

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

**REGULAR MEETING  
Monday, February 10, 2020  
9:00 A.M.**

**AGENDA**

The Orange County Board of Retirement welcomes you to this meeting. This agenda contains a brief general description of each item to be considered. The Board of Retirement may take action on any item included in the following agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. The Board of Retirement may consider matters included on the agenda in any order, and not necessarily in the order listed.

**PLEDGE OF ALLEGIANCE**

**PUBLIC COMMENTS**

At this time, members of the public may comment on (1) matters not included on the agenda, provided that the matter is within the subject matter jurisdiction of the Board; and (2) any matter appearing on the Consent Agenda. **Persons wishing to provide public comment at this time should fill out a speaker card located on the counter at the back of the room and deposit it in the Recording Secretary's inbox on the wall near the middle of the room.** 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.

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

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

(1) None

**ADMINISTRATION**

**C-2 BOARD MEETING MINUTES**

Regular Board Meeting Minutes January 21, 2020

**Recommendation:** Approve minutes.

**C-3 AUDIT COMMITTEE OUTCOMES FROM JANUARY 13, 2020 MEETING – TRIENNIAL REVIEW OF THE AUDIT COMMITTEE AND INTERNAL AUDIT CHARTERS**

*Presentation by David Kim, Director of Internal Audit*

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

- 1. Approve the revisions to the Audit Committee Charter; and
- 2. Approve the revisions to the Internal Audit Charter.

**C-4 RETIREE REQUEST TO BE REINSTATED – ROGELIA MARTINEZ**

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

**C-5 RETIREE REQUEST TO BE REINSTATED – AROUNSY PHOMMASA**

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

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**DISABILITY APPLICATIONS/MEMBER APPEALS AGENDA**

9:00 A.M.

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

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**CONSENT ITEMS: DISABILITY/MEMBER BENEFITS AGENDA**

9:00 AM

**NOTE: WHEN CONSIDERING DISABILITY RETIREMENT APPLICATIONS OR MEMBER APPEALS OF BENEFIT OR DISABILITY RETIREMENT DETERMINATIONS, THE BOARD MAY ADJOURN TO CLOSED SESSION TO**

**DISCUSS MATTERS RELATING TO THE MEMBER’S APPLICATION OR APPEAL, PURSUANT TO GOVERNMENT CODE SECTIONS 54957 OR 54956.9. IF THE MATTER IS A DISABILITY APPLICATION UNDER SECTION 54957, THE MEMBER MAY REQUEST THAT THE DISCUSSION BE IN PUBLIC.**

**OPEN SESSION**

**CONSENT AGENDA**

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

**DC-1: MARTHA L. CORDOBA**

Senior Social Worker, Orange County Social Services Agency

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

**DC-2: LYDIA CRUZ**

Office Technician, Orange County Social Services Agency

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

**DC-3: MARIA DONDIEGO**

Deputy Juvenile Correctional Officer II, Orange County Probation Department

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

**DC-4: DANIEL DECKER**

Deputy Sheriff I, Orange County Sheriff’s Department

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of May 25, 2018. (Safety Member)

**DC-5: ELISEO ELIAS-MARTINEZ**

Coach Operator, Orange County Transportation Authority

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of April 28, 2019. (General Member)

**DC-6: BLANCA GONZALEZ**

Office Assistant, Orange County Health Care Agency

**Recommendation:** The Disability Committee recommends that the Board grant non-service connected disability retirement with an effective date of March 14, 2017. (General Member)

**DC-7: EDWARD KISOW**

Deputy Sheriff II, Orange County Sheriff’s Department

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

**DC-8: STEVEN WALKER**

District Attorney Investigator, Orange County District Attorney

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of July 21, 2017. (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**

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**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. **Persons wishing to provide public comment at this time should fill out a speaker card located on the counter at the back of the room and deposit it in the Recording Secretary’s inbox on the wall near the middle of the room.**

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

**A-2 2020 COST OF LIVING ADJUSTMENT**

*Presentation by Suzanne Jenike, Assistant CEO of External Operations, OCERS*

**Recommendation:** Adjust all applicable benefit allowances by 3% effective April 1, 2020, in accordance with Government Code section 31870.1, resulting from the 3.07% change to CPI in calendar year 2019.

**A-3 SACRS BOARD OF DIRECTORS ELECTIONS 2020-2021**

*Presentation by Steve Delaney, CEO, OCERS*

**Recommendation:** Identify one or more nominees for the SACRS Board of Directors election to be conducted on May 10, 2020; and direct staff to submit the nomination(s) to the SACRS Nominating Committee on or before March 1, 2020.

**A-4 REQUEST TO COORDINATE MEMBER APPEALS ON THE ISSUE OF APPLICATION OF THE DISABILITY OFFSET UNDER GOVERNMENT CODE SECTION 31838.5**

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

**Recommendation:** Staff recommends that the Board order that the administrative appeals filed by OCERS members, Christopher Roelle, James Bento, Arthur Lopez-Hidalgo, Guy Grindle, and John Gammon, on the issue of the application of the disability offset under Government Code section 31838.5 be coordinated, and that they be assigned to and heard by one hearing officer in a coordinated hearing.

**INFORMATION ITEMS**

**I-1 MEMBER MATERIALS DISTRIBUTED**

Written Report

Application Notices

January 21, 2020

Death Notices

January 21, 2020

**I-2 COMMITTEE MEETING MINUTES**

- Audit Committee meeting minutes - November 18, 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 2020 STAR COLA COST POSTING**  
Written Report
- I-8 OVERPAID AND UNDERPAID PLAN BENEFITS – 2019 REPORT**  
Written Report
- I-9 2020 BOARD MEETINGS – START TIME CHANGE**  
Written Report
- I-10 2019 BUSINESS PLAN – END OF YEAR REPORT**  
Written Report

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

**OPEN SESSION**

**BOARD MEMBER COMMENTS**

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

**COUNSEL COMMENTS**

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**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  
February 26, 2020  
9:00 A.M.**

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

**REGULAR BOARD MEETING**  
**March 16, 2020**  
**9:00 A.M.**

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

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

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

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

**REGULAR MEETING  
Tuesday, January 21, 2020  
9:00 a.m.**

**MINUTES**

Chair Hilton called the meeting to order at 9:03 a.m.

Attendance was as follows:

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

**Also Present:** Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, General Counsel; David Kim, Director of Internal Audit; Megan Cortez, Disability Manager; Reginald Tucker, Managing Director of Investments; Anthony Beltran, Visual Technician; Nichol Forbes; Recording Secretary and Cammy Torres; Recording Secretary

**Guests:** Harvey Leiderman, ReedSmith

*Trustee Freidenrich led the Pledge of Allegiance.*

Robin Stieler, Clerk of the Orange County Board of Supervisors, administered the Oath of Office to Adele Tagaloa, Arthur Hidalgo, Charles Packard, Frank Eley and Shawn Dewane.

Mr. Prevatt arrived at 9:09 a.m.

The Board recessed for a break at 9:18 a.m.

The Board reconvened at 9:34 a.m.

**CONSENT AGENDA**

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

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

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

(1) Walter Carmona

**ADMINISTRATION**

**C-2 BOARD MEETING MINUTES**

Regular Board Meeting Minutes

December 16, 2019

**Recommendation:** Approve minutes.

The motion passed **unanimously.**

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**DISABILITY/MEMBER BENEFITS AGENDA**

**OPEN SESSION**

**CONSENT AGENDA**

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

**DC-1: Shannon Garrido**

Deputy Juvenile Correctional Officer II, Orange County Probation Department

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of March 1, 2019. (General Member)

**DC-2: Vernon (Mickey) Hanson**

Firefighter, Orange County Fire Authority

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of September 12, 2016. (Safety Member)

**DC-3: Jeff Watson**

Communications Technician, Orange County Fire Authority

**Recommendation:** The Disability Committee recommends that the Board grant service connected disability retirement with an effective date of August 4, 2017. (General Member)

The motion passed **unanimously.**

**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.

The Board adjourned into Closed Session at 9:35 a.m.

**ACTION ITEMS**

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

**No items were trailed from the Consent Agenda.**

**DISABILITY/MEMBER BENEFITS AGENDA**

**DA-2: DISABILITY APPEAL – ANA TRAN**

**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 in *The Matter of the Application for Disability Retirement of Anna* (sic) Tran dated October 14, 2019 (Recommendations), and deny Ana Tran’s (Applicant) application for service-connected disability retirement.

**DA-3: BENEFIT APPEAL – NICHOLAS CASSON**

**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 in *The Matter of the Application for Disability Retirement of Nicholas Casson* (Applicant) dated October 20, 2019 (Recommendations), wherein the Hearing Officer determined that OCERS correctly applied the offset pursuant to Government Code section 31838.5 to Applicant’s disability allowance, notwithstanding the fact that Applicant did not elect reciprocity.

**DA-4: BENEFIT APPEAL – DAVID ROCHA**

**Recommendation:** Staff recommends that the Board approve and adopt the findings and recommendations of the Hearing Officer as set forth in the Revised Findings, Conclusions of Law, and Recommended Decision in *The Matter of the Application of David L. Rocha, a Member of the*

*Orange County Employees Retirement System, for a Recalculated Benefit Allowance* dated July 25, 2019 (Recommendations), wherein the Hearing Officer recommended that the Board's 2017 finding of a correct calculation of David Rocha's (Applicant) benefit allowance be affirmed, and that Applicant's appeal be denied.

### **OPEN SESSION**

The Board reconvened into Open Session at 10:54 a.m.

The Board recessed for a break at 10:54 a.m.

The Board reconvened at 11:07 a.m.

### **ACTION ITEMS**

#### **REPORT OF ACTIONS TAKEN IN CLOSED SESSION**

Chair Hilton reported that the Board took the following actions in Closed Session:

#### **DA-2: DISABILITY APPEAL – ANA TRAN**

**MOTION** by Eley, **seconded** by Packard to approve and adopt the findings and recommendations of the Hearing Officer as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations in The Matter of the Application for Disability Retirement of Anna Tran dated October 14, 2019, and deny Ana Tran's application for service-connected disability retirement. The motion passed **unanimously**.

On **MOTION** by Eley, seconded by Packard, the Board voted **unanimously** to receive and file the Motion to Strike OCERS Hearing Officer's Response to Objections to OCERS Hearing Decision served by Applicant, Ana Tran.

#### **DA-3: BENEFIT APPEAL – NICHOLAS CASSON**

**MOTION** by Prevatt, **seconded** by Packard to approve and adopt the findings and recommendations of the Hearing Officer as set forth in the Summary of Evidence, Findings of Fact, Conclusions of Law, and Recommendations in *The Matter of the Application for Disability Retirement of Nicholas Casson* dated October 20, 2019, wherein the Hearing Officer determined that OCERS correctly applied the offset pursuant to Government Code section 31838.5 to Applicant's disability allowance, notwithstanding the fact that Applicant did not elect reciprocity. The motion passed **unanimously**.

#### **DA-4: BENEFIT APPEAL – DAVID ROCHA**

**MOTION** by Packard, **seconded** by Dewane to approve and adopt the findings and recommendations of the Hearing Officer as set forth in the Revised Findings, Conclusions of Law, and Recommended Decision in *The Matter of the Application of David L. Rocha, a Member of the Orange County Employees Retirement System, for a Recalculated Benefit Allowance* dated July 25, 2019 (Recommendations), wherein the Hearing Officer recommended that the Board's 2017

finding of a correct calculation of David Rocha’s (Applicant) benefit allowance be affirmed, and that Applicant’s appeal be denied. The motion passed unanimously.

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

No items were trailed from the Consent Agenda.

**INFORMATION ITEMS**

Ms. Freidenrich pulled items I-6, I-9, and I-10.

Mr. Eley pulled item I-14.

**I-1 MEMBER MATERIALS DISTRIBUTED**

Written Report

Application Notices

January 21, 2020

Death Notices

January 21, 2020

**I-2 COMMITTEE MEETING MINUTES**

- Audit Committee

October 17, 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 TRAVEL REPORT – VISIT TO SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION**

Written Report

**I-6 TRAVEL REPORT – VISIT TO VENTURA COUNTY EMPLOYEES’ RETIREMENT ASSOCIATION**

Written Report

Ms. Freidenrich requested more information regarding Ventura County Employees’ Retirement Association’s payoff of the UAAL amortization layers established as of its June 30, 2004 valuation. She would like to see how OCERS would benefit from VCERA’s processes.

**I-7 BOARD COMMUNICATIONS**

Written Report

**I-8 2019 OCERS YEAR IN REVIEW: COMMUNICATION PLAN**

Written Report

**I-9 DISABILITY RETIREMENT STATISTICS – 2019 REPORT**

Written Report

Ms. Freidenrich would like to see charts showing the number of disability grants, denials, and claims filed that were brought to the Board in 2019.

**I-10 2019 FORM 700 DESIGNATED FILERS LIST AND FACT SHEET**  
Written Report

Ms. Freidenrich stated that the new management employees should be required to file Form 700s.

Ms. Ratto stated that OCERS' Conflict of Interest Code is due for biennial review in 2020 and the new management staff will be added to the list of Designated Filers. The amendments will be presented to the Governance Committee for approval.

**I-11 BOARD COMMUNICATIONS POLICY FACT SHEET**  
Written Report

**I-12 FOURTH QUARTER 2019 EDUCATION AND TRAVEL EXPENSE REPORT**  
Written Report

**I-13 CONTRACT STATUS FOR NAMED SERVICE PROVIDERS**  
Written Report

**I-14 ACTUARIAL COST IMPACT OF ANNUAL LEAVE POLICY**  
Written Report

Mr. Eley stated that he was surprised that the actuarial cost impact of the change to OCERS' Annual Leave policy was so small. He asked that OCERS follow up with Segal Consultants regarding the rates.

Mr. Lindholm left the meeting at 11:20 a.m.

**I-15 OCERS INNOVATIONS/PROCESS IMPROVEMENTS AND EMPLOYEE STAFF AWARDS**  
*Presentation by Steve Delaney, Chief Executive Officer, OCERS*

Mr. Delaney and the OCERS Management Team presented OCERS 2019 process improvements as well as Employee Team awards.

**I-16 DILIGENT BOARD PORTAL INTRO**  
*Presentation by Jenny Sadoski, Director of Information Technology, OCERS and Phil Sandusky, Diligent*

Phil Sandusky from Diligent performed a live training for the Trustees on how to use and navigate through the Diligent Board Portal.

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**BOARD MEMBER COMMENTS**

N/A

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

Mr. Delaney updated the Board on OCERS 75<sup>th</sup> Anniversary and presented OCERS 75<sup>th</sup> Anniversary Board of Supervisor’s Resolution.

**COUNSEL COMMENTS**

N/A

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

The meeting **ADJOURNED** at 12:19 p.m. in memory of the active members, retired members, and surviving spouses who passed away during the past month:

**Active Members**

- Butani, Dilip
- Dier, Douglas

**Retired Members**

- Alexander, Elizabeth
- Azlin, Donald
- Benjamin, Pauline
- Boykin-Winfield, Rhonda
- Cole, Waldo
- Coney, Brian
- Di Stefano, Marion
- Erbland, Linda
- Fallejo, Alfonso
- Fox, Laura
- Fried, Helen
- Higgins, Elizabeth
- Hudson, Ronald
- Jones, Robert
- Karp, Ruth
- Kelley, Charles
- Kelly-Saurwein, Colleen
- Kuhl, Gary
- Lawson, Mildred
- Le, Thanh
- Medellin, Crisoforo
- Mendoza, Maria
- Midcap, Charlotte

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Muchnick, Charles  
Myers, David  
Norton, Robert  
Okada, Joan  
Parsons, Norman  
Rish, Billie  
Rozen, Virginia  
Runge, Richard  
Spalenka, Margie  
Stewart, Timothy  
Tarzian, Edith  
Tran, Sa

**Spouses**

Cooper, Phyllis  
Lewis, Joyce  
Rhodes, Garland  
Trusty, Betty  
Vian, Edna  
Walker, Betty  
Weintraub, Renee

Submitted by:

Approved by:

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Steve Delaney  
Secretary to the Board

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Roger Hilton  
Chairman



## Memorandum

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**DATE:** February 10, 2020  
**TO:** Members of the Board  
**FROM:** David Kim, Director of Internal Audit  
**SUBJECT:** **AUDIT COMMITTEE OUTCOMES FROM JANUARY 13, 2020 MEETING – TRIENNIAL REVIEW OF THE AUDIT COMMITTEE AND INTERNAL AUDIT CHARTERS**

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### Recommendation

The Audit Committee recommends that the Board of Retirement:

1. Approve the revisions to the *Audit Committee Charter*; and
2. Approve the revisions to the *Internal Audit Charter*.

### Background/Discussion

The Audit Committee met on January 13, 2020 and performed the triennial review of two existing Board charters, the *Audit Committee Charter* and the *Internal Audit Charter*. The Committee supports the changes to the existing *Charters*.

The *Audit Committee Charter* documents the purpose of the Audit Committee; to provide oversight of OCERS' internal and external audit activities. The recommended revisions to the *Audit Committee Charter* include:

- Include Internal Audit staff to the attendees for the Audit Committee meetings.
- Add wording to clarify the role of the Audit Committee over the financial reporting process.

The *Internal Audit Charter* states the mission of Internal Audit; to provide reliable, independent and objective evaluations and consulting services to the Audit Committee and OCERS' management. The recommended revisions to the *Internal Audit Charter* include:

- Update terminology from Internal Audit Division to Internal Audit Department.

### Submitted by:



DK-Approved

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David Kim  
Director of Internal Audit



## OCERS Board Charter Audit Committee Charter

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### Introduction

1. The Board of Retirement has established an Audit Committee to assist it in overseeing the audit function within OCERS. The Audit Committee is an advisory committee to the Board of Retirement, and its recommendations are subject to final approval by the Board. Notwithstanding the preceding sentence, with respect to those matters expressly assigned to it in this Audit Committee Charter, the Audit Committee has final authority.

### Purpose

2. The Audit Committee provides oversight of OCERS' internal and external audit activities. The Audit Committee assists the Board in ensuring the independence of the internal audit functions and ensuring that appropriate action is taken on audit recommendations. The Audit Committee helps promote and enhance effective internal controls for OCERS operations, and oversees communication between external auditors, internal auditors, and management.

### Membership

3. The Audit Committee will consist of four members of the Board of Retirement. The Board Chair will appoint members of the Audit Committee as provided in the OCERS By-Laws and designate one member to serve as the Committee Chair.

Ideally, members should have expertise in accounting, auditing, financial reporting, and internal control. Although these desired traits are not mandatory, members should be sufficiently knowledgeable about these topics to make informed decisions with the assistance of a financial expert.

### Meetings

4. The Audit Committee will meet at least quarterly, with authority to convene additional meetings as circumstances require. All Audit Committee members are expected to attend each meeting. The Director of Internal Audit and Internal Audit staff will attend all Audit Committee meetings. Meeting notices will be provided to interested parties in conformance with applicable laws, regulations, customs, and practices. All meetings are subject to the Brown Act. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of meetings will be prepared. Minutes of the meeting will contain a record of persons present, decisions taken, and a high-level summary of the discussion.

### Responsibilities and Duties

5. The Audit Committee's key areas of responsibility are:
  - a. *Law and Ethics*: The Audit Committee will provide the policy and framework for compliance with laws and regulations, mechanisms for assessment of compliance, and communication with the Board on OCERS policies.



## OCERS Board Charter

# Audit Committee Charter

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b. *Financial Reporting Process:* The Audit Committee will:

1. ~~Oversee~~ Monitor management's processes for the reporting of all financial information, including management's reviewing with the external auditor regarding their scope, plan, duties, responsibilities, and the timing and engagement fee of the annual financial audit;
2. Resolve disagreements between the internal auditor, external auditor, and /or management regarding financial reporting and internal control risks identified in the audit;
3. Review the audited financial statements with the external auditor and senior management;
4. Review management letters with management;
5. Review the findings or comments of regulatory agencies concerning financial statements or other information regarding OCERS;
6. Review the external auditor's assessments of the appropriate application of accounting principles by OCERS management;
7. Review all matters required to be disclosed by accounting standards, including significant changes in those standards; and
8. Meet with senior management, at least annually, to discuss the effectiveness of the internal financial and operational control policies.

c. *Oversight of the External Auditors:* The Audit Committee will:

1. Conduct the solicitation for the financial auditor, including without limitation, approving the Request for Proposals or other solicitation vehicle, reviewing candidate qualifications and conducting interviews, and recommend one or more finalists to the Board for appointment;
2. Conduct the solicitation for the actuarial auditor, including without limitation, approving the Request for Proposals or other solicitation vehicle, reviewing candidate qualifications and conducting interviews, and recommend one or more finalists to the Board for appointment;
3. Conduct the solicitation for, select, and appoint all external auditors (other than the financial auditor and the actuarial auditor) engaged for the purpose of issuing an independent audit report or performing other independent audits, reviews, or attest services;
4. Oversee the work of all external auditors; and conduct regular monitoring and performance reviews of the actuarial auditor and the financial auditor at least biennially in accordance with the Board's Procurement and Contracting Policy; and
5. Approve other audits, agreed upon procedures, and non-audit work to be conducted by external auditors.

d. *Oversight of Internal Audit:* The Audit Committee will:



## OCERS Board Charter Audit Committee Charter

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1. Approve all decisions regarding the performance evaluation, appointment, or removal of the Director of Internal Audit;
  2. Approve the compensation and salary adjustments of the Director of Internal Audit;
  3. Review the charters and policies assigned to Audit Committee at least once every three years in accordance with the schedule set forth in the OCERS Charters and Policies Review Schedule and recommend the same for approval by the Board of Retirement;
  4. Review and approve the risk assessment and annual Internal Audit Plan prepared by the Director of Internal Audit;
  5. Receive and review internal and external audit reports and management responses;
  6. Review significant recommendations from audits during the year and management's responses, and make appropriate recommendations to the Board; and
  7. Make appropriate inquiries of the Director of Internal Audit to determine whether there is audit scope or budgetary limitations that impede the ability of the internal audit activity to carry out its responsibilities.
- e. *Internal Control and Risk Management:* The Audit Committee will review management responsibilities for:
1. The adequacy of OCERS' internal controls, including information systems;
  2. Material risks facing OCERS and management's actions to minimize risk;
  3. Risks from external organizations such as service providers, vendors, investment managers, consultants, and plan sponsors; and
  4. Special investigations and whistleblower mechanisms. The Audit Committee can retain independent counsel, accountants, or other specialists to assist in the conduct of an investigation.

### Reporting

6. The Audit Committee will:
  - a. Report to the Board of Retirement its activities and the results of its reviews; and
  - b. Review significant changes in accounting standards, policies, or practices that may impact OCERS and report the results of that review to the Board of Retirement.

### Charter Review

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



## OCERS Board Charter Audit Committee Charter

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### Charter History

- 8. The Audit Committee Charter was adopted by the Board of Retirement on November 18, 2002, and amended on January 17, 2012, July 20, 2015, ~~and~~ May 15, 2017 and January 13, 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.

15/135/2017

Steve Delaney, Secretary of the Board

Date



## OCERS Board Charter Audit Committee Charter

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### Introduction

1. The Board of Retirement has established an Audit Committee to assist it in overseeing the audit function within OCERS. The Audit Committee is an advisory committee to the Board of Retirement, and its recommendations are subject to final approval by the Board. Notwithstanding the preceding sentence, with respect to those matters expressly assigned to it in this Audit Committee Charter, the Audit Committee has final authority.

### Purpose

2. The Audit Committee provides oversight of OCERS' internal and external audit activities. The Audit Committee assists the Board in ensuring the independence of the internal audit functions and ensuring that appropriate action is taken on audit recommendations. The Audit Committee helps promote and enhance effective internal controls for OCERS operations, and oversees communication between external auditors, internal auditors, and management.

### Membership

3. The Audit Committee will consist of four members of the Board of Retirement. The Board Chair will appoint members of the Audit Committee as provided in the OCERS By-Laws and designate one member to serve as the Committee Chair.

Ideally, members should have expertise in accounting, auditing, financial reporting, and internal control. Although these desired traits are not mandatory, members should be sufficiently knowledgeable about these topics to make informed decisions with the assistance of a financial expert.

### Meetings

4. The Audit Committee will meet at least quarterly, with authority to convene additional meetings as circumstances require. All Audit Committee members are expected to attend each meeting. The Director of Internal Audit and Internal Audit staff will attend all Audit Committee meetings. Meeting notices will be provided to interested parties in conformance with applicable laws, regulations, customs, and practices. All meetings are subject to the Brown Act. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes of meetings will be prepared. Minutes of the meeting will contain a record of persons present, decisions taken, and a high-level summary of the discussion.

### Responsibilities and Duties

5. The Audit Committee's key areas of responsibility are:
  - a. *Law and Ethics*: The Audit Committee will provide the policy and framework for compliance with laws and regulations, mechanisms for assessment of compliance, and communication with the Board on OCERS policies.



## OCERS Board Charter Audit Committee Charter

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- b. *Financial Reporting Process:* The Audit Committee will:
1. Monitor management's processes for the reporting of all financial information, including management's review with the external auditor regarding their scope, plan, duties, responsibilities, and the timing and engagement fee of the annual financial audit;
  2. Resolve disagreements between the internal auditor, external auditor, and /or management regarding financial reporting and internal control risks identified in the audit;
  3. Review the audited financial statements with the external auditor and senior management;
  4. Review management letters with management;
  5. Review the findings or comments of regulatory agencies concerning financial statements or other information regarding OCERS;
  6. Review the external auditor's assessments of the appropriate application of accounting principles by OCERS management;
  7. Review all matters required to be disclosed by accounting standards, including significant changes in those standards; and
  8. Meet with senior management, at least annually, to discuss the effectiveness of the internal financial and operational control policies.
- c. *Oversight of the External Auditors:* The Audit Committee will:
1. Conduct the solicitation for the financial auditor, including without limitation, approving the Request for Proposals or other solicitation vehicle, reviewing candidate qualifications and conducting interviews, and recommend one or more finalists to the Board for appointment;
  2. Conduct the solicitation for the actuarial auditor, including without limitation, approving the Request for Proposals or other solicitation vehicle, reviewing candidate qualifications and conducting interviews, and recommend one or more finalists to the Board for appointment;
  3. Conduct the solicitation for, select, and appoint all external auditors (other than the financial auditor and the actuarial auditor) engaged for the purpose of issuing an independent audit report or performing other independent audits, reviews, or attest services;
  4. Oversee the work of all external auditors; and conduct regular monitoring and performance reviews of the actuarial auditor and the financial auditor at least biennially in accordance with the Board's Procurement and Contracting Policy; and
  5. Approve other audits, agreed upon procedures, and non-audit work to be conducted by external auditors.
- d. *Oversight of Internal Audit:* The Audit Committee will:



## OCERS Board Charter Audit Committee Charter

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1. Approve all decisions regarding the performance evaluation, appointment, or removal of the Director of Internal Audit;
  2. Approve the compensation and salary adjustments of the Director of Internal Audit;
  3. Review the charters and policies assigned to Audit Committee at least once every three years in accordance with the schedule set forth in the OCERS Charters and Policies Review Schedule and recommend the same for approval by the Board of Retirement;
  4. Review and approve the risk assessment and annual Internal Audit Plan prepared by the Director of Internal Audit;
  5. Receive and review internal and external audit reports and management responses;
  6. Review significant recommendations from audits during the year and management's responses, and make appropriate recommendations to the Board; and
  7. Make appropriate inquiries of the Director of Internal Audit to determine whether there is audit scope or budgetary limitations that impede the ability of the internal audit activity to carry out its responsibilities.
- e. *Internal Control and Risk Management:* The Audit Committee will review management responsibilities for:
1. The adequacy of OCERS' internal controls, including information systems;
  2. Material risks facing OCERS and management's actions to minimize risk;
  3. Risks from external organizations such as service providers, vendors, investment managers, consultants, and plan sponsors; and
  4. Special investigations and whistleblower mechanisms. The Audit Committee can retain independent counsel, accountants, or other specialists to assist in the conduct of an investigation.

### Reporting

6. The Audit Committee will:
  - a. Report to the Board of Retirement its activities and the results of its reviews; and
  - b. Review significant changes in accounting standards, policies, or practices that may impact OCERS and report the results of that review to the Board of Retirement.

### Charter Review

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



## OCERS Board Charter Audit Committee Charter

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### Charter History

8. The Audit Committee Charter was adopted by the Board of Retirement on November 18, 2002, and amended on January 17, 2012, July 20, 2015, May 15, 2017 and January 13, 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.

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

1/13/20

Steve Delaney, Secretary of the Board

Date



## OCERS Board Charter Internal Audit Charter

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### Introduction

The Audit Committee of OCERS oversees the Internal Audit ~~Division~~Department under the following provisions:

### Mission of the Internal Audit ~~Division~~Department

1. The mission of the Internal Audit ~~Division~~Department is to provide reliable, independent and objective evaluations and consulting services to the Audit Committee and OCERS' management relating to business and financial operations. Internal Audit assists the Board of Retirement and management to achieve their objectives by testing and reporting on the effectiveness of internal control systems, risk management, and governance processes.

### Independence of the Director of Internal Audit

2. The internal audit activity must be independent, and internal auditors must be objective in performing their work. Independence is the freedom from conditions that threaten the ability of Internal Audit to carry out its responsibilities in an unbiased manner.
3. Internal Audit shall not participate in any management activity or management relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization, in accordance with the Institute of Internal Auditors' Code of Ethics.

Independence is the fundamental principle that guides the reporting relationship of the internal auditor. Internal auditor independence is strongly emphasized by authoritative bodies such as the Institute of Internal Auditors, the American Institute of Certified Public Accountants, and the Government Accountability Office. The Director of Internal Audit will follow recognized professional standards established by the Institute of Internal Auditors and be free of operational and management responsibilities that would conflict with the standards. Any potential impairment to independence will be communicated to the Audit Committee.

### Organizational Reporting

4. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Director of Internal Audit will have direct access to senior management and the Board of Retirement. This can be achieved by a dual-reporting relationship. The Director of Internal Audit will report functionally to the Audit Committee and administratively to the Chief Executive Officer.

Functionally reporting to the Audit Committee involves the Audit Committee:

1. Reviewing and recommending changes to the Internal Audit Charter to the Board of Retirement;
2. Approving the risk-based Internal Audit plan;
3. Receiving communications from the Director of Internal Audit on the results of audit activities;



## OCERS Board Charter Internal Audit Charter

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4. Approving all decisions regarding the performance evaluation, appointment, or removal of the Director of Internal Audit;
5. Approving the compensation and salary adjustments of the Director of Internal Audit;
6. Making appropriate inquiries of the Director of Internal Audit to determine whether there is audit scope or budgetary limitations that impede the ability of Internal Audit to carry out its responsibilities.

Administrative reporting is the reporting relationship within the OCERS management structure that facilitates the daily operations of the internal audit activity, which includes:

1. Budgeting and management accounting;
2. Human resource administration, including personnel evaluations, leave request approval, and compensation;
3. Internal communications and information flows;
4. Administration of the Internal Audit ~~Division~~Department's policies and procedures.

### Objectives and Scope

5. The objective of Internal Audit is to assist the Board of Retirement and management in the effective discharge of their fiduciary responsibilities. Internal Audit will furnish them with audits, analysis, evaluations, recommendations, and information. Objectives include promoting effective internal controls, helping provide assurance that the organization's assets are safeguarded; compliance is maintained with prescribed laws, Board, and management policies; the reliability and integrity of OCERS' data is maintained; and procedures and operating efficiency are enhanced.

The scope of Internal Audit includes the examination and evaluation of the adequacy of OCERS' system of internal controls, risk management and governance processes. The scope includes:

1. Reviewing the reliability and integrity of financial and business information systems, and the means used to identify, measure, classify and report such information;
2. Reviewing the systems and processes established to ensure compliance with those policies, plans, procedures, laws, and regulations that are fundamental to the operations of OCERS and could have a significant impact on operations, financial reports, and disclosures;
3. Reviewing the means of safeguarding assets and verifying the existence of such assets;
4. Monitoring and evaluating the effectiveness of OCERS' risk management systems, including identifying internal and external risks;
5. Auditing the accuracy of data transmitted to OCERS by external parties.
6. Evaluating the quality of performance of external auditors and the degree of coordination with Internal Audit;
7. For consulting and advisory services, Internal Audit may provide assessments and advice to identify risks and internal controls for projects.



## OCERS Board Charter Internal Audit Charter

### Authority and Responsibility

6. The Internal Audit ~~Division~~Department is established by the OCERS Board of Retirement pursuant to applicable laws and regulations, customs of corporate governance, and best practices. This Charter and all future amendments are approved by the Audit Committee and adopted by the Board of Retirement by a majority vote.

The responsibility of OCERS Internal Audit is to serve the Board of Retirement in a manner that is consistent with the International Professional Practices Framework of the Institute of Internal Auditors, as required by California Government Code 1236. In addition, when appropriate, OCERS Internal Audit follows professional standards promulgated by the Government Accountability Office, the American Institute of Certified Public Accountants, and the Information Systems Audit and Control Association.

OCERS Internal Audit is responsible for:

1. Establishing policies and procedures for auditing, and directing and performing its technical and administrative functions;
2. Developing and executing a comprehensive audit program for the evaluation of internal controls established over OCERS' financial and business activities;
3. Preparing an annual audit plan that identifies audit projects addressing areas of highest risk to OCERS operations;
4. Auditing management's stewardship of OCERS' trust funds and resources and their compliance with policies and procedures;
5. Recommending improvements in internal controls to help:
  - a. Safeguard trust funds and resources,
  - b. Ensure data is not compromised,
  - c. Ensure compliance with laws and regulations;
6. Auditing procedures and records for accuracy and completeness to accomplish and report on intended objectives;
7. Producing reports on the results of audits, including findings and recommendations;
8. Following-up on actions taken to correct reported deficiencies;
9. Creating and maintaining a mechanism (i.e., OCERS' Ethics, Compliance, and Fraud Hotline) for reporting financial statement fraud, other fraud, and inappropriate activities;
10. Conducting special investigations and analysis as needed.

### Internal Audit Access to Personnel and Information

7. Except where prohibited by law, Internal Audit will have complete and unrestricted access to all OCERS personnel, records, files, information systems, and assets. The Director of Internal Audit will



## OCERS Board Charter Internal Audit Charter

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inform the Audit Committee whenever significant barriers or resistance to access to personnel or information occurs.

### Charter History

8. The Audit Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
9. The OCERS Internal Audit Charter was adopted by the Board of Retirement on November 18, 2002 and amended on August 19, 2008, January 17, 2012, July 20, 2015, April 17, 2017, and January 13, 2020.

### Secretary's Certificate

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Steve Delaney, Secretary of the Board

1/13/20

Date



## OCERS Board Charter Internal Audit Charter

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## OCERS Board Charter Internal Audit Charter

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## OCERS Board Charter Internal Audit Charter

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## OCERS Board Charter Internal Audit Charter

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### Secretary's Certificate

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

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

1/13/20

\_\_\_\_\_  
Date



## Memorandum

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**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Megan Cortez, Disability Manager  
**SUBJECT:** RETIREE REQUEST TO BE REINSTATED – ROGELIA MARTINEZ

---

### Recommendation:

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

### Background:

Application for re-employment of retired member

Orange County Auditor Controller, Administrative Manager III

Date of request: 01/08/2020; Date of entry to OCERS: 08/05/1983

Total years of service: 36.1478

Separation Date: 03/03/2019; Date of Service Retirement: 03/04/2019

Former position: Orange County Auditor Controller, Administrative Manager II

### Discussion:

Ms. Martinez service retired from the Orange County Auditor Controller on March 3, 2019. She has requested to be reinstated as an active employee under the provisions of Government Code Sections 31680.4 and 31680.5.

Ms. Martinez was an Administrative Manager II prior to her separation from Orange County Auditor Controller on March 3, 2019. The Auditor Controller has offered to return her to regular full time employment as an Administrative Manager III.

Pursuant to OCERS policy Ms. Martinez underwent a physical examination on January 29, 2020 with an independent OCERS panel physician to determine whether she was physically capable of returning to full time employment. It is the panel physician's opinion that Ms. Martinez can return to work without restriction.

### Submitted by:

MC-Approved

Megan Cortez  
Disability Manager



## Memorandum

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**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Megan Cortez, Disability Manager  
**SUBJECT:** RETIREE REQUEST TO BE REINSTATED – AROUNSY PHOMMASA

---

### Recommendation:

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

### Background:

Application for re-employment of retired member

Orange County Auditor Controller, Administrative Manager III

Date of request: 01/08/2020; Date of entry to OCERS: 08/01/1986

Total years of service: 32.5004

Separation Date: 03/03/2019; Date of Service Retirement: 03/04/2019

Former position: Orange County Auditor Controller, Administrative Manager II

### Discussion:

Ms. Phommasa service retired from the Orange County Auditor Controller on March 3, 2019. She has requested to be reinstated as an active employee under the provisions of Government Code Sections 31680.4 and 31680.5.

Ms. Phommasa was an Administrative Manager II prior to her separation from Orange County Auditor Controller on March 3, 2019. The Auditor Controller has offered to return her to regular full time employment as an Administrative Manager III.

Pursuant to OCERS policy Ms. Phommasa underwent a physical examination on January 29, 2020 with an independent OCERS panel physician to determine whether she was physically capable of returning to full time employment. It is the panel physician's opinion that Ms. Phommasa can return to work without restriction.

### Submitted by:

MC-Approved

Megan Cortez  
Disability Manager



## Memorandum

---

**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations  
**SUBJECT:** 2020 COST OF LIVING ADJUSTMENT

---

### Recommendation

**Recommendation:** Adjust all applicable benefit allowances by 3% effective April 1, 2020, in accordance with Government Code section 31870.1, resulting from the 3.07% change to CPI in calendar year 2019.

### Background/Discussion

Per Government Code section 31870.1, the OCERS Board of Retirement is required to annually adjust the benefit allowances relative to the increase or decrease in the Consumer Price Index (CPI). This adjustment, known as a Cost of Living Adjustment (COLA), is effective April 1<sup>st</sup> of each year. This year, there was an increase in the CPI for year-end 2019 of 3.07%. To determine the change in CPI, Segal compares the Bureau of Labor Statistics' annual average CPI for All Urban Consumers for the Los Angeles-Long Beach-Anaheim area for each of the past two years and derives the percentage change between the two. This is done in accordance with Government Code section 31870.1, which is the COLA section operative in Orange County. That section also states that any increase or decrease in the CPI is to be rounded to the nearest one-half of one percent (3.07% rounded to 3%) and provides that a maximum COLA of 3% shall be granted on every retirement allowance, optional death allowance, or annual death allowance payable to or on account of any member of the system. For years in which the COLA exceeds 3%, the amount over 3% is banked for future years when the COLA is less than 3%.

For all benefit recipients, who began or will begin receiving benefits on or before April 1, 2020, this adjustment will increase their allowances by 3%.

### Submitted by:



S. J. – APPROVED

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Suzanne Jenike  
 Assistant CEO, External Operations



Andy Yeung, ASA, MAAA, FCA, EA  
180 Howard Street Suite 1100  
San Francisco, CA 94105-6147  
segalco.com  
T 415.263.8283  
ayeung@segalco.com

VIA E-MAIL & USPS

January 15, 2020

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

**Re: Orange County Employees Retirement System  
Cost-of-Living Adjustments (COLA) as of April 1, 2020**

Dear Steve:

We have determined the cost-of-living adjustments for the System in accordance with Section 31870.1, as provided in the enclosed exhibit.

Pursuant to Section 31870.1, the cost-of-living factor to be used by the System on April 1, 2020 is determined by comparing the Bureau of Labor Statistics' annual average CPI for All Urban Consumers for the Los Angeles-Long Beach-Anaheim Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two annual indices, 274.114 in 2019 and 265.962 in 2018, is 1.0307. The County Law section cited above indicates that the resulting percentage change of 3.07% should be rounded to the nearest one-half percent, which is 3.0%.

Please note the above cost-of-living adjustment calculated using established procedures for OCERS may result in adjustments different from those calculated using alternative procedures by other systems.

The actual cost-of-living adjustment is independent of the date of retirement. The CPI adjustment to be applied on April 1, 2020 is provided in Column (4) of the enclosed exhibit. The COLA bank on April 1, 2020 is provided in Column (5).

Please give us a call if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Andy Yeung".

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

OH/bbf  
Enclosure

cc: Suzanne Jenike  
Brenda M. Shott, CPA

Orange County Employees Retirement System  
 Cost-Of-Living Adjustment  
 As of April 1, 2020

Retirement Date	(1)	(2)	(3)	(4)	(5)
	April 1, 2019 Accumulated Carry-over Bank	2020 CPI Change*	2020 CPI Rounded**	2020 CPI Used***	April 1, 2020 Accumulated Carry-over Bank****
All Members					
Section 31870.1					
<u>Maximum Annual COLA</u>	<u>3.0%</u>				
On or Before 4/1/1972	48.0%	3.07%	3.0%	3.0%	48.0%
04/02/1972 to 04/01/1974	47.5%	3.07%	3.0%	3.0%	47.5%
04/02/1974 to 04/01/1975	47.0%	3.07%	3.0%	3.0%	47.0%
04/02/1975 to 04/01/1976	41.5%	3.07%	3.0%	3.0%	41.5%
04/02/1976 to 04/01/1977	36.0%	3.07%	3.0%	3.0%	36.0%
04/02/1977 to 04/01/1978	32.5%	3.07%	3.0%	3.0%	32.5%
04/02/1978 to 04/01/1979	28.5%	3.07%	3.0%	3.0%	28.5%
04/02/1979 to 04/01/1980	23.5%	3.07%	3.0%	3.0%	23.5%
04/02/1980 to 04/01/1981	16.0%	3.07%	3.0%	3.0%	16.0%
04/02/1981 to 04/01/1982	5.5%	3.07%	3.0%	3.0%	5.5%
04/02/1982 to 04/01/2018	1.0%	3.07%	3.0%	3.0%	1.0%
04/02/2018 to 04/01/2019	1.0%	3.07%	3.0%	3.0%	1.0%
04/02/2019 to 04/01/2020		3.07%	3.0%	3.0%	0.0%

\* Based on ratio of 2019 annual average CPI to 2018 annual average CPI for the Los Angeles - Long Beach - Anaheim Area.

\*\* Based on CPI change rounded to nearest one-half percent.

\*\*\* These are the cost-of-living adjustment factors to be applied on April 1, 2020.

\*\*\*\* These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2020.

**§31870.1. Determination; maximum annual change of three percent in allowances; limitation on reduction**

The board shall before April 1 of each year determine whether there has been an increase or decrease in the cost of living as provided in this section. Notwithstanding Section 31481 or any other provision of this chapter (commencing with Section 31450), every retirement allowance, optional death allowance, or annual death allowance payable to or on account of any member, of this system or superseded system who retires or dies or who has retired or died shall, as of April 1st of each year, be increased or decreased by a percentage of the total allowance then being received found by the board to approximate to the nearest one-half of 1 percent, the percentage of annual increase or decrease in the cost of living as of January 1st of each year as shown by the then current Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the area in which the county seat is situated, but such change shall not exceed 3 percent per year; however, the amount of any cost-of-living increase or decrease in any year which is not met by the maximum annual change of 3 percent in allowances shall be accumulated to be met by increases or decreases in allowance in future years; except that no decrease shall reduce the allowance below the amount being received by the member or his beneficiary on the effective date of the allowance or the application of this article, whichever is later.

(Amended by Stats. 1978, Ch. 900, Sec. 11)



## Memorandum

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**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT:** SACRS BOARD OF DIRECTORS ELECTIONS 2020-2021

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### Recommendation

Identify one or more nominees for the SACRS Board of Directors election to be conducted on May 15, 2020; and direct staff to submit the nomination(s) to the SACRS Nominating Committee on or before March 1, 2020.

### Background/Discussion

At the May 15, 2020 SACRS business meeting, SACRS will conduct the election for the SACRS Board of Directors for 2020-2021. The Board of Directors consists of the following positions:

- President
- Vice President
- Treasurer
- Secretary
- Two (2) Regular Members
- The Immediate Past President

Attached is the timeline for the upcoming election.

As a regular member of SACRS, OCERS may submit nominations for the election of the SACRS Directors. Such nominations are to be submitted to the SACRS Nominating Committee, and must be received by the Nominating Committee prior to the first business day after March 1 of each calendar year.

The purpose of this agenda item is for the Board to discuss and identify one or more nominees for the SACRS Board of Directors election to be conducted on May 15, 2020, and to direct staff to submit the nomination(s) to the SACRS Nominating Committee on or before March 1.

In addition, individuals interested in serving on the SACRS Board of Directors may indicate their interest by completing and submitting the attached SACRS Nomination Submission Form, with a letter of intent. The form and the letter of intent must be submitted to the Nominating Committee no later than March 1, 2020.

Prior to March 25, the Nominating Committee will report a final ballot to each regular member County Retirement System. Staff will present the final ballot to the OCERS Board at its April 20, 2020 meeting so that the Board can give direction to the OCERS Voting Delegate on how to vote OCERS' proxy in the SACRS election.

Attachments

- (1) SACRS Board of Directors Election 2020-2021 Information and Timeline
- (2) SACRS Nomination Submission Form

**Submitted by:**



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Gina M. Ratto  
General Counsel



October 1, 2019

To: SACRS Trustees & SACRS Administrators/CEO's  
 From: Ray McCray, SACRS Immediate Past President, Nominating Committee Chair  
 SACRS Nominating Committee  
 Re: SACRS Board of Director Elections 2020-2021 - Elections Notice

SACRS BOD 2020-2021 election process will begin January 2020. Please provide this election notice to your Board of Trustees and Voting Delegates.

DEADLINE	DESCRIPTION
March 1, 2020	Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.
March 25, 2020	The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25
May 15, 2020	Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference (May 12-15, 2020)
May 15, 2020	Board of Directors take office for 1 year

**Per SACRS Bylaws, Article VIII, Section 1. Board of Director and Section 2. Elections of Directors:**

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

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

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

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

*The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25. The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's suggested slate to each trustee and placing the election of SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.*



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

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

The elections will be held at the SACRS Spring Conference May 12-15, 2020 at the Paradise Point Hotel and Spa, San Diego, CA. Elections will be held during the Annual Business meeting on Friday, May 15, 2020.

If you have any questions, please contact me at Ray McCray, [raym1@sbcglobal.net](mailto:raym1@sbcglobal.net) or (209) 471-4472.

Thank you for your prompt attention to this timely matter.

Sincerely,

*Ray McCray*

Ray McCray, San Joaquin CERA Trustee  
SACRS Nominating Committee Chair

CC: SACRS Board of Directors  
SACRS Nominating Committee Members  
Sulema H. Peterson, SACRS Administrator



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**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2020-2021**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2020.** Please submit to the Nominating Committee Chair at [raym1@sbcglobal.net](mailto:raym1@sbcglobal.net) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name:
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address:  Email Address:  Phone:
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name:
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	



## Memorandum

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**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT:** **REQUEST TO COORDINATE MEMBER APPEALS ON THE ISSUE OF APPLICATION OF THE DISABILITY OFFSET UNDER GOVERNMENT CODE SECTION 31838.5**

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### Recommendation

Staff recommends that the Board order that the administrative appeals filed by OCERS members, Christopher Roelle, James Bento, Arthur Lopez-Hidalgo, Guy Grindle, and John Gammon, on the issue of the application of the disability offset under Government Code section 31838.5 be coordinated, and that they be assigned to and heard by one hearing officer in a coordinated hearing.

### Background/Discussion

OCERS members, Christopher Roelle, James Bento, Arthur Lopez-Hidalgo, Guy Grindle, and John Gammon (collectively "Members") were employed by the Orange County Fire Authority ("OCFA") and have each been granted a service-connected disability retirement by OCERS. They are all appealing the application, by OCERS, of the disability offset of Government Code section 31838.5 to their disability allowances.

The Members have all of the following facts in common:

- They were employed by the City of Santa Ana Fire Department until April 19, 2012;
- They separated from employment with the City of Santa Ana when the City contracted with OCFA to provide fire protection services beginning on April 20, 2012;
- On April 20, 2012, they became OCFA employees and OCERS members;
- None of them established reciprocity between CalPERS and OCERS;
- They service retired from CalPERS and began drawing their service retirement allowances from CalPERS while actively employed by OCFA;
- They each filed an application for service-connected disability retirement with OCERS;
- OCERS granted their applications for service-connected disability retirement;
- OCERS applied the disability offset pursuant to Government Code section 31838.5 to reduce their benefit payments from OCERS; and
- They have appealed the application of the offset on the basis that they did not establish reciprocity between the two retirement systems, and argue that the offset does not apply absent reciprocity.<sup>1</sup>

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<sup>1</sup> At its meeting on January 21, 2020, the Board considered the hearing officer's recommendation in a virtually identical member appeal (Agenda Item DA-3: Nicholas Casson), and approved and adopted the hearing officer's findings and

Staff believes that because (1) the relevant facts of these Members' appeals are identical; and (2) the appeals raise the same legal question, that is, whether the disability offset of Government Code section 31838.5 applies absent reciprocity, these five Member appeals should be coordinated and assigned to one hearing officer for a coordinated hearing.

The applicable OCERS Board Policy – Adjudication Policy and Administrative Hearing Rules (Disability and Non-Disability Benefits) (“Hearing Rules”), last revised January 16, 2018, is silent respecting the coordination of hearings. An interpretation of the Board’s Hearing Rules that would deprive the Board of the discretion to refer multiple member appeals to a single hearing officer on a question of law that applies to all of the members would be inappropriate and unwarranted. It would require OCERS staff to assign each of the Member’s appeals to a different hearing officer, result in the expenditure of unnecessary time and expense, and risk multiple, contrary rulings on a common question of law. In light of the fact that the OCERS Board has the statutory authority pursuant to Government Code section 31533<sup>2</sup> to (1) determine when to refer a matter to a hearing officer, and (2) appoint the hearing officer, the OCERS Board also has the authority to decide that the interests of judicial economy and efficiency dictate that these Member appeals should be coordinated and heard by one hearing officer in one coordinated hearing. In addition, this would be well within the broad discretion of the Board to administer the system prudently and incur only reasonable expenses of administration. CA Const. Art. XVI sec. 17(a), (c).

Staff recommends that the Board exercise its authority under the California Constitution and Government Code section 31533 and order that the administrative appeals filed by these Members be coordinated, and that they be assigned to and heard by one hearing officer in a coordinated hearing.

**Submitted by:**




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Gina M. Ratto  
General Counsel

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recommendations wherein the hearing officer determined that OCERS correctly applied the offset pursuant to Government Code section 31838.5 to the applicant’s disability allowance, notwithstanding the fact that the applicant did not elect reciprocity between CalPERS and OCERS. Member Casson was also a Santa Ana firefighter who retired from CalPERS in 2012 and began working immediately for OCFA.

<sup>2</sup> Government Code section 31533 states, in full, as follows: “Whenever, in order to make a determination, it is necessary to hold a hearing the board may appoint either one of its members or a member of the State Bar of California to serve as a referee. The referee shall hold such a hearing and shall transmit, in writing, to the board his proposed findings of fact and recommended decision.” (Emphasis added.)

ATTACHMENT

**CALIFORNIA GOVERNMENT CODE  
(County Employees Retirement Law - Title 3, Division 4, Part 3, Chapter 3)**

**§31838.5. Members with service credits in more than one entity; disability benefit amount**

No provision of this chapter shall be construed to authorize any member, credited with service in more than one entity and who is eligible for a disability allowance, whether service connected or nonservice connected to receive an amount from one county that, when combined with any amount from other counties or the Public Employees' Retirement System, results in a disability allowance greater than the amount the member would have received had all the member's service been with only one entity.

In cases of service-connected disability allowances only, the limitation on disability allowances provided for in this section shall apply to service-connected disability allowances payable to those who, after being employed with another county or an entity within the Public Employees' Retirement System, become employed by a second public entity on or after January 1, 1984. Each entity shall calculate its respective obligations based upon the member's service with that entity and each shall adjust its payment on a pro rata basis.

(Amended by Stats. 1984, Ch. 767, Sec. 1)

*Orange County Employees Retirement System  
Retirement Board Meeting  
February 10, 2020  
Application Notices*

<i>Member Name</i>	<i>Agency/Employer</i>	<i>Retirement Date</i>
Angele, Laurie	OCTA	12/31/2019
Bell, Carla	Sheriff's Dept	12/13/2019
Benton, Mark	Probation	8/30/2019
Bradley, Michael	Probation	12/20/2019
Carmona, Walter	Sheriff's Dept	11/16/2019
Chang, Patricia	Health Care Agency	12/6/2019
Clairmont, Michael	Treasurer - Tax Collector	12/6/2019
Clinkinbeard, John	Fire Authority (OCFA)	12/20/2019
Danciulescu, Mihail	Sheriff's Dept	11/22/2019
Dysthe, Michael	OC Public Works	12/20/2019
Fish, Denise	Superior Court	12/6/2019
Fitzgerald, Steven	John Wayne Airport	12/13/2019
Fox, Philip	Health Care Agency	12/3/2019
Godinez, Ortilia	Auditor Controller	12/20/2019
Green, Jacklyn	OCTA	10/24/2019
Head, Kris	Probation	12/20/2019
Huynh, Darlene	OCERS	12/20/2019
Jones, Cristina	Probation	12/16/2019
Konen, Nina	Health Care Agency	12/6/2019
Lake, Robert	OC Vector Control District	12/6/2019
Lindsay, Teri	Probation	12/20/2019
Liu, Cheri	Probation	12/20/2019
Lopez, Silvia	Social Services Agency	12/20/2019
Mackay, Daniel	Fire Authority (OCFA)	11/30/2019
Malone, Nancy	County Clerk/Recorder	12/6/2019
Mcshane, Christopher	District Attorney	12/20/2019
Mellet, Margarita	Superior Court	12/6/2019
Mia, Loral	Probation	12/6/2019
Mitchell, Todd	Fire Authority (OCFA)	12/20/2019
Monteon, Elaine	Sheriff's Dept	12/19/2019
Moore, Marsha	Superior Court	12/6/2019
Neal, Martin	OCTA	10/28/2019
Nguyen, Thuc	Assessor	12/20/2019
Oh, Kyong	OCTA	12/13/2019
Perez, Sara	Health Care Agency	12/3/2019
Pinder, Kathleen	Social Services Agency	12/13/2019
Potter, Rebecca	OCTA	12/23/2019
Powers, Carlton	OC Public Works	12/20/2019
Ramirez, Rigoberto	Cemetery District	12/6/2019
Rivadeneira, Shelley	Superior Court	12/6/2019
Saldivar, Alejandra	Auditor Controller	12/6/2019
Shelton, Barbara	OC Public Works	12/7/2019
Simmons, Scott	District Attorney	12/6/2019
Solis, Alexander	OCWR	12/20/2019
Soruco, Cynthia	Health Care Agency	12/6/2019
Thai, Trang	Social Services Agency	12/4/2019
Venus, Becquie	Health Care Agency	12/6/2019
Wagner, Daniel	District Attorney	12/6/2019
Whitaker, Bruce	Board of Supervisors	12/2/2019

***Orange County Employees Retirement  
Retirement Board Meeting  
February 10, 2020  
Death Notices***

<i>Active Members</i>	<i>Agency/Employer</i>
Gibson, Rachel	John Wayne Airport
Harchar, Justin	Sanitation District
Torok, Victoria	Social Services Agency

<i>Retired Members</i>	<i>Agency/Employer</i>
Balsinger, Catherine	Superior Court
Bearden, Gary	OCTA
Bearse, Joseph	OC Community Resources
Bearse, Joseph	OC Public Works
Berwanger, Diane	Health Care Agency
Black, Elsie	Health Care Agency
Carvalho, George	OC Public Works
Collier, Terrance	Health Care Agency
Diaz, Cesar	OC Public Works
Early, Christa-Monika	Sheriff's Dept
Farnsworth, Marilyn	Sanitation District
Freeman, Mary	Superior Court
Gibson, Mary	Social Services Agency
Gillette, Joyce	Health Care Agency
Hamilton, Phyllis	Probation
Harper, Susan	Social Services Agency
Henry, John	Fire Authority (OCFA)
Hooven, Mary	Social Services Agency
Huynh, Tiffany	Health Care Agency
Krans, Jerry	Sheriff's Dept
Martin, Claudia	Sheriff's Dept
Nadolski, Carolyn	Auditor Controller
Nwufo, Gladys	Health Care Agency
Oliver-Abad, Joyce	OC Public Works
Owens, Floyd	Sheriff's Dept
Pemberton, Barbara	District Attorney
Pham, Khang	Social Services Agency
Rheinheimer, Jean	District Attorney
Salzbrunn, Vern	OCTA
Sanchez, Eduardo	OC Public Works
Wall, Robert	Social Services Agency
Winters, Robert	Probation
Yurick, Brian	OC Public Works

*Surviving Spouses*

Conologue, Catherine	
Hendricks, Adele	
Mc Cracken, Masako	
Najmulski, Kathleen	
Omasta, Eldamae	
Rowe, Dennis	
Searfoss, Vivian	
Simpson, Doris	
Walters, Carrie	
Wang, Hazel	

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

**AUDIT COMMITTEE MEETING  
November 18, 2019  
1:00 P.M. OR UPON ADJOURNMENT OF THE OCERS BOARD MEETING,  
WHICHEVER IS LATER**

**Members of the Committee**

Frank Eley, Chair  
Charles Packard, Vice Chair  
Jeremy Vallone  
Shari Freidenrich

**MINUTES**

**OPEN SESSION**

The Chair called the meeting to order at 3:05 p.m.

Attendance was as follows:

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

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

**PUBLIC COMMENT**

None.

**CONSENT AGENDA**

**C-1 APPROVE AUDIT COMMITTEE MINUTES**

Audit Committee Meeting Minutes

October 17, 2019

A motion was made by Mr. Packard, seconded by Mr. Vallone to approve the minutes.

*The Committee recessed into Closed Session at 3:05p.m.*

**CLOSED SESSION**

**A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (GOVERNMENT CODE §54957(b))**  
Title: Director of Internal Audit

Audit Committee Meeting  
November 18, 2019

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

**Recommendation:** Take appropriate action.

*The Committee resumed into Open Session at 3:50pm.*

*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 3:51p.m.

Submitted by:

  
Steve Delaney  
Secretary to the Board

Approved by:

  
Frank Eley  
Chair



## Memorandum

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DATE: February 10, 2020  
TO: Members of the Board of Retirement  
FROM: Steve Delaney, Chief Executive Officer  
SUBJECT: **CEO FUTURE AGENDAS AND 2020 OCERS BOARD WORK PLAN**

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### Written Report

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

##### MARCH

- 2020 STAR COLA Final Approval
- GFOA Awards
- Quarterly Strategic Planning Review
- SACRS Election Materials – Anything for Board to add

##### APRIL

- Annual Brown Act Training
- Annual Conflicts Training
- SACRS Board of Directors Election

##### MAY

- Preliminary December 31, 2019 Valuation

##### Submitted by:



**SD - Approved**

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Steve Delaney  
Chief Executive Officer

**OCERS RETIREMENT BOARD - 2020 Work Plan**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep (Offsite)	Oct	Nov	Dec
<b>System Oversight</b>		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)	Approve Early Payment Rates for Fiscal Year 2019-20 (A)	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)		Receive OCERS by the Numbers (I)		Approve 2021-2023 Strategic Plan (A)	Approve 2021 Administrative (Operating) Budget (A)	
						Approve 2019 CAFR (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)				
											Adopt 2021 Board Meeting Calendar (A)	
<b>Board Governance</b>				Brown Act Training (I)				Annual Review of Succession Plan (I)				Adopt Annual Work Plan for 2021 (A)
				Conflict of Interest Training (I)							Vice-Chair Election (A)	
<b>Regulation / Policies</b>	Communication Policy Fact Sheet (I)											
<b>Compliance</b>				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

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**DATE:** January 27, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Jim Doezie, Contracts, Risk and Performance Administrator  
**SUBJECT:** QUIET PERIOD – NON-INVESTMENT CONTRACTS

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### Written Report

#### Background/Discussion

##### 1. Quiet Period Policy Guidelines

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

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

##### 2. Quiet Period Guidelines

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

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

#### Distributed RFP's

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

- An RFP for a Board Room Audio/Visual Presentation System was distributed. Bids were received that are currently being evaluated.
- An RFP for an additional Investment Counsel firm will be issued in February, 2020.

#### Submitted by:

Jim Doezie  
Contracts, Risk and Performance Administrator



## Memorandum

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**DATE:** February 10, 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:

Attached: OCERS Activities for December 2019.

#### Submitted by:



**SD - Approved**

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Steve Delaney  
Chief Executive Officer



# Monthly Staff Status

## December 2019

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 December 2019.

### TOP 3 MEMBER QUESTIONS:

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

#### QUESTION ONE:

- Q:** Why is the January 1<sup>st</sup> benefit payment not paid until AFTER the holiday? Shouldn't it be paid the business day before the holiday?
- A:** It is true that normally when the benefit payment date falls on a weekend or holiday, direct deposits are made the business day prior. However, January 1<sup>st</sup> is an exception. OCERS may only make 12 benefit payments in a calendar year, and so the 1/1 payment is always paid on the first business day of the new year. This year's first payment fell on January 1<sup>nd</sup>.

#### QUESTION TWO:

- Q:** What will the Cost of Living Adjustment (COLA) be in 2020?
- A:** The 2020 COLA will be addressed at the regular Board of Retirement meeting on February 10<sup>th</sup>. Information will be posted on the OCERS website the following day.

#### QUESTION THREE:

- Q:** When do I need to send in my SCP contract so I am not charged additional interest?
- A:** If you were mailed an SCP cost calculation after July 1<sup>st</sup>, you have until 12/31/2019 to submit the contract and initiate the first payment. If OCERS received the contract and first payment after 1/1, then the contract will need to be recalculated to add interest.

### Customer Service Statistics

Member Approval: 97%

Un-Planned Recalculations: 1

#### Retirement Applications Received:

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
Mar – 2018	51
Feb – 2018	163
Jan – 2018	204



# Monthly Staff Status

## December 2019

### MEMBER SERVICES TELEPHONE METRICS

Member Services Call History			
Month / Year	Incoming Calls Through Queue	Incoming Calls Direct to Extension	Total Calls (Queue + Direct)
December 2019	*	1,816	1,816
December 2018	1158	1650	2808
December 2017	791	2257	3048

\*Queue call metrics unavailable this month due to sporadic issues with Mitel's Phone Reporting.

### ACTIVITIES

#### OCERS SUCCESSION PLANNING – 2019 STAFF MEETINGS COMPLETED

It took most of the year, but on December 3 I met with Ms. Bercaru, interim director of Member Services and finished my individual meetings with all 92 OCERS team members. Throughout 2019 our discussions were focused on education and training. I asked each team member to walk me through their educational background, as well as provide me with details on trainings they have taken since coming to OCERS, and then discussed how we can improve our training program to be even more relevant and successful. We also discussed the definition of “professionalism”, and how we at OCERS can ensure we continue our well-earned reputation for being a professional financial organization. As with the prior year, we concluded each meeting by calling a recent OCERS retiree to ask how the process worked. Interestingly, one of my most informative calls was to a gentlemen who had just retired and told me how impressed he was with the professionalism displayed by OCERS staff. I told him that we at OCERS had been discussing that very topic, trying to better define what being professional means for us, and I asked if he could expand on what he was trying to convey to me when he used that very term. He explained that the OCERS retirement counselor who came to the lobby to meet him was “informative, knowledgeable, and courteous”, and then he added what to me summarizes what is great about all OCERS team members: “She made me feel she had true concern for my future”!

And so now we begin again. Through 2020 I will meet with each OCERS team member, and this year they will each assist me in my day-to-day work, with the goal of providing better insight into what is involved in OCERS management, and then we can discuss what additional training or other opportunities each may want to pursue to be prepared to take on those responsibilities in the future.

#### RETIRED EMPLOYEES ASSOCIATION OF ORANGE COUNTY (REAOC) HOLIDAY LUNCHEON

On December 4 I had the pleasure once again of joining our REAOC members for their holiday luncheon at Mile Square Park. Always a fun and festive time, it also gives me a chance to summarize the year's events from our retired member's perspective, as well as providing attendees with a view into the coming year. Unfortunately the one thing they all really



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wanted to know, I confessed at the start of my comments that it was too early to share – they wanted to know what amount of COLA to expect as of April 1, 2020. We also had a table in the back of the dining room staffed by several OCERS team members. With several hundred retired members present, these quarterly luncheons are always a special occasion allowing us to provide direct OCERS customer service. Management ensures different OCERS representatives attend each quarter, to give as many OCERS team members as possible this special opportunity to mix with and get to know our members better.

### **ANNUAL OCERS INFORMATIONAL MEETING FOR ACTIVE MEMBERS**

On December 5 we held our annual OCERS informational meeting in the Hall of Administration. We were pleased to have almost 150 active members in attendance, our largest audience since we started these meetings nearly a decade ago. Ms. Jenike kept all in rapt attention with her keen ability to answer the most arcane questions about the intricacies of retirement. And special thanks to Trustees Packard and Hilton who both came and provided a warm welcome to the packed room.

### **OCERS 75<sup>TH</sup> ANNIVERSARY – INTERVIEW**

As part of our year-long celebration of the OCERS 75<sup>th</sup> Anniversary, we have recorded a number of video interviews of members and individuals who have played an important part in our history. On December 18 we were pleased to welcome former OCERS Board Trustee Sara Ruckle-Harms for an on-camera interview. Ms. Ruckle-Harms served on the OCERS Board during a momentous period, being present on the Board at the time of the Orange County declaration of bankruptcy. We recorded some fascinating tales of that trying time, and those are now playing on the video player you will have seen in the OCERS lobby. Once the year is done we will archive all the videos for use by those who come after us to celebrate OCERS 100<sup>th</sup> Anniversary in far off 2045!

## UPDATES

### **OCERS INVESTMENT DEPARTMENT**

A first here, with Mr. Beeson out of the office on a due diligence trip, Ms. Walander-Sarkin provides the December activity summary for the Investment Department:

As of November 30, 2019, the portfolio year-to-date is up 12.4% net of fees, while the one-year return is up 10.0%. The fund value now stands at \$17.0 billion. The December 14<sup>th</sup> Investment Committee meeting began with Meketa reviewing the Risk Mitigation implementation and the recommended benchmark changes with the 10% asset allocation fully implemented. The Investment Committee approved the new Risk Mitigation benchmark: 25% Bloomberg Barclays Long-Term U.S. Treasury; 25% HFRXM Macro/CTA Index; 25% Soc Gen Trend Index; and 25% Soc Gen Multi Alternative Risk Premia Index. Next, Molly Murphy reviewed the Investment Policy Statement and the recommended changes reflective of the previously approved decisions in 2018 and 2019. The Investment Committee approved the recommended changes. Following, Molly Murphy reviewed the monthly manager selections and terminations report. OCERS converted the \$162.3 million investment with Beach Point's



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Select Credit Fund, a long-short credit investment strategy, to Beach Point's Dynamic High Yield strategy, a long only strategy focusing on high yield debt and senior loans. This transition is in-line with the decreased target from 2.6% to 0% for the Opportunistic Credit allocation. The Beach Point Dynamic High Yield strategy will reside within the Corporate Credit allocation, which is currently underweight its target of 5% at 2.6%. Tarek Turaigi presented a Fixed Income asset class review including a 2019 fixed income market review, an overview of OCERS' Fixed Income allocation, and a deeper dive into the three sub-categories within the Fixed Income allocation: Core Fixed Income, Core-plus Fixed Income, and TIPS. Lastly, John Muir of State Street provided the Investment Committee with a review of OCERS' securities lending program. Year-to-date, as of November 15, 2019, OCERS' securities lending program had generated approximately \$1 million in earnings.

**Since this memo summarizes touches on 2019 Holiday Season, I thought I would include a photo of the Investment Team participating in their recent Ugly Sweater contest!:**





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### THE OCERS HEADQUARTERS BUILDING

Things are moving forward, and Ms. Shott provides a quick update through the end of December:

On December 10, 2019 a Purchase and Sale Agreement was executed with the owners of the building adjacent to OCERS headquarters at 1200 N. Tustin Ave. The agreement includes a purchase price of \$10 million and a sixty day due diligence period. Should OCERS approve the Due Diligence items, the condition of the property and the investigations of such, the closing date for purchasing the building will be fifteen days after the end of due diligence. The closing date is planned for February 21, 2020. Within the first week of executing the agreement, a \$1 million deposit was made to an escrow account and certain due diligence items were received from the seller as scheduled. The OCERS Due Diligence team includes Cushman and Wakefield, OCERS real estate broker and Rutan & Tucker, OCERS real estate counsel along with OCERS team members. During the month, third party consultants were procured to obtain a property assessment report, zoning report and environmental conditions report. Concurrently with due diligence, OCERS is exploring project options and requirements for the future optimal use of the property being purchased and OCERS current headquarters building.



As a reminder you will see this memo included with the BOARD COMMUNICATIONS document as part of the informational agenda for the February 10 meeting of the OCERS Board of Retirement.



## Memorandum

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**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT:** STATE AND FEDERAL LEGISLATIVE UPDATE

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### Written Report

#### State Legislative Update

The California Legislature reconvened on January 6, 2020, marking the end of the interim recess and the beginning of the second year of the legislative session. Legislators will begin introducing new bills and moving the two-year bills that did not pass in 2019. The deadline to introduce new bills is February 21.

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. Bills that were signed or vetoed by the Governor during the first year of the session have been deleted from the list unless they were signed or vetoed after October 11, 2019, the date the last report to the Board was posted.

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.**

#### SACRS Sponsored Bills

- **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.)

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

- **AB 287 (Voepel)**

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

audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program.

(STATUS: Introduced 01/28/19. Referred to Committee on P.E. & R on 02/07/19.)

- **AB 472 (Voepel)**

PEPRA establishes various limits on retirement benefits generally applicable to a public employee retirement system, as defined. The act prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would make non-substantive changes to that provision.

(STATUS: Introduced 02/11/19. Pending committee assignment.)

- **AB 664 (Cooper)**

The CERL provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers in the County of Sacramento, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill would require the board of retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become eligible for disability retirement pursuant to the bill's provisions. The bill would repeal these provisions on December 31, 2024.

(STATUS: Introduced 02/15/19. Passed out of the Assembly and ordered to the Senate on 05/13/19. Referred to Committees on L., P.E. & R. and APPR on 05/22/19. In committee: Set, first hearing. Hearing cancelled at request of author on 06/26/19.)

- **AB 992 (Mullin)**

The Brown Act generally requires that the meetings of legislative bodies of local agencies be conducted openly. That act defines "meeting" for purposes of the act and 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. In committee: Set, first hearing. Failed passage. Reconsideration granted on 05/01/19. **Passed out of committee on 01/15/20. Read second time. Ordered to third reading on 01/16/20.**)

- **AB 1184 (Gloria)**

The California Public Records Act requires state and local public agencies to make public records available for inspection, subject to certain exceptions. Existing law specifies that public records include any writing containing information relating to the conduct of the public's business, including writing transmitted by electronic mail. The act requires any agency that has any information that constitutes a public record not exempt from disclosure, to make that public record available in accordance with certain provisions and authorizes every agency to adopt regulations stating the procedures to be followed when making its records available, if the regulations are consistent with those provisions. Existing law authorizes cities, counties, and special districts to destroy or to dispose of duplicate records that are less than two years old when they are no longer required by the city, county, or special district, as specified. This bill would, unless a longer retention period is required by statute or regulation, or established by the Secretary of State pursuant to the State Public Records Management Act, require a public agency for purposes of the California Public Records Act to retain and preserve for at least 2 years every public record, as defined, that is transmitted by electronic mail.

(STATUS: Enrolled on 09/19/19. **Vetoed by the Governor on 10/13/19.**)

- **AB 1198 (Stone)**

PEPRA, among other things, establishes new retirement formulas, which are generally applicable to employees first employed on or after January 1, 2013, and which a public employer offering a defined benefit pension plan is prohibited from exceeding. PEPRA excepts certain public employees from its provisions, including certain transit workers whose interests are protected by specified federal law until a federal district court ruled that a United States Department of Labor determination that the application of PEPRA to these workers violated federal law was in error, or until January 1, 2016, as specified. A district court ruling to this effect occurred on December 31, 2014. This bill would except transit workers hired before January 1, 2016 from PEPRA by removing the federal district court contingency language from the provision excepting certain transit workers from PEPRA, as described above.

(STATUS: Introduced 02/21/19. Set for first hearing in committee; hearing cancelled at the request of author on 04/24/19.)

- **AB 1819 (Committee on Judiciary)**

The California Public Records Act requires public records to be open to inspection at all times during the office hours of the state or local agency that retains those records, and provides that every person has a right to inspect any public record, except as provided. The California Public Records Act requires state and local agencies to make public records available upon receipt of a request for a copy that reasonably describes an identifiable record not otherwise exempt from disclosure, and upon payment of fees to cover costs.

This bill would grant a requester who inspects a disclosable record on the premises of the agency the right to use the requester's equipment on those premises, without being charged any fees or costs, to photograph or otherwise copy or reproduce the record in a manner that does not require the equipment to make physical contact with the record, unless the means of copy or reproduction would result in damage to the record, or unauthorized access to a computer system of the agency or secured network, as specified. The bill would authorize the agency to impose any reasonable limits on the use of the requester's equipment that are necessary to protect the safety of the records or to prevent the copying of records from being an unreasonable burden to the orderly function of the agency and its employees. The bill would authorize the agency to impose any limit that is necessary to maintain the integrity of, or ensure the long-term preservation of, historic or high-value records. By imposing additional duties and responsibilities upon local agencies in connection with requests for inspection of records, this bill constitutes a state-mandated local program.

(STATUS: Enrolled on 09/23/19. **Signed by Governor on 10/9/19.**)

- **SB 615 (Hueso)**

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

(STATUS: Introduced 02/22/19. Referred to Committee on JUD. on 03/14/19.)

- **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. Ordered to third reading on 09/12/19. Ordered to inactive file on request of Assembly Member Calderon on 09/13/19.)

### Other Bills of Interest

- **AB 315 (Garcia)**

Existing law authorizes the legislative body of a local agency, defined as a county, city, or city and county, or a district, defined broadly to include other political subdivisions or public corporations in the state other than the state or a county, city and county, or city, to attend the Legislature and the Congress of the United States, and any committees thereof, and to present information regarding legislation that the legislative body or the district deems to be beneficial or detrimental to the local agency or the district. Existing law also authorizes the legislative body of a local agency or a district to enter into an association for these purposes and specifies that the cost and expense incident to the legislative body's or district's membership in the association and the activities of the association are proper charges against the local agencies or districts comprising the association.

This bill, with respect to moneys paid to or otherwise received by an association from a local agency or district member of the association, would prohibit an association of local agencies or districts from expending those moneys for any purpose other than the above-described activities and educational activities. The bill would also require the association to publicly disclose the amount of those moneys expended on the above-described activities of the association. The bill would prohibit an association from incurring any travel-related expenses except as may be necessary for the association to hold an annual conference or other gathering of its members or to hold or send its members to attend educational activities, as defined.

(STATUS: Introduced 01/30/19 as a bill relating to non-vehicular air pollution. Amended in the Assembly on 07/05/19 and 01/06/20 to relate to lobbying associations. In committee: Set, first hearing. Hearing cancelled at the request of author.)

- **AB 931 (Boener-Horvath)**

Current law establishes the policy of the Legislature to ensure equal access to specific information about the many local regulating and advisory boards, commissions, and committees and to ensure equal opportunity to be informed of vacancies on those boards. Existing law requires each legislative body of a local agency to prepare an appointments list of all regular and ongoing boards, commissions, and committees that are appointed by the legislative body of the local agency. This bill, on and after January 1, 2030, would require, with respect to a city with a population of 50,000 or more, that the city not

appoint members of nonsalaried, nonelected boards or commissions consisting of 5 or more members such that individuals of the same gender identity comprise more than 60% of the board or commission's membership. The bill would also prohibit a board or commission with 4 or fewer nonelected and nonsalaried members from being comprised exclusively of people with the same gender identity. The bill would define "gender identity" for purposes of the bill, and would exclude from its provisions a board or commission that has as its primary purpose addressing issues of relevance to a particular gender identity. By imposing new requirements on cities, the bill would impose a state-mandated local program.

(STATUS: Enrolled on 09/13/19. **Signed by the Governor on 10/12/19.**)

- **AB 1332 (Bonta)**

This bill, the Sanctuary State Contracting Act, would, among other things, require the Department of Justice, commencing on January 1, 2020, and quarterly thereafter, to publish a list on its internet website, based on specified criteria, of each person or entity that, in the opinion of the Department of Justice, is providing data broker, extreme vetting, or detention facilities support to any federal immigration agency, as specified. The bill would prohibit a state or local agency from entering into a new, amended, or extended contract or agreement with any person or entity that appears on the list published by the Department of Justice unless the state or local agency has made a finding that no reasonable alternative exists, as specified. The bill would exempt certain contracts or agreements from these provisions related to provisions the administration of retirement benefits and investment of moneys for retirement benefits, as specified. This bill would authorize the Department of Justice to initiate, and require the department to receive and investigate, all complaints regarding violations of these provisions, and would require the department to issue findings regarding any alleged violation and notify any affected state or local agency. By increasing the duties of local officials, this bill would impose a state-mandated local program. Additionally, this bill would make a violation of these provisions subject to civil and criminal penalties, thereby imposing a state-mandated local program.

(STATUS: Introduced 02/22/19. In committee: Set, first hearing. Referred to APPR. suspense file on 05/08/19. In committee: Held under submission on 05/16/19.)

- **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 715 (Galgiani)**

The California Constitution establishes the University of California as a public trust with full powers of organization and government, subject only to specified limitations. Under this independent constitutional authority, the University of California established retirement systems to provide various retirement benefits to its members. Existing law prohibits the University of California from contracting for services unless a contractor certifies that the services will be performed solely by workers within the United States or if the contractor's bid describes any work that will be performed by workers outside the United States. This bill would prohibit the University of California from contracting for services with an asset manager for a defined contribution plan if that plan is a stand-alone optional plan that is not a complement to a defined benefit pension plan. The bill would apply this prohibition to a contract entered into on or after January 1, 2015.

(STATUS: Introduced 02/22/19. Failed to pass out of committee. Reconsideration granted 04/24/19.)

**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. Referred to Committee on RLS. on 05/01/19. From committee chair, with author's amendments: Amend and re-refer to committee. Read second time, 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 February 21, 2019 as a law relating to the Judges' Retirement System II and was amended on 01/06/2020 to relate to emerging manager asset management. Passed out of committee and re-referred to Committee on Com. and APPR on 01/08/2020.)

- **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 PEPRA 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 341 (Morell)**

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

(STATUS: Introduced 02/19/19. Referred to Committee on L., P.E. & R on 02/28/19. Set for hearing on 03/27/19. Failed passage in committee. Reconsideration granted.)

- **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.)

#### **Divestment Proposals (CalPERS and CalSTRS Only)**

- **AB 33 (Bonta)**

This bill would prohibit CalPERS and CalSTRS from making new investments or renewing existing investments of public employee retirement funds in a private prison company, as defined. This bill would require the boards to liquidate investments in private prison companies on or before July 1, 2020, and would require the boards, in making a determination to liquidate investments, to constructively engage with private prison companies to establish whether the companies are transitioning their business models to another industry. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the constitution. The bill would provide that board members and other officers and employees shall be held harmless and be eligible for indemnification in connection with actions taken pursuant to the bill's requirements, as specified. The bill would make related legislative findings and declarations.

(STATUS: Introduced 12/03/18. Referred to Committee on P.E. & R on 01/17/19. Second hearing cancelled at the request of author 04/24/19.)

#### **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 72<sup>nd</sup> 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**

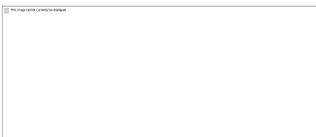
IRS Form 945, Annual Return of Withheld Federal Income Tax, is typically used to report federal income taxes withheld on distributions made from a retirement system. IRC §6651 imposes a tax penalty for the failure to timely file a Form 945.

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



**2019 - 2020 CALIFORNIA STATE LEGISLATIVE SESSION  
BILLS OF INTEREST  
LEGISLATIVE UPDATE (FEBRUARY 10, 2020) – ATTACHMENT**

***New or updated information in bold text***

**AB 33 (Bonta)**

This bill would prohibit the CalPERS and CalSTRS from making new investments or renewing existing investments of public employee retirement funds in a private prison company, as defined. This bill would require the boards to liquidate investments in private prison companies on or before July 1, 2020, and would require the boards, in making a determination to liquidate investments, to constructively engage with private prison companies to establish whether the companies are transitioning their business models to another industry. The bill would provide that it does not require a board to take any action unless the board determines in good faith that the action is consistent with the board's fiduciary responsibilities established in the constitution. The bill would provide that board members and other officers and employees shall be held harmless and be eligible for indemnification in connection with actions taken pursuant to the bill's requirements, as specified.

(STATUS: Introduced 12/03/18. Referred to Committee on P.E. & R on 01/17/19. Second hearing canceled at request of author on 04/24/19.)

**AB 287 (Voepel)**

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

(STATUS: Introduced 01/28/19. Referred to Committee on P.E. & R on 02/07/19.)

**AB 315 (Garcia)**

**Existing law authorizes the legislative body of a local agency, defined as a county, city, or city and county, or a district, defined broadly to include other political subdivisions or public corporations in the state other than the state or a county, city and county, or city, to attend the Legislature and the Congress of the United States, and any committees thereof, and to present information regarding legislation that the legislative body or the district deems to be beneficial or detrimental to the local agency or the district. Existing law also authorizes the legislative body of a local agency or a district to enter into an association for these purposes and specifies that the cost and expense incident to the legislative body's or district's membership in the association and the**

activities of the association are proper charges against the local agencies or districts comprising the association.

This bill, with respect to moneys paid to or otherwise received by an association from a local agency or district member of the association, would prohibit an association of local agencies or districts from expending those moneys for any purpose other than the above-described activities and educational activities. The bill would also require the association to publicly disclose the amount of those moneys expended on the above-described activities of the association. The bill would prohibit an association from incurring any travel-related expenses except as may be necessary for the association to hold an annual conference or other gathering of its members or to hold or send its members to attend educational activities, as defined.

(STATUS: Introduced 01/30/19 as a bill relating to non-vehicular air pollution. Amended in the Assembly on 07/05/19 and 01/06/20 to relate to lobbying associations. In committee: Set, first hearing. Hearing cancelled at the request of author.)

#### **AB 346 (Cooper)**

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

(STATUS: Enrolled 09/09/19. **Vetoed by the Governor on 10/13/19.**)

#### **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. Referred to Committee on RLS. on 05/01/19. From committee chair, with author's amendments: amend and re-refer to committee. Read second time, amended, and re-referred to Com. on RLS. on 05/21/19.)

**AB 472 (Voepel)**

PEPRA establishes various limits on retirement benefits generally applicable to a public employee retirement system, as defined. The act prescribes, among other things, limits on service after retirement without reinstatement into the applicable retirement system. This bill would make non-substantive changes to that provision.

(STATUS: Introduced 02/11/19. Pending committee assignment.)

**AB 510 (Cooley)**

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

(STATUS: Introduced 02/13/19. Referred to Committee on L. Gov. on 02/21/19.)

**AB 664 (Cooper)**

The CERL provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. This bill would require, for purposes of determining permanent incapacity of certain members employed as peace officers in the County of Sacramento, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer who is described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill would require the board of retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become eligible for disability retirement pursuant to the bill's provisions. The bill would repeal these provisions on December 31, 2024.

(STATUS: Introduced 02/15/19. Passed out of the Assembly and ordered to the Senate on 05/13/19. Referred to Committees on L., P.E. & R. and APPR on 05/22/19. In committee: Set, first hearing. Hearing cancelled at request of author on 06/26/19.)

**AB 931 (Boener-Horvath)**

Current law establishes the policy of the Legislature to ensure equal access to specific information about the many local regulating and advisory boards, commissions, and committees and to ensure equal opportunity to be informed of vacancies on those boards. Existing law requires each legislative body of a local agency to prepare

an appointments list of all regular and ongoing boards, commissions, and committees that are appointed by the legislative body of the local agency.

This bill, on and after January 1, 2030, would require, with respect to a city with a population of 50,000 or more, that the city not appoint members of nonsalaried, nonelected boards or commissions consisting of 5 or more members such that individuals of the same gender identity comprise more than 60% of the board or commission's membership. The bill would also prohibit a board or commission with 4 or fewer nonelected and nonsalaried members from being comprised exclusively of people with the same gender identity. The bill would define "gender identity" for purposes of the bill, and would exclude from its provisions a board or commission that has as its primary purpose addressing issues of relevance to a particular gender identity. By imposing new requirements on cities, the bill would impose a state-mandated local program.

(STATUS: Enrolled on 09/13/19. **Signed by the Governor on 10/12/19.**)

#### **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.**

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

~~This bill would authorize a judge who is a member of the system to retire upon attaining both 63 years of age and 15 or more years of service, or when a judge who has accrued at least 5 years of service and who has not received specified discipline is defeated for reelection. The bill would authorize a judge who is not otherwise eligible to retire and who has either attained 60 years of age with a minimum of 5 years of service or accrued 15 or more years of service to leave the judge's monetary credits on deposit with the system, to retire, and upon reaching retirement age, as specified, to receive a retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify~~

~~the monthly allowance provided to a surviving spouse or other beneficiary and would make other conforming changes in relation to these provisions. This bill contains other related provisions and other existing laws.~~

**(STATUS: Introduced February 21, 2019 as a law relating to the Judges' Retirement System II and was amended on 01/06/2020 to relate to emerging manager asset management. Passed out of committee and re-referred to Committee on Com. and APPR on 01/08/2020.)**

#### **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. In committee: Set, first hearing. Failed passage. Reconsideration granted on 05/01/19. Passed out of committee on 01/15/20. Read second time. Ordered to third reading on 01/16/20.)**

#### **AB 1184 (Gloria)**

The California Public Records Act requires a public agency, defined to mean any state or local agency, to make public records available for inspection, subject to certain exceptions. Existing law specifies that public records include any writing containing information relating to the conduct of the public's business, including writing transmitted by electronic mail. The act requires any agency that has any information that constitutes a public record not exempt from disclosure, to make that public record available in accordance with certain provisions and authorizes every agency to adopt regulations stating the procedures to be followed when making its records available, if the regulations are consistent with those provisions. Existing law authorizes cities, counties, and special districts to destroy or to dispose of duplicate records that are less than two years old when they are no longer required by the city, county, or special district, as specified.

This bill would, unless a longer retention period is required by statute or regulation, or established by the Secretary of State pursuant to the State Public Records Management Act, require a public agency for purposes of the California Public Records Act to retain and preserve for at least 2 years every public record, as defined, that is transmitted by electronic mail.

**(STATUS: Enrolled on 09/19/19. Vetoed by the Governor on 10/13/19.)**

#### **AB 1198 (Stone)**

PEPRA, among other things, establishes new retirement formulas, which are generally applicable to employees first employed on or after January 1, 2013, and which a public employer offering a defined benefit pension plan is prohibited from exceeding. PEPRA excepts certain public employees from its provisions, including certain transit workers whose interests are protected by specified federal law until a federal district court ruled that a United States Department of Labor determination that the application of PEPRA to these workers violated

federal law was in error, or until January 1, 2016, as specified. A district court ruling to this effect occurred on December 31, 2014. This bill would except transit workers hired before January 1, 2016 from PEPR by removing the federal district court contingency language from the provision excepting certain transit workers from PEPR, as described above.

(STATUS: Introduced 02/21/19. Set for first hearing in committee; hearing canceled at request of author on 04/24/19.)

#### **AB 1332 (Bonta)**

This bill, the Sanctuary State Contracting Act, would, among other things, require the Department of Justice, commencing on January 1, 2020, and quarterly thereafter, to publish a list on its internet website, based on specified criteria, of each person or entity that, in the opinion of the Department of Justice, is providing data broker, extreme vetting, or detention facilities support to any federal immigration agency, as specified. The bill would prohibit a state or local agency from entering into a new, amended, or extended contract or agreement with any person or entity that appears on the list published by the Department of Justice unless the state or local agency has made a finding that no reasonable alternative exists, as specified. The bill would exempt certain contracts or agreements from these provisions related to provisions the administration of retirement benefits and investment of moneys for retirement benefits, as specified. This bill would authorize the Department of Justice to initiate, and require the department to receive and investigate, all complaints regarding violations of these provisions, and would require the department to issue findings regarding any alleged violation and notify any affected state or local agency. By increasing the duties of local officials, this bill would impose a state-mandated local program. Additionally, this bill would make a violation of these provisions subject to civil and criminal penalties, thereby imposing a state-mandated local program.

(STATUS: Introduced 02/22/19. In committee: Set, first hearing. Referred to APPR. suspense file on 05/08/19. In committee: Held under submission on 05/16/19.)

#### **AB 1819 (Committee on Judiciary)**

The California Public Records Act requires public records to be open to inspection at all times during the office hours of the state or local agency that retains those records, and provides that every person has a right to inspect any public record, except as provided. The California Public Records Act requires state and local agencies to make public records available upon receipt of a request for a copy that reasonably describes an identifiable record not otherwise exempt from disclosure, and upon payment of fees to cover costs.

This bill would grant a requester who inspects a disclosable record on the premises of the agency the right to use the requester's equipment on those premises, without being charged any fees or costs, to photograph or otherwise copy or reproduce the record in a manner that does not require the equipment to make physical contact with the record, unless the means of copy or reproduction would result in damage to the record, or unauthorized access to a computer system of the agency or secured network, as specified. The bill would authorize the agency to impose any reasonable limits on the use of the requester's equipment that are necessary to protect the safety of the records or to prevent the copying of records from being an unreasonable burden to the orderly function of the agency and its employees. The bill would authorize the agency to impose

any limit that is necessary to maintain the integrity of, or ensure the long-term preservation of, historic or high-value records. By imposing additional duties and responsibilities upon local agencies in connection with requests for inspection of records, this bill constitutes a state-mandated local program.

(STATUS: Enrolled on 09/23/19. **Signed by the Governor on 10/9/19.**)

### **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 184 (Moorlach)**

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

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

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

This bill would authorize a judge who elects to retire as described above, but is not yet receiving a retirement allowance, or a specified surviving spouse of the judge, to continue health care benefits upon separation from office if the judge or surviving spouse assumes specified payments. The bill would include these judges, and specified surviving spouses, within the definition of annuitant upon commencement of the judge's retirement allowance, thereby authorizing the judge or a surviving spouse to receive applicable postretirement health benefits. By authorizing the use of continuously appropriated funds for a new purpose, and by depositing additional amounts into a continuously appropriated fund, this bill would make an appropriation.

(STATUS: Introduced 01/30/19. Amended in Assembly on 09/03/19; Senate concurrence in amendments on 09/10/19. Enrolled on 09/17/19. **Vetoed by the Governor on 10/13/19.**)

#### **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 PEPRA 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 341 (Morell)**

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

(STATUS: Introduced 02/19/19. Referred to Committee on L., P.E. & R on 02/28/19. Set for hearing on 03/27/19. Failed passage in committee. Reconsideration granted.)

#### **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.)

#### **SB 615 (Hueso)**

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

(STATUS: Introduced 02/22/19. Referred to Committee on JUD. on 03/14/19.)

#### **SB 715 (Galgiani)**

The California Constitution establishes the University of California as a public trust with full powers of organization and government, subject only to specified limitations. Under this independent constitutional authority, the University of California established retirement systems to provide various retirement benefits to its members. Existing law prohibits the University of California from contracting for services unless a contractor certifies that the services will be performed solely by workers within the United States or if the contractor’s bid describes any work that will be performed by workers outside the United States. This bill would prohibit the

University of California from contracting for services with an asset manager for a defined contribution plan if that plan is a stand-alone optional plan that is not a complement to a defined benefit pension plan. The bill would apply this prohibition to a contract entered into on or after January 1, 2015.

(STATUS: Introduced 02/22/19. Failed to pass out of committee; reconsideration granted on 04/24/19.)

**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. 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.)

**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

**DEADLINES**

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						

- 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)).

\*Holiday schedule subject to final approval by Rules Committee.

OVER

**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

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

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**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Suzanne Jenike, Assistant CEO, External Operations  
**SUBJECT:** 2020 STAR COLA COST POSTING

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### Written Report

#### Background/Discussion

In accordance with Government Code section 7507, a public meeting will occur on March 16, 2020, to consider the STAR COLA ad hoc adjustment to applicable retirement allowances.

STAR COLA stands for Supplemental Targeted Adjustment for Retirees, Cost of Living Adjustment. The purpose is to restore purchasing power for retirees who have lost more than 20% of their purchasing power since retirement, as measured by the accumulation in a retired member's COLA bank. The STAR COLA brings those individuals back to 80% of purchasing power. It applies to those retirees or their beneficiaries who began receiving a benefit on or before April 1, 1980, and is granted in accordance with Government Code section 31874.3(c).

Before the Board votes on whether to grant the STAR COLA, the costs must be posted at a separate public meeting, in accordance with Government Code Section 7507. As such, this item is providing the required notice that on March 16, 2020, the Board will consider the granting of the STAR COLA. The total cost is projected to be \$445, 820 and applies to 210 payees. As in the past, the Board will provide each employer with STAR COLA recipients the opportunity to pay their share of the cost in a lump sum, over a period of 12 months or add it to the unfunded liability for that employer.

#### Submitted by:



S. J. – APPROVED

Suzanne Jenike  
Assistant CEO, External Operations



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T 415.263.8283  
ayeung@segalco.com

VIA E-MAIL AND USPS

January 17, 2020

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

**Re: Orange County Employees Retirement System (OCERS)  
Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment  
(STAR COLA) Payment Projections**

Dear Steve:

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

**BACKGROUND**

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

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

**RESULTS AND ANALYSIS**

On April 1, 2020, only those members who retired on or before April 1, 1980 have COLA banks in excess of 20% and hence are eligible to receive the STAR COLA.

The attached Exhibit A shows a ten-year projection of the STAR COLA benefits, expressed as a percentage of the benefit payable effective April 1 of the next ten years. In Exhibit B, we show the annual benefit payment based on who is eligible for the STAR COLA benefit as of April 1, 2020 (i.e., members who retired on or before April 1, 1980) and those who may become eligible after April 1, 2020. In Exhibit C, we have included a schedule that provides the breakdown of the anticipated STAR COLA benefits from April 1, 2020 to March 31, 2021 based on members who retired from each employer.

January 17, 2020  
Page 2

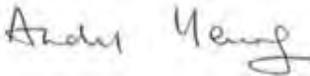
Our projections are based on the following assumptions provided below.

1. The existing 80% purchasing power cap will remain unchanged.
2. In adjusting the purchasing power banks after April 1, 2020, we have used the assumed annual inflation rate of 2.75% previously adopted by the Board for the December 31, 2018 valuation that will carryover unchanged for the December 31, 2019 valuation. As OCERS provides a maximum annual COLA of 3.0%, the COLA banks will decrease in the future under the 2.75%<sup>1</sup> inflation assumption (see attached Exhibit A) and thus no other additional members will be expected to become eligible.<sup>2</sup> We assume that future STAR COLA benefits, adjusted to reflect inflation for the prior calendar year, will be paid commencing April 1 of the subsequent year.
3. Our projections were based on the latest membership data used in the valuation as of December 31, 2018, but updated through January 8, 2020 to exclude those members who have passed away since the prior valuation. For conservatism, we assumed no deaths would have occurred among retirees and beneficiaries from January 8, 2020 to April 1, 2020. Effective April 1, 2020, we applied the life expectancies previously adopted by the Board for the December 31, 2018 valuation that will carryover unchanged for the December 31, 2019 valuation in projecting members who will be entitled to payments in the ten-year period.

I'm a member of the American Academy of Actuaries and I meet the Qualification Standard of the American Academy of Actuaries to render the actuarial opinion herein.

Please give us a call if you have any questions.

Sincerely,



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

AW/gxk  
Enclosures

cc: Suzanne Jenike  
Brenda Shott

<sup>1</sup> It should be noted that 2.75% is assumed to be the average annual COLA during the next ten years. In practice, actual COLAs are granted annually in increments of 0.5% according to the 1937 Act.

<sup>2</sup> It should be noted that in determining the liabilities for those retirees with COLA banks in the funding valuation, we have been assuming that a COLA of 3.00% would be paid on each April 1 following the date of the valuation until their COLA banks are depleted.

**Exhibit A – Ten-Year Projection of STAR COLA Benefits**

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

Date of Retirement	April 1, 2020	April 1, 2021	April 1, 2022	April 1, 2023	April 1, 2024	April 1, 2025	April 1, 2026	April 1, 2027	April 1, 2028	April 1, 2029
On or Before 04/01/1972	28.00%	27.75%	27.50%	27.25%	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%
04/02/1972 to 04/01/1973	27.50%	27.25%	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%
04/02/1973 to 04/01/1974	27.50%	27.25%	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%
04/02/1974 to 04/01/1975	27.00%	26.75%	26.50%	26.25%	26.00%	25.75%	25.50%	25.25%	25.00%	24.75%
04/02/1975 to 04/01/1976	21.50%	21.25%	21.00%	20.75%	20.50%	20.25%	20.00%	19.75%	19.50%	19.25%
04/02/1976 to 04/01/1977	16.00%	15.75%	15.50%	15.25%	15.00%	14.75%	14.50%	14.25%	14.00%	13.75%
04/02/1977 to 04/01/1978	12.50%	12.25%	12.00%	11.75%	11.50%	11.25%	11.00%	10.75%	10.50%	10.25%
04/02/1978 to 04/01/1979	8.50%	8.25%	8.00%	7.75%	7.50%	7.25%	7.00%	6.75%	6.50%	6.25%
04/02/1979 to 04/01/1980	3.50%	3.25%	3.00%	2.75%	2.50%	2.25%	2.00%	1.75%	1.50%	1.25%

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

**EXHIBIT B – PROJECTED BENEFIT PAYMENTS**

The expected benefit payments for the current and new STAR COLA recipients for the next ten years, commencing April 1, 2020, are provided in the following table:

	Benefit Payments		
	(1) Eligible for STAR COLA as of April 1, 2020	(2) Not Yet Eligible for STAR COLA as of April 1, 2020	(1) + (2)
1. April 1, 2020 - March 31, 2021	\$445,820	\$0	\$445,820
2. April 1, 2021 - March 31, 2022	406,643	0	406,643
3. April 1, 2022 - March 31, 2023	368,850	0	368,850
4. April 1, 2023 - March 31, 2024	333,112	0	333,112
5. April 1, 2024 - March 31, 2025	299,800	0	299,800
6. April 1, 2025 - March 31, 2026	269,091	0	269,091
7. April 1, 2026 - March 31, 2027	241,009	0	241,009
8. April 1, 2027 - March 31, 2028	215,481	0	215,481
9. April 1, 2028 - March 31, 2029	192,360	0	192,360
10. April 1, 2029 - March 31, 2030	<u>171,459</u>	<u>0</u>	<u>171,459</u>
Total Benefit Payments	\$2,943,625	\$0	\$2,943,625
Discounted Benefit Payments <sup>(1)</sup>	\$2,261,376	\$0	\$2,261,376

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

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

The expected benefit payments for the current STAR COLA recipients from April 1, 2020 to March 31, 2021 broken down by employer, are provided in the following table:

	Benefit Payments			
	Orange County	U.C.I. (Bi-weekly)	Sanitation District	Total
April 1, 2020 - March 31, 2021	\$440,057	\$3,440	\$2,323	\$445,820

**§31874.3. Determination; application of excess to allowances; effect on subsequent increases**

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

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

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

(b)(1) The board of retirement may, instead of taking action pursuant to subdivision

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

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

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

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

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

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

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

(d) Upon adoption by any county providing benefits pursuant to this section, of Article 5.5 commencing with Section 31610) of this chapter, the board of retirement shall, instead, pay those benefits from the Supplemental Retiree Benefit Reserve established pursuant to Section 31618. (Amended (as amended by Stats. 1983, Ch. 147, Sec. 2) by Stats. 1983, Ch. 886, Sec. 11) (Amended by Stats. 2000, Ch. 317 (AB 2176), Sec. 4)

CA Govt Code § 7507 (2017)

(a) For the purpose of this section:

(1) "Actuary" means an actuary as defined in Section 7504.

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

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

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

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

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

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

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

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

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

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

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

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

*(Amended by Stats. 2016, Ch. 415, Sec. 4. (AB 2375) Effective January 1, 2017.)*



## Memorandum

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**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Adina Bercaru, Member Services Manager  
**SUBJECT:** **OVERPAID AND UNDERPAID PLAN BENEFITS – 2019 REPORT**

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### Written Report

#### Background/Discussion

In accordance with the Board of Retirement Overpaid and Underpaid Plan Benefits Policy adopted by the Board on May 16, 2016, this memorandum serves as the annual report covering the calendar year 2019.

#### Benefit Overpayments/Underpayments:

In the V3 pension software system, benefit overpayments and repayments are automatically created and tracked in the system. When an action that triggers an overpayment occurs, a transaction in the total amount owed is created and the outstanding balance is reduced as benefit deductions are applied or check payments are posted. A benefit recoupment report in V3 displays all overpayments created in the system, the current balance, and the last payment date and amount. By using this report, OCERS is able to monitor the status of overpayments, and to identify accounts that need additional action. Underpayments are less common, and those that occur are paid to members in the form of one-time benefit adjustments upon discovery.

In 2019, among 17,600 monthly payees at OCERS, 80 benefit overpayments occurred. Of this number, 57 have been paid in full, and 7 are in the active repayment process via monthly benefit deductions. Efforts seeking repayment are underway for the remaining 14 payees, of whom 11 are deceased.

The most significant cause of benefit overpayments this year was the late reporting of payee deaths, 63.75%, with 51.25% being fully recouped.

The remaining overpayments were a result of a variety of account activities: benefit recalculations due to staff error or appeals, updated payroll information received, or other changes.

#### Submitted by:



AB - Approved

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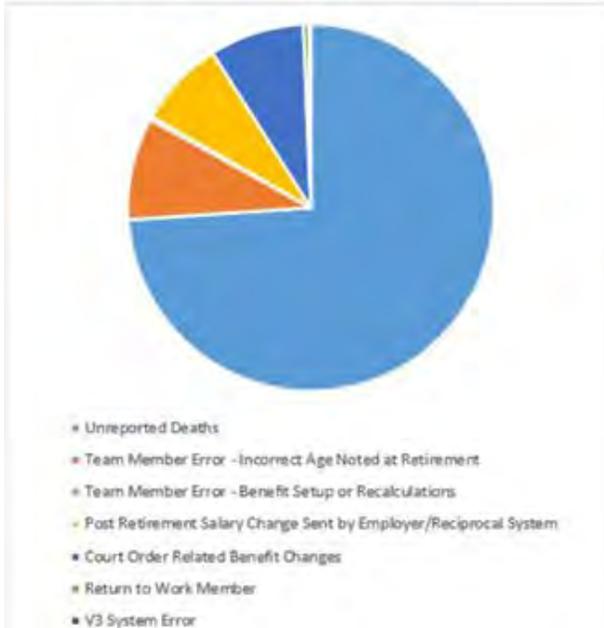
Adina Bercaru, Member Services Manager

**OVERPAYMENT SNAPSHOT - 1/1/2019 TO 12/31/2019**

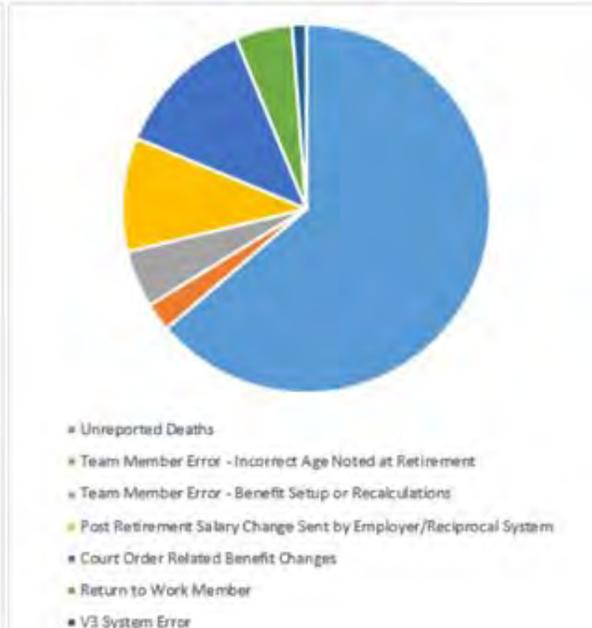
Overpayment Source	Original Overpayment Amount	Amount Recouped	Amount Still Owed	Payee Count - Original	Paid in Full	Payment Plan Active	Collection Efforts Underway	Write Off
Unreported Deaths	\$292,632.78	\$231,926.29	\$60,706.49	51	41	0	10	0
Team Member Error - Incorrect Age Noted at Retirement	\$35,797.88	\$6,507.72	\$29,290.16	2	0	2	0	0
Team Member Error - Benefit Setup or Recalculations	\$926.26	\$806.96	\$119.30	4	2	0	1	*1
Post Retirement Salary Change Sent by Employer/Reciprocal System	\$30,553.83	\$30,312.69	\$241.14	8	6	1	0	*1
Court Order Related Benefit Changes	\$33,126.90	\$22,554.20	\$10,572.70	10	5	4	1	0
Return to Work Member	\$1,957.81	\$1,643.83	\$313.98	4	2	0	2	0
V3 System Error	\$641.80	\$641.80	\$0.00	1	1	0	0	0
<b>Totals</b>	<b>\$395,637.26</b>	<b>\$294,393.49</b>	<b>\$101,243.77</b>	<b>80</b>	<b>57</b>	<b>7</b>	<b>14</b>	<b>0</b>

*\*less than \$100 benefit overpayment, write off policy applied*

**Overpayment Breakdown Amount by Category**



**Overpayment Breakdown Count by Category**





## OCERS Board Policy

# Overpaid and Underpaid Plan Benefits Policy

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### Purpose and Background

1. The purpose of the Orange County Employees Retirement System (“OCERS,” “System,” or “Plan”) *Overpaid and Underpaid Plan Benefits Policy* (“policy”) is to provide a framework that the System can use as a basis for resolving erroneous payments of Plan benefits to members and their beneficiaries. In the event that an overpayment is the result of a felony conviction OCERS Administrative Procedure (OAP) *Felony Forfeitures* shall be used as a basis for resolution. The OCERS Board of Retirement (“Board”) is charged with the responsibility of administering the System in a manner that assures appropriate and prompt delivery of benefits and related services to members and their beneficiaries and of managing the assets in a prudent manner. The Internal Revenue Service requires that operational failures be corrected in a prompt, reasonable, and consistent manner that attempts to place the retirement system in the position it would have been in had the erroneous payment not occurred.

### Policy Objectives

2. Members and their beneficiaries (herein referred to as “members”) have a right to accurate pension benefit payments. No member has the right to receive or retain retirement benefit payments that exceed the amounts to which a member is entitled, and no member may be deprived of any benefit payments that he or she is entitled to receive. Subject to all applicable laws and consistent with this policy and the procedures established by the Board, it shall be OCERS’ policy to make every reasonable effort to recover from a member the amount of any overpaid Plan benefits, and remit to a member the amount of any underpaid Plan benefits.

### Policy Guidelines

3. After discovery of overpaid or underpaid benefits, and within a reasonable period of time after written notification to the affected member, OCERS will correct the benefit payment amount prospectively and/or pay to the member, or collect from the member, through lump sum or installment payments the amounts to which the member or the Plan is entitled in accordance with this policy and applicable law.
4. These policies and procedures are designed for use when calculation and other errors affect an individual member's retirement benefits. In the event of a system-wide error that affects multiple members’ benefits, the Board may implement a system-wide correction process that it determines is appropriate under the circumstances.
5. In the event of any inconsistency between applicable law (including IRS rules) and these policies and procedures, the law shall govern.



## OCERS Board Policy

# Overpaid and Underpaid Plan Benefits Policy

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### Policy Procedures for Overpaid Benefits

6. *Appropriate Interest.* When an overpayment of Plan benefits is discovered more than ninety (90) days after the member/payee's initial benefit payment, OCERS will make a prospective adjustment to the member's benefit and take all reasonable steps to recover the full amount of all overpayments, going back to the inception of the error, and charging "appropriate interest," as defined below, compounded annually during the period in which the benefit overpayments were made and also during any repayment period (*i.e.*, applied to the outstanding amount due until fully repaid).
  - a. In cases where there is evidence that the benefit overpayment resulted from fraud or dishonest conduct by the member/payee or because the member/payee provided, or caused to be provided, inaccurate information to OCERS or the member's employer, then "appropriate interest" shall be determined using the System's actuarially assumed rate of return as of the date OCERS sets for commencing repayment, and charged to the member/payee.
  - b. If the benefit overpayment was solely the result of an error by OCERS and/or the member's employer, then "appropriate interest" shall be equal to the Systems actuarial assumed rate of return as of the date OCERS sets for commencing repayment, and charged to the member's employer as an administrative expense, without amortization.
  - c. Notwithstanding the above, any reduction in the member/payee's ongoing monthly benefit will be limited to a maximum of 15% of the gross monthly benefit. The balance due will be paid over time, subject to this limitation.
7. The Board believes that considerations of cost effectiveness make it prudent and reasonable to pursue recovery of overpaid benefits only where the cumulative total amount of overpaid benefits is \$100 or more. Accordingly, OCERS is authorized to not seek recovery of any such overpaid benefits where the total amount overpaid to the member less than \$100.
8. When recovering benefit overpayments, the following apply:
  - a. *Director of Member Services:* When the total amount of such overpaid benefits, not including interest, is \$10,000 or less, the Director of Member Services shall have authority to agree to extend the time period for the member's installment payments to a period not exceeding the expected lifetime of the member as determined by the actuary.
  - b. CEO:
    - i. Regardless of the amount of the Plan's claim against the member, the CEO shall have the authority to agree to extend the time period for the member's installment payments to a period not exceeding the expected lifetime of the member as determined by the actuary.
    - ii. In addition, when the total amount of the Plan's claim against the member, not including interest, is \$1,000 or less, the CEO, on the advice of legal counsel, shall have the authority to compromise the claim.



## OCERS Board Policy

# Overpaid and Underpaid Plan Benefits Policy

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- c. *Board*: Only the Board may compromise claims in which the total amount of such overpaid benefits, not including interest, is greater than \$1,000.
  - d. *Compromising claims*: The amount of the Plan's claim for overpaid benefits is the difference between the amounts actually paid to the member for the recovery period and the amounts that should have been paid, together with "appropriate interest" from the dates of the actual payments to the date(s) the correction is effective. The likelihood of collection, the cost of collection, the amount of possible recovery and extreme hardship to the member will be considered by the CEO and/or the Board when determining whether to compromise a claim. Compromising a claim may include a different method of repayment than is otherwise provided by this Policy and/or forgiveness or partial forgiveness of principal and/or interest.
  - e. *Reporting*: Every year, for cases involving benefit overpayments the Director of Member Services shall provide a report to the Board.
9. The Board adopts the following procedures for accomplishing the recovery of overpaid Plan benefits:
- a. Upon discovery of the benefit overpayment, OCERS will send a letter by certified mail, return receipt requested, or by express delivery service, to the member. Subject to the provisions of this Policy, the letter will provide the following information to the member regarding the overpaid benefits:
    - i. Provide notice of the prospective adjustment to the member's benefit payment (to reflect the correct amount);
    - ii. Request payment to OCERS of the amount of overpaid benefits with appropriate interest; and
    - iii. Unless otherwise determined by the Board, the CEO, or the Director of Member Services (see sections 8.a. and 8.b., above) or, if a repayment plan for a longer period is needed due to the limitation described section 6.b.ii., above, the letter will set a repayment plan with two options:
      - *Option 1* – equal installments deducted from the member's monthly benefit over the same length of time that the overpaid benefits occurred, with "appropriate interest" (as that phrase is defined in section 6 above) applied during the overpayment period and during the repayment period; and
      - *Option 2* – lump sum payment to the Plan for the full amount overpaid, with "appropriate interest" (as that phrase is defined in section 6 above) applied during the overpayment period.
  - b. OCERS may pursue all legal remedies to collect such overpaid Plan benefits, including making a claim on an estate or trust. In addition, if the member dies before the full amount of principal and interest is paid, OCERS may recover the remaining principal and interest from any lump sum amount OCERS is obligated to pay to the member's estate or named beneficiaries of the member; provided, however, OCERS shall not seek to recover any such remaining amounts



## OCERS Board Policy

# Overpaid and Underpaid Plan Benefits Policy

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from any continuation payments made to a surviving spouse or an optional beneficiary of the member, unless an erroneous payment is made to the surviving spouse or optional beneficiary.

- c. OCERS will maintain a permanent record of all amounts of such overpaid Plan benefits and the repayment to OCERS of those overpaid benefits.

### Policy Procedures for Underpaid Benefits

10. When the Plan has underpaid benefits to the member, and the underpayment is discovered more than 90 days after the member/payee's initial benefit payment, the member shall be entitled to a prospective adjustment to his or her retirement benefits necessary to correct the error, as well as a lump sum payment for all past amounts owed as a result of the error, with interest compounded annually at the rate of 3%. Interest shall accrue on the amounts owed from the date of each underpaid benefit to the date of the lump sum corrective payment. The payment shall be made within forty-five (45) days of discovery and receipt of all information needed to correct the account.
11. If a member who was underpaid benefits has died prior to payment of the lump sum amount due, the payment will be made according to OCERS' standard procedures for paying residual amounts following the death of the member (*e.g.*, to the designated beneficiary, estate, personal representative, trustee of the member trust, etc.).
  - a. If, after following its standard procedures, Plan staff has not been able locate a person entitled to payment, the Plan shall hold the funds on behalf of that person for five years. If the funds are not claimed within five years, the funds may be transferred into the System's pension reserve fund. If someone later appears to claim the funds, the Board or the CEO will consider such claims on a case-by-case basis.
  - b. The Plan will maintain a permanent record of all amounts of outstanding refunds of underpaid benefits and any amounts that have been transferred into the pension reserve fund.
12. If the total amount that the Plan owes to the member is \$75 or less, the Plan is not required to make the corrective distribution if the reasonable direct costs of processing and delivering the distribution to the member would exceed the amount of the distribution.

### Member Appeal Rights

13. A member shall have the right to appeal any decision regarding corrective actions that the plan takes with respect to recovering and/or returning over and underpayments of Plan benefits.
14. The appeal process will generally follow the same pattern as benefit appeals.
  - a. The member will first appeal a staff decision regarding an erroneous payment to the Director of Member Services. The Director of Member Services shall respond to the member in writing.
  - b. If the member does not agree with the decision of the Director of Member Services, the member may appeal that decision, in writing and within forty-five (45) days of mailing of the decision by the Director of Member Services, to the CEO. The CEO shall respond to the member in writing.



## **OCERS Board Policy**

# **Overpaid and Underpaid Plan Benefits Policy**

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- c. If the member does not agree with the decision of the CEO, the member may appeal the matter, in writing and within forty-five (45) days of mailing of the decision by the CEO, to the Board.
- d. The Board will hear the matter at a regularly scheduled meeting giving reasonable notice to the member so the member may appear at the meeting. Staff will provide background information and documentation to the Board to assist it in making its decision. After due consideration, the Board shall vote on the matter and instruct Member Services staff to notify the member in writing of the Board's determination.
- e. If the member disagrees with the determination of the Board, the member may request, in writing and within forty-five (45) days of the date of mailing of the Board's decision, an administrative hearing of the matter.
- f. The matter will then be scheduled for administrative hearing pursuant to OCERS' Board of Retirement Policy for Administrative Hearings.
- g. The findings and recommendations of the hearing officer shall be reviewed by staff, and staff shall make a recommendation to the Board to take action pursuant to Government Code Section 31534. If the Board adopts the recommendation of the hearing officer, that decision of the Board shall be final, and Member Services staff will inform the member of the Board's decision in writing with a proof of service attached. Notice to the member of the Board's final decision shall signify exhaustion of the member's administrative remedies.
- h. This process may be adjusted in cases where the initial determination is made by the CEO.
- i. Offsets and other collection efforts will be stayed during the pendency of the above-outlined appeals process; provided, however, that the Board shall have the discretion to suspend implementing its recovery from the member in whole or in part during any ensuing court action. Interest will continue to accrue on all amounts owed to OCERS during the appeals process and litigation.

### **Policy Review**

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

### **Policy History**

- 16. This policy was adopted by the Board of Retirement on May 16, 2016 and amended on October 21, 2019.



## OCERS Board Policy

# Overpaid and Underpaid Plan Benefits Policy

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### Secretary's Certificate

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



Steve Delaney  
Secretary of the Board

10/21/19

Date



## Memorandum

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**DATE:** February 10, 2020  
**TO:** Members of the Board of Retirement  
**FROM:** Roger Hilton, Chairman of the Board  
**SUBJECT:** 2020 BOARD MEETINGS – START TIME CHANGE

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### Written Report

#### Background/Discussion

The OCERS Disability Committee has been meeting to review disability applications since June 2018. A number of process improvements have been implemented to ensure maximum efficiency for the members of the Committee as well as OCERS plan members. Once such improvement was the use of a consent agenda format for applications that are presented to the Committee with a Staff recommendation to approve the members' requested benefit. As a result of this change, the Disability Committee meeting is taking less than an hour to complete from start to finish.

Due to the shortened length of the Committee meetings and the fact that the Committee is required to meet monthly, Staff has suggested moving the date of the Committee meetings to the same date as the regular Board meeting. This would eliminate one day a month of traveling to and from OCERS Headquarters for the members of the Committee. On February 4, 2020, the Disability Committee will be considering this change and I expect it to be fully supported.

As Chair of the Board I suggest that the regular Board meetings start at 9:30am so that the Disability Committee meeting can take place time certain at 8:30am the same day. Unless there is opposition to this time change, I will direct Staff to implement the change for the remainder of the 2020 Board of Retirement meetings beginning March 16, 2020.

#### Submitted by:



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Roger Hilton  
Chairman of the Board



## Memorandum

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DATE: February 10, 2020  
TO: Members of the Board of Retirement  
FROM: Steve Delaney, Chief Executive Officer  
SUBJECT: **2019 BUSINESS PLAN – END OF YEAR REPORT**

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### Written Report

#### Background/Discussion

Attached you will find the 2019 OCERS Business Plan, as approved by the OCERS Board in October 2018.

With 2019 now concluded, the OCERS team has updated the business plan to show completed goals. The work accomplished in 2019 is reflected in the red highlighted language that appears with each Plan Initiative, Objective and Goal.

#### Submitted by:



**SD - Approved**

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Steve Delaney  
Chief Executive Officer

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

# 2019 BUSINESS PLAN



# MISSION, VISION AND VALUES

## **MISSION STATEMENT:**

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

## **VISION STATEMENT:**

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

## **VALUES:**

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

# 2019-2021 STRATEGIC GOALS

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

# FUND SUSTAINABILITY

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

### *Business Plan Initiatives*

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

Fund the Risk Mitigating asset class – **COMPLETED Q4 2019.**

1. Explore and evaluate investment/risk management systems  
**Will launch an RFP for an internal risk management system in 2020.**

Objective: Develop procedures for new employers entering the system  
*Executive Leads – Gina Ratto*

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

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

1. Evaluate governance best practices (year two)
  - a. **Meketa presentation of IC best practices at Strategic Workshop**

- b. Governance Committee presentation/discussion 11/2019 resulting in elimination of MMS and elimination of January IC meeting for 2020

Objective: Prudent Use of Resources

*Executive Leads – Molly Murphy;*

1. Investigate actionable items to reduce fees in the future
  - a. Eliminated high fee hedged credit funds
  - b. Converted one hedged credit fund into a lower fee long-only mandate
  - c. Negotiated below median fees for new active equity strategy

## EXCELLENT SERVICE AND SUPPORT

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

### *Business Plan Initiatives*

Objective: Provide Accurate and Timely Benefits

*Executive Leads – Suzanne Jenike; Gina Ratto*

1. Develop and communicate OCERS Administrative Procedures on Final Average Salary (year two) – **COMPLETED.**
2. Streamline the initial disability determination process by implementing; (year two)
  - a. LEAN action items – **COMPLETED.**
  - b. Application packets – **IN PROCESS. Expected completion date of first quarter 2020.**

3. Update and create desk manuals and procedures for staff (year two)  
– ONGOING. Knowledge base documents have been created for use in the new phone system on the critical Member Services business areas.
4. Improve customer service standards by enhancing V3 workflows, monitoring and reporting – COMPLETED. V3 enhancements have been made as well as improvements to reporting in SharePoint.

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

1. Web site redesign (year three) – COMPLETED. Launched the new web site in May 2019.
2. Enhance participation in Plan Sponsors' New Employee Orientation – COMPLETED.
3. Create white board videos that will provide education to members and stakeholders about OCERS benefits – COMPLETED. The first video has been completed and launched and the second one is currently in production. This will continue to be an initiative into 2020 and future years.

# RISK MANAGEMENT

## GOAL: CULTIVATE A RISK-INTELLIGENT ORGANIZATION

### *Business Plan Initiatives*

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

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

1. Select Cyber Security Framework and develop implementation plan for best practice controls – **COMPLETED.**
2. Continuously assess current Information Security environment and address identified risks:
  - a. Perform third party penetration test of OCERS network – **COMPLETED.**
  - b. Perform third party penetration test of new OCERS web site – **DEFERRED to early 2020.**
  - c. Review and enhance information security training for new hires and all staff – **COMPLETED.**
  - d. Develop incident response and management program – **IN PROGRESS. Will continue into 2020.**
  - e. Develop OCERS data map, data classification structure and data exchange flows and identify associated risks – **DEFERRED to 2020.**

- f. Evaluate risks associated with external third party IT business partners – **IN PROGRESS.**
- 3. Implement tools to mitigate the risk of data or financial loss or information disclosure:
  - a. Implement enhanced Email Security protections and features – **COMPLETED.**
  - b. Implement Managed Security / Managed Detection & Response services – **COMPLETED.**
  - c. Implement continuous vulnerability assessment and remediation program – **COMPLETED.**
  - d. Implement automated hardware and software inventory tool – **DEFERRED to 2020.**
  - e. Implement security patch management solution – **COMPLETED.**
- 4. Continue development of the Business Continuity Plan:
  - a. Establish alternate work space / work site plan – **IN PROGRESS.**
  - b. Develop manual workaround and alternate procedure plans – **IN PROGRESS.**

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

- 1. Continue to implement the Operational Risk Management Program – **Status: COMPLETED.**

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

- 1. Plan and implement building security upgrades and space management projects (year two)  
**IN PROGRESS. Will continue into 2020.**

# TALENT MANAGEMENT

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

### *Business Plan Initiatives*

Objective: Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities  
*Executive Lead – Cynthia Hockless*

1. Enhance onboarding and transitioning of new hires into the organization  
Evaluation of newly implemented onboarding process – **COMPLETED.**  
**Received feedback via survey monkey from new hires and shared results with Senior Executive Team. Seeking to implement recommendations where warranted.**
2. Implement recommendations from workforce analysis (year two)  
– **COMPLETED.** Many initiatives such as career ladders. Working on several with Personnel Committee such as exploring OCERS as one organization and compensation study.

Objective: Develop and empower every member of the team  
*Executive Lead – Steve Delaney*

1. Implement a comprehensive training program covering OCERS policies, processes and procedures (year two) – **ONGOING.**  
**Committee (LEAD) reviewing all policies and procedures to codify and fill in gaps.**

2. Recognize individual needs and career goals within OCERS (year two)  
– COMPLETED. CEO met one-on-one with all OCERS team members.
3. Create succession plans across the agency (year two) – ONGOING.
  - a. Training Manager working to identify individual career goals.
  - b. PDX (County of Orange) and CALAPRS Administration Management program being used to build out team experience.

Objective: Cultivate a Collaborative, Inclusive and Creative Culture  
*Executive Lead – Steve Delaney*

1. Foster OCERS culture of engagement and continuous improvement (year two) – COMPLETED (but always ongoing.)
  - a. “I Have a Better Idea” Program implemented.
  - b. “Shooting Star” quarterly award for demonstrating values implemented.
  - c. LEAN process improvement reviews completed and continue additional.