

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

REGULAR MEETING
Monday, November 13, 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 may consider matters included on the agenda in any order, and not necessarily in the order listed.

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 on any matter that is within the subject matter jurisdiction of the Board during the noticed Public Comment period. 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

ACTION CONSENT AGENDA

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

BENEFITS

C-1 OPTION 4 RETIREMENT ELECTION

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

- (1) Darren Sandberg
- (2) Andrew Ferguson

ADMINISTRATION

C-2 BOARD MEETINGS AND COMMITTEE MEETINGS

Regular Board Meeting Minutes	October 16, 2017
Audit Committee Meeting	October 16, 2017
Governance Committee Minutes	October 24, 2017

Recommendation: Authorize meeting and approve minutes.

C-3 GOVERNANCE COMMITTEE OUTCOMES FROM OCTOBER 24, 2017 MEETING

Recommendation:

The Governance Committee recommends that the Board of Retirement adopt:

- (1) Revisions to the Securities Litigation Policy as approved by the Committee;
- (2) Revisions to the Investment Committee Charter as approved by the Committee; and
- (3) Revisions to the OCERS Rules of Parliamentary Procedure as approved by the Committee; and
- (4) Revisions to the Actuarial Valuation Policy.

C-4 PROPOSED SACRS BY-LAWS AMENDMENT AND DIRECTION TO VOTING DELEGATE

Recommendation: Direct the SACRS voting delegate and alternate delegates to vote “yes” on the proposed amendments to the SACRS By-Laws, which will be presented to the SACRS membership for a vote at the SACRS business meeting on November 17, 2017.

INFORMATION CONSENT AGENDA

The following matters are informational only and no action by the Board is necessary.

C-5 MATERIAL DISTRIBUTED

Application Notices	November 13, 2017
Death Notices	November 13, 2017

C-6 WORKFORCE ANALYSIS OBSERVATIONS BY MANAGEMENT PARTNERS

C-7 CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN

C-8 QUIET PERIOD – NON-INVESTMENT CONTRACTS

C-9 THIRD QUARTER 2016 BUDGET TO ACTUALS REPORT

C-10 THIRD QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

C-11 THIRD QUARTER BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN UPDATE

C-12 BOARD COMMUNICATIONS

***** END OF CONSENT AGENDAS *****

INDIVIDUAL ITEMS AGENDA

ACTION ITEMS

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

I-2 OCERS' ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2018

Presentation by Brenda Shott, Assistant Chief Executive Officer of Internal Operations, and Tracy Bowman, Director of Finance

Recommendation:

1. Fiscal Year 2018 Staffing Plan

Approve the 2018 Staffing Plan of 92 authorized positions, included as Appendix C of the 2018 Administrative Budget, which includes the addition of 12 positions (one of which is Extra Help) and new salary ranges for three new OCERS Direct positions as listed in Section III, page 7 of the 2018 Administrative Budget.

2. Approve Compensation Philosophy Related Items

- a. Performance/Salary Adjustments for OCERS' direct employees based on a rating scale of 3% for meets expectations, up to 5% for exceeds expectations, and up to 6% for exceptional performance;
- b. Pay item of 5.5% of salary for CFA, CPA, and future Board approved professional certifications.

3. Adopt the Administrative Budget for Fiscal Year 2018 in the amount of \$25,508,054 which includes:

- a. Personnel costs in the amount of \$13,925,194
- b. Services and supplies in the amount of \$10,487,860
- c. Capital expenditures in the amount of \$1,095,000

I-3 2018 OCERS BOARD MEETING CALENDAR

Presentation by Steve Delaney, Chief Executive Officer

Recommendation: Approve the 2018 OCERS Board Meeting Calendar as well 2018 Calendar for the Investment Committee.

INFORMATION ITEMS

The following matters are informational only and no action by the Board is necessary.

I-4 CYPRESS PARKS AND RECREATION DISTRICT – OCERS UAAL

Presentation by Brenda Shott, Assistant Chief Executive Officer of Internal Operations

I-5 PEPRA OVERVIEW

Presentation by Suzanne Jenike, Assistant Chief Executive Officer of External Operations and Andy Yeung, Segal Consulting

I-6 DISCUSSION OF NEW 2017 MORTALITY PROJECTION SCALE AND IMPACT TO ACTUARIAL ASSUMPTIONS ADOPTED BY THE BOARD AT ITS OCTOBER MEETING

Presentation Andy Yeung, Segal Consulting

******* 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.

DISABILITY CONSENT AGENDA

All matters on the Disability 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.

D-1: Elizabeth Ortiz

Office Technician, Orange County Social Services Agency

Date of employer filed application for service and non-service connected disability retirement:
05/12/2017

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

DISABILITY INDIVIDUAL AGENDA

D-2: INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

D-3: Herman Carter

Equipment Parts Clerk, Orange County Transportation Authority

Date of employee filed application for non-service connected disability retirement: 09/08/2015

Recommendation: Grant service connected disability retirement with an effective date of September 8, 2015. (General Member)

D-4: Matthew Cetera

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 and non-service connected disability retirement:
05/12/2016

Recommendation: Grant service connected disability retirement with an effective date of January 10, 2011, the day following the last day of regular compensation as a Senior Mechanic. Find the Applicant is capable of performing other duties in the service of the County of Orange pursuant to Government Code Section 31725.65. Grant a supplemental disability retirement payment allowance in the amount of the salary difference between the higher and lower paying positions effective January 10, 2011, the date of the position change until the last day of compensation, November 27, 2014. (General Member)

D-5: Shaleen McDonald

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

Date of employer filed application for service and non-service connected disability retirement:
10/28/2016

Date of employee filed application for service and non-service connected disability retirement:
11/29/2016

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

D-6: Justina Soriano

Coach Operator, Orange County Transportation Authority

Date of employer filed application for service and non-service connected disability retirement:
08/15/2016

Date of employee filed application for service connected disability retirement: 09/28/2016

Recommendation: Grant service connected disability with an effective date of August 22, 2016. (General Member)

D-7: Jacki Livingston

Eligibility Technician, Orange County Social Services Agency

Date of employee filed application for service and non-service connected disability retirement:
10/28/2015

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

D-8: Dana Ohanesian

Recommendation: Affirm staff's determination to deny Mr. Ohanesian's request to have his 4.4730 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)) O.C. Department of Education v. OCERS, CA
Superior Court, Orange County, (Case No. 30-2016-00836897)
Adjourn pursuant to Government Code Section 54956.9(d)(1).**

Recommendation: Take appropriate action.

**E-2 PUBLIC EMPLOYEE PERFORMANCE EVALUATION (GOVERNMENT CODE §54957(b))
Title: Chief Executive Officer
Adjourn pursuant to Government Code section 54957(b) to evaluate the performance of the Chief Executive Officer**

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

INVESTMENT COMMITTEE MEETING

November 29, 2017

9:00 A.M.

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

GOVERNANCE COMMITTEE MEETING

November 29, 2017

1:00 P.M. OR UPON ADJOURNMENT OF THE INVESTMENT COMMITTEE MEETING, WHICHEVER IS LATER

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

INVESTMENT COMMITTEE MEETING

December 13, 2017

9:00 A.M.

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

AUDIT COMMITTEE MEETING

December 14, 2017

1:30 P.M.

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

**REGULAR BOARD MEETING
December 18, 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

Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Suzanne Jenike, Assistant CEO, External Operations
SUBJECT: OPTION 4 RETIREMENT ELECTION – DARREN SANDBERG

Recommendation

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

Background/Discussion

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective November 23, 2015. The Orange County Employees Retirement System (OCERS) was joined in the member's dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member's ex-spouse was awarded a lifetime continuance as a percentage of the member's allowance.

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

Submitted by:



S. J. – APPROVED

Suzanne Jenike
Assistant CEO, External Operations



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

DIRECT DIAL NUMBER
415-263-8254

E-MAIL ADDRESS
mcalcagno@segalco.com

PERSONAL and CONFIDENTIAL

VIA EMAIL and USPS

October 3, 2017

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

**Re: Orange County Employees Retirement System
Option 4 Calculation for Darren Sandberg**

Dear Adina:

Pursuant to your request, we have determined the Option 4 benefits payable to Darren Sandberg and his ex-spouse based on the unmodified benefit and other information provided in the System's request dated September 29, 2017.

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

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	November 23, 2015
Plan of Membership	General Plan B & Safety Plan F
Monthly Unmodified Benefit:	
	Plan B: \$147.66
	Plan F: <u>3,402.70</u>
	Total: \$3,550.36
Ex-Spouse's Share of Monthly Unmodified Benefit	44.23%
Retirement Type	Service Retirement

Option 4 Benefit

The ex-spouse bears the cost of Option 4 reduction for the DRO benefit	<u>Payable while the Member is Alive</u>	<u>Payable After the Member's Death while the Ex-Spouse is Alive</u>
Monthly Benefit Payable to Member		
Plan B Annuity:	\$31.53	
Plan B Pension:	50.82	
Plan F Annuity:	372.33	
Plan F Pension:	<u>1,525.36</u>	
Total:	\$1,980.04	\$0
Monthly Benefit Payable to Ex-Spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	\$1,429.31*	\$1,429.31

* This is equal to 44.23% of the member's unmodified benefit (i.e., 44.23% * \$3,550.36 or \$1,570.32) adjusted further to provide a benefit payable over the ex-spouse's lifetime.

ACTUARIAL ASSUMPTIONS¹

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

RP-2000 Combined Healthy Mortality Table set back two years weighted 80% male and 20% female for members.

RP-2000 Combined Healthy Mortality Table set back three years weighted 20% male and 80% female for beneficiaries.

The actuarial calculations contained in this letter were performed under my supervision. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

¹ Since the member last worked as a Safety member, we used Safety assumptions in determining optional benefits even for benefits paid from General Plan.

Ms. Adina Beraru
October 3, 2017
Page 3

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

Sincerely,

A handwritten signature in cursive script that reads "Molly Calcagno".

Molly Calcagno, ASA, MAAA
Assistant Actuary

AW/bqb



October 3, 2017

Darren E. Sandberg

OCT 25 2017

Re: Retirement Election Confirmation – Option 4

Dear Mr. SANDBERG:

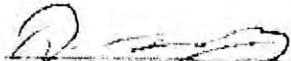
You have elected Option 4 as your retirement option. This option will provide a 44.23% of your monthly benefit, for the life of the benefit, to:

ELAINE SANDBERG

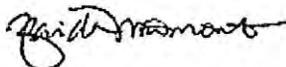
This designation is irrevocable; you will not be allowed to change your retirement option or designated beneficiary.

Please complete this form and return to OCERS as soon as possible.

I understand that my retirement option is irrevocable; by choosing Option 4 I will take a monthly reduction in order to provide a 44.23% continuance to ELAINE SANDBERG.

 10 25 17
Member Signature / Date

Sincerely,



Zaida Miramontes
Retirement Program Specialist

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM 2221 E. Wellington Avenue, Suite 100, Santa Ana, CA 92701
Telephone (714) 558-6200 Fax (714) 558-6214 www.ocers.org

Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Suzanne Jenike, Assistant CEO, External Operations
SUBJECT: OPTION 4 RETIREMENT ELECTION – ANDREW FERGUSON

Recommendation

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

Background/Discussion

This member has requested Option 4 as the benefit payment option for his service retirement allowance effective September 15, 2017. The Orange County Employees Retirement System (OCERS) was joined in the member’s dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member’s ex-spouse was awarded a lifetime continuance as a percentage of the member’s allowance.

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

Submitted by:



S. J. – APPROVED

Suzanne Jenike
Assistant CEO, External Operations



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

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

PERSONAL and CONFIDENTIAL

VIA EMAIL and USPS

November 9, 2017

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

**Re: Orange County Employees Retirement System
Option 4 Calculation for Andrew Ferguson - Revised**

Dear Adina:

Pursuant to your request, we have revised the Option 4 benefits payable to Andrew Ferguson and his ex-spouse previously included in our letter dated November 8, 2017 to reflect the updated unmodified benefit provided by the System. There is no change in the other information previously provided by the System and used in our letter dated November 8, 2017.

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

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	September 15, 2017
Plan of Membership	Safety Plan F
Monthly Unmodified Benefit	\$9,956.79
Ex-Spouse's Share of Monthly Unmodified Benefit	34.71%
Retirement Type	Service Retirement

Option 4 Benefit

The ex-spouse bears the cost of Option 4 reduction for the DRO benefit	<u>Payable while the Member is Alive</u>	<u>Payable After the Member's Death while the Ex-Spouse is Alive</u>
Monthly Benefit Payable to Member		
Annuity	\$1,001.78	
Pension	<u>5,499.01</u>	
Total	\$6,500.79	\$0
Monthly Benefit Payable to Ex-Spouse (or to the estate of the ex-spouse if the ex-spouse pre-deceases the member)	\$3,107.29*	\$3,107.29

* This is equal to 34.71% of the member's unmodified benefit (i.e., 34.71% * \$9,956.79 or \$3,456.00) adjusted further to provide a benefit payable over the ex-spouse's lifetime.

ACTUARIAL ASSUMPTIONS

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

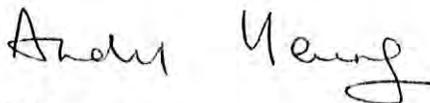
RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 set back two years weighted 80% male and 20% female for members.

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 20% male and 80% female for beneficiaries.

The actuarial calculations contained in this letter were performed under my supervision. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein.

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

Sincerely,



Andy Yeung

AW/bbf



November 9, 2017

Andrew N. Ferguson

Re: Retirement Election Confirmation – Option 4

Dear Mr. FERGUSON:

You have elected Option 4 as your retirement option. This option will provide a 34.71% of your monthly benefit, for the life of the benefit, to:

JENNIFER L. FERGUSON

This designation is irrevocable; you will not be allowed to change your retirement option or designated beneficiary.

Please complete this form and return to OCERS as soon as possible.

I understand that my retirement option is irrevocable; by choosing Option 4 I will take a monthly reduction in order to provide a 34.71% continuance to Jennifer L. Ferguson.

A handwritten signature in black ink, appearing to read "Andrew N. Ferguson".

Member Signature / Date

Sincerely,

A handwritten signature in black ink, appearing to read "Zaida Miramontes".

Zaida Miramontes
Retirement Program Specialist

C-2

**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.**

MINUTES

Chair Ball called the meeting to order at 8:59 a.m.

Attendance was as follows:

Present: David Ball, Chair; Chris Prevatt, Vice Chair; Eric Gilbert, Chuck Packard, Russell Baldwin, Wayne Lindholm, 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 and Harvey Leiderman

Mr. Hilton led the Pledge of Allegiance.

Mr. Dewane recognized all first responders for a job well done with fighting the Canyon Fire 2 that occurred in Anaheim Hills, Orange and Tustin, CA.

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-13 was pulled for discussion.

Mr. Packard and Mr. Gilbert arrived at 9:05a.m.

Ms. Freidenrich arrived at 9:07a.m.

Mr. Prevatt arrived at 9:12a.m.

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

The motion carried **unanimously**.

BENEFITS

C-1 MATERIAL DISTRIBUTED

Application Notices	October 15, 2017
Death Notices	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.

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

Item C-13

Mr. Baldwin gave a brief summary of what he thought was the heart of the CALSTRS CIO article from the OCERS Board Communications memorandum.

Mr. Baldwin outlined three points:

1. CalPERS has increased their fund allocation to cash by 2.8 percent which in a fund their size is \$6 billion. OCERS staff should look into why they did this and if it should be something OCERS should do as well.
2. CalPERS partners with other funds in private equity investing, so as not to compete. They also have an allocation to infrastructure. This can lower fees as well as raise returns.
3. They have been ESG investing for decades and awareness of global warming as a risk and opportunity condition.

Following discussion, a **motion** was made by Mr. Baldwin **seconded** by Mr. Eley to approve item C-13 from the Consent Calendar.

The motion passes **unanimously**.

I-2 HARASSMENT AND ABUSIVE CONDUCT PREVENTION TRAINING

Presentation by Oliver Yee, Partner, Liebert Cassidy Whitmore

Recommendation: Receive and file.

OCERS' Trustee Education Policy requires Trustees to complete 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 allowed the Board to be current with the education requirement. The training was presented by T. Oliver Yee from the law firm Liebert Cassidy Whitmore.

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

The Board reconvened from break at 10:30a.m.

Following discussion, a **motion** was made by Mr. Eley **seconded** by Mr. Lindholm to receive and file the Harassment and Abusive Conduct Prevention Training.

The motion carried **unanimously**.

I-3 TRIENNIAL STUDY OF ACTUARIAL ASSUMPTIONS (CONTINUATION)

Presentation by Paul Angelo, Segal Consulting

Recommendation: Take appropriate action.

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.

Mr. Angelo of Segal Consulting presented the final assumption options which will be used to set member and employer contribution rates first effective July 1, 2019.

Mr. Eley excused himself at 1:28p.m.

Mr. Eley returned at 1:32p.m.

Mr. Angelo first covered the demographic assumptions and recommended option B, Generational Approach - Headcount Weighted.

Mr. Hilton asked where the 20% margin came from as used in the other options.

Mr. Angelo stated the 20% number must be applied to static mortality tables in order to produce a cost that was comparable to generational mortality approach.

Mr. Hilton stated that there needs to be a different way to receive a better bigger pool for safety members. He doesn't believe that safety members live on average four years longer than general members.

Mr. Hilton stated he will have a "no" vote due to the small group size that is used when adjusting the tables for experience and the inaccuracy of the results from previous mortality tables used.

Mr. Rick Dostal from AOCDS was asked by President Tom Dominguez to read a letter into the record:

Good afternoon Mr. Chairman and Board,

The actuary, Paul Angelo, presented three recommended options to the Board and all of which included changing to generational mortality. AOCDS does not agree with the recommendations, based on a lack of credible data on the new generational mortality rate table and because of the sporadic changes in these rates. We believe we should remain with static mortality tables, but with the most updated version, until generational tables are more accurate on life expectancy and give us a better long-terms prediction.

Of the three recommended options being presented to the OCERS Board of Directors, AOCDS recommends a three-year phase-in that gives the county and contract cities' better control of their budgets and reduces the impact to public safety. Public safety pensions are receiving the largest increases mostly due to new generational mortality tables and this will have the largest effect on police and fire services in these cities and the county. It's unfortunate that more contract cities are not present at the OCERS Board meeting to stress this point.

*Sincerely,
Tom Dominguez, President*

Following discussion, a **motion** was made by Mr. Prevatt **seconded** by Mr. Dewane to accept the recommendation for the use of the generational mortality –headcount weighted assumption along with the other recommended demographic assumptions.

The motion carried **8-1** with Mr. Hilton voting “No”.

Mr. Ball stated that the next part of the vote will deal with the Economic Assumptions.

Mr. Angelo recommends “Recommendation B”.

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)
Impact on Average Employer Contributions			
Change due to demographic assumptions	3.94%	3.94%	3.94%
Change due to economic assumptions	4.00%	0.70%	4.08%
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
Impact on Average Member Contributions			
Change due to demographic assumptions	0.57%	0.57%	0.57%
Change due to economic assumptions	1.04%	0.20%	1.02%
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
Impact on UAAL and Funded Percentage			
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%

Mr. Lindholm stated that he is concerned about the real rate of return and asked Molly Murphy to comment on the real rate of return.

Ms. Murphy stated that OCERS cannot predict the future. The best way to look at future predictions is to build a model and revisit, which in OCERS case is every three years, what is possible in the markets.

Following discussion, a **motion** was made by Mr. Prevatt **seconded** by Mr. Eley to approve Recommendation B submitted by Segal for the Economic Assumptions.

The motion carried **unanimously**.

Mr. Hilton asked if OCERS received any letters from the contract cities.

Mr. Delaney stated “No, there were no letters received from the contract cities.”

Mr. Angelo stated that Segal is agnostic regarding phasing in the costs of the new assumptions. Mr. Angelo stated that the County prefers two or three year phase-in and AOCDS stated a preference for a three year phase-in. Mr. Angelo also explained a new approach to phasing in costs related to a change in assumption. In the past, when OCERS has phased in costs related to a change in assumption, a phase in of the entire cost impact was done. This year he presented a new approach whereby only the cost of the UAAL impact is phased in and the cost impact on the Normal Cost portion of contributions is not.

**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%

A **motion** was made by Mr. Hilton **seconded** by Mr. Prevatt to approve the three year phase-in of just the UAAL portion of the cost impact, with a modification of the normal cost occurring in the next valuation.

Mr. Lindholm stated he would prefer a one year phase-in.

Mr. Ball asked when the demographic and economic date takes effect.

Mr. Angelo stated that there would be an eighteen month lag and that the date would be July 1, 2019.

Ms. Freidenrich supports a two year phase in but not a three year phase in.

A **substitute motion** was made by Ms. Freidenrich **seconded** by Mr. Lindholm for a two year phase-in for the UAAL portion of the cost impact only.

The motion **did not carry**.

The original **motion** by Mr. Hilton **seconded** by Mr. Prevatt for the three year phase-in of just the UAAL portion of the cost impact with the full modification of the normal cost happening in the next valuation **carried** 7-2 with Mr. Lindholm and Ms. Freidenrich voting “No”.

The Board recessed for break at 2:40p.m.

The Board reconvened for break at 2:53p.m.

Mr. Dewane excused himself for the day at 2:53p.m.

I-4 2018-2020 STRATEGIC PLAN

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Approve 2018-2020 Strategic Plan.

Mr. Delaney presented the new 2018-2020 Strategic Plan.

Mr. Delaney stated that there were no changes added to the Plan since the Strategic Planning workshop occurred on September 13-14, 2017.

A **motion** was made by Mr. Prevatt **seconded** by Mr. Lindholm to approve the 2018-2020 Strategic Plan as presented by staff.

The motion carried **unanimously**.

I-5 2018 BUSINESS PLAN

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Approve 2018 Business Plan.

Mr. Delaney presented the 2018 Business Plan.

Mr. Delaney stated that there was one addition to the Plan since the Strategic Planning workshop occurred on September 13-14, 2017 which is Objective #6 under the *Business Plan Initiatives*: “Perform a comprehensive review of all employer pay items to determine pensionable attributes.”

Mr. Delaney explained that under that goal, OCERS will conduct an extensive study of the component pieces of final average salary (FAS) and will ultimately produce a master document that will clarify every possible salary code being reported by employers and whether or not it is to be included in FAS.

A **motion** was made by Mr. Prevatt **seconded** by Mr. Ball to approve the 2018 Business Plan as presented by staff.

The motion carried **unanimously**.

The Board adjourned into closed session for items E-1 and E-2 at 3:19p.m.

The Board reconvened from closed session at 3:34p.m.

I-6 PUBLIC RECORDS ACT – A REFRESHER

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

Recommendation: Receive and file.

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.

OCERS General Counsel, Gina Ratto, and Communications Manager Robert Kinsler, presented a brief summary of the provisions and basic requirements of the Act. Mr. Kinsler described OCERS' internal procedures for complying with the Act and statistical information regarding the number and types of requests OCERS receives.

The Board recessed for break at 11:31a.m.

The Board reconvened from break at 11:32a.m.

The Board recessed for lunch at 12:23p.m.

The Board reconvened from lunch at 1:09p.m.

After the scheduled lunch break, Mr. Kinsler and Ms. Ratto continued their Public Records Act presentation.

Ms. Murphy stated that there was a precedence set that OCERS is generous with public comments. She stated that the minutes provided on the website is sufficient information for the general public.

Ms. Freidenrich stated if there isn't an official document or written procedure, her preference is to guide requests to the website.

Mr. Delaney stated that OCERS is trying to balance between someone requesting a public record and request for public comment.

Mr. Hilton stated that we should have a policy for PRA Requests. He also suggested legislation should be proposed that could put reasonable limits on public record requests.

Ms. Ratto stated any proposed legislation will not be looked upon favourably at the Capitol. Her preference would be for SACRS to take the lead on creating legislation.

Chair Ball directed staff to return in six months to discuss what OCERS policy states regarding Public Records requests verses public comments.

Following discussion, a **motion** was made by Mr. Packard **seconded** by Mr. Baldwin to receive and file the Public Records Act – A Refresher.

The motion carried **unanimously**.

******* 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

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

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)

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of July 18, 2016. The motion carried **9-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

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

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)

Following discussion, a **motion** was made by Mr. Prevatt, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of March 10, 2016. The motion carried **9-0** with voting as follows:

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

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

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)

Following discussion, a **motion** was made by Mr. Baldwin, **seconded** by Mr. Packard to grant non-service connected disability retirement with an effective date of September 7, 2012. The motion carried **9-0** with voting as follows:

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

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

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)

Following discussion, a **motion** was made by Mr. Prevatt, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of March 23, 2016. The motion carried **9-0** with voting as follows:

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

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

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)

Following discussion, a **motion** was made by Mr. Prevatt, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of August 5, 2016. The motion carried **9-0** with voting as follows:

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

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

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)

Mr. Hilton stated for the record that this person did not request service connected disability.

Following discussion, a **motion** was made by Mr. Hilton, **seconded** by Mr. Packard to grant service connected disability retirement with an effective date of July 18, 2016. The motion carried **9-0** with voting as follows:

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

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)

Item D-7 was pulled at the request of the member

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

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.

Mr. Fink summarized the findings of the Hearing Officer in this case.

Ms. Ratto stated that OCERS does not want to make a legal argument regarding OCERS disagreement with the findings of the Hearing Officer as that should be done at a separate meeting with the member or the member's attorney present and hear the member's legal arguments. Ms. Ratto recommends that the Board does not adopt this item due to the disagreement in the legal conclusion reached.

Following discussion, a **motion** was made by Mr. Eley, **seconded** by Mr. Baldwin 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. The motion carried **9-0** with voting as follows:

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

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.

The Board adjourned into closed session at 12:08p.m.

The Board reconvened into closed session at 12:22p.m.

No reportable action taken on D-9.

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

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).

A **motion** was made by Mr. Prevatt, **seconded** by Mr. Packard to affirm staff's determination to deny Mr. Ohanesian's request to have his 4.4730 years of Plan B (1.667% @ 57.5) while at the Orange County Vector Control District (OCVCD) upgraded to Plan J (2.7% @ 55).

Mr. Dana Ohanesian, OC Clerk Recorder, addressed the Board and explained why he should be upgraded to Plan J (2.7% @ 55).

Mr. Fink stated that Mr. Ohanesian would have the right to an administrative review and go through those channels. Vector Control does not have a resolution to adopt the 2.7% @ 55. It's possible that Mr. Ohanesian received wrong info as there isn't an authorization from the plan sponsor to grant him this request.

Mr. Ball asked staff if they've asked Vector Control about the inconsistency that Mr. Ohanesian is suggesting.

Mr. Fink stated "no" as staff received information on Friday afternoon before Monday's Board Meeting.

Mr. Ball asked if Mr. Ohanesian if he would agree to delay this item one month and have staff look into this.

Mr. Ohanesian said yes.

Mr. Prevatt withdrew his motion.

Mr. Ball directed for this item to be delayed one month and have staff look into this more closely.

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.

Mr. Stephen Wontrobaski, member of the public, commented negatively on the Sexual Harassment prevention that took place earlier in the day.

BOARD MEMBER COMMENTS

N/A

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

N/A

COUNSEL COMMENTS

N/A

CLOSED SESSION ITEMS

Mr. Lindholm recused himself at 3:19p.m.

- 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.

The Board voted unanimously today to accept the defense and indemnification of Steve Delaney, Suzanne Jenike, Cynthia Hockless and Megan Cortez in the Orange County Superior Court case of Jeffrey Gross v. OCERS.

- 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.

The Board authorized Reed Smith to pursue collection of admin costs and expenses in relations to the case O.C. Department of Education.

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

Active Members

Buckley, Edmund
Chavez, Rolando
Vonada, Tracy

Retired Members

Barnes, Jesse
Batory, Janice
Beltran, Renee
Black, Mardel
Blaul, Mary

Bradley, Teresa
Brandenberger, William
Campbell, Douglas
Chamberlain, John
Chang, Sun
Cifulleli, Judy
Day, Glen
Derech, Audie
Forsyth, Richard
Gonzales, Ceferino
Gonzalez, Maria
Hallstrom, Don
Hamer, Margaret
Hanes, Barbara
Hardiman, Sara
Haskins, Willie
Hope, Carla
Jaggers, Charline
Jones, Mary
Kahn, Donald
Kaloian, Patricia
Keller, David
Lahn, Patricia
Lee, Janice
Lichliter, Sandra
Lonzo, David
Mc Coy, Michael
McKay, Rosemary
Mcrae, Charlene
Nakamura, Marlene
Pfeifer, Ronald
Puma, Rudolph
Ramsey, Ralph
Ramsey, Roy
Riggs, Robert
Schermerhorn, Josephine
Sterrett, Shirley
Stinson, Cornel
Trieu, Cuong
Villa, Carla
Weaver, Molly
White, Dennis
Wilson, Blanche

Surviving Spouses

Anderson, Colleen
Coverdale, Daniel
Crum, Fumi
Dudley, Renate
Dunham, Nancy

Field, Winifred
Fields, John
Gray, Wilhemina
La Nier, Clarence
Liekhus, Frances
Palmer Eiko
Ressell, Alice
Steelman, Lee
Thomas, Sharon

There being no further business to bring before the Board, the meeting adjourned at 3:43p.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
October 16, 2017

MINUTES

The Chair called the meeting to order at 3:48 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; Jenny Sadoski,
Director of Information Technology; Mark Adviento, Internal Auditor; Sonal Sharma,
Recording Secretary

OPEN SESSION

A. CALL TO ORDER

CLOSED SESSION

B. CONSIDERATION OF EMPLOYMENT OF PUBLIC EMPLOYEE (GOVERNMENT CODE §54957(b)(1))

Adjourn pursuant to Government Code section 54957(b)(1) to discuss employment of public
employee.

Recommendation: Take appropriate action

The Committee recessed into closed session at 3:49 p.m.

The Committee reconvened from closed session at 4:14 p.m.

The Committee took no reportable action.

The Meeting was adjourned at 4:15 p.m.

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

Audit Committee Meeting
October 16, 2017

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
October 24, 2017
9:30 a.m.**

MINUTES

The Chair called the meeting to order at 9:38 a.m. Attendance was as follows:

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

Staff: Steve Delaney, Chief Executive Officer; Gina Ratto, General Counsel; Lee Fink, Deputy General Counsel; Jenny Sadoski, Director of Information Technology; Sonal Sharma, Recording Secretary; Anthony Beltran, Audio Visual Technician

A. PROPOSED REVISIONS TO THE DISABILITY AND NON-DISABILITY BENEFITS ADJUDICATION POLICY AND ADMINISTRATIVE HEARING RULES AND 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 including specifically:

1. Create a Disability Committee;
2. Approve the Disability Committee Charter;
3. Approve the Disability and Benefit Adjudication Policy and Administrative Hearing Rules to replace the existing Administrative Hearing Procedure Policy and OCERS Administrative Procedure (OAP) on Appeals;
4. Approve amendments to the Hearing Officer Selection Policy; and
5. Direct staff to implement the new processes by promulgating the necessary OAPs, forms, contract amendments, communications materials, and internal process documents.

Ms. Ratto presented the Committee with staff recommendations for revisions to the Disability and Non-Disability Benefits Adjudication Policy and Administrative Hearing Rules and Procedures intended to make process improvements that would make the system simpler and create more accountability for outside contractors and OCERS staff and management.

Staff revisited the recommendations made at the previous Governance Committee Meeting, and raised the key issues for which the Committee had directed staff to return with additional information and recommendations, including: use of a committee of the Board to review disability applications before an appeal, the use of a Medical Advisor, expedited review of applications, and Hearing Officer Selection.

The Disability Committee would review applications for disability retirement and provide a forum for members who disagree with the staff determination before having to "litigate" the case in

administrative hearing setting. Recommendations from the Committee, if not appealed by the member to an administrative hearing, would be presented to the Board as a consent agenda item with a short recommendation.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Prevatt, to approve staff's recommendation #1 to create a Disability Committee with the change that the membership would include 2 elected members, 1 appointed member, and 1 alternate member all to be selected by the Board chair.

The **motion passed unanimously.**

Regarding recommendation #2, a **motion** was made by Mr. Dewane, **seconded** by Mr. Prevatt, to approve the Disability Committee Charter, with the addition of the membership that was voted upon by the Committee in the first motion.

The motion passed unanimously.

Ms. Ratto presented recommendation #3. The Committee agreed to suggested a change in the process presented by staff whereby instead of the Board itself holding a full hearing before overturning the committee's recommendation and denying the application, the member's application would be referred to a hearing officer.

The Committee recessed at 10:40am.

The Committee reconvened at 10:47am.

The Committee directed that although it would address parts now and in the future, that staff only bring the entire process before the Board, with the aim of doing so before the end of the year.

Ms. Ratto presented the addition of an Expedited Administrative Review process. This would be an expedited process, completed within six months, where the appeal would be decided by a hearing officer "on the papers" without a formal hearing with witnesses and oral arguments. The Committee expressed concerns on whether the use of an expedited administrative review process would make the process simpler and whether there is a sufficient level of review when a member is declined his or her benefits.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Prevatt, to approve the changes with the exception of the expedited administrative review process and with the exception of the benefit determination process.

The motion passed unanimously.

Ms. Ratto presented recommendation #4. At the previous Governance Committee Meeting, Committee members expressed a desire for transparency in the process of the selecting hearing officers and assurances that hearing officers are fair, impartial, and not biased in favor of OCERS. To expand the Board's visibility into the process, staff recommended that the Disability Committee Chair or Vice Chair also sit on the hearing officer selection panel.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Ball, to approve the amendments to the Hearing Officer Selection Policy.

The motion passed unanimously.

Ms. Ratto presented recommendation #5. Staff considered the role of medical professionals advising and assisting OCERS in evaluating disability applications. Staff does not recommend changing OCERS' current practice of using panel physicians and IMEs. If the Board were to empower the staff to make these decisions, there could be considerable savings of staff and Board time, resources, lower costs for medical examinations, and less wait for member's examinations.

Megan Cortez, Disability Coordinator, reviewed staff's current evaluation of the disability application review process and confirmed staff could make recommendations based on staff's own review of the medical records, more often than they currently do.

Mr. Prevatt confirmed that the Disability Committee will be able to send for a second opinion as one of their options as well.

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

The motion passed unanimously.

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* (Rules).

At the September 5, 2017 Governance Committee Meeting, the Committee did not approve staff's recommended addition of voting protocols for the Board's alternate seventh member of the Board to the Rules. Instead, the Committee directed staff to survey other CERL systems to see how they interpret the voting rules applicable to the alternate seventh member.

Ms. Ratto explained that the other CERL systems are evenly divided in the way they interpret the CERL provision that sets forth the voting rules applicable to the alternate seventh member when the alternate member is sitting on the Board in place of an absent or vacant board member and the retirement determination for an OCERS member of the same service as the alternate member is presented to the Board.

Ms. Ratto recommended that OCERS interpret the CERL provision such that when the alternate seventh member is sitting on the Board in place of an absent or vacant elected member of the Board, and a retirement determination for an OCERS member of the same service as the alternate seventh member is presented to the Board, the alternate seventh member will nonetheless vote as the absent/vacant Board member, and the seventh member will vote as the safety member, even though the OCERS

member before the Board is of a different service than the seventh member. Staff believes this is the best interpretation because it results in the greatest number of Board members voting, preserves balance between appointed and elected member votes and is consistent with the interpretation of half of the CERL systems.

Following discussion, a **motion** was made by Mr. Ball, **seconded** by Mr. Dewane, to approve staff's recommendation as presented.

The **motion passed unanimously.**

C. PROPOSED REVISIONS TO THE SECURITIES LITIGATION POLICY AND INVESTMENT COMMITTEE CHARTER

Presented by Gina M. Ratto, General Counsel

Recommendation: Approve, and recommend that the Board of Retirement approve:

1. Revisions to the Securities Litigation Policy to clarify the loss thresholds for OCERS becoming involved in domestic and foreign securities actions and to clarify and update the circumstances under which OCERS will take an active role in securities litigation cases; and
2. Revisions to the Investment Committee Charter to reflect that the Investment Committee (rather than the Board) is responsible for the oversight of OCERS participation in securities litigation matters.

Based on valuable feedback from OCERS' security litigation monitoring counsel and a review of the securities litigation policies of other public pension systems, staff recommended revisions to the Securities Litigation Policy to clarify the loss thresholds for OCERS becoming involved in domestic and foreign securities actions and to clarify and update the circumstances under which OCERS will take an active role in securities litigation cases.

Staff also recommended revising the Investment Committee Charter to make the Investment Committee, rather than the Board, responsible for the oversight of OCERS' participation in and monitoring of securities litigation matters.

Following discussion, a **motion** was made by Mr. Dewane, **seconded** by Mr. Ball, to approve staff's recommendations as presented.

The **motion passed unanimously.**

D. ACTUARIAL VALUATION POLICY

Presentation by Jenny Sadoski, Director of Information Technology

Recommendation: Approve, and recommend that the Board of Retirement approve revisions to the Actuarial Valuation Policy (previously named the Actuarial Extract Policy and Process).

Jenny Sadoski presented the proposed revisions to the Actuarial Valuation Policy. The revisions include significant changes which are aimed at creating a governing policy for the preparation of an annual Actuarial Valuation. In addition, staff requested to change the title of the Policy from "Actuarial Extract Policy and Process" to "Actuarial Valuation Policy."

Governance Committee Meeting
October 24, 2017

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

The **motion passed unanimously.**

The meeting was adjourned at 12:40pm.

PUBLIC COMMENTS:

None.

COMMITTEE MEMBER COMMENTS

None.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS:

None.

COUNSEL COMMENTS:

The next Governance Committee meeting was set for November 29, 2017 at 1:00 p.m. or upon conclusion of the Investment Committee Meeting.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Board

Roger Hilton, Chair

C-3

Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, General Counsel
SUBJECT: **GOVERNANCE COMMITTEE OUTCOMES FROM OCTOBER 24, 2017 MEETING**

Recommendation

The Governance Committee recommends that the Board of Retirement adopt:

- (1) Revisions to the Securities Litigation Policy as approved by the Committee;
- (2) Revisions to the Investment Committee Charter as approved by the Committee;
- (3) Revisions to the OCERS Rules of Parliamentary Procedure as approved by the Committee; and
- (4) Revisions to the Actuarial Valuation Policy.

Background/Discussion

Securities Litigation Policy

On October 24, 2017, staff proposed, and the Governance Committee approved, proposed revisions to the Securities Litigation Policy (Policy). The proposed revisions are based on staff's review of the securities litigation policies of peer public pension funds including other CERL systems such as LACERA and funds from outside California, such as the Iowa Public Employees Retirement System (IPERS). Staff also sought and received significant input from the four firms recently retained for securities litigation monitoring services.

The proposed revisions to the Policy (1) clarify the roles and responsibilities of OCERS staff; (2) set forth the critical issues for the staff and ultimately the Investment Committee to consider when deciding whether to take active participation in a case; and (3) set loss thresholds for both domestic and foreign cases. With respect to loss thresholds, staff recommended revisions to the Policy to state that the \$1 million loss threshold for domestic securities litigation matters is a "soft" threshold; and that OCERS will consider cases where its losses are less than \$1 million under certain circumstances. For example, under the proposed revisions to the Policy, OCERS will consider participating in cases where OCERS losses are less than \$1 million if (1) OCERS will be joined in the action by another institutional investor; (2) OCERS would otherwise make no recovery of its losses (for example because no other investors will bring the case); or (3) OCERS' involvement could lead to significant governance reforms, which in turn would create better future returns for OCERS and similarly situated investors.

In addition, staff proposed a lower loss threshold of \$250,000 for foreign securities cases. Because many foreign jurisdictions do not allow for class actions in the way that U.S. law does, OCERS must be more vigilant to collect losses suffered in foreign securities markets. The proposed \$250,000 loss threshold is based on consistent recommendations received from the securities monitoring firms. In addition, the proposed revisions to the Policy contemplate that foreign securities cases will be carefully evaluated on a case-by-case basis before staff recommends to the Investment Committee that OCERS take an active role in a case.

Investment Committee Charter

In addition, staff recommended to the Governance Committee that the Investment Committee (rather than the Board) have the primary responsibility for oversight of securities litigation. Securities litigation can have significant impact on the OCERS investment portfolio, and placing responsibility with the Investment Committee will foster collaboration between the staff of the Legal and Investment departments, something that is critical in analyzing and participating in securities litigation cases. Staff therefore recommended, and the Governance Committee approved, a revision to the Investment Committee Charter to reflect this new role for the committee.

The Policy and Investment Committee Charter, with the proposed revisions in redlined text, are attached.

OCERS Rules of Parliamentary Procedure

The Governance Committee reviewed the OCERS Rules of Parliamentary Procedure (Rules) on October 24, 2017, and approved revisions to set forth in the Rules the voting protocols for the alternate seventh member of the Board.

By statute (the CERL), the Board consists of nine members and one “alternate” member. The seventh member of the Board is a safety member of the association elected by the safety members. The “alternate” member is the candidate from the group under Government Code §31470.2 (sheriffs, etc.) or §31470.4 (firefighters, etc.) that is not represented by the seventh member, and that received the highest number of votes of all candidates in that group.

Government Code §31520.1(b) specifies the circumstances in which the alternate seventh member will vote. It states as follows:

(b) The alternate seventh member provided for by this section shall vote as a member of the board only if the second, third, seventh, or eighth member is absent from a board meeting for any cause, or if there is a vacancy with respect to the second, third, seventh, or eighth member, the alternate seventh member shall fill the vacancy until a successor qualified. The alternate seventh member shall sit on the board in place of the seventh member if a member of the same service is before the board for a determination of his or her retirement.

The above quoted section of the CERL is ambiguous with respect to voting when the alternate seventh member is sitting on the board in place of an absent or vacant elected member of the board, and a retirement determination for an OCERS member of the same service as the alternate seventh member is presented to the board. The section can be interpreted in any of three ways:

1. The alternate seventh member continues to vote in place of the absent/vacant board member, and neither the seventh nor the alternate seventh member votes on the determination for the OCERS member of the same service as the alternate seventh member. This interpretation results in only eight board members voting (only three of them elected board members) and gives no meaning to the second sentence of 31520.1(b).
2. The alternate seventh member votes as the safety member of the same service as the OCERS member before the board, and no one votes in place of the absent/vacant board member. This interpretation results in only eight board members voting (only three of them elected board members); and gives no meaning to the first sentence of 31520.1(b).
3. The alternate seventh member continues to vote in place of the absent/vacant board member, and the seventh member votes as the safety member, even though the OCERS member before the board is of a

different service than the seventh member. This interpretation results in nine board members voting; all four elected board members voting; and gives no meaning to the second sentence of 31520.1(b).

Staff recommended, and the Governance Committee approved, the third interpretation of the statute, above, since this interpretation best preserves the Legislature's intent to create a balance on the retirement board of elected and appointed members (four each) voting on OCERS member determinations, and results in voting by all board members present at the meeting. It also represents an interpretation of the statute that is shared by half of the CERL systems that have alternate seventh board members.

Staff proposed, and the Committee approved, adding a section to the Rules to explain the voting protocols for the alternate seventh member as follows:

Voting Protocols for the Alternate Seventh Member of the Board

17. The alternate seventh member of the Board will vote as a member of the Board under the following circumstances:
 - a. When one of the OCERS membership-elected Board members is absent from a board meeting for any cause the alternate seventh member will vote in place of the absent Board member;
 - b. When there is a vacancy with respect to any of the OCERS membership-elected Board members the alternate seventh member will fill the vacancy and vote in place of the vacant Board position;
 - c. When a member of the same service (i.e., sheriffs or fire) as the alternate seventh member is before the Board for determination of his or her retirement, the alternate seventh member will vote in place of the seventh member and the seventh member will not vote on that determination, unless one of the OCERS membership-elected Board members is absent or there is a vacancy with respect to any of the OCERS membership-elected Board members, in which case, both the seventh member and the alternate seventh member will vote on that determination, with the alternate seventh member voting for the absent or vacant Board member.

A copy of the OCERS Rules of Parliamentary Procedure with revisions in underlined/strikeout text and a clean copy are attached.

Actuarial Valuation Policy (formerly the Actuarial Extract Policy and Process)

On October 24, 2017, the Governance Committee reviewed the Actuarial Extract Policy and Process and approved several revisions, including changing the name of the policy to the Actuarial Valuation Policy.

The Actuarial Extract Policy and Process was adopted by the Board in June 2012 as part of the response to a recommendation from Clifton Gunderson, a third party that was hired to review OCERS' internal controls. Since that time, OCERS implemented V3 and many of the detailed procedures involved with preparing the Actuarial Extract have changed. In addition, the Actuarial Extract Policy and Process document is a step by step procedures document instead of a policy document.

Staff therefore proposed significant changes to the document aimed at creating a governing policy for the preparation of an annual actuarial valuation and designed to separate policy from procedure. The step by step instructions on how the actuarial extract process works have also been updated, but have been included in department level procedures documents.

The Committee approved all of the revisions as presented, including changing the name of the Actuarial Extract Policy and Process to the Actuarial Valuation Policy. A copy of the policy with revisions in underlined/strikeout text and a clean copy are attached.

Attachments:

- (1) Securities Litigation Policy – marked to show changes
- (2) Securities Litigation Policy – unmarked
- (3) Investment Committee Charter – marked to show changes
- (4) Investment Committee Charter – unmarked
- (5) OCERS Rules of Parliamentary Procedure – marked to show changes
- (6) OCERS Rules of Parliamentary Procedure – unmarked
- (7) Actuarial Valuation Policy – marked to show changes
- (8) Actuarial Valuation Policy – unmarked

Submitted by:



Gina M. Ratto
General Counsel

Purpose and Background

- ~~1. The Securities Litigation Policy was implemented to assist the Board of Retirement and OCERS staff in identifying and tracking securities litigation cases in which OCERS may have an interest. The Legal department will track and analyze litigation and advise the Board regarding direct involvement by OCERS and inform the Board of recovered funds. The Securities Litigation Policy assists the Board in its duty to protect trust funds and benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system (Cal. Const. Art. XVI, § 17).~~
1. The Securities Litigation Policy is intended to establish procedures and guidelines for monitoring and, when appropriate, participating in securities class actions in furtherance of the Board of Retirement's fiduciary duty to protect the assets of the trust. See Cal. Const. Art. XVI, § 17. The responsibility for overseeing securities litigation is delegated to the Investment Committee.

Principles

2. As a large institutional shareholder, OCERS is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others.
3. The Private Securities Litigation Reform Act ("PSLRA") enacted in 1995 allows institutional investors and other large shareholders to seek lead plaintiff status in securities class actions pending within the United States under U.S. federal securities laws. The lead plaintiff attains the right to supervise and control the prosecution of such cases. Since enactment of the PSLRA, it has been demonstrated that participation as lead plaintiff by large, sophisticated shareholders, particularly public pension funds, has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.
4. In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* ("*Morrison*") held that certain investor losses stemming from corporate wrongdoing cannot be pursued under federal securities laws. Specifically, the Supreme Court held that investors cannot bring or participate in a U.S. securities class action if their claims are based on securities they purchased outside the United States. As a result, investors must now identify and evaluate foreign securities actions in order to fully protect their interests, including the right to participate in such actions and share in any recovery. Unlike the United States, most countries do not have a class action procedure for the adjudication of securities claims. Instead, many other countries have some form of collective litigation that requires investors to affirmatively join the action to seek a recovery on a securities claim. Because there is no possibility of recovery as a passive member of the class in those cases, OCERS must give special consideration to whether the potential benefits of actively participating in such cases outweighs the potential risks.

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5. In June 2017, the United States Supreme Court in *CalPERS v. ANZ Securities, Inc.* (“ANZ Securities”) held that the filing of a securities class action does not “toll” or satisfy the three-year time period (called the statute of repose) for putative class members to assert individual claims for recovery under Sections 11 and 12 of the Securities Act of 1933. The Supreme Court's decision has been extended by lower federal courts to apply to claims brought under Securities Exchange Act of 1934. As a result, investors can no longer rely on the filing of a securities class action case to preserve the timeliness of their individual claims for recovery of damages under the federal securities laws, and must exercise heightened diligence to protect potentially valuable claims from expiring under the statute of repose.
6. Because OCERS exists to provide retirement income to its members, the goal of this policy is the preservation of trust assets to meet the needs of OCERS members. OCERS will prudently select the best means to preserve those assets.

Monitoring of Securities Litigation and OCERS Holdings and Reporting

7. **Review of Class Action Filings.** The Legal department will identify and evaluate securities class actions, pending or proposed to be filed within the United States and in foreign jurisdictions, in which OCERS may have recognized losses.
8. **Active Case Monitoring.** The Legal department will actively monitor each case in which it has determined the case has merit and either OCERS’ estimated loss meets the Loss Threshold or there are special circumstances that justify OCERS actively monitoring the case. Active monitoring may include participation by the Legal department in significant motions and in settlement discussions when permitted by the parties or the court.
9. **Active Participation.** The Legal Office will recommend to the Investment Committee whether OCERS should take an active role in a securities class action (which may include, but is not limited to, seeking lead plaintiff status, or opting out of the class action and pursuing an individual action) in any case where the Legal department, after consulting with outside counsel, has determined the case has merit, the best interests of OCERS will be served by taking such action, and the case meets the Domestic Loss Threshold or Foreign Loss Threshold.
10. **Domestic Loss Threshold.** A case pending or proposed to be filed within the United States will meet OCERS’ Domestic Loss Threshold if (a) OCERS’ estimated loss is at least \$1 million; (b) OCERS has substantial losses that are less than \$1 million but OCERS will join the case with one or more other institutional investors; (c) OCERS cannot recover without active participation in the case; or (d) OCERS’ active participation in the case may lead to meaningful corporate governance reforms.
11. **Foreign Loss Threshold.** A case pending or proposed to be filed in a foreign jurisdiction will meet OCERS’ Foreign Loss Threshold where OCERS’ estimated loss is at least \$250,000.
12. **Losses Below Threshold.** If the Legal department identifies a case where OCERS’ losses during the alleged claims period is less than the Loss Threshold, but OCERS suffered a loss in excess of the Loss Threshold during a period of time closely preceding or following the claims period, the Legal department will consider whether to seek an adjustment of the claims period. If warranted, the

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Legal department will actively monitor the case and participate in a motion to adjust the claims period or seek approval of the Investment Committee to actively participate in the case.

13. OCERS will take an active role in a securities class action only after approval by the Investment Committee or the Chief Executive Officer, as set forth in Sections 15 through 18, below.
14. The Legal department will collaborate with the Investment department in monitoring securities class action filings and settlements that affect the OCERS investment portfolio, identifying instances where OCERS may have suffered losses due to securities fraud, and identifying developments in the marketplace that would lead to an interest or need in OCERS participating in litigation regarding the market generally.

Active Participation

15. Recommendations on whether to take an active role in a securities litigation case will be presented to the Investment Committee at a regularly scheduled meeting or, where immediate approval is necessary, at a special meeting.
16. In deciding whether to take an active role in securities litigation cases, the Investment Committee will consider:
 2. ~~The Legal department will monitor and prepare reports listing new securities litigation case filings in which OCERS has identified losses and case settlements on a monthly basis. OCERS will engage two to five firms specializing in securities litigation monitoring to assist the Legal department with these responsibilities.~~
 3. ~~The reports will identify the name of the security, the class period, OCERS' identified losses, and the claims filing deadlines.~~

~~Information on case filings and settlements will be obtained from:~~

- a. ~~Internet sites;~~
- b. ~~Print and electronic publications;~~
- c. ~~Firms specializing in securities litigation monitoring;~~
- d. ~~Custodian Bank;~~
- e. ~~Any other reliable source of information.~~
4. ~~The Legal department will provide the reports to the Investment division staff at the beginning of each month.~~
5. ~~The reports will also include a list of new cases in which OCERS' estimated losses exceed \$1,000,000.00 as identified by OCERS' securities litigation monitoring firms. This list will include a brief analysis of the merits of the litigation.~~
6. ~~The contracts with securities monitoring firms will be for terms not exceeding six years. Prior to the expiration of the six year term, the Chief Executive Officer or his or her designee will conduct an RFP.~~

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Staff Analysis Regarding OCERS' Direct Participation

~~7. For claims under \$1,000,000.00, OCERS will not consider taking an active role in the litigation unless OCERS cannot recover without active participation. The factors used in determining whether OCERS should take an active role in securities litigation cases are listed below under subsection A. If a loss over \$1,000,000.00 is incurred closely preceding or closely following the published claims period, staff will proceed as set forth below under subsection B. If the Legal Department determines that direct participation is warranted under subsection A or a request should be made to revise the claims period under subsection B, the Legal department will prepare an appropriate analysis of the case for presentation to the Board. Other cases will be monitored under subsection C.~~

~~A. Factors to consider for losses incurred during the claims period:~~

- ~~a) The size of OCERS'the loss;~~
- ~~b) The identity of the lead plaintiff and other parties, if known;~~
- ~~c) The identity of lead counsel, if known;~~
- ~~d) Whether OCERS has, or had, substantial losses or significant holdings in the company or security during the most plausible class period and sustained damages surpassing its threshold for considering action;~~
- ~~e) The merits of the case, both from a legal perspective and a business perspective;~~
- ~~f) The likely degree of recovery, including the probability of a defendant's insurer being able to fund an award, balanced againstversus the time and costs involved in taking an active role in the case pursuing the matter actively;~~
- ~~g) The effectiveness and availability of potential witnesses and ability of OCERS Investment department staff and fund managers to respond to requested discovery;~~
- ~~h) The potential impact on the portfolio from potential trading restrictions arising from acquisition of inside information in litigation, if any;~~
- ~~i) The effectiveness of potential alternatives for recovering the lossesvalue of the claim, such as filing a claim or protective motion, and monitoring;~~
- ~~j) The effectiveness and availability of potential witnesses and ability for the investment staff and fund managers to respond to requested discovery;~~
- ~~j) Whether active participation by involvement of OCERS would add value to the potential resolution or management of the case.~~
- ~~k) The forum and choice of law for the case. Active participation in foreign securities actions will be examined on a case-by-case basis, and the Legal department will present meritorious foreign cases to the Board to determine whether the potential recovery in such cases is sufficient to warrant participation and whether the funding arrangement is sufficient to protect OCERS from adverse cost claims.~~

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- l) Notwithstanding the Loss Threshold for active participation, active participation in foreign securities actions will be examined on a case-by-case basis. The Legal department will present meritorious foreign securities cases to the Investment Committee to determine whether the potential benefits of active participation outweigh the potential risks and costs. In making such determination, the Investment Committee will consider, among other factors, the size of the potential recovery, OCERS' potential obligation to pay legal fees and costs, the potential liability for an adverse cost award, and whether the funding arrangement, other participation agreements, or applicable local laws are sufficient to protect OCERS from an adverse cost award or other potential liability.

~~16-17.~~ If the Chief Executive Officer determines that immediate approval is required in order to preserve OCERS' rights and/or interests by taking an active role in a securities litigation case, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the Investment Committee, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the General Counsel, Chief Investment Officer, and Chair of the Investment Committee, to make the decision and shall notify the Investment Committee at its next regularly scheduled meeting.

~~17-18.~~ For purposes of this policy, a foreign securities action is defined as a lawsuit pending or proposed to be filed outside the United States involving securities purchased on a foreign securities exchange or other non-domestic transaction by OCERS or on its behalf. Participation as a class member in a foreign securities action, if participation in such foreign action requires registration or other affirmative action by OCERS, shall be considered "active participation" and shall be submitted to the Investment Committee for approval.

- ~~B. If a loss in excess of \$1,000,000.00 is identified closely preceding or following the claims period at issue in a case, the Legal department will seek advice regarding adjustment of the claims period from retained securities litigation firms. If warranted, the Legal department will prepare a recommendation to the Board to request that the claims period be expanded to include OCERS' loss, based upon the length of time preceding or following the claims period and the size of the loss. The Legal department will contact the plaintiffs if a decision is made to request an expansion of the claims period.~~
- ~~C. If a loss is suffered by OCERS, but the claim does not warrant active participation in the litigation, as determined pursuant to subsection 7 A or B above, the Legal department will monitor the case and coordinate with the Custodian Bank to ensure that a claim is filed on any settlement within the necessary claims period. The Legal department will track claims filed by the Custodian Bank and provide a summary report of claims filed and funds recovered to the Board semi-annually.~~

OCERS Direct Participation

- ~~8. If further action is required as a result of the analysis performed pursuant to paragraph 7 A or B above, the Chief Legal Officer and the Chief Investment Officer shall inform the Chief Executive Officer of their analysis. The Chief Legal Officer, Chief Investment Officer and Chief Executive Officer will jointly determine what recommendation to present to the Board of Retirement. If necessary, a~~

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~~Special Board meeting may be scheduled to discuss whether and to what extent OCERS will actively participate in litigation.~~

- ~~9. Securities Litigation law firms on OCERS' pre-approved panel are to be used for preparation of in-depth damages analyses and/or for representation in litigation. Other firms may be used for representation in litigation when firms on the OCERS' pre-approved panel are not involved in the litigation. Final approval of firms will rest with the Board of Retirement. The determination of which cases warrant an in-depth damages analysis will be made by the Legal department in accordance with this policy. The determination of which cases will proceed to litigation on OCERS' behalf will be made by the Board in accordance with this policy.~~
- ~~10. In cases where a filing deadline will pass prior to the date of the next available Board meeting, the Legal department may, upon approval by the Chief Executive Officer, authorize filing of a case or lead plaintiff petition. Such filing shall be provisional and subject to ratification by the Board at the next available Board meeting.~~

Settlements

~~18.19.~~ When a settlement is presented in a case in which OCERS has taken an active direct role, the Legal department will provide the Investment Committee ~~Chief Executive Officer and the Chief Investment Officer~~ with an analysis of the settlement terms, including the total amount of the proposed recovery, proposed costs and fees paid to attorneys, the best estimate of the percentage of recovery of OCERS' identified losses, analysis from the firm representing OCERS in the case, and any other relevant information pertaining to the settlement. The Investment Committee may approve a proposed settlement or delegate to the Chief Executive Officer or the General Counsel authority to enter into a settlement on whatever terms it deems appropriate.

~~19.20.~~ The proposed settlement and the Legal department's analysis will be presented to the Board at its next regular meeting for consideration and action. In the event a decision on the part of the Chief Executive Officer determines that immediate approval of a settlement is required from OCERS before the Board's next regular in order to preserve OCERS' rights and/or interests, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the Investment Committee, or where a quorum cannot be reached at such meeting, the Chief Executive Officer will consult with the Board Chair and Vice Chair regarding the merits of the settlement, and based on input received from them, the Chief Executive Officer is authorized, after consultation with the General Counsel, Chief Investment Officer and Chair of the Investment Committee, to approve the settlement and notify the Investment Committee. may authorize the settlement without action by the Board. Settlements authorized by the Chief Executive Officer in accordance with this paragraph will be reported to the Board at its next regularly scheduled meeting.

Claims Filing and Audits

~~20.21.~~ OCERS' custodial bank shall be responsible for filing all claims, including the necessary supporting documents and information, necessary to recover assets in every securities class action in which OCERS has suffered losses which has been brought or is pending within the United States. If OCERS' custodial bank is not able to file all claims and necessary supporting documents and information, necessary to recover assets in every securities class action in which OCERS has

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suffered losses which has been brought or is pending in a foreign jurisdiction, then the Legal department, in consultation with the Investment department, shall designate the entity that will be responsible for filing those claims. The Legal department shall prepare, and revise as necessary, a statement of work to be included in the custodial agreement setting forth formalized claims filing procedures for the custodial bank to follow, which shall include identifying and reviewing all class action settlements, providing timely notice of each settlement to OCERS, filing claims correctly and timely on OCERS' behalf, and providing quarterly reports regarding its efforts. The Legal department, in consultation with the Investment department, shall monitor the performance of the custodial bank in these matters. The custodial bank will submit quarterly reports on the securities litigation proceeds recovered, which information shall be shared with the Investment Committee.

~~21-22.~~ The Legal department, in conjunction with the Investment department, shall from time to time audit the custodial bank's claims filing process to insure that OCERS is recovering all the amounts that OCERS is due from securities litigation settlements and awards. The Legal department, in conjunction with the Investment department, may require that the custodial bank change its processes or implement an alternative plan for filing proofs of claim.

Retention of Securities Monitoring Firms and Litigation Counsel

~~22-23.~~ The General Counsel, with the approval of the Chief Executive Officer, will engage at least two and no more than five firms with demonstrated expertise and experience in prosecuting and/or monitoring securities class actions (the "Securities Litigation Monitoring Firms") to advise and/or represent OCERS in monitoring securities class action filings and settlements that affect the OCERS investment portfolio and identifying new instances where OCERS may have suffered losses due to securities fraud or related misconduct.

~~23-24.~~ At a minimum, Securities Litigation Monitoring Firms will:

- a. Obtain OCERS' securities trading and holdings information directly from OCERS' custodial bank;
- b. Identify and monitor securities class actions filed or proposed to be filed in the United States, and analyze OCERS' estimated loss, if any, in the affected security or securities in each action;
- c. Evaluate and provide timely notice and analysis of potential or pending securities class actions filed in the United States where (i) OCERS has suffered losses that meet its Loss Threshold and where active participation may be necessary and warranted; or (ii) if OCERS' losses are below its Loss Threshold, the Securities Litigation Monitoring Firm believes factors exist that justify OCERS' consideration of the case;
- d. Provide reports (at least quarterly) of newly-filed domestic securities class actions and OCERS' estimated losses or online access to pending securities class actions filed in the United States and OCERS' estimated losses;
- e. Identify and monitor securities actions that are filed or may be filed outside the United States in foreign jurisdictions, and provide an analysis of OCERS' estimated loss, if any, in the affected security or securities in each action;

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- f. Evaluate and provide timely notice and analysis of those potential and pending non-U.S. securities actions where (i) OCERS has suffered losses that meet its Foreign Loss Threshold; or (ii) if OCERS' losses are below its Foreign Loss Threshold, the Securities Litigation Monitoring Firm believes factors exist that justify OCERS' consideration of the case;
- g. Assist OCERS in joining and filing claims in non-U.S securities actions in which the Investment Committee approves active participation, including obtaining, assisting in the review and negotiation, and submission of engagement agreements, third-party funder agreements, and insurance agreements; and
- h. Assist OCERS in identifying meritorious U.S. securities class actions in which OCERS has substantial losses or significant holdings, determining the relevant statutes of repose, monitoring the progress of the litigation (including class certification), and evaluating whether to file a protective claim or motion before a significant repose period expires.

24.25. Retainer Agreements with Securities Litigation Monitoring Firms will be for terms not exceeding six years. Prior to the expiration of the six year term, the General Counsel or his or her designee will conduct a Request for Proposals ("RFP").

25.26. When the Investment Committee or the Chief Executive Officer approves OCERS taking an active role in litigation, it or he or she will also direct the General Counsel to retain litigation counsel under specific terms, issue an RFP for litigation counsel, or delegate to the General Counsel the authority to retain litigation counsel for the matter.

26.27. The General Counsel may rely on Securities Litigation Monitoring Firms for preparation of in-depth damages analyses and/or for representation in litigation which OCERS is actively monitoring. However, the General Counsel may, with the approval of the Chief Executive Officer, retain outside counsel on behalf of OCERS to undertake these matters or to assist the Legal department in carrying out any of its other responsibilities under this policy.

Reporting

27.28. The Legal department will provide the Investment Committee with regular reports covering its responsibilities under this policy, and in no event less than quarterly.

28.29. The reports will include listings of new securities litigation case filings and new settlements or awards in which OCERS has identified losses. The General Counsel will define the scope of other information that should be contained in the reports, and may include information such as the name of the security, the class period, OCERS' identified losses, and the claims filing deadlines. For any matters where OCERS' estimated losses exceed \$1 million, the report will include a brief analysis of the merits of the litigation.

29.30. Legal department will provide the Investment Committee with status reports as needed to keep the Investment Committee apprised of major developments in cases in which OCERS is a party.

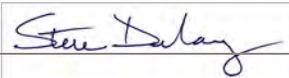
OCERS Board Policy Securities Litigation Policy

Policy History

~~30-31.~~ The Board adopted this policy on December 15, 2003. The Board amended this policy on December 20, 2004; reviewed this policy with no changes on March 24, 2008; and amended this policy on August 24, 2009, May 20, 2013, ~~and~~ March 20, 2017, and November 13, 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

3/20/2017

Date

Purpose and Background

1. The Securities Litigation Policy is intended to establish procedures and guidelines for monitoring and, when appropriate, participating in securities class actions in furtherance of the Board of Retirement's fiduciary duty to protect the assets of the trust. See Cal. Const. Art. XVI, § 17. The responsibility for overseeing securities litigation is delegated to the Investment Committee.

Principles

2. As a large institutional shareholder, OCERS is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others.
3. The Private Securities Litigation Reform Act ("PSLRA") enacted in 1995 allows institutional investors and other large shareholders to seek lead plaintiff status in securities class actions pending within the United States under U.S. federal securities laws. The lead plaintiff attains the right to supervise and control the prosecution of such cases. Since enactment of the PSLRA, it has been demonstrated that participation as lead plaintiff by large, sophisticated shareholders, particularly public pension funds, has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.
4. In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* ("*Morrison*") held that certain investor losses stemming from corporate wrongdoing cannot be pursued under federal securities laws. Specifically, the Supreme Court held that investors cannot bring or participate in a U.S. securities class action if their claims are based on securities they purchased outside the United States. As a result, investors must now identify and evaluate foreign securities actions in order to fully protect their interests, including the right to participate in such actions and share in any recovery. Unlike the United States, most countries do not have a class action procedure for the adjudication of securities claims. Instead, many other countries have some form of collective litigation that requires investors to affirmatively join the action to seek a recovery on a securities claim. Because there is no possibility of recovery as a passive member of the class in those cases, OCERS must give special consideration to whether the potential benefits of actively participating in such cases outweighs the potential risks.
5. In June 2017, the United States Supreme Court in *CalPERS v. ANZ Securities, Inc.* ("*ANZ Securities*") held that the filing of a securities class action does not "toll" or satisfy the three-year time period (called the statute of repose) for putative class members to assert individual claims for recovery under Sections 11 and 12 of the Securities Act of 1933. The Supreme Court's decision has been extended by lower federal courts to apply to claims brought under Securities Exchange Act of 1934. As a result, investors can no longer rely on the filing of a securities class action case to preserve the timeliness of their individual claims for recovery of damages under the federal securities laws, and must exercise heightened diligence to protect potentially valuable claims from expiring under the statute of repose.

OCERS Board Policy

Securities Litigation Policy

6. Because OCERS exists to provide retirement income to its members, the goal of this policy is the preservation of trust assets to meet the needs of OCERS members. OCERS will prudently select the best means to preserve those assets.

Monitoring of Securities Litigation and OCERS Holdings

7. **Review of Class Action Filings.** The Legal department will identify and evaluate securities class actions, pending or proposed to be filed within the United States and in foreign jurisdictions, in which OCERS may have recognized losses.
8. **Active Case Monitoring.** The Legal department will actively monitor each case in which it has determined the case has merit and either OCERS' estimated loss meets the Loss Threshold or there are special circumstances that justify OCERS actively monitoring the case. Active monitoring may include participation by the Legal department in significant motions and in settlement discussions when permitted by the parties or the court.
9. **Active Participation.** The Legal Office will recommend to the Investment Committee whether OCERS should take an active role in a securities class action (which may include, but is not limited to, seeking lead plaintiff status, or opting out of the class action and pursuing an individual action) in any case where the Legal department, after consulting with outside counsel, has determined the case has merit, the best interests of OCERS will be served by taking such action, and the case meets the Domestic Loss Threshold or Foreign Loss Threshold.
10. **Domestic Loss Threshold.** A case pending or proposed to be filed within the United States will meet OCERS' Domestic Loss Threshold if (a) OCERS' estimated loss is at least \$1 million; (b) OCERS has substantial losses that are less than \$1 million but OCERS will join the case with one or more other institutional investors; (c) OCERS cannot recover without active participation in the case; or (d) OCERS' active participation in the case may lead to meaningful corporate governance reforms.
11. **Foreign Loss Threshold.** A case pending or proposed to be filed in a foreign jurisdiction will meet OCERS' Foreign Loss Threshold where OCERS' estimated loss is at least \$250,000.
12. **Losses Below Threshold.** If the Legal department identifies a case where OCERS' losses during the alleged claims period is less than the Loss Threshold, but OCERS suffered a loss in excess of the Loss Threshold during a period of time closely preceding or following the claims period, the Legal department will consider whether to seek an adjustment of the claims period. If warranted, the Legal department will actively monitor the case and participate in a motion to adjust the claims period or seek approval of the Investment Committee to actively participate in the case.
13. OCERS will take an active role in a securities class action only after approval by the Investment Committee or the Chief Executive Officer, as set forth in Sections 15 through 18, below.
14. The Legal department will collaborate with the Investment department in monitoring securities class action filings and settlements that affect the OCERS investment portfolio, identifying instances where OCERS may have suffered losses due to securities fraud, and identifying developments in the marketplace that would lead to an interest or need in OCERS participating in litigation regarding the market generally.

Active Participation

15. Recommendations on whether to take an active role in a securities litigation case will be presented to the Investment Committee at a regularly scheduled meeting or, where immediate approval is necessary, at a special meeting.
16. In deciding whether to take an active role in securities litigation cases, the Investment Committee will consider:
 - a. The size of OCERS' loss;
 - b. The identity of the lead plaintiff and other parties, if known;
 - c. The identity of lead counsel, if known;
 - d. Whether OCERS has, or had, substantial losses or significant holdings in the company or security during the most plausible class period and sustained damages surpassing its threshold for considering action;
 - e. The merits of the case, both from a legal perspective and a business perspective;
 - f. The likely degree of recovery, including the probability of a defendant's insurer being able to fund an award, balanced against the time and costs involved in taking an active role in the case;
 - g. The effectiveness and availability of potential witnesses and ability of OCERS Investment department staff and fund managers to respond to requested discovery;
 - h. The potential impact on the portfolio from potential trading restrictions arising from acquisition of inside information in litigation, if any;
 - i. The effectiveness of potential alternatives for recovering the losses, such as filing a claim or protective motion, and monitoring;
 - j. Whether active participation by OCERS would add value to the potential resolution or management of the case;
 - k. The forum and choice of law for the case; and
 - l. Notwithstanding the Loss Threshold for active participation, active participation in foreign securities actions will be examined on a case-by-case basis. The Legal department will present meritorious foreign securities cases to the Investment Committee to determine whether the potential benefits of active participation outweigh the potential risks and costs. In making such determination, the Investment Committee will consider, among other factors, the size of the potential recovery, OCERS' potential obligation to pay legal fees and costs, the potential liability for an adverse cost award, and whether the funding arrangement, other participation agreements, or applicable local laws are sufficient to protect OCERS from an adverse cost award or other potential liability.
17. If the Chief Executive Officer determines that immediate approval is required in order to preserve OCERS' rights and/or interests by taking an active role in a securities litigation case, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the

OCERS Board Policy

Securities Litigation Policy

Investment Committee, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the General Counsel, Chief Investment Officer, and Chair of the Investment Committee, to make the decision and shall notify the Investment Committee at its next regularly scheduled meeting.

18. For purposes of this policy, a foreign securities action is defined as a lawsuit pending or proposed to be filed outside the United States involving securities purchased on a foreign securities exchange or other non-domestic transaction by OCERS or on its behalf. Participation as a class member in a foreign securities action, if participation in such foreign action requires registration or other affirmative action by OCERS, shall be considered “active participation” and shall be submitted to the Investment Committee for approval.

Settlements

19. When a settlement is presented in a case in which OCERS has taken an active role, the Legal department will provide the Investment Committee with an analysis of the settlement terms, including the total amount of the proposed recovery, proposed costs and fees paid to attorneys, the best estimate of the percentage of recovery of OCERS’ identified losses, analysis from the firm representing OCERS in the case, and any other relevant information pertaining to the settlement. The Investment Committee may approve a proposed settlement or delegate to the Chief Executive Officer or the General Counsel authority to enter into a settlement on whatever terms it deems appropriate.
20. If the Chief Executive Officer determines that immediate approval of a settlement is required in order to preserve OCERS’ rights and/or interests, and the matter cannot be timely presented for approval at a regularly scheduled or special meeting of the Investment Committee, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the General Counsel, Chief Investment Officer and Chair of the Investment Committee, to approve the settlement and notify the Investment Committee at its next regularly scheduled meeting.

Claims Filing and Audits

21. OCERS’ custodial bank shall be responsible for filing all claims, including the necessary supporting documents and information, necessary to recover assets in every securities class action in which OCERS has suffered losses which has been brought or is pending within the United States. If OCERS’ custodial bank is not able to file all claims and necessary supporting documents and information, necessary to recover assets in every securities class action in which OCERS has suffered losses which has been brought or is pending in a foreign jurisdiction, then the Legal department, in consultation with the Investment department, shall designate the entity that will be responsible for filing those claims. The Legal department shall prepare, and revise as necessary, a statement of work to be included in the custodial agreement setting forth formalized claims filing procedures for the custodial bank to follow, which shall include identifying and reviewing all class action settlements, providing timely notice of each settlement to OCERS, filing claims correctly and timely on OCERS’ behalf, and providing quarterly reports regarding its efforts. The Legal department, in consultation with the Investment department, shall monitor the performance of the custodial bank

OCERS Board Policy Securities Litigation Policy

in these matters. The custodial bank will submit quarterly reports on the securities litigation proceeds recovered, which information shall be shared with the Investment Committee.

- 22.** The Legal department, in conjunction with the Investment department, shall from time to time audit the custodial bank's claims filing process to insure that OCERS is recovering all the amounts that OCERS is due from securities litigation settlements and awards. The Legal department, in conjunction with the Investment department, may require that the custodial bank change its processes or implement an alternative plan for filing proofs of claim.

Retention of Securities Monitoring Firms and Litigation Counsel

- 23.** The General Counsel, with the approval of the Chief Executive Officer, will engage at least two and no more than five firms with demonstrated expertise and experience in prosecuting and/or monitoring securities class actions (the "Securities Litigation Monitoring Firms") to advise and/or represent OCERS in monitoring securities class action filings and settlements that affect the OCERS investment portfolio and identifying new instances where OCERS may have suffered losses due to securities fraud or related misconduct.

- 24.** At a minimum, Securities Litigation Monitoring Firms will:

- a. Obtain OCERS' securities trading and holdings information directly from OCERS' custodial bank;
- b. Identify and monitor securities class actions filed or proposed to be filed in the United States, and analyze OCERS' estimated loss, if any, in the affected security or securities in each action;
- c. Evaluate and provide timely notice and analysis of potential or pending securities class actions filed in the United States where (i) OCERS has suffered losses that meet its Loss Threshold and where active participation may be necessary and warranted; or (ii) if OCERS' losses are below its Loss Threshold, the Securities Litigation Monitoring Firm believes factors exist that justify OCERS' consideration of the case;
- d. Provide reports (at least quarterly) of newly-filed domestic securities class actions and OCERS' estimated losses or online access to pending securities class actions filed in the United States and OCERS' estimated losses;
- e. Identify and monitor securities actions that are filed or may be filed outside the United States in foreign jurisdictions, and provide an analysis of OCERS' estimated loss, if any, in the affected security or securities in each action;
- f. Evaluate and provide timely notice and analysis of those potential and pending non-U.S. securities actions where (i) OCERS has suffered losses that meet its Foreign Loss Threshold; or (ii) if OCERS' losses are below its Foreign Loss Threshold, the Securities Litigation Monitoring Firm believes factors exist that justify OCERS' consideration of the case;
- g. Assist OCERS in joining and filing claims in non-U.S securities actions in which the Investment Committee approves active participation, including obtaining, assisting in the review and negotiation, and submission of engagement agreements, third-party funder agreements, and insurance agreements; and

OCERS Board Policy

Securities Litigation Policy

- h. Assist OCERS in identifying meritorious U.S. securities class actions in which OCERS has substantial losses or significant holdings, determining the relevant statutes of repose, monitoring the progress of the litigation (including class certification), and evaluating whether to file a protective claim or motion before a significant repose period expires.
- 25.** Retainer Agreements with Securities Litigation Monitoring Firms will be for terms not exceeding six years. Prior to the expiration of the six year term, the General Counsel or his or her designee will conduct a Request for Proposals (“RFP”).
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Reporting

- 28.** The Legal department will provide the Investment Committee with regular reports covering its responsibilities under this policy, and in no event less than quarterly.
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- 30.** Legal department will provide the Investment Committee with status reports as needed to keep the Investment Committee apprised of major developments in cases in which OCERS is a party.

Policy History

- 31.** The Board adopted this policy on December 15, 2003. The Board amended this policy on December 20, 2004; reviewed this policy with no changes on March 24, 2008; and amended this policy on August 24, 2009, May 20, 2013, March 20, 2017 and November 13, 2017.



OCERS Board Policy Securities Litigation Policy

Secretary's Certificate

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

A rectangular box containing a handwritten signature in blue ink that reads "Steve Delaney".

Steve Delaney
Secretary of the Board

11/13/2017

Date

Introduction

1. The Investment Committee (Committee) has been established by the OCERS Board to administer all matters relating to the investment of the Fund's assets and investment management. The Committee is charged with investing the assets of the system solely for the benefit of plan participants and beneficiaries while attempting to minimize employer contributions and investment and administration costs. The Committee will carry out its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
2. The Committee's core objective is to ensure that the investment program aims to achieve and maintain a fully funded status with regard to the actuarial liability of the system.
3. The Committee shall be comprised of all Board members. The Retirement Board Chair will appoint the Chair and Vice Chair for the Committee.
4. The Investment Committee has final authority on the duties, responsibilities and other matters described in this Charter and on OCERS investment-related matters generally. Notwithstanding the preceding sentence, with respect to the this *Investment Committee Charter*, the Investment Committee is an advisory committee to the Board of Retirement and the Investment Committee's recommendations regarding the *Investment Committee Charter* are subject to final approval by the Board.

Duties and Responsibilities

- ~~5.~~ Responsible for the oversight of OCERS investments.
- ~~5-6.~~ Responsible for the oversight of OCERS' monitoring of and participation in securities litigation cases.
- ~~6-7.~~ Conduct a study of the relationship between the assets and liabilities of OCERS not less than every three years.
- ~~7-8.~~ Set the Fund's overall investment objectives, risk tolerance and performance standards.
- ~~8-9.~~ Approve an Investment Policy Statement including investment objectives, review and confirm or amend such policy on an as needed basis.
- ~~9-10.~~ Approve the hiring of investment consultants.
- ~~10-11.~~ Approve the hiring of investment managers.
- ~~11-12.~~ Review and approve the *Chief Investment Officer Charter* and all of the policies assigned to Investment Committee (*i.e.*, all investment policies and investment strategic plans) at least once every three years in accordance with the schedule set forth in the *OCERS Charters and Policies Review Schedule*.

Investment Committee Charter

Meetings

~~12-13.~~ The Committee will meet once a month and otherwise on an as needed basis as determined by the Committee Chair in consultation with the Board Chair.

Monitoring and Reporting

~~13-14.~~ Ensure that investments are made in conformance with the applicable investment policies.

~~14-15.~~ Review the investment performance of the portfolio as a whole, the asset classes and the individual investment managers retained by OCERS.

~~15-16.~~ Monitor the investment consultants retained to advise the Committee.

~~16-17.~~ Review investments related costs.

~~17-18.~~ Perform any other duties assigned by the Retirement Board Chair.

Manager Monitoring Subcommittee

~~18-19.~~ The Manager Monitoring Subcommittee has been established to perform the Investment Committee's oversight responsibilities of incumbent investment advisor and managers. The Manager Monitoring Subcommittee is an advisory subcommittee to the Investment Committee. The subcommittee shall consist of four members of the Investment Committee to be appointed by the Board chair and serving a one-year term. The subcommittee chair and vice-chair shall also be appointed by the Board chair. The subcommittee shall generally meet monthly with such frequency as necessary to assure that all investment managers are reviewed by the subcommittee every three years three years unless waived by the Subcommittee for consistent satisfactory performance or other good cause, and that underperforming managers are reviewed more frequently if deemed necessary by the CIO, the staff coordinator, the subcommittee or the Investment Committee.

~~19-20.~~ The Subcommittee shall have the following responsibilities and powers:

- a. To receive and review investment manager presentations, consultant due diligence reports, performance histories and reports, and staff reports concerning specific managers invited to present before the subcommittee.
- b. To review investment managers' performance on an absolute and relative basis, and their fees.
- c. To make recommendations or provide guidance to the CIO regarding the managers' mandates.
- d. To have minutes of the meeting be reported to the full Investment Committee as a Consent agenda item the following month.
- e. To make oral reports to the full Investment Committee as requested by the Committee chair.
- f. To recommend to the Investment Committee that an individual investment manager be placed on watch or removed from watch status, or terminated for good reason.

OCERS Board Charter Investment Committee Charter

- g. To recommend that the Investment Committee review an individual manager with exceptional performance, either above or below its peer group.

Review and Amendment of Charter

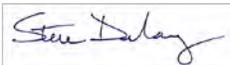
~~20-21.~~ The Investment Committee will review this *Investment Committee Charter* at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

Charter History

~~21-22.~~ This Charter was adopted by the Board of Retirement on November 18, 2002, and amended by the Board on May 21, 2012. ~~The Investment Committee approved further revisions on~~ October 29, 2014. ~~This Charter was further amended by the Board of Retirement on~~ July 20, 2015. ~~The Investment Committee approved further revisions on~~ April 27, 2016 and November 13, 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

4/27/16

Date

Introduction

1. The Investment Committee (Committee) has been established by the OCERS Board to administer all matters relating to the investment of the Fund's assets and investment management. The Committee is charged with investing the assets of the system solely for the benefit of plan participants and beneficiaries while attempting to minimize employer contributions and investment and administration costs. The Committee will carry out its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
2. The Committee's core objective is to ensure that the investment program aims to achieve and maintain a fully funded status with regard to the actuarial liability of the system.
3. The Committee shall be comprised of all Board members. The Retirement Board Chair will appoint the Chair and Vice Chair for the Committee.
4. The Investment Committee has final authority on the duties, responsibilities and other matters described in this Charter and on OCERS investment-related matters generally. Notwithstanding the preceding sentence, with respect to this *Investment Committee Charter*, the Investment Committee is an advisory committee to the Board of Retirement and the Investment Committee's recommendations regarding the *Investment Committee Charter* are subject to final approval by the Board.

Duties and Responsibilities

5. Responsible for the oversight of OCERS investments.
6. Responsible for the oversight of OCERS' monitoring of and participation in securities litigation cases.
7. Conduct a study of the relationship between the assets and liabilities of OCERS not less than every three years.
8. Set the Fund's overall investment objectives, risk tolerance and performance standards.
9. Approve an Investment Policy Statement including investment objectives, review and confirm or amend such policy on an as needed basis.
10. Approve the hiring of investment consultants.
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12. Review and approve the *Chief Investment Officer Charter* and all of the policies assigned to Investment Committee (*i.e.*, all investment policies and investment strategic plans) at least once every three years in accordance with the schedule set forth in the *OCERS Charters and Policies Review Schedule*.

Investment Committee Charter

Meetings

13. The Committee will meet once a month and otherwise on an as needed basis as determined by the Committee Chair in consultation with the Board Chair.

Monitoring and Reporting

14. Ensure that investments are made in conformance with the applicable investment policies.
15. Review the investment performance of the portfolio as a whole, the asset classes and the individual investment managers retained by OCERS.
16. Monitor the investment consultants retained to advise the Committee.
17. Review investments related costs.
18. Perform any other duties assigned by the Retirement Board Chair.

Manager Monitoring Subcommittee

19. The Manager Monitoring Subcommittee has been established to perform the Investment Committee's oversight responsibilities of incumbent investment advisor and managers. The Manager Monitoring Subcommittee is an advisory subcommittee to the Investment Committee. The subcommittee shall consist of four members of the Investment Committee to be appointed by the Board chair and serving a one-year term. The subcommittee chair and vice-chair shall also be appointed by the Board chair. The subcommittee shall generally meet monthly with such frequency as necessary to assure that all investment managers are reviewed by the subcommittee every three years unless waived by the Subcommittee for consistent satisfactory performance or other good cause, and that underperforming managers are reviewed more frequently if deemed necessary by the CIO, the staff coordinator, the subcommittee or the Investment Committee.
20. The Subcommittee shall have the following responsibilities and powers:
 - a. To receive and review investment manager presentations, consultant due diligence reports, performance histories and reports, and staff reports concerning specific managers invited to present before the subcommittee.
 - b. To review investment managers' performance on an absolute and relative basis, and their fees.
 - c. To make recommendations or provide guidance to the CIO regarding the managers' mandates.
 - d. To have minutes of the meeting be reported to the full Investment Committee as a Consent agenda item the following month.
 - e. To make oral reports to the full Investment Committee as requested by the Committee chair.
 - f. To recommend to the Investment Committee that an individual investment manager be placed on watch or removed from watch status, or terminated for good reason.

Investment Committee Charter

- g. To recommend that the Investment Committee review an individual manager with exceptional performance, either above or below its peer group.

Review and Amendment of Charter

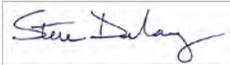
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Secretary's Certificate

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

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.

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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) 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."

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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.
 - 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

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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

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

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.

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- ii. A Motion to Limit Debate may be used with any motion.
 - iii. 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.
 - viii. 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.

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Voting Protocols for the Alternate Seventh Member of the Board

17. The alternate seventh member of the Board² will vote as a member of the Board under the following circumstances:

- a. When one of the OCERS membership-elected Board members is absent from a board meeting for any cause the alternate seventh member will vote in place of the absent Board member;
- b. When there is a vacancy with respect to any of the OCERS membership-elected Board members the alternate seventh member will fill the vacancy and vote in place of the vacant Board position;
- c. When a member of the same service (i.e., sheriffs or fire) as the alternate seventh member is before the Board for determination of his or her retirement, the alternate seventh member will vote in place of the seventh member and the seventh member will not vote, unless one of the OCERS membership-elected Board members is absent or there is a vacancy with respect to any of the OCERS membership-elected Board members, in which case, both the seventh member and the alternate seventh member will vote on that determination, with the alternate seventh member voting for the absent or vacant Board member.

Scope of Rules and Disputes

~~17-18.~~ 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.

~~18-19.~~ 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.

~~19-20.~~ 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.

²The seventh member of the Board is a safety member elected by the safety members of the system. The alternate seventh member of the Board is the candidate from the group under Government Code §31470.2 (sheriffs, etc.) or 31470.4 (firefighters, etc.) that is not represented by the seventh member, and who received the highest number of votes of all candidates in that group. (See Government Code §31520.11(a).)

OCERS Rules of Parliamentary Procedure

Rules Review

~~20-21.~~ The Board of Retirement shall review these rules at least every three (3) years to ensure that they remain relevant and appropriate.

Policy History

~~21-22.~~ 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, ~~October 16, 2017~~ and November 13, 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.



~~10/16/17~~ 11/13/17

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.

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- 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.

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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) 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:
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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.
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 - 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.
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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

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 - 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.
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 - 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.

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.

OCERS Rules of Parliamentary Procedure

- ii. A Motion to Limit Debate may be used with any motion.
 - iii. 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.
 - viii. 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.

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

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

- 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.

OCERS Rules of Parliamentary Procedure

Voting Protocols for the Alternate Seventh Member of the Board

17. The alternate seventh member of the Board² will vote as a member of the Board under the following circumstances:
 - a. When one of the OCERS membership-elected Board members is absent from a board meeting for any cause the alternate seventh member will vote in place of the absent Board member;
 - b. When there is a vacancy with respect to any of the OCERS membership-elected Board members the alternate seventh member will fill the vacancy and vote in place of the vacant Board position;
 - c. When a member of the same service (i.e., sheriffs or fire) as the alternate seventh member is before the Board for determination of his or her retirement, the alternate seventh member will vote in place of the seventh member and the seventh member will not vote, unless one of the OCERS membership-elected Board members is absent or there is a vacancy with respect to any of the OCERS membership-elected Board members, in which case, both the seventh member and the alternate seventh member will vote on that determination, with the alternate seventh member voting for the absent or vacant Board member.

Scope of Rules and Disputes

18. 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.
19. 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.
20. 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

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

²The seventh member of the Board is a safety member elected by the safety members of the system. The alternate seventh member of the Board is the candidate from the group under Government Code §31470.2 (sheriffs, etc.) or 31470.4 (firefighters, etc.) that is not represented by the seventh member, and who received the highest number of votes of all candidates in that group. (See Government Code §31520.11(a).)

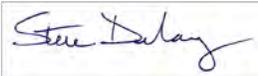
OCERS Rules of Parliamentary Procedure

Policy History

22. 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, October 16, 2017 and November 13, 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.



11/13/2017

Steve Delaney
Secretary of the Board

Date

Actuarial ~~Extract Valuation~~ Policy ~~and Process~~

Purpose

1. ~~In compliance with Section 31453 of the California Employees Retirement Law of 1937 ("CERL"), OCERS (the "System") shall conduct an annual actuarial valuation to determine the value of assets and liabilities and the funding requirements of the System. The valuation shall be conducted under the supervision of an actuary and shall cover the mortality, service and compensation experience of the System's members and beneficiaries. Each year OCERS' staff extracts system data to transmit to the actuary consisting of individual member and payee records, and asset and financial information for participating plan sponsors. This is referred to as an Actuarial Extract. The actuary utilizes this data in preparation of the Annual Valuation. It is imperative that the actuary receive accurate and complete system data in order to properly calculate assets and liabilities. This Actuarial Extract Policy identifies the process OCERS' staff and the actuary follow to ensure the Actuarial Extract contains accurate and complete system data, and defines the roles and responsibilities of each.~~

Policy Objectives

2. ~~To ensure compliance with the CERL with regards to conducting annual actuarial valuations that determine the value of assets and liabilities and the funding requirements of the system.;~~
3. ~~Define roles and responsibilities of staff, actuary and Board of Retirement in preparing an annual actuarial valuation.~~
4. ~~Support the general public policy goals of accountability and transparency by being clear as to the annual valuation process that includes the use of complete and accurate data.~~
2. ~~Each year when the actuarial extract is processed, OCERS' staff will identify and confirm requested data elements from the actuary. Data will be extracted from the Pension Administration System (the "PAS") as well as ad hoc supplemental reports as required to create one extract file for active and deferred members and one extract file for retired members and other payees. Once the extract files is are generated, OCERS' staff will create and review the results and correct information in the PAS as needed to ensure accuracy and consistency with the data received from Plan Sponsors queries listing data elements that may need correction in the PAS. The extract is rerun as needed. Once the files have been delivered to the actuary, OCERS staff will work in conjunction with the actuary to ensure that the data is complete and as accurate as possible. Communication between the actuary and OCERS confirms the data in the final extract used for the annual valuation is accurate. All staff involved in the extract process will be copied on all written communication and emails to ensure understanding and compliance. The actuary will provide draft valuation results to the Board of Retirement for review and to solicit questions from Board members and Plan Sponsors. The Board of Retirement will provide final approval of the valuation and contribution rates.~~

3-5. Definitions

Actuarial Extract: a ~~reset of~~ computer generated files that ~~is-are~~ compiled by OCERS from its Pension Administration System. It captures individual member data including Gross Salary, Pensionable Salary, Earnable Salary, Pensionable Pay Items, accumulated service, demographic data and contribution data.

Actuarial ~~Extract Valuation~~ Policy ~~and Process~~

Ad Hoc Actuarial Extract Review Committee: an internal OCERS' committee consisting of management and line staff ~~with which has~~ the primary purpose of reviewing the data used in the final Actuarial Extract submitted to the actuary.

Annual Actuarial Valuation: a report generated by OCERS' retained actuary as of December 31st of each year, setting forth plan membership demographics, rate group structure, contributions on deposit, funding obligations of members and plan sponsors, contribution rates and funding progress.

~~Exceptions: computer generated validations triggered by OCERS' Pension Administration System during the processing of payroll data from Plan Sponsors. The exceptions do not prevent data from being submitted to OCERS, but still need to be reviewed and corrected, if warranted, before the payroll data is posted to member or employer records. Exceptions regarding contributions create a discrepancy which is not cleared until it is resolved.~~

Earnable Salary: the total salary an OCERS' member could have earned ~~for working their regular schedule each pay period during a bi-weekly pay period.~~ This is calculated by multiplying the member's hourly rate by the number of hours the member could have worked in a reported pay period based on their work schedule (full time or eligible part time).

Gross Salary: the total payment made to a member within a reported bi-weekly pay period salary an OCERS' member was actually paid during each pay period.

Pensionable Pay Items: the elements of compensation in addition to Pensionable Salary that OCERS' members earned during each pay period.

Pensionable Salary: the total salary an OCERS' member actually earned during each pay period a bi-weekly pay period, excluding Pensionable Pay Items. This is calculated by multiplying the member's hourly rate by the number of hours the member actually worked in a reported pay period.

Pension Administration System (PAS): the software program OCERS uses to store member and plan sponsor data, calculate pensions, receive payroll transmittals, calculate benefits, run queries and reports containing contribution and membership demographic data, and communicate with members, plan sponsors and stakeholders.

~~Trial Actuarial Extract: a trial report run by OCERS' staff prior to submission of the Actuarial Extract to the actuary. It is used for review purposes by staff to ensure that the data being captured is complete and accurate. It can be run as many times as necessary before submitting the Actuarial Extract to the actuary.~~

Process Policy Guidelines

~~4.6. Annually, OCERS staff will work with the System's actuary to review and produce an Annual Actuarial Valuation. Each December, the actuary sends OCERS a written request to the Assistant CEO of Finance/Internal Operations listing specific required data the actuary needs from OCERS to perform the Annual Valuation. The requested information is pulled from the OCERS PAS via the Actuarial Extract file.~~

7. Each year OCERS' staff will identify and confirm requested data elements from the actuary.

Actuarial ~~Extract Valuation~~ Policy ~~and Process~~

8. The Ad Hoc Actuarial Extract Review Committee will prepare an Actuarial Extract from the Pension Administration System as well as additional ad hoc supplemental reports as required to provide requested data for active, deferred, and retired members as well as for and other payees such as beneficiaries and domestic relation orders. The data will be collected as of calendar year end.
9. Once the data is generated, the Ad Hoc Actuarial Extract Review Committee will review and analyze the results and correct information in the Pension Administration System as needed to ensure accuracy and consistency with the data received from Plan Sponsors. Elements of data to be reviewed and analyzed will include Gross Salary, Earnable Salary, Pensionable Salary and Pensionable Pay Items.
10. The Ad Hoc Actuarial Extract Review Committee will deliver the Actuarial Extract, ad hoc supplemental reports and any other requested information to the actuary in accordance with the agreed upon schedule. OCERS staff will work in conjunction with the actuary to ensure that the data is complete and as accurate as possible. This will entail additional analysis of the data submitted by the actuary and research and response to questions by the Ad Hoc Actuarial Extract Review Committee.
- ~~5-11. The accurate and complete reporting of member demographic, employment, payroll and contribution data is required from all Plan Sponsors. OCERS' Member Services staff works with the Plan Sponsors to clear and post all pending transmittal exceptions no later than the end of January.~~
- ~~6. Every three to five years an external third party actuary will conduct an audit of the annual valuation. In February the IT Programming staff runs the Actuarial Extract file. They create queries to identify data anomalies in member status, service hours, salary, contributions, and payments. Data clean up reports are provided to Member Services and Finance staff to review and correct data prior to the submission of the first Actuarial Extract file sent to the actuary.~~
- ~~7-12. Under the guidelines of the Actuarial Funding Policy, the actuary will use data provided by OCERS to produce the annual valuation. The data will be collected as of calendar year end. The data provided will be consistent with the data received from Plan Sponsors and contained in the PAS. Annual valuation data and results are the source information for OCERS triennial study. After initial data clean up is complete, the extract is rerun by IT Programming staff and data is validated by staff in IT Programming, Finance, Member Services and the Ad Hoc Actuarial Extract Review Committee.~~
- ~~8-13. The actuary will present draft annual actuarial valuations to the Board of Retirement in or around May of each year. IT programming staff imports the Actuarial Extract file data into an Access database to enable staff Member Services and Finance staff to confirm data accuracy and create a test sample including records from each plan sponsor, plan, rate group and Tier. A reasonableness test is done to ensure the file contains accurate and complete data for use by the actuary in the Annual Valuation.~~
14. The Board of Retirement will give final approval of the valuation and contribution rates each year. The Assistant CEO of Finance/Internal Operations sends initial summary data to each plan sponsor consisting of that plan sponsor's member data and contribution records for review and feedback.

Actuarial ~~Extract Valuation~~ Policy ~~and Process~~

15. Every three to five years an external third-party actuary will conduct an audit of the annual valuation.

~~9. The first Actuarial Extract file is sent to the actuary for review. The actuary may request clarification or additional information. If further data clean up is required in PAS, IT Programming provides reports to Member Services and Finance staff and the data is corrected by the appropriate division.~~

~~10. The Actuarial Extract file is regenerated and sent to the actuary. The actuary analyzes the data and informs OCERS if any data elements have been revised by them so we can review and approve the revisions.~~

~~11. No later than May of each year, the final Actuarial Extract file is audited by Finance staff and reviewed by the Ad Hoc Actuarial Oversight Committee. The Committee will authorize the submission of the final file to the actuary, which will be used for the Annual Valuation.~~

Policy Review

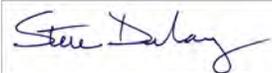
~~12-16.~~ The Board of Retirement will review this Policy at least once every three years to ensure that it remains relevant and appropriate.

Policy History

~~13-17.~~ The Board of Retirement adopted this policy on June 18, 2012.

Secretary's Certificate

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



6/18/12

Steve Delaney
Secretary of the Board

Date

Purpose

1. In compliance with Section 31453 of the California Employees Retirement Law of 1937 (“CERL”), OCERS (the “System”) shall conduct an annual actuarial valuation to determine the value of assets and liabilities and the funding requirements of the System. The valuation shall be conducted under the supervision of an actuary and shall cover the mortality, service and compensation experience of the System’s members and beneficiaries.

Policy Objectives

2. To ensure compliance with the CERL with regards to conducting annual actuarial valuations that determine the value of assets and liabilities and the funding requirements of the system.
3. Define roles and responsibilities of staff, actuary and Board of Retirement in preparing an annual actuarial valuation.
4. Support the general public policy goals of accountability and transparency by being clear as to the annual valuation process that includes the use of complete and accurate data.
5. Definitions

Actuarial Extract: a set of computer generated files that are compiled by OCERS from its Pension Administration System. It captures individual member data including Gross Salary, Pensionable Salary, Earnable Salary, Pensionable Pay Items, accumulated service, demographic data and contribution data.

Ad Hoc Actuarial Extract Review Committee: an internal OCERS committee consisting of management and line staff which has the primary purpose of reviewing the data used in the final Actuarial Extract submitted to the actuary.

Annual Actuarial Valuation: a report generated by OCERS retained actuary as of December 31st of each year, setting forth plan membership demographics, rate group structure, contributions on deposit, funding obligations of members and plan sponsors, contribution rates and funding progress.

Earnable Salary: the total salary an OCERS member could have earned during a bi-weekly pay period. This is calculated by multiplying the member’s hourly rate by the number of hours the member could have worked in a reported pay period based on their work schedule (full time or eligible part time).

Gross Salary: the total payment made to a member within a reported bi-weekly pay period.

Pensionable Pay Items: the elements of compensation in addition to Pensionable Salary that OCERS members earned during each pay period.

Pensionable Salary: the total salary an OCERS member actually earned during a bi-weekly pay period, excluding Pensionable Pay Items. This is calculated by multiplying the member’s hourly rate by the number of hours the member actually worked in a reported pay period.

OCERS Board Policy

Actuarial Valuation Policy

Pension Administration System: the software program OCERS uses to store member and plan sponsor data, calculate pensions, receive payroll transmittals, calculate benefits, run queries and reports containing contribution and membership demographic data, and communicate with members, plan sponsors and stakeholders.

Policy Guidelines

6. Annually, OCERS staff will work with the System's actuary to review and produce an Annual Actuarial Valuation.
7. Each year OCERS' staff will identify and confirm requested data elements from the actuary.
8. The Ad Hoc Actuarial Extract Review Committee will prepare an Actuarial Extract from the Pension Administration System as well as additional ad hoc supplemental reports as required to provide requested data for active, deferred, and retired members as well as for and other payees such as beneficiaries and domestic relation orders. The data will be collected as of calendar year end.
9. Once the data is generated, the Ad Hoc Actuarial Extract Review Committee will review and analyze the results and correct information in the Pension Administration System as needed to ensure accuracy and consistency with the data received from Plan Sponsors. Elements of data to be reviewed and analyzed will include Gross Salary, Earnable Salary, Pensionable Salary and Pensionable Pay Items.
10. The Ad Hoc Actuarial Extract Review Committee will deliver the Actuarial Extract, ad hoc supplemental reports and any other requested information to the actuary in accordance with the agreed upon schedule. OCERS staff will work in conjunction with the actuary to ensure that the data is complete and as accurate as possible. This will entail additional analysis of the data submitted by the actuary and research and response to questions by the Ad Hoc Actuarial Extract Review Committee.
11. The accurate and complete reporting of member demographic, employment, payroll and contribution data is required from all Plan Sponsors.
12. Under the guidelines of the Actuarial Funding Policy, the actuary will use data provided by OCERS to produce the annual valuation. Annual valuation data and results are the source information for OCERS triennial study.
13. The actuary will present draft annual actuarial valuations to the Board of Retirement in or around May of each year.
14. The Board of Retirement will give final approval of the valuation and contribution rates each year.
15. Every three to five years an external third-party actuary will conduct an audit of the annual valuation.

OCERS Board Policy **Actuarial Valuation Policy**

Policy Review

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

Policy History

17. The Board of Retirement adopted this policy on June 18, 2012.

Secretary's Certificate

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



6/18/12

Steve Delaney
Secretary of the Board

Date

C-4

Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, General Counsel
SUBJECT: PROPOSED SACRS BY-LAWS AMENDMENT AND DIRECTION TO VOTING DELEGATE

Recommendation

Direct the SACRS voting delegate and alternate delegates to vote “yes” on the proposed amendments to the SACRS By-Laws, which will be presented to the SACRS membership for a vote at the SACRS business meeting on November 17, 2017.

Background/Discussion

At the SACRS Annual Business meeting to be held on November 17, 2017, the SACRS Bylaws Committee will propose amendments to the SACRS By-Laws. A copy of the proposal is attached. Among other things, the amendments would clarify the election procedures for SACRS Officers and Directors, and would satisfy the OCERS Board’s previous concerns regarding the role of the SACRS Nominating Committee and the preparation of “recommended” and “final” ballots.

Proposed **Section 2 of Article VIII (BOARD OF DIRECTORS) of the Bylaws** would apply to both Officer and Director elections, and would provide as follows:

Section 2. Elections of Directors. Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year (if March 1 is not a Business Day, then nominations must be received by the Nominating Committee no later than noon on the immediately next Business Day). Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor, on the day of the election shall not be accepted.

The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee’s suggested slate to each trustee and placing the election of SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.

Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform to Article V, Sections 6 and 7 of these Bylaws.

Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer

shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.

In addition, the proposed amendments would clarify that the Nominating Committee is responsible for ascertaining the availability and interest of regular members to serve as Directors and Officers of SACRS, and include language to ensure geographic diversity on the Nominating Committee. (See **Section 2 of Article XI (STANDING COMMITTEES).**)

Other important revisions include:

- Greater detail regarding the role of the SACRS Education Committee and the responsibilities of members of the committee (see Article XI, Section 8);
- A prohibition against any member serving simultaneously on more than one standing committee (see Article XI, Section 11); and
- A prohibition against any standing committee having more than one representative from each system (see Article XI, Section 12).

Staff believes all of the proposed amendments are acceptable, and recommends the SACRS voting delegate and alternate delegates be directed to vote “yes” on the proposed amendments to the SACRS By-Laws at the SACRS business meeting on November 17, 2017.

Attachment

Submitted by:



Gina M. Ratto
General Counsel



BYLAWS
STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

~~(Amended November 11, 2005)~~
~~(Amended May 11, 2007)~~
~~(Amended May 16, 2008)~~
~~(Amended November 13, 2009)~~
~~(Amended November 14, 2014)~~
~~(Amended May 13, 2016)~~
~~(Amended May 19, 2017)~~

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ARTICLE I
NAME, MISSION, PURPOSES AND GENERAL POLICY

Section 1. Name. The name of this corporation is State Association of County Retirement Systems (“SACRS”).

Section 2. Mission. The mission of this organization shall be to serve the 1937 Act Retirement Systems by exchanging information, providing education and analyzing legislation.

Section 3. General Purpose. SACRS is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the California Nonprofit Public Benefit Corporation Law for public purposes.

Section 4. Specific Purpose. The specific and primary purposes of SACRS are to provide forums for disseminating knowledge of and developing expertise in the operation of county retirement systems existing under the County Employees Retirement Law of 1937 as set forth in California Government Code section 31450 et. seq., and to foster and take an active role in the legislative process as it affects county retirement systems.

Section 5. Limitations. SACRS is organized exclusively for purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code of 1986, as amended (the “Code”), or the corresponding provisions of any future United States Internal Revenue Law. Notwithstanding any other provision of these Bylaws, SACRS shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of SACRS, and SACRS shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(4) of the Code or the corresponding provisions of any future United States Internal Revenue Law.

Section 6. Private Benefit. All of SACRS’ property is irrevocably dedicated to social welfare purposes. No part of the net earnings of SACRS shall inure to the benefit of any of its Directors, or any other person or individual.

ARTICLE II
OFFICES

Section 1. Offices. The principal office for the transaction of the business, activities and affairs of SACRS is located in Sacramento, California. The Board of Directors of SACRS (the “Board”) may change the principal office from one location to another.

Section 2. Branch Offices. Branch or subordinate offices may be established at any time by the Board at any place or places.

ARTICLE III
MEMBERSHIP

Section 1. Membership. SACRS shall be composed of regular, associate, nonprofit and affiliate members as hereinafter defined.

~~(a)~~A. Regular Membership. Regular membership shall be extended to all duly elected or appointed members of ~~Boards of County~~ Retirement and Investments Boards operating under the County Employees Retirement Law of 1937, California Government Code 31450 et seq. Regular membership shall also be extended to the Administrator of a system operating under the County Employees Retirement Law of 1937 when said Administrator is employed by and reports directly to the Retirement Board of the Member county.

~~(b)~~B. Associate Membership. Associate membership shall be extended to (i) the staff of County Retirement and/or Investment Boards; (ii) those staff of the County Treasurer whose specific duties are retirement related; and (iii) legal counsel advising County Retirement and Investment Boards.

~~(c)~~C. Nonprofit Membership. Nonprofit organizations having an active interest in the purpose of SACRS may be extended nonprofit membership upon (i) the appropriate letter of application approved by the majority vote of the Board, and (ii) payment of the annual Nonprofit membership dues as set forth under Article III, Sections 5 and 6 herein. Nonprofit members will be comprised of two distinct tiers as follows: (i) Nonprofit Retirement Systems - defined as public retirement systems not eligible for regular membership; and (ii) Nonprofit Organizations - defined as nonprofit organization other than public retirement systems.

~~(d)~~D. Affiliate Membership. Affiliate membership may be extended to a retirement-related business or institutional investment-related company or firm on a first come, first served basis as follows: (i) submission of an appropriate letter of application approved by a majority vote of the Board; and (ii) payment of the annual Affiliate membership dues as set forth under Article III, Sections 5 and 6 herein.

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~~(e)~~E. Past Presidents. Past Presidents who are no longer eligible for regular membership under Article III, Section 1(~~a~~A), and who are not eligible for associate or affiliate membership under Article III, Section 1(~~b~~B) and (~~d~~D), shall be afforded lifetime membership and the privileges of membership held in the name of SACRS; and shall have their annual regular membership dues as defined in Article III, Section 5(~~a~~A) and conference registration fees waived by SACRS.

Section 2. Rights of Regular Membership. Regular member County Retirement Systems shall have the right to vote, as set forth in these Bylaws, on (i) the election of the ~~officers~~Officers/Directors, ~~on~~(ii) the disposition of all or substantially all of the corporation's assets, ~~on~~(iii) any merger and its principal terms and any amendment of those terms, and ~~on~~(iv) any election to dissolve the corporation. In addition, the regular member County Retirement Systems shall have all rights afforded members under the California Nonprofit Public Benefit Corporation Law.

Section 3. Rights of Associate and Affiliate Membership. Associate and affiliate members shall be accorded all the rights and privileges to which any regular member is entitled except the right to vote and as specifically restricted in the Articles of Incorporation and these Bylaws. ~~Associate and affiliate members are not entitled to vote.~~

All associate and affiliate memberships shall be held in the name of the County Retirement System, organization or firm. Membership shall not be personal to an individual.

Affiliate member organizations must designate two (2) representatives by name, on their Letter of Application. Only the Affiliate's two (2) designated representatives shall be afforded registration at SACRS meetings unless specific exceptions are made by a majority vote of the Board.

Section 4. Rights of Nonprofit Membership. Nonprofit Retirement Systems may have up to ten (10) delegates attend the regular meetings, and Nonprofit Organizations may have up to two (2) delegates attend the regular meetings. Nonprofit members are not entitled to vote.

Section 5. Membership Dues and Fees.

A. ~~(a)~~ Regular Members. Regular member County Retirement Systems shall pay annual dues as approved by the organization's delegates at any noticed meeting. This fee shall, in addition to a regular membership, entitle the member systems to an annual associate membership under Article III, Section 1(~~b~~B) herein.

~~(b)~~ B. Nonprofit Members. Nonprofit members shall pay annual dues in any amount determined by the Board.

C. ~~(c)~~ Affiliates. Affiliate members shall pay annual dues in any amount determined by the Board.

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~~D.~~ ~~(d)~~ Registration. Registration fees for meetings may be charged to all members in addition to annual dues.

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Section 6. Payment of Annual Dues. Annual dues are due and payable July 1 and are delinquent July 31 of each year. Registration fees are due at the discretion of the Board.

Section 7. Membership Code of Conduct.

~~(a)~~ A. Policy ~~Against~~ Harassment, Discrimination, and Retaliation. SACRS is committed to providing an environment free from harassment and maintains a strict policy that forbids sexual harassment and other harassment, discrimination and retaliation based on race, color, national origin, ancestry, religion and religious creed, political affiliation, citizenship, sex, gender, gender identity, sexual orientation, age, pregnancy or breastfeeding, medical conditions, marital status, medical condition, physical or mental disability, or any other protected classification under federal, state or local law.

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~~(b)~~ B. Standard of Decorum and Professionalism. SACRS members, representatives, family members, and guests are expected to maintain appropriate decorum and professionalism to improve the deliberative process and foster the integrity of the SACRS community. Verbal or non-verbal conduct which has the purpose or effect of affecting a person's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment will not be tolerated, regardless of whether such behavior amounts to unlawful conduct. Such inappropriate behavior includes, but is not limited to, the use of profanity, threats, offensive gestures, racial slurs, ethnic jokes, posting of offensive statements or pictures, derogatory remarks, insults, epithets, verbal or physical conduct that a reasonable person would find threatening, intimidating, or humiliating, assault or other unwelcome physical conduct, or other similar conduct.

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~~(c)~~ C. Penalties for Violation. Any person found in violation of the SACRS Code of Conduct by the Board of Directors may, within the discretion of Board of Directors and as permitted by law, be temporarily or permanently barred from attending or participating in any SACRS conference, meeting, function, or event. Any member found in violation of the SACRS Code of Conduct by the Board of Directors may be subject to penalty within the discretion of Board of Directors and as permitted by law, including but not limited to:

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- (1) Warning and/or Censure;
- (2) Suspension or revocation of the privileges of any member or their designated representatives;
- (3) Suspension of membership; and,
- (4) Termination of membership.

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~~(d)~~ D. Affiliate Guidelines. Affiliate Members are and remain subject to additional guidelines as have been or may be approved by the Board ~~of Directors~~.

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(e) No Duty. Although SACRS endeavors to create a respectful and welcoming environment for its membership, representatives, and other guests, it does not by this Code of Conduct or any other act, voluntarily assume a duty to do so, except as otherwise required by federal, state, or local law.

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ARTICLE IV **DELEGATES**

Section 1. Delegates. Regular member County Retirement Systems shall be entitled to one (1) voting delegate. The delegate shall be designated in writing by the County Retirement Board and shall be a regular member from the member County Retirement System consistent with Article III, Section 1 (a) herein.

Section 2. Alternate Delegates. Alternate delegates may be designated in writing by the member County Retirement Board.

Section 3. Voting by Delegates/Alternative Delegates. Voting delegates serve as a proxy for their respective County Retirement System. The delegate or alternative delegate shall vote as directed by their respective County Retirement System.

Section 4. Credentials. Credentials for the delegates who are voting participants shall be filed with the Credentials Committee in writing prior to any meeting of SACRS at which voting will take place. Credentials shall include the names of the member County Retirement System, the delegate and alternate delegates, if any, consistent with Article IV, Sections 1 and 2 of these Bylaws.

ARTICLE V **MEMBER MEETINGS**

Section 1. Regular Meetings. The membership shall meet to conduct SACRS business once in the Spring and once in the Fall of each calendar year. These meetings shall be referred to as regular meetings.

Section 2. Special Meetings. Special meetings of the membership may be called by (i) a resolution of the membership at a meeting or (ii) a majority vote of the Board.

Section 3. Site Selection for Meetings. The meeting sites shall be designated by the Board.

Section 4. Agenda for Business Meetings. The Board shall be responsible for the final agenda of all SACRS meetings. The business meeting agendas shall be mailed by first-class postage or provided by Electronic Transmission (as defined in ~~Section 2 of~~ Article XVII, Section 2) to all members no later than ten (10) days prior to any meeting.

Section 5. Quorum. The presence of eleven (11) credentialed delegates (as defined in Article IV, Section 4) shall constitute a quorum for the transaction of business at all SACRS meetings. If, however, the attendance at any SACRS meeting, whether in person or by proxy, is less than one-third (1/3) of the voting power, the members may vote only on those matters specified in the

meeting agenda described in Article V, Section 4 herein. Meetings may be restricted to regular members only by a majority vote of the quorum present.

Section 6. Voting. Voting at meetings of SACRS shall be the exclusive privilege of the delegates or alternate delegates. Voting delegates or alternate delegates must have proper credentials on file consistent with Article IV, Section 34 herein prior to voting. Each delegate or alternate delegate may cast one (1) vote on each matter submitted to vote of the members. Voting shall be by open roll-call. A simple majority vote of the quorum present shall pass all issues considered by the regular membership unless otherwise specified in the Articles of Incorporation or these Bylaws. A roll-call vote of delegates and alternate delegates shall decide any voice vote in doubt by the regular members present.

Section 7. Proxy. A delegate may issue his or her proxy to an alternate delegate from the same member County Retirement System. All proxies must be in writing, signed and filed with the Credentials Committee prior to voting.

Section 8. Procedures. All meetings of SACRS shall be governed by Robert's Rules of Order unless other rules are specifically provided herein. The rules shall be interpreted at meetings, as necessary, by a parliamentarian appointed by the President prior to the first order of business.

Section 9. Resolutions. Any regular, associate and non-profit member may submit resolutions for consideration by the regular membership at any ~~meetings~~meeting. Submission of such resolutions shall be made in writing and sent by certified mail to the President at least thirty (30) days prior to any meeting of SACRS ~~at which the proposed resolution is to be considered for a vote. The President shall provide a sufficient number of legible copies of the proposed resolutions to allow delegates and alternate delegates to receive one (1) copy each before voting. Additional copies shall be made available to the membership at meetings.~~

~~Any resolution not so submitted shall first, in order to be considered by the membership, obtain a consent vote for introduction of two thirds (2/3) of the voting delegates or alternate delegates present at the session at which such resolution is to be offered from the floor. The member requesting such consent shall have a sufficient number of legible copies of such proposed resolution available, so that the delegates and alternate delegates present may receive one (1) copy each thereof before any vote is taken. The foregoing shall not bar the introduction of resolutions formulated by and originating with the President, or the Board, or at the request of a majority of the members of the Board, or by any standing committee.~~

Section 10. Travel Expenses. The travel expenses incurred by officers and committee members may be reimbursed ~~according to~~ in accordance with the current SACRS travel policy.

ARTICLE VI
OFFICERS

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Section 1. Officers. The officers of SACRS, upon being elected, shall ~~comprise~~serve on the Board. The officers of SACRS shall be the President, the Vice-President, the Secretary, and the Treasurer, ~~and the immediate Past President.~~

Section 2. Election, and Qualification and Term of Office. The officers of SACRS shall be regular members of SACRS. The officers shall be elected pursuant to the procedure described in Article VIII, Section 2 by a majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year ~~and shall hold office for one (1) year and until a successor is elected.~~

Section 3. Resignation of Officers. Any officer may resign ~~at any time by giving written notice pursuant to the Board or to the President or Secretary of SACRS. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The provisions of this procedure described in Article VIII, Section 37, however said Article VIII, Section 7 shall be superseded by any conflicting terms of a contract which has been approved or ratified by the Board relating to the employment of any officer of SACRS.~~

~~**Section 4. Officer Elections.** Any regular member may submit nominations for the election of officers to the Nominating Committee, provided the Nominating Committee receives those nominations prior to February 1 of each calendar year. Nominations shall not be accepted from the floor on the day of the election. Prior to March 1 and subsequent to verification of interest, the Nominating Committee shall report its recommended ballot to each regular member County Retirement System.~~

~~The board of any regular member County Retirement System may submit write in candidates to be included in the Nominating Committee's final ballot, provided the Nominating Committee receives those write in candidates prior to March 25.~~

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

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

~~Officer elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform with Article V, Section 6 and 7 of these Bylaws.~~

~~Newly elected officers shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.~~

~~**Section 5, Section 4. President.** The President shall be the Chief Executive Officer of SACRS and shall preside over all membership meetings and Board meetings. The President shall appoint committee members and subject to the approval of the Board, and shall serve as an ex-officio~~

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member of all committees with the exception of the Nominating Committee. The President shall be responsible for the general administration of SACRS ~~in the absence of the membership.~~

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Section 65. Vice-President. The Vice-President shall, in the absence or inability of the President, perform the duties of the President.

Section 76. Secretary. The Secretary shall keep, prepare and publish prior to the next immediate regular meeting an accurate record of the proceedings of all SACRS meetings defined under Article V herein. In addition, the Secretary, ~~together with the SACRS' Administrator,~~ shall prepare and maintain a current list of members in good standing.

Section 87. Treasurer. The Treasurer shall be the Chief Financial Officer of SACRS. The Treasurer shall act as custodian of all funds and financial records of SACRS; collect, deposit and disperse funds consistent with SACRS direction; prepare and present a written detailed financial report at each meeting of SACRS.

~~**Section 9.** Immediate Past President. The immediate Past President, while he or she is a regular member of SACRS, shall also be a member of the Board. In the event the immediate Past President is unable to serve on the Board, the most recent Past President who qualifies shall serve as a member of the Board.~~

ARTICLE VII **BOARD ADVISORS**

Section 1. Chair of Affiliate Committee. The Chair of the Affiliate Membership Committee shall serve as ~~a non-voting~~ advisor and/or consultant to the Board for educational (not legislative) purposes.

Section 2. Vice Chair of Affiliate Committee. The Vice Chair of the Affiliate Membership Committee shall, in the absence or inability of the Chair of the Affiliate Committee, perform the duties of the Chair.

Section 3. Members of the Board. Neither the Chair nor the Vice Chair of the Affiliate Membership Committee is a member of the Board.

ARTICLE VIII **BOARD OF DIRECTORS**

~~**Section 1.** Section 1. Board of Directors. The Board shall consist of the officers of SACRS as described in Article VI, Section 1, the immediate Past President, and two (2) regular members.~~

~~A. Immediate Past President. The immediate Past President, while he or she is a regular member of SACRS, shall also be a member of the Board. In the event the immediate Past President is unable to serve on the Board, the most recent Past President who qualifies shall serve as a member of the Board.~~

B. Two (2) Regular Members. Two (2) regular members shall also be members of the Board with full voting rights.

Section 2. Elections of Directors. Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year (if March 1 is not a Business Day, then nominations must be received by the Nominating Committee no later than noon on the immediately next Business Day). Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor, on the day of the election shall not be accepted.

The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's suggested slate to each trustee and placing the election of SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.

Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform to Article V, Sections 6 and 7 of these Bylaws.

Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.

Section 3. General Powers. Subject to limitations of the Articles of Incorporation and these Bylaws, the activities and affairs of SACRS shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of SACRS to any person, persons, management company, or committees however composed, provided that the activities and affairs of SACRS shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

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Section 24. Special Powers. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

(a)A. To select and remove all the agents and employees of SACRS, prescribe powers and duties for them as ~~may not be inconsistent~~are consistent with law, the Articles of Incorporation or these Bylaws, and fix their compensation, ~~and require from them security for faithful service.~~

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(b)B. To conduct, manage, and control the affairs and activities of SACRS and to make such rules and regulations that are ~~not inconsistent~~consistent with the law, the

Articles of Incorporation, or these Bylaws, as they may deem best, including, but not limited to, executing all motions, resolutions, association positions and/or direction passed on by the membership at any meeting.

~~(c)C.~~ To ~~borrow money and~~ incur indebtedness, including but not limited to extensions of credit, for the purposes of SACRS, and to cause to be executed and delivered, in SACRS' name, ~~promissory notes, bond, debentures, deeds of trust, mortgages, pledges, hypothecations, or other evidence of debt and securities.~~

~~(d)D.~~ To change the principal office ~~or the principal business office~~ of SACRS in Sacramento County, California, from one location to another.

~~E.~~ ~~To adopt, make, and use a corporate seal and to alter the form of the seal from time to time, as determined by the Board.~~

~~(f)E.~~ To accept on behalf of SACRS any contribution, gift, bequest, or devise for the social welfare purposes of SACRS.

~~(g)E.~~ To report to the regular membership, in writing, as soon as possible, all actions taken by the Board under this Article VIII.

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Section 35. Term. The Directors, ~~as the officers of SACRS,~~ shall hold office for one (1) year and until a successor Director has been designated and qualified.

Section 46. Vacancies. Vacancies on the Board shall exist in the event of:

~~(a)A.~~ the death, resignation or removal of any Director;

~~(b)B.~~ the declaration by resolution of the Board of a vacancy in the office of a Director who has been (i) declared of unsound mind by a final order of a court; (ii) convicted of a felony; (iii) found by a final order of judgment of any court to have breached any duty arising under Article 3 of the California Nonprofit Public Benefit Corporations Law; or (iv) ~~the Director has been~~ absent without good cause, as determined by the remaining Directors, from regular Board meetings for either two (2) consecutive meetings or four (4) meetings in any one twelve (12) month period; and

~~(c)C.~~ the vote of a majority of the delegates or alternate delegates to remove the Director(s).

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Except for a vacancy created by the removal of a Director by the delegates and alternate delegates, ~~when vacancies occur~~ occurring on the Board ~~such vacancies~~ may be filled by Board approval ~~of the Board~~ or, if the number of Directors then in office is less than a quorum, by the affirmative vote of a majority of the Directors then in office at a meeting held pursuant to these Bylaws, or a sole remaining Director. The delegates and alternate delegates may fill any vacancy not filled by the Directors.

A person elected to fill a vacancy as provided by this Section shall hold office for the remaining term of the vacating Director, or until his or her death, resignation or removal from office.

Section 57. Resignation of Directors. Except as provided below, any Director may resign effective upon giving written notice to the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, the Board may appoint a successor ~~may be appointed by the Board~~ before such time, to take office when the resignation becomes effective and for the remaining term of the vacating Director. Except on notice to the California Attorney General, no Director may resign if the corporation would be left without a duly elected Director.

Section 68. Conflicts of Interest.

~~(a)A.~~ All Directors ~~of the Board~~ shall comply with the disclosure requirements of California Corporation Code Section 5234 concerning transactions between SACRS and any other entity in which a Director is an officer or director; and

~~(b)B.~~ SACRS will ~~make no loan of~~ not lend money or other property, or guarantee the obligation, of any Director or officer, except as authorized by California Corporation Code Section 5236.

Section 79. Compensation/Travel Policy. Directors shall serve without compensation ~~except that~~ however they ~~shall bear~~ allowed reasonable advancement or reimbursement for food and beverage, transportation, and lodging expenses incurred in the performance of their regular duties as specified in these Bylaws.

Section 810. Non-Liability of Directors. The Directors shall not be personally liable for the debts, liabilities, or other obligations of SACRS.

~~**Section 9.** Insurance for Corporate Agents. The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of SACRS (including a Director, officer, employee or other agent) against any liability other than for violating provisions of law relating to self dealing (Section 5233 of the California Nonprofit Public Benefit Corporation Law) asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not SACRS would have the power to indemnify the agent against such liability under the provisions of Section 5238 of the California Nonprofit Public Benefit Corporation Law~~

11. Insurance for Corporate Agents. SACRS shall purchase and maintain Directors and Officers' Insurance (D&O) and Errors and Omissions Insurance (E&O) on behalf of SACRS' Directors, officers, employee or other agents.

ARTICLE IX MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting. All Board meetings ~~of the Board~~ shall be held at ~~SACRS' office~~ SACRS' office or at such other place as may be designated for that purpose in the

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notice of the meeting or, if not stated in the notice or there is no notice, at such place as may be designated in the Bylaws or by resolution of the Board.

Section 2. Annual Meeting. Immediately following the election of the ~~officers~~Directors at the first meeting of the calendar year, the Board shall hold a general meeting for the purposes of conducting any business or transactions as shall come before the meeting. Other general meetings of the Board may be held without notice at such time and place as the Board may fix from time to time.

Section 3. Special Meetings. Special meetings of the Board for any purpose or purposes may be called by the President, the Secretary, or any two (2) or more Directors.

Section 4. Notice of Meetings. Written notice of the time and place of any special meeting shall be ~~delivered personally to each Director or sent to~~ given to each Director by ~~mail or other form~~ one of written communication, charges ~~the following methods (i) personal delivery, (ii) first class mail, postage~~ prepaid, ~~addressed to the Director either at his or her address as it is shown on the records or, if not readily ascertainable, to the place in which the Director meets as a regular member of a County Retirement System. Such notice, if mailed, shall be sent at least four (4) days prior to the time of holding the meeting. Said notice shall specify the purpose of the special meeting of the Board. In addition, (iii) telephone~~ (including a voice messaging system or other system or technology designed to record and communicate messages, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate that notice promptly to the Director), or (iv) Electronic Transmission, or other similar means of communication may be used to provide such notice. If given personally, or by telephone, Electronic Transmission, or other similar means of communication, such notice shall be provided at least forty eight (48) hours prior to the meeting, if the Director has consented to accept notice in this manner. All notices shall specify the purpose of the special meeting and shall be given or sent to the Director's address, phone number, facsimile number or e-mail address as shown on SACRS' records.

~~Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place of the next meeting are fixed at the meeting adjourned and if such adjourned meeting is held no more than twenty four (24) hours from the time of the original meeting. Notice shall be given of any adjourned regular or special meeting to Directors absent from the original meeting if the adjourned meeting is held more than twenty four (24) hours from the time of the original meeting.~~

Notices sent by first class mail shall be deposited into a United States mail box at least four (4) days prior to the time set the meeting. Notices given by personal delivery, telephone, voice messaging system, Electronic Transmission, or other similar means of communication shall be delivered at least forty-eight (48) hours prior to the time set for the meeting. Any notice given personally or by telephone may be communicated directly to the Director or to a person who would reasonably be expected to promptly communicate such notice to the Director.

Section 5. Meeting by Telephone or Other Telecommunications Equipment. Any Board meeting may be held by conference telephone, video screen communication, or other

communications equipment. Participation in a meeting under this Section 5 shall constitute presence in person at the meeting if both the following apply:

- (a) Each member participating in the meeting can communicate concurrently with all other members; and
- (b) Each member is provided the means of participating in all matters before the Board, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Board.

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Section 6. Validation of Meeting. ~~The transactions~~ Transactions of the Board at any meeting, however called or noticed, or wherever held, shall be as valid as though the meeting had been properly called and noticed and duly held after proper call and notice if (i) a quorum is present, and if (ii) either before or after the meeting, each ~~voting~~ Director who was not present at the meeting signs a written waiver of notice or a consent to the holding of such the meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and/or made a part of the minutes of the meeting.

Section 7. Waiver of Notice. Notice of a meeting ~~needs~~ not required to be given to any Director who (i) attends the meeting without protesting, before or at its commencement, about the lack of adequate notice, (ii) signs a waiver of notice or a written consent to holding the meeting, or (iii) signs an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 8. Quorum. At all meetings of the Board, a majority of the Directors present in person or pursuant to Article IX, Section 5 of this Article IX shall be necessary and sufficient to constitute a quorum for the transaction of business, except to adjourn as provided in Article IX, Section 11 of this Article IX. A meeting, at which a quorum is initially present, may continue to transact business notwithstanding the withdrawal of Directors as long as the action is approved by at least a majority of the required quorum for the meeting.

Section 9. Majority Action as Board Action. Every act or decision done or made by a vote of the majority of the Directors present at a meeting duly held at which a quorum is present is the act of the Board, unless the greater number is expressly required by SACRS' Articles of Incorporation or Bylaws of SACRS, these Bylaw, or provisions of the California Nonprofit Public Benefit Corporation Law, particularly those provisions relating to appointment of committees (Section 5212), approval of contracts or transactions in which a Director has a material financial interest (Section 5233) and indemnification of Directors (Section 5238(e)), require a greater percentage or different voting rules for approval of a matter by the Board.

Section 10. Prohibition Against Voting by Proxy. Directors may not vote by proxy.

Section 11. Adjournment. A majority of the Directors present, whether or not constituting a quorum is present, may adjourn any meeting to another time and place. Notice of the time and

place of holding an adjourned meeting need not be given to absent Directors if the time and place ~~is of the next meeting are~~ fixed at the ~~meeting adjourned, except that meeting and if the adjourned meeting is held no more than twenty-four (24) hours from the time of the original meeting.~~ Notice shall be given of any adjourned regular or special meeting to Directors absent from the original meeting if the meeting is adjourned for more than twenty-four (24) hours; ~~notice of the adjournment to another time and place shall be given prior to from~~ the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.original meeting.

ARTICLE X POWERS OF COMMITTEES

Section 1. Powers of Committees. The committees described in these Bylaws shall have the authority described herein, and any additional authority of the Board to the extent provided in a Board resolution. Notwithstanding the preceding sentence, no committee may do the following:

- ~~(a)~~A. Take any final action on any matter that, under the California Nonprofit Corporation Law, also requires approval of the members or approval of a majority of all members;
- ~~(b)~~B. Fill vacancies on the Board or any committee of the Board;
- ~~C.~~ Fix compensation of the Directors for serving on the Board or on any committee of the Board;
- ~~(d)~~C. Amend or repeal Bylaws or adopt new Bylaws;
- ~~(e)~~D. Amend or repeal any resolution of the Board that by its express terms cannot be amended or repealed by a committee;
- ~~(f)~~E. Create any other committees of the Board or appoint the members of committees of the Board; and
- ~~(g)~~F. Expend corporate funds to support a nominee for Director if more people have been nominated for Director than can be elected.

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Section 2. Ratification of Committee Activities. All activities and actions of the committees shall be reported to and ratified by the full Board at a duly scheduled Board meeting.

ARTICLE XI STANDING COMMITTEES

Section 1. Legislative Committee. The Legislative Committee shall be comprised of not less than three (3) members but not more than thirteen (13) members. The Legislative Committee Chair shall be appointed by the President, with Board approval. The Legislative Committee membership shall be appointed annually by the President, with Board approval, from names submitted from the Legislative Committee Chair, and shall be seated by September 1st. The President may remove Legislative Committee members who miss twenty-five percent (25%) or

more of the Legislative Committee meetings in any given year. The Legislative Committee shall be responsible for the legislative activities of SACRS.

Section 2. Nominating Committee. The Nominating Committee shall be responsible for ascertaining the availability and interest of regular members to serve as Directors and officers of SACRS. The Nominating Committee shall consist of the following five (5) members: (i) the immediate Past President ~~of SACRS~~; (ii) one (1) member of the Program Committee appointed by the Program Committee Chair; (iii) one (1) member of the Legislative Committee appointed by the Legislative Committee Chair; (iv) one (1) member of the Bylaws Committee appointed by the Bylaws Committee Chair; and (v) one (1) member of the Education Committee appointed by the Education Committee Chair.

~~The~~The immediate Past President shall serve as the Nominating Committee Chair. In the event the immediate Past President is unable to serve as the Nominating Committee Chair and there is no other qualified immediate Past President to serve in that capacity, the Chair of the Audit Committee shall appoint an alternate trustee (who satisfies the geographic diversity requirements in the immediately following paragraph) to chair the Nominating Committee.

To help ensure geographic diversity on the Nominating Committee, the immediate Past President and the Chairs of the Program Committee, the Legislative Committee, the Bylaws Committee and the Education Committee ~~Chairs shall appoint~~ shall ensure that (i) only one (1) representative from a system serves on the Nominating Committee (this prohibition also applies to the system represented by the immediate Past President); (ii) Committee Chairs do not serve on the Nominating Committee, and (iii) no one from their respective systems serves on the Nominating Committee.

The members of the Nominating Committee shall serve a two (2)-year term, and may reapply for appointment following a one (1)-year break. The members of the Nominating Committee may not run for an office.

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The Chairs of the Program Committee, the Legislative Committee, the Bylaws Committee and the Education Committee shall appoint members to the Nominating Committee, ~~as previously specified~~, no later than ninety (90) days prior to the second business meeting of SACRS each calendar year. ~~The immediate Past President shall serve as~~

If there is a vacancy on the Nominating Committee (other than the immediate Past President), the ~~Committee~~ Chair. ~~The Nominating Committee shall be~~ responsible for ascertaining the availability and interest of regular members to serve as Directors and officers of SACRS ~~appointing the seat that is being or has been vacated shall submit the name of his or her appointee to the Board for its consideration and approval.~~

Section 3. Bylaws Committee. The Bylaws Committee shall be comprised of not less than three (3) members, with at least one (1) regular trustee member, ~~at least~~ one (1) regular administrative member, and one (1) ~~of whom may be an~~ associate member. ~~The president~~President shall appoint the Bylaws Committee Chair, with Board approval. The Bylaws Committee shall be comprised of appointees selected from names submitted by the Bylaws

Committee Chair, with Board approval, within forty-five (45) days after the President ~~takes office-is notified of the vacancy.~~ The Bylaws Committee shall be responsible for the maintenance of the Articles of Incorporation and the Bylaws.

Section 4. Program Committee. The Program Committee shall be comprised of not more than twenty-five (25) members from names submitted by the Program Committee Chair, with Board approval, and shall include the Education Committee Chair and Vice Chair and the Affiliate Committee Chair and Vice Chair.

The President shall fill mid-term vacancies, with Board approval, within forty-five (45) days of taking office. The President shall appoint the Program Committee Chair, with the approval of the Board, within forty-five (45) days of taking office. The Program Committee Chair shall serve a one (1) year term that expires on the last day of the Spring regular meeting. The President may remove Program Committee members missing twenty-five percent (25%) or more of the Program Committee meetings in any given year, with Board approval. If an Affiliate member changes their firm mid-term, he/she may be subject to committee membership review, with Board approval.

The Program Committee shall be responsible for the planning and ~~development of~~developing the SACRS conferences.

Participation on the committee includes:

Pre-conference planning; brainstorming content and topics for General and Concurrent sessions; recruitment of speakers and moderators for all conference sessions.~~Attend; and attending~~ quarterly Program Committee meetings, and as needed. Participation at conference includes;~~collection of; collecting~~ feedback forms, assisting the moderator with question and answer component during sessions; ~~coordination of~~coordinating the distribution of materials and; ~~participation~~participating at networking events.

Length of appointment to committee:

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Committee members will serve ~~three (3)~~ year terms, and the terms are on a staggered basis of one (1), two (2) and three (3) year rotation. A committee member may reapply for appointment upon completion of his ~~or~~ her term. Ex-Officio members are exempt from the term limitation process. Terms end at the completion of the Fall Conference.

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Section 5. Audit Committee. The Audit Committee shall be comprised of two (2) regular members appointed by the Board from names submitted by the Audit Committee Chair within forty-five (45) days of the President taking office. The President shall appoint the Audit Committee Chair, with Board approval. Audit Committee members shall be familiar with auditing procedures; shall not receive, directly or indirectly, any consulting, advisory, or other compensatory fees from SACRS; and shall not be from the same County as SACRS' Treasurer. The Audit Committee shall be responsible for SACRS' audits, and its duties shall include, but shall not be limited to, the following:

- (a) A. Assisting the Board in choosing an independent auditor and recommending termination of the auditor, if necessary;
- (b) B. Negotiating the auditor's compensation;
- (c) C. Conferring with the auditor regarding SACRS' financial affairs; and
- (d) D. Reviewing and accepting or rejecting the audit.

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If SACRS establishes a finance committee, the Chair of the Audit Committee may not serve on such committee, nor may a majority of the members of the Audit Committee serve concurrently as members of such committee.

Section 6. Credentials Committee. The Credentials Committee shall be comprised of SACRS' Secretary as the Chair and SACRS' Treasurer who shall verify designated voting delegates at all meetings where a delegate vote is conducted.

Section 7. Affiliate Membership Committee. The Affiliate Membership Committee shall be comprised of nine (9) affiliate member delegates, appointed by the President to serve three (3)-year terms on a staggered basis. If a committee member becomes ineligible to serve or resigns, a successor may be appointed by the Board for the remaining term of the outgoing member. The Affiliate Membership Committee shall provide counsel and advice to the Board regarding educational (not legislative) activities, and shall represent the Affiliate membership. Additional information regarding the Affiliate Membership Committee is located in the Affiliate Member Guidelines, as amended September 15, 2015.

Section 8. Education Committee. The Education Committee shall be comprised of ~~at least three (3) but not more than nine (9)~~ ten (10) members ~~appointed from names submitted~~ by the Education Committee Chair, with Board approval. Such No two (2) members from the same system may be appointed to serve on the Education Committee at the same time. All appointments shall be made within forty-five (45) days of the President taking office. The President shall appoint the Education Committee Chair, with Board approval. The President may remove Education Committee members who miss twenty five percent (25%) or more of the Education Committee meetings in any given year. The Education Committee shall be responsible for the educational activities of SACRS.

Participation on the Education Committee includes: Determining training needs of the SACRS community with input from the community itself through conference feedback and networking. Summary reports of feedback forms will be prepared by the Education Committee Chair and presented to the Board and Program Committee after each conference.

Meeting at each SACRS Conference, with additional meetings held as workload or needs require. Participating at conferences including review and summary of feedback forms at meetings, collection of feedback forms, and coordination of the distribution of materials.

Working closely with the Program Committee for pre-conference planning, brainstorming content and topics for general and concurrent sessions, and recruitment of speakers and moderators for all conference sessions.

Participating in subcommittees/workgroups as identified to address education/program issues needing specialized knowledge/focused efforts.

Attendance: Committee members accept the responsibility for carrying out the goals of the Education Committee when appointed, and meeting attendance is part of that responsibility. If a Committee member will be absent from a meeting, a written notice shall be submitted to the Committee Chair before the meeting date (email suffices as a written notice). If a Committee member is absent from two (2) consecutive regularly scheduled Committee meetings without providing notice to the Committee Chair, the Committee Chair may request that the President remove Education Committee members, with Board approval.

Length of appointment to the Education Committee. Members shall be reviewed by the Education Committee Chair every three (3) years. The President, with Board approval, may remove individuals if it is determined to be in the best interest of SACRS. Any member removed from the Education Committee may be eligible to be reappointed to the Education Committee following the next annual meeting at which the Board is elected.

Section 9. Resolutions Committee. The President may appoint a Resolutions Committee, comprised of regular members, to analyze proposed resolutions and make recommendations for adoption, rejection or amendment prior to consideration by the delegates and alternate delegates.

Section 10. Meetings and Action of Committees. ~~Meetings-Committee meetings~~ and ~~action of committees~~actions shall be governed by, noticed, held and taken in accordance with the provisions of ~~these Bylaws concerning meetings of the Board~~Article IX, with such changes in the context of ~~such Bylaw provisions~~Article IX as are necessary to substitute the committee and its members for the Board and its members, except that the time for regular meetings and special meetings of committees may be fixed by the Board or the committee. ~~Minutes~~The minutes of ~~each meeting shall be kept and all committee meetings~~ shall be filed with the corporate records. The Board may also adopt rules and regulations ~~pertaining to the conduct of~~for conducting ~~committee meetings of committees to the extent that such rules and regulations are not inconsistent~~consistent with the provisions of these Bylaws. ~~Any expenditure~~ Committee expenditures of SACRS funds ~~by a committee shall~~require prior ~~Board~~ approval ~~of the Board~~.

Section 11. Members Serving on Committees. A member may not simultaneously serve on more than one (1) standing committee.

Section 12. System Representation on a Committee. Each standing committee shall not have more than one (1) representative from each system.

ARTICLE XII **CORPORATE RECORDS AND SEAL**

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Section 1. Maintenance of Corporate Records. SACRS shall keep at its principal office in ~~the State of~~ California:

~~(a)~~A. Minutes of all meetings of the Board and the committees, indicating the time and place of holding such meetings, whether regular or special, how called, the notice given, and the names of those present and the proceedings thereof;

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~~(b)~~B. Adequate and correct books and records of account, including accounts of its properties and business transactions and accounts of its assets, liabilities, receipts, disbursements, gains and losses; ~~and~~

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~~(c)~~C. A copy of SACRS' Articles of Incorporation and Bylaws, as amended to date, which shall be open to inspection at all reasonable times during office hours.;

~~**Section 2.** Corporate Seal. The Board may adopt, use, and at will alter, a corporate seal. Such seal shall be kept at the principal office of SACRS. Failure to affix the seal to SACRS instruments, however, shall not affect the validity of any such instrument.~~

~~D. Section 3A copy of its federal and state tax exemption application and determination letters, and, for the last three (3) years from their date of filing, its annual federal and state information returns. These documents shall be open to public inspection and copying to the extent required by the Code.~~

Section 2. Inspection Rights. Every Director and member shall have the right at any reasonable time to inspect and copy all books, records, and documents of every kind and to inspect the physical properties of SACRS.

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Section 4.3 Right to Copy and Make Extracts. Any inspection under the provisions of this Article may be made in person or by agent or attorney, and the right to inspection includes the right to copy and make extracts.

ARTICLE XIII FISCAL YEAR AND ANNUAL AUDIT

Section 1. Fiscal Year. The fiscal year of SACRS shall be July 1 ~~through~~through June 30.

Section 2. Annual Audit. There shall be an annual audit of SACRS.

ARTICLE XIV INDEMNIFICATION

Section 1. Indemnification. SACRS may, to the maximum extent permitted under the Nonprofit Public Benefit Corporations Law and general California Corporation Law, as now or hereafter in effect, indemnify each person who is or was a Director or officer of SACRS against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising against any one or more of them, based on their conduct as Directors or officers, or by reason of the fact that any one or more of them is or was a Director

or officer of SACRS. "Proceeding" means any threatened, pending, or completed action or proceeding whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorney's fees and any expenses of establishing a right to receive indemnification from SACRS.

ARTICLE XV
WINDING UP AND DISSOLUTION

Section 1. Irrevocable Dedication. ~~The SACRS' property of SACRS~~ is irrevocably dedicated to social welfare purposes. Upon the winding up and dissolution of SACRS, its assets remaining after payment or adequate provision for payments of all debts and obligations of SACRS shall be distributed in accordance with the plan of liquidation to an organization which is organized and operated exclusively for social welfare purposes and exempt from federal income tax under Section 501(c)(4) of the Code, as the Board may select. In any event, no assets shall be distributed to any organization if any part of the net earnings of such organization inures to the benefit of any private person or individual, or if the organization carries on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(4) of the Code or the corresponding provisions of any future United States Internal Revenue Law.

ARTICLE XVI
AMENDMENTS

Section 1. Amendment of Articles of Incorporation and Bylaws. Amendments to the Articles of Incorporation and Bylaws may be proposed by the Board ~~or~~ any regular member of SACRS, or ~~by~~ any standing committee. Proposed amendments shall be submitted in writing by certified mail to the President at least sixty (60) days before any meeting of SACRS. The President shall submit the proposed amendments to the membership at least thirty (30) days before any meeting of SACRS. A two-thirds (2/3) vote of a quorum present at any meeting of SACRS is required to adopt an amendment.

Section 2. Certain Amendments. Notwithstanding ~~Section 1 of this~~ Article XVI, Section 1, SACRS shall not amend its Articles of Incorporation to alter any statement which appears in the original Articles of Incorporation relating to the name and address of its initial agent, except to correct an error in such statement or to delete such statement after SACRS has filed a "Statement of Information" pursuant to Section 6210 of the California Nonprofit Corporation Law.

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ARTICLE XVII
CONSTRUCTION AND DEFINITIONS

Section 1. Construction and Definitions. Except as provided in these Bylaws and/or unless the context requires otherwise, the general provisions, rules of construction, and definitions of the California Nonprofit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both SACRS and the natural person.

Section 2. Specific Definitions. For purposes of these Bylaws, the following terms have the following meanings specified:

A. Business Day. Any day other than a Saturday, Sunday, or a day on which banking institutions in the State of California are authorized or obligated by law or executive order to be closed.

B. Electronic Transmission. Notice given by SACRS by Electronic Transmission shall be valid only if:

(1) ~~(a)~~ —delivered by (i) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with SACRS; (ii) posting on an electronic message board or network that SACRS has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered on the later of the posting or delivery of the separate notice of it; or (iii) other means of electronic communications;

(2) ~~(b)~~ —to a recipient who has provided an unrevoked consent to the use of those means of transmission for communications; and

(3) ~~(c)~~ —that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

Notwithstanding the foregoing, an Electronic Transmission by SACRS to a recipient is not authorized unless, in addition to satisfying the requirements of this ~~Section 2~~ **Subsection B**, the transmission satisfies the requirements applicable to consumer consent to electronic record as set forth in the Electronic Signatures in Global and National Commerce Act (15 United States Code Section 7001(c)(1)). Notice shall not be given by Electronic Transmission by SACRS after either of the following: (i) SACRS is unable to deliver two (2) consecutive notices to the recipient by that means, or (ii) the inability so to deliver the notices to the recipient becomes known to the Secretary or any other person responsible for the giving of the notice.

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CERTIFICATE OF THE SECRETARY

I, the undersigned, do hereby certify that:

1. I am the Secretary of the State Association of County Retirement Systems, a California nonprofit public benefit corporation (“SACRS”); and
2. The foregoing is a true and correct copy of the Bylaws of SACRS and that such Bylaws were duly adopted by the Board of Directors on May 13, 2016.

IN WITNESS WHEREOF, I have hereunto subscribed and affixed my name on _____, 2017.

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*Orange County Employees Retirement System
Retirement Board Meeting
November 13, 2017
Application Notices*

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Abebe, Woubayehu	Health Care Agency	9/15/2017
Adnan, Mohamed	OCTA	8/30/2017
Amezcuca, Valerie	Probation	9/1/2017
Asman, Lisa	Superior Court	9/1/2017
Balaski, Beverly	Assessor	9/1/2017
Beaty, Karen	Health Care Agency	9/15/2017
Blank, Benjamin	Social Services Agency	9/6/2017
Breslin, Patrick	County Executive Office (CEO)	9/2/2017
Buck, James	OCERS	10/13/2017
Burdett, Eva	OC Community Resources	9/1/2017
Carrier, Terry	Health Care Agency	9/15/2017
Carsey, Sylvia	OC Community Resources	9/15/2017
Chang, Bih Fang	Social Services Agency	9/1/2017
Chavarria, Debbie	Health Care Agency	9/1/2017
Chavez, Gloria	Superior Court	9/15/2017
Davis, Christine	Sheriff's Dept	9/22/2017
Do, Agnes	Health Care Agency	8/25/2017
Dobbs, Sharon	Health Care Agency	9/1/2017
Duhn, Elroy	OCTA	9/23/2017
Dunn, Shelly	Treasurer-Tax Collector	9/13/2017
Falkenstein, John	Sanitation District	9/1/2017
Finch, Wendy	Social Services Agency	8/30/2017
Flores-Lopez, Jose	Health Care Agency	8/31/2017
Giancola, Estella	OC Community Resources	9/1/2017
Hampton, Jacqueline	Health Care Agency	8/29/2017
Hedden, Mary	Social Services Agency	9/15/2017
Johnson, David	Sheriff's Dept	9/1/2017
Kamei, Judith	OC Community Resources	8/19/2017
Larsson, Glendie	Social Services Agency	9/15/2017
Lin, Shaw	OC Waste and Recycling	9/1/2017
Macias, Edward	OCTA	9/1/2017
Metcalfe, Donna	OCTA	9/16/2017
Miera, Marty	Health Care Agency	8/18/2017
Miller, Robert	OC Waste and Recycling	9/7/2017
Mountain, David	Sheriff's Dept	9/1/2017
Nicola, Sharon	OC Community Resources	8/18/2017
Nishimoto, Nathan	Social Services Agency	9/15/2017
Orr, Kathleen	OC Community Resources	9/2/2017
Powell-Washington, Diane	Health Care Agency	9/1/2017
Raymond, Sylvia	Sheriff's Dept	9/1/2017
Rutland, Christopher	OC Public Works	9/15/2017
Serrano, Donald	OC Community Resources	9/1/2017
Shirazi, Marzeeyeh	Social Services Agency	9/21/2017
Smith, Floyd	District Attorney	9/15/2017
Sommers, Lisa	Sanitation District	9/1/2017
Swank, Gina	Social Services Agency	9/2/2017
Tallabas, Tommie	Superior Court	9/27/2017
Tran, Ly	OCTA	9/5/2017
Trout, Patricia	Health Care Agency	9/7/2017

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Valadez, Terry	Auditor-Controller	9/15/2017
Vandor, Debora	Sheriff's Dept	9/15/2017
Villa, Elizabeth	Probation	9/1/2017
Yanez, Irene	District Attorney	9/19/2017
Young, Richard	Social Services Agency	9/15/2017

*Orange County Employees Retirement
Retirement Board Meeting
November 13, 2017
Death Notices*

<i>Retired Members</i>	<i>Agency/Employer</i>	<i>Date of Death</i>
Amorim, Salete	Social Services Agency	10/1/2017
Arnold, Paul	OCTA	10/8/2017
Baker, Margaret	UCI	8/30/2017
Carro, Abel	OCTA	10/13/2017
Conwell, Douglas	Sheriff's Dept	9/22/2017
Daniel, Ruth	Social Services Agency	10/10/2017
Delgado, Manuel	Sanitation District	9/20/2017
Fife, William	OC Waste and Recycling	9/9/2017
Gaggioli, Fred	Health Care Agency	9/30/2017
Garcia, Joan	Health Care Agency	5/5/2017
Gorospe, Ignacio	Social Services Agency	9/26/2017
La Mond, Stephen	Assessor	10/7/2017
Mack, Clarence	OC Public Works	6/20/2017
Moore, Marian	Sanitation District	9/26/2017
PAGE, EARL	OCTA	10/7/2017
Roberts, Germaine	UCI	10/4/2017
Shumate, Mary	Probation	10/19/2017
Stenson, Reo	Social Services Agency	10/25/2017
Stettler, Robert	Sheriff's Dept	9/7/2017
Stone, Allen	Superior Court	9/29/2017
Tate, Nancy	Auditor-Controller	9/26/2017
Varela, Cristella	OC Public Works	9/22/2017
Vining, William	Sheriff's Dept	10/13/2017

<i>Surviving Spouses</i>	<i>Date of Death</i>
Davis, Germaine	9/20/2017
Diedrich, Inez	9/11/2017
Dowrey, Irene	4/8/2017
Talmage, Frances	10/2/2017
Winchester, Eileen	9/30/2017

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Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: WORKFORCE ANALYSIS OBSERVATIONS BY MANAGEMENT PARTNERS

OCERS completed a RFP for a consultant to conduct a workforce analysis. Management Partners was selected to complete the analysis.

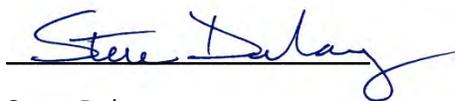
This analysis involved an assessment of OCERS' organizational structure, staffing levels and employee classifications with the goals of clarifying and aligning staff responsibilities and recommending staffing changes that will equip the organization with the necessary resources to effectively serve our members now and in the future.

Management Partners presented their preliminary observations and recommendations to the Board during the Budget Workshop held on October 19, 2017 and the Board engaged in an interactive discussion with staff and Management Partners. With that Board input taken into consideration, the written workforce Analysis Report is attached. During the Budget Workshop, the Board requested some additional comparative information that is not yet available: Management Partners will be issuing an addendum to the attached report that will contain the requested information at a future date.

Attachment:

OCERS Workforce Analysis Report

Submitted by:



Steve Delaney
Chief Executive Officer



Orange County Employees Retirement System (OCERS) Workforce Analysis Report

November 13, 2017

Management
Partners



Management Partners



November 13, 2017

Steve J. Delaney
Chief Executive Officer
Orange County Employees Retirement System
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701

Dear Mr. Delaney:

Management Partners is pleased to transmit this project report detailing the results of our workforce analysis for the Orange County Employees Retirement System (OCERS). The recommendations in the report were derived from various methods of analysis, including an employee workload questionnaire, employee focus groups, interviews with managers and supervisors, a review of data and documents, and peer comparisons with other similarly sized retirement systems.

This report identifies opportunities to address the sustained peak in workload OCERS has been experiencing over the last five years. It offers recommendations on staffing levels, position classifications, system improvements, employee retention, training needs and OCERS' split-staffing model.

Thank you for this opportunity to serve you and the Orange County Employees Retirement System.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew S. Belknap". The signature is fluid and cursive, with a large initial "A" and "B".

Andrew S. Belknap
Regional Vice President

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Executive Summary

The Orange County Employees Retirement System (OCERS) retained Management Partners to complete a workforce analysis that included a comprehensive review of the organization's existing staffing model.

This involved an assessment of OCERS' organizational structure, staffing levels and employee classifications with the goals of clarifying and aligning staff responsibilities and recommending staffing changes that will equip the organization with the necessary resources to effectively serve its members now and in the future.

Workload and Staffing Analysis

This project emerged at a time when the workload demands facing OCERS staff have steadily increased since 2008. In fact, the last five years represent a sustained peak in OCERS retirement processing. Peak workloads, combined with a particularly complicated operating environment and a deep commitment to quality customer service, have created a climate in which many staff feel overextended and unable to keep up with the demands of their jobs.

Positioning the organization to respond to the reality of peak workloads, while also preparing for its likely decline, is a challenging proposition. Ultimately, though, OCERS has four strategies at its disposal: 1) modernizing processes to work more efficiently, 2) using temporary staff support, 3) adding full-time positions, and 4) pushing through with existing staff. Each of these strategies is discussed in this report.

This report offers a range of recommendations related to workload and staffing. Some of the highlights include:

- Add an additional full-time investment analyst position to support the Investments Department.
- Add one full-time position to help address the backlog and volume of incoming service credit purchase (SCP) requests and reciprocity claims.

- Augment retirement program specialist (RPS) staffing by one new, full-time position to support the payroll and audit functions in new retirement processing.
- Add temporary staffing support to assist with recruitments. (This might include executive recruitment consulting services.)
- Convert one position currently supporting the information technology (IT) help desk into a business systems analyst with cyber security expertise and/or experience with workflow automation.
- Monitor the use of temporary staff and develop criteria to determine when temporary positions should be converted into full-time positions.

Technology and Process Improvement

In the midst of a demanding work program, OCERS staff also have had to contend with the implementation of a new retirement system (V3). Implementing this system and expanding functionalities of the online member portal have been the organization's highest priorities for years. The V3 implementation has involved an incredible investment of staff time.

Setting up V3 has necessitated ongoing troubleshooting and a methodical documentation of key processes, especially in the areas of finance and member services. This allows for the standardization of programmed workflows, intricate workload tracking, and the automation of basic, back-end transactions. OCERS is now beginning the process of assessing how these technology changes will impact staffing needs.

Recommendations regarding technology and process improvement include the following:

- Continue expanding functionalities and features of the online member portal.
- Explore webinar technology as an alternative to onsite and offsite member seminars.
- Conduct a process improvement study of financial operations to build greater efficiency into processes and improve data reliability.
- Reengineer the new retirement processing workflow to minimize the time the senior staff development specialist spends on this function.

Prepare the Workforce for the Future

OCERS has an unusually high employee separation rate, which is estimated to have cost the organization between \$456,000 and \$684,000 in 2016 alone. The agency's split-staffing model is also unique among peers, with non-management staff employed by the County of Orange and management staff employed by OCERS. The relationship between the employee separation rate and the split-staffing model is explored within this report.

Curbing employee turnover will require changes in how OCERS manages its talent. Building a robust training program and equipping managers and supervisors with the time and tools needed to provide regular and ongoing feedback is a first step. With line staff employed by the County, OCERS is constrained in its ability to set employee compensation, incentivize performance and make changes to position classifications.

A more autonomous human resources (HR) function is needed to establish competitive compensation packages, revamp existing position classifications, and restructure the current classification structure to build career ladders into the organization.

This report offers a range of recommendations related to how OCERS manages its workforce. Major recommendations include the following:

- Invest in professional development and training across the organization.
- Begin a targeted succession planning effort focused on high-risk positions that will be challenging to fill.
- Take immediate steps to introduce greater autonomy into the human resources function.
- Transition to a single employer staffing model where OCERS becomes the employer for all staff.
- Look for opportunities to build career ladders into the classification system, including the development of mid-level positions.

Organizational Structure and Employee Classifications

Management Partners reviewed the organization structures for each major department within OCERS. Based on our review, we are not recommending further changes to reporting relationships, functional alignment or span of control. The recent changes made to the Finance Department and the Members Services Department to clarify mid-management reporting relationships are consistent with best practices and should help build capacity within the organization.

All OCERS-direct job descriptions (i.e., for managers and supervisors) are up to date and recently have been revised. The job descriptions for Orange County employees are generic and usually include only two steps within the classification. Several position classifications warrant attention in the short term, including:

- Accountant/auditor I,
- Disability coordinator,
- Executive secretary,
- HR staff assistant,
- HR staff specialist,
- Office specialist,
- Retirement benefits technician, and
- Staff specialist.

A complete list of the recommendations contained in this report is provided as Attachment A.

Project Approach

This section provides context for the Orange County Employees Retirement System's (OCERS) decision to analyze its current and future staffing needs, and describes the methodology Management Partners used to conduct our analysis.

Project Context

As part of its strategic plan, the Orange County Employees Retirement System (OCERS) aims to move member inquiries from the phone to the internet whenever possible by focusing on the following objectives:

- Automatically populating electronic forms with system data;
- Establishing online input of retiree change of address or direct deposit information; and
- Launching an education program on the use of OCERS website.

These objectives indicate a strategic desire to automate business processes and move process steps away from OCERS staff and toward retirement system members or plan sponsors.

These strategic objectives have been linked to the implementation of OCERS' new integrated retirement administration system (V3), a project that demanded considerable engagement from staff throughout the organization for nearly five years (especially in the areas of member services, finance and information technology).

OCERS leadership recognized that the V3 system and its online functionalities would likely result in some foundational business process changes, impacting how employees carry out their work, how long certain processes take, and the sets of knowledge, skills and abilities that are necessary to support the organization.

OCERS retained Management Partners to complete a workforce analysis, including a comprehensive review of the organization's existing staffing model. This project included an assessment of OCERS' organizational structure, staffing levels and employee classifications. The purpose of this project was to identify opportunities to improve clarity and alignment of staff responsibilities and to recommend staffing changes

that will equip the organization with the necessary resources to effectively serve its members now and in the future.

Methodology

To inform the recommendations presented in this report, Management Partners engaged in the following activities to gather information and evaluate the existing staffing model and workload.

Data and Document Review

We gathered and reviewed relevant background information, including organization charts, position descriptions, workload data, work plans, budgets, performance data, and strategic and business plans.

Employee Workload Questionnaire

Management Partners designed and administered an employee workload questionnaire to learn about and understand general duties, workload and reporting relationships for each position. The questionnaire also collected input from employees on their vision for how OCERS will change in the future and what skills, knowledge and abilities are going to become more important as a result.

Employee Focus Groups

To understand the line staff perspective, we facilitated two employee focus groups, one with internal services staff and one with external services staff. During the focus groups, we asked employees to reflect on how OCERS has changed, what changes would help the organization modernize and become more effective and where they see the biggest staffing gaps. We also asked staff to assess how OCERS manages its talent (i.e., how it evaluates employee performance, defines expectations, and provides training).

Interviews with OCERS Managers and Supervisors

Management Partners interviewed OCERS management and supervisory staff to hear their perspectives about staff functions, major changes experienced over the past five years, current workload and staffing, impacts of the new pension administration system (V3), how positions are expected to change in the future and other factors.

Peer Comparison and Case Study Analysis

We collected workload and staffing data from five similarly sized retirement systems in California by sending a survey and following up with individual interviews to learn more about the operating environment. The peers used for this comparison are listed below:

- Alameda County Employee Retirement Agency (ACERA)
- Contra Costa County Employee Retirement System (CCCERS)
- Sacramento County Employee Retirement System (SCERS)
- San Bernardino County Employee Retirement Agency (SBCERA)
- San Diego City Employee Retirement System (SDCERS)

In addition, we requested data from the San Diego County Employee Retirement Agency but they were unable to respond. The Los Angeles County Employee Retirement Agency (LACERA) was excluded from the peer comparison because the agency serves nearly five times the number of members. The aim of this comparison was to understand how other retirement systems are organized, how they are staffed and how major changes (i.e., in technology) have impacted their operations and staffing. At the Board's request, comparable information for both LACERA and the Los Angeles City Employee Retirement System will be obtained and delivered as an addendum to this report.

Staffing Gap Analysis

Management Partners reviewed existing staffing, retirement forecasts and workload growth projections to calculate areas where OCERS will experience the greatest staffing needs.

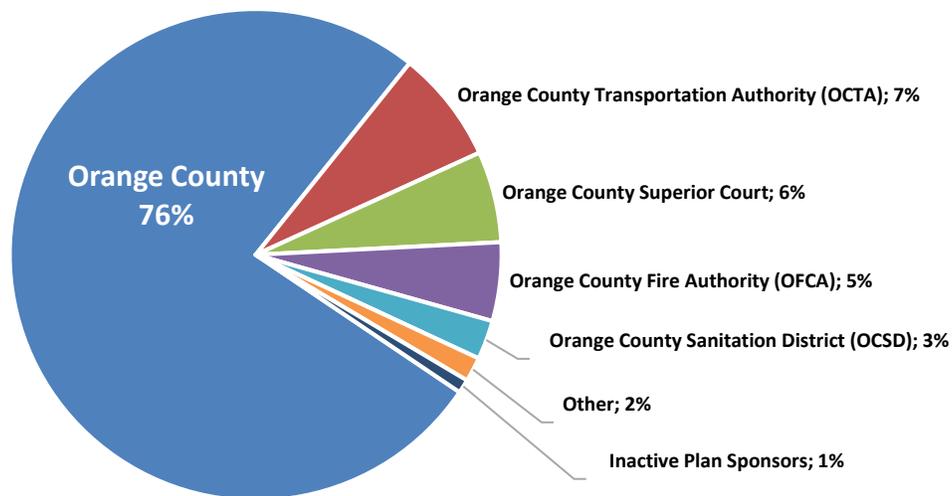
Workload and Technology

This section of the report reviews trends in OCERS' current workload and describes the impacts the new pension administration system (V3) and other workload drivers have had on employees' ability to meet workload demands.

Understanding the OCERS Workload

OCERS serves over 43,000 members (more than 16,000 of them retirees) from a variety of governmental agencies that sponsor the retirement plan. As shown in Figure 1, the largest plan sponsor by far is Orange County, whose more than 33,000 members comprise approximately 76% of OCERS' total membership.

Figure 1. Distribution of OCERS Members Across Plan Sponsors



Source: OCERS by the Numbers Report, 2016.

Table 1 presents the latest publicly available data on OCERS members by type and plan sponsor. Active members are those who are currently employed by participating agencies, while deferred members are those who are vested in the system but ended employment with an OCERS plan sponsor before they are eligible for retirement. OCERS also serves a

number of deferred or retired members from agencies that are no longer plan sponsors.

Table 1. Number of OCERS Members by Type and Plan Sponsor, as of December 31, 2016

Plan Sponsors	Active	Deferred	Retiree	Total Members
Orange County	16,756	3,976	12,455	33,187
Orange County Transportation Authority (OCTA)	1,372	568	1,285	3,225
Orange County Superior Court	1,486	322	801	2,609
Orange County Fire Authority (OCFA)	1,263	180	806	2,249
Orange County Sanitation District (OCSD)	578	104	439	1,121
City of San Juan Capistrano	80	65	125	270
Transportation Coordinator Agency (TCA)	68	56	43	167
Orange County Employees' Retirement System (OCERS)	68	26	38	132
Orange County Cemetery District	22	3	9	34
Orange County In-Home Supportive Services (IHSS) Public Authority	23	7	1	31
Orange County Public Law Library	15	4	10	29
Orange County Children and Families Commission	9	3	10	22
Orange County Local Agency Formation Commission (OCLAFCO)	6	6	4	16
Inactive Plan Sponsors				
University of California, Irvine Medical Center				
University of California, Irvine Campus	0	1	263	264
Orange County Mosquito and Vector Control District	0	42	34	76
Cypress Recreation and Park District	0	7	21	28
Orange County Department of Education	0	0	20	20
Capistrano Beach Sanitary District	0	0	4	4
City of Rancho Santa Margarita	Not reported	Not reported	Not reported	Not reported
Totals	21,746	5,370	16,368	43,484

Source: OCERS by the Numbers Report, 2016.

The number of members as well as the variety of plan sponsors supported by OCERS are both important workload drivers for an organization focused on processing new retirements, administering retiree payroll each month, and counseling members and retirees on their retirement benefits.

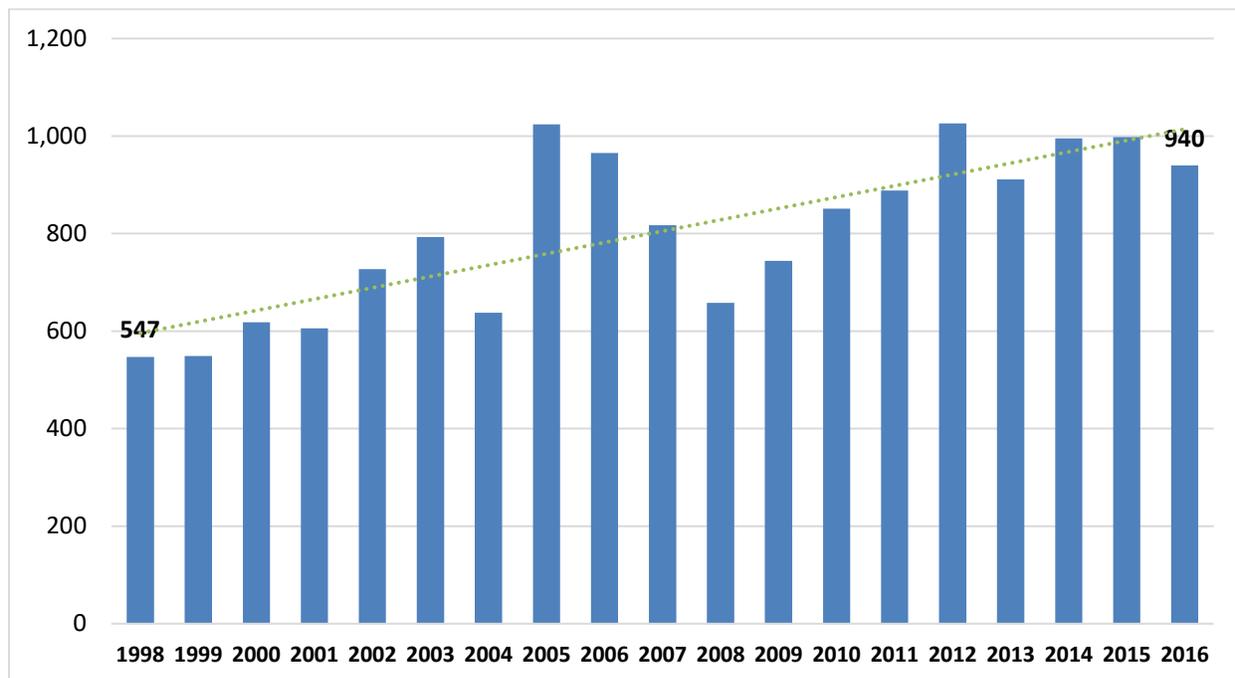
More specifically, each additional member:

- Adds to the amount of time staff spends on the phone providing information about retirement options and benefits,
- Adds an additional retirement benefit calculation that needs to be processed at the time of retirement, and
- Adds one additional paycheck that needs to be processed each month once retirement begins.

Similarly, each additional plan sponsor involves different bargaining groups and retirement plans that have varying levels of complexity and require different techniques to calculate benefits. The more plan sponsors an organization supports, the more complicated the day-to-day operating environment is for retirement specialists.

Figure 2 shows the number of new retirements processed (new payees), which has grown by 72% between 1998 (when there were 547 new retirements to process) and 2016 (when there were 940 new retirements). This growth is a significant workload driver.

Figure 2. Number of New Payees by Calendar Year

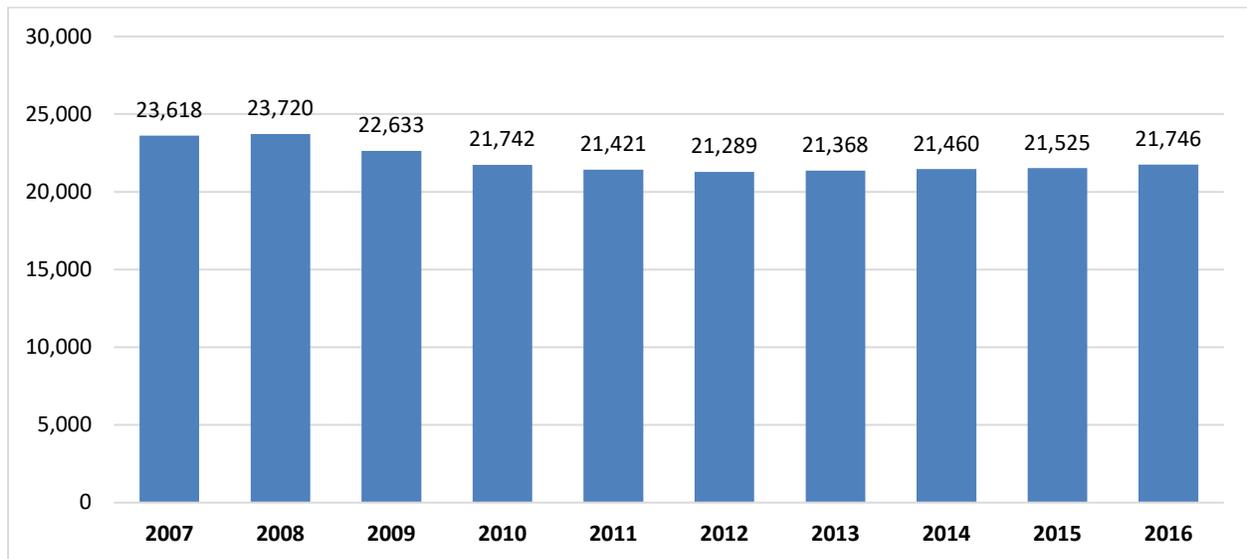


Source: OCERS by the Numbers Report, 2016.

Over the past five years, the number of new retirements processed has hovered around 950, which represents a *sustained peak* in retirement processing compared to the larger historical trend. Despite this sustained peak in the number of new payees, the overall number of active and

deferred members who are participating in the OCERS pension system (excluding retirees) has been slowly decreasing since 2007, as indicated in Figure 3. Because most local governments have curbed hiring since the Great Recession, this decline is not surprising. The implication of this is that eventually the workload associated with processing new retirements and setting up new payees for retirement payroll processing will either remain stagnant or decrease.

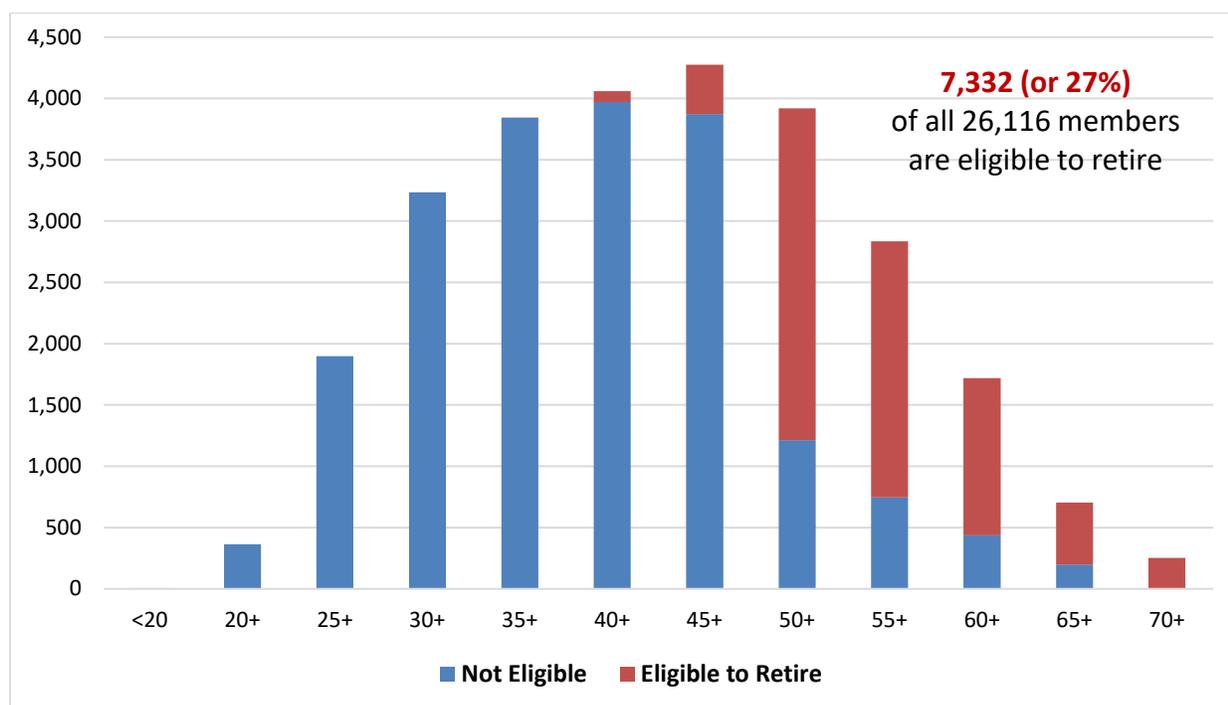
Figure 3. Number of Active and Deferred OCERS Members, 2007 to 2016



Forecasting workload requires examining the number of active and deferred OCERS members, workforce longevity, employee age, and retirement eligibility to forecast when plan sponsor employees are going to retire.

Figure 4 shows that 7,332 (or 27%) of OCERS' active and deferred members were eligible to retire as of December 31, 2016. For an organization accustomed to processing no more than 1,000 retirements a year, this data leaves many employees feeling anxious about a possible tsunami of retirements that could arrive at any given moment.

Figure 4. Active and Deferred Members by Age Group, as of December 31, 2016



Source: OCERS by the Numbers Report, 2016.

Forecasting when these members will retire is more of an art than a science, as many people decide to continue working even after they are retirement eligible. According to the 2016 CAFR, the average retirement age was 59.4 among general OCERS members and 53.6 among safety members.

Table 2 presents an overview of the expected OCERS retirements in the next five years, based on the member age data presented above in Figure 4. It estimates that the number of new retirements should average approximately 855 per year over the next five years, as the current active and deferred member cohort ages.

Table 2. Expected Retirements for the Next Five Years

Retirement Group	Number of Members	Percent Expected to Retire in Five Years*	Number Expected to Retire in Five Years
Members who are 70 and over	253	100%	253
Members who are 65-69	705	64%	452
Members who are 60-64	1,719	59%	1,014
Members who are 55-59	2,834	39%	1,115

Retirement Group	Number of Members	Percent Expected to Retire in Five Years*	Number Expected to Retire in Five Years
Members who are 50-54	3,920	28%	1,086
Members who are 45-49	4,276	8%	356
Total Expected Retirements			4,276
Expected Retirements per Year			855

Source: OCERS by the Numbers Report, 2016.

*The percent expected to retire in five years is based on the percent decrease in cohort size from age group to age group, as of December 31, 2016.

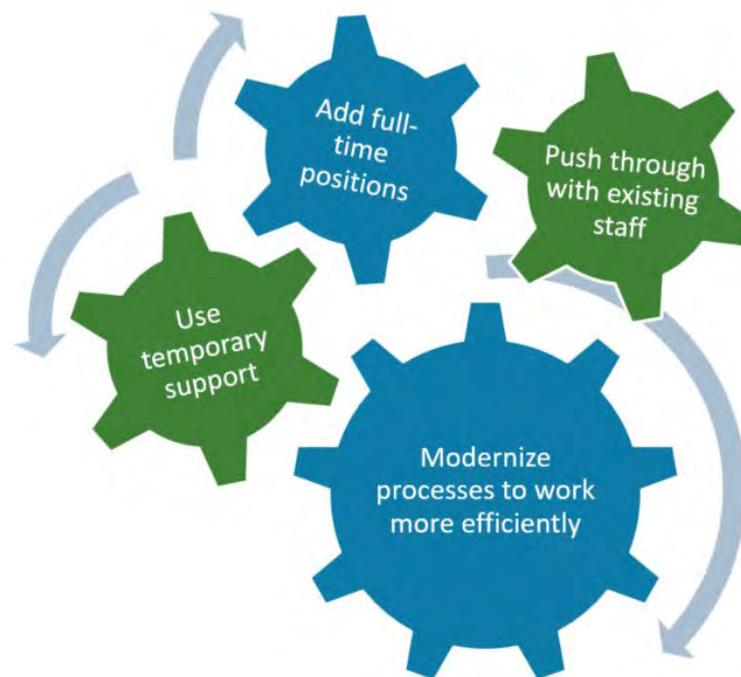
These numbers, however, assume that current patterns will continue uninterrupted. An external event such as another economic recession or a sudden change in legislation could significantly alter member decisions regarding retirement.

For example, if the economy slows down, it is conceivable that OCERS could experience a drop in the number of new retirements as potential retirees decide to continue working through the downturn. (This pattern happened in 2007 and 2008.) Alternatively, if the economy continues to thrive, OCERS may see an uptick in retirements in the short term, with more than 1,000 new retirements per year for a few years until workload eventually levels off and begins decreasing.

Ultimately, OCERS must position itself to respond to the reality of this sustained peak in workload, while also preparing for a likely decline in workload that may take time to materialize.

Figure 5 presents different options an organization might explore to address peak workload demands.

Figure 5. Alternatives for Addressing Peak Workload Demands



The most common strategy used by government agencies for addressing peak workload demands is to push through with existing staff, i.e., expect the staff to continue to meet service expectations despite heightened workloads. Naturally, there is a limit to what an organization will bear before employees become disillusioned and turnover becomes untenable. Given OCERS' high employee separation rate (explored later in this report) and the added workload associated with the pension administration system (V3) implementation, we suspect this strategy is no longer a strong option for the organization.

Adding full-time, authorized positions should be undertaken cautiously as a strategy. Full-time positions cost more and are more difficult to contract when the workload recedes. New full-time positions should be added only in cases where comparative peer data and detailed workload analysis reveal an incontrovertible staffing shortage.

The analysis presented later in this report does support the creation of new, full-time positions in select areas that will add strategic value to the organization when workload is at its peak, as well as when it declines.

The most sustainable strategy for addressing peak workload demands is typically the use of temporary support. OCERS has been relying on part-time, temporary employees in its call center and in support of the V3 implementation. Based on our understanding of OCERS' existing

operation, we suspect the organization has exhausted its use of this strategy in the short term.

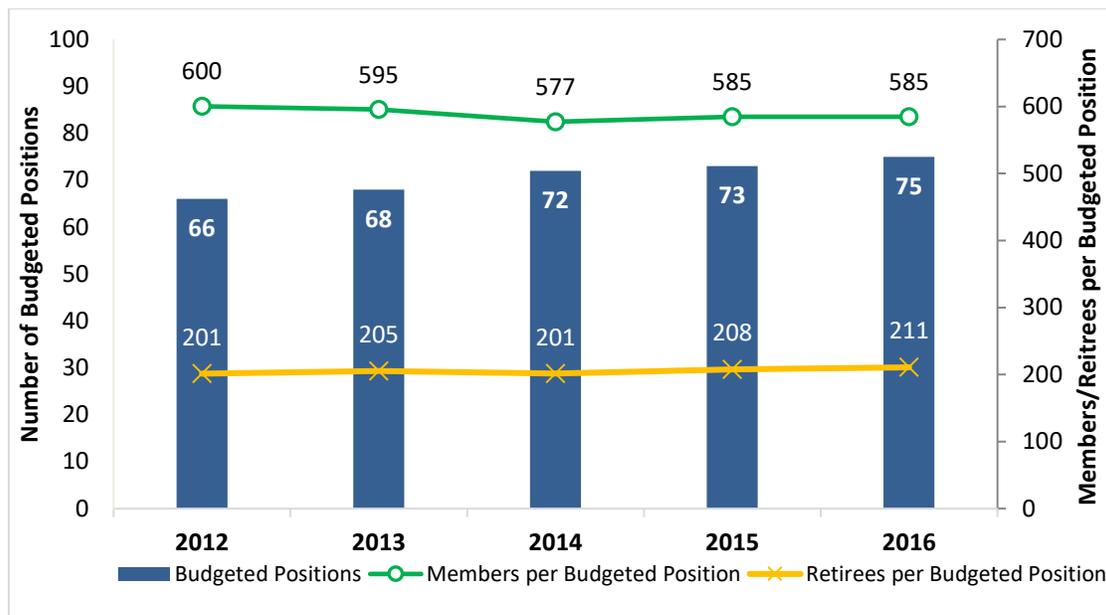
The final strategy for addressing peak workload demands is process modernization. OCERS has made a major investment in its information technology, which has had the effect of increasing staff workload over the last five years (though with the expectation of reducing workload into the future). As discussed in a later section, we identified opportunities for further modernization, but with heightened focus on process improvement, rather than business system development.

Historical Staffing and Workload Assessment

Over the last five years, OCERS has steadily added budgeted positions, moving from 66 authorized budgeted positions in 2012 to 75 positions in 2016. Comparing overall staffing levels to workload can help reveal to what degree these staffing increases were merited.

The most simplistic and readily available workload indicators for OCERS are the number of members and the number of retirees. Figure 6 shows little change in the number of members supported per budgeted position and the number of retirees supported per budgeted position. This indicates that the staffing increases were appropriately tied to corresponding increases in workload.

Figure 6. OCERS Staffing Levels and Associated Workload



Source: Historical Statistics PowerPoint Presentation - Appendix 2F

Notes: Number of members includes active, deferred and retired (including beneficiaries); 2016 data are from October 2016.

This report will further unpack issues associated with workload and staffing, including analysis of peer retirement system staffing levels, employee processing time estimates in targeted areas and the results of the employee workload questionnaire.

V3 Implementation Impacts on Workload

The implementation of a new integrated pension administration system (V3) had a significant effect on OCERS as an organization. The concerted and disciplined investment in the implementation of V3 has lasted over five years. In addition to making the implementation a high priority for full-time staff, OCERS hired a cadre of contracted employees and consultants, many of whom worked onsite.

The system was purchased with three objectives in mind:

- Introduce standardized workflows, intricate workload tracking and standardized reports to inform management decisions;
- Seamlessly share documents between employees and link them to retirement system member; and
- Automate basic transactions to create additional time for staff to focus on customer service, professional development and other responsibilities.

According to our interviews with staff, the impacts of V3 have been mixed. Some staff appreciate its programmed workflows and case tracking, while others do not report experiencing the benefits of electronic automation. Some in this second category have not made the full transition away from the legacy retirement administration system.

Based on our analysis, the benefits of V3's implementation have not yet fully materialized. Figure 7 provides an overview of the major benefits and challenges of V3 as reported by staff. Despite these drawbacks, staff are continuing to customize the software to better suit their needs. Employees noted that usability is improving with every update.

Figure 7. *Reported Benefits and Challenges of V3*

Reported Benefits	Reported Challenges
<ul style="list-style-type: none">• System has automated some general correspondence (or touch points) with members• Benefit calculations are more transparent (staff can more easily verify the calculation is correct because the system shows how certain numbers are produced)	<ul style="list-style-type: none">• Staff have experienced the system’s rigidity. Some of V3’s automated workflows do not perfectly match the corresponding process. This has created an environment ripe for workarounds.• V3 is not yet fully equipped to support service credit purchases (SCPs) and the disability retirement processing functions.• Once the online portal went live, retirees began calling with questions. Staff were resolving end-user questions from retirees, while trying to learn the system themselves. This challenge has been abated because retirees have gotten used to the portal, and the call center is better equipped to answer such questions.

Despite the challenges, the implementation of V3 brought the organization together. It demanded that teams collaborate, and created an environment of shared interests as well as shared frustrations. The process also strengthened the relationship between information technology and the rest of the organization.

One of the biggest reported challenges of V3 implementation was establishing a clear and transparent process for retiree payroll. A written procedure did not exist, and oftentimes, plan sponsor data that were transferred to OCERS did not balance. This required staff to track down and rectify the issue, which took significant time, ultimately creating backlogs for other work. Staff report that during the V3 implementation overtime usage was nonstop, professional development and non-V3 training were largely absent, and managers and supervisors had little time to support their employees.

The V3 implementation was the focus of the IT department for years. In fact, IT staff are only now beginning to redirect their attention to other system improvements that were previously set aside, such as the imaging system and the finance system’s integration with V3.

Other Workload Drivers

Employees who participated in interviews and focus groups identified a number of additional workload drivers, including the following:

- **Number of Plan Sponsors and Discrete Retirement Plans.** OCERS has more plan sponsors and more individualized agency retirement plans than peer agencies.

- **Transparency Requirements.** The public has become increasingly interested in the costs and operations of public pension systems, triggering expanded reporting requirements which have a serious impact on OCERS employee workload. The Governmental Accounting Standards Board Statement No. 67 (GASB 67) outlines stringent reporting requirements for public pension systems to promote transparency. Finance and IT have been working together to set up OCERS business systems so this reporting becomes easier as time goes on, but it remains a workload driver. Similarly, GASB 72 mandates significant investment reporting requirements staff must meet.
- **Cyber Security.** The risks associated with data security are greater than ever and minimizing these risks has become a major priority for the organization. OCERS has used two strategies to address cyber security risks. First, it has added protections to existing electronic processes to keep data secure. Second, it has erred toward keeping some critical processes non-electronic or manual. Both these strategies impact overall workload for staff.
- **Inquisitive and Engaged Retirement Board.** Board requests for information and further study create additional workload for staff on top of the day-to-day responsibilities associated with operating the retirement system.

Strategic and Business Planning

Any organization struggling to meet current workload demands must think about priorities. OCERS has both a strategic plan and a business plan that detail the organization's goals for the future. Having these resources to guide staff is a best practice and the level of detail presented in each of these documents showcases the organization's orientation toward continuous improvement.

Nevertheless, these documents do not effectively help staff prioritize what elements need immediate attention. OCERS has been operating in an environment of peak workload for some time, and many employees need help from the Board of Retirement and the executive team in understanding the relative priority of various action items contained in the strategic and business plans.

Recommendation 1. Hold a prioritization workshop to review the organization's goals for the future and identify which items should be considered immediate priorities and which can be implemented later.

Preparing the Workforce for the Future

OCERS manages a retirement system established under the 1937 County Employees' Retirement Act that provides retirement, death, disability and cost-of-living benefits to employees of Orange County and a variety of other participating governmental agencies.

The mission of OCERS is "to provide secure retirement and disability benefits with the highest standards of excellence" and it has set out to achieve that mission by focusing on five primary goals listed in its most recent strategic plan. They are:

1. Excellent customer service,
2. Timely and accurate benefits,
3. Secure and reliable data,
4. Prudently managed investments, and
5. Professional plan administration.

The organization is administered by the Board of Retirement, a group of ten trustees, with four appointed by the county board of supervisors, four elected by OCERS' active members, and one elected by the retired membership. The county treasurer serves as an ex-officio member.

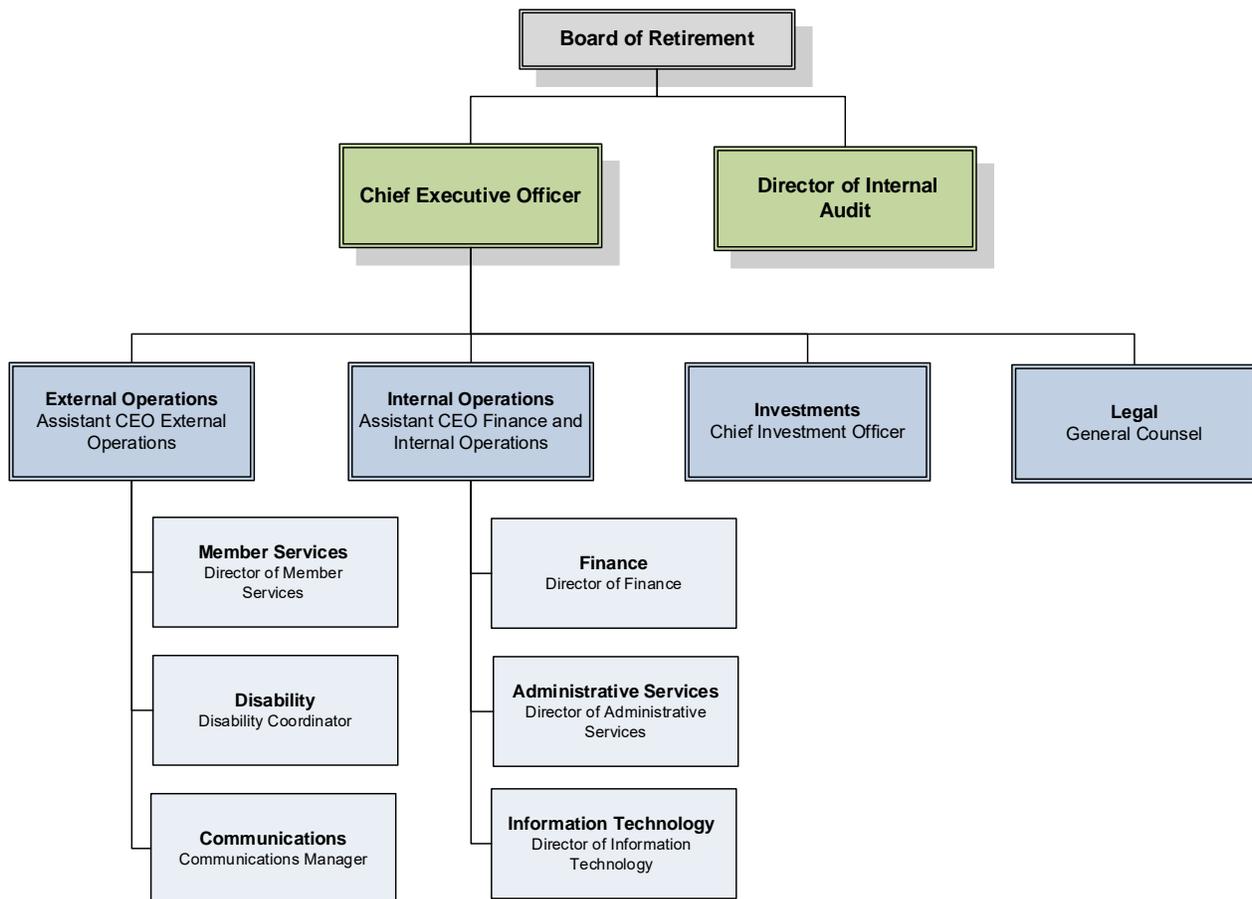
This section of the report describes the organization's existing structure and staffing model, presents the staffing models associated with peer retirement systems included in the study, and identifies some of the impacts of the staffing model on OCERS' ability to manage its talent.

Organizational Structure

As indicated in Figure 8 below, the organization structure of OCERS is divided into four major work units that report to the Chief Executive Officer (CEO): External Operations, Internal Operations, Investments and Legal. OCERS also has an Internal Audit department that reports directly to the Board of Retirement.

Management Partners recommends no changes to this overall organizational structure, because it presents a reasonable alignment of functional responsibilities and reflects best practices observed among other county retirement systems.

Figure 8. OCERS Organizational Structure



A Complicated Operating Environment

Administering retirements can be emotional work. Members come to OCERS with questions and concerns about their long-term livelihood. The decision to keep working or to retire is a personal matter that can bring anxiety, fear, frustration or joy. Retirement beneficiaries come to OCERS after traumatic life events, such as a divorce or the loss of a loved one. There is much at stake in this business and people walking in or calling in must feel supported and understood. This takes a toll on employees and makes working at OCERS particularly challenging.

Beyond the human dimension, the complexity of retirement calculations and systems used to administer retirement benefits has exponentially increased over the last couple decades. OCERS administers the retirements of 20 different plan sponsors, which is more than any other peer organization, as identified in Table 3.

Table 3. Peer Plan Sponsors and Active Plans Administered

	ACERA*	CCERS	OCERS	SBCERA	SCERS	SDCERS*
Number of plan sponsors currently supported	6	16	20	17	13	3
Number of active plans administered	7	14	20	1	4	25

Sources: peer surveys; online investment reports; administrative operating budgets; OCERS by the Numbers 2016 Report.
 *Provides retiree health and medical benefit program to members

With plans in a constant state of negotiation and renegotiation, staff must stay up to date on agreements and navigate complicated legal documents such as memoranda of understanding (MOUs). This constant state of flux presents challenges in the retention of institutional memory. When desk manuals are prepared, they are quickly outdated. Similarly, workflows and retirement calculations can be programmed into business systems, but need to be continuously updated and monitored.

Lastly, other external factors make the job especially demanding. Public scrutiny of government pension systems has ballooned, and along with it comes demanding reporting requirements to promote transparency. Data security has become a real concern, which puts limits on automation, or at least makes electronic automation more complicated to implement. After all, it is difficult, if not impossible, to hack into a completely manual process.

In short, working at OCERS demands that employees develop a highly specialized skill set, perform significant emotional work and operate in a constantly changing environment. This combination of factors makes a fully-trained OCERS employee particularly valuable to the organization.

Understanding the Impact of Employee Separations

During interviews and focus groups, many employees expressed concern over recent employee turnover and the impact it was having on the organization. There were 75 authorized positions in calendar year 2016, of which 68 were actually filled. That same year, as shown in Table 4 below, 12 employees separated from OCERS. Of the 12, five employees left the organization for positions with the County of Orange and three employees voluntarily left for positions outside the county system.

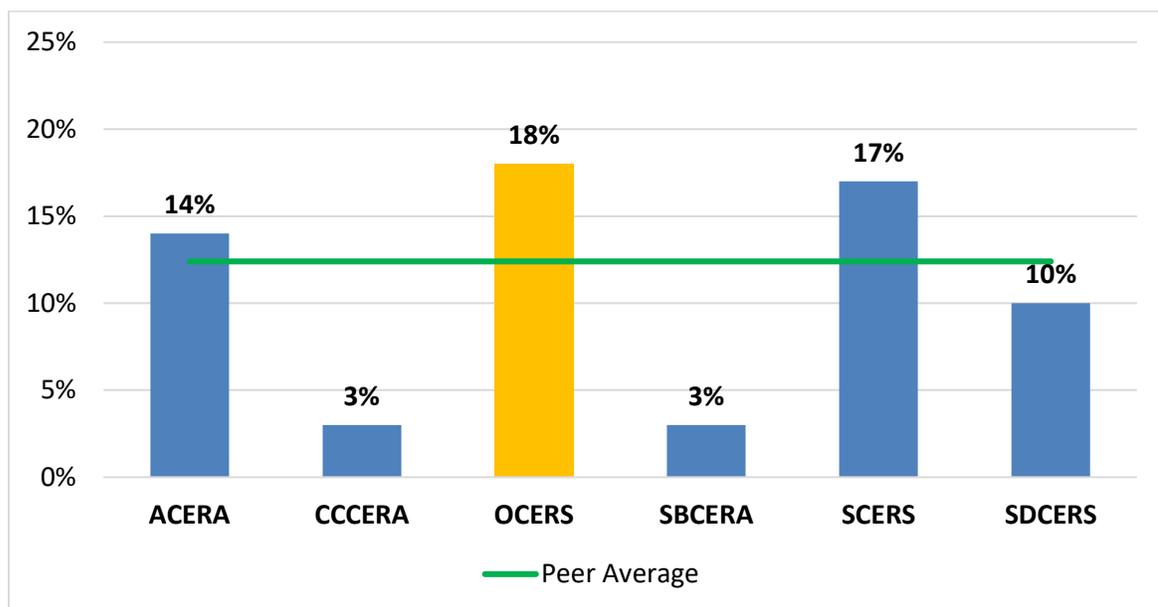
Table 4. Employee Separations in Calendar Year 2016

Separation Type	Number of Separations
Voluntary	
Employees Transferred to County	5
Retirement	1
Other Voluntary	3
Dismissed	2
Probationary Release	1
Total Separations	12
Total Filled Positions	68
Separation Rate	18%

Source: HR Separation Reports.

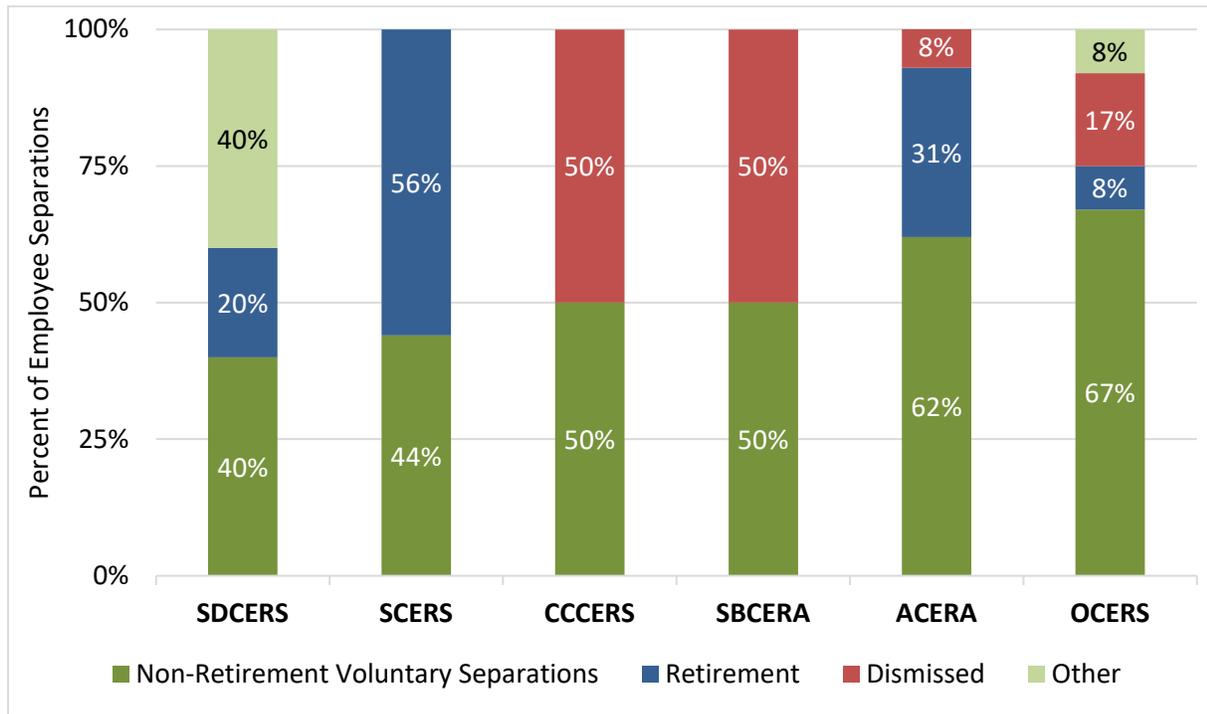
An 18% separation rate in a single year is not typical in state and local government, where the average turnover is approximately 5% annually. If you exclude the three employees who were either dismissed or did not pass probation, the separation rate is 13%, which is still higher than normal. As Figure 9 shows, OCERS' separation rate is also unique among peer retirement systems. On average, peers had a 12% separation rate.

Figure 9. Peer Employee Separation Rates for Calendar Year 2016



Looking at the types of employee separation helps illuminate why OCERS is such an outlier among peers. As shown in Figure 10, a higher proportion of separations is voluntary at OCERS compared to those for other peers.

Figure 10. Employee Separations by Type across Peer Organizations



According to a recent exit interview survey, most OCERS employees are leaving the organization for promotions. Table 5 shows that seven of eight total respondents (or 87.5%) identified promotional opportunities elsewhere as a primary reason for leaving the organization. This signals that employees leave OCERS because they are not seeing opportunities for career growth within the organization.

Table 5. Primary Reasons for Leaving for Previous OCERS Employees

Primary Reasons for Leaving OCERS	Respondents
Promotional Opportunities Elsewhere	7 (87.5%)
Health	1 (12.5%)
Lack of Promotion	1 (12.5%)
Excessive Work	1 (12.5%)
Total	8 Respondents

Source: Employee Exit Interview/Questionnaire. No survey respondent selected the following boxes: school, insufficient pay, job grievance, job offer closer to home, moving, insufficient work, problem with supervisor, retirement, marriage/family, problem with co-worker.

The Cost of High Employee Turnover

Studies on the cost of employee turnover are varied. The Society for Human Resource Management (SHRM) predicts that every time an organization replaces a salaried employee, it costs six to nine months' salary to fully replace that person. This estimated cost includes direct costs associated with recruitment, training and onboarding the departing employee, as well as indirect costs associated with temporary staff support and overtime needed to fill in the gap, and lost productivity of other staff members who have to support and train the new person.

Based on the number and type of voluntary, non-retirement separations at OCERS in 2016, the cost of turnover equates to approximately \$57,000 to \$85,500 per separation or \$456,000 to \$684,000 annually.

In addition to monetary cost, high employee turnover can also negatively impact employee morale and trigger a loss of institutional knowledge that also negatively impacts employee productivity.

Improving Talent Management

Attracting and keeping talent is especially challenging in a dynamic economy. Figure 11 provides a framework for what an organization might do to improve employee retention.

Figure 11. How Organizations Attract and Keep Talent



Employees remain committed to an organization when they have opportunities to grow and develop. Organizations interested in improving retention should focus on building a robust training program and equipping managers and supervisors with the time and tools needed to provide regular and ongoing feedback to develop staff. Clear career ladders built into the classification system tell employees that there is room for them to grow professionally. As mentioned previously, many of the classifications used by OCERS employees have only two steps.

Recommendation 2. Develop tracking tools that report time spent in training for all employees within each department.

Recommendation 3. Look for opportunities to build career ladders into classification system, including the development of mid-level positions.

Compensation is another big driver of employee retention. If employees see opportunities to do the same work, but for higher salary and benefits, they may consider employment elsewhere.

A supportive organizational culture, shared mission or purpose, and engaged workforce are more difficult to change, but likely carry the most impact. Employees want to work for an organization they believe in, alongside colleagues who are supportive and invested in their work. Even a small number of disillusioned, non-performers can drive otherwise committed employees to look for other options.

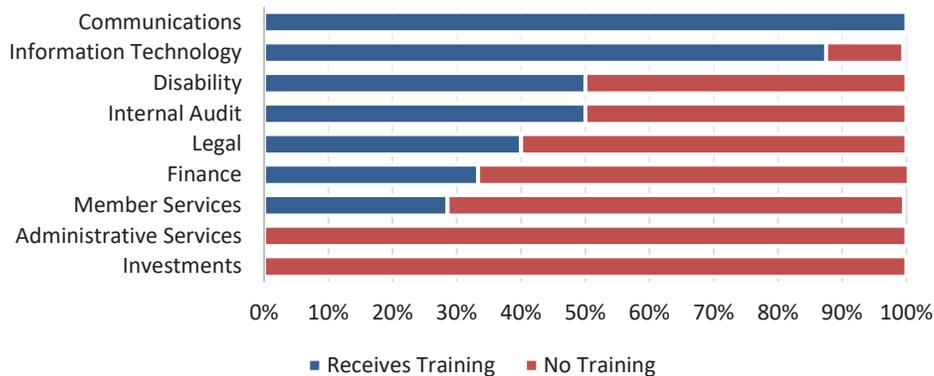
Ultimately, though, supporting employees through training and professional development opportunities is often the first step. Unfortunately, OCERS does not have a strong track record of making sure employees have access to such opportunities.

Training and Professional Development

Employees across the organization report few opportunities for training. Training materials mostly consist of outdated desk manuals and intricate user guides that are no longer relevant. Staff express concern that their jobs may be too dynamic to build effective training programs. Once they create a desk manual, the nature of work changes due to technology developments or new regulations.

Figure 12 presents the results of the employee workload questionnaire. The majority of survey respondents from Legal, Finance and Member Services do not report spending any time training. None of the employees in Investments and Administrative Services reported spending any of their time on training.

Figure 12. Percent of Employees Receiving Training by Department



Source: Employee workload questionnaire.

For the most part, new employees are learning the job day-to-day and by trial and error. Two types of training activities made up the bulk of reported training hours.

- **Special conferences** are predominately focused on leadership, networking, or professional development.
- **Self-study online courses.** These range from very specific technical courses, to general management and leadership courses. Many of the online courses are made available by the County.

Table 6 presents a summary of estimated training hours reported by employees.

Table 6. Summary of Estimated Training Hours Reported by Employees

Department	Number of Employees Reporting Training/ Development Time	Number of Employees Responding to the Survey	Percent of Respondents Reporting Training/ Development Time	Total Training Hours Proportional to 1 FTE
Communications	2	2	100%	.10
Disability	1	2	50%	.02
Finance	3	9	33%	.07
Information Technology	7	8	88%	.30
Internal Audit	1	2	50%	.03
Legal	2	5	40%	.09
Member Services	8	28	29%	.31
Total Employees with Training				24
Total Respondents				68
Percent of respondents with Training				35%

Note: The estimated average training hours per week for all employees is equal to $\frac{(.92 \times 40 \text{ hours})}{68 \text{ positions}} = 0.54$. In other words, on average, employees spend a little over half an hour a week on training.

Employee workload responses varied by department. Some respondents from the Finance Department reported needing 80 training hours over two years to study for their required CPA renewal. Most respondents from the IT Department report spending 5% of their time on training (mostly taking different online courses).

OCERS staff identify Performance Incentive Program (PIP) goals as part of the performance appraisal process. Many questionnaire respondents noted that their training is tied to this program.

The workload questionnaire also asked respondents to identify major training needs in their departments. Results are summarized in Table 7.

Table 7. *Training Needs by Department*

Department	Training Need
Administrative Services	• Risk management classes
	• Computer in the mailroom
Finance	• Finance reporting
	• Several online courses including Excel courses to improve efficiency, CALAPRS Training Academy, PDX, P2F2
Information Technology	• Director and manager are interested in taking online courses geared towards information security
	• SharePoint training
Investments	• General requests included better training for newly hired employees and having an employee handbook made available either online or in a hardcopy format
Legal	• Continue making existing resources available
Member Services	• General interest in having more training opportunities available to them
	• Supervisory staff often do not have time to work on training they are interested in completing for themselves because they are picking up the workload of new hires
	• Updated manuals, notes and other materials should be centralized in one area so that they can be more easily accessed.
	• More onboarding
	• Overview of other departments' functions within the organization to provide new hires with more context of their own roles as part of the onboarding process
	• Communication, leadership, and management training on site
	• Advanced Excel course
• Follow up V3 training	

Interviews and focus groups with staff revealed that supervisors and managers (especially in Member Services) spend significant time doing

routine, transactional work, which takes away from their ability to focus on staff professional development. Setting goals and coaching emerging leaders has not been a priority, given the demands of ongoing workload.

Recommendation 4. Assess each manager's performance in providing support for staff development and training during the annual performance review process.

OCERS has only one position specifically designated to support employee professional development – the senior staff development specialist assigned to Member Services. Based on the results of the workload survey, this position reports spending only 7% of her time coordinating training for others and 3% of her time developing policies and procedures. 27% of her time is spent on direct services to members, including counseling and providing information to members (10%), processing member information changes and auditing (15%), and retiree payroll process (2%). Another 20% of this position's time is spent liaising between Member Services and IT/Administrative Services. This includes reporting building issues and repairs needs, as well as following up on technical issues to ensure IT is aware of needed software improvements.

While these activities are certainly valuable to the organization, training and professional development must take higher priority.

Recommendation 5. Reassign responsibilities to allow the senior staff development specialist to focus on employee training, professional development, and the documentation of institutional knowledge.

A major theme from the workload questionnaire was the tendency for higher-level positions to perform routine, transactional work. Directors and managers need to be able to delegate administrative and lower managerial tasks so they can focus on bigger issues. Budget permitting, some of the classifications are behind in tasks that could be handled effectively by a lower-level part-time or full-time staff member.

Recommendation 6. Provide management and leadership training to all directors and managers and incentivize them to prioritize supervisory responsibilities above routine, transactional work.

Planning for Employee Transitions

Although working to minimize employee turnover is certainly a priority, OCERS must also better plan for employee transitions, including improving its onboarding practices and doing succession planning.

Onboarding is much more than providing an employee orientation during the first few days of work. It involves training and professional development, peer coaching and ongoing feedback to enable a new employee to get up to speed as quickly as possible. It is an essential element to ensuring a smooth transition into the organization and minimizing impacts on co-workers and supervisors.

Recommendation 7. Clarify roles and responsibilities regarding onboarding for new employees.

Succession planning does more than fill vacant positions. It is a multi-pronged effort to anticipate staffing changes, encourage staff development, document institutional knowledge and ensure continuity of service. It connects an organization’s present staffing levels with its future, making it more resilient in the process. In short, good succession planning is a sustainability strategy that enables an organization to withstand a variety of disruptions, including retirements and employee departures. Figure 13 describes what succession planning is and what it is not.

Figure 13. Overview of Succession Planning

What succession planning is	What succession planning is not
<ul style="list-style-type: none">• A systematic way to anticipate turnover• A method to plan for the organization of the future• A multi-pronged approach to develop talent• A way to prevent knowledge loss, which is critical to the continuity of service• A responsibility of leadership	<ul style="list-style-type: none">• A way to address current <i>vacancies</i>• A <i>guarantee</i> of promotion• A “one-size fits all” approach• Successful without the <i>buy-in and commitment</i> of managers and supervisors

To begin a coordinated succession planning effort, OCERS must first identify positions at risk for turnover and prioritize these positions for focused attention. OCERS can forecast talent needs based on turnover trends and expected vacancies by analyzing changes in tenure, age at resignation and retirement, and other trends. It is often helpful to prioritize positions that are harder to fill (i.e., those that have sophisticated technical requirements, those that do not currently have a pipeline of positions feeding into it, or those that rely on a deep familiarity with organizational politics). Once the at-risk positions are prioritized, management staff can identify appropriate strategies to groom talent for them.

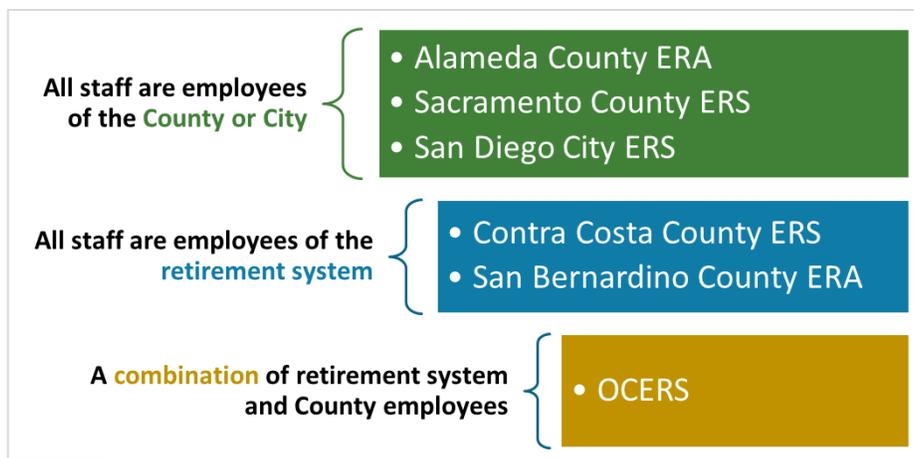
Recommendation 8. Identify positions at risk for turnover and identify appropriate strategies to groom talent for them.

The range of methods and tools for preparing staffing for upward mobility are broad. They include training, assigning stretch assignments, coaching/mentoring, job shadowing, providing interim assignments, assigning special projects, cross training, providing position resource guides, offering tuition reimbursement, and implementing individual development plans.

Split-Staffing Model

Unlike other peer retirement systems, OCERS has a split-staffing model with management staff (about one-third of the organization) being directly employed by OCERS and line staff being employed by Orange County. The other peer retirement systems included in this study do not currently follow this same model. As shown in Figure 14, three retirement systems have staff employed by their associated county or city and two retirement systems have staff employed directly by the retirement system (technically a special district).

Figure 14. Peer Retirement System Staffing Models



The split-staffing model at OCERS has created disparity for line staff talent management. For example, classification and compensation studies are routinely performed for management staff who are directly employed by OCERS. Conversely, most line staff positions have not been reviewed recently because it requires initiation and management by Orange County’s Human Resources Department.

A number of additional impacts were observed in our interviews and focus groups with OCERS employees:

- The split-staffing model makes it easy for line staff to move laterally into similar positions across the county (especially into positions that are compensated the same, but are perceived to be less demanding).
- The model makes it difficult to incentivize line staff to stay employed with OCERS, because the organization cannot offer them compensation packages that exceed what is negotiated in county collective bargaining agreements.
- The model makes it challenging to change the mix of positions or alter job classifications of line staff. As the OCERS evolves and embraces new technologies, jobs require new skillsets and abilities. Many of the position classifications maintained by the county are outdated, overly general, and no longer reflect OCERS' current needs. This presents a challenge for recruiting people with the right skillsets and competencies.
- The model limits career advancement opportunities for line staff. Moving into a supervisory or management position requires that the individual leave county employment and become an employee of OCERS, which could be a disincentive for some staff.

It is worth noting that some OCERS county line staff see the current staffing model as a benefit because they see better long-term career prospects in remaining part of the county as a whole. When OCERS fails to offer promotional opportunities, staff can always transfer out into other county departments. While this may be perceived as job security to some line staff, the benefit should be evaluated against the impacts of the disconnected organization structure that results.

Moving Beyond a Split-Staffing Model

Two peer retirement systems have been able to successfully disassociate from their corresponding counties to establish a cohesive, single-focused organization.

The San Bernardino County Employees' Retirement Association (SBCERA) used to be structured like OCERS, with its management staff employed directly by the retirement system and its line staff employed by San Bernardino County. In 2010, SBCERA decided to give all employees the option of becoming system employees. This action was taken so that the organization could have greater control over employee compensation, have the freedom to reclassify employees, and ultimately put an end to high levels of employee turnover characterized as a "revolving door."

Every employee was given the opportunity to renegotiate their compensation with the CEO upon transitioning, and partly due to the prospect of more pay, nearly every employee decided to make the transition. The organization currently contracts with the county for payroll, benefits administration and risk management.

The Contra Costa County Employees' Retirement Association (CCCERA) took a different, more confrontational approach to become independent from the county. The separation began with a lawsuit filed by CCCERA to avoid sweeping budget cuts and layoffs that the county had imposed. Eventually, CCCERA pursued legislation to become independent and succeeded in 2015. CCCERA decided to transition *all* employees at once, without giving staff the option to remain with the county. This decision prompted an increase in retirements, but also provided an opportunity to recruit employees interested in building their careers within CCCERA. All employees remained represented by the same labor relations group through the transition under a renegotiated MOU. Although it took time to develop its own systems, CCCERA does not rely on the county for payroll or benefits administration. It is a fully separate entity with its own internal support operations.

Though these peer retirement systems reported implementation hurdles in separating from the county (i.e., having to develop their own policies and practices and establish new classification and pay structures) they claim the benefits of independent status are already apparent, including:

- Full ownership over their classification system,
- Complete autonomy in their recruitment process,
- Flexibility to create competitive compensation packages,
- Increased staff training and development,
- A more unified culture,
- Strong employee morale, and
- Low employee turnover.

Table 8 presents data on each peer's employee separation rate. During FY 2016-17, only 3% of positions turned over within CCCERA and SBCERA, the only peers fully independent from their corresponding counties. By comparison, OCERS and the other peers show double digit separation rates.

Table 8. Employee Separations in Peer Retirement Systems for FY 2016-17

Separation Type	Staff are Employees of the Retirement System		Retirement Systems with County Employees			
	CCCERA	SBCERA	ACERA	OCERS ²	SCERS	SDCERS
Voluntary						
Retirement	0	0	4	1	5	1
Non-Retirement Voluntary Separations	1	1	8	8	4	2
Dismissed	1	1	1	2	0	0
Other	0	0	0	1	0	2 ¹
Total Employee Separations	2	2	13	12	9	5
Employee Separation Rate	3%	3%	14%	18%	17%	10%

Notes: ¹Two SDCERS employees were allowed to resign in lieu of termination. ²OCERS data is from calendar year 2016

In light of the staffing challenges facing OCERS as presented earlier in this report, and given the documented success stories of peer organizations that have separated from their corresponding counties, Management Partners recommends that OCERS pursue a similar path. Such a transition will certainly be challenging, but organizational autonomy will bring with it a range of benefits and ultimately create a more sustainable and resilient organizational culture that is more adaptable to change.

Recommendation 9. Take immediate steps to introduce greater autonomy into the human resources function (i.e., develop an independent classification system).

Recommendation 10. Transition to a single employer staffing model with OCERS as the employer for all staff.

Staffing and Operational Analysis

The Orange County Employees Retirement System already has made significant service enhancements that both improve customer service and lead to more efficient retirement processing. Some of the most notable improvements are described below.

- **Call center.** The call center allows retirement program specialists (RPSs) in Member Services to focus on new member enrollment and new retiree processing, which demand greater understanding of plans, tiers and benefit structures.
- **Recent staffing changes in Member Services.** The Member Services Department has recently added new positions and restructured staff teams to introduce a mid-management reporting layer. This creates added capacity for the member services director to focus on leadership and plan sponsor relationship management.
- **Plan sponsor data quality improvements.** Plan sponsors are doing more work to reconcile their own contribution data (i.e., their transmittals come in more accurate), which means less work for OCERS staff. This is an ongoing training process, but progress has been noteworthy.
- **Customer service orientation.** Throughout our interviews and focus groups with Member Services staff, we noted a strong commitment to and prioritization of customer service.
- **Realignment and restructuring of finance functions.** Retiree payroll is now appropriately handled by Finance, instead of the IT Department. The Finance Department also has made headway in structuring its operation to build capacity for its mid-level managers. Recently added positions allow the team to invest time in post retiree payroll reconciliations, as well as training and professional development.
- **Consolidation of contract administration function.** Though some employees are still getting used to this change, Management Partners sees the centralization of contract administration as a best practice in local government agencies.
- **Programmable reports.** IT seems to be effective in building capacity into the organization by creating programmable reports

(so that staff do not have to pull data query by query). These efforts need to continue to be prioritized, especially as OCERS' reporting requirements become more intense.

Peer Staffing Comparison

Five peer retirement systems were identified as comparable in terms of the members they support and administrative operating budgets, as presented in Table 9. Among these peers, OCERS has the highest number of members and retirees and likely has one of the most complex operating environments. With 20 plan sponsors (13 of which are actively accepting new members), retirement plan administration at OCERS is more dynamic. More plan sponsors mean more retirement plans to manage and more memoranda of understanding (MOUs) to monitor and track.

Table 9. Overview of OCERS and Peer Retirement Systems

	ACERA*	CCERS	OCERS	SBCERA	SCERS	SDCERS*
Number of active and deferred members currently supported	13,375	9,848	27,116	25,674	15,694	7,495
Number of retirees currently supported	9,246	9,100	16,369	11,630	10,960	10,105
Total members	22,621	18,948	43,485	37,304	26,654	20,872
Number of plan sponsors currently supported	6	16	20	17	13	3
Number of active plans administered	7	14	20	1	4	25
Investment dollars managed (in billions)	\$7.0	\$8.0	\$13.2	\$9.2	\$8.4	\$7.2
Administrative operating budget for FY 2016-17 (in millions)	\$21.4	\$13.4	\$17.1	\$10.9	\$9.1	\$13.3

Sources: peer surveys; online investment reports; administrative operating budgets; OCERS by the Numbers 2016 Report.

*Provides retiree health and medical benefit program to members.

Comparing staffing levels across peers is useful, but it is only the starting point in understanding real staffing needs. Peers can have vastly different operating environments and key variables – such as the needs of their members, the services they provide, the technology they have access to – can all be different, making an apples-to-apples comparison challenging. Nevertheless, peer comparisons reveal areas where OCERS may be out of step with the industry and are thus useful in developing a preliminary sense of potential staffing needs.

Table 10 presents staffing levels across each major function within the organization.

Table 10. Staffing by Major Functional Area

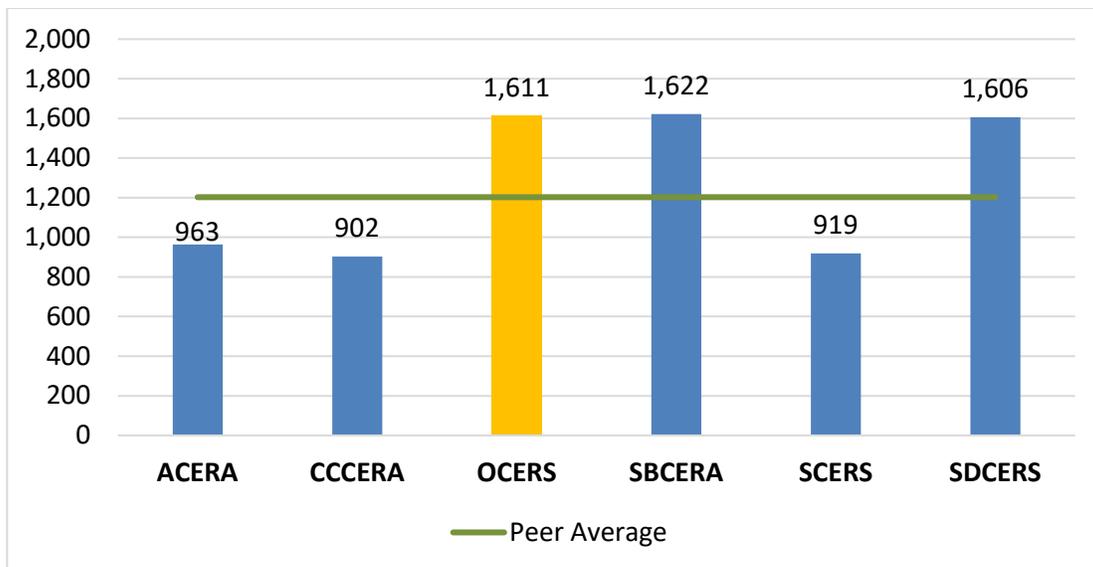
Function	ACERA	CCCERA	OCERS	SBCERA	SCERS	SDCERS	Peer Average
Member Services	23.5	21.0	27.0	23.0	29.0	13.0	21.9
Disability Retirement	9.5	2.0	5.0	5.0	2.0	2.3	4.2
Human Resources	3.0	2.0	3.0*	1.0	2.0	3.0	2.2
Finance	14.0	10.0	10.0	12.0	6.0	8.0	10.0
Information Technology	11.0	5.0	9.0	7.0	1.0	3.0	5.4
Investments	10.0	6.0	6.0	7.0	4.0	4.0	6.2
Legal	8.0	2.0	6.0	5.0	2.0	5.0	4.4

*Includes Administrative Services Director positions and excludes the Contracts Risk and Performance Analyst.

To make these staffing numbers relatively comparable, it is helpful to consider the overall workload of each peer jurisdiction. The most simplistic and readily available workload indicator is the number of members supported by each organization.

Figure 15 presents the number of members supported per Member Services full-time equivalent (FTE) employee.

Figure 15. Members Supported per Member Services FTE



Based on our interviews with peers, we believe that OCERS is among the top three in the number of members supported per Member Services FTE for two reasons.

1. *Advanced technology yields efficiencies.* The technology utilized by OCERS staff allows them to do more with fewer budgeted

positions. Other peers that have yet to implement many of the functionalities available in OCERS' online member portal and/or V3 electronic workflows (e.g., SCERS) need larger staff teams to support fewer members.

2. ***Under-resourced staff team.*** Relatively light staffing levels in OCERS' Member Services has had an impact on the department's ability to keep pace with workload, which translates into severe backlogs in the areas of service credit purchase (SCP) requests and reciprocity claims.

The current backlog of SCP requests includes items as old as 2014 waiting to be audited. Member Services also has over 500 pending reciprocity claims to calculate, with as many as 600 additional claims that need to be reviewed to determine their status. (Due to staff turnover, claim tracking tools have become unreliable and the status of each individual claim needs to be investigated.) The level of backlogged work means significant delays for members, which is inconsistent with OCERS' high standards for customer service.

These backlogs also indicate a need for process refinement. According to the employees who participated in focus groups, the V3 retirement system has not been implemented to fully support the SCP and reciprocity staff teams and the workflows associated with each of these processes warrant improvement.

Recommendation 11. Conduct a process improvement study to refine the service credit purchase (SCP) requests and reciprocity claim workflows. Use the results to configure V3 to fully support these processes.

Recommendation 12. Add one additional full-time position to support service credit purchase (SCP) requests and reciprocity claim processing to address the current backlog of work. Monitor the backlog and incoming SCP requests and reciprocity claims and make staffing adjustments as positions turnover and workload shifts.

Management Partners also performed supplementary workload analysis for new retirement processing, which is described in the next section of this report.

During employee focus groups, many staff noted the challenges of meeting the needs of walk-in visitors, which can interrupt staff's ongoing retirement processing responsibilities. The current policy at OCERS is

that walk-in visitors are welcome any time during open hours. When a visitor arrives with questions, a retirement specialist is brought to the front counter to assist them. Table 11 shows this policy is the most common across peer organizations. None of the peer agencies limit walk-in visitors to designated work hours.

Table 11. Member and Employee Communication Policies

	ACERA	CCCERA	OCERS	SCERS	SBCERA	SDCERS
Walk-in visitors are welcome any time during open hours	✓	✓	✓	✓	✓	✓*
Designated times during the week when walk-in visitors are allowed						
Appointment is required for a member to speak with specialist in person						✓*
No in-person meetings, all communication happens electronically or through phone						

*Although appointments are pre-scheduled, members can wait to speak to a counselor in urgent situations.

Due to the prevalence of this policy and the customer service benefits of welcoming visitors during open hours, Management Partners does not recommend any changes to OCERS' current operating practices. However, interruptions from walk-in and call-in customers can be reduced by encouraging members to make appointments.

Recommendation 13. Develop online communication that encourages members to schedule appointments with a retirement specialist, rather than make unscheduled visits to the public counter.

The online member portal already offers a range of useful functionalities to reduce the workload on OCERS staff. For example, it allows members to change their address and phone number, perform their own benefit estimates using a retirement benefit calculator, update direct deposit information, access account information (such as statements, account balances, tax withholding, service credits, etc.), and request a service credit purchase. Currently, 17,717 (or 41%) of active, deferred and retired members are registered users of the online portal. This number is expected to grow over time.

Recommendation 14. Continue expanding functionalities and features of the online member portal. Posting frequently asked questions (FAQs) helps members resolve their own questions and deters them from making unscheduled contact with OCERS staff.

One of the best practices uncovered in the peer comparison involved the use of webinars. SBCERS has recently implemented webinar software to provide electronic member seminars. This allows them to offer a greater variety of seminar topics and post webinar videos online for viewing later. Since implementing this alternative to in-person seminars, SBCERS has seen member participation double, while staff time required for seminar logistics, such as securing a location and preparing materials, has decreased.

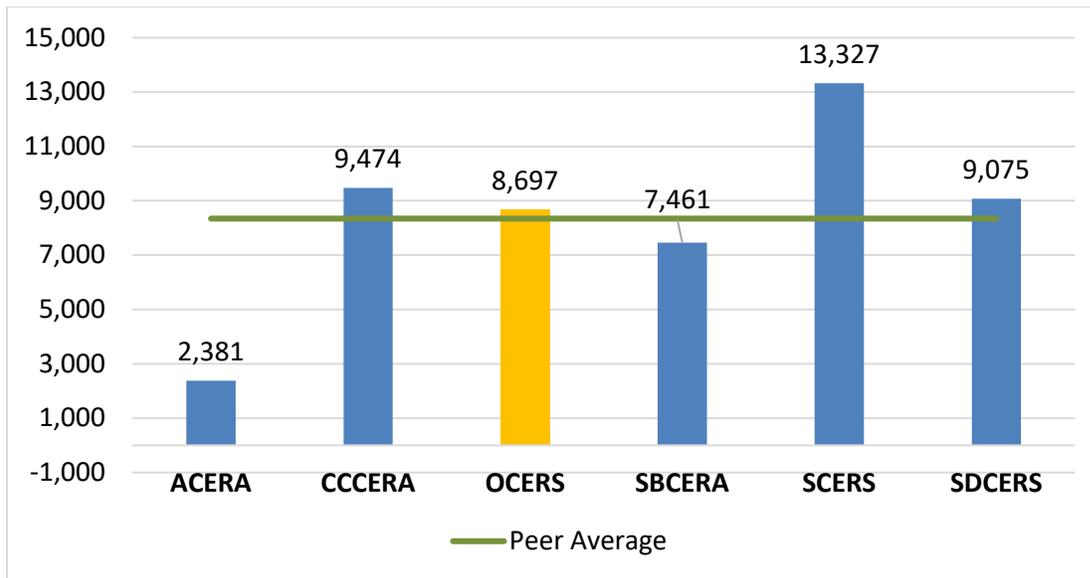
Recommendation 15. Explore the feasibility of using webinar technology as an alternative to onsite and offsite member seminars.

The Member Services Department has relied on temporary staff to support its call center, as well as provide additional assistance to retirement specialists in meeting workload demands. Many of these temporary employees have been with OCERS for years, which raises questions about their status as “temporary” employees and creates potential exposure. Part-time and temporary positions can be important to provide necessary staffing for pilot initiatives, during moments of peak workload, and for short-term projects. However, they should not be relied upon as an ongoing substitute for full-time, permanent positions.

Recommendation 16. Monitor the use of temporary staff support and develop criteria to determine when temporary positions should be converted into full-time positions.

OCERS has five positions supporting the disability retirement processing team, while peers on average had 4.2 FTE. Figure 16 presents the members supported per Disability Retirement FTE.

Figure 16. Members Supported per Disability Retirement FTE



OCERS performance is average for the number of members supported per Disability Retirement FTE. These preliminary results suggest that the disability retirement process is sufficiently staffed.

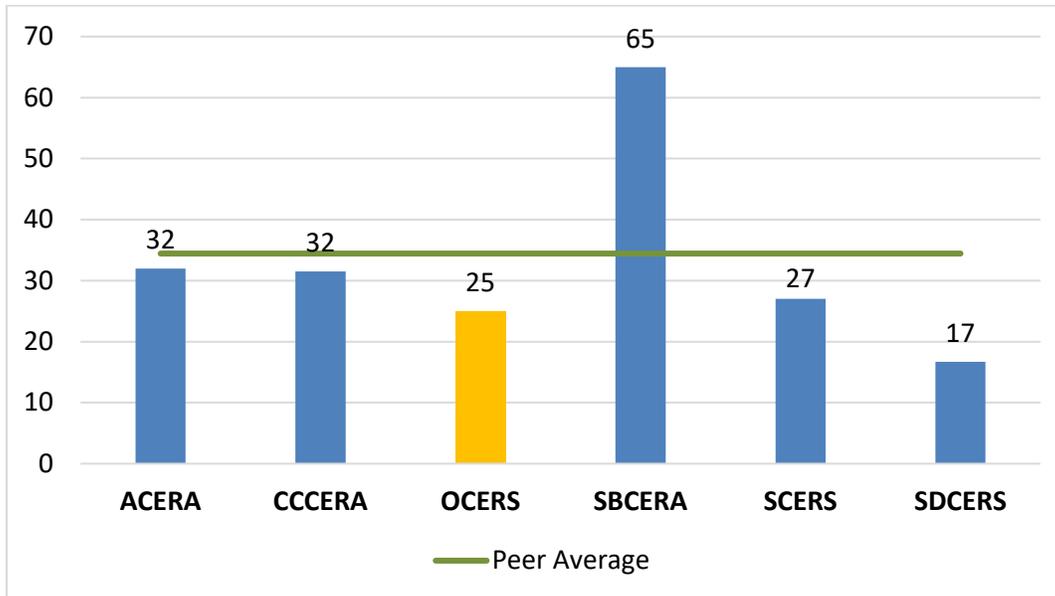
As part of this project, Management Partners worked with the disability retirement staff to review case processing times. Our intention was to develop meaningful estimates for the number of staff hours required to process each disability retirement case and then use 2016 workload to project staffing needs for this function. Ultimately, the nature of work made it difficult for staff to estimate step-by-step processing times. The work was too variable across cases and can be too drawn out (many cases take a full year to process). Despite these challenges, attempts should be made to track time for case processing before staffing adjustments are made to this function.

Recommendation 17. Track staff hours required to process a subset of disability retirement cases by major process step. Tracked hours can be used to develop expectations for a) how much staff time is required to move through a single process cycle, b) what process improvements could help this team move through cases more quickly, and c) the number of cases this team can reasonably handle with existing staffing levels.

OCERS has three positions supporting its human resources functions. Peer HR staffing ranges from one full-time employee (SBCERA) to three full-time employees (ACERA and SDCERS). The average peer staffing is

2.2 FTE. Figure 17 presents the number of employees supported per Human Resources FTE.

Figure 17. Number of Employees Supported per Human Resources FTE



These *preliminary* results suggest that the OCERS human resources team is sufficiently staffed. However, the range of responsibilities this team has is unique among peers. In addition to typical HR responsibilities, this team oversees building management, contracts, special events, and miscellaneous administrative responsibilities. In other words, the breadth of functional responsibilities is larger for this team in comparison to peers.

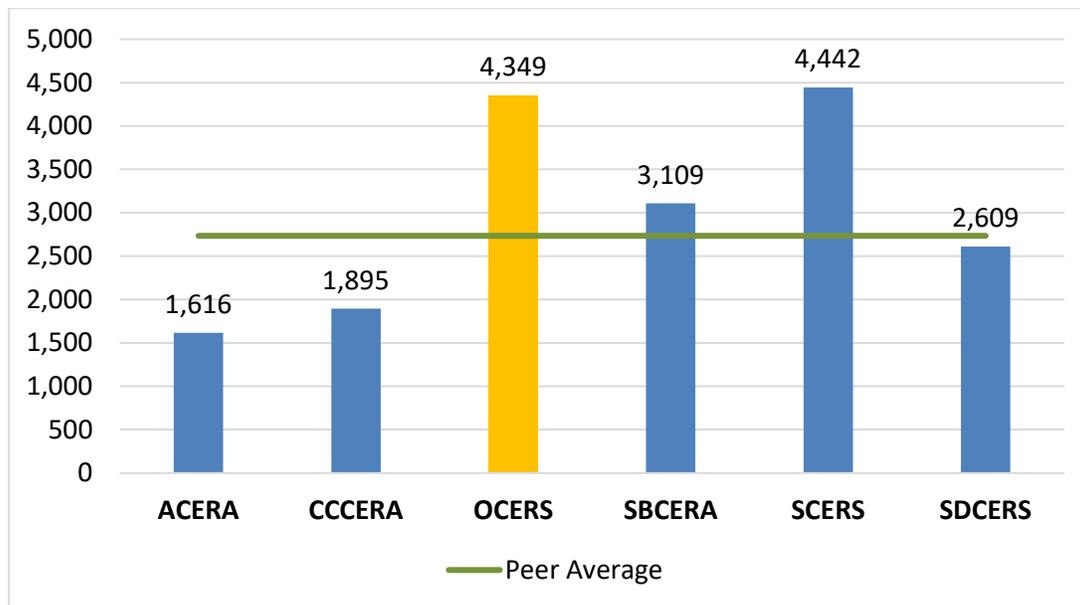
The split-staffing model also generates additional workload for this team. Employing individuals through the county involves another layer of bureaucracy when performing routine HR duties. For example, county employee recruitments have additional requirements, employee grievances have a more drawn out process, etc.

Given the diverse array of functional responsibilities, the split-staffing model, and high levels of employee turnover experienced over the last year, Management Partners recommends providing this team with some temporary staffing support. Depending on the organization's needs, this could take the form of additional administrative support for processing supervisory and line staff recruitments or the use of an executive recruitment firm for high-profile management and executive-level recruitments.

Recommendation 18. Budget resources for additional temporary staffing to support recruitments.

Despite OCERS being the largest retirement system among peers, it does not have the largest finance team. OCERS has 10 FTE supporting its finance operations, which is at the peer average. Figure 18 shows the members supported per Finance FTE.

Figure 18. Members Support per Finance FTE



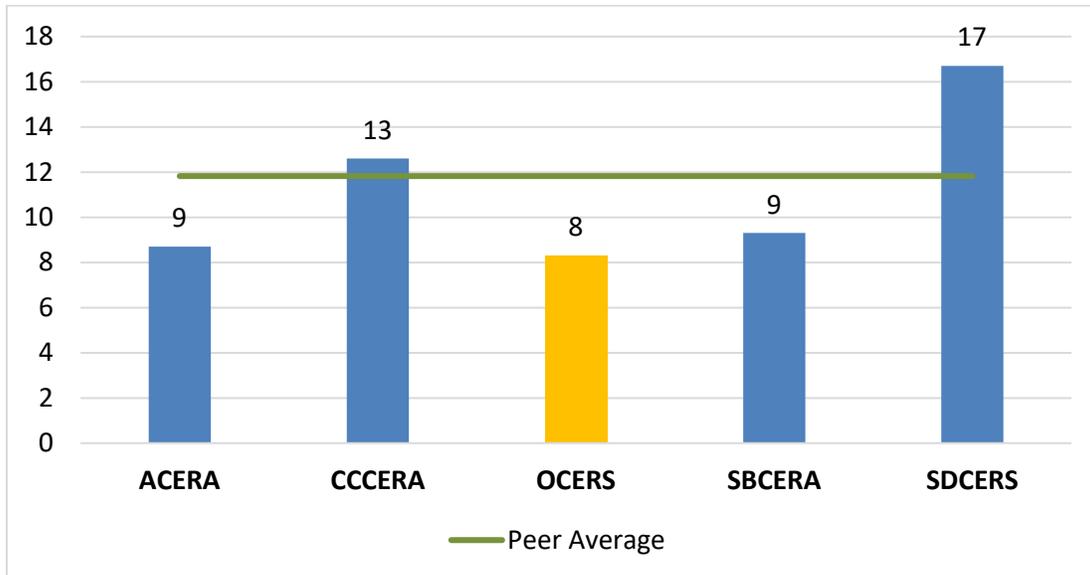
This suggests the finance team may be under-resourced, despite recent staffing augmentations. Interviews with this team and the employee workload questionnaire did not reveal an immediate need for more staffing support, so Management Partners is not recommending additional resources at this time. However, finance would benefit from a close examination of internal processes as it builds its auditing and data verification functions.

Recommendation 19. Conduct a process improvement study of financial operations to build greater efficiency into processes and improve data reliability.

With 10 full-time positions supporting the IT Department, OCERS has a robust IT team compared to peer retirement systems, where the average number of IT staff is 5.4 FTE. This relatively large staff is partially the result of OCERS' efforts to increase technology personnel for the V3 implementation.

Figure 19 presents the number of employees supported per IT FTE across peers.

Figure 19. Employees Supported per Information Technology FTE

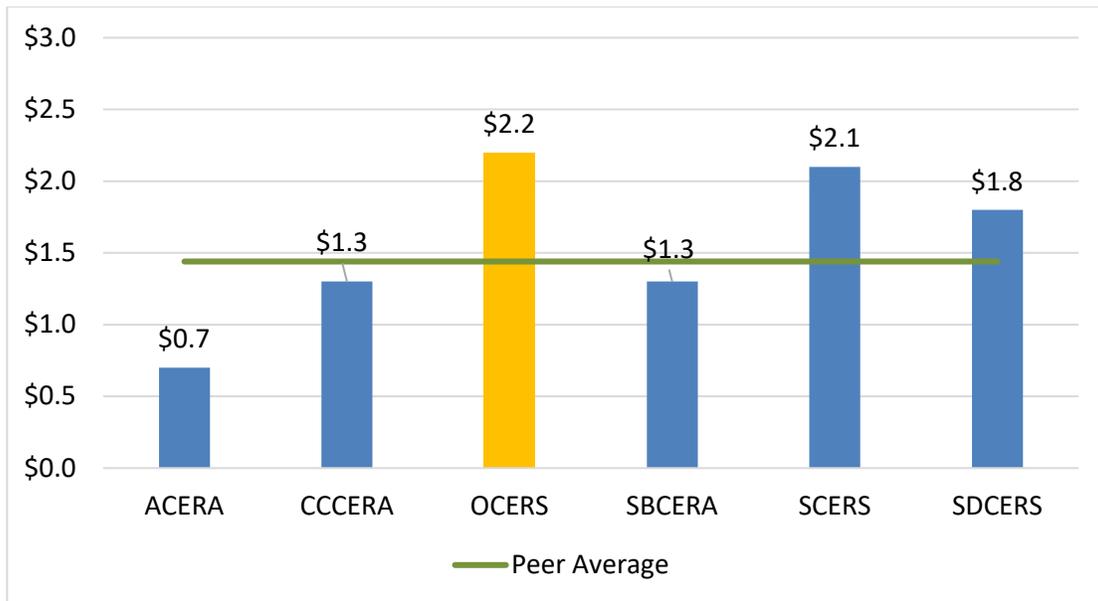


Note: Graph excludes SCERS because it has one IT FTE serving the entire organization (54 FTE)

These preliminary results suggest that IT may be the only area where OCERS is over resourced in terms of staffing. The following section of this report further examines IT staffing in relation to help desk workload to assess how the IT function might be redesigned to better serve the evolving needs of the organization.

Although OCERS manages the most investment dollars, its investments team is staffed by only 6.0 FTE, which is at the peer average. ACERA and SBCERA both have larger investment teams, with 10.0 FTE and 7.0 FTE respectively. Figure 20 presents the billions of investment dollars managed per Investments FTE.

Figure 20. Billions of Investment Dollars Managed per Investments FTE

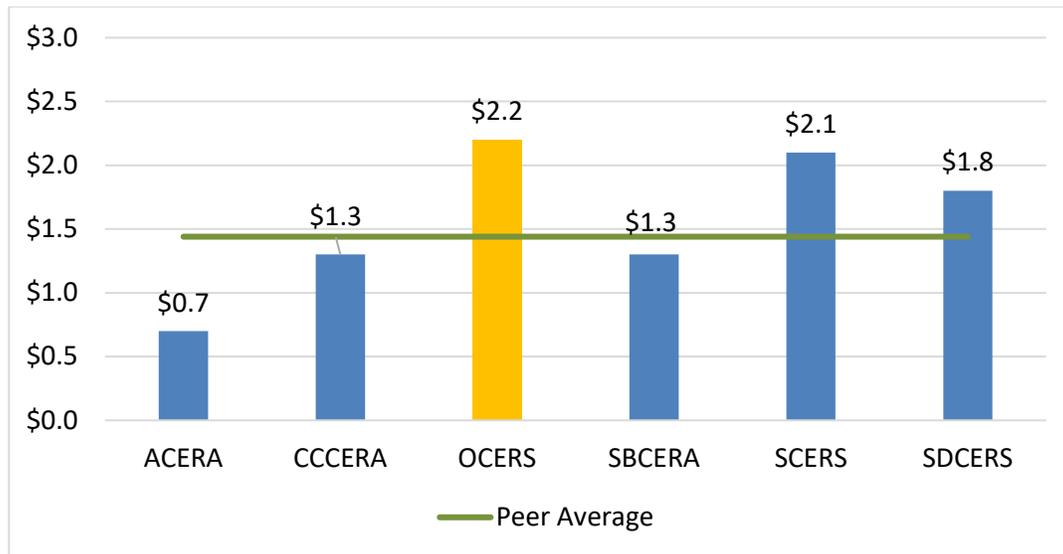


This data suggests the investments function is under resourced. Interviews with staff and the workload questionnaire corroborated this staffing need. Investments employees confirmed that existing staffing levels do not provide sufficient support for dealing with expanding transparency requirements and create a working environment where employees have little to no time for professional development. This is untenable given the mission critical nature of the investments operation.

Recommendation 20. Add an additional full-time investment analyst position to support the Investments department.

The OCERS Legal Department is staffed by 6.0 FTE, making it the second largest legal team across peers, where the average is 4.4 FTE. Figure 21 presents the number of members supported per Legal FTE and shows the legal function may be sufficiently resourced.

Figure 21. Number of Members Supported per Legal FTE



In summary, based on our review of peer staffing data, the most significant staffing needs are in Member Services, Investments and Finance, although Finance staff are not currently asking for additional support. Management Partners also has recommended providing additional staffing in Administrative Services to support recruitments, conducting process improvement analysis in Finance, and performing additional workload analysis of the disability retirement processing function.

Supplementary Workload Analysis

In addition to gathering comparative data on peer staffing, Management Partners was provided with workload data to conduct a more detailed assessment of staffing needs in three areas:

- New retirement processing,
- Information Technology help desk service requests, and
- Recruitments.

The results of this assessment are described below.

New Retirement Processing

The Member Services Department has one team of retirement program specialists (RPSs) who are almost exclusively assigned to new retirement processing. To assess staffing needs, Management Partners asked the new retirement processing team to break this process into major steps and estimate the amount of time it takes employees to complete each one.

Staff identified 15 distinct process steps with 6 different positions involved in the process. Each new retirement is estimated to take between 6 and 22 hours depending on the level of complexity. Based on 2016 workload (779 new retirements processed), Table 12 compares the estimated staffing need with current staffing levels.

Table 12. New Retirement Processing Staffing Levels and Staffing Needs

Position	Current Staffing Level (FTE)	Staffing Need Based on 2016 Workload ¹
Customer Service Retirement Program Specialist (RPS)	5	3.3 to 3.5 FTE
Payroll RPS	2	1.9 to 2.1 FTE
Audit RPS	1	1.1 to 1.2 FTE
Member Services Supervisor	1	0.4 FTE
Senior Staff Development Specialist	1	0.2 FTE
Senior RPS	1	1.1 to 1.3 FTE

¹The staffing need calculation assumes each staff member can spend approximately 1,404 hours per year on new retirement processing. This estimate assumes employees take all holidays off, do not work overtime, take 35 days of annual leave per year (vacation and sick leave), spend 40 hours per year on training and professional development and spend 5 hours per week on items unrelated to new retirement processing (i.e., responding to internal emails, attending staff meetings, etc.).

The above analysis does not consider other team responsibilities besides new retirement processing. For example, this team is also responsible for assisting walk-in visitors, answering general questions by phone (i.e., those questions that cannot be answered directly by call center staff), performing on-site and off-site retirement seminars (which collectively take up to 115 hours per year), and hearing appeals. These additional responsibilities are noted in Table 13.

Table 13. Additional Responsibilities of the New Retirement Processing Team

Additional RPS Team Responsibilities	Estimated Annual Hours	Comments
Onsite retirement seminars	65	24 to 26 onsite seminars held each year
Offsite retirement seminars	50	
Plan sponsor events	60	10 offsite events handled each year
TOTAL	175	Equates to an additional 0.12 FTE
Other non-accounted for responsibilities		
<ul style="list-style-type: none"> • Assisting walk-in visitors • Answering general questions by phone • Hearing Appeals 		

Based on this analysis, customer service RPS staffing seems sufficient to support the process and adequately provide members with general

information and counseling. As shown above in Table 12, the staffing levels for the two payroll RPSs and audit RPS are close to the estimated staffing need. This means the workloads for these positions may contribute to bottlenecks in these parts of the process. Similarly, the senior RPS position is likely to be overextended, especially given its additional responsibilities for retirement seminars, which are not factored into the above analysis.

Recommendation 21. Add one full-time, limited term retirement program specialist (RPS) to support new retirement processing.

Recommendation 22. Delegate some responsibilities of the senior retirement program specialist (RPS) to ensure position is not overextended.

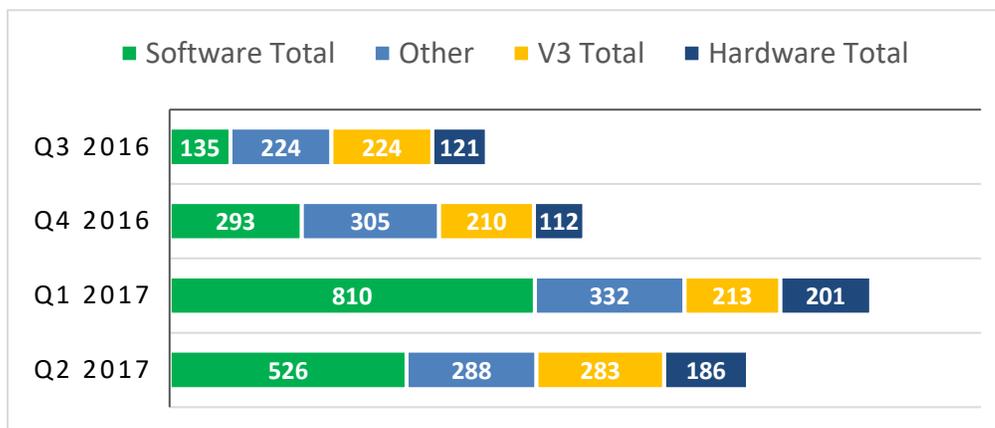
Based on the staff time estimates, the senior staff development specialist is spending up to one-fifth of her time on routine, transactional new retirement processing. This position is intended to focus on professional development and training of member services staff, but the transactional work is impeding performance of this responsibility.

Recommendation 23. Reengineer the new retirement processing workflow to minimize the role of the senior staff development specialist.

Information Technology Help Desk Requests

The IT Department recently began tracking the number and type of help desk requests. Figure 22 presents the IT help desk workload from August 2, 2016 to June 19, 2017.

Figure 22. IT Help Desk Workload



Note: FY 2016-17 workload includes help desk tickets between August 2, 2016 and June 19, 2017. Thus, the workload data do not represent a full quarter in Q3 2016 and Q2 2017.

Combining the available help desk request workload data with staff time estimates for each request type, Management Partners has estimated the total hours required to staff the help desk annually. As Table 14 indicates, help desk requests require at least 2 full-time positions (1.99 FTE) to support. OCERS currently has four positions assigned to resolve help desk requests, but this team is also responsible for performing routine maintenance of IT infrastructure, including personal desktop computers, software administration, and server management.

Table 14. Reported Time Estimates and Estimated Staffing Need for IT Help Desk Requests

Help Desk Category	FY 2016-17 Workload ¹	Estimated Hours Per Year
V3	868	794
Hardware	620	310
Software	1,764	943
Other	1,094	494
TOTAL		2,541
Estimated Annual Total¹		2,792
Estimated Staffing Need (FTE)²		1.99
Current Staffing Level		4.0

Note: A complete list of time estimates by major step is included in Attachment C.

¹ FY 2016-17 workload includes help desk tickets between August 2, 2016 and June 19, 2017. Thus, the workload data does not represent a full fiscal year. The estimated annual total presented at the bottom of the chart estimates the total number of hours for a full fiscal year. V3 Script and SharePoint help desk requests are excluded from this list because those items are typically not handled by the IT operations team.

² The staffing need calculation assumes each staff member can spend approximately 1,404 hours per year focusing on IT help desk tickets. This estimate assumes employees take all holidays off, do not work overtime, take 35 days of annual leave per year (vacation and sick), spend 40 hours per year on training and professional development and spend 5 hours per week on items unrelated to help desk items (i.e., responding to internal emails, attending staff meetings, etc.).

Based on the results of our analysis, Management Partners recommends a reconfiguration of existing IT staffing resources. More specifically, one position currently supporting the help desk should be redeployed to focus on cybersecurity and workflow automation.

Recommendation 24. Convert one position currently supporting the IT help desk into a business systems analyst with cybersecurity expertise and/or experience with workflow automation.

Recruitments

Due to the high rate of employee separations, the human resources team has been challenged to keep pace with recruitments and maintain other important responsibilities. Management Partners asked human resources staff to estimate the number of hours it takes to complete each step in the

recruitment process. Staff identified 16 process steps that can collectively take between 32 and 56 hours to complete, depending on a recruitment’s level of complexity. Attachment C presents a complete list of process steps and time estimates.

The results of this analysis are presented in Table 15, which suggests that 0.72 FTE of HR staff time is needed to support the recruitment function. These positions, however, have a variety of other major responsibilities they must perform. Such responsibilities include: providing administrative support, building management, providing compensation and benefits administration, managing employee engagement, conducting employee onboarding, performing payroll system tracking, and administering performance evaluations and processes.

Table 15. Staffing Need for Recruitments Based on Reported Time Estimates and Workload

Position	Current Staffing Level (FTE)	Staffing Need Based 2016 Workload ²
HR Staff (includes HR assistant and HR staff specialist)	2 ¹	0.72 FTE

¹ Excludes the administrative services director’s involvement in the process.

² A total of 21 recruitments were processed in 2016. The staffing need calculation assumes each staff member can spend approximately 1,404 hours per year focusing on new retirement processing. This estimate assumes employees take all holidays off, do not work overtime, take 35 days of annual leave per year (vacation and sick), spend 40 hours per year on training and professional development and spend 5 hours per week on items unrelated to recruitments (i.e., responding to internal emails, attending staff meetings, etc.).

Functional Alignment and Employee Classifications

Organizational Structure and Alignment

Management Partners reviewed the organizational structures of each major department within OCERS. An overview of each is provided below:

- ***External Services Operations.*** Under the direction of an assistant CEO, External Services departments manage the organization's major outward facing operations, including all member services functions, disability retirement investigations and processing, and external communications.
- ***Internal Services Operations.*** Under the direction of an assistant CEO, Internal Services departments oversee the major support functions within the organization, i.e., finance, information technology, and administrative services, including human resources.
- ***Investments.*** The Investments Department is responsible for managing OCERS' \$17.1 billion investment portfolio. It is led by a chief investment officer who oversees a team of 6.0 FTE.
- ***Legal.*** The Legal Department is responsible for providing the organization with expert legal advice; overseeing administrative proceedings, litigation, and legislative affairs; and supporting the Governance Committee. It is led by the general counsel who oversees a team of 6.0 FTE.
- ***Internal Audit.*** The internal auditor reports directly to the Board of Retirement and oversees one other full-time position.

Organization charts for each department are provided in Attachment D. The recent changes made to the Finance Department and the Member Services Department to clarify mid-management reporting relationships are consistent with best practices and should help build capacity into the organization. Based on our review of each department's organizational structure, Management Partners does not recommend any further changes to reporting relationships, functional alignment or span of control.

Employee Classifications

Management Partners also reviewed all position classifications currently in use, including management positions (i.e., those directly employed by OCERS) and line staff positions (i.e., those directly employed by the county).

All OCERS job descriptions are up to date and recently have been revised. The job descriptions for Orange County employees, however, are more generic and usually include only two steps within the classification. Although they were created some time ago, the job descriptions generally still fit the duties being performed. The formatting of the descriptions should be updated for consistency, and in some cases the desired and required knowledge, skills and abilities should be revised. Some position classifications warrant attention beyond issues of consistency as recommended below.

Recommendation 25. Update the disability coordinator classification to include language about the use of computer software/hardware and actual tasks performed.

Recommendation 26. Revise the retirement benefits technician classification to expand on the desired knowledge, skills and abilities.

Recommendation 27. Revise the human resources staff assistant, human resources staff specialist and store clerk classifications to accurately reflect their current responsibilities.

Recommendation 28. Update the accountant/auditor I classification to reflect desired knowledge, skills and abilities.

Recommendation 29. Revise descriptions for each level of the Executive Secretary job series to clarify essential duties and desired knowledge, skills and abilities.

Recommendation 30. Update the office specialist and staff specialist classifications to include use of computer hardware/software tools and actual tasks being performed.

Because their county job classifications have so few steps, OCERS line staff have few opportunities to move up a career ladder. The ability to develop stronger career paths for line staff is inherently limited by the OCERS' split-staffing model, which precludes it from offering more

customized descriptions and classifications than the county provides. Transitioning to an independent staffing model, as has been recommended in this report, will help address this issue.

Conclusion

The workforce analysis described in this report assessed OCERS' organizational structure, staffing levels and employee classifications in order to clarify and align staff responsibilities and recommend staffing changes to equip the organization to serve its members effectively, both now and in the future.

Implementing the recommendations in this report will require hard work as well as time. Detailed planning will be essential to take some of these concepts to fruition and many of the recommendations will not be easy to accomplish under the current staffing model. Fortunately, OCERS has competent, hard-working staff members who are resourceful and committed to providing high levels of customer service.

Addressing the realities of the sustained peak in workload OCERS has experienced, while making strides to strategically manage talent, will take a concerted effort by the Board of Retirement, executive leaders and staff. The recommendations in this report provide a pathway to begin that journey together.

Attachment A – List of Recommendations

- Recommendation 1.** Hold a prioritization workshop to review the organization’s goals for the future and identify which items should be considered immediate priorities and which can be implemented later.
- Recommendation 2.** Develop tracking tools that report time spent in training for all employees within each department.
- Recommendation 3.** Look for opportunities to build career ladders into classification system, including the development of mid-level positions.
- Recommendation 4.** Assess each manager’s performance in providing support for staff development and training during the annual performance review process.
- Recommendation 5.** Reassign responsibilities to allow the senior staff development specialist to focus on employee training, professional development, and the documentation of institutional knowledge.
- Recommendation 6.** Provide management and leadership training to all directors and managers and incentivize them to prioritize supervisory responsibilities above routine, transactional work.
- Recommendation 7.** Clarify roles and responsibilities regarding onboarding for new employees.
- Recommendation 8.** Identify positions at risk for turnover and identify appropriate strategies to groom talent for them.
- Recommendation 9.** Take immediate steps to introduce greater autonomy into the human resources function (i.e., develop an independent classification system).
- Recommendation 10.** Transition to a single employer staffing model with OCERS as the employer for all staff.
- Recommendation 11.** Conduct a process improvement study to refine the service credit purchase (SCP) requests and reciprocity claim workflows.
- Recommendation 12.** Add one additional full-time position to support service credit purchase (SCP) requests and reciprocity claim processing to address the current backlog of work.
- Recommendation 13.** Develop online communication that encourages members to schedule appointments with a retirement specialist, rather than make unscheduled visits to the public counter.
- Recommendation 14.** Continue expanding functionalities and features of the online member portal.
- Recommendation 15.** Explore the feasibility of using webinar technology as an alternative to onsite and offsite member seminars.

Recommendation 16. Monitor the use of temporary staff support and develop criteria to determine when temporary positions should be converted into full-time positions.

Recommendation 17. Track staff hours required to process a subset of disability retirement cases by major process step.

Recommendation 18. Budget resources for additional temporary staffing to support recruitments.

Recommendation 19. Conduct a process improvement study of financial operations to build greater efficiency into processes and improve data reliability.

Recommendation 20. Add an additional full-time investment analyst position to support the Investments department.

Recommendation 21. Add one full-time, limited term retirement program specialist (RPS) to support new retirement processing.

Recommendation 22. Delegate some responsibilities of the senior retirement program specialist (RPS) to ensure position is not overextended.

Recommendation 23. Reengineer the new retirement processing workflow to minimize the role of the senior staff development specialist.

Recommendation 24. Convert one position currently supporting the IT help desk into a business systems analyst with cybersecurity expertise and/or experience with workflow automation.

Recommendation 25. Update the disability coordinator classification to include language about the use of computer software/hardware and actual tasks performed.

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Recommendation 29. Revise descriptions for each level of the Executive Secretary job series to clarify essential duties and desired knowledge, skills and abilities.

Recommendation 30. Update the office specialist and staff specialist classifications to include use of computer hardware/software tools and actual tasks being performed.

Attachment B – Peer Agency List of Positions

Table 16. Member Services Positions

Retirement System	Position(s)	Total Member Services FTE
Alameda County Employee Retirement Agency	Retirement Specialist III (6)	23.5
	Retirement Specialist I (11)	
	Retirement Support Specialist (2.5)	
	Retirement Specialist II (2)	
	Assistant Benefits Manager (2)	
Contra Costa County Employee Retirement System	Member Services Manager (1)	21
	Member Services Supervisor (1)	
	Retirement Sr. Member Services Data Specialist (3)	
	Retirement Member Services Data Specialist (3)	
	Retirement Member Services Technician (4)	
	Retirement Services Manager (1)	
	Retirement Services Supervisor (1)	
	Retirement Counselors (7)	
Orange County Employee Retirement System	Accounting Technician (5)	27
	Director of Member Services (1)	
	Member Services Manager (1)	
	Member Services Supervisor (3)	
	Office Specialist (1)	
	Office Technician (3)	
	Retirement Benefits Technician (3)	
	Retirement Program Specialist (8)	
	Senior Retirement Program Specialist (1)	
	Senior Staff Development Specialist (1)	
Sacramento County Employee Retirement System	Chief Benefits Officer (1)	29
	Office Assistant, Level II (1)	
	Office Specialist, Level II (2)	
	Retirement Benefits Specialist Level I/II (11)	
	Retirement Services Analyst (2)	
	Retirement Services Manager (1)	
	Retirement Services Supervisor (4)	
	Senior Retirement Benefit Specialist (7)	

Retirement System	Position(s)	Total Member Services FTE
San Bernardino County Employee Retirement Agency	Chief Operating Officer (1)	23
	Retirement Benefits Officers (1)	
	Communications Officer (2)	
	Retirement Specialist Supervisor (1)	
	Retirement Specialist (5)	
	Retirement Benefits Technician (4)	
	Executive Secretary (1)	
	Office Specialist (1)	
	Account Auditing Supervisor (1)	
	Accounting Technician (6)	
San Diego Employee Retirement System (Includes call-center staff)	Counselors (3)	11
	Retirement Assistants (Call-center staff/receptionist) (5)	
	Retirement Supervisor (1)	
	Public Information Officer (1)	
	Member Services Director (1)	

Table 17. Disability Retirement Investigations and Claims Processing Positions

Retirement System	Position(s)	Total FTE
ACERA	Retirement Specialist III (1)	9.5
	Retirement Specialist II (1)	
	Retirement Support Specialist (.5)	
	Senior Retirement Benefit Specialist (7)	
CCCERA	Disability Specialist (2)	2
OCERS	Disability Coordinator (1)	5
	Disability Investigator (2)	
	Office Specialist (2)	
SCERS	Retirement Disability Specialist (2)	2
SBCERA	Disability Retirement Supervisor (1)	5
	Disability Retirement Specialist (2)	
	Office Specialist (2)	
SDCERS	Disability Services Officer (1)	2.3
	Retirement Paralegal (1)	
	Associate General Counsel (0.3)	

Table 18. Information Technology Positions

Retirement System	Position(s)	Total FTE
ACERA	Retirement Chief Technology Officer (1)	11
	Retirement Systems Program Analyst (4)	
	Personal Computer and Network Systems Specialist (1)	
	Security Analyst (1)	
	Administrative Specialist II (1)	
	Retirement Support Specialist - Imaging Functions (2)	
	Facilities Supply Clerk II (1)	
CCERS	Information Technology Manager (1)	5
	Information System Programmer Analyst (2)	
	Information Technology Coordinator (2)	
OCERS	IT Manager (1)	10
	Senior Applications Developer (1)	
	Application Developer II (2)	
	Systems Engineer II (1)	
	Director of Information Technology (1)	
	Information Technologist II (1)	
	IT Operations Supervisor (1)	
	IT Programming Supervisor (1)	
	IT Network Engineer II (1)	
SCERS	Information Technology Analyst 2 (1)	1
SBCERA	Chief Information Officer (1)	7
	Information Security Officer (1)	
	Information Systems Officer (1)	
	Business Systems Engineer and Analyst (1)	
	Enterprise Content Manager (1)	
	Enterprise Content Specialist (2)	
SDCERS	Chief Information and Security Officer (1)	3
	Applications Services Manager (program manager) (1)	
	Information Systems Analyst IV (1)	

Table 19. Investments Staff and Functions

Retirement System	Position(s)	Total Investments FTE
ACERA	Chief Investment Officer (1)	10
	Senior Investment Officer (1)	
	Investment Officer (2)	
	Investment Analyst (4)	
	Administrative Specialist II (1)	
	Administrative Support Specialist (1)	
CCERS	Chief Investment Officer (1)	6
	Investment Officer (3)	
	Investment Analyst (2)	
OCERS	Chief Investment Officer (1)	6
	Investment Director of Operations (1)	
	Investment Officer (2)	
	Investment Analyst (1)	
	Staff Specialist (1)	
SBCERA	Chief Investment Officer (1)	7
	Senior Investment Officer (1)	
	Investment Officer (2)	
	Senior Investment Analyst (1)	
	Investment Analyst (1)	
	Senior Executive Secretary and Office Specialist (1)	
SCERS	Chief Investment Officer (1)	4
	Deputy Chief Investment Officer (1)	
	Investment Officer (2)	
SDCERS	Chief Investment Officer (1)	4
	Senior Investment Officer (1)	
	Investment Officer (2)	

Note: SCERS excludes expenses for investments staff, legal, and certain actuarial fees from its operating budget.

Table 20. Finance Staff and Functions

Retirement System	Position(s)	Total FTE
ACERA	Fiscal Services Officer (1)	14
	Retirement Assistant Accounting Manager (2)	
	Retirement Accountant III (3)	
	Retirement Accountant II (5)	
	Administrative Assistant (1)	
	Financial Specialist II (2)	
CCCERS	Accounting Manager (1)	10
	Accounting Supervisor (1)	
	Accountant (3)	
	Retirement Accounting Specialist (3)	
	Retirement Accounting Technician (2)	
OCERS	Director of Finance (1)	10
	Finance Manager (3)	
	Senior Accounting Technician (1)	
	Accounting Technician (2)	
	Accounting Auditor (3)	
SCERS	Senior Accounting Manager (1)	7
	Accounting Manager (1)	
	Senior Accountant (2)	
	Accountant (1)	
	Accounting Technician (1)	
	Senior Account Clerk (1)	
SDCERS	Controller (1)	8
	Accountant IV (2)	
	Accountant III (2)	
	Accountant II (1)	
	Payroll Audit Specialist (2)	

Table 21. Human Resources Staff and Functions

Retirement System	Position(s)	Total Human Resources FTE
ACERA	Human Resources Officer (1)	3
	Human Resources Specialist (1)	
	Administrative Support Specialist (1)	
CCCERS	Administrative/Human Resources Manager (1)	2
	Administrative/Human Resources Supervisor (1)	
OCERS¹	Director of Administrative Services (1)	3
	Staff Specialist (1)	
	Store Clerk (1)	
SCERS	Personnel Specialist Level 2 (1)	2
	Senior Personnel Specialist (1)	
SBCERA	Human Resources Coordinator (1)	1
SDCERS²	Human Resources Manager (1)	3
	Human Resources Support Clerk (1)	
	Payroll Audit Specialist (shared with Finance) (1)	

¹ Excludes the Contracts and Risk Performance Analyst, as well as the part-time Staff Assistant.

² The City of San Diego Human Resources Department provides labor negotiation services to SDCERS classified staff. The City's Personnel Department provides SDCERS with recruitment, medical, and background check services.

Attachment C – Staff Time Estimates

Table 22. Reported Time Estimates for New Retirement Processing by Major Step

Major Steps	Position Responsible	Number of Hours		
		Simple	Medium	Difficult
1. Provide assistance as member submits application online (excludes pre-counseling)	Customer Service RPS	0.2	0.6	1.0
2. Create workflow and assign to Member Services Supervisor (MSS) (automatically performed)	Automatic			
3. Assign workflow to RPS, add member to payroll log and notify RPS team via email	MSS	0.5	0.8	1.0
4. Verify forms and contact member to schedule retirement appointment, update payroll log (if applicable) in SharePoint and calendars	Customer Service RPS	0.5	0.8	1.0
5. Inform employer of retirement via email	Customer Service RPS	0.3	0.3	0.3
6. Review member's file and prepare estimate for appointment; include access salary records in CAPS+ (County payroll system)	Customer Service RPS	1.0	2.5	4.0
7. Meet with member to discuss retirement, forms, beneficiaries, etc.	Customer Service RPS	0.8	1.0	1.3
8. Verify data in the system and adds/updates any information as necessary (workflows, payroll log, account notes, data entry, etc.)	Customer Service RPS	0.5	0.5	0.5
9. Review member data and prepare the final calculation for payroll setup and a separate calculation for reciprocal system, if applicable	Payroll RPS	1.0	2.5	4.0
10. Perform calculation audit	Audit RPS	1.0	2.0	3.0
11. Process benefit once audited (includes part account adjustments, entering tax withholdings, and direct deposit information in payment stream)	Payroll RPS	0.5	0.8	1.0
12. Update the payroll log and mark the record "COMPLETED"	Payroll RPS	0.1	0.1	0.2
13. Complete payroll Log audit	SSDS	0.2	0.3	0.5
14. Generate the First Benefit and Simplified Method Letter	Customer Service RPS	0.2	0.2	0.3
15. Provide consultation or feedback	Senior RPS	0.0	2.0	4.0
Total Number of Hours		6.7	14.3	22.0

Source: Member Services Staff Estimates.

Table 23. Reported Time Estimates for Recruitment Processing by Major Step

Process Step	Position Responsible	Number of Hours		
		Simple	Medium	Difficult
1. Submit requisition to hiring manager. If budgeted position, is automatically approved.	Outside of HR			
2. Set up position in NeoGov	HR Staff*	0.1	0.1	0.1
3. Meet with hiring manager to develop a recruitment plan	HR Staff	0.5	0.6	0.8
4. Draft flyer and posts to NeoGov	HR Staff	2.0	3.0	4.0
5. Post position in other sources	HR Staff	2.0	3.0	4.0
6. Screen applicants for "meets minimum qualifications"	HR Staff	1.0	3.0	5.0
7. Prepare evaluation criteria for Subject Matter Expert (SME) review and either administer access to NeoGov or prepare and administer subject matter tests	HR Staff	1.0	3.0	5.0
8. Schedule interview and create interview packets	HR Staff	6.0	9.0	12.0
9. Make selection	Outside of HR			
10. Conduct reference checks and employment verification	HR Staff	4.0	6.0	8.0
11. Meet with CEO for candidate approval	Outside of HR			
12. Make job offer	HR Staff	0.5	0.5	0.5
13. Coordinate background check and fingerprinting	HR Staff	1.0	1.0	1.0
14. Onboard employees	HR Staff	6.0	6.0	6.0
15. Register new hire in personnel system	HR Staff	3.0	3.5	4.0
16. Communicate with hiring manager	HR Staff	5.0	5.0	5.0
TOTAL ESTIMATED HOURS FOR HR STAFF		32.1	43.7	55.3

Source: HR Staff Estimates.

*HR Staff includes HR Staff Specialist and Staff Assistant.

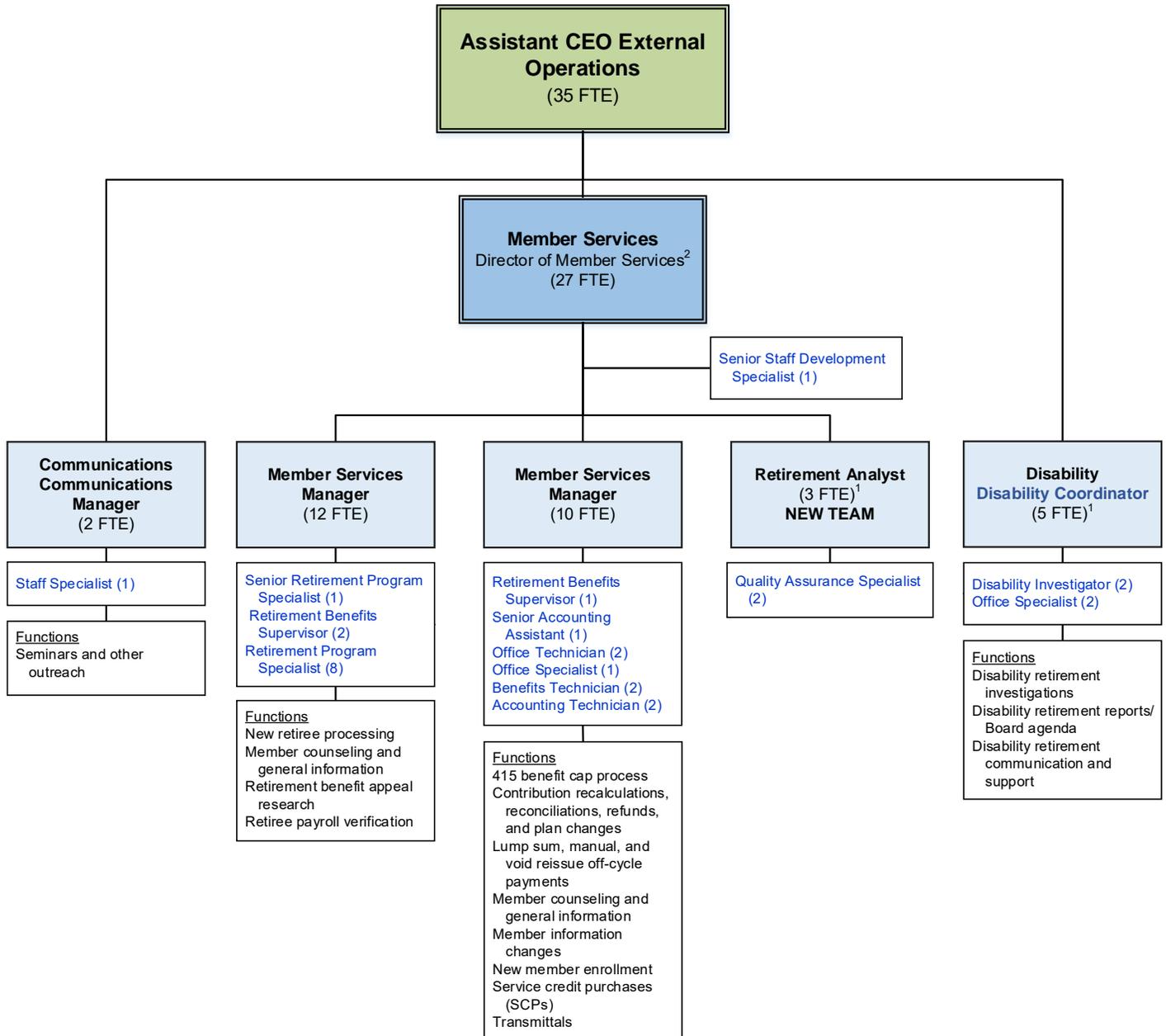
Table 24. Reported Time Estimates for IT Help Desk Items by Major Category

Help Desk Category	Reported Time for Each Request by Type	FY 2016-17 Workload ¹	Total Estimated Hours Per Year
V3			
V3 Configuration	1-4 hours	131	328
V3 Refresh	1-2 hours	117	176
V3 Support	30 minutes	562	281
V3 Account Lockouts	10 minutes	58	10
	TOTALS	868	794
Hardware			
Phone	30 minutes	124	62
Printer	30 minutes	157	79
Other Hardware	30 minutes	339	170
	TOTALS	620	310
Software			
Attachment Release	10 minutes	967	161
Dynamics	1 hour	9	9
Email	1 hour	250	250
Error Message	1 hour	5	5
File Recovery	30 minutes	31	16
Other Software	1 hour	502	502
	TOTALS	1,764	943
Other			
Account Lockout	10 minutes	290	48
Network/Connectivity	30 minutes	235	118
Security	1-4 hours	22	55
Other/Not Specified	30 minutes	547	274
	TOTALS	1,094	494
GRAND TOTAL			2,541
Estimated Annual Total¹			2,792

¹ FY 2016-17 workload includes help desk tickets received between August 2, 2016 and June 19, 2017. Thus, the workload data do not represent a full fiscal year. The estimated annual total presented at the bottom of the chart estimates the total number of hours for a full fiscal year. V3 Script and SharePoint help desk requests are excluded from this list because those items are typically not handled by the IT operations team.

Attachment D – Department Organization Charts

Figure 23. Organization Structure of External Operations



Note: Positions in blue are county employees. Positions in black are direct OCERS employees.

¹ Vacant positions include (1) Disability Investigator, (1) Retirement Analyst, and (2) Quality Assurance Specialist.

² Director of Member Services handles member appeals.

Figure 24. Organization Structure for Internal Operations

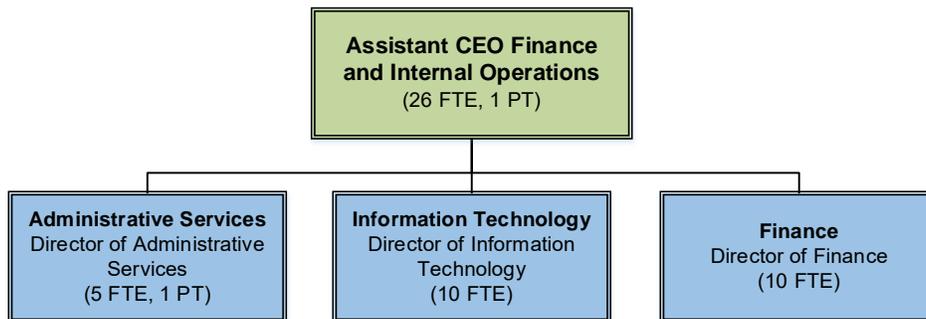
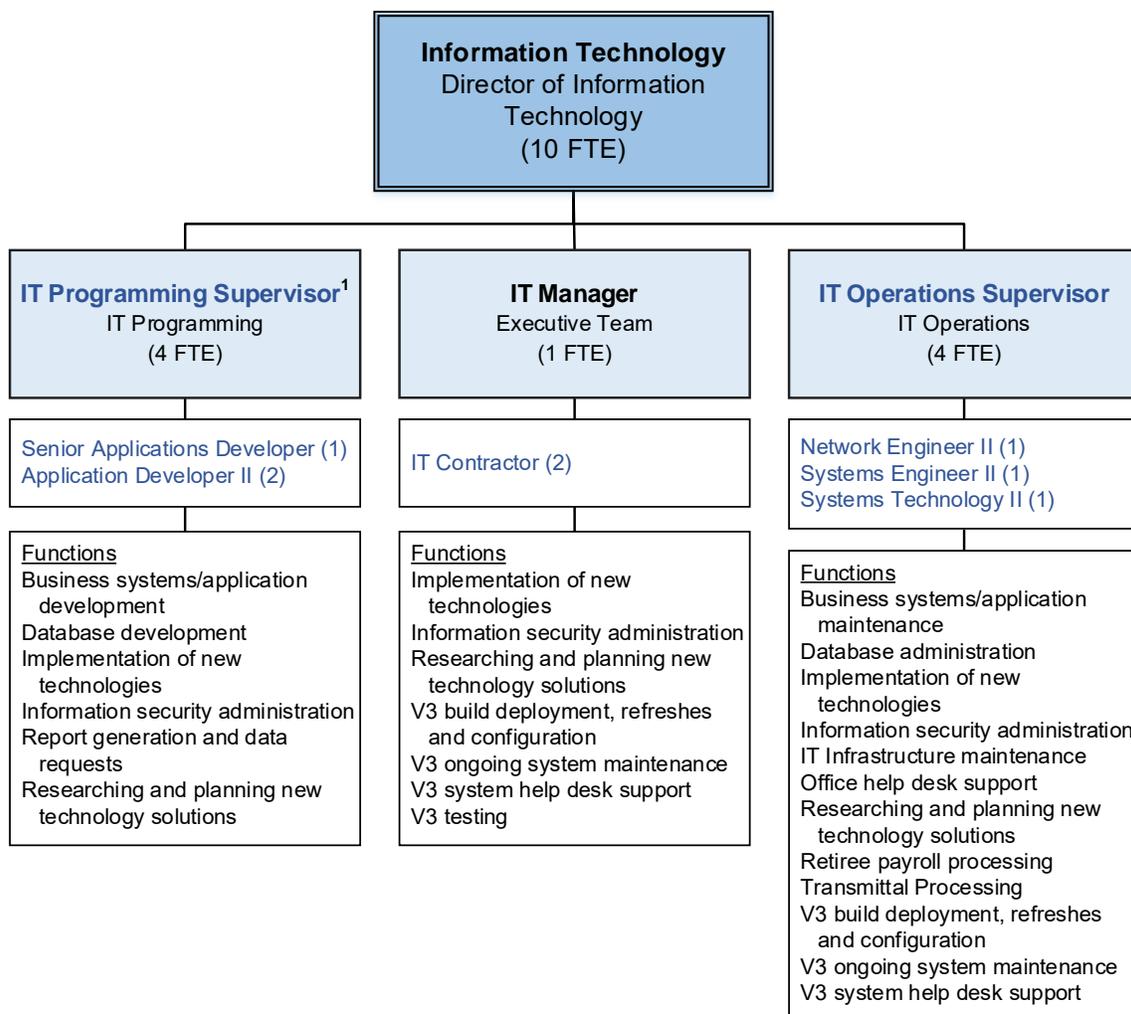


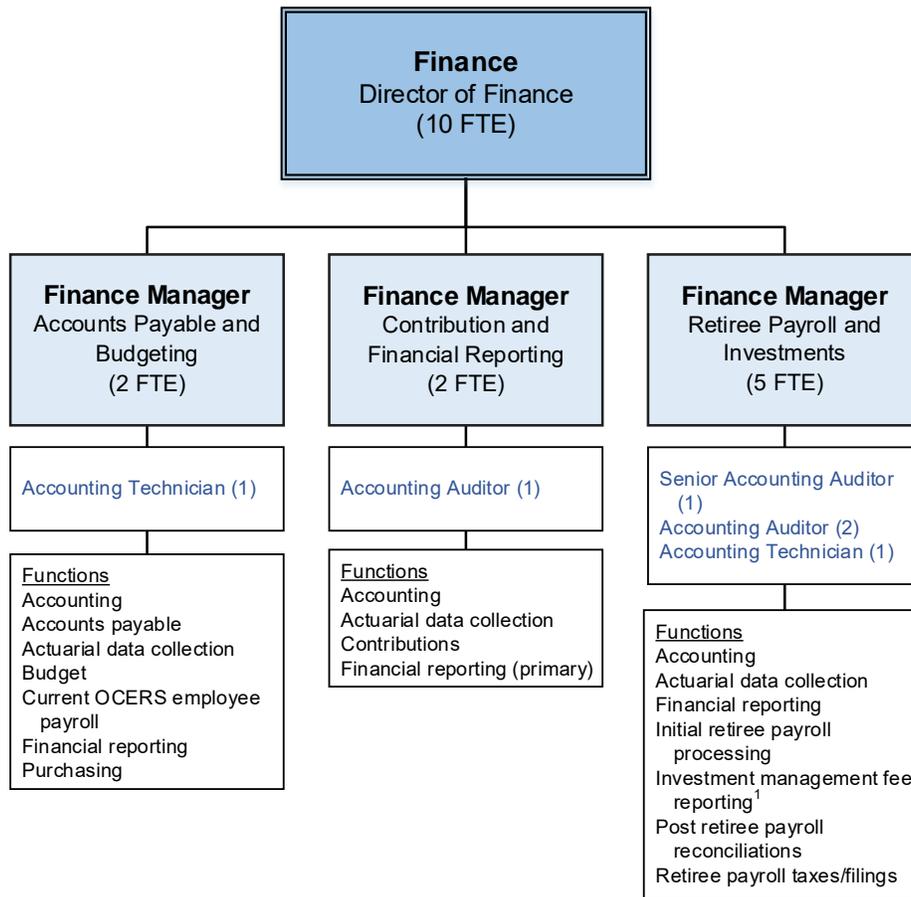
Figure 25. Organization Structure for Information Technology Department



Note: Positions in blue are county employees. Positions in black are direct OCERS employees.

¹ The IT Programming Supervisor position is vacant.

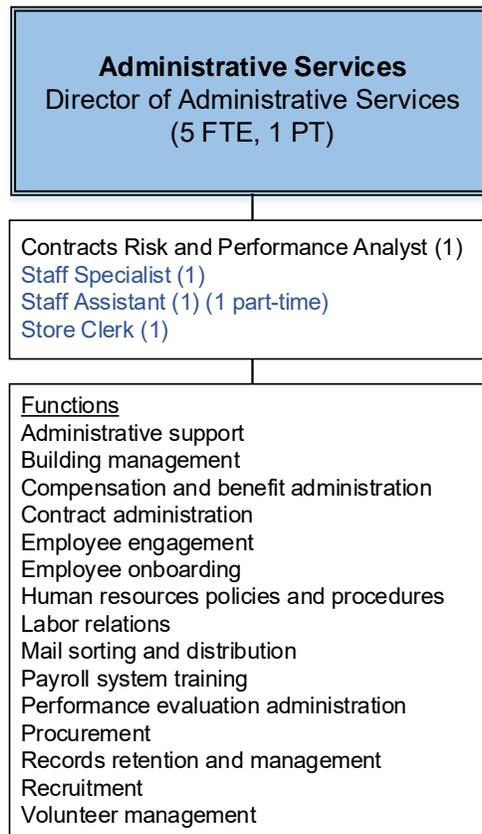
Figure 26. Organization Structure for Finance Department



Note: Positions in blue are county employees. Positions in black are direct OCERS employees.

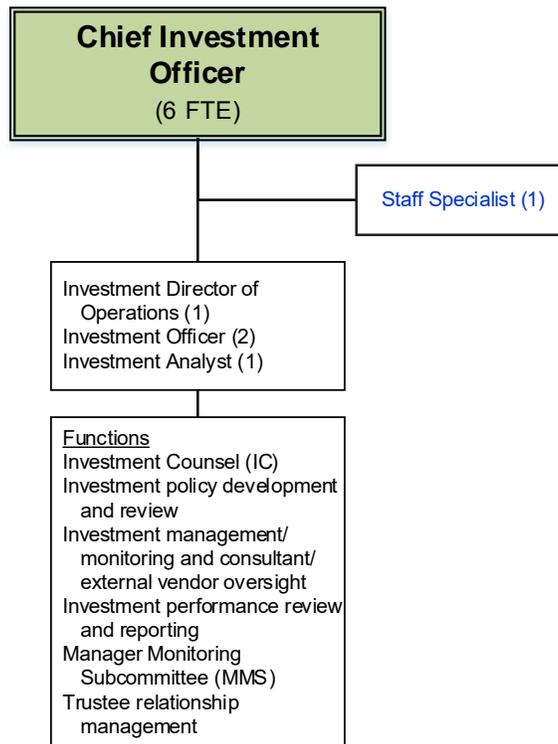
¹ Although investment accounting has been assigned to the Finance manager responsible for retiree payroll, the Finance Director has assumed the responsibilities due to workload constraints related to the V3 transition.

Figure 27. Organization Structure of Administrative Services Department



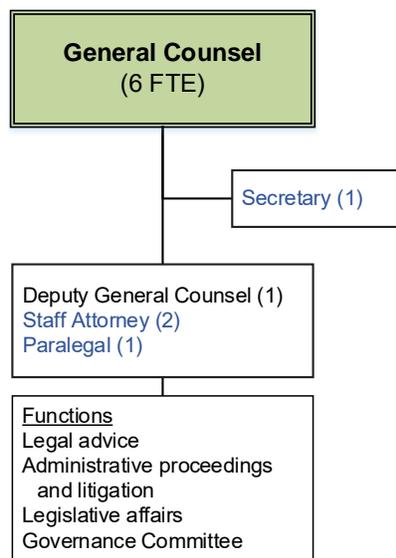
Note: Positions in blue are county employees. Positions in black are direct OCERS employees.

Figure 28. Organization Structure of Investments Department



Notes: Positions in blue are county employees. Positions in black are direct OCERS employees.

Figure 29. Organization Structure for Legal Department



Note: Positions in blue are county employees. Positions in black are direct OCERS employees.

C-7

Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **CEO FUTURE AGENDAS AND 2017 OCERS BOARD WORK PLAN**

AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

DECEMBER

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

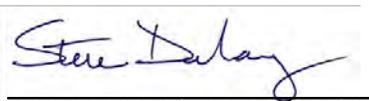
JANUARY

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

FEBRUARY

- 2018 Star COLA posting
- Annual Cost of Living Adjustment
- 2018 OCERS Annual Disclosure Report

Submitted by:



Steve Delaney
Chief Executive Officer

OCERS RETIREMENT BOARD - 2017 Work Plan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
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-8

Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: QUIET PERIOD – NON-INVESTMENT CONTRACTS

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 subject to the quiet period until such time as a contract(s) is finalized.

- Sent out an RFP in July for property management services for the building located at 2223 E. Wellington Avenue, Santa Ana, CA 92701. Proposals are being evaluated.
- Distributed an RFP October 12th for Tax Counsel Services. Pending receipt of the proposals.
- Scheduled to distribute an RFP in November for Investment Counsel Services.



Memorandum

Submitted by:

A handwritten signature in blue ink that reads "Steve Delaney". The signature is written in a cursive style with a long, sweeping tail on the "y".

Steve Delaney, Chief Executive Officer

C-9

Memorandum

DATE: November 2, 2017
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: **THIRD QUARTER 2017 BUDGET TO ACTUALS REPORT**

INFORMATION ONLY ITEM

Highlights

Third Quarter Target: 75% Used /25% Remaining

	Actuals to Date	Annual Budget	Budget \$ Remaining	Budget % Remaining
Administrative Budget				
Personnel Costs	\$7,341,048	\$10,998,091	\$3,657,043	33.3%
Services and Supplies	3,499,359	6,072,360	2,573,001	42.4%
Capital Expenditures	229,452	1,293,000	1,063,548	82.3%
Administrative Expense Total	<u>\$11,069,859</u>	<u>\$18,363,451</u>	<u>\$7,293,592</u>	<u>39.7%</u>
Investment Budget				
Personnel Costs	\$822,879	\$1,419,337	\$596,458	42.0%
Services and Supplies	41,962	150,757	108,795	72.2%
Professional Services	1,633,077	2,897,559	1,264,482	43.6%
Investment Expense Total	<u>\$2,497,918</u>	<u>\$4,467,653</u>	<u>\$1,969,735</u>	<u>44.1%</u>
Grand Total				
Personnel Costs	\$8,163,927	\$12,417,428	\$4,253,501	34.3%
Services and Supplies	3,541,321	6,223,117	2,681,796	43.1%
Capital Expenditures-Administrative	229,452	1,293,000	1,063,548	82.3%
Professional Services-Investments	1,633,077	2,897,559	1,264,482	43.6%
Grand Total	<u>\$13,567,777</u>	<u>\$22,831,104</u>	<u>\$9,263,327</u>	<u>40.6%</u>

Background/Discussion

The Board of Retirement approved OCERS' Administrative and Investment Budgets for Fiscal Year 2017 (FY17) on November 14, 2016, in the amount of \$61,155,100; \$18,363,451 for administration and \$42,791,649 for investment related activities. At the June 8, 2017 Governance Committee, the Governance Committee approved revisions to the Budget Approval Policy to exclude investment management related fees from OCERS' annual administrative budget. The Board of Retirement adopted the Governance Committee's recommendation to approve the revised Budget Approval Policy at the July 17, 2017 Board meeting. In accordance with the revised Budget Approval Policy, at the August 21, 2017 Regular Board Meeting, the Board approved staff's recommendation to remove investment management fees in the amount of \$38,323,996 that were originally included in the professional services line item in OCERS' Administrative and Investment Budget for 2017. As a result, OCERS' amended Administrative and Investment Budgets for FY17 is \$22,831,104; \$18,363,451 for administration and \$4,467,653 for investments.

OCERS' budgeting authority is regulated by California Government Code Sections 31580.2 and 31596.1, including a provision that OCERS' budget for administrative expenses (which excludes investment related costs and expenditures for computer software, hardware and related technology consulting services) is limited to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system (commonly referred to as the 21 basis point test). The approved FY17 administrative budget represents 8.55 basis points of the projected actuarial accrued liability. The budget also meets OCERS' Board policy limitation of 18 basis points of the projected actuarial value of total assets and represents 14.56 basis points of these assets for FY17.

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

Administrative Summary

For the nine months ended September 30, 2017, year-to-date actual administrative expenses were \$11,069,859 or 60.3% of the \$18,363,451 administrative budget and below the 75% target set for the end of the third quarter (nine months ended September 30, 2017/twelve months for the year ending December 31, 2017). A summary of all administrative expenses (excluding investments) and explanations of significant variances are provided below:

**Summary of all Administrative Expenses (excluding Investments)
For the Nine Months Ended September 30, 2017**

	Actuals to Date	Annual Budget	Balance Remaining	% of Budget Used	Prorated Budget*	Prorated Budget vs. Actuals (Over)/Under
Personnel Costs	\$7,341,048	\$10,998,091	\$3,657,043	66.7%	\$8,248,568	907,520
Services and Supplies						
Bldg. Prop. Mgmt./Maintenance	373,952	682,000	308,048	54.8%	511,500	137,548
Equipment Lease	44,702	90,000	45,298	49.7%	67,500	22,798
Equipment Maintenance	414,563	680,400	265,837	60.9%	510,300	95,737
Equipment/Software Expenses	86,954	149,500	62,546	58.2%	112,125	25,171
Legal Services	239,919	625,000	385,081	38.4%	468,750	228,831
Meetings & Mileage	17,622	57,350	39,728	30.7%	43,013	25,391
Membership/Periodicals	110,240	137,825	27,585	80.0%	103,369	(6,871)
Office Supplies	41,845	47,000	5,155	89.0%	35,250	(6,595)
Postage	82,310	163,000	80,690	50.5%	122,250	39,940
Printing	83,071	99,000	15,929	83.9%	74,250	(8,821)
Professional Services	1,735,653	2,800,200	1,064,547	62.0%	2,100,150	364,497
Telephone	92,930	80,000	(12,930)	116.2%	60,000	(32,930)
Training	175,598	461,085	285,487	38.1%	345,814	170,216
Services and Supplies	3,499,359	6,072,360	2,573,001	57.6%	4,554,271	1,054,912
Administrative Expense-Sub Total	10,840,407	17,070,451	6,230,044	63.5%	12,802,839	1,962,432
Capital Expenditures**	229,452	1,293,000	1,063,548	17.7%	969,750	740,298
Administrative Expense Total	\$11,069,859	\$18,363,451	\$7,293,592	60.3%	\$13,772,589	\$2,702,730

*Prorated budget represents 75% (9 months/12 months) of the annual budget.

**Capital expenditures represent purchases of assets to be amortized in future periods.

Personnel Costs - Administrative

Personnel Costs incurred as of the third quarter were approximately \$7.3 million or 66.7% of the annual budget and below the 75% target for budget used for this category. These expenses are below budget due to several positions that were budgeted, but remained vacant in the Administrative Services, Disability, Legal, Member Services, and IT departments, including a Retirement Analyst, two Senior Retirement Program Specialists, and a Senior IT Applications Developer; a Deputy Chief Legal Officer and an Office Technician which were filled during the second quarter; as well as a Staff Assistant and Disability Investigator which became vacant in the second quarter.

Services and Supplies - Administrative

Total expenditures for services and supplies were approximately \$3.5 million or 57.6% of the annual budget for this category. The variance of \$1,054,912 between the pro-rated budget and year-to-date actuals in this category is primarily due to the following:

- Building Property Mgmt./Maintenance costs utilized 54.8% of the annual budget and were lower than the pro-rated budget by \$137,548. This is mainly due to proceeds received from OCERS Headquarters' property manager for reimbursement of funding that exceeded the property management established reserves for maintenance of the building.

- Equipment Lease is at 49.7% of the annual budget and lower than the pro-rated budget by \$22,798. This is attributable to lease costs coming in less than budget primarily due to budgeted costs being based on usage of the old copiers that were replaced last year and shortly before the 2017 budget estimates were developed, as well as a reduction of in-house printing jobs.
- Equipment Maintenance costs are at 60.9% of the annual budget and are lower than the pro-rated budget by \$95,737. This is attributable to the timing of budgeted costs that have not yet been incurred, primarily IT software maintenance/license fees which have varying renewal timelines throughout the year.
- Equipment/Software expense utilized 58.2% of the annual budget and is lower than the pro-rated budget by \$25,171. This is primarily due to the timing of purchases of equipment and software that have been budgeted but not yet expensed.
- Legal Services are at 38.4% of the annual budget and are lower than the pro-rated budget by \$228,831. This is primarily due to budgeted legal services being utilized on an as-needed basis, as well as utilizing more legal services with in-house counsel.
- Meetings & Mileage expense is at 30.7% of the annual budget and is lower than the pro-rated budget by \$25,391. This is primarily due to budgeted meetings that have not yet been expensed, including manager visits to Southern California Retirement Systems, legislative meetings, and travel for plan sponsor audits.
- Memberships/Periodical expense is at 80% of the annual budget and higher than the pro-rated budget by \$6,871. This is mainly due to the timing of membership and periodical expenses, including IT's subscription fees for Gartner which were renewed during the second quarter.
- Office Supplies utilized 89% of the annual budget and is higher than the pro-rated budget by \$6,595. This is primarily due to office furniture purchases relating to ergonomic workstations, as well as furniture purchased for new staff.
- Postage is at 50.5% of the annual budget and lower than the pro-rated budget by \$39,940. This is attributable to the timing of bulk mailings to Plan members, the fall edition of *At Your Service* newsletter which will be incurred during the fourth quarter, and the use of postage on an as-needed basis.
- Printing expense is at 83.9% of the annual budget and higher than the pro-rated budget by \$8,821. This is primarily due to the timing of printing expenses budgeted for the CAFR, as well as company brochures.
- Professional Services utilized 62% of the annual budget. Expenses are lower than the pro-rated budget by \$364,497 primarily due to the timing of expenses for various IT-related software consulting, administrative hearing and writ of mandate process fees, as well as costs used on an as-needed-basis, such as CEO contingency.
- Telephone expense is at 116.2% of the annual budget and higher than the pro-rated budget by \$32,930. This is primarily due to telephone rate increases incurred as a result of not signing up for additional long term agreements with a telephone service provider as OCERS is in the process of migrating to a cloud-based telephone system. Once this migration is complete, the cost savings are anticipated to offset the current higher fees that OCERS is paying. As the total amount expended under the Services and Supplies category remains under budget, an amendment is not required to cover the Telephone budget shortfall at this time. The CEO or Assistant CEO has the authority to

move budget dollars within the Services and Supplies category to cover the shortfall and as of the third quarter, there were sufficient dollars available in other Services and Supplies line items to offset this shortage.

- Training utilized 38.1% of the annual budget and is lower than the pro-rated budget by \$170,216. This is primarily due to training costs that have been budgeted but not yet expensed, including the Southern California SACRS fall conference, annual subscription to IT online training, and various training sessions planned for personnel to be taken in the fourth quarter.

Capital Expenditures - Administrative

Capital Expenditures as of the third quarter are \$229,452 or 17.7% of the annual budget for this category. The variance of \$740,298 between the pro-rated budget and year-to-date actuals is primarily due to timing of budgeted costs for the Business Continuity/Disaster Recovery Planning project that will occur in the fourth quarter.

Investment Summary

For the nine months ended September 30, 2017, year-to-date actual investment expenses are approximately \$2.5 million or 55.9% of the \$4,467,653 amended annual investment budget and below budget by \$852,822. As previously discussed, the Board approved a 2017 budget amendment to remove investment management related fees budgeted under the Professional Services category in the amount of \$38,323,996, resulting in an amended 2017 investment professional services budget of \$2,897,559 and an amended 2017 investment budget of \$4,467,653. A summary of all investment expenses and explanations of significant variances are provided below:

**Summary of all Investment Expenses
For the Nine Months Ended September 30, 2017**

	Actuals to Date	Annual Budget	Balance Remaining	% of Budget Used	Prorated Budget*	Prorated Budget vs. Actuals (Over)/Under
Personnel Costs	\$822,879	\$1,419,337	\$596,458	58.0%	\$1,064,503	\$241,624
Services and Supplies						
Due Diligence	5,863	44,110	38,247	13.3%	33,083	27,220
Equipment/Software Expenses	23,810	25,680	1,870	92.7%	19,260	(4,550)
Meetings & Mileage	6,261	10,000	3,739	62.6%	7,500	1,239
Membership/Periodicals	4,456	11,507	7,051	38.7%	8,630	4,174
Training	1,572	59,460	57,888	2.6%	44,595	43,023
Services and Supplies	41,962	150,757	108,795	27.8%	113,068	71,106
Investment Expense-Sub Total	864,841	1,570,094	705,253	55.1%	1,177,571	312,730
Professional Services	1,633,077	2,897,559	1,264,482	56.4%	2,173,169	540,092
Investment Expense Total	\$2,497,918	\$4,467,653	\$1,969,735	55.9%	\$3,350,740	\$852,822

*Prorated budget represents 75% (9 months/12 months) of the annual budget.

Personnel Costs - Investments

Personnel costs are \$822,879 or 58% of the annual budget for this category. The expenses are lower than the 75% target primarily due to the vacant CIO position, which was filled at the end of the second quarter, as well as an Investment Officer position that became vacant during the third quarter.

Services and Supplies - Investments

Services and Supplies expenditures, excluding professional services that are discussed separately below, are \$41,962 or 27.8% of the annual budget for this category. This is primarily due to expenses coming in below the 75% target for training and due diligence travel due to vacancy of the CIO and Investment Officer positions, as well as timing of budgeted travel that will occur in the fourth quarter. Equipment/Software expense is higher than the pro-rated budget by \$4,550 due to the reclassification of Optica Benchmark fee of \$5,000 from

Professional Services, where it was previously reported. The reclassification will provide consistency with the budget category to which this expense will be reported in the 2018 budget.

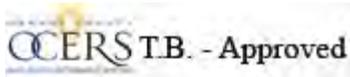
Professional Services - Investments

Professional services are approximately \$1.6 million or 56.4% of the annual budget and lower than the pro-rated budget by \$540,092. The variance primarily relates to custodial fees coming in lower than budget due to timing of the new State Street contract, timing of budgeted costs for consulting and actuarial fees that have not yet been incurred, as well as budgeted investment-related legal services being utilized on an as-needed basis.

Conclusion:

Through the end of the third quarter, both the Administrative and amended Investment budgets were below the 75% target of their annual budgets at 60.3% and 55.9%, respectively. In addition, actual Administrative expenses were within the 21 basis point test and 18 basis point test as budgeted.

Submitted by:



Tracy Bowman
Director of Finance

C-10

Memorandum

DATE: November 2, 2017
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: **THIRD QUARTER UNAUDITED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED SEPTEMBER 30, 2017**

Information Only Item

Background/Discussion

The attached financial statements reflect the unaudited activity for the nine months ended September 30, 2017. These statements are unaudited and are not the official statements of OCERS. The following statements represent a review of the progress to date through the third quarter of 2017. The official financial statements of OCERS are included in the Comprehensive Annual Financial Report (CAFR) as of and for the year ended December 31, 2016, which is available on our website, www.ocers.org.

Summary

Fiduciary Net Position

As of September 30, 2017, the net position restricted for pension and other postemployment benefits is \$14.6 billion, an increase of \$1.8 billion from September 30, 2016. The change is a result of an increase in total assets of \$1.84 billion off-set by an increase in total liabilities of \$88 million as described below:

The \$1.8 billion increase in total assets can be attributed to a \$1.7 billion increase in investments at fair value, a \$163 million increase in total cash and cash equivalents and \$7 million increase in total receivables, off-set by a decrease of \$2 million in capital assets.

Investments at fair value increased \$1.67 billion. The increase can be attributed to earnings from interest and dividends, investment of proceeds received from employee and employer contributions, including prepaid contributions, and increases in the net appreciation of investments at fair value. In January 2017 the OCERS' Investment Committee adopted a more simplified asset allocation policy. The new policy is structured to increase investments in the areas of private equity, core fixed income and real assets, while decreasing or eliminating investments in diversified credit and absolute return. The new asset allocation policy is reflected in the investments at fair value section in the statement of fiduciary net position. The Investment Committee also made the decision to exit a number of hedge funds in light of high fees and low returns. As a result of this recently adopted policy, allocation of assets to the categories of global public equity (which includes investments formerly classified as domestic equity, international equity and global equity), core fixed income

(formerly classified as domestic fixed income) and private equity have sizable relative increases while assets in the absolute return investment category have decreased significantly.

The increase of \$163 million in cash and short-term investments is due to a difference in the timing of investing contributions at month-end offset by a slight decrease in collateral related to the securities lending program.

The increase in the total receivable balance is primarily related to the timing of pending securities sales which increased by \$5.7 million and an increase in investment income receivables of \$1.7 million. These increases are offset by a net decrease in other receivable categories of \$0.5 million. In prior years foreign currency forward contracts were presented net with asset and liability positions offsetting each other. The asset or liability positions of these contracts are now presented separately in conjunction with implementing GASB 72, *Fair Value Measurement and Application*, as of December 31, 2016. In 2017 the majority of foreign currency forward contracts are in a payable position. In 2016 OCERS held both receivable and payable positions in these contracts which netted to a payable position.

The \$2 million decrease in capital assets represents accumulated depreciation on the Pension Administration System Solution (PASS) Project, also known as V3. Depreciation expense related to capital assets is approximately \$2 million annually, with the majority of the expense related to V3.

The increase of \$88 million in total liabilities as of September 30, 2017 compared to September 30, 2016 is primarily attributed to increases in liabilities associated unsettled trades at the end of the quarter and in unearned contributions which represents the prepayment program, of \$69 million and \$32 million, respectively. Retiree payroll payable increased \$4 million with gradual increases to retiree payroll payable to be expected as the number of participants in the plan and retiree benefits increase. These increases were offset by a reduction in the securities lending program of \$24 million from 2016.

Statement of Changes in Fiduciary Net Position

The ending net position as of September 30, 2017 has increased by \$1.8 billion, or 13.7 percent, when compared to the same period ending September 30, 2016. The increase can be attributed to positive returns in 2016 continuing in 2017. For the quarter ended September 30, 2017 the preliminary return is 12.5 percent, compared to a preliminary return of 8.9 percent for the quarter ended September 30, 2016.

Net investment income for the nine months ended September 30, 2017 is \$1.4 billion versus \$865 million for the nine months ended September 30, 2016, an increase of \$577 million. The majority of the increase is related to the net appreciation in fair value of investments. The increase in fair value of investments was offset by decreases in interest and real estate income which can be attributed to a decrease in the types of investment holdings that produced this income due to the newly adopted asset allocation policy. All major investment categories experienced positive returns in the nine months ended September 30, 2017. Investment fees and expenses increased by \$16 million from September 30, 2016 to September 30, 2017 primarily due to reporting an additional 20 investment managers with "at source" identifiable management fees that were previously netted against investment returns.

Total deductions from fiduciary net position increased 6.3 percent, or \$36 million, from the previous year. Participant benefits represents almost the entire increase and an increase is expected due to the continued and

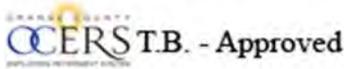
anticipated growth in member pension benefit payments, both in the total number of OCERS's retired members receiving a pension benefit and an increase in the average benefit received. The average monthly retirement payroll has increased approximately \$3 million per month. Death benefits and member withdrawals and refunds have increased slightly. Administrative expenses remained consistent when compared to the same period ending September 30, 2016.

Other Supporting Schedules

In addition to the basic financial statements for the nine months ended September 30, 2017, the following supporting schedules are provided for additional information pertaining to OCERS:

- Total Fund Reserves
- Pension Trust Fund Contributions
- Schedule of Investment Expenses (new format for investment management fees)
- Schedule of Administrative Expenses
- Administrative Expense Compared to Actuarial Accrued Liability (21 basis points test).

Submitted by:



Tracy Bowman
Director of Finance



ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements

For the Nine Months Ended September 30, 2017

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements
For the Nine Months Ended September 30, 2017

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Statement of Fiduciary Net Position
As of September 30, 2017
(with summarized comparative amounts as of September 30, 2016)
(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>OPEB 115 Agency Fund</u>	<u>Total Fund</u>	<u>Comparative Totals 2016</u>
ASSETS						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 532,477	\$ 10,187	\$ 1,438	\$ 425	\$ 544,527	\$ 356,523
Securities Lending Collateral	187,052	3,578	505	-	191,135	215,688
Total Cash and Short-Term Investments	<u>719,529</u>	<u>13,765</u>	<u>1,943</u>	<u>425</u>	<u>735,662</u>	<u>572,211</u>
Receivables						
Investment Income	15,447	296	42	-	15,785	14,097
Securities Sales	128,907	2,466	348	-	131,721	125,964
Contributions	14,460	-	-	-	14,460	14,833
Foreign Currency Forward Contracts	84	2	-	-	86	335
Other Receivables	2,501	48	7	-	2,556	2,431
Total Receivables	<u>161,399</u>	<u>2,812</u>	<u>397</u>	<u>-</u>	<u>164,608</u>	<u>157,660</u>
Investments at Fair Value						
Global Public Equity	6,010,529	114,977	16,220	10,034	6,151,760	4,949,390
Private Equity	816,270	15,616	2,204	-	834,090	703,307
Core Fixed Income	2,253,466	43,110	6,084	5,609	2,308,269	1,273,188
Credit	2,508,952	47,998	6,773	-	2,563,723	2,445,000
Real Assets	2,226,222	42,589	6,010	-	2,274,821	2,176,995
Risk Mitigation	352,981	6,753	953	-	360,687	328,723
Absolute Return	26,231	502	71	-	26,804	973,771
Total Investments at Fair Value	<u>14,194,651</u>	<u>271,545</u>	<u>38,315</u>	<u>15,643</u>	<u>14,520,154</u>	<u>12,850,374</u>
Capital Assets (Net)	21,130	-	-	-	21,130	23,160
Total Assets	<u>15,096,709</u>	<u>288,122</u>	<u>40,655</u>	<u>16,068</u>	<u>15,441,554</u>	<u>13,603,405</u>
LIABILITIES						
Obligations Under Securities Lending Program	187,052	3,578	505	-	191,135	215,688
Securities Purchased	225,150	4,307	608	-	230,065	160,613
Unearned Contributions	361,128	-	-	-	361,128	328,671
Foreign Currency Forward Contracts	2,019	39	5	-	2,063	567
Retiree Payroll Payable	62,701	2,585	224	-	65,510	60,996
Other	18,624	356	50	-	19,030	15,974
Due to Employers	-	-	-	16,068	16,068	14,673
Total Liabilities	<u>856,674</u>	<u>10,865</u>	<u>1,392</u>	<u>16,068</u>	<u>884,999</u>	<u>797,182</u>
Net Position Restricted for Pension and Other Post-Employment Benefits	<u>\$ 14,240,035</u>	<u>\$ 277,257</u>	<u>\$ 39,263</u>	<u>\$ -</u>	<u>\$ 14,556,555</u>	<u>\$ 12,806,223</u>

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position

For the Nine Months Ended September 30, 2017

(with summarized comparative amounts for the Nine Months Ended September 30, 2016)

(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>Total Fund</u>	<u>Comparative Totals 2016</u>
ADDITIONS					
Contributions					
Employer	\$ 408,008	\$ 44,226	\$ 1,736	\$ 453,970	\$ 428,072
Employee	194,832	-	-	194,832	192,877
Total Contributions	602,840	44,226	1,736	648,802	620,949
Investment Income					
Net Appreciation in Fair Value of Investments	1,322,735	23,530	3,625	1,349,890	739,325
Interest	65,767	1,257	175	67,199	90,604
Dividends	31,845	608	85	32,538	32,038
Real Estate Income	17,092	327	45	17,464	20,083
Alternative Investments	21,282	407	57	21,746	21,518
Other Investment Income	8,245	158	22	8,425	813
Securities Lending Income					
Gross Earnings	2,537	48	7	2,592	1,208
Less: Borrower Rebates and Bank Charges	(1,303)	(25)	(3)	(1,331)	(427)
Net Securities Lending Income	1,234	23	4	1,261	781
Total Investment Income	1,468,200	26,310	4,013	1,498,523	905,162
Investment Fees and Expenses	(55,572)	(1,062)	(148)	(56,782)	(40,458)
Net Investment Income	1,412,628	25,248	3,865	1,441,741	864,704
Total Additions	2,015,468	69,474	5,601	2,090,543	1,485,653
DEDUCTIONS					
Participant Benefits	560,209	24,005	3,154	587,368	551,970
Death Benefits	502	-	-	502	277
Member Withdrawals and Refunds	11,143	-	-	11,143	10,398
Administrative Expenses	12,787	16	22	12,825	12,879
Total Deductions	584,641	24,021	3,176	611,838	575,524
Net Increase	1,430,827	45,453	2,425	1,478,705	910,129
Net Position Restricted For Pension and Other Post-Employment Benefits, Beginning of Year	12,809,208	231,804	36,838	13,077,850	11,896,094
Ending Net Position Restricted For Pension and Other Post-Employment Benefits	<u>\$ 14,240,035</u>	<u>\$ 277,257</u>	<u>\$ 39,263</u>	<u>\$ 14,556,555</u>	<u>\$ 12,806,223</u>

The accompanying notes are an integral part of these financial statements.

Total Fund Reserves

For the Nine Months Ended September 30, 2017

(with summarized comparative amounts for the Nine Months Ended September 30, 2016)

(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
Pension Reserve	\$ 8,274,156	\$ 7,987,188
Employee Contribution Reserve	2,993,135	2,798,461
Employer Contribution Reserve	2,277,257	1,853,736
Annuity Reserve	1,360,497	1,216,371
Health Care Reserve	316,520	265,636
County Investment Account (POB Proceeds) Reserve	130,233	116,129
OCSD UAAL Deferred Reserve	34,067	-
Contra Account	(829,310)	(1,431,298)
Net Position - Total Fund	<u><u>\$ 14,556,555</u></u>	<u><u>\$ 12,806,223</u></u>

Schedule of Contributions
For the Nine Months Ended September 30, 2017
(with summarized comparative amounts for the Nine Months Ended September 30, 2016)
(Dollars in Thousands)

	<u>2017</u>		<u>2016</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Pension Trust Fund Contributions				
County of Orange	\$ 153,489	\$ 310,448	\$ 153,129	\$ 303,643
Orange County Fire Authority	15,476	60,941	13,139	49,129
Superior Court of California, County of Orange	11,552	22,821	11,958	23,928
Orange County Transportation Authority	6,628	17,887	7,115	19,343
Orange County Sanitation District	5,487	5,611	5,371	7,681
UCI Medical Center and Campus	-	2,184	1	600
City of San Juan Capistrano	605	1,791	567	1,693
Orange County Employees Retirement System	670	1,447	688	1,500
Transportation Corridor Agencies	529	1,317	514	1,254
Orange County Department of Education	-	434	-	-
Orange County Public Law Library	123	209	126	240
Orange County Children & Family Commission	64	197	79	240
Orange County In-Home Supportive Services Public Authority	85	153	71	141
Orange County Cemetery District	96	126	88	114
Orange County Local Agency Formation Commission	28	94	31	103
Contributions Before Prepaid Discount	194,832	425,660	192,877	409,609
Prepaid Employer Contribution Discount	-	(17,652)	-	(18,189)
Total Pension Trust Fund Contributions	<u>194,832</u>	<u>408,008</u>	<u>192,877</u>	<u>391,420</u>
Health Care Fund - County Contributions	<u>-</u>	<u>44,226</u>	<u>-</u>	<u>34,897</u>
Health Care Fund - OCFA Contributions	<u>-</u>	<u>1,736</u>	<u>-</u>	<u>1,755</u>
Total Contributions	<u>\$ 194,832</u>	<u>\$ 453,970</u>	<u>\$ 192,877</u>	<u>\$ 428,072</u>

¹ Unfunded actuarial accrued liability payments were made in 2017 of \$12.2 million for the Orange County Fire Authority.

² Unfunded actuarial accrued liability payments have been made in accordance with a separate 20-year level dollar payment schedule to include liabilities for employee benefits related to past service credit.

Schedule of Investment Expenses
For the Nine Months Ended September 30, 2017
(with summarized comparative amounts for the Nine Months Ended September 30, 2016)
(Dollars in Thousands)

	<u>2017</u>	<u>2016</u>
Investment Management Fees*		
Global Public Equity		
U.S. Equity	\$ 1,190	\$ 628
Global Equity	545	791
International Equity	3,423	3,230
Emerging Markets Equity	3,019	2,435
Total Global Public Equity	<u>8,177</u>	<u>7,084</u>
Core Fixed Income		
U.S. Fixed Income	700	554
Total Core Fixed Income	<u>700</u>	<u>554</u>
Credit		
High Yield	1,862	2,367
Emerging Market Debt	517	-
Direct Lending	3,451	392
Mortgage	3,874	-
Multi-Strategy	2,928	3,291
Non-U.S. Direct Lending	915	408
Total Credit	<u>13,547</u>	<u>6,458</u>
Real Assets		
Real Estate	9,534	3,267
Real Return		
Timber	996	1,183
Agriculture	805	718
Commodities	-	183
Infrastructure	322	-
Energy	3,800	1,662
Total Real Return	<u>5,923</u>	<u>3,746</u>
Total Real Assets	<u>15,457</u>	<u>7,013</u>
Absolute Return		
Direct Hedge Fund	2,128	1,853
GTAA	1,406	1,617
Total Absolute Return	<u>3,534</u>	<u>3,470</u>
Private Equity	4,505	844
Risk Mitigation	4,129	2,858
Total Investment Management Fees	<u>50,049</u>	<u>28,281</u>
Foreign Income Tax and Other Fund Expenses	<u>4,460</u>	<u>9,437</u>
Other Investment Expenses (Expenses Not Subject to the Statutory Limit)		
Consulting/Research Fees	777	1,043
Investment Department Expenses	867	1,069
Legal Costs	307	373
Custodian Services	294	225
Investment Service Providers	28	30
Total Other Investment Expenses	<u>2,273</u>	<u>2,740</u>
Security Lending Activity		
Security Lending Fees	310	250
Rebate Fees	1,021	177
Total Security Lending Activity	<u>1,331</u>	<u>427</u>
Total Investment Expenses	<u>\$ 58,113</u>	<u>\$ 40,885</u>

Note: New schedule format for investment management fees to reflect the new investment allocation adopted in 2017.

* Does not include undisclosed fees deducted at source.

Schedule of Administrative Expenses
For the Nine Months Ended September 30, 2017
(with summarized comparative amounts for the Nine Months Ended September 30, 2016)
(Dollars in Thousands)

	2017	2016
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 7,329	\$ 7,055
Board Members' Allowance	12	11
Total Personnel Services	7,341	7,066
Operating Expenses		
Depreciation/Amortization	1,719	1,737
General Office and Administrative Expenses	1,018	878
Professional Services	961	1,900
Rent/Leased Real Property	419	547
Total Office Operating Expenses	4,117	5,062
Total Expenses Subject to the Statutory Limit	11,458	12,128
Expenses Not Subject to the Statutory Limit		
Information Technology Consulting	1,014	313
Actuarial Fees	228	351
Equipment / Software	87	55
Total Expenses Not Subject to the Statutory Limit	1,329	719
Total Pension Fund Administrative Expenses	12,787	12,847
Health Care Fund - County Administrative Expenses	16	16
Health Care Fund - OCFA Administrative Expenses	22	16
Total Administrative Expenses	\$ 12,825	\$ 12,879

Administrative Expense Compared to Actuarial Accrued Liability

For the Nine Months Ended September 30, 2017

(Dollars in Thousands)

2017 Administrative Expense Compared to Actuarial Accrued Liability	
Projected Actuarial Accrued Liability (AAL) as of December 31, 2017	\$ 18,896,140
Maximum Allowed For Administrative Expense (AAL * 0.21%)	39,682
Actual Administrative Expense ¹	<u>11,458</u>
Excess of Allowed Over Actual Expense	<u>28,224</u>
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability	0.06%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of prior year	0.07%
¹ Administrative Expense Reconciliation	
Administrative expense per Statement of Changes in Fiduciary Net Position	\$ 12,787
Less administrative expense not considered per CERL section 31596.1	<u>(1,329)</u>
Administrative Expense allowable under CERL section 31580.2	<u>\$ 11,458</u>

C-11

Memorandum

DATE: October 31, 2017
TO: Members of the Board of Retirement
FROM: Jenny Sadoski, Director of Information Technology
SUBJECT: **THIRD QUARTER BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN UPDATE**

INFORMATION ONLY ITEM

Update

This month's business continuity and disaster recovery plan update brings two notable developments. First, on October 6th, following months of preparation and several weeks of end user training, OCERS successfully transferred telephony service to our selected ShoreTel cloud-based telephony solution. The cutover went as smoothly as we could have hoped and we have worked through most of the minor configuration-related issues that were identified post-go-live. The new phone system brings a number of business continuity (BC) and disaster recovery (DR) capabilities that were not present in the previous system, chiefly that OCERS' ability to receive and place telephone calls is no longer tied to our physical facility. We are now working to incorporate these features into our BC/DR plans and educate our BC/DR team members on their use.

The second development is a rearrangement and shift of the data center relocation and replication site set-up timeline by approximately one month. The change in schedule is due to an oversight during the order placement and confirmation period related to the out-of-state data center replication site. As part of the RFP process for this project, we prioritized locating a connectivity provider who had a point-of-presence (POP) in the preferred facilities located in Irvine and Nevada; Wilcon met this requirement and was selected as our wide-area network (WAN) services provider. However, unrecognized at the time of selection was that Wilcon's POP in Nevada was located within an older facility operated by Switch, not the newer preferred facility. When OCERS staff identified this discrepancy, a request was made to be placed into the newer facility in Nevada instead. The vendors concurred with the request; however, Wilcon did not yet have a POP in the newer facility. Wilcon committed to rapidly build the POP in the requested facility and began doing so immediately. As of this writing, Wilcon expects the POP to be built out and connectivity in place by early December.

OCERS is mitigating this shift in project timeline by rearranging the phases outlined in Table 1 below. Rather than relocate the equipment to Nevada and then configure replication to the out-of-state facility as originally planned, OCERS will configure replication while the legacy equipment is housed within the OCERS headquarters facility and then relocate it to Nevada once connectivity is in place and tested. Doing so has the positive effect of bringing the replication of data online earlier than originally planned. However, OCERS' resiliency against a regional disaster will not be in place until the legacy equipment has been relocated, now expected by the end of January rather than December. This rearranged and updated timeline is reflected in Table 2 below. On a related note, OCERS and its technology partner Sidepath are working to obtain service credits from Wilcon in response to the oversight and shift in project timeline. While we do not have confirmation as of this writing, Wilcon has

expressed a willingness to provide these credits. Results of these discussions will be reported in the next Board update.

Outside of this shift in project timeline, good progress continues to be made. Phase I, the preparation of our primary colocation facility in Irvine, is complete according to plan and Phase II, cutting our production systems over to the primary facility, is well underway with nearly all of the configuration work complete. We will be working through our test plan in the next few weeks and expect to cutover our production systems to the primary facility by the end of November.

Table 1: Original Colocation and WAN Services Project Timeline

Colocation and WAN Services Project Phase	Targeted Completion Date
Phase I: Preparation of Primary (Irvine) Colocation Facility	end of August 2017
Phase II: Cutover to Primary (Irvine) Colocation Facility	end of October 2017
Phase III: Legacy Equipment Relocation to Secondary (Nevada) Colocation Facility	end of November 2017
Phase IV: Replication to Secondary (Nevada) Colocation Facility	end of December 2017
Phase V: Knowledge Transfer and Project Closing	mid-1 st Quarter 2018

Table 2: Revised Colocation and WAN Services Project Timeline

Colocation and WAN Services Project Phase	Targeted Completion Date
Phase I: Preparation of Primary (Irvine) Colocation Facility	end of August 2017
Phase II: Cutover to Primary (Irvine) Colocation Facility	end of November 2017
Phase III: Configure Replication with Legacy Equipment	end of December 2017
Phase IV: Legacy Equipment Relocation to Secondary (Nevada) Colocation Facility	end of January 2018
Phase V: Knowledge Transfer and Project Closing	mid-1 st Quarter 2018

Background and History of Project

At the September 2014 Strategic Planning meeting, OCERS’ Board of Retirement directed staff to hire a business continuity consulting firm to provide professional services to assist in the development of a new BC/DR plan. The cost for the professional services was budgeted as part of the OCERS 2015 budget which was reviewed at the OCERS 2014 Budget Workshop and approved at the November 17, 2014 regular Board meeting. The total project was budgeted at \$2.3 million. During the 2014 Strategic Planning meeting, staff also received feedback from Board members to avoid the use of public cloud architecture for its core business application.

At the April 15, 2015 regular Board meeting, OCERS staff presented to the Board the results of the business continuity consulting services RFP. The Board approved staff’s recommendation to acquire the services of Avalution Consulting for a cost of \$102,500 and procurement of the Catalyst online software solution at an annual cost of \$3,000. The Avalution project team began work in June 2015, conducting the business impact

analysis and developing OCERS' business continuity and disaster recovery plan with staff, including a crisis management plan.

OCERS staff presented the methodology, deliverables and recommendations from Avalution Consulting to the Board at the October 19, 2015 regular Board meeting. Avalution's recommendations, based on industry best practices, were:

1. Identify Alternate Workspace

- Identify solution that can support all personnel required for response and recovery from a disruption.

2. Develop and Implement Disaster Recovery Capabilities

- Identify a suitable alternate location for the data center as well as develop and implement disaster recovery procedures to recover and relocate its network systems.

3. Develop and Implement a Crisis Management Structure

- Establish a crisis management team to lead the response to a disruption event.
- Implement and document strategies to address a loss of employees who perform critical activities and implement succession planning for critical personnel.
- Implement and validate (test) work from home or alternate location capabilities.
- Communicate and train OCERS staff on business continuity planning and procedures.

4. Develop and Document Manual Workarounds

- Document manual workarounds and alternate process procedures and make documents available by storing in Catalyst business continuity software.

At the October 19, 2015 Board meeting, staff presented to the Board the following next steps for the project:

- Develop annual BC/DR testing and maintenance schedule.
- Pursue and implement options for alternate workspaces for OCERS staff in case of disruption of service.
- Draft and implement redundant and high availability solutions for OCERS data center and pursue out of state co-location of OCERS data center.
- Establish communications systems including new Voice-over-IP phone system, to support member communications, reporting, and crisis management.
- Investigate cost and feasibility of building improvement options such power generators and new data center equipment (UPS, HVAC).

In June 2016, OCERS released a RFP for IT BC/DR implementation services which received four responses and culminated in the selection in July 2016 of Sidepath as our technology partner for this initiative.

At the November 14, 2016 regular Board meeting, the Board approved staff's recommendation to establish a hybrid (private/public) cloud infrastructure solution, relocate the primary OCERS data center to a local, professionally-managed facility, establish a secondary site out-of-state and implement a public cloud-based telephony system in order to enhance OCERS' business continuity and disaster recovery capabilities at a cost not to exceed the 2017 budgeted amount of \$1.235 million. At that meeting, the Board requested bi-monthly status updates to be included in the consent agenda.

On November 21, 2016, OCERS issued a purchase order to our technology partner, Sidepath, to allow them to begin procurement of the hardware, software and support required for the project. The bill of materials for this procurement was subject to a competitive bid process for which we received three responses.

At the March 20, 2017 regular Board meeting, staff reported that we had completed procurement of the hardware, software and training required for the data center colocation project at a total cost of \$654,276.88. Additionally, it was noted that staff was working closely with our technology partner, Sidepath, to review responses to the RFP used to select a vendor to provide the local and out-of-state colocation facilities and WAN connectivity services.

At the May 15, 2017 regular Board meeting, staff reported that selection of colocation site vendors and a WAN connectivity provider had been completed and contract negotiations had begun with each vendor. Additionally, IT staff, working with OCERS staff, particularly Member Services and Executive Management, obtained approval to migrate the on-premise ShoreTel telephony system to the ShoreTel Connect CLOUD system.

At the June 12, 2017 regular Board meeting, in response to questions raised by the Board at the May 15 regular Board meeting, staff presented an overview of the business continuity and disaster recovery plan and the current status of the project. Following presentation of the information, the Board reaffirmed their approval of the project and directed staff to continue their efforts.

At the August 14, 2017 regular Board meeting, staff reported that both the colocation facility and cloud-based telephony projects were well under way and proceeding smoothly.

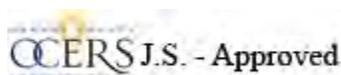
OCERS has defined a budget of \$1.235 million in 2017 to proceed with a hybrid cloud solution which includes the costs shown in Table 3.

Table 3: Approved 2017 Purchase Costs and Actuals-to-Date

Description	Estimated Expenses	Actual Expenses-to-Date
Hardware and Software	\$ 671,000.00	\$ 651,741.84
Professional Services	\$ 80,000.00	\$ -
Staff Training	\$ 4,000.00	\$ 4,080.69
Public Cloud-based Telephony System	\$ 250,000.00	\$ 14,416.89
Initial Setup and First Year Recurring Costs	\$ 140,000.00	\$ 68,450.00*
Contingency	\$ 90,000.00	\$ -
Total	\$ 1,235,000.00	\$ 738,689.42

* These expenses have not been incurred; rather, they represent the contractually negotiated costs for initial setup and first year recurring costs.

Submitted by:



Jenny Sadoski
OCERS Director of Information Technology

C-12

Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: BOARD COMMUNICATIONS

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 David Ball

- **The Computer That Could Rule the World, by @ArthurLHerman**
https://www.wsj.com/articles/the-computer-that-could-rule-the-world-1509143922?shareToken=st1a29eb5ae7ac457d983e01559513d649&reflink=article_email_share

From Chris Prevatt

- **Americans Are Retiring Later, Dying Sooner and Sicker In-Between**
<https://www.bloomberg.com/news/articles/2017-10-23/americans-are-retiring-later-dying-sooner-and-sicker-in-between>

From Shari Freidenrich

- **Title**

[From Molly Murphy](#)

[From Steve Delaney](#)

Email from Steve Delany to the OCERS Board – October 20, 2017

To the members of the OCERS Board of Retirement,

Annually, OCERS staff holds an informational session specifically designed for representatives of the Contract Cities. Below is a copy of my note to the Mayor of Westminster, inviting him or a city representative to that meeting. This is just a sample so that you are aware of what is being shared with the Contract Cities. I provide this same note to a mailing list of our regular contacts, though each letter is customized to that individual or city.

There are normally representatives of the Orange County Fire Authority, and the Orange County Professional Firefighters Association, as well as the Orange County Sheriff's Department, and the Association of County Deputy Sheriffs.

I share this with the Board as some Trustees have attended prior informational sessions in the past.

If you have any questions, please call.

Steve Delaney

Attached: 10-16-17 Agenda

Attached: 2017 Actuarial Experience Study – 3rd Presentation

Email from Steve Delany to the Mayor Ta – October 20, 2017

Good afternoon Mayor Ta,

I am writing with two goals in mind –

1. To invite you to the annual OCERS Informational Session for Contract Cities (2017), to be held at our offices on Tuesday, October 31, at 2:00 p.m. If you are unable to attend in person, we would appreciate

having you send a representative from the City of Westminster, as we want to continue with, and expand if possible, our outreach to all Contract Cities.

2. I am also including a summary of the OCERS Board's meeting held earlier this week (Monday, October 16). At that meeting they reviewed and adopted modified assumptions that have direct impact on pension costs. The modified actuarial assumptions that were adopted will impact pension contribution rates beginning July 1, 2019. The annual informational session on October 31 will review those assumptions in depth, in order to assist you in better understanding the pension funding process.

SUMMARY – OCERS Board of Retirement Meeting of October 16, 2017

The agenda for the OCERS Board's October 16 meeting is attached. The item of most interest to you and the other Contract Cities is Agenda Item I-3:

Item I-3 TRIENNIAL STUDY OF ACTUARIAL ASSUMPTIONS

Every three years the OCERS Board reviews the assumptions our actuary uses in determining the amount of employer and member pension contributions required to support the future pension benefits being earned by our safety members, both firefighters and Deputy Sheriffs. Those assumptions include issues such as how many members should we assume will retire in a given year, how many might go out on disability retirement, how much interest is the OCERS investment portfolio likely to earn. Looking back at prior experience, the Board and the actuary determine if our assumptions have been realistic and achieved. If not, then modifications must take place. Beginning with their meeting in August, the OCERS Board took three month's to review and study the actuarial assumptions, prior to adopting certain modifications.

The attached "Third Presentation on Actuarial Experience" will be reviewed at the OCERS Informational Session of October 31, 2017. I would strongly encourage you or a city representative to attend. In the meantime, allow me to point to several slides in that presentation that will help you to better understand the actions taken by the OCERS Board.

Slide 27 outlines the three possible recommendations under consideration. In general, all three deal with two primary issues presently impacting costs – (1) we are all living longer, and that means we have to pay out more in pension benefits than had been anticipated in prior years; and (2) under the current economic climate, the OCERS investment portfolio may earn less over time than had been anticipated in prior years, and when we earn less from investments, the difference has to be made up with higher employer and member contributions.

The Board ultimately elected Recommendation B.

Slide 31 shows what increased pension contributions costs effective July 1, 2019 would have been IF the OCERS Board had determined to implement those costs increases in a single year. The OCERS Board however, being cognizant of the impact such increases can have on our plan sponsors budgets, chose to spread those increased costs over time, phasing the impact in over a three year period.

Slide 40 shows what the actual contribution increase will be effective July 1, 2019 and rolling forward through 2020 and 2021, based on the “three year phasing” approved by the OCERS Board.

I want to close by assuring you that I and my staff are always available to meet with you, your staff and even your city councils if necessary, in order to help you have a better understanding of the OCERS pension plan. Please feel free to call or write at any time.

Steve Delaney

Other Items: (See Attached)

1. 10-16-17 Agenda – Steve Delaney
2. 2017 Actuarial Experience Study – 3rd Presentation – Steve Delaney

Submitted by:

A handwritten signature in blue ink that reads "Steve Delaney". The signature is written in a cursive style with a horizontal line underneath the name.

Steve Delaney
Chief Executive Officer

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.

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.

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.

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

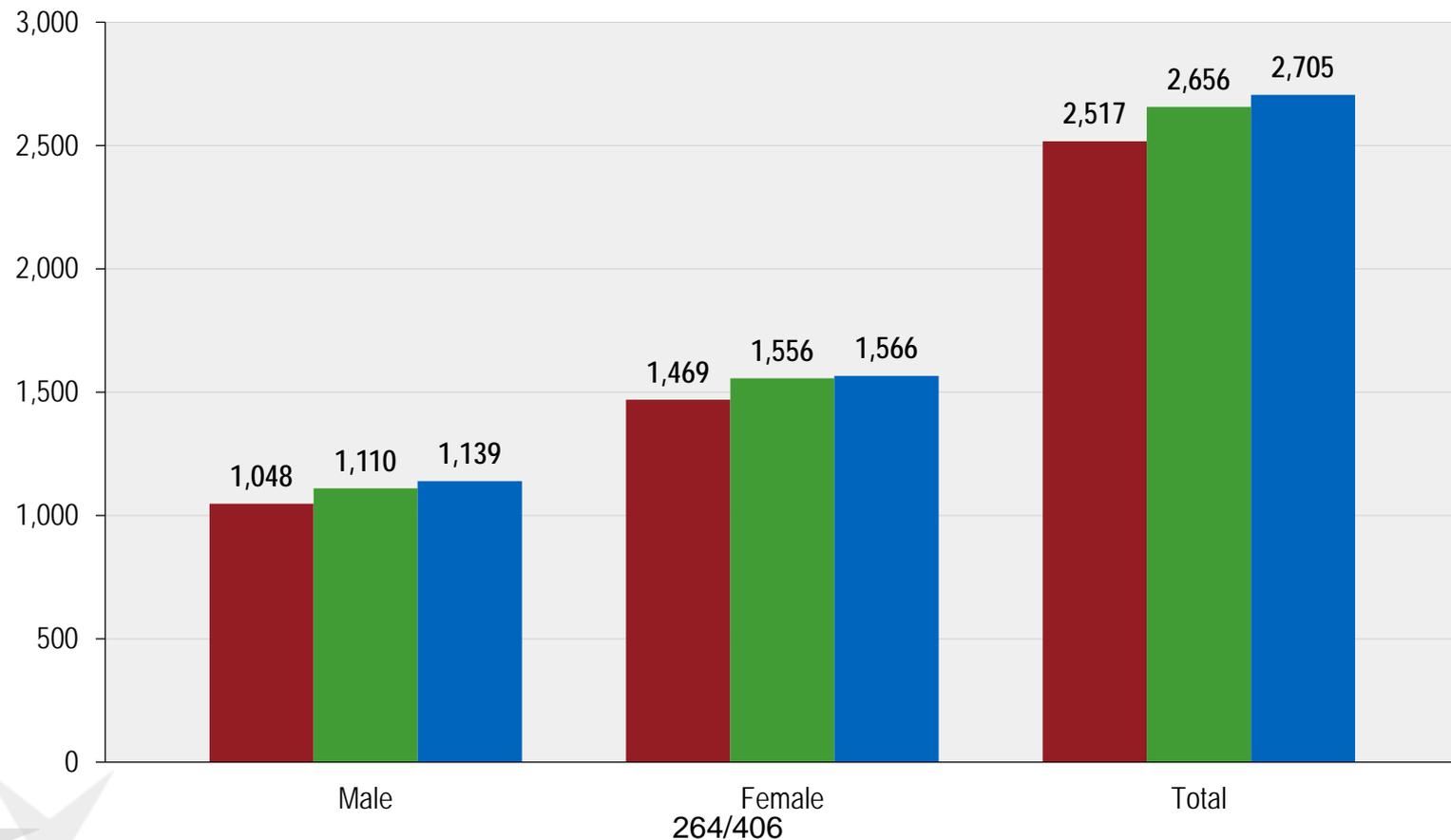
- Recommend generational mortality
 - Use most recent SOA tables (RP-2014) as a starting point (“base table”)
 - Each future year has its own mortality table that reflects the forecasted improvements at every age
 - Probability of dying depends not only on age and sex but also what year it is
 - Younger 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)**

■ Expected - Current ■ Actual ■ Expected - Proposed



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

267/406

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
 - PEPPRA 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%

I-2

Memorandum

DATE: November 1, 2017
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: OCERS' Administrative Budget for Fiscal Year 2018

Recommendation

1. Fiscal Year 2018 Staffing Plan

Approve the 2018 Staffing Plan of 92 authorized positions, included as Appendix C of the 2018 Administrative Budget, which includes the addition of 12 positions (one of which is Extra Help) and new salary ranges for three new OCERS Direct positions as listed in Section III, page 7 of the 2018 Administrative Budget.

2. Approve Compensation Philosophy Related Items

- a. Performance/Salary Adjustments for OCERS' direct employees based on a rating scale of 3% for meets expectations, up to 5% for exceeds expectations, and up to 6% for exceptional performance;
- b. Pay item of 5.5% of salary for CFA, CPA, and future Board approved professional certifications.

3. Adopt the Administrative Budget for Fiscal Year 2018 in the amount of \$25,508,054 which includes:

- a. Personnel costs in the amount of \$13,925,194
- b. Services and supplies in the amount of \$10,487,860
- c. Capital expenditures in the amount of \$1,095,000

Background/Discussion

The proposed budget was developed based on the 2018 Business Plan (the Plan) approved by the Board of Retirement on October 16, 2017. The Plan was completely revamped from previous years' plans; instead of listing initiatives and projects by each department for the upcoming year, the Plan for 2018 is directly linked to the 2018-2020 Strategic Plan developed using OCERS' Mission Statement and newly adopted Vision Statement and Values as its foundation. The goals and initiatives included in the approved Plan provided guidance for the proposed FY18 Administrative Budget. In addition, on October 19, 2017, staff held a Budget Workshop to give the Board of Retirement an opportunity to review the proposed FY18 Administrative Budget in detail and to provide staff direction on content of the budget prior to adoption at the November 13, 2017 Board meeting. Attached is the presentation that summarizes the FY18 Administrative Budget and the changes that were made since the Budget Workshop. Included in the materials, after the presentation, is the FY18 Administrative Budget which includes a narrative about the budget as well as several detailed appendix that provide further information about the proposed budget that staff is recommending for approval. Finally, staff has also included a summary description of each of the newly proposed positions as additional support for the request to approve the Staffing Plan.



Memorandum

Submitted by:

A handwritten signature in blue ink, appearing to be "Tracy Bowman", written over a horizontal line.

Tracy Bowman
Director of Finance

Approved by:

A handwritten signature in blue ink, appearing to be "Brenda M Shott", written over a horizontal line.

Brenda Shott
Assistant CEO, Finance & Internal Operations

Approved by:

A handwritten signature in blue ink, appearing to be "Steve Delaney", written over a horizontal line.

Steve Delaney
CEO



OCERS Finance Presentation

2018 Proposed Budget

Regular Board Meeting

November 13, 2017



■ Purpose of Presentation

- General review of 2018 Budget and follow-up from Budget Workshop detailed discussion
- Recommended actions:
 - ❖ Approve the 2018 Staffing Plan which includes adding 12 authorized positions for a total of 92 authorized positions.
 - ❖ Approve Compensation Philosophy related items
 - ❖ Adopt the 2018 Administrative Budget

■ Background

- OCERS' Mission Statement, Multi-Year Strategic Plan, Vision and Values Statements, and 2018 Business Plan provide guidance for budget development
- Initial budget requests prepared by each department head
- CEO, Assistant CEO (Internal Operations) and Director of Finance met individually with department heads to review, discuss and determine necessity of each line item of their budget

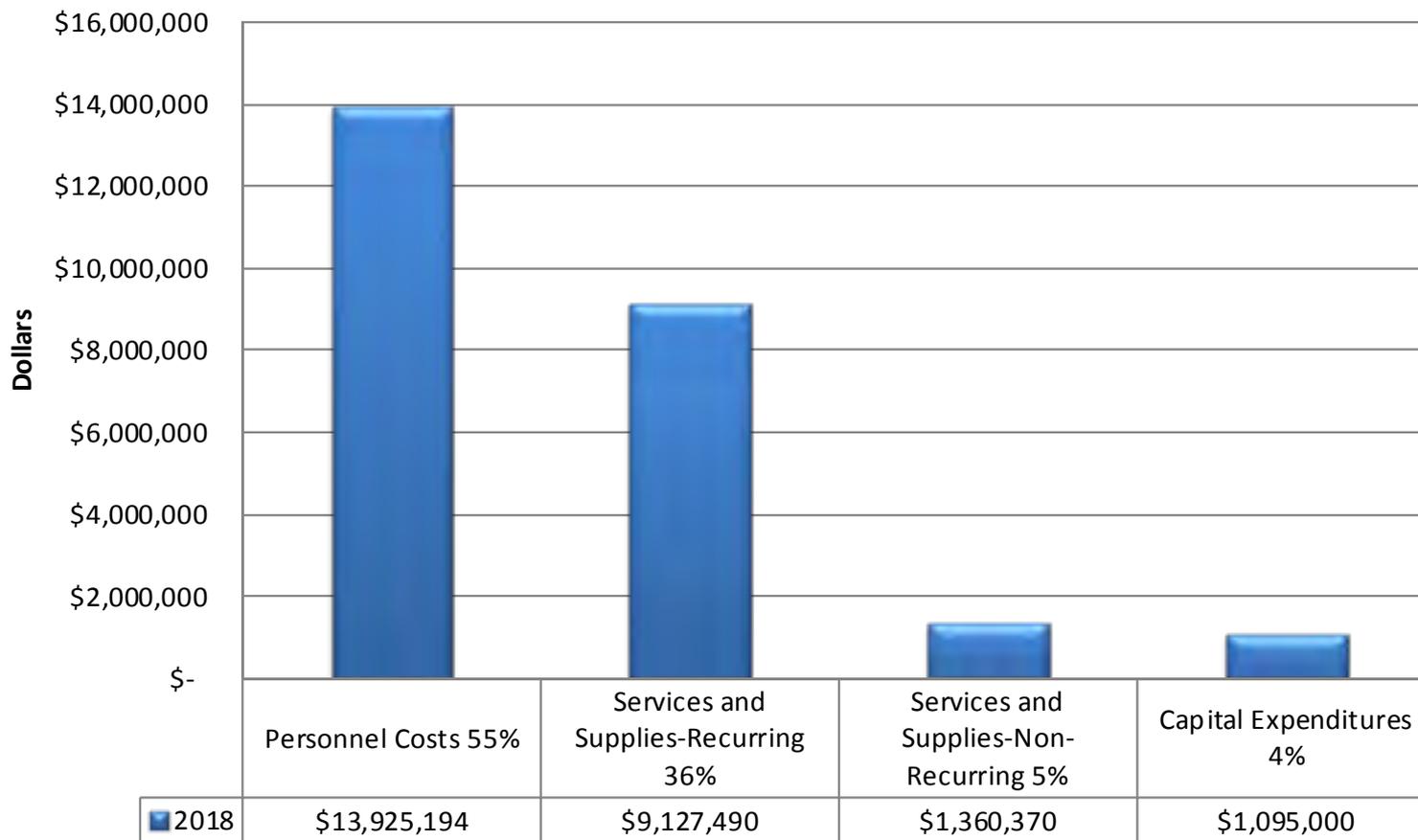
■ Overall Proposed FY18 Budget

- 2018 Proposed Administrative Budget
- 5 Year Budget verses Actual Trend
- Detailed Budget Line Item
- 21 and 18 Basis Point Tests

FY18 Proposed Budget - Summary



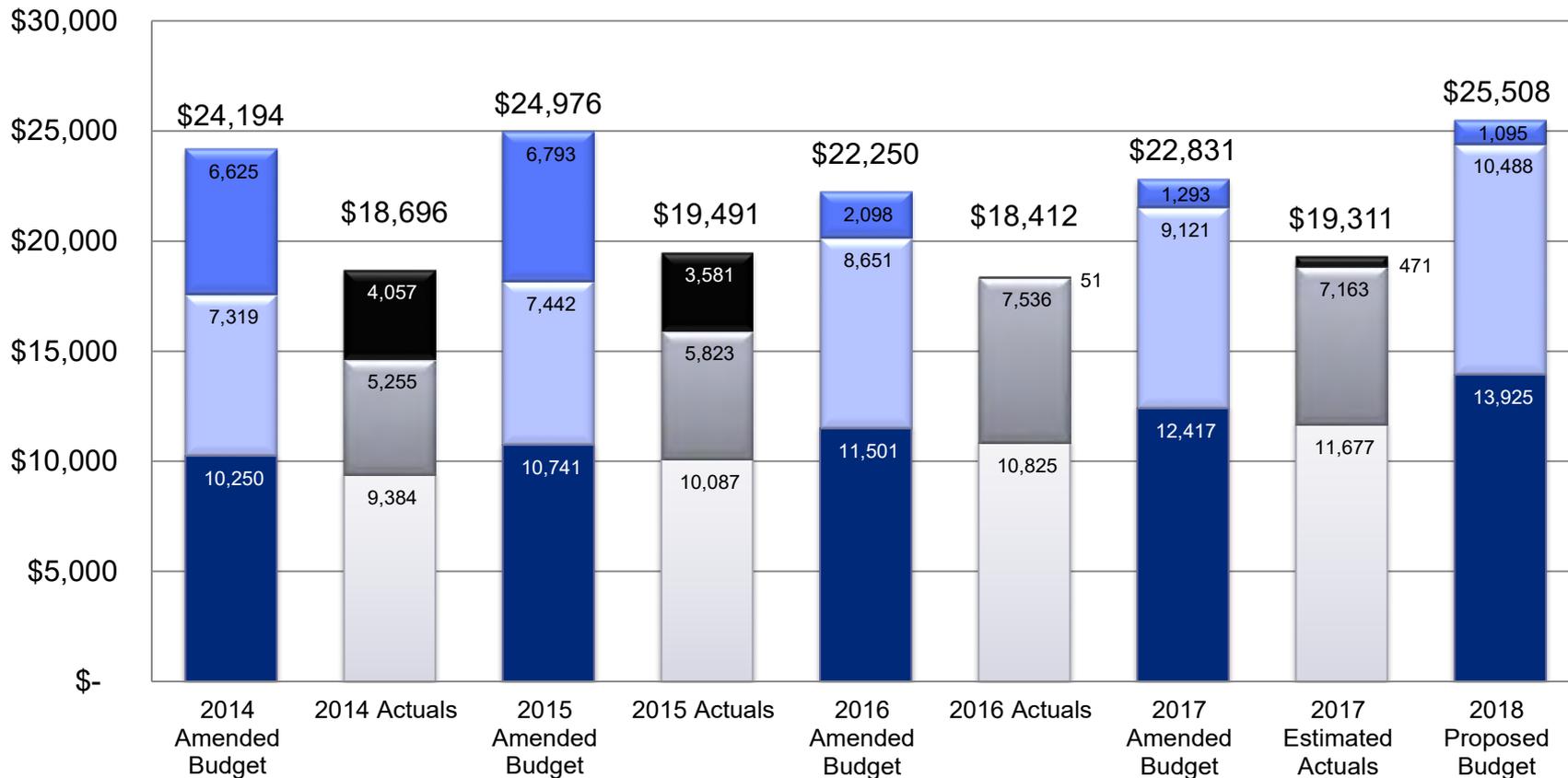
Total Proposed Budget 2018 \$25,508,054



Budget vs. Actuals Trend



(Dollars in Thousands)



- Personnel Costs Budget ■ Services and Supplies Budget ■ Capital Expenditures Budget
- Personnel Costs Actuals ■ Services and Supplies Actuals ■ Capital Expenditures Actuals

Summary of Changes Resulting From Budget Workshop



➤ Personnel Costs	
• Salary Performance Adjustment*	\$ 32,988
• Fringe Benefit Adjustment*	17,581
• Temp Help Reduction	(281,400)
• Overtime Reduction	<u>(115,687)</u>
Net Decrease	\$(346,518)

*Increase from updated merit ranges

➤ Services and Supplies – Professional Services	
• Investment Consultant	\$400,000
• Lean Process Consultant/Study	50,000
• Legal Fees	<u>(200,000)</u>
Net Increase	\$250,000

➤ Net Change: \$(96,518)



FY 2018 Staffing Plan

(Staff Recommendation 1)



Board of Retirement

Chief Executive Officer
 Steve Delaney

Director of Internal Audit
 David James

Executive Secretary II (1)

Internal Auditor
 Mark Adviento

Chief Investment Officer
 Molly Murphy

Assistant CEO External Operations
 Suzanne Jenike

General Counsel
 Gina Ratto

Assistant CEO Finance & Internal Operations
 Brenda Shott

Staff Specialist (1)

Executive Secretary I (1)
 Vacant

Managing Director (1) (OCERS)

Director of Investment Operations
 Shanta Chary

Investment Officer
 David Beeson

Investment Officer
 Vacant

Investment Analyst
 Stina Walander-Sarkin

Investment Analyst (1) (OCERS)

Director of Member Services
 Catherine Fairley

Deputy General Counsel
 Lee Fink

Deputy Chief Counsel
 (Joseph Fletcher - Extra Help)

Staff Attorney
 Dawn Matsuo

Staff Attorney
 Jerry Weissburg

Paralegal (1)

Director of Cyber Security (1) (OCERS)

Director of Finance
 Tracy Bowman

Director of Administrative Services
 Cynthia Hockless

Director of Information Technology
 Jenny Sadoski

Member Services Manager
 Heidi Halbur

Member Services Manager
 Adina Bercaru

Retirement Analyst
 Vacant

Communications Manager
 Robert Kinsler

Finance Manager
 Retiree Payroll / Investments
 Darlene Huynh

Finance Manager
 Accounts Payable / Budgeting
 Diane Dillard

Finance Manager
 Contributions / Reporting
 Jennifer Reyes

Staff Analyst (1) Extra Help (OCERS)

Contracts / Risk & Performance Administrator
 Jim Doezie

Staff Specialist (1)
Staff Assistant (2)
Store Clerk (1)

Retirement Benefits Supervisor
 Michael Persi

Retirement Benefits Supervisor
 Teresa Panameno

Retirement Benefits Supervisor
 Jonatheia Tallase

Senior Staff Development Specialist
 Toishe Merida

Staff Specialist (1)

Disability Coordinator (1)
 Megan Cortez

Sr. Accountant Auditor I (1)

Accounting Technician (1)

Accountant Auditor I (1)

Accounting Technician (3)

Office Technician (3)
Office Specialist (1)

Senior Retirement Program Specialist (1)

Quality Assurance Specialist (2)
 2 Vacant

Retirement Program Specialist (1) (County)

Disability Investigator (2)
 Office Specialist (2)

Accountant Auditor I (1)

Accounting Technician (1)

Retirement Programmer Business Analyst (1)
 Vacant

IT Manager
 Jon Gossard

IT Supervisor Operations (1)
 Javier Lara

Accounting Technician (1) (County)

Benefits Technician (3)
Accounting Technician (1)

Senior Retirement Program Specialist (8)

Senior Retirement Program Specialist (1) (County)

Retirement Program Specialist (2) (County)

Accountant Auditor I (1) (County)

Accounting Technician (1)

Senior IT Applications Developer (2)

Network Engineer (1)
Systems Engineer (1)
Information Technologist II (1)

Accounting Technician (1) (County)

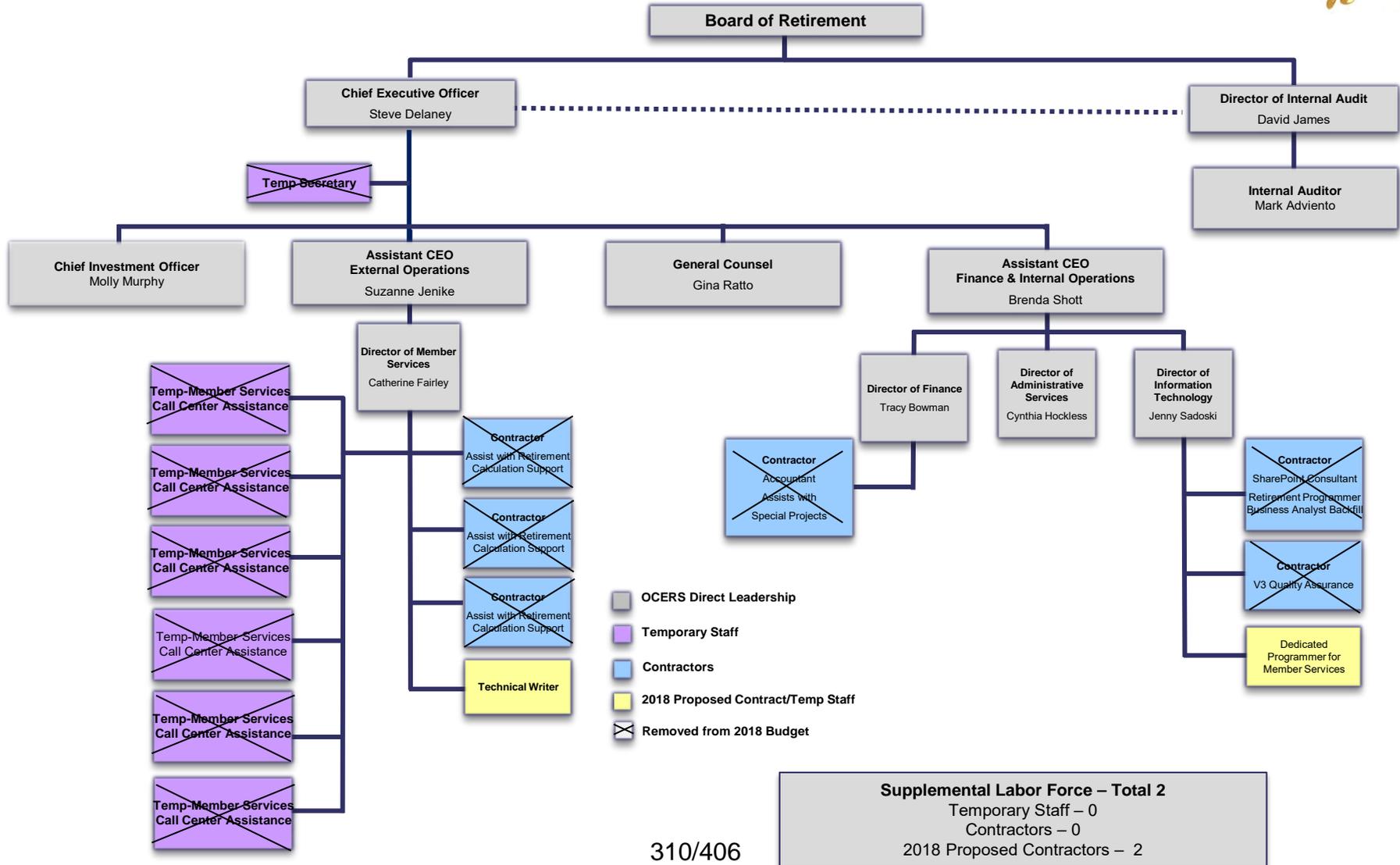
Benefits Technician (1) (County)

Retirement Program Specialist (2) (County)

- County Employees
- OCERS Direct Employees
- Proposed New Positions

Proposed Total Budgeted EE's: 80 to 92
 County – 60; OCERS Direct – 32
 12 Proposed New: County – 8, OCERS Direct – 3,
 OCERS Direct Extra Help – 1

OCERS Contractors & Temporary Staff Organizational Chart



310/406

Supplemental Labor Force – Total 2
 Temporary Staff – 0
 Contractors – 0
 2018 Proposed Contractors – 2

Proposed New Positions



Position Title	Department	Position Type	Salary Range
1. Staff Analyst (Extra Help)	Adm Services	OCERS Direct	\$60,165 - \$100,380*
2. Accountant Auditor I	Finance	County	\$52,416 - \$70,637
3. Investment Analyst	Investments	OCERS Direct	\$60,165 - \$100,380
4. Managing Director	Investments	OCERS Direct	\$133,245 - \$232,050*
5. Director of Cyber Security	IT	OCERS Direct	\$103,425 - \$150,885*
6. Accounting Technician	Mem Services	County	\$41,392 - \$55,536
7. Accounting Technician	Mem Services	County	\$41,392 - \$55,536
8. Benefits Technician	Mem Services	County	\$35,547 - \$47,216
9. Sr. Retirement Program Specialist	Mem Services	County	\$49,816 - \$66,602
10. Retirement Program Specialist	Mem Services	County	\$44,824 - \$60,008
11. Retirement Program Specialist	Mem Services	County	\$44,824 - \$60,008
12. Retirement Program Specialist	Disability	County	\$44,824 - \$60,008

*New OCERS' Direct salary range to be approved as part of 2018 Staffing Plan

FTE Additions = 12



Compensation Philosophy Related Items

(Staff Recommendation 2)



■ Performance Adjustments

- Increases for OCERS' direct staff are based on performance evaluations
 - 3% Meets
 - Up to 5% Exceeds
 - Up to 6% Exceptional
 - FY18 direct staff budget = \$190K
- County employee salary adjustments are dictated by County MOU
 - Granting of County employee increases is outside OCERS's Board Authority
 - FY18 County staff budget = \$162K



Job Evaluation Process
Compensation Management

■ FY18 personnel cost budget includes proposed pay item for 5.5% certification bonus

- Purpose: Stay competitive with industry peers and retain highly trained staff
- Pay item to be awarded to OCERS' direct employees who have job-related professional certification beyond minimum job qualifications
- Must be a nationally recognized professional certification
 - Chartered Financial Analyst (CFA)
 - Certified Public Accountant (CPA)
 - Other Board Approved Professional Certifications
 - FY18 pay item budget = \$69K





Personnel Costs

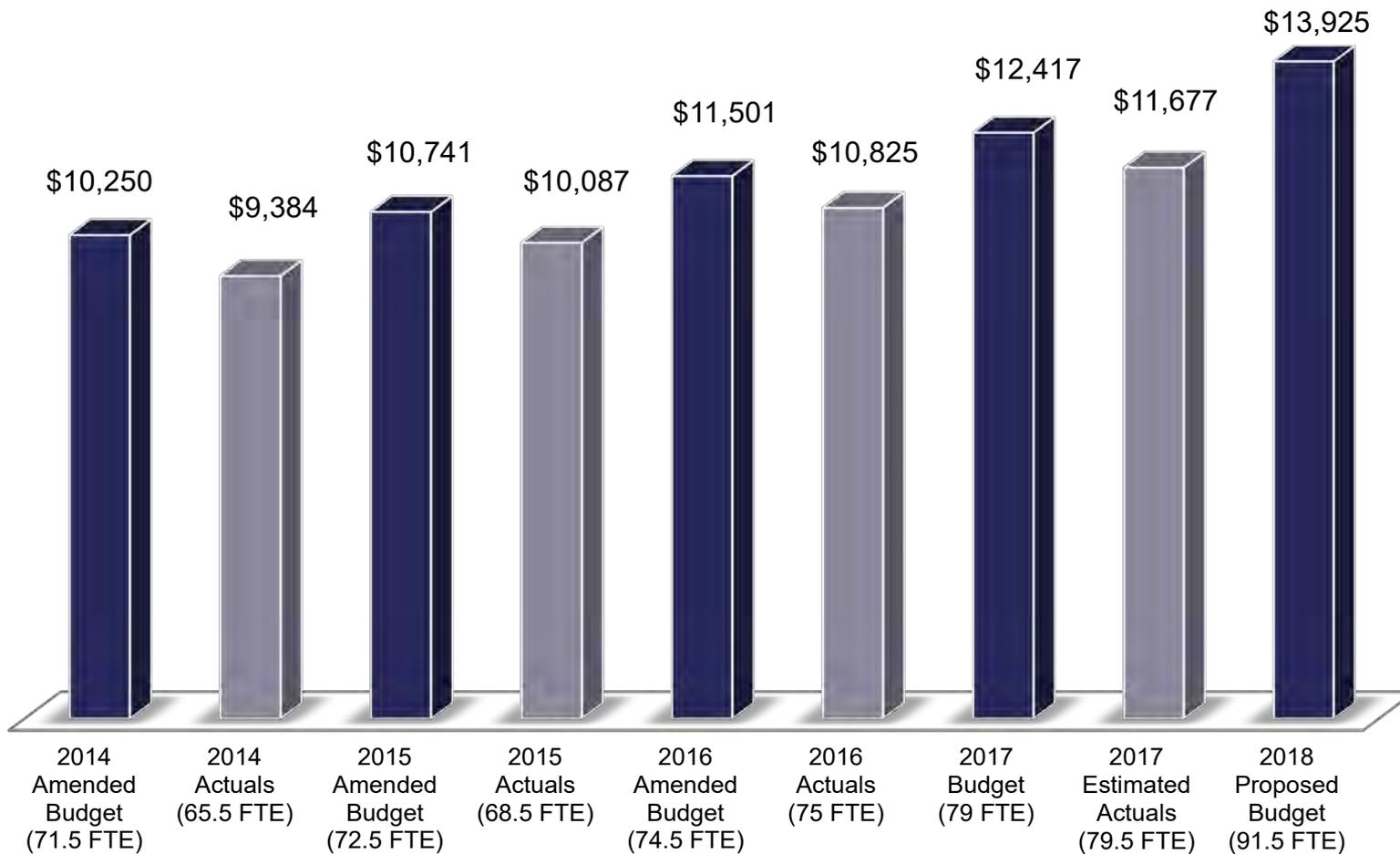
\$13,925,194

(Staff Recommendation 3 a.)

Proposed Personnel Costs



(Dollars in Thousands)



Total Personnel Costs



Description	Actuals 2014	Actuals 2015	Actuals 2016	Estimated Actuals 2017	Proposed Budget 2018	\$ Variance FY17-FY18	%Variance FY17-FY18
Annual Salary	\$ 5,567,137	\$ 5,946,253	\$ 6,111,081	\$ 6,732,861	\$ 8,212,243	\$ 1,479,382	22.0%
Fringe Benefits	3,108,051	3,392,905	3,418,891	3,600,099	4,601,325	1,001,226	27.8%
Overtime	80,615	139,074	101,304	101,668	115,687	14,019	13.8%
Annual Leave	244,161	327,313	266,184	300,000	325,000	25,000	8.3%
Temp Help/ Extra Help	158,262	95,548	542,545	676,523	235,300	(441,223)	-65.2%
Salary/Performance Adjustments	211,913	172,770	370,038	250,894	420,639	169,745	67.7%
Board Allowance	14,300	13,100	14,600	15,000	15,000	-	0.0%
Total Personnel Costs	\$ 9,384,439	\$ 10,086,963	\$ 10,824,643	\$ 11,677,045	\$ 13,925,194	\$ 2,248,149	19.3%

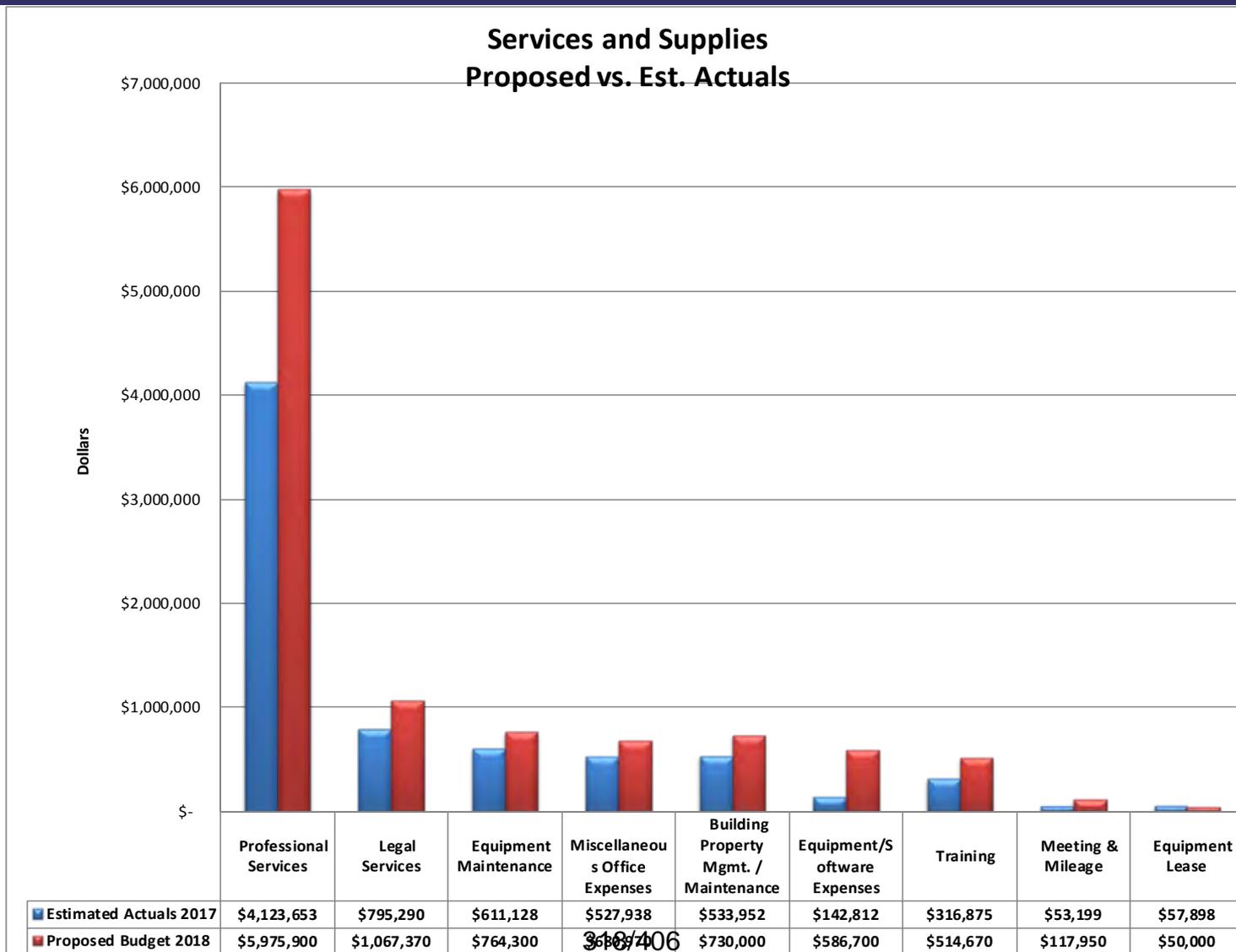


Services and Supplies

\$10,487,860

(Staff Recommendation 3 b.)

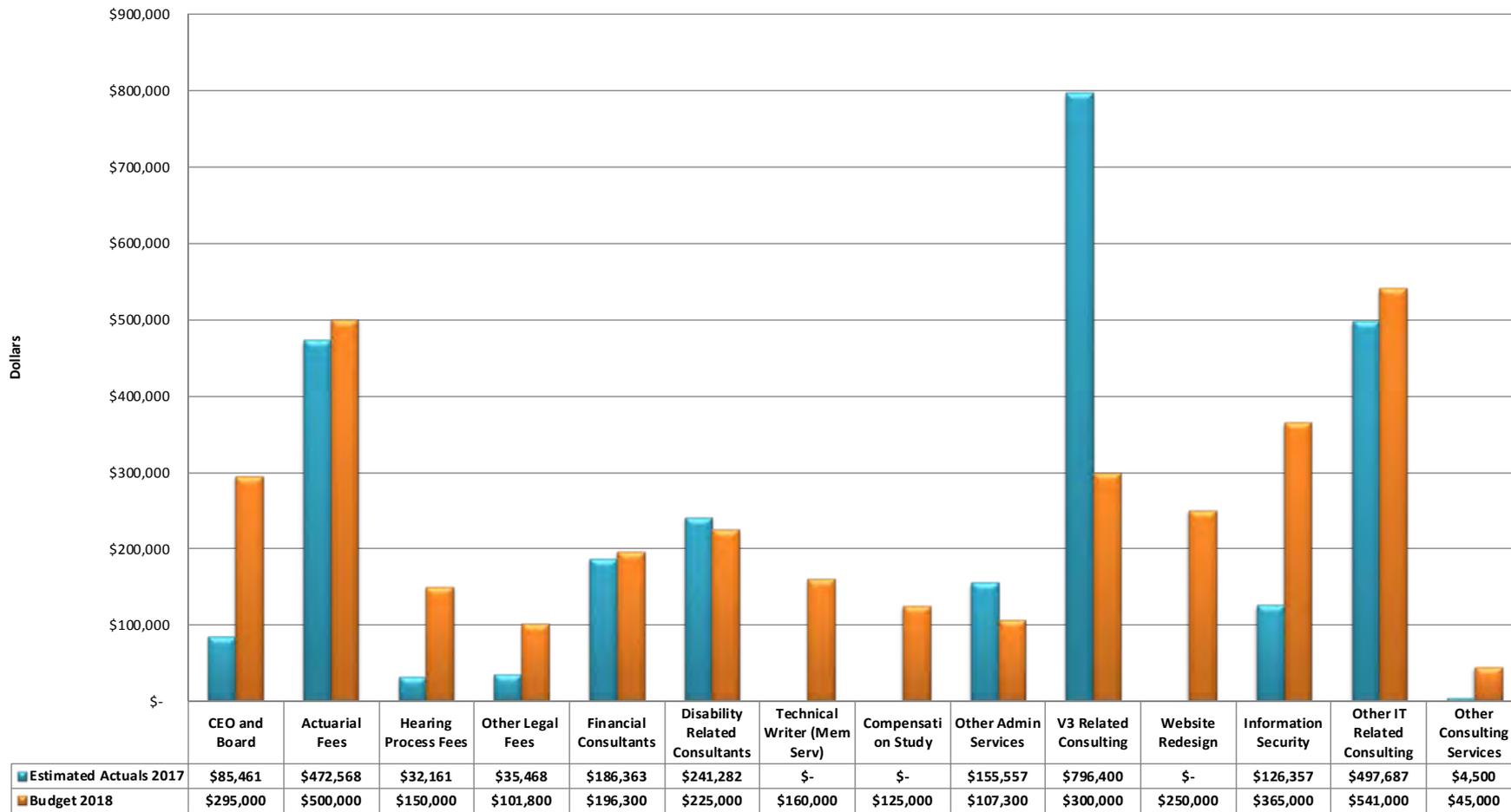
Services and Supplies Proposed to Estimated Actuals



Professional Services-Administration



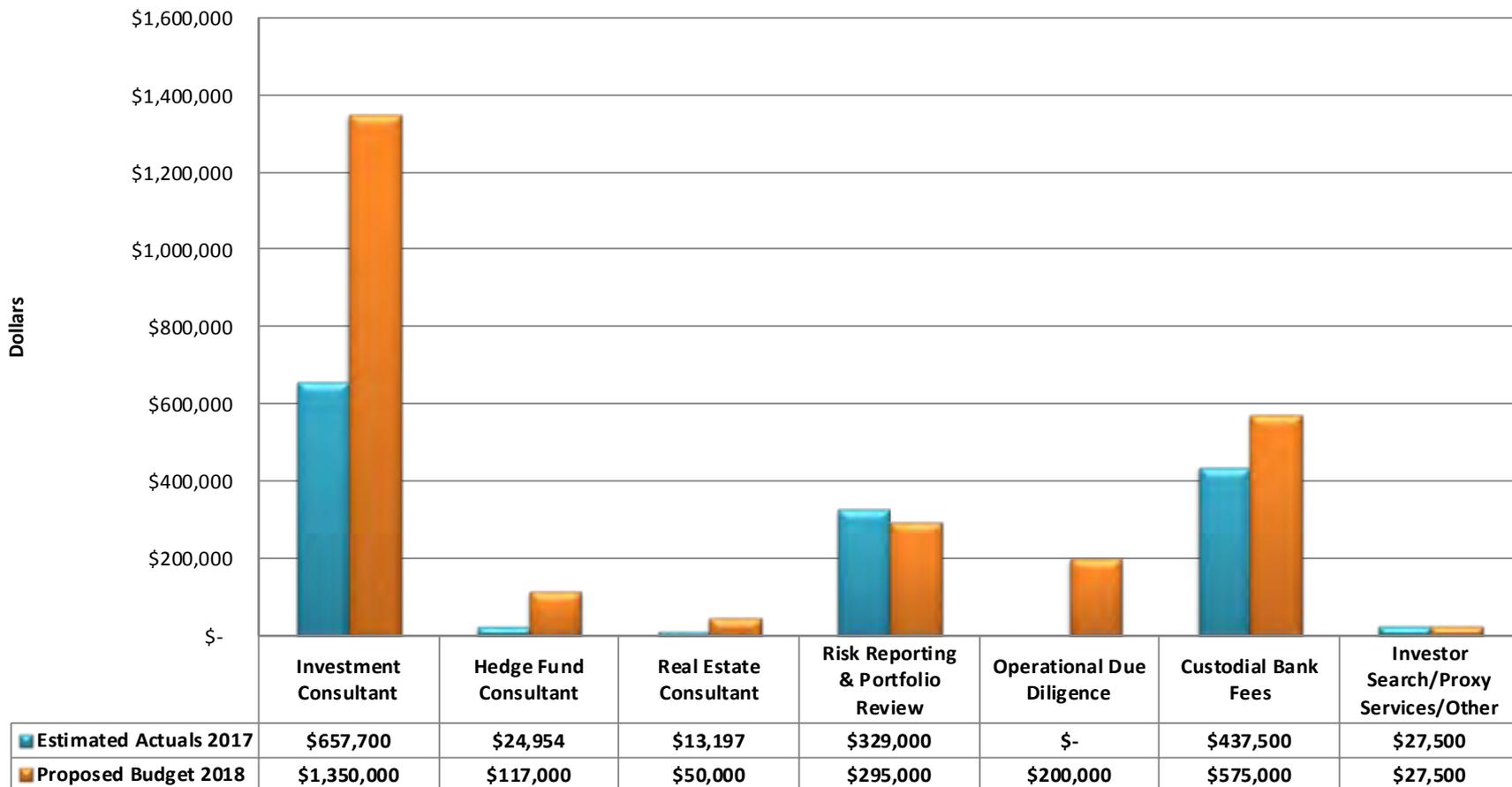
Professional Services-Adminstration
\$3,361,400



Professional Services-Investments



Professional Services-Investments \$2,614,500





Capital Expenditures

\$1,095,000

(Staff Recommendation 3 c.)

Capital Expenditures



■ Board Room Remodel	\$400,000
■ Board Room A/V Improvements	\$225,000
■ Building Security Project	\$250,000
■ Space Management	\$120,000
■ OCERS Business Continuity	<u>\$100,000</u>
Total	\$1,095,000

21 Basis Points Test



**Orange County Employees Retirement System
 21 Basis Points for Budget Year 2018**

Projected actuarial accrued liability as of December 31, 2017	\$18,896,140,000
21 basis points of projected actuarial accrued liability	39,681,894
FY18 proposed budget amount subject to 21 basis points limitation ¹	17,595,603
Amount under 21 basis points	\$22,086,291
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY18	9.31
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY17	8.55

¹ Reconciliation of amount subject to 21 basis points limitation:

Total FY 18 proposed budget	\$25,508,054
Less: Investment-related costs	(5,976,951)
Total FY 18 proposed administrative budget	19,531,103
Less: IT Capital expenses	(325,000)
Computer hardware/software	(505,500)
IT-Professional services consulting	(1,105,000)
FY18 proposed budget amount subject to 21 basis points limitation	<u>\$17,595,603</u>

21 Basis Point History	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
21 Basis Points	8.01	7.97	8.48	8.55	9.31

18 Basis Points Test



**Orange County Employees Retirement System
 18 Basis Points for Budget Year 2018**

Projected actuarial value of total assets as of December 31, 2017	\$14,488,127,000
18 basis points of projected actuarial value of assets	26,078,629
FY18 proposed budget amount subject to 18 basis points limitation ¹	20,984,203
Amount under 18 basis points	\$5,094,426
Budgeted amount expressed as basis points of projected actuarial value of assets-FY18	14.48
Budgeted amount expressed as basis points of projected actuarial value of assets-FY17	14.56

¹ Reconciliation of amount subject to 18 basis points limitation

Total FY18 proposed budget	\$25,508,054
Less: Investment-related costs	(5,976,951)
Total FY18 proposed administrative budget	19,531,103
Less: Capital expenses	(1,095,000)
Add: Projected depreciation cost	2,548,100
FY18 proposed budget amount subject to 18 basis points limitation	\$20,984,203

Note: The 18 basis points calculation above is for informational and comparison purposes only.

18 Basis Point History					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
18 Basis Points	12.80	11.88	12.26	14.56	14.48



End of Presentation

Questions?

Brenda Shott, Assistant CEO (Internal Operations) (714) 558-6201

Tracy Bowman, Director of Finance (714) 558-6206



2018
ADMINISTRATIVE BUDGET

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C - 2018 Personnel Cost Budget	
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18 Basis Points for Budget Year 2018	
E - 5 Year Budget Comparison	
5 Year Actuals Comparison	
F - Historical Statistics	

SECTION I – INTRODUCTION

The 2018 Administrative Budget was developed based on the 2018 Business Plan which is directly linked to the 2018-2020 Strategic Plan. OCERS' Mission Statement and newly adopted Vision Statement and Values are the foundation for all three documents:

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:

*Open and Transparent
Commitment to Superior Service
Engaged and Dedicated Workforce
Reliable and Accurate
Secure and Sustainable*

The 2018 Administrative Budget reflects OCERS' continued commitment to:

- *Strengthen the long-term stability of the pension fund*
- *Achieve excellence in the service and support we provide to our members and plan sponsors*
- *Cultivate a risk-intelligent organization*
- *Recruit, retain and inspire a high-performing workforce*

These strategic goals were outlined in the 2018 Business Plan presented to the Board at the Strategic Planning Meeting held on September 13-14, 2017 and formally adopted by the Board at the Regular Board Meeting held on October 16, 2017. In addition, further direction was provided to staff by the Board at the 2018 Budget Workshop held on October 19, 2017.

The 2018 Administrative Budget includes the funding of business plan initiatives to help OCERS achieve its strategic goals. This includes implementing recommendations from a workforce

analysis study performed by Management Partners during 2017, as reflected in the Fiscal Year 2018 (FY18) Staffing Plan (see further discussion in *Section IV – 2018 Personnel Costs*). In addition to talent management related initiatives, other business plan initiatives with a budget impact are in the area of risk management, including implementing tools to mitigate the risk of data, financial loss or information disclosure, enhanced crisis and security management programs, evaluating building security and access systems, and the planning and implementation of facility upgrades and space management projects.

The 2018 Administrative Budget also includes costs associated with business initiatives to achieve fund sustainability and excellent service and support, including funds to study and enhance private equity capabilities and activities, and the continuation of OCERS' website redesign project which, when completed, will provide additional resources to educate our members and Plan Sponsors.

2018 Administrative Budget Summary

Staff recommends a 2018 Administrative Budget of \$25,508,054 which is:

- \$2.7 million or 11.7% greater than the 2017 Amended Budget
- \$6.2 million or 32.1% greater than 2017 estimated actuals

SECTION II – BUDGET POLICIES AND PROCESS

Budget Policies

OCERS budgeting policies are based on legal statutes required for 1937 Act Systems as well as policies set by OCERS Board of Retirement. Budgeted items are on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP).

OCERS budgeting authority is regulated by California Government Code Sections 31580.2 and 31596.1. A notable provision within the regulations is that OCERS' budget for administrative expenses (which excludes investment-related costs and expenditures for computer software, hardware and related technology consulting services) is limited to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system (commonly referred to as the 21 basis point test). The FY18 Administrative Budget represents 9.31 basis points of the projected actuarial accrued liability. The FY18 Administrative Budget also meets the Board's policy limitation of 18 basis points of the projected actuarial value of total assets and represents 14.48 basis points of assets for FY18. Although OCERS is no longer bound by this test by the Government Code, the Board of Retirement includes this test as a requirement within the Budget Approval Policy. See Appendix D for both the 21 basis point test and 18 basis point test calculations.

In addition to the State Code, the budget is also guided by OCERS' Budget Approval Policy adopted by the Board of Retirement on February 19, 2002 and last revised July 17, 2017. This policy provides the purpose, roles and guidelines related to approving the annual budget for covering the expenses of administering the retirement system including the authority of the Chief Executive Officer, or the Assistant CEO, to transfer funds within the three broad categories of the budget: 1) Personnel Costs, 2) Services and Supplies, and 3) Capital Projects. Funds may not be moved from one category to another without approval from the Board of Retirement. In addition, any increases to the total approved budget resulting in a budget amendment must be approved by the Board of Retirement.

Effective with the July 17, 2017 revised Budget Approval Policy, investment management fees (including directly billed fees, indirectly paid fees reported on investment manager statements, fees and costs for investment management that are netted in portfolio returns, foreign income tax and security lending fees) are no longer included in the annual Administrative Budget. These expenses are to be managed and reported in accordance with the Board of Retirement's Investment Fee Policy. For comparative purposes, investment management related fees have been removed from the presentation of all prior year information contained in this report.

Budget Process

In August, each department head begins the process of completing their budget requests for the following fiscal year. The Director of Finance and Finance Manager-Budgeting compile the budget requests and draft the budgets for each department. The department heads then meet individually with the CEO, Assistant CEO of Internal Operations, and the Director of Finance to review, discuss and determine the necessity of each line item of their draft budget which may go through several review cycles.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Once the CEO agrees upon the budget, any proposed business plan goals/initiatives with a budget impact are incorporated into the Business Plan for the upcoming fiscal year and presented to the Board at its annual off-site Strategic Planning Meeting in September. The Board's feedback is then incorporated into the budget and presented to the Board for their review at the annual Budget Workshop held in late October/early November. Any additional feedback is included in a proposed final version of the administrative budget and submitted to the Board for final adoption at their regularly scheduled Board Meeting held in November.

SECTION III – 2018 ADMINISTRATIVE BUDGET

The overall administrative budget for 2018 is summarized by the following categories of expenses:

- Personnel Costs
- Services and Supplies
- Capital Expenditures

The 2018 Administrative Budget is based on estimates of anticipated expenses for personnel costs, services and supplies (excluding investment management fees as discussed in *Section II – Budget Policies and Process*), and capital expenditures. It includes the costs of carrying out the current level of services and activities approved by OCERS’ Board, as well as staffing changes to accommodate increases in the volume of work across multiple departments and to address high employee turnover rates as documented in the workforce analysis performed by Management Partners in 2017. The 2018 Administrative Budget also includes adjustments for normal cost increases for staffing salaries, as well as a new pay item for certain Board approved professional certifications. In addition, costs have been budgeted under professional services related to business initiatives to support the strategic plan goals of fund sustainability, excellent service and support, risk management and talent management.

Important assumptions in the 2018 Administrative Budget include:

Personnel Costs:

- Staffing changes as outlined below resulting in an increase of 12 authorized positions at a cost of \$1.4 million:

	Position Title	Department	Position Type	Salary Range
1.	Staff Analyst (Extra Help)	Adm Services	OCERS Direct	\$60,165 - \$100,380*
2.	Accountant Auditor I	Finance	County	\$52,416 - \$70,637
3.	Investment Analyst	Investments	OCERS Direct	\$60,165 - \$100,380
4.	Managing Director	Investments	OCERS Direct	\$133,245 - \$232,050*
5.	Director of Cyber Security	IT	OCERS Direct	\$103,425 - \$150,885*
6.	Accounting Technician	Mem Services	County	\$41,392 - \$55,536
7.	Accounting Technician	Mem Services	County	\$41,392 - \$55,536
8.	Benefits Technician	Mem Services	County	\$35,547 - \$47,216
9.	Sr. Retirement Program Specialist	Mem Services	County	\$49,816 - \$66,602
10.	Retirement Program Specialist	Mem Services	County	\$44,824 - \$60,008
11.	Retirement Program Specialist	Mem Services	County	\$44,824 - \$60,008
12.	Retirement Program Specialist	Disability	County	\$44,824 - \$60,008

*New OCERS’ Direct salary range to be approved as part of 2018 Staffing Plan

- An average fringe benefit rate of 53.3% of salaries

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

- Performance/salary adjustments for OCERS' direct employees based on a rating scale of 3% for meets expectations, up to 5% for exceeds expectations, and up to 6% for exceptional performance at an estimated cost of \$190,000
- Step increases for approximately 35 County staff not at the top of the established salary range at a cost of \$162,000
- Decrease of \$441,223 in temporary help due to the additional 12 new positions being requested in FY18 Staffing Plan
- Pay item of 5.5% of salary for employees obtaining the designations of Chartered Financial Analyst, Certified Professional Accountant and other future Board approved professional certifications that are beyond minimum job qualifications totaling \$69,000

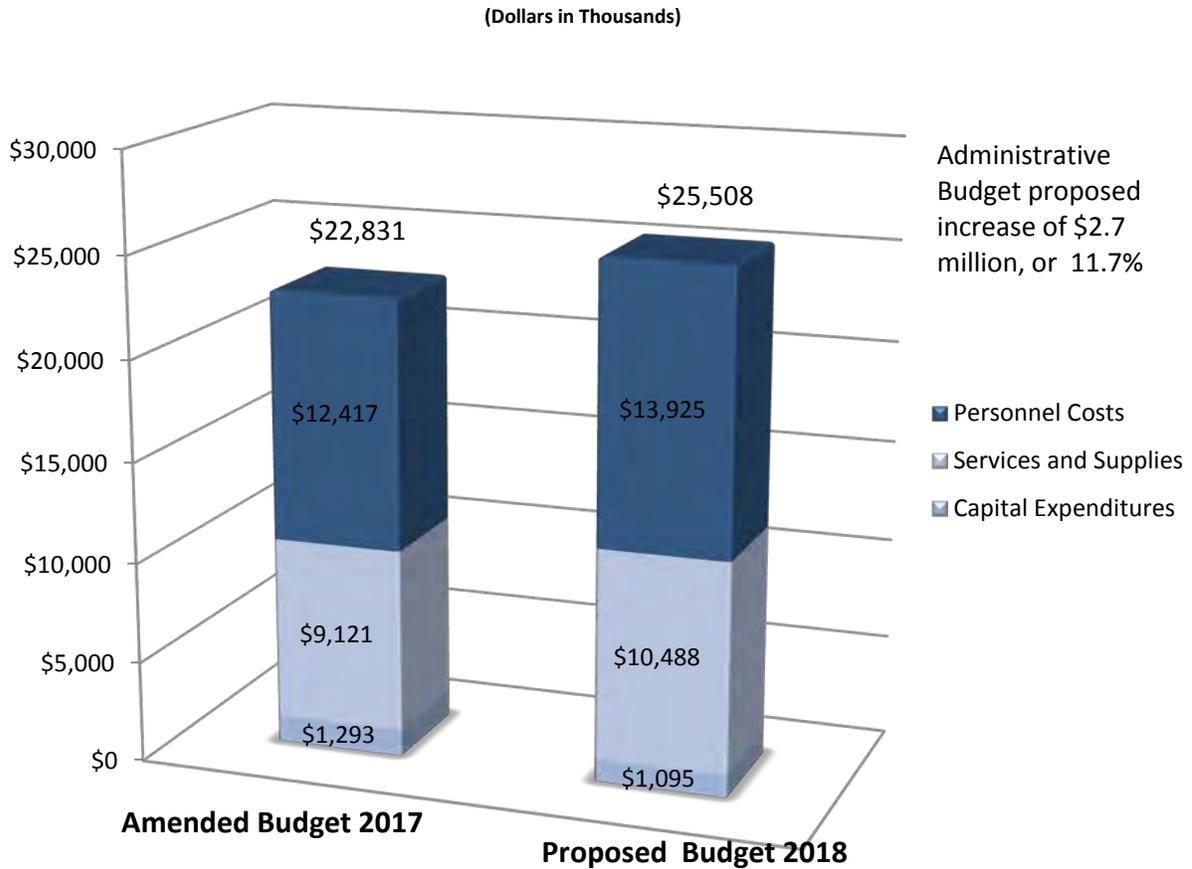
Services and Supplies:

- New recurring professional services expenses, including:
 - Illiquid investment consultant at a cost of \$900,000
 - Managed Security Services at a cost of \$150,000
 - Cost for two colocation facilities estimated at \$70,000 (budgeted in FY17, but not used)
 - Insurance premiums for fiduciary, cyber risk, crime and contents totaling \$90,000
 - Records retrieval/copy services for disability related claims at a cost of \$20,000
- Non-recurring professional expenses, including:
 - Additional support hours and/or potential change orders for V3, the pension administration system, in the amount of \$300,000
 - Continuation of website redesign business initiative at an estimated cost of \$250,000
 - Technical writer to assist with updating and creating desktop manuals and procedures for Member Services in the amount of \$160,000
 - Additional IT programming, report development and support consultant at a cost of \$150,000
 - Information Security consulting at a cost of \$150,000
 - Compensation Study at an estimated cost of \$125,000
 - Lean Six Sigma consultant for process and performance improvement at an estimated cost of \$50,000
 - Business Continuity/Disaster Recovery tabletop exercises and review and update of plans at a cost of \$38,000
 - Internal Audit consultant at an estimated cost of \$20,000
- One-time legal settlement payment totaling \$117,370

Capital Expenditures:

- Capital expenditures totaling \$1,095,000 include building security enhancements and facility upgrades

Comparison to 2017 Administrative Budget



The total administrative budget for 2018 is \$25.5 million, representing a total increase of \$2.7 million or 11.7% from the 2017 Amended Budget of \$22.8 million. The majority of this increase can be attributed to an increase in personnel costs of \$1.9 million due to proposed staffing changes that will result in an increase of 12 authorized positions, as well as funding for salary/performance adjustments as discussed further in *Section IV - Personnel Costs*. The increase can also be attributed to a \$1.4 million increase in services and supplies primarily due to an increase in professional services for both non-recurring and recurring consulting services related to several business plan initiatives to support the strategic plan goals of fund sustainability, excellent service and support, risk management and talent management as discussed further in the following *Administrative Budget Summary*. These increases were offset by a \$0.2 million decrease in capital expenditures related to the near completion of the Business Continuity and Disaster Recovery (BC/DR) Solution project from the prior year.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Administrative Budget Summary

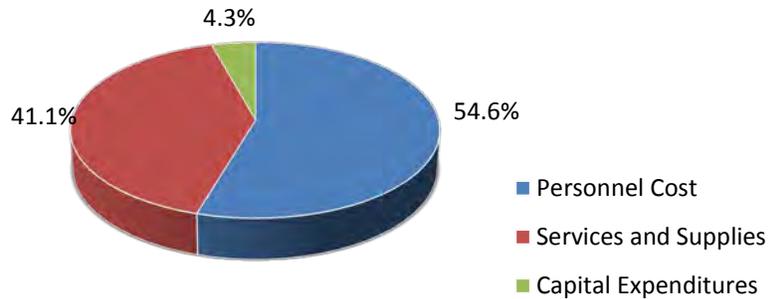
The Administrative Budget is prepared in accordance with the limits of Section 31580.2 of the County Employees Act of 1937 which limits the budget to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system (commonly referred to as the 21 basis point test), excluding investment-related costs of \$6.0 million and expenditures for computer software, hardware and related technology consulting services totaling \$1.9 million in the FY18 Administrative Budget. The 2018 Administrative Budget, at 9.31 basis points, is \$22.1 million under the cap limit of \$39.7 million (see Appendix D – 21 Basis Points for Budget Year 2018).

A summary of the FY17 Amended Administrative Budget compared to FY17 estimated actuals and the FY18 Administrative Budget compared to FY17 estimated actuals is provided below:

	Amended Budget 2017	Estimated Actuals 2017	2017 Over/(Under) Budget	Proposed Budget 2018	2018 Proposed Budget vs. 2017 Actuals Over/(Under)	
Personnel Costs	\$12,417,428	\$11,677,045	(\$740,383)	\$13,925,194	\$2,248,149	19.3%
Services and Supplies						
Professional Services	5,172,759	4,123,653	(1,049,106)	5,975,900	1,852,247	44.9%
Legal Services	1,150,000	795,290	(354,710)	1,067,370	272,080	34.2%
Equipment Maintenance	680,400	611,128	(69,272)	764,300	153,172	25.1%
Building Prop Mgmt/Maint	682,000	533,952	(148,048)	730,000	196,048	36.7%
Miscellaneous Office Expense	538,332	527,938	(10,394)	680,970	153,032	29.0%
Equipment/Software Expenses	175,180	142,812	(32,368)	586,700	443,888	310.8%
Training	520,545	316,875	(203,670)	514,670	197,795	62.4%
Meetings & Mileage	111,460	53,199	(58,261)	117,950	64,751	121.7%
Equipment Lease	90,000	57,898	(32,102)	50,000	(7,898)	-13.6%
Services and Supplies	9,120,676	7,162,745	(1,957,931)	10,487,860	3,325,115	46.4%
Capital Expenditures*	1,293,000	471,617	(821,383)	1,095,000	623,383	132.2%
Administrative Expense Total	\$22,831,104	\$19,311,407	(\$3,519,697)	\$25,508,054	\$6,196,647	32.1%

*Capital expenditures represent purchases of assets to be amortized in future periods.

FY18 Administrative Budget



Personnel Costs

Personnel Costs for 2018 are \$13.9 million and represent 54.6% of the total Administrative Budget. The total budget for personnel costs is \$2.2 million or 19.3% higher than the 2017 estimated actuals for personnel costs. Personnel Costs include the amounts necessary to support the proposed staffing plan for 2018. The staffing plan includes a total of 92 authorized positions; 60 County level staff and 32 OCERS Direct. The proposed plan includes an increase of 12 authorized positions. Total personnel costs, comprised of salary, benefits, and other related expenses, are discussed further under *Section VI - Personnel Costs*. A detailed breakdown of personnel costs can be found in Appendix C – 2018 Personnel Cost Budget.

Services and Supplies

Services and Supplies costs for 2018 are \$10.5 million, which is 41.1% of the total Administrative Budget. Included in services and supplies are administrative and investment professional services, legal services, equipment expenses (other than those that are capitalized on OCERS' books as assets that will be depreciated over time and budgeted as a capital expenditure), maintenance costs, office expenses, training, and meetings & mileage costs. The expenses that are included in these line items are detailed in Appendix B – Administrative Budget Detail by Expense Category and summarized below:

- Professional Services** budgeted at \$6.0 million represents the largest percentage of Services and Supplies and comprises 23.4% of the total Administrative Budget. The overall increase of approximately \$1.8 million or 44.9% from FY17 estimated actuals is related primarily to including both new recurring and non-recurring items in FY18 of \$2.5 million while in FY17, non-recurring costs incurred totaled \$1.2 million. The largest new recurring cost added in FY18 relates to the business initiative of achieving fund sustainability which includes a cost of \$900,000 for an illiquid investment consultant to study and enhance private equity capabilities and activities. Other new recurring costs include risk management related business initiatives such as \$150,000 for managed

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

security services and \$70,000 for two colocation facilities, as well as \$90,000 for insurance premiums covering fiduciary, cyber risk, crime and contents.

In addition to new recurring costs, the professional services budget includes non-recurring costs in support of achieving OCERS' strategic goals. This includes costs to enhance excellent service and support, such as potential change orders and/or additional support hours for V3 at an estimated cost of \$300,000, carryover of website redesign costs of \$250,000, and \$160,000 for a technical writer to assist with updating and creating desktop manuals and procedures for Member Services. Other non-recurring expenses are included in the budget for business initiatives related to both risk and talent management, including a consultant for additional IT programming and development to support Member Services reporting and data query needs at a cost of \$150,000, information security consulting at \$150,000, as well as \$125,000 for a compensation study and \$50,000 for a Six Sigma Lean process consultant.

- **Legal Services** budgeted at \$1,067,370 are 4.2% of the total Administrative Budget and consist of fees paid to OCERS external legal counsel, tax attorney, and investment related legal services. These fees are budgeted for use on an as-needed basis and in FY17 came in less than anticipated due to an increase in the utilization of in-house legal counsel for legal services previously provided by external legal counsel. The increase of approximately \$272,000 from FY17 estimated actuals is primarily due to including a higher budget amount for investment related legal costs than was incurred in FY17 and a one-time settlement payment totaling \$117,370 due in FY18.
- **Equipment Maintenance** budgeted at \$764,300 represents 3.0% of the total Administrative Budget and has increased from FY17 estimated actuals by approximately \$153,000 or 25.1%, primarily due to anticipated increases in maintenance renewals and new data center and replication site hardware/software maintenance costs. The Equipment Maintenance budget category includes V3 licensing and support of \$396,000 and other ongoing V3 costs including Oracle maintenance of \$75,000, as well as \$83,000 for data center maintenance and several other smaller line items for various software, hardware and mobile device maintenance and security.
- **Building Management and Maintenance** budgeted at \$730,000 represents 2.9% of the overall Administrative Budget and is related to funds distributed to the property manager of OCERS Headquarters building to manage and maintain the building. Expenses include property management fees, security, utilities, property taxes, insurance, and maintenance contracts. This line item is expected to increase \$196,000 or 36.7% due to an increase in security services and a planned increase in occupancy space by OCERS in a recently vacated portion of the third floor to accommodate the additional staff being requested.
- **Miscellaneous Office Expense** budgeted at \$680,970 represents 2.7% of the total Administrative Budget and consists of routine office expenses such as postage, printing costs, telephone, office supplies and periodicals. The budget for this line item increased

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

from FY17 actuals by approximately \$153,000 or 29.0% primarily due to an increase in ShoreTel Services as a result of moving to a cloud based phone service in support of OCERS' business continuity/disaster recovery needs, postage that was budgeted, but not utilized in FY17 and adjustments for normal cost increases in membership fees and office supplies.

- **Equipment/Software Expenses** budgeted at \$586,700 represent 2.3% of the total Administrative Budget and consists of computers, laptops, monitors, Board meeting online portal expenses, laptop security and location services, and other miscellaneous hardware and software expenses. The increase of \$444,000 or 310.8% is primarily due to the planned replacement of iPads with Surface tablets, increased cyber security related software/tools and additional equipment for business continuity and disaster recovery needs.
- **Training** budgeted at \$514,670 represents 2.0% of the total Administrative Budget and has increased from FY17 estimated actuals by about \$198,000 or 62.4%. This category encompasses training and conferences attended by the Board and staff, as well as tuition reimbursement. Although the training budget has remained relatively flat from FY17 to FY18, estimated actuals have continued to come in low compared to amounts budgeted primarily due to the continued strain on staff resources and volume of workload which is being addressed with the FY18 Staffing Plan.
- **Meetings and Mileage** budgeted at \$117,950 represents 0.5% of the total Administrative Budget. The majority of the expenses relates to Board meeting costs. The budget has increased by \$65,000 or 121.7% compared to FY17 estimated actuals primarily due to an anticipated increase in investment manager due diligence meetings with the hiring of a new CIO and anticipated increase in Investment staff.
- **Equipment Lease** budgeted at \$50,000 represents the smallest portion of the total Administrative Budget at 0.2%. This line item consists of office copier machines and the postage machine. The decrease of \$8,000 or -13.6% from FY17 estimated actuals is due to the Legal department eliminating the Lexis Nexis lease contract and moving towards less expensive research tools.

Capital Expenditures

Capital Expenditures for 2018 are \$1.1 million and are 4.3% of the total Administrative Budget. The 2018 Administrative Budget is approximately \$0.6 million higher than FY17 estimated actuals primarily due the FY18 budget including funding of business initiatives to support the strategic goal of risk management, including \$250,000 for evaluating building security and access systems, and \$625,000 for the planning and implementation of facility upgrades, as well as \$120,000 for space management projects. These new projects are offset by the amount spent in FY17 for the Business Continuity and Disaster Recovery project which will not be recurring in FY18.

SECTION VI – 2018 PERSONNEL COSTS

A summary of the FY17 amended personnel costs compared to FY17 estimated actuals and the FY18 personnel costs compared to FY17 estimated actuals is provided below:

Personnel Costs

	Amended Budget 2017	Estimated Actuals 2017	2017 Over/(Under) Budget	Proposed Budget 2018	2018 Proposed Budget vs. 2017 Actuals Over/(Under)	
Personnel Costs:						
Annual Salary	\$7,162,970	\$6,732,861	(\$430,109)	\$8,212,243	\$1,479,382	22.0%
Board Allowance	15,000	15,000	0	15,000	0	0.0%
Fringe Benefits	4,067,817	3,600,099	(467,718)	4,601,325	1,001,226	27.8%
Overtime	235,992	101,688	(134,304)	115,687	13,999	13.8%
Annual Leave	300,000	300,000	0	325,000	25,000	8.3%
Temp Help	348,400	676,523	328,123	235,300	(441,223)	65.2%
Performance/Salary Adjustments*	287,249	250,894	(36,355)	420,639	169,745	67.7%
Total Personnel Costs	\$12,417,428	\$11,677,065	(\$740,363)	\$13,925,194	\$2,248,129	19.3%

*All performance/salary adjustments are budgeted in Administrative Services Department until awarded.

Personnel Costs for 2018 are \$13.9 million and represent 54.6% of the total Administrative Budget. Personnel costs are detailed by department in Appendix C and include salaries, estimated overtime, fringe benefits (e.g., health insurance, retirement and deferred compensation), performance/salary adjustments, accrued annual leave and temporary/extra help costs. The total budget for personnel costs is \$2.2 million or 19.3% higher than the FY17 estimated actuals for personnel costs. This can be attributed to the proposed FY18 Staffing Plan which will result in an increase of 12 authorized positions for a total cost impact of \$1.4 million for salaries and related fringe benefits. These staffing changes, which will bring OCERS' total authorized positions to 92, were the result of a workforce analysis study performed by Management Partners in 2017. As a result of this study, it was determined that there were increases in the volume of work across multiple departments attributed to an increase in the amount of members retiring, as well as an increase in the assets being managed by OCERS. The study also concluded that OCERS has a higher turnover rate than their peers; one option to address the high turnover is to have additional staffing resources available for balancing workloads. In addition, to support the strategic goal for risk management, OCERS will be adding a Director of Cyber Security as part of the FY18 Staffing Plan. Below is a summary of changes to the FY18 Staffing Plan:

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	Position Title	Department	Position Type	Salary Range
1.	Staff Analyst (Extra Help)	Adm Services	OCERS Direct	\$60,165 - \$100,380*
2.	Accountant Auditor I	Finance	County	\$52,416 - \$70,637
3.	Investment Analyst	Investments	OCERS Direct	\$60,165 - \$100,380
4.	Managing Director	Investments	OCERS Direct	\$133,245 - \$232,050*
5.	Director of Cyber Security	IT	OCERS Direct	\$103,425 - \$150,885*
6.	Accounting Technician	Mem Services	County	\$41,392 - \$55,536
7.	Accounting Technician	Mem Services	County	\$41,392 - \$55,536
8.	Benefits Technician	Mem Services	County	\$35,547 - \$47,216
9.	Sr. Retirement Program Specialist	Mem Services	County	\$49,816 - \$66,602
10.	Retirement Program Specialist	Mem Services	County	\$44,824 - \$60,008
11.	Retirement Program Specialist	Mem Services	County	\$44,824 - \$60,008
12.	Retirement Program Specialist	Disability	County	\$44,824 - \$60,008

*New OCERS' Direct salary range to be approved as part of 2018 Staffing Plan

In addition to the changes noted above, the FY18 Administrative Budget for personnel costs also includes the following components:

- An average fringe benefit rate of 53.3% of salaries, which decreased from 54.6% in the prior year primarily due to a decrease in the employer retirement contribution rate and in health care costs
- Performance/salary adjustments for OCERS' direct employees based on a rating scale of 3% for meets expectations, up to 5% for exceeds expectations, and up to 6% for exceptional performance at an estimated cost of \$190,000
- Step increases for approximately 35 County staff not at top of the established salary range at a cost of \$162,000
- Decrease of \$441,223 in temporary help due to the additional 12 new positions being requested in FY18 Staffing Plan
- Pay item of 5.5% of salary for employees obtaining the designations of Chartered Financial Analyst, Certified Professional Accountant and other future Board approved professional certifications that are beyond minimum job qualifications totaling \$69,000

APPENDIX

**Appendix A
2018 Administrative Budget Detail by Department**

Department	Account Group	Description	Total
0001 - BOARD	Personnel Cost	Annual Salary	\$15,000
	Personnel Cost Total		\$15,000
	Professional Svcs	Security	\$10,000
		Board Election	50,000
	Professional Svcs Total		\$60,000
	Training	Board Approved Conferences	\$25,000
		CALAPRS	11,000
		NASRA	6,000
		SACRS	8,000
		Strategic Planning	20,000
		UC Berkeley	5,000
	Training Total		\$75,000
	Mtg/Mileage	Miscellaneous Meetings	\$10,000
		Membership Committee Meetings	2,000
	Mtg/Mileage Total		\$12,000
	Membership	CALAPRS	\$2,500
		NASRA	2,800
NCPERS		2,000	
SACRS		6,000	
NIRS		3,000	
Membership Total		\$16,300	
0001 - BOARD Total			\$178,300
0010 - EXECUTIVE	Personnel Cost	Annual Salary	\$757,320
		Fringe Benefits	433,439
		Overtime	1,490
		Leave P/O	29,970
		Temp Help	15,000
	Personnel Cost Total		\$1,237,219
	Professional Svcs	CEO Contingency	\$75,000
		CEM Benchmarking	20,000
		Insurance Premiums	90,000
		Lean Process Consultant/Study	50,000
	Professional Svcs Total		\$235,000
	Training	CALAPRS	\$12,400
		GFOA Conference	5,000
		IFEBP	8,000
		LCW Employment Law Conference	1,800
		Miscellaneous Conferences/Training	12,000
		Public Pension Financial Forum	3,000
		SACRS	4,800
		NCPERS - General & Safety	4,000
		NASRA/NIRS	6,000
		CEM Conference	4,500
	Wharton Investment Training	12,000	
	Training Total		\$73,500
	Mtg/Mileage	Miscellaneous Meetings	\$5,000
		CEO Visit to State Legislature	1,000
		Membership Committee Meetings	2,000
		CEO/Manager visits to Cal Retirement Systems	5,000
	Mtg/Mileage Total		\$13,000
	Membership	AICPA	\$650
		American Express	300
		CalCPA	525
		GFOA	600
		International Foundation (IFEBP)	1,000
P2F2 - Public Pension Financial Forum		150	
California Board of Accountancy		120	
Notary		1,000	
Membership Total		\$4,345	
Periodicals	Miscellaneous periodicals	\$400	
	Public Retirement Journal	950	
Periodicals Total		\$1,350	
Actuarial Fees	Actuarial Fees	\$500,000	
Actuarial Fees Total		\$500,000	
0010 - EXECUTIVE Total			\$2,064,414
0011 - INVESTMENTS	Personnel Cost	Annual Salary	\$1,206,944
		Fringe Benefits	669,352
		Overtime	1,477
		Leave P/O	47,763
		Temp Help	15,000
	Personnel Cost Total		\$1,940,536
	Professional Svcs	Consulting Fees	\$2,012,000
Custodial Bank Fees		575,000	
Proxy Services		27,500	
Professional Svcs Total		\$2,614,500	

Appendix A
2018 Administrative Budget Detail by Department

Department	Account Group	Description	Total
	Due Diligence	Due Diligence	\$56,600
	Due Diligence Total		\$56,600
	Training	Tuition Reimbursement	\$6,000
		Educational Forum	10,000
		Conferences	47,765
	Training Total		\$63,765
	Mtg/Mileage	Investment Committee Meetings	\$10,000
	Mtg/Mileage Total		\$10,000
	Membership	Other Memberships	\$11,680
	Membership Total		\$11,680
	Periodicals	Miscellaneous periodicals	\$6,300
	Periodicals Total		\$6,300
	Equipment / Software	Bloomberg/Cambridge/Manager Database	\$81,200
	Equipment / Software Total		\$81,200
0011 - INVESTMENTS Total			\$4,784,581
0015 - COMMUNICATIONS	Personnel Cost	Annual Salary	\$168,771
		Fringe Benefits	91,562
		Overtime	1,477
		Leave P/O	6,679
	Personnel Cost Total		\$268,489
	Training	CALAPRS	\$1,150
		Miscellaneous Conferences/Training	1,600
		SACRS	630
	Training Total		\$3,380
	Mtg/Mileage	Miscellaneous Meetings	\$300
	Mtg/Mileage Total		\$300
	Printing Svcs	Brochures	\$10,000
		CAFR (Comprehensive Annual Financial Report)	12,000
		Quarterly newsletters	74,000
	Printing Svcs Total		\$96,000
	Periodicals	Organizational Communication	\$600
	Periodicals Total		\$600
	Postage	Miscellaneous Mailing/Mass Mailing	\$40,000
		Quarterly Newsletters - All Members	56,000
	Postage Total		\$96,000
	Office Supplies	Public Relation Materials	\$10,000
	Office Supplies Total		\$10,000
0015 - COMMUNICATIONS Total			\$474,769
0020 - LEGAL	Personnel Cost	Annual Salary	\$852,664
		Fringe Benefits	480,698
		Overtime	2,808
		Leave P/O	33,744
		Temp Help	99,200
	Personnel Cost Total		\$1,469,114
	Professional Svcs	Admin. Hearing Process Fees	\$150,000
		Court Filing Fees	800
		Court Reporter Fees	50,000
		Subpoena Fees	1,000
		Writ of Mandate (court-ordered payment)	50,000
	Professional Svcs Total		\$251,800
	Legal Svcs	Tax Attorney/Outside Counsel	\$50,000
		Board/Fiduciary	125,000
		Dept of Ed vs OCERS	100,000
		Other Litigation	100,000
		Investment Legal Services	\$575,000
		Settlement Payment	117,370
	Legal Svcs Total		\$1,067,370
	Training	CALAPRS	\$4,000
		MCLE and other training	4,300
		NAPPA Meetings	17,000
		SACRS	5,000
	Training Total		\$30,300
	Mtg/Mileage	Miscellaneous Meetings	\$1,000
		Membership Committee Meetings	2,000
	Mtg/Mileage Total		\$3,000
	Membership	Miscellaneous Memberships (State Bar Dues & (3) NAPPA memberships)	\$4,200
	Membership Total		\$4,200
	Periodicals	Legal Publications, Daily Journal, Law Book Updates, Reference Books, Westlaw and StateNet	\$12,500
	Periodicals Total		\$12,500
0020 - LEGAL Total			\$2,838,284

Appendix A
2018 Administrative Budget Detail by Department

Department	Account Group	Description	Total	
0030 - MEMBER SERVICES	Personnel Cost	Annual Salary	\$2,223,100	
		Fringe Benefits	1,238,547	
		Overtime	66,552	
		Leave P/O	87,981	
	Personnel Cost Total			\$3,616,180
	Professional Svcs	Death Records Match	\$25,000	
		Technical Writer	160,000	
	Professional Svcs Total			\$185,000
	Training	Tuition Reimbursement	\$9,000	
		CALAPRS	4,000	
		SACRS	1,800	
		Staff Development Training	2,000	
		V3 User Conference	2,100	
	Training Total			\$18,900
Mtg/Mileage	Miscellaneous Meetings	\$250		
Mtg/Mileage Total			\$250	
0030 - MEMBER SERVICES Total			\$3,820,330	
0040 - FINANCE	Personnel Cost	Annual Salary	\$862,394	
		Fringe Benefits	488,181	
		Overtime	8,828	
		Leave P/O	34,130	
	Personnel Cost Total			\$1,393,533
	Professional Svcs	Bank Charges	\$45,000	
		Dynamics Consulting	5,000	
		Financial Audit Cost	124,500	
		CAFR	20,000	
		Certificate Application Fees	1,300	
		Credit Monitoring Services	500	
	Professional Svcs Total			\$196,300
	Training	Tuition Reimbursement	\$3,000	
		Dynamics Training	4,000	
		SACRS	1,900	
		Conferences	8,250	
		Staff Training/Continuing Education	4,000	
	Training Total			\$21,150
	Mtg/Mileage	Miscellaneous Meetings	\$500	
	Mtg/Mileage Total			\$500
	Membership	Miscellaneous Memberships	\$3,410	
	Membership Total			\$3,410
	Periodicals	Miscellaneous periodicals	\$1,000	
Periodicals Total			\$1,000	
0040 - FINANCE Total			\$1,615,893	
0050 - DISABILITY	Personnel Cost	Annual Salary	\$363,960	
		Fringe Benefits	196,284	
		Overtime	3,319	
		Leave P/O	14,405	
	Personnel Cost Total			\$577,968
	Professional Svcs	Investigations	\$5,000	
		Medical Panel Reviews	200,000	
		Records Retrieval/Copy Svcs	20,000	
	Professional Svcs Total			\$225,000
	Training	Tuition Reimbursement	\$6,000	
		CALAPRS	1,505	
		Miscellaneous Conferences/Training	1,000	
		SACRS	1,670	
	Training Total			\$10,175
	Mtg/Mileage	Miscellaneous Meetings	\$450	
	Mtg/Mileage Total			\$450
	Printing Svcs	Printing Svcs	\$1,800	
Printing Svcs Total			\$1,800	
0050 - DISABILITY Total			\$815,393	
0060 - ADMINISTRATIVE SERVICES	Personnel Cost	Annual Salary	\$462,548	
		Fringe Benefits	262,202	
		Overtime	1,240	
		Leave P/O	18,305	
		Temp Help	106,100	
		Salary Adjustments	420,639	
Personnel Cost Total			\$1,271,034	

**Appendix A
2018 Administrative Budget Detail by Department**

Department	Account Group	Description	Total
	Professional Svcs	Building Safety Program (Include consultant cost)	\$5,000
		CWCAP(County Wide Cost Allocation Plan)	45,000
		Employee Wellness Program	1,000
		Iron Mountain	13,100
		Plant Maintenance	2,500
		Recruitment Costs	35,000
		Universal Protection Security (UPS)	5,000
		Compensation Study	125,000
		Credit Monitoring programs	700
	Professional Svcs Total		\$232,300
	Training	Tuition Reimbursement	\$9,000
		CALAPRS	500
		SACRS	1,600
		OCERS Management Succession/Staff Training	30,000
		HR / Procurement Conferences	10,000
	Training Total		\$51,100
	Mtg/Mileage	Civic Center Parking Cards	\$500
		EE Recognition/Educational Seminar/Qtrly Meetings	7,000
		Miscellaneous Meetings	500
	Mtg/Mileage Total		\$8,000
	Membership	Miscellaneous Memberships	\$8,900
	Membership Total		\$8,900
	Printing Svcs	Printing	\$7,000
	Printing Svcs Total		\$7,000
	Postage	Pony Mail Services	\$2,000
		Postage Expense	65,000
	Postage Total		\$67,000
	Office Supplies	Office Furniture	\$10,000
		General Office Expense- Includes: Ergos, Safety items	55,000
	Office Supplies Total		\$65,000
	Capital Expenditures	Building Security Project (Alarm, Cameras, Key Access)	\$250,000
		Board Room Remodel	400,000
		Space Management Projects (3rd Floor)	120,000
	Capital Expenditures Total		\$770,000
	Equipment Lease	Postage Machine	\$12,000
	Equipment Lease Total		\$12,000
	Bldg. Prop. Mgmt./Maintenance	Property Management	\$730,000
	Bldg. Prop. Mgmt./Maintenance Total		\$730,000
0060 - ADMINISTRATIVE SERVICES Total			\$3,222,334
0070 - INFORMATION TECHNOLOGY	Personnel Cost	Annual Salary	\$1,056,861
		Fringe Benefits	592,897
		Overtime	28,496
		Leave P/O	41,825
	Personnel Cost Total		\$1,720,079
	Professional Svcs	Certified Tape Destruction	\$2,500
		County VPN Access	120,000
		Internet Access	105,000
		Network Consulting	10,000
		Network Security Testing	65,000
		Online Data Storage	20,500
		Oracle Consulting	25,000
		Information Security Consulting	150,000
		Vitech Addl. Support - Cos	300,000
		Additional Consulting	150,000
		Managed Security Services	150,000
		Colocation Facilities (monthly service)	70,000
		Website Redesign	250,000
		BC/DR Avalution Exercise Facilitation	38,000
	Professional Svcs Total		\$1,456,000
	Training	Tuition Reimbursement	\$9,000
		CALAPRS	3,500
		KnowledgeNet Online Training	80,000
		Miscellaneous Training Materials	2,500
		PRISM Conference	5,000
		Sidepath Compellent SANS training	8,000
		Information Security Training (SANS)	40,000
	Training Total		\$148,000
	Mtg/Mileage	Miscellaneous Meetings	\$8,500
	Mtg/Mileage Total		\$8,500
	Membership	Miscellaneous Memberships	\$106,050
	Membership Total		\$106,050
	Equip Maintenance	Cisco SmartNet Support	\$4,500
		Computer Room AC/Humidifier Maintenance	5,000
		Computer Room UPS Maintenance	8,000

**Appendix A
2018 Administrative Budget Detail by Department**

Department	Account Group	Description	Total
		Comuter Room UPS Battery Replacement	6,000
		Dell Compellent Annual Support	18,000
		LogMeIn Central Annual Maintenance Fee + 10 Pro Client annual renewals	2,000
		Microsoft Software Assurance	50,000
		Server Hardware Support	10,000
		V3 Licensing and Support	396,000
		Work Station Hardware Support	10,000
		Oracle Maintenance - PG	15,000
		Printer & Microfiche Maintenance	3,000
		Database Access	8,000
		Pressure Sealer Maintenance and Support	1,300
		Kofax Scanning Maintenance and Support	3,000
		IBM DejaView One Maintenance and Support	6,300
		Oracle - V3	75,000
		Catalyst-Bullhorn Licensing	5,000
		Anti-Virus Solution	7,200
		HP Server Post-warranty Support	20,000
		vmWare Support	10,000
		Teamsite Internal Audit Software Licensing	2,000
		Arbutus Internal Audit Software Licensing	5,000
		Vendor Management System License	9,000
		Dynamics Software Maintenance (incl: Cibermaxima, Sandler Kahne, AP Laser Chk, Key Chg)	12,500
		Data Center Hardware/Software Maintenance and Support	64,000
		McAfee Secure	3,500
		Mobile Iron Licensing	5,000
	Equip Maintenance Total		\$764,300
	Equipment / Software	Board Portal	\$38,000
		Computers/Laptops/Monitors	225,000
		Miscellaneous Software	45,000
		OpenDNS Subscription	5,000
		Wireless & Telecom Equipment	2,500
		SmartBear Licensing	10,000
		Laptop Security and Location Services	25,000
		Miscellaneous Hardware & Supplies (including printer)	20,000
		Rapid Recovery Appliance	50,000
		Patch Management Solution	15,000
		Anti-Spam Email Solution	20,000
		Managed File Transfer Solution	50,000
	Equipment / Software Total		\$505,500
	Capital Expenditures	Business Continuity and Disaster Recovery Initiatives	\$100,000
		Board Room A/V Improvements	225,000
	Capital Expenditures Total		\$325,000
	Equipment Lease	Copier/Printer Lease	\$38,000
	Equipment Lease Total		\$38,000
	Telephone	Cellular/Mobile Services	\$70,000
		AT & T Telecom Services	36,000
		ShoreTel Services	53,000
	Telephone Total		\$159,000
0070 - INFORMATION TECHNOLOGY Total			\$5,230,429
0080 - INTERNAL AUDIT	Personnel Cost	Annual Salary	\$257,681
		Fringe Benefits	148,163
		Leave P/O	10,198
	Personnel Cost Total		\$416,042
	Professional Svcs	Audit consultant / specialist / expert	\$20,000
	Professional Svcs Total		\$20,000
	Training	Tuition Reimbursement	\$3,000
		Assoc. Pension Fund Audit	5,000
		Miscellaneous Conferences/Training	9,000
		SACRS	2,400
	Training Total		\$19,400
	Mtg/Mileage	Miscellaneous Meetings	\$350
		Travel for Audits	5,000
	Mtg/Mileage Total		\$5,350
	Membership	Miscellaneous Memberships	\$2,335
	Membership Total		\$2,335
	Periodicals	Reference books / research materials	\$200
	Periodicals Total		\$200
0080 - INTERNAL AUDIT Total			\$463,327
2018 Grand Total Budget			\$25,508,054

Appendix B
2018 Administrative Budget Detail by Expense Category

Account Group	Description	Total
Personnel Cost	Annual Salary	8,227,243
	Fringe Benefits	4,601,325
	Overtime	115,687
	Leave P/O	325,000
	Temp Help	235,300
	Salary Adjustments	420,639
Personnel Cost Total		\$13,925,194
Professional Svcs	Admin. Hearing Process Fees	150,000
	Audit consultant / specialist / expert	20,000
	Bank Charges	45,000
	Building Safety Program (Include consultant cost)	5,000
	CEO Contingency	75,000
	Certified Tape Destruction	2,500
	County VPN Access	120,000
	Court Filing Fees	800
	Court Reporter Fees	50,000
	Consulting Fees	2,012,000
	Custodial Bank Fees	575,000
	CWCAP(County Wide Cost Allocation Plan)	45,000
	Death Records Match	25,000
	Dynamics Consulting	5,000
	Employee Wellness Program	1,000
	Financial Audit Cost	124,500
	Internet Access	105,000
	Investigations	5,000
	Iron Mountain	13,100
	Medical Panel Reviews	200,000
	Network Consulting	10,000
	Network Security Testing	65,000
	Online Data Storage	20,500
	Oracle Consulting	25,000
	Plant Maintenance	2,500
	Proxy Services	27,500
	Recruitment Costs	35,000
	Security	10,000
	Subpoena Fees	1,000
	Universal Protection Security (UPS)	5,000
	Writ of Mandate (court-ordered payment)	50,000
	Information Security Consulting	150,000
	Vitech Addl. Support - Cos	300,000
	CEM Benchmarking	20,000
	Records Retrieval/Copy Svcs	20,000
	CAFR	20,000
	Additional Consulting	150,000
	Managed Security Services	150,000
	Colocation Facilities (monthly service)	70,000
	Website Redesign	250,000
	BC/DR Avalution Exercise Facilitation	38,000
	Certificate Application Fees	1,300
	Credit Monitoring Services	500
Board Election	50,000	
Insurance Premiums	90,000	
Technical Writer	160,000	
Compensation Study	125,000	
Credit Montoring programs	700	
Lean Process Consultant/Study	50,000	
Professional Svcs Total		\$5,475,900

Appendix B
2018 Administrative Budget Detail by Expense Category

Account Group	Description	Total
Legal Svcs	Investment Legal Services	575,000
	Tax Attorney/Outside Counsel	50,000
	Board/Fiduciary	125,000
	Dept of Ed vs OCERS	100,000
	Other Litigation	100,000
	Settlement Payment	117,370
Legal Svcs Total		\$1,067,370
Equip Maintenance	Cisco SmartNet Support	4,500
	Computer Room AC/Humidifier Maintenance	5,000
	Computer Room UPS Maintenance	8,000
	Computer Room UPS Battery Replacement	6,000
	Dell Compellent Annual Support	18,000
	LogMeIn Central Annual Maintenance Fee + 10 P	2,000
	Microsoft Software Assurance	50,000
	Server Hardware Support	10,000
	V3 Licensing and Support	396,000
	Work Station Hardware Support	10,000
	Oracle Maintenance - PG	15,000
	Printer & Microfiche Maintenance	3,000
	Database Access	8,000
	Pressure Sealer Maintenance and Support	1,300
	Kofax Scanning Maintenance and Support	3,000
	IBM DejaView One Maintenance and Support	6,300
	Oracle - V3	75,000
	Catalyst-Bullhorn Licensing	5,000
	Anti-Virus Solution	7,200
	HP Server Post-warranty Support	20,000
	vmWare Support	10,000
	Teamsite Internal Audit Software Licensing	2,000
	Arbutus Internal Audit Software Licensing	5,000
	Vendor Management System License	9,000
	Dynamics Software Maintenance (incl: Cybermaxir	12,500
	Data Center Hardware/Software Maintenance and	64,000
	McAfee Secure	3,500
Mobile Iron Licensing	5,000	
Equip Maintenance Total		\$764,300
Bldg. Prop. Mgmt./Maintenance	Property Management	730,000
Bldg. Prop. Mgmt./Maintenance Total		\$730,000
Equipment / Software	Bloomberg/Cambridge/Manager Database	\$81,200
	Board Portal	38,000
	Computers/Laptops/Monitors	225,000
	Miscellaneous Software	45,000
	OpenDNS Subscription	5,000
	Wireless & Telecom Equipment	2,500
	SmartBear Licensing	10,000
	Laptop Security and Location Services	25,000
	Miscellaneous Hardware & Supplies (including prii	20,000
	Rapid Recovery Appliance	50,000
	Patch Management Solution	15,000
	Anti-Spam Email Solution	20,000
	Managed File Transfer Solution	50,000
Equipment / Software Total		\$586,700
7670 - Actuarial Fees	Actuarial Fees	500,000
7670 - Actuarial Fees Total		\$500,000

Appendix B
2018 Administrative Budget Detail by Expense Category

Account Group	Description	Total
Training	8880/7880 Tuition Reimbursement	45,000
	Assoc. Pension Fund Audit	5,000
	Board Approved Conferences	25,000
	CALAPRS	38,055
	Dynamics Training	4,000
	Educational Forum	10,000
	GFOA Conference	5,000
	IFEBP	8,000
	KnowledgeNet Online Training	80,000
	LCW Employment Law Conference	1,800
	MCLE and other training	4,300
	Miscellaneous Conferences/Training	23,600
	Miscellaneous Training Materials	2,500
	NAPPA Meetings	17,000
	NASRA	6,000
	PRISM Conference	5,000
	Public Pension Financial Forum	3,000
	SACRS	27,800
	Sidepath Compellent SANS training	8,000
	Staff Development Training	2,000
	Strategic Planning	20,000
	UC Berkeley	5,000
	Information Security Training (SANS)	40,000
	NCPERS - General & Safety	4,000
	NASRA/NIRS	6,000
	CEM Conference	4,500
	Conferences	56,015
	Staff Training/Continuing Education	4,000
	OCERS Management Succession/Staff Training	30,000
	HR / Procurement Conferences	10,000
	Wharton Investment Training	12,000
V3 User Conference	2,100	
Training Total		\$514,670
Mtg/Mileage	Civic Center Parking Cards	500
	EE Recognition/Educational Seminar/Qtrly Meetin	7,000
	Investment Committee Meetings	10,000
	Miscellaneous Meetings	26,850
	Travel for Audits	5,000
	CEO Visit to State Legislature	1,000
	Membership Committee Meetings	6,000
	CEO/Manager visits to Cal Retirement Systems	5,000
Mtg/Mileage Total		\$61,350
Due Diligence	Due Diligence	56,600
Due Diligence Total		\$56,600
Equipment Lease	Postage Machine	12,000
	01 - Copier/Printer Lease	38,000
Equipment Lease Total		\$50,000
Postage	Miscellaneous Mailing/Mass Mailing	40,000
	Pony Mail Services	2,000
	Postage Expense	65,000
	Quarterly Newsletters - All Members	56,000
Postage Total		\$163,000
Telephone	Cellular/Mobile Services	70,000
	AT & T Telecom Services	36,000
	ShoreTel Services	53,000
Telephone Total		\$159,000
Membership	AICPA	650
	American Express	300
	CALAPRS	2,500
	CalCPA	525
	GFOA	600

Appendix B
2018 Administrative Budget Detail by Expense Category

Account Group	Description	Total
	International Foundation (IFEBP)	1,000
	NASRA	2,800
	NCPERS	2,000
	P2F2 - Public Pension Financial Forum	150
	SACRS	6,000
	NIRS	3,000
	Miscellaneous Memberships	132,375
	California Board of Accountancy	120
	Notary	1,000
	Miscellaneous Memberships (State Bar Dues & (3	4,200
Membership Total		\$157,220
Printing Svcs	Brochures	10,000
	CAFR (Comprehensive Annual Financial Report)	12,000
	Printing	7,000
	Quarterly newsletters	74,000
	Printing Svcs	1,800
Printing Svcs Total		\$104,800
Office Supplies	Office Furniture	10,000
	Public Relation Materials	10,000
	General Office Expense- Includes: Ergos, Safety i	55,000
Office Supplies Total		\$75,000
Periodicals	Miscellaneous periodicals	7,700
	Organizational Communication	600
	Public Retirement Journal	950
	Reference books / research materials	200
	Legal Publications, Daily Journal, Law Book Upda	12,500
Periodicals Total		\$21,950
Capital Expenditures	Building Security Project (Alarm, Cameras, Key A	250,000
	Board Room Remodel	400,000
	Space Management Projects (3rd Floor)	120,000
	Business Continuity and Disaster Recovery Initiati	100,000
	Board Room A/V Improvements	225,000
Capital Expenditures Total		\$1,095,000
2018 Grand Total Budget		\$25,508,054

Appendix C– 2018 Proposed Organization Chart



Board of Retirement

Chief Executive Officer
Steve Delaney

Director of Internal Audit
David James

Internal Auditor
Mark Adviento

Executive Secretary II (1)

Chief Investment Officer
Molly Murphy

Assistant CEO External Operations
Suzanne Jenike

General Counsel
Gina Ratto

Assistant CEO Finance & Internal Operations
Brenda Shott

Staff Specialist (1)

Executive Secretary I (1)
Vacant

Managing Director (1) (OCERS)

Director of Investment Operations
Shanta Chary

Investment Officer
David Beeson

Investment Officer
Vacant

Investment Analyst
Stina Walander-Sarkin

Investment Analyst (1) (OCERS)

Director of Member Services
Catherine Fairley

Deputy General Counsel
Lee Fink

Deputy Chief Counsel
(Joseph Fletcher - Extra Help)

Staff Attorney
Dawn Matsuo

Staff Attorney
Jerry Weissburg

Paralegal (1)

Director of Cyber Security (1) (OCERS)

Director of Finance
Tracy Bowman

Director of Administrative Services
Cynthia Hockless

Director of Information Technology
Jenny Sadoski

Member Services Manager
Heidi Halbur

Member Services Manager
Adina Bercaru

Retirement Analyst
Vacant

Communications Manager
Robert Kinsler

Finance Manager
Retiree Payroll / Investments
Darlene Huynh

Finance Manager
Accounts Payable / Budgeting
Diane Dillard

Finance Manager
Contributions / Reporting
Jennifer Reyes

Staff Analyst (1) Extra Help (OCERS)

Contracts/Risk & Performance Administrator
Jim Doezie

Staff Specialist (1)
Staff Assistant (2)
Store Clerk (1)

Retirement Benefits Supervisor
Michael Persi

Retirement Benefits Supervisor
Teresa Panameno

Retirement Benefits Supervisor
Jonatheia Tallase

Senior Staff Development Specialist
Toishe Merida

Staff Specialist (1)

Disability Coordinator (1)
Megan Cortez

Sr. Accountant Auditor I (1)

Accounting Technician (1)

Accountant Auditor I (1)

Accounting Technician (3)

Office Technician (3)
Office Specialist (1)

Senior Retirement Program Specialist (1)

Quality Assurance Specialist (2)
2 Vacant

Retirement Program Specialist (1) (County)

Disability Investigator (2)
Office Specialist (2)
1 Vacant

Accountant Auditor I (1)

Accounting Technician (1)

Accountant Auditor I (1) (County)

Retirement Programmer Business Analyst (1)
Vacant

IT Manager
Jon Gossard

IT Supervisor Operations (1)
Javier Lara

Accounting Technician (1) (County)

Benefits Technician (3)

Retirement Program Specialist (8)

Senior Retirement Program Specialist (1) (County)

Retirement Program Specialist (1) (County)

Disability Investigator (2)
Office Specialist (2)
1 Vacant

Accountant Auditor I (1) (County)

Accounting Technician (1)

Accountant Auditor I (1) (County)

Senior IT Applications Developer (2)

Senior IT Applications Developer (2)

Network Engineer (1)
Systems Engineer (1)
Information Technologist II (1)

Accounting Technician (1) (County)

Benefits Technician (1) (County)

Senior Retirement Program Specialist (1) (County)

Retirement Program Specialist (2) (County)

Disability Investigator (2)
Office Specialist (2)
1 Vacant

Accountant Auditor I (1) (County)

Accounting Technician (1)

Accountant Auditor I (1) (County)

Senior IT Applications Developer (2)

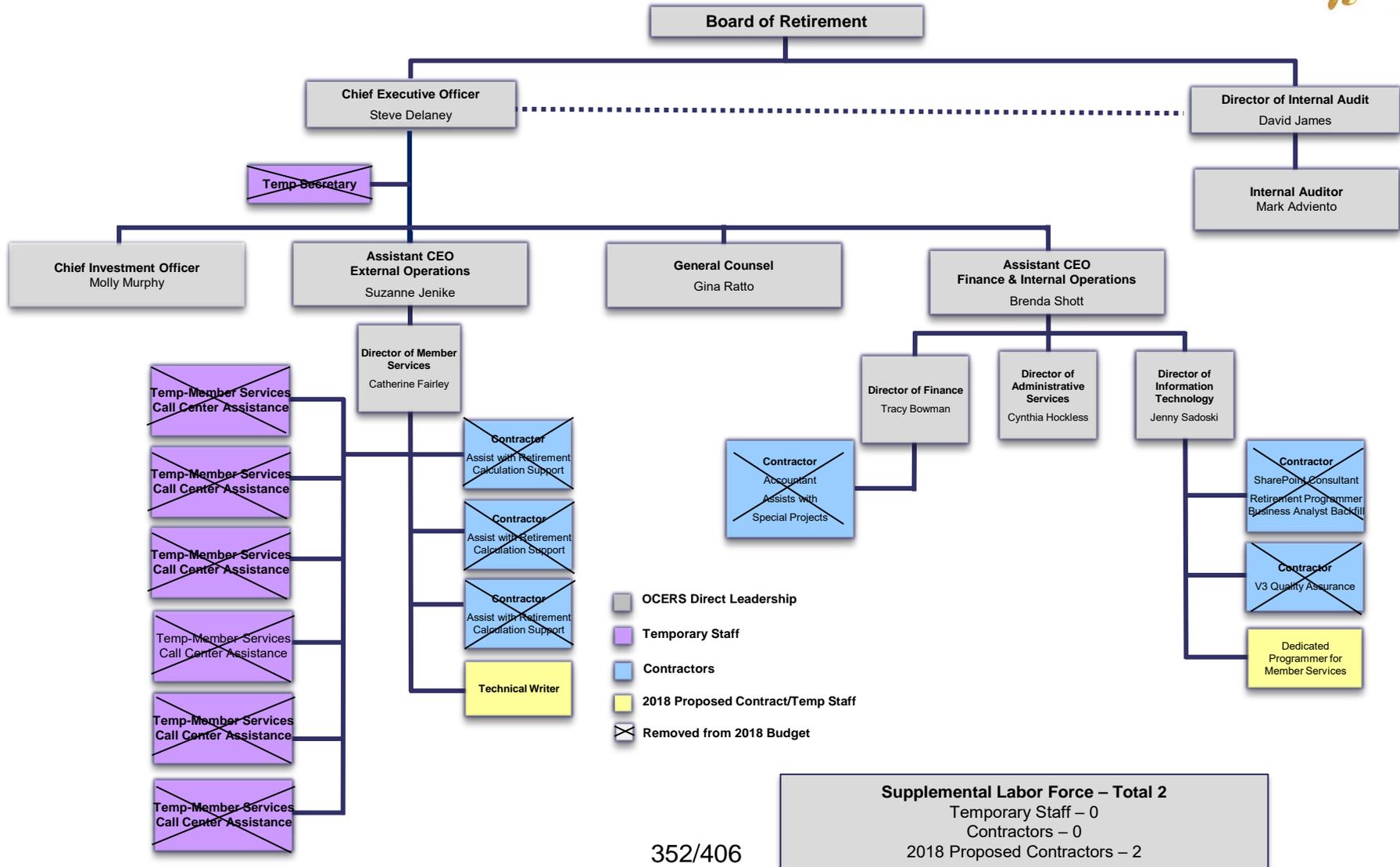
Senior IT Applications Developer (2)

Network Engineer (1)
Systems Engineer (1)
Information Technologist II (1)

- County Employees
- OCERS Direct Employees
- Proposed New Positions

Proposed Total Budgeted EE's: 80 to 92
County – 60; OCERS Direct – 32
12 Proposed New: County – 8, OCERS Direct – 3,
OCERS Direct Extra Help – 1

OCERS Contractors & Temporary Staff Organizational Chart



Supplemental Labor Force – Total 2
 Temporary Staff – 0
 Contractors – 0
 2018 Proposed Contractors – 2

**Appendix C
2018 Personnel Cost Budget**

ORG	Division	Position	Change	Annual Salary	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2018 Total
0001	Board	Board Member		\$3,000	-	-				
		Board Member		3,000	-	-				
		Board Member		3,000	-	-				
		Board Member		3,000	-	-				
		Board Member		3,000	-	-				
	Board Total			\$15,000	-	-	-	-	-	\$15,000
0010	Executive	Chief Executive Officer		261,431	-	146,310				
		Assistant CEO-Finance & Internal Ops		229,849	-	137,002				
		Assistant CEO-External Ops		200,770	-	113,431				
		Executive Secretary II		65,270	1,490	36,696				
	Executive Total			\$757,320	\$1,490	\$433,439	-	\$29,970	\$15,000	\$1,237,219
0011	Investment	Chief Investment Officer		310,003	-	179,549				
		Managing Director of Investments	New Position (OCERS)	209,232	-	111,521				
		Director of Investment Operations		209,232	-	117,097				
		Investment Officer		135,200	-	72,062				
		Investment Officer		120,469	-	67,420				
		Investment Analyst	New Position (OCERS)	81,120	-	43,237				
		Investment Analyst		75,190	-	42,080				
		Staff Specialist		66,498	1,477	36,386				
	Investment Total			\$1,206,944	\$1,477	\$669,352	-	\$47,763	\$15,000	\$1,940,536
0015	Comm.	Communications Manager		100,505	-	55,176				
		Staff Specialist		68,266	1,477	36,386				
	Comm. Total			\$168,771	\$1,477	\$91,562	-	\$6,679	-	\$268,489
0020	Legal	Chief Legal Officer		236,900	-	133,844				
		Deputy Chief Counsel		186,000	-	105,086				
		Staff Attorney		156,379	-	85,850				
		Staff Attorney		154,991	-	86,741				
		Paralegal		59,738	1,396	34,388				
		Executive Secretary I		58,656	1,412	34,789				
	Legal Total			\$852,664	\$2,808	\$480,698	-	\$33,744	\$99,200	\$1,469,114

**Appendix C
2018 Personnel Cost Budget**

ORG	Division	Position	Change	Annual Salary	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2018 Total
0030	Member Svcs.	Director of Member Services		136,730	-	77,250				
		Retirement Analyst		122,720	-	65,410				
		Member Services Manager		110,419	-	62,384				
		Member Services Manager		88,204	-	49,833				
		Sr. Staff Development Specialist		87,214	3,145	46,485				
		Retirement Benefits Supervisor		76,253	2,750	40,643				
		Retirement Benefits Supervisor		76,253	2,750	40,643				
		Retirement Benefits Supervisor		74,235	2,750	40,643				
		Sr. Retirement Program Specialist		68,266	2,462	36,386				
		Sr. Retirement Program Specialist		64,771	2,461	36,385				
		Sr. Retirement Program Specialist		64,771	2,461	36,385				
		Sr. Retirement Program Specialist	New Position	61,485	2,394	35,393				
		Retirement Program Specialist		60,008	2,164	31,984				
		Retirement Program Specialist		60,008	2,164	31,984				
		Retirement Program Specialist		60,008	2,164	31,984				
		Retirement Program Specialist		60,008	2,164	31,984				
		Retirement Program Specialist	New Position	53,789	2,095	30,963				
		Retirement Program Specialist	New Position	53,789	2,095	30,963				
		Retirement Program Specialist		52,416	2,041	30,173				
		Retirement Program Specialist		52,416	2,041	30,173				
		Retirement Program Specialist		52,416	2,041	30,173				
		Retirement Program Specialist		49,816	1,940	28,676				
		Accounting Technician (Transmittals)		55,536	2,003	29,601				
		Accounting Technician (Transmittals)		47,570	1,853	27,383				
		Accounting Technician (Transmittals)		47,570	1,853	27,383				
		Accounting Technician		51,522	2,003	29,601				
		Accounting Technician	New Position	50,024	2,003	29,601				
		Accounting Technician	New Position	50,024	2,003	29,601				
		Office Specialist		48,693	1,756	25,953				
		Retirement Benefits Technician		47,216	1,703	25,166				
		Retirement Benefits Technician		42,349	1,703	25,166				
		Retirement Benefits Technician		41,142	1,602	23,683				
		Retirement Benefits Technician	New Position	42,349	1,703	25,166				
		Office Technician		41,392	1,493	22,062				
		Office Technician		35,859	1,396	20,642				
		Office Technician		35,859	1,396	20,642				
	Member Svcs. Total			\$2,223,100	\$66,552	\$1,238,547	-	\$87,981	\$ -	\$3,616,180

**Appendix C
2018 Personnel Cost Budget**

ORG	Division	Position	Change	Annual Salary	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2018 Total
0040	Finance	Director of Finance		152,663	-	90,995				
		Finance Manager		106,597	-	59,657				
		Finance Manager		104,106	-	62,053				
		Finance Manager		103,599	-	57,979				
		Sr. Accountant I		87,422	1,891	46,596				
		Accountant II		68,578	1,528	37,650				
		Accountant II		70,637	1,528	37,650				
		Accountant I	New Position	63,232	1,477	36,399				
		Accounting Technician		50,024	1,202	29,601				
		Accounting Technician		55,536	1,202	29,601				
		Finance Total				\$862,394	\$8,828	\$488,181	-	\$34,130
0050	Disability	Disability Coordinator		76,253	687	40,643				
		Disability Investigator		68,266	615	36,386				
		Disability Investigator		68,266	615	36,386				
		Retirement Program Specialist	New Position	53,789	524	30,963				
		Office Specialist		48,693	439	25,953				
		Office Specialist		48,693	439	25,953				
		Disability Total				\$363,960	\$3,319	\$196,284	-	\$14,405
0060	Admin. Svcs.	Director of Administrative Services		141,001	-	84,044				
		Contract/Risk/Performance Administrator		98,800	-	55,820				
		Staff Specialist		61,485	369	36,386				
		Staff Assistant		58,136	314	30,986				
		Staff Assistant		58,136	314	30,986				
		Store Clerk		44,990	243	23,980				
		Admin. Svcs. Total				\$462,548	\$1,240	\$262,202	420,639	\$18,305
0070	IT	Director of IT		141,596	-	79,999				
		Director of Cyber Security	New Position (OCERS)	124,800	-	66,518				
		IT Manager		108,683	-	61,114				
		Retirement Programmer/Business Analyst		114,358	2,679	66,086				
		IT Operations Supervisor		105,602	6,039	59,512				
		Sr. IT Applications Developer		100,090	2,339	57,616				
		Sr. IT Applications Developer		87,422	2,043	50,324				
		IT Systems Engineer II		94,890	5,132	50,576				
		IT Network Engineer II		89,710	5,132	50,576				
		Info. Technologist II		89,710	5,132	50,576				
IT Total				\$1,056,861	\$28,496	\$592,897	-	\$41,825	\$ -	\$1,720,079
0080	IA	Director of Internal Audit		141,528	-	79,583				
		Internal Auditor		116,153	-	68,580				
		IA Total				\$257,681	-	\$148,163	-	\$10,198
Grand Total				\$8,227,243	\$115,687	\$4,601,325	\$420,639	\$325,000	\$235,300	\$13,925,194

Appendix D

Orange County Employees Retirement System	
21 Basis Points for Budget Year 2018	

Projected actuarial accrued liability as of December 31, 2017	\$18,896,140,000
21 basis points of projected actuarial accrued liability	39,681,894
FY18 proposed budget amount subject to 21 basis points limitation ¹	17,595,603
Amount under 21 basis points	\$22,086,291
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY18	9.31
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY17	8.55

¹ Reconciliation of amount subject to 21 basis points limitation:

Total FY18 proposed budget	\$25,508,054
Less: Investment-related costs	(5,976,951)
Total FY18 proposed administrative budget	19,531,103
Less: IT Capital expenses	(325,000)
Computer hardware/software	(505,500)
IT-Professional services consulting	(1,105,000)
FY18 proposed budget amount subject to 21 basis points limitation	\$17,595,603

<u>21 Basis Point History</u>					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
21 Basis Points	8.01	7.97	8.48	8.55	9.31

Appendix D

Orange County Employees Retirement System 18 Basis Points for Budget Year 2018	
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Projected actuarial value of total assets as of December 31, 2017	\$14,488,127,000
18 basis points of projected actuarial value of assets	26,078,629
FY18 proposed budget amount subject to 18 basis points limitation ¹	20,984,203
Amount under 18 basis points	\$5,094,426
Budgeted amount expressed as basis points of projected actuarial value of assets-FY18	14.48
Budgeted amount expressed as basis points of projected actuarial value of assets-FY17	14.56

¹ Reconciliation of amount subject to 18 basis points limitation

Total FY18 proposed budget	\$25,508,054
Less: Investment-related costs	(5,976,951)
Total FY18 proposed administrative budget	19,531,103
Less: Capital expenses	(1,095,000)
Add: Projected depreciation cost	2,548,100
FY18 proposed budget amount subject to 18 basis points limitation	\$20,984,203

Note: The 18 basis points calculation above is for informational and comparison purposes only.

<u>18 Basis Point History</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
18 Basis Points	12.80	11.88	12.26	14.56	14.48

Appendix E - 5 Year Budget Comparison



	Amended Budget 2014	Amended Budget 2015	Amended Budget 2016	Amended Budget 2017	Proposed Budget 2018	\$ Variance FY17-FY18	% Variance FY17-FY18
Personnel cost	\$ 10,249,536	\$ 10,741,443	\$ 11,501,086	\$ 12,417,338	\$ 13,925,194	\$ 1,507,856	12.1%
Services and supplies	7,319,525	7,441,691	8,651,218	9,120,766	10,487,860	1,367,094	15.0%
Capital expenditures	6,624,738	6,793,368	2,098,000	1,293,000	1,095,000	(198,000)	-15.3%
Grand Total	\$24,193,799	\$24,976,502	\$22,250,304	\$22,831,104	\$25,508,054	\$2,676,950	11.7%

Appendix E - Actuals Comparison



	Actuals 2014	Actuals 2015	Actuals 2016	Estimated Actuals 2017	Proposed Budget 2018	\$ Variance FY17-FY18	% Variance FY17-FY18
Personnel Costs	\$9,384,439	\$10,086,963	\$10,824,643	\$11,677,045	\$13,925,194	\$2,248,149	19.3%
Total Services and Supplies:	\$5,305,552	\$5,823,373	\$7,536,034	\$7,162,745	\$10,487,860	\$3,325,115	46.4%
Total Capital Expenditures:	\$4,057,034	\$3,580,650	\$51,293	\$471,617	\$1,095,000	\$623,383	132.2%
Total	\$18,747,025	\$19,490,986	\$18,411,970	\$19,311,408	\$25,508,054	\$6,196,646	32.1%

Appendix F– Historical Statistics



	2013	2014	2015	2016	2017
No. of Full-Time Positions Budgeted	68	72	73	75	79
No. of Retirees – Beginning of Year	13,947	14,505	15,169	15,810	16,369
No. of Additional Retirements ¹	905	1052	1019	1006	779
No. Removed from Payroll ¹	(347)	(388)	(378)	(447)	(374)
Payroll \$ (in thousands) ^{2*}	\$586,284	\$627,245	\$675,963	\$713,671	\$760,604
No. of Members ^{**1}	40,486	41,418	42,427	43,845	44,339
No. of New Members ^{**1}	918	1,075	1,135	1,152	854
Seminars	50	48	44	52	46

¹2017 figures are as of September 2017

²2017 figures are annualized estimates based on actuals through August 2017

*Payroll represents retirement payroll, withdrawals and death benefits

**Number of members includes active, deferred, and retired (including beneficiaries)

Administrative Services

Staff Analyst/ Extra Help

Salary Range: \$60,165 - \$100,380

Summary/Objective

The Staff Analyst position is responsible for performing human resource administrative work and providing analysis of various human resource programs and initiatives. The incumbent will be assigned to the recruitment desk and act in the capacity as the lead recruiter to assist the agency in filling current and future vacancies. This position will also assist the department in administering the Volunteer program.

Duties

1. Administer assigned functions, such as recruitment, classification review, compensation studies and staffing analysis
2. Collect and analyze data.
3. Track trends and developments in staffing.
4. Conduct studies, perform research and prepare reports.
5. Review, interpret and recommend policy, process or program improvements.
6. Ensure compliance with rules and regulations.

Preferred Education and Experience

Bachelor's degree and three to five years of experience in staffing.

Prior Human Resources generalist experience.

Completion of a certificate in Human Resources.

Finance

Accountant Auditor I

Salary Range: \$52,416 - \$70,637

Summary/Objective

The Accountant Auditor I position is responsible for performing higher level accounting functions, including analysis of investment related activities, employer and employee contributions, retiree payroll and special projects. This position would serve as a promotional and job growth opportunity for the existing Account Technician position after staff in this position have demonstrated an understanding of OCERS' core business functions and the role of the Finance Department within these functions, competency in their current job duties and willingness to take on additional and higher level responsibilities outside of their current job class.

Duties

1. Perform analysis of investment management fees, noting trends and unusual activity, as well as adherence to investment manager contract
2. Assist with special Finance projects, such as assisting with creation of new chart of account, documenting desktop procedures, compiling actuarial information and special Board requests
3. Serve as back-up to Payroll and Contribution Accountant Auditors

Preferred Education and Experience

Bachelor's degree and two-three years of experience in higher level accounting functions, including reconciliations and analytics.

Excellent communications skills dealing with both internal and external customers.

Experience with OCERS accounting functions in the areas of payroll, contributions and investment accounting highly desirable.

CPA certification is a plus.

Note: Should this position not be approved as part of the FY18 Staffing Plan, temporary help of \$88,400 will need to be added back to the FY18 budget to cover special projects and fill-in for potential vacancies and/or staff on leave.

Investments

Investment Analyst

Salary Range: \$60,165 - \$100,380

Summary/Objective

The Investment Analyst position is responsible for providing analytical and technical support for the Investment Division in the areas of investment management, investment reporting, performance measurement, special projects and studies; performs related duties as required.

Duties

1. Provide technical assistance to the Managing Director of Investments (MDI) in administering the long-term investment policy, strategic objectives, portfolio guidelines and manager selection.
2. Regularly monitor the investment managers to assess performance, risk and return and evaluate any strategy modification.
3. Review portfolios to assess return and risk attribution and prepare reports, as required.
4. Monitor compliance to Board-approved investment policies, strategies and portfolio guidelines.
5. Receive and file Reconciliation Statements and Compliance Reports from investment managers for assigned portfolios

Preferred Education and Experience

Bachelor's Degree in Economics, Accounting, Finance, Business or a related field.

Certification of Chartered Financial Analyst (CFA) is preferred.

Three years of experience in the financial service industry, and portfolio level asset allocation, and working with investment consultants and advisors.

Managing Director

Salary Range: \$133,245 - \$232,050

Summary/Objective

The Investment Analyst position is responsible for assisting/supporting the CIO in all duties related to the investment of the portfolio, including but not limited to portfolio strategy, manager due diligence, and internal/external communications and reporting.

Duties

1. Investment portfolio strategy and construction
2. Investment manager due diligence
3. Risk management analytics and reporting
4. Investment Committee communications
5. Personnel management
6. Internal/external communications

Preferred Education and Experience

Bachelor's Degree in Economics, Accounting, Finance, Business or a related field.

Certification of Chartered Financial Analyst (CFA) is preferred.

Minimum of ten years of progressive work experience with an institutional asset management firm, pension plan, foundation or endowment.

Significant experience with private equity and other private capital and alternative investment strategies.

IT

Director of Cyber Security

Salary Range: \$103,425 – 150,885

Summary/Objective

This newly created position will be responsible for protecting the security, privacy, confidentiality and integrity of information throughout the agency. The Director of Cyber Security will be expected to lead agency-wide information security efforts and to integrate all aspects of Information Assurance that will provide the protection of computer systems, networks and member, financial and confidential data.

Duties

1. Oversee the design, development, implementation and on-going activities of a cybersecurity risk management program.
2. Develop, implement and maintain cyber security governance structure and policies.
3. Identify/create and implement security solutions that adhere to applicable policies and comply with information security requirements.
4. Provide training to OCERS staff in various mediums on cyber protection.
5. Prepare and deliver regular reports on the status of cyber security programs to executive management and the Board of Retirement.

Preferred Education and Experience

Bachelor's degree from an accredited college/university in Computer Science, Information Systems, Information Security or closely related field.

Minimum of eight years of experience with increasing responsibility in information security and the design, processes and operation of a comprehensive cyber security environment.

Understanding of data security standards and information security and compliance frameworks, controls and best practices: (i.e. SSAE 16, SOC 2 and SOC 3, OWASP Top 10, SANS, NIST).

Understanding of Critical Security Controls and regulations governing personally identifiable information (PII)
Experience in performing information security risk assessments.

Excellent communications skills and ability to establish and maintain business relationships with both internal and external customers.

Member Services

Accounting Technician - (2 positions) Positions will eliminate 4 temporary positions

Salary Range: \$41,392 - \$55,536

Summary/Objective

The accounting technician position is responsible for performing highly responsible and complex work in the specialized/technical review, final approval and control of complex and varied accounting records, accounts or claims. Incumbents are expected to perform with a high degree of independence and possess thorough knowledge of Orange County's Employees Retirement Office System's fiscal legal policies and procedures and expert knowledge of the specialized area of assignment. One accounting tech will work in employer payroll unit – transmittal support, plan sponsor education, new member enrollment and contribution refunds. One accounting tech will work in service purchase contracts (SCP's) – determining eligibility, peer review, contract payments

Duties

1. Performs specialized/technical review and final approval and control of accounting records and accounts.
2. Researches and resolves a variety of difficult problems independently through review of a variety of records; exercises initiative in anticipating or identifying problems or errors and following up to resolve; forecasts impact of potential actions/decisions.
3. Interprets a wide variety of complex policies, procedures, regulations, contracts and agreements to determine their provisions and regularly applies them to widely varied and or difficult circumstances.
4. Serves as a resource to others and recognized authority in the area of assignment.

Preferred Education and Experience

Three years' experience in the maintenance and review of fiscal, financial or statistical records.

Candidates must have a minimum of six months experience in an office setting.

Possession of an Associate in Arts degree or an Accounting Certificate which represents completion of all required course work in an accounting curriculum may substitute for the required experience, with the exception of the required six months experience in an office setting.

Benefits Technician Position will eliminate 1 temporary position

Salary Range: \$35,547 - \$47,216

Summary/Objective

The Benefits Technician position is responsible for performing difficult and responsible technical support functions for the Benefits Program of the Orange County's Employees Retirement Office System. Position will work in service purchase contracts and overall member and payroll support – member customer service, SCP counseling, telephone calls, lobby walk-in's, contract guidance, payroll support.

Duties

1. Prepares confirmation of retirement dates, types of retirements available and estimate of future retirement benefits.
2. Researches data for refunds as the result of tier changes, or members' contribution rate changes.
3. Researches data for purchase of service credit such as Extra Help, previous service, and military service.
4. Responsible for all aspects of electronic fund transfer of retiree payroll.
5. Enter changes-deductions, withholding and address changes, etc., to the retiree payroll computer system.

Preferred Education and Experience

Three years of experience which would have developed the knowledge and abilities listed above.

One year of the required experience may be substituted by one of the following. (1) Completion of 18 semester or 27 quarter units in office practices, business education or a closely related field from a recognized college, or (2) completion of 360 hours of training from a recognized occupational training program in office practices, business education or a closely related field

Sr. Retirement Program Specialist

Salary Range: \$49,816 - \$66,602

Summary/Objective

The Sr. Retirement Program Specialist position is responsible for researching, resolving and processing the most complex and difficult benefit claims and inquiries for the Orange County Employees Retirement System. Incumbents are required to have an in-depth knowledge of the legal, organizational and financial areas underlying employee benefit plans and will provide technical support to the specialist team and work on complex benefit calculations.

Duties

1. Interpret and explains to members and beneficiaries the County Employees Retirement Law of 1937 as well as other laws and regulations relating to retirement.
2. Communicate with various groups and organizations regarding the retirement systems regulations and benefits.
3. Review and process the most complex members and beneficiaries services, disability and deferred retirement benefits.
4. Assist in the production of the retiree's payroll and processing of withdrawals.
5. Assist in producing, analyzing, and verifying the accuracy of actuarial data systems reports.

Preferred Education and Experience

Four years of experience which demonstrates the application of those knowledges and abilities listed above (two years of which must be technical level experience in a retirement, insurance, or government benefit program, or in a personnel system which involves retirement benefit experience).

College level education beyond the bachelor degree which is directly related to the position may be substituted for up to an additional year of required experience at the rate of three semester units equaling one month of experience. Certification as an Employee Benefits Specialist (CEBS) may be substituted for up to an additional year of the required experience

Retirement Program Specialist - (2 positions) Positions will eliminate 3 temporary positions

Salary Range: \$44,824 - \$60,008

Summary/Objective

The Retirement Program Specialist position is responsible for interpreting statutes, regulations, and policies for retirement members and beneficiaries. The incumbent will be required to apply specialized knowledge in retirement benefits, state and federal regulations to counsel members and beneficiaries, as well as, compute various retirement benefits. Positions will help prepare for increase in retirements (Silver Tsunami) increasing yearly and support active member outreach and education.

Duties

1. Advise members and/or beneficiaries on benefit options, service retirement, disability and death benefits, deferral of benefits, withdrawals and reciprocal provisions.
2. Calculate and/or verifies retirement, disability, death and deferred benefits and refunds.
3. Maintain and verifies active and retired member retirement accounts including member status, employee contributions, rate schedules, interest rates and service factors.
4. Coordinate reciprocal benefits with other retirement systems.
5. Place qualified recipients on retirement payroll, removes recipients from the payroll following death or other disqualifications for benefit payments.
6. Speak before groups of members to explain plan benefits and provide pre-retirement benefit information.

Preferred Education and Experience

Knowledge of Retirement, benefit, insurance or personnel practices and procedures.

Ability to understand, interpret and apply laws, statutes, rules and regulations pertaining to the retirement benefits system.

Four years of experience which demonstrates the application of those knowledges and abilities listed.

College level education or training directly related to such work may be substituted for up to one year of the required experience at the rate of three semester units equaling one month experience and one hour of training equaling one hour of experience.

Disability

Retirement Program Specialist

Salary Range: \$44,824 - \$60,008

Summary/Objective

The Retirement Program Specialist position is responsible for interpreting statutes, regulations, and policies for retirement members and beneficiaries. The incumbent will be required to apply specialized knowledge in retirement benefits, state and federal regulations to counsel members and beneficiaries, as well as, compute various retirement benefits.

Duties

1. Advise members and/or beneficiaries on benefit options, service retirement, disability and death benefits, deferral of benefits, withdrawals and reciprocal provisions.
2. Calculate and/or verifies retirement, disability, death and deferred benefits and refunds.
3. Maintain and verifies active and retired member retirement accounts including member status, employee contributions, rate schedules, interest rates and service factors.
4. Coordinate reciprocal benefits with other retirement systems.
5. Place qualified recipients on retirement payroll, removes recipients from the payroll following death or other disqualifications for benefit payments.
6. Speak before groups of members to explain plan benefits and provide pre-retirement benefit information.

Preferred Education and Experience

Knowledge of Retirement, benefit, insurance or personnel practices and procedures.

Ability to understand, interpret and apply laws, statutes, rules and regulations pertaining to the retirement benefits system.

Four years of experience which demonstrates the application of those knowledges and abilities listed.

College level education or training directly related to such work may be substituted for up to one year of the required experience at the rate of three semester units equaling one month experience and one hour of training equaling one hour of experience.

I-3



Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: 2018 OCERS BOARD MEETING CALENDAR

Recommendation

Approve the 2018 OCERS Board as well as Investment Committee meeting schedule.

Background/Discussion

This memo outlines the dates your staff is proposing for the OCERS Board of Retirement's regular administrative meetings in 2018, as well as meetings of the Board's Investment Committee.

The first enclosed calendar reflects those dates.

Additionally, we have outlined here a number of important training opportunities that will take place in 2018, from SACRS semi-annual conferences to upcoming Wharton School classes. A second calendar is enclosed that overlays those training opportunities with the proposed Board and committee schedules, to allow you to determine if any adjustment to the proposed meeting dates is warranted. I will discuss the highlights of the training conferences and classes to assist you in determining what may be of benefit to each of you individually.

[Note: Where a 2018 date has not yet been selected, we have italicized the previous 2017 dates as the 2018 dates will likely be close to that same time period]

Regular Board Meetings – 9:00 a.m.

Tuesday - January 16
Tuesday - February 13
Monday - March 19
Monday - April 16
Monday - May 14
Monday - June 11
Monday - July 16
Monday - August 20
Monday - October 15
Tuesday - November 13

Monday - December 17 (combined Regular Board and Investment Committee meeting)

Investment Committee Meetings – 9:00 a.m.

Thursday - January 25

Thursday - February 22

Thursday - March 22

Tuesday - April 24

Thursday - May 24

Thursday - June 28

Thursday - July 26

Thursday - August 23

Thursday - October 25

Thursday - November 29

Manager Monitoring Subcommittee Meetings – 9:00 a.m.

TBD

2018 Macro Economic Outlook Discussion

TBD

2-Day Strategic Planning and Education Forum – 9:00 a.m.

Wednesday, September 12 - Thursday, September 13

2019 Budget Workshop

Thursday, October 18, 2018

Approved Conferences:

CALAPRS

http://www.calaprs.org/events/event_list.asp

General Assembly

March 3-6, 2018

Renaissance Indian Wells Resort

44400 Indian Wells Lane

Indian Wells, California

Advanced Principles of Pension Management for Trustees at UCLA

March 28-30, 2018

UCLA Meyer and Renee Luskin Conference Center

425 Westwood Plaza

Los Angeles, CA 90095

Principles of Pension Management for Trustees at Pepperdine

August 28-31, 2017

CALIFORNIA RETIRED COUNTY EMPLOYEES ASSOCIATION (CRCEA)

<http://crcea.org/calendar/>

2017 Spring Conference

April 24-26

Crowne Plaza Ventura Beach Hotel

450 E. Harbor Blvd. Ventura, CA 93001

Fall Conference: TBD

IREI

<https://irei.com/events/2018-visions-insights-perspectives-vip-americas/>

Visions, Insights & Perspectives (VIP) Americas

January 24-26, 2018

Monarch Beach Resort

Dana Point, CA

NASRA

<http://www.nasra.org/meetings>

2018 Winter Meeting

February 24-26

Washington, DC

2018 Annual Conference

August 4-8, 2018

San Diego CA

NCPERS

<http://www.ncpers.org/futureconferences>

Legislative Conference

January 28–30, 2018

Capital Hilton

Washington, DC

Annual Conference & Exhibition

May 13 –16, 2018

Sheraton New York

New York, NY

Public Safety Employees Pension & Benefits Conference

October 27–31, 2018

Caesars Palace

Las Vegas, NV

NIRS

Annual Retirement Policy Conference

February 27-28, 2018

Washington D.C.

REAOC

Quarterly Lunches 2018 – Miles Square Park:

January 24

March 28

May 23

September 26

December 5

SACRS

<https://sacrs.org/events/events-listing/>

SPRING CONFERENCE

May 15-18, 2018

**SACRS PUBLIC PENSION INVESTMENT MANAGEMENT PROGRAM
[MODERN INVESTMENT THEORY & PRACTICE FOR RETIREMENT SYSTEM]**

July 24-26, 2017

UC Berkeley

FALL CONFERENCE

November 13-16, 2018

WHARTON

<https://www.ifebp.org/pdf/edprog/wharton-investment-programs-brochure.pdf>

Portfolio Concepts and Management

April 23-26, 2018

Philadelphia, PA

Alternative Investment Strategies

July 30-August 1, 2018

San Francisco, CA

THE PENSION BRIDGE ANNUAL

<http://www.pensionbridge.com/agendaindex.asp>

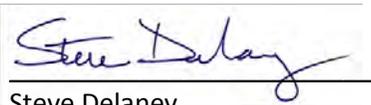
The Pension Bridge Annual: April 10-11, 2018

The Four Seasons Hotel, San Francisco

The Private Equity Exclusive: July 23-24, 2018

The Trump International Hotel & Tower, Chicago

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

2018

MEETINGS

January

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

February

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March

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April

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May

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27	28	29	30	31		

June

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July

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August

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September

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October

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November

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December

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30	31					

 Holiday Observed

 Regular Board Meeting

 Investment Committee Meeting

 Strategic Planning Workshop

 2018 Budget Workshop

2018

TRAINING OPPORTUNITIES

January

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	1	2	3	4	5	6
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February

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March

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April

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May

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June

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July

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August

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September

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October

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28	29	30	31			

November

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18	19	20	21	22	23	24
25	26	27	28	29	30	

December

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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

 Holiday Observed  OTHER: IREI; Wharton; The Pension Bridge Annual

 SACRS  CALAPRS  NASRA  NCPERS  NIRS  OTHER

2018

MEETINGS AND TRAINING OPPORTUNITIES

January

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

February

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4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

March

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				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April

S	M	T	W	T	F	S
1	2	3	4	5	6	7
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30	31					

 Holiday Observed  OTHER: IREI; Wharton; The Pension Bridge Annual

 Regular Board Meeting	 Investment Committee Meeting	 Strategic Planning Workshop	 2018 Budget Workshop	 REAOC Lunches	
 SACRS	 CALAPRS	 NASRA	 NCPERS	 NIRS	 OTHER

I-4



Memorandum

DATE: November 2, 2017
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: **CYPRESS PARKS AND RECREATION DISTRICT – OCERS UAAL**

Information Item Only

Background/Discussion

Cypress Parks and Recreation District is an employer who had been participating in OCERS but no longer has active employees enrolled in OCERS. Cypress Parks and Recreation District joined OCERS in December 1954 and was an entity that was under the control of the County Board of Supervisors until July 1971. At that time, the Cities of Cypress and La Palma withdrew from the existing district and created a new district as a subsidiary of the City of Cypress. The name of the new district is also Cypress Parks and Recreation District (CPRD). Employees of the newly formed CPRD were members of OCERS up until October 12, 2000, which was the date in which the last transmittal file for employer and employee contributions was received.

During the year 2000, the City of Cypress (City) upgraded their retirement benefits through CalPERS for all City employees (note: the City was never a plan sponsor of OCERS). CPRD employees, although officially employed by the CPRD, worked alongside the City employees and had the same governing body as the City employees. At that point in time, OCERS had not yet begun to offer different benefit formulas; all general members (non-safety) received the same benefit formula (currently referred to as Plans A & B). Based on recent discussions with City staff, it is believed that the City decided that they wanted to allow the CPRD employees to have the same retirement benefits as the City employees. To effectuate that decision, all employees of CPRD were terminated on October 12, 2000 and rehired the next day by the City of Cypress which allowed them to become CalPERS members along with the rest of the City employees.

OCERS staff has not located any documentation that the decision for CPRD to terminate participation in OCERS was ever considered or discussed with the Board of Retirement. No agreement between OCERS and CPRD (nor with the City) with regards to the payment of any future Unfunded Actuarial Accrued Liability (UAAL) related to their members appears to exist. As of December 31, 2016, CPRD had twenty-one retired members/beneficiaries and seven deferred members still in OCERS (at least of one of the deferred members is currently an active employee of the City).

As part of the GASB 67 and 68 implementation process, it became evident that there is in fact UAAL that exists today with regards to the members who were previously employed by the CPRD. In order for OCERS to pursue collecting the UAAL for these members, OCERS requested that Segal calculate the UAAL for CPRD members as of December 31, 2016. Attached is the letter prepared by Segal that includes discussion on the methodology of how they calculated a UAAL of \$653,000 as of December 31, 2016. Ultimately, both OCERS and CPRD will have to have their Board's approve a funding agreement for payment the UAAL associated with CPRD members.

OCERS staff has talked with the City's Finance Director about the UAAL that exists at OCERS related to CPRD members. Staff intends to take direction from the Board of Retirement at its November 13, 2017 meeting with regards to parameters of a funding agreement that will meet the needs and responsibilities of OCERS and begin



Memorandum

discussions CPRD (through the City as the governing body of CPRD). Once a mutually agreeable funding agreement has been drafted it will be brought forward to the Board for approval.

Submitted by:

A handwritten signature in blue ink that reads "Brenda M Shott".

Brenda Shott

Assistant CEO, Finance and Internal Operations



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

October 23, 2017

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

**Re: Cypress Parks and Recreation District Unfunded Actuarial Accrued Liability
as of December 31, 2016**

Dear Steve:

As requested, we have determined OCERS' Unfunded Actuarial Accrued Liability (UAAL) that would be allocated to the Cypress Parks and Recreation District (CPRD) members as of December 31, 2016 based on the Withdrawing Plan Sponsor Policy.

SUMMARY OF RESULTS

We have estimated CPRD's UAAL to be \$653,000 as of December 31, 2016. As the \$653,000 was determined as of December 31, 2016, the amount would have to be adjusted with interest to the actual date of payment. The Withdrawing Plan Sponsor Policy states that the employer must enter into a Continuing Contribution Agreement to pay off the UAAL. Per the Withdrawing Plan Sponsor Policy, the initial UAAL should be paid off over a period not to exceed five years. Once the actual number of annual payments is determined, we will provide the payment schedule calculation.

ALLOCATED UAAL ON WITHDRAWAL DATE

No notification of the withdrawal was made in October 2000 when CPRD's then current employees all terminated employment and active membership with OCERS but were rehire and subsequently enrolled in CalPERS. As the withdrawal has only come to the attention of OCERS recently based on a review of membership records and discussion with CPRD, the withdrawal date as stated in the Withdrawing Plan Sponsor Policy is deemed to be the later of the date of withdrawal in October 2000 and when OCERS was notified of the withdrawal, or September 2017.

CPRD's former employees (there are no actives, 7 deferred vesteds¹, 16 service retirees, no disabled retirees and 5 beneficiaries) are currently enrolled in OCERS' Rate Group #1 as of December 31, 2016. Also included in that Rate Group are some members from the County as well as other special districts.

CPRD's UAAL as of December 31, 2016 is equal to:

- The present value of all future benefits expected to be paid by OCERS to CPRD's retirees, beneficiaries and deferred vested members as of the withdrawal date

MINUS

- The value of assets allocated to CPRD as of the withdrawal date.

Because OCERS is a cost sharing multiple employer plan, there is no ongoing separate accounting of OCERS' assets by employer. The OCERS assets allocated to CPRD were allocated as follows:

Step 1: Determine the Actuarial Accrued Liability (AAL) for CPRD as of December 31, 2016

The December 31, 2016 AAL of the CPRD was calculated using the membership data for CPRD as of the same date. CPRD's AAL as of December 31, 2016 was \$4,271,000.

Step 2: Determine the UAAL for CPRD as of December 31, 2016

We have allocated a pro-rata share of the UAAL to CPRD. That pro-rata share was calculated by dividing the AAL for CPRD by the AAL for all the employers within Rate Group #1. This method explicitly assumes that liabilities for all employers in the Rate Group are funded to the same degree (i.e., same funded ratio).

Under that method, CPRD's portion of the UAAL as of December 31, 2016 would be determined in the proportion that the December 31, 2016 AAL for CPRD bears to the AAL of all employers (excluding AAL for Vector Control, University of California-Irvine and Department of Education) in Rate Group #1. The total UAAL for Rate Group #1 as of December 31, 2016 was \$43,770,000 after excluding the estimated withdrawal liability for Vector Control and the outstanding balance of the UAALs for University of California-Irvine and Department of Education. The December 31, 2016

¹ In the data reported to Segal for the December 31, 2016 valuation, 3 of the deferred vested members were reported as reciprocal members and we have applied our 4.25% annual reciprocal salary increase assumption to the salary reported as of December 31, 2016 from their date of termination on October 13, 2000 to their assumed retirement date as of age 58. Of the 4 remaining members who were reported as non-reciprocal, only 1 had a termination date prior to October 13, 2000, which was the date that CPRD ceased OCERS membership.

AAL for CPRD was \$4,271,000 while the AAL for all employers (excluding Vector Control, University of California-Irvine and Department of Education) in Rate Group #1 was \$286,107,000.²

Accordingly, the total UAAL for CPRD's General members as of December 31, 2016 would be \$653,000. This is determined by multiplying the total UAAL for Rate Group #1 of \$43,770,000 by the ratio of the December 31, 2016 AAL for CPRD of \$4,271,000 to the AAL for all employers (excluding Vector Control, University of California-Irvine and Department of Education) in Rate Group #1 of \$286,107,000.

Step 3: Determine the Valuation Value of Assets (VVA) for CPRD as of December 31, 2016

The VVA for CPRD as determined under the Withdrawing Plan Sponsor Policy as of December 31, 2016 would be the AAL minus the UAAL, i.e., \$4,271,000-\$653,000, or \$3,618,000. This amount would be rolled forward using the actual contributions, benefit payments and actual (smoothed) return for each year.

The resulting asset amount would be subtracted from the AAL³ as of each future determination date to determine the updated total CPRD UAAL. A new UAAL layer would then be calculated based on the difference between that updated total UAAL amount and the outstanding balance of the current UAAL layer(s). If requested, we would provide the associated amortization schedules for these new layers as they emerge in future determinations.

RESULTS AND ASSUMPTIONS USED IN CALCULATION

Again the UAAL for CPRD determined by taking the AAL in Step 1 (i.e., \$4,271,000) and subtracting the VVA in Step 3 (i.e., \$3,618,000) is \$653,000 as of December 31, 2016.

It should be noted that the UAAL determined for CPRD is based on the results and assumptions from the most recent valuation as of December 31, 2016. In particular, they have not been updated to reflect the new actuarial assumptions that have already been approved by the Board for the next valuation as of December 31, 2017.

² This liability has been rounded to the nearest \$1,000.

³ In future determinations, OCERS will collect from CPRD additional salary information for the reciprocal members who have not yet retired from OCERS. The AAL will be calculated using that up-to-date salary information and will include OCERS' future salary growth assumption.

Mr. Steve Delaney
October 23, 2017
Page 4

We are members of the American Academy of Actuaries and we meet the qualification requirements to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,



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



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

MYM/bqb

I-5



Memorandum

DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Suzanne Jenike, Assistant CEO External Operations
SUBJECT: **PEPRA Overview**

INFORMATION ONLY ITEM

On September 12, 2012, the California Public Employees' Pension Reform Act of 2013 (PEPRA), also known as Assembly Bill 340 or AB 340, was signed into law by Governor Jerry Brown. The bill will take effect January 1, 2013 and applies to all state and local public retirement systems and their participating employers, except charter cities and charter counties that do not participate in a retirement system governed by the state statute and the University of California.

This presentation will focus on the impact PEPRA had on OCERS member's benefits as well as the long term cost of the plan.

Submitted by:



SJ – Approved

Suzanne Jenike
Assistant CEO, External Operations

2011



PEPRA Overview

Presented on November 13, 2017

by

Suzanne Jenike, ACEO, External Operations

- Overview of Pension Reform - PEPRA
- Impact on Members
- Basics for Employers
- Cost Impact



What is PEPRA?

- On September 12, 2012, Assembly Bill 340, also known as the California Public Employees' Pension Reform Act of 2013 (PEPRA), was signed into law by Governor Jerry Brown.
- Took effect January 1, 2013 and applies to all state/local public retirement systems and their participating employers, except some charter cities/counties and the University of California.

What does PEPRA do?

PEPRA enacted a number of pension reforms to:

- Provide statewide uniformity, and (in most cases) lower benefits, for new members.
- Limit new members' ability to “spike” pensions.
- Increase flexibility for member/employer cost sharing for all members.

“New Member”

- New member of system on or after January 1, 2013, without reciprocity for service prior to January 1, 2013, must receive PEPRA or less generous plan.
- New member of system, with reciprocity for service prior to January 1, 2013, is entitled to benefit plan that the employer offered on December 31, 2012.

Reforms include:

- Lower benefit formula/table for new members.
- More restrictive “Pensionable Compensation” replaced “Compensation Earnable” for new members.
- New caps on total Pensionable Compensation for new members.
- Three-year “Final Compensation” required for new members.
- 50/50 cost sharing of normal contributions for new members.
- All member contributions can increase through collective bargaining.
- All members prohibited from receiving retroactive enhancements.

General Members

- 2.5% at 67: OCERS Managers, Orange County (AFSCME, Deputy Sheriff Trainees and Attorneys)
- 1.62% at 65: LAFCO, OC Superior Court, Orange County (excluding AFSCME, Deputy Sheriff Trainees and Attorneys)

Safety Members

- 2.7% at 57: All Safety (OCFA Firefighters and County of Orange Sheriff and Probation officers)

General Members

- 2.5% at 67: Age 52 with 5 years of service; age 70 regardless of years of service.
- 1.62% at 65: Age 50 with 10 years of service; age 70 regardless of years of service

Safety Members

- Age 50 with 5 years of service; age 70 regardless of service; any age with 20 years of service.

- PEPRA requires new members to pay at least 50% of the normal cost
- Additional member contributions (from all members) can be implemented through collective bargaining.

50/50 Cost Sharing cont.

- Employer cannot impose a higher member contributions through impasse procedures until 1/1/2018.
- After 1/1/2018 employer may impose higher member contributions through impasse procedures, within limits:
 - No more than 14% higher than the member's existing normal rate of contribution for general members.
 - No more than 33% higher than the member's existing normal rate of contribution for local police officers, local firefighters, and county peace officers.
 - No more than 37% higher than the member's existing normal rate of contribution for all other local safety members (probation).

Pensionable Compensation

- PEPRRA requires “Final Compensation” for all new members to be calculated based on their highest 36 consecutive months of “Pensionable Compensation.”
- “Pensionable Compensation” narrower than “Compensation Earnable”: Pay for special skills or shifts is included, but all other pay is excluded (e.g. annual leave)
- Some CERL systems interpret “Pensionable Compensation” more narrowly than OCERS (e.g., base pay only)

Pensionable Compensation Caps

Pensionable Compensation limits: 120 percent of the value of the Social Security wage index limit

- \$142,530 for 2017.
- The amount of the cap is increased each year to reflect changes in the CPI for All Urban Consumers.

Retroactive Benefit Enhancements

PEPRA prohibits an employer from adopting any benefit enhancement that applies retroactively to service already rendered.

- If a member is reclassified from one membership classification to another offering a higher formula, only future service earned after the operative date of the change may be credited at the higher formula.
- COLAs provided within statutory guidelines are not considered a retirement benefit enhancement.

960 Hour Rule

- Payees are limited to 960 total hours or 120 days of work in a 12-month period

180 Day Separation

- General members must have a 180-day break in service following retirement, absent extraordinary employer needs
- Safety members are generally exempt from the 180-day separation requirement, unless the member accepted an early retirement incentive or golden handshake to retire.

Member convicted of a felony “for conduct arising out of or in the performance of his or her official duties, in pursuit of the office or appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits” forfeits all retirement benefits earned from the earliest date of the commission of the felony.

- Member contributions after that day returned without interest.
- Applies to all members.

PEPRA Members by Plan

Active Members						
Plan Sponsor	S 2%@57	T PEPRA Compliant 1.62%@65	U 2.5%@67	V Probation Safety 2.7%@57	V Safety 2.7%@57	Total
City of San Juan Capistrano	11		32			43
County of Orange	0	2,571	862	27	220	3,680
Local Agency Formation Comm.		4				4
O.C. Cemetery District			4			4
O.C. Children & Families Comm.			3			3
O.C. Fire Authority			100		112	212
O.C. IHSS Public Authority			15			15
O.C. Law Library			1			1
O.C. Retirement System		16	4			20
O.C. Sanitation District			116			116
O.C. Superior Court		260				260
O.C. Transportation Authority			131			131
Transportation Corridor Agency			21			21
Total	440	2,851	1,289	27	332	4,939

- Between 4% and 5% of Legacy member payroll has been replaced by PEPRA member payroll each year.
- Assuming the trend continues, employer normal costs will decrease by about 0.2% annually until there are no more active Legacy members.
- Absent PEPRA, employer normal costs would have increased by about 0.8% annually as of December 31, 2016.

Thank You!



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Memorandum

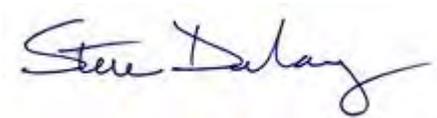
DATE: November 13, 2017
TO: Members of the Board of Retirement
FROM: Steve Delaney, CEO
SUBJECT: DISCUSSION OF NEW 2017 MORTALITY PROJECTION SCALE AND IMPACT TO ACTUARIAL ASSUMPTIONS ADOPTED BY THE BOARD AT ITS OCTOBER MEETING

INFORMATION ONLY ITEM

At its October 16, 2017 meeting, the Board adopted new actuarial assumptions which were based in part on the 2016 Mortality Projection Scale (MP-2016). Subsequent to the October Board meeting, the Society of California Actuaries released a new Mortality Projection scale (MP-2017).

At the Board's meeting on November 13, 2017, OCERS staff and Segal Consulting will present the MP-2017 and discuss its potential impact on the actuarial assumptions adopted by the Board in October.

Submitted by:



Steve Delaney, CEO