

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

REGULAR MEETING  
Monday, March 18, 2019  
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. **Persons wishing to provide public comment at this time should fill out a speaker card located near the middle of the room and deposit it in the Recording Secretary's inbox.** 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.

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) Susan Schroeder

**ADMINISTRATION**

**C-2 BOARD MEETING MINUTES**

Regular Board Meeting Minutes

February 19, 2019

**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 provide comment on a matter listed on the agenda should fill out a speaker card located at the back of the room and deposit it in the Recording Secretary's box located near the back counter.**

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

**A-2 2019 STAR COLA FINAL APPROVAL**

*Presentation by Suzanne Jenike, Assistant Chief Executive Officer, External Operations, OCERS*

**Recommendation:** Approve payment of STAR COLA for the period April 1, 2019 through March 31, 2020.

**A-3 GOVERNANCE COMMITTEE OUTCOMES FROM MARCH 1, 2019 MEETING**

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

**Recommendation:** The Governance Committee recommends that the Board of Retirement:

(1) Approve, after a second reading by the Committee, the following policies relating to the Master Final Average Salary Project as presented by staff:

- a. Compensation Earnable Policy;
- b. Pensionable Compensation Policy;
- c. Retirement Enhancement Review Policy; and
- d. Pay Item Review Policy;

(2) Approve revisions to the Board of Retirement Charter, the Board Chair Charter, and the Board Vice-Chair Charter with changes by the Committee;

(3) Approve revisions to the OCERS Rules of Parliamentary Procedure as presented by staff; and

(4) Approve revisions to the CEO Charter with changes by the Committee.

**A-4 APPROVAL OF PERSONNEL COMMITTEE CHARTER**

*Presentation by Steve Delaney, CEO, OCERS*

**Recommendation:** Approve the Personnel Committee Charter

**INFORMATION ITEMS**

**I-1 MEMBER MATERIALS DISTRIBUTED**

Written Report

Application Notices  
Death Notices

March 19, 2019  
March 19, 2019

**I-2 COMMITTEE MEETING MINUTES**

- None

**I-3 CEO FUTURE AGENDAS AND 2019 OCERS BOARD WORK PLAN**

Written Report

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

Written Report

**I-5 LEGISLATIVE UPDATE**

Written Report

**I-6 FIRST QUARTER REVIEW OF OCERS 2019- 2021 STRATEGIC PLAN**

Written Report

**I-7 TRAVEL REPORT – PROFESSIONAL VISIT TO SFERS**

Written Report

**I-8 BOARD COMMUNICATIONS**

Written Report

**I-9 SONOMA BUSINESS CONTINUITY AND DISASTER RECOVERY**

*Presentation by Julie Wyne, CEO, Sonoma County Employees Retirement Association*

**I-10 TRUSTEE EDUCATION OPPORTUNITIES**

*Presentation by Steve Delaney, CEO, OCERS*

**I-11 COALITION TO PRESERVE RETIREMENT SECURITY – CONFERENCE REPORT**

Written Report

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

**DISABILITY/MEMBER BENEFITS AGENDA**

**10:00 AM**

**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: Cliff Bramlette**

Battalion Chief, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of December 26, 2017. (Safety Member)

**DC-2: Brian Coney**

Firefighter, Orange County Fire Authority

Recommendation The Disability Committee recommends that the Board grant service connected disability retirement pursuant to Government Code section 31720.6 (Cancer Presumption) with an effective date of September 28, 2018. (Safety Member)

**DC-3: Michael Lopez**

Supervising Juvenile Correctional Officer, Orange County Probation Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement pursuant to Government Code section 31720.5 (Heart Presumption) with an effective date of December 23, 2016. (Safety Member)

**DC-4: Jessica Marriott**

Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date to be determined administratively. (General Member)

**DC-5: Robert Moreno**

Deputy Probation Officer, Orange County Probation Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of September 12, 2018. (Safety Member)

**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: BENEFIT APPEAL – ANTHONY MANZO**

Firefighter, Orange County Fire Authority

**Recommendation:** Staff recommends that the Board approve and adopt the findings and recommendations of the Referee as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated February 6, 2019 (Recommendations), to uphold the Board’s decision and grant service connected disability retirement with an effective date of February 27, 2017, and **deny** Applicant’s request for an earlier effective date.

**CLOSED SESSION ITEMS**

**E-1 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED  
(GOVERNMENT CODE SECTION 54956.9(d)(1)) In re Vale S.A. Securities Litigation, U.S. District  
Court, Southern District of New York (Case No. 15 Civ. 9539 (GHW)  
Adjourn to closed session pursuant to Government Code Section 54956.9(d)(1).**

**Recommendation:** Take appropriate action.

**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**

**March 28, 2019**

**9:00 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

**2223 E. WELLINGTON AVENUE, SUITE 100**

**SANTA ANA, CA 92701**

**INVESTMENT MANAGER MONITORING SUBCOMMITTEE MEETING**

**March 28, 2019**

**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**

**DISABILITY COMMITTEE MEETING**

**April 2, 2019**

**10:00 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

**2223 E. WELLINGTON AVENUE, SUITE 100**

**SANTA ANA, CA 92701**

**REGULAR BOARD MEETING**

**April 14, 2019**

**9:00 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

**2223 E. WELLINGTON AVENUE, SUITE 100**

**SANTA ANA, CA 92701**

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

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

C-1

## Memorandum

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**DATE:** March 18, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Adina Bercaru, Member Services Manager  
**SUBJECT:** **OPTION 4 RETIREMENT ELECTION – SUSAN SCHROEDER**

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### Recommendation

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

### Background/Discussion

This member has requested Option 4 as the benefit payment option for her service retirement allowance effective January 22, 2019. The Orange County Employees Retirement System (OCERS) was joined in the member's dissolution of marriage and under the terms of the Domestic Relations Order (DRO), the member's ex-spouse was awarded a lifetime continuance as a percentage of the member's allowance.

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

### Submitted by:



A. B. – APPROVED

Adina Bercaru  
Member Services Manager





180 Howard Street Suite 1100 San Francisco, CA 94105-6147  
T 415.263.8200 www.segalco.com

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

PERSONAL and CONFIDENTIAL

VIA EMAIL and USPS

March 11, 2019

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

RECEIVED

MAR 11 2019

Orange County Employees  
Retirement System

**Re: Orange County Employees Retirement System  
Option 4 Calculation for Susan Schroeder - Revised**

Dear Adina:

Pursuant to your request, we have revised our calculation of the Option 4 benefits payable to Susan Schroeder and her ex-spouse provided in our letter dated March 7, 2019. With this revision, we have been directed by OCERS to re-calculate the Option 4 benefits so that if the ex-spouse pre-deceases the member, the ex-spouse's share of the Option 4 benefit will be payable to the member (i.e., Susan Schroeder).

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

Member's Date of Birth	
Ex-Spouse's Date of Birth	
Date of Retirement	January 22, 2019
Plan of Membership	General Plan J
Monthly Unmodified Benefit	\$6,425.44
Ex-Spouse's Share of Monthly Unmodified Benefit	36.19%
Retirement Type	Service Retirement

Ms. Adina Bercaru  
March 11, 2019  
Page 2

**Option 4 Benefit**

	<b>Payable While</b>		
	<b>Both Member and Ex-Spouse are Alive</b>	<b>Only Member is Alive</b>	<b>Only Ex-Spouse is Alive</b>
<b>Member bears the cost of Option 4 reduction for the DRO benefit</b>			
Monthly Benefit Payable to Member			
Annuity:	\$1,336.36	\$2,111.75	\$0
Pension:	<u>2,671.35</u>	<u>4,221.33</u>	<u>0</u>
Total:	\$4,007.71*	\$6,333.08	\$0
Monthly Benefit Payable to Ex-Spouse	\$2,325.37	\$0	\$2,325.37

\* This is equal to 63.81% of the member's unmodified benefit (i.e., (1 - 36.19%) \* \$6,425.44 or \$4,100.07) adjusted further to provide a benefit payable over the ex-spouse's lifetime or goes back to the member if the ex-spouse pre-deceases the member.

**ACTUARIAL ASSUMPTIONS**

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

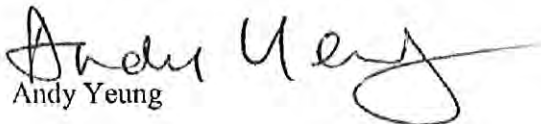
RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female for members.

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

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

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

Sincerely,

  
Andy Yeung

AW/gxk

ORANGE COUNTY  
**OCERS**  
EMPLOYEES RETIREMENT SYSTEM

March 14, 2019

SUSAN SCHROEDER

Re: Retirement Election Confirmation – Option 4

Dear Ms. Schroeder:

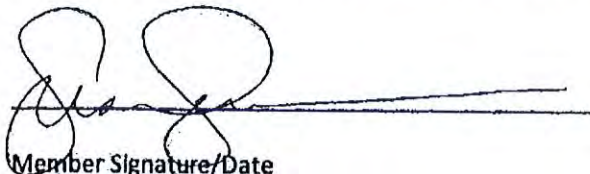
As required by your DRO, you have elected Option 4 as your retirement option. This option will provide a 36.19% of your monthly benefit, for the life of the benefit, to:

MICHAEL SCHROEDER.

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

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

*Y* I understand that my retirement option is irrevocable; by choosing Option 4 I will take a monthly reduction in order to provide a 36.19% continuance to Michael Schroeder.

  
Member Signature/Date

RECEIVED

MAR 14 2019

Orange County Employees  
Retirement System

Sincerely,



Erika Gonzalez  
Retirement Program Specialist

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. Wellington Avenue, Suite 100, Santa Ana, CA  
92701 Telephone (714) 558-6200 Fax (714) 558-6234

C-2

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

REGULAR MEETING  
Tuesday, February 19, 2019  
9:00 a.m.

MINUTES

Chair Packard called the meeting to order at 9:06 a.m.

Attendance was as follows:

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

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Brenda Shott, Assistant CEO, Internal Operations; Joe Fletcher, Staff Attorney; Anthony Beltran, Visual Technician; Cammy Torres, Recording Secretary.

Guests: Harvey Leiderman

Absent: Jeremy Vallone

*Mr. Hilton led the Pledge of Allegiance.*

CONSENT AGENDA

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

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

Motion passed **unanimously**.

<b>BENEFITS</b>
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**C-1 OPTION 4 RETIREMENT ELECTION**

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

(1) Curtis Morrison

<b>ADMINISTRATION</b>
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**C-2 BOARD MEETING MINUTES**

Regular Board Meeting Minutes

January 16, 2019

**Recommendation:** Approve minutes.

**ACTION ITEMS**

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

**A-2 2019 COST OF LIVING ADJUSTMENT**

*Presentation by Suzanne Jenike, Assistant CEO of External Operations, OCERS; and Andy Yeung, Segal Consulting*

**Recommendation:** Adjust all applicable benefit allowances by 3% effective April 1, 2019, in accordance with Government Code Section 31870.1, resulting from the 3.81% change to CPI in calendar year 2018.

Chris Prevatt arrived at 9:09 a.m.

Sara Ruckle-Harms, representing Retired Employees Association of Orange County (REAOC), asked the Board to approve the COLA increase and explained the importance of the COLA to all retirees.

Ms. Jenike and Andy Yeung presented the 2019 Cost of Living Adjustment.

Mr. Ball arrived at 9:13 a.m.

Mr. Lindholm arrived at 9:14 a.m.

Mr. Yeung explained that this year CPI was calculated using a new geographic area: Los Angeles, Long Beach, and Anaheim.

Ms. Freidenrich asked that in future years staff include the prior CPI from previous year for comparison purposes.

A **motion** was made by Mr. Eley **seconded** by Mr. Dewane to adjust all applicable benefit allowances by 3% effective April 1, 2019, in accordance with Government Code Section 31870.1, resulting from the 3.81% change to CPI in calendar year 2018.

Motion passed **unanimously**.

**A-3 OCERS HEADQUARTERS BUILDING**

*Presentation by Brenda Shott, Assistant CEO of Internal Operation, OCERS and Tim Hogan, Owner, Hogan Edgcomb Consulting LLC*

**Recommendation:** The ad hoc Building Committee recommends that the OCERS Board determine to remain at 2223 E. Wellington Ave., Santa Ana and direct staff to advance plans for tenant improvements and upgrade of mechanical systems.

Ms. Shott presented the OCERS Headquarters Building project update.

Mr. Time Hogan joined the Board meeting via conference call.

Mr. Hogan, via conference call, gave his executive summary of his report recommends OCERS remain in its current building and upgrade that building.

Mr. Eley asked staff regarding the choreography of staff movement and how that will play out in order to not disturb workflow.

Mr. Delaney explained that this will be about a two-year process and the goal is to move staff in groups using the open space on the this floor as a start, as not to disturb workflow.

Mr. Prevatt explained the thought process behind the Building Committee discussions and how they came about making their conclusion.

Ms. Freidenrich asked if the Board could have a written documentation of the ad hoc committee's meetings and their recommendations.

Mr. Delaney discussed the benefits of OCERS staying in the current location.

A **motion** was made by Mr. Dewane **seconded** by Mr. Hilton to approved the ad hoc Building Committee recommendation that the OCERS Board determine to remain at 2223 E. Wellington Ave., Santa Ana and direct staff to advance plans for tenant improvements and upgrade of mechanical systems.

Motion passed **unanimously**.

#### **A-4 SACRS BOARD OF DIRECTORS ELECTIONS 2019-2020**

*Presentation by Steve Delaney, CEO, OCERS*

**Recommendation:** Identify one or more nominees for the SACRS Board of Directors election to be conducted on May 10, 2019; and direct staff to submit the nomination(s) to the SACRS Nominating Committee on or before March 1, 2019.

Mr. Delaney presented the SACRS Board of Directors Elections 2019-2020.

A **motion** was made by Mr. Prevatt **seconded** by Mr. Dewane to approve the endorsement of Roger Hilton to another term.

Motion passed unanimously.

*The Board recessed for break at 9:45 a.m.*

*The Board reconvened from break at 10:02 a.m.*

**A-5 AUDIT COMMITTEE OUTCOMES FROM DECEMBER 11, 2018 MEETING - TRIENNIAL REVIEW OF THE RISK POLICY**

*Presentation by Brenda Shott, Assistant CEO of Internal Operation, OCERS*

**Recommendation:** The Audit Committee recommends that the Board adopt the revised Risk Policy as presented.

Ms. Shott presented the triennial review of the risk policy.

Mr. Hilton asked if we could name the policy “Operational Risk Policy” not “Risk Policy”.

Staff stated yes, that change will be implemented.

A **motion** was made by Mr. Dewane **seconded** by Mr. Lindholm to approve the Audit Committee’s recommendation for the Board to adopt the revised Risk Policy as presented.

Motion passed unanimously.

**INFORMATION ITEMS**

Ms. Freidenrich pulled item I-5 and I-9 for discussion.

**I-1 MEMBER MATERIALS DISTRIBUTED**

Written Report

Application Notices

February 19, 2019

Death Notices

February 19, 2019

**I-2 COMMITTEE MEETING MINUTES**

- None

**I-3 CEO FUTURE AGENDAS AND 2019 OCERS BOARD WORK PLAN**

Written Report

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

Written Report

**I-5 2018 PPCC PUBLIC PENSION STANDARDS AWARD FOR FUNDING AND ADMINISTRATION**

Written Report

Ms. Freidenrich wanted to acknowledge that OCERS received the PPCC Award.

**I-6 FOURTH QUARTER 2018 BUDGET VS. PRELIMINARY ACTUALS REPORT**

Written Report



**I-7 FOURTH QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

Written Report

**I-8 2019 STAR COLA COST POSTING**

Written Report

**I-9 OVERPAID AND UNDERPAID PLAN BENEFITS – 2018 REPORT**

Written Report

Mr. Freidenrich questioned if OCERS has taken the necessary steps to prevent an overpayment or underpayment in plan benefits.

Ms. Halbur discussed the ways OCERS has prepared and the steps taken to avoid any issues in the future.

**I-10 OCERS BOARD POLICY COMPLIANCE**

Written Report

**I-11 BOARD COMMUNICATIONS**

Written Report

**I-12 2018 BUSINESS PLAN – END OF YEAR REPORT**

*Presentation by Steve Delaney, CEO, OCERS*

Mr. Delaney presented the 2018 Business Plan – End of Year Report. He specifically reviewed those tasks that began in 2018 but which would not conclude until 2019.

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

**DISABILITY/MEMBER BENEFITS AGENDA**

**10:00 AM**

**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. Dewane, **seconded** by Mr. Eley to approve the Disability Consent Agenda. The motion carried **9-0** with voting as follows:

**AYES**

Mr. Prevatt  
Mr. Dewane

**NAYS**

**ABSTAIN**

**ABSENT**

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

**DC-1: Jason Yates**

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

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

**DC-2: Robert D. Davis**

Deputy Sheriff, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of August 31, 2018. (Safety Member)

**DC-3: Claudette Oliver**

Bus Operations Supervisor, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of May 28, 2017. (General Member)

**DC-4: Robert Willis**

Certified Journeyman Mechanic II, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of July 23, 2017. (General Member)

**DC-5: James E. Bento**

Firefighter, Orange County Fire Authority

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

**DC-6: Darrin Wheaton**

Senior Social Worker, Social Services Agency

Recommendation: The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of August 7, 2015. (General Member)

**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**

*The Board adjourned into closed session at 10:06 a.m.*

**DA-2: DISABILITY APPEAL - FAHIMEH NAZARI**

Library Clerk, Orange County Community Resources

**Recommendation:** Staff recommends the Board approve and adopt the findings and recommendations of the Hearing Officer as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated October 27, 2018, and deny Applicant’s application for service connected disability retirement.

Mr. Ball stepped out of the room.

A **motion** was made by Mr. Baldwin, **seconded** by Mr. Eley to approve and adopt the findings and recommendations of the Hearing Officer as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated October 27, 2018, and deny Applicant’s application for service connected disability retirement.

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

**AYES**

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

**NAYS**

**ABSTAIN**

**ABSENT**

Mr. Ball

**DA-3: DISABILITY APPEAL - MAX CHANCE, JR.**

Sergeant, Orange County Sheriff’s Department

**Recommendation:** Staff recommends the Board dismiss the appeal by Max Chance Jr. of OCERS’ denial of his application for service and non-service connected disability retirement pursuant to Section 3.E of OCERS Adjudication Policy and Administrative Hearing Rules.

A **motion** was made by Mr. Hilton, **seconded** by Mr. Prevatt to dismiss the appeal by Max Chance Jr. of OCERS' denial of his application for service and non-service connected disability retirement pursuant to Section 3.E of OCERS Adjudication Policy and Administrative Hearing Rules.

The motion carried **9-0** with voting as follows:

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

**DA-4: BENEFIT APPEAL – BETSY ZUANICH**

**Recommendation:** Staff recommends that the Board approve and adopt the findings and recommendations of the Referee/Hearing Officer as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated January 19, 2019 (Recommendations), and deny the Applicant's request to have 96 hours of sick leave cash-out included in her Final Average Salary calculation to determine her service retirement benefit.

A **motion** was made by Mr. Hilton, **seconded** by Mr. Prevatt to approve and adopt the findings and recommendations of the Referee/Hearing Officer as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations dated January 19, 2019 (Recommendations), and deny the Applicant's request to have 96 hours of sick leave cash-out included in her Final Average Salary calculation to determine her service retirement benefit.

The motion carried **9-0** with voting as follows:

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

***The Board reconvened from closed session at 11:06 a.m.***

Chair Packard reported out of closed session:

DA-2 – The Board approved staff recommendation.

DA-3 – The Board agreed to provide Mr. Chance with additional time to file the appropriate documents.

DA-4 – The Board approved staff recommendation.

### **CLOSED SESSION ITEMS**

**E-1 CONFERENCE REGARDING LITIGATION THAT HAS BEEN INITIATED  
(GOVERNMENT CODE SECTION 54956.9(d)(1)) O.C. Department of Education v. OCERS, CA Court  
of Appeal, 4th Dist. (Case No. G055439); CA Superior Court, Orange County, (Case No. 30-2016-  
00836897)**

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

**Recommendation:** Take appropriate action.

***The Board adjourned into closed session at 11:08 a.m.***

***The Board reconvened from closed session at 11:35 a.m.***

No reportable action taken.

### **BOARD MEMBER COMMENTS**

Mr. Packard stated:

I am directing that the Employee Handbook revisions that were heard initially by the Governance Committee in December, because of having an impact on the employment benefits provided to our OCERS Direct staff, now be more appropriately considered by the newly formed Personnel Committee. Fortunately two of the three Personnel Committee Trustees, Mr. Hilton and Mr. Prevatt, were on the Governance Committee and heard the initial discussions regarding revisions to the Employee Handbook, so we will benefit by that continuity.

### **CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

Ms. Jenike provided her monthly update to the Board regarding the master final average salary project.

### **COUNSEL COMMENTS**

N/A

\*\*\*\*\*

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

**Active Members**

Flores-Shakouri, Alejandrina

**Retired Members**

Banigan, Ida  
Bastow, Jean  
Bennett, Jeanne  
Bolken, Loween  
Canlas, Rolando  
Centeno, Linda  
Chadwick, Bert  
Craunn, Paddy  
Croker, John  
Dalton, Darlene  
Del Campo, Jeff  
Diemer, Jerome  
Edgerly, Raymond  
Eggers, David  
Gill, John  
Gonzales, Ana  
Guajardo, Emilio  
Hemmen, Eileen  
Isbell, Robert  
Johnson, Rebecca  
King, Frank  
Kuebler, Robin  
Labelle, Margaret  
Lock, Henry  
Mattern, Bruce  
Mc Nealy, Tim  
Mikkelsaar, Tiia  
Miller, Robert  
Mitchell, Joseph  
Mount, Leila  
Nakamura, Steven  
Orosco, Rafael  
PARK, MARTHA  
POHLKE, FREDERICK HENRY  
Poulson, Juliette  
Schagene, Joan  
Stone, Vaneva  
Tran, Chau  
Waddell, Doris  
Waltermire, Louis  
Watkins, Lloyd

**Surviving Spouses**

Babtist, Margaret  
Bell, Donald

Chesshir, Eleanor  
Estes, Gail  
Preston, Angela  
Sevilla, Benjamin

There being no further business to bring before the Board, the meeting adjourned at 11:42 a.m.

Submitted by:

Approved by:

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Steve Delaney  
Secretary to the Board

---

Chuck E. Packard  
Chairman

A-2





# Memorandum

**DATE:** March 18, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations  
**SUBJECT:** 2019 STAR COLA FINAL APPROVAL

## Recommendation

Approve payment of STAR COLA for the period April 1, 2019 through March 31, 2020.

## Background/Discussion

STAR COLA stands for Supplemental Targeted Adjustment for Retirees, Cost of Living Adjustment. Unlike the regular COLA the STAR COLA is discretionary and the Board of Retirement has the sole authority to grant or deny the benefit and considers it on an annual basis. The purpose of the STAR COLA is to restore purchasing power for retirees who have lost more than 20% of their purchasing power since retirement due to inflation. The STAR COLA brings those individuals back to 80% of purchasing power. It applies to those who have been retired the longest – currently, those members who retired on or before April 1, 1980.

The projected cost for the period April 1, 2019 through March 31, 2020 is \$517,489. The breakdown between employers with STAR COLA recipients is as follows:

County	\$510,907 (231 recipients)
UCI (closed to new participants)	\$ 4,310 (5 recipients)
Orange County Sanitation District	\$ <u>2,272 (2 recipients)</u>
Total	\$517,489 (238 total)


The 2019-2020 STAR COLA, if approved, is \$7,996 lower than 2018-2019 and the total number of recipients has declined by 25 payees from 2018 to 2019.

The STAR COLA provides a much needed cushion to the oldest retirees, whose benefit has been most diminished by inflation. In accordance with California Government Code Section 7507, the Board has already disclosed the financial impact of continuing the STAR COLA at the February 19, 2019, Board meeting.

Staff will send letters to each affected employer after the Board takes action advising of the outcome, and if approved, of the cost to each employer.

Based on the significant impact discontinuation of STAR COLA would have on the individuals who receive it and the relatively small impact payment would have on contribution rates it is staff's recommendation to approve the STAR COLA for April 1, 2019 through March 31, 2020 in the amount of \$517,489.

**Submitted by:**



Suzanne Jenike  
Assistant CEO, External Operations



180 Howard Street Suite 1100 San Francisco, CA 94105-6153  
T 415.263.8200 www.segalco.com

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

VIA EMAIL AND USPS

January 30, 2019

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

RECEIVED

FEB 01 2019

Orange County Employees  
Retirement System

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

Dear Steve:

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

#### **BACKGROUND**

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

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

#### **RESULTS AND ANALYSIS**

On April 1, 2019, only those members who retired on or before April 1, 1980 have COLA banks in excess of 20% and hence are eligible to receive the STAR COLA.

The attached Exhibit A shows a ten-year projection of the STAR COLA benefits, expressed as a percentage of the benefit payable effective April 1 of the next ten years. In Exhibit B, we show the annual benefit payment based on who is eligible for the STAR COLA benefit as of April 1, 2019 (i.e., members who retired on or before April 1, 1980) and those who may

become eligible after April 1, 2019. In Exhibit C, we have included a schedule that provides the breakdown of the anticipated STAR COLA benefits from April 2019 to March 2020 based on members who retired from each employer.

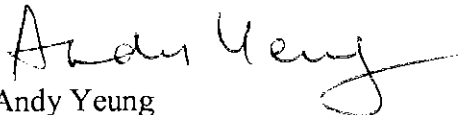
Our projections are based on the following assumptions provided below.

1. The existing 80% purchasing power cap will remain unchanged.
2. In adjusting the purchasing power banks after April 1, 2019, we have used the assumed annual inflation rate of 2.75% previously adopted by the Board for the last valuation as of December 31, 2017 and the upcoming valuation as of December 31, 2018. As OCERS provides a maximum annual COLA of 3.0%, the COLA banks will decrease in the future under the 2.75% inflation assumption (see attached Exhibit A) and thus no other additional members will be expected to become eligible.<sup>1</sup> We assume that future STAR COLA benefits, adjusted to reflect inflation for the prior calendar year, will be paid commencing April 1 of the subsequent year.
3. Our projections were based on the latest membership data used in the valuation as of December 31, 2017, but updated through January 18, 2019 to exclude those members who have passed away since the prior valuation. For conservatism, we assumed no deaths would have occurred among retirees and beneficiaries from January 18, 2019 to April 1, 2019. Effective April 1, 2019, we applied the life expectancies previously adopted by the Board for the last valuation as of December 31, 2017 and the upcoming valuation as of December 31, 2018 in projecting members who will be entitled to payments in the ten-year period.

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

Please let us know if you have any questions.

Sincerely,

  
Andy Yeung

MYM/gxk  
Enclosures

cc: Suzanne Jenike  
Brenda Shott

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<sup>1</sup> It should be noted that in determining the liabilities for those retirees with COLA banks in the funding valuation, we have been assuming that a COLA of 3.00% would be paid on each April 1 following the date of the valuation until their COLA banks are depleted.

**EXHIBIT A – TEN-YEAR PROJECTION OF STAR COLA BENEFITS**

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

Date of Retirement	April 1, 2019	April 1, 2020	April 1, 2021	April 1, 2022	April 1, 2023	April 1, 2024	April 1, 2025	April 1, 2026	April 1, 2027	April 1, 2028
On or Before 04/01/1972	28.00%	27.75%	27.50%	27.25%	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%
04/02/1972 to 04/01/1973	27.50%	27.25%	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%
04/02/1973 to 04/01/1974	27.50%	27.25%	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%
04/02/1974 to 04/01/1975	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%	25.00%	24.75%
04/02/1975 to 04/01/1976	21.50%	21.25%	21.00%	20.75%	20.50%	20.25%	20.00%	19.75%	19.50%	19.25%
04/02/1976 to 04/01/1977	16.00%	15.75%	15.50%	15.25%	15.00%	14.75%	14.50%	14.25%	14.00%	13.75%
04/02/1977 to 04/01/1978	12.50%	12.25%	12.00%	11.75%	11.50%	11.25%	11.00%	10.75%	10.50%	10.25%
04/02/1978 to 04/01/1979	8.50%	8.25%	8.00%	7.75%	7.50%	7.25%	7.00%	6.75%	6.50%	6.25%
04/02/1979 to 04/01/1980	3.50%	3.25%	3.00%	2.75%	2.50%	2.25%	2.00%	1.75%	1.50%	1.25%

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

28/215

**EXHIBIT B – PROJECTED BENEFIT PAYMENTS**

The expected benefit payments for the current and new STAR COLA recipients for the next ten years, commencing April 1, 2019, are provided in the following table:

	Benefit Payments		
	(1) Eligible for STAR COLA as of April 1, 2019	(2) Not Yet Eligible for STAR COLA as of April 1, 2019	(1) + (2)
1. April 1, 2019 – March 31, 2020	\$517,489	\$0	\$517,489
2. April 1, 2020 – March 31, 2021	471,732	0	471,732
3. April 1, 2021 – March 31, 2022	427,694	0	427,694
4. April 1, 2022 – March 31, 2023	386,089	0	386,089
5. April 1, 2023 – March 31, 2024	347,328	0	347,328
6. April 1, 2024 – March 31, 2025	311,600	0	311,600
7. April 1, 2025 – March 31, 2026	278,936	0	278,936
8. April 1, 2026 – March 31, 2027	249,254	0	249,254
9. April 1, 2027 – March 31, 2028	222,393	0	222,393
10. April 1, 2028 – March 31, 2029	<u>198,150</u>	<u>0</u>	<u>198,150</u>
Total Benefit Payments	<u>\$3,410,665</u>	<u>\$0</u>	<u>\$3,410,665</u>
Discounted Benefit Payments <sup>(1)</sup>	<u>\$2,620,806</u>	<u>\$0</u>	<u>\$2,620,806</u>

<sup>(1)</sup> At 7.00% annual investment return assumption.

**EXHIBIT C – PROJECTED BENEFIT PAYMENTS BY EMPLOYER**

The expected benefit payments for the current STAR COLA recipients from April 1, 2019 to March 31, 2020 broken down by employer, are provided in the following table:

	Benefit Payments			
	Orange County	U.C.1. (Bi-weekly)	Sanitation District	Total
April 1, 2019 – March 31, 2020	\$510,907	\$4,310	\$2,272	\$517,489

30/215

CALIFORNIA GOVERNMENT CODE

**§7507. Definitions; actuarial impact upon future annual costs prior to authorizing increases in benefits; public meetings; application**

(a) For the purpose of this section:

(1) "Actuary" means an actuary who is an associate or fellow of the Society of Actuaries.

(2) "Future annual costs" includes, but is not limited to, annual dollar changes, or the total dollar changes involved when available, as well as normal cost and any change in accrued liability.

(b) (1) Except as provided in paragraph (2), the Legislature and local legislative bodies, including community college district governing boards, when considering changes in retirement benefits or other postemployment benefits, shall secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, including normal cost and any additional accrued liability, before authorizing changes in public retirement plan benefits or other postemployment benefits.

(2) The requirements of this subdivision do not apply to:

(A) An annual increase in a premium that does not exceed 3 percent under a contract of insurance.

(B) A change in postemployment benefits, other than pension benefits, mandated by the state or federal government or made by an insurance carrier in connection with the renewal of a contract of insurance.

(c) (1) (A) With regard to local legislative bodies, including community college district governing boards, the future costs of changes in retirement benefits or other postemployment benefits, as determined by the actuary, shall be made public at a public meeting at least two weeks prior to the adoption of any changes in public retirement plan benefits or other postemployment benefits. If the future costs of the changes exceed one-half of 1 percent of the future annual costs, as defined in paragraph (2) of subdivision (a), of the existing benefits for the legislative body, an actuary shall be present to provide information as needed at the public meeting at which the adoption of a benefit change shall be considered. The adoption of any benefit to which this section applies shall not be placed on a consent calendar.

(B) The requirements of this paragraph do not apply to:

(i) An annual increase in a premium that does not exceed 3 percent under a contract of insurance.

(ii) A change in postemployment benefits, other than pension benefits, mandated by the state or federal government or made by an insurance carrier in connection with the renewal of a contract of insurance.

(2) With regard to the Legislature, the future costs as determined by the actuary shall be made public at the policy and fiscal committee hearings to consider the adoption of any changes in public retirement plan benefits or other postemployment benefits. The adoption of any benefit to which this section applies shall not be placed on a consent calendar.

(d) Upon the adoption of any benefit change to which this section applies, the person with the responsibilities of a chief executive officer in an entity providing the benefit, however that person is denominated, shall acknowledge in writing that he or she understands the current and future cost of the benefit as determined by the actuary. For the adoption of benefit changes by the state, this person shall be the Director of Human Resources.

(e) The requirements of this section do not apply to a school district or a county office of education, which shall instead comply with requirements regarding public notice of, and future cost determination for, benefit changes that have been enacted to regulate these entities. These requirements include, but are not limited to, those enacted by Chapter 1213 of the Statutes of 1991 and by Chapter 52 of the Statutes of 2004.

(Added by Stats. 2008, Ch. 371 (SB 1123), Sec. 3)

(Amended by Gov. Reorg. Plan No. 1 of 2011, Sec. 45, effective September 9, 2011, operative July 1, 2012)

(Amended by Stats. 2012, Ch. 665 (SB 1308), Sec. 41)



## STAR COLA STATUTE

§ 31874.3. Increased retirement allowances, optional death allowances, or annual death allowances when cost of living increases specified amount

(a) (1) Whenever the percentage of annual increase in the cost of living as of January 1 of each year as shown by the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers exceeds the maximum benefit increase provided in Section 31870, 31870.1, 31870.2, or 31870.3, whichever is applicable, the board of retirement may provide that all or part of the excess percentage increase shall be applied to the retirement allowances, optional death allowances, or annual death allowances increased in Section 31870, 31870.1, 31870.2, or 31870.3. The board shall determine the amount of the excess to be applied, which amount shall not exceed an amount that can be paid from earnings of the retirement fund that are in excess of the total interest credited to contributions and reserves plus 1 percent of the total assets of the retirement fund.

(2) The supplemental increases in excess of the increases applied to the retirement allowances, optional death allowances, or annual death allowances pursuant to Section 31870, 31870.1, 31870.2, or 31870.3 shall not become a part of the retirement allowances, optional death allowances, or annual death allowances to be increased by subsequent increases under Section 31870, 31870.1, 31870.2, or 31870.3.

(3) This subdivision shall be operative in any county that has elected by a majority vote of the board of supervisors to make either Section 31870, 31870.1, 31870.2, or 31870.3 applicable in that county.

(b) (1) The board of retirement may, instead of taking action pursuant to subdivision (a), provide supplemental cost-of-living increases, effective on a date to be determined by the board, to the retirement allowances, optional death allowances, or annual death allowances increased in Section 31870, 31870.1, 31870.2, or 31870.3; provided however, that only those members shall be eligible for this increase whose accumulations established by Section 31870, 31870.1, 31870.2, or 31870.3 shall equal or exceed 20 percent as of January 1 of the year in which the board of retirement adopts an increase under this subdivision.

(2) The supplemental increases to the retirement allowances, optional death allowances or annual death allowances increased in Section 31870, 31870.1, 31870.2, or 31870.3 shall not become a part of the retirement allowances, optional death allowances or annual death allowances to be increased by subsequent increases under Section 31870, 31870.1, 31870.2, or 31870.3.

(3) This subdivision shall be operative in any county that has elected by a majority vote of the board of supervisors to make either Section 31870, 31870.1, 31870.2, or 31870.3 applicable in that county.

(c) (1) The board of retirement may, instead of taking action pursuant to subdivision (a) or (b), provide supplemental cost-of-living increases, on a prefunded basis and effective on a date to be determined by the board, to the retirement allowances, optional death allowances, or annual death allowances increased in Section 31870, 31870.1, 31870.2, or 31870.3; provided however, only those members shall

be eligible for this increase whose accumulations established by Section 31870, 31870.1, 31870.2, or 31870.3 equal or exceed 20 percent as of January 1 of the year in which the board of retirement takes action pursuant to this subdivision.

(2) The supplemental increases to the retirement allowances, optional death allowances, or annual death allowances increased in Section 31870, 31870.1, 31870.2, or 31870.3 shall become a part of the retirement allowances, optional death allowances, or annual death allowances and shall serve to reduce the accumulations established by Section 31870, 31870.1, 31870.2, or 31870.3, as applicable, by the same percentage as the payment that is made pursuant to this section.

(3) Before the board of retirement provides benefits pursuant to this subdivision, the costs of the benefits shall be determined by a qualified actuary and the board of retirement shall, with the advice of the actuary, provide for the full funding of the benefits utilizing funds in the reserve against deficiencies established pursuant to Section 31592.2, using surplus earnings that exceed 1 percent of the total assets of the retirement system.

(4) This subdivision shall be operative in any county that has elected by a majority vote of the board of supervisors to make either Section 31870, 31870.1, 31870.2, or 31870.3 applicable in that county.

(d) Upon adoption by any county providing benefits pursuant to this section, of Article 5.5 (commencing with Section 31610) of this chapter, the board of retirement shall, instead, pay those benefits from the Supplemental Retiree Benefit Reserve established pursuant to Section 31618.

A-3

## Memorandum

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**DATE:** March 18, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations, and Gina M. Ratto, General Counsel  
**SUBJECT: GOVERNANCE COMMITTEE OUTCOMES FROM MARCH 1, 2019 MEETING**

---

### Recommendation

The Governance Committee recommends that the Board of Retirement:

- (1) Approve, after a second reading by the Committee, the following policies relating to the Master Final Average Salary Project as presented by staff:
  - a. Compensation Earnable Policy;
  - b. Pensionable Compensation Policy;
  - c. Retirement Enhancement Review Policy; and
  - d. Pay Item Review Policy;
- (2) Approve revisions to the Board of Retirement Charter, the Board Chair Charter, and the Board Vice-Chair Charter with changes by the Committee;
- (3) Approve revisions to the OCERS Rules of Parliamentary Procedure as presented by staff; and
- (4) Approve revisions to the CEO Charter with changes by the Committee.

### Background/Discussion

The Governance Committee met on March 1, 2019, approved, and now recommends the Board approve four new policies related to the Master Final Average Salary Project, revisions to existing Charters, and a revision to the OCERS Rules of Parliamentary Procedure, all as further explained below.

#### **(1) Master Final Average Salary Project -- New Policies**

On March 1, 2019, four (4) policies related to the Master Final Average Salary Project were presented to the Governance Committee for a second reading and approval. The Governance Committee did not recommend any changes and recommends that the Board approve the policies as presented.

#### Project Status

Individual pay item spreadsheets have been distributed to each Employer/Plan Sponsor. Staff has completed its initial determination regarding Compensation Earnable (Legacy) and Pensionable Compensation (PEPRA) and is working with individual employers on any areas needing clarification and gathering their feedback. In addition, copies of the spreadsheets have been shared with the labor organizations and key stakeholder groups.

Staff also authored two circular letters regarding cash outs of Paid Time Off (PTO) and their appropriate reporting to OCERS. As of today's date all employers have received the circular letters and are taking the steps required to correct their reporting of PTO if applicable.

### Next Steps

The next steps of the Master Final Average Salary Project include:

- Finalize the comprehensive list of pay items and bring the master List back to the Governance Committee for review.
- Implement corrective action for pay items currently being reported incorrectly as pensionable compensation for PEPRA members (On Call and Canine Pay).

## **(2) Revisions to the Board of Retirement Charter, Board Chair Charter, and Board Vice-Chair Charter**

### Background

During a recent review of the Board's various charters, staff identified revisions to the Board of Retirement Charter, the Board Chair Charter and the Board Vice-Chair Charter that may effectuate improvements in governance. More specifically, staff proposed to the Governance Committee, and the Governance Committee approved and is now recommending to the Board for approval, revisions to:

- (i) Transfer the authority to appoint committee members from the Chair to the Vice Chair so that committees can be constituted prior to the end of the calendar year;
- (ii) Address how complaints or reports regarding a Board member's failure to comply with law or Board charters or policies will be handled;
- (iii) Delete references to the Board performance self-review; and
- (iv) Make other clarifying (non-substantive) changes to the Charters.

### Appointment of Committee Members for the Next Calendar Year/Timing of Vice Chair Election

Currently, the Board Chair Charter empowers the Board Chair to appoint trustees to serve as members (and chairs and vice chairs) of the various committees of the Board. In addition, the Board of Retirement Charter specifies that the person holding the office of Vice Chair as of the end of the calendar year automatically accedes to the office of Chair effective the first day of the following calendar year.

Because the Board Vice Chair does not accede to the position of Board Chair until January, committee assignments are generally not finalized until late January, and the committees are therefore unable to meet before February, at the earliest.

Since the identity of the following year's Chair is known in advance of the first day of the next calendar year, there appears to be no reason why the Vice Chair must wait until January of the next year to appoint committee members. By revising the Vice Chair Charter to empower the person holding the seat of Vice Chair as of the last day in October to appoint members, chairs and vice chairs of the committees for the next year, the appointments could be made before the end of the year and the committees would be in a position to hold meetings in January.

Accordingly, staff recommended to the Governance Committee and the committee approved adding to the Vice Chair Charter the follow to the Responsibilities and Duties of the Vice Chair:

3. The person holding the office of Vice Chair as of the end of October of the year will appoint the members of each of the committees of the Board (with the exception of the Investment Committee) and the chair and vice chair of all of the committees of the Board, all of whom will serve on such committees during the following calendar year; and the Vice Chair will report such appointments to the Board not later than at the Board's last meeting of the calendar year.

The Governance Committee also approved revising the Chair Charter as follows:

2. The Chair will, from time to time, and as necessary for the efficient governance of the Board:
  - a. Appoint members of the Board to fill any vacancies that occur in the committees of the Board;

#### Reports/Complaints Regarding Board Members

Staff recommended to the Governance Committee and the committee approved revising the Board Charter, the Board Chair Charter and the Board Vice-Chair Charter to address how reports or complaints of a Board member's failure to comply with applicable law, the Board Charter, By Laws or Board policy will be handled. More specifically, the Governance Committee approved the addition of the following provisions to the Charters.

To the Board Charter, add to the Responsibilities and Duties of Board members:

5. Each Board Member ~~will~~shall:
  - f. Treat members of OCERS' staff, and all persons having business with OCERS with civility, courtesy, respect and dignity.
6. Board members should treat each other with civility, courtesy, respect and dignity.

To the Board Chair Charter, add to the Duties and Responsibilities of the Chair:

2. The Chair will, from time to time, and as necessary for the efficient governance of the Board:
  - j. Review any report or complaint received by OCERS that alleges that a member of the Board (other than the Board Chair) has failed to comply with applicable law, the Board Charter, By Laws or any policy of the Board, and determine the appropriate course of action in response to such report after consulting with the Board's fiduciary counsel, OCERS' internal legal counsel and the CEO;

To the Board Vice Chair Charter, add the following to the Duties and Responsibilities of the Vice Chair:

2. The Vice Chair will:
  - c. Review any report or complaint received by OCERS that alleges that the Chair has failed to comply with applicable law, the Board Charter, By Laws or any policy of the Board, and determine the appropriate course of action in response to such report after consulting with the Board's fiduciary counsel, OCERS' internal legal counsel and the CEO;

## Non-Substantive Changes

The Governance Committee also approved the following non-substantive changes to the Charters:

- Delete references to the Board’s Performance Review Policy and process, which were eliminated in 2018;
- Reflect that investment managers are no longer appointed by the Board; and
- Make certain additional clarifying (non-substantive) changes to the language of the Charters as noted in the attached Charters.

The Charters, with proposed revisions indicated in underlined/strikeout text, are attached.

### **(3) Revisions to the OCERS Rules of Parliamentary Procedure**

#### Background

Because the membership of the committees of the Board typically changes every calendar year, it is not unusual for the new committee members to be asked to approve minutes of meetings that occurred late in the previous year when the new members were not members of the committee. Oftentimes, there is sufficient overlap in membership from year to year such that there are two committee members who remain on the committee from one year to the next and were present during the previous year’s meeting and can approve the minutes of that meeting. However, where there is no overlap or only one committee member that remains the same, the committees must nonetheless have the ability to approve meeting minutes.

OCERS Rules of Parliamentary Procedure conform in most respects to Robert’s Rules of Order. Robert’s Rules of Order states that “. . . in an organization in which there will be a change or replacement of a portion of the membership, the executive board or a committee appointed for the purpose should be authorized to approve the minutes.”

Staff recommended to the Governance Committee and the committee approved a revision to the OCERS Rules of Parliamentary Procedure to authorize committee members to approve minutes of meetings that took place prior to their membership on the committee as follows:

5. The minutes of a meeting of the Board will be presented to the Board for approval, and the minutes of a meeting of a committee will be presented to that committee for approval, at the next meeting of the Board or committee as applicable. In addition, because there are periodically changes in the membership of the committees, each current member of a committee is authorized to approve the minutes of meetings conducted prior to the individual becoming a member of the committee.

The OCERS Rules of Parliamentary Procedure, with proposed revisions indicated in underlined/strikeout text, is attached.

### **(4) Revisions to the CEO Charter**

#### Background

Staff recommended to the Governance Committee and the committee approved one substantive revision to the CEO Charter to add authority for the CEO to act on matters in emergency situations.

In addition, the process of memorializing the charters for, and delegation from the CEO to, the Senior Executive staff resulted in several recommended changes to the CEO Charter that are for the purpose of clarifying the language of the CEO Charter. These recommended changes are not intended to be substantive in nature.

#### Emergency Authority

Add a new Section titled “**Emergency Authority**” as follows:

18. In emergency situations, the CEO, after making reasonable attempts to contact the Board Chair and Vice Chair, will have the authority to act on matters not expressly stated within this charter provided that:
- a. The action is, in the CEO’s judgment, necessary to protect the System, its employees, the Fund, or System assets from loss or harm that is reasonably likely to occur if action is delayed for the scheduling of a notices meeting of the Board or its committees; and
  - b. The CEO promptly reports to the Board the emergency action taken, and the reasons why the CEO determined action was immediately necessary.

19. The proposed revisions are summarized as follows and are set forth in redlined text in the attached CEO Charter:

#### Clarifying Revisions to the CEO Charter

The proposed clarifying revisions to the CEO Charter, approved by the Governance Committee, are summarized as follows and are set forth in redlined text in the attached CEO Charter:

Add Paragraph **9.d.** to reflect what the Budget Approval Policy currently states is a power of the CEO:

- d. Transfer funds within a category of expenditures (i.e., Salaries and Benefits; Services and Supplies; Capital Projects) within the approved Operating Budget;

Clarify Paragraph **11.d** in order to more accurately reflect the delegated authority and to recognize the responsibility of the CEO with respect to succession planning:

- d. Implement and lead agency ~~Develop~~ training, talent and job development and succession planning programs for OCERS as approved in the Operating Budget.

Clarify the language in Paragraph 12 regarding **Legislation and Litigation** as follows:

12. The CEO will:

- a. Recommend ~~for Board approval,~~ legislative proposals ~~for approval to be considered~~ by the Board;
- b. Conduct and oversee the assigning, directing, and handling of litigation, coordinate with legal counsel on all claims, demands, disputes or legal proceedings involving OCERS and report material developments in these matters to the Board on a timely basis;
- c. In consultation with legal counsel, provide recommendations to the Board concerning the initiation and settlement of litigation, including administrative appeals, management and disposition of claims, demands, disputes or legal proceedings involving OCERS; and
- d. Oversee the ~~d~~Development and implementation of plans to comply with newly enacted legislation and court rulings, as applicable.




In Paragraphs 14 and 15 regarding **Appointment of Service Providers**, add references to the Board's Procurement and Contracting Policy.

In Paragraph 17, change "Monitor" to "Oversee" and make some additional clarifying, non-substantive edits.

The CEO Charter, with proposed revisions indicated in underlined/strikeout text, is attached.

Attachments

**Submitted by:**

  
\_\_\_\_\_  
Suzanne Jenjke  
Assistant CEO, External Operations



\_\_\_\_\_  
Gina M. Ratto  
General Counsel

## **Purpose and Background**

1. The purpose of this policy is to affirm OCERS' interpretation of the term Compensation Earnable as set forth in California Government Code section 31461 (Section 31461) and OCERS Board of Retirement Resolution 98-001 (Resolution 98-001).
2. Resolution 98-001 was adopted by the OCERS Board of Retirement (Board) on February 6, 1998, in order to implement the decision of the California Supreme Court (Supreme Court) in the case *Ventura County Deputy Sheriffs' Association vs. Board of Retirement of Ventura County Employees Retirement Association* (1997) 16 Cal.4th 483 (Ventura Decision). The Supreme Court in the Ventura Decision interpreted Section 31461 and the term Compensation Earnable as set forth therein and mandated a change in the method for calculating pension benefits for members and their beneficiaries by retirement systems governed by the County Employees Retirement Law of 1937 (CERL).
3. Resolution 98-001, among other things, reflects the Board's interpretation of the Ventura Decision as it applies to various types or categories of speciality or premium pay received by OCERS members from their employers, and delineates those items of pay that are to be included in and those that are to be excluded from Compensation Earnable.
4. On May 4, 1998, Resolution 98-001 was amended by Board Resolution 98-009 in response to litigation brought by the County of Orange and others challenging the legality of Resolution 98-001. Resolution 98-009 deleted Sections 6, 8 and a portion of Section 9 of Resolution 98-001 related to the imposition of contributions in arrears stemming from the change in contribution rates that resulted from the implementation of Resolution 98-001. Additionally on December 18, 2000, Resolution 98-001 was further amended by Resolution 00-003 to address the treatment of certain automobile allowances. For purposes of this policy, any reference to Resolution 98-001 shall be as Resolution 98-001 was amended by Resolutions 98-009 and 00-003.
5. OCERS was a party to several litigation matters that arose subsequent to the Ventura Decision and adoption of Resolution 98-001. These cases were coordinated as class actions in San Francisco Superior Court with other litigation involving other county retirement systems involving the interpretation and implementation of the Ventura Decision (Coordinated Cases).
6. On November 1, 2002, the San Francisco Court entered a judgment (Judgment) approving a settlement agreement of the Coordinated Cases that, among other things, included an agreement that all parties would " . . . accept as final and binding the inclusions and exclusions from compensation, compensation earnable and final compensation . . . " as set forth in Resolution 98-001.
7. In 2012, the California Legislature adopted the Public Employees Pension Reform Act of 2012 ("PEPRA"), which among other things, effective January 1, 2013, amended Section 31641 to add a list of items of compensation that are expressly excluded from Compensation Earnable. PEPRA also added a new term – Pensionable Compensation – to define the items of compensation to be included in the calculation of the retirement allowances of all OCERS members enrolled in the pension system on or after January 1, 2013. OCERS members who were members of the system prior to January 1, 2013 are referred to as Legacy members in this policy.

## Policy Objectives

8. The objectives of this policy are to ensure that OCERS fully complies with applicable law when calculating Compensation Earnable and Legacy members' retirement benefits, and to reaffirm the continued applicability of Resolution 98-001 as upheld by the Judgment in the Coordinated Cases.

## Policy Guidelines

9. **Compensation Earnable.** Compensation Earnable for Legacy members shall be calculated by OCERS in accordance with the following guidelines.
  - (a) Pay Items Included in Compensation Earnable. In accordance with Resolution 98-001, (i) remuneration earned and receivable in cash (under the applicable MOU) by the retiring employee, (ii) during the final compensation period, and (iii) for working the ordinary time required of other employees in the same grade /class, will be included in Compensation Earnable, including, but not limited to the following items of compensation-, and others substantially similar to them:
    - Base Salary and Wages
    - Bilingual Premium Pay
    - Educational Incentive ("POST") Pay
    - Aircraft Rescue Firefighting
    - Paramedic Pay
    - Motorcycle Bonus
    - Emergency Dispatch Pay
    - Field Training Officer Bonus
    - Shift Differential Pay
    - Confined Space Pay
    - Longevity Incentive
    - Automobile Allowance, if paid in cash; and for members whose "final compensation" period (as defined under Sections 31462 and 31482.1 of the Government Code; hereafter Final Compensation Period) includes time before January 1, 2001, also to the extent that the automobile was provided for personal use and declared as income.
    - Uniform Allowance
    - Uniform Maintenance Allowance
  - Payoffs of Vacation and Sick Leave and Holiday to the extent (i) earned (pro-rated on a monthly basis); (ii) was not taken as time off; and (iii) permitted to be cashed-out (pro-rated on a monthly basis) under the applicable MOU, regardless of when actually paid or cashed out

## OCERS Board Policy

# Compensation Earnable

- Employee Contributions to a Deferred Compensation Plan [already included in Base Wages and Salary, above]
  - "Overtime" (i) that is required to be worked; and (ii) that is ordinarily worked by others in same grade/class/rate of pay [Mandatory or Scheduled Overtime]
  - Compensatory Time (excluding "True Overtime" as defined in Section 9(b) below) in excess of minimum required reserve
  - "Madera" Pay (see, *Madera Police Officers Association v. City Of Madera* 36 Cal.3d 403)
  - Additional Compensation for Scheduled Meal Periods
  - Flexible Benefits ("Cafeteria Plan") paid in cash to members retiring before January 1, 1991
- (b) Pay Items Excluded from Compensation Earnable. In accordance with Resolution 98-001, (i) remuneration or other value to the employee that (i) is neither earned nor payable in cash to the employee during the final compensation period; and (ii) is not for working the ordinary time required of other employees in the same grade/class shall be excluded from Compensation Earnable, including but not limited to the following items, and others substantially similar to them:
- True Overtime (i.e., amounts paid for working in excess of the time required and ordinarily worked by others in the same grade/class) [Overtime that does not qualify as Mandatory or Scheduled Overtime]
  - Employer Contributions to a Deferred Compensation Plan
  - Employer Contributions to the Retirement System
  - Employer "pick up" of Employee Contributions to the Retirement System
  - Payoffs or cash outs of Vacation and Sick Leave and Holiday Pay, to the extent neither earned nor permitted to be cashed out under the applicable MOU, regardless of when actually paid or cashed out
  - Flexible Benefits ("Cafeteria Plan") provided in-kind
  - Flexible Benefits ("Cafeteria Plan") paid in cash to members retiring on and after January 1, 1991
  - Terminal ("Final") Pay, unless included in Compensation Earnable under Section 9(a), above
  - Expense Reimbursements
  - In-Kind Advantages (e.g. food, lodging, board, laundry, fuel)
  - Fees, Licenses, Memberships provided to the member by the employer
  - Automobile Allowance, if the automobile is provided for personal use and the allowance is not paid in cash, whether or not declared as income, for members whose Final Compensation Periods (as defined in Section 9(a), above) **do not** include time before January 1, 2001.



## Compensation Earnable

- (c) Calculation of Compensation Earnable. The retiring employee's compensation shall be "regularized" to what would have been received had the employee been paid for a normal work schedule during the Final Compensation Period (as defined in Section 9(a), above). OCERS Staff will calculate Compensation Earnable [Earnable Salary] by creating a fraction, the numerator of which is the amount of the employee's qualifying compensation and the denominator of which is the number of ordinary work hours for which the employee was actually paid. The Staff will then multiply that fraction by the number of paid hours ordinarily required to be worked by others in the same grade/class. The result will be the retiring employee's Compensation Earnable for the Final Compensation Period.

### Policy Review

- 10. The Board of Retirement will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

### Policy History

- 11. The Board of Retirement adopted this policy on \_\_\_\_\_.

### Secretary's Certificate

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

\_\_\_\_\_  
Steve Delaney  
Secretary of the Board

\_\_\_\_\_  
Date

## **Purpose and Background**

1. The purpose of this policy is to set forth a procedure for the submittal and approval of pay items by OCERS participating employers to assist OCERS in properly and timely determining whether elements of compensation are appropriately treated as Compensation Earnable (for Legacy Member) or pensionable compensation (for PEPRA members).

## **Policy Objectives**

2. The objectives of this policy are to comply with the requirements of the County Employees Retirement Law (CERL; California Government Code Title 3, Part 3, Chapters 3 & 3.9), as amended by the Public Employees Pension Reform Act (PEPRA; California Government Code sections 7522 - 7522.74) and to ensure OCERS' effective assessment and determination of whether an element of compensation is properly categorized for purposes of collecting contributions.

## **Policy Guidelines**

3. OCERS shall not accept any new pay items from employers for processing contributions and reporting compensation until each pay item has been reviewed by OCERS staff and approved by the CEO or his/her designee for inclusion as, or exclusion from, Compensation Earnable for Legacy members and Pensionable Compensation for PEPRA members. OCERS staff under the direction of the CEO and with assistance of OCERS legal counsel is responsible for implementing this Policy. OCERS staff will analyze each pay item to determine whether each meets the definition of Compensation Earnable or Pensionable Compensation. Unless appealed, the CEO's determination shall be final.
4. Employers are responsible notifying OCERS of new or modified pay items for review and approval sufficiently in advance of implementation of the Items. Failure to do so may result in OCERS imposing costs on the employer in accordance with Government Code section 31542.5.
5. OCERS staff will review employer pay Item listings for compliance with this Policy. When reviewing items of compensation, OCERS will audit pay items to determine whether each of them meets the applicable statutory definitions and applicable Board Policies.
6. After concluding the foregoing assessment, OCERS staff shall send written notification to the employer of staff's determination, including the specific supporting facts, circumstances, reasoning and analyses.
7. The employer shall have 30 calendar days from the date of staff's final notice of determination within which to appeal the staff determination to the Board. If the employer accepts staff's determination, or if a timely appeal it to the Board is not filed, the matter shall be deemed concluded and the staff determination shall be final and the employer shall comply with the determination.
8. Upon receipt of a timely request for appeal to the Board of staff's determination, staff shall place the matter on a future Board agenda and shall prepare a written report to the Board making a recommendation to the Board on the pay items in question. Staff shall provide the employer with advance notice of the Board meeting and a copy of staff's report and all materials to be considered by the Board, and likewise the employer shall provide OCERS with all materials it intends to submit to the Board.



## OCERS Board Policy

# Pay Item Review Policy

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9. The Board shall consider the all written materials submitted as well as any arguments presented by the employer. The Board shall then make a decision as to whether the pay item qualifies as Compensation Earnable or Pensionable Compensation, or both, which decision shall be final and the employer shall comply with the Board’s determination.

### Policy Review

10. The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

### Policy History

11. The Board adopted this policy on \_\_\_\_\_, 201\_\_.

### Secretary’s Certificate

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

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Steve Delaney  
Secretary of the Board

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Date

## OCERS Board Policy

# Pensionable Compensation

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### Purpose and Background

1. Effective January 1, 2013, the State of California enacted the Public Employees Pension Reform Act of 2012, Government Code section 7522, et.seq. (PEPRA). PEPRA created a new class of pension plan members composed of those members enrolled in the pension plan on or after January 1, 2013 ("PEPRA Members").
2. Under Government Code section 7522.34 (Section 7522.34), the earnings that are to be included in a retiring PEPRA Member's final compensation are defined as "Pensionable Compensation."
3. The purpose of this policy is to set forth OCERS' interpretation of the term "Pensionable Compensation" as defined in Section 7522.34, in the context of the specific pay items utilized by OCERS' plan sponsors.

### Policy Objectives

4. The objective of this policy is to ensure that OCERS fully complies with applicable law when calculating a PEPRA Member's retirement benefit.

### Policy Guidelines

5. **Pensionable Compensation.** OCERS shall calculate Pensionable Compensation for PEPRA Members in accordance with the following guidelines.
  - (a) Pay Items Included in Pensionable Compensation. Pensionable Compensation means (i) the normal monthly rate of pay or base pay of the member; (ii) paid in cash; (iii) to similarly situated members of the same group or class of employment; (iv) for services rendered on a full-time basis; (v) during normal working hours; (vi) pursuant to publicly available pay schedules; and (vi) subject to the limitations of Section 5(b), below. Pensionable Compensation includes the following items of compensation: Base Salary and Wages (gross of any employee contributions to deferred compensation plans) and includes additional compensation for scheduled meal periods, plus the following skill-based or shift-based premium pay items (Premium Pay), and others substantially similar to them:
    - Bilingual Pay
    - Educational Pay
    - Aircraft Rescue Firefighting Pay
    - Paramedic Pay
    - Motorcycle Pay
    - Emergency Dispatch Pay
    - Field Training Officer Pay
    - Shift Differential Pay
    - Confined Space Pay



## OCERS Board Policy Pensionable Compensation

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Premium Pay will be included only if the assignment, certification or license:

- i. Is part of a member's regularly assigned responsibilities,
- ii. is an essential, normal or traditional function of the job,
- iii. is part of the regular assignment of other members in the same group or class, and,
- iv. is not for work performed or received solely during the final average compensation period.

(b) Pay Items Excluded From Pensionable Compensation. The following categories of compensation shall be excluded from "Pensionable Compensation":

- Any compensation determined by the Board to have been paid to increase a member's retirement benefit or is inconsistent with the requirements of subsection (a) above
  - Overtime other than as defined in Section 207k of Title 29 of the United States Code
  - Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise
  - Employer contributions to deferred compensation plan or retirement system
  - Flexible benefits ("Cafeteria Plan") provided in-kind or paid in cash
  - Automobile, uniform or other allowances
  - Payments for unused vacation, annual leave, personal leave, sick leave, holiday pay or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid
  - Expense reimbursements and in-kind advantages (e.g. food, lodging, board, laundry, fuel)
  - Fees, licenses, or memberships provided to or for a member by employer
  - Any bonus paid in addition to the compensation defined in (a) above
  - Any ad hoc or one-time pay of any sort
  - Longevity Incentive Pay
  - Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.
  - Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment, but is received by the member while employed.
6. **Publicly Available Pay Schedule.** In accordance with Section 7522.34, OCERS shall not recognize as Pensionable Compensation any pay code or item of compensation that is not included in a Publicly Available Pay Schedule. For purposes of this policy, "Publicly Available Pay Schedule" means a document or documents that reflect the amount or category of pay that meets all of the following requirements:

- (a) Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;

## OCERS Board Policy

# Pensionable Compensation

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- (b) Identifies the position title for every employee position;
- (c) Shows the payrate for each identified position, which may be stated as a single amount or as multiple amounts within a range;
- (d) Is posted on the employer’s internet website. If not on the website it shall be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours; and
- (e) Does not reference a document which is not available in accordance with (d), above in lieu of disclosing the payrate.

The requirement for a Publicly Available Pay Schedule can be met by posting on the employer’s internet website the applicable labor memoranda of understanding, compensation resolutions or ordinances and all salary schedules or matrices, so long as taken together the documents contain all required information. The employer need not create a new document to comply with this requirement.

If an employer fails to meet the foregoing requirements, the OCERS Board, in its sole discretion, may consider which amounts will be considered qualifying Pensionable Compensation based on available evidence of pay codes that meet the statutory requirements.

### Policy Review

- 7. The Board of Retirement will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

### Policy History

- 8. The Board of Retirement adopted this policy on \_\_\_\_\_.

### Secretary’s Certificate

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

\_\_\_\_\_  
Steve Delaney  
Secretary of the Board

\_\_\_\_\_  
Date

## **Purpose and Background**

1. California Government Code section 31542 (Section 31542) requires the Orange County Employees Retirement System (OCERS) Board of Retirement (Board) to establish a procedure for assessing and determining whether an element of compensation was paid to inappropriately enhance an OCERS member's benefit, otherwise known as "spiking". The purpose of this policy is to establish a procedure in compliance with Section 31542.

## **Policy Objectives**

2. The objectives of this policy are to comply with the requirements of the County Employees Retirement Law (CERL; California Government Code Title 3, Part 3, Chapters 3 & 3.9), as amended by the Public Employees Pension Reform Act (PEPRA; California Government Code sections 7522 - 7522.74) and to ensure OCERS' effective assessment and determination of whether an element of compensation was paid to inappropriately enhance or "spike" a member's retirement benefit contrary to Section 31542, while providing the member and employer required notice and due process with respect to OCERS' determinations regarding the member's retirement application.

## **Policy Guidelines**

3. OCERS staff shall review all items of compensation included within the calculation of the member's final compensation within the meaning of California Government Code sections 7522.32 & 7522.34 (Pensionable Compensation), and 31460, 31461 & 31462 (Compensation Earnable), and related applicable sections, for the purpose of making an initial assessment as to whether there is any evidence that any item of compensation included in final compensation was paid to "spike" a member's retirement benefit. In conducting such review and making such initial assessment, staff shall consider:
  - a. Whether the item of compensation was earned within the period during which final compensation is to be calculated;
  - b. As to each pay code or element of pay whether it meets the definition of, as applicable, compensation earnable or pensionable compensation;
  - c. Any other factors that cause staff to believe that an item of compensation included in final compensation was paid to enhance a member's retirement benefit; and
  - d. Information and explanation provided by the member and the employer in response to OCERS' written request as to the facts and circumstances concerning an item of compensation that staff believes may have been paid to enhance the member's retirement benefit.
4. If, after concluding the foregoing assessment, OCERS staff determines that one or more items of compensation were paid to enhance a member's retirement benefit, OCERS staff shall send written notification to the member and the employer of its determination.
5. The notice shall set out the reasons for staff's determination, including the specific supporting facts, circumstances and analyses. Staff may conduct such written and oral follow-up communication with

## OCERS Board Policy

# Retirement Enhancement Review Policy

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the member and/or employer as appropriate in the exercise of reasonable diligence. Staff shall document any such communication and when concluded, shall issue a final notice of determination.

6. The member and employer shall have 30 calendar days from the date of staff's final notice of determination within which to appeal the staff determination to the Board. Failure of the member or employer to timely request Board review shall constitute a waiver of further administrative review.
7. An appeal of the staff determination to the Board by the member or employer shall be in writing and delivered to the CEO or his/her designee within the time period set forth in Paragraph 6, above. The appeal shall set forth in reasonable detail the evidence and analysis supporting the member's or employer's argument that the staff determination is erroneous.
8. Upon receipt of a timely appeal, staff shall place the matter on the agenda of a future meeting of the Board and shall prepare a written report to the Board making a recommendation to the Board that the item, or items, should not be included in the calculation of the member's retirement benefit.
  - a. The report shall contain a description of the reasons for staff's recommendation, including the specific facts and circumstances supporting staff's recommendation.
  - b. Before the Board acts, the member and the employer shall be given an opportunity to be heard by the Board and to submit any additional materials for the Board's consideration.
  - c. Written notice of the Board meeting and a copy of staff's report and all materials to be considered by the Board shall be provided to the member and the employer no less than five business days before the scheduled Board meeting.
  - d. At the meeting, the Board shall consider the all written materials submitted as well as any arguments by the member or the member's employer. The Board shall then make a decision as to whether the item of compensation was paid to enhance the member's retirement benefit.
  - e. OCERS shall provide the member and the employer written notice of the Board's decision within five business days, along with information regarding the rights of the member and the employer to seek judicial review of the Board's action by filing a petition for writ of mandate within 30 days after the mailing of that notice as required by Section 31542.
  - f. If the Board finds the item of compensation should be included, staff shall adjust the member's benefits accordingly, retroactive to the effective date of retirement.
9. If the payment of the member's benefit would be delayed by seeking resolution through these administrative processes, OCERS staff shall process the benefit excluding the compensation in question. If it is later determined the compensation should be included, OCERS shall adjust the benefit retroactive to the effective retirement date.



## OCERS Board Policy Retirement Enhancement Review Policy

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### Policy Review

- 10. The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

### Policy History

- 11. The Board adopted this policy on \_\_\_\_\_, 201\_\_.

### Secretary's Certificate

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

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Steve Delaney  
Secretary of the Board

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Date

## **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 willshall:
  - 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.

f. Treat members of OCERS' staff and all persons having business with OCERS with civility, courtesy, respect and dignity.

6. Board members should treat each other with civility, courtesy, respect and dignity.

6-7. Unless expressly waived by the Board, no Board member ~~will~~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.

7-8. 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

8-9. 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;

## OCERS Board Charter Board of Retirement

- 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 in the event of a vacancy in the position of the Vice Chair during the year, elect a new Vice Chair at the next regularly scheduled meeting of the Board following such vacancy-fill vacancies as necessary. The person holding the office of Vice Chair as of the last day of the calendar year ~~will~~shall automatically succeed to the office of Chair effective the first day of the following calendar year;
- g. In any election of the Vice Chair, strive to elect a Vice Chair that is (1) an elected Board member when the Chair is an appointed Board member; and (2) an appointed Board member when the Chair is an elected Board member;
- h. Establish committees of the Board as provided for in OCERS By-Laws;
- ih. Initiate, support, oppose or take a neutral position regarding legislative proposals affecting OCERS; and
- ji. 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*

- 10-9. 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*

- 11. 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



## OCERS Board Charter Board of Retirement

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- 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.
12. The Board will conduct a study of the relationship between the assets and liabilities of OCERS not less than every three years.
13. 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.
14. The Board will approve broad investment strategies for achieving the investment objectives of OCERS.

### *Benefits Administration*

15. 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*

16. 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

## OCERS Board Charter Board of Retirement

- g. Approve operational control policies to ensure efficient delivery of member benefits and services.

### *Financial, Actuarial and Accounting*

- 17. 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*

- 18. 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*

- 19. 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*

- 20. The Board will, from time to time, appoint staff and Named Service Providers (as defined in the Board's Procurement and Contracting Policy) to assist the Board in carrying out its responsibilities, including:
  - a. The CEO (Gov. Code § 31522.5);

## OCERS Board Charter Board of Retirement

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- 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 (also referred to as the Board's fiduciary counsel) retained to represent and advise the Board (Gov. Code § 31529.5);
- g. Investment consultants retained to advise the Board;
- ~~h.—Investment managers;~~
- hi. Human resource consultants retained to assist the Board with issues pertaining to the CEO; and
- ij. Other service providers the Board may choose to retain.

### Monitoring and Reporting

- 21. The Board will ensure that appropriate monitoring and reporting practices are established within OCERS.
- 22. 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.
- 23. 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; and
  - e. Review the quality of-services delivered to OCERS members; ~~and~~
  - ~~f.—Review the performance of the Board.~~
- 24. The Board will review the actuarial experience of OCERS not less than every three years.
- 25. The Board will review the results of an actuarial audit of OCERS at least every five years.
- 26. The Board will review progress toward the implementation of OCERS business plan on a semi-annual basis.
- 27. The Board will review Board policies every three years or as set out in each policy.
- 28. The Board will review the OCERS Operating Budget on a quarterly basis.

## OCERS Board Charter Board of Retirement

29. 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.
30. The Board will provide for appropriate monitoring of compliance with applicable laws and regulations.

### Charter Review

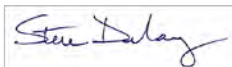
31. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

### Charter History

32. 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, and March 18, 2019.

### Secretary's Certificate

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



Steve Delaney  
Secretary of the Board

~~11/19/18~~ 03/18/19

Date

## **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 will:
  - 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

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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.
  - f. Treat members of OCERS' staff and all persons having business with OCERS with civility, courtesy, respect and dignity.
6. Board members should treat each other with civility, courtesy, respect and dignity.
  7. Unless expressly waived by the Board, no Board member will 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.
  8. 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**

9. 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;

## OCERS Board Charter Board of Retirement

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- 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 in the event of a vacancy in the position of the Vice Chair during the year, elect a new Vice Chair at the next regularly scheduled meeting of the Board following such vacancy. The person holding the office of Vice Chair as of the last day of the calendar year will automatically succeed to the office of Chair effective the first day of the following calendar year;
- g. In any election of the Vice Chair, strive to elect a Vice Chair that is (1) an elected Board member when the Chair is an appointed Board member; and (2) an appointed Board member when the Chair is an elected Board member;
- h. Establish committees of the Board as provided for in OCERS By-Laws;
- i. Initiate, support, oppose or take a neutral position regarding legislative proposals affecting OCERS; and
- j. 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*

- 10. 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*

- 11. 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

## OCERS Board Charter Board of Retirement

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- 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.
- 12. The Board will conduct a study of the relationship between the assets and liabilities of OCERS not less than every three years.
- 13. 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.
- 14. The Board will approve broad investment strategies for achieving the investment objectives of OCERS.

### *Benefits Administration*

- 15. 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*

- 16. 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



## OCERS Board Charter Board of Retirement

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- g. Approve operational control policies to ensure efficient delivery of member benefits and services.

### *Financial, Actuarial and Accounting*

- 17. 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*

- 18. 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*

- 19. 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*

- 20. The Board will, from time to time, appoint staff and Named Service Providers (as defined in the Board's Procurement and Contracting Policy) 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 (also referred to as the Board's fiduciary counsel) retained to represent and advise the Board (Gov. Code § 31529.5);
- g. Investment consultants retained to advise the Board;
- h. Human resource consultants retained to assist the Board with issues pertaining to the CEO; and
- i. Other service providers the Board may choose to retain.

## **Monitoring and Reporting**

- 21. The Board will ensure that appropriate monitoring and reporting practices are established within OCERS.
- 22. 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.
- 23. 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; and
  - e. Review the quality of-services delivered to OCERS members.
- 24. The Board will review the actuarial experience of OCERS not less than every three years.
- 25. The Board will review the results of an actuarial audit of OCERS at least every five years.
- 26. The Board will review progress toward the implementation of OCERS business plan on a semi-annual basis.
- 27. The Board will review Board policies every three years or as set out in each policy.
- 28. The Board will review the OCERS Operating Budget on a quarterly basis.
- 29. 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.

## OCERS Board Charter Board of Retirement

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30. The Board will provide for appropriate monitoring of compliance with applicable laws and regulations.

### Charter Review

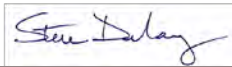
31. The Governance Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.

### Charter History

32. 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, October 15, 2018, and March 18, 2019.

### Secretary's Certificate

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



Steve Delaney  
Secretary of the Board

03/18/19

Date



# Board of Retirement Chair Charter

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## Introduction

1. The Chair of the Board of Retirement (Board) will take office in accordance with the Board's By-Laws. The Chair will exercise the powers and will perform the duties and functions specified herein.

## Duties and Responsibilities

2. The Chair will, from time to time, and as necessary for the efficient governance of the Board:
  - a. Appoint members of [the Board to fill any vacancies that occur in the](#) committees of the Board;
  - b. Orient new members of the Board on current issues before the Board and designate an incumbent member of the Board to provide new members an orientation on current Board governance practices;
  - c. Approve monthly Board meeting agendas as prepared by the CEO;
  - d. Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient manner and in accordance with The Ralph M Brown Act (Government Code Sections 54950, *et. seq*) and the OCERS Rules of Parliamentary Procedure;
  - e. Guide the Board in achieving a harmonious atmosphere, while allowing full and open debate;
  - f. Ensure coordination of meetings, agendas, schedules and presentations, in consultation with the CEO;
  - g. Facilitate effective and open communications between the Board, the CEO, and other OCERS senior management;
  - h. Work to ensure that Board deliberations are conducted with respect and professionalism;
  - i. Work to ensure that the Board discharges its duties and responsibilities as set forth in the County Employees Retirement Law of 1937, the Board Charter, By Laws, and governance policies of the Board;
  - ~~i.~~ [Review any report or complaint received by OCERS that alleges that a member of the Board \(other than the Board Chair\) has failed to comply with applicable law, the Board Charter, By Laws or any policy of the Board, and determine the appropriate course of action in response to such report after consulting with the Board's fiduciary counsel, OCERS' internal legal counsel and the CEO;](#)
  - ~~j.~~ [In situations that call for an official spokesperson to speak on behalf of OCERS, the CEO and the Chair will jointly determine who will act in such capacity, on an issue-by-issue basis;](#)
  - ~~k.~~ [Approve in advance all travel of the CEO and review all expense claims by the CEO and other members of the Board;](#)



## OCERS Board Charter

# Board of Retirement Chair Charter

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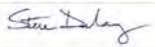
- ~~t.m.~~ Sign subpoenas if the CEO (who is Secretary to the Board) is unavailable;
  - ~~m.n.~~ Working with the Board Vice Chair, to coordinate the CEO evaluation process;
  - ~~n.o.~~ Review, revise as necessary, and approve and sign the minutes of the meetings of the Board which ~~will shall~~ be part of the permanent records of the Board; and
  - ~~e.p.~~ Carry out such other functions and duties as may be prescribed by the Board from time to time.
3. 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

4. This charter was adopted by the Board of Retirement on November 18, 2002 and amended on July 20, 2015, February 13, 2018, ~~and~~ April 18, 2018 and March 18, 2019.

## Secretary's Certificate

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



Steve Delaney, Secretary of the Board

04/18/18

Date



# Board of Retirement Chair Charter

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## Introduction

1. The Chair of the Board of Retirement (Board) will take office in accordance with the Board's By-Laws. The Chair will exercise the powers and will perform the duties and functions specified herein.

## Duties and Responsibilities

2. The Chair will, from time to time, and as necessary for the efficient governance of the Board:
  - a. Appoint members of the Board to fill any vacancies that occur in the committees of the Board;
  - b. Orient new members of the Board on current issues before the Board and designate an incumbent member of the Board to provide new members an orientation on current Board governance practices;
  - c. Approve monthly Board meeting agendas as prepared by the CEO;
  - d. Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient manner and in accordance with The Ralph M Brown Act (Government Code Sections 54950, *et. seq*) and the OCERS Rules of Parliamentary Procedure;
  - e. Guide the Board in achieving a harmonious atmosphere, while allowing full and open debate;
  - f. Ensure coordination of meetings, agendas, schedules and presentations, in consultation with the CEO;
  - g. Facilitate effective and open communications between the Board, the CEO, and other OCERS senior management;
  - h. Work to ensure that Board deliberations are conducted with respect and professionalism;
  - i. Work to ensure that the Board discharges its duties and responsibilities as set forth in the County Employees Retirement Law of 1937, the Board Charter, By Laws, and governance policies of the Board;
  - j. Review any report or complaint received by OCERS that alleges that a member of the Board (other than the Board Chair) has failed to comply with applicable law, the Board Charter, By Laws or any policy of the Board, and determine the appropriate course of action in response to such report after consulting with the Board's fiduciary counsel, OCERS' internal legal counsel and the CEO;
  - k. In situations that call for an official spokesperson to speak on behalf of OCERS, the CEO and the Chair will jointly determine who will act in such capacity, on an issue-by-issue basis;



## OCERS Board Charter

# Board of Retirement Chair Charter

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- l. Approve in advance all travel of the CEO and review all expense claims by the CEO and other members of the Board;
  - m. Sign subpoenas if the CEO (who is Secretary to the Board) is unavailable;
  - n. Work with the Board Vice Chair to coordinate the CEO evaluation process;
  - o. Review, revise as necessary, and approve and sign the minutes of the meetings of the Board which will be part of the permanent records of the Board; and
  - p. Carry out such other functions and duties as may be prescribed by the Board from time to time.
3. 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

4. This charter was adopted by the Board of Retirement on November 18, 2002 and amended on July 20, 2015, February 13, 2018, April 18, 2018 and March 18, 2019.

## 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 thin black rectangular box.

03/18/19

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Steve Delaney  
Secretary of the Board

Date

## Introduction

1. The Board of Retirement will elect one Board member as Vice Chair to hold office in accordance with the Board's By-Laws.

## Duties and Responsibilities

2. The Vice Chair will:
  - a. Assume the duties and responsibilities of the Chair as set forth in the Chair Charter in the event the Chair is unable to fulfill the duties of the position;
  - ~~b. Work with the Chair to co-ordinate and assist in the implementation of the Board Evaluation Policy;~~
  - b. Work with the Chair to coordinate the CEO Evaluation Policy;
  - c. Review any report or complaint received by OCERS that alleges that the Chair has failed to comply with applicable law, the Board Charter, By Laws or any policy of the Board, and determine the appropriate course of action in response to such report after consulting with the Board's fiduciary counsel, OCERS' internal legal counsel and the CEO; and
  - d. Review all expense claims of the Chair.
3. The person holding the office of Vice Chair as of the end of October of the year will appoint the members of each of the committees of the Board (with the exception of the Investment Committee) and the chair and vice chair of all committees of the Board, all of whom will serve on such committees during the following calendar year; and the Vice Chair will report such appointments to the Board not later than at the Board's last meeting of the calendar year.

## Charter Review

- ~~3.4.~~ 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

- ~~4.5.~~ This charter was adopted by the Board of Retirement on November 18, 2002 and amended on July 20, 2015, ~~and~~ April 18, 2016, and March 18, 2019.





# OCERS Board Charter Board Vice-Chair Charter

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## Secretary's Certificate

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

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

~~4/18/16~~ 03/18/19

Steve Delaney, Secretary of the Board

Date

## **Introduction**

1. The Board of Retirement will elect one Board member as Vice Chair to hold office in accordance with the Board's By-Laws.

## **Duties and Responsibilities**

2. The Vice Chair will:
  - a. Assume the duties and responsibilities of the Chair as set forth in the Chair Charter in the event the Chair is unable to fulfill the duties of the position;
  - b. Work with the Chair to coordinate the CEO Evaluation Policy;
  - c. Review any report or complaint received by OCERS that alleges that the Chair has failed to comply with applicable law, the Board Charter, By Laws or any policy of the Board, and determine the appropriate course of action in response to such report after consulting with the Board's fiduciary counsel, OCERS' internal legal counsel and the CEO; and
  - d. Review all expense claims of the Chair.
3. The person holding the office of Vice Chair as of the end of October of the year will appoint the members of each of the committees of the Board (with the exception of the Investment Committee) and the chair and vice chair of all committees of the Board, all of whom will serve on such committees during the following calendar year; and the Vice Chair will report such appointments to the Board not later than at the Board's last meeting of the calendar year.

## **Charter Review**

4. 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**

5. This charter was adopted by the Board of Retirement on November 18, 2002 and amended on July 20, 2015, April 18, 2016, and March 18, 2019.



# OCERS Board Charter Board Vice Chair Charter

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## Secretary's Certificate

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

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

03/18/19

---

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;
  - ~~c.d.~~ Transfer funds within a category of expenditures (i.e., Salaries and Benefits; Services and Supplies; Capital Projects) within the approved Operating Budget;
  - ~~d.e.~~ 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.f.~~ Account for and ensure appropriate collection, deposit and distribution of funds as required;
  - ~~f.g.~~ Implement internal operational control policies;
  - ~~g.h.~~ Ensure the appropriate design, acquisition, implementation, and maintenance of all technological systems required to administer OCERS;
  - ~~h.i.~~ Maintain the records of OCERS in a permanent and readily accessible format and in accordance with the Record Retention Policy and Guidelines;
  - ~~i.j.~~ Assist the Audit Committee in coordinating operational audits; and
  - ~~j.k.~~ 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 approve all personnel decisions concerning OCERS~~oversee the hiring management and termination of~~ staff; and
- d. Implement and lead agency ~~Develop~~ training, talent and job development and succession planning programs for OCERS as approved in the Operating Budget.

### **Legislation and Litigation**

12. The CEO will:

- a. Recommend ~~for Board approval,~~ legislative proposals for approval to be considered by the Board;
- b. Conduct and oversee the assigning, directing, and handling of litigation,~~ordinate with legal counsel on all~~ claims, demands, disputes or legal proceedings involving OCERS and report material developments in these matters to the Board on a timely basis;
- c. In consultation with legal counsel, provide recommendations to the Board concerning the initiation and settlement of litigation, including administrative appeals,~~management and disposition of claims, demands, disputes or legal proceedings~~ involving OCERS; and
- d. Oversee the development and implementation of 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~~Named Service Providers, as listed in the Board Procurement and Contracting Policy 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.

14-15. The CEO may hire other service providers, consistent with the Operating Budget and the Procurement and Contracting Policy and other policies of the Board, provided that the Board has not specifically retained the authority to hire such service providers.

### **Monitoring and Reporting**

15-16. 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.

~~16-17.~~      The CEO will:

- a. ~~Oversee the regular r~~Review ~~of~~ all policies of OCERS ~~on a regular basis~~ to ensure they are being followed and continue to meet OCERS' needs;
- b. ~~Oversee~~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. ~~Oversee~~Monitor the funded status of OCERS and all issues that may reasonably have a significant impact on such status;
- d. ~~Oversee~~Monitor the investment performance of the Fund, the component asset classes, and the investment managers retained to manage the assets of the Fund;
- e. ~~Oversee management's response~~Review and ~~respond~~ to the findings of the annual financial audit, and of any internal audits that may be performed;
- f. ~~Oversee~~Monitor employees and service providers of OCERS to ensure compliance with the OCERS policies;
- g. ~~Oversee~~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. ~~Oversee~~Monitor and ~~evaluate~~ the activities and performance of senior management;
- i. ~~Oversee the collection~~ Monitor ~~the accuracy and timeliness~~ of all payments due to OCERS and ~~the payment of all amounts due payable~~ by OCERS to ensure accuracy and timeliness;
- j. ~~Oversee~~Monitor OCERS' compliance with applicable laws and regulations; and
- k. In conjunction with legal counsel, ~~oversee~~monitor the status of all claims, demands, disputes and legal proceedings involving OCERS and report to the Board as appropriate.

## Emergency Authority

~~17-18.~~      In emergency situations, the CEO, after making reasonable attempts to contact the Board Chair and Vice Chair, will have the authority to act on matters not expressly stated within this charter provided that:

- a. The action is, in the CEO's judgment, necessary to protect the System, its employees, the Fund, or System assets from loss or harm that is reasonably likely to occur if action is delayed for the scheduling of a notices meeting of the Board or its committees; and



- b. The CEO promptly reports to the Board the emergency action taken, and the reasons why the CEO determined action was immediately necessary.

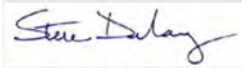
## Charter Review

18-19. 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.

19-20. This charter was adopted by the Board on November 18, 2002, and amended on August 25, 2008, July 20, 2015, ~~and~~ April 18, 2018, and March 18, 2019.

## Secretary's Certificate

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



04/18/18

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Steve Delaney, Secretary of the Board

Date

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- c. Oversee the funded status of OCERS and all issues that may reasonably have a significant impact on such status;
- d. Oversee the investment performance of the Fund, the component asset classes, and the investment managers retained to manage the assets of the Fund;
- e. Oversee management's response to the findings of the annual financial audit, and of any internal audits that may be performed;
- f. Oversee employees and service providers of OCERS to ensure compliance with the OCERS policies;
- g. Oversee the activities and performance of key service providers including the actuary, financial auditor, investment consultant, legal counsel, and custodian on a regular basis;
- h. Oversee the activities and performance of senior management;
- i. Oversee the collection of all payments due to OCERS and the payment of all amounts due by OCERS to ensure accuracy and timeliness;
- j. Oversee OCERS' compliance with applicable laws and regulations; and
- k. In conjunction with legal counsel, oversee the status of all claims, demands, disputes and legal proceedings involving OCERS and report to the Board as appropriate.

## **Emergency Authority**

18. In emergency situations, the CEO, after making reasonable attempts to contact the Board Chair and Vice Chair, will have the authority to act on matters not expressly stated within this charter provided that:

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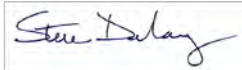
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## **Charter Review**

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- 20. This charter was adopted by the Board on November 18, 2002, and amended on August 25, 2008, July 20, 2015, April 18, 2018, and March 18, 2019.

## **Secretary's Certificate**

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



03/18/19

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Steve Delaney, Secretary of the Board

Date

**A-4**



## Memorandum

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**DATE:** March 18, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, CEO  
**SUBJECT:** **APPROVAL OF PERSONNEL COMMITTEE CHARTER**

---

### Recommendation

Approve the Personnel Committee Charter.

### Background/Discussion

In 2018, one of the trustees suggested that the Board form a new committee to assist the Board by reviewing, amending, and recommending new personnel policies and procedures, and advising the Board with respect to compensation and benefit issues, affecting OCERS employees. Earlier this year, the Board Chair gave staff direction to prepare a Charter for the new Personnel Committee.

A proposed Charter for the Personnel Committee is attached for the Board's review, comment and approval. Staff recommends the Board adopt the Charter.

### Attachment

### Submitted by:



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Steve Delaney  
Chief Executive Officer

## Introduction

1. The Board of Retirement (Board) has established the Personnel Committee to assist the Board by reviewing, amending, and recommending personnel policies and procedures affecting OCERS direct employees. The Personnel Committee is an advisory committee to the Board, and its recommendations are subject to final approval by the Board.

## Duties and Responsibilities

2. The Personnel Committee will:
  - a. Recommend new and review existing Board policies relating to OCERS personnel matters including without limitation the CEO Performance Evaluation Policy and the Succession Policy;
  - b. Review and recommend to the Board for approval personnel policies and procedures affecting OCERS direct employees, including policies and procedures relating to performance and compensation;
  - c. Advise the Chief Executive Officer (CEO) regarding the hiring and termination of the Chief Investment Officer (CIO), the Assistant Chief Executive Officer, Internal Operations, the Assistant Chief Executive Officer, External Operations, and the General Counsel;
  - d. Review and recommend to the Board for approval salary ranges for all OCERS direct employees according to established compensation policies and procedures and with the approved Operating Budget;
  - e. Oversee the compensation paid to all OCERS direct employees according to established compensation policies and procedures and consistent with the CEO Charter;
  - f. Oversee senior executive long-term succession planning;
  - g. Conduct the selection process of the Board's executive compensation consultant(s) and executive search firm(s), if any, and recommend the finalist to the Board;
  - h. Oversee training, talent development and succession planning programs affecting OCERS direct employees, including practices to recruit, develop, motivate and retain competent employees;
  - i. Direct the CEO to negotiate terms and conditions of employment with OCERS direct employees; and
  - j. Perform any other duties that may be assigned to it by the Board or that are necessary to discharge the committee's responsibilities with respect to OCERS direct employees.

## Membership

3. The Personnel Committee will be composed of three members.

**OCERS Board Charter**  
**Personnel Committee Charter**

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## Meetings

4. The Personnel Committee will meet on an as needed basis as determined by the Committee Chair in consultation with the Board Chair.
5. All members of the Personnel Committee are expected to attend all meetings of the committee.
6. A quorum to conduct business will consist of two members of the committee.
7. The Assistant CEO for Internal Operations (or his/her designee), the Director of Administrative Services, and whatever staff deemed necessary will attend all meetings of the Personnel Committee. Meeting notices will be provided to interested parties in conformance with applicable laws, regulations, customs, and practices.
8. All meetings will be conducted in accordance with the Brown Act. Meeting agendas will be prepared and provided in advance to members of the committee, along with appropriate briefing materials. Minutes of meetings will be prepared and will contain a record of persons present, decisions taken, and a high-level summary of the discussion.

## Monitoring and Reporting

9. The Personnel Committee will:
  - a. Make its minutes available to all Members of the Board; and
  - b. Periodically report to the Board on its activities.

## Charter Review

10. The Personnel 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

11. This charter was adopted by the Board of Retirement on March 19, 2019.

## Secretary's Certificate

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



Steve Delaney

Secretary of the Board

03/18/19

Date

I-1

*Orange County Employees Retirement System  
Retirement Board Meeting  
March 18, 2019  
Application Notices*

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
<b>Allen, Gregory</b>	Sheriff's Dept	1/18/2019
<b>Alop, Joven</b>	Sanitation District	1/18/2019
<b>Bailey, Lawrence</b>	Sanitation District	1/4/2019
<b>Barnes, Donald</b>	Sheriff's Dept	1/6/2019
<b>Black, Vicki</b>	District Attorney	1/8/2019
<b>Broadus, Myra</b>	Sheriff's Dept	11/17/2018
<b>Brooks, Garry</b>	Health Care Agency	1/10/2019
<b>Browning, Laurie</b>	County Executive Office (CEO)	1/4/2019
<b>Brzezicki, Anna</b>	OC Public Works	1/4/2019
<b>Burke, Linda</b>	Superior Court	1/18/2019
<b>Caliboso, Jannette</b>	Social Services Agency	1/4/2019
<b>Campos, Rosa</b>	Superior Court	12/7/2018
<b>Canavan, Michael</b>	John Wayne Airport	1/2/2019
<b>Cardenas, Ventura</b>	Social Services Agency	1/11/2019
<b>Carrington, Bradley</b>	Sheriff's Dept	1/18/2019
<b>Chaffey, David</b>	OC Waste and Recycling	1/4/2019
<b>Clair, Dee</b>	Sheriff's Dept	1/4/2019
<b>Colston, James</b>	Sanitation District	12/27/2018
<b>Connal, Robert</b>	County Executive Office (CEO)	1/6/2019
<b>Espinosa, Efren</b>	Social Services Agency	1/3/2019
<b>Evans, Deborah</b>	Health Care Agency	1/17/2019
<b>Featherson, Karen</b>	Probation	1/4/2019
<b>Fialcowitz, Anne</b>	Health Care Agency	1/7/2019
<b>Flores, Jorge</b>	Probation	1/18/2019
<b>Franks, Janet</b>	Social Services Agency	1/11/2019
<b>Gorzo, James</b>	Child Support Services	1/18/2019
<b>Guevara, Roger</b>	Sheriff's Dept	1/18/2019
<b>Gundy, Howard</b>	District Attorney	1/4/2019
<b>Hahn, Lawrence</b>	Sheriff's Dept	1/18/2019
<b>Hollingworth, Lisa</b>	Social Services Agency	1/3/2019
<b>Hornbeck, Tommye</b>	Sheriff's Dept	12/27/2018
<b>Hutchens, Sandra</b>	Sheriff's Dept	1/8/2019
<b>Johnson, Wayne</b>	Health Care Agency	1/18/2019
<b>Keesling, Kurt</b>	OC Community Resources	12/27/2018
<b>Kim, Jin</b>	Sanitation District	1/3/2019
<b>Kleinman, Randall</b>	Sanitation District	1/4/2019
<b>Kraft, Delia</b>	Sheriff's Dept	1/18/2019
<b>Kress, Matthew</b>	Fire Authority (OCFA)	1/8/2019
<b>Kubota, Carol</b>	Social Services Agency	1/18/2019
<b>Lambrech, Cynthia</b>	Health Care Agency	1/18/2019
<b>Le, Dzung</b>	Assessor	1/9/2019
<b>Leahy, Arthur</b>	OCTA	1/5/2019
<b>Lemus, Cynthia</b>	OC Waste and Recycling	1/4/2019
<b>Londo, Jennifer</b>	Superior Court	12/17/2018
<b>Luevano, Juanita</b>	OC Community Resources	1/18/2019
<b>Martorana, Jane</b>	Social Services Agency	10/23/2018
<b>Mercer, James</b>	Superior Court	12/2/2018
<b>Morrison, Curtis</b>	Fire Authority (OCFA)	12/21/2018
<b>Negash, Mahdere</b>	Health Care Agency	1/4/2019

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
<b>Nquyen, Phuc</b>	Social Services Agency	1/4/2019
<b>Nunez, Lydia</b>	Social Services Agency	1/9/2019
<b>Ocampo, Rommel</b>	OC Waste and Recycling	1/4/2019
<b>Ohanesian, Dana</b>	County Clerk/Recorder	1/18/2019
<b>Olivares, Ana</b>	Social Services Agency	1/4/2019
<b>Otto, Gary</b>	Sheriff's Dept	1/4/2019
<b>Otto, Kim</b>	Human Resources Dept	1/4/2019
<b>Parra, Maria</b>	Social Services Agency	1/4/2019
<b>Perera, Anton</b>	Auditor Controller	1/18/2019
<b>Prophet, Paris</b>	Fire Authority (OCFA)	1/7/2019
<b>Refoy, Sheila</b>	Health Care Agency	1/12/2019
<b>Rubalcava, Rosa</b>	Social Services Agency	1/23/2019
<b>Saunders, Paula</b>	Sheriff's Dept	1/18/2019
<b>Schade, Rebecca</b>	Fire Authority (OCFA)	1/4/2019
<b>Smith, Jeffrey</b>	Sheriff's Dept	12/30/2018
<b>Smith-Ellis, Suzanne</b>	Health Care Agency	1/4/2019
<b>Spernak, Stephen</b>	Board of Supervisors	1/7/2019
<b>Stiver, John</b>	Probation	12/29/2018
<b>Stratton, Samuel</b>	Health Care Agency	1/18/2019
<b>Tanizaki, Jim</b>	District Attorney	1/3/2019
<b>Teel, Equila</b>	Fire Authority (OCFA)	1/11/2019
<b>Torres, Edward</b>	Sanitation District	1/4/2019
<b>Tsunoda, Phillip</b>	OC Public Works	12/23/2018
<b>Urban-Vivas, Larke</b>	Social Services Agency	1/4/2019
<b>Vadpey, Shawn</b>	Sheriff's Dept	1/18/2019
<b>Valenzuela, Alonzo</b>	OCTA	1/16/2019
<b>Williams, Rodger</b>	Sheriff's Dept	1/8/2019
<b>Yonemura, Steven</b>	District Attorney	1/4/2019

*Orange County Employees Retirement  
Retirement Board Meeting  
March 18, 2019  
Death Notices*

<i>Active Members</i>	<i>Agency/Employer</i>
<b>Beglau, Lori</b>	Health Care Agency
<b>Lopez, Frank</b>	OC Public Works
<b>Rojas Stone, Elsa</b>	Superior Court

<i>Retired Members</i>	<i>Agency/Employer</i>
<b>Andino, Tomas</b>	Fire Authority (OCFA)
<b>Andrus, Terry</b>	County Counsel
<b>Applen, Mary</b>	Health Care Agency
<b>Armes, Alfred</b>	Sheriff's Dept
<b>Armitage, Laura</b>	Auditor Controller
<b>Beau, Jack</b>	Health Care Agency
<b>Belanger, Albert</b>	Fire Authority (OCFA)
<b>Blakebrough, Arden</b>	Sheriff's Dept
<b>Blandin, Julianne</b>	Sheriff's Dept
<b>Bodini, Hilma</b>	UCI
<b>Bradley, Edgar</b>	Social Services Agency
<b>Bragg, Robert</b>	OC Public Works
<b>Carpenter, Kenneth</b>	Social Services Agency
<b>Crawford, Gerald</b>	OC Public Works
<b>Ewers, Norman</b>	John Wayne Airport
<b>Fitzpatrick, Francis</b>	Sheriff's Dept
<b>Flagg, Florence</b>	Social Services Agency
<b>Forth, Angelo</b>	OCTA
<b>Fortney, Don</b>	Probation
<b>Foster, Charlotte</b>	UCI
<b>Fox, Thomas</b>	Sheriff's Dept
<b>Harrington, Mary</b>	Superior Court
<b>Hook, Ronald</b>	Sheriff's Dept
<b>Hunold, Marilyn</b>	Health Care Agency
<b>Jacobs, John</b>	Social Services Agency
<b>Kamp, Dorothy</b>	OC Community Resources
<b>Kite, William</b>	Health Care Agency
<b>Koskela, Mollie</b>	UCI
<b>Lucas, Douglas</b>	Sheriff's Dept
<b>Magness, Darlene</b>	Superior Court
<b>Moore, Clarence</b>	OC Public Works
<b>Najmulski, Robert</b>	Sheriff's Dept
<b>Perk, Steven</b>	District Attorney
<b>Peterson, Charles</b>	OCTA
<b>Rietkerk, Kenneth</b>	OCTA
<b>Robertson, Anne</b>	Superior Court

<b>Smith, Charles</b>	Sheriff's Dept
<b>Staton, Agustus</b>	District Attorney
<b>Storlee, Douglas</b>	OCTA
<b>Story, Joel</b>	Social Services Agency
<b>Stumph, Charles</b>	Sheriff's Dept
<b>Thomson, Kathleen</b>	OCTA
<b>Trujillo, Michael</b>	OC Public Works
<b>Van Valkenburgh, Earl</b>	Sheriff's Dept
<b>Ward, Sandra</b>	Assessor
<b>Wong, Kenneth</b>	OC Public Works

<i>Surviving Spouses</i>	
<b>Johnson, Sandra</b>	
<b>Paire, Joseph</b>	
<b>Petersen, Kathy</b>	
<b>Pizzi, Sam</b>	
<b>Staump, Emma</b>	
<b>Wack, Mary</b>	
<b>Williams, Lucy</b>	
<b>Wills Adams, Dorothy</b>	



I-3

## Memorandum

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DATE: February 19, 2019  
TO: Members of the Board of Retirement  
FROM: Steve Delaney, Chief Executive Officer  
SUBJECT: **CEO FUTURE AGENDAS AND 2019 OCERS BOARD WORK PLAN**

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### Written Report

#### AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

##### APRIL

Annual Brown Act Training  
Annual Conflicts Training  
SACRS Board of Directors Election  
Regular Review of Acceptance and Reporting of Gifts Policy

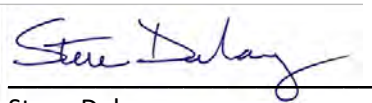
##### MAY

Preliminary December 31, 2018 Actuarial Valuation  
Annual Review of Succession Planning

##### JUNE

Strategic Planning Workshop – Proposed Agenda  
December 31, 2018 Actuarial Valuation / Employee Contribution Rates  
OCERS 2019 Business Plan and 2020-2021 Strategic Plan: Mid-Year Review

### Submitted by:



Steve Delaney  
Chief Executive Officer

**OCERS RETIREMENT BOARD - 2019 Work Plan**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
<b>System Oversight</b>		STAR COLA Posting (I)	Approve 2019 STAR COLA (A)		Preliminary December 31, 2018 Valuation (I)	Mid-Year Review of 2019 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 2020 Administrative Budget and Investment (Workshop) (I)	Review 3rd Quarter Budget to Actuals Financial Report (I)	
		Approve 2019 COLA (A)	Quarterly 2019-2021 Strategic Plan Review (A)		Annual Review of Succession Planning (I)	Approve December 31, 2018 Actuarial Valuation & Funded Status of OCERS (A)		Receive OCERS by the Numbers (I)		Approve 2020-2022 Strategic Plan (A)	Approve 2020 Administrative (Operating) Budget (A)	
						Approve 2018 CAFR (A)		Receive Evolution of the UAAL (I)		Approve 2020 Business Plan (A)	Annual CEO Performance Review and Compensation (A)	
						Quarterly 2019-2021 Strategic Plan Review (A)		Employer & Employee Pension Cost Comparison (I)				
												Adopt 2020 Board Meeting Calendar (A)
<b>Board Governance</b>				Brown Act Training (I)								Adopt Annual Work Plan for 2020 (A)
				Conflict of Interest Training (I)								Vice-Chair Election (A)
<b>Regulation / Policies</b>	Communication Policy Fact Sheet (I)											
<b>Compliance</b>				Form 700 and OCERS Annual Disclosure Due (A)		Receive Financial Audit (I)			State of OCERS (A)		Status of Board Education Hours for 2019 (I)	

(A) = Action (I) = Information

I-4

# Memorandum

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**DATE:** March 4, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Jim Doezie, Contracts, Risk and Performance Administrator  
**SUBJECT: QUIET PERIOD – NON-INVESTMENT CONTRACTS**

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## 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. Submissions deadline was December 4<sup>th</sup>, 2018. We are currently evaluating the candidates.
- An RFP to replace three-year-old multi-function copiers was distributed in December, 2018. We received several bids that are currently being evaluated.
- An RFP for an I.T. Audit and Consulting Services was distributed in January, 2019. We received several bids that are currently being evaluated.



## Memorandum

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Submitted by:

A handwritten signature in blue ink that reads "Jim Doezie".

Jim Doezie  
Contracts, Risk and Performance Administrator

I-5

## Memorandum

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**DATE:** March 18, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT:** LEGISLATIVE UPDATE

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### Written Report

#### Background/Discussion

The California Legislature convened on December 3, 2018 to commence the 2019 – 2020 legislative session. February 22, 2019 was the last day for bills to be introduced. The 2019 Legislative Calendar is attached for the Board's information.

A comprehensive list and description of the pending bills that staff is monitoring is attached. Below is a brief summary of the bills that may be of greater interest to the Board.

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

- **AB 249 (Choi)** This bill would prohibit a public employer from deterring or discouraging a public employee or an applicant to be a public employee from opting out of becoming or remaining a member of an employee organization. The bill would prohibit a public employer from taking adverse action against a public employee or applicant to be a public employee who opts out of becoming or remaining a member of an employee organization and would specify that adverse action includes reducing a public employee's current level of pay or benefits. **(STATUS: Introduced 01/22/19. Referred to the Committee on P.E. & R on 02/07/19.)**
- **AB 287 (Voepel)** Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's internet website no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above. **(STATUS: Introduced 01/28/19. Referred to the Committee on P.E. & R on 02/07/19.)**



- **AB 472 (Voepel)** PEPRA establishes various limits on retirement benefits generally applicable to a public employee retirement system, as defined. The act prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would make non-substantive changes to that provision. **(STATUS: Introduced 02/11/19. Awaiting policy committee assignment.)**
- **AB 664 (Cooper)** The CERL provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill also would make non-substantive changes to that provision. **(STATUS: Introduced 02/15/19. Referred to Committee on P.E & R on 02/28/19.)**
- **AB 992 (Mullin)** The Brown Act generally requires that the meetings of legislative bodies of local agencies be conducted openly. That act defines "meeting" for purposes of the act and expressly excludes certain activities from the application of the act. This bill would provide that the act does not apply to the posting, commenting, liking, interaction with, or participation in, internet-based social media platforms that are ephemeral, live, or static, by a majority of the members of a legislative body, provided that a majority of the members do not discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**
- **AB 1198 (Stone)** PEPRA, among other things, establishes new retirement formulas, which are generally applicable to employees first employed on or after January 1, 2013, and which a public employer offering a defined benefit pension plan is prohibited from exceeding. PEPRA excepts certain public employees from its provisions. This bill would make non-substantive changes to this provision. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**
- **AB 1212 (Levine)** Existing law authorizes the boards of CalPERS, CalSTRS, and the '37 Act systems, consistent with their fiduciary duties and investment standards, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project. This bill would require a state agency that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described above, and to provide the list to those boards. The state agency would also be required to provide further project information to a board upon request. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**

- **SB 430 (Wieckowski)** PEPPRA prohibits a public employer offering a defined benefit pension plan from exceeding specified retirement formulas for new members and prohibits an enhancement of a public employee's retirement formula or benefit adopted after January 1, 2013, from applying to service performed prior to the operative date of the enhancement. PEPPRA defines the term "new member" to include an individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to that date; an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was a member of another public retirement system prior to that date, but who was not subject to reciprocity under specified law; or an individual who was an active member in a retirement system and who, after a break in service of more than 6 months, returned to active membership in that system with a new employer. This bill would specifically exclude from the definition of "new member" a judge, as defined in specified existing law, elected to office before January 1, 2013. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**
- **SB 518 (Wieckowski)** The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. This bill, for purposes of the award of court costs and reasonable attorney's fees pursuant to the above provisions, would specifically notwithstanding a provision of existing law that prescribes the withholding or augmentation of costs if an offer is made before judgment or award in a trial or arbitration. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**
- **SB 615 (Hueso)** The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. The act permits any person to institute proceedings for injunctive or declaratory relief or a writ of mandate to enforce the right to receive a copy of any public record covered by the act. This bill would require a person to meet and confer in good faith with the agency in an attempt to informally resolve each issue before instituting any proceeding for injunctive or declaratory relief or writ of mandate. The bill would require the person or their attorney to file a declaration stating that this has occurred at the time that proceedings are instituted. Because the declaration would be made under penalty of perjury, the bill would expand the definition of a crime and impose a state-mandated local program. This bill contains other related provisions and other existing laws. **(STATUS: Introduced 02/22/19. Awaiting committee referral.)**

## Other Bills of Interest

- **SB 53 (Wilk)** The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in a meeting of a state body, subject to certain conditions and exceptions. This bill would specify that the definition of “state body” includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of 3 or more individuals, as prescribed, except a board, commission, committee, or similar multimember body on which a member of a body serves in his or her official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body, whether the multimember body is organized and operated by the state body or by a private corporation. This bill would declare that it is to take effect immediately as an urgency statute. **(STATUS: Introduced 12/10/18. Referred to the Committee on G.O. Set for hearing on 03/12/19.)**

### Bills that apply to CalPERS and/or CalSTRS Only:

- **AB 181 (Rodriguez)** This bill would require CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2020, and annually thereafter, until January 1, 2024, on the status of achieving appropriate objectives and initiatives regarding participation of emerging managers responsible for asset management within each system’s portfolio of investments. With respect to the duties of the CalPERS board, the bill also would require the board’s report to the Legislature to address the status of achieving appropriate objectives and initiatives regarding participation of transition managers responsible for asset management within its portfolio of investments. The bill would require each report to include certain elements and would require the boards to define specified terms for purposes of these provisions. **(STATUS: Introduced 01/09/19. Referred to Committee on P.E. & R on 01/24/19.)**
- **AB 462 (Rodriguez)** CalPERS provides defined benefits to members of the system based on final compensation, credited service, and age at retirement, subject to certain variations. PERL prescribes requirements for the computation of service credit in connection with sick leave that are applicable to a state, school, and school safety member, if the effective date of retirement is within 4 months of separation from employment with the employer that granted the sick leave credit. This bill would provide that all sick leave acquired by a school member from all employers subject to PERL within 4 months of separation may be credited as service credit when specified conditions are met. This bill contains other related provisions and other existing laws. **(STATUS: Introduced 02/11/19. Referred to Committee on P.E & R on 02/21/19.)**
- **AB 672 (Cervantes)** CalPERS provides pension and other benefits to members of the system and prescribes conditions for service after retirement. PERL and PEPRA establish various limits on retirement benefits generally applicable to a public employee retirement system, and prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would prohibit a person who has retired for disability from being employed by any employer without reinstatement from retirement if the position is the position from which the person retired or if

the position includes duties or activities that the person was previously restricted from performing at the time of retirement, unless an exception applies. The bill would require, if a person retired for disability is employed by an employer without reinstatement, an employer to provide to the board the nature of the employment and the duties and activities the person will perform. This bill contains other existing laws. **(STATUS: Introduced 02/15/19. Referred to Committee on P.E & R on 02/28/19.)**

- **SB 266 (Leyva)** Under existing law, CalPERS is responsible for correcting errors and omissions in the administration of the system and the payment of benefits. Existing law requires the board to correct all actions taken as a result of errors or omissions of the state or a contracting agency, in accordance with certain procedures. This bill would establish new procedures under PERL for cases in which CalPERS determines that the benefits of a member or annuitant are, or would be, based on compensation that conflicts with PEPR and other specified laws and thus impermissible under PERL. The bill would also apply these procedures retroactively to determinations made on or after January 1, 2017, if an appeal has been filed and the employee member, survivor, or beneficiary has not exhausted their administrative or legal remedies. At the threshold, after determining that compensation for an employee member reported by the state, school employer, or a contracting agency is disallowed, the bill would require the applicable employer to discontinue the reporting of the disallowed compensation. The bill would require that contributions made on the disallowed compensation, for active members, be credited against future contributions on behalf of the state, school employer, or contracting agency that reported the disallowed compensation and would require that the state school employer, or contracting agency to return to the member any contributions paid by the member or on the member's behalf. **(STATUS: Introduced 02/12/19. Referred to Committee on P.E & R on 02/21/19.)**
- **SB 341 (Morell)** Existing law requires the CalPERS and CalSTRS retirement boards to provide annual reports to the Legislature and the Governor with regard to investment returns on assets of CalPERS and CalSTRS, respectively. As part of these reports, the boards are required to calculate and report on the rate of return on investments based on different assumptions. This bill would require the Board of Administration of CalPERS to report a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. The bill would require the CalSTRS Retirement Board to provide a description of the discount rate the board uses for reporting liabilities, a calculation of liabilities based on a discount rate that is 2% below the long-term rate of return assumed by the board, and a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. This bill would also appropriate \$1 trillion from the General Fund for transfer to the Teachers' Retirement Fund to reduce the unfunded liability of the STRS defined benefit program, and appropriate another \$1 billion to the Teachers' Retirement Fund if the Legislative Analyst determines in the May Revision of the 2019-20 Budget that the State has collected more than \$1 billion in unanticipated General Fund revenue. This bill contains other related provisions and amendments to other existing laws. **(STATUS: Introduced 02/19/19. Referred to Committee on L., P.E & R on 02/28/19.)**

## Divestment Proposals (CalPERS and CalSTRS Only)

- **AB 33 (Bonta)** This bill would prohibit the CalPERS and CalSTRS from making new investments or renewing existing investments of public employee retirement funds in a private prison company, as defined. This bill would require the boards to liquidate investments in private prison companies on or before July 1, 2020, and would require the boards, in making a determination to liquidate investments, to constructively engage with private prison companies to establish whether the companies are transitioning their business models to another industry. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the constitution. The bill would provide that board members and other officers and employees shall be held harmless and be eligible for indemnification in connection with actions taken pursuant to the bill's requirements, as specified. The bill would make related legislative findings and declarations. **(STATUS: Introduced 12/03/18. Referred to Committee on P.E. & R on 01/17/19.)**
- **AB 1320 (Nazarian)** This bill would state the intent of the Legislature to enact legislation that would require the boards of CalPERS and CalSTRS to liquidate existing investments of public employee retirement funds in investment vehicles issued by the government of Turkey. **(STATUS: Introduced 02/22/19. Awaiting committee referral.)**

Attachments

### Submitted by:



Gina M. Ratto  
General Counsel



**2019 - 2020 LEGISLATIVE SESSION BILLS OF INTEREST  
LEGISLATIVE UPDATE (March 18, 2019) – ATTACHMENT**

**AB 33 (Bonta)** This bill would prohibit the CalPERS and CalSTRS from making new investments or renewing existing investments of public employee retirement funds in a private prison company, as defined. This bill would require the boards to liquidate investments in private prison companies on or before July 1, 2020, and would require the boards, in making a determination to liquidate investments, to constructively engage with private prison companies to establish whether the companies are transitioning their business models to another industry. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board’s fiduciary responsibilities established in the constitution. The bill would provide that board members and other officers and employees shall be held harmless and be eligible for indemnification in connection with actions taken pursuant to the bill’s requirements, as specified. The bill would make related legislative findings and declarations. **(STATUS: Introduced 12/03/18. Referred to Committee on P.E. & R on 01/17/19.)**

**AB 181 (Rodriguez)** This bill would require CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2020, and annually thereafter, until January 1, 2024, on the status of achieving appropriate objectives and initiatives regarding participation of emerging managers responsible for asset management within each system’s portfolio of investments. With respect to the duties of the CalPERS board, the bill also would require the board’s report to the Legislature to address the status of achieving appropriate objectives and initiatives regarding participation of transition managers responsible for asset management within its portfolio of investments. The bill would require each report to include certain elements and would require the boards to define specified terms for purposes of these provisions. **(STATUS: Introduced 01/09/19. Referred to Committee on P.E. & R on 01/24/19.)**

**AB 249 (Choi)** This bill would prohibit a public employer from deterring or discouraging a public employee or an applicant to be a public employee from opting out of becoming or remaining a member of an employee organization. The bill would prohibit a public employer from taking adverse action against a public employee or applicant to be a public employee who opts out of becoming or remaining a member of an employee organization and would specify that adverse action includes reducing a public employee’s current level of pay or benefits. **(STATUS: Introduced 01/22/19. Referred to the Committee on P.E. & R on 02/07/19.)**

**AB 287 (Voepel)** Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system’s internet website no later than the 90th day following the audit’s completion. By imposing new

duties on local retirement systems, the bill would impose a state-mandated local program. The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement. This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above. **(STATUS: Introduced 01/28/19. Referred to the Committee on P.E. & R on 02/07/19.)**

**AB 346 (Cooper)** Existing law establishes a workers' compensation system, administered by the Administrative Director of the Division of Workers' Compensation, to compensate an employee for injuries sustained in the course of employment. Existing law provides that certain peace officers, firefighters, and other specified state and local public employees are entitled to a leave of absence without loss of salary while disabled by injury or illness arising out of and in the course of employment. The leave of absence is in lieu of temporary disability payments or maintenance allowance payments otherwise payable under the workers' compensation system. This bill would add police officers employed by a school district, county office of education, or community college district to the list of public employees entitled to a leave of absence without loss of salary, in lieu of temporary disability payments, while disabled by injury or illness arising out of and in the course of employment. **(STATUS: Introduced 02/04/19. Referred to Committee on Insurance on 02/11/19.)**

**AB 462 (Rodriguez)** CalPERS provides defined benefits to members of the system based on final compensation, credited service, and age at retirement, subject to certain variations. PERL prescribes requirements for the computation of service credit in connection with sick leave that are applicable to a state, school, and school safety member, if the effective date of retirement is within 4 months of separation from employment with the employer that granted the sick leave credit. This bill would provide that all sick leave acquired by a school member from all employers subject to PERL within 4 months of separation may be credited as service credit when specified conditions are met. This bill contains other related provisions and other existing laws. **(STATUS: Introduced 02/11/19. Referred to Committee on P.E. & R on 02/21/19.)**

**AB 472 (Voepel)** PEPRA establishes various limits on retirement benefits generally applicable to a public employee retirement system, as defined. The act prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would make non-substantive changes to that provision. **(STATUS: Introduced 02/11/19. Awaiting policy committee assignment.)**

**AB 510 (Cooley)** Existing law authorizes the head of a department of a county or city, or the head of a special district to destroy recordings of routine video monitoring maintained by that county, city, or special district after one year if that person receives approval from the legislative body and the written consent of the agency attorney. Existing law authorizes the head of a department of a county or city, or the head of a special district to destroy recordings of telephone and radio communications maintained by that county, city, or special district after 100 days if that person receives approval from the legislative body and the written consent of the agency attorney. This bill would exempt the head of a department of a county or city, or the head of a special district from these recording retention requirements if the county, city, or special district adopts a records retention

policy governing recordings of routine video monitoring and recordings of telephone and radio communications. **(STATUS: Introduced 02/13/19. Referred to Committee on L. Gov. on 02/21/19.)**

**AB 664 (Cooper)** The CERL provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill also would make non-substantive changes to that provision. **(STATUS: Introduced 02/15/19. Referred to Committee on P.E. & R on 02/28/19.)**

**AB 672 (Cervantes)** CalPERS provides pension and other benefits to members of the system and prescribes conditions for service after retirement. PERL and PEPRA establish various limits on retirement benefits generally applicable to a public employee retirement system, and prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would prohibit a person who has retired for disability from being employed by any employer without reinstatement from retirement if the position is the position from which the person retired or if the position includes duties or activities that the person was previously restricted from performing at the time of retirement, unless an exception applies. The bill would require, if a person retired for disability is employed by an employer without reinstatement, an employer to provide to the board the nature of the employment and the duties and activities the person will perform. **(STATUS: Introduced 02/15/19. Referred to Committee on P.E. & R on 02/28/19.)**

**AB 979 (Reyes)** Existing law establishes the Judges' Retirement System II, which CalPERS administers. Existing law authorizes a judge who is a member of the system and who retires upon attaining both 65 years of age and 20 or more years of service, or upon attaining 70 years of age with a minimum of 5 years of service, to elect from specified retirement benefits including a monthly pension. Existing law requires a judge who leaves judicial office after accruing 5 or more years of service, but who has not reached the applicable age of retirement, to be paid a lump sum equal to monetary credits that accrued while in office, as specified. Existing law authorizes a judge who, among other things, separates from office after accruing 5 or more years of service and has not reached 65 years of age to continue health care benefits if the judge assumes certain payments. Existing law specifies benefits provided to a surviving spouse or other beneficiary in relation to these provisions.

This bill would authorize a judge who is a member of the system to retire upon attaining both 63 years of age and 15 or more years of service, or when a judge who has accrued at least 5 years of service and who has not received specified discipline is defeated for reelection. The bill would authorize a judge who is not otherwise eligible to retire and who has either attained 60 years of age with a minimum of 5 years of service or accrued 15 or more years of service to leave the judge's monetary credits on deposit with the system, to retire, and upon



reaching retirement age, as specified, to receive a retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify the monthly allowance provided to a surviving spouse or other beneficiary and would make other conforming changes in relation to these provisions. This bill contains other related provisions and other existing laws. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**

**AB 992 (Mullin)** The Brown Act generally requires that the meetings of legislative bodies of local agencies be conducted openly. That act defines “meeting” for purposes of the act and expressly excludes certain activities from the application of the act. This bill would provide that the act does not apply to the posting, commenting, liking, interaction with, or participation in, internet-based social media platforms that are ephemeral, live, or static, by a majority of the members of a legislative body, provided that a majority of the members do not discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**

**AB 1198 (Stone)** PEPRA, among other things, establishes new retirement formulas, which are generally applicable to employees first employed on or after January 1, 2013, and which a public employer offering a defined benefit pension plan is prohibited from exceeding. PEPRA excepts certain public employees from its provisions. This bill would make non-substantive changes to this provision. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**

**AB 1212 (Levine)** Existing law authorizes the boards of CalPERS, CalSTRS, and the '37 Act systems, consistent with their fiduciary duties and investment standards, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project. This bill would require a state agency that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described above, and to provide the list to those boards. The state agency would be required to provide further project information to a board upon request. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**

**AB 1320 (Nazarian)** This bill would state the intent of the Legislature to enact legislation that would require the boards of CalPERS and CalSTRS to liquidate existing investments of public employee retirement funds in investment vehicles issued by the government of Turkey. **(STATUS: Introduced 02/22/19. Awaiting committee referral.)**

**SB 53 (Wilk)** The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in a meeting of a state body, subject to certain conditions and exceptions. This bill would specify that the definition of “state body” includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of 3 or more individuals, as prescribed, except a board, commission, committee, or similar multimember body on which a member of a body serves in his or her official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body,

whether the multimember body is organized and operated by the state body or by a private corporation. This bill would declare that it is to take effect immediately as an urgency statute. **(STATUS: Introduced 12/10/18. Referred to the Committee on G.O. Set for hearing on 03/12/19.)**

**SB 184 (Moorlach)** Existing law establishes the Judges' Retirement System II, which CalPERS administers. Existing law authorizes a judge who is a member of the system and who retires upon attaining both 65 years of age and 20 or more years of service, or upon attaining 70 years of age with a minimum of 5 years of service, to elect from specified retirement benefits including a monthly pension. Existing law requires a judge who leaves judicial office after accruing 5 or more years of service, but who has not reached the applicable age of retirement, to be paid a lump sum equal to monetary credits that accrued while he or she was in office, as specified. Existing law authorizes a judge who, among other things, separates from office after accruing 5 or more years of service and has not reached 65 years of age to continue health care benefits if he or she assumes certain payments. Existing law specifies benefits provided to a surviving spouse or other beneficiary in relation to these provisions.

This bill would authorize a judge who is not otherwise eligible to retire and who has either attained 60 years of age with a minimum of 5 years of service or accrued 20 or more years of service to leave his or her monetary credits on deposit with the system, to retire, and upon reaching retirement age, as specified, to receive a retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify the monthly allowance provided to a surviving spouse or other beneficiary and would make other conforming changes in relation to these provisions. The bill would also provide, for the purposes of the Judges' Retirement System II, and for a judge first appointed or elected to office on or after January 1, 2020, that a surviving spouse is a spouse who was married to the judge continuously from the date of retirement until the judge's death.

Existing law establishes the Public Employees' Medical and Hospital Care Act (PEMHCA) for the purpose of providing health care benefits to employees and annuitants, as defined. PEMHCA defines an annuitant for purposes of receiving postretirement health benefits as including, among others, a person who retires within 120 days of separation from public employment and a judge who receives the above-described lump sum payment of monetary credits. Contributions and premiums paid under PEMHCA are deposited in the Public Employees' Contingency Reserve Fund, which is continuously appropriated.

This bill would authorize a judge who elects to retire as described above, but is not yet receiving his or her retirement allowance, to continue health care benefits upon separation from office if he or she assumes specified payments. The bill would include these judges within the definition of annuitant upon commencement of the judge's retirement allowance, thereby authorizing the judge to receive applicable postretirement health benefits. By authorizing the use of continuously appropriated funds for a new purpose, and by depositing additional amounts into a continuously appropriated fund, this bill would make an appropriation. **(STATUS: Introduced 01/30/19. Referred to the Committee on L, P.E. & R on 02/06/19.)**

**SB 266 (Leyva)** Under existing law, CalPERS is responsible for correcting errors and omissions in the administration of the system and the payment of benefits. Existing law requires the board to correct all actions taken as a result of errors or omissions of the state or a contracting agency, in accordance with certain procedures. This bill would establish new procedures under PERL for cases in which CalPERS determines that the benefits of a member or annuitant are, or would be, based on compensation that conflicts with PEPPRA and other specified laws and thus impermissible under PERL. The bill would also apply these procedures retroactively to determinations made on or after January 1, 2017, if an appeal has been filed and the employee member, survivor, or beneficiary has not exhausted their administrative or legal remedies. At the threshold, after determining that compensation for an employee member reported by the state, school employer, or a contracting agency is disallowed, the bill would require the applicable employer to discontinue the reporting of the disallowed compensation. The bill would require that contributions made on the disallowed compensation, for active members, be credited against future contributions on behalf of the state, school employer, or contracting agency that reported the disallowed compensation and would require that the state school employer, or contracting agency to return to the member any contributions paid by the member or on the member's behalf. **(STATUS: Introduced 02/12/19. Referred to Committee on P.E. & R on 02/21/19.)**

**SB 341 (Morell)** Existing law requires the CalPERS and CalSTRS retirement boards to provide annual reports to the Legislature and the Governor with regard to investment returns on assets of CalPERS and CalSTRS, respectively. As part of these reports, the boards are required to calculate and report on the rate of return on investments based on different assumptions. This bill would require the Board of Administration of CalPERS to report a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. The bill would require the CalSTRS Retirement Board to provide a description of the discount rate the board uses for reporting liabilities, a calculation of liabilities based on a discount rate that is 2% below the long-term rate of return assumed by the board, and a calculation of liabilities based on a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. This bill would also appropriate \$1 billion from the General Fund for transfer to the Teachers' Retirement Fund to reduce the unfunded liability of the STRS defined benefit program, and appropriate another \$1 billion to the Teachers' Retirement Fund if the Legislative Analyst determines in the May Revision of the 2019-20 Budget that the State has collected more than \$1 billion in unanticipated General Fund revenue. This bill contains other related provisions and amendments other existing laws. **(STATUS: Introduced 02/19/19. Referred to Committee on L., P.E. & R on 02/28/19.)**

**SB 430 (Wieckowski)** PEPPRA prohibits a public employer offering a defined benefit pension plan from exceeding specified retirement formulas for new members and prohibits an enhancement of a public employee's retirement formula or benefit adopted after January 1, 2013, from applying to service performed prior to the operative date of the enhancement. PEPPRA defines "new member" to include an individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to that date; an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was a member of another public retirement system prior to that date, but who was not subject to reciprocity under specified law; or an individual

who was an active member in a retirement system and who, after a break in service of more than 6 months, returned to active membership in that system with a new employer. This bill would specifically exclude from the definition of “new member” a judge, as defined in specified existing law, elected to office before January 1, 2013. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**

**SB 518 (Wieckowski)** The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. This bill, for purposes of the award of court costs and reasonable attorney’s fees pursuant to the above provisions, would specifically notwithstanding a provision of existing law that prescribes the withholding or augmentation of costs if an offer is made before judgment or award in a trial or arbitration. **(STATUS: Introduced 02/21/19. Awaiting committee referral.)**

**SB 615 (Hueso)** The California Public Records Act requires a public agency to make its public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The act makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemptions. The act permit any person to institute proceedings for injunctive or declaratory relief or a writ of mandate to enforce the right to receive a copy of any public record covered by the act. This bill would require a person to meet and confer in good faith with the agency in an attempt to informally resolve each issue before instituting any proceeding for injunctive or declarative relief or writ of mandate. The bill would require the person or their attorney to file a declaration stating that this has occurred at the time that proceedings are instituted. Because the declaration would be made under penalty of perjury, the bill would expand the definition of a crime and impose a state-mandated local program. This bill contains other related provisions and other existing laws. **(STATUS: Introduced 02/22/19. Awaiting committee referral.)**

## 2019 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE AND THE OFFICE OF THE CHIEF CLERK  
October 31, 2018 (revised)

### DEADLINES

JANUARY						
S	M	T	W	TH	F	S
		<u>1</u>	2	3	4	5
6	<u>7</u>	8	9	<u>10</u>	11	12
13	14	15	16	17	18	19
20	<u>21</u>	22	23	24	<u>25</u>	26
27	28	29	30	31		

- [Jan. 1](#) Statutes take effect (Art. IV, Sec. 8(c)).
- [Jan. 7](#) Legislature **reconvenes** (J.R. 51(a)(1)).
- [Jan. 10](#) Budget must be submitted by Governor (Art. IV, Sec. 12(a)).
- [Jan. 21](#) Martin Luther King, Jr. Day.
- [Jan. 25](#) Last day to submit **bill requests** to the Office of Legislative Counsel

FEBRUARY						
S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	<u>18</u>	19	20	21	<u>22</u>	23
24	25	26	27	28		

- [Feb. 18](#) Presidents' Day.
- [Feb. 22](#) Last day for **bills to be introduced** (J.R. 61(a)(1)), (J.R. 54(a)).

MARCH						
S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	<u>29</u>	30
31						

- [Mar. 29](#) Cesar Chavez Day observed.

APRIL						
S	M	T	W	TH	F	S
	1	2	3	4	5	6
7	8	9	10	<u>11</u>	12	13
14	15	16	17	18	19	20
21	<u>22</u>	23	24	25	<u>26</u>	27
28	29	30				

- [Apr. 11](#) **Spring recess** begins upon adjournment of this day's session (J.R. 51(a)(2)).
- [Apr. 22](#) Legislature **reconvenes** from Spring recess (J.R. 51(a)(2)).
- [Apr. 26](#) Last day for **policy committees** to hear and report to **fiscal committees** **fiscal bills** introduced in their house (J.R. 61(a)(2)).

MAY						
S	M	T	W	TH	F	S
			1	2	<u>3</u>	4
5	6	7	8	9	<u>10</u>	11
12	13	14	15	16	<u>17</u>	18
19	20	21	22	23	24	25
26	<u>27</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>31</u>	

- [May 3](#) Last day for **policy committees** to hear and report to the Floor **nonfiscal bills** introduced in their house (J.R. 61(a)(3)).
- [May 10](#) Last day for **policy committees** to meet prior to June 3 (J.R. 61(a)(4)).
- [May 17](#) Last day for **fiscal committees** to hear and report to the Floor bills introduced in their house (J.R. 61(a)(5)). Last day for **fiscal committees** to meet prior to June 3 (J.R. 61(a)(6)).
- [May 27](#) Memorial Day.
- [May 28-31](#) **Floor Session Only.**  
No committees, other than conference or Rules committees, may meet for any purpose (J.R. 61(a)(7)).

- [May 31](#) Last day for bills to be **passed out of the house of origin** (J.R. 61(a)(8)).

\*Holiday schedule subject to Rules committee approval.

## 2019 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE AND THE OFFICE OF THE CHIEF CLERK  
October 31, 2018 (revised)

JUNE						
S	M	T	W	TH	F	S
						1
2	<b>3</b>	4	5	6	7	8
9	10	11	12	13	14	<b>15</b>
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

**Jun. 3** Committee meetings may resume (J.R. 61(a)(9)).

**Jun. 15** **Budget Bill** must be passed by **midnight** (Art. IV, Sec. 12(c)(3)).

JULY						
S	M	T	W	TH	F	S
	1	2	3	<b>4</b>	5	6
7	8	9	<b>10</b>	11	<b>12</b>	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

**Jul. 4** Independence Day.

**Jul. 10** Last day for **policy committees** to hear and report **fiscal bills** to **fiscal committees** (J.R. 61(a)(10)).

**Jul. 12** Last day for **policy committees** to meet and report bills (J.R. 61(a)(11)). **Summer recess** begins upon adjournment of this day's session, provided Budget Bill has been passed (J.R. 51(a)(3)).

AUGUST						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	<b>12</b>	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	<b>30</b>	31

**Aug. 12** Legislature reconvenes from Summer recess (J.R. 51(a)(3)).

**Aug. 30** Last day for **fiscal committees** to meet and report bills to Floor (J.R. 61(a)(12)).

SEPTEMBER						
S	M	T	W	TH	F	S
1	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	7
8	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

**Sep. 2** Labor Day.

**Sep. 3-13** **Floor Session Only.** No committees, other than conference and Rules committees, may meet for any purpose (J.R. 61(a)(13)).

**Sep. 6** Last day to **amend bills on the floor** (J.R. 61(a)(14)).

**Sep. 13** Last day for **each house to pass bills** (J.R. 61(a)(15)). **Interim Study Recess** begins upon adjournment of this day's session (J.R. 51(a)(4)).

\*Holiday schedule subject to Senate Rules committee approval.

### IMPORTANT DATES OCCURRING DURING INTERIM STUDY RECESS

**2019**

**Oct. 13**

Last day for Governor to sign or veto bills passed by the Legislature on or before Sep. 13 and in the Governor's possession after Sep. 13 (Art. IV, Sec.10(b)(1)).

**2020**

**Jan. 1**

Statutes take effect (Art. IV, Sec. 8(c)).

**Jan. 6**

Legislature reconvenes (J.R. 51 (a)(4)).

I-6

## Memorandum

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DATE: March 7, 2019  
TO: Members of the Board of Retirement  
FROM: Steve Delaney, Chief Executive Officer  
SUBJECT: **FIRST QUARTER REVIEW OF OCERS 2019- 2021 STRATEGIC PLAN**

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### Written Report

#### Background/Discussion

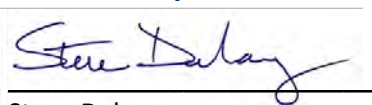
The current three-year Orange County Employees Retirement System (OCERS) Strategic Plan for the period of January 1, 2019 through December 31, 2021 was approved by the OCERS Board of Retirement at the October 2018 administrative meeting of the Board.

The OCERS 2019-2021 Strategic Plan document outlines the broad goals and objectives this agency is committed to attaining in the coming three-year period. The 2019 OERS Business Plan is included to provide detail, outlining the tasks to be undertaken in this current calendar year to advance OCERS towards the stated goals and objectives.

The OCERS Board has directed the strategic plan be provided for consideration in each calendar quarter, to allow for modifications if so desired. At this first quarter mark of 2019, your staff is not suggesting any changes to the present documents as submitted.

Attached: OCERS 2019-2021 Strategic Plan  
OCERS 2019 Business Plan

#### Submitted by:



Steve Delaney  
Chief Executive Officer



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

# 2019-2021 STRATEGIC PLAN



# MISSION, VISION AND VALUES

## **MISSION STATEMENT:**

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

## **VISION STATEMENT:**

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

## **VALUES:**

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

# 2019 BUSINESS PLAN

## 2019-2021 STRATEGIC GOALS

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

# FUND SUSTAINABILITY

## STRENGTHEN THE LONG-TERM STABILITY OF THE PENSION FUND

**Objective:** Mitigate the risk of significant investment loss

**Objective:** Develop procedures for new employers entering the system

**Objective:** Employ a governance structure that supports a dynamic investment program

**Objective:** Prudent use of resources

# EXCELLENT SERVICE AND SUPPORT

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

**Objective:** Provide accurate and timely benefits

**Objective:** Provide education to our members and plan sponsors

# RISK MANAGEMENT

## CULTIVATE A RISK-INTELLIGENT ORGANIZATION

**Objective:** Provide system and data security and a robust business continuity solution

**Objective:** Implement operational risk management program

**Objective:** Ensure a safe and secure workplace and public service facility

# TALENT MANAGEMENT

## RECRUIT, RETAIN AND INSPIRE A HIGH-PERFORMING WORKFORCE

**Objective:** Recruit and retain a high-performing workforce to meet organizational priorities

**Objective:** Develop and empower every member of the team

**Objective:** Cultivate a collaborative, inclusive and creative culture

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
[www.ocers.org](http://www.ocers.org)



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

# 2019 BUSINESS PLAN



# MISSION, VISION AND VALUES

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- **S**ecure and Sustainable

# 2019-2021 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 procedures for new employers entering the system  
*Executive Leads – Gina Ratto*

1. Create an Administrative Procedure
2. Create a worksheet for staff's use in evaluating new plan sponsors
3. Create a new template for Participation Agreement with plan sponsors

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

1. Evaluate governance best practices (year two)

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

1. Investigate actionable items to reduce fees in the future

# 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 on Final Average Salary (year two)
2. Streamline the initial disability determination process by implementing; (year two)
  - a. LEAN action items
  - b. Application packets
3. Update and create desk manuals and procedures for staff (year two)
4. Improve customer service standards by enhancing V3 workflows, monitoring and reporting

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

1. Web site redesign (year three)

2. Enhance participation in Plan Sponsors' New Employee Orientation
3. Create white board videos that will provide education to members and stakeholders about OCERS benefits

# RISK MANAGEMENT

## **GOAL: CULTIVATE A RISK-INTELLIGENT ORGANIZATION**

### *Business Plan Initiatives*

Objective: Provide System and Data Security and a Robust Business Continuity Solution

*Executive Leads – Brenda Shott, Matt Eakin & Jenny Sadoski*

1. Select Cyber Security Framework and develop implementation plan for best practice controls
2. Continuously assess current Information Security environment and address identified risks:
  - a. Perform third party penetration test of OCERS network
  - b. Perform third party penetration test of new OCERS web site
  - c. Review and enhance information security training for new hires and all staff
  - d. Develop incident response and management program
  - e. Develop OCERS data map, data classification structure and data exchange flows and identify associated risks
  - f. Evaluate risks associated with external third party IT business partners

3. Implement tools to mitigate the risk of data or financial loss or information disclosure:
  - a. Implement enhanced Email Security protections and features
  - b. Implement Managed Security / Managed Detection & Response services
  - c. Implement continuous vulnerability assessment and remediation program
  - d. Implement automated hardware and software inventory tool
  - e. Implement security patch management solution
  
4. Continue development of the Business Continuity Plan:
  - a. Establish alternate work space / work site plan
  - b. Develop manual workaround and alternate procedure plans

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

1. Continue to implement the Operational Risk Management Program

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

1. Plan and implement building security upgrades and space management projects (year two)



# 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
  - a. Evaluation of newly implemented onboarding process
2. Implement recommendations from workforce analysis (year two)

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 (year two)
2. Recognize individual needs and career goals within OCERS (year two)
3. Create succession plans across the agency (year two)

Objective: Cultivate a Collaborative, Inclusive and Creative Culture

*Executive Lead – Steve Delaney*

1. Foster OCERS culture of engagement and continuous improvement (year two)

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
[www.ocers.org](http://www.ocers.org)

I-7

## Memorandum

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**DATE:** March 18, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** TRAVEL REPORT – PROFESSIONAL VISIT TO SFERS

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### Background

Annually, all members of the Senior Management Team are required to visit a peer pension system to collaborate, share and learn best practices.

On February 6, 2019, Molly Murphy visited the offices of the San Francisco Employees' Retirement System. The SFERS meeting was part of a two-day trip combined with due diligence visits to two private equity firms that OCERS' staff had in due diligence for future investment.

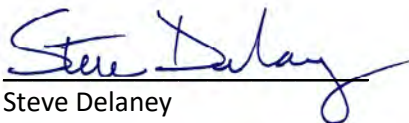
The total cost for the entire trip (SFERS + private equity due diligence) is as follows:

Hotel	Transportation	Food	Total
\$373.41	\$486.73	\$28.53	\$888.67

### Meeting Summary

SFERS' CIO Bill Coaker hosted Molly at the SFERS' office, spending time discussing talent development, recruiting, organizational structure and current initiatives. Additionally, Molly spent time with other SFERS' investment leaders discussing absolute return strategies, private equity, global equity and risk management. The conversation lasted approximately 3.5 hours and has already yielded some new ideas and a meeting with an interesting risk aggregation platform.

### Submitted by:



Steve Delaney  
Chief Executive Officer

I-8

## Memorandum

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**DATE:** March 19, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT: BOARD COMMUNICATIONS**

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### 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 item was provided by OCERS Board members and CEO for distribution to the entire Board:

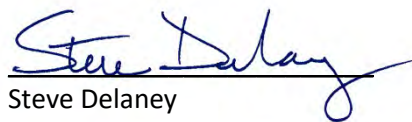
#### Russell Baldwin:

- Mesa Water board approves pay increase for itself:  
<http://www.latimes.com/socal/daily-pilot/news/tn-dpt-me-mesa-water-board-pay-20190215-story.html>

#### Steve Delaney:

Attached: OCERS Activities and Updates for January 2019.

#### Submitted by:



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 January 2019.

**Customer Service Stats  
2019**

**TOP 3 MEMBER QUESTIONS:**

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

**QUESTION ONE:**

**Q:** How can I change my tax withholding election for my retirement benefit?

**A:** Members may submit tax withholding election changes to OCERS in one of several ways. (1) They can log into the MyOCERS portal and submit their changes securely online, (2) they can download a blank form from the "Forms and Publications" section of the OCERS website and return it by mail, fax, or drop-off, or (3) OCERS will mail a form to a member upon request and they may similarly return it by mail, fax, or drop-off. Change requests take 1-2 weeks to process, and the member will typically see the updates reflected with their next benefit payment.

**QUESTION TWO:**

**Q:** What will the Cost of Living Adjustment (COLA) be in 2019?

**A:** 2019 COLA will be announced at the February 19th Regular Board Meeting. Based on the actuary's recommendation, it is expected to be 4.0%. This will increase applicable benefits by 3.0% and add 1.0% to a member's COLA BANK.

**QUESTION THREE:**

**Q:** When will the 1099s be mailed?

**A:** OCERS will mail 2018 1099-Rs to all payees on January 31st, and these will also be available on the MyOCERS portal as of January 24th. If a member had a recent address change and does not receive their 1099, they may contact Member Services and we will re-mail a replacement.

**Member Approval: 100%**

**Un-Planned Recalculations: 0**

**Retirement Applications Received:**

<i>Jan - 2019</i>	<b>258</b>
<i>Dec - 2018</i>	<b>54</b>
<i>Nov - 2018</i>	<b>85</b>
<i>Oct - 2018</i>	<b>49</b>
<i>Sept - 2018</i>	<b>40</b>
<i>Aug - 2018</i>	<b>55</b>
<i>Jul - 2018</i>	<b>67</b>
<i>Jun - 2018</i>	<b>44</b>
<i>Apr - 2018</i>	<b>73</b>
<i>Mar - 2018</i>	<b>51</b>
<i>Feb - 2018</i>	<b>163</b>
<i>Jan - 2018</i>	<b>204</b>

MEMBER SERVICES TELEPHONE METRICS

Member Services Call History			
Month / Year	Incoming Calls Through Queue	Incoming Calls Direct to Extension	Total Calls (Queue + Direct)
January 2019	1810	2743	4553
January 2018	2489	3041	5530
January 2017	1438	3491	4929

ACTIVITIES

**RECORD RETENTION**

The Executive Management team met in January to discuss the general issue of record retention, and considered how we might work to improve OCERS staff compliance with existing policy as well as implement best practices. It was determined that a project team was needed, and Ms. Ratto provided the following note to prepare managers and supervisors for the work to come:

“Good afternoon! OCERS is embarking upon a project to update OCERS’ record retention practices. This project will include, at a minimum, the following:

- Identifying “best practices” in record retention
- Adding emails as a category of records to the OCERS Record Retention Policy
- Establishing an automatic destruction schedule for emails
- Establishing an alternative “work space” and/or storage mechanism for emails, perhaps SharePoint
- Reviewing the OCERS Record Retention Policy to update record “categories” and associated retention periods
- Systematically bringing each department in compliance with the Record Retention Policy and establishing a procedure for maintaining compliance going forward

The Project Management Team for this endeavor includes Jenny S., Javier, Brandon, Jim (if Brenda approves and Jim agrees (sorry Jim, you were nominated)), and me.

The next step is to schedule a meeting of the Project Management Team and all of you or a representative of your department who you designate to attend in your place. The purpose of this



meeting will be to assess any gaps in the Record Retention Policy for your department and to identify the current practices and needs of your department with respect to creation and retention of records.”

## OCERS MISSION

When I first walked into the OCERS building more than a decade ago, I thought the lobby wall was a perfect place to display the OCERS mission as a means of inspiring both members and staff. The problem at the time was the OCERS’ Mission Statement then was very long, and didn’t make a clear declarative case for what OCERS seeks to accomplish. Over the years the Board worked on a new more pointed Mission Statement, and then built on that with a Vision Statement and adoption of our shared values. With all of that background work complete, we at last were able to post to the OCERS building lobby, the Mission we accomplish each and every day on behalf of our membership:



### **COUNTY OF ORANGE PDX MANAGEMENT TRAINING PROGRAM**

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On January 22 I arranged to meet with the County of Orange PDX Management Training team. OCERS has been using this program as part of our succession planning training efforts, sending our managers to this intensive training program to help build on the strengths and abilities already in place. While covering a period of months, the program requires that staff spend eight full days at the County training facility. It is big investment in our team members, but I had only heard great things from staff who had completed the program, and I wanted to learn more about the program's future plans and how OCERS might best avail itself of this resource. It was an excellent meeting, they were happy to have time to sit down with an agency director and discuss their program in detail. As we wrapped up they made clear that our meeting helped ensure OCERS and its management goals will be considered as they make future modifications to the program.

### **OCERS EXECUTIVE MANAGEMENT SEMI-ANNUAL PLANNING SESSION**

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On January 24 the OCERS executive management team met off-site to train on improved management processes, and discuss upcoming 2019 business plans. Preparing and moderating each semi-annual event is rotated among the management team. My thanks to Ms. Hockless who arranged this session, and among a number of important speakers brought in Tina Campbell, Chief of Human Resources at CalPERS, who made it clear that large or small, all of our systems share many challenges as well as opportunities in common.

### **2019 LAUNCH PARTY**

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OCERS moved away from holding an annual "Year End" event in December, and instead focused on what lays ahead of us with a "LAUNCH" event held off-site on January 10<sup>th</sup>. This event, free of the more traditional holiday trappings, allowed us to focus on the OCERS Mission and the hard work done by all staff to ensure our members receive excellent service at all times. Here we were able to recognize staff for their long years of service, and also announced the winners of our Employee of the Year, Manager of the Year and Innovator of the Year awards.

A few photo highlights from the event follow:





## UPDATES

### FINAL AVERAGE SALARY COMPONENTS REVIEW PROJECT

We continue to make good progress on the Salary and Pay Item review project. Circular letters regarding the cash out of leave, annual leave, sick or vacation hours, on an annual basis throughout the year and the cash out of all balances upon separation from employment were posted on the OCERS website and distributed to employers. Received clarification from Legal regarding the issue of whether Premium Pay items qualify as Pensionable Comp if earned for less than a full pay period/full shift. Updated the Pay Type spreadsheet and verified the analysis to confirm Premium Pay items are included only if the assignment, certification or license is part of the member's regularly assigned responsibilities, an essential, normal or traditional function of the job, and part of the regular assignment of other members in the same group/class. The analysis regarding whether pay items are pensionable for Legacy and PEPRAs members has been completed for the County, OCFA, OCTA, Sanitation District, Superior Court, Law Library, TCA, and Cemetery District. The Summary tabs on the Pay Type spreadsheets for these employers have been prepared and Mike Persi has started sending these Summary spreadsheets to the initial employers, including the County, OCFA, OCTA, and Sanitation District, for their review and feedback. Monthly meetings with the CEO are being held to review the project status and address any policy questions.



As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the March 18, 2019 meeting of the OCERS Board of Retirement.

**1-10**

## Memorandum

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**DATE:** March 18, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** TRUSTEE EDUCATION OPPORTUNITIES

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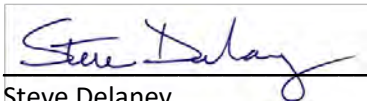
### Written Report

#### Background/Discussion

The OCERS Board's Education and Travel policies together approve a number of educational courses to assist Trustees in the successful fulfillment of their fiduciary obligations.

The California Association of Public Retirement Systems (CALAPRS) recently released an informational folder summarizing the various educational programs offered by that association. I have included that document with this material. On March 18 I will review the CALAPRS courses, as well as various other courses presently pre-approved by Board policy, to assist Trustees in determining which of the educational programs they may find most benefit and choose to attend.

#### Submitted by:



Steve Delaney  
Chief Executive Officer

# TRUSTEE EDUCATION OPPORTUNITIES





# TRAVEL POLICY

## Section 12:

Board members and the OCERS staff members designated by the Chief Executive Officer are automatically authorized to attend each of the following full curriculum pension management programs and courses on a one-time basis:

- a. Basic and advanced educational programs sponsored by CALAPRS;
- b. Basic and advanced educational programs sponsored by SACRS;
- c. Basic and advanced investment programs sponsored by the Wharton School; provided, however, if the Wharton School does not offer an advanced investment program, the basic program may be taken a second time after three years of initially completing the program; and
- d. Global Financial Markets Institute, Inc. (various programs available).

# TRUSTEE EDUCATION POLICY

- **Purpose**

Section 1:

It is the policy of the Board of Retirement to ensure that individual Trustees have sufficient knowledge of the issues and challenges facing OCERS so as to craft policies to guide the administration of the plan and effectively monitor their implementation based on ongoing exposure to up-to-date benefit, financial, investment and policy information and together with staff are properly trained to perform their respective duties.

Section 5:

To that end, each Trustee is encouraged to regularly participate in those educational opportunities that will enable competent discharge of the obligations of that position and meet the statutory requirements for continuing education.

# CALAPRS TRUSTEE ROUND TABLE

- Held three times each year
- Varying locations
- Moderated in 2019 by Russell Baldwin
- Topics of interest?

# CALAPRS CLASSES

- Principles of Pension Management for Trustees (Pepperdine University)
- Advanced Principles of Pension Management for Trustees (UCLA)
- Management/Leadership Academy
- Course in Retirement Disability Administration
- Overview Course in Retirement Plan Administration
- Intermediate Course in Retirement Plan Administration
- Advanced Course in Retirement Plan Administration
- Administrators' Institute

# SACRS CLASSES

- SACRS/UC Berkeley Program

## SACRS Public Pension Investment Management Program

July 22-24, 2019 at the UC Berkeley Haas School of Business

- Presented by the world-renowned faculty of UC Berkeley's Haas School of Business, *Modern Investment Theory & Practice for Retirement Systems* is a four-day course offering SACRS' members in-depth knowledge on today's successful investment models and strategies. You'll learn how to practically integrate these methods immediately into your own plan administration, advancing your skills and elevating the collective expertise of SACRS' membership. Completion of the course earns you a certificate of achievement from UC Berkeley.

# SACRS EVENTS LISTING

- Legislative Committee Meeting 3/15/19
- Program Committee Meeting 3/18/19
- Board of Directors Meeting 3/19/19
- Legislative Committee Meeting 4/18/19
- SACRS Spring 2019 Conference 5/7/19 – 5/10/19
- Program Committee Meeting 6/17/19
- Board of Directors Meeting 6/18/19
- Legislative Committee Meeting 6/21/19
- SACRS / UC Berkeley 2019 Program 7/22/19 – 7/24/19
- SACRS Fall 2019 Conference 11/12/19 – 11/15/19

# Global Financial Markets Institute Inc.

Suite of Virtual Instructor Led (VILT) capital markets learning events

- Pre-Approved, 2 hour live virtual training taught by Seasoned Wall Street Professionals
- Choose from 7 courses in the Fixed Income Series
- 5 Courses in Derivatives Series

<https://www.gfmi.com/virtual-instructor-led-seminars/>

<b>Date</b>	<b>Meeting</b>	<b>Location</b>
Friday, January 25, 2019	Administrators RT Investment Officers RT	Marriott Burbank Airport
Friday, February 1, 2019	Trustees' RT Benefits RT Attorneys' RT	Hilton Oakland Airport
Saturday-Tuesday, March 2-5, 2019	General Assembly	Monterey Marriott
Monday, March 4, 2019	Board Meeting (4pm-5pm)	Monterey Marriott
Wednesday-Friday March 27-29, 2019	Advanced Principles of Pension Management for Trustees	UCLA Luskin Conference Center, Los Angeles, CA
Monday- Tuesday, April 15-16, 2019	Management Academy: Module 1	Westin Pasadena
Friday, April 26, 2019	Accountants RT Administrative Assistants RT Info Tech. RT	Doubletree San Jose
Friday, May 17, 2019	Overview Staff Training	Avenue of the Arts Hotel, Costa Mesa (SNA Airport)
Thursday, June 6, 2019	Communications RT	Marriott Burbank Airport
Friday, June 7, 2019	Benefits RT Trustee's RT Attorneys' RT	Marriott Burbank Airport
Monday- Wednesday June 10-12, 2019	Management Academy: Module 2	Westin Pasadena
Thursday, June 20, 2019	Board Meeting (6pm Dinner)	Doubletree San Jose
Friday, June 21, 2019	Administrators' RT Investment Officers' RT	Doubletree San Jose
Monday- Wednesday July 22-24, 2019	Management Academy: Module 3	Westin Pasadena
Monday - Thursday August 26-29, 2019	Principles of Pension Management A Course for Trustees	Pepperdine University, Malibu, CA
Thursday, September 19, 2019	Disability Staff Training	Hilton Oakland Airport
Friday, September 20, 2019	Benefits RT Attorneys' RT Accountants' RT	Hilton Oakland Airport
Wednesday- Friday September 25-27, 2019	Administrators Institute	Quail Lodge, Carmel, CA
Wednesday- Friday October 16-18, 2019	Intermediate Staff Training	Doubletree San Jose
Friday, October 25, 2019	Trustees' RT Administrative Asst. RT Info Tech RT	Hilton Oakland Airport
Friday, December 6, 2019	Overview Staff Training	San Mateo Marriott (SFO Airport)
Wednesday- Friday December 11-13, 2019	Advanced Staff Training	Hilton Oakland Airport
Friday, December 13, 2019	Board Meeting (9am Breakfast)	Hilton Oakland Airport



**Education | Communication | Networking**

# **California Public Retirement Systems COURSE GUIDE | 2018-2019**

**Presented by the California Association of Public Retirement Systems**

CALAPRS sponsors educational forums for sharing information and exchanging ideas among trustees and staff of California public retirement systems to enhance their ability to administer public pension plan benefits and manage investments consistent with their fiduciary responsibility.

CALAPRS carries out its mission through an annual conference called the General Assembly, Round Table meetings for discussion of topics of interest, the Principles of Pension Management courses for Trustees, and the Advanced Course, the Overview, Intermediate, and Advanced Staff Training, Disability Staff Training, and the Management/Leadership Academy. Round Table groups are: Trustees, Administrators, Benefits staff, Accountants, Administrative Assistants, Attorneys, Investment Officers, Communications, and Information Technology staff of the member public retirement systems in California.

**This guide contains descriptions of educational courses and forums specifically designed for system trustees, managers, and administrators.**

# **CALAPRS**

575 Market Street, Suite 2125, San Francisco, CA 94105

Phone: 415-764-4860 or Toll-Free: 1-800-RETIRE-0

www.calaprs.org. | Email: [info@calaprs.org](mailto:info@calaprs.org)

# Education | Communication | Networking

## California Association of Public Retirement Systems

**CALAPRS GENERAL ASSEMBLY:** The CALAPRS General Assembly is an educational conference for retirement system trustees, senior staff, and annual sponsors of CALAPRS. Typically held on a Saturday through Tuesday in March, the program includes educational sessions on relevant and timely topics, as well as networking opportunities for participants. The program agenda is developed by a planning committee commissioned by the CALAPRS Board of Directors.

**Courses specifically designed for Trustees:** For over twenty years, trustees of CALAPRS member retirement systems have participated in CALAPRS training programs presented exclusively for California public retirement system board members. CALAPRS Principles of Pension Management programs help public pension trustees ask and answer the tough questions. The Principles course, typically held in August, is designed for newer trustees, and the Advanced course, typically held in March, is designed for more experienced trustees who are proven board leaders:



### **Principles of Pension Management for Trustees at Pepperdine University**

This program is designed for new trustees and focuses on the practical aspects of our Trustees' governance duties. Now held at the Pepperdine University Executive Center, CALAPRS continues to offer the same high-caliber coursework and faculty that were previously offered on the Stanford University campus. The three-day intensive program combines team teaching, case studies, and mock board problem-solving. All course materials are based on actual California public pension fund law, policies, practices, and issues.



### **Advanced Principles of Pension Management for Trustees at UCLA**

The Advanced Principles course is about building a trustee's skills and strengthening board governance. Pension trustees are faced with increased challenges, unprecedented scrutiny, and evolving issues. Moreover, areas such as actuarial assumptions, accounting requirements, and risk management are rapidly changing. To help trustees build and enhance their skills in addressing such issues, participants in this program will hear from top-level presenters in the areas of board governance, investments, actuarial science, pension law and economics. Over the course of two days, participants will be immersed in a powerful learning process—acquiring the skills they need to lead their organizations effectively. The program's proven, multifaceted educational approach fosters the professional, intellectual, and personal development required to govern at the board level.

# Education | Communication | Networking

## California Association of Public Retirement Systems

### Programs specifically designed for managers and staff:

#### **Management/Leadership Academy**

The Academy is for mid-level managers in larger systems and supervisors in smaller systems. The ideal candidate is a retirement system subordinate manager or supervisor with a couple of years of experience leading a team in benefits, accounting, investments or administrative aspects of a public retirement system. The CALAPRS Board of Directors has contracted with The Centre for Organization Effectiveness to present the course. The Centre has the best approach and training resources to give students outstanding training and exposure to enterprise management, problem-solving, leadership and a feedback component in the retirement system context. The Academy is held in three cumulative modules, typically in April, May or June, and July, over a total of 8 days. Participants must attend all three modules in full in order to graduate from the Academy.

#### **Course in Retirement Disability Administration**

This course is designed for retirement system staff members who have responsibility for or may be assigned responsibility for, dealing with members' disability retirement administration. The program agenda cycles through several subject areas, which do not necessarily need to be attended in sequence. One session covers an introduction to disabilities and eligibility, communication with the member, the application intake process, and gathering the records file. Another session addresses identifying deception, understanding bias, job analysis, and compiling the medical file. Finally, a third session discusses the disability hearing process, and a panel of presenters conduct a mock trial.

#### **Overview Course in Retirement Plan Administration**

The Overview Course is the entry-level training in Retirement Plan Administration and beneficial for all new staff. Attendees will gain an overall knowledge of how a public defined benefit pension system operates and its value to the members of their system as well as an introduction to three main types of California public retirement systems. While this course is considered a primer, it is a perfect program for those staff members wishing to reacquaint themselves with the basics of retirement, and it is a good foundation for those staff members who will take the Intermediate or Advanced Courses (below) at a later date. It is a one-day course generally held in May and, in alternating years, also in December.

# Education | Communication | Networking

California Association of Public Retirement Systems

## Programs specifically designed for managers and staff:

### **Intermediate Course in Retirement Plan Administration**

This course is intended for the staff of CALAPRS member retirement systems and is the second course in the three-part Retirement Plan Administration series. It is an excellent follow-up for those who attended the Overview Course earlier in the year. The program is generally held on a Wednesday through Friday in October and topics covered typically include: retirement benefits, investment issues, pension funding, actuarial valuation, and fiduciary duty.

### **Advanced Course in Retirement Plan Administration**

This course is intended for the staff of CALAPRS member retirement systems and is the third course in the three-part Retirement Plan Administration series. It is an excellent follow-up for those who have attended the Overview and Intermediate Courses previously. It is generally held on a Wednesday through Friday in late November or December and topics typically covered include: interpretation of the PEPRA, California pension funding assumptions, politics and legislation, the future of IT, measuring quality performance, understanding DC plans, CAFR, actuary 101, and the role of trustees.

### **Administrators' Institute**

The CALAPRS Administrators' Institute is an educational opportunity for member Retirement System Administrators / CEOs / Executive Directors and their Assistant Directors. The program is typically held in late September on a Wednesday evening through Friday mid-day. Each year the agenda is developed by a planning committee commissioned by the CALAPRS Board of Directors.

### **Round Tables**

CALAPRS hosts Round Tables throughout the year to allow staff and trustees from California retirement systems to learn from each other and discuss timely topics of interest to the various roles. The discussion agendas for each meeting are coordinated by volunteer chairs, or co-chairs, from the group and are typically selected at the end of the prior meeting. Round tables are held for the following groups: Accountants • Administrative Assistants • Administrators • Attorneys • Benefits • Communications • Information Technology • Investment Officers • Trustees

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#### **FOR MORE INFORMATION, CONTACT: CALAPRS**

575 Market Street, Suite 2125, San Francisco, CA 94105

Phone: 415-764-4860 or Toll-Free: 1-800-RETIRE-0

www.calaprs.org | Email: [info@calaprs.org](mailto:info@calaprs.org)

**1-11**

## Memorandum

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**DATE:** March 18, 2019  
**TO:** Members of the Board of Retirement  
**FROM:** Steve Delaney, Chief Executive Officer  
**SUBJECT:** COALITION TO PRESERVE RETIREMENT SECURITY – CONFERENCE REPORT

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### Written Report

#### Background/Discussion

Seven states have voluntarily elected to remain outside of the Social Security benefits program for their public employees. California is one of those states. In lieu of Social Security, public employers such as the County of Orange have crafted retirement benefits that will generally fill that void.

There are however some who have argued in past years that in order to best maintain the financial soundness of current Social Security benefits, federal legislation should be introduced to mandate Social Security coverage for all public employers.

Mandating Social Security coverage could financially destabilize public employers by imposing a significant additional cost in employee benefit coverage.

The Coalition to Preserve Retirement Security (CPRS) was formed as a voluntary association of public employers without Social Security coverage, with the goal of opposing mandatory coverage. CPRS “is the leading voice and preeminent organization in Washington, D.C. dedicated to opposing efforts to force public employers and their workers to participate in the Social Security Program. CPRS members include major public employee retirement systems and national, state and local employee, employer, and retiree organizations. Our mission is to protect the current structure of public sector retirement plans.” (From the CPRS website.)

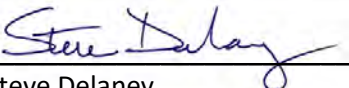
While in Washington D.C. on February 25 for the National Association of Retirement System Administrators (NASRA) winter conference, I also had opportunity to attend the one hour conference briefing provided by CPRS as to the current status of Social Security-related legislation.

With both the Democratic and Republican executive staff of the House Ways and Means Subcommittee on Social Security presenting, we heard very clearly that there is no current effort underway this session to pursue mandatory coverage. The executive team of CPRS asked if they should be at the capitol continuing to make the argument against any future consideration of mandatory coverage, and both committee representatives were forceful in their response that CPRS not undertake that effort at this time. Their reasoning was that no one had raised the issue in this current session, so it was best to not even put the topic on the table, even if only for educational purposes.

The Chair of CPRS noted to the group assembled that they could take pride in the fact that no individual or group is presently pursuing mandatory coverage, asserting that was likely due to the fact that CPRS presents an organized and informed opposition group to such a concept.

At the turn of the millennium OCERS was a dues-paying member of CPRS, at a time when there was active discussion of possible mandatory coverage. As the immediacy of that threat passed, OCERS withdrew, though I have continued to attend the annual conference in order to receive these updates. That being said, I have to acknowledge the fact that CPRS is organized, and does a good job acting as a watchdog to an issue that could cause true financial harm to our employer participants were it to ever pass. For that reason I believe it is time for OCERS to consider once again actively participating with CPRS, paying our fair share in the effort to oppose mandatory Social Security coverage. I will confer with legal counsel to ensure that participation is not contrary to our fiduciary duty to this fund, and discuss with the OCERS Board of Retirement this fall as we prepare the 2020 annual budget.

**Submitted by:**



Steve Delaney  
Chief Executive Officer