

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

REGULAR MEETING
Monday, November 19, 2018
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.

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

At this time, members of the public may comment on (1) matters not included on the agenda, provided that the matter is within the subject matter jurisdiction of the Board; and (2) any matter appearing on the Consent Agenda.

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

In addition, public comment on matters listed on this agenda will be taken 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 signing in on the Public Comment Sign-In Sheet located at the back of the room.

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Board Member 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) None

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes

October 15, 2018

Recommendation: Approve minutes.

ACTION ITEMS

NOTE: Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Board's discussion of the item. 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 signing in on the Public Comment Sign-In Sheet located at the back of the room.

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

A-2 OCERS' ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2019

Presentation by Tracy Bowman, Director of Finance and Steve Delaney, Chief Executive Officer

Recommendation:

- 1. Adopt the Administrative Budget for Fiscal Year 2019 in the amount of \$26,432,830 which includes:**
 - a. Personnel costs in the amount of \$14,764,600
 - b. Services and supplies in the amount of \$11,298,230
 - c. Capital expenditures in the amount of \$370,000
- 2. Fiscal Year 2019 Staffing Plan**
 - a. Approve the 2019 Staffing Plan of 93 budgeted positions and 99 classifications, which includes two new positions, Training Manager and Investment Analyst, and the reduction of one Accountant/Auditor, for a net increase in headcount of one full-time equivalent (FTE), and three new classifications in the Legal, Finance and Disability departments (illustrated in Appendix C of the 2019 Administrative Budget)
 - b. Approve the salary ranges for the new OCERS' Direct positions, Training Manager and Disability Manager (\$61,669-\$120,432)
- 3. Approve Salary and Range Adjustments**
 - a. Performance/Salary Adjustments for OCERS' direct employees consisting of a rating scale that includes a base increase of 2.5% for those that meet expectations; a base of 2.5% plus a merit increase of 2.75% for exceeds expectations; and a base of 2.5% plus two merit increases totaling 5.50% (2.75% x 2) for exceptional performance
 - b. Adjust all existing OCERS' direct salary ranges by 2.5%

A-3 GOVERNANCE COMMITTEE OUTCOMES FROM OCTOBER 11, 2018 MEETING – REVISIONS TO BOARD OF RETIREMENT CHARTER AND RESCISSION OF THE ACCEPTANCE AND REPORTING OF GIFTS POLICY

Presentation by Gina Ratto, General Counsel, OCERS

Recommendation: The Governance Committee recommends that the Board:

- (1) Revise the Board of Retirement Charter to add key provisions of the Acceptance and Reporting of Gifts Policy; and
- (2) Rescind the Acceptance and Reporting of Gifts Policy.

A-4 GOVERNANCE COMMITTEE OUTCOMES FROM OCTOBER 11, 2018 MEETING – WRITE OFF POLICY

Presentation by Suzanne Jenike, Assistant CEO External Operations, OCERS

Recommendation: The Governance Committee recommends that the Board approve the Write Off Policy.

A-5 ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT'S UAAL TRIENNIAL RECALCULATION

Presentation by Steve Delaney, Chief Executive Officer

Recommendation: Approve the results of the Recalculation of Orange County Mosquito and Vector Control District's UAAL Obligation as of December 31, 2017 in the amount of \$818,977.

A-6 COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

Recommendation: Take appropriate action.

INFORMATION ITEMS

I-1 MEMBER MATERIALS DISTRIBUTED

Written Report

Application Notices
Death Notices

November 19, 2018
November 19, 2018

I-2 COMMITTEE MEETING MINUTES

- None

I-3 CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN

Written Report

I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS

Written Report

I-5 THIRD QUARTER 2018 BUDGET TO ACTUALS REPORT

Written Report

**I-6 THIRD QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2018**

Written Report

I-7 GENERAL MEMBER ELECTION OUTCOME

Written Report

I-8 TRAVEL REPORT – IPMA-HUMAN RESOURCES PUBLIC PENSION ROUNDTABLE

Written Report

I-9 TRAVEL REPORT – CALIFORNIA RETIRED COUNTY EMPLOYEES ASSOCIATION (CRCEA)

Written Report

I-10 BOARD COMMUNICATIONS

Written Report

I-11 TRUSTEE EDUCATION

The New Norm: Cultural Changes in the #MeToo Era Workplace

Presented by Kelly A. Trainer, Esq., Partner, Burke, Williams & Sorensen LLP

******* END OF INFORMATION ITEMS AGENDA *******

CLOSED SESSION

**E-1 PUBLIC EMPLOYEE PERFORMANCE EVALUATION PURSUANT TO GOVERNMENT CODE SECTION
54957**

Position to be evaluated: Chief Executive Officer

Recommendation: Take appropriate action.

**E-2 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED
(Government Code section 54956.9(d)(1).)**

**Jeffrey Gross v. OCERS; County of Orange; et al., CA Superior Court, County of Orange (Case No.
30-2017-00944959)**

Adjourn to closed session pursuant to Government Code section 54956.9(d)(1).

Recommendation: Take appropriate action.

DISABILITY/MEMBER BENEFITS AGENDA

11:00AM

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.

OPEN SESSION

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Board member requires separate action on a specific item. If separate action is requested, the item will be discussed during agenda item DA-1.

DC-1: Aaron Phelps

Group Counselor I, Orange County Social Services Agency

Recommendation: The Disability Committee recommends that the Board deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate.

DC-2: Harsimran Dhaliwal

Service Worker I, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board deny service connected disability retirement due to insufficient evidence of permanent incapacity.

DC-3: Keith Wayne

Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate.

DC-4: Andra T. Boyd

Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of April 25, 2017.

DC-5: Kenneth Caley

Fire Apparatus Engineer, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 30, 2018.

DC-6: Carlos Contreras

Deputy Sheriff I, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of April 17, 2017.

DC-7: Paul Guns

Fire Captain, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of September 1, 2016.

DC-8: Gregory Hosburg

Fire Captain, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of May 26, 2017 the day the day following the last day of regular compensation as a Fire Captain.

Find the Applicant is capable of performing other duties in the service of the Orange County Fire Authority pursuant to Government Code Section 31725.65.

The Disability Committee recommends that the Board grant a supplemental disability retirement payment allowance in the amount of the salary difference between the higher and lower paying positions effective May 26, 2017, the date of the position change until the day Mr. Hosburg wishes to retire from the new position.

DC-9: George Miller

Deputy Sheriff II, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 16, 2018.

DC-10: James McAnally

Supervising Equipment Mechanic I, Orange County Public Works

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of May 13, 2016.

DC-11: Imelda Narez

Eligibility Supervisor, Social Services Agency

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of February 8, 2018.

DC-12: Walter Rios

Maintenance Worker, Orange County Sanitation District

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of May 11, 2016.

DC-13: Jason Yates

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

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of June 22, 2018.

CLOSED SESSION
(Government Code sections 54957 and 54956.9)

The Board will adjourn to Closed Session pursuant to Government Code sections 54957 or 54956.9 to discuss matters relating to member applications or appeals. The member may request that the discussion relating to his or her application or appeal take place in Open Session.

ACTION ITEMS

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

OPEN SESSION

REPORT OF ACTIONS TAKEN IN CLOSED SESSION

BOARD MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

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

NOTICE OF NEXT MEETINGS

INVESTMENT COMMITTEE MEETING
November 28, 2018
9:00 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

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

**DISABILITY COMMITTEE MEETING
December 4, 2018
10:00 A.M.**

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

**MANAGER MONITORING SUBCOMMITTEE MEETING
December 6, 2018
9:00 A.M.**

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

**GOVERNANCE COMMITTEE MEETING
December 11, 2018
8:00 A.M.**

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

**AUDIT COMMITTEE MEETING
December 11, 2018
1:00 P.M.**

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

**INVESTMENT COMMITTEE MEETING
December 17, 2018
9:00 A.M.**

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

**REGULAR BOARD MEETING
December 17, 2018
11:00 A.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**

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-2

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

REGULAR MEETING
Monday, October 15, 2018
9:00 a.m.

MINUTES

Chair Prevatt called the meeting to order at 9:01 a.m.

Attendance was as follows:

Present: Chris Prevatt, Chair; Chuck Packard, Vice-Chair; David Ball; Roger Hilton; Shawn Dewane; Frank Eley; Russell Baldwin, Shari Freidenrich and Wayne Lindholm

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; David Kim, Director of Internal Auditor; Anthony Beltran, Visual Technician; Cammy Torres, Recording Secretary.

Guests: Harvey Leiderman

Chair Prevatt led the Pledge of Allegiance.

CONSENT AGENDA

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

A **motion** was made by Mr. Ball **seconded** by Mr. Dewane to approve the consent agenda.

Motion passed **unanimously**.

Mr. Lindholm arrived at 9:11am.

Ms. Freidenrich arrived at 9:13am.

BENEFITS

C-1 **OPTION 4 RETIREMENT ELECTION**

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

- (1) Stanley Davis
- (2) Patricia Padilla

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes
Strategic Planning Workshop Minutes

August 20, 2018
September 12-13, 2018

Recommendation: Approve minutes.

C-3 RETIREE REQUEST TO BE REINSTATED-SHANNON PETERSON

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

ACTION ITEMS

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

A-2 GARTNER CONTRACT AMENDMENT

Presentation by Brenda Shott, Assistant CEO Internal Operations and Matt Eakin, Director of Cyber Security, OCERS

Recommendation: Approve both the purchase of a Gartner Enterprise IT Leaders Individual: Security and Risk Management license (EITL) for the Director of Cyber Security and amendment to the current Gartner contract accordingly.

Ms. Shott presented the Gartner contract amendment item. She discussed the Leadership license that staff recommends and further discussed items needed for Mr. Eakin, OCERS recently hired Director of Cyber Security, to be fully equipped for success.

Ms. Freidenrich asked what current licenses OCERS has.

Ms. Shott explained the three licenses that OCERS currently has and explained the different levels of access.

Ms. Freidenrich shared her concerns of the lack of experience Mr. Kioyta of Gartner has when it comes to government agencies.

Mr. Kioyta, leadership partner at Gartner, explained that even though he doesn't specifically have "government agency" experience on his resume, he works with numerous agencies across the US in a governmental capacity.

Mr. Eley asked for clarification on the three licenses that OCERS has and which staff is linked to those specific licenses.

Ms. Shott explained and clarified Mr. Eley's license question.

A **motion** was made by Mr. Dewane **seconded** by Mr. Packard to approve both the purchase of a Gartner Enterprise IT Leaders Individual: Security and Risk Management license (EITL) for the Director of Cyber Security, amendment to the current Gartner contract accordingly and additionally change the approval to be concurrent with the three year contract agreement.

Motion passed **unanimously**.

A-3 REASSIGNMENT OF POLICIES TO THE GOVERNANCE COMMITTEE FOR REVIEW

Presentation by Gina Ratto, General Counsel, OCERS

Recommendation: Reassign to the Governance Committee for review the policies that are currently reviewed by OCERS staff and presented directly to the Board.

Ms. Ratto presented the reassignment of policies to the Governance Committee for review. She stated that it's more beneficial for items to be brought to a committee first, more specifically the Governance Committee, bringing policies straight to the full Board for approval can be time consuming.

A **motion** was made by Mr. Ball **seconded** by Mr. Dewane to reassign to the Governance Committee for review the policies that are currently reviewed by OCERS staff and presented directly to the Board.

Motion passed **unanimously**.

Board recessed for break at 10:05am.

Board reconvened from break at 10:20am.

A-4 TRIENNIAL REVIEW OF:

- a) PROCUREMENT AND CONTRACTING POLICY
- b) DISPOSITION OF EQUIPMENT POLICY
- c) MEMBER SERVICES CUSTOMER SERVICE POLICY
- d) DATA REQUEST POLICY

Presentation by Brenda Shott, Assistant CEO Internal Operations, Suzanne Jenike, Assistant CEO External Operations and Jim Doezie, Contracts Administrator, OCERS

Recommendation:

- A) Approve revisions to the Procurement and Contracting Policy
- B) Approve revisions to the Disposition of Surplus Property Policy (previously named Disposition of Equipment Policy)
- C) Approve revisions to the Customer Service Policy
- D) Approve revisions to the Data Request Policy

Mr. Packard returned at 10:24am.

a) PROCUREMENT AND CONTRACTING POLICY

Ms. Shott discussed the changes of format and content for the Procurement and Contracting Policy and stated that the changes would make it easier to administer as well as add clarification to existing policy. No proposed changes in level of authority.

Mr. Doezie discussed in more detail the Procurement and Contracting Policy.

Ms. Freidenrich asked if there will be a period of time where staff can terminate a contract if the company does not meet expectations.

Mr. Doezie stated that OCERS has the authority to cancel contracts at any time.

Mr. Ball stated that in the future, this item should go to a committee first and then have it brought back to the full Board with a recommendation.

A **motion** was made by Mr. Dewane **seconded** by Mr. Hilton to approve revisions to the Procurement and Contracting Policy.

Motion passed **unanimously**.

b) DISPOSITION OF EQUIPMENT POLICY

Mr. Packard stated that he would like to increase the estimated salvage value from \$5,000 to \$10,000.

Mr. Lindholm asked if staff agrees with the \$10,000 limit or if it should be a different figure.

Ms. Shott stated that the \$10,000 limit is more than adequate.

A **motion** was made by Mr. Eley **seconded** by Mr. Hilton to approve revisions to the Disposition of Surplus Property Policy (previously named Disposition of Equipment Policy) and increase the estimated salvage value from \$5,000 to \$10,000.

Motion passed **unanimously**.

- c) MEMBER SERVICES CUSTOMER SERVICE POLICY
- d) DATA REQUEST POLICY

Ms. Jenike explained that no changes were made to the last two policies.

A **motion** was made by Mr. Ball **seconded** by Mr. Dewane to approve the Customer Service Policy and to the Data Request Policy.

Motion passed **unanimously**.

A-5 OCERS 2019-2021 STRATEGIC PLAN

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Approve OCERS 2019-2021 Strategic Plan.

Mr. Delaney briefly clarified the changes that were made since the last time the Board approved the OCERS Strategic Plan.

A **motion** was made by Mr. Dewane **seconded** by Mr. Packard to approve OCERS 2019-2021 Strategic Plan.

Motion passed **unanimously**.

A-6 OCERS 2019 BUSINESS PLAN

Presentation by Steve Delaney, Chief Executive Officer, and Brenda Shott, Assistant CEO Internal Operations, OCERS

Recommendation: Approve OCERS 2019 Business Plan.

Mr. Delaney stated that no significant changes were made to the OCERS 2019 Business Plan.

A **motion** was made by Mr. Dewane **seconded** by Mr. Packard to approve the OCERS 2019 Business Plan since last month's Strategic Planning Workshop.

Motion passed **unanimously**.

A-7 VOTING DIRECTION FOR SACRS BUSINESS MEETING

Presentation by Gina Ratto, General Counsel, OCERS

Recommendation: Give voting direction to OCERS' delegates for the November 15, 2018 SACRS business meeting.

Ms. Ratto explained the voting direction that would be required for the SACRS business meeting on November 15, 2018 regarding the meeting stipend for certain OCERS Board members in connection with item I-7.

Mr. Hilton stated that the force of opposition is very against this item. He would like to have more time on this and work with other counties for the next year or two before it's brought back to the Board.

A **motion** was made by Mr. Hilton **seconded** by Mr. Dewane to pull the item off the SACRS agenda.

Motion passed **unanimously**.

A-8 CYPRESS RECREATION AND PARKS CONTINUING CONTRIBUTION AGREEMENT

Presentation by Brenda Shott, Assistant CEO Internal Operations and Gina Ratto, General Counsel, OCERS

Recommendation: Approve the Withdrawing Employer and Continuing Contribution Agreement with Cypress Recreation and Parks District.

Ms. Shott presented the Cypress Recreation and Park continuing contribution agreement.

A **motion** was made by Mr. Ball **seconded** by Mr. Hilton to approve the Withdrawing Employer and Continuing Contribution Agreement with Cypress Recreation and Parks District.

Motion passed **unanimously**.

A-9 APPROVE CONFERENCE ATTENDANCE AND RELATED TRAVEL EXPENSES FOR TRUSTEE RUSSELL BALDWIN

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: Approve Trustee Russell Baldwin’s attendance and related travel expenses including overnight accommodations for the SRI 29 Conference, November 1 - 3, 2018, at the Broadmoor Hotel in Colorado Springs, Colorado in the approximate amount of \$2,595.

Mr. Delaney presented a conference requested from Mr. Baldwin.

A **motion** was made by Mr. Dewane **seconded** by Mr. Baldwin to approve Trustee Russell Baldwin’s attendance and related travel expenses including overnight accommodations for the SRI 29 Conference, November 1 - 3, 2018, at the Broadmoor Hotel in Colorado Springs, Colorado in the approximate amount of \$2,595.

A substitute **motion** was made by Mr. Packard **seconded** by Mr. Ball to deny Trustee Russell Baldwin’s attendance and related travel expenses including overnight accommodations for the SRI 29 Conference, November 1 - 3, 2018, at the Broadmoor Hotel in Colorado Springs, Colorado in the approximate amount of \$2,595.

Mr. Packard stated that if approved, this can set precedence in the future that will cause problems.

Mr. Baldwin explained that he miscalculated when he planned his conferences and did not realize the SRI conference would be his fourth non pre-approved conference for the year.

Mr. Hilton stated that Mr. Baldwin followed policy in coming to the Board for approval and he is in support of the original motion.

Mr. Eley explained how the OCERS Board historically came to the conclusion of the “three non-pre-approved conference” rule approved by the Board.

For clarification purposes, Chair Prevatt called for a Roll Call vote on this item for the original motion, to approve Trustee Russell Baldwin’s attendance and related travel expenses including

overnight accommodations for the SRI 29 Conference, November 1 - 3, 2018, at the Broadmoor Hotel in Colorado Springs, Colorado in the approximate amount of \$2,595.

Motion passed 6 to 3 with voting as follow:

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

INFORMATION ITEMS

I-1 MEMBER MATERIALS DISTRIBUTED

Written Report

Application Notices

October 15, 2018

Death Notices

October 15, 2018

I-2 COMMITTEE MEETING MINUTES

- None

I-3 LEGISLATIVE UPDATE

Written Report

Mr. Hilton pulled item I-3.

Mr. Hilton asked Counsel to opine on AB1912 Bill and if this has any impact on the OCFA JPA agreement.

Ms. Ratto stated that the Bill will take affect at the beginning of 2019 and it will amend the joint exercise of powers act. She explained the debt liabilities and obligations regarding JPAs under AB1912.

I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS

Written Report

I-5 TRAVEL REPORT – SANTA BARBARA-VENTURA SITE VISIT

Written Report

I-6 TRAVEL REPORT – PROFESSIONAL IN HUMAN RESOURCES CONFERENCES (PIHRA)

Written Report

I-7 UPDATE ON PROPOSED LEGISLATIVE AMENDMENT TO INCREASE BOARD MEMBER STIPEND

Written Report

I-8 GENERAL MEMBER ELECTION UPDATE

Written Report

I-9 BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN UPDATE

Written report

I-10 BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN EXERCISE EXECUTIVE SUMMARY

Written Report

I-11 FUTURE BOARD MEETING MANAGEMENT PORTAL PROCUREMENT

Written Report

Ms. Shott requested that if trustees have any comments or suggestions regarding Board Vantage or any other web portals to share those with Mr. Delaney.

I-12 CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN

Written Report

I-13 THIRD QUARTER 2018 EDUCATION AND TRAVEL EXPENSE REPORT

Written Report

I-14 BOARD COMMUNICATIONS

Written Report

I-15 MASTER FINAL AVERAGE SALARY PROJECT UPDATE

Presentation by Suzanne Jenike, Assistant CEO External Operations and Gina Ratto, General Counsel, OCERS

Ms. Jenike updated the Board on the Master final average salary project. She also discussed what the next steps should be and suggested that staff work with the Governance Committee in the initial review.

Mr. Prevatt asked the Board if they would like to move this process to the Governance Committee. The Board was in agreement.

I-16 CYBER SECURITY PRESENTATION

Presentation by Matt Eakin, Director of Cyber Security, OCERS

Mr. Eakin presented the Cyber Security PowerPoint presentation. He discussed that his focus will be to develop a comprehensive security program at OCERS and explained the process and steps needed to reach that goal.

Mr. Eley asked how far along is OCERS in adding more resources (i.e. hardware, software).

Mr. Eakin stated that because the systems that they are researching, in his opinion, will not be expensive, we don't expect this to be a long process.

DISABILITY/MEMBER BENEFITS AGENDA

11:00AM

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.

OPEN SESSION

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Board member requires separate action on a specific item. If separate action is requested, the item will be discussed during agenda item DA-1.

A **motion** was made by Mr. Packard, **seconded** by Mr. Hilton to approve the Disability Consent Agenda. The motion carried **9-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

DC-1 DISABILITY APPLICATION-GUSTAVO GONZALEZ

Field Representative, Orange County Community Resources, General Member

Recommendation: The Disability Committee recommends the Board deny service connected disability retirement due to insufficient evidence of job causation.

DC-2 DISABILITY APPLICATION-BRIAN PETROS

Administrative Manager I, Orange County Health Care Agency, General Member

Recommendation: The Disability Committee recommends the Board deny Service and non-service connected disability retirement due to insufficient evidence of permanent incapacity.

DC-3 DISABILITY APPLICATION-ADALIA CASANOVA

Data Entry Technician, Orange County Social Services Agency, General Member

Recommendation: The Disability Committee recommends the Board deny service and non-service connected disability retirement without prejudice due to the member’s failure to cooperate.

DC-4 DISABILITY APPLICATION-ERICA ESPINOSA

Sheriff's Records Technician, Orange County Sheriff's Department, General Member

Recommendation: The Disability Committee recommends the Board deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate.

DC-5 DISABILITY APPLICATION-TERESA GABRIELSON

Firefighter, Orange County Fire Authority, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of December 20, 2016.

DC-6 DISABILITY APPLICATION-JOSEPH HARPEL

Coach Operator, Orange County Transportation Authority, General Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of January 9, 2017.

DC-7 DISABILITY APPLICATION-CHARLES JOHNSON

Deputy Sheriff II, Orange County Sheriff's Department, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of March 16, 2018.

DC-8 DISABILITY APPLICATION-LAURENCE MANN

Fire Captain, Orange County Fire Authority, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of March 16, 2018.

DC-9 DISABILITY APPLICATION-TRONG NGUYEN

Deputy Sheriff I, Orange County Sheriff's Department, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of the day after the last date of regular compensation.

DC-10 DISABILITY APPLICATION-ROBERT OSBORNE

Captain, Orange County Sheriff's Department, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of August 4, 2017.

DC-11 DISABILITY APPLICATION-CHRISTOPHER RATHMAN

Fire Apparatus Engineer, Orange County Fire Authority, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of January 3, 2018.

DC-12 DISABILITY APPLICATION-FREDERICK SAGE

Fire Apparatus Engineer, Orange County Fire Authority, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of March 16, 2018.

DC-13 DISABILITY APPLICATION-MICHAEL SARNO

Deputy Sheriff II, Orange County Sheriff's Department, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of November 10, 2017.

DC-14 DISABILITY APPLICATION-MICHAEL P. ALBA

Firefighter, Orange County Fire Authority, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of September 13, 2017.

DC-15 DISABILITY APPLICATION-MICHAEL BILEK

Firefighter, Orange County Fire Authority, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of the day after the last day of regular compensation.

DC-16 DISABILITY APPLICATION-ZINA TICE

Eligibility Technician, Orange County Social Services Agency, General Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of December 6, 2017.

DC-17 DISABILITY APPLICATION-SCOTT VAN DE KREEKE

Deputy Sheriff I, Orange County Sheriff's Department, Safety Member

Recommendation: The Disability Committee recommends the Board grant service connected disability retirement with an effective date of the day after the last day of regular compensation.

CLOSED SESSION

(Government Code sections 54957 and 54956.9)

The Board will adjourn to Closed Session pursuant to Government Code sections 54957 or 54956.9 to discuss matters relating to member applications or appeals. The member may request that the discussion relating to his or her application or appeal take place in Open Session.

ACTION ITEMS

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

DISABILITY/MEMBER BENEFITS AGENDA

DA-2: DISABILITY APPEAL-CONRADO PORTILLO

Coach Operator, Orange County Transportation Authority

Recommendation: Staff recommendation is to approve and adopt the findings and recommendations of the Hearing Officer as set forth in the Proposed Decision and grant Applicant’s application for service connected disability retirement benefits with an effective date of December 13, 2014, the day after the last day Applicant received regular compensation.

The Board voted unanimously to adopt the staff recommendation as presented.

The following items were conducted in Open Session

DA-3: DISABILITY APPEAL-ROBERT BOLEN

Power Equipment Operator III, Orange County Public Works

Recommendation: Staff recommendation is to approve and adopt the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations of the Hearing Officer and deny Applicant’s request for an earlier effective date.

Ms. Cortez presented item DA-3

A **motion** was made by Mr. Packard, **seconded** by Mr. Dewane to approve and adopt the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations of the Hearing Officer and deny Applicant’s request for an earlier effective date. The motion carried **9-0** with voting as follows:

AYES

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

NAYS

ABSTAIN

ABSENT

DA-4: BENEFIT APPEAL-JAMES MORELL

Research Attorney, Orange County Superior Court, General Member

Recommendation: Staff recommends the Board adopt as presented Staff’s proposed Findings of Fact, Conclusions of Law and Decision in the Application of James B. Morell for a Recalculated Retirement Allowance.

Mr. Morell requested that the discussion in this matter take place in open session.

Ms. Cortez presented item DA-4

Mr. Leiderman stated two changes that should be adopted by the Board on page five of the report. He recommends that these changes be adopted by the Board.

- Page five under “proposed findings” – Mr. Leiderman suggested to add the email that the applicant sent to Ms. Jenike on August 13, 2018 to be included in the record.
- A correction under roman numeral “V”, Finding #2 – Mr. Leiderman suggest a slight change in the language. “During his final 3 years of employment applicant ~~elected to receive and~~ received optional benefit planned benefits in the amount of \$3,500 per year from his employer which applicant [insert language] “elected to receive” partly in cash and partly in reimbursements for his out of pocket health care cost.

Ms. Ratto stated that staff is in agreement with the two changes suggested by Mr. Leiderman. Staff recommends that the Board approve the findings and decisions as they accurately reflect the actions taken by the Board at the August 20th meeting.

Mr. Morell pleaded his case.

A **motion** was made by Mr. Dewane, **seconded** by Mr. Packard to adopt as presented Staff’s proposed Findings of Fact, Conclusions of Law and Decision in the Application of James B. Morell for a Recalculated Retirement Allowance. The motion carried **9-0** with voting as follows:

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

OPEN SESSION

REPORT OF ACTIONS TAKEN IN CLOSED SESSION

BOARD MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Ms. Hockless provided Staff updates as of October 15, 2018.

COUNSEL COMMENTS

Ms. Ratto introduced OCERS' new Staff Attorney, Nicole McIntosh.

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

Active Members

Johnson, Carin
Martinez, Leopoldo
Mc Inerney, Carolyn
Steward, Reginald

Retired Members

Abdel-Sayed, Taghreed
Anthony, Philip
Boike, Mark
Bournival, Robert
Bowen, Lillian
Chandler, Patricia
Clavin, Mary
Conf, Mai Anh
Corbin, Virginia
Draeger, Robert
Florio, Geraldine
Gervais, Carl
Gettman, Carolyn
Harding, George
Hunter, Wondra
Johnson, Charles
Krauss, Veronica
Lees, Leonard
Lewis, May Ellen
Litscher, Ruth
Lotts, Mary
Lowie, Robert
Macias, Peggy
Martindale, Steven
Mc Murtry , Marilyn
Miklas, Margaret
Mowbray, Samuel
Oliphant, Everett
Panchal, Constance
Parrish, Amy
Peterson, Arthur
Peterson, Robert

Ratawessnant, Parichart
Romano, Anne
Schoepf, John
Servin, Margarita
Shaner, Richard
Straub, Elvira
Trent, Elizabeth
Truong, Yen
Turner, Richard
Walsh, Ralph
Woods, Robert

Surviving Spouses

Benveniste, Mary
Burton, Eunice
Gillaspy, Lauralee
Hartnett, William
Kellison, Marjorie
Kish, Adeline
Lavacot, Robert
Mcraney, Georgia
Niesley, Jack
Reese, Ralph
Robinson, Gary
Vaessen, John
Washbon, Hazel
Wilson, Rosa

There being no further business to bring before the Board, the meeting adjourned at 12:19p.m.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Board

Chris Prevatt
Chairman

A-2

Memorandum

DATE: November 19, 2018
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: **OCERS' ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2019**

Recommendation

- 1. Adopt the Administrative Budget for Fiscal Year 2019 in the amount of \$26,432,830 which includes:**
 - a. Personnel costs in the amount of \$14,764,600
 - b. Services and supplies in the amount of \$11,298,230
 - c. Capital expenditures in the amount of \$370,000
- 2. Fiscal Year 2019 Staffing Plan**
 - a. Approve the 2019 Staffing Plan of 93 budgeted positions and 99 classifications, which includes two new positions, Training Manager and Investment Analyst, and the reduction of one Accountant/Auditor, for a net increase in headcount of one full-time equivalent (FTE), and three new classifications in the Legal, Finance and Disability departments (illustrated in Appendix C of the 2019 Administrative Budget)
 - b. Approve the salary ranges for the new OCERS' Direct positions, Training Manager and Disability Manager (\$61,669-\$120,432)
- 3. Approve Salary and Range Adjustments**
 - a. Performance/Salary Adjustments for OCERS' direct employees consisting of a rating scale that includes a base increase of 2.5% for those that meet expectations; a base of 2.5% plus a merit increase of 2.75% for exceeds expectations; and a base of 2.5% plus two merit increases totaling 5.50% (2.75% x 2) for exceptional performance
 - b. Adjust all existing OCERS' direct salary ranges by 2.5%

Background/Discussion

The proposed budget was developed based on the 2019 Business Plan (the Plan) approved by the Board of Retirement on October 15, 2018. The Plan is directly linked to the 2019-2021 Strategic Plan developed using OCERS' Mission Statement and Vision Statement and Values as its foundation. The goals and initiatives included in the approved Plan provided guidance for the proposed FY19 Administrative Budget. In addition, on October 18, 2018, staff held a Budget Workshop to give the Board of Retirement an opportunity to review the proposed FY19 Administrative Budget in detail and to provide staff direction on content of the budget prior to adoption at the November 19, 2018 Board meeting. Attached is the presentation that summarizes the FY19 Administrative Budget and the changes that were made since the Budget Workshop. Included in the materials, after the presentation, is the FY19 Administrative Budget which includes a narrative about the budget, as well as several detailed appendixes that provide further information about the proposed budget that staff is recommending for approval. Finally, staff has also

Memorandum

included a summary description of each of the newly proposed positions as additional support for the request to approve the Staffing Plan.

Submitted by:



Tracy Bowman
Director of Finance

Approved by:



Brenda Shott
Assistant CEO, Finance & Internal Operations

Approved by:



Steve Delaney
CEO



OCERS Finance Presentation 2019 Proposed Administrative Budget

Regular Board Meeting

November 19, 2018



Today's Agenda

1. Purpose of Presentation
2. Overview of Budget Process
3. Proposed 2019 Administrative Budget

Purpose of Presentation

- General review of 2019 Administrative Budget and follow-up from Budget Workshop detailed discussion
- Recommended actions:
 1. Adopt the 2019 Administrative Budget
 2. Approve the 2019 Staffing Plan consisting of 93 budgeted positions and 99 classifications
 - a) Includes addition of two new positions, Training Manager and Investment Analyst, and reduction of one Accountant/Auditor, for a net increase in headcount of one FTE
 - b) Three new classifications in Legal, Finance and Disability
 3. Approve Salary and Range Adjustments

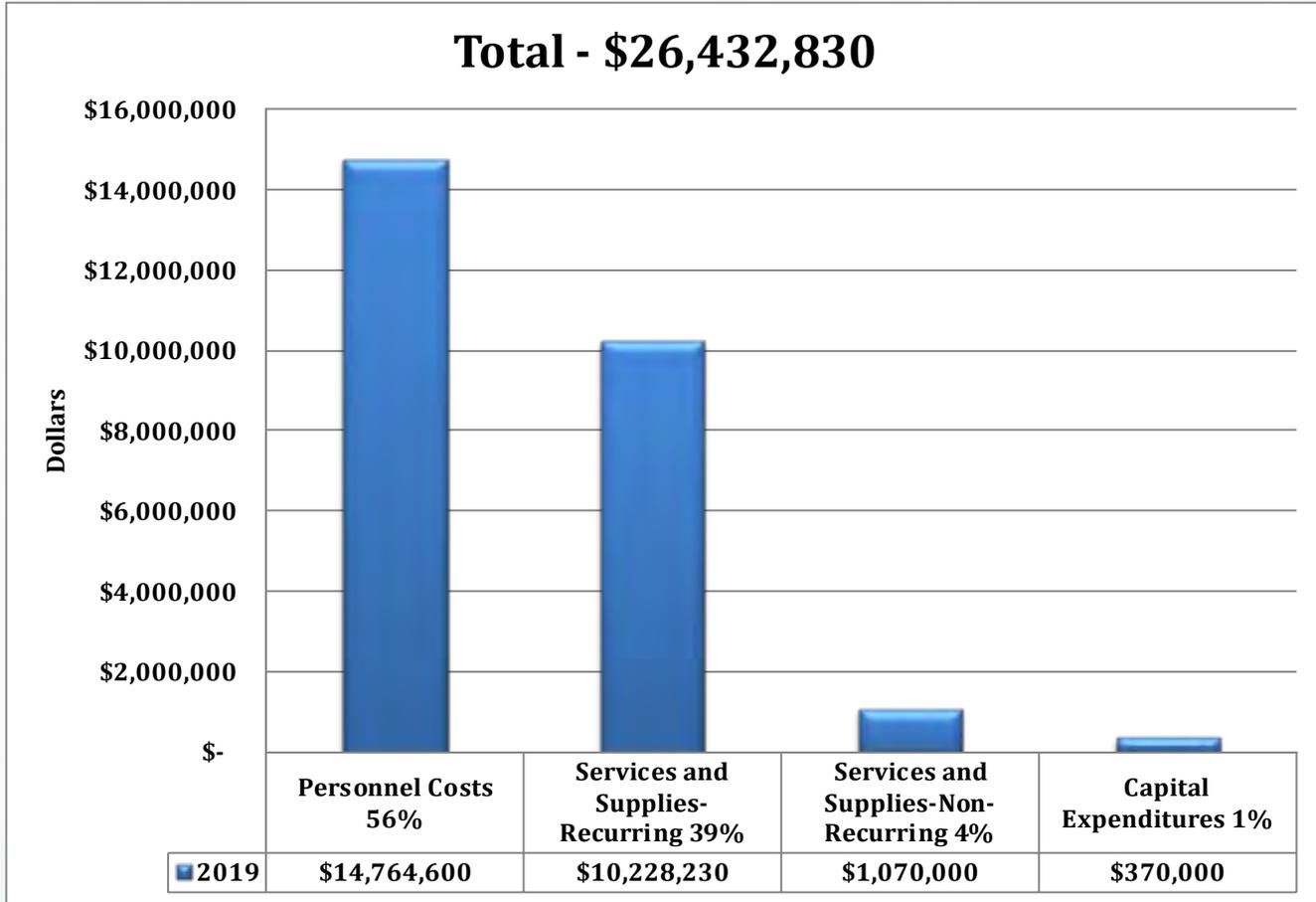
Overview of Budget Process

- Budget Approval Policy
- OCERS' Mission Statement, Vision and Values, and 3-Year Strategic Plan
- Set Business Plan goals for 2019
 - Executives/Directors' off-site meeting on July 20, 2018
 - Strategic Planning with Board on September 12-13, 2018
 - 2019 Business Plan approval on October 15, 2018
- Initial budget requests are made by each department head
- CEO, Assistant CEO of Internal Operations and Director of Finance met individually with department heads to discuss and determine necessity of each line item in their budget request

Overview of Budget Process (cont'd)

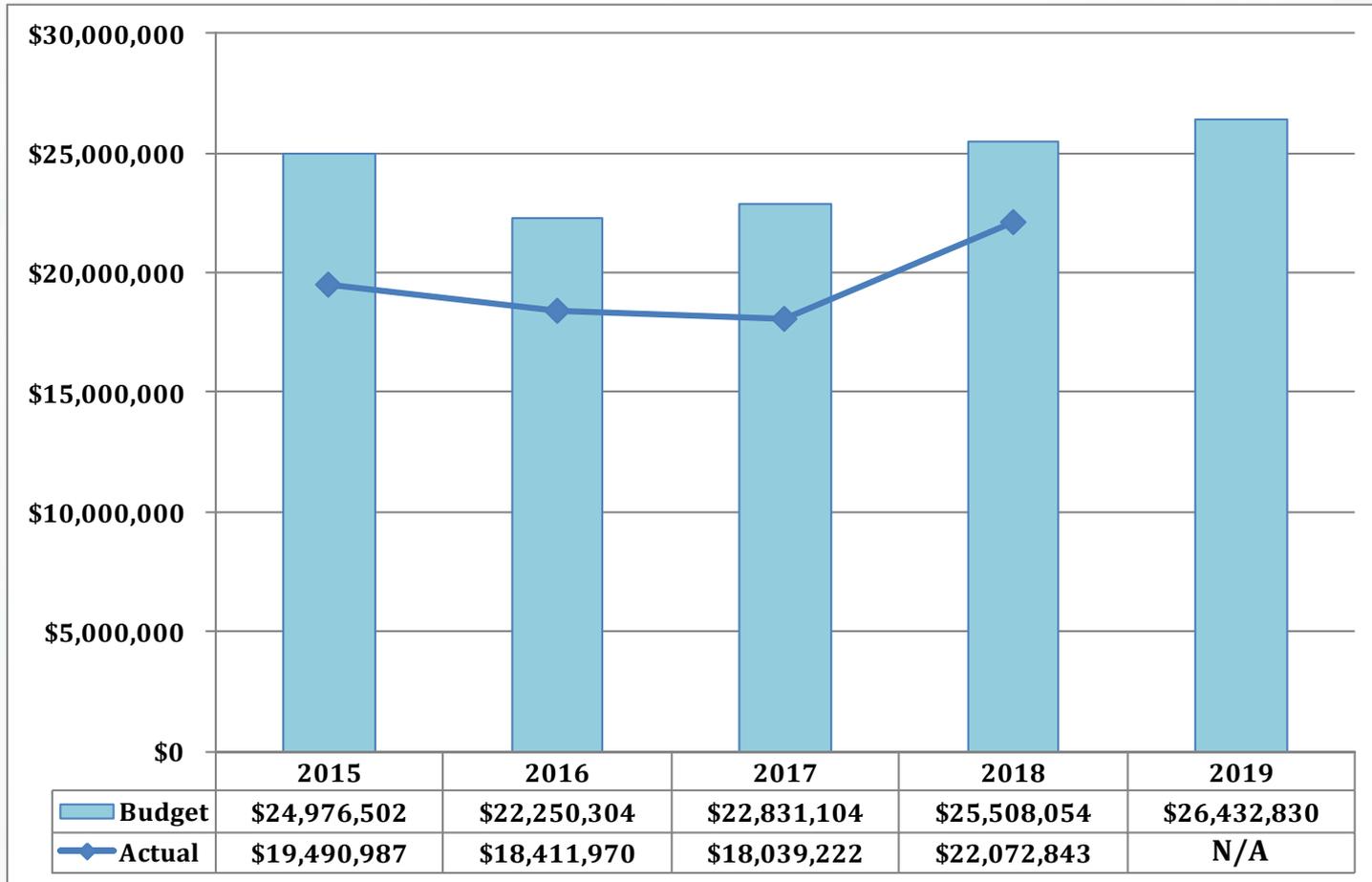
- Prepare budget with comparisons to prior years' budgets and actuals
- Workshop to present proposed budget to the Board for comment prior to approval
- Approval of the budget by the Board at the November 19, 2018 meeting

FY19 Proposed Budget Summary



Budget versus Actuals Trend

Total Budget



Change Resulting from Budget Workshop

- Services and Supplies – Professional Services
 - Disability Related Consultants increased from \$275,000 to \$300,000

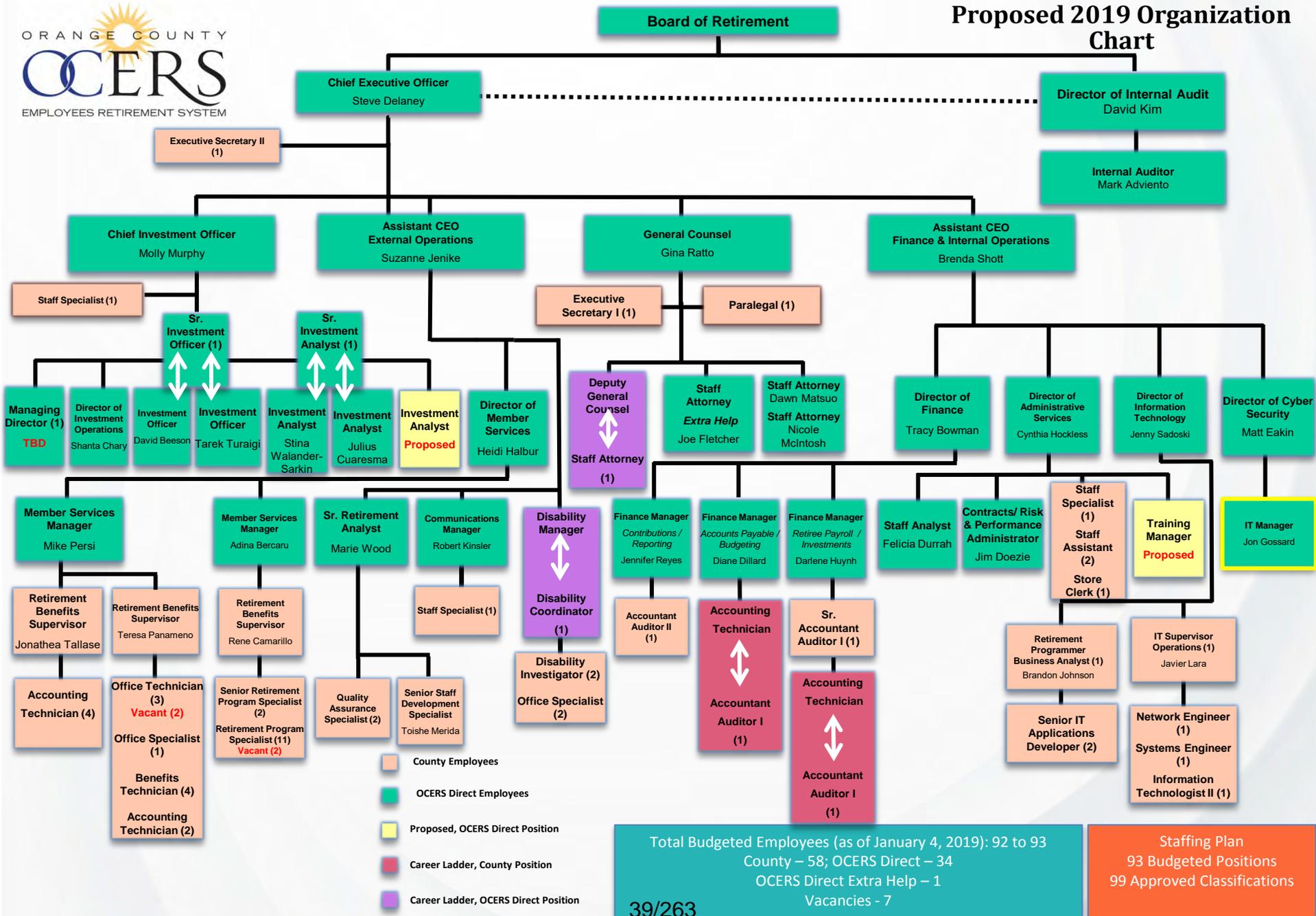


FY 2019 Staffing Plan

(Staff Recommendation 2 and 3)

➤ Recommendations for 2019

- Increase approved budgeted head-count by 1 FTE
 - Add: Investment Analyst
Training Manager
 - Reduce: Accountant/Auditor (use funding for Training Manager; keep classification for career ladder)
 - Net budget impact of \$160K
- Develop career ladders within departments
 - Approve position classifications that can be used for career growth when warranted
 - Does not increase number of employees
 - Net budget decrease of \$(21.5K) is equivalent to difference in range for the two applicable career ladder classifications
 - Career ladders currently exist in the Investments Department
 - Classifications requested
 - 1 Staff Attorney (for career growth to existing Deputy General Counsel position)
 - 1 Accountant/Auditor (for career growth of existing Accounting Technician position)
 - 1 Disability Manager (for career growth of existing Disability Coordinator position)
- Net effect on staffing plan
 - 93 budgeted positions
 - 99 classifications



Total Budgeted Employees (as of January 4, 2019): 92 to 93
 County – 58; OCERS Direct – 34
 OCERS Direct Extra Help – 1
 Vacancies - 7

39/263

Staffing Plan
 93 Budgeted Positions
 99 Approved Classifications

Salary Adjustments

➤ Performance Adjustments

➤ Increases for OCERS' direct staff are based on performance evaluations

- Base = 2.5% (base increases salary ranges)
- 1 merit increase = 2.75%

Meets	Base
Exceeds	Base + 1 merit increase
Exceptional	Base + 2 merit increases



➤ FY19 direct staff budget for merit-based increases = \$315K

➤ County employee salary adjustments are dictated by County MOU

- Granting of County employee increases is outside OCERS' Board Authority
- FY19 County staff budget for MOU increases + steps = \$193K

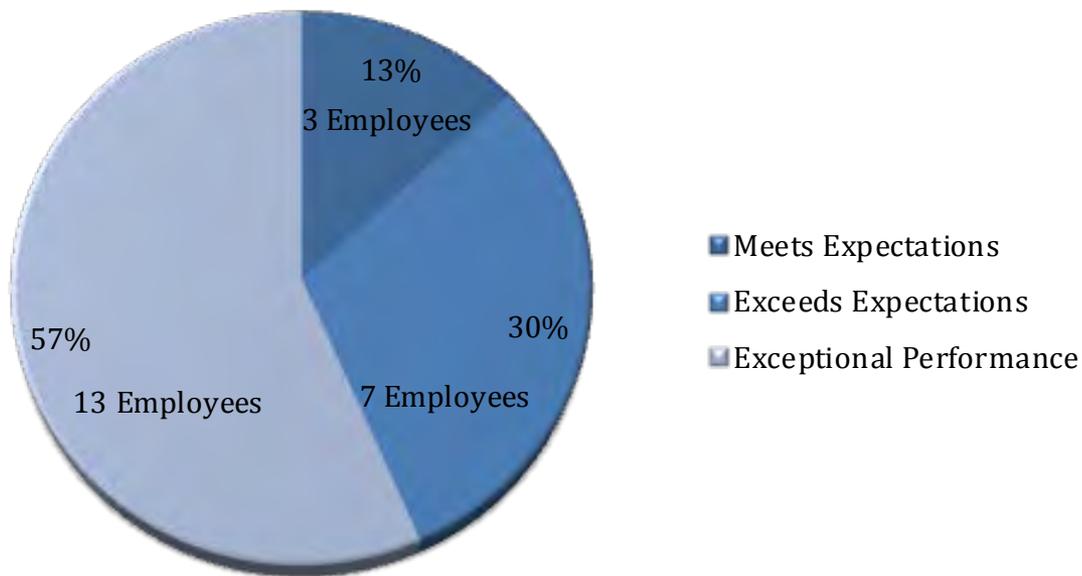
➤ Adjust existing minimum, mid and maximum point of salary ranges by base (2.5%)

Salary Adjustments

Merit and Movement		
	OCERS County Employees	OCERS Direct Employees
Employees at top of pay range for their position	23	5
Employees potentially reaching top of pay range in 2019 (County=steps 9-11, OCERS Direct=5% to top)	21	10
All other employees	16	17
Total	60	32

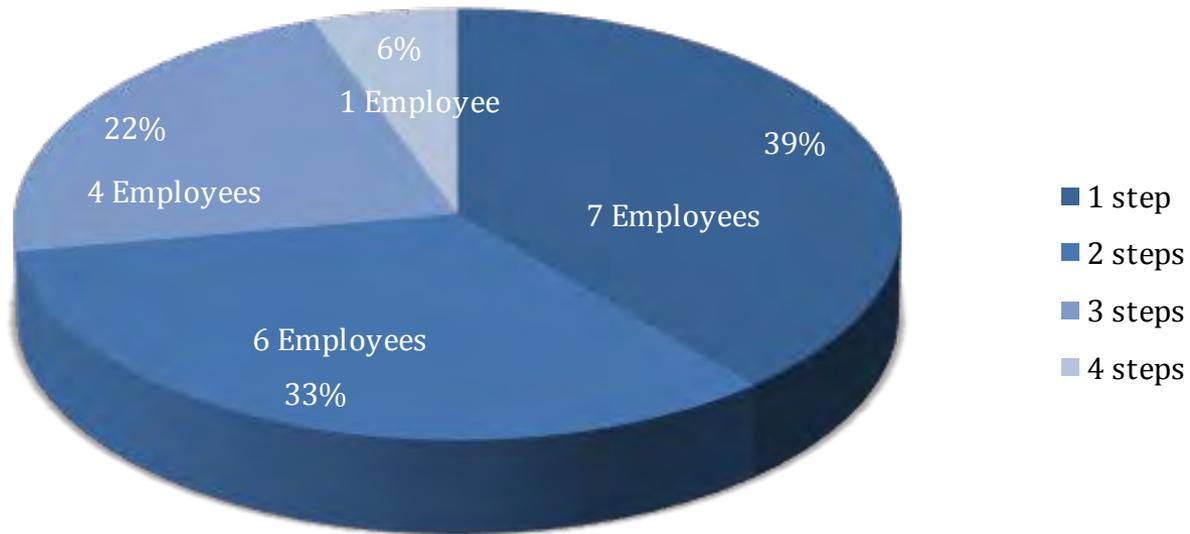
OCERS Direct Performance Rating Counts - 2018

2018 Performance Ratings - OCERS Employees



County Staff Performance Rating Counts – 2018

Performance Rating 2018 Step Changes



County Staff Performance Rating Counts – 2018

	Number of Employees	Increase Received				
		4 Steps	3 Steps	2 Steps	1 Steps	Other
Staff with 4 or more steps available	8	1	3	2	2	
Staff with 3 steps available	5		1	2	1	1 ⁽¹⁾
Staff with 2 steps available	4			2	2	
Staff with 1 step available	2					2
Staff at Top of Range	24					24
New Employees	5					5 ⁽²⁾
Promoted Employees	7					7 ⁽²⁾
Vacant Positions	5					5
	60	1	4	6	7	42

Notes:

⁽¹⁾ One employee will receive review later in calendar 2018.

⁽²⁾ New employees and promoted employees will be reviewed at their anniversary dates. At that time these employees will be eligible for increases.

OCERS Direct Employees Salary Ranges

2.5% Salary Range Increase (Effective date January 1, 2019)

OCERS Employee Position	Current Annual Minimum	Revised Annual Minimum	Current Annual Midpoint	Revised Annual Midpoint	Current Annual Maximum	Revised Annual Maximum
Chief Investment Officer	\$210,000	\$215,250	\$262,500	\$269,063	\$315,000	\$322,875
General Counsel	\$133,245	\$136,576	\$198,083	\$203,035	\$262,920	\$269,493
Assistant Chief Executive Officer	\$133,245	\$136,576	\$182,648	\$187,214	\$232,050	\$237,851
Managing Director of Investment Operations	\$133,245	\$136,576	\$182,648	\$187,214	\$232,050	\$237,851
Director of Investment Operations	\$133,245	\$136,576	\$164,378	\$168,487	\$195,510	\$200,398
Deputy Legal Counsel	\$133,245	\$136,576	\$164,378	\$168,487	\$195,510	\$200,398
Director of Member Services	\$118,860	\$121,832	\$139,230	\$142,711	\$159,600	\$163,590
Director of Administrative Services	\$115,185	\$118,065	\$133,035	\$136,361	\$150,885	\$154,657
Director of Finance	\$112,665	\$115,482	\$135,293	\$138,675	\$157,920	\$161,868
Staff Attorney	\$112,350	\$115,159	\$139,860	\$143,357	\$167,370	\$171,554
Senior Investment Officer	\$106,680	\$109,347	\$135,608	\$138,998	\$164,535	\$168,648
Director of Internal Audit	\$105,630	\$108,271	\$132,038	\$135,338	\$158,445	\$162,406
Director of Information Technology	\$103,425	\$106,011	\$129,308	\$132,540	\$155,190	\$159,070
Director of Cyber Security	\$103,425	\$106,011	\$127,155	\$130,334	\$150,885	\$154,657
Investment Officer	\$80,115	\$82,118	\$106,838	\$109,508	\$133,560	\$136,899
Internal Auditor	\$70,770	\$72,539	\$88,410	\$90,620	\$106,050	\$108,701
Senior Investment Analyst	\$70,140	\$71,894	\$93,555	\$95,894	\$116,970	\$119,894
Information Technology Manager	\$63,735	\$65,328	\$98,648	\$101,114	\$133,560	\$136,899
Senior Retirement Manager	\$63,735	\$65,328	\$98,648	\$101,114	\$133,560	\$136,899
Finance Manager	\$60,165	\$61,669	\$88,830	\$91,051	\$117,495	\$120,432
Member Services Manager	\$60,165	\$61,669	\$88,830	\$91,051	\$117,495	\$120,432
Disability Manager - New Position		\$61,669		\$91,051		\$120,432
Training Manager - New Position		\$61,669		\$91,051		\$120,432
Contracts, Risk & Performance Administrator	\$60,165	\$61,669	\$88,830	\$91,051	\$117,495	\$120,432
Staff Analyst	\$60,165	\$61,669	\$80,273	\$82,279	\$100,380	\$102,890
Communications Manager	\$60,165	\$61,669	\$83,948	\$86,046	\$107,730	\$110,423
Investment Analyst	\$60,165	\$61,669	\$80,273	\$82,279	\$100,380	\$102,890



2019 Administrative Budget

\$26,432,830

(Staff Recommendation 1)



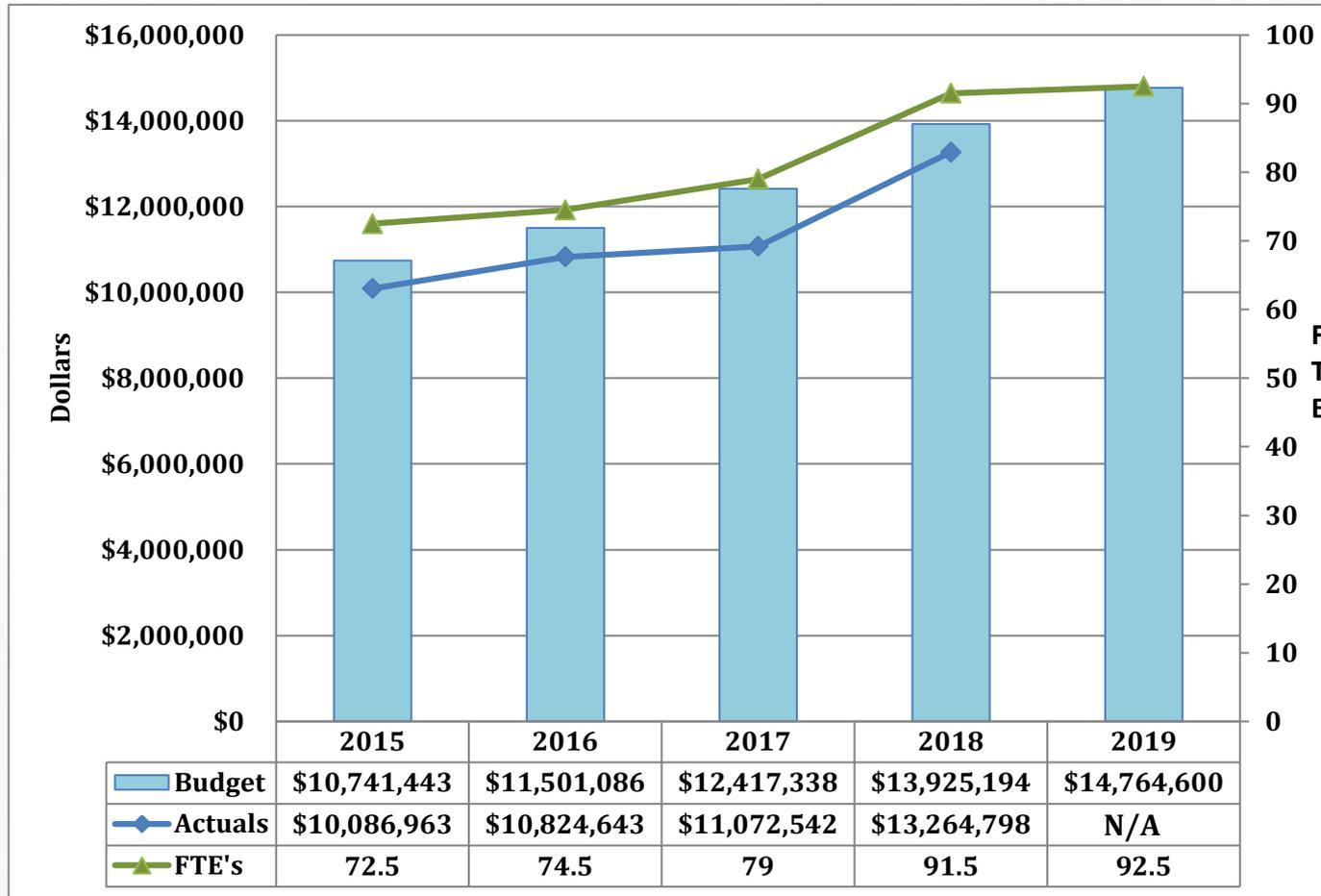
Personnel Costs

\$14,764,600

(Staff Recommendation 1 a.)



Budget versus Actuals Trend Personnel Costs and FTE's



Personnel Costs-Compensation

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Annual Salary	\$ 5,946,254	\$ 6,111,081	\$ 6,463,704	\$ 7,275,690	\$ 8,646,011	\$ 1,370,321	18.8%
Certification Pay*	N/A	N/A	N/A	52,026	76,570	24,544	47.2%
Fringe Benefits	3,392,905	3,418,891	3,482,839	4,420,903	4,818,454	397,551	9.0%
Overtime	139,073	101,304	92,847	160,903	129,220	(31,683)	-19.7%
Annual Leave	327,313	266,184	106,248	325,000	375,000	50,000	15.4%
Temp Help/ Extra Help	95,548	542,545	623,254	556,091	194,200	(361,891)	-65.1%
Performance Adjustments	172,770	370,038	287,249	457,685	508,145	50,460	11.0%
Board Allowance	13,100	14,600	16,400	16,500	17,000	500	3.0%
Total Personnel Costs	\$ 10,086,963	\$ 10,824,643	\$ 11,072,542	\$ 13,264,798	\$ 14,764,600	\$ 1,499,802	11.3%

* Certification pay adopted as of FY18 Budget.

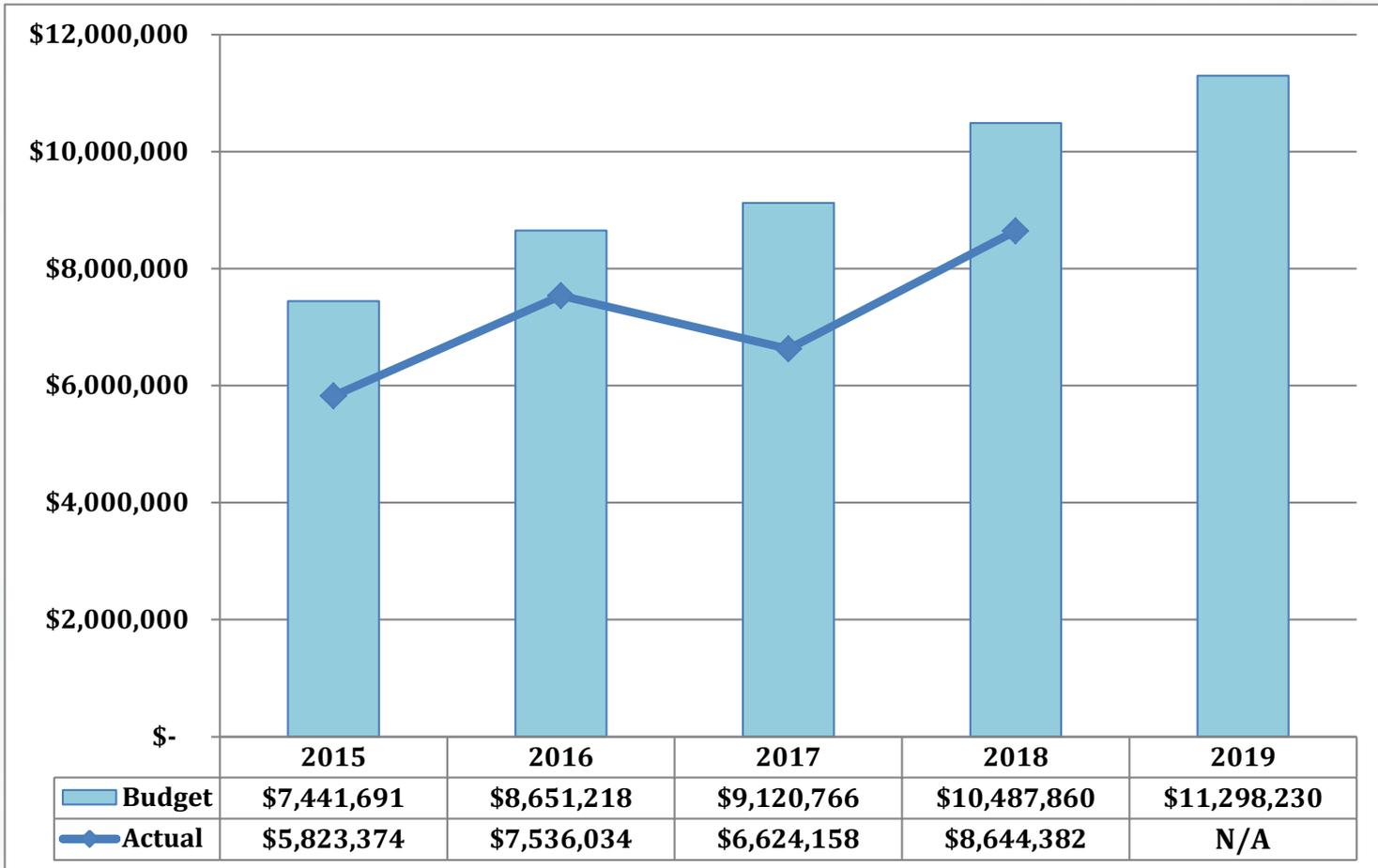


Services and Supplies

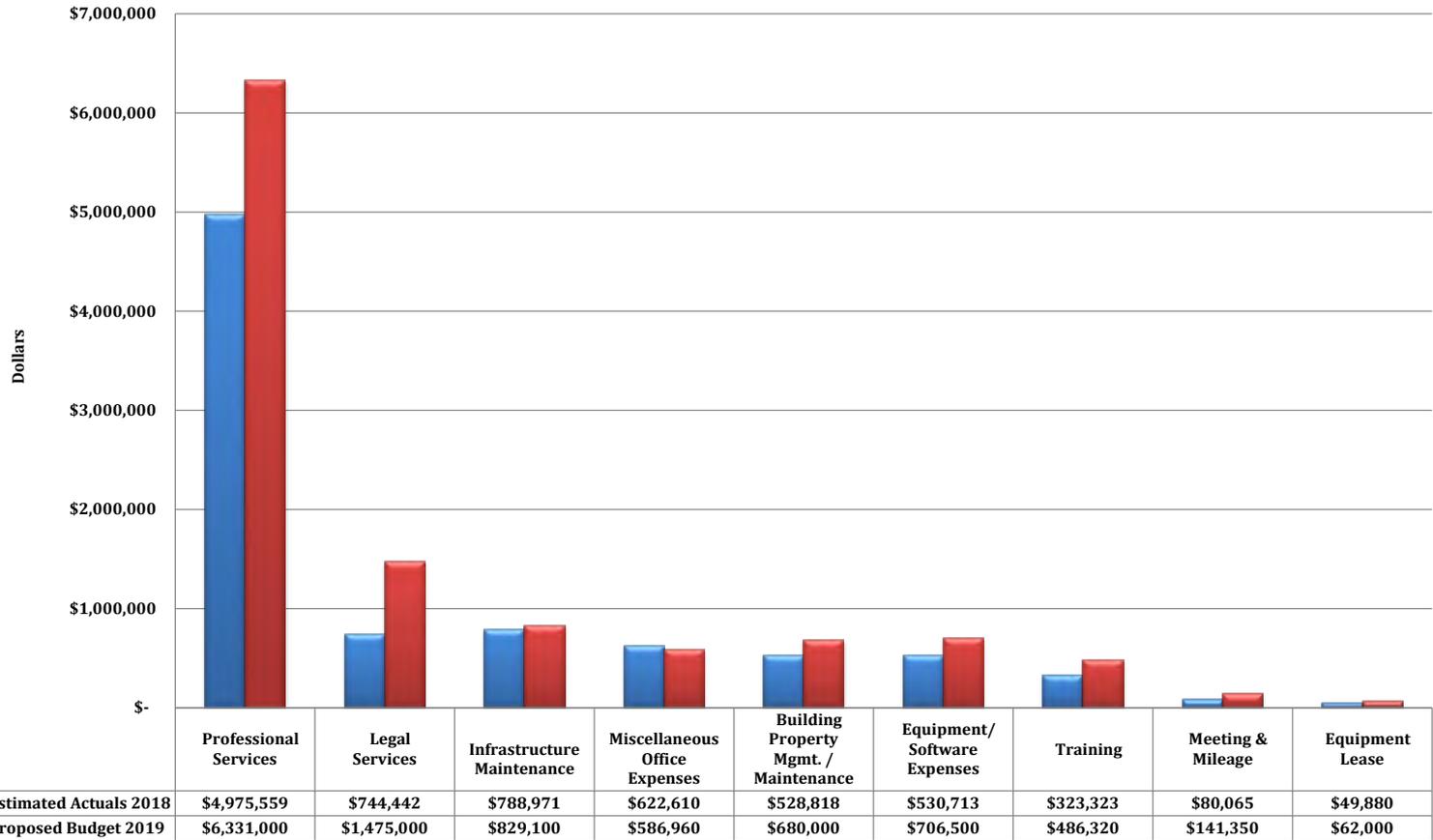
\$11,298,230

(Staff Recommendation 1 b.)

Budget versus Actuals - Trend Services and Supplies



Services and Supplies Proposed versus Estimated Actuals



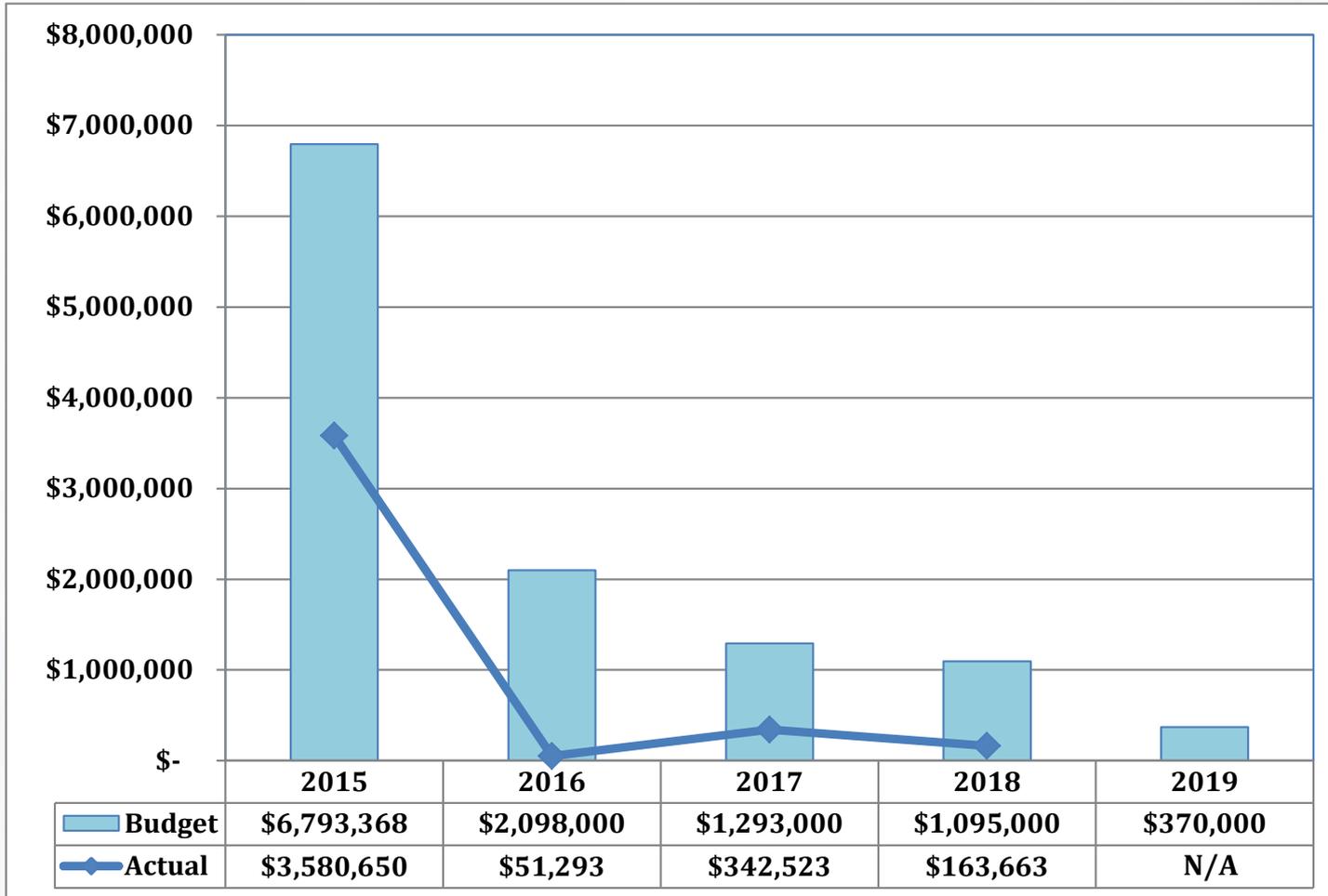


Capital Expenditures

\$370,000

(Staff Recommendation 1 c.)

Budget vs. Actuals Trend Capital Expenditures



Capital Expenditures

➤ Building HVAC Repair	\$120,000
➤ Board Room A/V Improvements	<u>\$250,000</u>
Total	\$370,000

21 Basis Points Test

Orange County Employees Retirement System
21 Basis Points for Budget Year 2019

Projected actuarial accrued liability as of December 31, 2018	\$20,666,562,000
21 basis points of projected actuarial accrued liability	43,399,780
FY19 proposed budget amount subject to 21 basis points limitation ¹	<u>18,447,742</u>
Amount under 21 basis points	<u>\$24,952,038</u>
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY19	8.93
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY18	9.31

¹ Reconciliation of amount subject to 21 basis points limitation:

Total FY19 proposed budget	\$26,432,830
Less: Investment-related costs	<u>(6,326,088)</u>
Total FY19 proposed administrative budget	20,106,742
Less: IT Capital expenses	-
Computer hardware/software	(589,000)
IT-Professional services consulting	<u>(1,070,000)</u>
FY19 proposed budget amount subject to 21 basis points limitation	<u><u>\$18,447,742</u></u>

21 Basis Point History

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
21 Basis Points	7.97	8.48	8.55	9.31	8.93

18 Basis Points Test

Orange County Employees Retirement System
18 Basis Points for Budget Year 2019

Projected actuarial value of total assets as of December 31, 2018	\$15,632,587,000
18 basis points of projected actuarial value of assets	28,138,657
FY19 proposed budget amount subject to 18 basis points limitation ¹	<u>22,201,042</u>
Amount under 18 basis points	<u>\$5,937,615</u>
Budgeted amount expressed as basis points of projected actuarial value of assets-FY19	14.20
Budgeted amount expressed as basis points of projected actuarial value of assets-FY18	14.48

¹ Reconciliation of amount subject to 18 basis points limitation

Total FY 19 proposed budget	\$26,432,830
Less: Investment-related costs	<u>(6,326,088)</u>
Total FY 19 proposed administrative budget	20,106,742
Less: Capital expenses	(370,000)
Add: Projected depreciation cost	2,464,300
FY 19 proposed budget amount subject to 18 basis points limitation	<u>\$22,201,042</u>

Note: The 18 basis points calculation above is for informational and comparison purposes only.

18 Basis Point History	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
18 Basis Points	11.88	12.26	14.56	14.48	14.20



End of Presentation

Questions?

Brenda Shott, Assistant CEO (Internal Operations)

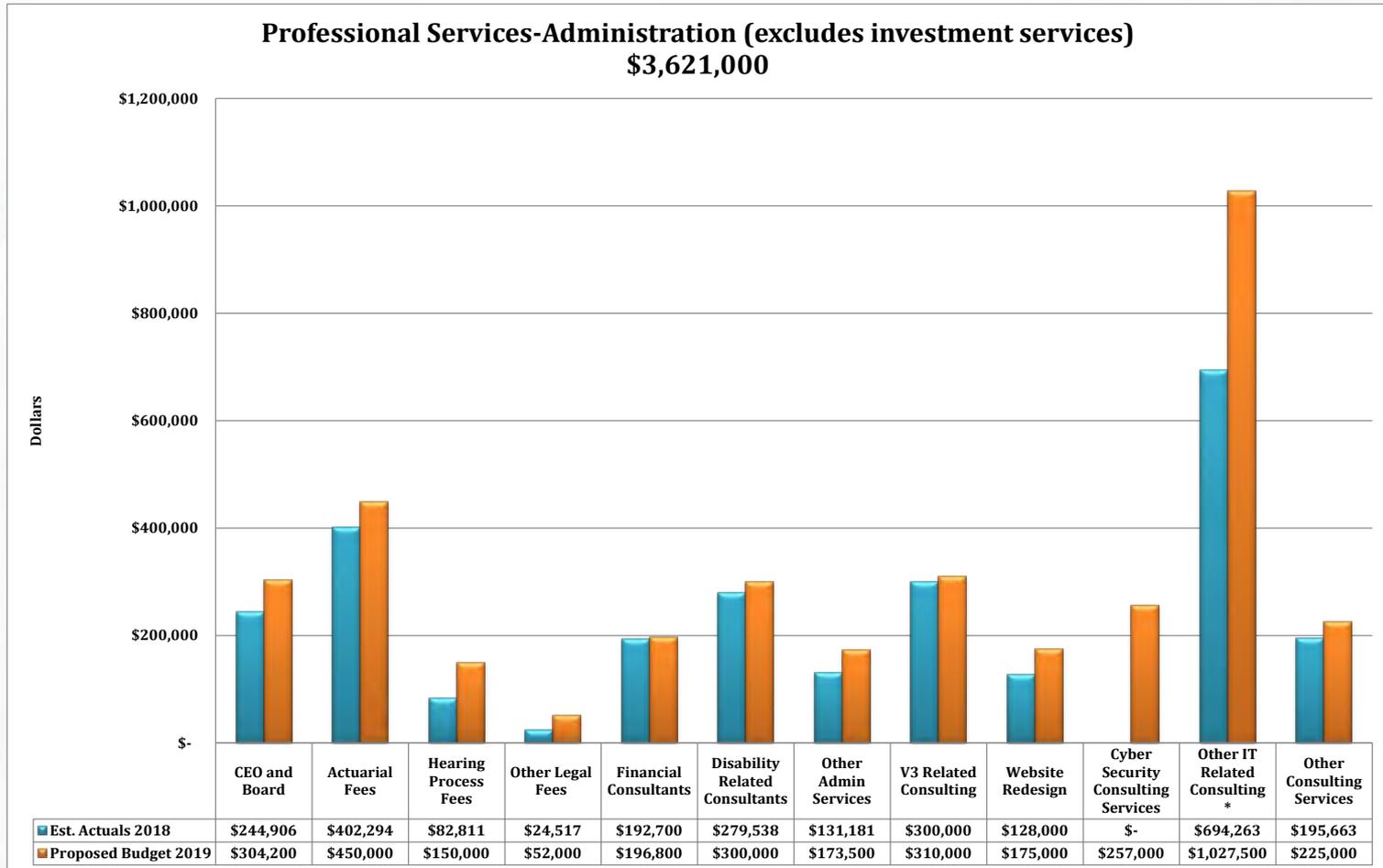
Tracy Bowman, Director of Finance





Appendix

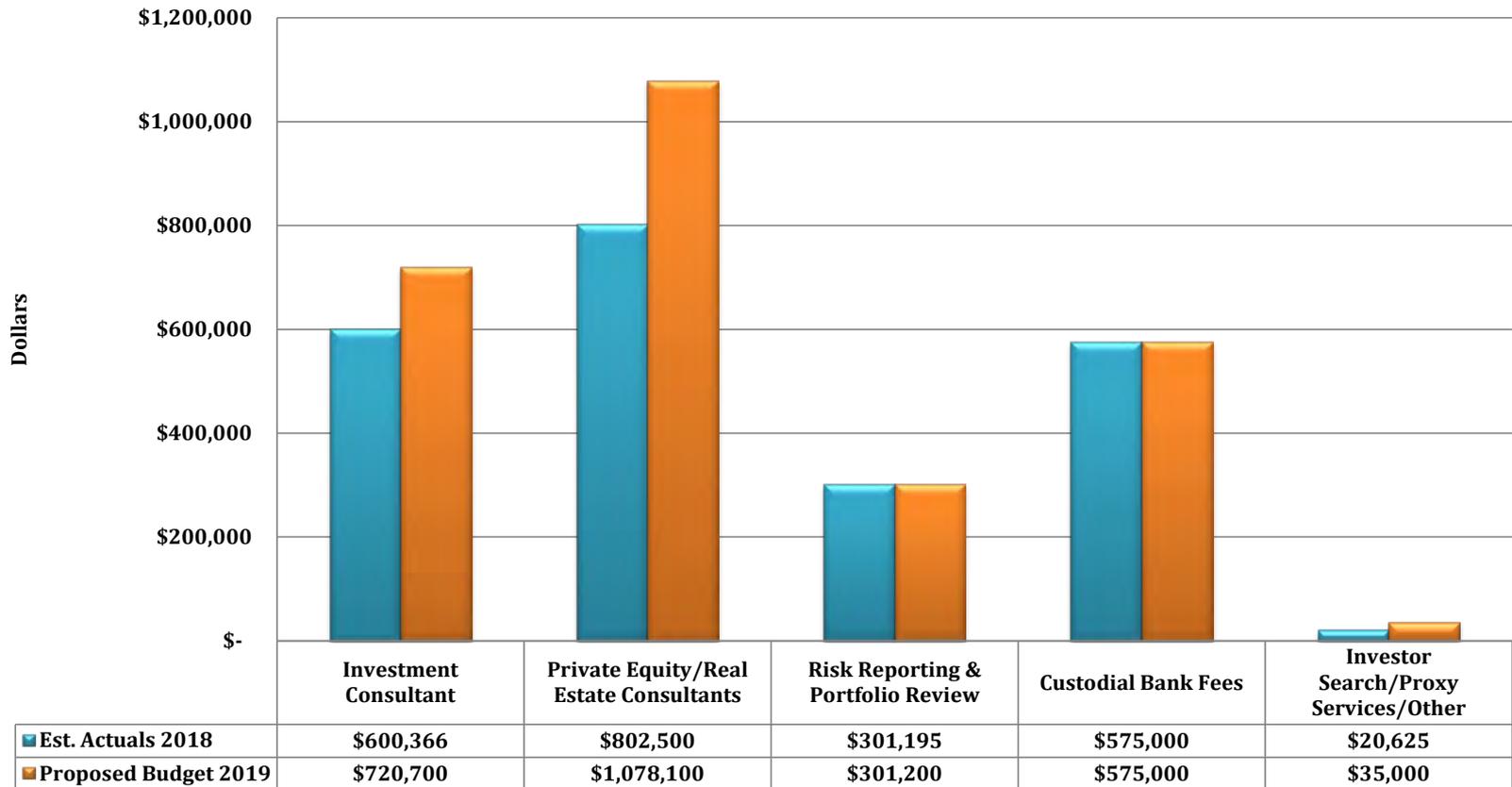
Appendix - Professional Services Administration



*Gartner moved to Professional Services from Misc. Office Expense in FY19

Appendix - Professional Services Investments

Professional Services-Investments \$2,710,000





2019
ADMINISTRATIVE BUDGET

TABLE OF CONTENTS

Section I – Introduction	3
Section II – Budget Policies and Process.....	5
Section III – Executive Summary - 2019 Administrative Budget	7
Section IV –2019 Administrative Budget	10
Appendix	18
A - 2019 Administrative Budget Detail by Department	
B - 2019 Administrative Budget Detail by Expense Category	
C - 2019 Personnel Cost Budget	
D - 21 Basis Points for Budget Year 2019	
18 Basis Points for Budget Year 2019	
E - 5 Year Budget Comparison	
5 Year Actuals Comparison	
F - Historical Statistics	
G - OCERS' Direct Employees Salary Ranges (effective January 1, 2019)	
H - Job Descriptions - New OCERS' Direct Positions	
Member Services - Disability Manager (Draft)	
Training Manager (Draft)	

SECTION I – INTRODUCTION

The 2019 Administrative Budget was developed based on the 2019 Business Plan which is directly linked to the 2019-2021 Strategic Plan. OCERS' Mission Statement and 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 2019 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 2019 Business Plan presented to the Board at the Strategic Planning Meeting held on September 12-13, 2018 and formally adopted by the Board at the Regular Board Meeting held on October 15, 2018. In addition, further direction was provided to staff by the Board at the 2019 Budget Workshop held on October 18, 2018.

The 2019 Administrative Budget includes the funding of business plan initiatives to help OCERS achieve its strategic goals. This includes improving customer service standards by enhancing V3

workflows, monitoring and reporting, as well as completing OCERS' website redesign project, which will provide additional resources to educate members and Plan Sponsors. In addition to service and support related initiatives, other business plan initiatives with a budget impact are in the area of cultivating a risk-intelligent organization, including performing third party penetration tests of OCERS' networks and websites, developing incident response and security management and detection programs, implementing a continuous vulnerability assessment and remediation program, and the continuation from prior year of planning and implementing facility upgrades.

The 2019 Administrative Budget also includes costs associated with the strategic goal to recruit, retain and inspire a high-performing workforce, including the hiring of a Training Manager, a newly created position that will assist in implementing a comprehensive training program covering general pension administration and OCERS' policies, processes and procedures.

2019 Administrative Budget Summary

Staff recommends a 2019 Administrative Budget of \$26,432,830 which is:

- \$.9 million or 3.6% greater than the 2018 Budget
- \$4.3 million or 19.7% greater than 2018 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 FY19 Administrative Budget represents 8.93 basis points of the projected actuarial accrued liability. The FY19 Administrative Budget also meets the Board's policy limitation of 18 basis points of the projected actuarial value of total assets and represents 14.19 basis points of assets for FY19. 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.

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 requests, 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 proposed 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 – EXECUTIVE SUMMARY - 2019 ADMINISTRATIVE BUDGET

The overall administrative budget for 2019 is summarized by the following categories of expenses:

- Personnel Costs
- Services and Supplies
- Capital Expenditures

The 2019 Administrative Budget is based on estimates of anticipated expenses for personnel costs, services and supplies, 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 in the investments department and the addition of a Training Manager to fulfill OCERS’ 2019 Business Plan initiative to implement a comprehensive training program. The 2019 Administrative Budget also includes performance/salary adjustments for the existing staffing plan. In addition, costs have been budgeted under professional services related to business initiatives to support the strategic and business plan goals of achieving excellence in service and support and cultivating a risk intelligent organization. Capital expenditures related to required upgrades/maintenance to the OCERS headquarters building have also been budgeted.

Notable components in the 2019 Administrative Budget include:

Personnel Costs:

- Staffing changes as outlined below result in a net increase in budgeted positions of one full-time equivalent (FTE) and three new classifications in the Legal, Finance and Disability departments at a total budget impact of \$138,500:

	Position Title	Department	Position Type	Change	Salary Range	Budget Impact
1	Investment Analyst	Investments	OCERS Direct	New Position	\$61,669-\$120,432	\$137,000
2	Training Manager	Admin Services	OCERS Direct	New Position	\$61,669-\$120,432*	\$135,000
3	Accountant/Auditor	Finance	County	Unfund Position (Keep Classification)	\$53,206-\$71,698	\$(106,000)
3	Staff Attorney	Legal	OCERS Direct	Add Classification	\$115,159-\$171,554	\$(55,000)
4	Disability Manager	Disability	OCERS Direct	Add Classification	\$61,669-\$120,432*	\$21,500
5	Accountant/Auditor	Finance	County	Add Classification	\$53,206-\$71,698	\$6,000

*New OCERS’ Direct salary range to be approved as part of 2019 Staff Plan

- An average fringe benefit rate of 52.2% of total salaries
- Performance/salary adjustments for OCERS’ direct employees based on a rating scale that includes a base increase of 2.5% for those that meet expectations; a base of 2.5%

plus a merit increase of 2.75% for exceeds expectations; and a base of 2.5% plus two merit increases totaling 5.50% (2.75% x2) for exceptional performance at an estimated total annual cost of \$315,000

- Step increases for approximately 37 County staff not at the top of the established salary range and across the board salary increases for all County staff as dictated by County MOU at a cost of \$193,000
- Decrease of approximately \$362,000 in temporary help due to the nearly completed recruitment of 12 new positions that were approved in the FY18 Staffing Plan
- Pay item of 5.5% of salary for employees obtaining the designations of Chartered Financial Analyst, and Certified Professional Accountant totaling \$77,000
- Staff is recommending to adjust all existing OCERS' direct salary ranges by the proposed base increase of 2.5%. Refer to *Appendix G – OCERS' Direct Employees Salary Ranges (effective January 1, 2019)*

Services and Supplies:

- New recurring professional services expenses, including:
 - Managed security services to support the business initiative of implementing managed security/managed detection and response services for information/cyber security at a cost of \$100,000
 - Additional license for the recently hired Director of Cyber Security at a cost of \$58,750
 - Information Security contingency to support business initiative of implementing a continuous vulnerability assessment and remediation program at an estimated cost of \$50,000
 - Cyber Security Vendor Monitoring Services business initiative of \$35,000
 - Insurance premiums for Employment Practices Liability totaling \$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 \$310,000 (including \$100,000 to support the business initiative to enhance V3 workflows, monitoring and reporting)
 - Additional IT programming, report development and support consultant at a cost of \$200,000 (including \$25,000 to support business initiative to develop OCERS' data map, data classification structure and data exchange flows and identify associated risks)
 - Completion of website redesign business initiative at an estimated cost of \$175,000
 - Office 365 migration consultant services at a cost of \$150,000
 - Internal Audit consultants, including Cyber Security Audit, IT general controls (ITGC) audit and peer review, at an estimated cost of \$150,000
 - Security penetration testing to support the business initiatives for third party penetration tests of OCERS' network and new website at a cost of \$100,000

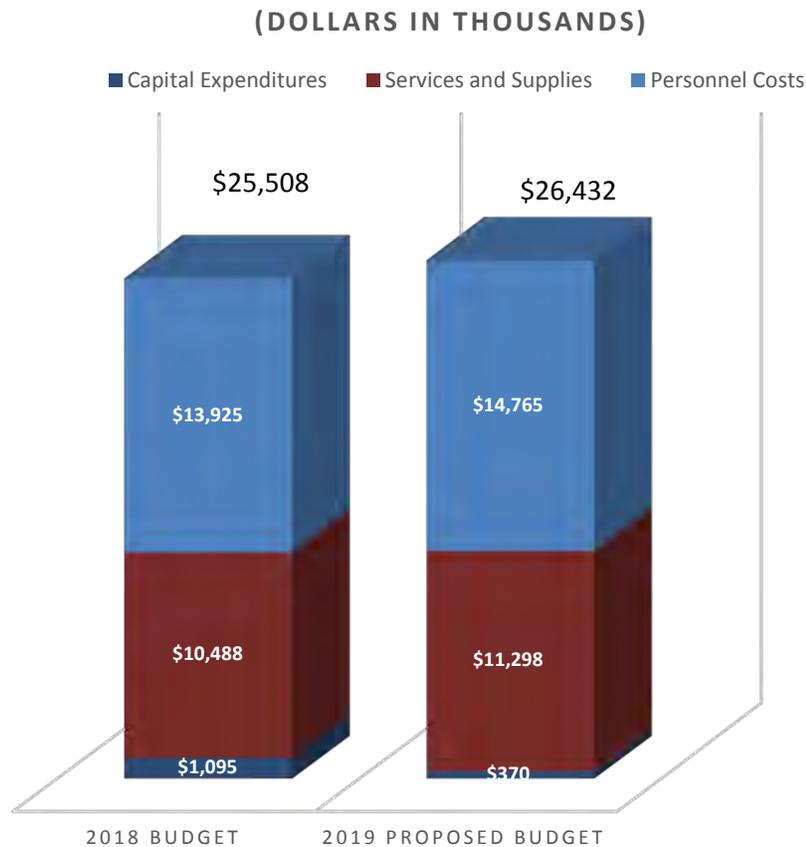
- Production costs for creating how-to videos that will provide education to members and stakeholders about OCERS' benefits on the newly designed website at an estimated cost of \$50,000
- Business Continuity/Disaster Recovery tabletop exercises and review and update of plans at a cost of \$35,000
- Lean Six Sigma consultant for process and performance improvement at an estimated cost of \$25,000
- Training Program Consultant to support the business initiative of implementing a comprehensive training program at an estimated cost of \$25,000
- Investment legal services to support the expansion of OCERS' direct private equity program at an estimated cost of \$750,000
- Legal services for other potential litigation matters at an estimated cost of \$500,000
- Building management and maintenance includes a one-time roof repair at an estimated cost of \$120,000
- Various software solutions, including anti-spam, security patch management solution, and hardware/software inventory solutions, to support the business initiative to implement tools to mitigate the risk of data or financial loss or information disclosure at an estimated cost of \$110,000

Capital Expenditures:

- Capital expenditures totaling \$370,000 include building security enhancements and necessary HVAC repairs and audio visual and technology upgrades

SECTION IV –2019 ADMINISTRATIVE BUDGET

Comparison to 2018 Administrative Budget



The total administrative budget for 2019 is \$26.4 million, representing a total increase of \$.9 million or 3.6% from the 2018 Budget of \$25.5 million. The majority of this increase can be attributed to an increase in personnel costs of \$.8 million can be attributed to performance adjustments that were granted in FY18 being included in annual salary in fiscal year 2019 (FY19) and the addition of two new OCERS' direct positions, as well as funding for FY19 salary/performance adjustments. The overall budget increase can also be attributed to a \$.8 million increase in services and supplies in the legal services category and in the professional services category for both non-recurring and recurring consulting services related to several business plan initiatives to support the strategic plan goals of excellent service and support and risk management. These increases were offset by a \$.7 million decrease in capital expenditures related to the planning and implementation of facility upgrades and space management projects budgeted in FY18 that have been postponed pending further analysis of these projects. A detailed comparison between the FY19 Proposed Administrative Budget and FY18 Administrative Budget, as well as FY18 estimated actuals, are discussed further in the following *Administrative Budget Summary*.

Administrative Budget Summary

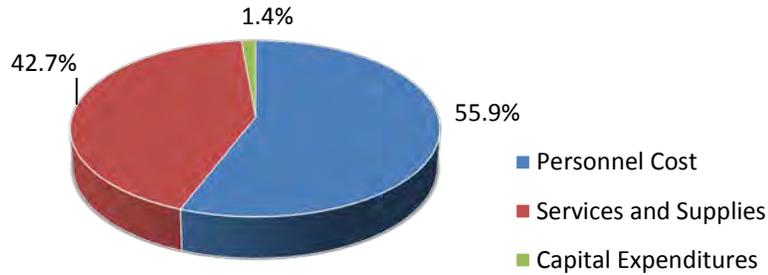
The Administrative Budget is prepared in accordance with the limits of Section 31580.2 of the County Employees Act of 1937 which limits the budget to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system (commonly referred to as the 21 basis point test), excluding investment-related costs of \$6.3 million and expenditures for computer software, hardware and related technology consulting services totaling \$1.7 million in the FY19 Administrative Budget. The 2019 Administrative Budget, at 8.93 basis points, is nearly \$25 million under the cap limit of \$43.4 million (see Appendix D – 21 Basis Points for Budget Year 2019).

A summary of the FY18 Administrative Budget compared to FY18 estimated actuals and the FY19 Proposed Administrative Budget compared to FY18 estimated actuals is provided below:

	Budget 2018	Estimated Actuals 2018	2018 Over/(Under) Budget	Proposed Budget 2019	2019 Proposed Budget vs. 2018 Actuals Over/(Under)	
Personnel Costs	\$13,925,194	\$13,264,798	(\$660,396)	\$14,764,600	\$1,499,802	11.3%
Services and Supplies						
Professional Services	5,975,900	4,975,559	(1,000,341)	6,331,000	1,355,441	27.2%
Legal Services	1,067,370	744,442	(322,928)	1,475,000	730,558	98.1%
Infrastructure Maintenance	764,300	788,971	24,671	829,100	40,129	5.1%
Equipment/Software Expenses	586,700	530,713	(55,987)	706,500	175,787	33.1%
Building Prop Mgmt/Maint	730,000	528,818	(201,182)	680,000	151,182	28.6%
Miscellaneous Office Expense	680,970	622,610	(58,360)	586,960	(35,650)	-5.7%
Training	514,670	323,323	(191,347)	486,320	162,997	50.4%
Meetings & Mileage	117,950	80,065	(37,885)	141,350	61,285	76.5%
Equipment Lease	50,000	49,880	(120)	62,000	12,120	24.3%
Services and Supplies	10,487,860	8,644,381	(1,843,479)	11,298,230	2,653,849	30.7%
Capital Expenditures*	1,095,000	163,663	(931,337)	370,000	206,337	126.1%
Administrative Expense Total	\$25,508,054	\$22,072,842	(\$3,435,212)	\$26,432,830	\$4,359,988	19.8%

*Capital expenditures represent purchases of assets to be amortized in future periods.

FY19 Proposed Administrative Budget



Personnel Costs

A summary of the FY18 budgeted personnel costs compared to FY18 estimated actuals and the FY19 proposed budgeted personnel costs compared to FY18 estimated actuals is provided below:

	Budget 2018	Estimated Actuals 2018	2018 Over/(Under) Budget	Proposed Budget 2019	2019 Proposed Budget vs. 2018 Actuals Over/(Under)	
Personnel Costs:						
Annual Salary	\$8,212,243	\$7,275,690	(\$936,553)	\$8,646,011	\$1,370,321	18.8%
Fringe Benefits	4,601,325	4,420,903	(180,422)	4,818,454	397,551	9.0%
Performance/Salary Adjustments*	351,995	457,685	105,690	508,145	50,460	11.0%
Annual Leave	325,000	325,000	0	375,000	50,000	15.4%
Temp Help	235,300	556,091	320,791	194,200	(361,891)	-65.1%
Overtime	115,687	160,903	45,216	129,220	(31,683)	-19.7%
Certification Pay	68,644	52,026	(16,618)	76,570	24,544	47.2%
Board Allowance	15,000	16,500	1,500	17,000	500	3.0%
Total Personnel Costs	\$13,925,194	\$13,264,798	(\$660,396)	\$14,764,600	\$1,499,802	11.3%

*All performance/salary adjustments are budgeted in Administrative Services Department until awarded.

Personnel Costs for 2019 are \$14.8 million and represent 55.9% of the total Administrative Budget. Personnel costs are detailed by department in Appendix C and include salaries, fringe benefits (e.g., health insurance, retirement and deferred compensation), performance/salary

adjustments, accrued annual leave, temporary/extra help costs, estimated overtime, certification pay for Board approved certifications, and Board allowance for meeting attendance.

The total budget for personnel costs is \$1.5 million or 11.3% higher than the FY18 estimated actuals for personnel costs. This is due to the timing of filling vacancies for 12 new positions that were created in the FY18 Staffing Plan as a result of the workforce analysis study performed by Management Partners in 2017. The increase can also be attributed to performance and salary adjustments of \$425,000 that were granted in FY18 being included in annual salary in FY19, as well as unbudgeted MOU increases for County employees that were granted in FY18 totaling \$32,000. In addition, the proposed FY19 Staffing Plan will result in the funding of two new OCERS' direct positions; an Investment Analyst to manage workloads attributed to an increase in the assets being managed by OCERS, and a Training Manager, a newly created position to support the strategic goal for implementing a comprehensive training program covering OCERS' policies, processes and procedures. The addition of these positions will be offset by the cost of a vacant Accountant/Auditor I position and will result in a net increase of one FTE position, bringing OCERS' total budgeted positions to 93.

Staff is also proposing adding three additional approved classifications that can be used for career growth when warranted:

- 1 Staff Attorney (for career growth to existing Deputy General Counsel position)
- 1 Accountant/Auditor (for career growth of existing Accounting Technician position)
- 1 Disability Manager (for career growth of existing Disability Coordinator position)

These additional classifications do not increase the approved number of employees. The cost impact for utilizing the recommended career ladder classifications is equivalent to the difference in the salary range between the two related classifications and the applicable fringe factor. These classifications will be in addition to the three previously approved career ladder classifications that exist in the Investments department (Senior Investment Officer and Senior Investment Analyst), and the Finance department (Accountant/Auditor I). The recommended additional classification will result in OCERS total approved classifications to 99, of which 93 positions will be funded.

Below is a summary of the changes to the FY19 Staffing Plan, which reflects a total net budget impact for salaries and related fringe benefits of \$138,500:

	Position Title	Department	Position Type	Change	Salary Range	Net Budget Impact
1	Investment Analyst	Investments	OCERS Direct	New Position	\$61,669-\$120,432	\$137,000
2	Training Manager	Admin Services	OCERS Direct	New Position	\$61,669-\$120,432*	\$135,000
3	Accountant/Auditor	Finance	County	Unfund Position (Keep Classification)	\$53,206-\$71,698	\$(106,000)
3	Staff Attorney	Legal	OCERS Direct	Add Classification	\$115,159-\$171,554	\$(55,000)
4	Disability Manager	Disability	OCERS Direct	Add Classification	\$61,669-\$120,432*	\$21,500
5	Accountant/Auditor	Finance	County	Add Classification	\$53,206-\$71,698	\$6,000

*New OCERS' Direct salary range to be approved as part of the Fiscal Year 2019 Staffing Plan

The FY19 Administrative Budget for personnel costs also includes the following components:

- An average fringe benefit rate of 52.2% of total salaries
- Performance/salary adjustments for OCERS' direct employees based on a rating scale that includes a base increase of 2.5% for those that meet expectations; a base of 2.5% plus a merit increase of 2.75% for exceeds expectations; and a base of 2.5% plus two merit increases totaling 5.50% (2.75% x2) for exceptional performance at an estimated total annual cost of \$315,000
- Step increases for approximately 37 County staff not currently at the top of the established salary range and across the board increases for all County staff as dictated by County MOU at a cost of \$193,000
- Decrease of approximately \$362,000 in temporary help due to the nearly completed recruitment of 12 new positions that were approved in the FY18 Staffing Plan
- Pay item of 5.5% of salary for employees obtaining the designations of Chartered Financial Analyst and Certified Professional Accountant totaling \$77,000

Salary Ranges

In accordance with OCERS' Compensation Philosophy, salary ranges are reviewed annually with an intended purpose of keeping total compensation competitive. Staff is recommending to adjust all existing OCERS' direct salary ranges by the proposed base increase of 2.5%. Refer to *Appendix G – OCERS' Direct Employees Salary Ranges (effective January 1, 2019)*.

Services and Supplies

Services and Supplies costs for 2019 are \$11.3 million, which is 42.7% 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 \$6.3 million represents the largest percentage of Services and Supplies and comprises 24% of the total Administrative Budget. This category includes investment-related consulting fees, actuarial and audit fees, medical panel reviews, pension administration system consultants, and other IT related consulting and professional services fees. The overall increase of approximately \$1.4 million or 27.2% from FY18 estimated actuals is due to the FY19 budget reflecting a full year of consulting fees for the private equity and real estate consultants, TorreyCove

Capital Partners and Townsend Group, respectively, who were hired late in the second quarter of FY18, resulting in an increase for these fees of \$276,000, as well as planned contractual increases of \$120,000 for OCERS' investment consultant, Meketa Investment Group. In addition, new recurring costs were added in FY19 related to the business plan goal of cultivating a risk-intelligent organization, including a cost of \$100,000 for managed security services, an information security contingency to support the business initiative of implementing a continuous vulnerability assessment and remediation program at an estimated cost of \$50,000, and cyber security vendor monitoring services of \$35,000. The budget also includes a new recurring cost of \$58,750 for an additional Gartner license for the recently hired Director of Cyber Security (note: the Gartner membership had previously been categorized as memberships, but the total cost of \$160,000 moved to professional services in FY19). Other new recurring costs include insurance premiums for employment practices liability totaling \$20,000.

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 the pension administration system; V3, including a business initiative to enhance V3 workflows, monitoring and reporting, at a total estimated cost of \$310,000; completion of OCERS' new website at an estimated cost of \$175,000; and the creation of videos that will provide education to members and stakeholders about OCERS' benefits on the newly designed website at an estimated cost of \$50,000. Other non-recurring expenses are included in the budget for business initiatives related to both risk and talent management, including \$100,000 for third party penetration testing of OCERS' networks and website, \$35,000 for Business Continuity/Disaster Recovery tabletop exercises and review and update of plans, \$25,000 to develop OCERS' data map, data classification structure and data exchange flows and identify associated risks, and \$25,000 for a training program consultant to support the business initiative of implementing a comprehensive training program. Other non-recurring costs include \$150,000 for an Office 365 migration consultant, \$175,000 for additional IT programming and development to support Member Services reporting and data query needs, \$150,000 for consulting related to Internal Audit activities, including a cyber-security audit, IT general controls (ITGC) audit and peer review, and \$25,000 for a Six Sigma Lean process consultant.

- **Legal Services** budgeted at \$1,475,000 are 5.6% 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 FY18 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 \$731,000 from FY18 estimated actuals is primarily due to including a higher budget amount for investment related legal costs than was incurred in FY18 to

support the expansion of OCERS' direct private equity program at an estimated cost of \$750,000 and other potential litigation matters at an estimated cost of \$500,000.

- **Infrastructure Maintenance** budgeted at \$829,100 represents 3.1% of the total Administrative Budget and has increased from FY18 estimated actuals by approximately \$40,000 or 5.1%, primarily due to anticipated increases in maintenance renewals and new data center and replication site hardware/software maintenance costs. This budget category includes V3 licensing and support of \$396,000 and other ongoing V3 related costs including Oracle maintenance of \$75,000, \$92,000 for data center maintenance, \$85,000 for Microsoft related software licensing, and several other smaller line items for various software, hardware and mobile device licensing, maintenance, support and security.
- **Equipment/Software Expenses** budgeted at \$706,500 represent 2.7% 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 \$176,000 or 33.1% is primarily due to increased cyber security related software/tools including various software solutions, such as anti-spam, security patch management solution, and hardware/software inventory solutions, to support the business initiative to implement tools to mitigate the risk of data or financial loss or information disclosure at a total cost of \$110,000, as well as \$100,000 for information security remediation. These increases were offset by a \$140,000 decrease in computers and laptops due to the completion of replacing iPads with Microsoft Surface tablets in FY18.
- **Building Management and Maintenance** budgeted at \$680,000 represents 2.6% 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 \$151,000 or 28.6% due to an anticipated roof repair of \$120,000 and a planned increase in occupancy space by OCERS in a recently vacated portion of the third floor to accommodate additional staff hired in FY18.
- **Miscellaneous Office Expense** budgeted at \$586,960 represents 2.2% 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 decreased from FY18 actuals by approximately \$36,000 or -5.7% primarily due to moving the IT-related Gartner membership to professional services, resulting in a \$98,000 decrease in memberships. This decrease was offset primarily by an increase in postage that was budgeted, but not utilized in FY18, and an anticipated increases in telephone charges due to increase in staffing levels.

- **Training** budgeted at \$486,320 represents 1.8% of the total Administrative Budget and has increased from FY18 estimated actuals by about \$163,000 or 50.4%. This category encompasses training and conferences attended by the Board and staff, as well as tuition reimbursement. Although the training budget has declined from FY18 to FY19, estimated actuals came in higher than previous years and it anticipated to grow with the increase in staff and training-related strategic goals and business initiatives.
- **Meetings and Mileage** budgeted at \$141,350 represents 0.5% of the total Administrative Budget. The majority of the expenses relates to Board meeting costs. The budget has increased by \$61,000 or 76.5% compared to FY18 estimated actuals primarily due to an anticipated increase in investment manager due diligence meetings with the planned increase in Investment staff.
- **Equipment Lease** budgeted at \$62,000 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 increase of \$12,000 or 24.3% from FY18 estimated actuals is due additional copier needs for the planned occupancy of the third floor of OCERS' headquarters building.

Capital Expenditures

Capital Expenditures for 2019 are \$370,000 and are 1.4% of the total Administrative Budget. The 2019 Administrative Budget is approximately \$200,000 lower than FY18 estimated actuals primarily due the planning and implementation of facility upgrades and space management projects budgeted in FY18 being postponed pending further analysis of these projects. The FY19 budget includes funding of business initiatives to support the strategic goal of risk management, including building security enhancements and facility upgrades related to the Boardroom and major HVAC repairs.

APPENDIX

Appendix A
2019 Administrative Budget Detail by Department

Department	Account Group	Description	Total
0001 - BOARD	Personnel Cost	Annual Salary	\$17,000
	Personnel Cost Total		\$17,000
	Professional Svcs	Security	\$9,200
		Board Election	50,000
	Professional Svcs Total		\$59,200
	Training	Board Approved Conferences	\$16,000
		CALAPRS	11,000
		NASRA	10,000
		SACRS	15,000
		Strategic Planning	20,000
		UC Berkeley	3,000
	Training Total		\$75,000
	Mtg/Mileage	Miscellaneous Meetings	\$12,000
		Membership Committee Meetings	1,000
	Mtg/Mileage Total		\$13,000
	Membership	CALAPRS	\$2,500
		NASRA	2,850
		NCPERS	2,000
		SACRS	6,000
		NIRS	3,100
		Membership Total	
0001 - BOARD Total			\$180,650
0010 - EXECUTIVE	Personnel Cost	Annual Salary	\$786,355
		Fringe Benefits	448,988
		Certification Pay	13,784
		Overtime	1,527
		Leave P/O	34,226
		Temp Help	15,000
		Personnel Cost Total	
	Professional Svcs	CEO Contingency	\$75,000
		Insurance Premiums	120,000
		Lean Process Consultant/Study	25,000
		Training Program Consultant	25,000
	Professional Svcs Total		\$245,000
	Training	CALAPRS	\$10,000
		GFOA Conference	2,300
		IFEBP	2,500
		LCW Employment Law Conference	1,500
		Miscellaneous Conferences/Training	12,000
		Public Pension Financial Forum	3,000
		SACRS	10,000
		NCPERS - General & Safety	3,600
		NASRA/NIRS	5,000
		CEM Conference	2,400
	Training Total		\$52,300
	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	4,000
	Mtg/Mileage Total		\$12,000
	Membership	AICPA	\$610
		American Express	300
		CalCPA	510
		GFOA	600
		International Foundation (IFEBP)	1,025
P2F2 - Public Pension Financial Forum		150	
Membership Total		\$3,195	
Periodicals	Miscellaneous periodicals	\$500	
	Public Retirement Journal	950	
Periodicals Total		\$1,450	
7670 - Actuarial Fees	Actuarial Fees2	\$450,000	
7670 - Actuarial Fees Total		\$450,000	
0010 - EXECUTIVE Total			\$2,063,825
0011 - INVESTMENTS	Personnel Cost	Annual Salary	\$1,297,851
		Fringe Benefits	736,033
		Certification Pay	38,059
		Overtime	1,253
		Leave P/O	55,817
		Temp Help	15,000
		Personnel Cost Total	

Appendix A
2019 Administrative Budget Detail by Department

Department	Account Group	Description	Total
	Professional Svcs	Consulting Fees	\$2,100,000
		Custodial Bank Fees	575,000
		7650 Proxy Services	35,000
	Professional Svcs Total		\$2,710,000
	Due Diligence	Due Diligence	\$80,000
	Due Diligence Total		\$80,000
	Training	Tuition Reimbursement	\$6,000
		Conferences	47,900
	Training Total		\$53,900
	Mtg/Mileage	Investment Committee Meetings	\$10,000
	Mtg/Mileage Total		\$10,000
	Membership	Other Memberships	\$7,300
	Membership Total		\$7,300
	Periodicals	Miscellaneous periodicals	\$3,375
	Periodicals Total		\$3,375
	Equipment / Software	Bloomberg/Cambridge/Manager Database	\$117,500
	Equipment / Software Total		\$117,500
0011 - INVESTMENTS Total			\$5,126,088
0015 - COMMUNICATIONS	Personnel Cost	Annual Salary	\$172,805
		Fringe Benefits	91,917
		Overtime	1,514
		Leave P/O	7,522
	Personnel Cost Total		\$273,758
	Professional Svcs	White Board Videos	\$50,000
	Professional Svcs Total		\$50,000
	Training	CALAPRS	\$800
		Miscellaneous Conferences/Training	1,500
	Training Total		\$2,300
	Mtg/Mileage	Miscellaneous Meetings	\$300
	Mtg/Mileage Total		\$300
	Printing Svcs	Brochures	\$10,000
		CAFR (Comprehensive Annual Financial Report)	12,000
		Quarterly newsletters	76,000
	Printing Svcs Total		\$98,000
	Periodicals	Organizational Communication	\$600
	Periodicals Total		\$600
	Postage	Miscellaneous Mailing/Mass Mailing	\$40,000
		Quarterly Newsletters - All Members	57,500
	Postage Total		\$97,500
	Office Supplies	Public Relation Materials	\$10,000
	Office Supplies Total		\$10,000
0015 - COMMUNICATIONS Total			\$532,458
0020 - LEGAL	Personnel Cost	Annual Salary	\$839,245
		Fringe Benefits	466,194
		Overtime	2,811
		Leave P/O	36,529
		Temp Help	99,200
	Personnel Cost Total		\$1,443,979
	Professional Svcs	Admin. Hearing Process Fees	\$150,000
		Court Filing Fees	1,000
		Court Reporter Fees	50,000
		Subpoena Fees	1,000
	Professional Svcs Total		\$202,000
	Legal Svcs	Tax Attorney/Outside Counsel	\$50,000
		Board/Fiduciary	125,000
		Dept of Ed vs OCERS	50,000
		Other Litigation	500,000
	Legal Svcs Total		\$725,000
	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	1,000
	Mtg/Mileage Total		\$2,000
	Membership	Miscellaneous Memberships	\$4,200
	Membership Total		\$4,200
	Periodicals	Legal Publications, Daily Journal, Law Book Updates, Reference Books	\$12,500
	Periodicals Total		\$12,500
	7690 - Legal Svcs	Investment Legal Services	\$750,000
	7690 - Legal Svcs Total		\$750,000
0020 - LEGAL Total			\$3,169,979

Appendix A
2019 Administrative Budget Detail by Department

Department	Account Group	Description	Total	
0030 - MEMBER SERVICES	Personnel Cost	Annual Salary	\$2,318,700	
		Fringe Benefits	1,282,978	
		Overtime	68,854	
		Leave P/O	100,924	
	Personnel Cost Total			\$3,771,456
	Professional Svcs	Death Records Match	\$25,000	
	Professional Svcs Total			\$25,000
	Training	Tuition Reimbursement	\$9,000	
		CALAPRS	4,000	
		SACRS	1,800	
		Staff Development Training	4,000	
	Training Total			\$18,800
	Mtg/Mileage	Miscellaneous Meetings	\$250	
	Mtg/Mileage Total			\$250
	0030 - MEMBER SERVICES Total			\$3,815,506
0040 - FINANCE	Personnel Cost	Annual Salary	\$836,008	
		Fringe Benefits	472,426	
		Certification Pay	9,380	
		Overtime	8,065	
		Leave P/O	36,389	
		Temp Help	50,000	
		Personnel Cost Total		
	Professional Svcs	Bank Charges	\$45,000	
		Dynamics Consulting	5,000	
		Financial Audit Cost	125,500	
		CAFR	20,000	
		Certificate Application Fees	1,300	
	Professional Svcs Total			\$196,800
	Training	Tuition Reimbursement	\$3,000	
		SACRS	1,800	
		Conferences	6,850	
		Staff Training/Continuing Education	4,000	
	Training Total			\$15,650
	Mtg/Mileage	Miscellaneous Meetings	\$500	
	Mtg/Mileage Total			\$500
	Membership	Miscellaneous Memberships	\$3,290	
	Membership Total			\$3,290
Periodicals	Miscellaneous periodicals	\$1,000		
Periodicals Total			\$1,000	
0040 - FINANCE Total			\$1,629,508	
0050 - DISABILITY	Personnel Cost	Annual Salary	\$319,685	
		Fringe Benefits	173,297	
		Overtime	2,248	
		Leave P/O	13,915	
	Personnel Cost Total			\$509,145
	Professional Svcs	Medical Panel Reviews	\$300,000	
	Professional Svcs Total			\$300,000
	Training	Tuition Reimbursement	\$6,000	
		CALAPRS	1,750	
		Miscellaneous Conferences/Training	1,000	
SACRS		1,670		
Training Total			\$10,420	
Mtg/Mileage	Miscellaneous Meetings	\$450		
Mtg/Mileage Total			\$450	
0050 - DISABILITY Total			\$820,015	
0060 - ADMINISTRATIVE SERVICE	Personnel Cost	Annual Salary	\$658,583	
		Fringe Benefits	360,925	
		Overtime	1,358	
		Leave P/O	28,664	
		Temp Help	15,000	
		Salary Adjustments	508,145	
		Personnel Cost Total		
	Professional Svcs	CWCAP(County Wide Cost Allocation Plan)	\$45,000	
		Employee Wellness Program	1,000	
		Iron Mountain	15,000	
		Plant Maintenance	2,500	
		Universal Protection Security (UPS)	5,000	
		HR Consulting Contingency	30,000	
Cyber Security Vendor Monitoring Service	35,000			
Recruitment/ Volunteer Program Costs	40,000			
Professional Svcs Total			\$173,500	

Appendix A
2019 Administrative Budget Detail by Department

Department	Account Group	Description	Total
	Training	Tuition Reimbursement	\$9,000
		OCERS Management Succession/Staff Training	45,000
		HR / Procurement Conferences	15,000
	Training Total		\$69,000
	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	\$9,000
	Membership Total		\$9,000
	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	\$15,000
		General Office Expense- Includes: Ergos, Safety items	55,000
	Office Supplies Total		\$70,000
	Capital Expenditures	HVAC	\$120,000
		Board Room AV Upgrades	250,000
	Capital Expenditures Total		\$370,000
	Equipment Lease	Postage Machine	\$12,000
	Equipment Lease Total		\$12,000
	Bldg. Prop. Mgmt./Maintenance	Property Management	\$680,000
	Bldg. Prop. Mgmt./Maintenance Total		\$680,000
0060 - ADMINISTRATIVE SERVICES Total			\$3,038,175
0070 - INFORMATION TECHNOLOGY	Personnel Cost	Annual Salary	\$991,618
		Fringe Benefits	545,766
		Overtime	41,590
		Leave P/O	43,161
	Personnel Cost Total		\$1,622,135
	Professional Svcs	County VPN Access	\$200,000
		Internet Access	115,000
		Network Consulting	10,000
		Online Data Storage	45,000
		Oracle Consulting	25,000
		Website Redesign and Hosting	175,000
		Vitech Addl. Support - Cos	310,000
		Additional Consulting	200,000
		Colocation Facilities (monthly service)	80,000
		Reception Area TV and Ceiling Mount	5,000
		Gartner Consulting	160,000
		BC/DR Exercise Facilitation	35,000
		Certified Data Destruction	2,500
		Office 365 Migration Consulting	150,000
	Professional Svcs Total		\$1,512,500
	Training	Tuition Reimbursement	\$9,000
		CALAPRS	3,500
		Miscellaneous Training Materials	2,500
		PRISM Conference	5,000
		Information Security Training (SANS)	40,000
		Online Training	45,000
	Training Total		\$105,000
	Mtg/Mileage	Miscellaneous Meetings	\$8,500
	Mtg/Mileage Total		\$8,500
	Membership	Miscellaneous Memberships	\$7,250
	Membership Total		\$7,250
	Equipment / Software	Board Portal	\$45,000
		Computers/Laptops/Monitors	50,000
		Miscellaneous Software	20,000
		OpenDNS Subscription	5,000
		SmartBear Licensing	4,000
		Miscellaneous Hardware & Supplies (including printer)	20,000
		Rapid Recovery Appliance	50,000
		Patch Management Solution	50,000
		Anti-Spam Email Solution	35,000
		Managed File Transfer Solution	50,000
		Information Security Remediation	100,000
		Log Aggregation Appliance	25,000
		Multi-Factor Authentication Solution	10,000
		HW/SW Inventory Solution	25,000
		Change Management Solution	50,000
	Equipment / Software Total		\$539,000

Appendix A
2019 Administrative Budget Detail by Department

Department	Account Group	Description	Total
	Equipment Lease	Copier/Printer Lease	\$50,000
	Equipment Lease Total		\$50,000
	Telephone	Cellular/Mobile Services	\$72,500
		AT & T Telecom Services	28,000
		Mitel Services	65,000
	Telephone Total		\$165,500
	8950 - Infrastructure Maintenance	Computer Room AC/Humidifier Maintenance	\$5,000
		Computer Room UPS Maintenance	8,000
		Comuter Room UPS Battery Replacement	6,000
		Dell Compellent Annual Support	20,000
		LogMeIn Central Annual Maintenance Fee + 10 Pro Client annual renewals	2,500
		Microsoft Software Assurance	85,000
		Server Hardware Support	10,000
		V3 Licensing and Support	396,000
		Work Station Hardware Support	5,000
		Oracle Maintenance - PG	15,000
		Printer & Microfiche Maintenance	5,000
		Database Access	8,000
		Pressure Sealer Maintenance and Support	2,500
		Oracle - V3	75,000
		Catalyst-Bullhorn Licensing	6,000
		Anti-Virus Solution	7,200
		HP Server Post-warranty Support	20,000
		Dynamics Software Maintenance (incl: Sandler Kahne, AP Laser Chk, Key Chg)	12,500
		vmWare Support	10,000
		Teamsite Internal Audit Software Licensing	2,000
		Arbutus Internal Audit Software Licensing	5,000
		Vendor Management System License	9,000
		NTIS Certification Fees	1,600
		Website Hosting	24,000
		Satellite Phone support	3,000
		McAfee Secure	3,500
		Data Center Hardware/Software Maintenance and Support	73,000
		IBM DejaView One Maintenance and Support - V3	6,300
		Kofax Scanning Maintenance and Support - V3	3,000
	8950 - Infrastructure Maintenance Total		\$829,100
0070 - INFORMATION TECHNOLOGY Total			\$4,838,985
0080 - INTERNAL AUDIT	Personnel Cost	Annual Salary	\$268,159
		Fringe Benefits	153,672
		Certification Pay	15,347
		Leave P/O	11,672
	Personnel Cost Total		\$448,850
	Professional Svcs	Audit consultant / specialist / expert	\$150,000
	Professional Svcs Total		\$150,000
	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	\$1,500
	Membership Total		\$1,500
	Periodicals	Reference books / research materials	\$200
	Periodicals Total		\$200
0080 - INTERNAL AUDIT Total			\$625,300
0090 - CYBER SECURITY	Personnel Cost	Annual Salary	\$157,002
		Fringe Benefits	86,258
		Leave P/O	6,181
	Personnel Cost Total		\$249,441
	Professional Svcs	Security Awareness Training	\$7,000
		Information Security Contingency	50,000
		Managed Security / Detection & Response Services	100,000
		Security Penetration Testing	100,000
	Professional Svcs Total		\$257,000
	Training	Tuition Reimbursement	\$3,000
		CALAPRS	2,000
		PRISM Conference	2,500
		SACRS	1,750
		Information Security Training	20,000
		Gartner Security & Risk Management Summit	5,000
	Training Total		\$34,250

Appendix A
2019 Administrative Budget Detail by Department

Department	Account Group	Description	Total
	Mtg/Mileage	Miscellaneous Meetings	\$1,000
	Mtg/Mileage Total		\$1,000
	Membership	Information Systems Security Association Membership	\$150
	Membership Total		\$150
	Periodicals	Miscellaneous periodicals	\$500
	Periodicals Total		\$500
	Equipment / Software	Vulnerability Management System	\$50,000
	Equipment / Software Total		\$50,000
0090 - CYBER SECURITY Total			\$592,341
2019 Budget Total			\$26,432,830

Appendix B
2019 Administration Budget Detail by Expense Category

Account Group	Description	Total
Personnel Cost	Annual Salary	\$8,663,011
	Certification Pay	76,570
	Fringe Benefits	4,818,454
	Overtime	129,220
	Leave P/O	375,000
	Temp Help	194,200
	Salary Adj. Pool	508,145
Personnel Cost Total		\$14,764,600
Professional Svcs	Additional Consulting	200,000
	Admin. Hearing Process Fees	150,000
	Audit consultant / specialist / expert	150,000
	Bank Charges	45,000
	BC/DR Exercise Facilitation	35,000
	Board Election	50,000
	CAFR	20,000
	CEO Contingency	75,000
	Certificate Application Fees	1,300
	Certified Data Destruction	2,500
	Colocation Facilities (monthly service)	80,000
	Consulting Fees	2,100,000
	County VPN Access	200,000
	Court Filing Fees	1,000
	Court Reporter Fees	50,000
	Custodial Bank Fees	575,000
	CWCAP(County Wide Cost Allocation Plan)	45,000
	Cyber Security Vendor Monitoring Service	35,000
	Death Records Match	25,000
	Dynamics Consulting	5,000
	Employee Wellness Program	1,000
	Financial Audit Cost	125,500
	Gartner Consulting	160,000
	HR Consulting Contingency	30,000
	Information Security Contingency	50,000
	Insurance Premiums	120,000
	Internet Access	115,000
	Iron Mountain	15,000
	Lean Process Consultant/Study	25,000
	Managed Security / Detection & Response Services	100,000
	Medical Panel Reviews	300,000
	Network Consulting	10,000
	Office 365 Migration Consulting	150,000
	Online Data Storage	45,000
	Oracle Consulting	25,000
	Plant Maintenance	2,500
	Proxy Services	35,000
	Reception Area TV and Ceiling Mount	5,000
	Recruitment/ Volunteer Program Costs	40,000
	Security	9,200
	Security Awareness Training	7,000
	Security Penetration Testing	100,000
	Subpoena Fees	1,000
Training Program Consultant	25,000	
Universal Protection Security (UPS)	5,000	
Vitech Addl. Support - Cos	310,000	
Website Redesign and Hosting	175,000	
White Board Videos	50,000	
Professional Svcs Total		\$5,881,000

Appendix B
2019 Administration Budget Detail by Expense Category

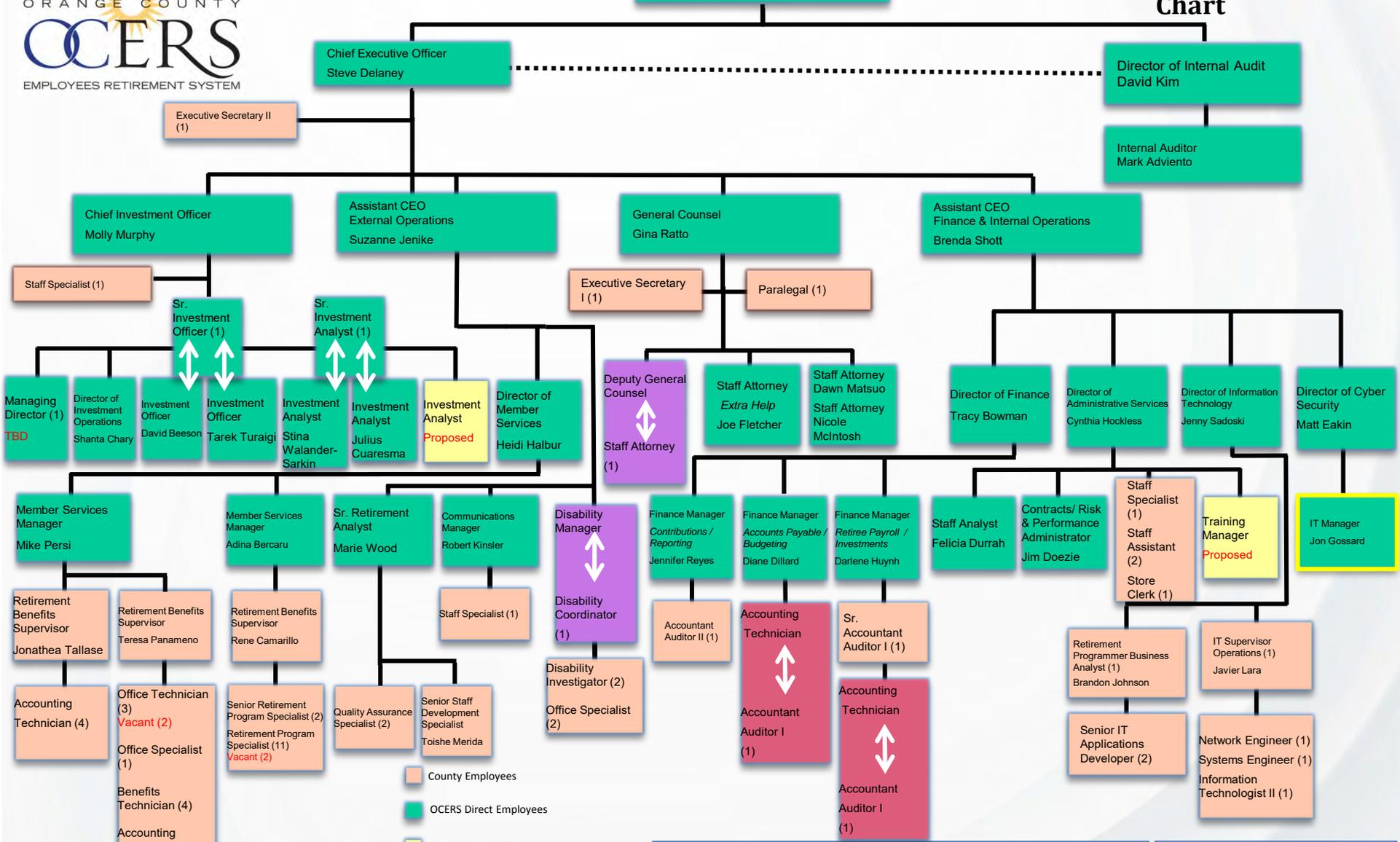
Account Group	Description	Total
Legal Svcs	Board/Fiduciary	125,000
	Dept of Ed vs OCERS	50,000
	Investment Legal Services	750,000
	Other Litigation	500,000
	Tax Attorney/Outside Counsel	50,000
Legal Svcs Total		\$1,475,000
Infrastructure Maintenance	Anti-Virus Solution	7,200
	Arbutus Internal Audit Software Licensing	5,000
	Catalyst-Bullhorn Licensing	6,000
	Computer Room AC/Humidifier Maintenance	5,000
	Computer Room UPS Battery Replacement	6,000
	Computer Room UPS Maintenance	8,000
	Data Center Hardware/Software Maintenance and Support	73,000
	Database Access	8,000
	Dell Compellent Annual Support	20,000
	Dynamics Software Maintenance (incl: Sandler Kahne, AP Laser Chk, Key Chg)	12,500
	HP Server Post-warranty Support	20,000
	IBM DejaView One Maintenance and Support - V3	6,300
	Kofax Scanning Maintenance and Support - V3	3,000
	LogMeIn Central Annual Maintenance Fee + 10 Pro Client annual renewals	2,500
	McAfee Secure	3,500
	Microsoft Software Assurance	85,000
	NTIS Certification Fees	1,600
	Oracle - V3	75,000
	Oracle Maintenance - PG	15,000
	Pressure Sealer Maintenance and Support	2,500
	Printer & Microfiche Maintenance	5,000
	Satellite Phone support	3,000
	Server Hardware Support	10,000
	Teamsite Internal Audit Software Licensing	2,000
	V3 Licensing and Support	396,000
	Vendor Management System License	9,000
	vmWare Support	10,000
	Website Hosting	24,000
Work Station Hardware Support	5,000	
Infrastructure Maintenance Total		\$829,100
Bldg. Prop. Mgmt./Maintenance	Property Management	680,000
Bldg. Prop. Mgmt./Maintenance Total		\$680,000
Equipment / Software	Anti-Spam Email Solution	35,000
	Bloomberg/Cambridge/Manager Database	117,500
	Board Portal	45,000
	Change Management Solution	50,000
	Computers/Laptops/Monitors	50,000
	HW/SW Inventory Solution	25,000
	Information Security Remediation	100,000
	Log Aggregation Appliance	25,000
	Managed File Transfer Solution	50,000
	Miscellaneous Hardware & Supplies (including printer)	20,000
	Miscellaneous Software	20,000
	Multi-Factor Authentication Solution	10,000
	OpenDNS Subscription	5,000
	Patch Management Solution	50,000
	Rapid Recovery Appliance	50,000
	SmartBear Licensing	4,000
	Vulnerability Management System	50,000
Equipment / Software Total		\$706,500
Actuarial Fees	Actuarial Fees	450,000
Actuarial Fees Total		\$450,000

Appendix B
2019 Administration Budget Detail by Expense Category

Account Group	Description	Total
Training	Tuition Reimbursement	48,000
	Assoc. Pension Fund Audit	5,000
	Board Approved Conferences	16,000
	CALAPRS	37,050
	CEM Conference	2,400
	Conferences	54,750
	Gartner Security & Risk Management Summit	5,000
	GFOA Conference	2,300
	HR / Procurement Conferences	15,000
	IFEBP	2,500
	Information Security Training	20,000
	Information Security Training (SANS)	40,000
	LCW Employment Law Conference	1,500
	MCLE and other training	4,300
	Miscellaneous Conferences/Training	23,500
	Miscellaneous Training Materials	2,500
	NAPPA Meetings	17,000
	NASRA	10,000
	NASRA/NIRS	5,000
	NCPERS - General & Safety	3,600
	OCERS Management Succession/Staff Training	45,000
	Online Training	45,000
	PRISM Conference	7,500
	Public Pension Financial Forum	3,000
	SACRS	39,420
	Staff Development Training	4,000
	Staff Training/Continuing Education	4,000
Strategic Planning	20,000	
UC Berkeley	3,000	
Training Total		\$486,320
Telephone	AT & T Telecom Services	28,000
	Cellular/Mobile Services	72,500
	Mitel Services	65,000
Telephone Total		\$165,500
Postage	Miscellaneous Mailing/Mass Mailing	40,000
	Pony Mail Services	2,000
	Postage Expense	65,000
	Quarterly Newsletters - All Members	57,500
Postage Total		\$164,500
Printing Svcs	Brochures	10,000
	CAFR (Comprehensive Annual Financial Report)	12,000
	Printing	7,000
	Quarterly newsletters	76,000
Printing Svcs Total		\$105,000
Due Diligence	Due Diligence	80,000
Due Diligence Total		\$80,000
Office Supplies	General Office Expense- Includes: Ergos, Safety items	55,000
	Office Furniture	15,000
	Public Relation Materials	10,000
Office Supplies Total		\$80,000
Equipment Lease	Copier/Printer Lease	50,000
	Postage Machine	12,000
Equipment Lease Total		\$62,000

Appendix B
2019 Administration Budget Detail by Expense Category

Account Group	Description	Total
Mtg/Mileage	CEO Visit to State Legislature	1,000
	CEO/Manager visits to Cal Retirement Systems	4,000
	Civic Center Parking Cards	500
	EE Recognition/Educational Seminar/Qtrly Meetings	7,000
	Investment Committee Meetings	10,000
	Membership Committee Meetings	4,000
	Miscellaneous Meetings	29,850
	Travel for Audits	5,000
Mtg/Mileage Total		\$61,350
Membership	AICPA	610
	American Express	300
	CALAPRS	2,500
	CalCPA	510
	GFOA	600
	Information Systems Security Association Membership	150
	International Foundation (IFEBP)	1,025
	Miscellaneous Memberships	32,540
	NASRA	2,850
	NCPERS	2,000
	NIRS	3,100
	P2F2 - Public Pension Financial Forum	150
SACRS	6,000	
Membership Total		\$52,335
Periodicals	Legal Publications, Daily Journal, Law Book Updates, Reference Books	12,500
	Miscellaneous periodicals	5,375
	Organizational Communication	600
	Public Retirement Journal	950
	Reference books / research materials	200
Periodicals Total		\$19,625
Capital Expenditures	Board Room AV Upgrades	250,000
	HVAC	120,000
Capital Expenditures Total		\$370,000
2019 Budget Total		\$26,432,830



**Appendix C
2019 Personnel Cost Budget**

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0001	Board	Board Member		\$3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
	Board Total			\$17,000	-	-	-	-	-	-	\$17,000
0010	Executive	Chief Executive Officer		273,431	-	-	154,149				
		Assistant CEO-Finance & Internal Ops		232,050	13,784	-	138,016				
		Assistant CEO-External Ops		212,816	-	-	119,977				
		Executive Secretary II		68,058	-	1,527	36,846				
	Executive Total			\$786,355	\$13,784	\$1,527	448,988	-	\$34,226	\$15,000	\$1,299,880
0011	Investment	Chief Investment Officer		315,000	18,711	-	187,364				
		Managing Director of Investments		209,232	12,112	-	121,276				
		Director of Investment Operations		209,232	-	-	114,953				
		Investment Officer		126,493	-	-	69,496				
		Investment Officer		125,008	7,236	-	72,457				
		Investment Analyst	New Position (OCERS)	90,334	-	-	47,154				
		Investment Analyst		86,853	-	-	47,718				
		Investment Analyst		82,597	-	-	45,379				
		Staff Specialist		53,102	-	1,253	30,236				
	Investment Total			\$1,297,851	\$38,059	\$1,253	736,033	-	\$55,817	\$15,000	\$2,144,013
0015	Comm.	Communications Manager		103,520	-	-	55,388				
		Staff Specialist		69,285	-	1,514	36,529				
	Comm. Total			\$172,805	-	\$1,514	91,917	-	\$7,522	-	\$273,758
0020	Legal	Chief Legal Officer		251,114	-	-	141,568				
		Staff Attorney		161,200	-	-	88,564				
		Staff Attorney		161,190	-	-	88,558				
		Staff Attorney		145,018	-	-	79,673				
		Paralegal		65,749	-	1,514	36,529				
		Executive Secretary I		54,974	-	1,297	31,302				
	Legal Total			\$839,245	-	\$2,811	466,194	-	\$36,529	\$99,200	\$1,443,979

**Appendix C
2019 Personnel Cost Budget**

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0030	Member Svcs.	Director of Member Services		148,034	-	-	83,456				
		Retirement Analyst		132,600	-	-	74,755				
		Member Services Manager		102,846	-	-	57,981				
		Member Services Manager		87,598	-	-	48,127				
		Sr. Staff Development Specialist		88,525	-	3,224	46,672				
		Retirement Benefits Supervisor		77,397	-	2,819	40,805				
		Retirement Benefits Supervisor		77,397	-	2,819	40,805				
		Retirement Benefits Supervisor		71,344	-	2,819	40,805				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		62,400	-	2,523	36,529				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		57,637	-	2,218	32,109				
		Retirement Program Specialist		56,098	-	2,218	32,109				
		Retirement Program Specialist		56,098	-	2,218	32,109				
		Retirement Program Specialist		53,206	-	2,093	30,295				
		Retirement Program Specialist		51,854	-	2,039	29,525				
		Retirement Program Specialist		51,854	-	2,039	29,525				
		Retirement Program Specialist		51,854	-	530	29,525				
		Accounting Technician (Transmittals)		56,368	-	2,053	29,719				
		Accounting Technician (Transmittals)		52,291	-	2,053	29,719				
		Accounting Technician (Transmittals)		45,698	-	1,797	26,021				
		Accounting Technician		52,291	-	2,053	29,719				
		Accounting Technician		52,291	-	2,053	29,719				
		Accounting Technician		46,946	-	1,846	26,731				
		Office Specialist		40,997	-	1,613	23,344				
		Retirement Benefits Technician		46,654	-	1,745	25,266				
		Retirement Benefits Technician		39,686	-	1,561	22,597				
		Retirement Benefits Technician		42,994	-	1,745	25,266				
		Retirement Benefits Technician		42,994	-	1,745	25,266				
		Office Technician		42,016	-	1,530	22,152				
		Office Technician		40,123	-	1,530	22,152				
		Office Technician		39,146	-	1,530	22,152				
		Member Svcs. Total		\$2,318,700	-	\$68,854	1,282,978	-	\$100,924	-	\$3,771,456

**Appendix C
2019 Personnel Cost Budget**

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0040	Finance	Director of Finance		157,920	9,380	-	93,926				
		Finance Manager		111,927	-	-	63,100				
		Finance Manager		109,311	-	-	61,625				
		Finance Manager		107,743	-	-	59,195				
		Sr. Accountant I		88,733	-	1,939	46,782				
		Accountant II		77,667	-	1,745	42,099				
		Accountant II		75,566	-	1,745	42,099				
		Accounting Technician		50,773	-	1,318	31,800				
		Accounting Technician		56,368	-	1,318	31,800				
			Finance Total			\$836,008	\$9,380	\$8,065	472,426	-	\$36,389
0050	Disability	Disability Manager		87,598	-	-	48,127				
		Disability Investigator		63,960	-	656	36,529				
		Disability Investigator		69,285	-	656	36,529				
		Office Specialist		49,421	-	468	26,056				
		Office Specialist		49,421	-	468	26,056				
			Disability Total			\$319,685	-	\$2,248	173,297	-	\$13,915
0060	Admin. Svcs.	Director of Administrative Services		149,461	-	-	84,260				
		Contract/Risk/Performance Administrator		104,728	-	-	59,041				
		Trainer	New Position (OCERS)	88,837	-	-	46,373				
		Staff Analyst		85,904	-	-	48,429				
		Staff Specialist		67,496	-	404	36,529				
		Staff Assistant		59,010	-	344	31,111				
		Staff Assistant		57,491	-	344	31,111				
		Store Clerk		45,656	-	266	24,071				
			Admin. Svcs. Total			\$658,583	-	\$1,358	360,925	\$508,145	\$28,664
0070	IT	Director of IT		148,676	-	-	83,818				
		IT Manager		130,917	-	-	71,926				
		Retirement Programmer/Business Analyst		125,840	-	4,583	66,345				
		IT Operations Supervisor		107,182	-	8,255	59,754				
		Sr. IT Applications Developer		104,395	-	4,128	59,754				
		Sr. IT Applications Developer		91,062	-	3,582	51,850				
		IT Systems Engineer II		96,304	-	7,014	50,773				
		IT Network Engineer II		93,621	-	7,014	50,773				
		Info. Technologist II		93,621	-	7,014	50,773				
			IT Total			\$991,618	-	\$41,590	545,766	-	\$43,161
0080	IA	Director of Internal Audit		152,006	8,799	-	88,106				
		Internal Auditor		116,153	6,548	-	65,566				
			IA Total		\$268,159	\$15,347	-	153,672	-	\$11,672	-
0090	Cyber Security	Director of Cyber Security		157,002	-	-	86,258				
			Cyber Security Total		\$157,002	-	-	86,258	-	\$6,181	-
Grand Total				\$8,663,011	\$76,570	\$129,220	4,818,454	\$508,145	\$375,000	\$194,200	\$14,764,600

Appendix D

Orange County Employees Retirement System 21 Basis Points for Budget Year 2019

Projected actuarial accrued liability as of December 31, 2018	\$20,666,562,000
21 basis points of projected actuarial accrued liability	43,399,780
FY19 proposed budget amount subject to 21 basis points limitation ¹	18,447,742
Amount under 21 basis points	\$24,952,038
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY19	8.93
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY18	9.31

¹ Reconciliation of amount subject to 21 basis points limitation:

Total FY19 proposed budget	\$26,432,830
Less: Investment-related costs	(6,326,088)
Total FY19 proposed administrative budget	20,106,742
Less: IT Capital expenses	-
Computer hardware/software	(589,000)
IT-Professional services consulting	(1,070,000)
FY19 proposed budget amount subject to 21 basis points limitation	\$18,447,742

<u>21 Basis Point History</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
21 Basis Points	7.97	8.48	8.55	9.31	8.93

Appendix D

Orange County Employees Retirement System 18 Basis Points for Budget Year 2019	
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Projected actuarial value of total assets as of December 31, 2018	\$15,632,587,000
18 basis points of projected actuarial value of assets	28,138,657
FY19 proposed budget amount subject to 18 basis points limitation ¹	22,201,042
Amount under 18 basis points	\$5,937,615
Budgeted amount expressed as basis points of projected actuarial value of assets-FY19	14.20
Budgeted amount expressed as basis points of projected actuarial value of assets-FY18	14.48

¹ Reconciliation of amount subject to 18 basis points limitation

Total FY19 proposed budget	\$26,432,830
Less: Investment-related costs	(6,326,088)
Total FY19 proposed administrative budget	20,106,742
Less: Capital expenses	(370,000)
Add: Projected depreciation cost	2,464,300
FY19 proposed budget amount subject to 18 basis points limitation	\$22,201,042

Note: The 18 basis points calculation above is for informational and comparison purposes only.

<u>18 Basis Point History</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
18 Basis Points	11.88	12.26	14.56	14.48	14.20

Appendix E – 5 Year Budget Comparison

	Amended Budget 2015	Amended Budget 2016	Amended Budget 2017	Budget 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Personnel cost	\$10,741,443	\$11,501,086	\$12,417,338	\$13,925,194	\$14,764,600	\$839,406	6.0%
Services and supplies	\$7,441,691	\$8,651,218	\$9,120,766	\$10,487,860	\$11,298,230	810,370	7.7%
Capital expenditures	\$6,793,368	\$2,098,000	\$1,293,000	\$1,095,000	\$370,000	(725,000)	-66.2%
Grand Total	\$24,976,502	\$22,250,304	\$22,831,104	\$25,508,054	\$26,432,830	\$924,776	3.6%

Appendix E – 5 Year Actuals Comparison

	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Personnel cost	\$10,086,963	\$10,824,643	\$11,072,542	\$13,264,798	\$14,764,600	\$1,499,802	11.3%
Services and supplies	5,823,374	7,536,034	6,624,158	8,644,382	11,298,230	2,653,848	30.7%
Capital expenditures	3,580,650	51,293	342,523	163,663	370,000	206,337	126.1%
Grand Total	\$19,490,987	\$18,411,970	\$18,039,222	\$22,072,843	\$26,432,830	\$4,359,987	19.8%

Appendix F – Historical Statistics

	2014	2015	2016	2017	2018
No. of Full-Time Positions Budgeted	72	73	75	79	92
No. of Retirees – Beginning of Year	14,505	15,169	15,810	16,369	16,947
No. of Additional Retirements ¹	1,052	1,019	1,006	1,061	885
No. Removed from Payroll ¹	(388)	(378)	(447)	(483)	(353)
Payroll \$ (in thousands) ^{2*}	\$627,245	\$675,963	\$717,976	\$764,344	\$823,849
No. of Members ^{**1}	41,418	42,427	43,845	44,471	45,499
No. of New Members ^{**1}	1,075	1,135	1,152	854	1,028
Seminars	48	44	52	46	56

¹2018 figures are as of September 2018

²2018 figures are annualized estimates based on actuals through August 2018

*Payroll represents retirement payroll, withdrawals and death benefits

**Number of members includes active, deferred, and retired (including beneficiaries)

Appendix G – OCERS Direct Employees Salary Ranges (Effective January 1, 2019)

2.5% Salary Range Increase (Effective date January 1, 2019)

OCERS Employee Position	Current Annual Minimum	Revised Annual Minimum	Current Annual Midpoint	Revised Annual Midpoint	Current Annual Maximum	Revised Annual Maximum
Chief Investment Officer	\$210,000	\$215,250	\$262,500	\$269,063	\$315,000	\$322,875
General Counsel	\$133,245	\$136,576	\$198,083	\$203,035	\$262,920	\$269,493
Assistant Chief Executive Officer	\$133,245	\$136,576	\$182,648	\$187,214	\$232,050	\$237,851
Managing Director of Investment Operations	\$133,245	\$136,576	\$182,648	\$187,214	\$232,050	\$237,851
Director of Investment Operations	\$133,245	\$136,576	\$164,378	\$168,487	\$195,510	\$200,398
Deputy Legal Counsel	\$133,245	\$136,576	\$164,378	\$168,487	\$195,510	\$200,398
Director of Member Services	\$118,860	\$121,832	\$139,230	\$142,711	\$159,600	\$163,590
Director of Administrative Services	\$115,185	\$118,065	\$133,035	\$136,361	\$150,885	\$154,657
Director of Finance	\$112,665	\$115,482	\$135,293	\$138,675	\$157,920	\$161,868
Staff Attorney	\$112,350	\$115,159	\$139,860	\$143,357	\$167,370	\$171,554
Senior Investment Officer	\$106,680	\$109,347	\$135,608	\$138,998	\$164,535	\$168,648
Director of Internal Audit	\$105,630	\$108,271	\$132,038	\$135,338	\$158,445	\$162,406
Director of Information Technology	\$103,425	\$106,011	\$129,308	\$132,540	\$155,190	\$159,070
Director of Cyber Security	\$103,425	\$106,011	\$127,155	\$130,334	\$150,885	\$154,657
Investment Officer	\$80,115	\$82,118	\$106,838	\$109,508	\$133,560	\$136,899
Internal Auditor	\$70,770	\$72,539	\$88,410	\$90,620	\$106,050	\$108,701
Senior Investment Analyst	\$70,140	\$71,894	\$93,555	\$95,894	\$116,970	\$119,894
Information Technology Manager	\$63,735	\$65,328	\$98,648	\$101,114	\$133,560	\$136,899
Senior Retirement Manager	\$63,735	\$65,328	\$98,648	\$101,114	\$133,560	\$136,899
Finance Manager	\$60,165	\$61,669	\$88,830	\$91,051	\$117,495	\$120,432
Member Services Manager	\$60,165	\$61,669	\$88,830	\$91,051	\$117,495	\$120,432
Disability Manager - New Position		\$61,669		\$91,051		\$120,432
Training Manager - New Position		\$61,669		\$91,051		\$120,432
Contracts, Risk & Performance Administrator	\$60,165	\$61,669	\$88,830	\$91,051	\$117,495	\$120,432
Staff Analyst	\$60,165	\$61,669	\$80,273	\$82,279	\$100,380	\$102,890
Communications Manager	\$60,165	\$61,669	\$83,948	\$86,046	\$107,730	\$110,423
Investment Analyst	\$60,165	\$61,669	\$80,273	\$82,279	\$100,380	\$102,890

Member Services – Disability Manager – Draft

DEPARTMENT:	Member Services	REPORTS TO:	Assistant CEO of External Operations
TITLE CODE:	8020MR	DATE:	1/4/2019
POSITION CODE:	R105537	ADMINISTRATIVE REVISION:	11/1/2018

Job Summary

Under general direction, provides support to the Member Services – Disability Manager by managing work schedules, counseling employees, completing evaluations, developing staff, managing special projects and other duties as assigned.

Distinguishing Characteristics

The Member Services –Disability Manager reports to the Assistant CEO of External Operations. OCERS management staff is expected to uphold the highest standards of accountability, plan sponsor focus and system efficiency. Responsible for supervising the activities of assigned professional and technical benefits staff.

Performance Attributes

Include but are not limited to the following:

- ▶ Provides responsive, high quality service to retirement system members, representatives of outside agencies and members of the public by providing accurate, complete and up-to-date information in a courteous, efficient and timely manner.
- ▶ Ensures that the County Employees Retirement Law of 1937, Federal and State statutes and OCERS policies are followed in the administration of the benefit programs.
- ▶ Responsible for overall development, training, and evaluation of staff.
- ▶ Participates in hiring decisions, disciplinary actions, performance evaluations and other personnel activities.
- ▶ Manages the Member Services and Disability staff by planning, coordinating, prioritizing, and monitoring staff activities.
- ▶ Monitor staff work activities to ensure safe and efficient work practices, quality and accuracy.
- ▶ Develop schedules and methods for performing division assignments.
- ▶ Responsible for performing other specialized duties related to the overall management of the benefits division.

Minimum Qualifications

Minimum qualifications required for entry into the classification

Member Services – Disability Manager – Draft

Education and/or Experience

A bachelor's degree from an accredited college or university in public or business administration, accounting, or human resources management and a minimum of two years experience supervising staff.

and

Four years of experience at a technical level in a retirement, insurance, or government benefit program, or in a personnel system which involves retirement benefit experience; minimum of two years experience supervising staff.

Special Notes, Licenses or Requirements:

- ▶ A valid California class C driver's license or the ability to arrange necessary and timely transportation for field travel.
- ▶ May be required to use a personal vehicle.
- ▶ A complete background investigation is required; a felony or misdemeanor conviction may be a disqualifying factor from employment.
- ▶ Highly Desirable: Paralegal certification, Worker's Compensation Claims Professional certification, and/or Certified Employee Benefits Specialist.

Knowledge/Skills/Abilities

Sample of KSA's necessary to perform essential duties of the position

KNOWLEDGE OF:

- ▶ Extensive knowledge of the 1937 County Employees Retirement Law and current regulations and statutes as it relates to disability and service retirements, divorce and death benefits.
- ▶ County policies and procedures including Civil Service Rules, the Compensation Ordinance, hiring, purchasing, grievance and disciplinary procedures.
- ▶ Supervision and training principles, practices and techniques.
- ▶ Defined benefit retirement plans and other types of pension plans.
- ▶ Telephone, office, and online etiquette.
- ▶ Customer service objectives and strategies.
- ▶ Basic techniques for report writing.
- ▶ Methods and techniques of supervision, training and motivation.
- ▶ Methods and techniques for record keeping.
- ▶ Computer applications and hardware related to the performance of the essential functions of the job.

Member Services – Disability Manager – Draft

SKILLS/ABILITY TO:

- ▶ Establish and maintain professional relationships with retirement system members, Plan Sponsors, OCERS staff, officials and the public.
- ▶ Communicate effectively in English both orally and in writing with a variety of individuals representing diverse cultures and backgrounds.
- ▶ Maintain a professional demeanor in volatile situations which require a high degree of sensitivity, tact and diplomacy.
- ▶ Manage, coordinate, and plan the day-to-day operations of OCERS Member Services and Disability divisions.
- ▶ Understand and interpret laws, policies and ordinances.
- ▶ Calculate and prepare mathematical data relative to payroll, retirement benefits and reports.
- ▶ Supervise, train, coordinate and evaluate employees.
- ▶ Perform job functions independently and in an ethical and objective manner.
- ▶ Exercise appropriate judgment in answering questions and releasing information.
- ▶ Demonstrate strict confidentiality, professionalism, integrity and compliance with applicable laws and regulations at all times.
- ▶ Use standard office equipment such as: computer, printer, scanner, fax machine, photocopier and 10-key calculators.

Physical, Mental and Environmental Conditions

The following is a description of the physical and mental abilities that are customarily required to perform the essential job functions of this position.

Physical and Mental Demands

- ▶ Speak and hear well enough to communicate in English clearly and understandably in person, over the telephone and in small groups.
- ▶ Manual dexterity sufficient to use hands, arms and shoulders repetitively to operate a telephone, keyboard, write and use a calculator.
- ▶ Mental stamina to interact professionally with members of the Board of Retirement, Plan Sponsors, peers and retirement system members.
- ▶ Vision sufficient to read fine print and a computer monitor.
- ▶ Independent body mobility, agility, and stamina to stand, walk, stoop, bend and twist, to access a standard office environment.
- ▶ Ability to sit for prolonged periods of time.
- ▶ Body strength sufficient to lift up to 15 pounds and carry files.



Member Services – Disability Manager – Draft

Environmental Conditions

- ▶ The primary work place is in an office environment, working with standard office equipment.
- ▶ Peripheral office equipment generates to a quiet to moderate noise level.
- ▶ Operates in an environment that includes elected officials, non-elected officials, government agencies, community interest groups and the general public in the development and coordination of OCERS affairs.
- ▶ Out of area travel may be required to attend professional conferences and meetings.

Acknowledgement

By signing below, I acknowledge that I have reviewed and discussed the contents, requirements, and expectations included in this job description with my supervisor and a copy has been provided to me.

Employee Signature

Date

Supervisor Signature

Date

Reviewer Signature

Date

Job Description **Training Manager - Draft**

DEPARTMENT:	Administration	REPORTS TO:	Director of Administration
TITLE CODE:	TBD	DATE:	1/1/2019
POSITION CODE:	TBD	ADMINISTRATIVE REVISION:	10/10/2018

Job Summary

Under general direction of the Director of Administration, provides professional level expertise in developing and leading the strategy, execution and delivery of comprehensive Learning and Development program for the Orange County Employees Retirement Systems (OCERS) to maximize individual and organizational productivity and morale.

Distinguishing Characteristics

The Training Manager is responsible for establishing and executing a learning and development strategy for OCERS, including assessing departmental training needs to drive overall organizational performance. The incumbent will manage the implementation, activities and delivery of training programs and development initiatives; track and measure program impact and report outcomes; design and implement effective methods to educate staff and deliver training objectives.

Performance Attributes

Include but are not limited to the following:

- ▶ Leads, manages and develops OCERS Learning and Development program, including coaching, counseling and training.
- ▶ Prepares and monitors the annual Learning and Development budget, regularly reports on overall training effectiveness and maintains training records and surveys.
- ▶ Acts as an integral member of the management team.
- ▶ Promotes staff development and organization-wide learning by designing, delivering and managing instructor led trainings, team-building initiatives, workshops and mentoring sessions; designs and develops training curricula and materials for management, professional and technical development.
- ▶ Conducts organizational analyses and training needs assessment to identify gaps; recommend resolutions in the form of training programs and activities that align with OCERS Strategic Plan.
- ▶ Regularly review and evaluate current training and development practices, processes and programs.
- ▶ Collaborates with OCERS management and subject matter experts to develop a training strategy, secure or design relevant content, training manuals, and various training aids and delivery methods using the latest adult learning theory.

Job Description Training Manager - Draft

- ▶ Plans, develops, organizes and coordinates OCERS comprehensive employee training with a variety of topics to include team dynamics and other advance level courses that promotes and enhances OCERS talent.
- ▶ Uses a variety of training methodologies, including but not limited to instructional techniques, computer-based training, individual and group activities, role-play, videos and skills practice opportunities.
- ▶ Develop and execute strategies for engaging staff in learning and development and professional growth.
- ▶ Assist supervisors and management with succession planning, change management, performance management and employee development.
- ▶ Establishes mechanisms to maintain documentation of training attendance and completion, including maintaining a library of learning and development materials.
- ▶ Monitors and provides an analysis and qualitative/quantitative metrics to measure program success and ROI, impacts and improvements.
- ▶ Provides guidance to OCERS Learning Experience and Development (L.E.A.D) Committee on a variety of technical projects including automating educational resources and forms, establishing OCERS University and the selection and implementation of an online Learning Management System (LMS) to support micro-learning initiatives.
- ▶ Prepares and facilitate training sessions and workshops, identify support staff and manage the selection and assessment of external resources, consultants and vendors.
- ▶ Remains current with training and development best practices.
- ▶ Ensures compliance with legal, ethical and regulatory requirements.
- ▶ Performs other duties related to learning and development, conducting and coordinating training programs as required.

Minimum Qualifications

Minimum qualifications required for entry into the classification

Education and/or Experience

Graduation from an accredited university or college with a Bachelor's Degree in Organizational Leadership, Training & Development, Psychology, Education, Human Resources, Business or a related field.

Four years of professional level training experience or an equivalent combination of education and experience which demonstrates possession of the knowledge and abilities listed above.

Special Notes, Licenses or Requirements:

- ▶ **Highly Desirable:** Certified Professional in Learning Performance (CPLP)
- ▶ **Highly Desirable:** SHRM Certification

Job Description Training Manager - Draft

- ▶ A valid California class C driver's license or the ability to arrange necessary and timely transportation for field travel; may be required to use personal vehicle.
- ▶ May be required to use personal vehicle
- ▶ A complete background investigation is required; a felony or misdemeanor conviction may be a disqualifying factor from employment.

Knowledge/Skills/Abilities

Sample of KSA's necessary to perform essential duties of the position

Knowledge of

- ▶ Adult learning theory
- ▶ Training methods
- ▶ Instructional program design principles and techniques
- ▶ Human Resources practices within a government agency
- ▶ Familiarity with traditional and modern training methods (mentoring, coaching, on-the-job or in classroom training, e-learning, workshops etc.)
- ▶ General organization, purpose and functions of County government agencies/departments
- ▶ Effective business writing techniques
- ▶ Knowledge of correct English usage for administrative writing requirements and oral presentations
- ▶ Knowledge of techniques for gathering, compiling, analyzing and presenting information verbally and in writing
- ▶ Basic budget principals

Skills/Ability to

- ▶ Conducting needs assessment, analyse data and or situations, draw logical conclusions and recommend effective courses of action.
- ▶ Ability to write full reports regarding approach, data gathering, analysis, problem identification, alternatives, and recommended solutions.
- ▶ Designing and delivering individual, organizational and management training programs.
- ▶ Communicate effectively both orally and in writing including preparing comprehensive work papers.
- ▶ Establish and maintain cooperative relationships with plan sponsors, external contractors, management staff and co-workers.
- ▶ Review and understand job descriptions, policy manuals, organization charts and business plan.
- ▶ Conduct research using a variety of research techniques; collect, compile, analyse and interpret data.

Job Description Training Manager - Draft

- ▶ Exhibit exemplary interpersonal skills and exercise sound judgment professionalism in business matters.
- ▶ Perform job functions independently, objectively, and within set time frames.
- ▶ Highly organized and flexible to adapt to changing priorities.
- ▶ Ability to plan, multi-task and manage time effectively.
- ▶ Use of standard office equipment such as: computer, printer, scanner, fax machine, photocopier, and 10-key calculator.
- ▶ Use computer software to compose reports, spreadsheets, graphs, flowcharts, calculations and time reports, etc.
- ▶ Use of OCERS approved means of transportation to travel to and from work sites may be required for some assignments.

Physical, Mental and Environmental Conditions

The following is a description of the physical and mental abilities that are customarily required to perform the essential job functions of this position.

Physical and Mental Requirements

- ▶ Speak and hear well enough to communicate in English clearly and understandably in person, over the telephone, and in small groups.
- ▶ Manual dexterity sufficient to use hands, arms and shoulders repetitively to operate a telephone, keyboard, write and use a calculator.
- ▶ Mental stamina to interact professionally with members of the Board of Retirement, Plan Sponsors, peers and members.
- ▶ Vision sufficient to read fine print and a computer monitor.
- ▶ Independent body mobility, agility, and stamina to stand, walk, stoop, bend, and twist, to access a standard office environment.
- ▶ Ability to sit for prolonged periods of time.
- ▶ Body strength sufficient to lift up to 15 pounds and carry files.

Environmental Conditions

- ▶ The primary work place is in an office environment, working with standard office equipment.
- ▶ Peripheral office equipment generates to a quiet moderate noise level.
- ▶ Operates in an environment that includes elected officials, non-elected officials, government agencies, community interest groups and the general public in the development and coordination of OCERS affairs.
- ▶ Out of area travel may be required to attend professional conferences and meetings.



Appendix H

Job Description Training Manager - Draft

Acknowledgement

By signing below, I acknowledge that I have reviewed and discussed the contents, requirements, and expectations included in this job description with my supervisor and a copy has been provided to me.

Employee Signature

Date

Supervisor Signature

Date

Reviewer Signature

Date

A-3

Memorandum

DATE: November 19, 2018
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, General Counsel
SUBJECT: **GOVERNANCE COMMITTEE OUTCOMES FROM OCTOBER 11, 2018 MEETING – REVISIONS TO BOARD OF RETIREMENT CHARTER AND RESCISSION OF THE ACCEPTANCE AND REPORTING OF GIFTS POLICY**

Recommendation

The Governance Committee recommends that the Board:

- (1) Revise the Board of Retirement Charter to add key provisions of the Acceptance and Reporting of Gifts Policy; and
- (2) Rescind the Acceptance and Reporting of Gifts Policy.

Background/Discussion

The Acceptance and Reporting of Gifts Policy (Policy) was adopted by the Board on May 16, 2005, and has been reviewed at least every three years since its adoption.

The Policy states that:

1. Board members and designated staff will observe the limitations and reporting requirements of the law with respect to gifts; and
2. The Board will maintain a list of Designated Filers (i.e., a Conflict of Interest Code) as required by the law.

The Policy also references the requirements of the Board's Annual Disclosure Policy, which was rescinded by the Board at its August 20, 2018 meeting. A copy of the Policy is attached for the Board's ease in reference.

At its October 11, 2018 meeting, the Governance Committee considered staff's suggestion that the operative provisions of the Policy are more appropriately included in the Board of Retirement Charter; and further, that once the Charter was amended to include these provisions, the Policy would no longer be needed and could be rescinded.

The Governance Committee agreed with staff's suggestions; and accordingly, the Committee now recommends that the Board revise the Board of Retirement Charter to add:

- A provision to the "Board Members" subcategory under "Duties and Responsibilities" to state that Board members will observe the reporting requirements with respect to personal financial interests and income and the limitations and reporting requirements with respect to gifts, as required by the Political Reform Act and the regulations of the Fair Political Practices Commission (**new Paragraph 5.e.**); and
- A new subcategory under "Duties and Responsibilities" titled, "Conflicts of Interest," to provide that the Board will:

- Adopt and maintain an OCERS Conflict of Interest Code and list of Designated Filers, and obtain the approval of both by the Board of Supervisors (**new Paragraph 9.a.**);
- Review and update the OCERS Conflict of Interest Code every two years as required by the Political Reform Act (**new Paragraph 9.b.**); and
- Designate the CEO as the OCERS Filing Officer who is responsible for ensuring Board members and Designated Filers are aware of and comply with the requirement of an annual disclosure of financial interests (Form 700) (**new Paragraph 9.c.**). (Note that the CEO Charter already states that the CEO is the OCERS Filing Officer.)

The Board of Retirement Charter with the proposed revisions set forth in marked text is attached.

The Governance Committee further recommends that once the Board of Retirement Charter has been so amended, the Policy is no longer needed and should be rescinded by the Board.

Attachments

Submitted by:



Gina M. Ratto
General Counsel

Introduction

1. The Board of Retirement of OCERS (Board) is committed to carrying out its policy and oversight role in accordance with the highest standards of fiduciary practice. The Board recognizes the need to clearly delineate the responsibilities of the various decision-making bodies involved in the governance and management of OCERS. Accordingly, the Board has established this charter, which sets out its duties and responsibilities in governing the System.

Duties and Responsibilities

Board Members

2. Under the California Constitution and the County Employees' Retirement Law of 1937, members of the Board have plenary authority and fiduciary responsibility for investment of moneys and administration of the retirement system, and must discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, members of the system and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the System. Members function together as a nine-member Board (with one alternate), exercising their collective judgment.
3. In carrying out their duties, Board Members must act "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."
4. In order to prudently discharge their responsibilities, each Board Member is expected to participate in the activities of the Board and its committees, and to commit the time and effort necessary to knowledgably, effectively and efficiently administer the affairs of the System.
5. Each Board Member shall:
 - a. Be familiar and comply with OCERS' governing laws, rules, regulations, charters and policies.
 - b. Endeavour to attend all regular meetings of the Board and committees on which the Board Member serves. The Board and Investment Committee meet regularly once each month, subject to adjustment from time to time. Regular meetings are expected to last most of the day. Other committee meetings generally are less frequent, and last between two and four hours.
 - c. Be prepared in advance for informed discussion at each meeting. Preparation for regular Board and Investment Committee meetings can require between one and eight hours.
 - d. Comply with the OCERS Trustee Education Policy and state law, which require that Board Members complete a minimum of 24 hours of Board Member education

OCERS Board Charter Board of Retirement

within the first two years of assuming office and for every subsequent two-year period in which the Board Member serves on the Board (Gov. Code §31522.8); two hours of ethics training every two years (Gov. Code §53235); and two hours of harassment prevention training every two years (Gov. Code §12950.1); and take advantage of educational opportunities in areas necessary for OCERS' prudent administration, including but not limited to investments, benefit administration, fiduciary duties, ethics and conflicts of interest, open meetings and sound governance. In-house programs and outside conferences and seminars are available for this purpose. The time commitment for Board Member education is usually five days per year. Some travel may be required.

e. Observe the reporting requirements with respect to personal financial interests and income and the limitations and reporting requirements with respect to gifts, as required by the Political Reform Act and the regulations of the Fair Political Practices Commission.

6. Unless expressly waived by the Board, no Board member shall solicit or accept employment as a member of OCERS direct staff while he or she is a member of the Board and for a period of three years following the termination of his or her service as a member of the Board.
7. If a Board Member is unwilling or incapable of committing to and discharging the foregoing duties and responsibilities, he or she should consider resigning from the Board for the benefit of the System and the Board.

Governance

8. The Board will:
 - a. Approve, and amend as necessary, the mission statement of OCERS;
 - b. Adopt regulations or By-Laws, consistent with the County Employees Retirement Law of 1937, Government Code, Title 3, Division 4, Part 3, Chapter 3 and 3.9, Government Code Sections 31450 - 31899.10 as amended, and other applicable law;
 - c. Adopt and amend as necessary policies to ensure appropriate governance practices and review each on a triennial basis.
 - d. Adopt and amend as necessary charters describing the roles and responsibilities of the Board, the committees of the Board, the Chief Executive Officer, the Board Chair, the Board Vice Chair, and the Committee Chairs;
 - e. In cooperation with and upon the recommendation of the Chief Executive Officer, adopt and amend as necessary the charter describing the roles and responsibilities of the Chief Investment Officer;
 - f. During the last regularly scheduled meeting of the Board for each calendar year elect a Vice Chair for a term beginning on the first day of the following calendar year, and fill vacancies as necessary. The person holding the office of Vice Chair as of the last day of the calendar year shall automatically succeed to the office of Chair effective the first day of the following calendar year;

- g. Establish committees of the Board as provided for in OCERS By-Laws;
- h. Initiate, support, oppose or take a neutral position regarding legislative proposals affecting OCERS; and
- i. Authorize and approve any actions concerning claims, disputes, demands or legal proceedings that may affect the functions, investments, benefits or funding of OCERS and the Board.

Conflicts of Interest

9. The Board will:

- a. Adopt and maintain an OCERS Conflict of Interest Code and list of Designated Filers, and obtain the approval of both by the County Board of Supervisors;**
- b. Review and update the OCERS Conflict of Interest Code every two years as required by the Political Reform Act; and**
- c. Designate the CEO as the OCERS Filing Officer who is responsible for ensuring Board members and Designated Filers are aware of and comply with the requirement of an annual disclosure of financial interests (Form 700).**

Investments and Funding

- 10. The Board has exclusive control of the investments of the Fund. The assets of OCERS are trust funds and, as such, the Board will manage the Fund (Gov. Code §31595):
 - a. Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering OCERS;
 - b. 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; and
 - c. By diversifying the investments of OCERS so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.
- 11. The Board will conduct a study of the relationship between the assets and liabilities of OCERS not less than every three years.
- 12. The Board will approve an Investment Policy Statement including investment objectives, and will review and confirm or amend such policy at least every three years and following the completion of any asset/liability study of OCERS.
- 13. The Board will approve broad investment strategies for achieving the investment objectives of OCERS.

Benefits Administration

14. The Board will, from time to time as determined to be in the best interest of OCERS:
- a. Adopt Board policies necessary to promote effective administration of member benefits;
 - b. Approve all qualified members who apply for service retirement (Gov. Code §31670);
 - c. Determine the merits of applications for disability benefits, making necessary determinations of service connection and permanency of injury (Gov. Code §31720);
 - d. Act on member appeals of decisions made by OCERS staff;
 - e. Annually approve cost-of-living adjustments (Gov. Code §31870);
 - f. Determine eligibility of safety members when in doubt; and
 - g. Periodically review approved disabilities as appropriate.

Operations

15. The Board will:
- a. Adopt a business and strategic plan and any updates thereto;
 - b. Adopt an annual Operating Budget within the statutory limit and approve any changes thereto;
 - c. Ensure that all required contributions to the Fund are collected in a timely manner;
 - d. Ensure that all required distributions from the Fund are made in a timely manner;
 - e. Establish OCERS principal business offices;
 - f. Approve leasehold and purchase agreements in connection with OCERS principal business offices; and
 - g. Approve operational control policies to ensure efficient delivery of member benefits and services.

Financial, Actuarial and Accounting

16. The Board will:
- a. Ensure that appropriate accounting, actuarial and internal financial control policies are established;
 - b. Approve the annual actuarial valuation and the actuarial assumptions contained therein, upon the advice of the actuary and other experts as required, and transmit to the Orange County Board of Supervisors a recommendation to implement such changes in the contribution rates of the county and districts, and members, as are necessary (Gov. Code §§31453 - 31454.6);

- c. Approve the annual financial statements;
- d. Ensure a financial audit is conducted at least annually (Gov. Code § 31593);
- e. Ensure an actuarial experience study is conducted at least every three years; and
- f. Ensure an actuarial audit is conducted at least every five years.

Human Resources

17. The Board will from time to time as determined to be in the best interests of OCERS:
- a. Approve a human resources and compensation policy; and
 - b. Ensure that appropriate succession plans are in place to provide continuity in OCERS management.

Communications

18. The Board will:
- a. Ensure effective communications with all significant interest groups;
 - b. Ensure that an Annual Financial Report is issued to members;
 - c. Ensure that Member Statements are available on OCERS' website and that OCERS makes paper copies available upon request; and
 - d. Conduct internal and external communications in accordance with the Board Member Communications Policy.

Key Appointments

19. The Board will, from time to time, appoint staff and service providers to assist the Board in carrying out its responsibilities, including:
- a. The CEO (Gov. Code § 31522.5);
 - b. The actuary;
 - c. The actuarial auditor upon recommendation of the Audit Committee;
 - d. The financial auditor upon recommendation of the Audit Committee;
 - e. The custodian;
 - f. Legal counsel retained to represent and advise the Board (Gov. Code § 31529.5);
 - g. Investment consultants retained to advise the Board;
 - h. Investment managers;
 - i. Human resource consultants retained to assist the Board with issues pertaining to the CEO; and
 - j. Other service providers the Board may choose to retain.

Monitoring and Reporting

20. The Board will ensure that appropriate monitoring and reporting practices are established within OCERS.
21. As a general rule, the Board will comply with all Board policies. If the Board takes an action contrary to one of its policies, it will state in the Board minutes the reasons for doing so. At such time, the Board will also request that a review of the policy be undertaken.
22. The Board will annually:
 - a. Review the CEO's job performance;
 - b. Review the funded status of OCERS;
 - c. Review OCERS's internal financial and operating controls;
 - d. Review the investment performance of the Fund and the performance of the investment managers of the Fund;
 - e. Review the quality of-services delivered to OCERS members; and
 - f. Review the performance of the Board.
23. The Board will review the actuarial experience of OCERS not less than every three years.
24. The Board will review the results of an actuarial audit of OCERS at least every five years.
25. The Board will review progress toward the implementation of OCERS business plan on a semi-annual basis.
26. The Board will review Board policies every three years or as set out in each policy.
27. The Board will review the OCERS Operating Budget on a quarterly basis.
28. With the assistance of the CEO, the Board (or a committee of the Board) will review, at least biennially, the performance of its advisors including the actuary, the financial auditor, the investment consultants, and fiduciary counsel.
29. The Board will provide for appropriate monitoring of compliance with applicable laws and regulations.

Charter Review

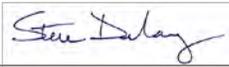
30. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

Charter History

31. This Charter was adopted by the Board of Retirement on November 18, 2002 and amended on August 22, 2011, January 21, 2014, January 20, 2015, July 20, 2015, May 15, 2017 and October 15, 2018.

Secretary's Certificate

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



10/15/18

Steve Delaney
Secretary of the Board

Date

Acceptance and Reporting of Gifts

Background

1. The Orange County Employees Retirement System is subject to the Political Reform Act of 1974 and the regulations promulgated by the California Fair Political Practices Commission (FPPC). In addition, on June 21, 2010, the Board adopted a Disclosure Policy that requires an annual disclosure by Board members and designated management staff of any and all financial and other interests they or their immediate family may have that may affect the Board's deliberations and votes, OCERS' operations and any other matter that may affect OCERS' interests. As fiduciaries, the Board of Retirement wishes to assure compliance with FPPC standards, state law and Board policies.

Guidelines

2. Members of the Board of Retirement and designated staff of OCERS will observe the limitations and reporting requirements with respect to gifts, as required by the Political Reform Act of 1974 and regulations of the FPPC.
3. The Board of Retirement will maintain a current list of Designated Filers, approved by the Orange County Board of Supervisors pursuant to its policy adopted December 17, 2002.
4. Members of the Board of Retirement and designated management staff will comply with the Disclosure Policy on an annual basis.
5. The Board of Retirement will maintain the annual disclosures of all Board members and designated staff in accordance with OCERS' Records Retention Policy.
6. The CEO will designate an OCERS Form 700 Filing Officer who is responsible for ensuring that the Form 700's are timely filed with the appropriate agency.
7. OCERS General Counsel or Chief Legal Officer is responsible for ensuring Board members and designated management staff comply with the Board Disclosure Policy annually.

Policy Review

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

Policy History

9. The Board of Retirement adopted this policy on May 16, 2005.
10. The policy was revised May 19, 2008, and May 17, 2011. The policy was reviewed on March 17, 2014, and April 17, 2017.



Acceptance and Reporting of Gifts

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 handwritten signature in blue ink that reads "Steve Delaney" is enclosed in a rectangular box.

4/17/17

Steve Delaney
Secretary of the Board

Date

A-4

Memorandum

DATE: November 19, 2018
TO: Members of the Board of Retirement
FROM: Suzanne Jenike, Assistant CEO, External Operations
SUBJECT: **GOVERNANCE COMMITTEE OUTCOMES FROM OCTOBER 11, 2018 MEETING – NEW WRITE OFF POLICY**

Recommendation

The Governance Committee recommends that the Board adopt the new *Write Off Policy* as presented.

Background/Discussion

On October 11, 2018, staff presented a new *Write Off Policy* ("Policy") to the Governance Committee for consideration. The Policy is designed to provide guidelines regarding when OCERS is permitted to forgo collection of amounts overpaid by or owing to OCERS, and when OCERS will not be required to make corrective distributions to OCERS members and/or their beneficiaries.

Cost effective administration of the system is a key goal OCERS strives to achieve on a daily basis. There are situations where it is neither cost effective nor a prudent use of OCERS' resources to process relatively small overpaid amounts or to take collection actions for underpaid amounts. The situations vary from underpaid member or employer retirement contributions to incorrect service credit purchase payments. When the amounts are insignificant, and require expenditure of staff resources to process, staff would like the ability to forgo corrective action.

The Governance Committee agreed, and now recommends the Board adopt the new Policy as presented.

Submitted by:



Suzann Jenike
Assistant CEO, External Operations

Purpose

1. The Orange County Employees Retirement System (OCERS or System) Board of Retirement (Board) is charged with the responsibility of administering the System in a manner that assures appropriate and prompt delivery of benefits and related services to members and their beneficiaries and of managing the assets of the System in a prudent manner. The purpose of this Write Off Policy is to provide guidelines regarding when OCERS is permitted to forgo collection of amounts overpaid by or owing to OCERS, and when OCERS will not be required to make corrective distributions to OCERS members or their beneficiaries.

Principles

2. Considerations of cost effectiveness make it prudent and reasonable to establish a threshold under which (a) OCERS will not be required to seek to recover amounts overpaid by or owed to OCERS; and (b) OCERS will not be required to make corrective distributions to OCERS members and their beneficiaries.

Roles

3. The Chief Executive Officer (CEO) shall be responsible for implementing and monitoring compliance with this Policy and shall annually report to the Board the write offs that have been made pursuant to this Policy.

Policy Guidelines

4. Whenever the total amount overpaid by OCERS to an OCERS member or beneficiary is less than \$100 including interest, or the total amount owed by any party to OCERS is less than \$100 including interest, OCERS is authorized to forgo recovery of such amount.
5. Whenever the total amount underpaid by OCERS to a member or beneficiary, including interest, is \$75 or less, OCERS is not required to make the corrective distribution provided that, in the judgment of the CEO in consultation with legal counsel, the reasonable direct costs of processing and delivering the distribution to the member or beneficiary would exceed the amount of the distribution.

Policy Review

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

Policy History

7. The Board of Retirement adopted this policy on _____, 2018.



OCERS Board Policy Write Off 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 handwritten signature in blue ink that reads "Steve Delaney".

Steve Delaney
Secretary of the Board

_____ Date

A-5



Memorandum

DATE: November 7, 2018
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant CEO Finance and Internal Operations
SUBJECT: **ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT'S UAAL TRIENNIAL RECALCULATION**

Recommendation

Approve the results of the Recalculation of Orange County Mosquito and Vector Control District's UAAL Obligation as of December 31, 2017 in the amount of \$818,977.

Background/Discussion

The Orange County Mosquito and Vector Control District (previously the Orange County Vector Control District - OCMVCD) was a contracting employer with OCERS until January 2007 when they withdrew from OCERS and contracted with CalPERS to provide retirement benefits for its members. OCERS and OCMVCD entered into a Termination and Continuing Contribution Agreement effective June 1, 2008. The terms of the agreement established continuing funding obligations for OCMVCD, including a funding mechanism and a "true-up" process whereby OCMVCD pays OCERS in full for the actuarially calculated Unfunded Actuarial Accrued Liability (UAAL) every three years (the contractual payment obligations are calculated in connection to the years when the Board of Retirement adopts new actuarial assumptions). The OCMVCD has made all required true-up payments since the execution of the agreement. The most recent payment made by OCMVCD in November 2015 was made based on the calculation of UAAL as of December 31, 2014.

In October 2017, the Board of Retirement adopted new actuarial assumptions. The new assumptions were incorporated into the actuarial valuation as of December 31, 2017. Based on the terms of OCERS Termination and Continuing Contribution Agreement with OCMVCD, a true-up calculation is to be completed for the UAAL for OCMVCD as of December 31, 2017. The terms of the agreement requires OCMVCD to pay off the recalculated UAAL by December 31, 2020 along with accrued interest at the assumed rate of return through the payment date. Upon requesting and obtaining the true-up calculation from Segal, staff discovered that a provision of the agreement had previously been overlooked. Section 4. b. of the agreement includes the following:

*"OCERS shall deliver a report of the results of the Recalculation of the OCVCD's UAAL Obligation to OCVCD as soon as such information has been finalized by the actuary and **adopted by the Board**"(emphasis added).*

In the past, true- up calculations have been finalized and sent to the OCMVCD, who in turn paid the required amounts. However, the recalculations have not been adopted by the Board. This item is requesting approval of the recalculation of the OCMVCD's UAAL as of December 31, 2017 in the amount of \$818,977 (attachment 1) in



Memorandum

accordance with the agreement. The OCMVCD has already been provided with a copy of the recalculation of their UAAL.

For reference purposes the following are also attached to this memo:

2. Termination and Continuing Contribution Agreement - OCVCD
3. Schedule of UAAL Calculations and Payments

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

VIA E-MAIL AND USPS

October 17, 2018

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

**Re: Orange County Employees Retirement System
Update of Withdrawal Liability as of December 31, 2017 – O.C. Mosquito and
Vector Control District**

Dear Steve:

As requested, we have updated the withdrawal liability for the Orange County Mosquito and Vector Control District (OCMVCD)¹ from December 31, 2015 (as provided in our report dated November 17, 2016) to December 31, 2017.²

The OCMVCD was a contracting employer with the Orange County Employees Retirement System (OCERS) before it withdrew from OCERS and contracted with CalPERS to provide retirement benefits for its members with respect to service after January 4, 2007. Effective from the date of withdrawal, OCERS is only responsible for providing benefits to employees or retirees of OCMVCD who were members of OCERS before January 5, 2007 and only with respect to service earned at OCERS before January 5, 2007.

Prior Calculation of the OCMVCD's Unfunded Actuarial Accrued Liability

In our letter dated November 17, 2016, we calculated the withdrawal liability for OCMVCD to be \$500,623 as of December 31, 2015 using ongoing actuarial assumptions and methods for both liabilities and assets. In particular, the smoothed valuation value of assets was used as the basis for determining the funding obligation for OCMVCD.

Current Analysis and Results

In our current study, we have determined OCMVCD's Unfunded Liability with OCERS as of December 31, 2017.

¹ There was a recent name change at the District. Before that name change, the District was formerly referred to as Orange County Vector Control District.

² Under OCERS' Withdrawing Plan Sponsor Policy, an update or true-up of an employer's withdrawal liability is only required once every three years.

The calculation of OCMVCD's present value of benefits is provided in Exhibit I, while a reconciliation of the changes in the present value of benefits from December 31, 2015 to December 31, 2017 is provided in Exhibit II.

A reconciliation of the change in the OCMVCD's allocated assets from December 31, 2015 to December 31, 2017 is provided in Exhibit III.

A reconciliation of the change in the OCMVCD's UAAL from December 31, 2015 to December 31, 2017 is provided in Exhibit IV.

The Unfunded Liability as of December 31, 2017 is \$818,977 as provided in column (A) of the table below. The increase in the Unfunded Liability between the December 31, 2015 valuation to the December 31, 2017 valuation was a result of: (i) changes in actuarial assumptions in the December 31, 2017 valuation and (ii) an investment loss during 2016 when measured on a smoothed market value basis. The increase in Unfunded Liability is offset to some extent by: (i) an investment gain during 2017 when measured on a smoothed market value basis, (ii) lower than expected salary increases for members who were still active at OCMVCD as of December 31, 2017, (iii) lower than expected COLA increases during 2016 and 2017, and (iv) other experience gains.

The table below summarizes our results in column (A). For reference and comparison purposes, the Unfunded Liability for OCMVCD developed using the market value of assets is provided in column (B).

	<u>As of December 31, 2017</u>	
	(A)	(B)
	Valuation Value Basis (smoothed market value)	Market Value Basis (for reference only)
Present Value of Benefits	\$27,217,301	\$27,217,301
Assets	<u>26,398,324</u>	<u>27,246,525</u>
Unfunded Liability	\$818,977	-\$29,224

Assumptions

The results in this study were calculated using the actuarial assumptions adopted by the Board for the December 31, 2017, actuarial valuation. That valuation and these calculations were prepared under the supervision of Andy Yeung, ASA, MAAA, FCA, EA.

Other Considerations

To determine the payments that may be made by OCMVCD in the future to OCERS to satisfy the Unfunded Liability, the Unfunded Liability of \$818,977 should be adjusted with interest from December 31, 2017 to the actual date of payment at the assumed rate (currently 7.00% per year). We are available to provide the payment amounts if requested to do so by OCERS.

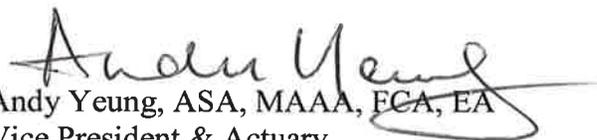
The undersigned are members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

If you have any questions, please do not hesitate to give us a call.

Sincerely,



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



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

MYM/hy
Enclosures

cc: Suzanne Jenike
Brenda Shott

EXHIBIT I**O.C. Mosquito and Vector Control District's Present Value of Benefits as of December 31, 2017****Demographics**

Actives	<u>Tier 1 - Plan A</u>	<u>Tier 2 - Plan B</u>	<u>Total</u>
Number of Actives	-	30	30
Payroll	\$0	\$2,761,723	\$2,761,723
Average Payroll	0	92,057	92,057

InactivesNumber

Termination Vested	-	11	11
Disability Retirement	-	-	-
Service Retirement	16	16	32
Beneficiaries / Survivors	1	2	3

Present Value of Benefits

Actives	\$0	\$7,047,394	\$7,047,394
Non-actives ⁽¹⁾	<u>13,056,165</u>	<u>7,113,742</u>	<u>20,169,907</u>
Total	<u>\$13,056,165</u>	<u>\$14,161,136</u>	<u>\$27,217,301</u>

⁽¹⁾ Of the \$20.2 million in liability attributed to the non-actives, \$0.51 million is attributed to the terminated vested members. For terminated vested members reported with a reciprocal code by OCERS, we have assumed that they have terminated employment with O.C. Mosquito and Vector Control District as of the date of this valuation and have continued to work for another reciprocal employer.

EXHIBIT II**Reconciliation of Change in O.C. Mosquito and Vector Control District's Present Value of Benefits**

1. Present Value of Benefits as of December 31, 2015 ⁽¹⁾	\$26,478,582
2. Benefit Payments Made During 2016	1,500,121
3. Interest at the Assumed Rate of 7.25% Per Annum	<u>1,861,203</u>
4. Expected Present Value of Benefits as of December 31, 2016 [1. - 2. + 3.]	\$26,839,664
5. Benefit Payments Made During 2017	1,554,635
6. Interest at the Assumed Rate of 7.25% Per Annum	<u>1,885,259</u>
7. Expected Present Value of Benefits as of December 31, 2017 [4. - 5. + 6.]	\$27,170,288
8. Actual Present Value of Benefits as of December 31, 2017 (From Exhibit I)	<u>27,217,301</u>
9. Liability (Gains) / Losses [8. - 7.] ⁽²⁾	\$47,013

⁽¹⁾ From our letter dated November 17, 2016.

⁽²⁾ Includes actuarial experience and changes in actuarial assumptions. See Exhibit IV for detailed breakdown.

EXHIBIT III**Reconciliation of O.C. Mosquito and Vector Control District's Allocated Assets with OCERS
(From January 1, 2016 to December 31, 2017)**

	Year Ending <u>12/31/2016</u>	Year Ending <u>12/31/2017</u>
1. Return on Valuation Value of Assets ⁽¹⁾	6.33%	7.44%
2. Valuation Value of Assets - Beginning of Year	\$25,977,959	\$26,071,172
3. Contributions Made	0	4,225 ⁽³⁾
4. Benefits Paid	1,500,121	1,554,635
5. Interest Credited using the Rate in 1.	1,593,334	1,877,562
6. Valuation Value of Assets - End of Year [2. + 3. - 4. + 5.]	\$26,071,172 ⁽²⁾	\$26,398,324 ⁽⁴⁾

⁽¹⁾ The rates of return on the valuation value of assets were as shown on page 9 of our December 31, 2017 valuation.

⁽²⁾ If the Valuation Value of Assets had earned 7.25% per year from January 1, 2016 to December 31, 2016, the Valuation Value of Assets as of December 31, 2016 would have been \$26,302,746. The loss from investments was therefore \$231,574.

⁽³⁾ Includes a service purchase of \$4,225 made by a member on October 5, 2017.

⁽⁴⁾ If the Valuation Value of Assets had earned 7.25% per year from January 1, 2017 to December 31, 2017, the Valuation Value of Assets as of December 31, 2017 would have been \$26,350,376. The gain from investments was therefore \$47,948.

EXHIBIT IV**Reconciliation of Unfunded Liability from December 31, 2015 to December 31, 2017**

1. UAAL as of December 31, 2015 ⁽¹⁾	\$500,623
2. Interest on UAAL at 7.25%	36,295
3. Contributions Made during 2016	0
4. Loss due to Unfavorable Investment Returns during 2016	<u>231,574</u>
5. Expected UAAL as of December 31, 2016 [1. + 2. - 3. + 4.]	\$768,492
6. Interest on UAAL at 7.25%	55,716
7. Contributions Made during 2017 ⁽²⁾	-4,296
8. Gain due to Favorable Investment Returns during 2017	-47,948
9. Gain during 2016 and 2017 due to Salary Increases Lower than Expected	-533,483
10. Gain during 2016 and 2017 due to COLA Increases Lower than Expected	-530,873
11. Loss during 2016 and 2017 due to other Actuarial Experience	-6,846
12. Changes in Actuarial Assumptions ⁽³⁾	<u>1,118,215</u>
13. UAAL as of December 31, 2017 [5. + 6. + 7. + 8. + 9. + 10. + 11. + 12.] ⁽⁴⁾	\$818,977

⁽¹⁾ From our letter dated November 17, 2016.

⁽²⁾ The contributions of \$4,225 made on October 5, 2017 when adjusted with interest to December 31, 2017 at the assumed rate of return of 7.25% equaled \$4,296.

⁽³⁾ About 90% of the increase was due to changes in the mortality assumptions.

⁽⁴⁾ The final UAAL of \$818,977 is less than the \$2,052,000 previously calculated in the December 31, 2017 regular valuation because for this study we collect additional information from O.C. Mosquito and Vector Control District on their current and former employees, who are reported by OCERS as terminated vested members. That information includes whether they are still working for the District and their most current salary information; however, for the December 31, 2017 regular valuation, we continued to use (and project, if necessary) salary information provided by OCERS for that valuation. In future regular valuations, we would request that OCERS update the full-time equivalent pay for O.C. Mosquito and Vector Control District members based on the data provided for this study.

TERMINATION AND CONTINUING CONTRIBUTION AGREEMENT

This Termination and Continuing Contribution Agreement ("Agreement") is entered into effective June 1, 2008 (the "Effective Date") by and between the Orange County Vector Control District ("OCVCD"), a California Special District, and the Orange County Employees Retirement System ("OCERS"), a multiple employer public employees' retirement plan established under the County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended ("CERL").

RECITALS

- A. OCVCD was a participating district employer in OCERS pursuant to the provisions of CERL to and including January 4, 2007. During the time OCVCD participated in OCERS, all of its qualified officers and employees were members of OCERS. Effective January 5, 2007, pursuant to a duly adopted resolution of OCVCD's Board of Directors, OCVCD withdrew as a participating district in OCERS and transferred all of its qualified officers and employees from membership in OCERS to membership in the California Public Employees' Retirement System ("CALPERS") for all service on and after that date.
- B. All service earned by active, retired and deferred officers and employees of OCVCD before January 5, 2007 remains credited with OCERS. All active officers and employees of OCVCD became deferred members of OCERS on that date, pursuant to CERL sections 31700 et seq., and may be entitled to reciprocal benefits pursuant to CERL sections 31830 et seq. upon retirement or disability.
- C. Pursuant to CERL section 31564.2, 31580.1 and other applicable provisions of law, OCVCD remains liable to OCERS for the OCVCD's share of liabilities attributable to the OCVCD's officers and directors who are and may be entitled to receive retirement, disability and related benefits from OCERS.
- D. CERL section 31564.2(d) provides in part: "The funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency...no contracting agency shall fail or refuse to pay the employer's contributions required by this chapter...In dealing with a withdrawing district, the board of retirement shall take whatever action needed to ensure the actuarial soundness of the retirement system." OCVCD and OCERS enter into this Agreement for these specific purposes.
- E. OCERS' actuary has determined that the difference between the value of the assets held by OCERS attributable to the OCVCD and to its officers and employees, and the OCVCD's liability for the current and prospective benefits due to its officers and directors (the "unfunded actuarial accrued liability" or "UAAL"), as of June 2, 2008, is \$2,033,588. The actuary has certified this amount to the OCERS Board of Retirement, OCERS' governing body.

- F. The purposes of this Agreement are (a) to evidence the OCVCD's continuing funding obligations to OCERS for the ongoing benefits owed to its retired and disabled officers and employees, by offsetting accumulated asset reserves attributable to the OCVCD and its officers and employees against projected future benefits to be paid by OCERS to retired, deferred retired and disabled OCVCD officers and employees and their survivors and beneficiaries, (b) to provide a funding mechanism for the OCVCD to continue to satisfy its funding obligations to OCERS, (c) to provide a mechanism for adjusting the OCVCD's obligations and payments due to OCERS based on periodic actuarial experience analysis and (d) to provide a mechanism by which OCERS will consider the transfer of Surplus, as defined in Par. 4.d below, to a successor retirement system.

AGREEMENT

NOW, THEREFORE, the parties mutually agree to the following terms, conditions and covenants:

1. **Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference. OCVCD specifically represents and warrants the truth of Recital A.
2. **OCVCD's Current UAAL Obligation.** The OCVCD's current UAAL obligation to OCERS, as of June 2, 2008, is \$2,033,588.
3. **Satisfaction of OCVCD's Current UAAL Obligation.** OCERS acknowledges receipt of OCVCD's payment of \$693,033 on June 2 and \$1,345,679 on June 20, reflecting interest accrued on the balance owing on OCVCD's current UAAL obligation through that date, for a total of \$2,038,712.
4. **Satisfaction of OCVCD's Future UAAL Obligations.**
 - a. As soon as practicable following December 31, 2008 and following the end of every calendar year thereafter, OCERS shall deliver to OCVCD a report on the assets and liabilities in the retirement system attributable to OCVCD's officers and employees, and any UAAL attributable to OCVCD. OCERS' report shall include an itemization of OCVCD's employees by their membership category. These reports will be for information purposes only, and shall not impose any mature funding obligation on OCVCD at the time of the report. The assets attributable to OCVCD will be credited with the actual rate of investment return earned on the total valuation value of OCERS assets, where such rate will reflect any deferred market value gains or losses that are recognized in the valuation value of assets. Following delivery of the annual report, OCERS and OCVCD will meet to discuss any changes in the assets and liabilities attributable to OCVCD.
 - b. Commencing as of December 31, 2010 and every three years thereafter, or in such other intervals as OCERS conducts its multi-ennial Analysis of Actuarial Experience, OCERS' actuary shall recalculate OCVCD's then current UAAL obligation, based on accumulated assets and liabilities attributable to OCVCD and its officers and employees, OCVCD's actual experience and demographics and

consistent with the actuarial assumptions and methodologies and interest crediting policies then in effect as adopted by OCERS Board of Retirement (the "Recalculation of OCVCD's UAAL Obligation"). For purposes of the Recalculation of OCVCD's UAAL Obligation, OCVCD's officers and employees shall be treated as if they were a "closed group" and OCVCD's attributable assets and liabilities shall be treated as segregated from the remaining assets and liabilities of the retirement system. OCERS shall deliver a report of the results of the Recalculation of OCVCD's UAAL Obligation to OCVCD as soon as such information has been finalized by the actuary and adopted by the Board.

c. Based on the Recalculation of OCVCD's UAAL Obligation, in the event that there is any new UAAL obligation required of OCVCD, OCVCD shall satisfy the obligation to OCERS in full by payments from OCVCD within three (3) years following the effective date of each such Recalculation of OCVCD's UAAL Obligation, together with all accrued interest thereon at OCERS' then assumed rate. OCVCD shall have the right to pre-pay any amount due OCERS without penalty, and may add additional funds to its account at OCERS in anticipation of future liabilities at any time.

d. Based on the Recalculation of OCVCD's UAAL Obligation, in the event that there is any negative UAAL obligation ("Surplus") attributable to OCVCD, such Surplus shall remain in the retirement system as a credit against future UAAL obligations attributable to OCVCD. Notwithstanding the foregoing, if the Surplus exceeds 115%, OCERS Board of Retirement shall thereafter consider in a public meeting whether to transfer all or a portion of such Surplus over 115% to CALPERS (or other successor qualified plan in which OCVCD is then a participating employer) for the benefit of OCVCD. OCERS shall give OCVCD reasonable advance notice of the public meeting. OCERS Board of Retirement may, but shall not be obligated to, make any such transfer. Such determination shall be made in the exercise of OCERS' sole and exclusive discretion under the circumstances then prevailing.

e. OCVCD shall be responsible to pay OCERS for the cost of any actuarial services incurred in connection with the reports and analyses respecting OCVCD and shall make payment in full to OCERS within thirty (30) days following receipt of an invoice for such services from OCERS.

5. **OCVCD's Continuing Legal Obligations.** OCVCD's obligations under CERL, including but not limited to sections 31564.2, 31564.5, 31580.1, 31585 and 31627.6, shall be continuing, as necessary to discharge its obligations to OCERS in a timely manner. In the event either party fails to perform any of the obligations imposed by this Agreement or at law in a timely manner, the other party may take any legal action appropriate under the circumstances, including seeking injunctive or other equitable relief, on a preliminary or permanent basis.
6. **Hold Harmless and Indemnification.** Each party to this Agreement shall indemnify, defend and hold the other party (including its governing board, trustees, officers, agents and employees) harmless from any claims, losses, injuries, damages or liability of every kind and character, including reasonable attorneys fees and costs

incurred in connection therewith, to the extent caused by its own wrongful acts or omissions, including but not limited to any breach of this Agreement. This Paragraph shall survive termination of this Agreement and the Expiration Date, as defined in Paragraph 7, below.

7. **Expiration Date.** Once all remaining liabilities to OCVCD's officers and employees and their survivors and beneficiaries have been satisfied, OCERS shall transfer any remaining assets attributable to OCVCD's account to CALPERS (or other successor qualified plan in which OCVCD is then a participating employer) for the benefit of OCVCD.
8. **Venue and Choice of Law.** This Agreement is made in Orange County, California. Any legal action taken with respect to this Agreement shall be brought in the Superior Court for the County of Orange, unless otherwise agreed to in writing by the parties. The construction, interpretation, and enforcement of this Agreement shall be governed by the laws of the State of California as they are applied to domiciliaries thereof. In the event any provision of this Agreement is unenforceable as a matter of law, that provision will be deemed to be reformed to reflect as nearly as possible the original intent of the parties as expressed in this Agreement and in accordance with applicable law, and the remaining provisions will stay in full force and effect, so long as the primary intent of the parties still may be accomplished.
9. **Notices.** All notices or other communications required or permitted to be given under this Agreement shall be made in writing and sent to the addresses set forth below:

If to OCVCD:

Orange County Vector Control District
13001 Garden Grove Boulevard
Garden Grove, California 92843
Attention: District Manager
Fax No.: 714.971.3940

with a copy to:

Law Offices of
Harper & Burns LLP
453 South Glassell Street
Orange, CA 92866
Attn: Alan Burns
Fax No.: 714.744.3350

If to OCERS:

Orange County Employees' Retirement System
2223 Wellington Avenue
Santa Ana, California 92701
Attention: Chief Executive Officer
Fax No.: 714.558.6236

with a copy to:

Harvey L. Leiderman, Esq.
Reed Smith, LLP
Two Embarcadero Center, Suite 2000
San Francisco, CA 94111
Fax No.: 415-391-8269

All notices shall be deemed given if delivered receipt confirmed using one of the following methods: registered or certified first class mail, postage prepaid; recognized courier delivery; electronic mail; telecopier or other electronic facsimile transmission.

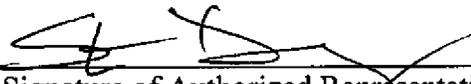
- 10. **Successors.** This Agreement shall inure to the benefit of, and be binding on, the parties' respective successors and assigns, unless otherwise precluded by operation of law.
- 11. **Miscellaneous.** This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof and may only be amended or modified by a writing signed by a duly authorized representative of each party. This Agreement may be executed in counterparts, each of which shall be deemed an original. This Agreement replaces and supersedes any prior verbal or written understandings, communications, and representations between the parties regarding the subject matter contained herein. Neither party may assign any rights set forth in this Agreement to any third party without the other's written consent.

IN WITNESS WHEREOF, the parties hereby agree to all of the above terms and have executed this Agreement as of its Effective Date.

**ORANGE COUNTY
VECTOR CONTROL DISTRICT**

**ORANGE COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

By: 
Signature of Authorized Representative

By: 
Signature of Authorized Representative

GERARD GOEDHART
Name of Person Signing (Please print)

STEVE DECAVEY
Name of Person Signing (Please print)

DISTRICT MANAGER
Title of Person Signing

CEO, OCRMS
Title of Person Signing

AMB

OC Vector Control District
Schedule of UAAL Calculations and Payments

Calculation/Payment Date	UAAL as of calculation date	Payments	
6/2/2008	\$ 2,033,588	\$ 693,033	
6/20/2008		\$ 1,345,679	
12/31/2008	\$ 2,106,343		
12/31/2009	\$ 1,909,644		
12/31/2010	\$ 2,381,095		
9/6/2011		\$ 1,000,000	
12/19/2011	\$ 1,540,260		
		\$ 2,220,796	
12/31/2012	\$ 3,353,131		Note 1
12/31/2013	\$ 2,676,850		Note 2
3/6/2014		\$ 500,000	
12/31/2014	\$ 294,854		Note 3
11/24/2015		\$ 314,474	
12/31/2015	\$ 500,623		Note 4
12/31/2017	\$ 818,977		Note 5

Note 1: UAAL increased in 2012 primarily due to change in assumed rate of return from 7.75% down to 7.25% along with impact of unfavorable investment returns and change in mortality assumption

Note 2: UAAL as of 12/31/2013 accounted for March 2014 contribution made

Note 3: UAAL decrease from 2013-2014 primarily is a result of Mortality gains, COLA increases lower than expected, gains from changes in assumptions, salary increases lower than expected and other experience gains.

Note 4: UAAL increase from 2014-2015 primarily is a result of investment losses during 2015 (smoothed in) offset by contributions made and gain from lower than expected COLA

Note 5: UAAL increase from 2015 to 2017 is primarily related to changes in mortality assumptions

A-6



Memorandum

DATE: November 01, 2018
TO: Members of the Board of Retirement
FROM: Chris Prevatt, Board Chair and Charles Packard, Vice-Chair
SUBJECT: COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

Recommendation

Take appropriate action.

Background/Discussion

OCERS's Chief Executive Officer Performance Evaluation Policy states that a formal evaluation will be conducted annually and the Board will consider compensation at the time the performance evaluation is conducted. The Brown Act code 54957 requires the Board to discuss the Chief Executive Officer's Compensation during an open session. In prior years, the Board has requested comparable CEO compensation data from other pension systems and organizations which are both close in proximity and size to OCERS, as well as a detailed compensation history for Steve Delaney. Attached are the CEO Compensation Performance Evaluation documents used to evaluate the CEO.

Attachments:

1. CEO Performance Evaluation Policy
2. CEO Charter
3. 2018 Business Plan
4. Blank CEO Evaluation Form
5. Steve Delaney Total Compensation History
6. CEO Compensation Comparison

Submitted by:

Chris Prevatt, Board Chair

Submitted by:

Charles Packard, Vice-Chair

OCERS Board Policy
Chief Executive Officer
Performance Evaluation Policy

Background and Objectives

1. The Board of Retirement supervises the Chief Executive Officer. Formal evaluation procedures and practices are required. This process shall be performed on an annual basis.
2. The objectives of this policy are to:
 - a. Assist the Board in arriving at and communicating clear and meaningful goals and performance targets for the Chief Executive Officer;
 - b. Ensure that the Chief Executive Officer receives meaningful, objective, and timely feedback that will allow the Chief Executive Officer to perform, over time, at the highest levels possible; and
 - c. Enable the Board to hold the Chief Executive Officer accountable for performance.

Roles

3. The Board will be responsible for evaluating the performance of the Chief Executive Officer.
4. The Chair and Vice Chair will be responsible for coordinating the evaluation process. The Board may use a third party to facilitate the process.

Policy Guidelines

Process and Timelines

5. The Chief Executive Officer will discuss the following items with the Chair during November each year:
 - a. Proposed CEO evaluation criteria for the coming calendar year;
 - b. Proposed weights for each of the above criteria; and
 - c. Proposed CEO Evaluation Form for the coming calendar year.
6. In addition, the CEO's performance for the prior twelve months based on six categories:
 - a. Achievement of performance targets established for the System as a whole;
 - b. Implementation of the annual Business Plan;
 - c. Implementation of Board policies and associated reporting to the Board;
 - d. Leadership and related qualities;
 - e. Ability to address special developments or situations that may arise; and
 - f. Other criteria that the Board may determine to be appropriate.

OCERS Board Policy
Chief Executive Officer
Performance Evaluation Policy

7. The Board will attempt to ensure that the criteria:
 - a. Are objective and measurable; and
 - b. Pertain only to outcomes over which the Chief Executive Officer has a reasonable degree of control.
8. The Chair shall distribute the CEO Evaluation Package to each member of the Board in October of each year. The Evaluation Package will include copies of the Evaluation Form to be completed by each Board member, Business Plan, and the CEO's self-evaluation. The Chief Executive Officer's self-evaluation report is designed to assist the Board in the evaluation process. It should describe the extent to which the CEO believes the evaluation criteria were met over the past year, as well as all relevant supporting data. Supporting data may be confirmed by internal audit material where appropriate. The report may also describe any additional accomplishments during the year.
9. The Board shall treat this material as confidential. Completed individual Evaluation Forms will be returned to the Chair or the designated third party with a copy to the Vice Chair within the time frame specified. The Chair will ensure that all data is tabulated and summarized in a Master CEO Evaluation Form and treated as confidential until released to the Board.
10. Evaluation of the Chief Executive Officer will be completed by November each year. The evaluation process itself will be conducted in executive session. The Chair will distribute a copy of the Master CEO Evaluation Form and invite discussion by the Board. At the conclusion of discussion, the Chief Executive Officer will join the Board for review and discussion of his/her performance along with any suggestions for improvement. The Board may have preliminary discussions in October, but will complete the process by November.
11. Upon completion of the Master CEO Evaluation Form, the Chair and the Chief Executive Officer will sign the Master CEO Evaluation Form and cause it to be placed in the Chief Executive Officer's personnel file.

Documentation

12. The Individual and Master CEO Evaluation Form(s) may take any format the Board deems appropriate, but must allow Board members an opportunity to provide general comments.

Compensation

13. The Board of Retirement will consider the Chief Executive Officer's compensation at the time the performance evaluation is conducted.



OCERS Board Policy
Chief Executive Officer
Performance Evaluation Policy

Policy Review

14. The Board will review this policy at least every three years to ensure that it remains relevant and appropriate.

Policy History

15. This policy will be implemented in February 19, 2002. This policy was revised May 16, 2005, May 19, 2008, March 22, 2010, January 21, 2014, and November 14, 2016.

Secretary's Certificate

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

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

11/14/16

Steve Delaney
Secretary of the Board

Date

Introduction

1. The Board of Retirement (Board) will appoint a Chief Executive Officer (CEO) who will serve at its pleasure. The CEO is the most senior executive of OCERS and is not subject to county civil service and merit system rules. This charter sets out the roles and responsibilities of the CEO.

Duties and Responsibilities

Leadership and Policy Analysis

2. The CEO will provide leadership for the OCERS staff in implementing the programs necessary to achieve the mission, goals and objectives established by the Board. The CEO will manage the day-to-day affairs of OCERS in accordance with policies established by the Board, and may delegate duties to senior management as necessary. In so doing, the CEO will solicit advice and counsel from the Board, the Board Chair, or individual Board members, as appropriate.
3. The CEO will provide support to the Board and its committees in establishing all policies of the Board including identifying and analyzing issues requiring Board policy, and providing well-supported policy recommendations for consideration by the Board or its committees.
4. The CEO will be responsible for ensuring that all policies of the Board and provisions of the County Employees Retirement Law, with the exception of governance policies pertaining to the conduct of the Board, are properly implemented.

Governance

5. The CEO will:
 - a. Recommend to the Governance Committee policies to help ensure appropriate governance practices;
 - b. Assist the Board in implementing its governance policies, charters, and By-Laws; and
 - c. Assist with Board member education and travel.
6. The CEO will serve as Secretary to the Board and, as such, will carry out the following duties:
 - a. Coordinate meetings, agendas, schedules and presentations for both Board and committee meetings in accordance with the Ralph M Brown Act (California Government Code §§54950, *et.seq.*).
 - b. Maintain minutes of Board and committee meetings;
 - c. Sign minutes upon approval of the Board;
 - d. Sign subpoenas; and
 - e. Serve as OCERS' filing officer for purpose of compliance with the California Political Reform Act and regulations of the Fair Political Practices Commission.

Investments

7. The CEO will:
 - a. Employ a Chief Investment Officer (CIO) with appropriate education and experience in institutional investing;
 - b. Carry out the duties described in this section through the CIO and other professional investment staff;
 - c. Recommend to the Investment Committee an Investment Policy Statement which will include investment objectives;
 - d. Recommend to the Investment Committee strategies for achieving OCERS' investment objectives;
 - e. Ensure the implementation of the strategies approved by the Board by establishing manager structures for each asset class, which includes among other things determining:
 - i. The number of investment manager mandates to be established; and
 - ii. The size of each investment manager mandate.
 - f. Ensure execution of portfolio rebalancing and portfolio transitions;
 - g. Ensure that necessary research is performed into investment trends, issues and opportunities that may have implications for the OCERS investment program;
 - h. Ensure all necessary investment manager due diligence is performed in accordance with the Investment Policy Statement of the Board; and
 - i. Oversee the CIO's hiring and termination of investment managers.

Benefits Administration

8. The CEO will:
 - a. Recommend to the Board, as necessary, policies to ensure effective and efficient administration of member benefits;
 - b. Ensure accurate payment of benefits to members, and address problems or errors in accordance with established policies and procedures;
 - c. In consultation with medical evaluators and legal counsel, recommend disability applications to the Board and the Disability Committee for each of their consideration;
 - d. Maintain accurate records of member accounts;
 - e. Ensure delivery of high standards of service to members including calculations and counseling; and
 - f. Develop staff policies and procedures to ensure effective and efficient administration of member benefits.

Operations

9. The CEO will:
 - a. Recommend to the Board, as appropriate, Board policies designed to help ensure effective operations;
 - b. Develop and recommend to the Board a business plan and updates to the plan as necessary;
 - c. Recommend the annual Operating Budget to the Board;
 - d. Execute contractual agreements in accordance with the Procurement and Contracting Policy and authorize payments related to the administration of OCERS, consistent with the Operating Budget and OCERS' internal controls;
 - e. Account for and ensure appropriate collection, deposit and distribution of funds as required;
 - f. Implement internal operational control policies;
 - g. Ensure the appropriate design, acquisition, implementation, and maintenance of all technological systems required to administer OCERS;
 - h. Maintain the records of OCERS in a permanent and readily accessible format and in accordance with the Record Retention Policy and Guidelines;
 - i. Assist the Audit Committee in coordinating operational audits; and
 - j. Maintain an effective working relationship with the County and other plan sponsors of OCERS.

Finance, Actuarial and Accounting

10. The CEO will:
 - a. Recommend to the Audit Committee as appropriate, financial and accounting policies;
 - b. Implement appropriate internal financial controls to safeguard the assets of the OCERS;
 - c. Assist the Audit Committee in coordinating the annual financial audit;
 - d. Coordinate the actuarial valuation, actuarial experience studies, and actuarial audits;
 - e. Cause to be prepared a comprehensive annual financial report on the operations of OCERS for Board approval; and
 - f. File in the office of the County Auditor and with the Board of Supervisors a sworn statement which will exhibit the financial condition of the OCERS at the close of the preceding calendar year and its financial transactions for the year ending on that day as required by Government Code §31597.

Human Resources

11. The CEO will:
 - a. Recommend human resources and compensation policies to the Board;

- b. Assess the human resources needs of OCERS and establish and implement appropriate human resources programs and procedures, consistent with the human resources and compensation policies of the Board;
- c. Hire, manage and terminate senior management, and oversee the hiring management and termination of staff; and
- d. Develop training and job development programs for OCERS as approved in the Operating Budget.

Legislation and Litigation

12. The CEO will:

- a. Recommend for Board approval, legislative proposals to be considered by the Board;
- b. Coordinate with legal counsel on all claims, demands, disputes or legal proceedings involving OCERS;
- c. In consultation with legal counsel, provide recommendations to the Board concerning the management and disposition of claims, demands, disputes or legal proceedings involving OCERS; and
- d. Develop and implement plans to comply with newly enacted legislation and court rulings, as applicable.

Communications

13. The CEO will:

- a. Ensure effective and timely communications with stakeholders on matters relating to the administration of OCERS. Such communications may include press releases, newsletters, presentations, and internet communications; and
- b. In situations that call for an official spokesperson to speak on behalf of OCERS, jointly determine with the Chair, on an issue-by-issue basis, who will act in such capacity.

Appointment of Service Providers

- 14. The CEO will cause the necessary due diligence to be performed for Board-appointed service providers, as listed in the Board Charter, and will provide the Board with appropriate recommendations, in accordance with the Procurement and Contracting Policy and the Investment Policy Statement of the Board.
- 15. The CEO may hire other service providers, consistent with the Operating Budget and other policies of the Board, provided that the Board has not specifically retained the authority to hire such service providers.

Monitoring and Reporting

- 16. The CEO will provide the Board with relevant, appropriate and timely information to enable it to properly carry out its oversight and fiduciary responsibilities. Furthermore, the

CEO will apprise the Board in a timely manner of all significant issues, problems, or developments pertaining to OCERS and provide recommended courses of action as appropriate.

17. The CEO will:

- a. Review all policies of OCERS on a regular basis to ensure they are being followed and continue to meet OCERS' needs;
- b. Monitor the activities of the Investment Division and report annually to the Board regarding the administrative oversight of the division, including identifying any issues that arose during the reporting period;
- c. Monitor the funded status of OCERS and all issues that may reasonably have a significant impact on such status;
- d. Monitor the investment performance of the Fund, the component asset classes, and the investment managers retained to manage the assets of the Fund;
- e. Review and respond to the findings of the annual financial audit, and of any internal audits that may be performed;
- f. Monitor employees and service providers of OCERS to ensure compliance with the OCERS policies;
- g. Review the activities and performance of key service providers including the actuary, financial auditor, investment consultant, legal counsel, and custodian on a regular basis;
- h. Monitor and evaluate the activities and performance of senior management;
- i. Monitor the accuracy and timeliness of all payments due to and payable by OCERS;
- j. Monitor OCERS' compliance with applicable laws and regulations; and
- k. In conjunction with legal counsel, monitor the status of all claims, demands, disputes and legal proceedings involving OCERS and report to the Board as appropriate.

Charter Review

18. The Governance Committee will review this 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.
19. This charter was adopted by the Board on November 18, 2002, and amended on August 25, 2008, July 20, 2015 and April 18, 2018.



OCERS Board Charter CEO Charter

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 handwritten signature in blue ink that reads "Steve Delaney".

04/18/18

Steve Delaney, Secretary of the Board

Date

Orange County Employees Retirement System
2223 East Wellington Avenue | Santa Ana | 92701

2018 BUSINESS PLAN



MISSION, VISION AND VALUES

MISSION STATEMENT:

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

VISION STATEMENT:

To be a trusted partner providing premier pension administration, distinguished by consistent, quality member experiences and prudent financial stewardship.

VALUES:

- **O**pen and Transparent
- **C**ommitment to Superior Service
- **E**ngaged and Dedicated Workforce
- **R**eliable and Accurate
- **S**ecure and Sustainable

2018 BUSINESS PLAN

2018-2020 STRATEGIC GOALS

- Fund Sustainability
- Excellent Service and Support
- Risk Management
- Talent Management

FUND SUSTAINABILITY

GOAL: STRENGTHEN THE LONG-TERM STABILITY OF THE PENSION FUND

Business Plan Initiatives

Objective: Mitigate the Risk of Significant Investment Loss
Executive Lead – Molly Murphy

1. Fund the Risk Mitigating asset class
2. Explore and evaluate investment/risk management systems

Objective: Develop an Integrated View of Pension Assets and Liabilities
Executive Leads – Molly Murphy; Gina Ratto

1. Update the asset liability study
2. Develop procedure for new employers entering the system

Objective: Employ a Governance Structure that Supports a Dynamic Investment Program
Executive Lead – Molly Murphy

1. Evaluate governance best practices (year one)

Objective: Prudent Use of Resources
Executive Leads – Molly Murphy; Brenda Shott

1. Using CEM Benchmarking, evaluate the cost and efficiency of OCERS' plan administration
2. Increase transparency of investment management fees and investigate actionable items to reduce fees in the future
3. Study and enhance private equity capabilities and activities

EXCELLENT SERVICE AND SUPPORT

GOAL: ACHIEVE EXCELLENCE IN THE SERVICE AND SUPPORT WE PROVIDE TO OUR MEMBERS AND PLAN SPONSORS

Business Plan Initiatives

Objective: Provide Accurate and Timely Benefits
Executive Leads – Suzanne Jenike; Gina Ratto

1. Develop and communicate OCERS Administrative Procedures
2. Streamline the disability determination and appeals processes
3. Streamline the benefit appeals process
4. Update and create desk manuals and procedures
5. Improve customer service standards and reduce costs (of administration?)

Objective: Provide Education to our Members and Plan Sponsors
Executive Lead – Suzanne Jenike

1. Web site redesign (year two)
2. Circular letters to employers
3. Roll out updated Summary Plan Descriptions

RISK MANAGEMENT

GOAL: CULTIVATE A RISK-INTELLIGENT ORGANIZATION

Business Plan Initiatives

Objective: Provide System and Data Security and a Robust Business Continuity Solution
Executive Lead – Jenny Sadoski

1. Implement tools to mitigate the risk of data or financial loss or information disclosure
2. Develop and implement formalized IT governance framework
3. Enhance crisis and security management program

Objective: Implement Operational Risk Management Program
Executive Lead – Brenda Shott

1. Define the scope of the Operational Risk Management Program and implement an operational risk management process
2. Determine if a risk management system is needed

Objective: Ensure a Safe and Secure Workplace and Public Service Facility
Executive Lead – Brenda Shott

1. Evaluate building security and access system and upgrade if necessary
2. Improve employee resources and training
3. Plan and Implement Facility Upgrades and Space Management projects

TALENT MANAGEMENT

GOAL: RECRUIT, RETAIN AND INSPIRE A HIGH-PERFORMING WORKFORCE

Business Plan Initiatives

Objective: Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities

Executive Lead – Cynthia Hockless

1. Enhance onboarding and transitioning of new hires into the organization
2. Implement recommendations from workforce analysis
3. Develop a comprehensive and competitive compensation package

Objective: Develop and Empower Every Member of the Team

Executive Lead – Steve Delaney

1. Implement a comprehensive training program covering OCERS policies, processes and procedures
2. Recognize individual needs and career goals within OCERS
3. Create or update executive management charters
4. Create succession plans across the agency

Objective: Cultivate a Collaborative, Inclusive and Creative Culture

Executive Lead – Steve Delaney

1. Launch cultural celebration initiative

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
www.ocers.org



Orange County Employees Retirement System Chief Executive Officer 2018 Performance Review

CEO Name: Steve Delaney

Performance Review Period: January 1-December 31, 2018

Board Member Name: Type Your Name

Date:

Rating Scale:

Superior		Above Average			Average		Below Average		Unsatisfactory	
10	9	8	7	6	5	4	3	2	1	0

1. Fund Sustainability:

Performance Rating: _____

2. Risk Management:

Performance Rating: _____

3. Talent Management:

Performance Rating: _____

4. Oversight of the benefit administration:

Performance Rating: _____

5. Oversight of the investment program:

Performance Rating: _____

6. Communications (membership, sponsors, Board, staff, public):

Performance Rating: _____

7. Oversight of internal operations:

Performance Rating: _____

8. Overall leadership and development of the organization:

Performance Rating: _____

9. **Addressed the exigent situations that arose during year:**

Performance Rating: _____

10. **Addressed the opportunities to grow identified in this evaluation:**

Performance Rating: _____

11. **Overall performance rating comments:**

Performance Rating: _____

Total Performance Rating: 0

Average Performance Rating: 0.00

OCERS CEO Compensation History

Name: Steve Delaney
Date of Hire: 1/2/2008

CEO Compensation											Total Base Salary Lump Sum, Auto Allowance County/OCERS 401 (a), Optional Benefit Plan
Year	Increase Effective Date	Base Salary	% Increase over prior	Base Salary Increase	Notes	Lump Sum	Auto Allowance	County 401 (a) 5% of Salary	OCERS 401 (a) 3% of Salary	Optional Benefit Plan (OBP)	Annualized
2018	1/5/2018	\$273,437	4.6%	\$12,006	4.6% Annual Salary Adjustment - 2017 Performance Evaluation	\$0	\$0	\$13,672	\$8,203	\$4,500	\$299,812
2017	1/6/2017	\$261,431	3%	\$7,614	3% Annual Salary Adjustment - 2016 Performance Evaluation	\$0	\$0	\$13,072	\$7,843	\$4,500	\$286,845
2016	None for 2016	\$253,817	0%	\$0	Last increase effective date 1/9/2015	\$0	\$0	\$12,691	\$7,614	\$4,500	\$278,622
2015	1/9/2015	\$253,817	0%	\$0	One time 2% non-base building performance award	\$5,076	\$0	\$12,691	\$7,614	\$4,500	\$283,698
2014	12/27/2013	\$253,817	2%	\$4,977	2% Annual Merit	\$0	\$0	\$12,691	\$7,614	\$4,500	\$278,622
2013	6/2/2013	\$248,840	3%	\$7,248	3% Annual Merit	\$0	\$0	\$12,442	\$7,465	\$4,500	\$273,247

*OBP pay may be included in Base Salary for other CEO's

2018 CEO Salary Comparison

Retirement System	Net Assets (\$Billion)	CEO Salary Range	CEO Current Salary	CEO Auto Allow/mo	Est. Annual Auto Allow Amount	ER Contributions for Deferred Comp	*Est. Annual Def Comp Total By ER	Defined Benefit EE Pickup By ER	Annual Optional Benefit Plan (OBP)/ Flexible Spending Dollars (FSA) or Additional Salary	**Est. Total = Base, Auto, Deferred Comp and OBP/Flex or Additional Salary	CEO Last Increase
OCERS	15.9	Salary set by the Board	\$273,431	None	\$0	OCERS 401(a) = 5% of salary County 401(a) = 3% of salary	\$21,875	None	\$4,500	\$299,806	1/5/2018
Alameda CERA	8.1	\$236,371 - \$281,403	\$254,800	\$638	\$7,655	457(b): \$19,000	\$19,000	None	\$4,500	\$285,955	1/14/2018
Kern CERA	4.2	\$164,604 - \$200,952	\$173,016	\$600	\$7,200	457(b): up to a 6% match	\$10,381	None	\$17,302	\$207,899	8/18/2018
LACERS (City)	17.0	\$168,627 - \$298,876	\$270,000	Uses LACERS vehicle	\$0	None	\$0	None	\$0	\$270,000	3/1/2018
San Diego County ERA	12.9	\$170,428 - \$313,883	\$303,867	\$600	\$7,200	None	\$0	None	\$0	\$311,067	7/6/2018
San Joaquin CERA	2.9	\$162,074 - \$197,018	\$197,018	\$585	\$7,020	457(b): 5% of salary	\$9,851	\$9,850	\$24,023	\$237,912	1/22/2018
San Bernardino CERA	9.9	\$208,922 - \$304,856	\$287,936	\$1,217	\$14,604	457(b) = SBCERA contribution 1 times employee contribution, up to 1% 401(k) = SBCERA contribution 2 times employee contribution, up to 8%	\$25,914	ER picks up full 7% (2%@55)	\$13,919	\$342,373	8/20/2018 (hire date)
LACERA (County) <i>Current Interim CEO</i>	52.50	\$193,900 - \$293,500	\$258,252	Uses LACERA vehicle	\$0	LACERA 401(k) = 4% of salary LACERA 457(b) = 4% of salary 3% foundation	\$20,660	None	\$49,068	\$327,980	10/01/17 (Interim CEO Appt. date)
Sonoma CERA	2.9	\$184,543 - \$224,302	\$224,302	\$467	\$5,604	+1% matching 401(a) DC	\$8,972	None	\$19,246	\$258,124	3/14/2018
Sacramento CERS	8.5	\$192,164 - \$245,250	\$192,164	\$450	\$5,400	1% match	\$1,922	None	\$17,436	\$216,922	6/24/2018
Contra Costa CERA	8.4	Salary set by the Board	\$247,991	None	\$0	457(b) = \$2080 annually	\$2,080	None	\$0	\$250,071	7/1/2018

Additional Considerations:

Organization	Name	Title	Current Salary	Auto Allow/mo	Est. Annual Auto Allow Amount	ER Contributions for Deferred Comp	*Est. Annual Def Comp Total By ER	Defined Benefit EE Pickup By ER	Annual Optional Benefit Plan (OBP)/ Flexible Spending Dollars (FSA) or Additional Salary	**Est. Total = Base, Auto, Deferred Comp and OBP/Flex or Additional Salary	CEO Last Increase
County of Orange	Frank Kim	CEO	\$299,415	\$765	\$9,180	401(a) = 5% of salary	\$14,971	None	\$4,500	\$328,066	7/6/2018
OC Superior Court	David Yamasaki	CEO	\$250,000	None	\$0	None	\$0	None	\$4,500	\$254,500	12/2/2016 (hire date)
OCFA	Brian Fennessy	Fire Chief	\$240,000	Uses OCFA vehicle	\$0	457(b) = \$10,800 annually	\$10,800	None	\$3,500	\$254,300	4/16/18 (hire date)
OCSD	James Herberg	General Manager	\$290,222	\$700	\$8,400	457(b) = \$11,000 annually	\$11,000	None	\$6,000	\$315,622	7/2018
OCTA	Darrell Johnson	CEO	\$345,010	\$765	\$9,180	\$42,250 annually	\$43,431	None	No cost for health, dental & vision	\$397,621	4/23/2018
TCA	Michael Kraman	CEO	\$275,159	\$765	\$9,180	401(a) = \$24,500 annually	\$24,500	None	\$0	\$308,839	5/10/2018

*Estimated amount assumes employee is receiving the full annual match on base salary.

**Estimated total includes Annual Base Salary, Annual Auto Allowance and Annual Deferred Comp.

I-1

*Orange County Employees Retirement System
Retirement Board Meeting
November 19, 2018
Application Notices*

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Alexander, Grace	Superior Court	9/14/2018
Alvarez, Eduardo	OCTA	9/4/2017
Ashley, Laura	Sheriff's Dept	9/13/2018
Azzi, Jihad	OCTA	9/17/2018
Barnard, Clifford	Sheriff's Dept	9/14/2018
Barrett, Diane	OC Public Works	12/12/2017
Bocancea, Viorica	Social Services Agency	9/14/2018
Bragg, Tammy	OC Public Works	8/31/2018
Bullock, Thea	OC Community Resources	8/31/2018
Burqer, William	Transportation Corridor Agency (TCA)	9/12/2018
Burlingame, Curtis	OCTA	8/1/2018
Calderon-Nava, Hector	OC Community Resources	9/14/2018
Campbell, Patricia	OC Community Resources	9/5/2018
Carlson, Alan	Superior Court	9/8/2018
Casis, Magdalena	Social Services Agency	9/14/2018
Clarke, Lanora	Sheriff's Dept	9/12/2018
Cua, Denver	Health Care Agency	9/3/2018
Cuevas, Helen	Superior Court	9/14/2018
Davis, Stanley	Sheriff's Dept	7/27/2018
Dayaq, Cresencio	Sheriff's Dept	9/11/2018
De Silva, Ramyakantha	OCTA	9/5/2018
Dixon, Kevin	Social Services Agency	9/20/2018
Fell, Michael	District Attorney	3/1/2018
Freeze, Michael	Sheriff's Dept	9/7/2018
Fried, Helen	OC Community Resources	9/7/2018
Garstka, Darius	Social Services Agency	9/4/2018
Ghirelli, Robert	Sanitation District	8/31/2018
Gibel, Joyce	Health Care Agency	7/1/2018
Guerrero, David	Health Care Agency	9/5/2018
Gusman, Corrine	Assessor	8/29/2018
Horner, David	Health Care Agency	9/7/2018
Howe, Mark	County Counsel	8/31/2018
Howerton, Douglas	Social Services Agency	9/7/2018
Kamal, Kamal	OCTA	9/7/2018
Kiff, David	Board Of Supervisors	9/1/2018
King, Steven	OCTA	9/8/2018
Luna, Benjamin	Sheriff's Dept	9/14/2018
Luong, Jenny	OC Community Resources	9/14/2018
Mansoor, William	Health Care Agency	8/26/2018
Maxwell, Mark	Sheriff's Dept	9/14/2018
Miles, Linda	Health Care Agency	9/14/2018
Montijo, Lisa	Auditor-Controller	8/28/2018
Moreno, Robert	Probation	9/12/2018
Mouze, Rickey	Sheriff's Dept	8/31/2018
Murray, John	Sheriff's Dept	9/7/2018
Nichols, Chad	District Attorney	9/4/2018
Nichols, Diana	Health Care Agency	9/16/2018
Ortiz, Roberto	OCTA	9/5/2018
Padilla, Patricia	Treasurer-Tax Collector	8/17/2018

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Patterson, Jill	OC Community Resources	8/31/2018
Peeples, Mark	Probation	9/14/2018
Pittman, Connie	Sheriff's Dept	9/23/2018
Prideaux, Cindy	Child Support Services	8/31/2018
Prowse, Sharon	Superior Court	9/14/2018
Robinson, Dawn	Health Care Agency	8/24/2018
Ruberio, Maria	Social Services Agency	8/31/2018
Ruddy, David	Sheriff's Dept	9/21/2018
Ruff, Thomas	Sheriff's Dept	9/14/2018
Ruiz, Rene	OCTA	9/19/2018
Saucedo, Andrea	Health Care Agency	9/1/2018
Sauer, Stephan	District Attorney	9/4/2018
Schneider, Kirk	OCTA	8/25/2018
Singleary, Lauren	Social Services Agency	9/14/2018
Smalley, Diane	Child Support Services	8/31/2018
Smith, Andrew	OCTA	8/30/2018
Soto, Carlos	Sheriff's Dept	9/14/2018
Storer, Maryruth	Law Library	8/31/2018
Taheri, Monir	OCTA	9/5/2018
Tuileta, Marina	Superior Court	9/14/2018
Verqara, Lorna	Child Support Services	8/17/2018
Willert, Joannette	OC Community Resources	8/31/2018
Wilson, Julie	Sheriff's Dept	8/31/2018

*Orange County Employees Retirement
Retirement Board Meeting
November 19, 2018
Death Notices*

<i>Active Members</i>	<i>Agency/Employer</i>
Kvist, Nicholas	OCTA
Quader, Joseph	Social Services Agency

<i>Retired Members</i>	<i>Agency/Employer</i>
Abbott, Richley	OC Public Works
Backus, Larry	Assessor
Bartosiewski, Larry	Sheriff's Dept
Benedict, Rose	UCI
Bobbitt, William	Vector Control
Brown, Rachael	OC Public Works
Cook, Constance	Social Services Agency
Cornelius, Joann	Auditor Controller
Finkle, Robert	District Attorney
Gonzales, Jesse	OC Waste and Recycling
Harris, Barbara	Health Care Agency
Hughley, Sandra	OC Community Resources
Hurt, Jo Ann	Social Services Agency
Klingenberg, Britt	OC Public Works
Lafontaine, David	Sheriff's Dept
Lee, Wilma	Social Services Agency
Marshman, Wyona	Health Care Agency
Miller, Glenn	Sheriff's Dept
Montano, Victoria	OC Public Works
Nguyen, Thoa	Health Care Agency
Perez, Rogelio	OCTA
Peterson, John	OC Public Works
Pham, Hanh	OC Public Works
Recor, Caren	Health Care Agency
Roberts, Patricia	Social Services Agency
Snyder, Randall	OCTA
Standiford, Matilda	UCI
Stauffer, William	Probation
Tran, Melinda	Social Services Agency
Uggwe, David	Sheriff's Dept
Vankeuren, Margaret	Superior Court
Walker, Gerald	Health Care Agency
Watts, Betty	Assessor
Whitcomb, Edna	Sheriff's Dept

<i>Surviving Spouses</i>	
Jahn, Fred	

Massey, Barbara	
Mc Guire, Harold	
Oxandaboure, Norma	
Richardson, Dorothy	

I-3

Memorandum

DATE: November 19, 2018
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN**

Written Report

AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

DECEMBER

Election of the Vice-Chair
CEO Compensation
Adopt Annual Work Plan for Calendar Year 2019
REAOC Annual Update

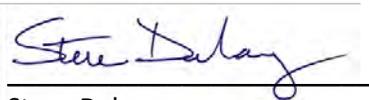
JANUARY

2018 Year in Review: Communication Plan
2018 OCERS Innovations
2018 Disability Statistics
Communication Policy Fact Sheet
Form 700 Filing Requirements
Report Outcomes of Prior Year Business Plan

FEBRUARY

2019 STAR COLA Posting
Annual Cost of Living Adjustment
Policy Compliance Report

Submitted by:



Steve Delaney
Chief Executive Officer

OCERS RETIREMENT BOARD - 2018 Work Plan

	Jan	Feb	Mar	Apr	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
System Oversight		STAR COLA Posting (I)	Approve 2018 STAR COLA (A)		Mid-Year Review of 2018 Business Plan Progress (I)	Approve Early Payment Rates for Fiscal Year 2018-19 (A)	Review 2nd Quarter Budget to Actuals Financial Report (I)	Strategic Planning Workshop (I)	Overview of 2019 Administrative Budget and Investment (Workshop) (I)	Review 3rd Quarter Budget to Actuals Financial Report (I)	
		Approve 2018 COLA (A)	Quarterly 2018-2020 Strategic Plan Review (A)		Approve December 31, 2017 Actuarial Valuation & Funded Status of OCERS (A)		Receive OCERS by the Numbers (I)		Approve 2019-2021 Strategic Plan (A)	Approve 2019 Administrative (Operating) Budget (A)	
					Approve 2017 CAFR (A)		Receive Evolution of the UAAL (I)		Approve 2019 Business Plan (A)	Annual CEO Performance Review and Compensation (A)	
					Quarterly 2018-2020 Strategic Plan Review (A)						
											Adopt 2019 Board Meeting Calendar (A)
Board Governance				Brown Act Training (I)							Adopt Annual Work Plan for 2019 (A)
				Conflict of Interest Training (I)							Vice-Chair Election (A)
Regulation / Policies											
Compliance			State of OCERS (A)	Form 700 and OCERS Annual Disclosure Due (A)	Receive Financial Audit (I)					Status of Board Education Hours for 2018 (I)	

(A) = Action

(I) = Information

I-4

Memorandum

DATE: November 7, 2018
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: QUIET PERIOD – NON-INVESTMENT CONTRACTS

Written Report

Background/Discussion

1. Quiet Period Policy Guidelines

The following guidelines established by the Quiet Period Policy, section 3.c, will govern a search process for any contract to be awarded by OCERS:

"...Board Members and OCERS staff shall not knowingly communicate with any party financially interested in any prospective contract with OCERS regarding the contract, the services to be provided under the contract or the selection process;"

2. Quiet Period Guidelines

In addition, 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.

- An RFP was distributed for Hearing Officer Services in October, 2018. We are currently waiting for response submissions due by December 4th.

Submitted by:



Steve Delaney
Chief Executive Officer

I-5

Memorandum

DATE: November 7, 2018
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: **THIRD QUARTER 2018 BUDGET TO ACTUALS REPORT**

Written Report

Highlights

Third Quarter Target: 75% Used /25% Remaining

Administrative Budget	Actuals to Date	Annual Budget	Budget \$ Remaining	Budget % Remaining
Personnel Costs	\$9,258,041	\$13,925,194	\$4,667,153	33.5%
Services and Supplies	5,903,959	10,487,860	4,583,901	43.7%
Capital Expenditures	151,663	1,095,000	943,337	86.1%
Grand Total	<u>\$15,313,663</u>	<u>\$25,508,054</u>	<u>\$10,194,391</u>	<u>40.0%</u>

Background/Discussion

The Board of Retirement approved OCERS’ Administrative Budget for Fiscal Year 2018 (FY18) on November 13, 2017, in the amount of \$25,508,054 for administration and investment related activities.

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 FY18 administrative budget represents 9.31 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 14.48 basis points of these assets for FY18.

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, 2018, year-to-date actual administrative expenses were \$15,313,663 or 60% of the \$25,508,054 administrative budget and below the 75% target set for the end of the third quarter (nine months ended September 30, 2018/twelve months for the year ending December 31, 2018). A summary of all administrative expenses and explanations of significant variances are provided below:

Summary of all Administrative Expenses For the Nine Months Ended September 30, 2018

	Actuals to Date	Annual Budget	Balance Remaining	% of Budget Used	Prorated Budget*	Prorated Budget vs. Actuals (Over)/Under
Personnel Costs	\$9,258,041	\$13,925,194	\$4,667,153	66.5%	\$10,443,896	1,185,555
Services and Supplies						
Bldg. Prop. Mgmt./Maintenance	338,910	730,000	391,090	46.4%	547,500	208,590
Due Diligence	21,830	56,600	34,770	38.6%	42,450	20,620
Equipment Lease	35,595	50,000	14,405	71.2%	37,500	1,905
Infrastructure Maintenance	590,962	764,300	173,338	77.3%	573,225	(17,737)
Equipment/Software Expenses	302,424	586,700	284,276	51.5%	440,025	137,601
Legal Services	554,839	1,067,370	512,531	52.0%	800,528	245,689
Meetings & Mileage	29,110	61,350	32,240	47.4%	46,013	16,903
Membership/Periodicals	146,837	179,170	32,333	82.0%	134,378	(12,459)
Office Supplies	64,350	75,000	10,650	85.8%	56,250	(8,100)
Postage	94,163	163,000	68,837	57.8%	122,250	28,087
Printing	84,148	104,800	20,652	80.3%	78,600	(5,548)
Professional Services	3,272,467	5,975,900	2,703,433	54.8%	4,481,925	1,209,458
Telephone	99,930	159,000	59,070	62.8%	119,250	19,320
Training	268,394	514,670	246,276	52.1%	386,003	117,609
Services and Supplies	5,903,959	10,487,860	4,583,901	56.3%	7,865,897	1,961,938
Administrative Expense-Sub Total	15,162,000	24,413,054	9,251,054	62.1%	18,309,793	3,147,793
Capital Expenditures**	151,663	1,095,000	943,337	13.9%	821,250	669,587
Administrative Expense Total	\$15,313,663	\$25,508,054	\$10,194,391	60.0%	\$19,131,043	\$3,817,380

*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

Personnel Costs incurred as of the third quarter were approximately \$9.3 million or 66.5% 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 vacant as of the third quarter in the Investments, Legal, Member Services, and Internal Audit departments, including Managing Director of Investments, Staff Attorney, Accounting Technician, and Director of Internal Audit. In addition, the previously vacant positions of Retirement Analyst, Member Services Supervisor, Retirement Program Specialist, Disability Investigator, and Director of Cyber Security were filled during the third quarter of 2018.

Services and Supplies

Total expenditures for services and supplies were approximately \$5.9 million or 56.3% of the annual budget for this category. The variance of \$1,961,938 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 46.4% of the annual budget and were lower than the pro-rated budget by \$208,590. This is mainly due to the transition to a new property manager in February, which resulted in lower property management fees and operating costs.
- Due Diligence costs are at 38.6% of the annual budget and lower than the pro-rated budget by \$20,620. This is primarily due to the vacancy of the Managing Director of Investments position, as well as timing of budgeted travel that will occur in the fourth quarter.
- Infrastructure Maintenance costs are at 77.3% of the annual budget and are slightly higher than the pro-rated budget by \$17,737. This is primarily attributed to the timing of budgeted costs relating to IT software maintenance/license fees, which have varying renewal timelines throughout the year.
- Equipment/Software expense utilized 51.5% of the annual budget and is lower than the pro-rated budget by \$137,601. This is primarily due to the timing of purchases of risk management-related solutions, which have been budgeted, but not yet purchased.
- Legal Services are at 52% of the annual budget and are lower than the pro-rated budget by \$245,689. This is primarily due to budgeted legal services for litigation, tax counsel and investments being utilized on an as-needed basis.
- Meetings & Mileage expense is at 47.4% of the annual budget and is lower than the pro-rated budget by \$16,903. 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 82% of the annual budget and higher than the pro-rated budget by \$12,459. This is mainly due to the timing of membership and periodical expenses, including IT's subscription fees for Gartner which were renewed during the third quarter.
- Office Supplies utilized 85.8% of the annual budget and is higher than the pro-rated budget by \$8,100. This is primarily due to timing of office furniture purchases, including purchases relating to ergonomic workstations and furniture purchased for new staff.
- Postage is at 57.8% of the annual budget and lower than the pro-rated budget by \$28,087. This is attributable to the timing of bulk mailings to Plan members and the use of postage on an as-needed basis.
- Printing expense is at 80.3% of the annual budget and higher than the pro-rated budget by \$5,548. This is primarily due to the timing of printing expenses budgeted for the CAFR, which were incurred in the third quarter, as well as company letterhead.
- Professional Services utilized 54.8% of the annual budget. Expenses are lower than the pro-rated budget by \$1,209,458 primarily due to the timing of expenses for private equity and real estate consulting services, which were procured mid-year 2018, the website redesign project, various IT-related software consulting, lower than anticipated fees for the compensation study, costs used on an as-needed-basis, such as CEO contingency, and administrative hearing and writ of mandate process fees.

- Telephone expense is at 62.8% of the annual budget and lower than the pro-rated budget by \$19,320. This is primarily attributed to cost savings resulting from migrating to a cloud-based telephone system, as well as the timing of costs, which have been budgeted but not yet expensed.
- Training utilized 52.1% of the annual budget and is lower than the pro-rated budget by \$117,609. This is primarily due to training costs that have been budgeted but not yet expensed, including the Southern California SACRS fall conference, investment-related training, and various staff training sessions planned to be taken in the fourth quarter.

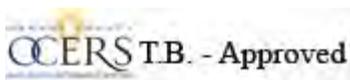
Capital Expenditures

Capital Expenditures as of the third quarter are \$151,663 or 13.9% of the annual budget for this category. The variance of \$669,587 between the pro-rated budget and year-to-date actuals is primarily due to timing of budgeted costs for the space management project that will occur in the fourth quarter, as well as budgeted costs for the building security project, Board room remodel and A/V improvements, that have been postponed pending further study and are not anticipated to occur until 2019 and are being carried over to the FY19 budget.

Conclusion:

Through the end of the third quarter, the Administrative budget was below the 75% target of the annual budget at 60%. In addition, actual Administrative expenses were within the 21 basis point test and 18 basis point test as budgeted.

Submitted by:

A rectangular stamp with a blue border. The text "OCERS T.B. - Approved" is written in a serif font. Above the text is a small graphic of a sun or starburst.

Tracy Bowman
Director of Finance

I-6

Memorandum

DATE: November 7, 2018
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: THIRD QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

Written Report

Background/Discussion

The attached financial statements reflect the unaudited activity for the nine months ended September 30, 2018. These statements are unaudited and are not the official financial statements of OCERS. The following financial statements represent a review of the progress to date through the third quarter of 2018. The official financial statements of OCERS are included in the Comprehensive Annual Financial Report (CAFR) as of and for the year ended December 31, 2017, which is available on our website, www.ocers.org.

Summary

Statement of Fiduciary Net Position (Unaudited)

As of September 30, 2018, the net position restricted for pension and other post-employment benefits is \$15.5 billion, an increase of \$975.4 million, or 6.7%, from September 30, 2017. The change is a result of an increase in total assets of \$1.3 billion off-set by an increase in total liabilities of \$352.7 million as described below:

The \$1.3 billion increase in total assets can be attributed to a \$987 million increase in total investments at fair value, a \$200.2 million increase in total cash and short-term investments, and a \$143 million increase in total receivables, offset by a decrease of \$2 million in capital assets.

Investments at fair value increased \$987 million, or 6.8%, from September 30, 2017 to September 30, 2018, which can be attributed to earnings from interest and dividends, investment of proceeds received from contributions, and increases in net appreciation of investments at fair value. In early 2017, the OCERS' Investment Committee adopted a more simplified asset allocation policy. This policy was structured to increase investments in the areas of private equity, core fixed income and real assets, and to add a new asset class, risk mitigation, while eliminating investments in credit and absolute return. As a result of this new allocation policy, private equity and core fixed income investments have increased by \$671.8 million and \$313.7 million, respectively, while credit and absolute return investments have decreased by \$817.1 million and \$25.1 million, respectively. Also, allocation of assets to the categories of global public equity (which includes investments formerly classified as domestic equity, international equity and global equity) and real assets increased by \$139.4 million and \$330.3 million, respectively, due to the change in the allocation of assets and additional funds available for investment.

The increase of \$200.2 million in cash and short-term investments consists of an increase of \$220 million in securities lending collateral due to an increase in lending activity in the securities lending program, which was offset by a decrease of \$19.7 million in cash and cash equivalents, due to the timing of investing employee and employer contributions received during the quarter. The increase in the receivables balance is primarily related to the timing of pending securities sales which increased by \$127.1 million, investment income which increased by \$4.6 million, and contribution receivables which increased by \$10.4 million. The \$2 million decrease in capital assets is due to depreciation expense primarily related to the Pension Administration System Solution (PASS) Project, V3.

Total liabilities increased \$352.7 million, or 39.8%, from September 30, 2017 to September 30, 2018, including an increase in the obligations under the securities lending program of \$220 million, which is directly related to the increase in securities lending collateral as previously discussed, and an increase in unsettled security purchases of \$120.6 million. Unearned contributions increased by \$4.9 million due to larger prepaid employer contributions received for the 2018-2019 prepayment program compared to prior year's prepayment program. Retiree payroll payable increased \$6.1 million, which is to be expected as the number of participants in the plan and retiree benefits continue to increase. Other payables increased \$2.2 million due to timing of other investment related activity.

Statement of Changes in Fiduciary Net Position (Unaudited)

Total additions to fiduciary net position decreased 49.5%, or \$1 billion, from the previous year. Total additions were \$1.1 billion for the quarter ended September 30, 2018 compared to \$2.1 billion for the same period in 2017. The decrease can be attributed to higher returns in 2017, which reported a return of 11.03% for the quarter ended September 30, 2017, compared to a return of 3.16% for the quarter ended September 30, 2018.

Net investment income for the quarter ended September 30, 2018 is \$402 million versus \$1.4 billion for the quarter ended September 30, 2017, a decrease of \$1 billion. The majority of the decrease, \$1.1 billion, is related to the net appreciation in fair value of investments. During 2017, financial markets continued to show strong market performance compared to 2018 where the financial markets have been more volatile and have seen significantly less growth. Dividends, interest and other investment income increased by \$29.2 million, which can be attributed to the change in the asset allocation; increases in core fixed income and private equity investments have resulted in increases in interest and dividends. Total investment fees and expenses increased \$7.3 million, primarily due to increases in investment manager fees and other fund expenses. Although security lending activity increased by \$2.6 million, it was offset by higher rebate fees in 2018 caused by more general collateral U.S. Treasury loans being issued and low default levels for corporate bonds resulting in lower net security lending income compared to the prior year.

Total contributions have increased \$4.8 million over the prior year, which can be attributed to an increase in employee contributions by nearly \$6 million due to increases in employee salaries and higher contribution rates. This increase was offset by a slight decrease in employer contributions due to higher employer contributions received for the County and OCFA health care funds for the quarter ended September 30, 2017 compared to the same period in 2018.

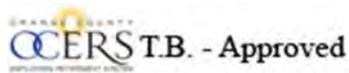
Total deductions from fiduciary net position increased 7.8%, or \$47.7 million, from the previous year. Total deductions were \$659.6 million for the quarter ended September 30, 2018 compared to \$611.8 million for the quarter ended September 30, 2017. Participant benefits increased by \$46.3 million, which is expected due to the continued and anticipated growth in member pension benefit payments, both in the total number of OCERS' retired members receiving a pension benefit and an increase in the average benefit received. Administrative expenses increased by approximately \$0.8 million, which includes increases in personnel services of \$0.8 million due to anticipated salary increases and hiring of additional personnel, and general office and administrative expenses of \$0.5 million primarily related to increases in employee training and infrastructure maintenance. These increases were offset by a decrease of \$0.8 in information technology consulting.

Other Supporting Schedules

In addition to the basic financial statements for the nine months ended September 30, 2018, the following supporting schedules are provided for additional information pertaining to OCERS:

- Total Fund Reserves
- Schedule of Contributions
- Schedule of Investment Expenses
- 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, 2018

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements
For the Nine Months Ended September 30, 2018

Table of Contents

Statement of Fiduciary Net Position (Unaudited).....	1
Statement of Changes in Fiduciary Net Position (Unaudited).....	2
Total Fund Reserves.....	3
Schedule of Contributions.....	4
Schedule of Investment Expenses	5
Schedule of Administrative Expenses.....	6
Administrative Expense Compared to Projected Actuarial Accrued Liability.....	7

Statement of Fiduciary Net Position (Unaudited)
As of September 30, 2018
(with summarized comparative amounts as of September 30, 2017)
(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 2017</u>
ASSETS						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 512,998	\$ 10,325	\$ 1,381	\$ 118	\$ 524,822	\$ 544,527
Securities Lending Collateral	401,887	8,089	1,082	-	411,058	191,135
Total Cash and Short-Term Investments	<u>914,885</u>	<u>18,414</u>	<u>2,463</u>	<u>118</u>	<u>935,880</u>	<u>735,662</u>
Receivables						
Investment Income	19,964	402	54	-	20,420	15,785
Securities Sales	253,073	5,094	681	-	258,848	131,721
Contributions	24,878	-	-	-	24,878	14,460
Foreign Currency Forward Contracts	264	5	1	-	270	86
Other Receivables	3,032	61	8	-	3,101	2,556
Total Receivables	<u>301,211</u>	<u>5,562</u>	<u>744</u>	<u>-</u>	<u>307,517</u>	<u>164,608</u>
Investments at Fair Value						
Global Public Equity	6,139,648	123,573	16,528	11,373	6,291,122	6,151,760
Private Equity	1,472,303	29,633	3,964	-	1,505,900	834,090
Core Fixed Income	2,558,054	51,486	6,886	5,545	2,621,971	2,308,269
Credit	1,707,621	34,369	4,597	-	1,746,587	2,563,723
Real Assets	2,546,966	51,263	6,857	-	2,605,086	2,274,821
Risk Mitigation	718,328	14,458	1,934	-	734,720	360,687
Absolute Return	1,703	34	5	-	1,742	26,804
Total Investments at Fair Value	<u>15,144,623</u>	<u>304,816</u>	<u>40,771</u>	<u>16,918</u>	<u>15,507,128</u>	<u>14,520,154</u>
Capital Assets (Net)	19,102	-	-	-	19,102	21,130
Total Assets	<u>16,379,821</u>	<u>328,792</u>	<u>43,978</u>	<u>17,036</u>	<u>16,769,627</u>	<u>15,441,554</u>
LIABILITIES						
Obligations Under Securities Lending Program	401,887	8,089	1,082	-	411,058	191,135
Securities Purchased	342,887	6,901	923	-	350,711	230,065
Unearned Contributions	366,007	-	-	-	366,007	361,128
Foreign Currency Forward Contracts	-	-	-	-	-	2,063
Retiree Payroll Payable	68,454	2,711	443	-	71,608	65,510
Other	20,763	420	56	-	21,239	19,030
Due to Employers	-	-	-	17,036	17,036	16,068
Total Liabilities	<u>1,199,998</u>	<u>18,121</u>	<u>2,504</u>	<u>17,036</u>	<u>1,237,659</u>	<u>884,999</u>
Net Position Restricted for Pension and Other Post-Employment Benefits	<u>\$ 15,179,823</u>	<u>\$ 310,671</u>	<u>\$ 41,474</u>	<u>\$ -</u>	<u>\$ 15,531,968</u>	<u>\$ 14,556,555</u>

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Nine Months Ended September 30, 2018

(with summarized comparative amounts for the Nine Months Ended September 30, 2017)

(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 2017</u>
ADDITIONS					
Contributions					
Employer	\$ 417,619	\$ 33,578	\$ 1,651	\$ 452,848	\$ 453,970
Employee	<u>200,801</u>	<u>-</u>	<u>-</u>	<u>200,801</u>	<u>194,832</u>
Total Contributions	618,420	33,578	1,651	653,649	648,802
Investment Income					
Net Appreciation in Fair Value of Investments	281,368	6,062	828	288,258	1,349,890
Dividends, Interest, & Other Investment Income	172,668	3,475	465	176,608	147,371
Securities Lending Income					
Gross Earnings	4,983	100	13	5,096	2,592
Less: Borrower Rebates and Bank Charges	<u>(3,832)</u>	<u>(77)</u>	<u>(10)</u>	<u>(3,919)</u>	<u>(1,331)</u>
Net Securities Lending Income	<u>1,151</u>	<u>23</u>	<u>3</u>	<u>1,177</u>	<u>1,261</u>
Total Investment Income	455,187	9,560	1,296	466,043	1,498,522
Investment Fees and Expenses	<u>(62,688)</u>	<u>(1,262)</u>	<u>(169)</u>	<u>(64,119)</u>	<u>(56,782)</u>
Net Investment Income	<u>392,499</u>	<u>8,298</u>	<u>1,127</u>	<u>401,924</u>	<u>1,441,740</u>
Total Additions	<u>1,010,919</u>	<u>41,876</u>	<u>2,778</u>	<u>1,055,573</u>	<u>2,090,542</u>
DEDUCTIONS					
Participant Benefits	607,128	24,914	1,618	633,660	587,368
Death Benefits	296	-	-	296	502
Member Withdrawals and Refunds	11,942	-	-	11,942	11,143
Administrative Expenses	<u>13,625</u>	<u>15</u>	<u>16</u>	<u>13,656</u>	<u>12,825</u>
Total Deductions	<u>632,991</u>	<u>24,929</u>	<u>1,634</u>	<u>659,554</u>	<u>611,838</u>
Net Increase	377,928	16,947	1,144	396,019	1,478,704
Net Position Restricted For Pension and Other Post-Employment Benefits, Beginning of Year	<u>14,801,895</u>	<u>293,724</u>	<u>40,330</u>	<u>15,135,949</u>	<u>13,077,851</u>
Ending Net Position Restricted For Pension and Other Post-Employment Benefits	<u>\$ 15,179,823</u>	<u>\$ 310,671</u>	<u>\$ 41,474</u>	<u>\$ 15,531,968</u>	<u>\$ 14,556,555</u>

Total Fund Reserves

For the Nine Months Ended September 30, 2018

(with summarized comparative amounts for the Nine Months Ended September 30, 2017)

(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>
Pension Reserve	\$ 9,007,027	\$ 8,274,156
Employee Contribution Reserve	3,301,939	2,993,135
Employer Contribution Reserve	2,369,415	2,277,257
Annuity Reserve	1,412,419	1,360,497
Health Care Reserve	352,145	316,520
County Investment Account (POB Proceeds) Reserve	138,116	130,233
OCSD UAAL Deferred Reserve	14,871	34,067
Contra Account	(1,063,964)	(829,310)
Net Position - Total Fund	<u>\$ 15,531,968</u>	<u>\$ 14,556,555</u>

Schedule of Contributions
For the Nine Months Ended September 30, 2018
(with summarized comparative amounts for the Nine Months Ended September 30, 2017)
(Dollars in Thousands)

	2018		2017	
	Employee	Employer	Employee	Employer
Pension Trust Fund Contributions				
County of Orange	\$ 156,325	\$ 325,562	\$ 153,489	\$ 310,448
Orange County Fire Authority	17,252	53,518	15,476	60,941
Orange County Superior Court of California	12,270	22,276	11,552	22,821
Orange County Transportation Authority	6,807	18,549	6,628	17,887
Orange County Sanitation District	5,720	5,609	5,487	5,611
UCI Medical Center & Campus	-	2,223	-	2,184
City of San Juan Capistrano	613	1,856	605	1,791
Orange County Employees Retirement System	726	1,621	670	1,447
Transportation Corridor Agencies	682	1,284	529	1,317
Orange County Department of Education	-	241	-	434
Orange County Children & Families Commission	72	179	64	197
Orange County In-Home Supportive Services Public Authority	80	143	85	153
Orange County Public Law Library	120	141	123	209
Orange County Cemetery District	105	128	96	126
Orange County Local Agency Formation Commission	29	96	28	94
	200,801	433,426	194,832	425,660
Contributions Before Prepaid Discount	200,801	433,426	194,832	425,660
Prepaid Employer Contributions Discount	-	(15,807)	-	(17,652)
	200,801	417,619	194,832	408,008
Health Care Fund - County Contributions	-	33,578	-	44,226
Health Care Fund - OCFA Contributions	-	1,651	-	1,736
Total Contributions	\$ 200,801	\$ 452,848	\$ 194,832	\$ 453,970

¹ Unfunded actuarial accrued liability payments were made in 2018 and 2017 for \$3.3 million and \$12.2 million, respectively, 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.

³ This balance reflects the payoff of \$1.5 million of the Orange County Public Law Library's full unfunded actuarial accrued liability (UAAL) on December 15, 2017, reducing the UAAL contributions rate to 0%.

Schedule of Investment Expenses
For the Nine Months Ended September 30, 2018
(with summarized comparative amounts for the Nine Months Ended September 30, 2017)
(Dollars in Thousands)

	<u>2018</u>	<u>2017</u>
Investment Management Fees*		
Global Public Equity		
U.S. Equity	\$ 2,284	\$ 977
Global Equity	-	545
International Equity	3,877	3,423
Emerging Markets Equity	<u>3,679</u>	<u>3,019</u>
Total Global Public Equity	<u>9,840</u>	<u>7,964</u>
Core Fixed Income		
U.S. Fixed Income	<u>1,464</u>	<u>700</u>
Total Core Fixed Income	<u>1,464</u>	<u>700</u>
Credit		
High Yield	1,049	1,862
Emerging Market Debt	485	517
Direct Lending	1,837	3,451
Mortgage	-	3,874
Multi-Strategy	2,461	2,928
Non-U.S. Direct Lending	<u>1,502</u>	<u>915</u>
Total Credit	<u>7,334</u>	<u>13,547</u>
Real Assets		
Real Estate	11,568	9,534
Real Return		
Timber	986	996
Agriculture	861	805
Infrastructure	616	322
Energy	<u>7,614</u>	<u>3,800</u>
Total Real Return	<u>10,077</u>	<u>5,923</u>
Total Real Assets	<u>21,645</u>	<u>15,457</u>
Absolute Return		
Direct Hedge Fund	14	2,128
GTAA	<u>-</u>	<u>1,406</u>
Total Absolute Return	<u>14</u>	<u>3,534</u>
Private Equity	7,598	4,505
Risk Mitigation	3,974	4,129
Short-Term Investments	<u>231</u>	<u>213</u>
Total Investment Management Fees	<u>52,100</u>	<u>50,049</u>
Other Fund Expenses	<u>8,762</u>	<u>4,460</u>
Other Investment Expenses (Expenses Not Subject to the Statutory Limit)		
Consulting/Research Fees	1,212	777
Investment Department Expenses	1,234	867
Legal Services	366	307
Custodian Services	431	294
Investment Service Providers	<u>14</u>	<u>28</u>
Total Other Investment Expenses	<u>3,257</u>	<u>2,273</u>
Security Lending Activity		
Security Lending Fees	303	310
Rebate Fees	<u>3,616</u>	<u>1,021</u>
Total Security Lending Activity	<u>3,919</u>	<u>1,331</u>
Total Investment Expenses	<u>\$ 68,038</u>	<u>\$ 58,113</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, 2018
(with summarized comparative amounts for the Nine Months Ended September 30, 2017)
(Dollars in Thousands)

	2018	2017
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 8,147	\$ 7,329
Board Members' Allowance	12	12
Total Personnel Services	8,159	7,341
Operating Expenses		
Depreciation/Amortization	1,720	1,719
General Office and Administrative Expenses	1,352	1,018
Professional Services	1,213	961
Rent/Leased Real Property	375	419
Total Office Operating Expenses	4,660	4,117
Total Expenses Subject to the Statutory Limit	12,819	11,458
Expenses Not Subject to the Statutory Limit		
Actuarial Fees	350	228
Equipment / Software	215	87
Information Technology Consulting	241	1,014
Total Expenses Not Subject to the Statutory Limit	806	1,329
Total Pension Fund Administrative Expenses	13,625	12,787
Health Care Fund - County Administrative Expenses	15	16
Health Care Fund - OCFA Administrative Expenses	16	22
Total Administrative Expenses	\$ 13,656	\$ 12,825

Administrative Expense Compared to Actuarial Accrued Liability

For the Nine Months Ended September 30, 2018

(Dollars in Thousands)

Administrative Expense Compared to Actuarial Accrued Liability	
Projected Actuarial Accrued Liability (AAL) as of December 31, 2018	\$ 20,666,562
Maximum Allowed For Administrative Expense (AAL * 0.21%)	43,400
Actual Administrative Expense ¹	<u>12,819</u>
Excess of Allowed Over Actual Expense	<u>30,581</u>
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2018	0.06%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2017	0.06%
 ¹ Administrative Expense Reconciliation	
Administrative expense per Statement of Changes in Fiduciary Net Position	\$ 13,625
Less administrative expense not considered per CERL section 31596.1	<u>(806)</u>
Administrative Expense allowable under CERL section 31580.2	<u>\$ 12,819</u>

I-7

Memorandum

DATE: November 5, 2018
TO: Members of the Board of Retirement
FROM: Cynthia Hockless, Director of Administrative Services
SUBJECT: GENERAL MEMBER ELECTION OUTCOME

Written Report

Background/Discussion

On July 03, 2018, the Orange County Employees Retirement System requested the Registrar of Voters conduct an election for the position of General Member. Nomination papers were available to candidates at the Registrar of Voters' office from August 13, 2018 through August 31, 2018. Two candidates submitted completed nomination paperwork and biographical statements by the deadline and were determined qualified candidates.

The Registrar of Voters successfully conducted the election and tallied the votes on October 30, 2018. The results of the election are as follows:

Artin Baron	466 (19.34 %)
Chris Prevatt	1,943 (80.66%)

Total Ballots Cast: 2,415

The Board of Supervisors is scheduled to certify the results of the election at their December 04, 2018, Board meeting. The term for the General Member will begin on January 1, 2019 through December 31, 2021.

Attachment:

Election Certification from the Registrar of Voters

Submitted by:



C.H. – APPROVED

Cynthia Hockless
Director of Administrative Services

ELECTION CERTIFICATION

I, Neal Kelley, Registrar of Voters of Orange County, State of California, hereby certify that I conducted an election among the General Members of the Orange County Employees Retirement System for the purpose of electing a General Member to the Board of Retirement of the County of Orange for terms commencing January 1, 2019 and ending December 31, 2021.

I further certify that the results of the votes indicate that Chris Prevatt was elected the General Member. I further certify the following to be a complete tally of the votes cast:

GENERAL MEMBER
ORANGE COUNTY BOARD OF RETIREMENT

CHRIS PREVATT	1,943
ARTIN BARON	466
 TOTAL BALLOTS CAST:	 2,415

WITNESS my hand and Official Seal this 31st day of October, 2018.




NEAL KELLEY
Registrar of Voters
Orange County

I-8

Memorandum

DATE: November 6, 2018
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: TRAVEL REPORT – IPMA-HUMAN RESOURCES PUBLIC PENSION ROUNDTABLE

Written Report

Background/Discussion

From October 09 to October 12, 2018, Cynthia Hockless, Director of Administrative Services, attended the 2018 IPMA-Human Resources Public Pension Roundtable in Detroit, Michigan.

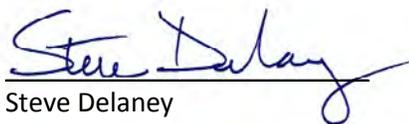
Conference Fee	Airfare	Hotel	Uber/Meals	Total
\$600.00	\$695.00	\$981.64	\$96.54/50.00	\$2,423.18

As the IPMA-Human Resources Public Pension Roundtable is not presently a pre-approved conference, OCERS' Travel Policy, Section 19, states:

“Board Members and staff who travel to conference or seminars that are not automatically authorized in paragraphs 8 and 12 shall file with the Chief Executive Officer a report that briefly summarizes the information and knowledge gained that may be relevant to other Board members, provides an evaluation of the conference or seminar, and provides a recommendation concerning future participation. Reports by a Board Member or staff will be made on the Conference / Seminar Report form shown in the appendix. The Chief Executive Officer shall cause a copy of the report to be distributed to each Board Member and to the Chief Investment Officer.”

A report summarizing the conference is attached.

Submitted by:



Steve Delaney
 Chief Executive Officer

Report of Attendance at Conference or Seminar

Name of Member Attending: Cynthia Hockless

Name of Conference/Seminar: IPMA-Human Resources Public Pension Roundtable

Location of Conference/Seminar: Detroit, Michigan

Conference/Seminar Sponsor: International Public Management Association for Human Resources

Dates of Attendance: October 10-12, 2018

Total Cost of Attendance: \$2,423.18 (\$600.00 registration, Hotel \$981.64, Airfare & Baggage: \$695.00

Meals: \$50.00 Car Uber to and from Airport: \$96.54)

Brief Summary of Information and Knowledge Gained:

The International Public Management Association for Human Resources annual Public Pension HR Organization Roundtable draws together HR professionals from Public Pension funds throughout the country to learn from industry experts, discuss current issues, and share best practices and ideas from their organizations.

The conference was held in Detroit, Michigan and included sessions that focused on Crucial Accountability for Leadership Development, Investment industry compensation trends in Public Pension Funds, Critical HR issues at each fund as well as what is happening in Washington D.C.

Key sessions I attended:

Crucial Accountability for Leadership Development

This session was led by the Director of Professional Development at the Ohio Public Employees Retirement System. The session gave an overview of the Crucial Accountability process for identifying and resolving performance gaps, by using six sources of influence to strengthen accountability and improve performance.

A Discussion of Investment Pay in Public Pension Funds

This session provided a presentation from McLagan. McLagan is the leading consulting and benchmarking firm for the financial services industry. The speaker touched on some topics of concern for HR professionals in setting and administering pay for Investment staff. The presentation helped answer key questions including how compensation levels have moved in recent years; how pay differs by industry segment for public plans, corporate pensions, endowments & foundations and investment management firms; and what do typical incentive plans look like these days?

Panel Discussion and Open Mic: Discussion of Critical HR Issues at Each Fund

This session gave me the opportunity to gain insight and feedback from experienced colleagues on critical HR issues affecting not only OCERS but other pension funds. The topics included issues within the HR body of knowledge, such as benefits, compensation, employee relations, leadership development and recruiting. This session also included a panel of experts that shared their successful innovative approaches to attracting, retaining and building diverse work teams.

Best Practices and Trends in Public Pensions

This session was presented by Hank Kim, NCPERS Executive Director. The session provided an overview of the latest NCPERS annual survey of public pensions. The 2017 NCPERS Public Retirement Systems Study surveyed 164 public pensions at the state, county and local levels. The data gathered provided insights into

Report of Attendance at Conference or Seminar

how public pension systems adapt in the face of constant change, including legislative and regulatory developments and ups and downs in financial markets. The study instrument covered 22 topics and included detailed sections on plan statistics, current and target asset allocation and investment returns, retirement benefits offered or planned, business practices and oversight.

What's Happening in Washington D.C?

The IPMA Executive Director provided an update on legislative/regulatory and judicial issues impacting public sector HR. Topics covered health care reform, Fair Labor Standards Act, wellness programs and recent US Supreme Court decisions.

State Healthcare and Pension Reform

This session was led by Alex Brown at NASRA. This session explored recent trends in public pension finances, demographics and legislative reforms, as well as observations on other post-employment benefits (OPEB) finances and developments. The discussion of these topics was supported by materials that reflected the work of the research office of the National Association of State Retirement Administrators.

Evaluation of the Conference or Seminar:

The Public Pension Human Resources Organization Roundtable was attended by HR professionals across the nation. I enjoyed attending as the presenters are energetic. The topics include best practices and common concerns amongst the various pension systems regardless of their location.

Recommendation Concerning Future Attendance:

I would like to continue to attend the Public Pension Human Resources Organization Roundtable. I find their learning sessions very valuable and they present an excellent opportunity for me to stay abreast of the current HR trends in the pension industry and gain CEU's for my SHRM-CP Human Resources credential.

Submitted by: Cynthia Hockless
Director of Administrative Services

Return to: Executive Assistant

Copies to: Board Members
Chief Executive Officer
Assistant Chief Executive Officers

I-9

Memorandum

DATE: October 17, 2018
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: TRAVEL REPORT – CALIFORNIA RETIRED COUNTY EMPLOYEES ASSOCIATION (CRCEA)

Written Report

Background/Discussion

From October 15 to October 16, 2018, Heidi Halbur, Director of Member Services, attended the 2018 California Retired County Employees Association (CRCEA) Fall Conference in San Rafael, California.

The total cost includes the following:

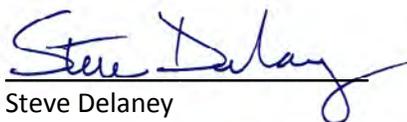
Conference Fee	Airfare	Hotel	Car Rental, Parking	Total
\$75.00	\$210.40	\$178.39	\$190.55	\$654.34

As the California Retired County Employees Association Fall Conference is not presently a pre-approved conference, OCERS’ Travel Policy, Section 19, states:

“Board Members and staff who travel to conference or seminars that are not automatically authorized in paragraphs 8 and 12 shall file with the Chief Executive Officer a report that briefly summarizes the information and knowledge gained that may be relevant to other Board members, provides an evaluation of the conference or seminar, and provides a recommendation concerning future participation. Reports by a Board Member or staff will be made on the Conference / Seminar Report form shown in the appendix. The Chief Executive Officer shall cause a copy of the report to be distributed to each Board Member and to the Chief Investment Officer.”

A report summarizing the conference is attached.

Submitted by:



Steve Delaney
 Chief Executive Officer

Report of Attendance at Conference or Seminar

Name of Employees Attending: Heidi Halbur

Name of Conference/Seminar: 2018 California Retired County Employees Association (CRCEA) Fall Conference

Location of Conference/Seminar: Four Points Sheraton Hotel, 1010 Northgate Dr., San Rafael, CA

Conference/Seminar Sponsor: CRCEA and Marin County Association of Retired Employees (MCARE)

Dates of Attendance: October 15-16, 2018

Total Cost of Attendance: Total = \$654.34 (\$75.00 registration / \$210.40 air / \$178.39 lodging / \$190.55 other transportation and parking)

Brief Summary of Information and Knowledge Gained:

The 2018 CRCEA Fall Conference was a gathering of representatives from 19 of the 20 county retirement associations in the state of California (including members of the REAOC Board of Directors), and included presentations on a wide variety of topics of interest to retirees of public systems. Sessions were primarily focused on the following three broad topic areas: (1) legislation or court cases currently pending within California that could affect both retired and/or active members; (2) healthcare-related matters; and (3) technology issues.

In the area of legislation/case law, Timothy Talbot, Esq. discussed the historic emergence of “The California Rule” (essentially the idea that promised benefits are impervious to reduction under any circumstances), and the likelihood of emerging case law affecting this “rule”, and whose overall conclusion was that the most likely (yet still small) threat to existing pensioners would likely be in the form of federal bankruptcy outcomes. He also discussed the potential timelines (but offered no predictions) of current cases that are winding through the courts (CalFire, Alameda, and Marin), covering a variety of issues, including the purchase of “air time”, leave cash-outs, and so on. The following day, legislative representative Amy Brown discussed pending legislation in California, with a focus on potential dramatic changes in the political climate due to the upcoming election that might affect elements of PEPR and other pension-related matters.

The presentations relating to health care matters were somewhat less relevant from a benefits perspective perhaps, and tended to focus on big-picture issues (i.e. Medicare, MediCal, overall life-expectancy research). However, I found the presentation by Mark Vanderscoff, Program Manager of the Marin County Division of Aging and Adult Services (“Adult Protective Services in Marin County”) extremely pertinent. He raised many sobering points regarding the financial abuse of seniors (which comprise 30% of elder abuse cases overall), and discussed resources that may be of

Report of Attendance at Conference or Seminar

interest to OCERS from a security perspective. In addition, this topic must always be a consideration for those of us in Member Services who interact with members.

Discussions of technology were focused on presenter recommendations that Retired Member Associations make better use of social media (Facebook, Twitter, etc.) and improving their websites (i.e. adding secure login areas, electronic enrollment, better access to informational resources) in order to attract newer retirees who increasingly have higher expectations than older retirees do for managing information electronically, and to allow associations to provide timely communication with less manual work. One presenter discussed courses she provides to seniors to familiarize them with using their computers and smartphones for managing life in the modern era, and several of her ideas are ones OCERS might consider in the development of our own member resources and videos.

Evaluation of the Conference or Seminar:

This conference was very well-organized and provided a wide variety of interesting information in the subject areas noted. The presenters were universally engaging, thorough, and well-prepared, and the topics they discussed are ones that have a direct relevance to the retired members we serve. Although the conference was not primarily directed at organizations such as OCERS, the organizers could not have been more welcoming.

Recommendation Concerning Future Attendance:

This conference provided OCERS with an opportunity to connect with directors and delegates from retired member associations throughout the state, and to discuss issues of current concern to retirees. In addition, the information received in the presentations was excellent. I would strongly recommend that OCERS attend future CRCEA conferences.

Heidi Halbur, Director of Member Services

Signature

Return to: Executive Assistant Copies to:

Board Members
Chief Executive Officer
Assistant Chief Executive Officers

1-10

Memorandum

DATE: November 19, 2018
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: BOARD COMMUNICATIONS

Written Report

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:

Steve Delaney:

An interesting comparison of benefits being offered by the public and private sectors:

<http://www.governing.com/topics/workforce/gov-private-versus-public-sector-employee-benefits.html>

Public Pension reform is a major issue in Oregon presently as they deal with a \$22 billion UAAL. Some interesting points of view from both sides of the issue discussed in detail in this article.

<https://www.oregonlive.com/expo/news/erry-2018/10/bfe35c0b051578/pers-may-be-defining-issue-of.html>

A blog site more focused on CalPERS than other systems takes note of certain CalPERS-covered cities in Orange County making use of contract city safety services via OCERS.

<https://calpensions.com/2018/04/02/some-cities-outsource-their-highest-pension-costs/>

Steve Delaney / Tom Flanigan:

Former OCERS Board Trustee Tom Flanigan forwarded for sharing with the OCERS Board:

<http://www.mauldineconomics.com/frontlinethoughts/economic-brake-lights>

Attached: OCERS Activities and Updates for September 2018

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

To the members of the OCERS Board of Retirement,

The following is my regular monthly summary of OCERS staff activity, starting with an overview of key customer service statistics as well as activity highlights followed by updates for the month of September 2018.

Customer Service Stats
September 2018

TOP 3 MEMBER QUESTIONS:

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

QUESTION ONE:

Q: What will the 2019 COLA be?

A: OCERS cannot provide that information yet. Next year's Cost of Living Adjustment (COLA) information will be available to members in the first quarter of 2019. Once all the CPI data for 2018 is released by the Bureau of Labor Statistics, it will be analyzed by OCERS' actuary. Based on this data, a recommendation will be made to the Board and the COLA adjustment % will be officially adopted at the February Board meeting. The effective date of the COLA will be April 1st, and payees will see the change on their May 1st benefit payments.

QUESTION TWO:

Q: I am an active member - can I get a copy of my annual member statement?

A: OCERS does not generate or send annual statements. However, an active or deferred member may obtain an up-to-date member statement at any time by logging into the MyOCERS portal and navigating to the "Member Statements" hyperlink. The printable statement lists the member's plan, total service credit, funds on deposit, and current designated beneficiaries. For members without computer access, this statement can be generated by staff and sent by mail.

QUESTION THREE:

Q: I am enrolled in a PEPR plan. Can I sign up for a Legacy plan instead?

A: In general, no. The plan in which an active member is enrolled is based on the date of entry to OCERS, and all employees that entered OCERS-covered employment on or after January 1st, 2013 are

Member Approval: 100%

Un-Planned Recalculations: 2

Retirement Applications Received:

<i>Sept - 2018</i>	40
<i>Aug - 2018</i>	55
<i>Jul - 2018</i>	67
<i>Jun - 2018</i>	44
<i>Apr - 2018</i>	73
<i>Mar - 2018</i>	51
<i>Feb - 2018</i>	163
<i>Jan - 2018</i>	204
<i>Dec - 2017</i>	58
<i>Nov - 2017</i>	75
<i>Oct - 2017</i>	47
<i>Sep - 2017</i>	42
<i>Aug - 2017</i>	69
<i>Jul - 2017</i>	48
<i>Jun - 2017</i>	65
<i>May - 2017</i>	60
<i>Apr - 2017</i>	47
<i>Mar - 2017</i>	79

automatically enrolled in the PEPRA plan formula for their particular employer. However, there are some specific circumstances by which a new employee may be placed in a Legacy plan, namely (1) they are eligible to claim reciprocity and started with the reciprocal system before 1/1/13; (2) they left funds on deposit at OCERS from a prior period of employment, and are returning to work for the same employer (or a different OCERS-covered employer within 6 months); and (3) they previously withdrew Legacy plan funds from OCERS, and will complete a redeposit of their Legacy service.

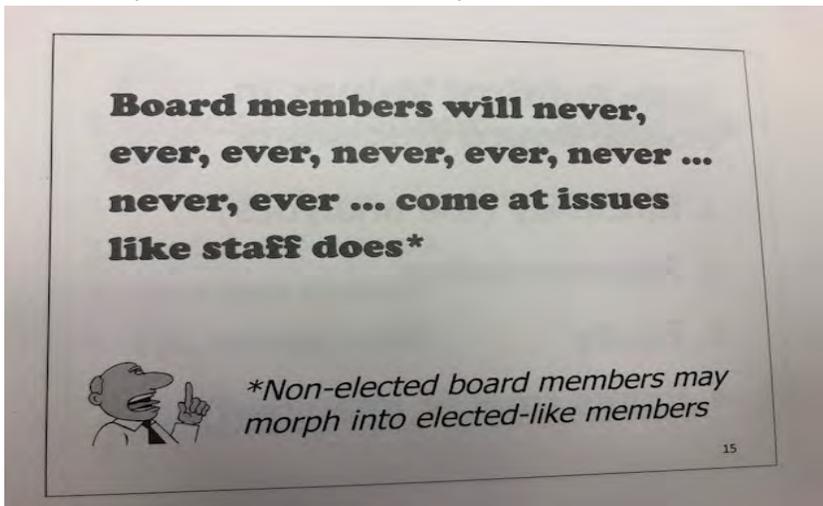
MEMBER SERVICES TELEPHONE MERTICS

Member Services Call History			
Month / Year	Incoming Calls Through Queue	Incoming Calls Direct to Extension	Total Calls (Queue + Direct)
September 2018	1247	2000	3247
September 2017	1435	2568	4003
September 2016	895	3167	4062

ACTIVITIES

CALAPRS ADMINISTRATORS INSTITUTE

I attended the annual CALAPRS Institute held in Monterey from September 26 – 28. An opportunity to review challenges not just with other CERL system CEOs, but non-CERL systems such as San Diego City, City of San Luis Obispo, and CalPERS. The retired City Manager of San Luis Obispo provided a detailed hands on account of how best to serve the members of our Board of Trustees, based on his long years of experience working alongside various city council members. A key slide which I forwarded to staff as they prepared Board materials read:



Focus on a mission driven message, with alignment to shared core value. Maintain a strong, trusting relationship with the Board, ensuring that Trustees are supported equally, while taking direction from the Board as a whole.

ORANGE COUNTY EMPLOYEES ASSOCIATION (OCEA) HEALTH FAIR

Special thanks to Barbara Fields, Rick Serrano, Jayne Ritchey and Robert Kinsler who helped throughout the day at the OCERS information table during the Tuesday, September 18 OCEA Health Fair.



UPDATES

FINAL AVERAGE SALARY COMPONENTS REVIEW PROJECT (Suzanne Jenike)

We continue to make good progress on the Salary and Pay Item review project. Sally Choi has joined the effort started by Mike Persi to update the Pay Item Request form available on the OCERS website. The revised form will include specific questions that will supply the data required to review the request against the criteria provided by Legal to determine whether or not the new Pay Item should be pensionable for Legacy and/or PEPR members. We are reviewing the current Pay Types from the MOU/PSR documents for the County, OCFA, and Superior Court and applying the compensation earnable and pensionable compensation criteria from Legal. We also added another team member to begin documenting the Pay Type information from the MOU/PSR documents for other employers, including the OC Law Library, Cemetery District, and City of San Juan Capistrano. Monthly meetings with the CEO are being held to review the project status and address any policy questions.

INVESTMENT TEAM UPDATE (David Beeson)

As of August 31, 2018, the portfolio year-to-date is up 2.8% net of fees, while the one-year return is up 7.5%. The fund value now stands at \$15.9 billion. In September, the OCERS Board of Retirement and staff took part in the annual, two day Strategic Planning Workshop. Molly Murphy, CIO, presented OCERS' Year in Review for the investment department. Molly discussed: internal collaboration and development of staff; external collaboration with consultants, legal counsels, and the investment community; governance initiatives; and that the investment team conducted 384 manager meetings in total in the 12 months ending June 30, 2018. Next, Molly led a panel discussion on Environmental, Social, and Governance (ESG) investing. Steve McCourt, Meketa, and Allan Emkin, PCA, participated in the panel to discuss the pros and cons of having an ESG mandate. The investment portion of day 1 wrapped up with OCERS' real estate consultant, Townsend, discussing their views of U.S. and non-U.S. real estate markets. Day 2 began with TorreyCove, OCERS' private equity and private real assets consultant, explaining their due diligence process for managers to the Board. TorreyCove also talked about their views of venture capital and buyouts in the current private equity environment. Next, Shanta Chary, Director of Investment Operations, and Molly Murphy described the alpha and beta potential of the OCERS portfolio over the next market cycle. Meketa then led a session on asset allocation with potential increases to risk mitigation and private equity and decreases to credit and real assets in the portfolio. Colin Bebee and Allan Emkin, PCA, discussed the framework for increasing the risk mitigation asset class by diversifying into other categories such as CTAs (systematic trend following strategies) and alternative risk premia. David Beeson, Investment Officer, then highlighted the work staff has been doing in terms of researching other risk mitigation managers. Finally, AQR gave an educational presentation to the Board on alternative risk premia and trend following strategies.



As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the November 19 meeting of the OCERS Board of Retirement.