

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

REGULAR MEETING
Monday, October 16, 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 may take action on any item included in the following agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda.

The Board of Retirement 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. 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

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.

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| BENEFITS |
|-----------------|

C-1 MATERIAL DISTRIBUTED

Application Notices
Death Notices

October 15, 2017
October 15, 2017

Recommendation: Receive and file.

C-2 OPTION 4 RETIREMENT ELECTION

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

(1) Darren Sandberg

C-3 RETIREE REQUEST TO BE REINSTATED – NIGEL BOURNE

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

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|-----------------------|
| ADMINISTRATION |
|-----------------------|

C-4 BOARD MEETINGS AND COMMITTEE MEETINGS

| | |
|------------------------------|-------------------|
| Board Meeting Minutes | August 21, 2017 |
| Audit Committee Minutes | August 30, 2017 |
| Governance Committee Minutes | September 5, 2017 |

Recommendation: Authorize meeting and approve minutes.

C-5 CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN

Recommendation: Receive and file.

C-6 AUDIT COMMITTEE OUTCOMES FROM AUGUST 30, 2017 MEETING

Recommendation:

The Audit Committee recommends that the Board of Retirement approves:

- (1) Receive and file the Audit of V3 Data Conversion and Key Reports.
- (2) Receive and file the Audit of OCERS' Reciprocity Process.
- (3) Receive and file the Annual Internal Control Self-Assessment by Management.
- (4) Receive and file the Status of Internal Audits and Audit Projects.

C-7 GOVERNANCE COMMITTEE OUTCOMES FROM SEPTEMBER 5, 2017 MEETING

Recommendation:

The Governance Committee recommends that the Board of Retirement adopt:

- (1) Revisions to the Annual Disclosure Policy as approved by the Committee; and
- (2) Revisions to the OCERS Rules of Parliamentary Procedure as approved by the Committee.

C-8 QUIET PERIOD – NON-INVESTMENT CONTRACTS

Recommendation: Receive and file.

C-9 LEGISLATIVE UPDATE

Recommendation: Receive and file.

C-10 THIRD QUARTER 2017 EDUCATION AND TRAVEL EXPENSE REPORT

Recommendation: Receive and file.

C-11 SEPTEMBER 13-14, 2017 STRATEGIC WORKPLAN SUMMARY

Recommendation: Receive and file.

C-12 REPORT ON LOUISIANA ASSOCIATION OF RETIREMENT SYSTEM

Recommendation: Receive and file.

C-13 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 HARASSMENT AND ABUSIVE CONDUCT PREVENTION TRAINING

Presentation by Oliver Yee, Partner, Liebert Cassidy Whitmore

Recommendation: Receive and file.

I-3 TRIENNIAL STUDY OF ACTUARIAL ASSUMPTIONS (CONTINUATION)

Presentation by Paul Angelo, Segal Consulting

Recommendation: Take appropriate action.

I-4 2018-2020 STRATEGIC PLAN

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Approve 2018-2020 Strategic Plan.

I-5 2018 BUSINESS PLAN

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Approve 2018 Business Plan.

I-6 PUBLIC RECORDS ACT – A REFRESHER

Presentation by Gina Ratto, General Counsel, and Robert Kinsler, Communications Manager, OCERS

Recommendation: Receive and file.

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

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

11:30 A.M.

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

DISABILITY INDIVIDUAL AGENDA

D-1: Harold Abe

Deputy Sheriff II, Orange County Sheriff's Department

Date of employee filed application for service connected disability retirement: 07/18/2016

Recommendation: Grant service connected disability retirement with an effective date of July 18, 2016. (Safety Member)

D-2: Iona Aronovici

Community Services Officer, Orange County Sheriff's Department

Date of employee filed application for service connected disability retirement: 03/10/2016

Recommendation: Grant service connected disability retirement with an effective date of March 10, 2016. (General Member)

D-3: Hyunjoo Cho

Staff Nurse, Orange County Health Care Agency

Date of employee filed application for non-service connected disability retirement: 09/23/2016

Recommendation: Grant non-service connected disability retirement with an effective date of September 7, 2012. (General Member)

D-4: Roy Hendy

Senior Mechanic, Orange County Sanitation District

Date of employer filed application for service and non-service connected disability retirement: 03/23/2016

Date of employee filed application for service connected disability retirement: 07/11/2016

Recommendation: Grant service connected disability retirement with an effective date of March 23, 2016. (General Member)

D-5: Vicki Vickers-Ledet

Coach Operator, Orange County Transportation Authority

Date of employee filed application for service and non-service connected disability retirement: 08/05/2016

Recommendation: Grant service connected disability retirement with an effective date of August 5, 2016. (General Member)

D-6: Wendy Young

Occupational Therapist II, Orange County Health Care Agency

Date of employee filed application for non-service connected disability retirement: 08/10/2016

Recommendation: Grant non-service connected disability retirement with an effective date of August 10, 2016. (General Member)

D-7: Joseph Luth

Fire Apparatus Engineer, Orange County Fire Authority

Date of employee filed application for service connected disability retirement: 07/25/2016

Recommendation: Deny service connected disability retirement due to insufficient evidence of permanent incapacity. (Safety Member)

D-8: Rod Couey

Retired Deputy Sheriff II, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement: 05/15/2013

Date of employee filed application for service connected disability retirement: 08/20/2013

Recommendation: Staff recommends that the Board exercise its option under Government Code Section 31534(b) and require a summary of all evidence received by the Hearing Officer and take such action as is indicated. Deem the Hearing Officer's Proposed Findings of Fact and Recommended Decision the summary of all evidence required under Government Code Section 31534(b); schedule the matter for a final hearing on this matter at a future board meeting to be determined by staff after notice to and consultation with the Member at which both the Member and OCERS staff will be afforded the opportunity to be heard; and allow both the Member and OCERS staff to submit legal arguments in writing at least 15 days before that meeting.

D-9: Rick Edgmon

Recommendation: Affirm staff's determination that Mr. Edgmon should be required to repay the total amount of the benefits overpaid to him since he retired on November 11, 2005 in the approximate amount of \$237,107.79. Staff also recommends that OCERS forgo the collection of interest on the overpayment, and that Mr. Edgmon be given 20 years to repay the overpayment through monthly deductions to his retirement allowance.

D-10: Dana Ohanesian

Recommendation: Affirm staff's determination to deny Mr. Ohanesian's request to have his 4.4 730 years of Plan B (1.667% @ 57.5) while at the Orange County Vector Control District (OCVCD) upgraded to Plan J (2.7% @ 55).

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

CLOSED SESSION ITEMS

- E-1 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED
(Government Code section 54956.9(d)(1) Jeffrey Gross v. OCERS, et. al.,
California Superior Court, Orange County (Case No. 30-2107-00944959)
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)) 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.

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

NOTICE OF NEXT MEETINGS

**2018 BUDGET WORKSHOP
October 19, 2017**

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

**GOVERNANCE COMMITTEE MEETING
October 24, 2017
9:30 A.M.**

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

**INVESTMENT COMMITTEE MEETING
October 25, 2017
9:00 A.M.**

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

**2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701**

**INVESTMENT MANAGER MONITORING SUBCOMMITTEE MEETING
November 2, 2017
9:00 A.M.**

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

**REGULAR BOARD MEETING
November 13, 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
October 16, 2017
Application Notices*

| <i>Member Name</i> | <i>Agency/Employer</i> | <i>Retirement Date</i> |
|-----------------------------------|-----------------------------|------------------------|
| Aidasani, Dinesh | Auditor-Controller | 8/17/2017 |
| Alarcon, Maria | Social Services Agency | 8/4/2017 |
| Allen, Amye | Superior Court | 6/3/2017 |
| Arqand, Moheb | OC Waste and Recycling | 6/22/2017 |
| Ashabi, Yvette | District Attorney | 7/28/2017 |
| Balderrama, Nick | OC Waste and Recycling | 8/4/2017 |
| Beam, Daniel | Sheriff's Dept | 7/21/2017 |
| Becking, Robert | Superior Court | 8/18/2017 |
| Bonutto-Smith, Sharon | Health Care Agency | 7/7/2017 |
| Brown, Darryl | Probation | 7/21/2017 |
| Brown, Michael | Sanitation District | 8/11/2017 |
| Burkley, Steven | Sheriff's Dept | 8/23/2017 |
| Carroll, James | Sheriff's Dept | 8/18/2017 |
| Chaffin, William | Sheriff's Dept | 7/7/2017 |
| Clopton, Jeanette | OCTA | 7/9/2017 |
| Colwell, Mary | District Attorney | 7/26/2017 |
| Conboy, Susan | OCTA | 7/8/2017 |
| Contreras, Gracie | Social Services Agency | 7/21/2017 |
| Cooper, Bill | Health Care Agency | 7/8/2017 |
| Curcio, Rick | District Attorney | 8/19/2017 |
| Deines, Dean | OCTA | 7/5/2017 |
| Doberneck, Robert | John Wayne Airport | 8/18/2017 |
| Duann, May-Yuan | Social Services Agency | 8/18/2017 |
| Dumhart, Douglas | City of San Juan Capistrano | 7/12/2017 |
| Fantes, Cora | Probation | 7/7/2017 |
| Fernandez, Lorenzo | OC Public Works | 8/18/2017 |
| Ferris, Wileen | Superior Court | 7/21/2017 |
| Fizer, Brenda | Superior Court | 8/16/2017 |
| Flores, Lucy | Assessor | 8/4/2017 |
| Forman-Woodbridge, Melissa | Sanitation District | 6/26/2017 |
| Gan, Lydia | OC Community Resources | 8/18/2017 |
| Garcia, Betty | OC Public Works | 6/30/2017 |
| George, Karl | Sheriff's Dept | 7/21/2017 |
| Gier, Sally | District Attorney | 7/7/2017 |
| Gifford, Robin | Social Services Agency | 5/31/2017 |
| Gilson, Dennis | OC Waste and Recycling | 8/4/2017 |
| Glavas, David | Health Care Agency | 7/21/2017 |
| Groom, Ernest | OC Public Works | 7/25/2017 |
| Harpel, Joseph | OCTA | 6/27/2017 |
| Heckman, Adrienne | County Counsel | 8/4/2017 |
| Helman, Deborah | Social Services Agency | 7/31/2017 |
| Henson, Carol | District Attorney | 7/21/2017 |
| Honer, Sherri | Superior Court | 7/9/2017 |
| Hostetler, Pamela | Probation | 8/18/2017 |
| Hunter, Lisa | District Attorney | 7/21/2017 |
| Ivens, Scott | OCTA | 6/24/2017 |
| Jackson, Debra | District Attorney | 6/23/2017 |
| Jackson, Maxine | OC Waste and Recycling | 8/18/2017 |
| Jacobsen, Diane | Fire Authority (OCFA) | 8/4/2017 |

| <i>Member Name</i> | <i>Agency/Employer</i> | <i>Retirement Date</i> |
|--------------------------------|--------------------------------------|------------------------|
| Johns, Cheryl | OCTA | 7/2/2017 |
| Johnson, Darren | Fire Authority (OCFA) | 6/23/2017 |
| Johnson, Diane | Child Support Services | 7/7/2017 |
| Laboy, Kristal | Transportation Corridor Agency (TCA) | 8/5/2017 |
| Le, An | Health Care Agency | 8/4/2017 |
| Lerma, Kathleen | Superior Court | 7/21/2017 |
| Lucero, Socorro | Sheriff's Dept | 7/21/2017 |
| Ly, Ivy Huyen | Social Services Agency | 8/4/2017 |
| Marks, Paul | Fire Authority (OCFA) | 8/18/2017 |
| Marquez, Anna | Social Services Agency | 7/7/2017 |
| Marron, Ezekiel | Probation | 8/4/2017 |
| Martinez, Brenda | OC Public Works | 7/7/2017 |
| McFarland, Locke | OC Public Works | 7/6/2017 |
| Meier, Terri | Sheriff's Dept | 7/16/2017 |
| Meister, Michael | OCTA | 7/22/2017 |
| Meyers, Charles | John Wayne Airport | 6/29/2017 |
| Michaels, Susan | Superior Court | 8/2/2017 |
| Min, Sunnie | Fire Authority (OCFA) | 7/21/2017 |
| Mitchell, Scott | Sheriff's Dept | 3/31/2017 |
| Moran, Kathleen | Assessor | 7/14/2017 |
| Morris, Corinna | OCTA | 6/13/2017 |
| Morrison, Paula | Fire Authority (OCFA) | 7/7/2017 |
| Mullenix, Cynthia | CHILD SUPPORT SERVICES | 8/4/2017 |
| Monoz, Alexander | OCTA | 7/6/2017 |
| Muse, Von | Sheriff's Dept | 8/18/2017 |
| Nguyen, Giang | Sheriff's Dept | 7/7/2017 |
| Nguyen, Tienq | Social Services Agency | 8/18/2017 |
| Nock, Colette | Superior Court | 7/8/2017 |
| Norris, Carol | Probation | 6/27/2017 |
| Ochoa, MaryAnn | Probation | 6/28/2017 |
| Okutsu, Dorothy | Superior Court | 7/7/2017 |
| Osborne, Robert | Sheriff's Dept | 8/4/2017 |
| Palmer, Gary | OC Public Works | 7/11/2017 |
| Paz, Michelle | Probation | 7/21/2017 |
| Perez, Joe | Superior Court | 8/8/2017 |
| Phan, Thiet | Health Care Agency | 8/4/2017 |
| Pitsenbaquer, Donald | OCTA | 8/10/2017 |
| Pixomatis, Michael | Sheriff's Dept | 7/21/2017 |
| Prima-Verbeck, Margaret | Social Services Agency | 7/7/2017 |
| Quan, Diemduc | Health Care Agency | 7/7/2017 |
| Raseknia, Joe | Assessor | 7/28/2017 |
| Recchia, Rosita | Assessor | 8/18/2017 |
| Reiniq, Jeffrey | Fire Authority (OCFA) | 7/15/2017 |
| Reynolds, David | District Attorney | 7/5/2017 |
| Robel, Arnold | Assessor | 7/7/2017 |
| Roberts, Kathleen | District Attorney | 7/4/2017 |
| Roucher, Kirby | Sheriff's Dept | 6/23/2017 |
| Ruiz, William | Child Support Services | 8/11/2017 |
| Ryan, Catherine | Superior Court | 8/1/2017 |
| Saldivar, Gerardo | Probation | 8/4/2017 |
| Sanchez, Guillermina | Sheriff's Dept | 8/4/2017 |
| Sanchez, Patricia | District Attorney | 7/21/2017 |
| Sanders, Gary | District Attorney | 7/14/2017 |
| Sanders, Raymond | OCTA | 7/7/2017 |
| Scherer, Eda | OCTA | 7/15/2017 |
| Schraeder, Elizabeth | County Executive Office (CEO) | 8/4/2017 |
| Strickland, Linda | Registrar of Voters | 8/18/2017 |

| <i>Member Name</i> | <i>Agency/Employer</i> | <i>Retirement Date</i> |
|----------------------------|------------------------|------------------------|
| Swift, Barbara | John Wayne Airport | 8/4/2017 |
| Tatar, Christopher | Sheriff's Dept | 7/15/2017 |
| Ton, Phuoc | Health Care Agency | 7/21/2017 |
| Tran, Tuan | Sheriff's Dept | 7/7/2017 |
| Traughber, Mark | Sheriff's Dept | 7/15/2017 |
| Trujillo, Patricia | Law Library | 6/30/2017 |
| Tu, Khai | Probation | 7/7/2017 |
| Tutor, Anna | OC Public Works | 8/18/2017 |
| Tzenq, Juhnqhurnq | OC Waste and Recycling | 8/4/2017 |
| Verduqo, Elena | Superior Court | 8/18/2017 |
| Walker, Steven | District Attorney | 7/21/2017 |
| Wheaton, Darrin | Social Services Agency | 8/11/2017 |
| Wiercioch, Courtney | John Wayne Airport | 8/4/2017 |
| Wilson, Marvin | Sheriff's Dept | 8/18/2017 |
| Wittenbergq, Diane | OC Community Resources | 7/7/2017 |
| Wolf, Alyce | Superior Court | 5/26/2017 |
| Woods, Marna | Social Services Agency | 8/18/2017 |

*Orange County Employees Retirement
Retirement Board Meeting
October 16, 2017
Death Notices*

| <i>Active Members</i> | <i>Agency/Employer</i> | <i>Date of Death</i> |
|------------------------|------------------------|----------------------|
| Buckley, Edmund | OCTA | 7/25/2017 |
| Chavez, Rolando | Public Defender | 9/6/2017 |
| Vonada, Tracy | Employee Benefits | 8/17/2017 |

| <i>Retired Members</i> | <i>Agency/Employer</i> | <i>Date of Death</i> |
|-------------------------------|-------------------------|----------------------|
| Barnes, Jesse | Sheriff's Dept | 8/28/2017 |
| Batory, Janice | Superior Court | 8/3/2017 |
| Beltran, Renee | Social Services Agency | 8/18/2017 |
| Black, Mardel | Social Services Agency | 8/19/2017 |
| Blaul, Mary | Fire Authority (OCFA) | 8/31/2017 |
| Bradley, Teresa | Social Services Agency | 8/4/2017 |
| Brandenberger, William | Human Resources | 9/11/2017 |
| Campbell, Douglas | Sheriff's Dept | 8/3/2017 |
| Chamberlain, John | Auditor-Controller | 8/25/2017 |
| Chang, Sun | Social Services Agency | 9/24/2017 |
| Cifulleli, Judy | Social Services Agency | 8/12/2017 |
| Day, Glen | Sheriff's Dept | 9/3/2017 |
| Derech, Audie | Assessor | 8/3/2017 |
| Forsyth, Richard | OCTA | 9/5/2017 |
| Gonzales, Ceferino | Sheriff's Dept | 8/10/2017 |
| Gonzalez, Maria | Social Services Agency | 7/26/2017 |
| Hallstrom, Don | Probation | 7/23/2017 |
| Hamer, Margaret | OC Community Resources | 8/8/2017 |
| Hanes, Barbara | OC Community Resources | 8/11/2017 |
| Hardiman, Sara | Probation | 7/24/2017 |
| Haskins, Willie | Probation | 7/29/2017 |
| Hope, Carla | OC Community Resources | 8/14/2017 |
| Jaggers, Charline | Registrar of Voters | 9/15/2017 |
| Jones, Mary | Health Care Agency | 9/11/2017 |
| Kahn, Donald | Sheriff's Dept | 7/22/2017 |
| Kaloian, Patricia | Health Care Agency | 9/3/2017 |
| Keller, David | Sheriff's Dept | 8/3/2017 |
| Lahn, Patricia | Social Services Agency | 9/16/2017 |
| Lee, Janice | Health Care Agency | 7/29/2017 |
| Lichliter, Sandra | Social Services Agency | 8/25/2017 |
| Lonzo, David | Assessor | 9/19/2017 |
| Mc Coy, Michael | Fire Authority (OCFA) | 9/25/2017 |
| McKay, Rosemary | Treasurer-Tax Collector | 8/18/2017 |
| Mcrae, Charlene | Social Services Agency | 9/15/2017 |
| Nakamura, Marlene | UCI | 8/28/2017 |
| Pfeifer, Ronald | Sheriff's Dept | 8/31/2017 |

| <i>Retired Members</i> | <i>Agency/Employer</i> | <i>Date of Death</i> |
|--------------------------------|------------------------|----------------------|
| Puma, Rudolph | OCTA | 8/4/2017 |
| Ramsey, Ralph | OC Public Works | 9/1/2017 |
| Ramsey, Roy | Sheriff's Dept | 8/31/2017 |
| Riggs, Robert | OC Waste and Recycling | 7/29/2017 |
| Schermerhorn, Josephine | UCI | 8/24/2017 |
| Sterrett, Shirley | Superior Court | 8/7/2017 |
| Stinson, Cornel | OC Public Works | 8/1/2017 |
| Trieu, Cuong | OC Community Resources | 8/26/2017 |
| Villa, Carla | OC Community Resources | 7/12/2017 |
| Weaver, Molly | Auditor-Controller | 8/25/2017 |
| White, Dennis | Registrar of Voters | 7/26/2017 |
| Wilson, Blanche | Sheriff's Dept | 9/6/2017 |

| <i>Surviving Spouses</i> | | <i>Date of Death</i> |
|--------------------------|--|----------------------|
| Anderson, Colleen | | 7/27/2017 |
| Coverdale, Daniel | | 8/5/2017 |
| Crum, Fumi | | 8/8/2017 |
| Dudley, Renate | | 8/26/2017 |
| Dunham, Nancy | | 6/17/2017 |
| Field, Winifred | | 7/30/2017 |
| Fields, John | | 7/19/2017 |
| Gray, Wilhemina | | 9/6/2017 |
| La Nier, Clarence | | 9/3/2017 |
| Liekhus, Frances | | 7/26/2017 |
| Palmer Eiko | | 5/31/2017 |
| Ressell, Alice | | 9/1/2017 |
| Steelman, Lee | | 6/10/2017 |
| Thomas, Sharon | | 8/5/2017 |

C-3

Memorandum

DATE: October 16, 2017
TO: Members of the Board of Retirement
FROM: Suzanne Jenike, Assistant CEO, External Operations
SUBJECT: RETIREE REQUEST TO BE REINSTATED – NIGEL BOURNE

Recommendation

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

Background

Application for re-employment of retired member
County of Orange, Social Services Agency, Senior Social Worker
Date of request: 07/28/2017; Date of entry to OCERS: 09/07/2001
Total years of service: 11.81599; Date of Service Retirement: 09/05/2013
Former position: County of Orange, Social Services Agency, Senior Social Worker

Staff Analysis:

Mr. Bourne originally service retired from the Orange County Social Services Agency on September 5 2013, and requested to be reinstated as an active employee under the provisions of Government Code Sections 31680.4 and 31680.5. Mr. Bourne was reinstated and returned to work on October 31, 2014 then retired a second time on November 5, 2015.

Mr. Bourne has requested to be reinstated as an active employee as a second time.

Mr. Bourne was a Senior Social Worker prior to his retirement and his previous reinstatement, and the Social Services Agency has offered to return him to regular full time employment with their agency.

Pursuant to OCERS policy Mr. Bourne underwent a physical examination on October 2, 2017 with an independent OCERS panel physician to determine whether he was physically capable of returning to full time employment. It is the panel physician's opinion that Mr. Bourne can return to work without restriction.

Submitted by:



SJ Approved

Suzanne Jenike
Assistant CEO, External Operations

NIGEL D BOURNE

14 August 2017

Megan Cortez
Disability Coordinator
OCERS
2223 East Wellington Avenue
Suite 100
Santa Ana, CA 92701

Dear Ms Cortez,

I am writing to request to have my monthly retirement benefits suspended, as I am seeking re-employment with the County of Orange Social Services Agency, in its Children and Family Services (more specifically the Emergency Response Department).

I separated from the County in November 2015, in order to pursue a temporary job opportunity in England and purchase property here although my intention was always to return to work for the County.


I have now had a job offered to me by the County (see attached confirmation dated 7/28/17) although for various reasons as you are aware a start date has had to be put back. I am currently pursuing a revised start date of Sept. 29, 2017, although I understand that this will require OCERS board approval beforehand, which will be subject to my clearing a medical with an OCERS approved physician. I can confirm that I fully intend to complete such medical as soon as possible.

I am today seeing a physician here in the UK with a view to obtaining a preliminary indication or note that I am fit to return to the duties of Senior Social Worker, the position to which I am returning. I hope to forward this note to you in the next day or so.

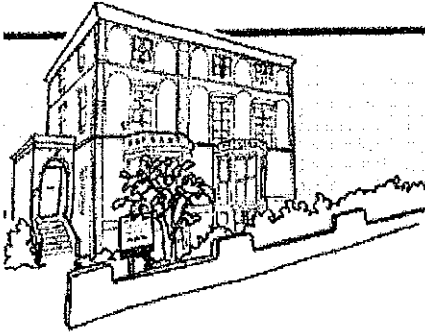
I am also attaching a job description for the position Senior Social Worker, as requested.

Thank you for your consideration of my request.

Yours sincerely,



Nigel Bourne



Pembroke Road Surgery

www.pembrokeroadsurgery.co.uk

14-Aug-2017

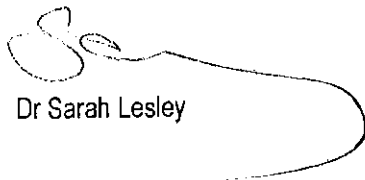
SL/33908

To whom it may concern

Re: Mr Nigel Bourne

This is to confirm that I have seen the above to-day and reviewed his medical summary in our notes. He has a history of low mood, he is currently stable and appears to have been for several years, he is on low dose fluoxetine. He also take simvastatin to lower his cholesterol. I see no reason why he is unable to return to his previous post in America..

Yours sincerely



Dr Sarah Lesley

Pembroke Road Surgery
111 Pembroke Road
Clifton
Bristol BS8 3EU

0117 973 3790

Dr Anthony FIELDING Dr Sarah LESLEY Dr Rohan PERERA Dr Elise TAYLOR Dr Ben PERT Dr Freya EVANS Dr Claire PERKS

ASSOCIATES: Dr Becky NUTTALL Dr Ruth BARRETT

SSA Job offer Confirmation: Senior Social Worker – Nigel Bourne (correction)

Wright, Lori <Lori.Wright@ssa.ocgov.com>

Fri 7/28/2017 11:07 AM



Good Morning Nigel Bourne,

Congratulations on the conditional job offer with Social Services Agency (SSA), Children And Family Services (CFS), Emergency Response I (ER I)! This serves as a recap of the conditional job offer.

- **Senior Social Worker (SSW)**
- **Rate of pay \$37.28 hour**
- **Start date – Friday, August 18, 2017**
- **Work Location – 840 N. Eckhoff St. Bldg. 129, Orange, CA 92868**
- **Work Hours-Monday –Friday, Daytime (2-3x/month until 8pm)-not unusual to stay late a few days per week to finish immediate referrals.**
- **Supervisor – Kim Ragen**
- **Supervisor Contact Number – (714) 704-8600**
- **Physical Date and Time- SSA HR Representative will notify you if required (see below for more details)**
- **Probationary period will be approximately 52 weeks/12 months**
- **12 paid holidays**
- **Accrual annual leave rate will be approximately 5 hours and 51 minutes during each 80 hour pay period**
- **Benefits – medical**
- **Additional Benefits – dental and vision (through OCEA)**
- **Educational & Professional Reimbursement – up to \$3,000 per fiscal year**
- **Performance Incentive Program (PIP)**
- **Employee Assistance Program (EAP)**

The links below will provide you access to the following: benefits center, OCEA (Orange County Employees Association), OCERS (our retirement system), Defined Contribution Plan (457), and the memorandum of understanding that represents your classification.

[Benefits Center](#)

[OCEA](#)

[OCERS](#)

Pre-Employment Physical

SSA HR Representative will notify you that a pre-employment physical has been scheduled if required. It is critical that you keep your appointment date and time, and that you follow the directions provided to you by the County's Employee Health Representatives. If at any time your physical appointment has changed or it appears that your physical clearance may be delayed, please contact SSA Human Resource Services at 714-541-7790, so that our office can determine if you're sign-up and/or employment start date will be affected.

An SSA HR Representative will provide you more details on the onboarding process and will be your main point of contact moving forward. You can reach your SSA HR Representative via telephone at (714) 541-7790.

Also, be aware that this conditional offer of employment is made contingent upon successful completion of a background investigation and physical to the satisfaction of the Agency. Accordingly, you or we may terminate the selection process at any time for any reason.

If you have any questions, feel free to reach out to me. Congratulations again.

Sincerely,

Lori Wright

HRS Recruitment Services Team

714-541-7790 | lori.wright@ssa.ocgov.com

www.ocgov.com/jobs

COUNTY OF ORANGE
- HUMAN RESOURCE SERVICES -



SENIOR SOCIAL WORKER

Under direction, identify and treat complex individual or family social problems in order to develop or restore social functioning; and perform other duties as required.

CLASS CHARACTERISTICS

This class is responsible for the identification, assessment and treatment of a variety of complex social problems associated with such areas as child abuse dependency, adoptions, guardianship to the mentally disabled, individual protective services and individual and/or family social dysfunctioning. Incumbents analyze, evaluate and treat individual and family groups in which a variety of social and economic problems are typically involved.

EXAMPLES OF DUTIES

1. Assess complex social service cases of applicants and recipients with a variety of social and economic problems by gathering relevant data from interviews, home calls, professional staff and various other informational sources; determine the type and extent of client social dysfunction; identify underlying social psychological causes of dysfunctioning.
2. Formulate complex case plans and alternative plans of action designed to develop and/or restore individual and/or family social functioning that may be reviewed by the courts or regulatory agencies; make decisions which impact the potential safety and well-being of clients; prepare social histories, counseling schedules, and summaries of major social and psychological causes of dysfunctioning.
3. Provide treatment services for a variety of complex client social service needs; monitor progress of case plan implementation by evaluating client behavior change and by consultation with other professionals regarding client progress; redefine and alter case plans as necessary to meet changing social service needs of clients; terminate services or refer clients to other agencies when appropriate.
4. Reject inappropriate social services referrals and refer case to other staff or agencies when client problems are not within the position functional assignment area.
5. Monitor placement facilities to ensure compliance with contracts; advise providers of deficiencies in services; recommend cancellation of contract or non-placement if deficiencies are not corrected; consult with placement workers to determine type of care facilities needed; advise placement workers on care available at facilities.

6. Provide information to individuals and public and private agencies on Agency programs, policies, rules and regulations. Inform private attorneys, public defenders and County Counsel regarding child welfare codes and regulations and explain recommendations.

County of Orange Class Code: 7017CS Revised: 2-25-00 Previous Revision: 4-7-98

7. Develop, use and coordinate Agency and community resources to meet social service needs of clients. Innovation is sometimes required to locate or create suitable referrals.

8. Prepare complex case records, detailed and legally sound court reports and related Agency and program reports within designated time frames.

9. Take into custody neglected, abandoned, abused, or drug exposed children for placement.

10. Compile statistical data concerning child abuse, contacts and disposition of cases.

11. Comply with and implement specific court orders related to the presentation and disposition of cases, which may include detailed research, notification of missing parents and transporting minors out of state.

12. Enter data accurately on-line into one or more computer systems; utilize and understand various computer software programs.

MINIMUM QUALIFICATIONS Thorough knowledge of

Established techniques, casework methods and theories used to diagnose individuals and families with a variety of complex social service problems or combination of problems.

Dynamics of human behavior including problems of individuals and families with various social, psychological and economic problems.

Various treatment modalities and alternatives for individuals and families with a variety of complex social, psychological and economic problems.

General knowledge of

Principles and techniques of interviewing necessary to determine facts and to clarify perceived relevant and significant information from hostile and/or reluctant individuals.

Public and private agencies and the community resources available to meet client social service needs.

Methods and techniques of counseling.

Child and elder/dependent adult abuse reporting requirements.

Adult psychopathology, psychology of families, child development and the assessment, management and treatment techniques for children and adults with a wide variety of social, psychological, medical and economic problems.

Cross-cultural differences in family and social functioning. Federal, state and local legislation and codes governing the administration of social programs. Computer keyboarding related to entering and retrieving data. Ability to identify complex social service needs and the resources available to meet these needs.

Evaluate relevant case data to determine the cause(s) of individual or family social dysfunction. Learn court and mediation procedures.

Establish and maintain effective working relationships with clients, public and private agencies and departmental staff.

Interview effectively to obtain case-related data from hostile and/or reluctant clients.

Counsel clients to recognize the causes of individual and family social dysfunctioning and support their efforts toward self-sufficiency and healthy, stable family relationships.

Explain departmental social services programs and policies, rules and regulations to individuals and public and private agencies.

Develop, use and coordinate departmental and community resources to meet client needs. Communicate effectively in English, both orally and in writing. Prepare clear, concise and legally acceptable reports and records. Organize and maintain accurate case records.

Learn the Child Welfare System (CWS) case management computer application system.

Use a computer keyboard to enter case data access and maintain case file information and prepare court reports.

License Requirements Possession of, or ability to obtain a valid California driver's license by the date of appointment. Education/Experience

OPTION I

A Master's degree in social work or psychological counseling from an accredited college or possession of a Marriage, Family and Child Counseling (MFCC) License or Social Worker (LCSW) License issued by the California Board of Behavioral Science Examiners. A Masters degree in Gerontology is acceptable for Adult Protection positions only.

OPTION II

Bachelor's degree from an accredited college in behavioral sciences such as psychology, counseling, sociology or social work and three years of progressively responsible social work casework experience in a public or private organization.

OPTION III

Completion of 30 units from an accredited college in behavioral sciences such as psychology, counseling, sociology or social work and four years of progressively responsible social work casework experience in a public or private organization.

OPTION IV

Two years as a Social Worker II in the County of Orange and 30 semester units from an accredited college in behavioral sciences such as psychology, counseling, sociology or social work.

OPTION V

Transfer from another California county with two years of experience in a position equivalent to a Senior Social Worker with the County of Orange and completion of 30 semester units from an accredited college in behavioral sciences such as psychology, counseling, sociology, or social work.

Physical Requirements

Body mobility to climb stairs, stand, walk, run bend, twist and/or kneel in the course of making visits to client homes, transporting children and their possessions.

Ability to sit for up to two hours with little movement while driving or performing paperwork. Hear and smell sufficiently to detect sounds and odors within a home.

Vision sufficient to read lengthy documents, identify and distinguish between colors of a bruise or wound and visually appraise living conditions of a home.

Ability to speak and hear well enough to communicate clearly in person or on the telephone. Manual dexterity sufficient to operate office equipment such as

computer keyboard or to take field notes.

KDH:mm

Stanley J Majcher, MD, FACP Omar Tirmizi, MD, FCCP

1028 East Walnut Creek Parkway, Suite C
West Covina, CA 91790-3072
626-919-5888 telephone; 626-919-5641 fax
*please send all correspondence to this address

October 2, 2017

OCERS
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701

Attention: Megan Cortez

INDEPENDENT MEDICAL EVALUATION/FITNESS FOR DUTY INTERNAL MEDICINE REPORT

Patient: BOURNE, Nigel
Employer: County of Orange/Social Services Agency
Occupation: Senior Social Worker
Date of Evaluation: 10/02/2017
Office Location: West Covina

Dear Gentlepersons:

As requested, the patient was evaluated at my office to determine whether the patient is in suitable condition for the proposed position.

SOURCE OF FACTS

Patient, results of medical evaluation, and any records submitted.

HISTORY OF PRESENT ILLNESS

The applicant has a history of high blood pressure, which had been detected in approximately 2009. In the past, he had been treated with the antihypertensive medication lisinopril. Simvastatin had been prescribed to control cholesterol abnormalities.

Other locations:
1806 Flower Street, Glendale, CA 91201
1781 West Romneya Drive, Suite C, Anaheim, CA 92801
36945 Cook Street, Suite 103, Palm Desert, CA 92211
26/402

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Patient: BOURNE, Nigel

The applicant subsequently returned to England where he has resided for the past 2 years. His physicians in England indicated that his blood pressure was under satisfactory control, and his antihypertensive medication was discontinued. Simvastatin has been continued in a dosage of 10 mg daily.

The applicant has a history of athletics, and he has a history of sinus bradycardia (low heart rate). However, he denies any chest pain, shortness of breath, ankle edema, dizziness, syncope, or any significant cardiovascular symptoms.

We have copies of the applicant's recent laboratory data, which did not reveal any significant abnormalities.

PAST HISTORY

Negative for hepatitis, tuberculosis, transfusions, or diabetes mellitus.

ALLERGIES

None.

CURRENT MEDICATIONS

Current medications also include Prozac 40 mg daily.

HABITS

| | |
|----------|-----------|
| Alcohol: | Socially. |
| Tobacco: | Negative. |

FAMILY HISTORY

| | |
|--------------------|-----------|
| Diabetes mellitus: | Negative. |
| Hypertension: | Mother. |
| Heart disease: | Negative. |

SURGERIES

Nasal surgery.

REVIEW OF SYSTEMS

Review of systems is otherwise essentially negative and noncontributory.

Page 3

Patient: BOURNE, Nigel

PHYSICAL EXAMINATION

General: Height: 5' 9"
Weight: 190
Blood pressure: Normal at 120/82
Pulse: Decreased at 44-46 per minute with occasional pauses. Correlate with EKG, echocardiogram, and rhythm strip.

The patient is alert, active and in no apparent acute distress.

Head: No evidence of trauma.

Neck: Thyroid not enlarged; no bruits.

Skin: No significant rashes, eruptions, ulcerations, erythema, "spiders," or telangiectasia.

Lymph nodes: No clinically significant abnormalities.

Eyes: Vision grossly intact; pupils normal; no icterus; fundi negative; extraocular movements normal.

Nose: Negative.

Oral cavity: Negative.

Lungs: No abnormal sounds; clear to percussion.

Heart: Size normal. No murmurs; sounds are normal; no friction rubs.

Pulses: The following are normal: carotid, radial, bronchial, femoral, popliteal, posterior tibial, and dorsalis pedis.

Extremities: No abnormal swelling, tenderness, tophi, ulcers, edema, clubbing or cyanosis.

Abdomen: No abnormal tenderness, no masses palpable, no organ enlargement, bowel sounds normal, no evidence of hernia.

Neurological: Deep tendon reflexes are normal; no pathological reflexes; sensation normal; examination is essentially negative.

Page 4

Patient: BOURNE, Nigel

STANDARD/SPECIAL INTERNAL MEDICAL DIAGNOSTIC STUDIES

The patient handed me copies of laboratory data.

1. EKG reveals sinus bradycardia with a rate of approximately 47 per minute. Occasional premature ventricular contractions are noted.
2. Rhythm strip reveals occasional premature ventricular contractions.
3. Pulse oximetry is normal on room air at 98%.
4. Echocardiogram - left ventricular hypertrophy.

DISCUSSION

I have completed my evaluation and have reviewed the applicant's scheduled duties as a senior social worker.

CONCLUSION

The applicant is in suitable condition for his return to work as Senior Social Worker Orange County Social Services Agency.

DISCLOSURE

"I declare under penalty of perjury that the information contained in this report and its attachments, if any, is true and correct to the best of my knowledge and belief, except as to information that I have indicated I received from others. As to that information, I declare under penalty of perjury that the information accurately describes the information provided to me, and except as noted herein, that I believe it to be true."

I further declare under penalty of perjury that I personally performed the evaluation of the patient and that, except as otherwise stated herein, the evaluation was performed and the face-to-face time spent performing the evaluation was in compliance with the guidelines, if any, established by the Industrial Medical Council or the administrative director pursuant to paragraph (5) of subdivision (5) of Section 139.2 or Section 5307.6 of the California Labor Code. In order to complete a comprehensive assessment of internal organ structures, my standard/usual evaluation includes: blood tests, lung test, urinalysis, and electrocardiogram. It has been my experience that patients may not be aware of all medical problems in dispute. Records may reveal internal medical problems which need to be resolved. In some instances, a dispute may arise concerning compensation for studies which may not appear appropriate for the type of alleged industrial injury. Under such circumstances, it is my usual policy to accept the decision of the Review Board of insurance carrier and accept reasonable disallowances for billed studies. Patients suffering from internal medical injuries require laboratory studies, EKG, lung testing and other studies related to their claim. Where such studies could not be obtained on a lien basis, the studies will be completed at Dr. Majcher's lab and diagnostic clinic. In regard to any diagnostic

Page 5

Patient: BOURNE, Nigel

testing performed under my supervision, wherever performed, I will assume authorization is granted unless I receive written notification of denial within ten calendar days from the date my report was mailed. The studies will be performed in my office. I will bill for these services per applicable Medical Fee Schedule. I further declare under penalty of perjury that I have not violated the provisions of California Labor Code Section 139.3 and I have not offered, delivered, received or accepted any rebate, refund, commission, preference, patronage, dividend, discount or other consideration, whether in the form of money or otherwise, as compensation or inducement for any referred examination or evaluation.

Please be advised, the fees charged by this office exceed the official medical fee schedule in this matter. Such fees above the schedule are in accordance with Labor Code #5307.1. The explanation for the increased fees would be as follows.

1. Stanley J. Majcher, M.D., has been providing Workers' Compensation evaluation and treatment for 32 years and has treated thousands of patients for industrial injuries.
2. The fees charged do not exceed AOC/DA's usual and customary charges.
3. The fees are within the range of those charged by similar specialists within and around the local community.
4. The Economic aspects of an internal medical practice within a Workers' Compensation practice involves overhead expenses which include but are not limited to the need for qualified persons to conduct collection and make appearances before the board. There is also the overhead involved in the average amount of time between incurring costs and receipt of payment. The fees must be above the official medical fee schedule in order to maintain the medical practice.

Statement referable to reasonable cost of clerical expense necessary to produce this report as per California Statute 4628. The State of California Labor Code Statute 4628 entitled "Responsibilities of physician signing medical legal report" Paragraph (D) authorizes "Reasonable costs of clerical expense necessary to produce the report."

I further declare under penalty of perjury that the name and qualifications of each person who performed any services in connection with the report, including diagnostic studies other than clerical preparations are as follows:

Name/Qualifications

TechNeal, Inc.

Re: In-house laboratory studies

LabCorp

Re: Any outside laboratory studies (specialized)

Stanley J. Majcher, M.D., F.A.C.P.

Re: EKG and lung function tests

Richard Steffann

Re: Record abstract; trained by Dr. Majcher

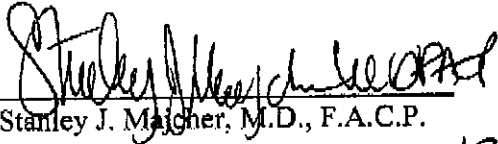
Periodically, the following certified medical assistants are involved in drawing blood, performing pulmonary function tests and EKGs: Monique Sandoval and Jennifer Reina; Certified Medical Assistants.

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Patient: BOURNE, Nigel

If you have any questions, please feel free to contact me.

Yours sincerely,



Stanley J. Majcher, M.D., F.A.C.P.

Signed in Los Angeles County this 13th day of October, 2017.

STANLEY J. MAJCHER, M.D. F.A.C.P.

DIPLOMATE AMERICAN BOARD OF INTERNAL MEDICINE
INTERNAL MEDICINE TOXICOLOGY OCCUPATIONAL MEDICINE
AME-QME-IME

1028 E. WALNUT CREEK PKWY.
SUITE C
WEST COVINA, CA 91790
626-919-5888
FAX # 626-919-5641
SEND ALL CORRESPONDENCE
TO THIS ADDRESS

1781 W. ROMNEYA DRIVE
SUITE C
ANAHEIM, CA 92801
ALL TELEPHONE CALLS
626-919-5888

PATIENT'S NAME: Nigel Bourne DATE: 10/2/17

EPWORTH SLEEPINESS SCALE

The Epworth Sleepiness Scale (below) was developed by researchers in Australia and is widely used around the world to measure sleep deprivation. How likely are you to doze off or fall asleep in the following situations as opposed to just feeling tired? The following questionnaire refers to your usual way or life in recent times. Even if you have not done some of these things recently, try to estimate how they would have affected you in the last two weeks.

Use the following scale to choose the most appropriate number for each situation:

- 0 No chance of dozing
- 1 Slight chance of dozing
- 2 Moderate chance of dozing
- 3 High chance of dozing

| <u>SITUATION</u> | <u>CHANCE OF DOZING</u> | | |
|--|-------------------------|---|-----|
| Sitting and reading | 0 | 1 | 2 3 |
| Watching TV | 0 | 1 | 2 3 |
| Sitting inactive in a public place (i.e., in a theater or meeting) | 0 | 1 | 2 3 |
| As a passenger in a car for an hour without a break | 0 | 1 | 2 3 |
| Lying down to rest in the afternoon when circumstances permit | 0 | 1 | 2 3 |
| Sitting and talking to someone | 0 | 1 | 2 3 |
| Sitting quietly after lunch without alcohol | 0 | 1 | 2 3 |
| In a car, while stopped for a few minutes in traffic | 0 | 1 | 2 3 |

Patient signature: 

STANLEY J. MAJCHER, M.D. F.A.C.P.

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626-919-5888

Patient: Nigel Bourne

Claim#: 0 Date: 10/2/17

ACTIVITIES OF DAILY LIVING

1. SELF-CARE, TEETH, PERSONAL HYGIENE

Do you have any problems with any of the following: (YES) or (NO)

- Urinating
- Bowel Movements
- Brushing or combing your hair
- Bathing
- Dressing
- Eating:

Doctor's remarks:

2. COMMUNICATION

Do you have any problems with any of the following: (YES) or (NO)

- Writing
- Typing
- Seeing
- Hearing
- Speaking

Doctor's remarks:

3. PHYSICAL ACTIVITY

Do you have any problems with any of the following: (YES) or (NO)

- Standing
- Sitting
- Reclining
- Walking
- Climbing stairs

Doctor's remarks:

4. SENSORY FUNCTION

Do you have any problems with any of the following: (YES) or (NO)

- Hearing
- Seeing
- Touching
- Taste
- Smell

Doctor's remarks: _____

5. NON-SPECIALIZED HAND ACTIVITIES

Do you have any problems with any of the following: (YES) or (NO)

- Grasping
- Lifting
- Touch Discrimination

Doctor's remarks: _____

6. TRAVEL

Do you have any problems with any of the following: (YES) or (NO)

- Riding
- Driving
- Flying

Doctor's remarks: _____

7. SEXUAL FUNCTION

ANSWER: (YES) or (NO)

Are you sexually active?
Do you have any sexual problems related to your injury?

Doctor's remarks: _____

8. SLEEP

Do you have any problems sleeping? _____ YES _____ (NO)

Doctor's remarks: _____

Patient signature:

NAME: Nigel Bourne CL#: 8 DATE: 10/2/17

Questions Concerning Activities of Daily Life
Cuestionarios Concernientes a Actividades de la Vida Diaria

Please fill out this form carefully and mark only one box for each question.
 Por favor de llenar esta forma cuidadosamente y marcar solamente una caja por cada pregunta.

1. How well can you perform personal self-care activities including washing, dressing, using the bathroom, etc? *(Que tan bien usted puede desempeñar actividades de cuidados personales que incluyen bañarse, vestirse, usar el baño, etc.)?*

- I can look after myself normally without having extra discomfort *(Puedo ver por mi mismo con normalidad sin tener ninguna molestia adicional)*
- I can look after myself normally but have extra discomfort *(Puedo ver por mi mismo normalmente pero con molestia adicional)*
- It is uncomfortable to look after myself but I am slow and careful *(Es incomodo ver por mi mismo pero tengo cuidado y lo hago lentamente)*
- I need some help but I manage most of my personal self-care *(Necesito alguna ayuda pero controlar la mayor parte mi cuidado personal)*
- I need help every day in most aspects of my personal self-care *(Necesito ayuda todos los días en la mayoría de los aspectos de mi cuidado personal)*
- I do not get dressed, I wash with difficulty and I stay in bed or lie down most of the day *(Yo no puedo vestirme, me baño con dificultad y me quedo en cama o estoy acostado a mayoría del día)*

2. How well can you lift and carry? *(Que tan bien usted puede levantar o cargar)?*

- I can lift and carry heavy objects without having extra discomfort *(Yo puedo levantar y cargar objetos pesados sin ninguna molestia adicional)*
- I can lift and carry heavy objects but I have extra discomfort *(Yo puedo levantar y cargar objetos pesados pero tengo molestia adicional)*
- I can lift and carry heavy objects only if they are conveniently positioned *(Yo puedo levantar y cargar objetos pesados solamente si esta posicionados convenientemente)*
- I can only lift and carry light to medium objects if they are conveniently positioned *(Yo puedo solamente levantar y cargar objetos livianos y medianos si están posicionados convenientemente)*
- I can only lift very light objects *(Yo solamente puedo cargar objetos livianos)*
- I cannot lift or carry anything at all *(Yo no puedo levantar o cargar cualquier cosa absolutamente)*

3. How well can you walk? *(Que tan bien usted puede caminar)?*

- I am able to walk the same distance I could before my injury *(Yo puedo caminar la misma distancia que caminaba antes de me accidente)*
- My injury and discomfort prevent me from walking more than 1 mile *(Mi lastimadura y molestia me impiden de caminar mas de una milla)*
- My injury and discomfort prevent me from walking more than ½ mile *(Mi lastimadura y molestia me impedian de caminar mas de ½ milla)*
- My injury and discomfort prevent me from walking more than ¼ mile *(Mi lastimadura y molestia me impiden de caminar mas de ¼ milla)*
- Because of my injury and discomfort I walk only a limited distance or use a cane, crutches or walker *(Por mi lastimadura y molestia yo solamente puedo caminar a una distancia limitada o tengo que usar un bastón o andadera)*
- Because of my injury and discomfort, I am in bed most of the time or use a wheelchair *(Por mi lastimadura y molestia y estoy en la cama la mayoría del tiempo o uso silla de ruedas)*

4. What is the most strenuous level of activity you can do for at least 2 minutes?
(*Cuál es el nivel de actividad más intenso que usted pueda desempeñar por lo menos en 2 minutos?*)

- Very heavy activity (*Actividad muy pesada*)
- Heavy activity (*Actividad pesada*)
- Moderate activity (*Actividad moderada*)
- Light activity (*Actividad liviana*)
- Very light activity (*Actividad muy liviana*)
- Extremely light to no activity (*Actividad extremadamente liviana a no actividad alguna*)

5. How well can you climb one flight of stairs? (*Que también usted puede subir un piso de escaleras?*)

- No difficulty (and I can easily perform the activity) (*Sin dificultad y puedo hacer esta actividad fácilmente*)
- Some difficulty (but I can still perform the activity well enough) (*Con alguna dificultad, pero todavía puedo hacer la actividad suficientemente bien*)
- A lot of difficulty (but I can still do the activity) (*Con mucha dificultad, pero todavía puedo hacer esta actividad*)
- Unable (I cannot do this activity) (*Imposibilitado, no puedo. No puedo hacer esta actividad o alguien me ayuda*)

6. How well can you sit for 30 minutes to an hour? (*Que tan bien usted puede estar sentado por 30 minutos a una hora?*)

- No difficulty (and I can easily perform the activity) (*Sin dificultad y puedo hacer esta actividad fácilmente*)
- Some difficulty (but I can still perform the activity well enough) (*Con alguna dificultad, pero puedo hacer la actividad suficientemente bien*)
- A lot of difficulty (but I can still do the activity) (*Con mucha dificultad, pero todavía puedo hacer esta actividad*)
- Unable (I cannot do this activity) (*Imposibilitado, no puedo hacer esta actividad*)

7. How well can you sit for two hours? (*Que también usted puede estar sentado por dos horas?*)

- No difficulty (and I can easily perform the activity) (*Sin dificultad y puedo hacer esta actividad fácilmente*)
- Some difficulty (but I can still perform the activity well enough) (*Con alguna dificultad, pero puedo hacer la actividad suficientemente bien*)
- A lot of difficulty (but I can still do the activity) (*Con mucha dificultad, pero todavía puedo hacer esta actividad*)
- Unable (I cannot do this activity) (*Imposibilitado, no puedo hacer esta actividad*)

8. How well can you stand or walk 30 minutes to an hour? (*Que también usted puede estar sentado o caminar de 30 minutos a una hora?*)

- No difficulty (and I can easily perform the activity) (*Sin dificultad y puedo hacer esta actividad fácilmente*)
- Some difficulty (but I can still perform the activity well enough) (*Con alguna dificultad, pero puedo hacer la actividad suficientemente bien*)
- A lot of difficulty (but I can still do the activity) (*Con mucha dificultad, pero todavía puedo hacer esta actividad*)
- Unable (I cannot do this activity) (*Imposibilitado, no puedo hacer esta actividad*)

9. How well can you stand or walk for two hours? *(Que también usted puede estar sentado o caminar por dos horas)?*

- No difficulty (and I can easily perform the activity) *(Sin dificultad y puedo hacer esta actividad fácilmente)*
- Some difficulty (but I can still perform the activity well enough) *(Con alguna dificultad, pero puedo hacer la actividad suficientemente bien)*
- A lot of difficulty (but I can still do the activity) *(Con mucha dificultad, pero todavía puedo hacer esta actividad)*
- Unable (I cannot do this activity) *(Imposibilitado, no puedo hacer esta actividad)*

10. How well can you reach and grasp thing something off a shelf at eye level? *(Que también usted puede alcanzar y agarrar cosas de un repisa ala altura de el nivel del ojo)?*

- No difficulty (and I can easily perform the activity) *(Sin dificultad y puedo hacer esta actividad fácilmente)*
- Some difficulty (but I can still perform the activity well enough) *(Con alguna dificultad, pero puedo hacer la actividad suficientemente bien)*
- A lot of difficulty (but I can still do the activity) *(Con mucha dificultad, pero todavía puedo hacer esta actividad)*
- Unable (I cannot do this activity or someone helps me with it) *(Imposibilitado, no puedo hacer esta actividad)*

11. How well can you reach and grasp something off a shelf overhead? *(Usted tiene alguna dificultad con actividades de empujar y jalar)?*

- No difficulty (and I can easily perform the activity) *(Sin dificultad y puedo hacer esta actividad fácilmente)*
- Some difficulty (but I can still perform the activity well enough) *(Con alguna dificultad, pero puedo hacer la actividad suficientemente bien)*
- A lot of difficulty (but I can still do the activity) *(Con mucha dificultad, pero todavía puedo hacer esta actividad)*
- Unable (I cannot do this activity or someone helps me with it) *(Imposibilitado, no puedo hacer esta actividad)*

12. Do you have any difficulty with pushing and pulling activities? *(Usted tiene alguna dificultad con actividades de empujar y jalar)?*

- No difficulty (and I can easily perform the activity) *(Sin dificultad y puedo hacer esta actividad fácilmente)*
- Some difficulty (but I can still perform the activity well enough) *(Con alguna dificultad, pero puedo hacer la actividad suficientemente bien)*
- A lot of difficulty (but I can still do the activity) *(Con mucha dificultad, pero todavía puedo hacer esta actividad)*
- Unable (I cannot do this activity or someone helps me with it) *(Imposibilitado, no puedo hacer esta actividad)*

13. Do you have any difficulty with gripping, grasping, holding and manipulating objects with your hands? *(Usted tiene alguna dificultad en apretar, agarrar, sostener y manipular objetos con su manos)?*

- No difficulty (and I can easily perform the activity) *(Sin dificultad y puedo hacer esta actividad fácilmente)*
- Some difficulty (but I can still perform the activity well enough) *(Con alguna dificultad, pero puedo hacer la actividad suficientemente bien)*
- A lot of difficulty (but I can still do the activity) *(Con mucha dificultad, pero todavía puedo hacer esta actividad)*
- Unable (I cannot do this activity or someone helps me with it) *(Imposibilitado, no puedo hacer esta actividad)*

14. Do you have any difficulty with repetitive motions such as typing on a computer? (*Usted tiene dificultades con movimientos repetitivos tales como teclear en la computadora?*)

- No difficulty (and I can easily perform the activity) (*Sin dificultad y puedo hacer esta actividad fácilmente*)
- Some difficulty (but I can still perform the activity well enough) (*Con alguna dificultad, pero puedo hacer la actividad suficientemente bien*)
- A lot of difficulty (but I can still do the activity) (*Con mucha dificultad, pero todavía puedo hacer esta actividad*)
- Unable (I cannot do this activity or someone helps me with it) (*Imposibilitado, no puedo hacer esta actividad*)

15. Do you have any difficulty with forceful activities with your arms and hands? (*Usted tiene alguna dificultad con actividades fuertes con sus brazos y manos?*)

- No difficulty (and I can easily perform the activity) (*Sin dificultad y puedo hacer esta actividad fácilmente*)
- Some difficulty (but I can still perform the activity well enough) (*Con alguna dificultad, pero puedo hacer la actividad suficientemente bien*)
- A lot of difficulty (but I can still do the activity) (*Con mucha dificultad, pero todavía puedo hacer esta actividad*)
- Unable (I cannot do this activity or someone helps me with it) (*Imposibilitado, no puedo hacer esta actividad*)

16. Do you have any difficulty with kneeling, bending or squatting? (*Usted tiene alguna dificultad con arrodillarse, agacharse or ponerse en cuclillas?*)

- No difficulty (and I can easily perform the activity) (*Sin dificultad y puedo hacer esta actividad fácilmente*)
- Some difficulty (but I can still perform the activity well enough) (*Con alguna dificultad, pero puedo hacer la actividad suficientemente bien*)
- A lot of difficulty (but I can still do the activity) (*Con mucha dificultad, pero todavía puedo hacer esta actividad*)
- Unable (I cannot do this activity or someone helps me with it) (*Imposibilitado, no puedo hacer esta actividad*)

17. Do you have any difficulty with sleeping? (*Usted tiene alguna dificultad en dormir?*)

- I have no trouble sleeping because of my injury and discomfort (*No tengo problemas en dormir por mi lastimadura y molestias*)
- My sleep is slightly disturbed (less than 1 hour sleepless) since my injury (*Mi sueño es ligeramente perturbado (menos de una hora sin dormir) desde mi lastimadura*)
- My sleep is mildly disturbed (1-2 hours sleepless) since my injury (*Mi sueño es suavemente perturbado (1 a 2 horas sin dormir) desde mi lastimadura*)
- My sleep is moderately disturbed (2-3 hours sleepless) since my injury (*Mi sueño es muy perturbado (2 a 3 horas sin dormir) desde mi lastimadura*)
- My sleep is greatly disturbed (3-5 hours sleepless) since my injury (*Mi sueño es muy perturbado (3 a 5 horas sin dormir) desde mi lastimadura*)
- My sleep is completely disturbed (5-7 hours sleepless) since my injury (*Mi sueño es completamente perturbado (5 a 7 horas sin dormir) desde mi lastimadura*)

18. In regards to sexual activity since and because of your injury: (En referente a mi actividad sexual desde y por mi lastimadura):

- It is not a problem and there has not been a change because of my injury (No es ningún problema y yo no habido cambios por mi lastimadura)
- It is a little less frequent because of my injury (Es menos frecuente por mi lastimadura)
- It is much less frequent because of my injury (Es mucho menos frecuente por mi lastimadura)
- No sexual functioning because of my injury (No función sexual por mi lastimadura)

19. In regards to your pain at the moment: (En referente a mi dolor en el momento):

- I have no pain at the moment (No tengo dolor en este momento)
- My pain is mild at the moment (Mi dolor es suave en este momento)
- My pain is moderate at the moment (Mi dolor es moderado en este momento)
- My pain is the severe at the moment (Mi dolor es severo en este momento)
- My pain is the worst imaginable at the moment (Mi dolor es el peor que se pueda imaginar en este momento)

20. In regards to your pain most of the time: (En referente a su dolor la mayoría del tiempo):

- I have no pain most of the time (No tengo dolor la mayoría del tiempo)
- My pain is very mild most of the time (Mi dolor es muy suave la mayoría del tiempo)
- My pain is moderate most of the time (Mi dolor es moderado la mayoría del tiempo)
- My pain is fairly severe most of the time (Mi dolor es moderadamente bastante la mayoría de tiempo)
- My pain is the worst imaginable most of the time (Mi dolor es el peor que se pueda imaginar la mayoría del tiempo)

21. How much do your injury and/or pain interfere with your ability to travel? (Cuanto interfiere su lastimadura y/o dolor con su habilidad de viajar)?

- None (Nada)
- Some or a little of the time (A veces o poco tiempo)
- A lot or most of the time (Mucho o la mayoría del tiempo)
- All of the time—I can't travel (Todo el tiempo—No puedo viajar)

22. How much do your injury and/or pain interfere with your ability to engage in recreational activities? (Cuanto interfiere su lastimadura y/o dolor con su habilidad en desempeñar en actividades creativas)?

- None (Nada)
- Some or a little of the time (A veces o poco tiempo)
- Most of the time (La mayoría del tiempo)
- All of the time—I can't engage in recreational activities (Todo el tiempo—No puedo desempeñar creativas)

23. How much do your injury and/or interfere with your ability to engage in social activities? (Cuanto Interfieren su lastimadura y/o dolor en su habilidad de desempeñar actividades sociales)?

- None (Nada)
- Some or a little of the time (A veces o poco tiempo)
- Most of the time (La mayoría del tiempo)
- All of the time—I can't engage in social activities (Todo el tiempo—No puedo desempeñar sociales)

24. How much do your injury and/or pain interfere with concentrating and thinking? (Cuanto tiempo interfiere su lastimadura y/o dolor en concentrarse y pensar)?

- None (Nada)
- Some or a little of the time (A veces o poco tiempo)
- Most of the time (La mayoría del tiempo)
- All of the time—I can't concentrate or think very clearly (Todo el tiempo—No puedo concentrarme o pensar claramente)

25. How much has your injury and/or pain caused emotional distress with depression or anxiety? (Cuanto tiempo su lastimadura y/o dolor a causado agotamiento mental con depresión o ansiedad)?

- None (No depression or anxiety from the injury or discomfort) (Nada—no depresión o ansiedad por mi lastimadura o molestias)
- Some or a little of the time (mild depression or anxiety from the injury or discomfort) (A veces o poco tiempo (depresión liviana o ansiedad por mi lastimadura o molestias)
- A lot or most of the time (moderate depression or anxiety from the injury or discomfort) (Muchas veces o la mayoría del tiempo—depresión moderada o ansiedad por mi lastimadura o molestias)
- All of the time (severe depression or anxiety from the injury or discomfort) (Todo el tiempo—depresión moderada o ansiedad por mi lastimadura o molestias)

DATE: 10/3/17 NAME: Nigel Bourne
 Fecha Nombre y firma

BOURNE, Nigel (Mr)

Pembroke Road Surgery

BOURNE, Nigel (Mr)

Report Path: Local Record

63 The Praedium, Chapter Walk, Redland, Bristol, BS6 6WB

NHS Number: 458 472 0495

Usual GP: FIELDING, A S (Dr)

Consultations

| Date | Comments |
|-------------|---|
| 16-Aug-2017 | Examined by LESLEY, SARA (Dr) Entered By: System User (A) |
| Lab Results | Serum electrolytes (14-Aug-2017) (SL1530) - Normal - No Action Liver function test (14-Aug-2017) (SL1530) - Normal - No Action Serum lipids (14-Aug-2017) (SL1530) - Normal - No Action |
| 15-Aug-2017 | Examined by LESLEY, SARA (Dr) Entered By: System User (A) |
| Lab Results | HAEMOGLOBIN A1C (14-Aug-2017) (SL1530) - borderline prediabetes |
| 14-Aug-2017 | Examined by LESLEY, SARA (Dr) Entered By: System User (A) |
| Lab Results | Plasma glucose level (14-Aug-2017) (SL1530) - Normal - No Action |
| 14-Aug-2017 | Examined by LESLEY, SARA (Dr) Entered By: System User (A) |
| Lab Results | ! Full blood count - FBC (SL1530) - Normal - No Action |

Full blood count - FBC

Patient: Nigel Bourne

NHS Number: 4584720495 Recipient GP: LESLEY, Sarah (Dr)

Status: Filed Viewed: LESLEY, Sarah (Dr)

Specimen: Blood Taken: 14/09/2017 13:30 Recieved: 14/08/2017 18:25

on statin Biohazard No; Priority?:

! Full blood count - FBC
(SL1530) - Normal - No Action

| | | |
|--------------------------------|--------------------------|---------------|
| Total white cell count | 5.53 10 ⁹ /L | (4.0 - 11.0) |
| ! Red blood cell (RBC) count | 4.17 10 ¹² /L | (4.50 - 6.00) |
| ! Haemoglobin estimation | 128 g/L | (130 - 170) |
| ! Haematocrit | 0.385 L/L | (0.40 - 0.52) |
| Mean corpuscular volume (MCV) | 92.3 fL | (83 - 100) |
| Mean corpusc. haemoglobin(MCH) | 30.7 pg | (27.0 - 32.0) |
| Mean corpusc. Hb. conc. (MCHC) | 332 g/L | (310 - 350) |
| Platelet count | 237 10 ⁹ /L | (150 - 450) |
| Red blood cell distribut width | 12.8 | (11.5 - 15.5) |
| Neutrophil count | 2.99 10 ⁹ /L | (1.5 - 8.0) |
| Lymphocyte count | 1.44 10 ⁹ /L | (1.0 - 4.0) |
| Monocyte count | 0.71 10 ⁹ /L | (0.2 - 1.0) |
| Eosinophil count | 0.33 10 ⁹ /L | (0.0 - 0.5) |
| Basophil count | 0.06 10 ⁹ /L | (0.0 - 0.2) |

EMIS Report ID: 626350 Lab Report ID: 16426633

Issued: 14/08/2017 18:52

Received: 14/08/2017 19:10

Plasma glucose level

Patient: Nigel Bourne

NHS Number: 4584720495

Recipient GP: LESLEY, Sarah (Dr)

Status: Filed

Viewed: LESLEY, Sarah (Dr)

Specimen: Blood

Taken: 14/08/2017 13:30 Recieved: 14/08/2017 18:25

on statin Biohazard No; Priority?:

Plasma glucose level

6.5 mmol/L

(3.0 - 7.8)

(SL1530) - Normal - No Action

EMIS Report ID: 626390 Lab Report ID: 16445964

Issued: 15/08/2017 10:08

Received: 15/08/2017 10:30

HAEMOGLOBIN A1C

Patient: Nigel Bourne

NHS Number: 4584720495 Recipient GP: LESLEY, Sarah (Dr)

Status: Filed Viewed: LESLEY, Sarah (Dr)

Specimen: Blood Taken: 14/08/2017 13:30 Recieved: 14/08/2017 18:25

on statin Biohazard No; Priority?:

HAEMOGLOBIN A1C

(SL1530) - borderline prediabetes

HbA1c level - IFCC standardised 42 mmol/mol

HbA1c Report comment

See www.nscphealth.co.uk/diabetesicp-2012.pdf for further information.

Diagnostic thresholds: ≥ 48 mmol/mol probable diabetes, 42 - 48 mmol/mol at high risk of diabetes. ?HbA1c may give false indication of glycaemia if rapidly changing or if abnormal red cell turnover rate.

Treatment targets: 48 mmol/mol (53 mmol/mol in type 2 diabetes if on a drug associated with hypoglycaemia) but individualised treatment advised, especially if elderly, limited life expectancy or high risk from hypoglycaemia (NICE NG15 and 28).

EMIS Report ID: 626398 Lab Report ID: 16454123

Issued: 15/08/2017 11:47

Received: 15/08/2017 12:10

Serum electrolytes

Patient: Nigel Bourne

NHS Number: 4584720495 Recipient GP: LESLEY, Sarah (Dr)

Status: Filed Viewed: LESLEY, Sarah (Dr)

Specimen: Blood Taken: 14/08/2017 13:30 Recieved: 14/08/2017 18:25

on statin Biohazard No; Priority?:

Serum electrolytes

(SL1530) - Normal - No Action

| | | |
|------------------------------|------------|-------------|
| Serum sodium | 138 mmol/L | (133 - 146) |
| Serum potassium | 4.5 mmol/L | (3.5 - 5.3) |
| Serum creatinine | 94 umol/L | (59 - 104) |
| eGFRcreat (CKD-EPI)/1.73 m*2 | 74 mL/min | |

eGFR comment

Please note change to CKD-EPI eGFR from
October 2016

-
eGFR 60-89: Indicates stage 2 CKD only if
pre-existing evidence of kidney disease. If serum
creatinine not known to be stable, repeat within
5 days to exclude acute renal failure.
Multiply eGFR by 1.159 for African or
African-Carribeans.

Liver function test

(SL1530) - Normal - No Action

| | | |
|-----------------------------|----------|------------|
| Serum total bilirubin level | 8 umol/L | < 21 |
| Serum alkaline phosphatase | 63 U/L | (30 - 130) |
| Serum ALT level | 33 U/L | (10 - 60) |
| Serum albumin | 35 g/L | (35 - 50) |

Serum lipids

(SL1530) - Normal - No Action

Fasting Sample?

No

| | | |
|------------------------------|------------|--------------|
| Serum cholesterol | 4.1 mmol/L | |
| Serum triglycerides | 0.8 mmol/L | (0.5 - 1.70) |
| Serum HDL cholesterol level | 1.6 mmol/L | |
| Serum cholesterol/HDL ratio | 2.6 | |
| Serum LDL cholesterol level | 2.1 mmol/L | |
| Se non HDL cholesterol level | 2.5 mmol/L | |

Lipid comment :

Please note new NICE guidance CG181 from July 2014

Serum electrolytes

Patient: Nigel Bourne

NHS Number: 4584720495 Recipient GP: LESLEY, Sarah (Dr)

Status: Filed Viewed: LESLEY, Sarah (Dr)

Please note new NICE guidance CG181 from July 2014

EMIS Report ID: 626501 Lab Report ID: 16478753

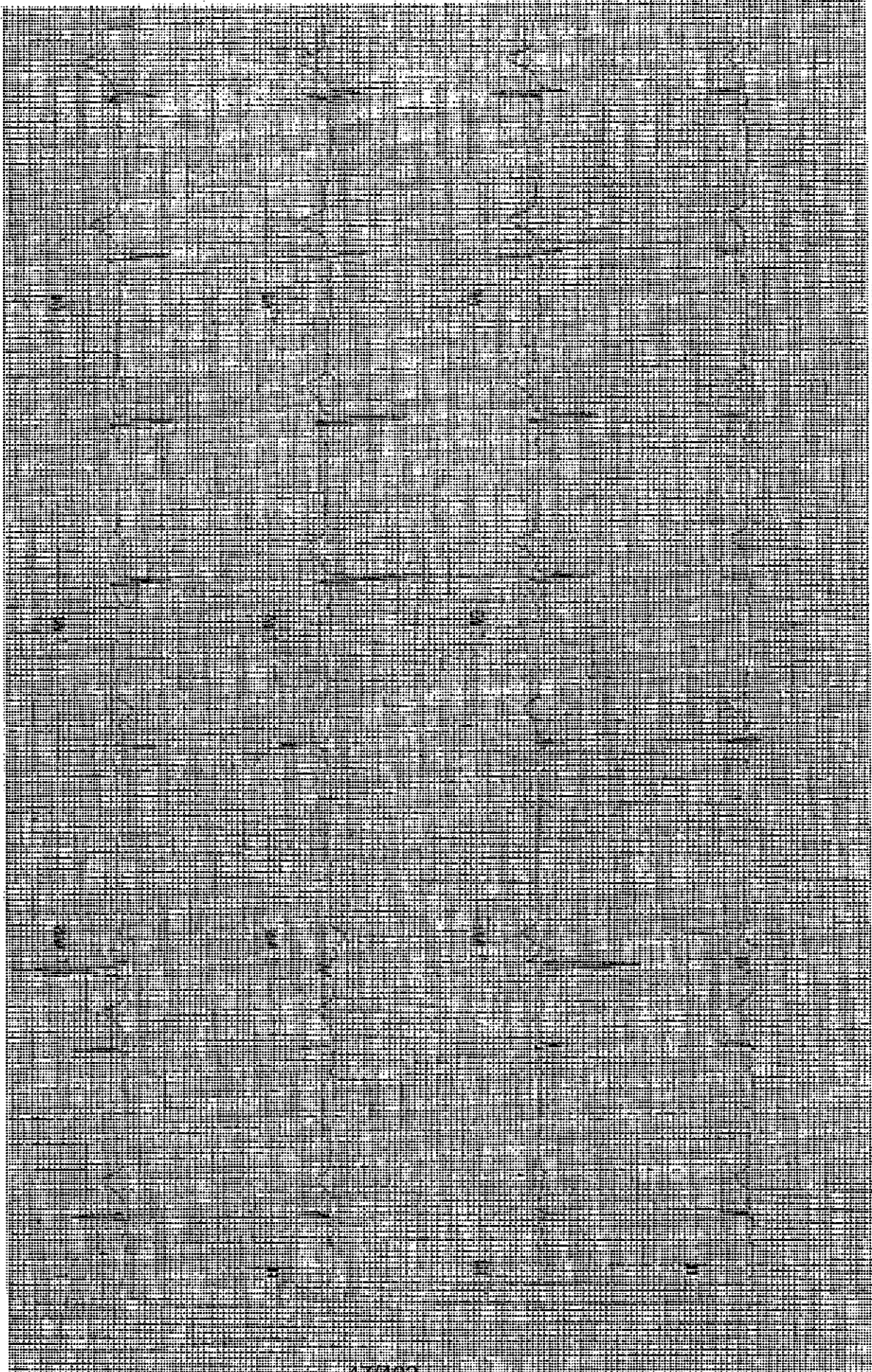
Issued: 15/08/2017 15:43

Received: 15/08/2017 16:10

SINUS BRADYCARDIA WITH OCCASIONAL VENTRICULAR PREMATURE COMPLEXES
 POSSIBLE LEFT ATRIAL ENLARGEMENT
 BORDERLINE ECG
 UNCONFIRMED REPORT

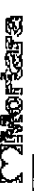
Vent rate: 47 BPM
 PR int: 204 ms
 QRS dur: 93 ms
 QT/QTc: 433/398 ms
 P-R-T axes: 35 10 17

Niguel Doume
 63yr. MALE
5/23/17



477402

Version 1.21.00 Sequence #06603 25mm/s 10mm/mv 0.05-150 Hz 60Hz



1608

REORDER# 9103-029-5D

C-4

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

**REGULAR MEETING
Monday, August 21, 2017
9:00 a.m.**

MINUTES

Chair Ball called the meeting to order at 8:58 a.m.

Attendance was as follows:

Present: David Ball, Chair; Chris Prevatt, Vice Chair; Eric Gilbert, Chuck Packard, Russell Baldwin, Shawn Dewane, Roger Hilton; 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; Molly Murphy, Chief Investment Officer; Jenny Sadoski, Director of Information Technology; Gina Ratto, General Counsel; Lee Fink, Deputy General Counsel; Anthony Beltran, Visual Technician; Megan Cortez; Disability Coordinator; Cammy Danciu, Recording Secretary.

Guests: Paul Angelo, Segal Consulting

Absent: Wayne Lindholm

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.

Item C-3, C-14 and C-17 were pulled for discussion.

Ms. Freidenrich arrived at 9:01am

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

The motion carried **unanimously**.

| |
|-----------------|
| BENEFITS |
|-----------------|

C-1 MATERIAL DISTRIBUTED

Application Notices
Death Notices

August 21, 2017
August 21, 2017

Recommendation: Receive and file.

C-2 OPTION 4 RETIREMENT ELECTION – TIMOTHY DAY

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

C-3 OPTION 4 RETIREMENT ELECTION – KATHLEEN MORAN

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

C-4 OPTION 4 RETIREMENT ELECTION – KIRBY ROUCHER

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

| |
|-----------------------|
| ADMINISTRATION |
|-----------------------|

C-5 BOARD MEETINGS AND COMMITTEE MEETINGS

Audit Committee Meeting Minutes
Regular Board Meeting Minutes

July 6, 2017
July 17, 2017

Recommendation: Authorize meeting and approve minutes.

C-6 CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN

Recommendation: Receive and file.

C-7 QUIET PERIOD – NON-INVESTMENT CONTRACTS

Recommendation: Receive and file.

C-8 LEGISLATIVE UPDATE

Recommendation: Receive and file.

C-9 OCERS BY THE NUMBERS (2017 EDITION)

Recommendation: Receive and file.

C-10 EVOLUTION OF THE UAAL (2017 EDITION)

Recommendation: Receive and file.

C-11 BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN UPDATE

Recommendation: Receive and file.

C-12 SECOND QUARTER UNAUDITED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30, 2017

Recommendation: Receive and file.

C-13 SECOND QUARTER 2017 BUDGET TO ACTUALS REPORT

Recommendation: Receive and file.

C-14 2017 BUDGET AMENDMENT TO EXCLUDE INVESTMENT MANAGEMENT FEES FROM THE OCERS' ANNUAL ADMINISTRATIVE BUDGET

Recommendation: Approve an amendment to OCERS' Administrative and Investment Budget for 2017 to exclude investment management fees originally budgeted in the amount of \$38,323,996, decreasing the 2017 investment budget from \$42,791,649 to \$4,467,653 and the overall budget from \$61,155,100 to \$22,831,104.

C-15 QUARTERLY UPDATE ON SECURITIES LITIGATION CASES

Recommendation: Receive and file.

C-16 SITE VISIT REPORT – CONTRA COSTA COUNTY AND STANISLAUS COUNTY

Recommendation: Receive and file.

C-17 2017 EMPLOYER AND EMPLOYEE PENSION COST COMPARISON

Recommendation: Receive and file.

C-18 AUDIT COMMITTEE OUTCOMES FROM JULY 6, 2017 MEETING

Recommendation:

The Audit Committee recommends that the Board of Retirement approves:

- (1) Receive and file the Hotline Update
- (2) Receive and file the Audit Committee Inquiry on Administrative time in Internal Audit
- (3) Receive and file the Status of Internal Audits and Audit Projects

C-19 BOARD COMMUNICATIONS

Recommendation: Receive and file.

C-20 CRI - THE CONFERENCE ON SUSTAINABLE, RESPONSIBLE, IMPACT INVESTING

Recommendation: Approve Russell Baldwin's attendance and related expenses including overnight accommodations for the "CRI - The Conference on Sustainable, Responsible, Impact Investing" on November 1-3, 2017 at the Hotel Del Coronado, San Diego, CA.

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

INDIVIDUAL ITEMS AGENDA

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

Chair Ball asked for public comments to be addressed at this time prior to the discussion of the pulled consent items.

C-20

Mr. Stephen Wontrobaski, member of the public, commented regarding The Conference on Sustainable, Responsible, Impact Investing and recommended OCERS invest in companies that support this conference.

C-8

Mr. Stephen Wontrobaski, member of the public, commented on the impact of this bill (Mendoza's Bill) on Orange County Fire Authority and funds.

C-3

Mr. Eley asked staff to clarify the disability distribution of Mrs. Moran's monetary funds to her children once she passes.

Ms. Jenike explained that once the member passes, she will distribute monetary funds among her children.

Following discussion, a **motion** was made by Mr. Eley **seconded** by Mr. Hilton to move item C-3.

The motion carried **unanimously**.

C-14

Ms. Freidenrich stated she is not in support of excluding the investment management fees from the OCERS annual administrative budget.

Mr. Packard stated that the budget is approved by the OCERS Board.

Mr. Ball commented on the approval process.

Following discussion, a **motion** was made by Mr. Prevatt **seconded** by Mr. Packard to move item C-14.

The motion carried **7-1** with Ms. Freidenrich voting “No”.

C-17

Mr. Hilton stated that this item is not necessary to have as a yearly consent agenda.

Mr. Ball gave direction to staff to bring this item back to the board every three years as opposed to every year.

Following discussion, a **motion** was made by Mr. Eley **seconded** by Mr. Prevatt to move item C-17.

The motion carried **8-0**. Motion passed unanimously.

I-2 INITIAL DISCUSSION OF TRIENNIAL STUDY OF ACTUARIAL ASSUMPTIONS
Presentation by Paul Angelo, Segal Consulting

Recommendation: Receive and file.

Mr. Delaney stated that the Segal presentation is informational only, the Board will not be asked to make decisions at this meeting. Final approval is scheduled to take place at the October 16, 2017 Board Meeting.

Mr. Paul Angelo presented the experience study. The process involves comparing assumed to actual experience for the period of January 1, 2014 through December 31, 2016. He stated such a study will often lead to modifications to existing economic and demographic assumptions. Segal notes two things to keep in mind regarding the cost impact results in this final report.

First, these cost changes reflect both economic and demographic assumption changes. That means they will differ from the scenario projections Segal presented in July, which reflected changes in only the economic assumptions of expected returns, inflation and across-the-board salary increases.

Second, the difference in cost between the Recommended economic assumptions and Alternative 1 economic assumptions is a result of the 2.75% inflation assumption under Alternative 1, which is lower than the statutory maximum 3% COLA, which ends up being a lower projected liability and therefore lowers the overall cost when compared to a 3% inflation assumption.

Mr. Prevatt stepped out at 10:01a.m.

Mr. Prevatt returned at 10:05a.m.

Mr. Hilton asked Mr. Angelo if he’s recommending generational mortality to all his clients in California.

Mr. Angelo stated unless something major happens, yes the generational approach for his clients is the way of the future.

The Board recessed for break at 10:13a.m.

The Board reconvened from break at 10:34a.m.

Mr. Hilton asked if Segal is recommending all three options in the following chart:

| | 12/31/2016 Valuation | | Recommended | | Alternative 1 | | Alternative 2 | |
|-----------------|----------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Investment Return | Payroll Growth | Investment Return | Payroll Growth | Investment Return | Payroll Growth | Investment Return | Payroll Growth |
| Price Inflation | 3.00% | 3.00% | 3.00% | 3.00% | 2.75% | 2.75% | 2.75% | 2.75% |
| Real Wages | n/a | 0.50%* | n/a | 0.50%* | n/a | 0.50%* | n/a | 0.50%* |
| Net Real Return | 4.25%** | n/a | 4.00%** | n/a | 4.25%** | n/a | 4.00%** | n/a |
| Total | 7.25%** | 3.50%* | 7.00%** | 3.50%* | 7.00%** | 3.25%* | 6.75%** | 3.25%* |

* Assumed individual salaries increases also include “merit and promotion” component:

- Merit component varies by service
- For General, increase ultimate assumption from 0.75% to 1.00%
- For Safety, maintain ultimate assumption at 1.50%

** Return is net of investment and administrative expense

Mr. Angelo stated yes, all three are recommendations by Segal. Mr. Angelo went on to say that normally he would not include a recommendation but would instead present all three as equal alternatives. However, he recalled the Board insisting at the last Triennial Study that Segal recommends one of multiple alternatives. Because Segal as a firm continues to project 3% inflation, he felt obligated to recommend the first alternative. Mr. Angelo added that if he was sitting in the shoes of an OCERS Trustee, that recommendation is not the one he personally would choose.

Mr. Ball commend that Mr. Angelo’s presentation was so much more balanced than in previous presentations.

Mr. Angelo continued his presentation after the Board reconvened from lunch.

Mr. Packard arrived at 12:49p.m.

Mr. Angelo stated if he were a trustee, he would select Alternative 1.

Mr. Baldwin asked about inflation rate and where that number comes from.

Mr. Angelo stated that it comes from security economists and a consensus from an overall picture of various experts.

Mr. Gilbert excused himself at 1:59p.m.

Mr. Gilbert returned at 2:05p.m.

Mr. Hilton asked Mr. Angelo to discuss phasing in cost at next month's Strategic Planning Workshop.

Following discussion, a **motion** was made by Mr. Packard **seconded** by Mr. Dewane to receive and file item I-2.

The motion carried **8-0**. Motion passed unanimously.

I-3 EARLY PAYMENT OF EMPLOYER CONTRIBUTIONS PROGRAM - 2018

Presentation by Brenda Shott, Assistant Chief Executive Officer Finance and Internal Operations and Molly Murphy, Chief Investment Officer

Recommendation: Approve the terms of a prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 2018 - June 2019.

Ms. Shott presented the Early Payment of Employer Contributions Program – 2018 recommending a 4.5% discount rate for FY 2018-19.

Mr. Packard asked if OCERS is applying the discount to the full amount and not the average amount.

Ms. Shott said yes, the full amount because the plan sponsors are making their payments a full six months in advance of when they otherwise would make their first payment.

Mr. Paul Angelo explained the process further and reasons why the discount is applied to the full amount instead of an average amount.

Ms. Freidenrich asked how many sponsors utilized the program last year and how many did not.

Ms. Shott stated that OCERS and the Superior Court do not participate but everyone else who has active employees participates in this program.

Following discussion, a **motion** was made by Mr. Prevatt **seconded** by Mr. Hilton to approve the terms of a prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 2018 - June 2019.

The motion carried **8-0**. Motion passed unanimously.

The Board recessed for break at 2:16p.m.

The Board reconvened from break at 2:26p.m.

Mr. Dewane excused himself for the day at 2:16p.m.

I-4 EXECUTIVE SECRETARY I POSITION - LEGAL DEPARTMENT

Presentation by Brenda Shott, Assistant Chief Executive Officer Finance and Internal Operations

Recommendation:

- 1) Approve the addition of an Executive Secretary I position assigned to the Legal Department.
- 2) Delete the current vacant Secretary II position.

Ms. Shott presented the rationale for an Executive Secretary I position in the Legal department.

Mr. Freidenrich stated that she is in support of the need for a Secretary position but not an Executive Secretary position. She believes hiring at a higher level sets precedence for the future.

Ms. Ratto stated that the Legal department is changing and evolving and the current position serves multiple purposes as well as backup support to the Executive Secretary II position for the Executive Department. With more duties asked of the current Secretary II position, the recommendation is to add more incentive with a higher salary as the previous Secretary II left OCERS due to the low compensation she was receiving.

Mr. Prevatt stated that it is not too much to ask to have two Executive Secretaries in the organization.

Mr. Packard agreed with Mr. Prevatt.

A **motion** was made by Mr. Dewane **seconded** by Mr. Hilton to approve the addition of an Executive Secretary I position assigned to the Legal Department and delete the current vacant Secretary II position.

The motion carried **7-1** with Ms. Freidenrich voting “no”.

The Board recessed for lunch at 12:15p.m.

The Board reconvened from lunch at 12:48p.m.

I-5 MEMBER SERVICES ANNUAL REPORT

Presentation by Catherine Fairley, Director of Member Services, OCERS

Recommendation: Receive and file.

Ms. Fairley presented the Member Services Annual Report.

Mr. Prevatt stated that he would like to hear about recalculations.

Ms. Fairley stated that underpaid and overpaid recalculations have all been paid.

Ms. Fairley stated that additional resources with temporary agencies have helped with the department’s workload. Furthermore, OCERS is working on setting up a priority system to handle

the I backlog of buybacks until they have all been cleared. In addition, member services initiates courtesy calls to retirees.

Mr. Prevatt asked what the process is when the member submits the request.

Ms. Fairley described the process and explained what types of cases and calls OCERS receives and how OCERS handles those situations.

A **motion** was made by Mr. Prevatt **seconded** by Mr. Eley to receive and file item I-5.

The motion carried **8-0**. Motion passed unanimously.

I-6 OCERS VISION AND VALUES

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Adopt an OCERS' Vision and Values statement.

Mr. Delaney presented OCERS' Vision and Values.

A **motion** was made by Mr. Prevatt **seconded** by Mr. Packard to adopt the OCERS' Vision and Values statement as presented.

The motion carried **8-0**. Motion passed unanimously.

Mr. Ball stated that he loves the way this was presented and it's very clever.

The Board adjourned into closed session at 3:00p.m.

The Board reconvened from closed session at 3:05p.m.

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

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

11:00 A.M.

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

CONSENT AGENDA

All matters on the Disability Applications or Member Appeals 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.

Megan Cortez, Disability Coordinator, presented the Consent Agenda to the Board along with the staff recommendation.

A **motion** was made by Mr. Hilton, **seconded** by Mr. Eley to move the remainder of the consent agenda calendar. The motion carried **unanimously**.

D-1: Robert James

Fire Apparatus Engineer, Orange County Fire Authority

Date of employer filed application for service and non-service connected disability retirement:
06/03/2016

Recommendation: Deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate. (Safety Member)

D-2: Aaron Phelps

Group Counselor I, Orange County Social Services Agency

Date of employer filed application for service and non-service connected disability retirement:
03/17/2016

Recommendation: Deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate. (General Member)

This item was pulled from the agenda.

D-3: Michael Sarno

Deputy Sheriff II, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:
03/14/2017

Recommendation: Deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate. (Safety Member)

D-4: Benjamin Savill

Defense Investigator III, Orange County Public Defender

Date of employer filed application for service and non-service connected disability retirement:
01/31/2017

Recommendation: Deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate. (General Member)

This item was pulled from the agenda.

INDIVIDUAL ITEMS AGENDA

D-5: INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

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

D-6: Margretta Burton

Coach Operator, Orange County Transportation Authority

Date of employer filed application for service and non-service connected disability retirement:
04/08/2016

Date of employee filed application for service and non-service connected disability retirement:
06/02/2016

Recommendation: Grant service connected disability retirement with an effective date of April 8, 2016. (General Member)

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 8, 2016. The motion carried **8-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

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

D-7: Daniel Edralin

Deputy Sheriff II, Orange County Sheriff's Department

Date of employee filed application for service connected disability retirement: 07/08/2016

Recommendation: Grant service connected disability retirement with an effective date of the last day of compensation. (Safety Member)

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

AYES

Mr. Baldwin
Mr. Packard
Mr. Prevatt
Chair Ball

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

Mr. Hilton
Ms. Freidenrich
Mr. Dewane
Mr. Eley

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

D-8: Michael Gledhill

Firefighter, Orange County Fire Authority

Date of employer filed application for service and non-service* connected disability retirement:
11/02/2015

Date of employee filed application for service connected disability retirement: 02/08/2016

Recommendation: Grant service connected disability retirement with an effective date of November 2, 2015. (Safety Member)

Following discussion, a **motion** was made by Mr. Gilbert, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of November 2, 2015. The motion carried **8-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

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

D-9: Corinne Mahlen

Attorney's Clerk II, Orange County Public Defender

Date of employee filed application for service and non-service connected disability retirement:
01/11/2016

Recommendation: Grant service connected disability retirement with an effective date of January 11, 2016. (General Member)

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Baldwin to grant service connected disability retirement with an effective date of January 11, 2016. The motion carried **8-0** with voting as follows:

AYES

Mr. Baldwin
Mr. Packard
Mr. Prevatt
Chair Ball

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

Mr. Hilton
Ms. Freidenrich
Mr. Dewane
Mr. Eley

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

D-10: Enrique Marquez

Custodian, Orange County Superior Court

Date of employee filed application for service and non-service connected disability retirement:
07/11/2016

Recommendation: Grant service connected disability retirement with an effective date of February 6, 2015. (General Member)

Following discussion, a **motion** was made by Mr. Prevatt, **seconded** by Mr. Eley to grant service connected disability retirement with an effective date of February 6, 2015. The motion carried **8-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

Megan Cortez, Disability Coordinator, presented D-11 to the Board along with the staff recommendation.

D-11: Karen Nelson

Deputy Juvenile Correctional Officer II, Orange County Probation Department

Date of employee filed application for service connected disability retirement: 12/29/2016

Recommendation: Grant service connected disability retirement with an effective date of March 3, 2017. (Safety Member)

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 3, 2017. The motion carried **8-0** with voting as follows:

AYES

Mr. Baldwin
Mr. Packard
Mr. Prevatt
Chair Ball
Mr. Hilton
Ms. Freidenrich

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

Mr. Dewane
Mr. Eley

Megan Cortez, Disability Coordinator, presented D-12 to the Board along with the staff recommendation.

D-12: Elena P. Preciado Navarro

Custodian II, Orange County Superior Court

Date of employee filed application for service and non-service connected disability retirement:
09/01/2015

Recommendation: Grant service connected disability retirement with an effective date of September 1, 2015. (General Member)

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of September 1, 2015. The motion carried **8-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

Megan Cortez, Disability Coordinator, presented D-13 to the Board along with the staff recommendation.

D-13: Ernesto Romero

Park Maintenance Worker, Orange County Community Resources

Date of employee filed application for service connected disability retirement: 10/29/2015

Recommendation: Grant service connected disability retirement with an effective date of October 29, 2015. (General Member)

Following discussion, a **motion** was made by Mr. Baldwin, **seconded** by Mr. Eley to grant service connected disability retirement with an effective date of October 29, 2015. The motion carried **7-1** with voting as follows:

AYES

Mr. Baldwin
Mr. Packard
Mr. Prevatt
Chair Ball
Ms. Freidenrich
Mr. Dewane
Mr. Eley

NAYS

Mr. Hilton

ABSTAIN

ABSENT

Mr. Lindholm

Megan Cortez, Disability Coordinator, presented D-14 to the Board along with the staff recommendation.

D-14: Dan Sjule

Senior Social Worker, Orange County Social Services Agency

Date of employee filed application for service connected (recommendation has both) disability retirement: 04/28/2016

Recommendation: Grant non- service connected disability retirement with an effective date of April 28, 2016 and deny service connected disability retirement due to insufficient evidence of job causation. (General Member)

Mr. Prevatt stated that there is sufficient reason to believe the workplace could have contributed to the member's disability and because of that the member should receive a disability retirement.

A **motion** was made by Mr. Eley, **seconded** by Mr. Packard to grant non- service connected disability retirement with an effective date of April 28, 2016 and deny service connected disability retirement due to insufficient evidence of job causation.

Mr. Prevatt made a substitute **motion** to grant service connected disability for this member, **seconded** by Mr. Hilton.

Ms. Jenike stated that staff doesn't have enough evidence that there is a real and measurable connection for the member's incapacity.

Substitute motion failed.

Following discussion, the original motion (staff recommendation) carried **8-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

Megan Cortez, Disability Coordinator, presented D-15 to the Board along with the staff recommendation.

D-15: Joseph Steelman

Fire Captain, Orange County Fire Authority

Date of employee filed application for service connected disability retirement: 12/18/2015

Recommendation: Grant service connected disability with an effective date of December 18, 2015. (Safety Member)

Following discussion, a **motion** was made by Mr. Gilbert, **seconded** by Mr. Packard to grant service connected disability with an effective date of December 18, 2015. The motion carried **8-0** with voting as follows:

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

Megan Cortez, Disability Coordinator, presented D-16 to the Board along with the staff recommendation.

D-16: Courtney Ward

Deputy Sheriff II, Orange County Sheriff's Department

Date of employee filed application for service and non-service connected disability retirement:
11/07/2016

Recommendation: Grant service connected disability retirement pursuant to Government Code Section 31720.6 (Cancer Presumption) with an effective date of November 7, 2016. (Safety Member)

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to grant service connected disability retirement pursuant to Government Code Section 31720.6 (Cancer Presumption) with an effective date of November 7, 2016. The motion carried **8-0** with voting as follows:

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

Megan Cortez, Disability Coordinator, presented D-17 to the Board along with the staff recommendation.

D-17: Jeffrey Bardzik

Lieutenant, Orange County Sheriff's Department

Date of employee filed application for service connected disability retirement: 07/06/2015

Recommendation: Deny service and non-service connected disability retirement due to insufficient evidence of permanent incapacity and deny the application as it was not filed timely pursuant to Government Code Section 31722. (Safety Member)

This item was pulled from the agenda.

Megan Cortez, Disability Coordinator, presented D-18 to the Board along with the staff recommendation.

D-18: Elizabeth Freyre

Sheriff Correctional Services Assistant, Orange County Sheriff's Department

Date of employer filed application for service and non-service connected disability retirement:
04/02/2014

Date of employee filed application for service connected disability retirement: 06/30/2014

Recommendation: Deny service and non-service connected disability retirement due to insufficient evidence of permanent incapacity. (General Member)

A **motion** was made by Mr. Dewane, **seconded** by Mr. Eley to deny service and non-service connected disability retirement due to insufficient evidence of permanent incapacity.

Mr. Ed Faunce spoke on behalf of the member and stated did not agree with the doctor's assessment.

Mr. Prevatt made a substitute **motion, seconded** by Mr. Ball to refer this item back to a hearing officer.

The substitute motion died.

The original motion (staff recommendation) carried **7-1** with voting as follows:

AYES

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

NAYS

Mr. Prevatt

ABSTAIN

ABSENT

Mr. Lindholm

Megan Cortez, Disability Coordinator, presented D-19 to the Board along with the staff recommendation.

D-19: Teresa Geldmacher

Senior Social Worker, Orange County Social Service Agency

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

Recommendation: Deny service connected disability retirement due to insufficient evidence of permanent incapacity. (General Member)

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Dewane to deny service connected disability retirement due to insufficient evidence of permanent incapacity. The motion carried **8-0** with voting as follows:

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

Megan Cortez, Disability Coordinator, presented D-20 to the Board along with the staff recommendation.

D-20: Josefina Zamacona

Library Clerk, Orange County Community Resources

Date of employer filed application for non-service* connected disability retirement: 12/21/2015.

Date of employee filed application for service connected disability retirement: 03/22/2016

*The member does not have the minimum years of service required to be considered for a non-service connected disability.

Recommendation: Deny service connected disability retirement due to insufficient evidence of permanent incapacity. (General Member)

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Dewane to deny service connected disability retirement due to insufficient evidence of permanent incapacity. The motion carried **8-0** with voting as follows:

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

Megan Cortez, Disability Coordinator, presented D-21 to the Board along with the staff recommendation.

D-21: 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

Recommendation: Adopt the findings and recommendations of the Hearing Officer and deny Applicant's application for service and non-service connected disability retirement. (General Member)

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Hilton to adopt the findings and recommendations of the Hearing Officer and deny Applicant's application for service and non-service connected disability retirement. The motion carried **8-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

Mr. Lindholm

Megan Cortez, Disability Coordinator, presented D-22 to the Board along with the staff recommendation.

D-22: Rick Edgmon

Recommendation: Affirm staff's determination that Mr. Edgmon should be required to repay the total amount of the benefits overpaid to him since he retired on November 11, 2005 in the approximate amount of \$237,107.79. Staff also recommends that OCERS forgo the collection of interest on the overpayment, and that Mr. Edgmon be given 20 years to repay the overpayment through monthly deductions to his retirement allowance.

This item was 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

N/A

COUNSEL COMMENTS

N/A

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.

This item was pulled from the agenda.

- E-2 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.

The OCERS Board of Retirement voted unanimously to reject the amended government tort claim that was served to the system by former Orange County employee on July 19, 2017.

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

Active Members

Shankling, Jeremy

Retired Members

Alfano, James
Aria, Sue
Barton, Shawn
Chaney, Donald
Cordero, Oscar
Dang, Qui
Dietzel-Biehn, Dorothy
Faerber, William
Flannigan, James
Guth, Paul
Hayman, John
Hitchens, Robert
Hoover, Gerald
Huffman, Ralph
James, Phyllis

Joyce, Patricia
Kharitonoff, Linda
Leone, Victoria
Phillips, Norma
Ponce, Edmund
Post-Minko, Linda
Raat, Darlene
Reeder-Haywood, Christine
Resnick, Ruth
Robertson, Marian
Rohling, Zudy
Schiebeck, Arsenia
Stewart, Donna
Strahan, Dorothy
Stucker, Carol
Thomsic, Jonathan
Wehman, Craig
Wilkinson, Michael

Surviving Spouses

Billings, Rosemary
Brickson, Mildred
Brown, Milo
Fincham, Lawrence
Napier, Wanda
Pisegna, Lisa
Sauvageau, Idafay
Stewart, Donna
Vaught, Georgette
Wilkinson, Peggy

There being no further business to bring before the Board, the meeting adjourned at 3:08p.m.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Board

David Ball
Chairman

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

AUDIT COMMITTEE MEETING

August 30, 2017

12:30 p.m.

MINUTES

The Chair called the meeting to order at 12:33 p.m. and read the opening statement for the record. Attendance was as follows:

Present: Charles Packard, Chair; Frank Eley, Vice Chair; Eric Gilbert; Shari Freidenrich

Staff: Steve Delaney, CEO; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, Chief Legal Officer; David James, Director of Internal Audit; Jenny Sadoski, Director of Information Technology; Mark Adviento, Internal Auditor; Anthony Beltran, Audio/Visual Technician; Julius Cuaresma, Recording Secretary

CLOSED SESSION ITEM

E. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (GOVERNMENT CODE §54957(b))

Title: Director of Internal Audit

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

The Committee recessed into closed session at 12:33 p.m.

The Committee reconvened from closed session at 1:40 p.m.

The Committee recessed at 1:40 p.m.

The Committee reconvened at 1:46 p.m.

The Committee took **no reportable action.**

INDIVIDUAL ITEMS AGENDA

A. AUDIT OF V3 DATA CONVERSION AND KEY REPORTS

Presentation by David James, Director of Internal Audit

Mr. James, discussed the purpose and outcomes of the VS Data Conversion Audit.

Ms. Freidenrich discussed the importance of creating an effective executive summary in future audit reports.

Ms. Freidenrich, Ms. Sadoski, and Ms. Jenike remarked upon the issues surrounding missing social security numbers.

Mr. James discussed the overall summary of the data conversion. He indicated the overall quality of the conversion was excellent in light of the limited number of issues and the errors, all of which were minor and insignificant.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Ms. Freidenrich to receive and file the *AUDIT OF V3 DATA CONVERSION AND KEY REPORTS*.

The **motion passed unanimously**.

B. AUDIT OF OCERS' RECIPROCITY PROCESS

Presentation by David James, Director of Internal Audit

Mr. James discussed the findings of finding of OCERS' reciprocity audit.

Mr. James and Ms. Freidenrich discussed the objective of this particular audit, and possible process improvements.

Ms. Jenike and Ms. Freidenrich discussed OCERS' reciprocity process, particularly regarding verification of contributions, the validation of the appropriate rates, as well as reciprocity refunds.

Ms. Freidenrich inquired as to any liability coming from reciprocity and whose responsibility it is for proper payments and refunds.

Mr. Eley, Ms. Freidenrich, and Ms. Jenike discussed the potential issues that could arise from reciprocity, including differing age-based rates between systems.

Mr. James, Ms. Freidenrich, and Mr. Packard discussed having a policy in place for collecting on errors of overpayment.

Following discussion, a **motion** was made by Ms. Freidenrich, **seconded** by Mr. Eley to receive and file the *AUDIT OF OCERS' RECIPROCITY PROCESS*.

The **motion passed unanimously**.

C. ANNUAL INTERNAL CONTROL SELF-ASSESSMENT BY MANAGEMENT

Presentation by David James, Director of Internal Audit

Ms. Freidenrich asked for a copy of management's internal control self-assessment.

Mr. James, Ms. Freidenrich, and Mr. Delaney discussed possible security issues with sharing the report.

Mr. Delaney noted that the Audit committee is allowed to convene in closed session and could at some future date incorporate a discussion of such a report.

Following discussion, a **motion** was made by Ms. Freidenrich, **seconded** by Mr. Eley to receive and file the *ANNUAL INTERNAL CONTROL SELF-ASSESSMENT BY MANAGEMENT*.

The **motion passed unanimously.**

D. STATUS OF INTERNAL AUDITS AND AUDIT PROJECTS

Presentation by David James, Director of Internal Audit

Mr. James discussed the status of ongoing internal audit projects.

Following discussion, a **motion** was made by Mr. Gilbert **seconded** by Mr. Eley to receive and file the *STATUS OF INTERNAL AUDITS AND AUDIT PROJECTS*.

The **motion passed unanimously.**

Meeting adjourned at 2:37 p.m.

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

PUBLIC COMMENTS:

None

COMMITTEE MEMBERS COMMENTS:

None

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS:

None

Submitted by:

Approved by:

Steve Delaney
Secretary to the Committee

Charles Packard
Committee Chair

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

**GOVERNANCE COMMITTEE MEETING
September 5, 2017
9:30 a.m.**

MINUTES

The Chair called the meeting to order at 9:35 a.m. Attendance was as follows:

Present: Roger Hilton, Chair; Shawn Dewane, Vice Chair; David Ball; Chris Prevatt

Staff: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, General Counsel; Lee Fink, Deputy General Counsel; Brenda Shott, Assistant CEO, Internal Operations; Sonal Sharma, Recording Secretary; Anthony Beltran, Audio Visual Technician

**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 reportable action taken.

A. PROPOSED REVISIONS TO THE ADMINISTRATIVE HEARING PROCEDURES
Presented by Gina M. Ratto, General Counsel and Lee K. Fink, Deputy General Counsel

Recommendation: Approve, and recommend that the Board of Retirement approve, changes to OCERS' processes and procedures relating to appeals of disability retirement and other benefit determinations.

Mr. Fink presented the Committee with staff recommendations for revisions to the Disability Adjudication Process and the Benefit Adjudication Process designed to make the appeals process more efficient and timely, improve customer service, and enhance protection of OCERS members' rights. Staff identified several concerns with the existing process, including the desire for additional protection of member confidentiality, efficient use of staff and Board resources, and the need for improved customer service including timeliness and transparency of the process.

Staff's recommendations include transparent timelines for action on disability applications; the member's right to an Administrative Hearing attaching after the staff recommendation, rather than after the Board Action; the member having the right to either a full hearing or an expedited administrative review; the case being placed on a consent agenda when the member does not appeal a staff recommendation; the Legal Department taking responsibility for managing the entire administrative hearing and appeal process; timelines for the hearing process incorporated into the Administrative Hearing Procedures Policy (i.e. Hearing Rules); elimination of extraneous steps in the appeal process; and Closed Sessions and/or Closed Hearings on disability matters.

During discussion, the Committee proposed additional modifications to the process and directed staff to return with additional information and recommendations on matters including the use of a committee of the Board to review disability applications before an appeal and the use of a Medical Advisor. The Committee asked staff to consider whether any change was needed to the process for appointing hearing officers to ensure member confidence in impartiality; whether the use of an expedited administrative review process would increase the number of appeals; and statistics regarding the number of appeals and the number of matters where the Board decision is changed after a hearing.

The Committee directed that staff return at the next Governance Committee to address these suggestions and questions.

No reportable action taken.

B. PROPOSED REVISIONS TO OCERS' RULES OF PARLIAMENTARY PROCEDURE

Presented by Gina M. Ratto, General Counsel

Recommendation: Approve, and recommend that the Board of Retirement approve, proposed revisions to the *OCERS Rules of Parliamentary Procedure*.

Ms. Ratto presented the Committee with proposed revisions to the *OCERS Rules of Parliamentary Procedure*.

1. Public comment

Ms. Ratto presented a revision to paragraph 3.e. to state that it is the prerogative of the presiding officer to determine the timing of public comment on any motion – that is, whether comment is taken before or during the Board members' discussion of the motion. The Committee discussed whether it was better to have all public comment taken before discussion by the Board.

2. Adjournment of Meetings

Ms. Ratto proposed add section 3.k to clarify that the presiding officer has the responsibility to adjourn each meeting at the conclusion of the agenda, and by unanimous consent. The presiding officer may state (for example), "If there is no objection, this meeting will be adjourned;" and after a pause for objection, if there is no objection, "The meeting is adjourned."

3. "Receive and File" Items

Ms. Ratto proposed a revision to paragraph 5.a to clarify that the Board and its committees will make use of consent agendas whenever feasible and that reports that are included on the agenda and presented as "information items" (as distinguished from "action items") may be accepted without action by the Board or committee.

4. Voting protocols for Alternate Seventh Member of the Board

Ms. Ratto proposed the addition of a new section 17 to clarify the voting role of the alternate seventh member (i.e. alternate elected member from a safety service). Mr. Prevatt expressed his concern about the portion of the revision stating that the alternate seventh member must always vote in place of the elected seventh member, even when the elected seventh member is present and the alternate seventh member is sitting for an absent elected member since this interpretation would result in fewer people

being able to vote in some instances. Mr. Prevatt asked staff to determine how other CERL systems interpret the statute.

Following discussion, a **motion** was made by Mr. Ball, **seconded** by Mr. Prevatt, to approve staff recommendation with the exception of the addition of the proposed new section 17, and for staff to present additional information on the proposed section 17 at a future meeting.

The **motion passed unanimously.**

C. REGULAR REVIEW OF POLICIES

Annual Disclosure Policy

Presented by Gina M. Ratto, General Counsel

Recommendation: Approve, and recommend that the Board of Retirement approve, proposed revisions to the Annual Disclosure Policy.

Ms. Ratto reviewed the *Annual Disclosure Policy* and recommended one revision to update the title of “Assistant CEO, External & Legal Operations” to “General Counsel.”

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Prevatt, to approve staff’s recommendation.

The **motion passed unanimously.**

The meeting was adjourned at 12:17pm.

PUBLIC COMMENTS:

None.

COMMITTEE MEMBER COMMENTS

None.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS:

None.

COUNSEL COMMENTS:

The next Governance Committee meeting was set for October 24, 2017 at 9:30 a.m.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Board

Roger Hilton, Chair

C-5



Memorandum

DATE: October 16, 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.

AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

NOVEMBER

- PEPRA Overview
- FAS Components Review Project
- Proposed Meeting Schedule for 2018
- Approve 2018 Administrative (Operating) Budget
- Annual CEO Performance Review
- Status of Board Education Hours for 2017

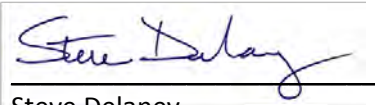
DECEMBER

- Review of Appeal Process
- Election of Vice-Chair
- CEO Compensation
- Operational Risk Management
- Adopt Annual Work Plan for 2018

JANUARY

- 2017 Year in Review: Communication Plan
- 2017 OCERS Innovations
- 2017 Disability Statistics
- Communication Policy Factsheet
- Board Performance Review Introduction

Submitted by:

A handwritten signature in blue ink that reads "Steve Delaney". The signature is written in a cursive style and is contained within a rectangular box.

Steve Delaney
Chief Executive Officer

OCERS RETIREMENT BOARD - 2017 Work Plan

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep (Offsite) | Oct | Nov | Dec |
|------------------------------|------------------------------------|---------------------------------|---|--|--|--|---|---|---------------------------------|--|--|-------------------------------------|
| System Oversight | | 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) | | | | | | |
| Board Governance | 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 2018 (A) |
| | | | | Conflict of Interest Training (I) | | | | | | | | Vice-Chair Election (A) |
| | | | | | | | | | | | | |
| Regulation / Policies | | | Quarterly CEO Performance Review (I) | | | Quarterly CEO Performance Review (I) | Membership Policy (A) | | | | | |
| | | | | | | | | | | | | |
| Compliance | | State of OCERS (A) | | Form 700 and OCERS Annual Disclosure Due (A) | | Receive Financial Audit (I) | | | | | Status of Board Education Hours for 2017 (I) | |

(A) = Action (I) = Information

C-6



Memorandum

DATE: September 18, 2017
TO: Members of the Board of Retirement
FROM: David James, CPA, Director of Internal Audit
SUBJECT: **AUDIT COMMITTEE OUTCOMES FROM AUGUST 30, 2017 MEETING**

Recommendation

The Audit Committee recommends that the Board of Retirement approves:

- (1) Receive and file the Audit of V3 Data Conversion and Key Reports.
- (2) Receive and file the Audit of OCERS' Reciprocity Process.
- (3) Receive and file the Annual Internal Control Self-Assessment by Management.
- (4) Receive and file the Status of Internal Audits and Audit Projects.

Background/Discussion

A. AUDIT OF V3 DATA CONVERSION AND KEY REPORTS

A presentation was made by David James, Director of Internal Audit, describing the findings of the audit.

Recommendation: The Committee voted to receive and file Audit of V3 Data Conversion and Key Reports.

B. AUDIT OF OCERS' RECIPROCITY PROCESS

A presentation was made by David James, Director of Internal Audit, describing the findings of the audit.

Recommendation: The Committee voted to receive and file the Audit of OCERS' Reciprocity Process.

C. ANNUAL INTERNAL CONTROL SELF-ASSESSMENT BY MANAGEMENT

A presentation was made by David James, Director of Internal Audit, describing that management has completed its annual update of a listing of OCERS' key controls.

Recommendation: The Committee voted to receive and file the Annual Internal Control Self-Assessment by Management.

D. STATUS OF INTERNAL AUDITS AND AUDIT PROJECTS

A presentation was made by David James, Director of Internal Audit, listing internal audits and audit projects completed and those that are expected to be completed by year end.



Memorandum

Recommendation: The Committee voted to receive and file the Status of Internal Audits and Audit Projects.

Submitted by:



D.J. - Approved

David James, CPA
Director of Internal Audit

C-7

Memorandum

DATE: October 16, 2017
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, General Counsel
SUBJECT: **GOVERNANCE COMMITTEE OUTCOMES FROM SEPTEMBER 5, 2017 MEETING**

Recommendation

The Governance Committee recommends that the Board of Retirement adopt:

- (1) Revisions to the Annual Disclosure Policy as approved by the Committee; and
- (2) Revisions to the OCERS Rules of Parliamentary Procedure as approved by the Committee.

Background/Discussion

Annual Disclosure Policy

The Annual Disclosure Policy was reviewed by the Governance Committee on September 5, 2017, pursuant to the three-year review cycle and was approved by the Committee with non-substantive revisions. A copy of the policy with revisions in underlined/strikeout text is attached.

OCERS Rules of Parliamentary Procedure

The Governance Committee reviewed the OCERS Rules of Parliamentary Procedure on September 5, 2017, and approved revisions that:

- (1) Specify that it is the prerogative of the presiding officer to determine the timing of public comment on specific agenda items (whether it is taken before or during the Board members' discussion on each matter) provided it is taken before the Board's action (Section 3.e.);
- (2) Specify that public comment will be permitted at each meeting of the Board or committee on any matter within the subject matter jurisdiction of the Board (Section 3.h.);
- (3) Specify that meetings of the Board and its committees will be adjourned at the conclusion of the business set forth in the agenda by unanimous consent (Section 3.l.);
- (4) Encourage the use of consent agendas whenever feasible to group items that do not require discussion or debate into a single voting package in order to expedite approval of routine matters (Section 5.a.); and
- (5) Specify that informational reports may be included in the agenda and presented as "information items" that may be accepted without action by the Board or committee (Section 5.b.).

The Committee did not accept, and requested additional information regarding, staff's proposed addition of the voting protocols for the alternate seventh member of the Board.

A copy of the OCERS Rules of Parliamentary Procedure with revisions in underlined/strikeout text is attached.

Attachments

Submitted by:

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

Gina M. Ratto
General Counsel

Purpose

1. The Board of Retirement adopts this Annual Disclosure Policy to assure the independence of the Board's deliberations and votes on matters of fiduciary responsibility, free from undisclosed interests and influences; to inform the Board and staff of all potential conflicts of interest that may arise in the course of the Board's activities so that appropriate action may be taken in a timely fashion; and to assure the members, plan sponsors and the public that OCERS' processes are free from inappropriate influence.

Principles

2. In order to achieve the Purpose of this Policy, OCERS' Board members and executive staff shall publicly disclose, annually and prior to the time that a related Board or System action item arises, any and all financial interests they or their immediate family members may have that may affect the Board's deliberations and votes, OCERS' operations and other matters affecting OCERS' interests.

Board members and executive staff are encouraged to err on the side of over-disclosure of matters that might be called for by this Policy.

Roles

3. The General Counsel shall be responsible for implementing and monitoring compliance with this Policy, and shall report to the Board, as requested, on the status of disclosures under this Policy.

Policy Guidelines

4. Board members and executive staff shall disclose in writing to the Board, by April 1st of each year, the following matters on an annual basis, and more frequently as changes occur:
 - a. All matters required to be disclosed on FPPC Form 700.
 - b. All family and business relationships with, and value received from, any investment manager, placement agent, registered lobbyist, vendor, consultant, actuary, counsel or other persons (i) providing or actively seeking to provide services or products to, or (ii) seeking to influence the deliberations of, OCERS' Board of Retirement.
 - c. Any other matters required to be disclosed under California law.
 - d. All matters required to be disclosed under OCERS' Conflict of Interest Code.
5. OCERS shall maintain all disclosures and writings made pursuant to this Policy as public records subject to disclosure under the provisions of the Public Records Act, Government Code sections 6250, et seq.

Policy Review

6. The Board of Retirement will review this Policy at least once every three years to ensure that it remains relevant and appropriate.

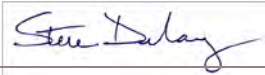
OCERS Board Policy
Annual Disclosure Policy

Policy History

7. The Board of Retirement adopted this policy on June 21, 2010. This policy was revised on February 21, 2012, March 17, 2014 and October 16, 2017.

Secretary's Certificate

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



Steve Delaney
Secretary of the Board

10/16/17

Date

Purpose

1. The Board of Retirement adopts this Annual Disclosure Policy to assure the independence of the Board's deliberations and votes on matters of fiduciary responsibility, free from undisclosed interests and influences; to inform the Board and staff of all potential conflicts of interest that may arise in the course of the Board's activities so that appropriate action may be taken in a timely fashion; and to assure the members, plan sponsors and the public that OCERS' processes are free from inappropriate influence.

Principles

2. In order to achieve the Purpose of this Policy, OCERS' Board members and executive staff shall publicly disclose, annually and prior to the time that a related Board or System action item arises, any and all financial interests they or their immediate family members may have that may affect the Board's deliberations and votes, OCERS' operations and other matters affecting OCERS' interests.

Board members and executive staff are encouraged to err on the side of over-disclosure of matters that might be called for by this Policy.

Roles

3. The ~~Assistant CEO, External & Legal Operations, General Counsel~~ shall be responsible for implementing and monitoring compliance with this Policy, ~~and The Assistant CEO, External & Legal Operations~~ shall report to the Board, as requested, on the status of disclosures under this Policy.

Policy Guidelines

4. Board members and executive staff shall disclose in writing to the Board, by April 1st of each year, the following matters on an annual basis, and more frequently as changes occur:
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OCERS Board Policy Annual Disclosure Policy

Policy Review

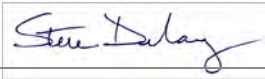
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Secretary's Certificate

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



Steve Delaney
Secretary of the Board

3/17/1410/16/17

Date

OCERS Rules of Parliamentary Procedure

Purpose and Background

1. The Orange County Employees Retirement System Board of Retirement is committed to the principals of open and efficient government. The Board conducts regular meetings of the full board and various committees. The Board wishes to establish rules for conduct of those meetings that are consistent with the Ralph M. Brown Act ("Brown Act") in order to insure orderly meetings and to protect the rights of the Board, its individual members, OCERS members and plan sponsors, and members of the public.

Basic Rules

2. All meetings of the Board and its committees shall adhere to the following basic rules of conduct:
 - a. The collective fiduciary interests of the Board and its committees supersede the rights of individual members of the Board. All members of the Board must adhere to the rules established by the Board. If there is a conflict between the rights of a member and the interests of the Board to conduct its business, the interests of the Board prevail.
 - b. All members of the Board are equal. All members of the Board have the following rights:
 - i. To hold office.
 - ii. To attend meetings.
 - iii. To make motions and speak in Board or committee deliberations.
 - iv. To nominate.
 - v. To vote.
 - c. A quorum must be present to conduct business. The By-Laws specify that a quorum for conduct of a meeting of the full Board shall be five members present; a quorum for a meeting of the Investment Committee shall be five members present; and a quorum for a meeting of a standing committee of the Board, other than the Investment Committee, shall be two members present.
 - d. The majority rules. The minority has the right to be heard on issues up for deliberation before the Board or a committee. Once a decision has been made by the majority of Board members present and voting, the minority must respect and abide by the decision.
 - e. The Brown Act requires OCERS to publicly report the vote or abstention of each Board or committee member present. (Gov. Code § 54953 (c)) Therefore, each Board or committee member present shall vote or abstain in each vote of the Board or committee. Silence on a vote is not authorized under the Brown Act.
 - f. One question will be addressed at a time, and one speaker will speak at a time. A motion will be out of order if it does not directly relate to the question under consideration. Once a speaker has been recognized, he or she has the floor and should not be interrupted except in rare circumstances, such as by the Chair to maintain order or decorum.

OCERS Rules of Parliamentary Procedure

- g. Members of the Board or committee shall have the opportunity to fully debate all debatable motions. A debatable motion may not be put to a vote as long as members of the Board or committee wish to continue the debate unless debate is suspended by majority vote of the Board or committee.
- h. Once a motion has been decided at a Board or committee meeting, it is out of order to bring up the same motion or a motion that is essentially the same at the same meeting unless it is brought through a Motion for Reconsideration.
- i. Remarks directed at another Board or committee member personally and not relating to the business of the Board or committee are out of order in a debate. Debate shall be limited to motions and not motives, principles, or personalities. The Chair may request that the speaker cease his or her out of order remarks.
- j. Board and standing committee meetings shall be conducted in accordance with the Brown Act (Gov. Code § 54950, et. seq.).
- k. The Board and its committees shall not conduct any business that has not been properly placed on the agenda and noticed to the public unless authorized by the Brown Act.

Roles and Responsibilities in the Conduct of Meetings

- 3. The Chair of the Board or committee shall be the presiding officer of the meeting. If the Chair of the Board or committee is absent, the Vice Chair shall serve as the presiding officer. In the event that both the Chair and the Vice Chair are absent from the meeting, the Chair shall appoint a presiding officer of the meeting from among the remaining members of the Board or committee who are entitled to vote during the meeting. The general responsibilities of the presiding officer are:
 - a. To ensure that the meeting starts on time and moves through the agenda in an expeditious manner. The presiding officer may take steps to prevent dissenting Board or committee members and members of the public from employing dilatory tactics to delay a meeting.
 - b. To ensure that Board and committee members and members of the public adhere to the published agenda, except as otherwise permitted by law.
 - c. To be familiar with these rules, OCERS' By-Laws, charters, and policies, and the customary practices of the Board and its committees.
 - d. To direct the orderly conduct of the meeting by recognizing speakers and reminding others that interruption of speakers who have the floor is out of order.
 - e. To impartially recognize members of the Board or committee and members of the public to speak during discussion of a motion. It shall be the presiding officer's prerogative to determine the timing of public comment; that is, whether public comment is taken before or during the Board members' discussion on each matter. In any event, the presiding officer should provide opportunity for Board and committee members and members of the public on all sides of a discussion to speak before the Board's action on the motion.

OCERS Rules of Parliamentary Procedure

- f. To restate a motion before a vote is taken and to announce the results of the vote. The presiding officer may require a vote by roll call, show of hands, or any other means in order to clarify the results of the vote and permit the vote to be recorded accurately in the minutes of the meeting.
 - g. To ensure that discussion is relevant and focused on the issue at hand. The presiding officer may request a Board or committee member or member of the public to confine his or her remarks to the motion under consideration.
 - h. To ensure that public comment (1) on any matter within the jurisdiction of the Board or committee is permitted at each meeting of the Board or committee; (2) is limited to three minutes per speaker and to a total of 20 minutes per issue (with the exception of appearances on disability matters; see OCERS By-Laws); and (3) does not interfere with the orderly conduct of the meeting.
 - i. To ensure that public comment is directed to the presiding officer, and not to staff, vendors or consultants.
 - j. To ensure that any requests made of staff, vendors or consultants to report back to the Board or committee, to place a matter of business on a future agenda of the Board or committee, or to otherwise commit staff time and OCERS resources are (1) made at the direction of the presiding officer; (2) with consensus of the Board or committee members; and (3) with due consideration of the burdens such requests will place on staff, consultants and OCERS resources and any other relevant concerns staff or consultants may identify.
 - k. To ensure, before staff, a vendor or a consultant is directed by the presiding officer to respond to questions from, or to report or release additional information requested by, a member of the public during a meeting of the Board or committee, that the information is (1) relevant and appropriate to the subject matter of the meeting; and (2) public in nature.
 - l. To adjourn each meeting of the Board or committee at the conclusion of the business set forth on the agenda by unanimous consent.¹
4. The OCERS CEO or his or her designee shall be the secretary of the Board or committee meeting. The duties of the secretary of the meeting are:
- a. To prepare or cause to be prepared concise minutes of all meetings of the Board and its committees for approval by the Board at a subsequent meeting.
 - b. At a minimum, the secretary shall record the following in the minutes:

¹ The presiding officer may state (for example), "If there is no objection, this meeting will be adjourned;" and after a pause for objection, if there is no objection, "The meeting is adjourned."

OCERS Rules of Parliamentary Procedure

- i. All members of the Board or committee present at the meeting.
 - ii. All adopted and defeated motions.
 - iii. The name of the maker and seconder of each motion and amendment.
 - iv. Names of all persons reporting or presenting to the Board or committee.
 - v. The identity and vote of each Board or committee member voting or abstaining from a vote.
- c. The secretary need not record the following in the minutes:
- i. Detailed discussion or personal opinions of members of the Board or committee or members of the public.
 - ii. Motions that have been withdrawn.
 - iii. Full reports of committees.

Agendizing Matters for Board or Committee Consideration

5. In general, matters for Board or committee discussion may be placed on a meeting agenda by staff in the reasonable discretion of the CEO or by a Board or committee member by request to the Chair of the Board or committee.
 - a. The Board and its committees will make use of consent agendas whenever feasible to group items that do not require discussion or debate into a single voting package in order to expedite approval of routine matters.
 - b. Informational reports that have been requested by the Board or a committee will be agendized and presented as information items and may be accepted without action by the Board or committee.
6. In the event that the Chair of the Board or committee refuses to place an item on the agenda, the Board or committee member making the request may appeal the decision to the full Board or committee at the next duly noticed meeting during the Board or committee member comments section of the meeting. The motion must receive a second to move forward. The Board or committee will then vote on the question of whether to place the requested matter on the agenda of the next available duly noticed Board or committee meeting.
 - a. If the Board or committee votes to place the item on the next available agenda, the matter shall be placed on that agenda and discussed by the Board or committee at the time noticed in the agenda.
 - b. If the Board or committee votes not to place the item on the next available agenda, the matter will be tabled.
 - c. In either case, no action will be taken on the matter after the vote so that any action item can be properly placed on an agenda pursuant to the Brown Act.
7. In the event that a Board or committee member proposes placing a matter on a future agenda during the Board or committee member comments section of the meeting, the presiding

OCERS Rules of Parliamentary Procedure

officer of the Board or committee may rule on the proposal prior to the end of the meeting. If the presiding officer does so rule at that meeting and refuses to place the proposed matter on a future agenda, the Board or committee member making the proposal may immediately exercise his or her appeal rights as described in number 6 above.

Types of Motions and Their Uses

Main Motions

8. The motions are:
 - a. The main motion is the means by which the Board and committee proposes action and does business. It is a proposal that a certain action be taken by the Board or committee whether that action be to express an opinion, adopt a policy, make an expenditure of funds, enter into a contractual obligation, or to take any other action that is within the power of the Board or committee.
 - b. A main motion may be made by any qualified member of the Board or Committee; however, a motion can only be made concerning business that has been placed on the published agenda unless otherwise authorized by law.
 - c. To introduce a main motion, a Board or committee member who has the floor should state, **"I move that..."**
 - d. The presiding officer of the meeting may assist the Board or committee member in clarifying the motion.
 - e. A main motion must be seconded unless the motion comes to the Board from a committee recommendation since any motion coming from a committee already has more than two Board members in favor of considering the motion.
 - f. Debate is held on the main motion when the presiding officer states, **"Is there any discussion."** The presiding officer shall provide all Board or committee members the opportunity to speak during discussion of a main motion.
 - g. A main motion may be amended.
 - h. Passage of a main motion requires simple majority vote.
 - i. The presiding officer may require that lengthy motions be made in writing.
 - j. The maker of the main motion has the right to speak first in support of the motion.
 - k. A member may amend his or her own motion before it is restated by the presiding officer immediately preceding the vote on the motion. To be effective, the amendment must be agreed to by the seconder. Such an amendment by the maker of the motion shall not be considered a Motion to Amend or Substitute Motion.
 - l. A member may withdraw his or her motion up until the time it is stated by the presiding officer immediately preceding the vote.

OCERS Rules of Parliamentary Procedure

Motions that are not in Order

9. The motions are:
 - a. Motions that conflict with the By-Laws of OCERS.
 - b. Motions that repeat an issue that the Board or committee has already dealt with on the day of the meeting unless made through a Motion for Reconsideration.
 - c. Motions that do not comply with the Brown Act, the County Employees Retirement Law of 1937, or other applicable law governing OCERS.
 - d. Motions that appear to the presiding officer to be dilatory, unintelligible, frivolous, or rude.
 - e. The presiding officer shall make rulings on whether a motion is out of order. The member making the motion has the right of appeal as under section 11 b.

Subsidiary Motions

10. The following motions are ranked lowest to highest in precedence:
 - a. Motion to Amend (Substitute Motion):
 - i. Motion to Amend changes the wording of a main motion and may be made at any time after the main motion has been seconded.
 - ii. A motion may be amended by:
 1. Adding words or phrases;
 2. Striking out words or phrases;
 3. Substituting by striking out and inserting new words; or
 4. Substituting an entire motion or paragraph
 - iii. An amendment to a motion must relate to the pending motion. No new business may be introduced under pretext of an amendment.
 - iv. Adoption of an amendment changes the motion. If the motion to amend is successful, the Board or committee must vote to adopt the motion as amended.
 - v. If the amendment is not successful, the original motion is on the floor as originally stated.
 - vi. An amendment may be amended one time so there may be a main motion, a primary amendment, and secondary amendment. A third amendment is not in order.
 - vii. Voting shall be in reverse order of how the motions were offered. Therefore, voting will be on the secondary amendment, if any, first, the primary amendment second, and the main motion third. Voting on the main motion and all amendments must be completed before a new main motion or any amendments may be offered.
 - viii. A Board or committee member must have the floor to offer an amendment.

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- ix. An amendment must be seconded.
 - x. An amendment is debatable if it is made to a debatable motion.
 - xi. The presiding officer shall provide all Board or committee members the opportunity to speak during debate or discussion of a motion to amend.
 - xii. A Motion to Amend requires a majority vote.
- b. Motion to Commit or Refer:
- i. Motion to Commit or Refer sends the question on the floor to a committee or OCERS' staff so it can be more carefully studied and prepared for discussion by the Board.
 - ii. The Motion to Commit or Refer should include specific direction as to which committee or staff shall study the question, whether the committee or staff will have authority to act, and when the committee or staff should report back to the Board.
 - iii. A Motion to Commit or Refer can be applied to any main motion and any amendments pending on the main motion go with the motion to committee.
 - iv. A Motion to Commit or Refer must be seconded.
 - v. A Motion to Commit or Refer may be debated, but debate must be limited to the merits of sending the issue to a committee or staff.
 - vi. A Motion to Commit or Refer can be amended as to the committee or staff assigned to study the issue and instructions to the committee or staff.
 - vii. A Motion to Commit or Refer requires a majority vote.
- c. Motion to Postpone
- i. A Motion to Postpone delays action on a question until later in the same meeting or until a subsequent meeting.
 - ii. A Motion to Postpone may be applied to any main motion.
 - iii. A Motion to Postpone must be seconded.
 - iv. A Motion to Postpone may not interrupt a speaker who has the floor.
 - v. A Motion to Postpone may be debated; however, debate must be limited to the merits of postponing consideration of the question.
 - vi. A Motion to Postpone may be amended to change the time or length of postponement.
 - vii. The Motion to Postpone requires a majority vote.
 - viii. The postponed motion should be placed on a subsequent meeting agenda as appropriate.
- d. Motion to Limit Debate:
- i. The Board or committee may use a Motion to Limit Debate to exercise control over debate by reducing the number and length of comments allowed or by requiring that debate stop at a time certain.

OCERS Rules of Parliamentary Procedure

- ii. A Motion to Limit Debate may be used with any motion.
 - iv. A Motion to Limit Debate must be seconded.
 - iv. A Motion to Limit Debate is not debatable.
 - v. A Motion to Limit Debate may be amended only as to the length of comments allowed or when the vote will be taken.
 - vi. A Motion to Limit Debate requires a majority vote.
 - vii. When a Motion to Limit Debate that imposes time limits is successful, the presiding officer will appoint a timekeeper and will inform speakers of when their time is up.
- e. Move the Previous Question:
- i. Move the Previous Question is the motion used to end debate on a question in order to bring the Board or committee to an immediate vote.
 - ii. Move the Previous Question requires a second.
 - iii. The Previous Question motion is out of order if the main motion is debatable and has not received any debate.
 - iv. Previous Question may be applied to any question or motion that is before the Board or committee.
 - v. Previous Question may not be used to interrupt a speaker who has the floor.
 - vi. Previous Question may not be debated.
 - vii. Previous Question requires a majority vote.

Incidental Motions or Procedures

11. The motions are:

- a. Point of Order
 - i. A Point of Order is used by a member of the Board or committee when that member feels the presiding officer is failing to operate within the Board or committee rules.
 - ii. Point of Order may be brought during discussion of any motion and may interrupt a speaker who has the floor.
 - iii. A Point of Order is not debatable.
 - iv. The presiding officer rules on the Point of Order motion.
 - v. The Point of Order cannot be amended.
- b. Appeal
 - i. Appeal allows any two members of the Board or committee to challenge what they feel is an incorrect or unfair ruling by the presiding officer.

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- ii. The question of Appeal is stated in the affirmative so that a majority vote sustains the ruling of the presiding officer.
 - iii. Appeal requires a second.
 - iv. If seconded, the Appeal requires the presiding officer to put his or her ruling to a vote of the Board or committee.
 - v. The Appeal is debatable.
 - vi. A majority vote in the negative is required to reverse the ruling of the presiding officer. Therefore, the question to be posed is, for example, "If you believe the presiding officer's ruling is correct, please vote 'yes;' and if you believe the presiding officer's ruling is incorrect, please vote 'no.'"
- c. Point of Information
- i. Point of Information is used by a Board or committee member to obtain additional information regarding the subject being considered.
 - ii. Point of Information does not require a second or a vote.
 - iii. The presiding officer will ask the requesting Board or committee member what the Point is.
 - iv. Additional information will be provided by staff or the speaker.
- d. Parliamentary Inquiry
- i. Parliamentary Inquiry allows the Board or committee members to get parliamentary help.
 - ii. Parliamentary Inquiry does not require a second or a vote.
 - iii. The presiding officer will ask the requesting Board or committee member what the Inquiry is.
 - iv. The presiding officer will rule on the Inquiry after consultation with the secretary, counsel, or others who are familiar with parliamentary procedure.

Restorative Motions

12. The motions are:

- a. Motion to Rescind
 - i. This motion is used to quash or nullify a previously adopted motion. It may be used to strike out an entire motion.
 - ii. A Motion to Rescind is not in order when any action has already been taken as a result of a previous vote (i.e. a contract has been executed with a vendor as a result of the previous vote).

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- iii. A Motion to Rescind must be placed on the meeting agenda in order for the Board or committee to take action on it.
- iv. It must be seconded.
- v. It requires a majority vote.
- b. Motion to Reconsider
 - i. A Motion to Reconsider allows the Board or committee to reconsider the vote on a previous motion voted on at that meeting.
 - ii. A Motion to Reconsider can only be made by a member of the Board or committee who voted on the prevailing side of the previous vote.
 - iii. It must be seconded, but the seconder does not have to have been on the prevailing side of the previous vote.
 - iv. It may be debated and it opens up the motion to which it applies to debate.
 - v. It requires a majority vote.
 - vi. A Motion to Reconsider may be made and seconded while other business is pending, but debate and vote will not occur until the business on the floor has been completed.
 - vii. All actions that came out of the original motion must be stayed immediately at the time the Motion to Reconsider is made and seconded.

Voting Methods and Procedures

- 13. All votes shall comply with the Brown Act (Gov. Code § 54953).
- 14. The electronic voting system shall be the preferred means of voting for the Board because it allows for accurate recording of each vote.
- 15. The Board and committees may use voice votes for the convenience of the Board or committee in order to promote efficiency. When using voice votes, any member of the Board or committee may request a roll-call vote or show-of-hands vote in order to accurately record each Board or committee member's vote.
- 16. All votes shall be recorded in the meeting minutes.

Scope of Rules and Disputes

- 17. These rules should be used by the presiding officer, staff, and members of the Board or committee as guidelines for the conduct of meetings unless it is prudent to utilize a different procedure under the circumstances.
- 18. The presiding officer of the Board or committee meeting is responsible for the orderly conduct of the meeting. The presiding officer may call upon other Board or committee members, the secretary of the Board or committee, or counsel for assistance in resolving disputes.

OCERS Rules of Parliamentary Procedure

19. Rulings by the presiding officer should be respected by all Board and committee members, but such rulings may be challenged in accordance with these rules.

Rules Review

20. The Board of Retirement shall review these rules at least every three (3) years to ensure that they remain relevant and appropriate.

Policy History

21. The Orange County Employees Retirement System Rules of Parliamentary Procedure were originally approved and adopted by the Board of Retirement on February 16, 2015, and were revised on December 19, 2016.

Secretary's Certificate

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



10/16/17

Steve Delaney
Secretary of the Board

Date

OCERS Rules of Parliamentary Procedure

Purpose and Background

1. The Orange County Employees Retirement System Board of Retirement is committed to the principals of open and efficient government. The Board conducts regular meetings of the full board and various committees. The Board wishes to establish rules for conduct of those meetings that are consistent with the Ralph M. Brown Act ("Brown Act") in order to insure orderly meetings and to protect the rights of the Board, its individual members, OCERS members and plan sponsors, and members of the public.

Basic Rules

2. All meetings of the Board and its committees shall adhere to the following basic rules of conduct:
 - a. The collective fiduciary interests of the Board and its committees supersede the rights of individual members of the Board. All members of the Board must adhere to the rules established by the Board. If there is a conflict between the rights of a member and the interests of the Board to conduct its business, the interests of the Board prevail.
 - b. All members of the Board are equal. All members of the Board have the following rights:
 - i. To hold office.
 - ii. To attend meetings.
 - iii. To make motions and speak in Board or committee deliberations.
 - iv. To nominate.
 - v. To vote.
 - c. A quorum must be present to conduct business. The By-Laws specify that a quorum for conduct of a meeting of the full Board shall be five members present; a quorum for a meeting of the Investment Committee shall be five members present; and a quorum for a meeting of a standing committee of the Board, other than the Investment Committee, shall be two members present.
 - d. The majority rules. The minority has the right to be heard on issues up for deliberation before the Board or a committee. Once a decision has been made by the majority of Board members present and voting, the minority must respect and abide by the decision.
 - e. The Brown Act requires OCERS to publicly report the vote or abstention of each Board or committee member present. (Gov. Code § 54953 (c)) Therefore, each Board or committee member present shall vote or abstain in each vote of the Board or committee. Silence on a vote is not authorized under the Brown Act.
 - f. One question will be addressed at a time, and one speaker will speak at a time. A motion will be out of order if it does not directly relate to the question under consideration. Once a speaker has been recognized, he or she has the floor and should not be interrupted except in rare circumstances, such as by the Chair to maintain order or decorum.

OCERS Rules of Parliamentary Procedure

- g. Members of the Board or committee shall have the opportunity to fully debate all debatable motions. A debatable motion may not be put to a vote as long as members of the Board or committee wish to continue the debate unless debate is suspended by majority vote of the Board or committee.
- h. Once a motion has been decided at a Board or committee meeting, it is out of order to bring up the same motion or a motion that is essentially the same at the same meeting unless it is brought through a Motion for Reconsideration.
- i. Remarks directed at another Board or committee member personally and not relating to the business of the Board or committee are out of order in a debate. Debate shall be limited to motions and not motives, principles, or personalities. The Chair may request that the speaker cease his or her out of order remarks.
- j. Board and standing committee meetings shall be conducted in accordance with the Brown Act (Gov. Code § 54950, et. seq.).
- k. The Board and its committees shall not conduct any business that has not been properly placed on the agenda and noticed to the public unless authorized by the Brown Act.

Roles and Responsibilities in the Conduct of Meetings

- 3. The Chair of the Board or committee shall be the presiding officer of the meeting. If the Chair of the Board or committee is absent, the Vice Chair shall serve as the presiding officer. In the event that both the Chair and the Vice Chair are absent from the meeting, the Chair shall appoint a presiding officer of the meeting from among the remaining members of the Board or committee who are entitled to vote during the meeting. The general responsibilities of the presiding officer are:
 - a. To ensure that the meeting starts on time and moves through the agenda in an expeditious manner. The presiding officer may take steps to prevent dissenting Board or committee members and members of the public from employing dilatory tactics to delay a meeting.
 - b. To ensure that Board and committee members and members of the public adhere to the published agenda, except as otherwise permitted by law.
 - c. To be familiar with these rules, OCERS' By-Laws, charters, and policies, and the customary practices of the Board and its committees.
 - d. To direct the orderly conduct of the meeting by recognizing speakers and reminding others that interruption of speakers who have the floor is out of order.
 - e. To impartially recognize members of the Board or committee and members of the public to speak during discussion of a motion. It shall be the presiding officer's prerogative to determine the timing of public comment; that is, whether public comment is taken before or during the Board members' discussion on each matter. In any event, tThe presiding officer should provide opportunity for Board and committee members and members of the public on all sides of a discussion to speak before the Board's action on the motion.

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- f. To restate a motion before a vote is taken and to announce the results of the vote. The presiding officer may require a vote by roll call, show of hands, or any other means in order to clarify the results of the vote and permit the vote to be recorded accurately in the minutes of the meeting.
 - g. To ensure that discussion is relevant and focused on the issue at hand. The presiding officer may request a Board or committee member or member of the public to confine his or her remarks to the motion under consideration.
 - h. To ensure that public comment (1) ~~is limited to matters on any matter~~ within the jurisdiction of the Board or committee is permitted at each meeting of the Board or committee; (2) is limited to three minutes per speaker and to a total of 20 minutes per issue (with the exception of appearances on disability matters; see OCERS By-Laws); and (3) does not interfere with the orderly conduct of the meeting.
 - i. To ensure that public comment is directed to the presiding officer, and not to staff, vendors or consultants.
 - j. To ensure that any requests made of staff, vendors or consultants to report back to the Board or committee, to place a matter of business on a future agenda of the Board or committee, or to otherwise commit staff time and OCERS resources are (1) made at the direction of the presiding officer; (2) with consensus of the Board or committee members; and (3) with due consideration of the burdens such requests will place on staff, consultants and OCERS resources and any other relevant concerns staff or consultants may identify.
 - k. To ensure, before staff, a vendor or a consultant is directed by the presiding officer to respond to questions from, or to report or release additional information requested by, a member of the public during a meeting of the Board or committee, that the information is (1) relevant and appropriate to the subject matter of the meeting; and (2) public in nature.
 - ~~k.~~ l. To adjourn each meeting of the Board or committee at the conclusion of the business set forth on the agenda by unanimous consent.¹
4. The OCERS CEO or his or her designee shall be the secretary of the Board or committee meeting. The duties of the secretary of the meeting are:
- a. To prepare or cause to be prepared concise minutes of all meetings of the Board and its committees for approval by the Board at a subsequent meeting.
 - b. At a minimum, the secretary shall record the following in the minutes:

¹ The presiding officer may state (for example), "If there is no objection, this meeting will be adjourned;" and after a pause for objection, if there is no objection, "The meeting is adjourned."

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- i. All members of the Board or committee present at the meeting.
 - ii. All adopted and defeated motions.
 - iii. The name of the maker and seconder of each motion and amendment.
 - iv. Names of all persons reporting or presenting to the Board or committee.
 - v. The identity and vote of each Board or committee member voting or abstaining from a vote.
- c. The secretary need not record the following in the minutes:
- i. Detailed discussion or personal opinions of members of the Board or committee or members of the public.
 - ii. Motions that have been withdrawn.
 - iii. Full reports of committees.

Agendizing Matters for Board or Committee Consideration

5. In general, matters for Board or committee discussion may be placed on a meeting agenda by staff in the reasonable discretion of the CEO or by a Board or committee member by request to the Chair of the Board or committee.

a. The Board and its committees will make use of consent agendas whenever feasible to group items that do not require discussion or debate into a single voting package in order to expedite approval of routine matters.

a.b. Informational reports that have been requested by the Board or a committee will be agendized and presented as information items and may be accepted without action by the Board or committee.

~~5-6.~~ In the event that the Chair of the Board or committee refuses to place an item on the agenda, the Board or committee member making the request may appeal the decision to the full Board or committee at the next duly noticed meeting during the Board or committee member comments section of the meeting. The motion must receive a second to move forward. The Board or committee will then vote on the question of whether to place the requested matter on the agenda of the next available duly noticed Board or committee meeting.

- a. If the Board or committee votes to place the item on the next available agenda, the matter shall be placed on that agenda and discussed by the Board or committee at the time noticed in the agenda.
- b. If the Board or committee votes not to place the item on the next available agenda, the matter will be tabled.
- c. In either case, no action will be taken on the matter after the vote so that any action item can be properly placed on an agenda pursuant to the Brown Act.

~~6-7.~~ In the event that a Board or committee member proposes placing a matter on a future agenda during the Board or committee member comments section of the meeting, the presiding

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officer of the Board or committee may rule on the proposal prior to the end of the meeting. If the presiding officer does so rule at that meeting and refuses to place the proposed matter on a future agenda, the Board or committee member making the proposal may immediately exercise his or her appeal rights as described in number 6 above.

Types of Motions and Their Uses

Main Motions

~~7-8.~~ The motions are:

- a. The main motion is the means by which the Board and committee proposes action and does business. It is a proposal that a certain action be taken by the Board or committee whether that action be to express an opinion, adopt a policy, make an expenditure of funds, enter into a contractual obligation, or to take any other action that is within the power of the Board or committee.
- b. A main motion may be made by any qualified member of the Board or Committee; however, a motion can only be made concerning business that has been placed on the published agenda unless otherwise authorized by law.
- c. To introduce a main motion, a Board or committee member who has the floor should state, “**I move that...**”
- d. The presiding officer of the meeting may assist the Board or committee member in clarifying the motion.
- e. A main motion must be seconded unless the motion comes to the Board from a committee recommendation since any motion coming from a committee already has more than two Board members in favor of considering the motion.
- f. Debate is held on the main motion when the presiding officer states, “**Is there any discussion.**” The presiding officer shall provide all Board or committee members the opportunity to speak during discussion of a main motion.
- g. A main motion may be amended.
- h. Passage of a main motion requires simple majority vote.
- i. The presiding officer may require that lengthy motions be made in writing.
- j. The maker of the main motion has the right to speak first in support of the motion.
- k. A member may amend his or her own motion before it is restated by the presiding officer immediately preceding the vote on the motion. To be effective, the amendment must be agreed to by the seconder. Such an amendment by the maker of the motion shall not be considered a Motion to Amend or Substitute Motion.
- l. A member may withdraw his or her motion up until the time it is stated by the presiding officer immediately preceding the vote.

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Motions that are not in Order

8.9. The motions are:

- a. Motions that conflict with the By-Laws of OCERS.
- b. Motions that repeat an issue that the Board or committee has already dealt with on the day of the meeting unless made through a Motion for Reconsideration.
- c. Motions that do not comply with the Brown Act, the County Employees Retirement Law of 1937, or other applicable law governing OCERS.
- d. Motions that appear to the presiding officer to be dilatory, unintelligible, frivolous, or rude.
- e. The presiding officer shall make rulings on whether a motion is out of order. The member making the motion has the right of appeal as under section 11 b.

Subsidiary Motions

9.10. The following motions are ranked lowest to highest in precedence:

- a. Motion to Amend (Substitute Motion):
 - i. Motion to Amend changes the wording of a main motion and may be made at any time after the main motion has been seconded.
 - ii. A motion may be amended by:
 1. Adding words or phrases;
 2. Striking out words or phrases;
 3. Substituting by striking out and inserting new words; or
 4. Substituting an entire motion or paragraph
 - iii. An amendment to a motion must relate to the pending motion. No new business may be introduced under pretext of an amendment.
 - iv. Adoption of an amendment changes the motion. If the motion to amend is successful, the Board or committee must vote to adopt the motion as amended.
 - v. If the amendment is not successful, the original motion is on the floor as originally stated.
 - vi. An amendment may be amended one time so there may be a main motion, a primary amendment, and secondary amendment. A third amendment is not in order.
 - vii. Voting shall be in reverse order of how the motions were offered. Therefore, voting will be on the secondary amendment, if any, first, the primary amendment second, and the main motion third. Voting on the main motion and all amendments must be completed before a new main motion or any amendments may be offered.
 - viii. A Board or committee member must have the floor to offer an amendment.

OCERS Rules of Parliamentary Procedure

- ix. An amendment must be seconded.
 - x. An amendment is debatable if it is made to a debatable motion.
 - xi. The presiding officer shall provide all Board or committee members the opportunity to speak during debate or discussion of a motion to amend.
 - xii. A Motion to Amend requires a majority vote.
- b. Motion to Commit or Refer:
- i. Motion to Commit or Refer sends the question on the floor to a committee or OCERS' staff so it can be more carefully studied and prepared for discussion by the Board.
 - ii. The Motion to Commit or Refer should include specific direction as to which committee or staff shall study the question, whether the committee or staff will have authority to act, and when the committee or staff should report back to the Board.
 - iii. A Motion to Commit or Refer can be applied to any main motion and any amendments pending on the main motion go with the motion to committee.
 - iv. A Motion to Commit or Refer must be seconded.
 - v. A Motion to Commit or Refer may be debated, but debate must be limited to the merits of sending the issue to a committee or staff.
 - vi. A Motion to Commit or Refer can be amended as to the committee or staff assigned to study the issue and instructions to the committee or staff.
 - vii. A Motion to Commit or Refer requires a majority vote.
- c. Motion to Postpone
- i. A Motion to Postpone delays action on a question until later in the same meeting or until a subsequent meeting.
 - ii. A Motion to Postpone may be applied to any main motion.
 - iii. A Motion to Postpone must be seconded.
 - iv. A Motion to Postpone may not interrupt a speaker who has the floor.
 - v. A Motion to Postpone may be debated; however, debate must be limited to the merits of postponing consideration of the question.
 - vi. A Motion to Postpone may be amended to change the time or length of postponement.
 - vii. The Motion to Postpone requires a majority vote.
 - viii. The postponed motion should be placed on a subsequent meeting agenda as appropriate.
- d. Motion to Limit Debate:
- i. The Board or committee may use a Motion to Limit Debate to exercise control over debate by reducing the number and length of comments allowed or by requiring that debate stop at a time certain.

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- ii. A Motion to Limit Debate may be used with any motion.
 - iv. A Motion to Limit Debate must be seconded.
 - iv. A Motion to Limit Debate is not debatable.
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- e. Move the Previous Question:
- i. Move the Previous Question is the motion used to end debate on a question in order to bring the Board or committee to an immediate vote.
 - ii. Move the Previous Question requires a second.
 - iii. The Previous Question motion is out of order if the main motion is debatable and has not received any debate.
 - iv. Previous Question may be applied to any question or motion that is before the Board or committee.
 - v. Previous Question may not be used to interrupt a speaker who has the floor.
 - vi. Previous Question may not be debated.
 - vii. Previous Question requires a majority vote.

Incidental Motions or Procedures

~~10.11.~~ The motions are:

- a. Point of Order
 - i. A Point of Order is used by a member of the Board or committee when that member feels the presiding officer is failing to operate within the Board or committee rules.
 - ii. Point of Order may be brought during discussion of any motion and may interrupt a speaker who has the floor.
 - iii. A Point of Order is not debatable.
 - iv. The presiding officer rules on the Point of Order motion.
 - v. The Point of Order cannot be amended.
- b. Appeal
 - i. Appeal allows any two members of the Board or committee to challenge what they feel is an incorrect or unfair ruling by the presiding officer.

OCERS Rules of Parliamentary Procedure

- ii. The question of Appeal is stated in the affirmative so that a majority vote sustains the ruling of the presiding officer.
 - iii. Appeal requires a second.
 - iv. If seconded, the Appeal requires the presiding officer to put his or her ruling to a vote of the Board or committee.
 - v. The Appeal is debatable.
 - vi. A majority vote in the negative is required to reverse the ruling of the presiding officer. Therefore, the question to be posed is, for example, "If you believe the presiding officer's ruling is correct, please vote 'yes;' and if you believe the presiding officer's ruling is incorrect, please vote 'no.'"
- c. Point of Information
- i. Point of Information is used by a Board or committee member to obtain additional information regarding the subject being considered.
 - ii. Point of Information does not require a second or a vote.
 - iii. The presiding officer will ask the requesting Board or committee member what the Point is.
 - iv. Additional information will be provided by staff or the speaker.
- d. Parliamentary Inquiry
- i. Parliamentary Inquiry allows the Board or committee members to get parliamentary help.
 - ii. Parliamentary Inquiry does not require a second or a vote.
 - iii. The presiding officer will ask the requesting Board or committee member what the Inquiry is.
 - iv. The presiding officer will rule on the Inquiry after consultation with the secretary, counsel, or others who are familiar with parliamentary procedure.

Restorative Motions

~~11-12.~~ The motions are:

- a. Motion to Rescind
 - i. This motion is used to quash or nullify a previously adopted motion. It may be used to strike out an entire motion.
 - ii. A Motion to Rescind is not in order when any action has already been taken as a result of a previous vote (i.e. a contract has been executed with a vendor as a result of the previous vote).

OCERS Rules of Parliamentary Procedure

- iii. A Motion to Rescind must be placed on the meeting agenda in order for the Board or committee to take action on it.
- iv. It must be seconded.
- v. It requires a majority vote.
- b. Motion to Reconsider
 - i. A Motion to Reconsider allows the Board or committee to reconsider the vote on a previous motion voted on at that meeting.
 - ii. A Motion to Reconsider can only be made by a member of the Board or committee who voted on the prevailing side of the previous vote.
 - iii. It must be seconded, but the seconder does not have to have been on the prevailing side of the previous vote.
 - iv. It may be debated and it opens up the motion to which it applies to debate.
 - v. It requires a majority vote.
 - vi. A Motion to Reconsider may be made and seconded while other business is pending, but debate and vote will not occur until the business on the floor has been completed.
 - vii. All actions that came out of the original motion must be stayed immediately at the time the Motion to Reconsider is made and seconded.

Voting Methods and Procedures

- ~~12-13.~~ All votes shall comply with the Brown Act (Gov. Code § 54953).
- ~~13-14.~~ The electronic voting system shall be the preferred means of voting for the Board because it allows for accurate recording of each vote.
- ~~14-15.~~ The Board and committees may use voice votes for the convenience of the Board or committee in order to promote efficiency. When using voice votes, any member of the Board or committee may request a roll-call vote or show-of-hands vote in order to accurately record each Board or committee member's vote.
- ~~15-16.~~ All votes shall be recorded in the meeting minutes.

Scope of Rules and Disputes

- ~~16-17.~~ These rules should be used by the presiding officer, staff, and members of the Board or committee as guidelines for the conduct of meetings unless it is prudent to utilize a different procedure under the circumstances.
- ~~17-18.~~ The presiding officer of the Board or committee meeting is responsible for the orderly conduct of the meeting. The presiding officer may call upon other Board or committee members, the secretary of the Board or committee, or counsel for assistance in resolving disputes.

OCERS Rules of Parliamentary Procedure

~~18-19.~~ Rulings by the presiding officer should be respected by all Board and committee members, but such rulings may be challenged in accordance with these rules.

Rules Review

~~19-20.~~ The Board of Retirement shall review these rules at least every three (3) years to ensure that they remain relevant and appropriate.

Policy History

~~20-21.~~ The Orange County Employees Retirement System Rules of Parliamentary Procedure were originally approved and adopted by the Board of Retirement on February 16, 2015, and were revised on December 19, 2016.

Secretary's Certificate

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



~~12/19/16~~10/16/17

Steve Delaney
Secretary of the Board

Date

C-8

Memorandum

DATE: September 25, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: QUIET PERIOD – NON-INVESTMENT CONTRACTS

Recommendation

Receive and file.

Background/Discussion – Options

1. Quiet Period Policy Guidelines – Named Service Providers

The following guidelines established by the Quiet Period Policy, section 3.c, will govern a search process for Named Service Providers:

“All Board and Investment Committee Members, and staff not directly involved in the search process, shall refrain from communicating with Service Provider candidates regarding any product or service related to the search offered by the candidate throughout the quiet period,...”

2. Quiet Period Guidelines – Non-Named Service Providers

There are no policy guidelines regarding a quiet period for non-Named Service Providers. However, the following language is included in all distributed RFP's:

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

Distributed RFP's

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

- Distributed an RFP for obituary and demographic verification services in July. Proposals being evaluated.
- Sent out an RFP in July for property management services for the building located at 2223 E. Wellington Avenue, Santa Ana, CA 92701. Proposals being evaluated.



Memorandum

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

C-9

Memorandum

DATE: October 16, 2017
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, General Counsel
SUBJECT: LEGISLATIVE UPDATE

Recommendation

Receive and file.

Background/Discussion

The California Legislature convened on January 4, 2017 to commence the first year of the 2017-2018 legislative session. The last day for bills to pass out of their house of origin was June 2, 2017, and the last day for policy committees to meet and report bills was July 21, 2017. October 15, 2017 is the last day for the Governor to sign or veto bills passed by the Legislature on or before September 15, 2017.

A comprehensive list and description of the bills that staff is monitoring is attached. Below is a brief summary of the bills that may be of greater interest to the Board. **Updates and new additions to the previous report are indicated in underlined text. Information included herein is current as of October 2, 2017.**

SACRS Support Bills

SACRS is supporting three bills:

- **AB 995 (Limón)** Existing law, the County Employees Retirement Law of 1937, authorizes counties to establish retirement systems, as specified, in order to provide pension benefits to county, city, and district employees. Existing law defines a district for these purposes and includes the retirement system established in Ventura County within the definition. The law authorizes the board of retirement in Ventura County to appoint specified personnel who, subsequent to their appointments, become employees of the retirement system subject to the terms of employment determined by the board of retirement. This bill would require any leave balance accrued by a county employee prior to his or her appointment as a Ventura County retirement system employee, as described above, to be transferred from the county to the retirement system and would require the county to pay to the retirement system an amount equal to the value of the accrued leave, as specified. **(STATUS: Signed by Governor.)**
- **SB 671 (Moorlach)** The CERL requires a county auditor to certify to the retirement board, at the end of each month or pay period, the compensation earnable paid to members of the retirement association and to transfer the applicable percentage of the county's annual contribution to the retirement fund, as specified. The CERL also authorizes the board of supervisors to authorize the county auditor to make an

advance payment of all or part of the county's estimated annual contribution if the payment is made *within 30 days after the county's fiscal year begins*. Finally, the CERL authorizes a district that is a member of the retirement system in the County of San Bernardino to make advance payments, as described above. This bill would (1) specify that the authority to make advance payments does not prevent the board of supervisors or governing body of a district from making advance payments for the estimated annual county or district contributions for an additional year or partial year if certain requirements are satisfied; (2) make the provisions of the statute applicable to districts that are members of county retirement systems outside of San Bernardino County; and (3) make a variety of technical and conforming changes, including changing the deadline for the advance payment from the current language of "*within 30 days after the county's fiscal year begins*" to "*no later than 30 days after the commencement of the county fiscal year for which the advance payment is made.*" **(STATUS: Signed by Governor.)**

- **AB 526 (Cooper)** would make the Sacramento County Employees Retirement System a district under the CERL. **(STATUS: Held over to January 2018.)**

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

- **AB 283 (Cooper)** would amend the CERL to require, for purposes of determining permanent incapacity of certain peace officers, that those members be evaluated by the existing procedure established by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer. **(STATUS: Held over to January 2018.)**
- **SB 112 (Budget Trailer Bill)** The California Public Employees' Pension Reform Act of 2013 (PEPRA) establishes various limits on retirement benefits generally applicable to specified public employee retirement systems in the state and, among other things, prescribes limits on service after retirement without reinstatement. Under the law applicable to CalPERS, a retired person is permitted to serve as an elective officer without reinstatement from retirement, provided that any portion of his or her retirement allowance based on service in that elective office is suspended during incumbency, which provisions prevail over those of PEPRA. This bill would amend the CERL to similarly permit a person retired from a CERL system to serve as an elective officer without reinstatement from retirement or loss or interruption of benefits, provided that his or her retirement allowance is suspended to the extent that it is based on service in that elective office. **(STATUS: Signed by Governor.)**

Other Bills of Interest

- **AB 530 (Cooper)** would expand the jurisdiction of the Public Employment Relations Board to include resolving disputes and statutory duties and rights of persons who are peace officers, as defined. **(STATUS: On Governor's desk to be signed (as of October 2, 2017).)**
- **AB 551 (Levine)** would extend the prohibition of the Political Reform Act, which prevents elected and other local officials, for a period of one year after they leave their positions, from appearing before their

former local government agencies for the purpose of influencing administrative or legislative action, to independent contractors of the local government agency. **(STATUS: Signed by Governor.)**

- **AB 1479 (Bonta)** would require state and local agencies to designate a person or office to act as the agency's custodian of records who is responsible for responding to any request made pursuant to the California Public Records Act (CPRA) and any inquiry from the public about a decision by the agency to deny a request for records. It would also authorize a court to assess a civil penalty against the agency in an amount not less than \$1,000, nor more than \$5,000, for violations of the CPRA. **(STATUS: On Governor's desk to be signed (as of October 2, 2017).)**
- **SB 302 (Mendoza)** Existing law requires property tax revenues of the County of Orange that are allocated by that county to a joint powers authority formed for the purpose of providing fire protection to be used by that authority for fire protection purposes, as defined. Existing law authorizes a local agency to transfer any portion of its property tax revenues that is allocable to one or more tax rate areas within the local agency to one or more other local agencies that have the same tax rate areas, as specified, subject to specified conditions, including that the transfer will not impair the ability of the transferring agency to provide existing services. This bill would additionally require, with regard to transfers of structural fire fund property tax revenues allocated by the County of Orange to a joint powers agency and required by existing law to be used to provide fire protection, that the transfer be approved by the county, a majority of member cities, and the agency currently receiving the funds. **(STATUS: On Governor's desk to be signed (as of October 2, 2017).)**

Bills that apply to CalPERS and/or CalSTRS Only:

- **AB 679 (Cooley)** would require CalPERS to take a security interest in specific types of collateral of at least 102% or an amount consistent with market practice, whichever is greater, to secure CalPERS' securities lending agreements. The bill would also prohibit the total market value of loan securities collateralized by marketable public equities and marketable international government bonds from exceeding 25% of the assets of the retirement fund. **(STATUS: Signed by Governor.)**
- **SB 525 (Pan)** would redefine the terms "disability" and "incapacity for performance of duty" as used in the Public Employees Retirement Law to specify that the duration of the disability or incapacity must be expected to last at least 12 consecutive months or result in death. **(STATUS: Signed by Governor.)**

Divestment Proposals (CalPERS and CalSTRS Only)

- **AB 20 (Kalra)** This bill would require the boards of administration of the Public Employees' Retirement System and the State Teachers' Retirement System to make a specified report, on or before April 1, 2018, to the Legislature and the Governor regarding investments in the Dakota Access Pipeline, as defined. The bill would declare the intent of the Legislature that the boards, on or before April 1, 2018, review and consider factors related to tribal sovereignty and indigenous tribal rights as part of the boards' investment policies related to environmental, social, and governance issues. The bill would provide that it does not require a board to take any action unless the board determines in good faith

that the action is consistent with the board's fiduciary responsibilities established in the constitution.
(STATUS: On Governor's desk to be signed (as of October 2, 2017).)

- **AB 1597 (Nazarian)** would prohibit new investments and require liquidation of existing investments of CalPERS and CalSTRS in investment vehicles issued, owned, controlled or managed by the government of Turkey. **(STATUS: Held over to January 2018.)**

Attachment

Submitted by:



Gina M. Ratto
General Counsel



**2017-2018 LEGISLATIVE SESSION BILLS OF INTEREST
LEGISLATIVE UPDATE**

BILLS SIGNED INTO LAW OR ON GOVERNOR'S DESK FOR SIGNATURE AS OF OCTOBER 2, 2017

(Governor has until October 15, 2017 to sign or veto)

AB 20 (Kalra): This bill would require the boards of administration of the Public Employees' Retirement System and the State Teachers' Retirement System to make a specified report, on or before April 1, 2018, to the Legislature and the Governor regarding investments in the Dakota Access Pipeline, as defined. The bill would declare the intent of the Legislature that the boards, on or before April 1, 2018, review and consider factors related to tribal sovereignty and indigenous tribal rights as part of the boards' investment policies related to environmental, social, and governance issues. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the constitution. **(STATUS: On Governor's desk to be signed.)**

AB 168 (Eggman): Existing law imposes various restrictions on employers with respect to applicants for employment. A violation of those restrictions is a misdemeanor. This bill would prohibit an employer from seeking salary history information about an applicant for employment and would require an employer, upon reasonable request, to provide the pay scale for a position to an applicant for employment. The bill would apply to all employers, including state and local government employers and the Legislature. The bill would specify that a violation of its provisions would not be subject to the misdemeanor provision. **(STATUS: On Governor's desk to be signed.)**

AB 512 (Rodriguez): *This bill applies only to CalPERS.* Existing law, until January 1, 2018, provides a state safety member of CalPERS who retires for industrial disability a retirement benefit equal to the greatest amount resulting from three possible calculations. In this regard, the benefit amount is based on an actuarially reduced service retirement, a service retirement allowance, if the member is qualified, or 50% of his or her final compensation, plus an annuity purchased with his or her accumulated contributions, if any. This bill would delete the repeal of these provisions and make them indefinite. **(STATUS: On Governor's desk to be signed.)**

AB 530 (Cooper): Current law requires the Public Employment Relations Board (PERB) to enforce and apply rules adopted by a public agency concerning unit determinations, representation, recognition, and elections. It also requires specified complaints to be processed as an unfair practice charge by the PERB. Current law does not apply these provisions to persons who are peace officers, as defined. AB 530 would expand the jurisdiction of the PERB to include resolving disputes and statutory duties and rights of persons who are peace officers, as defined. **(STATUS: On Governor's desk to be signed.)**

AB 551 (Levine). The Political Reform Act of 1974 prohibits, for a period of one year after an official leaves his or her position, elected and other local officials who held positions with a local government agency from acting as

agents or attorneys for, or otherwise representing, for compensation, any other person, by appearing before, or communicating with, that local government agency, or any committee, subcommittee, or present member of that local government agency, or any officer or employee of the local government agency, if the appearance or communication is made for the purpose of influencing administrative or legislative action or influencing any action or proceeding involving the issuance, amendment, awarding, or revocation of a permit, license, grant, or contract, or the sale or purchase of goods or property. This bill would specify that the one-year prohibition also applies to independent contractors of a local government agency or a public agency who are appearing or communicating on behalf of that agency. **(STATUS: Signed by Governor.)**

AB 679 (Cooley) would require CalPERS to take a security interest in specific types of collateral of at least 102% or an amount consistent with market practice, whichever is greater, to secure CalPERS' securities lending agreements. The bill would also prohibit the total market value of loan securities collateralized by marketable public equities and marketable international government bonds from exceeding 25% of the assets of the retirement fund. **(STATUS: Signed by Governor.)**

AB 995 (Limón) existing law, the County Employees Retirement Law of 1937, authorizes counties to establish retirement systems, as specified, in order to provide pension benefits to county, city, and district employees. Existing law defines a district for these purposes and includes the retirement system established in Ventura County within the definition. The law authorizes the board of retirement in Ventura County to appoint specified personnel who, subsequent to their appointments, become employees of the retirement system subject to the terms of employment determined by the board of retirement. This bill would require any leave balance accrued by a county employee prior to his or her appointment as a Ventura County retirement system employee, as described above, to be transferred from the county to the retirement system and would require the county to pay to the retirement system an amount equal to the value of the accrued leave, as specified. **(STATUS: Signed by Governor.)**

AB 1479 (Bonta). This bill would require state and local agencies to designate a person or office to act as the agency's custodian of records who is responsible for responding to any request made pursuant to the California Public Records Act and any inquiry from the public about a decision by the agency to deny a request for records. The bill would also authorize a court that finds that an agency or the custodian improperly withheld from the public, public records which were clearly subject to public disclosure, unreasonably delayed providing the contents of a record subject to disclosure in whole or in part, assessed an unreasonable or unauthorized fee upon a requester, or otherwise did not act in good faith to comply with these provisions, to assess a civil penalty against the agency in an amount not less than \$1,000, nor more than \$5,000. **(STATUS: On Governor's desk to be signed.)**

SB 112 (Budget Trailer Bill) The California Public Employees' Pension Reform Act of 2013 (PEPRA) establishes various limits on retirement benefits generally applicable to specified public employee retirement systems in the state and, among other things, prescribes limits on service after retirement without reinstatement. Under the law applicable to CalPERS, a retired person is permitted to serve as an elective officer without reinstatement from retirement, provided that any portion of his or her retirement allowance based on service in that elective

office is suspended during incumbency, which provisions prevail over those of PEPRA. This bill would amend the CERL to similarly permit a person retired from a CERL system to serve as an elective officer without reinstatement from retirement or loss or interruption of benefits, provided that his or her retirement allowance is suspended to the extent that it is based on service in that elective office. **(STATUS: Signed by Governor.)**

SB 302 (Mendoza): This bill would clarify existing law to specifically require all property tax revenues of Orange County attributable to a rate imposed for fire protection purposes prior to June 6, 1978 (the effective date of Proposition 13) to be allocated by Orange County to the Orange County Fire Authority (as the agency formed for the purpose of providing fire protection in Orange County). These funds are also known as structural fire fund property taxes, and the bill would appear to codify the holding of the court in *Orange County Fire Authority v. County of Orange*, which stated that any use of structural fire funds for any purpose other than fire protection is prohibited. The bill is supported by the Orange County Professional Firefighters Association, Local 3631. **(STATUS: On Governor's desk to be signed.)**

SB 525 (Pan): *This bill applies only to CalPERS.* Under existing law applicable CalPERS (the PERL), a member who is incapacitated is required to be retired for disability in accordance with certain provisions if that member meets specified requirements concerning service. Under the PERL, the terms "disability" and "incapacity for performance of duty" are defined, as a basis of retirement, to mean disability of permanent or extended and uncertain duration, as determined by the board, except with respect to certain local safety members. This bill would redefine those terms to specify that the duration of the disability or incapacity must be expected to last at least 12 consecutive months or result in death. **(STATUS: Signed by Governor.)**

SB 671 (Moorlach) The CERL requires a county auditor to certify to the retirement board, at the end of each month or pay period, the compensation earnable paid to members of the retirement association and to transfer the applicable percentage of the county's annual contribution to the retirement fund, as specified. The CERL also authorizes the board of supervisors to authorize the county auditor to make an advance payment of all or part of the county's estimated annual contribution if the payment is made *within 30 days after the county's fiscal year begins*. Finally, the CERL authorizes a district that is a member of the retirement system in the County of San Bernardino to make advance payments, as described above. This bill would (1) specify that the authority to make advance payments does not prevent the board of supervisors or governing body of a district from making advance payments for the estimated annual county or district contributions for an additional year or partial year if certain requirements are satisfied; (2) make the provisions of the statute applicable to districts that are members of county retirement systems outside of San Bernardino County; and (3) make a variety of technical and conforming changes, including changing the deadline for the advance payment from the current language of "*within 30 days after the county's fiscal year begins*" to "*no later than 30 days after the commencement of the county fiscal year for which the advance payment is made.*" **(STATUS: Signed by Governor.)**

BILLS HELD OVER

Bills that Passed Out of House of Origin and Held Over to January 2018

AB 283 (Cooper): The CERL currently provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's appointment, and that employment contributes substantially to that incapacity or the member has completed five years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. The bill would amend the CERL to require, for purposes of determining permanent incapacity of certain peace officers, that those members be evaluated by the existing procedure established by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer. **(STATUS: Held over to January 2018.)**

AB 526 (Cooper). This bill would make the Sacramento County Employees Retirement System a district under the CERL. **(STATUS: Held over to January 2018.)**

AB 1597 (Nazarian). *This bill applies only to CalPERS and CalSTRS.* This bill would prohibit the boards of administration of CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, in an investment vehicle in Turkey that is issued by the government of Turkey or that is owned, controlled, or managed by the government of Turkey. The bill would also require the boards to liquidate existing investments in Turkey in these types of investment vehicles within six months of the passage of a federal law imposing sanctions on Turkey. **(STATUS: Held over to January 2018)**

SB 24 (Portantino). The Political Reform Act of 1974 requires persons holding specified public offices to file disclosures of economic interests, including investments, real property interests, and income within specified periods of assuming or leaving office and annually while holding office. The act requires the disclosures to include a statement indicating, within a specified value range, the fair market value of investments or interests in real property and the aggregate value of income received from each reportable source. This bill would revise the dollar amounts associated with these ranges to provide for eight total ranges of fair market value of investments and real property interests and ten total ranges of aggregate value of income. **(STATUS: Held over to January 2018.**

Bills that did not Pass Out of House of Origin by Deadline and Which May be Acted Upon in January 2018

ACA 15 (Brough) would prohibit a government employer from enhancing employee pension benefits, as defined, without approval by the voters of the jurisdiction, and would prohibit a government employer from enrolling a new government employee, as defined, in a defined benefit pension plan without approval by the voters of the jurisdiction. The measure also would prohibit a government employer from paying more than 1/2 of the total cost of retirement benefits, as defined, for new government employees without approval by the voters of the jurisdiction. The measure would prohibit retirement boards from imposing charges or other financial conditions on a government employer that proposes to close a defined benefit pension plan to new members unless the voters or the sponsoring government employer approve those charges or conditions. The

measure would require challenges to the legality of actions taken by a government employer or a retirement board to comply with its provisions to be brought in state or federal courts. The measure would prohibit its provisions from being interpreted to modify or limit disability benefits provided for government employees or death benefits for families of government employees, even if provided as part of a retirement benefits system, or from requiring voter approval of disability or death benefits. The measure would prescribe various requirements and prohibitions regarding its interpretation and the effect of any other competing measures, among other things. **(STATUS: Did not pass out of Assembly.)**

AB 241 (Dababneh): Existing law requires a person or business conducting business in California and any state or local agency, as defined, that owns or licenses computerized data that includes personal information, as defined, to disclose a breach in the security of the data to a resident of California whose unencrypted personal information was, or is reasonably believed to have been, acquired by an unauthorized person in the most expedient time possible and without unreasonable delay, as specified. Existing law requires a person or business, if it was the source of the breach, to offer to provide appropriate identity theft prevention and mitigation services at no cost to the person whose information was or may have been breached if the breach exposed or may have exposed the person's social security number, driver's license number, or California identification card number. This bill would require a state or local agency, if it was the source of the breach, to also offer to provide appropriate identity theft prevention and mitigation services at no cost to a person whose information was or may have been breached if the breach exposed or may have exposed the person's social security number, driver's license number, or California identification card number. **(STATUS: Did not pass out of Assembly.)**

AB 946 (Ting). *This bill applies only to CalPERS and CalSTRS.* This bill would prohibit the boards of administration of CalPERS and CalSTRS from making new investments or renewing existing investments in a border wall construction company, defined as any company that contracts or subcontracts to build, maintain, or provide material for President Trump's Border Wall. The bill would require the boards to liquidate investments in a border wall construction company within 12 months of the company contracting or subcontracting to provide work or material for a border wall, as defined. **(STATUS: Did not pass out of Assembly.)**

AB 1025 (Rubio). This bill would repeal Government Code section 1099. Government Code section 1099 prohibits a public officer, including an appointed or elected member of a governmental board, from simultaneously holding two public offices that are incompatible, and prescribes certain circumstances that result in offices being incompatible, unless the simultaneous holding of the particular offices is compelled or expressly authorized by law. **(STATUS: Did not pass out of Assembly.)**

SCA 8 (Moorlach): This measure would amend the State Constitution to permit a government employer to reduce retirement benefits that are based on work not yet performed by an employee regardless of the date that the employee was first hired, notwithstanding other provisions of the California Constitution or any other law. The measure would prohibit it from being interpreted to permit the reduction of retirement benefits that a public employee has earned based on work that has been performed, as specified. The measure would define

government employer and retirement benefits for the purposes of its provisions. **(STATUS: Did not pass out of Senate.)**

SCA 10 (Moorlach). This measure would prohibit a government employer from providing public employees any retirement benefit increase until that increase is approved by a $\frac{2}{3}$ vote of the electorate of the applicable jurisdiction and that vote is certified. The measure would define retirement benefit to mean any postemployment benefit and would define benefit increase as any change that increases the value of an employee's retirement benefit. The measure would define a government employer to include, among others, the state and any of its subdivisions, cities, counties, school districts, special districts, the Regents of the University of California, and the California State University. **(STATUS: Did not pass out of Senate.)**

SB 32 (Moorlach): *This bill applies only to CalPERS and CalSTRS.* The bill would create the Citizens' Pension Oversight Committee to serve in an advisory role to the boards of administration of CalPERS and CalSTRS. It would require the committee, on or before January 1, 2019 and annually thereafter to review the actual pension costs and obligations of CalPERS and CalSTRS and report on these costs and obligation to the public. **(STATUS: Did not pass out of Senate.)**

SB 371 (Moorlach): The Meyers-Milias-Brown Act requires the governing body of a local public agency to meet and confer in good faith regarding wages, hours, and other terms and conditions of employment with representatives of a recognized employee organization. This bill would prohibit an individual who will be directly or indirectly affected by an MOU between a local public agency and a recognized public employee organization from representing the public agency in negotiations with the recognized public employee organization. **(STATUS: Did not pass out of Senate.)**

SB 560 (Allen): *This bill applies only to CalPERS and CalSTRS.* This bill would require the boards of administration of CalPERS and CalSTRS to consider financial climate risk in their management of any funds they administer and to include in their comprehensive annual financial reports, starting on January 1, 2020, the financial climate risks of their investments, including alignment of their portfolios with a specified climate agreement and California climate policy goals, the value at risk if these goals are achieved, and the exposure of the portfolios to long-term risks. "Financial climate risk" is defined by the bill to mean material financial risk posed to an investment by the effects of the changing climate including but not limited to intense storms, rising sea levels, higher global temperatures, economic damages from carbon emissions, and other financial risks due to public policies to address climate change, shifting consumer attitudes, changing economics of traditional carbon-intensive industries, and other transition risks. **(STATUS: Did not pass out of Senate.)**

SB 571 (Pan). Existing federal law prescribes requirements for different types of tax-qualified retirement plans that permit employees to contribute portions of their pretax wages to individual retirement accounts or that provide for deferred compensation. This bill would authorize a state or local public employer participating in an employee supplemental retirement savings plan, defined to include specified deferred compensation plans and payroll deduction individual retirement account plans, to make a deduction from the wages or compensation of an employee for contributions attributable to automatic enrollment and automatic escalation in the employee

retirement plan. The bill would require an employer that provides for automatic enrollment in a supplemental retirement savings plan to provide a default investment option and default investment plan that meets a variety of specified criteria, including providing employees an opportunity to opt out or withdraw. The bill would place other requirements and restrictions on these plans. **(STATUS: Did not pass out of Senate.)**

SB 657 (Bates). The California Public Records Act (CPRA) requires state and local agencies to make public records available for inspection, subject to certain exceptions. Under existing law, a person may seek injunctive or declaratory relief or a writ of mandate to enforce his or her right to inspect or receive a copy of a public record, as specified. In addition, an agency's decision to release a public record pursuant to the CPRA is reviewable by a petition for a writ of mandate on the basis that the public record was confidential, which is known as a reverse public records action. This bill would require a court in a reverse public records action to apply the provisions of the CPRA as if the action had been initiated by a person requesting disclosure of a public record; would require the requestor to be named as a real party of interest; and would require a court to allow the requestor to be heard on the merits of the action. This bill would provide that, if a court orders the public agency to disclose the records, the court shall order the person who initiated the action to pay the court costs and reasonable attorney's fees of the requestor; and would prohibit a court from requiring the requestor to pay court costs and attorney's fees to the person who initiated the reverse public records action or to the public agency if the court orders the public agency to not disclose the record. **(STATUS: Did not pass out of Senate.)**

C-10

Memorandum

DATE: October 4, 2017
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: **THIRD QUARTER 2017 EDUCATION AND TRAVEL EXPENSE REPORT**

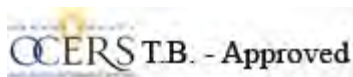
Recommendation

Receive and file.

Background/Discussion

In accordance with OCERS' Travel Policy, the Chief Executive Officer is required to submit a quarterly report to the Board of Retirement on conference attendance and related expenditures incurred by OCERS' Board Members and staff. Attached is the Third Quarter 2017 Education and Travel Expense Report that includes all expenses submitted through October 2, 2017.

Submitted by:

OCERS T.B. - Approved

Tracy Bowman
Director of Finance

EDUCATION AND TRAVEL EXPENSE REPORT
THIRD QUARTER 2017
 Submitted Through October 2, 2017**

| Name | Trip OR Class Dates | Trip Name | Destination | Trip Type | Mileage | Reg. Fee | Meals | Airfare | Hotel | Trans. | Misc. | 2017 YTD Total | 2016 Total* |
|--------------------|-----------------------|---|-------------------|------------|---------------|------------------|-----------------|-----------------|------------------|-----------------|--------------|------------------|------------------|
| BALDWIN | 1/25-1/26/17 | Institutional Real Estate Conference | Carlsbad, CA | Conference | - | - | 21.42 | - | - | 74.36 | - | 95.78 | |
| | 5/16-5/19/17 | SACRS Spring Conference | Napa, CA | Conference | - | 120.00 | 69.36 | 521.95 | 1,048.82 | 91.02 | - | 1,851.15 | |
| | 6/1/17 | CALAPRS Communications Round Table | Burbank, CA | Conference | - | - | - | - | - | 21.00 | - | 21.00 | |
| | 6/2/17 | CALAPRS Trustee Roundtable | Burbank, CA | Conference | - | 125.00 | - | - | 220.17 | 68.03 | - | 413.20 | |
| | 7/24-7/26/17 | SACRS UC Berkeley Program | Berkeley, CA | Conference | - | 2,500.00 | 30.04 | 332.96 | 777.66 | 17.20 | - | 3,657.86 | |
| | 8/5-8/9/17 | NASRA Annual Conference | Baltimore, MD | Conference | - | 1,050.00 | 94.64 | 673.96 | 1,116.55 | 23.53 | - | 2,958.68 | |
| | 9/25-9/28/17 | IFEBP Advanced Investments Management | Philadelphia, PA | Conference | - | 5,530.00 | - | 640.96 | 241.40 | - | - | 6,412.36 | |
| | 10/27/17 | CALAPRS Trustee Roundtable | San Jose, CA | Conference | - | 125.00 | - | 208.96 | 228.66 | - | - | 562.62 | |
| | 11/1-11/3/17 | 2017 SRI Conference | San Diego, CA | Conference | - | 895.00 | - | - | 278.90 | - | - | 1,173.90 | |
| 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | 182.95 | - | - | - | 302.95 | | |
| Sub Total | | | | | - | 10,465.00 | 215.46 | 2,561.74 | 3,912.16 | 295.14 | - | 17,449.50 | - |
| BALL | 3/29-3/31/17 | CALAPRS Principles of Pension Management | Los Angeles, CA | Conference | - | 3,100.00 | - | - | - | - | - | 3,100.00 | |
| | 9/25-9/28/17 | IFEBP Advanced Investments Management | Philadelphia, PA | Conference | - | 5,530.00 | - | - | 1,171.10 | - | - | 6,701.10 | |
| Sub Total | | | | | - | 8,630.00 | - | - | 1,171.10 | - | - | 9,801.10 | 1,137.26 |
| DEWANE | 8/28-8/31/17 | CALAPRS Pension Management for Trustees | Malibu, CA | Conference | 71.26 | 2,500.00 | 127.00 | - | - | - | - | 2,698.26 | |
| Sub Total | | | | | 71.26 | 2,500.00 | 127.00 | - | - | - | - | 2,698.26 | - |
| ELEY | 5/16-5/19/17 | SACRS Spring Conference | Napa, CA | Conference | - | 120.00 | 51.76 | 521.95 | 1,048.82 | 181.02 | - | 1,923.55 | |
| | 5/21/5/24/17 | NCPERS Annual Conference | Hollywood, FL | Conference | - | 1,000.00 | 169.07 | 691.60 | 567.27 | 329.83 | - | 2,757.77 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | 187.96 | - | - | - | 307.96 | |
| Sub Total | | | | | - | 1,240.00 | 220.83 | 1,401.51 | 1,616.09 | 510.85 | - | 4,989.28 | 120.00 |
| FREIDENRICH | 1/25-1/26/17 | Institutional Real Estate Conference | Carlsbad, CA | Conference | - | - | - | - | 250.23 | 25.00 | - | 275.23 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | - | - | - | - | 120.00 | |
| Sub Total | | | | | - | 120.00 | - | - | 250.23 | 25.00 | - | 395.23 | 2,497.18 |
| GILBERT | 9/10-9/12/17 | NCPERS Public Pension Funding Forum | San Francisco, CA | Conference | 9.68 | 650.00 | - | 202.96 | 558.08 | 105.95 | - | 1,526.67 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | 202.96 | - | - | - | 322.96 | |
| Sub Total | | | | | 9.68 | 770.00 | - | 405.92 | 558.08 | 105.95 | - | 1,849.63 | 180.88 |
| HILTON | 1/29-1/31/17 | NCPERS (1) | Washington, D.C. | Conference | 26.75 | - | 40.86 | - | - | 110.59 | 10.00 | 188.20 | |
| | 3/4-3/7/17 | CALAPRS General Assembly | Monterey, CA | Conference | 42.59 | - | 17.03 | 97.88 | 898.78 | 60.00 | - | 1,116.28 | |
| | 5/16-5/19/17 | SACRS Spring Conference | Napa, CA | Conference | - | 120.00 | 38.78 | 209.96 | 1,382.58 | 353.17 | - | 2,104.49 | |
| | 6/13-6/14/17 | Legislative Outreach Program | Sacramento, CA | Meeting | - | - | - | 417.96 | 252.30 | 74.98 | 5.00 | 750.24 | |
| | 6/25-6/27/17 | Pension and Investments Global Future of Retirement | New York, NY | Conference | - | - | 42.81 | 677.85 | 867.86 | 97.13 | - | 1,685.65 | |
| | 8/5-8/9/17 | NASRA Annual Conference | Baltimore, MD | Conference | 13.38 | 1,050.00 | 117.08 | 559.95 | 891.64 | 112.46 | - | 2,744.51 | |
| | 10/1-10/4/17 | NCPERS Public Safety Pension & Benefits | San Antonio, TX | Conference | - | 700.00 | - | 558.97 | - | - | - | 1,258.97 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | 162.96 | - | - | - | 282.96 | |
| Sub Total | | | | | 82.72 | 1,990.00 | 256.56 | 2,685.53 | 4,293.16 | 808.33 | 15.00 | 10,131.30 | 11,552.53 |
| LINDHOLM | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | - | - | - | - | - | - | - | 0.00 | 120.00 |
| PACKARD | 2/3/17 | CALAPRS Trustee Roundtable | San Jose, CA | Conference | - | 125.00 | - | 255.90 | - | 27.28 | - | 408.18 | |
| | 3/5-3/7/17 | CALAPRS General Assembly | Monterey, CA | Conference | 394.83 | 100.00 | - | - | 657.29 | 50.00 | - | 1,202.12 | |
| | 8/5-8/9/17 | NASRA Annual Conference | Baltimore, MD | Conference | - | 1,050.00 | 54.40 | 543.09 | 871.64 | - | - | 2,519.13 | |
| | 9/24-9/28/17 | IFEBP Advanced Investments Management | Philadelphia, PA | Conference | - | 5,680.00 | - | 611.60 | 975.98 | - | - | 7,267.58 | |
| Sub Total | | | | | 394.83 | 6,955.00 | 54.40 | 1,410.59 | 2,504.91 | 77.28 | - | 11,397.01 | 120.00 |
| PREVATT | 2/25-2/28/17 | NASRA/NIRS Winter Conference | Washington, D.C. | Conference | - | 600.00 | 41.30 | 382.40 | 555.53 | 372.86 | 15.00 | 1,967.09 | |
| | 3/4-3/7/17 | CALAPRS General Assembly | Monterey, CA | Conference | - | - | 129.36 | 237.40 | 883.78 | 200.63 | 5.00 | 1,456.17 | |
| | 5/16-5/19/17 | SACRS Spring Conference | Napa, CA | Conference | - | 120.00 | - | - | 1,240.39 | 593.29 | 15.00 | 1,968.68 | |
| | 6/2/17 | CALAPRS Trustee Roundtable | Burbank, CA | Conference | - | 125.00 | - | - | 220.17 | - | - | 345.17 | |
| | 8/5-8/9/17 | NASRA Annual Conference | Baltimore, MD | Conference | - | 1,050.00 | 61.84 | 460.60 | 871.64 | 177.00 | - | 2,621.08 | |
| | 9/25-9/28/17 | IFEBP Advanced Investments Management | Philadelphia, PA | Conference | - | 5,530.00 | 350.00 | 404.00 | 1,171.17 | - | - | 7,455.17 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | - | - | - | - | 120.00 | |
| Sub Total | | | | | - | 7,545.00 | 582.50 | 1,484.40 | 4,942.68 | 1,343.78 | 35.00 | 15,933.36 | 6,651.00 |
| BOARD Total | | | | | 558.49 | 40,215.00 | 1,456.75 | 9,949.69 | 19,248.41 | 3,166.33 | 50.00 | 74,644.67 | 22,378.85 |

**EDUCATION AND TRAVEL EXPENSE REPORT
THIRD QUARTER 2017**
Submitted Through October 2, 2017**

| Name | Trip OR Class Dates | Trip Name | Destination | Trip Type | Mileage | Reg. Fee | Meals | Airfare | Hotel | Trans. | Misc. | 2017 YTD Total | 2016 Total* |
|--------------------------|---------------------|---|---------------------------|---------------|---------------|------------------|---------------|-----------------|-----------------|-----------------|-------|------------------|------------------|
| DANCIU | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | - | - | - | - | - | - | - | 0.00 | 1,618.74 |
| DELANEY | 2/25-2/28/17 | NASRA | Washington, D.C. | Conference | 44.62 | 600.00 | 57.34 | 315.20 | 580.53 | 87.12 | - | 1,684.81 | |
| | 3/4-3/7/17 | CALAPRS General Assembly | Monterey, CA | Conference | 44.62 | 100.00 | 23.98 | 285.60 | 712.86 | 86.96 | - | 1,254.02 | |
| | 3/30/17 | CALAPRS Advanced Course | Los Angeles, CA | Training | 54.25 | - | - | - | - | 15.00 | - | 69.25 | |
| | 4/25/17 | CALAPRS Reciprocity Roundtable (2) | Pasadena, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| | 5/5-5/11/17 | CEM Benchmarking Conference | Chicago, IL | Conference | 44.62 | - | - | 439.40 | 736.99 | 42.00 | - | 1,263.01 | |
| | 5/16-5/19/17 | SACRS Spring Conference | Napa, CA | Conference | - | 120.00 | - | 237.20 | 609.57 | 190.48 | - | 1,157.25 | |
| | 6/13-6/14/17 | Legislative Outreach Program | Sacramento, CA | Meeting | 17.40 | - | 211.32 | 447.96 | 252.30 | 40.00 | - | 968.98 | |
| | 6/23/17 | CALAPRS Administrators Roundtable | Glendale, CA | Conference | 46.28 | 125.00 | - | - | 167.17 | - | - | 338.45 | |
| | 7/5-7/6/17 | Contra Costa & Stanislaus County Retirement Association | Concord/Modesto, CA | Meeting | 203.19 | - | 45.67 | - | 274.84 | 50.00 | - | 573.70 | |
| | 7/12/17 | SACRS Audit Committee | Sacramento, CA | Meeting | - | - | - | 277.96 | - | - | - | 277.96 | |
| | 8/5-8/9/17 | NASRA Annual Conference | Baltimore, MD | Conference | 43.87 | 1,050.00 | 121.23 | 417.40 | 653.85 | 75.29 | - | 2,361.64 | |
| | 9/6/17 | SACRS Audit Committee | Sacramento, CA | Meeting | - | - | - | 163.96 | - | - | - | 163.96 | |
| | 9/15-9/19/17 | LAPERS Visit | New Orleans, LA | Meeting | - | - | - | 349.40 | 306.33 | - | - | 655.73 | |
| | 9/27-9/29/17 | CALAPRS Administration Institute | Carmel-By-The-Sea, CA | Conference | - | 1,250.00 | - | 184.40 | - | - | - | 1,434.40 | |
| | 10/1-10/4/17 | NCPERS Public Safety Pension & Benefits (2) | San Antonio, TX | Conference | - | 100.00 | - | - | - | - | - | 100.00 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | 197.40 | - | - | - | 317.40 | |
| Sub Total | | | | | 498.85 | 3,590.00 | 459.54 | 3,315.88 | 4,294.44 | 586.85 | - | 12,745.56 | 10,045.11 |
| JENIKE | 3/4-3/7/17 | CALAPRS General Assembly | Monterey, CA | Conference | - | - | 52.89 | 141.40 | 706.86 | 353.63 | - | 1,254.78 | |
| | 4/20/17 | CALSTA | Irvine, CA | Conference | 7.65 | 100.00 | - | - | - | 22.00 | - | 129.65 | |
| | 4/25/17 | CALAPRS Reciprocity Roundtable | Pasadena, CA | Conference | 52.27 | 125.00 | - | - | - | 16.00 | - | 193.27 | |
| | 5/1-5/04/17 | IFEBP Portfolio and Management | Philadelphia, PA | Conference | - | 5,095.00 | 76.18 | 843.88 | 1,149.25 | 123.54 | - | 7,287.85 | |
| | 5/16-5/19/17 | SACRS Spring Conference | Napa, CA | Conference | - | - | - | 278.41 | - | - | - | 278.41 | |
| | 6/1/17 | CALAPRS Communications Round Table | Burbank, CA | Conference | - | 125.00 | - | - | - | 26.50 | - | 151.50 | |
| | 6/2/17 | CALAPRS Trustee Roundtable | Burbank, CA | Conference | - | 125.00 | - | - | - | 26.50 | - | 151.50 | |
| | 10/22-10/25/17 | IFEBP Employee Benefits Conference | Las Vegas, NV | Conference | - | 1,925.00 | - | - | - | - | - | 1,925.00 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | 156.40 | - | - | - | 276.40 | |
| Sub Total | | | | | 59.92 | 7,615.00 | 129.07 | 1,420.09 | 1,856.11 | 568.17 | - | 11,648.36 | 7,982.39 |
| SHOTT | 3/5-3/7/17 | CALAPRS General Assembly | Monterey, CA | Conference | 8.83 | 100.00 | 96.37 | 127.40 | 526.50 | 156.00 | - | 1,015.10 | |
| | 3/8-3/10/17 | Liebert Cassidy Whitmore Annual Conference | Anaheim, CA | Conference | 26.00 | 500.00 | - | - | - | 24.00 | - | 550.00 | |
| | 5/5/17 | CALAPRS Overview Course in Retirement | Burbank, CA | Conference | 46.76 | - | - | - | - | - | - | 46.76 | |
| | 5/21-5/24/17 | GFOA CORBA 111th Annual Conference | Denver, CO | Conference | 7.17 | - | 180.81 | 409.96 | 642.78 | 108.41 | - | 1,349.13 | |
| | 10/22-10/25/17 | P2F2 Fall Conference | Albuquerque, NM | Conference | - | 325.00 | - | - | - | - | - | 325.00 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | - | - | - | - | 120.00 | |
| | 11/30-12/1/17 | Nossaman Fiduciaries' Forum | San Francisco, CA | Conference | - | 375.00 | - | - | - | - | - | 375.00 | |
| Sub Total | | | | | 88.76 | 1,420.00 | 277.18 | 537.36 | 1,169.28 | 288.41 | - | 3,780.99 | 7,148.53 |
| EXECUTIVE Total | | | | | 647.53 | 12,625.00 | 865.79 | 5,273.33 | 7,319.83 | 1,443.43 | - | 28,174.91 | 26,794.77 |
| BEESON | 1/30/17 | GMO Investment Presentation | Beverly Hills, CA | Training | 27.34 | - | - | - | - | 10.00 | - | 37.34 | |
| | 4/27-4/28/17 | Institutional Investor Public Funds Roundtable | Beverly Hills, CA | Conference | 51.25 | - | - | - | 242.64 | 42.00 | - | 335.89 | |
| | 5/4-5/12/17 | Pharo, Caspian, Gotham, DE Shaw, Angelo Gordon, Highfields, AEW | New York, NY & Boston, MA | Due Diligence | - | - | 45.05 | 438.00 | 1,209.32 | 158.78 | - | 1,851.15 | |
| Sub Total | | | | | 78.59 | - | 45.05 | 438.00 | 1,451.96 | 210.78 | - | 2,224.38 | 4,826.14 |
| CHARY | 4/21/17 | Dodge & Cox, Pantheon | San Francisco, CA | Due Diligence | - | - | 5.05 | 127.98 | - | 60.55 | - | 193.58 | |
| | 6/23/17 | CALAPRS Investment Roundtable | Glendale, CA | Conference | - | 125.00 | - | - | - | 43.02 | - | 168.02 | |
| | 9/28/17 | WIIN Building a Collective | Los Angeles, CA | Conference | - | 85.00 | - | - | - | - | - | 85.00 | |
| Sub Total | | | | | - | 210.00 | 5.05 | 127.98 | - | 103.57 | - | 446.60 | 571.46 |
| CHENG | 1/10-1/12/17 | Argo, Blackrock, and JPMorgan | New York, NY | Due Diligence | - | - | 129.39 | 573.20 | 352.96 | 198.30 | - | 1,253.85 | |
| | 5/1-5/3/17 | Milken Investment Conference | Beverly Hills, CA | Conference | 42.80 | - | - | - | - | 63.62 | - | 106.42 | |
| Sub Total | | | | | 42.80 | - | 129.39 | 573.20 | 352.96 | 261.92 | - | 1,360.27 | 1,486.50 |
| MURPHY | 9/28/17 | WIIN Building a Collective | Los Angeles, CA | Conference | - | 85.00 | - | - | - | - | - | 85.00 | |
| | 10/2-10/6/17 | Adams Street, Monroe Capital, Caspian, & Consultants Roundtable | Chicago, IL | Due Diligence | - | - | - | 429.60 | - | - | - | 429.60 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | - | - | - | - | 120.00 | |
| Sub Total | | | | | - | 205.00 | - | 429.60 | - | - | - | 634.60 | - |
| WALANDER-SARKIN | 1/19/17 | IMN Real Estate Opportunity & Private Fund Investing | Laguna Beach, CA | Conference | 22.26 | - | - | - | - | - | - | 22.26 | |
| | 1/20/17 | CALAPRS Investment Roundtable | San Jose, CA | Conference | - | 125.00 | - | 349.88 | - | 20.00 | - | 494.88 | |
| | 1/30/17 | GMO Investment Presentation | Beverly Hills, CA | Training | 27.34 | - | - | - | - | 10.00 | - | 37.34 | |
| | 9/28/17 | WIIN Building a Collective | Los Angeles, CA | Conference | - | 85.00 | - | - | - | - | - | 85.00 | |
| Sub Total | | | | | 49.60 | 210.00 | - | 349.88 | - | 30.00 | - | 639.48 | 204.30 |
| Educational Forum | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | - | - | - | - | - | - | - | 0.00 | 6,616.90 |
| INVESTMENTS Total | | | | | 170.99 | 625.00 | 179.49 | 1,918.66 | 1,804.92 | 606.27 | - | 5,305.33 | 13,705.30 |

EDUCATION AND TRAVEL EXPENSE REPORT
THIRD QUARTER 2017
 Submitted Through October 2, 2017**

| Name | Trip OR Class Dates | Trip Name | Destination | Trip Type | Mileage | Reg. Fee | Meals | Airfare | Hotel | Trans. | Misc. | 2017 YTD Total | 2016 Total* |
|-----------------------|---------------------|--|-------------------|------------|---------|----------|--------|----------|----------|--------|-------|----------------|-------------|
| KINSLER | 6/1/17 | CALAPRS Communications Round Table | Burbank, CA | Conference | - | 125.00 | 29.56 | - | 199.15 | 54.00 | - | 407.71 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | 192.96 | - | - | - | 312.96 | |
| Sub Total | | | | | - | 245.00 | 29.56 | 192.96 | 199.15 | 54.00 | - | 720.67 | 4,430.33 |
| RITCHEY | 6/1/17 | CALAPRS Communications Round Table | Burbank, CA | Conference | - | 125.00 | 29.01 | - | 199.15 | 54.00 | - | 407.16 | |
| Sub Total | | | | | - | 125.00 | 29.01 | - | 199.15 | 54.00 | - | 407.16 | 953.25 |
| COMMUNICATIONS Total | | | | | - | 370.00 | 58.57 | 192.96 | 398.30 | 108.00 | - | 1,127.83 | 5,383.58 |
| FINK | 5/16-5/19/17 | SACRS Spring Conference (3) | Napa, CA | Conference | - | 120.00 | - | - | 455.86 | - | - | 575.86 | |
| | 6/2/17 | CALAPRS Attorney Roundtable | Burbank, CA | Conference | 51.36 | 125.00 | - | - | - | 21.00 | - | 197.36 | |
| | 6/27-6/30/17 | NAPPA Legal Education Conference | Monterey, CA | Conference | - | 895.00 | 36.94 | 190.40 | 511.56 | 124.18 | - | 1,758.08 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | - | - | - | - | 120.00 | |
| Sub Total | | | | | 51.36 | 1,260.00 | 36.94 | 190.40 | 967.42 | 145.18 | - | 2,651.30 | - |
| MATSUO | 2/21-2/24/17 | NAPPA | Tempe, AZ | Conference | - | 535.00 | 59.40 | 127.90 | 715.23 | - | - | 1,437.53 | |
| | 3/8-3/10/17 | Liebert Cassidy Whitmore Annual Conference | Anaheim, CA | Conference | - | 500.00 | - | - | - | - | - | 500.00 | |
| Sub Total | | | | | - | 1,035.00 | 59.40 | 127.90 | 715.23 | - | - | 1,937.53 | 5,098.02 |
| RATTO | 2/21-2/24/17 | NAPPA | Tempe, AZ | Conference | - | 535.00 | - | 281.90 | 735.78 | - | - | 1,552.68 | |
| | 5/16-5/19/17 | SACRS Spring Conference | Napa, CA | Conference | 10.00 | 130.00 | 87.92 | 262.40 | 1,367.58 | 280.91 | - | 2,138.81 | |
| | 6/27-6/30/17 | NAPPA Legal Education Conference | Monterey, CA | Conference | - | 895.00 | 57.96 | 184.40 | 722.94 | 163.19 | - | 2,023.49 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | 156.40 | - | - | - | 276.40 | |
| | 11/30-12/1/17 | Nossaman Fiduciaries' Forum | San Francisco, CA | Conference | - | 375.00 | - | - | - | - | - | 375.00 | |
| Sub Total | | | | | 10.00 | 2,055.00 | 145.88 | 885.10 | 2,826.30 | 444.10 | - | 6,366.38 | 808.87 |
| SINGLETON | 10/7/17 | OCPA Educational Conference | Cosia Mesa, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| Sub Total | | | | | - | 125.00 | - | - | - | - | - | 125.00 | 1,121.21 |
| WEISSBURG | 6/2/17 | CALAPRS Attorney Roundtable | Burbank, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| Sub Total | | | | | - | 125.00 | - | - | - | - | - | 125.00 | 200.00 |
| LEGAL Total | | | | | 61.36 | 4,600.00 | 242.22 | 1,203.40 | 4,508.95 | 589.28 | - | 11,205.21 | 7,228.10 |
| BERCARU | 4/3-4/4/17 | CALAPRS Management/Leadership Academy | Pasadena, CA | Training | 52.50 | 3,000.00 | - | - | 195.08 | 22.00 | - | 3,269.58 | |
| | 6/12-6/14/17 | CALAPRS Management/Leadership Academy | Pasadena, CA | Training | 52.50 | - | 24.27 | - | 385.16 | 39.00 | - | 500.93 | |
| | 7/17-7/19/17 | CALAPRS Management/Leadership Academy | Pasadena, CA | Training | 53.05 | - | - | - | 440.46 | 39.00 | - | 532.51 | |
| Sub Total | | | | | 158.05 | 3,000.00 | 24.27 | - | 1,020.70 | 100.00 | - | 4,303.02 | 1,209.18 |
| HALBUR | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | - | - | - | - | - | - | - | 0.00 | 6,666.58 |
| MERIDA | 4/25/17 | CALAPRS Reciprocity Roundtable | Pasadena, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| Sub Total | | | | | - | 125.00 | - | - | - | - | - | 125.00 | 693.49 |
| PANAMENO | 4/25/17 | CALAPRS Reciprocity Roundtable | Pasadena, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| Sub Total | | | | | - | 125.00 | - | - | - | - | - | 125.00 | 120.00 |
| PERSI | 4/25/17 | CALAPRS Reciprocity Roundtable | Pasadena, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| Sub Total | | | | | - | 125.00 | - | - | - | - | - | 125.00 | - |
| TALLASE | 4/25/17 | CALAPRS Reciprocity Roundtable | Pasadena, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| Sub Total | | | | | - | 125.00 | - | - | - | - | - | 125.00 | - |
| MEMBER SERVICES Total | | | | | 158.05 | 3,500.00 | 24.27 | - | 1,020.70 | 100.00 | - | 4,803.02 | 8,689.25 |
| BOWMAN | 6/20/17 | Wells Fargo Treasury Management Forum | Carlsbad, CA | Training | 50.72 | - | - | - | - | 10.72 | - | 61.44 | |
| | 10/22-10/25/17 | P2F2 Fall Conference | Albuquerque, NM | Conference | - | 400.00 | - | - | - | - | - | 400.00 | |
| Sub Total | | | | | 50.72 | 400.00 | - | - | - | 10.72 | - | 461.44 | 1,719.43 |
| DILLARD | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | - | - | - | - | - | - | - | 0.00 | 161.84 |
| HUYNH | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | - | - | - | - | - | - | - | 0.00 | 4,309.40 |
| REYES | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | - | - | - | - | - | - | - | 0.00 | 550.30 |
| FINANCE Total | | | | | 50.72 | 400.00 | - | - | - | 10.72 | - | 461.44 | 6,740.97 |

EDUCATION AND TRAVEL EXPENSE REPORT
THIRD QUARTER 2017
 Submitted Through October 2, 2017**

| Name | Trip OR Class Dates | Trip Name | Destination | Trip Type | Mileage | Reg. Fee | Meals | Airfare | Hotel | Trans. | Misc. | 2017 YTD Total | 2016 Total* |
|-----------------------------|---------------------|--|-------------------|------------|-----------------|------------------|-----------------|------------------|------------------|-----------------|--------------|-------------------|-------------------|
| CORTEZ | 9/14/17 | CALAPRS Course in Retirement Disability Administration | San Jose, CA | Training | - | 100.00 | - | 222.95 | - | - | - | 322.95 | |
| Sub Total | | | | | | 100.00 | | 222.95 | | | | 322.95 | 890.71 |
| G. GARCIA | 9/14/17 | CALAPRS Course in Retirement Disability Administration | San Jose, CA | Training | - | 250.00 | - | 232.96 | - | 15.98 | - | 498.94 | |
| Sub Total | | | | | | 250.00 | | 232.96 | | 15.98 | | 498.94 | 50.62 |
| SANDOVAL | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | | - | | - | | - | | 0.00 | 144.00 |
| DISABILITY Total | | | | | | 350.00 | | 455.91 | | 15.98 | | 821.89 | 1,085.33 |
| DOEZIE | 6/4-6/7/17 | PRIMA Annual Conference | Phoenix, AZ | Conference | - | 690.00 | 14.39 | 215.95 | 489.69 | 39.00 | - | 1,449.03 | |
| Sub Total | | | | | | 690.00 | 14.39 | 215.95 | 489.69 | 39.00 | | 1,449.03 | |
| E. GARCIA | | | | | - | - | - | - | - | - | - | 0.00 | |
| Sub Total | | | | | | - | | - | | - | | 0.00 | 45.00 |
| HOCKLESS | 3/8-3/10/17 | Liebert Cassidy Whitmore Annual Conference | Anaheim, CA | Conference | - | 500.00 | - | - | - | 24.00 | - | 524.00 | |
| | 5/5/17 | CALAPRS Overview Course in Retirement | Burbank, CA | Conference | - | 250.00 | - | - | 133.43 | 23.52 | - | 406.95 | |
| | 5/7-5/10/17 | SALGBA 2017 Conference | Anaheim, CA | Conference | - | 400.00 | - | - | - | 16.00 | - | 416.00 | |
| | 8/28-8/30/17 | PIHRA HR Conference | Long Beach, CA | Conference | - | 799.00 | - | - | - | - | - | 799.00 | |
| Sub Total | | | | | | 1,949.00 | | - | 133.43 | 63.52 | | 2,145.95 | 4,517.44 |
| MORALES | 5/7-5/10/17 | SALGBA 2017 Conference | Anaheim, CA | Conference | - | 400.00 | - | - | - | - | - | 400.00 | |
| Sub Total | | | | | | 400.00 | | - | | - | | 400.00 | 851.10 |
| ADMINISTRATION Total | | | | | | 3,039.00 | 14.39 | 215.95 | 623.12 | 102.52 | | 3,994.98 | 5,413.54 |
| GOSSARD | 4/9/17 | PRISM Association Conference | Nashville, TN | Conference | - | 550.00 | 30.98 | 794.48 | 779.69 | - | - | 2,155.15 | |
| | 4/28/17 | CALAPRS IT Round Table | Glendale, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| | 5/17-5/18/17 | SANS Security West | San Diego, CA | Conference | - | 2,360.00 | 104.81 | - | 552.63 | 84.00 | - | 3,101.44 | |
| | 7/10-7/15/17 | SANS Security Leadership Essentials | Long Beach, CA | Conference | 25.36 | 5,819.00 | 139.87 | - | 1,148.25 | 75.00 | - | 7,207.48 | |
| Sub Total | | | | | 25.36 | 8,854.00 | 275.66 | 794.48 | 2,480.57 | 159.00 | | 12,589.07 | 7,494.17 |
| LARA | 4/9/17 | PRISM Association Conference | Nashville, TN | Conference | - | 550.00 | - | 477.40 | 773.13 | - | - | 1,800.53 | |
| | 4/28/17 | CALAPRS IT Round Table | Glendale, CA | Conference | - | 125.00 | - | - | - | - | - | 125.00 | |
| Sub Total | | | | | | 675.00 | | 477.40 | 773.13 | | | 1,925.53 | 4,651.97 |
| IT Total | | | | | 25.36 | 9,529.00 | 275.66 | 1,271.88 | 3,253.70 | 159.00 | | 14,514.60 | 12,146.14 |
| ADVIENTO | 4/26/17 | CALAPRS Reciprocity Roundtable | Pasadena, CA | Conference | 49.06 | 125.00 | - | - | - | 12.00 | - | 186.06 | |
| | 6/7-6/9/17 | IIA 2017 Western Regional Conference | Anaheim, CA | Conference | 22.74 | 795.00 | - | - | - | 42.00 | - | 859.74 | |
| Sub Total | | | | | 71.80 | 920.00 | | - | - | 54.00 | | 1,045.80 | 483.54 |
| JAMES | 3/17/2017 | LACERA Roundtable | Pasadena, CA | Conference | 40.56 | - | - | - | - | - | - | 40.56 | |
| | 4/10-4/12/17 | AMA: Leading with Emotional Intelligence | San Francisco, CA | Training | 23.64 | 2,645.00 | 180.83 | 272.40 | 706.49 | 241.43 | - | 4,069.79 | |
| | 4/25/17 | CALAPRS Reciprocity Roundtable | Pasadena, CA | Conference | 26.00 | 125.00 | - | - | - | 12.00 | - | 163.00 | |
| | 5/7-5/10/17 | APPFA 2017 Spring Conference | Little Rock, AR | Conference | 10.96 | 375.00 | 58.98 | 643.60 | 320.88 | 98.25 | - | 1,507.67 | |
| | 6/28/17 | Pacific Club's Distinguished Speakers' Series | Irvine, CA | Conference | 10.70 | - | - | - | - | - | - | 10.70 | |
| | 11/14-11/17/17 | SACRS Fall Conference | Burlingame, CA | Conference | - | 120.00 | - | - | - | - | - | 120.00 | |
| Sub Total | | | | | 111.86 | 3,265.00 | 239.81 | 916.00 | 1,027.37 | 351.68 | | 5,911.72 | 5,495.21 |
| INTERNAL AUDIT Total | | | | | | 183.66 | 4,185.00 | 239.81 | 916.00 | 1,027.37 | | 6,957.52 | 5,978.75 |
| Total | | | | | 1,856.16 | 79,438.00 | 3,356.95 | 21,397.78 | 39,205.30 | 6,707.21 | 50.00 | 152,011.40 | 115,544.58 |

Footnotes:

- * Prior year totals only presented for 2017 active staff & Board members.
- ** Excludes expenses for non-travel related training conferences including: misc. lunches, meetings, mileage, strategic planning, and tuition reimbursement.
- 1. Registration, Airfare, and Hotel charges were paid in 2016.
- 2. Trip cancelled. Registration expense does not qualify for full refund
- 3. Expense does not qualify for refund due to trip cancelled late outside policy

C-11

Orange County Employees Retirement System

Strategic Planning Workshop

September 13-14, 2017

Date and Location of event:

September 13, 2017

8:00 a.m.

DoubleTree Club by Hilton-Orange County Airport

7 Hutton Centre Drive

Santa Ana, CA 92707 Newport Beach, CA 92660

The OCERS Board takes no actions at the annual Strategic Plan Workshop. Therefore, a summary of discussion topics is provided rather than formal minutes.

DAY ONE SUMMARY

ADMINISTRATION

AM Schedule

A. STAKEHOLDER VIEWS ON OCERS PENSIONS

Michelle Aguirre, County of Orange Chief Financial Officer presented an overview of County budget issues and the impact of pension obligations. She discussed the limited resources for competing needs. She also spoke on County priorities as well as the importance of the prepayment of employer contributions to their budgetary process. With regard to possible modifications of the Board's actuarial assumptions, she encouraged consideration of phasing in the cost of any changes to provide stability in this changing economy.

Mark McDorman, Orange County Managers Association (OCMA), discussed the overview of OCMA as well as the history of the OCMA formation in order for managers to have representation. He outlined hardships and accomplishments that OCMA faces today.

Luz Napoles, Orange County In-Home Supportive Services Public Authority (IHSS), discussed the background of In-Home Supportive Services Public Authority. The County of Orange Board of

Supervisors created the Orange County In-Home Supportive Services Public Authority (PA) with the establishment of an Ordinance on February 5, 2002. The IHSS program is a statewide mandated program administered by each county under the direction of the California Department of Social Services. It enables those who are disabled, blind or over the age of 65 with limited income in-home care services (IHSS Provider) to help them remain safely in their own home. Ms. Napoles stated that 90% of the PA's actually expenditures are salary and employee benefits. Salary is a direct component of calculating retirement employer contributions. When the pension contributions go up, this has a huge impact on the PA's budget.

B. TRIENNIAL REVIEW OF ACTUARIAL ASSUMPTIONS (INFORMATIONAL)

Every three years OCERS engages the actuary to conduct an experience study. The current process involves comparing assumed to actual experience for the period of January 1, 2014 through December 31, 2016. Such a study often leads to modifications to existing economic and demographic assumptions.

On August 21, 2017, Mr. Paul Angelo of Segal made the first presentation of the results of the current actuarial experience study. His presentation was informational only. Based on questions raised at that August 21, 2017 meeting, and with a focus especially on generational mortality as well as economic assumptions, Mr. Angelo presented additional assumption options at the Workshop. His presentation again was informational only. The Board will continue this discussion at the October 16, 2017 Regular Board Meeting.

C. OCFA ACCELERATED PENSION PAYDOWN PLAN

Lori Zeller, Orange County Fire Authority (OCFA), presented an overview of the authority's Accelerated Pension Paydown Plan. The OCFA Board adopted an Accelerated Pension Paydown Plan in September 2013 when the unfunded pension liability was \$473.8M (65% funded). The Accelerated Pension Paydown Plan was comprised of 3 strategies:

- Allocate year-end fund balance as available
- Allocate savings from reduced pension formulas under PEPR
- Implement annual budget increases starting at \$1M per year, and growing to \$5M per year

At that time, Segal Consulting estimated the Accelerated Pension Paydown Plan would fund OCFA's pension to 100% in 16 years. Today, less than four years from the initial adoption of the Accelerated Pension Paydown Plan, additional strategies have been added to the Plan, further accelerating the Paydown. OCFA's unfunded pension liability has been reduced from \$473.8M to \$400.4M, OCFA's pension funding level has increased from 65% to 76.75%, and the accelerated funding goal has been modified by the OCFA Board of Directors from 100% to 85%. The updated Accelerated Pension Paydown Plan was recently submitted to Segal for review, with a report issued in August 2017 indicating OCFA's accelerated payments are estimated to achieve the funding goal of 85% by December 2020 (assumes all other factors remain constant). If continued beyond the 85% goal, the accelerated payments are estimated to achieve 100% funding by December 2027. OCFA's accelerated payments made during the last four years have produced interest savings totaling \$11,466,202.

Due to time constraints, the OCERS Board agreed to hear the Operational Risk Management presentation at some future Board administrative meeting.

D. CYBER SECURITY – OUR WORLD TODAY

Bryan Cunningham of UCI discussed Cyber Security as it relates to the world today. He discussed the recent Equifax breach – one of the biggest breaches to date that was discovered on July 29th but was reported on September 7, 2017. He discussed the potential legal consequences in the US as well as in more than 150 countries. He also discussed ransomware attacks. Mr. Cunningham concentrated on six topics during his presentation entitled: Slouching Towards War, Hacking Democracy, Ransomware Once & Future, Zombies, the IoT, and Liability, and The Big Five Fundamental Building Blocks of Basic Cyber Hygiene.

PM Schedule

INVESTMENTS

A. OREGON STATE PENSION FUNDS – AN OVERVIEW

John D. Skjervem, CFA, CIO, of the Oregon State Treasury's \$95.5 billion portfolio (as of June 30, 2017) discussed current opportunities and challenges faced by his fund. He discussed OST's consolidating nature, as the portfolio includes the \$73.0 billion Oregon Public Employees Retirement Fund and various other educational, insurance and state agency accounts. He remarked upon OST's lean investment team and lean Board – he noted that the nimble nature of each respective group has contributed to the portfolio's performance.

He commented that the near-term goal is to transition the Board from its roots as being more transactional-oriented to a more strategic role in manager selection.

He remarked upon OST's pioneering private equity program, which represents about 20% of the entire OST portfolio (down from 25%, with a target of 17%). He observed that this reduction reflects his ongoing efforts to move away from a portfolio once viewed as a disjointed collection of multiple disparate asset class business lines, and a move towards one unified portfolio.

He noted the value opportunities in private equity have started to wane, citing likely reasons that include the flood of money chasing private equity and accommodative global central bank policy. He discussed the costs and benefits of direct private equity investing relative to private equity investing through fund-of-funds.

B. INVESTMENT FEES, DISCERNING EXPENSES FROM FEES, AND WHERE DOES ONE DRAW THE LINE

Thomas A. Hickey, III, Partner of Foley & Lardner LLP discussed the ongoing issues surrounding AB 2833, a legislative directive aimed at providing more transparency in the reporting of investment fees.

A key component to compliance will be working with the reporting template created by Institutional Limited Partners Association (ILPA).

Molly A. Murphy, CFA, CIO, discussed the background of ILPA and the progression of the industry, including a comparison of ILPA to Sarbanes-Oxley.

Stephen McCourt, CFA, Managing Principal/Co-Chief Executive Officer of Meketa Investment Group, discussed the issues surrounding transparency and self-reporting.

Thomas A. Hickey, III, further discussed the pro-active steps he and OCERS staff are taking, including the current "Fee Disclosure" Side Letter Paragraph which is given to Investment Managers while staff is performing due diligence.

Allan Emkin, Managing Director of Pension Consulting Alliance and Molly A. Murphy discussed the benefits of the OCERS' portfolio, which does not have many legacy investments.

DAY TWO SUMMARY

INVESTMENTS

AM Schedule

A. OCERS INVESTMENT PORTFOLIO – A LOOK INTO THE FUTURE

Ms. Murphy discussed OCERS' portfolio and its ability to capitalize on illiquid assets given OCERS present liquidity. She discussed 2018 goals, including working more efficiently and effectively, by leveraging OCERS' relationships with investment managers and State Street Bank.

B. VIEW OF THE WORLD

Mr. Podosky presented Bridgewater's View of the World, including various macro headwinds and tailwinds to global growth.

C. INVESTMENT RISK MANAGEMENT

Ms. Murphy discussed the traditional view and the new view of investment risk management, as well as the costs and benefits of each perspective. She discussed common and uncommon types of risks, as well as her intended goals of discussing other risk concepts and terms in further discussion with the Investment Committee.

D. ASSET CLASS POLICY – RISK MITIGATION

Mr. Emkin presented the goals and roles of Risk Mitigating Strategies (RMS). He discussed PCA's recommended first step in the implementation of Risk Mitigating Strategies (RMS): 50% Long U.S. Treasury Bonds/50% Bridgewater and D.E. Shaw.

Mr. Emkin, Mr. McCourt, and Ms. Murphy discussed the costs and benefits of RMS. They also discussed the importance of managing expectations.

E. OPPORTUNISTIC INVESTING AND BEST PRACTICES: AN INVESTMENT CASE STUDY

Ms. Murphy discussed opportunistic investing and provided a case study on OCERS' opportunistic investment with Kayne-Anderson in the energy area. She described various lessons learnt from this opportunistic energy allocation and how OCERS can pro-actively apply this experience to be ready for the next market dislocation.

ADMINISTRATION

PM Schedule

A. 2018-2020 PRELIMINARY STRATEGIC PLAN

B. 2018 PRELIMINARY BUSINESS PLAN

OCERS CEO, Steve Delaney, presented the 2018-2020 Strategic Plan as well as the 2018 Business Plan. He discussed the different approach staff has taken with the new revised plans. The older versions tended to contain a mixture of both strategic goals as well as general work objectives. Staff has worked to streamline these documents so that they more appropriately present just those goals and objectives that strategically advance OCERS towards its stated Mission, Vision and Values.

Additionally Mr. Delaney discussed the *OCERS 2018 Business Initiatives Budget Impact Estimates* matrix to indicate any related cost impacts. In addition to the matrix, he also provided an organizational chart

to indicate where an initiative may have a staffing impact.

Each executive manager discussed their department's 2018 Business Plan Initiatives and how they will benefit OCERS.

The 2018-20 Strategic Plan as well as the 2018 Business Plan will return to the Board on October 16, 2017 for final Board consideration and approval.

C-12

Memorandum

DATE: October 16, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **REPORT ON LOUISIANA ASSOCIATION OF RETIREMENT SYSTEM**

Recommendation

Receive and file.

Background/Discussion

As one of my 2017 business goals, the OCERS Board approved my attendance at an annual conference of a non-California state association of retirement systems, to see if there were lessons that could be learned and applied here as part of OCERS' participation in both SACRS and CALAPRS.

There are several states that have associations of their various retirement system – Texas, Minnesota, Massachusetts, and Louisiana. I chose to attend the Louisiana Public Retirement 2017 Seminar (which is what they call their annual conference), held September 17 – 19, 2017, both due to timing, as well as the fact that I knew a fellow attendee who could provide input, as I had worked in prior years with Ms. Maureen Dawd, the current CEO of the Teacher's Retirement System of Louisiana. The Louisiana Association of Public Employees Retirement Systems (LAPERS) sponsored the seminar, and is composed of the following 18 retirement systems:

- City of Alexandria Employees' Retirement System
- Louisiana Assessors' Retirement Fund
- City Of Baton Rouge - Parish Of East Baton Rouge Employees' Retirement System
- Louisiana Clerks of Court Retirement and Relief Fund
- District Attorneys' Retirement System
- Firefighters' Retirement System of Louisiana
- Employees' Retirement System of Jefferson Parish
- Municipal Employees' Retirement System of Louisiana
- Municipal Police Employees' Retirement System
- City of New Orleans Employees' Retirement System
- New Orleans Firefighters' Pension and Relief Fund
- Parochial Employees' Retirement System
- Registrars of Voters Employees' Retirement System

- Louisiana School Employees' Retirement System
- Sewerage and Water Board of New Orleans
- Sheriffs Pension and Relief Fund
- Louisiana State Police Retirement System
- Louisiana State Employees' Retirement System
- Teachers' Retirement System of Louisiana

Lessons learned: Very similar to a SACRS conference, with approximately 250 in attendance. The majority of attendees were staff and trustees, with various investment firms also represented, though not to the scale we see at SACRS. The first day (September 17) was set aside solely for Trustee training, with three topics *Building Blocks of Actuarial Science*, *Training on Code of Ethics*, and *Adding Value As A Trustee*. Ms. Dawd explained that their system has a very limited travel budget, so they strongly encourage their trustees to attend the fiduciary training prior to each annual seminar as a cost effective manner in which to assist their trustees to meet their education requirements.

Highlights from the session ***Adding Value As A Trustee***, which while nothing new here, I did find well crafted:

Board of Trustee Roles and Responsibilities

As an “Administrative Fiduciary”, the trustee’s job is to “manage the process, not make specific recommendations”.

- General duties: establish and maintain Board policies and objectives
- Investment related duties:
 - Establish an investment policy
 - Set the strategic asset allocation
 - Review performance benchmarks to refine that allocation

The investment consultant, as an “Advising Fiduciary” will make recommendations to the Board as to how to implement policy directives.

Work with Board and staff to manage the investment process

Help the Board shape their thought processes regarding asset class decisions

Internal Staff Roles and Responsibilities:

CEO – plan, organize and administer operations of the system

CIO – directs investment program in conjunction with the Board’s asset allocation policy, while monitoring performance and recommending procedures or ideas that will enhance the investment program.

To the point of where the Board should be focusing its attention - choosing the appropriate asset class? or hiring the appropriate manager? - the speaker made this comparison:

You could have an outperforming manager in a down market, but while the manager outperformed you lost money as the asset class you were in was down.

Example: Asset Class is down -10, but your manager is only down -8.

You could have an outperforming manager in an up market, but the bulk of your gains came from being in the right asset class.

Example: Asset class is up +10, but your manager is up +12

“Being in the right asset class means more than the manager who was selected.”

Monday and Tuesday’s general sessions were similar in topic and scope as those that we attend at SACRS. I have attached the agenda for your consideration.

A particularly important conference topic on Monday morning dealt with the issue of best practices in governance, a topic the OCERS Board has continued to express interest in studying. The session entitled ***Who’s Job Is It? Fiduciary Responsibility*** dealt with the concept we have heard before – how to be a policy Board rather than an operations Board. The following are some highlights of that presentation that I found relevant:

“A Trustee’s fiduciary duty is to set policy, see that it is implemented and demand accountability. Everything in-between belongs to staff. When Trustee’s micromanage, they pull that detail into their fiduciary oversight and all the liability that can entail. “

“Staff is not looking for approval, but rather concurrence in the manner in which they are exercising Board policy.”

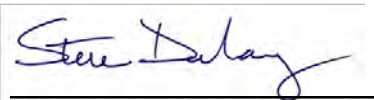
Citing a case out of Alabama, where a Board Chair assured a new hire that she could withdraw her account and later restore it, that advice turned out to be incorrect. The individual was actually six months shy of establishing membership. Taking the issue to court, the individual prevailed, the court finding that “someone in authority gave her permission”, therefore the court directed that the system must accept her funds and let her establish membership. The obvious caution to all Trustees was “only staff can advise.” The speaker added “The only advice a Trustee should be giving is “Go see the staff.”

Regarding investments, the recommendation is to focus on setting the system’s Investment Policy Statement with the help of the investment consultant, then hire managers. (The speaker did not clarify who was being referenced as doing the hiring.) In negotiating fees, the speaker added “Remember the “golden rule” when dealing with money managers, “The one with the gold makes the rules.”

To the question of what fiduciaries should consider when addressing the issue of ESG investments, the speaker stated “Ask yourself, can you do as well by doing good? As long as the Trustee’s abiding goal is to do what is in the best interest of the plan, you are fulfilling your fiduciary duty. If faced with a choice between the equals of A or B, and B is the cleaner more environmentally sound option, then fine, that is not a concern.”

Finally, I did come away with the recognition that a state association conference can provide the same level of quality education to trustees and staff as do our pre-approved conferences (SACRS, CALAPRS, NCPERS and NASRA). If the agenda for a particular state association conference has sufficiently attractive and engaging topics, it would be worthwhile to place a request to the OCERS Board for approval of attendance.

Submitted by:

A handwritten signature in blue ink that reads "Steve Delaney". The signature is written in a cursive style and is contained within a thin black rectangular border.

Steve Delaney
Chief Executive Officer

September 17-19, 2017

LAPERS

Louisiana Association of Public Employees' Retirement Systems

Sheraton Hotel New Orleans

500 Canal Street

New Orleans, Louisiana 70130

504.525.2500



The Louisiana Public Retirement Seminar is a professional program designed for trustees and administrative staff of Louisiana public retirement systems as well as other interested persons owing a fiduciary duty to any state, statewide, or local retirement system or fund.

THE LOUISIANA PUBLIC RETIREMENT 2017 SEMINAR

Presentations:

Training on Code of Ethics

Who's Job Is It?

History of the Bond Market

Global Outlook

National & State Update

Advancing Technology and
its Impact on the American
Economy

Behavioral Finance and
Tactical Opportunities

Cyber Security

Louisiana Legislative Update

MiFID II – Impact on
Transparency and What
Trustees Should Know Now



SPONSORED BY: Louisiana Association of Public Employees' Retirement Systems
145/402

SEMINAR INFORMATION

This seminar is open to all trustees and administrative staff of public retirement systems as well as other interested persons owing a fiduciary duty to any state, statewide, or local retirement system or fund. This seminar will serve as an educational forum for those attending, and will present an opportunity to network with peers.

Fulton Alley

Registered attendees are welcome to join LAPERS for a reception at Fulton Alley on Monday night. Fulton Alley combines the elements of delicious food, great drinks, and the world's finest games for a seriously fun outing!

Monday Luncheon Speaker – Jay Dardenne

Jay Dardenne was appointed Commissioner of the Division of Administration in January 2016 by Gov. John Bel Edwards. In this capacity, he serves as the state's chief administrative officer.

Jay Dardenne was elected twice as Louisiana's Lieutenant Governor, beginning November 2010. He previously served four years as Secretary of State, 15 years as a State Senator and three years as a Baton Rouge Metro Councilman.



As Lieutenant Governor, he headed the Department of Culture Recreation and Tourism, which also includes State Parks, the Louisiana State Museum System, the State Library, the Office of Cultural Development, the Louisiana Seafood Promotion and Marketing Board and Volunteer Louisiana. Louisiana's tourism numbers skyrocketed after he took office, setting records each year, the first such increases since Hurricanes Katrina and Rita struck in 2005.

During his legislative service, he chaired the Senate Finance Committee and authorized legislation granting motion picture tax credits, which paved the way for the film and television industry to bring productions to the state. He also sponsored legislation streamlining the Department of Economic Development, creating a comprehensive Board of Ethics, establishing the Community and Technical College System and providing funding for coastal erosion. In 2003, he was named National Republican Legislator of the Year.

He has been the recipient of numerous awards recognizing his leadership, dedication to Louisiana's cultural heritage and resources, and public service. He is an active community volunteer, having hosted the Jerry Lewis Telethon for the Muscular Dystrophy Association for more than 30 years.

He is an attorney and LSU Law Center graduate. He is married to the former Cathy McDonald, and they have two grown sons, John and Matthew.

Registration Fees

The deadline for registration fees is September 1. Member registration fees are \$100 per person for LAPERS member retirement systems/pension plan trustees, and staff if received by the deadline. The pre-conference workshop registration fee is an additional \$25. Late registration is \$125 per person or \$150 with pre-conference registration.

Non-member registration fees are \$200 per person if received by the deadline. Late registration is \$225 per person. This fee only applies to other organizations who have received prior approval from the treasurer of LAPERS to register using this category. Corporate attendees are not permitted to register under this category.

Spouse/Guest fees are \$25, provided registration is received by the deadline. The guest fee is for the socials only and does NOT include conference meals.

Corporate (non-sponsoring firms/companies) registration fees are \$1,000 per person attending, if received by the deadline. The late registration rate is \$1,400 per person and NO EXCEPTIONS WILL BE MADE. Spouse/Guest fees are \$25 for corporate attendees, but the guest must not be affiliated with the corporation or profession.

The registration fee includes all materials, break refreshments, meals, receptions, and entertainment. All checks should be made payable to Louisiana Public Retirement Seminar.

Name badges must be worn for all functions.

Cancellation and Refund Policy

Full refund if written verification of cancellation is received by September 1. Fifty percent refund issued if written verification of cancellation is received September 2 – September 8. No refunds if notification is received after September 8.

Accommodations

A block of rooms is being held at the conference site, the Sheraton Hotel New Orleans, located at 500 Canal Street. The room rates for the guest rooms are \$169 single and double occupancy. Attendees should make room reservations directly with the hotel by calling 504.525.2500 or on the web link on the LAPERS website. The room block will be held until August 26. After this date, accommodations will be subject to availability of rooms and rates will increase. When reserving your room, please indicate that you will be attending the LAPERS Seminar. Hotel accommodations at the group rate are available for arrival on September 16 through departure on September 20. Room rates do not include applicable taxes or parking fees. The hotel is offering a discounted valet parking rate, and will provide written confirmation of room reservations directly to attendees. Any cancellation, change in reservation, or special request should be directed to the Sheraton Hotel New Orleans.

Sponsors

We wish to express our sincere gratitude and appreciation to the corporate sponsors who are supporting LAPERS in the presentation of a seminar of quality and substance for Louisiana public retirement systems. Many of these sponsors have continued to support this program since its inception in 1989.

PROGRAM SCHEDULE

September 17-19, 2017

Sunday, September 17, 2017

| | |
|-------------------------------|--------------------------------------|
| 10:00 a.m. – 5:00 p.m. | Registration |
| 11:30 a.m. – Noon | Lunch |
| Noon – 1:00 p.m. | Building Blocks of Actuarial Science |
| 1:00 – 1:15 p.m. | Break |
| 1:15 – 2:15 p.m. | Training on Code of Ethics |
| 2:15 – 3:15 p.m. | Due Dilligence |
| 5:30 – 7:30 p.m. | Cocktail Reception |

LAPERS

Louisiana Association of Public Employees' Retirement Systems

Sheraton Hotel
New Orleans

500 Canal Street
New Orleans, Louisiana 70130
504.525.2500

Monday, September 18, 2017

| | |
|---------------------------|--|
| 7:00 a.m. | Registration |
| 7:30 – 8:30 a.m. | Breakfast |
| 8:30 – 8:45 a.m. | Opening Prayer, National Anthem, Presentation of the Colors, President's Remarks |
| 8:45 – 9:45 a.m. | Who's Job Is It? Fiduciary Responsibility |
| 9:45 – 10:00 a.m. | Break |
| 10:00 – 11:00 a.m. | Global Outlook |
| 11:00 a.m. – Noon | History of the Bond Market |
| Noon – 1:30 p.m. | Luncheon Speaker: Commissioner Jay Dardenne |
| 1:30 – 2:30 p.m. | National & State Update |
| 2:30 – 3:30 p.m. | Efficiency or Fragility? Market Implications of a Sea-Change in Investing |
| 5:30 – 7:30 p.m. | Reception: Fulton Alley |

Tuesday, September 19, 2017

| | |
|---------------------------|--|
| 7:30 – 8:30 a.m. | Breakfast |
| 8:30 – 8:45 a.m. | Opening Remarks & Update on Coalition to Preserve Retirement Security (CPRS) |
| 8:45 – 9:45 a.m. | Advancing Technology and its Impact on the American Economy |
| 9:45 – 10:00 a.m. | Break |
| 10:00 – 11:00 a.m. | Cyber Security |
| 11:00 a.m. – Noon | Louisiana Legislative Update |
| Noon – 1:00 p.m. | Lunch |
| 1:00 – 2:00 p.m. | Behavioral Finance and Tactical Opportunities |
| 2:00 – 3:00 p.m. | MiFID II – Impact on Transparency and What Trustees Should Know Now |
| 5:30 – 7:30 p.m. | Cocktail Reception |

Questions?

Contact Kelley Bourque: Phone: 225.644.7364 • Fax: 225.644.8840
Email: kellybourque@hotmail.com • LAPERS Website: www.lapers.org

REGISTRATION FORM

Please complete one form for each participant indicating the activities you plan to attend.

Name: _____

Badge Nickname: _____

Title: _____

Spouse/Guest Name: _____

System/Organization/Corporation: _____

Work#: _____ Fax#: _____

Address: _____

Email: _____

FEES: (Guest fee is for socials only, conference meals not included. Corporate spouse/guest must not be affiliated with the corporation or profession.)

Member

- Conference & Pre-Conference Workshop \$125
- Conference (Monday & Tuesday) \$100
- Guest/Spouse \$25
- Late Fee (after 9/1) \$25

Non-Member

- Registration \$200
- Guest/Spouse \$25
- Late Fee (after 9/1) \$25

Corporate Attendee (non-sponsor)

- Registration \$1000
- Guest/Spouse \$25
- Late Fee (after 9/1) \$400

Total Fee Paid: \$ _____

Luncheons/Socials:

- | | | |
|--|------------------------------|-----------------------------|
| Sunday Cocktail Reception at the Hotel | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| Monday Luncheon with Speaker | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| Monday Reception at Fulton Alley | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| Tuesday Luncheon | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| Tuesday Cocktail Reception at Hotel | <input type="checkbox"/> yes | <input type="checkbox"/> no |

Please make hotel reservations quickly!
 (Room Block released August 26)



Please make checks payable to:

Louisiana Public Retirement Seminar

P.O. Box 2321, Gonzales, LA 70707-2321

Phone: (225) 644-7364 | Fax: (225) 644-8840

Email: kellybourque@hotmail.com | www.lapers.org

C-13

Memorandum

DATE: October 16, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: BOARD COMMUNICATIONS

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 Shawn Dewane

- **Why Alternative Investments Are Bad for Your Portfolio**
<https://blogs.wsj.com/experts/2017/09/04/why-alternative-investments-are-bad-for-your-portfolio/>
- **What the World's Emptiest International Airport Says About China's Influence**
<https://mobile.nytimes.com/2017/09/13/magazine/what-the-worlds-emptiest-international-airport-says-about-chinas-influence.html?smid=fb-nytimes&smtyp=cur&referer=http://m.facebook.com>

From Shari Freidenrich

- **Pensions Leaving Workers Behind By Focusing On Messaging, Politics | Stock News & Stock Market Analysis**
<http://www.investors.com/politics/commentary/pensions-leaving-workers-behind-by-focusing-on-messaging-politics/>

From David Ball

Wednesday, August 30, 2017

Email from David Ball to Steve Delaney:

I have called Brenda and apologized for the confusion I created by not understanding the payment process of the Sponsor's benefit contributions. The fact that the Sponsors that are participating in the discounting process have paid (or will pay) their contribution for the January 1 thru June 30 actuarial year in addition to making the prepayment in January for the subsequent actuarial year of July 1 thru June 30 was the key fact that I did not grasp.

The effect having to discount the discounted payment for the July thru June actuarial year to Jan 1 has the effect of roughly doubling the discount to face on a discount for the 12-mos period of July thru June of required payments. On the surface, all I saw was the use of the use of the formula $1/(1+Disc)$ which is the PV formula for discounting a sum for one year. By applying that formula to the sum of the total annual payments, the discount to face on a series of 12 equal payments over 12-mos would double the appropriate amount for a 12-month discount. However, what I did not understand until after the Board meeting was the fact that the Sponsors have actually paid (or will pay) the normal contributions for the Jan thru June period.

Therefore, the PV determined for the one year discounting July1 thru June 30 represents the discounted amount due July 1. The amount paid in January needs to be further discounted for the six-month period of Jan 1 to June 30 to adjust for when that payment is due, on July 1. Brenda tried to explain this, but I thought she was just explaining the accrual differences between the actuarial fiscal year and calendar year. I thought the Sponsors were discounting the second $\frac{1}{2}$ of the Jan1 thru June 30 of one actuarial year plus the first half of the July 1 thru Dec 31 period of a second actuarial year. Since the participating Sponsors are also make the payments of the second half of the actuarial year in addition to the prepayment of the subsequent actuarial year, the participating Sponsors are carrying a six-month prepayment on their books. Any participating Sponsor that elected not to continue with the prepayment program would have a payment holiday (except for the normal adjustments) for the Jan thru June period of any calendar year they decided not to participate in the discounting program.

When I read Brenda's memo now, with a complete understanding of the circumstances, the memo is well written and makes sense. Just one comment on the memo. When a reader is thinking in financial terms and discounting a payment stream, the explanation of Segal's calculation of interest accrual may not be relevant and is confusing. Financially, this is an 18-month discount of uneven payments at an annual discount rate of 4.5%. However, explaining the use of the short cut calculation methodology using the annual discount factor $1/(1+Disc)$ rather than presenting/referencing an 18-month discount model may be helpful for some (like me 😊). The differences in the size of the discount as the result of using one method versus the

other is not meaningful. However, the choice of the amount of detail to present may be more style than substance. Many readers will not care.

A Sponsor choosing to carry a 6-month prepaid contribution to OCERS on their books seems to make sense in today's rate environment. The benefit contributions to OCERS represent a relatively small portion of their total budgets. The 4.5% we pay them on the prepayment is a risk-free return and a better return than they can get investing in other short term risk-free alternatives or it provides an attractive arbitrage to short term borrowing costs. The choice of borrowing is a cash management issue that is peculiar to each Sponsor. The County's worksheet showing the benefits of the prepayment discount is another story. Fortunately, that does not concern OCERS and the presentation of the benefits of the prepayment discount depends on the purpose of the presentation and the reader. Presentation does not change reality.

My error in not fully understanding the payment process created the confusion. I attached a worksheet that I prepared to help me understand the process and the differences in discounting methods. Again, my apologies to staff for the extra time spent on this issue. Please share this apology with other Board members.

Dave

Attachment: EARLY PAYMENT OF EMPLOYER CONTRIBUTIONS PROGRAM – 2018

Attachment: Three Ways to Calculate Sponsor Discount

From Jayne Ritchie

- **OC Contract Cities Rebuke County Supervisors Over Spiraling Sheriff Costs**
<https://voiceofoc.org/2017/09/santana-oc-contract-cities-rebuke-county-supervisors-over-spiraling-sheriff-costs/>

From Molly Murphy

Email from Molly Murphy to OCERS Board Member - September 01, 2017 -

Board Members,

In light of the devastating natural disaster occurring in Texas currently, I would like to provide a preliminary update to the Board on how this may impact the OCERS investment portfolio. I expect to continue to gather data as events unfold and will bring additional updates as we learn more.

At present, we do not believe that any of OCERS' private energy investments have been directly impacted. Obviously, the Houston area refinery disruptions may have an impact on short-term supply and oil and gas prices may move, but we are not aware of any physical damage to any of our investment assets.

From a real estate perspective, we have very little exposure to the greater Houston area. To date, our managers have identified three properties that have had moderate water intrusion and all of our funds carry wind and flood damage insurance that is believed to fully cover damages to date. With a portfolio that contains hundreds of real estate investments and thousands of individual units, it is actually quite remarkable that the reported impact to our plan assets is so minimal.

Of course, the best news is that all of our investment partners have reported that their all of their employees are safe from the storm.

If you have any questions, please let me know.

Have a wonderful holiday weekend.

Sincerely,

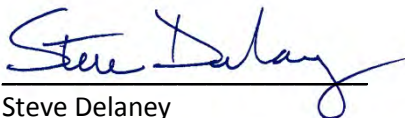
Molly A. Murphy, CFA
Chief Investment Officer

From Steve Delaney

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 July.
2. Monthly summary of OCERS staff activity, starting with an overview of key customer service as well as highlights and updates for the month of August.
3. Early Payment Of Employer Contributions Program – 2018 Memo
4. PDF - Pensions' reliance on volatile equities raises concern article – from Shari Freidenrich
5. Actuarial Assumption Changes – Memo – from Steve Delaney
6. The Trendsetter: Christopher Ailman of CalSTRS – From Russell Baldwin

Submitted by:



Steve Delaney
Chief Executive Officer

Memorandum

DATE: August 25, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: OCERS ACTIVITIES AND UPDATES – JULY 2017

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 JULY 2017.

CUSTOMER SERVICE

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

HOW DO I CHANGE MY BENEFICIARY ON FILE WITH OCERS?

Members are able to update nominated beneficiary information via the Member Self Service portal, myOCERS. Staff refer callers to the portal and guide them as necessary. Members may also update named beneficiary information by downloading the beneficiary change form from the OCERS website to complete and return, or we mail them the form. Once a member has retired, beneficiary updates cannot be made on certain payment options (Option 2, 3 and 4) as these payment calculations are actuarially reduced and consider the specific mortality information of the named beneficiary at the time of retirement.

WHAT IS THE WITHDRAWAL PROCESS, and WHAT IS THE TURNAROUND TIME?

Upon separation from OCERS covered employment, OCERS requires a written notice of separation 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

MEMBER SERVICE STATS FOR JULY 2017

Member Approval 98%

Unplanned Recalcs 2

Retirement Apps Received

| | |
|-------------------|------------|
| <i>July 2017</i> | 48 |
| <i>June 2017</i> | 65 |
| <i>May 2017</i> | 60 |
| <i>April 2017</i> | 47 |
| <i>Mar 2017</i> | 79 |
| <i>Feb 2017</i> | 107 |
| <i>Jan 2017</i> | 151 |
| <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 |

OCERS website 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 CHANGE MY DIRECT DEPOSIT ELECTION?

Direct deposit information can be updated through the member's myOCERS self-service account. They can also download the form from the OCERS website and submit by mail. Enhanced security procedures require OCERS to contact payees by telephone to confirm requests before a direct deposit is updated by staff in V3.

ACTIVITIES

A SAFE 4th OF JULY

The OCERS parking lot is known among local area residents as “THE” place to be on the 4th of July if you want wide open spaces to be setting off fireworks. Just ask our own Mr. Lee Fink, who happened to have grown up very close to here and would have been found on the OCERS’ property in his younger days setting off fireworks with the rest.

Concerned about the possibility of an accident among the revelers as much as a possible accidental fire on top of our building, I requested that Ms. Cynthia Hockless work with CBRE and secure our property for the 4th of July evening. At 5:00 p.m. on Tuesday, July 4, we sent out word to staff that it was time to exit the property, as we had brought in a security company that placed traffic barriers at each entrance to the OCERS parking lot. A single security guard was then hired to patrol the parking lot through the evening.

I am happy to report that there were no incidents, and contrary to all prior 4th of July events, we returned the following morning (July 5) to find the parking lot spic and span. In prior years you would have returned the following day to find the parking lot looked like a war zone.

My thanks to Ms. Hockless and the CBRE team in a coordinating a job well done.

OUTREACH TO PLAN SPONSORS

Ms. Jenike reports: On Wednesday July 12, the Member Services department held a Plan Sponsor meeting where we introduced the newest members of the OCERS Employer Payroll unit and discussed numerous aspects of bi-weekly transmittal processing including but not limited to: New Member Enrollment, analyzing transmittal processing reports, Pay Item code maintenance, Employer Self Service (ESS) user maintenance, and how earnable pay records impact a members retirement

benefit. Almost all of those invited attended the meeting including representatives from the County Audit Controllers office, Public Law Library, OCERS, TCA, San Juan Capistrano, Sanitation, OCFA, IHSS and the Cemetery District. Moving forward, the Member Services Employer Payroll Unit plans to meet with our Plan Sponsors either annually or bi-annually for ongoing training and education. We also invited the attendees to a working lunch where we reviewed member accounts in V3 so that they could visually see the impact the transmittal has to member accounts. The majority of the participants stayed for lunch and there were a number of extremely good questions raised showing that they understood how their payroll work affects member's ultimate retirement benefits

EXECUTIVE MANAGEMENT SEMI-ANNUAL OFF-SITE WORKSHOP



(Missing from the foto, but present at the meeting: Robert Kinsler, Jenny Sadoski, and David James).

Every six months the OCERS executive management team goes off site to work on long term projects. On July 28 we met once again at Santiago Park (which is where we have been going now for over ten years), which kindly allows us to use their meeting space at no charge. Great work was accomplished in the full day session. We completed the OCERS Vision and Values statement that you the Trustees just adopted this past Monday. We also did a major revamp of the multi-year strategic plan document, and the 2018 business plan, both of which will be previewed with the Board at your September 14 Strategic Planning Workshop session.

OCERS YEAR IN REVIEW MEETINGS

OCERS annual “YEAR IN REVIEW” meetings with our primary stakeholder groups continued into the month of July:

LAFCO (July 18) Ms. Suzanne Jenike and Ms. Brenda Shott held this meeting in my absence. Though our smallest employer, the LAFCO team has always stayed very

connected with OCERS, sending a rep regularly to our monthly OCERS Financial Update Meeting.

SAN JUAN CAPISTRANO MANAGEMENT UNION (July 26 a.m.) Ms. Jenike, Ms. Shott and I all participated in this meeting, as the entire executive team of this labor group drove from San Juan Capistrano (our only city) to meet with us at OCERS headquarters. A good meeting, the city is doing well considering many of its long term executives have left over the past year or so.

ORANGE COUNTY FIRE AUTHORITY (July 26 p.m.) Later that same day, I joined Ms. Jenike and Ms. Shott in driving over to the Orange County Fire Authority and meeting with Ms. Lori Zeller, Tricia Jakubiak, and several other members of their management and finance team. A good interaction as always, we spent some time discussing the expedited payment plan OCFA has in place to deal with that agency's UAAL.

UPDATES

INVESTMENT DEPARTMENT UPDATE

Mr. David Beeson, OCERS Investment Analyst, provides a report on July activities:

At the July 27th Investment Committee meeting, staff presented the portfolio activity for the month of June. The portfolio year-to-date is up 7.1% net of fees, while the one-year return is up 13.1%. The fund value now stands at \$14.5 billion. Meketa and OCERS' CIO, Molly Murphy, presented a core fixed income asset class review. The Committee approved a new structure for the core fixed income sub-asset class consisting of 60% to core fixed income, 20% to core plus fixed income, and 20% to Treasury inflation protected securities. The Committee also voted to reclassify PIMCO and Loomis Sayles unconstrained bond strategies to the credit sub-asset class, terminate CQS and Tricadia from the credit sub-asset class, and trim Loomis Sayles conservative high yield strategy to a benchmark neutral weight within credit.

In other activities during the month, OCERS' staff transitioned assets from Franklin Templeton (global equity) to the U.S. equity index strategy, the non-U.S. equity index strategy, and two active emerging market equity managers (Acadian and City of London).

JULY STAFFING UPDATE

Ms. Hockless provides a report on July staffing activities:

The Administrative Services staff tested 150 applicants for the vacant Staff Assistant position. We are scheduled to conduct interviews for the position the first week in September. Additionally, we received a resignation from the Secretary II assigned to the Legal

department. She had accepted a promotion with the Fullerton School district and left OCERS in early August. Also departing is an Investment Officer who accepted a promotion with the Los Angeles County Retirement Association (LACERA). He left in early August as well. The Administrative Services team is working with the department heads to create recruitment plans that can quickly fill these key positions.

We continued to work on the Workforce Analysis with our consultant, Management Partners. All employees were tasked with completing a workload survey to measure the amount of work they are assigned. Management Partners also conducted two focus group meetings to engage staff in a structured conversation regarding their workloads and their beliefs regarding their greatest workload drivers. The employee responses will be part of the final analysis and a report will be presented to the Board in November. The analysis is designed to review OCERS' existing staffing model, including its organizational structure, staffing levels and employee classifications. The study will identify possible changes to the staffing model and labor demands. The project is scheduled to be completed in early October.

As of July 31, 2017 (Y-T-D), a total of six employees left OCERS employment (three voluntary resignations, one automatic resignation, one transfer to the County and one probationary release). We have two pending resignations scheduled for early August (Legal Secretary II and Investment Officer), the total number of vacancies will increase to eight. July's annual turnover rate is rounded to 8%. This is calculated by dividing the number of employees that left the agency by the number of employees on payroll. OCERS has a total of six vacancies. Of the 80 budgeted positions (28 OCERS Direct and 52 County positions), 74 positions are filled (this number does not include early August departures).

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

| Position Type | Position Title | Department | Comments |
|----------------------|--|-------------------|---|
| OCERS | Member Services Business Analyst | Member Services | New position (pending open date) |
| OCERS | Investment Officer | Investments | Vacant early August, Open mid-August |
| County | Legal Secretary | Legal | Vacant early August, Open mid-August |
| County | (2) Sr. Retirement Program Specialist | Member Services | Open mid-August |

| | | | |
|--------|-------------------------|------------------------------------|----------------------------|
| County | Staff Assistant | Administrative Services Department | Interviews September 6 & 7 |
| County | IT Business Analyst | Information Technology | Will open August 14 |
| County | Retirement Investigator | Disability | Open date TBD |



As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the consent agenda for the October 16 meeting of the OCERS Board of Retirement.

Memorandum

DATE: September 26, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: OCERS ACTIVITIES AND UPDATES – AUGUST 2017

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 AUGUST 2017.

CUSTOMER SERVICE

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

HOW DO I UNLOCK MY MEMBER PORTAL ACCOUNT?

When members attempt logging into their member portal account, sometimes they are locked out as they enter invalid information. After three attempts, they are forced to contact staff in Member Services to assist them. After identification is verified, staff can unlock the account and walk the member through the process until they are logged back in.

WHAT ARE MY PAYMENT OPTIONS IF I WANT TO PURCHASE SERVICE CREDIT?

OCERS offers several payment options to purchase service. Active members can utilize payroll deductions - the payment period is based on the type of service purchased. Other payment methods are rollovers from qualified plans and personal checks - or a combination of both. V3 allows multiple payment sources, so we've seen an increase in the number of rollovers used for one service purchase. (Example: one member's cost was \$100k, and he used 5 rollovers to pay for it - he purchased almost 10 years of service.)

MEMBER SERVICE STATS FOR AUGUST 2017

Member Approval 96%

Unplanned Recalcs 3

Retirement Apps Received

Aug 2017 **69**

July 2017 **48**

June 2017 **65**

May 2017 **60**

April 2017 **47**

Mar 2017 **79**

Feb 2017 **107**

Jan 2017 **151**

Dec 2016 **62**

Nov 2016 **64**

Oct 2016 **53**

Sept 2016 **45**

Aug 2016 **61**

July 2016 **62**

WHAT IS THE ADVANTAGE OF ESTABLISHING INCOMING RECIPROCITY?

As OCERS uses age based contribution rates, one of the advantages of incoming reciprocity is using the age of entry from a previous retirement system. To qualify the member must have transferred between retirement systems no longer than 180 days. If their entry date with the other system is on or before 12/31/2012, they are able to enter legacy plans at OCERS. Once reciprocity is established, the reciprocal service credit is added to their account which counts towards retirement eligibility with OCERS. Another benefit of reciprocity is sharing salary upon concurrent retirement.

PHONE STATS

| DATE/S | QUEUE | DIRECT TO EXTENSION | TOTAL CALLS TO MS (Queue + Direct) |
|---------------|--------------|----------------------------|---|
| August 2015 | 983 | 1878 | 2861 |
| August 2016 | 984 | 3489 | 4473 |
| August 2017 | 1548 | 2939 | 4487 |

ACTIVITIES

V3 SECURITY - MSS PORTAL

At the end of August, the redeveloped member self-service portal, myOCERS, was implemented in V3. Members who were not already registered for the portal received a letter communicating their PIN number; 29,000 letters were mailed. PIN's are now required to log into the portal - this is part of our ongoing security enhancements. Portal enrollment as of today is 19,318. At the time we went live with V3 and were using our in-house developed portal, the MIC (Member Information Center) had 22,000 users. New registrations continue and have impacted telephone calls which we'll see in September. The mailing also produced hundreds of returned letters, mostly from deferred members who don't keep in touch. Staff will research and update addresses as appropriate.

OCERS YEAR IN REVIEW MEETINGS

With one last meeting in August, we wrapped up the 2017 edition of our annual "OCERS YEAR IN REVIEW" outreach meetings.

On August 22, Ms. Jenike and I met with ASCME representative Ms. Donna Metcalf, who represents the majority of the Orange County Transportation Authority employees. Ms. Metcalf has been at her post for more than a decade, so we know her well and have been very appreciative of the open cooperative relationship that she maintains with OCERS administrative staff. With her local president

also in attendance, we had an informative exchange. They are very happy with the services their members are receiving from OCERS.

SUMMER BUILDING PICNIC

On August 24, CBRE Management hosted a summer picnic for all tenants at the OCERS headquarters building. Setting up in the front parking lot, they offered a great round of burgers and drinks from the award winning “Habit Burger Grill”. Perfect weather and a great time for all to mix and enjoy.



BOYSTOWN LEAVES OCERS THIRD FLOOR

In early August we learned that our largest tenant on the third floor of the OCERS headquarters building – Boys town, was being closed down. Their mid-west headquarters was retrenching and pulling their people out of the Orange County office. We still have a lease agreement with Boys town

through CBRE, and we understand that Boys town is actively searching for a tenant to sublease from them.

In the meantime, the OCERS management team toured the now empty (but still furnished) Boys town offices on August 24, as we are facing space shortages of our own, and may want to take back a portion of the Boys town leased space. Ms. Shott mentioned this briefly during the recent Strategic Planning Workshop, as we outlined the possibility of looking in 2018 to upgrade the present building, or alternatively, research a new building elsewhere.

UPDATES

AUGUST STAFFING UPDATE

Ms. Hockless provides a report on August staffing activities:

As summer draws to a close and the fall season quickly approaches, the Administrative Services Department continues to fill vacancies throughout the agency. In early August, we completed the off-boarding of the Secretary II in the Legal department and Investment Officer in the Investments division. Testing was completed for the Staff Assistant and interviews are scheduled for early September. Other recruitment activity included opening the Investment Officer position and reviewing applications for the IT Business Analyst position. Interviews for this position will take place on October 5, 2017. At the August 21 Board meeting, the Board approved to upgrade the Legal Secretary to an Executive Secretary I. Additionally, the department continued to work on the Workforce Analysis led by our consultant, Management Partners. Management Partners is currently conducting their analysis of the agency's workforce and is scheduled to present their findings to the Executive team in September and to the full Board at the October board meeting.

As of August 31, 2017, a total of eight employees left OCERS employment (five voluntary resignations, one automatic resignation, one transfer to the County and one probationary release). The year-to-date annual turnover rate is rounded to 11%. This is calculated by dividing the number of employees that left the agency by the number of employees on payroll. OCERS turnover rate is slightly higher because we are not fully staffed. OCERS has a total of eight vacancies. Of the 80 budgeted positions (28 OCERS Direct and 52 County positions), 72 positions are filled.

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

| Position Type | Position Title | Department | Comments |
|----------------------|-------------------------------------|-------------------|---------------------|
| OCERS | Member Services Business Analyst | Member Services | Open late-September |

| | | | |
|--------|---|------------------------------------|--------------------------------|
| OCERS | Investment Officer | Investments | Open |
| County | Executive Secretary I | Legal | Open date TBD |
| County | (2) Sr. Retirement Program Specialist | Member Services | Open late-September |
| County | Staff Assistant | Administrative Services Department | Background Check/Pending Offer |
| County | IT Retirement Programmer/Business Analyst | Information Technology | Interviews October 5, 2017 |
| County | Retirement Investigator | Disability | Open date TBD |



As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the consent agenda for the October 16 meeting of the OCERS Board of Retirement.

Memorandum

DATE: August 7, 2017
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations and Molly Murphy, CIO
SUBJECT: EARLY PAYMENT OF EMPLOYER CONTRIBUTIONS PROGRAM - 2018

Recommendation

Approve the terms of a prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 2018 through June 2019.

Background

On July 17, 2017 Government Code Section 31582 was amended by the passage of SB 671 which was introduced by Senator Moorlach. This section of the Government Code relates to county's employee retirement contributions. The amended Government Code Section 31582 (b) and (c) (the Code) states (recently enacted changes to the Code are highlighted for information purposes only):

(b) "The board of supervisors may authorize the county auditor to make an advance payment of all or part of the county's estimated annual contribution to the retirement fund, provided that the payment is made **not later than within** 30 days after the commencement of the county's fiscal year. **This subdivision does not prevent the board of supervisors from authorizing the county auditor to make an advance payment for the estimated annual county contributions for an additional year or partial year if the advance payment is made no later than 30 days after the commencement of the county fiscal year for which the advance payment is made.** If the advance is only a partial payment of the county's estimated annual contribution, **remaining** transfers ~~from the appropriation~~ to the retirement fund shall be made at the end of each month or at the end of each pay period until the total amount **estimated** required for the year is contributed. **This amount** Transfers shall be adjusted at the end of the fiscal year to reflect the actual contribution required for that year.

(c) A district subject to Section 31585 may also authorize an advance payment of all or part of the district's estimated annual contribution to the retirement fund, provided that the payment is made **no later than within** 30 days after the commencement of the district's fiscal year. **This subdivision does not prevent the governing body of a district from authorizing the district to make an advance payment for the estimated annual district contributions for an additional year or partial year if the advance payment is made no later than 30 days after the commencement of the district fiscal year for which the advance payment is made.** If the advance is only a partial payment of the district's estimated annual contribution, ~~transfers payments from the appropriation~~ to the retirement fund shall be made at the end of each month or at the end of each pay period until the total amount **estimated** required for the year is contributed. **This amount shall be adjusted at the end of the fiscal year to reflect the actual contribution required for that year."**

In connection with the Code, OCERS has annually offered plan sponsors the opportunity to receive a discount on their employer contributions if they paid their contributions early with a lump sum payment. The program dates back to Fiscal Year 2005-2006, and is brought back to the Board annually for consideration on the program terms to offer for the next year. Timely consideration of the program is

appropriate now, in order to give plan sponsors adequate time to plan funding for a lump sum payment in January, should the plan be approved for the upcoming contribution year.

Plan sponsor interest in such a program remains high as eleven of the thirteen plan sponsors with active members elected to prepay contributions of \$468M for Fiscal Year 2017-2018 (Superior Court and OCERS are the two employers who do not participate). An early payment program is primarily a tool for plan sponsor budget management, rather than a long-term funding technique for the system. Prepaid contributions allow OCERS to deploy cash on a more concentrated basis; however, they also increase OCERS' internal cash flow and short-term cash overlay portfolio risk, and challenge the efficiency of dollar cost averaging during periods of volatile markets. The Board approved revised program provisions in 2014 (for FY15-16) which reduced investment related risks. Specifically, the discount rate offered to the plan sponsors for prepaying their contributions was reduced from 7.25% down to 5.8% (which equates to a 20% rate reduction from the actuarial assumed rate of return). The rationale behind the reduced rate primarily centers around the theory that during "ripe, full-value market periods" in which most stock indexes are trading at levels materially above the prior market-cycle peak with valuation metrics above historical averages *and* the national real per capita GDP materially exceeds the prior business cycle peak the Board should enact a risk-reduction policy by reducing the prepayment discount rate. Based on the market conditions in 2015, the Board again approved the same discount rate of 5.8% in for FY16-17, and reduced the discount rate to 4.5% for FY17-18.

Discussion

Prepayment Discount Rate

Employer contributions rates are calculated by the System's actuary in the annual actuarial valuation assuming that contributions are collected in installments between July and June of the employer fiscal year for which the rates are effective. Since that means they are received, on average, at the middle of that fiscal year, the actuary determines the rates assuming that the contributions will earn only one-half of the investment return assumption (currently 7.25% per year) during the fiscal year they are contributed. If instead, for example, an employer pays all estimated employer contributions in July, at the beginning of the fiscal year when installments were assumed to have begun, it would be appropriate to provide a half-year of interest credit because the contributions will be in the fund generating investment income for (on average) an additional one-half year. For purposes of this program we have termed this interest credit as a "prepayment discount".

The annual rate used for applying a prepayment discount has generally been the annual assumed rate of return used in the applicable actuarial valuation for the system (as this is the rate that the actuary used when calculating the contribution rate). The practice surrounding prepayment of contributions varies across the '37 Act Systems as many systems have recently made changes to how they administer their programs. Many of the systems use their assumed rate of return as a prepayment discount, however, there are a few systems (Tulare and Fresno) that use a fraction of the assumed rate ($\frac{1}{2}$ and $\frac{1}{4}$) and a several (Kern, Sonoma, Marin, Santa Barbara and San Joaquin) that do not provide any prepayment discount. San Bernardino recently approved a 50 basis point trading cost charge which reduces their assumed rate of return which is used as the discount rate offered for their program. The actual discount amount provided to the plan sponsor is calculated as a function of both the annual rate and of when OCERS receives payment of the contributions (discounted cash flows). For example, as noted above, payments received in July would be discounted using one-half the annual assumed earnings rate in the discounted cash flow calculation because from an actuarial perspective OCERS would have been assumed to earn on average one-half year of additional investment income at the assumed earnings rate on contributions received during the period. Prepayments of contributions made in January (which has been the practice at OCERS), six months prior to the beginning of the contribution year, would be discounted using the full annual assumed rate of return because the prepaid contributions would be on deposit for an additional six months

and so, on average, would be received a full year earlier than if paid in installments during the contribution year.

From an actuarial perspective, the prepayment program, as originally designed (using the assumed rate of return as the discount rate for prepayment of contributions), resulted in equivalent mathematical funding into the system. As described above, normally, the employer and the members make their contributions to OCERS at the end of every pay period. For that reason, in the actuarial valuation, the actuary determines the contribution rates by assuming contributions will earn only about one-half year of interest during the year they are contributed, to account for the collection of the contributions, on the average, at around the middle of the year. That interest calculation is done using the long-term investment return assumption, currently 7.25%. (The actuary also adds interest to account for the 18-month delay in implementing rates from the date of the valuation to the beginning of the following fiscal year.) As such, if the employer were to make its contributions at the beginning of the fiscal year (or earlier), it would be actuarially neutral to provide an interest credit calculated at the same 7.25% per year that is built into the contribution rates.

From an investment perspective, the prepaid contributions are invested in a derivatives overlay program that will synthetically replicate the OCERS' asset allocation strategy, thus ensuring that all funds are immediately participating in global markets. As benefit payments are paid and investment opportunities are funded, the dollars invested in the overlay program will be drawn down throughout the year. While the prepayment program should not introduce any additional risks to achieving long-term investment assumption of 7.25%, the prepayment program does present a market timing risk with prepaid contributions coming in one lump sum rather than in installments throughout the year that can then be invested into the market using a dollar cost averaging methodology. This risk should be tolerable in the long-term but should be recognized in the short-term.

According to OCERS' investment consultant (Meketa), OCERS' current asset allocation model has a 57% probability of achieving a long-term return of 7.25%. In setting a discount rate specifically for the prepayment program, OCERS seeks to achieve a very high probability that investment returns will meet or exceed the discount rate so as to not increase the overall unfunded liability. Using the current prepayment program discount rate of 4.5%, Meketa has determined that the probability that long-term investment returns will meet this rate is 88%. OCERS' Chief Investment Officer, Molly Murphy, has reviewed the prepayment program and has agreed that 4.5% is an acceptable discount rate for FY 18/19.

Calculation of prepayment amount

There are several factors needed to calculate the discounted prepayment amount when contributions are paid early. Projected payroll amounts are the starting point for calculating the prepayment amount and are provided by plan sponsors for each rate group or plan they participate in and are prepaying contributions. The projected payroll amount (as estimated by the plan sponsors) is multiplied by the employer's contribution rate for the applicable rate group. Per the Code, only employer contributions paid by the employer and credited to the employer's account (not the employee's account) are eligible for the discount. More specifically, reverse pick up arrangements whereby employees pay a portion of the employer's required contribution and employer pick up arrangements whereby employers pay a portion of employee's required contribution are excluded from the prepayment discount program. The resulting product is then divided by one plus the discount rate.

OCERS' staff compares the projected contribution amount to actual contributions throughout the period in order to ensure that the annual required contribution is collected.

Any investment variation caused by the timing of the contributions becomes a part of the normal actuarial valuation process – i.e., rates for the future will rise and fall based on the assets in the system. Therefore, no adjustment of the early contribution payment is made on the basis of actual returns during the year.

Minimum Amount to participate

In addition to identifying an appropriate discount factor the Board has also adopted plan provisions that define the minimum prepayment amounts and established contribution payment time frames. The previously adopted polices required that employers prepay at least 50% of the estimated annual contribution in order to be eligible for the discount and established that prepaid contributions be received prior to either January 16th or July 16th.

Conclusion:

Staff recommends that the Board approve an early payment discount on employer contributions paid by the employer for contribution year July 2018 through June 2019 with the following terms:

- a) Use a discount rate of 4.5% when calculating the present value of discounted cash flows if payment is received by January 16, 2018 or 2.25% if payment is received after January 16, 2018 but before July 16, 2018
- b) Contributions not paid early must be paid pro rata over the year with no discount being credited
- c) OCERS’ staff will compare the payroll estimates used to calculate the prepayment amount for each participating plan sponsor to actual payroll each pay period. Should actual payroll be 5% greater than estimated payroll for four consecutive pay periods, the plan sponsor will be required to pay additional contributions each pay period for the additional salary above the projected salary used to calculate the prepayment (no discount would be applied to the additional amount)
- d) Plan sponsors that have more than one plan or rate group are required to provide the estimated pensionable salary separately for each plan or group
- e) Only employer contributions paid by the employer are eligible for the prepaid discount program (employee pick-ups and reverse pick-ups are ineligible)
- f) The application of the prepayment of contributions will be applied to pay periods 2018-15 through 2019-14
- g) OCERS will reconcile the prepaid contributions to the actual contributions at the end of the contribution year. Any overpayments will be made available to either apply to the following year’s prepayment of employer contributions or to the current year’s bi-weekly employer contributions (Note: overpayments cannot be applied to employee contributions). Any under payments will be collected from the employer.

Submitted by:

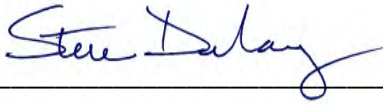


Brenda Shott
Assistant CEO, Finance and Internal Operations



Molly A. Murphy, CFA
Chief Investment Officer

Approved by:



Steve Delaney

Chief Executive Officer

Three ways of calculating the Sponsor discount at the same discount rate using 12 n

Discount Rate **4.50%**

First Method - 18 mos discount period using PV formula - Uneven Paymei

| | | | | | | | | | | |
|-------------------------|-----------------|---------------|---------|------------|------------|------------|------------|----------|------------|-------------|
| Sum of PMTs | \$ | 12,000 | | | | | | | | |
| # PMTs per year | | 12 | | | | | | | | |
| Periods = n | \$ | 18 | | | | | | | | |
| PMT/Period | \$ | 1,000 | | | | | | | | |
| 18 month cycle | | end of period | | | | | | | | |
| Rate/PMTs per year | | 0.375% | | | | | | | | |
| PMT | | | 0 | 0 | 0 | 0 | 0 | 0 | \$ 1,000 | \$ 1,000 |
| N=18 | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Factor*1 | | | 1.00375 | 1.00751406 | 1.01129224 | 1.01508459 | 1.01889115 | 1.022712 | 1.02654717 | 1.030396717 |
| Discounted Value | \$11,452 | | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 974.1394 | 970.5000 |
| Discount/Face | 4.56% | | | | | | | | | |

OR

Understanding there are three six month discount periods. One could compute the second two periods using the normal discounting method. This result: The \$11,713 now needs to be discounted forward for the final six month period. Since the discount is for six months, use 1/2 of the annula discount, or 2.25%. Using the formula $PMT * (1 / (1 + Disc)) = \$11,713 * (1 / (1 + .0225)) = \$11,713 * .978 = \$11,455$ Or use $PMT / (1 + Disc)$
 The effects of compounding causes the minor differences.

Second Method - 18 mos discount period using OCERS/Segal shortcut one

| | | | | |
|-------------------------|-------------------|-----------------------------|----|--|
| Sum of PMTs | \$12,000 | | | |
| Discounted Value | \$11,483.3 | Total Payments*(1/(1+Disc)) | OR | Discount the contract payment stream for one year and th |
| Discount/Face | 4.31% | | | Two step process: PV 12 PMTs = \$11,712.55 |

Third Method - 12 mos discount period - 12 even payments over one year

| | | | | | | | | | |
|-------------------------|-----------------|-----------|------------|------------|------------|------------|------------|------------|-------------|
| Sum of PMTs | \$12,000 | | | | | | | | |
| # PMTs per year | 12 | | | | | | | | |
| Rate/PMTs per year | 0.375% | | | | | | | | |
| PMT | | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 |
| Periods - n | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Factor | | 1.00375 | 1.00751406 | 1.01129224 | 1.01508459 | 1.01889115 | 1.022712 | 1.02654717 | 1.030396717 |
| Discounted Value | \$11,713 | 996.26401 | 992.541978 | 988.833851 | 985.139577 | 981.459106 | 977.792384 | 974.139362 | 970.4999866 |
| PV Using Fx | \$11,713 | | | | | | | | |
| Discount/Face | 2.40% | | | | | | | | |

Uneven PMT discounting

PV Factor - Beginning $(PMT/((1+disc)^0)) + (PMT/((1+disc)^1)) + (PMT/((1+disc)^2)) + (PMT/((1+disc)^3)) + \dots$ for n periods

*1 - PV Factor - End $(PMT/((1+disc)^1)) + (PMT/((1+disc)^2)) + (PMT/((1+disc)^3)) + \dots$ for n periods

monthly pay

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[The Latest \(1/5\)](#)

Pensions' reliance on volatile equities raises concern

By Kyle Glazier

Published September 07 2017, 2:32pm EDT

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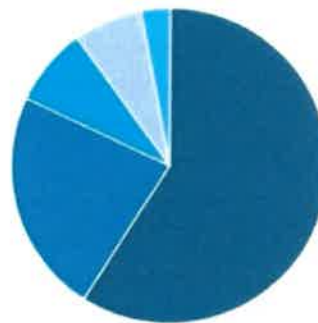
Share

PHOENIX - Public retirement plans are walking a tightrope with high-yield return strategies, Moody's Investors Service said.

Volatile investments

State and local government pension plan investments by asset class, Q1 2017

- Corporate equities, 59%
- Debt securities, 23%
- Mutual fund shares, 8%
- Deposits, MM fund shares, 3%
- Other, 7%



Source: Board of Governors of the Federal Reserve System

In a report published Wednesday and authored by analysts Thomas Aaron and Timothy Blake, Moody's said the investment returns public pensions rely on are heavily-invested in volatile asset classes and that the risks of credit-significant losses are increasing as a result.

"After weak returns for the fiscal years ending June 2015 and 2016, U.S. public pension plans are reporting favorable investment returns as of June 2017," Moody's said. "These returns are welcome news for sponsoring governments, but attaining those returns required investment in assets that carry substantial risk of losses. The California Public Employees' Retirement System, which is the largest U.S. public pension system, has reported an 11.2% investment return for its fiscal year that ended June 30, 2017. Its better-than-assumed results were driven most significantly by 19.6% public equity returns, an asset class that comprises just under 50% of the system's entire investment portfolio."

Equities carry a much higher risk than do fixed-income investments, which made up a smaller fraction of CalPERS' investment returns. CalPERS projects that equities and real estate carry single-year volatility risk of 12% - 15%, compared with only 6% for fixed-income.



County of Orange

County Executive Office

September 18, 2017

Members of the Board of Retirement
Steve Delaney, Chief Executive Officer
Orange County Employees Retirement System
2223 East Wellington Ave. Ste 100
Santa Ana, CA 92701

RE: Actuarial Assumption Changes

Dear Board Members and Mr. Delaney:

On October 16, 2017, the Orange County Employees Retirement System (OCERS) Board will consider changes to the actuarial assumptions currently used including a change in the assumed rate of return, which will establish retirement contribution rates effective July 1, 2019.

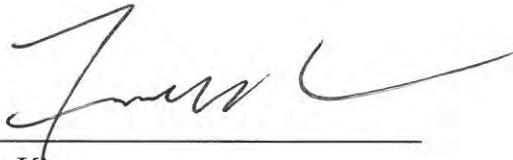
On September 13 and 14, 2017, OCERS conducted its annual Strategic Planning Workshop. At the Workshop, Paul Angelo, Segal Consulting, indicated his support for Recommendation B. Recommendation B would change the assumed rate of return from 7.25% to 7.00%, adjust price inflation from 3.00% to 2.75%, and implement the use of generational mortality tables. These changes are proposed to more closely align the actuarial assumptions with actual experience to accurately estimate the cost and liabilities of the pension plan to ensure adequate funding is maintained and avoid the unintended consequence of future increases to the unfunded actuarial accrued liability (UAAL).

The County concurs with Mr. Angelo's support of Recommendation B, acknowledging the need to ensure the financial security of the retirement system and the avoidance of increases to the UAAL. The County considers Recommendations A and C to be overly conservative. During a presentation to the OCERS' Board at the Workshop on September 13, the County's Chief Financial Officer, Michelle Aguirre, indicated the County's concurrence with the need to adjust actuarial assumptions to more closely reflect actual experience; however, consistent with Ms. Aguirre's request at the Workshop, the County


respectfully requests a two to three year phase-in of the impact to provide time for the impact to be absorbed without negatively impacting the County's ability to provide critical health and safety programs to the community.

Should you have questions or require additional information, please do not hesitate to contact us at (714) 834-6200 and (714) 834-4304, respectively.

Respectfully,



Frank Kim
County Executive Officer



Michelle Aguirre
Chief Financial Officer

cc: Members, Board of Supervisors
Lisa Bohan-Johnston, Director, County Budget Office
Jaime Martinez, County Budget Office

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INTERVIEW

The Trendsetter: Christopher Ailman of CalSTRS

Christopher Ailman, who oversees investments for the CalSTRS pension fund, sees opportunities in Europe and problems in the investment industry.

By [RESHMA KAPADIA](#)

September 25, 2017



"If you didn't use 'ESG' and instead asked investors if they care about material, long-term business risks, people would say yes." —Christopher Ailman *Martin Klimek for Barrons*

Christopher Ailman has transformed the California State Teachers' Retirement System from a sleepy pension fund into a \$214 billion institutional-investing juggernaut. Since joining CalSTRS in 2000, Ailman has proved himself willing to lead the charge on many hot-button issues: He was early among pension managers to invest more aggressively in overseas stocks and alternative investments, and has long been a promoter of low-fee, passive investing, and shareholder activism.

As manager of the second-largest U.S. pension fund, Ailman, 59, faces the same challenges as retirees—he can't settle for low growth but must protect principal. Tasked with steering an underfunded pension in a market of low returns and pricey assets, the gregarious Californian has tapped his network of the world's biggest investors to source investment ideas, investing in alternatives such as private equity and infrastructure. He has used CalSTRS' heft to crusade against high fees—70% of the fund's U.S. stock allocation is now in passive strategies—and wider adoption of investment analysis that uses environmental, social, and governance, or ESG, criteria.

The fund, which has seen assets increase 86% since Ailman took over, returned 13.4% in its past fiscal year, ended in June, beating a custom benchmark that accounts for its mix of assets. Over the past 20 years, the fund has averaged a return of 6.9%—just shy of California's recently revised 30-year target return of 7% for the fund, starting in fiscal 2018. *Barron's* spoke with Ailman from his Sacramento office to learn where he's finding opportunities for the retirement assets of 914,000 California teachers, why some CEOs are giving him pushback, and what he thinks about the investment industry's stubborn diversity problem.

Barron's: *Lets start with stocks, which make up about 55% of the fund's total assets. What's your outlook?*

Ailman: The U.S. market is priced for perfection, with a lot of expectations for future earnings growth built in. We aren't sure you are going to see that type of growth. Second-quarter earnings came with some disappointments, not as many surprises on the upside, and quite a few cautionary comments from CEOs. We aren't saying it's a recession; when the economy is in the late stages of growth, it can stay in this mode for as long as two years. But the upside is somewhat limited versus downside risk.

Does that mean you're scaling back on U.S. stocks?

We were overweight U.S. equities for the better part of a decade. We have been shaving profits as the market goes up. We are now in a much more neutral position, U.S. stocks are currently 54% of our global equities portfolio, down from 65%. By taking off our overweight to the U.S., we have been natural buyers of foreign stocks. We are overweight Europe, and increasing exposure there. We started a position in emerging markets about a year ago that has worked out well. We had been overweight Japan, but it has been stagnant and a challenge for everybody, so we are more neutral. We have also increased our allocation to cash, to 2.8%—our normal target is 1%. And we're increasing our exposure to other areas that aren't as linked to global gross domestic product and will hold up—or at least do less poorly—if we get a recession.

Where do you find that type of downside protection?

For the past 30 to 40 years, the common wisdom has been that diversification reduces risk, and the main diversifying asset has been fixed income. With interest rates in the U.S. at 200-year lows and negative interest rates elsewhere in the world, you can't say fixed income is a diversifier. If you loaded up your fixed-income allocation with emerging markets, high-yield, and [corporate] credit, you have high correlation to global GDP—and it isn't the diversifier you think. We had 80% in equities and 20% in bonds. Now, our fixed-income allocation is 14%, but there's another 6% in risk-mitigating strategies like those based on momentum or global macro hedge funds.

CalSTRS is paying out more in benefits than it is getting in contributions. How does this affect your strategy?

The pension started in 1913, which makes it older than Social Security. We are at the leading edge of [pension] peers in hitting that mature phase. You have to be much more tactical and clever about your rebalancing, because you are trying to constantly raise cash. It affects the amount we can allocate to illiquid investments. We have to be more cautious because a short-term dip for us takes a while to recover from and it hurts more. It's like when you are 20 and fearless; even if you are injured, you can get back on your feet in a day, but when you are 55 or 60, you are more cautious because it takes longer to recover.

Yet, like many pensions, CalSTRS has moved into illiquid assets. Are you rethinking that allocation?

We are able to put money in illiquid assets because we are long-term investors. When I got here, the fund had less than 10% of the portfolio in illiquid investments. Initially, we thought we could go up to a third and maybe even higher. But now with negative cash flows, one-third is the hard limit. We have 25% today. Since 2008, stocks have done extremely well and illiquid investments have struggled, but we have made a handsome return in real estate. We are still looking at non-U.S. real estate. We also continue to expand our infrastructure portfolio. It isn't going to generate double-digit returns, but will give us the long-term stable cash flow that is valuable to us.

What about private equity?

We have lowered our expectations for private equity, but we are still seeing our investments deliver excess return over stocks.

Valuations for private equity and real estate are both quite high.

In private equity, earnings before interest, taxes, depreciation, and amortization multiples are at nine or 10, back to 2007 levels. History has shown that when multiples are nine or higher in vintage years [when the first investments are made], there aren't great returns. That doesn't mean you don't invest. If we are committing money to a general partner now, they have four years to put it to work and we have told them to be more patient. We don't want to chase prices. It's the same in real estate. Gateway cities like New York, London, and Hong Kong are priced at 2007 levels.

So why invest there at all?

People have lost track of the fact the world is awash in long-term capital. Despite having a home-country bias to Japan, my friend Hiromichi Mizuno, who runs Japan's \$1.4 trillion pension fund, has more invested in U.S. equities than we do, and at some point he is going to want to do illiquid investments. Twice after I left private meetings, who was sitting outside waiting to go in? Saudi Arabia's sovereign wealth fund. I'm talking about investing \$500 million to \$1 billion; they are talking about \$10 billion to \$20 billion. That's going to keep prices elevated for a considerable period of time.

That's one reason some pensions are looking to invest directly, rather than through a fund. Are you looking at similar options?

We have had really good conversations with chief investment officers around the world to create syndicates or joint ventures, or to team up with each other, rather than bidding against each other. We are studying options this year. The goal is to deploy our capital more efficiently, which means at a lower fee, maybe with better control and transparency. If I have a 30-year horizon, I don't need to redeploy the capital every seven years at a new starting point [like private-equity funds]. We may be better off buying directly and holding for a long time.

What are the long-term themes you are investing in?

I'm looking for megatrends, because we are a big fund. Climate change, for instance, is right in front of us and will be around for a long time. It creates opportunities and risks in every asset class. For example, there are companies that needed to convert to natural gas but didn't want to hurt quarterly earnings to do it. There is an opportunity to take these companies private, so they can think long term and make changes that will pay off in a couple of years.

Environmental, social, and governance investing is getting a lot of buzz lately, but you have been doing this for decades. How do you define ESG?

Language gets in our way. If you didn't use "ESG" and instead asked investors if they care about material, long-term business risks, people would say yes. The problem we run into is that there are so many issues. And frankly, not all of them are material to every company. For example, I am concerned about carbon emissions and water waste at a utility, but may not be as concerned about diversity of their workforce. A technology company is all about people and their ideas, so I'm not as concerned about their physical plants, but am very worried about their people. We have to divide up the [criteria] to gauge if it can affect corporate earnings. If so, then we want disclosures on it so investors can make a decision.

What about shareholder activism?

We've had quiet negotiations with some companies for a long time, and it has been very slow—and quite frankly, frustrating. So we are being bigger and bolder in backing activist investors, and I get pushback from some CEOs. Our engagement, vocal or quiet, is an effort to improve returns. Often, companies get defensive with activist investors, but history has shown that companies have a higher value after engagement with activists—not the hedge funds that make the headlines but those that hold companies for three to five years. Over time, companies lose the eye of the tiger and get a little chubby. Activists refocus them.

That said, we aren't as supportive of activists that try to tell a company how to operate, because you can't run a company from a board seat. You need to hire the right management and hold them accountable.

You've moved heavily into index funds, but 30% of your U.S. stock portfolio is still invested with active managers. Why?

A big chunk of that is in enhanced index funds, which to the public may look passive, but they are based on certain factors.

Those indexes choose and weight stocks, based on criteria such as profitability, value, or momentum. Do you also invest with any stockpickers?

We also own a cadre of active managers. You still see inefficiencies in small- and mid-cap stocks, and in emerging markets, where all of our equity exposure is active.

But only a handful of [active fund] managers add value, and fewer do so after you pay fees. In the U.S., managers are running the risk of losing their social license to operate.

Because they don't earn their fees?

Managers need to provide a value, which means either price it right or produce better, bigger alpha [outperformance]—and I don't see that happening. If anything, alpha is diminished.

On that straight-talking note, what are the concerns that come up when you meet with other institutional investors?

Currency risk. We actively manage currency; 80% is managed internally as a defensive strategy and 20% is managed externally to shoot for excess return. Over the past two years, currency has had an enormous impact in our portfolios. The disparity and size of the move of central banks is just unprecedented. And then there's geopolitical risk and the uncertainty of leadership in the U.S. The risks are actually bigger than we have felt in the market in the past year.

Why do you think the market has been so calm in the face of these risks?

Part of it is that markets are more institutional than they were in even the early 1980s, and there is certainly more passive money. The Volcker rule has limited banks' trading desks, and people don't trade individual stocks as much.

About three-quarters of the teachers in your pension plan are women, and you have three daughters, but the investment industry has struggled with gender diversity. How are you trying to tackle it?

The numbers have gotten worse. We push the managers we work with to increase diversity. We work with business schools, because it is a pipeline challenge. We educate the industry about the language they use; even recruitment ads have unintended biases. There's the analogy of the guy throwing starfish back into the ocean. There are millions of them and you can't possibly save them all, and he says, I'm making a difference to that one. If we can get one or two women ahead in investment management, at least we have made a difference for them.

Thanks, Chris.

Email: editors@barrons.com

2 comments
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NEWEST OLDEST

Serta Baocho

6 days ago

Maybe he could give some tips to CalPERS!
CalPERS so desperate that they recently proposed/considered resuming investment in tobacco stocks.
[see <http://www.sacbee.com/news/business/article120601748.html>]

Flag Share
Like Reply

PHILLIP GROFF

10 days ago

Nice interview - Mr Ailman seems to have a good handle on a large situation!!!

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1 Like Reply

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I-2



Memorandum

DATE: October 3, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: HARASSMENT AND ABUSIVE CONDUCT PREVENTION TRAINING

Recommendation

Receive and file.

Background/Discussion

OCERS' Trustee Education Policy requires Trustees to completed two hours of harassment prevention training every two years. (Gov. Code 12950.1) Harassment prevention is in addition to the 24 hour education requirement set forth in Gov. Code 31522.8.

The Board previously completed this training in May 2016. This session will allow the Board to be current with the education requirement. The training will be presented by T. Oliver Yee from the law firm Liebert Cassidy Whitmore.

Attachment:

- 1) Bio T. Oliver Yee, Attorney Liebert Cassidy Whitmore

Submitted by:

A handwritten signature in blue ink that reads "Steve Delaney".

Steve Delaney
Chief Executive Officer



T. Oliver Yee

Partner | Los Angeles

oyee@lcwlegal.com

Tel: 310.981.2044

EXPERIENCE

Oliver provides representation and legal counsel to Liebert Cassidy Whitmore's city, county, special district, school and community college district, and public safety clients. His practice involves representing and advising clients on a variety of labor and employment issues including labor negotiations, personnel rules and policies, the Fair Labor Standards Act, laws and regulations of public employment retirement plans, unfair labor practices, employee grievances, leave and disability issues, and disciplinary actions.

Oliver is an experienced labor negotiator, having represented public agency clients as their chief negotiator in all aspects of the negotiations process, from the pre-negotiations planning phase up to and including impasse and fact finding. He has also successfully represented clients before the Public Employment Relations Board, and regularly provides advice and counsel on negotiations and labor relations strategy. In addition, Oliver regularly provides advice and counsel on retirement issues, and has successfully represented clients on appeals involving CalPERS and disability retirement determinations.

Oliver also specializes in providing audit services. He relies on his vast experience in labor relations and litigation to bring thoughtful and innovative review and analysis to the audit process. He is an author of the Liebert Model Personnel Policy Portal (LMP3), a set of model personnel policies for public agencies, and regularly audits personnel rules, administrative policies, and employee handbooks. In addition, Oliver's successful representation of clients in FLSA litigation enables him to be an effective auditor on FLSA-related issues.

Oliver has successfully represented clients in class action matters involving the FLSA, and single plaintiff litigation employment matters in both state and federal court from inception through discovery, pre-trial proceedings, and settlement or trial. He has also successfully defended agencies in disciplinary actions, and regularly advises clients on disciplinary matters.

Oliver is a prolific and dynamic presenter in Liebert Cassidy Whitmore's training program. He regularly trains governing bodies, managers, supervisors and human resources personnel. He also frequently presents at public sector conferences on relevant labor and employment topics. Oliver relies on his extensive training experience to provide proactive preventative advice and counsel to clients.

In 2013, 2014 and 2015, Oliver was named a Southern California *Super Lawyers Rising Star* - Labor and Employment Law.

EDUCATION

JD, Washington University School of Law, St. Louis

BA, Washington University, St. Louis

MA, Washington University, St. Louis

LEGAL EXPERTISE

Audit Services
Employment Law
Labor Relations & Collective Bargaining
Litigation Services
Public Education
Public Safety
Retirement, Health & Disability
Wage & Hour

REPRESENTATIVE MATTERS

LITIGATION

Association for Los Angeles Deputy Sheriffs, et al. v. County of Los Angeles, et al. (2012) - Handled a Fair Labor Standards Act collective/class action case where the U.S. District Court granted a County law enforcement employer's summary judgment motion. The lawsuit involved the "donning and doffing" claims of approximately 3,000 deputy sheriffs in two different, yet consolidated, collective action lawsuits filed against the County and its Sheriff (collectively "the County"). The district court also granted the County's motion to decertify the remaining "off-the-clock" work claims. The district court's rulings effectively ended two large collective/class action lawsuits after several years of litigation.

Rosales v. County of Los Angeles (2011) - This FLSA collective action sought compensation for unreported overtime and certification of a class of 700 IHSS social workers who evaluated IHSS recipients' needs and made recommendations regarding the services to be performed by IHSS providers. We successfully defeated plaintiffs' attempt to certify the class and limited the case to just one social worker. The case then settled for nuisance value.

Petersen Law Firm v. City of Los Angeles (2009 and 2013) - Represented City and individual defendants in an action in which they prevailed on an Anti-SLAPP motion in a case challenging investigation of police officers. After the matter was appealed and remanded, the trial court reconsidered the City's motion for attorney's fees and ruled that the City was entitled to recover the entire amount of attorney's fees and costs it requested.

Bentley v. County of Los Angeles, et al (2009) - In a federal lawsuit a County client defeated a motion for conditional certification of a collective action filed by a potential lead plaintiff in a Fair Labor Standards Act ("FLSA") wage and hour action.

NEGOTIATIONS

Orange County Cemetery District - Oliver served as chief negotiator during MOU negotiations, and successfully negotiated a labor agreement between the District and its miscellaneous employee unit.

City of Whittier - Oliver served as chief negotiator during MOU negotiations with the City's miscellaneous employee unit.

City of Cudahy - Oliver served as chief negotiator during MOU negotiations with the City's miscellaneous employee unit.

The Accelerated School - Oliver is currently serving as chief negotiator during collective bargaining negotiations with the school's miscellaneous and teacher employee units.

City of Redlands - Oliver served as chief negotiator during MOU negotiations, and successfully negotiated labor agreements between the City and its safety employee groups.

City of La Verne - Oliver served as chief negotiator during MOU negotiations. He also represented the City in factfinding and impasse proceedings, which resulted in the implementation of terms and conditions of employment for a safety employee group.

City of Sierra Madre - Oliver has provided advice and counsel over the years during the City's MOU negotiations and in its labor relations with its employee groups.

AWARDS

Selected for inclusion in Southern California *Super Lawyers Rising Stars* in the field of Labor and Employment, 2013-2015

PUBLICATIONS

Independent Contractor = No CalPERS Membership, Right? Not so Fast!, May 24, 2016

Prevention, Prevention, Prevention! It's Time to Audit Your Agency's Personnel Rules, Apr 14, 2016

Top 5 Questions for Conducting MOU Review, Apr 13, 2016

Achieving Brown Act Success: What Are The Top Five "Dos And Don'ts" For Closed Session?, Jul 24, 2015

Drafting MOU Language Following a Tentative Agreement, May 6, 2015

PRESENTATIONS

The Art of Writing the Performance Evaluation, Gateway Public ERC, Commerce, Feb 1, 2018

A Supervisor's Guide to Labor Relations, North San Diego County ERC, Carlsbad, Jan 18, 2018

Moving Into The Future, North San Diego County ERC, Carlsbad, Jan 18, 2018

MOU Review: How to Comply With the Law and Clean Up That Language!, California Public Employer Labor Relations Association (CALPELRA) Annual Training Conference, Monterey, Dec 7, 2017

Legal Update, California Society of Municipal Finance Officers (CSMFO) Orange County Chapter Meeting, Orange, Oct 19, 2017

The Art of Writing the Performance Evaluation, Orange County Consortium, Cypress, Sep 21, 2017

Difficult Conversations, Orange County Consortium, Cypress, Sep 21, 2017

A Guide to Implementing Public Employee Discipline, Los Angeles County Department of Public Social

Services, Norwalk, Aug 24, 2017

A Guide to Implementing Public Employee Discipline, Los Angeles County Department of Public Social Services, Norwalk, Aug 17, 2017

Preventing Workplace Harassment, Discrimination and Retaliation, Housing Authority of the County of San Bernardino, San Bernardino, Aug 2, 2017

Preventing Workplace Harassment, Discrimination and Retaliation, City of Bell, Bell, Jul 21, 2017

Train the Trainer Refresher: Harassment Prevention, Liebert Cassidy Whitmore, Los Angeles, Jun 16, 2017

The Promotional Process/Due Process/Exams, CSRMA, Blue Jay, May 11, 2017

The Promotional Process/Due Process/Exams, CSRMA, Los Flores, May 9, 2017

Public Meeting Law (the Brown Act) and the Public Records Act, SCCCD ERC, Anaheim, May 5, 2017

The Promotional Process/Due Process/Exams, CSRMA, Goleta, May 3, 2017

Council/Manager Government Roles, Responsibilities and Protections, City of Bell, Bell, Apr 26, 2017

Council/Manager Government Roles, Responsibilities and Protections, City of Bell, Bell, Apr 26, 2017

Supervisor Bootcamp, Los Angeles County Employees Retirement Association - LACERA, Pasadena, Apr 19, 2017

Labor Negotiations from Beginning to End, East Inland Empire ERC, Fontana, Apr 13, 2017

MOU Auditing and The Book of Long Term Debt, East Inland Empire ERC, Fontana, Apr 13, 2017

Board Ethics, Mt San Jacinto College, Temecula, Apr 7, 2017

Train the Trainer: Harassment Prevention, Liebert Cassidy Whitmore, Los Angeles, Apr 5, 2017

OSHA and Reasonable Suspicion, CSRMA, Blue Jay, Mar 29, 2017

OSHA and Reasonable Suspicion, CSRMA, Los Flores, Mar 28, 2017

OSHA and Reasonable Suspicion, CSRMA, Goleta, Mar 22, 2017

But What About the Impacts? - How to Effectively Negotiate Discrete (Non-MOU) Issues, Liebert Cassidy Whitmore 2017 Annual Conference, Anaheim, Mar 9, 2017

Difficult Conversations, Gateway Public ERC, Norwalk, Mar 2, 2017



Preventing Workplace Harassment, Discrimination and Retaliation

Presented By: Oliver Yee
October 16, 2017

Agenda

1. Definitions
2. Abusive Conduct
3. Duties of a Supervisor
4. Corrective Measures

Definitions

Definitions

Define: Unlawful discrimination
Unlawful harassment
Unlawful retaliation

Terms: Adverse action
Protected classification
Protected activity

Discrimination

Unlawful Discrimination

Unlawful discrimination is:

An adverse employment action taken based on a person's membership in a certain protected classification.

Protected Classifications

- Gender / Gender Identity / Gender Expression
- Race / National Origin / Color
- Disability / Medical Condition
- Religion
- Marital Status
- Military and Veteran Status
- Age (40 Years of Age and Older)
- Sexual Orientation
- Genetic Information/Characteristics
- Association/Perception

Gender Identity/Gender Expression

- **Gender identity** is “a person’s identification as male, female, a gender different from the person’s sex at birth, or transgender.”
- **Gender expression** is “a person’s gender-related appearance or behaviors, whether or not stereotypically associated with the person’s sex at birth.”

[2 C.C.R. sec 11030]

Gender Identity/Gender Expression

- **Transgender** – “a general term that refers to a person whose gender identity differs from the person’s sex at birth. A transgender person may or may not have a gender expression that is different from the social expectations of the sex assigned at birth. A transgender person may or may not identify as `transsexual.”

[2 C.C.R. sec 11030(e)]

Gender Identity / Expression

- Do's and Don'ts
 - DO allow employees to dress consistently with their gender identity
 - DON'T enforce dress codes more harshly against transgender employees
 - DO allow employees to use restrooms that are consistent with their gender identity
 - DO, if possible, provide access to single stall, unisex bathroom to any employee who desires increased privacy

What is an Adverse Employment Action?

- Any action that has a materially adverse effect on someone's employment, that is taken within the course and scope of employment
 - Includes actions which impact:
 - Job performance
 - Opportunity for advancement

Adverse Employment Action

- Obvious Examples
 - Termination
 - Demotion
 - Failure to hire
 - Failure to promote
 - Suspension



Adverse Employment Action

- Less Obvious Examples
 - Poor evaluations
 - Negative referral
 - Denial of overtime
 - Relocation
 - Harsh criticism
 - Heightened scrutiny
 - Undermining authority
 - Ostracism or verbal abuse



Harassment

Unlawful Harassment

- Unlawful harassment is:
 - **Offensive** conduct that is **unwelcome** and **directed to or related to** an employee's protected classification.
 - The conduct can be verbal, written, physical gestures, cartoons, jokes, touching, etc.
 - The conduct cannot be an adverse employment action (because then it would be discrimination, not harassment)

Unlawful Harassment

- Unlawful harassment:
 - Includes actions by independent contractors, vendors, and other non-employees, towards employees.
 - Is not within the “scope of employment”

Two Types of Harassment

1. Hostile Work Environment
2. Quid Pro Quo

Hostile Work Environment

Legal Definition:

- Verbal, Visual or Physical Conduct
- Based on Protected Classification
- Objectively and Subjectively Offensive (Unwelcome)
- Severe **or** Pervasive
- Unreasonably Interferes with Work

Visual Conduct

- Posters, calendars, and magazines
- Emails
- Cartoons or drawings
- Gestures
- Staring/leering
- Affection between other employees at work



Verbal Conduct

- Sexual Comments
- Jokes
- Mocking Accent
- Teasing
- Slurs

Physical Conduct

Obvious Examples:

- Fights
- Touching/Groping
- Sexual Assault



Physical Conduct

Less Obvious:

- Massage
- Hugs
- Physical Intimidation



Quid Pro Quo Sexual Harassment

- What is quid pro quo harassment?
 - Job benefits promised
 - Explicit or implicit
 - In exchange for sexual favors or denied if sexual favors are not given

“Gray” Areas

- “Private” and “consensual” relationships between supervisors and subordinates? (***Warning:*** Not for long!)
- Off-duty conduct
- Invitations to lunch, drinks or dinner
- References to appearance or dress
- “Casual” touching of non-intimate parts of the body

Retaliation

Unlawful Retaliation

Unlawful retaliation occurs when the employer takes an adverse action against an employee because the employee engaged in protected activity

What is “Protected Activity”

- Very Broad Definition
 - Reporting discrimination or harassment; or
 - Participating in an investigation; or
 - Refusing to follow order reasonably believed to be discriminatory (in very limited situations).

Sources of Law

Sources of Law

- **California Law**
 - Fair Employment & Housing Act (FEHA)
- **Federal Law**
 - Title VII of the 1964 Civil Rights Act
 - Age Discrimination in Employment Act (ADEA)
 - Americans with Disabilities Act (ADA)
 - Sections 1981 & 1983 of United States Code

Administrative Agencies

- **U.S. Equal Employment Opportunity Commission (EEOC)**
 - Federal Agency Administering Title VII, ADA, and ADEA Employment Discrimination Laws
- **California Department of Fair Employment and Housing (DFEH)**
 - State Agency Administering FEHA Employment Discrimination Laws

Your Agency's Policy

- An agency's policy against harassment is often more strict than the law
 - If a policy says it is “zero-tolerance” or that even a single instance of harassment violates the policy, that is stricter than the law, which requires harassment to be “severe” or “pervasive.”
- Some conduct could therefore violate the agency's policy but not meet the legal standard for a “hostile work environment.”

What is “Abusive Conduct”

“Abusive Conduct”

Definition of “Abusive Conduct”:

- Malicious conduct
- Objectively and Subjectively Hostile or Offensive
- Unrelated to employer’s legitimate business interests

Examples of “Abusive Conduct”

- Repeated verbal abuse
- Threatening, intimidating, or humiliating verbal or physical conduct
- Gratuitous sabotage or undermining of person’s work

What is NOT “Abusive Conduct”

- A supervisor holding a subordinate accountable for his/her performance
- An isolated incident of inappropriate behavior

Abusive Conduct v. Illegal Harassment

- Harassing conduct is directed at someone's membership in a protected classification
 - Harassment is illegal
- “Abusive Conduct” is NOT directed at someone's membership in a protected classification
 - NOT illegal, but should be addressed internally

Importance of Understanding and Following Agency Policy

Essential Elements of an Agency Policy

- Prohibit both employees and non-employees from discriminating, harassing and retaliating based on any protected status
- Protect applicants, volunteers, independent contractors and employees
- List examples of prohibited conduct
- Require supervisors to promptly report

Essential Elements of an Agency Policy, cont.

- Provide a thorough, prompt, objective and non-judgmental investigation procedure
- Provide confidentiality to the greatest extent possible
- Identify the right to go to the U.S. Equal Employment Opportunity Commission and California Department of Fair Employment and Housing

Disseminating Your Agency's Policy

- Options
 - Provide hard copy
 - Email electronic version
 - Post to Agency's intranet site
 - No matter the method must track receipt and understanding with an acknowledgment form signed by the employee, or comparable method
 - Any other way that ensures receipt

Addressing Unlawful Discrimination, Harassment, and Retaliation in the Workplace

Appropriate Corrective Action

- Respond to complaint, preferably in writing to acknowledge receipt and that it is being handled
- Conduct prompt, fair, and thorough investigation
- Discipline perpetrator appropriately
- Keep the victim informed
- Preventative training to prevent future violations
- Re-publish/update agency policy

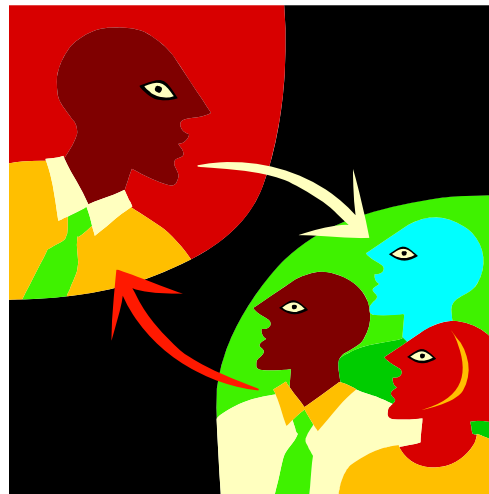
What If You Are Accused?

- Refer the accuser to a superior, HR, or upper management
- Report the accusation to your supervisor and to HR
- Refrain from ANY action that could be interpreted as retaliation
- Seek constructive counseling from HR and/or upper management
- Cooperate in the investigation
- Follow your agency's policy

Duties of a Supervisor

Who is a “Supervisor”?

- Anyone who has any responsibility or discretion to lead others
- Those with purely clerical or record-keeping responsibility are excluded



Supervisor's Duty to Respond

- *“Harassment... shall be unlawful if the entity, or its agents or supervisors, **knows or should have known of this conduct** and fails to take immediate and appropriate corrective action.”*

Government Code section 12940(j)(1)

Supervisor's Duty to Respond

- Report observed/overheard conduct
- Forward complaints/issues to HR or management promptly, including:
 - Third-party complaints
 - Verbal complaints
 - Rumors

Remember:

The word “*harassment*” does not need to be used to trigger a supervisor’s duty to act

Supervisor's Duty to Respond

- Take immediate action and report/follow-up on any harassment, discrimination, or retaliation complaints received
- Cooperate in the investigation
- Prevent further harassment
- Assure no retaliation

True or False?

Jess oversees the Maintenance Department. One day, while walking past a couple crew members on break at the corporation yard, she over hears them joking about how gay the other is. Neither crewman appears offended.

Can Jess ignore their comments?

Options for Resolution

- Use the agency's complaint procedure
- Report to the U.S. Equal Employment Opportunity Commission (EEOC)
- Report to the California Department of Fair Employment & Housing (DFEH)
- Lawsuits

Consequences – Who is Liable?

- **Employers** are liable for the conduct of supervisors who engage in unlawful harassment, discrimination, or retaliation
- **Supervisors** may also be liable for engaging in harassment, discrimination, or retaliation
- **All employees** can be individually liable for engaging in unlawful harassment

Consequences - Damages

- Damages can include:
 - Backpay
 - Emotional distress
 - Punitive damages



Prevention

- Don't engage in risky behavior
- Report all complaints immediately
- Take all complaints seriously
- Monitor the workplace
- Follow the agency's policy

THANK YOU

I-3

Memorandum

DATE: October 16, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **TRIENNIAL STUDY OF ACTUARIAL ASSUMPTIONS (CONTINUATION)**

Recommendation:

Take appropriate action.

Background/Discussion:

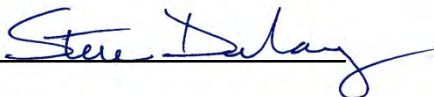
Every three years OCERS engages the actuary to conduct an experience study. The current process involves comparing assumed to actual experience for the period of January 1, 2014 through December 31, 2016. Such a study often leads to modifications to existing economic and demographic assumptions.

On August 21, 2017, Mr. Paul Angelo of Segal made the first presentation of the results of the current actuarial experience study. His presentation was informational only.

Based on questions raised at that meeting, and with focus especially on generational mortality as well as economic assumptions, Mr. Angelo made his second presentation at the September 13, 2017 Strategic Planning Workshop. The Board took no action on September 13, 2017 as the presentation continued to be informational only.

Mr. Angelo will return to the October 16, 2017 meeting of the OCERS Board to present final assumption options using the attached Segal materials and look to the Board to consider approving the assumptions to be used in the December 31, 2017 actuarial valuation. That valuation will in turn be used to set member and employer contribution rates first effective July 1, 2019.

Submitted by:



Steve Delaney
Chief Executive Officer

Orange County Employees Retirement System

2017 Actuarial Experience Study – 3rd Presentation

October 16, 2017

Paul Angelo, FSA

Segal Consulting, San Francisco

OCERS 2017 Review of Actuarial Assumptions

- New assumptions will be used in December 31, 2017 valuation
 - Sets employer and member contributions for 2019 – 2020 fiscal year
- 1st Presentation – August 21, 2017
 - Based on full Experience Study report dated August 14, 2017
 - Discussed all demographic and economic assumptions
- 2nd Presentation – September 13, 2017
 - Focus on mortality and alternative economic assumptions
 - For alternative economic assumptions, terminology change:
 - “Recommended” became “Recommendation A”
 - “Alternative 1” became “Recommendation B”
 - “Alternative 2” became “Recommendation C”
 - All three are reasonable
 - Includes cost impact by Rate Group (from full report)
 - Included (but did not get to) illustration of phase-in of cost impact
- 3rd presentation (today) – adopt assumptions
 - More detail on phase-in of cost impact

Always remember

$$\mathbf{C + I = B + E}$$

**Contributions + Investment Income
equals**

Benefit Payments + Expenses

- Actuarial valuation determines the current or “measured” cost, not the ultimate cost
- Assumptions and funding methods affect only the timing of costs
- Desired pattern of cost incidence
 - Good assumptions produce level cost
 - Beware “results based” assumptions
 - Even if assumption selection is “results aware”

Recommendations – Demographic Assumptions

➤ Retirement rates:

- Maintain age-based assumptions
- Overall, slight adjustments to retirement rates

➤ Termination rates:

- Decrease in termination rates
- Decrease assumption for how many members elect a refund

➤ Disability incidence:

- Increase assumption overall
 - Decrease assumption for General OCTA members

Setting Demographic Assumptions – Mortality

- Society of Actuaries (SOA) develops tables of mortality rates
 - RP-2000 followed by RP-2014 (Headcount-Weighted vs. Benefit-Weighted)
 - NOTE: Segal adjusts standard tables based on OCERS actual experience
- SOA also develops scales to estimate future mortality improvements:
 - Scale BB – Interim standard scale issued in 2012
 - Scale MP-2016 – Issued in October 2016
- Two ways to project future mortality improvements: Static or Generational
- Static projection to a future year –
 - To reflect expected mortality at a future date, not as of today
 - Preferable to have a margin of around 20% to be consistent with generational
 - Actual deaths during the study period should be around 20% greater than the expected deaths
 - Current OCERS assumption
 - RP-2000 projected to 2020 with Scale BB
 - » For General, with no age adjustment for males or females
 - » For Safety, with ages “set back” two years for males and females
 - Provided a roughly 10% margin, which was previously the common practice

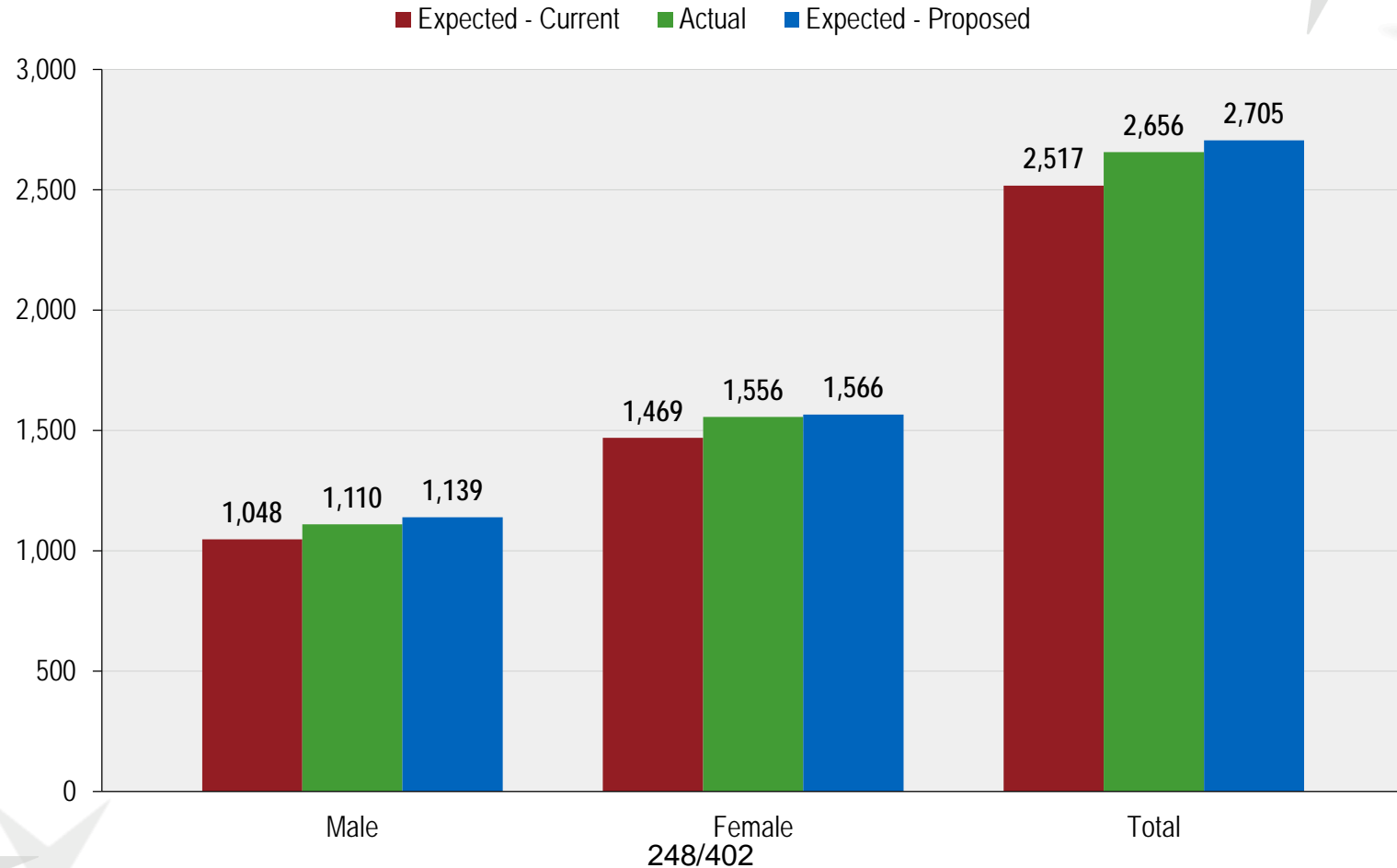
Recommended Demographic Assumptions – Mortality

- Recommend generational mortality
 - Use most recent SOA tables (RP-2014) as a starting point (“base table”)
 - Each future year has its own mortality table that reflects the forecasted improvements at every age
 - Probability of dying depends not only on age and sex but also what year it is
 - Younger participants have more future mortality improvement built in than for older participants
 - Current year tables reflect recent actual experience, with no margin
 - Recommended: Headcount-Weighted RP-2014, projected generationally using the two-dimensional Scale MP-2016
 - For General, no age adjustment for males or females
 - For Safety, ages are set back four years for males and females
- Administrative tables will still use static projection
 - Member contribution rates for legacy tiers, optional benefits and reserve factors
 - Use same base table, with static projection for 20 years
 - Approximates generational mortality

Setting Demographic Assumptions – Mortality Rates

➤ Mortality Experience from Experience Study

**CHART 15: POST-RETIREMENT DEATHS
NON-DISABLED GENERAL MEMBERS AND ALL BENEFICIARIES
(JANUARY 1, 2008 THROUGH DECEMBER 31, 2016)**



OCERS Recent Mortality Experience

| 2013-2016 | | General Healthy Including Spouse 2010-2013 | | 2008-2010 | | 9-year |
|------------------------------|--------|---|-------|------------------------------|-------|--------------|
| Expected: | 976.5 | Expected: | 833.2 | Expected: | 708.1 | 2,517 |
| Actual: | 991.0 | Actual: | 939.0 | Actual: | 726.0 | 2,656 |
| Ratio of Actual to Expected: | 1.01 | Ratio of Actual to Expected: | 1.13 | Ratio of Actual to Expected: | 1.03 | 1.06 |
| Proposed: | 1018.6 | Proposed: | 888.6 | Proposed: | 798.5 | 2,705 |
| Ratio of Actual to Proposed: | 0.97 | Ratio of Actual to Proposed: | 1.06 | Ratio of Actual to Proposed: | 0.91 | 0.98 |
| 2013-2016 | | Safety Healthy 2010-2013 | | 2008-2010 | | |
| Expected: | 53.4 | Expected: | 40.3 | Expected: | 31.1 | 125 |
| Actual: | 47.0 | Actual: | 43.0 | Actual: | 47.0 | 137 |
| Ratio of Actual to Expected: | 0.88 | Ratio of Actual to Expected: | 1.07 | Ratio of Actual to Expected: | 1.51 | 1.10 |
| Proposed: | 58.2 | Proposed: | 45.6 | Proposed: | 37.1 | 141 |
| Ratio of Actual to Proposed: | 0.81 | Ratio of Actual to Proposed: | 0.94 | Ratio of Actual to Proposed: | 1.27 | 0.97 |
| 2013-2016 | | General Disabled 2010-2013 | | 2008-2010 | | |
| Expected: | 73.9 | Expected: | 64.8 | Expected: | 58.6 | 197 |
| Actual: | 76.0 | Actual: | 70.0 | Actual: | 69.0 | 215 |
| Ratio of Actual to Expected: | 1.03 | Ratio of Actual to Expected: | 1.08 | Ratio of Actual to Expected: | 1.18 | 1.09 |
| Proposed: | 78.8 | Proposed: | 71.1 | Proposed: | 67.9 | 218 |
| Ratio of Actual to Proposed: | 0.96 | Ratio of Actual to Proposed: | 0.99 | Ratio of Actual to Proposed: | 1.02 | 0.99 |
| 2013-2016 | | Safety Disabled 2010-2013 | | 2008-2010 | | |
| Expected: | 17.2 | Expected: | 13.0 | Expected: | 10.0 | 40 |
| Actual: | 21.0 | Actual: | 14.0 | Actual: | 18.0 | 53 |
| Ratio of Actual to Expected: | 1.22 | Ratio of Actual to Expected: | 1.08 | Ratio of Actual to Expected: | 1.80 | 1.32 |
| Proposed: | 21.0 | Proposed: | 17.0 | Proposed: | 14.5 | 53 |
| Ratio of Actual to Proposed: | 1.00 | Ratio of Actual to Proposed: | 0.83 | Ratio of Actual to Proposed: | 1.24 | 1.00 |

Expected: Based on assumptions recommended in the December 31, 2014 triennial experience study (RP-2000 projected, General -0, Safety -2).

Proposed: Based on assumptions recommended in the December 31, 2017 triennial experience study (RP-2014 base table, General -0, Safety -4).

Cost Impact of Different Mortality Tables

| | Employer and Member Combined Contribution Rate Impact |
|---|--|
| Headcount Weighted RP-2014 Family of Tables – Static Approach WITHOUT Increased Margin (10%) | 1.5% of payroll |
| Headcount Weighted RP-2014 Family of Tables – Static Approach WITH Increased Margin (20%) | 3.5% of payroll |
| Benefit Weighted RP-2014 Family of Tables – Static Approach without Increased Margin | 5.1% of payroll |
| Headcount Weighted RP-2014 Family of Tables – Generational Approach (Recommended) | 4.3% of payroll |



DISCUSSION

251/402

Current and Recommended Economic Assumptions

- Last full review was for December 31, 2014 valuation
 - Price inflation (CPI): 3.00%
 - Wage inflation (includes price inflation plus real wage growth): 3.50%
 - So “across the board” real wage growth is 0.50%
 - Investment return: 7.25%
 - So net real return is 4.25%
 - Assumed return is net of investment and administrative expenses
- New assumptions will be used in December 31, 2017 valuation
 - Sets contributions for 2019 – 2020 fiscal year

Current and Recommended Economic Assumptions

➤ Price inflation (CPI)

- Maintain at 3.00%
 - Alternative recommendation: decrease from 3.00% to 2.75%

➤ Salary increases – by component

- Maintain price inflation component at 3.00%
 - Alternative recommendation: decrease price inflation from 3.00% to 2.75%
- Maintain “across the board” real wage growth at 0.50%
- Total wage inflation maintained at 3.50%
 - Alternative recommendation: total wage inflation reduced from 3.50% to 3.25%
- Merit and promotional: slight increases overall for General and slight decreases overall for Safety
 - Alternative recommendation: slight decrease overall for General and Safety

Economic Assumptions – Alternative Recommendations

- Investment return includes net real return and inflation components
- Current assumption (from 2014) is 7.25%
 - Inflation is 3.00% so net real return is 4.25%
 - Assumed return is net of investment and administrative expenses
- Recommendation A based on 3.00% inflation
 - Recommendation A: Decrease from 7.25% to 7.00%
 - Reduces net real return from 4.25% to 4.00%
- Recommendations B and C based on 2.75% inflation
 - Recommendation B: Decrease from 7.25% to 7.00%
 - Maintains net real return at 4.25%
 - Recommendation C: Decrease from 7.25% to 6.75%
 - Reduces net real return from 4.25% to 4.00%

Economic Assumptions – Alternative Recommendations

| | 12/31/2016 Valuation | | Recommendation A | | Recommendation B | | Recommendation C | |
|-----------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|
| | <u>Investment Return</u> | <u>Payroll Growth</u> | <u>Investment Return</u> | <u>Payroll Growth</u> | <u>Investment Return</u> | <u>Payroll Growth</u> | <u>Investment Return</u> | <u>Payroll Growth</u> |
| Price Inflation | 3.00% | 3.00% | 3.00% | 3.00% | 2.75% | 2.75% | 2.75% | 2.75% |
| Real Wages | n/a | 0.50%* | n/a | 0.50%* | n/a | 0.50%* | n/a | 0.50%* |
| Net Real Return | 4.25%** | n/a | 4.00%** | n/a | 4.25%** | n/a | 4.00%** | n/a |
| Total | 7.25%** | 3.50%* | 7.00%** | 3.50%* | 7.00%** | 3.25%* | 6.75%** | 3.25%* |

* Assumed individual salaries increases also include “merit and promotion” component:

- Merit component varies by service
- For General, increase ultimate assumption from 0.75% to 1.00%
- For Safety, maintain ultimate assumption at 1.50%

** Return is net of investment and administrative expense

Price Inflation (CPI)

- Historical Consumer Price Index
 - Median 15-year moving average = 3.4%
 - Median 30-year moving average = 3.9%
 - Averages have been declining due to recent low inflation
- NASRA Survey
 - Median inflation assumption is 3.00%
- Social Security Intermediate Forecast = 2.60%
- Market based inflation expectations = 1.87% (June 2017)
- Recommendation A: maintain at 3.00%
 - Segal's 2017 recommended inflation for all our California public system clients
 - Assumed COLAs remain unchanged (3.00%)
- Recommendations B and C: decrease inflation to 2.75%
 - Assumed COLAs reduced from 3.00% to 2.75%

Salary Increase Assumption - Recommended

- Three components
- Price inflation Recommendation A: maintain at 3.00%
 - Recommendations B and C: decrease from 3.00% to 2.75%
- “Across the board” real wage growth: maintain at 0.50%
 - Department of Labor: Annual State and Local Government real productivity increase: 0.6% - 0.9% over 10 - 20 years
- Promotional & Merit:
 - Based on years of service
 - General: 9.00% (0-1 years) to 1.00% (16+ years)
 - Small increases for some service categories
 - Safety: 14.00% (0-1 years) to 1.50% (16+ years)
 - Small decreases for some service categories
- Net impact on total assumed future individual salary increases
 - Recommendation A: slight increase for General and slight decrease for Safety
 - Recommendations B and C: slight decrease for both General and Safety

Payroll Growth Assumption

- Active member payroll growth based on wage inflation
 - Assumes constant future active headcount
 - Used to project total payroll for UAAL amortization
- Includes price inflation and “across the board” real wage growth
 - Price inflation Recommendation A: maintain at 3.00%
 - Recommendations B and C: decrease from 3.00% to 2.75%
 - “Across the board” real wage growth: maintain at 0.50%
 - Recommendation A: maintains total payroll growth at 3.50%
 - Recommendations B and C: reduces total payroll growth from 3.50% to 3.25%

Investment Earnings Assumption

- Also called the discount rate, investment return
 - Used for contribution requirements and financial reporting
- Four components
 - Inflation: consistent with salary increase and COLA assumption
 - Real returns by asset class
 - Weighted by asset allocation
 - Reduced by assumed investment and administrative expenses
 - Reduced by “risk adjustment”
 - Margin for adverse deviation
 - Expressed as confidence level above 50%

OCERS Earnings Assumption

Preview: Components of Investment Return Assumption

| | Current from 2014 Study | Current, Restated Expenses | Recommendation A | Recommendation B | Recommendation C |
|-------------------------------|-------------------------|----------------------------|------------------|------------------|------------------|
| Assumed Inflation | 3.00% | 3.00% | 3.00% | 2.75% | 2.75% |
| Portfolio Real Rate of Return | 5.33% | 5.33% | 5.27% | 5.27% | 5.27% |
| Assumed Expenses | (0.60%) | (0.80%) | (0.80%) | (0.80%) | (0.80%) |
| Risk Adjustment | <u>(0.48%)</u> | <u>(0.28%)</u> | <u>(0.47%)</u> | <u>(0.22%)</u> | <u>(0.47%)</u> |
| Assumed Investment Return | 7.25% | 7.25% | 7.00% | 7.00% | 6.75% |
| Confidence Level | 56% | 53% | 55% | 53% | 55% |

Real Returns by Asset Class

- Segal uses an average of 8 investment advisory firms retained by Segal public clients
 - Used results from Meketa for asset categories unique to OCERS
- Small decrease (-0.06%) in real return is due to a combination of:
 - Changes in the target asset allocation (-0.08%)
 - Changes in real return assumptions in survey (-0.07%)
 - Interaction of these two changes (+0.09%)

OCERS Real Rate of Return

| Asset Class | Target Allocation | Real Return | Weighted Return |
|----------------------------|-------------------|-------------|-----------------|
| Global Equity | 35.0% | 6.38% | 2.23% |
| Core Bonds | 13.0% | 1.03% | 0.13% |
| High Yield Bonds | 4.0% | 3.52% | 0.14% |
| Bank Loan | 2.0% | 2.86% | 0.06% |
| TIPS | 4.0% | 0.96% | 0.04% |
| Emerging Market Debt | 4.0% | 3.78% | 0.15% |
| Real Estate | 10.0% | 4.33% | 0.43% |
| Core Infrastructure | 2.0% | 5.48% | 0.11% |
| Natural Resources | 10.0% | 7.86% | 0.79% |
| Risk Mitigation | 5.0% | 4.66% | 0.23% |
| Mezzanine/Distressed Debts | 3.0% | 6.53% | 0.20% |
| Private Equity | 8.0% | 9.48% | 0.76% |
| Total | 100.0% | | 5.27% |

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Administrative and Investment Expenses (\$000s)

| Plan Year | Valuation Value of Assets ¹ | Administrative Expenses | Investment Expenses | Administrative % | Investment % | Total % |
|--|--|-------------------------|---------------------|------------------|--------------|-------------------|
| 2009 | \$7,748,380 | \$10,893 | \$34,819 | 0.14 | 0.45 | 0.69 |
| 2010 | 8,154,687 | 12,448 | 68,027 ² | 0.15 | 0.83 | 0.98 ² |
| 2011 | 8,672,592 | 15,479 | 39,023 | 0.18 | 0.45 | 0.63 |
| 2012 | 9,064,355 | 14,295 | 40,992 | 0.16 | 0.45 | 0.61 |
| 2013 | 9,469,208 | 14,904 | 38,759 | 0.16 | 0.41 | 0.57 |
| 2014 | 10,417,125 | 11,905 | 41,487 | 0.11 | 0.40 | 0.51 |
| 2015 | 11,449,911 | 12,521 | 54,532 | 0.11 | 0.48 | 0.59 |
| 2016 | 12,228,009 | 16,870 | 80,810 ³ | 0.14 | 0.66 | 0.80 ³ |
| Last Experience Study Five-Year Average (2009-2013) | | | | 0.16 | 0.52 | 0.68 |
| Current Experience Study Five-Year Average (2012-2016) | | | | 0.14 | 0.48 | 0.62 |

¹ As of the beginning of the plan year.

² Included some one-time expenses.

³ We understand that this increase reflects a change in how expenses are reported.

➤ Based on this experience, we have increased the future total expense component from 0.60% to 0.80%.

➤ For comparison purposes, we include 2014 analysis with restated expenses

Risk Adjustment Model and Confidence Level

- Most useful for comparing risk position over time
- Confidence level is based on standard deviation
 - Likelihood that actual average 15-year return will exceed investment return assumption

| Year Ending December 31 | Investment Return Assumption | Risk Adjustment | Confidence Level |
|-------------------------|------------------------------|-----------------|------------------|
| 2004-2007 | 7.75% | 0.39% | 56% |
| 2008-2010 | 7.75% | 0.80% | 61% |
| 2011 | 7.75% | -0.23% | <50% |
| 2012-2013 | 7.25% | 0.34% | 55% |
| 2014-2016 | 7.25% | 0.48% | 56% |
| 2014-2016 (Restated) | 7.25% | 0.28% | 53% |
| 2017 Recommendation A | 7.00% | 0.47% | 55% |
| 2017 Recommendation B | 7.00% | 0.22% | 53% |
| 2017 Recommendation C | 6.75% | 0.47% | 55% |

OCERS Earnings Assumption

Components of Investment Return Assumption

| | Current from 2014 Study | Current, Restated Expenses | Recommendation A | Recommendation B | Recommendation C |
|-------------------------------|-------------------------|----------------------------|------------------|------------------|------------------|
| Assumed Inflation | 3.00% | 3.00% | 3.00% | 2.75% | 2.75% |
| Portfolio Real Rate of Return | 5.33% | 5.33% | 5.27% | 5.27% | 5.27% |
| Assumed Expenses | (0.60%) | (0.80%) | (0.80%) | (0.80%) | (0.80%) |
| Risk Adjustment | <u>(0.48%)</u> | <u>(0.28%)</u> | <u>(0.47%)</u> | <u>(0.22%)</u> | <u>(0.47%)</u> |
| Assumed Investment Return | 7.25% | 7.25% | 7.00% | 7.00% | 6.75% |
| Confidence Level | 56% | 53% | 55% | 53% | 55% |

Investment Earnings Assumption - 2017

- Recommendation A: 7.00% with 3.00% inflation
 - Inflation maintained at 3.00%
 - Portfolio real return decreased slightly from 5.33% to 5.27%
 - Reported expenses increased from 0.60% to 0.80%
 - Gives confidence level of 55%
 - slightly lower than for 7.25% in 2014 before restated expenses (56%)
- Recommendation B: 7.00% return with 2.75% inflation
 - Confidence level (53%) consistent with 7.25% in 2014 with restated expenses
- Recommendation C: 6.75% return with 2.75% inflation
 - Confidence level (55%) slightly lower than for 7.25% in 2014 before restated expenses (56%)
- Segal would find any of these sets of assumptions to be reasonable

Investment Earnings Assumption - 2017

➤ Comparison with other systems

- National median is 7.50% but continues to trend down nationwide
- Most common for California county employees retirement systems
 - Nine systems have adopted 7.25%
- Five California county employees retirement system have adopted 7.00% (Contra Costa, Fresno, Mendocino, Sacramento and Santa Barbara)
 - San Mateo is at 6.75% (with 2.50% inflation)
 - Both San Jose City systems are at 6.875%
 - San Diego City system recently approved reduction from 7.00% to 6.50% over two years
- CalPERS approved reduction from 7.50% to 7.00% over three years
- CalSTRS approved reduction from 7.50% to 7.00% over two years

Anticipated Impact on Valuation Results

➤ Modeled as of December 31, 2016 for illustration

| Current Assumptions (7.25% Return & 3.00% Inflation) | Recommendation A (7.00% Return & 3.00% Inflation) | Recommendation B (7.00% Return & 2.75% Inflation) | Recommendation C (6.75% Return & 2.75% Inflation) |
|---|--|--|--|
| <u>Impact on Average Employer Contributions</u> | | | |
| Change due to demographic assumptions | 3.94% | 3.94% | 3.94% |
| Change due to economic assumptions | <u>4.00%</u> | <u>0.70%</u> | <u>4.08%</u> |
| Total change in employer rate | 7.94% | 4.64% | 8.02% |
| Total estimated change in annual dollar amount (\$000s) | \$140,411 | \$80,539 | \$140,077 |
| <u>Impact on Average Member Contributions</u> | | | |
| Change due to demographic assumptions | 0.57% | 0.57% | 0.57% |
| Change due to economic assumptions | <u>1.04%</u> | <u>0.20%</u> | <u>1.02%</u> |
| Total change in member rate | 1.61% | 0.77% | 1.59% |
| Total estimated change in annual dollar amount (\$000s) | \$28,559 | \$13,232 | \$27,567 |
| <u>Impact on UAAL and Funded Percentage</u> | | | |
| Change in UAAL | \$1,404 million | \$763 million | \$1,385 million |
| Change in funded percentage | From 73.1% to 67.7% | From 73.1% to 70.1% | From 73.1% to 67.9% |

Cost Impact of Assumption Components

- Economic assumptions are set in “clicks” of 0.25% (25 basis points)
 - Helps to avoid the “illusion of precision”
- Results in “cost clicks” of cost increase (loss) or decrease (gain)
- For lower assumed investment return:
 - Each cost click adds about 4% average employer and 1% average member rate
- For lower assumed price inflation below 3.0%:
 - Each cost click saves about 3.3% average employer rate and 0.8% average member rate
 - Combined effect of lower salary increases and lower COLAs for 3% COLA tiers
- For Rec. A versus Rec. C, these offset each other
- For Rec. B versus Current, there is some net cost increase
 - about 0.7% average employer and 0.2% average member rate
- Note the demographic assumptions add roughly one cost click
 - about 4% average employer and 0.6% average member rate

Estimated Impact on Employer Contributions by Rate Groups -- Recommendation A

➤ Recommendation A (7.00% Return & 3.00% Inflation) as of Dec. 31, 2016 for illustration

| Increases in Employer Contribution Rates (% of Payroll) under Recommended Assumptions | | | | |
|---|--------------|----------------------|--------------|--|
| Rate Group | Normal Cost | UAAL | Total | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 1.87% | 3.49% ⁽²⁾ | 5.36% | \$4,462 |
| Rate Group #2 (County et al.) | 1.92% | 5.50% | 7.42% | \$79,640 |
| Rate Group #3 (OCSD) | 1.77% | 1.06% ⁽³⁾ | 2.83% | \$1,865 |
| Rate Group #5 (OCTA) | 2.02% | 5.03% | 7.05% | \$7,393 |
| Rate Group #9 (TCA) | 1.53% | 3.22% | 4.75% | \$325 |
| Rate Group #10 (OCFA) | 1.90% | 4.42% | 6.32% | \$1,698 |
| Rate Group #11 (Cemetery) | 1.77% | 2.71% ⁽⁴⁾ | 4.48% | \$63 |
| Rate Group #12 (Law Library) | 1.60% | 4.39% | 5.99% | \$71 |
| Rate Group #6 (Probation) | 3.20% | 9.16% | 12.36% | \$8,054 |
| Rate Group #7 (Law Enforcement) | 2.67% | 9.45% | 12.12% | \$26,599 |
| Rate Group #8 (Fire Authority) | 2.09% | 6.31% | 8.40% | \$10,241 |
| Total All Rate Groups Combined | 2.07% | 5.87% | 7.94% | \$140,411 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

⁽²⁾ Before adjusting for UAAL allotted to U.C.I and Department of Education.

⁽³⁾ The UAAL for Rate Group #3 after reflecting the recommended assumptions has been partially offset by the OCSD UAAL Deferred Account of \$34,067,000 as of December 31, 2016. If Rate Group #3 had not been overfunded prior to the changes in assumptions and if the OCSD UAAL Account was not available to offset the change in UAAL due to the changes in assumptions, the UAAL Contribution rate impact due to the changes in assumptions would have been 5.36% of payroll.

⁽⁴⁾ If Rate Group #11 had not been overfunded prior to the changes in assumptions, the UAAL contribution rate impact due to the changes in assumptions would have been 4.36% of payroll.

Estimated Impact on Average Member Contributions by Rate Groups -- Recommendation A

➤ Recommendation A (7.00% Return & 3.00% Inflation) as of Dec. 31, 2016 for illustration

| Increases in Average Member Contribution Rates (% of Payroll) under Recommended Assumptions | | | | |
|---|---------------|---------------|--------------|--|
| Rate Group | Current | Proposed | Difference | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 8.62% | 10.19% | 1.57% | \$1,310 |
| Rate Group #2 (County et al.) | 11.10% | 12.58% | 1.48% | \$15,943 |
| Rate Group #3 (OCSD) | 11.52% | 12.98% | 1.46% | \$967 |
| Rate Group #5 (OCTA) | 9.35% | 10.71% | 1.36% | \$1,434 |
| Rate Group #9 (TCA) | 10.08% | 11.43% | 1.35% | \$93 |
| Rate Group #10 (OCFA) | 11.03% | 12.59% | 1.56% | \$420 |
| Rate Group #11 (Cemetery) | 8.87% | 10.26% | 1.39% | \$20 |
| Rate Group #12 (Law Library) | 13.06% | 14.49% | 1.43% | \$17 |
| Rate Group #6 (Probation) | 15.53% | 17.81% | 2.28% | \$1,486 |
| Rate Group #7 (Law Enforcement) | 16.39% | 18.46% | 2.07% | \$4,540 |
| Rate Group #8 (Fire Authority) | 15.44% | 17.35% | 1.91% | \$2,329 |
| Total All Rate Groups Combined | 12.01% | 13.62% | 1.61% | \$28,559 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

Estimated Impact on Employer Contributions by Rate Groups -- Recommendation B

➤ Recommendation B (7.00% Return & 2.75% Inflation) as of Dec. 31, 2016 for illustration

| Increases in Employer Contribution Rates (% of Payroll) under Recommended Assumptions | | | | |
|---|--------------|----------------------|--------------|--|
| Rate Group | Normal Cost | UAAL | Total | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 1.18% | 2.30% ⁽²⁾ | 3.48% | \$2,866 |
| Rate Group #2 (County et al.) | 1.08% | 3.41% | 4.49% | \$47,504 |
| Rate Group #3 (OCSD) | 0.97% | 0.00% ⁽³⁾ | 0.97% | \$628 |
| Rate Group #5 (OCTA) | 1.37% | 3.22% | 4.59% | \$4,756 |
| Rate Group #9 (TCA) | 0.88% | 1.96% | 2.84% | \$191 |
| Rate Group #10 (OCFA) | 1.08% | 2.62% | 3.70% | \$973 |
| Rate Group #11 (Cemetery) | 1.01% | 0.99% ⁽⁴⁾ | 2.00% | \$28 |
| Rate Group #12 (Law Library) | 0.86% | 2.83% | 3.69% | \$44 |
| Rate Group #6 (Probation) | 1.93% | 5.84% | 7.77% | \$4,980 |
| Rate Group #7 (Law Enforcement) | 1.12% | 5.50% | 6.62% | \$14,169 |
| Rate Group #8 (Fire Authority) | 0.63% | 3.10% | 3.73% | \$4,400 |
| Total All Rate Groups Combined | 1.11% | 3.53% | 4.64% | \$80,539 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

⁽²⁾ Before adjusting for UAAL allotted to U.C.I and Department of Education.

⁽³⁾ The UAAL for Rate Group #3 after reflecting the recommended assumptions has been offset by the OCSD UAAL Deferred Account of \$34,067,000 as of December 31, 2016. If Rate Group #3 had not been overfunded prior to the changes in assumptions and if the OCSD UAAL Account was not available to offset the change in UAAL due to the changes in assumptions, the UAAL Contribution rate impact due to the changes in assumptions would have been 2.81% of payroll.

⁽⁴⁾ If Rate Group #11 had not been overfunded prior to the changes in assumptions, the UAAL contribution rate impact due to the changes in assumptions would have been 2.56% of payroll.

Estimated Impact on Average Member Contributions by Rate Groups -- Recommendation B

➤ Recommendation B (7.00% Return & 2.75% Inflation) as of Dec. 31, 2016 for illustration

| Increases in Average Member Contribution Rates (% of Payroll) under Recommended Assumptions | | | | |
|---|---------------|---------------|--------------|--|
| Rate Group | Current | Proposed | Difference | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 8.62% | 9.56% | 0.94% | \$767 |
| Rate Group #2 (County et al.) | 11.10% | 11.85% | 0.75% | \$7,864 |
| Rate Group #3 (OCSD) | 11.52% | 12.26% | 0.74% | \$477 |
| Rate Group #5 (OCTA) | 9.35% | 10.11% | 0.76% | \$784 |
| Rate Group #9 (TCA) | 10.08% | 10.79% | 0.71% | \$48 |
| Rate Group #10 (OCFA) | 11.03% | 11.86% | 0.83% | \$216 |
| Rate Group #11 (Cemetery) | 8.87% | 9.59% | 0.72% | \$10 |
| Rate Group #12 (Law Library) | 13.06% | 13.79% | 0.73% | \$9 |
| Rate Group #6 (Probation) | 15.53% | 16.53% | 1.00% | \$627 |
| Rate Group #7 (Law Enforcement) | 16.39% | 17.16% | 0.77% | \$1,598 |
| Rate Group #8 (Fire Authority) | 15.44% | 16.16% | 0.72% | \$832 |
| Total All Rate Groups Combined | 12.01% | 12.78% | 0.77% | \$13,232 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

Estimated Impact on Employer Contributions by Rate Groups -- Recommendation C

➤ Recommendation C (6.75% Return & 2.75% Inflation) as of Dec. 31, 2016 for illustration

| Increases in Employer Contribution Rates (% of Payroll) under Recommended Assumptions | | | | |
|---|--------------|----------------------|--------------|--|
| Rate Group | Normal Cost | UAAL | Total | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 1.92% | 3.48% ⁽²⁾ | 5.40% | \$4,460 |
| Rate Group #2 (County et al.) | 2.01% | 5.48% | 7.49% | \$79,313 |
| Rate Group #3 (OCSD) | 1.84% | 1.00% ⁽³⁾ | 2.84% | \$1,851 |
| Rate Group #5 (OCTA) | 2.12% | 4.99% | 7.11% | \$7,372 |
| Rate Group #9 (TCA) | 1.65% | 3.26% | 4.91% | \$332 |
| Rate Group #10 (OCFA) | 1.99% | 4.39% | 6.38% | \$1,691 |
| Rate Group #11 (Cemetery) | 1.87% | 2.72% ⁽⁴⁾ | 4.59% | \$64 |
| Rate Group #12 (Law Library) | 1.71% | 4.43% | 6.14% | \$72 |
| Rate Group #6 (Probation) | 3.40% | 9.17% | 12.57% | \$8,102 |
| Rate Group #7 (Law Enforcement) | 2.87% | 9.39% | 12.26% | \$26,520 |
| Rate Group #8 (Fire Authority) | 2.32% | 6.27% | 8.59% | \$10,300 |
| Total All Rate Groups Combined | 2.18% | 5.84% | 8.02% | \$140,077 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

⁽²⁾ Before adjusting for UAAL allotted to U.C.I and Department of Education.

⁽³⁾ The UAAL for Rate Group #3 after reflecting the recommended assumptions has been partially offset by the OCSD UAAL Deferred Account of \$34,067,000 as of December 31, 2016. If Rate Group #3 had not been overfunded prior to the changes in assumptions and if the OCSD UAAL Account was not available to offset the change in UAAL due to the changes in assumptions, the UAAL Contribution rate impact due to the changes in assumptions would have been 5.31% of payroll.

⁽⁴⁾ If Rate Group #11 had not been overfunded prior to the changes in assumptions, the UAAL contribution rate impact due to the changes in assumptions would have been 4.38% of payroll.

Estimated Impact on Average Member Contributions by Rate Groups -- Recommendation C

➤ Recommendation C (6.75% Return & 2.75% Inflation) as of Dec. 31, 2016 for illustration

| Increases in Average Member Contribution Rates (% of Payroll) under Recommended Assumptions | | | | |
|---|---------------|---------------|--------------|--|
| Rate Group | Current | Proposed | Difference | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 8.62% | 10.20% | 1.58% | \$1,298 |
| Rate Group #2 (County et al.) | 11.10% | 12.59% | 1.49% | \$15,733 |
| Rate Group #3 (OCSD) | 11.52% | 13.00% | 1.48% | \$960 |
| Rate Group #5 (OCTA) | 9.35% | 10.71% | 1.36% | \$1,408 |
| Rate Group #9 (TCA) | 10.08% | 11.41% | 1.33% | \$90 |
| Rate Group #10 (OCFA) | 11.03% | 12.59% | 1.56% | \$412 |
| Rate Group #11 (Cemetery) | 8.87% | 10.24% | 1.37% | \$19 |
| Rate Group #12 (Law Library) | 13.06% | 14.50% | 1.44% | \$17 |
| Rate Group #6 (Probation) | 15.53% | 17.66% | 2.13% | \$1,361 |
| Rate Group #7 (Law Enforcement) | 16.39% | 18.33% | 1.94% | \$4,160 |
| Rate Group #8 (Fire Authority) | 15.44% | 17.21% | 1.77% | \$2,109 |
| Total All Rate Groups Combined | 12.01% | 13.60% | 1.59% | \$27,567 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.



DISCUSSION

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Possible Phase-In of Cost Impact of Assumption Changes

- Many systems (including OCERS) have managed the impact of assumption changes on employers by phasing in the cost impact.
 - Over two or three years (i.e., no longer than until the next experience study)
 - Some increase in employer cost for contributions not made during phase-in
 - Following slides illustrate the additional cost of the phase-in
 - Member rate changes are not phased in
 - Smaller impact (Normal Cost only, not UAAL cost)
 - Cost of phase-in would be shifted to employers
- In 2015 OCERS adopted a three-year phase-in of the total cost impact of all assumption changes for the Safety Cost Groups
 - For the December 31, 2014 valuation
- Recently some California systems have phased-in only the UAAL contribution rate impact, and not the Normal Cost impact
 - PEPRA tier members pay one-half the Normal Cost and member rate impact is not phased in
 - In Employer Rate Impact table, phase-in only the UAAL portion, not the Normal Cost

Cost to Phase-In Contribution Rate Impact Rec. A (7.00% / 3.00%) – Phase-in Total Impact

| Cumulative Cost Increase | | | |
|--------------------------|------------------|------------------------|--------------------------|
| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
| 2019/20 | 7.94% | 3.97% | 2.65% |
| 2020/21 | 7.94% | 8.21% | 5.65% |
| 2021/22 and later | 7.94% | 8.21% | 8.48% |

Cost to Phase-In Contribution Rate Impact

Rec. A (7.00% / 3.00%) – Phase-in UAAL Impact Only

| Cumulative Cost Increase in UAAL Amortization | | | |
|---|------------------|------------------------|--------------------------|
| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
| 2019/20 | 5.87% | 2.94% | 1.96% |
| 2020/21 | 5.87% | 6.07% | 4.17% |
| 2021/22 and later | 5.87% | 6.07% | 6.26% |

| Cumulative Cost Increase (including Normal Cost impact = 2.07%) | | | |
|---|------------------|------------------------|--------------------------|
| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
| 2019/20 | 7.94% | 5.01% | 4.03% |
| 2020/21 | 7.94% | 8.14% | 6.24% |
| 2021/22 and later | 7.94% | 8.14% | 8.33% |

Cost to Phase-In Contribution Rate Impact Rec. B (7.00% / 2.75%) – Phase-in Total Impact

| Cumulative Cost Increase | | | |
|--------------------------|------------------|------------------------|--------------------------|
| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
| 2019/20 | 4.64% | 2.32% | 1.55% |
| 2020/21 | 4.64% | 4.80% | 3.30% |
| 2021/22 and later | 4.64% | 4.80% | 4.96% |

Cost to Phase-In Contribution Rate Impact

Rec. B (7.00% / 2.75%) – Phase-in UAAL Impact Only

Cumulative Cost Increase in UAAL Amortization

| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
|-------------------|------------------|------------------------|--------------------------|
| 2019/20 | 3.53% | 1.77% | 1.18% |
| 2020/21 | 3.53% | 3.65% | 2.51% |
| 2021/22 and later | 3.53% | 3.65% | 3.77% |

Cumulative Cost Increase (including Normal Cost impact = 1.11%)

| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
|-------------------|------------------|------------------------|--------------------------|
| 2019/20 | 4.64% | 2.88% | 2.29% |
| 2020/21 | 4.64% | 4.76% | 3.62% |
| 2021/22 and later | 4.64% | 4.76% | 4.88% |

Cost to Phase-In Contribution Rate Impact Rec. C (6.75% / 2.75%) – Phase-in Total Impact

| Cumulative Cost Increase | | | |
|--------------------------|------------------|------------------------|--------------------------|
| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
| 2019/20 | 8.02% | 4.01% | 2.67% |
| 2020/21 | 8.02% | 8.29% | 5.71% |
| 2021/22 and later | 8.02% | 8.29% | 8.56% |

Cost to Phase-In Contribution Rate Impact

Rec. C (6.75% / 2.75%) – Phase-in UAAL Impact Only

| Cumulative Cost Increase in UAAL Amortization | | | |
|---|------------------|------------------------|--------------------------|
| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
| 2019/20 | 5.84% | 2.92% | 1.95% |
| 2020/21 | 5.84% | 6.04% | 4.15% |
| 2021/22 and later | 5.84% | 6.04% | 6.23% |

| Cumulative Cost Increase (including Normal Cost impact = 2.18%) | | | |
|---|------------------|------------------------|--------------------------|
| Fiscal Year | Without Phase-in | With Two-year Phase-in | With Three-year Phase-in |
| 2019/20 | 8.02% | 5.10% | 4.13% |
| 2020/21 | 8.02% | 8.22% | 6.33% |
| 2021/22 and later | 8.02% | 8.22% | 8.41% |

**Orange County Employees
Retirement System**

ACTUARIAL EXPERIENCE STUDY

Analysis of Actuarial Experience
During the Period
January 1, 2014 through December 31, 2016



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

August 14, 2017

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

Re: Review of Actuarial Assumptions for the December 31, 2017 Actuarial Valuation

Dear Members of the Board:

We are pleased to submit this report of our review of the actuarial experience for the Orange County Employees Retirement System. This study utilizes the census data for the period January 1, 2014 to December 31, 2016 and provides the proposed actuarial assumptions, both economic and demographic, to be used in the December 31, 2017 valuation.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

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

Sincerely,

Handwritten signature of Paul Angelo in black ink.

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

Handwritten signature of Andy Yeung in black ink.

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

EK/jl

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Actuarial Experience Study

Analysis of Actuarial Experience

During the Period January 1, 2014 through December 31, 2016

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I. Introduction, Summary, and Recommendations

To project the cost and liabilities of the pension plan, assumptions are made about all future events that could affect the amount and timing of the benefits to be paid and the assets to be accumulated. Each year actual experience is compared against the projected experience, and to the extent there are differences, the future contribution requirement is adjusted.

If assumptions are modified, contribution requirements are adjusted to take into account a change in the projected experience in all future years. There is a great difference in both philosophy and cost impact between recognizing the actuarial deviations as they occur annually and changing the actuarial assumptions. Taking into account one year's gains or losses without making a change in the assumptions means that year's experience is treated as temporary and that, over the long run, experience will return to what was originally assumed. Changing assumptions reflects a basic change in thinking about the future, and it has a much greater effect on the current contribution requirements than recognizing gains or losses as they occur.

The use of realistic actuarial assumptions is important in maintaining adequate funding, while paying the promised benefit amounts to participants already retired and to those near retirement. The actuarial assumptions used do not determine the "actual cost" of the plan. The actual cost is determined solely by the benefits and administrative expenses paid out, offset by investment income received. However, it is desirable to estimate as closely as possible what the actual cost will be so as to permit an orderly method for setting aside contributions today to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

This study was undertaken in order to review the economic and demographic actuarial assumptions and to compare the actual experience with that expected under the current assumptions during the three-year experience period from January 1, 2014 through December 31, 2016. The study was performed in accordance with Actuarial Standard of Practice (ASOP) No. 27 "Selection of Economic Assumptions for Measuring Pension Obligations" and ASOP No. 35, "Selection of Demographic and Other Non-Economic Assumptions for Measuring Pension Obligations." These Standards of Practice put forth guidelines for the selection of the various actuarial assumptions utilized in a pension plan actuarial valuation. Based on the study's results and expected future experience, we are recommending various changes in the current actuarial assumptions.

We are recommending changes in the assumptions for investment return, salary increases, retirement from active employment, retirement age for inactive vested members, reciprocity, pre-retirement mortality, post-retirement healthy and disabled life mortality, termination (refunds and deferred vested retirements), disability (non-service connected and service connected) and additional cashouts.

Our recommendations for the major actuarial assumption categories are as follows, along with reasonable alternative economic assumptions also developed in this report.

| Pg # | Actuarial Assumption Categories | Recommendation |
|------|--|--|
| 6 | <p>Inflation: Future increases in the Consumer Price Index (CPI), which drives investment returns and active member salary increases, as well as cost-of-living adjustments (COLAs) for retirees.</p> | <p>Maintain the assumed rate of price inflation at 3.00% per annum as discussed in Section III (A).</p> <p>Alternative: Reduce price inflation to 2.75% per annum.</p> |
| 10 | <p>Investment Return: The estimated average future net rate of return on current and future assets of the System as of the valuation date. This rate is used to discount liabilities.</p> | <p>Reduce the current investment return assumption from 7.25% per annum to 7.00% per annum as discussed in Section III (B).</p> <p>Alternative 1: 7.00% investment return with 2.75% inflation.</p> <p>Alternative 2: 6.75% investment return with 2.75% inflation.</p> |
| 17 | <p>Individual Salary Increases: Increases in the salary of a member between the date of the valuation to the date of separation from active service. This assumption has three components:</p> <ul style="list-style-type: none"> • Inflationary salary increases • Real “across the board” salary increases • Merit and promotional increases | <p>Maintain the current inflationary salary increase assumption at 3.00% and maintain the current real “across the board” salary increase assumption at 0.50%. This means that the combined inflationary and real “across the board” salary increases will remain unchanged at 3.50%.</p> <p>Alternative: 2.75% inflation and 3.25% combined inflationary and real “across the board” salary increases.</p> <p>We recommend adjusting the merit and promotional rates of salary increase as developed in Section III (C) to reflect past experience. The recommended assumptions anticipate slightly higher salary increases for General and slightly lower salary increases for Safety.</p> |
| 24 | <p>Retirement Rates: The probability of retirement at each age at which participants are eligible to retire.</p> <p>Other Retirement Related Assumptions including:</p> <ul style="list-style-type: none"> • Percent married and spousal age differences for members not yet retired • Retirement age for inactive vested members • Future reciprocal members and reciprocal salary increases | <p>We recommend adjusting the retirement rates to those developed in Section IV (A).</p> <p>For active and inactive vested members, increase the percent married at retirement assumption for females from 50% to 55% and maintain the assumption at 75% for males. For inactive vested members, increase the assumed retirement age from 58 to 59 for General members and maintain the assumed retirement age at 53 for Safety members.</p> <p>Reduce the current proportion of future terminated members expected to be covered by a reciprocal system from 20% to 15% for General members and from 30% to 25% for Safety members. In addition, increase the current reciprocal salary increase assumption from 4.25% to 4.50% for General members and maintain the current reciprocal salary increase assumption at 5.00% for Safety members.</p> |

| Pg # | Actuarial Assumption Categories | Recommendation |
|------|--|--|
| 39 | Mortality Rates: The probability of dying at each age. Mortality rates are used to project life expectancies. | For members who retire from service, we recommend adjusting the rates as developed in Section IV (B) for General and Safety members and all beneficiaries to reflect a generational approach for anticipating future mortality improvement. |
| 46 | | The disabled member mortality rates for General and Safety members have also been adjusted as developed in Section IV (C). The recommended pre-retirement mortality assumptions for General and Safety members have been adjusted as developed in Section IV (B). In addition, we recommend maintaining the assumption that all General pre-retirement deaths and 90% of Safety pre-retirement deaths are assumed to be non-service connected deaths. |
| 49 | Termination Rates: The probability of leaving employment at each age and receiving either a refund of member contributions or a deferred vested retirement benefit. | We recommend adjusting the termination rates to those developed in Section IV (D) to reflect a slightly lower incidence of termination for General All Other (non-OCTA) members, General OCTA members and Safety members. In addition, a lower proportion of members is expected to elect a withdrawal of member contributions with a higher proportion electing instead to receive a deferred vested benefit under the recommended assumptions. |
| 55 | Disability Incidence Rates: The probability of becoming disabled at each age. | We recommend adjusting the disability rates to those developed in Section IV (E) to reflect slightly higher incidence of disability for General All Other and Safety members and slightly lower incidence of disability for General OCTA members. |
| 59 | Additional Cashouts: Additional pay elements that are expected to be received during the member's final average earnings period. | We recommend adjusting the additional cashout assumptions to those developed in Section IV (F) to reflect recent years' experience. |

We have estimated the impact of the recommended and alternative assumption changes as if they were applied to the December 31, 2016 actuarial valuation.

| Cost Impact of Recommended Assumptions | | |
|--|--------------------------|---|
| <u>Change in Costs</u> | <u>Contribution Rate</u> | <u>Estimated Annual Dollar Amount in Thousands*</u> |
| Total Normal Cost | 3.68% | \$65,260 |
| Member Normal Cost | 1.61% | \$28,559 |
| Employer Normal Cost | 2.07% | \$36,701 |
| Employer UAAL Payments | <u>5.87%</u> | <u>\$103,710</u> |
| Total for Employer | 7.94% | \$140,411 |

* Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

| Cost Impact of Alternative 1 Assumptions (7.00% Investment Return Assumption & 2.75% Inflation) | | |
|--|--------------------------|---|
| <u>Change in Costs</u> | Contribution Rate | Estimated Annual Dollar Amount in Thousands* |
| Total Normal Cost | 1.88% | \$32,321 |
| Member Normal Cost | 0.77% | \$13,232 |
| Employer Normal Cost | 1.11% | \$19,089 |
| Employer UAAL Payments | <u>3.53%</u> | <u>\$61,450</u> |
| Total for Employer | 4.64% | \$80,539 |

* Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

| Cost Impact of Alternative 2 Assumptions (6.75% Investment Return Assumption & 2.75% Inflation) | | |
|--|--------------------------|---|
| <u>Change in Costs</u> | Contribution Rate | Estimated Annual Dollar Amount in Thousands* |
| Total Normal Cost | 3.77% | \$65,566 |
| Member Normal Cost | 1.59% | \$27,567 |
| Employer Normal Cost | 2.18% | \$37,999 |
| Employer UAAL Payments | <u>5.84%</u> | <u>\$102,078</u> |
| Total for Employer | 8.02% | \$140,077 |

* Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

The breakdown of the contribution impacts due only to the recommended demographic assumption changes (as recommended in Section IV of this report) and the contribution rate impacts (after implementing the demographic assumption changes) due to the recommended and alternative economic assumption changes (as recommended in Section III of this report), as well as the changes in funded status, are summarized in the following table.

| Cost Impact | | | |
|---|---|---|---|
| | Recommended (7.00% Return & 3.00% Inflation) | Alternative 1 (7.00% Return & 2.75% Inflation) | Alternative 2 (6.75% Return & 2.75% Inflation) |
| <u>Impact on Employer</u> | | | |
| Change due to demographic assumptions | 3.94% | 3.94% | 3.94% |
| Change due to economic assumptions | <u>4.00%</u> | <u>0.70%</u> | <u>4.08%</u> |
| Total change in employer rate | 7.94% | 4.64% | 8.02% |
| Total estimated change in annual dollar amount (\$000s) | \$140,411 | \$80,539 | \$140,077 |
| <u>Impact on Member</u> | | | |
| Change due to demographic assumptions | 0.57% | 0.57% | 0.57% |
| Change due to economic assumptions | <u>1.04%</u> | <u>0.20%</u> | <u>1.02%</u> |
| Total change in member rate | 1.61% | 0.77% | 1.59% |
| Total estimated change in annual dollar amount (\$000s) | \$28,559 | \$13,232 | \$27,567 |
| <u>Impact on UAAL and Funded Percentage</u> | | | |
| Change in UAAL | \$1,404 million | \$763 million | \$1,385 million |
| Change in funded percentage | From 73.1% to 67.7% | From 73.1% to 70.1% | From 73.1% to 67.9% |

Section II provides some background on the basic principles and methodology used for the experience study and for the review of the economic and demographic actuarial assumptions. A detailed discussion of each assumption and reasons for the proposed changes are found in Section III for the economic assumptions and Section IV for the demographic assumptions. The cost impact of the proposed changes is detailed in Section V.

II. Background and Methodology

In this report, we analyzed both economic and demographic (“non-economic”) assumptions. The primary economic assumptions reviewed are inflation, investment return, and salary increases. Demographic assumptions include the probabilities of certain events occurring in the population of members, referred to as “decrements,” e.g., termination from service, disability retirement, service retirement, and death before and after retirement. In addition to decrements, other demographic assumptions reviewed in this study include the percentage of members with an eligible spouse or domestic partner, spousal age difference, percentage of members assumed to go on to work for a reciprocal system, reciprocal salary increases and additional cashouts.

Economic Assumptions

Economic assumptions consist of:

- **Inflation:** Increases in the price of goods and services. The inflation assumption reflects the basic return that investors expect from securities markets. It also reflects the expected basic salary increase for active employees and drives increases in the allowances of retired members.
- **Investment Return:** Expected long-term rate of return on the System’s investments after expenses. This assumption has a significant impact on contribution rates.
- **Salary Increases:** In addition to inflationary increases, it is assumed that salaries will also grow by “across the board” real pay increases in excess of price inflation. It is also assumed that employees will receive raises above these average increases as they advance in their careers. These are commonly referred to as merit and promotional increases. Payments to amortize any Unfunded Actuarial Accrued Liability (UAAL) are assumed to increase each year by the price inflation rate plus any “across the board” real pay increases that are assumed.

The setting of these economic assumptions is described in Section III.

Demographic Assumptions

In order to determine the probability of an event occurring, we examine the “decrements” and “exposures” of that event. For example, taking termination from service, we compare the number of employees who actually terminate in a certain age and/or service category (i.e., the number of “decrements”) with those who could have terminated (i.e., the number of “exposures”). For example, if there were 500 active employees in the 20-24 age group at the beginning of the year and 50 of them terminate during the year, we would say the probability of termination in that age group is $50 \div 500$ or 10%.

The reliability of the resulting probability is highly dependent on both the number of decrements and the number of exposures. For example, if there are only a few people in a high age category at the beginning of the year (number of exposures), we would not lend as much credibility to the

probability of termination developed for that age category, especially if it is out of line with the pattern shown for the other age groups. Similarly, if we are considering the death decrement, there may be a large number of exposures in, say, the age 20-24 category, but very few decrements (actual deaths); therefore, we would not be able to rely heavily on the probability developed for that category.

One reason we use several years of experience for such a study is to have more exposures and decrements, and therefore more statistical reliability. Another reason for using several years of data is to smooth out fluctuations that may occur from one year to the next. However, we also calculate the rates on a year-to-year basis to check for any trend that may be developing in the later years.

III. Economic Assumptions

A. Inflation

Unless an investment grows at least as fast as prices increase, investors will experience a reduction in the inflation-adjusted value of their investment. There may be times when “riskless” investments return more or less than inflation, but over the long term, investment market forces will generally require an issuer of fixed income securities to maintain a minimum return which protects investors from inflation.

The inflation assumption is long term in nature, so our analysis included a review of historical information. Following is an analysis of 15 and 30 year moving averages of historical inflation rates:

HISTORICAL CONSUMER PRICE INDEX – 1930 TO 2016¹
(U.S. City Average - All Urban Consumers)

| | 25 th Percentile | Median | 75 th Percentile |
|-------------------------|-----------------------------|--------|-----------------------------|
| 15-year moving averages | 2.5% | 3.4% | 4.5% |
| 30-year moving averages | 3.1% | 3.9% | 4.8% |

The average inflation rates have continued to decline gradually over the last several years due to the relatively low inflationary period over the past two decades. Also, the later of the 15-year averages during the period are lower as they do not include the high inflation years of the mid-1970s and early 1980s.

Based on information found in the Public Plans Data website, which is produced in partnership with the National Association of State Retirement Administrators (NASRA), the median inflation assumption used by 142 large public retirement funds in their 2015 fiscal year valuations was 3.00%. In California, San Mateo County uses an inflation assumption of 2.50%, CalPERS, CalSTRS, Contra Costa County, Los Angeles County, and two other 1937 Act CERL systems use an inflation assumption of 2.75%, San Joaquin County uses an inflation assumption of 2.90% while OCERS and eleven other 1937 Act CERL systems use an inflation assumption of 3.00%.

OCERS’ investment consultant, Meketa, anticipates an annual inflation rate of 2.60%, while the average inflation assumption provided by Meketa and seven other investment advisory firms retained by Segal’s California public sector clients was 2.32%. Note that, in general, investment consultants use a time horizon² for this assumption that is shorter than the time horizon of the actuarial valuation.

¹ Source: Bureau of Labor Statistics – Based on CPI for All items in U.S. city average, all urban consumers, not seasonally adjusted (Series Id: CUUR0000SA0)

² After removing an outlier, the time horizon used by the remaining seven investment consultants included in our review range from 10 years to 30 years. Most of those investment consultants use 10 years and Meketa uses 20 years.

To find a forecast of inflation based on a longer time horizon, we referred to the 2017 report on the financial status of the Social Security program.³ The projected average increase in the Consumer Price Index (CPI) over the next 75 years under the intermediate cost assumptions used in that report was 2.60%. (Besides projecting the results under the intermediate cost assumptions using an inflation of 2.60%, alternative projections were also made using a lower and a higher inflation assumption of 2.00% and 3.20%, respectively.)

We also compared the yields on the thirty-year inflation indexed U.S. Treasury bonds to comparable traditional U.S. Treasury bonds.⁴ As of June 2017, the difference in yields is about 1.87%, which provides a measure of market expectations of inflation.

Based on all of the above information, we recommend that the current 3.00% annual inflation assumption be maintained for the December 31, 2017 actuarial valuation.

The setting of the inflation assumption using the information outlined above is a somewhat subjective process, and Segal does not apply a specific weight to each of the metrics in determining our recommended inflation assumption. Based on a consideration of all these metrics, we have recently been recommending the same 3.00% inflation assumption in our experience studies for our California based public retirement system clients.

However, we note that the metrics presented above could also lead to a lower inflation assumption, and that in particular Segal would find 2.75% to be a reasonable inflation assumption. As discussed on the previous page of this report, several large California public retirement systems have recently adopted a 2.75% inflation assumption in their valuations, including one system (Contra Costa County ERA) that is a Segal client.

Retiree Cost of Living Increases

In the last valuation, as of December 31, 2016, consistent with the 3.00% annual inflation assumption used by the Board for that valuation, the Board used a 3.00% cost-of-living adjustment for all retirees.

Consistent with our recommended inflation assumptions, we also recommend maintaining the current assumptions to value the post-retirement cost-of-living adjustments (COLA).

In developing the COLA assumption, we also considered the results of a stochastic approach that would attempt to account for the possible impact of low inflation that could occur before COLA banks are able to be established for the member. Although the results of this type of analysis might justify the use of a lower COLA assumption, we are not recommending that at this time. The reasons for this conclusion include the following:

- The results of the stochastic modeling are significantly dependent on assuming that lower levels of inflation will persist in the early years of the projections. If this is not assumed, then the stochastic modeling will produce results similar to our proposed COLA assumptions.

³ Source: Social Security Administration – The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds

⁴ Source: Board of Governors of the Federal Reserve System

- Using a lower long-term COLA assumption based on a stochastic analysis would mean that an actuarial loss would occur even when the inflation assumption of 3.00% is met in a year. We question the reasonableness of this result.

We do not see the stochastic possibility of COLAs averaging less than those predicted by the assumed rate of inflation as a reliable source of cost savings that should be anticipated in our COLA assumptions. Therefore, we continue to recommend setting the COLA assumptions based on the long-term annual inflation assumption, as we have in prior years.

B. Investment Return

The investment return assumption is comprised of two primary components, inflation and real rate of investment return, with adjustments for expenses and risk.

Real Rate of Investment Return

This component represents the portfolio's incremental investment market returns over inflation. Theory has it that as an investor takes a greater investment risk, the return on the investment is expected to also be greater, at least in the long run. This additional return is expected to vary by asset class and empirical data supports that expectation. For that reason, the real rate of return assumptions are developed by asset class. Therefore, the real rate of return assumption for a retirement association's portfolio will vary with the Board's asset allocation among asset classes.

The following is the System's current target asset allocation and the assumed real rate of return assumptions by asset class. The first column of real rate of return assumptions are determined by reducing Meketa's total or "nominal" 2017 return assumptions by their assumed 2.60% inflation rate. The second column of returns (except for Core Infrastructure, Natural Resources, Risk Mitigation, Mezzanine/Distressed Debts and Private Equity) represents the average of a sample of real rate of return assumptions. The sample includes the expected annual real rate of return provided to us by Meketa and seven other investment advisory firms retained by Segal's public sector clients. We believe these averages are a reasonable consensus forecast of long-term future market returns in excess of inflation.⁵

⁵ Note that, just as for the inflation assumption, in general the time horizon used by the investment consultants in determining the real rate of return assumption is shorter than the time horizon encompassed by the actuarial valuation.

OCERS' TARGET ASSET ALLOCATION AND ASSUMED ARITHMETIC REAL RATE OF RETURN ASSUMPTIONS BY ASSET CLASS AND FOR THE PORTFOLIO

| Asset Class | Percentage of Portfolio | Meketa' Assumed Real Rate of Return ⁶ | Average Assumed Real Rate of Return from a Sample of Consultants to Segal's California Public Sector Clients ⁷ |
|----------------------------|-------------------------|--|---|
| Global Equity | 35.0% | 7.11% | 6.38% |
| Core Bonds | 13.0% | 0.98% | 1.03% |
| High Yield Bonds | 4.0% | 4.18% | 3.52% |
| Bank Loan | 2.0% | 3.40% | 2.86% |
| TIPS | 4.0% | 1.18% | 0.96% |
| Emerging Market Debt | 4.0% | 3.99% | 3.78% |
| Real Estate | 10.0% | 5.92% | 4.33% |
| Core Infrastructure | 2.0% | 5.48% | 5.48% ⁸ |
| Natural Resources | 10.0% | 7.86% | 7.86% ⁸ |
| Risk Mitigation | 5.0% | 4.66% | 4.66% ⁸ |
| Mezzanine/Distressed Debts | 3.0% | 6.53% | 6.53% ⁸ |
| Private Equity | 8.0% | 9.48% | 9.48% ⁸ |
| Total | 100.0% | 5.73% | 5.27% |

The above are representative of “indexed” returns and do not include any additional returns (“alpha”) from active management. This is consistent with the Actuarial Standard of Practice No. 27, Section 3.6.3.d, which states:

“Investment Manager Performance - Anticipating superior (or inferior) investment manager performance may be unduly optimistic (or pessimistic). The actuary should not assume that superior or inferior returns will be achieved, net of investment expenses, from an active investment management strategy compared to a passive investment management strategy unless the actuary believes, based on relevant supporting data, that such superior or inferior returns represent a reasonable expectation over the measurement period.”

The following are some observations about the returns provided above:

1. The investment consultants to our California public sector clients have each provided us with their expected real rates of return for each asset class, over various future periods of time. However, in general, the returns available from investment consultants are projected over time periods shorter than the durations of a retirement plan’s liabilities.
2. Using a sample average of expected real rate of returns allows the System’s investment return assumption to reflect a broader range of capital market information and should help reduce year to year volatility in the investment return assumption.

⁶ Derived by reducing Meketa’s nominal rate of return assumptions by their assumed 2.60% inflation rate.

⁷ These are based on the projected arithmetic returns provided by Meketa and seven other investment advisory firms serving the county retirement system of Orange and 16 other city and county retirement systems in California. These return assumptions are gross of any applicable investment expenses.

⁸ For these asset classes, Meketa’s assumption is applied in lieu of the average because there is a larger disparity in returns for these asset classes among the firms surveyed and using Meketa’s assumption should more closely reflect the underlying investments made specifically for OCERS.

3. Therefore, we recommend that the 5.27% portfolio real rate of return be used to determine the System’s investment return assumption. This is 0.06% lower than the return that was used three years ago in the review to prepare the recommended investment return assumption for the December 31, 2014 valuation. The difference is due to changes in the System’s target asset allocation (-0.08%), changes in the real rate of return assumptions provided to us by the investment advisory firms (-0.07%) and the interaction effect between these changes (+0.09%).

System Expenses

For funding purposes, the real rate of return assumption for the portfolio needs to be adjusted for investment and administrative expenses expected to be paid from investment income. The following table provides the investment and administrative expenses in relation to the actuarial value of assets for the five years ending December 31, 2016.

ADMINISTRATIVE AND INVESTMENT EXPENSES AS A PERCENTAGE OF VALUATION VALUE OF ASSETS (Dollars in 000’s)

| Plan Year | Valuation Value of Assets ⁹ | Administrative Expenses | Investment Expenses ¹⁰ | Administrative % | Investment % | Total % |
|---|--|-------------------------|-----------------------------------|------------------|--------------|--------------------|
| 2009 | \$7,748,380 | \$10,893 | \$34,819 | 0.14 | 0.45 | 0.59 |
| 2010 | 8,154,687 | 12,448 | 68,027 ¹¹ | 0.15 | 0.83 | 0.98 ¹¹ |
| 2011 | 8,672,592 | 15,479 | 39,023 | 0.18 | 0.45 | 0.63 |
| 2012 | 9,064,355 | 14,295 | 40,992 | 0.16 | 0.45 | 0.61 |
| 2013 | 9,469,208 | 14,904 | 38,759 | 0.16 | 0.41 | 0.57 |
| 2014 | 10,417,125 | 11,905 | 41,487 | 0.11 | 0.40 | 0.51 |
| 2015 | 11,449,911 | 12,521 | 54,532 | 0.11 | 0.48 | 0.59 |
| 2016 | 12,228,009 | 16,870 | 80,810 ¹² | 0.14 | 0.66 | 0.80 ¹² |
| Last Experience Study Five-Year Average (2009 – 2013) | | | | 0.16 | 0.52 | 0.68 |
| Current Experience Study Five-Year Average (2012 – 2016) | | | | 0.14 | 0.48 | 0.62 |
| Recommendation | | | | | | 0.80 |

The average administrative and investment expenses percentage over this five-year period in the current experience study is 0.62% of the valuation value of assets (over the five-year period in the last experience study, that average was 0.68%). However, the total expenses percentage went up to 0.80% for plan year 2016 when the “at-source” investment managed fees started to be disclosed in the financial statements instead of being treated as a reduction in the investment

⁹ As of beginning of plan year.

¹⁰ Net of securities lending expenses. Because we do not assume any additional net return for this program, we effectively assume that any securities lending expenses will be offset by related income.

¹¹ We understand that the 2010 investment expenses included some one-time expenses such as foreign tax expense that is expected to be offset by future tax reclaim.

¹² Per OCERS, the increase in the investment expenses for plan year 2016 is primarily due to the reporting of the “at-source” investment management fees in the financial statement that were previously netted against the investment returns.

returns. Taking into account how the investment expenses are reported starting with the 2016 plan year, we believe that it is reasonable to increase the future expense component from 0.60% used in the last review in 2014 to 0.80%.

We understand that this increase reflects a change in how expenses are reported, and not an increase in the level of actual expenses. This means that, for comparison purposes, it may be helpful to consider a restatement of our 2014 analysis reflecting the higher 0.80% expense component. We have included those restated values in the analysis that follows.

Note related to investment expenses paid to active managers – As cited above, under Section 3.6.3.d of ASOP No. 27, the effect of an active investment management strategy should be considered “net of investment expenses...unless the actuary believes, based on relevant data, that such superior or inferior returns represent a reasonable expectation over the measurement period.” For OCERS, nearly all of the investment expenses were paid for expenses associated with active managers.

We have not performed a detailed analysis to measure how much of the investment expenses paid to active managers might have been offset by additional returns (“alpha”) earned by that active management. However, we observed based on information provided in the CAFR that the total fund return on a net of investment expense basis was lower than the policy benchmark by about 0.6% over the last five years. We will work with the System’s staff to determine whether future studies might potentially exclude the level of investment expenses for active managers that are expected to be offset by investment returns. For now, we will continue to use the current approach that any “alpha” that may be identified would be treated as an increase in the risk adjustment and corresponding confidence level. For example, 0.25% of alpha would increase the confidence level by 3% (see discussions that follow on definitions of risk adjustment and confidence level).

Risk Adjustment

The real rate of return assumption for the portfolio is adjusted to reflect the potential risk of shortfalls in the return assumptions. The System’s asset allocation determines this portfolio risk, since risk levels are driven by the variability of returns for the various asset classes and the correlation of returns among those asset classes. This portfolio risk is incorporated into the real rate of return assumption through a risk adjustment.

The purpose of the risk adjustment (as measured by the corresponding confidence level) is to increase the likelihood of achieving the actuarial investment return assumption in the long term.¹³ The 5.27% expected real rate of return developed earlier in this report was based on expected mean or average arithmetic returns. This means there is a 50% chance of the actual return in each year being at least as great as the average (assuming a symmetrical distribution of future returns). The risk adjustment is intended to increase that probability somewhat above the 50% level. This is consistent with our experience that retirement plan fiduciaries would generally prefer that returns exceed the assumed rate more often than not. Note that, based on the investment return assumptions recently adopted by systems that have been analyzed under this model, we observe a confidence level generally in the range of 50% to 60%.

¹³ This type of risk adjustment is sometimes referred to as a “margin for adverse deviation.”

Three years ago, the Board adopted an investment return assumption of 7.25%. That return implied a risk adjustment of 0.48%, reflecting a confidence level of 56% that the actual average return over 15 years would not fall below the assumed return, assuming that the distribution of returns over that period follows the normal statistical distribution.¹⁴

In our model, the confidence level associated with a particular risk adjustment represents the likelihood that the actual average return would equal or exceed the assumed value over a 15-year period. For example, if we set our real rate of return assumption using a risk adjustment that produces a confidence level of 60%, then there would be a 60% chance (6 out of 10) that the average return over 15 years will be equal to or greater than the assumed value. The 15-year time horizon represents an approximation of the “duration” of the fund’s liabilities, where the duration of a liability represents the sensitivity of that liability to interest rate variations.

If we use the same 56% confidence level from our last study to set this year’s risk adjustment, based on the current long-term portfolio standard deviation of 12.95% provided by Meketa, the corresponding risk adjustment would be 0.51%. Together with the other investment return components, this would result in an investment return assumption of 6.96%, which is lower than the current assumption of 7.25%.

Based on the general practice of using one-quarter percentage point increments for economic assumptions, we evaluated the effect on the confidence level of other alternative investment return assumptions. In particular, a net investment return assumption of 7.00%, together with the other investment return components, would produce a risk adjustment of 0.47%, which corresponds to a confidence level of 55%. This is slightly lower than the confidence level of 56% used in OCERS’ last study for the December 31, 2014 valuation. This analysis supports reducing the current assumption from 7.25% to 7.00%. Note that this comparison does not reflect any restatement of the 2014 analysis for higher reported investment expenses.

The table below shows OCERS’ investment return assumptions and for the years when this analysis was performed, the risk adjustments and corresponding confidence levels compared to the values for prior studies. For comparison purposes we have included values for 2014-2016 both as originally developed and after restatement for higher reported investment expenses. For any given investment return assumption, higher expenses will mean a lower risk adjustment and so a lower confidence level. As shown below, with an expense component of 0.80% instead of 0.60% the 2014-2016 investment return of 7.25% would have had a confidence level of 53% rather than 56%.

¹⁴ Based on an annual portfolio return standard deviation of 12.30% provided by the prior investment consultant in 2014. Strictly speaking, future compounded long-term investment returns will tend to follow a log-normal distribution. However, we believe the Normal distribution assumption is reasonable for purposes of setting this type of risk adjustment.

HISTORICAL INVESTMENT RETURN ASSUMPTIONS, RISK ADJUSTMENTS AND CONFIDENCE LEVELS BASED ON ASSUMPTIONS ADOPTED BY THE BOARD

| Year Ending December 31 | Investment Return | Risk Adjustment | Corresponding Confidence Level |
|-------------------------|-------------------|-----------------|--------------------------------|
| 2004 - 2007 | 7.75% | 0.39% | 56% |
| 2008 - 2010 | 7.75% | 0.80% | 61% |
| 2011 | 7.75% | -0.23% | <50% |
| 2012 - 2013 | 7.25% | 0.34% | 55% |
| 2014 - 2016 | 7.25% | 0.48% | 56% |
| 2014 - 2016 (restated) | 7.25% | 0.28% | 53% |
| 2017 (Recommended) | 7.00% | 0.47% | 55% |

As we have discussed in prior experience studies, the risk adjustment model and associated confidence level is most useful as a means for comparing how the System has positioned itself relative to risk over periods of time.¹⁵ The use of a 55% confidence level should be considered in context with other factors, including:

- As noted above, the confidence level is more of a relative measure than an absolute measure, and so can be reevaluated and reset for future comparisons.
- The confidence level is based on the standard deviation of the portfolio that is determined and provided to us by Meketa. The standard deviation is a statistical measure of the future volatility of the portfolio and so is itself based on assumptions about future portfolio volatility and can be considered somewhat of a “soft” number.
- A confidence level of 55% is within the range of about 50% to 60% that corresponds to the risk adjustments used by most of Segal’s other California public retirement system clients. Most public retirement systems that have recently reviewed their investment return assumptions have seen decreases in their confidence level even though they adopted more conservative investment return assumptions for their valuations.
- As with any model, the results of the risk adjustment model should be evaluated for reasonableness and consistency. This is discussed in the later section on “Comparison with Other Public Retirement Systems”.

Taking into account the factors above, our recommendation is to reduce the net investment return assumption from 7.25% to 7.00%. As noted above, this return implies a 0.47% risk adjustment, reflecting a confidence level of 55% that the actual average return over 15 years would not fall below the assumed return.

¹⁵ In particular, it would not be appropriate to use this type of risk adjustment as a measure of determining an investment return rate that is “risk-free.”

Recommended Investment Return Assumption

The following table summarizes the components of the investment return assumption developed in the previous discussion. For comparison purposes, we have also included similar values from the last study, both before and after restatement for higher reported investment expenses.

CALCULATION OF NET INVESTMENT RETURN ASSUMPTION

| Assumption Component | Recommended Value | Restated Expenses | Adopted Value |
|----------------------------------|-------------------|-------------------|-------------------|
| | December 31, 2017 | December 31, 2014 | December 31, 2014 |
| Inflation | 3.00% | 3.00% | 3.00% |
| Plus Average Real Rate of Return | 5.27% | 5.33% | 5.33% |
| Minus Expense Adjustment | (0.80%) | (0.80%) | (0.60%) |
| Minus Risk Adjustment | (0.47%) | (0.28%) | (0.48%) |
| Total | 7.00% | 7.25% | 7.25% |
| Confidence Level | 55% | 53% | 56% |

Based on this analysis, our recommended investment return assumption is a decrease from 7.25% to 7.00% per annum to maintain a confidence level associated with this assumption at a level consistent with values developed in prior reviews of this assumption.

Comparing with Other Public Retirement Systems

One final test of the recommended investment return assumption is to compare it against those used by other public retirement systems, both in California and nationwide.

We note that a 7.00% investment return assumption is becoming more common among California public sector retirement systems. In particular, five County employees retirement systems (Contra Costa, Fresno, Mendocino, Sacramento and Santa Barbara) use a 7.00% earnings assumption. Furthermore, the CalPERS Board has approved a reduction in the earnings assumption from 7.50% to 7.00% over the next three years. In addition, CalSTRS recently adopted a 7.25% earnings assumption for the 2016 valuation (down from 7.50%) and a 7.00% earnings assumption for the 2017 valuation.

The following table compares OCERS' recommended net investment return assumption against those of the nationwide public retirement systems that participated in the National Association of State Retirement Administrators (NASRA) 2016 Public Fund Survey for 142 large public retirement funds in their 2015 fiscal year valuations:

| Assumption | OCERS | NASRA 2016 Public Fund Survey ¹⁶ | | |
|-----------------------|-------|---|--------|-------|
| | | Low | Median | High |
| Net Investment Return | 7.00% | 4.29% | 7.50% | 8.50% |

The detailed survey results show that more than one-half of the systems have an investment return assumption in the range of 6.75% to 7.75%, and over half of those systems have used an

¹⁶ Public Plans Data website – Produced in partnership with the National Association of State Retirement Administrators (NASRA)

assumption of 7.50%. The survey also notes that several plans have reduced their investment return assumption during the last year. State systems outside of California tend to change their economic assumptions less frequently and so may lag behind emerging practices in this area.

In summary, we believe that both the risk adjustment model and other considerations indicate a lower earnings assumption. The recommended assumption of 7.00% provides for a risk margin within the risk adjustment model consistent with recent OCERS practice, and it is consistent with OCERS’ current practice relative to other public systems.

Alternative Economic Assumptions

As we noted above in our discussion of the inflation assumption, the metrics presented in that section could also lead to an inflation assumption lower than our recommended 3.00%, and in particular Segal would find 2.75% to be a reasonable inflation assumption. In this section we present for the Board’s consideration alternative investment return assumptions based on an inflation component of 2.75%.

We note that several California public retirement systems have lowered their inflation assumptions at the same time that they lowered their investment return assumptions. Whether this results in more conservative or more aggressive assumptions depends on the change in the real return, i.e., the difference between the two assumptions. We have analyzed two sets of alternative economic assumptions in the table below.

ALTERNATIVE INFLATION AND INVESTMENT RETURN ASSUMPTIONS

| Assumption Component | Recommended 7.00% Investment 3.00% Inflation | Alternative 1 7.00% Investment 2.75% Inflation | Alternative 2 6.75% Investment 2.75% Inflation |
|------------------------------------|--|--|--|
| Inflation | 3.00% | 2.75% | 2.75% |
| Plus Portfolio Real Rate of Return | 5.27% | 5.27% | 5.27% |
| Minus Expense Adjustment | (0.80%) | (0.80%) | (0.80%) |
| Minus Risk Adjustment | (0.47%) | (0.22%) | (0.47%) |
| Total | 7.00% | 7.00% | 6.75% |
| Confidence Level | 55% | 53% | 55% |

Segal would find any of these three sets of economic assumptions to be reasonable.

C. Salary Increase

Salary increases impact plan costs in two ways: (i) by increasing members’ benefits (since benefits are a function of the members’ highest average pay) and future normal cost collections; and (ii) by increasing total active member payroll which in turn generates lower UAAL contribution rates. The components of the salary increase assumption are discussed below.

As an employee progresses through his or her career, increases in pay are expected to come from three sources:

1. **Inflation:** Unless pay grows at least as fast as consumer prices grow, employees will experience a reduction in their standard of living. There may be times when pay increases lag or exceed inflation, but over the long term, labor market forces will require an employer to maintain its employees' standards of living.

As discussed earlier in this report, we are recommending that the assumed rate of inflation be maintained at 3.00% per annum. This inflation component is used as part of the salary increase assumption.

2. **Real “Across the Board” Pay Increases:** These increases are typically termed productivity increases since they are considered to be derived from the ability of an organization or an economy to produce goods and services in a more efficient manner. As that occurs, at least some portion of the value of these improvements can provide a source for pay increases. These increases are typically assumed to extend to all employees “across the board”. The State and Local Government Workers Employment Cost Index produced by the Department of Labor provides evidence that real “across the board” pay increases have averaged about 0.6% - 0.9% annually during the last ten to twenty years.

We also referred to the annual report on the financial status of the Social Security program published in July 2017. In that report, real “across the board” pay increases are forecast to be 1.2% per year under the intermediate assumptions.

The real pay increase assumption is generally considered a more “macroeconomic” assumption, that is not necessarily based on individual plan experience. We note that the actual pay increases over the past five years were less than CPI increases, as shown below. However, this recent experience may not be a credible predictor of future experience.

| Valuation Date | Actual Average Pay Increase ¹⁷ | Actual Change in CPI ¹⁸ |
|-----------------------------|---|------------------------------------|
| December 31, 2012 | 0.03% | 2.04% |
| December 31, 2013 | -0.83% | 1.08% |
| December 31, 2014 | 2.22% | 1.35% |
| December 31, 2015 | -1.22% | 0.91% |
| December 31, 2016 | 6.66% | 1.89% |
| Average¹⁹ | 1.37% | 1.45% |

Considering these factors, we recommend maintaining the real “across the board” salary increase assumption at 0.50%. This means that the combined inflation and “across the board” salary increase assumption will remain unchanged at 3.50%.

Note that under the alternative 2.75% inflation assumption, the combined inflation and “across the board” salary increase assumption would decrease from 3.50% to 3.25%.

¹⁷ Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.

¹⁸ Based on the change in the Annual CPI for the Los Angeles-Riverside-Orange County area compared to the prior year.

¹⁹ In the last experience study, the actual average increased in salary was 1.56% while the actual average change in CPI was 1.24% during the five-year period ending on December 31, 2013.

3. **Merit and Promotional Increases:** As the name implies, these increases come from an employee's career advances. This form of pay increase differs from the previous two, since it is specific to the individual. For OCERS, there are service-specific merit and promotional increases.

The annual merit and promotional increases are determined by measuring the actual increases received by members over the experience period, net of the inflationary and real "across the board" pay increases. Increases are measured separately for General and Safety members. This is accomplished by:

- a. Measuring each continuing member's actual salary increase over each year of the experience period;
- b. Excluding any members with large increases (in the case of OCERS, we have excluded increases greater than 50%) or any decreases during any particular year;
- c. Categorizing these increases according to member demographics;
- d. Removing the wage inflation component from these increases (assumed to be equal to the increase in the members' average salary during the year);
- e. Averaging these annual increases over the three-year experience period; and
- f. Modifying current assumptions to reflect some portion of these measured increases reflective of their "credibility."

To be consistent with the other economic assumptions, these merit and promotional assumptions should be used in combination with the 3.50% assumed inflation and real "across the board" increases.

The following table shows the General members' actual average merit and promotional increases by years of service over the three-year period from January 1, 2014 through December 31, 2016 along with the actual average increases based on combining the current three-year period with the three years from the prior experience study. The current and proposed assumptions are also shown. The actual average total salary increases for the most recent three-year period were reduced by the actual average inflation plus "across the board" increase (i.e., wage inflation, estimated as the increase in average salaries) for each year over the current three-year experience period (2.4% on average).

**GENERAL
MERIT AND PROMOTIONAL INCREASES
(Actual vs. Proposed Assumption)**

| Years of Service | Rate (%) | | | |
|------------------|--------------------|--|--|---------------------|
| | Current Assumption | Actual Average Increase (Last 3 Years) | Actual Average Increase from Current and Prior Study | Proposed Assumption |
| Less than 1 | 10.00 | 6.48 | 7.78 | 9.00 |
| 1 | 7.25 | 7.14 | 7.67 | 7.25 |
| 2 | 6.00 | 6.61 | 6.05 | 6.00 |
| 3 | 4.75 | 5.76 | 4.90 | 5.00 |
| 4 | 4.00 | 4.62 | 4.13 | 4.00 |
| 5 | 3.25 | 3.70 | 3.48 | 3.50 |
| 6 | 2.25 | 3.17 | 2.99 | 2.50 |
| 7 | 2.00 | 2.91 | 2.69 | 2.25 |
| 8 | 1.50 | 2.76 | 2.29 | 1.75 |
| 9 | 1.25 | 2.55 | 1.97 | 1.50 |
| 10 | 1.25 | 1.95 | 1.64 | 1.50 |
| 11 | 1.25 | 2.04 | 1.55 | 1.50 |
| 12 | 1.25 | 1.83 | 1.43 | 1.50 |
| 13 | 1.25 | 1.81 | 1.45 | 1.50 |
| 14 | 1.25 | 1.64 | 1.57 | 1.50 |
| 15 | 1.25 | 1.72 | 1.54 | 1.50 |
| 16 | 0.75 | 1.51 | 1.14 | 1.00 |
| 17 | 0.75 | 1.56 | 1.11 | 1.00 |
| 18 | 0.75 | 1.87 | 1.28 | 1.00 |
| 19 | 0.75 | 1.48 | 0.91 | 1.00 |
| 20 & over | 0.75 | 1.37 | 1.09 | 1.00 |

The following table provides the same information for Safety members. The actual average total salary increases for the most recent three-year period were reduced by the actual average inflation plus “across the board” increase (i.e., wage inflation, estimated as the increase in average salaries) for each year over the current three-year experience period (3.8% on average).

SAFETY
MERIT AND PROMOTIONAL INCREASES
(Actual vs. Proposed Assumption)

| Years of Service | Rate (%) | | | |
|------------------|--------------------|--|--|---------------------|
| | Current Assumption | Actual Average Increase (Last 3 Years) | Actual Average Increase from Current and Prior Study | Proposed Assumption |
| Less than 1 | 14.00 | 13.91 | 13.92 | 14.00 |
| 1 | 10.00 | 6.23 | 10.66 | 10.00 |
| 2 | 8.50 | 5.67 | 7.13 | 7.75 |
| 3 | 6.75 | 4.80 | 5.18 | 6.00 |
| 4 | 5.25 | 6.61 | 6.06 | 5.50 |
| 5 | 4.50 | 4.22 | 4.86 | 4.50 |
| 6 | 3.50 | 3.93 | 4.26 | 3.75 |
| 7 | 3.25 | 3.12 | 3.53 | 3.25 |
| 8 | 2.25 | 2.68 | 2.64 | 2.50 |
| 9 | 2.25 | 2.21 | 2.41 | 2.25 |
| 10 | 1.75 | 1.61 | 2.14 | 1.75 |
| 11 | 1.75 | 1.59 | 1.70 | 1.75 |
| 12 | 1.75 | 1.24 | 1.60 | 1.75 |
| 13 | 1.75 | 1.69 | 1.68 | 1.75 |
| 14 | 1.75 | 1.41 | 1.69 | 1.75 |
| 15 | 1.75 | 1.67 | 2.26 | 1.75 |
| 16 | 1.50 | 1.53 | 1.65 | 1.50 |
| 17 | 1.50 | 1.89 | 2.07 | 1.50 |
| 18 | 1.50 | 2.23 | 2.26 | 1.50 |
| 19 | 1.50 | 2.19 | 2.00 | 1.50 |
| 20 & over | 1.50 | 1.28 | 1.78 | 1.50 |

Charts 1 and 2 provide a graphical comparison of the actual merit and promotional increases, compared to the proposed and current assumptions. The charts also show the actual merit and promotional increases based on an average of both the current and previous three-year experience periods. This is discussed above. Chart 1 shows this information for General members and Chart 2 for Safety members.

Based on this experience, we are proposing slight increases overall in the merit and promotional salary increases for General and slight decreases overall in the merit and promotional increases for Safety members. Overall, salary increases are assumed to be higher for General members and lower for Safety members since we are not recommending a change to the price inflation assumption or the “across the board” assumption.

Active Member Payroll

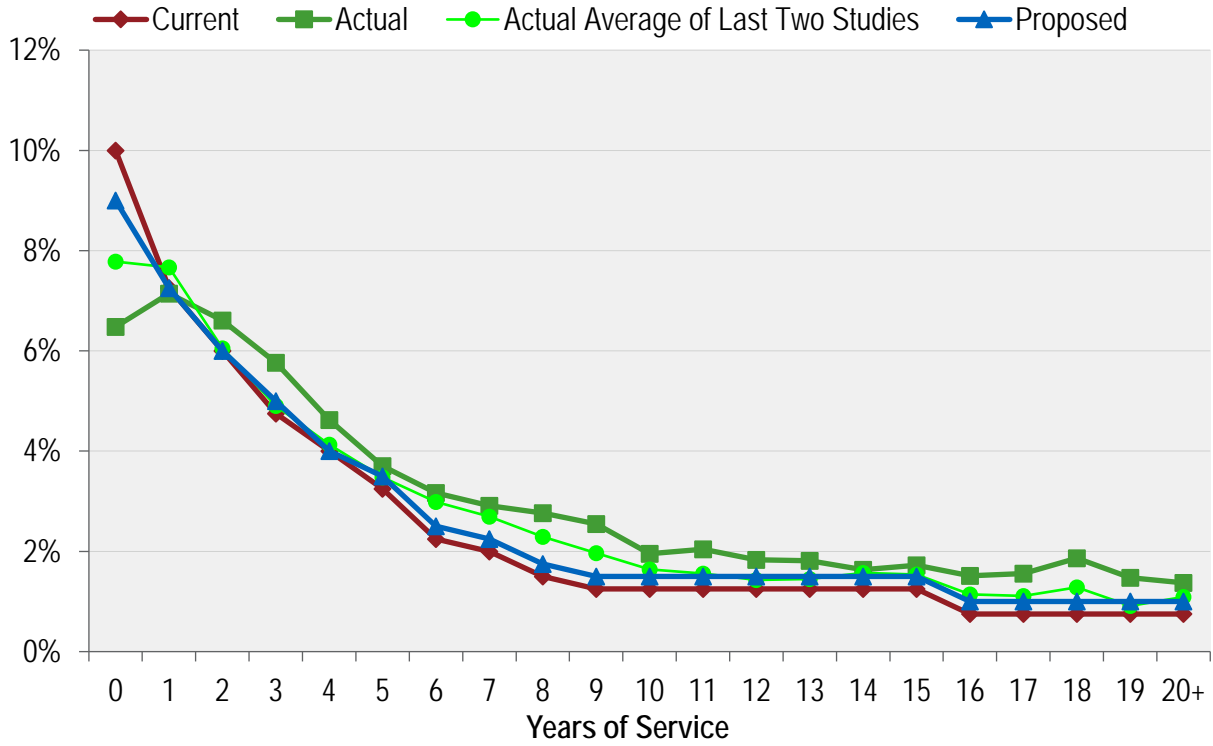
Projected active member payrolls are used to develop the UAAL contribution rate. Future values are determined as a product of the number of employees in the workforce and the average pay for all employees. The average pay for all employees increases only by inflation and real “across the board” pay increases. The merit and promotional increases are not an influence, because this average pay is not specific to an individual.

Under the Board’s current practice, the UAAL contribution rate is developed by assuming that the total payroll for all active members will increase annually over the amortization periods at the same assumed rates of inflation plus real “across the board” salary increase assumptions as are used to project the members’ future benefits.

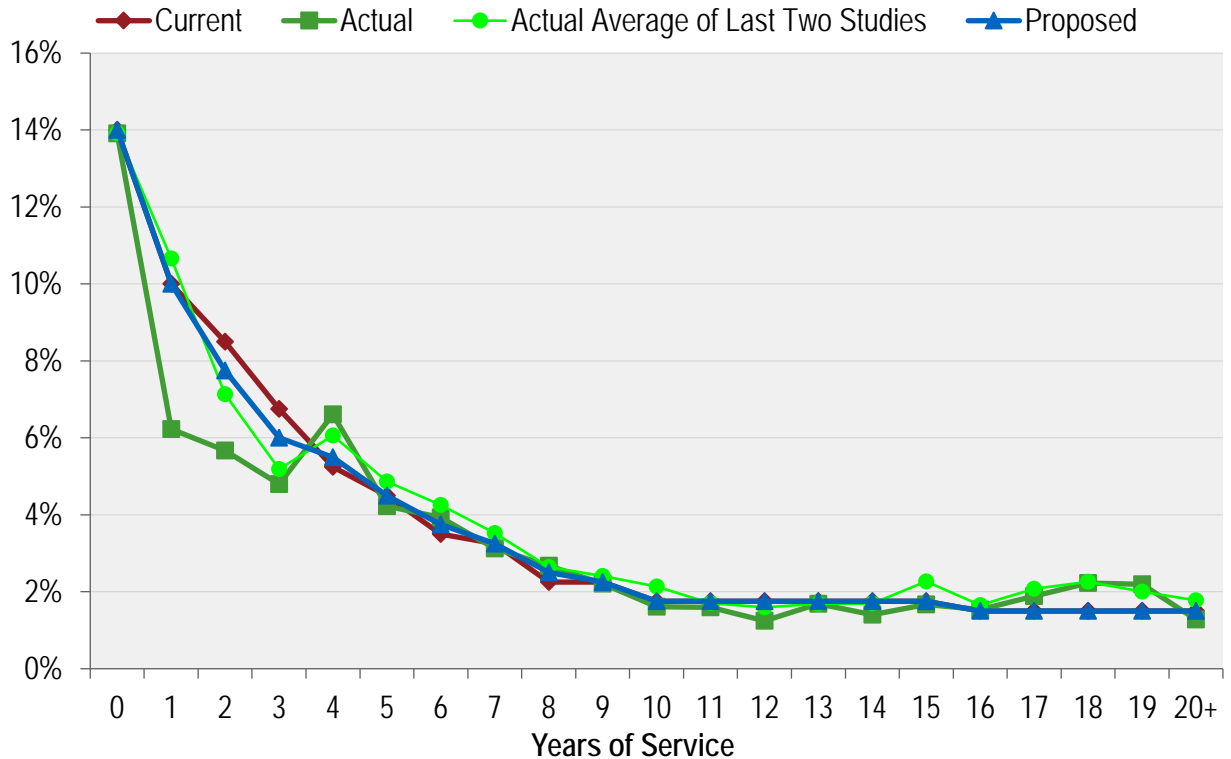
We recommend that the active member payroll increase assumption be maintained at 3.50% annually, consistent with the combined inflation plus real “across the board” salary increase assumptions.

Note that under the alternative 2.75% inflation assumption, the active member payroll increase assumption would decrease from 3.50% to 3.25%.

**CHART 1: MERIT AND PROMOTIONAL SALARY INCREASE RATES
GENERAL MEMBERS**



**CHART 2: MERIT AND PROMOTIONAL SALARY INCREASE RATES
SAFETY MEMBERS**



IV. Demographic Assumptions

A. Retirement Rates

The age at which a member retires from service (i.e., who did not retire on a disability pension) will affect both the amount and duration of the benefits that will be paid to that member as well as the period over which funding must take place. Following prior practice, we have continued to use age as a predictor as to when a member would retire from OCERS. Subsequent to our last experience study, we were asked to consider whether other factors such as service could be a better predictor in determining when a member would retire. We have reviewed the retirement experience using service and documented in the following sub-section why we would not recommend a change to use service at this time.

The System's current retirement rates for the non-CalPEPRA Plans²⁰ are separated into:

- (1) General Enhanced
- (2) General Non-Enhanced²¹
- (3) General SJC (2.0% @ 57 under §31676.12)
- (4) Safety Law Enforcement (3.0% @ 50 under §31664.1)
- (5) Safety Law Enforcement (3.0% @ 55 under §31664.2)
- (6) Safety Fire (3.0% @ 50 under §31664.1)
- (7) Safety Fire (3.0% @ 55 under §31664.2)
- (8) Safety Probation (3.0% @ 50 under §31664.1)

For members who are covered under the CalPEPRA Plans, the retirement rates are separated into:

- (1) CalPEPRA General
- (2) CalPEPRA Safety Probation
- (3) CalPEPRA Safety Law Enforcement
- (4) CalPEPRA Safety Fire

The tables on the following pages show the observed service retirement rates for each of the above non-CalPEPRA categories based on the actual experience over the past three years. The observed service retirement rates were determined by comparing those members who actually retired from service to those eligible to retire from service. This same methodology is followed throughout this report and was described in Section II. Also shown are the current rates assumed and the rates we propose:

²⁰ CalPEPRA or California Public Employees' Pension Reform Act of 2013 imposed lower benefit tiers for General and Safety members together with other changes.

²¹ These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (§31676.01).

| Rate of Retirement (%) | | | | | | |
|------------------------|------------------|-------------|---------------|----------------------|-------------|---------------|
| | General Enhanced | | | General Non-Enhanced | | |
| Age | Current Rate | Actual Rate | Proposed Rate | Current Rate | Actual Rate | Proposed Rate |
| Under 49 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 49* | 0.00 | 55.56** | 30.00 | 0.00 | 100.00*** | 25.00 |
| 50 | 2.50 | 2.69 | 2.50 | 2.50 | 1.42 | 2.00 |
| 51 | 2.00 | 1.92 | 2.00 | 2.50 | 0.00 | 2.00 |
| 52 | 2.00 | 2.98 | 2.50 | 2.50 | 0.58 | 2.00 |
| 53 | 2.00 | 2.67 | 2.50 | 2.50 | 3.47 | 2.75 |
| 54 | 5.00 | 7.46 | 5.50 | 2.50 | 3.61 | 2.75 |
| 55 | 15.00 | 15.11 | 15.00 | 3.00 | 3.80 | 3.25 |
| 56 | 10.00 | 9.73 | 10.00 | 3.50 | 3.98 | 3.50 |
| 57 | 10.00 | 9.20 | 10.00 | 5.00 | 6.09 | 5.50 |
| 58 | 10.00 | 11.51 | 11.00 | 5.00 | 6.84 | 5.50 |
| 59 | 11.00 | 10.78 | 11.00 | 7.00 | 5.50 | 6.50 |
| 60 | 12.00 | 13.28 | 12.00 | 9.00 | 9.47 | 9.25 |
| 61 | 12.00 | 11.35 | 12.00 | 10.00 | 17.16 | 12.00 |
| 62 | 15.00 | 12.75 | 14.00 | 16.00 | 16.94 | 16.00 |
| 63 | 16.00 | 13.79 | 16.00 | 16.00 | 12.28 | 16.00 |
| 64 | 16.00 | 16.83 | 16.00 | 18.00 | 16.82 | 18.00 |
| 65 | 21.00 | 26.80 | 22.00 | 21.00 | 24.72 | 22.00 |
| 66 | 22.00 | 21.75 | 22.00 | 26.00 | 32.84 | 28.00 |
| 67 | 23.00 | 23.81 | 23.00 | 21.00 | 26.32 | 24.00 |
| 68 | 23.00 | 21.67 | 23.00 | 21.00 | 30.23 | 24.00 |
| 69 | 23.00 | 16.67 | 23.00 | 21.00 | 10.00 | 20.00 |
| 70 | 40.00 | 19.67 | 25.00 | 30.00 | 26.67 | 20.00 |
| 71 | 40.00 | 15.31 | 25.00 | 30.00 | 29.63 | 25.00 |
| 72 | 40.00 | 7.41 | 25.00 | 30.00 | 15.38 | 25.00 |
| 73 | 40.00 | 13.70 | 25.00 | 30.00 | 37.50 | 25.00 |
| 74 | 40.00 | 20.75 | 25.00 | 30.00 | 14.29 | 25.00 |
| 75 & Over | 100.00 | 21.85 | 100.00 | 100.00 | 30.00 | 100.00 |

* These rates are applicable to General members with 30 or more years of service.

** Based on 5 members who retired during the last 3 years.

*** Based on 1 member who retired during the last 3 years.

As shown above, we are recommending slight increases in the retirement rates at early ages and decreases in the retirement rates at later ages for General Enhanced members and overall slight increases in the retirement rates for General Non-Enhanced members.

Chart 3 that follows later in this section compares actual experience with the current and proposed rates of retirement for General Enhanced members and Chart 4 has the same data for General Non-Enhanced members.

| Age | Rate of Retirement (%) | | | | | |
|-----------|-----------------------------------|-------------|---------------|-------------------------|-------------|---------------|
| | Safety Law Enforcement (31664.1)* | | | Safety Fire (31664.1)** | | |
| | Current Rate | Actual Rate | Proposed Rate | Current Rate | Actual Rate | Proposed Rate |
| 49*** | 10.00 | 16.39 | 12.00 | 0.00 | 1.56 | 2.00 |
| 50 | 16.00 | 20.30 | 18.00 | 6.00 | 4.60 | 5.00 |
| 51 | 16.00 | 20.57 | 18.00 | 8.00 | 6.15 | 7.00 |
| 52 | 16.00 | 16.91 | 17.00 | 9.00 | 10.13 | 9.50 |
| 53 | 16.00 | 18.49 | 17.00 | 10.00 | 12.00 | 10.50 |
| 54 | 22.00 | 17.20 | 22.00 | 16.00 | 7.23 | 15.00 |
| 55 | 22.00 | 22.06 | 22.00 | 19.00 | 14.49 | 18.00 |
| 56 | 20.00 | 13.64 | 20.00 | 20.00 | 21.43 | 20.00 |
| 57 | 20.00 | 25.81 | 20.00 | 23.00 | 14.63 | 21.00 |
| 58 | 20.00 | 22.73 | 20.00 | 30.00 | 25.58 | 28.00 |
| 59 | 26.00 | 25.00 | 26.00 | 30.00 | 26.09 | 28.00 |
| 60 | 45.00 | 18.18 | 35.00 | 45.00 | 20.00 | 30.00 |
| 61 | 45.00 | 26.32 | 35.00 | 45.00 | 11.11 | 30.00 |
| 62 | 45.00 | 40.00 | 40.00 | 45.00 | 18.18 | 35.00 |
| 63 | 45.00 | 28.57 | 40.00 | 45.00 | 25.00 | 35.00 |
| 64 | 45.00 | 40.00 | 40.00 | 45.00 | 0.00 | 35.00 |
| 65 & Over | 100.00 | 43.75 | 100.00 | 100.00 | 0.00 | 100.00 |

* Retirement rate is 100% after a Safety Law Enforcement member accrues a benefit of 100% of final average earnings.

** Retirement rate is currently assumed at 100% after a Safety Fire member accrues a benefit of 100% of final average earnings. However, we are recommending removing this assumption as we only observed a 20% retirement rate for those Safety Fire members who accrued a benefit of 100% of final average earnings during the last three years.

***These rates are applicable to Safety members with 20 or more years of service.

As shown above, we are recommending slight increases in the retirement rates at early ages and decreases in the retirement rates at later ages for Safety Law Enforcement (3.0% @ 50 under §31664.1) members and decreases overall in the retirement rates for Safety Fire (3.0% @ 50 under §31664.1) members.

Chart 5 that follows later in this section compares actual experience with the current and proposed rates of retirement for Safety Law Enforcement (3.0% @ 50 under §31664.1) members and Chart 6 has the same data for Safety Fire (3.0% @ 50 under §31664.1) members.

| Rate of Retirement (%) | | | |
|-----------------------------|--------------|-------------|---------------|
| Safety Probation (31664.1)* | | | |
| Age | Current Rate | Actual Rate | Proposed Rate |
| 49 | 0.00 | 2.86 | 0.00 |
| 50 | 3.00 | 6.90 | 3.25 |
| 51 | 3.00 | 3.70 | 3.25 |
| 52 | 4.00 | 8.51 | 4.25 |
| 53 | 4.00 | 4.26 | 4.25 |
| 54 | 6.00 | 13.16 | 7.00 |
| 55 | 11.00 | 14.71 | 12.00 |
| 56 | 11.00 | 9.38 | 12.00 |
| 57 | 17.00 | 21.43 | 18.00 |
| 58 | 20.00 | 17.39 | 18.00 |
| 59 | 20.00 | 14.29 | 18.00 |
| 60 | 20.00 | 23.81 | 20.00 |
| 61 | 20.00 | 7.69 | 20.00 |
| 62 | 25.00 | 33.33 | 25.00 |
| 63 | 50.00 | 30.00 | 40.00 |
| 64 | 50.00 | 20.00 | 40.00 |
| 65 & Over | 100.00 | 33.33 | 100.00 |

* Retirement rate is 100% after a Safety Probation member accrues a benefit of 100% of final average earnings.

As shown above, we are recommending slight increases in the retirement rates at early ages and decreases in the retirement rates at later ages for Safety Probation members.

Chart 7 that follows later in this section compares actual experience with the current and proposed rates of retirement for Safety Probation members.

For General SJC under (2.0% @ 57 under §31676.12), Safety Law Enforcement (3.0% @ 55 under §31664.2) and Safety Fire (3.0% @ 55 under §31664.2), we do not have credible experience from the past three years to propose new rates based on actual retirement from members of the newer plans. However, we are recommending lowering some of the rates at later ages currently used for those plans to commensurate with the overall later retirement assumptions that we observed and are recommending from the other older plans.

| Rate of Retirement (%) | | | | | | |
|------------------------|---------------------------|------------------|---|------------------|----------------------------|------------------|
| | General SJC (31676.12) | | Safety Law Enforcement (31664.2)* | | Safety Fire (31664.2)** | |
| Age | Current Rate | Proposed Rate | Current Rate | Proposed Rate | Current Rate | Proposed Rate |
| 50 | 3.00 | 3.00 | 11.50 | 11.50 | 8.00 | 8.00 |
| 51 | 3.00 | 3.00 | 12.00 | 12.00 | 10.00 | 10.00 |
| 52 | 3.00 | 3.00 | 12.70 | 12.70 | 11.00 | 11.00 |
| 53 | 3.00 | 3.00 | 17.90 | 17.90 | 12.00 | 12.00 |
| 54 | 3.00 | 3.00 | 18.80 | 18.80 | 14.00 | 14.00 |
| 55 | 4.00 | 4.00 | 30.70 | 30.70 | 24.00 | 24.00 |
| 56 | 5.00 | 5.00 | 20.00 | 20.00 | 23.00 | 23.00 |
| 57 | 6.00 | 6.00 | 20.00 | 20.00 | 27.00 | 27.00 |
| 58 | 7.00 | 7.00 | 25.00 | 25.00 | 27.00 | 27.00 |
| 59 | 9.00 | 9.00 | 30.00 | 30.00 | 36.00 | 36.00 |
| 60 | 11.00 | 11.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 61 | 13.00 | 13.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 62 | 15.00 | 15.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 63 | 15.00 | 15.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 64 | 20.00 | 20.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 65 | 20.00 | 20.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 66 | 24.00 | 24.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 67 | 24.00 | 24.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 68 | 24.00 | 24.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 69 | 24.00 | 24.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 70 | 100.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 71 | 100.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 72 | 100.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 73 | 100.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 74 | 100.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 75 & Over | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

* Retirement rate is 100% after a Safety Law Enforcement member accrues a benefit of 100% of final average earnings.

** Retirement rate is currently assumed at 100% after a Safety Fire member accrues a benefit of 100% of final average earnings. However, we are recommending removing this assumption to be consistent to what we proposed for the Non-CalPEPRA Safety Fire members covered under §31664.1.

Chart 8 compares the current rates with the proposed rates of retirement for General SJC under (2.0% @ 57 under §31676.12). Chart 9 has the same data for Safety Law Enforcement (3.0% @ 55 under §31664.2). Chart 10 has the same data for Safety Fire (3.0% @ 55 under §31664.2).

Note that effective January 1, 2013, new CalPEPRA formulas were implemented for new General and Safety tiers. For these new formulas, we do not have credible experience from the past three years to propose new rates based on actual retirement from members of the newer plans. However, we have lowered our recommended rates for CalPEPRA General and Safety formulas at later ages so that those rates will remain comparable to the proposed retirement rates we are recommending for the non-CalPEPRA General and Safety formulas.

| Rate of Retirement (%) | | | | | | | | |
|------------------------|--------------------|---------------|------------------------------|---------------|------------------------------------|---------------|--------------------------|---------------|
| Age | CalPEPRA – General | | CalPEPRA – Safety Probation* | | CalPEPRA – Safety Law Enforcement* | | CalPEPRA – Safety Fire** | |
| | Current Rate | Proposed Rate | Current Rate | Proposed Rate | Current Rate | Proposed Rate | Current Rate | Proposed Rate |
| 50 | 0.00 | 0.00 | 2.50 | 2.50 | 11.00 | 11.00 | 6.50 | 6.00 |
| 51 | 0.00 | 0.00 | 2.50 | 2.50 | 11.50 | 11.50 | 8.00 | 7.00 |
| 52 | 4.00 | 4.00 | 3.00 | 3.00 | 12.00 | 12.00 | 9.00 | 9.00 |
| 53 | 1.50 | 1.50 | 3.00 | 3.00 | 16.00 | 16.00 | 10.00 | 10.00 |
| 54 | 1.50 | 1.50 | 5.50 | 5.50 | 17.00 | 17.00 | 12.00 | 11.50 |
| 55 | 2.50 | 2.50 | 10.00 | 10.00 | 28.00 | 28.00 | 21.00 | 21.00 |
| 56 | 3.50 | 3.50 | 10.00 | 10.00 | 18.00 | 18.00 | 20.00 | 20.00 |
| 57 | 5.50 | 5.50 | 15.00 | 15.00 | 17.50 | 17.50 | 22.00 | 22.00 |
| 58 | 7.50 | 7.50 | 20.00 | 20.00 | 22.00 | 22.00 | 25.00 | 25.00 |
| 59 | 7.50 | 7.50 | 20.00 | 20.00 | 26.00 | 26.00 | 31.50 | 30.00 |
| 60 | 7.50 | 7.50 | 100.00 | 40.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 61 | 7.50 | 7.50 | 100.00 | 40.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 62 | 14.00 | 14.00 | 100.00 | 40.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 63 | 14.00 | 14.00 | 100.00 | 40.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 64 | 14.00 | 14.00 | 100.00 | 40.00 | 100.00 | 40.00 | 100.00 | 40.00 |
| 65 | 18.00 | 18.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 66 | 22.00 | 22.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 67 | 23.00 | 23.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 68 | 23.00 | 23.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 69 | 23.00 | 23.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 70 | 30.00 | 25.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 71 | 30.00 | 25.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 72 | 30.00 | 25.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 73 | 30.00 | 25.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 74 | 30.00 | 25.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 75 & Over | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

* Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

** Retirement rate is currently assumed at 100% after a Safety Fire member accrues a benefit of 100% of final average earnings. However, we are recommending removing this assumption to be consistent to what we proposed for the Non-CalPEPRA Safety Fire members.

For ages where we are extending the retirement rates in the two tables above, we did not reduce the retirement rates to the level used for the older plans with credible experience since the current rates for those plans are already less than 100%.

Chart 11 compares the current rates with the proposed rates of retirement for CalPEPRA General members. Chart 12 has the same data for CalPEPRA Safety Probation members. Chart 13 has the same data for CalPEPRA Safety Law Enforcement members. Chart 14 has the same data for CalPEPRA Safety Fire members.

Use of Age-Based Versus Service-Based Retirement Assumptions

We have also looked into the desirability of developing and applying the retirement assumptions based on service instead of age at retirement. The table below is based on a high-level review by combining the retirement experience for all OCERS General members covered under various formulas and all OCERS Safety members covered under various formulas. For General members, the actual retirement experience shows relatively higher retirement rates for members immediately upon reaching the minimum age or service requirement for a retirement benefit (i.e., attaining age 70 regardless of service or attaining age 50 with 10 or more years of retirement service credit) whereas from 10 years of service to 25 years of service, the retirement rates are very flat. For Safety members, the retirement rates are very volatile with no discernable pattern for members with less than 25 years of service.

The above analyses can be improved if we introduce age as additional variable to use in summarizing the experience. This is exactly the case for CalPERS as their retirement assumptions are developed and applied based on both a member’s age and service. We believe CalPERS is able to develop retirement assumptions based on both age and service because it is a significantly larger entity with more exposures and decrements, allowing them to break down the experience into smaller groups. If we were to split the experience for OCERS by age and service, we do not believe we would have as much reliable experience to make credible recommended retirement assumptions.

| Years of Service | Rate of Retirement (%) | |
|------------------|-------------------------------|------------------------------|
| | Actual Rate - General Members | Actual Rate - Safety Members |
| 0 - 4 | 0.00 | 0.00 |
| 5 - 9 | 47.59 | 100.00 |
| 10 – 14 | 6.64 | 8.11 |
| 15 – 19 | 6.75 | 8.54 |
| 20 – 14 | 8.63 | 4.29 |
| 25 – 19 | 11.87 | 15.59 |
| 30 – 14 | 18.57 | 31.77 |
| 35 – 39 | 29.17 | 20.59 |
| 40 & over | 29.17 | 0.00 |

Deferred Vested Members

In prior valuations, deferred vested General and Safety members were assumed to retire at age 58 and 53, respectively. The average age at retirement over the current three years period in this experience study was 58.8 for General and 53.1 for Safety. We recommend increasing the assumption for General members from age 58 to age 59 and maintaining the current assumption for Safety members at age 53.

For members who terminate with less than five years of service after January 1, 2003 and are not vested, we assume they would retire at age 70 for both General and Safety if they decide to leave their contributions on deposit as permitted by §31629.5.

Reciprocity

It is currently assumed that 20% of future General and 30% of future Safety deferred vested members would go on to work for a reciprocal system and receive 4.25% compensation increases for General and 5.00% for Safety per annum from termination until their date of retirement. Based on the actual experience that 13% of General and 23% of Safety members went on to work for a reciprocal system as of December 31, 2016, we recommend decreasing the reciprocity assumption for General members from 20% to 15% and decreasing the reciprocity assumption for Safety members from 30% to 25%. Based on our ultimate recommended merit and promotional salary increase assumption of 1.00% for General and 1.50% for Safety (and our recommended economic assumptions), we propose that a 4.50% (i.e., 3.00% inflation plus 0.50% “across the board” plus 1.00% merit and promotional) for General and 5.00% (i.e., 3.00% inflation plus 0.50% “across the board” plus 1.50% merit and promotional) salary increase assumption be utilized to anticipate salary increases (under the reciprocal system) from termination from OCERS to the expected date of retirement.

Survivor Continuance Under Unmodified Option

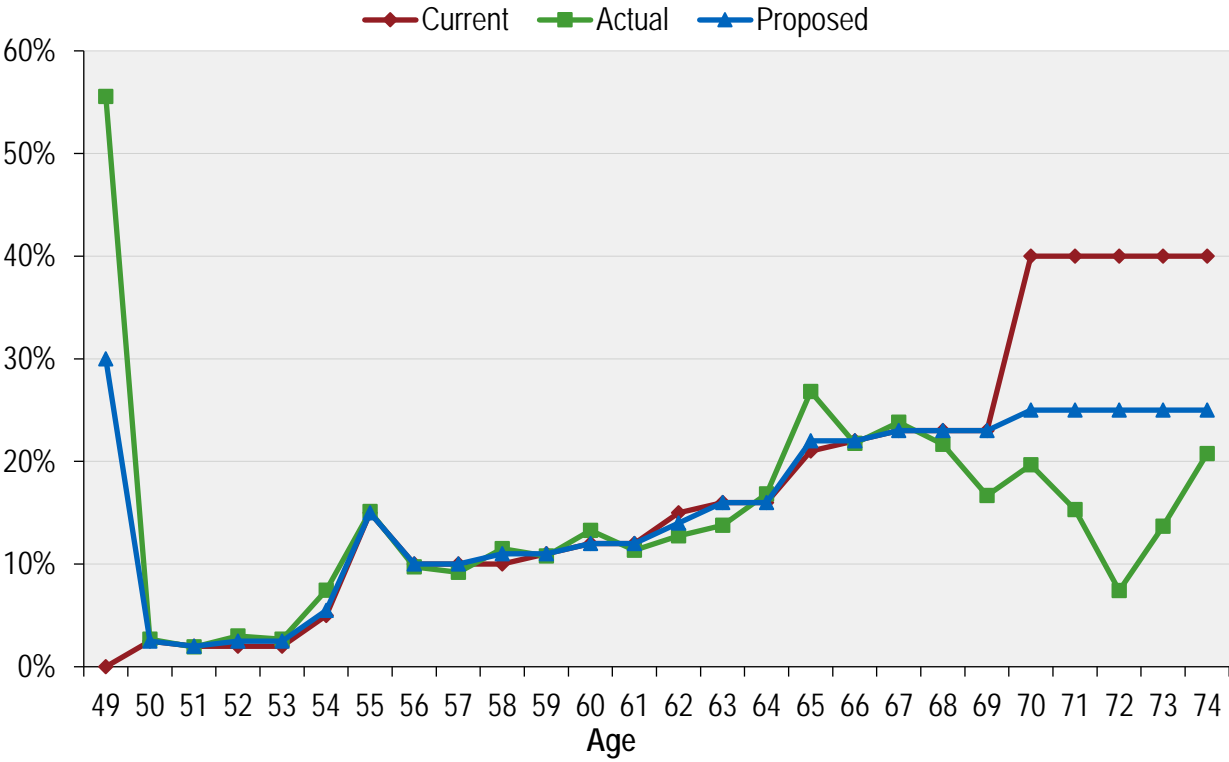
In prior valuations, it was assumed that 75% of all active male members and 50% of all active female members who selected the unmodified option would be married or have an eligible domestic partner when they retired. According to the experience of members who retired during the last three years, about 72% of all male members and 55% of all female members were married or had a domestic partner at retirement. We recommend continuing the assumptions that 75% of active male members will be married or have a domestic partner when they retire and increasing the assumption that 50% of active female members will be married or have a domestic partner when they retire to 55%.

Since the value of the survivor’s continuance benefit is dependent on the survivor’s age and sex, we must also have assumptions for the age and sex of the survivor. Based on the experience during the three-year period, we believe that it is reasonable to continue to assume a three-year age difference for the survivors age as compared to the member’s age. Since the majority of survivors are expected to be of the opposite sex, even with the inclusion of domestic partners, we will continue to assume that the survivor’s sex is the opposite of the member.

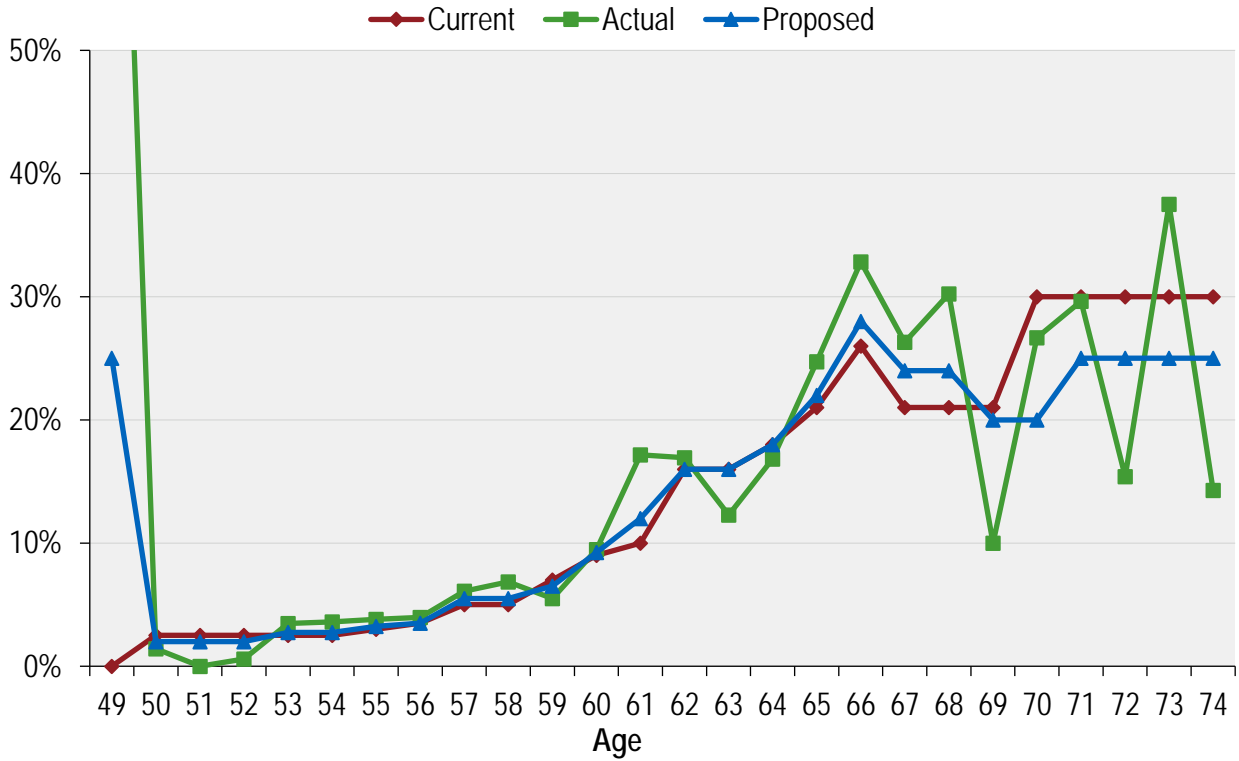
The proposed assumption for the age of the survivor and recommended assumption are shown below. These assumptions will continue to be monitored in future experience studies.

| Survivor Ages – Current Assumptions | | | |
|-------------------------------------|--|-----------------------|------------------------|
| Beneficiary Sex | Survivor's Age as Compared to Member's Age | | |
| | Current Assumption | Actual Age Difference | Recommended Assumption |
| Male | 3 years older | 2.8 years older | No change |
| Female | 3 years younger | 2.5 years younger | No change |

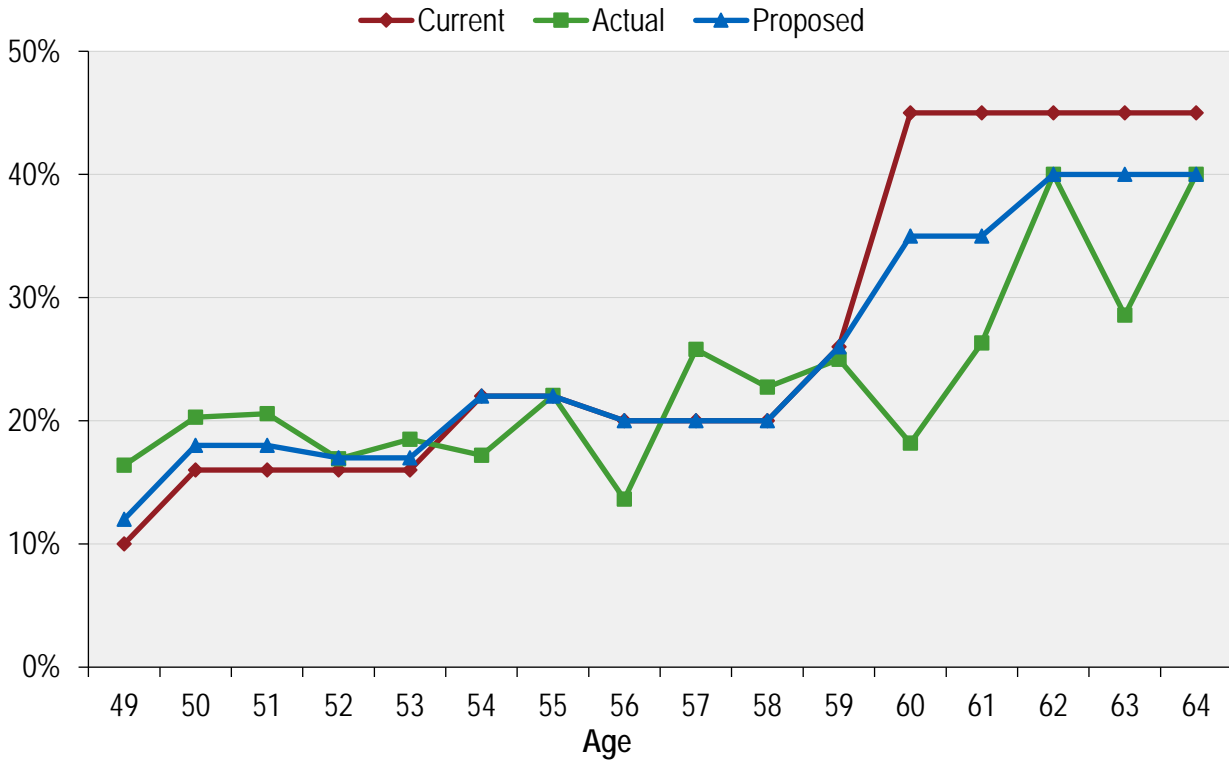
**CHART 3: RETIREMENT RATES
GENERAL ENHANCED MEMBERS**



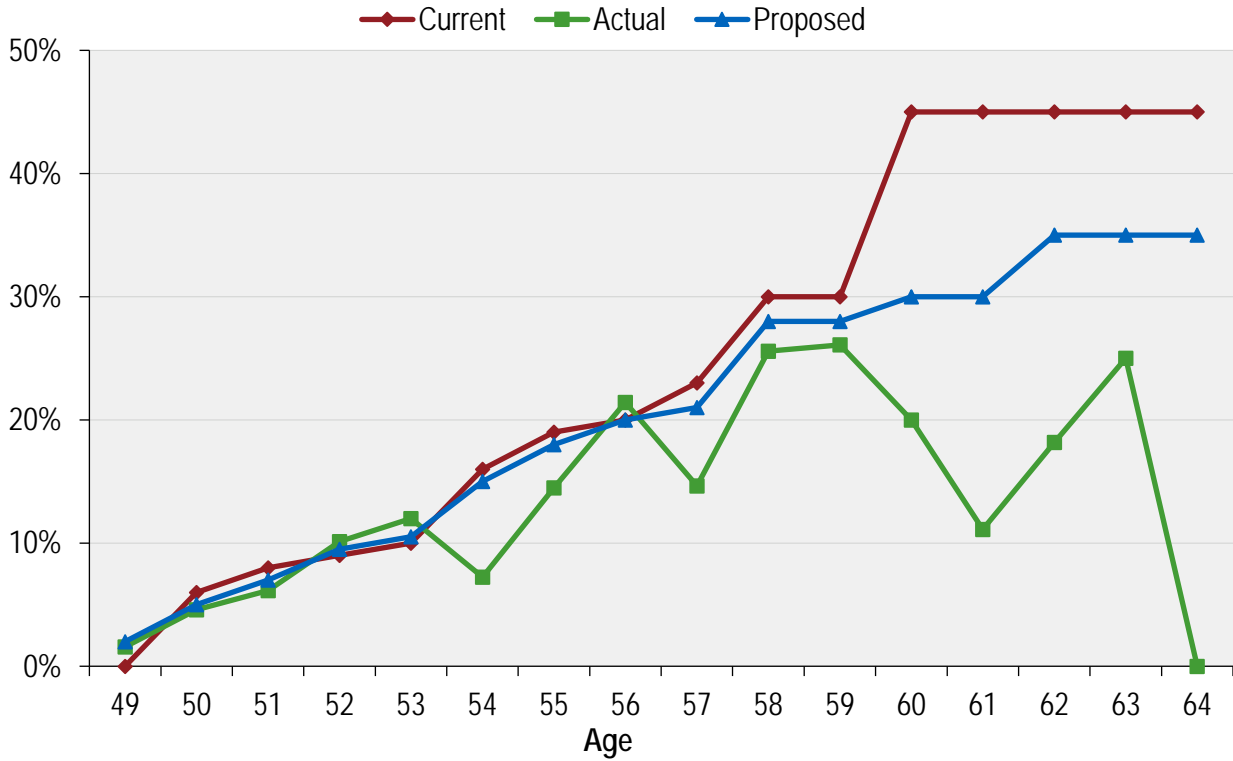
**CHART 4: RETIREMENT RATES
GENERAL NON-ENHANCED MEMBERS**



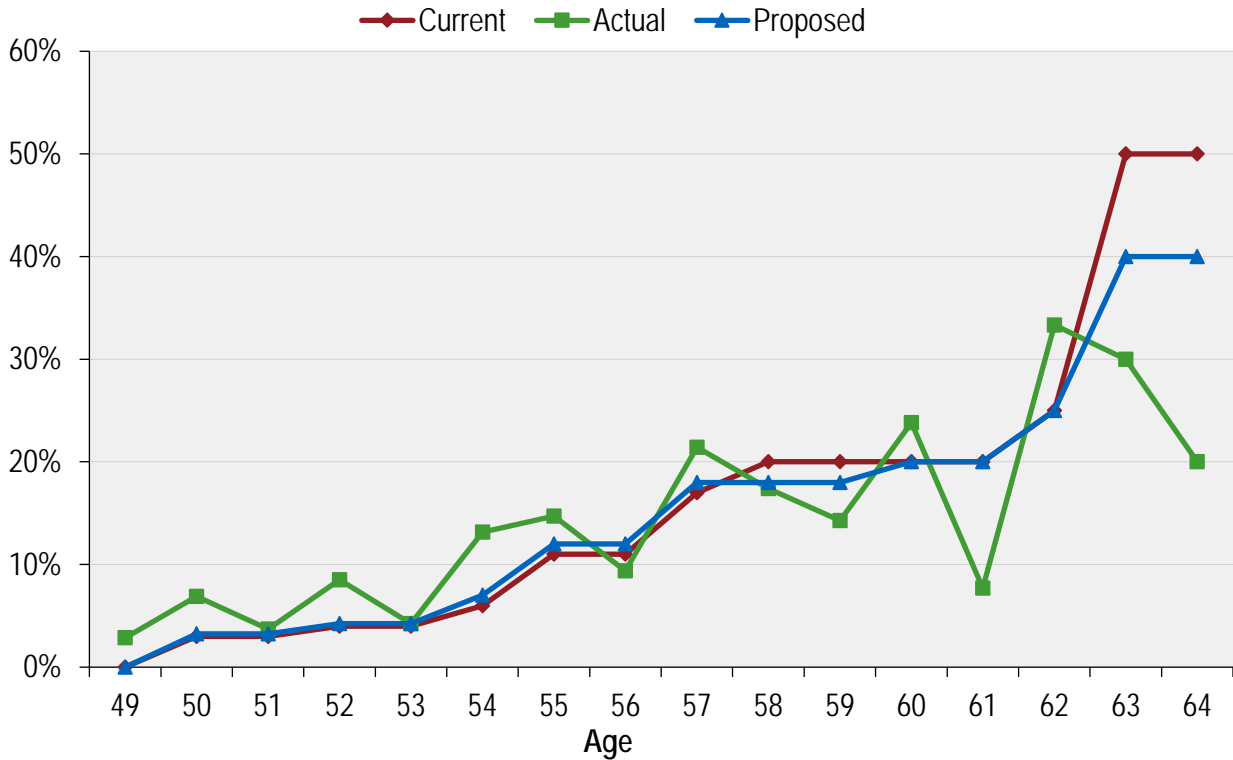
**CHART 5: RETIREMENT RATES
SAFETY LAW ENFORCEMENT MEMBERS (31664.1)**



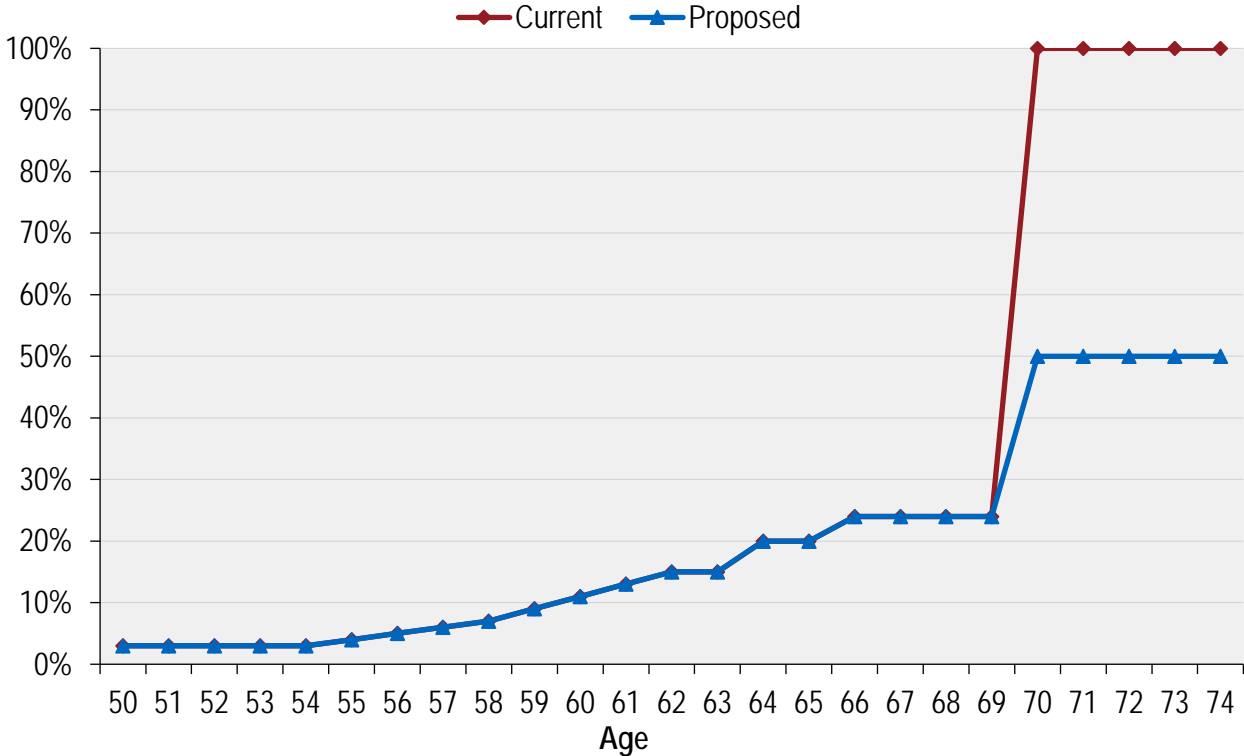
**CHART 6: RETIREMENT RATES
SAFETY FIRE AUTHORITY MEMBERS (31664.1)**



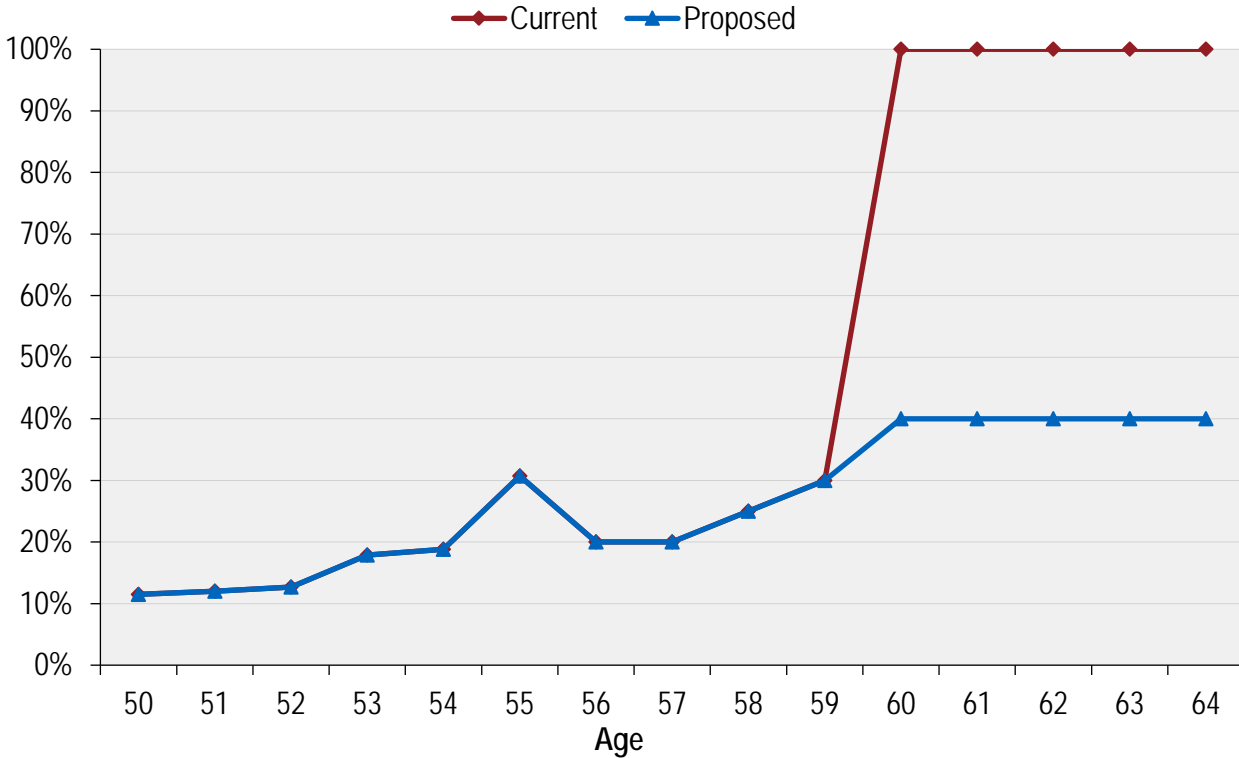
**CHART 7: RETIREMENT RATES
SAFETY PROBATION MEMBERS (31664.1)**



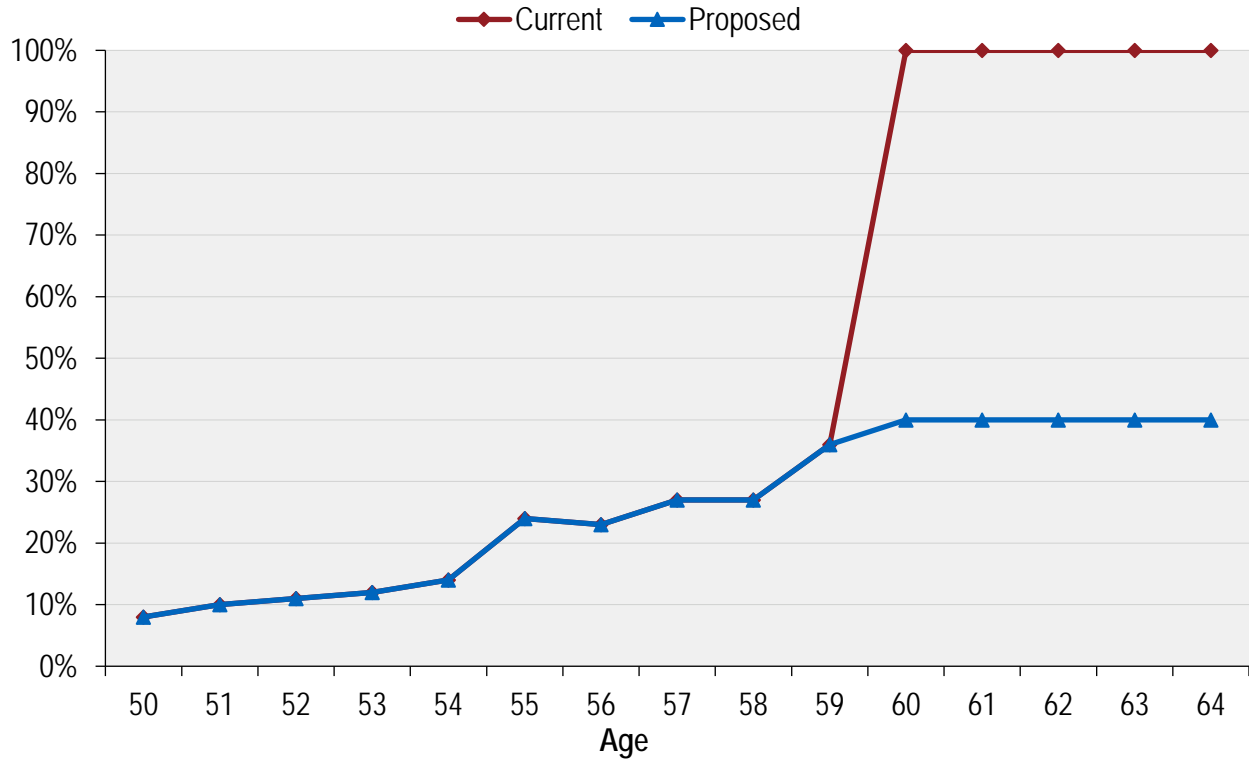
**CHART 8: RETIREMENT RATES
GENERAL SJC MEMBERS (31676.12)**



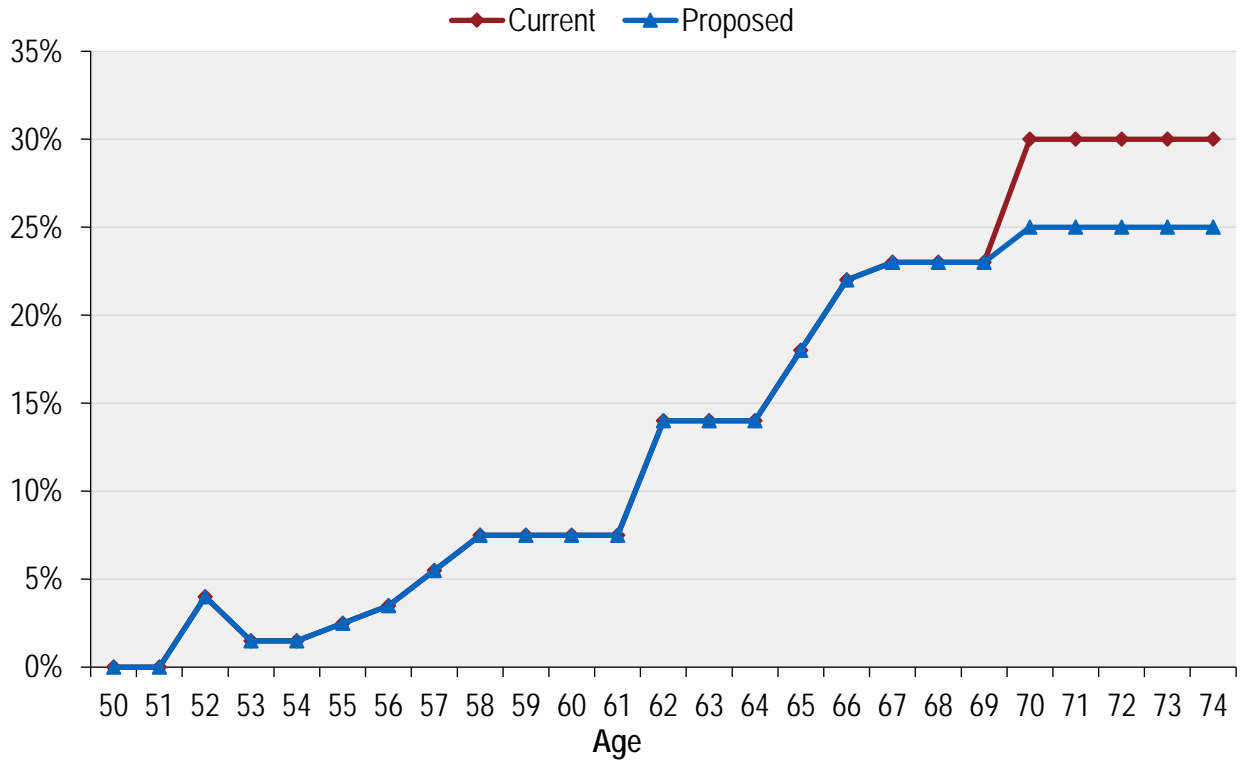
**CHART 9: RETIREMENT RATES
SAFETY LAW ENFORCEMENT MEMBERS (31664.2)**



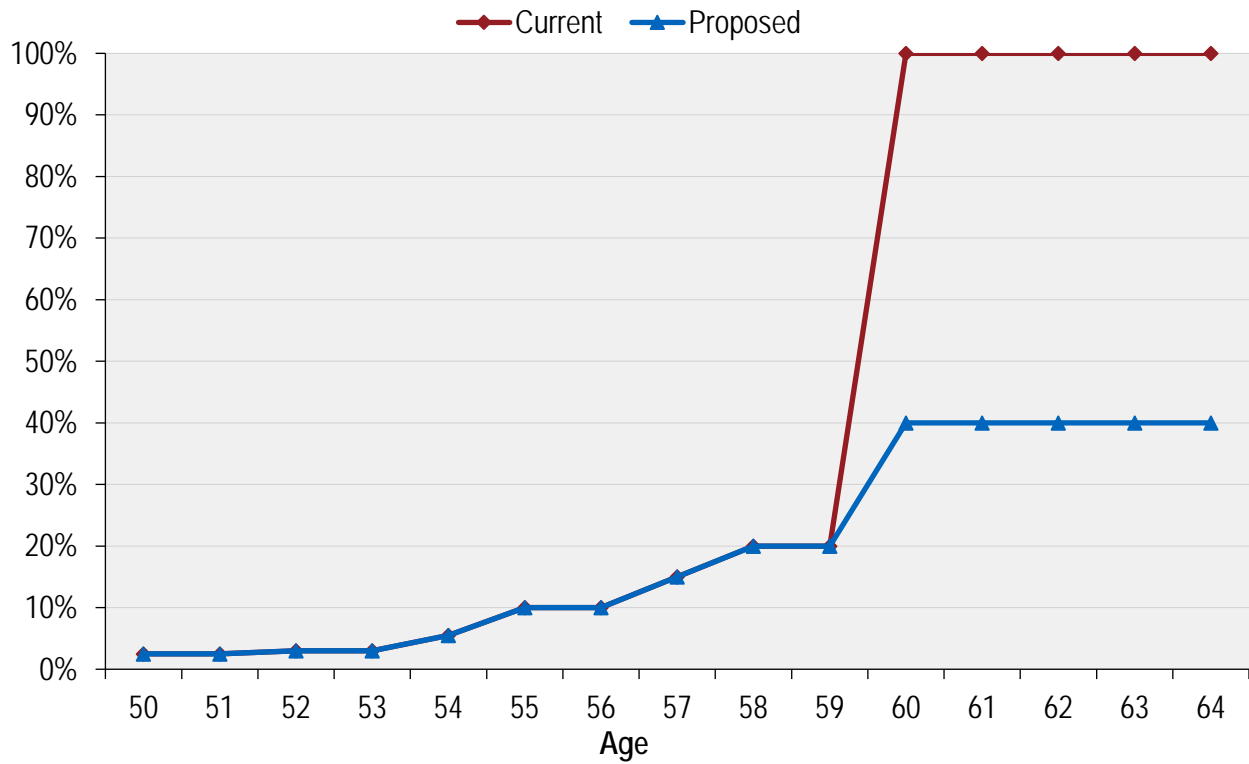
**CHART 10: RETIREMENT RATES
SAFETY FIRE AUTHORITY MEMBERS (31664.2)**



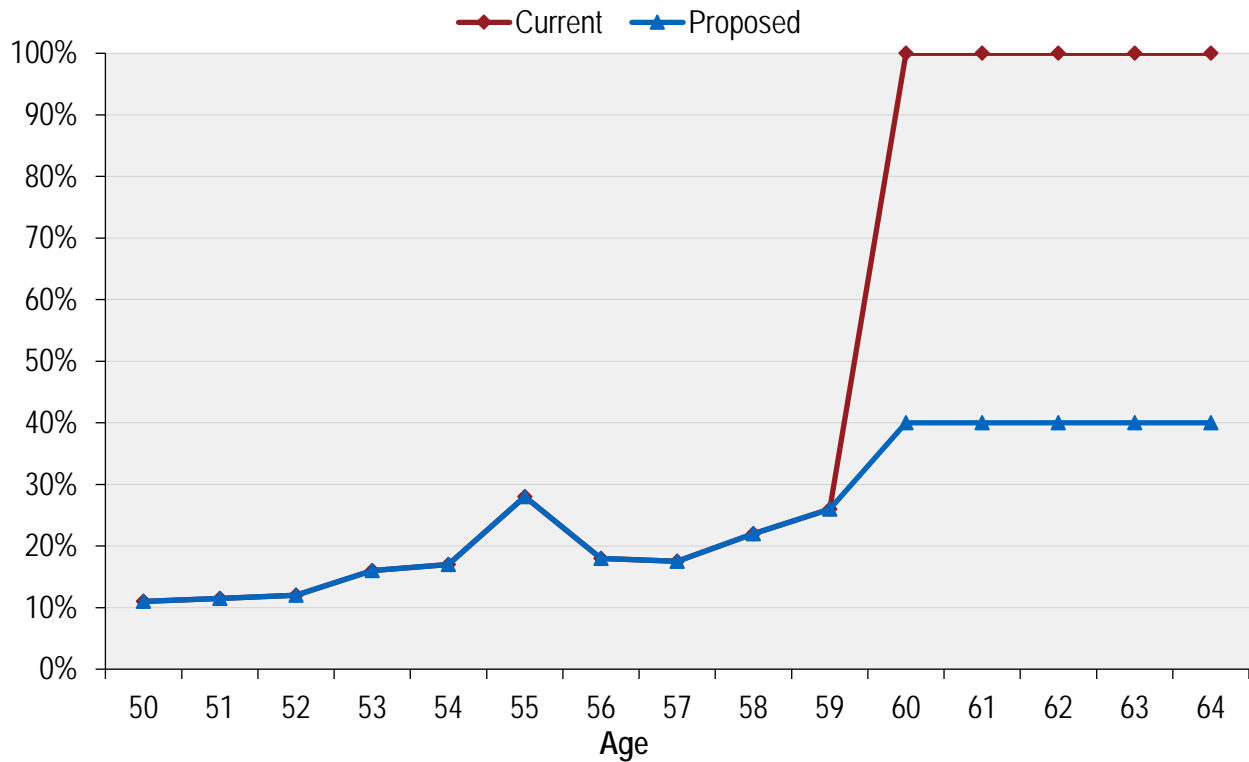
**CHART 11: RETIREMENT RATES
CALPEPRA GENERAL MEMBERS**



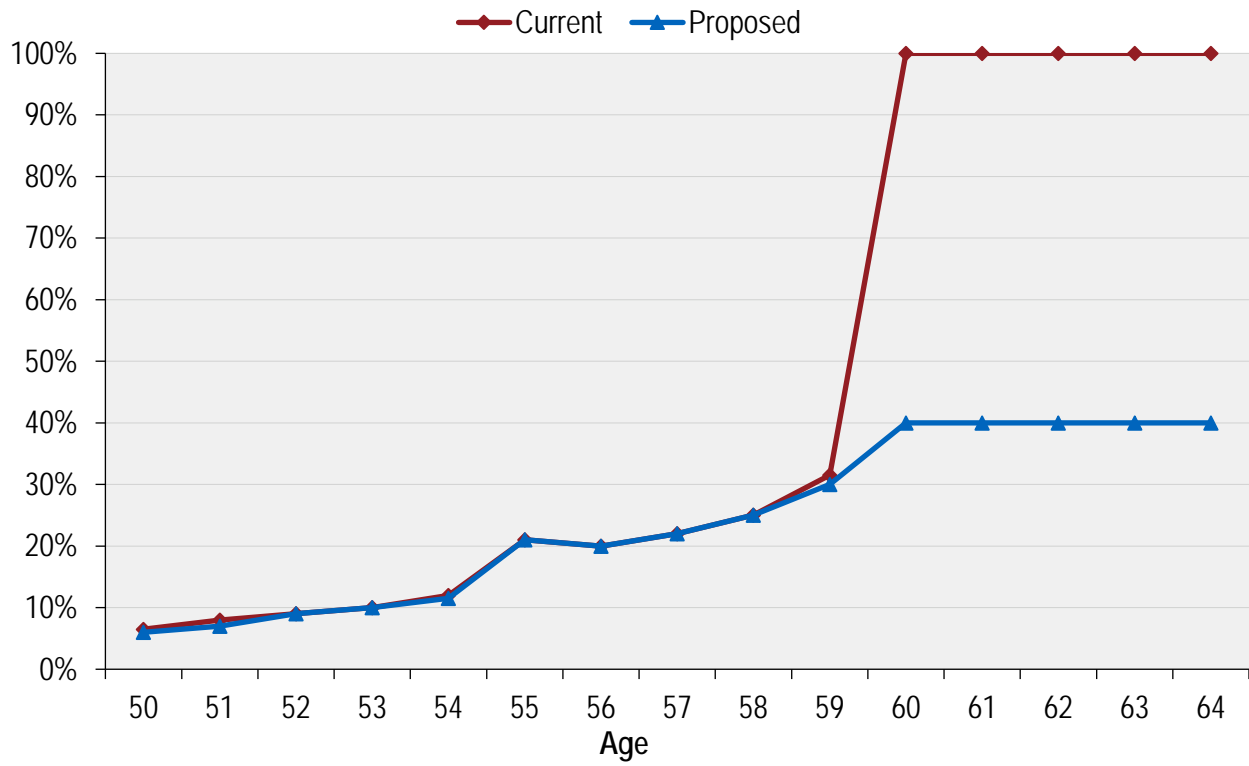
**CHART 12: RETIREMENT RATES
CALPEPRA SAFETY PROBATION MEMBERS**



**CHART 13: RETIREMENT RATES
CALPEPRA SAFETY LAW ENFORCEMENT MEMBERS**



**CHART 14: RETIREMENT RATES
CALPEPRA SAFETY FIRE AUTHORITY MEMBERS**



B. Mortality Rates - Healthy

The “healthy” mortality rates project the life expectancy of a member who retires from service (i.e., who did not retire on a disability pension). Also, the “healthy” pre-retirement mortality rates project what proportion of members will die before retirement. For General members, the table currently being used for post-service retirement mortality rates is the RP-2000 Combined Healthy Mortality Table (separate tables for males and females) projected with Scale BB to 2020 with no age adjustments. For Safety members, the table currently being used for post-service retirement mortality rates is the RP-2000 Combined Healthy Mortality Table (separate tables for males and females) projected with Scale BB to 2020 with ages set back two years. All General and Safety beneficiaries are assumed to have the same mortality of a General member of the opposite sex who has taken a service (non-disabled) retirement.

The Society of Actuaries (SOA) has published the RP-2014 family of mortality tables and associated mortality improvement scales. Within that family of mortality tables, there are mortality rates developed for annuitants on a “headcount” weighted basis that weight all retirees at the same age the same way without regard to the level of benefits those annuitants are receiving from a retirement plan. Mortality rates are also developed for annuitants on a “benefit” weighted basis, with higher credibility assigned to experience from annuitants receiving larger benefits. The headcount-weighted basis is the more common practice currently and is the approach used by Segal in the past for its California public system clients (including OCERS) and by other public sector actuaries in California.

As for the mortality improvement scales, they can be applied in one of two ways. Historically, the more common application is to use a “static” approach to anticipate a fixed level of mortality improvement for all annuitants receiving benefits from a retirement plan. This is in contrast to a “generational” approach where each future year has its own mortality table that reflects the forecasted improvements, using the published improvement scales. While the static approach is still used by some of Segal’s California public system clients, as well as CalPERS, the “generational” approach is the emerging practice within the actuarial profession.

A generational mortality table provides dynamic projections of mortality experience for each cohort of retirees. For example, the mortality rate for someone who is 65 next year will be slightly less than for someone who is 65 this year. In general, using generational mortality anticipates increases in the cost of the Plan over time as participants’ life expectancies are projected to increase. This is in contrast to updating a static mortality assumption with each experience study as we have proposed in prior experience studies.

The SOA is in the process of collecting data from public sector plans so that they can develop mortality tables based on public sector experience comparable to the RP-2014 mortality tables developed using data collected from private and multi-employer plans. Furthermore, after publishing the two-dimensional MP-2014 life expectancy improvement scale, the SOA replaced it with the two-dimensional MP-2015 life expectancy improvement scales to remove some of the conservatism built into the MP-2014 scale and to better reflect the most recent data of mortality improvement from the Social Security Administration. We understand that the Retirement Plans Experience Committee of the Society of Actuaries (RPEC) intends to publish annual updates to their mortality improvement scales. Improvement scale MP-2016 is the latest improvement scale available.

We recommend that given the trend in the retirement industry to move towards generational mortality, it would be reasonable for the Board to adopt the Headcount-Weighted RP-2014 mortality table (adjusted for OCERS experience), and project the mortality improvement generationally using the MP-2016 mortality improvement scale. Once the SOA has included data from public sector plans in developing the new tables, we will also include a discussion with the Board on whether to consider the benefit weighted mortality rates in a future experience study.

As an illustration of the relative effect of these approaches, we have provided in the table below the approximate change in the total employer and member contribution rates based on the different approaches to build in margin for future mortality improvements.

| | Employer and Member Contribution Rate Impact Combined |
|--|---|
| Headcount Weighted RP-2014 Family of Tables – Static Approach with Increased Margin* | 3.5% of payroll |
| Benefit Weighted RP-2014 Family of Tables – Static Approach without Increased Margin | 5.1% of payroll |
| Headcount Weighted RP-2014 Family of Tables – Generational Approach | 4.3% of payroll |

* Includes an increased margin of 20% to anticipate the move towards a “generational” approach.

In order to use more actual OCERS experience in our analysis, we have used experience for a nine-year period by using data from the current (from January 1, 2014 to December 31, 2016) and the last two (from January 1, 2011 to December 31, 2013 and January 1, 2008 to December 31, 2010) experience study periods to study this assumption. We have continued to examine the mortality experience with all beneficiaries included since combining General healthy retirees and all General and Safety beneficiaries would provide more exposures and would increase the credibility of the results.

Pre-Retirement Mortality

In prior experience studies, the pre-retirement mortality rates for active members were set equal to the post-retirement mortality rates for retirees since the actual number of deaths among active members was not large enough to provide a statistically credible analysis. However, this approach is not compatible with our current proposal because the post-retirement RP-2014 Healthy Annuitant table does not include rates for ages below 50.

From the RP-2014 family of tables, we recommend that pre-retirement mortality follow the Headcount-Weighted RP-2014 Employee Mortality Table (separate tables for males and females) times 80%, projected generationally with the two-dimensional scale MP-2016. The 80% scaling factor is to account for the lower incidences of observed pre-retirement death on the combined General and Safety workforce relative to the standard table.

Currently, our assumption is that all General member pre-retirement deaths are non-service connected. For Safety, 90% of pre-retirement deaths are assumed to be non-service connected and the other 10% are assumed to be service connected. Based on actual experience during the last three years (with 100% non-service connected deaths for General and 90% non-service connected deaths for Safety), we recommended maintaining the current assumption for both General and Safety members.

Post- Retirement Mortality (Service Retirements)

Among all retired members, the actual deaths compared to the expected deaths under the current assumptions for the last nine years is shown in the table below. We also show the deaths under proposed assumptions. In prior years we have generally set the mortality assumption using a static mortality projection so that actual deaths will be at least 10% greater than those assumed. As noted above, we are recommending the use of a generational mortality table rather than static mortality. A generational mortality table incorporates a more explicit assumption for future mortality improvement. Accordingly, the goal is to start with a mortality table that closely matches the current experience (without a margin for future mortality improvement), and then reflect mortality improvement by projecting lower mortality rates in future years. That is why the current actual to expected ratios shown in the table below for General (including all beneficiaries) and Safety are 98% and 97%, respectively. In future years these ratios should remain around 100%, as long as actual mortality improved at the same rates as anticipated in the generational mortality tables. The actual deaths compared to the expected deaths under the current and proposed assumptions for the last nine years are as follows:

| Gender | General Members – Healthy | | | Safety Members - Healthy | | |
|-------------------|---------------------------|---------------|--------------------------|--------------------------|---------------|--------------------------|
| | Current Expected Deaths | Actual Deaths | Proposed Expected Deaths | Current Expected Deaths | Actual Deaths | Proposed Expected Deaths |
| Male | 913 | 921 | 1,000 | 115 | 126 | 130 |
| Female | 1,029 | 1,081 | 1,098 | 10 | 11 | 11 |
| Total | 1,942 | 2,002 | 2,098 | 125 | 137 | 141 |
| Actual / Expected | 103% | | 95% | 110% | | 97% |

| Gender | All Beneficiaries – Healthy | | |
|-------------------|-----------------------------|---------------|--------------------------|
| | Current Expected Deaths | Actual Deaths | Proposed Expected Deaths |
| Male | 135 | 179 | 139 |
| Female | 440 | 475 | 468 |
| Total | 575 | 654 | 607 |
| Actual / Expected | 114% | | 108% |

| Gender | General Members and All Beneficiaries – Healthy | | | Safety Members - Healthy | | |
|-------------------|---|---------------|--------------------------|--------------------------|---------------|--------------------------|
| | Current Expected Deaths | Actual Deaths | Proposed Expected Deaths | Current Expected Deaths | Actual Deaths | Proposed Expected Deaths |
| Male | 1,048 | 1,100 | 1,139 | 115 | 126 | 130 |
| Female | 1,469 | 1,556 | 1,566 | 10 | 11 | 11 |
| Total | 2,517 | 2,656 | 2,705 | 125 | 137 | 141 |
| Actual / Expected | 106% | | 98% | 110% | | 97% |

For General service retirees and all beneficiaries, the ratio of actual to expected deaths was 106% during the nine-year period. We recommend updating the current table to the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) with no age adjustments. This will bring the current actual to expected ratio to 98%. This table is then projected generationally with the two-dimensional mortality improvement scale MP-2016.

For Safety service retirees, the ratio of actual to expected deaths was 110% during the nine-year period. We recommend updating the current table to the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) with ages set back four years. This will bring the current actual to expected ratio to 97%. This table is then projected generationally with the two-dimensional mortality improvement scale MP-2016.

All of this is consistent with ASOP 35 as we anticipate expected future improvement in life expectancy using the generational approach.

Chart 15 compares actual to expected deaths for General members and all beneficiaries under the current and proposed assumptions over the last nine years. Experience shows that there were more deaths than predicted by the current table.

Chart 16 has the same comparison for Safety members. Experience shows that there were more deaths than predicted by the current table.

Chart 17 shows the life expectancies (i.e. expected future lifetime) under the current and the proposed tables for General members and all beneficiaries.

Chart 18 shows the same information for Safety members.

The expected deaths (Charts 15 and 16) and life expectancies (Charts 17 and 18) under the proposed generational mortality table are based on mortality rates from 2014 which is the base year of the table. In practice, life expectancies will be assumed to increase based on applying the mortality improvement scale.

Comparison to CalPERS' Mortality Table

Following prior practice, we have continued to use the mortality tables published by the SOA but adjusted to reflect OCERS' mortality experience in recommending the post-retirement mortality tables. Subsequent to our last experience study, we were asked whether or not it could have been appropriate to start with the mortality tables used by CalPERS for their participating employers and members and modify them for use at OCERS. We have addressed that question in this section.

When comparing OCERS' mortality experience over the past nine years against the CalPERS mortality table with no age adjustment, the actual to expected ratios are 115% for General members (including beneficiaries), 96% for Safety members and 114% when combining both General and Safety members. The reason why the actual and expected ratios differed significantly between General and Safety members is that CalPERS does not develop separate mortality tables between different membership classes (i.e., General and Safety) for members who retired from service retirement.

It is our understanding from conversations with CalPERS staff that CalPERS is considering moving towards using different mortality tables for General and Safety members in their valuations at some future time. In addition, they are also considering moving to a generational approach to anticipate future mortality improvements which is our understanding of the reason why they are currently considering about a 20% margin in selecting their mortality assumptions. After taking the above factors into account, we believe that the tables we have proposed (using the SOA mortality tables as a starting point) provide a better predictor for mortality experience for OCERS.

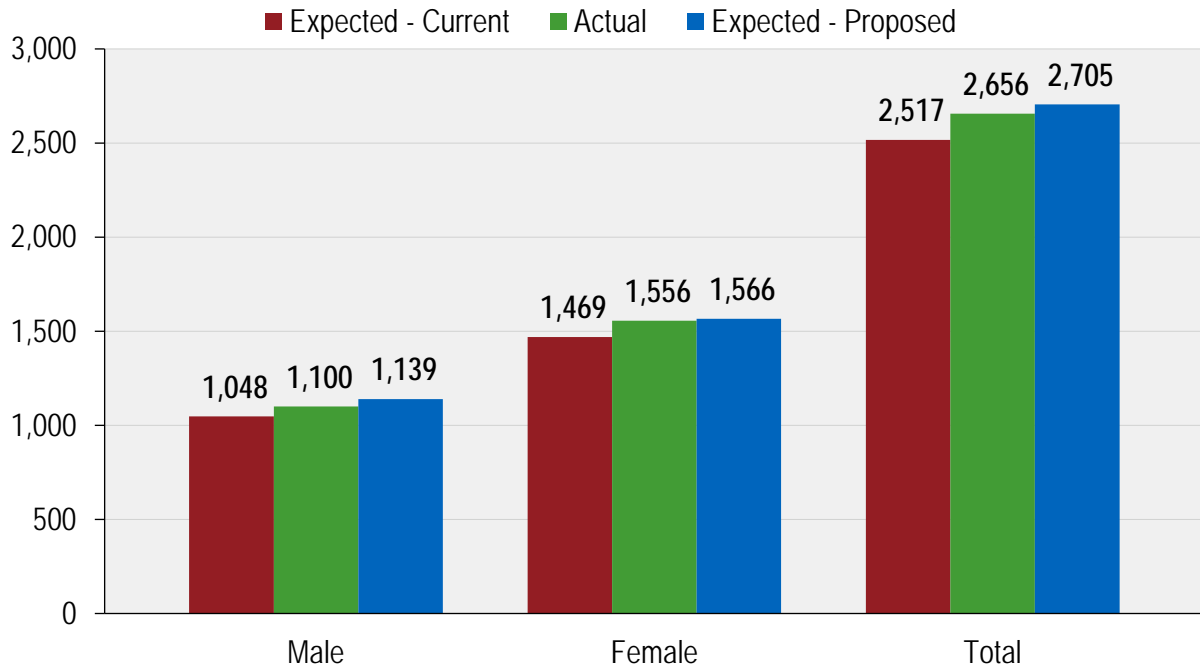
Mortality Table for Member Contributions, Optional Forms of Payment and Reserves

There are administrative reasons why a generational mortality table is more difficult to implement for determining age-based member contribution rates, optional forms of payment and reserves. One emerging practice is to approximate the use of a generational mortality table by the use of a static table with projection of the mortality improvement over a period that is close to the duration of the benefit payments for active members. We would recommend the use of this approximation.

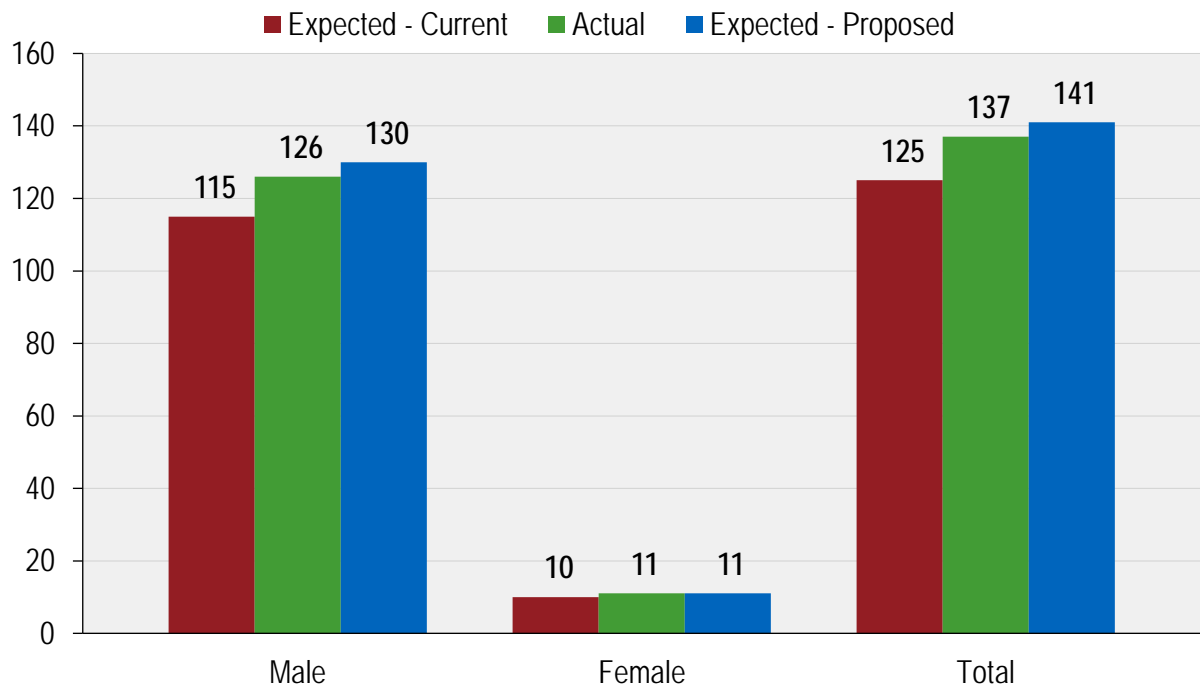
We recommend that the mortality table used for determining contributions for General members be updated to a blended table based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016, weighted 40% male and 60% female. This is based on the proposed valuation mortality table for General members and the actual gender distribution of General members. For all beneficiaries, we recommend the same tables as General members but weighted 60% male and 40% female.

We also recommend an update to the mortality table for Safety members to be the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016 set back four years, weighted 80% male and 20% female. This is based on the proposed mortality table for Safety members and the actual gender distribution for the current Safety members.

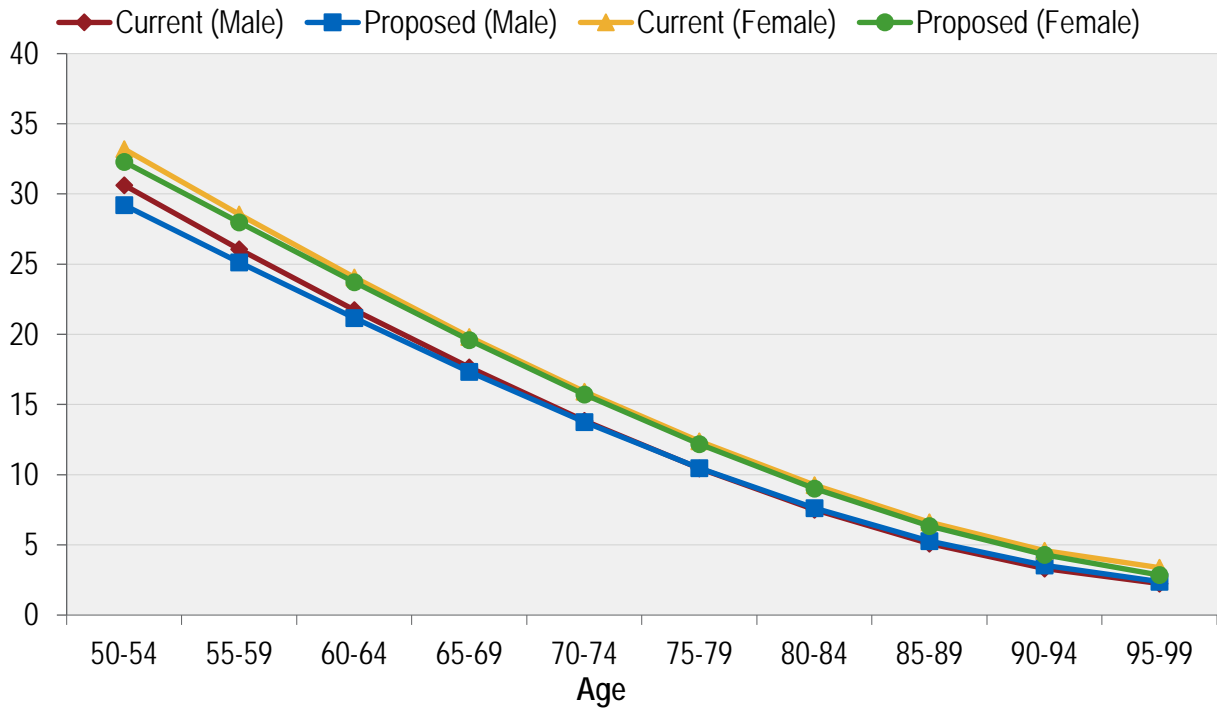
**CHART 15: POST-RETIREMENT DEATHS
NON – DISABLED GENERAL MEMBERS AND ALL BENEFICIARIES
(JANUARY 1, 2008 THROUGH DECEMBER 31, 2016)**



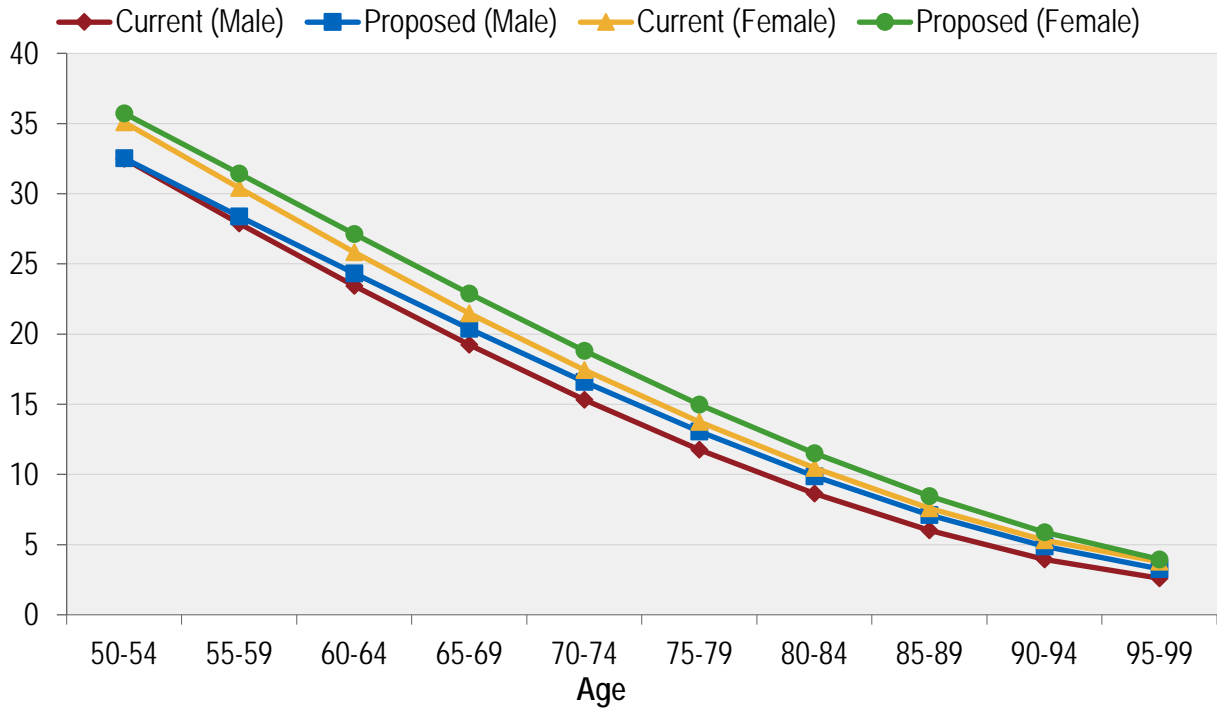
**CHART 16: POST-RETIREMENT DEATHS
NON – DISABLED SAFETY MEMBERS
(JANUARY 1, 2008 THROUGH DECEMBER 31, 2016)**



**CHART 17: LIFE EXPECTANCIES
NON – DISABLED GENERAL MEMBERS AND BENEFICIARIES**



**CHART 18: LIFE EXPECTANCIES
NON – DISABLED SAFETY MEMBERS**



C. Mortality Rates - Disabled

Since mortality rates for disabled members can vary from those of healthy members, a different mortality assumption is often used. For General members, the table currently being used is the RP-2000 Combined Healthy Mortality Table, projected with scale BB to 2020, set forward six years for males and set forward three years for females. For Safety members, the table currently being used is the RP-2000 Combined Healthy Mortality Table, projected with scale BB to 2020.

The number of actual deaths compared to the number expected under the current and proposed assumption for the last nine years are as provided in the table below.

| Gender | General - Disabled | | | Safety - Disabled | | |
|-------------------|-------------------------|---------------|--------------------------|-------------------------|---------------|--------------------------|
| | Current Expected Deaths | Actual Deaths | Proposed Expected Deaths | Current Expected Deaths | Actual Deaths | Proposed Expected Deaths |
| Male | 124 | 122 | 121 | 37 | 52 | 48 |
| Female | 73 | 93 | 97 | 3 | 1 | 5 |
| Total | 197 | 215 | 218 | 40 | 53 | 53 |
| Actual / Expected | 109% | | 99% | 132% | | 100% |

Based on the actual experience from the last nine years, we recommend changing the mortality table for General disabled members to the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) set forward five years. This will bring the current actual to expected ratio to 99%. This table is then projected generationally with the two-dimensional mortality improvement scale MP-2016.

Likewise, based on the actual experience, we recommend changing the mortality table for Safety disabled members to the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females). This will bring the current actual to expected ratio to 100%. This table is then projected generationally with the two-dimensional mortality improvement scale MP-2016.

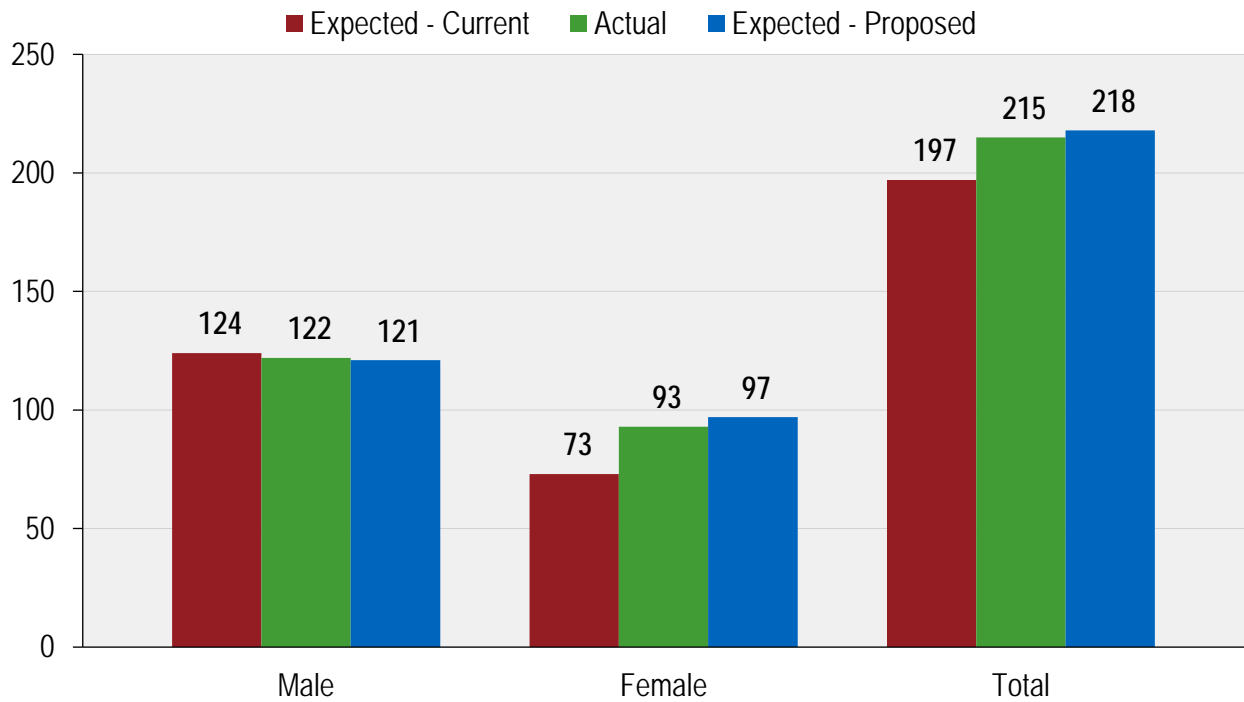
Chart 19 compares actual to expected deaths under both the current and proposed assumptions for disabled General members over the last nine years. Experience shows that there were more deaths than predicted by the current table.

Chart 20 has the same comparison for Safety members. Experience shows that there were more deaths than predicted by the current table.

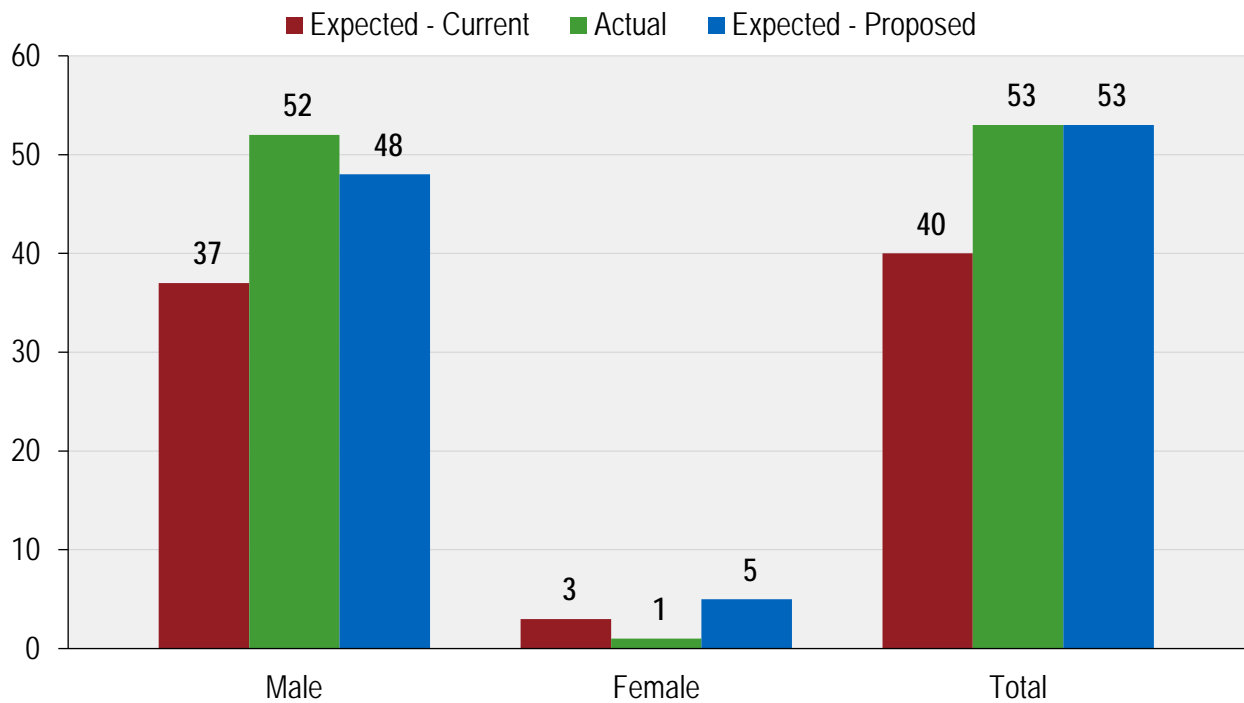
Chart 21 shows the life expectancies under both the current and proposed tables for General members.

Chart 22 shows the same information for Safety members.

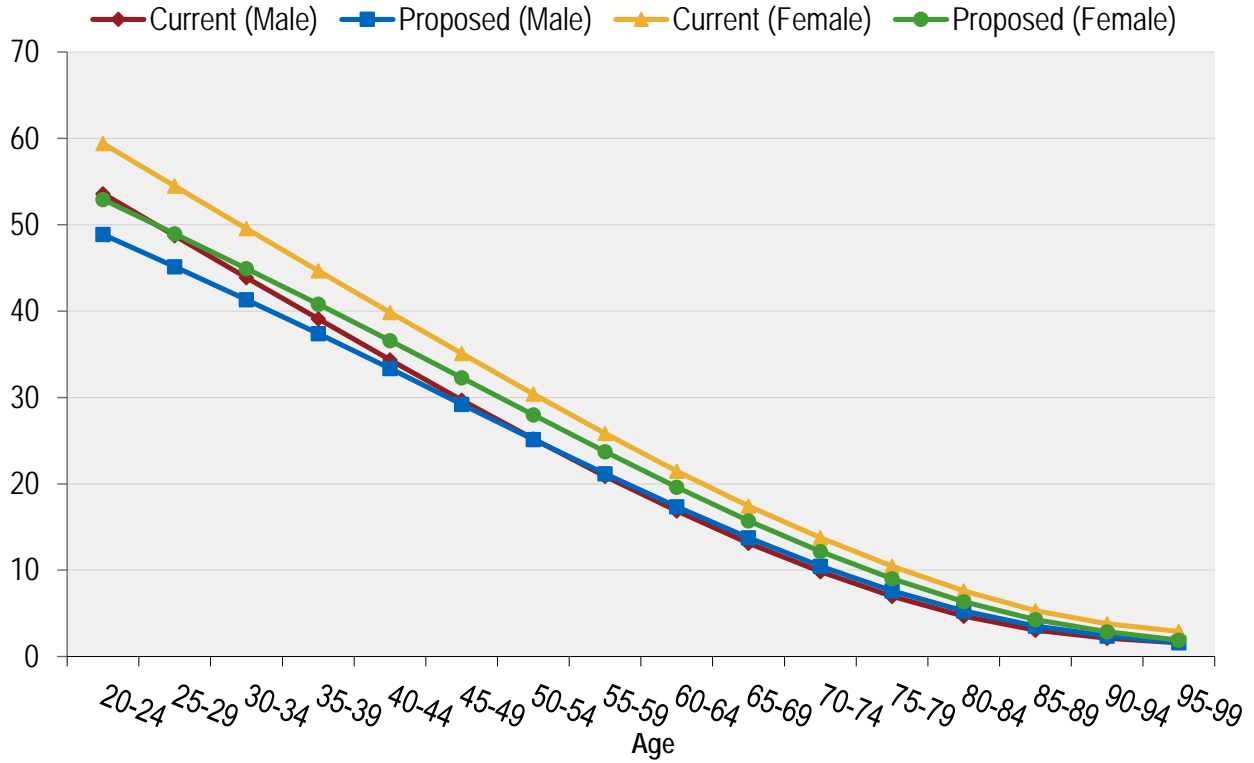
**CHART 19: POST-RETIREMENT DEATHS
DISABLED GENERAL MEMBERS
(JANUARY 1, 2008 THROUGH DECEMBER 31, 2016)**



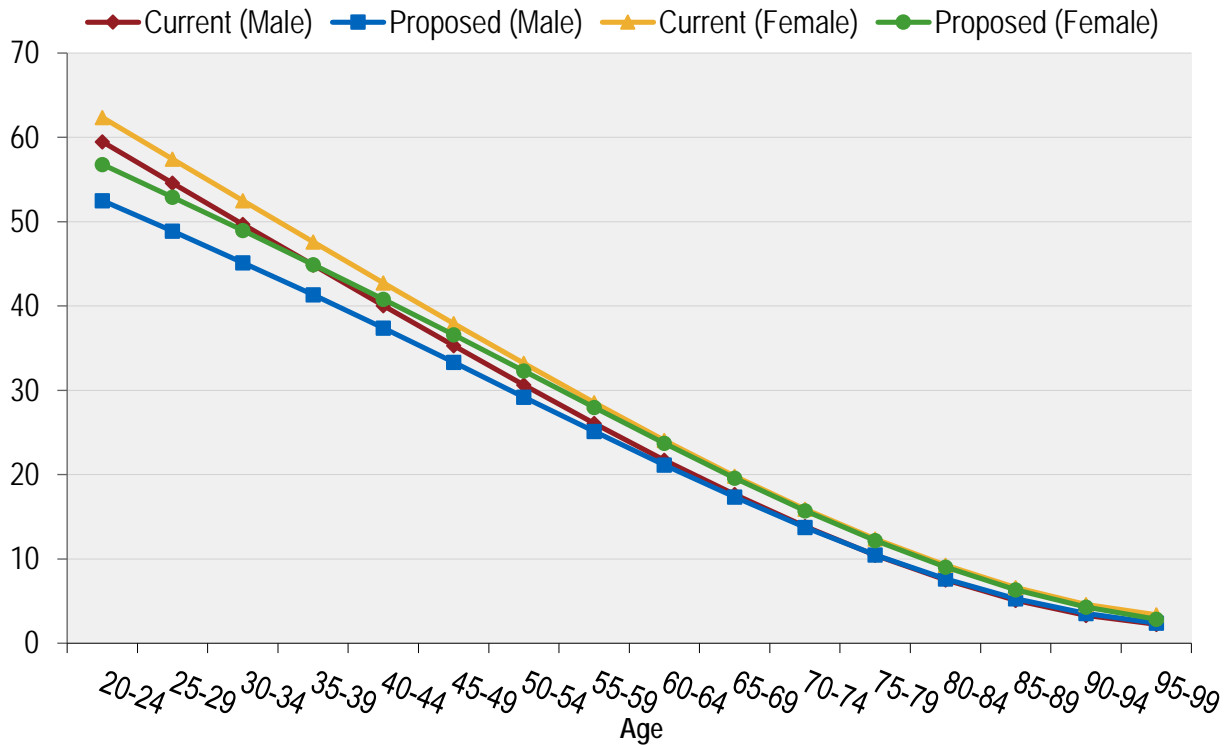
**CHART 20: POST-RETIREMENT DEATHS
DISABLED SAFETY MEMBERS
(JANUARY 1, 2008 THROUGH DECEMBER 31, 2016)**



**CHART 21: LIFE EXPECTANCIES
DISABLED GENERAL MEMBERS**



**CHART 22: LIFE EXPECTANCIES
DISABLED SAFETY MEMBERS**



D. Termination Rates

Termination rates include all terminations for reasons other than death, disability, or retirement. Under the current assumptions there is an overall incidence of termination assumed, combined with assumptions, based on the plan membership and years of service. There is also another set of assumptions to anticipate the percentage of members who will withdraw their contributions and members who will leave their contributions on deposit and receive a deferred vested benefit.

We have developed rates for the following four groups: (1) General All Other, (2) General OCTA, (3) Safety Law Enforcement and Fire and (4) Safety Probation. The termination experience over the last three years is shown by years of service in the following tables. We also show the current and proposed assumptions.

| Years of Service | Termination Rate (%) | | | | | |
|------------------|----------------------|-------------|---------------|--------------|-------------|---------------|
| | General All Other | | | General OCTA | | |
| | Current Rate | Actual Rate | Proposed Rate | Current Rate | Actual Rate | Proposed Rate |
| Less than 1 | 11.00 | 11.13 | 11.00 | 17.50 | 18.29 | 17.50 |
| 1 | 8.00 | 6.93 | 7.50 | 13.50 | 7.73 | 11.00 |
| 2 | 7.00 | 6.17 | 6.50 | 10.50 | 6.63 | 9.00 |
| 3 | 5.00 | 5.05 | 5.00 | 10.00 | 3.96 | 8.50 |
| 4 | 4.00 | 6.26 | 4.50 | 9.00 | 1.69 | 7.50 |
| 5 | 3.75 | 5.70 | 4.25 | 7.00 | 10.00 | 7.00 |
| 6 | 3.50 | 4.25 | 3.75 | 5.00 | 2.33 | 4.50 |
| 7 | 3.00 | 3.62 | 3.25 | 5.00 | 2.48 | 4.00 |
| 8 | 2.75 | 3.51 | 3.00 | 4.00 | 2.91 | 3.50 |
| 9 | 2.50 | 2.87 | 2.75 | 3.50 | 2.50 | 3.00 |
| 10 | 2.25 | 2.56 | 2.50 | 3.50 | 2.83 | 3.00 |
| 11 | 2.00 | 2.00 | 2.00 | 3.50 | 1.37 | 3.00 |
| 12 | 2.00 | 1.79 | 2.00 | 3.00 | 3.57 | 3.00 |
| 13 | 1.75 | 1.94 | 1.75 | 3.00 | 0.76 | 2.50 |
| 14 | 1.75 | 1.01 | 1.50 | 3.00 | 2.42 | 2.50 |
| 15 | 1.75 | 1.27 | 1.40 | 3.00 | 2.82 | 2.50 |
| 16 | 1.50 | 0.95 | 1.30 | 3.00 | 0.00 | 2.00 |
| 17 | 1.50 | 1.00 | 1.20 | 2.75 | 1.04 | 1.80 |
| 18 | 1.50 | 0.67 | 1.10 | 2.75 | 2.86 | 1.60 |
| 19 | 1.50 | 0.75 | 1.00 | 2.75 | 1.79 | 1.40 |
| 20 or more | 1.25 | 0.41 | 0.90 | 1.75 | 0.63 | 1.20 |

| | Termination Rate (%) | | | | | |
|------------------|----------------------|-------------|---------------|------------------|-------------|---------------|
| | Safety Law and Fire | | | Safety Probation | | |
| Years of Service | Current Rate | Actual Rate | Proposed Rate | Current Rate | Actual Rate | Proposed Rate |
| Less than 1 | 4.00 | 6.28 | 4.50 | 16.00 | 10.00 | 14.00 |
| 1 | 3.00 | 1.06 | 2.50 | 13.00 | 15.15 | 13.00 |
| 2 | 2.00 | 1.83 | 2.00 | 10.00 | 10.00 | 10.00 |
| 3 | 1.00 | 2.67 | 1.50 | 6.00 | 0.00 | 5.00 |
| 4 | 1.00 | 1.52 | 1.25 | 4.00 | 0.00 | 4.00 |
| 5 | 1.00 | 0.00 | 1.00 | 3.50 | 10.00 | 3.50 |
| 6 | 0.95 | 1.83 | 0.95 | 3.00 | 0.00 | 2.75 |
| 7 | 0.90 | 0.24 | 0.90 | 2.50 | 0.91 | 2.00 |
| 8 | 0.85 | 0.23 | 0.85 | 2.25 | 1.83 | 2.00 |
| 9 | 0.80 | 0.86 | 0.80 | 2.00 | 0.00 | 1.75 |
| 10 | 0.75 | 1.20 | 0.75 | 1.75 | 2.83 | 1.75 |
| 11 | 0.65 | 1.36 | 0.65 | 1.75 | 0.00 | 1.50 |
| 12 | 0.60 | 0.88 | 0.60 | 1.50 | 0.54 | 1.25 |
| 13 | 0.50 | 0.00 | 0.55 | 1.25 | 0.50 | 1.00 |
| 14 | 0.50 | 0.32 | 0.50 | 1.00 | 0.56 | 0.75 |
| 15 | 0.50 | 0.00 | 0.45 | 1.00 | 1.26 | 0.75 |
| 16 | 0.50 | 0.00 | 0.40 | 1.00 | 0.00 | 0.75 |
| 17 | 0.50 | 0.67 | 0.35 | 0.50 | 0.00 | 0.25 |
| 18 | 0.50 | 0.00 | 0.30 | 0.50 | 0.00 | 0.25 |
| 19 | 0.50 | 0.00 | 0.25 | 0.50 | 0.00 | 0.25 |
| 20 or more | 0.25 | 0.08 | 0.20 | 0.50 | 0.00 | 0.25 |

Chart 23 compares actual to expected terminations over the past three years for both the current and proposed assumptions for General All Other, General OCTA, Safety Law Enforcement and Fire and Safety Probation members.

Chart 24 shows the actual termination rates over the past three years compared to the current and proposed assumptions for General All Other members.

Chart 25-27 shows the same information as Chart 24, but for General OCTA, Safety Law and Fire and Safety Probation members.

Based upon the recent experience, we have decreased the termination rates overall for General All Other members, General OCTA members, Safety Law and Fire members and Safety Probation members.

The following table shows the currently assumed, actual and proposed assumed percentages for members who withdraw their contributions. In the past, for the four membership categories just discussed, there was a separate assumption for members with fewer than five years of service versus those with five or more years of service. Based on the experience observed during the past three years, we are recommending a more detailed assumption for members with five or more years of service. The assumed percentages for members who leave their contributions on deposit and receive a deferred vested benefit is equal to 100% minus the percentage of those assumed to withdraw.

| Election for Withdrawal of Contributions | | | | | | |
|---|---------------------|--------------------|----------------------|---------------------|--------------------|----------------------|
| General All Other | | | | General OCTA | | |
| Years of Service | Current Rate | Actual Rate | Proposed Rate | Current Rate | Actual Rate | Proposed Rate |
| 0-4 | 40% | 25% | 35% | 45% | 33% | 40% |
| 5-9 | 25% | 31% | 30% | 35% | 33% | 35% |
| 10-14 | 25% | 27% | 25% | 35% | 28% | 30% |
| 15 or more | 25% | 18% | 20% | 35% | 13% | 20% |

| Election for Withdrawal of Contributions | | | | | | |
|---|---------------------|--------------------|----------------------|-------------------------|--------------------|----------------------|
| Safety Law and Fire | | | | Safety Probation | | |
| Years of Service | Current Rate | Actual Rate | Proposed Rate | Current Rate | Actual Rate | Proposed Rate |
| 0-4 | 20% | 12% | 20% | 40% | 20% | 25% |
| 5-9 | 20% | 55% | 20% | 30% | 0% | 25% |
| 10-14 | 20% | 11% | 20% | 30% | 0% | 25% |
| 15 or more | 20% | 25% | 20% | 30% | 50% | 25% |

**CHART 23: ACTUAL NUMBER OF TERMINATIONS COMPARED TO EXPECTED
(JANUARY 1, 2014 THROUGH DECEMBER 31, 2016)**

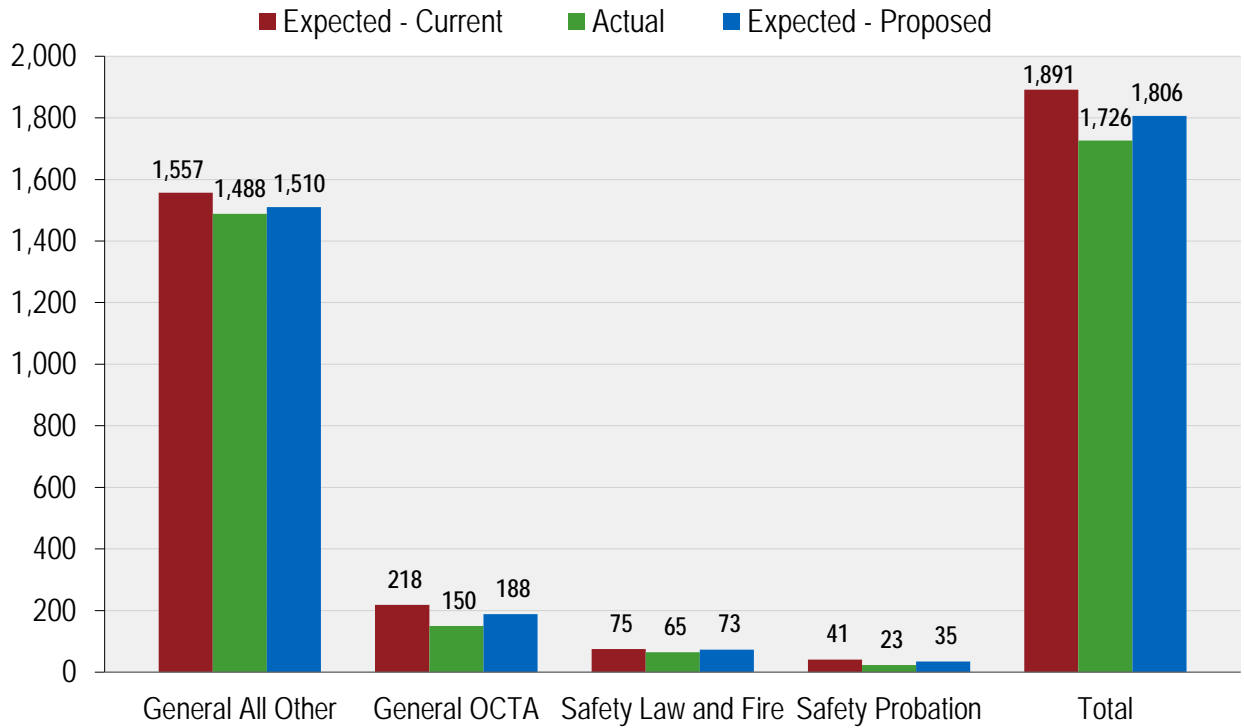
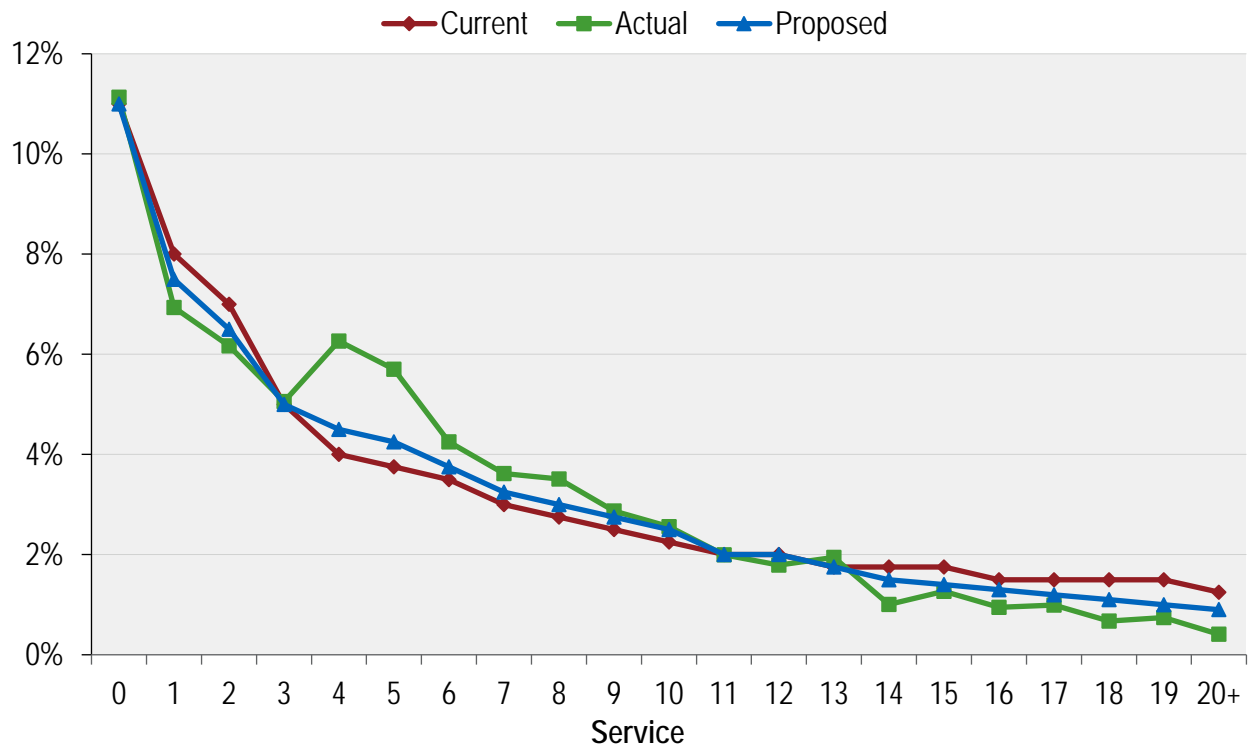
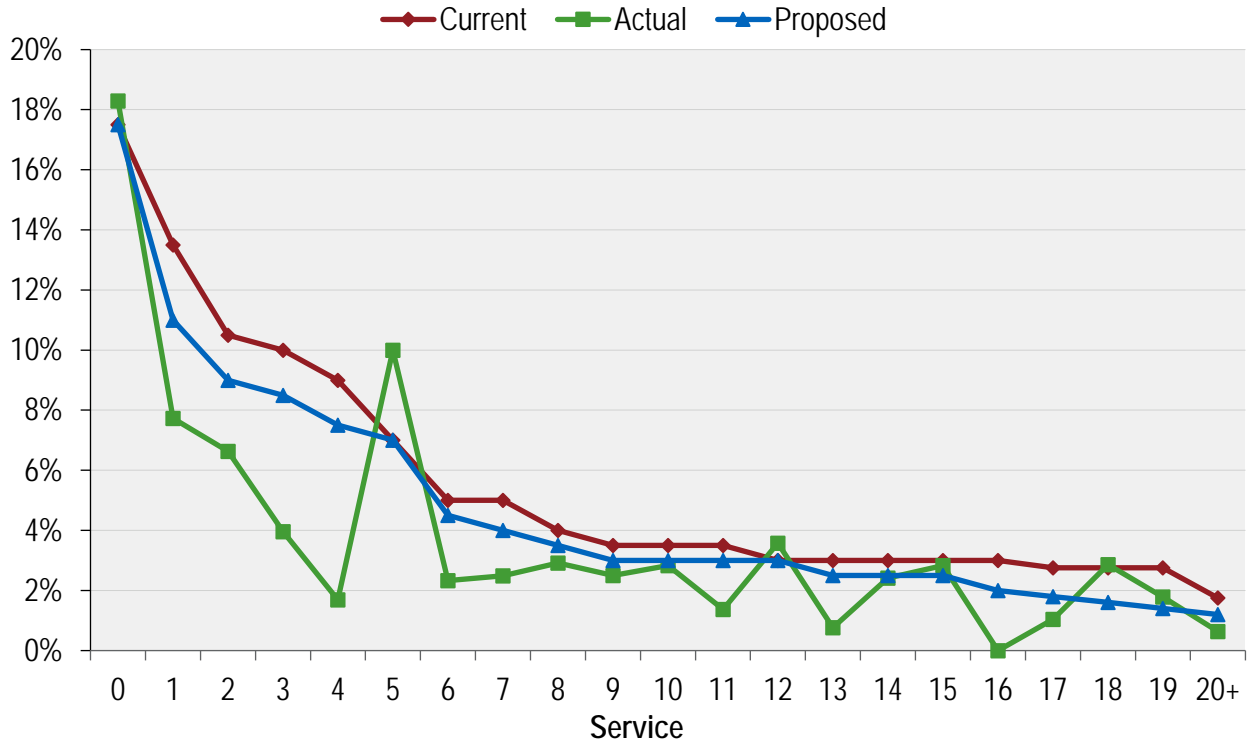


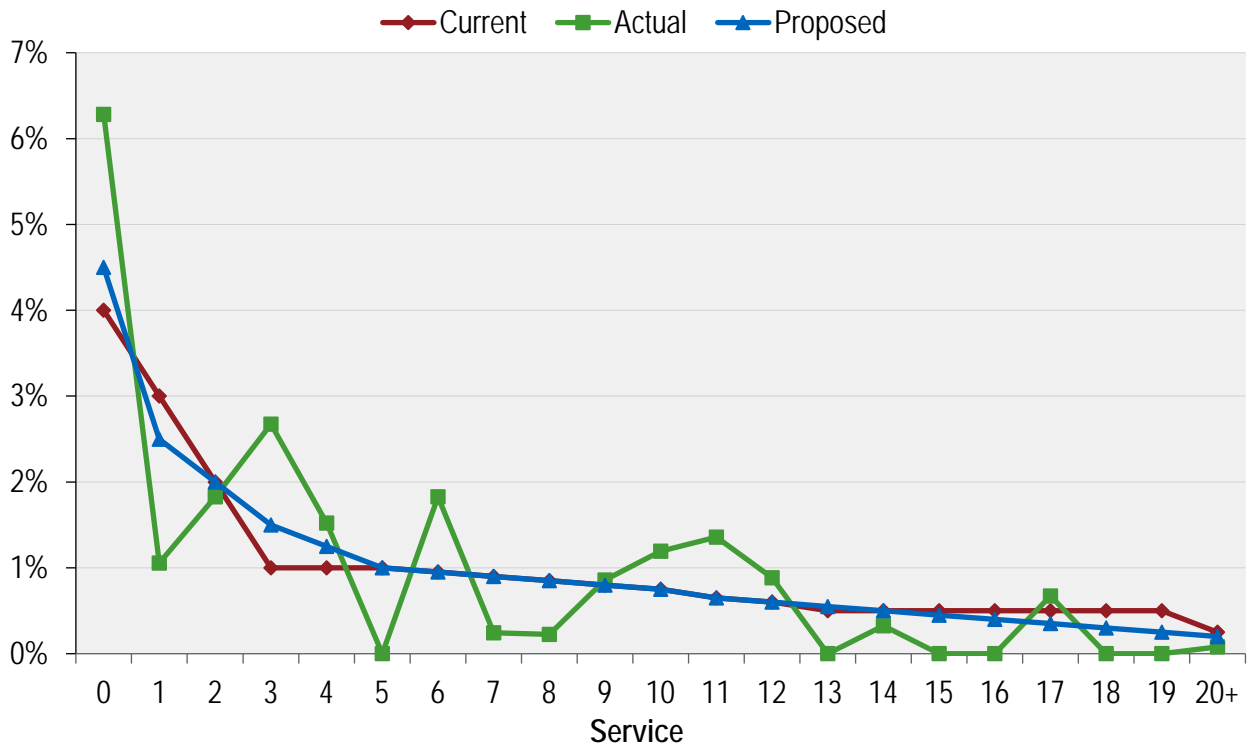
CHART 24: TERMINATION RATES GENERAL ALL OTHER MEMBERS



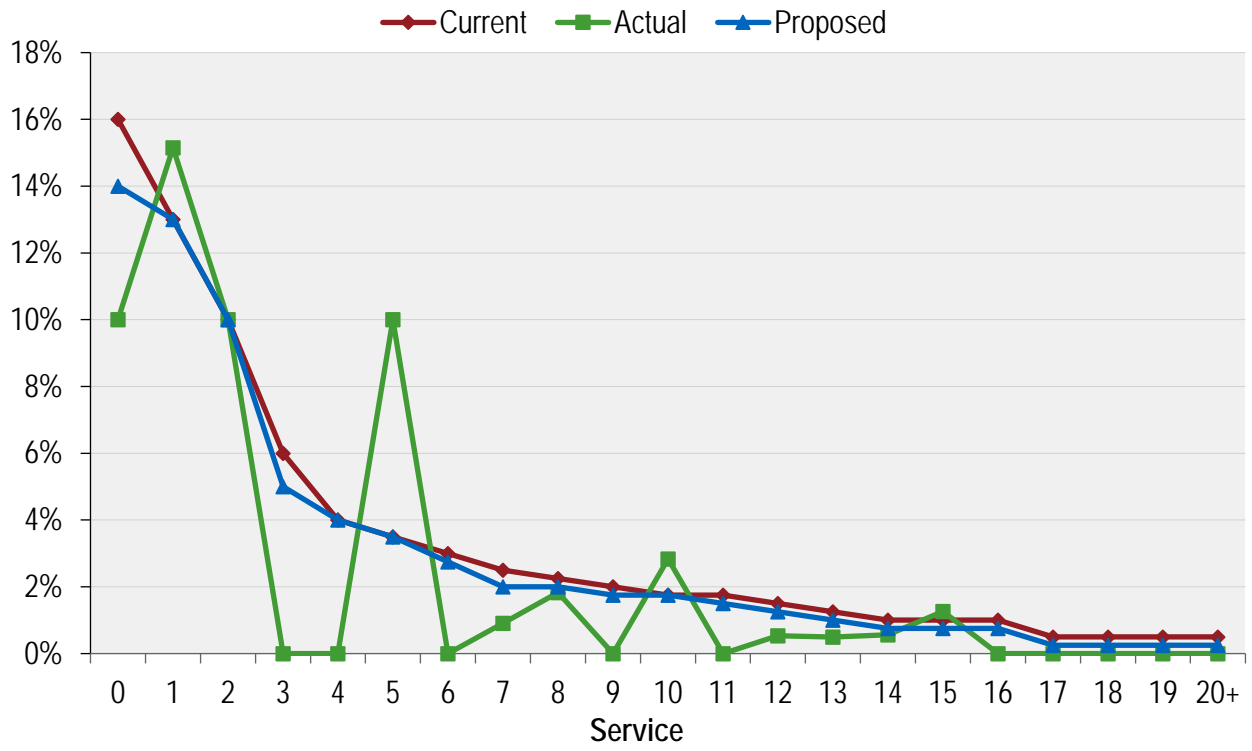
**CHART 25: TERMINATION RATES
GENERAL OCTA MEMBERS**



**CHART 26: TERMINATION RATES
SAFETY LAW AND FIRE MEMBERS**



**CHART 27: TERMINATION RATES
SAFETY PROBATION MEMBERS**



E. Disability Incidence Rates

When a member becomes disabled, he or she may be entitled to at least a 50% pension (service connected disability), or a pension that depends upon the member's years of service (non-service connected disability). The following summarizes the actual incidence of combined service and non-service connected disabilities over the past three years compared to the current and proposed assumptions for both service connected and non-service connected disability incidence:

| Age | Disability Incidence Rate (%) | | | | | |
|---------|-------------------------------|-------------|---------------|--------------|-------------|---------------|
| | General All Other | | | General OCTA | | |
| | Current Rate | Actual Rate | Proposed Rate | Current Rate | Actual Rate | Proposed Rate |
| 20 – 24 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25 – 29 | 0.00 | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 |
| 30 – 34 | 0.01 | 0.00 | 0.01 | 0.05 | 0.00 | 0.05 |
| 35 – 39 | 0.05 | 0.05 | 0.05 | 0.30 | 0.00 | 0.30 |
| 40 – 44 | 0.10 | 0.09 | 0.10 | 0.40 | 0.00 | 0.40 |
| 45 – 49 | 0.12 | 0.16 | 0.15 | 0.45 | 0.91 | 0.45 |
| 50 – 54 | 0.15 | 0.19 | 0.20 | 0.50 | 0.24 | 0.50 |
| 55 – 59 | 0.20 | 0.37 | 0.25 | 0.90 | 0.72 | 0.75 |
| 60 – 64 | 0.35 | 0.28 | 0.35 | 1.75 | 1.54 | 1.60 |
| 65 – 69 | 0.35 | 0.24 | 0.35 | 1.75 | 0.53 | 1.60 |

| Age | Disability Incidence Rate (%) | | | | | |
|---------|-------------------------------|-------------|---------------|------------------|-------------|---------------|
| | Safety Law and Fire | | | Safety Probation | | |
| | Current Rate | Actual Rate | Proposed Rate | Current Rate | Actual Rate | Proposed Rate |
| 20 – 24 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25 – 29 | 0.02 | 0.00 | 0.02 | 0.05 | 0.00 | 0.05 |
| 30 – 34 | 0.05 | 0.00 | 0.05 | 0.10 | 0.00 | 0.10 |
| 35 – 39 | 0.20 | 0.15 | 0.20 | 0.10 | 0.16 | 0.10 |
| 40 – 44 | 0.30 | 0.07 | 0.25 | 0.10 | 0.48 | 0.15 |
| 45 – 49 | 0.50 | 0.49 | 0.50 | 0.20 | 0.65 | 0.25 |
| 50 – 54 | 1.20 | 1.98 | 1.50 | 0.20 | 0.40 | 0.30 |
| 55 – 59 | 2.50 | 3.70 | 3.00 | 0.25 | 0.67 | 0.50 |
| 60 – 64 | 7.00 | 5.45 | 6.00 | 0.00 | 0.00 | 0.00 |
| 65 – 69 | 0.00 | 7.32 | 7.00 | 0.00 | 0.00 | 0.00 |

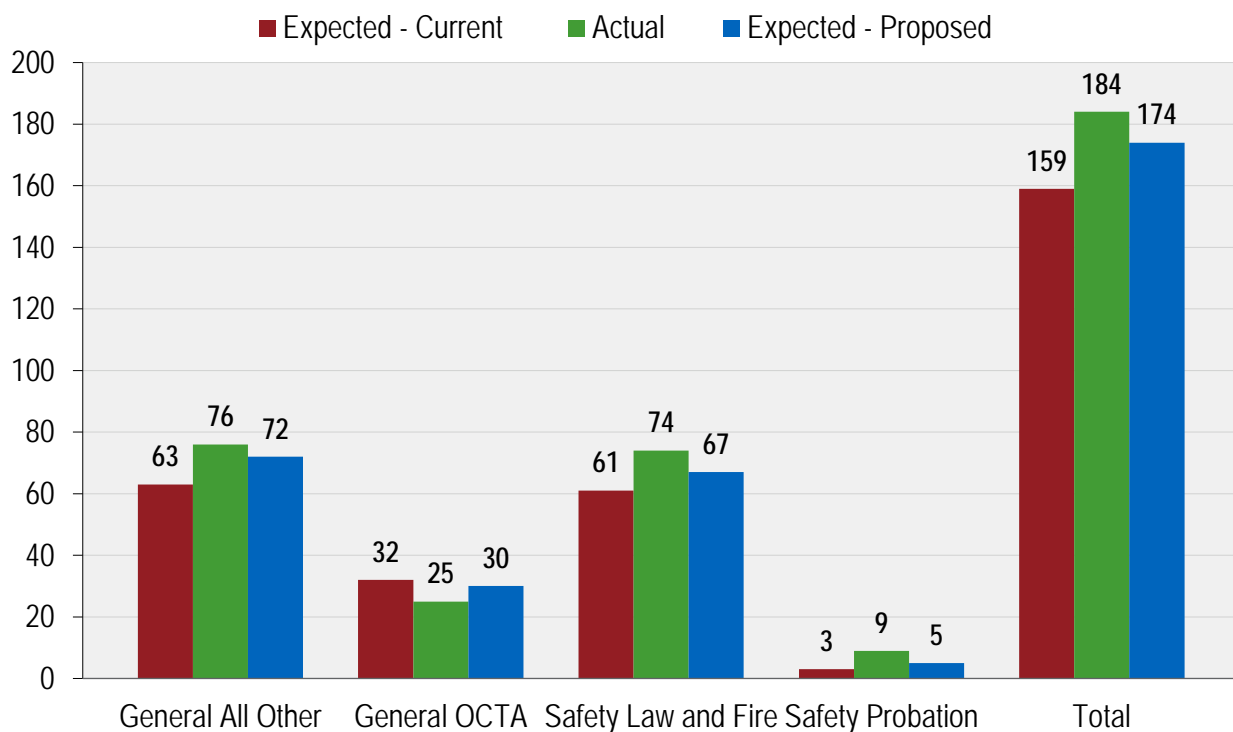
Chart 28 compares the actual number of service connected and non-service connected disabilities over the past three years to that expected under both the current and proposed assumptions. The proposed disability rates were adjusted to reflect the past three years experience.

Chart 29 shows actual disablement rates, compared to the assumed and proposed rates for General All Other members. Charts 30-32 graph the same information as Chart 29, but for General OCTA, Safety Law and Fire and Safety Probation members.

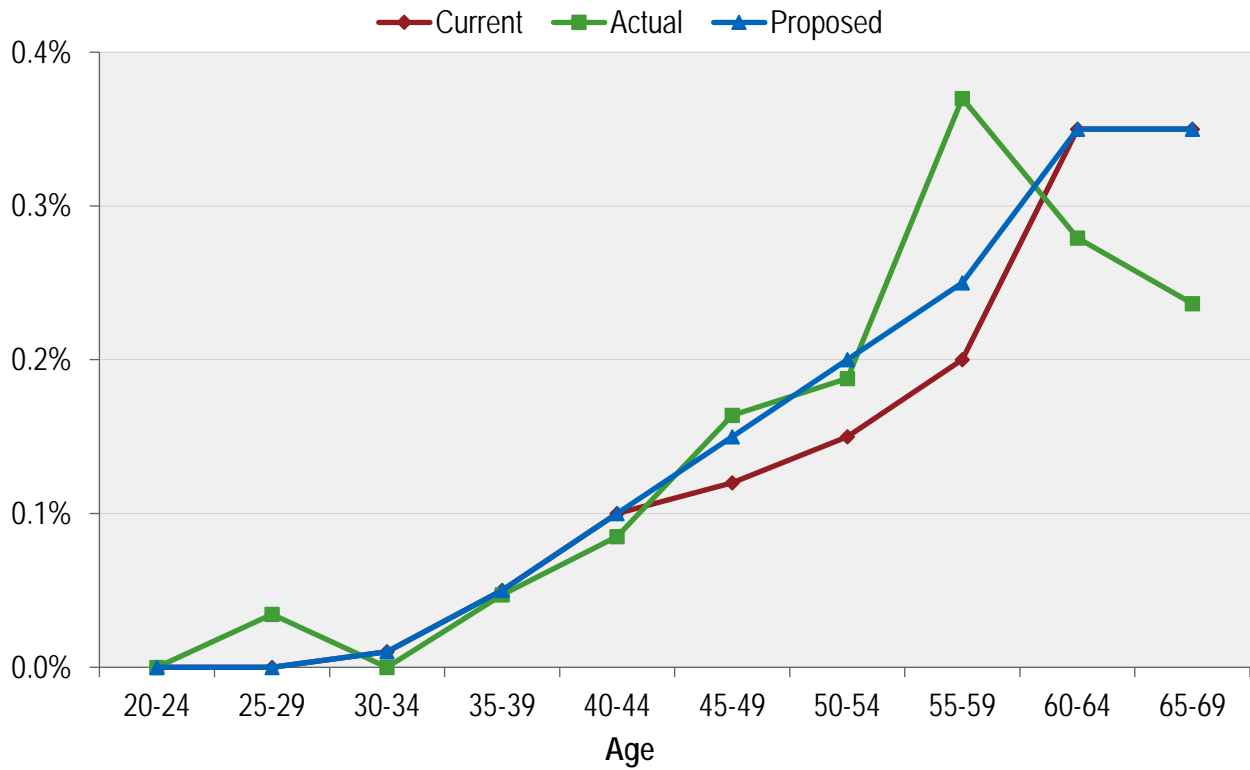
The following table shows the currently assumed, actual and proposed assumed percentages for service versus non-service connected disability for the groups.

| | Service vs. Non-Service Connected Disability | | | |
|----------------------------|---|-------------------|---------------------|---|
| | Disablements Receiving Service Connected Disability | | | Disablements Receiving Non-Service Connected Disability |
| | Current Assumption | Actual Percentage | Proposed Assumption | Proposed Assumption |
| General All Other | 55% | 61% | 60% | 40% |
| General OCTA | 65% | 68% | 65% | 35% |
| Safety Law and Fire | 100% | 100% | 100% | 0% |
| Safety Probation | 100% | 67% | 75% | 25% |

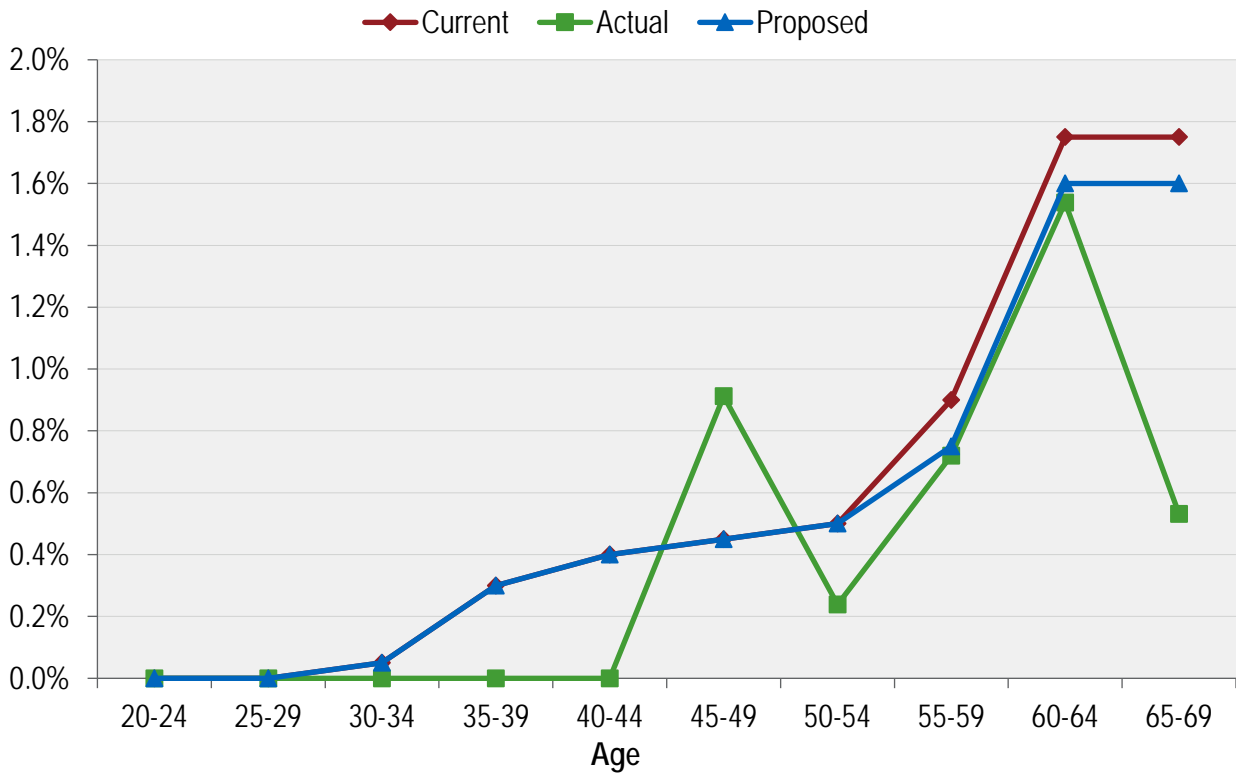
**CHART 28: ACTUAL NUMBER OF DISABILITIES COMPARED TO EXPECTED
(JANUARY 1, 2014 THROUGH DECEMBER 31, 2016)**



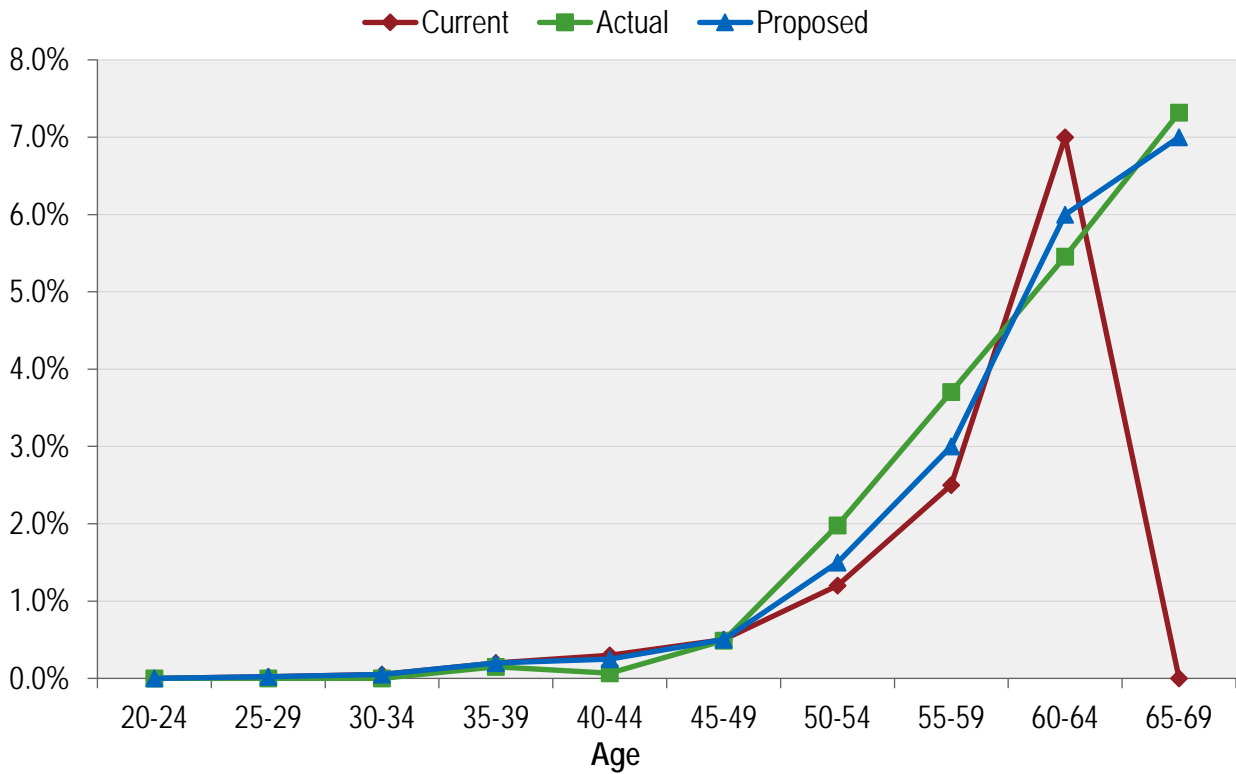
**CHART 29: DISABILITY INCIDENCE RATES
GENERAL ALL OTHER MEMBERS**



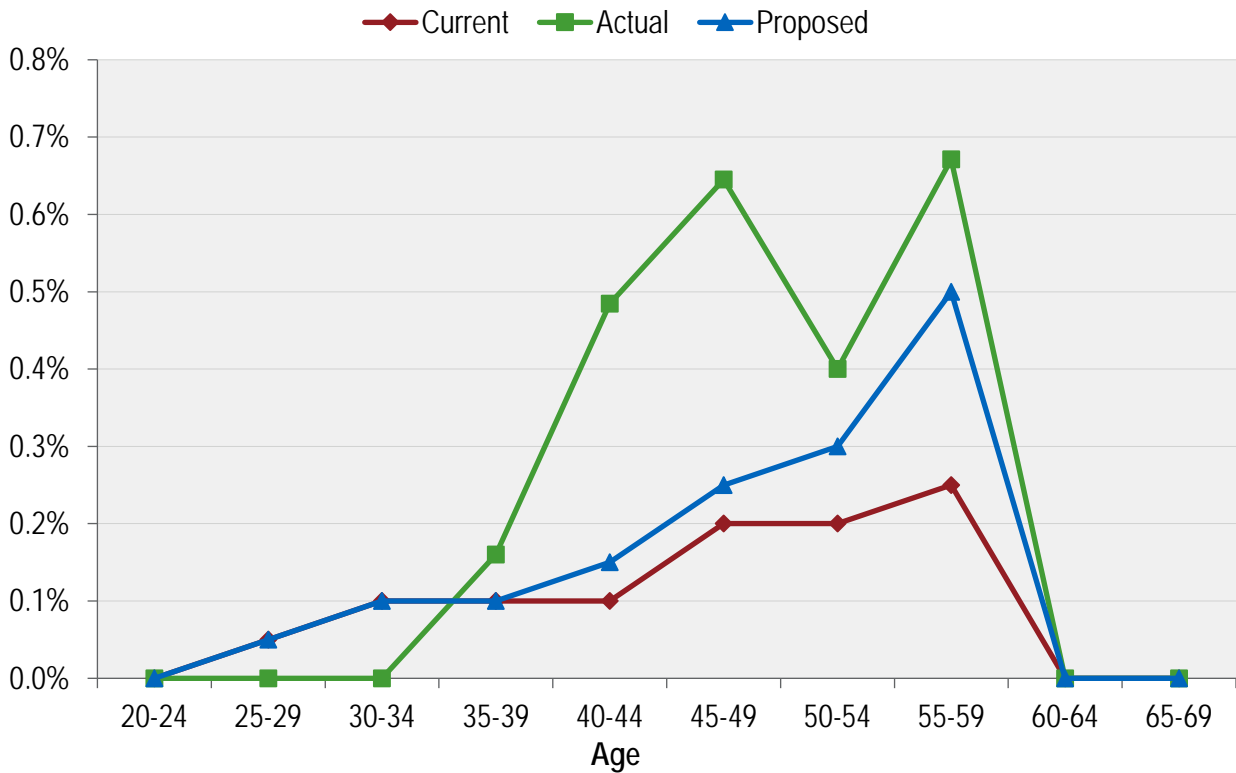
**CHART 30: DISABILITY INCIDENCE RATES
GENERAL OCTA MEMBERS**



**CHART 31: DISABILITY INCIDENCE RATES
SAFETY LAW AND FIRE MEMBERS**



**CHART 32: DISABILITY INCIDENCE RATES
SAFETY PROBATION MEMBERS**



F. Additional Cashouts

In response to the California Court ruling in the Ventura cases, several additional pay elements were included as Earnable Compensation.²² These additional pay elements fall into two categories:

- Ongoing Pay Elements – Those that are expected to be received relatively uniformly over a member’s employment years; and
- Terminal Pay Elements – Those that are expected to be received only during the member’s final average earnings pay period.

The first category is recognized in the actuarial calculations by virtue of being included in the current pay of active members. The second category requires a separate actuarial assumption to anticipate its impact on a member’s retirement benefit.

In this study, we have been provided with final average salaries determined by OCERS before (“FAS – Base”)²³ as well as after (“FAS – Final”)²⁴ including the terminal pay elements for members who retired during the last three years. We have studied the impact of including these pay elements by taking the ratio of “FAS – Final” to “FAS – Base”. Members covered under CalPEPRA plans are not eligible to receive leave cashouts.

The current and recommended additional cashout assumptions are provided in the following table:

| Membership | Final One Year Salary | | | Final Three Year Salary | | |
|------------------------|-----------------------|-------------|---------------------|-------------------------|-------------|---------------------|
| | Current Assumption | Actual Rate | Proposed Assumption | Current Assumption | Actual Rate | Proposed Assumption |
| General Members | 3.50% | 2.46% | 3.00% | 2.80% | 2.85% | 2.80% |
| Safety Probation | 3.80% | 5.98% | 3.80% | 2.80% | 3.43% | 3.40% |
| Safety Law Enforcement | 5.20% | 6.63% | 5.20% | 4.70% | 4.59% | 4.60% |
| Safety Fire | 2.00% | 0.00% | 2.00% | 2.00% | 1.65% | 1.70% |

Note that we have maintained the current cashout assumptions for Safety members from “Final One Year Salary” plans due to the low level of actual experience that we observed during the last three years.

²² We understand that these amounts would only be applicable for legacy members enrolled in the non-CalPEPRA plans.

²³ Per OCERS, this is calculated by the System using base earnable salary plus those reported pensionable pay items (regularly included in the annual actuarial valuation) based on the highest system-calculated FAS period.

²⁴ Per OCERS, this is equal to “FAS – Base” plus all eligible pensionable pay items that had not been formerly transmitted to OCERS from the employer.

V. Cost Impact

The tables below show the changes in the average employer and member contribution rates due to the recommended and alternative assumption changes as if they were applied to the December 31, 2016 actuarial valuation.

| Cost Impact of Recommended Assumptions | | |
|--|--------------------------|---|
| <u>Change in Costs</u> | <u>Contribution Rate</u> | <u>Estimated Annual Dollar Amount in Thousands*</u> |
| Total Normal Cost | 3.68% | \$65,260 |
| Member Normal Cost | 1.61% | \$28,559 |
| Employer Normal Cost | 2.07% | \$36,701 |
| Employer UAAL Payments | <u>5.87%</u> | <u>\$103,710</u> |
| Total for Employer | 7.94% | \$140,411 |

* Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

| Cost Impact of Alternative 1 Assumptions (7.00% Investment Return Assumption & 2.75% Inflation) | | |
|--|--------------------------|---|
| <u>Change in Costs</u> | <u>Contribution Rate</u> | <u>Estimated Annual Dollar Amount in Thousands*</u> |
| Total Normal Cost | 1.88% | \$32,321 |
| Member Normal Cost | 0.77% | \$13,232 |
| Employer Normal Cost | 1.11% | \$19,089 |
| Employer UAAL Payments | <u>3.53%</u> | <u>\$61,450</u> |
| Total for Employer | 4.64% | \$80,539 |

* Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

| Cost Impact of Alternative 2 Assumptions (6.75% Investment Return Assumption & 2.75% Inflation) | | |
|--|--------------------------|---|
| <u>Change in Costs</u> | <u>Contribution Rate</u> | <u>Estimated Annual Dollar Amount in Thousands*</u> |
| Total Normal Cost | 3.77% | \$65,566 |
| Member Normal Cost | 1.59% | \$27,567 |
| Employer Normal Cost | 2.18% | \$37,999 |
| Employer UAAL Payments | <u>5.84%</u> | <u>\$102,078</u> |
| Total for Employer | 8.02% | \$140,077 |

* Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

The breakdown of the contribution impacts due only to the recommended demographic assumption changes (as recommended in Section IV of this report) and the contribution rate impacts (after implementing the demographic assumption changes) due to the recommended and alternative economic assumption changes (as recommended in Section III of this report), as well as the changes in funded status, are summarized in the following table.

| Cost Impact | | | |
|---|---|---|---|
| | Recommended (7.00% Return & 3.00% Inflation) | Alternative 1 (7.00% Return & 2.75% Inflation) | Alternative 2 (6.75% Return & 2.75% Inflation) |
| <u>Impact on Employer</u> | | | |
| Change due to demographic assumptions | 3.94% | 3.94% | 3.94% |
| Change due to economic assumptions | <u>4.00%</u> | <u>0.70%</u> | <u>4.08%</u> |
| Total change in employer rate | 7.94% | 4.64% | 8.02% |
| Total estimated change in annual dollar amount (\$000s) | \$140,411 | \$80,539 | \$140,077 |
| <u>Impact on Member</u> | | | |
| Change due to demographic assumptions | 0.57% | 0.57% | 0.57% |
| Change due to economic assumptions | <u>1.04%</u> | <u>0.20%</u> | <u>1.02%</u> |
| Total change in member rate | 1.61% | 0.77% | 1.59% |
| Total estimated change in annual dollar amount (\$000s) | \$28,559 | \$13,232 | \$27,567 |
| <u>Impact on UAAL and Funded Percentage</u> | | | |
| Change in UAAL | \$1,404 million | \$763 million | \$1,385 million |
| Change in funded percentage | From 73.1% to 67.7% | From 73.1% to 70.1% | From 73.1% to 67.9% |

Considered separately, the changes in economic assumptions accounted for about one-half of the overall cost impact to the plan. Of the various economic assumption changes, the most significant cost impact is from the investment return assumption change. Of the various demographic assumption changes, the most significant cost impact is from the mortality assumption change.

We have also analyzed in the tables below the average employer and member contribution rate impacts by rate groups due to the recommended assumption changes as if they were applied to the December 31, 2016 actuarial valuation.

| Increases in Employer Contribution Rates (% of Payroll) under Recommended Assumptions | | | | |
|---|--------------|----------------------|--------------|---|
| Rate Group | Normal Cost | UAAL | Total | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 1.87% | 3.49% ⁽²⁾ | 5.36% | \$4,462 |
| Rate Group #2 (County et al.) | 1.92% | 5.50% | 7.42% | \$79,640 |
| Rate Group #3 (OCSD) | 1.77% | 1.06% ⁽³⁾ | 2.83% | \$1,865 |
| Rate Group #5 (OCTA) | 2.02% | 5.03% | 7.05% | \$7,393 |
| Rate Group #9 (TCA) | 1.53% | 3.22% | 4.75% | \$325 |
| Rate Group #10 (OCFA) | 1.90% | 4.42% | 6.32% | \$1,698 |
| Rate Group #11 (Cemetery) | 1.77% | 2.71% ⁽⁴⁾ | 4.48% | \$63 |
| Rate Group #12 (Law Library) | 1.60% | 4.39% | 5.99% | \$71 |
| Rate Group #6 (Probation) | 3.20% | 9.16% | 12.36% | \$8,054 |
| Rate Group #7 (Law Enforcement) | 2.67% | 9.45% | 12.12% | \$26,599 |
| Rate Group #8 (Fire Authority) | 2.09% | 6.31% | 8.40% | \$10,241 |
| Total All Rate Groups Combined | 2.07% | 5.87% | 7.94% | \$140,411 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

⁽²⁾ Before adjusting for UAAL allotted to U.C.I and Department of Education.

⁽³⁾ The UAAL for Rate Group #3 after reflecting the recommended assumptions has been partially offset by the OCSD UAAL Deferred Account of \$34,067,000 as of December 31, 2016. If Rate Group #3 had not been overfunded prior to the changes in assumptions and if the OCSD UAAL Account was not available to offset the change in UAAL due to the changes in assumptions, the UAAL Contribution rate impact due to the changes in assumptions would have been 5.36% of payroll.

⁽⁴⁾ If Rate Group #11 had not been overfunded prior to the changes in assumptions, the UAAL contribution rate impact due to the changes in assumptions would have been 4.36% of payroll.

| Increases in Average Member Contribution Rates (% of Payroll) under Recommended Assumptions | | | | |
|---|---------------|---------------|--------------|---|
| Rate Group | Current | Proposed | Difference | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 8.62% | 10.19% | 1.57% | \$1,310 |
| Rate Group #2 (County et al.) | 11.10% | 12.58% | 1.48% | \$15,943 |
| Rate Group #3 (OCSD) | 11.52% | 12.98% | 1.46% | \$967 |
| Rate Group #5 (OCTA) | 9.35% | 10.71% | 1.36% | \$1,434 |
| Rate Group #9 (TCA) | 10.08% | 11.43% | 1.35% | \$93 |
| Rate Group #10 (OCFA) | 11.03% | 12.59% | 1.56% | \$420 |
| Rate Group #11 (Cemetery) | 8.87% | 10.26% | 1.39% | \$20 |
| Rate Group #12 (Law Library) | 13.06% | 14.49% | 1.43% | \$17 |
| Rate Group #6 (Probation) | 15.53% | 17.81% | 2.28% | \$1,486 |
| Rate Group #7 (Law Enforcement) | 16.39% | 18.46% | 2.07% | \$4,540 |
| Rate Group #8 (Fire Authority) | 15.44% | 17.35% | 1.91% | \$2,329 |
| Total All Rate Groups Combined | 12.01% | 13.62% | 1.61% | \$28,559 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

We have also analyzed in the tables below the average employer and member contribution rate impacts by rate groups due to the Alternative 1 (7.00% investment return and 2.75% inflation) assumption changes as if they were applied to the December 31, 2016 actuarial valuation.

| Increases in Employer Contribution Rates (% of Payroll) under Alternative 1 Assumptions | | | | |
|---|--------------|----------------------|--------------|---|
| Rate Group | Normal Cost | UAAL | Total | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 1.18% | 2.30% ⁽²⁾ | 3.48% | \$2,866 |
| Rate Group #2 (County et al.) | 1.08% | 3.41% | 4.49% | \$47,504 |
| Rate Group #3 (OCSD) | 0.97% | 0.00% ⁽³⁾ | 0.97% | \$628 |
| Rate Group #5 (OCTA) | 1.37% | 3.22% | 4.59% | \$4,756 |
| Rate Group #9 (TCA) | 0.88% | 1.96% | 2.84% | \$191 |
| Rate Group #10 (OCFA) | 1.08% | 2.62% | 3.70% | \$973 |
| Rate Group #11 (Cemetery) | 1.01% | 0.99% ⁽⁴⁾ | 2.00% | \$28 |
| Rate Group #12 (Law Library) | 0.86% | 2.83% | 3.69% | \$44 |
| Rate Group #6 (Probation) | 1.93% | 5.84% | 7.77% | \$4,980 |
| Rate Group #7 (Law Enforcement) | 1.12% | 5.50% | 6.62% | \$14,169 |
| Rate Group #8 (Fire Authority) | 0.63% | 3.10% | 3.73% | \$4,400 |
| Total All Rate Groups Combined | 1.11% | 3.53% | 4.64% | \$80,539 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

⁽²⁾ Before adjusting for UAAL allotted to U.C.I and Department of Education.

⁽³⁾ The UAAL for Rate Group #3 after reflecting the recommended assumptions has been offset by the OCSD UAAL Deferred Account of \$34,067,000 as of December 31, 2016. If Rate Group #3 had not been overfunded prior to the changes in assumptions and if the OCSD UAAL Account was not available to offset the change in UAAL due to the changes in assumptions, the UAAL Contribution rate impact due to the changes in assumptions would have been 2.81% of payroll.

⁽⁴⁾ If Rate Group #11 had not been overfunded prior to the changes in assumptions, the UAAL contribution rate impact due to the changes in assumptions would have been 2.56% of payroll.

| Increases in Average Member Contribution Rates (% of Payroll) under Alternative 1 Assumptions | | | | |
|---|---------------|---------------|--------------|---|
| Rate Group | Current | Proposed | Difference | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 8.62% | 9.56% | 0.94% | \$767 |
| Rate Group #2 (County et al.) | 11.10% | 11.85% | 0.75% | \$7,864 |
| Rate Group #3 (OCSD) | 11.52% | 12.26% | 0.74% | \$477 |
| Rate Group #5 (OCTA) | 9.35% | 10.11% | 0.76% | \$784 |
| Rate Group #9 (TCA) | 10.08% | 10.79% | 0.71% | \$48 |
| Rate Group #10 (OCFA) | 11.03% | 11.86% | 0.83% | \$216 |
| Rate Group #11 (Cemetery) | 8.87% | 9.59% | 0.72% | \$10 |
| Rate Group #12 (Law Library) | 13.06% | 13.79% | 0.73% | \$9 |
| Rate Group #6 (Probation) | 15.53% | 16.53% | 1.00% | \$627 |
| Rate Group #7 (Law Enforcement) | 16.39% | 17.16% | 0.77% | \$1,598 |
| Rate Group #8 (Fire Authority) | 15.44% | 16.16% | 0.72% | \$832 |
| Total All Rate Groups Combined | 12.01% | 12.78% | 0.77% | \$13,232 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

We have also analyzed in the tables below the average employer and member contribution rate impacts by rate groups due to the Alternative 2 (6.75% investment return and 2.75% inflation) assumption changes as if they were applied to the December 31, 2016 actuarial valuation.

| Increases in Employer Contribution Rates (% of Payroll) under Alternative 2 Assumptions | | | | |
|---|--------------|----------------------|--------------|---|
| Rate Group | Normal Cost | UAAL | Total | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 1.92% | 3.48% ⁽²⁾ | 5.40% | \$4,460 |
| Rate Group #2 (County et al.) | 2.01% | 5.48% | 7.49% | \$79,313 |
| Rate Group #3 (OCSD) | 1.84% | 1.00% ⁽³⁾ | 2.84% | \$1,851 |
| Rate Group #5 (OCTA) | 2.12% | 4.99% | 7.11% | \$7,372 |
| Rate Group #9 (TCA) | 1.65% | 3.26% | 4.91% | \$332 |
| Rate Group #10 (OCFA) | 1.99% | 4.39% | 6.38% | \$1,691 |
| Rate Group #11 (Cemetery) | 1.87% | 2.72% ⁽⁴⁾ | 4.59% | \$64 |
| Rate Group #12 (Law Library) | 1.71% | 4.43% | 6.14% | \$72 |
| Rate Group #6 (Probation) | 3.40% | 9.17% | 12.57% | \$8,102 |
| Rate Group #7 (Law Enforcement) | 2.87% | 9.39% | 12.26% | \$26,520 |
| Rate Group #8 (Fire Authority) | 2.32% | 6.27% | 8.59% | \$10,300 |
| Total All Rate Groups Combined | 2.18% | 5.84% | 8.02% | \$140,077 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

⁽²⁾ Before adjusting for UAAL allotted to U.C.I and Department of Education.

⁽³⁾ The UAAL for Rate Group #3 after reflecting the recommended assumptions has been partially offset by the OCSD UAAL Deferred Account of \$34,067,000 as of December 31, 2016. If Rate Group #3 had not been overfunded prior to the changes in assumptions and if the OCSD UAAL Account was not available to offset the change in UAAL due to the changes in assumptions, the UAAL Contribution rate impact due to the changes in assumptions would have been 5.31% of payroll.

⁽⁴⁾ If Rate Group #11 had not been overfunded prior to the changes in assumptions, the UAAL contribution rate impact due to the changes in assumptions would have been 4.38% of payroll.

| Increases in Average Member Contribution Rates (% of Payroll) under Alternative 2 Assumptions | | | | |
|---|---------------|---------------|--------------|---|
| Rate Group | Current | Proposed | Difference | Estimated Dollar Amounts ⁽¹⁾ (in 000s) |
| Rate Group #1 (non-OCTA, non-OCSD) | 8.62% | 10.20% | 1.58% | \$1,298 |
| Rate Group #2 (County et al.) | 11.10% | 12.59% | 1.49% | \$15,733 |
| Rate Group #3 (OCSD) | 11.52% | 13.00% | 1.48% | \$960 |
| Rate Group #5 (OCTA) | 9.35% | 10.71% | 1.36% | \$1,408 |
| Rate Group #9 (TCA) | 10.08% | 11.41% | 1.33% | \$90 |
| Rate Group #10 (OCFA) | 11.03% | 12.59% | 1.56% | \$412 |
| Rate Group #11 (Cemetery) | 8.87% | 10.24% | 1.37% | \$19 |
| Rate Group #12 (Law Library) | 13.06% | 14.50% | 1.44% | \$17 |
| Rate Group #6 (Probation) | 15.53% | 17.66% | 2.13% | \$1,361 |
| Rate Group #7 (Law Enforcement) | 16.39% | 18.33% | 1.94% | \$4,160 |
| Rate Group #8 (Fire Authority) | 15.44% | 17.21% | 1.77% | \$2,109 |
| Total All Rate Groups Combined | 12.01% | 13.60% | 1.59% | \$27,567 |

⁽¹⁾ Based on December 31, 2016 projected annual payrolls as determined under each set of assumptions.

Appendix A: Current Actuarial Assumptions

Economic Assumptions

| | |
|--|--|
| Net Investment Return: | 7.25%, net of investment expenses and administration expenses. |
| Member Contribution Crediting Rate: | 5.00%, compounded semi-annually. |
| Consumer Price Index: | Increase of 3.00% per year, retiree COLA increases due to CPI subject to a 3.0% maximum change per year. |
| Payroll Growth: | Inflation of 3.00% per year plus “across the board” real salary increases of 0.50% per year. |
| Increase in Section 7522.10 Compensation Limit: | Increase of 3.00% per year from the valuation date. |

Individual Salary Increases¹

| Annual Rate of Compensation Increase (%) Inflation: 3.00% per year; plus “across the board” salary increases of 0.50% per year; plus the following merit and promotional increases: | | |
|---|----------------|---------------|
| Years of Service | General | Safety |
| Less than 1 | 10.00 | 14.00 |
| 1 | 7.25 | 10.00 |
| 2 | 6.00 | 8.50 |
| 3 | 4.75 | 6.75 |
| 4 | 4.00 | 5.25 |
| 5 | 3.25 | 4.50 |
| 6 | 2.25 | 3.50 |
| 7 | 2.00 | 3.25 |
| 8 | 1.50 | 2.25 |
| 9 | 1.25 | 2.25 |
| 10 | 1.25 | 1.75 |
| 11 | 1.25 | 1.75 |
| 12 | 1.25 | 1.75 |
| 13 | 1.25 | 1.75 |
| 14 | 1.25 | 1.75 |
| 15 | 1.25 | 1.75 |
| 16 | 0.75 | 1.50 |
| 17 | 0.75 | 1.50 |
| 18 | 0.75 | 1.50 |
| 19 | 0.75 | 1.50 |
| 20 and Over | 0.75 | 1.50 |

¹ In addition to the individual salary increase assumptions, we have applied an average two hours of additional salary annually for leap-year salary adjustment.

Demographic Assumptions

Mortality Rates – Healthy

- **General Members:** RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020
- **Safety Members:** RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years

Mortality Rates – Disabled

- **General Members:** RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females
- **Safety Members:** RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020

Mortality Rates – Beneficiaries

- Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement

The mortality tables shown above were determined to contain about a 10% margin to reflect future mortality improvement, based on a review of the mortality experience as of the measurement date.

Member Contribution Rates

- **General Members:** RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted, 40% male and 60% female
- **Safety Members:** RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years, weighted 80% male and 20% female

Mortality Rates Before Retirement

| Age | Rate (%) | | | |
|-----|----------|--------|--------|--------|
| | General | | Safety | |
| | Male | Female | Male | Female |
| 25 | 0.04 | 0.02 | 0.04 | 0.02 |
| 30 | 0.04 | 0.02 | 0.04 | 0.02 |
| 35 | 0.07 | 0.04 | 0.06 | 0.04 |
| 40 | 0.10 | 0.07 | 0.09 | 0.06 |
| 45 | 0.14 | 0.11 | 0.12 | 0.09 |
| 50 | 0.20 | 0.16 | 0.18 | 0.14 |
| 55 | 0.34 | 0.25 | 0.27 | 0.21 |
| 60 | 0.59 | 0.41 | 0.48 | 0.33 |
| 65 | 1.00 | 0.76 | 0.82 | 0.60 |

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

Disability Incidence Rates

| Age | Rate (%) | | | |
|-----|--------------------------------|---------------------------|--------------------------------|-------------------------------|
| | General All Other ¹ | General OCTA ² | Safety Law & Fire ³ | Safety Probation ³ |
| 20 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25 | 0.00 | 0.00 | 0.01 | 0.03 |
| 30 | 0.01 | 0.03 | 0.04 | 0.08 |
| 35 | 0.03 | 0.20 | 0.14 | 0.10 |
| 40 | 0.08 | 0.36 | 0.26 | 0.10 |
| 45 | 0.11 | 0.43 | 0.42 | 0.16 |
| 50 | 0.14 | 0.48 | 0.92 | 0.20 |
| 55 | 0.18 | 0.74 | 1.98 | 0.23 |
| 60 | 0.29 | 1.41 | 5.20 | 0.10 |

¹ 55% of General All Other disabilities are assumed to be service connected disabilities. The other 45% are assumed to be non-service connected.

² 65% of General OCTA disabilities are assumed to be service connected disabilities. The other 35% are assumed to be non-service connected.

³ 100% of Safety Law Enforcement, Fire and Probation disabilities are assumed to be service connected disabilities.

Termination Rates

| Years of Service | Rate (%) | | | |
|------------------|--------------------------------|---------------------------|--------------------------------|-------------------------------|
| | General All Other ¹ | General OCTA ² | Safety Law & Fire ³ | Safety Probation ⁴ |
| 0 | 11.00 | 17.50 | 4.00 | 16.00 |
| 1 | 8.00 | 13.50 | 3.00 | 13.00 |
| 2 | 7.00 | 10.50 | 2.00 | 10.00 |
| 3 | 5.00 | 10.00 | 1.00 | 6.00 |
| 4 | 4.00 | 9.00 | 1.00 | 4.00 |
| 5 | 3.75 | 7.00 | 1.00 | 3.50 |
| 6 | 3.50 | 5.00 | 0.95 | 3.00 |
| 7 | 3.00 | 5.00 | 0.90 | 2.50 |
| 8 | 2.75 | 4.00 | 0.85 | 2.25 |
| 9 | 2.50 | 3.50 | 0.80 | 2.00 |
| 10 | 2.25 | 3.50 | 0.75 | 1.75 |
| 11 | 2.00 | 3.50 | 0.65 | 1.75 |
| 12 | 2.00 | 3.00 | 0.60 | 1.50 |
| 13 | 1.75 | 3.00 | 0.50 | 1.25 |
| 14 | 1.75 | 3.00 | 0.50 | 1.00 |
| 15 | 1.75 | 3.00 | 0.50 | 1.00 |
| 16 | 1.50 | 3.00 | 0.50 | 1.00 |
| 17 | 1.50 | 2.75 | 0.50 | 0.50 |
| 18 | 1.50 | 2.75 | 0.50 | 0.50 |
| 19 | 1.50 | 2.75 | 0.50 | 0.50 |
| 20 + | 1.25 | 1.75 | 0.25 | 0.50 |

¹ 40% of all terminated members with less than 5 years of service and 25% of all terminated members with 5 or more years of service will choose a refund of contributions.

² 45% of all terminated members with less than 5 years of service and 35% of all terminated members with 5 or more years of service will choose a refund of contributions.

³ 20% of all terminated members with less than 5 years of service and 20% of all terminated members with 5 or more years of service will choose a refund of contributions.

⁴ 40% of all terminated members with less than 5 years of service and 30% of all terminated members with 5 or more years of service will choose a refund of contributions.

Retirement Rates

| Age | Rate (%) | | | | | | | |
|-----|----------|---------------------------|----------------|----------------------------|----------------------------|-----------------------------|-----------------------------|------------------------|
| | General | | | Safety | | | | |
| | Enhanced | Non-Enhanced ¹ | SJC (31676.12) | Law (31664.1) ² | Law (31664.2) ² | Fire (31664.1) ² | Fire (31664.2) ² | Probation ² |
| 49 | 0.0 | 0.0 | 0.0 | 10.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 50 | 2.5 | 2.5 | 3.0 | 16.0 | 11.5 | 6.0 | 8.0 | 3.0 |
| 51 | 2.0 | 2.5 | 3.0 | 16.0 | 12.0 | 8.0 | 10.0 | 3.0 |
| 52 | 2.0 | 2.5 | 3.0 | 16.0 | 12.7 | 9.0 | 11.0 | 4.0 |
| 53 | 2.0 | 2.5 | 3.0 | 16.0 | 17.9 | 10.0 | 12.0 | 4.0 |
| 54 | 5.0 | 2.5 | 3.0 | 22.0 | 18.8 | 16.0 | 14.0 | 6.0 |
| 55 | 15.0 | 3.0 | 4.0 | 22.0 | 30.7 | 19.0 | 24.0 | 11.0 |
| 56 | 10.0 | 3.5 | 5.0 | 20.0 | 20.0 | 20.0 | 23.0 | 11.0 |
| 57 | 10.0 | 5.0 | 6.0 | 20.0 | 20.0 | 23.0 | 27.0 | 17.0 |
| 58 | 10.0 | 5.0 | 7.0 | 20.0 | 25.0 | 30.0 | 27.0 | 20.0 |
| 59 | 11.0 | 7.0 | 9.0 | 26.0 | 30.0 | 30.0 | 36.0 | 20.0 |
| 60 | 12.0 | 9.0 | 11.0 | 45.0 | 100.0 | 45.0 | 100.0 | 20.0 |
| 61 | 12.0 | 10.0 | 13.0 | 45.0 | 100.0 | 45.0 | 100.0 | 20.0 |
| 62 | 15.0 | 16.0 | 15.0 | 45.0 | 100.0 | 45.0 | 100.0 | 25.0 |
| 63 | 16.0 | 16.0 | 15.0 | 45.0 | 100.0 | 45.0 | 100.0 | 50.0 |
| 64 | 16.0 | 18.0 | 20.0 | 45.0 | 100.0 | 45.0 | 100.0 | 50.0 |
| 65 | 21.0 | 21.0 | 20.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 66 | 22.0 | 26.0 | 24.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 67 | 23.0 | 21.0 | 24.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 68 | 23.0 | 21.0 | 24.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 69 | 23.0 | 21.0 | 24.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 70 | 40.0 | 30.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 71 | 40.0 | 30.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 72 | 40.0 | 30.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 73 | 40.0 | 30.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 74 | 40.0 | 30.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 75 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

¹ These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (Plan T and Plan W).

² Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

Retirement Rates (continued)

| Age | Rate (%) | | | |
|-----|-----------------------|--|--------------------------------------|---------------------------------------|
| | General | Safety | | |
| | CalPEPRA 2.5% @ 67 | CalPEPRA Probation Formula ¹ | CalPEPRA Law Formula ¹ | CalPEPRA Fire Formula ¹ |
| 50 | 0.0 | 2.5 | 11.0 | 6.5 |
| 51 | 0.0 | 2.5 | 11.5 | 8.0 |
| 52 | 4.0 | 3.0 | 12.0 | 9.0 |
| 53 | 1.5 | 3.0 | 16.0 | 10.0 |
| 54 | 1.5 | 5.5 | 17.0 | 12.0 |
| 55 | 2.5 | 10.0 | 28.0 | 21.0 |
| 56 | 3.5 | 10.0 | 18.0 | 20.0 |
| 57 | 5.5 | 15.0 | 17.5 | 22.0 |
| 58 | 7.5 | 20.0 | 22.0 | 25.0 |
| 59 | 7.5 | 20.0 | 26.0 | 31.5 |
| 60 | 7.5 | 100.0 | 100.0 | 100.0 |
| 61 | 7.5 | 100.0 | 100.0 | 100.0 |
| 62 | 14.0 | 100.0 | 100.0 | 100.0 |
| 63 | 14.0 | 100.0 | 100.0 | 100.0 |
| 64 | 14.0 | 100.0 | 100.0 | 100.0 |
| 65 | 18.0 | 100.0 | 100.0 | 100.0 |
| 66 | 22.0 | 100.0 | 100.0 | 100.0 |
| 67 | 23.0 | 100.0 | 100.0 | 100.0 |
| 68 | 23.0 | 100.0 | 100.0 | 100.0 |
| 69 | 23.0 | 100.0 | 100.0 | 100.0 |
| 70 | 30.0 | 100.0 | 100.0 | 100.0 |
| 71 | 30.0 | 100.0 | 100.0 | 100.0 |
| 72 | 30.0 | 100.0 | 100.0 | 100.0 |
| 73 | 30.0 | 100.0 | 100.0 | 100.0 |
| 74 | 30.0 | 100.0 | 100.0 | 100.0 |
| 75 | 100.0 | 100.0 | 100.0 | 100.0 |

¹ Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings

| Retirement Age and Benefit for Deferred Vested Members: | <p>For deferred vested members, we make the following retirement assumption:</p> <p style="padding-left: 40px;">General Age: 58</p> <p style="padding-left: 40px;">Safety Age: 53</p> <p>We assume that 20% of future General and 30% of future Safety deferred vested members are reciprocal. For reciprocals, we assume 4.25% compensation increases for General and 5.00% for Safety per annum.</p> | | | | | | | | | | | | | | | |
|---|--|------------------------------------|----------------------------------|------------------------------------|-----------------|-------|-------|------------------|-------|-------|------------------------|-------|-------|-------------|-------|-------|
| Liability Calculation for Current Deferred Vested Members: | <p>Liability for a current deferred vested member is calculated based on salary, service, and eligibility for reciprocal benefit as provided by the Retirement System. For those members without salary information that have 3 or more years of service, we used an average salary. For those members without salary information that have less than 3 years of service or for those members without service information, we assumed a refund of account balance.</p> | | | | | | | | | | | | | | | |
| Future Benefit Accruals: | <p>1.0 year of service per year of employment. There is no assumption to anticipate conversion of unused sick leave at retirement.</p> | | | | | | | | | | | | | | | |
| Unknown Data for Members: | <p>Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.</p> | | | | | | | | | | | | | | | |
| Definition of Active Member: | <p>All active members of OCERS as of the valuation date.</p> | | | | | | | | | | | | | | | |
| Form of Payment: | <p>All members are assumed to elect the unmodified option at retirement.</p> | | | | | | | | | | | | | | | |
| Percent Married: | <p>75% of male members and 50% of female members are assumed to be married at retirement or time of pre-retirement death.</p> | | | | | | | | | | | | | | | |
| Age of Spouse: | <p>Female (or male) three years younger (or older) than spouse.</p> | | | | | | | | | | | | | | | |
| Additional Cashout Assumptions: | <p><u>Non-CalPEPRA Formulas</u></p> <p>Additional compensation amounts are expected to be received during a member's final average earnings period. The percentages used in this valuation are:</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">Final One Year Salary</th> <th style="text-align: center;">Final Three Year Salary</th> </tr> </thead> <tbody> <tr> <td>General Members</td> <td style="text-align: center;">3.50%</td> <td style="text-align: center;">2.80%</td> </tr> <tr> <td>Safety Probation</td> <td style="text-align: center;">3.80%</td> <td style="text-align: center;">2.80%</td> </tr> <tr> <td>Safety Law Enforcement</td> <td style="text-align: center;">5.20%</td> <td style="text-align: center;">4.70%</td> </tr> <tr> <td>Safety Fire</td> <td style="text-align: center;">2.00%</td> <td style="text-align: center;">2.00%</td> </tr> </tbody> </table> <p>The additional cashout assumptions are the same for service and disability retirements.</p> <p><u>CalPEPRA Formulas</u></p> <p>None</p> | | Final One Year Salary | Final Three Year Salary | General Members | 3.50% | 2.80% | Safety Probation | 3.80% | 2.80% | Safety Law Enforcement | 5.20% | 4.70% | Safety Fire | 2.00% | 2.00% |
| | Final One Year Salary | Final Three Year Salary | | | | | | | | | | | | | | |
| General Members | 3.50% | 2.80% | | | | | | | | | | | | | | |
| Safety Probation | 3.80% | 2.80% | | | | | | | | | | | | | | |
| Safety Law Enforcement | 5.20% | 4.70% | | | | | | | | | | | | | | |
| Safety Fire | 2.00% | 2.00% | | | | | | | | | | | | | | |

Appendix B: Proposed Actuarial Assumptions

Economic Assumptions

| | |
|--|--|
| Net Investment Return: | 7.00%, net of investment expenses and administration expenses. |
| Member Contribution Crediting Rate: | 5.00%, compounded semi-annually. |
| Consumer Price Index: | Increase of 3.00% per year, retiree COLA increases due to CPI subject to a 3.0% maximum change per year. |
| Payroll Growth: | Inflation of 3.00% per year plus “across the board” real salary increases of 0.50% per year. |
| Increase in Section 7522.10 Compensation Limit: | Increase of 3.00% per year from the valuation date. |

Individual Salary Increases¹

| Annual Rate of Compensation Increase (%) | | |
|--|----------------|---------------|
| Inflation: 3.00% per year; plus “across the board” salary increases of 0.50% per year; plus the following merit and promotional increases: | | |
| Years of Service | General | Safety |
| Less than 1 | 9.00 | 14.00 |
| 1 | 7.25 | 10.00 |
| 2 | 6.00 | 7.75 |
| 3 | 5.00 | 6.00 |
| 4 | 4.00 | 5.50 |
| 5 | 3.50 | 4.50 |
| 6 | 2.50 | 3.75 |
| 7 | 2.25 | 3.25 |
| 8 | 1.75 | 2.50 |
| 9 | 1.50 | 2.25 |
| 10 | 1.50 | 1.75 |
| 11 | 1.50 | 1.75 |
| 12 | 1.50 | 1.75 |
| 13 | 1.50 | 1.75 |
| 14 | 1.50 | 1.75 |
| 15 | 1.50 | 1.75 |
| 16 | 1.00 | 1.50 |
| 17 | 1.00 | 1.50 |
| 18 | 1.00 | 1.50 |
| 19 | 1.00 | 1.50 |
| 20 and Over | 1.00 | 1.50 |

¹ In addition to the individual salary increase assumptions, we have applied an average two hours of additional salary annually for leap-year salary adjustment.

Demographic Assumptions

Mortality Rates – Healthy

- **General Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with the two-dimensional MP-2016 projection scale
- **Safety Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set back four years, projected generationally with the two-dimensional MP-2016 projection scale

Mortality Rates – Disabled

- **General Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward five years, projected generationally with the two-dimensional MP-2016 projection scale
- **Safety Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with the two-dimensional MP-2016 projection scale

Mortality Rates – Beneficiaries

- Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement

Pre-Retirement Mortality Rates

- **General and Safety Members:** Headcount-Weighted RP-2014 Employee Mortality Table times 80%, projected generationally with the two-dimensional MP-2016 projection scale

Member Contribution Rates

- **General Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016, weighted 40% male and 60% female
- **Safety Members:** Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females), projected 20 years with the two-dimensional mortality improvement scale MP-2016 set back four years, weighted 80% male and 20% female

The RP-2014 mortality tables and adjustments as shown above reflect the mortality experience as of the measurement date. The generational projection is a provision for future mortality improvement.

Mortality Rates Before Retirement

| Age | Rate (%) | |
|-----|----------|--------|
| | Male | Female |
| 25 | 0.05 | 0.02 |
| 30 | 0.05 | 0.02 |
| 35 | 0.05 | 0.03 |
| 40 | 0.06 | 0.04 |
| 45 | 0.10 | 0.07 |
| 50 | 0.17 | 0.11 |
| 55 | 0.27 | 0.17 |
| 60 | 0.45 | 0.24 |
| 65 | 0.78 | 0.36 |
| 70 | 1.27 | 0.59 |

Note that generational projections beyond the base year (2014) are not reflected in the above mortality rates.

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

Disability Incidence Rates

| Age | Rate (%) | | | |
|-----|--------------------------------|---------------------------|--------------------------------|-------------------------------|
| | General All Other ¹ | General OCTA ² | Safety Law & Fire ³ | Safety Probation ⁴ |
| 20 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25 | 0.00 | 0.00 | 0.01 | 0.03 |
| 30 | 0.01 | 0.03 | 0.04 | 0.08 |
| 35 | 0.03 | 0.20 | 0.14 | 0.10 |
| 40 | 0.08 | 0.36 | 0.23 | 0.13 |
| 45 | 0.13 | 0.43 | 0.40 | 0.21 |
| 50 | 0.18 | 0.48 | 1.10 | 0.28 |
| 55 | 0.23 | 0.65 | 2.40 | 0.42 |
| 60 | 0.31 | 1.26 | 4.80 | 0.20 |

¹ 60% of General All Other disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service connected.

² 65% of General OCTA disabilities are assumed to be service connected disabilities. The other 35% are assumed to be non-service connected.

³ 100% of Safety Law Enforcement and Fire disabilities are assumed to be service connected disabilities.

⁴ 75% of Safety Probation disabilities are assumed to be service connected disabilities. The other 25% are assumed to be non-service connected.

Termination Rates

| Years of Service | Rate (%) | | | |
|------------------|-------------------|--------------|-------------------|------------------|
| | General All Other | General OCTA | Safety Law & Fire | Safety Probation |
| 0 | 11.00 | 17.50 | 4.50 | 14.00 |
| 1 | 7.50 | 11.00 | 2.50 | 13.00 |
| 2 | 6.50 | 9.00 | 2.00 | 10.00 |
| 3 | 5.00 | 8.50 | 1.50 | 5.00 |
| 4 | 4.50 | 7.50 | 1.25 | 4.00 |
| 5 | 4.25 | 7.00 | 1.00 | 3.50 |
| 6 | 3.75 | 4.50 | 0.95 | 2.75 |
| 7 | 3.25 | 4.00 | 0.90 | 2.00 |
| 8 | 3.00 | 3.50 | 0.85 | 2.00 |
| 9 | 2.75 | 3.00 | 0.80 | 1.75 |
| 10 | 2.50 | 3.00 | 0.75 | 1.75 |
| 11 | 2.00 | 3.00 | 0.65 | 1.50 |
| 12 | 2.00 | 3.00 | 0.60 | 1.25 |
| 13 | 1.75 | 2.50 | 0.55 | 1.00 |
| 14 | 1.50 | 2.50 | 0.50 | 0.75 |
| 15 | 1.40 | 2.50 | 0.45 | 0.75 |
| 16 | 1.30 | 2.00 | 0.40 | 0.75 |
| 17 | 1.20 | 1.80 | 0.35 | 0.25 |
| 18 | 1.10 | 1.60 | 0.30 | 0.25 |
| 19 | 1.00 | 1.40 | 0.25 | 0.25 |
| 20 + | 0.90 | 1.20 | 0.20 | 0.25 |

Proportion of Total Termination Assumed to Withdraw Contributions

| Years of Service | Election for Withdrawal of Contributions (%) | | | |
|------------------|--|--------------|---------------------|------------------|
| | General All Other | General OCTA | Safety Law and Fire | Safety Probation |
| 0 – 4 | 35.0 | 40.0 | 20.0 | 25.0 |
| 5 – 9 | 30.0 | 35.0 | 20.0 | 25.0 |
| 10 – 14 | 25.0 | 30.0 | 20.0 | 25.0 |
| 15 or more | 20.0 | 20.0 | 20.0 | 25.0 |

Retirement Rates

| Age | Rate (%) | | | | | | | |
|-----|----------|---------------------------|----------------|----------------------------|----------------------------|----------------|----------------|------------------------|
| | General | | | Safety | | | | |
| | Enhanced | Non-Enhanced ¹ | SJC (31676.12) | Law (31664.1) ² | Law (31664.2) ² | Fire (31664.1) | Fire (31664.2) | Probation ² |
| 48 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 49 | 30.00 | 25.00 | 0.00 | 12.00 | 0.00 | 2.00 | 0.00 | 0.00 |
| 50 | 2.50 | 2.00 | 3.00 | 18.00 | 11.50 | 5.00 | 8.00 | 3.25 |
| 51 | 2.00 | 2.00 | 3.00 | 18.00 | 12.00 | 7.00 | 10.00 | 3.25 |
| 52 | 2.50 | 2.00 | 3.00 | 17.00 | 12.70 | 9.50 | 11.00 | 4.25 |
| 53 | 2.50 | 2.75 | 3.00 | 17.00 | 17.90 | 10.50 | 12.00 | 4.25 |
| 54 | 5.50 | 2.75 | 3.00 | 22.00 | 18.80 | 15.00 | 14.00 | 7.00 |
| 55 | 15.00 | 3.25 | 4.00 | 22.00 | 30.70 | 18.00 | 24.00 | 12.00 |
| 56 | 10.00 | 3.50 | 5.00 | 20.00 | 20.00 | 20.00 | 23.00 | 12.00 |
| 57 | 10.00 | 5.50 | 6.00 | 20.00 | 20.00 | 21.00 | 27.00 | 18.00 |
| 58 | 11.00 | 5.50 | 7.00 | 20.00 | 25.00 | 28.00 | 27.00 | 18.00 |
| 59 | 11.00 | 6.50 | 9.00 | 26.00 | 30.00 | 28.00 | 36.00 | 18.00 |
| 60 | 12.00 | 9.25 | 11.00 | 35.00 | 40.00 | 30.00 | 40.00 | 20.00 |
| 61 | 12.00 | 12.00 | 13.00 | 35.00 | 40.00 | 30.00 | 40.00 | 20.00 |
| 62 | 14.00 | 16.00 | 15.00 | 40.00 | 40.00 | 35.00 | 40.00 | 25.00 |
| 63 | 16.00 | 16.00 | 15.00 | 40.00 | 40.00 | 35.00 | 40.00 | 40.00 |
| 64 | 16.00 | 18.00 | 20.00 | 40.00 | 40.00 | 35.00 | 40.00 | 40.00 |
| 65 | 22.00 | 22.00 | 20.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 66 | 22.00 | 28.00 | 24.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 67 | 23.00 | 24.00 | 24.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 68 | 23.00 | 24.00 | 24.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 69 | 23.00 | 20.00 | 24.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 70 | 25.00 | 20.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 71 | 25.00 | 25.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 72 | 25.00 | 25.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 73 | 25.00 | 25.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 74 | 25.00 | 25.00 | 50.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 75 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

¹ These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (Plan T and Plan W).

² Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

Retirement Rates (continued)

| Age | Rate (%) | | | |
|-----|-----------------------|--|--------------------------------------|--------------------------|
| | General | Safety | | |
| | CalPEPRA 2.5% @ 67 | CalPEPRA Probation Formula ¹ | CalPEPRA Law Formula ¹ | CalPEPRA Fire Formula |
| 50 | 0.00 | 2.50 | 11.00 | 6.00 |
| 51 | 0.00 | 2.50 | 11.50 | 7.00 |
| 52 | 4.00 | 3.00 | 12.00 | 9.00 |
| 53 | 1.50 | 3.00 | 16.00 | 10.00 |
| 54 | 1.50 | 5.50 | 17.00 | 11.50 |
| 55 | 2.50 | 10.00 | 28.00 | 21.00 |
| 56 | 3.50 | 10.00 | 18.00 | 20.00 |
| 57 | 5.50 | 15.00 | 17.50 | 22.00 |
| 58 | 7.50 | 20.00 | 22.00 | 25.00 |
| 59 | 7.50 | 20.00 | 26.00 | 30.00 |
| 60 | 7.50 | 40.00 | 40.00 | 40.00 |
| 61 | 7.50 | 40.00 | 40.00 | 40.00 |
| 62 | 14.00 | 40.00 | 40.00 | 40.00 |
| 63 | 14.00 | 40.00 | 40.00 | 40.00 |
| 64 | 14.00 | 40.00 | 40.00 | 40.00 |
| 65 | 18.00 | 100.00 | 100.00 | 100.00 |
| 66 | 22.00 | 100.00 | 100.00 | 100.00 |
| 67 | 23.00 | 100.00 | 100.00 | 100.00 |
| 68 | 23.00 | 100.00 | 100.00 | 100.00 |
| 69 | 23.00 | 100.00 | 100.00 | 100.00 |
| 70 | 25.00 | 100.00 | 100.00 | 100.00 |
| 71 | 25.00 | 100.00 | 100.00 | 100.00 |
| 72 | 25.00 | 100.00 | 100.00 | 100.00 |
| 73 | 25.00 | 100.00 | 100.00 | 100.00 |
| 74 | 25.00 | 100.00 | 100.00 | 100.00 |
| 75 | 100.00 | 100.00 | 100.00 | 100.00 |

¹ Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings

| Retirement Age and Benefit for Deferred Vested Members: | <p>For deferred vested members, we make the following retirement assumption:</p> <p style="padding-left: 40px;">General Age: 59</p> <p style="padding-left: 40px;">Safety Age: 53</p> <p>We assume that 15% of future General and 25% of future Safety deferred vested members are reciprocal. For reciprocals, we assume 4.50% compensation increases for General and 5.00% for Safety per annum.</p> | | | | | | | | | | | | | | | |
|---|--|------------------------------------|----------------------------------|------------------------------------|-----------------|-------|-------|------------------|-------|-------|------------------------|-------|-------|-------------|-------|-------|
| Liability Calculation for Current Deferred Vested Members: | <p>Liability for a current deferred vested member is calculated based on salary, service, and eligibility for reciprocal benefit as provided by the Retirement System. For those members without salary information that have 3 or more years of service, we used an average salary. For those members without salary information that have less than 3 years of service or for those members without service information, we assumed a refund of account balance.</p> | | | | | | | | | | | | | | | |
| Future Benefit Accruals: | <p>1.0 year of service per year of employment. There is no assumption to anticipate conversion of unused sick leave at retirement.</p> | | | | | | | | | | | | | | | |
| Unknown Data for Members: | <p>Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.</p> | | | | | | | | | | | | | | | |
| Definition of Active Member: | <p>All active members of OCERS as of the valuation date.</p> | | | | | | | | | | | | | | | |
| Form of Payment: | <p>All members are assumed to elect the unmodified option at retirement.</p> | | | | | | | | | | | | | | | |
| Percent Married: | <p>75% of male members and 55% of female members are assumed to be married at retirement or time of pre-retirement death.</p> | | | | | | | | | | | | | | | |
| Age of Spouse: | <p>Female (or male) three years younger (or older) than spouse.</p> | | | | | | | | | | | | | | | |
| Additional Cashout Assumptions: | <p><u>Non-CalPEPRA Formulas</u></p> <p>Additional compensation amounts are expected to be received during a member's final average earnings period. The percentages used in this valuation are:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Final One Year Salary</th> <th style="text-align: center;">Final Three Year Salary</th> </tr> </thead> <tbody> <tr> <td>General Members</td> <td style="text-align: center;">3.00%</td> <td style="text-align: center;">2.80%</td> </tr> <tr> <td>Safety Probation</td> <td style="text-align: center;">3.80%</td> <td style="text-align: center;">3.40%</td> </tr> <tr> <td>Safety Law Enforcement</td> <td style="text-align: center;">5.20%</td> <td style="text-align: center;">4.60%</td> </tr> <tr> <td>Safety Fire</td> <td style="text-align: center;">2.00%</td> <td style="text-align: center;">1.70%</td> </tr> </tbody> </table> <p>The additional cashout assumptions are the same for service and disability retirements.</p> <p><u>CalPEPRA Formulas</u></p> <p>None</p> | | Final One Year Salary | Final Three Year Salary | General Members | 3.00% | 2.80% | Safety Probation | 3.80% | 3.40% | Safety Law Enforcement | 5.20% | 4.60% | Safety Fire | 2.00% | 1.70% |
| | Final One Year Salary | Final Three Year Salary | | | | | | | | | | | | | | |
| General Members | 3.00% | 2.80% | | | | | | | | | | | | | | |
| Safety Probation | 3.80% | 3.40% | | | | | | | | | | | | | | |
| Safety Law Enforcement | 5.20% | 4.60% | | | | | | | | | | | | | | |
| Safety Fire | 2.00% | 1.70% | | | | | | | | | | | | | | |

I-4

Memorandum

DATE: October 5, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **OCERS 2018-2020 STRATEGIC PLAN**

Recommendation

Approve OCERS 2018-2020 Strategic Plan.

Background

Since 2009 OCERS has been working with and modifying the use of a multi-year strategic plan. The plan has been completely revamped and has been written to cover the period of January 1, 2018 through December 31, 2020.

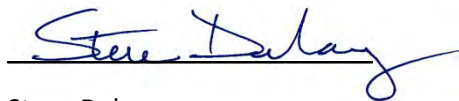
OCERS staff reviewed the proposed 2018-2020 Strategic Plan, during OCERS Board's Strategic Planning Workshop last month. The proposed plan was developed using the new OCERS Mission Statement, Vision Statement and Values. The revised plan is a streamlined and focused on the core goals of the organization:

- Fund Sustainability
- Excellent Service and Support
- Risk Management
- Talent Management

Each of the goals are supported by objectives that will be pursued by staff to achieve the goals.

Based on previous Board direction, staff will review the progress of the plan on a quarterly basis and will provide suggested edits or changes to the Board.

Submitted by:



Steve Delaney
Chief Executive Officer

Orange County Employees Retirement System
2223 East Wellington Avenue | Santa Ana | 92701

2018-2020 STRATEGIC PLAN

MISSION, VISION AND VALUES

MISSION STATEMENT:

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

VISION STATEMENT:

To be a trusted partner providing premier pension administration, distinguished by consistent, quality member experiences and prudent financial stewardship.

VALUES:

- **O**pen and Transparent
- **C**ommitment to Superior Service
- **E**ngaged and Dedicated Workforce
- **R**eliable and Accurate
- **S**ecure and Sustainable

2018-2020 STRATEGIC GOALS

- Fund Sustainability
- Excellent Service and Support
- Risk Management
- Talent Management

FUND SUSTAINABILITY

STRENGTHEN THE LONG-TERM STABILITY OF THE PENSION FUND

Objective: Mitigate the Risk of Significant Investment Loss

Objective: Develop an Integrated View of Pension Assets and Liabilities

Objective: Employ a Governance Structure that Supports a Dynamic Investment Program

Objective: Prudent Use of Resources

EXCELLENT SERVICE AND SUPPORT

ACHIEVE EXCELLENCE IN THE SERVICE AND SUPPORT WE PROVIDE TO OUR MEMBERS AND PLAN SPONSORS

Objective: Provide Accurate and Timely Benefits

Objective: Provide Education to our Members and Plan Sponsors

RISK MANAGEMENT

CULTIVATE A RISK-INTELLIGENT ORGANIZATION

Objective: Provide System and Data Security and a Robust Business Continuity Solution

Objective: Implement an Operational Risk Management Program

Objective: Ensure a Safe and Secure Workplace and Public Service Facility

TALENT MANAGEMENT

RECRUIT, RETAIN AND INSPIRE A HIGH-PERFORMING WORKFORCE

Objective: Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities

Objective: Develop and Empower Every Member of the Team

Objective: Cultivate a Collaborative, Inclusive and Creative Culture

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
www.ocers.org

I-5

Memorandum

DATE: October 5, 2017
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: 2018 BUSINESS PLAN

Recommendation

Approve OCERS 2018 Business Plan.

Background/Discussion

The 2018 Business Plan is presented to the Board for approval. The current year plan has been completely revamped from prior year plans. Instead of being a department by department listing of initiatives and projects for the upcoming year, the 2018 Business Plan is directly linked to the 2018-2020 Strategic Plan which was developed using OCERS Mission Statement and newly adopted Vision Statement and Values as its foundation. The Business Plan is a one year plan that lays out initiatives aimed to move the longer term strategic goals and objectives towards completion.

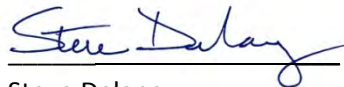
The Business Plan is also an initial planning step in the 2018 budget process. The goals and initiatives included in the Business Plan, if approved by the Board, become directives for staff to finalize 2018 budget requests. The initial draft of the proposed budget will then be reviewed with the board on October 19, 2017 at the Budget Workshop. During the Workshop, the Board will not be asked to approve items, rather it will be an opportunity to ask questions and give feedback to staff as they work to finalize the 2018 Annual Budget. Attached to the Business Plan are estimates of amounts needed in 2018 to fund specific initiatives. Actual funding of goals and initiatives are subject to final budget approval by the Board at the regularly scheduled meeting in November.

Prepared by:



Brenda Shott
Assistant CEO, Finance & Internal Operations

Approved by:



Steve Delaney
Chief Executive Officer

Orange County Employees Retirement System
2223 East Wellington Avenue | Santa Ana | 92701

2018 BUSINESS PLAN



MISSION, VISION AND VALUES

MISSION STATEMENT:

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

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To be a trusted partner providing premier pension administration, distinguished by consistent, quality member experiences and prudent financial stewardship.

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- **O**pen and Transparent
- **C**ommitment to Superior Service
- **E**ngaged and Dedicated Workforce
- **R**eliable and Accurate
- **S**ecure and Sustainable

2018 BUSINESS PLAN

2018-2020 STRATEGIC GOALS

- Fund Sustainability
- Excellent Service and Support
- Risk Management
- Talent Management

FUND SUSTAINABILITY

GOAL: STRENGTHEN THE LONG-TERM STABILITY OF THE PENSION FUND

Business Plan Initiatives

Objective: Mitigate the Risk of Significant Investment Loss
Executive Lead – Molly Murphy

1. Fund the Risk Mitigating asset class
2. Explore and evaluate investment/risk management systems

Objective: Develop an Integrated View of Pension Assets and Liabilities
Executive Leads – Molly Murphy; Gina Ratto

1. Update the asset liability study
2. Develop procedure for new employers entering the system

Objective: Employ a Governance Structure that Supports a Dynamic Investment Program
Executive Lead – Molly Murphy

1. Evaluate governance best practices (year one)

Objective: Prudent Use of Resources
Executive Leads – Molly Murphy; Brenda Shott

1. Using CEM Benchmarking, evaluate the cost and efficiency of OCERS' plan administration
2. Increase transparency of investment management fees and investigate actionable items to reduce fees in the future
3. Study and enhance private equity capabilities and activities

EXCELLENT SERVICE AND SUPPORT

GOAL: ACHIEVE EXCELLENCE IN THE SERVICE AND SUPPORT WE PROVIDE TO OUR MEMBERS AND PLAN SPONSORS

Business Plan Initiatives

Objective: Provide Accurate and Timely Benefits
Executive Leads – Suzanne Jenike; Gina Ratto

1. Develop and communicate OCERS Administrative Procedures
2. Streamline the disability determination and appeals processes
3. Streamline the benefit appeals process
4. Update and create desk manuals and procedures
5. Improve customer service standards and reduce costs (of administration?)

Objective: Provide Education to our Members and Plan Sponsors
Executive Lead – Suzanne Jenike

1. Web site redesign (year two)
2. Circular letters to employers
3. Roll out updated Summary Plan Descriptions

RISK MANAGEMENT

GOAL: CULTIVATE A RISK-INTELLIGENT ORGANIZATION

Business Plan Initiatives

Objective: Provide System and Data Security and a Robust Business Continuity Solution
Executive Lead – Jenny Sadoski

1. Implement tools to mitigate the risk of data or financial loss or information disclosure
2. Develop and implement formalized IT governance framework
3. Enhance crisis and security management program

Objective: Implement Operational Risk Management Program
Executive Lead – Brenda Shott

1. Define the scope of the Operational Risk Management Program and implement an operational risk management process
2. Determine if a risk management system is needed

Objective: Ensure a Safe and Secure Workplace and Public Service Facility
Executive Lead – Brenda Shott

1. Evaluate building security and access system and upgrade if necessary
2. Improve employee resources and training
3. Plan and Implement Facility Upgrades and Space Management projects

TALENT MANAGEMENT

GOAL: RECRUIT, RETAIN AND INSPIRE A HIGH-PERFORMING WORKFORCE

Business Plan Initiatives

Objective: Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities

Executive Lead – Cynthia Hockless

1. Enhance onboarding and transitioning of new hires into the organization
2. Implement recommendations from workforce analysis
3. Develop a comprehensive and competitive compensation package

Objective: Develop and Empower Every Member of the Team

Executive Lead – Steve Delaney

1. Implement a comprehensive training program covering OCERS policies, processes and procedures
2. Recognize individual needs and career goals within OCERS
3. Create or update executive management charters
4. Create succession plans across the agency

Objective: Cultivate a Collaborative, Inclusive and Creative Culture

Executive Lead – Steve Delaney

1. Launch cultural celebration initiative

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
www.ocers.org



OCERS 2018 Business Initiatives Budget Impact Estimates

| Strategic Plan Goal: | FUND SUSTAINABILITY | | |
|----------------------------------|---|--|---|
| Strategic Plan Objective: | Mitigate the Risk of Significant Investment Loss | | Coordinator: Molly Murphy |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Fund the Risk Mitigating asset class | | |
| Initiative #2: | Explore and evaluate investment/risk management systems | | \$ 50,000 |
| Strategic Plan Objective: | Develop an Integrated View of Pension Assets and Liabilities | | Coordinator: Molly Murphy |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Update the asset liability study | | |
| Initiative #2: | Develop procedure for new employers entering the system | | |
| Strategic Plan Objective: | Employ a Governance Structure that Supports a Dynamic Investment Program | | Coordinator: Molly Murphy |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Evaluate governance best practices (year one) | | |
| Strategic Plan Objective: | Prudent Use of Resources | | Coordinators: Molly Murphy, Brenda Shott |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Using CEM Benchmarking, evaluate the cost and efficiency of OCERS' plan administration | \$ 20,000 | |
| Initiative #2: | Increase transparency of investment management fees and investigate actionable items to reduce fees in the future | | |
| Initiative #3: | Study and enhance private equity capabilities and activities | | \$ 210,000 |
| Budget Impact | FUND SUSTAINABILITY 2018 BUSINESS INITIATIVES | | \$ 20,000 \$ 260,000 |



OCERS 2018 Business Initiatives Budget Impact Estimates

| Strategic Plan Goal: | Excellent Service and Support | | |
|---------------------------|--|----------------------------------|--|
| Strategic Plan Objective: | Provide Accurate and Timely Benefits | | Coordinators: Suzanne Jenike, Gina Ratto |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Develop and communicate OCERS Administrative Procedures | | |
| Initiative #2: | Streamline the disability determination and appeals processes | | \$ 1,800 |
| Initiative #3: | Streamline the benefit appeals process | | |
| Initiative #4: | Update and create desk manuals and procedures | \$ 160,000 | |
| Initiative #5 | Improve customer service standards and reduce administration costs | | |
| Strategic Plan Objective: | Provide Education to our Members and Plan Sponsors | | Coordinator: Suzanne Jenike |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Web site redesign (year two) | \$ 250,000 | |
| Initiative #2: | Circular letters to employers | | |
| Initiative #3: | Roll out updated Summary Plan Descriptions | | |
| Budget Impact | EXCELLENT SERVICE AND SUPPORT 2018 BUSINESS INITIATIVES | | \$ 410,000 \$ 1,800 |



OCERS 2018 Business Initiatives Budget Impact Estimates

| Strategic Plan Goal: | Risk Management | | |
|---------------------------|---|---|----------------------------------|
| Strategic Plan Objective: | Provide System and Data Security and a Robust Business Continuity Solution | Coordinators: Steve Delaney, Brenda Shott & Jenny Sadoski | |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative #1: | Implement tools to mitigate the risk of data or financial loss or information disclosure | \$ 100,000 | \$ 165,000 |
| Initiative #2: | Develop and implement formalized IT governance framework | | |
| Initiative #3: | Enhance crisis and security management program | | \$ 200,000 |
| Initiative #4: | Review, update and enhance the Disaster Recovery and Business Continuity Plans | | |
| Strategic Plan Objective: | Implement Operational Risk Management Program | Coordinator: Brenda Shott | |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative #1: | Define the scope of the Operational Risk Management Program and implement operational risk management process | | |
| Initiative #2: | Determine if risk management system is necessary | | \$ 25,000 |
| Strategic Plan Objective: | Ensure a Safe and Secure Workplace and Public Service Facility | Coordinator: Brenda Shott | |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative #1: | Evaluate building security and access systems and upgrade where necessary | \$ 250,000 | |
| Initiative #2: | Improve employee resource training | | |
| Initiative #3: | Plan and implment facility upgrades and space management projects | \$400,000 | |
| Budget Impact | RISK MANAGEMENT 2018 BUSINESS INITIATIVES | \$ 750,000 | \$ 390,000 |



OCERS 2018 Business Initiatives Budget Impact Estimates

| Strategic Plan Goal: | Talent Management | | |
|---------------------------|--|--|--|
| Strategic Plan Objective: | Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities | Coordinator: Cynthia Hockless | |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Enhance onboarding and transitioning of new hires into the organization | | |
| Initiative #2: | Implement recommendations from workforce analysis | TBD | TBD |
| Initiative #3: | Develop a comprehensive and competitive compensation package | \$ 125,000 | |
| Strategic Plan Objective: | Develop and Empower Every Member of the Team | Coordinator: Steve Delaney | |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Recognize individual needs and career goal within OCERS | | |
| Initiative #2: | Create succession plans across the agency | | \$ 30,000 |
| Initiative #3: | Implement a comprehensive training program covering OCERS policies, processes and procedures | TBD | |
| Initiative #4: | Create or update executive management charters | | |
| Strategic Plan Objective: | Cultivate a Collaborative, Inclusive and Creative Culture | Coordinator: Steve Delaney | |
| | | Budget Impact: one time costs | Budget Impact: on-going costs |
| Initiative: #1: | Launch cultural recognition initiative | \$ 10,000 | |
| Budget Impact | TALENT MANAGEMENT 2018 BUSINESS INITIATIVES | \$ 135,000 | \$ 30,000 |

I-6

Memorandum

DATE: October 16, 2017
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, General Counsel and Robert Kinsler, Communications Manager
SUBJECT: PUBLIC RECORDS ACT – A REFRESHER

Recommendation

Receive and file.

Background/Discussion

The California Public Records Act (Act) was enacted by the State Legislature in 1968; and as an agency of local government, the Orange County Employees Retirement System is subject to the Act. The OCERS Communications Department, led by Robert Kinsler, has established procedures for ensuring compliance with the requirements of the Act.

At the October 16, 2017 meeting, OCERS General Counsel, Gina Ratto, will present a brief summary of the provisions and basic requirements of the Act; and Mr. Kinsler will describe OCERS' internal procedures for complying with the Act and statistical information regarding the number and types of requests OCERS receives.

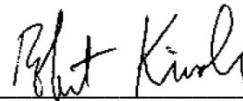
Attachment

Submitted by:



Gina M. Ratto
General Counsel

Submitted by:



Robert Kinsler
Communications Manager



Complying with the California Public Records Act

Presented on October 16, 2017

by

Gina M. Ratto, General Counsel and Robert Kinsler, Communications Manager

- California Public Records Act (“CPRA”) – The Basics
 - Requirements
 - Common Exemptions from Disclosure
- OCERS’ Processes for Complying with the CPRA
- Information/statistics about the requests OCERS receives

- Fundamental precept: Governmental records shall be disclosed to the public upon request unless there is a specific reason not to do so.
- The law favors disclosure; exemptions are narrowly construed.
- Exemptions are generally based on (1) rights to privacy or (2) the government's need to perform its assigned functions in a reasonably efficient manner.

- The public may inspect or obtain copies of government “writings.”
- “Writings” is very broadly defined.
- Includes public records sent, received or stored in staff and Board member private accounts and on personal devices.
- Agencies are required to assist the public in making effective requests for identifiable records.
- Public is entitled to inspect records during regular business hours. Copies must be provided, for the direct cost of duplication.
- When the agency must extract information from an electronic record or undertake programming, the requestor can be charged the full cost.

- When a record is requested, the agency has 10 days to determine whether to comply with the request and inform the requestor of the decision and the reasons therefor.
- Under certain circumstances, the initial period may be extended by up to 14 days.
- The agency must make the records available within a reasonable period of time thereafter.

- When a request is denied, it must be denied in writing.
- The basis for withholding the record must be communicated to the requestor.
- Exemptions from disclosure are set forth in the CPRA.
- If a record contains both exempt and non-exempt information, the record must be disclosed, with the exempt information redacted.

- Most common exemptions include:
 - Personnel, medical or similar records containing personal information.
 - Documents created in connection with filed litigation.
 - Documents covered by the attorney client privilege and attorney work product.
 - Confidential trade secrets and certain information regarding alternative investments.
 - The deliberative process privilege and the public interest balancing test.

Complying with the CPRA

- All CPRA requests routed and tracked through Communications Division
 - Website, phone calls, emails, letters
- To insure that all eligible records/documents are provided, OCERS asks all CPRA requests be clarified and put in writing
- Communications coordinates CPRA responses with other departments as necessary

CPRA / media requests in Recent Years

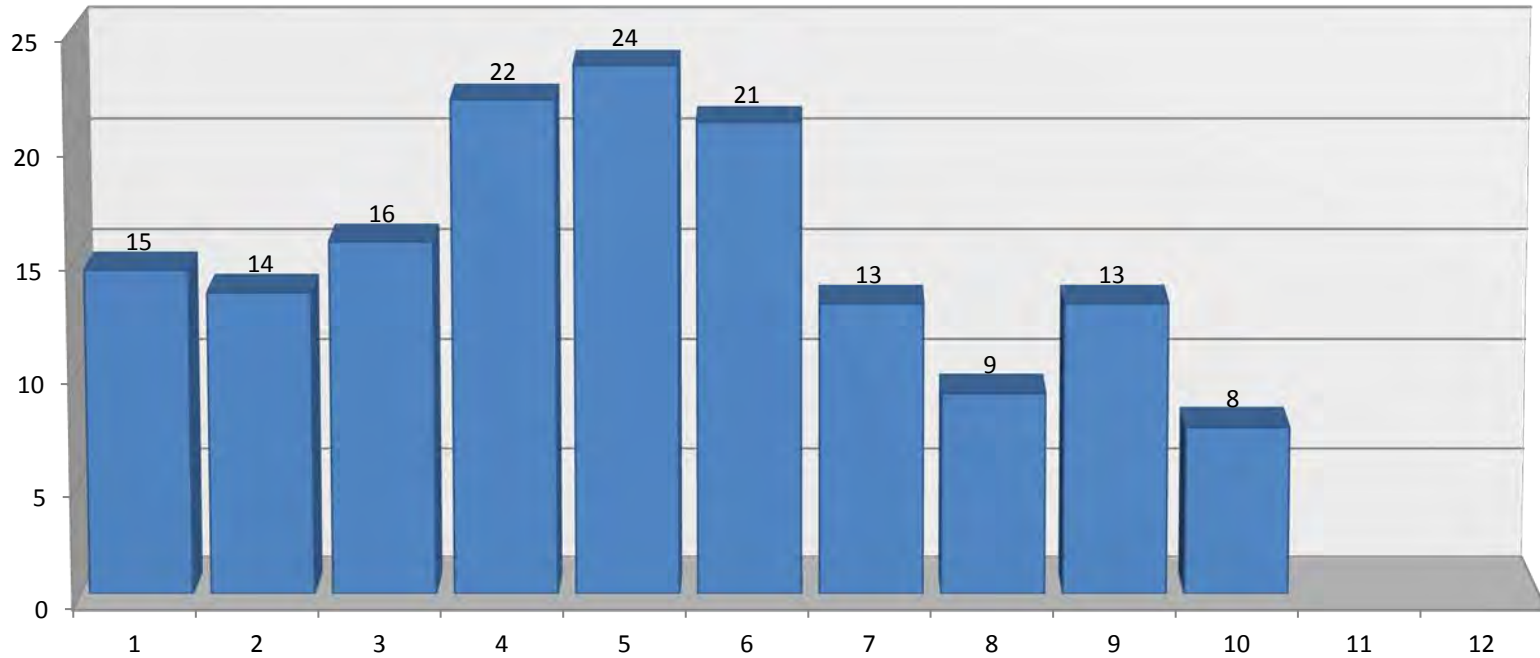
- 83 in 2012
- 81 in 2013
- 113 in 2014
- 126 in 2015
- 147 in 2016

- 136 CPRA requests January 1 – October 3, 2017
 - The majority of 2017 media requests include CPRA-related requests for Investment meeting documents
 - A growing number of requests come from data mining / subscription services who resell data
 - Several traditional media organizations now have subscriptions services and also request materials

Growing Role for Communications

Communication Hours for PRA Requests by Month

January 1st through October 3rd, 2017



- Thank You