

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

**GOVERNANCE COMMITTEE MEETING
November 20, 2025
9:30 A.M.**

Members of the Committee

Arthur Hidalgo, Chair
Roger Hilton, Vice-Chair
Shari Freidenrich
Richard Oates

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 (information below) from any location.

OCERS Zoom Video/Teleconference Information	
Join Using Zoom App (Video & Audio) https://ocers.zoom.us/j/88346821266 Meeting ID: 883 4682 1266 Passcode: 342342 Go to https://www.zoom.us/download to download Zoom app before meeting Go to https://zoom.us to connect online using any browser.	Join by Telephone (Audio Only) Dial by your location +1 669 900 6833 US (San Jose) +1 346 248 7799 US (Houston) +1 253 215 8782 US +1 301 715 8592 US +1 312 626 6799 US (Chicago) +1 929 436 2866 US (New York) Meeting ID: 883 4682 1266 Passcode: 342342
A Zoom Meeting Participant Guide is available on OCERS website Board & Committee meetings page	

AGENDA

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.

OPEN SESSION

- 1. CALL MEETING TO ORDER AND ROLL CALL**
- 2. BOARD MEMBER STATEMENT REGARDING PARTICIPATION VIA ZOOM (IF NECESSARY)
(Government Code section 54953(f))**
- 3. PUBLIC COMMENTS**

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. When addressing the Committee, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

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 Committee; and (2) any matter appearing on the Consent Agenda.

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

CONSENT AGENDA

C-1 GOVERNANCE COMMITTEE MEETING MINUTES

Governance Committee Meeting Minutes

August 21, 2025

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 Committee’s discussion of the item. **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 TRIENNIAL REVIEW OF THE PROTOCOL FOR HANDLING WORKPLACE COMPLAINTS AGAINST BOARD MEMBERS AND EXECUTIVES

Presentation by Manuel Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt revisions to the Protocol for Handling Workplace Complaints Against Board Members.

A-3 TRIENNIAL REVIEW OF THE PENSIONABLE COMPENSATION POLICY

Presentation by David Kim, Assistant CEO, External Operations, and Manuel Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the revisions to the Pensionable Compensation Policy.

A-4 TRIENNIAL REVIEW OF THE COMPENSATION EARNABLE POLICY

Presentation by David Kim, Assistant CEO, External Operations, and Manuel Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the revisions to the Compensation Earnable Policy.

A-5 TRIENNIAL REVIEW OF THE WITHDRAWING EMPLOYER CONTINUING OBLIGATION POLICY

Presentation by David Kim, Assistant CEO, External Operations, and Manuel Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the revisions to the Withdrawing Employer Continuing Obligation Policy.

A-6 TRIENNIAL REVIEW OF THE WITHDRAWING EMPLOYER FULLY SATISFIED OBLIGATION POLICY

Presentation by David Kim, Assistant CEO, External Operations, and Manuel Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the Withdrawing Employer (Fully Satisfied Obligation) Policy without revision.

A-7 TRIENNIAL REVIEW OF THE DECLINING EMPLOYER PAYROLL POLICY

Presentation by David Kim, Assistant CEO, External Operations, and Manuel Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the Declining Employer Payroll Policy without revision.

A-8 OFF-CYCLE REVIEW OF MILITARY SERVICE CREDIT PURCHASES OAP

Presentation by Manuel Serpa, General Counsel, and Joon Kim, Staff Attorney

Recommendation: Approve and recommend that the Board adopt revisions to the OCERS Administrative Procedure (OAP) Military Service Credit Purchases.

WRITTEN REPORTS

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

R-1 2025 YEAR IN REVIEW: DATA PROJECT

Written Report

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

BUILDING COMMITTEE MEETING

December 2, 2025

9:30 A.M.

Orange County Employees Retirement System
November 20, 2025
Governance Committee Meeting - Agenda

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

**AUDIT COMMITTEE MEETING
December 9, 2025
9:30 A.M.**

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

**DISABILITY COMMITTEE MEETING
December 15, 2025
8:30 A.M.**

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

**REGULAR BOARD MEETING
December 15, 2025
9:30 A.M.**

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

AVAILABILITY OF AGENDA MATERIALS - Documents and other materials that are non-exempt public records distributed to all or a majority of the members of the OCERS Board or Committee of the Board in connection with a matter subject to discussion or consideration at an open meeting of the Board or Committee of the Board are available at the OCERS' website: <https://www.ocers.org/board-committee-meetings>. If such materials are distributed to members of the Board or Committee of the Board less than 72 hours prior to the meeting, they will be made available on the OCERS' website at the same time as they are distributed to the Board or Committee members. Non-exempt materials distributed during an open meeting of the Board or Committee of the Board will be made available on the OCERS' website as soon as practicable and will be available promptly upon request.

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
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA 92701**

**GOVERNANCE COMMITTEE MEETING
Thursday, August 21, 2025
9:30 A.M.**

MINUTES

The Chair called the meeting to order at 9:30 a.m.

Recording Secretary noted the attendance of Mr. Hilton, Mr. Oates, and Chair Hidalgo.

Attendance was as follows:

Present: Arthur Hidalgo, Chair; Roger Hilton, Vice-Chair; and Richard Oates, Board Member.

Absent: Shari Freidenrich, Board Member.

Also present: Steve Delaney, CEO; Manuel Serpa, General Counsel; David Kim, Assistant CEO, External Operations; Brenda Shott, Assistant CEO, Internal Operations; Darren Dang, Chief Technology Officer; Tracy Bowman, Director of Finance; Jennifer Reyes, Finance Manager; Joon Kim, Staff Attorney; Michelle Pak, Audio Visual Technician; Rebeca Gonzalez-Verdugo, Recording Secretary; Jeff Lamberson, Director of Member Services; Jenny Sadoski, Director of IT; Marielle Horst, Executive Secretary; Amanda Evenson, Executive Secretary; Carolyn Nih, Executive Secretary; Will Tsao, Director of Enterprise Project Management Office; Rosie Baek, Staff Attorney; Philip Lam, Director of Internal Audit.

CONSENT AGENDA

C-1 APPROVE GOVERNANCE COMMITTEE MEETING MINUTES

Governance Committee Meeting Minutes

May 8, 2025

MOTION by Mr. Hilton, **seconded** by Mr. Oates, to approve the Minutes.

The motion passed **unanimously**.

ACTION ITEMS

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

No items were trailed from the Consent Agenda.

A-2 OFF-CYCLE REVIEW OF THE MEMBERSHIP ELIGIBILITY REQUIREMENTS POLICY

Presentation by Manuel Serpa, General Counsel, and David Kim, Assistant CEO, External Operations

Recommendation: Approve and recommend that the Board adopt revisions to the Membership Eligibility Requirements Policy.

MOTION by Mr. Hilton, **seconded** by Mr. Oates, to adopt staff's recommendations.

The motion passed **unanimously**.

A-3 TRIENNIAL REVIEW OF THE PROTOCOL FOR HANDLING WORKPLACE COMPLAINTS AGAINST BOARD MEMBERS AND EXECUTIVES

Presentation by Manuel Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt revisions to the Protocol for Handling Workplace Complaints Against Board Members and Executives Policy.

After discussion, the Committee directed staff to return the Policy to them for further development before consideration at the next Governance Committee meeting.

The Committee instructed staff to invite Fiduciary Counsel for participation in the next Governance Committee meeting and to incorporate the following revisions:

- Include reference to the Indemnity and Defense Policy and provide a clear delineation between that policy and the Protocol for Handling Workplace Complaints Against Board Members and Executives Policy.
- Remove reference to executive personnel to ensure the policy maintains Board-specific focus and application.
- Include a time period for retention of related records to maintain consistency with established Human Resources practices.
- Establish a definitive parameter for complaint duration: For example, "...in a prompt, expedited manner, and in no case not more than one (1) year from the date the complaint was made known to Human Resources."
- Enhance the confidentiality provisions outlined in paragraph 16
- Modify the paragraph on independent counsel to remove the need for initial authorization.

A-4 TRIENNIAL REVIEW OF THE RESERVES AND INTEREST-CREDITING POLICY

Presentation by Brenda Shott, Assistant CEO, Internal Operations

Recommendation: Approve and recommend that the Board of Retirement approve proposed revisions to the Reserves and Interest-Crediting Policy as presented.

MOTION by Mr. Oates, **seconded** by Mr. Hilton, to adopt staff's recommendations.

The motion passed **unanimously**.

A-5 TRIENNIAL REVIEW OF THE BOARD OF RETIREMENT CHARTER

Presentation by Steve Delaney, CEO; Manuel D. Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the Board of Retirement Charter revisions.

MOTION by Mr. Hilton, **seconded** by Mr. Oates, to adopt staff's recommendations.

The motion passed **unanimously**.

A-6 TRIENNIAL REVIEW OF THE BOARD OF RETIREMENT CHAIR CHARTER

Presentation by Steve Delaney, CEO; Manuel D. Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the Board of Retirement Chair Charter revisions.

MOTION by Mr. Oates, **seconded** by Mr. Hilton, to adopt staff's recommendations.

The motion passed **unanimously**.

The Committee recessed for break at 10:45 a.m.

The Committee reconvened from break at 11:01 a.m.

Recording Secretary administered roll call.

A-7 OFF-CYCLE REVIEW OF THE BOARD VICE CHAIR CHARTER

Presentation by Steve Delaney, CEO; Manuel D. Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the Board Vice Chair Charter revisions.

MOTION by Mr. Hilton, **seconded** by Mr. Oates, to adopt staff's recommendations.

The motion passed **unanimously**.

A-8 TRIENNIAL REVIEW OF THE COMMITTEE CHAIR CHARTER

Presentation by Steve Delaney, CEO; Manuel D. Serpa, General Counsel

Recommendation: Approve and recommend that the Board adopt the Committee Chair Charter with no revisions.

MOTION by Mr. Hilton, **seconded** by Mr. Oates, to adopt staff's recommendations.

The motion passed **unanimously**.

A-9 ADOPTION OF THE OAP ON RETIREES RETURNING TO WORK

Presentation by Joon Kim, Staff Attorney

Recommendation: Approve and recommend that the Board adopt OCERS Administrative Procedure regarding Retirees Returning to Work, as presented.

MOTION by Mr. Oates, **seconded** by Mr. Hilton, to adopt staff's recommendations.

The motion passed unanimously.

A-10 OFF-CYCLE REVIEW OF THE POLICIES AND CHARTER REFERENCING THE STRATEGIC AND BUSINESS PLAN

Presentation by Steve Delaney, CEO

Recommendation: Approve and recommend that the Board adopt the revisions to the following policies and charter:

- (1) Budget Approval Policy
- (2) Chief Executive Officer Performance Evaluation Policy
- (3) Monitoring and Reporting
- (4) Planning Policy
- (5) Procurement and Contracting
- (6) Records Management Policy
- (7) Succession Policy
- (8) Trustee Education Policy
- (9) CEO Charter

MOTION by Mr. Oates, seconded by Mr. Hilton, to adopt staff's recommendations.

The motion passed unanimously.

INFORMATION ITEMS

I-1 UPDATE ON THE EMPLOYER DATA POLICY

Presentation by David Kim, Assistant CEO, External Operations, and Darren Dang, Chief Technology Officer

Mr. Kim and Mr. Dang informed the Committee of the status of the Employer Data Policy and Employer Handbook, as well as the partnership between OCERS Member Services and IT. Mr. Kim identified the primary operational challenge currently impacting members, employers, and OCERS staff: the collection and processing of paid time off data within transmittal files. Due to the exclusion of paid time off data from transmittal files, members are required to provide pay stubs and time sheets for the measuring period to determine their final average salary, which causes more strain on the member and employer to manually produce that information. OCERS is working with the employers to look into ways to automate the process. OCERS is actively collaborating with employers to develop and implement automated processes that will streamline data collection and reduce administrative burden on all stakeholders.

COMMITTEE MEMBER COMMENTS

Chair Hidalgo instructed staff to look into whether an additional meeting is needed before the end of the year.

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Dr. Delaney thanked Mr. Oates and Mr. Hilton attending two committee meetings in a row.

Orange County Employees Retirement System
August 21, 2025
Governance Committee Meeting – Minutes

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COUNSEL COMMENTS

Mr. Serpa agreed he would create a preliminary schedule for the November Governance Committee meeting to determine whether another meeting is required before the end of the year.

ADJOURNMENT

Chair adjourned meeting at 11:22 a.m.

Submitted by:

Approved by:

Manuel Serpa
General Counsel/Staff Liaison

Steve Delaney
Chief Executive Officer/Secretary

Arthur Hidalgo
Chair



Memorandum

DATE: November 20, 2025
TO: Members of the Governance Committee
FROM: Manuel D. Serpa, General Counsel
SUBJECT: **TRIENNIAL REVIEW OF THE PROTOCOL FOR HANDLING WORKPLACE COMPLAINTS AGAINST BOARD MEMBERS**

Recommendation

Approve and recommend that the Board adopt revisions to the Protocol for Handling Workplace Complaints Against Board Members.

Discussion

The Board of Retirement conducts a review of all charters and policies every three years under its Board-approved review schedule. As part of this process, the Governance Committee reviews designated policies before they are presented to the full Board for approval. The Protocol for Handling Workplace Complaints Against Board Members (Policy), originally adopted on October 21, 2019, and last amended on June 20, 2022, is now before the Committee for review and proposed revision.

The proposed revisions clarify the Policy's scope, strengthen confidentiality and procedural provisions, and incorporate feedback received at the Committee's August 21, 2025, meeting.

Key proposed revisions include:

- Adding a definition of "Workplace Complaint," clarifying that the Policy applies only when no civil action or Government Claims Act claim has been filed.
- Limiting the Policy's application to Board Members.
- Expanding the subject Board Member's access to legal counsel, including provisions for agency-funded independent representation.
- Requiring early determination of the applicability of OCERS' Indemnity and Defense Policy or any applicable insurance coverage.
- Setting expectations for prompt resolution (within one year, absent exigent circumstances) and confidentiality protections.
- Requiring Fiduciary Counsel to provide a written opinion on the legal sufficiency of any proposed Board action before final decision.
- Specifying document retention requirements.

Specifically, the following statement has been added so that the potential application of OCERS Indemnity and Defense Policy can be determined at the outset:

4. With the advice of legal counsel, the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) should, at the outset, determine whether the OCERS Indemnity and Defense Policy or the terms of an existing employment practices liability insurance policy or other insurance policy apply to the complaint and affect how it is to be handled.

The issues of duration and confidentiality are addressed in new paragraphs 7 and 8:

7. The investigation and resolution of the Workplace Complaint will be handled as promptly as practicable and will be finally resolved within one year of receiving the complaint, absent exigent circumstances.
8. The identities of the complainant and the subject of the complaint will remain confidential to the fullest extent possible, but cannot be guaranteed where disclosure is legally required or necessary for a fair investigation.

In addition, paragraph 13 was added to expand on the potential for the subject of the complaint to be represented by legal counsel at the expense of the agency:

13. The subject of the complaint may hire independent counsel of their choice. If legal representation of the subject of the complaint is neither dictated by the Indemnity and Defense Policy nor covered by an applicable insurance policy, OCERS will pay the cost of such counsel, subject to a written reservation of rights, until final resolution of the complaint under this policy. As a condition of payment, the individual must agree in writing to reimburse OCERS for these costs if the Board determines, after final resolution (as described in paragraph 18), that the Workplace Complaint is substantiated and that misconduct occurred.

Also, the following sentence regarding fiduciary counsel was added to the end of paragraph 17:

Before final action is taken, Fiduciary Counsel will provide a written opinion to the decision-maker(s) on the legal sufficiency of the proposed action.

Retention of documents related to the complaint has been addressed in new paragraph 19:

19. HR will retain the investigator's report and all documents related to the complaint until a full four years after the subject of the complaint is no longer a member of the Board.

All proposed revisions are shown in underline/strikeout in the attached redlined Policy, with a clean version provided for ease of reference. The Indemnity and Defense Policy is also attached for context. Staff recommends that the Committee review and, if appropriate, recommend Board approval of the revised Protocol.

Attachments

Submitted by:



MDS-Approved

Manuel D. Serpa
General Counsel



OCERS Board Policy

Protocol for Handling Workplace Complaints Against Board _____ Members and Executives

Background Purpose and Objectives Application

1. The Board of Retirement takes ~~very seriously~~ workplace complaints made by OCERS employees against Board members ~~of the Board or OCERS executive staff~~ very seriously. Formal procedures and practices are required to ensure complaints are ~~timely, fairly and appropriately~~ investigated and addressed in a timely, fair, and appropriate manner. All actions under this protocol will be conducted in compliance with applicable federal, state, and local laws, including whistleblower protection laws.
2. For purposes of this policy, a "Workplace Complaint" includes allegations of harassment, discrimination, retaliation, bullying, ethics violations, or other misconduct relating to the workplace made by an OCERS employee against a member of the Board.
3. This policy pertains to handling Workplace Complaints when neither a civil action nor a damages claim under the Government Claims Act has been filed.
4. With the advice of legal counsel, the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) should, at the outset, determine whether the OCERS Indemnity and Defense Policy or the terms of an existing employment practices liability insurance policy or other insurance policy apply to the complaint and affect how it is to be handled.
- 2.5. The objectives of ~~this policy~~ the Protocol for Handling Workplace Complaints Against Board Members ("Protocol") are to:
 - a. Establish protocols for the OCERS Human Resources department ("HR") and the Board Chair or Vice Chair to respond to ~~workplace complaints~~ Workplace Complaints made by OCERS employees against members of the Board ~~or OCERS executive staff~~; and
 - b. Clarify the roles and responsibilities of HR, the Board, and OCERS ~~Human Resources department, the Board, and OCERS staff in the process of~~ staff in handling the complaints covered by this ~~protocol~~ Protocol.

Policy Guidelines

In the event ~~the OCERS Human Resources department~~ HR receives a ~~workplace complaint~~ Workplace Complaint from an OCERS employee ~~("complainant")~~ ("complainant") against a member of the Board ~~or member of the OCERS executive staff ("subject of the complaint")~~, the following ~~protocols~~ Protocol will be observed in addition to the procedures ~~normally~~ typically followed by HR in response to a ~~workplace complaint~~ Workplace Complaint:

- 3.6. The HR Director ~~of Human Resources ("Director")~~ will provide a form to the complainant ~~for the purpose of accurately documenting the complaint (if their identity is known) to document the~~ Workplace Complaint in a signed writing. If the Director does not receive the signed form back from the known complainant in a timely manner, the Director will prepare a writing based on the information provided orally by the complainant; and request that the complainant confirm the



OCERS Board Policy

Protocol for Handling Workplace Complaints Against Board _____ Members and Executives

accuracy of the writing. ~~-If the complainant declines or fails to confirm the accuracy of the writing,~~
or the identity of the complainant is unknown, the Director will so indicate in the record of the matter.

7. The investigation and resolution of the Workplace Complaint will be handled as promptly as practicable and will be finally resolved within one year of receiving the complaint, absent exigent circumstances.
8. The identities of the complainant and the subject of the complaint will remain confidential to the fullest extent possible, but cannot be guaranteed where disclosure is legally required or necessary for a fair investigation.
- ~~4.9.~~ Before following the procedures normally followed by HR in response to a ~~workplace-complaint~~ Workplace Complaint, the Director will consult with the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair), the CEO ~~(unless the subject of the complaint is the CEO),~~ the General Counsel ~~(unless the subject of the complaint is the General Counsel),~~ and outside Fiduciary Counsel. ~~The group may~~ to decide whether alterations to ~~alter~~ the ~~normal~~ procedures are warranted based on the facts and circumstances of the complaint. ~~to avoid any conflicts of interest, undue influence, or prejudice to the investigative process.~~
10. Any individual who is the subject of the Workplace Complaint will have no role in the selection of the investigator, access to investigative updates (beyond due process rights), or influence over remedial action decisions.
- ~~5.11.~~ Upon commencing any procedures in response to a ~~complaint~~ Workplace Complaint against a member of the Board ~~or the CEO~~, the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) will notify the subject of the complaint that a complaint has been made, the general nature of the complaint, and that an investigation of the complaint will proceed. ~~If the subject of the complaint is a member of OCERS executive staff, such notification will be delivered to the subject of the complaint by the CEO.~~ In all cases, the subject of the complaint will be cautioned that it is against the law and OCERS' policies to retaliate against the complainant. -
12. Fiduciary Counsel will, at the outset, provide the complaint and this Policy to the subject of the complaint and advise the subject of their right to seek independent counsel and the procedure to which the Board will proceed in the investigation, including a time period for comment and written response. Any written response by the Board member shall be delivered to the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) and the investigator. In no event shall the Fiduciary Counsel be deemed to represent the subject of the complaint unless the Board has determined there is no conflict of interest in doing so by Board action.
13. The subject of the complaint may hire independent counsel of their choice. If legal representation of the subject of the complaint is neither dictated by the Indemnity and Defense Policy nor covered by an applicable insurance policy, OCERS will pay the cost of such counsel, subject to a written reservation of rights, until final resolution of the complaint under this policy. As a condition of payment, the individual must agree in writing to reimburse OCERS for these costs if the Board



OCERS Board Policy

Protocol for Handling Workplace Complaints Against Board _____ Members and Executives

determines, after final resolution (as described in paragraph 18), that the Workplace Complaint is substantiated and that misconduct occurred.

14. The Board Chair (or Vice Chair if the subject of the complaint is the Board Chair), the CEO ~~(unless the subject of the complaint is the CEO),~~ the General Counsel ~~(unless the subject of the complaint is the General Counsel),~~ and outside Fiduciary Counsel will together select and retain an investigator to investigate the ~~complaint.~~ Workplace Complaint. During the investigation, Fiduciary Counsel will serve as liaison to the investigator. -
- ~~6.~~15. The investigator's report will be delivered to Fiduciary Counsel and shared only with the individuals identified in Paragraph ~~4 above.~~9. The investigator's report will be confidential and will not be shared with the subject of the complaint or the complainant. However, a written summary of the findings and conclusions (redacted as necessary to protect confidentiality) will be prepared by Fiduciary Counsel and provided to the complainant and the subject of the complaint, and to the Board.
- ~~7.—During the course of any such investigation, the subject of the complaint will be advised in writing of the substance of the complaint and the identity of the complainant, and will be provided a timely opportunity to respond both orally and in writing. Where the subject of the complaint is a member of the Board or the CEO, such notice will be delivered by the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair); and where the subject of the complaint is an OCERS executive staff member, such notice will be delivered by the CEO. Any written response by the Board member or CEO shall be delivered to the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) and any written response by the OCERS executive staff member shall be delivered to the CEO. The complainant will be advised in writing of the substance of any written response by the subject of the complaint.~~
- ~~8.~~16. Upon the advice of the individuals identified in Paragraph ~~4 above.~~9, the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair), on a confidential basis consistent with the Brown Act, may advise the Board of the existence and nature of the complaint, the status of the process in response to the complaint, and any findings and recommendations resulting from that process. Any Board member who is the subject of the complaint must recuse themselves from the discussion during the investigative process and from the Board's discussion regarding whether the Workplace Complaint is substantiated and whether misconduct occurred.
- ~~9.—The Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) may authorize the Board member or the CEO who is the subject of the complaint, and the CEO may authorize the OCERS executive staff member who is the subject of the complaint, to engage independent counsel of their choice to advise them during the process, at OCERS' expense, with an appropriate reservation of rights. The authority to authorize engagement of counsel at OCERS' expense will not exceed \$10,000 in actual fees and costs reasonably incurred, without further action by the Board.~~
- ~~10.~~17. Upon conclusion of the investigation and receipt of the investigator's report, ~~where the subject of the complaint is a member of the Board or the CEO,~~ the Board Chair (or Vice Chair if the subject



OCERS Board Policy Protocol for Handling Workplace Complaints Against Board _____ Members and Executives

of the complaint is the Board Chair), upon the advice of the individuals identified in Paragraph 4-
~~above, will determine what actions or measures, if any, will be taken in response to the complaint.~~
~~Where the subject of the complaint is a member of OCERS executive staff, the CEO, upon the advice~~
~~of the individuals identified in Paragraph 49~~ above, will determine what actions or measures, if any,
will be taken in response to the complaint, including any recommended action to be taken by the
Board. Before final action is taken, Fiduciary Counsel will provide a written opinion on the legal
sufficiency of the proposed action.

~~11.18.~~ Once the actions or measures determined in Paragraph ~~10~~17 have been taken, the subject of
the complaint and the complainant will be informed ~~that whether~~ the ~~complaint~~Workplace
Complaint has been ~~fully investigated, addressed, substantiated~~ and ~~closed.~~ Where the subject of
the complaint is a member of the Board or the CEO, such that it has been finally resolved. Such
notice will be delivered by the Board Chair (or Vice Chair if the subject of the complaint is the Board
Chair); ~~and where the subject of the complaint is an OCERS executive staff member, such notice will~~
~~be delivered by the CEO.~~).

~~12.19.~~ ~~12.~~ ~~The identities of~~ HR will retain the ~~complainant~~investigator's report and all documents
related to the complaint until a full four years after the subject of the complaint ~~will remain~~
~~confidential to the fullest extent possible, consistent with the law and customary practice.~~ is no
longer a member of the Board.

Policy Review

~~13.20.~~ The Board will review this policy at least every three years to ensure ~~that~~ it remains relevant
and appropriate.

Policy History

~~14.21.~~ This policy was adopted on October 21, 2019, and reviewed and revised on June 20, 2022, ~~and~~
[date].

Secretary's Certificate

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

Steve Delaney
Secretary of the Board

06/20/2022

Date



OCERS Board Policy

Protocol for Handling Workplace Complaints Against Board Members

Purpose and Application

1. The Board of Retirement takes workplace complaints made by OCERS employees against Board members very seriously. Formal procedures and practices are required to ensure complaints are investigated and addressed in a timely, fair, and appropriate manner. All actions under this protocol will be conducted in compliance with applicable federal, state, and local laws, including whistleblower protection laws.
2. For purposes of this policy, a "Workplace Complaint" includes allegations of harassment, discrimination, retaliation, bullying, ethics violations, or other misconduct relating to the workplace made by an OCERS employee against a member of the Board.
3. *This policy pertains to handling Workplace Complaints when neither a civil action nor a damages claim under the Government Claims Act has been filed.*
4. With the advice of legal counsel, the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) should, at the outset, determine whether the OCERS Indemnity and Defense Policy or the terms of an existing employment practices liability insurance policy or other insurance policy apply to the complaint and affect how it is to be handled.
5. The objectives of the Protocol for Handling Workplace Complaints Against Board Members ("Protocol") are to:
 - a. Establish protocols for the OCERS Human Resources department ("HR") and the Board Chair or Vice Chair to respond to Workplace Complaints made by OCERS employees against members of the Board; and
 - b. Clarify the roles and responsibilities of HR, the Board, and OCERS staff in handling the complaints covered by this Protocol.

Policy Guidelines

In the event HR receives a Workplace Complaint from an OCERS employee ("complainant") against a member of the Board ("subject of the complaint"), the following Protocol will be observed in addition to the procedures typically followed by HR in response to a Workplace Complaint:

6. The HR Director ("Director") will provide a form to the complainant (if their identity is known) to document the Workplace Complaint in a signed writing. If the Director does not receive the signed form back from the known complainant in a timely manner, the Director will prepare a writing based on the information provided orally by the complainant and request that the complainant confirm the accuracy of the writing. If the complainant declines or fails to confirm the accuracy of the writing, or the identity of the complainant is unknown, the Director will so indicate in the record of the matter.
7. The investigation and resolution of the Workplace Complaint will be handled as promptly as practicable and will be finally resolved within one year of receiving the complaint, absent exigent circumstances.



OCERS Board Policy

Protocol for Handling Workplace Complaints Against Board Members

8. The identities of the complainant and the subject of the complaint will remain confidential to the fullest extent possible, but cannot be guaranteed where disclosure is legally required or necessary for a fair investigation.
9. Before following the procedures normally followed by HR in response to a Workplace Complaint, the Director will consult with the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair), the CEO, the General Counsel, and outside Fiduciary Counsel to decide whether alterations to the procedures are warranted based on the facts and circumstances of the complaint to avoid any conflicts of interest, undue influence, or prejudice to the investigative process.
10. Any individual who is the subject of the Workplace Complaint will have no role in the selection of the investigator, access to investigative updates (beyond due process rights), or influence over remedial action decisions.
11. Upon commencing any procedures in response to a Workplace Complaint against a member of the Board, the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) will notify the subject of the complaint that a complaint has been made, the general nature of the complaint, and that an investigation of the complaint will proceed. In all cases, the subject of the complaint will be cautioned that it is against the law and OCERS' policies to retaliate against the complainant.
12. Fiduciary Counsel will, at the outset, provide the complaint and this Policy to the subject of the complaint and advise the subject of their right to seek independent counsel and the procedure to which the Board will proceed in the investigation, including a time period for comment and written response. Any written response by the Board member shall be delivered to the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair) and the investigator. In no event shall the Fiduciary Counsel be deemed to represent the subject of the complaint unless the Board has determined there is no conflict of interest in doing so by Board action.
13. The subject of the complaint may hire independent counsel of their choice. If legal representation of the subject of the complaint is neither dictated by the Indemnity and Defense Policy nor covered by an applicable insurance policy, OCERS will pay the cost of such counsel, subject to a written reservation of rights, until final resolution of the complaint under this policy. As a condition of payment, the individual must agree in writing to reimburse OCERS for these costs if the Board determines, after final resolution (as described in paragraph 18), that the Workplace Complaint is substantiated and that misconduct occurred.
14. The Board Chair (or Vice Chair if the subject of the complaint is the Board Chair), the CEO, the General Counsel, and outside Fiduciary Counsel will together select and retain an investigator to investigate the Workplace Complaint. During the investigation, Fiduciary Counsel will serve as liaison to the investigator.
15. The investigator's report will be delivered to Fiduciary Counsel and shared only with the individuals identified in Paragraph 9. The investigator's report will be confidential and will not be shared with the subject of the complaint or the complainant. However, a written summary of the findings and conclusions (redacted as necessary to protect confidentiality) will be prepared by Fiduciary Counsel and provided to the complainant and the subject of the complaint, and to the Board.



OCERS Board Policy

Protocol for Handling Workplace Complaints Against Board Members

16. Upon the advice of the individuals identified in Paragraph 9, the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair), *on a confidential basis consistent with the Brown Act*, may advise the Board of the existence and nature of the complaint, the status of the process in response to the complaint, and any findings and recommendations resulting from that process. Any Board member who is the subject of the complaint must recuse themselves from the discussion during the investigative process and from the Board's discussion regarding whether the Workplace Complaint is substantiated and whether misconduct occurred.
17. Upon conclusion of the investigation and receipt of the investigator's report, the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair), upon the advice of the individuals identified in Paragraph 9 above, will determine what actions or measures, if any, will be taken in response to the complaint, including any recommended action to be taken by the Board. Before final action is taken, Fiduciary Counsel will provide a written opinion on the legal sufficiency of the proposed action.
18. Once the actions or measures determined in Paragraph 17 have been taken, the subject of the complaint and the complainant will be informed whether the Workplace Complaint has been substantiated and that it has been finally resolved. Such notice will be delivered by the Board Chair (or Vice Chair if the subject of the complaint is the Board Chair).
19. HR will retain the investigator's report and all documents related to the complaint until a full four years after the subject of the complaint is no longer a member of the Board.

Policy Review

20. The Board will review this policy at least every three years to ensure it remains relevant and appropriate.

Policy History

21. This policy was adopted on October 21, 2019, and reviewed and revised on June 20, 2022, and [date].

Secretary's Certificate

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

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

Steve Delaney
Secretary of the Board

Date



Memorandum

DATE: November 20, 2025
TO: Members of the Governance Committee
FROM: David Kim, Assistant CEO, External Operations; Manuel Serpa, General Counsel
SUBJECT: TRIENNIAL REVIEW OF THE PENSIONABLE COMPENSATION POLICY

Recommendation

Approve and recommend that the Board adopt the revisions to the Pensionable Compensation Policy.

Background/Discussion

The Board of Retirement has established a review schedule that requires the review of every charter and policy every three years. Under the board-approved review process, the Governance Committee will first review specific charters and policies before presenting them to the Board for approval. The Board adopted the Pensionable Compensation Policy on March 18, 2019, and most recently amended it on June 21, 2021.

Staff recommends minor, non-substantive edits to the policy that enhance clarity and readability, while also making it more comprehensive. For example, paragraph 2 now includes the categories of those who are PEPPRA members (per Gov. Code, § 7522.04(f)):

2. PEPPRA created a new class of pension plan members composed of: (1) individuals who become a member of any public retirement system for the first time on or after January 1, 2013, (2) individuals who do not have reciprocity with another public retirement system and become a member of OCERS for the first time on or after January 1, 2013, and (3) individuals who are OCERS members who had a break in service of more than six months and returned to active membership in OCERS with a different participating employer in OCERS (together, PEPPRA Members).

The proposed revisions are set forth in the redlined copy of the Policy attached. An unmarked version of the Policy is also attached for the Committee's ease of review.

Attachments

Submitted by:



DK-Approved

David Kim
Assistant CEO, External Operations

Submitted by:



MDS-Approved

Manuel D. Serpa
General Counsel



OCERS Board Policy

Pensionable Compensation Policy

Purpose and Background

1. Effective January 1, 2013, the State of California enacted the Public Employees Pension Reform Act of 2012, Government Code sections 7522, et seq. (PEPRA).
- 1.2. PEPRA created a new class of pension plan members composed of ~~members enrolled in:~~ (1) individuals who become a member of any public retirement system for the first time on or after January 1, 2013, (2) individuals who do not have reciprocity with another public retirement system and become a member of OCERS for the first time on or after January 1, 2013, and (3) individuals who are OCERS members who had a break in service of more than six months and returned to active membership in OCERS with a different participating employer in OCERS (together, PEPRA Members).
- 2.3. Under Government Code section 7522.34 (Section 7522.34), the items of compensation that are to be included in a retiring PEPRA Member's final compensation are defined as "Pensionable Compensation."
- 3.4. The purpose of this policy is to set forth OCERS' interpretation of the term "Pensionable Compensation" as defined in Section 7522.34, in the context of the specific pay items utilized by OCERS' employers.

Policy Objectives

- 4.5. The objective of this policy is to ensure that OCERS fully complies with applicable law when calculating a PEPRA Member's retirement benefit.

Policy Guidelines

- 5.6. **Pensionable Compensation.** OCERS will calculate Pensionable Compensation for PEPRA Members in accordance with the following guidelines.

(a) Pay Items Included in Pensionable Compensation.¹

Pensionable Compensation means (i) the normal monthly rate of pay or base pay of the member; (ii) paid in cash; (iii) to similarly situated members of the same group or class of employment; (iv) for services rendered on a full-time basis; (v) during Normal Working Hours (defined below); (vi) pursuant to Publicly Available Pay Schedules (defined below); and (vi) subject to the limitations of Section 56(b), below.

Subject to the requirements set forth in the preceding paragraph above, Pensionable Compensation includes the following items of compensation:

Base Salary and Wages (gross of any employee contributions to deferred compensation plans~~),~~ and includes additional compensation for scheduled meal periods, plus the following skill-based or

¹ A list of pay items by employer can be found at the following link: <https://www.ocers.org/find-your-employer>



OCERS Board Policy

Pensionable Compensation Policy

shift-based premium pay items (Premium Pay [or Assignment Pay](#)), and others substantially similar to them, [as listed below](#):

- Bilingual Pay
- Educational Pay
- Aircraft Rescue Firefighting Pay
- Paramedic Pay
- Motorcycle Pay
- Emergency Dispatch Pay
- Field Training Officer Pay
- Shift Differential Pay
- Confined Space Pay

(b) Pay Items Excluded From Pensionable Compensation.

The following items of compensation will be excluded from Pensionable Compensation:

- Any compensation determined by the Board (i) to have been paid to increase a member's retirement benefit or (ii) to be inconsistent with the requirements of subsection (a) above
- Overtime, other than as defined in Section 207(k) of Title 29 of the United States Code.
- Payments for additional services rendered outside of Normal Working Hours, whether paid in a lump sum or otherwise
- Employer contributions to deferred compensation plan or retirement system
- Flexible benefits ("Cafeteria Plan") provided in-kind or paid in cash
- Automobile, uniform, or other allowances
- Payments for unused vacation, annual leave, personal leave, sick leave, holiday pay or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid
- Expense reimbursements and in-kind advantages (e.g., food, lodging, board, laundry, fuel)
- Fees, licenses, or memberships provided to or for a member by employer
- Any bonus paid in addition to the compensation defined in (a) above
- Any ad hoc or one-time pay of any sort
- Longevity Incentive Pay
- Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.



OCERS Board Policy

Pensionable Compensation Policy

- Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment, but is received by the member while employed.

(c) Definition of Normal Working Hours.

- Normal Working Hours are hours that (i) are required to be worked as part of the employee's regular duties; (ii) ~~are~~ ordinarily worked ~~during the period in question~~ by all ~~other members~~ persons in the same grade ~~or class~~ of positions during the period in question, and at the same rate of pay, as that of the employee; and (iii) are not and cannot be served voluntarily by the employee. "Ordinarily worked" does not include time served on a temporary or emergency basis. Moreover, a single employee shall not constitute a grade or class.



OCERS Board Policy

Pensionable Compensation Policy

6.7. Publicly Available Pay Schedule. In accordance with Section 7522.34, OCERS will exclude from Pensionable Compensation any pay code or item of compensation that is not included in a Publicly Available Pay Schedule. Publicly Available Pay Schedule means a document or documents that reflect the amount or category of pay and that meets all of the following requirements:

- (a) Has been duly approved and adopted by the employer's governing body in accordance with [the](#) requirements of applicable public meetings laws;
- (b) Identifies the position title for every employee position;
- (c) Shows the ~~payrate~~[pay rate](#) for each identified position, which may be stated as a single amount or as multiple amounts within a range;
- (d) Is posted on the employer's internet website. If not on the website, it will be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours; and
- (e) Does not reference a document which is not available in accordance with (d), above, in lieu of disclosing the ~~payrate~~[pay rate](#).

The requirement for a Publicly Available Pay Schedule can be met by posting on the employer's ~~internet~~ website the applicable labor memoranda of understanding, compensation resolutions, or ordinances, and all salary schedules or matrices, so long as, taken together, the documents contain all required information. The employer need not create a new document to comply with this requirement.

If an employer fails to meet the requirements of Paragraph 6(a) above, the Board, in its sole discretion, may determine an amount that will be considered to be the applicable ~~payrate~~[pay rate](#), taking into consideration all information the Board deems relevant, including, ~~but not limited to,~~ the following:

- ~~a)~~(a) Documents approved by the employer's governing body in accordance with the requirements of public meetings laws and maintained by the employer;
- ~~b)~~(b) The last ~~payrate~~[pay rate](#) listed on a conforming pay schedule with the same employer for the position at issue;
- ~~(a)~~(c) The last ~~payrate~~[pay rate](#) for the member ~~that is~~ listed on a conforming pay schedule with the same employer for a different ~~positon~~[position](#).

Policy Review

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



OCERS Board Policy

Pensionable Compensation Policy

Policy History

~~8.~~9. The Board of Retirement adopted this policy on March 18, 2019, and this policy was amended on June 21, 2021, ~~and [date]~~.

Secretary's Certificate

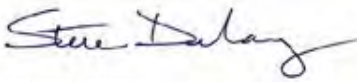
I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.

~~Steve Delaney Secretary of the Board~~

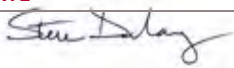


~~OCERS Board Policy~~

~~Pensionable Compensation Policy~~

- 

DATE



Steve Delaney
Secretary of the Board

Date



OCERS Board Policy

Pensionable Compensation Policy

Purpose and Background

1. Effective January 1, 2013, the State of California enacted the Public Employees Pension Reform Act of 2012, Government Code sections 7522, et seq. (PEPRA).
2. PEPRA created a new class of pension plan members composed of: (1) individuals who become a member of any public retirement system for the first time on or after January 1, 2013, (2) individuals who do not have reciprocity with another public retirement system and become a member of OCERS for the first time on or after January 1, 2013, and (3) individuals who are OCERS members who had a break in service of more than six months and returned to active membership in OCERS with a different participating employer in OCERS (together, PEPRA Members).
3. Under Government Code section 7522.34 (Section 7522.34), the items of compensation that are to be included in a retiring PEPRA Member's final compensation are defined as "Pensionable Compensation."
4. The purpose of this policy is to set forth OCERS' interpretation of the term "Pensionable Compensation" as defined in Section 7522.34, in the context of the specific pay items utilized by OCERS' employers.

Policy Objectives

5. The objective of this policy is to ensure that OCERS fully complies with applicable law when calculating a PEPRA Member's retirement benefit.

Policy Guidelines

6. **Pensionable Compensation.** OCERS will calculate Pensionable Compensation for PEPRA Members in accordance with the following guidelines.

(a) Pay Items Included in Pensionable Compensation.¹

Pensionable Compensation means (i) the normal monthly rate of pay or base pay of the member; (ii) paid in cash; (iii) to similarly situated members of the same group or class of employment; (iv) for services rendered on a full-time basis; (v) during Normal Working Hours (defined below); (vi) pursuant to Publicly Available Pay Schedules (defined below); and (vi) subject to the limitations of Section 6(b), below.

Subject to the requirements set forth in the preceding paragraph above, Pensionable Compensation includes the following items of compensation:

Base Salary and Wages (gross of any employee contributions to deferred compensation plans), and includes additional compensation for scheduled meal periods, plus the following skill-based

¹ A list of pay items by employer can be found at the following link: <https://www.ocers.org/find-your-employer>



OCERS Board Policy

Pensionable Compensation Policy

or shift-based premium pay items (Premium Pay or Assignment Pay), and others substantially similar to them, as listed below:

- Bilingual Pay
- Educational Pay
- Aircraft Rescue Firefighting Pay
- Paramedic Pay
- Motorcycle Pay
- Emergency Dispatch Pay
- Field Training Officer Pay
- Shift Differential Pay
- Confined Space Pay

(b) Pay Items Excluded From Pensionable Compensation.

The following items of compensation will be excluded from Pensionable Compensation:

- Any compensation determined by the Board (i) to have been paid to increase a member's retirement benefit or (ii) to be inconsistent with the requirements of subsection (a) above
- Overtime, other than as defined in Section 207(k) of Title 29 of the United States Code.
- Payments for additional services rendered outside of Normal Working Hours, whether paid in a lump sum or otherwise
- Employer contributions to deferred compensation plan or retirement system
- Flexible benefits ("Cafeteria Plan") provided in-kind or paid in cash
- Automobile, uniform, or other allowances
- Payments for unused vacation, annual leave, personal leave, sick leave, holiday pay or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid
- Expense reimbursements and in-kind advantages (e.g., food, lodging, board, laundry, fuel)
- Fees, licenses, or memberships provided to or for a member by employer
- Any bonus paid in addition to the compensation defined in (a) above
- Any ad hoc or one-time pay of any sort
- Longevity Incentive Pay
- Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member, and which was converted to and received by the member in the form of a cash payment.



OCERS Board Policy

Pensionable Compensation Policy

- Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment but is received by the member while employed.

(c) Definition of Normal Working Hours.

- Normal Working Hours are hours that (i) are required to be worked as part of the employee's regular duties; (ii)) ordinarily worked by all persons in the same grade or class of positions during the period in question, and at the same rate of pay, as that of the employee; and (iii) are not and cannot be served voluntarily by the employee. "Ordinarily worked" does not include time served on a temporary or emergency basis. Moreover, a single employee shall not constitute a grade or class.

7. **Publicly Available Pay Schedule.** In accordance with Section 7522.34, OCERS will exclude from Pensionable Compensation any pay code or item of compensation that is not included in a Publicly Available Pay Schedule. Publicly Available Pay Schedule means a document or documents that reflect the amount or category of pay and that meets all of the following requirements:

- (a) Has been duly approved and adopted by the employer's governing body in accordance with the requirements of applicable public meetings laws;
- (b) Identifies the position title for every employee position;
- (c) Shows the pay rate for each identified position, which may be stated as a single amount or as multiple amounts within a range;
- (d) Is posted on the employer's internet website. If not on the website, it will be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours; and
- (e) Does not reference a document which is not available in accordance with (d), above, in lieu of disclosing the pay rate.

The requirement for a Publicly Available Pay Schedule can be met by posting on the employer's website the applicable labor memoranda of understanding, compensation resolutions, or ordinances, and all salary schedules or matrices, so long as, taken together, the documents contain all required information. The employer need not create a new document to comply with this requirement.

If an employer fails to meet the requirements of Paragraph 6(a) above, the Board, in its sole discretion, may determine an amount that will be considered to be the applicable pay rate, taking into consideration all information the Board deems relevant, including the following:

- (a) Documents approved by the employer's governing body in accordance with the requirements of public meetings laws and maintained by the employer;
- (b) The last pay rate listed on a conforming pay schedule with the same employer for the position at issue;
- (c) The last pay rate for the member listed on a conforming pay schedule with the same employer for a different position.



OCERS Board Policy Pensionable Compensation Policy

Policy Review

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

Policy History

9. The Board of Retirement adopted this policy on March 18, 2019, and this policy was amended on June 21, 2021, and [date].

Secretary's Certificate

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

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

Steve Delaney
Secretary of the Board

Date



Memorandum

DATE: November 20, 2025
TO: Members of the Governance Committee
FROM: David Kim, Assistant CEO, External Operations; Manuel Serpa, General Counsel
SUBJECT: TRIENNIAL REVIEW OF THE COMPENSATION EARNABLE POLICY

Recommendation

Approve and recommend that the Board adopt the revisions to the Compensation Earnable Policy.

Background/Discussion

The Board of Retirement has established a review schedule that requires the review of every charter and policy every three years. Under the board-approved review process, the Governance Committee will first review certain charters and policies before presentation to the Board for approval. The Board adopted the Compensation Earnable Policy on March 18, 2019, and most recently amended it on June 21, 2021.

Staff recommends minor edits to the policy that enhance clarity and readability while aligning more closely with statutory authorities. The revisions do not alter the substance of the policy; rather, they strive to make it more comprehensive and easier to understand.

The proposed revisions are set forth in underlined/strikeout text in the attached copy of the Policy. An unmarked version of the Policy is also attached for the Committee's ease of review.

Attachment

Submitted by:



DK-Approved

David Kim
Assistant CEO, External Operations

Submitted by:



MDS-Approved

Manuel D. Serpa
General Counsel



OCERS Board Policy

Compensation Earnable Policy

Purpose and Background

1. The purpose of this policy is to affirm OCERS' interpretation of the term Compensation Earnable as set forth in California Government Code section 31461 (Section 31461) and OCERS Board of Retirement Resolution 98-001 (Resolution 98-001).
2. Resolution 98-001 was adopted by the OCERS Board of Retirement (Board) on February 6, 1998, in order to implement the decision of the California Supreme Court (Supreme Court) in the case Ventura County Deputy Sheriffs' Association vs. Board of Retirement of Ventura County Employees Retirement Association (1997) 16 Cal.4th 483 (Ventura Decision). The Supreme Court in the Ventura Decision interpreted Section 31461 and the term Compensation Earnable and mandated a change in the method for calculating pension benefits for members and their beneficiaries by retirement systems governed by the County Employees Retirement Law of 1937 (CERL).
3. Resolution 98-001, among other things, reflects the Board's interpretation of the Ventura Decision as it applies to various types or categories of ~~specialty~~ specialty or premium pay received by OCERS members from their employers, and delineates those items of pay that are to be included in and those that are to be excluded from Compensation Earnable.
4. On May 4, 1998, Resolution 98-001 was amended by Board Resolution 98-009 in response to litigation brought by the County of Orange and others challenging the legality of Resolution 98-001. Resolution 98-009 deleted Sections 6, 8, and a portion of Section 9 of Resolution 98-001 related to the imposition of contributions in arrears stemming from the change in contribution rates that resulted from the implementation of Resolution 98-001. Additionally, on December 18, 2000, Resolution 98-001 was further amended by Resolution 00-003 to address the treatment of certain automobile allowances. For purposes of this policy, any reference to Resolution 98-001 will be as Resolution 98-001 was amended by Resolutions 98-009 and 00-003.
5. ~~OCERS~~ OCERS was a party to several litigation matters that arose subsequent to the Ventura Decision and adoption of Resolution 98-001. These cases were coordinated as class actions in San Francisco Superior Court with other litigation involving other county retirement systems involving the interpretation and implementation of the Ventura Decision (Coordinated Cases).
6. On November 1, 2002, the San Francisco Court entered a judgment (Judgment) approving a settlement agreement of the Coordinated Cases that, among other things, included an agreement that all parties would " . . . accept as final and binding the inclusions and exclusions from compensation, compensation earnable and final compensation . . . " as set forth in Resolution 98- 001.
7. In 2012, the California Legislature adopted AB 197 and the Public Employees Pension Reform Act of 2012 (PEPRA), ~~which among other things~~, effective January 1, 2013, AB 197 amended Section 31461 to add subdivision (b), which provided a list of ~~items of~~ compensation items that are expressly excluded from the statutory definition of Compensation Earnable. Among the items of compensation excluded from Compensation Earnable by subdivision (b) of Section 31461 are (1) compensation determined by the board to have been paid to enhance a member's retirement allowance, including compensation for a previously provided in-kind benefit paid in cash during the final average salary period, a one-time or ad hoc payment to the member not paid to other similarly situated members, and a payment solely made due to



OCERS Board Policy

Compensation Earnable Policy

termination of employment but received while member was still employed (except where payment does not exceed what is earned and payable in each 12 month period during the final average salary period), 2) payments for unused vacation, annual leave, ~~etc.~~, personal leave, sick leave, or compensatory time off, however denominated, in an amount that exceeds what is earned and payable in each 12-month period during the Final



OCERS Board Policy

Compensation Earnable Policy

7. Compensation Period, (3) payments for additional services rendered outside of normal working hours, ~~whether paid in a lump sum or otherwise~~, and (4) payments made at termination of employment, except those that do not exceed what is earned and payable in each 12-month period during the Final Compensation Period. ~~PEPRA also added a new term – Pensionable Compensation~~
8. ~~PEPRA also added a new term – Pensionable Compensation~~ to define the items of compensation that are permitted to be included in the calculation of the retirement allowances of OCERS members newly enrolled in the pension system on or after January 1, 2013. ~~OCERS members who were members, known as “PEPRA Members.” For PEPRA Members, refer to OCERS’ Pensionable Compensation Policy, which sets forth OCERS’ interpretation of the system prior to January 1, 2013 are referred to as Legacy members in this policy.~~ “Pensionable Compensation” as defined under Government Code § 7522.34 governing PEPRA Members’ pension benefit calculations.
9. OCERS members who were members of the system before January 1, 2013, are referred to as Legacy Members” and are governed by this Compensation Earnable Policy.
- ~~8.~~10. A number of lawsuits were filed shortly after PEPRA became effective. One of these lawsuits was appealed to the Supreme Court, and on July 30, 2020, resulted in a decision of the court upholding as constitutional AB 197 and PEPRA, including the amendments to Section 31461. applicable to Legacy Members. (Alameda County Deputy Sheriff’s Association v. Alameda County Employees’ Retirement Association 9 Cal.5th ~~1032~~ 5th 1032; the Alameda Decision.) The Board has amended Paragraph 10 below to reflect the holding of the Supreme Court in the Alameda Decision.

Policy Objectives

- ~~9.~~11. The objectives of this policy are to ensure that OCERS fully complies with applicable law, including the Alameda Decision, when calculating Compensation Earnable and Legacy ~~members’~~ Members’ retirement benefits, and to reaffirm the continued applicability of Resolution 98-001 as upheld by the Judgment in the Coordinated Cases.

Policy Guidelines

- ~~10.~~12. **Compensation Earnable.** Compensation Earnable for Legacy ~~members~~ Members will be calculated by OCERS in accordance with the following guidelines.

(a) Pay Items Included in Compensation Earnable.¹

In accordance with Resolution 98-001 and subdivisions (a) and (b) of Section 31461, remuneration that is (i) earned and receivable in cash (under the applicable MOU) by the retiring employee, (ii) during the final compensation period (as defined by Sections 31462 and 31482.1 of the Government Code; hereafter Final Compensation Period), and (iii) for services

¹ A list of pay items by employer can be found at the following link: <https://www.ocers.org/find-your-employer>



OCERS Board Policy

Compensation Earnable Policy

performed during Normal Working Hours (defined below) will be included in Compensation Earnable, including but not limited to the following items of compensation, and others substantially similar to them:

- Base Salary and Wages
- Bilingual Premium Pay
- Educational Incentive ("POST") Pay
- Aircraft Rescue Firefighting
- Paramedic Pay
- Motorcycle Bonus
- Emergency Dispatch Pay
- Field Training Officer Bonus
- Shift Differential Pay
- Confined Space Pay
- Longevity Incentive
- Automobile Allowance, if paid in cash; and for members whose Final Compensation Period includes time before January 1, 2001, also to the extent that the automobile was provided for personal use and declared as income
- Uniform Allowance
- Uniform Maintenance Allowance
- Payoffs of Vacation, Sick and Holiday leave time to the extent it was (i) earned in each 12-month period of the Final Compensation Period (pro-rated on a monthly basis); (ii) not taken as time off; and (iii) permitted to be cashed-out during the Final Compensation Period (pro-rated on a monthly basis) under the applicable MOU, regardless of when actually paid or cashed out
- Employee Contributions to a Deferred Compensation Plan [already included in Base Wages and Salary, above]
- "Mandatory or Scheduled Overtime" (including pay items such as On-Call and Standby); provided that it is pay for services rendered during the ~~employee's~~ Normal Working Hours (defined below).
- Compensatory Time (excluding "True Overtime" as defined in Section ~~10~~12(b) below) in excess of minimum required reserve
- "Madera" Pay (see, Madera Police Officers Association v. City Of Madera 36 Cal.3d 403)
- Additional Compensation for Scheduled Meal Periods
- Flexible Benefits ("Cafeteria Plan") paid in cash to members retiring before January 1, 1991



OCERS Board Policy Compensation Earnable Policy

(b) Pay Items Excluded from Compensation Earnable.

In accordance with Resolution 98-001 and subdivisions (a) and (b) of Section 31461, remuneration or other value to the employee that (i) is neither earned nor payable in cash to the employee during the Final Compensation Period; and (ii) is not for services rendered during ~~the employee's~~ Normal Working Hours (defined below) will be excluded from Compensation Earnable, including but not limited to the following items, and others substantially similar to them:

- "True Overtime", including but not limited to On-Call, Standby and similar pay, for additional services rendered outside of Normal Working Hours (as defined below), whether paid in a lump sum or otherwise



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- Employer Contributions to a Deferred Compensation Plan
- Employer Contributions to the Retirement System
- Employer "pick up" of Employee Contributions to the Retirement System
- Payoffs or cash outs of Vacation and Sick Leave and Holiday Pay, to the extent neither earned nor permitted to be cashed out under the applicable MOU, during each 12-month period of the Final Compensation Period, regardless of when actually paid or cashed out
- Flexible Benefits ("Cafeteria Plan") provided in-kind
- Flexible Benefits ("Cafeteria Plan") paid in cash to members retiring on and after January 1, 1991
- Terminal ("Final") Pay, unless included in Compensation Earnable under Section ~~10~~12(a), above
- Expense Reimbursements
- In-Kind Advantages (e.g. food, lodging, board, laundry, fuel)
- Fees, Licenses, Memberships provided to the member by the employer
- Automobile Allowance, if the automobile is provided for personal use and the allowance is not paid in cash, whether or not declared as income, for members whose Final Compensation Periods **do not** include time before January 1, 2001.

(c) Definition of Normal Working Hours.

Normal Working Hours are hours that (i) are required to be worked as part of the employee's regular duties; (ii) ~~are~~ ordinarily worked ~~during the period in question~~ by all ~~other members~~persons in the same grade/~~or class/~~of positions during the period in question, and at the same rate of pay, as that of the employee; **and** (iii) are not and cannot be voluntarily worked by the employee. "Ordinarily worked" does not include time served on a temporary or emergency basis. Moreover, a single employee shall not constitute a grade or class.

(d) Calculation of Compensation Earnable.

The retiring employee's compensation will be "regularized" to what would have been received ~~had~~if the employee had been paid for a normal work schedule during the Final Compensation Period. OCERS Staff will ~~calculate~~determine Compensation Earnable (~~Earnable Salary~~) by ~~creating~~calculating a ~~fraction,~~ratio in which the numerator ~~of which~~ is the ~~amount of the~~ employee's qualifying compensation and the denominator ~~of which~~ is the actual number of ordinary work hours for which the employee was ~~actually~~ paid. Staff will then multiply ~~that fraction~~this ratio by the number of paid hours that are ordinarily required to be worked by all other members in the same grade/class as the retiring employee. The ~~result~~resulting amount will be the retiring employee's Compensation Earnable for the Final Compensation Period.



OCERS Board Policy Compensation Earnable Policy

Policy Review

~~11~~¹³. The Board of Retirement will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

Policy History

~~12~~¹⁴. The Board of Retirement adopted this policy on March 18, 2019, and this policy was amended by the Board on June 21, 2021, ~~and [date]~~.

Secretary's Certificate

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

A handwritten signature in black ink, which appears to be "Steve H. Day", is written over a solid red horizontal line.



OCERS Board Policy

Compensation Earnable Policy

Steve Delaney Secretary of the Board



~~OCERS Board Policy~~

~~Compensation Earnable Policy~~

~~06/21/2021~~

~~Date~~

Steve Delaney

Steve Delaney
Secretary of the Board

Date



OCERS Board Policy

Compensation Earnable Policy

Purpose and Background

1. The purpose of this policy is to affirm OCERS' interpretation of the term Compensation Earnable as set forth in California Government Code section 31461 (Section 31461) and OCERS Board of Retirement Resolution 98-001 (Resolution 98-001).
2. Resolution 98-001 was adopted by the OCERS Board of Retirement (Board) on February 6, 1998, in order to implement the decision of the California Supreme Court (Supreme Court) in the case Ventura County Deputy Sheriffs' Association vs. Board of Retirement of Ventura County Employees Retirement Association (1997) 16 Cal.4th 483 (Ventura Decision). The Supreme Court in the Ventura Decision interpreted Section 31461 and the term Compensation Earnable and mandated a change in the method for calculating pension benefits for members and their beneficiaries by retirement systems governed by the County Employees Retirement Law of 1937 (CERL).
3. Resolution 98-001, among other things, reflects the Board's interpretation of the Ventura Decision as it applies to various types or categories of specialty or premium pay received by OCERS members from their employers, and delineates those items of pay that are to be included in and those that are to be excluded from Compensation Earnable.
4. On May 4, 1998, Resolution 98-001 was amended by Board Resolution 98-009 in response to litigation brought by the County of Orange and others challenging the legality of Resolution 98-001. Resolution 98-009 deleted Sections 6, 8, and a portion of Section 9 of Resolution 98-001 related to the imposition of contributions in arrears stemming from the change in contribution rates that resulted from the implementation of Resolution 98-001. Additionally, on December 18, 2000, Resolution 98-001 was further amended by Resolution 00-003 to address the treatment of certain automobile allowances. For purposes of this policy, any reference to Resolution 98-001 will be as Resolution 98-001 was amended by Resolutions 98-009 and 00-003.
5. OCERS was a party to several litigation matters that arose subsequent to the Ventura Decision and adoption of Resolution 98-001. These cases were coordinated as class actions in San Francisco Superior Court with other litigation involving other county retirement systems involving the interpretation and implementation of the Ventura Decision (Coordinated Cases).
6. On November 1, 2002, the San Francisco Court entered a judgment (Judgment) approving a settlement agreement of the Coordinated Cases that, among other things, included an agreement that all parties would " . . . accept as final and binding the inclusions and exclusions from compensation, compensation earnable and final compensation . . . " as set forth in Resolution 98- 001.
7. In 2012, the California Legislature adopted AB 197 and the Public Employees Pension Reform Act of 2012 (PEPRA), effective January 1, 2013. AB 197 amended Section 31461 to add subdivision (b), which provided a list of compensation items that are expressly excluded from the statutory definition of Compensation Earnable. Among the items of compensation excluded from Compensation Earnable by subdivision (b) of Section 31461: are (1) compensation determined by the board to have been paid to enhance a member's retirement allowance, including compensation for a previously provided in-kind benefit paid in cash during the final average salary period, a one-time or ad hoc payment to the member not paid to other similarly situated members, and a payment solely made due to termination of employment but received while member was still employed (except where payment does not



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exceed what is earned and payable in each 12 month period during the final average salary period), 2) payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, in an amount that exceeds what is earned and payable in each 12-month period during the Final Compensation Period, (3) payments for additional services rendered outside of normal working hours, and (4) payments made at termination of employment, except those that do not exceed what is earned and payable in each 12-month period during the Final Compensation Period.

8. PEPPRA also added a new term – Pensionable Compensation– to define the items of compensation that are permitted to be included in the calculation of the retirement allowances of OCERS members newly enrolled in the pension system on or after January 1, 2013, known as “PEPPRA Members.” For PEPPRA Members, refer to OCERS’ Pensionable Compensation Policy, which sets forth OCERS’ interpretation of “Pensionable Compensation” as defined under Government Code § 7522.34 governing PEPPRA Members’ pension benefit calculations.
9. OCERS members who were members of the system before January 1, 2013, are referred to as Legacy Members” and are governed by this Compensation Earnable Policy.
10. A number of lawsuits were filed shortly after PEPPRA became effective. One of these lawsuits was appealed to the Supreme Court, and on July 30, 2020, resulted in a decision of the court upholding as constitutional AB 197 and PEPPRA, including the amendments to Section 31461 applicable to Legacy Members. (Alameda County Deputy Sheriff’s Association v. Alameda County Employees’ Retirement Association 9 Cal.5th 1032; the Alameda Decision.) The Board has amended Paragraph 10 below to reflect the holding of the Supreme Court in the Alameda Decision.

Policy Objectives

11. The objectives of this policy are to ensure that OCERS fully complies with applicable law, including the Alameda Decision, when calculating Compensation Earnable and Legacy Members’ retirement benefits, and to reaffirm the continued applicability of Resolution 98-001 as upheld by the Judgment in the Coordinated Cases.

Policy Guidelines

12. **Compensation Earnable.** Compensation Earnable for Legacy Members will be calculated by OCERS in accordance with the following guidelines.
 - (a) **Pay Items Included in Compensation Earnable.**¹

In accordance with Resolution 98-001 and subdivisions (a) and (b) of Section 31461, remuneration that is (i) earned and receivable in cash (under the applicable MOU) by the retiring employee, (ii) during the final compensation period (as defined by Sections 31462

¹ A list of pay items by employer can be found at the following link: <https://www.ocers.org/find-your-employer>



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and 31482.1 of the Government Code; hereafter Final Compensation Period), and (iii) for services performed during Normal Working Hours (defined below) will be included in Compensation Earnable, including but not limited to the following items of compensation, and others substantially similar to them:

- Base Salary and Wages
- Bilingual Premium Pay
- Educational Incentive ("POST") Pay
- Aircraft Rescue Firefighting
- Paramedic Pay
- Motorcycle Bonus
- Emergency Dispatch Pay
- Field Training Officer Bonus
- Shift Differential Pay
- Confined Space Pay
- Longevity Incentive
- Automobile Allowance, if paid in cash; and for members whose Final Compensation Period includes time before January 1, 2001, also to the extent that the automobile was provided for personal use and declared as income
- Uniform Allowance
- Uniform Maintenance Allowance
- Payoffs of Vacation, Sick and Holiday leave time to the extent it was (i) earned in each 12-month period of the Final Compensation Period (pro-rated on a monthly basis); (ii) not taken as time off; and (iii) permitted to be cashed-out during the Final Compensation Period (pro-rated on a monthly basis) under the applicable MOU, regardless of when actually paid or cashed out
- Employee Contributions to a Deferred Compensation Plan [already included in Base Wages and Salary, above]
- "Mandatory or Scheduled Overtime" (including pay items such as On-Call and Standby), provided that it is pay for services rendered during the Normal Working Hours (defined below).
- Compensatory Time (excluding "True Overtime" as defined in Section 12(b) below) in excess of minimum required reserve
- "Madera" Pay (see, Madera Police Officers Association v. City Of Madera 36 Cal.3d 403)
- Additional Compensation for Scheduled Meal Periods



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- Flexible Benefits ("Cafeteria Plan") paid in cash to members retiring before January 1, 1991

(b) Pay Items Excluded from Compensation Earnable.

In accordance with Resolution 98-001 and subdivisions (a) and (b) of Section 31461, remuneration or other value to the employee that (i) is neither earned nor payable in cash to the employee during the Final Compensation Period; and (ii) is not for services rendered during Normal Working Hours (defined below) will be excluded from Compensation Earnable, including but not limited to the following items, and others substantially similar to them:

- "True Overtime", including but not limited to On-Call, Standby and similar pay, for additional services rendered outside of Normal Working Hours (as defined below), whether paid in a lump sum or otherwise
- Employer Contributions to a Deferred Compensation Plan
- Employer Contributions to the Retirement System
- Employer "pick up" of Employee Contributions to the Retirement System
- Payoffs or cash outs of Vacation and Sick Leave and Holiday Pay, to the extent neither earned nor permitted to be cashed out under the applicable MOU, during each 12-month period of the Final Compensation Period, regardless of when actually paid or cashed out
- Flexible Benefits ("Cafeteria Plan") provided in-kind
- Flexible Benefits ("Cafeteria Plan") paid in cash to members retiring on and after January 1, 1991
- Terminal ("Final") Pay, unless included in Compensation Earnable under Section 12(a), above
- Expense Reimbursements
- In-Kind Advantages (e.g. food, lodging, board, laundry, fuel)
- Fees, Licenses, Memberships provided to the member by the employer
- Automobile Allowance, if the automobile is provided for personal use and the allowance is not paid in cash, whether or not declared as income, for members whose Final Compensation Periods **do not** include time before January 1, 2001.

(c) Definition of Normal Working Hours.

Normal Working Hours are hours that (i) are required to be worked as part of the employee's regular duties; (ii) ordinarily worked by all persons in the same grade or class of positions during the period in question, and at the same rate of pay, as that of the employee; **and** (iii) are not and cannot be voluntarily worked by the employee. "Ordinarily worked" does not include time served on a temporary or emergency basis. Moreover, a single employee shall not constitute a grade or class.

(d) Calculation of Compensation Earnable.

The retiring employee's compensation will be "regularized" to what would have been received if the employee had been paid for a normal work schedule during the Final Compensation Period.



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OCERS Staff will determine Compensation Earnable by calculating a ratio in which the numerator is the employee's qualifying compensation and the denominator is the actual number of ordinary work hours for which the employee was paid. Staff will then multiply this ratio by the number of paid hours that are ordinarily required to be worked by all other members in the same grade/class as the retiring employee. The resulting amount will be the retiring employee's Compensation Earnable for the Final Compensation Period.

Policy Review

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

Policy History

14. The Board of Retirement adopted this policy on March 18, 2019, and this policy was amended by the Board on June 21, 2021, and [date].

Secretary's Certificate

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

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

Steve Delaney
Secretary of the Board

Date



Memorandum

DATE: November 20, 2025
TO: Members of the Governance Committee
FROM: David Kim, Assistant CEO, External Operations; Manuel Serpa, General Counsel
SUBJECT: TRIENNIAL REVIEW OF THE WITHDRAWING EMPLOYER CONTINUING OBLIGATION POLICY

Recommendation

Approve and recommend that the Board adopt the revisions to the Withdrawing Employer Continuing Obligation Policy.

Background/Discussion

The Board of Retirement conducts a triennial review of all charters and policies. Under the Board-approved process, the Governance Committee reviews certain policies before they are presented to the full Board for approval. The Withdrawing Employer Continuing Obligation Policy (Policy) was adopted on February 17, 2015, and last revised on November 14, 2022.

Staff and OCERS' actuary, Segal Consulting, have reviewed the Policy and recommend two clarifying edits to improve precision in describing the timing and scope of actuarial calculations. The first edit, in paragraph 7, clarifies that, absent unique and compelling circumstances, the amortization schedule for payment of a withdrawing employer's initial funding obligation will not exceed the lesser of five years or the period over which OCERS' remaining unfunded liability is being amortized:

Absent unique and compelling circumstances, the amortization schedule for payment of the employer's initial funding obligation will not exceed **the lesser of** a period of five (5) years **or the period over which OCERS' remaining unfunded liability is being amortized.**

The second edit, in paragraph 10, clarifies that OCERS' actuary will periodically remeasure (true-up) and certify to the Board any additional unfunded actuarial accrued liability (UAAL) obligations of the withdrawing employer at intervals not exceeding three years, following updated experience analyses. This ensures consistency in how actuarial true-ups are performed using current assumptions and methodologies:

Periodically, after the date the employer initiated its withdrawal, in periods not to exceed three (3) years' duration, following an experience analysis, OCERS' actuary will remeasure (true-up) and certify to the Board any additional obligation of the withdrawing employer for UAAL **using then current actuarial assumptions and methodologies.**

Other non-substantive edits were made to correct typographical errors and improve readability. The proposed revisions are shown in underline/strikeout in the attached Policy, with a clean version provided for ease of review. Staff recommends that the Governance Committee review the proposed revisions and, if appropriate, recommend Board approval of the revised Policy.

Attachment

Submitted by:



DK-Approved

David Kim
Assistant CEO, External Operations

Submitted by:



MDS-Approved

Manuel D. Serpa
General Counsel



OCERS Board Policy

Withdrawing Employer (Continuing Obligation) Policy

Purpose and Background

From time to time, a participating OCERS employer ceases to provide OCERS' benefits to certain of its employees. *This Withdrawing Employer (Continuing Obligation) Policy* (Policy) is designed to assure that OCERS continues to collect from the employer all contributions necessary to fund all Unfunded Actuarial Accrued Liability (UAAL) attributable to the employer's active, retired, and deferred employees covered by OCERS' service. Consistent with applicable law and this Policy, OCERS will enter into a Withdrawing Employer ~~(Continuing Obligation)~~ Agreement (Continuing Obligation Agreement) with any such employer.

Policy Objectives

1. The objectives of this policy are, among other things, to ensure compliance with the County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended (CERL) and other applicable provisions of law:
 - a. Pursuant to CERL sections 31564.2, 31580.1, 31584, 31585, and other applicable provisions of law, an employer remains liable, and must make the required appropriations and transfers, to OCERS for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability, and related benefits from OCERS. This obligation continues after the employer withdraws any or all of its officers' and employees' service from the OCERS plan until the employer pays all UAAL attributable to its active, retired, and deferred officers and employees by reason of their prior service as OCERS' members.
 - b. CERL section 31564.2(d) provides, in part, that "[t]he funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency or the board of supervisors. Notwithstanding any other provision of the law, no contracting agency shall fail or refuse to pay the employer's contributions required by this chapter within the applicable time limitations. In dealing with a withdrawing district, the board of retirement shall take whatever action needed to ensure the actuarial soundness of the retirement system."
2. The general principle applied in this policy is to establish the funding obligation of withdrawing employers as:
 - a. The value of future benefits to be paid to OCERS members credited with service while employed with the withdrawing employer; *minus*
 - b. The OCERS assets accumulated from contributions of the withdrawing employer and its employees, as determined by OCERS' actuary, and earnings on such contributions.
3. It is the OCERS Board of Retirement's (Board) intent to allow a withdrawing employer to satisfy its funding obligation in a manner that provides the employer reasonable flexibility; however, primary consideration will be given to ensuring the funding obligation of the withdrawing employer is properly determined and satisfied. This will generally require redetermination of the funding obligation of the employer for several years following the date the employer initiates its withdrawal.



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Withdrawing Employer (Continuing Obligation) Policy

4. This policy covers *only* those withdrawing employers (i) who cease to provide OCERS membership for their active officers and/or employees (i.e., both current actives and new hires), (ii) who are financially viable entities when the withdrawal is initiated, and (iii) who are expected to continue in existence as financially viable entities. This policy does not cover any other situation – whether a withdrawing employer, a terminating employer or otherwise – including, without limitation, an employer that is going out of business by reason of bankruptcy, loss of funding, or merger, or an employer who gradually winds down its active officers’ and employees’ continued participation in OCERS either through attrition or through a decision to have officers and employees hired after a specific date to not become members of OCERS (e.g., to participate in a retirement arrangement other than OCERS).

Policy Guidelines

Absent unique and compelling circumstances or unless otherwise expressly approved by the Board at a duly-noticed meeting, the guidelines for implementing this policy are set forth below.

5. Upon notice that a participating employer seeks to terminate OCERS’ membership for its active employees’ future service, and on the advice and recommendation of its actuary, OCERS will segregate on its books all assets and liabilities attributable to the employer as determined by OCERS’ actuary, and will maintain such separate accounting for the employer until all of its liabilities have been fully satisfied.
6. OCERS and the withdrawing employer will enter into a Continuing ~~Contribution~~ Obligation Agreement, the purposes of which are to:
 - a. evidence the withdrawing employer’s obligations as of the date the employer initiates its withdrawal, as well as its continuing funding obligations for the ongoing benefits owed to its retired, deferred, and disabled officers and employees and their surviving beneficiaries, for their accumulated OCERS service and related benefits;
 - b. provide a funding mechanism acceptable to OCERS for the withdrawing employer to timely satisfy its existing and continuing funding obligations to OCERS, the payment of which must be over a period ~~which~~ that is not longer than the period over which OCERS’ remaining unfunded liability is being amortized (see CERL section 31564.2(c));
 - c. require the withdrawing employer to provide OCERS with updated employee census and payroll data requested by OCERS in the years following the date the employer initiates its withdrawal;
 - d. provide a mechanism for adjusting the withdrawing employer’s obligations and payments due to OCERS based on periodic actuarial experience analysis; and
 - e. provide a mechanism by which OCERS will consider the transfer of any Final Surplus, as defined below, to the withdrawing employer or a successor retirement system, as appropriate.
7. Pursuant to the terms of the Continuing ~~Contribution~~ Obligation Agreement, OCERS’ actuary will determine, and certify to the Board, the withdrawing employer’s initial funding obligation for its



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UAAL calculated as of the date of withdrawal. Absent unique and compelling circumstances, the amortization schedule for payment of the employer's initial funding obligation will not exceed the lesser of a period of five (5) years or the period over which OCERS' remaining unfunded liability is being amortized.

8. The initial value of the assets used to determine the withdrawing employer's initial funding obligation for its UAAL will be based on the valuation value of assets (VVA) (a smoothed value) allocated to the withdrawing employer determined as of the end of the prior calendar year, adjusted to the date the employer initiated its withdrawal (or later date if the Continuing ~~Contribution~~-Obligation Agreement so provides), based upon all of OCERS' then current actuarial assumptions and methodologies, including the use of a pro-rata allocation of UAAL (and VVA) within its rate groups (if any) based on payroll.

~~8.~~ Alternatively, based on recommendation of OCERS' actuary, the Board may determine VVA allocated to the withdrawing employer be determined using a pro-rata allocation based on the Actuarial Accrued Liabilities (AAL) for the withdrawing employer.

Later values (i.e., those used in "true-ups" described below) will be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the Total OCERS smoothed (VVA) earnings rate.

9. The present value of future benefits owed to the withdrawing employer's retired, deferred, and disabled officers and employees and their surviving beneficiaries (present value of accrued benefits, or "liabilities") will be determined using OCERS' then current actuarial assumptions and methodologies. In determining the present value of accrued benefits, benefit service will be frozen for the withdrawing employer's active employees, but, for members who transfer to a system that has reciprocity with OCERS, pay will be projected based on OCERS' then salary growth assumptions.
10. Periodically, after the date the employer initiated its withdrawal, in periods not to exceed three (3) years' duration, following an experience analysis, OCERS' actuary will remeasure (true-up), and certify to the Board, any additional obligation of the withdrawing employer for UAAL using then current actuarial assumptions and methodologies. In accordance with the terms of the Continuing ~~Obligation~~~~Contribution~~ Agreement and applicable law, the withdrawing employer is liable for, and must contribute, any new UAAL determined in the true-up experience analysis, based upon an amortization schedule recommended by the actuary and adopted by OCERS.

Absent unique and compelling circumstances, the amortization schedule for payment of the employer's periodic true-up funding obligations will not exceed a period of three (3) years. OCERS will hold any negative UAAL (Surplus) to be applied against any future UAAL of the withdrawing employer.

11. If any surplus remains after the withdrawing employer has satisfied *all* of its UAAL obligations (Final Surplus), OCERS will distribute the Final Surplus in accordance with the terms of the Continuing ~~Contribution~~-Obligation Agreement and applicable law.
12. Notwithstanding anything to the contrary herein, the OCERS Board reserves the right to pursue any other remedies under applicable law that, depending on the circumstances, may be available to



OCERS Board Policy

Withdrawing Employer (Continuing Obligation) Policy

“ensure the actuarial soundness of the retirement system” (CERL section 31564.2(d)). For example, notwithstanding the employer’s obligations under the Continuing ~~Contribution~~-Obligation Agreement, if concerns arise regarding the employer’s ongoing existence as a financially viable entity, or if the employer’s funding obligations become so small that the Board, in its sole discretion, determines it is not administratively feasible to continue to accept ongoing payments from the employer, the Board may assess the projected full amount of the employer’s UAAL (as recommended by the fund’s actuary and approved by the Board) using a “risk free” discount rate as determined by OCERS in consultation with its actuary, and require an immediate lump sum payment.

A “risk free” discount rate for purposes of this policy generally refers to the set of market-based interest assumptions used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer that is terminating its single-employer defined benefit pension plan. These PBGC rates are generally lower than the expected earnings-based discount rate used in OCERS’ actuarial valuation.

Policy Review

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

Policy History

14. The Board adopted this policy on February 17, 2015, and revised it on December 16, 2019, ~~and~~ November 14, 2022, and on [date].

Secretary’s Certificate

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

Steve Delaney
Secretary of the Board

11/14/22

Date



OCERS Board Policy

Withdrawing Employer (Continuing Obligation) Policy

Purpose and Background

From time to time, a participating OCERS employer ceases to provide OCERS' benefits to certain of its employees. *This Withdrawing Employer (Continuing Obligation) Policy* (Policy) is designed to assure that OCERS continues to collect from the employer all contributions necessary to fund all Unfunded Actuarial Accrued Liability (UAAL) attributable to the employer's active, retired, and deferred employees covered by OCERS' service. Consistent with applicable law and this Policy, OCERS will enter into a Withdrawing Employer Continuing Obligation Agreement (Continuing Obligation Agreement) with any such employer.

Policy Objectives

1. The objectives of this policy are, among other things, to ensure compliance with the County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended (CERL) and other applicable provisions of law:
 - a. Pursuant to CERL sections 31564.2, 31580.1, 31584, 31585, and other applicable provisions of law, an employer remains liable and must make the required appropriations and transfers to OCERS for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability, and related benefits from OCERS. This obligation continues after the employer withdraws any or all of its officers' and employees' service from the OCERS plan until the employer pays all UAAL attributable to its active, retired, and deferred officers and employees by reason of their prior service as OCERS members.
 - b. CERL section 31564.2(d) provides, in part, that "[t]he funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency or the board of supervisors. Notwithstanding any other provision of the law, no contracting agency shall fail or refuse to pay the employer's contributions required by this chapter within the applicable time limitations. In dealing with a withdrawing district, the board of retirement shall take whatever action needed to ensure the actuarial soundness of the retirement system."
2. The general principle applied in this policy is to establish the funding obligation of withdrawing employers as:
 - a. The value of future benefits to be paid to OCERS members credited with service while employed with the withdrawing employer; *minus*
 - b. The OCERS assets accumulated from contributions of the withdrawing employer and its employees, as determined by OCERS' actuary, and earnings on such contributions.
3. It is the OCERS Board of Retirement's (Board) intent to allow a withdrawing employer to satisfy its funding obligation in a manner that provides the employer reasonable flexibility; however, primary consideration will be given to ensuring the funding obligation of the withdrawing employer is properly determined and satisfied. This will generally require redetermination of the funding obligation of the employer for several years following the date the employer initiates its withdrawal.



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Withdrawing Employer (Continuing Obligation) Policy

4. This policy covers *only* those withdrawing employers (i) who cease to provide OCERS membership for their active officers and/or employees (i.e., both current actives and new hires), (ii) who are financially viable entities when the withdrawal is initiated, and (iii) who are expected to continue in existence as financially viable entities. This policy does not cover any other situation – whether a withdrawing employer, a terminating employer or otherwise – including, without limitation, an employer that is going out of business by reason of bankruptcy, loss of funding, or merger, or an employer who gradually winds down its active officers’ and employees’ continued participation in OCERS either through attrition or through a decision to have officers and employees hired after a specific date to not become members of OCERS (e.g., to participate in a retirement arrangement other than OCERS).

Policy Guidelines

Absent unique and compelling circumstances or unless otherwise expressly approved by the Board at a duly-noticed meeting, the guidelines for implementing this policy are set forth below.

5. Upon notice that a participating employer seeks to terminate OCERS’ membership for its active employees’ future service, and on the advice and recommendation of its actuary, OCERS will segregate on its books all assets and liabilities attributable to the employer as determined by OCERS’ actuary, and will maintain such separate accounting for the employer until all of its liabilities have been fully satisfied.
6. OCERS and the withdrawing employer will enter into a Continuing Obligation Agreement, the purposes of which are to:
 - a. evidence the withdrawing employer’s obligations as of the date the employer initiates its withdrawal, as well as its continuing funding obligations for the ongoing benefits owed to its retired, deferred, and disabled officers and employees and their surviving beneficiaries, for their accumulated OCERS service and related benefits;
 - b. provide a funding mechanism acceptable to OCERS for the withdrawing employer to timely satisfy its existing and continuing funding obligations to OCERS, the payment of which must be over a period that is not longer than the period over which OCERS’ remaining unfunded liability is being amortized (see CERL section 31564.2(c));
 - c. require the withdrawing employer to provide OCERS with updated employee census and payroll data requested by OCERS in the years following the date the employer initiates its withdrawal;
 - d. provide a mechanism for adjusting the withdrawing employer’s obligations and payments due to OCERS based on periodic actuarial experience analysis; and
 - e. provide a mechanism by which OCERS will consider the transfer of any Final Surplus, as defined below, to the withdrawing employer or a successor retirement system, as appropriate.
7. Pursuant to the terms of the Continuing Obligation Agreement, OCERS’ actuary will determine, and certify to the Board, the withdrawing employer’s initial funding obligation for its UAAL calculated as



OCERS Board Policy

Withdrawing Employer (Continuing Obligation) Policy

of the date of withdrawal. Absent unique and compelling circumstances, the amortization schedule for payment of the employer's initial funding obligation will not exceed the lesser of a period of five (5) years or the period over which OCERS' remaining unfunded liability is being amortized.

8. The initial value of the assets used to determine the withdrawing employer's initial funding obligation for its UAAL will be based on the valuation value of assets (VVA) (a smoothed value) allocated to the withdrawing employer determined as of the end of the prior calendar year, adjusted to the date the employer initiated its withdrawal (or later date if the Continuing Obligation Agreement so provides), based upon all of OCERS' then current actuarial assumptions and methodologies, including the use of a pro-rata allocation of UAAL (and VVA) within its rate groups (if any) based on payroll.

Alternatively, based on recommendation of OCERS' actuary, the Board may determine VVA allocated to the withdrawing employer be determined using a pro-rata allocation based on the Actuarial Accrued Liabilities (AAL) for the withdrawing employer.

Later values (i.e., those used in "true-ups" described below) will be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the Total OCERS smoothed (VVA) earnings rate.

9. The present value of future benefits owed to the withdrawing employer's retired, deferred, and disabled officers and employees and their surviving beneficiaries (present value of accrued benefits, or "liabilities") will be determined using OCERS' then current actuarial assumptions and methodologies. In determining the present value of accrued benefits, benefit service will be frozen for the withdrawing employer's active employees, but for members who transfer to a system that has reciprocity with OCERS, pay will be projected based on OCERS' then salary growth assumptions.
10. Periodically, after the date the employer initiated its withdrawal, in periods not to exceed three (3) years' duration, following an experience analysis, OCERS' actuary will remeasure (true-up) and certify to the Board any additional obligation of the withdrawing employer for UAAL using then current actuarial assumptions and methodologies. In accordance with the terms of the Continuing Obligation Agreement and applicable law, the withdrawing employer is liable for, and must contribute, any new UAAL determined in the true-up experience analysis, based upon an amortization schedule recommended by the actuary and adopted by OCERS.

Absent unique and compelling circumstances, the amortization schedule for payment of the employer's periodic true-up funding obligations will not exceed a period of three (3) years. OCERS will hold any negative UAAL (Surplus) to be applied against any future UAAL of the withdrawing employer.

11. If any surplus remains after the withdrawing employer has satisfied *all* of its UAAL obligations (Final Surplus), OCERS will distribute the Final Surplus in accordance with the terms of the Continuing Obligation Agreement and applicable law.
12. Notwithstanding anything to the contrary herein, the OCERS Board reserves the right to pursue any other remedies under applicable law that, depending on the circumstances, may be available to "ensure the actuarial soundness of the retirement system" (CERL section 31564.2(d)). For example,



OCERS Board Policy Withdrawing Employer (Continuing Obligation) Policy

notwithstanding the employer's obligations under the Continuing Obligation Agreement, if concerns arise regarding the employer's ongoing existence as a financially viable entity, or if the employer's funding obligations become so small that the Board, in its sole discretion, determines it is not administratively feasible to continue to accept ongoing payments from the employer, the Board may assess the projected full amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board) using a "risk free" discount rate as determined by OCERS in consultation with its actuary, and require an immediate lump sum payment.

A "risk free" discount rate for purposes of this policy generally refers to the set of market-based interest assumptions used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer that is terminating its single-employer defined benefit pension plan. These PBGC rates are generally lower than the expected earnings-based discount rate used in OCERS' actuarial valuation.

Policy Review

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

Policy History

14. The Board adopted this policy on February 17, 2015, and revised it on December 16, 2019, November 14, 2022, and on [date].

Secretary's Certificate

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

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

Steve Delaney
Secretary of the Board

Date



Memorandum

DATE: November 20, 2025
TO: Members of the Governance Committee
FROM: David Kim, Assistant CEO, External Operations; Manuel Serpa, General Counsel
SUBJECT: TRIENNIAL REVIEW OF THE WITHDRAWING EMPLOYER FULLY SATISFIED OBLIGATION POLICY

Recommendation

Approve and recommend that the Board adopt the Withdrawing Employer (Fully Satisfied Obligation) Policy without revision.

Background/Discussion

The Board of Retirement conducts a triennial review of all charters and policies. Under the Board-approved process, the Governance Committee reviews certain policies before they are presented to the full Board for approval. The Board adopted the Withdrawing Employer (Fully Satisfied Obligation) Policy on December 16, 2019, and it was last reviewed and revised on November 14, 2022.

Staff, as well as our actuary, Segal Consulting, have reviewed the Policy, and no changes are recommended.

A copy of the Policy is attached for the Committee's review.

Attachment

Submitted by:



DK-Approved

David Kim
Assistant CEO, External Operations

Submitted by:



MDS-Approved

Manuel D. Serpa
General Counsel



OCERS Board Policy

Withdrawing Employer (Fully Satisfied Obligation) Policy

Purpose and Background

The purpose of this policy is to establish guidelines by which a participating employer (other than the County of Orange) in the Orange County Employees Retirement System (OCERS) may withdraw from OCERS and fully satisfy at the time of such withdrawal the employer's obligation to pay all Unfunded Actuarial Accrued Liability (UAAL) attributable to the employer's active, retired, and deferred employees by reason of their prior service as OCERS' members.

Policy Objectives

1. The objectives of this policy are, among other things, to ensure compliance with the County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended (CERL) and other applicable provisions of law:
 - a. Pursuant to CERL sections 31564.2, 31580.1, 31584, 31585, and other applicable provisions of law, an employer remains liable and must make the required appropriations and transfers to OCERS for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability, and related benefits from OCERS.
 - b. CERL section 31564.2(d) provides, in part, that "[t]he funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency or the board of supervisors. Notwithstanding any other provision of the law, no contracting agency shall fail or refuse to pay the employer's contributions required by this chapter within the applicable time limitations. In dealing with a withdrawing district, the board of retirement shall take whatever action needed to ensure the actuarial soundness of the retirement system."
2. The general principle applied in this policy is to establish the funding obligation of withdrawing employers as:
 - a. The value of future benefits to be paid to OCERS members credited with service while employed with the withdrawing employer calculated at a "risk free" discount rate as determined by OCERS in consultation with its actuary, as of the date the employer initiated its withdrawal; *minus*
 - b. The OCERS assets accumulated from contributions of the withdrawing employer and its employees, as determined by OCERS' actuary, and earnings on such contributions determined on a market value basis.

A "risk free" discount rate for purposes of this policy generally refers to the set of market-based interest assumptions used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer that is terminating its single-employer defined benefit pension plan. These PBGC rates are generally lower than the expected earnings-based discount rate used in OCERS' actuarial valuation.



OCERS Board Policy

Withdrawing Employer (Fully Satisfied Obligation) Policy

3. Where it is the Board of Retirement's (Board) intent that the employer settle its liabilities to OCERS in full upon the employer's withdrawal (or it is the employer's desire to do so), this policy provides the guidelines to do so.
4. This policy necessarily covers any withdrawing employers that are going out of business, dissolving, or ceasing to exist as a separate entity by reason of bankruptcy, loss of funding, or merger, or similar circumstance. This policy may also be applied to other going concern employers if mutually agreed upon by OCERS and such employers.

Policy Guidelines

Absent unique and compelling circumstances or unless otherwise expressly approved by the Board at a duly-noticed meeting, the guidelines for implementing this policy are set forth below.

5. Upon notice that a participating employer seeks to terminate its membership in OCERS and to fully settle its liabilities to OCERS upon withdrawal, and on the advice and recommendation of its actuary, OCERS will segregate on its books all assets and liabilities attributable to the employer as determined by OCERS' actuary.
6. OCERS' actuary will determine, and certify to the Board, the withdrawing employer's UAAL calculated as of the date of withdrawal.
7. The value of the assets used to determine the withdrawing employer's UAAL will be based on a market value basis allocated to the withdrawing employer determined as of the end of the prior calendar year, adjusted to the date the employer initiates its withdrawal.

The value of assets will be determined in two steps. In the first step, the assets will be allocated on a valuation value of assets (VVA) (a smoothed value) basis. In the second step, the assets as determined on the VVA basis are marked to a market value basis, taking into account any deferred investment gains/losses not yet recognized in the valuation value of assets.

The value of the assets used in the first step to determine the withdrawing employer's initial funding obligation for its UAAL will be based on the VVA allocated to the withdrawing employer determined as of the end of the prior calendar year, adjusted to the date the employer initiated its withdrawal based upon all of OCERS' then current actuarial assumptions and methodologies, including the use of a pro-rata allocation of UAAL (and VVA) within its rate group (if any) based on payroll.

Alternatively, based on the recommendation of OCERS' actuary, the Board may determine that the VVA allocated to the withdrawing employer be determined using a pro-rata allocation based on the Actuarial Accrued Liabilities (AAL) for the withdrawing employer.

8. The present value of future benefits owed to the withdrawing employer's active, retired, deferred and disabled officers and employees and their surviving beneficiaries (present value of accrued benefits, or "liabilities") will be redetermined on a market value basis by using a "risk free" discount rate as described above, together with modifications to other actuarial assumptions as appropriate



OCERS Board Policy Withdrawing Employer (Fully Satisfied Obligation) Policy

- for a settlement of liabilities as recommended by OCERS' actuary. Such assumptions could include, for example, mortality tables, salary increases, and expected dates of retirement.
9. The withdrawing employer will pay the full amount of the UAAL calculated in accordance with this policy on or before the date set by OCERS as a condition to withdrawal from OCERS.

Policy Review

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

Policy History

11. The Board adopted this policy on December 16, 2019, and it was revised on November 14, 2022, and [date].

Secretary's Certificate

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

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

Steve Delaney
Secretary of the Board

Date



OCERS Board Policy

Withdrawing Employer (Fully Satisfied Obligation) Policy

Purpose and Background

The purpose of this policy is to establish guidelines by which a participating employer (other than the County of Orange) in the Orange County Employees Retirement System (OCERS) may withdraw from OCERS and fully satisfy at the time of such withdrawal the employer's obligation to pay all Unfunded Actuarial Accrued Liability (UAAL) attributable to the employer's active, retired, and deferred employees by reason of their prior service as OCERS' members.

Policy Objectives

1. The objectives of this policy are, among other things, to ensure compliance with the County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended (CERL) and other applicable provisions of law:
 - a. Pursuant to CERL sections 31564.2, 31580.1, 31584, 31585, and other applicable provisions of law, an employer remains liable and must make the required appropriations and transfers to OCERS for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability, and related benefits from OCERS.
 - b. CERL section 31564.2(d) provides, in part, that "[t]he funding of the retirement benefits for the employees of a withdrawing agency is solely the responsibility of the withdrawing agency or the board of supervisors. Notwithstanding any other provision of the law, no contracting agency shall fail or refuse to pay the employer's contributions required by this chapter within the applicable time limitations. In dealing with a withdrawing district, the board of retirement shall take whatever action needed to ensure the actuarial soundness of the retirement system."
2. The general principle applied in this policy is to establish the funding obligation of withdrawing employers as:
 - a. The value of future benefits to be paid to OCERS members credited with service while employed with the withdrawing employer calculated at a "risk free" discount rate as determined by OCERS in consultation with its actuary, as of the date the employer initiated its withdrawal; *minus*
 - b. The OCERS assets accumulated from contributions of the withdrawing employer and its employees, as determined by OCERS' actuary, and earnings on such contributions determined on a market value basis.

A "risk free" discount rate for purposes of this policy generally refers to the set of market-based interest assumptions used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer that is terminating its single-employer defined benefit pension plan. These PBGC rates are generally lower than the expected earnings-based discount rate used in OCERS' actuarial valuation.



OCERS Board Policy

Withdrawing Employer (Fully Satisfied Obligation) Policy

3. Where it is the Board of Retirement's (Board) intent that the employer settle its liabilities to OCERS in full upon the employer's withdrawal (or it is the employer's desire to do so), this policy provides the guidelines to do so.
4. This policy necessarily covers any withdrawing employers that are going out of business, dissolving, or ceasing to exist as a separate entity by reason of bankruptcy, loss of funding, or merger, or similar circumstance. This policy may also be applied to other going concern employers if mutually agreed upon by OCERS and such employers.

Policy Guidelines

Absent unique and compelling circumstances or unless otherwise expressly approved by the Board at a duly-noticed meeting, the guidelines for implementing this policy are set forth below.

5. Upon notice that a participating employer seeks to terminate its membership in OCERS and to fully settle its liabilities to OCERS upon withdrawal, and on the advice and recommendation of its actuary, OCERS will segregate on its books all assets and liabilities attributable to the employer as determined by OCERS' actuary.
6. OCERS' actuary will determine, and certify to the Board, the withdrawing employer's UAAL calculated as of the date of withdrawal.
7. The value of the assets used to determine the withdrawing employer's UAAL will be based on a market value basis allocated to the withdrawing employer determined as of the end of the prior calendar year, adjusted to the date the employer initiates its withdrawal.

The value of assets will be determined in two steps. In the first step, the assets will be allocated on a valuation value of assets (VVA) (a smoothed value) basis. In the second step, the assets as determined on the VVA basis are marked to a market value basis, taking into account any deferred investment gains/losses not yet recognized in the valuation value of assets.

The value of the assets used in the first step to determine the withdrawing employer's initial funding obligation for its UAAL will be based on the VVA allocated to the withdrawing employer determined as of the end of the prior calendar year, adjusted to the date the employer initiated its withdrawal based upon all of OCERS' then current actuarial assumptions and methodologies, including the use of a pro-rata allocation of UAAL (and VVA) within its rate group (if any) based on payroll.

Alternatively, based on the recommendation of OCERS' actuary, the Board may determine that the VVA allocated to the withdrawing employer be determined using a pro-rata allocation based on the Actuarial Accrued Liabilities (AAL) for the withdrawing employer.

8. The present value of future benefits owed to the withdrawing employer's active, retired, deferred and disabled officers and employees and their surviving beneficiaries (present value of accrued benefits, or "liabilities") will be redetermined on a market value basis by using a "risk free" discount rate as described above, together with modifications to other actuarial assumptions as appropriate



OCERS Board Policy Withdrawing Employer (Fully Satisfied Obligation) Policy

- for a settlement of liabilities as recommended by OCERS' actuary. Such assumptions could include, for example, mortality tables, salary increases, and expected dates of retirement.
9. The withdrawing employer will pay the full amount of the UAAL calculated in accordance with this policy on or before the date set by OCERS as a condition to withdrawal from OCERS.

Policy Review

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

Policy History

11. The Board adopted this policy on December 16, 2019, and it was revised on November 14, 2022, and [date].

Secretary's Certificate

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

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

Steve Delaney
Secretary of the Board

Date



Memorandum

DATE: November 20, 2025
TO: Members of the Governance Committee
FROM: David Kim, Assistant CEO, External Operations; Manuel Serpa, General Counsel
SUBJECT: TRIENNIAL REVIEW OF THE DECLINING EMPLOYER PAYROLL POLICY

Recommendation

Approve and recommend that the Board adopt the Declining Employer Payroll Policy without revision.

Background/Discussion

The Board of Retirement conducts a triennial review of all charters and policies. Under the Board-approved process, the Governance Committee reviews certain policies before they are presented to the full Board for approval. The Board adopted the Declining Employer Payroll Policy on June 15, 2015, and it was last reviewed and revised on November 14, 2022.

Staff, as well as our actuary, Segal Consulting, have reviewed the Policy, and no changes are recommended.

A copy of the Policy is attached for the Committee's review.

Attachment

Submitted by:



DK-Approved

David Kim
Assistant CEO, External Operations

Submitted by:



MDS-Approved

Manuel D. Serpa
General Counsel



OCERS Board Policy

Declining Employer Payroll Policy

Purpose and Background

1. A participating employer in the Orange County Employees Retirement System (OCERS or the System) may experience an actual or expected material decline in the payroll attributable to its OCERS' active members (OCERS-covered payroll). This Declining Employer Payroll Policy (Policy) is intended to establish guidelines to ensure that such an employer will continue to satisfy its obligation to timely pay all unfunded actuarial accrued liability (UAAL) attributable to the employer's active, retired, and deferred employees and their beneficiaries by reason of their prior and future service as OCERS members.

Background and Objectives

2. As a general rule, employers' contribution obligations for UAAL are determined by applying a contribution rate determined by OCERS' actuary to the employer's OCERS-covered payroll (the percentage-of-payroll methodology). For employers whose payrolls are generally consistent with OCERS' actuarial assumptions regarding payroll growth, the percentage-of-payroll methodology is appropriate. However, for employers whose OCERS-covered payroll is declining or is expected to decline materially over time, the OCERS Board of Retirement (Board) has determined that the percentage-of-payroll methodology is not the appropriate method of collecting employer contributions owed to the System. The objectives of this Policy are to (i) to ensure equitable and adequate funding of UAAL in cases involving employers with declining payrolls, (ii) approve procedures for identifying employers who should be subject to this Policy, and (iii) approve a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL. This Policy does *not* change the methodology regarding how contributions for "normal cost" are determined for participating employers.
3. Generally, the objectives of this Policy are also to ensure compliance with the County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended, and other applicable provisions of law. Pursuant to Gov't. Code sections 31453, 31453.5, 31581, 31582, 31584, 31585, 31586, and other applicable provisions of law, a participating employer remains liable, and must make the required appropriations and transfers, to OCERS for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability, and related benefits from OCERS. This obligation continues after the employer no longer has active employees or payroll and until the employer has paid all UAAL attributable to the employer's active, retired, and deferred employees and their beneficiaries by reason of their prior and future service as OCERS' members.
4. It is the Board's intent to allow an employer covered by this Policy to satisfy its funding obligation in a manner that provides the employer reasonable flexibility; however, primary consideration will be given to ensuring the adequacy of the assets attributable to the employer to satisfy the employer's funding obligations. This will generally require redetermination of the funding obligations of the employer for several years.



OCERS Board Policy

Declining Employer Payroll Policy

Policy Procedures and Guidelines

Absent unique and compelling circumstances or unless otherwise expressly approved by the Board at a duly-noticed public meeting, the procedures and guidelines for implementing this Policy are set forth below.

Commencement of Coverage – Triggering Events

5. This Policy covers only those employers for whom the Board determines, based on a recommendation from OCERS' Chief Executive Officer (CEO), that a *triggering event* as described in this section 5 has occurred, *and* who are not excluded from coverage under this Policy as described in sections 6 and 7 below.
 - a. *Triggering event resulting from ceasing to enroll new hires.* Some OCERS' participating employers cease to enroll new hires with OCERS but, for a period of time, continue to have at least some previously-enrolled employees maintaining their status as active OCERS members. These employers' OCERS-covered payroll will eventually diminish to zero as their active employees retire or otherwise terminate employment. Examples of employers in this category may include an employer that is acquired by another entity that is not an OCERS participating employer, or an OCERS employer that is taken over by a state agency whose employees are covered by another pension system, such as CalPERS. There may be other examples as well.
 - b. *Triggering event resulting from a material and expected long-lasting reduction in OCERS-covered payroll.* Some employers may experience a material reduction in their OCERS-covered payroll, but continue to enroll their new hires with OCERS. The reduction may be sudden (e.g., due to a discrete event such as a partial loss of funding or partial outsourcing), or it may be more gradual, over a period of years, and might not be tied to a discrete event. Generally, the Board would determine that this type of triggering event has occurred only if the Board expects that the reduction in employer's OCERS-covered payroll is expected to be permanent, long-lasting or for an indefinite period of time that is greater than a cycle that the employer may typically experience, or a cycle similarly experienced by the other employers, if any, in the same OCERS' rate group. Generally, by its nature, the determination whether this type of triggering event has occurred is more subjective than that described in section 5.a. above.

Exclusions from Coverage; Terminations of Coverage

6. This Policy covers *only* those employers (i) who are financially-viable entities when a triggering event occurs, *and* (ii) whom OCERS expects to continue indefinitely thereafter to be financially-viable entities. This Policy does not cover any other situation, including, without limitation, an employer going out of business by reason of dissolution, loss of funding, consolidation, or merger (unless there is a surviving financially viable entity that is acceptable to the Board that will make the ongoing payments under the Policy). This Policy also does not cover a "withdrawing employer" who ceases to provide OCERS membership for *all* of the employer's active OCERS members (i.e., as of a date certain, withdraws both new hires and existing actives from membership with OCERS).
7. The Board recognizes that participating employers covered by this Policy will have UAAL funding obligations for several years. If concerns arise during that period of time regarding the employer's



OCERS Board Policy

Declining Employer Payroll Policy

ongoing existence as a financially-viable entity, or if the employer's funding obligations become so small that the Board, in its sole discretion, determines it is not administratively feasible to continue to apply this Policy to said employer, the Board may remove the employer from coverage under this Policy and/or take any other measures that may be available to ensure the actuarial soundness of the retirement system or that are administratively convenient and reasonable, including, without limitation, assessing the projected full amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board), applying a "risk free" discount rate as determined by OCERS in consultation with its actuary, and requiring an immediate lump sum payment.

A "risk free" discount rate for purposes of this Policy generally refers to the set of market-based interest assumptions used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer that is terminating its single-employer defined benefit pension plan. These PBGC rates are generally lower than the expected earnings-based discount rate used in OCERS' actuarial valuation.

Procedures

8. The CEO will work with OCERS' staff, service providers (e.g., the actuary), and participating employers to obtain the information (e.g., OCERS-covered payroll history, financial reports) needed for the Board to make determinations regarding triggering events and exclusions from, or terminations of, coverage.
9. Upon a recommendation from the CEO and notice to the affected participating employer, the Board will make a determination at a duly-noticed public meeting regarding (i) whether a triggering event has occurred for the employer, (ii) whether the employer is expressly excluded from coverage under this Policy and if not, whether unique and compelling circumstances exist such that the Board should not apply the Policy to the employer, and (iii) for those employers that the Board has previously determined to be covered under the Policy, whether their coverage should be terminated under section 7 above. Employers may be required to provide OCERS with updated employee census, payroll data, and financial reports. See Gov't. Code section 31543.

Procedures When Board Determines this Policy Should Apply

10. If the Board determines that (i) a triggering event has occurred, (ii) the employer is not expressly excluded from coverage under the Policy, and (iii) unique and compelling circumstances do not exist then, solely for purposes of determining the covered employer's UAAL contribution obligation, the employer will be removed from its rate group (if any); OCERS will segregate on its books all assets and liabilities attributable to the employer based upon the recommendation of OCERS' actuary; and OCERS shall maintain such separate accounting for the employer until all of the employer's obligations to OCERS as determined under sections 11, 12, and 13 below have been fully satisfied.
11. OCERS' actuary will determine, and certify to the Board, the covered employer's funding obligation for its initial UAAL, which obligation shall not be pro-rata based on payroll, but rather based on the employer's actuarial accrued liability (AAL), including inactives. The Board may determine to require the employer's contributions to be paid in level, fixed-dollar amounts over a period to be determined in the Board's sole discretion, which in no event may exceed the maximum



OCERS Board Policy

Declining Employer Payroll Policy

amortization period for losses as defined by the OCERS Actuarial Funding Policy, beginning on July 1 of the calendar year immediately after the year in which the triggering event occurs.

12. The actuary will use the actuarial valuation performed for OCERS as of the end of the calendar year immediately before the calendar year in which the triggering event occurs (and based on all of OCERS' then current actuarial assumptions and methodologies) to determine the initial valuation value of assets (VVA), a smoothed value, allocated to the covered employer. That initial VVA will be a pro-rata allocation based on the employer's AAL (i.e., based on the employer's initial UAAL allocation determined in accordance with section 11 above). Later values of the VVA (i.e., those used in the future valuations described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the actual smoothed (VVA) earnings rate on total OCERS assets.
13. Annually, after the determination of the covered employer's initial funding obligation, as part of the regular annual actuarial valuation of the plan, OCERS' actuary will measure any change in the UAAL of the participating employer due to actuarial experience or changes in actuarial assumptions. In addition to the amortized payments for the covered employer's initial UAAL funding obligation determined as of the initial valuation, the employer will be liable for, and must contribute to OCERS, any such new UAAL determined as of subsequent valuations, based upon an amortization schedule recommended by the actuary and adopted by the Board of Retirement. OCERS will hold any negative UAAL (Surplus) to be applied against any future UAAL of the covered employer.
14. If any Surplus remains after the covered employer has satisfied *all* of its UAAL obligations (Final Surplus), OCERS will distribute the Final Surplus in accordance with the terms of applicable law.

Procedures When Board Determines this Policy Should Not Apply

15. The Board may, in its sole discretion, determine that unique and compelling circumstances exist such that the Board should not apply the Policy to the employer. Such determination by the Board should be informed by the objectives of this Policy, which include (i) ensuring equitable and adequate funding of UAAL in cases involving employers with declining payrolls, (ii) approving procedures for identifying employers who should be subject to this Policy, (iii) approving a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL, and (iv) ensuring that the employer remains liable to OCERS and is required to make the required appropriations and transfers to OCERS for the employer's share of liabilities attributable to the its officers and employees who are and may be entitled to receive retirement, disability and related benefits from OCERS. Examples of unique and compelling circumstances include a determination that the decline in the employer's payroll is not material; that the impact to the other employers in the rate group resulting from the triggering event is not material; or the employer is willing to pay a premium to mitigate the additional contributions that would otherwise be shifted to the other employers in the rate pool.
16. If the Board determines that unique and compelling circumstances exist such that the Policy should not be applied to the employer, then the Board may fashion an alternative for the employer that could include allowing the employer to remain pooled with the other employers in the rate group,



OCERS Board Policy

Declining Employer Payroll Policy

and that might also require the employer to pay a premium to mitigate against a shifting of costs to the other employers in the rate group.

17. The CEO will timely report to the Board any instances of triggering events and exclusions from, or terminations of, coverage among any of the participating employers in OCERS.

Policy Review

18. The Board of Retirement will review this Policy at least every three (3) years to ensure that it remains relevant and appropriate.

Policy History

19. The Board of Retirement adopted this Policy on June 15, 2015. The Policy was revised on December 16, 2019, November 14, 2022, and [date].

Secretary's Certificate

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

A handwritten signature in dark ink, appearing to read "Steve Delaney".

Steve Delaney
Secretary of the Board

Date



OCERS Board Policy

Declining Employer Payroll Policy

Purpose and Background

1. A participating employer in the Orange County Employees Retirement System (OCERS or the System) may experience an actual or expected material decline in the payroll attributable to its OCERS' active members (OCERS-covered payroll). This Declining Employer Payroll Policy (Policy) is intended to establish guidelines to ensure that such an employer will continue to satisfy its obligation to timely pay all unfunded actuarial accrued liability (UAAL) attributable to the employer's active, retired, and deferred employees and their beneficiaries by reason of their prior and future service as OCERS members.

Background and Objectives

2. As a general rule, employers' contribution obligations for UAAL are determined by applying a contribution rate determined by OCERS' actuary to the employer's OCERS-covered payroll (the percentage-of-payroll methodology). For employers whose payrolls are generally consistent with OCERS' actuarial assumptions regarding payroll growth, the percentage-of-payroll methodology is appropriate. However, for employers whose OCERS-covered payroll is declining or is expected to decline materially over time, the OCERS Board of Retirement (Board) has determined that the percentage-of-payroll methodology is not the appropriate method of collecting employer contributions owed to the System. The objectives of this Policy are to (i) to ensure equitable and adequate funding of UAAL in cases involving employers with declining payrolls, (ii) approve procedures for identifying employers who should be subject to this Policy, and (iii) approve a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL. This Policy does *not* change the methodology regarding how contributions for "normal cost" are determined for participating employers.
3. Generally, the objectives of this Policy are also to ensure compliance with the County Employees Retirement Law of 1937, California Government Code sections 31450 et seq., as amended, and other applicable provisions of law. Pursuant to Gov't. Code sections 31453, 31453.5, 31581, 31582, 31584, 31585, 31586, and other applicable provisions of law, a participating employer remains liable, and must make the required appropriations and transfers, to OCERS for the employer's share of liabilities attributable to its officers and employees who are and may be entitled to receive retirement, disability, and related benefits from OCERS. This obligation continues after the employer no longer has active employees or payroll and until the employer has paid all UAAL attributable to the employer's active, retired, and deferred employees and their beneficiaries by reason of their prior and future service as OCERS' members.
4. It is the Board's intent to allow an employer covered by this Policy to satisfy its funding obligation in a manner that provides the employer reasonable flexibility; however, primary consideration will be given to ensuring the adequacy of the assets attributable to the employer to satisfy the employer's funding obligations. This will generally require redetermination of the funding obligations of the employer for several years.



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Policy Procedures and Guidelines

Absent unique and compelling circumstances or unless otherwise expressly approved by the Board at a duly-noticed public meeting, the procedures and guidelines for implementing this Policy are set forth below.

Commencement of Coverage – Triggering Events

5. This Policy covers only those employers for whom the Board determines, based on a recommendation from OCERS' Chief Executive Officer (CEO), that a *triggering event* as described in this section 5 has occurred, *and* who are not excluded from coverage under this Policy as described in sections 6 and 7 below.
 - a. *Triggering event resulting from ceasing to enroll new hires.* Some OCERS' participating employers cease to enroll new hires with OCERS but, for a period of time, continue to have at least some previously-enrolled employees maintaining their status as active OCERS members. These employers' OCERS-covered payroll will eventually diminish to zero as their active employees retire or otherwise terminate employment. Examples of employers in this category may include an employer that is acquired by another entity that is not an OCERS participating employer, or an OCERS employer that is taken over by a state agency whose employees are covered by another pension system, such as CalPERS. There may be other examples as well.
 - b. *Triggering event resulting from a material and expected long-lasting reduction in OCERS-covered payroll.* Some employers may experience a material reduction in their OCERS-covered payroll, but continue to enroll their new hires with OCERS. The reduction may be sudden (e.g., due to a discrete event such as a partial loss of funding or partial outsourcing), or it may be more gradual, over a period of years, and might not be tied to a discrete event. Generally, the Board would determine that this type of triggering event has occurred only if the Board expects that the reduction in employer's OCERS-covered payroll is expected to be permanent, long-lasting or for an indefinite period of time that is greater than a cycle that the employer may typically experience, or a cycle similarly experienced by the other employers, if any, in the same OCERS' rate group. Generally, by its nature, the determination whether this type of triggering event has occurred is more subjective than that described in section 5.a. above.

Exclusions from Coverage; Terminations of Coverage

6. This Policy covers *only* those employers (i) who are financially-viable entities when a triggering event occurs, *and* (ii) whom OCERS expects to continue indefinitely thereafter to be financially-viable entities. This Policy does not cover any other situation, including, without limitation, an employer going out of business by reason of dissolution, loss of funding, consolidation, or merger (unless there is a surviving financially viable entity that is acceptable to the Board that will make the ongoing payments under the Policy). This Policy also does not cover a "withdrawing employer" who ceases to provide OCERS membership for *all* of the employer's active OCERS members (i.e., as of a date certain, withdraws both new hires and existing actives from membership with OCERS).
7. The Board recognizes that participating employers covered by this Policy will have UAAL funding obligations for several years. If concerns arise during that period of time regarding the employer's



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ongoing existence as a financially-viable entity, or if the employer's funding obligations become so small that the Board, in its sole discretion, determines it is not administratively feasible to continue to apply this Policy to said employer, the Board may remove the employer from coverage under this Policy and/or take any other measures that may be available to ensure the actuarial soundness of the retirement system or that are administratively convenient and reasonable, including, without limitation, assessing the projected full amount of the employer's UAAL (as recommended by the fund's actuary and approved by the Board), applying a "risk free" discount rate as determined by OCERS in consultation with its actuary, and requiring an immediate lump sum payment.

A "risk free" discount rate for purposes of this Policy generally refers to the set of market-based interest assumptions used by the Pension Benefit Guaranty Corporation (PBGC) to measure the sufficiency of assets for a corporate employer that is terminating its single-employer defined benefit pension plan. These PBGC rates are generally lower than the expected earnings-based discount rate used in OCERS' actuarial valuation.

Procedures

8. The CEO will work with OCERS' staff, service providers (e.g., the actuary), and participating employers to obtain the information (e.g., OCERS-covered payroll history, financial reports) needed for the Board to make determinations regarding triggering events and exclusions from, or terminations of, coverage.
9. Upon a recommendation from the CEO and notice to the affected participating employer, the Board will make a determination at a duly-noticed public meeting regarding (i) whether a triggering event has occurred for the employer, (ii) whether the employer is expressly excluded from coverage under this Policy and if not, whether unique and compelling circumstances exist such that the Board should not apply the Policy to the employer, and (iii) for those employers that the Board has previously determined to be covered under the Policy, whether their coverage should be terminated under section 7 above. Employers may be required to provide OCERS with updated employee census, payroll data, and financial reports. See Gov't. Code section 31543.

Procedures When Board Determines this Policy Should Apply

10. If the Board determines that (i) a triggering event has occurred, (ii) the employer is not expressly excluded from coverage under the Policy, and (iii) unique and compelling circumstances do not exist then, solely for purposes of determining the covered employer's UAAL contribution obligation, the employer will be removed from its rate group (if any); OCERS will segregate on its books all assets and liabilities attributable to the employer based upon the recommendation of OCERS' actuary; and OCERS shall maintain such separate accounting for the employer until all of the employer's obligations to OCERS as determined under sections 11, 12, and 13 below have been fully satisfied.
11. OCERS' actuary will determine, and certify to the Board, the covered employer's funding obligation for its initial UAAL, which obligation shall not be pro-rata based on payroll, but rather based on the employer's actuarial accrued liability (AAL), including inactives. The Board may determine to require the employer's contributions to be paid in level, fixed-dollar amounts over a period to be determined in the Board's sole discretion, which in no event may exceed the maximum



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amortization period for losses as defined by the OCERS Actuarial Funding Policy, beginning on July 1 of the calendar year immediately after the year in which the triggering event occurs.

12. The actuary will use the actuarial valuation performed for OCERS as of the end of the calendar year immediately before the calendar year in which the triggering event occurs (and based on all of OCERS' then current actuarial assumptions and methodologies) to determine the initial valuation value of assets (VVA), a smoothed value, allocated to the covered employer. That initial VVA will be a pro-rata allocation based on the employer's AAL (i.e., based on the employer's initial UAAL allocation determined in accordance with section 11 above). Later values of the VVA (i.e., those used in the future valuations described below) shall be determined by rolling forward the initial VVA, adding contributions, deducting benefit payments, and crediting earnings at the actual smoothed (VVA) earnings rate on total OCERS assets.
13. Annually, after the determination of the covered employer's initial funding obligation, as part of the regular annual actuarial valuation of the plan, OCERS' actuary will measure any change in the UAAL of the participating employer due to actuarial experience or changes in actuarial assumptions. In addition to the amortized payments for the covered employer's initial UAAL funding obligation determined as of the initial valuation, the employer will be liable for, and must contribute to OCERS, any such new UAAL determined as of subsequent valuations, based upon an amortization schedule recommended by the actuary and adopted by the Board of Retirement. OCERS will hold any negative UAAL (Surplus) to be applied against any future UAAL of the covered employer.
14. If any Surplus remains after the covered employer has satisfied *all* of its UAAL obligations (Final Surplus), OCERS will distribute the Final Surplus in accordance with the terms of applicable law.

Procedures When Board Determines this Policy Should Not Apply

15. The Board may, in its sole discretion, determine that unique and compelling circumstances exist such that the Board should not apply the Policy to the employer. Such determination by the Board should be informed by the objectives of this Policy, which include (i) ensuring equitable and adequate funding of UAAL in cases involving employers with declining payrolls, (ii) approving procedures for identifying employers who should be subject to this Policy, (iii) approving a different methodology for determining any UAAL attributable to such employers and setting the amount and schedule of the contributions needed to fund such UAAL, and (iv) ensuring that the employer remains liable to OCERS and is required to make the required appropriations and transfers to OCERS for the employer's share of liabilities attributable to the its officers and employees who are and may be entitled to receive retirement, disability and related benefits from OCERS. Examples of unique and compelling circumstances include a determination that the decline in the employer's payroll is not material; that the impact to the other employers in the rate group resulting from the triggering event is not material; or the employer is willing to pay a premium to mitigate the additional contributions that would otherwise be shifted to the other employers in the rate pool.
16. If the Board determines that unique and compelling circumstances exist such that the Policy should not be applied to the employer, then the Board may fashion an alternative for the employer that could include allowing the employer to remain pooled with the other employers in the rate group,



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and that might also require the employer to pay a premium to mitigate against a shifting of costs to the other employers in the rate group.

17. The CEO will timely report to the Board any instances of triggering events and exclusions from, or terminations of, coverage among any of the participating employers in OCERS.

Policy Review

18. The Board of Retirement will review this Policy at least every three (3) years to ensure that it remains relevant and appropriate.

Policy History

19. The Board of Retirement adopted this Policy on June 15, 2015. The Policy was revised on December 16, 2019, November 14, 2022, and [date].

Secretary's Certificate

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

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

Steve Delaney
Secretary of the Board

Date



Memorandum

DATE: November 20, 2025
TO: Members of the Governance Committee
FROM: Manuel Serpa, General Counsel; Joon Kim, Staff Attorney
SUBJECT: OFF-CYCLE REVIEW OF THE MILITARY SERVICE CREDIT PURCHASES OAP

Recommendation

Approve and recommend that the Board adopt revisions to the OCERS Administrative Procedure (OAP) Military Service Credit Purchases.

Background/Discussion

OCERS Administrative Procedure (OAP) regarding Military Service Credit Purchases was adopted January 19, 2016, at which time this subject was governed by Government Code sections 31649 and 31649.5. Since then, the Legislature has revised section 31649 and repealed 31649.5. The intent was to make “technical, noncontroversial changes.” Staff has revised the OAP to cite and incorporate the current version of Section 31649 and remove reference to now-repealed Section 31649.5.

In its amendments, the Legislature revised language in the statute that was ambiguous regarding the time by which a member must return to county service to be eligible to purchase military service credit. It was previously unclear whether a member had to return to county service within one year of separation from *county service* or from *military service*. The current version of Section 31649 clarifies that it is the latter.

In addition, whereas benefits under USERRA are conditioned on the requirement that the employee’s cumulative length of all absences for military service does not exceed five years, the CERL states members may purchase service credit for all periods of absence, even if it exceeds the cumulative five years, so long as the member returns to county or district employment within one year of honorable discharge from the military.

Any member **who does not qualify for reemployment benefits under [USERRA] due to the length of the military service, and who returns to county or district employment within one year of being honorably discharged** from the Armed Forces of the United States, **shall receive credit for service for all or any part of the member's military service**, if, before retirement from the county or district, the member contributes what they would have paid to the fund for that period. (Gov. Code, § 31649, emphasis added.)

The CERL’s more favorable approach toward members is compatible with Congressional intent under USERRA, as the federal law states that USERRA shall not supersede, nullify, or diminish any State law or plan that establishes a right or benefit that is *more beneficial or in addition to* what is provided by USERRA. (38 U.S.C. § 4302(a).) OCERS Administrative Procedure has been updated accordingly.

A clean and redlined version of the OAP is attached for the Committee’s review.

Attachments

Submitted by:



MDS-Approved

Manuel D. Serpa
General Counsel

Submitted by:



JK-Approved

Joon Kim
Staff Attorney



OCERS Administrative Procedure (OAP) Military Service Credit Purchases

I. Authority

1. This OCERS Administrative Procedure (OAP) is established pursuant to the Chief Executive Officer (CEO) Charter, which directs the CEO to develop staff policies and procedures to ensure the effective and efficient administration of member benefits. The OAP complies with Board Policy, the County Employees Retirement Law (California Government Code section 31450, et seq.) (CERL), and the Public Employees' Pension Reform Act (Government Code, sections 7522 - 7522.74) (PEPRA).

This OAP addresses military service credit purchases, in conformance with Gov. Code § 31649, and in compliance with the Uniformed Services Employment/Reemployment Rights Act (USERRA), (38 U.S.C. §§ 4301, et. seq.:

2. Any.), which provides that any member who was absent from county ~~or~~ district employment for military service and is eligible for reemployment benefits pursuant to USERRA, may, as provided in USERRA, make contributions and receive service credit for the time absent.ⁱ ~~(38 U.S.C. § 4301(a).)~~

Any member who does not qualify for reemployment benefits due to the length of their military service exceeding the ~~limits~~ limit imposed by USERRA, and who returns to county or district employment within one yearⁱⁱ of being honorably discharged from the Armed Forces of the United States, shall receive credit for service for all or any part of the member's military service, if, before retirement from the county or district, the member contributes what they would have paid to the fund for that period based on the member's compensation earnable as defined by Government Code section 31461, or pensionable compensation, as defined by Government Code section 7522.34, whichever is applicable, at the time ~~of the beginning of the absence together, their absence began.~~ⁱⁱⁱ ~~(38 U.S.C. § 4301(b); Gov. Code, §§ 31461, 7522.34.)~~

Contributions are to be paid based on the rate of pay the member would have received but for their period of military service.^{iv} ~~(38 U.S.C. § 4318(b)(3); 20 C.F.R. § 1002.267.)~~ The member is not required to pay interest on the contributions.^v ~~(38 U.S.C. § 4318(b)(2); 20 C.F.R. § 1002.263.)~~

II. Process

- ~~1.~~ 3. When notified that a member has returned from a resignation or leave of absence to serve in the Armed Forces of the United States, OCERS will contact the member to determine whether the member wishes to enter into an agreement with OCERS to purchase all or part of the service credit the member would have earned as an OCERS member but for the military service. ~~In the~~

ⁱ ~~USERRA Allows for an extension of the return to service up to allows an additional year to return to service for recovery from injuries incurred or aggravated during military service. The additional recuperation time may also be counted as service for the purpose of vesting and accrual of benefits. (20 C.F.R. § 1002.259 (b))~~



OCERS Administrative Procedure (OAP) Military Service Credit Purchases

~~event that~~ If OCERS is not notified immediately ~~following the return~~ after returning from ~~the~~ military leave, the member may submit a request to purchase service credit ~~form for~~ any ~~time-~~ prior to retirement for ~~missed~~ service ~~credit missing as a result of the member's~~ due to their military service at any time before retirement.

2.4. If the member wishes to purchase ~~missing~~ military service credit, OCERS will ~~confirm~~ verify the dates of military service and confirm that the member ~~reentered~~ returned to OCERS-covered employment within one year of separation from military service. The member will be required to provide such proof of military service dates by providing OCERS with one or more of the following documents:

- a. Department of Defense 214 Certificate of Release or Discharge From Active Duty;
- b. Copy of duty orders prepared by the facility where the orders were fulfilled, carrying an endorsement indicating completion of the described service;
- c. Letter from the commanding officer of a Personnel Support Activity or someone of comparable authority;
- d. Certificate of completion from military training school;
- e. Discharge certificate showing character of service; and
- f. Copy of extracts from payroll documents showing periods of service.

3.5. OCERS will prepare a quote for the purchase of all or any ~~portion~~ part of the military service credit as requested by the member. ~~Quotes~~ The quote will include the amount of contributions the member would have paid for the service, but for the resignation or leave of absence, based on the ~~member's~~ member's rate of pay ~~he or she~~ they would have received ~~but if not~~ for the period of uniformed service and the employee contribution rate, ~~at the time of the~~ commencement of the resignation or leave of absence.

4.6. Payment options for the service credit purchase will be presented to the member with the cost estimate. Payment may be made by lump sum, rollover, periodic payment, or payroll deductions as allowed under service credit purchase rules generally applicable to OCERS.

5.7. Upon initial agreement by the member, OCERS will prepare the service credit purchase contract, which will include, ~~but not be limited to,~~ the amount of service credit to be purchased, the total amount to be paid, and the payment option requested by the member.

6.8. In the event the member does not complete the service purchase contract, the member will receive credit for any service actually paid for under the contract.

7.9. All service credit purchases for military service shall be completed ~~prior to~~ before the ~~member's~~ member retires from OCERS-covered employment.

10. The employer will be responsible for employer contributions for the period of service related to the member's service credit purchase. Employer contributions are based on the rate of compensation the employee would have received but for the period of uniformed service.

8.11. In the event that this procedure conflicts with statute or authoritative case law, the statute or case law will control.



OCERS Administrative Procedure (OAP) Military Service Credit Purchases

ⁱ [\(38 U.S.C. § 4301\(a\).\)](#)

ⁱⁱ [USERRA allows an additional year to return to service for recovery from injuries incurred or aggravated during military service. The additional recuperation time may also be counted as service for the purpose of vesting and accrual of benefits. \(20 C.F.R. § 1002.259 \(b\)\)](#)

ⁱⁱⁱ [\(38 U.S.C. § 4301\(b\); Gov. Code, §§ 31461, 7522.34.\)](#)

^{iv} [\(38 U.S.C. § 4318\(b\)\(3\); 20 C.F.R. § 1002.267.\)](#)

^v [\(38 U.S.C. § 4318\(b\)\(2\); 20 C.F.R. § 1002.263.\)](#)



OCERS Administrative Procedure (OAP)

Military Service Credit Purchases

I. Authority

1. This OCERS Administrative Procedure (OAP) is established pursuant to the Chief Executive Officer (CEO) Charter, which directs the CEO to develop staff policies and procedures to ensure the effective and efficient administration of member benefits. The OAP complies with Board Policy, the County Employees Retirement Law (California Government Code section 31450, et seq.) (CERL), and the Public Employees' Pension Reform Act (Government Code, sections 7522 - 7522.74) (PEPRA).
2. This OAP addresses military service credit purchases, in conformance with Gov. Code § 31649, and in compliance with the Uniformed Services Reemployment Rights Act (USERRA), (38 U.S.C. §§ 4301 et. seq.), which provides that any member who was absent from county or district employment for military service and is eligible for reemployment benefits pursuant to USERRA may, as provided in USERRA, make contributions and receive service credit for the time absent.ⁱ

Any member who does not qualify for reemployment benefits due to the length of their military service exceeding the limit imposed by USERRA, and who returns to county or district employment within one yearⁱⁱ of being honorably discharged from the Armed Forces of the United States, shall receive credit for service for all or any part of the member's military service, if, before retirement from the county or district, the member contributes what they would have paid to the fund for that period based on the member's compensation earnable as defined by Government Code section 31461, or pensionable compensation, as defined by Government Code section 7522.34, whichever is applicable, at the time their absence began.ⁱⁱⁱ

Contributions are to be paid based on the rate of pay the member would have received but for their period of military service.^{iv} The member is not required to pay interest on the contributions.^v

II. Process

3. When notified that a member has returned from a resignation or leave of absence to serve in the Armed Forces of the United States, OCERS will contact the member to determine whether the member wishes to enter into an agreement with OCERS to purchase all or part of the service credit the member would have earned as an OCERS member but for the military service. If OCERS is not notified immediately after returning from military leave, the member may submit a request to purchase service credit for any missed service due to their military service at any time before retirement.
4. If the member wishes to purchase military service credit, OCERS will verify the dates of military service and confirm that the member returned to OCERS-covered employment within one year of separation from military service. The member will be required to provide such proof of military service dates by providing OCERS with one or more of the following documents:
 - a. Department of Defense 214 Certificate of Release or Discharge From Active Duty;
 - b. Copy of duty orders prepared by the facility where the orders were fulfilled, carrying an endorsement indicating completion of the described service;



OCERS Administrative Procedure (OAP) Military Service Credit Purchases

- c. Letter from the commanding officer of a Personnel Support Activity or someone of comparable authority;
 - d. Certificate of completion from military training school;
 - e. Discharge certificate showing character of service; and
 - f. Copy of extracts from payroll documents showing periods of service.
5. OCERS will prepare a quote for the purchase of all or any part of the military service credit as requested by the member. The quote will include the amount of contributions the member would have paid for the service, but for the resignation or leave of absence, based on the member's rate of pay they would have received if not for the period of uniformed service and the employee contribution rate at the time of the resignation or leave of absence.
6. Payment options for the service credit purchase will be presented to the member with the cost estimate. Payment may be made by lump sum, rollover, periodic payment, or payroll deductions as allowed under service credit purchase rules generally applicable to OCERS.
7. Upon initial agreement by the member, OCERS will prepare the service credit purchase contract, which will include the amount of service credit to be purchased, the total amount to be paid, and the payment option requested by the member.
8. In the event the member does not complete the service purchase contract, the member will receive credit for any service actually paid for under the contract.
9. All service credit purchases for military service shall be completed before the member retires from OCERS-covered employment.
10. The employer will be responsible for employer contributions for the period of service related to the member's service credit purchase. Employer contributions are based on the rate of compensation the employee would have received but for the period of uniformed service.
11. In the event that this procedure conflicts with statute or authoritative case law, the statute or case law will control.

ⁱ (38 U.S.C. § 4301(a).)

ⁱⁱ USERRA allows an additional year to return to service for recovery from injuries incurred or aggravated during military service. The additional recuperation time may also be counted as service for the purpose of vesting and accrual of benefits. (20 C.F.R. § 1002.259 (b))

ⁱⁱⁱ (38 U.S.C. § 4301(b); Gov. Code, §§ 31461, 7522.34.)

^{iv} (38 U.S.C. § 4318(b)(3); 20 C.F.R. § 1002.267.)

^v (38 U.S.C. § 4318(b)(2); 20 C.F.R. § 1002.263.)



Memorandum

DATE: November 20, 2025
 TO: Members of the Governance Committee
 FROM: David Kim, Asst. CEO, External Operations; Mark Adviento, Director of Member Services
 SUBJECT: **2025 YEAR IN REVIEW: DATA PROJECT**

Background

Over the past year, OCERS has continued its effort to strengthen the accuracy and consistency of payroll and member data submitted by our Employers. This work has included ongoing employer engagement, refinement of payroll reporting standards, development of the Employer Handbook, and early coordination to support alignment with the future Pension Administration System (PAS).

Employer Handbook and Reporting Standards

Staff is finalizing the **Employer Handbook** (Handbook), which serves as a technical manual for employers regarding payroll transmittals and exception resolution. In 2025, OCERS' Legal Department reviewed and approved a new standardized methodology for Employer reporting of vacation cashouts, holiday pay cashouts, and sick leave cashouts, ensuring consistent treatment of pensionable compensation. This methodology has been incorporated into the draft Handbook and communicated directly to employers.

Employer Engagement

Throughout 2025, OCERS shared updated Handbook guidance through quarterly All-Employer Meetings and individual employer consultations, allowing employers to provide feedback and confirm alignment with their payroll processes. Staff also continued discussions with individual Employers, including the County of Orange, to support improved data-sharing practices in preparation for the PAS implementation.

Data Policy and Fee Methodology

The Employer Handbook will inform the upcoming OCERS Board Data Policy, which will formalize employer reporting expectations and accountability. Staff has also begun developing a fee methodology to address repeated or significant reporting variances that require additional administrative resources. To support this work, staff consulted with Alameda County to review their approach to employer data-related fees. As a point of reference, Alameda's implementation of similar fees took approximately three years, primarily due to the need to align with employers' budget cycles and the timeline for their PAS implementation. OCERS' fee methodology and any associated fee levels will be included in the Data Policy, not in the Handbook.

A draft Data Policy was last presented to the Governance Committee in March 2025, and staff anticipates returning with a revised version in **2026**, following final Handbook distribution and continued employer implementation support.

Next Steps

- Finalize and release the Employer Handbook.
- Present revised Data Policy and fee methodology to the Governance Committee in 2026.

Submitted by:



DK-Approved

David Kim
Assistant CEO, External Operations



MA-Approved

Mark Adviento
Director of Member Services