

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

**REGULAR MEETING
Monday, May 18, 2020
9:30 A.M.**

Pursuant to Executive Order N-29-20, certain provisions of the Brown Act are suspended due to a State of Emergency in response to the COVID-19 pandemic. Consistent with the Executive Order, this meeting will be conducted by video/teleconference only. None of the locations from which the Board members will participate will be open to the public.

Members of the public who wish to observe and/or participate in the meeting may do so via the Zoom app or via telephone. Members of the public who wish to provide comment during the meeting may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad.

OCERS Zoom Video/Teleconference information	
<p>Join Using Zoom App (Video & Audio)</p> <p>https://ocers.zoom.us/j/94737866465</p> <p>Meeting ID: 947 3786 6465 Password: 743725</p> <p>Go to https://www.zoom.us/download to download Zoom app before meeting Go to https://zoom.us to connect online using any browser.</p>	<p>Join by Telephone (Audio Only)</p> <p>Dial by your location</p> <ul style="list-style-type: none"> +1 669 900 6833 US (San Jose) +1 346 248 7799 US (Houston) +1 253 215 8782 US +1 301 715 8592 US +1 312 626 6799 US (Chicago) +1 929 436 2866 US (New York) <p>Meeting ID: 947 3786 6465 Password: 743725</p>
<p>A Zoom Meeting Participant Guide is available on OCERS website Board & Committee meetings page</p>	

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.

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. Members of the public who wish to provide comment at this time may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad. 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.

- Richard Graf
- Joseph Hunt

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes

April 20, 2020

Recommendation: Approve minutes.

C-3 OUTCOMES OF THE AUDIT COMMITTEE MEETING ON APRIL 20, 2020

Recommendation: The Audit Committee recommends that the Board adopt the revisions to the Ethics, Compliance, and Fraud Hotline Policy.

CONSENT ITEMS: DISABILITY/MEMBER BENEFITS AGENDA

9:30 AM

AGENDA

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 ITEMS

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: SUSAN HARKINS
Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 5, 2017. (General Member)

DC-2: MARK RODRIGUEZ
Fire Apparatus Engineer, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of December 14, 2018. (Safety Member)

DC-3: DAVID TALBERT
Fire Captain, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of April 15, 2019. (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 – LORRAINE DELFIN

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 March 18, 2020 (Recommendations), and require the Member to repay the amount of \$17,273.66, which is the difference in the amount by which the Member funded her pension and the amount which the Member was required by statute to fund her pension.

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

Recommendation: Staff recommends that 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 March 23, 2020 (Recommendations), and deny the Applicant’s application for disability retirement.

DA-4: BENEFIT APPEAL – ROBERT SZEWCZYK; JESSE OLLER; AND RODNEY MORIKAWA

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 March 26, 2020 (Recommendations), and find that the Applicants’ pay, earned working a half hour extension of each regularly scheduled work shift at the Correctional Medical Services (“CMS”) Unit at the Anaheim Global Medical Center of the Theo Lacey Facility, is properly excluded by OCERS from “compensation earnable,” as defined in California Government Code Section 31461, because the half hour extension is “overtime” that is not worked by other members in the same grade and class as the Applicants.

OPEN SESSION

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. Members of the public who wish to provide comment in connection with any matter listed in this agenda may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9, at the time the item is called.

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

INFORMATION ITEMS

I-1 MEMBER MATERIALS DISTRIBUTED

Written Report

Application Notices

May 18, 2020

Death Notices

May 18, 2020

I-2 COMMITTEE MEETING MINUTES

- Audit Committee Minutes – January 13, 2020

I-3 CEO FUTURE AGENDAS AND 2020 OCERS BOARD WORK PLAN

Written Report

I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS

Written Report

I-5 BOARD COMMUNICATIONS

Written Report

I-6 STATE AND FEDERAL LEGISLATIVE UPDATE

Written Report

I-7 FIRST QUARTER 2020 BUDGET TO ACTUALS REPORT

Written Report

I-8 FIRST QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED MARCH 31, 2020

Written Report

I-9 PRELIMINARY DECEMBER 31, 2019 ACTUARIAL VALUATION

Presentation by Paul Angelo, Senior Vice President, Actuary, Segal Consulting

I-10 COVID-19 UPDATE

Presentation by Steve Delaney, Chief Executive Officer, OCERS

I-11 OCERS HQ BUILDING

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

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

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

May 27, 2020

9:30 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

AUDIT COMMITTEE MEETING

June 4, 2020

9:00 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

GOVERNANCE COMMITTEE MEETING

June 9, 2020

9:00 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

DISABILITY COMMITTEE MEETING

June 15, 2020

8:30 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

REGULAR BOARD MEETING

June 15, 2020

9:30 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

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

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



Memorandum

DATE: May 18, 2020
TO: Members of the Board of Retirement
FROM: Adina Bercaru, Member Services Manager
SUBJECT: **OPTION 4 RETIREMENT ELECTION – RICHARD GRAF**

Recommendation

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

Background/Discussion

This member elected Option 4 as the benefit payment option for his service retirement allowance as required by his Domestic Relations Order (DRO), effective March 5, 2020. The Orange County Employees Retirement System (OCERS) was joined in the member’s dissolution of marriage and under the terms of the 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



Memorandum

DATE: May 18, 2020
TO: Members of the Board of Retirement
FROM: Adina Bercaru, Member Services Manager
SUBJECT: **OPTION 4 RETIREMENT ELECTION – JOSEPH HUNT**

Recommendation

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

Background/Discussion

This member elected Option 4 as the benefit payment option for his service retirement allowance as required by his Domestic Relations Order (DRO), effective March 27, 2020. The Orange County Employees Retirement System (OCERS) was joined in the member’s dissolution of marriage and under the terms of the 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

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

**REGULAR MEETING
Monday, April 20, 2020
9:30 a.m.**

MINUTES

Chair Hilton called the meeting to order at 9:34 a.m.

Attendance was as follows:

Present via Zoom video teleconference pursuant to Executive Order N-29-20 issued by Governor Newsom on March 17, 2020:

Roger Hilton, Chair; Shawn Dewane, Vice-Chair; Frank Eley, Shari Freidenrich, Chris Prevatt, Jeremy Vallone, Adele Tagaloo, Charles Packard, Wayne Lindholm and Arthur Hidalgo

Also Present via Zoom:

Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, General Counsel; Jenny Sadoski, Director of Information Technology, Anthony Beltran, Visual Technician; Cammy Torres; Recording Secretary

Guests via Zoom:

Harvey Leiderman, ReedSmith

CONSENT AGENDA

MOTION by Packard, **seconded** by Tagaloo, to approve staff's recommendation on all of the following items on the Consent Agenda:

BENEFITS

C-1 OPTION 4 RETIREMENT ELECTION

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

- (1) John Sprague
- (2) Lani Gervaise
- (3) Arlene Lovelace
- (4) Norman Valinches
- (5) Fernando Salas

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes

March 16, 2020

Recommendation: Approve minutes.

C-3 OUTCOMES OF THE GOVERNANCE COMMITTEE MEETING ON MARCH 13, 2020

Recommendation: The Governance Committee recommends that the Board:

- (1) Adopt revisions to the Governance Committee Charter, as approved by the Committee on March 13, 2020;
- (2) Adopt revisions to the Planning Policy, as approved by the Committee on March 13, 2020;
- (3) Adopt revisions to the SACRS Voting Delegate Policy, as approved by the Committee on March 13, 2020;
- (4) Adopt revisions to the Quiet Period Policy, as approved by the Committee on March 13, 2020;
- (5) Adopt revisions to the Budget Approval Policy, as approved by the Committee on March 13, 2020;
- (6) Adopt revisions to the Communications Policy, as approved by the Committee on March 13, 2020;
- (7) Adopt revisions to the Public Records Request Policy, including incorporating into the policy provisions of the Data Request Policy, and renaming the policy as the Public Records and Data Request Policy, as approved by the Committee on March 13, 2020; and
- (8) Rescind the Data Request Policy.

The motion passed **unanimously** on a Roll Call vote.

DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA

OPEN SESSION

CONSENT AGENDA

MOTION by Dewane, **seconded** by Packard, to approve staff’s recommendation on all of the following items on the Disability/Appeals Consent Agenda:

DC-1: Christopher Brown
Fire Captain, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement pursuant to Government Code 31720.5 (Heart Presumption) with an effective date of March 29, 2019. (Safety Member)

DC-2: Robert Carpenter
Sergeant, Orange County Sheriff's Department

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

DC-3: David R. Chaffey
Fee Station Attendant, Orange County Waste and Recycling

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of January 4, 2019. (General Member)

DC-4: Steven Kircher
Firefighter, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 15, 2019. (Safety Member)

DC-5: Francis Price
Carpenter, Orange County Public Works

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of May 24, 2019. (General Member)

DC-6: Brian Sims
Sergeant, Orange County Sheriff's Department

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of January 17, 2020. (Safety Member)

DC-7: Tanisha Turner
Coach Operator, Orange County Transportation Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of December 27, 2015. (General Member)

DC-8: Frank Ybarra
Fire Apparatus Engineer, Orange County Fire Authority

Recommendation: The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 29, 2019. (Safety Member)

The motion passed **unanimously** on a Roll Call vote.

ACTION ITEMS

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

None.

A-2 RECOMMENDATION OF THE GOVERNANCE COMMITTEE REGARDING THE “18 BASIS POINTS TEST” FOR THE OCERS BUDGET PROCESS

Presentation by Brenda Shott, Assistant CEO, Internal Operations and Finance

Recommendation: The Governance Committee recommends that the Board approve discontinuing the practice of calculating and reporting the “18 basis points test” as part of the OCERS annual budget and quarterly budget to actual reporting.

Ms. Shott explained that the “18 basis points test” is no longer required by the CERL but has continued to be calculated by staff as a data point of interest for the Board. The Governance Committee agreed that since the test is not required for the decision making process, and it requires additional work for OCERS staff, the 18 basis points calculation should be discontinued.

MOTION by Eley, **seconded** by Packard, to approve discontinuing the practice of calculating and reporting the “18 basis points test” as part of the OCERS annual budget and quarterly budget to actual reporting.

Motion passed **unanimously** on a Roll Call vote.

A-3 SACRS BOARD OF DIRECTORS ELECTION 2020-2021 – DIRECTION TO OCERS’ VOTING DELEGATE

Presentation by Gina Ratto, General Counsel, OCERS

Recommendation: Consider the SACRS Nominating Committee’s recommended slate of candidates and the list of additional candidates interested in running for the election of SACRS Directors; and give direction to OCERS’ Voting Delegate and Alternate Delegates for the SACRS Board of Directors election to be held at the SACRS meeting on November 10-13, 2020.

Ms. Ratto presented the SACRS Nominating Committee’s recommended slate of candidates for the 2020-2021 SACRS Board of Directors, and also noted the additional candidates who were nominated but not included in the recommended slate.

MOTION by Eley, **seconded** by Packard, to direct OCERS’ Voting Delegate and Alternate Delegates to vote in favor of the SACRS Nominating Committee’s recommended slate of candidates for the SACRS Board of Directors election to be held at the SACRS meeting on November 10-13, 2020.

Motion passed **unanimously** on a Roll Call vote.

INFORMATION ITEMS

I-1 MEMBER MATERIALS DISTRIBUTED

Written Report

Application Notices

April 20, 2020

Death Notices

April 20, 2020

I-2 COMMITTEE MEETING MINUTES

- Governance Committee Minutes – November 7, 2019

I-3 CEO FUTURE AGENDAS AND 2020 OCERS BOARD WORK PLAN

Written Report

I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS

Written Report

I-5 BOARD COMMUNICATIONS

Written Report

I-6 STATE AND FEDERAL LEGISLATIVE UPDATE

Written Report

I-7 FIRST QUARTER 2020 TRAVEL AND TRAINING EXPENSE REPORT

Written Report

I-8 GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Written Report

Chair Hilton pulled item I-8.

Chair Hilton and Ms. Shott thanked staff for their dedicated work and excellence in financial reporting and on receiving the GFOA award for another year.

I-9 2020 AMERICAN ADVERTISING BRONZE AWARD FOR THE 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Written Report

Chair Hilton pulled item I-9.

Chair Hilton, Ms. Freidenrich and Ms. Shott thanked staff for their excellent work on the CAFR and congratulated staff on receiving the Bronze award.

I-10 COVID-19 UPDATE

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Mr. Delaney presented the COVID-19 updates. He stated that on Monday, March 16, 2020 he spoke to the Board about the OCERS plan to practice remote work by going out on Wednesday, March 18 and returning on March 19 for a debrief. However, time and circumstances rapidly changed. On March 18, all OCERS staff worked remotely. On Thursday, March 19 the majority of OCERS staff remained out working remotely with the exception of a small skeleton crew together with one senior executive present. At that time OCERS staff was updated that remote work would continue until Friday, April 3rd with a review of any date change every two weeks. The OCERS office was also closed to the public indefinitely using guidance from the CDC, the Governor's Office and the County of Orange. Remote work was later pushed out further until Friday, May 1.

Thursday, April 23, OCERS management will review moving that date out yet again to May 15. These bi-weekly reviews will allow time for a full building cleaning prior to returning to the office.

Staff was allowed to check out chairs, monitors, and mouse cables to better equip them in working from home and half the staff have done so. Mr. Delaney has also completed welfare calls to all staff members and the investment department has been busy making calls and checking on managers. Management also focused on communication as much as possible. Posting to the website, sending letters to retirees, OCERS Informational meetings by conference call with Labor groups, employers and contract city representative are some of the examples that occurred these past few weeks.

Jon Gossard gave a brief background on OCERS' continuity program and specific actions taken during this pandemic.

"The OCERS business continuity program is built on ISO 22301 best practices to address losses of facility, personnel, technology and/or suppliers with the ultimate aim of making OCERS a resilient organization.

Our recovery plans offer a high-level decision-making framework which are intentionally adaptable to various scenarios and situations to offer the best chance of success at continuing operations and recovering over time.

Our business continuity program was rebooted, if you will, in 2015 and we've since conducted seven exercises in the intervening years, including a pandemic scenario in July 2018, always with two goals in mind: one, repeatedly familiarizing our team with the operations of the program and two, identifying improvements to the program.

A core component of our business continuity program is the Crisis Management Team, or CMT, which consists of our Senior Executives and representatives from a cross-section of OCERS operations. The principle purpose of the CMT is to ensure that OCERS continues operations in spite of situations such as we face today.

As news of the COVID-19 pandemic began to gather steam, our CMT met on March 5th to discuss the potential impacts to OCERS. By March 16th, we began to meet daily by teleconference, eventually activating our crisis management plan the afternoon of March 19th. That very evening, Governor Newsom issued the statewide stay-at-home order.

As an aside, I'd like to acknowledge the incredible effort of our IT team. Due to their tireless work, fully 95 percent of our staff was actively working from home by Friday, March 20. Really amazing work by that team.

Through April 2nd, the CMT held daily calls to keep our finger on the pulse as we navigated through this unprecedented situation. As it became clear that our work-from-home efforts were resulting in the desired continuity of operations, we have since moved to a twice-a-week schedule while continually evaluating needs.

Our CMT meetings follow a standard agenda, reviewing current statistics and guidance around the COVID-19 pandemic, ensuring action items are being addressed, and, what is really the heart of our meetings, receiving status reports from our department recovery teams. These reports allow all of us to ensure we are pulling in the same direction and addressing any impediments to recovery. Our CMT meetings also allow our team to brainstorm on issues such as our ultimate return to the office and all of the questions that that entails. Those are questions we have begun asking already.

As you well know, our primary mission at OCERS is the issuance of monthly retiree payroll and this focus is reflected in our recovery plans; everything is geared towards the continuance of payroll activities and we expect to meet that responsibility successfully.”

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

BOARD MEMBER COMMENTS

N/A

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Ms. Murphy gave a brief overview on OCERS investments to date.

COUNSEL COMMENTS

Mr. Leiderman gave an update on the vested rights case that will be argued before the California Supreme Court on May 5, 2020.

The meeting **ADJOURNED** at 10:26 a.m. in memory of the active members, retired members, and surviving spouses who passed away during the past month.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Board

Roger Hilton
Chairman



Memorandum

DATE: May 18, 2020
TO: Members of the Board
FROM: David Kim, Director of Internal Audit
SUBJECT: **OUTCOMES OF THE AUDIT COMMITTEE MEETING ON APRIL 20, 2020 MEETING – TRIENNIAL REVIEW OF THE ETHICS, COMPLIANCE, AND FRAUD HOTLINE POLICY**

Recommendation

The Audit Committee recommends that the Board of Retirement approve the revisions to the *Ethics, Compliance, and Fraud Hotline Policy*.

Background/Discussion

The Audit Committee met on April 20, 2020 and performed the triennial review of the existing Board policy, the *Ethics, Compliance and Fraud Hotline Policy*.

The purpose of the *Ethics, Compliance and Fraud Hotline Policy* is to establish a policy for conducting an investigation when a report is made through the Fraud Hotline. The recommended revisions to the *Ethics, Compliance and Fraud Hotline Policy* include:

- Update the definition of fraud as defined by the Association of Certified Fraud Examiners.
- Add wording to reference the use of the Protocol for Handling Workplace Complaints Against Board Members and Executives Policy when appropriate.
- Clarify the communication to the Audit Committee and the Audit Committee Chair regarding the results of an investigation.
- Update the wording regarding confidentiality to be consistent with the Protocol for Handling Workplace Complaints Against Board Members and Executives Policy.

The Committee supports the changes to the existing *Policy*.

Submitted by:



DK-Approved

David Kim
Director of Internal Audit



OCERS Board Policy Ethics, Compliance, and Fraud Hotline

Purpose and Background

1. The OCERS Ethics, Compliance, and Fraud Hotline (the Hotline) was established in October 2012 to aid management in the detection of activities that are unethical, fraudulent, or not in compliance with the policies of OCERS. The Hotline facilitates anonymous reporting by employees, contractors, members, and the general public to report concerns about potential misconduct or inappropriate activities, including but not limited to, harassment, conflict of interest, violation of policy, fraud, and waste of resources.
2. The Hotline reinforces OCERS efforts to ensure transparency, accountability, fairness, and integrity in the workplace.

Policy Objectives

3. The purpose of this document is to establish a policy for conducting an investigation when a report of potential misconduct or inappropriate activity is made through the Hotline, and for assigning responsibility for taking appropriate actions as a result of the investigation. Workplace complaints against members of the Board or OCERS executive staff are not covered under this policy. Workplace complaints are instead handled under the Protocol for Handling Workplace Complaints Against Board Members and Executives Policy.

Policy Guidelines

4. OCERS management is responsible for the implementation of procedures and controls designed to prevent and detect fraud, misappropriations, deception, wrongdoing, and other inappropriate conduct. Fraud is defined by the Association of Certified Fraud Examiners as a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment~~any intentional act to deprive another of property or money by acts of guile, deception, or other unfair means.~~ Fraud can include conflict of interest, theft, or breach of fiduciary duty. Each member of the OCERS management team must be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.
5. All allegations of potential misconduct or inappropriate activity raised by any source will be taken seriously and properly investigated. Retaliation against anyone who reports suspected misconduct or inappropriate activity will not be tolerated.
6. OCERS Director of Internal Audit will be responsible for conducting an investigation as a result of a report being filed on the Hotline. The investigation will be conducted without regard to the alleged wrongdoer's length of service, position, title, or relationship with OCERS.
7. If an accusation is made against the Director of Internal Audit, then the Director of Internal Audit or Internal Auditor, as appropriate, will inform the Chief Executive Officer, who will then be responsible for directing an investigation.



OCERS Board Policy Ethics, Compliance, and Fraud Hotline

8. Depending on the nature of the complaint, some investigations regarding human resources matters such as matters related to performance appraisals or harassment may be turned over to the Manager of Administrative Services. Internal Audit may also seek the assistance of Legal or other informed parties in conducting an investigation.

9. ~~Except as provided in Section 10, below, the~~ Chief Executive Officer will make the final determination regarding action to be taken ~~against the accused individual~~ upon completion of the investigation.

~~10. In some cases, the final report of the outcome of an investigation may be submitted to t~~The Audit Committee or Chair of the Audit Committee will make the final determination regarding action to be taken upon completion of the investigation where:

~~a. may occur if an~~the accusation ~~is has been~~ against ~~a member of OCERS Senior~~ Executive management;

~~b. or if~~ the results of an investigation indicate criminal acts have occurred; or

~~a-c.~~ there are high-level policy implications resulting from an investigation. ~~The Audit Committee will make the determination for corrective action, if any, as it deems appropriate.~~

~~10-11.~~ If a report to the hotline indicates that illegal acts may have been committed, Internal Audit will refer those reports to the appropriate law enforcement agency or the district attorney. If a report to the hotline indicates that a violation of the Political Reform Act has occurred, such as a conflict of interest, illegal acceptance of gifts or honorarium, or restrictions on activities of former investment officials, then Internal Audit will refer the report to the California Fair Political Practices Commission (FPPC).

~~12.~~ The final outcome of all investigations will be reviewed with the Chair of the Audit Committee and a summary will be submitted to the Audit Committee unless deemed confidential by the Director of Internal Audit in consultation with the Chief Executive Officer, the Chair of the Audit Committee and Legal Counsel.

~~11-13.~~ The identities of the complainant and the subject of the complaint will remain confidential to the fullest extent possible, consistent with the law and customary practice~~OCERS will maintain the confidentiality, to the extent that it is legally possible, of any individual reporting any detected or suspected fraudulent activity, ethics violations, or compliance failures.~~

Policy Review

~~12-14.~~ This policy will be reviewed every three years.

Policy History

~~13-15.~~ The Board adopted this policy on June 06, 2013, and amended on January 1, 2017 and April 20, 2020.

Commented [MD1]: Will this be a written summary of the investigation or only a verbal summary at a committee meeting?

Commented [KD2R1]: Usually written



OCERS Board Policy Ethics, Compliance, and Fraud Hotline

Secretary's Certificate

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

Steve Delaney
Secretary of the Board

4/20/2020

Date

Formatted Table



OCERS Board Policy

Ethics, Compliance, and Fraud Hotline

Purpose and Background

1. The OCERS Ethics, Compliance, and Fraud Hotline (the Hotline) was established in October 2012 to aid management in the detection of activities that are unethical, fraudulent, or not in compliance with the policies of OCERS. The Hotline facilitates anonymous reporting by employees, contractors, members, and the general public to report concerns about potential misconduct or inappropriate activities, including but not limited to, harassment, conflict of interest, violation of policy, fraud, and waste of resources.
2. The Hotline reinforces OCERS efforts to ensure transparency, accountability, fairness, and integrity in the workplace.

Policy Objectives

3. The purpose of this document is to establish a policy for conducting an investigation when a report of potential misconduct or inappropriate activity is made through the Hotline, and for assigning responsibility for taking appropriate actions as a result of the investigation. Workplace complaints against members of the Board or OCERS executive staff are not covered under this policy. Workplace complaints are instead handled under the Protocol for Handling Workplace Complaints Against Board Members and Executives Policy.

Policy Guidelines

4. OCERS management is responsible for the implementation of procedures and controls designed to prevent and detect fraud, misappropriations, deception, wrongdoing, and other inappropriate conduct. Fraud is defined by the Association of Certified Fraud Examiners as a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. Fraud can include conflict of interest, theft, or breach of fiduciary duty. Each member of the OCERS management team must be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.
5. All allegations of potential misconduct or inappropriate activity raised by any source will be taken seriously and properly investigated. Retaliation against anyone who reports suspected misconduct or inappropriate activity will not be tolerated.
6. OCERS Director of Internal Audit will be responsible for conducting an investigation as a result of a report being filed on the Hotline. The investigation will be conducted without regard to the alleged wrongdoer's length of service, position, title, or relationship with OCERS.
7. If an accusation is made against the Director of Internal Audit, then the Director of Internal Audit or Internal Auditor, as appropriate, will inform the Chief Executive Officer, who will then be responsible for directing an investigation.
8. Depending on the nature of the complaint, some investigations regarding human resources matters such as matters related to performance appraisals or harassment may be turned over to



OCERS Board Policy Ethics, Compliance, and Fraud Hotline

the Manager of Administrative Services. Internal Audit may also seek the assistance of Legal or other informed parties in conducting an investigation.

9. Except as provided in Section 10, below, the Chief Executive Officer will make the final determination regarding action to be taken upon completion of the investigation.
10. The Audit Committee or Chair of the Audit Committee will make the final determination regarding action to be taken upon completion of the investigation where:
 - a. the accusation is against a member of OCERS Senior Executive management;
 - b. the results of an investigation indicate criminal acts have occurred; or
 - c. there are high-level policy implications resulting from an investigation.
11. If a report to the hotline indicates that illegal acts may have been committed, Internal Audit will refer those reports to the appropriate law enforcement agency or the district attorney. If a report to the hotline indicates that a violation of the Political Reform Act has occurred, such as a conflict of interest, illegal acceptance of gifts or honorarium, or restrictions on activities of former investment officials, then Internal Audit will refer the report to the California Fair Political Practices Commission (FPPC).
12. The final outcome of all investigations will be reviewed with the Chair of the Audit Committee and a summary will be submitted to the Audit Committee unless deemed confidential by the Director of Internal Audit in consultation with the Chief Executive Officer, the Chair of the Audit Committee and Legal Counsel.
13. The identities of the complainant and the subject of the complaint will remain confidential to the fullest extent possible, consistent with the law and customary practice.

Policy Review

14. This policy will be reviewed every three years.

Policy History

15. The Board adopted this policy on June 06, 2013, and amended on January 1, 2017 and April 20, 2020.

Secretary's Certificate

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

Steve Delaney
Secretary of the Board

4/20/2020

Date

*Orange County Employees Retirement System
Retirement Board Meeting
May 18, 2020
Application Notices*

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Alonso, Wayne	Probation	12/27/2019
Alvarez, Raul	Sheriff's Dept	3/13/2020
Anderson, Donald	Probation	3/13/2020
Anthony, Joey	County Clerk/Recorder	3/13/2020
Ariston, Emilio	Sanitation District	3/11/2020
Au, Duc	Child Support Services	3/13/2020
Baldwin, Guadalupe	Probation	3/13/2020
Baquedano, Jorge	Social Services Agency	3/13/2020
Barrett, Mary	Social Services Agency	3/13/2020
Bayle, Theresa	Superior Court	3/13/2020
Beroa, Sophia	Superior Court	3/27/2020
Betzler, Lavinia	Sheriff's Dept	2/28/2020
Blackburn, Eugenia	Sheriff's Dept	3/13/2020
Bluntach, Cynthia	Superior Court	3/13/2020
Bolton, Matthew	Probation	3/20/2020
Bommarito, Anthony	Fire Authority (OCFA)	2/28/2020
Borchardt, Catherine	Sheriff's Dept	3/13/2020
Bravata, Vincent	Sheriff's Dept	2/28/2020
Brenner, Mark	Fire Authority (OCFA)	3/13/2020
Broch, David	Fire Authority (OCFA)	3/10/2020
Brown, Zenette	Probation	3/19/2020
Browne, Gwendolyn	Social Services Agency	3/13/2020
Browning, Sam	OCERS	3/4/2020
Buften, John	John Wayne Airport	3/13/2020
Burns, Barbara	Superior Court	3/13/2020
Burrue, Edward	Sheriff's Dept	3/13/2020
Callahan, Hope	District Attorney	3/13/2020
Carbone, Mary	District Attorney	2/28/2020
Cardenas, Frank	District Attorney	3/13/2020
Carpenter, Todd	Sheriff's Dept	3/13/2020
Carrillo, Judith	Auditor Controller	3/13/2020
Cervantes, Jessica	Child Support Services	3/13/2020
Chang, Diane	Health Care Agency	3/13/2020
Chappell, Richard	Sanitation District	2/28/2020
Chau, Xuan	Health Care Agency	3/13/2020
Chopra, Jaquish	Health Care Agency	3/13/2020
Clark-Holmes, Pamela	Probation	3/13/2020
Cofield, Carolyn	Probation	3/13/2020
Copete, Ysabel	Social Services Agency	3/13/2020
Corp, Jeffrey	Probation	3/13/2020
Corral, Consuelo	Probation	3/13/2020
Cross, Debra	Health Care Agency	3/13/2020
Dale, Richard	Health Care Agency	3/13/2020
Daniel, Toni	Social Services Agency	3/13/2020
Davila, Sulema	Child Support Services	3/3/2020
De Rose, Lanny	Probation	3/13/2020
Decker, Teresa	Superior Court	3/13/2020
Dennis, Patrick	Superior Court	3/13/2020
Dixon, Steven	Social Services Agency	3/4/2020

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Doesburg, Susan	Sheriff's Dept	3/20/2020
Duda, Michael	Sheriff's Dept	3/13/2020
Dudevoir, Linda	Superior Court	3/13/2020
Duran, Carey	Probation	3/13/2020
Escutia, Juan	OCWR	3/13/2020
Estrada, Dolores	Health Care Agency	3/13/2020
Eusebio, Edna	Sheriff's Dept	3/13/2020
Farias, Carmen	Child Support Services	3/13/2020
Ferrante, Joseph	Sheriff's Dept	3/13/2020
Firicano-Cogbill, Lisa	Superior Court	2/27/2020
Fogleman, Ronald	OC Public Works	3/13/2020
Fouste, James	Sheriff's Dept	3/13/2020
Fowler, Keith	Sheriff's Dept	3/13/2020
Frausto, Janet	Superior Court	3/13/2020
Gallardo, Esther	Social Services Agency	3/13/2020
Ganey, Susanna	Health Care Agency	3/20/2020
Garcia, Teresa	Superior Court	3/27/2020
Garza, Donna	Social Services Agency	3/13/2020
Gervaise, Lani	Probation	2/28/2020
Geske, Vivian	Superior Court	3/13/2020
Gingrich, Douglas	Probation	3/13/2020
Godinez, David	Probation	3/13/2020
Gray, Byron	Sheriff's Dept	3/13/2020
Guerrero, Eva	Social Services Agency	3/13/2020
Guzman, Elmer	OC Public Works	3/13/2020
Hamchuk, Gary	Sheriff's Dept	3/13/2020
Hanania, Linda	Social Services Agency	3/13/2020
Hendrix, Laura	City of San Juan Capistrano	3/9/2020
Henninge, William	Sheriff's Dept	3/13/2020
Heraz, Hilda	Child Support Services	3/13/2020
Herczeg, Michael	Sheriff's Dept	3/13/2020
Hernandez, Edna	OCTA	3/11/2020
Herzog, Mary	Health Care Agency	3/5/2020
Howard, Kim	Superior Court	3/13/2020
Hughes, Merida	Health Care Agency	3/3/2020
Hunt, Robert	Sheriff's Dept	10/11/2019
Ilisastiqui, Adrian	OCTA	2/25/2020
Jefferson, Donna	Social Services Agency	3/13/2020
Jones, Virl	Sheriff's Dept	3/13/2020
Keltner, Brian	Sheriff's Dept	2/27/2020
Kopp, Daniel	Superior Court	3/27/2020
Krzysiak, Paul	Sanitation District	3/6/2020
Kumar, Bhartti	Social Services Agency	3/13/2020
Lange, Maria	Probation	3/13/2020
Larsen, Eric	Sheriff's Dept	3/13/2020
Lee, Karen	Superior Court	3/13/2020
Lewis, Katherine	Superior Court	3/18/2020
Lewis, Susan	District Attorney	3/13/2020
Liu, Yin-Ying	Health Care Agency	3/13/2020
Lloyd, Michelle	Public Defender	3/13/2020
Loera, Mauro	Sheriff's Dept	3/13/2020
Lovelace, Arlene	Sheriff's Dept	3/11/2020
Ly, Hung	District Attorney	3/13/2020
Mahboubian, Katayoun	City of San Juan Capistrano	4/1/2020
Manacmul, Mario	Health Care Agency	3/13/2020
Manchester, Jeffrey	Sheriff's Dept	3/13/2020
Manzo, Marylou	Sheriff's Dept	3/13/2020

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Melesko, Dionizia	Sheriff's Dept	3/13/2020
Merida, Toishe	OCERS	3/27/2020
Metchnikoff, Joy	Social Services Agency	3/13/2020
Middlekauff, Jason	Sheriff's Dept	3/13/2020
Minion, Cheryl	OCTA	3/7/2020
Mitchell, David	Sheriff's Dept	3/13/2020
Mooney, Valerie	Probation	3/13/2020
Mora, Edwin	Sheriff's Dept	3/25/2020
Morales, Susan	Clerk of the Board	3/13/2020
Muir, Jon	Fire Authority (OCFA)	3/6/2020
Mullins, James	Sanitation District	3/13/2020
Munoz, Armida	OC Public Works	3/13/2020
Nazaar, Armond	Probation	3/13/2020
Nguyen, Denise	Social Services Agency	3/13/2020
Nguyen, Lan	Social Services Agency	3/13/2020
Nottke, Jeffrey	Health Care Agency	3/13/2020
Ohanesian, J-Treme	OC Public Works	3/13/2020
Ortega, Corina	Social Services Agency	3/13/2020
Ortega, Hugo	County Executive Office (CEO)	3/13/2020
Ortiz, Bryan	Superior Court	3/9/2020
Parisi, Mary	OCTA	3/15/2020
Parra, Scott	OCTA	3/15/2020
Pena, Javier	County Executive Office (CEO)	3/20/2020
Pequeno, Roberto	Sheriff's Dept	3/13/2020
Perez, Roberta	Probation	3/13/2020
Peter, Carolyn	Probation	3/13/2020
Pham, Cheri	District Attorney	3/23/2020
Phipps, Debbie	OCTA	3/15/2020
Phipps, Kenneth	OCTA	3/15/2020
Quezada Luis	Social Services Agency	3/11/2020
Ralsten, David	Sheriff's Dept	3/13/2020
Ramirez, Frank	Probation	3/13/2020
Ramos, Maria	Superior Court	3/27/2020
Rathswohl, David	Social Services Agency	3/27/2020
Ray, Linnie	Sheriff's Dept	3/13/2020
Raya, Leticia	Superior Court	3/27/2020
Reese, Steven	Superior Court	3/20/2020
Reyburn, Sharon	Probation	3/13/2020
Reynolds, Alan	Health Care Agency	3/3/2020
Riahi-Sharifan, Minoo	OC Community Resources	3/13/2020
Rich-Fraser, Susie	Health Care Agency	3/13/2020
Rish, Velita	Child Support Services	3/13/2020
Rivera, Ruth	Health Care Agency	3/13/2020
Romo, Patricia	Transportation Corridor Agency (TCA)	3/22/2020
Ruiz, Anna	Probation	3/13/2020
Salas, Fernando	Fire Authority (OCFA)	3/13/2020
Saldana, Corrine	Superior Court	3/13/2020
Sanchez-Nunez, Joseph	Health Care Agency	3/18/2020
Savedra, Rosemary	Child Support Services	3/13/2020
Savosh, Inez	County Clerk/Recorder	3/4/2020
Scott, Brian	Sheriff's Dept	3/13/2020
Sigal, Mitchell	Sheriff's Dept	3/13/2020
Silva, Amanda	Transportation Corridor Agency (TCA)	3/1/2020
Silva, Rachel	Social Services Agency	3/13/2020
Simkins, James	OC Public Works	3/13/2020
Singh, Kamaljeet	Treasurer - Tax Collector	3/13/2020
Sloan, Wanda	Probation	3/13/2020

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Smith, Michael	City of San Juan Capistrano	2/29/2020
Smith, Sharon	Superior Court	3/13/2020
Songer, Jack	Sheriff's Dept	3/13/2020
Soria, Deborah	Probation	3/13/2020
Sorrells, Leslie	Auditor Controller	3/13/2020
Sponseller, James	OCTA	3/23/2020
Sprague, John	Sheriff's Dept	1/31/2020
Steenbergen, Karen	Sheriff's Dept	3/23/2020
Stwalley, Robert	OCTA	3/20/2020
Swafford, Paul	Social Services Agency	3/13/2020
Swain, Julie	Public Defender	3/20/2020
Ta, Tom	Probation	3/13/2020
Tam, Alan	OC Public Works	3/6/2020
Thomas, Bryan	Sheriff's Dept	3/13/2020
Thomas, Shane	Sheriff's Dept	3/13/2020
Tran, Veronique	Social Services Agency	3/13/2020
Trautman, Kenneth	Sheriff's Dept	3/27/2020
Trias, Prosanthy	Probation	3/13/2020
Valinches, Norman	Probation	3/13/2020
Vang, May	County Executive Office (CEO)	3/13/2020
Walker, William	Fire Authority (OCFA)	3/13/2020
Webb, Juliana	Sheriff's Dept	2/28/2020
Wehrl, Mark	Sheriff's Dept	1/17/2020
Whaley, Paula	County Counsel	3/15/2020
Wheeland, Lawrence	Probation	3/13/2020
Wikidal, Andreas	Fire Authority (OCFA)	3/7/2020
Wilkerson, Kirk	Sheriff's Dept	3/13/2020
Wilkie, Gina	Probation	2/28/2020
Williams, Teresa	Health Care Agency	3/13/2020
Wolfe, Steven	District Attorney	3/13/2020
Yan, Jack	County Executive Office (CEO)	3/13/2020
Yokoyama, Dean	Sanitation District	3/6/2020

*Orange County Employees Retirement
Retirement Board Meeting
May 18, 2020
Death Notices*

<i>Active Members</i>	<i>Agency/Employer</i>
Busch, Steve	OCTA
Martinez, Mark	OC Public Works
Simpleo, Garidel	District Attorney

<i>Retired Members</i>	<i>Agency/Employer</i>
Anderson, John	County Counsel
Ashiq, Brother	Health Care Agency
Banstorp, Sandra	Health Care Agency
Bracamontes, John	UCI
Brisson, Joanne	OCTA
Caley, Kenneth	Fire Authority (OCFA)
Coordt, Carl	Probation
Corsa, Joyce	OC Community Resources
Dickson, Glenn	Social Services Agency
Ericson-Schilling, Betty	OC Public Works
Ewan, Elizabeth	OC Public Works
Gamel, Ruth	Probation
Guerin, Patricia	UCI
Haslam, Sandy	OC Public Works
Herron, Robert	District Attorney
Iwata, Daniel	OC Community Resources
Jansen, Barbara	Sheriff's Dept
Manzano, Martha	Social Services Agency
Melin, Mary	Social Services Agency
Murphy, Charles	Fire Authority (OCFA)
Palmer, Ana	Assessor
Prescott, Harry	Auditor Controller
Rhea, Don	Sheriff's Dept
Ruiz, Richard	Social Services Agency
Stevens, David	Fire Authority (OCFA)
Tazoi, Norma	Health Care Agency
Waki, Teruko	Sheriff's Dept
Wyatt, Robert	OC Public Works

<i>Surviving Spouses</i>	
Ackerman, Bonnie	
Chamberlain, Wanda	
Martin, Tina	
Wiedenkeller, Doris	

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

**AUDIT COMMITTEE MEETING
January 13, 2020
9:00 a.m.**

MINUTES

OPEN SESSION

The Chair called the meeting to order at 9:06am.

Attendance was as follows:

Committee Members: Frank Eley, Chair; Charles Packard, Vice Chair; Shari Freidenrich

Staff: David Kim, Director of Internal Audit; Steve Delaney, Chief Executive Officer; Gina Ratto, General Counsel; Brenda Shott, Assistant CEO, Internal Operations; Mark Adviento, Internal Auditor; Sonal Sharma, Recording Secretary; Anthony Beltran, Audio Visual Technician.

PUBLIC COMMENT

None.

CONSENT AGENDA

C-1 APPROVE AUDIT COMMITTEE MINUTES

Audit Committee Meeting Minutes

November, 18, 2019

A **motion** was made by Packard, **seconded** by Freidenrich to approve the minutes.

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

A-2 REVIEW OF OCERS' AUDIT COMMITTEE CHARTER

Presentation by David Kim, Director of Internal Audit

Recommendation: Approve, and recommend that the Board approve, revisions to the Audit Committee Charter.

A **motion** was made by Freidenrich, **seconded** by Packard to approve, and recommend that the Board approve, revisions to the Audit Committee Charter.

A-3 REVIEW OF OCERS' INTERNAL AUDIT CHARTER

Presentation by David Kim, Director of Internal Audit

Audit Committee Meeting
January 13, 2020

Recommendation: Approve, and recommend that the Board approve, revisions to the Internal Audit Charter.

A **motion** was made by Freidenrich, **seconded** by Packard to approve, and recommend that the Board approve, revisions to the Internal Audit Charter.

A-4 REVIEW OF OCERS' ETHICS, COMPLIANCE, AND FRAUD HOTLINE POLICY

Presentation by David Kim, Director of Internal Audit

Recommendation: Approve, and recommend that the Board approve, revisions to the Ethics, Compliance, and Fraud Hotline Policy.

After discussion by the Committee, staff was directed to bring this item back to the Committee at a future meeting.

A-5 AUDIT OF BENEFIT AND LUMP SUM PAYMENT ACCOUNTING

Presentation by David Kim, Director of Internal Audit and Mark Adviento, Internal Auditor

Recommendation: Receive and file.

A **motion** was made by Packard, **seconded** by Freidenrich to receive and file.

A-6 INVESTMENT DIVISION CONSULTING ENGAGEMENT

Presentation by David Kim, Director of Internal Audit and Mark Adviento, Internal Auditor

Recommendation: Receive and file.

A **motion** was made by Packard, **seconded** by Freidenrich to receive and file.

A-7 PRIOR INTERNAL AUDIT MANAGEMENT ACTION PLAN VERIFICATION

Presentation by David Kim, Director of Internal Audit

Recommendation: Receive and file.

A **motion** was made by Packard, **seconded** by Freidenrich to receive and file.

A-8 CONSIDERATION OF 2020 RISK ASSESSMENT AND 2020 AUDIT PLAN

Presentation by David Kim, Director of Internal Audit and Mark Adviento, Internal Auditor

Recommendation: Approve the 2020 Risk Assessment and 2020 Audit Plan.

A **motion** was made by Packard, **seconded** by Freidenrich to approve the 2020 Risk Assessment and 2020 Audit Plan

INFORMATION ITEMS

I-1 OPERATIONAL RISK MANAGEMENT ANNUAL REPORT

Written Report

Audit Committee Meeting
January 13, 2020

I-2 2019 HOTLINE SUMMARY
Written Report

I-3 STATUS UPDATE OF 2019 AUDIT PLAN
Written Report

The Committee took a ten minute break.

The Committee recessed into Closed Session at 11:00am.

CLOSED SESSION

E-1. THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957)

Adjourn into Closed Session pursuant to Government Code section 54957 to consult with Steve Delaney, CEO, Brenda Shott, Asst. CEO; Matthew Eakin, Director of Information Security; Jenny Sadoski, Director of Information Technology; Jon Gossard, Information Security Manager; and Gina M. Ratto, General Counsel

Recommendation: Take appropriate action.

E-2. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (GOVERNMENT CODE §54957(b))
Title: Director of Internal Audit

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

Recommendation: Take appropriate action.

******* END OF CLOSED SESSION AGENDA *******

The Committee resumed into Open Session at 12:05pm.

The Chair reported no reportable action.

COMMITTEE MEMBER COMMENTS

None.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

None.

COUNSEL COMMENTS

None.

ADJOURNMENT

The Chair adjourned the meeting at 12:08pm.

Audit Committee Meeting
January 13, 2020

Submitted by:

Approved by:

Steve Delaney
Secretary to the Board

Frank Eley
Chair



Memorandum

DATE: May 18, 2020
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **CEO FUTURE AGENDAS AND 2020 OCERS BOARD WORK PLAN**

Written Report

AGENDA TOPICS FOR THE OCERS BOARD OF RETIREMENT

JUNE

December 31, 2019 Actuarial Valuation Final Approval
Strategic Planning Workshop Proposed Agenda
OCERS 2020 Business Plan and 2020-2022 Strategic Plan: Mid-Year Review

JULY

Travel and Training Expense Report
Strategic Planning Workshop – Final Agenda
Consideration of Early Payment of Employer Contributions For Fiscal Year 2021-2022
Segal Cost Projections

AUGUST

Second Quarter 2020 Budget To Actuals Report
OCERS By The Numbers (2020 Edition)
The Evolution Of The OCERS UAAL (2020 Edition)
Actuarial Experience Study 2017-2019
Employer & Employee Pension Cost Comparison

Submitted by:



SD - Approved

Steve Delaney
Chief Executive Officer

OCERS RETIREMENT BOARD - 2020 Work Plan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
System Oversight		STAR COLA Posting (I)	Approve 2020 STAR COLA (A)	SACRS Board of Directors Election (A)	Preliminary December 31, 2019 Valuation (I)	Mid-Year Review of 2020 Business Plan Progress (I)	Alt. Invest. Return and Assumption Sensitivity: 20-year Illustration (I)	Review 2nd Quarter Budget to Actuals Financial Report (I)	Strategic Planning Workshop (I)	Overview of 2021 Administrative Budget and Investment (Workshop) (I)	Review 3rd Quarter Budget to Actuals Financial Report (I)	
		Approve 2020 COLA (A)	Quarterly 2020-2022 Strategic Plan Review (A)			Approve December 31, 2019 Actuarial Valuation & Funded Status of OCERS (A)	Actuarial Review: Risk Assessment (I)	Receive OCERS by the Numbers (I)		Approve 2021-2023 Strategic Plan (A)	Approve 2021 Administrative (Operating) Budget (A)	
						Approve 2019 CAFR (A)	Approve Early Payment Rates for Fiscal Year 2019-20 (A)	Receive Evolution of the UAAL (I)		Approve 2021 Business Plan (A)	Annual CEO Performance Review and Compensation (A)	
						Quarterly 2020-2022 Strategic Plan Review (A)		Employer & Employee Pension Cost Comparison (I)				
									Approve Actuarial Experience Study 2017-2019 (A)		Adopt 2021 Board Meeting Calendar (A)	
Board Governance				Brown Act Training (I) - Future Date TBD					Annual Review of Succession Plan (I)			Adopt Annual Work Plan for 2021 (A)
				Conflict of Interest Training (I) - Future Date TBD							Vice-Chair Election (A)	
Regulation / Policies	Communication Policy Fact Sheet (I)											
Compliance				Form 700 Due (A)		Receive Financial Audit (I)			State of OCERS (I)		Status of Board Education Hours for 2020 (I)	

(A) = Action (I) = Information



Memorandum

DATE: May 4, 2020
TO: Members of the Board of Retirement
FROM: Jim Doezie, Contracts, Risk and Performance Administrator
SUBJECT: QUIET PERIOD – NON-INVESTMENT CONTRACTS

Written Report

Background/Discussion

1. **Quiet Period Policy Guidelines**

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

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

2. **Quiet Period Guidelines**

In addition, the following language is included in all distributed RFP's:

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

Distributed RFP's

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

- An RFP for a Board Room Audio/Visual Presentation System was distributed. Bids were received that are currently being evaluated. Vendor interviews are in progress.
- An RFP for additional Investment Counsel firm(s) was issued in March 2020. The need for this RFP is to get at least one additional Investment Counsel Firm (Attorney group) to handle the volume of investments that are being reviewed. OCERS received thirteen (13) bids that are currently being evaluated.
- An RFP for Investment Risk Management software was distributed in March 2020. We have received twelve (12) bids that are currently being evaluated.

Submitted by:

Jim Doezie
Contracts, Risk and Performance Administrator



Memorandum

DATE: May 18, 2020
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: BOARD COMMUNICATIONS

Written Report

Background/Discussion

To ensure that the public has free and open access to those items that could have bearing on the decisions of the Trustees of the Board of Retirement, the OCERS Board has directed that all written communications to the entire Board during the interim between regular Board meetings be included in a monthly communications summary.

News Links

The various news and informational articles that have been shared with the full Board are being provided to you here by web link address. By providing the links in this publicly available report, we comply with both the Brown Act public meeting requirements, as well as avoid any copyright issues.

The following news and informational item was provided by staff and the CEO for distribution to the entire Board:

Steve Delaney:

Email Communication: Friday, April 24, 2020

To the members of the OCERS Board of Retirement,

Earlier this week I had a very informative telephone conversation with someone well known to all of you, Ms. Michelle Aguirre, CFO for the County of Orange. At OCERS Vice Chair Dewane's request, I had written ahead and posed two questions to Ms. Aguirre:

1. Is the County aware of the need for smaller OCERS employers (OCTA, San Juan Capistrano as examples) who may need someone to speak up for them in order to get a slice of the federal CARES act funds?
2. Is the County being "forward thinking" in opening up the local economy as quickly as possible so governmental employers will have the revenue to pay their pension contributions

Not surprisingly, as we have seen for so many years now when she comes to present to the OCERS Board's annual Strategic Planning Workshop, Ms. Aguirre and her team were fully aware of both issues and have been doing what they can to advance both issues.

Earlier this week, the County was waiting for receipt of somewhere between \$530 and \$555 million from the Federal Economic Stimulus Package (CARES Act). The County was also waiting for guidance from Treasury on the allowable use of those funds as the original release of information was limited and use was very narrow. The funds can't go directly to pay for pensions, Congress is very wary of that, and in fact one of the restrictions is that they cannot be applied to costs that have already been budgeted. Much of it will go to cover COVID 19 expenditures to date (\$80 million), and anticipated testing (\$160 million).

Since my first conversation with Ms. Aguirre, the County received \$554M in CARES Act funds and the guidance on allowable uses from the Treasury.

The cities have been active in engaging the County on this topic, and have requested County assistance. Cities have the ability to submit claims to FEMA/CalOES for reimbursement of the majority of their costs for direct response to the COVID-19 emergency (city share would be 6.25%). However, the major concern for cities, as well as the County, is the loss of sales tax revenue. The guidance from Treasury does not allow for backfill of loss revenue from the \$554M. While this round of CARES Act funds does not provide the revenue backfill assistance they are seeking, CARES Act 4.0 is expected to include money for local governments; however, the eligible use of any funds is unknown. The County supports CARES Act 4.0, however, passage is not expected until the end of May.

Local governments are also waiting for release of the Governor's May Revise, in which Ms. Aguirre expects the Governor to scrap the prior proposed 2020-21 budget, and introduce a more drastic pared down budget. It is unknown if the Governor will provide any relief to local government in his May Revise.

Bottom line, the County is in active communication with the cities and other governmental entities in need of assistance, and though limited in what they can do, the County is doing its best to be supportive.

To the second issue, the Board of Supervisors has been very concerned about this same issue, and has established an "Economic Recovery Ad hoc Committee", with Supervisor Steele, Supervisor Wagner, and Lucy Dunn, known to many as the head of the OC Business Council, among those who have been appointed to that committee. The committee is now looking to hire a professional business consultant to guide their work, but fully understand the priority of this activity for the health of the County.

I thanked Ms. Aguirre for what she could share, knowing how busy she and her team happen to be at a time like this, and told her we would be looking forward to her next Strategic Planning presentation in September, in person or virtually, sure she will have quite the tale to tell.

As with any special request from Trustees, I am forwarding this response to all of you to ensure equal access.

If you have any comments, questions or concerns, please feel free to call me.

Email Communication: Friday, April 24, 2020

To the members of the OCERS of Retirement

As the week comes to a close I wanted to send a note to let you know all is well, and bring you up to speed on current status at OCERS.

A conference call today with Chair Hilton, Vice Chair Dewane and Immediate Past Chair Packard covered a number of general administrative updates, and they approved the proposed Board agenda for May 18.

Earlier this morning I let the OCERS staff know that in conjunction with Chair Hilton, I have determined to keep the building closed and mandate the continuation of our “work from home” through Friday, May 15. My note to the full staff with further detail follows:

“Good morning OCERS team –

As I shared with you on our weekly Wednesday team phone call (via Zoom for the first time, that was a fun opportunity to see many of you!), I posed to the Crisis Management Team a simple question late yesterday afternoon:

Was there any reason that I should NOT extend our current mandatory “work from home” program from its current Friday, May 1 end date, for yet another two weeks, ending then on Friday, May 15? The answer was clear – we should extend.

The health and well-being of each of you is this agency’s top priority! Neither Governor Newsom nor the County of Orange Department of Health have given any indication that now is the time to return to our offices, and we will not make any decision on a matter so important without the counsel and guidance of health experts.

So its official, OCERS will continue the “work from home” program through Friday, May 15.

The Crisis Management Team and I will review this again in two weeks on Thursday, May 7, to determine if we should continue closed for another two week period on to the end of May.

One thing you should keep in mind is that when the day comes, May 15 or more likely some date weeks later, to begin a return to the OCERS offices, that return will be slow and in phases, It is not a light switch, one day we are all out, and the next day we are all back. The Crisis Management Team has just

begun the discussion of what a cautious and measured return in phases to the OCERS offices might look like. I will discuss that in more detail with all of you at next Wednesday's All OCERS Team Conference Call. Be thinking of questions you might have about what a phased return could look like, and be prepared to pose them to me. Also, for those who might be shy, don't forget that we have the COVID 19 FAQ site on SharePoint, and you can pose questions there anonymously, but they can then be answered and shared for the benefit of all.

Be safe, stay healthy, have a great day as this work week comes to a close and enjoy your weekend."

The April 10 letter to our 18,000 retirees and beneficiaries (https://www.ocers.org/sites/main/files/file-attachments/april_2020_payeemailing_from_ceo.pdf?1587136660) has been well received. I've attached a memo collecting the first written responses I have received to give you a sense of what our members have on their minds.

I hope each of you are doing well, safe and healthy as we roll into the weekend.

Good health to us all.

Email Communication: Friday, May 1, 2020

To the members of the OCERS Board of Retirement,

A number of you have attended the annual conferences of the National Association of State Retirement Administrators in the past. I have just received the note below that not surprisingly, they are canceling the live presentation of this year's conference as had been scheduled for August in Park City, Utah.

The silver lining in this dark cloud is the NASRA Executive Committee is planning on offering the conference virtually, though the details are still to come. I will keep you apprised, as the NASRA conferences have always been among the most educational and engaging presentations I have heard, with their often broader national perspective on public pension issues.

Good health to us all.

Attached:

- Thank You Notes Received
- California CPA Magazine - May 2020
- OCERS Activities for March 2020

Submitted by:



SD - Approved

Steve Delaney
Chief Executive Officer

THANK YOU NOTES RECEIVED IN RESPONSE TO APRIL 10 LETTER

April 20

“Appreciative of the OCERS message of Steve Delaney, CEO - I got in the mail last week. It gave the comforting assurance and secured message of how OCERS stand strong and unwavering for its retirees and their Families that are all in the midst of this present and unnerving threat of uncertainties that Envelope theirs and all aspects of lives. At my ripe age of 79 I seldom receive letters anymore and it fees good to belong and be remembered in such a thoughtful way.”

Melanie San Jose

April 22

“Just wanted to thank you for writing that informative and reassuring letter about the current status of our pension benefits.

Questions about the solvency of OCER investments and pension checks were on my mind. You definitely eased my concerns. Sincerely appreciate your foresight and thoughtfulness. Think we’re lucky to have you as OCER’s CEO.”

Diana West

April 22

“Thank you for your letter dated April 10, 2020. It put my mind at ease. I join you in acknowledging the work of the OCERS team. Every time I have requested assistance I have received it expertly and quickly. Wishing you and staff good health and thanking you and your team for your continued work on behalf of retirees including me.”

Karyn Driessen

April 18

“Thanks OCERS for the CEO message I just received in the mail. Very much appreciated. Stay safe, and thanks again for all you've done for us!”

Mike – Huntington Beach

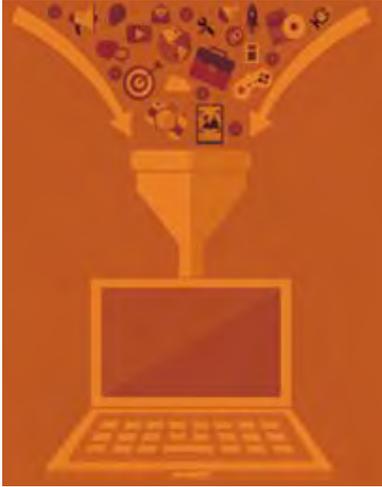
April 18

“Thank you sir, for your encouraging letter about the state of the system. My wife and I feel a lot better, and I'm so glad I am a part of this retirement system. To be clear, even if the country went into a depression the likes of 1929, we would still be solid? Thank you, again, and keep up the good work.”

Richard R. Contreras

TechTalk

By Harsh Jadhav, CPA, CITP, CISA, CISM, CGEIT



Digital Danger

Teaching the Board About Cybersecurity Risk

It's no surprise that cybersecurity continues to rank as one of the highest organizational risks with the potential to adversely impact customers, business partners, vendors and other third parties. The *U.S. Federal Bureau of Investigation 2019 Internet Crime Report* (https://pdf.ic3.gov/2019_IC3Report.pdf), which compiled internet crime statistics from 2015-19, reported more than 1.7 million complaints with companies incurring more than \$10 billion in losses.

Along with the executive leadership team, one of the most important stakeholders responsible for managing cyber-risk is the board of directors. The board's fiduciary duty to protect the interests of the organization, shareholders and customers relies on the quality of the organization's cyber threat intelligence and executive leadership's ability to take decisive action.

As the chief of internal audit, I have the responsibility of reporting to the audit committee, which in our organization is the board committee responsible for strategic risk oversight. The annual risk assessment is our starting point for discussing new cyber threats. In addition, the chief information officer presents a periodic update on the threat landscape, key risk indicators and changes to the cybersecurity plan.

Trustees rely on management and their advisers to protect the organization from an array of different threats. "Cybersecurity risks are a moving target," says Robert Griffin, managing partner of Williams-Adley, CPAs. "Issues arise every day, and as soon as a specific risk is addressed, a new one emerges."

Griffin recommends board members

review the National Association of Corporate Directors' *Director's Handbook on Cyber-Risk Oversight*, which provides guidance on the board's role in providing oversight, the legal implications and considerations, and the best practices on how management should report on cyber-risks.

Risk Appetite

Understanding that an organization may never be completely protected from a cyberattack, your board setting the appropriate risk appetite to ensure business continuity in a cost-effective manner with minimal disruption is essential. "Trustees should view cybersecurity as a series of interrelated elements—such as the cyber-risk assessment, insurance considerations, privacy policies, record retention guidelines—and have an awareness of constantly changing technologies and business processes," says Dale Bender, CPA, and member of the CalCPA Technology Committee.

Alameda County Sheriff's Department Division Commander Dale Amaral, who serves as a trustee on the Alameda County Employees Retirement Association's (ACERA) Board of Retirement, views the rising threat of social engineering attacks as a significant security risk and expects his organization to have strong logical and privileged access controls to prevent individuals posing as employees to access sensitive and confidential information. He further recommends that organizations be vigilant by managing user access through complex passwords and multi-factor authentication.

Amaral's extensive experience in cybersecurity, through his supervision of the Alameda County Sheriff's Office Crime Laboratory, is not typical of trustees who serve on public boards. Trustees have varied backgrounds, and through their diverse

perspectives, education and experience are well-equipped to understand the business impact of a cyber-threat, grapple with governance and develop the right risk appetite.

In organizations where trustees don't have extensive cybersecurity experience, it's important for the board to rely on their organization's chief information security officer (CISO) for guidance. "It's necessary for the CISO to establish trust and credibility

One of the most important stakeholders responsible for managing cyber-risk is the board of directors.

with the board, which can be achieved by laying out the cybersecurity plan, displaying continuous progress in implementing the plan, and showing the cybersecurity spend is sufficient to mitigate the risks without being exorbitant," says Matt Eakin, director of information security for the Orange County Employees Retirement System.

Role of Board vs. Management

The COBIT 5 framework distinguishes how the role of the board differs from that of management, by emphasizing the board's responsibility for ensuring that stakeholder needs are met, setting direction and priorities,

and monitoring performance and compliance against agreed-on objectives. As the spend on cybersecurity initiatives increases, board members are constantly monitoring the business value and want clear evidence of the return on investment.

Ophelia Basgal—a former regional administrator for the U.S. Department of Housing and Urban Development, and trustee for the San Francisco Foundation and ACERA—points out the importance of management diligently monitoring risks and informing the board about elevations in the risk level. Basgal expects management to provide regular data security program updates to brief the board about breach attempts, steps the organization is taking for cost avoidance, and to make clear the potential impact on staff and customers.

Management should establish monitoring mechanisms through key performance indicators and key risk indicators, which measures both the tangible and intangible benefits of IT investments. Using well established IT frameworks developed by the Center for Internet Security or the National Institute of Standards and Technology to assess the organization's progress can lead to more meaningful reporting. Independent testing by third-party cybersecurity specialists can give trustees more assurance that management is focused on the right risks and spending appropriately.

In addition, boards should be apprised of the organization's preventive and fail-safe measures of diligently training and monitoring staff, cybersecurity insurance and business continuity planning.

Tarrell Gamble, BlaylockVan, LLC's senior vice president of capital markets and chair of the ACERA Board Audit Committee, summarizes it best: "Criminals are still 10 steps ahead of the system designed to keep them out. A better use of time would be to create dual or backup systems that allow you to recover. Insurance is the only mitigating and comforting factor."

Cyber insurance coverage can indeed be a key control the board of directors relies on. Educating trustees on the claims procedures, level of coverage, exclusions and the waiting period before the insurance company will initiate the recovery process is essential. In preparing for our insurance review with the board, we sought clarification from the

insurer about several policy provisions that were unclear, including whether an exclusion for acts of terrorism applied to nation-state sponsored attacks, did the policy cover third-parties for business interruption caused by our breach and if the coverage extends to unintentional breaches where employees mistakenly transmit confidential information to an unauthorized recipient.

Third-party Risk

Another area of concern for board members is increasing reliance on third-parties who have access to the corporate systems or who handle the company's sensitive information, especially as more critical data is managed in the cloud.

Third-party providers are an extension of an organization's IT infrastructure and could pose a significant risk if they have weak cybersecurity or IT general controls in place. Although many service organizations use external CPAs to conduct a system and organization controls audit and report on the effectiveness of their controls and ability to safeguard client data, it may be prudent to

contractually require it or use it as a criterion in selecting a service provider.

According to The Economist's article, *Decoding the Global Economy of Cybercrime*, "Even the least technologically advanced cyber-criminal organizations can be brutally effective at extorting money from big organizations with technical defenses in place."

Administering a successful cybersecurity program requires management, their CPAs and a host of third-party security experts to work together and build an effective cybersecurity defense. The board of directors provides management with the necessary risk oversight and affirms the strategic direction to ensure the organization meets its business objectives. Without this collaborative approach, chances are the cybersecurity strategy would be porous, ineffective and incomplete. 

Harsh Jadhav, CPA, CITP is chief of internal audit at Alameda County Employees' Retirement Association. You can reach him at hjadhav@acera.org.

wantmore?

Preparing Your Board by Asking the Right Questions:

1. What are the organization's most valuable assets and how are they protected (i.e., intellectual property, customer lists, personally identifiable information of the customers or members)?
2. Is the organization in compliance with data privacy laws and the corporate policies on using and sharing customer data (i.e., CCPA, GDPR)?
3. What are the most likely and material cybersecurity risks facing the organization?
4. What are the potential short- and long-term impacts to the organization and its stakeholders after a significant breach?
5. How is the organization managing third-party risks for securing sensitive data?
6. What steps is the organization taking to mitigate the risks (i.e., incident response plan)?
7. What are the immediate and recurring costs to implement an adequate cyber defense?
8. How will spending in a crisis be budgeted and approved?
9. How is the organization monitoring and measuring these risks?
10. Is the cyber insurance policy coverage sufficient and comprehensive enough to protect the organization?



Monthly Staff Status March 2020

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 March 2020.

MEMBER SURVEY RESPONSE

“I came in to get a copy of my benefits for the Social Security Office. My request was handled promptly and I received exactly what I needed”

February 2020

“OCERS was extremely helpful and very professional. The OCERS representative went above and beyond my expectations.”

March 2020

MEMBER SERVICES TELEPHONE METRICS

Member Services Call History			
Month / Year	Incoming Calls Through Queue	Incoming Calls Direct to Extension	Total Calls (Queue + Direct)
March 2020	*	*	6936
March 2019	1352	3315	4667
March 2018	2395	3106	5501

*Currently configuring reports from new phone system Dialpad to determine calls through Queue versus Direct to Extension.

Customer Service Statistics

Member Approval: 100%

Un-Planned Recalculations: 1

Retirement Applications Received:

Mar – 2020	80
Feb – 2020	169
Jan – 2020	249
Dec – 2019	75
Nov – 2019	54
Oct – 2019	69
Sept – 2019	38
Aug – 2019	62
July – 2019	53
June – 2019	50
May – 2019	43
Apr – 2019	37
Mar – 2019	107
Feb – 2019	199
Jan – 2019	258
Dec – 2018	54
Nov – 2018	85
Oct – 2018	49
Sept – 2018	40
Aug – 2018	55
Jul – 2018	67
Jun – 2018	44
Apr – 2018	73



Monthly Staff Status

March 2020

ACTIVITIES

OCERS MOVES TO TELEWORK – THE COVID 19 RESPONSE

As I informed the Board at your March 16 administrative meeting, the entire OCERS staff planned to be out of the office, working from home on Wednesday, March 18, to test our abilities to work remotely, and then planned for the entire staff to return on Thursday for a debrief and determination of next steps. Well as we all know by now, time and circumstances as related to the COVID 19 pandemic passed us, and the departure on Wednesday, which was a great success, was really the first day of what is now six weeks of telework by the OCERS staff.

I simply must repeat here, as you have heard from me in earlier communications, the work done by the OCERS IT Operations team to make that possible was incredible. And the “can do” attitude shown by every team member has made these past six weeks a resounding success.



[The OCERS Office in the time of COVID-19. Generally no more than five or six people in the building at any one time.]



Monthly Staff Status

March 2020

REAOC BOARD MEETING

The week prior the growing concern with COVID-19 was requiring certain quick actions. On Wednesday March 11, the REAOC Executive Board gathered for their monthly meeting at the OCERS office building to tackle retiree issues. I joined them for my usual OCERS informational update at the start of their meeting. At the last minute several REAOC Board members had decided that it would be unsafe to gather as a group for that meeting, and asked if they could use the OCERS conference line for those who would be calling in from home. OCERS and REAOC work closely on many retired member issues, so I was happy to assist. With quick direction from the OCERS IT team, the REAOC Board meeting proceeded with a mixture of in-person and on-line attendees. (Since that meeting the REAOC Board has moved to the use of Zoom and no longer needs the assistance of the OCERS conference line capabilities.)

UPDATES

INVESTMENT TEAM

David Beeson reports on March 2020 activity:

As of February 29, 2020, the portfolio year-to-date is down 2.9% net of fees, while the one-year return is up 6.2%. The fund value now stands at \$17.3 billion. As the OCERS Team transitioned to working remotely due to the coronavirus pandemic, the March 25th Investment Committee meeting took place via teleconference. Molly Murphy opened up the meeting by providing an update on the global markets and the impact of the pandemic. Ms. Murphy discussed the increased market volatility, and that the OCERS Investment Team had planned for a downturn scenario with some of the asset allocation decisions over the past year, including increasing the allocation to risk mitigation strategies. Next, Ms. Murphy presented the monthly manager selections and terminations report. OCERS committed €35 million (approximately \$40 million) to the H.I.G. Europe Middle Market LBO Fund, a private equity fund that will focus on control equity investments in complex, under-managed, and stressed European middle market companies. OCERS issued a full redemption for the Jamestown Premier Property Fund (approximately \$68.2 million) as part of the core rebalancing plan within real estate. Nic DiLoretta from TorreyCove then presented the 3rd quarter 2019 real assets performance update. Since inception, the real assets program has generated a 4.0% net IRR and a 1.14x multiple of total value to paid-in capital. Mr. DiLoretta also spoke about the recent supply and demand shocks to the energy markets causing oil prices to plummet. David Fann and Heidi Poon from TorreyCove next presented the 3rd quarter 2019 private equity update. Since inception, the private equity program has a 13.3% net IRR and a 1.53x multiple of total value to paid-in capital. Mr. Fann also discussed recent private equity industry activity during the coronavirus pandemic. Reggie Tucker, Laura Wirick and Steve McCourt from Meketa, Jack Koch from Townsend, and Heidi Poon from TorreyCove then presented the 2019 Year in Review for the OCERS investment program. The OCERS Investment Team conducted 647 total manager meetings and calls in 2019. Finally, Molly Murphy and Meketa presented the 2020 asset allocation review. Meketa discussed OCERS' current asset allocation target compared to four other potential asset allocation options. Meketa reviewed expected returns and risks for the various options and ran through scenario analysis for each option. The Investment Committee voted to postpone the asset allocation decision until the April 22nd Investment Committee meeting.



Monthly Staff Status March 2020



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



Memorandum

DATE: May 18, 2020
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, General Counsel
SUBJECT: STATE AND FEDERAL LEGISLATIVE UPDATE

Written Report

State Legislative Update

The California Legislature reconvened on January 6, 2020, marking the beginning of the second year of the legislative session. The Legislature was not due to adjourn for Spring Recess until April 2; however, in light of the COVID-19 pandemic, the Senate and Assembly adopted a joint resolution on March 16 sending the Legislature into recess until April 13 unless leadership from each house called the Legislature back into session sooner. The Legislature did not reconvene on April 13, but is expected to return on May 4, 2020.

A comprehensive list and description of the pending bills that staff will monitor during the second year of the 2019-2020 legislative session is attached. Below is a brief summary of the bills that may be of greater interest to the Board. **New or updated information since the last report to the Board are indicated in bold text. Three bills are included that were amended in full to provide COVID-19 relief or benefits.**

SACRS Sponsored Bills

- **AB 2937 (Fong)¹**
 The CERL prescribes the methods for calculating a non-service-connected disability retirement for different membership classifications and for the purpose of calculating reciprocal benefits. In these instances, the sum of allowance may vary depending on whether or not the retirement board finds, in its opinion, the member's disability is due to intemperate use of alcoholic liquor or drugs, among other things. In this regard, the CERL conditions the grant of a disability retirement pension by a county or district on a finding by the board that the member's disability is not the result of intemperate use of alcoholic liquor or drugs. This bill would create an optional provision, to be elected by a county board of supervisors, that would remove the retirement board's assessment regarding the intemperate use of alcoholic liquor or drugs as a condition to the disability retirement.
 (STATUS: Introduced 02/21/20. Read first time 02/24/20. Referred to Committee on P.E. & R. on 03/05/20.)
- **SB 783 (Senate Committee on Labor, Public Employees and Retirement)**
 The CERL authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension and death benefits to county and district employees. This bill would correct several erroneous and obsolete cross-references within CERL.
 (STATUS: Introduced 03/07/19. Read third time. Passed. Ordered to the Assembly on 05/02/19. In Assembly. Read first time. Held at desk on 05/02/19. Referred to Committee on P.E. & R. on 05/16/19.)

¹ On April 17, 2020, the SACRS Legislative Committee voted to recommend to the SACRS Board that SACRS withdraw support of this bill.

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

- **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 prohibits a majority of the members of a legislative body, outside a meeting authorized by the act, from using a series of communications of any kind to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body. This bill would provide that the prohibition described above does not apply to the participation, as defined, in an internet-based social media platform, as defined, by a majority of the members of a legislative body, provided that a majority of the members do not discuss among themselves, as defined, 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. Passed out of the Assembly and ordered to the Senate on 01/30/20. Read first time in Senate; to Committee on RLS. for assignment on 01/30/20.)
- **AB 2473 (Cooper)**
 The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. Existing law excludes from the disclosure requirement certain records regarding alternative investments in which public investment funds invest. This bill would exempt from disclosure under the act specified records regarding an internally managed private loan made directly by a public investment fund, including quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information. Current constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. This bill would make legislative findings to that effect.
 (STATUS: Introduced 02/19/20. Referred to Committee on P.E. & R. and JUD on 03/12/20.)
- **AB 2659 (Chen)**
 The Information Practices Act of 1977 prescribes a set of requirements, prohibitions, and remedies applicable to public agencies, as defined, with regard to their collection, storage, and disclosure of personal information. The act specifically requires an agency to establish rules of conduct for persons involved in the design, development, operation, disclosure, or maintenance of records containing personal information and to instruct these people with respect to the rules and the requirements of the act. This bill would require that the above-described rules of conduct include security awareness and training policies and procedures.
 (STATUS: Introduced 02/20/20. Referred to Committee on P. & C. P. on 03/12/20.)
- **AB 2676 (Quirk)**
 Current law exempts from disclosure critical infrastructure information, as defined, that is voluntarily submitted to the Office of Emergency Services for use by that office, including the identity of the person who or entity that voluntarily submitted the information. This law defines “voluntarily submitted” for that purpose. This bill would remove the restriction that the submission be voluntary, thereby expanding that exemption.

Current constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the

interest protected by the limitation and the need for protecting that interest. This bill would make legislative findings to that effect. The California Constitution also requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose. This bill would make legislative findings to that effect.

(STATUS: Introduced 02/20/20. Referred to Committee on JUD on 03/02/20. Hearing postponed by Committee on 03/17/20.)

- **AB 2768 (Kalra) Amended 05/04/20**

Existing law authorizes the use of a digital signature in any written communication with a public entity, as defined, in which a signature is required or used. Under existing law, if a public entity elects to use a digital signature, that digital signature has the same force and effect as the use of a manual signature if it embodies all of specified attributes, including being unique to the person using it and conforming to regulations adopted by the Secretary of State. Existing law requires the Secretary of State to have adopted the initial regulations for these provisions no later than January 1, 1997, including seeking the advice of public and private entities in developing these regulations and holding at least one public hearing to receive comments before adopting the regulations.

This bill would delete the above-described language requiring the adoption of the initial regulations, as prescribed. The bill would instead require digital signatures to conform to regulations adopted by the Secretary of State pursuant to specified procedures. The bill would further require the Secretary of State to adopt emergency regulations to provide appropriate and timely guidance to public entities and the public generally regarding the signature requirements and to make the regulatory changes needed to update these provisions no later than March 1, 2022, in accordance with the Administrative Procedure Act. The bill would make the emergency regulations adopted pursuant to these provisions effective only until nonemergency, final regulations are adopted and become effective through the regular rulemaking process.

(STATUS: Introduced 02/20/20; original bill language replaced in full on 05/04/20.)

AB 2967 (O'Donnell)

The CERL authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension and death benefits to county and district employees, including firefighters. The County Peace Officers' Retirement Law (Government Code §§31900, *et seq.*), the County Peace Officer and Fire Service Retirement Plan Law (Government Code §§33000, *et seq.*), the County Fire Service Retirement Law (Government Code §§32200, *et seq.*), also provide retirement system structure options that a county may choose to adopt for purposes of providing benefits to specified peace officers and firefighters. This bill would make nonsubstantive changes to those provisions.

(STATUS: Introduced 02/21/20. Read first time on 02/24/20. Referred to Committee on P.E. & R. on 04/24/20.)

- **SB 749 (Durazo)**

The California Public Records Act provides that nothing in the act requires the disclosure of corporate proprietary information including trade secrets, among other things. This bill would provide that specified records of a private industry employer that are prepared, owned, used, or retained by a public agency are not trade secrets and are public records, including certain records relating to employment

terms and conditions of employees working for a private industry employer pursuant to a contract with a public agency, if those wages, benefits, working hours and other employment terms and conditions relate to work performed under the contract, records of compliance with local, state, or federal domestic content requirements, and records of a private industry employer's compliance with job creation, job quality, or job retention obligations contained in a contract or agreement with a state or local agency. The bill, however, would exclude contracts between a public agency and a private industry employer entered into on or before January 1, 2020, and records that include communications between the state or local agency and specified state or local officials, on matters posing a threat to the security of a public building, a threat to the security of essential public services, or a threat to the public's right of access to public services or public facilities, from these provisions. Because the bill would require local officials to perform additional duties, it would impose a state-mandated local program.

(STATUS: Introduced 02/22/19. From committee with author's amendments. Read second time and amended. Re-referred to Committee on JUD. on 09/10/19. Assembly Rule 96 suspended. Withdrawn from committee. Ordered to third reading on 09/12/19. Ordered to inactive file on request of Assembly Member Calderon on 09/13/19.)

- **SB 931 (Wieckowski)**

The Brown Act requires meetings of the legislative body of a local agency to be open and public and also requires regular and special meetings of the legislative body to be held within the boundaries of the territory over which the local agency exercises jurisdiction, with specified exceptions. Current law authorizes a person to request that a copy of an agenda, or a copy of all the documents constituting the agenda packet, of any meeting of a legislative body be mailed to that person. This bill would require, if the local agency has an internet website, a legislative body or its designee to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. The bill would require, where the local agency determines it is technologically infeasible to send a copy of all documents constituting the agenda packet or a website link containing the documents by electronic mail or by other electronic means, the legislative body or its designee to send by electronic mail a copy of the agenda or a website link to the agenda and mail a copy of all other documents constituting the agenda packet in accordance with the mailing requirements.

(STATUS: Introduced 02/05/20. Referred to Committee on GOV. and F. on 02/12/20. From committee with author's amendments; read second time and amended; re-referred to Committee on GOV. and F. on 04/02/20.)

- **SB 1297 (Moorlach)**

This bill would revise the provision of pension and other benefits to members of all state or local public retirement systems. The bill would apply its provisions prospectively to any member of a state or local public retirement system who is employed upon the date of its enactment and to any person who may be employed and become a member thereafter.

The bill would:

- void any limit on a pension that prohibits the pension from exceeding a percentage of final compensation, as specified;
- prohibit a local entity from establishing a deferred retirement option program, as described, and if a local entity has established a deferred retirement option program, whether or not the program is closed to new participants, it would be required to disenroll any participating employees and close the program;

- with regard to any member of a state or local public retirement system, the bill would require that final annual compensation used for purposes of ascertaining any pension or benefit be calculated as an average of the member's three highest earning years;
- prohibit, for any method of calculating a pension that is based on fractional percentage of final compensation multiplied by years of service with respect to a particular age at retirement, that fractional percentage from exceeding 2.7%;
- include findings that changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities;
- require that an agency participating in PERS that increases the compensation of a member who was previously employed by a different agency to bear all actuarial liability for the action, if it results in an increased actuarial liability beyond what would have been reasonably expected for the member;
- require that the increased actuarial liability be in addition to reasonable compensation growth that is anticipated for a member who works for an employer or multiple employers over an extended time;
- require, if multiple employers cause increased liability, that the liability be apportioned equitably among them; and
- apply to an increase in actuarial liability, as specified, due to increased compensation paid to an employee on and after January 1, 2021.

(STATUS: Introduced on 02/21/20. To Committee on RLS for assignment on 02/21/20. Read first time on 02/24/20. Referred to Committee on L., P.E. & R. on 03/05/20.)

Other Bills of Interest

- **AB 664 (Cooper) Amended 04/17/20**

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 creates a disputable presumption that specified injuries sustained in the course of employment of a specified member of law enforcement or a specified first responder arose out of and in the course of employment.

Existing law also makes an employer liable only for the percentage of permanent disability directly caused by the injury arising out of and occurring in the course of employment. Existing law requires apportionment of permanent disability to be based on causation, and requires a physician's report addressing the issue of permanent disability to include an apportionment determination in order for the report to be considered complete on that issue. Existing law exempts certain injuries, including the above-described injuries, from the provisions requiring apportionment.

This bill would define "injury," for certain state and local firefighting personnel, peace officers, certain hospital employees, and certain fire and rescue services coordinators who work for the Office of Emergency Services to include being exposed to or contracting, on or after January 1, 2020, a communicable disease, including coronavirus disease 2019 (COVID-19), that is the subject of a state or local declaration of a state of emergency that is issued on or after January 1, 2020. The bill would create a conclusive presumption, as specified, that the injury arose out of and in the course of the employment. The bill would apply to injuries that occurred prior to the declaration of the state of

emergency. The bill would also exempt these provisions from the apportionment requirements. This bill would declare that it is to take effect immediately as an urgency statute.

(STATUS: Introduced 02/15/19; original bill language replaced in full on 04/17/20. From committee chair with author's amendments. Amended and re-referred to committee. Read second time, amended, and re-referred to Committee on L., P.E. & R. on 04/17/20.)

- **AB 1107 (Chu) Amended 04/22/20**

Under existing law, unemployment compensation benefits are based on wages paid in a base period that is calculated according to the month within which the benefit year begins. Existing law provides that a weekly unemployment compensation benefit amount may be paid to an individual whose highest wages in the quarter of their base period exceeded \$900, but a weekly benefit amount shall not exceed \$450. This bill would, until March 1, 2021, instead provide that once the temporary federal unemployment increase due to the COVID-19 outbreak has ceased, an individual's weekly benefit amount would be increased by \$600, notwithstanding the weekly benefits cap. Because this bill would expand the scope of payments from the Unemployment Disability Compensation Fund, which is continuously appropriated, it would make an appropriation.

(STATUS: Introduced 02/21/19; original bill language replaced in full on 04/22/20. From committee chair with author's amendments. Amended and re-referred to committee. Read second time, amended, and re-referred to Committee on L., P.E. & R. on 04/22/20.)

- **AB 2226 (Voepel)**

The Personal Income Tax Law imposes a tax on individual taxpayers measured by the taxpayer's taxable income for the taxable year, but excludes certain items of income from the computation of tax, including an exclusion for combat-related special compensation. This bill, for taxable years beginning on or after January 1, 2021, and before January 1, 2031, would exclude from gross income specified amounts of retirement pay received by a taxpayer from the federal government for service performed in the uniformed services, as defined, during the taxable year. Current law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements. The bill also would include additional information required for any bill authorizing a new tax expenditure. This bill would take effect immediately as a tax levy.

(STATUS: Introduced 02/12/20. Referred to Committee on REV. and TAX on 02/20/20. Hearing postponed by committee on 03/16/20.)

- **AB 2452 (C. Garcia)**

Current law authorizes the California State Auditor to establish a high-risk local government agency audit program to identify, audit, and issue reports on any local government agency, including any city, county, or special district, or any publicly created entity that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness. Existing law authorizes the California State Auditor to consult with the Controller, the Attorney General, and other state agencies in identifying local government agencies that are at high risk.

Current law also authorizes the legislative body of a local agency or a district to enter into an association for the purposes of attending the Legislature and the Congress of the United States, and any committees thereof, and presenting information regarding legislation that the legislative body or the district deems to be beneficial or detrimental to the local agency or the district.

This bill would authorize the California State Auditor to include in the high-risk local government agency audit program any local agency or district association that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness.

(STATUS: Introduced 02/19/20. Referred to Committee on A. & A.R. on 02/27/20.)

- **AB 3249 (Fong)**

Current law requires state and local public retirement systems to submit audited financial statements to the Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year, and requires the Controller, within 12 months of receipt of the information, to compile and publish a report on the financial condition of all state and local public retirement systems. This bill would additionally require the Controller to post the report on the financial condition of all state and local public retirement systems on the Controller's internet website.

(STATUS: Introduced 02/21/2020. Read first time on 02/24/20. Referred to Committee on P.E. & R. on 03/09/20.)

- **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. Placed on APPR. suspense file on 08/14/19. Heard on 08/30/19. Held in committee and under submission on 08/30/19.)

- **SB 1042 (Pan)**

The California Secure Choice Retirement Savings Trust Act, establishes the CalSavers Retirement Savings Program to be administered by the California Secure Choice Retirement Savings Investment Board. Existing law requires the Treasurer, on behalf of the board, to appoint an executive director, who is not a member of the board and who serves at its pleasure. Existing law requires eligible employers to offer a payroll deposit retirement savings arrangement so that eligible employees may contribute a portion of their salary or wages to a retirement savings program account in the program, as specified. Existing law requires the board to take various actions upon implementation of the program and, for to up 3 years following its initial implementation of the program, requires the board to establish managed accounts invested in United States Treasuries, myRAs, or similar investments. Existing law states that the program is implemented as of January 1, 2017.

This bill would rename the California Secure Choice Retirement Savings Trust Act as the CalSavers Retirement Savings Trust Act, the body that administers the act as the CalSavers Retirement Savings Board, and make conforming changes in this regard. The bill would make various changes in the act to reflect that it has been implemented, including eliminating the requirement to establish managed accounts invested in United States Treasuries, myRAs, or similar investments described above. The bill would authorize the board to delegate rulemaking authority to its executive director. The bill would

authorize an employee to opt out of participation in the program by telephone and would eliminate a condition relating to contribution amounts that depends on the length of time that an employee has contributed to the program.

Current law, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under AUMA to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. Existing law, the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities. MAUCRSA generally divides responsibility for the state licensure and regulation of commercial cannabis activity among the Department of Food and Agriculture, the State Department of Public Health, and the Bureau of Cannabis Control, which are generally referred to as licensing authorities. This bill would require the licensing authorities described above to provide specified information regarding licensees to the CalSavers Retirement Savings Board upon request by the board.

(STATUS: Introduced on 02/18/20. Referred to Committee on L. P.E. & R. and B., P. & E.D. on 02/27/20. Set for hearing March 25; hearing postponed by committee on 03/18/20.)

- **SB 1159 (Hill) Amended 04/22/20**

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 creates a disputable presumption that specified injuries sustained in the course of employment of a specified member of law enforcement or a specified first responder arose out of and in the course of the employment.

This bill would, until an unspecified date, define "injury" for a critical worker, as described, to include illness or death that results from exposure to coronavirus disease 2019 (COVID-19) under specified circumstances. The bill would create a disputable presumption, as specified, that an injury that develops or manifests itself while a critical worker is employed arose out of and in the course of the employment.

(STATUS: Introduced 02/20/20; original bill language replaced in full on 04/22/20. From committee with author's amendments; read second time and amended; re-referred to Committee on RLS. on 04/22/20.)

Bills that Apply to CalPERS and/or CalSTRS Only:

- **AB 462 (Rodriguez)**

This bill would require the Boards of Administration of CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives, to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define emerging manager for purposes of these provisions. This bill contains other related provisions and other existing laws.

(STATUS: Introduced 02/11/19. Passed out of the Assembly and ordered to the Senate on 04/22/19. Read second time in the Senate, amended, and re-referred to Com. on RLS. on 05/21/19.)

- **AB 979 (Reyes)**

This bill would require the Boards of Administration of CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives, to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define emerging manager for purposes of these provisions.

(STATUS: Introduced 02/21/19 as a bill relating to the Judges' Retirement System II and was amended on 01/06/2020 to relate to emerging manager asset management. Passed out of the Assembly and ordered to the Senate on 01/27/20. Read first time in Senate; referred to Committee on RLS. for assignment on 01/28/20.)

- **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 disallowed compensation that conflicts with PEPRA 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 return to the member any contributions paid by the member or on the member's behalf.

With respect to retired members, survivors, or beneficiaries whose benefits are based on disallowed final compensation, the bill would require PERS to adjust the benefit to reflect the exclusion of the disallowed compensation, and provide that contributions made on the disallowed compensation be credited against future contributions on behalf of the employer entity that reported the disallowed compensation. Additionally, if specified conditions are met, the bill would require the employing entity to refund overpayment costs to the system and to pay retired members, survivors, and beneficiaries whose benefits have been reduced an annuity or a lump sum, as prescribed, that reflects the difference between the monthly allowance that was based on the disallowed compensation and the adjusted monthly allowance calculated without the disallowed compensation, as provided. The bill would require the system to provide certain notices in this regard. This bill would require the system to provide confidential contact information of retired members, and their survivors and beneficiaries, who are affected by these provisions to the relevant employing entities, the confidentiality of which the entities would be required to maintain.

The bill would authorize the state, a school employer, as specified, or a contracting agency, as applicable, to submit to the system an additional compensation item proposed to be included or contained in a memorandum of understanding or collective bargaining agreement on and after

January 1, 2020, that is intended to form the basis of a pension benefit calculation in order for PERS to review its consistency with PEPRRA and other laws, as specified, and would require PERS to provide guidance regarding the review within 90 days, as specified. The bill would require PERS to publish notices regarding proposed compensation language submitted to the system for review and the guidance given by the system that is connected with it. For educational entities that participate in the system, the final responsibility for funding payments to the system and to retired members, survivors, and beneficiaries would belong to the educational entity that is the actual employer of the employee. (STATUS: Introduced 02/12/19. Read third time in Assembly; ordered to the Senate; Senate concurred in amendments; ordered to engrossing and enrolling on 09/12/19. Withdrawn from engrossing and enrolling, and ordered held at the Desk on 09/13/19.)

- **SB 430 (Wieckowski)**

PEPRA 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. PEPRA defines "new member" to mean, among other things, 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 date. Existing law creates the Judges' Retirement System II, which is administered by the Board of Administration of the Public Employees' Retirement System, for the provision of retirement and other benefits to specified judges and their beneficiaries.

This bill would grant a judge who was elected to office in 2012, but did not take office until on or after January 1, 2013, the option of making a one-time, irrevocable election to have a pre-January 1, 2013, membership status in the Judges' Retirement System II for service accrued after on and after July 1, 2020. The bill would require the election to be made during a 30-day period beginning March 1, 2020. A judge making this election would no longer be a new member under specified provisions of PEPRA. The election would apply prospectively only, and membership rights and obligations that accrued based on service subject to PEPRA prior to July 1, 2020, would remain unchanged. The bill would specify that the Public Employees' Retirement System is not obligated to inform or locate a person who may be eligible to make the election and that its provisions do not affect the Legislature's reserved right to increase contributions or reduce benefits for purposes of the Judges' Retirement System II.

(STATUS: Introduced 02/21/19. Passed out of the Senate and ordered to the Assembly on 05/21/19. Referred to the Committee on P.E. & R. on 05/30/19. Set for first hearing; cancelled at request of author on 06/26/19.)

- **AB 2378 (Cooper)**

The PERL requires that, upon the death of certain members after retirement and while receiving a retirement allowance, a specified sum of money be paid to the member's designated beneficiary. Existing law provides that the additional employer contributions required to fund these benefits be computed as a level percentage of member compensation, and requires the contributions to be deposited in the Public Employees' Retirement Fund, a continuously appropriated fund. This bill would authorize the Board of Administration of the Public Employees' Retirement System, beginning on or after January 1, 2021, to adjust the death benefit amounts following each actuarial valuation to reflect changes in the All Urban California Consumer Price Index, as specified. By authorizing the board to increase contributions deposited in the Public Employees' Retirement Fund, this bill would make an appropriation.

(STATUS: Introduced 02/18/20. Referred to Committee on P.E. and R. on 02/24/20.)

- **AB 2394 (Cooper)**

Pursuant to the PERL, CalPERS provides a defined benefit to members of the system, based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law generally provides that retirement allowances are adjusted annually to reflect increases in the cost of living in relation to the consumer price index, as defined. Existing law defines “consumer price index” for these purposes to mean the United States city average “Consumer Price Index for All Urban Consumers,” effective January 1, 1978. Existing law establishes the Department of Industrial Relations as an instrumentality of California government. This bill would change the definition of “consumer price index,” effective January 1, 2021, to instead refer to the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations. (STATUS: Introduced 02/18/20. Referred to Committee on P.E. and R. on 02/24/20.)

- **AB 2510 (Cooley)**

The CalSTRS Defined Benefit Program provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. Current law authorizes the CalSTRS board, upon a finding by the board that necessary investment expertise is not available within existing civil service classifications, and with approval of the State Personnel Board, to contract with qualified investment managers, as provided. This bill would additionally authorize the board to contract with investment advisers, as defined, upon the same finding by the board and approval by the State Personnel Board. The bill would, pursuant to a policy adopted by the board, authorize the board to establish a competitive bidding process and to specify the contract terms and conditions the board solely deems necessary and prudent to contract with qualified investment managers and investment advisers. (STATUS: Introduced 02/19/20. Referred to Committee on P.E. & R. on 02/27/20.)

- **AB 2998 (Kiley)**

The CalSTRS Defined Benefit Program provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. The Defined Benefit Program is funded by employer and employee contributions, as well as investment returns and state appropriations, which are deposited or credited to the Teachers’ Retirement Fund.

Existing law requires the governing board of a school district to adopt a schedule of salaries to be paid to the certificated employees of the school district. Existing law prohibits the governing board of a school district from drawing orders for the salary of any teacher in violation of a salary schedule based on a uniform allowance for years of training and years of experience, or on other criteria agreed to by the school district and the exclusive representative of the certificated employees of the school district.

This bill would authorize a school district to offer a defined contribution plan to certificated employees and would exclude a certificated employee who opts into a defined contribution plan from membership in the Defined Benefit Program. The bill would authorize a school district to offer a higher salary or lower contribution rate to a defined contribution plan as an incentive for a certificated employee to opt into a defined contribution plan. The bill would authorize a certificated employee to negotiate a salary or contribution rate for a defined contribution plan outside of the school district’s salary schedule. The bill would provide that, to the extent the bill’s provisions conflict with any provision of a collective bargaining agreement entered into by a public school employer and

an exclusive bargaining representative before January 1, 2021, these provisions do not apply to the school district until the expiration or renewal of that collective bargaining agreement.

(STATUS: Introduced 02/19/20; amended in the Assembly on 05/05/20.)

Divestment Proposals (CalPERS and CalSTRS Only)

None.

Federal Legislation Affecting '37 Act Systems

The Federal SECURE Act (HR 1865)

On December 20, 2019, the President signed HR 1865, which includes the Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act"), into law. Two provisions affect the '37 Act Systems.

Section 114 of the SECURE Act

Prior to passage of the SECURE Act, tax qualified plans were required to distribute a member's entire benefit or begin to distribute a member's benefit no later than the "required beginning date." Internal Revenue Code (IRC) § 401(a)(9) defined required beginning date as April 1 of the calendar year following the later of (i) the calendar year in which the member attains age 70½ or (ii) the member retires.

Section 114 of the SECURE Act increases the required beginning date age factor from age 70½ to age 72. Under this new guidance, to satisfy the required minimum distribution rules, members must begin receiving benefits by April 1 of the calendar year following the later of (i) the calendar year in which the member attains age 72, or the member retires. The new rule applies to individuals who turn 70½ after December 31, 2019. For anyone who turned 70½ in 2019, the first RMD must still be taken by April 1, 2020. Individuals turning 70½ in 2020 or later will not be required to take their first withdrawal until April 1 of the year following their 72nd birthday.

The SACRS Legislative Committee is reviewing whether an amendment to the CERL will be necessary in order to conform the CERL to Section 114 of the SECURE Act. In addition, the OCERS team will review and amend as necessary our §401(a)(9) regulations or procedures to ensure the higher distribution age is reflected. Unless further extended by the Secretary of the Treasury, any necessary amendments will be required to be made no later than the last day of the first plan year beginning on or after January 1, 2024. Therefore, calendar year Systems like OCERS must amend affected regulations by December 31, 2024 (fiscal year Systems will have until June 30, 2025).

Section 402 of the SECURE Act

IRS Form 945, Annual Return of Withheld Federal Income Tax, is typically used to report federal income taxes withheld on distributions made from a retirement system. IRC §6651 imposes a tax penalty for the failure to timely file a Form 945.

Section 402 of the SECURE Act increases the minimum tax penalty imposed by IRC §6651. As amended, IRC §6651 allows for the imposition of a tax equal to at least the lesser of \$435 (to be adjusted for inflation) or 100% of the amount required to be shown as tax on the return where the Form 945 is not filed within 60 days of its

due date (including any applicable filing extensions). The penalty may still be waived if a System can show reasonable cause for the failure to timely file a Form 945.

The increase in penalties applies to IRS Forms 945 with a due date after December 31, 2019, including extensions. While no amendments or policy updates may be required as a result of this change, future failures to timely file Form 945 may trigger increased penalties.

Attachments

Submitted by:



Gina M. Ratto
General Counsel



**OCERS BOARD OF RETIREMENT
May 18, 2020 MEETING**

LEGISLATIVE UPDATE – ATTACHMENT

**2019 - 2020 CALIFORNIA STATE LEGISLATIVE SESSION
BILLS OF INTEREST**

New or updated information in bold text

AB 462 (Rodriguez)

This bill would require the Boards of Administration of CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives, to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define emerging manager for purposes of these provisions.

(STATUS: Introduced 02/11/19. Passed out of the Assembly and ordered to the Senate on April 22, 2019. Read second time in the Senate, amended, and re-referred to Com. on RLS. on 05/21/19.)

AB 664 (Cooper and Gonzalez) Amended 04/17/20

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 creates a disputable presumption that specified injuries sustained in the course of employment of a specified member of law enforcement or a specified first responder arose out of and in the course of employment.

Existing law also makes an employer liable only for the percentage of permanent disability directly caused by the injury arising out of and occurring in the course of employment. Existing law requires apportionment of permanent disability to be based on causation, and requires a physician's report addressing the issue of permanent disability to include an apportionment determination in order for the report to be considered complete on that issue. Existing law exempts certain injuries, including the above-described injuries, from the provisions requiring apportionment.

This bill would define "injury," for certain state and local firefighting personnel, peace officers, certain hospital employees, and certain fire and rescue services coordinators who work for the Office of Emergency Services to include being exposed to or contracting, on or after January 1, 2020, a communicable disease, including coronavirus disease 2019 (COVID-19), that is the subject of a state or local declaration of a state of emergency that is issued on or after January 1, 2020. The bill would create a conclusive presumption, as specified, that the injury arose out of and in the course of the employment. The bill would apply to injuries that occurred prior to the declaration of the state of emergency. The bill would also exempt these provisions from the apportionment requirements.

This bill would declare that it is to take effect immediately as an urgency statute.

(STATUS: Introduced 02/15/19; **original bill language replaced in full on 04/17/20. From committee chair with author's amendments. Amend and re-referred to committee. Read second time, amended, and re-referred to Committee on L., P.E. & R. on 04/17/20.**)

AB 979 (Reyes)

This bill would require the Boards of Administration of CalPERS and CalSTRS to each provide a report to the Legislature, commencing March 1, 2021, and annually thereafter, on the status of achieving appropriate objectives and initiatives, to be defined by the boards, regarding participation of emerging managers responsible for asset management within each system's portfolio of investments. The bill would require that the report be based on contracts that the system enters into on and after January 1, 2020, and be based on information from the prior fiscal year. The bill would require each report to include certain elements and would require the boards to define emerging manager for purposes of these provisions.

(STATUS: Introduced 02/21/19 as a bill relating to the Judges' Retirement System II and was amended on 01/06/2020 to relate to emerging manager asset management. Passed out of the Assembly and ordered to the Senate on 01/27/20. Read first time in Senate; referred to Committee on RLS. for assignment on 01/28/20.)

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 prohibits a majority of the members of a legislative body, outside a meeting authorized by the act, from using a series of communications of any kind to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body. This bill would provide that the prohibition described above does not apply to the participation, as defined, in an internet-based social media platform, as defined, by a majority of the members of a legislative body, provided that a majority of the members do not discuss among themselves, as defined, 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. Passed out of the Assembly and ordered to the Senate on 01/30/20. Read first time in Senate; to Committee on RLS. for assignment on 01/30/20.)

AB 1107 (Chu) Amended 04/22/20

Under existing law, unemployment compensation benefits are based on wages paid in a base period that is calculated according to the month within which the benefit year begins. Existing law provides that a weekly unemployment compensation benefit amount may be paid to an individual whose highest wages in the quarter of their base period exceeded \$900, but a weekly benefit amount shall not exceed \$450. This bill would, until March 1, 2021, instead provide that once the temporary federal unemployment increase due to the COVID-19 outbreak has ceased, an individual's weekly benefit amount would be increased by \$600, notwithstanding the weekly benefits cap. Because this bill would expand the scope of payments from the Unemployment Disability Compensation Fund, which is continuously appropriated, it would make an appropriation.

(STATUS: Introduced 02/21/19; **original bill language replaced in full on 04/22/20. From committee chair with author's amendments. Amended and re-referred to committee. Read second time, amended, and re-referred to Committee on L., P.E. & R. on 04/22/20.**)

AB 2226 (Voepel)

The Personal Income Tax Law imposes a tax on individual taxpayers measured by the taxpayer's taxable income for the taxable year, but excludes certain items of income from the computation of tax, including an exclusion for combat-related special compensation. This bill, for taxable years beginning on or after January 1, 2021, and before January 1, 2031, would exclude from gross income specified amounts of retirement pay received by a taxpayer from the federal government for service performed in the uniformed services, as defined, during the taxable year. Current law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements. The bill also would include additional information required for any bill authorizing a new tax expenditure. This bill would take effect immediately as a tax levy.

(STATUS: Introduced 02/12/20. Referred to Committee on REV. and TAX on 02/20/20. Hearing postponed by committee on 03/16/20.)

AB 2378 (Cooper)

The PERL requires that upon the death of certain members after retirement and while receiving a retirement allowance, a specified sum of money be paid to the member's designated beneficiary. Existing law provides that the additional employer contributions required to fund these benefits be computed as a level percentage of member compensation, and requires the contributions to be deposited in the Public Employees' Retirement Fund. This bill would authorize the CalPERS Board, beginning on or after January 1, 2021, to adjust the death benefit amounts following each actuarial valuation to reflect changes in the All Urban California Consumer Price Index, as specified. By authorizing the board to increase contributions deposited in the Public Employees' Retirement Fund, this bill would make an appropriation.

(STATUS: Introduced 02/18/20. Referred to Committee on P.E. and R. on 02/24/20.)

AB 2394 (Cooper)

Pursuant to the PERL, CalPERS provides a defined benefit to members of the system, based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law generally provides that retirement allowances are adjusted annually to reflect increases in the cost of living in relation to the consumer price index, as defined. Existing law defines "consumer price index" for these purposes to mean the United States city average "Consumer Price Index for All Urban Consumers," effective January 1, 1978. Existing law establishes the Department of Industrial Relations as an instrumentality of California government. This bill would change the definition of "consumer price index," effective January 1, 2021, to instead refer to the California Consumer Price Index for All Urban Consumers for all items, as determined by the Department of Industrial Relations.

(STATUS: Introduced 02/18/20. Referred to Committee on P.E. and R. on 02/24/20.)

AB 2452 (C. Garcia)

Current law authorizes the California State Auditor to establish a high-risk local government agency audit program to identify, audit, and issue reports on any local government agency, including any city, county, or special district, or any publicly created entity that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness. Existing law authorizes the California State Auditor to consult with the Controller, the Attorney General, and other state agencies in identifying local government agencies that are at high risk.

Current law also authorizes the legislative body of a local agency or a district to enter into an association for the purposes of attending the Legislature and the Congress of the United States, and any committees thereof, and presenting information regarding legislation that the legislative body or the district deems to be beneficial or detrimental to the local agency or the district.

This bill would authorize the California State Auditor to include in the high-risk local government agency audit program any local agency or district association that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness.

(STATUS: Introduced 02/19/20. Referred to Committee on A. & A.R. on 02/27/20.)

AB 2473 (Cooper)

The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. Existing law excludes from the disclosure requirement certain records regarding alternative investments in which public investment funds invest. This bill would exempt from disclosure under the act specified records regarding an internally managed private loan made directly by a public investment fund, including quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information. Current constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. This bill would make legislative findings to that effect.

(STATUS: Introduced 02/19/20. Referred to Committee on P.E. & R. and JUD on 03/12/20.)

AB 2510 (Cooley)

The CalSTRS Defined Benefit Program provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. Current law authorizes the CalSTRS board, upon a finding by the board that necessary investment expertise is not available within existing civil service classifications, and with approval of the State Personnel Board, to contract with qualified investment managers, as provided. This bill would additionally authorize the board to contract with investment advisers, as defined, upon the same finding by the board and approval by the State Personnel Board. The bill would, pursuant to a policy adopted by the board, authorize the board to establish a competitive bidding process and to specify the contract terms and conditions the board solely deems necessary and prudent to contract with qualified investment managers and investment advisers.

(STATUS: Introduced 02/19/20. Referred to Committee on P.E. & R. on 02/27/20.)

AB 2659 (Chen)

The Information Practices Act of 1977 prescribes a set of requirements, prohibitions, and remedies applicable to public agencies with regard to their collection, storage, and disclosure of personal information. The act specifically requires an agency to establish rules of conduct for persons involved in the design, development, operation, disclosure, or maintenance of records containing personal information and to instruct these people with respect to the rules and the requirements of the act. This bill would require that the above-described rules of conduct include security awareness and training policies and procedures.

(STATUS: Introduced 02/20/20. Referred to Committee on P. & C.P. on 03/12/20.)

AB 2676 (Quirk)

Current law exempts from disclosure critical infrastructure information, as defined, that is voluntarily submitted to the Office of Emergency Services for use by that office, including the identity of the person who or entity that voluntarily submitted the information. This law defines “voluntarily submitted” for that purpose. This bill would remove the restriction that the submission be voluntary, thereby expanding that exemption.

Current constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest. This bill would make legislative findings to that effect. The California Constitution also requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose. This bill would make legislative findings to that effect.

(STATUS: Introduced 02/20/20. Referred to Committee on JUD on 03/02/20. Hearing postponed by Committee on 03/17/20.)

AB 2768 (Kalra) Amended 05/04/20

Existing law authorizes the use of a digital signature in any written communication with a public entity, as defined, in which a signature is required or used. Under existing law, if a public entity elects to use a digital signature, that digital signature has the same force and effect as the use of a manual signature if it embodies all of specified attributes, including being unique to the person using it and conforming to regulations adopted by the Secretary of State. Existing law requires the Secretary of State to have adopted the initial regulations for these provisions no later than January 1, 1997, including seeking the advice of public and private entities in developing these regulations and holding at least one public hearing to receive comments before adopting the regulations.

This bill would delete the above-described language requiring the adoption of the initial regulations, as prescribed. The bill would instead require digital signatures to conform to regulations adopted by the Secretary of State pursuant to specified procedures. The bill would further require the Secretary of State to adopt emergency regulations to provide appropriate and timely guidance to public entities and the public generally regarding the signature requirements and to make the regulatory changes needed to update these provisions no later than March 1, 2022, in accordance with the Administrative Procedure Act. The bill would make the emergency regulations adopted pursuant to these provisions effective only until nonemergency, final regulations are adopted and become effective through the regular rulemaking process.

(STATUS: Introduced 02/20/20; original bill language replaced in full on 05/04/20.)

AB 2937 (Fong)

The CERL prescribes the methods for calculating a non-service-connected disability retirement for different membership classifications and for the purpose of calculating reciprocal benefits. In these instances, the sum of allowance may vary depending on whether or not the retirement board finds, in its opinion, the member’s disability is due to intemperate use of alcoholic liquor or drugs, among other things. In this regard, the CERL conditions the grant of a disability retirement pension by a county or district on a finding by the board that the member’s disability is not the result of intemperate use of alcoholic liquor or drugs.

This bill would create an optional provision, to be elected by a county board of supervisors, that would remove the retirement board's assessment regarding the intemperate use of alcoholic liquor or drugs as a condition to the disability retirement.

(STATUS: Introduced 02/21/20. Read first time 02/24/20. Referred to Committee on P.E. & R. on 03/05/20.)

AB 2967 (O'Donnell)

The CERL authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension and death benefits to county and district employees, including firefighters. The County Peace Officers' Retirement Law (Government Code §§31900, *et seq.*), the County Peace Officer and Fire Service Retirement Plan Law (Government Code §§33000, *et seq.*), the County Fire Service Retirement Law (Government Code §§32200, *et seq.*), also provide retirement system structure options that a county may choose to adopt for purposes of providing benefits to specified peace officers and firefighters. This bill would make non-substantive changes to those provisions.

(STATUS: Introduced 02/21/20. Read first time on 02/24/20. **Referred to Committee on P.E. & R. on 04/24/20.**)

AB 2998 (Kiley)

The CalSTRS Defined Benefit Program provides a defined benefit to members of the program based on final compensation, credited service, and age at retirement, subject to certain variations. The Defined Benefit Program is funded by employer and employee contributions, as well as investment returns and state appropriations, which are deposited or credited to the Teachers' Retirement Fund.

Existing law requires the governing board of a school district to adopt a schedule of salaries to be paid to the certificated employees of the school district. Existing law prohibits the governing board of a school district from drawing orders for the salary of any teacher in violation of a salary schedule based on a uniform allowance for years of training and years of experience, or on other criteria agreed to by the school district and the exclusive representative of the certificated employees of the school district.

This bill would authorize a school district to offer a defined contribution plan to certificated employees and would exclude a certificated employee who opts into a defined contribution plan from membership in the Defined Benefit Program. The bill would authorize a school district to offer a higher salary or lower contribution rate to a defined contribution plan as an incentive for a certificated employee to opt into a defined contribution plan. The bill would authorize a certificated employee to negotiate a salary or contribution rate for a defined contribution plan outside of the school district's salary schedule. The bill would provide that, to the extent the bill's provisions conflict with any provision of a collective bargaining agreement entered into by a public school employer and an exclusive bargaining representative before January 1, 2021, these provisions do not apply to the school district until the expiration or renewal of that collective bargaining agreement.

(STATUS: Introduced 02/19/20; **amended in the Assembly on 05/05/20.**)

AB 3249 (Fong)

Current law requires state and local public retirement systems to submit audited financial statements to the Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year, and requires the Controller, within 12 months of receipt of the information, to compile and publish a report on the financial condition of all state and local public retirement systems. This bill would additionally require the Controller to post the report on the financial condition of all state and local public retirement systems on the Controller's internet website.

(STATUS: Introduced 02/21/2020. Read first time on 02/24/20. Referred to Committee on P.E. & R. on 03/09/20.)

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. Placed on APPR. suspense file on 08/14/19. Heard on 08/30/19. Held in committee and under submission on 08/30/19.)

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 disallowed compensation that conflicts with PEPRA 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 return to the member any contributions paid by the member or on the member’s behalf.

With respect to retired members, survivors, or beneficiaries whose benefits are based on disallowed final compensation, the bill would require PERS to adjust the benefit to reflect the exclusion of the disallowed compensation, and provide that contributions made on the disallowed compensation be credited against future contributions on behalf of the employer entity that reported the disallowed compensation. Additionally, if specified conditions are met, the bill would require the employing entity to refund overpayment costs to the system and to pay retired members, survivors, and beneficiaries whose benefits have been reduced an annuity or a lump sum, as prescribed, that reflects the difference between the monthly allowance that was based on the disallowed compensation and the adjusted monthly allowance calculated without the disallowed compensation, as provided. The bill would require the system to provide certain notices in this regard. This bill would require the system to provide confidential contact information of retired members, and their survivors and beneficiaries, who are affected by these provisions to the relevant employing entities, the confidentiality of which the entities would be required to maintain.

The bill would authorize the state, a school employer, as specified, or a contracting agency, as applicable, to submit to the system an additional compensation item proposed to be included or contained in a memorandum of understanding or collective bargaining agreement on and after January 1, 2020, that is intended to form the basis of a pension benefit calculation order for PERS to review its consistency with PEPR and other laws, as specified, and would require PERS to provide guidance regarding the review within 90 days, as specified. The bill would require PERS to publish notices regarding proposed compensation language submitted to the system for review and the guidance given by the system that is connected with it. For educational entities that participate in the system, the final responsibility for funding payments to the system and to retired members, survivors, and beneficiaries would belong to the educational entity that is the actual employer of the employee.

(STATUS: Introduced 02/12/19. Read third time in Assembly; ordered to the Senate; Senate concurred in amendments; ordered to engrossing and enrolling on 09/12/19. Withdrawn from engrossing and enrolling, and ordered held at the Desk on 09/13/19.)

SB 430 (Wieckowski)

PEPRA 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. PEPRA defines "new member" to mean, among other things, 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 date. Existing law creates the Judges' Retirement System II, which is administered by the Board of Administration of the Public Employees' Retirement System, for the provision of retirement and other benefits to specified judges and their beneficiaries.

This bill would grant a judge who was elected to office in 2012, but did not take office until on or after January 1, 2013, the option of making a one-time, irrevocable election to have a pre-January 1, 2013, membership status in the Judges' Retirement System II for service accrued after on and after July 1, 2020. The bill would require the election to be made during a 30-day period beginning March 1, 2020. A judge making this election would no longer be a new member under specified provisions of PEPRA. The election would apply prospectively only, and membership rights and obligations that accrued based on service subject to PEPRA prior to July 1, 2020, would remain unchanged. The bill would specify that the Public Employees' Retirement System is not obligated to inform or locate a person who may be eligible to make the election and that its provisions do not affect the Legislature's reserved right to increase contributions or reduce benefits for purposes of the Judges' Retirement System II.

(STATUS: Introduced 02/21/19. Passed out of the Senate and ordered to the Assembly on 05/21/19. Referred to the Committee on P.E. & R. on 05/30/19. Hearing cancelled at request of author on 06/26/19.)

SB 749 (Durazo)

The California Public Records Act provides that nothing in the act requires the disclosure of corporate proprietary information including trade secrets, among other things. This bill would provide that specified records of a private industry employer that are prepared, owned, used, or retained by a public agency are not trade secrets and are public records, including certain records relating to employment terms and conditions of employees working for a private industry employer pursuant to a contract with a public agency, if those wages, benefits, working hours and other employment terms and conditions relate to work performed under the contract, records of compliance with local, state, or federal domestic content requirements, and records of a private industry employer's compliance with job creation, job quality, or job retention obligations contained in a contract or agreement with a state or local agency. The bill, however, would exclude contracts between a public

agency and a private industry employer entered into on or before January 1, 2020, and records that include communications between the state or local agency and specified state or local officials, on matters posing a threat to the security of a public building, a threat to the security of essential public services, or a threat to the public's right of access to public services or public facilities, from these provisions. Because the bill would require local officials to perform additional duties, it would impose a state-mandated local program. (STATUS: Introduced 02/22/19. From committee with author's amendments. Read second time and amended. Re-referred to Committee on JUD. on 09/10/19. Assembly Rule 96 suspended. Withdrawn from committee and ordered to third reading on 09/12/19. Ordered to inactive file on request of Assembly Member Calderon on 09/13/19.)

SB 783 (Senate Committee on Labor, Public Employees and Retirement)

The CERL authorizes counties to establish retirement systems pursuant to its provisions for the purpose of providing pension and death benefits to county and district employees. This bill would correct several erroneous and obsolete cross-references within CERL.

(STATUS: Introduced 03/07/19. Passed out of the Senate and ordered to the Assembly on 05/02/19. Referred to Committee on P.E. & R. on 05/16/19.)

SB 931 (Wieckowski)

The Brown Act requires meetings of the legislative body of a local agency to be open and public and also requires regular and special meetings of the legislative body to be held within the boundaries of the territory over which the local agency exercises jurisdiction, with specified exceptions. Current law authorizes a person to request that a copy of an agenda, or a copy of all the documents constituting the agenda packet, of any meeting of a legislative body be mailed to that person. This bill would require, if the local agency has an internet website, a legislative body or its designee to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. The bill would require, where the local agency determines it is technologically infeasible to send a copy of all documents constituting the agenda packet or a website link containing the documents by electronic mail or by other electronic means, the legislative body or its designee to send by electronic mail a copy of the agenda or a website link to the agenda and mail a copy of all other documents constituting the agenda packet in accordance with the mailing requirements.

(STATUS: Introduced 02/05/20. Referred to Committee on GOV. and F. on 02/12/20. From committee with author's amendments; read second time and amended; re-referred to Committee on GOV. and F. on 04/02/20.)

SB 1042 (Pan)

The California Secure Choice Retirement Savings Trust Act establishes the CalSavers Retirement Savings Program to be administered by the California Secure Choice Retirement Savings Investment Board. Existing law requires the Treasurer, on behalf of the board, to appoint an executive director, who is not a member of the board and who serves at its pleasure. Existing law requires eligible employers to offer a payroll deposit retirement savings arrangement so that eligible employees may contribute a portion of their salary or wages to a retirement savings program account in the program, as specified. Existing law requires the board to take various actions upon implementation of the program and, for to up 3 years following its initial implementation of the program, requires the board to establish managed accounts invested in United States Treasuries, myRAs, or similar investments. Existing law states that the program is implemented as of January 1, 2017.

This bill would rename the California Secure Choice Retirement Savings Trust Act as the CalSavers Retirement Savings Trust Act, the body that administers the act as the CalSavers Retirement Savings Board, and make conforming changes in this regard. The bill would make various changes in the act to reflect that it has been

implemented, including eliminating the requirement to establish managed accounts invested in United States Treasuries, myRAs, or similar investments described above. The bill would authorize the board to delegate rulemaking authority to its executive director. The bill would authorize an employee to opt out of participation in the program by telephone and would eliminate a condition relating to contribution amounts that depends on the length of time that an employee has contributed to the program.

Current law, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under AUMA to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. Existing law, the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities. MAUCRSA generally divides responsibility for the state licensure and regulation of commercial cannabis activity among the Department of Food and Agriculture, the State Department of Public Health, and the Bureau of Cannabis Control, which are generally referred to as licensing authorities. This bill would require the licensing authorities described above to provide specified information regarding licensees to the CalSavers Retirement Savings Board upon request by the board.

(STATUS: Introduced on 02/18/20. Referred to Committee on L. P.E. & R. and B., P. & E.D. on 02/27/20. Set for hearing March 25; hearing postponed by committee on 03/18/20.)

SB 1159 (Hill) Amended 04/22/20

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 creates a disputable presumption that specified injuries sustained in the course of employment of a specified member of law enforcement or a specified first responder arose out of and in the course of the employment.

This bill would, until an unspecified date, define "injury" for a critical worker, as described, to include illness or death that results from exposure to coronavirus disease 2019 (COVID-19) under specified circumstances. The bill would create a disputable presumption, as specified, that an injury that develops or manifests itself while a critical worker is employed arose out of and in the course of the employment.

(STATUS: Introduced 02/20/20; original bill language replaced in full on 04/22/20. From committee with author's amendments; read second time and amended; re-referred to Committee on RLS. on 04/22/20.)

SB 1297 (Moorlach)

This bill would revise the provision of pension and other benefits to members of all state or local public retirement systems. The bill would apply its provisions prospectively to any member of a state or local public retirement system who is employed upon the date of its enactment and to any person who may be employed and become a member thereafter.

The bill would:

- void any limit on a pension that prohibits the pension from exceeding a percentage of final compensation, as specified;
- prohibit a local entity from establishing a deferred retirement option program, as described, and if a local entity has established a deferred retirement option program, whether or not the program is closed to new participants, it would be required to disenroll any participating employees and close the program;

- with regard to any member of a state or local public retirement system, the bill would require that final annual compensation used for purposes of ascertaining any pension or benefit be calculated as an average of the member's three highest earning years;
- prohibit, for any method of calculating a pension that is based on fractional percentage of final compensation multiplied by years of service with respect to a particular age at retirement, that fractional percentage from exceeding 2.7%;
- include findings that changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities;
- require that an agency participating in PERS that increases the compensation of a member who was previously employed by a different agency to bear all actuarial liability for the action, if it results in an increased actuarial liability beyond what would have been reasonably expected for the member;
- require that the increased actuarial liability be in addition to reasonable compensation growth that is anticipated for a member who works for an employer or multiple employers over an extended time;
- require, if multiple employers cause increased liability, that the liability be apportioned equitably among them; and
- apply to an increase in actuarial liability, as specified, due to increased compensation paid to an employee on and after January 1, 2021.

(STATUS: Introduced on 02/21/20. To Committee on RLS for assignment on 02/21/20. Read first time on 02/24/20. Referred to Committee on L., P.E. & R. on 03/05/20.)

2020 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE ASSEMBLY CHIEF CLERK AND THE OFFICE OF THE SECRETARY OF THE SENATE
Revised 10-18-19

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

FEBRUARY							
	S	M	T	W	TH	F	S
Wk. 4							1
Wk. 1	2	3	4	5	6	7	8
Wk. 2	9	10	11	12	13	14	15
Wk. 3	16	17	18	19	20	21	22
Wk. 4	23	24	25	26	27	28	29

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

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

MAY							
	S	M	T	W	TH	F	S
Wk. 4						1	2
Wk. 1	3	4	5	6	7	8	9
Wk. 2	10	11	12	13	14	15	16
Wk. 3	17	18	19	20	21	22	23
No Hrgs.	24	25	26	27	28	29	30
Wk. 4	31						

*Holiday schedule subject to final approval by Rules Committee.

DEADLINES

- Jan. 1** Statutes take effect (Art. IV, Sec. 8(c)).
- Jan. 6** Legislature reconvenes (J.R. 51(a)(4)).
- Jan. 10** Budget must be submitted by Governor (Art. IV, Sec. 12(a)).
- Jan. 17** Last day for **policy committees** to hear and report to **fiscal committees** fiscal bills introduced in their house in the odd-numbered year (J.R. 61(b)(1)).
- Jan. 20** Martin Luther King, Jr. Day.
- Jan. 24** Last day for any committee to hear and report to the **floor** bills introduced in that house in the odd-numbered year. (J.R. 61(b)(2)). Last day to submit **bill requests** to the Office of Legislative Counsel.
- Jan. 31** Last day for each house to pass bills introduced in that house in the odd-numbered year (J.R. 61(b)(3)) (Art. IV, Sec. 10(c)).

- Feb. 17** Presidents' Day.
- Feb. 21** Last day for bills to be **introduced** (J.R. 61(b)(4), J.R. 54(a)).

- Mar. 27** Cesar Chavez Day observed.

- Apr. 2** **Spring Recess** begins upon adjournment (J.R. 51(b)(1)).
- Apr. 13** Legislature reconvenes from Spring Recess (J.R. 51(b)(1)).
- Apr. 24** Last day for **policy committees** to hear and report to fiscal committees **fiscal bills** introduced in their house (J.R. 61(b)(5)).

- May 1** Last day for **policy committees** to hear and report to the floor **nonfiscal** bills introduced in their house (J.R. 61(b)(6)).
- May 8** Last day for **policy committees** to meet prior to June 1 (J.R. 61(b)(7)).
- May 15** Last day for **fiscal committees** to hear and report to the **floor** bills introduced in their house (J.R. 61(b)(8)). Last day for **fiscal committees** to meet prior to June 1 (J.R. 61(b)(9)).
- May 25** Memorial Day.
- May 26-29** **Floor session only.** No committee may meet for any purpose except for Rules Committee, bills referred pursuant to Assembly Rule 77.2, and Conference Committees (J.R. 61(b)(10)).
- May 29** Last day for each house to pass bills introduced in that house (J.R. 61(b)(11)).

2020 TENTATIVE LEGISLATIVE CALENDARCOMPILED BY THE OFFICE OF THE ASSEMBLY CHIEF CLERK AND THE OFFICE OF THE SECRETARY OF THE SENATE
Revised 10-18-19

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

June 1 Committee meetings may resume (J.R. 61(b)(12)).**June 15** Budget Bill must be passed by midnight (Art. IV, Sec. 12(c)).**June 25** Last day for a legislative measure to qualify for the Nov. 3 General Election ballot (Elections Code Sec. 9040).**June 26** Last day for **policy committees** to hear and report **fiscal bills** to fiscal committees (J.R. 61(b)(13)).

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

July 2 Last day for **policy committees** to meet and report bills (J.R. 61(b)(14)).**Summer Recess** begins upon adjournment, provided Budget Bill has been passed (J.R. 51(b)(2)).**July 3** Independence Day observed.

AUGUST							
	S	M	T	W	TH	F	S
Summer Recess							1
Wk. 1	2	3	4	5	6	7	8
Wk. 2	9	10	11	12	13	14	15
No Hrgs.	16	17	18	19	20	21	22
No Hrgs.	23	24	25	26	27	28	29
No Hrgs.	30	31					

Aug. 3 Legislature reconvenes from **Summer Recess** (J.R. 51(b)(2)).**Aug. 14** Last day for **fiscal committees** to meet and report bills (J.R. 61(b)(15)).**Aug. 17 – 31 Floor session only.** No committee may meet for any purpose except Rules Committee, bills referred pursuant to Assembly Rule 77.2, and Conference Committees (J.R. 61(b)(16)).**Aug. 21** Last day to **amend** bills on the floor (J.R. 61(b)(17)).**Aug. 31** Last day for each house to pass bills (Art. IV, Sec 10(c), J.R. 61(b)(18)). **Final Recess** begins upon adjournment (J.R. 51(b)(3)).**IMPORTANT DATES OCCURRING DURING FINAL RECESS****2020**

Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).

Oct. 1 Bills enacted on or before this date take effect January 1, 2021. (Art. IV, Sec. 8(c)).

Nov. 3 General Election.

Nov. 30 Adjournment *sine die* at midnight (Art. IV, Sec. 3(a)).

Dec. 7 2021-22 Regular Session convenes for Organizational Session at 12 noon. (Art. IV, Sec. 3(a)).

2021

Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).

*Holiday schedule subject to final approval by Rules Committee.



Memorandum

DATE: May 1, 2020
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: FIRST QUARTER 2020 BUDGET TO ACTUALS REPORT

Written Report

Highlights

First Quarter Target: 25% Used /75% Remaining

	Actuals to Date	Annual Budget	Budget \$ Remaining	Budget % Remaining
Administrative Budget				
Personnel Costs	\$ 3,968,348	\$ 15,507,410	\$ 11,539,062	74.4%
Service and Supplies	1,878,033	11,077,380	9,199,347	83.0%
Capital Expenditures	-	600,000	600,000	100.0%
Grand Total	\$ 5,846,381	\$ 27,184,790	\$ 21,338,409	78.5%

Background/Discussion

The Board of Retirement approved OCERS' Administrative Budget for Fiscal Year 2020 (FY20) on November 18, 2020, for \$27,184,790 to fund administrative expenses.

OCERS' budgeting authority, which is regulated by California Government Code Sections 31580.2 and 31596.1, including a provision that limits the OCERS' budget for administrative expenses to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system. This provision (commonly referred to as the 21 basis points test) excludes investment related costs and expenditures for computer software, hardware and related technology consulting services. The approved FY20 administrative budget represents 9.04 basis points of the projected actuarial accrued liability.

Until 2010, the previous budget limitation was the 18 basis points test which limited OCERS' budget to 18 basis points of the projected actuarial value of assets. Although no longer bound by this provision, this calculation continued to be included as part of the annual budget and quarterly budget to actual reports based on Board direction received in 2010. However, as there is no legal requirement or basis to continue with this test, at the April 20, 2020 Board meeting, the Board approved discontinuing the practice of calculating and reporting the 18 basis point test. Effective with this report, the 18 basis points test will no longer be presented.

The Chief Executive Officer, or the Assistant CEO, has the authority to transfer funds within the three broad categories of the budget: 1) Salaries and Benefits, 2) Services and Supplies, and 3) Capital Projects. Funds may not be moved from one category to another without approval from the Board of Retirement.

Administrative Summary

For the three months ended March 31, 2020, year-to-date actual administrative expenses were \$5,846,381 or 21.5% of the \$27,184,790 administrative budget and below the 25% target set for the end of the first quarter budget by approximately \$0.9 million. A summary of all administrative expenses and explanations of significant variances are below:

**Summary of all Administrative Expenses
For the Quarter Ended March 31, 2020**

	Actuals to Date	Annual Budget	Balance Remaining	% of Budget Used	Prorated Budget*	Prorated Budget vs. Actuals (Over)/Under
Personnel Costs	\$ 3,968,348	\$ 15,507,410	\$ 11,539,062	25.6%	\$ 3,876,853	\$ (91,495)
Services and Supplies						
Bldg. Prop. Mgmt./Maintenance	155,863	680,000	524,137	22.9%	170,000	14,137
Due Diligence	14,656	135,000	120,344	10.9%	33,750	19,094
Equipment Lease	10,828	48,500	37,672	22.3%	12,125	1,297
Equipment/Software Expenses	84,831	857,500	772,669	9.9%	214,375	129,544
Infrastructure Maintenance	176,556	835,100	658,544	9.8%	208,775	32,219
Legal Services	100,391	1,025,000	924,609	9.8%	256,250	155,859
Meetings & Mileage	15,162	79,350	64,188	19.1%	19,838	4,676
Membership/Periodicals	30,199	83,055	52,856	36.4%	20,764	(9,435)
Office Supplies	21,384	80,000	58,616	26.7%	20,000	(1,384)
Postage	31,066	167,000	135,934	18.6%	41,750	10,684
Printing	23,738	69,000	45,262	34.4%	17,250	(6,488)
Professional Services	1,068,725	6,199,320	5,130,595	17.2%	1,549,830	481,105
Telephone	73,780	205,000	131,220	36.0%	51,250	(22,530)
Training	70,854	613,555	542,701	11.5%	153,389	82,535
Services and Supplies	1,878,033	11,077,380	9,199,347	17.0%	2,769,346	891,313
Capital Expenditures**	-	600,000	600,000	0.0%	150,000	150,000
Administrative Expense Total	\$ 5,846,381	\$ 27,184,790	\$ 21,338,409	21.5%	\$ 6,796,199	\$ 949,818

*Prorated budget represents 25% (3 months/12 months) of the annual budget.

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

Personnel Costs

Personnel Costs as of March 31, 2020 were approximately \$4.0 million or 25.6% of the annual budget for this category, over the prorated budget by \$91,495. These costs are slightly above budget due to lump sum payments made during the first quarter, and an increase in the annual leave liability. Annual leave expense and liability accounts are adjusted each quarter based on the annual leave balances of OCERS employees and are beginning to trend higher than expected because of impacts of COVID-19 work and travel restrictions. Additionally, more annual leave is typically used during the summer months and holiday periods. For the three months ended March 31, 2020, the annual leave liability increased by approximately \$190,000. Personnel costs are expected to be within budget for the year.

Services and Supplies

Expenditures for services and supplies were approximately \$1.9 million or 17.0% of the annual budget for this category. The variance of \$891,313 between the pro-rated budget and year-to-date actuals in this category is primarily due to the following (note: under budget differences that are less than \$5,000 have been deemed immaterial and are excluded from the discussion below):

- Building Property Mgmt./Maintenance costs utilized 22.9% of the annual budget and were slightly lower than the prorated budget by \$14,137. Lower overall costs relate to timing of payments for items such as insurance premiums, as well as lower maintenance costs incurred in the first quarter of the year. Maintenance costs do not occur evenly and will fluctuate throughout the year. OCERS transitioned to a new property manager during this first quarter.
- Due Diligence costs are at 10.9% of the annual budget and lower than the prorated budget by \$19,094. All investment team travel, including training, is in this category. Since the middle of March, all travel has been suspended due to the outbreak of COVID-19. Expenditures in this category are anticipated to be under budget for the remainder of the year.
- Equipment/Software expense utilized 9.9% of the annual budget, and lower than the prorated budget by \$129,544. The lower than expected expenditures is the result of several projects budgeted for the year which have not been implemented during the first quarter, including the purchase and implementation of new accounting software, information security software implementations and other IT software implementations. Many projects have been delayed to focus on equipping employees with the necessary equipment to work from home. Since the work from home directive implemented in March, approximately \$20,000 has been spent through the end of March on additional hardware and necessary equipment to accommodate employees working from home. Additional unbudgeted costs associated with the work from home directive will be continuing into the second quarter, but this category should be within budget at year-end.
- Infrastructure Maintenance costs are at 9.8% of the annual budget resulting in an unused prorated budget of \$32,219. Various costs associated with software and hardware support services are utilized on an as needed basis and are currently lower than budgeted.
- Legal Services are at 9.8% of the budget and are lower than the prorated budget by \$155,859. Legal services for investments, litigation and tax counsel are utilized on an as-needed basis. Investment legal services are below budget by approximately \$100,000 due to fewer new agreements negotiated through the first quarter. General board, tax counsel and outside counsel services are under budget by approximately \$56,000 primarily due to less than expected litigation costs.
- Memberships/Periodical expense is at 36.4% of the annual budget and above the prorated budget by \$9,435. Many of the memberships and periodicals renew in the first quarter of the year. This difference is expected to diminish as the year continues with the result being within budget for this category.
- Office Supplies are slightly over the prorated budget for the quarter due to the timing of various costs. This category is not expected to continue to be over budget as the year progresses.
- Postage is at 18.6% of the annual budget and lower than the prorated budget by \$10,684. This is attributable to the use of postage on an as-needed basis.
- Printing Services is at 34.4% of the annual budget and over the prorated budget by \$6,488. During the first quarter, two of our quarterly newsletters were printed as well as some annual forms. This difference is expected to diminish as the year continues and be within budget for this category.

- Professional Services utilized 17.2% of the annual budget and are lower than the prorated budget by \$481,105 due to several services budgeted incurring no costs during the first quarter. Some professional services budgeted with no costs incurred include a technical writer and a governance consultant in the Executive Department; Office 365 migration consulting and other additional consulting in the IT Department, as well as audit consulting and information security consultants. These budgeted services will be utilized later in the year as needed and as team members are able to begin to work with consultants in a safe work environment.
- Telephone expenditures were 36% of the budget, \$22,530 over the prorated budget. During the first quarter, OCERS implemented a new Dialpad telephone system and incurred costs associated with both the old Mitel System and the new Dialpad system. The extra costs related to the transition resulted in this category being over the prorated budget and will be closely monitored in the future. The CEO or Assistant CEO has the authority to transfer budget dollars within the Services and Supplies category to cover a shortfall. No transfer is required at this time.
- Training expense is at 11.5% of the annual budget and lower than the prorated budget by \$82,535. Beginning in the middle of March, all travel-related training was cancelled or postponed due to the COVID-19 pandemic. Team members are encouraged to participate in online training and development courses during the work from home period and are typically less expensive than conference courses. Conferences that require travel will be considered when the various social distancing and other COVID -19 restrictions are lifted.

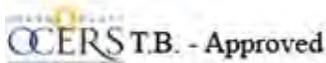
Capital Expenditures

No Capital Expenditures have been incurred as of the end of the quarter. Capital expenditures budgeted for the year are for building security, safety and health upgrades, board room audio visual improvements and new firewalls. OCERS is in the process of developing a plan to re-open its Headquarters building and gradually return team members back to the office. Building security, safety and health upgrades will take priority as part of this plan to ensure the health and safety of our team members.

Conclusion:

As of year-end, the Administrative budget based on preliminary actuals is at 21.5% of the annual budget. As actual administrative expenses are under the annual budget, OCERS is in compliance with the 21 basis point test.

Submitted by:

The logo features the text "OCERS T.B. - Approved" in a serif font. Above the text is a small graphic of a sun with rays. The entire logo is enclosed in a thin, light-colored rectangular border.

Tracy Bowman
Director of Finance



Memorandum

DATE: May 5, 2020
TO: Members of the Board of Retirement
FROM: Tracy Bowman, Director of Finance
SUBJECT: **FIRST QUARTER UNAUDITED FINANCIAL STATEMENTS FOR THREE MONTHS ENDED MARCH 31, 2020**

Written Report

Background/Discussion

The attached financial statements reflect the unaudited activity for the three months ended March 31, 2020. These statements are unaudited and are not the official statements of OCERS. The following statements represent a review of the progress to date for the first quarter of 2020. The official financial statements of OCERS are included in the Comprehensive Annual Financial Report (CAFR), which will be available for the year ended December 31, 2019 on our website, www.ocers.org, after the completion of the 2019 year-end audit in June 2020.

Summary

Fiduciary Net Position

As of March 31, 2020, the net position restricted for pension and other post-employment benefits is \$15.5 billion, a decrease of \$204.1 million, or 1.3%, from March 31, 2019 after the prior year restatement of the OPEB 115 Custodial Fund for \$15.5 million due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. The change is a result of an increase in total assets of \$134.6 million offset by an increase in total liabilities of \$338.7 million as described below:

The \$134.6 million increase in total assets can be attributed to a \$243.5 million increase in total cash and short-term investments, \$32.1 million increase in total receivables, offset by a decrease of \$138.5 million in investments at fair value and a decrease of \$2.5 million in capital assets.

The increase of \$243.5 million in cash and short-term investments consists of an increase of \$313.1 million in cash and cash equivalents due to the timing of investing employee and employer contributions received during the quarter. This increase was offset by a decrease of \$69.6 million in securities lending collateral due to a decrease in lending activity in the securities lending program.

The increase in the receivables balance is primarily related to \$20.4 million increase in investment income receivables, an increase in pending securities sales of \$17.6 million, offset by a decrease in contribution receivables of \$6.8 million.

Investments at fair value decreased \$138.5 million, or 0.89%, from March 31, 2019 to March 31, 2020, which can be attributed to net depreciation in fair value of investments, offset by earnings from interest and dividends, and

investment of proceeds received from contributions. Global Public Equities experienced strong performance in 2019, which has not continued in 2020. In the first quarter of 2020, all major equity indexes posted losses. In March, the World Health Organization declared the coronavirus, COVID-19, a pandemic, resulting in the U.S. and many foreign countries requesting their citizens to shelter in place. Additionally, as oil prices reached historic lows due to a Saudi Arabia – Russia price war, global stocks sunk further. The MSCI ACWI IMI index, which covers 99% of the global equity investment opportunity set, lost approximately 22% in the first quarter and approximately 13% over a one-year period. The decreases in the Credit and Real Assets categories are primarily attributed to the termination of certain investment managers and replacing those with other investment managers. The Risk Mitigation category experienced the largest net increase from March 2019. Risk Mitigation, designed to protect OCERS' portfolio from market downturns, has performed relatively well. The increase in the Risk Mitigation category is due to one-year returns of 11.21%, the addition of five new investment managers and a 33.51% one-year return for BlackRock US Long Treasury Bonds. US Long Treasury Bonds have significantly benefited from the Federal Reserve rate cuts. The Federal Reserve cut rates by 25 basis points three times in 2019, with two more 25 basis point rate cuts in 2020, resulting in interest rates near zero. Private Equity's increase is primarily attributed to a one-year return of 12.71% and the addition of nine new investment managers. Core Fixed Income's increase is primarily due to one-year returns of 7.86% and continues to perform well as yields have come down and prices have gone up.

The decrease in capital assets of \$2.5 million from the prior year represents depreciation expense, of which \$2.2 million is attributed to the Pension Administration System Solution (PASS) Project, V3.

Total liabilities increased \$338.7 million, or 24.9%, from March 31, 2019 to March 31, 2020, primarily due to an increase of \$315 million in pending securities purchased, a \$79.3 million increase in unearned contributions, a \$6.2 million increase in Other Liabilities and a \$5.3 million increase in retiree payroll payable. These increases were offset by a \$69.6 million decrease in the obligations under the securities lending program which is directly related to the decrease in securities lending collateral as previously discussed. At the end of March as the COVID-19 pandemic continued, and the global stock market continued to be volatile, the volume of capital calls from investment managers increased resulting in an increase in pending purchases. Unearned contributions increased due to increases in prepaid employer contributions received for the 2020-2021 prepayment program compared to the prior year's prepayment program. The increase in Other Liabilities relates to other investment-related activity including investment manager fees. An increase in retiree payroll payable is a result of a gradual increase in the number of participants in the plan and the retiree benefits paid.

Statement of Changes in Fiduciary Net Position

The ending net position as of March 31, 2020 decreased by \$204.1 million or 1.3%, when compared to the same period ending March 31, 2019. The change is a result of higher rates of return in 2019, which are offset by a negative rate of return for the quarter ended March 31, 2020. The combined return on the Investment portfolio was a negative return of -8.87% for the quarter ended March 31, 2020, compared to a positive return of 5.64% for the quarter ended March 31, 2019. Total additions to fiduciary net position decreased 226.7%, or \$2.4 billion for the quarter from the previous year.

Net investment loss for the three months ended March 31, 2020 is -\$1.6 billion versus a net investment income of \$871 million for the months ended March 31, 2019, a decrease of \$2.5 billion. The majority of the decrease is due to the net depreciation in fair value of investments. Global Public Equities incurred a big drop in the first

quarter with all major equity indexes posting losses. With the worsening news of COVID-19 and oil prices reaching historic lows as a result of a Saudi Arabia – Russia price war, global stocks sunk further. Global Public Equities had a negative year-to-date return for March 2020 of -22.03% versus a year-to-date return of 12.51% for March 2019. The Credit category reported a year-to-date negative return for March 2020 of -6.84% versus a return of 2.35% for March 2019. Dividends, interest and other investment income increased by \$12.3 million or 22.8%, which can primarily be attributed to an increase in investment income for Risk Mitigation, Credit, and Real Assets, offset by decreases in investment income for Private Equity and Global Public Equity. The increase in Risk Mitigation income is primarily due to 4 new investment managers added in 2019. The increase in Credit income is primarily due to 5 new investment managers in 2019, offset by the termination of 2 investment managers. The income increase in Real Assets is due to a better year-to-date investment return of 0.63% for March 2020 compared to a negative return of -0.38% for March 2019. Total investment fees and expenses increased \$2.1 million, primarily due to increases in investment manager fees and other fund expenses.

Employer and employee contributions have increased \$28.9 million over the prior year. In 2020, an \$11 million employer contribution to the County health care fund was received in the first quarter and no contributions to this fund were received during the first quarter of 2019. Additionally, employer and employee contributions to the pension fund increased \$17.8 million. Pension fund contributions are expected to increase due to the increasing number of employees participating in the plan and the increase in the contribution rates.

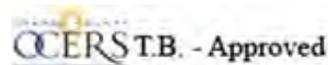
Total deductions from fiduciary net position increased 8.7%, or \$19.6 million, from the previous year. Participant benefits increased by \$18.9 million, which is expected due to the continued and anticipated growth in member pension benefit payments, both in the total number of OCERS's retired members receiving a pension benefit and an increase in the average benefit received; in March 2020 there were 18,578 retirees with an average benefit payment of \$4,085 compared to 17,736 retirees with an average benefit payment of \$3,935 in March 2019. Death benefits and members withdrawals and refunds increased as changes in these categories will fluctuate from year to year based on the occurrence of these events. Administrative expenses increased by \$0.5 million, 11.4%, over the prior year. The majority of this increase relates to increased personnel costs over the prior year.

Other Supporting Schedules

In addition to the basic financial statements for the three months ended March 31, 2020, the following supporting schedules are provided for additional information pertaining to OCERS:

- Total Fund Reserves
- Pension Trust Fund Contributions
- Schedule of Investment Expenses
- Schedule of Administrative Expenses
- Administrative Expense Compared to Actuarial Accrued Liability (21 basis points test).

Submitted by:



Tracy Bowman
Director of Finance



ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements

For the Three Months Ended March 31, 2020

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Unaudited Financial Statements
For the Three Months Ended March 31, 2020

Table of Contents

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

Statement of Fiduciary Net Position (Unaudited)
As of March 31, 2020
(with summarized comparative amounts as of March 31, 2019)
(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>OPEB 115 Custodial Fund</u>	<u>Total Funds</u>	<u>Comparative Totals 2019</u>
ASSETS						
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$ 856,239	\$ 18,532	\$ 2,034	\$ 265	\$ 877,070	\$ 563,961
Securities Lending Collateral	229,636	4,970	546	-	235,152	304,760
Total Cash and Short-Term Investments	<u>1,085,875</u>	<u>23,502</u>	<u>2,580</u>	<u>265</u>	<u>1,112,222</u>	<u>868,721</u>
Receivables						
Investment Income	49,802	1,078	118	-	50,998	30,609
Securities Sales	498,522	10,790	1,184	-	510,496	492,883
Contributions	18,837	-	-	-	18,837	25,688
Foreign Currency Forward Contracts	-	-	-	-	-	406
Other Receivables	4,222	91	10	-	4,323	2,938
Total Receivables	<u>571,383</u>	<u>11,959</u>	<u>1,312</u>	<u>-</u>	<u>584,654</u>	<u>552,524</u>
Investments at Fair Value						
Global Public Equity	5,135,583	111,153	12,201	9,380	5,268,317	6,125,058
Private Equity	1,753,094	37,943	4,165	-	1,795,202	1,557,920
Core Fixed Income	2,852,176	61,732	6,776	5,873	2,926,557	2,724,072
Credit	1,491,925	32,291	3,544	-	1,527,760	1,675,492
Real Assets	2,182,622	47,240	5,185	-	2,235,047	2,447,666
Risk Mitigation	1,683,517	36,438	4,000	-	1,723,955	1,084,921
Absolute Return	945	20	2	-	967	1,207
Total Investments at Fair Value	<u>15,099,862</u>	<u>326,817</u>	<u>35,873</u>	<u>15,253</u>	<u>15,477,805</u>	<u>15,616,336</u>
Capital Assets, Net	15,427	-	-	-	15,427	17,909
Total Assets	<u>16,772,547</u>	<u>362,278</u>	<u>39,765</u>	<u>15,518</u>	<u>17,190,108</u>	<u>17,055,490</u>
LIABILITIES						
Obligations Under Securities Lending Program	229,636	4,970	546	-	235,152	304,760
Securities Purchased	624,064	13,507	1,483	-	639,054	324,019
Unearned Contributions	711,866	-	-	-	711,866	632,512
Foreign Currency Forward Contracts	2,411	52	6	-	2,469	-
Retiree Payroll Payable	74,016	4,033	788	-	78,837	73,548
Other	29,190	632	69	-	29,891	23,701
Total Liabilities	<u>1,671,183</u>	<u>23,194</u>	<u>2,892</u>	<u>-</u>	<u>1,697,269</u>	<u>1,358,540</u>
Net Position Restricted for Pension and Other Postemployment Benefits	<u>\$ 15,101,364</u>	<u>\$ 339,084</u>	<u>\$ 36,873</u>	<u>\$ 15,518</u>	<u>\$ 15,492,839</u>	<u>\$ 15,696,950</u>

Statement of Changes in Fiduciary Net Position (Unaudited)

For the Three Months Ended March 31, 2020

(with summarized comparative amounts for the Three Months Ended March 31, 2019)

(Dollars in Thousands)

	<u>Pension Trust Fund</u>	<u>Health Care Fund- County</u>	<u>Health Care Fund- OCFA</u>	<u>OPEB 115 Custodial Fund</u>	<u>Total Funds</u>	<u>Comparative Totals 2019</u>
ADDITIONS						
Contributions						
Employer	\$ 155,891	\$ 11,051	\$ 477	\$ -	\$ 167,419	\$ 142,015
Employee	70,635	-	-	-	70,635	67,180
Other Postemployment Contributions	-	-	-	144	144	137
Total Contributions	<u>226,526</u>	<u>11,051</u>	<u>477</u>	<u>144</u>	<u>238,198</u>	<u>209,332</u>
Investment Income						
Net Appreciation / (Depreciation) in Fair Value of Investments	(1,607,828)	(34,189)	(3,783)	(2,302)	(1,648,102)	844,589
Dividends, Interest, & Other Investment Income	64,556	1,397	153	1	66,107	53,838
Securities Lending Income						
Gross Earnings	903	20	2	-	925	2,345
Less: Borrower Rebates and Bank Charges	(694)	(15)	(2)	-	(711)	(2,003)
Net Securities Lending Income	<u>209</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>214</u>	<u>342</u>
Total Investment Income / (Loss)	<u>(1,543,063)</u>	<u>(32,787)</u>	<u>(3,630)</u>	<u>(2,301)</u>	<u>(1,581,781)</u>	<u>898,769</u>
Investment Fees and Expenses	<u>(24,854)</u>	<u>(538)</u>	<u>(59)</u>	<u>(1)</u>	<u>(25,452)</u>	<u>(27,581)</u>
Net Investment Income / (Loss)	<u>(1,567,917)</u>	<u>(33,325)</u>	<u>(3,689)</u>	<u>(2,302)</u>	<u>(1,607,233)</u>	<u>871,188</u>
Total Additions	<u>(1,341,391)</u>	<u>(22,274)</u>	<u>(3,212)</u>	<u>(2,158)</u>	<u>(1,369,035)</u>	<u>1,080,520</u>
DEDUCTIONS						
Participant Benefits	228,085	9,014	1,313	-	238,412	219,482
Death Benefits	163	-	-	-	163	74
Member Withdrawals and Refunds	2,401	-	-	-	2,401	2,323
Other Postemployment Benefits	-	-	-	340	340	323
Administrative Expenses	<u>5,177</u>	<u>5</u>	<u>6</u>	<u>5</u>	<u>5,193</u>	<u>4,663</u>
Total Deductions	<u>235,826</u>	<u>9,019</u>	<u>1,319</u>	<u>345</u>	<u>246,509</u>	<u>226,865</u>
Net Increase / (Decrease)	(1,577,217)	(31,293)	(4,531)	(2,503)	(1,615,544)	853,655
Net Position Restricted For Pension and Other Postemployment Benefits, Beginning of Year	16,678,581	370,377	41,404	18,021	17,108,383	14,827,799
Restatement of Net Position	-	-	-	-	-	15,496
Net Position Restricted For Pension and Other Postemployment Benefits, Beginning of Year, as Restated	<u>16,678,581</u>	<u>370,377</u>	<u>41,404</u>	<u>18,021</u>	<u>17,108,383</u>	<u>14,843,295</u>
Ending Net Position Restricted For Pension and Other Postemployment Benefits	<u>\$ 15,101,364</u>	<u>\$ 339,084</u>	<u>\$ 36,873</u>	<u>\$ 15,518</u>	<u>\$ 15,492,839</u>	<u>\$ 15,696,950</u>

Total Plan Reserves
 For the Three Months Ended March 31, 2020
 (with summarized comparative amounts for the Three Months Ended March 31, 2019)
 (Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Pension Reserve	\$ 9,696,616	\$ 8,980,588
Employee Contribution Reserve	3,440,674	3,268,827
Employer Contribution Reserve	2,946,659	2,813,636
Annuity Reserve	1,852,590	1,631,286
Health Care Reserve	375,957	355,848
OPEB 115 Reserve	15,518	16,735
County Investment Account (POB Proceeds) Reserve	136,795	139,147
OCSD UAAL Deferred Reserve	30,688	-
Contra Account	<u>(3,002,658)</u>	<u>(1,509,117)</u>
Total Net Position Restricted for Pension and Other Postemployment Benefits	<u>\$ 15,492,839</u>	<u>\$ 15,696,950</u>

Schedule of Contributions
For the Three Months Ended March 31, 2020
(with summarized comparative amounts for the Three Months Ended March 31, 2019)
(Dollars in Thousands)

	2020		2019	
	Employee	Employer	Employee	Employer
Pension Trust Fund Contributions				
County of Orange	\$ 54,246	\$ 121,024	\$ 52,079	\$ 110,166
Orange County Fire Authority	6,849	20,603	5,942	18,032
Orange County Superior Court of California	4,002	8,311	4,274	7,299
Orange County Transportation Authority	2,601	6,930	2,230	5,994
Orange County Sanitation District	2,069	2,128	1,872	1,886
UCI Medical Center & Campus	-	736	-	665
Orange County Employees Retirement System	300	721	269	615
City of San Juan Capistrano	205	603	200	596
Transportation Corridor Agencies	204	243	179	381
Orange County Department of Education	-	73	-	61
Orange County Cemetery District	40	51	35	42
Orange County In-Home Supportive Services Public Authority	32	42	28	45
Orange County Local Agency Formation Commission	13	42	10	34
Orange County Children & Families Commission	33	38	25	27
Orange County Public Law Library	41	31	37	27
Orange County Mosquito & Vector Control	-	-	-	878
Contributions Before Prepaid Discount	70,635	161,576	67,180	146,748
Prepaid Employer Contributions Discount	-	(5,685)	-	(5,245)
Total Pension Trust Fund Contributions	70,635	155,891	67,180	141,503
Health Care Fund - County Contributions	-	11,051	-	-
Health Care Fund - OCFA Contributions	-	477	-	512
OPEB 115 Custodial Fund Postemployment Contributions	-	144	-	137
Total Contributions	\$ 70,635	\$ 167,563	\$ 67,180	\$ 142,152

¹ Unfunded actuarial accrued liability payments (UAAL) were made in 2020 for \$1.8 million and 2019 for \$0.9 million for the Orange County Fire Authority.

² Unfunded actuarial accrued liability payments have been made in accordance with a separate 20-year level dollar payment schedule to include liabilities for employee benefits related to past service credit.

³ Unfunded actuarial accrued liability payments were made in 2019 for \$0.9 million for the Orange County Mosquito & Vector Control District.

Schedule of Investment Expenses
For the Three Months Ended March 31, 2020
(with summarized comparative amounts for the Three Months Ended March 31, 2019)
(Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Investment Management Fees*		
Global Public Equity		
U.S. Equity	\$ 233	\$ 412
International Equity	1,464	1,188
Emerging Markets Equity	1,166	1,115
Total Global Public Equity	<u>2,863</u>	<u>2,715</u>
Core Fixed Income		
U.S. Fixed Income	652	590
Total Core Fixed Income	<u>652</u>	<u>590</u>
Credit		
High Yield	454	352
Emerging Markets Debt	733	92
Direct Lending	753	565
Multi-Strategy	453	1,742
Non-U.S. Direct Lending	630	538
Total Credit	<u>3,023</u>	<u>3,289</u>
Real Assets		
Real Estate	3,324	3,806
Real Return		
Timber	196	274
Agriculture	311	305
Infrastructure	724	199
Energy	2,940	3,599
Total Real Return	<u>4,171</u>	<u>4,377</u>
Total Real Assets	<u>7,495</u>	<u>8,183</u>
Absolute Return		
Direct Hedge Fund	30	3
Total Absolute Return	<u>30</u>	<u>3</u>
Private Equity	5,603	5,497
Risk Mitigation	3,131	1,471
Short-Term Investments	87	58
Total Investment Management Fees	<u>22,884</u>	<u>21,806</u>
Other Fund Expenses¹	<u>1,265</u>	<u>4,351</u>
Other Investment Expenses (Expenses Not Subject to the Statutory Limit)		
Consulting/Research Fees	474	488
Investment Department Expenses	629	597
Legal Services	50	180
Custodian Services	145	145
Investment Service Providers	5	14
Total Other Investment Expenses	<u>1,303</u>	<u>1,424</u>
Security Lending Activity		
Security Lending Fees	65	80
Rebate Fees	646	1,923
Total Security Lending Activity	<u>711</u>	<u>2,003</u>
Total Investment Expenses	<u>\$ 26,163</u>	<u>\$ 29,584</u>

* Does not include undisclosed fees deducted at source.

¹ These costs include, but are not limited to, foreign income tax and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

Schedule of Administrative Expenses
For the Three Months Ended March 31, 2020
(with summarized comparative amounts for the Three Months Ended March 31, 2019)
(Dollars in Thousands)

	2020	2019
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$ 3,384	\$ 2,930
Board Members' Allowance	3	5
Total Personnel Services	3,387	2,935
Office Operating Expenses		
Depreciation/Amortization	633	633
General Office and Administrative Expenses	439	409 ¹
Professional Services	339	484 ¹
Rent/Leased Real Property	167	92
Total Office Operating Expenses	1,578	1,618
Total Expenses Subject to the Statutory Limit	4,965	4,553
Expenses Not Subject to the Statutory Limit		
Actuarial Fees	52	17
Equipment/Software	56	37 ¹
Information Technology Professional Services	90	35
Information Security Professional Services	14	6 ¹
Total Expenses Not Subject to the Statutory Limit	212	95
Total Pension Fund Administrative Expenses	5,177	4,648
Health Care Fund - County Administrative Expenses	5	5
Health Care Fund - OCFA Administrative Expenses	6	5
OPEB 115 Custodial Fund - Administrative Expenses	5	5
Total Administrative Expenses	\$ 5,193	\$ 4,663

1 Reclassification of expenses from subject to the statutory limit to not subject to the statutory limit in prior year to be consistent with the reporting in the current year.

Administrative Expense Compared to Actuarial Accrued Liability

For the Three Months Ended March 31, 2020

(Dollars in Thousands)

Administrative Expense Compared to Actuarial Accrued Liability	
Projected Actuarial Accrued Liability (AAL) as of December 31, 2019	\$ 21,747,090
Maximum Allowed For Administrative Expense (AAL * 0.21%)	45,669
Actual Administrative Expense ¹	<u>4,965</u>
Excess of Allowed Over Actual Expense	<u><u>40,704</u></u>
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2019	0.02%
Actual Administrative Expense as a Percentage of Projected Actuarial Accrued Liability as of December 31, 2018	0.08%
¹ Administrative Expense Reconciliation	
Administrative expense per Statement of Changes in Fiduciary Net Position	\$ 5,177
Less administrative expense not considered per CERL section 31596.1	<u>(212)</u>
Administrative Expense allowable under CERL section 31580.2	<u><u>\$ 4,965</u></u>



Memorandum

DATE: May 18, 2020
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: PRELIMINARY DECEMBER 31, 2019 ACTUARIAL VALUATION

Presentation

Background/Discussion

On May 18, Mr. Paul Angelo of Segal Consulting, will be reviewing the attached PowerPoint presentation which is the introduction to the December 31, 2019 Actuarial Valuation.

OCERS is nearly unique among Segal clients in that the Board receives this initial PowerPoint summary of valuation highlights a month prior to the full formal Actuarial Valuation. This informal approach allows OCERS' stakeholders time to review the data being used in the Actuarial Valuation and provide input prior to the OCERS Board giving final approval to the valuation.

This month's presentation does not require formal approval from the Board but instead, is a informational presentation. On June 15, Mr. Angelo, will return to present the formal valuation that includes contribution rates to be effective July 1, 2021 and at that time, OCERS' staff will request the OCERS Board approve and finalize the valuation for distribution to all stakeholders.

Submitted by:



SD - Approved

Steve Delaney
Chief Executive Officer

Orange County Employees
Retirement System

December 31, 2019 Actuarial Valuation

May 18, 2020

Prepared by Paul Angelo and Andy Yeung

| Agenda

Changes Since Last Valuation

Plans of Benefit Offered at OCERS

Summary of Employer Contribution Rates

**Calculation of Net Market, Actuarial and Valuation
Value of Assets**

Unfunded Actuarial Accrued Liability and Funded Ratio

Summary of Active and Retired Membership

Contribution Rates for Employers and Members

Changes Since Last Valuation

- The Board approved a three-year phase-in of the UAAL employer cost impact due to assumption changes starting with the December 31, 2017 valuation.
 - This is the third and final year of the phase-in, and so reflects the full cost impact of assumption changes.
 - 1/3 of the cost impact was reflected in the rates based on the December 31, 2017 valuation and 2/3 of the cost impact was reflected in the rates based on the December 31, 2018 valuation.
- The next experience analysis will be performed in 2020 and any changes in assumptions will be reflected in the December 31, 2020 valuation.
- As directed recently by OCERS, starting with this valuation Segal is only showing the “net” UAAL contribution rate for County and IHSS Public Authority in Rate Group #1
 - Without reflecting the UAAL contributions required for Vector Control, Cypress Parks and Recreation, U.C.I. and DOE.
- OCFA contributed an additional \$19.0 million to pay off part of their UAAL.

Changes Since Last Valuation (continued)

- O.C. Sanitation District (Rate Group #3) paid off their UAAL as of December 31, 2018, including both:
 - Existing UAAL determined using (smoothed) valuation assets in December 31, 2018 valuation.
 - A portion of their Contingent UAAL determined using market assets in the December 31, 2018 valuation. Those additional contributions are maintained in the O.C. Sanitation District UAAL Deferred Account.
 - Results for Rate Group #3 reflect an asset transfer of \$18.6 million from O.C. Sanitation District UAAL Deferred Account to Valuation Assets
 - To offset the actuarial losses (primarily from salary experience and COLA experience) during 2019.
- TCA (Rate Group #9) paid off UAAL as of December 31, 2018
 - New UAAL layer established to reflect the impact of experience losses in December 31, 2019 valuation.
- In 2019, a request was made by San Juan Capistrano to spinoff certain City's utility employees to leave OCERS and join CalPERS.
 - Spinoff has not taken place as of December 31, 2019.

Plans of Benefit Offered at OCERS

General Plans

- Plan A (§31676.12) – 2% @ 57
- Plan B (§31676.1) – 1.67% @ 57.5
- Plans G and H (§31676.18) – 2.5% @ 55
- Plans I and J (§31676.19) – 2.7% @ 55
- Plans M and N (§31676.16) – 2% @ 55
- Plans O and P (§31676.01) – 1.62% @ 65
- Plan S (§31676.12) – 2% @ 57
- Plan T (§31676.01) – 1.62% @ 65 CalPEPRA
- Plan U (§7522.20(a)) – 2.5% @ 67 CalPEPRA
- Plan W (§31676.01) – 1.62% @ 65 CalPEPRA

Safety Plans

- Plans E and F (§31664.1) – 3% @ 50
- Plans Q and R (§31664.2) – 3% @ 55
- Plan V (§7522.25(d)) – 2.7% @ 57 CalPEPRA

Employer Contributions

- The sum of:
 - Normal Cost
 - Level percentage of payroll amortization of:
 - Balance of December 31, 2012 UAAL re-amortized over 20 years as of December 31, 2013 (with 14 years left as of December 31, 2019)
 - New UAAL established after December 31, 2012 amortized over separate 20-year periods
 - Adjustment to reflect 18-month delay between date of valuation and date of rate implementation
- Expressed as percent of pay

Employer Contribution Rates – Fiscal Years Beginning July 1, 2020 and July 1, 2021 (% of payroll)

	FY 21-22	FY 20-21 ^{1,2}	Difference
Rate Group #1			
General Plans A, B and U (non-OCTA, non-OCSD) ³	15.49%	15.35%	0.14%
Rate Group #2			
General Plans I, J, O, P, S, T, U and W (County et al.)	39.35%	37.03%	2.32%
Rate Group #3			
General Plans B, G, H and U (OCSD)	11.93%	11.97% ⁴	-0.04%
Rate Group #5			
General Plans A, B and U (OCTA)	31.42%	30.47%	0.95%
Rate Group #9			
General Plans M, N and U (TCA)	13.22%	12.98% ⁴	0.24%
Rate Group #10			
General Plans I, J, M, N and U (OCFA)	26.70%	27.60%	-0.90%
Rate Group #11			
General Plans M and N, future service, and U (Cemetery)	14.84%	12.13%	2.71%
Rate Group #12			
General Plans G, H and U (Law Library)	13.68%	15.35%	-1.67%
Rate Group #6			
Safety Plans E, F and V (Probation)	59.69%	55.23%	4.46%
Rate Group #7			
Safety Plans E, F, Q, R and V (Law Enforcement)	67.55%	64.79%	2.76%
Rate Group #8			
Safety Plans E, F, Q, R and V (OCFA)	<u>48.71%</u>	<u>47.84%</u>	<u>0.87%</u>
Aggregate Total	41.49%	39.48%	2.01%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

² The FY 20-21 composite rates have changed due to payroll shifting among plans within the Rate Groups.

³ Includes only the “net” UAAL contribution rate for County and IHSS Public Authority without reflecting the UAAL contributions required for Vector Control, Cypress Parks and Recreation, U.C.I. and DOE.

⁴ These rates are after adjustment to the contribution rates for FY 20-21 for additional UAAL contributions made during calendar year 2019.

Reconciliation of Aggregate Employer Contributions (\$000)

	Contribution Rate	Estimated Amount ¹
1. Aggregate Recommended Contribution Rate as of December 31, 2018 (before adjustments for additional UAAL contributions and phase-in)	40.80%	\$796,667
2. Adjustment to FY20-21 rates for additional UAAL contributions from OCSD and TCA	-0.09%	-1,779
3. Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	-1.23%	-23,939
4. Aggregate Recommended Contribution Rate as of December 31, 2018 (after adjustments for additional UAAL contributions and phase-in)	39.48%	\$770,949
5. Actuarial (gain)/loss items:		
a. Effect of investment loss (after smoothing)	0.18%	\$3,515
b. Effect of additional UAAL contributions from OCFA	-0.07%	-1,367
c. Effect of \$18.6 million asset transfer from O.C. Sanitation District UAAL Deferred Account	-0.07%	-1,367
d. Effect of difference in actual versus expected contributions (including loss from phase-in) ²	0.46%	8,982
e. Effect of difference in actual versus expected COLA increases ³	0.48%	9,372
f. Effect of difference in actual versus expected salary increases	-0.19%	-3,710
g. Effect of growth in total payroll greater than expected	-0.21%	-4,100
h. Effect of other experience loss ⁴	0.20%	3,898
i. Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	<u>1.23%</u>	<u>23,939</u>
j. Subtotal	2.01%	\$39,162
6. Aggregate Recommended Contribution Rate as of December 31, 2019	41.49%	\$810,111

¹ Based on December 31, 2019 projected compensation of \$1,952,534,000.

² Includes 0.09% of pay contribution loss from the phase-in of the UAAL cost impact due to changes in actuarial assumptions in 2017.

³ Includes an actual loss from the payment of 0.25% higher COLA (relative to the 2.75% inflation assumption) for the December 31, 2019 valuation plus an anticipated 0.25% for each of the next four years because of an accumulation of a 1.00% COLA Bank in this valuation.

⁴ Net of an adjustment of -0.12% to reflect a change in 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

Reconciliation of Employer Contributions for General Members

	RG #1 ¹	RG #2	RG #3	RG #5	RG #9	RG #10	RG #11	RG #12
1. Aggregate Recommended Contribution Rate as of Dec. 31, 2018 (before adjustments for additional UAAL contributions and phase-in)	16.09%	38.22%	12.83%	31.63%	28.27%	28.54%	12.35%	15.35%
2. Adjustment to FY20-21 rates for additional UAAL contributions from OCSD and TCA	0.00%	0.00%	-0.86%	0.00%	-15.29%	0.00%	0.00%	0.00%
3. Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	<u>-0.74%</u>	<u>-1.19%</u>	<u>0.00%</u>	<u>-1.16%</u>	<u>0.00%</u>	<u>-0.94%</u>	<u>-0.22%</u> ²	<u>0.00%</u>
4. Aggregate Recommended Contribution Rate as of Dec. 31, 2018 (after adjustments for additional UAAL contributions and phase-in)	15.35%	37.03%	11.97%	30.47%	12.98%	27.60%	12.13%	15.35%
5. Actuarial (gain)/loss items:								
a. Effect of investment loss (after smoothing)	0.08%	0.17%	0.22%	0.15%	0.14%	0.15%	0.14%	0.22%
b. Effect of additional UAAL contributions from OCFA	0.00%	0.00%	0.00%	0.00%	0.00%	-1.55%	0.00%	0.00%
c. Effect of \$18.6 million asset transfer from O.C. Sanitation District UAAL Deferred Account	0.00%	0.00%	-1.74%	0.00%	0.00%	0.00%	0.00%	0.00%
d. Effect of difference in actual versus expected contributions (including loss from phase-in)	0.14%	0.55%	0.15%	0.51%	-0.31%	-0.20%	0.12%	0.25%
e. Effect of difference in actual versus expected COLA increases	0.14%	0.44%	0.46%	0.41%	0.29%	0.52%	0.18%	0.38%
f. Effect of difference in actual versus expected salary increases	-0.60%	-0.35%	0.46%	-0.25%	0.16%	0.44%	-0.17%	-0.71%
g. Effect of growth in total payroll (greater)/less than expected	0.03%	0.10%	0.00%	-0.73%	-0.09%	-1.77%	0.00%	0.02%
h. Effect of other experience (gain)/loss ^{3,4}	-0.39%	0.22%	0.41%	-0.30%	0.05%	0.57%	2.22%	-1.83%
i. Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	<u>0.74%</u>	<u>1.19%</u>	<u>0.00%</u>	<u>1.16%</u>	<u>0.00%</u>	<u>0.94%</u>	<u>0.22%</u> ²	<u>0.00%</u>
j. Subtotal	0.14%	2.32%	-0.04%	0.95%	0.24%	-0.90%	2.71%	-1.67%
6. Aggregate Recommended Contribution Rate as of Dec. 31, 2019	15.49%	39.35%	11.93%	31.42%	13.22%	26.70%	14.84%	13.68%

¹ Includes only the “net” UAAL contribution rate for County and IHSS Public Authority without reflecting the UAAL contributions required for Vector Control, Cypress Parks and Recreation, U.C.I. and DOE.

² The phase-in adjustment for Rate Group #11 has been adjusted from -0.48% to -0.22% so that the UAAL contribution won’t become negative after applying the phase-in (we have limited that to 0%).

³ Net of an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

⁴ Effect of other experience (gain)/loss for RG #11 includes: 1.21% due to retirement loss and 1.07% due to previous unreported beneficiary. RG #12 includes: -0.76% due to retirement gain and -0.22% due to termination gain.

Reconciliation of Employer Contributions for Safety Members

	RG #6	RG #7	RG #8
1. Aggregate Recommended Contribution Rate as of December 31, 2018 (before adjustments for additional UAAL contributions and phase-in)	57.36%	66.64%	48.99%
2. Adjustment to FY20-21 rates for additional UAAL contributions from OCSD and TCA	0.00%	0.00%	0.00%
3. Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	<u>-2.13%</u>	<u>-1.85%</u>	<u>-1.15%</u>
4. Aggregate Recommended Contribution Rate as of December 31, 2018 (after adjustments for additional UAAL contributions and phase-in)	55.23%	64.79%	47.84%
5. Actuarial (gain)/loss items:			
a. Effect of investment loss (after smoothing)	0.24%	0.26%	0.23%
b. Effect of additional UAAL contributions from OCFA	0.00%	0.00%	-0.60%
c. Effect of \$18.6 million asset transfer from O.C. Sanitation District UAAL Deferred Account	0.00%	0.00%	0.00%
d. Effect of difference in actual versus expected contributions (including loss from phase-in)	0.90%	0.41%	0.16%
e. Effect of difference in actual versus expected COLA increases	0.53%	0.73%	0.52%
f. Effect of difference in actual versus expected salary increases	-0.87%	0.31%	0.30%
g. Effect of growth in total payroll (greater)/less than expected	1.74%	-0.85%	-1.82%
h. Effect of other experience (gain)/loss ^{1,2}	-0.21%	0.05%	0.93%
i. Effect of three-year phase-in of UAAL cost impact due to changes in actuarial assumptions	<u>2.13%</u>	<u>1.85%</u>	<u>1.15%</u>
j. Subtotal	4.46%	2.76%	0.87%
6. Aggregate Recommended Contribution Rate as of December 31, 2019	59.69%	67.55%	48.71%

¹ Net of an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

² Effect of other experience (gain)/loss for RG #8 includes: 0.92% increase in the employer Normal Cost rate due to the 61 new hires from the City of Garden Grove. The average entry age has changed from 26.4 to 32.0.

Reconciliation of Aggregate Member Contributions (\$000)

	Contribution Rate	Estimated Amount¹
Aggregate Recommended Contribution Rate as of December 31, 2018	12.29%	\$239,938
Effect of changes in demographics	<u>0.02%</u>	<u>332</u>
Subtotal	0.02%	\$332
Aggregate Recommended Contribution Rate as of December 31, 2019	12.31%	\$240,270

¹ Based on December 31, 2019 projected compensation of \$ 1,952,534,000.

Calculation of Net Market, Actuarial and Valuation Value of Assets

- Net market value of Pension Fund is total market value reduced by:
 - Obligations under securities lending program including securities purchased
 - Unearned contributions, retiree payroll payable and other liabilities
 - County investment account
 - Amount held in Health Care Funds
 - Remaining O.C. Sanitation District UAAL Deferred Account of \$12.1 million after asset transfer of \$18.6 million

- Actuarial value is a “smoothed” value to dampen short-term effect of market volatility
 - Based on spreading difference between actual market return and expected market return (7.00% starting in 2018) over 5 years
 - Return for 2019 on market value was 14.79%¹ (i.e., 7.79% more than assumed)
 - Return for 2019 on actuarial value was 6.66% (i.e., 0.34% less than assumed)
 - As of December 31, 2019, there were \$479.2 million in net deferred investment gains or about 3% of the net market value
 - Prior year: \$644.7 million in net deferred investment losses or about 4% of net market value

¹ Return on market value was calculated using a modified dollar-weighted approach based on pension plan assets net of accounting liabilities. Actual investment gain on net pension plan assets was \$2,123,258,000 during 2019 after including both the administrative expenses and discount for prepaid contributions while excluding the losses credited to County Investment Account and O.C. Sanitation District UAAL Deferred Account. Without these adjustments, the actual investment gain was \$2,183,808,000.

Calculation of Net Market, Actuarial and Valuation Value of Assets

- Valuation value is actuarial value reduced by non-valuation reserves:
 - Medicare medical insurance reserve (only \$84,000 as of December 31, 2019)

It is important to note that this actuarial valuation is based on plan assets as of December 31, 2019. Due to the COVID-19 pandemic, market conditions have changed significantly since the valuation date. The Plan's actuarial status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. While it is impossible to determine how the market will perform over the next several months, and how that will affect the results of next year's valuation, Segal is available to prepare projections of potential outcomes upon request.

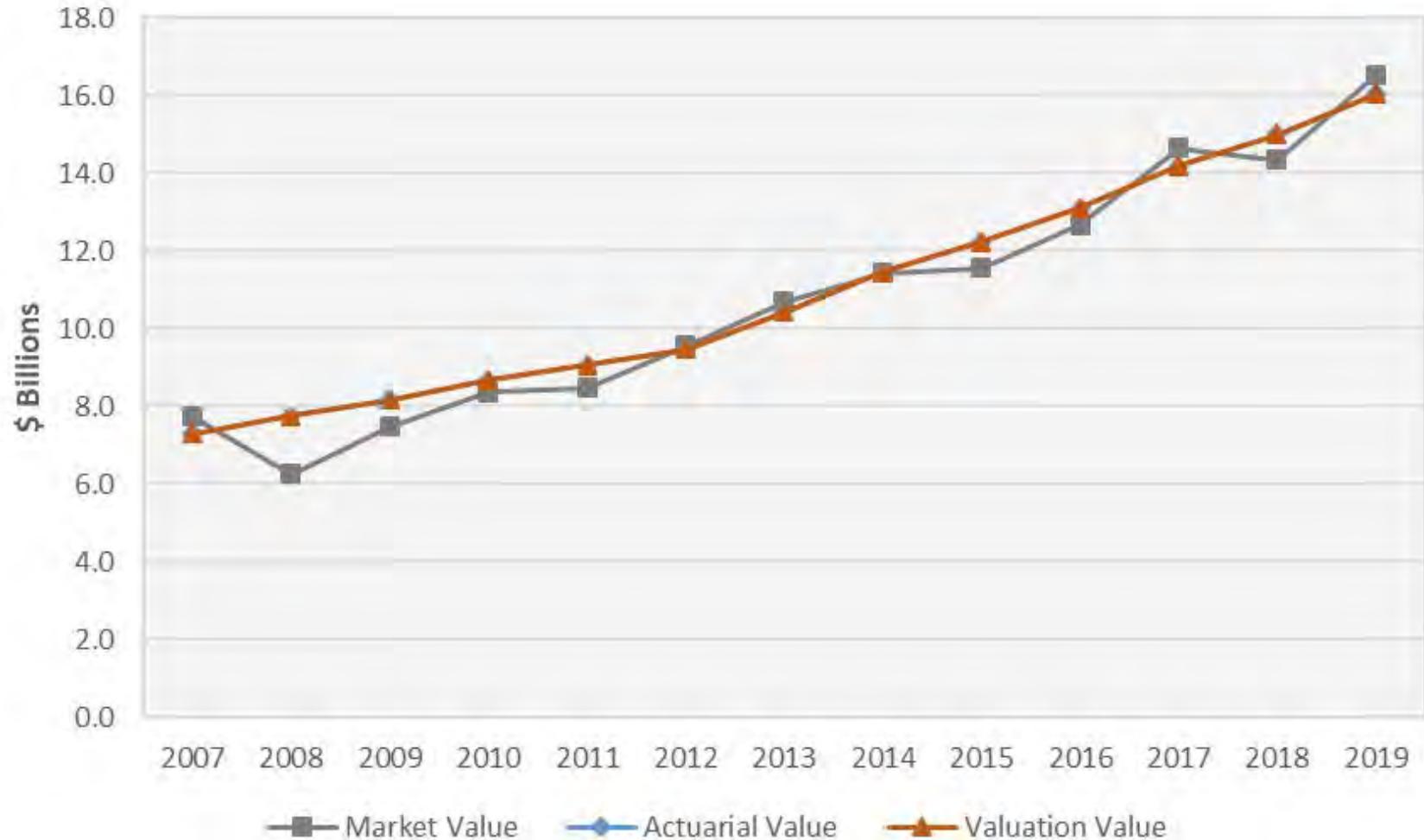
Market, Actuarial and Valuation Value of Assets (\$000)

Valuation Date	Net Market Value of Assets ^{1,2}	Actuarial Value of Assets ²	Valuation Value of Assets
December 31, 2007	\$7,719,690	\$7,292,205	\$7,288,900
December 31, 2008	\$6,248,558	\$7,750,751	\$7,748,380
December 31, 2009	\$7,464,761	\$8,155,654	\$8,154,687
December 31, 2010	\$8,357,835	\$8,673,473	\$8,672,592
December 31, 2011	\$8,465,593	\$9,064,580	\$9,064,355
December 31, 2012	\$9,566,874	\$9,469,423	\$9,469,208
December 31, 2013	\$10,679,507	\$10,417,340	\$10,417,125
December 31, 2014	\$11,428,223	\$11,450,001	\$11,449,911
December 31, 2015	\$11,548,529	\$12,228,098	\$12,228,009
December 31, 2016	\$12,657,418	\$13,103,066	\$13,102,978
December 31, 2017	\$14,652,607	\$14,197,211	\$14,197,125
December 31, 2018	\$14,349,790	\$14,994,505	\$14,994,420
December 31, 2019	\$16,516,108	\$16,036,953	\$16,036,869

¹ Net of amounts in County investment account, prepaid employer contributions and O.C. Sanitation District UAAL Deferred Account (after transfer), if any.

² Includes amounts in unclaimed member reserve and Medicare medical insurance reserve.

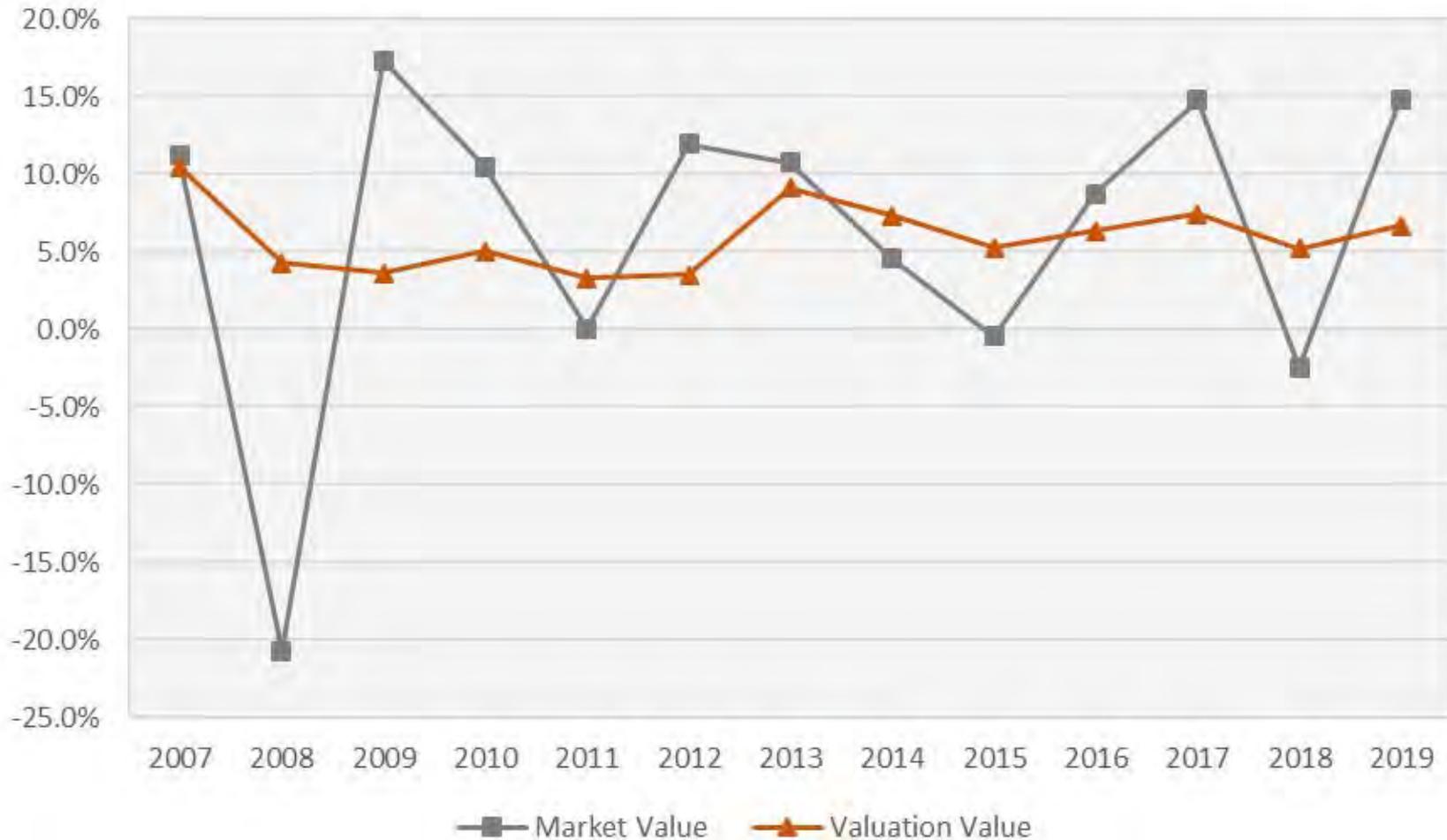
Market Value of Assets, Actuarial Value of Assets and Valuation Value of Assets as of December 31, 2007 – 2019



History of Return on Assets

	Market	Valuation	Expected
December 31, 2010	10.47%	5.02%	7.75%
December 31, 2011	0.04%	3.29%	7.75%
December 31, 2012	11.92%	3.49%	7.75%
December 31, 2013	10.73%	9.11%	7.25%
December 31, 2014	4.52%	7.34%	7.25%
December 31, 2015	-0.45%	5.26%	7.25%
December 31, 2016	8.72%	6.33%	7.25%
December 31, 2017	14.79%	7.44%	7.25%
December 31, 2018	-2.46%	5.20%	7.00%
December 31, 2019	14.79%	6.66%	7.00%
Annualized 5-Year Average	6.82%	6.17%	
Annualized 10-Year Average	7.13%	5.90%	

Market Value and Valuation Value Rates of Return for Years Ended December 31, 2007 – 2019



Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio

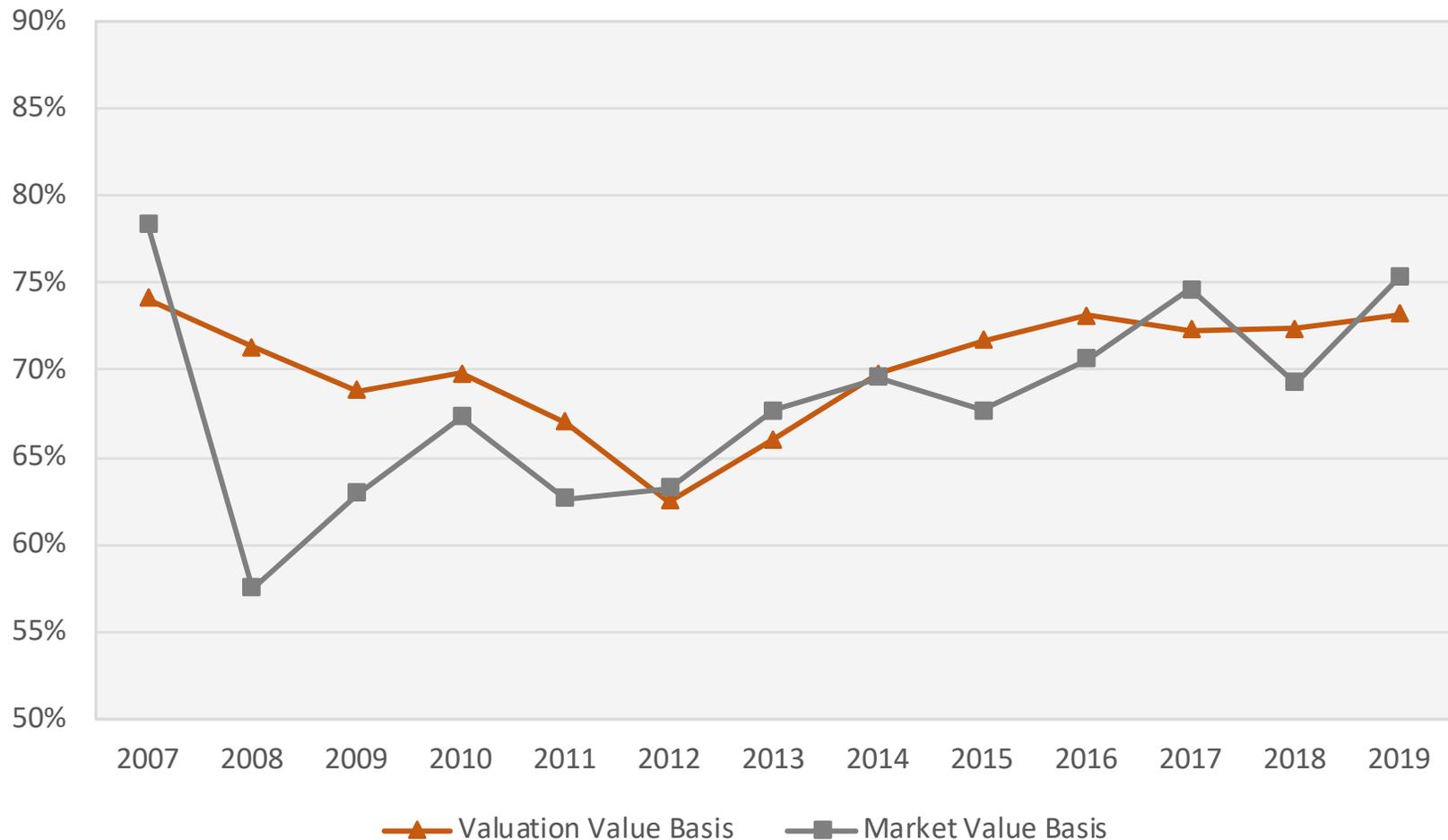
	December 31, 2019	December 31, 2018
Actuarial Accrued Liability	\$21,916,730	\$20,703,349
Valuation Value of Assets ¹	16,036,869	14,994,420
Unfunded Actuarial Accrued Liability	5,879,861	5,708,929
Percent Funded on Valuation Value	73.17%	72.43%
Market Value of Assets ¹	\$16,516,108	\$14,349,705
Percent Funded on Market Value	75.36%	69.31%

¹ Excludes County investment account, prepaid employer contributions, Medicare medical insurance reserve and O.C. Sanitation District UAAL Deferred Account (after transfer), if any.

Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio

Valuation Date	UAAL	Valuation Value Funded Ratio	Market Value Funded Ratio
December 31, 2007	\$2,549,786	74.1%	78.4%
December 31, 2008	\$3,112,335	71.3%	57.5%
December 31, 2009	\$3,703,891	68.8%	62.9%
December 31, 2010	\$3,753,281	69.8%	67.3%
December 31, 2011	\$4,458,623	67.0%	62.6%
December 31, 2012	\$5,675,680	62.5%	63.2%
December 31, 2013	\$5,367,917	66.0%	67.7%
December 31, 2014	\$4,963,213	69.8%	69.6%
December 31, 2015	\$4,822,348	71.7%	67.7%
December 31, 2016	\$4,830,483	73.1%	70.6%
December 31, 2017	\$5,438,302	72.3%	74.6%
December 31, 2018	\$5,708,929	72.4%	69.3%
December 31, 2019	\$5,879,861	73.2%	75.4%

Market Value and Valuation Value Funded Ratios for Years Ended December 31, 2007 – 2019



Changes in UAAL since December 31, 2018 Valuation

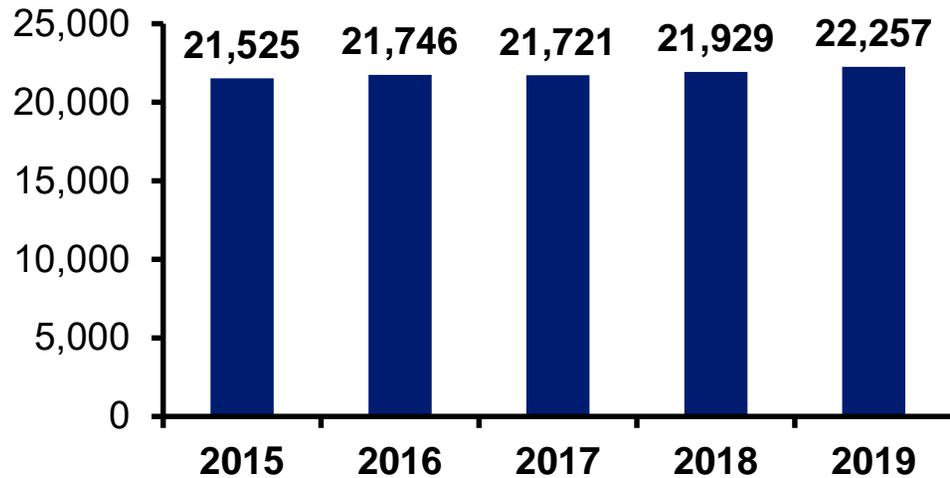
December 31, 2018 valuation	
• Total UAAL	\$5,709 million
Changes during calendar year 2019	
• Interest minus expected payments to UAAL	-\$99 million
• Difference in actual versus expected contributions (including loss from phase-in)	\$125 million ¹
• Additional UAAL payments from OSCD and TCA to pay off their UAAL	-\$20 million
• Additional UAAL payments from Vector Control and OCFA and anticipated payments ² from DOE and UCI	-\$23 million
• Investment losses (on smoothed value of assets)	\$51 million
• Difference in actual versus expected salary increases	-\$53 million
• Difference in actual versus expected COLA increases ³	\$131 million
• Transfer from OCSD UAAL Deferred Account	-\$19 million
• Other losses	<u>\$78 million</u>
• Subtotal	\$171 million
December 31, 2019 valuation	
• Total UAAL	\$5,880 million

¹ Includes \$24 million contribution loss from the phase-in of the UAAL cost impact due to changes in actuarial assumptions in 2017.

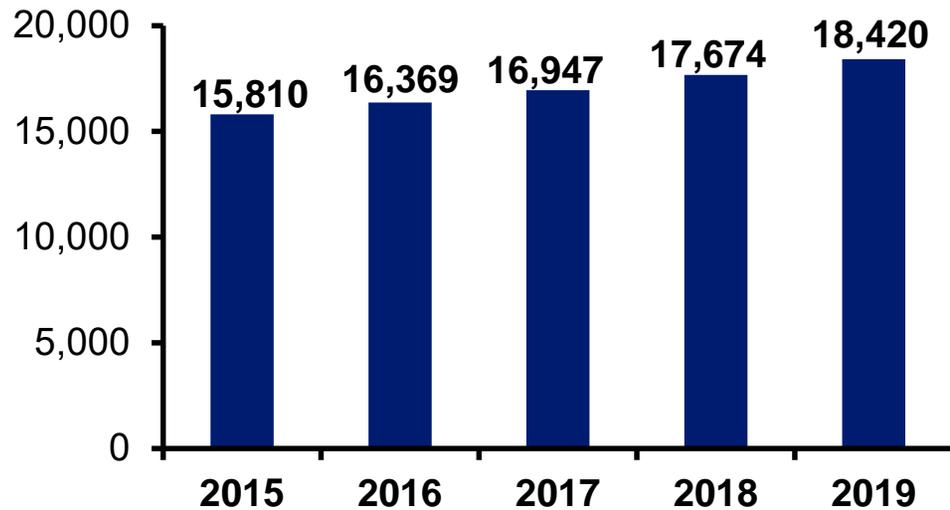
² Segal provided separate letters for DOE and UCI with regard to their required UAAL contributions based on the Board's declining employer payroll policy. These contributions have not been anticipated in the valuation.

³ Includes an actual loss from the payment of 0.25% higher COLA (relative to the 2.75% inflation assumption) for the December 31, 2019 valuation plus an anticipated 0.25% for each of the next four years because of an accumulation of a 1.00% COLA Bank in this valuation.

Entire OCERS Membership Demographics (as of December 31)



	2019	2018
Active Members	22,257	21,929
Average Age	44.9	45.1
Average Service	12.5	12.8
Average Compensation	\$87,727	\$85,520



	2019	2018
Retired Members and Beneficiaries	18,420	17,674
Average Age	70.1	70.0
Average Annual Benefit	\$48,921	\$46,952

Terminated Vested Members	6,520	6,026
----------------------------------	-------	-------

Questions and Discussion



segalco.com

Summary of Active Membership

Rate Group #1 General – non-OCTA, non-OCSD	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	1,650	1,613	2.3%
Average age	42.9	43.0	-0.1
Average service	9.3	9.7	-0.4
Projected total compensation	\$90,620,091	\$88,176,419	2.8%
Projected average compensation	\$54,921	\$54,666	0.5%

Rate Group #2 General Plans I, J, O, P, S, T, U and W	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	14,339	14,267	0.5%
Average age	45.4	45.6	-0.2
Average service	12.6	12.8	-0.2
Projected total compensation	\$1,160,247,859	\$1,127,951,040	2.9%
Projected average compensation	\$80,916	\$79,060	2.3%

Summary of Active Membership

Rate Group #3 General – OCSD	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	608	616	-1.3%
Average age	47.3	47.3	0.0
Average service	12.3	12.3	0.0
Projected total compensation	\$76,392,296	\$73,563,905	3.8%
Projected average compensation	\$125,645	\$119,422	5.2%

Rate Group #5 General – OCTA	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	1,350	1,279	5.6%
Average age	49.6	50.1	-0.5
Average service	12.8	13.7	-0.9
Projected total compensation	\$112,979,357	\$105,327,147	7.3%
Projected average compensation	\$83,688	\$82,351	1.6%

Summary of Active Membership

Rate Group #9 General – TCA	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	61	62	-1.6%
Average age	48.7	48.8	-0.1
Average service	9.2	8.3	0.9
Projected total compensation	\$7,334,734	\$7,061,833	3.9%
Projected average compensation	\$120,242	\$113,901	5.6%

Rate Group #10 General – OCFA	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	310	274	13.1%
Average age	44.7	45.5	-0.8
Average service ¹	10.2	11.2	-1.0
Projected total compensation	\$31,598,713	\$27,222,325	16.1%
Projected average compensation	\$101,931	\$99,352	2.6%

¹ For some former Santa Ana Members, service used in calculating the average above is only used for vesting purposes. Benefit service starts to accrue only effective April 2012.

Summary of Active Membership

Rate Group #11 General – Cemetery District	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	24	25	-4.0%
Average age	49.3	50.3	-1.0
Average service	14.9	16.7	-1.8
Projected total compensation	\$1,674,297	\$1,643,501	1.9%
Projected average compensation	\$69,762	\$65,740	6.1%

Rate Group #12 General – Law Library	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	14	14	0.0%
Average age	58.2	57.2	1.0
Average service	17.4	16.4	1.0
Projected total compensation	\$1,119,047	\$1,095,420	2.2%
Projected average compensation	\$79,932	\$78,244	2.2%

Summary of Active Membership

Rate Group #6 Safety – Probation Officers	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	736	764	-3.7%
Average age	44.6	44.6	0.0
Average service	17.2	17.1	0.1
Projected total compensation	\$63,093,762	\$64,229,791	-1.8%
Projected average compensation	\$85,725	\$84,070	2.0%

Rate Group #7 Safety – Law Enforcement	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	2,059	2,027	1.6%
Average age	40.5	40.9	-0.4
Average service	12.6	13.1	-0.5
Projected total compensation	\$259,968,109	\$246,706,193	5.4%
Projected average compensation	\$126,259	\$121,710	3.7%

Summary of Active Membership

Rate Group #8 Safety – OCFA	Year Ended December 31		Change from Prior Year
	2019	2018	
Number	1,106	988	11.9%
Average age	42.5	43.2	-0.7
Average service ¹	12.5	13.9	-1.4
Projected total compensation	\$147,506,069	\$132,394,088	11.4%
Projected average compensation	\$133,369	\$134,002	-0.5%

¹ For some former Santa Ana Members, service used in calculating the average above is only used for vesting purposes. Benefit service starts to accrue only effective April 2012. In addition, there were 61 members in Plan R hired from City of Garden Grove in 2019 whose benefit service starts to accrue only effective in calendar year 2019.

Summary of Retired Members and Beneficiaries

Rate Group #1 General – non-OCTA, non-OCSD	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	650	636	2.2%
Average monthly benefit ¹	\$2,768	\$2,709	2.2%
Disabled members			
Number in pay status	38	37	2.7%
Average monthly benefit ¹	\$2,438	\$2,408	1.2%
Beneficiaries			
Number in pay status	98	98	0.0%
Average monthly benefit ¹	\$1,571	\$1,438	9.2%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #2 General Plans I, J, O, P, S, T, U and W	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	9,828	9,432	4.2%
Average monthly benefit ¹	\$3,939	\$3,787	4.0%
Disabled members			
Number in pay status	570	575	-0.9%
Average monthly benefit ¹	\$2,666	\$2,558	4.2%
Beneficiaries			
Number in pay status	1,553	1,489	4.3%
Average monthly benefit ¹	\$1,983	\$1,907	4.0%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #3 General – OCSD	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	410	390	5.1%
Average monthly benefit ¹	\$5,823	\$5,575	4.4%
Disabled members			
Number in pay status	19	17	11.8%
Average monthly benefit ¹	\$3,830	\$3,586	6.8%
Beneficiaries			
Number in pay status	79	79	0.0%
Average monthly benefit ¹	\$2,536	\$2,406	5.4%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #5 General – OCTA	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	992	965	2.8%
Average monthly benefit ¹	\$2,659	\$2,568	3.5%
Disabled members			
Number in pay status	268	261	2.7%
Average monthly benefit ¹	\$2,483	\$2,373	4.6%
Beneficiaries			
Number in pay status	187	176	6.3%
Average monthly benefit ¹	\$1,452	\$1,380	5.2%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #9 General – TCA	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	51	50	2.0%
Average monthly benefit ¹	\$3,276	\$3,073	6.6%
Disabled members			
Number in pay status	0	0	N/A
Average monthly benefit ¹	N/A	N/A	N/A
Beneficiaries			
Number in pay status	4	4	0.0%
Average monthly benefit ¹	\$478	\$464	3.0%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #10 General – OCFA	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	172	162	6.2%
Average monthly benefit ¹	\$4,662	\$4,550	2.5%
Disabled members			
Number in pay status	11	11	0.0%
Average monthly benefit ¹	\$3,004	\$2,660	12.9%
Beneficiaries			
Number in pay status	13	12	8.3%
Average monthly benefit ¹	\$1,542	\$1,311	17.6%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #11 General – Cemetery District	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	7	4	75.0%
Average monthly benefit ¹	\$3,065	\$2,730	12.3%
Disabled members			
Number in pay status	0	0	N/A
Average monthly benefit ¹	N/A	N/A	N/A
Beneficiaries			
Number in pay status	6	5	20.0%
Average monthly benefit ¹	\$1,501	\$1,523	-1.4%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #12 General – Law Library	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	13	12	8.3%
Average monthly benefit ¹	\$3,019	\$3,058	-1.3%
Disabled members			
Number in pay status	0	0	N/A
Average monthly benefit ¹	N/A	N/A	N/A
Beneficiaries			
Number in pay status	0	0	N/A
Average monthly benefit ¹	N/A	N/A	N/A

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #6 Safety – Probation Officers	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	376	332	13.3%
Average monthly benefit ¹	\$5,672	\$5,632	0.7%
Disabled members			
Number in pay status	33	31	6.5%
Average monthly benefit ¹	\$3,052	\$2,973	2.7%
Beneficiaries			
Number in pay status	28	27	3.7%
Average monthly benefit ¹	\$2,469	\$2,444	1.0%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #7 Safety – Law Enforcement	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	1,489	1,402	6.2%
Average monthly benefit ¹	\$7,412	\$7,128	4.0%
Disabled members			
Number in pay status	370	368	0.5%
Average monthly benefit ¹	\$5,465	\$5,266	3.8%
Beneficiaries			
Number in pay status	385	370	4.1%
Average monthly benefit ¹	\$3,250	\$3,114	4.4%

¹ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #8 Safety – OCFA	Year Ended December 31		Change from Prior Year
	2019	2018	
Retired members			
Number in pay status	460	441	4.3%
Average monthly benefit ¹	\$8,780	\$8,376	4.8%
Disabled members			
Number in pay status	196	182	7.7%
Average monthly benefit ¹	\$7,035	\$6,912	1.8%
Beneficiaries			
Number in pay status	113	105	7.6%
Average monthly benefit ¹	\$3,380	\$3,305	2.3%

¹ Excludes monthly benefits payable from the STAR COLA.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #1	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plans A and B		
Normal Cost	10.68%	10.73%
UAAL ²	<u>5.16%</u>	<u>5.06%</u>
Total	15.84%	15.79%
Plan U		
Normal Cost	10.05%	9.93%
UAAL ²	<u>5.16%</u>	<u>5.06%</u>
Total	15.21%	14.99%
Rate Group 1 combined		
Normal Cost	10.33%	10.29%
UAAL ²	<u>5.16%</u>	<u>5.06%</u>
Total	15.49%	15.35%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

² These are “net” UAAL contribution rate for County and IHSS Public Authority without reflecting the UAAL contributions required for Vector Control, Cypress Parks and Recreation, U.C.I. and DOE.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #1 <i>continued</i>	Sample Member Rates	
	FY 21 – 22	FY 20 – 21
Plans A and B		
<u>Tier 1</u>		
Entry Age: 30	6.72%	6.72%
Entry Age: 35	7.28%	7.28%
Entry Age: 40	7.92%	7.92%
<u>Tier 2</u>		
Entry Age: 30	9.04%	9.04%
Entry Age: 35	9.79%	9.79%
Entry Age: 40	10.64%	10.64%
Plan U		
Entry Age: 30	9.38%	9.35%
Entry Age: 35	10.16%	10.13%
Entry Age: 40	11.01%	10.98%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #2	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plans I and J (non-Children & Families)		
Normal Cost	14.34%	14.36%
UAAL ²	<u>27.38%</u>	<u>25.05%</u>
Total	41.72%	39.41%
Plans I and J (Children & Families)		
Normal Cost	14.34%	14.36%
UAAL	<u>5.36%</u>	<u>3.26%</u>
Total	19.70%	17.62%
Plans O and P		
Normal Cost	6.10%	6.23%
UAAL ²	<u>27.38%</u>	<u>25.05%</u>
Total	33.48%	31.28%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

² Before adjustments for future service benefit improvements.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #2 <i>continued</i>	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plan S		
Normal Cost ²	12.61%	12.13%
UAAL	<u>27.38%</u>	<u>25.05%</u>
Total	39.99%	37.18%
Plan T		
Normal Cost	7.14%	7.12%
UAAL ³	<u>27.38%</u>	<u>25.05%</u>
Total	34.52%	32.17%
Plan U (non-Children & Families)		
Normal Cost	8.81%	8.78%
UAAL ³	<u>27.38%</u>	<u>25.05%</u>
Total	36.19%	33.83%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

² The increase in the employer Normal Cost rate from last year to this year is primarily due to the change in the average entry age from 32.8 to 33.8.

³ Before adjustments for future service benefit improvements.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #2 <i>continued</i>	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plan U (Children & Families)		
Normal Cost	8.81%	8.78%
UAAL	<u>5.36%</u>	<u>3.26%</u>
Total	14.17%	12.04%
Plan W		
Normal Cost	8.54%	8.73%
UAAL	<u>27.38%</u>	<u>25.05%</u>
Total	35.92%	33.78%
Rate Group 2 combined		
Normal Cost	11.99%	12.00%
UAAL	<u>27.36%</u>	<u>25.03%</u>
Total	39.35%	37.03%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #2 <i>continued</i>	Sample Member Rate	
	FY 21 – 22	FY 20 – 21
Plans I and J		
<u>Tier 1</u>		
Entry Age: 30	13.17%	13.16%
Entry Age: 35	14.32%	14.31%
Entry Age: 40	15.53%	15.53%
<u>Tier 2</u>		
Entry Age: 30	12.59%	12.59%
Entry Age: 35	13.69%	13.68%
Entry Age: 40	14.76%	14.75%
Plan P		
<u>Tier 2</u>		
Entry Age: 30	8.29%	8.29%
Entry Age: 35	8.99%	8.98%
Entry Age: 40	9.77%	9.76%
Plan S		
<u>Tier 2</u>		
Entry Age: 30	10.92%	10.86%
Entry Age: 35	11.84%	11.77%
Entry Age: 40	12.87%	12.79%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #2 <i>continued</i>	Sample Member Rate	
	FY 21 – 22	FY 20 – 21
Plan T		
Entry Age: 30	6.56%	6.53%
Entry Age: 35	7.11%	7.08%
Entry Age: 40	7.73%	7.70%
Plan U		
Entry Age: 30	8.29%	8.34%
Entry Age: 35	8.98%	9.03%
Entry Age: 40	9.73%	9.79%
Plan W		
Entry Age: 30	5.90%	6.37%
Entry Age: 35	6.40%	6.91%
Entry Age: 40	6.97%	7.52%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #3	Employer Rate	
	FY 21 – 22	FY 20 – 21
Plans G and H		
Normal Cost	13.22%	13.24%
UAAL	<u>0.00%</u> ¹	<u>0.00%</u> ²
Total	13.22%	13.24%

Plan B		
Normal Cost	11.23%	11.11%
UAAL	<u>0.00%</u> ¹	<u>0.00%</u> ²
Total	11.23%	11.11%

Plan U		
Normal Cost	9.88%	10.02%
UAAL	<u>0.00%</u> ¹	<u>0.00%</u> ²
Total	9.88%	10.02%

Rate Group 3 combined		
Normal Cost	11.93%	11.97%
UAAL	<u>0.00%</u> ¹	<u>0.00%</u> ²
Total	11.93%	11.97%

¹ These rates are after adjustment for \$18,631,000 asset transfer from O.C. Sanitation District UAAL Deferred Account.

² These rates are after adjustment to the contribution rates for FY 20-21 for additional UAAL contributions made during calendar year 2019.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #3 <i>continued</i>	Sample Member Rate	
	FY 21 – 22	FY 20 – 21
Plans G and H		
<u>Tier 1</u>		
Entry Age: 30	12.91%	12.90%
Entry Age: 35	14.04%	14.03%
Entry Age: 40	15.23%	15.22%
<u>Tier 2</u>		
Entry Age: 30	12.35%	12.34%
Entry Age: 35	13.42%	13.41%
Entry Age: 40	14.47%	14.46%
Plan B		
<u>Tier 2</u>		
Entry Age: 30	9.10%	9.10%
Entry Age: 35	9.86%	9.86%
Entry Age: 40	10.71%	10.71%
Plan U		
Entry Age: 30	8.68%	8.75%
Entry Age: 35	9.40%	9.47%
Entry Age: 40	10.18%	10.27%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #5	Employer Rates ¹	
	FY 21 – 22	FY 20 – 21 ¹
Plans A and B		
Normal Cost	11.97%	12.03%
UAAL	<u>19.54%</u>	<u>18.60%</u>
Total	31.51%	30.63%
Plan U		
Normal Cost	11.59%	11.32%
UAAL	<u>19.54%</u>	<u>18.60%</u>
Total	31.13%	29.92%
Rate Group 5 combined		
Normal Cost	11.88%	11.87%
UAAL	<u>19.54%</u>	<u>18.60%</u>
Total	31.42%	30.47%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation..

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #5 <i>continued</i>	Sample Member Rates	
	FY 21 – 22	FY 20 – 21
Plans A and B		
<u>Tier 1</u>		
Entry Age: 30	6.83%	6.83%
Entry Age: 35	7.41%	7.41%
Entry Age: 40	8.05%	8.05%
<u>Tier 2</u>		
Entry Age: 30	9.15%	9.15%
Entry Age: 35	9.91%	9.92%
Entry Age: 40	10.77%	10.78%
Plan U		
Entry Age: 30	9.86%	9.77%
Entry Age: 35	10.67%	10.59%
Entry Age: 40	11.57%	11.47%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #9	Employer Rates	
	FY 21 – 22	FY 20 – 21
Plans M and N		
Normal Cost	14.23%	14.51%
UAAL	<u>0.39%</u>	<u>0.00%</u> ¹
Total	14.62%	14.51%
Plan U		
Normal Cost	11.14%	11.13%
UAAL	<u>0.39%</u>	<u>0.00%</u> ¹
Total	11.53%	11.13%
Rate Group 9 combined		
Normal Cost	12.83%	12.98%
UAAL	<u>0.39%</u>	<u>0.00%</u> ¹
Total	13.22%	12.98%

¹ These rates are after adjustment to the contribution rates for FY 20-21 for additional UAAL contributions made during calendar year 2019.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #9 <i>continued</i>	Sample Member Rates	
	FY 21 – 22	FY 20 – 21
Plans M and N		
<u>Tier 1</u>		
Entry Age: 30	9.92%	9.92%
Entry Age: 35	10.76%	10.76%
Entry Age: 40	11.70%	11.70%
<u>Tier 2</u>		
Entry Age: 30	9.49%	9.49%
Entry Age: 35	10.29%	10.29%
Entry Age: 40	11.18%	11.18%
Plan U		
Entry Age: 30	8.90%	8.90%
Entry Age: 35	9.64%	9.64%
Entry Age: 40	10.45%	10.45%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #10	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plans I and J		
Normal Cost	14.75%	14.71%
UAAL	<u>14.06%</u>	<u>14.96%</u>
Total	28.81%	29.67%

Plans M and N		
Normal Cost	13.68%	13.50%
UAAL	<u>14.06%</u>	<u>14.96%</u>
Total	27.74%	28.46%

Plan U		
Normal Cost	10.05%	10.16%
UAAL	<u>14.06%</u>	<u>14.96%</u>
Total	24.11%	25.12%

Rate Group 10 combined		
Normal Cost	12.64%	12.64%
UAAL	<u>14.06%</u>	<u>14.96%</u>
Total	26.70%	27.60%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #10 <i>continued</i>	Sample Member Rate	
	FY 21 – 22	FY 20 – 21
Plan J		
<u>Tier 2</u>		
Entry Age: 30	12.57%	12.58%
Entry Age: 35	13.66%	13.67%
Entry Age: 40	14.73%	14.74%
Plan N		
<u>Tier 2</u>		
Entry Age: 30	9.60%	9.63%
Entry Age: 35	10.41%	10.44%
Entry Age: 40	11.31%	11.34%
Plan U		
Entry Age: 30	9.00%	9.01%
Entry Age: 35	9.75%	9.75%
Entry Age: 40	10.57%	10.57%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #11	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plans M and N		
Normal Cost	11.62%	12.05%
UAAL	<u>3.01%</u>	<u>0.00%</u> ²
Total	14.63%	12.05%

Plan U		
Normal Cost	12.25%	12.33%
UAAL	<u>3.01%</u>	<u>0.00%</u> ²
Total	15.26%	12.33%

Rate Group 11 combined		
Normal Cost	11.83%	12.13%
UAAL	<u>3.01%</u>	<u>0.00%</u> ²
Total	14.84%	12.13%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

² The FY 20-21 UAAL rates after the phase-in is negative. Under CalPEPRA, the employer's contribution rate cannot be less than the Normal Cost unless the funded ratio is over 120% and other conditions in CalPEPRA are met.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #11 <i>continued</i>	Sample Member Rates	
	FY 21 – 22	FY 20 – 21
Plans M and N		
<u>Tier 1</u>		
Entry Age: 30	9.92%	9.92%
Entry Age: 35	10.76%	10.76%
Entry Age: 40	11.70%	11.70%
<u>Tier 2</u>		
Entry Age: 30	9.49%	9.49%
Entry Age: 35	10.29%	10.29%
Entry Age: 40	11.18%	11.18%
Plan U		
Entry Age: 30	9.77%	9.77%
Entry Age: 35	10.58%	10.58%
Entry Age: 40	11.47%	11.47%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #12	Employer Rates	
	FY 21 – 22	FY 20 – 21
Plans G and H		
Normal Cost	14.20%	14.28%
UAAL	<u>0.19%</u>	<u>1.77%</u>
Total	14.39%	16.05%

Plan U		
Normal Cost	10.37%	10.32%
UAAL	<u>0.19%</u>	<u>1.77%</u>
Total	10.56%	12.09%

Rate Group 12 combined		
Normal Cost	13.49%	13.58%
UAAL	<u>0.19%</u>	<u>1.77%</u>
Total	13.68%	15.35%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #12 <i>continued</i>	Sample Member Rates	
	FY 21 – 22	FY 20 – 21
Plan H		
<u>Tier 2</u>		
Entry Age: 30	12.38%	12.37%
Entry Age: 35	13.46%	13.45%
Entry Age: 40	14.51%	14.50%
Plan U		
Entry Age: 30	8.52%	8.31%
Entry Age: 35	9.23%	9.00%
Entry Age: 40	10.00%	9.76%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #6	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plans E and F		
Normal Cost	23.25%	23.45%
UAAL	<u>36.92%</u>	<u>32.28%</u>
Total	60.17%	55.73%
Plan V		
Normal Cost	16.82%	16.76%
UAAL	<u>36.92%</u>	<u>32.28%</u>
Total	53.74%	49.04%
Rate Group 6 combined		
Normal Cost	22.77%	22.95%
UAAL	<u>36.92%</u>	<u>32.28%</u>
Total	59.69%	55.23%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #6 <i>continued</i>	Sample Member Rates	
	FY 21 – 22	FY 20 – 21
Plan F		
<u>Tier 2</u>		
Entry Age: 30	18.18%	18.11%
Entry Age: 35	19.52%	19.45%
Entry Age: 40	20.96%	20.89%
Plan V		
Entry Age: 30	16.84%	16.61%
Entry Age: 35	18.05%	17.81%
Entry Age: 40	19.43%	19.17%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #7	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plans E and F		
Normal Cost	26.57%	26.64%
UAAL	<u>43.65%</u>	<u>40.71%</u>
Total	70.22%	67.35%

Plans Q and R		
Normal Cost	23.58%	23.48%
UAAL	<u>43.65%</u>	<u>40.71%</u>
Total	67.23%	64.19%

Plan V		
Normal Cost ²	18.46%	19.04%
UAAL	<u>43.65%</u>	<u>40.71%</u>
Total	62.11%	59.75%

Rate Group 7 combined		
Normal Cost	23.90%	24.08%
UAAL	<u>43.65%</u>	<u>40.71%</u>
Total	67.55%	64.79%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

² The decrease in the employer Normal Cost rate from last year to this year is primarily due to the change in the average entry age from 30.3 to 30.0.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #7 <i>continued</i>	Sample Member Rate	
	FY 21 – 22	FY 20 – 21
Plan F		
<u>Tier 2</u>		
Entry Age: 30	18.82%	18.80%
Entry Age: 35	20.20%	20.17%
Entry Age: 40	21.66%	21.63%
Plan R		
<u>Tier 2</u>		
Entry Age: 30	17.64%	17.61%
Entry Age: 35	18.94%	18.89%
Entry Age: 40	20.30%	20.26%
Plan V		
Entry Age: 30	18.08%	18.48%
Entry Age: 35	19.38%	19.81%
Entry Age: 40	20.86%	21.32%

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #8	Employer Rates	
	FY 21 – 22	FY 20 – 21 ¹
Plans E and F		
Normal Cost	27.48%	26.97%
UAAL	<u>23.79%</u>	<u>23.84%</u>
Total	51.27%	50.81%

Plans Q and R		
Normal Cost ²	25.77%	21.83%
UAAL	<u>23.79%</u>	<u>23.84%</u>
Total	49.56%	45.67%

Plan V		
Normal Cost	15.66%	15.27%
UAAL	<u>23.79%</u>	<u>23.84%</u>
Total	39.45%	39.11%

Rate Group 8 combined		
Normal Cost	24.92%	24.00%
UAAL	<u>23.79%</u>	<u>23.84%</u>
Total	48.71%	47.84%

¹ These rates reflect 2/3 phase-in UAAL cost impact of the changes in actuarial assumptions from the December 31, 2017 valuation.

² The increase in the employer Normal Cost rate from last year to this year is primarily due to the 61 new hires from the City of Garden Grove. The average entry age has changed from 26.4 to 32.0.

Contribution Rates

Fiscal Years Beginning July 1, 2021 and July 1, 2020

Rate Group #8 <i>continued</i>	Sample Member Rate	
	FY 21 – 22	FY 20 – 21
Plan F		
<u>Tier 2</u>		
Entry Age: 30	18.22%	18.18%
Entry Age: 35	19.59%	19.54%
Entry Age: 40	21.07%	21.03%
Plan R		
<u>Tier 2</u>		
Entry Age: 30	17.78%	17.22%
Entry Age: 35	19.12%	18.52%
Entry Age: 40	20.57%	19.92%
Plan V		
Entry Age: 30	15.91%	15.56%
Entry Age: 35	17.06%	16.68%
Entry Age: 40	18.36%	17.96%



Memorandum

DATE: May 18, 2020
TO: Members of the Board of Retirement
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **COVID-19 UPDATE**

Written Report

The OCERS staff continues to do a great job meeting the COVID-19 challenge and ensuring that our members receive the services they expect as we fulfil this agency's mission. Rather than provide you with a written report of the agency status prior to the Monday, May 18th meeting of the OCERS Board of Retirement, I will instead provide a verbal update of plan status and challenges at that time. This recognizes the fact that issues impacted by COVID-19 seem to change daily.

Submitted by:



SD - Approved

Steve Delaney
Chief Executive Officer

Memorandum

DATE: May 18, 2020
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant Chief Executive Officer, Internal Operations
SUBJECT: **OCERS HQ BUILDING**

Presentation

The OCERS Board's ad hoc Building Committee met on Tuesday, May 12. Informational only, the committee discussed current status of OCERS HQ project, especially in light of COVID 19 pandemic. Ms. Shott will review committee discussion with the full Board on Monday, May 18.

Submitted by:

The logo consists of the OCERS logo (Orange County Employees Retirement System) followed by the text "B.M.S. - Approved".

Brenda Shott, CPA
Assistant CEO, Finance and Internal Operations