

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

REGULAR MEETING  
Monday, July 16, 2018  
9:00 a.m.

MINUTES

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

Attendance was as follows:

Present: Chris Prevatt, Chair; Chuck Packard, Vice-Chair; David Ball; Roger Hilton; Shawn Dewane; Frank Eley; Russell Baldwin, Wayne Lindholm and Shari Freidenrich

Also Present: Steve Delaney, Chief Executive Officer; Brenda Shott, Assistant CEO, Finance and Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Molly Murphy, Chief Investment Officer; Jenny Sadoski, Director of Information Technology; Gina Ratto, General Counsel; Anthony Beltran, Visual Technician; Brittany Cleberg, Recording Secretary.

Guests: Hugh Nguyen, Orange County Clerk Recorder; Sally Choi, Consultant.

*Ms. Freidenrich led the Pledge of Allegiance.*

Mr. Hilton was sworn in by Mr. Nguyen, Orange County Clerk Recorder.

CONSENT AGENDA

All matters on the Consent Agenda are to be approved by one action unless a Board Member or a member of the public requests separate action on a specific item.

Ms. Jenike removed item C-1.

A motion was made by Mr. Ball seconded by Mr. Dewane to approve the consent agenda.

Motion passed unanimously.

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

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

(1) Maritza Partida

<b>ADMINISTRATION</b>
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**C-2 BOARD MEETING MINUTES**

Regular Board Meeting Minutes

June 18, 2018

**Recommendation:** Approve minutes.

**ACTION ITEMS**

**NOTE:** Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Board's discussion of the item. Persons wishing to address items on the agenda should provide written notice to the Secretary of the Board prior to the Board's discussion on the item by signing in on the Public Comment Sign-In Sheet located at the back of the room.

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

**A-2 EARLY PAYMENT OF EMPLOYER CONTRIBUTIONS PROGRAM – 2019**

*Presentation by Brenda Shott, Assistant Chief Executive Officer Finance and Internal Operations and Molly Murphy, Chief Investment Officer*

**Recommendation:** Approve the terms of a prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 2019 - June 2020.

Ms. Shott discussed the annual request to the Board to approve the terms of a prepayment program with the discount rate of 4.5%, consistent with the past two years, for employers who make prepayments of contributions prior to January 15, 2019. All other terms of the program remain the same.

Ms. Freidenrich and Ms. Shott discussed the level of participation in the prepayment program by the plan sponsors. The only plan sponsors not participating in the prepayment program are Superior Court, based on their funding mechanisms, and OCERS due to logistics.

A **motion** was made by Mr. Baldwin **seconded** by Mr. Packard to approve the terms of a prepayment discount program for the advance payment of employer contributions, including the discount rate to be used, for contribution year July 2019 - June 2020.

Motion passed **unanimously**.

**A-4 CONSIDER TAKING POSITION ON PROPOSED FEDERAL LEGISLATION – PUBLIC EMPLOYEE PENSION TRANSPARENCY ACT (PEPTA)**

**Recommendation:** Staff recommends an opposed position.

Ms. Ratto gave a summary of the proposed federal legislation, Public Employee Pension Transparency Act (PEPTA).

Mr. Ball requested Ms. Shott to provide a summary of what GASB requires with regards to using the treasury rate when valuing liabilities.

Ms. Shott explained that GASB requires the use of a blended rate in a plan if a cash flow analysis shows that the plan will not have the cash available to pay promised benefits. Should that condition exist, the plan would switch from using their assumed rate of return to value its liabilities to using a risk-free rate at the cross over point when cash is not sufficient to pay benefits due.

Mr. Ball clarified that using a blended rate does not apply to OCERS.

Mr. Dewane stated that there are two provisions in the OCERS Legislative Policy that indicate OCERS would oppose legislation: when the proposed bill had the potential to increase unfunded liability or when the bill might compromise OCERS ability to deliver benefits. This bill would have those direct results, taking an opposed position would be consistent with the tendency legislative policy.

Ms. Ratto stated the bill creates a reporting requirement only.

A **motion** was made by Mr. Hilton **seconded** by Mr. Packard to accept staff's recommendation to take an opposed position.

Motion passed **unanimously**.

**INFORMATION ITEMS**

Mr. Lindholm requested information regarding I-6. Mr. Delaney commented during the CEO Comments section.

**I-1 MEMBER MATERIALS DISTRIBUTED**

Written Report

Application Notices

July 16, 2018

Death Notices

July 16, 2018

**I-2 AUDIT COMMITTEE MEETING MINUTES**

Written Report

**I-3 CEO FUTURE AGENDAS AND 2018 OCERS BOARD WORK PLAN**

Written Report

- I-4 QUIET PERIOD – NON-INVESTMENT CONTRACTS**  
Written Report
- I-5 LEGISLATIVE UPDATE**  
Written Report
- I-6 2018 STRATEGIC PLANNING WORKSHOP – PROPOSED AGENDA TOPICS**  
Written Report
- I-7 SECOND QUARTER 2018 EDUCATION AND TRAVEL EXPENSE REPORT**  
Written Report
- I-8 BOARD OF RETIREMENT – GENERAL ELECTION**  
Written Report
- I-9 CONTRACT STATUS FOR NAMED SERVICE PROVIDERS**  
Written Report
- I-10 2018 PRIMA CONFERENCE**  
Written Report
- I-11 SOCIETY OF HUMAN RESOURCES MANAGEMENT (SHRM)**  
Written Report
- I-12 BOARD COMMUNICATION**  
Written Report
- I-13 ILLUSTRATIONS OF RETIREMENT COSTS, UNFUNDED ACTUARIAL ACCRUED LIABILITY AND FUNDED RATIO UNDER ALTERNATIVE ECONOMIC SCENARIOS**  
*Presentation by Paul Angelo, Segal Consulting*

Mr. Angelo explained the new actuarial standard, ASOP 51, OCERS actuary will comply with that standard effective with the December 2018 actuarial.

Ms. Freidenrich inquired about the possibility for the graph to have an overlay with rates.

- A-3 SENSITIVITY ANALYSIS OF ALTERNATIVE ECONOMIC ASSUMPTIONS**  
*Presentation by Paul Angelo, Segal Consulting*

Mr. Angelo summarized the presentation of Alternative Economic Assumptions Analysis.

The Board discussed whether there was value in producing hypothetical information and the number of scenarios that should be run.

Mr. Prevatt suggested a change to the context of how the information is reported. A preamble as to what it is and why they are looking at it.

Mr. Angelo agreed to make the information more prominent.

A **motion** was made by Mr. Ball **seconded** by Mr. Baldwin to adopt the four Alternative Economic Assumptions for Sensitivity Testing proposed by Segal subject to the restrictions and qualifications that the Chair has placed on the dissemination of the information.

Motion passed **unanimously**.

***The Board recessed for a break at 10:06am.***

***The Board reconvened from break at 10:23am.***

**I-14 CEM BENCHMARKING REPORT**

*Presentation by Steve Delaney, Chief Executive Officer and Sally Choi, Consultant*

Mr. Delaney gave background on the CEM Benchmarking Report and the benefits.

Mr. Ball clarified that the chart was showing the wages necessary in California.

Mr. Delaney clarified that California is 46% higher in labor costs.

Mr. Ball stated that OCERS salary expense will put OCERS above the national average and OCERS should be compared to systems that have to pay similar wages.

Ms. Choi noted that one of the restraints with CEM is that not all systems participate.

Ms. Freidenrich noted that some systems have shared costs.

Mr. Ball shared the system's members will be concerned about how OCERS is spending this money and addressed the questions regarding efficiency.

Mr. Delaney stated the complexity of OCERS' system results in higher costs.

Mr. Eley noted that not only do OCERS has multiple plan sponsors but multiple plans per plan sponsor which is indicative of the complexity.

Ms. Choi noted that OCERS has a 19% higher workload than peer average.

Mr. Packard mentioned that the member calls seems larger than the peer average.

Mr. Delaney noted that the number of member calls is estimated and OCERS is working on an improved system to track those calls.

Mr. Prevatt addressed the estimated calls versus the retirement estimates online.

Mr. Hilton noted that the information is interesting but it doesn't appear to be of much use due to the estimated nature of the numbers presented and the inconsistent reporting and comparisons.

Mr. Packard and Ms. Choi discussed the disability score of zero. It was clarified that OCERS was given a low score due to the twelve months given as the disability application process length.

**PUBLIC COMMENTS:** At this time members of the public may address the Board of Retirement regarding any items within the subject matter jurisdiction of the Board, provided that no action may be taken on non-agendized items unless authorized by law.

N/A

**BOARD MEMBER COMMENTS**

N/A

**CEO COMMENTS**

Mr. Delaney discussed the multiple potential speakers for the Strategic Planning Meeting in September.

**STAFF COMMENTS**

Ms. Jenike discussed the Contribution Comparisons Worksheet  
Ms. Hockless gave an update on staffing. As of July 16, 2018 OCERS has twelve open positions and twenty positions have been filled this year.

**COUNSEL COMMENTS**

N/A

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

**Retired Members**

Barela, John  
Barnard, Roberta  
Bennett, Shirley  
Brandt, Lincoln  
Braun, Mary  
De Marco, Ralph  
Diethorn, Audrey  
Faley, Mary  
Grant, Robert  
Hall, Judi  
Horne, Lucinda  
Hoyle, Viola  
Jones, Donald  
Kane, John  
Kleeger, Sonia  
May, Charles  
Mc Nichols, Joyce  
Munoz, Isabel

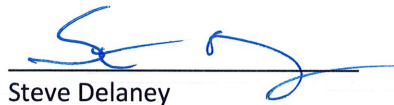
Murphy, Claire  
Nelson, William  
Parks, Carolyn  
Schorer, Ervin  
Smith, John  
Solis, Baldemar  
Wadginski, Francis  
Williams, Robert

**Surviving Spouses**

Chaisson, Miriam  
Cheatham, Norma  
Cowder, Cecil  
Fogle, Irene  
Hitchcock, Dorothy  
Kincaid, Margaret  
Wayne, Vivian

There being no further business to bring before the Board, the meeting adjourned at 11:47 a.m.

Submitted by:



Steve Delaney  
Secretary to the Board

Approved by:



Chris Prevatt  
Chairman