

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

**REGULAR MEETING
Monday, June 21, 2021
9:30 a.m.**

MINUTES

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

Sonal Sharma-Beeson administered the Roll Call attendance.

Attendance was as follows:

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

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

Also Present via Zoom:

Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, General Counsel; Jenny Sadoski, Director of Information Technology, Javier Lara, Visual Technician; Sonal Sharma-Beeson; Recording Secretary

Guests via Zoom:

Harvey Leiderman, ReedSmith

Steve Delaney presented Mr. Roger Hilton with a plaque as a thank you for his service for his nine years of service.

Mr. Eley, Mr. Packard, Ms. Freidenrich, Mr. Lindholm, Mr. Prevatt, Mr. Vallone, and Mr. Dewane thanked Mr. Hilton for his service.

CONSENT AGENDA

MOTION by Prevatt, **seconded** by Packard, to approve recommendations on all of the following items on the Consent Agenda:

BENEFITS

C-1 OPTION 4 RETIREMENT ELECTION

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

- Joseph L. Smith
- Scott Krause

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes

May 17, 2021

Recommendation: Approve the Minutes.

The motion passed **unanimously.**

CONSENT ITEMS: DISABILITY/MEMBER BENEFITS AGENDA

OPEN SESSION

CONSENT ITEMS

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

DC-1: JENNIFER ANCKAER
Deputy Sheriff II, Orange County Sheriff’s Department (Safety Member)

Recommendation: The Disability Committee recommends that the Board:

- Grant service connected disability retirement.
- Set the effective date as October 7, 2019.

DC-2: DANIEL BLOOM
Investigator, Orange County Sheriff’s Department (Safety Member)

Recommendation: The Disability Committee recommends that the Board:

- Grant service connected disability retirement.
- Set the effective date as February 28, 2020.

DC-3: OLIVER DIDIO
Sheriff’s Special Officer II, Orange County Sheriff’s Department (General Member)

Recommendation: The Disability Committee recommends that the Board::

- Grant service connected disability retirement.
- Set the effective date as August 14, 2020.

DC-4: SARA GALLARDO
Office Specialist, Orange County Sheriff's Department (General Member)

Recommendation: The Disability Committee recommends that the Board:

- Grant service connected disability retirement.
- Set the effective date as March 13, 2020.

DC-5: PRESTON KNOWLES
Deputy Sheriff I, Orange County Sheriff's Department (Safety Member)

Recommendation: The Disability Committee recommends that the Board:

- Deny service and non-service connected disability retirement due to the member's failure to cooperate.

DC-6: MORRIS LEVY
Certified Journeyman Mechanic II, Orange County Transportation Authority (General Member)

Recommendation: The Disability Committee recommends that the Board:

- Grant service connected disability retirement.
- Set the effective date as November 12, 2017.

DC-7: DOUGLAS OBERMEIER
Fire Apparatus Engineer, Orange County Fire Authority (Safety Member)

Recommendation: The Disability Committee recommends that the Board:

- Grant service connected disability retirement.
- Set the effective date as March 15, 2019.

DC-8: SHERI PAK
Eligibility Technician, Orange County Social Services Agency (General Member)

Recommendation: The Disability Committee recommends that the Board:

- Deny service connected disability retirement due to insufficient evidence of job causation.

DC-9: BRYAN SWARTZ
Firefighter/Paramedic, Orange County Fire Authority (Safety Member)

Recommendation: The Disability Committee recommends that the Board:

- Grant service connected disability retirement.
- Set the effective date as October 8, 2020.

DC-10: TIMOTHY WALKER
Investigator, Orange County Sheriff's Department (Safety Member)

Recommendation: The Disability Committee recommends that the Board:

- Grant service connected disability retirement.
- Set the effective date as the day after the last date of regular compensation.

DC-11: ANDREAS WIKIDAL
Fire Apparatus Engineer, Orange County Fire Authority (Safety Member)

Recommendation: The Disability Committee recommends that the Board:

- Grant service connected disability retirement.
- Set the effective date as August 24, 2020.

The motion passed **unanimously**.

The Board recessed into Closed Session at 9:45am.

CLOSED SESSION ITEMS

E-1 CONFERENCE REGARDING SIGNIFICANT EXPOSURE TO LITIGATION (ONE MATTER)
(GOVERNMENT CODE SECTION 54956.9)

Adjourn pursuant to Government Code section 54956.9(d)(2)

Recommendation: Take appropriate action.

OPEN SESSION

The Board reconvened into open session at 11:07 a.m.

REPORT OF ACTIONS TAKEN IN CLOSED SESSION

On behalf of Chair Dewane, Ms. Ratto stated that there was no reportable action taken in closed session.

The Board took a break at 11:08 a.m.

The Board reconvened at 11:18 a.m.

Mr. Packard left the meeting at 11:18 a.m.

ACTION ITEMS:

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

A-2 SECOND READING AND ACTION

Alameda County Deputy Sheriff's Assoc. et al., v. Alameda County Employees' Retirement Assn., et al – Staff Recommendations Regarding Resolution and Implementation of the Alameda Decision

Presentation by Suzanne Jenike, Assistant CEO of External Operations and Steve Delaney, Chief Executive Officer, OCERS

Recommendation:

1. STAFF RECOMMENDS THE BOARD APPROVE THE UPDATED PENSIONABLE DESIGNATION OF THE FOLLOWING PAY ITEMS AS A RESULT OF STAFF'S APPLICATION OF THE TEST AND DEFINITION OF NORMAL WORKING HOURS, AND FIND THESE PAY ITEMS ARE NOT PENSIONABLE:

- a. County of Orange: Attorney Special Duty Pay, Sheriffs Canine Pay and On Call Pay
- b. Orange County Fire Authority: On Call Pay
- c. Transportation Corridor Agencies: Stand-By Statistical
- d. City of San Juan Capistrano: On Call Pay
- e. Sanitation District: On Call Pay
- f. Superior Court: On Call Pay

2. THE GOVERNANCE COMMITTEE RECOMMENDS THE BOARD APPROVE REVISIONS TO THE FOLLOWING POLICIES, PROCEDURES, PAY ITEM REQUEST FORM AND ADMINISTRATIVE PROCEDURES (OAP) REGARDING COMPENSATION EARNABLE TO REFLECT THE APPROVED TEST AND DEFINITION OF NORMAL WORKING HOURS:

- a. Compensation Earnable Policy
- b. Pensionable Compensation Policy
- c. Pay Item Request and Approval Procedures for Employers
- d. Employer Pay Item Request Form
- e. Compensation Earnable and Pensionable Compensation Determination OAP
- f. Final Average Salary Calculation OAP

3. STAFF RECOMMENDS THE BOARD DIRECT STAFF TO:

- a. Recalculate retirement allowances prospectively excluding the pay items listed in Recommendation #1, above, from compensation earnable for any payee with a benefit effective date of January 1, 2013 through October 1, 2020,
- b. Recover overpayments made to such payees between January 1, 2013 and October 1, 2020 by offsetting the overpayments against any over-collected employee contributions during that period. Any remaining overpayments made between January 1, 2013 and October 1, 2020 will be recovered via the actuarial valuation process;
- c. Credit/refund overpaid employee contributions that are remaining after being offset against the overpayments in 3.b above to the payees, if applicable;
- d. Credit/refund any overpaid employee contributions made between January 1, 2013 and October 1, 2020 to the non-payees (i.e., active and deferred members) as of October 1, 2020; and
- e. Collect overpayments made between October 1, 2020 and the date of the benefit recalculation in 3.a., above from the payee in accordance with the Overpayment/Underpayment of Plan Benefits Policy.

MOTION by Prevatt, **seconded** by Eley to approve staff recommendations.

Ms. Jenike reviewed and discussed the recommendations for item A-2.

Kent, retiree, asked if there would be any tax ramifications as a result of the Alameda decision. Mr. Dewane assured the member that staff will work with him regarding his situation.

Jenni Kregel, OCERS tax counsel, responded there would be no adverse effects on the member for overpayments made prior to the Alameda decision because those overpayments will be collected from the employer as part of the Unfunded Actuarial Accrued Liability (UAAL) process. With respect to overpayments made after the Alameda decision and before correction, those overpayments will be collected from the member. However, in most cases, those overpayments will be collected by OCERS over time. As a practical matter, there should be no adverse tax consequences for the member and as a result corrected 1099s will not be issued. The only possible exception would be if the member made a lump sum payment to OCERS of the overpayment, in which case the member may want to review their 2020 tax return.

Mr. Foran, Attorney representing AOCDS, expressed he would like this item deferred to the next Board Meeting.

Ms. Robinson, Co-President of REAOC, spoke against the test listed in the recommendation.

Paul Bartlett, Executive Director of AOCDS, voiced his disagreement against this item and requested an extension of time or a postponement of the implementation until July 15, 2021.

Juan Viramontes, president for AOCDS, also asked for an extension of time.

Marianne Reinhold, attorney for OCAA, reiterated that that attorneys do not have “regular working hours” and because of that nature of the work and exempt status, they don’t get paid an hourly salary that others do. She asked for clarification about separate reporting for attorney parole hearings pay.

Ms. Jenike responded that they need to see a new pay item created moving forward so that it could be identified as a pensionable item.

John Ralls asked for an explanation as to why OCERS did not notify employees that the Alameda decision could have a negative outcome on their retirement plans.

Ms. Jenike stated that Alameda suit had a vested rights component that needed to be resolved by the Court before OCERS could take action.

After Board discussion, **ALTERNATE MOTION** by Lindholm, **seconded** by Hilton, to approve the recommendations above with an extension of the implementation date to July 15, 2021

Jenni Kregel, Tax Counsel, confirmed that the motion was fine from a tax standpoint.

Ms. Sharma-Beeson administered the roll call.

Alternate motion passed **unanimously**.

The Board recessed for break at 12:21 a.m.
The Board reconvened from break at 12:30 p.m.

A-3 DECEMBER 31, 2020 ACTUARIAL VALUATION,
Presentation by Andy Yeung, Segal

Recommendation: Approve the Actuarial Valuation and Review as of December 31, 2020 and adopt contribution rates for Fiscal Year 2022 – 2023 as recommended by Segal Consulting.

Mr. Yeung discussed the item.

After Board discussion, **MOTION** by Eley, **seconded** by Hidalgo, to approve the Actuarial Valuation and Review as of December 31, 2020 and adopt contribution rates for Fiscal Year 2022 – 2023 as recommended by Segal.

The motion passed **unanimously**.

I-1 DISCUSSION OF SENSITIVITY ANALYSIS OF ALTERNATIVE ECONOMIC ASSUMPTIONS
Presentation by Andy Yeung, Segal

Mr. Yeung presented the Sensitivity Analysis of Alternative Economic Assumptions.

A-4 2020 AUDITED FINANCIAL STATEMENTS AND COMPREHENSIVE ANNUAL FINANCIAL REPORTS –
Presentation by Brenda Shott, Assistant Chief Executive Officer, Internal Operations, and Tracy Bowman, Director of Finance, OCERS

Recommendation: Approve the following recommendations presented to the Audit Committee during a meeting held on June 4, 2021:

1. Approve OCERS' audited financial statements for the year ended December 31, 2020
2. Direct staff to finalize OCERS' 2020 Comprehensive Annual Financial Report (Annual Report)
3. Approve the Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2020
4. Receive and file Macias, Gini & O'Connell LLP's (MGO) "OCERS' Report to the Audit Committee for the Year Ended December 31, 2020" and their "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards"

Tracy Bowman, Director of Finance, presented this item to the Board.

After Board discussion, **MOTION** by Prevatt, **seconded** by Freidenrich, to approve the recommendations above.

Ms. Sharma-Beeson administered roll call.

The motion passed **unanimously**.

A-5 GASB 68 VALUATION AND AUDIT REPORT
Presentation by Brenda Shott, Assistant Chief Executive Officer, Internal Operations, and Tracy Bowman, Director of Finance, OCERS

Recommendation: Approve the following recommendations from the Audit Committee during a meeting held on June 4, 2021:

1. Approve OCERS' audited Schedule of Allocated Pension Amounts by Employer as of and for the Year Ended December 31, 2020.
2. Approve the Governmental Accounting Standards Board (GASB) Statement 68 Actuarial Valuation as of December 31, 2020 for distribution to employers.

Tracy Bowman, Director of Finance, presented this item to the Board.

After Board discussion, **MOTION** by Hilton, **seconded** by Prevatt, to approve the recommendations above.

Ms. Sharma-Beeson administered roll call.

The motion passed **unanimously**.

A-6 PERSONNEL COMMITTEE – OCERS COMPENSATION STUDY OUTCOMES

Presentation by Steve Delaney, Chief Executive Officer and Cynthia Hockless, Director of Administrative Services, OCERS

Recommendation: The Personnel Committee recommends that the Board:

1. Approve the proposed salary ranges and pay structure for the OCERS Direct employees as designed by CPS HR
 - a. Approve a 5% pay adjustment with the implementation of the proposed salary ranges and pay structure. Effective July 2, 2021
 - b. Approve an amendment to increase the budget for personnel costs by \$220,000 for the estimated cost of the 5% pay adjustment, for a total administrative budget of \$28,553,900
2. Approve an annual adjustment of the salary ranges equal to the Employer Cost Index for Salaries and Wages for the previous 12-month period, as published by the U.S. Department of Labor, Bureau of Labor Statistics and perform a formal review of the ranges at least every five years to keep the pay structure current
3. Approve a pay philosophy that allows OCERS to administer an annual performance merit based step increase in the amount of 2.75% to progress employees through the salary ranges. Employees will receive salary increases based on the performance rating received in their annual performance evaluation as follows: Meets = Base increase equal to inflation, Exceeds = Base + 1 step of 2.75% and Exceptional = Base + 2 steps or 5.5%.
4. Approve the recommended changes to the OCERS Compensation Policy (previously named OCERS Compensation Philosophy)

Mr. Delaney presented this item to the Board.

Mr. Prevatt asked if it was retroactive. Ms. Shott confirmed it was not retroactive and will be effective July 2, 2021

After Board discussion, **MOTION** by Hilton, **seconded** by Tagaloa, to approve the recommendations above.

Ms. Sharma-Beeson administered roll call.

The motion passed **unanimously**.

INFORMATION ITEMS

Presentations

I-2 COVID-19 UPDATE

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Mr. Delaney presented the COVID-19 update for the month of June. He informed the Board that OCERS staff will continue to work remotely, though volunteers will now be allowed to the office, and looking at September for full-staff return to the office. Mr. Delaney also informed the Board that OCERS staff could submit their vaccination records to HR, in order to not have to wear their masks throughout the day. Moving forward, Mr. Delaney conveyed that OCERS will embrace a permanent remote work adjustment and will be evaluated by position. Each department head will work with the team members to see what is the most effective. He noted that he would like OCERS staff to keep the skillset of working from home.

Mr. Prevatt stated that he supported the “hybrid” environment as much as possible as it promotes flexibility. He expressed concern about the frequency of the state opening and closing and for the health of the members and staff. He supported the Strategic Planning Workshop in a hybrid manner as it provides flexibility for Board Members and staff. He noted staff should make the decision that is best for the members.

Mr. Tagaloa supported a hybrid environment for the Strategic Planning workshop.

Mr. Eley stated that he did not want staff being too removed from the traditional workplace. He liked the idea of still having remote work but believes COVID-19 is behind us.

Ms. Freidenrich believed that it was important to open the office for members and supported the in-person environment for Strategic Planning.

After discussion, all Trustees were in support of the hybrid option for OCERS Board Meetings until the end of September.

WRITTEN REPORTS

No written reports were pulled for discussion.

R-1 MEMBER MATERIALS DISTRIBUTED

Written Report

Application Notices
Death Notices

June 21, 2021
June 21, 2021

R-2 COMMITTEE MEETING MINUTES

- 11-18-20 Personnel Committee Meeting Minutes
- 03-22-21 Audit Committee Meeting Minutes
- 05-27-21 Personnel Committee Meeting Minutes

R-3 CEO FUTURE AGENDAS AND 2021 OCERS BOARD WORK PLAN

Written Report

R-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS

Written Report

R-5 BOARD COMMUNICATIONS

Written Report

R-6 LEGISLATIVE UPDATE

Written Report

R-7 SAFETY ELECTION UPDATE

Written Report

R-8 2021 ANNUAL BUSINESS PLAN PROGRESS – MID YEAR REVIEW

Written Report

R-9 OCERS 2021-2023 STRATEGIC PLAN PROGRESS – MID YEAR REVIEW

Written Report

R-10 2021 STRATEGIC PLANNING WORKSHOP – PROPOSED FORMAT AND AGENDA TOPICS

Written Report

BOARD MEMBER COMMENTS

None.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Ms. Shott indicated that OCERS will resume the Board Room AV equipment upgrade.

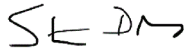
COUNSEL COMMENTS

Ms. Ratto stated that OCERS’ sponsored Bill AB 761 passed through the legislature last week and is headed to the Governor’s desk for signature.

Mr. Leiderman congratulated Mr. Hilton on his service.


The meeting **ADJOURNED** at 1:50 p.m.

Submitted by:

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Steve Delaney
Secretary to the Board

Approved by:

DocuSigned by:

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Shawn Dewane
Chairman