received by the commission in 2016 amounted to \$25.8 million. Tobacco tax revenues have declined by 33% since 2005. Declining county birth rates of 15% over a similar period have also contributed to lower tax revenues. The Commission budgets an annual decrease of 3% in tobacco tax revenues. Revenues of \$3 million were for from various state and federal grants for children programs such as the state's Child Signature Program and the federal American Recovery and Reinvestment Act (ARRA) Health Research grant. The remaining revenues of \$880,000 included investment income and other revenues.



Net Position as of June 30, 2016

The total assets of the Children and Families Commission exceeded its total liabilities at June 30, 2016 by \$52 million. The entire amount is unrestricted and may be used to meet the Commission's ongoing obligations to citizens and creditors as directed by its Board of Commissioners.



Orange County Cemetery District

The Orange County Cemetery District (OCCD) contributed approximately \$156,000 (preliminary) to OCERS for the year ended December 31, 2016. OCCD has 23 active members as of 2016 year-end. OCCD's net pension liability was \$0.5 million as of June 2016.

The Orange County Cemetery District is an independent special district governed by an appointed Board of Trustees who serve four-year terms. Although privately owned in the beginning, the cemeteries were formed into separate independent districts in 1926. In 1985 the districts were consolidated under one governing board to create the Orange County Cemetery District. OCCD has three cemetery locations in Anaheim, Lake Forest and Santa Ana. OCCD typically averages between 800 to 900 lot sales per year.

Restricted funds have been set aside to fund the perpetual maintenance and care of cemeteries in accordance with the provisions of the Health and Safety Code, which will require continued staffing. The Orange County Cemetery District has also committed funds of \$5.5 million for future land acquisitions.

Revenues

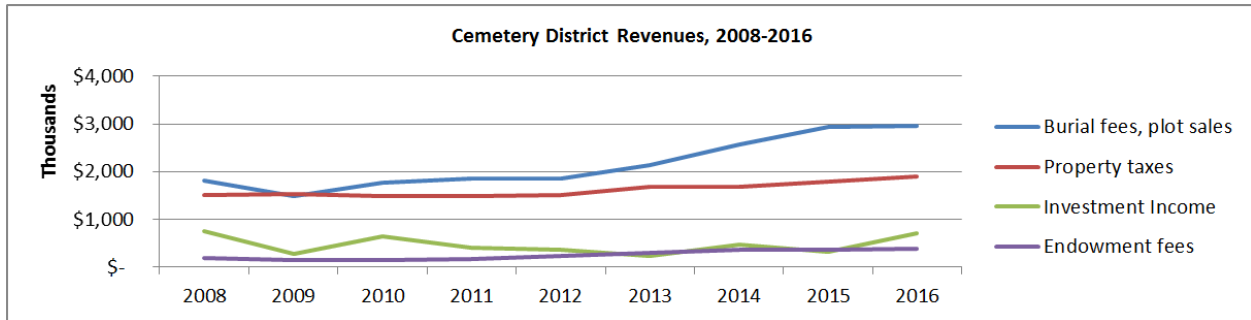
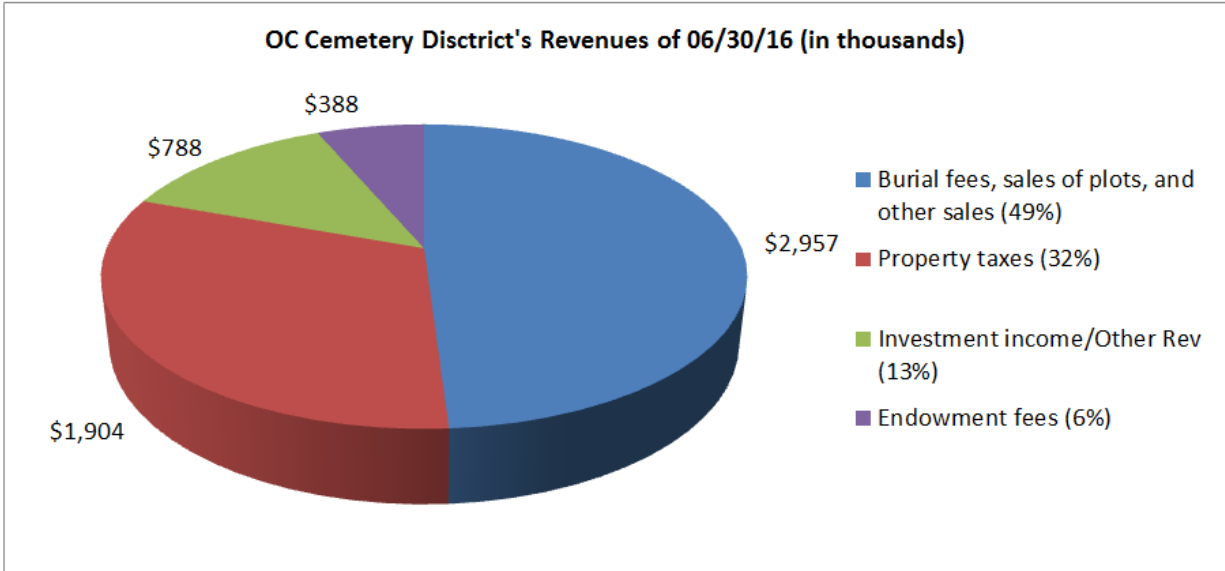
OCCD's total revenues were \$6 million for the year ending June 30, 2016.

Burial fees, sales of plots, and other sales were \$2.9 million, which represents 49% of revenues received by OCCD in 2016. Since OCCD is a government agency, general burial and cremation costs are meant to help recover costs, keeping in line with inflation and OCCD's expected share of property tax revenues.

Property taxes were \$1.9 million, or 32% of revenues, and were allocated to OCCD in 2016 from their minor share of County property tax revenues.

Investment Income and Other Revenues were \$788 thousand.

Endowment fees were \$388 thousand. Endowment fees of \$200-\$400 per regular burial/cremation are collected and placed into an endowment principal fund established to provide for the maintenance and care of all three cemeteries in accordance with the provisions of the County's Health and Safety Code.



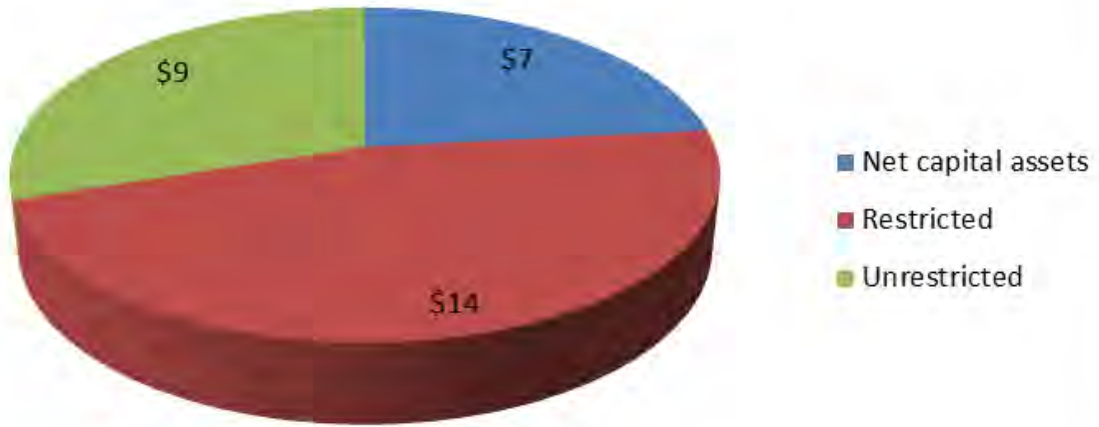
Net Position as of June 30, 2016

The total assets of OCCD exceeded its total liabilities at June 30, 2016 by \$30 million. Of this amount, \$9 million is unrestricted and may be used to meet the Cemetery’s ongoing obligations to citizens and creditors.

The Cemetery’s Net Position was assigned or restricted to the funds listed below:

- **Net Investments in capital assets** was \$7 million, invested in capital assets (e.g., land, structures and improvements, and furniture and equipment) that are used to provide services to citizens.
- **Restricted** was \$14 million, restricted for the perpetual care of the cemetery grounds. These funds are invested and will continue to earn interest income which will eventually be used for the maintenance and operation of OCCD’s cemeteries.
- **Unrestricted** was \$9 million. These are available for any purpose approved by the Board of Trustees.

OC Cemetery District Net Position, 06/30/16 (in millions)



OC In-Home Supportive Services Public Authority

The Orange County In-Home Supportive Services Public Authority (IHSS) contributed approximately \$162,000 (preliminary) to OCERS for the year ended December 31, 2016. It has 24 active members as of 2016 year-end. IHSS's net pension liability was \$0.9 million as of June 2016. The financial statements of IHSS are blended with other government fund units in the CAFR for the County of Orange.

Orange County Local Agency Formation Commission (LAFCO)

LAFCO contributed approximately \$129,000 (preliminary) to OCERS for the year ended December 31, 2016. LAFCO had six active members as of December 2016 year end. LAFCO's net pension liability was \$1.1 million as of June 2016.

In 1963, the California state legislature formed Local Agency Formation Commissions for each of the 58 counties in the state. These Commissions are primary responsible for monitoring the boundaries of cities and special districts with the goal of ensuring municipal services are allocated efficiently and cost-effectively. This process includes the review and approval of incorporating cities within the county, annexing unincorporated areas to cities and special districts, and forming special districts among other actions.

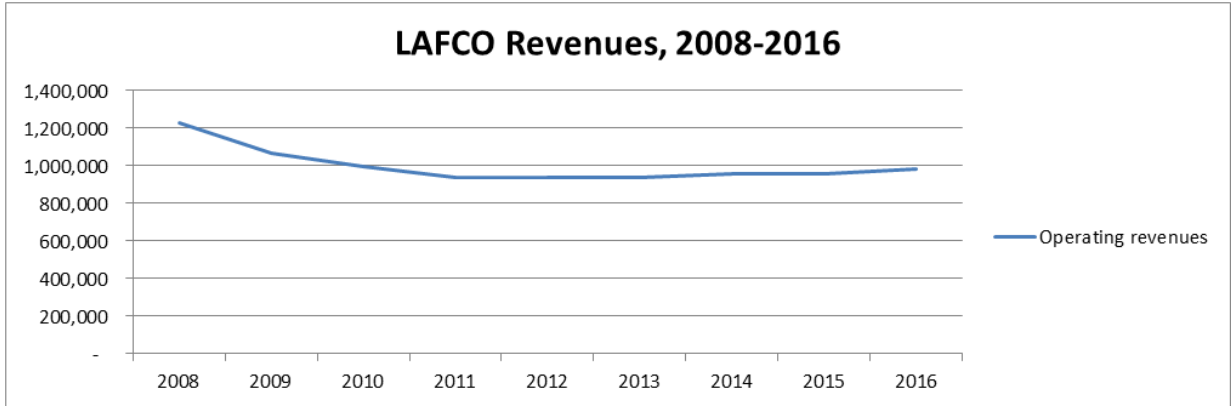
The appointed Board of Commissioners consists of two commissioners representing the County, two commissioners representing cities, two represent special districts, and one commissioner representing the public. An alternate also exists for each of these positions.

2016 Revenues

LAFCO's total revenues were \$991,000 for the year ending June 30, 2016.

Total assessments and service charges received by the Commission in 2016 amounted to \$984,000 and accounted for 99% of total revenues for the year.

The Commission's revenue is comprised of apportionments allocated among the Commission's funding agencies. One-third is paid by the County of Orange. One-third is paid collectively by the 34 cities within Orange County. The final one-third is paid by special districts, such as the Orange County Water District, that operate in the County. Revenues are set annually by the Commissioners to fully recover the costs of operating the Commission which is staffed currently by four employees. Forecasted revenues over the next three years include an average 7% increase in service charges.



Net Position as of June 30, 2016

The total liabilities of LAFCO exceeded its total assets at June 30, 2016 by \$59,000, primarily due to the GASB 68 recognition of a net pension liability on its financial statements.

UC Irvine – Medical Center and Campus

The UC Irvine Medical Center and Campus contributed approximately \$1.3 million (preliminary) to OCERS for the year ended December 31, 2016, as payment against UCI's UAAL. It had no active members as of December 2016 year end. UC Irvine's net pension liability was \$36.1 million as of June 2016 for its retirees. Both UC Irvine and the County of Orange evenly split the payment of UC Irvine's employer contributions to OCERS.

Department of Education

The Department of Education had no active participants or contributions in 2016. This plan sponsor did not make any contributions in 2016 for its share of the unfunded pension liability. The Department of Education's net pension liability was \$4.3 million as of June 2016 for its retirees. OCERS is currently involved in litigation with the Department of Education in regards to this liability.

Vector Control

Vector Control had no active participants in 2016. Preliminary 2016 contributions from Vector Control are zero, but Vector Control did make employer contributions in 2014 and 2015. Vector Control's net pension liability was \$1.9 million as of June 2016 for its retirees.

Plan Sponsors Review



Internal Audit Presentation to the Board
February 7, 2017

GASB 68 Net Pension Liability (in '000s), per Segal Consulting:			
Plan Sponsor	6/30/2014	6/30/2015	6/30/2016
Orange County	3,925,919	3,897,233	4,391,071
OCFA	442,651	466,968	517,670
Superior Court	392,322	355,886	395,957
OCTA	217,569	203,593	250,193
Sanitation District	202,748	57,419	42,440
UCI	32,215	26,578	36,184
San Juan Capistrano	28,313	27,866	29,249
OCERS	21,260	20,656	24,747
Toll Roads	11,359	10,683	12,713
Dept of Education	2,691	3,638	4,307
Children & Families	4,591	3,957	4,066
Law Library	3,315	3,222	3,472
Vector Control	2,465	2,900	1,942
LAFCO	1,188	1,303	1,157
In-Home Support Services	707	672	896
Cemetery District	1,820	(95)	534
Rancho Santa Margarita	(4)	2	7
Total:	\$ 5,291,129	\$ 5,082,481	\$ 5,716,605

Total NPL increased between 2015 and 2016 primarily due to OCERS' portfolio earning 0.09% as of 12/31/15. This is substantially less than the assumed 7.25% rate of return.

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Employer Contributions (in 000's) for year ending December 31:			
Plan Sponsor	2014	2015	2016 (prelim)
Orange County	364,418	388,687	397,079
OCFA	82,178	82,735	68,433
Sanitation District	144,794	62,894	48,633
Superior Court	30,307	31,854	30,826
OCTA	24,017	25,056	24,245
San Juan Capistrano	2,373	2,352	2,218
OCERS	1,759	1,990	1,930
Toll Roads	1,376	1,507	1,762
Children & Families	337	365	301
Law Library	347	346	1,809
Vector Control	500	314	-
In-Home Support Services	148	178	162
Cemetery District	1,850	153	156
LAFCO	111	105	129
UCI	119	62	1,314
Total:	\$ 654,634	\$ 598,598	\$ 578,997

Includes Sanitation District's additional contributions of \$125m and \$50m, respectively, in 2014 & 2015.

Includes OCFA's additional contributions of \$5m, \$21m and \$15m, respectively, in 2014, 2015 & 2016.

Includes Law Library's additional contribution of \$1.5 m in 2016.

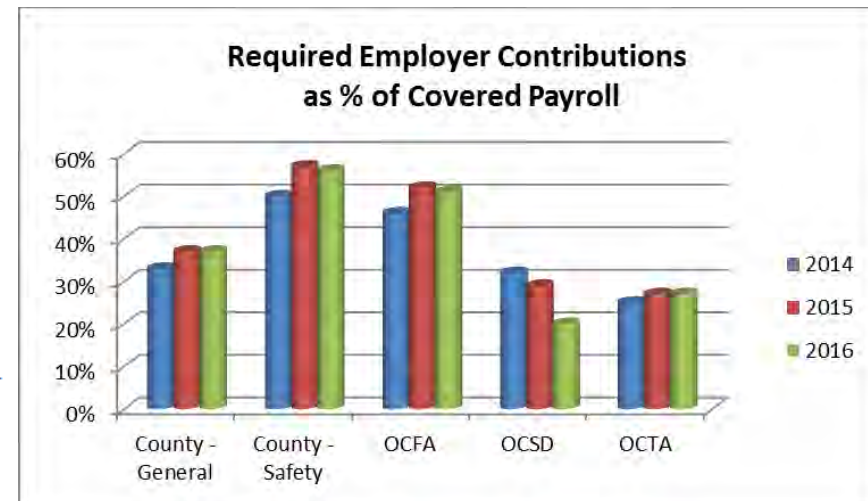
Primary Revenue Sources for OCERS' Top 5 Plan Sponsors - Year Ended June 30, 2016

Revenue Category	County*	OCFA	Superior Court	OCTA	OCSD
Intergovernmental	54%	4%	99%	25%	
Property Tax	21%	62%			20%
Sales Tax				59%	
Service Charges	14%	33%		13%	77%
% of Total Revenues	89%	99%	99%	97%	97%
Total Revenues:	\$4 billion	\$357 million	\$201 million	\$794 million	\$423 million

Net Position, as of Year Ending June 30 (000's):			
Plan Sponsor	6/30/2014	6/30/2015	6/30/2016
Orange County	5,450,577	2,007,750	2,185,709
OCFA	243,754	(169,124)	(160,663)
Superior Court	n/a	n/a	n/a
OCTA	1,348,460	1,260,358	1,417,477
Sanitation District	1,822,295	1,761,844	1,918,572

The Unrestricted Fund portion of County's Net Position actually has a deficit of \$2.5 billion.

Orange County Superior Court does not issue stand-alone financial statements.





County of Orange

As of County Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Total Assets & Deferred Outflows of Resources	\$7.5 billion	\$8.3 billion	\$9.1 billion
Total Liabilities & Deferred Inflows of Resources	\$2.1 billion	\$6.3 billion	\$6.9 billion
Net Position	\$5.4 billion	\$2.0 billion	\$2.2 billion
Cash and Cash Equivalents	\$2.4 billion	\$2.6 billion	\$2.8 billion
Net Pension Liability	\$3.9 billion	\$3.9 billion	\$4.4 billion

During The County's Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Employer Contributions to OCERS	\$348 million	\$364 million	\$384 million
As a % of Covered Payroll - General	33%	37%	37%
As a % of Covered Payroll - Safety	50%	57%	56%
As a % of Total Revenues	9.2%	9.3%	9.6%

- The County continues to maintain its issuer credit ratings of AA/AA+.
- The outlook on all ratings is stable, and they fall within the "high quality" range of Fitch, Moody's, and S&P's ratings.

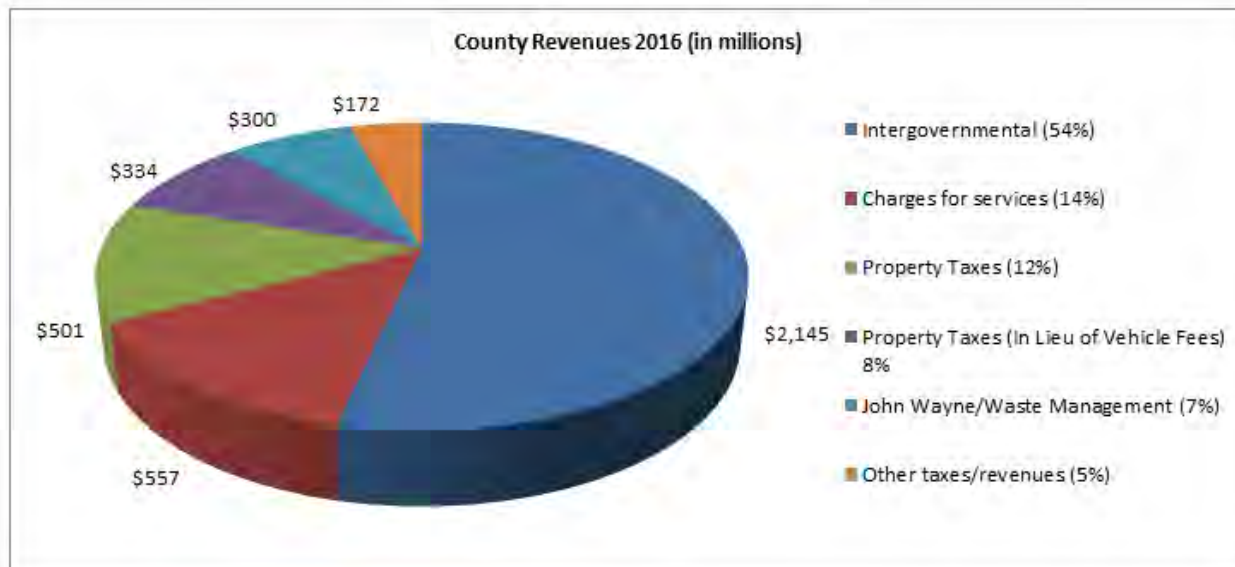


County of Orange

The County's **total revenues** were \$4.0 billion for the year ending June 30, 2016.

Key Revenue Sources

- The County's governmental activities rely on several sources of revenue:
- Operating/capital grants and contributions at \$2.1 billion
- Charges for services at \$557 million
- Property taxes at \$501 million; property taxes (in lieu of motor vehicle license fees) at \$334 million, and \$172 million in other taxes/revenue sources.
- John Wayne Airport and Waste Management provided another \$300 million in revenues.

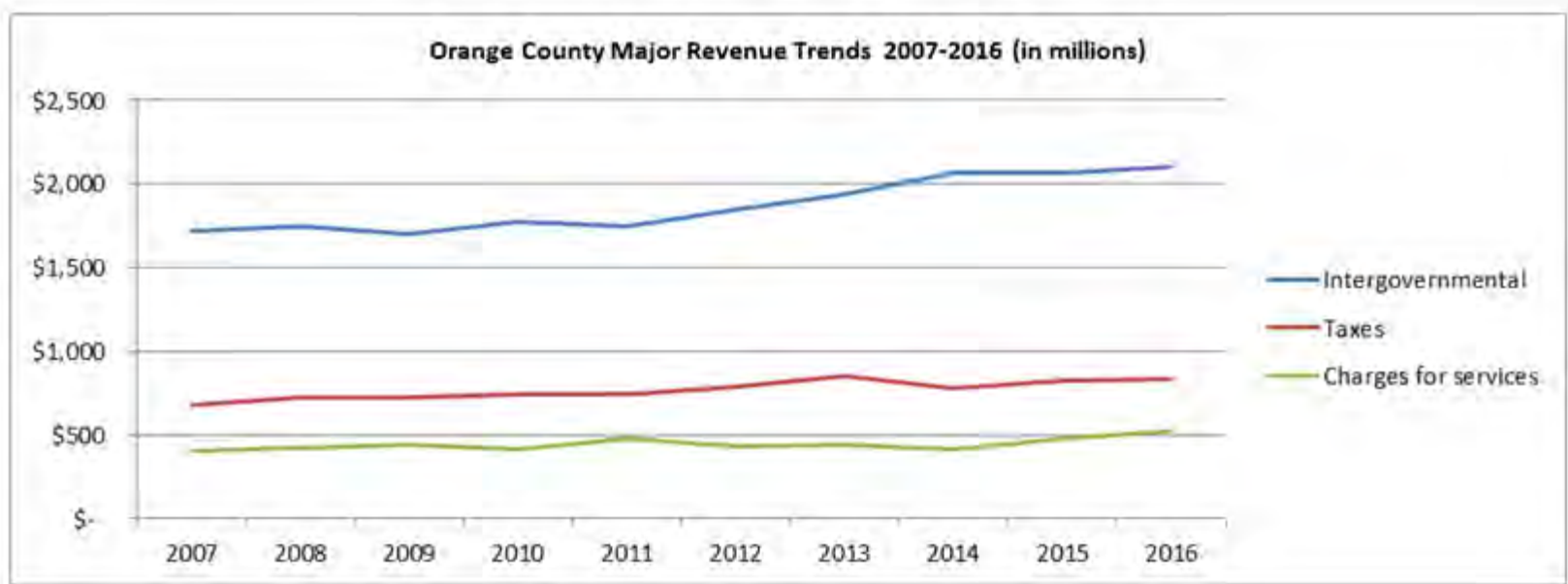




County of Orange

County Past Trends

- Financial crisis of 2008 had limited effect on the County net position, causing a relatively small decline only for two years before surpassing previous levels.
- **The implementation of GASB 68 has resulted in the County's Unrestricted portion of Net Position dropping to a negative \$2.5 billion as of June 30, 2016.**
- The assessed value of taxable property declined in 2009-10, but by 2014-15, the value reached \$483 billion, surpassing the high of 2008-09.

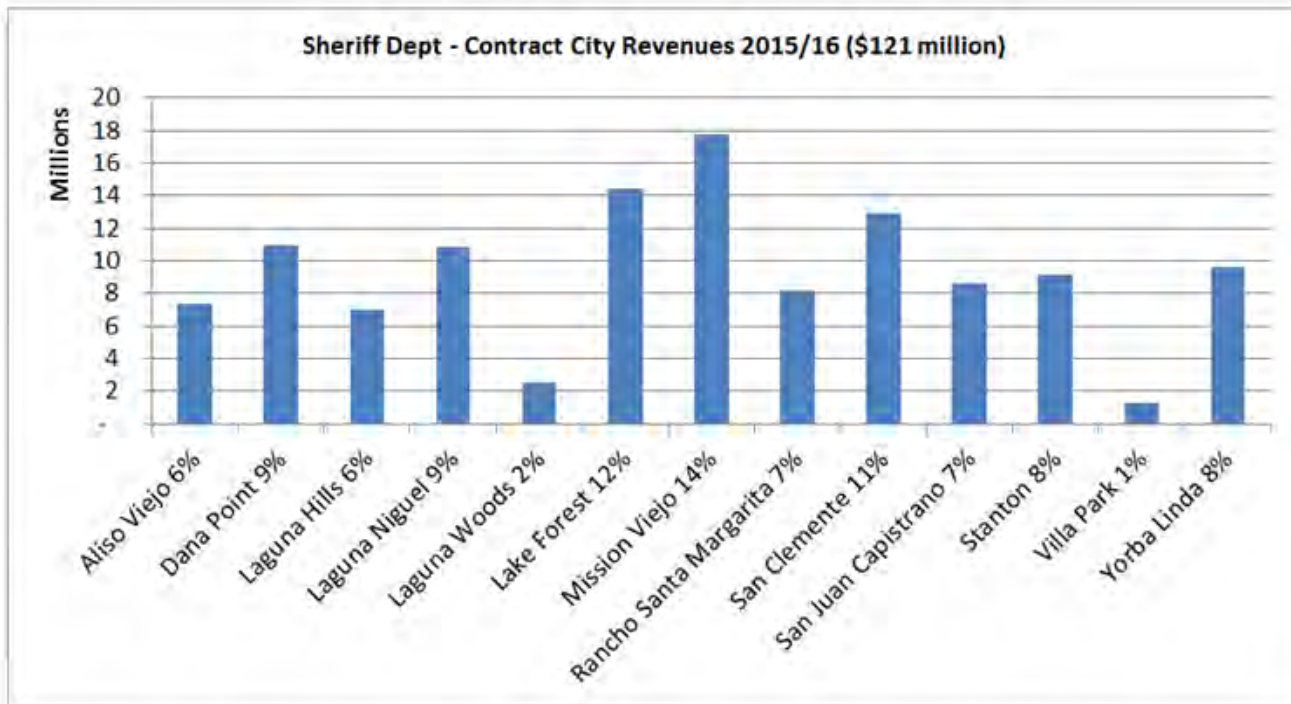




County of Orange

Orange County Sheriff's Department

- Received \$309 million from the Proposition 172 Public Safety ½ Cent Sales Tax in 2015-16.
- Provides public safety to 13 contract cities, unincorporated areas of the County, and Airport.
- For 2015-16, 13 contract cities paid \$121 million to obtain services of the Sheriff's Department.
- City contracts with Sheriff's are annual.





OC Fire Authority

As of OCFA's Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Total Assets & Deferred Outflows of Resources	\$397 million	\$494 million	\$562 million
Total Liabilities & Deferred Inflows of Resources	\$153 million	\$663 million	\$723 million
Net Position	\$244 million	-\$169 million	-\$161 million
Cash and Investments	\$160 million	\$165 million	\$178 million
Net Pension Liability	\$443 million	\$467 million	\$518 million

During OCFA's Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Required Contributions to OCERS	\$57.8 million	\$66.2 million	\$67.3 million
As a % of Covered Payroll	46%	52%	51%
Actual Contributions to OCERS	\$63.0 million	\$87.5 million	\$82.7 million
As a % of Covered Payroll	50%	68%	63%
As a % of Total Revenues	20%	26%	23%

2013-14, additional UAAL
payment of \$5.2m

2014-15, additional UAAL
payment of \$21.4m

2015-16, additional UAAL
payment of \$15.4m

OCFA's "Expedited Payment Plan"
anticipates full payment of
OCFA's UAAL by 2026-27

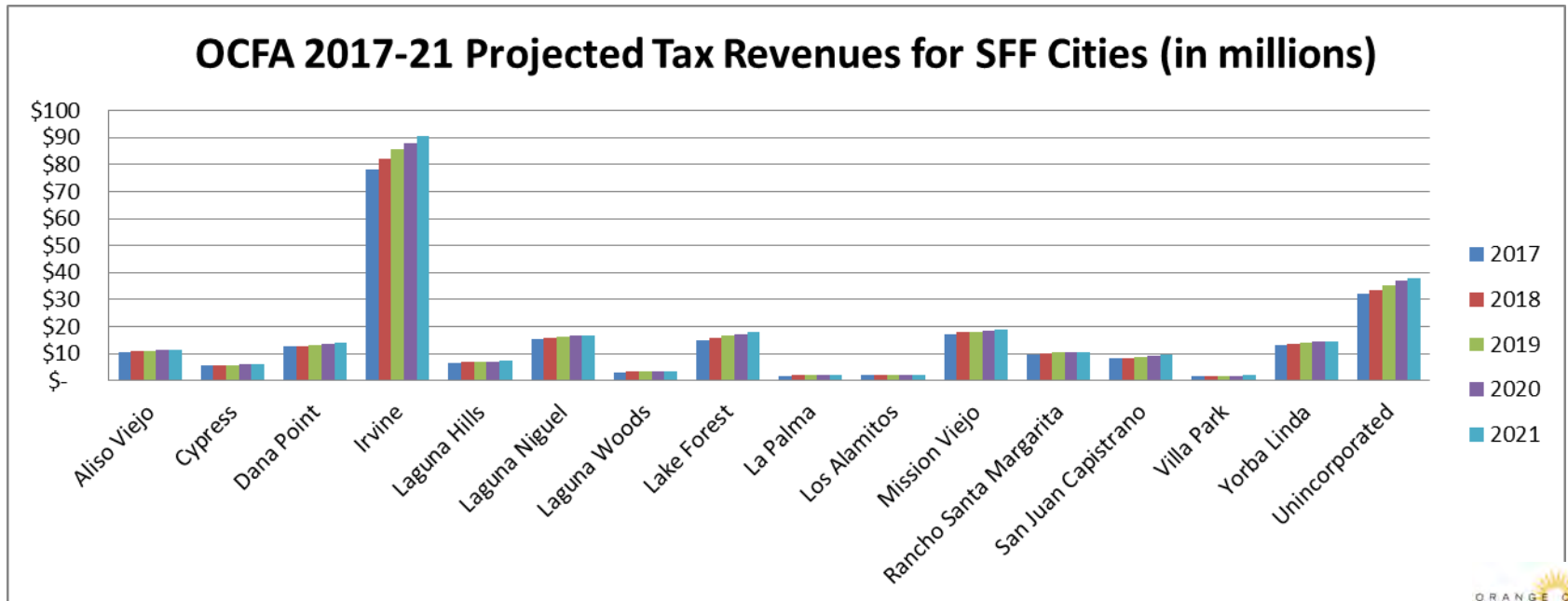


OC Fire Authority

Total revenues were \$357 million for the year ending June 30, 2016.

Structural Fire Fund Revenue (SFF) - \$220 million.

- The County remits a portion of property taxes collected from SFF cities to OCFA.
- In 2015-16, 11.47% of the County's collected property tax was allocated to OCFA for SFF.
- Approximately 35% of property tax revenues allocated to OCFA are generated from the City of Irvine.
- Current 20-year term began on July 1, 2010 and ends on June 30, 2030.
- **SFF cities may give written notice by July 1, 2018 to withdraw by June 30, 2020.**

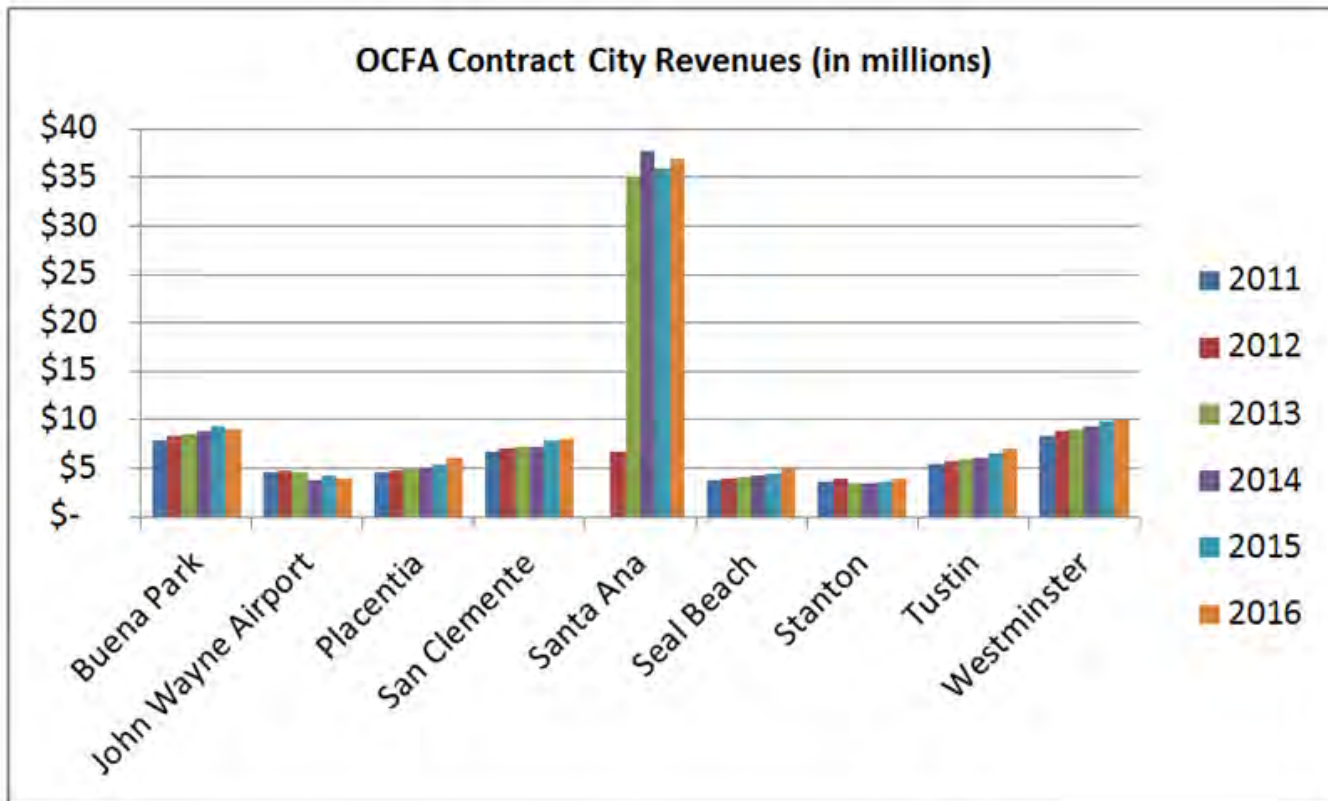




OC Fire Authority

Contract Revenue was \$117 million in 2015-16.

- Contract cities pay the OCFA for fire services out of their general funds.
- Contract cities are members of the OCFA for a current 20-year term that began on July 1, 2010 with the option of dropping out after 10 years.





OC Fire Authority

Cities' Agreements and UAAL

- Neither the JPA Agreement nor amendments mention requirement for a city to pay a portion of OCFA's UAAL to OCERS upon leaving OCFA.
- Only Santa Ana's (joined 2012) agreement says city agrees to pay OCFA amount of accrued unfunded pension liability upon withdrawal.

Leaving the JPA

- Both SFF and Contract Cities are 20-year members beginning July 1, 2010.
- 20-year membership terms automatically renew in 2030.
- Any city may give notice by July 1, 2018 to withdraw by June 30, 2020.



OC Fire Authority

City of Irvine and Payment Amendment to JPA

- Irvine paid 35%, or \$77 million, of 2016 SFF revenues (22% of OCFA's 2016 revenues).
- In 2013-14, the OCFA amended the JPA to allow for equity adjustment payments to Irvine.
- Per court decision in March 2016, this amendment has been disallowed.

Recent Developments

- On January 24, 2017, Irvine City Council directed City staff to explore leaving the OCFA in 2020 and develop a plan.
- Were the City to withdraw from OCFA, the amount of property taxes from Irvine to remain allocated to OCFA is indeterminable at this point.
- The OC Board of Supervisors, the City of Irvine, and OCFA would need to negotiate the reallocation of property tax.



OC Superior Court

As of Superior Court Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Net pension liability	\$392 million	\$356 million	\$396 million

As of OCERS' Calendar Year Ending:

	12/31/14	12/31/15	12/31/16
Employer Contributions to OCERS	\$30 million	\$32 million	\$31 million
As a % of Total Revenues	16%	17%	15%

Orange County Superior Court does not issue stand-alone financial statements.

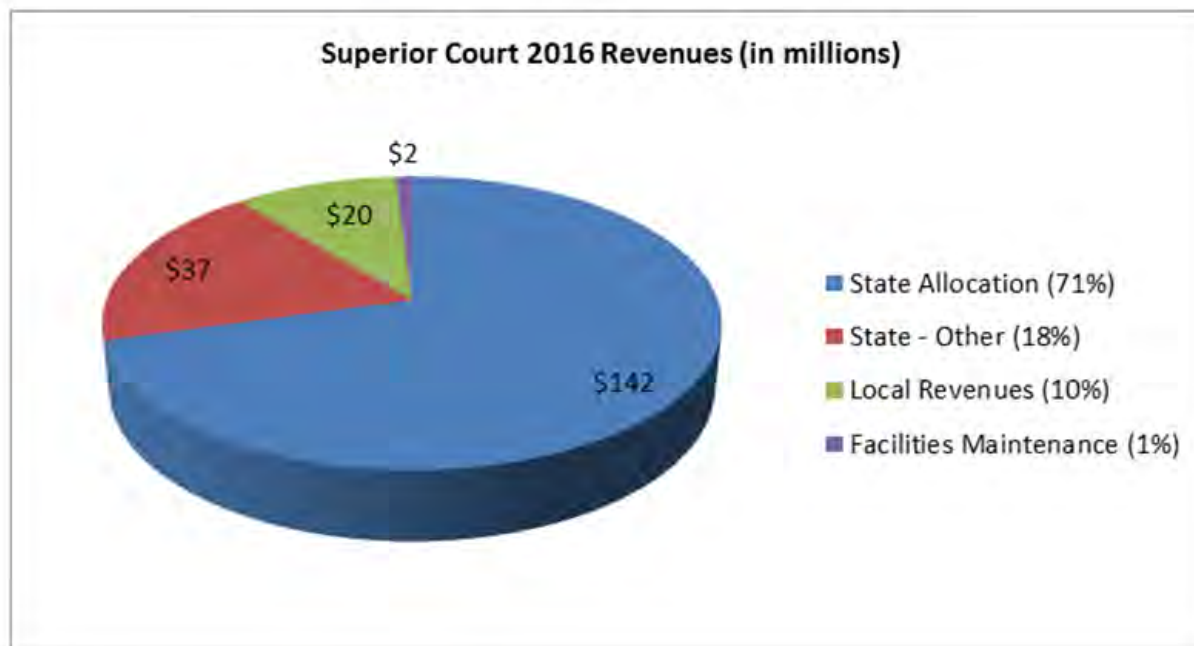


OC Superior Court

Total revenues were \$201 million.

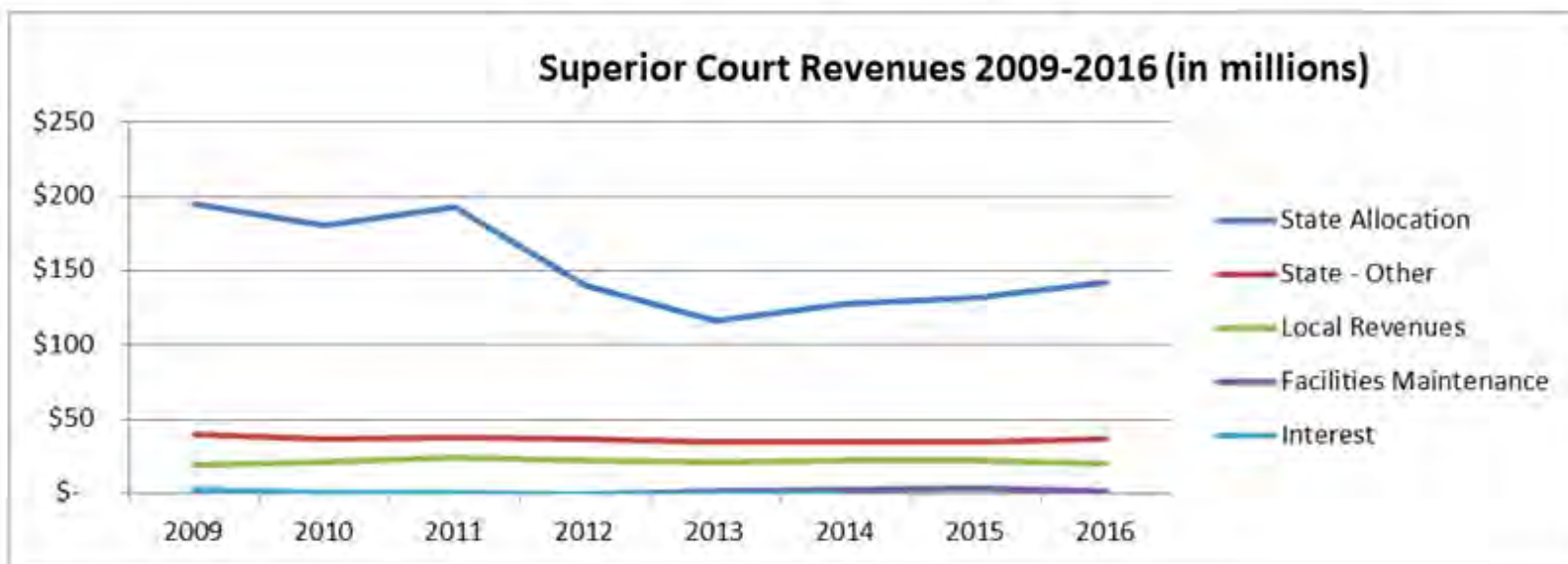
Key Revenue Sources:

- State Allocation of \$142 million to the Court.
- State Other Revenue was \$37 million - includes state grants and reimbursements of expenditures for language interpreters, jury pay expenditures, complex case programs, and self-help programs.
- Local Revenues of \$20 million - includes donations, reimbursements for services provided to the County, and cost recovery for the Enhanced Collections program and local fees, for copies of documents.





OC Superior Court



- Superior Court level of funding that is negotiated between the Governor and State Legislature.
- Funding formula for each of the 58 courts using:
 - Total court filings
 - Filing-driven costs
 - Statistics on labor cost data
 - Ratio of simple and complex cases.

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Orange County Transportation Authority

As of OCTA's Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Total Assets & Deferred Outflows of Resources	\$2.1 billion	\$2.2 billion	\$2.3 billion
Total Liabilities & Deferred Inflows of Resources	\$0.7 billion	\$0.9 billion	\$0.9 billion
Net Position	\$1.4 billion	\$1.3 billion	\$1.4 billion
Cash and Investments	\$1.2 billion	\$1.3 billion	\$1.3 billion
Net Pension Liability	\$218 million	\$204 million	\$250 million

As of OCTA's Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Employer Contributions to OCERS	\$22 million	\$25 million	\$26 million
As a % of Covered Payroll	24.6%	26.6%	26.9%
As a % of Total Revenues	3%	3%	3%

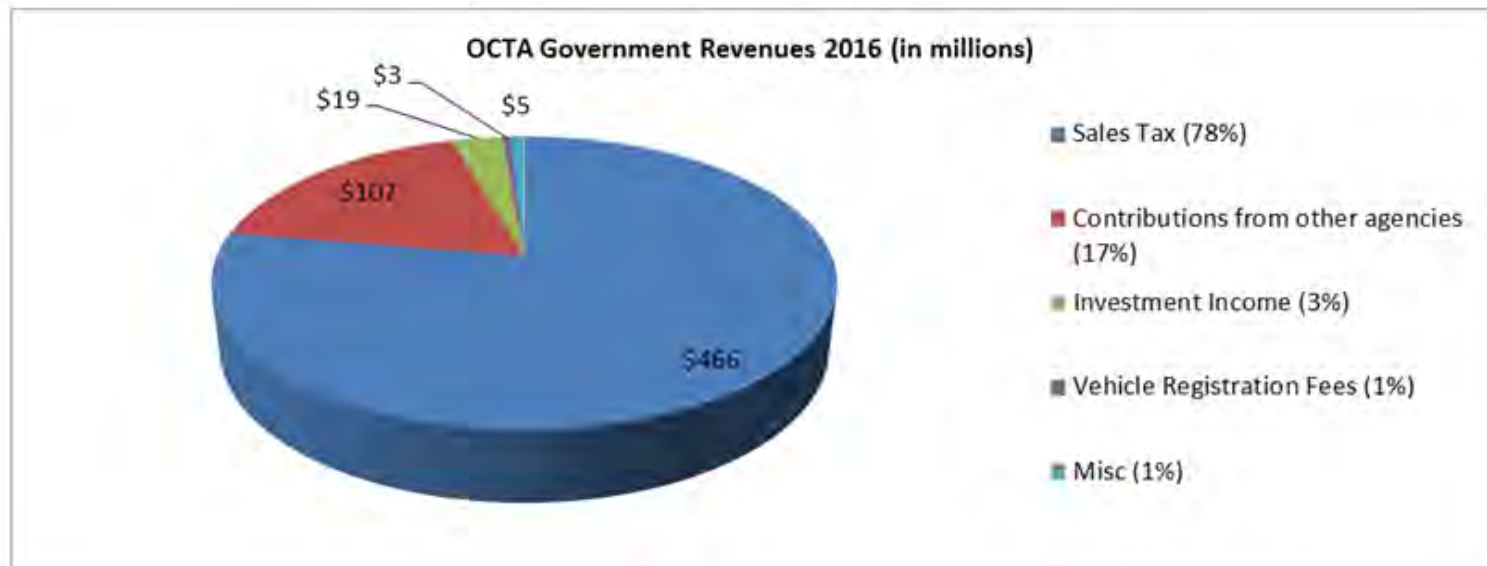


Orange County Transportation Authority

OCTA's total revenues were \$794 million.

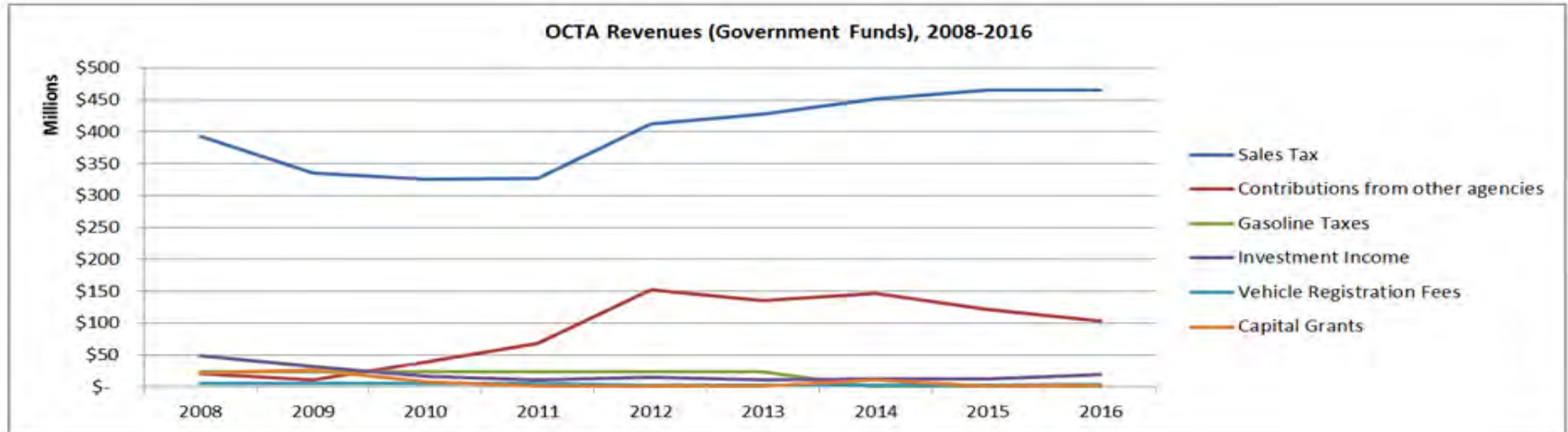
Key Revenue Sources:

- **Sales Taxes** of \$466 million were comprised of Orange County's Measure M, California's Transportation Development Act, and State Transit Assistance programs.
- **Contributions from other agencies** (\$107 million) include Federal Operating Assistance Grants, Federal Capital Assistance Grants, and other federal or state grants.
- In addition to government revenues below, there was \$194 million in enterprise revenues.





Orange County Transportation Authority



- Tax revenues for M2 program (2011-41) were estimated at \$24.3 billion when the M2 tax was passed into law. But the 2008 downturn greatly reduced this estimate.
- OCTA's 2016 forecasting methodology anticipates total taxable sales available for the M2 Program over 30 years will be \$14.2 billion (a decrease of \$1.4 billion, or 10%, from last year's 30 year forecast of sales tax revenues of \$15.6 billion).
- OCTA projects that their bus program will receive \$1 billion less in California's Transportation Development Act (TDA) ¼ cent state sales tax revenue over the next 20 years (from \$5.4 billion to \$4.4 billion).
- By 2028-29, the cost of the bus system will outpace revenue.



Orange County Sanitation District

As of OCSD Fiscal Year Ending:

	6/30/14	6/30/15	6/30/16
Total Assets & Deferred Outflows of Resources	\$3.2 billion	\$3.2 billion	\$3.2 billion
Total Liabilities & Deferred Inflows of Resources	\$1.4 billion	\$1.4 billion	\$1.3 billion
Net Position	\$1.8 billion	\$1.8 billion	\$1.9 billion
Cash and Cash Equivalents	\$215 million	\$58 million	\$126 million
Net Pension Liability	\$203 million	\$57 million	\$42 million*

During OCSD's Fiscal Year Ending:

	6/30/14	6/30/15	06/30/16
Required Contributions to OCERS	\$19 million	\$17 million	\$12 million
As a % of Covered Payroll	32%	29%	20%
Actual Contributions to OCERS	\$19 million	\$142 million	\$62 million
As a % of Covered Payroll	32%	242%	104%
As a % of Total Revenues	5%	36%	15%

* OCSD made additional contributions of \$125m in 2014, \$50m in 2016, & \$39m after 6/30/16.

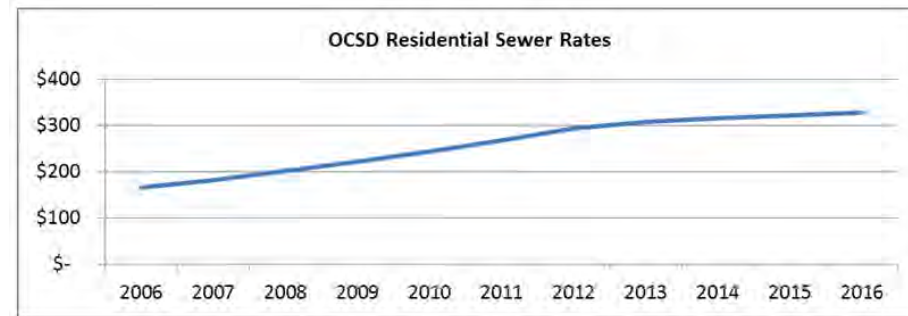
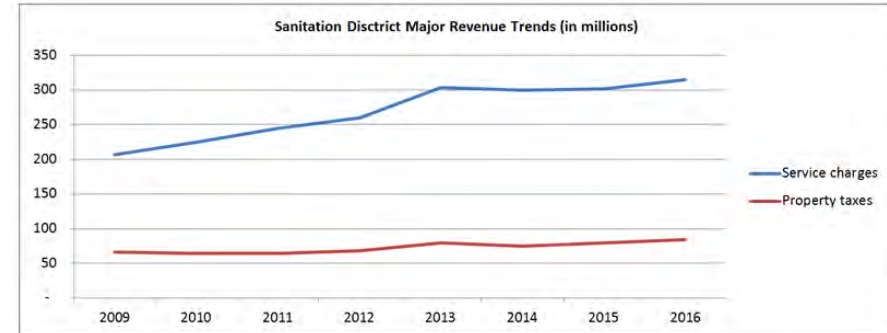
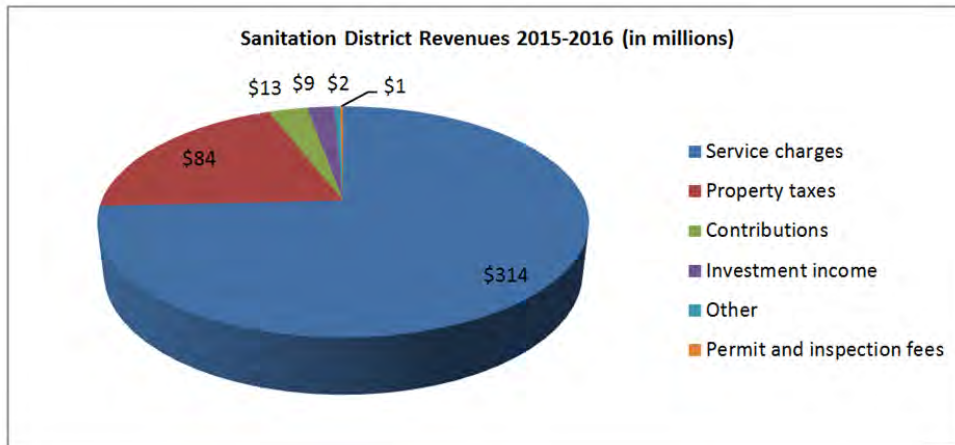


Orange County Sanitation District

Total revenues were \$423 million for the year ending June 30, 2016.

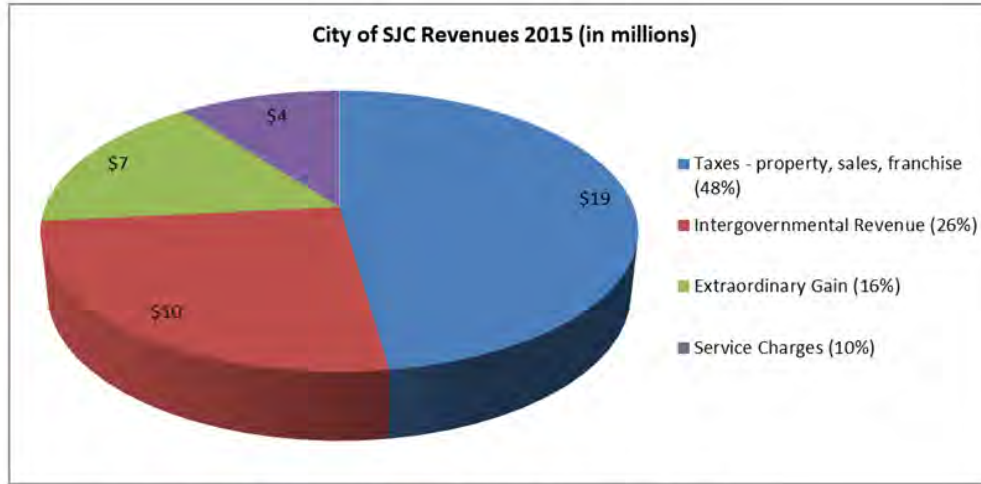
Key Revenue Sources

- Service Charges were \$314 million: user fees are ongoing by customers connected to the sewer system.
- Property taxes were \$84 million: dedicated for the payment of debt service.

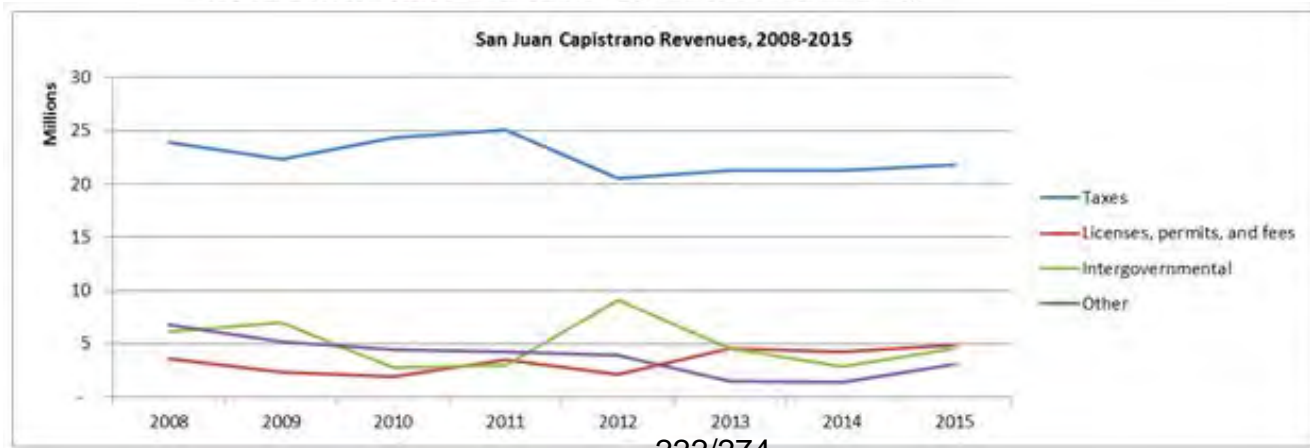


City of San Juan Capistrano

The City's governmental revenues were \$40 million for the year ending June 30, 2015.
(2016 CAFR not yet available as of this report)



Extraordinary Gain - vacant land transfer to the City from a redevelopment agency.



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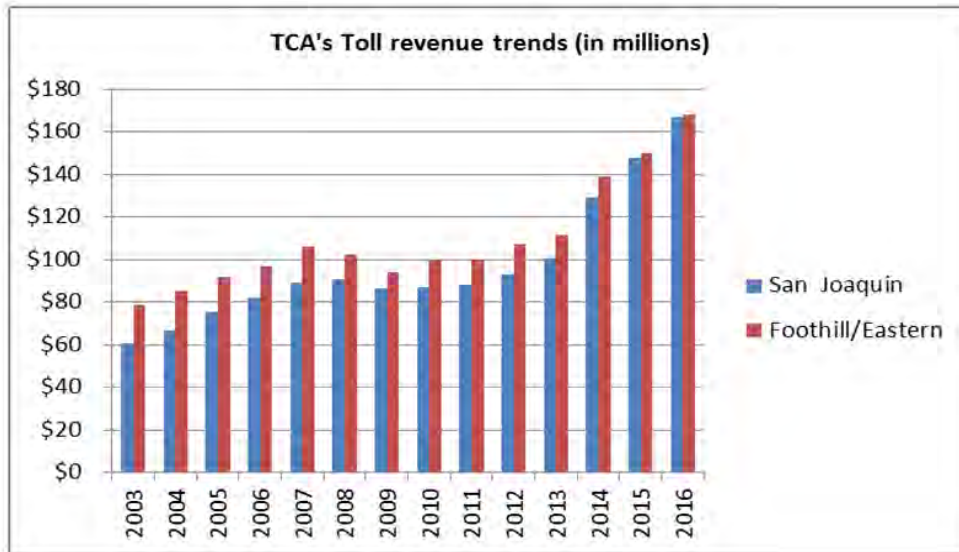
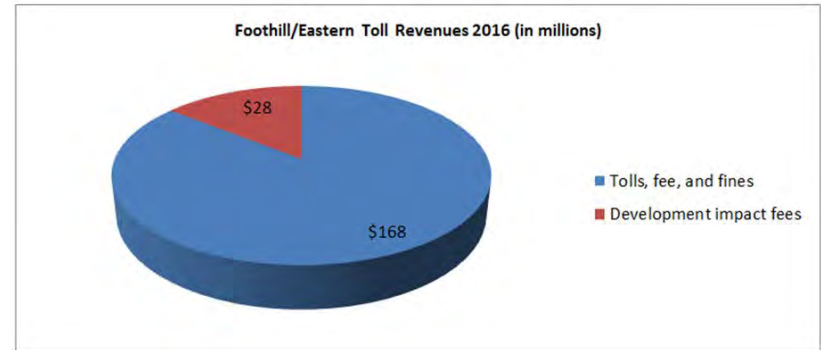
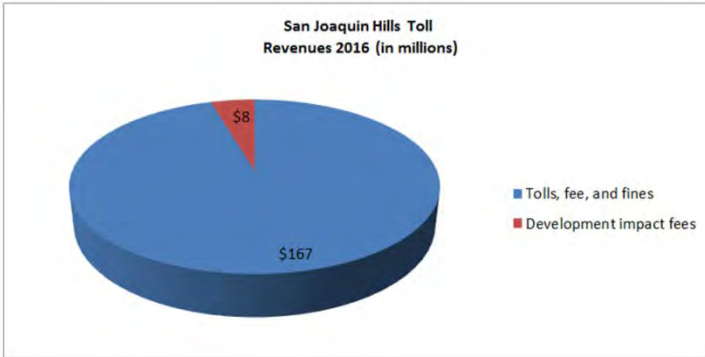
Transportation Corridor Agencies

San Joaquin Hills:

- Tolls, fees, and fines of \$167 million.
- Development impact fees of \$8 million.

Foothill/Eastern:

- Tolls, fees, and fines of \$168 million.
- Development impact fees of \$28 million.



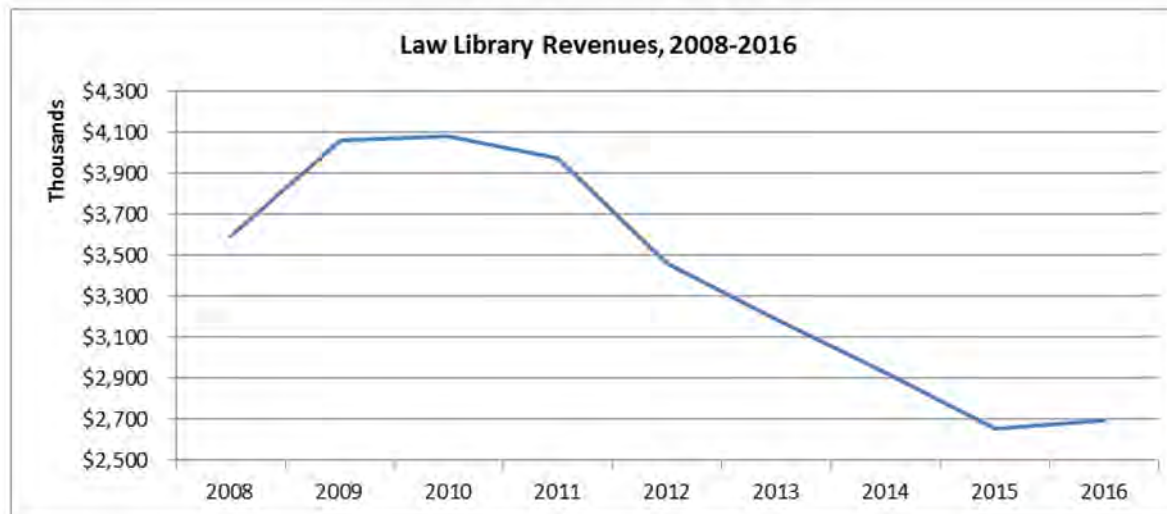
San Joaquin Hills' and Foothill/Eastern's existence as independent agencies sunset upon payment of their debts, currently set between 2050 and 2053.



Active Members: 15
Contributions: \$1.8m

Orange County Public Law Library

- **Court Filing Fees** of \$2.7 million are 99% of revenues.
- There is a filing fee paid for every civil action filed in OC Superior Court.
- The number of civil cases filed in court has declined – a 7% annual average decline since the statutory limit to qualify as a small claims court lawsuit increased from \$7,500 to \$10,000 in 2012.
- Revenues have declined since 2010 from \$4.1 million because civil actions filed have declined.
- If revenues continue to decline in the long-term, then this agency may be subject to OCERS' Declining Payroll Policy. It is unclear when this would occur.
- 2016 employer contributions include a \$1.5 million payment towards its net pension liability.
- 15 active employees (+1 voluntary exception). The Library does not see a change in number of employees in the foreseeable future.

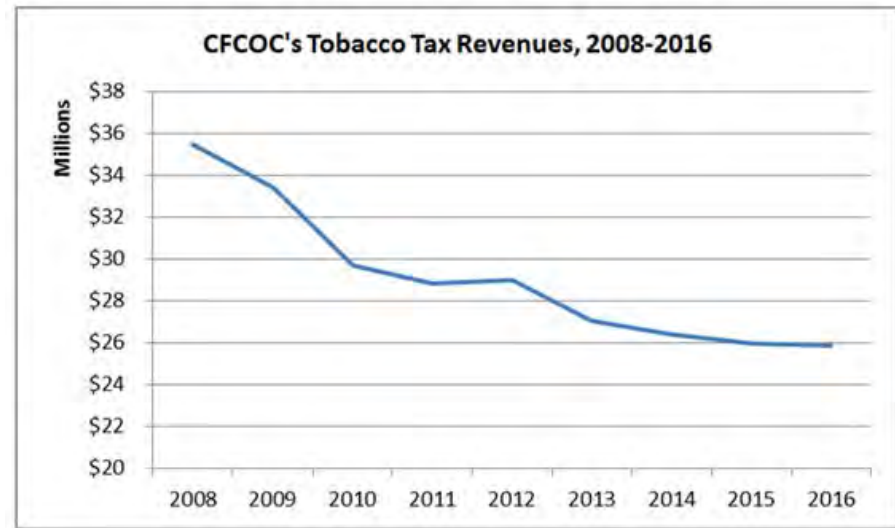
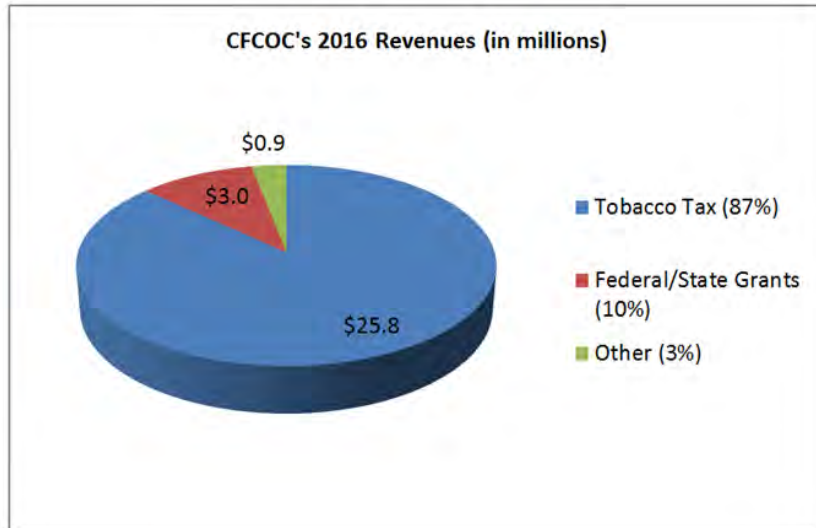


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Children & Families Commission

- **Tobacco Tax revenues** of \$26 million.
- **Federal and State Grants** of \$3 million - for children's programs.



- The Commission budgets its expenditures with a planned annual decrease of 3% in tobacco tax revenues (which comprised 87% of 2016 revenues).
- **If revenues continue to decline in the long-term, then this agency may be subject to OCERS' Declining Payroll Policy. It is unclear when this would occur.**

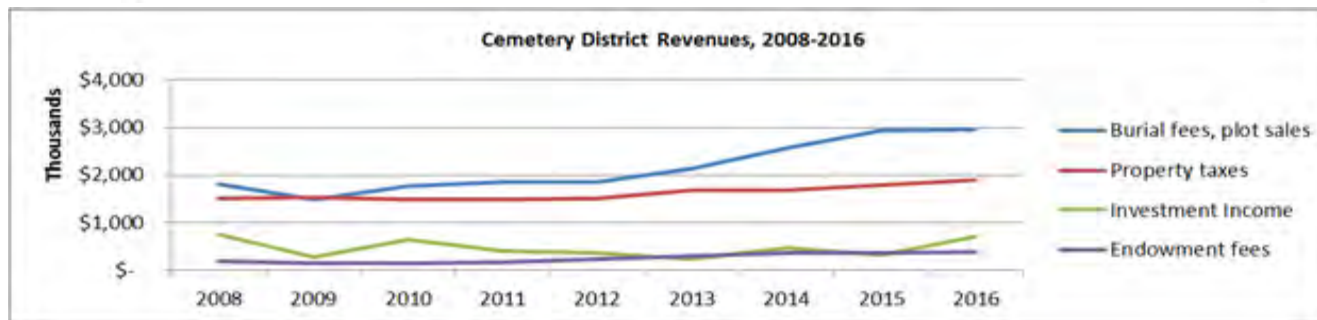
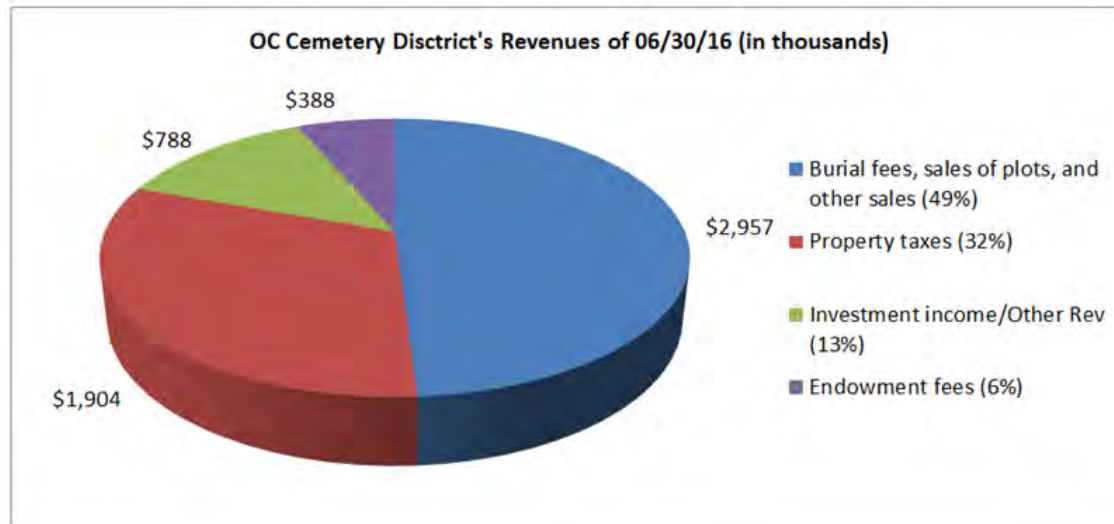


Active Members: 23
Contributions: \$156 k

OC Cemetery District

Revenues of \$6 million

- **Burial fees, sales of plots** of \$3 million - general burial and cremation costs to help recover costs, keeping in line with price inflation and the district's expected share of property tax revenues.
- **Property taxes revenues** of \$2 million - allocated to the district its share of County property tax revenues.



In-Home Support Services

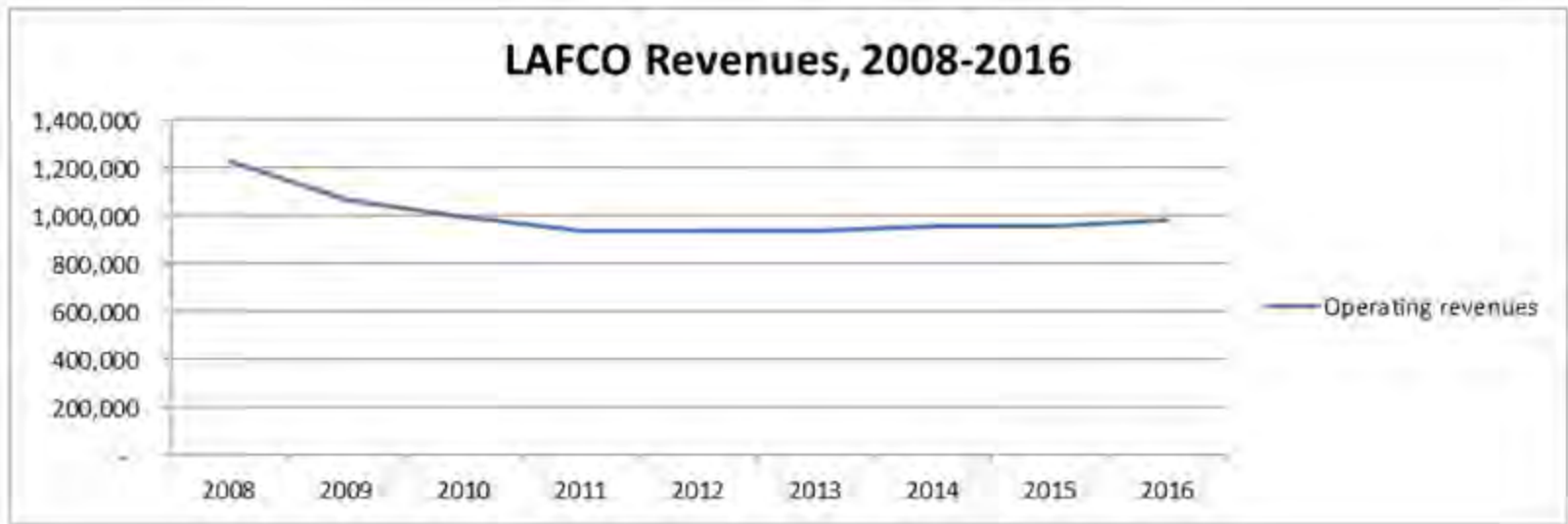
- The Orange County In-Home Supportive Services Public Authority contributed approximately \$0.2 million to OCERS' plan in 2016. It has 24 active members as of 2016 year-end.
- Its net pension liability was \$0.9 million as of June 2016.
- The financial statements of Orange County In-Home Supportive Services Public Authority are blended with other government fund units in the CAFR for the County of Orange.



Active Members: 6
Contributions: \$129 k

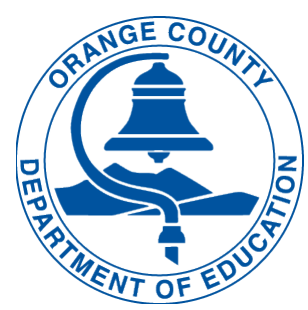
Local Agency Formation Commission

- LAFCO contributed approximately \$0.1 million of OCERS' contributions in 2016.
- It had six active members as of 2016 year-end.
- LAFCO's net pension liability was \$1.1 million as of June 2016.
- Total Revenues were \$984,000, assessments & service charges.



UCI Medical Center

- Plan closed prior to 1993. No active members.
- Its Net Pension Liability was \$36.1 million as of June 2016.
- UCI & OC evenly split employer contributions.
- Paying UAAL based on agreement with UCI and OCERS.



Department of Education

- No Active members.
- Last active member retired in 2013.
- Net Pension Liability was \$4.3 million as of June 30, 2016.
- OCERS is currently involved in litigation with the Department of Education in regards to payment of its liability.



Vector Control

- No Active members.
- Vector Control's Net Pension Liability, based on GASB 68, was \$1.9 million as of June 2016.
- The next contractual calculation by Segal of Vector's UAAL will be after the 12/31/17 valuation. Vector has until 2020 to pay.

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Memorandum

DATE: February 1, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: STRATEGIC PLAN QUARTERLY REVIEW

Recommendation

Approve recommended modifications to the 2017-2019 Strategic Plan.

Background/Discussion

Since 2009 OCERS has been working with and modifying the use of a multi-year strategic plan document. In 2011 the Board requested that the Strategic Plan be reviewed on a quarterly basis.

The OCERS management team met on Friday, January 20, and performed a thorough review of the 2017-2019 Strategic Plan, and have made the following modification recommendations.

A red-line version of the strategic plan, showing those modification recommendations is attached. A clean version with all recommendations accepted follows.

Summary of Recommended Modifications:

Section 1, Objective B, Third Bullet

Cleaner language as to our intentions to create an educational program to encourage greater use of the OCERS website.

Section 2, Objective A, First Bullet

Completed with the V3 project, and will be removed from the current edition of the strategic plan.

Section 2, Objective A, Third Bullet

Completed, and will be removed from current edition of the Strategic Plan

Section 2, Objective A, Fifth Bullet

Clarifies that OAPs will be prepared, and removed the original 5 year goal notation.

Section 2, Objective B, Second Bullet

Completed with the V3 project, and will be removed from the current edition of the strategic plan.

Section 2, Objective C, First Bullet

Clarifies the goal of continuing to review the disability application process, and corrects the tie to Benchmark #3.

Section 3, Objective A, Second Bullet

Completed with the V3 project, and will be removed from the current edition of the strategic plan.

Section 5, Objective A, First Bullet

Though originally scheduled to look at Board Governance policies in 2017, I recommend changing that to 2018 here, as I believe that it would be good for us to have our new Chief Investment Officer on Board and working with the existing processes for some months before we undertake a broad review of Board governance.

Section 5, Objective B, First Bullet

Completed with the V3 project, and will be removed from the current edition of the strategic plan.

Section 5, Objective C, Third Bullet

Corrects the tie to Benchmark #4.

Section 6, Objective B

With less than 10 years to go before switching to negative cash flow, an outcome the Board already addresses in comments at times, this initially captures that event in this strategic planning document.

Note on Benchmarking

From 2009 to 2013 OCERS participated in the CEM benchmarking service, but with CEM losing its smaller pension systems, there were no comparable peers of OCERS, and we were finding it harder and harder to make use of the CEM data. Due to the economies of scale challenge, an OCERS of 40,000 members simply could not match the efficiencies of a system such as New York State Teachers with over 400,000 members, and OCERS withdrew in that year.

CEM has launched a benchmark report better aimed at our peer group of public pension systems being more in line with OCERS' plan size. At the September 2015 OCERS Board's Strategic Planning session, the Board directed that OCERS should not rejoin CEM Benchmarking until they had at least eight or more systems in a peer group. In February 2016 we were informed by CEM that they had reached that exact number, eight (plus four an additional four out-of-country systems), and with the approval of the Chair and Vice-Chair we once again began to work with CEM Benchmarking.

At the February 7 meeting of the OCERS Board of Retirement, we will share the first report received from CEM, comparing us to our new peer group. If the Board approves of the manner in which CEM lays out our benchmarking goals, we will then begin moving from our own internally crafted benchmarks as reflected in this document, to CEM benchmarks, allowing us to tie that report to the multi-year strategic plan.

Submitted by:



Steve Delaney
Chief Executive Officer

STRATEGIC PLAN

FY 2017-2019



Mission Statement

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

OCERS GOALS - OBJECTIVES

1. **Excellent Customer Service**
providing
2. **Timely & Accurate Benefits**
based on
3. **Secure and Reliable Data**
funded by
4. **Prudently Managed Investments**
guided by
5. **Professional Plan Administration**

EXCELLENT CUSTOMER SERVICE

1.

Benchmark 1

95% of members surveyed are satisfied with the customer service received.

Benchmark 2

No more than 5% of benefit initiations require unplanned recalculations.

Objective A – **Trained and professional staff.**

- Explore staff training to maintain industry-accepted professional standards, such as provided by the International Foundation of Employee Benefits Plans.
- Training program for staff with monthly sessions that guide to outcomes. (Benchmark 1)
- Develop comprehensive documentation of all processes, procedures and policies and make accessible to all staff. (Benchmark 2)
- Develop appropriate performance metrics benchmarking peer comparisons.

Objective B – **Move member inquiries from phone to web whenever possible.**

- Automatically populate electronic forms with system data in accordance with acceptable security controls.
- On-line input of retiree change of address or direct deposit information, in accordance with acceptable security controls.
- Create and launch education program ~~to encourage members to in~~ use of OCERS web site.

Objective C – **Clear and timely communication with members/stakeholders.**

- Capture and monitor member/stakeholder feedback at all touch points and create management reports.
- Involve stakeholder groups in delivery of communications to members.
- Create call center for effective call management with ability to measure service.

TIMELY and ACCURATE BENEFITS

2.

Objective A – Benefits paid are accurate.

- ~~o Strengthen payment review/quality control/verification processes. (V3 Item)~~
Completed
- o Formalize effective use of Internal Audits to assist with test of agency processes.
- o ~~Develop overpayment /underpayment policy.~~
Completed
- o Develop policy for de minimus adjustments.
- o Details of benefit qualification standards and calculations clearly documented in OCERS Administrative Procedures (OAP) rules. [5-year goal]

Objective B – Service Retired Members are paid timely, without break in cash flow.

- o Explore methods for payment within one month of retirement date.
- ~~o Implement automated standard benefit processes where possible to ensure consistent and accurate work product. (V3 Item)~~
Completed

Objective C – Streamlined Disability Process

- o Regular review of disability process and staffing ~~leading to service benchmarks to ensure timely completion of claim. in order to implement process improvements that will streamline the disability benefit application process leading to accepted service benchmarks.~~ (Benchmark 4 3)

Benchmark 3

90% of Disability claims to the Board within four months of a complete medical profile.

SECURE and RELIABLE DATA

3.

Objective A – **Move to next generation pension administration software.**

- All procedures documented to ensure continuity while providing foundation to staff.
- ~~Develop V3 maintenance plan. Completed~~
- Data integrity review.
- Post Go-Live determine V3 impact on general administration and make necessary adjustments.

Objective B – **Ensure security of data.**

- Perform mock review of OCERS internal control system per SSAE-16 (formerly SAS 70) standards to determine status of agency internal controls. Enhance periodic vulnerability assessments on critical assets.
- Deploy advanced security technologies and ensure appropriate procedures while integrating security into our investment and business processes.
- Provide security and privacy awareness training to sensitize employees to potential security and privacy issues within their particular functional areas on an annual basis.
- Mitigate risk of fraud in OCERS Investment transactions.

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EFFICIENT INVESTMENT PROGRAM

4.

Objective A – Investment program aims to achieve and maintain a fully funded status with regard to the actuarial liability of the system.

- Assure alignment of intermediate-term and long-term funding policies with the OCERS portfolio's investment opportunity frontiers.
- Explore investment strategies to improve or protect the system's funding status at market extremes.
- Develop and implement strategies to dynamically adjust the portfolio for business cycle risks and opportunities.
- In reviewing asset allocation consider appropriate movements to contractual income in anticipation of cash flow negative status.

Objective B – Achieve investment return objective with appropriate level of risk.

- Ensure adoption of appropriate benchmarks for each asset class and total fund.
- Regularly measure and evaluate investment and performance risks at the manager, asset class and total fund level.
- Annually consider timely portfolio enhancement and risk mitigation strategies.

Objective C – Board enabled to provide clear policy guidance with timely staff implementation.

- Coordinate Board training classes and conferences into cohesive goal-centered training curriculum.
- Conduct semi-annual Board investment education sessions.

EFFICIENT INVESTMENT PROGRAM (Continued)

- Periodic review and communication to the Board of investment –related training and courses.
- Continued improvement and standardization of investment reports.
- Annual/biennial review of portfolio decision-making delegation and procedures.

Objective D – **Establish updated and written procedures to ensure continuity and best practices for investments.**

- Ensure due diligence and risk management activities meet best practice standards.
- Establish sound due diligence processes and clear accountability for alternative investments.
- Review, update and document all investment procedures.
- Take a leadership role for best investment practices statewide and nationally.

Objective E – **Ensure optimal investment division staffing and resources.**

- Biennially review insourcing, outsourcing and other strategic management strategies.
- Develop personalized training strategies for investment staff.
- Explore incentive and retention compensation.

Objective F – **Ensure efficiency and transparency in investment management.**

- Seek optimal cost structures throughout the investment program, with special focus on cost containment strategies as the portfolio

EFFICIENT INVESTMENT PROGRAM (Continued)

becomes increasingly diversified with non-traditional asset classes and strategies.

- Explore public sector partnerships and opportunities to share or combine management and oversight resources with other public plans.

Objective G - **Identify viable OCERS-based defined contribution investment options. (“unitization”)**

- Identify potential qualified product providers or advisors with feasible strategies.
- Collaborate with County DC committee and staff on product design options.

PROFESSIONAL PLAN ADMINISTRATION

5.

Objective A – **Good governance model and practices clearly delineate duties and responsibilities of Board members and OCERS staff.**

- Review of Board Governance Policies and processes in 2017 ~~2018~~.

Objective B – **Stable and sustainable contribution rates.**

- ~~Monitor and report annually on fiscal soundness of plan sponsors to OCERS Board. Completed~~
- Monitor system's funding policy in order to maintain fiscal responsibility and enhance contribution rate stability.
- Outreach to non-participating Orange County employers, allowing opportunity to join OCERS and build Fund base.

Objective C – **Maintain reasonable administrative costs.**

- Implement continuous improvement processes to ensure organizational structure is most efficient model.
- Research Board actions, policies and directives that may create cost for the plan, such as the annual crediting of interest to member accounts.
- Review divisional budgets to ensure cost effectiveness. (Benchmark ~~54~~)

Objective D – **Implement enterprise risk management.**

- Regular review of agency Risk Assessment matrix.
- All divisions to monitor and report on operational and strategic risks, with identification of internal controls.
- Internal Audit to test controls to ensure effectiveness.

Benchmark 4

Annual dollar per active and annuitant figure grows by no more than CPI.

PROFESSIONAL PLAN ADMINISTRATION (Continued)

Objective E – **Maintain effective Business Continuity Plan.**

- Plan must be clearly communicated and understood by management staff.
- Plan must be routinely reviewed to ensure applicable and effective for current plan administration.

Objective F – **Ensure agency is prepared for legislative impacts.**

- Develop outreach program to ensure agency input to stakeholders considering legislation that would impact the system.

Objective G – **Maintain OCERS Tax Status**

- Work with tax counsel to maintain OCERS' favorable tax status by continuing to engage in the determination letter process and implementing IRS plan changes.

LOOKING AHEAD 10 YEARS

6.

Development A – **Fund reaches \$25 billion.**

Address by developing an investment team that meets the skill set needed to manage the anticipated Portfolio

Development B – Fund moves from cash flow positive to cash flow negative.

Address through defensive asset allocation.

Development C – **Fund has more retired members than active members.**

Address through appropriate actuarial assumptions

Development D – **Last of “baby boomer” staff exiting agency.**

Address with Succession Plan

Development E – **End of V3 useful life.**

Address with advance planning, focused on appropriate use of IT team.

Development F – **2020 75-Year OCERS Anniversary.**

Address with plan and budget in 2019

STRATEGIC PLAN

FY 2017-2019



ORANGE COUNTY
CCERS
EMPLOYEES RETIREMENT SYSTEM

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

OCERS GOALS - OBJECTIVES

1. **Excellent Customer Service**
providing
2. **Timely & Accurate Benefits**
based on
3. **Secure and Reliable Data**
funded by
4. **Prudently Managed Investments**
guided by
5. **Professional Plan Administration**

EXCELLENT CUSTOMER SERVICE

1.

Benchmark 1

95% of members surveyed are satisfied with the customer service received.

Benchmark 2

No more than 5% of benefit initiations require unplanned recalculations.

Objective A – **Trained and professional staff.**

- Explore staff training to maintain industry- accepted professional standards, such as provided by the International Foundation of Employee Benefits Plans.
- Training program for staff with monthly sessions that guide to outcomes. (Benchmark 1)
- Develop comprehensive documentation of all processes, procedures and policies and make accessible to all staff. (Benchmark 2)
- Develop appropriate performance metrics benchmarking peer comparisons.

Objective B – **Move member inquiries from phone to web whenever possible.**

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Benchmark 3

90% of Disability claims to the Board within four months of a complete medical profile.

Objective A – **Benefits paid are accurate.**

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- Data integrity review.
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- Perform mock review of OCERS internal control system per SSAE-16 (formerly SAS 70) standards to determine status of agency internal controls. Enhance periodic vulnerability assessments on critical assets.
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Address with plan and budget in 2019

I-6

Memorandum

DATE: January 25, 2017
TO: Members, Board of Retirement
FROM: Brenda Shott, Assistant CEO-Finance and Internal Operations
SUBJECT: FIDUCIARY INSURANCE POLICY

Recommendation

Authorize Staff to bind a one year fiduciary insurance policy with RLI Insurance Company with a coverage limit of \$5,000,000, self-insured retention of \$250,000 and an annual premium of \$75,100 which includes the Waiver of Recourse for all Trustees and Executive Management.

Background/Discussion

At the January 17, 2016 Regular Board of Retirement Meeting, staff received direction to develop the procurement process for insurance broker services. The primary insurance product that the Board expressed interested in was fiduciary liability coverage. At the July 17, 2016 Regular Board of Retirement meeting, Alliant was selected to be OCERS' Insurance Broker. After finalizing contract negotiations, staff completed a questionnaire that Alliant used for risk and coverage analysis and development of a risk profile. This process was used to begin the procurement of fiduciary liability insurance for OCERS. Fiduciary liability insurance is basically administrative errors and omissions coverage. Fiduciary liabilities are personal liabilities and a fiduciary liability insurance policy also protects the personal assets of trustees and executives should a covered claim be made.

In order to market OCERS' search for fiduciary liability coverage, Alliant submitted a request for bids to twenty-seven (27) insurance carriers including Alliant's proprietary national Fiduciary Liability Program (FLIP). The vast majority of the carriers contacted declined to submit a proposal for a variety of reasons (see Attachment A for list of firms who were contacted and the explanation for declining to propose). However, Alliant conducted underwriter meetings and negotiated terms from the three submitted bids. Alliant then provided staff with an analysis whereby all terms (including coverage limits and sub-limits, deductibles, endorsements and exclusions) were compared side by side (see Attachment B for a summary of proposals received). After meeting with the Alliant team to review the options for fiduciary insurance coverage, Staff is recommending that the Board approve binding a policy through Alliant's FLIP program (Proposed I in Attachment B).

The FLIP currently has fourteen (14) State Associations County Retirement Systems (SACRS) participants (12 of which are direct clients of Alliant), all of which are 1937 Act Retirement plans. Each year Alliant markets the program to relevant insurance carriers. All carriers approached have at least an A (excellent) rating with A.M. Best. RLI Insurance Company is currently the primary provider of FLIP with Hudson Insurance Company providing excess coverage. RLI currently holds an A+ (superior) rating with A.M. Best and A+ (Strong) rating from Standard & Poor's and is an admitted carrier in California. Hudson Insurance Company is rated A (excellent) by A.M. Best (not currently rated by Standard & Poor's) and is an admitted carrier in California.

The FLIP offers various levels of coverage (limits) and self-insured retentions (deductibles). To help staff determine what level of coverage to recommend, we requested some examples of claims paid under fiduciary insurance policies. The following are examples of claims involving indemnity payments for governmental plans:

Memorandum

(1) The main indemnity exposure that presents the highest severity for governmental plans are imprudent investment claims. The most high-profile recent example was the lawsuit in 2010 against the City of Detroit Retirement Plan and Police and Fire Plans alleging imprudent investments that included kickbacks and improper payments to trustees from the investment advisers. These types of claims involve the potential for full policy limit exposure. Similar claims were filed with governmental pension plans that had Madoff investments.

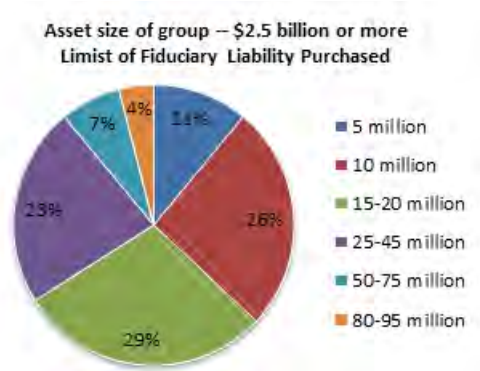
(2) The Trustees of a state retirement system received letters from the state Board of Ethics, alleging that each of the individual Trustees violated certain provisions of state law by virtue of their alleged use of retirement system funds for personal expenses. The letters were the result of a Board of Ethics investigation involving alleged misspending of retirement system funds by the former Executive Director and the Trustees, as well as alleged improper authorization of expenditures by the Trustees that were solely to the benefit of the former Executive Director. The letters to the Trustees alleged breach of fiduciary duty by the Trustees “incurring and/or authorizing expenditures that were of little or no benefit to the system or its members.” The Board of Ethics sought to refer the matter to the state District Attorney for potential criminal prosecution, as well as personal reimbursement by the Trustees to the system of alleged unauthorized expenses and/or system funds used for personal expenses. The indemnity exposure is the amount of the alleged improper expenditures.

(3) A class action complaint was brought against a state retirement system alleging the Board of Trustees breached their fiduciary duties by not aggressively and publically demanding funding to stay solvent. The plaintiffs alleged illegal borrowing by the Trustees and collusion with state officials to “cover up” alleged underfunding, including the issuance of “secret, taxable pension obligation bonds.” The plaintiffs also alleged the Trustees failed to disclose material information regarding the underfunding and breached their fiduciary duty by selecting investments and investment managers not permitted by statute and which involved high-risk alternative investments “not appropriate for fiduciaries.” Plaintiffs demanded damages for breach of fiduciary duty for selecting improper investments and high-fee investment managers utilizing unsuitable alternative investments. The indemnity payment is based on the alleged improper fees and investment losses.

(4) Plaintiff filed a petition alleging certain state employee retirement benefit enhancements were granted unlawfully. Plaintiff alleged that “required information” regarding funding and retirement benefit enhancements was not “made public” and therefore the Board of Trustees breached its fiduciary duty. Specifically, Plaintiff alleged that because funds available for retirement benefits are not “infinite,” the Board was improperly advantaging some beneficiaries at the expense of others, since the benefit enhancements were granted unlawfully. Plaintiff also alleged that the Board breached its fiduciary duty in failing to preserve assets available to pay legitimate benefits in violation of the state constitution. Plaintiff sought damages for breach of fiduciary duty for failing to preserve assets by granting unlawful benefits, and for investing in illiquid and risky investments.

Staff also requested industry data from Alliant on the amount of coverage that plans similar in size as OCERS retain. Alliant provided the following data for the amount of fiduciary liability insurance limits purchased by funds with \$2.5 billion or more of assets under management:

Memorandum



In addition to the broader data of all pension funds, Staff also requested the limits purchased by all of Alliant’s 1937 Act clients which are included below:

Alliant Clients - 1937 ACT COUNTIES LIMITS, RETENTION, ASSETS

Member	Limit	Retention	Assets
System 1	\$10M	\$100k	\$7,281,969,000
System 2	\$10M	\$100k	\$4,100,000,000
System 3	\$10M	\$50k	\$699,069,483
System 4	\$5M	\$50k	\$429,000,000
System 5	\$10M	\$75k	\$664,000,000
System 6	\$10M	\$50k	\$7,900,000,000
System 7	\$10M	\$50k	\$8,196,000,000
System 8	\$5M	\$100k	\$2,546,800
System 9	\$10M	\$50k	\$2,380,000,000
System 10	\$10M	\$25k	\$1,241,828,465
System 11	\$10M	\$25k	\$4,360,000,000

OCERS has not held fiduciary insurance in the past. Staff is not aware of any claims history that would have triggered coverage of a fiduciary policy had there been a policy in place historically. Based on the examples of claims, OCERS history, comparable system coverages and the cost of binding various levels of coverage, Staff believes getting our “feet wet” with a lower limit policy will be best suited for OCERS in 2017. Staff is



Memorandum

recommending the Board authorize staff to bind an insurance policy with terms that are included in Option 1 of Proposed I- FLIP as included below:

\$5,000,000	Aggregate Limit of Liability (including defense costs)
\$1,500,000	HIPAA Sublimit
\$250,000	HITECH Sublimit
\$1,000,000	Settlor Sublimit
\$500,000	Sublimit of Liability for CAP (IRS) Penalties
\$250,000	PPACA Sublimit
\$250,000	Tax Penalty (4975 IRC) Sublimit
\$250,000	Self-Insured Retention (deductible)
\$75,100	Annual Premium (includes cost for Waiver of Recourse for all Trustees and Executive Management)

Sublimit Definitions included in the recommend coverage are included below:

HIPAA AND HITECH: Coverage for liability for all Loss in the form of civil fines and penalties imposed pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and the HITECH Act of 2009.

SETTLOR COVERAGE: Adds coverage for claims that fall under the Settlor Coverage exposure. Historically Fiduciary policies did not respond to Settlor Coverage claims, because there was nothing illegal or unlawful in the actions, so the wrongful act provision of the policy would not be triggered. More detailed information can be found in an article that outlines Settlor Functions: <http://www.hg.org/article.asp?id=5138>. In raw layman’s terms, allegations arising out of changes in plan providers for instance, where negligence was not alleged, but participants did not feel the change was favorable (reducing the number of approved providers for instance). These are legally allowed transactions and decisions, but still leading to claims against the fiduciaries.

CAP (IRS) PENALTIES: Fees, fines or penalties paid by an Insured to a governmental authority in connection with any Voluntary Compliance Program involving actual or alleged inadvertent noncompliance by any Insured Plan with any statute, rule or regulation. Voluntary Compliance Program is a defined term in the RLI form. It’s an entire paragraph, and references the US IRS, US DOL, and other authorities, including the Audit Closing Agreement Program, Voluntary Compliance Resolution Program, Walk-in Closing Agreement Program, Administrative Policy Regarding Self-Correction, Employee Plans Compliance Resolution System, IRS Rev. Proc. 98-22, and Tax Sheltered Annuity Voluntary Correction Program.

PPACA: Coverage for civil fines and penalties imposed pursuant to the Patient Protection and Affordable Care Act (aka Obamacare).



Memorandum

IRC 4975: Coverage for loss in the form of excise taxes imposed pursuant to Section 4975 of the Internal Revenue Code.

Staff did inquire as to why the options for self-insured retentions (deductibles) were so high (minimum \$250,000) and were informed that because we are a new entity in the market place it causes concern for insurers and therefore they require a higher deductible. Once a claims history (or lack thereof) is established the option for lowering the self-insurance retention will avail itself at a more cost effective rate.

In summary, after an extensive procurement process for fiduciary liability insurance coverage staff is requesting that the Board of Retirement authorize staff to bind a one year fiduciary insurance policy with RLI Insurance Company with a coverage limit of \$5,000,000, self-insured retention of \$250,000 and an annual premium of \$75,100 which includes the Waiver of Recourse for all Trustees and Executive Management.

Submitted by:

A handwritten signature in blue ink that reads "Brenda M Shott".

Brenda Shott

Assistant CEO Finance and Internal Operations

Marketing Results

Carrier	Response	Reasoning
ACE Chubb	Decline Primary	Not Competitive, Need Application and Higher Rate
Markel	Decline Primary	Quoted Excess
RSUI	Decline Primary	Quoted Excess
Travelers	Decline	Concerns with Funding levels
Allianz	Decline	Only high Excess and Higher Rate
Lloyds of London	Decline	No Governmental Fiduciary
Sompo Canpius	Decline	Too Large
Zurich	Decline	No Governmental Fiduciary
XL Catlin	Decline	No Primary Coverage, Concerns with Conditions
Starstone	Decline	Class of Business
Starr	Decline	Only High Excess
QBE	Decline	No Governmental
Philadelphia	Decline	No Governmental
One Beacon	Decline	No Governmental
Navigators	Decline	No Governmental
Maxum	Decline	Too Large to Quote
Euclid	Decline	Excess Only, Higher Rate than Other Quotes
Scottsdale	Decline	Too Large
C.N.A	Decline	No Governmental
CapSpecialty	Decline	Too Large
Beazley	Decline	No Governmental
Axis	Decline	No Governmental
AWAC	Decline Primary	Only Excess - Higher Rate than Other Quotes
Argo	Decline Primary	Only High Excess - and Higher Rate Per Million

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
FIDUCIARY LIABILITY INSURANCE
LIMITS, RETENTION AND PREMIUM SUMMARY**

RLI Insurance Company- FLIP	Mt Hawley Insurance Company- Stand Alone	AIG/ National Union Fire Ins Co of PA.- Stand Alone
<p><u>Option I</u> Limit: \$5,000,000 Retention: \$250,000 Premium: \$75,100</p>	<p><u>Option I</u> Limit: \$ 5,000,000 Retention: \$250,000 Premium: \$165,370</p>	<p><u>Option I</u> Not offered</p>
<p><u>Option II</u> Limit: \$5,000,000 Retention: \$750,000 Premium: \$54,100</p>	<p><u>Option II</u> Not offered</p>	<p><u>Option II</u> Not offered</p>
<p><u>Option III</u> Limit: \$10,000,000 Retention: \$250,000 Premium: \$125,100</p>	<p><u>Option III</u> Limit: \$10,000,000 Retention: \$250,000 Premium: \$170,530</p>	<p><u>Option III</u> Not offered</p>
<p><u>Option IV</u> Limit: \$10,000,000 Retention: \$1,000,000 Premium: \$90,100</p>	<p><u>Option IV</u> Not offered</p>	<p><u>Option IV</u> Limit: \$10,000,000 Retention: \$1,000,000 Premium: \$205,781</p>
<p><u>Option V</u> Limit: \$20,000,000 Retention: \$250,000 Premium: \$206,350</p>	<p><u>Option V</u> Limit: \$20,000,000 Retention: \$250,000 Premium: \$335,530</p>	<p><u>Option V</u> Not offered</p>
<p><u>Option VI</u> Limit: \$20,000,000 Retention: \$1,000,000 Premium: \$148,600</p>	<p><u>Option VI</u> Not offered</p>	<p><u>Option VI</u> Limit: \$20,000,000 Retention: \$1,000,000 Premium: \$381,381</p>
<p><u>Option VII</u> Limit: \$30,000,000 Retention: \$250,000 Premium: \$305,347</p>	<p><u>Option VII</u> Limit: \$30,000,000 Retention: \$250,000 Premium: \$530,530</p>	<p><u>Option VII</u> Not offered</p>
<p><u>Option VIII</u> Limit: \$30,000,000 Retention: \$1,000,000 Premium: \$253,347</p>	<p><u>Option VIII</u> Not offered</p>	<p><u>Option VIII</u> Limit: \$30,000,000 Retention: \$1,000,000 Premium: \$556,381</p>

OCERS Risk Profile – Fiduciary Liability Insurance

Fiduciaries of government retirement plans may not be aware of the extent of their fiduciary obligations to the plans they serve or the consequences of fiduciary breaches. There is a common misconception that because government plans are *exempt from ERISA*, they are not bound to fiduciary rules like those governing private sector retirement plans. Another misconception stems from the view that government plan fiduciaries are protected from personal liability by sovereign immunity, statutory indemnification, or other governmental policies. In fact, government retirement plans are subject to significant fiduciary obligations and existing protections from fiduciary liability may be more limited than they appear.

Governmental plans also are subject to fiduciary requirements established under state and local law. These laws generally mirror the fiduciary standards contained in ERISA or provide some variation of these rules. Under ERISA, a fiduciary must meet the “prudent man” standard -- acting with the care, skill, prudence and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in similar circumstances and discharging his duties for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the plan.

With respect to investments, the ERISA standard, often referred to as the “prudent investor rule,” requires fiduciaries of a retirement system to evaluate an investment as part of the total portfolio rather than view it in isolation. Thirty-four states apply some form of the “prudent investor rule” to their retirement systems. Eight states use a variation, the “prudent person” or “prudent man” rule, which requires fiduciaries to evaluate each investment in isolation rather than view it as part of the total portfolio. Other states use “blended rules” which are combinations or variations of the two standards. Common law rules, such as the duty of loyalty and the duty of prudent investment, create additional fiduciary obligations for governmental plans. Notably, fiduciaries cannot avoid liability by delegating duties to a service provider. Rather, delegation to service providers creates fiduciary obligations in the selection and ongoing monitoring of the service providers.

The Orange County Employee Retirement System has been self-insured for fiduciary liability exposures since the inception of the system. In 2016, the system elected to issue an RFP to explore the options available to them to transfer the risk to of self-insurance to the insurance marketplace. As with any new business or entity electing to purchase coverage for the first time, most insurance carriers will be a bit more apprehensive in the Limits, Retentions and Premiums they are willing to offer in the first year or two until the entity has matured and demonstrated favorable loss history and has an established risk profile in the marketplace.

Given the asset size and current funding level of OCERS, the lowest retention that was able to be achieved out of 27 carriers approached, was \$250,000. In certain instances and because the system was coming from a pure self-insured environment with no factual claims history in the marketplace, the lowest retention offered was \$1,000,000. Traditionally, when a system has purchased insurance for two plus years with acceptable funding levels and good loss history, average retentions will be from \$50,000 to \$150,000. The goal with building the OCERS initial insurance program will be to begin negotiating after the first year for any reduction in retention levels that may be considered and to eventually be able to secure more standard retentions as noted above until they are consistent with the average retirement system accounts we insure.

As respects the Limits of Liability suggested for OCERS and comparing asset sizes to the balance of our 1937 Act county systems, most systems in similar size and scope are purchasing \$10,000,000 in limits. Given that this is the first time the system will be buying insurance to cover these exposures, it will need to be a business decision to elect a limit of coverage that the system and the board are comfortable with subject to the Self Insured Retention. We do believe that a starting limit of \$5,000,000 may be the election of the board for the first year of purchasing the coverage however, we do suggest serious consideration by the system and the board to re-evaluate the amount of limit purchased as early as the first renewal as the premium tradeoff for the additional \$5,000,000 in limits may be worthwhile and would allow the system to be insuring at a level that is comparable to their peer group.

From an overall coverage standpoint offered by the three proposing insurance companies, the cost to insure, the self-insured retention and the terms/conditions of the converges provided, our National Fiduciary program - FLIP (which also insures the other 1937 Act Systems noted in several documents) was the broadest product for the lowest cost available. In addition, the Waiver of Recourse Endorsement which is a part of every public fiduciary policy was significantly less cost than what was offered by the competing carriers. The importance of the waiver of recourse endorsement is that it eliminates the ability of the insurance company to subrogate back against its own insured (trustee/system) to recover money after paying a claim. Without purchasing the waiver of recourse endorsement, the insurance company maintains the ability to recoup from their own insured after the payout of a claim excess of the self-insured retention. The RLI waiver is an annual \$100 total charge for all trustees and has the ability to add/delete trustees with any additional premiums mid-term. The other two carriers are a minimum of \$25 per trustee up to \$100 per trustee in which both also have mid-term additional premiums that can be charged for new trustees.

In conclusion, we do believe that the options presented to OCERS at the various coverage/limit/retention levels should allow for the system to make an educated business decision as to how they would like to enter the fiduciary marketplace for the first time. We are confident that all quotes presented, including the 27 total insurance companies approached, provides the system with all options currently available to OCERS in the U.S. insurance marketplace.

I-7

Memorandum

DATE: February 7, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: ADDITION OF EXTRA HELP POSITION IN LEGAL DEPARTMENT

Recommendation

- 1) Approve the addition of an Extra Help position, classified as a Deputy Chief Counsel in the Legal department.
- 2) Authorize the CEO to send the attached memorandum to the County of Orange to request the addition of an Extra Help position.

Background/Discussion

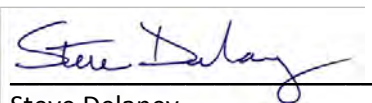
On January 17, 2017, the Deputy Chief Counsel position became vacant due to the departure of a long-term employee. To assist with the duties assigned to this position while OCERS conducts a search for a replacement, the Legal department requests the addition of an Extra Help position, effective February 10, 2017.

The County of Orange Human Resources Services Policy defines Extra Help as follows:

Extra Help Position- *Extra Help Position is a position intended to be occupied on less than a year-round basis including, but not limited to, the following: to cover seasonal peak workloads; extra emergency workloads of limited duration; or necessary vacation relief, paid sick leave and other situations involving a fluctuating staff. Ordinarily, a full-time extra help position will not be authorized for a period exceeding six (6) months. In unusual circumstances, and at the discretion of the Chief Executive Officer, a full-time extra help position may be authorized for a period longer than six (6) months, provided such period shall not exceed one (1) year.*

The approved extra help position will be used to cover the job duties of the vacant Deputy Chief Counsel position which is currently open for recruitment. We anticipate filling the vacancy within the next six months. Once the position is filled with a regular full time employee, the extra help position will be eliminated.

Submitted by:



Steve Delaney
Chief Executive Officer

Attachments:

1. Justification Memorandum from the Chief Legal Officer
2. County of Orange Position Request Form
3. Memo to County of Orange, Request to add Extra-Help position



Memorandum

DATE: February 7, 2017
TO: Steve Delaney, Chief Executive Officer
FROM: Gina M. Ratto, Chief Legal Officer
SUBJECT: JUSTIFICATION FOR ADDITION OF EXTRA HELP POSITION IN LEGAL DEPARTMENT

Recommendation

I recommend the addition of an Extra Help position, to be classified as a Deputy Chief Counsel, in the Legal department.

Background/Discussion

As you know, Deputy Chief Counsel David Lantzer's last day with OCERS was January 19, 2017. Mr. Lantzer was a long-time employee of OCERS, with a wealth of knowledge and experience in representing a public pension system such as OCERS and practicing under the County Employees Retirement Law. His knowledge and expertise will be difficult to replace.

The Legal department currently employs only two other attorneys, in addition to me. One of those attorneys has absorbed one of the assignments previously handled by Mr. Lantzer. However, the current work load and areas of expertise of these two attorneys do not permit shifting any additional work to them. Any work that I cannot myself absorb will have to be referred to outside counsel (at additional cost to the System) or deferred.

The Deputy Chief Counsel position is currently in recruitment; however, I do not expect to fill the position with a permanent full-time employee until May 1, 2017, at the earliest. Accordingly, in order to assist me with covering the job duties of the vacant Deputy Chief Counsel position until it is filled, to properly and timely render legal advice to the System, and to minimize reliance on outside counsel, I recommend adding an Extra Help position to the Legal department effective February 10, 2017. Once the Deputy Chief Counsel position is filled with a regular full time employee, the Extra Help position will be eliminated.

Thank you in advance for your consideration.

Submitted by:

A handwritten signature in blue ink that reads "Gina M. Ratto".

Gina M. Ratto
Chief Legal Officer

Extra Help Position Request Form

An Extra Help Position Request Form should be attached to all PSMT transactions when positions are being added, deleted or changed.



PART I - Agency/Department

Department/Agency

ADD New Position Budgeted Unbudgeted
(Attach justification and job duties for requested classification level)

DELETE Existing Position

EXTEND Existing Position

Requested Effective Date

Expiration Date

Extension Date (if requested)

NOTE: Enter date in format of XX/XX/XX, OR click in the field then the arrow button to select a date from the calendar

Funding Source

(e.g., Federal, State, Gen/Non-Gen Fund, User Fees, etc.)

Pay Class Code

Title Code

Title Description

Budget Control

Unit

of Position(s) Requested

of Incumbent(s)

List affected position number(s) [if applicable]

AUTHORIZED SIGNATURE:

Yusef. Rato

DATE:

2/1/2017

PART II - Department Human Resource Manager

Recommend **Not Recommended**

DATE REVIEW COMPLETED:

02/01/17

AUTHORIZED SIGNATURE:

Cynthia Hockles

Other Information (if required) - action proposed, level recommended, budget quarter (if other than requested), etc:

This Extra Help position will be used to cover the job duties of the vacant OCERS Deputy Chief Counsel position.



Memorandum

DATE: February 7, 2017
TO: County of Orange, Human Resources Services Department
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: REQUEST TO CREATE EXTRA HELP POSITION

On February 7, 2017, the OCERS' Board of Retirement approved the creation of an Extra Help position in the OCERS Legal department, and authorized me to send this memo to you. The Extra Help position will be used to cover the job duties of the vacant OCERS Deputy Chief Counsel position which is currently open for recruitment.

Due to the urgent nature of this request, we ask that you use this memo as authorization to create the position. We will forward a copy of the Board meeting minutes as soon as they are formally approved by the Board on March 20, 2017. In the interim, we trust that this memo will serve to verify that the Board of Retirement approved the position.

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

Steve Delaney, Chief Executive Officer

David Ball, OCERS Board Chair