

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

**REGULAR MEETING  
Monday, May 15, 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, Shawn Dewane, Roger Hilton; Wayne Lindholm, Frank Eley and Shari Freidenrich

Also Present: Steve Delaney, Chief Executive Officer; Catherine Fairley, Director of Member Services; Jon Gossard, I.T. Manager; Jenny Sadoski, Director of Information Technology; David James, Director of Internal Audit; Gina Ratto, Chief Legal Officer; Lee Fink, Deputy Chief Legal Officer; Anthony Beltran, Visual Technician; Megan Cortez; Disability Coordinator; Brenda Vazquez, Recording Secretary.

Guests: Harvey L. Leiderman, ReedSmith LLP

Absent: Chris Prevatt, Vice Chair

*Mr. Hilton led the Pledge of Allegiance.*

**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. Ball pulled items C-7, C-8, C-9, C-12 and C-13 for discussion.

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Lindholm to move the remainder of the consent calendar.

The motion carried **unanimously**.

**Mr. Gilbert arrived at 9:02am**

**Ms. Freidenrich arrived at 9:07am**

**BENEFITS**

**C-1 MATERIAL DISTRIBUTED**

Application Notices	May 15, 2017
Death Notices	May 15, 2017

**Recommendation:** Receive and file.

**ADMINISTRATION**

**C-2 BOARD MEETINGS AND COMMITTEE MEETINGS**

Regular Board Meeting Minutes	April 17, 2017
Governance Committee Meeting Minutes	April 5, 2017

**Recommendation:** Authorize meeting and approve minutes.

**C-3 CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN**

**Recommendation:** Receive and file.

**C-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS**

**Recommendation:** Receive and file.

**C-5 FIRST QUARTER 2017 BUDGET TO ACTUALS REPORT**

**Recommendation:** Receive and file.

**C-6 FIRST QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED MARCH 31, 2017**

**Recommendation:** Receive and file.

**C-7 NEW YORK STATE COMMON RETIREMENT FUND'S SCANDAL – LESSONS FOR OCERS (FUTURE CONSIDERATION BY AUDIT COMMITTEE)**

**Recommendation:** Receive and file.

**C-8 DIRECTIVE TO REVIEW OCERS INVESTMENT FEE REPORT**

**Recommendation:** Receive and file.

**C-9 BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN UPDATE**

**Recommendation:** Receive and file.

**C-10 GOVERNANCE COMMITTEE OUTCOMES FROM APRIL 5, 2017 MEETING**

**Recommendation:**

The Governance Committee recommends that the Board of Retirement adopt:

- (1) The Board of Retirement Charter, with revisions as approved by the Committee;
- (2) The Governance Committee Charter, with non-substantive revisions as approved by the Committee;
- (3) The SACRS Voting Authority Policy, with revisions as approved by the Committee;
- (4) The Communications Policy, with revisions as approved by the Committee; and
- (5) The Public Records Request Policy, with revisions as approved by the Committee.

**C-11 TRAVEL REPORT – 2017 PUBLIC RETIREMENT INFORMATION SYSTEM MANAGEMENT (PRISM)**

**Recommendation:** Receive and file.

**C-12 BOARD COMMUNICATIONS**

**Recommendation:** Receive and file.

**C-13 LEGISLATIVE UPDATE**

**Recommendation:** Receive and file.

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

**INDIVIDUAL ITEMS AGENDA**

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

**C-7**

Mr. Packard pulled item C-7 and asked Mr. James to give an update on what occurred at the New York State Common Retirement Fund and review OCERS controls and recommend any additional controls that may be needed.

Mr. James briefly discussed the scandal that occurred in New York and discussed how this risk cannot occur at OCERS as OCERS has numerous policies and procedures in place to prevent such occurrence.

C-8

Mr. Ball pulled item C-8 and asked the Board members to pay particular attention to the new legislative directive regarding fee reporting.

C-9

Mr. Eley pulled item C-9 and asked Ms. Sadoski to give an update on the Cloud security.

Ms. Sadoski discussed the different secured sites.

Mr. Ball asked to bring this item back as an I-item at the June 12, 2017 Regular Board Meeting and address Mr. Eley's questions.

Mr. Ball also asked to bring Cyber Security back as an I-item in the June 12, 2017 Regular Board Meeting.

C-12

Mr. Baldwin pulled item C-12 and wanted to make sure the Board members read "Vermont Pension Investment Committee Climate Risk Divestment Discussion" an article from the Board Communication document.

C-13

Mr. Ball pulled item C-13 to bring to the board's attention an article regarding the prepayment discount and Senator Moorlach comments with respect to the amount of money that could be saved.

Following discussion, a **motion** was made by Mr. Baldwin, **seconded** by Mr. Lindholm to receive and file the balance of the consent calendar.

The motion carried **unanimously**.

## **I-2 AOCDS POST MANDATORY TRAINING BENEFIT CORRECTION**

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

**Recommendation:** Take appropriate action.

Mr. Delaney and Ms. Fairley presented the AOCDS Post Mandatory Training Benefit Correction.

Ms. Fairley apologized for this error. She gave an overview of how this error was discovered. Out of 800+ retirees, 140 benefits were overstated and 71 benefits were understated. This was an error in recordkeeping.

Mr. Delaney stated that there wasn't a written policy regarding POST mandatory training but that would be remedied. He explained how Ms. Jenike found this error and brought it to management's attention.

Ms. Freidenrich asked why these errors were not revealed during the recent V3 conversion or during audits.

Mr. Delaney stated that the V3 program was not configured to calculate what was considered a manual item. Also, audits samples are randomly selected and the accounts that were selected did not contain this error. Moving forward, there will be a process in place to not have this error occur in the future.

Ms. Fairley stated that OCERS management had discussions with the Sheriff Department's Human Resources staff regarding payroll coding and the Sheriff Department will soon change their payroll process to ensure better controls on their end.

Mr. Ball directed staff to come back to the Board at a later time and address whether additional V3 changes are needed.

Ms. Ratto spoke about the different options for overpayment and underpayment corrections that will come to the Board at the June 12, 2017 Regular Board meeting.

Mr. Hilton asked Mr. Leiderman to explain the 37 Act and mandatory overtime and pensionable overtime process and the difference between the two.

Mr. Leiderman stated that it's best to look at the MOU and he gave many examples of different positions within the Sheriff's department that required overtime hours.

Mr. Delaney stated that staff will be recommending the Board leave the prior overpaid amount with the County of Orange and regarding underpayments, staff supports paying impacted members in full plus 3% interest. He also added that staff is recommending an effective date of July 1, 2017 for benefit correction.

***The Board recessed for break: 10:04am***

***The Board reconvened from break: 10:14am***

Linda Halligan, AOCDS representative read two letters from members in opposition to the repayment. She stated that the members should not be held responsible for this error.

Joe McClintock spoke about the effects and ramifications for these mistakes and asked for accountability for these mistakes. He asked the Board to not request a repayment of any overage from retired members.

Herbert Sigmund, member of the public, representative for the retirees, received a lot of calls regarding this issue. He would like to know who determined this and be more specific on the 48 hours. He wants OCERS to take accountability and not consider repayment with interest. He would like to know if individual audits can be done as this has caused a lot of hardship.

Mr. Delaney stated that this item will be brought back next month and staff will bring recommendations to the Board.

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Gilbert to receive and file the AOCDS Post Mandatory Training Benefit Correction.

The motion carried **unanimously**.

**I-3 PRELIMINARY DECEMBER 31, 2016 ACTUARIAL VALUATION**

*Presentation by Paul Angelo, Segal Consulting*

**Recommendation:** Receive and file.

Mr. Angelo presented the Preliminary December 31, 2016 Actuarial Valuation.

Ms. Freidenrich asked why there was a decrease in service credits.

Ms. Fairley explained how this change occurred from Pension Gold to V3.

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Hilton to receive and file the Preliminary December 31, 2016 Actuarial Valuation.

The motion carried **unanimously**.

***The Board recessed for break: 11:29am***

***The Board reconvened from break: 11:33am***

**I-4 THE TRIENNIAL REVIEW OF ACTUARIAL ASSUMPTIONS – AN OVERVIEW**

*Presentation by Alan Milligan, Former CalPERS Chief Actuary*

**Recommendation:** Receive and file.

Mr. Alan Milligan presented an overview of the Triennial Review of Actuarial Assumptions.

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Lindholm to receive and file the Triennial Review of Actuarial Assumptions – An Overview.

The motion carried **unanimously**.

***The Board recessed for lunch: 12:06pm***

***The Board reconvened from lunch: 12:47pm***

**I-5 ROLE OF AUDIT COMMITTEE IN SELECTING EXTERNAL AUDITORS AND PROPOSED REVISIONS TO AUDIT COMMITTEE CHARTER**

*Presentation by Gina Ratto, Chief Legal Officer, OCERS*

**Recommendation:** Staff recommends that the Board of Retirement adopt revisions to the Audit Committee Charter to clarify the role of the Audit Committee in the selection and appointment of the actuarial auditor and financial auditor.

Mr. Packard spoke on behalf of Ms. Ratto in favor of the changes to the Audit Committee Charter.

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to adopt revisions to the Audit Committee Charter to clarify the role of the Audit Committee in the selection and appointment of the actuarial auditor and financial auditor.

The motion carried **unanimously**.

**I-6 SACRS PROPOSED BY-LAWS AMENDMENT TO ADD MEMBERSHIP CODE OF CONDUCT AND DIRECTION TO VOTING DELEGATE**

*Presentation by Gina Ratto, Chief Legal Officer, OCERS*

**Recommendation:** On the SACRS By-Laws Committee’s proposed amendment to the SACRS By-Laws, which would add a Membership Code of Conduct, and which will be presented to the SACRS membership for a vote at the SACRS business meeting on May 19, 2017, direct the OCERS voting delegate and alternate delegates to vote “no unless amended.”

Mr. Hilton asked Mr. Delaney to send a letter to Mr. McAllister of SACRS to address OCERS concerns.

A **motion** was made by Mr. Ball, **seconded** by Mr. Dewane to authorize Mr. Hilton to be the OCERS delegate at the SACRS conference and to use his discretion on the vote related to the bylaw amendment.

The motion carried **unanimously**.

**\*\*\*\*\* 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: Darren Brown**

Firefighter/Paramedic, Orange County Fire Authority

Date of employee filed application for service and non-service connected disability retirement:  
04/13/2016

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF APRIL 13, 2016. (SAFETY MEMBER) (D-1)**

Following discussion, a **motion** was made by Mr. Gilbert, **seconded** by Mr. Dewane to grant service connected disability retirement with an effective date of APRIL 13, 2016. The motion carried **8-0** with voting as follows:

**AYES**

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

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Prevatt

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

**D-2: Dallas Ferrell**

Weapons Instructor, Orange County Sheriff's Department

Date of employee filed application for service and non-service\* connected disability retirement:  
09/24/2015

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

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF SEPTEMBER 24, 2015. (SAFETY MEMBER) (D-2)**

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Baldwin to grant service connected disability retirement with an effective date of September 24, 2015. The motion carried **9-0** with voting as follows:

**AYES**

Mr. Dewane  
Mr. Eley  
Ms. Freidenrich  
Mr. Packard  
Mr. Baldwin  
Mr. Gilbert  
Mr. Lindholm  
Mr. Hilton

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Prevatt

Chair Ball

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

**D-3: Janell Garza**

Comprehensive Care Nurse II, Orange County Social Services Agency

Date of employee filed application for non-service connected disability retirement: 03/16/2016

**STAFF RECOMMENDATION IS TO GRANT NON-SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF NOVEMBER 4, 2011 (GENERAL MEMBER) (D-3)**

Following discussion, a **motion** was made by Mr. Packard, **seconded** by Mr. Dewane to grant service connected disability retirement with an effective date of November 4, 2011. The motion carried **9-0** with voting as follows:

**AYES**

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

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Prevatt

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

**D-4: Keith Godfrey**

Sergeant, Orange County Sheriff's Department

Date of employee filed application for service connected disability retirement: 03/16/2016

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF MARCH 7, 2014. (SAFETY MEMBER) (D-4)**

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of March 7, 2014. The motion carried **8-0** with voting as follows:

**AYES**

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

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Prevatt

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

**D-5: Tommy Harris**

Fire Apparatus Engineer, Orange County Fire Authority

Date of employee filed application for service connected disability retirement: 03/14/2016

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF MARCH 30, 2016. (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 March 30, 2016. The motion carried **8-0** with voting as follows:

**AYES**

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

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Prevatt

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

**D-6: Julie Pearson**

Fire Apparatus Engineer, Orange County Fire Authority

Date of employee filed application for service connected disability retirement: 04/28/2016

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF APRIL 28, 2016. (SAFETY MEMBER) (D-6)**

Following discussion, a **motion** was made by Mr. Gilbert, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of April 28, 2016. The motion carried **8-0** with voting as follows:

**AYES**

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

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Prevatt

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

**D-7: Harry Trattner**

Firefighter/Paramedic, Orange County Fire Authority

Date of employee filed application for service connected disability retirement: 04/18/2016

**STAFF RECOMMENDATION IS TO GRANT SERVICE CONNECTED DISABILITY RETIREMENT WITH AN EFFECTIVE DATE OF APRIL 18, 2016. (SAFETY MEMBER) (D-7)**

Ms. Cortez stated that there was a change in the effective date. It is January 20, 2017 not April 18, 2016, as stated in the recommendation.

Following discussion, a **motion** was made by Mr. Gilbert, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of January 20, 2017. The motion carried **8-0** with voting as follows:

**AYES**

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

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Prevatt

**D-8: Teresa Geldmacher**

Senior Social Worker, Orange County Social Service Agency

Date of employee filed application for service connected disability retirement: 11/03/2015

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

*This item has been pulled from the agenda.*

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

**D-9: Max Chance**

Sergeant, Orange County Sheriff's Department

Date of employee application for service and non-service connected disability retirement: 09/20/2012

**STAFF RECOMMENDATION IS TO DISMISS WITHOUT PREJUDICE THE APPLICANT'S APPEAL OF THE DENIAL OF HIS APPLICATION FOR SERVICE AND NON-SERVICE CONNECTED DISABILITY RETIREMENT. (SAFETY MEMBER) (D-9)**

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard, to dismiss without prejudice the applicant's appeal of the denial of his application for service and non-service connected disability retirement. The motion carried **8-0** with voting as follows:

**AYES**

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

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Prevatt

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

**D-10: Olivia Garcia**

Records Technician, Orange County Sheriff's Department

Date of employee filed application for service and non-service connected disability retirement:  
12/05/2012

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

*This item has been pulled from the agenda.*

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

N/A

**BOARD MEMBER COMMENTS**

N/A

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

Mr. Delaney announced Molly Murphy as the new OCERS CIO. Her first day at OCERS will be June 23, 2017. OCERS will put out a press release on May 16, 2017. Mr. Delaney thanked Cynthia Hockless for her help in the recruitment process.

**COUNSEL COMMENTS**

N/A

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**CLOSED SESSION ITEMS**

**E-1 CONFERENCE REGARDING SIGNIFICANT EXPOSURE TO LITIGATION (ONE MATTER)  
(GOVERNMENT CODE SECTION 54956.9)**

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

**Recommendation:** Take appropriate action.

No closed session held.

**E-2 PUBLIC EMPLOYMENT (GOVERNMENT CODE SECTION 54957(b))**

**Title: Chief Investment Officer**

Adjourn pursuant to Government Code section 54957(b) to consider the employment of a Chief Investment Officer

**Recommendation:** Take appropriate action.

No closed session held.

**E-3 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 closed session held.

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

**Active Members**

Cruz, Lucille

**Retired Members**

Aalbu, Roy

Ayon, Rebecca

Buell, William

Fely, Linda

Howk, Claire

Icenogle, Tommie

Lawhead, Stuart

Lewis, John

Moore, Alphonso

Nickens, Margaret  
Pacurar, Victor  
Rivera, Felix  
Roberts, Russell  
Roy, Gerda  
Sadler, Charles  
Savala, Efrain  
Schram, Lawrence  
Scoles, Don  
Sidebotham, James  
Woodall, James  
Rowe, Brenda

**Surviving Spouses**

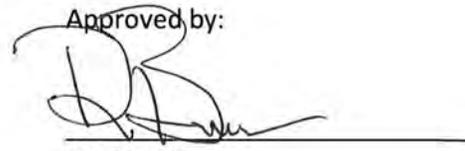
Armstrong, Albert  
Dalen, Mary Jane  
Dean, Lola  
Johnson, Barbara  
Neal, Seiko  
Sanders, Mildred  
White, Clara

There being no further business to bring before the Board, the meeting adjourned at 1:20p.m.

Submitted by:

  
Steve Delaney  
Secretary to the Board

Approved by:

  
David Ball  
Chairman