

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

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

PERSONNEL COMMITTEE MEETING

**Thursday, July 14, 2022
1:00 p.m.**

Members of the Committee

Chris Prevatt, Chair
Charles Packard, Vice Chair
Richard Oates
Shawn Dewane

Pursuant to Assembly Bill 361, signed into law on September 16, 2021 as urgency legislation; Governor Newsom’s Proclamation of a State of Emergency on March 4, 2020, which Proclamation is still in effect; and Board of Retirement Resolution 2022-06, this meeting will be conducted by video/teleconference, in compliance with Government Code section 54953 as amended by Assembly Bill 361. In addition, members of the Board and the public are welcome to participate in the meeting via Zoom from the OCERS Boardroom located at 2223 E. Wellington Ave., Santa Ana, CA. However, none of the other locations from which the Board members participate by teleconference will be open to the public.

Members of the public who wish to observe and/or participate in the meeting may do so (1) from the OCERS Boardroom or (2) via the Zoom app or telephone from any location. Members of the public who wish to provide comment during the meeting may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad. Members of the public who participate in the meeting from the OCERS Boardroom and who wish to provide comment during the meeting may do so from the podium located in the OCERS Boardroom.

OCERS Zoom Meeting Video/Teleconference Information	
<p>Join Using Zoom App (Video & Audio)</p> <p>https://ocers.zoom.us/j/85276856615</p> <p>Meeting ID: 852 7685 6615 Passcode: 299079</p> <p>Go to https://www.zoom.us/download to download Zoom app before meeting</p> <p>Go to https://zoom.us to connect online using any browser.</p>	<p>Join by Telephone (Audio Only)</p> <p>Dial by your location</p> <ul style="list-style-type: none"> +1 669 900 6833 US (San Jose) +1 346 248 7799 US (Houston) +1 253 215 8782 US (Tacoma) +1 312 626 6799 US (Chicago) +1 929 436 2866 US (New York) +1 301 715 8592 US (Germantown) <p>Meeting ID: 852 7685 6615 Passcode: 299079</p>
<p>A Zoom Meeting Participant Guide is available on OCERS website Board & Committee meetings page</p>	

AGENDA

The Personnel Committee of 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 Committee may take action on any item included in the agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. The Committee may consider matters included on the agenda in any order, and not necessarily in the order listed.

In addition, public comment on matters listed on this agenda will be taken at the time the item is addressed.

OPEN SESSION

CALL MEETING TO ORDER AND ROLL CALL

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. **Members of the public who wish to provide comment at this time may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad.** Persons attending the meeting in person and wishing to provide comment at this time should fill out a speaker card located at the back of the Boardroom and deposit it in the Recording Secretary’s box located near the back counter. 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 Committee Member requests separate action on a specific item.

C-1 COMMITTEE MEETING:

Approval of Meeting and Minutes

Personnel Committee Meeting

April 5, 2022

Recommendation: Approve minutes.

ACTION ITEMS

NOTE: Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Board’s discussion of the item. **Members of the public who wish to provide comment in connection with any matter listed in this agenda may do so by “raising your hand” in**

the Zoom app, or if joining by telephone, by pressing * 9, at the time the item is called. Persons attending the meeting in person and wishing to provide comment on a matter listed on the agenda should fill out a speaker card located at the back of the Boardroom and deposit it in the Recording Secretary's box located near the back counter.

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

A-2 MID-YEAR STAFFING ADJUSTMENTS

Presentation by Steve Delaney, CEO, OCERS

Recommendation: Approve and recommend the Board of Retirement approve the following items at the July 18, 2022 Board meeting:

1. Drop a Retirement Benefits Program Supervisor position (currently vacant) and add an additional Member Services Director position
2. Add a new Legal Analyst classification
3. Add an additional Investment Analyst position
4. Add two (2) Internal Auditor positions – Limited Term

INFORMATION ITEMS

Each of the following informational items will be presented to the Committee for discussion.

I-1 OCERS COUNTY EMPLOYEES TO OCERS DIRECT STATUS UPDATE

Presentation by Cynthia Hockless, Director of Human Resources, OCERS

I-2 INVESTMENT TEAM INCENTIVE PAY PROGRAM

Presentation by Steve Delaney, CEO, OCERS

I-3 OCERS INCENTIVE CERTIFICATION PROGRAM - UPDATE

Presentation by Steve Delaney, CEO, OCERS and Brenda Shott, Assistant to CEO of Internal Operations, OCERS

WRITTEN REPORTS

The following are written reports that will not be discussed unless a member of the Board requests discussion.

None

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

DISABILITY COMMITTEE MEETING

**July 18, 2022
8:30 A.M.**

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

REGULAR BOARD MEETING

**July 18, 2022
9:30 A.M.**

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

GOVERNANCE COMMITTEE MEETING

**August 3, 2022
9:30 A.M.**

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

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

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

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

**PERSONNEL COMMITTEE MEETING
Tuesday, April 5, 2022
1:00 PM**

Members of the Committee

Chris Prevatt, Chair
Charles Packard, Vice Chair
Richard Oates
Shawn Dewane

MINUTES

Chair Prevatt called the meeting to order at 1:01 p.m.

Recording Secretary 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:

Present: Chris Prevatt, Chair; Charles Packard, Vice Chair; Richard Oates; Shawn Dewane

Also

Present: Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Gina Ratto, General Counsel; Molly Murphy, Chief Investment Officer; Cynthia Hockless, Director of Human Resources; Anthony Beltran, Visual Technician; and Brittany Cleberg, Investment Staff Specialist; Marielle Horst, Recording Secretary

Guests via

Zoom: Debby Cherney, CEO, SBCERA

PUBLIC COMMENTS

None

CONSENT AGENDA

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

Orange County Employees Retirement System
April 5, 2022
Personnel Committee Meeting - Minutes

C-1 COMMITTEE MEETING:

Personnel Committee Meeting

February 7, 2022

Recommendation: Approve minutes.

The motion passed **unanimously**, pursuant to a Roll Call vote, as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
Mr. Dewane			
Mr. Oates			
Mr. Packard			
Chair Prevatt			

ACTION ITEMS

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

No items were trailed from the Consent Agenda.

INFORMATION ITEMS

The following informational items were presented to the Committee:

I-1 INVESTMENT TEAM INCENTIVE PAY PROGRAM

Presentation by Steve Delaney, CEO, OCERS and Debby Cherney, CEO, SBCERA

I-2 OCERS INCENTIVE CERTIFICATION PROGRAM

Presentation by Steve Delaney, CEO, OCERS and Brenda Shott, Assistant to CEO of Internal Operations, OCERS

I-3 OCERS COMPENSATION POLICY REVIEW

Presentation by Cynthia Hockless, Director of Human Resources, OCERS

I-4 OCERS NEW HIRES- UPDATE ON 2022 ACTIVITY

Presentation by Cynthia Hockless, Director of Human Resources, OCERS

Orange County Employees Retirement System
April 5, 2022
Personnel Committee Meeting - Minutes

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COMMITTEE MEMBER/CEO/COUNSEL/STAFF COMMENTS

None

The meeting **ADJOURNED** at 2:55 p.m.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Committee

Chris Prevatt
Chair



Memorandum

DATE: July 14, 2022
TO: Members of the Personnel Committee
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: MID YEAR STAFFING ADJUSTMENTS

Recommendation

Approve and recommend the Board of Retirement approve the following items at the July 18, 2022 Board meeting:

1. Drop a Retirement Benefits Program Supervisor position (currently vacant) and add an additional Member Services Director position
2. Add a new Legal Analyst classification
3. Add an additional Investment Analyst position
4. Add two (2) Internal Auditor positions – Limited Term

Background/Discussion

The 2023 budget process will begin in September at the annual Strategic Planning Workshop, but for varying and individually unique reasons I am asking the Personnel Committee to approve a series of mid-year staffing requests.

Because a number of the requests involve adjusting other existing positions, these five requests only increase OCERS head count by one (1) regular position and two (2) limited term positions. If approved these five requests would move OCERS from 110 positions to 113. A description of each of the five requested positions and the circumstances related to each follows. Additionally, for each of the five, a justification memo from the supervising manager is attached.

Although there are costs associated in 2022 for these requests, there is no budget impact, as all costs can be absorbed in this year's budget.

1. Member Services Director

Traditionally the Member Services Director position has had the largest span of control among all OCERS departments. A series of events in the first half of 2022 have demonstrated that is no longer prudent or tenable.

The *Alameda* Implementation project required by Supreme Court action requires approximately 700 retired members to have their benefits recalculated – a complicated and staffing resource intensive project. Coupled with that is our 100% Accuracy initiative spurred by audit activity that indicated the complications of our system requires even more hands on processing via added quality assurance. This is also a staffing resource intensive project.

To meet those known challenges OCERS management asked at the end of 2021 to add ten additional positions to the 37 already reporting to Member Services Director Jeff Lamberson as part of the 2022 budget. What we didn't add into our calculations was the tremendous increase in administrative oversight responsibilities required by growing the department to that size.

Then in the midst of the hiring effort required to bring on those ten positions, as well as filling the existing positions that correspondingly opened due to promotions, we experienced one of, if not the largest number of April 1 retirements in our history. All of the demands on Mr. Lamberson's time, as well as that of Ms. Suzanne Jenike, the Senior Executive over Member Services, are becoming too much to ensure our customer service levels met the Board's stated goal of providing lifetime benefits with the "highest standards of excellence". Because the demands of providing outstanding member services could not wait until the 2023 budget was considered and approved, I directed Ms. Jenike and Mr. Lamberson to immediately review and recommend a reorganization of Member Services to make it possible for us to meet the Board's expected standards.

At my direction they have provided a new organizational chart that divides Member Services almost equally in half, and drops a generalist position, allowing us to add, at a greater cost we understand, a much needed second Director position.

To better help visualize what we are seeking to accomplish, three organizational charts have been produced and are attached.

Attachment A-2-1a shows the entire organization down to the Director level. Mr. Lamberson has far more staff on his team than all of the other Directors combined.

Attachment A-2-1b shows the current structure of the Member Services department with one Director overseeing all 47 staff members.

Attachment A-2-1c shows the proposed structure given two Directors. We have organized the department into two separate and distinct units: Operations and Process Improvements and Member/Employer Experience.

	Position Title (add classification)	Department	Position Type	Drop (existing classification)	Position Salary Range	2022 Cost	2023 Net Annual Budget Impact
1.	Member Services Director	Member Services	OCERS	Benefits Program Supervisor	\$132,533-\$205,426	\$40,000	\$120,000

2. Legal Analyst (Career Ladder Position)

Talent Management is part of the OCERS Strategic Plan with a goal to recruit, retain and inspire a high performing workforce. A strategy that was implemented several years ago was to create career ladder positions that can be utilized as a tool for retention of high performing staff. A career ladder position is created with the approval of an additional classification without an increase in the number of positions. The career ladder is used when an employee in the base position has demonstrated consistent performance that exceeds expectations, increased job knowledge and skills and the ability to progress into the next level of job duties and responsibilities.

The General Counsel proposes the creation of a Legal Analyst classification in the Legal Division as a career ladder for the existing Paralegal position. The Paralegal is a County position with an annual salary range of \$62,969 - \$77,974. If approved, the Legal Analyst position would be an OCERS-direct position with an annual salary range of \$79,885 - \$115,833. The net annual budget impact, assuming a 10% salary increase upon promotion of a paralegal at the top of the paralegal salary range would be \$10,000.

The proposed organizational chart for the Legal Division is attached as Attachment A-2-2a.

	Position Title (add classification)	Department	Position Type	Career Ladder (current classification)	Ladder Position Salary Range	2022 Cost	2023 Net Annual Budget Impact
2.	Legal Analyst	Legal	OCERS	Paralegal	\$79,885-\$115,833	\$10,000	\$30,000

3. Investment Analyst

Ms. Murphy has crafted a long range vision for the OCERS Investment team. As part of her future growth outlook she has been planning on requesting two additional investment analyst positions in the 2023 budget. Unfortunately a number of personnel-related situations have arisen leaving her short handed now, and she needs to advance one of those positions to this mid-year effort. Her justification memo states in part:

“As OCERS has expanded into more private markets strategies and added co-investments, the investment team workload has increased dramatically. At the same time, portfolio and operational coverage has been tested by departures and family leave requests. As a result, a mid-year staffing request to add a new investment analyst position is essential to ensure that investment processes continue with the highest quality and efficiency.”

The current and proposed organizational charts for the Investment team are attached respectively as Attachment A-2-3a and Attachment A-2-3b.

	Position Title (add classification)	Department	Position Type	Position Salary Range	2022 Cost	2023 Net Annual Budget Impact
3.	Investment Analyst	Investments	OCERS	\$79,885- \$115,833	\$52,000	\$156,000

4. Internal Auditors –Limited Term

Internal Audit will require additional resources to conduct an audit of the Alameda Implementation project based on guidance from the Audit Committee. The Audit Committee directed Internal Audit to audit beyond the traditional sampling approach and instead audit closer to 100% of the benefit payment recalculations before the revised benefit payments are issued. For a typical quarterly Final Average Salary (FAS) audit, Internal Audit would sample an average of 65 FAS calculations to audit, in addition to other concurrent audits. The Alameda Implementation project will have approximately 700 benefit payment recalculations which are anticipated to be more complex than a traditional FAS calculation. Based on the number of benefit payment recalculations to be performed and the time constraints, Internal Audit will not have the necessary resources to audit the benefit payment recalculations before the repayments are issued and complete the planned annual audit program.

The Audit Committee Chair recommended Internal Audit should expand its resources due to the Alameda Implementation project as well as the anticipated increased workload Internal Audit will face as OCERS staff expands. This comment was made during the June 2022 Audit Committee meeting, noting as other departments have expanded while Internal Audit has remained a two-person department.

To illustrate the proposed additions, an organizational chart (Attachment A-2-4a) has been produced and attached to show the Internal Audit organization.

	Position Title (add classification)	Department	Position Type	Position Salary Range	2022 Cost	2023 Net Annual Budget Impact
4.	Two (2) Internal Auditors -Limited Term	Internal Audit	OCERS	\$85,876- \$133,108	\$114,000	\$341.616

Submitted by:



SD - Approved

Steve Delaney
Chief Executive Officer

Attachments:

- A-2-1 Mid-Year Staffing Adjustments- Member Services Director
 - A-2-1a OCERS Organization Chart 2022
 - A-2-1b MS Team ORG Chart PC Proposal- CURRENT STRUCTURE
 - A-2-1c MS Team ORG Chart PC Proposal- PROPOSED STRUCTURE
- A-2-2 Mid-Year Staffing Adjustments- Legal Analyst
 - A-2-2a 2022 Proposed Legal Org Chart
- A-2-3 Mid-Year Staffing Adjustments- Investment Analyst
 - A-2-3a 2022 Investments Org Chart
 - A-2-3b 2022 Proposed Investments Org Chart
- A-2-4 Mid-Year Staffing Adjustments- Internal Auditor- Limited Term
 - A-2-4a 2022 Proposed Internal Audit Org Chart



Memorandum

DATE: July 14, 2022
TO: Steve Delaney, Chief Executive Officer
FROM: Suzanne Jenike, Assistant Chief Executive Officer
SUBJECT: MID-YEAR STAFFING ADJUSTMENTS – MEMBER SERVICES DIRECTOR

Background/Discussion

The Member Services department currently consists of one Director and 47 staff members, making Member Services the largest department within the organization. There are five other Directors within OCERS and the next director in the OCERS organization with the highest team count has 9 team members. The Member Services Director is responsible for mission critical activities across all of the major business initiatives of the organization including the *Alameda* Implementation project, 100% accuracy initiative, robot process automation as well as activities associated with Vision2030. Mr. Lamberson manages his team with patience and professionalism. He has tackled all of his assignments with the OCERS mission, vision and values in mind and has made incredible progress on implementing the *Alameda* decision, improving 100% accuracy, hiring and training new personnel and becoming LEAN certified. However, there is simply too much important work to be done for one person to accomplish it successfully. We are proposing to split the duties of the Member Services Director between two Director positions.

I am requesting that we do a mid-year adjustment to the 2022 staffing plan by adding a second Director position and dropping a Supervisor position. If approved this change would not result in a change to OCERS total headcount. My vision would be to split the department as equally as possible making Mr. Lamberson Director of Operations and Process Improvements and the second person Director of Member/Employer Experience.

In the upcoming months of 2022, the Member Services team will have some significant projects to take on that are critical to the services we provide our members.

1. **Quality Assurance Department and 100% Accuracy Project** – As you are aware, the 100% Accuracy project is critical to the reputation of the OCERS organization. The Member Services department has been redeveloping our Member Retirement Process (Final Average Salary calculation) and working with internal audit to ensure we are meeting the 100% accuracy goals.

With the approval of additional staffing in 2021 for the 2022 budget year, we are reorganizing our team to have a dedicated Quality Assurance team within the Member Services department. This new team along with a focused transaction processing team will report up through one of the Member Services Directors and allow for more oversight of the financial transactions driving our 100% Accuracy project. Having an additional Director level team member will allow for the focus to be split between the accuracy goals of our transactions and the member support provided by our call teams.

2. **Alameda Project** –Member Services has also been tasked with addressing the required recalculations and refunds for the complicated and time-consuming process that is the result of the Alameda decision made by the Supreme Court in July 2020. This project requires roughly 695-member benefit



Memorandum

recalculations and over 1850-contribution refunds to be processed on top of the normal monthly payroll work to be completed.

This project has been managed by the Member Services leadership team and most of the work is performed within the team to meet the goals. Having an additional Director level team member will allow for the focus to be split between the management of this project and the member support provided by our call teams.

3. **Recruitments for 2022 Staffing** – During the 2022 budget planning process, Member Services management provided the backup for our request to add 10 additional positions:
 - a. 2 Benefit Analysts – Currently in the process of recruiting.
 - b. 2 QA Supervisors – We just completed one of these recruitments and we will be giving one of these up for the Director Role - **COMPLETE**
 - c. 6 Sr RPS Representatives – We elected to fill these at the RPS level and are currently in the process of recruiting.

In addition to these 10 positions, we have or had the following existing positions to fill from either internal promotions or team member departures:

- a. 1 Senior Staff Development Specialist– Currently in the process of recruiting.
- b. 1 MS Manager – We just completed this recruitment - **COMPLETE**
- c. 1 Sr RPS Representatives – Currently in the process of recruiting.
- d. 3 RPS representatives – We have completed this recruitment - **COMPLETE**
- e. 1 BT representative – We just completed this recruitment - **COMPLETE**
- f. 1 OT representative – Currently in the process of recruiting.

As you can imagine, filling this many roles puts an additional burden on the management team to manage the recruitments, train and support the new team members. A New Director would greatly help in assisting in the management of this process within Member Services.

4. **Reorganization of the Team:** We developed a plan to reorganize the team and develop the following departments:
 - a. **Dedicated Quality Assurance Department** – This department would be dedicated to the QA review of any financial transactions processed within the OCERS MS Transaction Department.
 - b. **Dedicated Transaction Processing Department** - This department would be responsible for responding to all member transaction process.
 - c. **Dedicated Call Center and Member Support Department** – This department would be responsible for responding to all member inquiries and phone calls.
 - d. **Dedicated Employer Payroll Department** – This department would be responsible for employer transmittal files, which includes employer outreach and training.

To accomplish this transition of our organization, we must complete most of our recruitments for 2022. With this reorganization plan, it makes it easier to separate the department reporting structure for a new director position.



Memorandum

5. **Process Improvement Project** – The OCERS Process improvement project is also starting to take off in the last quarter of 2022. This will require the member services management team to dedicate a significant amount of leadership resources to the coordination of staff resource allocations while maintaining workloads on all the projects above. This project will eventually lead into the work product for our new PAS application development project and is critical to our automation goals for 2030.

Submitted by:

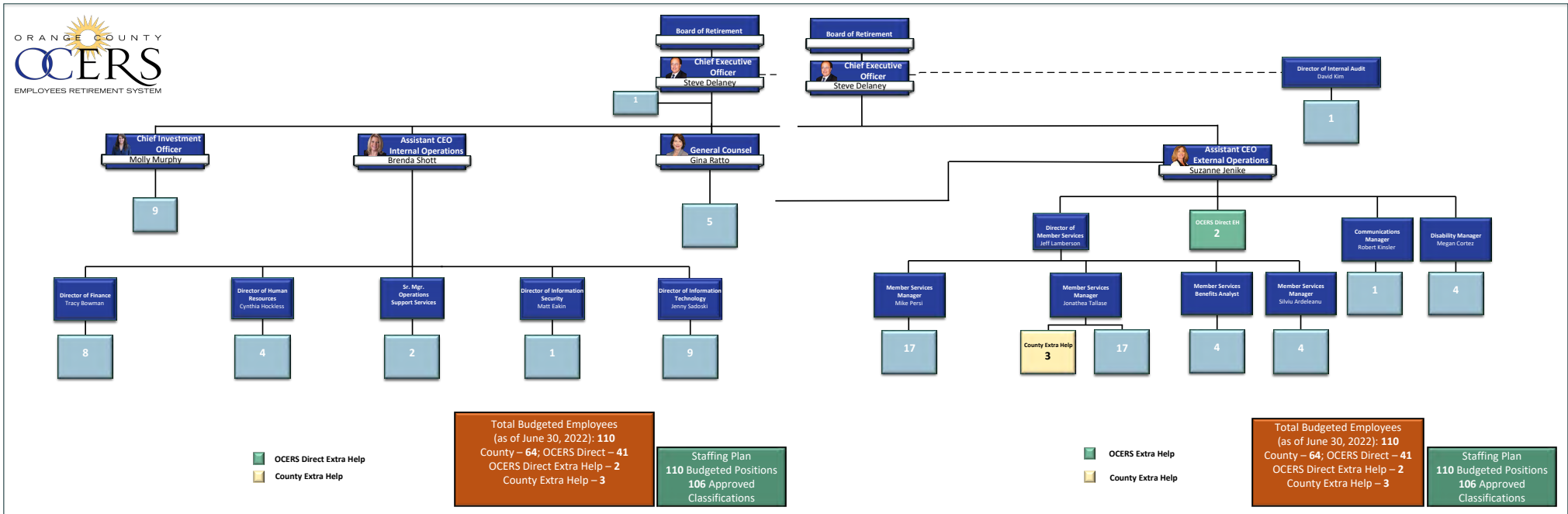


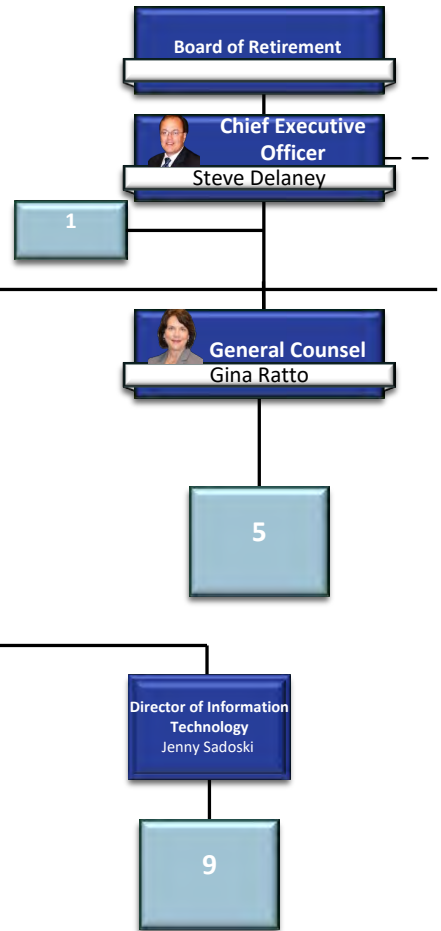
_SJ- Approved _____

Suzanne Jenike

Assistant Chief Executive Officer

Attachments (3)

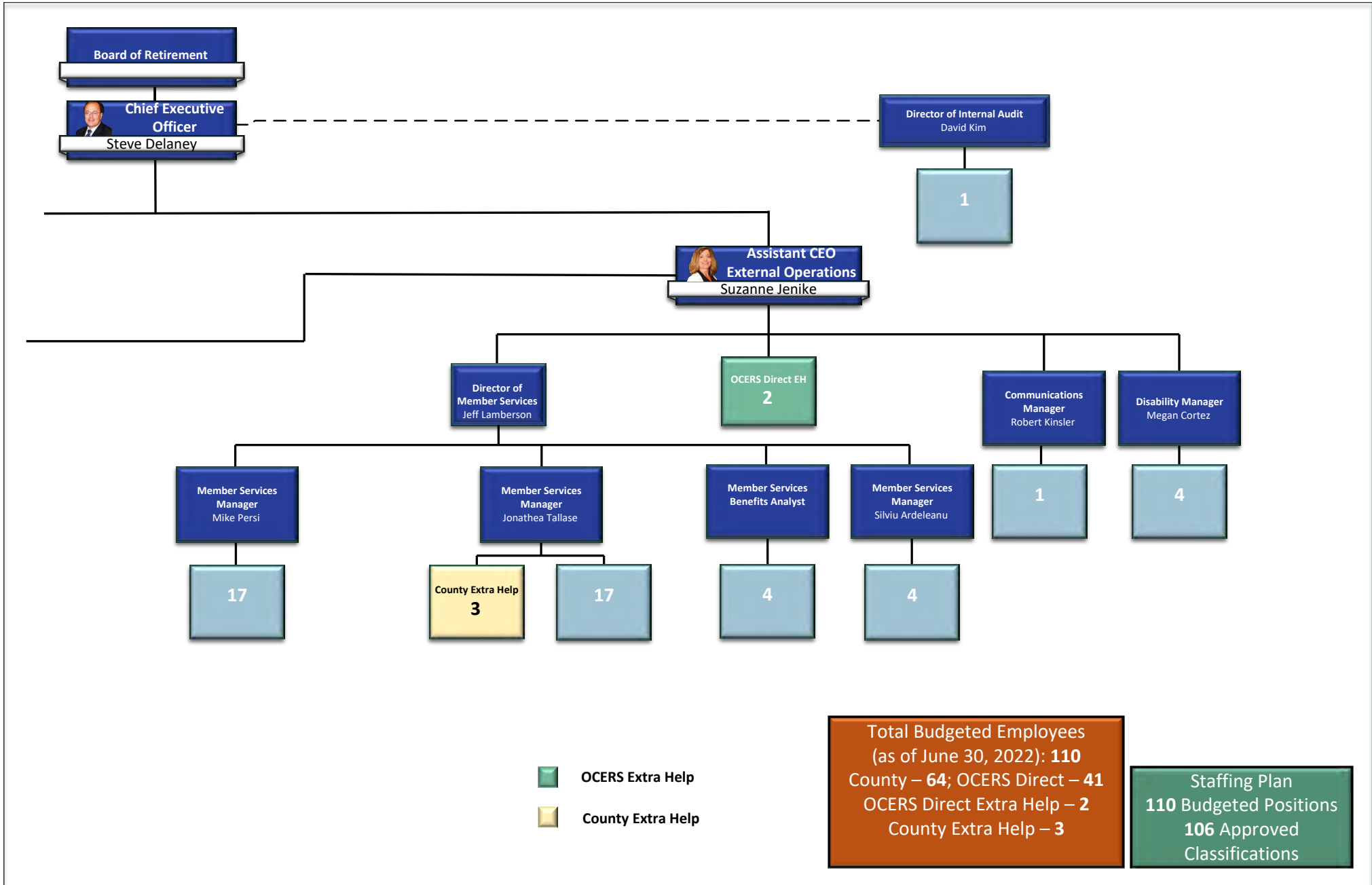




■ OCERS Direct Extra Help
■ County Extra Help

Total Budgeted Employees
 (as of June 30, 2022): **110**
 County – 64; OCERS Direct – 41
 OCERS Direct Extra Help – 2
 County Extra Help – 3

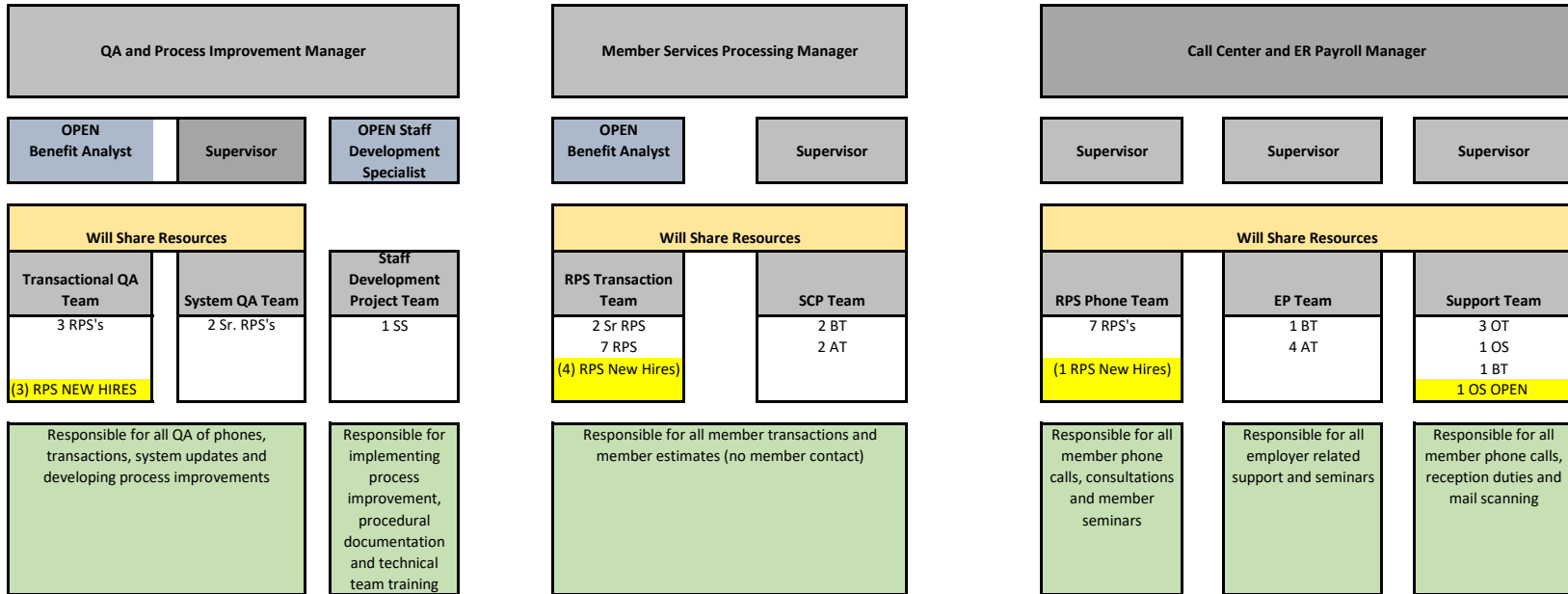
Staffing Plan
110 Budgeted Positions
 106 Approved
 Classifications



CURRENT STRUCTURE

Asst CEO External Operations

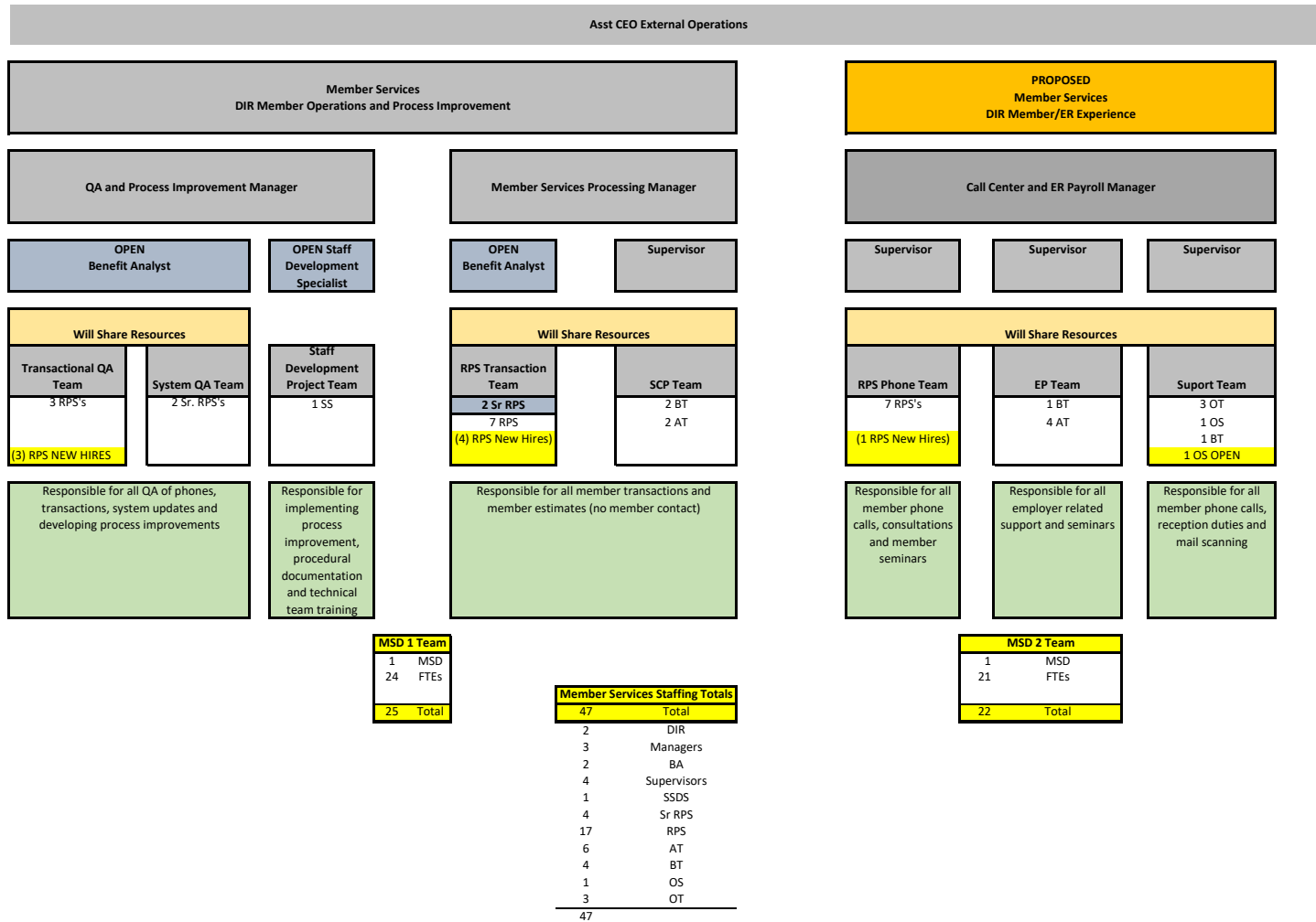
DIR Member Operations and Process Improvement



Member Services Staffing Totals

1	DIR
3	Managers
2	BA
5	Supervisors
1	SSDS
4	Sr RPS
17	RPS
6	AT
4	BT
1	OS
3	OT
47	TOTAL

PROPOSED STRUCTURE



MSD 1 Team	
1	MSD
24	FTEs
25	Total

Member Services Staffing Totals	
47	Total
2	DIR
3	Managers
2	BA
4	Supervisors
1	SSDS
4	Sr RPS
17	RPS
6	AT
4	BT
1	OS
3	OT
47	

MSD 2 Team	
1	MSD
21	FTEs
22	Total



Memorandum

DATE: July 14, 2022
TO: Steve Delaney, Chief Executive Officer
FROM: Gina M. Ratto, General Counsel
SUBJECT: MID-YEAR STAFFING ADJUSTMENTS – LEGAL ANALYST

Background/Discussion

I request the addition of a Legal Analyst position to the Legal Division. This would be a career ladder position to the existing Paralegal position.

As you know, the concept of a career ladder was implemented by OCERS several years ago as a tool for retention of high performing staff. The career ladder is used when an employee in the base position has demonstrated consistent performance that exceeds expectations, increased job knowledge and skills and the ability to progress into the next level of job duties and responsibilities. A career ladder position is created with the approval of an additional classification without an increase to head count.

The proposed Legal Analyst position would be a career ladder position to the existing Paralegal position. The Paralegal position is a County position with an annual salary range of \$62,969 - \$77,974. If approved, the Legal Analyst position would be an OCERS-direct position with an annual salary range of \$79,885 - \$115,833. The net annual budget impact, assuming a 10% salary increase upon promotion of a paralegal at the top of the paralegal salary range would be \$7,794. This addition will not result in an increase in head count.

The assignments, demands on and expectations of the Paralegal have expanded over the years and are expected to continue to expand in the future.

Since I joined OCERS almost six years ago, the following responsibilities have been added to the duties of the Paralegal without amending the official job duty statement of the position:

- Serve as Clerk of the Hearing Officers
- Intake, processing and collection of records responsive to Public Records Act requests
- First review of joinders, DROs and powers of attorney
- First draft of monthly Legislative Update reports for the Board

In addition, I envision that future expansion of the responsibilities of the Legal Division (e.g., future Compliance Department) will also create additional opportunities to expand the duties of the Legal Analyst.

Finally, the creation of a Legal Analyst position will serve as an important retention tool for the Legal Division. As noted above the Paralegal position is a County position. There is no County career ladder position for the Paralegal; and the person holding the Paralegal position has held the position for over six years without

promotion or opportunity for promotion. In addition, he has the skills and the ability to progress into the next level of job duties and responsibilities. Accordingly, unless OCERS adds a career ladder position for the Paralegal, we risk losing the person holding the Paralegal position to the private sector.

Submitted by:



Gina M. Ratto
General Counsel

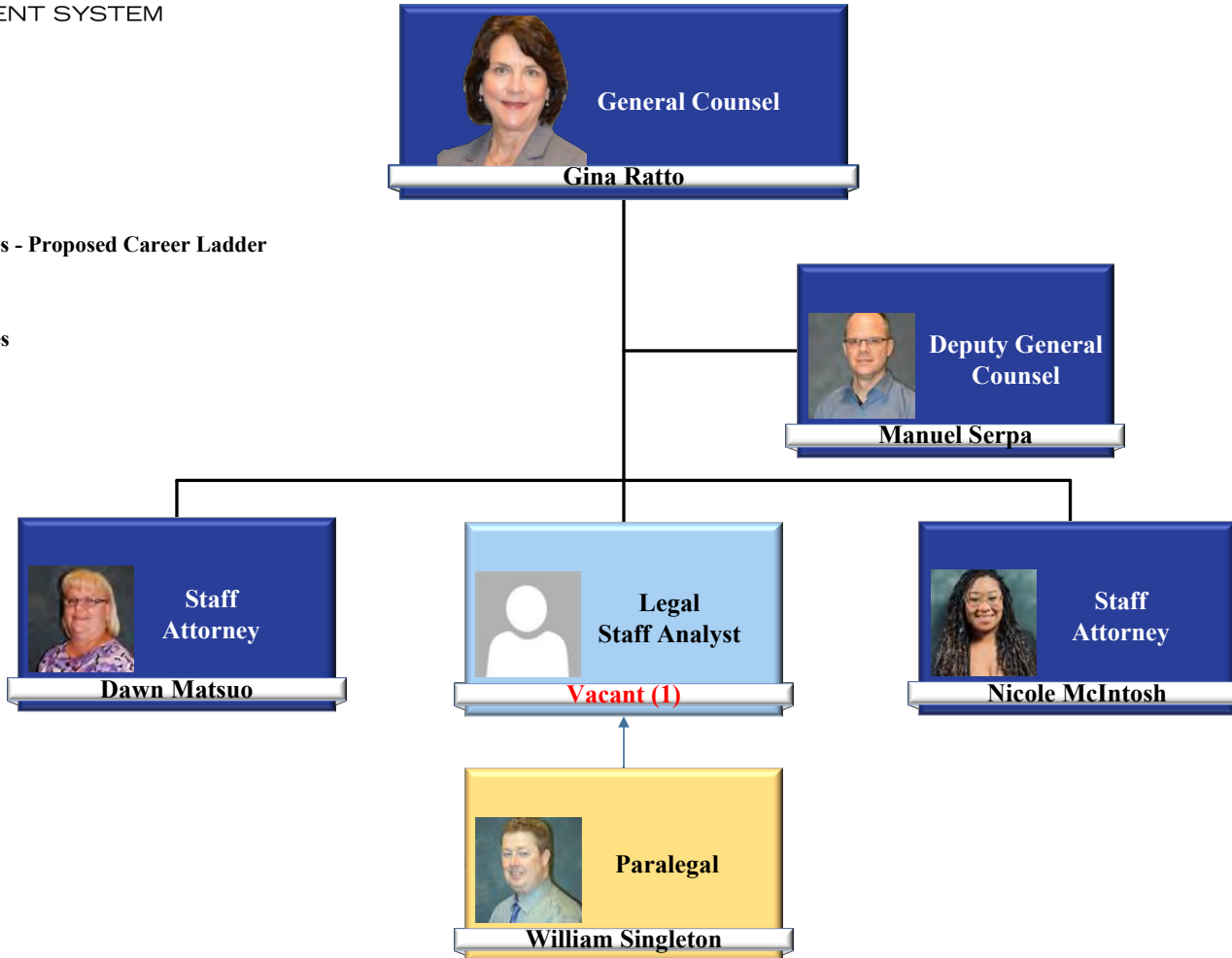
Attachment (1)



Proposed Legal Organization Chart

Total Proposed Budgeted Legal Employees
(as of June 30, 2022): 5
County – 1; OCERS Direct – 4

- OCERS Direct Employees - Proposed Career Ladder
- OCERS Direct Employees
- County Employees





Memorandum

DATE: July 14, 2022
TO: Steve Delaney
FROM: Molly A. Murphy, CFA, Chief Investment Officer
SUBJECT: MID-YEAR STAFFING ADJUSTMENTS- INVESTMENT ANALYST

Background/Discussion

As OCERS has expanded into more private markets strategies and added co-investments, the investment team workload has increased dramatically. At the same time, portfolio and operational coverage has been tested by departures and family leave requests. As a result, a mid-year staffing request to add a new investment analyst position is essential to ensure that investment processes continue with the highest quality and efficiency.

Both the current and a pro forma organizational chart have been provided to show the investment team structure, should this position be approved.

Budget Impact

There will be no budget impact for this year as the investment department budget has salary capacity at this time.

Annual Cost Impact

Assuming the investment analyst is hired at the median of the salary range, the annual cost (salary plus benefits) is \$156,000.

Submitted by:



MAM - approved
Molly A. Murphy, CFA
Chief Investment Officer

Attachments (2)



2022 Investments Organization Chart

Org Chart
Effective 06/20/2022

Total Budgeted Investments Employees
(as of June 20, 2022): 10
County – 1; OCERS Direct – 9
Vacancy: 1

 OCERS Direct Employees

 County Employees



Chief Investment Officer
Molly Murphy



Staff Specialist
Brittany Cleberg



Director of Investments
David Beeson



Director of Investments
Shanta Chary



Sr. Investment Officer
Tarek Turaigi



Investment Officer
Ada Chen



Investment Officer
Stina Walander-Sarkin



Investment Analyst
Vacant (1)



Investment Analyst
Emma Ji



Investment Analyst
Duc Nguyen



2022 Proposed Investments Organization Chart

Proposed Org Chart Effective July, 2022

Total Budgeted Investments Employees (as of June 13, 2022): 10
 County – 0; OCERS Direct – 9
 Vacancy: 1

Total Proposed Budgeted Investments Employees (effective July, 2022): 11
 County – 1; OCERS Direct – 10
 Vacancies: 2

- OCERS Direct Employees
- County Employees
- OCERS Direct Employee - Proposed

Chief Investment Officer
Molly Murphy

Staff Specialist
Brittany Cleberg

Director of Investments
David Beeson

Director of Investments
Shanta Chary

Sr. Investment Officer
Tarek Turaigi

Investment Officer
Ada Chen

Investment Officer
Stina Walander-Sarkin

Proposed Investment Analyst
Vacant (1)

Investment Analyst
Vacant (1)

Investment Analyst
Emma Ji

Investment Analyst
Duc Nguyen



Memorandum

DATE: July 14, 2022
TO: Steve Delaney, CEO
FROM: David Kim, Director of Internal Audit
SUBJECT: MID YEAR STAFFING ADJUSTMENTS – INTERNAL AUDITOR- LIMITED TERM

Background/Discussion

Limited Term Positions

Effective July 15, 2021, the OCERS Board directed staff to implement the Supreme Court Alameda decision. Implementing the decision involved identifying compensation for non-pensionable work related to the Alameda decision and calculating the related refund for the contributions plus interest for impacted active, deferred and retired members. Additionally, for retired members, the benefit payments are to be recalculated prospectively, offsetting overpaid benefits with over collected contributions and either refund the excess contributions or recover overpaid benefits in accordance with OCERS' Overpaid/Underpaid Benefits policy.

Internal Audit will audit the different aspects of the Alameda Implementation project: contribution and interest calculations, benefit payment recalculations, refund and repayment transactions, including the financial reporting. Furthermore, the Audit Committee Chair directed Internal Audit to audit beyond the traditional sampling approach and instead audit closer to 100% of the benefit payment recalculations before the revised payments are issued. For a typical quarterly Final Average Salary (FAS) audit, Internal Audit would sample an average of 65 FAS calculations to audit, in addition to other concurrent audits. Alameda is projected to have approximately 700 benefit payment recalculations which are anticipated to be more complex than a traditional FAS calculation. Based on the number of benefit payment recalculations to be performed and the time constraints, as well as possibly postponing the audits originally planned for the remainder of 2022 in order to focus on the Alameda Implementation audit, Internal Audit will not have the necessary resources to audit the benefit payment recalculations before the payments are issued.

To address the matter, the Audit Committee Chair recommended Internal Audit should expand its resources due to the Alameda Implementation project as well as the anticipated increased workload Internal Audit will face as OCERS staff expands. This comment was made during the June Audit Committee meeting as other departments have expanded while Internal Audit has remained a two-person department.

In addition to the Alameda Implementation project, the current audit universe includes over 75 auditable processes. Internal Audit's goal is to audit each of the processes over a five-year cycle based on risk ratings. However, due to current resource limitations, we anticipate the current audit universe is likely to be extended beyond five years and closer to an eight-year cycle.

After examining the workload for the Internal Audit department, staff has determined the need to hire two Limited Term Internal Audit positions to address the Alameda Implementation project. The Audit Committee Chair has also indicated, and we concur, that an additional permanent position in Internal Audit should be included for 2023 budget consideration. The expectation is that one of the two Limited Term individuals will be in a position to qualify and apply for the permanent position.

The Internal Auditor positions will be responsible for testing Alameda Implementation benefit recalculations and assisting with the audits scheduled in the annual audit program.

- As directed by the Audit Committee Chair, the two limited term positions will perform audits of the Alameda Implementation benefit recalculations prior to the issuance of the recalculated benefit payment.
- Additionally, conduct audits from the annual audit program, including the Transportation Corridor Agency Employer Audit, Management Action Plan follow-up audits and the Continuous Audit – FAS Benefit Calculation.

We request your approval of this request under the CEO Charter, item 11 c. *Hire, manage and terminate senior management, and approve all personnel decisions concerning OCERS staff.* This personnel decision will increase the existing approved headcount in the Internal Audit Department from two to four (two permanent and two Limited Term) and will result in approximately \$114,000 in additional salary expenses for the remainder of the year if hired by September 2022 based on mid-point salary range for an Internal Auditor plus related fringe costs (\$109,492 for each Internal Audit position).

Submitted by:





DK- Approved

David Kim
Director of Internal Audit

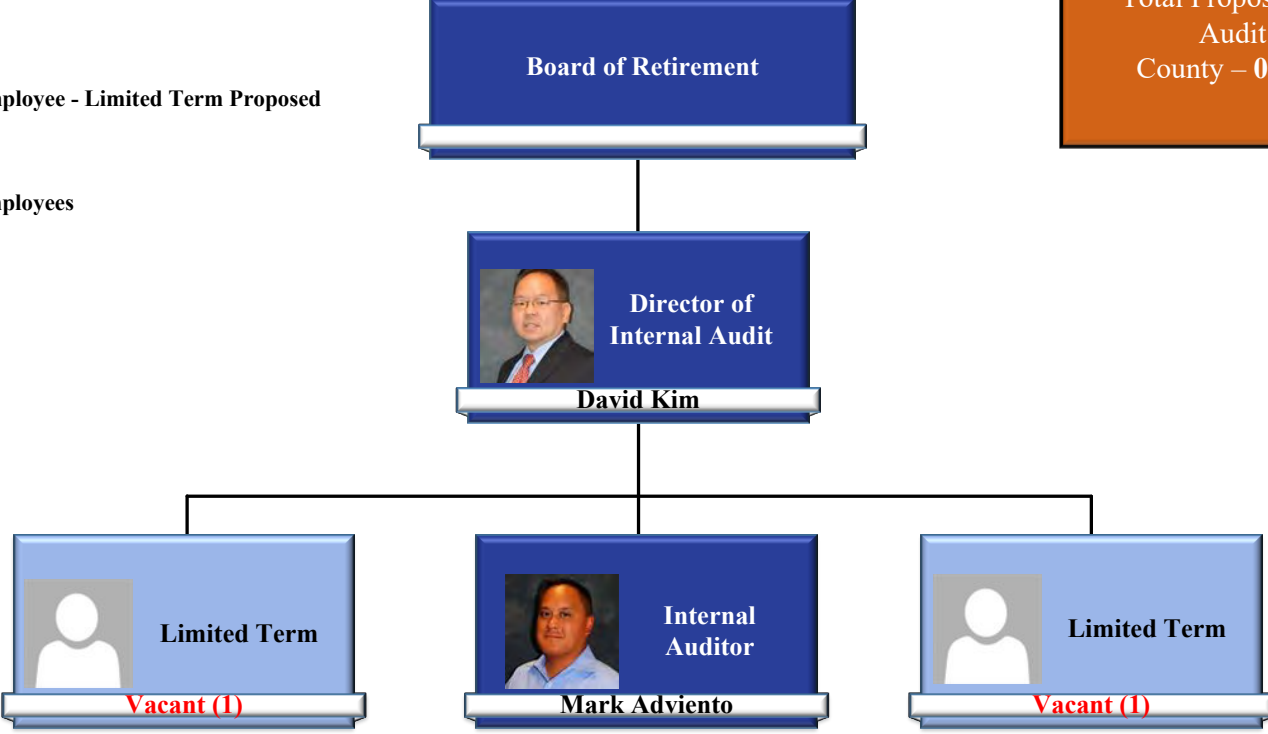
Attachment: A-2-4a 2022 Proposed Internal Audit Org Chart



2022 Proposed Internal Audit Organization Chart

-  OCERS Direct Employee - Limited Term Proposed
-  OCERS Direct Employees

Total Proposed Budgeted Internal Audit Employees : 4
County – 0; OCERS Direct – 4





Memorandum

DATE: July 14, 2022
TO: Members of the Personnel Committee
FROM: Cynthia Hockless, Director of Human Resources
SUBJECT: OCERS County Employees to OCERS Direct Status Update

Information Only

This item is to provide an update on the task of uniting the OCERS staff into a single “directly employed” agency. This is an important step in strengthening OCERS employees' morale, commitment, and productivity.

At the Board’s direction, OCERS’ Human Resources Department has published an RFP for a consultant to craft individual job descriptions for each County of Orange OCERS employee. This will ensure transparency in how those employees would later be classified and employed directly by OCERS. These efforts are expected to be underway through the end of the year. As those documents are completed, we will review them first with the Personnel Committee, followed later by a review with the County of Orange Human Resources Department, as well as the Orange County Employees Association (OCEA). Once all parties have approved, and only if the involved employees themselves approve, would we then begin the legislative process that would be necessary to complete this task.

The first step of procuring a consultant to review the County of Orange job descriptions is currently in-progress. This effort is in partnership with the County of Orange Classification and Compensation HR team.

Attachment:

- OCERS County Employees to OCERS Direct Status Update

2011



OCERS County Employees to OCERS Direct Status - Update

**Cynthia Hockless, Director of Human Resources
July 14, 2022**

Talent Management Goal

TALENT MANAGEMENT

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

Business Plan Initiatives

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

Executive Leads – Steve Delaney and Cynthia Hockless

1. Review and rewrite where appropriate classification specifications and compensation ranges of County level team members (\$35,000)

Scope of Project

- OCERS has a headcount of 110 employees with a split of 60% County EE's and 40% OCERS Managers
- This project is only for the 24 County classifications currently located at OCERS
- In the event OCERS combines their workforce, OCEA has asked that we have OCERS specific job descriptions and salary ranges
- OCERS HR department has met with the County's Classification and Compensation team and are collaborating with them on this effort
- **OCERS is not seeking to make any immediate changes to County level job descriptions or salary ranges**

List of 24 County Classifications located at OCERS

1. RETIREMENT BENEFITS PROGRAM SUPERVISOR
2. RETIREMENT INVESTIGATOR
3. RETIREMENT BENEFITS TECHNICIAN
4. RETIREMENT PROGRAM SPECIALIST
5. SR. RETIREMENT PROGRAM SPECIALIST
6. EXECUTIVE SECRETARY II
7. EXECUTIVE SECRETARY I
8. PARALEGAL
9. STAFF SPECIALIST
10. OFFICE SPECIALIST
11. OFFICE TECHNICIAN
12. ACCOUNTING TECHNICIAN
13. SR. STAFF DEVELOPMENT SPECIALIST
14. ACCOUNTANT/AUDITOR I
15. ACCOUNTANT/AUDITOR II
16. SR. ACCOUNTANT/AUDITOR
17. STAFF ASSISTANT
18. IT SUPERVISOR
19. IT NETWORK ENGINEER II
20. IT SYSTEMS ENGINEER II
21. INFORMATION TECHNOLOGIST II
22. SR. INFORMATION TECHNOLOGIST
23. SR. IT APPLICATIONS DEVELOPER
24. STORE CLERK

**Highlighted classifications
are only located at OCERS,
non-highlighted
classifications are also
located throughout the
County**

Next Steps

- Complete RFP process for HR Consultant
- Continue partnership with County of Orange Classification and Compensation Team
- Update at the Fall Personnel Committee Meeting



Questions





Memorandum

DATE: July 14, 2022
TO: Members of the Personnel Committee
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **OCERS INVESTMENT TEAM INCENTIVE PROGRAM**

Background

Following adoption of updated salary ranges by the Personnel Committee in late 2021, the committee directed staff assist in crafting and implementing an incentive pay program for the Chief Investment Officer, and possibly others of the investment team.

In April 2022 the Personnel Committee heard from Ms. Debby Cherney, CEO of the San Bernardino County Employees Retirement Association (SBCERA). Ms. Cherney reviewed the current incentive pay program they have in place for their investment team. The committee liked the relative simplicity of the SBCERA plan, and directed OCERS staff to similarly craft a program both simple and transparent.

OCERS INVESTMENT TEAM INCENTIVE PROGRAM

Attached is a plan I believe the committee will find to be simple to understand, transparent in its application, valuable in meeting dual goals of rewarding talent for exceptional service, while promoting long term staff retention with the strength that brings to a pension investment program.

You will be asked to specifically opine on several components of the draft incentive program, such as breadth of application among the OCERS investment team members, and use of retention tools such as multi year payouts.

To assist with questions about how an incentive program, as laid out here, can provide value to a pension plan, I am pleased to inform you that Mr. Allen Emkin of Meketa will be present to answer any questions you may have from his long years of experience in this field.

With comments and direction from the OCERS Personnel Committee, I will then return in late summer to refine this plan, prior to taking it to the full OCERS Board for possible approval by the end of the year.

Attachment

Submitted by:

The logo for Orange County Employees Retirement System (OCERS). It features the words "ORANGE COUNTY" in a small, blue, sans-serif font at the top. Below this is a stylized sun icon with rays. The word "OCERS" is written in a large, blue, serif font, with the "O" and "C" overlapping. Underneath "OCERS" is the text "EMPLOYEES RETIREMENT SYSTEM" in a smaller, blue, sans-serif font.

Steve Delaney

Chief Executive Officer



Investment Team Incentive Pay Program

Executive Summary

- The Personnel Committee has determined a need and has decided to evaluate potential options for incentive compensation for Investment Department personnel
- This process will include:
 - Setting of goals for an incentive pay program
 - Determination of covered or eligible employees and their respective maximum % of base that could be paid as incentive pay
 - Approving a policy for incentive pay (new or amending the current compensation policy to include a new section or appendix)
 - Approving the design of the program including the metrics by which covered/eligible employees will be measured for success and subsequently paid

Rationale

- OCERS' investment program has grown in size, stature and complexity, OCERS must ensure that it can continue to recruit and retain top talent for the investment department.
- Specifically, over the past decade, OCERS has become a top allocator in private markets which often requires deep investment networks and stable investment teams to access top tier General Partners and funds.
- Over the next decade, OCERS is predicted to become one of the top 50 public pension defined benefit funds in the US by AUM.
- Per a recent NASRA survey, 27 of 69 respondents (38%) offered incentive pay to the pension system Chief Investment Officer, with many assumed to offer incentive pay to other eligible investment employees.
- With historically tight labor markets, recruiters are actively pulling out top talent from pension systems and new job applicants often have multiple offers to consider.
- Many investment professionals are attracted to or accustomed to a partial variable pay-for-performance model (which they view as favorable as it is deemed more merit based)

Personnel Committee Implementation Decisions

- Program Goals*
 - See slide #11
- Basic Eligibility*
 - Must achieve “meets expectations” to participate
 - Must be employed for entire incentive period
 - Must be employed at time of payment or forfeiture
- Covered Employees: *Choose One*
 - Full Team: Analyst/Officer/Director/CIO*
 - Officer/Director/CIO
 - Director/CIO
 - CIO

- Payout Scheme: *Choose One*
 - 100% after Year 1
 - 50% after Year 1 with 50% paid after Year 2 (prior to March 15 for IRS purposes)
- Maximum % of Base Salary*
 - Tiered by position
 - Target % determination
- Program Design*
 - 80% Quantitative
 - 20% Qualitative
- Benchmark*
 - OCERS’ Total Fund Plan Benchmark

**recommended*

Background

- A recent study published from the Wharton School at the University of Pennsylvania found that *top quartile pay* was a determining factor in hiring more talented CIOs and retaining that talent, correlating with higher portfolio returns.
- Attribution analysis of CIO pay showed a correlation to higher allocations to private equity and real estate, lower allocations to “lottery” stocks and better stock/manager selection.
- In summary, top performing CIOs have better access to private markets, resist the herd mentality and guide their portfolios to the more complex areas of the markets where expertise matters.

Source: Lu, Yan; Mullally, Kevin; and Ray, Sugata, "Paying for Performance in Public Pension Plans" (2022). Wharton Pension Research Council Working Papers. 727. https://repository.upenn.edu/prc_papers/727

Defining OCERS' Peer Group and Top Quartile Pay

Peer Group
CalPERS
CalSTRS
LACERA
SFERS
OCERS
SDCERA
SBCERA
SCERA
CCCERA
County of Orange*

- Based on OCERS' CPS Study
- OCERS is the median for peer group pay
- Green denotes top quartile
- Blue denotes 2nd quartile
- Top quartile delineation sits between CalSTRS and LACERA
- Due to its proximity to LACERA, OCERS should want to compete for similar talent and would strive to retain said talent

**does not have applicable investment staff*



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Proposed Bonus Incentive Schedule

Position	Maximum % of Base Salary	Target % of Base Salary @ 50%
Chief Investment Officer	75%	37.5%
<i>Deputy Chief Investment Officer*</i>		
Managing Director	45%	22.5%
Director of Investments	40%	20%
Senior Investment Officer	35%	17.5%
Investment Officer	30%	15%
Senior Investment Analyst	25%	12.5%
Investment Analyst	20%	10%

Note: *If the entire current OCERS' investment team earned the maximum % of base salary, incentive payout would equate to approximately \$700,000 for 2022, or approximately 0.3 bps of expense to the pension fund*

**possible future position*



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2022 Salary Range Comparison: LACERA vs. OCERS

LACERA		OCERS		
TITLE	SALARY RANGE	TITLE	SALARY RANGE	MAXIMUM SALARY + MAXIMUM PROPOSED BONUS
Finance Analyst I	\$87,520.32-\$114,786.60	Investment Analyst	\$79,885-\$115,833	\$138,999.60
Finance Analyst II	\$126,681.12-\$191,741.64	Senior Investment Analyst	\$99,341-\$153,823	\$192,278.75
Finance Analyst III	\$169,178.64-\$256,065.00	Investment Officer	\$123,286-\$191,094	\$248,422.20
Senior Investment Officer	\$225,932.88-\$341,967.00	Senior Investment Officer	\$142,473-\$220,833	\$298,124.55
Principal Investment Officer	\$280,675.80-\$424,824.48	Director of Investments	\$164,645-\$255,200	\$357,280.00
		Managing Director	\$204,538-\$317,034	\$459,699.30
Chief Investment Officer	\$402,946.32-\$609,890.52*	Chief Investment Officer	\$293,641-\$455,144	\$796,502.00

*LACERA Board approved a CIO current base salary exception. 2022 CIO amended base salary is \$708,946 plus 17% cafeteria pay and \$7,200 transportation allowance. Total cash compensation is estimated to be approximately \$836,667.



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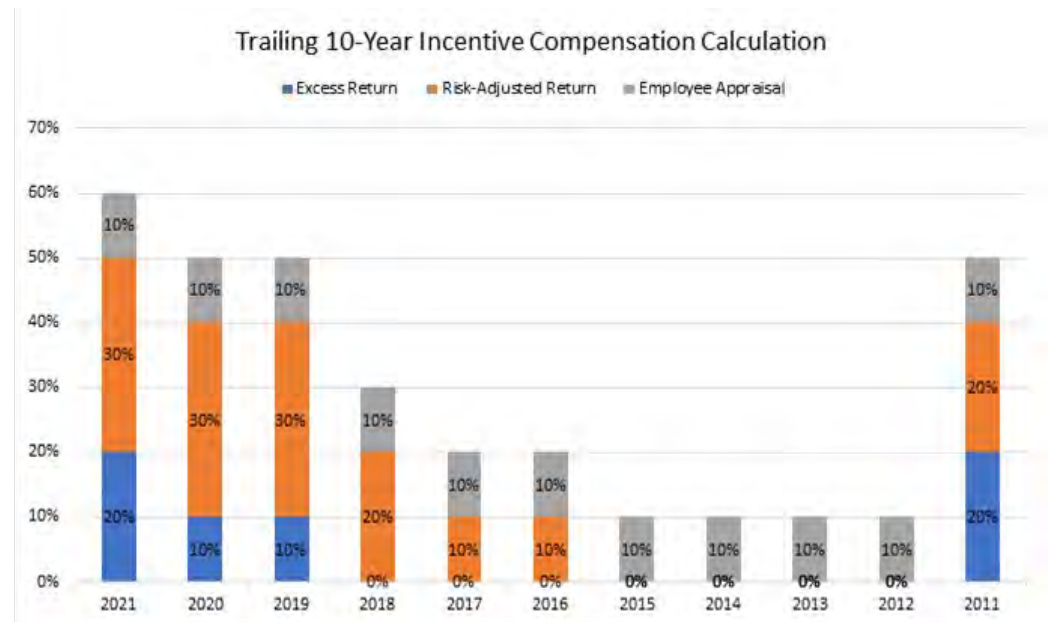
Proposed Program Design

QUANTITATIVE COMPONENT (Rolling 3-year period, net of fees)	% of Incentive	% of Incentive
Portfolio Excess Return vs Benchmark (Alpha)		0-50%
0-25 bps	10%	
26-50 bps	+10%	
51-75 bps	+10%	
76-100 bps	+10%	
>101 bps	+10%	
Risk Adjusted Return (Sharpe Ratio)		0-30%
A) Portfolio Sharpe Exceeds Benchmark	10%	
B) Above Median Peer Rank	10%	
1 st Quartile Peer Rank	+10%	
QUALITATIVE COMPONENT		
Annual Employee Performance Appraisal		0-20%
Meets	0%	
Exceeds	10%	
Exceptional	20%	



10-Year Back Tested Results

- Median annual incentive since 2011 = 20% of maximum
- Median annual incentive since 2017 = 50% of maximum
- 100% participation requires:
 - > 100 bps of rolling 3-year excess returns
 - Top quartile Sharpe Ratio
 - Exceptional personal effort and teamwork
- OCERS system benefits from incremental return, best-in-class deployment of risk capital and engaged employees

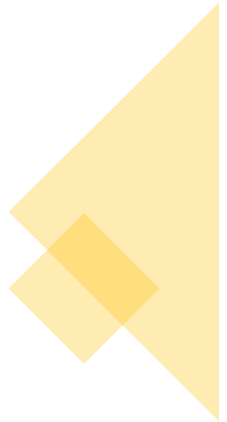


Rigorous Oversight and External Validation

- Measurement
 - Quantitative inputs:
 - OCERS' benchmark will be validated annually by its risk consultant, Meketa
 - Quantitative data provided by third parties:
 - Returns calculated by custodian, State Street Bank and Trust
 - Sharpe Ratio information provided by General Investment Consultant, Meketa
 - Qualitative inputs:
 - Follows OCERS' annual performance evaluation standards
 - Investment team member performance evaluations approved by the CIO and CEO for quality and consistency
- Internal Process
 - OCERS' Finance Department will calculate the award
 - OCERS' Internal Audit Department will validate the process and results
 - OCERS' CEO final approval

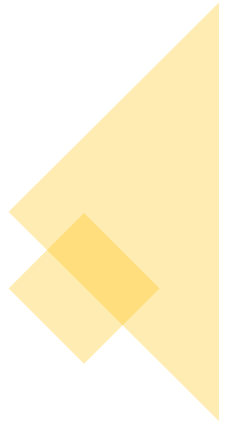
Summary: *Align and Achieve Long-Term Goals*

- Ensure the long-term success and stability of the pension fund
- Recruit and retain top talent
- Create a natural alignment of interests and values
- Build and maintain an engaged and motivated investment team
- Improve succession planning
- Enable investment team members to achieve and earn top quartile pay



July Outcomes and Follow Up

- Today:
 - Approve Program Options
 - Approve Program Design
- Follow up:
 - Respond to questions or requested design changes
 - Draft program documentation and related policies for review
 - Coordinate with OCERS' Legal and Human Resources department on policy process and approval



Recap: Committee Implementation Decisions/Approvals

- Program Goals*
 - See slide #11
- Basic Eligibility*
 - Must achieve “meets expectations” to participate
 - Must be employed for entire incentive period
 - Must be employed at time of payment or forfeiture
- Covered Employees: *Choose One*
 - Full Team: Analyst/Officer/Director/CIO*
 - Officer/Director/CIO
 - Director/CIO
 - CIO

- Payout Scheme: *Choose One*
 - 100% after Year 1
 - 50% after Year 1 with 50% paid after Year 2 (prior to March 15 for IRS purposes)
- Maximum % of Base Salary*
 - Tiered by position
 - Target % determination
- Program Design*
 - 80% Quantitative
 - 20% Qualitative
- Benchmark*
 - OCERS’ Total Fund Plan Benchmark

**recommended*

Appendix

Supporting Data

Proposed Incentive Program: Current Expected Cost

Position Title	Current Base Salary	Base + Proposed Target	Base + Proposed Maximum
Chief Investment Officer	\$450,000.10	\$618,750.14	\$787,500.18
Director of Investments	\$241,004.40	\$289,205.28	\$337,405.60
Director of Investments	\$200,000.11	\$240,000.13	\$280,000.15
Senior Investment Officer	\$175,935.55	\$206,724.27	\$237,512.99
Investment Officer	\$147,423.74	\$169,537.30	\$191,650.86
Investment Officer	\$140,000.02	\$161,000.02	\$182,000.03
Investment Analyst	\$105,221.79	\$115,743.97	\$126,266.15
Investment Analyst	\$102,584.14	\$112,842.55	\$123,100.97
Investment Analyst	\$95,000.00*	\$104,500.00*	\$114,000.00*
EXPECTED INCENTIVE COST		\$361,133.81	\$722,266.18

**estimated costs of current unfilled position*



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Back Test Data

3-year Rolling Sharpe Ratio

Date	Total Portfolio	Policy Benchmark	Universe Top Quartile	Universe Median	Universe Bottom Quartile	Total Portfolio Quartile Ranking	Policy Benchmark Quartile Ranking	Exceeds Benchmark	Above Median Rank	First Quartile Rank
12/31/2021	1.72	1.61	1.49	1.35	1.29	1st Quartile	1st Quartile	10%	10%	10%
12/31/2020	0.78	0.74	0.65	0.59	0.50	1st Quartile	1st Quartile	10%	10%	10%
12/31/2019	1.49	1.49	1.36	1.16	1.07	1st Quartile	1st Quartile	10%	10%	10%
12/31/2018	1.19	1.28	1.12	0.83	0.73	1st Quartile	1st Quartile	0%	10%	10%
12/31/2017	1.40	1.66	1.48	1.35	1.24	2nd Quartile	1st Quartile	0%	10%	0%
12/31/2016	0.78	1.07	0.84	0.77	0.64	2nd Quartile	1st Quartile	0%	10%	0%
12/31/2015	0.94	1.37	1.33	1.17	1.01	4th Quartile	1st Quartile	0%	0%	0%
12/31/2014	1.67	2.00	1.97	1.91	1.81	4th Quartile	1st Quartile	0%	0%	0%
12/31/2013	1.06	1.33	1.30	1.24	1.13	4th Quartile	1st Quartile	0%	0%	0%
12/31/2012	0.90	1.02	1.02	0.94	0.92	4th Quartile	2nd Quartile	0%	0%	0%
12/31/2011	1.01	0.98	1.02	0.98	0.93	2nd Quartile	2nd Quartile	10%	10%	0%

3-year Rolling Returns

Date	Total Portfolio	Policy Benchmark	Excess Return	0 - 25bps	26 - 50bps	51 - 75bps	76 - 100bps	>101bps
12/31/2021	14.1%	13.7%	0.38%	10%	10%	0%	0%	0%
12/31/2020	7.8%	7.6%	0.21%	10%	0%	0%	0%	0%
12/31/2019	8.8%	8.7%	0.06%	10%	0%	0%	0%	0%
12/31/2018	6.9%	7.1%	-0.21%	0%	0%	0%	0%	0%
12/31/2017	7.5%	7.9%	-0.41%	0%	0%	0%	0%	0%
12/31/2016	4.3%	5.2%	-0.92%	0%	0%	0%	0%	0%
12/31/2015	5.1%	6.1%	-1.07%	0%	0%	0%	0%	0%
12/31/2014	9.1%	9.5%	-0.37%	0%	0%	0%	0%	0%
12/31/2013	7.7%	8.3%	-0.67%	0%	0%	0%	0%	0%
12/31/2012	7.8%	7.9%	-0.09%	0%	0%	0%	0%	0%
12/31/2011	9.8%	9.4%	0.40%	10%	10%	0%	0%	0%



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Wharton Study: Link to Paper

- University of Pennsylvania study, “Paying for Performance in Public Pension Plans,” published in March 2022 by Yan Lu, Kevin Mullally and Sugata Ray, concluded that there is a correlation between CIO compensation and portfolio outperformance:
- Link: https://repository.upenn.edu/prc_papers/727/

“Higher paid CIOs outperform their counterparts by 47 – 60 bps per year, largely through increased and superior investment in private equity and real estate. This outperformance generates an additional \$74.91 – \$95.63 million in economic value. Plans offering higher compensation hire better educated CIOs and are more likely to retain their CIOs. Higher CIO compensation is positively correlated with the use of incentive compensation, but incentive compensation does not directly affect performance.”

-Yu, Mullally and Ray



Memorandum

DATE: July 14, 2022
TO: Members of the Personnel Committee
FROM: Steve Delaney, Chief Executive Officer
SUBJECT: **OCERS INCENTIVE CERTIFICATION PROGRAM - UPDATE**

Background/Discussion

Recognizing the agency mission benefit of having staff with specialized skills, the OCERS Board in 2017 followed the example of other public pension systems and granted an additional 5.5% salary increase to those OCERS team members who are accredited as CFA or CPA holders.

At the time of the creation of those certification premiums, the Personnel Committee indicated there was interest in expanding eligible certifications in the future.

On November 17, 2019, the Personnel Committee received a detailed discussion of recommended additions to the certification program.

A key matrix from that meeting is attached.

No final decision was made in 2019.

OCERS INCENTIVE CERTIFICATION PROGRAM IN 2022

Unfortunately, we were not long after distracted by the COVID-19 pandemic and have only now in 2022 returned to take up this issue once again, an issue especially relevant to our present national employment situation which includes what is now known colloquially as the "Great Resignation".

At the April 2022 meeting of the Personnel Committee I outlined the history noted above, and indicated that I was recommending we continue with the approach of providing stepped certification salary remuneration (5.5% being the highest of any certification program) but allowing for lower incentive amounts for skills that are valued, but perhaps more easily obtained than the initial certification program entrants – CFA and CPA.

STATUS TO DATE

I am discussing our process with an HR Executive from Leverage Consulting, a coaching firm presently under contract with OCERS.

INCENTIVE PERCENTAGE

My current view is we should offer just a single lower incentive payment percentage, likely 3%. With CPAs and CFAs being clearly valued in the market at our present 5.5%, it would be difficult to sort through various other certifications and determine if one is valued at 4% and another at 2% - the basis for that determination would be very subjective. Settling on a single lower incentive percentage allows recognizing the value of certain certified skills in the context of CPA and CFA certification requirements.

MARKET DEMAND

I am working through both the National Association of State Retirement Administrators (NASRA), as well as the California Association of Public Retirement Systems (CALAPRS) to obtain examples of other certified skills that have been at a minimum identified as “preferred” in job descriptions.

CERTIFIED SKILLS

Together with the certified skill sets identified in the accompanying matrix from the 2019 presentation, I continue to investigate other possible certifications such as:

1. Certified Employee Benefit Specialist
2. LEAN Six Sigma
3. Chartered Alternative Investment Analyst
4. Project Management Professional

I will provide an overview of where I am to-date at the July 14 meeting of the Personnel Committee, with an expectation of returning to the committee in late summer for final consideration.

Attachment

Submitted by:



Steve Delaney
Chief Executive Officer

Comparison of SHRM-CP SHRM-SCP, CISSP, CIA, CPA, and CFA Certifications

Certification	Society Human Resource Management - Certified Professional - (SHRM-CP) ¹⁶	Society Human Resources Management - Senior Certified Professional (SHRM-SCP) ¹⁶	Certified Information Systems Security Professional (CISSP)	Certified Internal Auditor (CIA)	Certified Public Accountant (CPA)	Chartered Financial Analyst (CFA)
Governing Organization	Society Human Resource Management (SHRM) ¹	Society Human Resource Management (SHRM) ¹	International Information System Security Certification Consortium (ISCC) ²	The Institute of Internal Auditors (IIA) ³⁵	American Institute of Certified Public Accountants (AICPA)	CFA Institute
Accreditation Body Competency & Knowledge	The Bureau Center for Testing ² SHRM Body of Competency and Knowledge (SHRM BoCK) ³	The Bureau Center for Testing ² SHRM Body of Competency and Knowledge (SHRM BoCK) ³	American National Standards Institute (ANSI) ISO/IEC Standard 17024 ⁴	International Professional Practices Framework International Standards for the Professional Practice of Internal Auditing ³⁶	N/A (Internal AICPA Committee) ²	N/A ³
Education Requirement	HR Certificate Program (Accredited institution - eight courses covering HR fundamentals) or Associate's Degree or Higher ⁴	HR Certificate Program (Accredited institution - eight courses covering HR fundamentals) or Associate's Degree or Higher ⁴	N/A (can use four-year college degree to satisfy 1 year of required experience) ⁴	Associate's Degree or Higher	Bachelor's Degree (150 semester units of education, including 24 semester units in accounting-related subjects and 24 semester units in business-related subjects) ⁵	Bachelor's Degree or 4 years professional work experience (does not have to be investment-related) or Combination of work experience and education totaling 4 years prior to enrollment ⁶
Experience Requirement	Dependent upon education level:⁶ Must work in the role of HR a minimum of 1,000+ hours within a calendar year Associate's Degree: HR-Related Degree: 3 years in HR role Non HR-Related Degree: 4 years in HR role Bachelor's Degree: HR-Related Degree: 1 year in HR role Non-HR Degree: 2 years in HR role Graduate Degree: HR-Related Degree: Currently in HR role Non-HR Degree: 1 year in HR role	Dependent upon education level:⁶ Must work in the role of HR a minimum of 1,000+ hours within a calendar year Associate's Degree: HR-Related Degree: 6 years in HR role Non HR-Related Degree: 7 years in HR role Bachelor's Degree: HR-Related Degree: 4 years in HR role Non-HR Degree: 5 years in HR role Graduate Degree: HR-Related Degree: 3 year in HR role Non-HR Degree: 4 years in HR role	5 years cumulative paid work experience in 2 or more of the 8 domains of the CISSP CBK (a four-year college degree or an approved credential will satisfy 1 year of required experience) ⁷	Dependent upon education level: Master Degree - 12 months Internal Audit (IA) Experience Bachelor's Degree - 24 months IA Experience Associate's Degree - 60 months IA Experience	1 year general accounting experience, supervised by actively-licensed CPA ⁸	4 years in the investment decision-making process ⁹
Exam Requirement	4 hours in length ⁵ 160 questions - 95 knowledge based items (60%) 65 situational judgement items (40%) 30 pre-test questions	4 hours in length ⁵ 160 questions - 95 knowledge based items (60%) 65 situational judgement items (40%) 30 pre-test questions	One 250 question, 6 hour exam (2017 and earlier) or One 100-150 question, 3 hour Computerized Adaptive Test exam (2018 and later) (exams include multiple choice and simulation questions) ¹⁰	Three exams, multiple choice ³⁷ Part 1 - 125 questions / 150 minutes Part 2 - 100 questions / 120 minutes Part 3 - 100 questions / 120 minutes	Four exams, containing an average of 77 questions each, 4 hours per exam (exams include multiple choice, simulation, and writing questions) ¹¹	Three exams as follows: Level I Exam: 240 multiple choice questions (6 hours) Level II Exam: 120 multiple choice questions (6 hours) Level III Exam: 8-12 essay questions, 60 multiple choice questions (6 hours) ¹²
Certification	Society Human Resource Management - Certified Professional - (SHRM-CP) ¹⁶	Society Human Resources Management - Senior Certified Professional (SHRM-SCP) ¹⁶	Certified Information Systems Security Professional (CISSP)	Certified Internal Auditor (CIA)	Certified Public Accountant (CPA)	Chartered Financial Analyst (CFA)
Exam Passing Score	Modified Angoff method ⁷	Modified Angoff method ⁷	700 out of 1000 ¹³	600 out of 750 ³⁸	75 out of 99 on each exam ¹⁴	Pass/Fail ¹⁵
Exam Pass Rate	Average of 69% ⁸	Average of 55% ⁸	Not publicly released; widely assumed to be well below 50% ¹⁶	43% ³⁹	Historically between 45-50% ¹⁷	Level I: 43%; Level II: 45%; Level III: 56% ¹⁸
Certification Term	3 years ¹²	3 years ¹²	3 years ¹⁹	1 year ⁴⁰	2 years ²⁰	N/A
Continuing Education Requirement	60 Professional Development Credits (PDC's) within the three-year recertification period ⁵	60 Professional Development Credits (PDC's) within the three-year recertification period ⁵	120 hours over the three-year period (40 hours annually) ²¹	40 hours annually	80 hours during the two-year period (40 hours annually) ²²	N/A (Voluntary) ²³
Ethics Requirement	Agree to SHRM Certification Candidate agreement ¹ , abide by SHRM Bylaws & Code of Ethics ¹⁰	Agree to SHRM Certification Candidate agreement ¹ , abide by SHRM Bylaws & Code of Ethics ¹⁰	Agree to and uphold the (ISC) ² Code of Ethics ²⁴	Agree to abide by the Code of Ethics established by The IIA ⁴¹	Ca/CPA PETH Exam (50 multiple-choice questions; no time limit; 90%+ passing score) ²⁵	Complete a Professional Conduct Statement and uphold the Code of Ethics and Standards of Professional Conduct ²⁶
Endorsement Requirement	N/A ¹¹	N/A ¹¹	Endorsement by an (ISC) ² certified professional in good standing ²⁷	Candidates must exhibit high moral and professional character and must submit a Character Reference Form signed by a CIA, CGAP, CCSA, CFSA, CRMA, or the candidate's supervisor ⁴¹	N/A	N/A
Desirability in Industry	In 2018, the median SHRM-CP certification holders received a 22.8% increase in salary. ¹³	In 2018, HR professionals reported receiving median pay increases by 54 percent going from a SHRM-CP certification to SHRM-SCP certification. ¹³	Job Openings Requiring Information Security Certifications (Nov. 2018): CISSP (ISC²): 49,731 CISM (ISACA): 20,209 CEH (EC-COUNCIL): 10,780 Security+ (COMPTIA): 10,345 GSEC (SANS): 7,642 ²⁸	CIAs earn an average of \$38,000 more annually than those without a certification. ⁴²	N/A	N/A
No. of Certification Holders	65,730 ¹⁴	45,677 ¹⁴	> 136,428 worldwide ²⁹	> 157,444 worldwide ³⁷	> 664,532 in the US ³⁰	> 154,000 worldwide ³¹
Year Established	1976 ^{15,17}	1976 ^{15,17}	1994 ³²	1974 ³⁷	1917 ³³	1963 ³⁴