

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

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

**REGULAR MEETING
Monday, July 18, 2022
9:30 a.m.**

MINUTES

Chair Eley called the meeting to order at 9:33 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present via Zoom Video
conference pursuant to
Government Code §
54953, as amended by

AB 361: Frank Eley, Chair; Shawn Dewane, Vice Chair; Adele Tagaloa, Charles Packard, Chris Prevatt, Shari Freidenrich, Wayne Lindholm, Arthur Hidalgo, Jeremy Vallone

Also Present: Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Molly Murphy, Chief Investments Officer; Gina Ratto, General Counsel; Manuel Serpa, Deputy General Counsel; David Kim, Director of Internal Audit; Tracy Bowman, Director of Finance; Shanta Chary, Director of Investment Operations; Anthony Beltran, Audio-Visual Technician; Carolyn Nih, Recording Secretary

Guests: Andy Yeung, Segal; Paul Angelo, Segal; Harvey Leiderman, ReedSmith; Maytak Chin, ReedSmith

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.

- Nadeau, Kevin

ADMINISTRATION

C-2 BOARD MEETING MINUTES

Regular Board Meeting Minutes

June 20, 2022

Recommendation: Approve minutes.

C-3 ADOPT RESOLUTIONS TO AMEND OCERS’ REGULATIONS UNDER THE INTERNAL REVENUE CODE

Recommendation: Staff recommends that the Board adopt the following Resolutions to amend OCERS’ Regulations under the Internal Revenue Code and direct Staff to present these amendments to the Orange County Board of Supervisors for its approval:

- (1) Adopt Resolution No. 22-001 to amend OCERS’ Regulations for Internal Revenue Code section 401(a) – Return to Work and Separation from Service to reflect a change in the Internal Revenue Code lowering the member age requirement for returning to work after retirement.
- (2) Adopt Resolution No. 22-002 to amend OCERS’ Regulations for Internal Revenue Code section 401(a)(9) – Minimum Required Distributions to reflect a change in the Internal Revenue Code to increase the age (from 70½ to 72) at which distributions to members must begin.
- (3) Adopt Resolution No. 22-003 to amend OCERS’ Regulations for Internal Revenue Code section 415 – Annual Limits to clarify that the definition of compensation for the purposes of Internal Revenue Code section 415 includes “differential wage payments” as defined in Internal Revenue Code section 3401(h) pursuant to section 105(b) of the Heroes Earnings Assistance and Relief Tax Act of 2008.

C-4 CONSULTING ACTUARY SERVICES PROCUREMENT

Recommendation: Approve the proposed procurement process and schedule for consulting actuarial services.

MOTION by Mr. Dewane, **SECONDED** by Mr. Lindholm, to approve Consent Agenda items, C-1 through C-4.

The motion passed **unanimously**.

DISABILITY/MEMBER BENEFITS AGENDA

CONSENT ITEMS

Staff requested that DC-7: MICHELLE JACKSON be pulled from consideration.

MOTION by Mr. Dewane, **SECONDED** by Mr. Packard, to approve on all Disability Consent Agenda items, DC-1 through DC-13, except pulled item DC-7.

The motion passed **unanimously**.

DC-1: DANIELLE ARRIOLA

Deputy Sheriff I, Orange County Sheriff's Department (Safety Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement.
- Set the effective date as March 30, 2018.

DC-2: JASON FINLEY

Sergeant, Orange County Sheriff's Department (Safety Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement per Government Code Section 31720.6.
- Set the effective date as July 22, 2021.

DC-3: BENJAMIN GARCIA

Coach Operator, Orange County Transportation Authority (General Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement.
- Set the effective date as January 3, 2021.

DC-4: MARY HELEN GOMEZ

Office Manager, Orange County In-Home Supportive Services Public Authority (General Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement.
- Set the effective date as July 10, 2015.

DC-5: ELIZABETH GONZALES

Coach Operator, Orange County Transportation Authority (General Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement.
- Set the effective date as January 19, 2020.

DC-6: KENNETH HARRISON
Battalion Chief, Orange County Fire Authority (Safety Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement.
- Set the effective date as March 12, 2021.

DC-7: MICHELLE JACKSON- PULLED
Coach Operator, Orange County Transportation Authority (General Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate.

DC-8: JOCELYN LEYVA
Service Worker, Orange County Transportation Authority (General Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate.

DC-9: JACK PERISHO
Fire Captain, Orange County Fire Authority (Safety Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement.
- Set the effective date as March 25, 2022.

DC-10: HENRY RAMIREZ
Firefighter, Orange County Fire Authority (Safety Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Deny service and non-service connected disability retirement without prejudice due to the member's failure to cooperate.

DC-11: ANGELA SANCHEZ
Assessment Technician II, Orange County Assessor's Office (General Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement.
- Set the effective date as July 17, 2020.

DC-12: MARK WEISS

Fire Captain, Orange County Fire Authority (Safety Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

- Grant service connected disability retirement
- Set the effective date as December 31, 2021.

DC-13: MIKE WILSON

Sergeant, Orange County Sheriff's Department (Safety Member)

Recommendation: The Disability Committee recommends that the Board of Retirement:

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

END OF DISABILITY/MEMBER BENEFITS AGENDA

ACTION ITEMS:

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

A-2 BOARD FINDINGS PURSUANT TO GOVERNMENT CODE § 54953, AS AMENDED BY AB 361, AND ADOPTION OF BOARD RESOLUTION 2022-07

Presentation by Gina Ratto, General Counsel, OCERS

Recommendation: That the Board:

- (1) Reconsider the circumstances of the state of emergency resulting from the COVID-19 pandemic and determine whether:
 - i. The state of emergency continues to directly impact the ability of the members of the Board to meet safely in person; ***and/or***
 - ii. State or local officials continue to impose or recommend measures to promote social distancing; and
- (2) If the Board so determines, adopt Board of Retirement Resolution 2022-07 to reflect such findings pursuant to Government Code section 54953, as amended by AB 361.

MOTION by Mr. Dewane, **SECONDED** by Mr. Prevatt, to adopt Resolution 2022-07, memorializing the Board's findings that a state of emergency continues to exist and that state and local officials continue to impose or recommend measures to promote social distancing.

The motion passed **unanimously**.

A-3 CONSIDERATION OF EARLY PAYMENT OF EMPLOYER CONTRIBUTIONS FOR FISCAL YEAR- 2023-2024

Presentation by Brenda Shott, Asst. Chief Executive Officer, Internal Operations and Molly Murphy, Chief Investment Officer, CFA, OCERS

Recommendation: Approve the terms of a prepayment discount program for the advance payment of employer contributions, including a 5.8% discount rate to be used for contribution year July 2023 through June 2024.

MOTION by Mr. Dewane, **SECONDED** by Mr. Packard, to approve staff recommendations.

Ms. Freidenrich requested, in the future, additional information be provided to assist board members in understanding choice of discount rate and past results from the program. Ms. Murphy gave further explanation that the rate is reviewed annually and subject to projections looking forward for 20 years.

Ms. Freidenrich left the meeting.

The motion passed **unanimously** with Ms. Freidenrich absent and not voting, having left the meeting at 10:00 a.m. during discussion the agenda item.

A-4 MID-YEAR STAFFING ADJUSTMENTS – PERSONNEL COMMITTEE RECOMMENDATIONS

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Recommendation: The Personnel Committee recommends that the Board of Retirement approve the following mid-year staffing adjustments:

- (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

MOTION by Mr. Dewane, **SECONDED** by Ms. Tagaloa, to approve the Personnel Committee recommendations, which, as noted, recommends two regular rather than limited term Internal Auditor positions.

Personnel Committee Chair, Mr. Prevatt, spoke to and in support of each of the recommendations.

The motion passed **unanimously**.

INFORMATION ITEMS

Presentations

I-1 ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE INVESTMENT RETURN SCENARIOS

Presentation by Paul Angelo and Andy Yeung, Segal

Messrs. Angelo and Yeung presented on the topics of UAAL and investment return scenarios.

I-2 SENSITIVITY ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE INFLATION AND INVESTMENT RETURN ASSUMPTIONS

Presentation by Paul Angelo and Andy Yeung, Segal

Messrs. Angelo and Yeung presented on the topics of sensitivity illustrations and assumptions.

I-3 ACTUARIAL RISK ASSESSMENT BASED ON THE DECEMBER 31, 2021 ACTUARIAL VALUATION

Presentation by Paul Angelo and Andy Yeung, Segal

Messrs. Angelo and Yeung presented on the topic of actuarial risk.

I-4 COVID-19 UPDATE

Presentation by Steve Delaney, Chief Executive Officer, OCERS

Mr. Delaney presented to the Board an update on the effects of COVID-19 on OCERS, including the recent enactment of the outbreak protocol.

WRITTEN REPORTS

R-1 MEMBER MATERIALS DISTRIBUTED

Written Report

Application Notices

July 18, 2022

Death Notices

July 18, 2022

R-2 COMMITTEE MEETING MINUTES

- None

R-3 CEO FUTURE AGENDAS AND 2022 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 ELECTION UPDATE - GENERAL AND RETIRED BOARD MEMBER

Written Report

R-8 SECOND QUARTER 2022 TRAVEL AND TRAINING EXPENSE REPORT

Written Report

R-9 2022 STRATEGIC PLANNING WORKSHOP – PROPOSED FORMAT AND AGENDA TOPICS
Written Report

R-10 CONTRACT STATUS FOR NAMED SERVICE PROVIDERS
Written Report

R-11 ACTUARIAL SERVICES PERFORMANCE REVIEW
Written Report

R-7 report was pulled by Mr. Lindholm to ask OCERS staff to begin to prepare and work on the applications of the appointed Trustees for re-appointment.

CIO COMMENTS

Ms. Murphy reported that while the public markets are broadly selling off that private market assets are still holding value. Private market assets should start to reflect the decline in public markets in the second half of 2022. There are a wide variety of returns in the current OCERS portfolio.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS - none

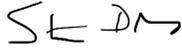
COUNSEL COMMENTS - none

BOARD MEMBER COMMENTS - none

Meeting **ADJOURNED** at 11:24 a.m. in memory of the active members, retired members, and surviving spouses.

Submitted by:

Approved by:

DocuSigned by:

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Steve Delaney
Secretary to the Board

DocuSigned by:

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Frank Eley
Chairman